

Year-to-date deliveries surpass 1 million sq. ft. in Houston Office market

Houston Office

Ten months into 2023, the overall vacancy rate in the Houston office market was **25.0%**, up 50 basis points from **24.5%** year-over-year. Year-to-date, net absorption—move-ins minus move-outs—is at **-428,389 sq. ft.**, further plummeting from the prior year-to-date figure of **-327,443 sq. ft.** In recent news, NRG Energy signed a 245,000-sq-ft. office lease at 1301 McKinney Street (3 Houston Center) in October 2023—planning to downsize from their current 431,000-sq.-ft. office space at 910 Louisiana Street. NRG’s anticipated move-in date is January 2026. Downsizing makes up a large portion of leasing activity in 2023. Year-to-date, leasing activity is at **11.1 million sq. ft.**, decreasing 21% from **14.0 million sq. ft.** the prior year. Year-to-date, deliveries are at **1.1 million sq. ft.**, increasing 41% from **822,538 sq. ft.** the prior year. A notable delivery in October was a 250,000-sq.-ft. office building (TMC Collaborative Building) within the South Main/Medical Center submarket. The average asking rent currently stands at **\$30.43 per sq. ft.**—a record-high for the metro’s office sector—up slightly from **\$30.08 per sq. ft.** the previous year.

Houston Industrial

The overall vacancy rate in the Houston industrial market as of October 2023 was 6.7%, up 160 basis points from 5.1% year-over-year. Year-to-date, net absorption is at 14.7 million sq. ft.—down 45% from the prior year-to-date tally of 27.1 million sq. ft. Year-to-date net absorption trended close to its 10-year average of 14 million sq. ft. Year-to-date, deliveries registered at 27.9 million sq. ft., up 32% from the previous year-to-date number of 21.1 million sq. ft. Year-to-date, leasing activity is at 36.1 million sq. ft., down 22% from 46.3 million sq. ft. the prior year. Lastly, the average monthly rental rate stands at \$0.77 per sq. ft.—a record-high for the metro’s industrial sector—up 7% from \$0.72 per sq. ft. Despite increased supply and elevated vacancies, industrial rent growth remains resilient in Houston.

Houston Multifamily

Year-to-date, 13,329 multifamily units have been absorbed in Houston, surging from 3,463 units this time last year. Overall occupancy in the Houston multifamily market declined to 89.8% in October 2023, down 90 basis points from 90.7% in October 2022. As of October 2023, 31,582 units filled Houston’s multifamily construction pipeline. Over the prior three years, construction averaged around 34,000 units annually. Year-to-date, deliveries have amounted to 21,714 units, increasing 34% from the prior year-to-date number of 16,214 units. The average monthly rate currently stands at \$1,301 per unit, up slightly from \$1,291 per unit the prior year.

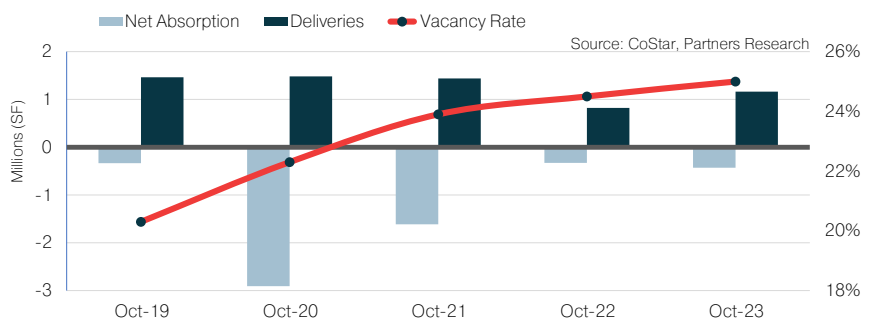
Houston Retail

As of October 2023, the overall vacancy rate in Houston’s retail market was 5.1%, up 10 basis points from 5.0% the previous year. The vacancy rate is projected to hold steady as positive absorption continues over the next several quarters. Year-to-date, net absorption is at 2.8 million sq. ft., down 40% from the previous year-to-date total of 4.7 million sq. ft. Year-to-date, leasing activity tallied 6.2 million sq. ft., down 22% from the prior year-to-date amount of 7.9 million sq. ft. Retail construction is at 3.7 million sq. ft. in October 2023—slightly below the three-year average of 3.9 million sq. ft. Year-to-date, deliveries increased 34% from 3.3 million sq. ft. in October 2022 to 2.4 million sq. ft. in October 2023. The average asking rent increased 5% year-over-year, currently standing at \$20.38 per sq. ft.

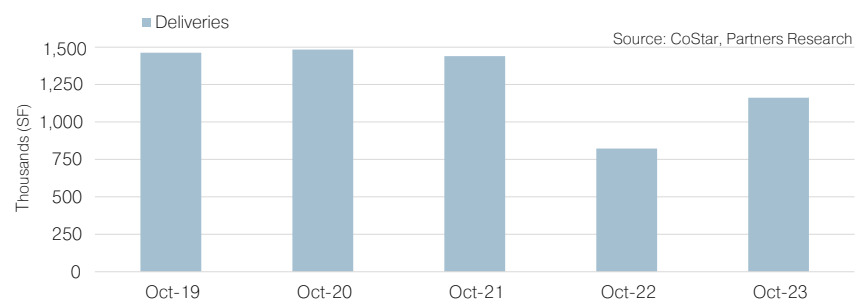
Office | Key Market Indicators

	October 2023	vs	October 2022
Vacancy	25.0%	▲	24.5%
Availability	28.0%	▼	29.1%
Under Construction SF	2,423,779	▼	3,343,512
Gross Average Asking Rent	\$30.43	▲	\$30.03
Net Absorption SF (YTD)	-428,389	▼	-327,443
Leasing Activity SF (YTD)	11,186,499	▼	14,082,280
Deliveries SF (YTD)	1,162,170	▲	822,538

Office | Supply & Demand



Office | Deliveries



Office | Annual Rent Growth

