

# HOUSTON



## OVERVIEW

Houston's office market closed the first half of 2019 with an overall citywide vacancy rate of 16.6%, up slightly from the previous quarter, but essentially unchanged from one year ago. This translates to 68.1 million square feet of available space across the city – roughly the equivalent of 70 downtown high-rises – and continues to be one of the highest vacancy rates among all major US metro areas. High vacancy rates and sluggish demand have driven landlords to continue offering hefty rental abatement and concession packages to prospective tenants. As newer, higher quality space options become more affordable to tenants, landlords have embarked on capital improvement initiatives to update their assets and add amenities with the hope of attracting and retaining tenants in older properties across the city.

## FUNDAMENTALS

Forecast

<b>YTD net absorption</b>	43,976 SF	▶
<b>Under construction</b>	3,004,628 SF	▶
<b>Average asking rent (gross)</b>	\$28.92	▶
<b>Concessions</b>	Flat to Rising	▶

  

	<b>KING &amp; SPALDING</b>	
<b>Market Size</b>	<b>Largest Office Deal</b>	<b>Total Vacancy</b>
<b>332,088,444 SF</b>	<b>116,732 SF</b>	<b>54,990,609 SF</b>

## TOTAL VACANCY



## AVERAGE ASKING RENTS



## OUTLOOK

- Houston has emerged from one of the worst energy downturns of the past 35 years. Oil prices fell by 75%, the rig count by 80% and exploration budgets by 62%. One in every four energy jobs in Houston was lost.
- The downturn cost Houston 86,400 high-paying energy jobs. Since the recovery began, only 24,400 jobs have been recouped.
- The Greater Houston Partnership forecasts the Houston area will create 71,000 jobs in 2019, with growth in health care, construction and administrative services. Energy will continue to recover. Manufacturing output will grow.
- The bottom of the most recent office market downturn was mid-2016, when job losses and energy bankruptcies peaked. The office market has a long way to go before it recovers.
- In a normal year, the market absorbs 2-4 million SF of space, suggesting that Houston needs 4-5 years of healthy absorption to bring the direct vacancy rate down to a less concerning level.

For more information, please contact:

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