# Office fundamentals stabilize amid limited new supply

▼ 23.8%
Vacancy Rate

▲ 320,149
SF Net Absorption

▼ 150,794
SF Construction Delivered

▼ 108,931
SF Under Construction

▲ $20.29
NNN/YR Direct Lease Rate

Note: Arrows indicate change from previous quarter.

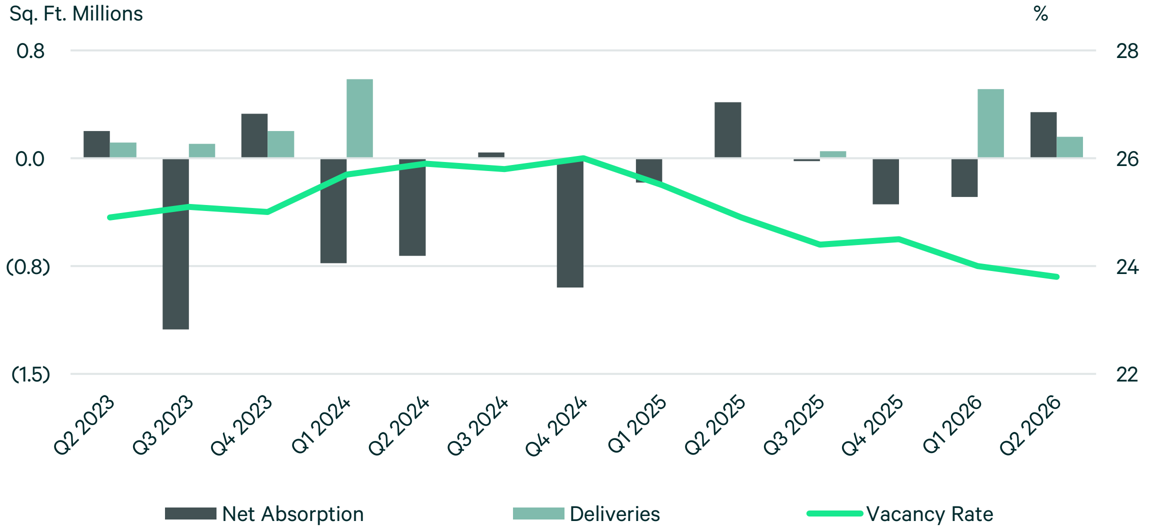
## KEY HIGHLIGHTS

Houston's Office market demonstrated continued momentum in Q2 2026, with 320,000 sq. ft. of net absorption, reflecting a broader flight-to-quality movement among tenants seeking larger, higher-quality spaces. This trend was exemplified by two marquee occupancies: Dow's 203,000 sq. ft. at City Centre Six, and Vitol's 150,000 sq. ft. at The RO Phase I, both of which delivered this year.

The appetite for high-quality office space shows no signs of abating. The RO Phase I delivered this quarter at 100% leased, preceded by two buildings last quarter, City Centre Six and Port Houston Headquarter, all completed between 90% and 100% leased. With Autry Park set to deliver at 95% pre-leased, the project's strong leasing performance underscores the limited availability of trophy-quality space and the ongoing need for future development to satisfy tenant demand.

The bifurcation between Trophy/Class A+ and Class B office properties persisted, with Trophy/Class A+ vacancy down to 11.7%, while Class B vacancy stood at 24.9%, further widening the performance gap across Houston's office market. This divergence is particularly evident across Houston's leading submarkets, such as, the CBD, Katy Freeway, and The Woodlands, where tenant preference for quality remains most pronounced.

Figure 1: Historical Absorption, Deliveries, and Vacancy



## Leasing Activity

Leasing activity slowed in Q2, with the quarter closing at just over 1 million sq. ft. of signed leases. Class A properties continued to dominate, capturing 99% of all transaction volume. Superior Energy Services signed the quarter's largest new lease, 56,000 sq. ft. at 8020 Katy Freeway, while IBM committed to the largest renewal, retaining 43,000 sq. ft. at 12301 Kurland Drive.

The CBD led all submarkets in deal volume, anchored by activity at 811 Main, where Seyfarth Shaw signed a 40,000 sq. ft. new lease and Two Sigma Solutions expanded by 27,000 sq. ft. Sugar Land, meanwhile, recorded the highest leasing volume relative to its market size, with several transactions exceeding 20,000 sq. ft., headlined by Primoris Services' 25,000 sq. ft. lease at 2150 Town Square.

Figure 2: Leasing Activity by Sector– 10,000 sq. ft. and up

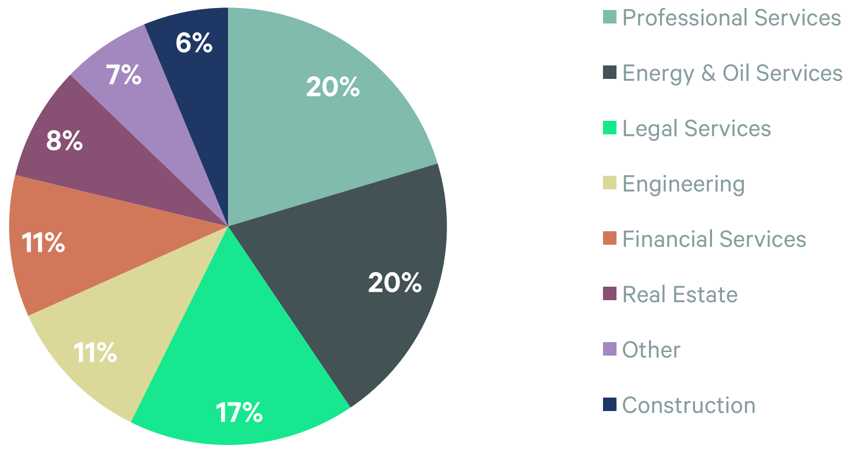



Figure 3: Leasing Activity Trend – 10,000 sq. ft. and up

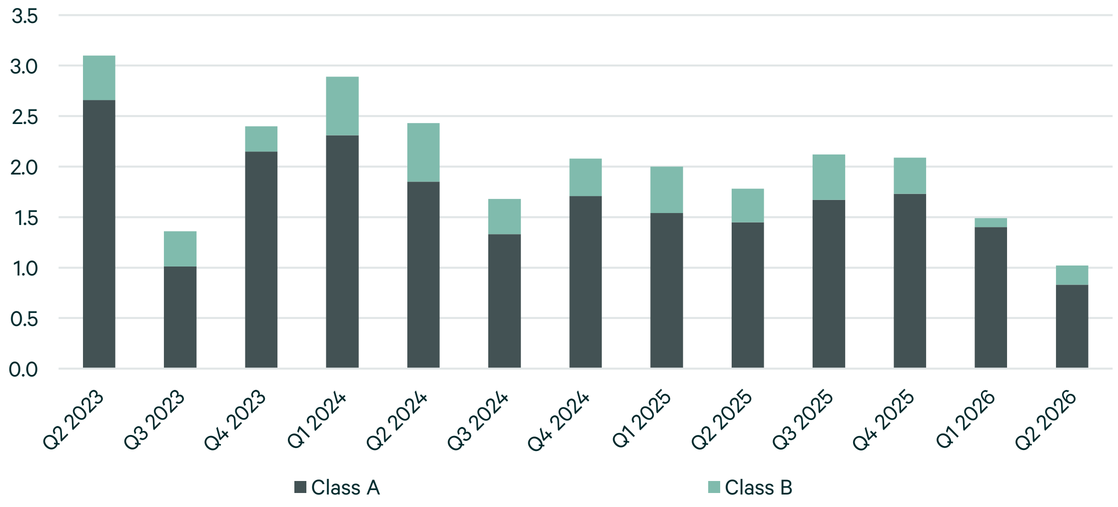
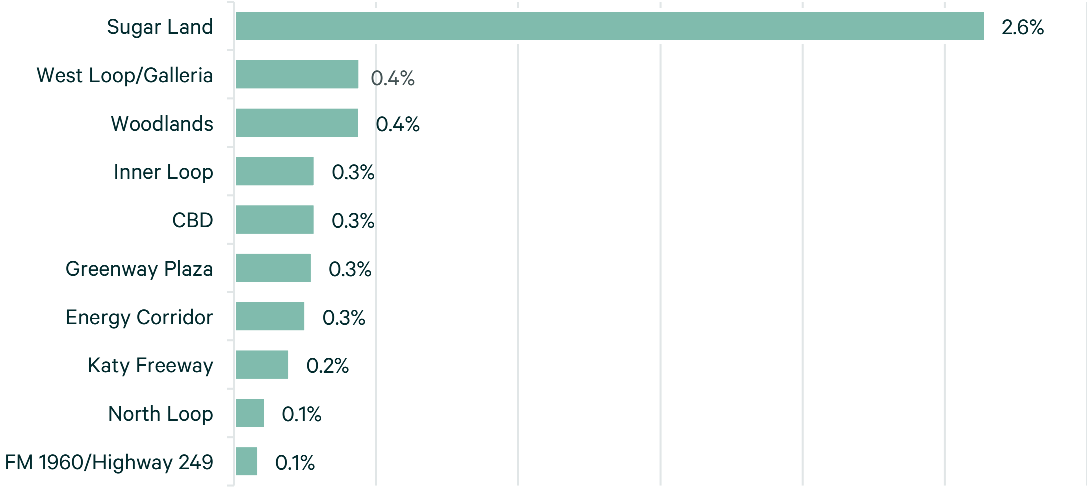



Figure 4: Leasing Volume as a Percentage of Submarket Size



## Construction and Deliveries

Phase 1 of The RO delivered 150,000 sq. ft. of Office space, fully leased by Vitol, in Houston's Inner Loop this quarter. Combined, the first half of 2026 has seen four office deliveries, totaling 630,000 sq. ft. of new Class A space – marking this one of the more active periods of office construction in recent years after an extended slowdown in development activity.

Autry Park Phase I remains under construction, set to deliver 127,000 sq. ft. later this year at 95% pre-leased. With strong demand absorbing new supply nearly as fast as it arrives, several proposed Class A developments are expected to advance into the construction pipeline across Houston's most active submarkets.

## Net Absorption

Houston saw a very active marketplace, with over 320,000 sq. ft. of net move-ins this quarter, three of which were over 100,000 sq. ft. Dow occupied 203,000 sq. ft. at City Centre Six, Boardwalk Pipelines occupied 143,000 sq. ft. at 990 Town & Country, and Vitol occupied 150,000 at The RO. The common thread across these occupancies is availability — each building was either newly delivered or recently vacated, enabling tenants to secure large blocks of contiguous space.

Katy Freeway emerged as the quarter's standout submarket, recording over 400,000 sq. ft. of net absorption led by the Dow and Boardwalk Pipeline move-ins and no move-outs over 10,000 sq. ft.

## Economic Overview

The U.S. economy enters mid-2026 navigating crosscurrents but growing at a healthy pace, with CBRE projecting GDP growth averaging 2.2%, broadly in line with 2025. The AI investment boom is certainly a key driver of this expansion. Concerns surrounding the sustainability of this growth are valid, but we expect AI-related business investment to continue.

The more pressing concern in recent months has been the U.S./Iran conflict and its impact on world energy prices, which recently pushed U.S. inflation to 4.2%. Should the prospective peace deal announced in June come to fruition, inflation would fall to the upper 3% range by year-end as energy prices slowly decrease. Stickier inflation has pushed Treasury yields well above 4%, complicating real estate markets. On the upside, the prospect for peace and normal trade flows in the Persian Gulf could refresh the optimism the CRE market felt at the beginning of the year.

Figure 5: Vacancy Rates by Class

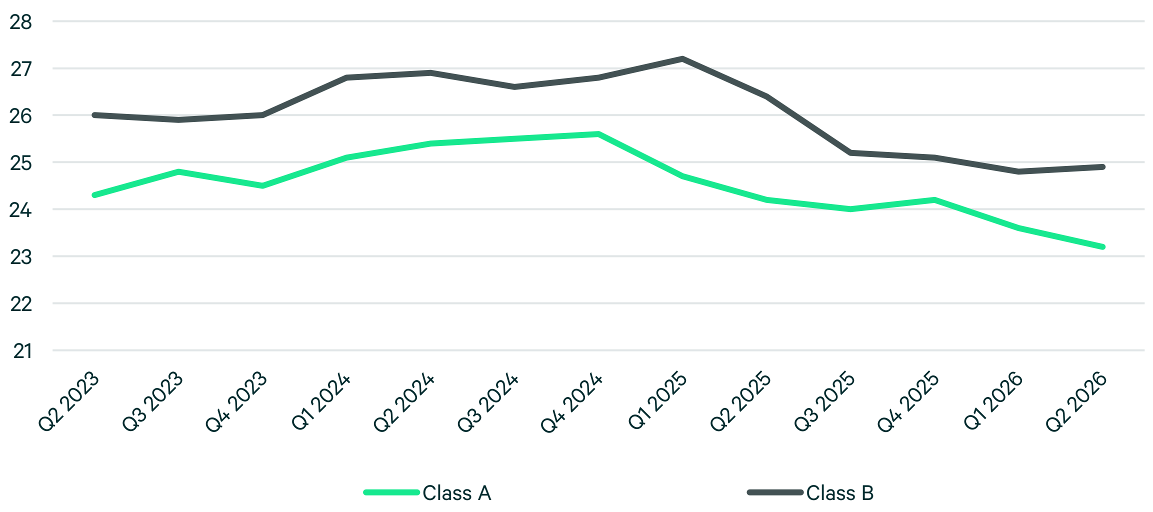



Figure 6: Key Leasing Transactions

| Tenant | Sq. Ft. Leased | Transaction Type | Address | Submarket |
|---|---|---|---|---|
| Superior Energy Services | 56,000 | New Lease | 8020 Katy Fwy | Katy Freeway |
| IBM Corp. | 43,000 | Renewal | 12301 Kurland Dr | Clear Lake |
| Seyfarth Shaw | 40,000 | New Lease | 811 Main St | CBD |
| Undisclosed Tenant | 36,000 | New Lease | 2800 North Loop West | North Loop |
| Quanta Infrastructure Services Group | 31,000 | New Lease | 10000 Energy Dr | North |
| Capgemini US | 30,000 | New Lease | 990 Town and Country Blvd | Katy Freeway |
| NAES Corp. | 28,000 | New Lease | 1725 Hughes Landing Blvd | Woodlands |
| Undisclosed Tenant | 28,000 | New Lease | 15115 Park Row | Energy Corridor |

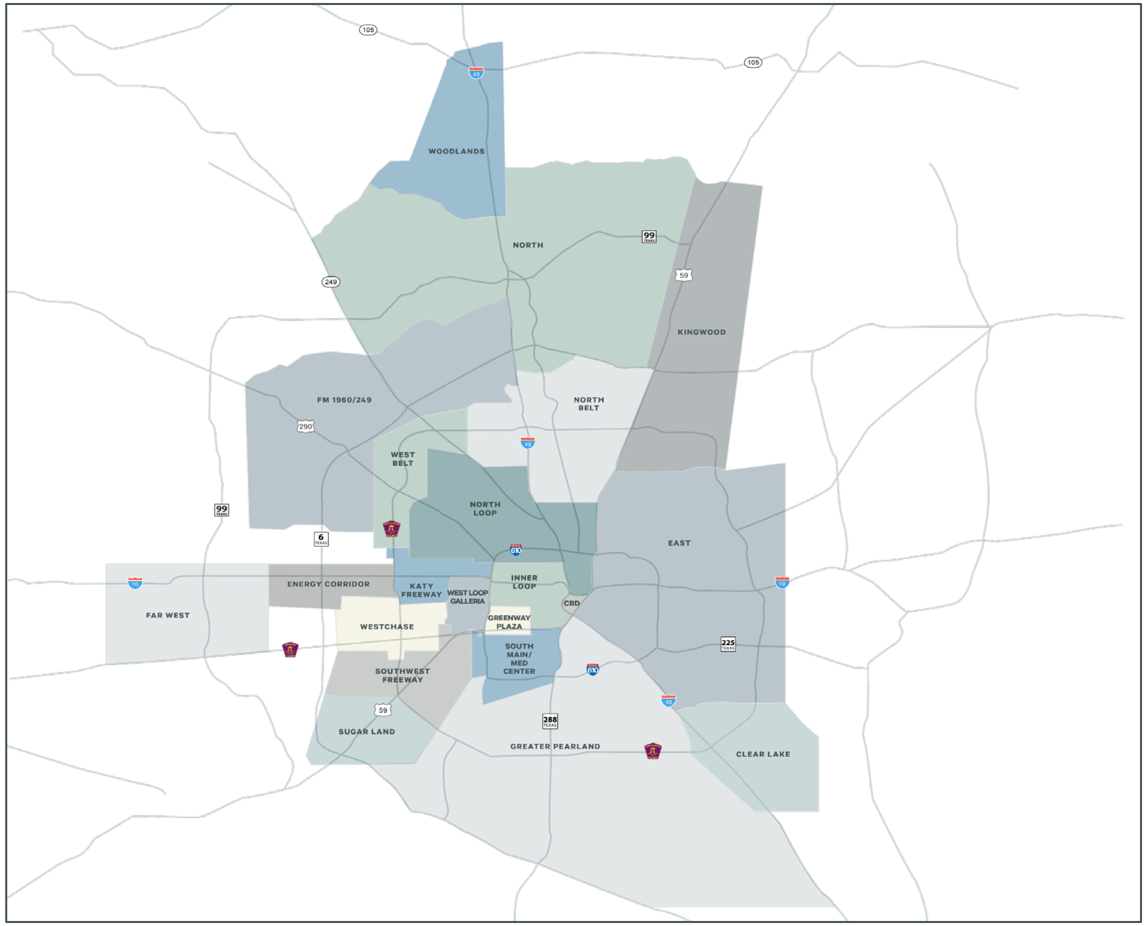
FIGURE 7: Houston Office Market Statistics

| Submarket | Total Inventory (SF) | Total Vacancy (%) | Total Vacancy (SF) | Total Availability (%) | Total Availability (SF) | Sublease Availability (SF) | NNN Asking Rate ($/PSF) | Under Construction (SF) | Deliveries (SF) | Q2 Net Absorption (SF) | YTD Net Absorption (SF) |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **CBD** | **40.65M** | **25.3%** | **10.27M** | **28.3%** | **11.51M** | **1.06M** | **$26.85** | **0** | **0** | **102,000** | **-52,000** |
| Class A | 31.98M | 25.1% | 8.04M | 27.2% | 8.71M | 775,000 | $28.75 | 0 | 0 | 113,000 | -27,000 |
| Class B | 8.68M | 25.8% | 2.23M | 32.3% | 2.80M | 282,000 | $19.38 | 0 | 0 | -11,000 | -25,000 |
| **Clear Lake** | **4.78M** | **16.4%** | **784,000** | **25.4%** | **1.21M** | **130,000** | **$17.38** | **0** | **0** | **7,000** | **-10,000** |
| Class A | 1.71M | 20.0% | 341,000 | 20.4% | 350,000 | 26,000 | $19.33 | 0 | 0 | 1,000 | 7,000 |
| Class B | 3.07M | 14.4% | 443,000 | 28.1% | 863,000 | 104,000 | $16.42 | 0 | 0 | 6,000 | -17,000 |
| **East** | **1.87M** | **12.9%** | **241,000** | **13.8%** | **259,000** | **10,000** | **$16.99** | **0** | **0** | **-21,000** | **107,000** |
| Class A | 340000 | 7.0% | 24,000 | 7.0% | 24,000 | 0 | $10.50 | 0 | 0 | -1,000 | 14,000 |
| Class B | 1.53M | 14.2% | 218,000 | 15.3% | 235,000 | 10,000 | $17.33 | 0 | 0 | -20,000 | 93,000 |
| **Energy Corridor** | **20.77M** | **21.5%** | **4.47M** | **26.6%** | **5.53M** | **630,000** | **$17.97** | **0** | **0** | **-257,000** | **-295,000** |
| Class A | 15.93M | 20.5% | 3.26M | 25.5% | 4.07M | 596,000 | $20.69 | 0 | 0 | -261,000 | -248,000 |
| Class B | 4.84M | 25.0% | 1.21M | 30.2% | 1.46M | 35,000 | $13.62 | 0 | 0 | 4,000 | -47,000 |
| **Far West** | **1.53M** | **13.6%** | **208,000** | **16.5%** | **253,000** | **38,000** | **$21.30** | **0** | **0** | **8,000** | **-18,000** |
| Class A | 918,000 | 21.8% | 200,000 | 26.7% | 245,000 | 38,000 | $21.36 | 0 | 0 | 11,000 | 2,000 |
| Class B | 610,000 | 1.2% | 8,000 | 1.2% | 8,000 | 0 | $20.76 | 0 | 0 | -3,000 | -20,000 |
| **FM 1960/Highway 249** | **6.06M** | **29.6%** | **1.80M** | **29.0%** | **1.76M** | **29,000** | **$15.19** | **0** | **0** | **8,000** | **-18,000** |
| Class A | 2.53M | 37.8% | 957,000 | 37.6% | 951,000 | 11,000 | $18.31 | 0 | 0 | 11,000 | 1,000 |
| Class B | 3.53M | 23.8% | 839,000 | 22.8% | 805,000 | 18,000 | $10.56 | 0 | 0 | -3,000 | -20,000 |
| **Greenway Plaza** | **9.57M** | **29.7%** | **2.85M** | **35.0%** | **3.35M** | **216,000** | **$22.99** | **0** | **146,000** | **-126,000** | **-171,000** |
| Class A | 6.47M | 30.4% | 1.97M | 35.7% | 2.31M | 192,000 | $24.48 | 0 | 146,000 | -71,000 | -103,000 |
| Class B | 3.09M | 28.4% | 879,000 | 33.5% | 1.04M | 24,000 | $19.83 | 0 | 0 | -55,000 | -69,000 |
| **Inner Loop** | **5.22M** | **16.9%** | **881,000** | **20.6%** | **1.08M** | **114,000** | **$22.08** | **109,000** | **0** | **30,000** | **45,000** |
| Class A | 3.39M | 18.4% | 624,000 | 23.7% | 803000 | 89,000 | $22.63 | 109,000 | 0 | 41,000 | 52,000 |
| Class B | 1.83M | 14.0% | 256,000 | 15.0% | 274,000 | 25,000 | $20.07 | 0 | 0 | -11,000 | -7,000 |
| **Katy Freeway** | **6.44M** | **11.5%** | **741,000** | **8.6%** | **551,000** | **103,000** | **$40.94** | **0** | **0** | **427,000** | **403,000** |
| Class A | 5.84M | 11.6% | 675,000 | 7.1% | 415,000 | 103,000 | $41.71 | 0 | 0 | 428,000 | 416,000 |
| Class B | 602,000 | 11.0% | 66,000 | 22.7% | 137,000 | 0 | $28.77 | 0 | 0 | -2,000 | -14,000 |
| **Kingwood** | **796,000** | **10.5%** | **84,000** | **10.8%** | **86,000** | **9,000** | **$10.50** | **0** | **0** | **14,000** | **7,000** |
| Class A | 537,000 | 6.5% | 35,000 | 6.9% | 37,000 | 2,000 | $12.09 | 0 | 0 | 3,000 | 0 |
| Class B | 259,000 | 18.9% | 49,000 | 18.9% | 49,000 | 7,000 | $9.53 | 0 | 0 | 11,000 | 7,000 |
| **North** | **7.15M** | **6.3%** | **450,000** | **6.4%** | **455,000** | **88,000** | **$23.93** | **0** | **0** | **28,000** | **9,000** |
| Class A | 6.05M | 4.8% | 290,000 | 4.5% | 272,000 | 33,000 | $22.35 | 0 | 0 | 24,000 | 11,000 |
| Class B | 1.10M | 14.6% | 160,000 | 16.7% | 183,000 | 55,000 | $24.87 | 0 | 0 | 4,000 | -2,000 |
| **North Belt** | **8.70M** | **39.5%** | **3.44M** | **41.2%** | **3.58M** | **29,000** | **$9.70** | **0** | **0** | **34,000** | **-31,000** |
| Class A | 4.14M | 40.0% | 1.65M | 41.3% | 1.71M | 0 | $13.02 | 0 | 0 | 13,000 | 11,000 |
| Class B | 4.56M | 39.1% | 1.79M | 41.1% | 1.88M | 29,000 | $7.14 | 0 | 0 | 20,000 | -42,000 |

FIGURE 7: Houston Office Market Statistics (continued)

| Submarket | Total Inventory (SF) | Total Vacancy (%) | Total Vacancy (SF) | Total Availability (%) | Total Availability (SF) | Sublease Availability (SF) | NNN Asking Rate ($/PSF) | Under Construction (SF) | Deliveries (SF) | Q2 Net Absorption (SF) | YTD Net Absorption (SF) |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **North Loop** | **6.31M** | **18.2%** | **1.15M** | **18.8%** | **1.19M** | **39,000** | **$12.67** | **0** | **0** | **320,00** | **-33,000** |
| Class A | 1.84M | 22.4% | 413,000 | 20.0% | 368,000 | 13,000 | $15.10 | 0 | 0 | 5,000 | -52,000 |
| Class B | 4.47M | 16.5% | 736,000 | 18.4% | 821,000 | 26,000 | $11.56 | 0 | 0 | 270,00 | 19,000 |
| **South Main/Medical Center** | **2.53M** | **11.3%** | **286,000** | **16.4%** | **414,000** | **59,000** | **$19.47** | **0** | **0** | **0** | **-16,000** |
| Class A | - | - | - | - | - | - | - | - | - | - | - |
| Class B | 2.53M | 11.3% | 286,000 | 16.4% | 414,000 | 59,000 | $19.47 | 0 | 0 | 0 | -16,000 |
| **Southwest Freeway** | **2.07M** | **27.5%** | **569,000** | **29.9%** | **619,000** | **47,000** | **$12.21** | **0** | **0** | **-22,000** | **-28,000** |
| Class A | - | - | - | - | - | - | - | - | - | - | - |
| Class B | 2.07M | 27.5% | 569,000 | 29.9% | 619,000 | 47,000 | $12.21 | 0 | 0 | -22,000 | -28,000 |
| **Sugar Land** | **3.62M** | **26.1%** | **945,000** | **30.2%** | **1.09M** | **29,000** | **$20.35** | **0** | **0** | **20,000** | **-15,000** |
| Class A | 2.48M | 33.6% | 831,000 | 39.4% | 976,000 | 29,000 | $21.62 | 0 | 0 | 4,000 | -12,000 |
| Class B | 1.15M | 9.9% | 114,000 | 10.3% | 118,000 | 0 | $13.70 | 0 | 0 | 15,000 | -2,000 |
| **West Belt** | **6.10M** | **25.5%** | **1.55M** | **32.1%** | **1.96M** | **239,000** | **$17.11** | **0** | **0** | **24,000** | **30,000** |
| Class A | 3.60M | 24.8% | 893,000 | 31.7% | 1.14M | 181,000 | $17.67 | 0 | 0 | 86,000 | 100,000 |
| Class B | 2.50M | 26.4% | 660,000 | 32.8% | 821,000 | 58,000 | $16.46 | 0 | 0 | -62,000 | -69,000 |
| **West Loop/Galleria** | **27.16M** | **26.4%** | **7.17M** | **28.2%** | **7.65M** | **427,000** | **$22.31** | **0** | **0** | **54,000** | **81,000** |
| Class A | 18.20M | 25.3% | 4.60M | 26.9% | 4.89M | 330,000 | $26.75 | 0 | 0 | 48,000 | 124,000 |
| Class B | 8.96M | 28.7% | 2.57M | 30.8% | 2.76M | 97,000 | $14.93 | 0 | 0 | 6,000 | -43,000 |
| **Westchase** | **15.92M** | **30.5%** | **4.85M** | **36.6%** | **5.82M** | **781,000** | **$16.37** | **0** | **0** | **-72,000** | **-70,000** |
| Class A | 7.35M | 26.5% | 1.95M | 32.3% | 2.38M | 234,000 | $21.79 | 0 | 0 | -26,000 | -35,000 |
| Class B | 8.29M | 35.0% | 2.90M | 41.6% | 3.44M | 547,000 | $11.91 | 0 | 0 | -46,000 | -35,000 |
| **Woodlands** | **7.89M** | **16.2%** | **1.28M** | **18.5%** | **1.46M** | **232,000** | **$29.16** | **0** | **0** | **30,000** | **96,000** |
| Class A | 6.05M | 15.2% | 920,000 | 17.9% | 1.08M | 157,000 | $33.02 | 0 | 0 | 84,000 | 175,000 |
| Class B | 1.85M | 19.4% | 358,000 | 20.5% | 379,000 | 75,000 | $19.60 | 0 | 0 | -53,000 | -79,000 |
| **Suburban Total** | **144.50M** | **23.4%** | **33.74M** | **26.5%** | **38.32M** | **3.25M** | **$18.45** | **109,000** | **146,000** | **212,000** | **49,000** |
| Class A | 87.38M | 22.5% | 19.63M | 25.2% | 22.01M | 2.03M | $22.51 | 109000 | 146,000 | 390,000 | 419,000 |
| Class B | 56.84M | 24.8% | 14.11M | 28.7% | 16.31M | 1.22M | $13.51 | 0 | 0 | -178,000 | -369,000 |
| **Houston Total** | **185.27M** | **23.8%** | **44.03M** | **26.9%** | **49.87M** | **4.31M** | **$20.29** | **109,000** | **146,000** | **320,000** | **13,000** |
| Class A | 119.40M | 23.2% | 27.67M | 25.7% | 30.72M | 2.81M | $24.32 | 109,000 | 146,000 | 510,000 | 399,000 |
| Class B | 65.58M | 24.9% | 16.36M | 29.2% | 19.15M | 1.50M | $14.18 | 0 | 0 | -189,000 | -386,000 |

## Market Area Overview




## Definitions

Available Sq. Ft.: Space in a building, ready for occupancy within six months; can be occupied or vacant. Availability Rate: Total Available Sq. Ft. divided by the total building Area. Average Asking Lease Rate: A calculated average that includes net lease rate, weighted by their corresponding available square footage. Building Area: The total floor area sq. ft. of the building, typically taken at the “drip line” of the building. Gross Activity: All sale and lease transactions completed within a specified time period. Excludes investment sale transactions. Gross Lease Rate (if referenced): Rent typically includes real property taxes, building insurance, and major maintenance. Net Absorption: The change in Occupied Sq. Ft. from one period to the next. Net Lease Rate: Rent excludes one or more of the ”net” costs (real property taxes, building insurance, and major maintenance) typically included in a Gross Lease Rate. Occupied Sq. Ft.: Building Area not considered vacant. Vacancy Rate: Total Vacant Sq. Ft. divided by the total Building Area.

### Survey Criteria

CBRE’s market report analyzes existing single- and multi-tenant office buildings that total 20,000+ sq. ft. in the Houston market, some owner-occupied buildings and campuses are included. CBRE assembles all information through telephone/email canvassing, third-party vendors, and listings received from owners, tenants and members of the commercial brokerage community.
Please note: The 1.2 million SF former Fluor campus in Sugar Land was removed from our statistical set in Q1 2025 given it is no longer occupied nor planned for office use. This edit is not applied retroactively, resulting in a changing inventory denominator.

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