The Houston office market in 2025: A story of ‘haves’ and ‘have-nots’

26.1%	25.2%	(332,964)	0	557K	$19.41
Availability Rate	Vacancy Rate	SF Net Absorption	SF Delivered	SF Under Construction	NNN Asking Rate (Annual)

Note: Arrows indicate change from previous quarter.

KEY HIGHLIGHTS

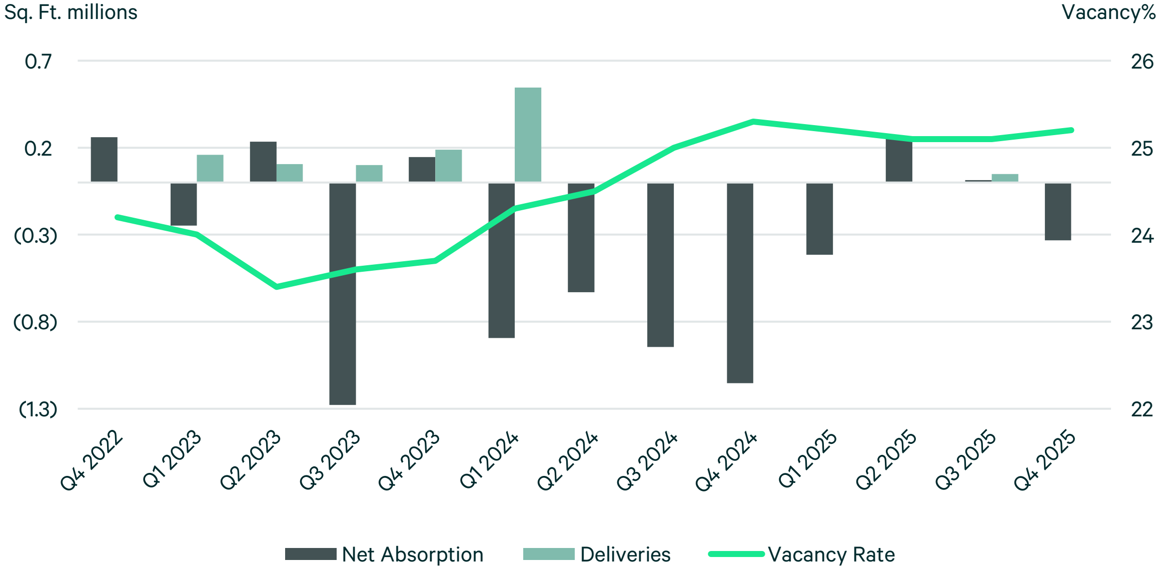
— Bifurcation between the newest Class A and older properties remains the dominant trend that shaped the Houston office market in 2025. While lower quality assets continue to lose occupancy, demand for Class A space built since 2015 is accelerating, driving rental rates above $50.00 NNN and pushing vacancy in post-2015 buildings down to 8.5%.

— Net absorption ended the year on a softer note, dipping into the red for the first time since Q1. If not for Marathon’s vacating of 440K SF at 990 Town & Country after its acquisition by ConocoPhillips, the Q4 would have reported positive occupancy growth. Looking ahead absorption is expected to move positive in the first quarter of 2026 given anticipated tenant moves.

— Q4 saw a slowing in leasing activity, hitting just over 1 million SF signed across Houston after several large transactions were signed in Q3. 2025 closed out with 6.4 million SF in signed leases, 2 million SF below 2024’s total. Despite the decline in completed lease volume, touring activity within the market remains high.

— This tightening of available high-quality space has fueled an active sublease market, as tenants struggling to secure Class A space are moving quickly to capture desirable options as soon as they become available.

FIGURE 1: Historical Absorption, Deliveries, and Vacancy



Market Overview

The continued flight to Class A space – and in particular, new construction - in Houston's office market remained one of the most defining trends for 2025. Tenants are overwhelmingly favoring Class A properties, which accounted for 80% of transactions this quarter. Further, demand has been particularly strong for newly built assets, driving rental rates above $50 NNN and vacancy into single digits – 8.6% at the end of 2025.

The dwindling supply of Trophy space is reshaping the deal-making process. To secure top-tier locations, tenants are starting renewals or site searches multiple years in advance and considering longer lease terms to offset high build-out costs. This has created an opening for the next tier of Class A buildings to capture demand from tenants unable to secure Trophy space. As a result, these properties are attracting higher-quality tenants and successfully pushing asking rates upwards, though at a slower pace.

Leasing activity in the Houston office market slowed quarter-over-quarter to just over 1 million SF signed among leases over 10,000 SF. This puts Q4 leasing 37% below the 2025 average. This dip in leasing is due, in part, to the lack of large transactions as no leases exceeded 100K SF in Q4. The largest transaction of the quarter was Simpson, Thacher & Bartlett's 99,397 SF signature on Maverick's sublease space at 1000 Main. While 2025 closed on a softer note, market participants report strong touring activity and anticipate a surge in signed deals heading into the new year.

The fourth quarter ended with 333,000 SF in occupancy losses, causing vacancy to rise 20 basis point to 25.2%. While this is a dip from the previous two quarters, the number does not reflect the overall health of Houston's office market as it was largely driven by two isolated events: Technip vacated four floors totaling 104K SF at Energy Tower III to relocate to its owned facility in Generation Park. Additionally, following its acquisition by ConocoPhilips, Marathon vacated its 440K SF lease at 990 Town & County, placing the entire Katy Freeway building on the sublease market.

This move out caused the Katy Freeway submarket to see the highest negative absorption number, ending the quarter with 522,606 of losses. Negative absorption here will not manifest as a trend, as exceedingly high tenant interest in the submarket remains. 990 Town & Country is already 40% leased with another 50,000 SF pending, an incredibly fast turnaround for a building that was vacated at the beginning of Q4.

This is not the only example of space leasing up this quarter. As previously mentioned, Simpson, Thacher and Bartlett leased and moved into Maverick's sublease space. Additionally, 175K SF of available sublease space at 9753 Katy Freeway, which hit the market only a handful of months ago is now currently 100% subleased. Larger tenants are taking advantage of multiple floor sublease space as availability within top-tier-class A office buildings tightens.

FIGURE 2: Vacancy Rates by Class

FIGURE 3: Leasing Activity by Sector– 10,000 sq. ft. and up

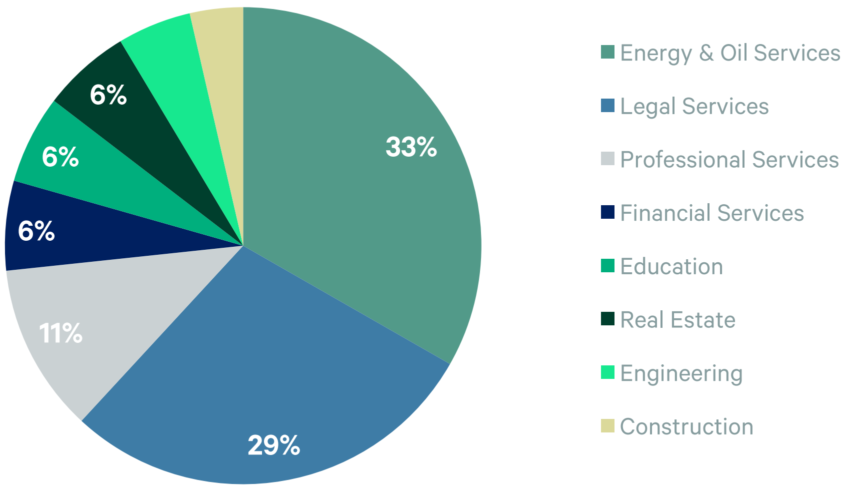


FIGURE 4: Leasing Activity Trend – 10,000 sq. ft. and up

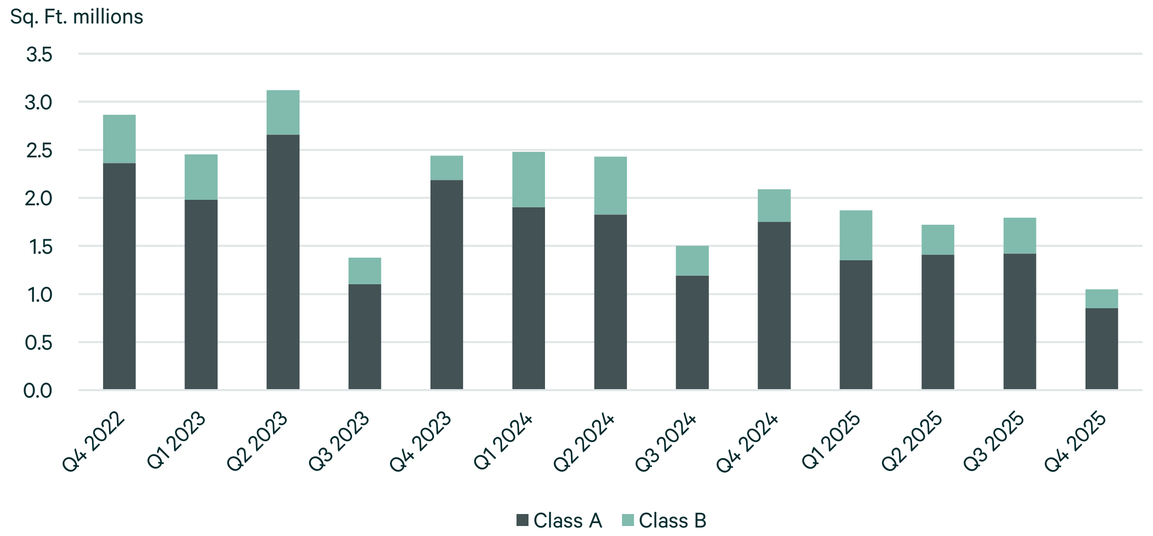
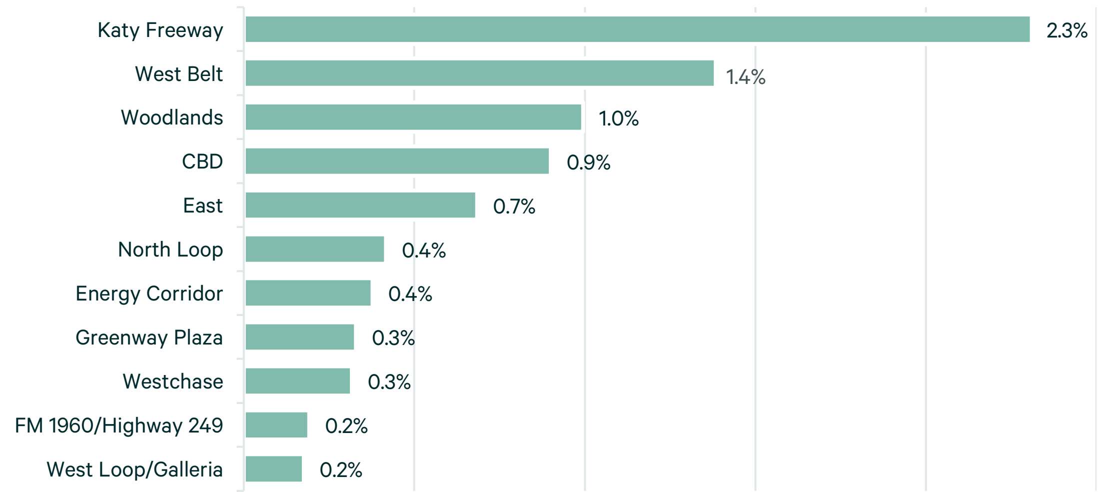


FIGURE 5: Leasing Volume as a Percentage of Submarket Size



Economic Overview and Capital Market Trends

The U.S. economy is sending some mixed signals. Financial markets are focused on the upside, particularly AI's sizable contribution to growth in recent quarters. Some indicators of business activity, such as capital goods orders, are improving, and strengthening credit markets are helping to usher real estate into a new cycle.

The picture gets more melancholy when looking at households. Consumer confidence remains weak, with spending reportedly driven by a smaller segment of affluent households. This mosaic of data suggests that annual average GDP growth will be steady in 2026, at 2%, but a touch softer than in 2025.

A key catalyst is a softer labor market, as companies are 'slow to hire, slow to fire'—a trend that is likely to last a few quarters. A consequence of this outlook is softer inflation and long-term bond yields trending just below 4% by H2 2026.

FIGURE 6: Key Leasing Transactions

Tenant	SF Leased	Transaction Type	Address	Submarket
Simpson Thacher & Bartlett	99,397	New Lease	1000 Main St	CBD
Caturus Energy	90,786	New Lease	990 Town and Country Blvd	Katy Freeway
Asurion	86,917	Renewal	10720 W Sam Houston Pkwy N	West Belt
Schouest, Bamdas, Soshea, BenMaier & Eastham	86,055	Renewal	1001 McKinney St	CBD
Repsol Services	81,637	Renewal	2455 Technology Forest Blvd	Woodlands
Concorde Career Colleges	45,000	New Lease	3100 Hayes Rd	Westchase
Regions Bank	34,042	Renewal	3773 Richmond Ave	Greenway Plaza
Venture Global	30,965	Renewal	1401 Mckinney St	CBD
Diversified Gas & Oil	27,703	New Lease	500 Dallas St	CBD
BNY Mellon	26,851	New Lease	811 Main	CBD

FIGURE 7: Houston Office Market Statistics

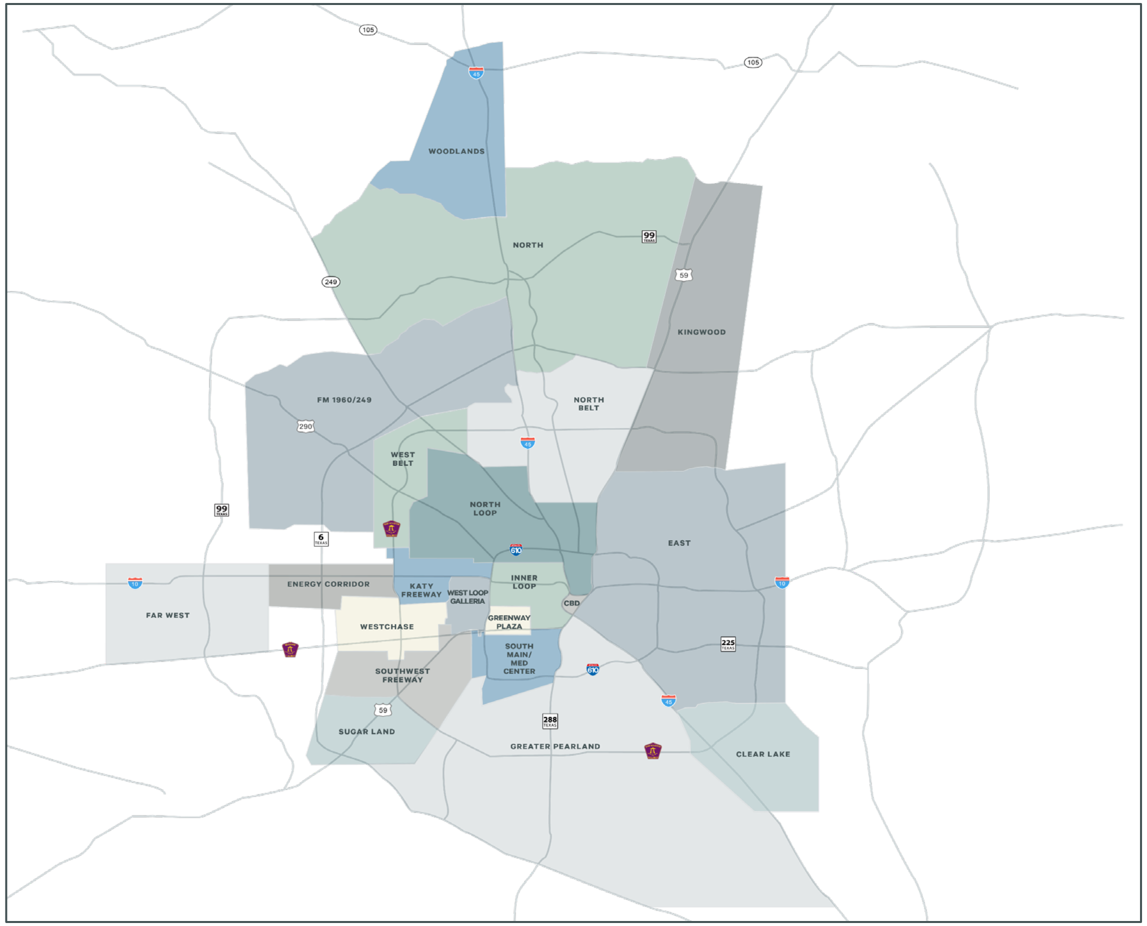
Submarket	Total Inventory (SF)	Total Vacancy (%)	Total Vacancy (SF)	Total Availability (%)	Total Availability (SF)	Sublease Availability (SF)	NNN Asking Rate ($/PSF)	Under Construction (SF)	Deliveries (SF)	Net Absorption (SF)	2025 Net Absorption (SF)
CBD	**42,237,272**	**29.2%**	**12,333,283**	**28.5%**	**12,037,622**	**1,436,067**	**$26.26**	**-**	**-**	**107,900**	**(166,070)**
Class A	33,070,993	28.0%	9,259,878	28.2%	9,326,020	1,091,343	$27.57	-	-	127,287	(122,132)
Class B	8,675,181	35.1%	3,044,988	30.3%	2,628,580	329,657	$19.58	-	-	(20,729)	(60,200)
Clear Lake	**5,691,939**	**16.2%**	**922,094**	**22.7%**	**1,292,070**	**130,915**	**$16.56**	**-**	**-**	**(86,087)**	**(80,695)**
Class A	1,710,683	21.4%	366,086	19.6%	335,294	25,660	$18.54	-	-	(21,623)	(21,774)
Class B	3,108,554	15.5%	481,826	28.3%	879,721	105,691	$16.01	-	-	(51,197)	(61,202)
East	**2,245,990**	**15.5%**	**348,128**	**12.6%**	**282,995**	**8,984**	**$16.60**	**-**	**-**	**(6,309)**	**40,806**
Class A	340,122	10.9%	37,073	6.4%	21,768	-	$10.25	-	-	546	59,882
Class B	1,457,272	15.0%	218,591	15.1%	220,048	10,201	$17.15	-	-	(6,855)	(17,117)
Energy Corridor	**21,498,546**	**21.3%**	**4,579,190**	**25.2%**	**5,417,634**	**601,959**	**$17.49**	**-**	**-**	**(95,422)**	**291,721**
Class A	16,048,274	20.1%	3,225,703	23.8%	3,819,489	561,690	$20.77	-	-	(65,969)	364,912
Class B	4,841,039	25.2%	1,219,942	30.4%	1,471,676	29,046	$13.51	-	-	(1,157)	(35,915)
Far West	**1,775,003**	**13.0%**	**230,750**	**12.4%**	**220,100**	**35,500**	**$21.62**	**-**	**-**	**(1,759)**	**(127,303)**
Class A	918,354	17.5%	160,712	22.5%	206,630	35,816	$22.33	-	-	(1,578)	(130,529)
Class B	738,214	8.5%	62,748	1.0%	7,382	-	$20.76	-	-	-	-
FM 1960/Highway 249	**6,794,063**	**24.4%**	**1,657,751**	**38.0%**	**2,581,744**	**482,378**	**$13.72**	**-**	**-**	**(9,612)**	**9,661**
Class A	2,530,259	18.3%	463,037	57.7%	1,459,959	463,037	$18.05	-	-	(35,577)	16,866
Class B	3,729,530	27.1%	1,010,703	25.1%	936,112	18,648	$11.44	-	-	23,846	15,618
Greenway Plaza	**10,349,595**	**25.7%**	**2,659,846**	**28.0%**	**2,897,887**	**155,244**	**$22.18**	**146,003**	**-**	**7,035**	**(12,476)**
Class A	6,325,153	26.7%	1,688,816	28.9%	1,827,969	107,528	$24.27	146,003	-	42,566	63,480
Class B	3,173,754	25.6%	812,481	30.0%	952,126	44,433	$19.40	-	-	(33,942)	(68,983)
Inner Loop	**5,451,854**	**19.1%**	**1,041,304**	**22.1%**	**1,204,860**	**212,622**	**$21.65**	**103,381**	**-**	**(87,585)**	**(175,049)**
Class A	3,387,971	22.5%	762,293	25.3%	857,157	155,847	$22.32	103,381	-	(76,246)	(138,714)
Class B	1,884,353	14.1%	265,694	17.7%	333,530	54,646	$19.54	-	-	(11,339)	(36,335)
Katy Freeway	**7,130,283**	**15.1%**	**1,076,673**	**14.5%**	**1,033,891**	**163,997**	**$30.63**	**308,000**	**-**	**(522,606)**	**(473,846)**
Class A	5,619,804	15.6%	876,689	14.5%	814,872	151,735	$37.00	308,000	-	(453,213)	(424,556)
Class B	690,292	10.8%	74,552	10.8%	74,552	2,071	$26.06	-	-	(42,168)	(38,552)
Kingwood	**909,062**	**11.7%**	**106,360**	**9.5%**	**86,361**	**6,363**	**$10.70**	**-**	**-**	**(9,188)**	**(6,539)**
Class A	536,758	7.8%	41,867	6.2%	33,279	-	$11.11	-	-	(4,610)	3,434
Class B	259,254	23.2%	60,147	18.7%	48,480	6,481	$10.08	-	-	(4,578)	(6,069)
North	**7,229,455**	**7.0%**	**506,062**	**7.3%**	**527,750**	**79,524**	**$17.23**	**-**	**-**	**94,150**	**(7,527)**
Class A	5,731,663	5.1%	292,315	4.8%	275,120	17,195	$23.73	-	-	89,998	40,630
Class B	1,425,943	14.9%	212,466	17.4%	248,114	61,316	$14.17	-	-	1,999	(50,310)
North Belt	**11,145,257**	**41.4%**	**4,614,136**	**36.7%**	**4,090,309**	**100,307**	**$10.05**	**-**	**-**	**21,925**	**(137,780)**
Class A	4,358,875	42.4%	1,848,163	42.0%	1,830,728	43,589	$12.98	-	-	16,694	(3,413)
Class B	5,089,083	49.0%	2,493,651	39.3%	2,000,010	50,891	$7.77	-	-	11,286	(106,595)

FIGURE 8: 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)	Net Absorption (SF)	2025 Net Absorption (SF)
North Loop	**7,676,745**	**18.0%**	**1,381,814**	**17.4%**	**1,335,754**	**15,353**	**$13.07**	**-**	**-**	**(40,774)**	**(34,806)**
Class A	1,842,943	21.7%	399,919	22.1%	407,290	1,843	$15.09	-	-	(9,709)	44,542
Class B	4,552,373	19.4%	883,160	18.3%	833,084	13,657	$11.96	-	-	(24,488)	(73,582)
South Main/Medical Center	**4,295,945**	**10.9%**	**468,258**	**14.5%**	**622,912**	**68,735**	**$18.29**	**-**	**-**	**(8,560)**	**(39,962)**
Class A	-	-	-	-	-	-	-	-	-	-	-
Class B	3,036,361	10.8%	327,927	15.3%	464,563	69,836	$19.80	-	-	(5,965)	(43,250)
Southwest Freeway	**7,074,106**	**21.1%**	**1,492,636**	**19.4%**	**1,372,377**	**49,519**	**$13.60**	**-**	**-**	**963**	**(76,291)**
Class A	-	-	-	-	-	-	-	-	-	-	-
Class B	3,006,087	27.6%	829,680	28.3%	850,723	45,091	$14.11	-	-	(5,340)	(66,280)
Sugar Land	**4,113,523**	**26.9%**	**1,106,538**	**25.8%**	**1,061,289**	**16,454**	**$20.17**	**-**	**-**	**(43,220)**	**(85,328)**
Class A	2,476,060	36.6%	906,238	36.3%	898,810	14,864	$21.78	-	-	(35,694)	(97,897)
Class B	1,202,907	14.2%	170,813	10.5%	126,305	-	$14.40	-	-	(4,535)	7,148
West Belt	**6,278,168**	**27.3%**	**1,713,940**	**32.6%**	**2,046,683**	**395,525**	**$16.91**	**-**	**-**	**(5,875)**	**122,823**
Class A	3,598,860	27.8%	1,000,483	32.7%	1,176,827	291,508	$17.25	-	-	(1,690)	187,538
Class B	2,501,953	26.1%	653,010	32.8%	820,641	100,078	$16.48	-	-	(519)	(48,949)
West Loop/Galleria	**30,443,321**	**29.7%**	**9,041,666**	**27.6%**	**8,402,357**	**426,206**	**$21.13**	**-**	**-**	**222,795**	**462,123**
Class A	18,200,931	31.2%	5,678,690	28.3%	5,150,863	382,220	$25.75	-	-	258,050	541,630
Class B	9,407,595	29.8%	2,803,463	29.6%	2,784,648	28,223	$14.56	-	-	(29,303)	(86,998)
Westchase	**18,776,036**	**32.1%**	**6,027,108**	**34.9%**	**6,552,837**	**957,578**	**$16.01**	**-**	**-**	**70,079**	**(255,915)**
Class A	7,364,567	27.1%	1,995,798	30.6%	2,253,558	184,114	$21.28	-	-	30,507	(212,857)
Class B	8,810,324	37.7%	3,321,492	40.3%	3,550,561	616,723	$13.40	-	-	40,697	(9,657)
Woodlands	**8,204,882**	**18.6%**	**1,526,108**	**19.1%**	**1,567,132**	**262,556**	**$27.65**	**-**	**-**	**19,763**	**241,667**
Class A	6,397,066	18.5%	1,183,457	19.6%	1,253,825	262,280	$31.55	-	-	7,998	145,747
Class B	1,550,498	20.4%	316,302	19.0%	294,595	-	$19.10	-	-	2,538	80,256
Suburban Total	**167,083,773**	**24.2%**	**40,434,273**	**25.5%**	**42,606,362**	**4,177,094**	**$17.52**	**557,384**	**-**	**(480,287)**	**(344,716)**
Class A	87,388,343	23.9%	20,885,814	25.9%	22,633,581	2,709,039	$22.03	557,384	-	(259,550)	438,921
Class B	60,465,386	26.8%	16,204,723	28.0%	16,930,308	1,269,773	$13.61	-	-	(141,020)	(646,772)
Houston Total	**209,437,792**	**25.2%**	**52,778,324**	**26.1%**	**54,663,264**	**5,654,820**	**$19.41**	**557,384**	**-**	**(332,964)**	**(470,315)**
Class A	120,508,453	25.1%	30,247,622	26.5%	31,934,740	3,735,762	$23.84	557,384	-	(92,840)	356,212
Class B	69,208,197	27.9%	19,309,087	28.3%	19,585,920	1,591,789	$14.14	-	-	(161,749)	(705,924)

Note: Class C inventory is also tracked and included in totals but not shown separately in this table.

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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