

Houston office market vacancies still among highest in nation

BY AJ LATRACE



Like most major metro markets, Houston's workforce was hit hard by the abrupt business shutdowns and ensuing economic downturn that followed last spring as the pandemic took hold. Sectors such as hospitality, construction and manufacturing took big hits.

In total, the Houston metro area saw a loss of 350,000 jobs during the pandemic, a Cushman & Wakefield report shows, however, the city was able to recover just over 200,000 of those losses by the end of 2020.

At its worst, office vacancies in Houston last year reached a staggering 25.5%. And ending 2020 with a vacancy rate of 24.1% meant that Houston continued to lead the nation in vacant office space into the new year.

And despite the turmoil, the city's economic outlook remains positive as forecasts see upwards of 70,000 jobs being added to the Houston economy in 2021.

But how is the office market faring in 2021? It's not looking as cheery.

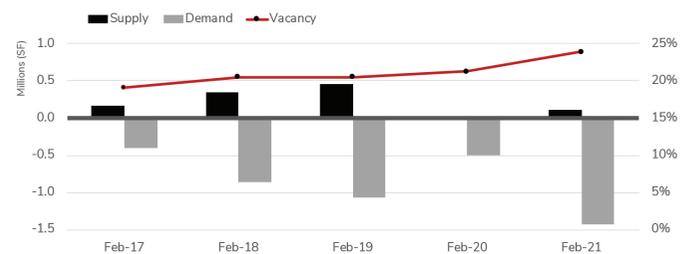
New numbers for this February from brokerage NAI Partners show that the needle has barely moved. As of last month, Houston's total office vacancy rate was 23.9%. During the same period a year prior, the vacancy rate was 21.8%.

Some other fast stats show leasing activity down by nearly half year-over-year between February 2020 and February 2021, going from 2 million square feet leased to 1.225 million leased respectively. Absorption is also in the red while over 4.277 million square feet of new office space remains under construction

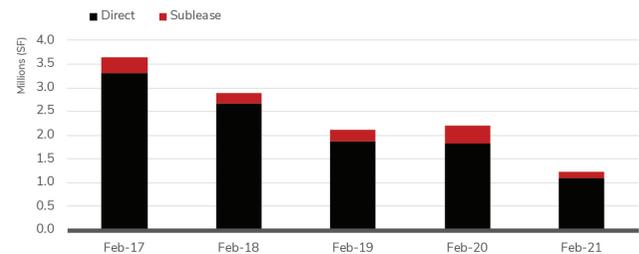
MARKET ACTIVITY

	FEBRUARY 2021	FEBRUARY 2020
Vacancy	23.9% ▲	21.8%
Availability	28.6% ▲	26.4%
Under Construction SF	4,277,159 ▲	3,538,479
Gross Average Asking Rent	\$29.25 ▼	\$29.36
Net Absorption SF YTD	(1,416,846) ▼	(206,269)
Leasing Activity SF YTD	1,225,288 ▼	2,018,809
Deliveries SF YTD	105,400 ▼	180,000

SUPPLY & DEMAND | FEBRUARY - YEAR OVER YEAR



LEASING ACTIVITY | FEBRUARY - YEAR OVER YEAR



Credit: NAI Partners

And how does Houston stack up against other major metro markets? According to a year-end report from JLL published in January, the Texas metropolis led New Jersey, Westchester County Dallas, all of which had vacancy rates just over 21%. Other southern cities on the list with high vacancies were Fort Worth at 19.4%, Atlanta at 18% and Phoenix at 16.9%.

But it's not all doom and gloom for Houston. A handful of notable leases highlighted by NAI Partners includes a downtown expansion by law firm Susman Godfrey, LLP to just under 77,000 square feet, a 26,000-square-foot lease by SIBS Galleria, and a lease renewal by the General Services Administration on its 22,000-square-foot office in Greenpoint.