

Texas office rebound is one of the strongest, but what's going on with Houston?

BY XX



Texas' office market has proven itself to be one of the strongest in the U.S. The market has continued to reflect positive trends throughout its post-pandemic recovery, though the numbers differ slightly from city to city.

Houston, for example? Vacancy and availability continue to rise, despite office brokers reporting increased activity and leased commitments.

To break it down, Partners recently analyzed the area's activity during the first eight months of the year — August 2022 compared to August 2021.

Houston Office Vacancy at 25.5%

Overall vacancy was at 25.5% in August 2022, based on the report, up 100 basis points from last year's 24.5%. Availability was nearly 30%, up 80 basis points from August 2021. Partners said the difference between this figure and the vacancy rate reflects expected future move-outs. Houston has recorded 9.3 million square feet of leasing activity of both new leases and renewals, which is down 13% from the 10.7 million square feet recorded at this time last year. Net absorption is at negative 100,000 square feet, up from negative 2.2 million square feet year-over-year. In addition, the amount of construction underway is at 2.5 million square feet — down almost 30% from last year.

Downtown Office Leases

Even though leasing activity is down from last year, this year's new and renewed leases are quite large. In the largest office lease of 2022, law firm Baker Botts renewed and extended its lease in the former One Shell Plaza at 910 Louisiana Street. Baker Botts will now lease a total of 173,201 square feet where the company's CBD headquarters has existed for over 50 years, according to the report.

Oil and Gas

Oil prices trended downward in August 2022, closing at just over \$93 on August 26. The Baker Hughes rig count report for that date reflects a slight rise in active rigs compared to July — 765 active drilling rigs in the U.S, according to Partners. One month ago, the total active rig count was 758, and one year ago it was 508.

The current oil rig count is 605 rigs, compared to 599 in August 2022 and 410 in August 2021. The current gas rig count is 158 rigs, compared to 155 in August 2022 and 97 in August 2021, based on the report.