



GREATER HOUSTON OFFICE MARKET OVERVIEW

A COMPREHENSIVE ANALYSIS OF VACANCY,
LEASING ACTIVITY, RENTAL RATES, AND
DEVELOPMENT TRENDS



Q2

HOUSTON CITYWIDE OFFICE | MARKET REPORT Q2 2026

EXECUTIVE SUMMARY



Houston's office market showed modest improvement during the second quarter, recording positive net absorption following several quarters of occupancy loss. The increase indicates that tenant move-ins modestly outpaced move-outs, promising stable fundamentals. The market remains highly bifurcated as more than 60% of the leased square footage was concentrated in newer Trophy and Class A properties with modern finishes. Commodity Class B and C properties will likely continue to face pricing pressure as they struggle to gain momentum as tenants are more deliberate in making real estate decisions, often reducing their overall footprints while upgrading to higher-quality space that better supports today's workplace strategies.

Looking ahead, the local office market is expected to continue its gradual improvement over the next six to twelve months as Houston has recently benefitted from corporate relocations and merger activity, with many companies selecting locations along the Katy Freeway/Energy Corridor, further reinforcing the corridor's position as the premier business district for oil and gas, professional services and engineering companies. Limited new office construction should constrain future supply as capital markets remain cautious toward the office sector and most proposed developments require substantial preleasing before breaking ground. Although challenges persist in its aging office inventory, Houston's diverse economy, continued population growth, and premier landing spot for large companies position the market for measured improvement over the coming year.

-TRAVIS TAYLOR, PRINCIPAL

KEY TAKEAWAYS



Office market fundamentals continued to improve.

Direct asking gross rents increased 1.3% quarter over quarter while direct vacancy declined 20 basis points, providing additional evidence that market conditions continue to stabilize.



Flight to quality remains the market's defining trend.

Class A properties continue to outperform as occupiers prioritize workplace quality, operational efficiency, and employee experience.



Positive absorption returned in a meaningful way.

Net absorption improved by more than 773,000 square feet from the prior quarter, signaling healthier tenant demand and gradual occupancy gains.



Developers remain highly disciplined.

The construction pipeline declined another 30.2% quarter over quarter to just 337,651 square feet, limiting future supply and supporting long-term market balance.



Capital remains selective, but active.

The acquisition of Greenway Plaza highlighted continued investor interest in premier office assets, while value-add opportunities continue attracting disciplined capital.



Employment continues to support office demand.

Steady job growth in professional services and healthcare provides a stable foundation for future leasing activity despite slower overall hiring.



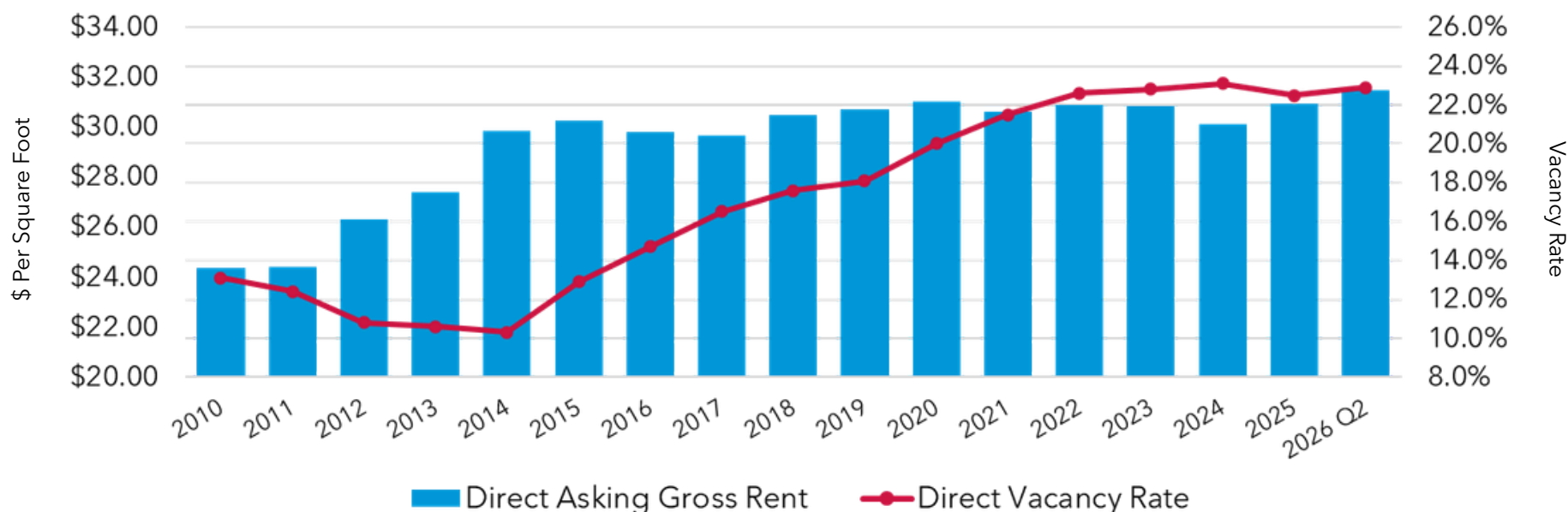
Houston's office market continues its gradual transition toward recovery.

Improving absorption, resilient rental rates, limited new construction, and selective investment activity all point toward continued stabilization through the remainder of 2026.

FUNDAMENTAL ANALYSIS

Q-O-Q CHANGE	INDICATOR	CURRENT LAST QUARTER	FORECAST
▼	Direct Vacancy Rate	22.9% 23.1%	▼
▲	Direct Asking Gross Rate	\$31.48 PSF \$31.07 PSF	▲
▼	Leasing Activity	2,376,783 SF 2,860,602 SF	▲
▲	Net Absorption	496,066 SF (277,613) SF	▲
▼	Construction Pipeline	337,651 SF 483,654 SF	▲
▲	Deliveries	657,583 SF 511,580 SF	▲
▼	Available Sublease	4,738,673 SF 4,899,748 SF	▼

DIRECT ASKING GROSS RENT VS. DIRECT VACANCY RATE



PRICING STABILITY & IMPROVING MARKET FUNDAMENTALS

Office market fundamentals continued to improve during the second quarter, as direct asking gross rents increased while direct vacancy edged lower. The weighted average asking gross rent rose to \$31.48 per square foot, a 1.3% increase from \$31.08 in Q1 2026 and 4.1% above the 2025 annual average of \$30.26 per square foot. At the same time, the direct vacancy rate improved from 23.1% to 22.9%, a 20-basis-point decline, representing a 0.9% quarter-over-quarter improvement. Although vacancy remains historically elevated, these trends suggest landlords continue to maintain pricing discipline as tenant demand gradually improves.

Houston's ability to preserve rental rates despite elevated vacancy

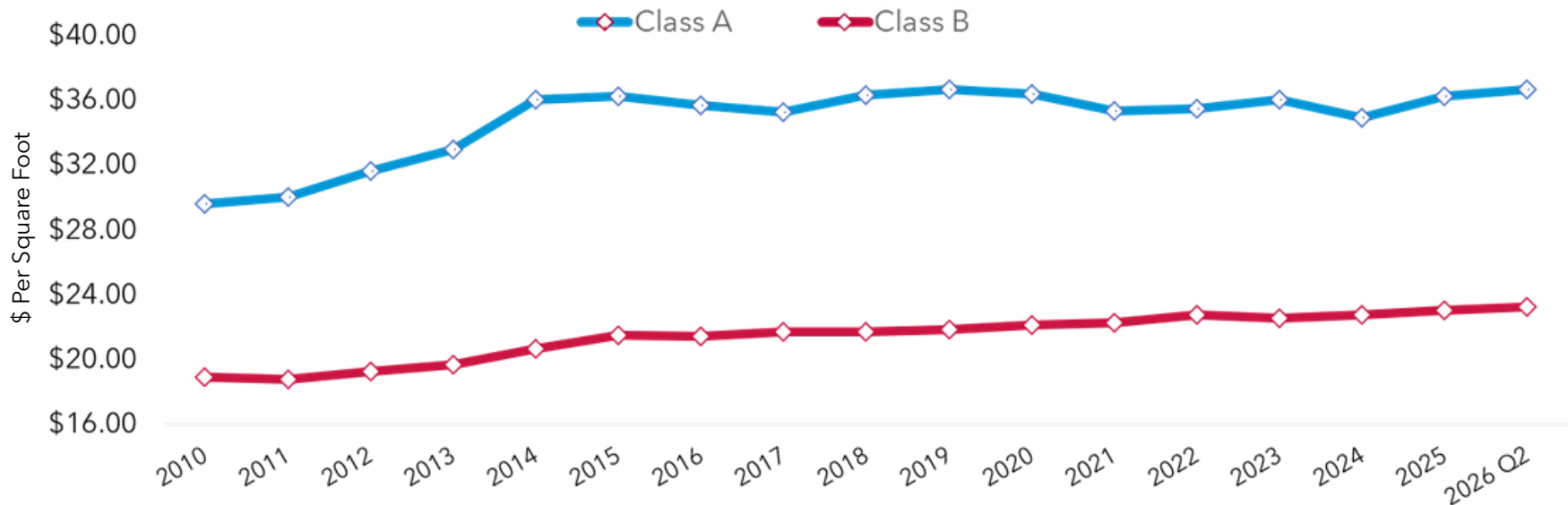
remains one of the market's defining characteristics. Rather than competing solely on asking rents, many landlords continue to differentiate through tenant improvement allowances, leasing concessions, and building upgrades, particularly within Class A properties. As a result, asking rents have remained remarkably stable even as occupiers continue to lease space more selectively.

Looking ahead, limited new office construction and gradually improving market fundamentals should continue supporting rental rates through the balance of 2026. While vacancy is expected to remain elevated, improving occupancy and restrained new supply position the market for a measured recovery, with the strongest performance concentrated in well-located, institutional-quality office assets.

DIRECT ASKING GROSS RENT

KEY MARKET INSIGHTS

- Flight to quality continues to reshape leasing decisions across Houston's office market.
- Occupiers are placing greater emphasis on workplace quality, employee experience, and operational efficiency.
- Landlords investing in amenities, modernization, and flexible work environments remain best positioned to attract and retain tenants.



FLIGHT TO QUALITY CONTINUES TO DRIVE LEASING

Tenant preference for higher-quality office space continued to define leasing activity throughout Houston's office market during the second quarter, reinforcing the ongoing flight-to-quality trend. Class A asking gross rents increased to \$36.63 per square foot, up 1.2% from Q1 2026 and 5.0% above 2024 levels. Meanwhile, Class B asking gross rents rose to \$23.23 per square foot, a 0.9% quarterly increase and 2.1% above 2024. Although both asset classes posted modest rental growth, Class A properties continue to outperform as occupiers prioritize newer, amenity-rich buildings in premier locations.

The pricing gap between Class A and Class B office space now stands at approximately \$13.40 per square foot, reinforcing the market's continued

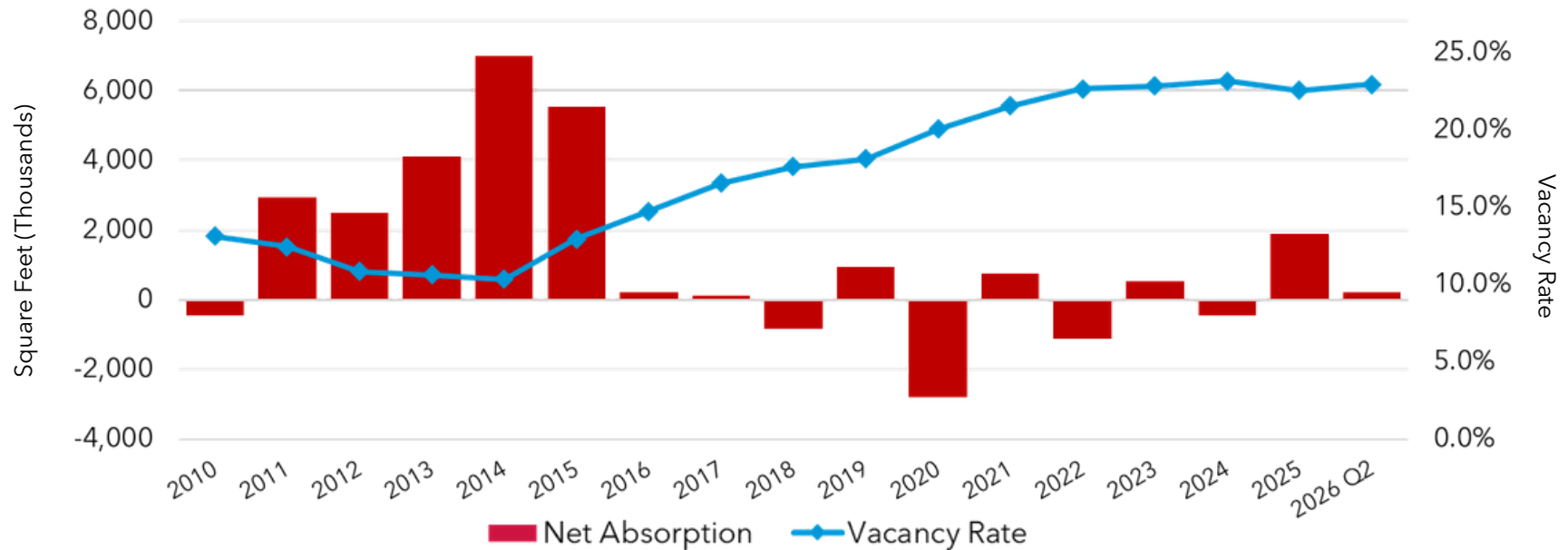
shift toward higher-quality assets. Corporate occupiers remain focused on workplace quality, operational efficiency, and employee experience, allowing premier buildings to maintain stronger pricing power despite elevated vacancy. In contrast, many Class B landlords continue to compete through rental concessions, capital improvements, and repositioning strategies to attract and retain tenants.

Looking ahead, Class A properties should remain well positioned to capture the strongest leasing demand as limited new construction and selective tenant activity continue supporting rental performance. While Class B buildings are expected to benefit from broader market stabilization over time, leasing activity will likely remain concentrated in higher-quality assets throughout the remainder of 2026.

NET ABSORPTION VS. DIRECT VACANCY RATE

MARKET INSIGHTS

- Positive absorption supporting a gradual market recovery.
- Limited new construction helping improve long-term supply fundamentals.
- Flight to quality continues to drive leasing decisions.



MARKET RECOVERY GAINS MOMENTUM

Houston's office market posted encouraging momentum during the second quarter as net absorption rebounded to 496,066 square feet, improving by more than 773,000 square feet from the 277,613 square feet of negative absorption recorded in Q1 2026. At the same time, the direct vacancy rate declined from 23.1% to 22.9%, marking a 20-basis-point improvement and providing additional evidence that market fundamentals are gradually stabilizing.

While quarterly absorption has remained volatile over the past several years, recent leasing activity suggests tenants continue to expand selectively, with demand concentrated in newer, well-located Class A

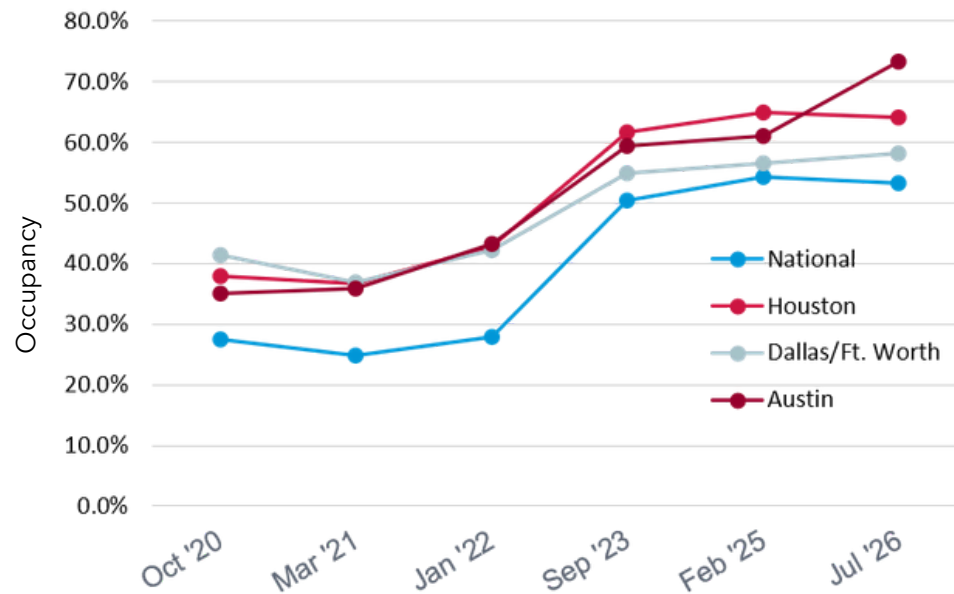
buildings. The continued flight-to-quality is allowing premier assets to capture a greater share of leasing activity, while older commodity office properties continue to experience slower occupancy gains and greater competitive pressure.

Looking ahead, sustained positive absorption will remain one of the most important indicators of Houston's office recovery. Although vacancy remains elevated by historical standards, limited new construction, improving tenant confidence, and continued leasing activity should support a gradual reduction in available space through the balance of 2026. The pace of recovery is expected to remain measured, but current trends suggest the market is continuing to move in the right direction.

OCCUPANCY RECOVERY & NET ABSORPTION

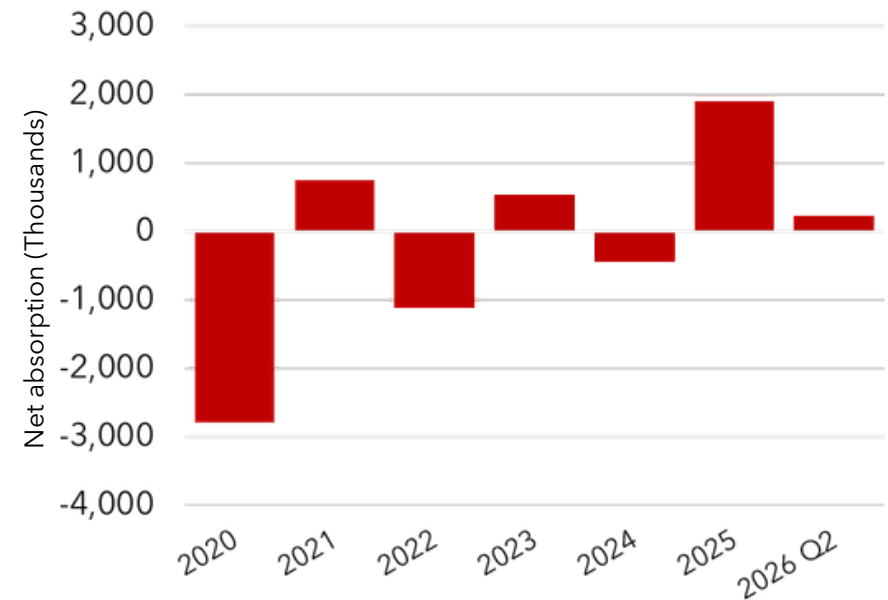
MARKET INSIGHT

Houston's return to positive net absorption, combined with improving workplace attendance, suggests occupier confidence continues to strengthen. While leasing activity remains concentrated in high-quality Class A buildings, limited new construction and improving workplace utilization continue supporting a gradual recovery in office fundamentals through the remainder of 2026.



SOURCE: KASTLE SYSTEMS

SUBMARKET SALES ACTIVITY



RETURN-TO-OFFICE TRENDS SUPPORT DEMAND

Houston continues to outperform both the national average and Dallas/Fort Worth in office attendance, reinforcing that workplace utilization has stabilized across the market. While Austin remains the strongest performer, Houston's improving occupancy and return to positive net absorption suggest tenant confidence continues to build, supporting future leasing demand.

Office attendance has remained stable through July, reinforcing that the positive leasing momentum established during the second quarter has continued into early Q3 2026.

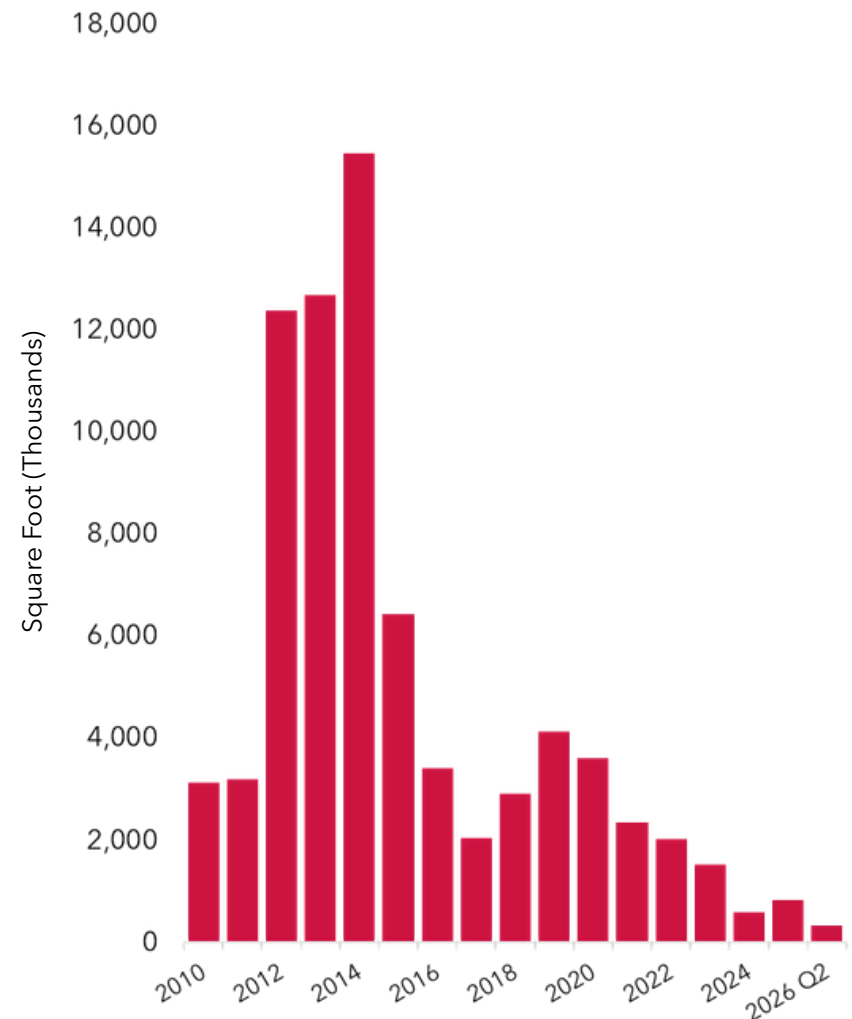
Workplace occupancy has stabilized, while leasing fundamentals continue to strengthen.

CONSTRUCTION PIPELINE



Houston's office development pipeline continued to contract during the second quarter as developers remained cautious amid elevated vacancy, higher financing costs, and ongoing uncertainty surrounding long-term office demand.

- Space under construction declined to just 337,651 square feet, a 30.2% decrease from Q1 2026, marking one of the smallest active office development pipelines Houston has experienced in more than a decade.
- The sharp reduction reflects more than slowing construction activity—it highlights a market where speculative office development has largely paused. Today's projects are overwhelmingly build-to-suit, owner-occupied, or substantially pre-leased, reducing the risk of introducing additional vacant inventory into an already well-supplied market. At the same time, the completion of recent developments has further reduced the amount of office space currently under construction.
- Looking ahead, the limited construction pipeline should continue supporting Houston's long-term recovery by preventing a significant increase in available inventory. While elevated vacancy will likely limit new speculative development for the foreseeable future, restrained supply, improving leasing fundamentals, and continued employment growth should gradually strengthen market balance as existing office space is absorbed.



QUARTERLY TREND ANALYSIS

	2026 Q2	2026 Q1	2025 Q4	2025 Q2	2025 Q1
DIRECT VACANCY RATE	22.9%	23.1%	22.8%	22.5%	23.4%
DIRECT ASKING GROSS RATE	\$31.48	\$31.07	\$31.08	\$2.58	\$29.18
LEASING ACTIVITY	2,376,783	2,860,602	0	2,596,679	2,482,508
SALE TRANSACTIONS	7,674,510	2,557,003	2,740,735	10,500,886	5,335,483
NET ABSORPTION	496,066	(277,613)	(180,316)	377,456	610,275
CONSTRUCTION PIPELINE	337,651	483,654	820,234	869,351	741,700
DELIVERIES	657,583	511,580	80,000	49,117	0
AVAILABLE SUBLEASE	4,738,673	4,899,748	5,611,529	5,468,998	5,678,272

Houston's office market continued to build on its gradual recovery during the second quarter, with improving fundamentals providing additional evidence that the market is moving in the right direction.

Direct asking gross rents increased 1.3% quarter over quarter to \$31.48 per square foot, while the direct vacancy rate declined 20 basis points to 22.9%, reflecting continued pricing resilience and modest occupancy gains.

Although quarterly leasing activity moderated to 2.4 million square feet, tenant demand remained healthy as net absorption rebounded to 496,066 square feet, representing a 773,000-square-foot improvement from the prior quarter.

At the same time, available sublease space continued to decline, reinforcing that occupiers remain active despite an elevated supply of available office space. On the supply side, the office construction pipeline contracted another 30.2% quarter over quarter to 337,651 square feet, one of the smallest development pipelines Houston has recorded in more than a decade.

Investment sales activity was highlighted by the acquisition of Greenway Plaza, illustrating continued investor interest in premier office assets while reinforcing that capital remains highly selective. Overall, Houston's office market continues to transition from stabilization toward a gradual, quality-driven recovery, supported by resilient rental rates, improving absorption, limited new construction, and continued flight-to-quality leasing trends.

KEY ACTIVITIES



TENANT	BUILDING NAME/ADDRESS	SIZE (SF)	SUBMARKET
COMMENCEMENTS			
Dow	CityCentre Six Office	203,000	Katy Freeway East
Vitol	The RO	150,794	Greenway Plaza
Boardwalk Pipelines	990 Town and Country Boulevard	143,253	Katy Freeway East
LEASING ACTIVITY			
Mitsubishi Corportation	1100 Louisiana Street	91,761	Central Business District
Superior Energy	8020 Katy Freeway	56,256	Katy Freeway East
Armstrong Lee & Baker	Brookhollow Central I	36,476	North Loop West
SUBLEASE			
NOV	NOV Headquarters	410,465	Southwest/Beltway 8
JP Morgan Chase	The Jones on Main	122,365	Central Business District
McDermott International	Energy Center V	99,501	Katy Freeway West



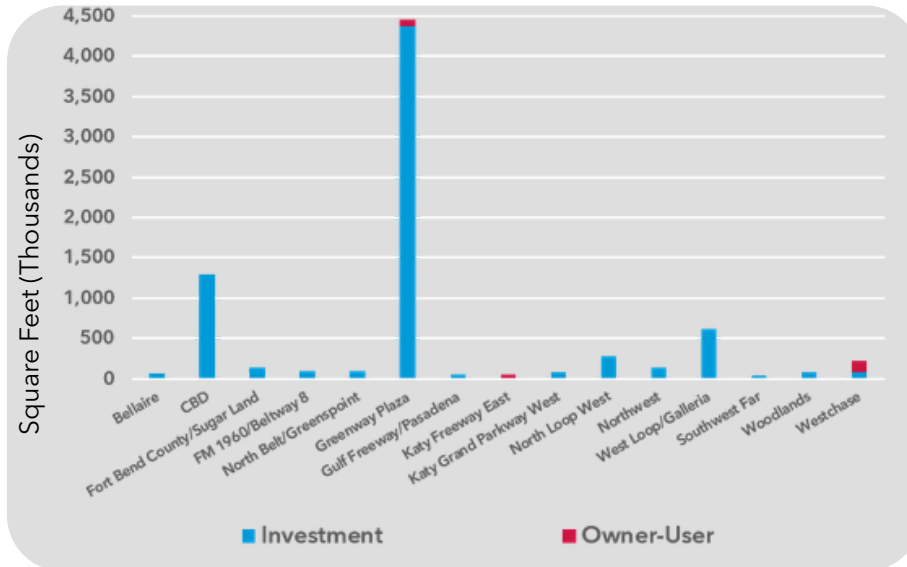
KEY ACTIVITIES



BUYER SELLER	BUILDING NAME/ADDRESS	SIZE (SF)	SUBMARKET
SALE TRANSACTIONS			
Interra Properties Trigild	Greenway Plaza Portfolio	4,311,629	Greenway Plaza
Zhukovski Development Credit Suisse	919 Milam	542,919	Central Business District
AAA Investments Silver Star Properties REIT	Preserve at North Loop Portfolio	225,628	North Loop West
DEVELOPER	BUILDING NAME/ADDRESS	SIZE (SF)	SUBMARKET
DELIVERIES			
Transwestern	The RO	150,794	Greenway Plaza
UNDER CONSTRUCTION			
Service Corporation International	1945 Allen Parkway	210,000	Midtown
Hanover Company	Autry Park	127,651	Midtown
Majestic Developers	Majestic HQ	45,883	Fort Bend County/Sugar Land



SALES OVERVIEW

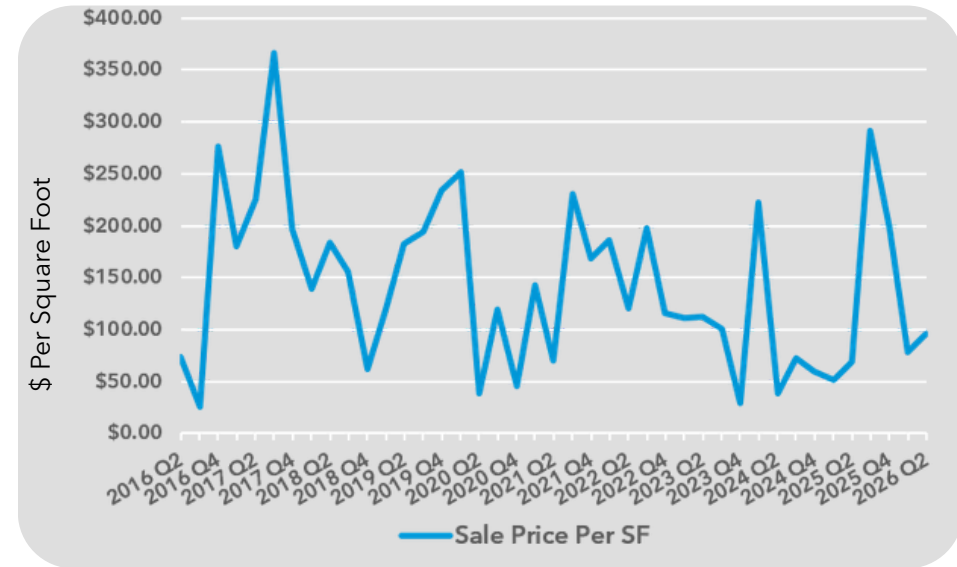


SUBMARKET SALES ACTIVITY

Houston's office investment market was highlighted by Interra Capital Group's acquisition of Greenway Plaza, one of Houston's premier mixed-use office campuses. The 11-building, 4.5 million-square-foot transaction was among the largest completed in recent years and demonstrates that institutional investors remain willing to pursue high-quality assets despite challenging market conditions.

Beyond Greenway Plaza, investment activity remained selective, with capital targeting well-located properties offering redevelopment, leasing upside, or long-term value creation. Transactions such as 919 Milam and The Preserve at North Loop reinforce that buyers continue to focus on opportunities where repositioning can generate future returns.

Looking ahead, investment activity should remain disciplined as improving leasing fundamentals gradually restore investor confidence. However, pricing will likely remain highly asset-specific as the office market continues adjusting to post-pandemic valuations.



HISTORICAL OFFICE SALE PRICE

Greenway Plaza illustrates the significant repricing occurring across institutional office assets. Although the purchase price was not publicly disclosed, court filings indicate Interra assumed approximately \$416 million in existing debt and contributed \$15 million in cash to complete the receivership acquisition. The campus previously traded for approximately \$950 million in 2013, underscoring how office valuations have reset over the past decade.

Despite pricing adjustments, investors continue pursuing well-located assets where leasing improvements, redevelopment, or capital investment can create long-term value. As market fundamentals continue to improve, office investment activity should gradually expand, although buyers are expected to remain highly selective.

NOTABLE SALES



Greenway Plaza Portfolio

Greenway Plaza Portfolio
Houston, TX

Submarket: Greenway Plaza

Building Size: 4,311,629 SF

Year Built: 1973

Seller:

Trigild

Buyer:

Interra Properties

Buyer Type:

Investment (10 Buildings)



919 Milam Street

919 Milam Street
Houston, TX

Submarket: Central Business District

Building Size: 542,919 SF

Year Built: 1956

Seller:

Credit Suisse

Buyer:

Zhukovski Development

Buyer Type: Investment (to be redeveloped)



Preserve at North Loop

2000-2060 North Loop West
Houston, TX

Submarket: North Loop West

Building Size: 225,628 SF

Year Built: 1970

Seller:

Silver Star Properties REIT

Buyer:

AAA Investments

Buyer Type:

Investment (7 Buildings)



2929 Briarpark Drive

2929 Briarpark Drive
Houston, TX

Submarket: Westchase

Building Size: 140,392 SF

Year Built: 1981

Seller:

Tenant Managers

Buyer:

Microvast Inc.

Buyer Type:

Owner-User

OFFICE MARKET STATISTICS

SUBMARKET / CLASS	INVENTORY (SF)	DIRECT VACANCY RATE	SUBLEASE VACANCY RATE	TOTAL VACANCY RATE	PREVIOUS QUARTER DIRECT VACANCY RATE	DIRECT ASKING GROSS RENT	CURRENT QUARTER LEASING ACTIVITY (SF)	12-MONTH LEASING ACTIVITY (SF)	CURRENT QUARTER NET ABSORPTION (SF)	12-Month NET ABSORPTION (SF)	UNDER CONSTR. (SF)	YTD DELIVERIES (SF)
TOTAL HOUSTON MARKET												
Class A	139,000,000	23.8%	1.2%	25.1%	24.4%	\$36.63	1,552,257	3,724,262	971,911	810,947	337,651	657,583
Class B	99,087,477	21.6%	1.1%	22.7%	21.2%	\$23.23	824,526	1,513,123	-475,845	-592,494	0	0
TOTAL	238,000,000	22.9%	1.2%	24.1%	23.1%	\$31.48	2,376,783	5,237,385	496,066	218,453	337,651	657,583
CENTRAL BUSINESS DISTRICT												
Class A	39,385,991	24.2%	1.1%	25.3%	24.3%	\$43.23	263,382	909,864	192,608	(12,835)	0	0
Class B	11,289,811	27.7%	0.0%	27.7%	27.7%	\$21.40	460	865	1,407	12,693	0	0
TOTAL	50,675,802	25.0%	0.9%	25.8%	25.1%	\$39.06	263,842	910,729	194,015	(142)	0	0
SUBURBAN												
Class A	99,478,462	23.7%	1.3%	25.0%	24.4%	\$33.65	1,288,875	2,814,398	779,303	823,782	337,651	657,583
Class B	87,797,666	20.8%	1.3%	22.1%	20.3%	\$23.47	824,066	1,512,258	(477,252)	(605,187)	0	0
TOTAL	187,276,128	22.3%	1.3%	23.6%	22.5%	\$29.14	2,112,941	4,326,656	302,051	218,595	337,651	657,583



SUBMARKET BY CLASS

SUBMARKET / CLASS	INVENTORY (SF)	DIRECT VACANCY RATE	SUBLEASE VACANCY RATE	TOTAL VACANCY RATE	PREVIOUS QUARTER DIRECT VACANCY RATE	DIRECT ASKING GROSS RENT	CURRENT QUARTER LEASING ACTIVITY (SF)	12-MONTH LEASING ACTIVITY (SF)	CURRENT QUARTER NET ABSORPTION (SF)	12-Month NET ABSORPTION (SF)	UNDER CONSTR. (SF)	YTD DELIVERIES (SF)
ALLEN PARKWAY/MIDTOWN												
Class A	2,740,049	18.5%	2.3%	20.8%	17.9%	\$38.93	40,277	52,943	(18,265)	(6,035)	337,651	0
Class B	3,900,155	8.5%	0.1%	8.5%	8.7%	\$35.11	14,956	31,495	15,826	(1,467)	0	0
TOTAL	6,640,204	12.6%	1.0%	13.6%	12.5%	\$37.78	55,233	84,438	(2,439)	(7,502)	337,651	0
BAYTOWN												
Class B	584,259	2.3%	0.0%	2.3%	2.3%	\$17.69	0	0	0	0	0	0
TOTAL	584,259	2.3%	0.0%	2.3%	2.3%	\$17.69	0	0	0	0	0	0
BELLAIRE												
Class A	1,370,957	28.1%	0.1%	28.2%	29.6%	\$31.94	27,768	28,743	21,379	(24,237)	0	0
Class B	3,012,095	12.4%	0.1%	12.6%	13.3%	\$28.22	5,985	46,415	25,709	32,102	0	0
TOTAL	4,383,052	17.3%	0.1%	17.5%	18.4%	\$30.92	33,753	75,158	47,088	7,865	0	0
CONROE/MONTGOMERY COUNTY												
Class A	60,000	0.0%	0.0%	0.0%	0.0%	N/A	0	0	0	0	0	0
Class B	636,080	7.8%	0.0%	7.8%	7.1%	\$32.67	4,667	12,713	(4,904)	47,198	0	0
TOTAL	696,080	7.2%	0.0%	7.2%	6.4%	\$32.67	4,667	12,713	(4,904)	47,198	0	0



SUBMARKET BY CLASS

SUBMARKET / CLASS	INVENTORY (SF)	DIRECT VACANCY RATE	SUBLEASE VACANCY RATE	TOTAL VACANCY RATE	PREVIOUS QUARTER DIRECT VACANCY RATE	DIRECT ASKING GROSS RENT	CURRENT QUARTER LEASING ACTIVITY (SF)	12-MONTH LEASING ACTIVITY (SF)	CURRENT QUARTER NET ABSORPTION (SF)	12-Month NET ABSORPTION (SF)	UNDER CONSTR. (SF)	YTD DELIVERIES (SF)
FORT BEND COUNTY/SUGAR LAND												
Class A	2,518,384	34.2%	0.3%	34.5%	34.0%	\$34.40	70,909	93,474	(6,833)	(17,473)	0	0
Class B	2,329,341	12.9%	0.0%	12.9%	12.5%	\$23.58	47,156	70,468	1,458	(4,956)	0	0
TOTAL	4,847,725	24.0%	0.2%	24.1%	23.7%	\$30.77	118,065	163,942	(5,375)	(22,429)	0	0
FM 1960/BELTWAY 8												
Class A	346,330	54.3%	0.0%	54.3%	54.3%	\$15.29	2,500	2,500	0	(784)	0	0
Class B	2,249,682	25.1%	0.0%	25.1%	22.4%	\$15.39	46,085	85,295	(58,787)	(31,608)	0	0
TOTAL	2,596,012	29.0%	0.0%	29.0%	26.7%	\$15.37	48,585	87,795	(58,787)	(32,392)	0	0
FM 1960/HIGHWAY 249												
Class A	2,573,667	57.0%	0.0%	57.0%	58.1%	\$30.17	78,857	108,345	69,363	48,993	0	0
Class B	4,012,089	27.2%	0.1%	27.3%	27.6%	\$29.19	18,903	38,441	(2,034)	25,158	0	0
TOTAL	6,585,756	38.9%	0.1%	38.9%	39.5%	\$29.67	97,760	146,786	67,329	74,151	0	0
GREENWAY PLAZA												
Class A	7,935,545	27.4%	0.2%	27.6%	27.4%	\$37.19	120,442	179,097	112,662	73,559	0	146,003
Class B	3,066,442	22.7%	0.2%	22.9%	20.4%	\$29.24	21,707	62,974	(72,253)	(114,357)	0	0
TOTAL	11,001,987	26.1%	0.2%	26.3%	25.4%	\$35.73	142,149	242,071	40,409	(40,798)	0	146,003



SUBMARKET BY CLASS

SUBMARKET / CLASS	INVENTORY (SF)	DIRECT VACANCY RATE	SUBLEASE VACANCY RATE	TOTAL VACANCY RATE	PREVIOUS QUARTER DIRECT VACANCY RATE	DIRECT ASKING GROSS RENT	CURRENT QUARTER LEASING ACTIVITY (SF)	12-MONTH LEASING ACTIVITY (SF)	CURRENT QUARTER NET ABSORPTION (SF)	12-Month NET ABSORPTION (SF)	UNDER CONSTR. (SF)	YTD DELIVERIES (SF)
GULF FREEWAY/PASADENA												
Class A	522,746	7.3%	0.0%	7.3%	10.3%	\$35.00	0	0	15,624	15,624	0	95,000
Class B	2,447,497	17.8%	0.6%	18.4%	17.5%	\$24.22	74,014	87,915	(9,019)	89,775	0	0
TOTAL	2,970,243	16.0%	0.5%	16.5%	16.2%	\$25.09	74,014	87,915	6,605	105,399	0	95,000
I-10 EAST												
Class B	510,209	10.2%	0.0%	10.2%	13.0%	\$18.87	473	26,223	14,171	5,430	0	0
TOTAL	510,209	10.2%	0.0%	10.2%	13.0%	\$18.87	473	26,223	14,171	5,430	0	0
KATY FREEWAY EAST												
Class A	6,060,846	10.6%	2.1%	12.7%	17.5%	\$60.78	41,358	422,567	435,334	417,675	0	336,580
Class B	2,660,848	15.8%	0.0%	15.8%	15.2%	\$23.84	35,545	47,558	(9,854)	(40,248)	0	0
TOTAL	8,721,694	12.2%	1.5%	13.7%	16.8%	\$43.37	76,903	470,125	425,480	377,427	0	336,580
KATY FREEWAY WEST												
Class A	16,134,323	17.6%	2.7%	20.3%	18.1%	\$31.76	104,598	279,139	2,334	(37,481)	0	0
Class B	9,564,076	23.4%	0.5%	23.9%	20.9%	\$24.31	91,489	208,327	(255,427)	(337,237)	0	0
TOTAL	25,698,399	19.7%	1.9%	21.6%	19.2%	\$27.34	196,087	487,466	(253,093)	(374,718)	0	0



SUBMARKET BY CLASS

SUBMARKET / CLASS	INVENTORY (SF)	DIRECT VACANCY RATE	SUBLEASE VACANCY RATE	TOTAL VACANCY RATE	PREVIOUS QUARTER DIRECT VACANCY RATE	DIRECT ASKING GROSS RENT	CURRENT QUARTER LEASING ACTIVITY (SF)	12-MONTH LEASING ACTIVITY (SF)	CURRENT QUARTER NET ABSORPTION (SF)	12-Month NET ABSORPTION (SF)	UNDER CONSTR. (SF)	YTD DELIVERIES (SF)
KATY/GRAND PARKWAY WEST												
Class A	1,644,457	20.5%	0.0%	20.5%	20.7%	\$33.34	23,727	26,849	3,122	(16,226)	0	0
Class B	778,693	8.8%	0.0%	8.8%	8.8%	\$34.05	1,888	16,621	(317)	(1,669)	0	0
TOTAL	2,423,150	16.7%	0.0%	16.7%	16.8%	\$33.51	25,615	43,470	2,805	(17,895)	0	0
KINGWOOD/HUMBLE												
Class A	270,000	0.0%	0.0%	0.0%	0.0%	N/A	0	0	0	0	0	0
Class B	1,172,156	4.7%	0.6%	5.2%	5.1%	\$21.16	1,020	5,618	5,267	7,241	0	0
TOTAL	1,442,156	3.8%	0.5%	4.2%	4.2%	\$21.16	1,020	5,618	5,267	7,241	0	0
NASA/CLEAR LAKE												
Class A	1,874,315	8.5%	1.3%	9.8%	8.7%	\$29.96	24,294	24,294	4,005	52,059	0	80,000
Class B	3,371,278	21.7%	0.0%	21.7%	22.3%	\$22.07	81,218	107,022	22,229	52,223	0	0
TOTAL	5,245,593	17.0%	0.5%	17.5%	17.5%	\$23.28	105,512	131,316	26,234	104,282	0	80,000
NORTH BELT/GREENSPPOINT												
Class A	4,617,920	53.1%	0.3%	53.4%	52.8%	\$18.85	23,634	41,222	(13,373)	(33,839)	0	0
Class B	6,525,248	36.6%	0.1%	36.7%	36.7%	\$15.15	31,050	81,366	1,766	(6,997)	0	0
TOTAL	11,143,168	43.5%	0.2%	43.6%	43.3%	\$17.23	54,684	122,588	(11,607)	(40,836)	0	0



SUBMARKET BY CLASS

SUBMARKET / CLASS	INVENTORY (SF)	DIRECT VACANCY RATE	SUBLEASE VACANCY RATE	TOTAL VACANCY RATE	PREVIOUS QUARTER DIRECT VACANCY RATE	DIRECT ASKING GROSS RENT	CURRENT QUARTER LEASING ACTIVITY (SF)	12-MONTH LEASING ACTIVITY (SF)	CURRENT QUARTER NET ABSORPTION (SF)	12-Month NET ABSORPTION (SF)	UNDER CONSTR. (SF)	YTD DELIVERIES (SF)
NORTH LOOP WEST												
Class A	1,474,943	23.5%	0.0%	23.5%	23.0%	\$25.95	87,107	122,030	(6,849)	(90,395)	0	0
Class B	2,166,029	16.1%	0.3%	16.4%	17.9%	\$20.79	31,396	74,547	49,196	51,132	0	0
TOTAL	3,640,972	19.1%	0.2%	19.3%	20.0%	\$23.54	118,503	196,577	42,347	(39,263)	0	0
NORTHEAST												
Class A	643,952	0.4%	0.0%	0.4%	0.4%	N/A	0	0	0	0	0	0
Class B	715,899	1.6%	0.0%	1.6%	2.5%	\$27.00	3,933	7,051	7,051	1,971	0	0
TOTAL	1,359,851	1.0%	0.0%	1.0%	1.5%	\$27.00	3,933	7,051	7,051	1,971	0	0
NORTHWEST												
Class A	1,003,410	23.6%	0.9%	24.5%	20.4%	\$19.49	9,615	26,838	(32,522)	(1,736)	0	0
Class B	3,799,639	7.2%	1.3%	8.6%	7.3%	\$16.96	34,591	56,298	(7,572)	(21,423)	0	0
TOTAL	4,803,049	10.6%	1.2%	11.9%	10.1%	\$17.91	44,206	83,136	(40,094)	(23,159)	0	0
RICHMOND/FOUNTAINVIEW												
Class B	730,859	14.8%	0.0%	14.8%	13.9%	\$17.19	0	4,002	(6,088)	20,839	0	0
TOTAL	730,859	14.8%	0.0%	14.8%	13.9%	\$17.19	0	4,002	(6,088)	20,839	0	0



SUBMARKET BY CLASS

SUBMARKET / CLASS	INVENTORY (SF)	DIRECT VACANCY RATE	SUBLEASE VACANCY RATE	TOTAL VACANCY RATE	PREVIOUS QUARTER DIRECT VACANCY RATE	DIRECT ASKING GROSS RENT	CURRENT QUARTER LEASING ACTIVITY (SF)	12-MONTH LEASING ACTIVITY (SF)	CURRENT QUARTER NET ABSORPTION (SF)	12-Month NET ABSORPTION (SF)	UNDER CONSTR. (SF)	YTD DELIVERIES (SF)
SAN FELIPE/VOSS												
Class A	2,398,925	26.8%	4.6%	31.4%	27.3%	\$31.54	79,791	131,907	(33,237)	(881)	0	0
Class B	2,797,322	23.1%	0.3%	23.5%	24.3%	\$23.35	70,906	70,906	23,978	(9,718)	0	0
TOTAL	5,196,247	24.8%	2.3%	27.1%	25.7%	\$26.98	150,697	202,813	(9,259)	(10,599)	0	0
SOUTH												
Class A	587,618	6.4%	0.0%	6.4%	3.5%	\$29.01	3,417	3,417	(16,797)	(16,797)	0	0
Class B	498,805	7.0%	0.0%	7.0%	7.1%	\$30.25	836	836	606	750	0	0
TOTAL	1,086,423	6.6%	0.0%	6.6%	5.2%	\$29.60	4,253	4,253	(16,191)	(16,047)	0	0
SOUTH MAIN/MEDICAL CENTER												
Class A	250,000	0.0%	0.0%	0.0%	0.0%	N/A	0	0	0	0	0	0
Class B	1,419,791	9.8%	0.4%	10.2%	9.2%	\$18.30	434	3,439	(13,813)	(33,689)	0	0
TOTAL	1,669,791	8.3%	0.4%	8.7%	7.9%	\$23.90	434	3,439	(13,813)	(33,689)	0	0
SOUTHEAST												
Class B	228,543	0.0%	0.0%	0.0%	0.0%	N/A	0	0	0	0	0	0
TOTAL	228,543	0.0%	0.0%	0.0%	0.0%	N/A	0	0	0	0	0	0



SUBMARKET BY CLASS

SUBMARKET / CLASS	INVENTORY (SF)	DIRECT VACANCY RATE	SUBLEASE VACANCY RATE	TOTAL VACANCY RATE	PREVIOUS QUARTER DIRECT VACANCY RATE	DIRECT ASKING GROSS RENT	CURRENT QUARTER LEASING ACTIVITY (SF)	12-MONTH LEASING ACTIVITY (SF)	CURRENT QUARTER NET ABSORPTION (SF)	12-Month NET ABSORPTION (SF)	UNDER CONSTR. (SF)	YTD DELIVERIES (SF)
SOUTHWEST/BELTWAY 8												
Class A	1,070,041	34.5%	0.1%	34.6%	34.5%	\$17.76	4,002	16,167	(757)	272	0	0
Class B	7,126,615	19.6%	6.1%	25.7%	19.2%	\$20.94	31,130	49,670	(26,965)	(104,669)	0	0
TOTAL	8,196,656	21.5%	5.3%	26.8%	21.2%	\$19.94	35,132	65,837	(27,722)	(104,397)	0	0
SOUTHWEST FAR												
Class A	80,536	32.5%	0.0%	32.5%	38.1%	\$37.53	0	4,536	4,536	7,800	0	0
Class B	578,457	0.5%	9.9%	10.4%	0.3%	N/A	1,900	1,900	(58,480)	(58,480)	0	0
TOTAL	658,993	4.4%	8.7%	13.1%	4.9%	\$37.53	1,900	6,436	(53,944)	(50,680)	0	0
WEST BELT/HIGHWAY 290												
Class A	3,448,953	24.4%	3.8%	28.2%	25.2%	\$31.08	51,105	188,728	26,709	34,127	0	0
Class B	2,047,122	30.2%	0.0%	30.2%	29.8%	\$24.45	3,296	5,788	2,447	(12,748)	0	0
TOTAL	5,496,075	26.6%	2.4%	28.9%	26.9%	\$28.69	54,401	194,516	29,156	21,379	0	0
WEST LOOP/GALLERIA												
Class A	17,528,923	31.6%	0.8%	32.4%	32.1%	\$39.69	214,534	400,476	95,972	188,977	0	0
Class B	6,529,362	34.2%	0.3%	34.5%	33.5%	\$28.40	80,468	134,421	(41,917)	(39,837)	0	0
TOTAL	24,058,285	32.3%	0.7%	33.0%	32.5%	\$36.33	295,002	534,897	54,055	149,140	0	0



SUBMARKET BY CLASS

SUBMARKET / CLASS	INVENTORY (SF)	DIRECT VACANCY RATE	SUBLEASE VACANCY RATE	TOTAL VACANCY RATE	PREVIOUS QUARTER DIRECT VACANCY RATE	DIRECT ASKING GROSS RENT	CURRENT QUARTER LEASING ACTIVITY (SF)	12-MONTH LEASING ACTIVITY (SF)	CURRENT QUARTER NET ABSORPTION (SF)	12-Month NET ABSORPTION (SF)	UNDER CONSTR. (SF)	YTD DELIVERIES (SF)
WESTCHASE												
Class A	8,870,678	28.0%	0.0%	28.0%	28.1%	\$30.42	102,328	372,085	52,711	84,767	0	0
Class B	8,415,253	23.8%	4.0%	27.8%	23.5%	\$20.89	37,417	84,776	(23,649)	(24,293)	0	0
TOTAL	17,285,931	25.9%	2.0%	27.9%	25.9%	\$26.57	139,745	456,861	29,062	60,474	0	0
WOODLANDS												
Class A	13,450,944	7.5%	1.2%	8.7%	8.2%	\$45.55	178,612	289,041	64,185	145,813	0	0
Class B	3,923,822	15.9%	2.6%	18.5%	14.6%	\$29.57	51,603	90,173	(55,877)	(92,067)	0	0
TOTAL	17,374,766	9.4%	1.5%	10.9%	9.7%	\$40.31	230,215	379,214	8,308	53,746	0	0

OUTLOOK

Houston's office market continued its gradual transition from stabilization toward recovery during the second quarter, supported by improving absorption, resilient rental rates, and one of the smallest office construction pipelines in more than a decade.

- While vacancy remains elevated by historical standards, market fundamentals are steadily improving. The continued flight to quality is expected to support Class A leasing activity and rental performance, while older commodity office buildings will likely remain under pressure to compete through capital improvements, repositioning, and competitive leasing strategies.
- Limited speculative development should remain one of the market's greatest strengths through the balance of 2026. With only 337,651 square feet under construction, Houston is well positioned to gradually absorb existing vacancy without facing significant new supply pressure. At the same time, improving office-using employment, positive net absorption, and declining sublease availability suggest occupier confidence continues to strengthen.
- Capital markets are also expected to remain active, though highly selective. Institutional investors will likely continue pursuing premier office campuses and value-add opportunities where long-term leasing potential supports future value creation. Transactions such as Greenway Plaza demonstrate that well-located assets continue to attract capital even as pricing adjusts to current market conditions.
- Overall, Houston's office market is expected to remain defined by stable rental rates, selective leasing activity, disciplined development, and a gradual improvement in occupancy. Although the recovery is unlikely to be linear, current trends suggest the market continues moving in the right direction, with the strongest performance expected among well-located, institutional-quality office assets.

KEY OPPORTUNITIES & RISKS

Opportunities

- Flight-to-quality continues supporting demand for premier office assets.
- Limited new construction is helping restore long-term market balance.
- Improving workplace attendance and positive absorption support continued recovery.

Risks

- Elevated vacancy continues to pressure older commodity office properties.
- Tenant demand remains selective, resulting in an uneven pace of recovery.
- Capital investment and leasing activity remain highly asset-specific.

ECONOMIC UPDATE

KEY INDICATORS



3.51M

Total Houston
MSA Employment
May 2026



4.6%

Houston MSA
Unemployment Rate
May 2026



4.3%

U.S. Unemployment
Rate
June 2026



4.2%

Consumer Price
Index
May 2026



580

U.S. Rig Count
July 2026



\$85.52

WTI Spot Price
June 2026



398,322

TEUs
May 2026

FORECAST



SOURCE: BLS, EIA, Baker Hughes, and Port Houston

Houston's economy remains resilient, supported by steady employment levels, moderate inflation, and continued strength in energy and trade-related activity.

Houston's economic fundamentals remained healthy through mid-2026. Total employment reached 3.5 million in May 2026, while the local unemployment rate measured 4.6% in May 2026. The U.S. unemployment rate is 4.2% and is consistent with historical averages. Labor market conditions continue to support business activity across the region.

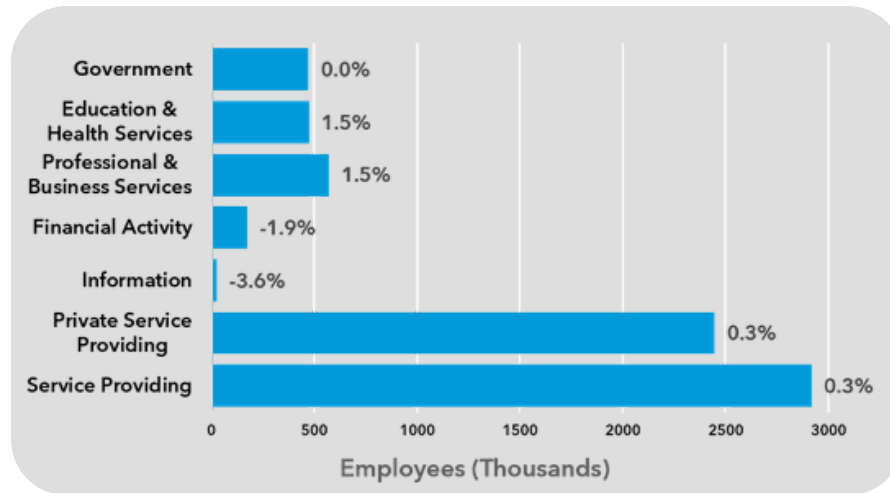
Inflation remained above historical norms, with the Consumer Price Index increasing 4.2% year-over-year in May 2026, though price

growth has generally stabilized compared to recent peaks. Houston's energy sector remained a key economic driver, as WTI crude oil averaged \$85.52 per barrel in June 2026 and the U.S. rig count totaled 580 in July 2026, supporting continued drilling and investment activity.

Trade and logistics also remained strong, with Port Houston handling 398,322 TEUs in May 2026, up from 381,640 TEUs in May 2025. Together, steady employment growth, resilient energy activity, and expanding trade volumes continue to provide a solid foundation for regional economic growth and industrial demand.



OFFICE EMPLOYMENT GROWTH



GROWTH BY INDUSTRY

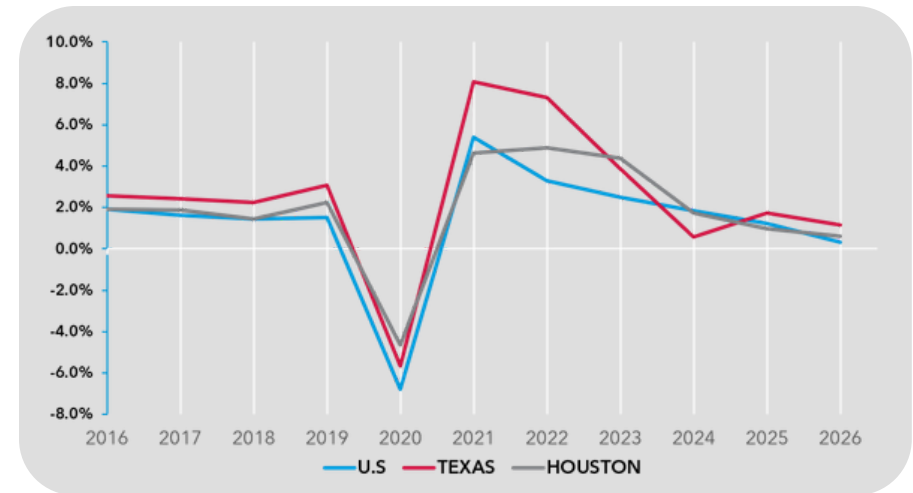
APRIL 2026 - YEAR-OVER-YEAR CHANGE

Professional services and healthcare continue to support Houston's office market, though weakness in information and financial services is tempering overall employment growth.

Houston's office-related employment remained stable in April 2026, with both Service Providing and Private Service Providing employment increasing 0.3% year over year. Professional and Business Services employment grew 1.5% to 572,000 jobs, while Education and Health Services also increased 1.5% to 474,600 jobs, supporting demand from two of the region's largest office-using sectors.

Several office-oriented industries continued to experience modest declines. Information employment fell 3.6% to 27,400 jobs, while Financial Activities declined 1.9% to 175,600 jobs. Government employment remained unchanged, indicating limited growth from the public sector.

Overall, steady gains in professional services and healthcare continue to support Houston's office market, although softness in information and financial services may moderate office demand in the near term.



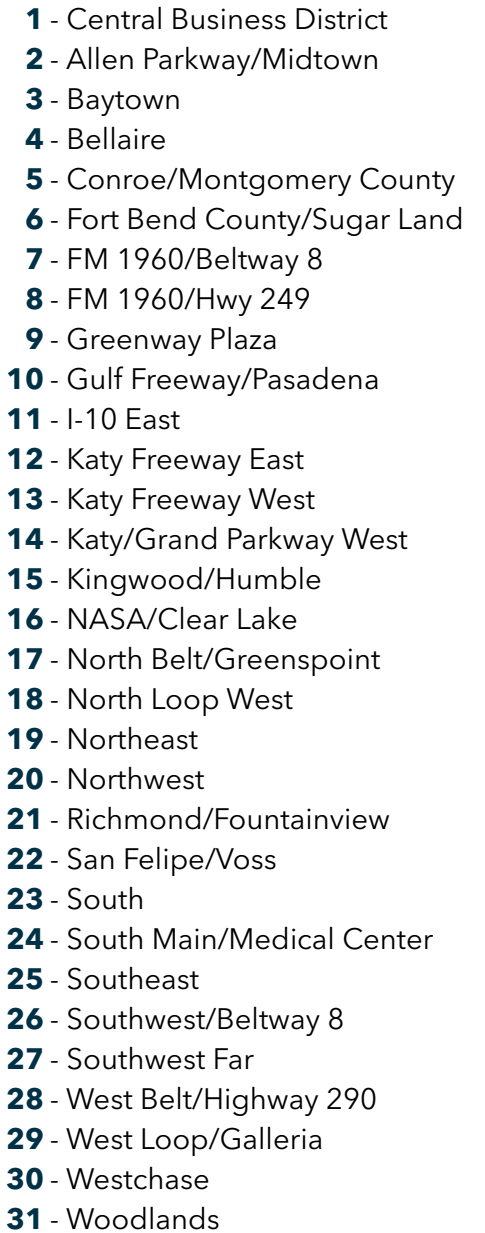
EMPLOYMENT GROWTH

APRIL 2026 - 10 YEAR CHANGE

Houston's office-using employment growth has gradually normalized following the post-pandemic recovery, reflecting a return to more sustainable hiring levels.

Over the past decade, Houston's office-using employment trends have generally tracked those of Texas and the U.S., supported by growth in professional services, financial activities, and corporate operations. Following steady expansion from 2016 through 2019, the pandemic led to a 4.7% decline in employment in 2020, though Houston outperformed both Texas and the U.S. during the downturn.

Employment rebounded in 2021 and remained positive through 2026, with growth reaching 4.6% in 2021, 4.9% in 2022, and 4.4% in 2023 before moderating to 1.8% in 2024, 1.0% in 2025, and 0.6% in 2026. While hiring has slowed, Houston has continued to post positive office-using employment growth, supporting a stable outlook for office demand as employers transition to a more measured pace of expansion.



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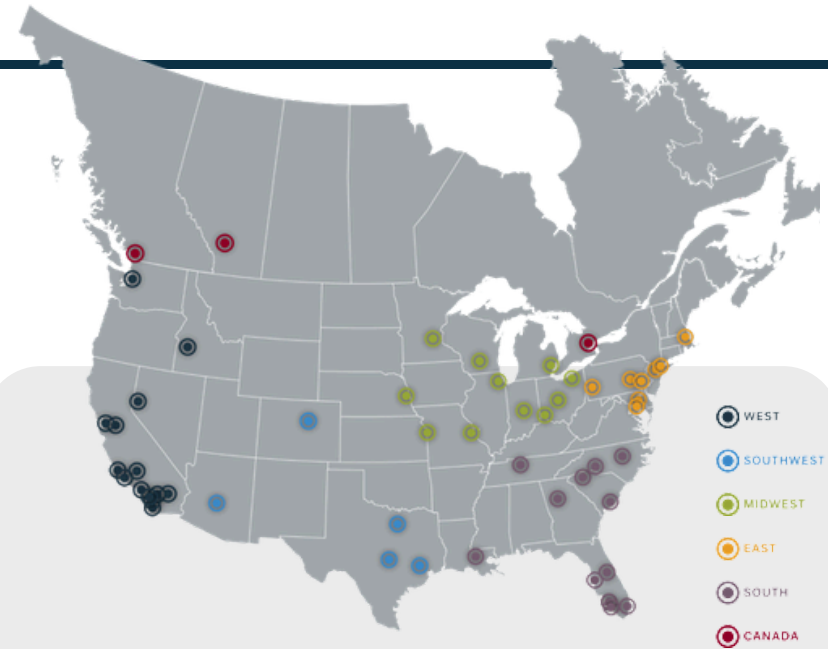
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Q2

HOUSTON CITYWIDE OFFICE | MARKET REPORT Q2 2026

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