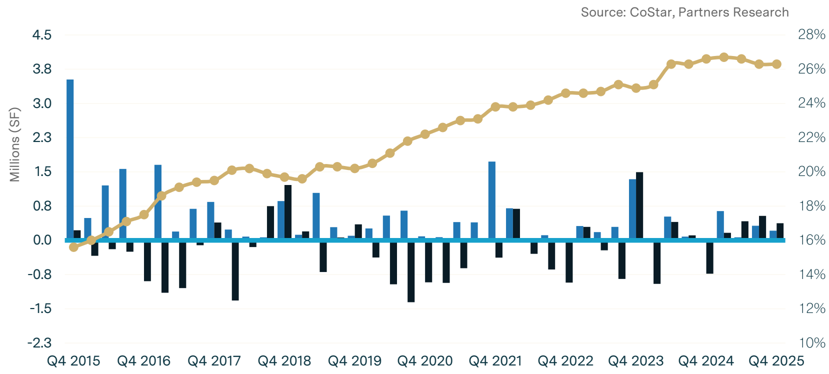
Houston Office
Q4 2025

QUARTERLY MARKET REPORT

partners

Executive Summary

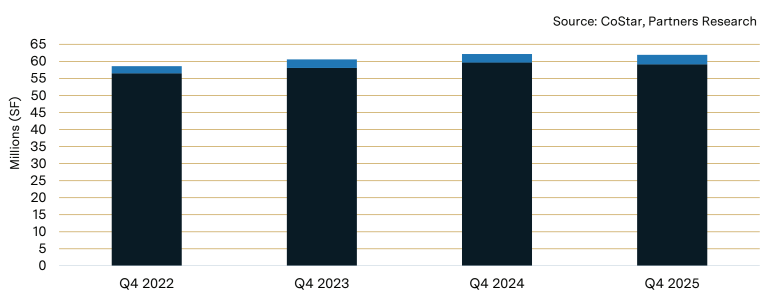
SUPPLY & DEMAND



Key Market Indicators

	CURRENT Q4 2025	PRIOR QUARTER Q3 2024		PRIOR YEAR Q4 2024	
Vacant Total	26.3%	26.4%	↓	26.6%	↓
Vacant Direct	25.1%	25.3%	↓	25.5%	↓
Available Total	27.5%	27.7%	↓	27.7%	↓
Available Direct	25.3%	25.6%	↓	25.5%	↓
Net Absorption (SF)	375,171	536,727	↓	-732,082	↑
Leasing Activity (SF)	2,103,666	2,702,709	↓	4,378,140	↓
Construction (SF)	1,029,702	1,163,835	↓	1,882,512	↓
Deliveries	210,879	319,117	↓	31,111	↑
Avg Asking Rent (Gross)	$30.63	$30.58	↑	$29.71	↑
Inventory (SF)	235,154,502	234,943,714	↑	233,915,686	↑

VACANCIES



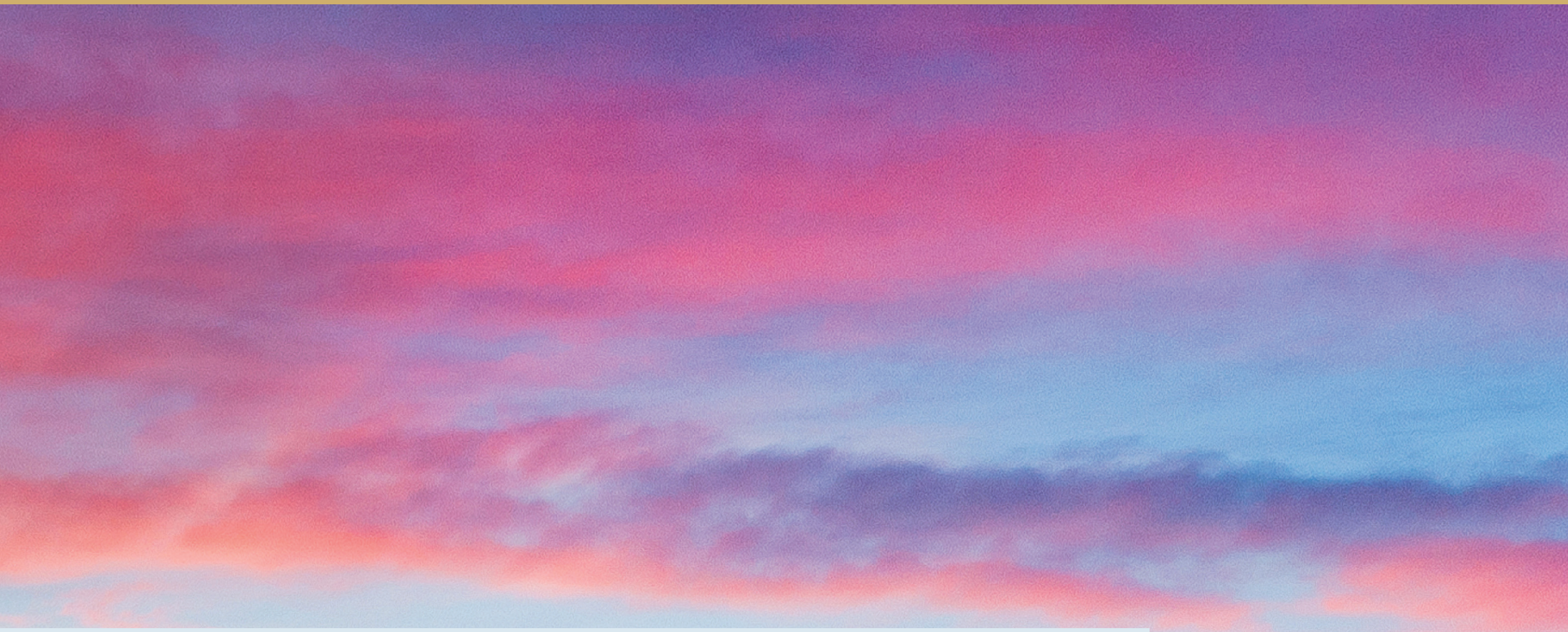
Q4 in Review

Houston's office market in Q4 2025 remained healthy with increased rental rates and lower vacancy despite a drop in absorption and leasing activity. Net absorption decreased to 375,171 sq. ft. from 536,727 sq. ft. recorded in the previous quarter. Vacancy rates edged down to 26.3%, reflecting a 10-basis-point decrease from Q3 2025. Leasing activity declined 22.2% to 2.1 million sq. ft. Twelve submarkets posted positive absorption, with Class A properties accounting for the majority. Construction deliveries decreased 33.9%, adding 210,879 sq. ft. to office inventory. The construction pipeline dropped 11.5% to 1.0 million sq. ft. Rental rates increased quarterly by 0.2% to $30.63 per sq. ft. Class A property rental rates rose slightly to $35.81 per sq. ft., and the overall Class B average rental rate is $23.22 per sq. ft.

Houston Economic Update

Houston's unemployment rate increased from 4.5% in July to 4.8% in September, and increased from 4.4% one year ago. Houston's labor market recorded employment growth of 0.9% year-over-year (ending September 2025), adding 30,700 jobs, a decrease compared to the annual 66,700 jobs gained in September a year ago.

Job growth was uneven across sectors. Education and Health Services employment was a standout, growing at an annualized rate of 3.3% year-over-year (15,100 jobs) from September 2024 to September 2025. Additional sectors showing resilience include Mining and Logging, which expanded at a 2.9% annualized rate (2,300 jobs), and the Leisure and Hospitality sector, which increased at a 2.5% annualized rate (9,000 jobs). Sectors that experienced job losses include Information, down 2.7% (700 jobs); Professional and Business Services, down 2.4% (13,700 jobs); and Manufacturing, down 0.8% (1,900 jobs).



Net Absorption Remains Positive in Q4 2025

In Q4 2025, the Houston office market recorded 375,171 sq. ft. of positive net absorption, down from 536,727 sq. ft. in Q3 2025. Class A properties contributed 353,408 sq. ft., while Class B properties recorded 21,763 sq. ft., representing a significant shift in favor of Class A properties. At the submarket level, 12 submarkets posted total positive absorption in Q4 2025, with the CBD (473,744 sq. ft.) and Galleria/West Loop (277,038 sq. ft.) recording the highest levels. The Katy Freeway submarket (-542,550 sq. ft.) recorded the highest negative absorption, driven by the ConocoPhillips space at 990 Town & Country Blvd., which was officially released to the market after the recent sale of the building. Some of the tenants that contributed to the positive absorption recorded in Q4 2025 include NRG Energy, Inc., which moved into 255,000 sq. ft. at 1301 McKinney St., relocating from 498,000 sq. ft. at 910 Louisiana. Westlake Corporation moved into 126,000 sq. ft. in 5444 Westheimer.

Quarterly Leasing Velocity Decreases 22.2%

Quarterly leasing velocity—comprised of new leases and renewals—decreased to 2.1 million sq. ft. from 2.7 million sq. ft. in Q3 2025. Notable leases in Q4 2025 include Caturus (formerly Kimmeridge Energy), which signed a 90,700 sq. ft. lease at 990 Town & Country Blvd., the former ConocoPhillips building; Fervo Energy, which signed a 53,700 sq. ft. lease at 811 Main St, and Corient, a national wealth management firm, signed a 39,900 sq. ft. lease at Autry Park, which is currently under construction.

Vacancy Rate Inches Down

The overall vacancy rate in Houston's office market decreased to 26.3% in Q4 2025, down 10 basis points from 26.4% in Q3 2025. Class A properties reported a vacancy rate of 27.3%, while Class B properties reported a vacancy rate of 25.1%. Submarkets, including Greenspoint/North Belt and FM 1960/Hwy 249, had the highest vacancy rates at 49.1% and 37.8%, respectively. In contrast, Pearland/South, Northeast, and Woodlands/Conroe had the lowest rates at 8.9%, 10.2%, and 14.8%, respectively.

partners

Construction, Deliveries & Investment Trends

Quarterly Deliveries and Construction Pipeline Down

New office deliveries in Q4 2025 totaled 210,879 sq. ft., down from 319,117 sq. ft. in Q3 2025, with submarket contributions from Southwest (67,475 sq. ft.), Northeast (53,925 sq. ft.), Kingwood/Humble (32,625 sq. ft.), Sugar Land/E Ft Bend (32,000 sq. ft.), and Katy/Grand Pkwy W (24,854 sq. ft.). The construction pipeline fell 11.5% over the quarter to 1.0 million sq. ft., an annual decline of 45.3%.

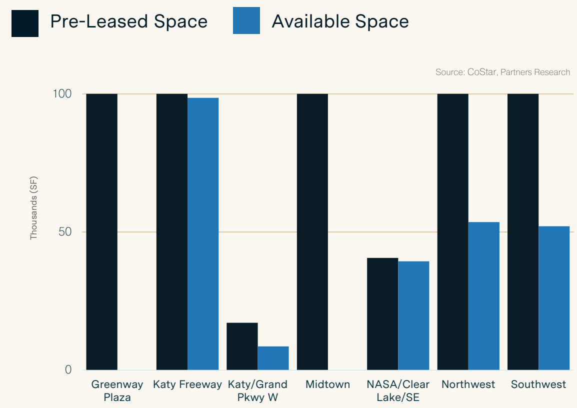
Investment Sales Trends

According to CoStar, 126 Class A and B office properties totaling 21.8 million sq. ft. were sold in 2025. Total sales volume was $528 million, with an average price per square foot of $93 and an average cap rate of 8.1%. Some of the more recent sales in Q4 2025 included Brookfield Properties' sale of the 1.3 million-square-foot, Class A, 1600 Smith to the Houston Police Officers Pension System for an undisclosed price. Also, Spear Street Capital sold the 604,000-square-foot, Class A, 5 Houston Center to Tourmaline Capital Partners for an undisclosed price. The property is 96.5% leased.

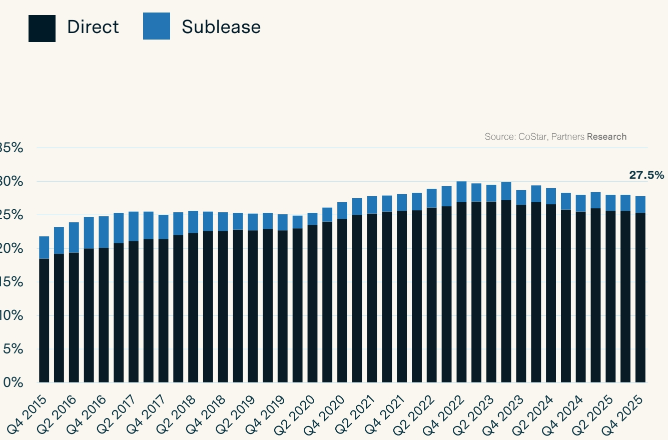
Asking Rates Marginally Increase

Average asking rental rates increased 0.2% quarterly and 3.1% annually to $30.63 per sq. ft. in Q4 2025. Class A properties averaged $35.81 per sq. ft., while Class B properties averaged $23.22 per sq. ft. Premium submarkets such as CBD ($37.98 per sq. ft.), The Woodlands/Conroe ($37.70), and Katy Freeway ($37.02 per sq. ft.) continued to command higher rents. The submarkets with the lowest average asking rental rates are Greenspoint/North Belt ($17.45 per sq. ft.), FM 1960 ($21.90 per sq. ft.), and Southwest ($22.30 per sq. ft.).

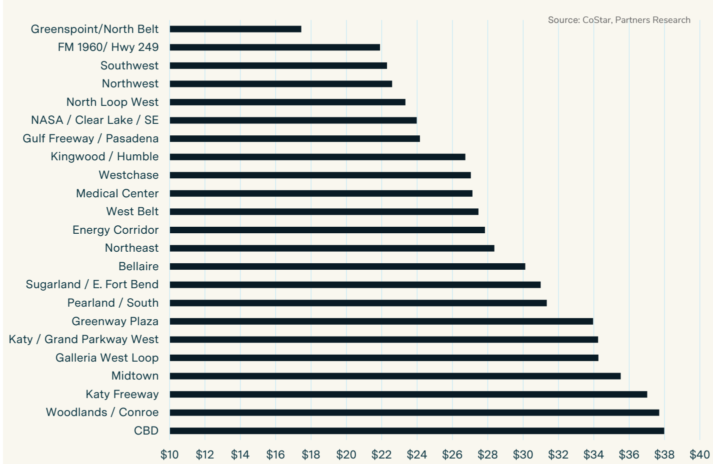
CONSTRUCTION



AVAILABILITY RATE



OVERALL GROSS ASKING RENT ($/PSF)



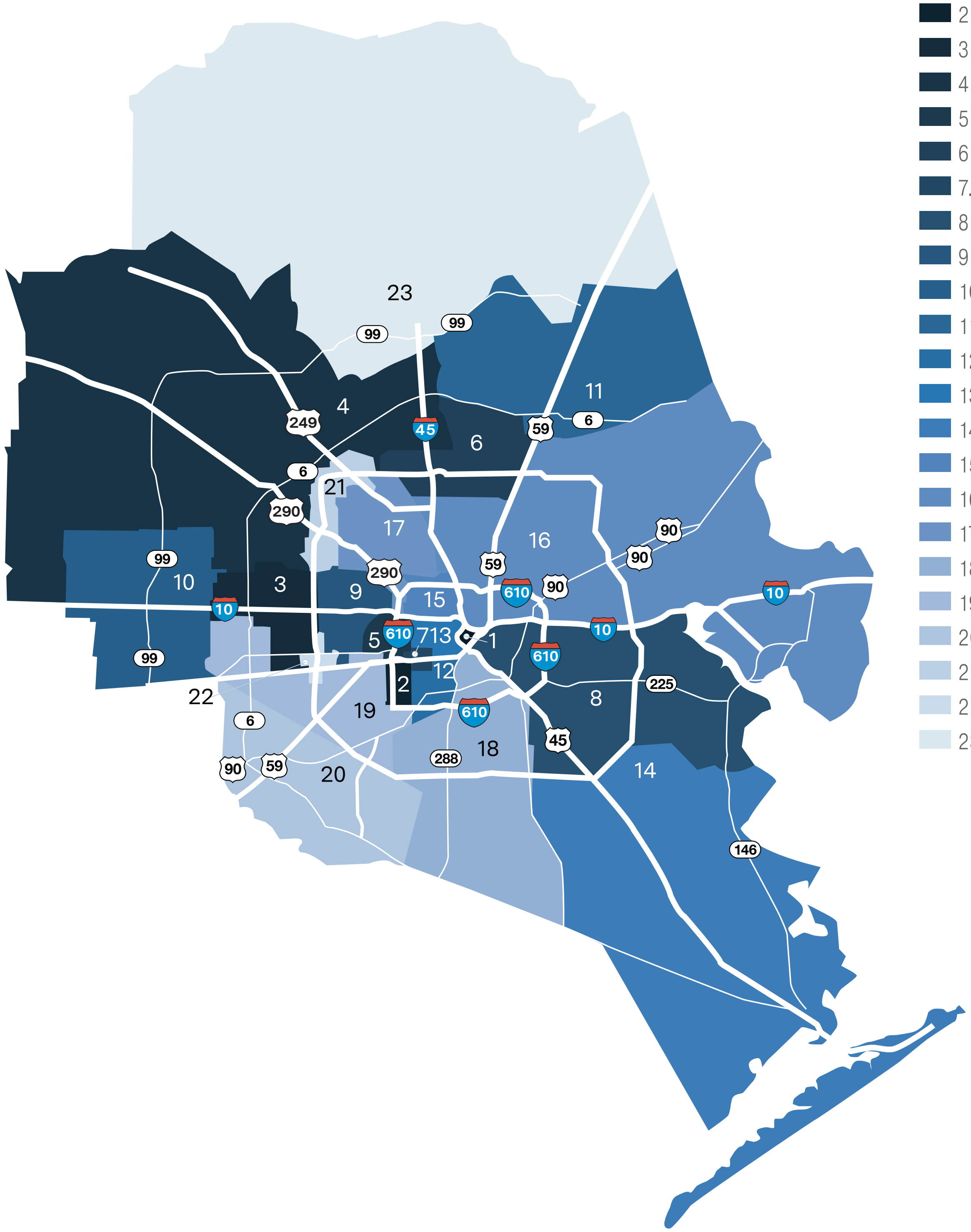
Market Overview

Submarket (Total reflects Class A/B Only)	Total Inventory (SF)	Total Vacancy (%)	Total Availability (%)	Q4 2025 Net Absorption (SF)	2025 YTD Net Absorption (SF)	Q4 2024 Deliveries (SF)	Under Construction (SF)	Overall Gross AVG Asking Rent ($/PSF)
CBD	41,173,959	31.3%	32.1%	473,744	424,991	0	0	37.98
Class A	33,287,504	28.7%	31.0%	479,615	433,230	0	0	43.05
Class B	7,886,455	42.0%	36.8%	-5,871	-8,239	0	0	23.96
Bellaire	4,132,375	15.2%	21.5%	29,037	195	0	0	30.12
Class A	1,415,437	23.4%	31.2%	10,337	-2,821	0	0	31.95
Class B	2,716,938	10.9%	16.5%	18,700	3,016	0	0	26.78
Energy Corridor	23,350,025	20.8%	26.2%	-48,203	25,833	0	0	27.84
Class A	13,975,498	21.5%	25.2%	-30,963	74,626	0	0	32.61
Class B	9,374,527	19.7%	27.7%	-17,240	-48,793	0	0	24.08
FM 1960/Hwy 249	10,428,713	37.8%	38.2%	-24,837	83,279	0	0	21.90
Class A	3,827,690	51.8%	51.1%	-28,903	135,479	0	0	24.76
Class B	6,601,023	29.7%	30.7%	4,066	-52,200	0	0	20.77
Galleria/West Loop	28,048,539	30.8%	29.0%	277,038	809,478	0	0	34.26
Class A	18,621,774	31.2%	30.9%	260,025	648,132	0	0	36.94
Class B	9,426,765	30.0%	25.2%	17,013	-11,666	0	0	27.37
Greenspoint/North Belt	10,327,528	48.1%	43.8%	37,098	-20,865	0	0	17.45
Class A	4,276,000	53.8%	44.3%	23,295	14,224	0	0	18.80
Class B	6,051,528	44.0%	43.4%	13,803	-35,089	0	0	15.47
Greenway Plaza	10,213,039	26.8%	29.9%	21,953	16,078	0	146,003	33.96
Class A	7,980,617	27.0%	29.8%	-848	23,893	0	146,003	35.46
Class B	2,232,422	26.0%	30.2%	22,801	-7,815	0	0	28.59
Gulf Fwy/Pasadena	5,290,713	18.8%	14.8%	4,822	187,526	0	0	24.16
Class A	541,437	15.9%	16.4%	16,071	73,684	0	0	32.17
Class B	4,749,276	19.2%	14.6%	-11,249	113,842	0	0	23.10
Katy Freeway	8,962,538	15.2%	15.4%	-542,550	-454,323	0	324,450	37.02
Class A	6,129,354	15.2%	14.7%	-488,945	-384,361	0	324,450	52.94
Class B	2,833,184	15.3%	17.0%	-53,605	-69,962	0	0	22.80
Katy/Grand Pkwy W	3,708,336	17.5%	16.1%	30,138	258,723	24,854	25,710	34.24
Class A	2,341,574	23.4%	19.6%	3,568	82,857	0	0	35.04
Class B	1,366,762	7.4%	10.1%	26,570	175,866	24,854	25,710	31.42
Kingwood/Humble	1,550,752	19.6%	20.2%	-4,841	-3,153	32,625	0	26.73
Class A	205,558	35.2%	18.7%	1,927	-17,389	0	0	29.00
Class B	1,345,194	17.2%	20.4%	-6,768	14,236	32,625	0	26.28
Medical Center	5,971,959	23.3%	25.2%	-9,388	162,866	0	0	27.13
Class A	3,396,401	29.3%	27.9%	-723	167,245	0	0	34.44
Class B	2,575,558	15.3%	21.7%	-8,665	-4,379	0	0	24.01
Midtown	6,262,480	15.3%	19.6%	-434	14,503	0	127,651	35.52
Class A	2,868,067	19.3%	26.1%	-15,684	10,846	0	127,651	38.34
Class B	3,394,413	11.9%	13.8%	15,250	3,657	0	0	30.03
NASA/Clear Lake/SE	7,378,476	20.8%	25.6%	-40,576	-36,398	0	80,000	23.98
Class A	2,116,010	16.2%	25.2%	-5,958	35,111	0	80,000	30.03
Class B	5,262,466	19.1%	21.1%	-34,618	-71,509	0	0	21.94

Market Overview

Submarket (Total reflects Class A/B Only)	Total Inventory (SF)	Total Vacancy (%)	Total Availability (%)	Q4 2025 Net Absorption (SF)	2025 YTD Net Absorption (SF)	Q4 2024 Deliveries (SF)	Under Construction (SF)	Overall Gross AVG Asking Rent ($/PSF)
North Loop West	3,932,507	18.8%	23.2%	-35,829	69,887	0	0	23.34
Class A	1,405,470	15.8%	26.8%	-66	70,197	0	0	25.93
Class B	2,527,037	20.5%	21.2%	-35,763	-310	0	0	21.21
Northeast	936,863	10.2%	6.1%	50,488	60,149	53,925	0	28.37
Class A	178,706	6.2%	6.2%	52,637	52,637	53,925	0	36.99
Class B	758,157	11.2%	6.1%	-2,149	7,512	0	0	26.20
Northwest	5,005,041	17.6%	19.1%	15,098	62,307	0	167,400	22.59
Class A	1,197,881	21.1%	23.7%	82,577	128,519	0	90,500	22.90
Class B	3,807,160	16.5%	17.6%	-67,479	-66,212	0	76,900	22.43
Pearland/South	1,793,676	8.9%	9.9%	1,658	-14,033	0	0	31.34
Class A	946,817	9.0%	9.1%	10,904	-4,344	0	0	30.67
Class B	846,859	8.8%	10.9%	-9,246	-9,689	0	0	31.82
Southwest	11,911,327	24.1%	25.6%	169,255	387,221	67,475	158,488	22.30
Class A	2,840,173	26.0%	26.4%	21,317	158,029	0	76,746	24.66
Class B	9,071,154	23.5%	25.4%	147,938	229,192	67,475	81,742	20.85
Sugar Land/ E Ft Bend	7,026,643	32.1%	21.7%	-31,563	128,000	32,000	0	30.99
Class A	3,264,514	37.3%	29.6%	-24,039	-19,620	0	0	34.35
Class B	3,762,129	27.6%	14.8%	-7,524	147,620	32,000	0	25.64
West Belt	5,371,624	31.6%	41.8%	36,333	107,756	0	0	27.47
Class A	3,180,516	31.0%	46.2%	29,406	162,127	0	0	30.30
Class B	2,191,108	32.5%	35.4%	6,927	-54,371	0	0	23.89
Westchase	14,877,321	33.4%	36.4%	-17,147	-148,564	0	0	27.04
Class A	8,495,039	30.2%	32.9%	-9,570	-36,121	0	0	32.08
Class B	6,382,282	37.8%	41.2%	-7,577	-112,443	0	0	20.15
Woodlands/Conroe	17,500,068	14.8%	17.7%	-16,123	-124,617	0	0	37.70
Class A	10,962,108	15.3%	18.4%	-32,572	-204,709	0	0	44.03
Class B	6,537,960	14.0%	16.5%	16,449	80,092	0	0	29.02
Suburban Total	193,980,543	25.3%	26.6%	(98,573)	1,398,836	210,879	1,029,702	28.40
Class A	100,166,641	26.8%	28.3%	(126,207)	1,294,448	53,925	845,350	32.85
Class B	93,813,902	23.6%	24.7%	27,634	230,595	156,954	184,352	23.09
Houston Market Total	235,154,502	26.3%	27.5%	375,171	1,705,773	210,879	1,029,702	30.63
Class A	133,454,145	27.3%	29.0%	353,408	1,326,344	53,925	845,350	35.81
Class B	101,700,357	25.1%	25.6%	21,763	149,022	156,954	184,352	23.22

Houston Office Submarkets



1. CBD
2. Bellaire
3. Energy Corridor
4. FM 1960/Hwy 249
5. Galleria/West Loop
6. Greenspoint/North Belt
7. Greenway Plaza
8. Gulf Fwy/Pasadena
9. Katy Freeway East
10. Katy/Grand Pkwy W
11. Kingwood/Humble
12. Medical Center
13. Midtown
14. NASA/Clear Lake/SE
15. North Loop West
16. Northeast
17. Northwest
18. Pearland/South
19. Southwest
20. Sugar Land/E Ft Bend
21. West Belt
22. Westchase
23. Woodlands/Conroe

Houston
5847 San Felipe St, Suite 1400
Houston, TX 77057
713 629 0500

Austin
901 South MoPac, Suite 550
Austin, TX 78746
512 580 6025

San Antonio
112 E. Pecan, Suite 1515
San Antonio, TX 78205
210 446 3655

Dallas - Ft. Worth
1717 McKinney Ave, Suite 1480
Dallas, TX 75202
214 550 2990

Atlanta
999 Peachtree St NE, Suite 1250
Atlanta, GA 30309
404 595 0500

Steve Triolet
SVP of Research and Market Forecasting
tel 214 223 4008
steve.triolet@partnersrealestate.com