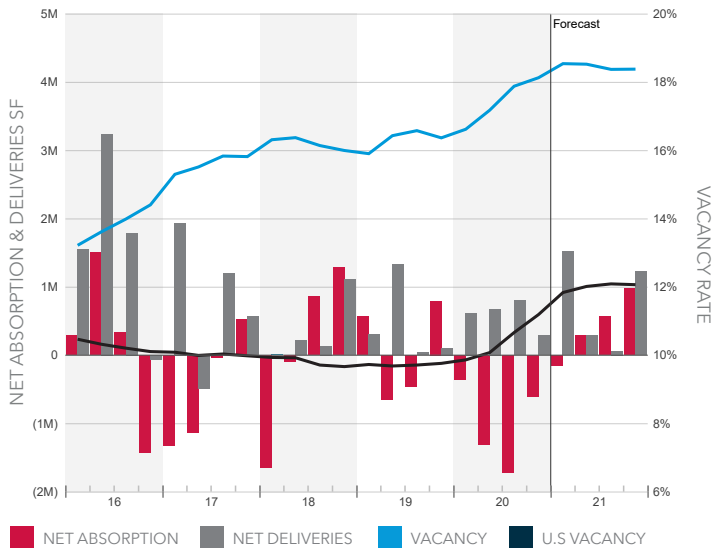


## MARKET INDICATORS

	Q4 2020	Q3 2020	Q2 2020
Vacancy Rate (%)	18.1% ▲	17.9%	17.2%
Net Absorption (SF)	(605,811) ▲	(1,713,096)	(1,317,860)
Quoted Rental Rate (\$)	\$28.57 ▼	\$28.54	\$28.67

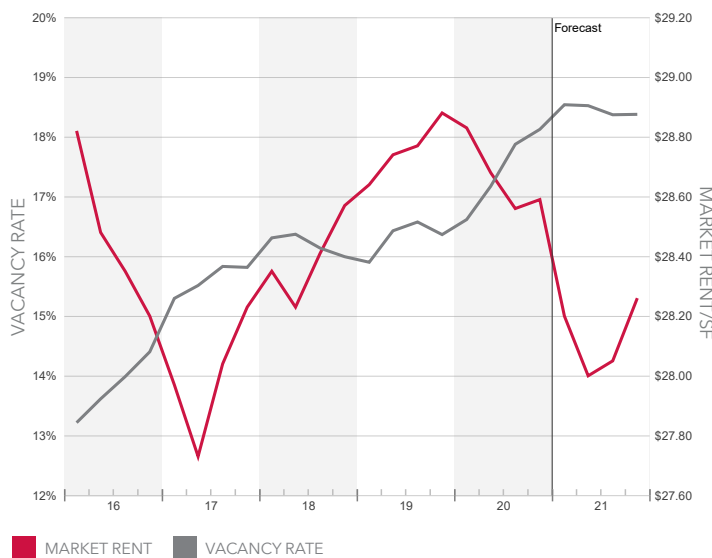
\*Source: CoStar

## NET ABSORPTION, DELIVERIES & VACANCY



\*Source: CoStar

## VACANCY VS. RENTAL RATE



\*Source: CoStar

## ECONOMY WRITTEN BY TRAVIS TAYLOR

The office market further deteriorated as businesses continue to castoff space for good reason: approximately 80% of the office-based labor force continues working from home at least part time. Negative absorption posted over the last two quarters is the highest on record according to most reports. This comes as no surprise as Houston posted its worst single year job loss in 2020. According to the Texas Workforce Commission, Houston employers laid off more than 350,000 jobs. Even with a surge in rehiring during the month of November, overall unemployment at the end of December was double from a year prior. A large percentage of the workforce reduction were white-collar office jobs in oil and gas, construction and hospitality. Oilfield service companies accounted for a staggering 15% of local job loss during 2020.

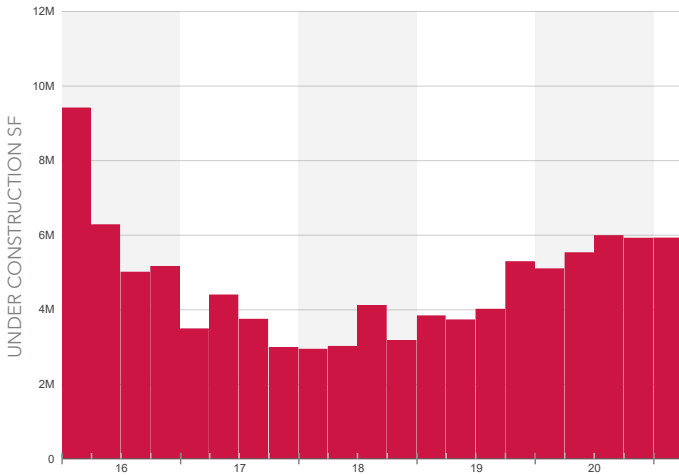
The predictable impact of layoffs on corporate office space has proven fateful as the availability rate, which combines vacant space, sublease, and future availability currently on the market is 30%, climbing 2% from the previous quarter. The TWC predicts that greater Houston will add between 35,000 and 50,000 jobs during 2021; approximately 60% of average pre-pandemic growth. Even with the optimism of vaccine distribution underway and as businesses adjust to the nuances of a COVID-wary society, the expectation is that the aggregate negative effect on the office market will continue throughout 2021.

## TRENDING NOW

COVID-19 has shown the world the necessity of socialization and human interaction in the workplace. Companies built on collaboration now must question the layout of workplace environment. While many employees can work remotely and companies offer flexible schedules with today's technology, interaction amongst people is necessary and working from home indefinitely isn't a true long-term reality.

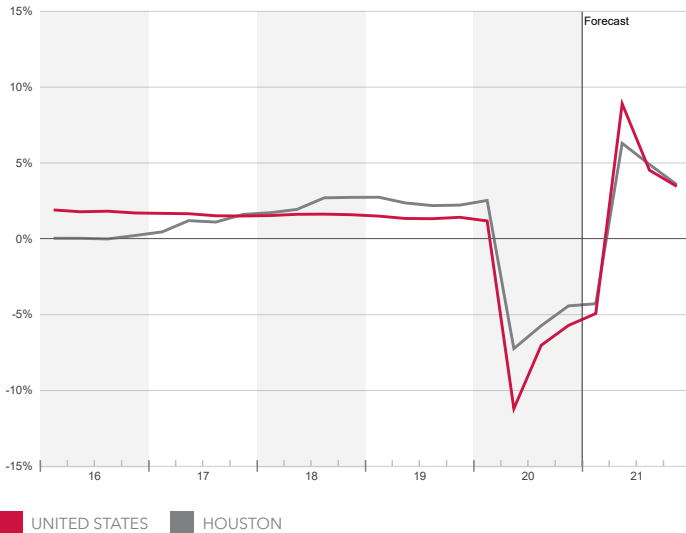
Owners will have to rethink their long-term plans and listen to consumers. Strategies of 'benching, hot desks, hoteling' focusing on dense-work-environments may be a lost trend in design; at least for now. If each employee had thirty-five square feet to themselves pre-pandemic, this will translate to seventy square feet so operators can act responsibly amongst new social distancing guidelines. Density will exist, but it will appear different often with this '6 foot of separation' rule implied in every facet of the workplace. Spaces may be larger and more open, but this doesn't necessarily mean that companies are rushing to expand their offices. Instead, most companies will likely continue to stagger shifts between home and office to avoid paying for space that is only being used part time.

## UNDER CONSTRUCTION



\*Source: CoStar

## YEAR TO JOB GROWTH



\*Source: CoStar

## ECONOMIC INDICATORS

### WTI PRICE

The closing spot price for West Texas Intermediate (WTI), the U.S. benchmark for light, sweet crude, averaged \$47.73 per barrel during the last week of December '20, down 22.1 percent from \$61.26 for the same period in '19.

\*Source: Greater Houston Partnership

### RIG COUNT

Baker Hughes reports 351 drilling rigs were working in the U.S. during the first week of January '21. That's down from 796 rigs the same week in January last year. The rig count has inched up steadily since bottoming at 244 in mid-August. However, it remains well below its recent peak of 1,083 in late December '18.

## TRENDING NOW (CONT.)

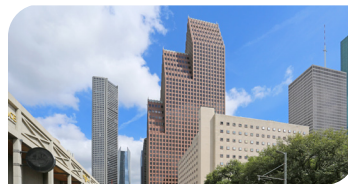
Buildings, Landlords, and Tenants will have to operate differently, as safety and health of the worker will be the focal point more than it ever has before. The landlords that engage in precautionary measures to protect their tenants will ultimately win on tenant attraction/retention in the long run, as this will now become a marketing differentiator in building selection. A virtual tour is now a necessity for every listing. Closings will be online. Space-plans may reflect larger footprints on one hand but might also reflect space reduction due to most of the workforce working remotely. For tenants, employers will have to take a deep look at their culture and determine a flexible office footprint for functionality. Landlords that embrace a repositioning of their assets in an environment that is catered to that post COVID-10 consumer is key to leasing space, highlighting health safety measures more than ever before.

## RENTAL RATES, VACANCY & ABSORPTION

The office vacancy rate in the Houston market area continued to increase this quarter to 18.1%. This is up 0.2% from last quarter's vacancy rate of 17.9% in Q3 2020. The vacancy rate was 16.6% at this time last year (CoStar).

The average quoted asking rental rate for available office space, among all classes, for this quarter has increased slightly to \$28.57 square foot in comparison to \$28.54 per square foot per year gross from last quarter. Last year at this time, the rental rate was \$27.75 in Q4 2019. Rental rates are unlikely to increase market wide until more vacancy is absorbed throughout the market.

## TOP OFFICE LEASES



### 700 LOUISIANA STREET

- TC PipeLines, LP
- CBD
- 320,788
- M-M Properties



### 3600 W SAM HOUSTON PKY S

- Vroom
- Westchase
- 102,492
- Clarion Partners



### 15415 KATY FREEWAY

- Diamond Offshore Drilling, Inc
- Katy Freeway West
- 98,000
- Fuller Realty Partners, LLC

## SUBMARKET STATISTICS

SUBMARKET	EXISTING INVENTORY		VACANCY		YTD NET ABSORPTION	YTD DELIVERIES SF	UNDER CONST SF	QUOTED RATES
	# BLDGS	TOTAL RBA	TOTAL SF	VAC %				
Baytown	140	1,867,214	11,869	7.0%	(37,197)	0	0	\$23.59
Bellaire	93	5,324,736	102,380	10.5%	221,897	52,825	0	\$26.12
CBD	164	51,463,478	756,720	21.4%	(826,480)	0	1,251,856	\$36.80
E Fort Bend Co/Sugar Land	459	10,470,411	10,685,950	13.3%	11,476	328,623	31,396	\$28.21
FM 1960/Champions	272	4,373,508	306,600	15.9%	45,444	57,057	0	\$18.92
FM 1960/Hwy 249	494	9,838,773	1,264,777	16.2%	(37,968)	133,280	232,374	\$26.01
FM 1960/I-45 North	118	2,484,766	680,559	31.0%	(50,590)	4,894	0	\$20.35
Galleria/Uptown	67	16,921,317	1,649,907	20.1%	(589,230)	70,000	0	\$32.40
Greenspoint/IAH	58	3,283,410	719,794	23.0%	54,677	0	0	\$19.16
Greenspoint/N Belt West	119	11,077,899	3,340,160	44.5%	129,448	0	0	\$18.74
Greenway Plaza	274	12,638,079	767,014	18.3%	(355,003)	0	0	\$31.42
Gulf Freeway/Pasadena	671	8,296,765	4,806,733	12.6%	(286)	0	64,396	\$22.05
I-10 East	155	1,467,717	2,058,786	8.9%	(9,770)	30,500	0	\$21.48
Katy Freeway East	269	11,878,909	1,144,572	12.7%	(256,007)	164,444	964,559	\$32.43
Katy Freeway West	264	28,061,857	133,761	23.0%	(412,622)	23,133	0	\$29.42
Katy/Grand Parkway West	489	6,683,419	1,285,060	14.0%	54,632	211,831	82,832	\$29.60
Kingwood/Humble	253	3,798,771	6,343,718	11.6%	15,981	86,050	270,000	\$25.33
Liberty County	80	459,118	948,269	4.6%	(8,846)	0	0	\$22.14
Midtown	605	10,675,104	439,349	12.7%	(92,830)	352,488	205,400	\$32.04
NASA/Clear Lake	547	10,321,647	8,281	13.3%	25,137	79,544	20,200	\$23.95
North Loop West	385	6,406,713	1,172,611	16.8%	60,596	138,582	0	\$22.71
Northeast Near	152	2,265,585	1,388,740	6.3%	(21,653)	0	0	\$24.78
Northwest Far	132	4,372,030	1,102,872	16.7%	12,532	0	0	\$19.63
Northwest Near	63	1,604,122	140,536	12.8%	33,163	41,467	23,200	\$19.91
Post Oak Park	45	4,819,564	51,321	33.3%	(184,642)	205,629	92,839	\$32.55
Richmond/Fountainview	122	2,242,066	720,991	10.5%	(42,508)	0	0	\$20.29
Riverway	24	3,177,233	193,065	24.1%	(47,358)	0	0	\$27.07
San Felipe/Voss	50	5,346,729	268,732	26.0%	(300,577)	0	0	\$26.35
South	291	3,441,925	8,805	13.0%	(23,944)	113,986	117,881	\$28.06
South Hwy 35	164	874,531	230,699	6.1%	(7,142)	3,000	0	\$20.87
South Main/Medical Center	244	13,506,758	10,700	7.2%	(244,837)	5,000	1,215,780	\$29.51
Southwest Beltway 8	193	7,306,812	1,579,720	19.7%	(86,252)	0	0	\$18.24
Southwest Far	98	2,035,888	183,389	15.9%	(4,030)	0	19,500	\$26.25
Southwest/Hillcroft	111	5,322,656	582,870	15.6%	68,685	5,000	0	\$17.47
The Woodlands	680	23,921,811	1,202,346	14.3%	(869,603)	320,967	636,543	\$32.72
West Belt	117	6,293,417	365,303	25.5%	(371,539)	15,060	0	\$29.21
Westchase	139	20,027,376	54,276	22.7%	(234,193)	0	0	\$27.44
<b>TOTALS</b>	<b>9,907</b>	<b>324,352,114</b>	<b>60,537,461</b>	<b>16.8%</b>	<b>(4,381,439)</b>	<b>2,443,360</b>	<b>5,228,756</b>	<b>\$25.49</b>

\*Source: CoStar

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