LEE & ASSOCIATES
COMMERCIAL REAL ESTATE SERVICES

Q4 2022
HOUSTON, TX

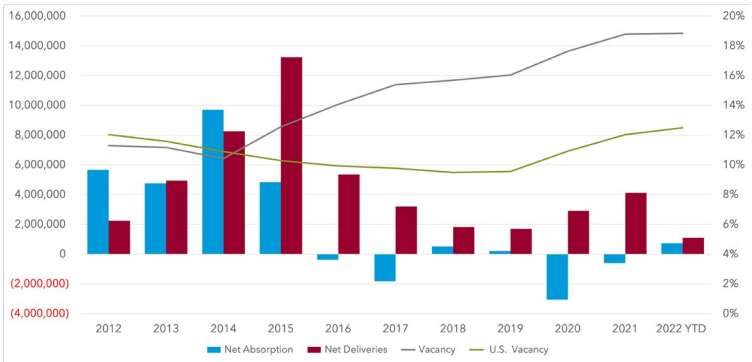
OFFICE MARKET OVERVIEW

TRAVIS TAYLOR, *Principal*

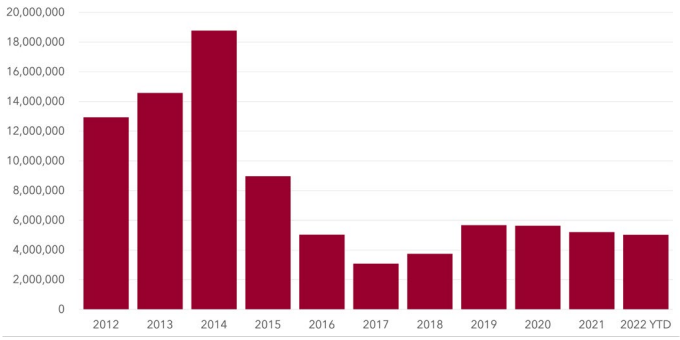
Long term vacancy held steady throughout 2022 despite promising local job growth. Absorption remained positive for the quarter, and Landlords continue to remain competitive on direct deal economics as the reality of the 40 basis point year-over-year increase in vacancy becomes more evident. While rates are on the decline and tenant concessions abundant, a pressing issue is the concern over tenant improvement costs. There seems to be no ceiling for construction pricing, which makes it impossible for Tenant Improvement Allowances to keep up with inflation. Tenants entering the market are often frustrated with the sparsity of move-in ready spaces as it contradicts the expectation that there are an endless number of options to evaluate.

MARKET INDICATORS	Q4 2022	Q3 2022	Q2 2022	Q1 2022	Q4 2021
▼ Qtrly Net Absorption SF	122,569	494,181	1,410,101	1,061,580	(595,726)
▲ Vacancy Rate	19.5%	18.8%	18.7%	18.5%	18.8%
▲ Avg NNN Asking Rate PSF	$28.77	$28.74	$28.71	$28.72	$28.67
▼ SF Under Construction	5,026,543	5,151,593	4,938,213	4,976,585	5,209,200
▲ Inventory SF	349,392,815	349,109,763	349,374,302	348,546,862	348,282,998

NET ABSORPTION, NET DELIVERIES, & VACANCY



UNDER CONSTRUCTION



TOP SALE TRANSACTIONS BY SF	SIZE	SALE PRICE	BUYER / SELLER	BUILDING CLASS
915 N Eldridge Pkwy - Energy Ctr V Houston, TX	524,323 SF	Undisclosed	Oak Street Real Estate Capital Principle Global Investors, Inc.	Class A
4615 & 4635 Southwest Fwy Houston, TX	273,741 SF	Undisclosed	SLS Properties Cypressbrook Companies	Class B
5251 & 5333 Westheimer Rd Galleria Park, Houston, TX	394,152 SF	Undisclosed	Dhanani Private Equity Group Lincoln Properties	Class A

TOP LEASE TRANSACTIONS BY SF	SIZE	LANDLORD	TENANT	TENANT INDUSTRY
17325 Park Row Road *Renewal Houston, TX	226,287 SF	Griffin Realty Trust	Wood Group	Engineering Services
2000 W Sam Houston Parkway S Renewal Expansion, Houston, TX	328,000 SF	Cousins	Apache	Oil & Gas
9753 Katy Fwy Houston, TX	107,171 SF	Metronational	Callon Petroleum Coompnay	Oil & Gas

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