



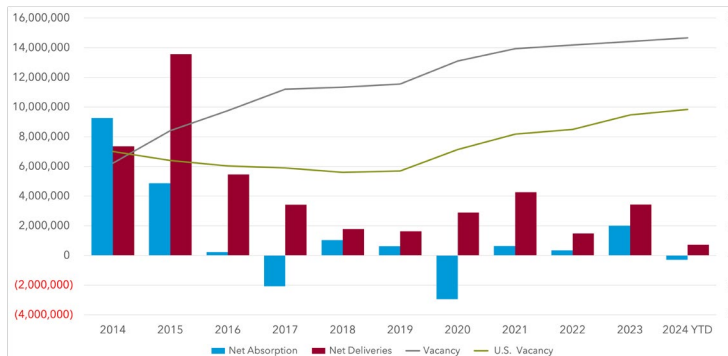
OFFICE MARKET OVERVIEW

BLAKE R. VIRGILIO, CCIM, SIOR, *Principal*

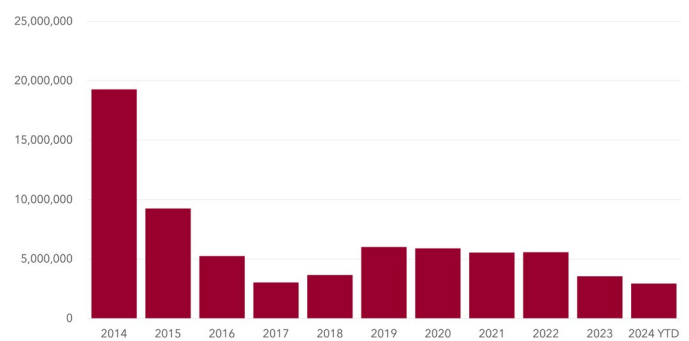
Houston's office market is experiencing stable job growth, population gains, and a healthy energy sector, leading to leasing activity and positive net absorption in Q4 2023. However, capital markets correction is hindering office property valuations, particularly in the commercial mortgage-backed security (CMBS) sector. High interest rates, paralyzed credit markets, and distressed loans make it difficult for selling or refinancing properties. Institutional funds and banks may present opportunities for capitalizing on discounted assets. The demand for office space is changing, with employers focusing on enhancing employee experience. Large tenants are leveraging the market to reduce their footprint and improve office amenities.

MARKET INDICATORS	Q1 2024	Q4 2023	Q3 2023	Q2 2023	Q1 2023
▼ Qtrly Net Absorption SF	1,062,652	2,008,149	(46,962)	287,442	(68,170)
▲ Vacancy Rate	18.7%	18.4%	18.6%	18.3%	18.3%
▲ Avg NNN Asking Rate PSF	\$29.46	\$29.40	\$29.35	\$29.27	\$29.29
▼ SF Under Construction	2,940,329	3,556,405	5,103,163	4,799,821	5,256,281
▲ Inventory SF	357,704,132	356,981,192	355,697,429	355,238,298	354,408,640

NET ABSORPTION, NET DELIVERIES, & VACANCY



UNDER CONSTRUCTION



TOP SALE TRANSACTIONS BY SF	SIZE	SALE PRICE	BUYER / SELLER	BUILDING CLASS
17320 Katy Freeway Houston TX	245,846 SF	\$11,800,000 \$48.00 PSF	David Z. Mafrige Interests Granite Properties, Inc.	Class A
777 Post Oak Houston, TX	176,776 SF	Undisclosed	Landry's/Tillman Fertitta Credit Suisse	Class A
1600 & 1650 Highway 6 Sugar Land, TX	171,055 SF	Undisclosed	DML Capital Buchanan Street Partners	Class A

TOP LEASE TRANSACTIONS BY SF	SIZE	LANDLORD	TENANT	TENANT INDUSTRY
2103-2107 City West Boulevard Houston, TX	102,634 SF	Parkway	Bechtel	Engineering
1290 Hercules Avenue Houston, TX	63,716 SF	Capital Commercial Investments	Axiom Space	Space Research & Technology
15710 John F. Kennedy Boulevard Houston, TX	44,700 SF	David Z. Mafrige Interests	AvAir	Professional, Scientific & Technical Services

