

# Houston's office market posts negative absorption in Q3 2020, pushing the year-to-date total to over -2.8M SF

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Commentary by Patrick Duffy MCR

The Houston Office Market continued to contract during the third quarter as the COVID-driven, government-mandated lockdowns continued. After experiencing negative absorption of 1.14 million square feet in the 2nd quarter, the 3rd quarter followed posting 1.33 million in negative absorption. We track absorption as the change in physically occupied space between the current quarter and the previous quarter. Negative absorption literally means that less office space was occupied vs. discussing an increase in vacant space, including new space delivery. In the 3rd quarter, Houston delivered 490,000 square feet of new product, pushing the year-to-date total of new inventory to 1.2 million square feet. Including the new product, vacancy, therefore, increased by 1.8 million square feet. The net result was to drive the vacancy rate up to 21.3% of the inventory we track. Obviously, not a positive trend for the Houston office market.

Despite the increase in vacancy, asking lease rates stayed steady. However, the concession packages became slightly more aggressive in the last quarter, especially free rent and tenant improvement allowances. The landlord's theory seems to be "accelerate occupancy, but hold the line on the long-term rental income," which has historically been a sound strategy during perceived short-term economic downturns. Given the bounce back in GDP (up 35%) and employment (unemployment fell to 7.9% nationally and low 7's in Texas) during a still COVID restrained 3rd quarter, this strategy seems sound. As the COVID slowdown subsides and the global economy slowly restarts, expectations are that GDP will continue to recover at a relatively high rate in the next several quarters and that employment will continue to improve. All of this bodes well for the office market in the mid-term.

The move toward remote work, a clear threat to office occupancy, seems to have lost the shine we felt in the early parts of the lockdowns. Most corporate leadership consensus seems to have shifted from "it's working surprisingly well" to "we do not see our normal productivity, collaboration and innovation that we had when we were all working in the same space." Every seasoned office advisor knows that office space is not just a place to work – if that is all it is, then remote work would quickly replace it. Office environments are designed to attract talent, enhance collaboration

Market Indicators Relative to prior period	Annual Change	Quarterly Change	Quarterly Forecast*
VACANCY	↑	↑	↑
NET ABSORPTION	↓	↓	↓
DELIVERIES	↑	↑	↑
UNDER CONSTRUCTION	↑	↓	↓

\*Projected

Summary Statistics Houston Office Market	Q3 2019	Q2 2020	Q3 2020
Vacancy Rate	19.9%	20.5%	21.3%
Net Absorption	-178,859	-1,140,133	-1,334,712
Deliveries	108,433	432,753	493,369
Under Construction	2,510,029	4,269,793	3,947,182
Class A Vacancy Rate			
CBD	20.3%	20.4%	20.3%
Suburban	21.0%	21.5%	22.5%

## Asking Rents

Per Square Foot Per Year

Houston Class A	\$35.14	\$35.08	\$34.80
CBD Class A	\$45.61	\$44.00	\$44.01
Suburban Class A	\$31.83	\$32.34	\$31.99

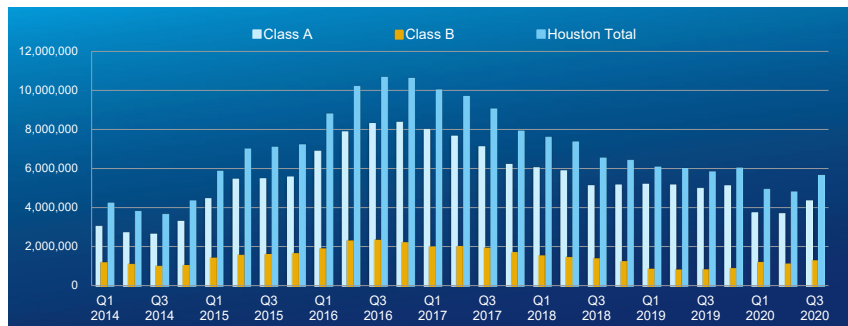
## Commentary - continued

and productivity, act as a cultural leverage point, and create environments where our employees' intellectual capital is best deployed. If this is true, while remote work might get the in-box emptied, it does not provide for the rest of the package required to truly leverage our workforce's talents.

We expect that the Houston office market will continue to show weakness well into 2021 and will not recover to a balanced (12-15%) vacancy for many years. There are almost 4 million square feet of new office product in the near term pipeline that will add to our vacancy issues and keep the market landlord soft and tenant-friendly for quite some time. The new product has performed very well and has approximately 10% less vacancy than the overall market. This move toward quality and new, more efficient buildings will likely continue at the expense of older A and B office product. Unfortunately, it also encourages new development when the new buildings have superior leasing volume and can command higher rents.

As you will see from our submarket analysis in this report, Houston is a vast market and the submarket matters. The Houston MCA is physically larger than 9 states. From a population perspective, we are larger than over 30 states. This summary includes all of Houston as if it is a single, homogenous market – it is not. Even within submarkets, some office buildings have significant competitive advantages to others. Colliers believes that these quarterly reports, with the submarket data tables included, can give the reader a reasonable understanding of the market's health and trends, but will never replace a specific requirement analysis for granular understanding by a specific occupier/user. We hope you find this information helpful and welcome the opportunity to dive deeper with our clients.

### HISTORICAL AVAILABLE SUBLEASE SPACE



Of the 1,683 existing office buildings in our survey, 93 buildings have 100,000 SF or more contiguous space available for lease or sublease. There are 28 options with 200,000 SF available for lease or sublease. Citywide, 5.7 million SF of sublease space is listed as available and 2.8 million SF of the space is vacant.

### AVAILABLE SUBLEASE SPACE - 150,000 SF OR GREATER

Large Sublease Availabilities (Total available in building and/or complex)			
BUILDING	TENANT	SUBMARKET	SF
Noble Energy Center II	Noble Energy	FM 1960	437,793
Twelve Greenway Plaza	CPL Energy	Greenway Plaza	200,580
GreenStreet Tower	Reliant Energy Retail	CBD	194,768
1325 S Dairy Ashford	Schlumberger	Katy Freeway	155,320
919 Milam St	SNC-Lavalin Group Inc	CBD	154,862

Source: CoStar

## Job Growth & Unemployment

(not seasonally adjusted)

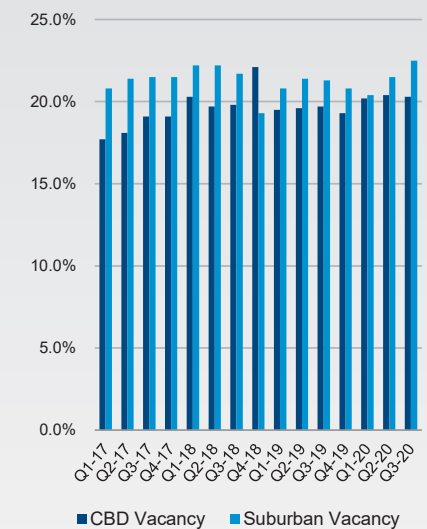
UNEMPLOYMENT	8/19	8/20
HOUSTON	6.9%	8.1%
TEXAS	5.9%	7.0%
U.S.	6.9%	8.5%

JOB GROWTH	Annual Change	# of Jobs Lost
HOUSTON	-5.8%	-182.8K
TEXAS	-4.9%	-0.6K
U.S.	-6.9%	-10.4M

## CBD vs. Suburban

### CLASS A OFFICE VACANCY



### CLASS A OFFICE RENTS



## Absorption & Demand

Houston's office market posted negative net absorption of 1.3M SF in the third quarter, pushing the year-to-date 2020 total net absorption to negative 2.8M SF. CBD Class A space recorded the only gain in Q3, posting 31,018 SF of positive net absorption, while suburban Class A space reported the largest loss, posting 701,731 SF of negative net absorption. Since tenants typically do not move into lease space immediately after signing a lease, absorption lags and can occur at anytime after. We believe absorption numbers will trail even longer than usual in the short-term due to the "stay-at-home" orders amid COVID-19, so absorption will more than likely remain negative moving into Q4 2020.

## Rental Rates

Houston's average asking rental rate decreased over the quarter from \$30.00 per SF to \$29.85 per SF and Houston's average suburban rental rate fell to \$27.39 per SF from \$27.58 per SF. In contrast, the average CBD asking rate increased from \$39.35 per SF to \$39.41 per SF. As stated in the commentary, rental rates have remained relative flat; however, landlords have been more generous with concessions.

## Leasing Activity

Houston's office leasing activity fell 42% over the quarter from 3.2M SF to 1.8M SF primarily due to the Covid-19 "stay-at-home" orders in the greater Houston area. Leasing activity includes new/direct, sublet, renewals, expansions in existing buildings and pre-leasing in proposed buildings. Some of the more notable transactions that did occur in Q3 2020 are listed in the table below.

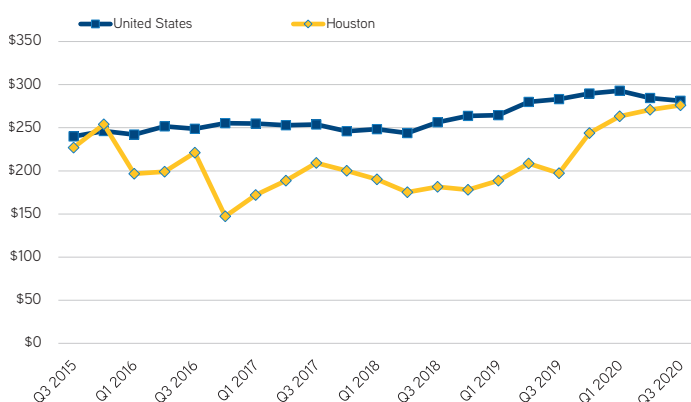
Q3 2020 Select Office Lease Transactions				
BUILDING NAME/ADDRESS	SUBMARKET	SF	TENANT	LEASE DATE
600 Travis Street	CBD	239,672	JP Morgan Chase & Co <sup>1</sup>	Jul-20
Park Towers North	West Loop/Galleria	66,750	Ryan, LLC <sup>1</sup>	Jul-20
600 Travis Street	CBD	45,125	Indigo Minerals LLC <sup>3</sup>	Sept-20
717 Texas Ave	CBD	41,102	Rockcliff Energy LLC <sup>1</sup>	Jul-20
Westbelt Office Center	Southwest Beltway 8	34,852	Sourcepoint, Inc. <sup>1,2</sup>	Aug-20
Katy Ranch Phase II	Katy/Grand Parkway West	24,826	Escalate Workspace <sup>1</sup>	Jul-20
Republic Square 1	Katy Freeway	24,302	GATE Inc. <sup>1</sup>	Aug-20
Sam Houston Crossing II	West Belt	14,861	T.F. Hudgins Reliability Group <sup>1,2</sup>	Jul-20

<sup>1</sup>New/Direct <sup>2</sup>Colliers International Transaction <sup>3</sup>Renewal or Expansion

## Sales Activity

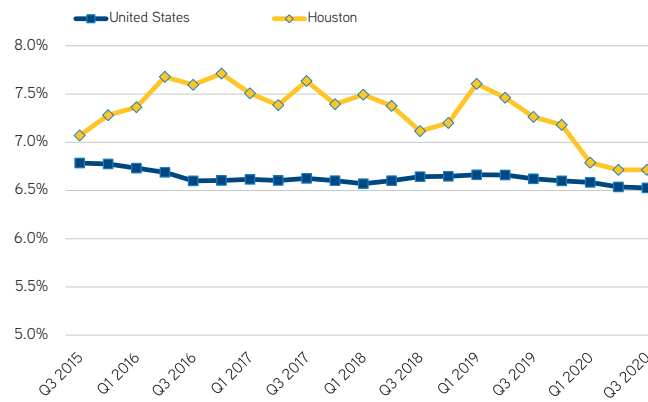
Houston's office investment sales volume increased over the quarter from \$110 million in Q2 2020 to \$207 million in Q3 2020. The average sales price per square foot trended up from \$197 to \$276 per SF annually and Houston's average office cap rate remained steady at 6.7%.

### AVERAGE OFFICE SALES PRICE PER SF



Sources: CoStar and Real Capital Analytics

### AVERAGE OFFICE CAP RATE



## Houston Office Market Summary (CBD, Suburban, & Overall)

INVENTORY			DIRECT VACANCY		SUBLEASE VACANCY		VACANCY	VACANCY RATE (%)		NET ABSORPTION (SF)		RENTAL RATE
CLASS	# OF BLDGS.	TOTAL (SF)	(SF)	RATE (%)	(SF)	RATE (%)	TOTAL (SF)	Q3-2020	Q2-2020	Q3-2020	Q2-2020	AVG (\$/SF)
CBD												
A	37	33,911,746	6,288,737	18.5%	608,110	1.8%	6,896,847	20.3%	20.4%	31,018	-203,791	\$44.01
B	30	8,643,806	3,036,357	35.1%	103,095	1.2%	3,139,452	36.3%	35.6%	-65,176	79,382	\$30.28
C	9	569,546	78,560	13.8%	0	0.0%	78,560	13.8%	13.8%	0	0	\$24.00
Total	76	43,125,098	9,403,654	21.8%	711,205	1.6%	10,114,859	23.5%	23.4%	-34,158	-124,409	\$39.41
SUBURBAN												
A	410	98,157,400	20,622,769	21.0%	1,470,905	1.5%	22,093,674	22.5%	21.5%	-701,731	-674,778	\$31.99
B	937	77,421,508	14,935,099	19.3%	594,911	0.8%	15,530,010	20.1%	19.2%	-583,684	-271,872	\$21.66
C	260	10,601,281	991,284	9.4%	6,469	0.1%	997,753	9.4%	9.3%	-15,139	-69,074	\$17.90
Total	1607	186,180,189	36,549,152	19.6%	2,072,285	1.1%	38,621,437	20.7%	19.8%	-1,300,554	-1,015,724	\$27.39
OVERALL												
A	447	132,069,146	26,911,506	20.4%	2,079,015	1.6%	28,990,521	22.0%	21.2%	-670,713	-878,569	\$34.80
B	967	86,065,314	17,971,456	20.9%	698,006	0.8%	18,669,462	21.7%	20.0%	-648,860	-192,490	\$23.12
C	269	11,170,827	1,069,844	9.6%	6,469	0.1%	1,076,313	9.6%	9.5%	-15,139	-69,074	\$18.35
Total	1683	229,305,287	45,952,806	20.0%	2,783,490	1.2%	48,736,296	21.3%	20.5%	-1,334,712	-1,140,133	\$29.85

## Houston Suburban Office Market Summary

INVENTORY			DIRECT VACANCY		SUBLEASE VACANCY		VACANCY	VACANCY RATE (%)		NET ABSORPTION (SF)		RENTAL RATE
CLASS	# OF BLDGS.	TOTAL (SF)	(SF)	RATE (%)	(SF)	RATE (%)	TOTAL (SF)	Q3-2020	Q2-2020	Q3-2020	Q2-2020	AVG (\$/SF)
ALLEN PARKWAY (MIDTOWN)												
A	10	2,497,830	323,588	13.4%	5,332	0.2%	328,920	13.2%	12.8%	-8,515	12,965	\$36.63
B	34	2,583,479	356,669	13.8%	29,017	1.1%	385,686	14.9%	13.9%	-27,683	-48,195	\$30.10
C	11	341,346	93,979	27.5%	0	0.0%	93,979	27.5%	27.5%	0	-2,800	\$30.09
Total	55	5,422,655	774,236	14.3%	34,349	0.6%	808,585	14.9%	14.2%	-36,198	-38,030	\$32.83
BAYTOWN												
B	2	114,474	11,951	10.4%	0	0.0%	11,951	10.4%	10.4%	0	-666	\$22.95
C	2	41,208	10,513	25.5%	0	0.0%	10,513	25.5%	25.5%	0	0	\$0.00
Total	4	155,682	22,464	14.4%	0	0.0%	22,464	14.4%	14.4%	0	-666	\$21.45
BELLAIRE												
A	5	1,004,245	128,765	12.8%	0	0.0%	128,765	12.8%	13.1%	2,386	-42,073	\$29.26
B	15	1,747,001	91,940	5.3%	0	0.0%	91,940	5.3%	7.6%	41,434	2,907	\$22.75
C	5	283,569	78,823	27.8%	0	0.0%	78,823	27.8%	27.8%	0	-49,729	\$18.35
Total	25	3,034,815	299,528	9.9%	0	0.0%	299,528	9.9%	11.3%	43,820	-88,895	\$24.39
CONROE AND OUTLYING MONTGOMERY CO												
A	2	84,913	0	0.0%	0	0.0%	0	0.0%	0.0%	0	0	\$0.00
B	9	364,423	0	0.0%	0	0.0%	0	0.0%	0.0%	0	0	\$0.00
C	5	217,634	4,500	2.1%	0	0.0%	4,500	2.1%	2.1%	0	0	\$0.00
Total	16	666,970	4,500	0.7%	0	0.0%	4,500	0.7%	0.7%	0	0	\$0.00
E. FORT BEND CO SUGAR LAND												
A	19	3,595,435	409,329	11.4%	31,927	0.9%	441,256	12.3%	12.9%	23,766	-46,378	\$33.08
B	39	2,247,582	338,911	15.1%	17,758	0.8%	356,669	15.9%	15.1%	33,637	-82,783	\$22.84
C	2	46,239	0	0.0%	0	0.0%	0	0.0%	0.0%	0	0	\$0.00
Total	60	5,889,256	748,240	12.7%	49,685	0.8%	797,925	13.5%	13.6%	57,403	-129,161	\$28.44

## Houston Suburban Office Market Summary - Continued

INVENTORY		DIRECT VACANCY			SUBLEASE VACANCY		VACANCY	VACANCY RATE (%)		NET ABSORPTION (SF)		RENTAL RATE
CLASS	# OF BLDGS.	TOTAL (SF)	(SF)	RATE (%)	(SF)	RATE (%)	TOTAL (SF)	Q3-2020	Q2-2020	Q3-2020	Q2-2020	AVG (\$/SF)
FM 1960												
A	14	3,115,309	489,460	15.7%	42,256	1.4%	531,716	17.1%	15.5%	-47,821	41,782	\$28.24
B	71	4,731,968	1,226,671	25.9%	16,540	0.3%	1,243,211	26.3%	26.6%	16,358	18,541	\$17.21
C	25	841,251	66,886	8.0%	0	0.0%	66,886	8.0%	7.5%	-3,390	707	\$16.71
Total	110	8,688,528	1,783,017	20.5%	58,796	0.5%	1,841,813	21.2%	20.8%	-34,853	61,030	\$20.22
GREENWAY PLAZA												
A	21	6,438,825	1,237,903	19.2%	64,518	1.0%	1,302,421	20.2%	18.4%	-115,773	87,153	\$37.34
B	28	3,303,857	468,140	14.2%	25,384	0.8%	493,524	14.9%	14.1%	-27,821	-35,893	\$29.67
C	10	350,055	37,331	10.7%	1,700	0.5%	39,031	11.1%	11.1%	-33	-2,415	\$22.95
Total	59	10,092,737	1,743,374	17.3%	91,602	0.5%	1,834,976	18.2%	16.8%	-143,627	48,845	\$34.97
GULF FREEWAY PASADENA												
A	2	105,782	1,295	1.2%	0	0.0%	1,295	1.2%	1.2%	0	0	\$32.03
B	42	2,315,903	260,487	11.2%	28,173	1.2%	288,660	12.5%	9.4%	-71,811	76,163	\$20.12
C	22	789,388	105,526	13.4%	0	0.0%	105,526	13.4%	12.8%	-4,528	940	\$24.36
Total	66	3,211,073	367,308	11.4%	28,173	0.9%	395,481	12.3%	9.9%	-76,339	77,103	\$21.21
I-10 EAST												
B	7	456,480	107,151	23.5%	0	0.0%	107,151	23.5%	18.2%	682	-8,173	\$17.56
C	4	150,124	0	0.0%	0	0.0%	0	0.0%	0.0%	0	0	\$0.00
Total	11	606,604	107,151	17.7%	0	0.0%	107,151	17.7%	13.4%	682	-8,173	\$17.56
KATY FREEWAY												
A	85	21,784,392	3,579,914	16.4%	488,450	2.2%	4,068,364	18.7%	17.1%	-347,148	164,335	\$34.73
B	114	10,318,824	2,344,057	22.7%	219,684	2.1%	2,563,741	24.8%	23.5%	-139,798	-72,309	\$22.60
C	26	1,185,767	78,596	6.6%	4,769	0.4%	83,365	7.0%	6.2%	-9,575	-13,114	\$21.35
Total	225	33,288,983	6,002,567	18.0%	712,903	2.1%	6,715,470	20.2%	18.7%	-496,521	78,912	\$29.82
KATY GRAND PARKWAY WEST												
A	16	1,639,551	405,046	24.7%	36,729	2.2%	441,775	26.9%	21.8%	34,925	-11,329	\$29.00
B	18	1,161,026	33,890	2.9%	0	0.0%	33,890	2.9%	2.5%	-5,211	-171	\$30.18
C	2	149,262	0	0.0%	0	0.0%	0	0.0%	0.0%	0	0	\$0.00
Total	36	2,949,839	438,936	14.9%	36,729	1.2%	475,665	16.1%	12.0%	29,714	-11,500	\$29.09
KINGWOOD HUMBLE												
B	19	1,296,054	93,569	7.2%	0	0.0%	93,569	7.2%	7.6%	5,403	-15,275	\$21.82
C	4	120,762	1,300	1.1%	0	0.0%	1,300	1.1%	1.5%	533	-1,018	\$17.16
Total	23	1,416,816	94,869	6.7%	0	0.0%	94,869	6.7%	7.1%	5,936	-16,293	\$21.76
NASA CLEAR LAKE												
A	12	1,728,916	245,667	14.2%	27,661	1.6%	273,328	15.8%	17.2%	24,469	-14,128	\$24.93
B	42	2,733,704	516,767	18.9%	13,534	0.5%	530,301	19.4%	19.5%	1,698	12,587	\$18.98
C	15	440,364	50,997	11.6%	0	0.0%	50,997	11.6%	12.9%	5,776	-2,642	\$17.75
Total	69	4,902,984	813,431	16.6%	41,195	1.4%	854,626	17.4%	18.1%	31,943	-4,183	\$20.70
NORTH BELT GREENSPPOINT												
A	26	5,583,640	3,377,939	60.5%	0	0.0%	3,377,939	60.5%	60.4%	-3,640	-31,413	\$21.17
B	53	5,469,203	1,735,348	31.7%	18,912	0.3%	1,754,260	32.1%	32.1%	-1,367	208,910	\$15.73
C	23	1,293,764	187,723	14.5%	0	0.0%	187,723	14.5%	13.4%	-14,697	-1,214	\$11.27
Total	102	12,346,607	5,301,010	42.9%	18,912	1.4%	5,319,922	43.1%	42.9%	-19,704	176,283	\$19.04
NORTHEAST NEAR AND OUTLIER												
A	3	642,223	14,025	2.2%	0	0.0%	14,025	2.2%	2.2%	0	0	\$0.00
B	4	183,158	27,554	15.0%	6,744	3.7%	34,298	18.7%	18.1%	-1,174	537	\$22.33
C	2	57,823	25,909	44.8%	0	0.0%	25,909	44.8%	57.4%	7,277	-6,648	\$15.00
Total	9	883,204	67,488	7.6%	6,744	0.8%	74,232	8.4%	9.1%	6,103	-6,111	\$14.88



## Houston Suburban Office Market Summary - Continued

INVENTORY			DIRECT VACANCY		SUBLEASE VACANCY		VACANCY	VACANCY RATE (%)		NET ABSORPTION (SF)		RENTAL RATE
CLASS	# OF BLDGS.	TOTAL (SF)	(SF)	RATE (%)	(SF)	RATE (%)	TOTAL (SF)	Q3-2020	Q2-2020	Q3-2020	Q2-2020	AVG (\$/SF)
NORTHWEST AND NORTHWEST OUTLIER												
A	11	2,100,770	685,578	32.6%	3,490	0.2%	689,068	32.8%	30.7%	35,129	21,866	\$24.91
B	72	5,552,858	863,614	15.6%	13,602	0.2%	877,216	15.8%	16.3%	30,381	-33,463	\$19.83
C	32	1,290,686	68,243	5.3%	0	0.0%	68,243	5.3%	5.5%	3,376	0	\$13.76
Total	115	8,944,314	1,617,435	18.1%	17,092	0.2%	1,634,527	18.3%	17.8%	68,886	-11,597	\$21.73
RICHMOND FOUNTAINVIEW												
B	14	852,602	106,745	12.5%	0	0.0%	106,745	12.5%	14.0%	12,776	-668	\$17.36
C	9	314,300	3,582	1.1%	0	0.0%	3,582	1.1%	1.1%	0	0	\$15.09
Total	23	1,166,902	110,327	9.5%	0	0.0%	110,327	9.5%	10.5%	12,776	-668	\$17.29
SAN FELIPE VOSS												
A	3	1,714,911	490,538	28.6%	29,438	1.7%	519,976	30.3%	23.6%	-115,518	-29,333	\$35.00
B	33	3,395,344	655,201	19.3%	9,809	0.3%	665,010	19.6%	20.1%	16,757	-23,787	\$23.64
Total	36	5,110,255	1,145,739	22.4%	39,247	0.8%	1,184,986	23.2%	21.3%	-98,761	-53,120	\$28.50
SOUTH												
B	11	331,493	42,957	13.0%	0	0.0%	42,957	13.0%	10.8%	-7,244	2,779	\$25.72
C	4	165,387	23,477	14.2%	0	0.0%	23,477	14.2%	14.2%	0	0	\$20.00
Total	15	496,880	66,434	13.4%	0	0.0%	66,434	13.4%	11.9%	-7,244	2,779	\$27.26
SOUTH MAIN MEDICAL CENTER												
B	11	880,154	106,389	12.1%	0	0.0%	106,389	12.1%	12.8%	6,135	12,270	\$20.79
C	6	202,325	43,322	21.4%	0	0.0%	43,322	21.4%	22.3%	1,763	953	\$18.24
Total	17	1,082,479	149,711	13.8%	0	0.0%	149,711	13.8%	14.6%	7,898	13,223	\$16.65
SOUTHEAST												
B	15	1,173,999	8,568	0.7%	0	0.0%	8,568	0.7%	1.0%	2,745	-938	\$15.86
C	2	322,220	0	0.0%	0	0.0%	0	0.0%	0.0%	0	0	\$0.00
Total	17	1,496,219	8,568	0.6%	0	0.0%	8,568	0.6%	0.8%	2,745	-938	\$15.91
SOUTHWEST												
A	6	1,586,913	429,523	27.1%	0	0.0%	429,523	27.1%	28.0%	15,288	-3,674	\$17.70
B	60	6,042,317	1,302,792	21.6%	22,033	0.4%	1,324,825	21.9%	19.6%	-138,467	1,785	\$17.29
C	28	1,331,237	79,614	6.0%	0	0.0%	79,614	6.0%	6.1%	1,557	7,906	\$13.67
Total	94	8,960,467	1,811,929	20.2%	22,033	0.2%	1,833,962	20.5%	19.1%	-121,622	6,017	\$17.23
SOUTHWEST FAR AND OUTLIER												
A	2	158,720	40,681	25.6%	0	0.0%	40,681	25.6%	25.6%	0	0	\$34.63
B	12	656,270	23,241	3.5%	0	0.0%	23,241	3.5%	2.1%	-9,652	0	\$23.29
C	3	91,661	2,500	2.7%	0	0.0%	2,500	2.7%	2.7%	0	0	\$0.00
Total	17	906,651	66,422	7.3%	0	0.0%	66,422	7.3%	6.3%	-9,652	0	\$26.23
THE WOODLANDS												
A	58	13,231,481	1,632,191	12.3%	80,519	0.6%	1,712,710	12.9%	11.8%	-38,075	-607,290	\$36.85
B	64	4,413,933	915,403	20.7%	57,853	1.3%	973,256	22.0%	19.9%	-92,885	-42,189	\$33.42
C	6	131,696	2,220	1.7%	0	0.0%	2,220	1.7%	1.7%	0	0	\$18.50
Total	128	17,777,110	2,549,814	14.3%	138,372	0.8%	2,688,186	15.1%	13.6%	-130,960	-649,479	\$35.60
WEST BELT												
A	29	3,732,819	815,566	21.8%	164,834	4.4%	980,400	26.3%	26.2%	-1,827	-104,723	\$27.01
B	36	1,998,010	553,210	27.7%	13,728	0.7%	566,938	28.4%	27.9%	-9,978	-145,271	\$22.91
C	4	112,629	0	0.0%	0	0.0%	0	0.0%	0.0%	0	0	\$0.00
Total	69	5,843,458	1,368,776	23.4%	178,562	3.1%	1,547,338	26.5%	26.3%	-11,805	-249,994	\$25.35

## Houston Suburban Office Market Summary - Continued

INVENTORY			DIRECT VACANCY		SUBLEASE VACANCY		VACANCY	VACANCY RATE (%)		NET ABSORPTION (SF)		RENTAL RATE
CLASS	# OF BLDGS.	TOTAL (SF)	(SF)	RATE (%)	(SF)	RATE (%)	TOTAL (SF)	Q3-2020	Q2-2020	Q3-2020	Q2-2020	AVG (\$/SF)
WEST LOOP GALLERIA												
A	53	17,643,363	3,926,711	22.3%	321,924	1.8%	4,248,635	24.1%	22.9%	-208,673	-189,152	\$37.68
B	48	5,341,336	864,740	16.2%	48,444	0.9%	913,184	17.1%	15.5%	-82,938	-26,698	\$26.02
C	3	153,712	13,034	8.5%	0	0.0%	13,034	8.5%	8.5%	0	0	\$18.75
Total	104	23,138,411	4,804,485	20.8%	370,368	1.6%	5,174,853	22.4%	21.1%	-291,611	-215,850	\$35.53
WESTCHASE												
A	33	9,767,362	2,389,050	24.5%	173,827	1.8%	2,562,877	26.2%	26.7%	49,296	76,614	\$34.91
B	64	7,756,056	1,879,134	24.2%	53,696	0.7%	1,932,830	24.9%	23.2%	-135,661	-71,872	\$21.33
C	5	176,872	13,209	7.5%	0	0.0%	13,209	7.5%	5.7%	-3,198	0	\$14.50
Total	102	17,700,290	4,281,393	24.2%	227,523	1.3%	4,508,916	25.5%	25.0%	-89,563	4,742	\$28.65

## Office Development Pipeline

3.9 million SF of office space is under construction, and approximately 67% is pre-leased. 2.2 million SF is spec development, of which 34% is pre-leased. Below is a summary of the office buildings under construction with a GBA of 150,000 SF or greater.

BUILDING NAME	ADDRESS	SUBMARKET	SF	PRE-LEASED	DEVELOPER/CONTRACTOR	EST. DELIVERY
Texas Tower	845 Texas Ave	CBD	1,101,856	39.1%	Hines Securities, Inc.	Oct-21
Marathon Oil	990 Town & Country Blvd	Katy Freeway	440,000	100%	Hines	Dec-21
Crown Castle International	8020 Katy Freeway	Katy Freeway	420,000	100%	Excel Commercial	Jan-21
HPE Building 3	City Place Dr	The Woodlands	284,000	100%	Patrinely Group, LLC	May-22
HPE Building 4	City Place Dr	The Woodlands	284,000	100%	Patrinely Group, LLC	May-22
The Ion	4201 Main St	Allen Parkway (Midtown)	270,000	100%	Hines	Apr-21
Insperty Campus Bldg 5	US-59 N & Kingwood Dr.	Kingwood/Humble	270,000	100%	Insperty with D E Harvey Cleary	Oct-20
9753 Katy Fwy	9753 Katy Freeway	Katy Freeway	190,000	15.1%	MetroNational Corporation	Jun-21
Montrose Collective	888 Westheimer	Allen Parkway Midtown	170,000	39.2%	Random Capital LLC	May-21
Village Tower II	9655 Katy Freeway	Katy Freeway	150,000	6.0%	Moody National Companies	Mar-21
Park Ten Center Phase II	16200 Park Row	Katy Freeway	150,000	0%	Lincoln Property Company	Jun-21
Post Houston	401 Franklin St	CBD	150,000	19.3%	Lovett Commercial	Feb-21

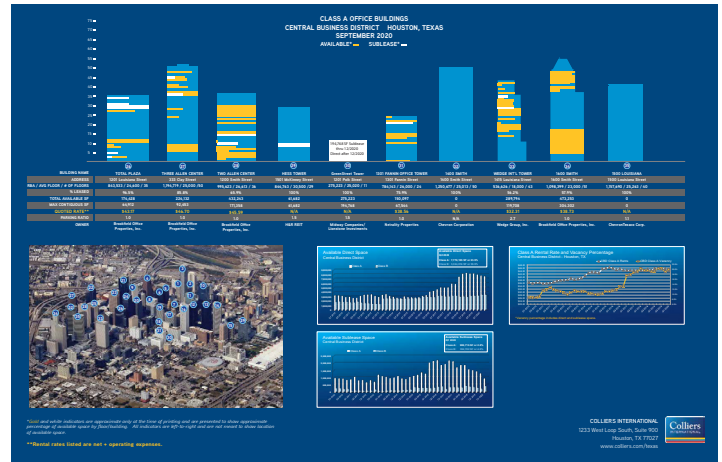
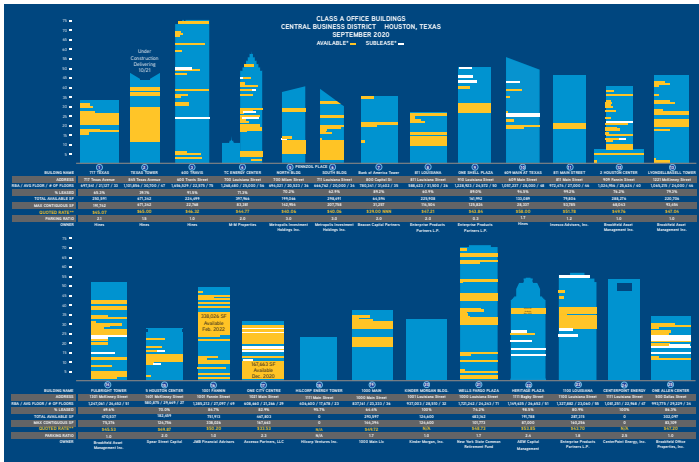
## Quoted gross rental rates for existing top performing office buildings

BUILDING NAME	ADDRESS	SUBMARKET	RBA (SF)	YEAR BUILT	% LEASED	AVAIL. SF	RENT (\$/SF)	OWNER
1100 Louisiana	1100 Louisiana St	CBD	1,327,882	1980/2019	80.9%	273,814	\$43.70	Enterprise Products Partners L.P.
The Texas Drive Building	2245 Texas Dr	E Fort Bend Co/ Sugar Land	166,000	2009	89.5%	33,025	\$41.13	Lionstone Partners, LLC
Regions Financial Center	3773 Richmond Ave	Greenway Plaza	183,129	2016	83.8%	55,208	\$40.72	TRC Capital Partners, LLC
Town Centre Onc	840 W Sam Houston Pky	Katy Freeway	253,714	2015	95.5%	17,733	\$47.26	Moody Rambin
1885 Saint James Place	1885 Saint James Place	West Loop/Galleria	164,939	2016	80.0%	32,996	\$41.00	Mission Management Co
Two Hughes Landing	1790 Hughes Landing Blvd	The Woodlands	197,696	2014	83.4%	32,758	\$45.76-\$47.76	The Howard Hughes Corporation
Lockton Place	3657 Briarpark Dr	Westchase	186,000	2017	92.8%	13,311	\$41.75	Triton Corporation

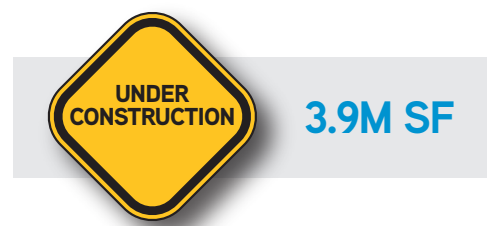
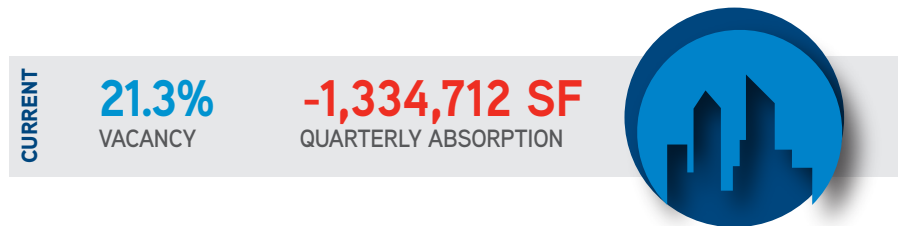
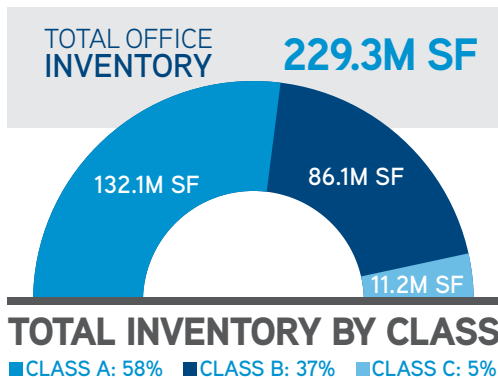
Note: Available SF includes direct and sublet space as well as any future available space currently listed.  
Source: CoStar Property

## Skylines | Now Available Online at [colliers.com/houston](https://colliers.com/houston)

A skyline view of available space for ten of Houston's Class A office submarkets including the CBD, Galleria, Energy Corridor, Greenway Plaza, NASA/Clear Lake, North Belt, Sugar Land, The Woodlands, West Belt and Westchase, is now available online.



## Q3 2020 Houston Office Highlights



### FOR MORE INFORMATION

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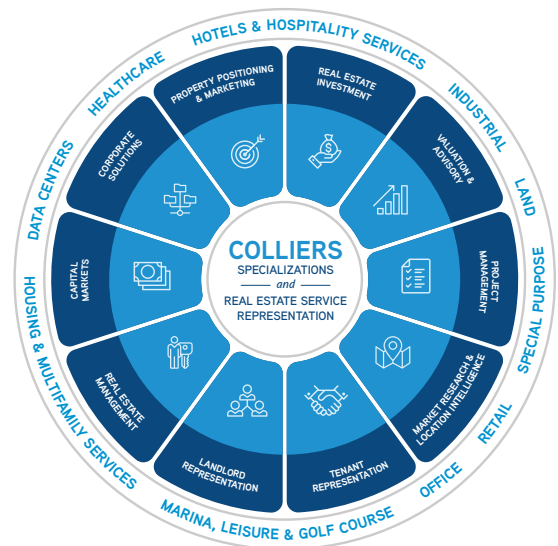
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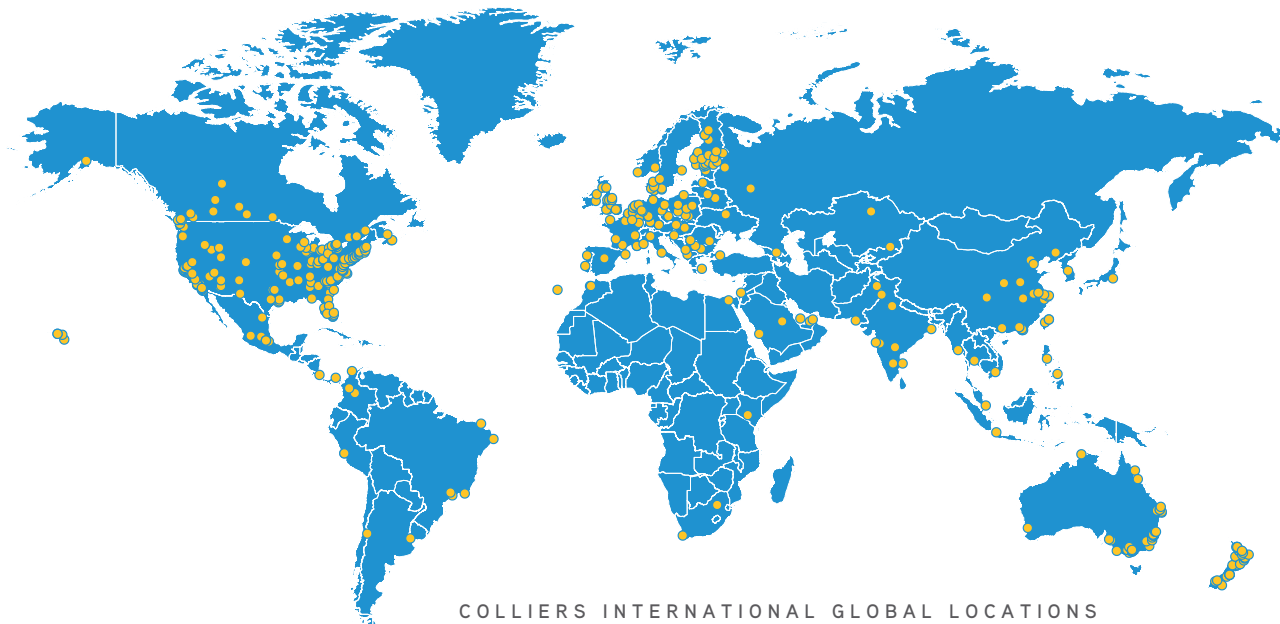
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*Our philosophy revolves around the fact that the best possible results come from linking our global enterprise with local advisors who understand your business, your market, and how to integrate real estate into a successful business strategy.*



COLLIERS INTERNATIONAL GLOBAL LOCATIONS



**\$129B**  
TRANSACTION VALUE



**2B**  
SF UNDER MANAGEMENT



**\$3.5B**  
IN REVENUE



**443**  
OFFICES



**18,700**  
PROFESSIONALS



**430**  
ACCREDITED MEMBERS



**68**  
COUNTRIES