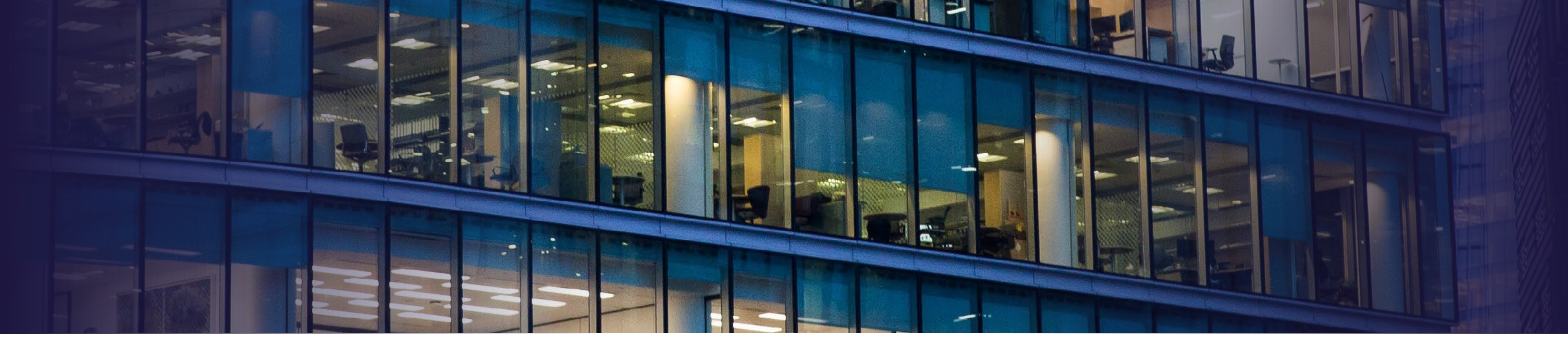


MARKETBEAT
HOUSTON
OFFICE Q2 2026

MARKET FUNDAMENTALS

	YOY Chg	Outlook
24.7% Vacancy Rate	▲	▼
112k Net Absorption, SF	▲	▲
$31.99 Asking Rent, PSF	▲	▲

(Overall, All Property Classes)
Rental rates reflect gross asking $psf/year

ECONOMIC INDICATORS

	YOY Chg	Outlook
3.5M Houston Employment	▲	▲
4.8% Houston Unemployment Rate	▼	▲
4.2% U.S. Unemployment Rate	—	▲

Source: BLS

DEMAND

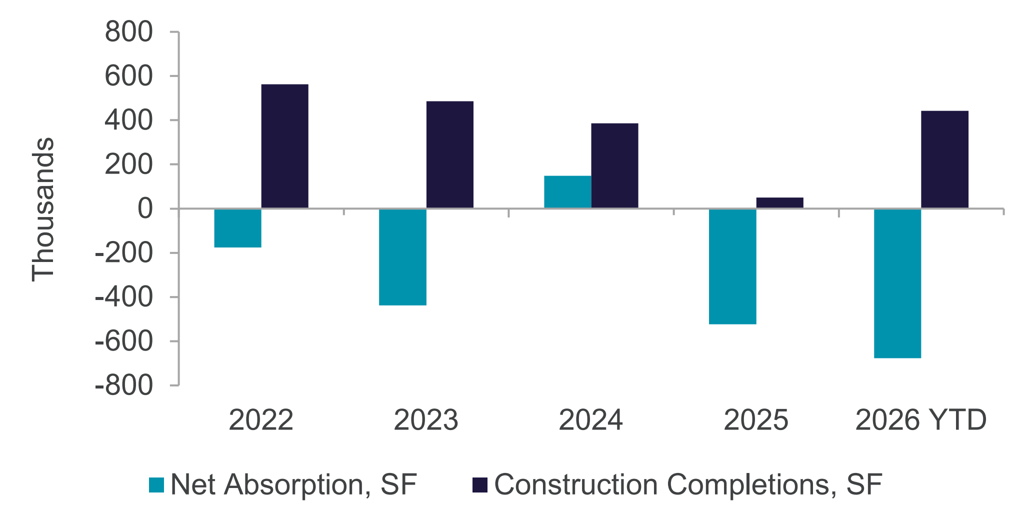
Houston recorded 2.1 million square feet (msf) of leasing activity in Q2 2026. While volume moderated from the prior quarter, first-half leasing reached 4.7 msf, surpassing the 4.4 msf recorded during the same period in 2025 and signaling sustained occupier demand despite continued challenges in the office sector. This performance aligns with Houston's five-year average quarterly leasing volume, highlighting the market's consistent leasing fundamentals over time.

Class A buildings accounted for 62.1% (1.3 msf) of new deal activity, while Class B comprised 31.5% (667,000 square feet (sf)) and Class C represented 6.4% (135,000 sf). Class A properties captured the largest share of leased square footage, reinforcing the market's ongoing flight-to-quality trend as occupiers continue to prioritize newer, amenity-rich assets. Class B properties recorded the highest number of new lease transactions among building classes, a trend that has persisted since Q1 2021.

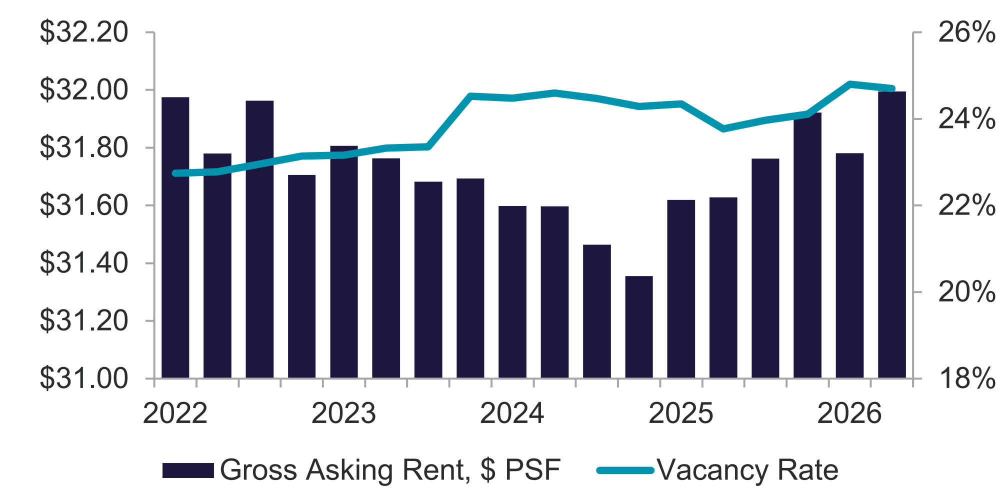
The West Loop/Galleria submarket posted the highest leasing activity at 337,000 sf, although volume declined from both the prior quarter and one year earlier. Notable leases in the submarket included BBM Holdings' 33,000-sf lease at Central Park One and Riviana Foods' 23,000-sf relocation to San Felipe Plaza from its longtime location at 2777 Allen Parkway. The Central Business District followed with 240,000 sf of leasing activity, and Katy Freeway West recorded 218,000 sf during the quarter.

After three consecutive quarters of negative net absorption, the market recorded 112,000 sf of occupancy gains. The return to positive absorption represented a notable improvement from the 789,000 sf of negative absorption recorded in Q1 and suggests occupancy trends may be stabilizing following several quarters of contraction. Katy Freeway East led the market with 273,000 sf of positive net absorption, driven primarily by move-ins at 990 Town & Country, including Boardwalk Pipeline (143,000 sf) and Willis Johnson (26,000 sf).

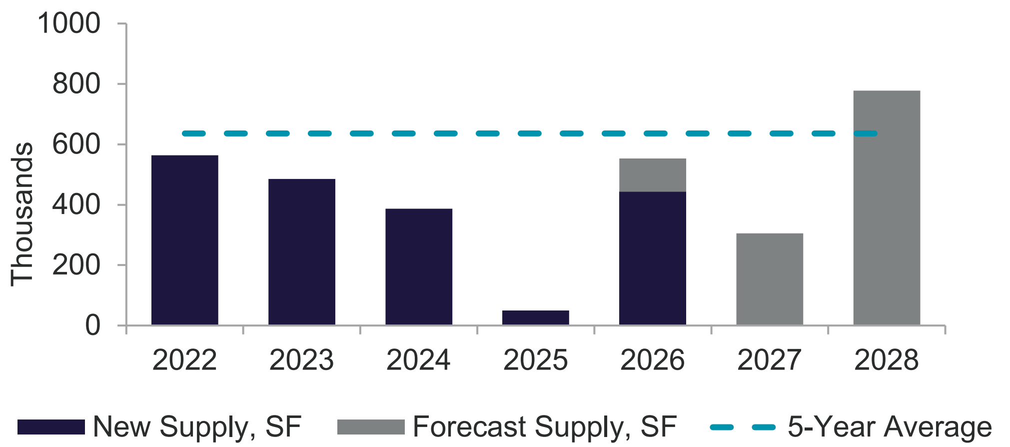
SPACE DEMAND / DELIVERIES



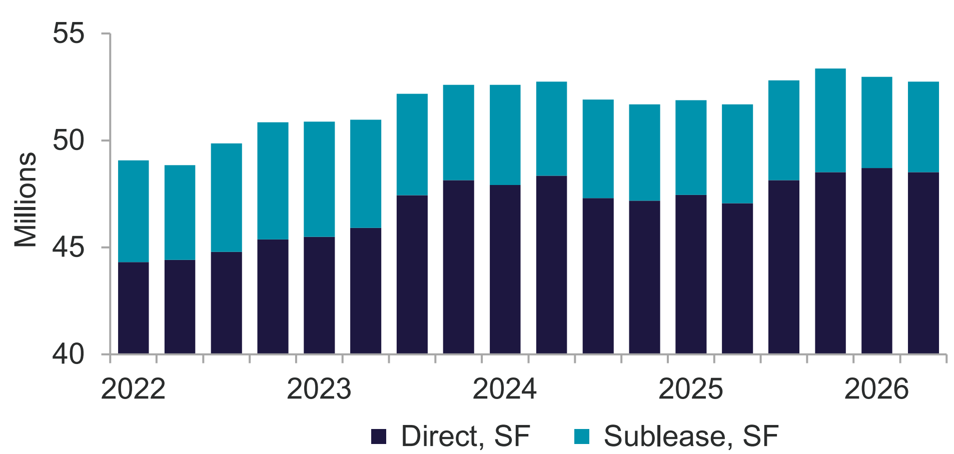
OVERALL VACANCY & ASKING RENT



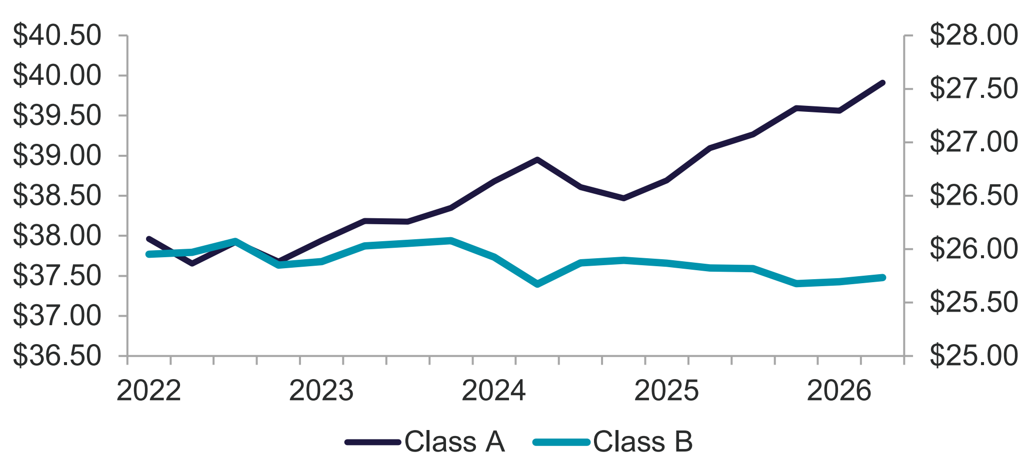
NEW SUPPLY / 5-YEAR HISTORICAL AVERAGE



DIRECT AND SUBLEASE SPACE AVAILABLE



ASKING RENT COMPARISON (Gross $psf/year)



SUPPLY

The RO, a 143,000-sf office building in the Greenway submarket, was completed in Q2 2026 and delivered fully leased. Its completion brought year-to-date deliveries to 443,000 sf; however, new supply remains limited relative to historical norms. Development activity remains constrained, with only two office projects currently underway. The limited pipeline reflects developer caution amid elevated vacancy and ample availability across the market. Autry Park, a 110,000-sf office building in the Inner Loop submarket, is fully preleased and scheduled for delivery in Q4 2026. In addition, 2811 Kirby, a mixed-use development in the Greenway submarket that will include 104,000 sf of office space, broke ground during the quarter and is slated for completion in Q4 2027.

Overall vacancy declined to 24.7% in Q2 2026, down 10 basis points (bps) from the previous quarter. Vacancy has remained largely rangebound over the past year as improvements in leasing activity have been offset by tenant consolidations and ongoing space rationalization. Class B properties continued to exhibit higher vacancy (28.7%) than Class A properties (23.9%).

Sublease availability held steady at 2.4% of the total inventory, below the market's five-year average of 2.6%. The largest blocks available included TechnipFMC (325,000 sf) in Katy Freeway West and NOV (197,000 sf) in Southwest. The below-average level of sublease space suggests tenants have largely completed portfolio-rightsizing efforts, limiting excess supply and reducing competitive pressure on direct availabilities.

PRICING

The overall average gross asking rent ended Q2 2026 at $31.99 per square foot (psf), reflecting a 0.7% quarter-over-quarter (QOQ) increase and a 1.2% year-over-year (YOY) gain. Class A rents also increased both QOQ and YOY, reaching $39.91 psf. Katy Freeway East and the Inner Loop recorded the market's highest Class A gross asking rents at $60.03 psf and $54.63 psf, respectively. Class B average gross asking rent ended Q2 2026 at $25.73 psf, up slightly QOQ but down 0.4% YOY. Overall rent performance remained resilient during the quarter, with Class A assets outperforming lower-quality product as occupiers prioritize building quality, amenities, and workplace experience.

OUTLOOK

- Rental rate growth is expected to remain concentrated among premier Class A assets, while elevated vacancy may continue to constrain pricing power in lower-tier properties.
- The flight-to-quality trend is expected to persist as tenants continue to favor high-quality space with modern amenities, resulting in stronger demand for premier Class A assets.
- Leasing activity is expected to remain steady in the near term, supported by continued tenant demand and a preference for well-located, amenity-rich spaces.
- The modest construction pipeline should help temper future increases in vacancy, particularly as the market works through existing available space.

MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	SUBLET AVAILABLE (SF)	DIRECT AVAILABLE (SF)	OVERALL AVAILABILITY RATE	CURRENT QTR NET ABSORPTION (SF)	YTD OVERALL ABSORPTION (SF)	YTD NEW LEASING ACTIVITY (SF)	UNDER CONSTR (SF)	OVERALL AVG ASKING RENT (ALL CLASSES)*	OVERALL AVG ASKING RENT (CLASS A)*
Central Business District	**35,588,610**	**959,578**	**9,999,282**	**30.8%**	**151,729**	**-135,519**	**879,634**	**0**	**$42.77**	**$44.64**
Inner Loop	4,904,884	116,758	1,070,119	24.2%	9,506	-39,727	55,072	110,000	$35.87	$54.63
West Loop/Galleria	26,525,728	422,883	7,377,359	29.4%	23,850	-71,299	743,623	0	$35.39	$41.53
Greenway	9,601,890	212,833	2,938,259	32.8%	53,113	16,791	232,566	104,434	$35.67	$39.01
South Main/Medical Center	3,958,108	75,209	751,807	20.9%	-8,874	-16,077	40,984	0	$25.74	N/A
Southwest	8,234,977	389,532	1,623,061	24.4%	-59,834	-62,903	64,578	0	$17.70	N/A
Sugar Land	4,097,880	38,579	1,030,143	26.1%	-4,929	-98,772	80,079	0	$32.82	$36.70
Westchase	14,980,010	582,188	4,891,665	36.5%	-131,336	-154,675	408,722	0	$24.98	$32.71
Katy Freeway East	7,027,084	89,242	677,106	10.9%	273,273	344,396	444,057	0	$49.15	$60.03
Katy Freeway West	17,322,735	637,849	5,399,059	34.8%	-223,322	-345,801	464,078	0	$31.71	$35.95
Katy/Grand Parkway West	1,217,239	52,616	189,850	19.9%	770	3,892	36,454	0	$31.23	$31.94
North Loop/Northwest	6,408,683	36,648	1,160,674	18.7%	19,121	-40,047	192,273	0	$20.76	$26.85
West Belt	4,937,732	224,136	1,654,077	38.0%	9,261	91,942	94,193	0	$28.92	$36.12
North Belt/Greenspoint	9,965,150	23,778	4,547,297	45.9%	-33,127	-94,525	108,780	0	$19.51	$26.71
Far Northwest	6,282,454	29,215	2,188,356	35.3%	-3,283	-59,673	367,272	0	$22.69	$31.13
The Woodlands/Spring	11,087,024	232,260	1,889,381	19.1%	20,185	27,978	376,237	0	$40.15	$44.58
Kingwood/Humble	625,283	8,894	62,616	11.4%	5,128	5,128	6,448	0	$20.43	N/A
East/Southeast	2,709,758	13,585	483,571	18.3%	-6,787	-49,242	37,238	0	$22.31	N/A
NASA/Clear Lake	3,848,157	89,590	575,845	17.3%	17,752	1,522	95,936	0	$26.07	$31.45
SUBURBAN TOTALS	**143,734,776**	**3,275,795**	**38,510,245**	**29.1%**	**-39,533**	**-541,092**	**3,848,590**	**214,434**	**$29.03**	**$37.35**
HOUSTON TOTALS	**179,323,386**	**4,235,373**	**48,509,527**	**29.4%**	**112,196**	**-676,611**	**4,728,224**	**214,434**	**$31.99**	**$39.91**

Rental rates reflect gross asking $psf/year

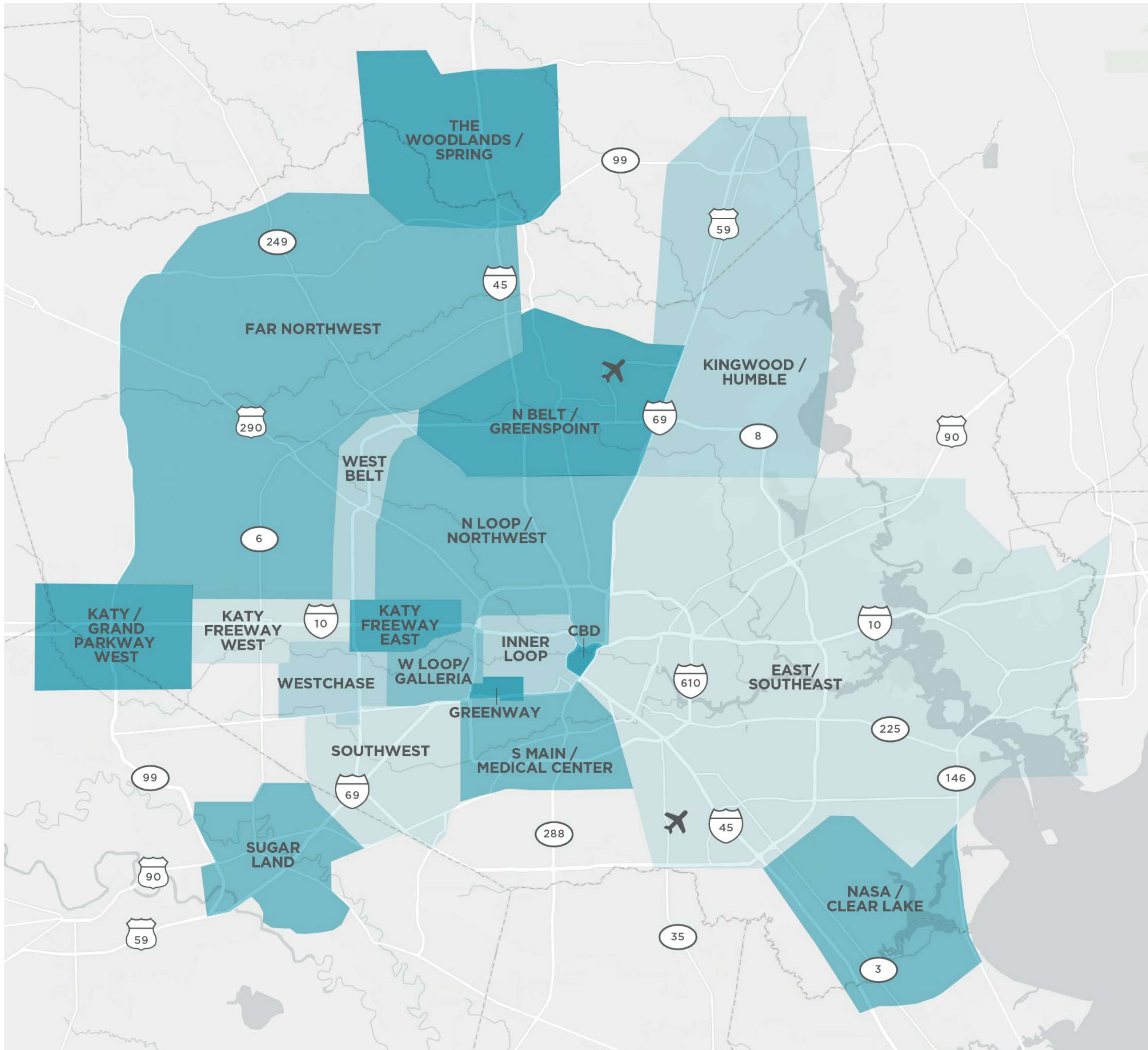
KEY NEW LEASE TRANSACTIONS Q2 2026

BUILDING	ADDRESS	SUBMARKET	TENANT	SF
1100 Louisiana	1100 Louisiana Street	Central Business District	Confidential	91,761
8020 Katy Freeway	8020 Katy Freeway	Katy Freeway East	Superior Energy	56,256
16055 Space Center Boulevard	16055 Space Center Boulevard	NASA/Clear Lake	Saber Power Services	42,353
Brookhollow Central One	2800 North Loop West	North Loop/Northwest	Confidential	36,476

KEY SALES TRANSACTIONS Q2 2026

BUILDING	ADDRESS	SUBMARKET	SELLER | BUYER	SF
Greenway Plaza	One-Twelve Greenway Plaza	Greenway	Midland Loan Services | Interra Capital Group	4,282,618
919 Milam	919 Milam Street	Central Business District	Credit Suisse | Zhukovskyi Development	542,000
11403 Compaq Center West	11403 Compaq Center West Drive	Far Northwest	Capital Commercial Investments | Mexicor	260,790
Texas Instruments	13905 University Boulevard	Sugar Land	Texas Instruments | Dhanani Private Equity Group	165,586

OFFICE SUBMARKETS



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