

MARKET FUNDAMENTALS

	YOY Chg	Outlook
24.6% Vacancy Rate	▲	▼
-290k Net Absorption, SF	▲	▲
\$32.08 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, Moody's Analytics

DEMAND

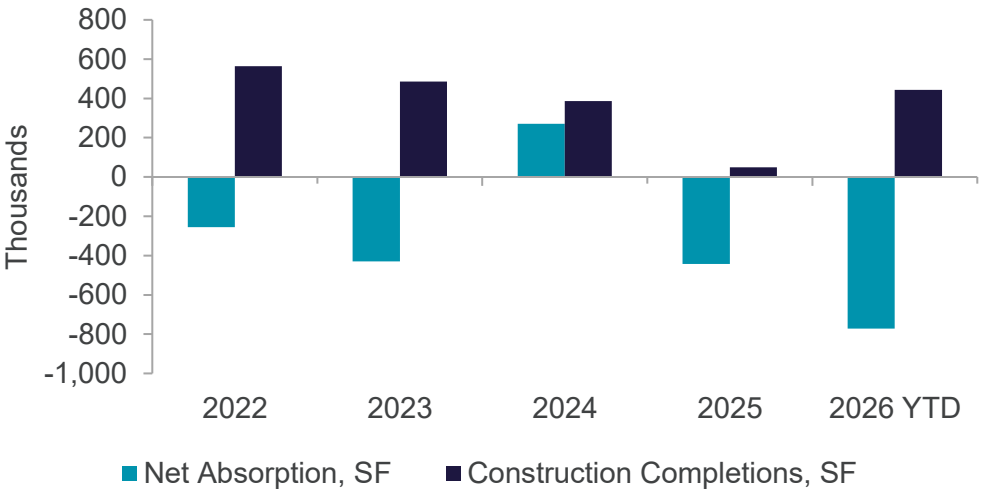
Houston office leasing remained resilient through Q3 2026, with year-to-date (YTD) activity reaching 6.8 million square feet (msf), up 5.7% from the same period in 2025. Despite persistent headwinds facing the office sector, quarterly volume moderated to 1.9 msf following a strong start to the year as activity was essentially unchanged year-over-year (YOY), underscoring stable tenant demand.

Class A properties drove the slight YTD improvement, recording 4.2 msf of leasing compared with 3.4 msf during the same period in 2025, with Class A Tier 2 and Tier 3 buildings accounting for most of the activity. The market's ongoing flight to quality was evident in the quarter's largest relocations, with several tenants moving into Class A buildings while simultaneously expanding their footprints. Class B and Class C leasing totaled 2.0 msf and 0.5 msf, respectively.

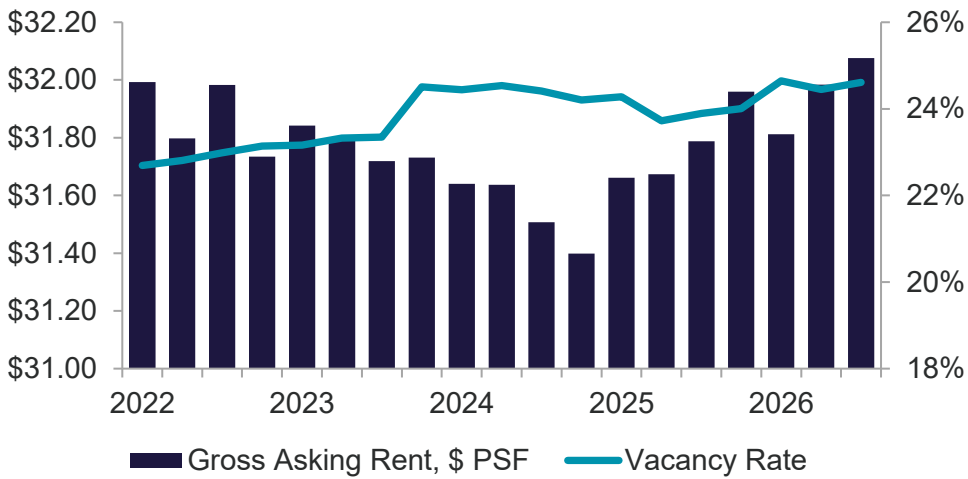
The West Loop/Galleria submarket recorded the highest leasing activity for the second consecutive quarter at 419,000 square feet (sf), its strongest quarterly volume since Q2 2025. West Houston also posted notable gains, with leasing more than doubling from Q2 in the Katy Freeway East and West Belt submarkets. Meanwhile, the Central Business District captured 5.6% of total leasing activity during the quarter, compared with 13.4% in the previous quarter. Across the market, leasing increased quarter-over-quarter (QOQ) in only seven of the 19 submarkets.

Net absorption totaled negative 290,000 sf in Q3, reversing the occupancy gain recorded in Q2 and bringing the YTD total to negative 772,000 sf. The quarter's negative absorption was partly driven by consolidations and move-outs, resulting in several large blocks of space returning to the market. Notable occupancy losses included Westlake Corporation vacating the entirety of 2801 Post Oak, Chevron's consolidation at 1501 McKinney that resulted in multiple floors being vacated, and MRC Global vacating two floors at 3 Houston Center. These moves contributed to the quarter's occupancy loss.

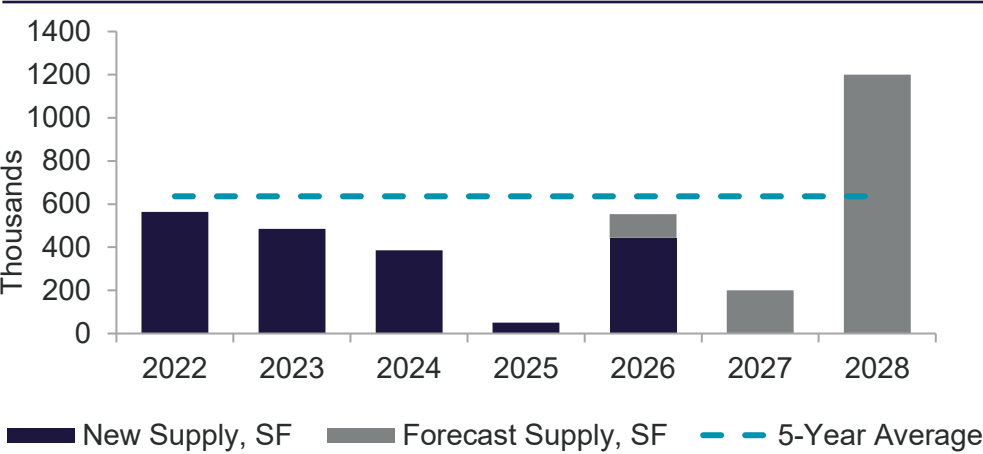
SPACE DEMAND / DELIVERIES



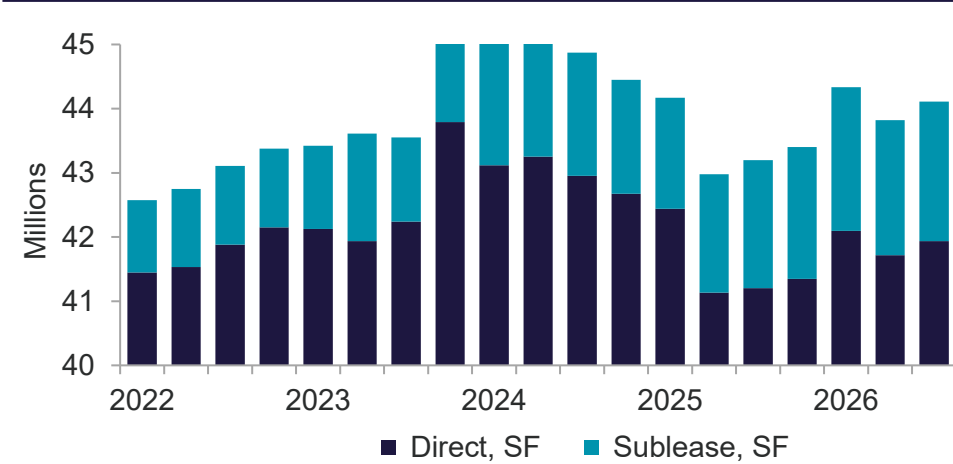
OVERALL VACANCY & ASKING RENT



NEW SUPPLY / 5-YEAR HISTORICAL AVERAGE



DIRECT AND SUBLEASE SPACE VACANT



CURRENT QUARTER STATISTICS BY TIER

	DIRECT VACANCY RATE	YTD NEW LEASING ACTIVITY (SF)	AVG NET ASKING RENT	AVG GROSS ASKING RENT
Class A Tier 1	5.6%	750,919	\$40.36	\$61.44
Class A Tier 2	23.2%	1,196,862	\$29.03	\$45.50
Class A Tier 3	25.0%	2,266,417	\$23.52	\$37.71
Class B	27.5%	2,037,872	\$15.68	\$26.98
Class C	17.2%	506,970	\$10.78	\$19.40

SUPPLY

No office projects delivered during the quarter, though YTD completions totaled 443,000 sf, exceeding the combined volume delivered in 2024 and 2025. Houston's construction pipeline consists of two projects: Autry Park (110,000 sf) in the Inner Loop, which is fully preleased, and 2811 Kirby (104,000 sf) in Greenway, which remains available for lease. Looking ahead, two additional developments are expected to break ground in Q4 2026: The Arc at The Ion District (196,000 sf) in the Inner Loop and 100 Park Place (253,000 sf) in the West Loop/Galleria. While the construction pipeline has contracted significantly since 2020, these projects, combined with a growing list of proposed developments, suggest developer confidence may be returning and could support a gradual increase in office construction activity.

Overall vacancy ended Q3 at 24.6%, up 10 basis points (bps) from Q2 and 70 bps higher YOY. Despite quarterly fluctuations by submarket, overall vacancy remained relatively stable throughout 2026. Katy Freeway East recorded the market's largest vacancy decline, falling more than 200 bps QOQ to 8.5%, while Central Business District vacancy rose more than 80 bps to 26.9%. Overall vacancy remained lower in Class A properties at 22.7%, compared with 29.4% for Class B.

Sublease availability totaled 4.4 msf (2.2 msf vacant). Total sublease availability represents 2.4% of total inventory, edging up 10 bps from Q2 2026 but remaining below the five-year average of 2.5%. Despite the quarterly increase, sublease space available remained lower both YTD and YOY.

PRICING

The overall average gross asking rent ended Q3 at \$32.08 psf, the highest level recorded since 2021. Rent growth was led by Class A properties, which reached \$40.76 psf, up 2.2% QOQ and 3.9% YOY, while Class B properties stood at \$26.98 psf.

With availability tightening in Class A Tier 1 properties, a portion of tenant demand shifted to other Class A assets, supporting rent growth across the broader segment. Katy Freeway East and the Inner Loop submarkets recorded the highest Class A gross asking rents at \$59.59 psf and \$57.64 psf, respectively, followed by The Woodlands/Spring (\$45.83 psf) and the Central Business District (\$45.71 psf).

OUTLOOK

- Leasing activity should remain healthy through year-end, with Class A buildings likely to continue capturing the largest share of demand.
- As tenants continue to prioritize higher-quality space, older properties are expected to face pressure to compete through capital improvements or concessions.
- Development activity is positioned to pick up in the near term as proposed projects secure tenant preleasing commitments and move toward construction, easing the shortage of new construction.
- Landlords of premier buildings are expected to retain pricing power, with limited availability likely to support further rent growth.

MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	OVERALL VACANCY 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	368,254	9,218,147	26.9%	-300,440	-341,959	1,045,421	0	\$43.24	\$45.71
Inner Loop	4,904,884	67,853	892,444	19.6%	-32,305	-54,940	101,912	110,000	\$35.48	\$57.64
West Loop/Galleria	26,560,811	183,358	6,669,630	25.8%	-24,424	-37,925	1,179,602	0	\$35.35	\$44.43
Greenway	9,601,890	26,436	2,517,408	26.5%	-64,037	-8,678	335,951	104,434	\$36.01	\$39.74
South Main/Medical Center	3,958,108	39,399	566,668	15.3%	-6,841	-17,918	61,373	0	\$25.83	N/A
Southwest	8,234,977	343,011	1,520,278	22.6%	-33,560	-82,449	80,045	0	\$17.57	N/A
Sugar Land	4,097,880	17,718	945,648	23.5%	-13,647	-112,419	91,157	0	\$32.58	\$36.86
Westchase	14,980,010	326,221	4,161,309	30.0%	-8,502	-158,406	571,784	0	\$25.17	\$33.27
Katy Freeway East	7,027,084	43,795	554,958	8.5%	149,615	516,541	590,099	0	\$46.73	\$59.59
Katy Freeway West	17,322,735	303,392	4,422,641	27.3%	-72,466	-409,709	763,391	0	\$31.72	\$36.18
Katy/Grand Parkway West	1,217,239	47,238	23,564	5.8%	11,984	15,876	57,204	0	\$30.68	\$31.54
North Loop/Northwest	6,408,683	19,195	1,008,170	16.0%	56,610	9,300	272,978	0	\$20.68	\$26.61
West Belt	4,872,734	186,354	1,241,447	29.3%	56,240	56,870	235,924	0	\$29.28	\$36.36
North Belt/Greenspoint	9,965,150	23,778	4,382,670	44.2%	-11,327	-114,858	156,573	0	\$19.56	\$26.74
Far Northwest	6,282,454	7,964	1,616,652	25.9%	-27,176	-69,678	491,748	0	\$23.77	\$39.36
The Woodlands/Spring	11,087,024	151,706	1,234,032	12.5%	84,984	132,282	518,960	0	\$40.30	\$45.83
Kingwood/Humble	625,283	6,531	65,381	11.5%	-2,765	2,363	7,651	0	\$20.44	N/A
East/Southeast	2,635,358	13,585	414,045	16.2%	-36,533	-82,819	77,363	0	\$21.43	N/A
NASA/Clear Lake	3,848,157	0	479,374	12.5%	-15,129	-13,607	119,904	0	\$26.54	\$31.32
SUBURBAN TOTALS	143,630,461	1,807,534	32,716,319	24.0%	10,721	-430,174	5,713,619	214,434	\$28.94	\$37.90
HOUSTON TOTALS	179,219,071	2,175,788	41,934,466	24.6%	-289,719	-772,133	6,759,040	214,434	\$32.08	\$40.76

KEY NEW LEASE TRANSACTIONS Q3 2026

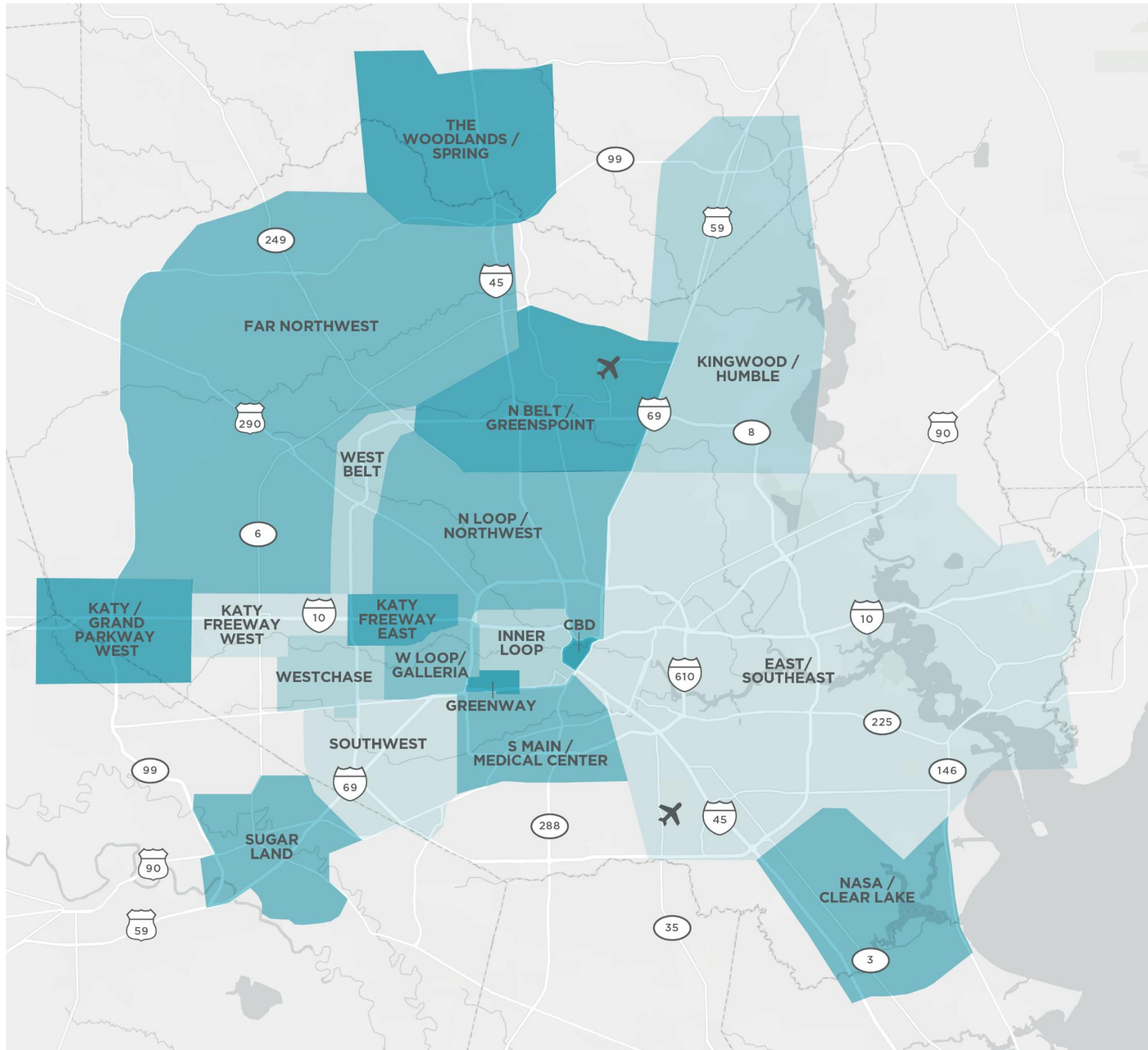
Rental rates reflect gross asking \$psf/year

BUILDING	ADDRESS	SUBMARKET	TENANT	SF
Westway III	4425 Westway Park Boulevard	West Belt	Harris County Flood Control	86,743
Two Hughes Landing	1790 Hughes Landing Boulevard	The Woodlands/Spring	Target Hospitality	52,234
Woodbranch Plaza III	12140 Wickchester Lane	Katy Freeway West	Michels Corporation	50,380
Energy Crossing II	15011 Katy Freeway	Katy Freeway West	Dashiell Corporation	42,770

KEY SALES TRANSACTIONS Q3 2026

BUILDING	ADDRESS	SUBMARKET	SELLER BUYER	SF
Williams Tower	2800 Post Oak Boulevard	West Loop/Galleria	Invesco Williams Companies	1,545,378
CityWestPlace Building 1, 2, 3 & 4	2101-2107 CityWest Boulevard	Westchase	3Edgewood/Midway/Parkway LaSalle Investment (JV)	1,484,427
Total Plaza	1201 Louisiana Street	Central Business District	Brookfield Properties The Wideman Company	847,207
Lakes on Post Oak I	3000 Post Oak Boulevard	West Loop/Galleria	LNR Partners Affinius Capital	425,029

OFFICE SUBMARKETS



ANDREA JOHNSON
Research Analyst
Tel: +1 713 260 0222
Andrea.E.Johnson@cushwake.com

CORY KRAUSE
Research Analyst
Tel: +1 713 260 0260
Cory.Krause@cushwake.com

MAX MALOTA
Data Specialist
Tel: +1 713 331 1803
Max.Malota@cushwake.com

SHERRA GILBERT
Senior Research Manager
Tel: +1 713 260 0282
Sherra.Gilbert@cushwake.com

A CUSHMAN & WAKEFIELD RESEARCH PUBLICATION

Cushman & Wakefield (NYSE: CWK) is a leading global commercial real estate services firm for occupiers and investors with approximately 53,000 employees in over 350 offices and nearly 60 countries. In 2025, the firm reported revenue of \$10.3 billion across its core service lines of Services, Leasing, Capital markets, and Valuation and other. Built around the belief that Better never settles, the firm receives numerous industry and business accolades for its award-winning culture. For additional information, visit www.cushmanwakefield.com.

©2026 Cushman & Wakefield. All rights reserved. The information contained within this report is gathered from multiple sources believed to be reliable, including reports commissioned by Cushman & Wakefield (“CWK”). This report is for informational purposes only and may contain errors or omissions; the report is presented without any warranty or representations as to its accuracy.

Nothing in this report should be construed as an indicator of the future performance of CWK’s securities. You should not purchase or sell securities—of CWK or any other company—based on the views herein. CWK disclaims all liability for securities purchased or sold based on information herein, and by viewing this report, you waive all claims against CWK as well as against CWK’s affiliates, officers, directors, employees, agents, advisers and representatives arising out of the accuracy, completeness, adequacy or your use of the information herein.