

# HOUSTON OFFICE | ENERGY CORRIDOR

## Submarket Spotlight

Q3 2020

### Vacancy at 26.8%

The overall vacancy rate in the Energy Corridor office market was up 210 basis points quarter-over-quarter, although down 160 basis points year-over-year from 28.4% in Q3 2019. The vacancy rate for Class A properties is at 25.8%, and Class B at 28.9%. In the third quarter, overall net absorption dropped to negative 475,000 sq. ft.—Class A represented negative 332,000 sq. ft. and Class B tallied negative 150,000 sq. ft.

### Oil-coronavirus shockwave

The Energy Corridor led all Houston-area submarkets in terms of net absorption last year, a particularly long-awaited sign in a submarket that was one of the hardest-hit during the oil downturn. Last year was the strongest year for the submarket since 2014. The dual oil-coronavirus shockwaves are extending economic uncertainty for Houston's exploration, production, and oil field services companies—the submarket's largest employers. According to its latest short-term energy outlook, the U.S. Energy Information Administration sees West Texas Intermediate oil spot prices averaging \$38.24 per barrel in 2020 and projected to average \$44.21 per barrel in 2021.

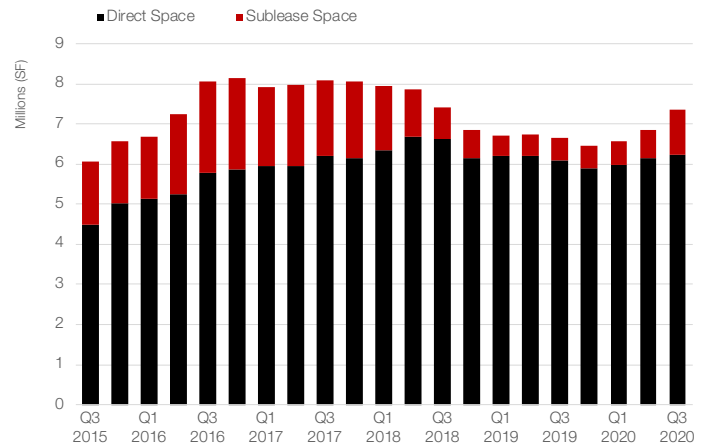
### Average asking rates

Overall full-service average asking rates in the Energy Corridor stood at \$27.24 per sq. ft., which is below the metro-wide average of \$29.38 per sq. ft. Rates decreased \$1.40 per sq. ft. quarter-over-quarter and declined further year-over-year by almost \$3.00 per sq. ft., down from Q3 2019's \$30.21. Class A space (14.5 million sq. ft.) currently has an average asking rate of \$32.75 per sq. ft., and Class B space (8.3 million sq. ft.) is registering at \$21.46 per sq. ft. There is a correlation between the price of oil and asking rent prices for office space in Houston. As companies across industries feel the impact of the pandemic and the oil downturn, they may be looking for a good deal, and if rents decline in the Energy Corridor, it could become an affordable relocation option for office tenants in submarkets such as the Galleria/West Loop and Downtown Houston.

### Market Indicators

	Current Q3 2020	Prior Quarter Q2 2020	Year Ago Q3 2019
Vacancy (%)	26.8	24.7	28.4
Availability (%)	31.4	29.5	28.7
Net Absorption (SF)	-474,612	22,386	99,030
Leasing Activity (SF)	123,577	333,936	657,200
Construction (SF)	150,000	0	0
Avg Asking Rent (Gross)	\$27.24	\$28.64	\$30.21
Inventory (SF)	23,173,671	23,173,671	23,173,671

### Availability



### Net Absorption



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