

Submarket Spotlight

Appealing opportunities for office tenants in Houston's FM 1960/ Highway 249 area

Q2 2021

SUBMARKET HIGHLIGHTS

VACANCY AT 24.6%

The overall vacancy rate in the FM 1960/ Highway 249 office market was up 60 basis points quarter-over-quarter, up 90 basis points year-over-year, and slightly above the metro average of 24.4%. The vacancy rate for Class A properties is at 19.1%, and Class B at 27.4%. In the second quarter, overall net absorption declined to negative 66,000 sq. ft. Class A registered positive 27,000 sq. ft. and Class B recorded negative 84,000 sq. ft.

DIVERSE GROUP OF TENANTS

Even though the FM 1960/Highway 249 submarket's location near the Energy Corridor means that its tenant base is rooted in the energy sector, it is also home to a diverse group of tenants. With 11 million sq. ft. of inventory, the submarket is ranked 8th in the 23 Houston-area submarkets in terms of inventory. Large tenants such as Lone Star College (more than 600,000 sq. ft.), Noble Energy (500,000 sq. ft.), CHI St Luke's Health (215,000 sq. ft.), and Emerson (175,000 sq. ft.) seem to be standing their ground. Yet, when Chevron completed its \$13 billion acquisition of Noble Energy in October 2020, half of Noble's 1-million-sq. ft. footprint in the FM 1960/Hwy 249 submarket—all of Noble Energy Center II—was placed on the sublease market - and that building was listed for sale in Q1 2021.

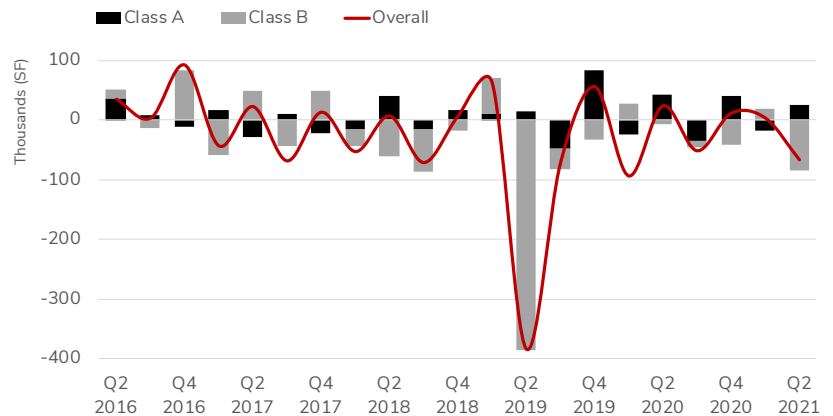
AVERAGE ASKING RATES

Overall full-service average asking rates in the FM 1960/Highway 249 submarket fell at \$21.01 per sq. ft., which is below the metro-wide average of \$29.16 per sq. ft. Rates decreased 2.3% or \$0.50 per sq. ft. quarter-over-quarter and increased year-over-year by 2.2% or \$0.45 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 FM 1960/Highway 249, it could become an affordable relocation option for office tenants in submarkets such as the Energy Corridor and Downtown Houston.

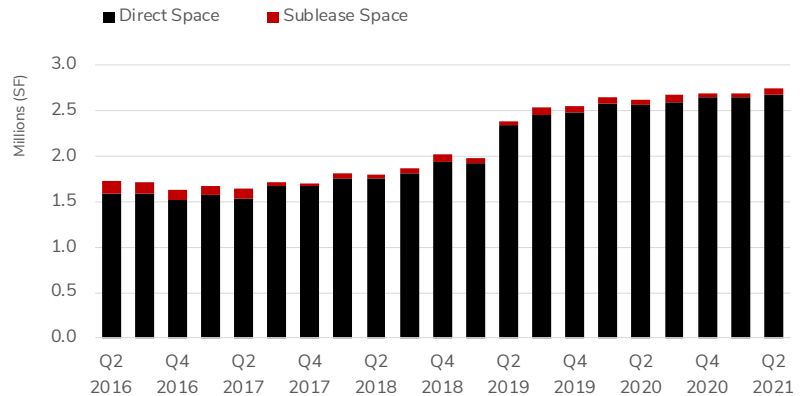
MARKET INDICATORS

	Current Q2 2021	Prior Quarter Q1 2021	Year Ago Q2 2020
Vacancy (%)	24.6	24.0	23.7
Availability (%)	30.9	31.0	28.9
Net Absorption (SF)	-66,256	3,942	-93,234
Leasing Activity (SF)	156,400	97,438	191,045
Construction (SF)	112,395	48,000	48,000
Avg Asking Rent (Gross)	\$21.01	\$21.51	\$20.56
Inventory (SF)	11,174,568	11,174,568	11,145,768

NET ABSORPTION



VACANCY



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