

HOUSTON OFFICE | MIDTOWN

Submarket Spotlight

Midtown features 8th-lowest vacancy rate among all Houston Office submarkets

Q2 2021

SUBMARKET HIGHLIGHTS

NET ABSORPTION

In the second quarter, Midtown overall net absorption remained positive at 12,300 sq. ft. Class A registered at negative 54,000 sq. ft. and Class B recorded positive 15,800 sq. ft. Companies are attracted to the area's significant live/work/play amenities and the young, highly educated workforce. It is located centrally amid areas with strengthening demographics including Neartown/Montrose, the Museum District, the Washington Corridor, and Rice Military. And, the area includes Houston's most affluent enclave, River Oaks. Beyond office product, the area is also now welcoming luxury high-rise multifamily developments.

VACANCY

Midtown's vacancy rate of 17.2% as of Q2 2021 was outperforming the metro average at 24.4%. The vacancy rate for Class A properties is at 18.5%, and Class B at 16.2%. While the aggregate numbers for the Houston office market haven't been encouraging, there are pockets of positivity when drilling down into the submarket arena: notably, Midtown—ranking 14th by inventory of Houston's 23 submarkets—features the 8th lowest vacancy rate among all submarkets. Additionally, Midtown's 48,000 sq. ft. of year-to-date positive net absorption placed 3rd of all submarkets with over 40 lease transactions signed this year, and it did so while posting the metro's 3rd-highest average asking rent of \$34.02 per sq. ft.

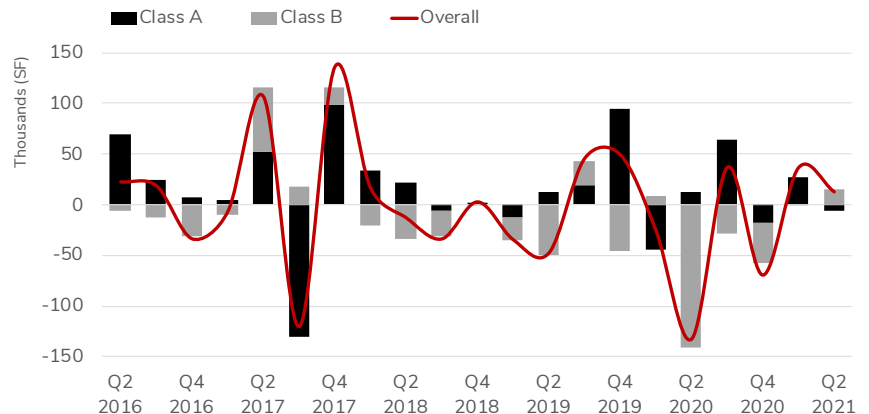
AVERAGE ASKING RATES

Overall full-service average asking rates in Midtown are at \$34.02 per sq. ft., which is 16.7% above the metro-wide average of \$29.16 per sq. ft. Rates increased \$0.87 per sq. ft. quarter-over-quarter and year-over-year by \$2.12 per sq. ft., a 6.6% upturn. Class A space (2.4 million sq. ft.) currently has an average asking rate of \$38.11 per sq. ft., and Class B space (3.2 million sq. ft.) is registering at \$30.18 per sq. ft.

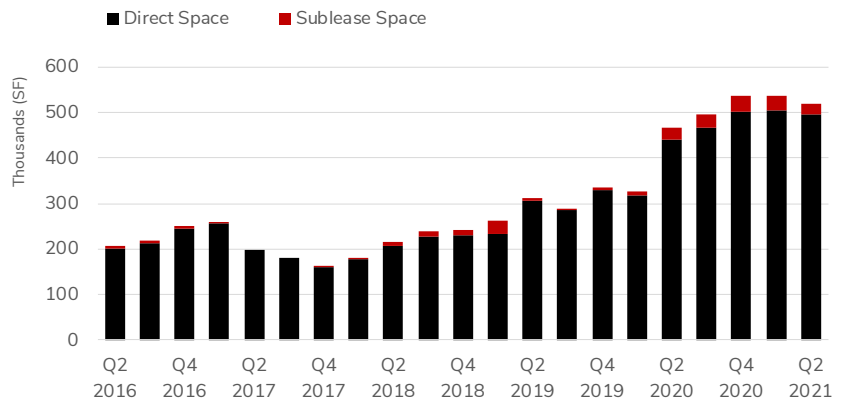
MARKET INDICATORS

| | Current Q2 2021 | Prior Quarter Q1 2021 | Year Ago Q2 2020 |
|-------------------------|-----------------|-----------------------|------------------|
| Vacancy (%) | 17.2 | 17.4 | 15.5 |
| Availability (%) | 22.7 | 21.8 | 17.1 |
| Net Absorption (SF) | 12,296 | 36,052 | -132,857 |
| Leasing Activity (SF) | 66,488 | 47,402 | 122,437 |
| Construction (SF) | 436,000 | 436,000 | 575,158 |
| Avg Asking Rent (Gross) | \$34.02 | \$33.15 | \$31.90 |
| Inventory (SF) | 6,188,130 | 6,188,130 | 6,048,972 |

NET ABSORPTION



VACANCY



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