

# HOUSTON OFFICE MARKET

Yardi® Matrix

## Market Analysis

Second Quarter 2019

### Contacts

#### Jeff Adler

Vice President & General  
Manager of Yardi Matrix  
Jeff.Adler@Yardi.com  
(800) 866-1124 x2403

#### Jack Kern

Director of Research and  
Publications  
Jack.Kern@Yardi.com  
(800) 866-1124 x2444

#### Chris Nebenzahl

Senior Analyst  
Chris.Nebenzahl@Yardi.com  
(800) 866-1124 x2200

#### Veronica Grecu

Senior Real Estate Market Analyst  
Veronica.Grecu@Yardi.com  
(306) 955-1855 x7583

### Author

#### Timea-Erika Papp

Senior Associate Editor  
Timea-Erika.Papp@Yardi.com

Aggregated and anonymized  
expense and lease expiration  
data is available to Yardi Matrix  
subscribers. Please contact us  
for details!

For more information please contact:

#### Ron Brock, Jr.

Industry Principal, Matrix  
JR.Brock@Yardi.com  
(480) 663-1149 x2404

## Solid Fundamentals Sustain Expansion



Houston's office market continues its steady recovery underpinned by strong market fundamentals and consistent demand for space. As a market traditionally rooted in energy, Houston has been taking major steps toward diversifying its economy and making headway in the technology, innovation and health-care sectors, among others. Employers added 18,600 office-using jobs year-over-year through February, with professional and business services leading gains (up 3.5%), on par with national trends.

Development activity is driven by a flight-to-quality trend, with tenants seeking newly constructed and more efficient office space. Some 2.6 million square feet was under construction as of March; that will add 1.1% to existing stock upon delivery. Developers remain optimistic despite rising labor and construction costs, breaking ground even on speculative projects in the late stages of the real estate cycle. Year-to-date, one development has broken ground in Houston: Stonelake Capital Partners' Park Place River Oaks is being built on spec, with a completion date scheduled for late 2020.

Investor interest has been steady compared to previous years, despite a slowdown in transaction activity in the first quarter, in line with national sales trends. Buyers continue to focus on core submarkets and value-add opportunities that could generate higher returns. Acquisition yields for highly rated properties were in the 6.5% to 7% range. Houston is trending slightly higher than other second-tier markets, such as Phoenix, Austin and Atlanta.