

HOUSTON OFFICE MARKET

Yardi® Matrix

Market Analysis

Third Quarter 2019

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Deliveries Prompt Vacancy Shift



Healthy economic expansion, sustained job creation and consistent tenant demand are strong contributors to Houston's steady recovery. The metro's office sector continues to draw on good fundamentals, a growing development pipeline and a young workforce. Houston is considered one of the youngest regions in the country: The average Harris County resident is 34 years old, four years younger than the national average, according to the Census Bureau. Houston gained 26,000 office-using jobs year-over-year through July, and with a slowdown in population growth, the metro's labor market continues to tighten. According to the Bureau of Labor Statistics, the unemployment rate stood at 3.8% as of August, only 10 basis points above the national average.

Some 2 million square feet of office space was underway as of August, representing 0.9% of total stock. While the metro's office market is still recovering from the 2015 energy downturn, when deliveries hit a cycle peak at 7.7 million square feet, construction activity remains consistent. Nearly 1.5 million square feet came online in 2018, and almost 2 million square feet of space was added to stock in 2017.

Investment volume amounted to \$1.5 billion in confirmed transactions year-to-date through August, and 2019 is shaping up to be a strong year for investment. Investor interest is steady, as buyers are drawn to the metro's growth potential. With acquisition yields for top-rated assets in the 6.25% to 6.75% range, Houston is in line with large metros like Philadelphia and expanding markets like Charlotte.