

Yardi® Matrix

OFFICE MARKET REPORT

Houston Stays On Track

Winter 2020

Energy Sector
Faces Uncertainty

Deliveries
Switch Gears

CBD Leads
Investment Sales

HOUSTON OFFICE MARKET

Yardi® Matrix

Energy Sector Preps for Transition

As the energy capital of the world, Houston is deeply rooted in the gas and oil industry. The metro has started to leverage its academic, scientific and commercial experience in the shift to a more sustainable, lower carbon world, according to the Greater Houston Partnership. As uncertainty surrounds oil pricing and global trade, the energy sector is branching out and focusing on efficiency and innovation.

Houston is home to a host of venture capital-backed, energy-focused startups, including companies such as Rebellion Photonics, a platform provider of monitoring solutions that make the oil and gas industry safer; Data Gumbo, a blockchain-based smart contract provider; and GoExpedi, which provides solutions to increase efficiency of drilling operations. The metro gained 28,200 office-using jobs through November, up 4.3% year-over-year, with professional and business services leading growth (26,400 jobs). According to the Bureau of Labor Statistics, the unemployment rate in Houston stood at 3.6% as of November.

Some 2.5 million square feet was under construction in Houston as of December, equal to just 1.1% of total inventory. Almost half (46%) of the entire new-supply pipeline is comprised of Hines' Texas Tower in the CBD. Total investment volume in Houston amounted to \$2.4 billion year-to-date through December, a 69% increase compared to 2018's total sales volume of \$1.4 billion. Top-tier office space traded at acquisition yields between 6.3% and 6.8%, while yields for value-add ventures hovered in the 7.5% to 8.0% range.

Market Analysis

Winter 2020

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