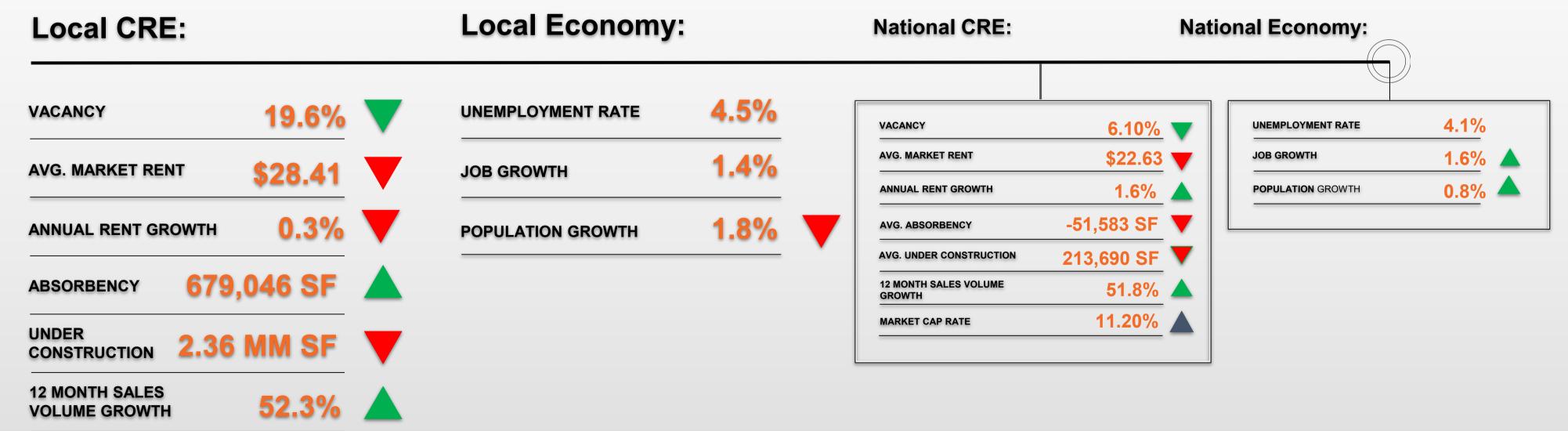


In Q2 2025, Houston's office real estate market continued to face significant headwinds, marked by a high vacancy rate of 19.6%, well above the national average of 6.1%. Despite offering a competitive average market rent of \$28.41 per square foot, annual rent growth was minimal at just 0.3%. The market absorbed 679,046 square feet, a positive sign amid lingering challenges, while 2.36 million square feet remained under construction. The 12-month sales volume grew by 52.3%, showing a rebound in investor activity, though the elevated market cap rate of 10.2% indicates heightened risk perception. In contrast, the national office market contracted slightly, with negative net absorption of 51,583 square feet. Houston's local economy showed relative strength, with a 4.5% unemployment rate, 1.4% job growth, and 1.8% population growth—figures that exceeded national averages—suggesting long-term potential despite current structural hurdles in office demand.



MARKET CAP RATE