

An aerial photograph of the Houston skyline at sunset. The sky is a deep blue with a few wispy clouds. The city's skyscrapers are silhouetted against the bright orange and yellow light of the setting sun. The foreground shows a mix of urban development, including parking lots, roads, and some greenery.

NEWMARK

Market Overview

Houston Office

2Q26

An aerial photograph of a residential neighborhood. The houses are arranged in a grid pattern, with green lawns and trees. A road with a parking lot is visible in the foreground. The overall scene is peaceful and suburban.

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Market Observations



Economy

- The Houston market's unemployment rate rose 20 basis points year over year to 4.6% but remains below the five-year average of 4.7%.
- Job growth slowed by 64 basis points year over year to 0.7%, significantly below the five-year average of 3.0%.
- All sectors except information, financial activities, and manufacturing reported employment growth, with mining and construction leading job gains at 2.7% and education and health up 1.4% over the past 12 months.
- Office-using employment reported an annual increase to 776,300 jobs as of May 2026, with continued losses in the information and financial activities sectors contributing to slower growth.



Leasing Market Fundamentals

- Average full-service asking rents rose 8.2% year over year to a new all-time high of \$31.07/SF. Direct rates increased by 8.1% year over year to \$31.21/SF, while sublease rents climbed 12.3% annually to a recent high of \$25.89/SF, widening the direct-to-sublet spread to \$5.32/SF.
- Overall vacancy was 25.8% in the second quarter of 2026, rising 20 basis points year over year and easing 10 basis points from the record high of 25.9% reached in the first quarter of 2026.
- The second quarter of 2026 closed with 460,135 SF of positive absorption, lifting year-to-date absorption to 225,228 SF and extending the positive demand seen in 2025 after net move-outs in 2024.
- Total leasing activity closed the quarter at 2.6 MSF, down 16.8% quarter over quarter and 24.5% year over year. Leasing activity in the first half of 2026 totaled 5.7 MSF, the softest first half of the post-pandemic period.



Major Transactions

- Mitsubishi Corporation signed the largest lease of the second quarter of 2026 with a 90,000 SF space at 1100 Louisiana, relocating within the CBD from its current 45,838 SF at 1 Houston Center.
- Superior Energy signed the second largest deal of the quarter, relocating to 56,256 SF at 8020 Katy Freeway, from 1001 Louisiana in the CBD.
- New leasing accounted for four of the quarter's five largest transactions, underscoring tenant leverage to capitalize on favorable conditions and upgrade into higher-quality space.
- Four of the quarter's five largest lease transactions occurred in suburban submarkets—including Katy Freeway, Clear Lake, and The Woodlands—while the CBD anchored the top of the list with the quarter's single largest deal.



Outlook

- Investment in the Houston market will likely take a measured approach as elevated vacancies, higher financing costs, and a muted development pipeline support cautious capital deployment.
- Vacancy is expected to level off near current highs, supported by limited new supply and steady occupier decision-making despite slower job growth.
- Rent growth is likely to moderate, as landlords maintain headline rate stability while using targeted concessions to support deal flow.
- Flight-to-quality and westward migration trends are likely to persist, reinforcing demand in top suburban submarkets and best-in-class buildings.

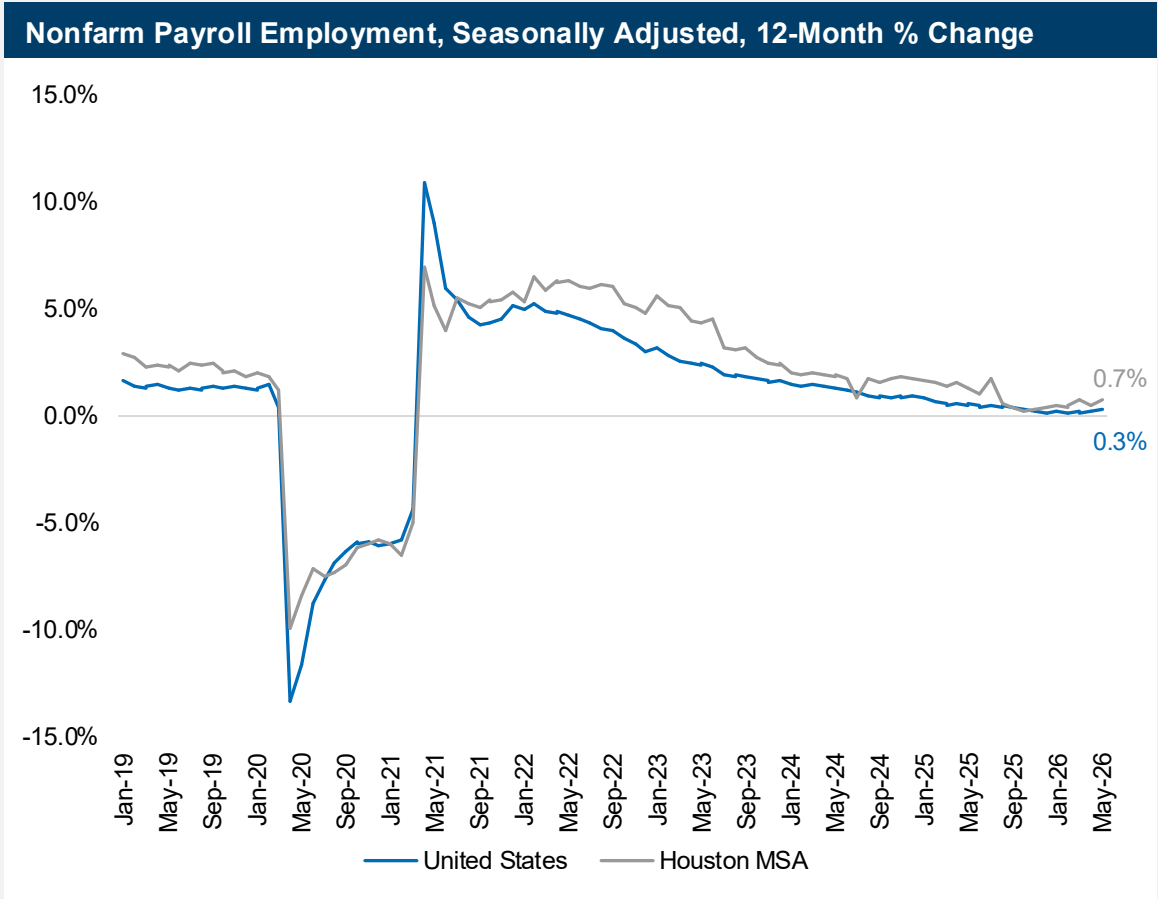
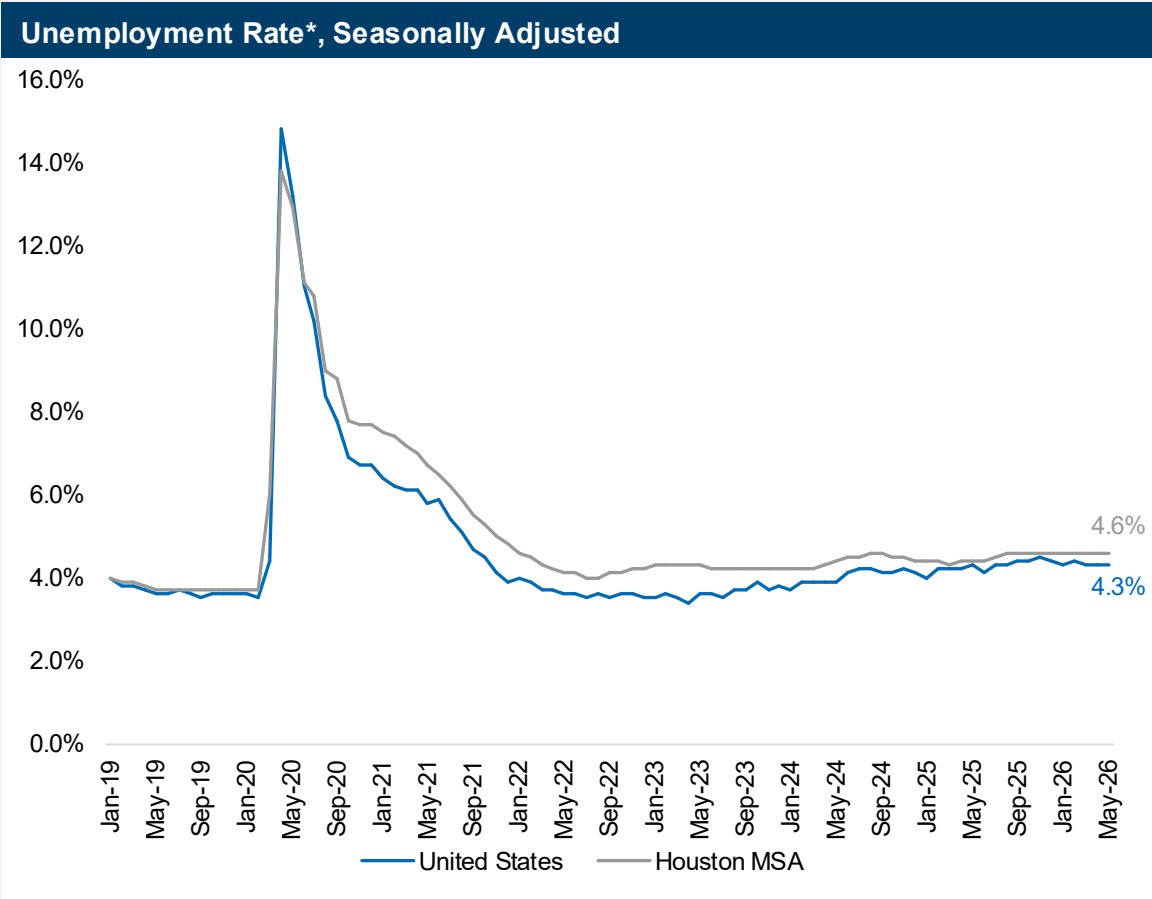
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Economy

Houston Unemployment Remains Above U.S. Average While Job Growth Picks Up in May

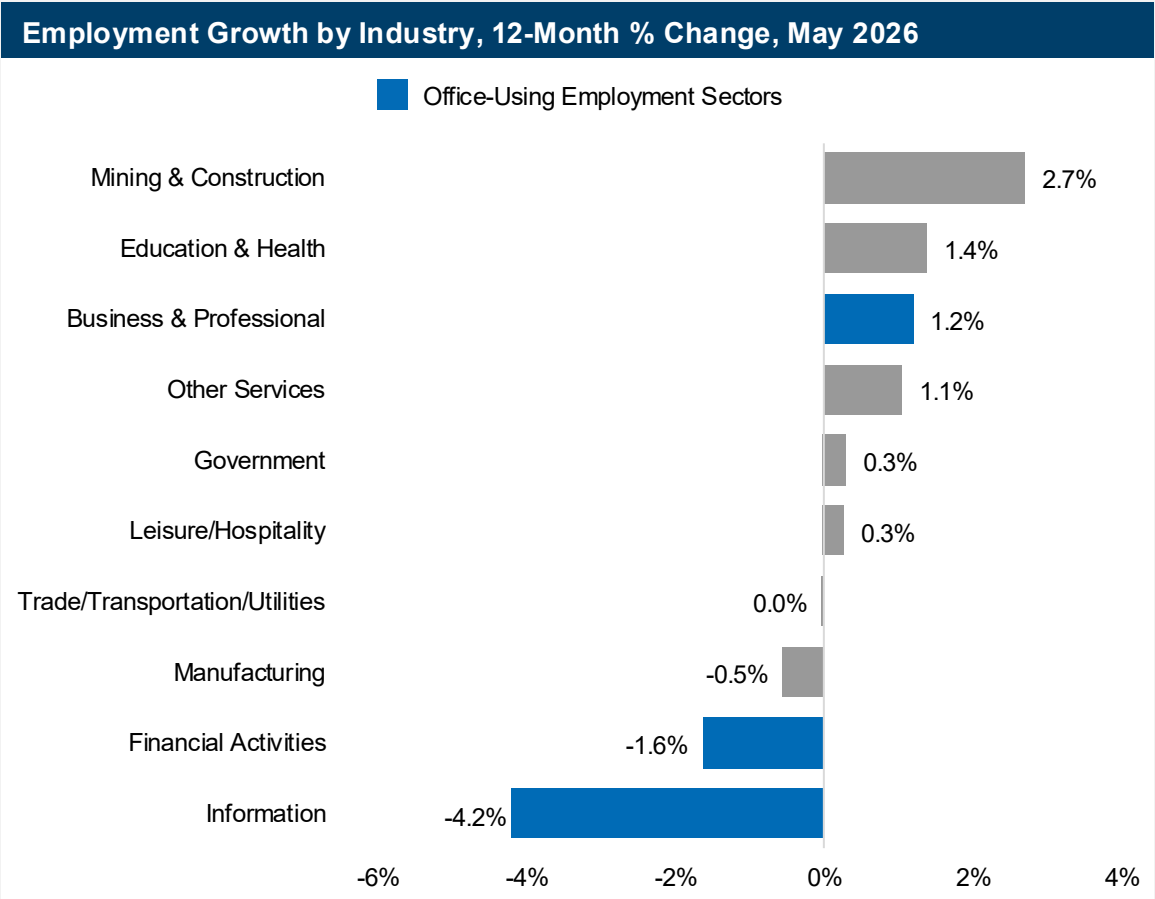
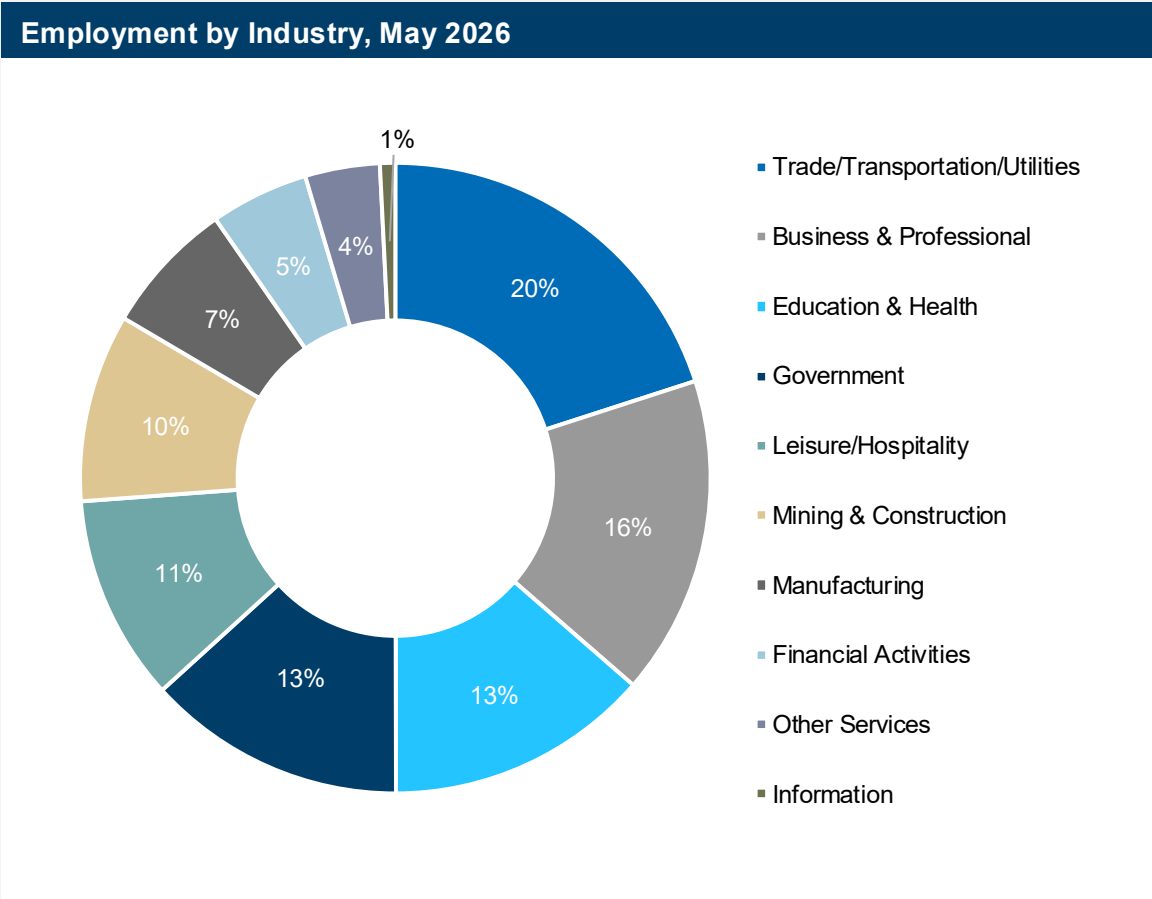
Houston’s unemployment rate remained at 4.6% in May 2026, slightly above the national rate of 4.3%, keeping the local labor market modestly weaker than the U.S. average. The metro’s unemployment rate has remained unchanged since August 2026 and was up 20 basis points from 4.4% in May 2025, indicating labor conditions have softened slightly over the past year even as the gap with the nation remains narrow. Houston’s job base rose to 3.5 million in May 2026, but annual growth remained modest at 29,300 jobs, or 0.7%, suggesting hiring strengthened during the month but stayed subdued year over year.



Source: U.S. Bureau of Labor Statistics, Houston MSA
*October 2025 government shutdown missing data addressed with duplicating September 2025's data

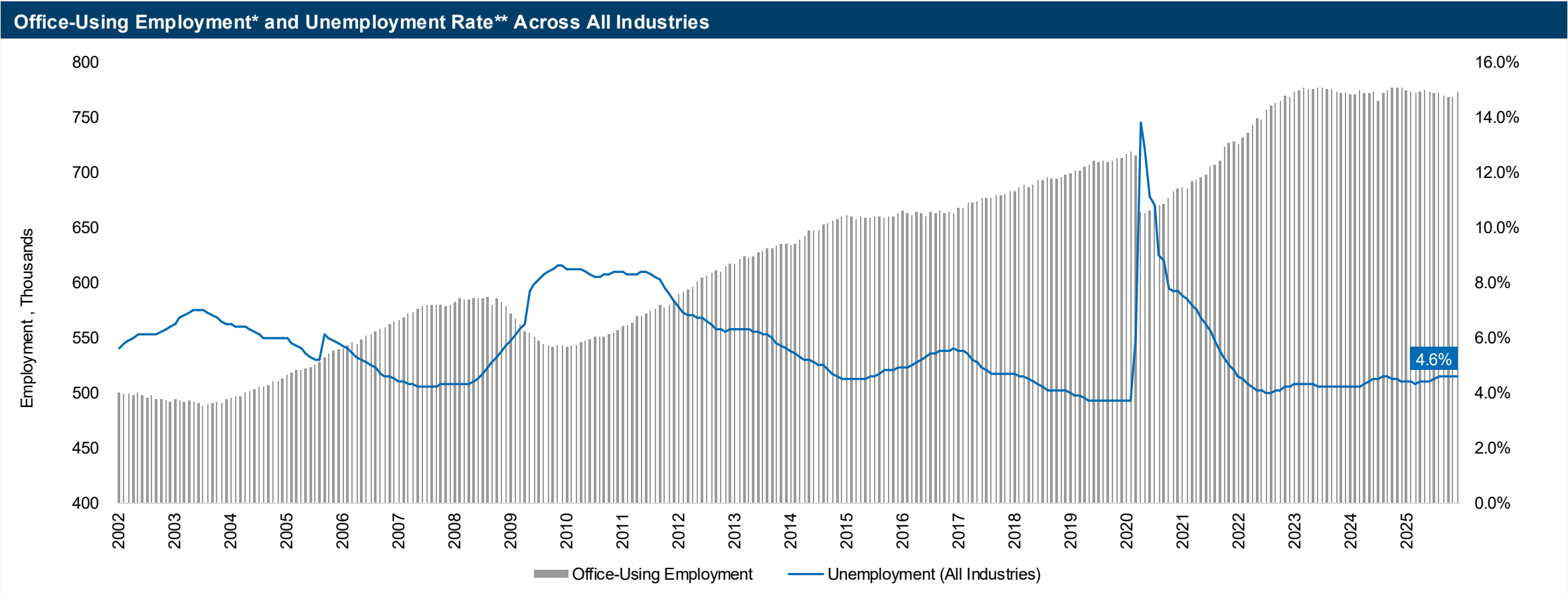
Information Continues to Lead Decline in Office-Using Employment Sectors

Known for its energy sector, the Houston market’s two largest employment industries, trade/transportation/utilities and business and professional services account for 36.4% of total jobs. The office-using business and professional sector is the second-largest industry in the metro at 16.4%. As of May 2026, most industries continued to add jobs year over year, led by mining and construction at 2.7% and education and health at 1.4%, while business and professional services returned to modest growth of 1.2%. The other two office-using sectors contracted, with financial activities down 1.6% and information down 4.2% over the past 12 months, the weakest readings among all sectors.



Information and Financial Activities Job Losses Keep Office Employment Below Peak

Office-using employment in the Houston market totaled 776,300 employees as of May 2026, up 0.3% year over year and 0.1% below the recent peak of 776,700 jobs reached in mid-2023. The office-using information and financial activities sectors reported negative annual growth of 4.2% and 1.6%, respectively, while business and professional services returned to modest growth of 1.2%. The lagging information and financial activities sectors remain the primary drag on Houston’s office-using employment, keeping the total below its post-pandemic peak. Currently, the unemployment rate is 4.6%, roughly in line with the past year and below the 5.5% average since 2021.



Source: U.S. Bureau of Labor Statistics, Houston MSA
*Office-using employment includes employment in the following industry sectors: Professional & Business Services, Financial Activities and Information.
** October 2025 government shutdown missing data addressed with duplicating September 2025's data

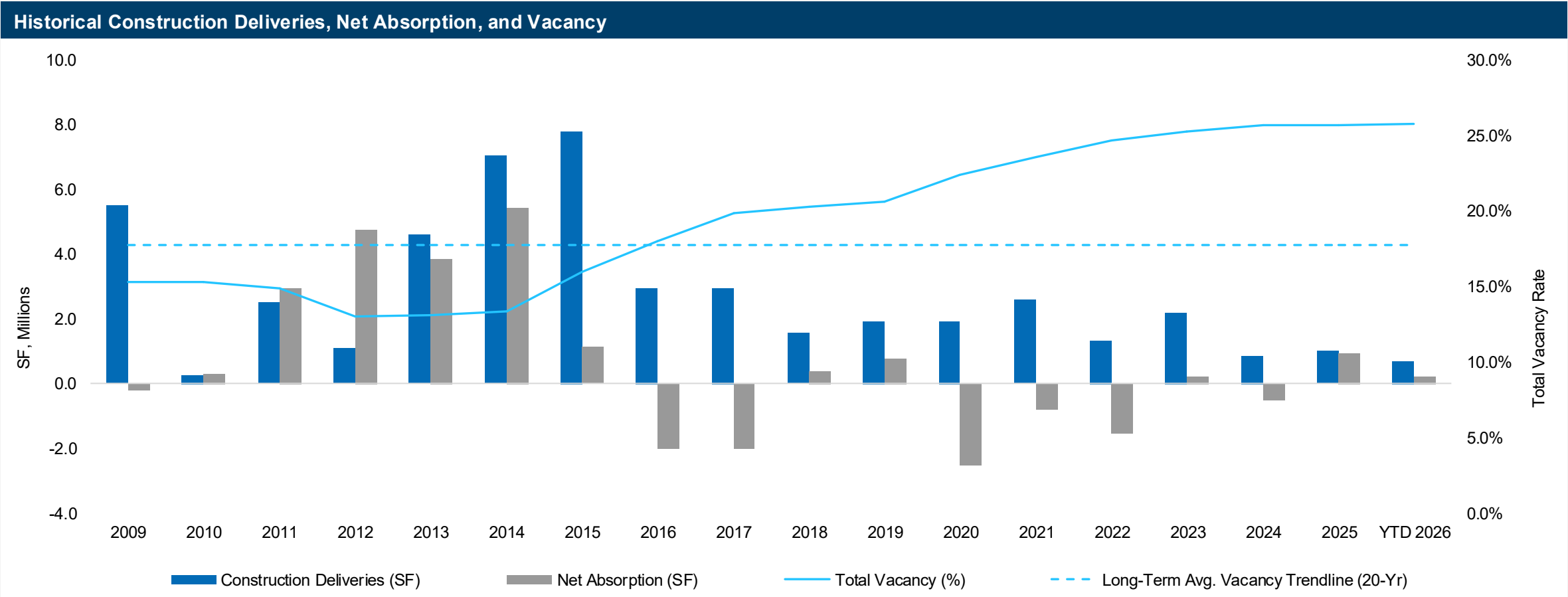
02

Leasing Market Fundamentals



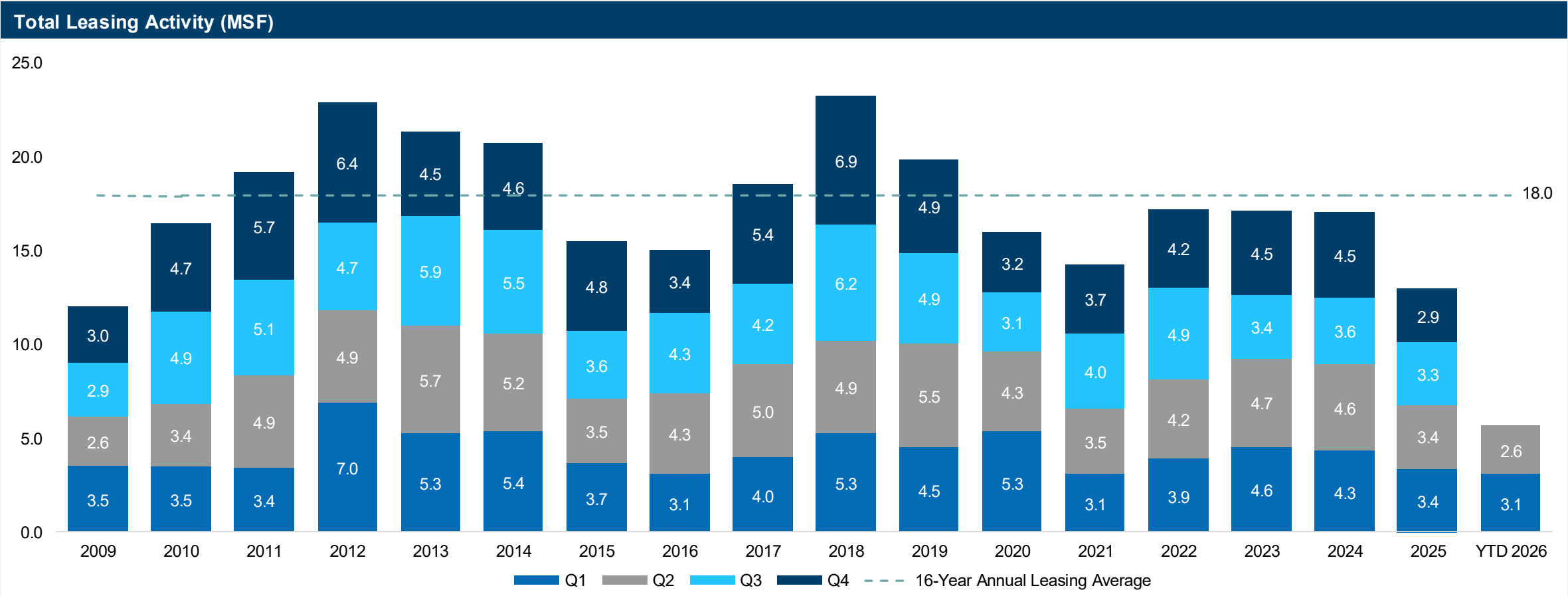
Vacancy Holds Near Record High Despite Demand Turning Positive

Houston’s office vacancy rate was 25.8% in the second quarter of 2026, up 20 basis points year over year and easing 10 basis points from the record high of 25.9% reached during the first quarter of 2026. While supply continues to outpace demand, the market recorded 225,228 SF of positive absorption year to date, extending the return to positive demand that began in 2025 after net move-outs in 2024. On the supply side, 692,096 SF of new construction has delivered year to date, including CityCentre Six in the Katy Freeway submarket. With deliveries now largely pre-leased and the construction pipeline thinning, vacancy is expected to remain elevated but stable in the near term as limited new supply helps temper further vacancy spikes.



Second-Quarter Leasing Steps Down for a Third Straight Year

Leasing activity in the Houston market totaled 2.6 MSF in the second quarter of 2026, down 16.8% from the previous quarter and down 24.5% from the same period a year ago. Through the first half of 2026, leasing activity totaled 5.7 MSF, about 16.7% lower than the same period a year ago and the softest first half in the post-pandemic period. Second-quarter volume has stepped down each of the past three years, from 4.6 MSF in 2024 to 3.4 MSF in 2025 and 2.6 MSF in 2026, as deal counts have thinned. Overall, the market has settled into a lower, more stable level of activity as tenants remain cautious amid elevated availability.



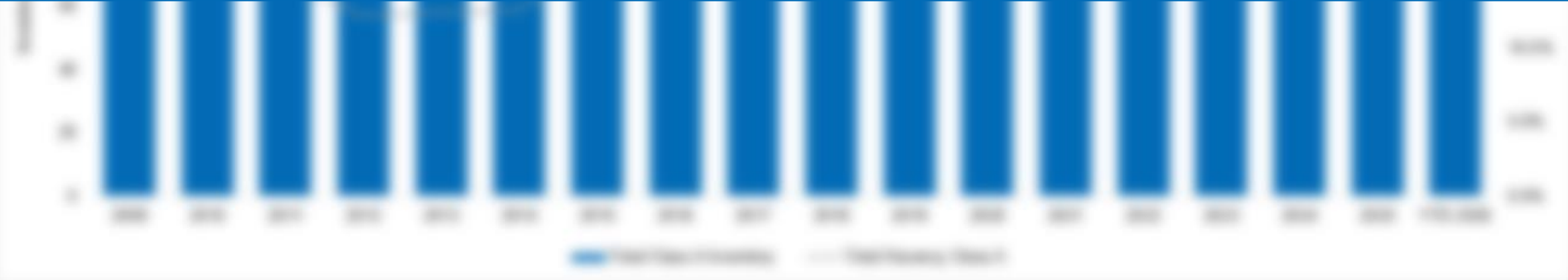
Flight-to-Quality Persists as Class A Vacancy Holds in a Narrow Band

In the second quarter of 2020, the Newmark Class A office market vacancy rate stood at 10.1%, having fallen from 10.7% in the first quarter. This is a slight increase from the 9.8% vacancy rate in the second quarter of 2019. Since the second quarter of 2019, vacancy has increased by 0.3 percentage points, while new construction has increased by 0.1 percentage points. Higher quality assets are being built in the market, and this is helping to support the market's ability to absorb new supply. The market is also seeing a shift in the type of space being built, with a focus on higher quality assets. This is helping to support the market's ability to absorb new supply, and is also helping to support the market's ability to absorb new supply.

Table 1. Newmark Class A Office Market Vacancy Rate

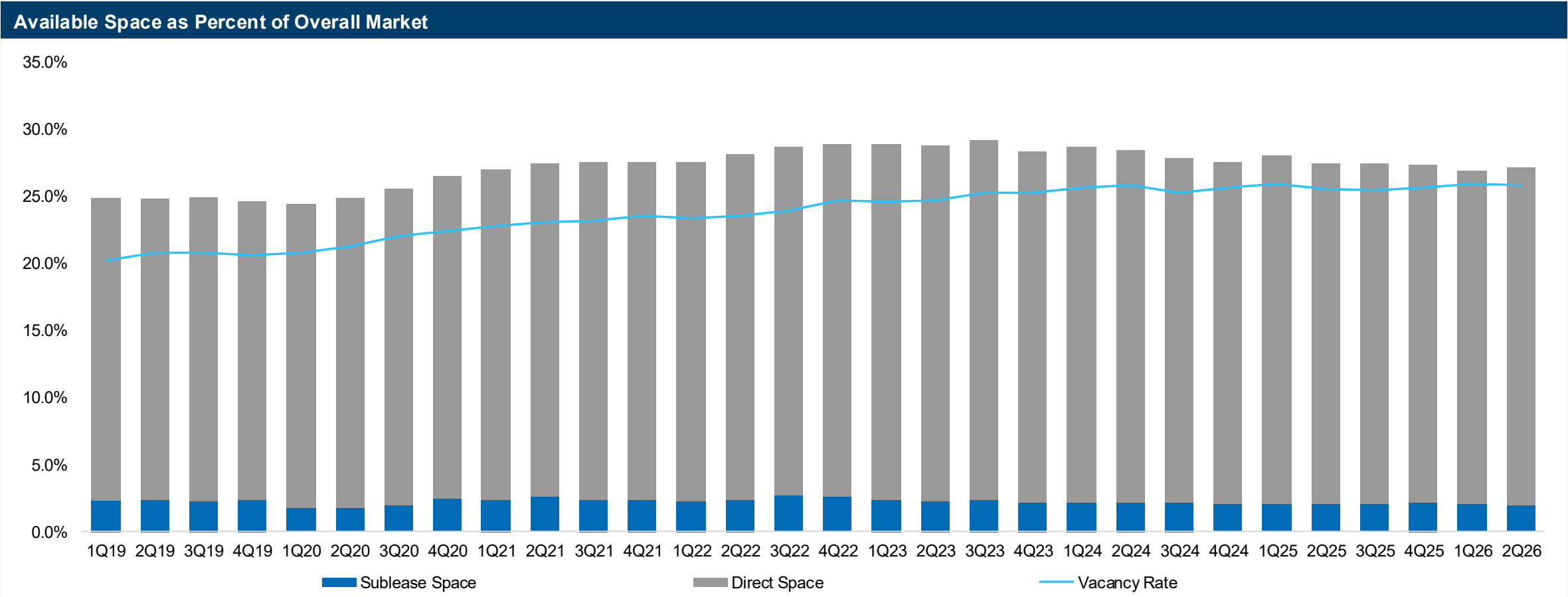
Quarter	Vacancy Rate (%)
Q1 2019	9.8
Q2 2019	9.8
Q3 2019	9.9
Q4 2019	10.0
Q1 2020	10.1
Q2 2020	10.1

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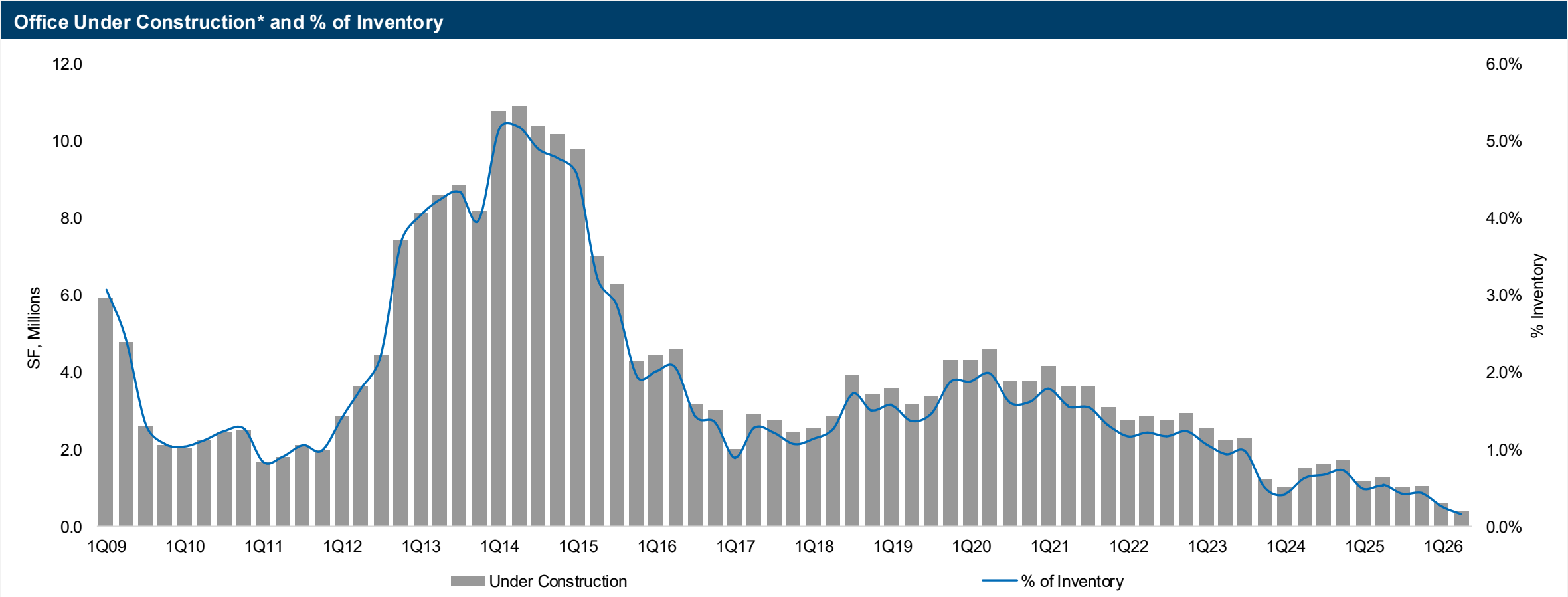
Sublease Levels Stable as Overall Availability Continues to Fall

Sublease availability in the Houston market has remained relatively stable, with rates hovering between 2.0% and 2.2% over the last ten quarters. In the second quarter of 2026, sublease availability was 2.0%, falling 10 basis points from the previous quarter and marking the low end of that range. While direct availabilities have generally risen since the pandemic, they have declined 160 basis points from the historic peak of 26.8% set in the third quarter of 2023 to 25.2% in the second quarter of 2026, though direct space ticked up 40 basis points quarter over quarter. Vacancy edged down 10 basis points quarter over quarter to 25.8%, holding just below the historic high of 25.9% recorded the previous quarter. Stable sublease levels and direct availability well below its peak point to gradual improvement in overall market conditions in the coming quarters.



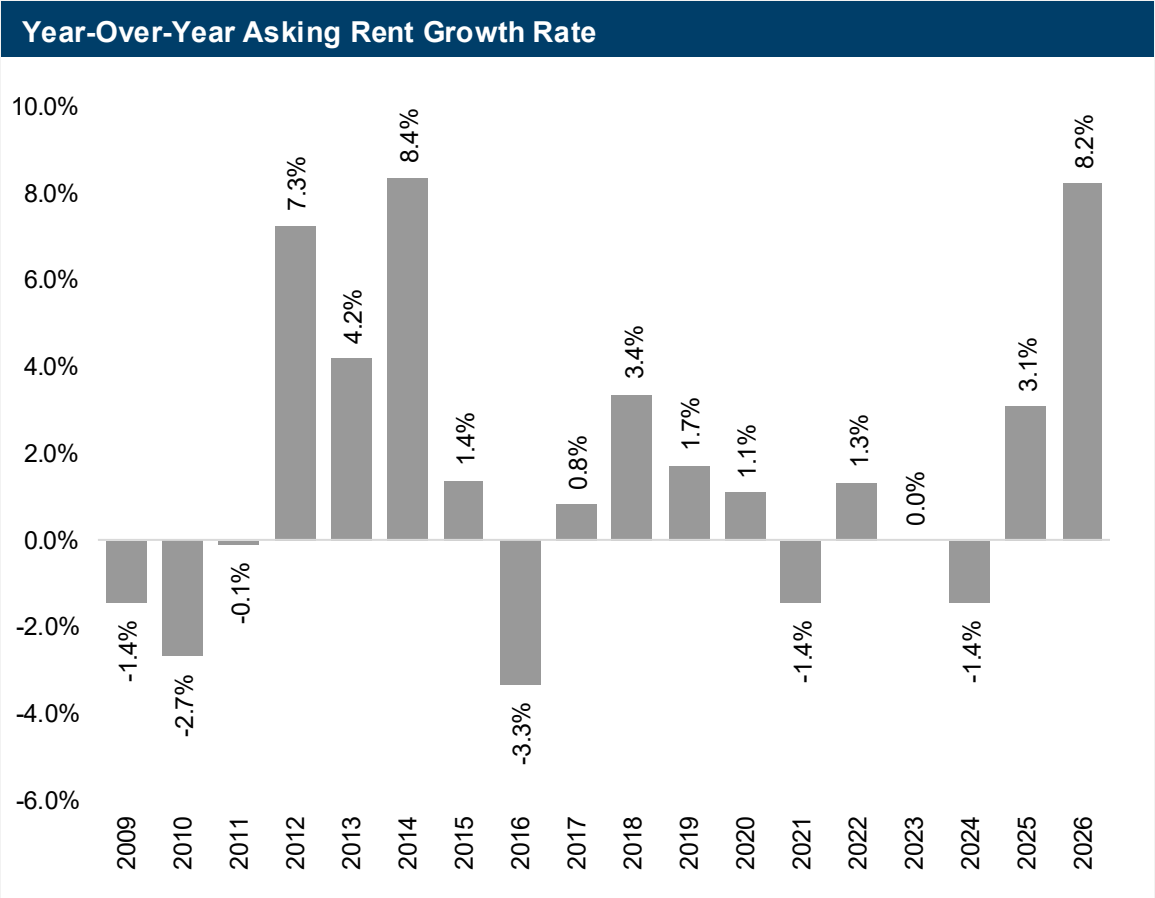
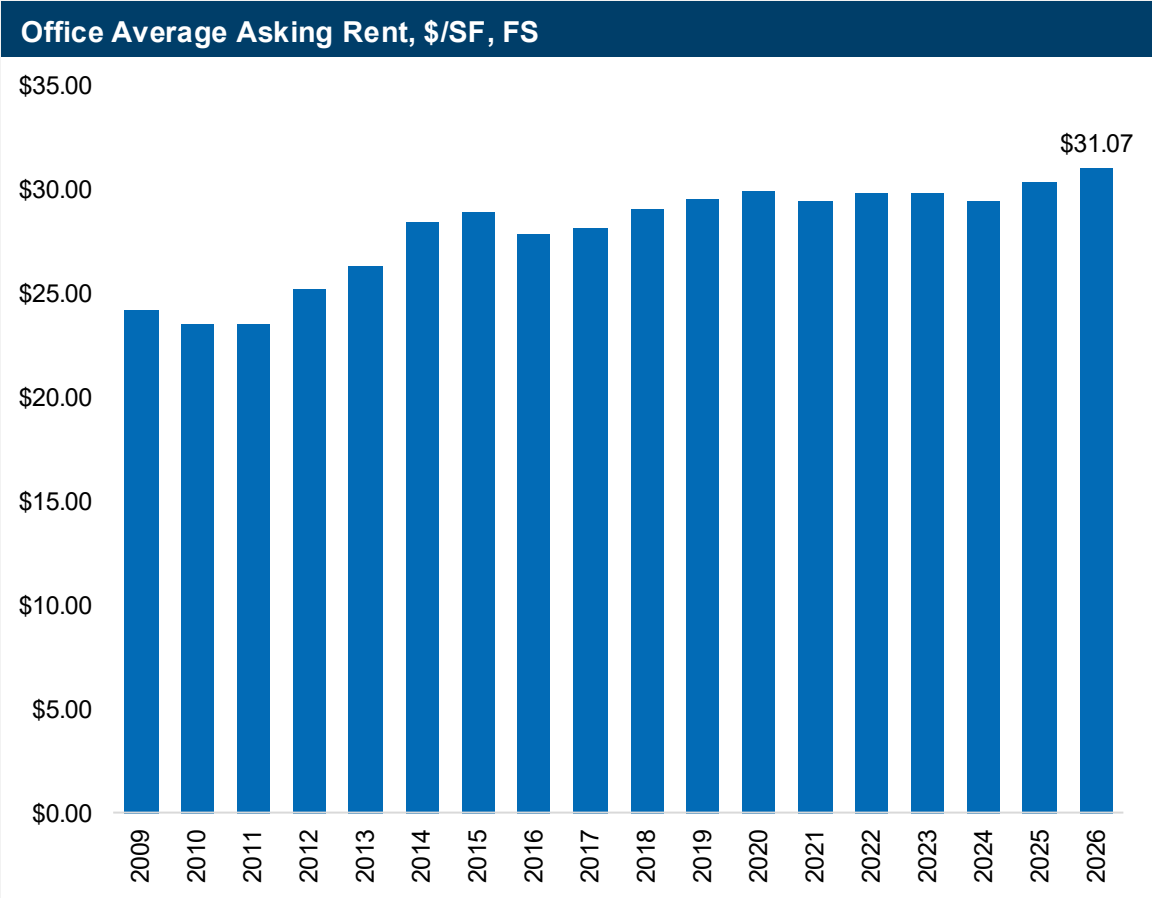
Construction Pipeline Falls to All-Time Low

Construction activity in the Houston market has wound down steadily since the second quarter of 2020. As of the second quarter of 2026, the construction pipeline fell to an all-time low of 400,035 SF, a decline of 227,646 SF from the prior quarter following the delivery of CityCentre Six in the Katy Freeway submarket earlier this year. Under construction space now accounts for only 0.2% of the market’s inventory, the lowest share since 2009. The non-medical office projects currently underway include Autry Park and The RO, which are slated to deliver 127,661 SF and 146,003 SF, respectively. Elevated vacancies, tenant downsizing, and capital constraints are expected to keep speculative development and future supply additions modest.



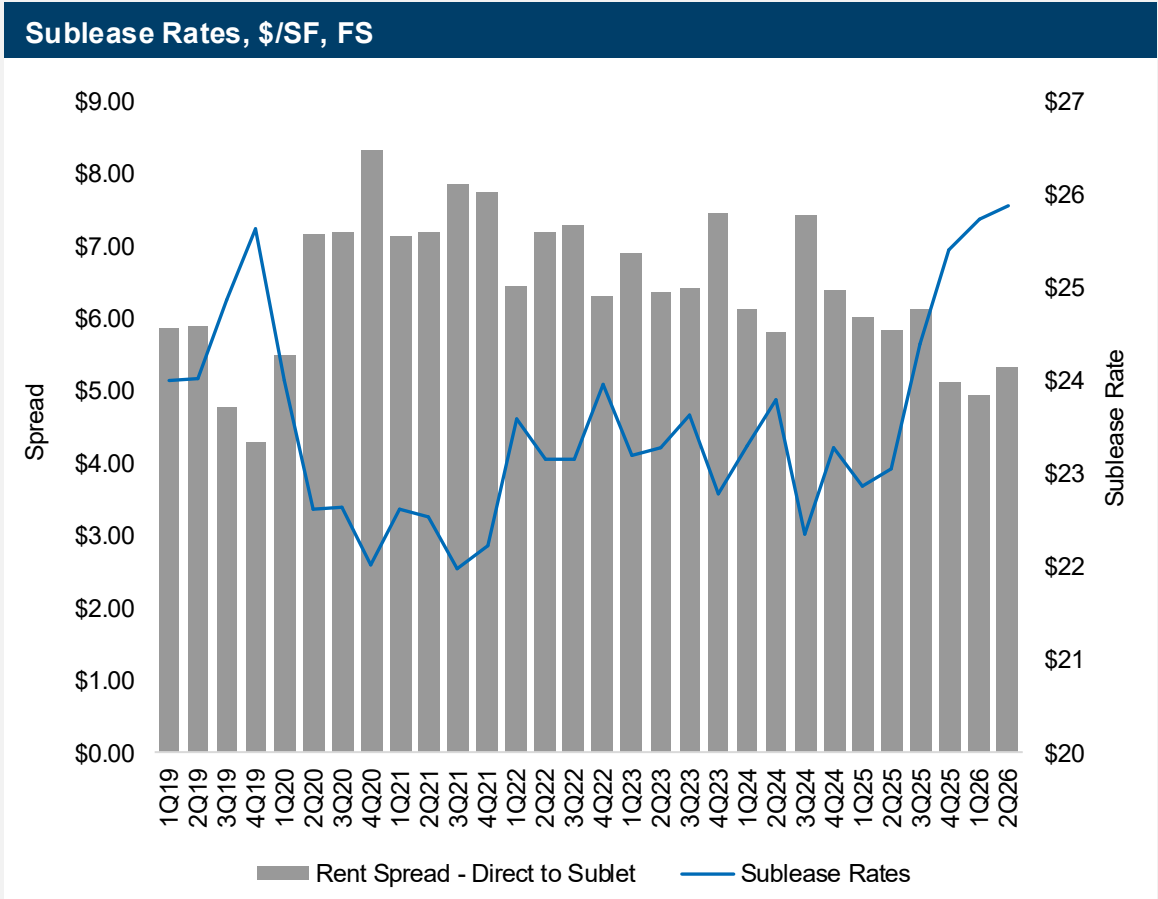
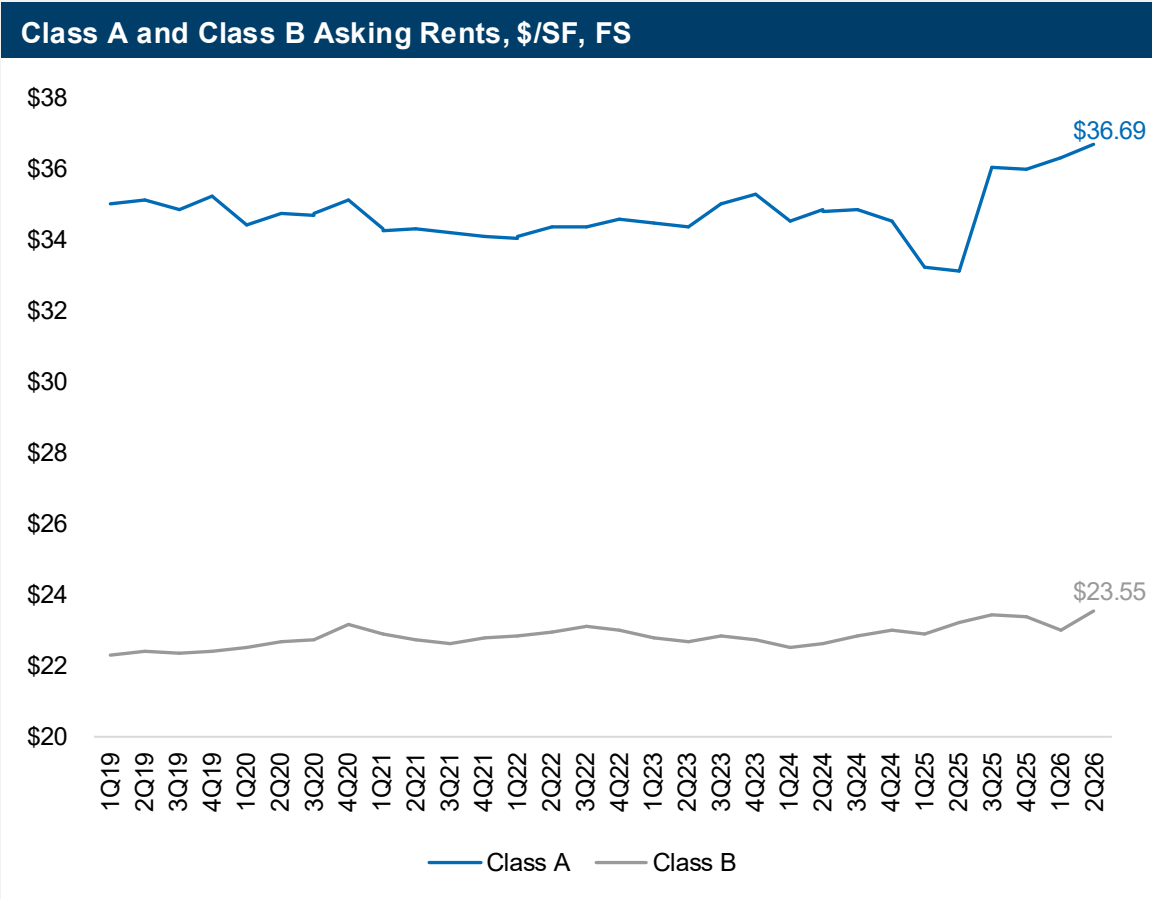
Asking Rents Reach a New All-Time High

In the second quarter of 2026, asking rents posted strong growth of 8.2% year over year, rising from \$28.71/SF a year earlier to \$31.07/SF, a new all-time high and the fastest annual gain of the past five years. The latest advance extends the rebound that began in 2025, when rents rose 3.1%, and marks a clear turn from the flat-to-negative growth from 2021 through 2024. This suggests landlords are holding base rents stable or slightly elevated while offering increased concessions. While the rebound points to some pricing power in select segments, elevated availability and tenant leverage should cap gains, with rent growth expected to stay concentrated in the highest-quality assets.



Premium Rents Hold Firm as Sublease Market Tightens

In the second quarter of 2026, Class A asking rents rose 1.0% to \$36.69/SF, while Class B asking rents rose 2.4% to \$23.55/SF quarter over quarter. Both classes reached all-time highs, with the spread between these class segments contracting by \$0.20/SF to \$13.14/SF. Meanwhile, sublease rates continued to climb, rising 12.3% year over year to \$25.89/SF, a post-pandemic high. Direct rents also rose to a new high, increasing by 8.1% year over year to \$31.21/SF, widening the direct-to-sublet spread to \$5.32/SF from \$4.93/SF in the prior quarter, as direct rent growth outpaced sublease rent growth. Recent sublease listings, such as MRC Global at 1301 McKinney, have contributed to rising sublease rents, as higher-quality blocks of space entering the sublet market keep sublease pricing firm.



Real growth in Western European economies, following other advanced economies with strong fundamentals, will bring recovery in other advanced economies soon. Continued recovery for several quarters in 2011 and 2012, along with growth across Western Europe, indicates a good ability to follow the US recovery. The stronger growth of 2.1% followed closely by the Eurozone at 2.0%. These advanced economies, represented by Japan, will be the first to recover and return to growth. In contrast, several other and other advanced economies such as Russia, are experiencing weak growth. In the 1990s and 2000s, advanced economies, such as the US, 2.1% and 2.0%, respectively, were the best for years. These factors reflect a demand-based shift and a strength of going from other than a global recession.

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Class A Holds Majority of Leased Space on Fewer, Smaller Deals

Amid slowing leasing activity, Class A space still captured the majority of leased square footage in the second quarter of 2026, though its dominance narrowed. Class A transactions totaled 1.5 MSF, accounting for 59.3% of the market’s leasing activity on just 32.7% of the market’s deal count. The average Class A lease decreased 29.8% quarter over quarter to 6,361 SF, yet remained nearly twice the average market deal size of 3,508 SF. Even as deal sizes compressed alongside softer demand, Class A assets continued to capture a disproportionate share of leased square footage on relatively few deals, reinforcing the divide between top-tier and lower-quality buildings.

Notable 2Q26 Lease Transactions				
Tenant	Building(s)	Submarket	Type	Square Feet
Mitsubishi Corporation (Americas)	1100 Louisiana	CBD	Direct New	90,000
Mitsubishi Corporation signed the largest deal of second quarter 2026 with a new 90,000-SF lease at 1100 Louisiana, expanding its footprint by 44,000 SF from its previous location. The company will relocate within the CBD, moving from 1 Houston Center, where it currently occupies 45,838 square feet.				
Superior Energy	8020 Katy Freeway	Katy Freeway	Direct New	56,256
Energy and utilities provider Superior Energy signed a new lease for 56,256 SF at 8020 Katy Freeway, relocating from 1001 Louisiana in the CBD submarket.				
IBM	12301 Kurland Dr.	East/Pasadena	Renewal	42,627
Computer manufacturer IBM renewed its lease for 42,627 SF at 1301 Kurland Dr in the East/Pasadena submarket, where they have been a tenant since 2007.				
Saber Power	16055 Space Center Blvd.	Clear Lake	Direct New	39,920
Saber Power, an electrical engineering and field services firm, signed a new lease for 39,920 SF at 16055 Space Center Blvd. in the Clear Lake submarket.				
Quanta Infrastructure Services	10000 Energy- South Tower	The Woodlands	Direct New	30,983
Quanta Infrastructure Services, an engineering, procurement, and construction services firm, signed for 30,983 SF in the South Tower at 10000 Energy Dr. in The Woodlands submarket. Newmark represented the landlord in the transaction.				

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Market Statistics & Map



Houston Office Submarket Map



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Houston Office Submarket Overview

Commercial Real Estate - Q3 2023								
Submarket	Office	Industrial	Warehouse	Logistics	Manufacturing	Healthcare	Education	Government
Central Business District	1,200,000	500,000	1,500,000	2,000,000	3,000,000	1,000,000	500,000	200,000
Energy Corridor	800,000	300,000	1,000,000	1,500,000	2,500,000	800,000	400,000	150,000
Medical Center	600,000	200,000	800,000	1,200,000	2,000,000	1,500,000	300,000	100,000
University City	400,000	100,000	600,000	900,000	1,500,000	1,000,000	200,000	50,000
Westchase	300,000	100,000	500,000	800,000	1,200,000	800,000	150,000	30,000
Spring Branch	200,000	50,000	400,000	600,000	1,000,000	600,000	100,000	20,000
Baybrook	150,000	40,000	300,000	500,000	800,000	500,000	80,000	15,000
Memorial Park	100,000	30,000	200,000	400,000	600,000	400,000	50,000	10,000
Eastchase	50,000	10,000	100,000	200,000	300,000	200,000	20,000	5,000

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Spring Branch	200,000	50,000	400,000	600,000	1,000,000	600,000	100,000	20,000
Baybrook	150,000	40,000	300,000	500,000	800,000	500,000	80,000	15,000
Memorial Park	100,000	30,000	200,000	400,000	600,000	400,000	50,000	10,000
Eastchase	50,000	10,000	100,000	200,000	300,000	200,000	20,000	5,000
Westchase	300,000	100,000	500,000	800,000	1,200,000	800,000	150,000	30,000
University City	400,000	100,000	600,000	900,000	1,500,000	1,000,000	200,000	50,000
Medical Center	600,000	200,000	800,000	1,200,000	2,000,000	1,500,000	300,000	100,000
Energy Corridor	800,000	300,000	1,000,000	1,500,000	2,500,000	800,000	400,000	150,000
Central Business District	1,200,000	500,000	1,500,000	2,000,000	3,000,000	1,000,000	500,000	200,000

Houston Class A Office Submarket Overview

Class A Office Submarket Overview						
Property	Size (sq ft)	Year Built	Class	Occupancy	Lease Type	Notes
1000 Main St	1,200,000	2015	Class A	95%	Triple Net	
2000 Main St	800,000	2010	Class A	90%	Full Service	
3000 Main St	1,500,000	2018	Class A	98%	Triple Net	
4000 Main St	900,000	2012	Class A	92%	Full Service	
5000 Main St	1,100,000	2016	Class A	96%	Triple Net	
6000 Main St	1,300,000	2014	Class A	94%	Full Service	
7000 Main St	1,400,000	2017	Class A	97%	Triple Net	
8000 Main St	1,600,000	2019	Class A	99%	Triple Net	
9000 Main St	1,700,000	2020	Class A	100%	Triple Net	
10000 Main St	1,800,000	2021	Class A	100%	Triple Net	

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11000 Main St	1,900,000	2022	Class A	100%	Triple Net	
12000 Main St	2,000,000	2023	Class A	100%	Triple Net	
13000 Main St	2,100,000	2024	Class A	100%	Triple Net	
14000 Main St	2,200,000	2025	Class A	100%	Triple Net	
15000 Main St	2,300,000	2026	Class A	100%	Triple Net	
16000 Main St	2,400,000	2027	Class A	100%	Triple Net	
17000 Main St	2,500,000	2028	Class A	100%	Triple Net	
18000 Main St	2,600,000	2029	Class A	100%	Triple Net	
19000 Main St	2,700,000	2030	Class A	100%	Triple Net	
20000 Main St	2,800,000	2031	Class A	100%	Triple Net	

Houston Class B Office Submarket Overview

Houston Class B Office Submarket Overview						
Property	Size (sq ft)	Year Built	Class	Occupancy	Capex (\$/sq ft)	Net Operating Income (\$/sq ft)
1000 Main St	150,000	2005	B	95%	\$150	\$12.00
2000 Main St	120,000	2008	B	90%	\$180	\$10.00
3000 Main St	180,000	2010	B	85%	\$200	\$9.00
4000 Main St	160,000	2012	B	80%	\$220	\$8.00
5000 Main St	140,000	2015	B	75%	\$250	\$7.00
6000 Main St	130,000	2018	B	70%	\$280	\$6.00
7000 Main St	110,000	2020	B	65%	\$300	\$5.00

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8000 Main St	100,000	2022	B	60%	\$350	\$4.00
9000 Main St	90,000	2023	B	55%	\$400	\$3.00
10000 Main St	80,000	2024	B	50%	\$450	\$2.00
11000 Main St	70,000	2025	B	45%	\$500	\$1.00
12000 Main St	60,000	2026	B	40%	\$550	\$0.50
13000 Main St	50,000	2027	B	35%	\$600	\$0.20
14000 Main St	40,000	2028	B	30%	\$650	\$0.10
15000 Main St	30,000	2029	B	25%	\$700	\$0.05

2Q26 Texas Office Market Overview



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Office Building	100,000	100,000	100,000	100,000
Office Building	100,000	100,000	100,000	100,000
Office Building	100,000	100,000	100,000	100,000
Office Building	100,000	100,000	100,000	100,000
Office Building	100,000	100,000	100,000	100,000
Office Building	100,000	100,000	100,000	100,000
Office Building	100,000	100,000	100,000	100,000
Office Building	100,000	100,000	100,000	100,000
Office Building	100,000	100,000	100,000	100,000
Office Building	100,000	100,000	100,000	100,000

04

Supplemental Analysis



Houston Office Market

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Houston Gross Metropolitan Product

Source: Moody's Analytics. GDP is the sum of the value added by all resident producers in the economy. It is a measure of the size of the economy. The gross metropolitan product (GMP) is the sum of the value added by all resident producers in the economy. It is a measure of the size of the economy. The gross metropolitan product (GMP) is the sum of the value added by all resident producers in the economy. It is a measure of the size of the economy.



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Highest Loan Volume Due in 2026

In the second quarter of 2024, government agency and the private sector of debt financing, according to the results of the most recent Newmark government agency and public debt survey, showed the significant share of government securities, with a three-quarter combined debt volume totaling \$11.1 trillion, or the vast majority – about 88.5% – of all debt maturing in the period. The highest debt volume due in 2026 is \$1.1 trillion, reflecting the importance of financing government securities in a range of three-month to one-year maturity. The concentration of government securities, particularly among government agency and public debt, highlights increasing reliance on higher-risk instruments, reflecting the importance of credit quality and capital structure, or the need for credit quality.



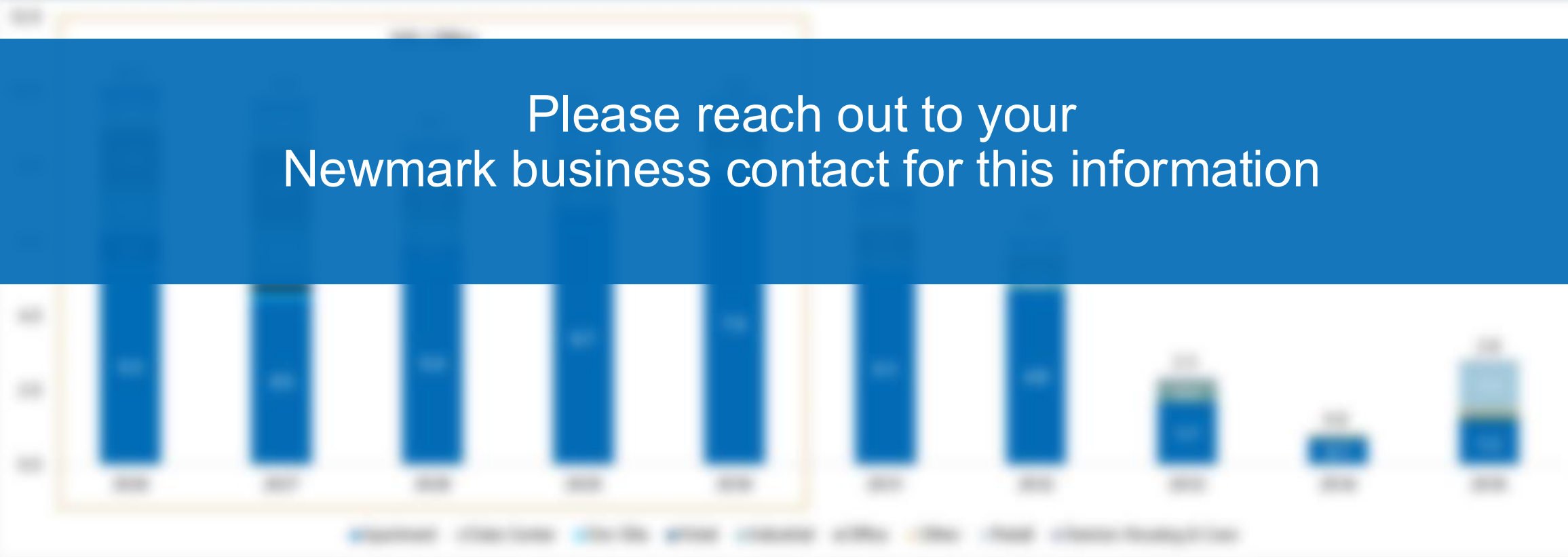
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Office Exposure Limited Amid Elevated Multifamily Maturities

In the second quarter of 2022, office space represented just 1% of the total value of new construction activity, down from 2% in the first quarter. This decline reflects a combination of factors, including a continued preference for multifamily housing, which remains a strong performer in the current market. Additionally, the office sector is facing significant challenges, particularly in the tech and financial services sectors, which are leading to a reduction in new office space construction. The overall market is seeing a shift towards more resilient sectors, with multifamily housing and industrial space showing more robust growth.

Commercial Property Portfolio



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