

Breaking Ground

Office construction reaches highest level since 1980s

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Office space under construction in Houston has increased by about 54 percent over the last 12 months. More than half of that space is leased or committed, with large tenants that are moving or expanding taking the bulk of the space.

It's the highest level the area has seen since the boom of the 1980s.

"Most of the larger tenants make commitments well out in front of their lease expirations or expansion needs, and these tenants need to secure their options early," said Wade Bowlin, executive vice president of Houston-based PM Realty Group. "Being the lead tenant also typically means that they are the first in the building to secure expansion rights to enable future growth, which is a key factor in the current demand for new office space."

There is currently 19 million square feet of office space under construction in the Houston area. About 36 percent of that is corporate-owned office space, and includes Exxon Mobil's 3 million-square-foot campus in north Houston, Phillips 66's 1.1 million-square-foot campus in Westchase and Southwestern Energy's 515,000 square-foot office building in Springwood Village, according to PM Realty.

About 5.4 million square feet of new space is expected to deliver by the end of the year, which will bring the yearly delivery total to 10.8 million square feet — far exceeding last year's delivery total of 3.2 million square feet.

In response to the construction boom, Houston added more construction jobs to its market than any other major metro in the country from August 2013 to August 2014, according to a survey conducted by The Associated General Contractors of America.



Wade Bowlin, executive vice president for PM Realty Group LP