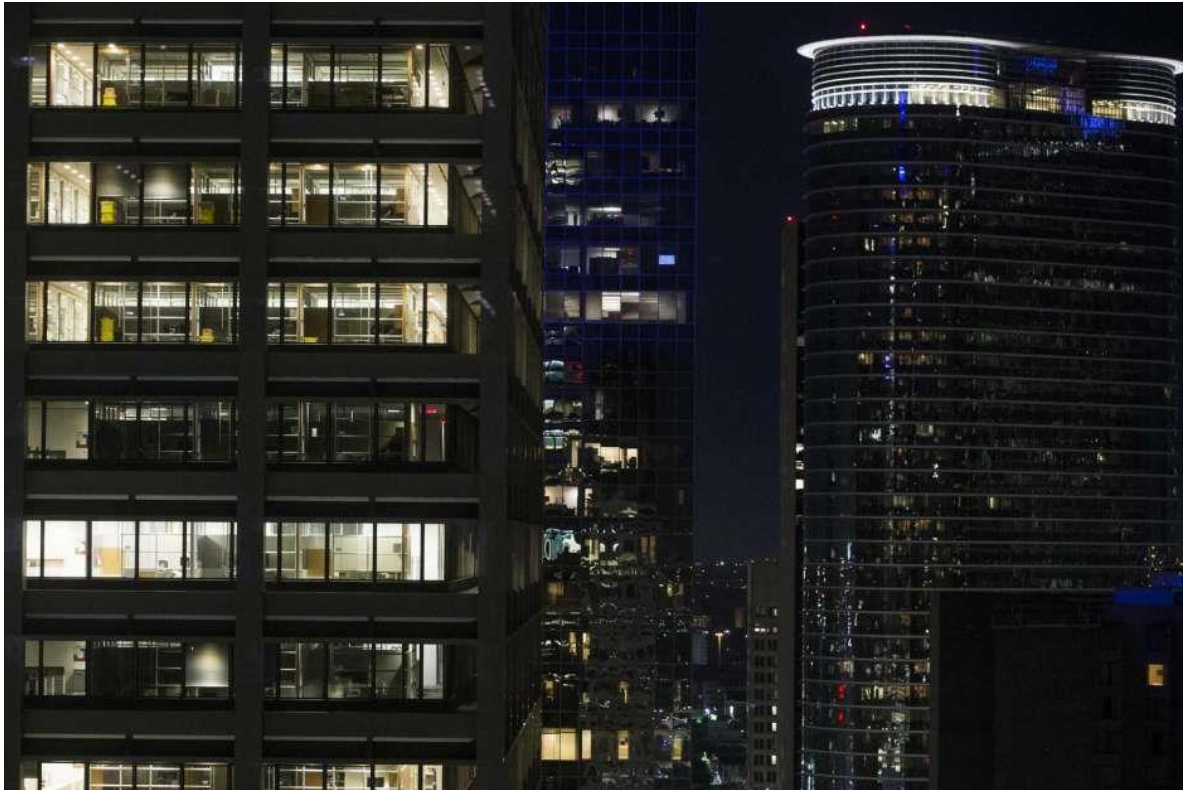


Houston office vacancies could hit new high with oil crash and COVID-19

Nancy Sarnoff **April 10, 2020** Updated: April 10, 2020 9:43 a.m.



Empty offices in a downtown building can be seen on Wednesday, April 1, 2020 in Houston. With tens of thousands of people working from home due to the coronavirus outbreak, downtown Houston has become a ghost town except for a handful of energy company control room operators, security guards and janitors in the buildings and construction workers in the streets.

The vacancy rate for Houston-area office space could increase by 4 percentage points by the end of the year as collapsing oil prices and the COVID-19 crisis slow leasing activity and lead to more available sublease space, a new report shows.

Vacancy levels in Houston's 229 million-square-foot office market could reach 24 percent by year-end, according to a first-quarter report from Colliers International. That would be a new high for Houston, according to the Colliers data, which goes back to 1999.

The report is the latest snapshot of the **commercial real estate market** as experts warn of a prolonged slowdown in Houston as a result of the region's close ties to the energy industry.

The collapse in oil prices has largely been driven by failed international production agreements and the decline in demand due to the COVID-19 shutdown.

While Houston's economy has diversified in recent years, energy companies still drive the office market.

"We are still very dependent on oil and gas companies, both directly in the space or businesses that are dependent on oil and gas companies as clients. These are the big-space users historically," Patrick Duffy, president of Colliers in Houston, said in the report. "If we optimistically assume that the virus-driven economic shutdown recovers quickly once the all-clear is given, Houston will still have a significant oil slow down to cope with."

Another concern is whether tenants will be able to pay rent and how that will affect landlords. Colliers cites a "potential domino scenario" where **rents are delayed or go unpaid** and building owners are then unable to pay their own debt.