

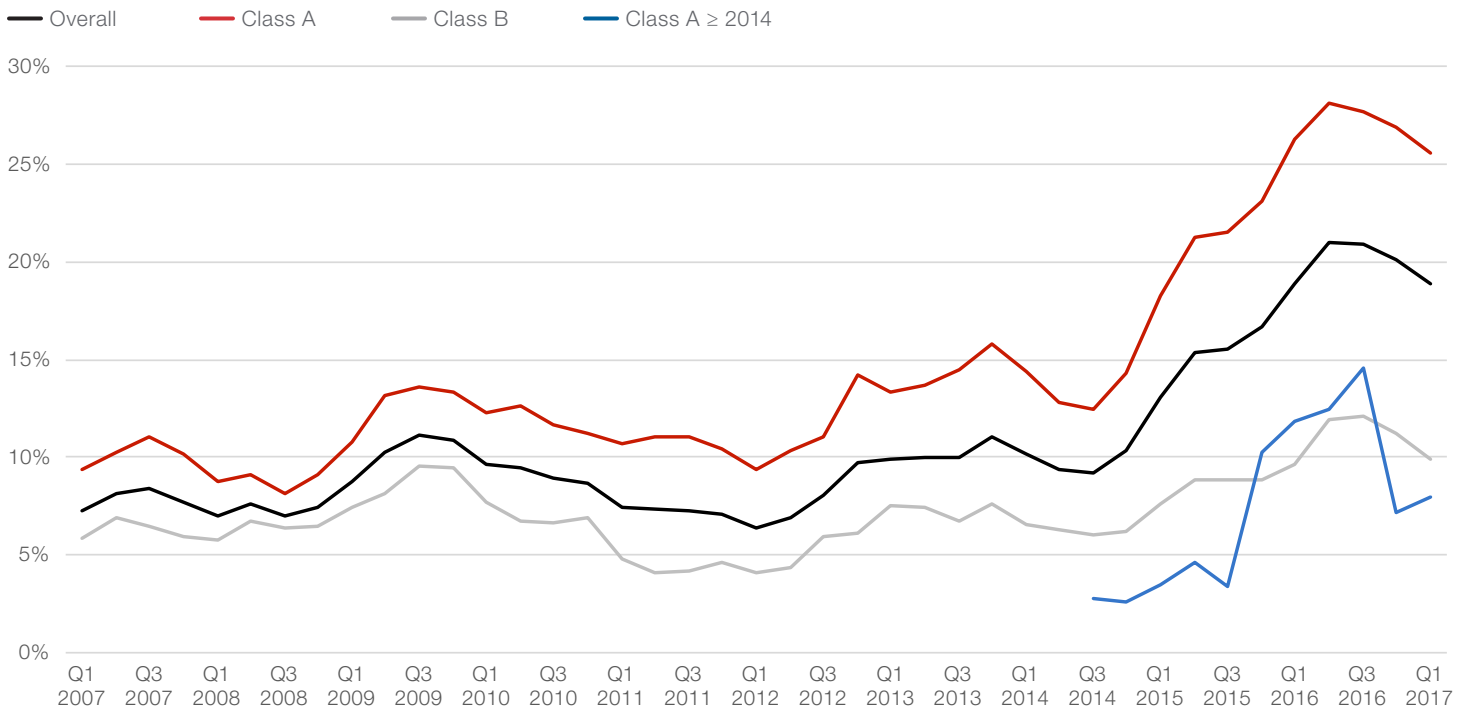
# SUBLEASE DIGEST

# Houston Office

APRIL 2017

The Houston office market's glut of sublease space maxed out at the end of Q3 2016 at about 12.0 million sq. ft.

Sublease Availability, % of Total Available



## Highlights

The end of Q1 2017 brought with it cautious optimism, as the total amount of sublease space declined to 11.1 million sq. ft., down 3.5% from Q1 2014 at 11.5 million sq. ft. Class A sublease space is down 2.1%, and Class B is leading the pack, falling 9.1% since Q4 2016.

About 80.1% of available sublease space is in Class A office buildings, with most of the remaining sublease space, 19.4%, in Class B properties.

Indicators that the worst is behind us are the Houston Purchasing Managers Index, which came in at 51.4 in March, signaling economic expansion in metro Houston for the sixth consecutive month; the closely tracked Baker Hughes U.S. Rig Count at 847 rigs, up 407 rigs from last year; and the WTI Spot Prices, closing at \$52.62/barrel.

Construction activity has slowed down, with close to 2.0 million sq. ft. underway, down from 3.4 million sq. ft. as of Q4 2016, and 5.0 million sq. ft. this time a year ago.

Building Type	QTD 2017 RBA (SQ. FT.)	% Sublease Availability	% Change In Availability	
			QoQ	Since Q3 2014
Overall	11,136,258	18.8%	-3.5%	175.5%
Class A	8,919,682	25.6%	-2.1%	203.7%
Class B	2,163,332	9.9%	-9.1%	96.2%
Class A ≥ 2014	540,672	7.8%	10.8%	208.3%

The last column "Since Q3 2014" shows percent change since the oil downturn began to manifest in the office market. Source: NAI Partners Research, Q1 2017.

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