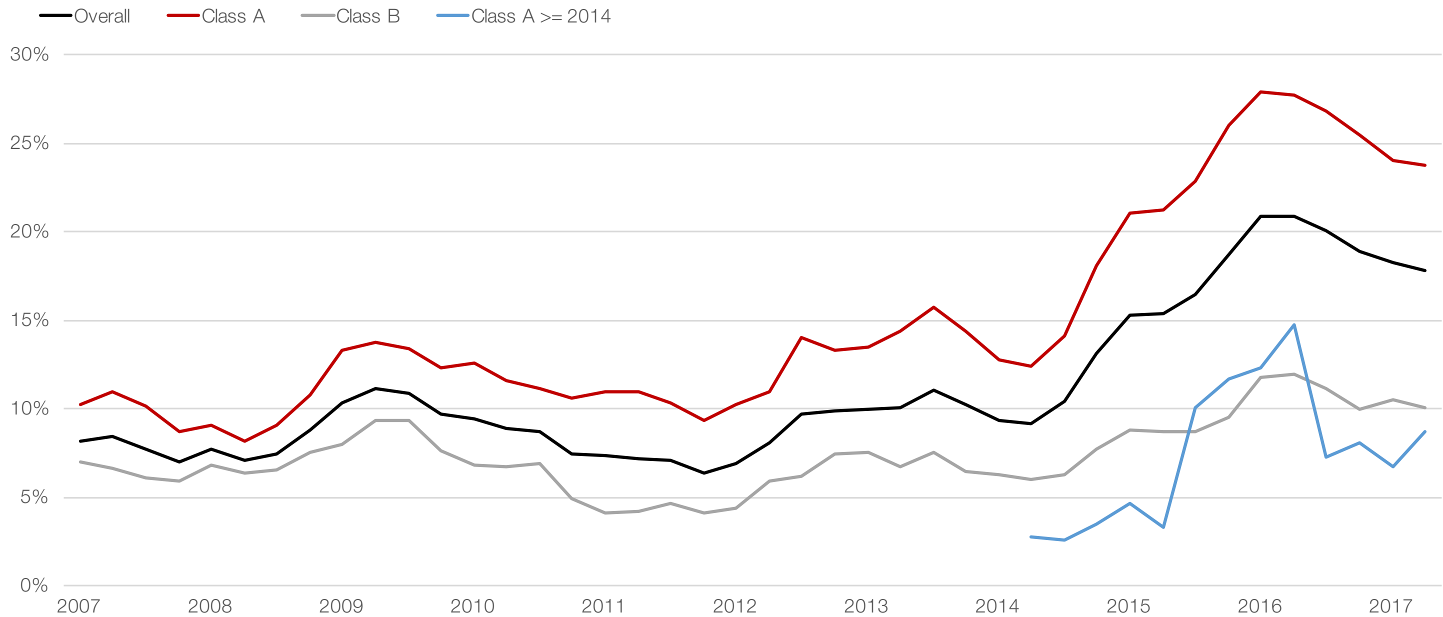
SUBLEASE DIGEST

Houston Office

AUGUST 2017

Amount of sublease space as a percentage of total available space stays flat.

Sublease Availability, % of Total Available



Highlights

The amount of sublease space as a percentage of the total amount of available space increased to 17.8% halfway through the third quarter of 2017, compared to 17.6% at this time last month.

With an already challenging occupancy rate of 79.3%, subleases expiring in the next 12 to 24 months could add insult to injury. Large energy tenants such as ExxonMobil and Phillips 66, to name a couple, have more than 2.0 million sq. ft. that needs to be absorbed. Ailing U.S. oil prices are hovering around $48 per barrel, and there is no indication that the cost of oil will rise in the near future.

Of the 10.8 million sq. ft. of available sublease space in Greater Houston, five submarkets represent 75% of the total. The CBD leads the pack at 2.46 million sq. ft., or 23%, followed by the Energy Corridor at 19%. Coming in third place is Westchase at 14%, closely trailed by the Galleria/ West Loop area with 11%, and Greenspoint/North Belt at 878,000 sq. ft., or 8%.

			% Change In Availability	
Building Type	**Aug. 24, 2017 Available Sublease (SF)**	**% Sublease Availability**	**Since Q2 2017**	**Since Q3 2014**
Overall	10,803,438	17.8%	-1.5%	166.6%
Class A	8,502,450	23.7%	-1.4%	186.8%
Class B	2,266,676	10.0%	-1.7%	109.8%
Class A >= 2014	620,784	8.7%	32.1%	254.0%

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

Leta Wauson
Director of Research
leta.wauson@naipartners.com
tel 713 275 9618