

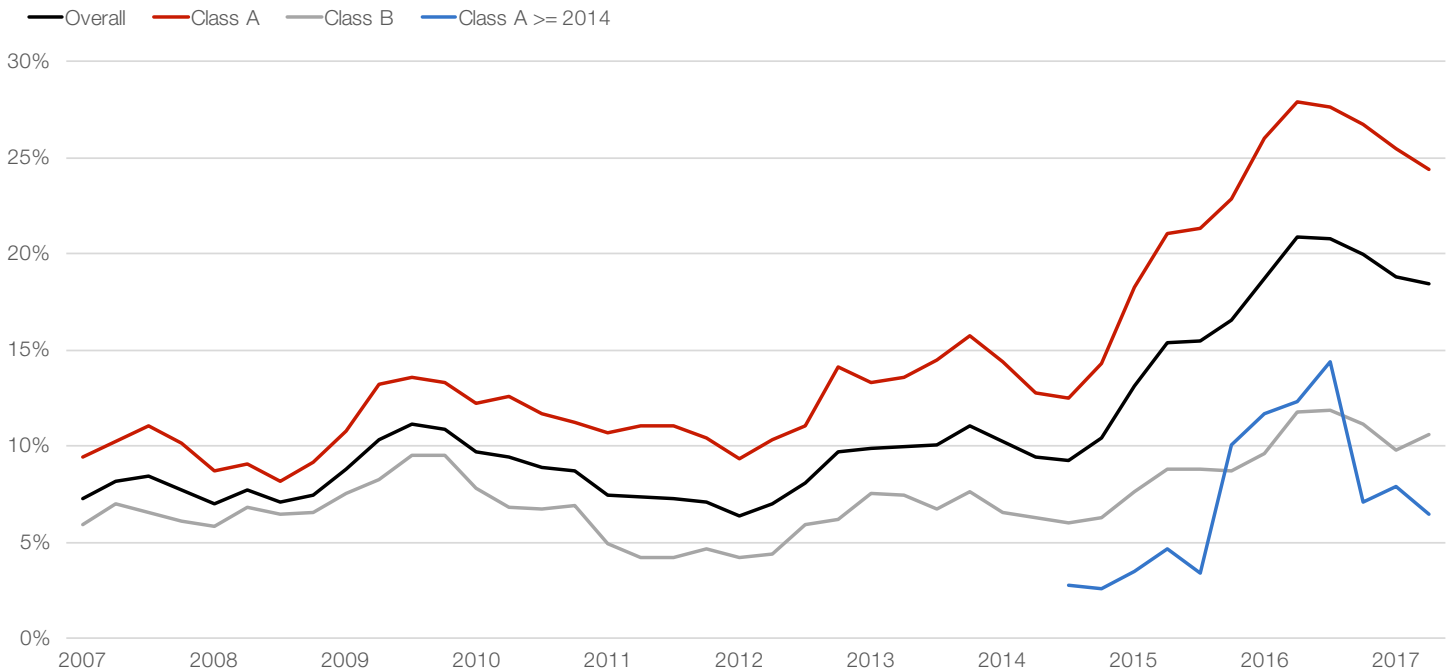
SUBLEASE DIGEST

Houston Office

JUNE 2017

Houston office sublease space stays flat as end of Q2 nears.

Sublease Availability, % of Total Available



Highlights

Overall sublease space grew by only 0.5% since the end of Q1 2017, while Class B rose 9.4%. Class A sublease space in buildings built in 2014 or newer dropped 14.8% since the end of the last quarter.

Fortunately, the amount of space in the construction pipeline is slowing down. Currently, there is approximately 2.7 million sq. ft. underway, down 35% from this time last year.

About 79% of available space is in Class A office buildings, with most of the remaining sublease space, 21.1%, in Class B properties.

The Houston Purchasing Managers Index, which came in at 54.1 in April, signaled economic expansion in metro Houston for the seventh consecutive month, and the closely tracked Baker Hughes U.S. Rig Count is up for the 22nd week at 933 rigs, an increase of 509 from last June. U.S. crude prices have dipped below \$45 per barrel.

Building Type	June 23, 2017 Available Sublease (SF)	% Sublease Availability	% Change In Availability	
			Since Q1 2017	Since Q3 2014
Overall	11,188,259	18.4%	0.5%	175.6%
Class A	8,814,385	24.4%	-1.5%	197.7%
Class B	2,345,866	10.6%	9.4%	115.5%
Class A >= 2014	457,512	6.4%	-14.8%	162.8%

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

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