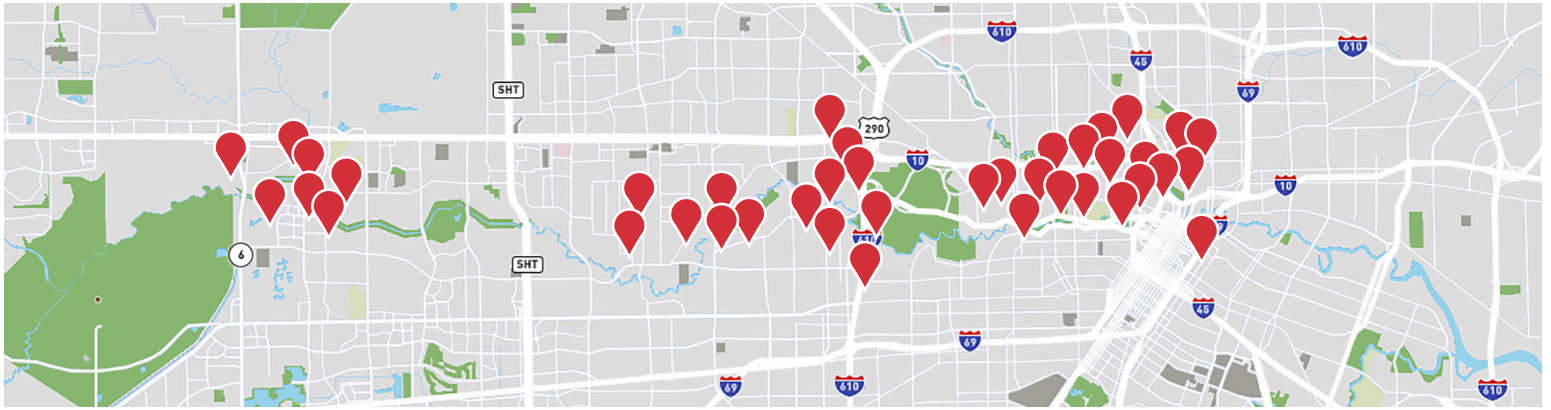


# Buffalo Bayou Office Flooding

SEPTEMBER 2017



## Houston office inventory fares better than expected in immediate wake of Harvey

In the wake of Hurricane Harvey, Texas has begun the recovery process, although the extent of the storm's wrath won't be known for months. The greater Houston area economy is equipped to make a strong resurgence from the rage of Harvey on the merits of its size, diversity and distinction as the nation's energy capital. While there will be a significant disruption to the regional economy in the near term, Houstonians will begin to rebuild and major infrastructure spending will take place, setting in motion a line of attack for an ongoing economic recovery.

NAI Partners' preliminary research surveyed 60 office properties located in the approximate 53 miles of the Buffalo Bayou corridor. Of the 32 respondents to the survey, 25 were impacted by flooding, although no respondents have indicated total loss damage.

Among the feedback from our survey respondents:

"Some of the buildings in our portfolio lost power due to flooding in the basements where critical equipment was located."

"My properties are downtown and all remained operational during the storm."

"As we are concentrated primarily in the Galleria and San Felipe/Voss markets, we were fortunate to fare very well. A couple of our buildings were impacted due to Bayou logistics, with partial water issues at a few others, but nothing notable."

Commercial property owners, lenders and analysts are continuing to assess damage and evaluate the impact on landlords and their lenders. Most are covered by property

and business-interruption insurance, but policies usually have coverage periods between 12 and 24 months, said Standard & Poor's structured-finance group.

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*“Some of the buildings in our portfolio lost power due to flooding in the basements where critical equipment was located.”*

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Trepp has reported that in the office sector of non-agency CMBS data, there are 33 loans with a balance of about \$700 million for which the largest tenant makes up more than 25% of the space and has a lease that ends within the next 24 months. These loans were a concern before Hurricane Harvey hit and will come under more examination now. The large offices that are leased to energy firms looking to downsize, or that have already downsized, pose the biggest uncertainties.

We will continue to monitor this information and update when more data becomes available. Additionally, our Houston office is available if you have any office space-related needs—including locating temporary space due to building flooding, among other property concerns.

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