HOUSTON OFFICE

Monthly Market Snapshot

SEPTEMBER 2017

Market Highlights

Harvey's aftermath. NAI Partners' preliminary research surveyed office properties located in the Buffalo Bayou corridor. The most common feedback received was loss of power due to flooding in the lower ground floors where critical equipment was located. Commercial property owners, lenders and analysts are continuing to assess damage and evaluate the impact on landlords and their investors.

Slightly more than a fifth of Houston's office space is vacant. Houston's overall vacancy rate rose to 20.7% quarter-to-date, an increase of 10 basis points compared to quarter-to-date in August. Available sublease space decreased marginally but this was largely due to continuing lease terms expiring and space being returned to the landlord.

Working remotely after Harvey. More employees utilized current technology and worked remotely rather than seeking temporary space. "One thing I found out during this storm is how much you can get done from home," said Dan Boyles Jr., a partner at our firm, who has been working remotely himself. With the connectivity from new technology and the cloud, working remotely has never been easier, allowing many operations to continue without a physical office space.

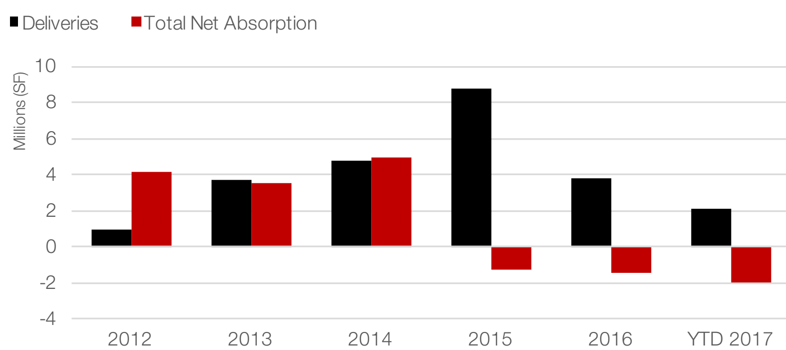
Historically, hurricanes not a major disruption for commercial mortgage-backed securities. Houston, however, with many large offices encountering lease expirations, a prolonged lack of ability to show, renovate, or release those offices due to Harvey could be impactful. Trepp reported on the $91 million Two Westlake Park loan and the $80 million Three WestLake Park note, as substantial blocks of space due to be available in the next two years.

Refineries reopen, as oil trades near 4-week high. Oil traded just below a four-week high as U.S. refiners returned from closures caused by Hurricane Harvey, increasing demand for crude. West Texas Intermediate, traded at $49.16 on Sept. 7, the highest since Aug. 9.

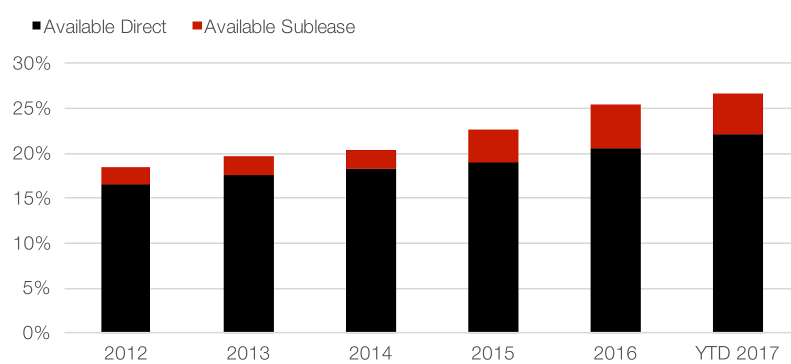
Market Activity

	YTD 2017
Vacancy Direct	18.5%
Vacancy w/Sublease	20.7%
Available Direct	22.1%
Available w/Sublease	26.2%
Net Absorption (SF)	(1.9)M
Leasing Activity (SF)	7.5M
Deliveries (SF)	2.0M
Under Construction (SF)	2.3M
Gross Avg Asking Rent	$27.95

Supply & Demand



Availability



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