

HOUSTON OFFICE

Monthly Market Snapshot

AUGUST 2017

Market Highlights

Houston's office market may be down, but not out. Houston's overall vacancy rate rose to 20.6% as of the end of July, an increase of 10 basis points from Q2 2017. Available sublease space decreased slightly but this was largely due to lease terms expiring and space being returned to the landlord for direct marketing. The lion's share, or 42% of the sublease space in the market, currently has a one- to 36-month term remaining. Terms over 36 months make up 23% of the sublease space, and 35% is represented by a negotiable period.

There is some relief to the oversupply.

Though several tenants in the market are looking for new state-of-the-art space, the amount in the construction pipeline is slowing down. Currently, there is approximately 2.5 million sq. ft. underway, down 78.5% since Q3 2014, when the oil downturn began to become evident in the office market.

The "city within a city," Houston Center deal has investors' attention.

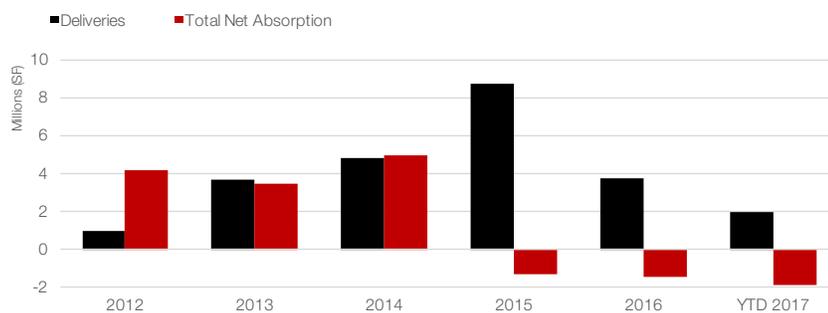
The four-building, 4.2 million-sq.-ft. complex in Downtown recently went on the market, causing a frenzy of activity from interested stakeholders ranging from longtime local, first-time national, and foreign investors. Dan Boyles, a partner at our firm, said whoever buys the properties will have to invest a significant amount of capital, in order to compete with the newer Class A projects Downtown.

Don't be crude. West Texas Intermediate, traded between \$44.25 and \$50.17 a barrel in July 2017, slightly higher than \$41.13 to \$47.37 in July 2016. The U.S. Energy Information Administration estimates WTI to average \$48 through the remainder of the year.

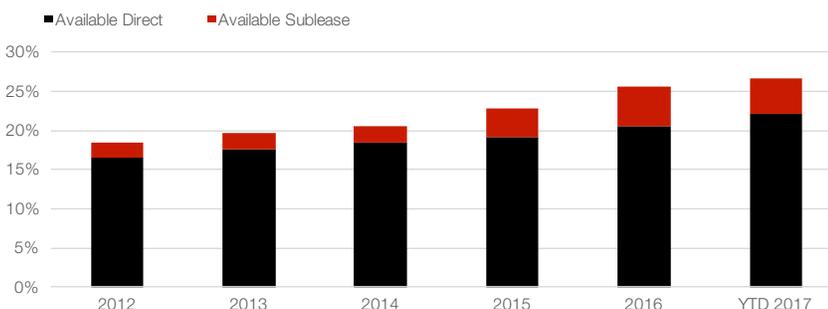
Market Activity

	YTD 2017
Vacancy Direct	18.5%
Vacancy w/Sublease	20.6%
Available Direct	22.1%
Available w/Sublease	26.1%
Net Absorption (SF)	(1.9)M
Leasing Activity (SF)	6.7M
Deliveries (SF)	1.9M
Under Construction (SF)	2.4M
Gross Avg Asking Rent	\$27.99

Supply & Demand



Availability



Leta Wauson

Director of Research

leta.wauson@naipartners.com

tel 713 275 9618

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