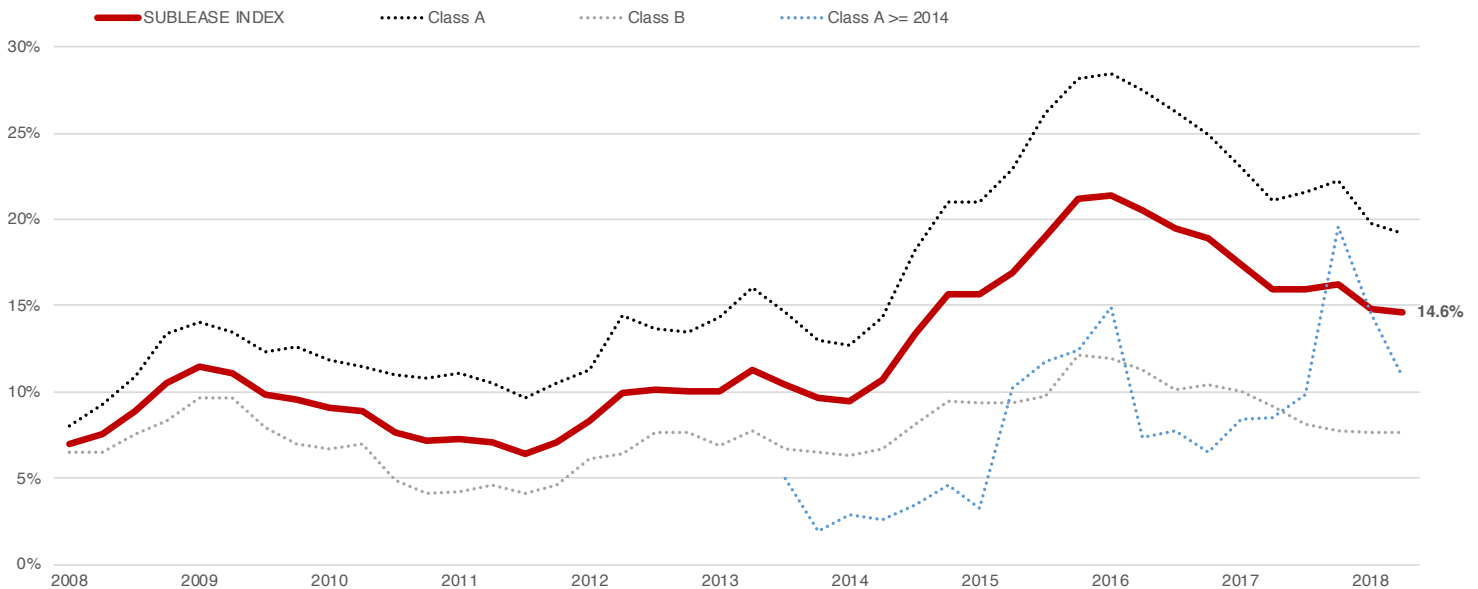


NAI Partners Sublease Index

OCTOBER 2018

Sublease availability has decreased by 27.4% since topping out two years ago, per NAI Partners Sublease Index



Highlights

The NAI Partners Sublease Index—measured by the amount of sublease space as a percentage of total available space—registered at 14.6% nearing the end of October. Space currently being marketed for sublease represents 8.837 million sq. ft., compared to this time last month at 9.045 million sq. ft., a decrease of 2.3%. With the net change in available square feet at such a minimum, minor rate fluctuations up and down are not particularly significant. More noteworthy is the 27.4% drop in sublease availability since the third quarter of 2016, when it reached its high point of 12.2 million sq. ft. The current index continues to reflect the lowest measured rate since it was at 13.4% in Q1 2015—two quarters after the start of the oil downturn when the index registered at 9.4%.

BHP Billiton put a substantial amount of sublease space on the market this month. Less than 12 months after the BHP Billiton office tower was finished, 273,000 sq. ft. of space from the 594,000-sq.-ft. building at 1500 Post Oak Blvd. became available. When BHP moved into 1500 Post Oak in 2017, 320,000 sq. ft. at 1360 Post Oak Blvd. was vacated by the company. Much of the sublease space in that building has since been taken by tenants such as Stewart Title, Sheridan Production Co., and Onit Inc.

A large sublease in October was TGS Geological Products and Services inking a 31,301-sq.-ft. sublease in North Belt Office Center II at 785 Greens Parkway—a deal arranged by

NAI Partners. Factors that will be influencing the movement of sublease space in the future will include space being returned to the landlord through lease expirations, and tenants choosing to hang on to their space and removing sublease listings.

Building Class	October 30, 2018		% Change in Availability	
	QTD Available Sublease (SF)	% Sublease Availability	Since Q3 2018	Since Q3 2014
Overall	8,837,562	14.6%	-2.30%	120.08%
Class A	7,084,358	19.2%	-3.97%	145.40%
Class B	1,664,821	7.7%	1.55%	47.72%
Class A >= 2014	681,311	10.9%	-32.19%	288.52%

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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