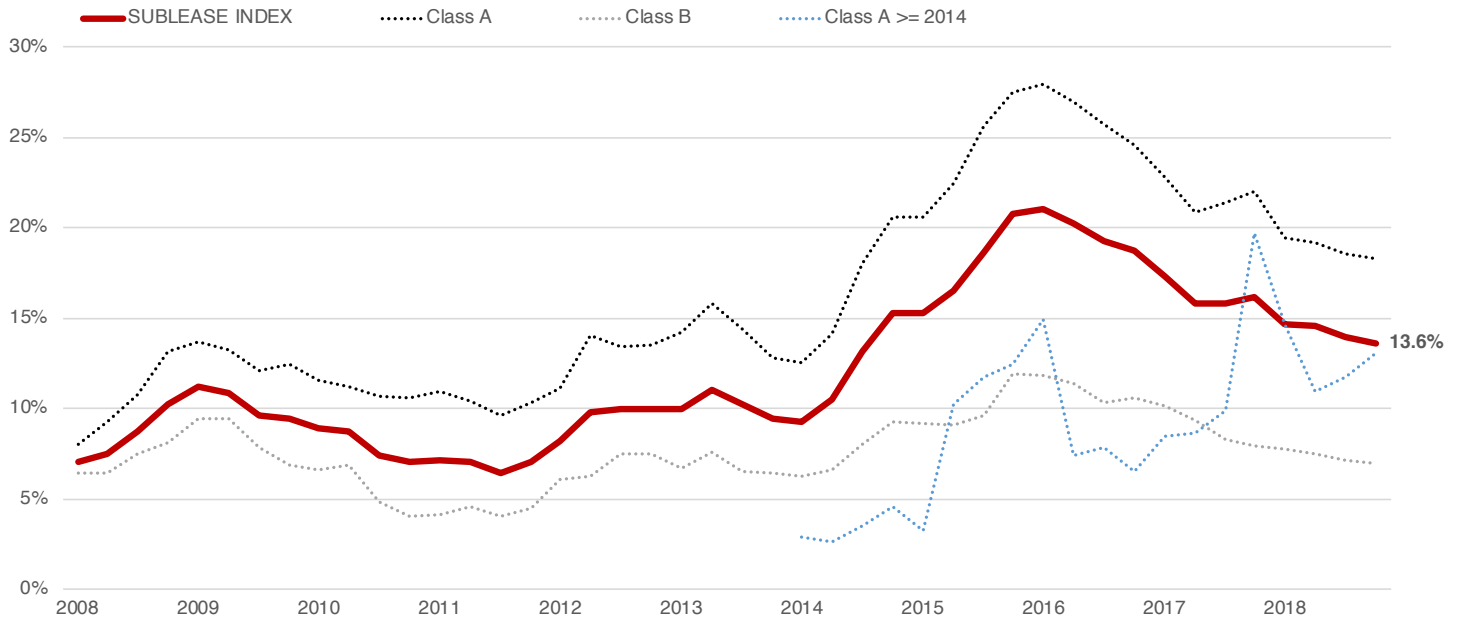


NAI Partners Sublease Index

DECEMBER 2018

Sublease space at 8.2 million sq. ft. nearing the end of 2018



Highlights

The NAI Partners Sublease Index—measured by the amount of sublease space as a percentage of total available space—registered at 13.6% near the end of December. Space currently being marketed for sublease represents 8.2 million sq. ft., compared to this time last month at 8.5 million sq. ft., a decrease of 3.5%. There has been a 32.7% drop in sublease availability since the third quarter of 2016, when it reached its high point of 12.2 million sq. ft. Many factors—including lease expirations and companies choosing to remove sublease space from the market—have contributed to the decrease, and are expected to continue to do so going into 2019.

In December, subleases were signed for 26,417 sq. ft. and 20,974 sq. ft. at Energy Tower IV at 11750 Katy Freeway in Houston’s Energy Corridor. In addition, Womble Bond Dickinson inked a deal for 17,273 sq. ft. of sublease space at 811 Main St. in the CBD.

There is currently a total of 35.8 million sq. ft. of available Class A space—both direct and sublease—across Houston. Sublease space makes up 18.3% (6.5 million sq. ft.) of that total. Of the 22.4 million sq. ft. of total available Class B space, sublease space accounted for 7.0%, or 1.5 million sq. ft.

While Class A product still comprises a significantly elevated amount of available space, as the percentage change in availability is up 125% since Q3 2014; Class B is actually beginning to stabilize somewhat, as its percentage change in availability since Q3 2014 is at 39%.

Building Class	December 21, 2018		% Change in Availability	
	QTD Available Sublease (SF)	% Sublease Availability	Since Q3 2018	Since Q3 2014
Overall	8,200,851	13.6%	-10.15%	103.50%
Class A	6,555,586	18.3%	-11.21%	125.48%
Class B	1,558,738	7.0%	-9.14%	39.06%
Class A >= 2014	641,489	13.1%	-36.16%	265.81%

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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