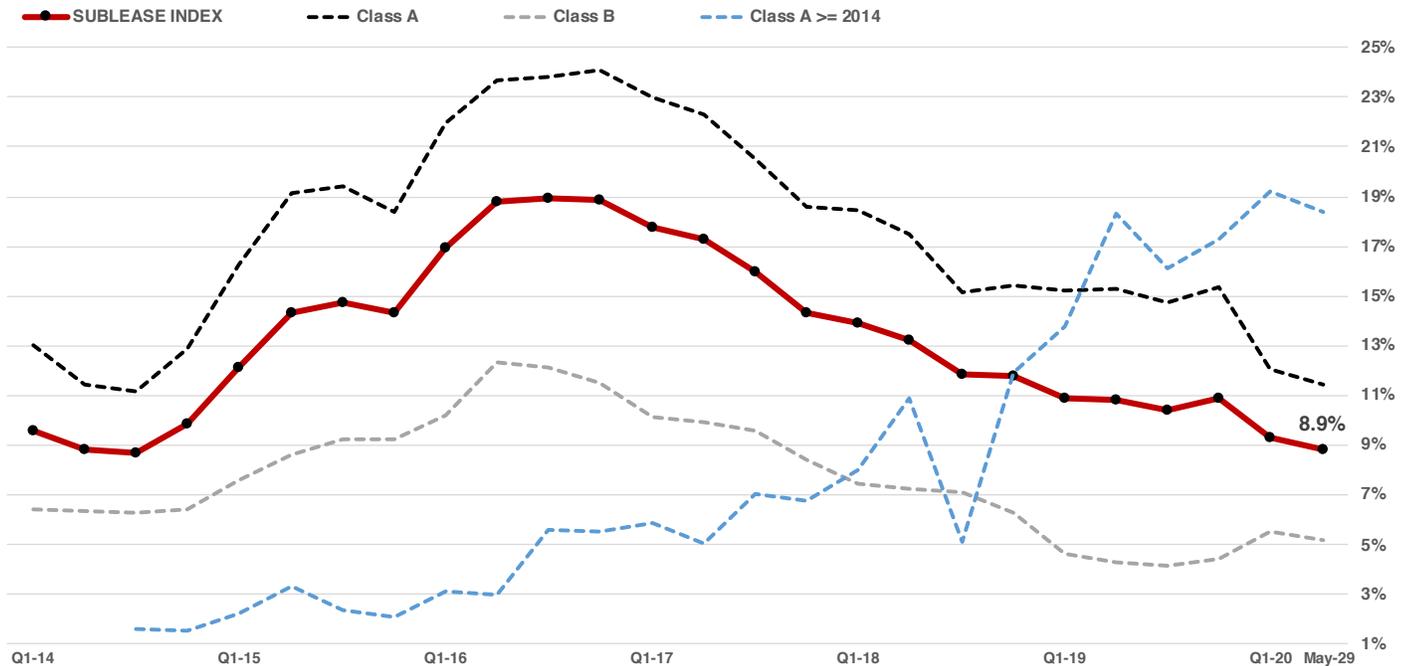


NAI Partners Sublease Index

June 1, 2020

Sublease Index at 8.9%



Key Takeaways

- **The Sublease Index**—measured by the amount of sublease space as a percentage of total available space—registered at 8.9% as of the end of May 2020, down 40 basis points from Q1 2020 at 9.3%. This is notable considering that the apparent excess of available sublease space has been one of the most prominent talking points in the Houston Office market the last four years. The total amount of available space (all space available regardless of whether it is vacant) in the Houston Office market is 63.2 million sq. ft.
- **Class A buildings** had the amount of available sublease space decrease by 4.1% during the last two months, while available direct space increased by 1.8% during the same time. Available space recently listed included 64,839 sq. ft. in Total Plaza, at 1201 Louisiana Street in downtown Houston. According to Bloomberg, U.S. natural gas terminal developer Tellurian Inc. has cut roughly 40% of its workforce in a massive restructuring effort aimed at slashing costs and rescuing a struggling, \$29 billion export project.
- **The COVID-19 pandemic alongside the recent oil price war** and its impact on the Houston real estate market will be difficult to forecast. The pandemic presents challenges when forecasting future outcomes because predictions depend on past information, and our historical data points are not comparable to current circumstances. We believe the vacancy and availability rates will continue to rise for the remainder of 2020.

Building Class	May 29, 2020		% Change in Availability	
	Available Sublease (SF)	% Sublease Availability	Since Q1 2020	Since Q3 2014
Overall	5,596,350	8.9%	-4.6%	50.0%
Class A	4,259,602	11.4%	-4.1%	61.7%
Class B	1,254,726	5.2%	-6.3%	14.7%
Class A >= 2014	1,128,667	18.4%	-1.5%	-

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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