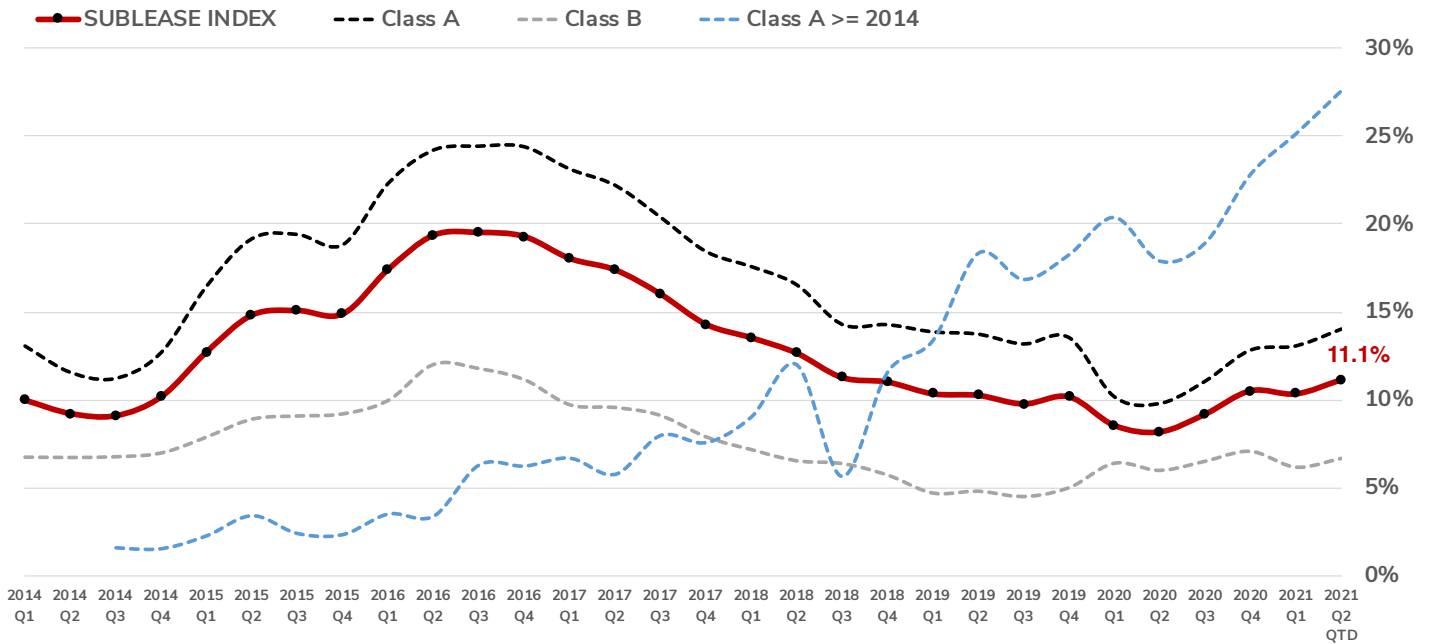


NAI Partners Sublease Index at 11.1%



KEY TAKEAWAYS

The NAI Partners Sublease Index—measured by the amount of sublease space as a percentage of total available space—registered at 11.1% as of June 15, 2021, up 80 basis points from Q1 2021. The Sublease Index was last at or above 11.0% during Q4 2018. The low of the index in the last two years was 8.2% in Q2 2020. The peak was reached at 19.5% back in Q3 2016.

Challenging times for the office market. There is 8.0 million sq. ft. being marketed for sublease as of June 15, 2021. Three submarkets account for over half of all available sublease space in the Greater Houston Area with the Energy Corridor submarket offering 1.8 million sq. ft., the CBD with 1.6 million sq. ft. and the Galleria/West Loop submarket with 927,000 sq. ft.

Rising sublease availability. Houston has seen the amount of space available for sublease surge 53.5% in the past year as tenants added 2.8 million sq. ft. to the market. Some companies, such as power company NRG Energy and Chevron, are consolidating their office footprints in the aftermath of major mergers in the past year. However,

not all the increased sublease availability is directly tied to energy. Some companies such as Houston Methodist are reevaluating their real estate needs post-pandemic and choosing a remote-work model that doesn't need as much office space.

Building Class	June 2021 Available Sublease (SF)	% Sublease Availability	% Change in Available Sublease Space	
			Since Q1 2021	Since Q3 2014
Overall	8,030,437	11.1%	9.6%	107.1%
Class A	6,327,199	14.0%	9.7%	125.7%
Class B	1,680,669	6.7%	9.1%	57.1%
Class A >= 2014	2,101,810	27.6%	13.4%	-

The last column "Since Q3 2014" shows percent change since the oil downturn became evident in the office market. Source: NAI Partners Research.