

Sublet leasing activity considerably lower than a year ago

Houston's office market is making some progress in reducing the amount of sublease space that was placed on the market in the height of the energy crisis. Although sublease space has decreased over the past few years, additional blocks of sublease space recently placed on the market have curtailed the downward momentum in 2018. The majority of individual blocks of sublease space currently on the market have 1-3 years of term remaining; however, there are still some large blocks of space with 5+ years of remaining term.

Vacancy and Availability

- › Q2 2018 sublease vacancy rate is 2.5%
- › Q2 2018 total available sublease rate is 4.3%

Rental Rate

- › Houston's average gross sublease rental rate is \$22.80 per SF
- › Houston's average net sublease rental rate is \$14.67 per SF

Net Absorption

- › Q2 2018 sublease net absorption is 914,668 SF and when combined with the negative net absorption from Q1 2018 the 2018 year-to-date net absorption total is 326,078 SF

Leasing Activity

- › Sublet leasing activity dropped 28.4% over the quarter from 372,803 SF to 266,863 SF

Market Indicators	Relative to prior period	Q2 2018	Y-O-Y
	*VACANCY RATE		↓
*AVAILABILITY RATE		↑	↓
RENTAL RATE		↑	↓
NET ABSORPTION		↑	↓

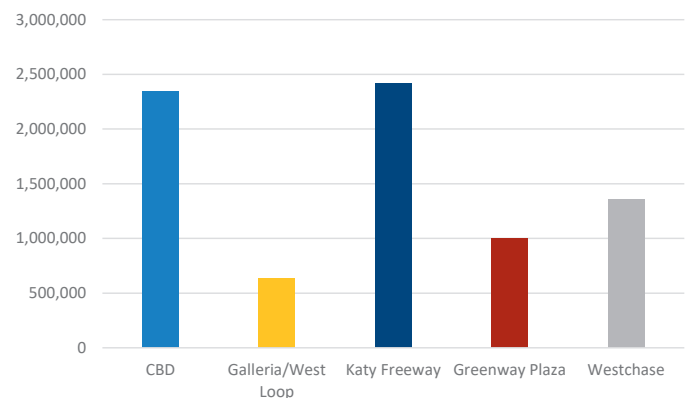
*An explanation of Vacancy vs. Available space can be found on the bottom of page 4 of this report.

Ten Largest Sublease Availabilities – Q2 2018

Large Sublease Availabilities (Total available in building and/or complex)			
BUILDING	TENANT	SUBMARKET	SF
5 Greenway Plaza	Oxy	Greenway Plaza	807,567
Four WestLake Park	BP	Katy Freeway	479,483
Energy Tower II	KTI Corporation (Technip)	Katy Freeway	375,937
NRG Tower	Reliant Energy Retail	CBD	262,325
One Shell Plaza	Shell Oil	CBD	245,785
Three WestLake Park	Phillips 66	Katy Freeway	221,723
1100 Louisiana	Enbridge	CBD	202,680
10777 Clay Rd	AMEC Foster Wheeler	Katy Freeway	189,285
Energy Center I	Foster Wheeler	Katy Freeway	182,966
Westway III	GE Oil & Gas	West Belt	182,004

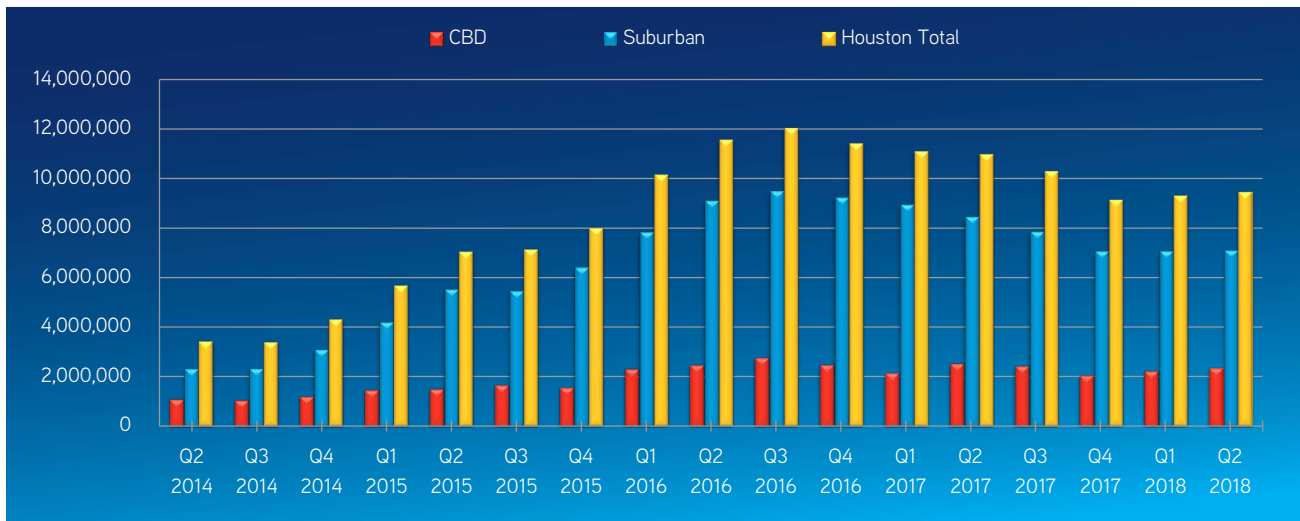
Available Sublease Space by Select Submarket

- › Most of the sublease space is concentrated in the CBD and West Houston submarkets



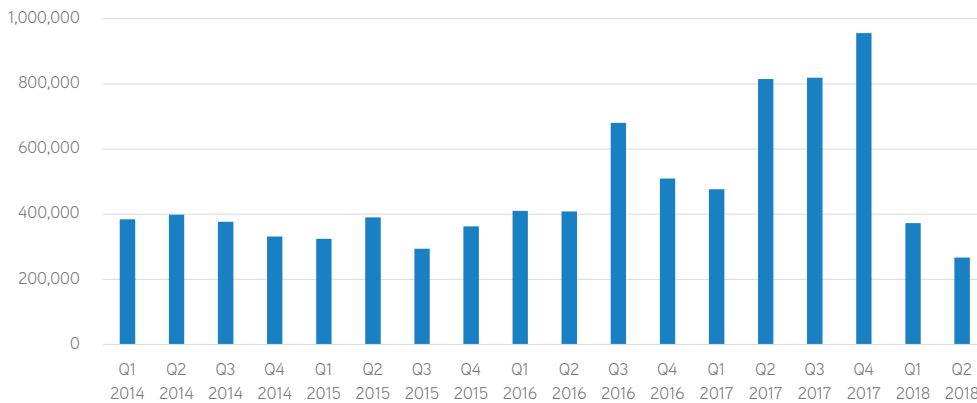
Available Sublease Space

> Current cycle available sublet space increased slightly in Q2 2018



Sublease Leasing Activity

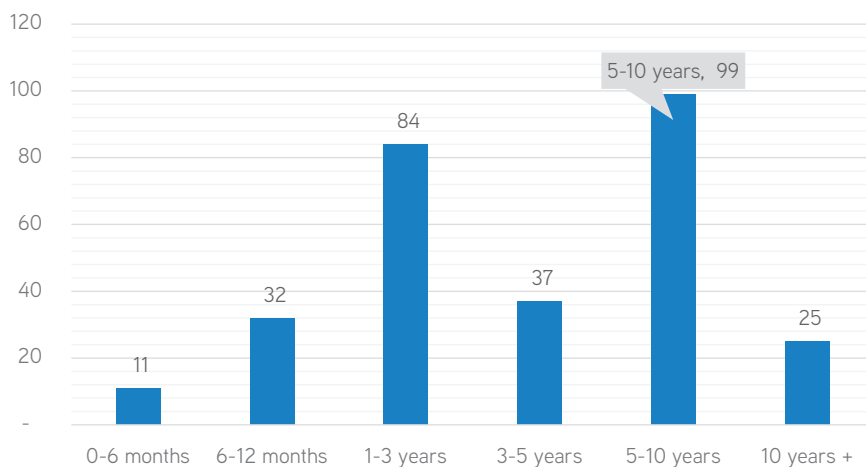
> Sublease leasing activity decreased marginally over the quarter



Current Available Sublease Space

> Although there are 99 full floors with 5-10 years of term remaining, 69 of those floors are located in 3 large contiguous blocks of space

BY NUMBER OF FULL FLOORS



CURRENT FULL FLOOR BLOCKS BY REMAINING TERM AND SUBMARKET

		396,309			
		251,670			
		221,723			
		182,966			
		113,759			
		96,144			
		70,889			
		75,033			
		74,540			
		67,334			
		63,212	210,157		
		53,258	111,176		
		51,968	107,466		
		50,691	82,471	801,990	
		45,802	54,774	504,327	
		41,407	51,941	320,349	
		40,730	42,364	124,698	
		26,133	32,962	102,192	
		26,074	31,673	77,624	
		25,580	31,350	66,217	
		25,104	28,515	66,156	
		24,192	28,065	45,639	
		22,844	27,748	38,674	
		22,473	25,879	26,772	
		21,555	25,104	25,012	194,996
	253,562	20,923	25,012	24,897	143,000
113,741	198,256	18,822	24,192	22,982	123,041
40,452	151,372	18,425	22,229	21,763	46,720
31,563	93,785	17,519	20,234	20,575	26,417
24,657	72,325	16,689	19,908	20,226	26,400
21,791	67,606	16,211	19,491	20,073	25,272
20,633	58,408	15,879	18,463	19,130	21,588
0-6 Months	6-12 Months	1-3 Years	3-5 Years	5-10 Years	10 + Years

CBD
ALLEN PARKWAY
BELLAIRE
E FORT BEND SUGAR LAND
GALLERIA/WEST LOOP
GREENWAY PLAZA
KATY FREEWAY
NORTH BELT/GREENSPPOINT
S MAIN/MEDICAL CENTER
THE WOODLANDS
WEST BELT
WESTCHASE

AVAILABLE VS. VACANT

Available Space

The amount of space being marketed for sale or lease to a user. It includes both occupied and physically empty space.

Vacant Space

This is the amount of square feet that is physically empty, regardless of whether it is being marketed.

FOR MORE INFORMATION

Lisa Bridges

Director of Market Research | Houston
+1 713 830 2125
lisa.bridges@colliers.com