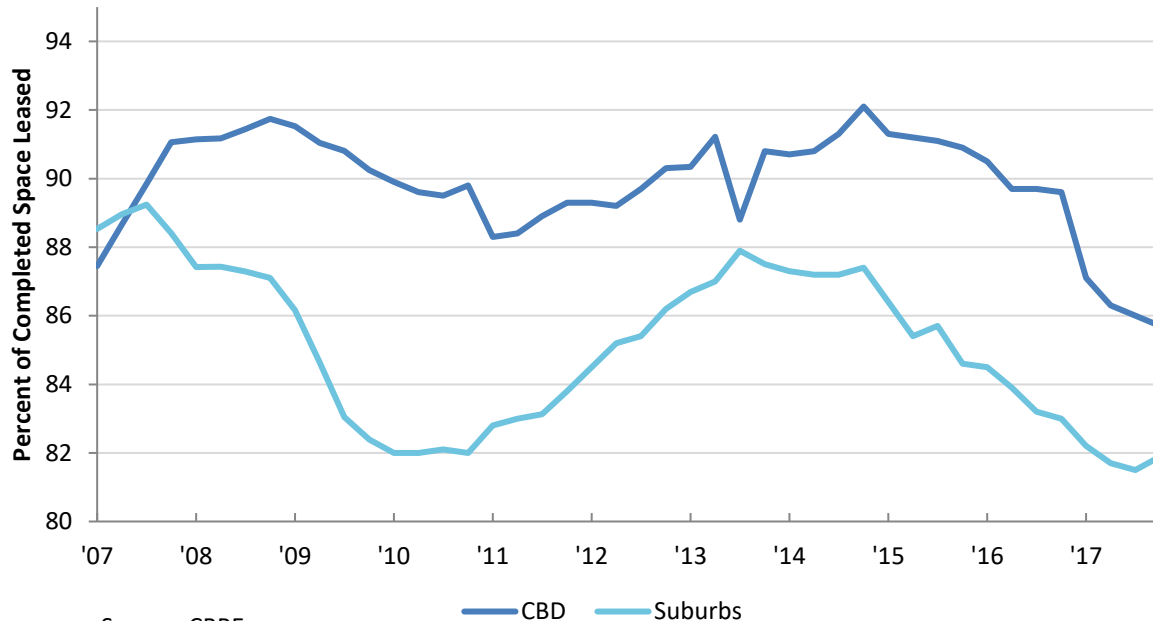


## Office Market

The decline in Houston’s office occupancy translates into a significant amount of space available at highly favorable terms.

### Houston Office Occupancy Rates



Source: CBRE

- In Houston—the nation’s sixth-largest office market with 212.8 million square feet (msf) of net rentable area—overall occupancy at the end of the second quarter of ’18 stood at 81.6 percent. Occupancy in the Central Business District (CBD) was 85.2 percent, while the suburbs had an occupancy rate of 80.7 percent. Houston’s 115.8 msf of Class A space was 83.6 percent leased.
- Class A demand in the CBD saw positive absorption in Q2/18, with the demand being higher than the supply, for the first time since early ’15.
- A total of 1.7 million square feet of office space was under construction as of Q2/18.
- Sublease space has decreased from 11.1 msf in Q2/17 to 9.7 msf in Q2/18, accounting for nearly 4.6 percent of Houston’s office market.
- Vacancy rates are expected to remain elevated—regularly above 15%—for the near- to mid-term as several build-to-suit projects will be completed in the North submarket and a speculative project is coming to the Southwest Freeway.