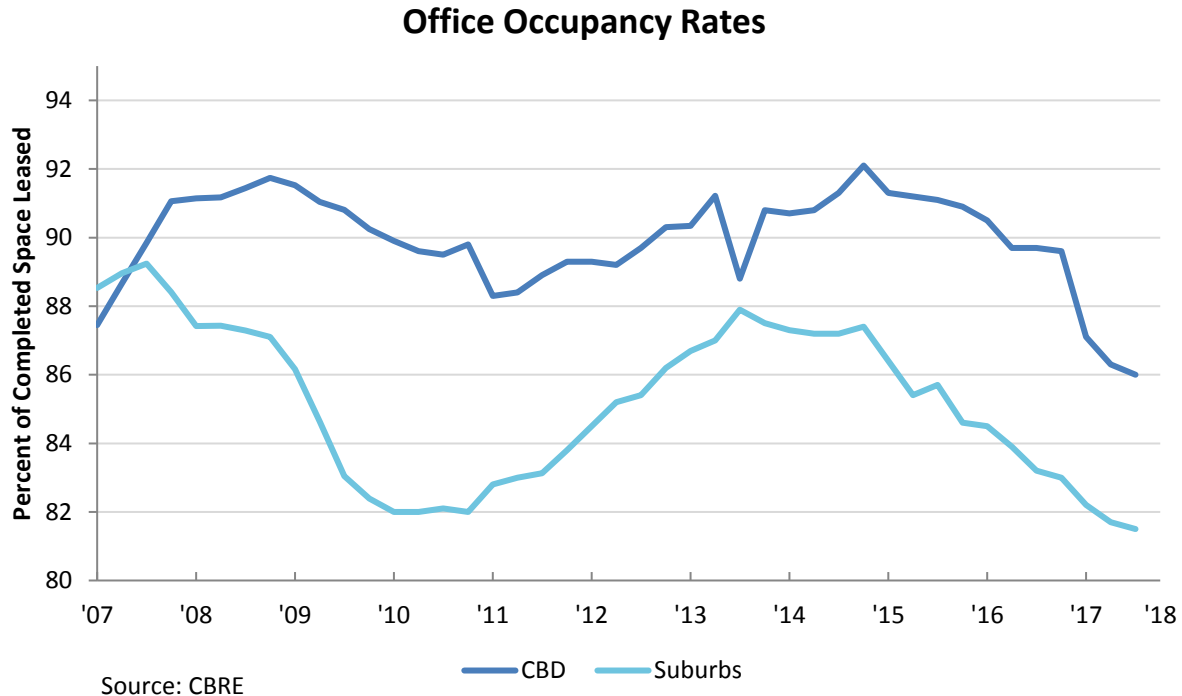


Office Market

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



- In Houston—the nation's fifth-largest office market with 213.7 million square feet (msf) of net rentable area—overall occupancy at the end of the third quarter of '17 stood at 82.4 percent. Occupancy in the Central Business District (CBD) was 86.0 percent, while the suburbs had an occupancy rate of 81.5 percent. Houston's 115.9 msf of Class A space was 84.3 percent leased.
- A total of 2.2 million square feet of office space was under construction as of Q3/17, with 51.2 percent of the space preleased.
- Sublease space has decreased from 11.0 msf in Q3/16 to 10.5 msf in Q3/17, accounting for nearly 4.9 percent of Houston's office market. Tenants are able to benefit from discounted rates on premier Class A space offering six-year terms on average, more than the two- to three-year terms typical for sublease space.
- Vacancy rates are expected to increase in '18 as sublease terms expire and convert to direct availability.