

# Houston's office market vacancy rate continues to struggle amid \$50 crude prices

Lisa Bridges Director of Market Research | Houston

Houston's office market continues to struggle as U.S. crude prices waiver around \$50 per barrel. According to the U.S. Energy Information Administration (EIA), they are expected to stay in this range through 2018. With no indication that prices will rise substantially over the next few years, vacant office space placed on the market by firms in the energy industry will take longer to absorb. Recent news articles indicate that some of the large energy giants reported profits in the second quarter. However, profits were largely driven by lean budgets and staff reductions.

Fortunately, most of the proposed projects that were in the construction pipeline when the oil slump hit were put on hold. Companies such as Bank of America, American Bureau of Shipping and HP, have signed leases in proposed buildings that have either recently begun construction or will begin in the very near future. Once these projects deliver, those companies will vacate their existing space, leaving more than 1.0 million square feet for landlords to backfill.

During the third quarter of 2017, Houston faced one of the worst natural disasters in history. Hurricane Harvey, a Category 4 hurricane, slammed the Texas coast and dumped over 50 inches of rain in parts of Houston. The event caused widespread flooding, destroying homes, businesses and infrastructure. Several large refineries were shut down due to the flooding and off-shore drilling was stopped once the storm entered the Gulf of Mexico. This event stalled business for several weeks, but Houston was resilient and quickly went back to work. This was a temporary set-back for many, but has had permanent ramifications for others. A joint industry survey confirmed that less than 7% of Houston's office inventory suffered damage. Of that amount, approximately 45% were repaired and back on-line within the first month. Another 30% reported repairs to be completed by the end of the year and the remaining properties were so severely damaged they could not report a time frame for repairs.

According to the U.S. Bureau of Labor Statistics, the Houston MSA created 53,500 jobs (not seasonally adjusted) between August 2016 and August 2017, an annual growth rate of 1.8%.

Market Indicators Relative to prior period	Annual Change	Quarterly Change	Quarterly Forecast*
VACANCY	↑	↑	↑
NET ABSORPTION	↓	■	■
NEW CONSTRUCTION	↓	■	↑
UNDER CONSTRUCTION	↓	↓	↓

\*Projected

Summary Statistics Houston Office Market	Q3 2016	Q2 2017	Q3 2017
Vacancy Rate	16.9%	18.8%	19.1%
Net Absorption (Million Square Feet)	-0.4	-0.7	-0.7
New Construction (Million Square Feet)	1.5	0.2	0.2
Under Construction (Million Square Feet)	2.9	2.3	2.2
Class A Vacancy Rate CBD	12.8%	17.3%	18.3%
Suburban	19.6%	21.4%	21.4%

Asking Rents Per Square Foot Per Year	Q3 2016	Q2 2017	Q3 2017
Houston Class A	\$36.10	\$35.50	\$35.31
CBD Class A	\$45.38	\$44.39	\$44.36
Suburban Class A	\$34.25	\$33.16	\$32.92

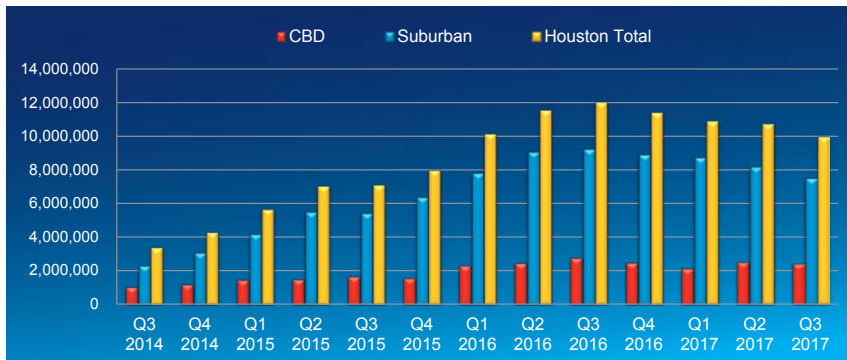
## Vacancy & Availability

Houston's citywide vacancy rate rose 30 basis points from 18.8% to 19.1% over the quarter, and rose 200 basis points from 17.1% in Q3 2016. Over the quarter, the average suburban vacancy rate increased 30 basis points from 18.5% to 18.8%, and the average CBD vacancy rate increased 60 basis points from 19.8% to 20.4%.

The average CBD Class A vacancy rate increased 100 basis points from 17.3% to 18.3% over the quarter, while the average CBD Class B vacancy rate fell 50 basis points from 28.7% to 28.2%. The average suburban Class A vacancy rate remained steady at 21.4% between quarters, while the average suburban Class B vacancy rate rose 50 basis from 16.4% to 16.9%.

Of the 1,709 existing office buildings in our survey, 91 buildings have 100,000 SF or more of contiguous space available for lease or sublease. Further, 28 buildings have 200,000 SF or more of contiguous space available. Citywide, available sublease space totals 10.0 million SF or 4.3% of Houston's total office inventory, and 18.2% of the total available space. Available space differs from vacant space, in that it includes space that is currently being marketed for lease, and may be occupied with a future availability date. Whereas vacant space is truly vacant and is and may still be immediately available.

### HISTORICAL AVAILABLE SUBLEASE SPACE



### AVAILABLE SUBLEASE SPACE - 150,000 SF OR GREATER

Large Sublease Availabilities (Total available in building and/or complex)			
BUILDING	TENANT	SUBMARKET	SF
Four WestLake Park	BP	Katy Freeway	504,327
Two Allen Center	Chevron	CBD	396,309
One Shell Plaza	Shell Oil	CBD	320,796
Four Oaks Place	BHP	West Loop/Galleria	320,349
1100 Louisiana	Enbridge	CBD	294,580
Three Greenspoint Place	ExxonMobil	North Belt	253,562
Three WestLake Park	Phillips 66	Katy Freeway	221,723
8 Greenspoint	ExxonMobil	North Belt	198,256
CityWestPlace 2	Statoil	Westchase	190,214
10777 Clay Rd	AMEC Foster Wheeler	Katy Freeway	189,285
Energy Center I	Foster Wheeler	Katy Freeway	182,966
West Memorial Place II	IHI E&C	Katy Freeway	158,317
Three Northborough	FMC Technologies	North Belt	151,372

Source: CoStar

## Job Growth & Unemployment

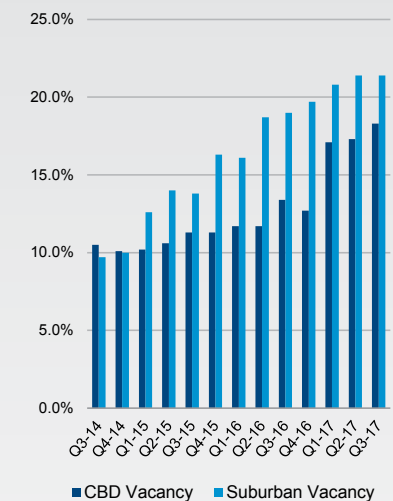
(not seasonally adjusted)

UNEMPLOYMENT	8/16	8/17
HOUSTON	5.7%	5.2%
TEXAS	4.9%	4.5%
U.S.	5.1%	4.5%

JOB GROWTH	Annual Change	# of Jobs Added
HOUSTON	1.8%	53.5K
TEXAS	2.4%	286.3K
U.S.	1.5%	2.1M

## CBD vs. Suburban

### CLASS A OFFICE VACANCY



### CLASS A OFFICE RENTS



## Absorption & Demand

Houston's office market posted 669,517 SF of negative net absorption in Q3 2017. Suburban Class B space recorded the largest loss, with 406,747 SF of negative net absorption, while Suburban Class A posted the largest gain with 61,218 SF of positive net absorption. Some of the tenants that moved during the quarter include Kirkland & Ellis (104,025 SF) in the CBD submarket, ABM Industries Incorporated (62,457 SF) in the E Fort Bend Co/Sugar Land submarket, and Apache Industrial Services Inc. (33,128 SF) in the Northeast Near submarket. Over the last two years, Houston's office market has suffered due to downsizing by large energy companies, and some of these firms moved from leases in third-party buildings into owned property, thus creating a glut of vacant sublease space. However, available sublease space has decreased over the last four quarters, primarily due to lease expirations and space going back to the landlord. There were a few instances where the sublease space was withdrawn by the sublessor. The majority of the sublease space in the market now has three years of term or less remaining.

## Rental Rates

Houston's average Class A asking rental rate increased over the quarter from \$35.50 per SF to \$35.31 per SF. The average Class A rental rate in the CBD remained steady over the quarter at \$44.36 per SF, while the average Suburban Class A rental rate decreased from \$33.16 to \$32.74 per SF. The current average rental rate, which includes all property classes, for Houston office space is \$29.34 per SF gross.

## Leasing Activity

Houston's office leasing activity decreased 18.7% between quarters, dropping from 3.4 million SF in Q2 2017 to 2.7 million SF in Q3 2017.

Q3 2017 Select Office Lease Transactions				
BUILDING NAME/ADDRESS	SUBMARKET	SF	TENANT	LEASE DATE
910 Louisiana	CBD	431,000	NRG <sup>1</sup>	Aug-17
1000 Main	CBD	105,026	Porter Hedges LLP <sup>2</sup>	Aug-17
601 Travis	CBD	60,000	EDF Trading NA <sup>1</sup>	Jul-17
811 Main St	CBD	50,000	Gibson Dunn <sup>4</sup>	Sep-17
Heritage Plaza	CBD	28,560	S&P Global Platts <sup>2</sup>	Sep-17
Three Hughes Landing	The Woodlands	27,390	Sabinal Energy <sup>1,3</sup>	Sep-17

<sup>1</sup>New/Direct

<sup>2</sup>Renewal

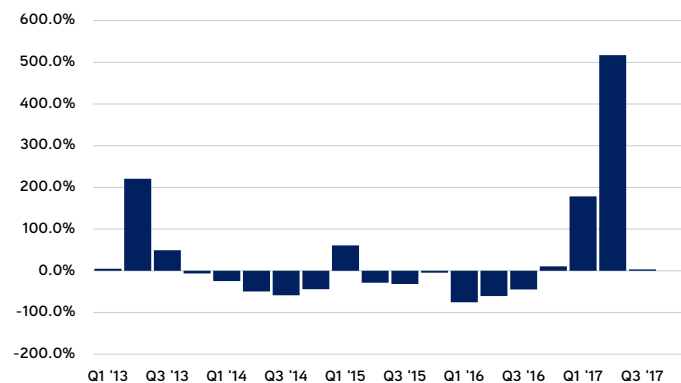
<sup>3</sup>Colliers International Transaction

<sup>4</sup>Sublease

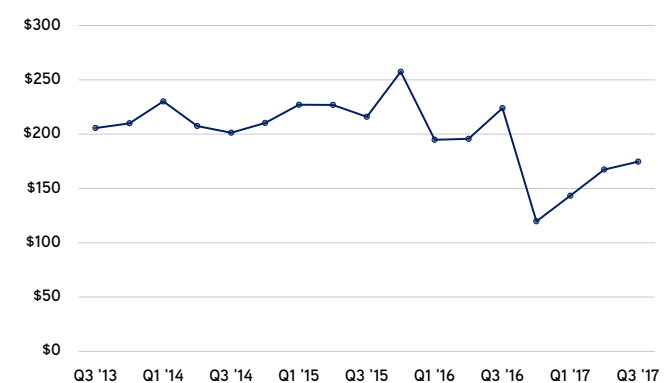
## Sales Activity

Houston's office investment sales activity increased substantially over the year, increasing by 3.4% since Q3 2016. With most of the investor community believing the downturn in the energy industry has reached the bottom and has begun to rebound, they now see Houston as offering limited downside and the potential for healthy returns. The average sales price per square foot increased over the quarter, but is still below the historical average.

Q3 2017 CHANGE IN SALES (YEAR OVER YEAR)



Q3 2017 OFFICE SALES PRICE PER SF



Sources: CoStar and Real Capital Analytics

## Houston Office Market Summary (CBD, Suburban, & Overall)

CLASS	INVENTORY		DIRECT VACANCY		SUBLEASE VACANCY		VACANCY TOTAL (SF)	VACANCY RATE (%)		NET ABSORPTION (SF)		RENTAL RATE
	# OF BLDGS.	TOTAL (SF)	(SF)	RATE (%)	(SF)	RATE (%)		Q3-2017	Q2-2017	Q3-2017	Q2-2017	AVG (\$/SF)
CBD												
A	35	32,894,996	4,817,048	14.6%	1,189,387	3.6%	6,006,435	18.3%	17.3%	-315,051	-79,994	\$44.36
B	29	9,786,995	2,686,247	27.4%	77,500	0.8%	2,763,747	28.2%	28.7%	49,426	-99,793	\$29.29
C	14	877,182	109,689	12.5%	0	0.0%	109,689	12.5%	12.5%	0	-10,402	\$20.26
Total	78	43,559,173	7,612,984	17.5%	1,266,887	2.9%	8,879,871	20.4%	19.8%	-265,625	-190,189	\$41.02
SUBURBAN												
A	378	96,573,957	16,991,952	17.6%	3,720,739	3.9%	20,712,691	21.4%	21.4%	61,218	-823,868	\$32.92
B	946	78,347,883	12,735,103	16.3%	477,060	0.6%	13,212,163	16.9%	16.4%	-406,747	316,491	\$20.54
C	307	12,809,451	1,421,140	11.1%	14,410	0.1%	1,435,550	11.2%	10.3%	-58,363	-32,400	\$17.22
Total	1631	187,731,291	31,148,195	16.6%	4,212,209	2.2%	35,360,404	18.8%	18.5%	-403,892	-539,777	\$27.05
OVERALL												
A	413	129,468,953	21,809,000	16.8%	4,910,126	3.8%	26,719,126	20.6%	20.3%	-253,833	-903,862	\$35.31
B	975	88,134,878	15,421,350	17.5%	554,560	0.6%	15,975,910	18.1%	17.8%	-357,321	216,698	\$22.07
C	321	13,686,633	1,530,829	11.2%	14,410	0.1%	1,545,239	11.3%	10.4%	-58,363	-42,802	\$17.43
Total	1709	231,290,464	38,761,179	16.8%	5,479,096	2.4%	44,240,275	19.1%	18.8%	-669,517	-729,966	\$29.34

## Houston Suburban Office Market Summary

CLASS	INVENTORY		DIRECT VACANCY		SUBLEASE VACANCY		VACANCY TOTAL (SF)	VACANCY RATE (%)		NET ABSORPTION (SF)		RENTAL RATE
	# OF BLDGS.	TOTAL (SF)	(SF)	RATE (%)	(SF)	RATE (%)		Q3-2017	Q2-2017	Q3-2017	Q2-2017	AVG (\$/SF)
ALLEN PARKWAY (MIDTOWN)												
A	8	2,284,619	423,786	18.5%	140,197	6.1%	563,983	24.7%	18.8%	-135,299	33,687	\$33.01
B	34	2,587,866	239,142	9.2%	11,898	0.5%	251,040	9.7%	8.5%	-31,897	40,878	\$30.85
C	14	415,211	98,943	23.8%	0	0.0%	98,943	23.8%	21.9%	-8,192	-4,203	\$25.87
Total	56	5,287,696	761,871	14.4%	152,095	2.9%	913,966	17.3%	14.0%	-175,388	70,362	\$31.40
BAYTOWN												
B	3	186,005	4,962	2.7%	0	0.0%	4,962	2.7%	2.7%	0	0	\$21.45
C	3	81,481	0	0.0%	0	0.0%	0	0.0%	0.0%	0	0	\$0.00
Total	6	267,486	4,962	1.9%	0	0.0%	4,962	1.9%	1.9%	0	0	\$21.45
BELLAIRE												
A	6	1,091,536	122,699	11.2%	6,638	0.6%	129,337	11.8%	12.5%	7,448	14,641	\$24.79
B	20	2,511,750	214,690	8.5%	2,091	0.1%	216,781	8.6%	6.8%	-44,953	12,529	\$24.36
C	5	318,508	41,133	12.9%	0	0.0%	41,133	12.9%	13.1%	509	2,065	\$17.29
Total	31	3,921,794	378,522	9.7%	8,729	0.2%	387,251	9.9%	7.9%	-36,996	29,235	\$23.73
CONROE AND OUTLYING MONTGOMERY CO												
A	1	60,000	0	0.0%	0	0.0%	0	0.0%	0.0%	0	0	\$0.00
B	9	330,925	8,795	2.7%	0	0.0%	8,795	2.7%	3.8%	3,879	-3,879	\$20.65
C	7	287,369	14,188	4.9%	0	0.0%	14,188	4.9%	4.9%	0	2,298	\$17.69
Total	17	678,294	22,983	3.4%	0	0.0%	22,983	3.4%	3.0%	3,879	-1,581	\$18.82
E. FORT BEND CO/SUGAR LAND												
A	17	3,399,199	229,198	6.7%	86,144	2.5%	315,342	9.3%	10.1%	28,904	-28,946	\$31.19
B	39	2,432,147	221,644	9.1%	6,211	0.3%	227,855	9.4%	10.3%	23,291	20,301	\$21.84
C	5	146,524	39,464	26.9%	0	0.0%	39,464	26.9%	26.9%	0	0	\$0.00
Total	61	5,977,870	490,306	8.2%	92,355	1.5%	582,661	9.7%	10.6%	52,195	-8,645	\$26.12

## Houston Suburban Office Market Summary - Continued

CLASS	INVENTORY		DIRECT VACANCY		SUBLEASE VACANCY		VACANCY	VACANCY RATE (%)		NET ABSORPTION (SF)		RENTAL RATE
	# OF BLDGS.	TOTAL (SF)	(SF)	RATE (%)	(SF)	RATE (%)	TOTAL (SF)	Q3-2017	Q2-2017	Q3-2017	Q2-2017	AVG (\$/SF)
FM 1960												
A	12	2,912,546	285,928	9.8%	4,415	0.2%	290,343	10.0%	11.3%	37,766	-19,659	\$27.84
B	72	4,269,184	831,839	19.5%	76,395	1.8%	908,234	21.3%	19.3%	-85,559	46,529	\$16.57
C	21	713,914	91,573	12.8%	0	0.0%	91,573	12.8%	8.6%	-29,929	6,410	\$14.38
Total	105	7,895,644	1,209,340	15.3%	80,810	1.0%	1,290,150	16.3%	15.4%	-77,722	33,280	\$19.07
GREENWAY												
A	20	7,202,397	1,042,501	14.5%	32,497	0.5%	1,074,998	14.9%	16.0%	74,190	-25,442	\$36.83
B	31	3,193,440	363,006	11.4%	18,435	0.6%	381,441	11.9%	10.8%	-36,025	-31,852	\$27.00
C	16	541,109	72,402	13.4%	0	0.0%	72,402	13.4%	13.5%	759	10,067	\$22.56
Total	67	10,936,946	1,477,909	13.5%	50,932	0.5%	1,528,841	14.0%	14.3%	38,924	-47,227	\$33.72
GULF FREEWAY PASADENA												
A	1	22,706	0	0.0%	0	0.0%	0	0.0%	0.0%	0	0	\$0.00
B	39	2,318,121	354,707	15.3%	0	0.0%	354,707	15.3%	15.3%	328	54,513	\$21.31
C	29	1,083,382	143,256	13.2%	0	0.0%	143,256	13.2%	12.0%	-13,689	-3,395	\$22.51
Total	69	3,424,209	497,963	14.5%	0	0.0%	497,963	14.5%	8.8%	-13,361	51,118	\$21.66
I-10 EAST												
B	6	427,851	94,523	22.1%	0	0.0%	94,523	22.1%	24.9%	11,864	4,001	\$14.91
C	6	250,017	13,000	5.2%	0	0.0%	13,000	5.2%	7.3%	5,277	0	\$20.84
Total	12	677,868	107,523	15.9%	0	0.0%	107,523	15.9%	18.1%	17,141	4,001	\$15.63
KATY FREEWAY												
A	89	22,292,442	3,567,434	16.0%	1,585,251	7.1%	5,152,685	23.1%	22.4%	-119,326	-201,770	\$37.25
B	100	9,271,502	1,729,735	18.7%	75,591	0.8%	1,805,326	19.5%	18.4%	-100,522	-25,416	\$22.50
C	32	1,485,888	62,959	4.2%	14,410	1.0%	77,369	5.2%	4.6%	-9,494	-5,619	\$18.64
Total	221	33,049,832	5,360,128	16.2%	1,675,252	5.1%	7,035,380	21.3%	20.5%	-229,342	-232,805	\$32.27
KATY GRAND PARKWAY												
A	14	1,254,281	259,220	20.7%	14,092	1.1%	273,312	21.8%	24.3%	31,890	9,971	\$27.63
B	13	964,368	24,215	2.5%	0	0.0%	24,215	2.5%	4.3%	17,536	-9,029	\$25.91
C	3	190,504	0	0.0%	0	0.0%	0	0.0%	0.0%	0	297	\$26.26
Total	30	2,409,153	283,435	11.8%	14,092	0.6%	297,527	12.3%	14.4%	49,426	1,239	\$27.48
KINGWOOD HUMBLE												
B	21	1,394,112	65,089	4.7%	0	0.0%	65,089	4.7%	5.4%	10,274	1,928	\$21.87
C	5	168,300	39,639	23.6%	0	0.0%	39,639	23.6%	23.3%	-376	-14,463	\$19.36
Total	26	1,562,412	104,728	6.7%	0	0.0%	104,728	6.7%	6.9%	9,898	-12,535	\$20.92
NASA CLEAR LAKE												
A	12	1,772,451	117,675	6.6%	46,436	2.6%	164,111	9.3%	8.9%	-6,429	2,104	\$24.30
B	49	3,320,833	1,042,771	31.4%	0	0.0%	1,042,771	31.4%	29.5%	-64,128	51,304	\$18.51
C	20	583,215	146,002	25.0%	0	0.0%	146,002	25.0%	16.3%	-50,725	3,187	\$15.29
Total	81	5,676,499	1,306,448	23.0%	46,436	0.8%	1,352,884	23.8%	22.0%	-121,282	56,595	\$18.67
NORTH BELT/GREENSPOINT												
A	24	5,456,015	2,837,832	52.0%	248,794	4.6%	3,086,626	56.6%	57.1%	26,269	-244,763	\$24.25
B	51	5,290,944	1,695,586	32.0%	96,080	1.8%	1,791,666	33.9%	33.2%	-32,720	-37,155	\$15.80
C	22	1,343,784	271,460	20.2%	0	0.0%	271,460	20.2%	22.3%	28,137	-22,885	\$14.30
Total	97	12,090,743	4,804,878	39.7%	344,874	2.9%	5,149,752	42.6%	43.3%	21,686	-304,803	\$20.71
NORTHEAST NEAR AND OUTLIER												
A	3	640,700	32,465	5.1%	0	0.0%	32,465	*5.1%	0.0%	*52,535	0	\$0.00
B	5	207,158	45,446	21.9%	0	0.0%	45,446	21.9%	20.5%	-2,963	23,948	\$23.59
C	2	56,562	8,443	14.9%	0	0.0%	8,443	14.9%	14.9%	0	0	\$15.00
Total	10	904,420	86,354	9.5%	0	0.0%	86,354	9.5%	6.2%	49,572	23,948	\$13.88

\*Vacancy and absorption increased over the quarter due to the delivery of a new building. Tenant moved in thus the absorption, but part of the building is still vacant.

## Houston Suburban Office Market Summary - Continued

CLASS	INVENTORY		DIRECT VACANCY		SUBLEASE VACANCY		VACANCY	VACANCY RATE (%)		NET ABSORPTION (SF)		RENTAL RATE
	# OF BLDGS.	TOTAL (SF)	(SF)	RATE (%)	(SF)	RATE (%)	TOTAL (SF)	Q3-2017	Q2-2017	Q3-2017	Q2-2017	AVG (\$/SF)
NORTHWEST AND NORTHWEST OUTLIER												
A	10	2,223,165	705,046	31.7%	6,105	0.3%	711,151	32.0%	31.7%	-6,996	6,273	\$23.23
B	76	5,918,798	864,767	14.6%	8,266	0.1%	873,033	14.8%	15.6%	51,124	17,445	\$18.96
C	32	1,301,378	60,768	4.7%	0	0.0%	60,768	4.7%	3.6%	-14,112	3,271	\$14.25
Total	118	9,443,341	1,630,581	17.3%	14,371	0.2%	1,644,952	17.4%	17.9%	30,016	26,989	\$20.63
RICHMOND FOUNTAINVIEW												
B	13	780,198	113,110	14.5%	0	0.0%	113,110	14.5%	14.2%	-2,240	33,337	\$17.43
C	12	486,445	36,979	7.6%	0	0.0%	36,979	7.6%	12.4%	23,263	3,452	\$16.46
Total	25	1,266,643	150,089	11.8%	0	0.0%	150,089	11.8%	13.2%	21,023	36,789	\$17.19
SAN FELIPE VOSS												
A	3	1,720,793	390,318	22.7%	1,000	0.1%	391,318	22.7%	21.7%	-17,642	965	\$36.27
B	31	3,205,259	501,371	15.6%	6,492	0.2%	507,863	15.8%	14.3%	-49,984	-6,493	\$23.75
Total	34	4,926,052	891,689	18.1%	7,492	0.2%	899,181	18.3%	17.7%	-67,626	-5,528	\$29.23
SOUTH												
A	1	76,048	7,252	9.5%	0	0.0%	7,252	9.5%	22.7%	10,033	-7,252	\$32.28
B	12	359,619	30,976	8.6%	0	0.0%	30,976	8.6%	8.6%	-81	-1,347	\$23.54
C	5	194,042	49,200	25.4%	0	0.0%	49,200	25.4%	25.4%	0	0	\$18.00
Total	18	629,709	87,428	13.9%	0	0.0%	87,428	13.9%	15.5%	9,952	-8,599	\$21.15
SOUTH MAIN/MED CENTER												
A	1	485,000	0	0.0%	0	0.0%	0	0.0%	0.0%	0	0	\$0.00
B	11	722,821	98,421	13.6%	958	0.1%	99,379	13.7%	10.7%	-22,364	5,620	\$16.07
C	8	393,112	60,031	15.3%	0	0.0%	60,031	15.3%	15.2%	-276	-11,135	\$15.61
Total	20	1,600,933	158,452	9.9%	958	0.1%	159,410	10.0%	7.2%	-22,640	-5,515	\$15.90
SOUTHEAST												
B	17	1,510,848	73,969	4.9%	0	0.0%	73,969	4.9%	5.6%	9,960	-38,058	\$17.18
C	3	142,419	0	0.0%	0	0.0%	0	0.0%	0.0%	0	0	\$6.76
Total	20	1,653,267	73,969	4.5%	0	0.0%	73,969	4.5%	5.1%	9,960	-38,058	\$17.18
SOUTHWEST												
A	6	1,578,768	209,890	13.3%	32,793	2.1%	242,683	15.4%	11.0%	-68,560	4,053	\$18.52
B	65	6,187,879	1,038,257	16.8%	5,402	0.1%	1,043,659	16.9%	16.3%	-37,137	115,805	\$17.20
C	38	1,930,996	102,827	5.3%	0	0.0%	102,827	5.3%	5.6%	4,620	2,503	\$15.35
Total	109	9,697,643	1,350,974	13.9%	38,195	0.4%	1,389,169	14.3%	13.4%	-101,077	122,361	\$17.26
SOUTHWEST FAR AND OUTLIER												
A	2	158,720	19,737	12.4%	0	0.0%	19,737	12.4%	12.4%	0	0	\$0.00
B	11	905,022	224,815	24.8%	10,136	1.1%	234,951	26.0%	27.8%	16,200	6,252	\$25.59
C	1	21,396	0	0.0%	0	0.0%	0	0.0%	0.0%	0	0	\$0.00
Total	14	1,085,138	244,552	22.5%	10,136	0.9%	254,688	23.5%	25.0%	16,200	6,252	\$23.52
WEST BELT												
A	29	3,623,681	719,228	19.8%	95,311	2.6%	814,539	22.5%	28.7%	226,845	-154,859	\$28.30
B	32	1,905,534	238,876	12.5%	92,010	4.8%	330,886	17.4%	18.9%	28,730	90,416	\$22.61
C	4	112,629	0	0.0%	0	0.0%	0	0.0%	0.0%	0	0	\$0.00
Total	65	5,641,844	958,104	17.0%	187,321	3.3%	1,145,425	20.3%	23.0%	255,575	-64,443	\$26.88
WEST LOOP/GALLERIA												
A	48	17,816,947	3,279,861	18.4%	630,685	3.5%	3,910,546	21.9%	21.3%	-114,482	-281,391	\$37.05
B	53	6,161,178	790,385	12.8%	12,219	0.2%	802,604	13.0%	12.0%	-62,098	-28,842	\$26.99
C	4	216,268	2,900	1.3%	0	0.0%	2,900	1.3%	1.2%	-200	1,512	\$19.50
Total	105	24,194,393	4,073,146	16.8%	642,904	2.7%	4,716,050	19.5%	18.8%	-176,780	-308,721	\$35.09



## Houston Suburban Office Market Summary - Continued

CLASS	INVENTORY		DIRECT VACANCY		SUBLEASE VACANCY		VACANCY TOTAL (SF)	VACANCY RATE (%)		NET ABSORPTION (SF)		RENTAL RATE AVG (\$/SF)
	# OF BLDGS.	TOTAL (SF)	(SF)	RATE (%)	(SF)	RATE (%)		Q3-2017	Q2-2017	Q3-2017	Q2-2017	
<b>WESTCHASE</b>												
A	33	9,816,819	1,685,563	17.2%	691,512	7.0%	2,377,075	24.2%	24.5%	25,494	-29,891	\$35.95
B	63	7,555,163	1,366,728	18.1%	29,981	0.4%	1,396,709	18.5%	18.0%	-38,005	-14,325	\$19.99
C	5	213,302	31,324	14.7%	0	0.0%	31,324	14.7%	14.7%	0	-5,762	\$16.28
<b>Total</b>	<b>101</b>	<b>17,585,284</b>	<b>3,083,615</b>	<b>17.5%</b>	<b>721,493</b>	<b>4.1%</b>	<b>3,805,108</b>	<b>21.6%</b>	<b>21.6%</b>	<b>-12,511</b>	<b>-49,978</b>	<b>\$28.68</b>
<b>THE WOODLANDS</b>												
A	38	10,685,124	1,056,319	9.9%	98,869	0.9%	1,155,188	10.8%	10.9%	8,578	98,411	\$35.04
B	70	4,429,358	457,278	10.3%	24,895	0.6%	482,173	10.9%	11.6%	30,743	-11,919	\$25.58
C	5	131,696	34,649	26.3%	0	0.0%	34,649	26.3%	30.9%	6,065	0	\$25.27
<b>Total</b>	<b>113</b>	<b>15,246,178</b>	<b>1,548,246</b>	<b>10.2%</b>	<b>123,764</b>	<b>0.8%</b>	<b>1,672,010</b>	<b>11.0%</b>	<b>11.3%</b>	<b>45,386</b>	<b>86,492</b>	<b>\$32.03</b>

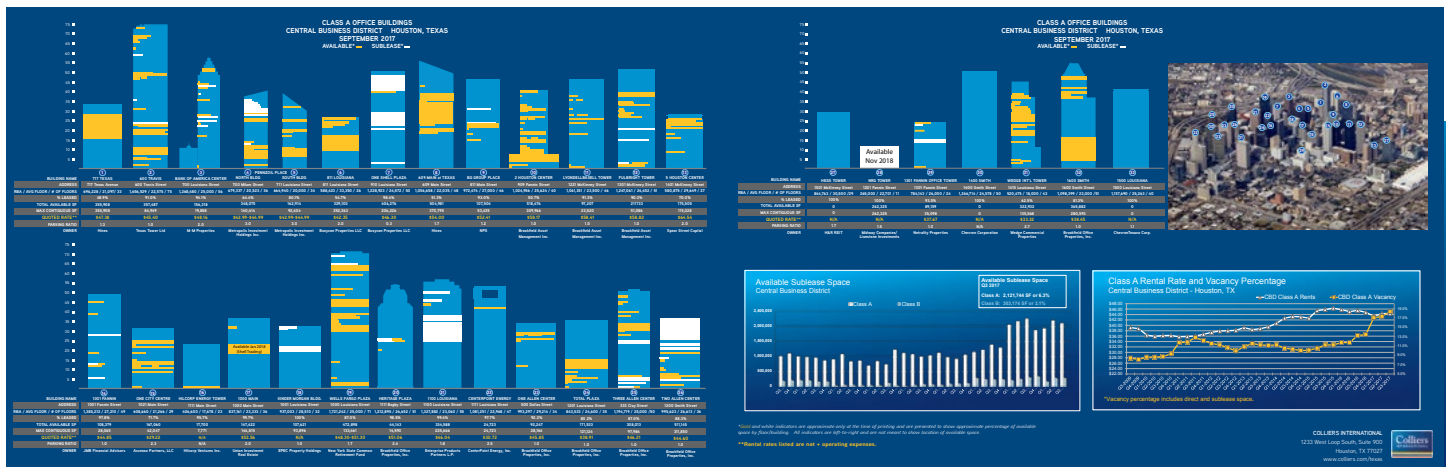
## Office Development Pipeline

2.2 million SF of office space is under construction, of which 47.3% is pre-leased. Build-to-suit projects make up 36.5% of the pipeline, and the remaining 1,374,315 SF is spec office space under construction which is approximately 23.4% pre-leased. The table below includes office buildings with a RBA of 100,000 SF or more under construction.

BUILDING NAME	ADDRESS	SUBMARKET	SF	PRE-LEASED	DEVELOPER/CONTRACTOR	EST. DELIVERY
Capitol Tower	800 Capitol St	CBD	778,344	27.0%	SCD Acquisitions LLC	Jun-19
CityPlace 2 - BTS for ABS	1701 City Plaza Dr	The Woodlands	326,800	93.9%	Barker Patrinely Group, Inc	Oct-18
CityPlace -BTS for HP	City Plaza Dr	The Woodlands	189,000	100%	Barker Patrinely Group, Inc	Jan-19
Kirby Collection	3200 Kirby Dr	Greenway Plaza	188,545	0%	Thor Properties LLC	Oct-17
Lockton Place	3657 Briarpark Dr	Westchase	187,011	80.9%	Triten Real Estate Partners	Oct-17
Lake Pointe One	0 Creek Bend Dr	E Fort Bend Co/Sugar Land	147,159	0%	Planned Community Developers	Sep-18
The Post Oak	1600 West Loop S	West Loop/Galleria	104,579	46.8%	Tellepsen Builders	Dec-17

## Skylines | Now Available Online at [colliers.com/texas/houston/skylines](http://colliers.com/texas/houston/skylines)

At a glance, view available space for eight of Houston's Class A office skylines including CBD, Galleria, Energy Corridor, Greenway Plaza, North Belt, Sugar Land, The Woodlands, and Westchase.

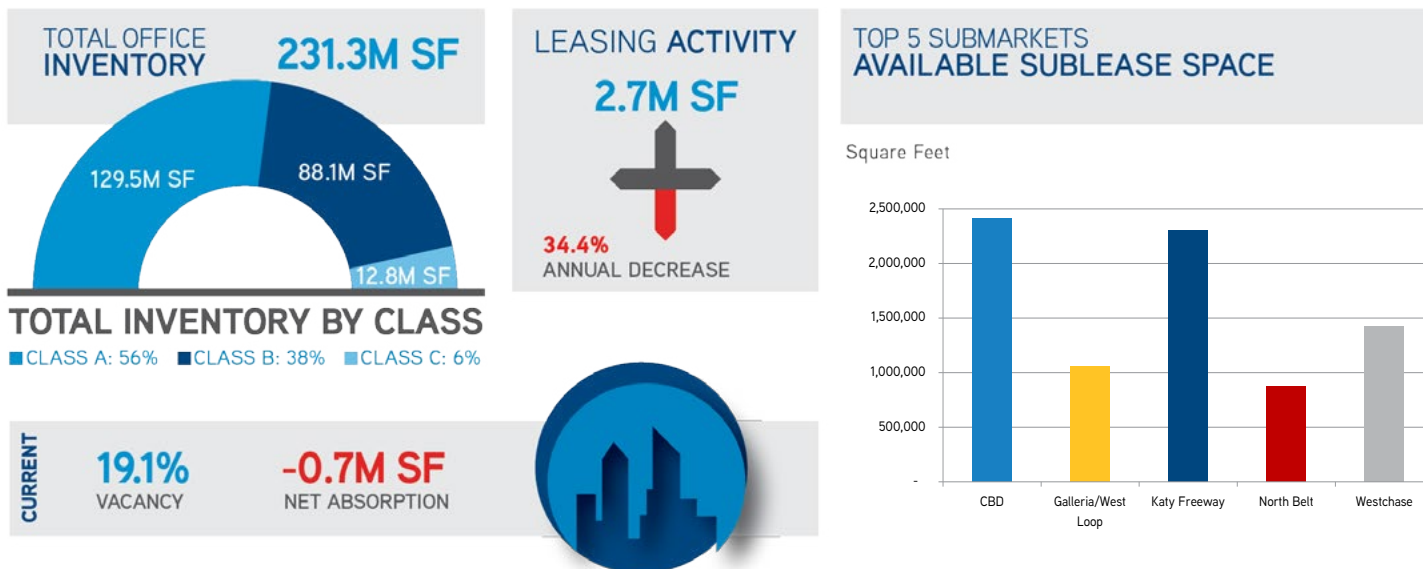


## Quoted gross rental rates for existing top performing office buildings

BUILDING NAME	ADDRESS	SUBMARKET	RBA (SF)	YEAR BUILT	% LEASED	AVAIL. SF	RENT (\$/SF)	OWNER
BG Group Place	811 Main St	CBD	972,474	2011	93.0%	107,504	\$52.41	BG Holdco LLC
Heritage Plaza	1111 Bagby St	CBD	1,212,895	1986	98.5%	44,143	\$51.06	Brookfield Office Properties, Inc
Kirby Grove	2925 Richmond Ave	Greenway Plaza	248,275	2015	85.5%	35,989	\$47.31	Midway Companies
CityCentre Two	818 Town & Country Blvd	Katy Freeway	149,827	2009	99.1%	8,790	\$50.04	Midway Cc15 Partners
Town Centre One	750 Town & Country Blvd	Katy Freeway	253,714	2015	65.6%	87,278	\$42.04	Moody Ramin
Williams Tower	2800 Post Oak Blvd	West Loop/Galleria	1,476,973	1983	90.0%	187,088	\$47.81	Invesco Real Estate
3009 Post Oak Blvd	3009 Post Oak Blvd	West Loop/Galleria	304,419	2003	90.1%	39,764	\$45.48	Post Oak Building LLC
CityWestPlace 4	2103 CityWest Blvd	Westchase	518,293	2001	85.5%	128,303	\$45.83	Parkway Properties, Inc
One BriarLake Plaza	2000 W Sam Houston Pky	Westchase	502,410	2000	89.5%	208,682	\$42.63	TIER REIT, Inc
Two Hughes Landing	1790 Hughes Landing Blvd	The Woodlands	197,696	2014	94.0%	8,899	\$42.60-\$48.60	The Woodlands Development Company, L.P.

Note: Available SF includes direct and sublet space as well as any future available space listed.  
Source: CoStar Property

## Q3 2017 Houston Office Highlights



### FOR MORE INFORMATION

Lisa Bridges

Director of Market Research | Houston

+1 713 830 2125

[lisa.bridges@colliers.com](mailto:lisa.bridges@colliers.com)

Copyright © 2017 Colliers International.

The information contained herein has been obtained from sources deemed reliable. While every reasonable effort has been made to ensure its accuracy, we cannot guarantee it. No responsibility is assumed for any inaccuracies. Readers are encouraged to consult their professional advisors prior to acting on any of the material contained in this report.

Colliers International | Houston  
1233 West Loop South, Suite 900  
Houston, Texas 77027  
+1 713 222 2111  
[colliers.com/texas/houstonoffice](http://colliers.com/texas/houstonoffice)



Accelerating success.