Press Release

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NAI Partners’ Chief Research & Data Scientist, Dr. Nat Holland, Indicates Office Sublease Breaks 8 million sq. ft., Continuing its Steady Climb Upward as Oil Dives

Houston, Texas – January 17, 2016 –. Data analyses by Dr. Nat Holland, Chief Research and Data Scientist of NAI Partners, indicate that, now over a year into the oil downturn, sublease availability for Class A and B office space has broken 8.0 million square feet, which is more than double the historic average of 3.334 million square feet. Since the flood of sublease space began in Q4 2014 with the oil downturn, sublease has increased 48% for Class A and B combined and 63% for Class A alone.

Typically, sublease availability accounts for about 9.2% of total availability, with direct space at 90.8%. Sublease availability currently represents 15% of total space for Class A and B combined, reducing direct space to 85%. Likewise, 21% of Class A availability is sublease, reducing direct to 79%. These pronounced rises in sublease availability in Houston’s office market are increasing supply and competing with direct availability offered by landlords. However, this sublease space is not distributed equally among Houston's submarkets, Class A and B products, nor sizes of lease space available.
More than 80% of the current sublease space is in large blocks of 50,000 square feet or more in a building, and 76% is concentrated in Class A buildings. Class B buildings have been comparatively immune to the oil downturn, with only 9.2% increase in Class B sublease since Q4 2014. Griff Bandy, Partner of NAI Partners, points out that if you are a large office tenant needing Class A office space in West Houston, then you have lots of options to consider. For a smaller office tenant looking for space citywide, however, there is a mix of sublease spaces to consider, but it may not be as abundant as that that exists today in Class A buildings of West Houston.

Prior to 2015, sublease availability averaged 3.334 million square feet of rentable space, with 63% of that rentable building area accounted for by Class A space (versus 37% Class B space). Today, Class A sublease space of 6.208 million square feet accounts for 76.7% of the 8.0 million square feet, a statistically significant increase above the historic 63%. Not only is there a dramatic increase in the total amount of sublease availability from 3.3 to 8.0 million square feet, but that sublease space is ever more biased toward Class A space.

Notably, the extensive sublease availability is not equally distributed across the various submarkets of Houston. Rather, 3.615 of the 8.093 million square feet are limited to one geographic area of West Houston, including Katy West, Katy East, and Westchase. That is, nearly 45% of sublease availability is localized and not distributed throughout the Houston office market.
For additional information, please contact Dr. Nat Holland or Griff Bandy at 713.629.0500.

About NAI Partners:

NAI Partners is one of Texas’ largest independently owned commercial real estate services organizations with offices in Houston, Austin & San Antonio. Firm reputation for leadership, knowledge, creativity and proven ability. The company has a distinctive, solid foundation comprised of top-level local professionals with a diversified skill set offering over 20 years of commercial real estate experience. NAI Partners is a truly full-service commercial real estate institution, supported nationally and internationally through a partnership with NAI Global.