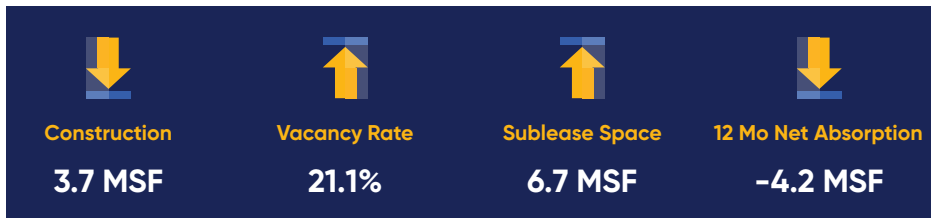


Market Report

While the calendar flips into 2021, it is hard not to feel like time has come to a halt as the impacts of the global pandemic have brought the economy to a standstill. Coupled with the ongoing uncertainty in the energy sector that had yet to recover from the last downturn, Houston's office leasing market has stalled. Total vacancy is again on the rise, topping in at 21.1% as the city has posted a negative net absorption of over 4.2 MSF in 2020. Leasing activity contracted by more than 5 MSF year-over-year as demand continued to dry up. Available sublease space has begun to jump, tallying an increase of nearly 750,000 SF for a total of 6.7 MSF available. At the height of the oil slump in 2016, sublease space accounted for 4.5% of inventory, roughly double the current 2.7%. With a recovery still months or possibly years away, landlords will be pressed to become even more aggressive offering competitive rates and generous concession packages in what was already a very occupier friendly market.



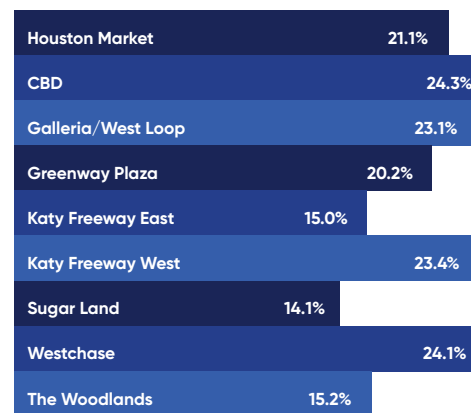
Rental and Vacancy Rates

Asking Rent (\$/SF)

Class A	Class B
\$34.46 ▼	\$23.65 ▼
\$39.98 ▲	\$27.86 ▼
\$36.86 ▼	\$25.42 ▼
\$34.48 ▼	\$28.31 ▼
\$40.23 ▼	\$23.28 ▼
\$33.40 ▼	\$22.15 ▼
\$31.12 ▼	\$25.67 ▼
\$31.27 ▼	\$23.09 ▼
\$35.67 ▼	\$29.82 ▼

Total Vacancy Rate

Class A + B



Notable Recent Transactions

Tenant	Size	Submarket	Type
1 TC PipeLines	320,788 SF	CBD	Renewal
2 Norton Rose Fulbright	120,528 SF	CBD	Relocation
3 Vroom	102,492 SF	Westchase	New
4 Cadence Bank	82,215 SF	Galleria/W Loop	Relocation
5 JLL	81,999 SF	Galleria/W Loop	Relocation
6 Common Desk	58,000 SF	CBD	New

Occupier's Perspective



The market should become even more tenant-friendly the next 1-3 quarters, as landlords deal with the fallout stemming from COVID-19 and the oil price war.



Sublease space availability ticked upward, bringing sublease space to 2.7% of the market, and is expected to continue to rise entering into 2021.



Concessions and TI packages are expected to become even more favorable through the middle half of the year as landlords will face increased competition.

Market Trends



Asking Rents See Dip

Overall average asking rents were down by \$0.43 YoY to \$30.21/SF, signaling that occupiers have been enjoying a flight-to-quality in this softer market.

High Vacancy

Direct vacancy remains elevated throughout much of the city as landlords have been slow to backfill space after the last energy slowdown in 2014-2016.

Unemployment

Houston has added 202,500 jobs since April 2020, according to the Texas Workforce Commission. Despite the surge, the city remains more than 147,000 jobs under its pre-pandemic level. With further cuts still a strong possibility, availability could see an uptick in the coming months.