

Overall availability declines, even as pace of leasing activity slows

Leasing activity tapered off over the fourth quarter, totaling 3.1 million square feet (msf), a decline from both the previous quarter and the same period last year. Year-to-date activity totaled 13.3 msf, down 10.1% from last year's total of 14.8 msf. Despite the overall slowdown in leasing activity, Houston's overall availability rate declined 50 basis points quarter over quarter to 25.8%. Market-wide Class A availability followed the same trend, declining 30 basis points over the quarter to 27.4%. In response to tightening availability across the market, overall asking rents increased marginally year over year (2.0%), ending the quarter at \$29.39 per square foot (psf). Asking rates at the submarket level remained relatively flat, apart from The Woodlands and Pasadena/Baytown submarkets which saw quarterly growth of 2.6% and 5.5%, respectively.

Uptick in sublease activity highlights tenant appetite for quality and value

A flurry of sublease activity over the quarter highlights tenants' desire for high-quality space at value pricing. Nine subleases larger than 20,000 square feet (sf) were seen in Class A product, proving large occupiers are willing to trade greater control of their space for more favorable pricing and term flexibility. Notable subleases this quarter included DCP Midstream, which took 86,718 sf across four floors in CityWestPlace II from Equinor; Bristow Group which subleased 52,010 sf at Granite Briarpark Green; and Sensia Global, a joint venture between Schlumberger and Rockwell Automation, which subleased 49,599 sf at Four WestLake Park.

U.S. energy industry achieves noteworthy accomplishment

The United States reached a remarkable energy milestone during the month of September 2019 as the nation became a net exporter of crude oil and petroleum product for the first time since the U.S. Energy Information Agency (EIA) began recording monthly data in 1973. Looking forward to 2020, the EIA expects U.S. crude oil and petroleum net exports to average 570,000 barrels per day, significantly higher than the average net import figure of 490,000 barrels per day in 2019. Following suit, U.S. crude oil production is expected to average 13.2 million barrels per day in 2020, which is an increase of 900,000 barrels per day over the 2019 figure.

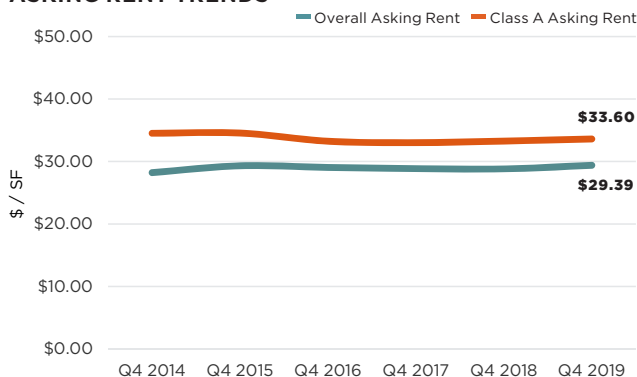
Outlook

- Crude oil production is expected to continue to increase despite a decreasing rig count due to rig efficiencies and well-level productivity
- Marginal increases in asking rents are balanced by a corresponding rise in landlord concession offerings; tenants are seeing greater improvement allowances and more free rent, on average
- The Greater Houston Partnership has forecasted 42,300 new jobs in 2020, which could bolster office demand into the new year

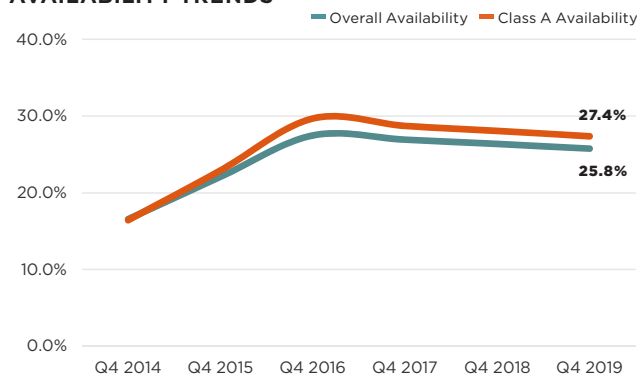
KEY STATISTICS

	Q4 2018	Q4 2019	y-o-y Change
Inventory	191.4 MSF	191.5 MSF	▲
Availability Rate	26.4%	25.8%	▼
Asking Rental Rate	\$28.81	\$29.39	▲
Class A Asking Rental Rate	\$33.27	\$33.60	▲
Quarterly Leasing Activity	4.4 MSF	3.1 MSF	▼

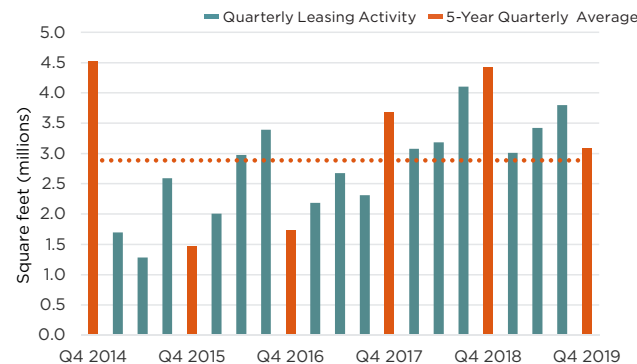
ASKING RENT TRENDS



AVAILABILITY TRENDS



LEASING ACTIVITY



MAJOR TRANSACTIONS

80.4%

of major transactions were **new locations, relocations or expansions**

20.4%

of large transactions occurred in the **CBD** submarket

44.4%

Energy & Utilities represented 44.4% of major transactions

Tenant	Square feet	Address	Transaction type	Submarket	Industry
ION Geophysical	130,710	2105 CityWest Boulevard	Restructure	Westchase	Energy & Utilities
Bank of America	122,547	700 Milam Street	New Location	CBD	Financial Services
DCP Midstream	86,718	2107 CityWest Boulevard	Relocation	Westchase	Energy & Utilities
Lockheed Martin Corporation	59,797	2100 Space Park Drive	Renewal	Nasa/Clear Lake	TAMI
Parsons Corporation	57,946	2200 West Loop South	Renewal	West Loop/Galleria	Engineering
Arion Blue	56,292	330 Barker Cypress Road	Relocation	Katy Freeway/Energy Corridor	Professional Services
Bristow Group	52,010	3151 Briarpark Drive	Relocation	Westchase	Transportation
Sensia Global	49,599	200 Westlake Park Boulevard	New Location	Katy Freeway/Energy Corridor	Energy & Utilities
Northern Trust	39,000	1801 Post Oak Boulevard	New Location	West Loop/Galleria	Financial Services
Terra Energy Partners	33,457	3050 Post Oak Boulevard	Relocation	West Loop/Galleria	Energy & Utilities

Source Savills Research

For more information, please contact us:

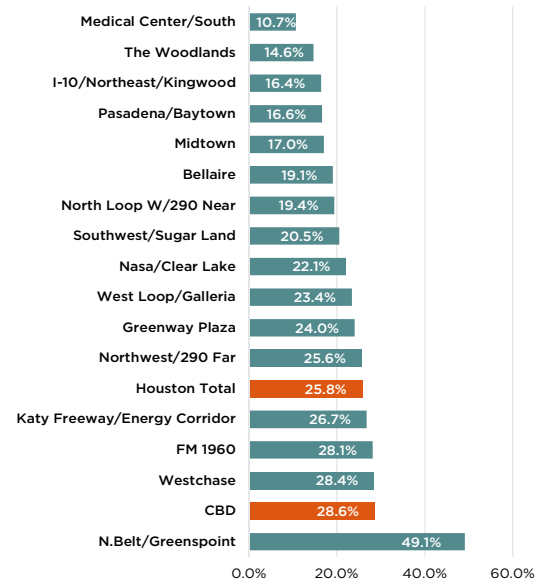
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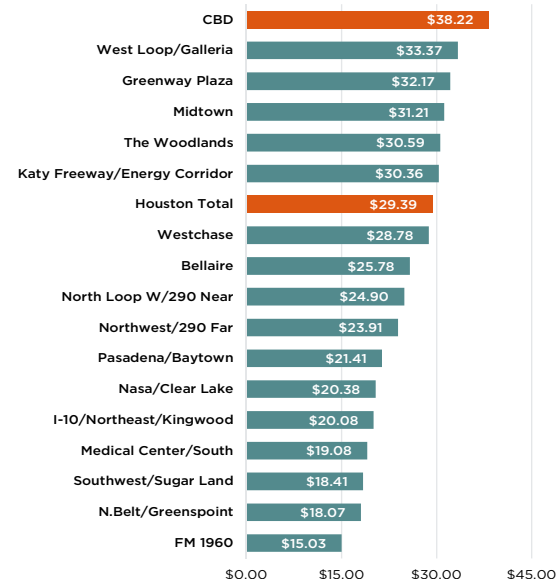
AVAILABILITY RATE COMPARISON

Houston Submarkets



RENTAL RATE COMPARISON (\$/SF)

Houston Submarkets



Unless otherwise noted, all rents quoted throughout this report are average asking gross (full service) rents per square foot. Statistics are calculated using both direct and sublease information. Current and historical availability and rent data are subject to change due to changes in inventory.

The information in this report is obtained from sources deemed reliable, but no representation is made as to the accuracy thereof. Unless otherwise noted, source for data is Savills Research.

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