

Houston - CBD

CONCESSIONS HIT RECORD, EFFECTIVE RENT FALLS

Takeaway

Leasing volume in the region rebounded late in 2017 as energy prices started to rise and tenants took advantage of lower rent and favorable terms. Ample sublet supply and elevated availability forced landlords to make further reductions to rent. Heading into 2018, energy firms and other sectors appear to be slowly increasing their investment and hiring. Nevertheless, with availability rates exceeding 25% in nearly all areas, landlords will still lack the leverage to boost rent.

Negotiated Rent

\$45.15

TOTAL GROSS RENT

▲ 3.4%

Concessions

\$108.00

▲ 12.0%

\$71.00

IMPROVEMENT ALLOWANCE AVERAGE

9.8

FREE RENT AVERAGE (MONTHS)

Tenant Effective Rent

\$31.04

▼ -0.1%

Building Expenses

\$8.85

OPEX

▲ 0.6%

\$7.12

RE TAXES

▲ 1.0%

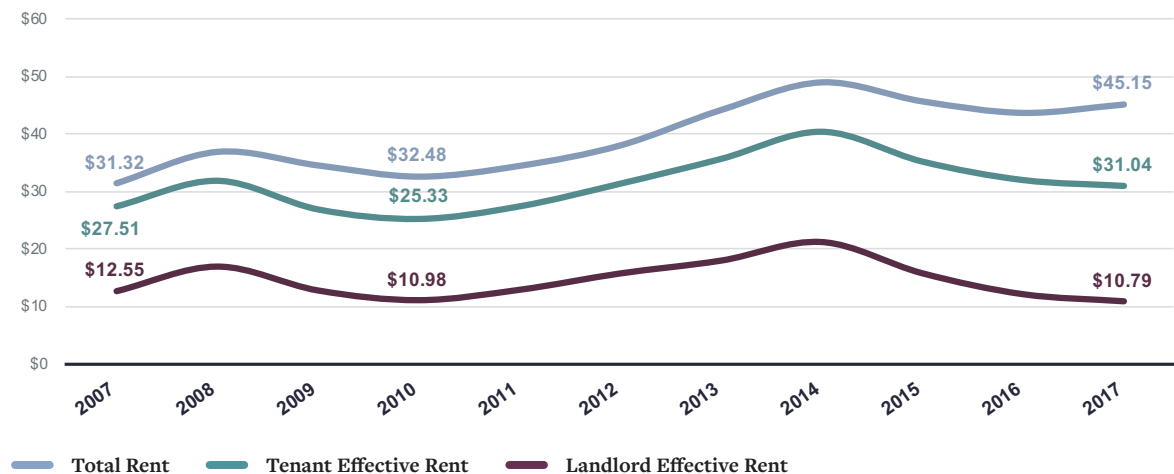
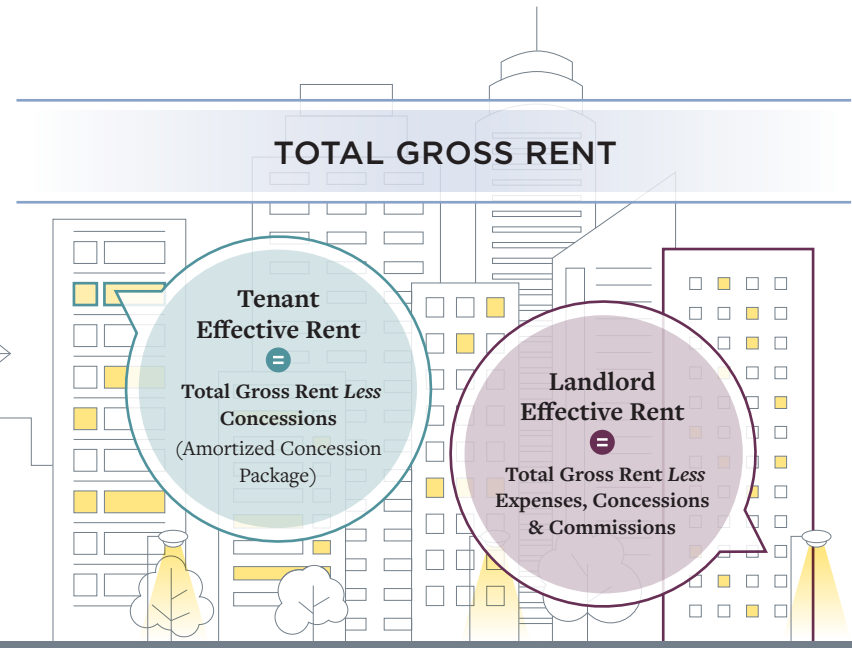
Landlord Effective Rent

\$10.79

▼ -2.4%



RENT SENSIBLY.
DO YOU KNOW WHERE YOUR RENT GOES?



METHODOLOGY

The *Effective Rent Index* tracks what tenants truly pay for top tier Class A office space (tenant effective rent) and what landlords ultimately walk away with (landlord effective rent) once building expenses and leasing costs are deducted from net rent. Derived from negotiated office leases, the index provides critical insight into the health of each market and its position along the 'landlord-tenant favorable' spectrum. For more information about the report or detailed methodology visit: www.savills-studley.com/research/us/effective-rent-indexes.aspx.

