

# HOUSTON OFFICE MARKET

Q2 2023



## TRENDLINES

	Q2 2023	Q2 2022	ONE-YEAR TREND	FIVE-YEAR AVERAGE	12-MONTH FORECAST
<b>UNEMPLOYMENT RATE (%)</b>	4.4	4.0	↑	5.5	↔
<b>NET ABSORPTION*</b> (Thousands SF)	2,099	429	↑	(111.7)	↓
<b>DIRECT VACANCY RATE</b> (All Classes, All Space)	18.8%	20.1%	↓	18.5%	↑
<b>DIRECT VACANT AVAILABLE</b> (MSF)	45.5	48.4	↓	44.7	↑
<b>UNDER CONSTRUCTION</b> (MSF)	1.0	0.8	↑	2.4	↓
<b>ASKING RENT, FULL SERVICE</b> (PSF)	\$32.30	\$31.40	↑	\$31.30	↓
<b>SALES VOLUME</b> (Millions)	\$61.9	\$278	↓	\$455.2	↓

Source: Bureau of Labor Statistics, CoStar, Real Capital Analytics, Transwestern

\*Net Absorption calculated as Net Leasing. See definition on page 13.

## NET POSITIVE LEASING IN WEST & NORTH LOWERS TOTAL AVAILABILITY

Activity this quarter was led by several substantial new leases being signed in the Katy Freeway/Energy Corridor, West Loop, and The Woodlands where the three submarkets accounted for 75 percent of all leasing in metro Houston during the past 90 days. Office occupiers are migrating into the newest buildings on Houston’s west and northsides attracted by the newest construction and shorter commutes tailor-made for post-pandemic hybrid work environments. The net leasing volume, overwhelmingly in the Class A sector, along with several space withdrawals caused available space levels to contract 1.3% to 28.0% during the quarter. Still high relative to long-term averages but an indicator that leasing volumes are working to occupiers’ advantage as employers strike the balance between working from home and in-office schedules.

Additional movement includes sublease signings, most notably Heim Payne for more than 57,000 square feet at 609 Main at Texas in the CBD and Enbridge, Inc. taking down another floor for 32,000 square feet at Energy Center V in the Katy Freeway/Energy Corridor. Construction remains subdued with no ground breakings and 1.0 million square feet in the pipeline. Three deliveries this quarter totaled 252,600 square feet mainly in build-to-suit and mixed-use developments.

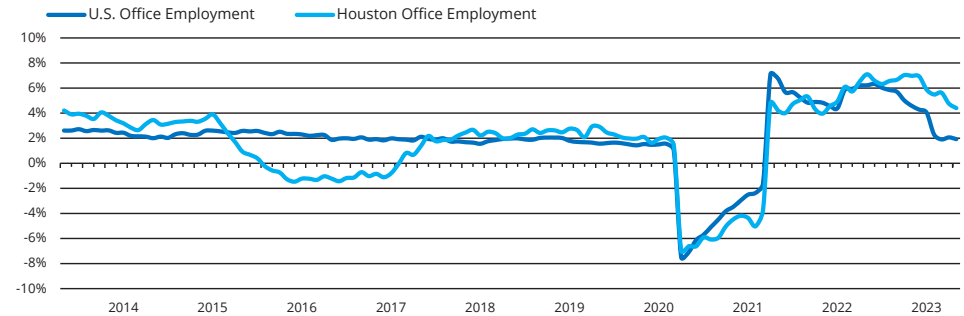


### ECONOMY

#### Local Jobs Outlook Expected to Total 3.4 Million; YTD Construction Permits, Housing Sales Up

- Houston’s employment growth climbed significantly by 18,500 jobs in May following April’s slower but still positive numbers totaling 3,700, according to the Texas Workforce Commission (TWC). The region typically adds between 10,000 and 18,000 jobs in May, so the recent performance was exceptionally strong. Since the early-1990s the monthly metro average is 12,900 jobs during a typical May. The recent measure is another indicator of how satisfactory Houston’s job market is performing, reported the Greater Houston Partnership (GHP) in mid-June. Metro employment hit 3,354,300 in May, an all-time high, and has added 521,800 jobs since the pandemic, recovering 145.2 percent of the 359,300 jobs lost, said the GHP, and at the current pace of growth, local employment should top 3.4 million later this year.
- Meanwhile, the value of City of Houston building permits escalated noticeably during the first five months of 2023, totaling \$3.512 billion, and nearing the year-to-date value in May 2019 at \$3.580 billion, and is the third largest May-value since 2014. Residential permits topped \$1.968 billion, outweighing nonresidential’s \$3.094 billion as Houston’s housing market is showing signs of rebounding from slower home sales and higher mortgage rates.
- Houston’s market for existing single-family homes improved in May to norms more in line with historic levels as closings year-to-date returned to 2019 numbers following 10-year spikes during the prior to two years. Prices are rising but no longer escalating at double-digit rates, according to a late-June report by the Houston Association of Realtors (HAR). Additionally, the inventory of available homes greatly expanded with the HAR stating that brokers closed on just over 34,000 single-family homes in the first five months of 2023, down from the frenetic pace of the past two years, but still slightly above historic long-term averages.

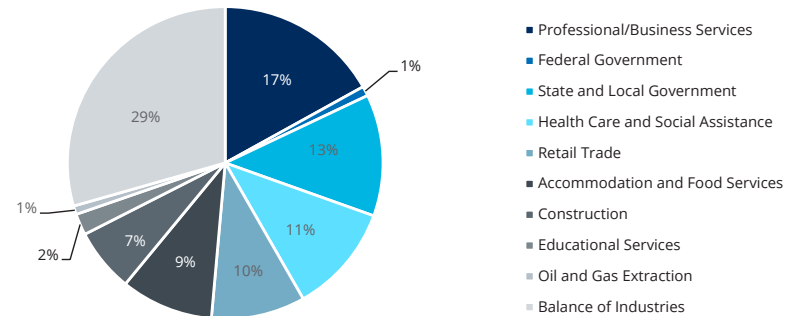
### Y-O-Y CHANGE IN OFFICE JOBS



Source: Bureau of Labor Statistics, Transwestern

### SHARE OF EMPLOYEES BY INDUSTRY

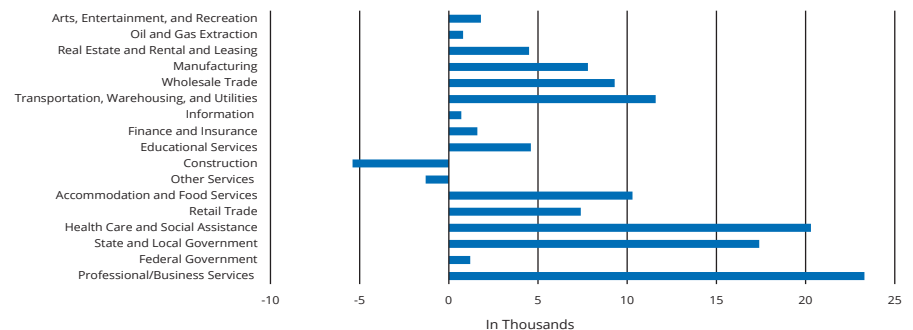
Houston | May 2023



Source: Bureau of Labor Statistics, Transwestern

### SHARE OF EMPLOYEES BY INDUSTRY

Houston | May 2023



Source: Bureau of Labor Statistics, Transwestern



### NET ABSORPTION & LEASING ACTIVITY

#### New Leases in Western & Northern Suburbs Make for Brisk Quarter

- Leasing during the first quarter was led by several substantial new leases being signed in the Katy Freeway/Energy Corridor, West Loop, and The Woodlands where all three submarkets scored positive net activity greater than 250,000 square feet: Katy Freeway/Energy Corridor (1,009,037 square feet), West Loop (525,418 square feet), and The Woodlands (278,766 square feet). These three office markets accounted for 75 percent of all leasing activity in metro Houston during the past 90 days. Office occupiers are migrating into the newest buildings in Houston's western and northern suburbs, drawn by state-of-the-art properties and shorter commutes highly suitable for post-pandemic hybrid work environments.
- Class A commanded the lion share of leasing activity in Q2 with notable examples including energy and engineering giants, LyondellBasell (318,504 square feet at Williams Tower in the West Loop) and Fluor Corporation (308,186SF at Three Eldridge in the Katy Freeway/Energy Corridor), and Technip Energies (171,600 square feet at West Memorial Place II also in Katy Freeway/Energy Corridor). Class A also showed sublease activity, most notably Heim Payne signing for 57,139 square feet at 609 Main at Texas in the CBD and Enbridge, Inc. taking down 32,410 square feet at Energy Center V in the Katy Freeway/Energy Corridor submarket which adds another floor of sublease taken by the Calgary-based energy company. The company had originally signed for nine floors, an estimated 290,025 square feet, in the first quarter of 2022.

### NET ABSORPTION BY CLASS



Source: CoStar, Transwestern

\*Net Absorption calculated as Net Leasing. See definition on page 13.

- Class B net leasing made up just 16 percent of all demand the past 90-day period, and to be further drilled down, the Katy Freeway/Energy Corridor accounted for over 50 percent of all Class B leasing activity in the quarter. The most notable deals seen throughout the Class B market include Hargrove Engineers & Constructors signing a direct lease for 80,581 square feet at 15415 Katy Fwy in the Katy Freeway/Energy Corridor submarket, The Fresh Food Group signing for 20,131 square feet in The Heights Clocktower in the Northwest submarket, and IHI taking 17,816 square feet off the market at the Atrium at Park Ten in the Katy Freeway/Energy Corridor submarket.

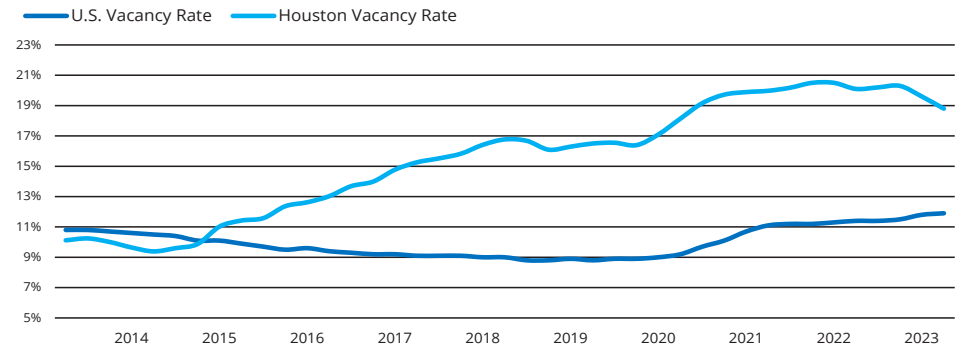


### VACANCY & AVAILABILITY

#### Lease Activity, Space Withdrawals Push Down Availability Rates

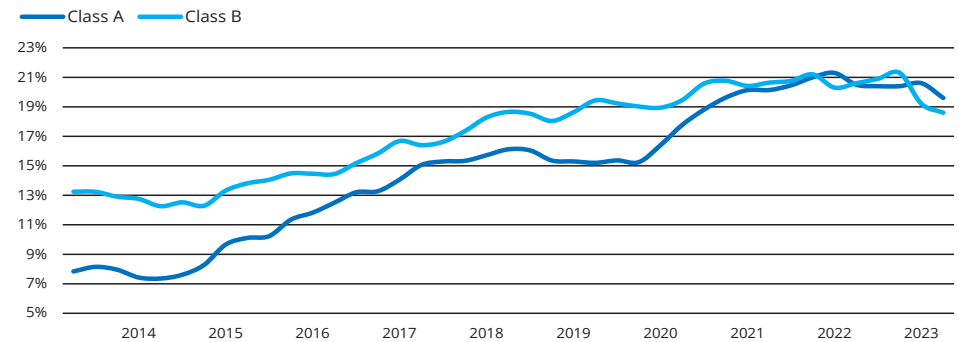
- Houston’s office sector grabbed local headlines as leasing activity was characterized by several new transactions being signed. The heavy-hitting agreements include LyondellBasell’s taking 318,500 square feet at Williams Tower in the West Loop submarket, Fluor Corporation committing to 308,186 square feet at Three Eldridge and Technip Energies’ choosing approximately 171,600 square feet at West Memorial Place II. The last two transactions, both located in the Katy Fwy/Energy Corridor submarket, were so large they comprised nearly half of all the quarterly lease activity in the area.
- Both Class A and B space saw decreases in the amount of overall competitive space being actively marketed during the quarter. The decline in available Class A space, to 28.0% in Q2 from 29.3% in Q1, is linked to large recently completed leases tightening available space in conjunction with marketed space being outright withdrawn from the market. Notable examples include Fluor’s 658,000 square foot Lake Pointe Plaza campus in E fort Bend Co/Sugar Land, Clarke, Inc.’s 198,356 square foot property at 222 Benmar Dr and Aetna Life Insurance’s former 135,000 square foot campus at Northbelt Office Center V, both located in Houston’s North District. Class B space finished the quarter with 22.3% available, a 1.6% shrinkage over the first quarter as additional space likewise was withdrawn from the available market including JMK5 Holdings’ 363,050 square foot low-rise office at 600 Gemini St. in NASA/Clear Lake, 154,000 square foot space at 919 Milam in the CBD and 120,000 square feet from the Empire Central Tower, located in the North Houston District.

### OVERALL VACANCY RATE



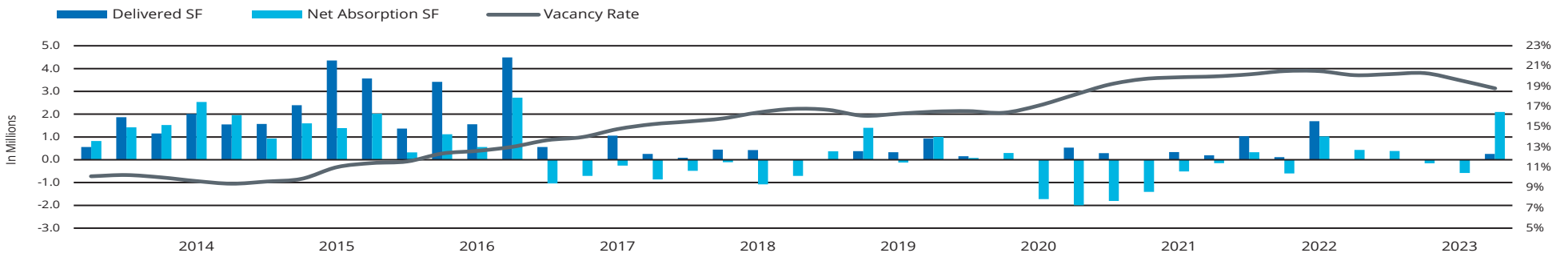
Source: CoStar, Transwestern

### OVERALL VACANCY RATE BY CLASS



Source: CoStar, Transwestern

### DELIVERY IMPACT ON KEY INDICATORS



Source: CoStar, Transwestern

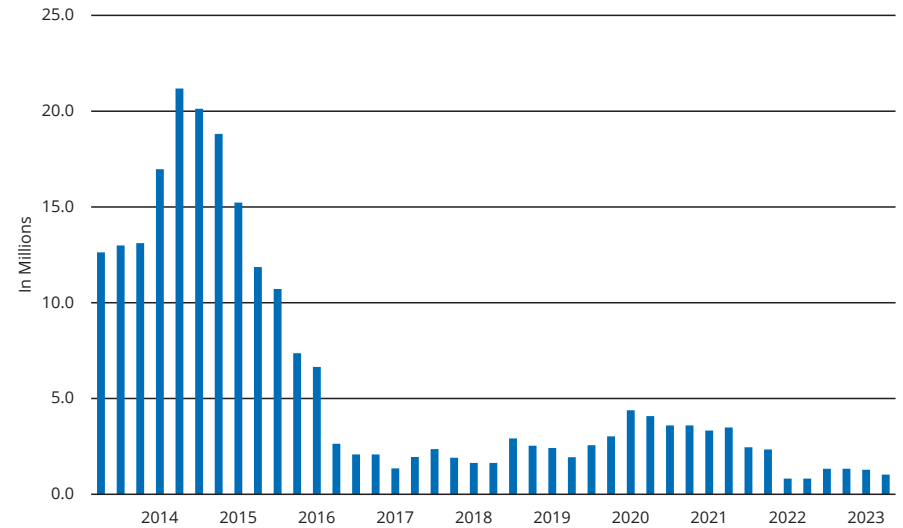


### UNDER CONSTRUCTION

#### Three Ribbon Cuttings in Three Submarkets During Q2 2023

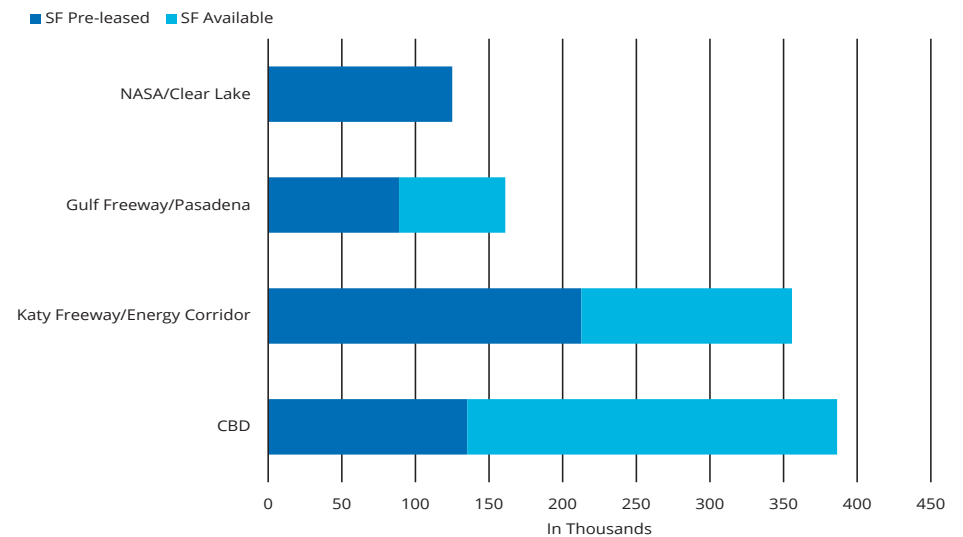
- Houston’s office sector saw no ground breakings this period with just over 1.0 million square feet of office product remaining in the pipeline. Three ribbon cuttings did take place this quarter with a total of 252,600 square feet being delivered.
- The first office project to come online was 6900 Hollister St, an estimated 98,674 square foot, three-story building developed by Houston-based Clay Development & Construction located in the Northwest Far submarket. The Class B, build-to-suit property came-online fully occupied by the owners, Texas-based Dealer Computer Services, Inc.
- Also coming online during the quarter was the opening of 24200 Via Mazzini Way, an 80,000 square foot medical office building in the Katy Far West submarket. Developed by Metro Houston’s Realty 1 Partners, this 80,000 square foot, privately-owned property came online with a pre-lease commitment of just over 5.0% located at the corner of Katy-Gaston Rd and Via Mazzini Way in Richmond, Texas.
- A third and final completion during the quarter was the first office building component of Houston-based Midway’s 136-acre East River mixed-use development. Building Cis a 74,000 square foot Class A office building delivered with a 65.1% pre-lease commitment and is the first of two buildings slated to deliver with a total 168,600 square feet of rentable area. Building C’s pre-lease commitment included the Ill.-based Impact Networking and Houston-based custom software and IT services company TEAL.

### UNDER CONSTRUCTION



Source: CoStar, Transwestern

### UNDER CONSTRUCTION BY SUBMARKET



Source: CoStar, Transwestern

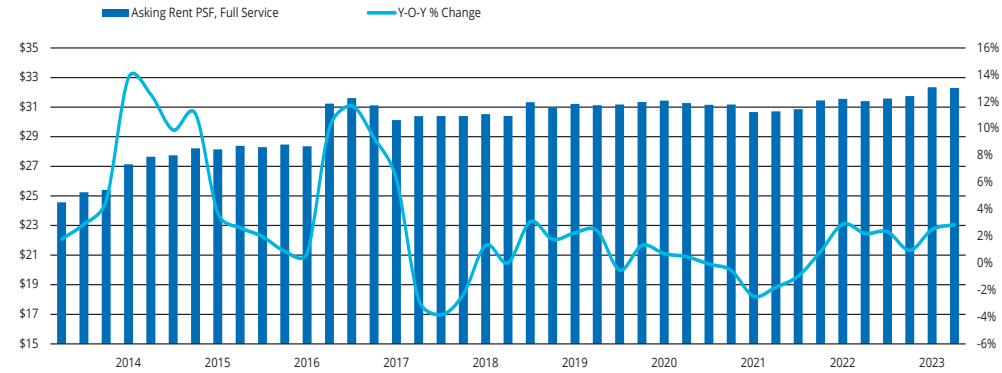


### RENTAL RATES

#### Quarterly Declines Across Three-in-Four Submarkets

- Full-service asking rents for both Class A & B decreased \$0.06 PSF/YR to \$32.42 PSF/YR over the past 90 days. As a result, overall full-service asking rents pivoted from a historical four quarter period of gradual increases that started in the third quarter of 2022. The pullback is attributed to a multitude of factors, but the two primary causes include a decrease in overall competitive available space being marketed with quoted rents linked to the square footage and 75 percent of all tracked submarkets displaying some level of declining asking rents this quarter. Class A space experienced elevated levels of asking rate weakening compared to Class B with the two market sectors showing drops of 0.6 percent and 0.5 percent, respectively.
- Full-service asking rents for the Class A market were hit the hardest in three submarkets with each showing a decrease greater than two percent: FM 1960 (10.5%), Southwest Freeway (4.6%), and West Loop (2.2%). The FM 1960 submarket's significant swing is a direct result of an expanding availability and increasingly fluid asking rates.

### ASKING RENT



Source: CoStar, Transwestern

- Class B full-service asking rents saw four submarkets with asking rents falling more than five percent: NASA/Clear Lake (18.3%), West Belt (7.1%), South Main/Medical Center (5.3%), and Midtown (5.3%). The NASA/Clear Lake submarket's overall decrease is mainly attributed to Gemini Office Park having its entire 363,050 square feet of rentable space being removed from the available market, including its quoted rents to the statistical calculations.

### NOTABLE LEASES

TENANT	ADDRESS	SUBMARKET	TYPE	SF LEASED
LYONDELLBASELL	2800 Post Oak Blvd	West Loop	New	318,504
FLUOR CORPORATION	737 N Eldridge Pky	Katy Fwy/Energy Corridor	New	308,186
TECHNIP ENERGIES	15377 Memorial Dr	Katy Fwy/Energy Corridor	New	171,600
FURGO	13501 Katy Fwy	Katy Fwy/Energy Corridor	New	75,000
DIAMOND OFFSHORE, INC.	777 N Eldridge Pky	Katy Fwy/Energy Corridor	New	62,584
THOMPSON, COE, COUSINS & IRON LLP	4400 Post Oak Pky	West Loop	New	61,875

= Transwestern transaction  
Source: CoStar, Transwestern

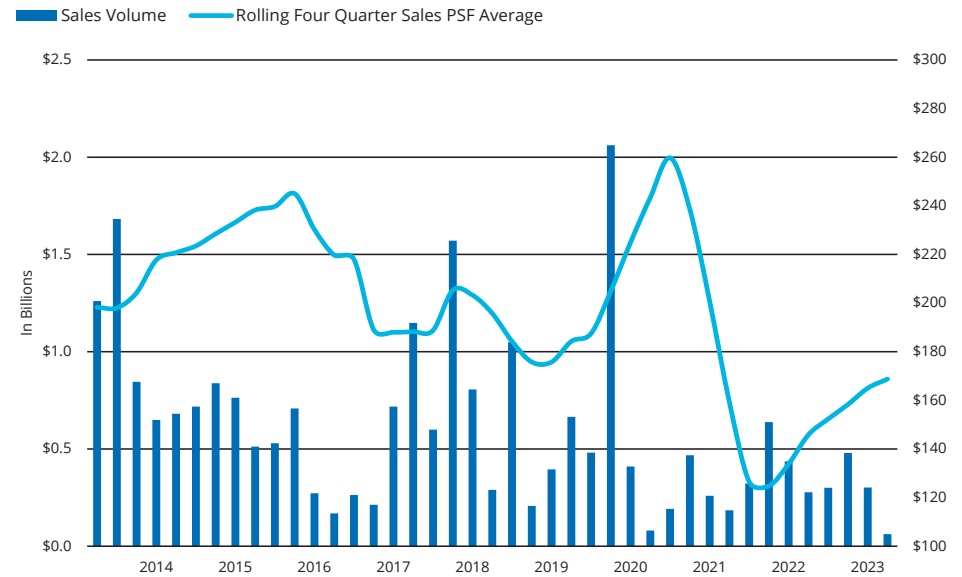


### SALES

#### Private Investors Net Buyers Again During Q2 2023

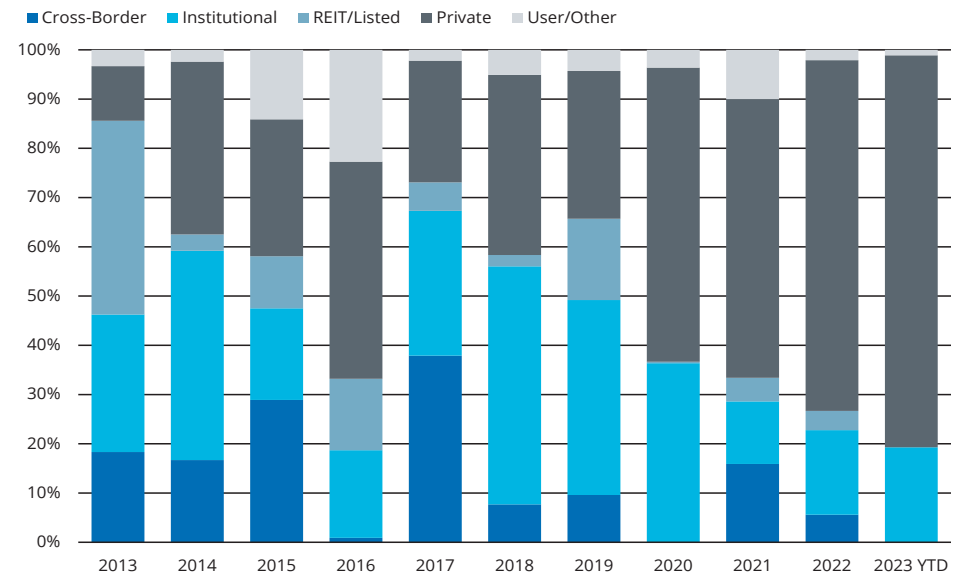
- Buyers completed six property transactions during the second quarter with an average sales price of \$175 per square foot, a slight decrease of \$1 quarter-over-quarter and a solid \$15 increase year-over-year, according to Real Capital Analytics.
- Private investors finished the period as the only tracked investment group with net acquisitions with a net total of \$30.6 million, bringing their total net acquisitions up to \$65.7 million for 2023. The pace of sales activity is sown sharply over the same period last year when net sales totaled \$413.1 million.
- Institutional investors remain on the other side of the deal sheets where they continue to sell assets and are sellers so far this year. Institutional investors disposed a net total of \$1.5 million in the second quarter which brough their net dispositions up to \$40.6 for the year. International investors also clocked in as net sellers disposing of a total of \$15 million during the period. Both institutional investors and international investors came in as net sellers during 2022 selling nearly \$240 million and \$360 million, respectively, and both sustaining a 2-year trend of substantial net depositions.
- REITs remained again on the sidelines this quarter.
- A noteworthy property trade this reporting period include Illinois-based Brennan Investment Group, a private real estate investment firm, acquiring Northbelt Office Center V, an approximate 135,030 square foot building in the North Houston District submarket. from the seller was New Haven, Conn.-based Aetna, Inc.

### SALES VOLUME



Source: Real Capital Analytics, Transwestern

### BUYER CAPITAL COMPOSITION



Source: Real Capital Analytics, Transwestern



## HOUSTON OFFICE MARKET INDICATORS - ALL SPACE

SUBMARKET	INVENTORY SF	DIRECT VACANT SF	DIRECT VACANCY RATE	OVERALL AVAILABILITY RATE	UNDER CONSTRUCTION SF	NET ABSORPTION* SF	Y-O-Y NET ABSORPTION SF	ASKING RENT FSG (CLASS A & CLASS B)
1. CBD	42,545,168	9,577,698	22.5%	30.8%	386,323	85,331	60,912	\$42.64
2. CONROE	867,484	22,578	2.6%	7.2%	-	7,279	184	\$27.97
3. E FORT BEND CO/SUGAR LAND	6,154,193	992,836	16.1%	23.3%	-	(14,164)	(55,808)	\$31.66
4. FM 1960	9,914,152	2,257,299	22.8%	30.5%	-	11,990	(483,212)	\$20.43
5. GREENWAY PLAZA	11,102,856	2,280,016	20.5%	25.7%	-	(150,982)	(15,389)	\$34.53
6. GULF FREEWAY/PASADENA	2,555,886	287,023	11.2%	16.9%	161,000	55,166	(7,274)	\$25.11
7. KATY FAR WEST	2,955,499	367,573	12.4%	24.1%	-	47,061	84,370	\$32.16
8. KATY FWY/ENERGY CORRIDOR	36,392,257	4,695,762	12.9%	22.1%	355,694	1,006,919	1,107,750	\$29.74
9. KINGWOOD/HUMBLE	1,347,269	54,999	4.1%	4.9%	-	(8,694)	10,302	\$20.42
10. MIDTOWN	6,182,640	827,416	13.4%	16.4%	-	27,946	35,254	\$33.37
11. NASA/CLEAR LAKE	5,359,352	950,159	17.7%	15.6%	125,000	1,249	(188,415)	\$26.21
12. NORTH HOUSTON DISTRICT	12,669,479	5,036,003	39.7%	39.0%	-	85,129	278,866	\$18.46
13. NORTHEAST	1,377,409	8,688	0.6%	4.4%	-	510	20,786	\$23.03
14. NORTHWEST	8,062,783	1,206,167	15.0%	19.5%	-	151,113	227,592	\$21.42
15. SOUTH MAIN/MEDICAL CENTER	9,742,615	710,223	7.3%	10.4%	-	77,259	(954)	\$32.79
16. SOUTHWEST FREEWAY	9,868,319	1,380,696	14.0%	18.8%	-	71,121	278,946	\$18.82
17. THE WOODLANDS	18,437,612	1,981,384	10.7%	16.9%	-	261,127	425,300	\$33.91
18. WEST BELT	4,735,274	1,098,777	23.2%	33.6%	-	114,852	29,110	\$28.21
19. WEST LOOP	35,014,365	7,871,876	22.5%	29.6%	-	293,143	58,829	\$33.54
20. WESTCHASE	17,029,499	3,865,639	22.7%	31.2%	-	(24,376)	(24,990)	\$28.17
<b>HOUSTON TOTAL</b>	<b>242,314,111</b>	<b>45,472,812</b>	<b>18.8%</b>	<b>25.3%</b>	<b>1,028,017</b>	<b>2,098,979</b>	<b>1,842,159</b>	<b>\$32.42</b>

NOTE: Indicators are for all classes of space with the exception of rent, which are classes A and B only.

\*See page 13 for definition of Net Absorption under the Research Methodology



## HOUSTON OFFICE MARKET INDICATORS - CLASS A &amp; CLASS B

SUBMARKET	INVENTORY SF	DIRECT VACANT SF	DIRECT VACANCY RATE	OVERALL AVAILABILITY RATE	UNDER CONSTRUCTION SF	NET ABSORPTION* SF	Y-O-Y NET ABSORPTION SF	ASKING RENT FSG
<b>HOUSTON TOTAL</b>	<b>233,650,535</b>	<b>44,903,656</b>	<b>19.2%</b>	<b>25.9%</b>	<b>1,028,017</b>	<b>2,059,483</b>	<b>1,722,182</b>	<b>\$32.42</b>
<b>CLASS A</b>	147,709,205	28,952,960	19.6%	28.0%	843,017	1,559,721	1,399,270	\$36.43
<b>CLASS B</b>	85,941,330	15,950,696	18.6%	22.3%	185,000	499,762	724,938	\$24.45
<b>1. CBD</b>	42,325,114	9,577,698	22.6%	30.9%	386,323	85,331	60,912	\$42.64
<b>CLASS A</b>	34,679,844	7,714,215	22.2%	30.4%	386,323	115,134	145,153	\$44.98
<b>CLASS B</b>	7,645,270	1,863,483	24.4%	33.2%	-	(29,803)	(84,241)	\$32.95
<b>2. CONROE</b>	764,894	22,578	3.0%	8.2%	-	7,279	184	\$27.97
<b>CLASS A</b>	68,832	9,756	14.2%	14.2%	-	-	1,327	\$31.74
<b>CLASS B</b>	696,062	12,822	1.8%	7.6%	-	7,279	(1,143)	\$26.82
<b>3. E FORT BEND CO/SUGAR LAND</b>	6,154,193	992,836	16.1%	23.3%	-	(14,164)	(55,808)	\$31.66
<b>CLASS A</b>	4,004,393	735,868	18.4%	26.0%	-	9,495	(26,473)	\$32.92
<b>CLASS B</b>	2,149,800	256,968	12.0%	18.3%	-	(23,659)	(29,335)	\$26.51
<b>4. FM 1960</b>	9,650,498	2,251,751	23.3%	30.6%	-	11,990	(560,887)	\$20.43
<b>CLASS A</b>	4,676,509	1,198,864	25.6%	37.0%	-	(4,736)	(569,576)	\$24.11
<b>CLASS B</b>	4,973,989	1,052,887	21.2%	24.6%	-	16,726	8,689	\$17.04
<b>5. GREENWAY PLAZA</b>	10,962,559	2,271,627	20.7%	25.9%	-	(153,717)	(10,142)	\$34.53
<b>CLASS A</b>	7,585,438	1,695,443	22.4%	28.1%	-	(162,015)	(31,196)	\$36.20
<b>CLASS B</b>	3,377,121	576,184	17.1%	21.1%	-	8,298	21,054	\$29.71

\*See page 13 for definition of Net Absorption under the Research Methodology



## HOUSTON OFFICE MARKET INDICATORS - CLASS A &amp; CLASS B

SUBMARKET	INVENTORY SF	DIRECT VACANT SF	DIRECT VACANCY RATE	OVERALL AVAILABILITY RATE	UNDER CONSTRUCTION SF	NET ABSORPTION* SF	Y-O-Y NET ABSORPTION SF	ASKING RENT FSG
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<b>CLASS A</b>	147,709,205	28,952,960	19.6%	28.0%	843,017	1,559,721	1,399,270	\$36.43
<b>CLASS B</b>	85,941,330	15,950,696	18.6%	22.3%	185,000	499,762	724,938	\$24.45
<b>6. GULF FREEWAY/PASADENA</b>	2,164,416	208,586	9.6%	16.2%	161,000	54,348	47,513	\$25.11
<b>CLASS A</b>	74,000	21,488	29.0%	56.0%	101,000	52,512	52,512	-
<b>CLASS B</b>	2,090,416	187,098	9.0%	12.9%	60,000	1,836	(4,999)	\$25.11
<b>7. KATY FAR WEST</b>	2,836,237	367,573	13.0%	25.1%	-	47,061	84,370	\$32.16
<b>CLASS A</b>	1,837,278	361,671	19.7%	37.6%	-	41,748	70,563	\$32.18
<b>CLASS B</b>	998,959	5,902	0.6%	2.1%	-	5,313	13,807	\$28.00
<b>8. KATY FWY/ENERGY CORRIDOR</b>	35,264,553	4,636,843	13.1%	22.6%	355,694	1,010,271	1,098,869	\$29.74
<b>CLASS A</b>	24,718,643	2,654,507	10.7%	22.2%	355,694	784,960	741,244	\$33.62
<b>CLASS B</b>	10,545,910	1,982,336	18.8%	23.6%	-	225,311	357,625	\$23.97
<b>9. KINGWOOD/HUMBLE</b>	1,347,269	54,999	4.1%	4.9%	-	(8,694)	10,302	\$20.42
<b>CLASS A</b>	514,236	1,441	0.3%	2.4%	-	-	-	\$36.15
<b>CLASS B</b>	833,033	53,558	6.4%	6.4%	-	(8,694)	10,302	\$20.00
<b>10. MIDTOWN</b>	6,011,642	777,416	12.9%	16.9%	-	27,946	35,254	\$33.37
<b>CLASS A</b>	3,064,955	302,680	9.9%	13.0%	-	64,982	100,339	\$38.06
<b>CLASS B</b>	2,946,687	474,736	16.1%	20.8%	-	(37,036)	(65,085)	\$30.37

\*See page 13 for definition of Net Absorption under the Research Methodology



## HOUSTON OFFICE MARKET INDICATORS - CLASS A &amp; CLASS B

SUBMARKET	INVENTORY SF	DIRECT VACANT SF	DIRECT VACANCY RATE	OVERALL AVAILABILITY RATE	UNDER CONSTRUCTION SF	NET ABSORPTION* SF	Y-O-Y NET ABSORPTION SF	ASKING RENT F5G
<b>HOUSTON TOTAL</b>	<b>233,650,535</b>	<b>44,903,656</b>	<b>19.2%</b>	<b>25.9%</b>	<b>1,028,017</b>	<b>2,059,483</b>	<b>1,722,182</b>	<b>\$32.42</b>
<b>CLASS A</b>	147,709,205	28,952,960	19.6%	28.0%	843,017	1,559,721	1,399,270	\$36.43
<b>CLASS B</b>	85,941,330	15,950,696	18.6%	22.3%	185,000	499,762	724,938	\$24.45
<b>11. NASA/CLEAR LAKE</b>	5,299,427	950,159	17.9%	15.8%	125,000	1,249	(188,415)	\$26.21
<b>CLASS A</b>	2,291,321	312,133	13.6%	20.3%	-	2,288	(45,007)	\$27.90
<b>CLASS B</b>	3,008,106	638,026	21.2%	12.6%	125,000	(1,039)	(143,408)	\$20.01
<b>12. NORTH HOUSTON DISTRICT</b>	11,579,802	4,932,074	42.6%	41.4%	-	70,237	292,178	\$18.46
<b>CLASS A</b>	5,704,243	2,912,921	51.1%	47.1%	-	56,653	218,547	\$20.60
<b>CLASS B</b>	5,875,559	2,019,153	34.4%	35.9%	-	13,584	73,631	\$15.87
<b>13. NORTHEAST</b>	1,198,031	5,267	0.4%	0.6%	-	510	16,984	\$23.03
<b>CLASS A</b>	642,223	2,725	0.4%	0.7%	-	-	-	-
<b>CLASS B</b>	555,808	2,542	0.5%	0.5%	-	510	16,984	\$23.03
<b>14. NORTHWEST</b>	7,696,317	1,194,382	15.5%	19.6%	-	155,033	229,919	\$21.42
<b>CLASS A</b>	2,046,352	451,530	22.1%	28.2%	-	52,720	71,422	\$24.21
<b>CLASS B</b>	5,649,965	742,852	13.1%	16.5%	-	102,313	158,497	\$19.66
<b>15. SOUTH MAIN/MEDICAL CENTER</b>	8,247,570	682,066	8.3%	11.8%	-	66,813	(1,499)	\$32.79
<b>CLASS A</b>	4,130,334	379,458	9.2%	14.6%	-	39,733	(16,608)	\$33.82
<b>CLASS B</b>	4,117,236	302,608	7.3%	9.0%	-	27,080	15,109	\$31.90

\*See page 13 for definition of Net Absorption under the Research Methodology



## HOUSTON OFFICE MARKET INDICATORS - CLASS A &amp; CLASS B

SUBMARKET	INVENTORY SF	DIRECT VACANT SF	DIRECT VACANCY RATE	OVERALL AVAILABILITY RATE	UNDER CONSTRUCTION SF	NET ABSORPTION* SF	Y-O-Y NET ABSORPTION SF	ASKING RENT F5G
<b>HOUSTON TOTAL</b>	<b>233,650,535</b>	<b>44,903,656</b>	<b>19.2%</b>	<b>25.9%</b>	<b>1,028,017</b>	<b>2,059,483</b>	<b>1,722,182</b>	<b>\$32.42</b>
<b>CLASS A</b>	147,709,205	28,952,960	19.6%	28.0%	843,017	1,559,721	1,399,270	\$36.43
<b>CLASS B</b>	85,941,330	15,950,696	18.6%	22.3%	185,000	499,762	724,938	\$24.45
<b>16. SOUTHWEST FREEWAY</b>	8,467,530	1,292,585	15.3%	20.7%	-	49,894	168,536	\$18.82
<b>CLASS A</b>	2,065,157	456,986	22.1%	29.9%	-	(48,582)	19,884	\$21.74
<b>CLASS B</b>	6,402,373	835,599	13.1%	17.7%	-	98,476	148,652	\$17.14
<b>17. THE WOODLANDS</b>	18,187,108	1,981,384	10.9%	16.8%	-	261,127	425,300	\$33.91
<b>CLASS A</b>	14,643,143	1,502,909	10.3%	16.3%	-	185,074	354,592	\$36.31
<b>CLASS B</b>	3,543,965	478,475	13.5%	19.3%	-	76,053	70,708	\$28.61
<b>18. WEST BELT</b>	4,735,274	1,098,777	23.2%	33.6%	-	114,852	29,110	\$28.21
<b>CLASS A</b>	3,495,407	876,518	25.1%	33.9%	-	40,137	(74,498)	\$30.27
<b>CLASS B</b>	1,239,867	222,259	17.9%	32.8%	-	74,715	103,608	\$23.35
<b>19. WEST LOOP</b>	34,156,153	7,739,416	22.7%	29.9%	-	296,493	66,317	\$33.54
<b>CLASS A</b>	21,447,795	5,210,777	24.3%	34.5%	-	295,616	207,457	\$36.39
<b>CLASS B</b>	12,708,358	2,528,639	19.9%	22.2%	-	877	(141,140)	\$26.60
<b>20. WESTCHASE</b>	16,601,948	3,865,639	23.3%	32.0%	-	(24,376)	(26,815)	\$28.17
<b>CLASS A</b>	10,019,102	2,151,070	21.5%	32.8%	-	34,002	179,588	\$33.86
<b>CLASS B</b>	6,582,846	1,714,569	26.0%	30.7%	-	(58,378)	(206,403)	\$20.77

\*See page 13 for definition of Net Absorption under the Research Methodology

SOURCE: CoStar, Transwestern Research, Transwestern Curve, a client service by Transwestern Commercial Services

NOTE: Includes buildings 50,000 SF RBA and greater; does not include buildings owned by the government

NOTE: Total availability includes under construction projects

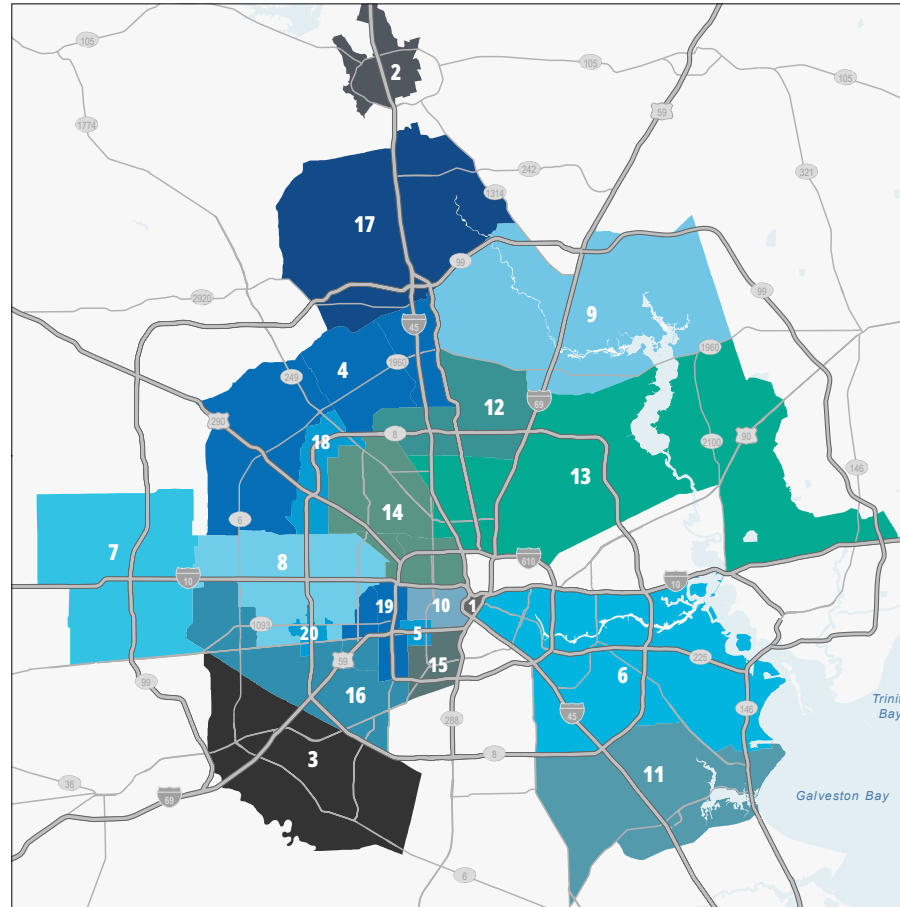


### RESEARCH METHODOLOGY

The information in this report is the result of a compilation of current information on office properties located in the Houston metropolitan area and may also include historical property data revision(s). This report includes single tenant, multi-tenant, medical office and owner-user properties 50,000 SF and larger, excluding condo and those properties owned and occupied by a government agency. In Houston, Transwestern calculates Net Absorption as "Net Leasing," or change in Total Available space. Space returned to market registers as negative absorption; Space leased or reoccupied registers as positive absorption. Transwestern's methodology provides a real-time indicator of supply and demand in the space market that eliminates time lags and incomplete information inherent to tracking physical move-ins & move-outs.

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### Houston Office Submarkets

- 1 CBD
- 2 Conroe
- 3 E Fort Bend CO/Sugar Land
- 4 FM 1960
- 5 Greenway Plaza
- 6 Gulf Freeway/Pasadena
- 7 Katy Far West
- 8 Katy Fwy/Energy Corridor
- 9 Kingwood/Humble
- 10 Midtown
- 11 NASA/Clear Lake
- 12 North Houston District
- 13 Northeast
- 14 Northwest
- 15 South Main/Medical Center
- 16 Southwest Freeway
- 17 The Woodlands
- 18 West Belt
- 19 West Loop
- 20 Westchase

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