

HOUSTON OFFICE MARKET

Q3 2023



TRENDLINES

	Q3 2023	Q3 2022	ONE-YEAR TREND	FIVE-YEAR AVERAGE	12-MONTH FORECAST
UNEMPLOYMENT RATE (%)	4.6	4.4	↑	5.5	↑
NET ABSORPTION* (Thousands SF)	158	385	↓	(70.5)	↔
DIRECT VACANCY RATE (All Classes, All Space)	18.7%	20.2%	↓	18.6%	↔
DIRECT VACANT AVAILABLE (MSF)	45.3	49.0	↓	44.9	↔
UNDER CONSTRUCTION (MSF)	0.7	1.3	↓	2.4	↓
ASKING RENT, FULL SERVICE (PSF)	\$32.03	\$31.56	↑	\$31.35	↓
SALES VOLUME (Millions)	\$257.8	\$300	↓	\$453.7	↓

Source: Bureau of Labor Statistics, CoStar, Real Capital Analytics, Transwestern. Arrow color palette indicates property sector agency leasing, management and investor trending assessment(s).

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

EAST SIDE CONSTRUCTION DELIVERS WHILE CBD, WEST SIDE COMPLETIONS EXPECTED IN Q4 2023

Houston’s office sector added two new buildings to its total inventory during the quarter. First, Midway’s 101,000 square foot Building F, located in its extensive 136-acre East River mixed-use development, came online nearly 42 percent pre-leased. Second, the 60,000 square foot single-tenant L.W. “Bud” Shipley Jr. Support Center was completed. Both properties are in the metro’s Gulf Freeway/Pasadena submarket, which saw its total Class A & B inventory expand to a total of 2.33 million square feet. Looking ahead, the buildings currently marked for delivery in Q4 2023 include Skanska USA’s 1550 on the Green, a CBD high-rise, and two buildings in the Katy Freeway East submarket: 9753 Katy Fwy and Town Centre Two. The year-end construction additions total approximately 742,000 square feet and are more than half pre-leased.

Small gains neared 160,000 square feet this quarter led entirely by the Class B category taking down approximately 290,000 square feet with owners withdrawing several properties from the leasing market in NASA Clear Lake and the Gulf Freeway/Pasadena submarkets. As a result, direct vacancy tightened ten basis points to 18.7 percent; however, total availability rose to 25.5 percent due to footprint reductions and tenant move-outs during the quarter, mostly in the Katy Fwy/Energy Corridor and West Loop.

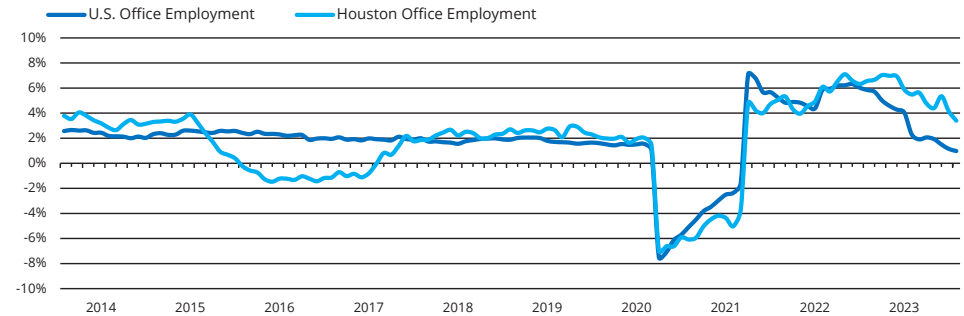


ECONOMY

Late Summer Dips in Employment, Buoyant Energy Prices and Houston's New MSA Naming

- Houston's employment growth climbed marginally by 3,300 jobs in August following July's steep loss of 18,400 full-time workers, according to the Texas Workforce Commission (TWC). The region typically adds between 7,000 and 10,000 jobs in August, so the recent performance falls slightly below the historical late-summer benchmark. On the other hand, the 2022 labor force participation rate (LFPR) numbers were recently released by U.S. Census Bureau with Metro Houston clocking in at a 66.6 percent participation rate, putting Houston above the U.S. average, and signaling a healthy economy and healthy market, according to the Greater Houston Partnership (GHP).
- West Texas Intermediate (WTI), the U.S. benchmark for light, sweet crude, has traded between \$65 and \$75 per barrel since January but since late-July has consistently traded at \$79 or higher. In its recent Short-Term Energy Outlook, the U.S. Energy Information Administration (EIA) attributed the recent price increases to Saudi Arabia extending its voluntary production cuts coupled with increased global demand. The EIA forecasts prices to trade between \$80 and \$83 per barrel through December of next year. With productivity improvements and higher prices, U.S. production should average 12.8 million barrels a day this year and 13.1 million next year, both years would be annual records.
- In July, the Office of Management and Budget (OMB) gave Houston a new name: Houston-Pasadena-The Woodlands Metropolitan Statistical Area from its previous title of Houston-The Woodlands-Sugar Land MSA. Every ten years, OMB examines commuting patterns and economic ties in all U.S. counties and nearly 400 metro areas. For a city to be included in an MSA's name, it must be the most populous city in the region or have strong commuter ties. Ten counties now comprise the Houston MSA and include Austin, Brazoria, Chambers, Fort Bend, Galveston, Harris, Liberty, Montgomery, San Jacinto, and Waller. With the addition of San Jacinto, the metro area's population is 7,368,466 as of July 1, 2023, reported the Greater Houston Partnership (GHP) in August.

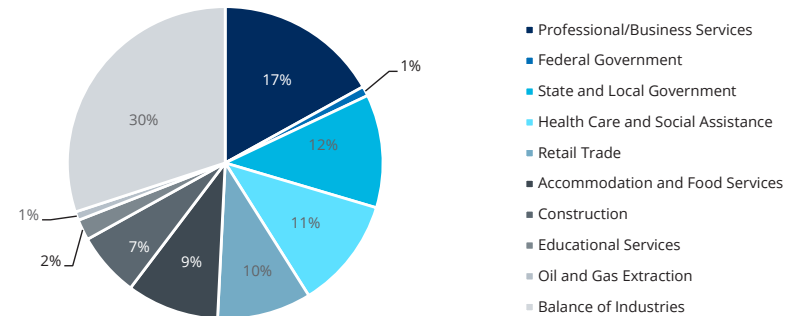
Y-O-Y CHANGE IN OFFICE JOBS



Source: Bureau of Labor Statistics, Transwestern

SHARE OF EMPLOYEES BY INDUSTRY

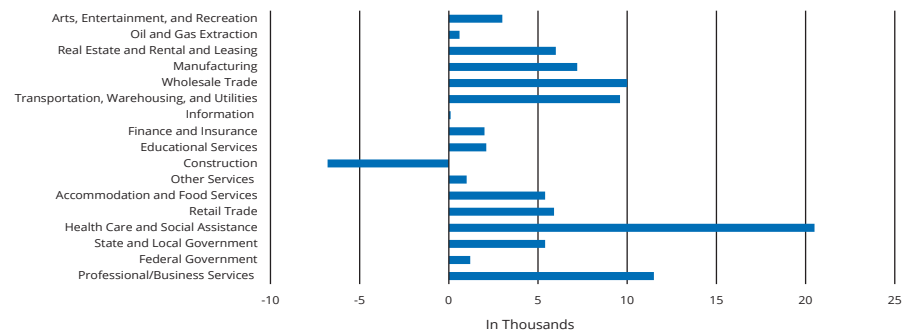
Houston | August 2023



Source: Bureau of Labor Statistics, Transwestern

SHARE OF EMPLOYEES BY INDUSTRY

Houston | August 2023



Source: Bureau of Labor Statistics, Transwestern

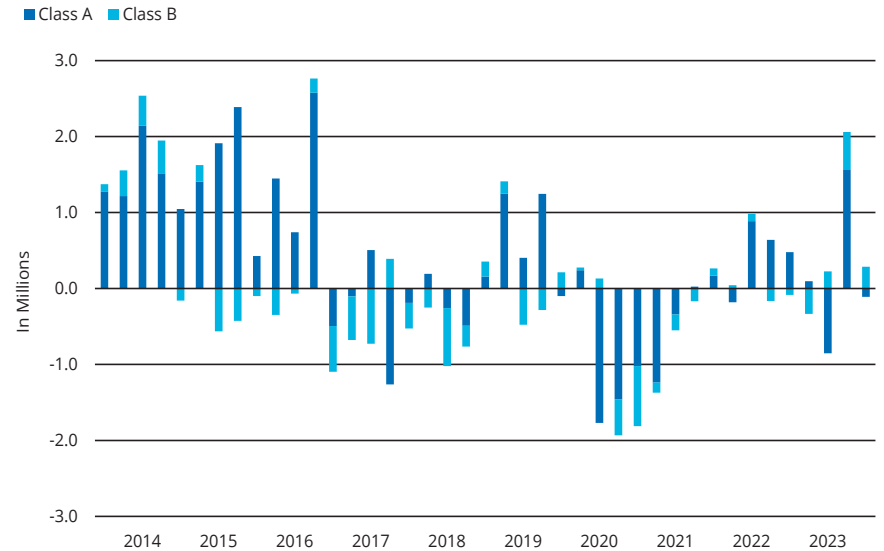


NET ABSORPTION & LEASING ACTIVITY

Owner, Tenant Activity Experience Contrasts in Q3 Leasing Outcomes; NRG Announces in Q4 2023

- Houston’s office sector posted small space gains nearing 160,000 square feet this quarter led entirely by Class B space taking down approximately 290,000 square feet. While Class A space ended Q3 2023 with negative growth slightly above 110,000 square feet, it was announced during the first week of October that NRG Energy is expected to move into the CBD’s 51-story, 3 Houston Center in January 2026. The energy company plans to relocate its headquarters into approximately 245,000 square feet among the top floors of 1301 McKinney in Brookfield Properties’ Houston Center complex.
- Meanwhile, owner activity led to three submarkets creating positive gains during the third quarter measuring close to a total of 850,000 square feet: NASA/Clear Lake (429,116 square feet), The Woodlands (306,492 square feet), and Gulf Freeway/Pasadena (112,300 square feet). The reduced amount of active, available space is attributed to buildings being withdrawn from the overall leasing market by their owners. Two examples include 600 Gemini St, a 363,050 square foot building in the NASA/Clear Lake submarket and a 360,000 square foot property, 9500 Lakeside Blvd, located in The Woodlands.
- On the flip side, tenant activity caused two submarkets to witness over 150,000 square feet of negative overall net absorption for the quarter: Katy Fwy/Energy Corridor (with a total increased availability of more than 500,000 square feet) and the West Loop (where available space rose to nearly 160,000 square feet). The largest contributor to Katy Fwy/Energy Corridor’s rise in space was BP, which vacated 479,000 square feet at 200 Westlake. In the West Loop, Quanta Services left 91,000 square feet in 2800 Post Oak Blvd and Parsons Corporation, plus a handful of smaller occupiers, vacated a total of 84,000 at 2200 West Loop South.

NET ABSORPTION BY CLASS



Source: CoStar, Transwestern

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

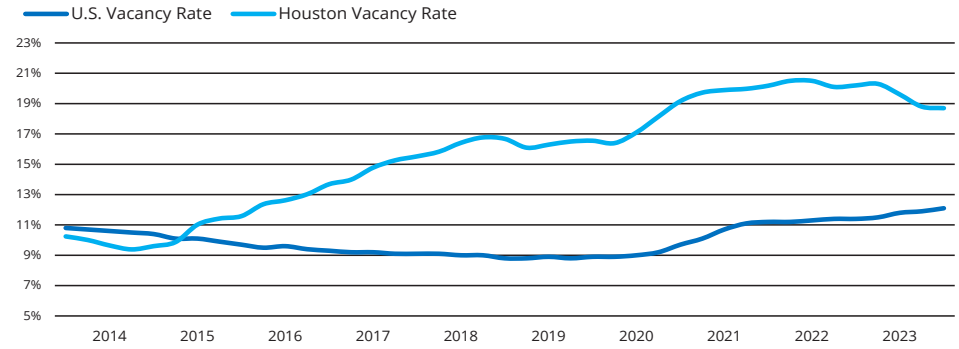


VACANCY & AVAILABILITY

Direct Vacancy Tightens 10 Basis Points While Overall Availability Inches Up to 25.5 Percent

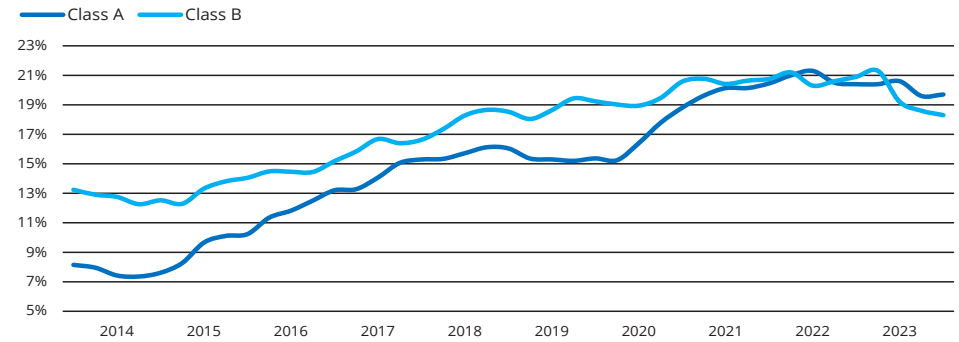
- Leasing activity slowed for Houston’s office market in the third quarter as occupiers continue to consolidate office footprints and maximize their use of space. Overall competitive space actively marketed increased by 20 basis points to 25.5 percent since Q2 2023. Class A space saw a decline in availability by 20 basis points to 27.8 percent as new lease activity took space offline, but Class B inched up 60 basis points to 23.0 percent as tenants upgraded to competitive Class A product or tightened their space needs during renewals.
- At the submarket level, available Class B space increased 5.3 percent in the Southwest Freeway to 23.0 percent. National Oilwell Varco vacated over 330,000 square feet among three properties: 193,000 at 7909 Parkwood Circle with the balance located between 9720 & 9724 Beechnut St.
- In the Katy Fwy/Energy Corridor, Class A direct vacancy rose 1.6 percent to 14.1 percent, largely attributed to BP moving out of nearly 480,000 square feet at 200 Westlake. In the CBD, Midcoast Energy left 61,689 square feet in Hess Tower and Maverick Natural Resources moved out of their sublease space of 110,639 square feet in 1111 Bagby St. Additional activity included Quanta Services vacating 90,704 square feet in 2800 Post Oak Blvd in the West Loop and Parsons Corporation, plus a handful of other smaller tenants, emptying a total of 83,966 square feet at 2200 West Loop South.

OVERALL VACANCY RATE



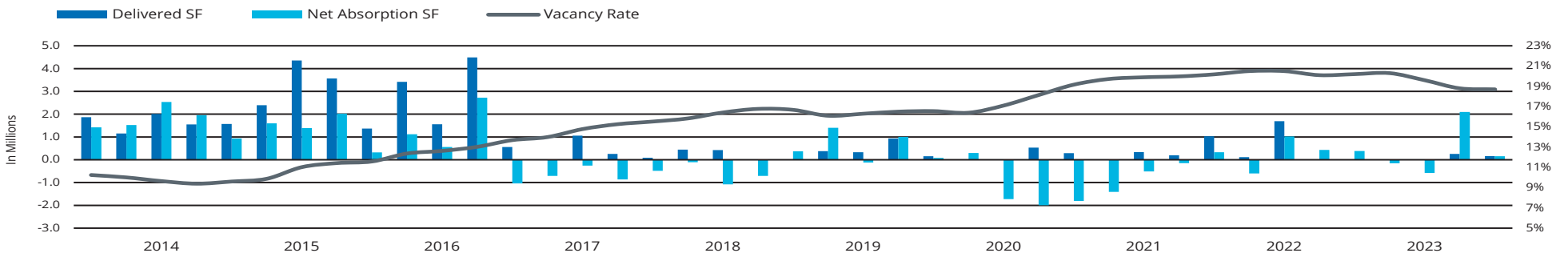
Source: CoStar, Transwestern

OVERALL VACANCY RATE BY CLASS



Source: CoStar, Transwestern

DELIVERY IMPACT ON KEY INDICATORS



Source: CoStar, Transwestern

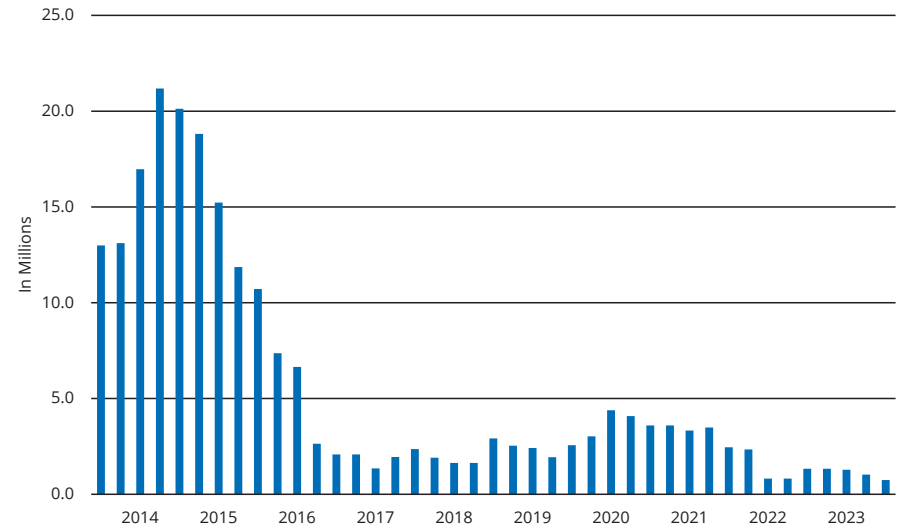


UNDER CONSTRUCTION

Two Deliveries in Q3 and Three Expected by Year-End 2023

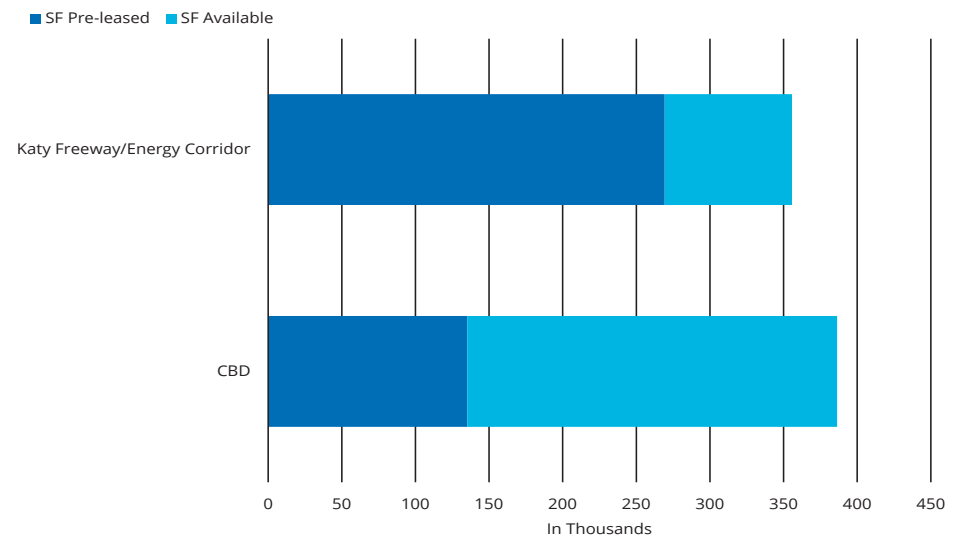
- Two office properties delivered this quarter with a combined 161,000 square feet, leaving 742,017 square feet of office product in the pipeline with no ground breakings recorded.
- The first completion includes 2940 Riverby Rd, Building F, a 101,000 square foot Class A office building in Houston-based Midway's 136-acre East River mixed-use development along Buffalo Bayou. The property came online with a 41.5 percent pre-lease commitment, by Suderman and Young Towing Co. and Champion Mortgage.
- Also coming online was L.W. "Bud" Shipley Jr. Support Center, a Class B, two-story, 60,000 square foot multi-use property located in the Gulf Freeway/Pasadena submarket. The building delivered fully occupied by Shipley's Do-Nuts which will use the space as an experimental headquarters serving as a training center for new franchisees.
- More than half of the space scheduled to be delivered by year-end has pre-lease commitments. The buildings currently marked for completion include Skanska USA's 1550 on the Green, a 28-story CBD high-rise containing 386,323 square feet in the CBD with a 35.0 percent pre-lease commitment by downtown law firm, Norton Rose Fulbright, relocating to the building in early-2024. Also being listed for a late-2023 delivery are two buildings in the Katy Freeway East submarket: 9753 Katy Fwy, a 9-story 188,553 square foot property to be nearly fully occupied by two tenants, Callon Petroleum Company, and BW Energy, and Town Centre Two, an 8-story, 167,141 square foot building located at 730 Town & Country Blvd, that is half leased primarily by Charleston, SC-based Greystar Real Estate Partners.

UNDER CONSTRUCTION



Source: CoStar, Transwestern

UNDER CONSTRUCTION BY SUBMARKET



Source: CoStar, Transwestern

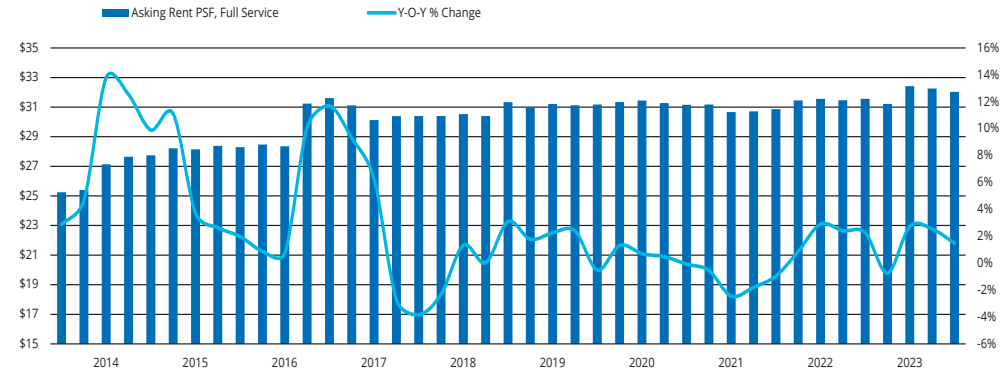


RENTAL RATES

Fewer Buildings List Quoted Asking Rent as Market Favors Tenants in Searches and Negotiations

- Full-service asking rents for both Class A & B decreased \$0.33 PSF/YR to \$32.42 PSF/YR over the quarter. Class B space experienced a 4.3 percent decrease in asking rents and Class A space saw rents decline further this quarter by 90 basis points.
- Two submarkets, Southwest Freeway and Katy Far West saw an increase in Class A rents of more than five percent. Quoted rates in the Southwest Freeway submarket moved up by \$1.44 PSF/YR to \$23.18 PSF/YR and the Katy Far West Submarket by \$2.35 PSF/YR to \$35.42 PSF/YR.
- The decline is measured widely across the metro and largely attributed to recent shifts within the market. Houston area landlords are progressively choosing to withhold from publishing quoted lease rates to compete aggressively in space searches and reduce the possibility of being excluded from a price per square foot tier in market canvassing.
- Likewise, full-service asking rents for Class B space pulled back approximately five percent or more in five submarkets while the Katy Fwy/ Energy Corridor and Southwest Freeway submarkets saw gains by 2.4 percent and 6.1 percent, respectively.

ASKING RENT



Source: CoStar, Transwestern

NOTABLE LEASES

TENANT	ADDRESS	SUBMARKET	TYPE	SF LEASED
WASTE CONNECTIONS	3 Waterway Square Pl	The Woodlands	Renewal	116,817
HIGH RADIUS GROUP	2107 Citywest Blvd	Westchase	New	65,397
LIME ROCK PARTNERS	1111 Bagby St	CBD	Renewal	57,000
KENT	2050 W Sam Houston Pky S	Westchase	New	53,544
GULF INTERSTATE ENGINEERING	1080 Eldridge Pky	Katy Fwy/Energy Corridor	New	52,148
COBB, FENDLEY & ASSOCIATES, INC.	4424 W Sam Houston Pky N	West Belt	New	50,024

= Transwestern transaction
Source: CoStar, Transwestern

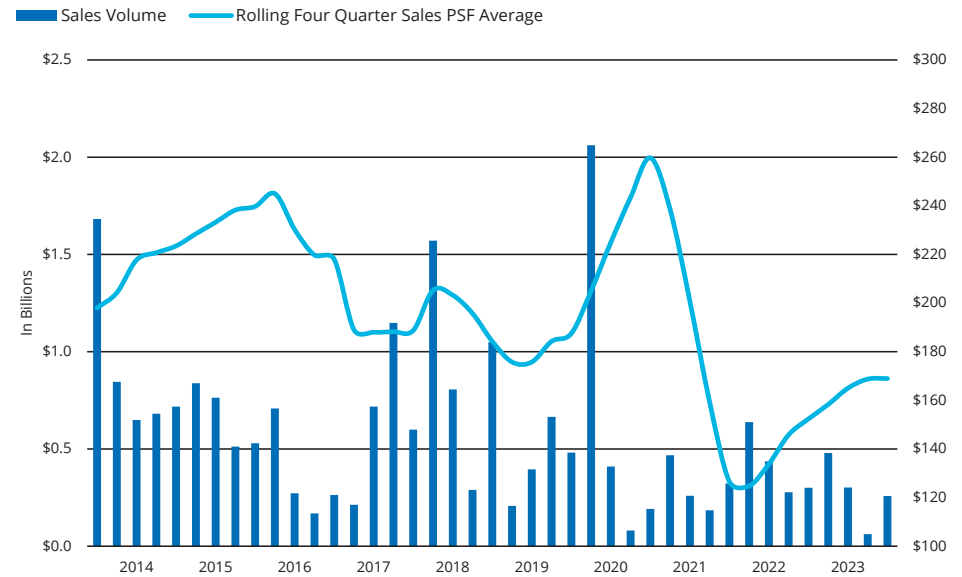


SALES

Private, Institutional Investors Net Buyers During Q3 2023

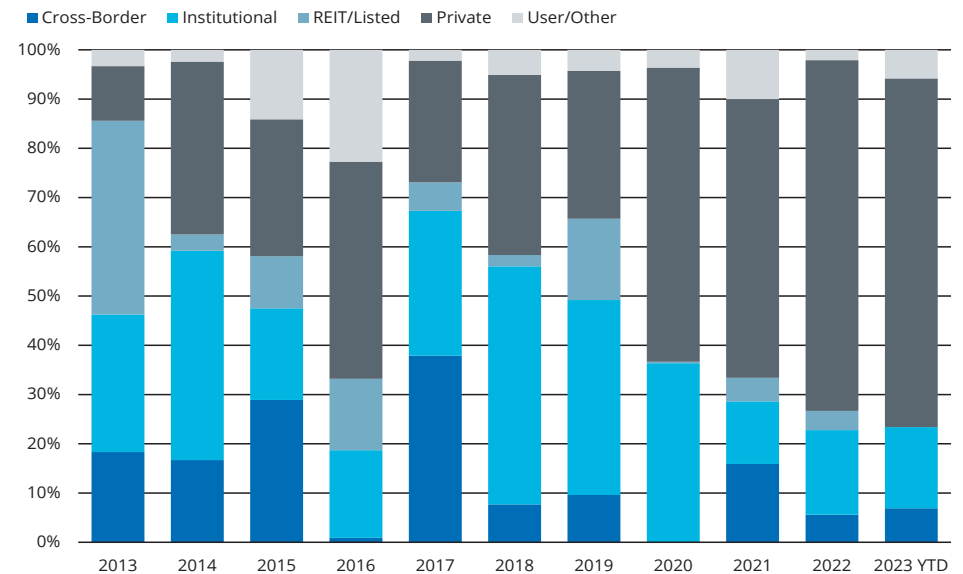
- Office buyers completed 12 property transactions during the third quarter with an average sales price of \$151 per square foot, a significant decrease of \$24 quarter-over-quarter and a slight increase of \$1 year-over-year, according to Real Capital Analytics.
- The private sector and institutional investors finished the period with net acquisitions totalling \$115.9 million and \$14.3 million, respectively. The private sector increased their overall portfolio so far this year to a net \$181.6 million while institutional investors are sellers to the total of \$26.3 million.
- Foreign investors remained on the other side of deal sheets, and have done so since the beginning of 2023, with net a total of \$138.7 million in dispositions during the third quarter. International investors have decreased their overall 2023 portfolio by a net \$153.7 million, surpassing the net sold assets seen by the group in 2022 by \$45.7 million.
- REITs did not register any market activity, and the investment group showed no local sales activity for the 2023 calendar year to-date.
- A noteworthy property trade announced this period came from a Tampa-based DeBartolo Development, a real estate investment firm, acquiring Three WestLake Park, an approximate 419,670 square foot building located in the Katy Fwy/Energy Corridor. The high-rise was purchased from a Houston-based private investor and at one time was the former home to both BP and Phillips 66.

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	42,325,114	9,575,475	22.6%	30.3%	386,323	2,223	86,649	\$42.21
2. CONROE	764,894	17,673	2.3%	7.8%	-	4,905	20,379	\$28.29
3. E FORT BEND CO/SUGAR LAND	6,154,193	1,022,917	16.6%	21.4%	-	(30,081)	(28,789)	\$42.21
4. FM 1960	9,650,498	2,272,646	23.5%	36.1%	-	(20,895)	(586,025)	\$28.29
5. GREENWAY PLAZA	10,962,559	2,308,283	21.1%	26.1%	-	(36,656)	(158,051)	\$31.59
6. GULF FREEWAY/PASADENA	2,325,416	255,085	11.0%	13.3%	-	114,501	165,179	\$20.24
7. KATY FAR WEST	2,836,237	400,803	14.1%	23.1%	-	(33,230)	21,263	\$34.54
8. KATY FWY/ENERGY CORRIDOR	35,156,663	5,054,682	14.4%	22.4%	355,694	(513,218)	317,504	\$22.82
9. KINGWOOD/HUMBLE	1,347,269	50,991	3.8%	4.2%	-	4,008	7,223	\$35.37
10. MIDTOWN	6,011,642	794,851	13.2%	16.3%	-	(17,435)	53,259	\$29.11
11. NASA/CLEAR LAKE	5,299,427	521,043	9.8%	17.8%	-	429,116	287,083	\$20.00
12. NORTH HOUSTON DISTRICT	11,444,772	4,722,613	41.3%	39.9%	-	74,431	213,848	\$33.15
13. NORTHEAST	1,198,031	5,267	0.4%	0.6%	-	0	(2,485)	\$25.66
14. NORTHWEST	7,696,317	1,151,700	15.0%	19.1%	-	42,682	295,810	\$18.82
15. SOUTH MAIN/MEDICAL CENTER	8,247,570	706,031	8.6%	11.4%	-	(23,965)	(32,063)	\$23.03
16. SOUTHWEST FREEWAY	8,467,530	1,314,461	15.5%	25.0%	-	(21,876)	158,013	\$20.56
17. THE WOODLANDS	18,187,108	1,674,892	9.2%	15.2%	-	306,492	518,105	\$25.63
18. WEST BELT	4,735,274	1,098,707	23.2%	33.4%	-	70	(6,098)	\$20.05
19. WEST LOOP	34,156,153	7,907,324	23.2%	30.9%	-	(167,908)	117,496	\$32.03
20. WESTCHASE	16,601,948	3,857,037	23.2%	32.6%	-	62,904	(78,604)	\$27.81
HOUSTON TOTAL	242,182,191	45,249,683	18.7%	25.5%	742,017	158,022	1,524,108	\$32.14

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 & 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
HOUSTON TOTAL	233,568,615	44,712,481	19.1%	26.0%	742,017	176,068	1,369,696	\$32.14
CLASS A	147,675,175	29,058,532	19.7%	27.8%	742,017	(110,389)	693,064	\$36.14
CLASS B	85,893,440	15,653,949	18.2%	23.0%	-	286,457	676,632	\$24.34
1. CBD	42,325,114	9,575,475	22.6%	30.3%	386,323	2,223	86,649	\$42.21
CLASS A	34,679,844	7,571,238	21.8%	29.7%	386,323	142,977	334,622	\$33.44
CLASS B	7,645,270	2,004,237	26.2%	33.0%	-	(140,754)	(247,973)	\$25.03
2. CONROE	764,894	17,673	2.3%	7.8%	-	4,905	20,379	\$28.29
CLASS A	68,832	8,593	12.5%	12.5%	-	1,163	6,480	\$28.18
CLASS B	696,062	9,080	1.3%	7.4%	-	3,742	13,899	\$33.36
3. E FORT BEND CO/SUGAR LAND	6,154,193	1,022,917	16.6%	21.4%	-	(30,081)	(28,789)	\$42.21
CLASS A	4,004,393	732,136	18.3%	23.0%	-	3,732	3,517	\$34.05
CLASS B	2,149,800	290,781	13.5%	18.2%	-	(33,813)	(32,306)	\$25.18
4. FM 1960	9,650,498	2,272,646	23.5%	36.1%	-	(20,895)	(586,025)	\$28.29
CLASS A	4,676,509	1,230,490	26.3%	47.9%	-	(31,626)	(600,564)	\$24.18
CLASS B	4,973,989	1,042,156	21.0%	25.0%	-	10,731	14,539	\$16.29
5. GREENWAY PLAZA	10,962,559	2,308,283	21.1%	26.1%	-	(36,656)	(158,051)	\$31.59
CLASS A	7,585,438	1,740,255	22.9%	28.4%	-	(44,812)	(178,678)	\$36.04
CLASS B	3,377,121	568,028	16.8%	21.0%	-	8,156	20,627	\$29.92

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



HOUSTON OFFICE MARKET INDICATORS - CLASS A & 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
HOUSTON TOTAL	233,568,615	44,712,481	19.1%	26.0%	742,017	176,068	1,369,696	\$32.14
CLASS A	147,675,175	29,058,532	19.7%	27.8%	742,017	(110,389)	693,064	\$36.14
CLASS B	85,893,440	15,653,949	18.2%	23.0%	-	286,457	676,632	\$24.34
6. GULF FREEWAY/PASADENA	2,325,416	255,085	11.0%	13.3%	-	114,501	165,179	\$20.24
CLASS A	175,000	82,978	47.4%	47.4%	-	39,510	92,022	-
CLASS B	2,150,416	172,107	8.0%	10.5%	-	74,991	73,157	\$22.82
7. KATY FAR WEST	2,836,237	400,803	14.1%	23.1%	-	(33,230)	21,263	\$34.54
CLASS A	1,837,278	398,863	21.7%	34.1%	-	(37,192)	9,999	\$35.42
CLASS B	998,959	1,940	0.2%	3.0%	355,694	3,962	11,264	\$28.00
8. KATY FWY/ENERGY CORRIDOR	35,156,663	5,054,682	14.4%	22.4%	355,694	(513,218)	317,504	\$22.82
CLASS A	24,718,643	3,040,720	12.3%	20.8%	-	(357,000)	211,422	\$33.12
CLASS B	10,438,020	2,013,962	19.3%	26.2%	-	(156,218)	106,082	\$24.52
9. KINGWOOD/HUMBLE	1,347,269	50,991	3.8%	4.2%	-	4,008	7,223	\$35.37
CLASS A	514,236	0	0.0%	1.2%	-	1,441	1,441	-
CLASS B	833,033	50,991	6.1%	6.1%	-	2,567	5,782	\$20.00
10. MIDTOWN	6,011,642	794,851	13.2%	16.3%	-	(17,435)	53,259	\$29.11
CLASS A	3,064,955	268,606	8.8%	12.5%	-	34,074	149,928	\$37.62
CLASS B	2,946,687	526,245	17.9%	20.3%	-	(51,509)	(96,669)	\$30.33

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



HOUSTON OFFICE MARKET INDICATORS - CLASS A & 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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CLASS B	85,893,440	15,653,949	18.2%	23.0%	-	286,457	676,632	\$24.34
11. NASA/CLEAR LAKE	5,299,427	521,043	9.8%	17.8%	-	429,116	287,083	\$20.00
CLASS A	2,291,321	293,668	12.8%	20.2%	-	18,465	(2,873)	\$27.31
CLASS B	3,008,106	227,375	7.6%	16.1%	-	410,651	289,956	\$20.05
12. NORTH HOUSTON DISTRICT	11,444,772	4,722,613	41.3%	39.9%	-	74,431	213,848	\$33.15
CLASS A	5,569,213	2,782,192	50.0%	47.8%	-	(4,301)	60,171	\$20.87
CLASS B	5,875,559	1,940,421	33.0%	32.5%	-	78,732	153,677	\$15.96
13. NORTHEAST	1,198,031	5,267	0.4%	0.6%	-	0	(2,485)	\$25.66
CLASS A	642,223	2,725	0.4%	0.7%	-	0	(2,725)	-
CLASS B	555,808	2,542	0.5%	0.5%	-	0	240	\$23.03
14. NORTHWEST	7,696,317	1,151,700	15.0%	19.1%	-	42,682	295,810	\$18.82
CLASS A	2,046,352	442,964	21.6%	27.6%	-	8,566	69,941	\$24.25
CLASS B	5,649,965	708,736	12.5%	16.1%	-	34,116	225,869	\$18.15
15. SOUTH MAIN/MEDICAL CENTER	8,247,570	706,031	8.6%	11.4%	-	(23,965)	(32,063)	\$23.03
CLASS A	4,130,334	431,243	10.4%	14.5%	-	(51,785)	(69,645)	\$27.11
CLASS B	4,117,236	274,788	6.7%	8.2%	-	27,820	37,582	\$22.62

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



HOUSTON OFFICE MARKET INDICATORS - CLASS A & 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
HOUSTON TOTAL	233,568,615	44,712,481	19.1%	26.0%	742,017	176,068	1,369,696	\$32.14
CLASS A	147,675,175	29,058,532	19.7%	27.8%	742,017	(110,389)	693,064	\$36.14
CLASS B	85,893,440	15,653,949	18.2%	23.0%	-	286,457	676,632	\$24.34
16. SOUTHWEST FREEWAY	8,467,530	1,314,461	15.5%	25.0%	-	(21,876)	158,013	\$20.56
CLASS A	2,065,157	476,744	23.1%	31.4%	-	(19,758)	7,847	\$23.18
CLASS B	6,402,373	837,717	13.1%	23.0%	-	(2,118)	150,166	\$18.19
17. THE WOODLANDS	18,187,108	1,674,892	9.2%	15.2%	-	306,492	518,105	\$25.63
CLASS A	14,643,143	1,195,276	8.2%	14.2%	-	307,633	489,268	\$34.47
CLASS B	3,543,965	479,616	13.5%	18.9%	-	(1,141)	28,837	\$28.29
18. WEST BELT	4,735,274	1,098,707	23.2%	33.4%	-	70	(6,098)	\$20.05
CLASS A	3,495,407	836,914	23.9%	33.3%	-	39,604	(101,983)	\$30.08
CLASS B	1,239,867	261,793	21.1%	33.8%	-	(39,534)	95,885	\$23.11
19. WEST LOOP	34,156,153	7,907,324	23.2%	30.9%	-	(167,908)	117,496	\$32.03
CLASS A	21,447,795	5,355,269	25.0%	35.6%	-	(144,492)	164,539	\$36.20
CLASS B	12,708,358	2,552,055	20.1%	22.9%	-	(23,416)	(47,043)	\$26.62
20. WESTCHASE	16,601,948	3,857,037	23.2%	32.6%	-	62,904	(78,604)	\$27.81
CLASS A	10,019,102	2,167,658	21.6%	33.6%	-	(16,588)	48,335	\$33.86
CLASS B	6,582,846	1,689,379	25.7%	31.0%	-	79,492	(126,939)	\$20.69

*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



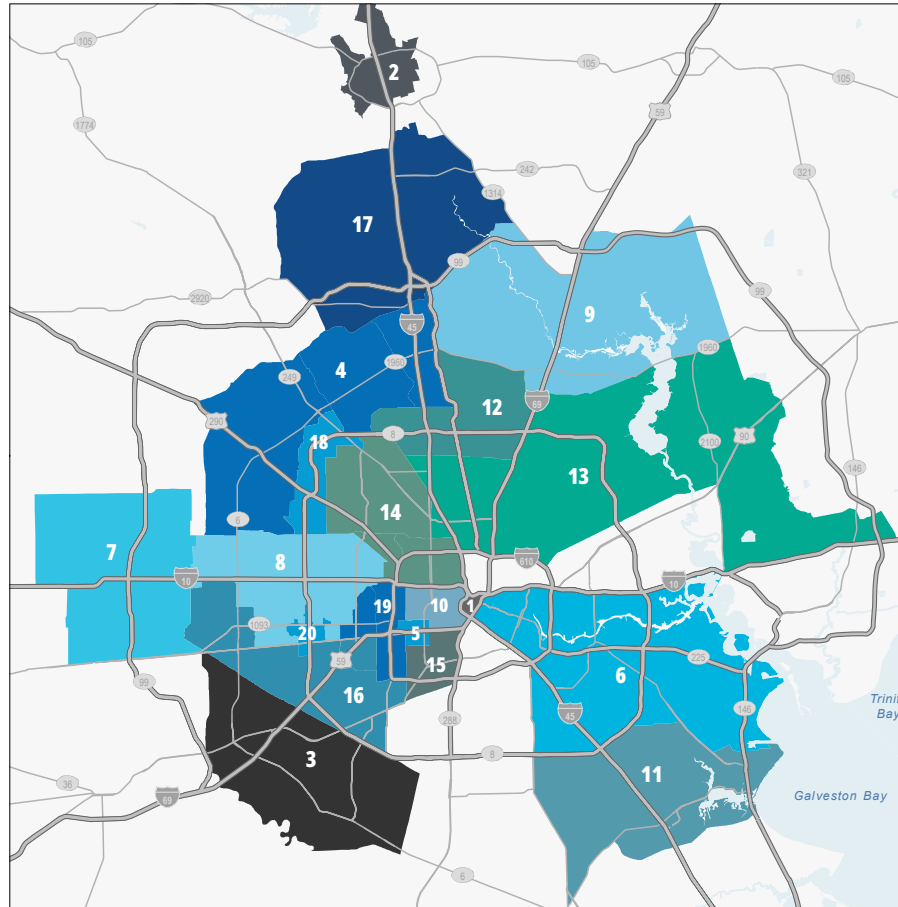
RESEARCH METHODOLOGY

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

FOR MORE INFORMATION

Robert Kramp

Vice President
Research & Investment Analytics
Robert.Kramp@transwestern.com
713.270.3346

Kelsey Meck

Analyst
Research & Investment Analytics
Kelsey.Meck@transwestern.com
713.272.1286

Harrison Owens

Analyst
Research & Investment Analytics
Harrison.Owens@transwestern.com
713.270.3338