TRANSWESTERN

HOUSTON INDUSTRIAL MARKET

Q3 2023

TRENDLINES

	Q3 2023	Q3 2022	ONE-YEAR TRAILING	FIVE-YEAR AVERAGE	12-MONTH FORECAST
UNEMPLOYMENT RATE (%)	4.7	4.4	↑	5.4	↑
NET ABSORPTION (MSF)	7.2	6.1	↑	6.1	↔
DIRECT VACANCY RATE (%)	5.3%	4.4%	↑	5.7%	↑
DIRECT VACANT AVAILABLE (MSF)	33.1	25.6	↑	33.6	↑
UNDER CONSTRUCTION (MSF)	21.4	25.2	↓	18.7	↓
ASKING RENT, NNN (PSF)	$0.71	$0.65	↑	$0.60	↑
SALES VOLUME (Millions)	$514	$302	↑	$546.0	↑

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.

DELIVERIES OUTPACE STARTS AS PIPELINE NARROWS OFF PEAK BY 30.6% TO 21.4M SF

Houston's industrial demand performed on par with prior quarters this period, coming in at a hefty 7.2 million square feet in net absorption. As expected, new space completions are bringing down the development pipeline. The industrial sector saw it subside this quarter by 30.6 percent to 21.4 million square feet after hitting its all-time high last year at just over 30.8 million. The metro's outlying submarkets on the north and south sides were the most active for leasing this quarter with the top three each registering growth of a million square feet or more. Conversely, Houston finished Q3 2023 with an overall direct vacancy of 5.3 percent, an increase of 50 basis points. New speculative deliveries inched up availability mainly amongst warehouse/distribution properties.

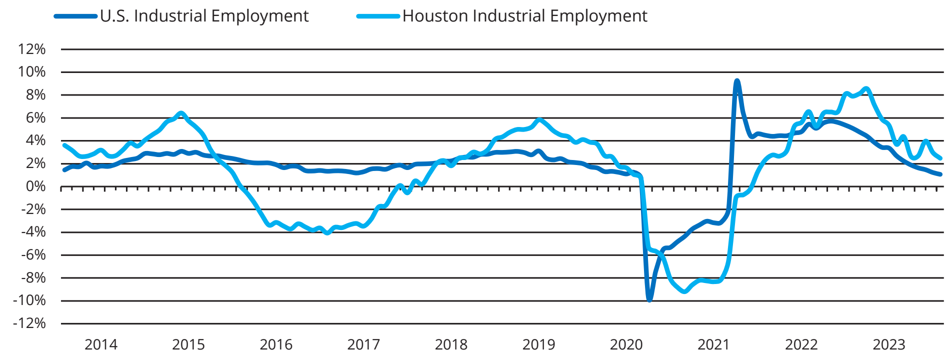
Area employment growth climbed marginally by 3,300 jobs in August, according to the Texas Workforce Commission (TWC). However, metro Houston has added 87,600 jobs in the last 12 months ending August 2023 with all major sectors but two experiencing job gains. Economic activity expanded at a modestly faster pace in the late summer months with all three of the underlying indicators with the strongest positive correlation to the local economy - sales/new orders, employment and lead times - pointing to modest or strong expansion.

ECONOMY

Late Summer Dips in Employment, Buoyant Energy Prices and Houston's New MSA Naming Highlight Q3 2023

- 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.

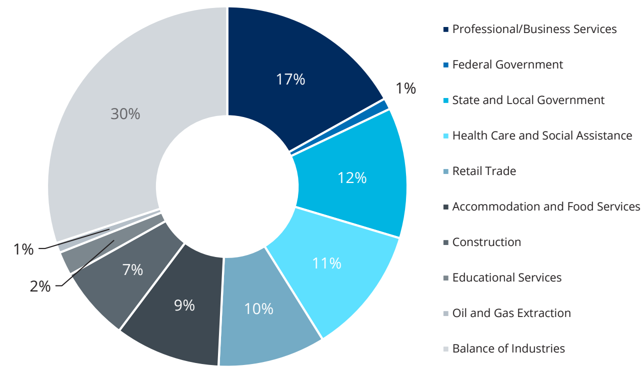
Y-O-Y CHANGE IN INDUSTRIAL JOBS



Source: Bureau of Labor Statistics, Transwestern

SHARE OF EMPLOYEES BY INDUSTRY

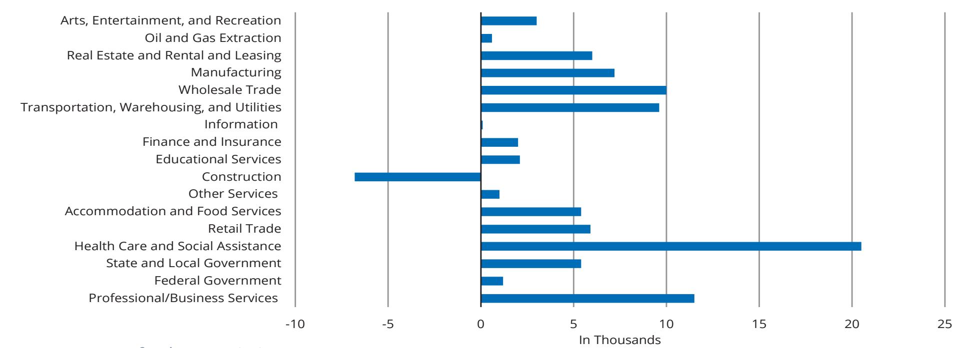
Houston | August 2023



Source: Bureau of Labor Statistics, Transwestern

Y-O-Y CHANGE IN JOBS BY INDUSTRY

Houston | August 2023



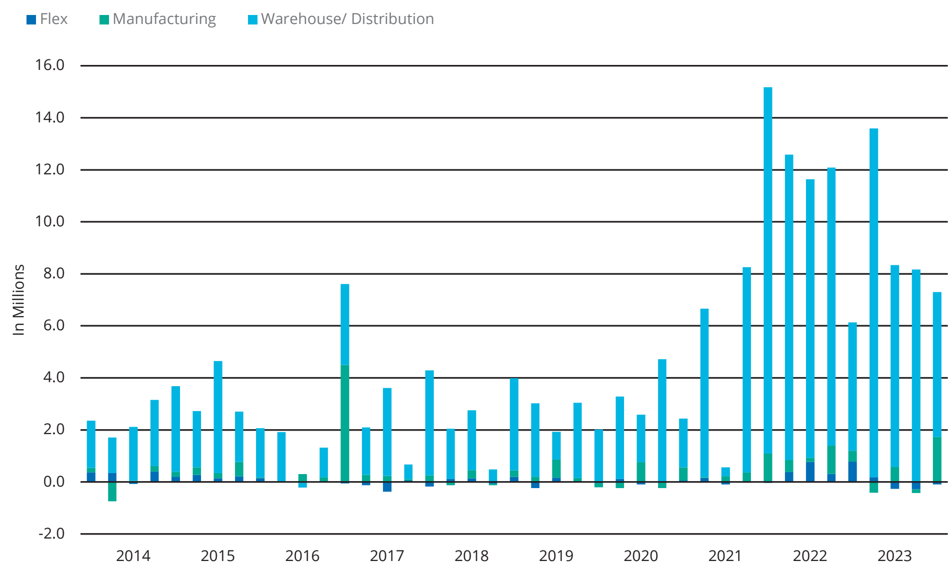
Source: Bureau of Labor Statistics, Transwestern

NET ABSORPTION

Occupiers Keep Demand on Par, Driven by Warehouse/Distribution Leasing in Three Submarkets

- Houston's industrial demand measured more than 7.2 million square feet of net absorption following similar amounts seen in both Q1 and Q2 when the results reached 8.1 million and 7.4 million, respectively. Warehouse/distribution took down a net total of 5.6 million square feet this quarter, while manufacturing space logged 1.7 million square feet. Flex/R&D space finished with slight net space givebacks of 95,000 square feet, mainly concentrated in the metro's downtown and near-north side areas.
- Three submarkets surpassed one million square feet in positive net absorption: North Far (1.9M SF), South Far (1.6M SF), and Northeast (1.4M SF). These three top performing submarkets accounted for just over 68.2 percent of all net demand during the period and currently hold just over half of the metro's construction pipeline currently underway.
- The largest reported transaction during the quarter came from Hotline Logistics, a logistics and supply chain company, signing a full-building lease at 9335 McKay Center Dr in a 209,592 square foot warehouse/ distribution building featuring a cross-dock configuration. The property is located on McKay Center Dr, adjacent to the PAM Health Rehabilitation Hospital in Humble, TX, in the North Far submarket.

NET ABSORPTION BY PRODUCT TYPE



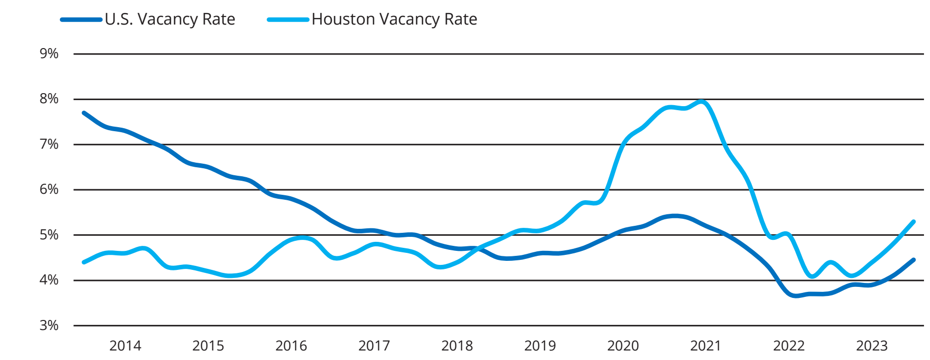
Source: CoStar, Transwestern

VACANCY

Rising Vacancy Tied to New Construction Mainly in Katy/Far West, Southwest Far, East-Southeast Far

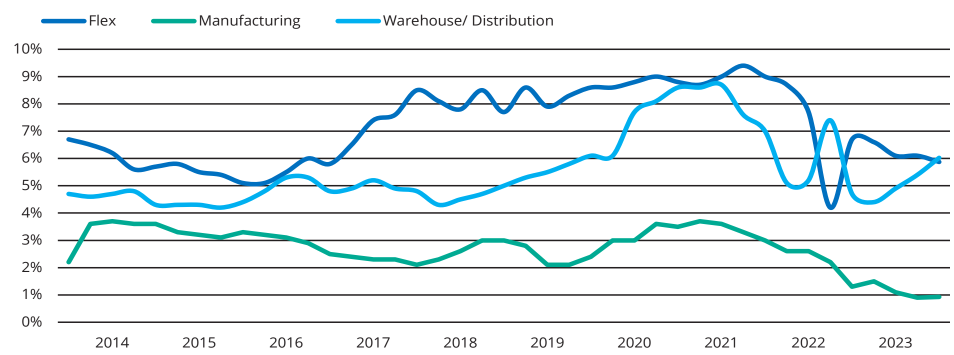
- Houston finished the quarter with an overall direct vacancy of 5.3 percent, increasing 50 basis points this period. New speculative deliveries with lower pre-lease commitments are driving up immediate metro availability mainly amongst warehouse/distribution properties.
- Four submarkets clocked in with tight vacancy below three percent: East-Southeast Near (0.7%), South Near (1.0%), Southwest Near (1.8%), and Sugar Land (2.7%). These four currently have under 450,000 square feet of new construction in the pipeline combined with an overall pre-lease commitment rate of 82.9 percent.
- On the flipside, elevated construction levels are linked to rising vacancy in a number of larger submarkets including Katy/Far West (11.3% direct vacancy, 2.6M SF under development), Southwest Far (7.7% direct vacancy, 1.7M SF under development), East-Southeast Far (7.7% direct vacancy, 4.4M SF under development), and Northwest Far (7.5% direct vacancy, 1.3M SF under development). The four submarkets currently have a combined pre-lease commitment of 17.1 percent.

OVERALL VACANCY RATE



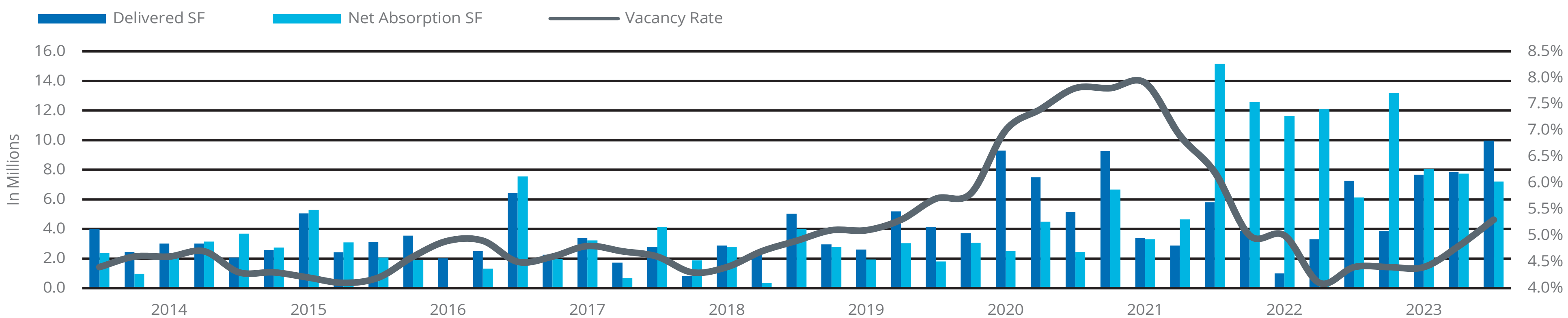
Source: CoStar, Transwestern

OVERALL VACANCY RATE BY PRODUCT TYPE



Source: CoStar, Transwestern

DELIVERY IMPACT ON KEY INDICATORS



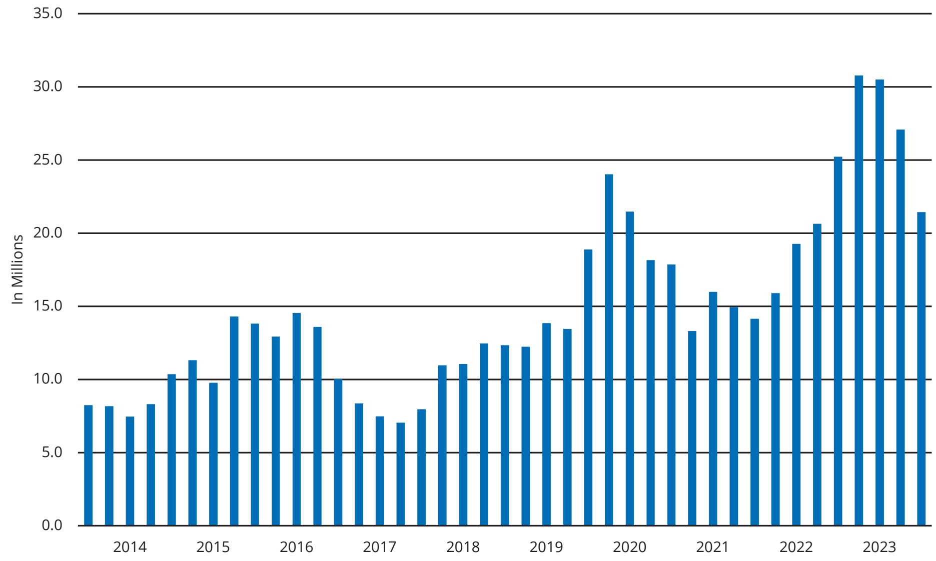
Source: CoStar, Transwestern

UNDER CONSTRUCTION

Deliveries Surpass Starts for Third Consecutive Quarter

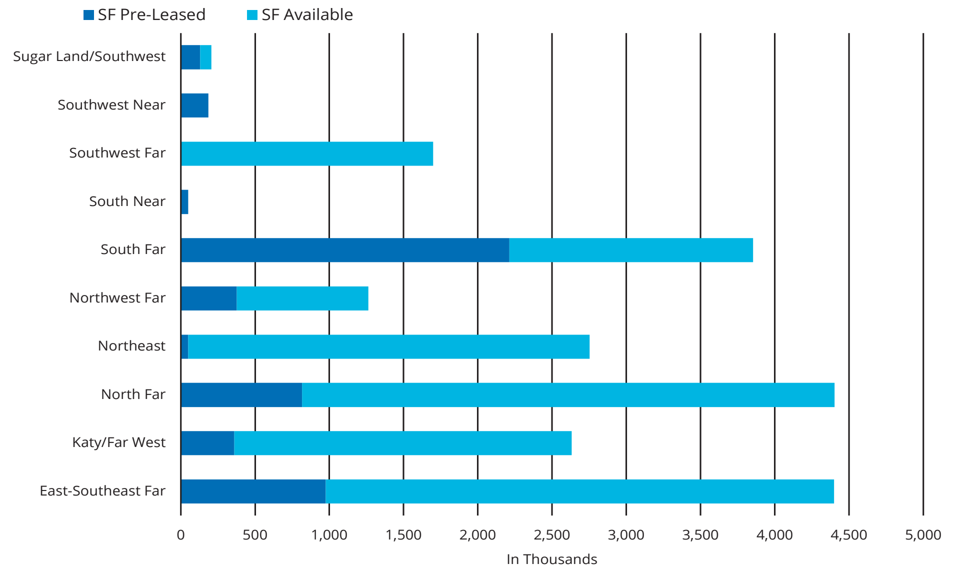
- Houston's industrial pipeline clocked in just over 21.4 million square feet this reporting period, decreasing nearly six million square feet quarter-over-quarter, but still maintaining its double-digit figure that began in 2018. Houston's construction level peaked with more than 30.0 million square feet underway at the end of 2022. New building deliveries outpaced starts by 6.8 million square feet this quarter with projects completed in ten submarkets for a total of 9.9 million.
- There were two recent notable deliveries with the largest being just over 1.2 million square feet and the second measuring just under 910,000 square feet. Trans-Global Solutions, Inc.'s TGS Cedar Port DC4, a 1.2 million square foot speculative warehouse/distribution center came online at 7505 Fisher Rd in the East-Southeast Far submarket with all space being marketed as available for lease. The second notable project to deliver was Lovett Commercial's Building 8 in the Interchange 249 Business Park, a 908,853 square foot warehouse/distribution center located in the Northwest Far submarket. The tailor-made facility for Macy's delivered fully occupied upon completion.
- Two large projects were announced during the quarter: Dallas-based Provident Realty Advisors, Inc.'s Port 99 Logistics – Bldg 1, a roughly 1.0 million square foot warehouse/distribution center at 16702 FM 2354 Rd in the East-Southeast Far submarket. The entire building is currently available for pre-lease and is estimated to deliver during the first half of 2024. The second major new project came from Houston-based Clay Development & Construction with their 767,520 square foot speculative, cross-dock, warehouse/distribution center at the corner of Enterprise Ctr and Discovery Hills Pkwy in the Katy/Far West submarket. The project is slated to deliver in the fourth quarter of 2024.

UNDER CONSTRUCTION



Source: CoStar, Transwestern

UNDER CONSTRUCTION BY SUBMARKET



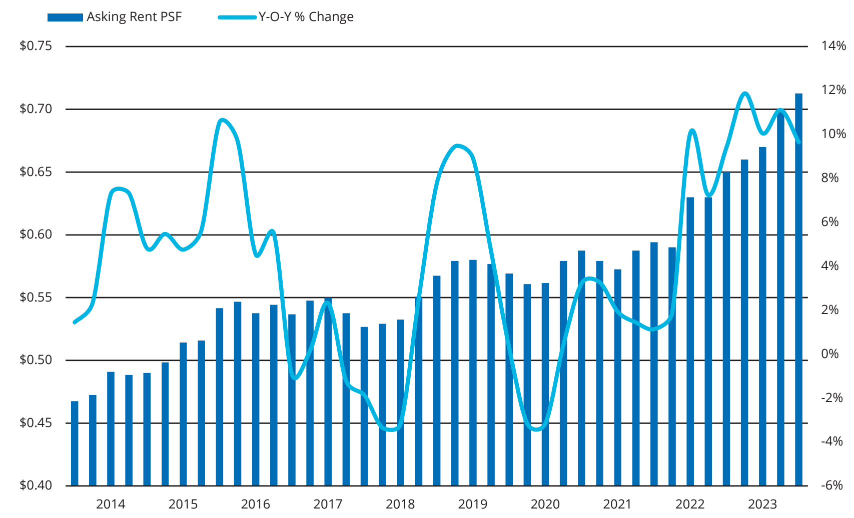
Source: CoStar, Transwestern

RENTAL RATES

Houston's Industrial Rents Outpace U.S. Average, Rising Again in Q3 2023

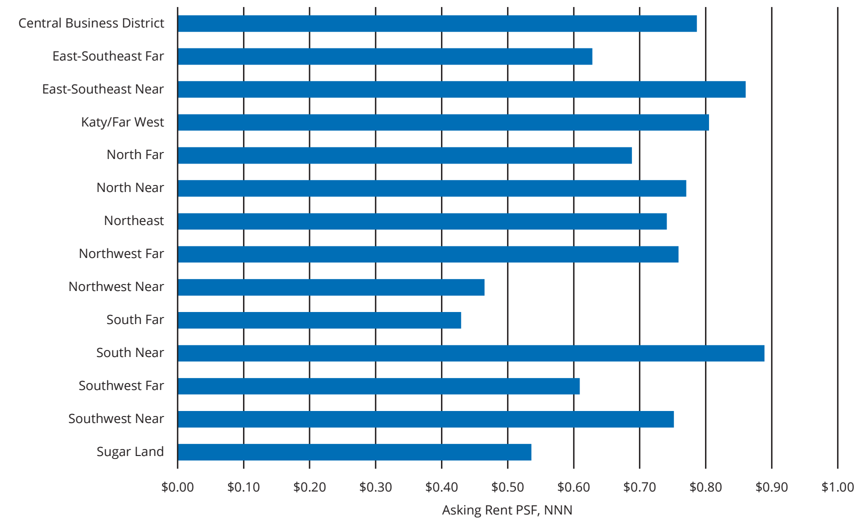
- Houston's overall triple-net industrial rents rose throughout the quarter with Flex/R&D, warehouse/distribution, and manufacturing space experiencing gains of 0.3 percent, 2.0 percent, and 3.3 percent, respectively.
- Flex/R&D buildings showed marginal improvement during the period with average asking rents reaching $0.92/MO NNN, or a 3.5 percent gain over the same period last year. Warehouse/distribution space asking rents ranked second in total net gains during the quarter with average asking rents climbing to $0.69/MO NNN. The average asking rent saw a solid improvement over last year with a year-over-year gain of 7.5 percent.
- Manufacturing space showed the greatest increase in average asking rents on both a quarterly and annual basis. As mentioned previously, manufacturing clocked in quarterly rent gains of 3.3 percent, bringing average asking rates to $0.72/MO NNN, or a significant 21.7 percent increase over asking rates in the third quarter of 2022.
- Throughout the year, notable rent gains were made with all three property subtypes, but the most substantial examples come from warehouse/distribution space. Northwest Near saw warehouse/distribution rise by $0.08/MO NNN PSF to $0.70/MO NNN, or 13.5 percent, while East-Southeast Far had its warehouse/distribution gain an additional $0.08/MO NNN to $1.20/MO NNN PSF, or 11.8 percent. Both Northwest Near and East-Southeast Far had new buildings come online; 238,300 square feet and 3,774,330 square feet, respectively.
- Seven of the 14 submarkets experienced at least a full percent expansion or more in overall asking rents during the quarter. Houston's metro industrial rents continue to outpace the national average by 1.3 percent. Houston's annual growth rate is 8.8 percent compared to 7.5 percent for the U.S., according to Yardi Matrix, a market and institutional research intelligence tool.

ASKING RENT



Source: CoStar, Transwestern

ASKING RENTS BY SUBMARKET



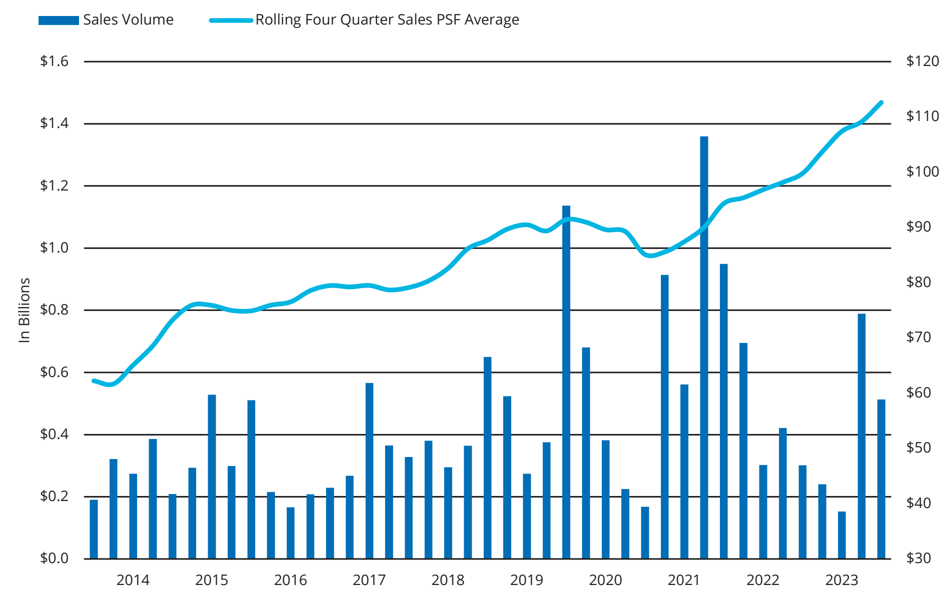
Source: CoStar, Transwestern

SALES

REITs, Foreign and Institutional Investors Net Buyers in Q3 2023, Net Sales Volume Totals $85.0M

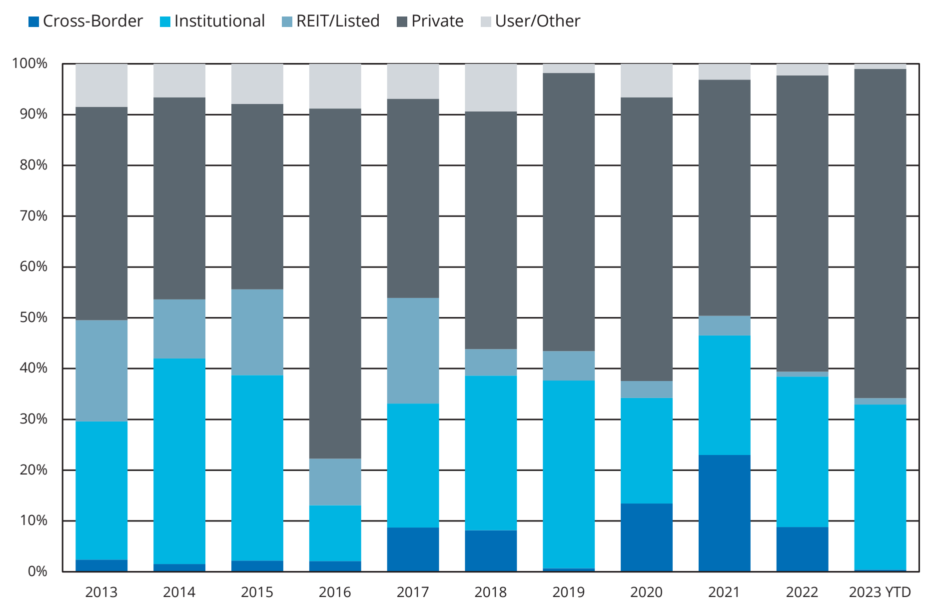
- Investors completed 18 property sales throughout Houston during the third quarter. This was a sharp reduction from the 45 trades completed in Q2 2023. Building acquisitions averaged $117 per square foot, up from $108 during the same period last year and increasing from $109 quarter-over-quarter.
- Foreign buyers, REITs, and institutional investors all registered as net purchasers this quarter with net acquisitions reaching $49.7 million, $20.8 million, $14.5 million, respectively. Foreign investors still recorded in the red for this year with a to-date net total of $51.7 million in sales. REITs inched into the black with recent acquisitions, bringing the group's portfolio to a net positive $17.6 million for the year. Institutional investors, like foreign investors, showed positive gains this quarter, but remain net sellers during 2023 with a net total of $43.7 million in depositions.
- The private sector clocked in as the only net seller for the quarter with a total of $140.5 million in sales. Private investors' portfolio remains on the buy side this year, though, with a total of $163.4 million in acquisitions.
- A noteworthy property trade announced during the quarter was completed by Chicago-based Nuveen, an international investment advisor and specialist company, acquiring Fairway North Logistics Park from Houston-based Lovett Commercial. The Class A warehouse/distribution campus measures an estimated 771,100 square feet and is in the North Far submarket at the corner of Rankin Rd and E Hardy Rd.
- Also announced during the quarter, Arizona-based CIRE Equity, a real estate investment firm, acquired Houston Produce Center in the South Near submarket. The Class B, rail-served, 392,472 square foot campus, featuring an office building and warehouse/distribution with dedicated cold-storage, is located as the corner Highway 90 and Produce Row.

SALES VOLUME



Source: Real Capital Analytics, Transwestern

BUYER CAPITAL COMPOSITION



Source: Real Capital Analytics, Transwestern

NOTABLE REPORTED LEASES

TENANT	ADDRESS	SUBMARKET	TYPE	SF LEASED
DISTRIBUTION ALTERNATIVES	30815 Kingsland Blvd.	Katy/Far West	New	855,610
PROACTIVE SUPPLY CHAIN	5803 Old Highway 146	East-Southeast Far	Expansion	227,300
HOTLINE LOGISTICS	9335 McKay Center Dr	North Far	New	209,592
G&C AUTOMOTIVE DISTRIBUTORS, INC.	1111-1113 Gillingham Ln	Sugar Land/Southwest	New	171,000
POWER ELECTRONICS	431 E Airtex Dr	North Far	New	166,922
PACKWELL	9770 New Century Dr	East-Southeast Far	Renewal	156,250
WEATHERFORD INTERNATIONAL	15450 Diplomatic Plaza Dr	North Far	New	125,120
LEGEND VALVE	13015 S Kirkwood Rd	Southwest Near	New	107,548
FAVORITE BRANDS	9010 W Little York Rd	Northwest Far	Renewal	91,200
STARWOOD GLOBAL LOGISTICS	10611 Red Bluff Rd	East-Southeast Far	New	80,080

= Transwestern transaction

SOURCE: Transwestern Research.

NOTABLE SALES

PROPERTY	SUBMARKET	BUILDING SF	BUYER	SELLER
FAIRWAY NORTH LOGISTICS PARK	North Far	771,100	Nuveen	Lovett Commercial
HOUSTON PRODUCE CENTER	South Near	392,472	CIRE Equity	Tavilla Market Associates LP
IDV FAIRBANKS - BUILDING 3	Northwest Far	287,470	Dalfen Industrial	Investment & Dev Ventures
10650 WEST AIRPORT BOULEVARD	Southwest Near	278,224	Meritex Stafford LLC	LIT Industrial LP
IDV FAIRBANKS - BUILDING 4	Northwest Far	221,719	Dalfen Industrial	Investment & Dev Ventures
15120 NORTHWEST FWY	Northwest Far	185,850	Adler Kawa	Blue Ridge Industrial

= Transwestern transaction

SOURCE: Transwestern Research.

WHY OUR METHODOLOGY IS THE BEST INDICATOR OF CURRENT MARKET CONDITIONS

We include owner occupied and single-tenant buildings in our inventory, vacancy and absorption statistics to capture more market activity than many of our competitors. This allows us to better correlate changes in the market with changes in employment. As single-tenant space does compete with multi-tenant space, we believe it is critical to understand all components of the market. The inclusion of single-tenant and owner-occupied space tends to yield lower vacancy rates and higher absorption totals than some of our competitors' results, but our coverage of the market is more comprehensive.

HOUSTON INDUSTRIAL MARKET INDICATORS

SUBMARKET	INVENTORY SF	DIRECT VACANT SF	DIRECT VACANCY RATE	OVERALL VACANCY RATE	UNDER CONSTRUCTION SF	NET ABSORPTION* SF	ROLLING 4-QTR ABSORPTION SF	ASKING RENT NNN, MONTHLY
CENTRAL BUSINESS DISTRICT								
FLEX/R&D	362,552	5,948	1.6%	1.6%	-	-	(18,000)	$1.50
MANUFACTURING	5,107,017	35,138	0.7%	0.7%	-	53,000	(205,000)	$0.65
WAREHOUSE/DISTRIBUTION	19,876,702	744,200	3.7%	4.8%	-	135,000	537,000	$0.49
TOTAL - CENTRAL BUSINESS DISTRICT	25,346,271	785,286	3.1%	3.9%	-	188,000	314,000	$0.54
EAST-SOUTHEAST FAR								
FLEX/R&D	1,820,668	156,506	8.6%	8.6%	-	3,000	55,000	$0.80
MANUFACTURING	7,564,993	76,784	1.0%	1.0%	725,000	(2,000)	92,000	-
WAREHOUSE/DISTRIBUTION	81,085,624	6,734,511	8.3%	8.8%	3,624,239	128,000	6,233,000	$0.75
TOTAL - EAST-SOUTHEAST FAR	90,471,285	6,967,801	7.7%	8.1%	4,349,239	129,000	6,380,000	$0.75
EAST-SOUTHEAST NEAR								
FLEX/R&D	361,108	-	-	-	-	-	3,000	-
MANUFACTURING	9,402,411	2,800	0.0%	-	-	14,000	(361,000)	$0.50
WAREHOUSE/DISTRIBUTION	22,057,800	205,119	0.9%	0.9%	-	560,000	3,100,000	$0.66
TOTAL - EAST-SOUTHEAST NEAR	31,821,319	207,919	0.7%	0.6%	-	574,000	2,742,000	$0.61
KATY/FAR WEST								
FLEX/R&D	1,404,703	136,675	9.7%	10.0%	-	47,000	180,000	$1.23
MANUFACTURING	1,193,593	23,500	2.0%	2.0%	-	(3,000)	39,000	$0.72
WAREHOUSE/DISTRIBUTION	32,997,505	3,859,686	11.7%	11.9%	2,631,325	832,000	4,845,000	$0.77
TOTAL - KATY/FAR WEST	35,595,801	4,019,861	11.3%	11.5%	2,631,325	876,000	5,064,000	$0.79

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

HOUSTON INDUSTRIAL MARKET INDICATORS

SUBMARKET	INVENTORY SF	DIRECT VACANT SF	DIRECT VACANCY RATE	OVERALL VACANCY RATE	UNDER CONSTRUCTION SF	NET ABSORPTION* SF	ROLLING 4-QTR ABSORPTION SF	ASKING RENT NNN, MONTHLY
NORTH FAR								
FLEX/R&D	8,348,197	372,302	4.5%	5.7%	175,994	38,000	273,000	$0.72
MANUFACTURING	11,190,556	-	-	-	-	30,000	223,000	$1.15
WAREHOUSE/DISTRIBUTION	73,611,452	4,447,527	6.0%	6.5%	2,876,982	1,887,000	4,213,000	$0.87
TOTAL - NORTH FAR	93,150,205	4,819,829	5.2%	5.6%	3,052,976	1,955,000	4,709,000	$0.89
NORTH NEAR								
FLEX/R&D	749,471	85,830	11.5%	11.5%	-	(156,000)	(187,000)	$0.68
MANUFACTURING	2,994,900	67,500	2.3%	2.3%	-	37,000	(62,000)	-
WAREHOUSE/DISTRIBUTION	16,923,620	817,824	4.8%	5.0%	-	12,000	758,000	$0.42
TOTAL - NORTH NEAR	20,667,991	971,154	4.7%	4.8%	-	(107,000)	509,000	$0.43
NORTHEAST								
FLEX/R&D	343,917	21,536	6.3%	6.3%	-	-	4,000	$0.67
MANUFACTURING	10,006,777	50,052	0.5%	0.5%	-	1,239,000	1,173,000	$0.35
WAREHOUSE/DISTRIBUTION	33,967,202	1,829,562	5.4%	5.4%	2,636,477	147,000	2,292,000	$0.50
TOTAL - NORTHEAST	44,317,896	1,901,150	4.3%	4.3%	2,636,477	1,386,000	3,469,000	$0.46
NORTHWEST FAR								
FLEX/R&D	3,327,949	246,409	7.4%	7.9%	51,890	37,000	(644,000)	$0.87
MANUFACTURING	16,065,006	205,679	1.3%	1.3%	-	347,000	501,000	$0.71
WAREHOUSE/DISTRIBUTION	62,264,463	5,692,484	9.1%	9.5%	1,210,741	-	3,792,000	$0.77
TOTAL - NORTHWEST FAR	81,657,418	6,144,572	7.5%	7.8%	1,262,631	384,000	3,649,000	$0.76

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

HOUSTON INDUSTRIAL MARKET INDICATORS

SUBMARKET	INVENTORY SF	DIRECT VACANT SF	DIRECT VACANCY RATE	OVERALL VACANCY RATE	UNDER CONSTRUCTION SF	NET ABSORPTION* SF	ROLLING 4-QTR ABSORPTION SF	ASKING RENT NNN, MONTHLY
NORTHWEST NEAR								
FLEX/R&D	9,440,244	625,263	6.6%	7.2%	-	(26,000)	(317,000)	$0.93
MANUFACTURING	8,928,384	210,570	2.4%	2.4%	-	(61,000)	176,000	$0.81
WAREHOUSE/DISTRIBUTION	60,145,751	2,021,747	3.4%	3.6%	-	(226,000)	(341,000)	$0.70
TOTAL - NORTHWEST NEAR	78,514,379	2,857,580	3.6%	3.9%	-	(313,000)	(482,000)	$0.74
SOUTH FAR								
FLEX/R&D	1,152,170	52,576	4.6%	4.6%	30,000	30,000	44,000	$1.24
MANUFACTURING	6,757,426	33,182	0.5%	1.6%	318,089	58,000	74,000	$0.61
WAREHOUSE/DISTRIBUTION	25,655,697	1,466,496	5.7%	6.0%	3,505,605	1,485,000	2,611,000	$0.79
TOTAL - SOUTH FAR	33,565,293	1,552,254	4.6%	5.1%	3,853,694	1,573,000	2,729,000	$0.77
SOUTH NEAR								
FLEX/R&D	869,831	68,152	7.8%	7.8%	-	(5,000)	(64,000)	$0.95
MANUFACTURING	1,645,954	-	-	-	-	72,000	61,000	$0.37
WAREHOUSE/DISTRIBUTION	7,623,552	38,300	0.5%	1.0%	50,000	18,000	(25,000)	$0.73
TOTAL - SOUTH NEAR	10,139,337	106,452	1.0%	1.4%	50,000	85,000	(28,000)	$0.69
SOUTHWEST FAR								
FLEX/R&D	1,781,324	82,039	4.6%	4.6%	-	(16,000)	73,000	$1.09
MANUFACTURING	1,900,693	-	-	-	-	1,000	71,000	$1.00
WAREHOUSE/DISTRIBUTION	15,261,578	1,376,995	9.0%	9.3%	1,699,071	274,000	1,682,000	$0.75
TOTAL - SOUTHWEST FAR	18,943,595	1,459,034	7.7%	7.9%	1,699,071	259,000	1,826,000	$0.80

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

HOUSTON INDUSTRIAL MARKET INDICATORS

SUBMARKET	INVENTORY SF	DIRECT VACANT SF	DIRECT VACANCY RATE	OVERALL VACANCY RATE	UNDER CONSTRUCTION SF	NET ABSORPTION* SF	ROLLING 4-QTR ABSORPTION SF	ASKING RENT NNN, MONTHLY
SOUTHWEST NEAR								
FLEX/R&D	5,393,621	243,424	4.5%	4.6%	35,000	(13,000)	43,000	$0.98
MANUFACTURING	3,047,568	107,608	3.5%	3.5%	-	(62,000)	(30,000)	-
WAREHOUSE/DISTRIBUTION	28,990,759	337,705	1.2%	1.4%	150,000	400,000	1,308,000	$0.84
TOTAL - SOUTHWEST NEAR	37,431,948	688,737	1.8%	2.0%	185,000	325,000	1,321,000	$0.86
SUGAR LAND								
FLEX/R&D	2,316,928	115,756	5.0%	5.8%	30,000	(34,000)	80,000	$1.03
MANUFACTURING	1,968,529	-	-	-	-	-	(5,000)	-
WAREHOUSE/DISTRIBUTION	18,914,722	503,405	2.7%	3.2%	175,080	(79,000)	158,000	$0.58
TOTAL - SUGAR LAND	23,200,179	619,161	2.7%	3.2%	205,080	(113,000)	233,000	$0.63
HOUSTON								
FLEX/R&D	37,672,683	2,212,416	5.9%	6.3%	322,884	(95,000)	(475,000)	$0.92
MANUFACTURING	87,773,807	812,813	0.9%	1.0%	1,043,089	1,723,000	1,747,000	$0.73
WAREHOUSE/DISTRIBUTION	499,376,427	30,075,561	6.0%	6.4%	20,074,720	5,573,000	31,163,000	$0.69
TOTAL - HOUSTON	**624,822,917**	**33,100,790**	**5.3%**	**5.6%**	**21,440,693**	**7,201,000**	**32,435,000**	**$0.71**

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

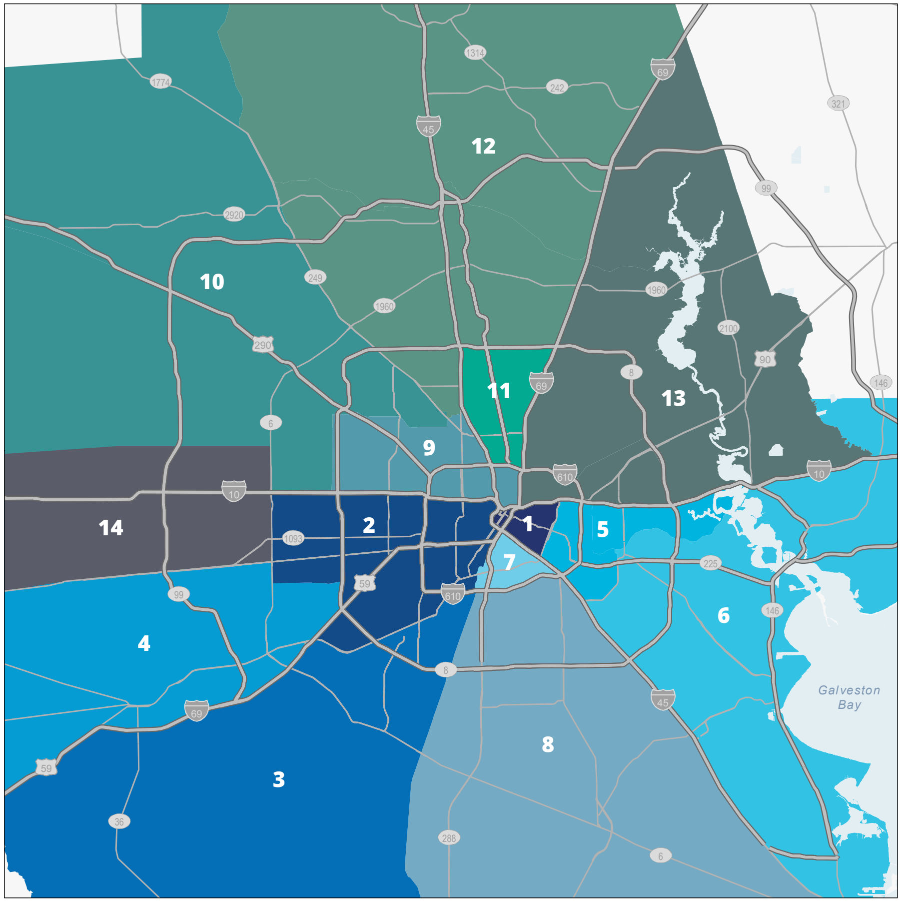
SOURCE Inventory and vacancy from analysis of CoStar data, net absorption computed by Transwestern
NOTE Includes buildings 25,000 SF RBA and greater, does not include buildings under construction or owned by the government

RESEARCH METHODOLOGY

The information in this report is the result of a compilation of information on office properties located in the Houston metropolitan area. This report includes Warehouse/distribution, Flex and Manufacturing properties 25,000 SF and larger and analyzes leasing, renewal, representative investment sales activity. 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.

ABOUT TRANSWESTERN

The privately held Transwestern companies have been delivering a higher level of personalized service and innovative real estate solutions since 1978. Through an integrated, customized approach that begins with good ideas, the firm drives value for clients across commercial real estate services, development, investment management, and opportunistic endeavors for high-net-worth investors. Operating from 33 U.S. offices, Transwestern extends its platform capabilities globally through strategic alliance partners whose unique geographic, cultural, and business expertise fuels creative solutions. Learn more at transwestern.com and @Transwestern.



Houston Industrial Submarkets

1 Houston CBD

Southwest
2 Southwest Near
3 Southwest Far
4 Sugar Land/Southwest

Southeast
5 East-Southeast Near
6 East-Southeast Far

South
7 South Near
8 South Far

Northwest
9 Northwest Near
10 Northwest Far

North
11 North Near
12 North Far

Northeast
13 Northeast

West
14 Katy/Far West

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