

HOUSTON OFFICE MARKET

Q4 2023



TRENDLINES

	Q4 2023	Q4 2022	ONE-YEAR TREND	FIVE-YEAR AVERAGE	12-MONTH FORECAST
UNEMPLOYMENT RATE (%)	4.5	3.9	↑	5.5	↔
NET ABSORPTION* (Thousands SF)	(205)	(156)	↓	(97.9)	↓
DIRECT VACANCY RATE (All Classes, All Space)	18.9%	20.3%	↓	18.7%	↑
DIRECT VACANT AVAILABLE (MSF)	45.9	48.8	↓	45.2	↑
UNDER CONSTRUCTION (MSF)	0.4	1.3	↓	2.3	↓
ASKING RENT, FULL SERVICE (PSF)	\$31.83	\$31.22	↑	\$31.38	↓
SALES VOLUME (Millions)	\$177.9	\$479	↓	\$412.2	↓

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.

WEST SIDE CONSTRUCTION DELIVERS IN Q4 2023; 1.5 MILLION SF TOTAL NET LEASING DURING YEAR

2023 End of Year House View

Houston's office sector concluded 2023 with the delivery of two properties in the growing Katy Fwy/Energy Corridor, adding over 355,000 square feet to the total inventory, leaving one property left in the development pipeline. Coming online were 9753 Katy Fwy, a 188,553 square foot building developed by MetroNational with a 94.7 percent pre-lease commitment and Moody Rambin's Town Centre Two, a 167,141 square foot property with a 63.5 percent pre-lease commitment. Closing out 2023's pipeline is Skanska USA's 1550 on the Green, a 386,323 square foot addition to Houston's CBD Skyline set to deliver in early 2024.

Houston's office sector posted negative net leasing of approximately 205,000 square feet this quarter but saw net gains of nearly 1.5 million square feet for 2023. Class B space registered a net loss of 313,594 square feet during Q4, while Class A space took down 164,382 square feet in gains. As a result, direct vacancy rose 20 basis points to 18.9 percent; however, total availability tightened slightly to 25.4 percent as the new properties delivered. Demand for first generation, prime construction remains strong as tenants continue to consolidate into higher quality spaces, a theme that will continue in Houston next year and beyond.



ECONOMY

Steady Job Growth, Lower Inflation and Local Economic Expansion Projected for 2024

- The Houston metro is coming off several years of record economic growth during the closing quarter of 2023. The expansion is expected to continue into 2024 but at a more measured pace, according to the employment forecast released in December by the Greater Houston Partnership (GHP). During the past 42 months, specifically between May 2020 and October 2023, the Houston region created 557,000 jobs, representing 16.4 percent of the nearly 3.4 million metro total and is on track to add another 57,600 during 2024, with all sectors seeing positive gains except construction, real estate, and finance insurance and information.
- Bank of America is projecting the U.S. will see interest rate cuts starting in the first half of next year and quarterly thereafter as inflation mitigates. Inflation tracked above 3.0 percent nationwide during 2023 but is anticipated to fall to 2.5 percent by December 2024.
- The GHP sees no U.S. or local recession in 2024, a prediction echoed by recent data from the Federal Reserve Bank of San Francisco and the Federal Reserve Bank of New York. Houston’s economic activity showed varied results in November, though, as non-manufacturing expanded at a faster pace and manufacturing slowed, according to the most recent Houston Purchasing Managers Index (PMI) prepared by the Institute for Supply Management – Houston. The overall PMI rose 2.1 points to 52.0 in November, up from 49.9 in October. Readings above 50 indicated overall economic expansion, with two of three underlying indicators having the strongest positive correlation with the Houston economy (sales/new orders and lead times) both pointing toward modest to strong economic growth in the near-term.

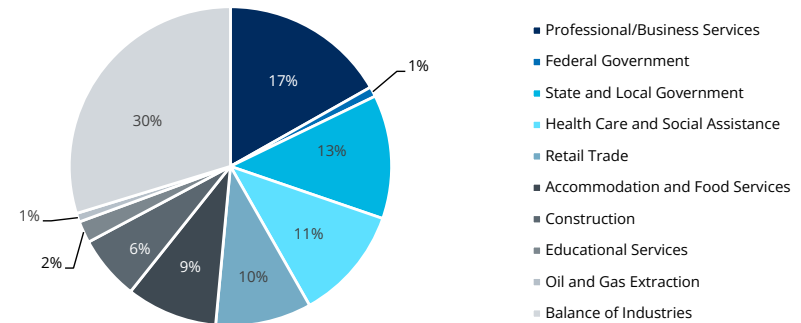
Y-O-Y CHANGE IN OFFICE JOBS



Source: Bureau of Labor Statistics, Transwestern

SHARE OF EMPLOYEES BY INDUSTRY

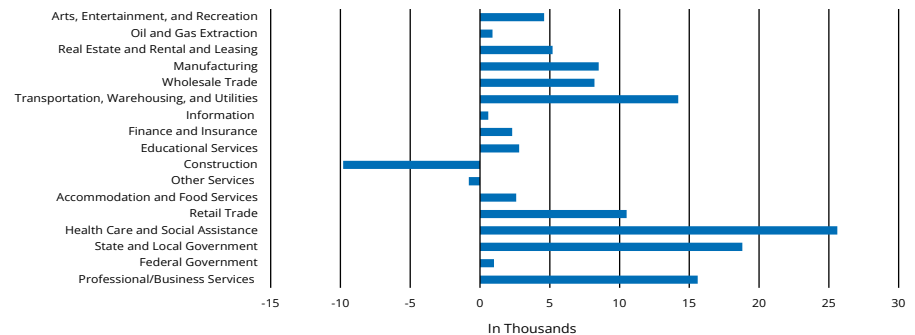
Houston | October 2023



Source: Bureau of Labor Statistics, Transwestern

SHARE OF EMPLOYEES BY INDUSTRY

Houston | October 2023



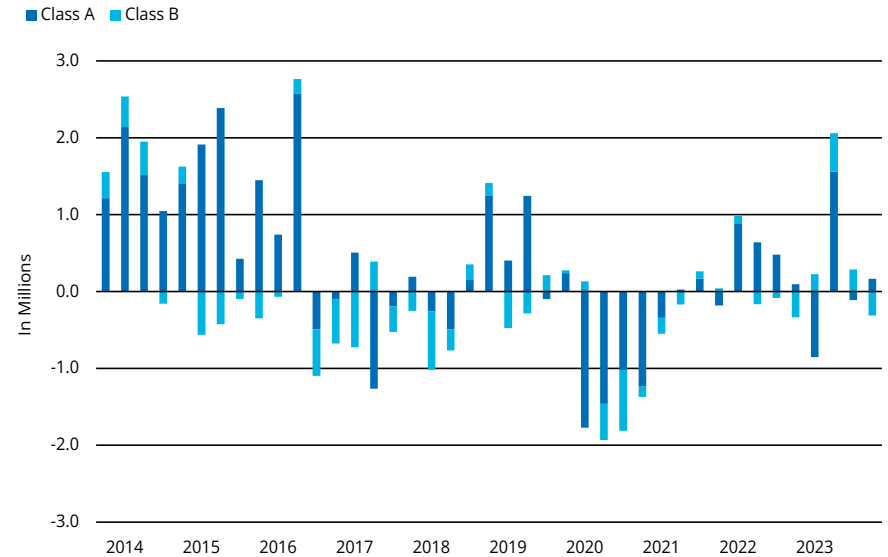
Source: Bureau of Labor Statistics, Transwestern

NET ABSORPTION & LEASING ACTIVITY

Large Move Outs and New Product Demand Contrast Major Submarkets

- Houston’s office sector posted an overall negative net absorption of 205,008 square feet but ended the year with positive net gains of 1,475,233 square feet as major, new lease engagements were signed, primarily in the Class A sector. The metro’s negative net growth this quarter, though, was led by Class B space which experienced a loss of nearly 315,000 square feet. Class A saw positive growth overall, taking down more than 160,000 square feet as the year drew to a close.
- Tenant activity in the CBD contributed largely to the metro’s negative net loss over the quarter with both Class A and Class B space experiencing losses totaling approximately 270,000 square feet. Maverick Natural Resources vacated 112,000 square feet in Heritage Plaza and WeWork vacated more than 85,000 square feet in 708 Main St after filing for bankruptcy in November. North Houston District also saw negative net growth clocking past 100,000 square feet as Baker Hughes vacated 17021 Aldine Westfield, moving their headquarters into the Katy Fwy/Energy Corridor submarket.
- On the other hand, Katy Fwy/Energy Corridor witnessed the largest net gain during the quarter and during the year overall at 412,455 square feet and 745,542 square feet, respectively. Two properties, 9753 Katy Fwy totaling 188,553 square feet and Town Centre Two totaling 167,141 square feet, with large pre-lease commitments of 94.7 percent and 63.5 percent respectively, delivered over the quarter taking down a total of 284,555 square feet upon their completion. The demand for first generation, prime new construction remains unmitigated and will characterize Houston’s growth next year and beyond.

NET ABSORPTION BY CLASS



Source: CoStar, Transwestern

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

- Four other submarkets produced positive net gains over 200,000 square feet in overall space during 2023: Southwest Freeway (513,731 SF), Midtown (404,002 SF), West Belt (218,570 SF), and South Main/Medical Center (208,363 SF). NASA/Clear Lake registered 368,204 square feet in net gains for Class B space, while two submarkets reached year-over-year net gains topping 500,000 square feet for Class A space: Katy Fwy/Energy Corridor (568,386 SF) and The Woodlands (505,969 SF).

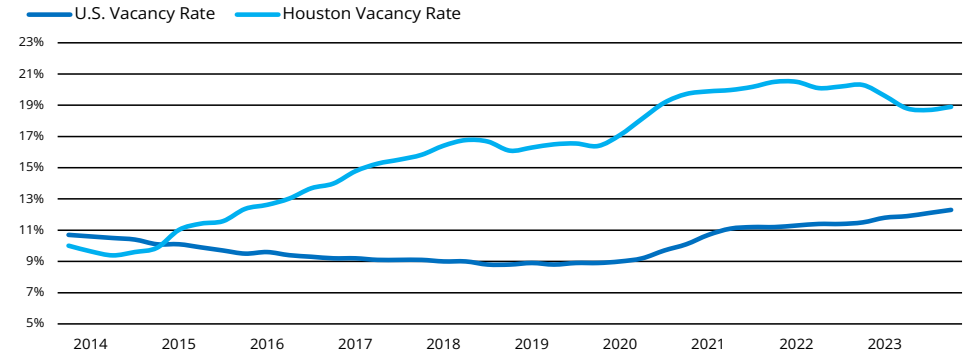


VACANCY & AVAILABILITY

Overall Availability Tightens by 10 Basis Points

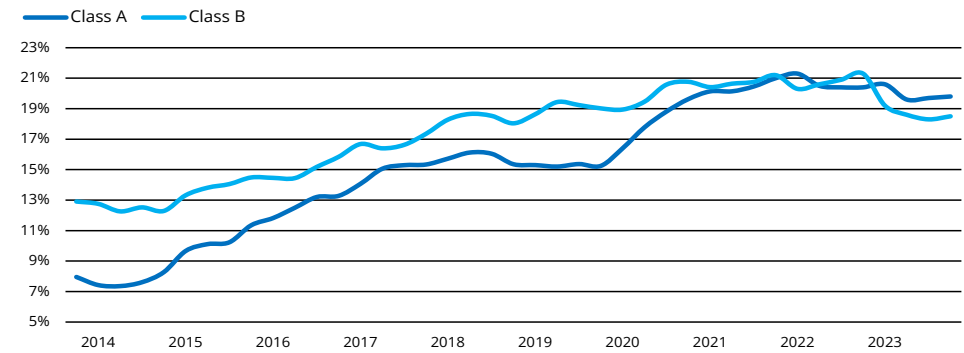
- Leasing activity remained slow for Houston’s office market in the final quarter of 2023. Overall competitive space actively marketed decreased by 10 basis points to 25.4 percent from 25.5 percent in Q3 2023. Class A space saw a decline in availability by 30 basis points to 27.5 percent as new lease activity took space offline. Class B inched up 20 basis points to 23.2 percent as tenants upgraded to competitive Class A product or tightened their space needs during renewals. Several blocks of available Class A and B space were withdrawn from the market across the metro. These include the submarkets of Katy Freeway West, Greenway Plaza and Westchase with the largest three.
- In Midtown, available Class A space increased by 2.6 percent to 15.1 percent, up from 12.5 percent last quarter as Marsh listed their space of 88,364 square feet in America Tower as available for sublease. Four submarkets saw available Class A space decline by one percent or more: E Fort Bend Co/ Sugarland (2.3%), Katy Far West (1.8%), North Houston District (1.0%), and Westchase (1.0%).
- Overall direct vacancy increased by 20 basis points to 18.9 percent. North Houston District experienced the greatest increase in direct vacancy measuring 40.6 percent, up two percent from 38.6 percent in Q3 2023, largely due to Baker Hughes vacating their former headquarters at 17021 Aldine Westfield Rd and Aggreko North America vacating 32,977 square feet at 15600 John F Kennedy Blvd.

OVERALL VACANCY RATE



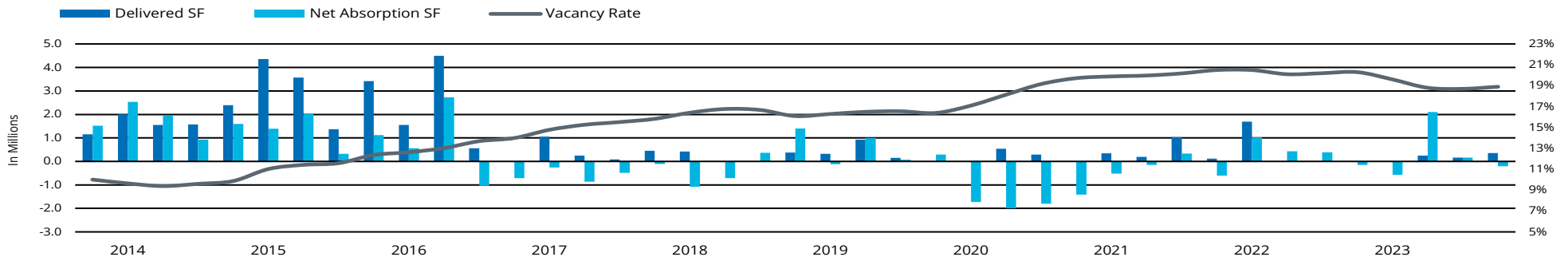
Source: CoStar, Transwestern

OVERALL VACANCY RATE BY CLASS



Source: CoStar, Transwestern

DELIVERY IMPACT ON KEY INDICATORS



Source: CoStar, Transwestern

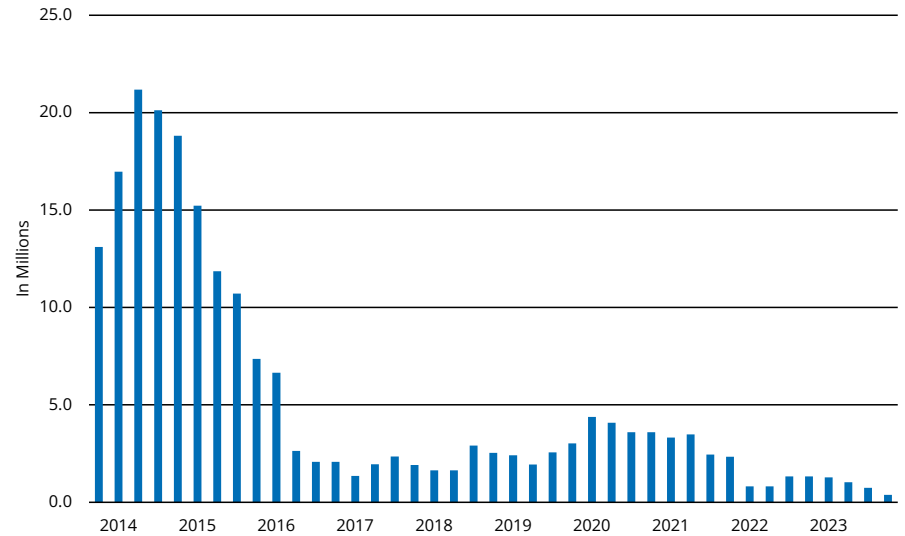


UNDER CONSTRUCTION

Two Deliveries in Q4, Suburban Construction Concludes, for Now

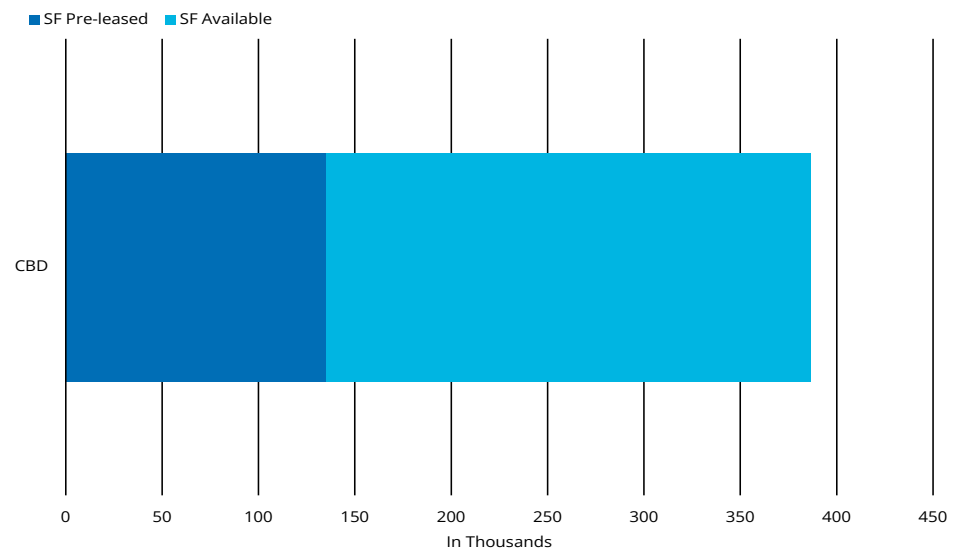
- Two office properties delivered this quarter, closing out 2023 with a combined 355,694 square feet of completed construction and 386,323 square feet of office product left in the pipeline.
- Both projects completed this quarter are in the Katy Fwy/Energy Corridor submarket. The first, 9753 Katy Fwy, is a 188,553 square foot MetroNational development that came online with a 94.7 percent pre-lease commitment. Callon Petroleum Co. signed a lease to occupy 107,171 square feet in the property and BW Energy has begun moving into their space of 67,815 square feet. The second project to complete this quarter, Town Centre Two, is an 8-story, 167,141 square foot building that came online with a 63.5 percent pre-lease commitment.
- For the first time in more than ten years, there are no suburban developments actively underway. There is one property left in the Houston metro wide pipeline located in the CBD: Skanska USA's 386,323 square foot CBD high-rise, 1550 on the Green, which is projected to be completed in Q1 2024, with a 35 percent pre-lease commitment by downtown law firm Norton Rose Fulbright.
- Two proposed projects are expected to break ground next year in the suburbs. The first is in Katy Fwy/Energy Corridor with construction on Midway's new 310,547 square foot CityCentre Six expected to start in March 2024. Next, during summer 2024, Southern Land Company is expected to start construction on a seven-story, 76,035 square foot office at 2811 Kirby in the Greenway Plaza submarket.

UNDER CONSTRUCTION



Source: CoStar, Transwestern

UNDER CONSTRUCTION BY SUBMARKET



Source: CoStar, Transwestern

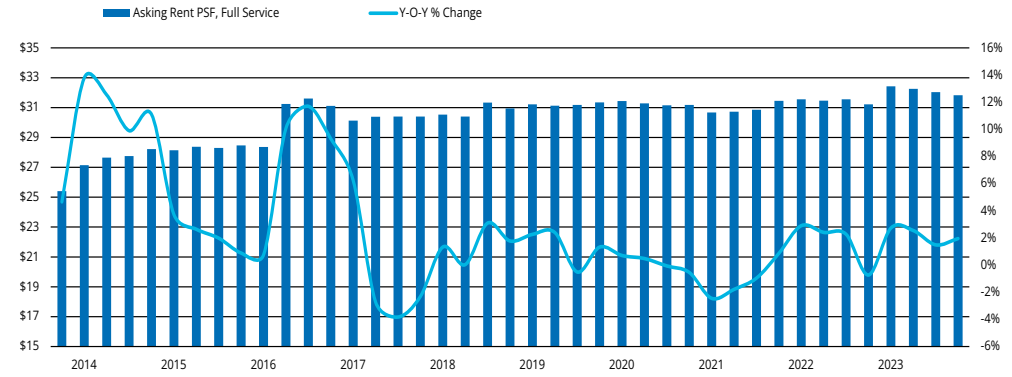


RENTAL RATES

Overall Asking Rates Continue to Soften but Top Tier Class A Rates Increase

- Full-service asking rents for both Class A & B decreased \$0.20 PSF/YR to \$31.94 PSF/YR over the quarter. Class B space experienced a 2.9 percent decrease in asking rents while Class A space saw rents increase by 1.2 percent over the same period. Interestingly, premier Class A buildings completed since 2010 have seen rates hold steady especially in the newest generation of buildings coming online in the past five years, mainly in Katy Fwy/Energy Corridor, the CBD and The Woodlands.
- FM 1960 experienced the largest decrease in Class A & B asking rents by 7.4 percent. Two other submarkets saw rents decline more than three percent: Katy Fwy/Energy Corridor (-3.9%) and Conroe (-3.4%). Conroe had the most significant drop in quoted asking rates for Class B space, decreasing by 16.7 percent over the quarter.
- Declines measured widely across the metro are largely attributed to recent shifts within the market as landlords are increasingly choosing to withhold from publishing a quoted asking rate, excluding the spaces from being weighted in the final quarterly statistic. This trend first began earlier this year and is likely to be sustained into 2024, especially in the Class B sector.

ASKING RENT



Source: CoStar, Transwestern

- NASA/Clear Lake and Northwest saw asking rates increase by more than 3 percent over the quarter by 3.4 percent and 3.2 percent, respectively.
- Quoted asking rates for Class A space increased by more than 1.5 percent in four submarkets: NASA/Clear Lake (2.2%), CBD (1.9%), South Main/Medical Center (1.9%), and Westchase (1.9%).

NOTABLE LEASES

TENANT	ADDRESS	SUBMARKET	TYPE	SF LEASED
LOCKWOOD ANDREWS & NEWMAN	3700 W Sam Houston Pky S	Westchase	New Lease	42,098
SOUTHWEST WATER COMPANY	2150 Town Square Pl	E Fort Bend Co/Sugar Land	New Lease	41,114
STEPHENS INSURANCE, INC.	9 Greenway Plz	Greenway Plaza	Renewal	35,454
KEYSTONE HOLDINGS	10900 Corporate Centre Dr	West Belt	New Lease	31,709
TAYLOR MORRISON	3250 Briarpark Dr	Westchase	New Lease	29,078
PILLSBURY WINTHROP	609 Main St	CBD	New Lease	28,337

= Transwestern transaction
Source: CoStar, Transwestern

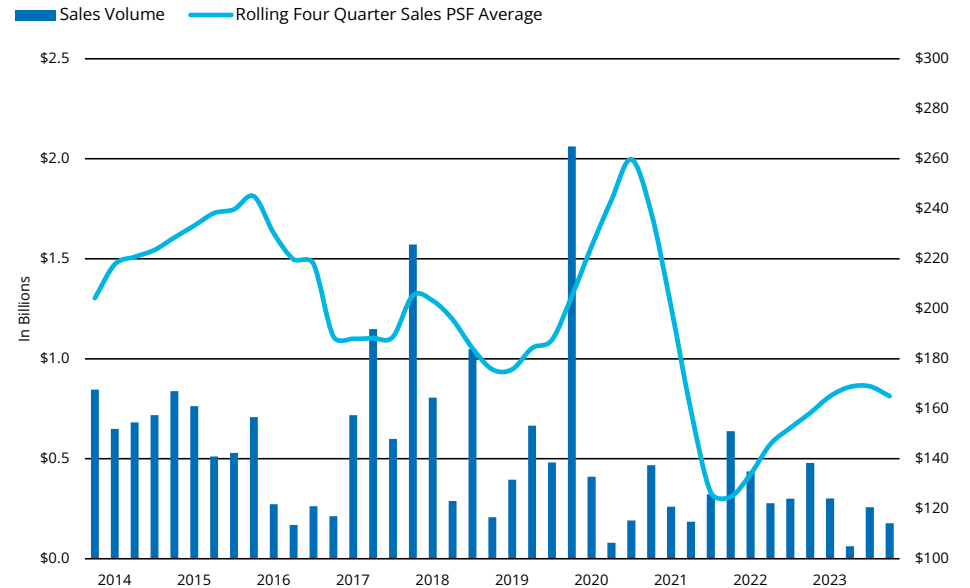


SALES

Net Sales Dominate 2023, Downtown Property Trade Announced Late December

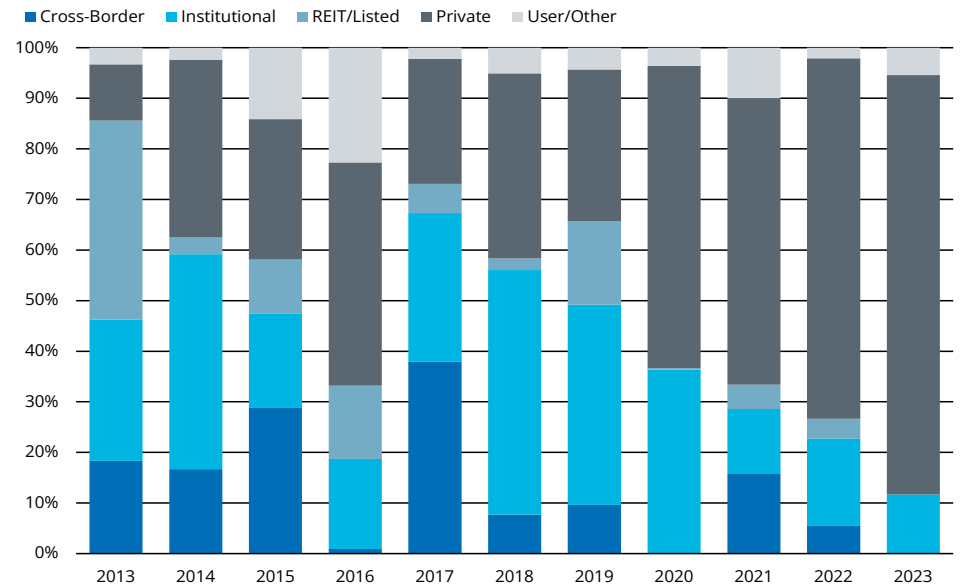
- Office buyers completed 12 property transactions during the fourth quarter with an average sales price of \$158 per square foot, a positive bump of \$7 quarter-over-quarter and a double-digit decrease of \$16 year-over-year, according to Real Capital Analytics.
- Private investors finished the quarter as the only investment group with net positive acquisitions, purchasing a net total of \$727.1 million during the final 90 days of 2023. This group rounded out their 2023 real estate portfolio with \$908.8 million in net acquisitions.
- International and institutional investors finished the quarter with net disposition outweighing net acquisitions. The international investor sector disposed a net total of \$677.2 million in assets over the quarter, which brings their overall holdings down to \$830.9 million for the year. Institutional investors' overall holdings remained somewhat tempered during the period with a net \$74.1 million in dispositions. Institutions wrapped up 2023 with a net total of \$100.4 million in dispositions.
- REITs showed no investment activity throughout the entire 2023 calendar year.
- A noteworthy property trade announced during the quarter, DeBartolo Development, a Tampa-based real estate development company, acquired Three WestLake Park, an approximate 420,000 square foot, Class A office building in the Katy Freeway/Energy Corridor submarket for undisclosed amount.
- Also announced during the quarter, Harris County's acquisition of 1010 Lamar St from California-based private equity firm, Younan Properties, Inc., in downtown Houston. The Class B, 20-story, 277,991 square foot high-rise is located in Houston's CBD and was purchased by Harris County to consolidate county offices, according to public agenda filings.

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	9,829,819	23.1%	30.3%	386,323	(254,344)	(88,132)	\$42.76
2. CONROE	867,484	26,615	3.1%	4.8%	-	(8,942)	15,584	\$27.33
3. E FORT BEND CO/SUGAR LAND	6,154,193	979,277	15.9%	19.6%	-	43,640	(25,101)	\$31.01
4. FM 1960	9,914,152	2,292,862	23.1%	37.3%	-	(15,818)	(444,722)	\$18.75
5. GREENWAY PLAZA	11,102,856	2,337,570	21.1%	25.6%	-	(19,236)	(199,892)	\$34.89
6. GULF FREEWAY/PASADENA	2,716,886	351,383	12.9%	15.0%	-	(15,660)	138,908	\$22.89
7. KATY FAR WEST	2,955,499	386,802	13.1%	21.1%	-	14,001	30,754	\$35.18
8. KATY FWY/ENERGY CORRIDOR	36,640,061	5,048,953	13.8%	21.3%	-	412,455	745,542	\$27.97
9. KINGWOOD/HUMBLE	1,347,269	52,962	3.9%	4.4%	-	(1,971)	1,231	\$20.00
10. MIDTOWN	5,359,352	492,781	9.2%	18.4%	-	28,262	404,002	\$33.37
11. NASA/CLEAR LAKE	12,669,479	5,148,655	40.6%	38.5%	-	(175,554)	74,299	\$26.53
12. NORTH HOUSTON DISTRICT	1,377,409	4,655	0.3%	0.4%	-	4,033	1,818	\$18.89
13. NORTHEAST	8,062,783	1,250,138	15.5%	19.1%	-	(85,695)	113,296	\$23.03
14. NORTHWEST	9,742,615	727,350	7.5%	10.2%	-	6,838	(20,782)	\$21.21
15. SOUTH MAIN/MEDICAL CENTER	9,868,319	1,480,652	7.3%	10.2%	-	(60,657)	208,363	\$25.45
16. SOUTHWEST FREEWAY	18,437,612	1,681,250	15.0%	24.6%	-	(6,358)	513,731	\$20.35
17. THE WOODLANDS	4,735,274	1,185,218	9.1%	14.5%	-	(86,511)	(88,291)	\$32.12
18. WEST BELT	35,014,365	7,973,932	25.0%	33.4%	-	15,206	218,570	\$28.04
19. WEST LOOP	17,029,499	3,872,344	22.8%	30.1%	-	(15,307)	(176,803)	\$33.66
20. WESTCHASE	17,029,499	3,817,633	22.7%	31.3%	-	39,404	(122,092)	\$28.80
HOUSTON TOTAL	242,672,915	45,903,355	18.9%	25.4%	386,323	(205,008)	1,475,233	\$31.94

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	234,059,339	45,310,357	19.4%	25.9%	386,323	(149,212)	1,458,930	\$31.94
CLASS A	148,165,899	29,384,874	19.8%	27.5%	386,323	164,382	761,129	\$36.58
CLASS B	85,893,440	15,925,483	18.5%	23.2%	-	(313,594)	697,801	\$23.63
1. CBD	42,325,114	9,829,819	23.2%	30.4%	386,323	(254,344)	(88,132)	\$42.76
CLASS A	34,679,844	7,724,925	22.3%	29.8%	386,323	(153,687)	152,008	\$45.25
CLASS B	7,645,270	2,104,894	27.5%	33.5%	-	(100,657)	(240,140)	\$33.24
2. CONROE	764,894	26,615	3.5%	5.5%	-	(8,942)	15,584	\$27.33
CLASS A	68,832	8,593	12.5%	12.5%	-	0	6,480	\$31.74
CLASS B	696,062	18,022	2.6%	4.8%	-	(8,942)	9,104	\$20.85
3. E FORT BEND CO/SUGAR LAND	6,154,193	979,277	15.9%	19.6%	-	43,640	(25,101)	\$31.01
CLASS A	4,004,393	708,056	17.7%	20.7%	-	24,080	33,512	\$34.23
CLASS B	2,149,800	271,221	12.6%	17.6%	-	19,560	(58,613)	\$24.46
4. FM 1960	9,650,498	2,288,464	23.7%	36.7%	-	(15,818)	(523,547)	\$18.75
CLASS A	4,676,509	1,225,616	26.2%	48.1%	-	4,874	(553,149)	\$24.12
CLASS B	4,973,989	1,062,848	21.4%	25.9%	-	(20,692)	29,602	\$16.43
5. GREENWAY PLAZA	10,962,559	2,328,821	21.2%	25.8%	-	(20,538)	(200,443)	\$34.89
CLASS A	7,585,438	1,735,855	22.9%	28.0%	-	4,400	(205,135)	\$36.40
CLASS B	3,377,121	592,966	17.6%	21.0%	-	(24,938)	4,692	\$30.02

*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	234,059,339	45,310,357	19.4%	25.9%	386,323	(149,212)	1,458,930	\$31.94
CLASS A	148,165,899	29,384,874	19.8%	27.5%	386,323	164,382	761,129	\$36.58
CLASS B	85,893,440	15,925,483	18.5%	23.2%	-	(313,594)	697,801	\$23.63
6. GULF FREEWAY/PASADENA	2,325,416	268,001	11.5%	13.8%	-	(12,916)	158,213	\$22.89
CLASS A	175,000	82,978	47.4%	47.4%	-	0	92,022	-
CLASS B	2,150,416	185,023	8.6%	11.1%	-	(12,916)	66,191	\$22.89
7. KATY FAR WEST	2,836,237	386,802	13.6%	21.9%	-	14,001	30,754	\$35.18
CLASS A	1,837,278	383,094	20.9%	32.3%	-	15,769	23,247	\$35.29
CLASS B	998,959	3,708	0.4%	2.9%	-	(1,768)	7,507	\$28.00
8. KATY FWY/ENERGY CORRIDOR	35,512,357	4,993,614	14.1%	21.8%	-	416,762	734,526	\$27.97
CLASS A	25,074,337	3,037,595	12.1%	20.2%	-	358,819	568,386	\$31.91
CLASS B	10,438,020	1,956,019	18.7%	25.6%	-	57,943	166,140	\$23.99
9. KINGWOOD/HUMBLE	1,347,269	52,962	3.9%	4.4%	-	(1,971)	1,231	\$20.00
CLASS A	514,236	0	0.0%	1.2%	-	0	1,441	-
CLASS B	833,033	52,962	6.4%	6.4%	-	(1,971)	(210)	\$20.00
10. MIDTOWN	6,011,642	780,137	13.0%	17.6%	-	14,714	52,858	\$33.37
CLASS A	3,064,955	270,068	8.8%	15.1%	-	(1,462)	144,138	\$37.69
CLASS B	2,946,687	510,069	17.3%	20.1%	-	16,176	(91,280)	\$30.58

*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 A	148,165,899	29,384,874	19.8%	27.5%	386,323	164,382	761,129	\$36.58
CLASS B	85,893,440	15,925,483	18.5%	23.2%	-	(313,594)	697,801	\$23.63
11. NASA/CLEAR LAKE	5,299,427	492,781	9.3%	18.6%	-	28,262	404,002	\$26.53
CLASS A	2,291,321	272,614	11.9%	20.5%	-	21,054	35,798	\$27.93
CLASS B	3,008,106	220,167	7.3%	17.1%	-	7,208	368,204	\$20.38
12. NORTH HOUSTON DISTRICT	11,579,802	4,999,823	43.2%	40.5%	-	(142,180)	107,730	\$18.89
CLASS A	5,704,243	2,946,867	51.7%	46.8%	-	(29,645)	24,281	\$20.82
CLASS B	5,875,559	2,052,956	34.9%	34.5%	-	(112,535)	83,449	\$16.25
13. NORTHEAST	1,198,031	4,655	0.4%	0.5%	-	612	(1,603)	\$23.03
CLASS A	642,223	2,725	0.4%	0.7%	-	0	(2,725)	-
CLASS B	555,808	1,930	0.3%	0.3%	-	612	1,122	\$23.03
14. NORTHWEST	7,696,317	1,237,395	16.1%	19.2%	-	(85,695)	115,979	\$21.21
CLASS A	2,046,352	450,777	22.0%	28.8%	-	(7,813)	86,163	\$24.42
CLASS B	5,649,965	786,618	13.9%	15.7%	-	(77,882)	29,816	\$19.16
15. SOUTH MAIN/MEDICAL CENTER	8,247,570	699,193	8.5%	11.6%	-	6,838	(22,432)	\$24.45
CLASS A	4,130,334	451,580	10.9%	15.3%	-	(20,337)	(95,196)	\$27.63
CLASS B	4,117,236	247,613	6.0%	7.9%	-	27,175	72,764	\$22.51

*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	234,059,339	45,310,357	19.4%	25.9%	386,323	(149,212)	1,458,930	\$31.94
CLASS A	148,165,899	29,384,874	19.8%	27.5%	386,323	164,382	761,129	\$36.58
CLASS B	85,893,440	15,925,483	18.5%	23.2%	-	(313,594)	697,801	\$23.63
16. SOUTHWEST FREEWAY	8,467,530	1,359,876	16.1%	27.0%	-	(45,415)	224,156	\$20.35
CLASS A	2,065,157	477,310	23.1%	31.3%	-	(566)	88,458	\$23.18
CLASS B	6,402,373	882,566	13.8%	25.6%	-	(44,849)	135,698	\$18.37
17. THE WOODLANDS	18,187,108	1,681,250	9.2%	14.7%	-	(6,358)	513,731	\$32.12
CLASS A	14,643,143	1,153,417	7.9%	13.9%	-	41,859	505,969	\$34.76
CLASS B	3,543,965	527,833	14.9%	18.1%	-	(48,217)	7,762	\$28.14
18. WEST BELT	4,735,274	1,185,218	25.0%	33.4%	-	(86,511)	(88,291)	\$28.04
CLASS A	3,495,407	910,780	26.1%	34.2%	-	(73,866)	(171,015)	\$30.55
CLASS B	1,239,867	274,438	22.1%	31.2%	-	(12,645)	82,724	\$23.33
19. WEST LOOP	34,156,153	7,843,310	23.0%	30.5%	-	21,954	228,342	\$33.66
CLASS A	21,447,795	5,372,617	25.0%	34.9%	-	(17,348)	141,253	\$36.36
CLASS B	12,708,358	2,470,693	19.4%	23.0%	-	39,302	87,089	\$26.26
20. WESTCHASE	16,601,948	3,872,344	23.3%	32.1%	-	(15,307)	(178,627)	\$28.80
CLASS A	10,019,102	2,169,407	21.7%	32.6%	-	(1,749)	(114,807)	\$34.50
CLASS B	6,582,846	1,702,937	25.9%	31.4%	-	(13,558)	(63,820)	\$20.17

*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



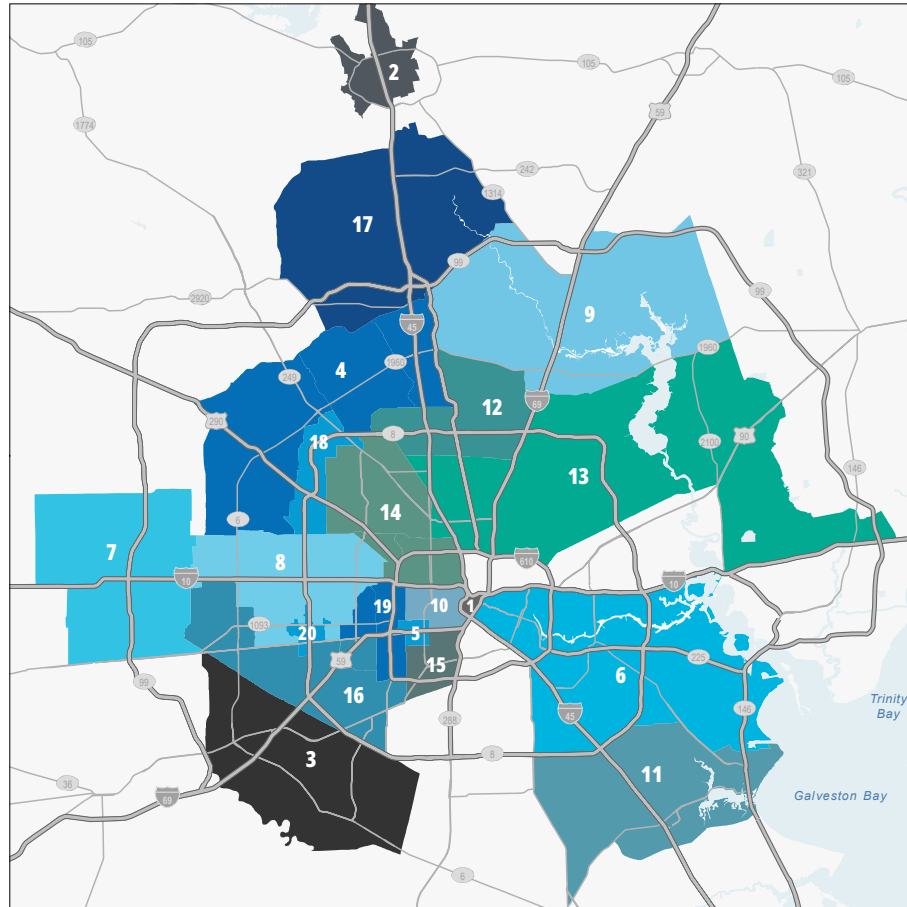
RESEARCH METHODOLOGY

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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