TRANSWESTERN

HOUSTON INDUSTRIAL MARKET

Q2 2024

TRENDLINES

	Q2 2024	Q2 2023	ONE-YEAR TRAILING	FIVE-YEAR AVERAGE	12-MONTH FORECAST
UNEMPLOYMENT RATE	4.2%	4.2%	↔	5.5%	↓
NET ABSORPTION (MSF)	4.7	7.7	↓	7.0	↔
DIRECT VACANCY RATE	6.2%	4.8%	↑	5.8%	↑
TOTAL AVAILABILITY RATE	9.5%	11.0%	↓	10.2%	↑
UNDER CONSTRUCTION (MSF)	11.2	27.1	↓	19.1	↓
ASKING RENT, NNN (PSF)	$0.72	$0.70	↑	$0.63	↑
SALES VOLUME (Millions)	$483.7	$788.9	↓	$531.0	↔

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.

NEW DELIVERIES TOTAL 7.1M SF; METROWIDE LEASING HITS 4.7M SF AT MIDYEAR

Q2 2024 House View

Houston's industrial market measured a total of 4.7 million square feet of new leasing this quarter with all property subtypes hitting net positive gains and geographically spread throughout the region. The North Far and Southwest Far comprised the lion's share accounting for nearly 62.5 percent of all net demand augmented by major lease announcements that surpassed 1.0 million square feet. The combined results led to overall marketed space tightening during the 90-day period dipping by 50 basis points to 9.5 percent.

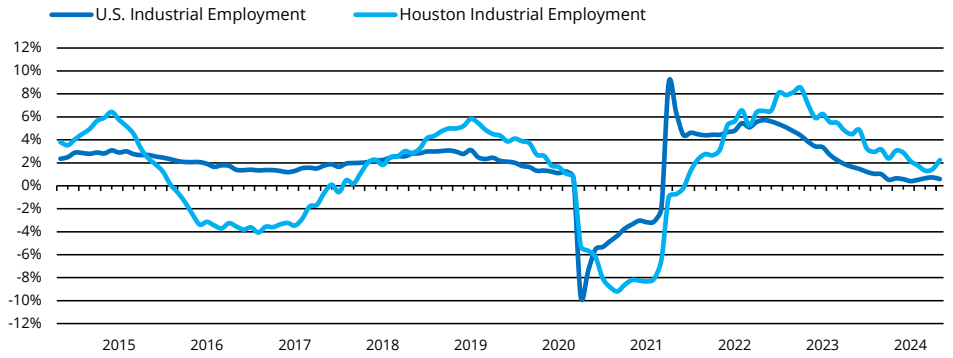
Houston's overall construction level reached 11.2 million square feet at the end of the quarter, down by a million square feet, or 9.4 percent, over Q1 2024, and will continue to contract as projects deliver, elevated interest rates, construction costs and land prices are keeping a lid on new starts. This marks the sixth consecutive quarter of reduced new development. Direct vacancy increased 40 basis points to 6.2 percent during Q2 as recently delivered speculative projects with low pre-lease commitments account for a sizeable portion of Houston's new vacancy level. Consequently, 7.1 million square feet was delivered this quarter while another 7.0 million is forecasted to be completed by the end of the year.

ECONOMY

Employment and Population Post Strong Gains. Summer Travel Season Starts as Passenger Counts Rise Along with Auto Sales

- In recent data, the U.S. Bureau of Labor Statistics reported that Houston MSA's total nonfarm payroll employment topped more than 3,452,600 full-time workers, equating to an annual job growth of 2.3 percent from in the past year since May 2023. Over the last 12 months, the metro has created 81,700 new jobs and approximately 86,000 Houstonians joined the workforce.
- The 10-county Houston metro area added more than 265,000 new residents since 2021, the second largest gain in the U.S. according to 2023 estimates provided by the Census Bureau early this summer. Two-thirds of the growth occurred in the outlying suburbs beyond Harris County.
- Houston's economy expanded at a slightly faster pace in June than May and April, according to the most recent Houston Purchasing Managers Index (PMI) prepared by the Institute for Supply Management-Houston. The overall PMI rose 0.6 points to 51.7 in June over May and is up from 50.5 in March. (Readings above 50 indicate overall expansion in Houston's economy.) The manufacturing PMI rose from 46.6 to 50.1 and is expanding again after contracting for three consecutive months.
- As the summer travel season kicks off, the Houston Airport System (HAS) stated it handled 61.4 million passengers in the 12 months ending May, a surge of 7.3 percent from 57.2 million handled over the comparable period last year. Also hitting the road, Houston-area dealers sold more than 345,000 cars, trucks, and SUVs in the last year ending in May, a 1.5 percent increase, according to TexAutoFacts, published by InfoNation, Inc. Car sales rose 1.2 percent and truck and SUV sales 1.6 percent with trucks and SUVs accounting for nearly 80 percent of all new vehicles sold.

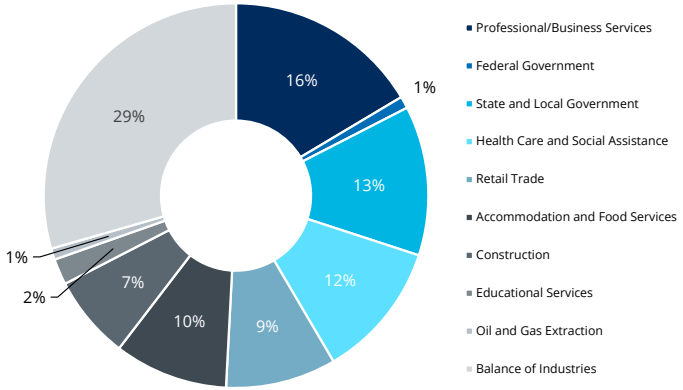
Y-O-Y CHANGE IN INDUSTRIAL JOBS



Source: Bureau of Labor Statistics, Transwestern

SHARE OF EMPLOYEES BY INDUSTRY

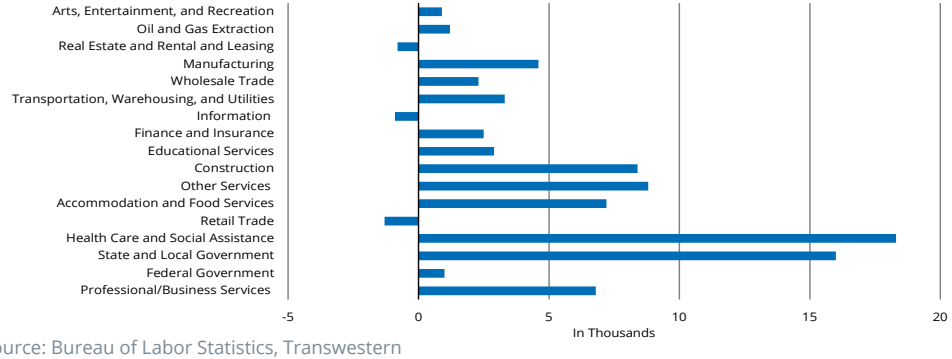
Houston | May 2024



Source: Bureau of Labor Statistics, Transwestern

Y-O-Y CHANGE IN JOBS BY INDUSTRY

Houston | May 2024



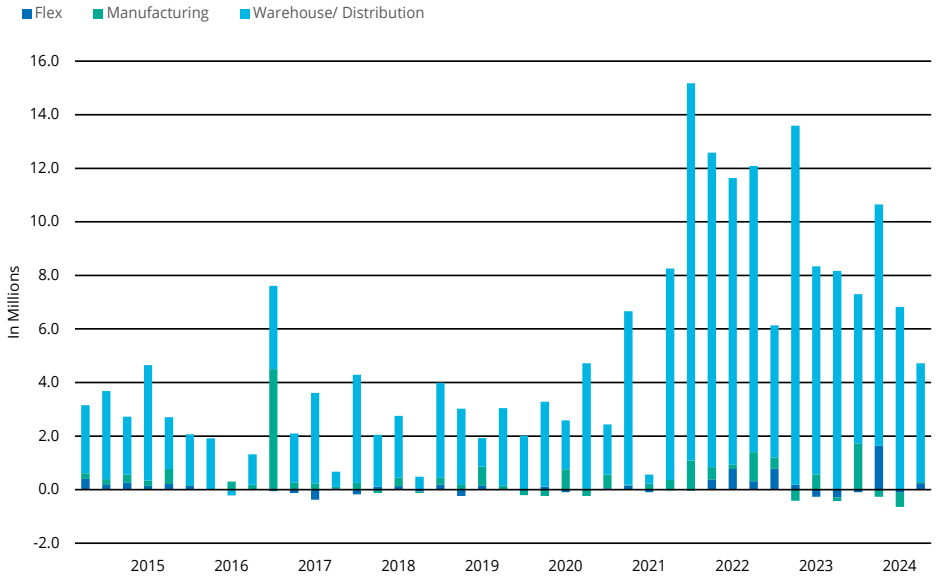
Source: Bureau of Labor Statistics, Transwestern

NET ABSORPTION

Net Demand Exceeds 4.7 Million Square Feet With All Property Subtypes Posting Growth

- Houston's industrial demand came in at more than 4.7 million square feet of net absorption, down by 1.4 million square feet quarter-over-quarter and 3.0 million square feet year-over-year as expected construction deliveries are tapering. The 90-day period was led by warehouse/distribution transactions taking down a net total of 4.4 million square feet. Flex/R&D and manufacturing experienced positive net absorption during the quarter with the subtypes hitting 246,000 square feet and 34,000 square feet, respectively.
- Two submarkets surpassed more than a million square feet in positive net absorption: North Far (1.7M SF) and Southwest Far (1.2M SF). These two submarkets accounted for 62.5 percent of all net demand during this quarter. In addition, the Southwest Far submarket was home to one of the largest leases of the quarter, eFulfill, Inc., the logistics arm of OEM and ODM office furniture, signing a full-building lease at Post Oak Logistics Park – Building B, a cross-dock, 368,099 square foot warehouse/distribution building located at 12631 Main St.
- Another substantial transaction during the quarter was Integra Mission Critical, a software-based company, signing for a 10-year term, full-building sublease at Presidents Park – Building 4, a 1.2 million square foot, cross-dock, warehouse/distribution facility in the North Far submarket. The facility is located at 1550 Milner Rd and was the planned home to Wayfair, a home goods and furniture retailer but was listed as available for sublease before the building completed in 2023.
- Another notable lease announced during the quarter came from PGS USA, a logistics operator, signing a 372,090 square foot, renewal at BDS Warehouse Bldg 2, a cross-dock, warehouse/distribution center in the East-Southeast Far submarket. The class A facility is a part of the Independence Logistics Park and is located at the corner of Pike Ct and Old Underwood Rd.

NET ABSORPTION BY PRODUCT TYPE



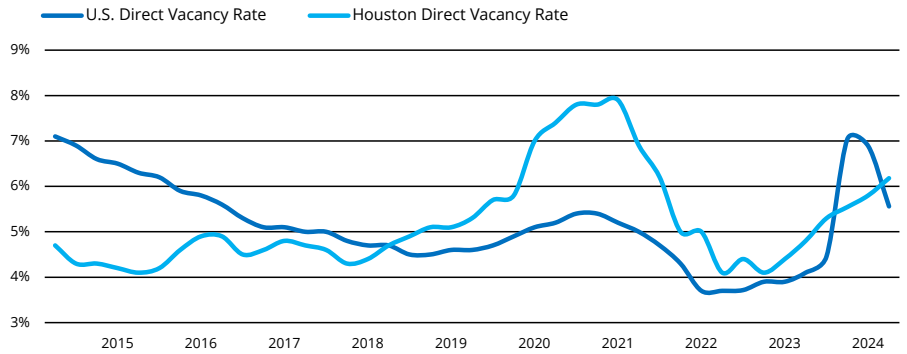
Source: CoStar, Transwestern

VACANCY & AVAILABILITY

New Project Deliveries Tick Up Vacancy as Available Space Declines for Fifth Consecutive Quarter

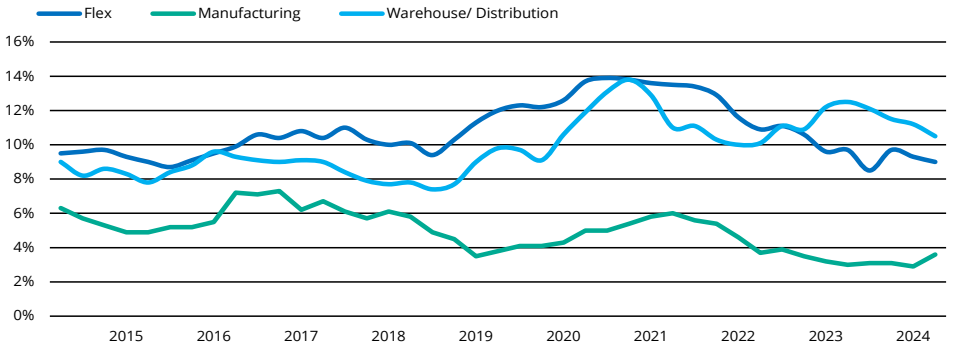
- Houston finished Q2 2024 with marketed space tightening to a total availability of 9.5 percent, bumping down 50 basis points quarter-over-quarter and 1.5 percent year-over-year, this marks the fifth quarter in a row when total availability has contracted.
- On the other hand, overall direct vacancy saw an increase of 40 basis points this quarter and is up by 1.4 percent year-over-year. As forecasted, the increases to overall direct vacancy can be attributed to the pre-lease commitment of recently delivered projects; recently delivered industrial projects for Q2 2024 clocked in at 18.0 percent, or 1.3 million square feet out of the 7.2 million square feet delivered.
- The submarkets with the highest direct vacancy are also those with ongoing construction. These include Katy/Far West (12.3% direct vacancy and 215K SF under development), East-Southeast Far (10.4% direct vacancy and 2.3M SF under development), Southwest Far (9.0% direct vacancy and 65K SF under development), Northeast (7.9% direct vacancy and 907K SF under development), and Northwest Far (6.1% direct vacancy and 2.3M SF under development). These five comprise 61.7 percent of Houston's total direct vacancy.

DIRECT VACANCY RATE



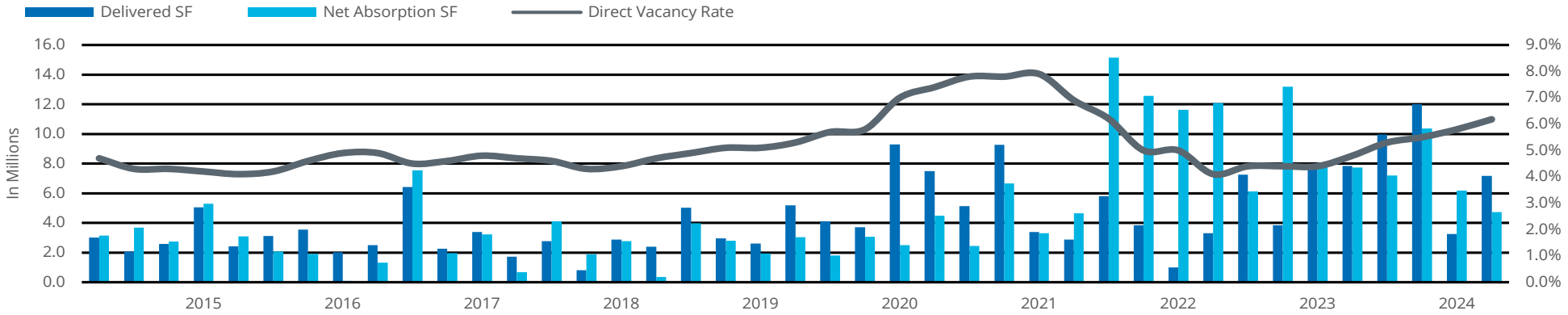
Source: CoStar, Transwestern

OVERALL AVAILABILITY RATE BY PRODUCT TYPE



Source: CoStar, Transwestern

DELIVERY IMPACT ON KEY INDICATORS



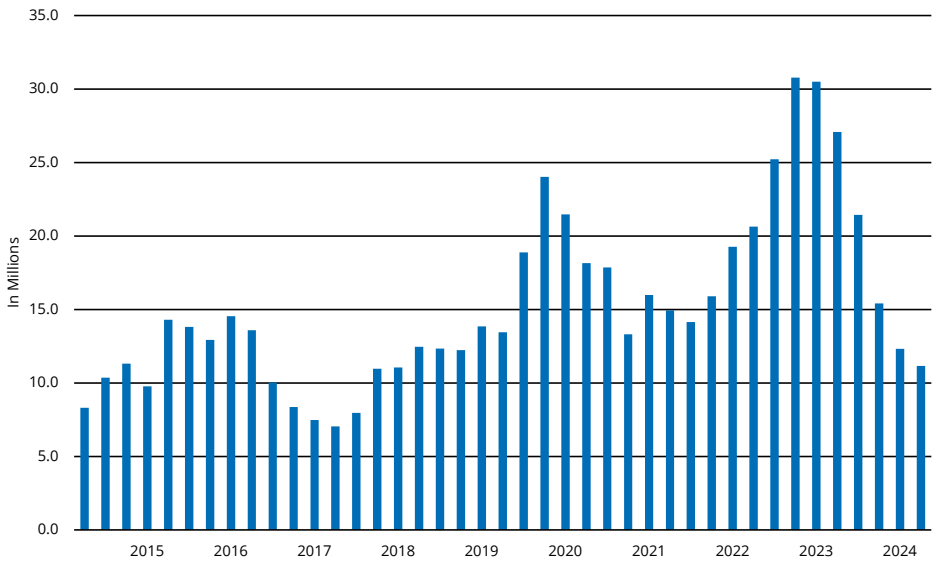
Source: CoStar, Transwestern

UNDER CONSTRUCTION

Just Over Six Million Square Feet of New Construction Broke Ground While Completions Continue to Outpace Starts

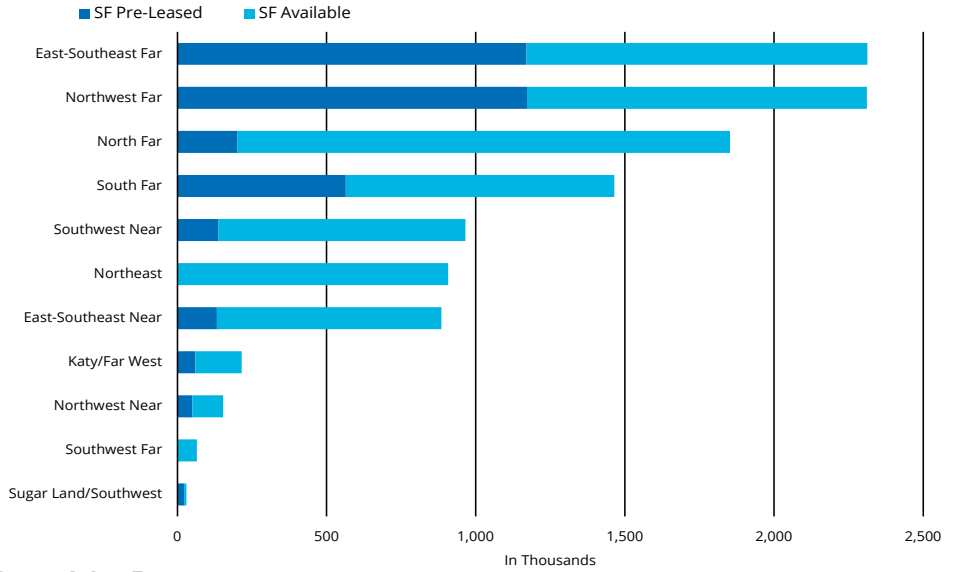
- Houston's industrial construction pipeline came in at 11.2 million square feet during Q2 2024, decreasing by one million square feet quarter-over-quarter. Two submarkets reported construction levels above two million square feet: East-Southeast Far (2.3M SF) and Northwest Far (2.3M SF), both of which each claim 20.7 percent of metro Houston's active construction pipeline, respectively.
- Project deliveries outpaced new starts by 1.1 million square feet in Q2 with projects completed in nine submarkets for a total of 7.1 million square feet. Just under one-third of all projects had some type of pre-lease with the overall pre-lease commitment for recently delivered projects registering only 18 percent.
- Two warehouse/distribution projects each containing a million square feet were delivered during the quarter. Dallas-based Provident Realty Advisors completed its speculative, Port 99 Logistics – Bldg 1, located in the Port 99 Logistics in the East-Southeast Far submarket. The second notable project was Chicago-based CA Ventures' 12515 Lockwood Rd in the Northeast submarket. The speculative warehouse/distribution facility is part of the Generation Park. Both Port 99 Logistics – Bldg 1 and 12515 Lockwood Rd. Both properties came online with all space marketed as available.
- The two largest projects announced during the quarter: Dallas, TX-based Trammell Crow's Carpenters Logistics Center – Building 1, a roughly 752,254 square foot, cross dock, warehouse/distribution center at 15600 Center Logistics Dr in the East-Southeast Near submarket. The entire building is currently available for pre-lease and has an estimated delivery date of Q4 2024. The second major project announcement came from Houston-based Vigavi Realty's WestPoint 45, a 728,080 square foot, cross dock, speculative warehouse/distribution center at 410 West Rd in the North Far submarket. The project is slated to deliver in the first quarter of 2025.

UNDER CONSTRUCTION



Source: CoStar, Transwestern

UNDER CONSTRUCTION BY SUBMARKET



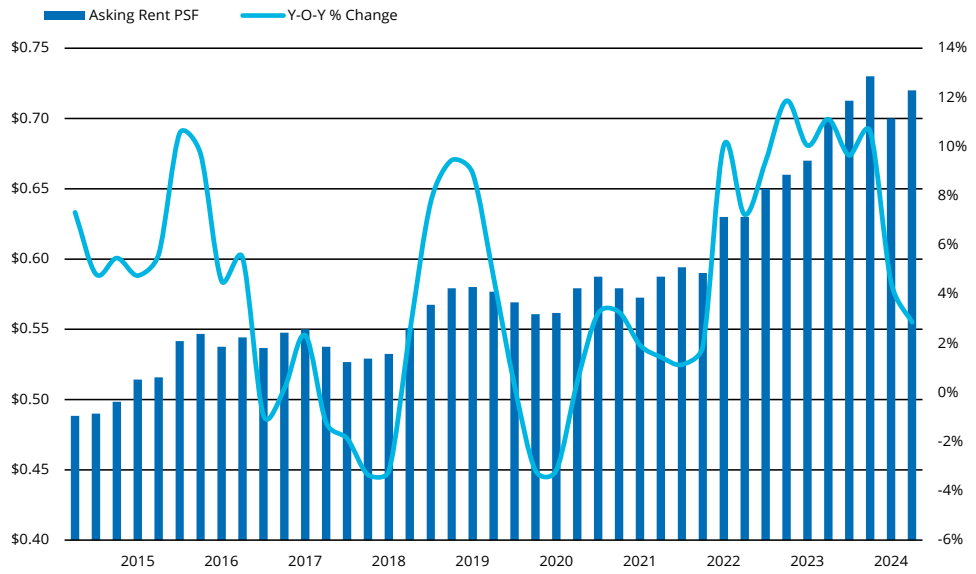
Source: CoStar, Transwestern

RENTAL RATES

Overall Asking Rates Boosted by Gains in Warehouse/Distribution Space

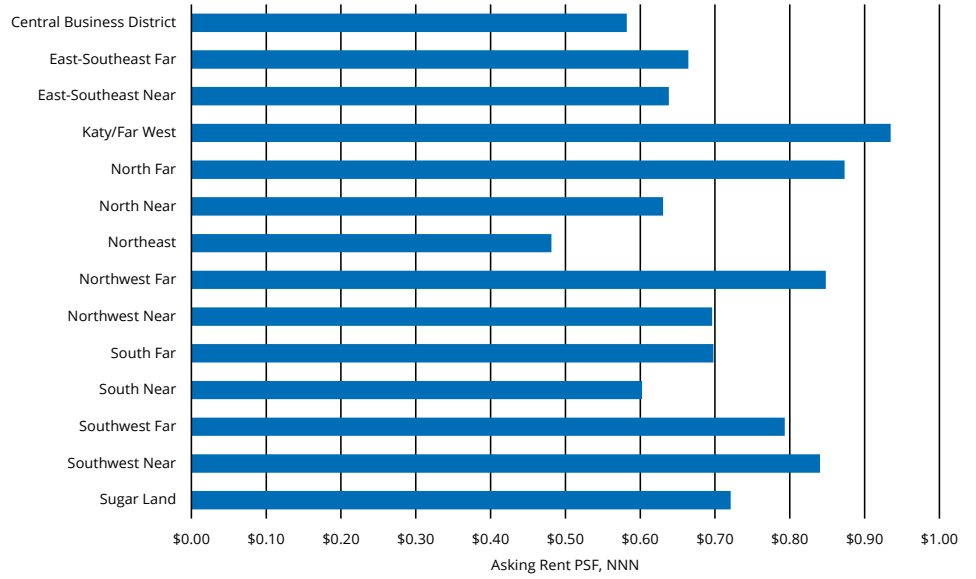
- Houston's overall triple-net rates increased throughout the quarter with warehouse/distribution space experiencing an increase of 2.8 percent. Flex/R&D and manufacturing space remained virtually flat throughout the 90-day period.
- Flex/R&D asking rents came in at $0.87/MO NNN; though the asking rents remained unchanged quarter-over-quarter, the space type experienced a 5.4 percent decrease from the same period last year.
- Manufacturing asking rents finished the period at $0.69/MO NNN. The subtype felt a loss 2.8 percent year-over-year while remaining flat quarter-over-quarter.
- Warehouse/distribution finished the reporting period at $0.71/MO NNN. The subtype was the only space category to experience any type of price fluctuation during the quarter. The space type experienced a 2.8 percent bump quarter-over-quarter and a 5.0 percent bump year-over-year.
- Only six out of the 14 submarkets achieved a net positive gain in overall asking rents during the second quarter, which directly mirrors what took place last quarter when the same number of submarkets experienced positive gains. This is the second quarter in a row when the total number of submarkets with overall increased asking rents is below 50 percent.

ASKING RENT



Source: CoStar, Transwestern

ASKING RENTS BY SUBMARKET



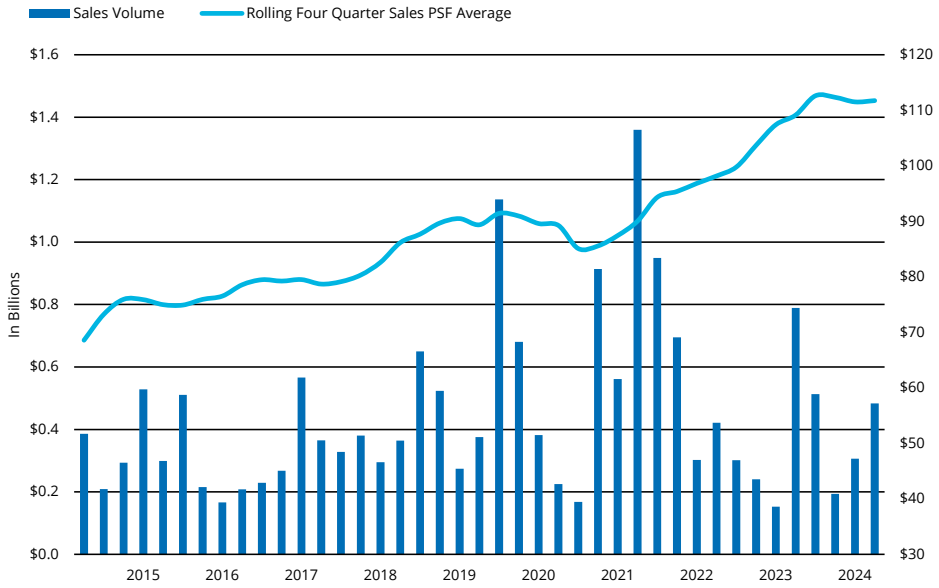
Source: CoStar, Transwestern

SALES

Trading Prices Marginally Increase; Institutions and Private Buyers Most Active in Q2 2024

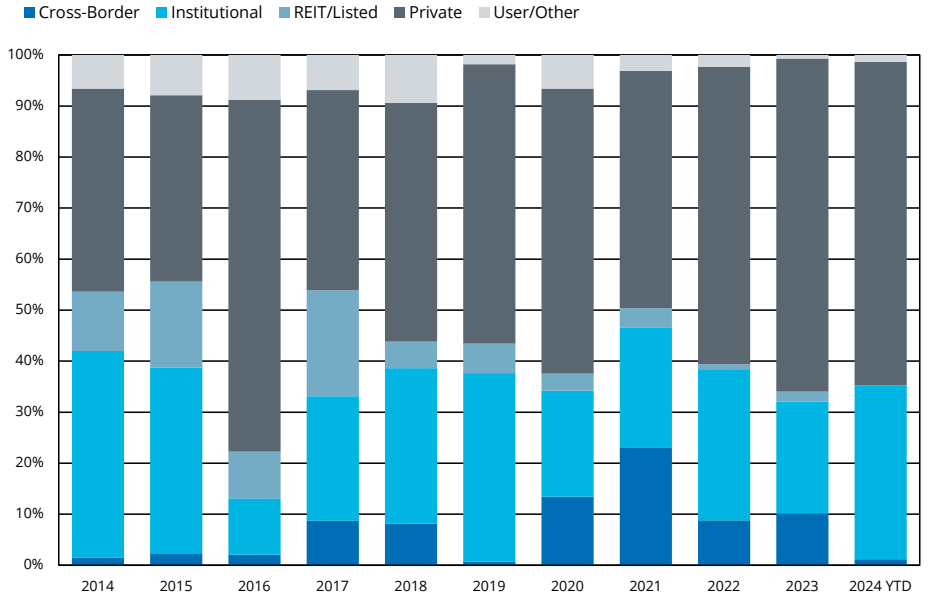
- Investors completed 26 Houston area property trades during the quarter, a borderline increase over the 25 transactions during Q1 2024. Building acquisitions averaged $110 per square foot, increasing from $109 during the same period last year, while it remained flat for the third quarter in a row.
- Institutional and private investors recorded Houston's only net positive investment activity this quarter mirroring the two groups' position seen during Q1 2024. Institutional investors acquired an estimated net total of $191.2 million in assets during the 90-day period. Meanwhile, private sector buyers acquired nearly half of that with the investment sector hitting an estimated total of $84.6 million in net acquisitions.
- Offshore investors finished the second quarter of 2024 with disposition outweighing acquisitions. Net dispositions for the investment sector created a trend throughout 2024 with its recent sales streak. The group disposed of an estimated total of $270 million during Q2 2024. This recent round of sales was last seen during Q1 2024. REITs were once again sidelined during the quarter.
- A noteworthy property trade announced during this period was by New York City-based KKR, a venture capital firm, acquiring the 12-building portfolio of Park 8Ninety from Trammel Crow and Artis REIT. The Class A, fully leased, 1.8 million square foot warehouse/distribution center portfolio, is in the Southwest Far submarket at the corner of Highway 90 and Sam Houston Tollway.

SALES VOLUME



Source: Real Capital Analytics, Transwestern

BUYER CAPITAL COMPOSITION



Source: Real Capital Analytics, Transwestern

NOTABLE REPORTED LEASES

TENANT	ADDRESS	SUBMARKET	TYPE	SF LEASED
INTEGRA MISSION CRITICAL LLC	Presidents Park - Building 4	North Far	Sublease	1,213,573
PGS	BDS Warehouse Bldg 2	East-Southeast Far	Renewal	372,090
EFULFILL, INC.	Post Oak Logistics Park - Building B	Southwest Far	New	368,099
WHOLE EARTH BRANDS	Victory Commerce Center	East-Southeast Far	Renewal	349,050
TIGERHAWK LOGISTICS	Portside Logistics Center - Bldg 1	East-Southeast Far	New	328,048
RPM WAREHOUSE	610 Business District - Building 1	South Far	New	291,459
IRONWEAR	Trueport Distribution Center	East-Southeast Far	New	254,705
ROWAN ELECTRIC APPLIANCE	Main Central Business Park	Southwest Far	New	225,709
LECANGS	Weiser Business Park	Northwest Far	New	204,597
SAFELITE	Stonelake West Ten	Katy/Far West	New	195,968

= Transwestern transaction

SOURCE: Transwestern Research.

NOTABLE SALES

PROPERTY	SUBMARKET	BUILDING SF	BUYER	SELLER
PARK 8NINETY - (12-BUILDING PORTFOLIO)	Southwest Far	1,823,412	KKR	Artis REIT
RANKIN 45 DISTRIBUTION CENTER	North Far	356,236	Cabot Properties	Clarion Partners
SUGAR LAND CROSSROADS	Sugar Land/Southwest	326,807	ARES Group	Sagard; Oxford Partners
BELTWAY NORTHWEST BUSINESS PARK	North Far	299,000	GID	Clarion Partners
6401 AND 6405 CAVALCADE ST; 6919 CAVALCADE ST	Northeast	235,500	Fortress	RelaDyne
BARKER CYPRESS DISTRIBUTION CENTER	Northwest Far	142,100	AC Industrial Props	Molto Properties

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	TOTAL AVAILABILITY RATE	UNDER CONSTRUCTION SF	NET ABSORPTION* SF	ROLLING 4-QTR ABSORPTION SF	ASKING RENT NNN, MONTHLY
CENTRAL BUSINESS DISTRICT								
FLEX/R&D	401,168	30,992	7.7%	7.7%	-	(5,000)	14,000	$1.77
MANUFACTURING	4,874,922	90,662	1.9%	4.9%	-	(16,000)	(234,000)	$0.55
WAREHOUSE/DISTRIBUTION	20,132,079	1,361,084	6.8%	11.2%	-	344,000	(226,000)	$0.57
TOTAL - CENTRAL BUSINESS DISTRICT	25,408,169	1,482,738	5.8%	9.9%	-	323,000	(446,000)	$0.58
EAST-SOUTHEAST FAR								
FLEX/R&D	2,367,735	161,004	6.8%	8.0%	-	(46,000)	545,000	$0.83
MANUFACTURING	7,567,003	38,000	0.5%	1.4%	-	-	38,000	-
WAREHOUSE/DISTRIBUTION	86,759,297	9,811,843	11.3%	13.5%	2,312,407	217,000	2,725,000	$0.66
TOTAL - EAST-SOUTHEAST FAR	96,694,035	10,010,847	10.4%	12.4%	2,312,407	171,000	3,308,000	$0.66
EAST-SOUTHEAST NEAR								
FLEX/R&D	361,108	-	-	1.7%	-	-	-	-
MANUFACTURING	9,392,373	101,800	1.1%	3.4%	-	-	(95,000)	$0.58
WAREHOUSE/DISTRIBUTION	22,011,275	220,386	1.0%	6.2%	884,419	(64,000)	498,000	$0.66
TOTAL - EAST-SOUTHEAST NEAR	31,764,756	322,186	1.0%	5.3%	884,419	(64,000)	403,000	$0.64
KATY/FAR WEST								
FLEX/R&D	1,476,198	89,394	6.1%	12.5%	60,000	20,000	165,000	$1.21
MANUFACTURING	1,133,273	11,000	1.0%	1.0%	-	(48,000)	(51,000)	$0.72
WAREHOUSE/DISTRIBUTION	35,476,929	4,596,922	13.0%	17.3%	155,120	(331,000)	2,575,000	$0.93
TOTAL - KATY/FAR WEST	38,086,400	4,697,316	12.3%	16.6%	215,120	(359,000)	2,689,000	$0.93

**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	TOTAL AVAILABILITY RATE	UNDER CONSTRUCTION SF	NET ABSORPTION* SF	ROLLING 4-QTR ABSORPTION SF	ASKING RENT NNN, MONTHLY
NORTH FAR								
FLEX/R&D	8,430,090	360,752	4.3%	8.4%	-	123,000	132,000	$0.84
MANUFACTURING	11,275,916	100,374	0.9%	7.6%	-	(30,000)	15,000	$1.10
WAREHOUSE/DISTRIBUTION	78,710,131	4,471,255	5.7%	10.3%	1,851,949	1,652,000	6,963,000	$0.84
TOTAL - NORTH FAR	98,416,137	4,932,381	5.0%	9.8%	1,851,949	1,745,000	7,110,000	$0.87
NORTH NEAR								
FLEX/R&D	930,332	58,914	6.3%	6.3%	-	10,000	51,000	$0.70
MANUFACTURING	3,229,049	155,600	4.8%	7.8%	-	97,000	183,000	-
WAREHOUSE/DISTRIBUTION	17,115,285	932,601	5.4%	7.6%	-	(141,000)	89,000	$0.63
TOTAL - NORTH NEAR	21,274,666	1,147,115	5.4%	7.6%	-	(34,000)	323,000	$0.63
NORTHEAST								
FLEX/R&D	677,373	21,094	3.1%	3.1%	-	3,000	334,000	$0.67
MANUFACTURING	10,221,580	222,657	2.2%	3.4%	48,750	(39,000)	1,281,000	$0.51
WAREHOUSE/DISTRIBUTION	38,182,516	3,655,279	9.6%	12.3%	858,600	283,000	2,536,000	$0.47
TOTAL - NORTHEAST	49,081,469	3,899,030	7.9%	10.3%	907,350	247,000	4,151,000	$0.48
NORTHWEST FAR								
FLEX/R&D	3,551,873	504,620	14.2%	18.9%	60,525	(22,000)	3,000	$0.74
MANUFACTURING	16,171,643	165,828	1.0%	2.9%	268,000	(25,000)	494,000	$0.82
WAREHOUSE/DISTRIBUTION	65,744,476	4,533,603	6.9%	13.2%	1,982,415	538,000	4,638,000	$0.86
TOTAL - NORTHWEST FAR	85,467,992	5,204,051	6.1%	11.5%	2,310,940	491,000	5,135,000	$0.85

**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	TOTAL AVAILABILITY RATE	UNDER CONSTRUCTION SF	NET ABSORPTION* SF	ROLLING 4-QTR ABSORPTION SF	ASKING RENT NNN, MONTHLY
NORTHWEST NEAR								
FLEX/R&D	9,210,221	674,835	7.3%	10.3%	50,000	(21,000)	(306,000)	$0.88
MANUFACTURING	8,569,291	55,271	0.6%	1.9%	-	97,000	(265,000)	$0.79
WAREHOUSE/DISTRIBUTION	60,047,798	1,924,107	3.2%	6.6%	102,834	245,000	(227,000)	$0.66
TOTAL - NORTHWEST NEAR	77,827,310	2,654,213	3.4%	6.5%	152,834	321,000	(798,000)	$0.70
SOUTH FAR								
FLEX/R&D	1,158,879	59,856	5.2%	9.3%	-	(13,000)	29,000	$1.10
MANUFACTURING	6,761,783	107,594	1.6%	2.3%	318,089	(44,000)	(12,000)	$0.61
WAREHOUSE/DISTRIBUTION	28,325,664	1,835,372	6.5%	10.3%	1,146,011	511,000	3,786,000	$0.70
TOTAL - SOUTH FAR	36,246,326	2,002,822	5.5%	8.8%	1,464,100	454,000	3,803,000	$0.70
SOUTH NEAR								
FLEX/R&D	1,001,594	83,057	8.3%	11.7%	-	130,000	112,000	$0.86
MANUFACTURING	1,582,298	-	-	-	-	-	8,000	-
WAREHOUSE/DISTRIBUTION	7,639,576	155,317	2.0%	6.8%	-	(199,000)	(82,000)	$0.57
TOTAL - SOUTH NEAR	10,223,468	238,374	2.3%	7.4%	-	(69,000)	38,000	$0.60
SOUTHWEST FAR								
FLEX/R&D	1,985,768	105,310	5.3%	6.1%	65,000	22,000	165,000	$1.68
MANUFACTURING	1,497,285	25,992	1.7%	12.1%	-	(26,000)	(428,000)	-
WAREHOUSE/DISTRIBUTION	17,687,939	1,770,915	10.0%	11.3%	-	1,209,000	2,306,000	$0.69
TOTAL - SOUTHWEST FAR	21,170,992	1,902,217	9.0%	10.9%	65,000	1,205,000	2,043,000	$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	TOTAL AVAILABILITY RATE	UNDER CONSTRUCTION SF	NET ABSORPTION* SF	ROLLING 4-QTR ABSORPTION SF	ASKING RENT NNN, MONTHLY
SOUTHWEST NEAR								
FLEX/R&D	5,519,661	189,319	3.4%	5.3%	-	88,000	167,000	$0.86
MANUFACTURING	3,074,883	84,608	2.8%	4.2%	-	-	(12,000)	-
WAREHOUSE/DISTRIBUTION	29,444,128	1,150,939	3.9%	9.5%	964,863	57,000	40,000	$0.84
TOTAL - SOUTHWEST NEAR	38,038,672	1,424,866	3.7%	8.5%	964,863	145,000	195,000	$0.84
SUGAR LAND								
FLEX/R&D	2,661,637	165,721	6.2%	8.3%	30,000	(43,000)	261,000	$0.94
MANUFACTURING	2,004,450	-	-	1.6%	-	68,000	36,000	-
WAREHOUSE/DISTRIBUTION	19,195,025	474,389	2.5%	4.2%	-	121,000	231,000	$0.69
TOTAL - SUGAR LAND	23,861,112	640,110	2.7%	4.4%	30,000	146,000	528,000	$0.72
HOUSTON								
FLEX/R&D	40,663,969	2,563,782	6.3%	9.0%	265,525	246,000	1,672,000	$0.87
MANUFACTURING	90,584,798	1,314,986	1.5%	3.6%	634,839	34,000	958,000	$0.69
WAREHOUSE/DISTRIBUTION	543,587,403	37,826,613	7.0%	10.5%	10,258,618	4,442,000	25,852,000	$0.71
TOTAL - HOUSTON	**674,836,170**	**41,705,381**	**6.2%**	**9.5%**	**11,158,982**	**4,722,000**	**28,482,000**	**$0.72**

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

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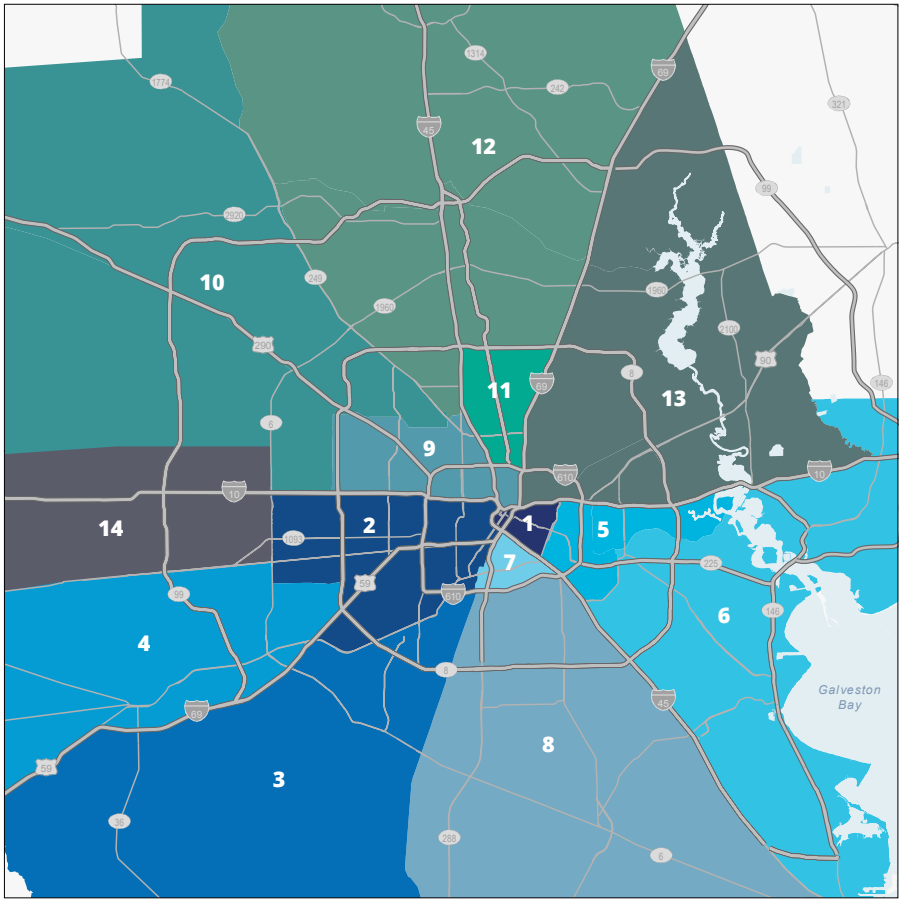

Houston Industrial Submarkets

- 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

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