TRANSWESTERN

HOUSTON INDUSTRIAL MARKET

Q3 2024

TRENDLINES

	Q3 2024	Q3 2023	ONE-YEAR TRAILING	FIVE-YEAR AVERAGE	12-MONTH FORECAST
UNEMPLOYMENT RATE	4.5%	4.5%	↔	5.5%	↑
NET ABSORPTION (MSF)	7.7	7.2	↑	7.2	↑
DIRECT VACANCY RATE	5.4%	5.3%	↑	5.8%	↔
TOTAL AVAILABILITY RATE	9.7%	10.6%	↓	10.2%	↑
UNDER CONSTRUCTION (MSF)	14.4	21.4	↓	19.2	↑
ASKING RENT, NNN (PSF)	$0.70	$0.71	↓	$0.63	↑
SALES VOLUME (Millions)	$592.4	$513.5	↑	$541.3	↑

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.

UPSWINGS IN LEASING, CONSTRUCTION DURING LATE-SUMMER; U.S. LONGSHORMEN STRIKES AVERTED

Q3 2024 House View

Industrial leasing totaled 7.6 million square feet of new demand this quarter with all property subtypes hitting net positive gains. As a result, total direct vacancy witnessed its first quarter-over-quarter decrease in the past 18 months and softened 80 basis points. Construction is on a sharper upswing as the metro delivered 2.4 million square feet of new product with an 80.5 percent pre-lease commitment this quarter and ground breakings reached over 5.9 million bringing the pipeline up to 14.4 million – a surge of nearly 30 percent quarter-over-quarter.

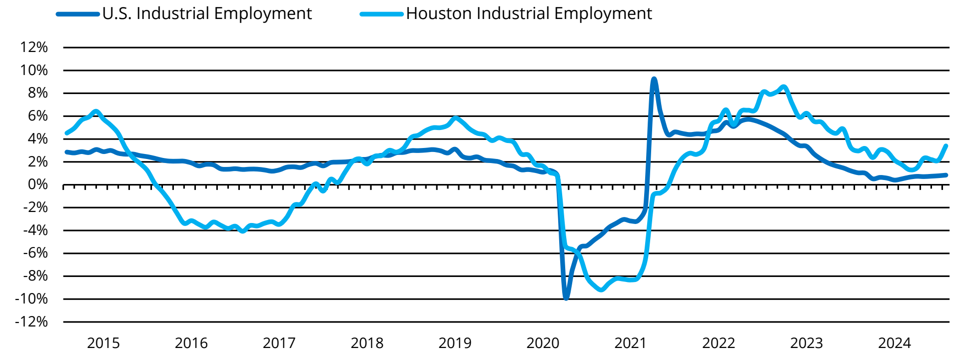
Leading news making headlines late in the quarter centered on the labor strike by U.S. longshoremen in major ports along the East Coast in the Gulf. After three days, during which 45,000 longshoremen across 36 ports from Maine to Texas ceased work, the parties came to a temporary deal to end the strike which could have been a strong blow to the U.S. economy. The temporary agreement signed by the International Longshoremen's Association expires January 15, 2025, but in the meantime, both labor and management are negotiating the final details of the union contracts.

ECONOMY

Job Growth Rebounds Following Hurricane Beryl While Inflation Cools and City Chooses to Expand the 1.8M SF George R. Brown Convention Center

- Metro Houston created 23,400 jobs in August, a record for the month, according to data released in late-September by the Texas Workforce Commission. The height of summer typically sees a net gain of 5,000 to 12,000 jobs but the boost represents a recovery of jobs lost early in July due to Hurricane Beryl coupled with an expansion of the local economy. In fact, Houston now has 252,000 more jobs than it did prior to the pandemic, reports the Greater Houston Partnership. The general robustness of the metro economy explains why the construction, restaurant/bars and wholesale and retail trade sectors were among the strongest for new job additions during the summer.
- In its first rate cut in four years, the Federal Reserve lowered interest rates by a half percentage point in mid-September, choosing a bolder start in making its long-anticipated pivot followed an all-out fight against inflation launched two years ago. Inflation rose a slight 0.10 percent in August and 2.5 percent nationwide in the past year as measured by the Consumer Price Index for all Urban Consumers (CPI-U). Core inflation, which excludes the volatile food and energy categories, rose 0.3 percent from last month and 3.2 percent over the year. Meanwhile, Houston's inflation rate was 1.7 percent. Housing and groceries experienced some of the largest local increases with electricity and gasoline falling around the Houston region.
- Houston First Corp., the metro's destination, tourism and marketing organization, selected Houston-based global real estate developer, Hines, to lead a major 500,000 square foot expansion of the 1.8 million square foot George R. Brown Convention Center and the surrounding downtown district in what could be one of the most influential projects in decades. Phase 1 of the project, to commence in 2025, will center around developing new meeting space south of the existing structure and laying the groundwork for new development and entertainment venues.

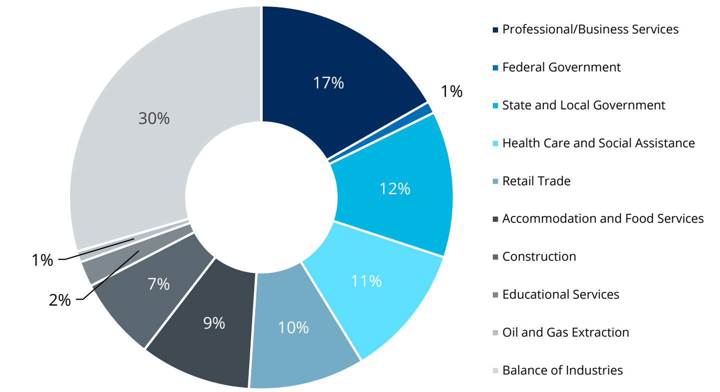
Y-O-Y CHANGE IN INDUSTRIAL JOBS



Source: Bureau of Labor Statistics, Transwestern

SHARE OF EMPLOYEES BY INDUSTRY

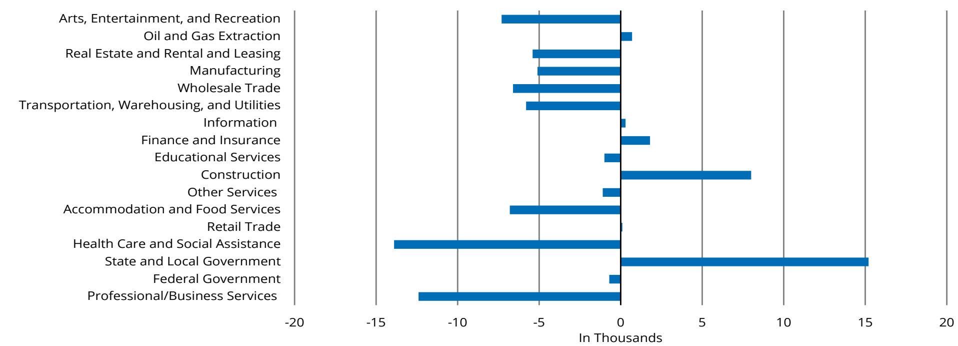
Houston | August 2024



Source: Bureau of Labor Statistics, Transwestern

Y-O-Y CHANGE IN JOBS BY INDUSTRY

Houston | August 2024



Source: Bureau of Labor Statistics, Transwestern

NET ABSORPTION

Demand Exceeds 7.7 Million Square Feet, While Four Submarkets Record Nearly 81 Percent of All Activity

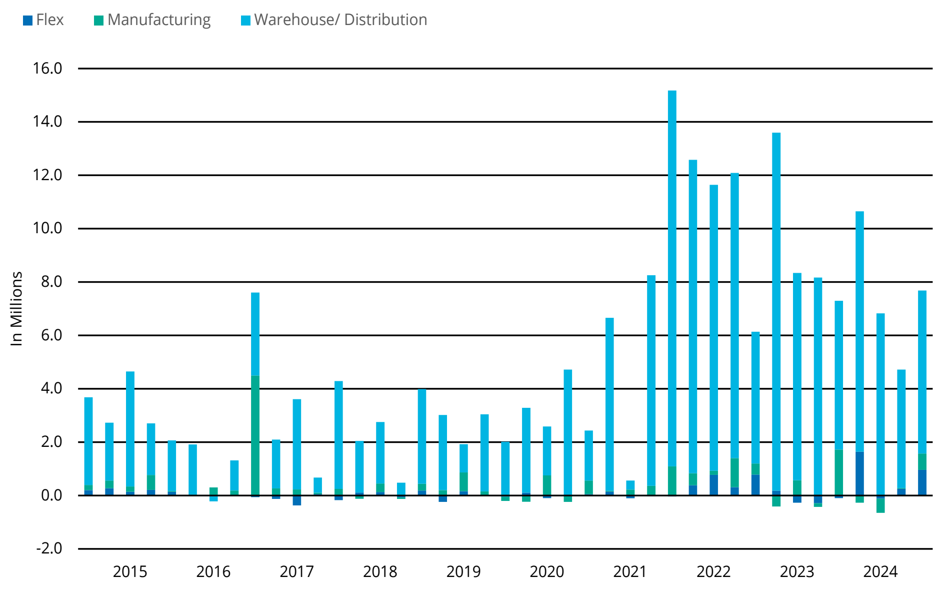
- Houston's industrial leasing finished the quarter at just under 7.7 million square feet of net transaction volume, up by 2.9 million square feet quarter-over-quarter and 480,000 square feet year-over-year. Warehouse/distribution signings were the front runner during the 90-day period when the subtype took down 6.1 million square feet. Flex/R&D and manufacturing space both recorded positive net absorption during the quarter with the subtypes hitting 963,000 square feet and 610,000 square feet, respectively.

- Four submarkets surpassed more than a million square feet of positive net demand: East-Southeast Far (1.8M SF), South Far (1.7M SF), North Far (1.5M SF), and Northwest Far (1.2M SF). These four submarkets accounted for 80.7 percent of all net volume during this quarter. Additionally, the North Far submarket was home to one of the largest leases of Q3 2024, Atlanta-based BroadRange Logistics, a full-service logistics company, signing a full-building lease at NorthPort Logistics Center, a cross dock, 1.2 million square foot warehouse/distribution building located at 00 Conroe Park Dr W.

- Another substantial transaction during the quarter was Houston-based Century Air Conditioning Supply, a wholesale distributor of HVAC equipment and supplies, signing a full-building lease for 146,340 square feet at Clay Distribution Center – Bldg 2, a warehouse/distribution space facility in the Northwest Far submarket.

- A third notable lease announced during the quarter came from Artisan Cabinetry, designer and manufacturer of high-quality cabinetry, signing a 142,640 square foot lease at 10000 W Sam Houston Pky N, a rear load, warehouse/distribution center in the Northwest Far submarket.

NET ABSORPTION BY PRODUCT TYPE



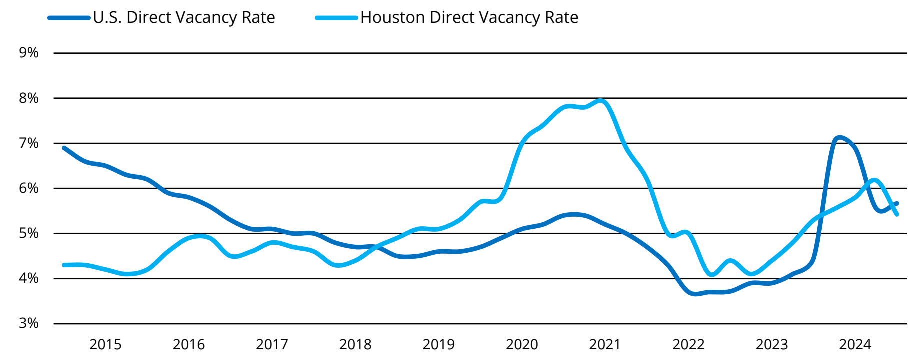
Source: CoStar, Transwestern

VACANCY & AVAILABILITY

Vacancy Declines After Six Months of Increases, Total Available Space Sees Slight Increase

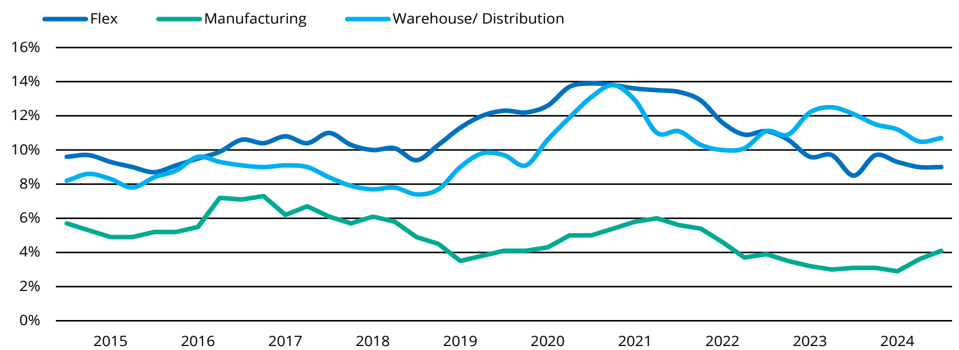
- Houston's industrial sector showed overall direct vacancy decreasing 80 basis points to 5.4 percent quarter-over-quarter, breaking a six-quarter trend which saw overall direct vacancy increase gradually from 4.1 percent to its peak of 6.2 percent in Q2 2024. The decline to direct vacancy can be directly attributed to the consistently strong, 7.2 million square foot average of net absorption metro Houston has experienced over the past four quarters, and/or the low number of delivered square feet with high pre-lease commitment this quarter. The third quarter's pre-lease commitment reach just over 80 percent for 2.4 million square feet delivered.
- Meanwhile the sector finished Q3 2024 with marketed space increasing slightly to 9.7 percent, a bump of 20 basis points quarter-over-quarter, though, total marketed space did decrease 90 basis points year-over-year.
- The submarkets with the highest direct vacancy are also those with multiple projects currently under construction. These include East-Southeast Far (9.2% direct vacancy and 2.5M SF under development), Southwest Far (8.4%; 1.5M SF), Northeast (7.1%; 1.7M SF), North Near (5.2%; 378K SF), and Northwest Far (5.0%; 1.5M SF). These five submarkets comprise 52.3 percent of Houston's total direct vacancy.

DIRECT VACANCY RATE



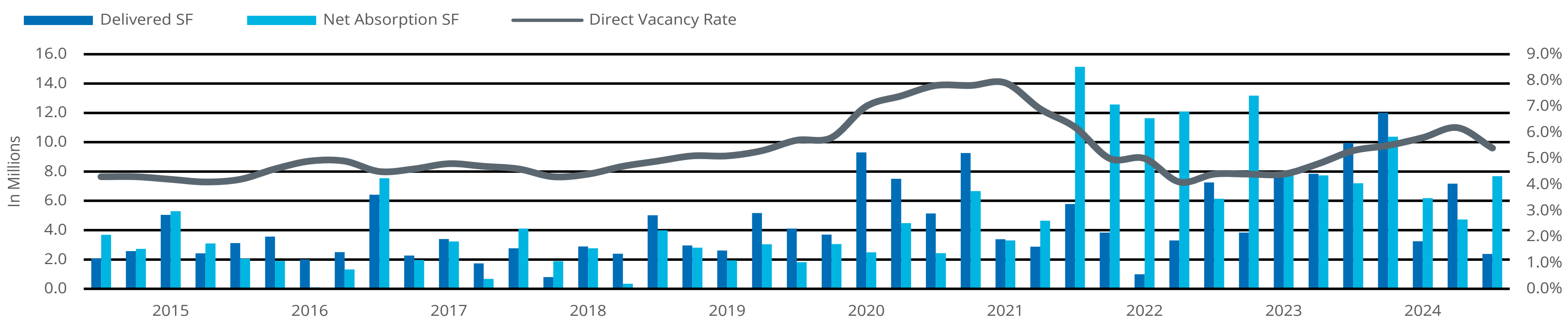
Source: CoStar, Transwestern

OVERALL AVAILABILITY RATE BY PRODUCT TYPE



Source: CoStar, Transwestern

DELIVERY IMPACT ON KEY INDICATORS



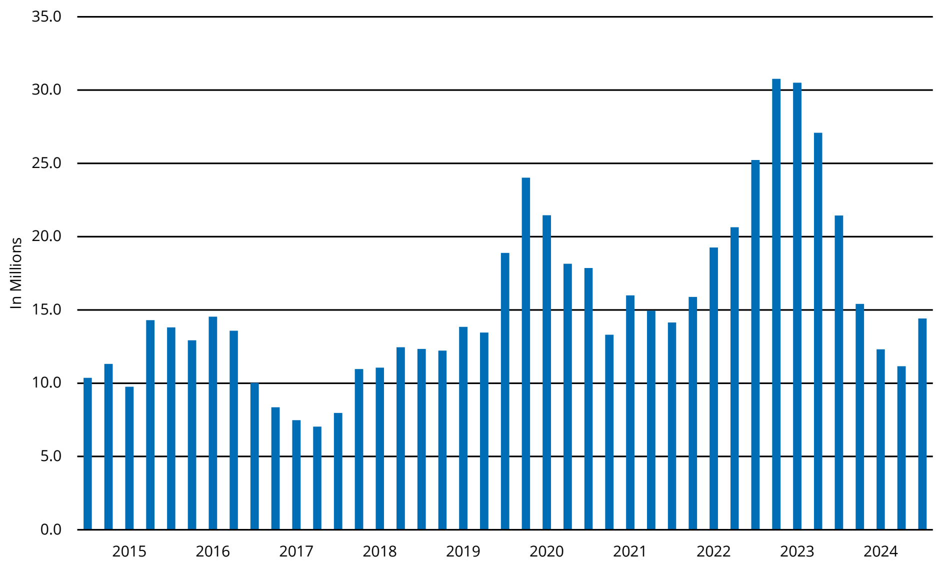
Source: CoStar, Transwestern

UNDER CONSTRUCTION

5.9 Million SF Breaks Ground in Q3, Outpacing Deliveries Nearly 3:1

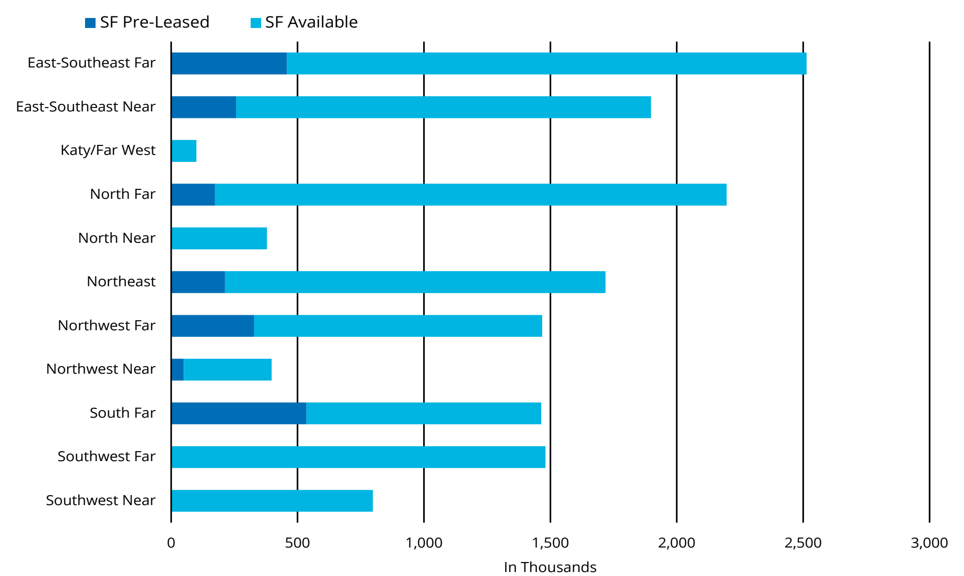
- Houston's industrial construction pipeline totaled 14.4 million square feet during Q3 2024, increasing by 3.2 million square feet quarter-over-quarter. Two submarkets reported construction levels above two million square feet: East-Southeast Far (2.5M SF) and North Far (2.2M SF), both claiming a combined 32.7 percent of metro Houston's active construction pipeline.
- Ground breakings during the quarter totaled just over 5.9 million square feet, outpacing new deliveries by approximately 2.5 square feet to every square foot of completions. Looking towards delivered square footage for the quarter, 2.4 million delivered with a pre-lease commitment just over an 80 percent during the 90-day period.
- Two warehouse/distribution projects each containing more than 500,000 square feet of space were delivered during the quarter. Houston-based PinPoint Commercial completed Builders First Source's 843,360 square foot, cross dock, build-to-suit, located in the Grand Central West Industrial Park in the Northwest Far submarket. The second notable project was Houston-based National Property Holdings completed Palmer Logistics' 616,700 square foot, front load, build-to-suit, located in the AmeriPort Industrial Park in the East-Southeast Far Submarket.
- Two large projects were announced during the quarter. Dallas-based Trammell Crow's Blue Ridge Commerce Center – Building 5, a 430,988 square foot, cross dock, warehouse/distribution center at 16741 Blue Ridge Commerce Dr in the Southwest Far submarket. The entire building is currently available for pre-lease and has an estimated delivery date of Q3 2025. The second major project announcement came from Dallas-based Velocis's Baytown 146 – 2, a 428,080 square foot, cross dock, speculative warehouse/distribution center at 5814 N Highway 146 in the East-Southeast Far submarket. The project is slated to deliver in the third quarter of 2025.

UNDER CONSTRUCTION



Source: CoStar, Transwestern

UNDER CONSTRUCTION BY SUBMARKET



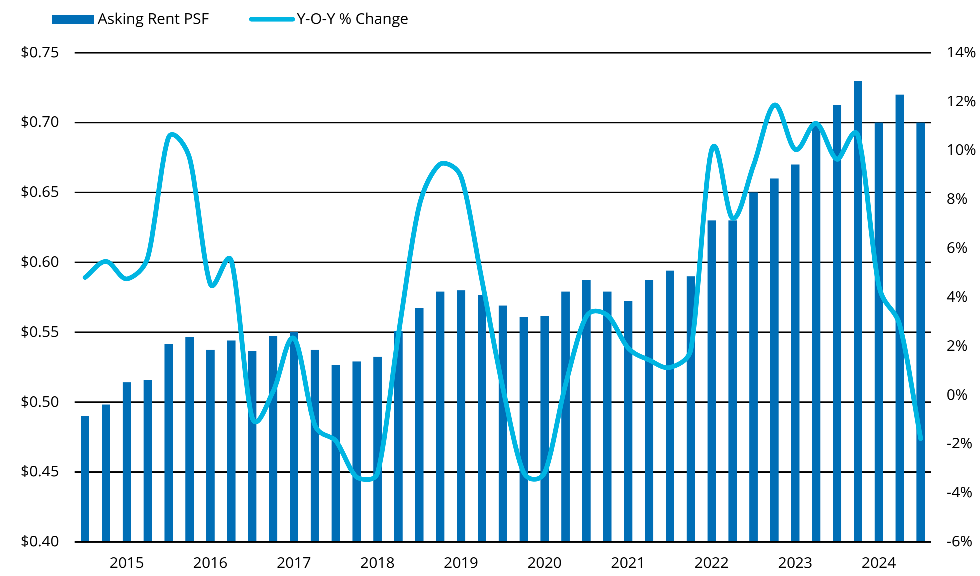
Source: CoStar, Transwestern

RENTAL RATES

Rates Pull Back During Q3 Throughout Houston

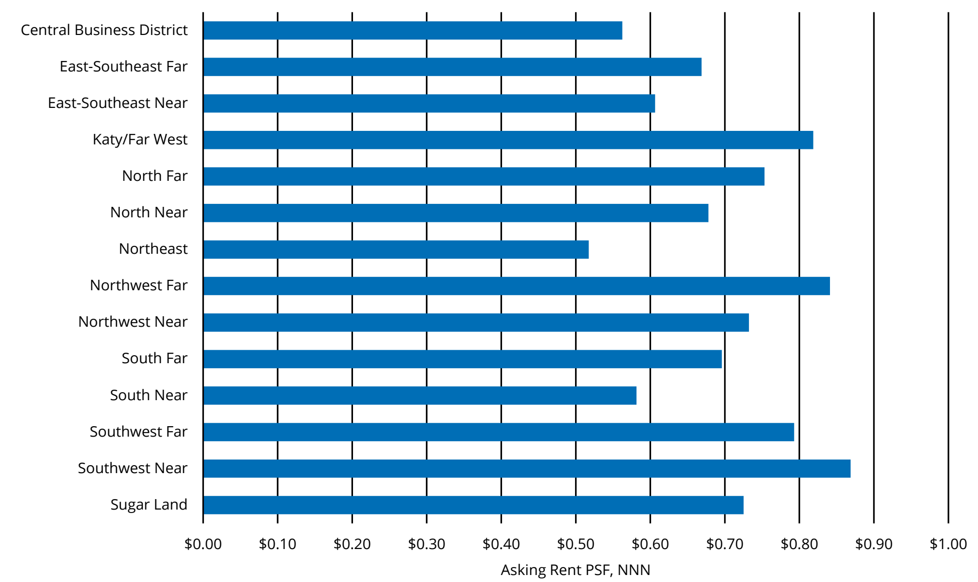
- Houston's overall triple-net rates decreased during the quarter with all three industrial subtypes experiencing contractions to their asking rents. Warehouse/distribution space experienced a 2.8 percent shrinkage, Flex/R&D space saw a 2.5 percent narrowing, and manufacturing space experienced a 1.8 percent reduction.
- Warehouse/distribution asking rents came in at $0.70/MO NNN. Even though the quarter-over-quarter change was negative, the subtype experienced an increase of 1.5 percent year-over-year.
- Flex/R&D asking rents finished the quarter at $0.85/MO NNN. This average quarterly asking rent recorded both a quarter-over-quarter decline, and a significant year-over-year decrease of 7.6 percent.
- Manufacturing asking rents finished the 90-day period at $0.68/MO NNN. The industrial subtype recorded both a quarter-over-quarter decline, as well as a substantial year-over-year decline of 6.8 percent.
- Only four out of the 14 submarkets achieved a net positive gain in overall asking rents during the third quarter. This is the first quarter in 2024 which has recorded an overall negative trend for the number of submarkets that have experienced positive gains; additionally, this is the third 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



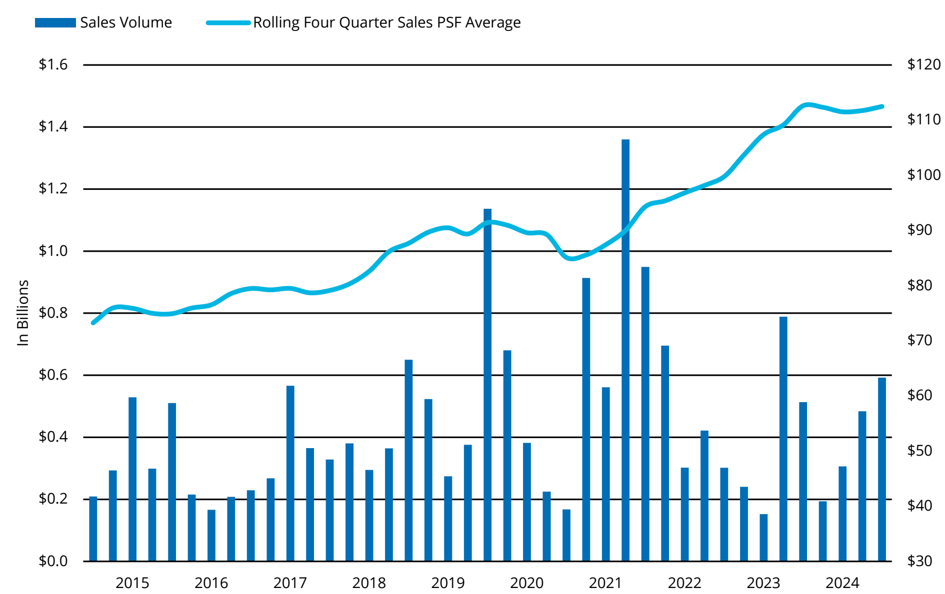
Source: CoStar, Transwestern

SALES

Trading Prices Measure a 9% Positive Bump; Institutions Sustain 2024 Net Acquisition Dominance

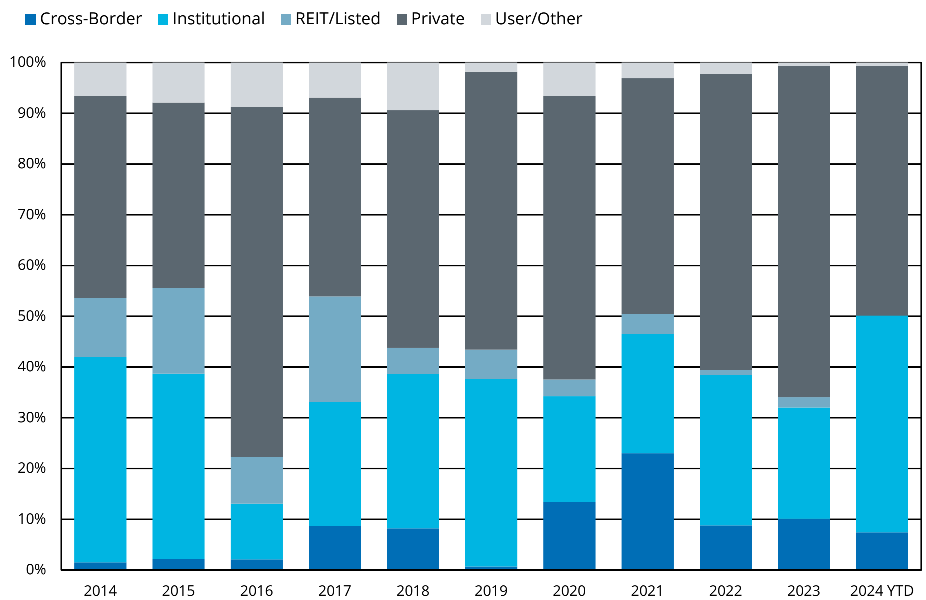
- Investors completed 26 Houston area property trades during the quarter, repeating the same number of sales as in the second quarter. Meanwhile, price per square foot averaged $120, an increase of $10 quarter-over-quarter and a $3 increase from the same period last year
- Institutional and international investors clocked in as Houston's positive move makers during the quarter with institutions recording their third straight quarter of positive net acquisitions which purchased just over an estimated $78.1 million in assets during the 90-day period. Simultaneously, offshore investors purchased just over a quarter of that with the estimated net pick-ups hitting just over $22.9 million.
- Investors in the private sector sat on the other side of the deal table this quarter with investment groups recording an estimated $70.6 million in net sales. The activity fell just short of recording null gains quarter-over-quarter from the positive activity seen by the group during Q2 2024. REITs recorded no activity for the quarter, which marks it as the only investment group to record no activity in calendar year 2024 thus far.
- A noteworthy property trade announced during this period was by Houston-based Hines, a real estate investment, development, and management firm, acquiring Boulevard Oaks Business Park I & II from Boston-based TA Realty. The Class A, 1.9 million square foot warehouse/distribution center portfolio, is in the Southwest Far submarket at the corner of Sam Houston Tollway and W Fuqua St.

SALES VOLUME



Source: Real Capital Analytics, Transwestern

BUYER CAPITAL COMPOSITION



Source: Real Capital Analytics, Transwestern

NOTABLE REPORTED LEASES

TENANT	ADDRESS	SUBMARKET	TYPE	SF LEASED
BROADRANGE LOGISTICS	00 Conroe Park Dr W	North Far	New	1,224,498
LECANGS	28119 Katy Fwy	Katy/Far West	New	509,975
GULF COAST CRATING	4838 Borusan Rd	East-Southeast Far	New	432,316
FOXCONN	8718 Fairbanks N Houston	Northwest Far	New	287,470
TAS ENERGY	2920 Airport Blvd	South Far	New	274,691
MEI RIGGING & CRATING	13300 John F Kennedy Blvd	North Near	New	164,840
WESTLAKE ROYAL WINDOWS	6410 Langfield Rd	Northwest Near	Renewal	154,661
SONGWON INTERNATIONAL	2818 Pasadena Fwy	East-Southeast Far	New	153,604
CENTURY AIR CONDITIONING SUPPLY	8785 Clay Rd	Northwest Near	New	146,340
ARTISAN CABINETRY	10000 W Sam Houston Pky N	Northwest Far	New	142,650

= Transwestern transaction

SOURCE: Transwestern Research.

NOTABLE SALES

PROPERTY	SUBMARKET	BUILDING SF	BUYER	SELLER
BOULEVARD OAKS BUSINESS PARK I & II	Southwest Far	1,995,156	Hines	TA Realty
SAM HOUSTON DISTRIBUTION CENTER	Northwest Far	833,720	Cabot Properties	J.P. Morgan Asset Management
HOME DEPOT CEDAR PORT DISTRIBUTION CENTER	East-Southeast Far	756,000	Northwood Investors	UBS Realty
GREENS AIRWAY LOGISTICS PARK	North Far	345,106	COFE Properties	ATCAP Partners
WALLISVILLE INDUSTRIAL PARK; WILLOWBEND DISTRIBUTION CENTER II	Northeast; Southwest Near	228,544	Exline Capital	TA Realty
2222 N WAYSIDE DR	Northeast	189,018	Zenith IOS	SAIA Motor Freight Line, Inc.; World Trade Distribution, Inc.

= 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	TOTAL AVAILABILITY RATE	UNDER CONSTRUCTION SF	NET ABSORPTION* SF	ROLLING 4-QTR ABSORPTION SF	ASKING RENT NNN, MONTHLY
CENTRAL BUSINESS DISTRICT								
FLEX/R&D	524,668	37,992	7.2%	7.2%	-	117,000	131,000	$0.78
MANUFACTURING	4,830,662	61,511	1.3%	4.4%	-	(15,000)	(302,000)	$0.55
WAREHOUSE/DISTRIBUTION	20,050,536	1,400,621	7.0%	11.4%	-	(121,000)	(482,000)	$0.56
TOTAL - CENTRAL BUSINESS DISTRICT	25,405,866	1,500,124	5.9%	10.0%	-	(19,000)	(653,000)	$0.56
EAST-SOUTHEAST FAR								
FLEX/R&D	2,549,092	178,924	7.0%	8.1%	-	163,000	705,000	$0.83
MANUFACTURING	7,539,871	38,000	0.5%	1.0%	-	(27,000)	13,000	-
WAREHOUSE/DISTRIBUTION	87,357,340	8,761,451	10.0%	12.5%	2,513,376	1,648,000	4,245,000	$0.66
TOTAL - EAST-SOUTHEAST FAR	97,446,303	8,978,375	9.2%	11.5%	2,513,376	1,784,000	4,963,000	$0.67
EAST-SOUTHEAST NEAR								
FLEX/R&D	361,108	6,000	1.7%	1.7%	-	(6,000)	(6,000)	-
MANUFACTURING	9,411,043	62,800	0.7%	7.5%	-	58,000	(51,000)	$0.58
WAREHOUSE/DISTRIBUTION	22,197,578	263,885	1.2%	9.1%	1,898,152	143,000	81,000	$0.62
TOTAL - EAST-SOUTHEAST NEAR	31,969,729	332,685	1.0%	8.5%	1,898,152	195,000	24,000	$0.61
KATY/FAR WEST								
FLEX/R&D	1,486,265	122,841	8.3%	14.3%	-	(23,000)	95,000	$1.20
MANUFACTURING	1,250,380	11,000	0.9%	9.0%	-	117,000	69,000	$0.72
WAREHOUSE/DISTRIBUTION	34,930,040	4,157,945	11.9%	17.7%	100,000	(108,000)	1,635,000	$0.81
TOTAL - KATY/FAR WEST	37,666,685	4,291,786	11.4%	17.3%	100,000	(14,000)	1,799,000	$0.82

*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	8,820,072	324,525	3.7%	7.7%	-	426,000	520,000	$0.82
MANUFACTURING	11,105,716	76,874	0.7%	3.5%	-	(147,000)	(162,000)	$1.00
WAREHOUSE/DISTRIBUTION	78,574,381	3,120,423	4.0%	9.9%	2,197,407	1,215,000	6,291,000	$0.71
TOTAL - NORTH FAR	98,500,169	3,521,822	3.6%	9.0%	2,197,407	1,494,000	6,649,000	$0.75
NORTH NEAR								
FLEX/R&D	930,332	47,994	5.2%	6.0%	-	11,000	218,000	$0.79
MANUFACTURING	3,415,341	423,450	12.4%	13.3%	-	(82,000)	64,000	-
WAREHOUSE/DISTRIBUTION	17,245,449	651,557	3.8%	6.7%	378,980	411,000	488,000	$0.67
TOTAL - NORTH NEAR	21,591,122	1,123,001	5.2%	7.7%	378,980	340,000	770,000	$0.68
NORTHEAST								
FLEX/R&D	677,373	20,699	3.1%	3.1%	-	-	334,000	$0.65
MANUFACTURING	10,561,332	271,407	2.6%	4.0%	-	291,000	333,000	$0.45
WAREHOUSE/DISTRIBUTION	37,969,842	3,195,535	8.4%	14.0%	1,718,217	247,000	2,636,000	$0.53
TOTAL - NORTHEAST	49,208,547	3,487,641	7.1%	11.7%	1,718,217	538,000	3,303,000	$0.52
NORTHWEST FAR								
FLEX/R&D	3,921,914	521,219	13.3%	15.6%	60,525	353,000	319,000	$0.72
MANUFACTURING	16,158,541	83,500	0.5%	3.7%	268,000	69,000	216,000	$0.82
WAREHOUSE/DISTRIBUTION	65,653,522	3,652,838	5.6%	13.2%	1,139,055	790,000	5,428,000	$0.85
TOTAL - NORTHWEST FAR	85,733,977	4,257,557	5.0%	11.5%	1,467,580	1,212,000	5,963,000	$0.84

*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	9,262,970	646,201	7.0%	9.8%	50,000	81,000	(199,000)	$0.86
MANUFACTURING	8,587,893	131,022	1.5%	2.8%	-	(57,000)	(261,000)	$0.78
WAREHOUSE/DISTRIBUTION	60,124,373	1,880,771	3.1%	6.2%	347,334	120,000	119,000	$0.71
TOTAL - NORTHWEST NEAR	77,975,236	2,657,994	3.4%	6.3%	397,334	144,000	(341,000)	$0.73
SOUTH FAR								
FLEX/R&D	1,144,543	51,110	4.5%	8.3%	-	(6,000)	(7,000)	$0.65
MANUFACTURING	6,792,463	66,750	1.0%	2.4%	318,089	72,000	2,000	$0.62
WAREHOUSE/DISTRIBUTION	29,736,397	1,599,608	5.4%	10.4%	1,146,011	1,646,000	3,947,000	$0.72
TOTAL - SOUTH FAR	37,673,403	1,717,468	4.6%	8.9%	1,464,100	1,712,000	3,942,000	$0.70
SOUTH NEAR								
FLEX/R&D	1,001,594	83,057	8.3%	12.9%	-	-	117,000	$0.88
MANUFACTURING	1,582,298	-	-	-	-	-	(64,000)	-
WAREHOUSE/DISTRIBUTION	7,700,804	155,317	2.0%	8.1%	-	61,000	(39,000)	$0.54
TOTAL - SOUTH NEAR	10,284,696	238,374	2.3%	7.3%	-	61,000	14,000	$0.58
SOUTHWEST FAR								
FLEX/R&D	1,985,768	110,525	5.6%	6.9%	65,007	(5,000)	176,000	$1.69
MANUFACTURING	1,536,118	16,500	1.1%	12.0%	-	48,000	(381,000)	-
WAREHOUSE/DISTRIBUTION	17,648,099	1,658,926	9.4%	17.4%	1,415,566	72,000	2,104,000	$0.69
TOTAL - SOUTHWEST FAR	21,169,985	1,785,951	8.4%	16.0%	1,480,573	115,000	1,899,000	$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	5,526,217	231,312	4.2%	7.0%	-	(35,000)	145,000	$0.88
MANUFACTURING	3,160,822	23,000	0.7%	4.1%	-	148,000	198,000	-
WAREHOUSE/DISTRIBUTION	29,464,430	906,661	3.1%	8.4%	798,200	265,000	(95,000)	$0.87
TOTAL - SOUTHWEST NEAR	38,151,469	1,160,973	3.0%	7.8%	798,200	378,000	248,000	$0.87
SUGAR LAND								
FLEX/R&D	2,539,494	156,898	6.2%	9.5%	-	(113,000)	182,000	$1.00
MANUFACTURING	2,139,450	-	-	1.5%	-	135,000	171,000	-
WAREHOUSE/DISTRIBUTION	18,882,283	442,349	2.3%	4.2%	-	(281,000)	29,000	$0.69
TOTAL - SUGAR LAND	23,561,227	599,247	2.5%	4.5%	-	(259,000)	382,000	$0.73
HOUSTON								
FLEX/R&D	41,661,742	2,587,291	6.2%	9.0%	175,532	963,000	2,730,000	$0.85
MANUFACTURING	91,487,271	1,689,264	1.8%	4.1%	586,089	610,000	(155,000)	$0.68
WAREHOUSE/DISTRIBUTION	544,780,523	32,499,444	6.0%	10.7%	13,652,298	6,108,000	26,387,000	$0.69
TOTAL - HOUSTON	**677,929,536**	**36,775,999**	**5.4%**	**9.7%**	**14,413,919**	**7,681,000**	**28,962,000**	**$0.70**

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

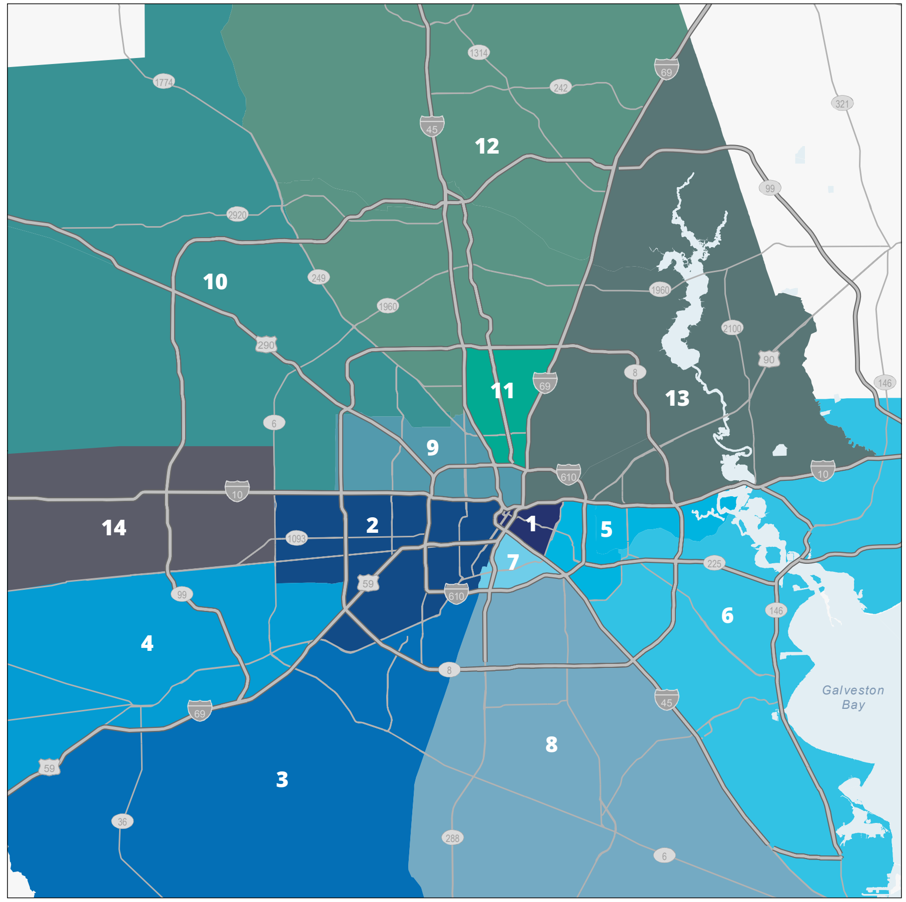
SOURCE Inventory and vacancy from analysis of CoStar data, net absorption computed by Transwestern
NOTE Includes buildings 25,000 SF RBA and greater, does not include buildings under construction or owned by the government

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

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