



Office Market Report

Houston - TX

PREPARED BY



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OFFICE MARKET REPORT

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12 Mo Deliveries in SF

2.4 M

12 Mo Net Absorption in SF

(4.3 M)

Vacancy Rate

18.2%

12 Mo Rent Growth

-0.9%

While some positives are beginning to emerge, it continues to be tough sledding for Houston's office market. Lower oil prices and the pandemic have caused tenants to delay leasing decisions this year, and the market has been plagued by large energy tenant move-outs. Sales volume is also down considerably over the same period last year, as the market remains in a period of price discovery. Yet that may be ending, as a few landmark transactions closed in the fourth quarter. Developers and investors alike continue to eye the best locations in Houston along with select pockets of opportunity.

As of the fourth quarter, high-frequency data showed that less than 40% of Houston's office workers were physically back in the office, which was surprisingly one of the highest rates in the country. New coronavirus cases in Houston had begun to tick up again at the beginning of the fourth quarter after several months of decline, calling into question the metro's nascent recovery.

The energy industry faced challenges prior to the pandemic, including lower oil prices and a general retreat in capital from Wall Street last year following several years of lackluster earnings.

The longer-term outlook also offers some hope. Beyond the pent-up demand, pandemics tend to leave a sharp recovery in the wake of a steep decline in economic activity. The recovery should help at least half of Houston's economy in the nation's fifth-largest metropolitan area.

Investor confidence in large, value-add redevelopment plays shows a belief in the vibrant city's ability to turn around following the pandemic. After all, Houston ranks as one of the nation's major cities that has lost the least number of jobs this year. It also continues to lead the nation in population growth, along with Dallas and Phoenix. Moreover, nascent commercial life sciences and tech industries offer hope for the city's future economic viability.

KEY INDICATORS

Current Quarter	RBA	Vacancy Rate	Market Rent	Availability Rate	Net Absorption SF	Deliveries SF	Under Construction
4 & 5 Star	151,616,697	20.5%	\$34.46	25.5%	(67,686)	0	4,976,143
3 Star	137,794,321	18.3%	\$24.69	21.0%	(255,557)	0	931,459
1 & 2 Star	49,249,609	11.1%	\$21.01	13.3%	(16,262)	0	6,285
Market	338,660,627	18.2%	\$28.60	21.9%	(339,505)	0	5,913,887

Annual Trends	12 Month	Historical Average	Forecast Average	Peak	When	Trough	When
Vacancy Change (YOY)	1.8%	13.2%	17.1%	18.2%	2021 Q1	8.9%	1999 Q1
Net Absorption SF	(4.3 M)	2,757,445	4,016,841	9,721,875	2014 Q2	(4,014,134)	2020 Q4
Deliveries SF	2.4 M	5,135,871	4,020,461	13,474,386	2015 Q4	1,250,218	2010 Q4
Rent Growth	-0.9%	1.6%	2.4%	14.5%	2008 Q1	-6.3%	2009 Q4
Sales Volume	\$751 M	\$1.8B	N/A	\$4.9B	2013 Q3	\$258.7M	2009 Q4

Leasing volume is down more than a third this year compared with the same period last year. The energy industry faced challenges prior to the pandemic, including lower oil prices and a general retreat in capital from Wall Street late last year following several years of lackluster earnings. Yet the real falloff in leasing activity this year came after the onset of the pandemic. And with prevailing uncertainty about when most of Houston's office workers will return to office buildings, leasing activity may continue to be slow in subsequent quarters.

Speaking to the current stagnation in Houston's office market, the four largest leases last quarter were all under 50,000 SF, including two 9,000-SF leases. Yet they all represent Houston's dominant economic drivers: the energy and healthcare industries and the Port of Houston.

Yang Ming leased 35,000 SF at the Reserve at Westchase in October. The major Taiwanese shipping line is relocating from 3 Sugar Creek in Sugar Land. Asking rents at the Reserve at Westchase, which is home to the largest block of contiguous available slab space in the Westchase Submarket, are being offered at a 25% to 40% discount to 3 Sugar Creek.

Digital healthcare company Preventice Solutions leased 20,000 SF for one year at Greens Crossing in November in order to accommodate COVID-19-related social distancing requirements. The company is a leader in digital healthcare solutions and remote cardiac monitoring services powered by cloud, deep learning, AI, and data analytics. And Houston is home to one of the company's two national Medicare Independent Diagnostic Testing Facilities at nearby 1717 North Sam Houston Pkwy. West.

Texas Laparoscopic Consultants leased 9,000 SF at the new Museo Plaza office building in November, which is expected to deliver in the third quarter of 2021. The practice will move from nearby 1200 Binz, which was built in 1985. The move also shows that medical tenants are willing to pay more for high-quality medical office space in the Texas Medical Center area, where new medical office space is in short supply.

And consulting firm EAG Services leased 9,000 SF at 1415 Louisiana in October. This will nearly double its existing footprint in the building, which it moved to in 2018 from 19 Briar Hollow Lane in Post Oak Park. The 15-year-old women-led enterprise specializes in technology and services change management for

upstream and midstream oil and gas businesses.

Year to date, Houston's office market has experienced -4.3 million SF of negative net absorption, the worst year in the past two decades and more than double the move-outs during the trough of the shale bust in 2017. A vacancy rate of 18.2% today is among the highest out of all markets that CoStar tracks. Only New York, L.A., and San Francisco saw office tenants shed more space this year. Other markets with heavy exposure to the oil and gas industry both here and abroad, including Dallas, Calgary, and Aberdeen, also have some of the highest vacancy rates.

The largest move-in during the fourth quarter involved Harris Health System occupying 305,000 SF at the former Chevron/Texaco building in Bellaire. This move follows Methodist Health System backfilling 100,000 SF at the building in March 2020. In doing so, SLS, which purchased the property from Chevron in late 2018, has proven the viability of continuing to convert corporate office buildings in Bellaire into medical/healthcare uses.

Additionally, Waste Management relocated and consolidated into 285,000 SF at the new Bank of America Tower in downtown Houston.

Yet move-outs since the third quarter clearly exceeded any positive absorption activity. Houston has been plagued by several sizable move-outs. There are eight companies that vacated more than 80,000 SF each since July, including AT&T, Waste Management, BHP Billiton Petroleum, KBR, Oasis Petroleum, ExxonMobil, W&T Offshore, and Deloitte.

The aforementioned Waste Management vacated 330,000 SF since July across two buildings, One City Centre and 1001 Fannin, as part of its move to the new Bank of America Tower downtown. As part of the consolidation, Waste Management vacated a net of 45,000 SF in downtown.

BHP Billiton Petroleum, which sold its U.S. unconventional assets to BP in 2018 for \$10.5 billion, vacated 230,000 SF at 1500 Post Oak since July, even though the company retained its conventional oil and gas operations. Meanwhile, more than half of BHP's resulting sublease space was backfilled by tenants such as Sempra LNG and Sumitomo's U.S. unconventional oil and gas operations, rebranded as Summit Discovery Resources.

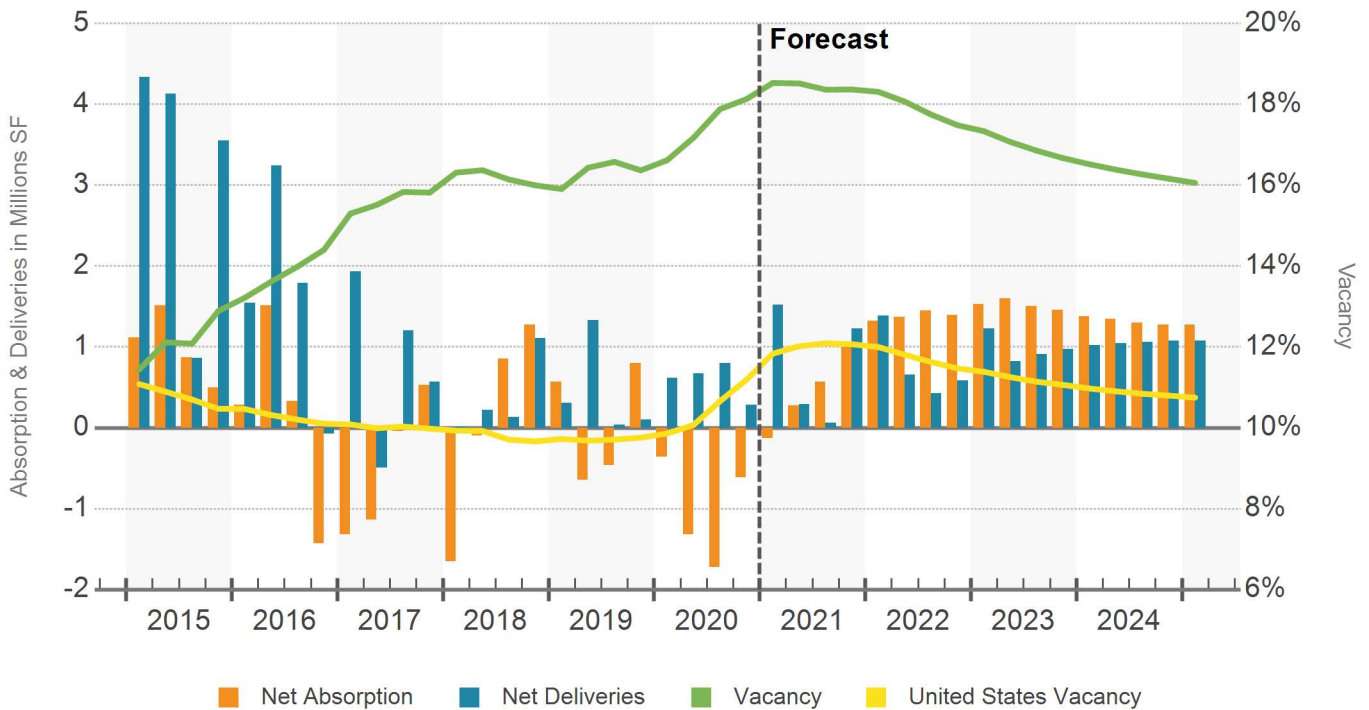
CoStar forecasts that Houston's office vacancy rate will peak just north of 18% in 2021 before beginning a very modest recovery.

And while CoStar is forecasting positive net absorption in each of the next five years, there are some downside risks related to the ongoing pandemic.

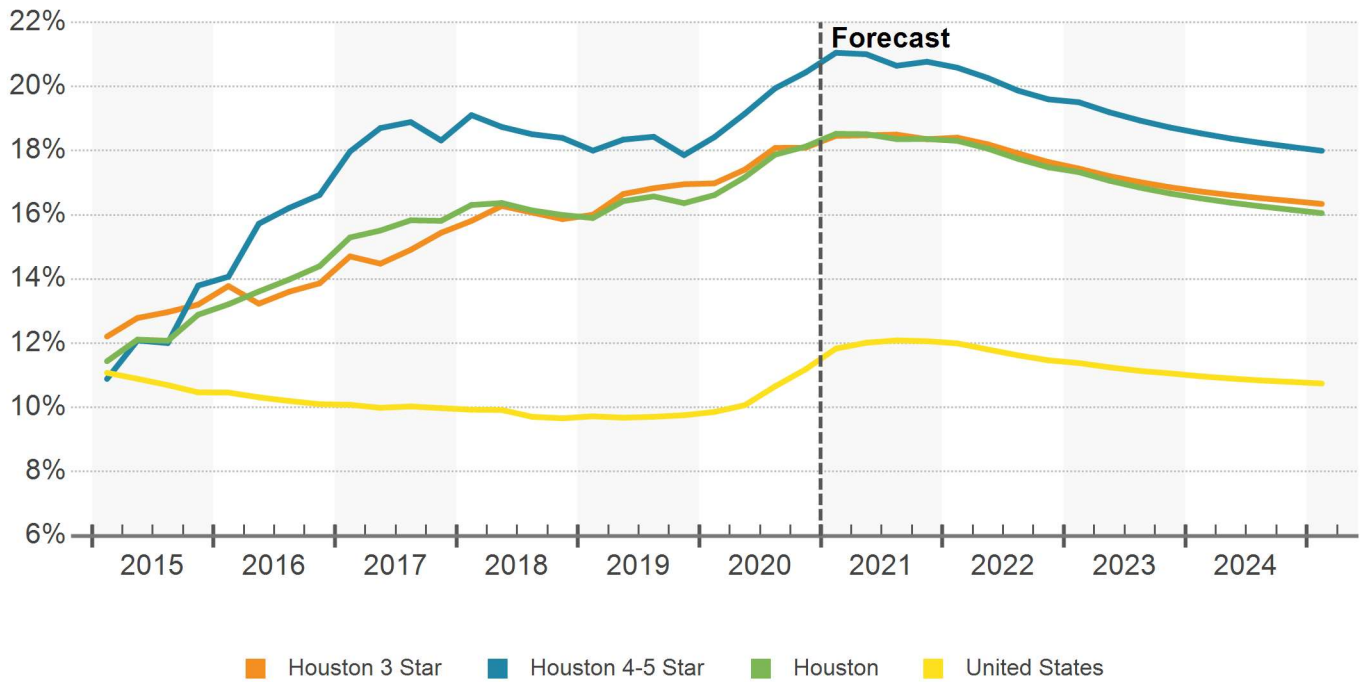
CoStar's forecast draws on the historical trend, Oxford

Economics' employment forecast, and recent leasing momentum. The forecast includes many unknowns, including whether the energy sector will be resurgent as the economy recovers from COVID-19. And, if not, will the burgeoning commercial life sciences and tech sectors step in to fill any gaps left by a long-term slower growth trend in the energy sector? Leasing in subsequent quarters also depends heavily on successful vaccination efforts and ongoing containment measures.

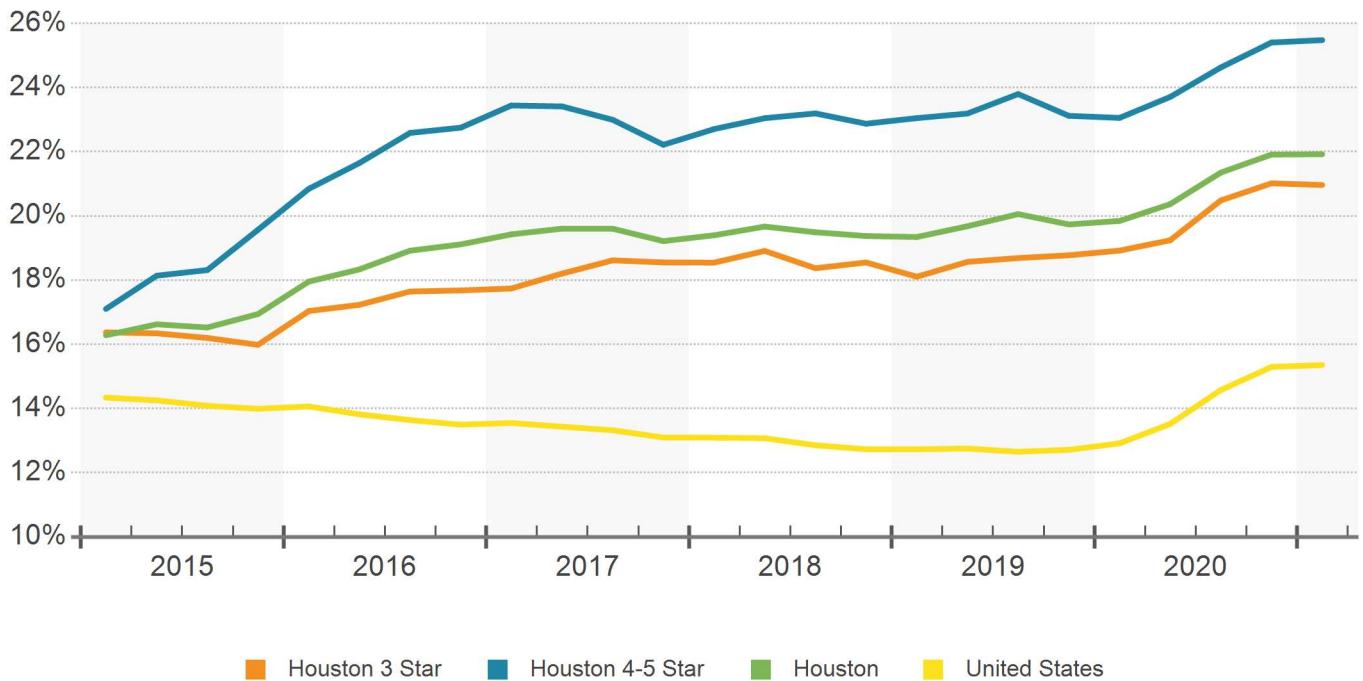
NET ABSORPTION, NET DELIVERIES & VACANCY



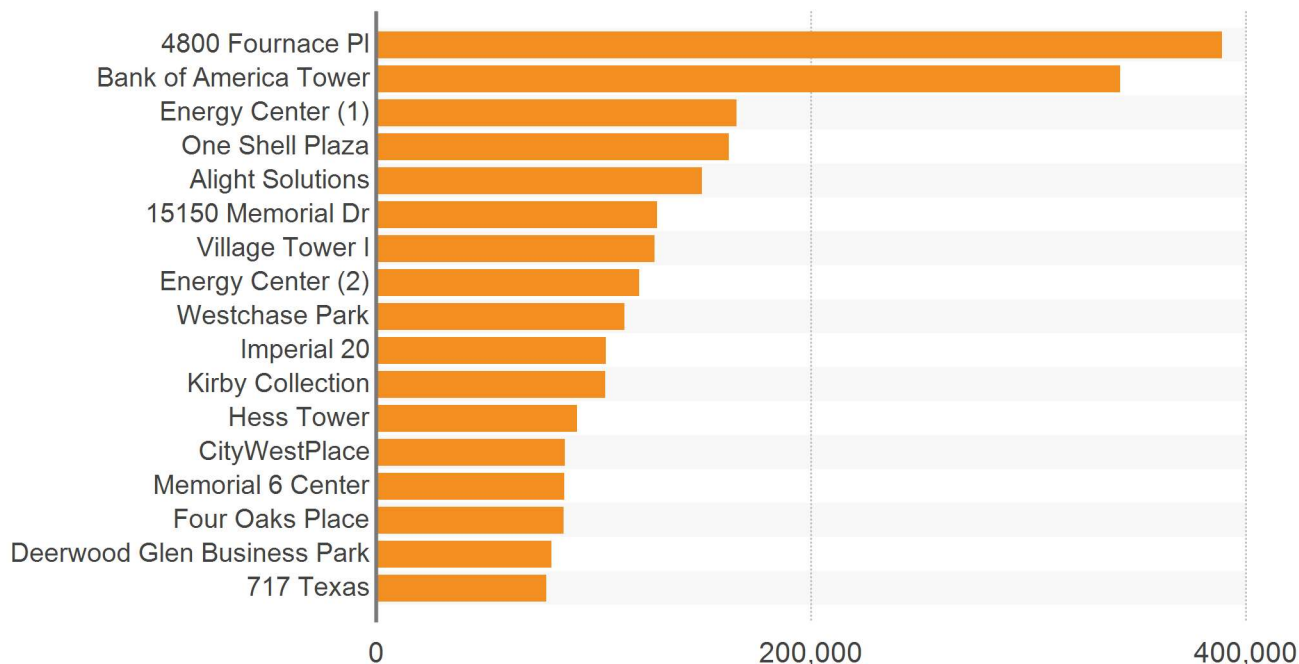
VACANCY RATE



AVAILABILITY RATE



12 MONTH NET ABSORPTION SF IN SELECTED BUILDINGS



Building Name/Address	Submarket	Bldg SF	Vacant SF	Net Absorption SF				
				1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	12 Month
4800 Fournace Pl	Bellaire	452,370	0	0	0	0	0	389,211
Bank of America Tower	CBD	780,341	84,240	0	0	0	0	342,128
Energy Center (1)	Katy Freeway West	524,399	0	0	0	0	0	165,844
One Shell Plaza	CBD	1,228,923	135,545	0	0	0	0	162,309
Alight Solutions	The Woodlands	180,000	0	0	0	0	0	149,999
15150 Memorial Dr	Katy Freeway West	155,175	0	0	0	0	0	129,312
Village Tower I	Katy Freeway East	150,000	21,813	0	0	0	0	128,187
Energy Center (2)	Katy Freeway West	332,000	160,907	0	0	0	0	120,935
Westchase Park	Westchase	293,135	23,168	51,246	0	0	0	114,387
Imperial 20	Greenspoint/N Belt...	112,138	0	0	0	0	0	105,710
Kirby Collection	Greenway Plaza	246,989	0	0	0	0	0	105,444
Hess Tower	CBD	844,763	61,682	0	0	0	0	92,523
CityWestPlace	Westchase	443,551	0	0	0	0	0	86,718
Memorial 6 Center	Katy Freeway West	156,034	2,237	96,592	0	0	0	86,548
Four Oaks Place	Galleria/Uptown	496,608	61,244	0	0	0	0	86,203
Deerwood Glen Business Park	Gulf Freeway/Pasad...	98,230	12,517	0	0	0	0	80,613
717 Texas	CBD	697,195	241,891	0	0	0	0	78,363
Subtotal Primary Competitors		7,191,851	805,244	147,838	0	0	0	2,424,434
Remaining Houston Market		331,468,776	60,923,791	(487,343)	0	0	0	(6,718,114)
Total Houston Market		338,660,627	61,729,035	(339,505)	0	0	0	(4,293,680)

TOP OFFICE LEASES PAST 12 MONTHS

Building Name/Address	Submarket	Leased SF	Qtr	Tenant Name	Tenant Rep Compa...	Leasing Rep Company
Greenway Plaza *	Greenway Plaza	801,967	Q2 20	Occidental	-	Parkway Realty Manag...
TC Energy Center *	CBD	320,788	Q4 20	TC PipeLines, LP	JLL	CBRE
JP Morgan Chase Tower	CBD	255,886	Q3 20	JP Morgan Chase & Co	CBRE	Cushman & Wakefield
Discovery West	CBD	120,528	Q1 21	Norton Rose Fulbright US...	CBRE	-
The Woodlands Towers at The Wate...	The Woodlands	106,781	Q1 20	Western Midstream Partn...	Cushman & Wakefield	Colliers International
Westchase Park	Westchase	102,492	Q4 20	Vroom	JLL	Transwestern Real Est...
15415 Katy Fwy	Katy Freeway West	98,000	Q4 20	Diamond Offshore Drilling...	-	Fuller Realty Partners,...
Greenway Plaza	Greenway Plaza	97,714	Q1 20	Occidental Petroleum	CBRE	Parkway Realty Manag...
Spring Shadow Business Park *	Katy Freeway East	97,293	Q1 20	TGS-NOPEC Geophysical...	NAI Partners	Transwestern Real Est...
Park Towers South	Post Oak Park	82,215	Q4 20	Cadence Bank	CBRE	Transwestern Real Est...
Park Place River Oaks	Post Oak Park	81,999	Q4 20	JLL	JLL	Stonelake Capital Partn...
Deerwood Glen Business Park	Gulf Freeway/Pasadena	80,613	Q2 20	Universal plant services	-	Newmark Knight Frank
Montrose Collective	Midtown	75,000	Q1 20	Live Nation	-	-
Greenway Plaza *	Greenway Plaza	72,994	Q2 20	Occidental Petroleum	-	Parkway Realty Manag...
CityNorth	Greenspoint/N Belt West	70,035	Q2 20	US Immigration	-	Lincoln Property Comp...
Park Towers North	Post Oak Park	66,750	Q3 20	Ryan, LLC	-	Transwestern Real Est...
601 Travis	CBD	62,261	Q1 20	EP Energy Corporation	CBRE	JLL
The Ion	Midtown	58,000	Q4 20	CommonDesk	-	Savills
5556 Gasmer Dr	Southwest Beltway 8	56,320	Q3 20	Dynamic Service Solution...	Transwestern Real...	Avison Young
Linde Plaza	Katy Freeway West	50,380	Q2 20	Rimkus Consulting Group,...	Fritsche Anderson R...	CBRE
Village Tower I	Katy Freeway East	48,130	Q2 20	2nd.MD	-	Moody National Realty...
Briarpark Green	Westchase	46,478	Q3 20	Bristow	-	-
5718 Westheimer	San Felipe/Voss	46,380	Q1 20	W&T Offshore Inc.	-	CBRE
CityWestPlace	Westchase	46,047	Q1 20	Honeywell	-	Parkway Realty Manag...
JP Morgan Chase Tower *	CBD	45,125	Q3 20	Indigo Minerals LLC	Newmark Knight Frank	Cushman & Wakefield
American General Center	Midtown	45,063	Q2 20	BDO	-	CBRE
One Riverway	Riverway	41,556	Q3 20	Northwestern Mutual	-	Stream Realty Partners...
2222 Bay Area Blvd	NASA/Clear Lake	41,108	Q1 20	Jacobs	Cushman & Wakefield	Zann Commercial Brok...
717 Texas	CBD	41,102	Q3 20	Rockcliff Energy LLC	-	Cushman & Wakefield
5005 Mitchelldale St *	Northwest Near	38,582	Q3 20	Endurance International G...	JLL	Transwestern Real Est...
Haute Harwin Fashion Center	Southwest/Hillcroft	38,337	Q1 21	-	-	Lee & Associates
5757 Woodway *	San Felipe/Voss	37,952	Q4 20	First Investors Financial S...	NAI Partners	Braun Enterprises
Granite Tower at 290 *	Northwest Far	37,403	Q3 20	IDS Engineering Group	Burnett & Curry Real...	Granite Properties, Inc.
West Belt Office Center	Southwest Beltway 8	34,852	Q3 20	Sourcepoint	Colliers International...	JLL
Reserve at Westchase	Westchase	34,510	Q4 20	Yang Ming Marine Transp...	JLL	Transwestern Real Est...
Grandway West *	Katy/Grand Parkway West	33,464	Q3 20	LJA Engineering	Avison Young	Transwestern Real Est...
Pennzoil Place	CBD	33,127	Q1 20	Cheniere Energy, Inc.	-	Transwestern Real Est...
Bank of America Tower	CBD	31,750	Q2 20	Waste Management	-	CBRE
Hercules II	NASA/Clear Lake	31,327	Q2 20	Axiom Space	Savills	Transwestern Real Est...
Sugar Creek on the Lake	E Fort Bend Co/Sugar Land	29,419	Q2 20	TDECU	-	JLL

Renewal

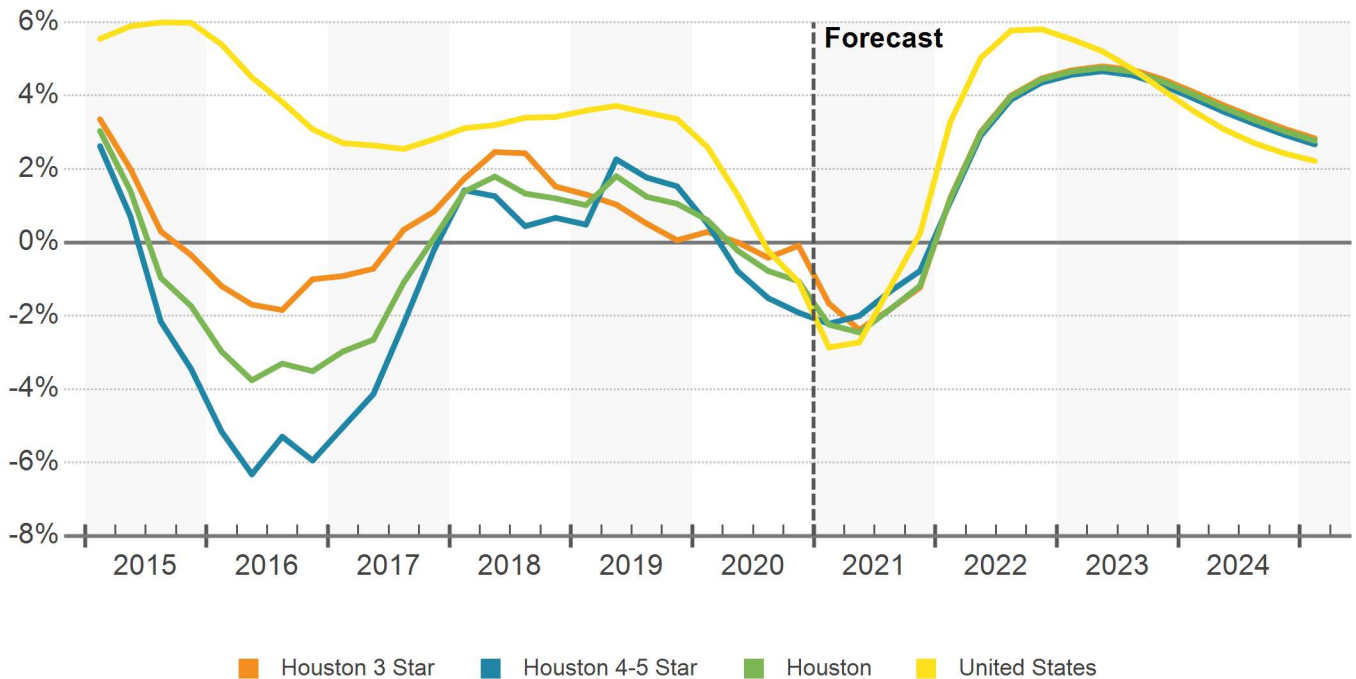
Houston office rents have basically stagnated since oil prices crashed in late 2014 and have yet to return to their late 2014 peak. In Houston, office asking rents are highly correlated with oil price volatility, and oil prices have traded in a narrow and lower band over the past six years.

Rent growth once again turned negative the past two quarters – during a period that temporarily saw negative \$40-per-barrel West Texas Intermediate Crude oil prices. As of this update in 20Q4, oil prices had recovered to the mid-\$40s-per-barrel. But they still have a way to go towards the \$60-per-barrel that most producers need to drill new wells profitably. Rents have also trended downward in each of the past three local

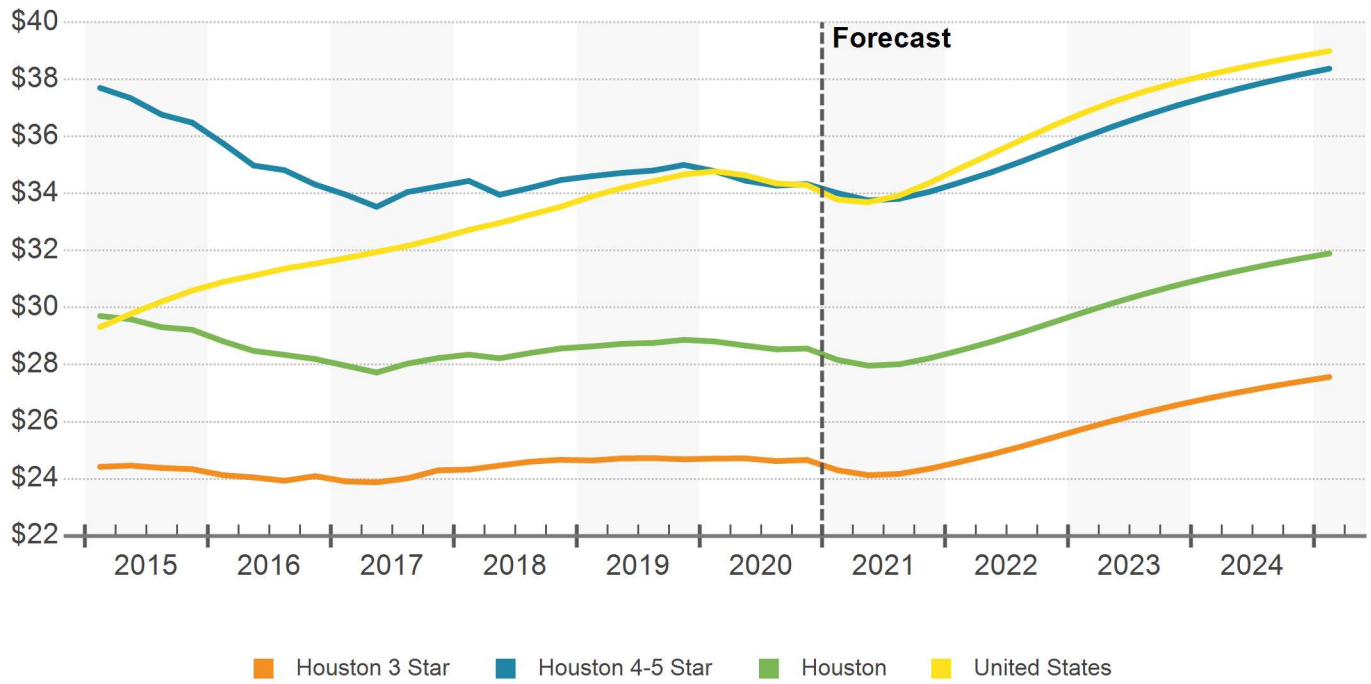
economic cycles – not a great sign for Houston office landlords, as owners have had to contend with successive supply waves and waning energy tenant demand.

The submarkets that are seeing positive rent growth are typically smaller submarkets that have not experienced much new supply nor large-scale move-outs. Conversely, the submarkets seeing the biggest rent declines are mostly the larger, institutional submarkets that have seen a recent wave of new supply and energy tenant departures, with few exceptions. And very generous concession packages are also accompanying the rent discounts for any tenant willing to make a large commitment right now.

MARKET RENT GROWTH (YOY)



MARKET RENT PER SQUARE FEET



4 & 5 STAR EXPENSES PER SF (ANNUAL)

Market / Cluster	Utilities	Cleaning	Insurance	Taxes	Other	Total
Houston	\$0.60	\$1.42	\$0.50	\$5.99	\$8.95	\$17.46
Baytown	\$0.47	\$1.42	\$0.68	\$4.75	\$9.29	\$16.61
Bellaire	\$0.48	\$1.46	\$0.49	\$2.95	\$8.67	\$14.05
Conroe	\$0.73	\$1.46	\$0.45	\$3.38	\$8.50	\$14.52
Downtown	\$0.51	\$1.28	\$0.59	\$6.49	\$8.43	\$17.30
E Fort Bend Co/Sugar Land	\$0.56	\$1.72	\$0.50	\$4.10	\$7.82	\$14.70
FM 1960	\$0.64	\$1.12	\$0.42	\$4.76	\$9.19	\$16.13
Greenway Plaza	\$1.38	\$1.50	\$0.43	\$6.25	\$6.35	\$15.91
Gulf Freeway/Pasadena	\$0.55	\$1.98	\$0.68	\$4.03	\$8.28	\$15.52
Katy Freeway	\$0.55	\$1.51	\$0.40	\$7.04	\$10.05	\$19.55
Katy/Grand Parkway West	\$0.97	\$1.12	\$0.57	\$7.34	\$9.08	\$19.08
Kingwood/Humble	\$0.51	\$1.60	\$0.49	\$4.75	\$9.65	\$17.00
NASA/Clear Lake	\$0.48	\$1.48	\$0.74	\$3.76	\$8.21	\$14.67
North Belt	\$0.36	\$1.14	\$0.44	\$2.29	\$9.21	\$13.44
Northeast Near	\$0.39	\$1.19	\$0.50	\$3.11	\$9.92	\$15.11
Northeast Outlier	\$0.51	\$1.59	\$0.49	\$4.10	\$9.61	\$16.30
Northwest	\$0.39	\$1.17	\$0.44	\$3.30	\$9.37	\$14.67
Northwest Outlier	\$0.48	\$1.35	\$0.49	\$12.77	\$10.46	\$25.55
Outlying Montgomery Cnty	\$0.54	\$1.61	\$0.49	\$2.94	\$9.58	\$15.16
San Felipe/Voss	\$0.68	\$1.18	\$0.38	\$4.20	\$6.36	\$12.80
South	\$0.49	\$1.49	\$0.49	\$7.37	\$7.74	\$17.58
South Main/Medical Center	\$0.60	\$1.72	\$0.59	\$5.45	\$7.80	\$16.16
Southeast Outlier	\$0.48	\$1.45	\$0.59	\$11.48	\$8.51	\$22.51
Southwest	\$0.45	\$1.37	\$0.47	\$1.54	\$9.48	\$13.31
Southwest Far	\$0.49	\$1.49	\$0.49	\$7.12	\$7.73	\$17.32
Southwest Outlier	\$1.18	\$1.00	\$0.70	\$3.56	\$8.32	\$14.76
The Woodlands	\$0.51	\$1.86	\$0.47	\$5.82	\$9.37	\$18.03
West Belt	\$0.55	\$1.23	\$0.52	\$5.86	\$9.11	\$17.27
West Loop	\$0.85	\$1.07	\$0.47	\$7.24	\$7.88	\$17.51
Westchase	\$0.38	\$1.30	\$0.49	\$5.94	\$10.28	\$18.39

Expenses are estimated using NCREIF, Trepp, IREM, and CoStar data using the narrowest possible geographical definition from Zip Code to region.

3 STAR EXPENSES PER SF (ANNUAL)

Market / Cluster	Utilities	Cleaning	Insurance	Taxes	Other	Total
Houston	\$0.52	\$1.30	\$0.36	\$4.85	\$5.20	\$12.23
Austin County	\$0.54	\$1.32	\$0.43	\$2.70	\$7.07	\$12.06
Baytown	\$0.45	\$1.17	\$0.38	\$3.45	\$3.97	\$9.42
Bellaire	\$0.48	\$1.39	\$0.47	\$3.94	\$5.96	\$12.24
Conroe	\$0.49	\$1.52	\$0.26	\$3.77	\$4.42	\$10.46
Downtown	\$0.46	\$1.32	\$0.46	\$4.93	\$7.17	\$14.34
E Fort Bend Co/Sugar Land	\$0.51	\$1.57	\$0.43	\$5.16	\$4.81	\$12.48
FM 1960	\$0.53	\$1.21	\$0.29	\$4.94	\$4.93	\$11.90
Greenway Plaza	\$0.55	\$1.32	\$0.40	\$5.48	\$5.97	\$13.72
Gulf Freeway/Pasadena	\$0.54	\$1.21	\$0.39	\$4.35	\$2.56	\$9.05
I-10 East	\$0.45	\$1.17	\$0.37	\$3.73	\$4.16	\$9.88
Katy Freeway	\$0.52	\$1.38	\$0.35	\$6.16	\$6.35	\$14.76
Katy/Grand Parkway West	\$0.89	\$0.98	\$0.41	\$7.87	\$6.81	\$16.96
Kingwood/Humble	\$0.47	\$1.47	\$0.37	\$4.02	\$4.11	\$10.44
Liberty County	\$0.44	\$1.14	\$0.37	\$2.58	\$3.78	\$8.31
NASA/Clear Lake	\$0.48	\$1.19	\$0.38	\$3.52	\$3.87	\$9.44
North Belt	\$0.40	\$1.07	\$0.22	\$2.34	\$6.39	\$10.42
Northeast Near	\$0.39	\$1.04	\$0.28	\$3.86	\$6.26	\$11.83
Northeast Outlier	\$0.41	\$1.21	\$0.25	\$6.99	\$3.71	\$12.57
Northwest	\$0.39	\$1.05	\$0.32	\$4.93	\$5.96	\$12.65
Northwest Outlier	\$0.49	\$1.25	\$0.37	\$6.62	\$6.33	\$15.06
Outlying Chambers County	\$0.45	\$1.18	\$0.36	\$2.32	\$3.85	\$8.16
Outlying Montgomery Cnty	\$0.48	\$1.49	\$0.26	\$3.70	\$4.32	\$10.25
Outlying Waller County	\$0.53	\$1.33	\$0.43	\$1.37	\$6.85	\$10.51
Richmond/Fountainview	\$0.47	\$1.12	\$0.37	\$2.52	\$6.19	\$10.67
San Felipe/Voss	\$0.47	\$1.11	\$0.36	\$3.60	\$6.11	\$11.65
South	\$0.45	\$1.31	\$0.44	\$4.98	\$4.51	\$11.69
South Hwy 35	\$0.46	\$1.39	\$0.48	\$2.63	\$4.99	\$9.95
South Main/Medical Center	\$0.49	\$1.46	\$0.49	\$5.52	\$5.04	\$13.00
Southeast Outlier	\$0.46	\$1.33	\$0.45	\$2.56	\$4.67	\$9.47
Southwest	\$0.42	\$1.28	\$0.46	\$2.74	\$3.99	\$8.89
Southwest Far	\$0.46	\$1.40	\$0.48	\$3.63	\$5.01	\$10.98
Southwest Outlier	\$0.77	\$1.10	\$0.48	\$5.62	\$5.73	\$13.70
The Woodlands	\$0.48	\$1.75	\$0.20	\$4.94	\$4.48	\$11.85
West Belt	\$0.48	\$1.05	\$0.31	\$4.47	\$5.13	\$11.44
West Loop	\$0.44	\$0.94	\$0.39	\$5.20	\$6.71	\$13.68
Westchase	\$0.39	\$1.22	\$0.32	\$4.26	\$5.26	\$11.45

Expenses are estimated using NCREIF, Trepp, IREM, and CoStar data using the narrowest possible geographical definition from Zip Code to region.

1 & 2 STAR EXPENSES PER SF (ANNUAL)

Market / Cluster	Utilities	Cleaning	Insurance	Taxes	Other	Total
Houston	\$0.43	\$1.06	\$0.30	\$3.94	\$3.82	\$9.55
Austin County	\$0.50	\$1.16	\$0.35	\$2.00	\$4.74	\$8.75
Baytown	\$0.41	\$1.06	\$0.34	\$3.18	\$3.74	\$8.73
Bellaire	\$0.40	\$1.07	\$0.24	\$3.80	\$3.71	\$9.22
Conroe	\$0.45	\$1.10	\$0.24	\$2.14	\$4.80	\$8.73
Downtown	\$0.45	\$0.92	\$0.40	\$6.10	\$3.60	\$11.47
E Fort Bend Co/Sugar Land	\$0.46	\$1.45	\$0.36	\$3.13	\$3.92	\$9.32
FM 1960	\$0.43	\$1.11	\$0.27	\$3.73	\$4.47	\$10.01
Greenway Plaza	\$0.51	\$1.03	\$0.38	\$7.64	\$4.69	\$14.25
Gulf Freeway/Pasadena	\$0.43	\$1.07	\$0.33	\$3.26	\$2.58	\$7.67
I-10 East	\$0.40	\$1.00	\$0.31	\$3.23	\$3.72	\$8.66
Katy Freeway	\$0.47	\$1.17	\$0.32	\$4.50	\$4.56	\$11.02
Katy/Grand Parkway West	\$0.47	\$0.97	\$0.32	\$4.57	\$5.13	\$11.46
Kingwood/Humble	\$0.46	\$1.30	\$0.36	\$3.22	\$3.70	\$9.04
Liberty County	\$0.41	\$1.07	\$0.34	\$1.89	\$3.75	\$7.46
NASA/Clear Lake	\$0.42	\$1.07	\$0.34	\$3.03	\$3.74	\$8.60
North Belt	\$0.36	\$0.88	\$0.22	\$2.85	\$3.99	\$8.30
Northeast Near	\$0.36	\$0.81	\$0.26	\$3.18	\$1.81	\$6.42
Northeast Outlier	\$0.42	\$1.16	\$0.25	\$3.72	\$3.74	\$9.29
Northwest	\$0.35	\$0.80	\$0.29	\$5.20	\$3.73	\$10.37
Northwest Outlier	\$0.51	\$1.18	\$0.34	\$3.66	\$0.38	\$6.07
Outlying Chambers County	\$0.40	\$1.04	\$0.34	\$2.29	\$3.67	\$7.74
Outlying Montgomery Cnty	\$0.46	\$1.29	\$0.25	\$3.13	\$4.08	\$9.21
Outlying Waller County	\$0.48	\$1.11	\$0.33	\$2.79	\$3.88	\$8.59
Richmond/Fountainview	\$0.37	\$0.97	\$0.22	\$3.88	\$3.76	\$9.20
San Felipe/Voss	\$0.48	\$1.26	\$0.29	\$6.47	\$5.00	\$13.50
South	\$0.43	\$1.13	\$0.30	\$3.41	\$3.63	\$8.90
South Hwy 35	\$0.42	\$1.14	\$0.26	\$2.28	\$3.71	\$7.81
South Main/Medical Center	\$0.43	\$1.09	\$0.30	\$6.35	\$3.92	\$12.09
Southeast Outlier	\$0.45	\$1.23	\$0.29	\$1.68	\$3.99	\$7.64
Southwest	\$0.35	\$0.85	\$0.17	\$2.70	\$3.69	\$7.76
Southwest Far	\$0.42	\$1.13	\$0.26	\$2.80	\$3.67	\$8.28
Southwest Outlier	\$0.42	\$0.89	\$0.26	\$2.96	\$5.20	\$9.73
The Woodlands	\$0.43	\$1.34	\$0.19	\$4.25	\$4.12	\$10.33
West Belt	\$0.42	\$0.89	\$0.27	\$3.45	\$3.84	\$8.87
West Loop	\$0.45	\$1.03	\$0.30	\$4.36	\$4.91	\$11.05
Westchase	\$0.35	\$1.13	\$0.24	\$4.33	\$5.75	\$11.80

Expenses are estimated using NCREIF, Trepp, IREM, and CoStar data using the narrowest possible geographical definition from Zip Code to region.

Along with slower than normal leasing, the Houston market still has a sizable construction pipeline to contend with.

The South Main/Medical Center and Katy Freeway East Submarkets are seeing the second- and third-most new construction, respectively. The Texas Medical Center is undergoing a renaissance as it begins to accommodate the push for a commercial life sciences and biotech hub.

Meanwhile, the Katy Freeway East Submarket, following the lead of successful mixed-use projects Memorial City and City Centre, has emerged as a hot spot for corporate campuses and spec office buildings along the Katy Freeway. It is important to note that each of these submarkets has relatively high barriers to entry for new development in a city with notorious lack of zoning restrictions. Perhaps these barriers to new development make these sites especially attractive to developers.

The CBD, while currently leading new development on a nominal basis by a hair, is seeing much less construction on a percentage basis.

Hines' 1.1-million-SF Texas Tower is expected to deliver by the end of 2021. This and Lovett Commercial's mixed-use renovation of the downtown post office comprise the new development in that submarket.

Hewlett-Packard Enterprise Buildings 3 and 4, totaling 570,000 SF, are under construction in Springwoods Village. These are being constructed by a partnership between the Patrinely Group, USAA Real Estate, and CDC Houston, which also developed the nearby HP Inc. build-to-suit in Springwoods Village. Before HPE and HPI split, its legacy Compaq campus along Highway 249 flooded multiple times in recent years. HPE recently announced that it would move its headquarters from San Jose, California, to Spring, Texas, while maintaining a strategic innovation presence in San Jose.

Texas A&M and partner Medistar are under construction with the 510,000-SF Horizon Tower, a state-of-the-art life sciences building, in the Texas Medical Center. This joins the 430,000-SF O'Quinn Medical Tower at the new McNair Baylor St. Lukes Campus as the largest new developments in the medical center area.

And Hines is also developing a build-to-suit for Marathon Oil in City Centre. Upon completion, Marathon will relocate from 5555 San Felipe in the Galleria/Uptown Submarket.

Houston's office supply pipeline was already down significantly since the recent oil downturn of 2015-17 as the market worked through significant oversupply, prior to the coronavirus pandemic and recent oil price crash. However, there are still a few new projects underway.

Houston, home to the largest medical center in the world at the Texas Medical Center, may also soon welcome several million SF of new life science-oriented mixed-use projects along a two-mile stretch of Holcombe Boulevard. These projects could raise Houston's profile as a burgeoning commercial life sciences and tech hub and could inject billions into the local economy.

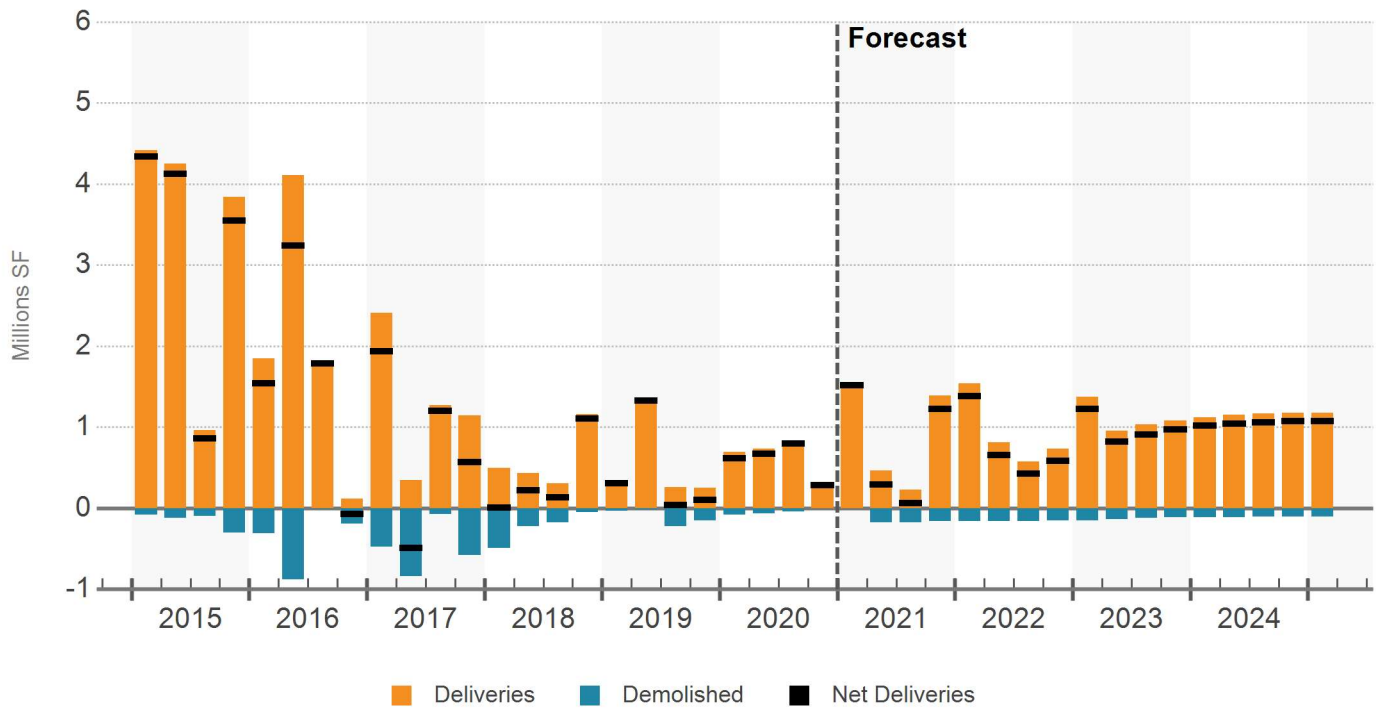
Among the proposed life sciences mixed-use projects, Hines and 2ML Real Estate Interests (the Levit family of Grocers Supply Company) recently announced the proposed development of a 52-acre mixed-use project at the intersection of Holcombe Boulevard and Highway 288. The project, which will be dubbed Levit Green, will sit on the site of a former Grocers Supply distribution facility. The project is slated to primarily serve a growing demand for life sciences lab and research facilities. The development is also slated to include multifamily and retail. The project could break ground within the next two years and has been in the concept stage for at least three.

The Texas A&M System also recently announced plans for the five-acre, \$550 million Texas A&M Innovation Plaza, located at intersection of Holcombe Boulevard and Main Street. The campus will be home to Texas A&M's unique, two-year Engineering Medicine (EnMed) program, which will allow students the opportunity to earn a master's degree in engineering from Texas A&M University and a medical degree from the Texas A&M College of Medicine. The mixed-use development includes a renovated 18-story office building, which was acquired by Texas A&M for \$145 million in 2017 and will be home to the EnMed program. That building is scheduled to open later this year. Development plans also include a 17-story, 515,000-SF integrated medical office building atop a 13-story parking structure with retail and dining options and a scenic plaza at grade and a 19-story, 714-bed student housing tower. Texas A&M's public-private partnership development partner, Medistar Corporation, plans to provide an additional \$401 million in investment for the two complementary towers, which may total an additional 1.9 million SF upon completion and are expected to break ground in late 2020.

Medistar has plans for another large mixed-use project at the intersection of Holcome Boulevard and Main Street dubbed the Innovation Tower. Initial plans call for a 50-story, 1.7-million-SF tower with 550,000 SF of medical, clinical, biomedical, and corporate office, dry lab, tech, and collaborative space, as well as 410 luxury apartments and retail and dining amenities. It would also connect to Medistar's recently completed 35-story LATITUDE Med Center apartment tower and 22-story Intercontinental Houston - Medical Center Hotel.

And the TMC|3 project, which is scheduled to break ground in late 2020, is planned to include 250,000 SF of core labs and amenities, including 138,000 SF of commercial and retail space and 112,000 SF of shared research facilities. Development plans also call for a 410-room TMC Hotel and Conference Center and 50,000 SF of conference space. In all, the site totals 36 acres. Transwestern Development Company is managing the development of the project.

DELIVERIES & DEMOLITIONS



SUBMARKET CONSTRUCTION

No.	Submarket	Under Construction Inventory					Average Building Size		
		Bldgs	SF (000)	Pre-Leased SF (000)	Pre-Leased %	Rank	All Existing	Under Constr	Rank
1	CBD	2	1,252	460	36.7%	9	313,802	625,928	1
2	South Main/Medical Center	4	1,216	536	44.1%	8	55,356	303,945	2
3	Katy Freeway East	4	965	662	68.7%	5	44,160	241,140	4
4	The Woodlands	6	637	615	96.6%	2	35,186	106,091	6
5	Midtown	3	493	247	50.1%	6	17,216	164,467	5
6	Kingwood/Humble	1	270	270	100%	1	15,015	270,000	3
7	FM 1960/Hwy 249	11	238	164	69.0%	4	19,947	21,659	8
8	South	9	113	92	81.7%	3	11,893	12,565	10
9	Northwest Outlier	8	110	50	45.5%	7	6,720	13,716	9
10	Outlying Montgomery Cnty	3	97	0	0%	10	7,532	32,333	7
	All Other	37	524	278	53.0%		30,941	14,154	
Totals		88	5,914	3,374	57.1%		33,143	67,203	

Under Construction Properties

Houston Office

Properties

Square Feet

Percent of Inventory

Released

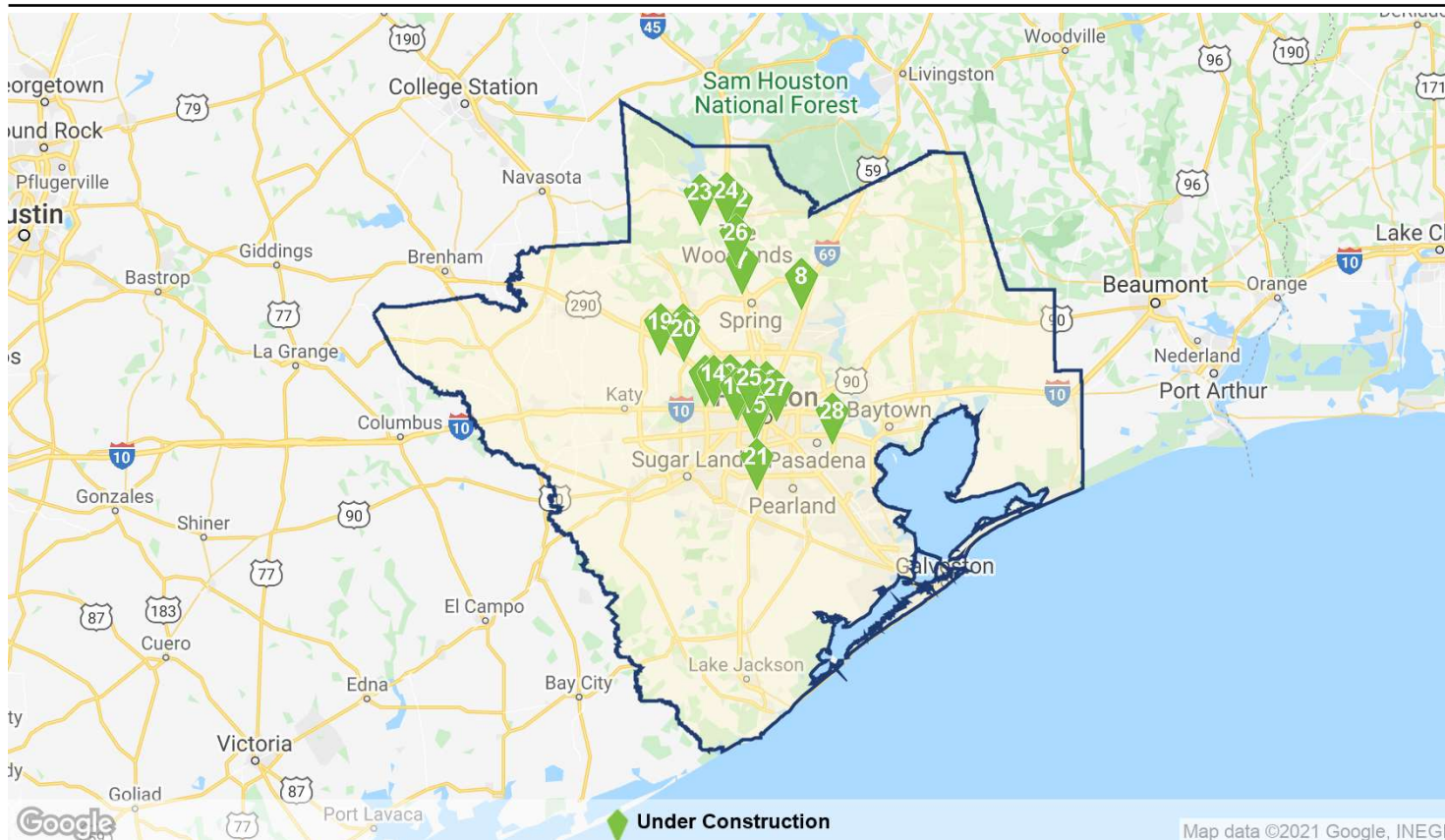
88

5,913,887

1.7%

57.1%

UNDER CONSTRUCTION PROPERTIES



UNDER CONSTRUCTION

Property Name/Address	Rating	Bldg SF	Stories	Start	Complete	Developer/Owner
1 Texas Tower 845 Texas Ave	★★★★★	1,101,856	47	Jul 2018	Oct 2021	Hines Ivanhoe Cambridge
2 Horizon Tower 6929 Main St	★★★★★	511,599	31	Sep 2020	Feb 2023	Medistar Corporation Medistar Corporation
3 One MRO 990 Town And Country Blvd	★★★★☆	440,000	15	Dec 2019	Dec 2021	Hines Marathon Oil Corporation
4 O'Quinn Medical Tower 7200 Cambridge St	★★★★☆	427,000	12	Jul 2020	Mar 2022	- St. Luke's Health System
5 The Ion 4201 Main St	★★★★☆	288,000	6	May 2019	Feb 2021	Hines Rice Management Company
6 HPE Building 4 City Place Dr	★★★★☆	284,000	5	Apr 2020	Dec 2021	Patrinely Group, LLC Patrinely Group, LLC
7 HPE Building 3 City Place Dr	★★★★☆	284,000	5	Apr 2020	Dec 2021	Patrinely Group, LLC Patrinely Group, LLC

Under Construction Properties

Houston Office

UNDER CONSTRUCTION

Property Name/Address	Rating	Bldg SF	Stories	Start	Complete	Developer/Owner
8 Insperty Campus Buildi... 29829 Loop 494	★★★★★	270,000	10	May 2019	Feb 2021	D E Harvey Cleary Insperty, Inc.
9 8020 Katy Fwy	★★★★★	193,500	13	Dec 2019	Feb 2021	- Crown Castle International Corp.
10 9753 Katy Fwy	★★★★★	190,000	9	Oct 2019	Jun 2021	MetroNational Corporation MetroNational Corporation
11 Montrose Collective 888 Westheimer Rd	★★★★★	170,000	6	Feb 2020	Sep 2021	Radom Capital LLC Radom Capital LLC
12 Museo Plaza Office Build... 5115 Fannin St	★★★★★	160,681	10	Apr 2020	Dec 2021	Testa Rossa Properties Testa Rossa Properties
13 POST Houston 401 Franklin St	★★★★★	150,000	5	Sep 2018	Feb 2021	- -
14 Village Tower II 9655 Katy Fwy	★★★★★	141,059	6	Dec 2019	Mar 2021	Moody National Companies Moody National Companies
15 7500 Fannin St	★★★★★	116,500	5	Apr 2020	Dec 2021	Healthpeak Properties, Inc. Healthpeak Properties, Inc.
16 North Cypress Physician... 10425 Huffmeister Rd	★★★★★	110,374	4	Sep 2020	Oct 2021	NexCore Group LLC Healthcare Trust of America
17 4411 San Felipe St	★★★★★	92,839	7	Dec 2020	Dec 2021	DC Partners -
18 1801 Post Oak Blvd	★★★★★	70,000	5	Oct 2019	Feb 2021	NS Zadok Investments NS Zadok Investments
19 Towne Lake Office Condos 10242 Greenhouse Rd	★★★★★	50,000	1	Aug 2019	May 2021	- Caldwell Companies
20 8900 Point Six Cir	★★★★★	48,000	4	Mar 2019	Feb 2021	Sterling Engineering & Design Sandeep Patel
21 HCA Healthcare 11200 Broadway St	★★★★★	48,000	3	Mar 2020	Feb 2021	CBL & Associates Properties, Inc. CBL & Associates Properties, Inc.
22 Bldg G - Marcel Boulevard I-45 & Crescent Campus B...	★★★★★	45,000	3	Jul 2020	May 2021	The Marcel Group The Marcel Group
23 Building III 2080 Central Pine St	★★★★★	42,000	2	Apr 2020	Feb 2021	- The Johnson Development Corp.
24 2510 S Loop 336 W	★★★★★	39,650	2	Nov 2019	Mar 2021	- Roberds Pharmacy
25 190 TC Jester Blvd	★★★★★	35,400	4	Apr 2020	Feb 2021	Arch-Con Construction Arch-Con Construction
26 Life Time Co-Work Six Pines Dr	★★★★★	35,000	1	Apr 2020	Feb 2021	Life Time Inc. Life Time Inc.
27 4400 Harrisburg Blvd	★★★★★	32,396	3	May 2020	Mar 2021	The Center for Pursuit The Center for Pursuit
28 2351 Oleander Dr	★★★★★	32,000	1	Mar 2020	Feb 2021	- Turner Industries

As of the fourth quarter of 2020, transaction volumes were down by more than half since 2019, although a few key deals closed in the last months of the year. It appears that the investors are finally working their way through 2020's period of price discovery.

Solana Beach, California-based Brixton Capital acquired a four-property portfolio at the Dow Chemical Texas Innovation Center in Lake Jackson from New York-based Lexington Realty Trust in November. The campus, which was developed by locally based CORE Real Estate with partner Lexington Property Trust in 2016, is fully leased to Dow. It is located in an area that was originally developed by Dow as a company town. The campus serves as an R&D center for products manufactured at the nearby Dow Freeport facility, the largest consolidated chemical manufacturing plant in the Western Hemisphere. In 2017, the Dow Administration Building on the campus was sold to Cole Office & Industrial REIT for \$260/SF. Thus, this sale represents a nearly \$30/SF increase over the past three years.

Locally based Triton Real Estate Partners and New York-based Taconic Capital Advisors acquired 1111 Fannin in downtown Houston in November. JPMorgan's lease expires in September 2021, at which point it will relocate to one of its original downtown offices, 600 Travis. The buyers stated that they decided to acquire the property because it was offered well below replacement cost, which could be nearly double the estimated sales price. And, in combination with Opportunity Zone tax incentives, it provided an attractive redevelopment opportunity in one of the nation's key office submarkets. The acquisition represents a vote of confidence in downtown Houston, which has seen rising vacancies in recent years. Brookfield, Hines, and other landlords have poured hundreds of millions of dollars in recent years into redeveloping older vintage office buildings downtown in a gamble to retain and attract tenants there at attractive rental rates.

Rounding out the top deals last quarter, Austin-based Capital Commercial Investments acquired the AT&T Building at 6500 West Loop South in Bellaire. It appears the Austin investor has an appetite for large, value-add campus redevelopment opportunities. In June, Capital Commercial acquired part of the legacy HP/Compaq campus in northwest Houston, which was recently vacated. AT&T's lease runs through the third quarter of 2021, and it recently vacated 315,000 SF in the building. Going forward, AT&T will retain a 74,000-SF presence on the fourth floor, and the new owner will look to re-

tenant the building with an eye towards medical office users. Nationally, AT&T has the most sublease space listed of any U.S. office tenant, at more than 1 million SF and nearly double the next on the list, Uber. An early pioneer in working from home and telecommuting, AT&T is undergoing a major national cost-saving initiative as it consolidates offices and shifts to working from home, a trend accelerated by the pandemic.

The most significant trophy deal to occur so far in 2020 involved Midway Companies' sale of the 250,000-SF office tower at Kirby Grove for \$115 million, or \$464/SF, to Chicago-based DWS. The sale included a ground lease, which is owned by the Upper Kirby Redevelopment Authority of the City of Houston. The 5 Star, LEED-certified building within Midway's Kirby Grove mixed-use development delivered in 2015 and was 96% occupied at the time of sale.

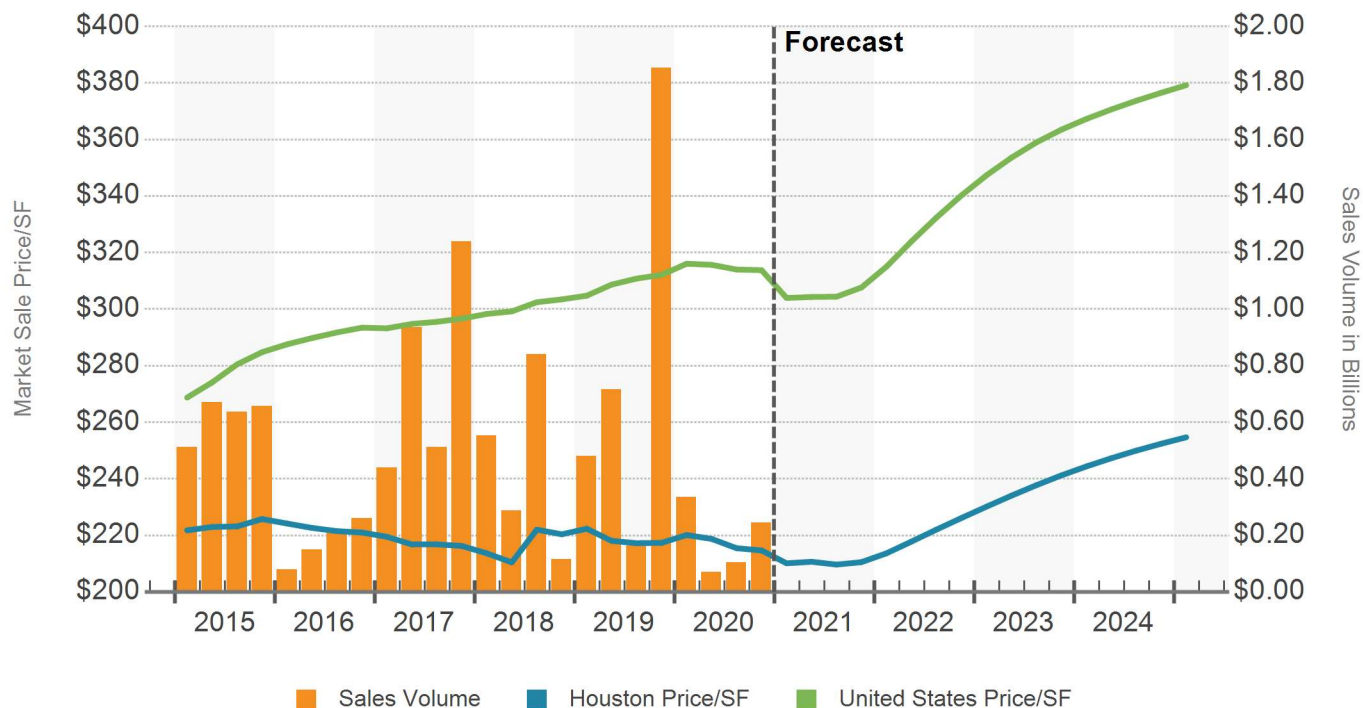
Notably, in April 2020, trophy asset 609 Main fell out of contract for undisclosed reasons with a prospective buying group that included KB Securities, a Korean investment firm and subsidiary of KB Financial, which was advised by South Korean asset management firm JR AMC. A joint venture between Hines and the California Public Employees Retirement System (CalPERS) listed 609 Main on the market last fall. It's unclear if the building is still for sale and if the sellers are pursuing backup buyers. However, Hines and CalPERS recently succeeded in pushing back the maturity date of a \$230 million construction loan tied to the property from March 25 to September 25. Prior to the coronavirus pandemic, 609 Main was slated to possibly set a per-SF price record for Houston non-medical office. The building is 95% leased to a variety of legal, financial, real estate, and business services tenants, with United Airlines as an anchor, and it is significantly underexposed to upstream energy.

Since 2010, Houston has been considered attractive to investors because, in addition to being the fifth-largest metropolitan area in the U.S., it was one of the fastest-growing for several years prior to the oil downturn of 2015-17 in terms of total job and population growth, regularly ranking among a small cohort of cities such as Dallas-Fort Worth and New York. Population growth continued to top the nation, even during the 2015-17 oil downturn and Hurricane Harvey in 2017. And in 2018-19, Houston's energy industry mounted enough of a recovery to again return Houston to the top of the job and population growth rankings.

However, Houston's office sector vacancy never quite recovered from the oil downturn of 2015-17. This has placed downward pressure on rents and therefore NOI and prices and slightly increased pressure on cap rates ever since 2014. As a result, a mix of private equity, private, REIT/public, and institutional investors swooped in over the past four years to capitalize on value-add

and opportunistic plays where they could find them, especially portfolio deals of older 4 Star assets in core and core plus locations. Whereas the early years of the shale oil boom, from 2011-13, saw significant REIT/public investment, private equity investors have been more active since 2017.

SALES VOLUME & MARKET SALE PRICE PER SF



Sales Past 12 Months

Houston Office

Sale Comparables

608

Avg. Cap Rate

7.5%

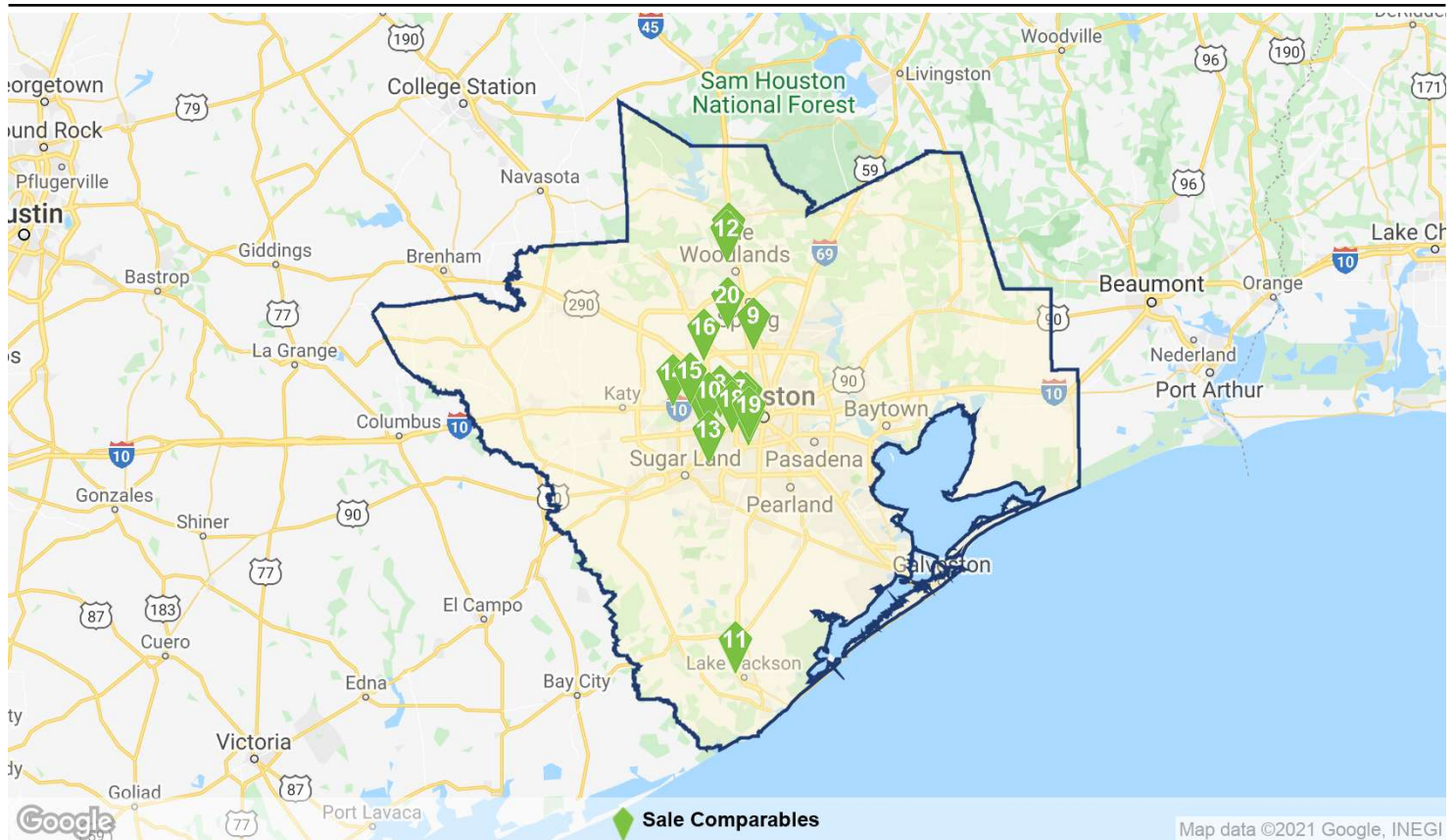
Avg. Price/SF

\$185

Avg. Vacancy At Sale

20.9%

SALE COMPARABLE LOCATIONS



SALE COMPARABLES SUMMARY STATISTICS

Sales Attributes	Low	Average	Median	High
Sale Price	\$11,738	\$6,367,771	\$800,000	\$115,000,000
Price/SF	\$17	\$185	\$200	\$553
Cap Rate	3.4%	7.5%	7.5%	10.1%
Time Since Sale in Months	0.1	5.7	5.3	11.8
Property Attributes	Low	Average	Median	High
Building SF	568	22,391	4,301	546,641
Stories	1	2	1	20
Typical Floor SF	568	8,475	4,000	130,395
Vacancy Rate At Sale	0%	20.9%	0%	100%
Year Built	1860	1978	1980	2020
Star Rating	★★★★★	★★★★★ 2.4	★★★★★	★★★★★

Sales Past 12 Months

Houston Office

RECENT SIGNIFICANT SALES

Property Name - Address	Property				Sale				
	Rating	Yr Built	Bldg SF	Vacancy	Sale Date	Price	Price/SF	Cap Rate	
1 MD Anderson The Woodl... 100 Fellowship Dr	★★★★☆	2017	208,000	0%	3/16/2020	\$115,000,000	\$553	-	
2 Kirby Grove 2925 Richmond Ave	★★★★★	2015	248,275	6.9%	1/24/2020	\$115,000,000	\$463	-	
3 The Dow Chemical Com... 240 Abner Jackson Pky	★★★★☆	2016	280,000	0%	11/10/2020	\$93,242,697	\$333	-	
4 The Dow Chemical Com... 220 Abner Jackson Pky	★★★★☆	2017	278,521	0%	11/10/2020	\$81,911,587	\$294	-	
5 One Westchase Center 10777 Westheimer Rd	★★★★☆	1982	466,025	15.0%	8/26/2020	\$60,500,000	\$130	9.5%	
6 Memorial Hermann Orth... 5420 West Loop S	★★★★☆	2007	99,768	6.6%	5/7/2020	\$40,776,000	\$409	-	
7 2900 Wesleyan St	★★★★☆	1979	136,698	19.3%	1/29/2020	\$25,988,300	\$190	-	
8 Woodway Office 7660 Woodway Dr	★★★★☆	1982	110,529	11.3%	3/19/2020	\$15,624,253	\$141	7.1%	
9 363 North Belt 363 N Sam Houston Pky E	★★★★☆	1982	386,277	64.8%	6/24/2020	\$15,225,000	\$39	3.8%	
10 2950 S Gessner Rd	★★★☆☆	1977	60,532	6.4%	2/19/2020	\$14,400,000	\$238	-	
11 The Dow Chemical Com... 270 Abner Jackson Pky	★★★★☆	2016	51,194	0%	11/10/2020	\$13,132,987	\$257	-	
12 8800 Technology Forest Pl	★★★★☆	2002	268,950	0%	12/14/2020	\$11,900,000	\$44	-	
13 13927 S Gessner Rd	★★★★☆	2008	87,720	0%	2/18/2020	\$8,500,000	\$97	-	
14 15415 Katy Fwy	★★★★☆	1983	195,212	35.1%	11/19/2020	\$7,500,000	\$38	5.5%	
15 1250 Wood Branch Park Dr	★★★★☆	1982	102,956	78.2%	12/23/2020	\$7,402,500	\$72	-	
16 9949 W Sam Houston Pk...	★★★★☆	2006	36,099	50.0%	9/24/2020	\$5,300,000	\$147	-	
17 Building F-2 8968-8998 Kirby Dr	★★★☆☆	1980	43,203	19.9%	3/2/2020	\$4,189,787	\$97	-	
18 4909 Bissonnet St	★★★☆☆	1984	20,976	56.3%	2/5/2020	\$4,000,000	\$191	-	
19 1415 La Concha Ln	★★★★☆	1979	10,365	0%	3/12/2020	\$4,000,000	\$386	-	
20 Cornerstone North 3303 W FM-1960	★★★☆☆	1984	70,000	100%	1/31/2020	\$3,500,000	\$50	-	

Efforts to contain the spread of the coronavirus disrupted years of robust employment gains in Houston. The statewide stay-at-home order and social distancing brought economic activity to a near standstill in 20Q2 and more than 330,000 jobs were shed during that quarter. These events had an outsized impact on leisure and hospitality and trade, transportation, and utilities, but no sector was immune to losses. Since May, more than 200,000 jobs have been created. Houston is still on the road to recovery. The recovery depends on an improving health situation, and the baseline forecast anticipates that employment will return to pre-pandemic levels by mid-2022.

The Houston metropolitan area is the fifth largest in the U.S. and consistently ranks among the top metros for job growth in the country. Prior to the coronavirus pandemic, ample job opportunities had spurred significant population growth, adding more than 1.1 million new residents from 2010 to 2019. Only Dallas-Fort Worth and Phoenix bested the Houston metropolitan area in terms of population growth in 2019. And in terms of counties, Houston's Harris County had the second-largest population increase over the first nine years of the decade, adding more than 620,000 people, trailing only Phoenix's Maricopa County. The Houston metropolitan added an estimated 89,994 new residents, 58% due to the natural increase (births minus deaths), 34% due to international migration, and 8% due to domestic migration, according to U.S. Census Bureau data. Since 2000, Houston has added an impressive 2.3 million residents, equal to the size of Austin. Houston also has one of the youngest populations in the nation. U.S. Census Bureau data shows that Houston's median age is 33 years old, compared with the U.S. median age of 38.

For Houston, lower crude oil prices pile on another layer of economic uncertainty for its exploration, production, and oil field services companies, the region's largest

employers. Oil and gas companies have cut more than 60% of capex spending this year. On April 20th, oil prices fell as low as negative \$40/barrel—the first time oil prices have turned negative—due to storage fears in the U.S. Since then, though, oil prices have recovered, somewhat, to the low-\$30s/barrel. But even these prices are unsustainable for an industry that needs \$46/barrel to \$52/barrel to drill new wells.

Fortunately, Houston has shifted away from being solely an oil and gas city and persistently continues to diversify its economy in industries like the life sciences (it is home to the world's largest medical center), giving the city a bit of a cushion. Houston's public and private sectors today are united in the goal of growing its global life sciences profile. At the center of these blue ocean projects are two key real estate developments in the works to encourage growth in these sectors: The Ion and TMC3. Rice University is transforming a 270,000-SF former Sears department store in Houston's Midtown neighborhood into The Ion, the hub of a proposed 16-acre innovation district that the mayor hopes will boost the city's technological appeal. California-based energy giant Chevron Corp. is the first company to sign a lease in The Ion. And the TMC3 project was officially announced in April 2018 as the cornerstone of the Texas Medical Center's plan to establish Texas as the "Third Coast" for life sciences and biotechnology research to compete directly with Cambridge, Massachusetts, and Mission Bay in San Francisco. TMC3 is expected to create roughly 26,000 jobs and generate \$5.2 billion in economic benefits in Houston. In addition, there are several million SF of new life sciences-oriented mixed-use projects planned along a two-mile stretch of Holcombe Boulevard in the Texas Medical Center.

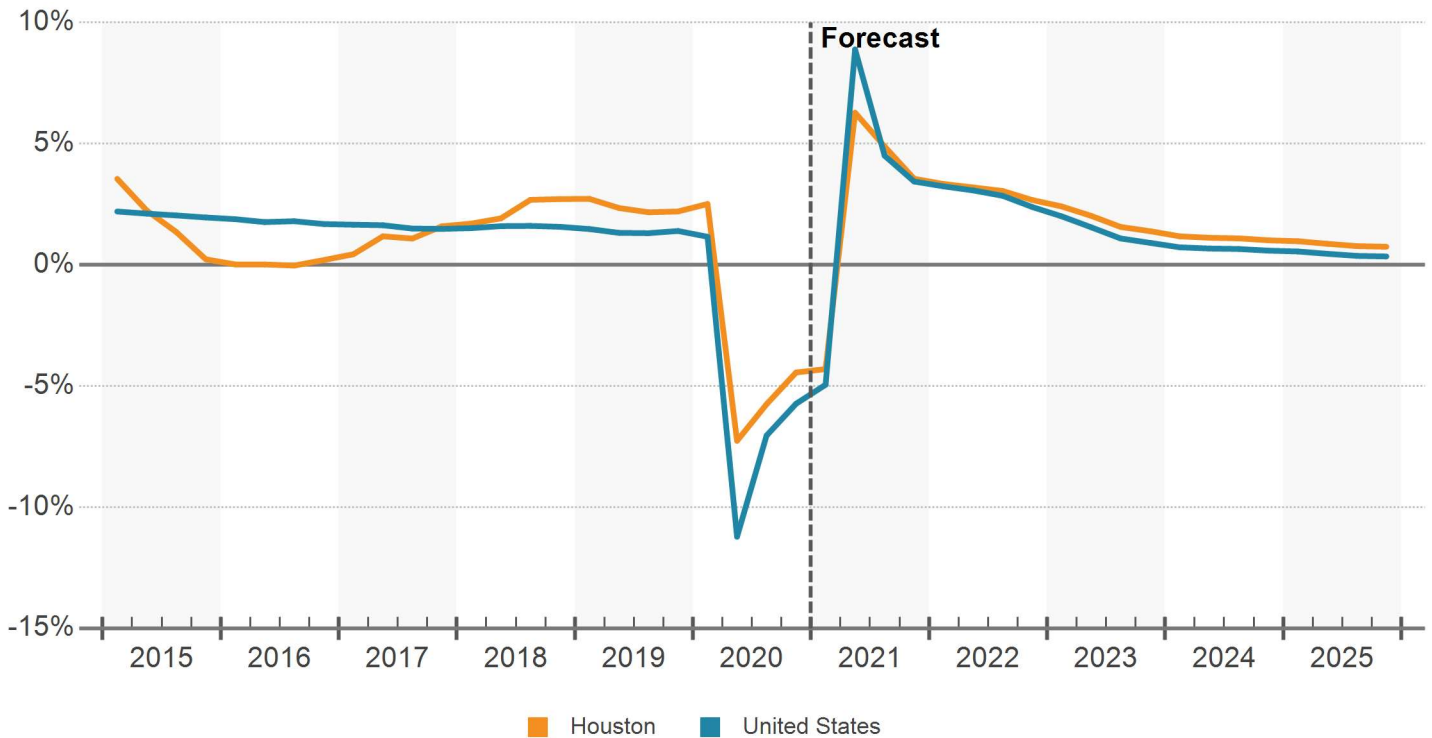
Owing to its affordability, warm climate, low taxes, and pro-business environment, Houston, like many major Sun Belt cities, is well-positioned for future growth and remains resilient.

HOUSTON EMPLOYMENT BY INDUSTRY IN THOUSANDS

NAICS Industry	Current Level		12 Month Change		10 Year Change		5 Year Forecast	
	Jobs	LQ	Market	US	Market	US	Market	US
Manufacturing	222	0.8	-5.62%	-3.61%	0.19%	0.66%	1.40%	0.43%
Trade, Transportation and Utilities	619	1.1	-2.06%	-3.17%	1.61%	0.86%	1.06%	0.67%
Retail Trade	299	0.9	-1.29%	-2.77%	1.22%	0.48%	0.88%	0.64%
Financial Activities	168	0.9	-1.29%	-1.26%	1.90%	1.25%	1.22%	0.75%
Government	398	0.9	-3.59%	-4.10%	0.45%	-0.24%	1.17%	0.81%
Natural Resources, Mining and Construction	291	1.7	-9.23%	-3.28%	1.23%	2.55%	2.18%	1.14%
Education and Health Services	404	0.8	-1.98%	-4.00%	2.66%	1.55%	2.23%	1.91%
Professional and Business Services	516	1.2	-0.51%	-4.53%	2.98%	1.88%	1.51%	1.64%
Information	30	0.5	-8.79%	-5.93%	-0.81%	0.07%	1.98%	2.12%
Leisure and Hospitality	293	1.0	-13.47%	-19.85%	2.12%	0.19%	4.29%	4.63%
Other Services	109	0.9	-7.54%	-6.93%	1.37%	0.30%	2.72%	1.42%
Total Employment	3,051	1.0	-4.42%	-5.60%	1.67%	0.92%	1.84%	1.50%

Source: Oxford Economics
LQ = Location Quotient

YEAR OVER YEAR JOB GROWTH



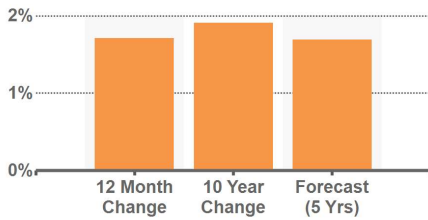
Source: Oxford Economics

DEMOGRAPHIC TRENDS

Demographic Category	Current Level		12 Month Change		10 Year Change		5 Year Forecast	
	Metro	US	Metro	US	Metro	US	Metro	US
Population	7,226,789	330,492,656	1.7%	0.5%	1.9%	0.6%	1.7%	0.5%
Households	2,462,928	123,536,016	1.7%	0.4%	1.8%	0.7%	1.7%	0.5%
Median Household Income	\$69,192	\$67,412	3.4%	5.8%	2.5%	3.0%	2.5%	2.1%
Labor Force	3,386,201	161,496,156	-2.3%	-1.7%	1.3%	0.5%	1.7%	0.7%
Unemployment	8.0%	9.0%	4.2%	5.4%	0%	0%	-	-

Source: Oxford Economics

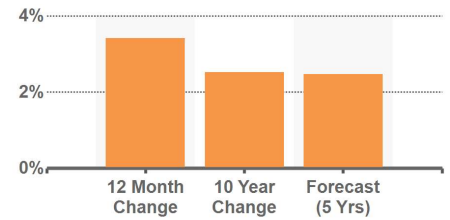
POPULATION GROWTH



LABOR FORCE GROWTH



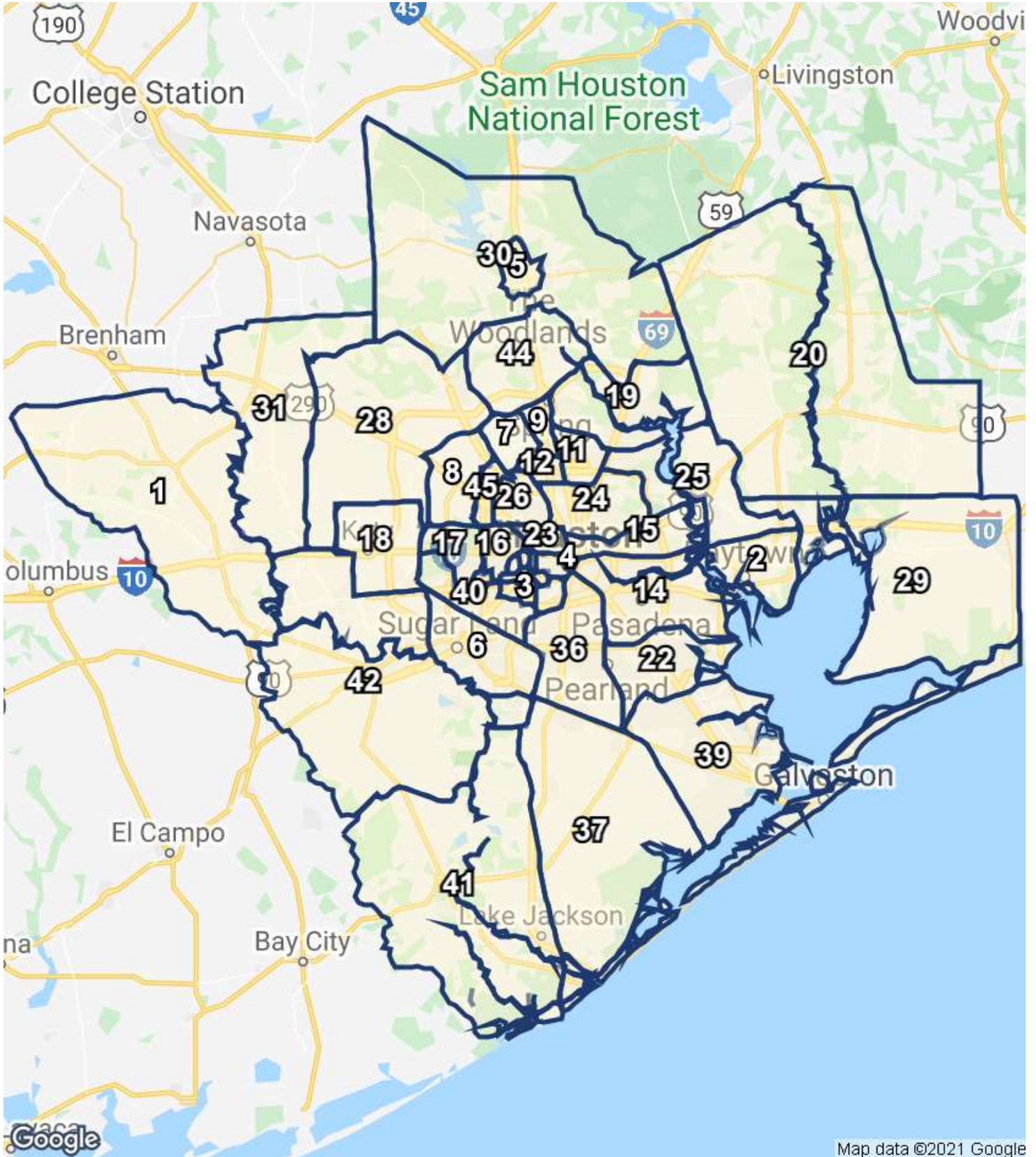
INCOME GROWTH



Source: Oxford Economics

Submarkets

HOUSTON SUBMARKETS



Submarkets

Houston Office

SUBMARKET INVENTORY

No.	Submarket	Inventory				12 Month Deliveries				Under Construction			
		Bldgs	SF (000)	% Market	Rank	Bldgs	SF (000)	Percent	Rank	Bldgs	SF (000)	Percent	Rank
1	Austin County	50	261	0.1%	44	0	0	0%	-	0	-	-	-
2	Baytown	140	1,867	0.6%	37	0	0	0%	-	0	-	-	-
3	Bellaire	93	5,325	1.6%	20	1	53	1.0%	16	0	-	-	-
4	CBD	164	51,463	15.2%	1	0	0	0%	-	2	1,252	2.4%	1
5	Conroe	275	2,755	0.8%	30	2	7	0.3%	23	2	67	2.4%	14
6	E Fort Bend Co/Sugar Land	459	10,470	3.1%	10	31	337	3.2%	2	6	31	0.3%	17
7	FM 1960/Champions	268	4,374	1.3%	23	3	58	1.3%	15	0	-	-	-
8	FM 1960/Hwy 249	493	9,834	2.9%	13	29	135	1.4%	7	11	238	2.4%	7
9	FM 1960/I-45 North	116	2,480	0.7%	31	0	0	0%	-	0	-	-	-
10	Galleria/Uptown	66	16,851	5.0%	5	0	0	0%	-	1	70	0.4%	13
11	Greenspoint/IAH	58	3,283	1.0%	28	0	0	0%	-	0	-	-	-
12	Greenspoint/N Belt West	119	11,078	3.3%	9	0	0	0%	-	0	-	-	-
13	Greenway Plaza	274	12,638	3.7%	7	0	0	0%	-	0	-	-	-
14	Gulf Freeway/Pasadena	671	8,295	2.4%	14	0	0	0%	-	2	64	0.8%	15
15	I-10 East	155	1,468	0.4%	40	1	31	2.1%	18	0	-	-	-
16	Katy Freeway East	269	11,879	3.5%	8	2	167	1.4%	5	4	965	8.1%	3
17	Katy Freeway West	264	28,062	8.3%	2	3	24	0.1%	19	0	-	-	-
18	Katy/Grand Parkway West	489	6,684	2.0%	16	10	215	3.2%	3	12	77	1.1%	12
19	Kingwood/Humble	253	3,799	1.1%	26	3	93	2.5%	11	1	270	7.1%	6
20	Liberty County	80	459	0.1%	43	0	0	0%	-	0	-	-	-
21	Midtown	603	10,381	3.1%	11	1	64	0.6%	13	3	493	4.8%	5
22	NASA/Clear Lake	547	10,322	3.0%	12	5	90	0.9%	12	2	17	0.2%	20
23	North Loop West	384	6,405	1.9%	17	5	139	2.2%	6	0	-	-	-
24	Northeast Near	150	2,261	0.7%	32	0	0	0%	-	0	-	-	-
25	Northeast Outlier	93	968	0.3%	41	0	0	0%	-	1	15	1.5%	21
26	Northwest Far	132	4,372	1.3%	24	0	0	0%	-	0	-	-	-
27	Northwest Near	63	1,604	0.5%	39	4	45	2.8%	17	1	23	1.4%	18
28	Northwest Outlier	320	2,150	0.6%	34	15	101	4.7%	10	8	110	5.1%	9
29	Outlying Chambers County	28	177	0.1%	45	0	0	0%	-	0	-	-	-
30	Outlying Montgomery Cnty	227	1,710	0.5%	38	5	112	6.5%	9	3	97	5.7%	10
31	Outlying Waller County	26	132	0%	46	1	8	6.1%	21	0	-	-	-
32	Post Oak Park	45	4,820	1.4%	22	1	206	4.3%	4	1	93	1.9%	11
33	Richmond/Fountainview	122	2,242	0.7%	33	0	0	0%	-	0	-	-	-
34	Riverway	24	3,177	0.9%	29	0	0	0%	-	0	-	-	-
35	San Felipe/Voss	50	5,347	1.6%	19	0	0	0%	-	0	-	-	-
36	South	289	3,437	1.0%	27	7	115	3.3%	8	9	113	3.3%	8
37	South Hwy 35	164	875	0.3%	42	1	3	0.3%	26	0	-	-	-
38	South Main/Medical Center	244	13,507	4.0%	6	1	5	0%	24	4	1,216	9.0%	2
39	Southeast Outlier	369	4,349	1.3%	25	1	8	0.2%	22	2	15	0.3%	22
40	Southwest Beltway 8	193	7,307	2.2%	15	0	0	0%	-	0	-	-	-
41	Southwest Far	98	2,036	0.6%	36	0	0	0%	-	1	20	1.0%	19
42	Southwest Outlier	243	2,112	0.6%	35	6	60	2.9%	14	6	32	1.5%	16

SUBMARKET INVENTORY

No.	Submarket	Inventory				12 Month Deliveries				Under Construction			
		Bldgs	SF (000)	% Market	Rank	Bldgs	SF (000)	Percent	Rank	Bldgs	SF (000)	Percent	Rank
43	Southwest/Hillcroft	111	5,323	1.6%	21	1	5	0.1%	24	0	-	-	-
44	The Woodlands	680	23,927	7.1%	3	10	339	1.4%	1	6	637	2.7%	4
45	West Belt	115	6,289	1.9%	18	2	17	0.3%	20	0	-	-	-
46	Westchase	140	20,032	5.9%	4	0	0	0%	-	0	-	-	-

SUBMARKET RENT

No.	Submarket	Market Rent		12 Month Market Rent		QTD Annualized Market Rent	
		Per SF	Rank	Growth	Rank	Growth	Rank
1	Austin County	\$23.39	30	1.1%	4	-13.6%	41
2	Baytown	\$23.61	29	1.5%	2	-9.5%	38
3	Bellaire	\$26.07	20	1.2%	3	0.5%	19
4	CBD	\$36.39	1	-0.5%	26	5.1%	8
5	Conroe	\$23.98	27	-0.6%	29	-6.7%	33
6	E Fort Bend Co/Sugar Land	\$28.24	12	-0.4%	19	3.3%	14
7	FM 1960/Champions	\$18.90	43	0.4%	13	-9.6%	39
8	FM 1960/Hwy 249	\$25.84	21	-0.1%	16	4.9%	10
9	FM 1960/I-45 North	\$20.32	38	-0.4%	22	-4.0%	28
10	Galleria/Uptown	\$32.62	2	-0.8%	32	6.3%	6
11	Greenspoint/IAH	\$19.10	42	-1.2%	39	3.8%	13
12	Greenspoint/N Belt West	\$18.73	44	-0.2%	17	1.7%	17
13	Greenway Plaza	\$31.39	7	-1.2%	40	5.0%	9
14	Gulf Freeway/Pasadena	\$22.09	34	-0.6%	30	-9.8%	40
15	I-10 East	\$21.31	36	0.9%	7	-16.1%	44
16	Katy Freeway East	\$32.45	4	-1.4%	43	7.4%	4
17	Katy Freeway West	\$29.38	10	-2.1%	45	7.3%	5
18	Katy/Grand Parkway West	\$29.46	9	-1.0%	37	4.0%	12
19	Kingwood/Humble	\$25.30	22	-1.2%	41	-3.7%	27
20	Liberty County	\$22.28	33	1.0%	5	-15.0%	42
21	Midtown	\$32.09	6	-0.4%	20	-0.7%	21
22	NASA/Clear Lake	\$23.91	28	-1.4%	44	-0.8%	22
23	North Loop West	\$22.72	32	-0.5%	28	-4.4%	29
24	Northeast Near	\$24.69	25	-0.4%	21	-2.5%	24
25	Northeast Outlier	\$26.16	18	0.5%	12	-4.7%	30
26	Northwest Far	\$19.58	41	-0.7%	31	-4.7%	31
27	Northwest Near	\$19.89	40	-0.9%	33	-8.6%	35
28	Northwest Outlier	\$27.85	14	-0.4%	24	2.1%	16
29	Outlying Chambers County	\$24.02	26	1.5%	1	-8.8%	37
30	Outlying Montgomery Cnty	\$25.11	23	0.8%	8	-6.8%	34
31	Outlying Waller County	\$21.64	35	0.5%	11	-20.7%	46
32	Post Oak Park	\$32.54	3	0.3%	15	5.4%	7
33	Richmond/Fountainview	\$20.32	39	0.9%	6	-15.6%	43
34	Riverway	\$27.00	16	-0.9%	35	4.6%	11
35	San Felipe/Voss	\$26.32	17	-0.4%	23	1.7%	18
36	South	\$27.88	13	-1.2%	38	-2.0%	23
37	South Hwy 35	\$20.99	37	0.6%	10	-20.2%	45
38	South Main/Medical Center	\$29.48	8	-1.3%	42	2.4%	15
39	Southeast Outlier	\$22.77	31	-0.5%	27	-8.7%	36
40	Southwest Beltway 8	\$18.21	45	0.4%	14	-2.6%	25
41	Southwest Far	\$26.08	19	-0.5%	25	-0.7%	20
42	Southwest Outlier	\$24.93	24	0.8%	9	-6.5%	32

SUBMARKET RENT

No.	Submarket	Market Rent		12 Month Market Rent		QTD Annualized Market Rent	
		Per SF	Rank	Growth	Rank	Growth	Rank
43	Southwest/Hillcroft	\$17.45	46	-0.4%	18	-3.5%	26
44	The Woodlands	\$32.41	5	-2.6%	46	7.4%	3
45	West Belt	\$29.13	11	-0.9%	34	7.5%	2
46	Westchase	\$27.45	15	-0.9%	36	7.8%	1

SUBMARKET VACANCY & NET ABSORPTION

No.	Submarket	Vacancy			12 Month Absorption			
		SF	Percent	Rank	SF	% of Inv	Rank	Construc. Ratio
1	Austin County	11,869	4.6%	3	10,246	3.9%	15	-
2	Baytown	118,449	6.3%	7	(26,817)	-1.4%	28	-
3	Bellaire	561,807	10.6%	13	219,233	4.1%	1	0.2
4	CBD	10,986,187	21.3%	37	(833,790)	-1.6%	45	-
5	Conroe	339,397	12.3%	16	(29,554)	-1.1%	29	-
6	E Fort Bend Co/Sugar Land	1,344,066	12.8%	20	73,768	0.7%	5	3.7
7	FM 1960/Champions	692,903	15.8%	29	45,418	1.0%	9	0.4
8	FM 1960/Hwy 249	1,570,491	16.0%	31	(23,027)	-0.2%	26	-
9	FM 1960/I-45 North	770,768	31.1%	44	(64,970)	-2.6%	33	-
10	Galleria/Uptown	3,358,904	19.9%	36	(635,267)	-3.8%	44	-
11	Greenspoint/IAH	755,266	23.0%	40	60,746	1.9%	7	-
12	Greenspoint/N Belt West	4,926,028	44.5%	46	131,070	1.2%	2	-
13	Greenway Plaza	2,296,289	18.2%	34	(342,314)	-2.7%	42	-
14	Gulf Freeway/Pasadena	1,049,875	12.7%	18	7,230	0.1%	16	-
15	I-10 East	128,129	8.7%	11	(8,127)	-0.6%	22	-
16	Katy Freeway East	1,475,011	12.4%	17	(220,415)	-1.9%	36	-
17	Katy Freeway West	6,332,712	22.6%	38	(263,162)	-0.9%	39	-
18	Katy/Grand Parkway West	937,093	14.0%	24	56,748	0.8%	8	3.2
19	Kingwood/Humble	438,930	11.6%	14	26,127	0.7%	12	1.5
20	Liberty County	11,149	2.4%	2	879	0.2%	18	-
21	Midtown	1,215,945	11.7%	15	(243,440)	-2.3%	38	-
22	NASA/Clear Lake	1,366,619	13.2%	22	30,668	0.3%	11	-
23	North Loop West	1,073,761	16.8%	32	64,985	1.0%	6	2.0
24	Northeast Near	138,522	6.1%	5	(18,232)	-0.8%	25	-
25	Northeast Outlier	63,445	6.6%	8	(15,323)	-1.6%	24	-
26	Northwest Far	735,020	16.8%	33	11,644	0.3%	13	-
27	Northwest Near	204,546	12.8%	19	40,375	2.5%	10	0.4
28	Northwest Outlier	300,847	14.0%	23	121,213	5.6%	3	0.8
29	Outlying Chambers County	1,536	0.9%	1	1,059	0.6%	17	-
30	Outlying Montgomery Cnty	270,551	15.8%	28	(24,196)	-1.4%	27	-
31	Outlying Waller County	10,700	8.1%	10	(867)	-0.7%	19	-
32	Post Oak Park	1,573,425	32.6%	45	(150,996)	-3.1%	35	-
33	Richmond/Fountainview	230,369	10.3%	12	(36,747)	-1.6%	31	-
34	Riverway	765,600	24.1%	41	(49,963)	-1.6%	32	-
35	San Felipe/Voss	1,393,442	26.1%	43	(308,407)	-5.8%	41	-
36	South	446,500	13.0%	21	(35,712)	-1.0%	30	-
37	South Hwy 35	53,403	6.1%	4	(7,549)	-0.9%	21	-
38	South Main/Medical Center	956,545	7.1%	9	(240,363)	-1.8%	37	-
39	Southeast Outlier	272,078	6.3%	6	10,842	0.2%	14	0.7
40	Southwest Beltway 8	1,429,119	19.6%	35	(78,573)	-1.1%	34	-
41	Southwest Far	324,380	15.9%	30	(4,401)	-0.2%	20	-
42	Southwest Outlier	300,365	14.2%	25	(11,886)	-0.6%	23	-

SUBMARKET VACANCY & NET ABSORPTION

No.	Submarket	Vacancy			12 Month Absorption			
		SF	Percent	Rank	SF	% of Inv	Rank	Construc. Ratio
43	Southwest/Hillcroft	813,932	15.3%	27	92,984	1.7%	4	0.1
44	The Woodlands	3,492,907	14.6%	26	(947,704)	-4.0%	46	-
45	West Belt	1,611,588	25.6%	42	(393,352)	-6.3%	43	-
46	Westchase	4,578,567	22.9%	39	(283,760)	-1.4%	40	-

OVERALL SUPPLY & DEMAND

Year	Inventory			Net Absorption		
	SF	SF Growth	% Growth	SF	% of Inv	Construction Ratio
2025	357,245,734	4,326,824	1.2%	4,933,937	1.4%	0.9
2024	352,918,910	4,191,870	1.2%	5,289,164	1.5%	0.8
2023	348,727,040	3,927,983	1.1%	6,081,351	1.7%	0.6
2022	344,799,057	3,047,261	0.9%	5,531,798	1.6%	0.6
2021	341,751,796	3,091,169	0.9%	1,710,289	0.5%	1.8
YTD	338,660,627	0	0%	(339,505)	-0.1%	-
2020	338,660,627	2,373,940	0.7%	(4,014,134)	-1.2%	-
2019	336,286,687	1,786,575	0.5%	256,748	0.1%	7.0
2018	334,500,112	1,549,197	0.5%	379,100	0.1%	4.1
2017	332,950,915	3,316,691	1.0%	(1,979,273)	-0.6%	-
2016	329,634,224	6,501,893	2.0%	688,072	0.2%	9.4
2015	323,132,331	12,873,009	4.1%	3,991,680	1.2%	3.2
2014	310,259,322	7,592,092	2.5%	9,102,230	2.9%	0.8
2013	302,667,230	4,989,402	1.7%	4,641,676	1.5%	1.1
2012	297,677,828	1,824,771	0.6%	5,253,590	1.8%	0.3
2011	295,853,057	1,782,988	0.6%	2,550,202	0.9%	0.7
2010	294,070,069	1,194,139	0.4%	1,439,174	0.5%	0.8
2009	292,875,930	7,862,396	2.8%	2,478,531	0.8%	3.2

4 & 5 STAR SUPPLY & DEMAND

Year	Inventory			Net Absorption		
	SF	SF Growth	% Growth	SF	% of Inv	Construction Ratio
2025	171,661,303	4,685,297	2.8%	4,559,044	2.7%	1.0
2024	166,976,006	4,599,960	2.8%	4,750,252	2.8%	1.0
2023	162,376,046	4,432,913	2.8%	4,985,641	3.1%	0.9
2022	157,943,133	3,550,412	2.3%	4,662,920	3.0%	0.8
2021	154,392,721	2,776,024	1.8%	1,676,467	1.1%	1.7
YTD	151,616,697	0	0%	(67,686)	0%	-
2020	151,616,697	1,184,372	0.8%	(2,931,511)	-1.9%	-
2019	150,432,325	1,362,056	0.9%	1,917,511	1.3%	0.7
2018	149,070,269	1,507,119	1.0%	1,083,815	0.7%	1.4
2017	147,563,150	3,764,987	2.6%	529,780	0.4%	7.1
2016	143,798,163	6,828,597	5.0%	1,830,373	1.3%	3.7
2015	136,969,566	11,849,554	9.5%	4,886,111	3.6%	2.4
2014	125,120,012	7,138,575	6.1%	6,856,645	5.5%	1.0
2013	117,981,437	4,432,520	3.9%	4,295,015	3.6%	1.0
2012	113,548,917	1,459,910	1.3%	3,192,655	2.8%	0.5
2011	112,089,007	2,200,231	2.0%	2,854,128	2.5%	0.8
2010	109,888,776	137,317	0.1%	549,001	0.5%	0.3
2009	109,751,459	5,555,080	5.3%	2,181,397	2.0%	2.5

Supply & Demand Trends

Houston Office

3 STAR SUPPLY & DEMAND

Year	Inventory			Net Absorption		
	SF	SF Growth	% Growth	SF	% of Inv	Construction Ratio
2025	138,792,039	20,590	0%	421,090	0.3%	0
2024	138,771,449	20,215	0%	610,821	0.4%	0
2023	138,751,234	17,249	0%	1,105,387	0.8%	0
2022	138,733,985	124,686	0.1%	1,090,100	0.8%	0.1
2021	138,609,299	814,978	0.6%	298,982	0.2%	2.7
YTD	137,794,321	0	0%	(255,557)	-0.2%	-
2020	137,794,321	1,197,410	0.9%	(573,746)	-0.4%	-
2019	136,596,911	538,165	0.4%	(1,038,885)	-0.8%	-
2018	136,058,746	175,541	0.1%	(706,067)	-0.5%	-
2017	135,883,205	23,306	0%	(2,127,989)	-1.6%	-
2016	135,859,899	(3,674)	0%	(899,581)	-0.7%	-
2015	135,863,573	1,258,930	0.9%	(1,373,994)	-1.0%	-
2014	134,604,643	581,000	0.4%	1,676,180	1.2%	0.3
2013	134,023,643	773,657	0.6%	706,818	0.5%	1.1
2012	133,249,986	387,809	0.3%	2,014,521	1.5%	0.2
2011	132,862,177	(75,349)	-0.1%	231,211	0.2%	-
2010	132,937,526	899,990	0.7%	651,810	0.5%	1.4
2009	132,037,536	1,954,654	1.5%	125,826	0.1%	15.5

1 & 2 STAR SUPPLY & DEMAND

Year	Inventory			Net Absorption		
	SF	SF Growth	% Growth	SF	% of Inv	Construction Ratio
2025	46,792,392	(379,063)	-0.8%	(46,197)	-0.1%	-
2024	47,171,455	(428,305)	-0.9%	(71,909)	-0.2%	-
2023	47,599,760	(522,179)	-1.1%	(9,677)	0%	-
2022	48,121,939	(627,837)	-1.3%	(221,222)	-0.5%	-
2021	48,749,776	(499,833)	-1.0%	(265,160)	-0.5%	-
YTD	49,249,609	0	0%	(16,262)	0%	-
2020	49,249,609	(7,842)	0%	(508,877)	-1.0%	-
2019	49,257,451	(113,646)	-0.2%	(621,878)	-1.3%	-
2018	49,371,097	(133,463)	-0.3%	1,352	0%	-
2017	49,504,560	(471,602)	-0.9%	(381,064)	-0.8%	-
2016	49,976,162	(323,030)	-0.6%	(242,720)	-0.5%	-
2015	50,299,192	(235,475)	-0.5%	479,563	1.0%	-
2014	50,534,667	(127,483)	-0.3%	569,405	1.1%	-
2013	50,662,150	(216,775)	-0.4%	(360,157)	-0.7%	-
2012	50,878,925	(22,948)	0%	46,414	0.1%	-
2011	50,901,873	(341,894)	-0.7%	(535,137)	-1.1%	-
2010	51,243,767	156,832	0.3%	238,363	0.5%	0.7
2009	51,086,935	352,662	0.7%	171,308	0.3%	2.1

OVERALL RENT & VACANCY

Year	Market Rent				Vacancy		
	Per SF	Index	% Growth	Vs Hist Peak	SF	Percent	Ppts Chg
2025	\$32.39	117	2.2%	8.9%	56,425,857	15.8%	-0.4%
2024	\$31.71	115	3.0%	6.6%	57,029,796	16.2%	-0.5%
2023	\$30.77	111	4.4%	3.5%	58,124,057	16.7%	-0.8%
2022	\$29.48	107	4.4%	-0.9%	60,275,081	17.5%	-0.9%
2021	\$28.23	102	-1.2%	-5.1%	62,757,727	18.4%	0.2%
YTD	\$28.60	104	0.1%	-3.8%	61,729,035	18.2%	0.1%
2020	\$28.57	103	-1.1%	-3.9%	61,389,530	18.1%	1.8%
2019	\$28.87	105	1.1%	-2.9%	55,033,904	16.4%	0.4%
2018	\$28.57	103	1.2%	-3.9%	53,510,633	16.0%	0.2%
2017	\$28.23	102	0.1%	-5.1%	52,655,891	15.8%	1.4%
2016	\$28.20	102	-3.5%	-5.2%	47,476,358	14.4%	1.5%
2015	\$29.22	106	-1.7%	-1.7%	41,654,438	12.9%	2.3%
2014	\$29.74	108	5.0%	0%	32,767,734	10.6%	-0.8%
2013	\$28.32	103	5.5%	-4.8%	34,484,806	11.4%	-0.1%
2012	\$26.85	97	7.3%	-9.7%	34,294,852	11.5%	-1.2%
2011	\$25.02	91	2.0%	-15.9%	37,715,214	12.7%	-0.3%
2010	\$24.54	89	-5.2%	-17.5%	38,465,275	13.1%	-0.1%
2009	\$25.87	94	-6.3%	-13.0%	38,710,310	13.2%	1.5%

4 & 5 STAR RENT & VACANCY

Year	Market Rent				Vacancy		
	Per SF	Index	% Growth	Vs Hist Peak	SF	Percent	Ppts Chg
2025	\$38.94	110	2.1%	3.1%	30,375,284	17.7%	-0.4%
2024	\$38.16	108	2.9%	1.0%	30,250,159	18.1%	-0.6%
2023	\$37.07	105	4.3%	-1.9%	30,401,590	18.7%	-0.9%
2022	\$35.55	100	4.4%	-5.9%	30,955,475	19.6%	-1.2%
2021	\$34.06	96	-0.8%	-9.9%	32,069,111	20.8%	0.3%
YTD	\$34.46	97	0.4%	-8.8%	31,052,501	20.5%	0%
2020	\$34.33	97	-1.9%	-9.1%	30,984,815	20.4%	2.6%
2019	\$35.00	99	1.5%	-7.4%	26,868,932	17.9%	-0.5%
2018	\$34.47	97	0.7%	-8.8%	27,424,387	18.4%	0.1%
2017	\$34.24	97	-0.2%	-9.4%	27,030,668	18.3%	1.7%
2016	\$34.31	97	-5.9%	-9.2%	23,900,985	16.6%	2.8%
2015	\$36.48	103	-3.5%	-3.5%	18,897,036	13.8%	4.3%
2014	\$37.79	107	4.7%	0%	11,933,593	9.5%	-0.3%
2013	\$36.08	102	6.1%	-4.5%	11,651,663	9.9%	-0.4%
2012	\$34.02	96	8.6%	-10.0%	11,681,720	10.3%	-1.7%
2011	\$31.31	88	2.5%	-17.1%	13,414,465	12.0%	-0.8%
2010	\$30.56	86	-6.2%	-19.1%	14,066,209	12.8%	-0.4%
2009	\$32.59	92	-8.0%	-13.8%	14,477,893	13.2%	2.5%

3 STAR RENT & VACANCY

Year	Market Rent				Vacancy		
	Per SF	Index	% Growth	Vs Hist Peak	SF	Percent	Ppts Chg
2025	\$28.01	126	2.2%	13.5%	22,401,938	16.1%	-0.3%
2024	\$27.40	124	3.1%	11.0%	22,802,601	16.4%	-0.4%
2023	\$26.58	120	4.4%	7.7%	23,393,392	16.9%	-0.8%
2022	\$25.45	115	4.5%	3.1%	24,481,714	17.6%	-0.7%
2021	\$24.36	110	-1.2%	-1.3%	25,447,311	18.4%	0.3%
YTD	\$24.69	111	0.1%	0%	25,186,897	18.3%	0.2%
2020	\$24.66	111	-0.1%	-0.1%	24,931,340	18.1%	1.1%
2019	\$24.68	111	0.1%	0%	23,160,184	17.0%	1.1%
2018	\$24.67	111	1.5%	-0.1%	21,589,690	15.9%	0.4%
2017	\$24.30	110	0.8%	-1.6%	20,983,160	15.4%	1.6%
2016	\$24.10	109	-1.0%	-2.4%	18,841,559	13.9%	0.7%
2015	\$24.34	110	-0.3%	-1.4%	17,942,309	13.2%	1.8%
2014	\$24.42	110	5.2%	-1.0%	15,305,613	11.4%	-1.0%
2013	\$23.21	105	4.8%	-5.9%	16,607,727	12.4%	0%
2012	\$22.16	100	6.4%	-10.2%	16,537,973	12.4%	-1.3%
2011	\$20.83	94	1.3%	-15.6%	18,164,685	13.7%	-0.2%
2010	\$20.56	93	-4.2%	-16.7%	18,471,245	13.9%	0.1%
2009	\$21.46	97	-3.1%	-13.0%	18,223,065	13.8%	1.2%

1 & 2 STAR RENT & VACANCY

Year	Market Rent				Vacancy		
	Per SF	Index	% Growth	Vs Hist Peak	SF	Percent	Ppts Chg
2025	\$23.92	131	2.5%	12.6%	3,648,635	7.8%	-0.6%
2024	\$23.34	127	3.4%	9.9%	3,977,036	8.4%	-0.7%
2023	\$22.59	123	4.7%	6.3%	4,329,075	9.1%	-1.0%
2022	\$21.57	118	4.8%	1.5%	4,837,892	10.1%	-0.7%
2021	\$20.58	112	-3.1%	-3.1%	5,241,305	10.8%	-0.4%
YTD	\$21.01	115	-1.1%	-1.1%	5,489,637	11.1%	0%
2020	\$21.24	116	0.3%	0%	5,473,375	11.1%	1.0%
2019	\$21.18	116	1.9%	-0.3%	5,004,788	10.2%	1.1%
2018	\$20.79	114	3.0%	-2.1%	4,496,556	9.1%	-0.3%
2017	\$20.20	110	-0.6%	-4.9%	4,642,063	9.4%	-0.1%
2016	\$20.31	111	2.1%	-4.3%	4,733,814	9.5%	-0.1%
2015	\$19.90	109	4.0%	-6.3%	4,815,093	9.6%	-1.4%
2014	\$19.13	104	6.0%	-9.9%	5,528,528	10.9%	-1.3%
2013	\$18.05	99	4.5%	-15.0%	6,225,416	12.3%	0.3%
2012	\$17.28	94	3.0%	-18.6%	6,075,159	11.9%	-0.1%
2011	\$16.79	92	1.2%	-21.0%	6,136,064	12.1%	0.5%
2010	\$16.59	91	-2.1%	-21.9%	5,927,821	11.6%	-0.2%
2009	\$16.94	93	-7.5%	-20.2%	6,009,352	11.8%	0.3%

OVERALL SALES

Year	Completed Transactions (1)						Market Pricing Trends (2)		
	Deals	Volume	Turnover	Avg Price	Avg Price/SF	Avg Cap Rate	Price/SF	Price Index	Cap Rate
2025	-	-	-	-	-	-	\$260.18	177	7.5%
2024	-	-	-	-	-	-	\$252.39	172	7.6%
2023	-	-	-	-	-	-	\$241.18	164	7.6%
2022	-	-	-	-	-	-	\$226.12	154	7.6%
2021	-	-	-	-	-	-	\$210.52	143	7.8%
YTD	13	\$3.6M	0.2%	\$1,205,000	\$42.88	-	\$214.66	146	7.9%
2020	617	\$750.4M	3.1%	\$6,453,884	\$186.54	7.5%	\$214.66	146	7.9%
2019	761	\$3.2B	7.2%	\$17,358,110	\$201.75	8.1%	\$217.35	148	7.8%
2018	646	\$1.8B	5.4%	\$11,423,625	\$185.73	7.4%	\$220.37	150	7.5%
2017	581	\$3.1B	7.5%	\$20,281,730	\$216.29	7.6%	\$216.24	147	7.3%
2016	551	\$693.5M	4.3%	\$7,931,887	\$194.67	7.6%	\$220.99	151	7.1%
2015	589	\$2.5B	7.3%	\$17,045,789	\$217.33	7.6%	\$225.76	154	6.9%
2014	601	\$2.5B	6.4%	\$16,215,001	\$191.76	7.8%	\$219.92	150	6.8%
2013	474	\$4.4B	9.3%	\$28,246,834	\$208.26	7.6%	\$202.49	138	7.1%
2012	453	\$3.7B	8.8%	\$28,320,605	\$207.88	7.9%	\$186.88	127	7.4%
2011	291	\$2.3B	6.0%	\$23,020,775	\$189.25	8.8%	\$172.34	117	7.8%
2010	231	\$1.4B	4.6%	\$17,373,915	\$144.66	8.8%	\$150.50	103	8.5%

(1) Completed transaction data is based on actual arms-length sales transactions and levels are dependent on the mix of what happened to sell in the period.

(2) Market price trends data is based on the estimated price movement of all properties in the market, informed by actual transactions that have occurred.

4 & 5 STAR SALES

Year	Completed Transactions (1)						Market Pricing Trends (2)		
	Deals	Volume	Turnover	Avg Price	Avg Price/SF	Avg Cap Rate	Price/SF	Price Index	Cap Rate
2025	-	-	-	-	-	-	\$331.75	177	7.2%
2024	-	-	-	-	-	-	\$322.09	171	7.2%
2023	-	-	-	-	-	-	\$308.04	164	7.2%
2022	-	-	-	-	-	-	\$288.98	154	7.2%
2021	-	-	-	-	-	-	\$269.01	143	7.4%
YTD	1	\$0.00	0.3%	-	-	-	\$273.87	146	7.5%
2020	40	\$429.8M	2.4%	\$38,754,597	\$183.83	6.7%	\$273.78	146	7.5%
2019	59	\$2.4B	7.8%	\$100,024,820	\$258.40	7.3%	\$279.82	149	7.4%
2018	54	\$1.2B	4.5%	\$60,595,330	\$235.87	6.7%	\$287.30	153	7.1%
2017	62	\$2.5B	10.8%	\$75,644,557	\$224.67	6.6%	\$278.13	148	6.9%
2016	26	\$505.8M	3.8%	\$72,261,090	\$313.10	6.8%	\$284.08	151	6.7%
2015	50	\$1.7B	8.0%	\$60,542,211	\$275.28	6.6%	\$291.46	155	6.5%
2014	34	\$1.6B	5.7%	\$74,588,202	\$265.88	7.5%	\$282.79	150	6.4%
2013	47	\$3.6B	13.2%	\$97,009,433	\$248.13	6.5%	\$260.30	139	6.7%
2012	50	\$3B	12.7%	\$84,359,756	\$232.73	7.2%	\$239.82	128	7.0%
2011	35	\$1.8B	8.4%	\$75,709,953	\$259.10	7.8%	\$222.44	118	7.3%
2010	21	\$841.1M	4.6%	\$64,699,184	\$180.05	8.2%	\$193.51	103	8.0%

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3 STAR SALES

Year	Completed Transactions (1)						Market Pricing Trends (2)		
	Deals	Volume	Turnover	Avg Price	Avg Price/SF	Avg Cap Rate	Price/SF	Price Index	Cap Rate
2025	-	-	-	-	-	-	\$213.48	180	7.7%
2024	-	-	-	-	-	-	\$206.92	175	7.7%
2023	-	-	-	-	-	-	\$197.62	167	7.8%
2022	-	-	-	-	-	-	\$185.18	156	7.8%
2021	-	-	-	-	-	-	\$172.48	145	8.0%
YTD	9	\$3.6M	0.1%	\$1,205,000	\$42.88	-	\$175.90	148	8.1%
2020	265	\$260M	3.5%	\$5,003,395	\$220.51	7.3%	\$175.96	148	8.1%
2019	364	\$733.6M	7.3%	\$7,213,395	\$121.96	7.9%	\$175.35	148	8.0%
2018	293	\$583.3M	6.5%	\$7,668,687	\$137.80	7.3%	\$174.46	147	7.8%
2017	225	\$570.7M	4.9%	\$8,496,205	\$195.70	7.1%	\$173.62	146	7.5%
2016	241	\$155.1M	4.6%	\$3,546,654	\$95.25	7.6%	\$177.57	150	7.3%
2015	238	\$694.5M	6.9%	\$11,556,943	\$154.05	8.0%	\$180.44	152	7.1%
2014	235	\$921.8M	7.2%	\$12,593,847	\$134.41	8.0%	\$176.69	149	7.1%
2013	162	\$793.9M	8.0%	\$15,249,176	\$127.24	8.2%	\$162.89	137	7.3%
2012	159	\$606.6M	6.8%	\$13,159,006	\$141.56	8.1%	\$150.97	127	7.6%
2011	123	\$441.1M	5.1%	\$10,483,542	\$97.76	9.1%	\$138.04	116	8.1%
2010	101	\$481.2M	5.1%	\$13,724,191	\$115.36	9.5%	\$121.13	102	8.8%

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1 & 2 STAR SALES

Year	Completed Transactions (1)						Market Pricing Trends (2)		
	Deals	Volume	Turnover	Avg Price	Avg Price/SF	Avg Cap Rate	Price/SF	Price Index	Cap Rate
2025	-	-	-	-	-	-	\$165.14	173	8.3%
2024	-	-	-	-	-	-	\$159.76	167	8.3%
2023	-	-	-	-	-	-	\$152.29	159	8.3%
2022	-	-	-	-	-	-	\$142.44	149	8.4%
2021	-	-	-	-	-	-	\$132.55	139	8.5%
YTD	3	\$0.00	0%	-	-	-	\$136.38	143	8.6%
2020	312	\$60.5M	4.1%	\$1,118,347	\$119.82	7.9%	\$136.53	143	8.6%
2019	338	\$72.9M	5.1%	\$1,199,284	\$122.92	8.6%	\$137.92	144	8.5%
2018	299	\$57.4M	4.9%	\$897,140	\$107.17	8.4%	\$137.77	144	8.3%
2017	294	\$58.3M	5.1%	\$1,071,673	\$138.10	8.6%	\$140.39	147	7.9%
2016	284	\$32.5M	4.8%	\$857,849	\$102.24	7.8%	\$143.56	150	7.7%
2015	301	\$83.7M	6.7%	\$1,456,859	\$117.11	8.0%	\$145.43	152	7.5%
2014	332	\$60.3M	6.0%	\$953,206	\$111.60	7.6%	\$142.70	149	7.4%
2013	265	\$52.7M	3.9%	\$771,277	\$88.39	8.1%	\$131.00	137	7.8%
2012	244	\$39.9M	5.6%	\$821,108	\$103.77	9.5%	\$120.43	126	8.1%
2011	133	\$44.8M	3.1%	\$1,315,586	\$69.57	9.4%	\$110.39	116	8.6%
2010	109	\$33.7M	3.2%	\$1,124,310	\$63.48	7.2%	\$97.10	102	9.3%

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