



## Office Market Report

## Houston - TX

PREPARED BY



Stan Voelkel  
Managing Member



**OFFICE MARKET REPORT**

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12 Mo Deliveries in SF

**2.7 M**

12 Mo Net Absorption in SF

**(4.7 M)**

Vacancy Rate

**18.7%**

12 Mo Rent Growth

**-1.2%**

Houston's office market was unquestionably dynamic at the start of 2020, and the onset of the pandemic accelerated change. With some of the highest vacancy rates and lowest rent growth rates in the country, silver linings may have appeared elusive at first glance.

But bright spots abound – including leasing in, and development of, high-quality, well-located office buildings in Houston's urban core and top suburban submarkets, investment in opportunistic plays, and burgeoning new industries.

While the energy industry faces significant challenges, Houston's office market and its economy continue to offer up some intriguing opportunities in the face of otherwise substantial headwinds.

In looking at Houston's office market, one might see

some negative trends – nation-topping vacancies, some of the biggest rent declines in the country, and flat or negative demand in each of the past four years.

After all, there is still a massive overhang of new supply. As of this update, there were more than 100 buildings with over 100,000 SF of contiguous space.

Yet there are some bright spots. Well-capitalized local companies and multinationals looking to differentiate their workplace experience continue to eye unique and high-quality office buildings for leasing and investment in a post-COVID world.

Looking ahead, a wholesale return of office workers to office buildings – and sustained leasing activity – depends on the success of vaccination and COVID-19 containment efforts.

### KEY INDICATORS

Current Quarter	RBA	Vacancy Rate	Market Rent	Availability Rate	Net Absorption SF	Deliveries SF	Under Construction
4 & 5 Star	153,167,874	21.3%	\$34.46	26.7%	(266,015)	0	4,582,386
3 Star	138,493,181	18.6%	\$24.58	21.1%	(366,313)	0	891,365
1 & 2 Star	49,407,968	11.2%	\$21.39	12.9%	36,577	0	13,485
<b>Market</b>	<b>341,069,023</b>	<b>18.7%</b>	<b>\$28.62</b>	<b>22.5%</b>	<b>(595,751)</b>	<b>0</b>	<b>5,487,236</b>

Annual Trends	12 Month	Historical Average	Forecast Average	Peak	When	Trough	When
Vacancy Change (YOY)	2.0%	13.2%	17.2%	18.7%	2021 Q2	8.8%	1999 Q1
Net Absorption SF	(4.7 M)	2,703,062	4,064,012	9,540,091	2014 Q2	(4,107,407)	2021 Q1
Deliveries SF	2.7 M	5,154,860	3,581,326	13,508,410	2015 Q4	1,250,178	2010 Q4
Rent Growth	-1.2%	1.6%	2.7%	14.5%	2008 Q1	-6.3%	2009 Q4
Sales Volume	\$576 M	\$1.8B	N/A	\$5B	2013 Q3	\$258.7M	2009 Q4



Leasing volumes were down more than a third in 2020 compared with 2019, as tenants delayed leasing decisions during the pandemic. The energy industry — which accounts for approximately 30%-40% of Houston's GDP and an outsized share of its office occupancy — already faced significant challenges prior to the pandemic.

Houston's office market experienced -4.6 million SF of net absorption in 2020 — across all asset classes, which was the worst year on record, and more than double the move-outs during the worst of the shale bust in 2017. And a vacancy rate of 18.7% today is among the highest out of all 390 markets that CoStar tracks. Surprisingly, though, there were seven U.S. office markets that saw more negative absorption last year than Houston. This is likely since Houston had already corrected before the rest of the country had a chance to. The San Francisco Bay Area and all the coastal gateway markets were particularly hard-hit, as were hot inland markets such as Dallas-Fort Worth and Denver.

CoStar forecasts that Houston's office vacancy rate will peak just north of 18% in 2021 before beginning a modest recovery. And while the forecast positive net absorption in each of the next five years, there is still considerable uncertainty related to the pandemic. The success of vaccination efforts and the economic recovery will determine whether the rebound in tenant optimism and jump in leasing activity at the end of last year can be sustained through 2021 and beyond.

On a positive note, Houston did not see the increase in sublease space that other markets experienced last year, although the nominal increase from 19Q4-20Q4 did make the top 20 in the U.S. That is likely because much of the sublease space that went on the market during the shale bust was either converted to direct vacancy or absorbed.

Global oil and gas demand crashed last year during the pandemic, as global travel largely froze — leading to negative oil prices for the first time in the industry's history. Although the U.S. rig count started to rebound slightly in early 2021, it remains in historically low territory. U.S. oil prices also rebounded to the low-\$60s/barrel by 21Q1, yet these, too, are still prohibitively low for most E&P companies to drill profitably. More than 1 in 3 energy jobs in Houston was lost in 2020 — adding injury to a market that recently endured the shale bust of 2015 to 2017. Wall Street, frustrated by low oil prices and lackluster earnings over the past several years, had

also begun to pull the plug on investing in U.S. shale drillers in 2019. Yet Houston overall only lost 4.4% of its employment base last year — outperforming the U.S., which lost 6%.

The energy industry's issues may also be exacerbated by the new administration's policy of phasing out fossil fuels in support of the green energy transition. We will continue to monitor how these policy shifts continue to play out. Yet there is also significant public/private support in Houston for the city leading the way on alternative energy — given the existing skills base and resources.

Apart from Western Midstream Partners, three of the largest leases last year were non-energy companies.

JP Morgan will return to its former namesake tower, where owners Hines and Cerberus Capital are investing significant capital in renovating the lobby and common areas to enhance the competitiveness of 600 Travis.

Global law firm Norton Rose Fulbright will anchor Skanska's new 1550 on the Green office building in its Discovery West mixed-use development. Skanska was encouraged to develop a new tower in downtown Houston given that the Bank of America Tower it delivered in downtown in 2019 is already 90% leased. Skanska then sold a 90% stake in the tower to Beacon Capital Partners in late 2019 for \$530/SF — a record in Houston for a nonmedical office building. While Houston has the highest office vacancy rate in the country out of all 390 markets that CoStar tracks, downtown Houston office buildings built since 2016 are 95% occupied. That includes more than 2.4 million SF of new space.

Western Midstream Partners, a pipeline company, backfilled several floors of former Anadarko space that was vacated as part of its 2019 acquisition by Occidental Petroleum.

And fast-growing online used car dealer Vroom leased more than 100,000 SF at Westchase Park in 21Q1.

The largest move-in last year involved Harris Health System occupying 305,000 SF at the former Chevron building in Bellaire. This move followed Methodist Health System backfilling 100,000 SF at the building in March 2020. In doing so, SLS, which purchased the property from Chevron in 2018, proved the concept of converting corporate office buildings in Bellaire — which is located close to the Texas Medical Center — into health care

uses.

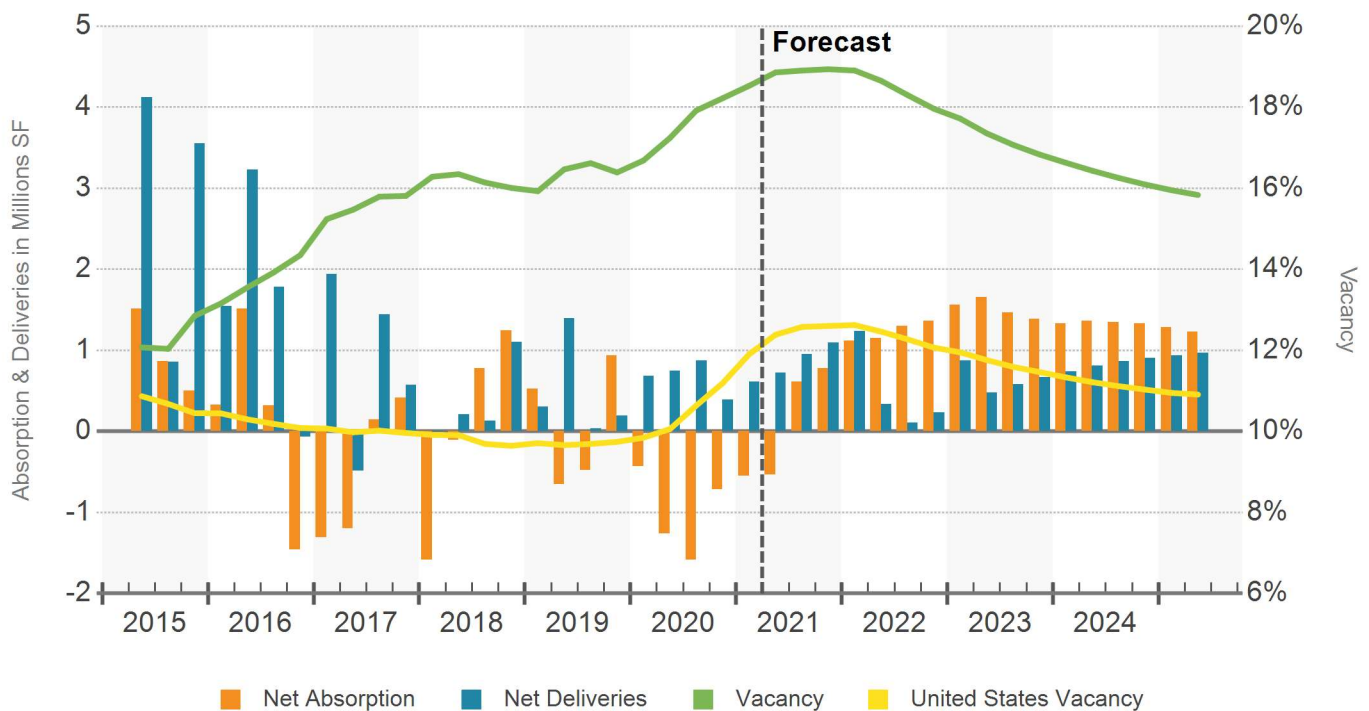
Additionally, Waste Management relocated into 285,000 SF at the new Bank of America Tower in downtown Houston.

Yet move-outs last year clearly exceeded positive absorption activity. There were eight companies that vacated over 80,000 SF each since July. Among the largest, Waste Management vacated 330,000 SF in the second half of 2020 across two buildings — One City Centre and 1001 Fannin. This was part of its move to the

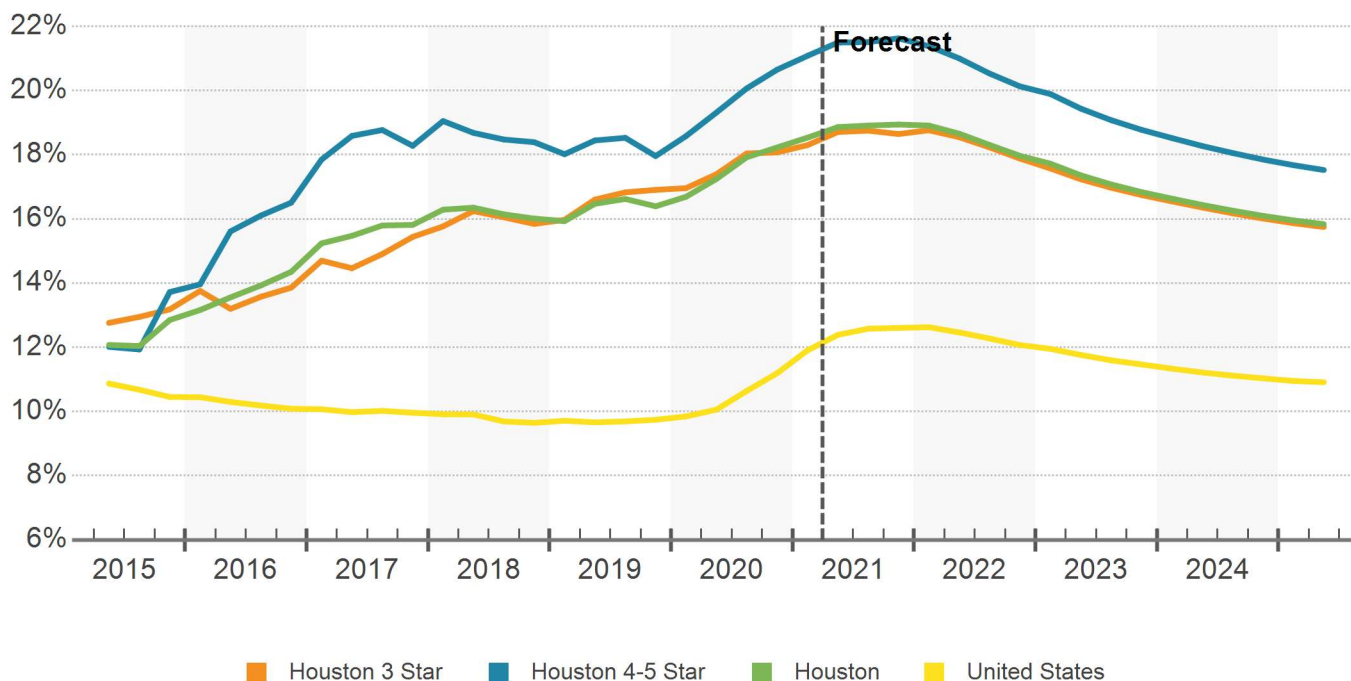
new Bank of America Tower downtown. As part of the consolidation, Waste Management vacated a net of 45,000 SF in downtown Houston.

BHP Billiton Petroleum, which sold its U.S. unconventional assets to BP in 2018, vacated 230,000 SF at 1500 Post Oak — even though the company retained its conventional oil and gas business. More than half of BHP's sublease space was backfilled by tenants such as Sempra LNG and Summit Discovery Resources, a subsidiary of the Sumitomo Corporation.

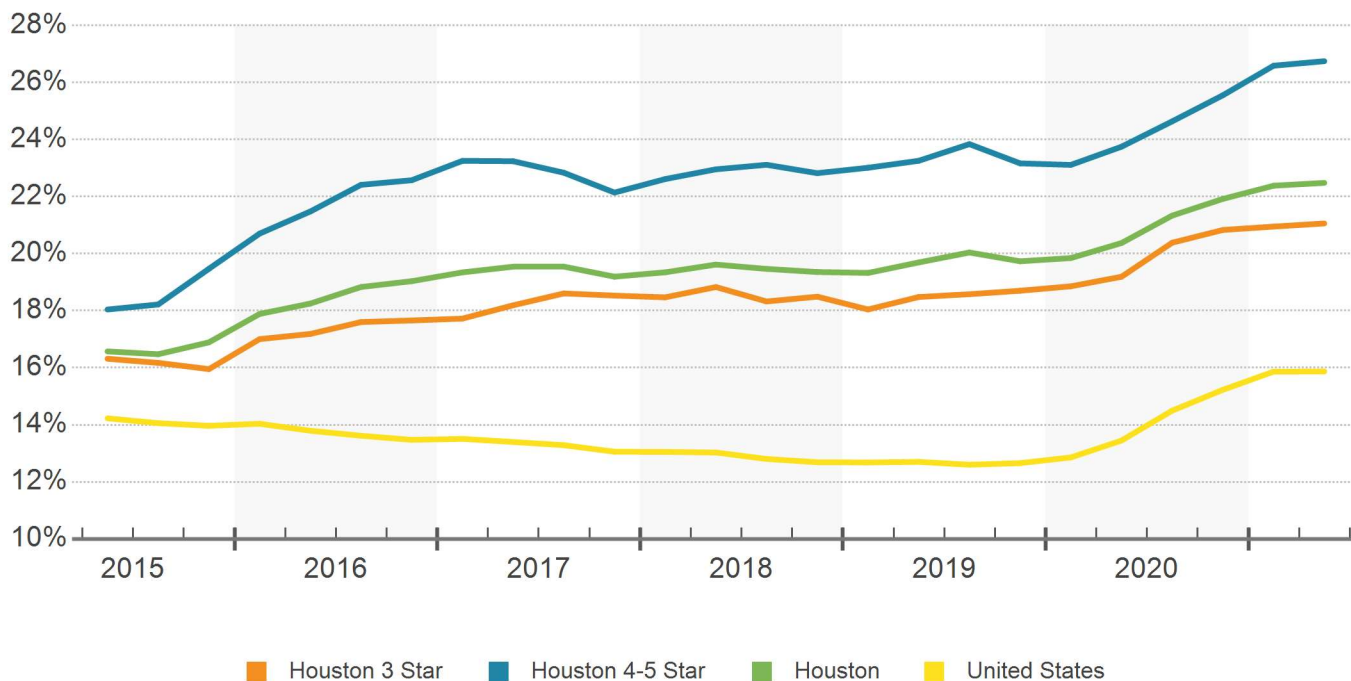
## NET ABSORPTION, NET DELIVERIES & VACANCY



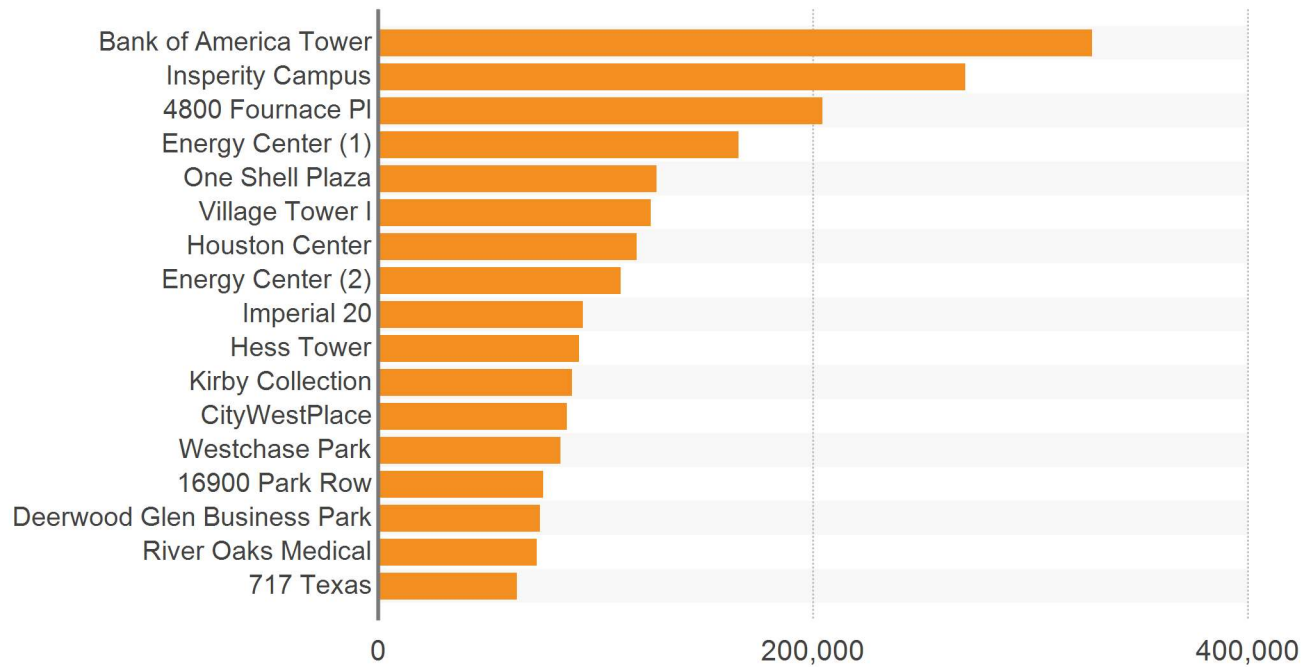
## VACANCY RATE



## 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
Bank of America Tower	CBD	780,341	84,240	0	12,241	0	0	328,322
Insperty Campus	Kingwood/Humble	270,000	0	270,000	0	0	0	270,000
4800 Fournace Pl	Bellaire	452,370	100,812	0	(100,812)	0	0	204,390
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	127,952
Village Tower I	Katy Freeway East	150,000	17,040	520	4,253	0	0	125,370
Houston Center	CBD	1,024,956	245,344	(1,182)	105,934	0	0	118,904
Energy Center (2)	Katy Freeway West	332,000	160,907	0	0	0	0	111,632
Imperial 20	Greenspoint/N Belt...	112,138	3,305	(3,305)	0	0	0	94,273
Hess Tower	CBD	844,763	61,682	0	0	0	0	92,523
Kirby Collection	Greenway Plaza	246,989	0	0	0	0	0	89,255
CityWestPlace	Westchase	443,551	0	0	0	0	0	86,718
Westchase Park	Westchase	293,135	23,168	102,492	0	0	0	83,989
16900 Park Row	Katy Freeway West	76,054	0	0	0	0	0	76,054
Deerwood Glen Business Park	Gulf Freeway/Pasad...	98,230	12,517	0	0	0	0	74,411
River Oaks Medical	Midtown	103,758	30,861	0	0	0	0	72,897
717 Texas	CBD	697,195	246,212	(4,321)	0	0	0	63,930
<b>Subtotal Primary Competitors</b>		<b>7,678,802</b>	<b>1,121,633</b>	<b>364,204</b>	<b>21,616</b>	<b>0</b>	<b>0</b>	<b>2,186,464</b>
Remaining Houston Market		333,390,221	62,679,603	(911,319)	(617,367)	0	0	(6,792,546)
<b>Total Houston Market</b>		<b>341,069,023</b>	<b>63,801,236</b>	<b>(547,115)</b>	<b>(595,751)</b>	<b>0</b>	<b>0</b>	<b>(4,606,082)</b>

## TOP OFFICE LEASES PAST 12 MONTHS

Building Name/Address	Submarket	Leased SF	Qtr	Tenant Name	Tenant Rep Company	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	Q4 20	Norton Rose Fulbright US...	CBRE	-
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 Interests,...
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
Park Place River Oaks	Post Oak Park	73,075	Q1 21	Buckeye Partners, L.P.	JLL	Cushman & Wakefield
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	Q2 20	Ryan, LLC	-	Transwestern Real Est...
Wells Fargo Plaza *	CBD	64,808	Q4 20	Susman Godfrey	JLL	CBRE
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
Jefferson Towers at Cullen Center	CBD	55,109	Q4 20	Houston Fire Department	-	Greenmark Realty
Southwest Corporate Center *	Southwest Beltway 8	53,766	Q4 20	Stewart	-	Transwestern Real Est...
Reserve at Westchase	Westchase	51,280	Q3 20	-	Cushman & Wakefield	Transwestern Real Est...
Four Oaks Place *	Galleria/Uptown	51,134	Q2 20	Akerman	-	Transwestern Real Est...
CityWestPlace	Westchase	50,544	Q3 20	Parker Drilling Manageme...	CBRE	Parkway Realty Manag...
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	-	-
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
Pennzoil Place *	CBD	44,340	Q2 20	Opportune LLP	-	Transwestern Real Est...
Loop Central *	Bellaire	43,014	Q3 20	Linebarger Goggan Blair...	JLL	Transwestern Real Est...
San Felipe Plaza *	San Felipe/Voss	42,515	Q4 20	Valaris	CBRE	Parkway Realty Manag...
One Riverway	Riverway	41,556	Q3 20	Northwestern Mutual	-	Stream Realty Partners...
717 Texas	CBD	41,102	Q3 20	Rockcliff Energy LLC	-	Cushman & Wakefield
Five Post Oak Park	Post Oak Park	40,530	Q4 20	NRL Mortgage	-	Transwestern Real Est...
5005 Mitchelldale St *	Northwest Near	38,582	Q2 20	Endurance International G...	JLL	Transwestern Real Est...
Grandway West *	Katy/Grand Parkway West	38,357	Q3 20	LJA Engineering	Avison Young	Transwestern Real Est...
Haute Harwin Fashion Center	Southwest/Hillcroft	38,337	Q1 21	Academy of Accelerated L...	-	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	Savills	Granite Properties, Inc.
Wells Fargo Plaza	CBD	37,345	Q1 21	Greenberg Traurig, LLP	-	CBRE
Houston Center *	CBD	37,304	Q3 20	Axip Energy Services	-	Transwestern Real Est...
West Belt Office Center	Southwest Beltway 8	34,852	Q3 20	Sourcepoint	Colliers International...	JLL

Renewal



Though Houston ranked near the bottom of U.S. markets in terms of rent growth last year, the market was not nearly as negatively impacted as others such as the San Francisco Bay Area.

Houston office rents have stagnated since oil prices crashed in late 2014 and have yet to return to their recent 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.

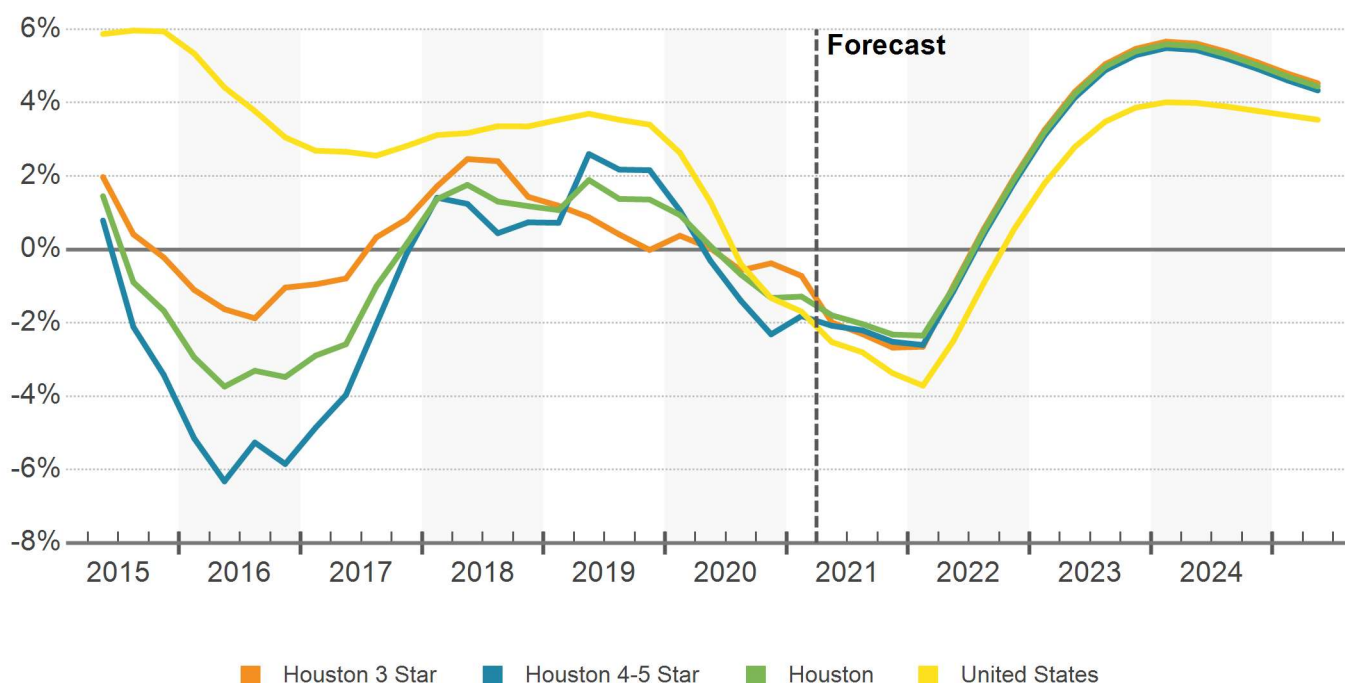
Rents have also trended down in each of the past three local economic cycles — not a great sign for Houston landlords, as owners have had to contend with successive supply waves and waning energy tenant demand.

The submarkets that are seeing positive rent growth are typically smaller submarkets that have not experienced much new supply or large-scale move-outs.

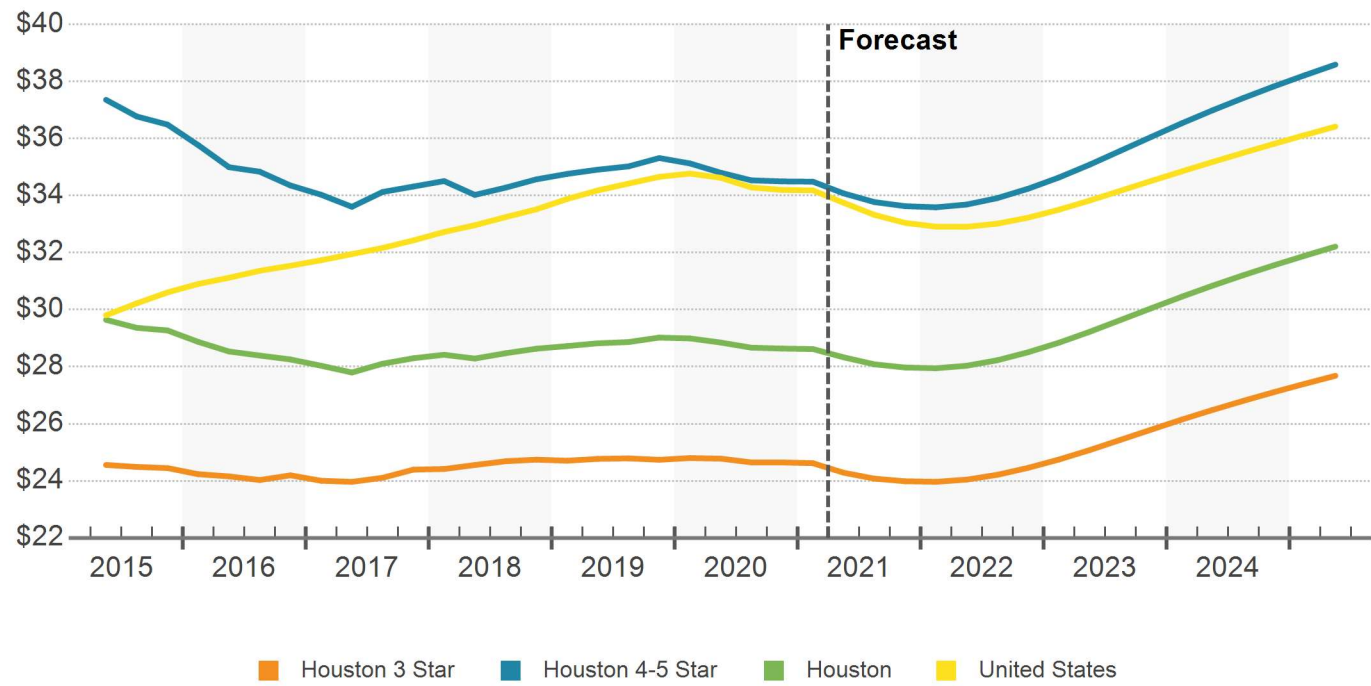
Alternatively, the submarkets seeing the biggest rent declines are mostly the larger, institutional submarkets that have seen a recent wave of new supply and large move-outs, with few exceptions. Generous concession packages are also accompanying the rent discounts for tenants willing to make large commitments right now.

And while the rise in sublet space hasn't been as dire as some other metros, in some cases the spread in sublet versus direct rents could help underscore the added pressure sublet is putting on rent. In at least one downtown tower, sublet space was being offered at a 20% discount to directly available space.

### MARKET RENT GROWTH (YOY)



MARKET RENT PER SQUARE FEET



### 4 & 5 STAR EXPENSES PER SF (ANNUAL)

Market / Cluster	Utilities	Cleaning	Insurance	Taxes	Other	Total
<b>Houston</b>	\$0.60	\$1.42	\$0.50	\$5.96	\$8.94	<b>\$17.42</b>
Baytown	\$0.47	\$1.43	\$0.69	\$4.78	\$9.35	<b>\$16.72</b>
Bellaire	\$0.47	\$1.44	\$0.48	\$3.45	\$8.30	<b>\$14.14</b>
Conroe	\$0.73	\$1.47	\$0.46	\$3.40	\$8.56	<b>\$14.62</b>
Downtown	\$0.51	\$1.25	\$0.59	\$6.12	\$8.29	<b>\$16.76</b>
E Fort Bend Co/Sugar Land	\$0.57	\$1.76	\$0.51	\$4.09	\$7.88	<b>\$14.81</b>
FM 1960	\$0.65	\$1.15	\$0.44	\$4.67	\$9.22	<b>\$16.13</b>
Greenway Plaza	\$1.35	\$1.48	\$0.45	\$5.97	\$6.16	<b>\$15.41</b>
Gulf Freeway/Pasadena	\$0.54	\$1.95	\$0.67	\$4.06	\$8.21	<b>\$15.43</b>
Katy Freeway	\$0.56	\$1.52	\$0.40	\$7.01	\$10.09	<b>\$19.58</b>
Katy/Grand Parkway West	\$1.00	\$1.11	\$0.59	\$7.76	\$9.08	<b>\$19.54</b>
Kingwood/Humble	\$0.51	\$1.61	\$0.50	\$4.93	\$9.77	<b>\$17.32</b>
NASA/Clear Lake	\$0.49	\$1.52	\$0.77	\$3.81	\$8.55	<b>\$15.14</b>
North Belt	\$0.36	\$1.12	\$0.43	\$2.31	\$9.11	<b>\$13.33</b>
Northeast Near	\$0.39	\$1.20	\$0.50	\$3.13	\$9.99	<b>\$15.21</b>
Northeast Outlier	\$0.52	\$1.60	\$0.50	\$4.13	\$9.67	<b>\$16.42</b>
Northwest	\$0.39	\$1.18	\$0.45	\$3.32	\$9.44	<b>\$14.78</b>
Northwest Outlier	\$0.49	\$1.36	\$0.50	\$12.86	\$10.54	<b>\$25.75</b>
Outlying Montgomery Cnty	\$0.54	\$1.63	\$0.50	\$2.96	\$9.65	<b>\$15.28</b>
San Felipe/Voss	\$0.71	\$1.24	\$0.40	\$3.56	\$6.66	<b>\$12.57</b>
South	\$0.50	\$1.50	\$0.50	\$7.43	\$7.79	<b>\$17.72</b>
South Main/Medical Center	\$0.61	\$1.73	\$0.60	\$5.49	\$7.85	<b>\$16.28</b>
Southeast Outlier	\$0.48	\$1.46	\$0.59	\$12.83	\$8.57	<b>\$23.93</b>
Southwest	\$0.46	\$1.38	\$0.48	\$1.55	\$9.55	<b>\$13.42</b>
Southwest Far	\$0.50	\$1.50	\$0.50	\$7.18	\$7.78	<b>\$17.46</b>
Southwest Outlier	\$1.19	\$1.01	\$0.71	\$3.59	\$8.38	<b>\$14.88</b>
The Woodlands	\$0.51	\$1.85	\$0.47	\$5.75	\$9.35	<b>\$17.93</b>
West Belt	\$0.55	\$1.22	\$0.52	\$5.90	\$9.08	<b>\$17.27</b>
West Loop	\$0.83	\$1.04	\$0.46	\$7.31	\$7.70	<b>\$17.34</b>
Westchase	\$0.35	\$1.22	\$0.46	\$5.94	\$9.89	<b>\$17.86</b>

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
<b>Houston</b>	\$0.52	\$1.31	\$0.36	\$4.85	\$5.23	<b>\$12.27</b>
Austin County	\$0.54	\$1.33	\$0.43	\$2.72	\$7.12	<b>\$12.14</b>
Baytown	\$0.46	\$1.18	\$0.39	\$3.52	\$4.00	<b>\$9.55</b>
Bellaire	\$0.49	\$1.41	\$0.48	\$3.87	\$6.05	<b>\$12.30</b>
Conroe	\$0.50	\$1.53	\$0.27	\$3.75	\$4.45	<b>\$10.50</b>
Downtown	\$0.46	\$1.33	\$0.47	\$4.77	\$7.21	<b>\$14.24</b>
E Fort Bend Co/Sugar Land	\$0.51	\$1.58	\$0.43	\$5.19	\$4.83	<b>\$12.54</b>
FM 1960	\$0.53	\$1.21	\$0.29	\$4.92	\$4.98	<b>\$11.93</b>
Greenway Plaza	\$0.55	\$1.34	\$0.41	\$5.54	\$6.05	<b>\$13.89</b>
Gulf Freeway/Pasadena	\$0.54	\$1.21	\$0.39	\$4.38	\$2.56	<b>\$9.08</b>
I-10 East	\$0.45	\$1.17	\$0.37	\$3.66	\$4.14	<b>\$9.79</b>
Katy Freeway	\$0.52	\$1.38	\$0.35	\$6.18	\$6.34	<b>\$14.77</b>
Katy/Grand Parkway West	\$0.89	\$0.99	\$0.42	\$7.76	\$6.86	<b>\$16.92</b>
Kingwood/Humble	\$0.47	\$1.48	\$0.37	\$4.15	\$4.14	<b>\$10.61</b>
Liberty County	\$0.45	\$1.15	\$0.37	\$2.60	\$3.81	<b>\$8.38</b>
NASA/Clear Lake	\$0.48	\$1.20	\$0.39	\$3.59	\$3.90	<b>\$9.56</b>
North Belt	\$0.40	\$1.07	\$0.22	\$2.36	\$6.39	<b>\$10.44</b>
Northeast Near	\$0.39	\$1.05	\$0.28	\$3.89	\$6.30	<b>\$11.91</b>
Northeast Outlier	\$0.41	\$1.22	\$0.25	\$7.05	\$3.73	<b>\$12.66</b>
Northwest	\$0.39	\$1.05	\$0.32	\$4.97	\$6.00	<b>\$12.73</b>
Northwest Outlier	\$0.49	\$1.26	\$0.37	\$6.64	\$6.38	<b>\$15.14</b>
Outlying Chambers County	\$0.45	\$1.19	\$0.36	\$1.84	\$3.88	<b>\$7.72</b>
Outlying Montgomery Cnty	\$0.48	\$1.50	\$0.26	\$3.51	\$4.35	<b>\$10.10</b>
Outlying Waller County	\$0.53	\$1.34	\$0.44	\$1.30	\$6.89	<b>\$10.50</b>
Richmond/Fountainview	\$0.47	\$1.11	\$0.37	\$2.55	\$6.16	<b>\$10.66</b>
San Felipe/Voss	\$0.48	\$1.13	\$0.37	\$3.59	\$6.20	<b>\$11.77</b>
South	\$0.46	\$1.32	\$0.45	\$5.23	\$4.57	<b>\$12.03</b>
South Hwy 35	\$0.46	\$1.40	\$0.48	\$2.65	\$5.02	<b>\$10.01</b>
South Main/Medical Center	\$0.49	\$1.47	\$0.50	\$5.56	\$5.07	<b>\$13.09</b>
Southeast Outlier	\$0.46	\$1.34	\$0.45	\$2.73	\$4.72	<b>\$9.70</b>
Southwest	\$0.42	\$1.29	\$0.46	\$2.75	\$4.05	<b>\$8.97</b>
Southwest Far	\$0.47	\$1.41	\$0.48	\$3.58	\$5.05	<b>\$10.99</b>
Southwest Outlier	\$0.77	\$1.10	\$0.48	\$5.58	\$5.77	<b>\$13.70</b>
The Woodlands	\$0.49	\$1.76	\$0.20	\$4.95	\$4.50	<b>\$11.90</b>
West Belt	\$0.47	\$1.03	\$0.31	\$4.48	\$5.06	<b>\$11.35</b>
West Loop	\$0.45	\$0.96	\$0.40	\$5.19	\$6.79	<b>\$13.79</b>
Westchase	\$0.39	\$1.23	\$0.33	\$4.22	\$5.26	<b>\$11.43</b>

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
<b>Houston</b>	\$0.43	\$1.07	\$0.31	\$3.97	\$3.85	<b>\$9.63</b>
Austin County	\$0.50	\$1.17	\$0.36	\$2.02	\$4.77	<b>\$8.82</b>
Baytown	\$0.41	\$1.07	\$0.35	\$3.24	\$3.76	<b>\$8.83</b>
Bellaire	\$0.40	\$1.08	\$0.25	\$3.83	\$3.73	<b>\$9.29</b>
Conroe	\$0.46	\$1.11	\$0.25	\$2.15	\$4.83	<b>\$8.80</b>
Downtown	\$0.45	\$0.92	\$0.41	\$6.14	\$3.63	<b>\$11.55</b>
E Fort Bend Co/Sugar Land	\$0.47	\$1.47	\$0.37	\$3.15	\$3.95	<b>\$9.41</b>
FM 1960	\$0.43	\$1.12	\$0.27	\$3.69	\$4.52	<b>\$10.03</b>
Greenway Plaza	\$0.51	\$1.03	\$0.38	\$7.69	\$4.72	<b>\$14.33</b>
Gulf Freeway/Pasadena	\$0.44	\$1.08	\$0.33	\$3.27	\$2.59	<b>\$7.71</b>
I-10 East	\$0.40	\$1.01	\$0.32	\$3.25	\$3.75	<b>\$8.73</b>
Katy Freeway	\$0.47	\$1.18	\$0.32	\$4.53	\$4.58	<b>\$11.08</b>
Katy/Grand Parkway West	\$0.48	\$0.98	\$0.32	\$4.60	\$5.16	<b>\$11.54</b>
Kingwood/Humble	\$0.46	\$1.31	\$0.36	\$3.24	\$3.73	<b>\$9.10</b>
Liberty County	\$0.42	\$1.07	\$0.35	\$2.07	\$3.78	<b>\$7.69</b>
NASA/Clear Lake	\$0.43	\$1.07	\$0.35	\$3.11	\$3.76	<b>\$8.72</b>
North Belt	\$0.37	\$0.89	\$0.22	\$2.87	\$4.02	<b>\$8.37</b>
Northeast Near	\$0.36	\$0.82	\$0.26	\$3.17	\$1.81	<b>\$6.42</b>
Northeast Outlier	\$0.42	\$1.17	\$0.25	\$3.71	\$3.76	<b>\$9.31</b>
Northwest	\$0.36	\$0.80	\$0.29	\$5.24	\$3.75	<b>\$10.44</b>
Northwest Outlier	\$0.51	\$1.19	\$0.35	\$3.68	\$0.38	<b>\$6.11</b>
Outlying Chambers County	\$0.41	\$1.05	\$0.34	\$2.39	\$3.70	<b>\$7.89</b>
Outlying Montgomery Cnty	\$0.47	\$1.30	\$0.26	\$3.15	\$4.10	<b>\$9.28</b>
Outlying Waller County	\$0.48	\$1.12	\$0.34	\$2.70	\$3.91	<b>\$8.55</b>
Richmond/Fountainview	\$0.37	\$0.98	\$0.23	\$3.89	\$3.82	<b>\$9.29</b>
San Felipe/Voss	\$0.48	\$1.26	\$0.29	\$6.52	\$5.04	<b>\$13.59</b>
South	\$0.43	\$1.14	\$0.30	\$3.45	\$3.66	<b>\$8.98</b>
South Hwy 35	\$0.42	\$1.15	\$0.26	\$2.34	\$3.74	<b>\$7.91</b>
South Main/Medical Center	\$0.44	\$1.10	\$0.31	\$6.39	\$3.95	<b>\$12.19</b>
Southeast Outlier	\$0.45	\$1.24	\$0.30	\$1.86	\$4.02	<b>\$7.87</b>
Southwest	\$0.35	\$0.85	\$0.17	\$2.72	\$3.72	<b>\$7.81</b>
Southwest Far	\$0.42	\$1.14	\$0.26	\$2.86	\$3.70	<b>\$8.38</b>
Southwest Outlier	\$0.43	\$0.89	\$0.27	\$2.95	\$5.24	<b>\$9.78</b>
The Woodlands	\$0.43	\$1.35	\$0.19	\$4.15	\$4.16	<b>\$10.28</b>
West Belt	\$0.42	\$0.90	\$0.28	\$3.36	\$3.84	<b>\$8.80</b>
West Loop	\$0.45	\$1.04	\$0.31	\$4.30	\$4.98	<b>\$11.08</b>
Westchase	\$0.35	\$1.13	\$0.24	\$4.36	\$5.79	<b>\$11.87</b>

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. Today there is 5.5 million SF under construction.

Much of the new construction is concentrated in three submarkets: the CBD, South Main/Medical Center, and Katy Freeway East. Overall, new development activity is down considerably from 2014 highs — less than a third of that level. And between Texas Tower, Marathon Tower, and the Ion, homegrown global real estate firm Hines is responsible for a third of the new office development currently under construction in Houston.

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 all the new development in that submarket.

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

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.

And Hines is also redeveloping a former Sears flagship store in Midtown into the Ion tech hub in partnership with Rice University, which owns the building, and Station Houston, a startup accelerator that was recently acquired by Austin-based Capital Factory. It was recently announced that Microsoft, Chevron, and coworking provider Common Desk would serve as the building's anchor tenants. The Ion, which is expected to deliver in 21Q1, is part of Rice Management Company's 10-acre "South Main Innovation District" master plan for a forward-looking tech hub in the heart of Houston's urban corridor.

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.

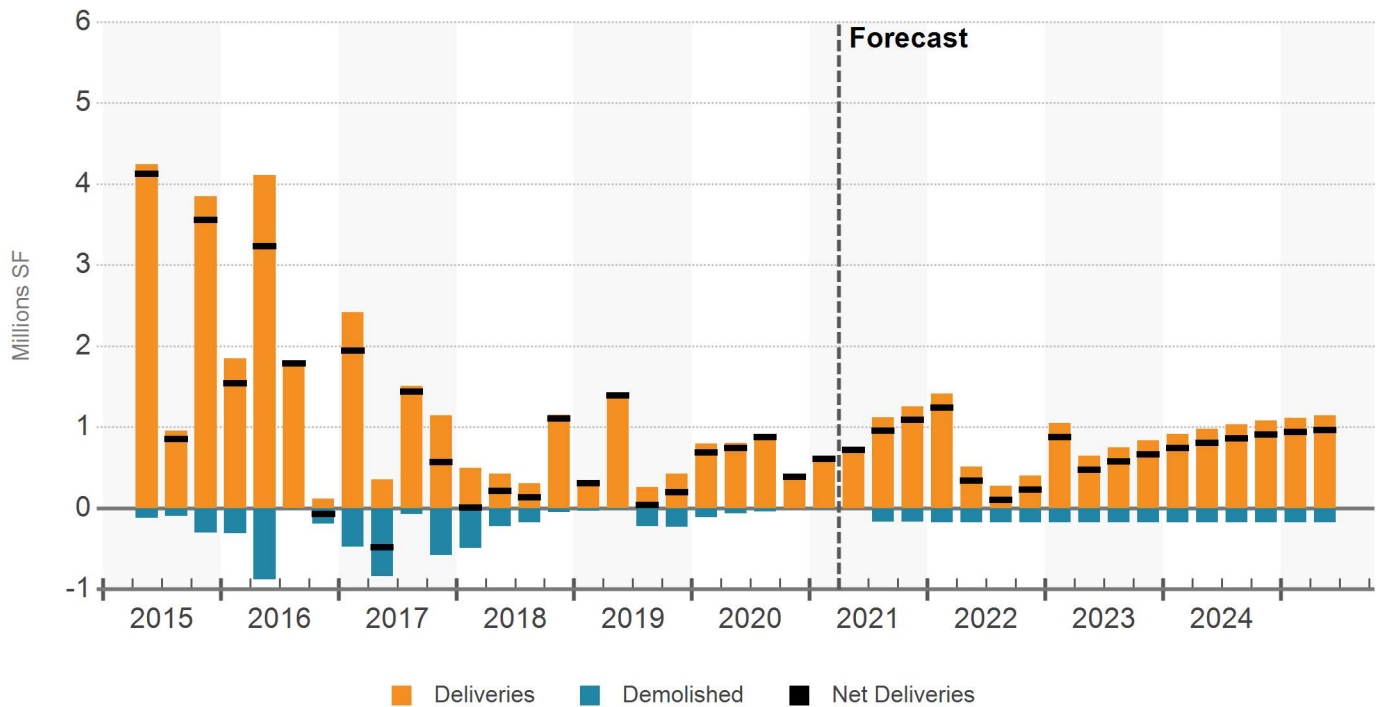
Houston, home to the largest medical center in the world at the Texas Medical Center, may also soon welcome several million SF of new life science-oriented mixed-use projects along a 2-mile stretch of Holcombe Boulevard. These projects could raise Houston's profile as a burgeoning commercial life sciences 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.

Medistar also has plans for another large mixed-use project at the intersection of Holcombe 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	1,271	461	36.2%	9	313,802	635,428	1
2	South Main/Medical Center	4	1,216	537	44.2%	8	56,540	303,945	2
3	Katy Freeway East	4	961	634	66.0%	4	44,008	240,140	3
4	The Woodlands	3	603	603	100%	1	34,822	201,000	5
5	Midtown	2	458	220	48.0%	7	18,263	229,000	4
6	FM 1960/Hwy 249	7	190	122	64.3%	5	19,871	27,196	7
7	Katy/Grand Parkway West	14	149	128	85.6%	2	13,418	10,657	10
8	Outlying Montgomery Cnty	8	122	1	0.4%	10	7,407	15,250	8
9	South	8	108	79	73.0%	3	11,659	13,510	9
10	Post Oak Park	1	77	38	49.4%	6	107,101	77,189	6
	All Other	29	332	220	66.3%		29,759	11,455	
Totals		82	5,487	3,042	55.4%		32,992	66,918	

# Under Construction Properties

Houston Office

Properties

Square Feet

Percent of Inventory

Released

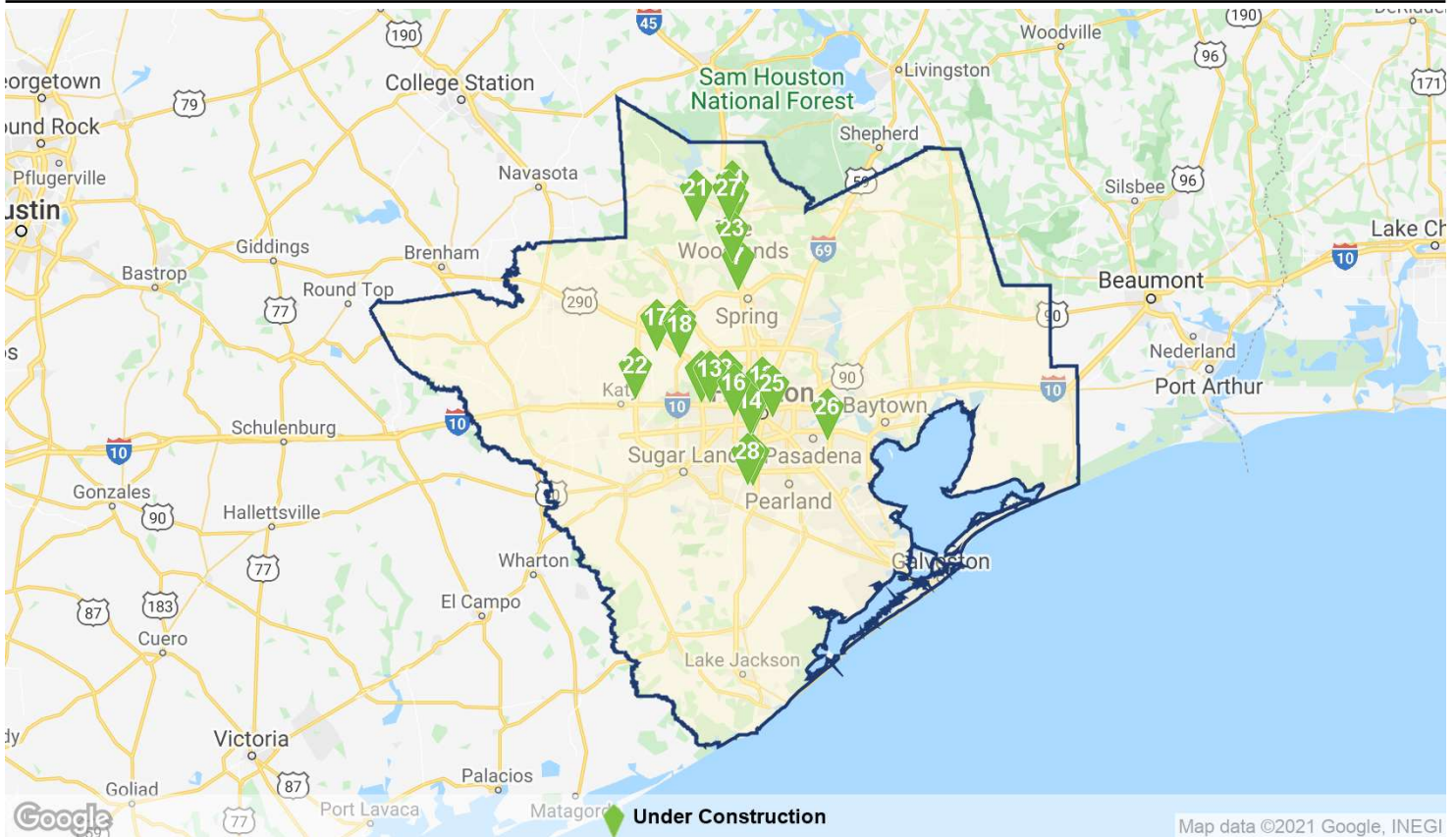
82

5,487,236

1.6%

55.4%

## UNDER CONSTRUCTION PROPERTIES



## UNDER CONSTRUCTION

	Property Name/Address	Rating	Bldg SF	Stories	Start	Complete	Developer/Owner
1	<b>Texas Tower</b> 845 Texas Ave	★★★★★	1,120,856	47	Jul 2018	Oct 2021	Hines Ivanhoé Cambridge
2	<b>Horizon Tower</b> 6929 Main St	★★★★★	511,599	31	Sep 2020	Feb 2023	Medistar Corporation Medistar Corporation
3	<b>One MRO</b> 990 Town And Country Blvd	★★★★★	440,000	15	Dec 2019	Dec 2021	Hines Marathon Oil Corporation
4	<b>O'Quinn Medical Tower</b> 7200 Cambridge St	★★★★★	427,000	12	Jul 2020	Mar 2022	- St. Luke's Health System
5	<b>The Ion</b> 4201 Main St	★★★★★	288,000	6	May 2019	Jul 2021	Hines Rice Management Company
6	<b>HPE Building 4</b> City Place Dr	★★★★★	284,000	5	Apr 2020	Dec 2021	Patrinely Group, LLC Patrinely Group, LLC
7	<b>HPE Building 3</b> 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 8020 Katy Fwy	★★★★★	193,500	13	Dec 2019	Jun 2021	- Crown Castle International Corp.
9 9753 Katy Fwy	★★★★★	186,000	9	Oct 2019	Jun 2021	MetroNational Corporation MetroNational Corporation
10 Montrose Collective 888 Westheimer Rd	★★★★★	170,000	6	Feb 2020	Jun 2021	Radom Capital LLC Radom Capital LLC
11 Museo Plaza Office Build... 5115 Fannin St	★★★★★	160,681	10	Apr 2020	Dec 2021	Testa Rossa Properties Testa Rossa Properties
12 POST Houston 401 Franklin St	★★★★★	150,000	5	Sep 2018	Jun 2021	- Lovett Commercial
13 Village Tower II 9655 Katy Fwy	★★★★★	141,059	6	Dec 2019	May 2021	Moody National Companies Moody National Companies
14 7500 Fannin St	★★★★★	116,500	5	Apr 2020	Dec 2021	Healthpeak Properties, Inc. Healthpeak Properties, Inc.
15 North Cypress Physician... 10425 Huffmeister Rd	★★★★★	110,374	4	Sep 2020	Oct 2021	NexCore Group LLC Healthcare Trust of America
16 4411 San Felipe St	★★★★★	77,189	7	Jan 2021	Dec 2021	DC Partners DC Partners
17 Towne Lake Office Condos 10242 Greenhouse Rd	★★★★★	50,000	1	Aug 2019	May 2021	- Caldwell Companies
18 8900 Point Six Cir	★★★★★	48,000	4	Mar 2019	May 2021	Sterling Engineering & Design Sandeep Patel
19 11200 Broadway St	★★★★★	48,000	3	Mar 2020	Jun 2021	CBL & Associates Properties, Inc. CBL & Associates Properties, Inc.
20 Bldg G - Marcel Boulevard I-45 & Crescent Campus B...	★★★★★	45,000	3	Jul 2020	May 2021	The Marcel Group The Marcel Group
21 Building III 2080 Central Pine St	★★★★★	42,000	2	Apr 2020	May 2021	- The Johnson Development Corp.
22 Katy Asian Town III- Buil... 22939 Colonial Pky	★★★★★	40,106	2	Mar 2020	May 2021	- Somsak Leemany
23 Life Time Co-Work Six Pines Dr	★★★★★	35,000	1	Apr 2020	May 2021	Life Time Inc. Life Time Inc.
24 400 W Davis St	★★★★★	32,800	3	Feb 2021	Feb 2022	Woodforest National Bank Woodforest National Bank
25 4400 Harrisburg Blvd	★★★★★	32,396	3	May 2020	May 2021	The Center for Pursuit The Center for Pursuit
26 2351 Oleander Dr	★★★★★	32,000	1	Mar 2020	May 2021	- Turner Industries
27 Conroe Medical Plaza 603 S Conroe Medical Dr	★★★★★	27,000	1	Dec 2020	May 2021	- Lone Star Family Health Center
28 12280 Broadway St	★★★★★	25,456	1	Jun 2020	Jun 2021	- Arvo Ventures

Following 19Q4, which was one of the best quarters on record for transaction volume in Houston, transaction activity plummeted in 2020 during the pandemic. The fourth quarter of 2020 saw investors stage a modest yet otherwise unremarkable comeback in transaction volume. However, annual transaction volume had fallen by more than half from the prior year's level. Yet this was still enough to rank Houston in the top 15 markets by sales volume in 2020.

Among the largest deals last year, Solana Beach, California-based Brixton Capital acquired a four-property portfolio at the Dow Texas Innovation Center in Lake Jackson in November. The seller was New York-based Lexington Realty Trust. The campus, which was developed by locally based CORE Real Estate with partner Lexington in 2016, is fully leased to Dow Chemical. In 2017, the Administration Building on the campus was sold to Cole Office & Industrial REIT for \$260 per square foot. Thus, this sale represents a nearly \$30/SF increase over the past three years.

And a partnership between 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 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. Combined with opportunity zone tax incentives, it provided an attractive redevelopment opportunity in one of the nation's key 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 bid to retain and attract tenants there at attractive rental rates.

In 2020, local buyers made up half of the square footage sold vs. one quarter for national buyers, as outside capital took more of a backseat during the pandemic. In 2019, that ratio was flipped, and in both years foreign buyers made up just shy of 10%. For confirmed trades, cap rates held steady year over year, compressing by 30 basis points. And average sales price per square foot also held steady around \$200. The most significant trophy deal to occur prior to the onset of the pandemic 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.

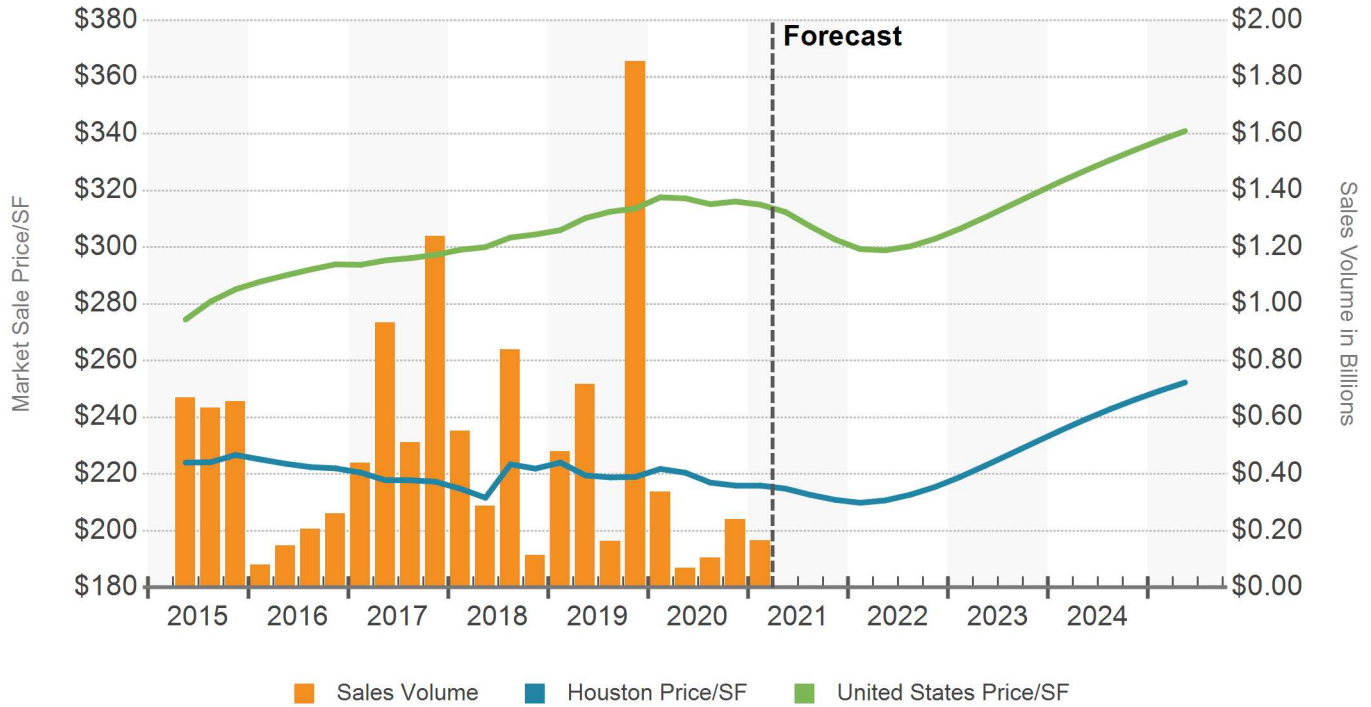
Notably, in April 2020, trophy asset 609 Main fell out of contract for undisclosed reasons with a prospective buying group that included KB Securities, a Korean investment firm and subsidiary of KB Financial, which was advised by South Korean asset management firm JR AMC. A joint venture between Hines 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.

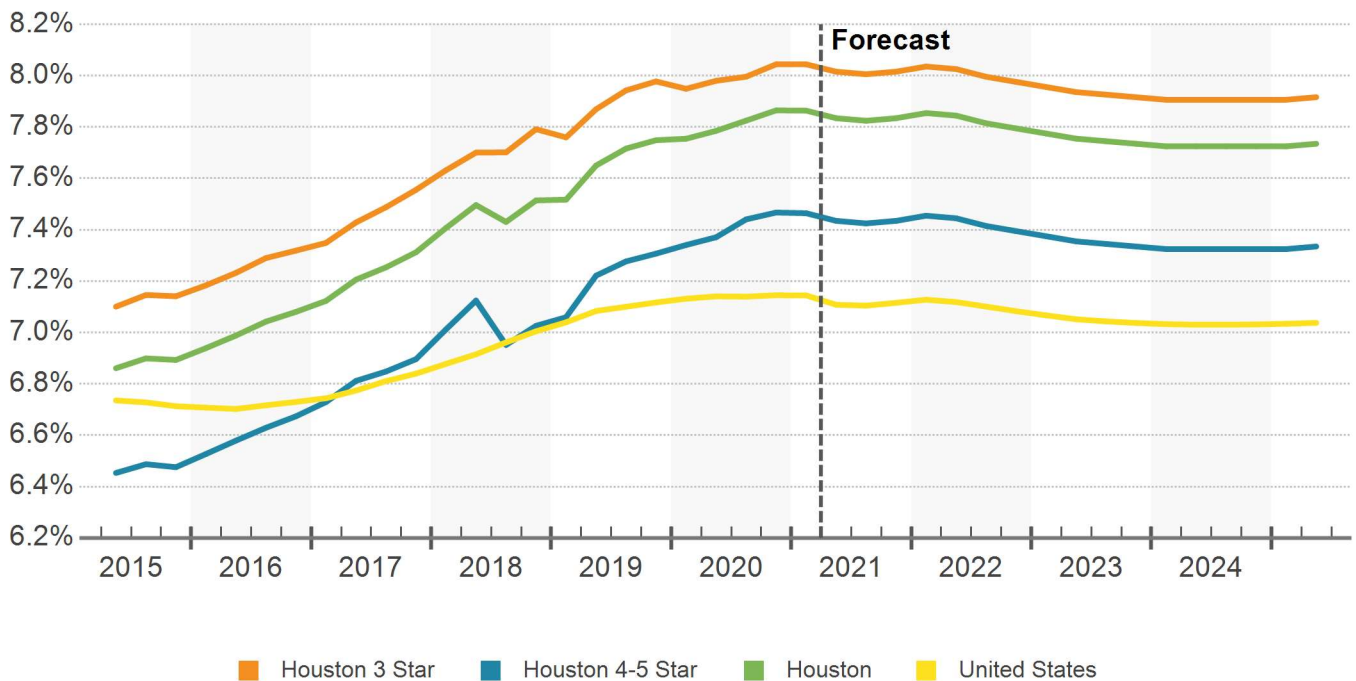
However, Houston's office sector vacancy never quite recovered from the oil downturn of 2015-17. This has placed downward pressure on rents, and therefore NOI and prices and slightly increased pressure on cap rates ever since 2014. As a result, a mix of private equity, private, REIT/public, and institutional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



## MARKET CAP RATE



# Sales Past 12 Months

Houston Office

Sale Comparables

621

Avg. Cap Rate

7.4%

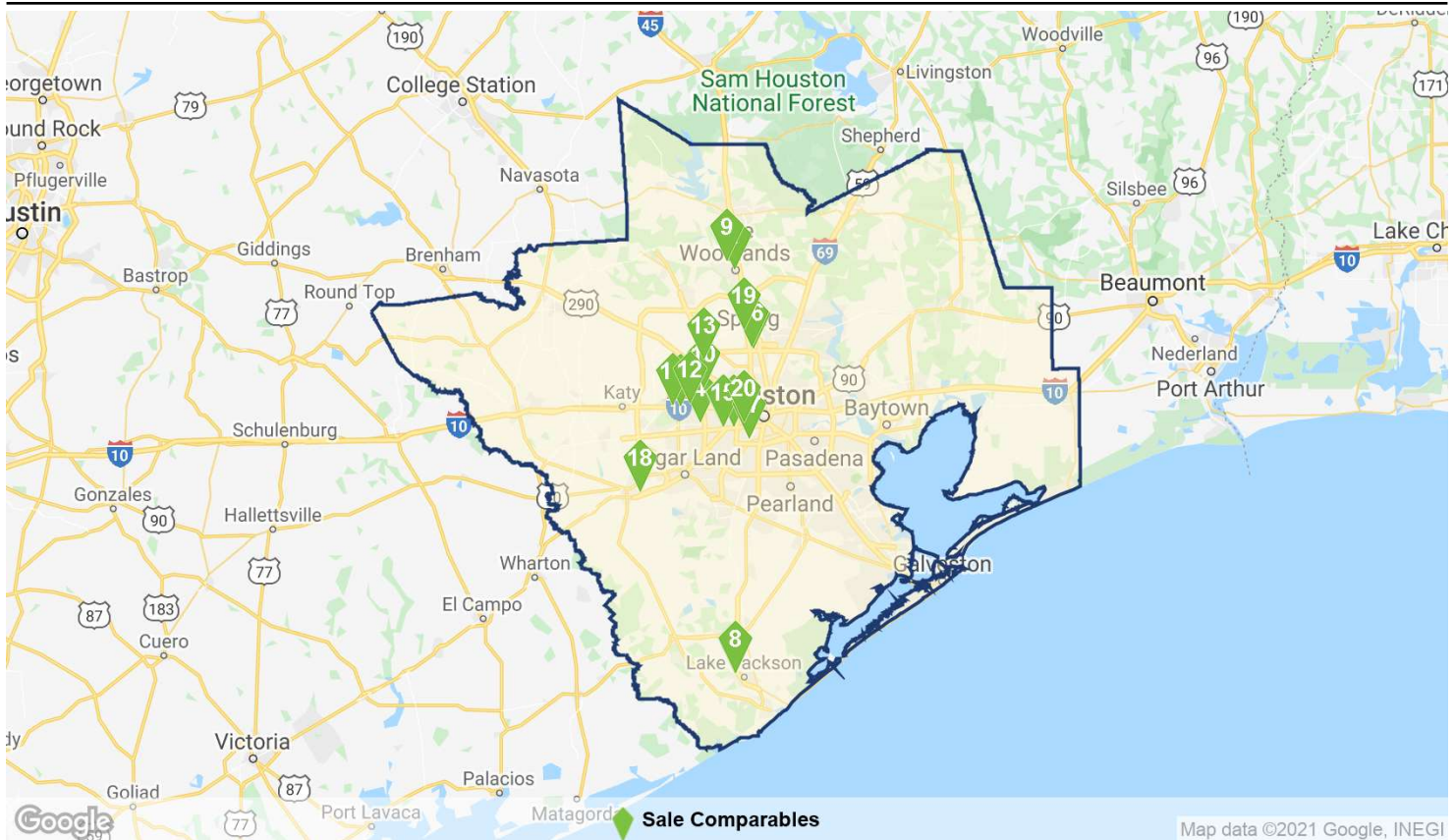
Avg. Price/SF

\$142

Avg. Vacancy At Sale

24.3%

## SALE COMPARABLE LOCATIONS



## SALE COMPARABLES SUMMARY STATISTICS

Sales Attributes	Low	Average	Median	High
Sale Price	\$85,000	\$5,469,157	\$769,990	\$107,000,000
Price/SF	\$23	\$142	\$200	\$478
Cap Rate	3.4%	7.4%	7.2%	11.0%
Time Since Sale in Months	0.0	5.8	5.5	12.0
Property Attributes	Low	Average	Median	High
Building SF	568	23,715	4,059	466,025
Stories	1	2	1	20
Typical Floor SF	568	8,689	3,747	130,395
Vacancy Rate At Sale	0%	24.3%	0%	100%
Year Built	1860	1976	1980	2021
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
<b>1</b> <b>Waterway Plaza I</b> 10003 Woodloch Forest Dr	★★★★★	2000	223,804	0%	1/7/2021	\$107,000,000	\$478	7.0%
<b>2</b> <b>The Dow Chemical Com...</b> 240 Abner Jackson Pky	★★★★★	2016	280,000	0%	11/10/2020	\$93,242,697	\$333	-
<b>3</b> <b>The Dow Chemical Com...</b> 220 Abner Jackson Pky	★★★★★	2017	278,521	0%	11/10/2020	\$81,911,587	\$294	-
<b>4</b> <b>One Westchase Center</b> 10777 Westheimer Rd	★★★★★	1982	466,025	15.0%	8/26/2020	\$60,500,000	\$130	9.5%
<b>5</b> <b>Memorial Hermann Orth...</b> 5420 West Loop S	★★★★★	2007	99,768	6.6%	5/7/2020	\$40,776,000	\$409	-
<b>6</b> <b>Two(2) WestLake</b> 580 Westlake Park Blvd	★★★★★	1982	455,142	100%	1/7/2021	\$17,218,944	\$38	-
<b>7</b> <b>363 North Belt</b> 363 N Sam Houston Pky E	★★★★★	1982	386,277	64.8%	6/24/2020	\$15,225,000	\$39	3.8%
<b>8</b> <b>The Dow Chemical Com...</b> 270 Abner Jackson Pky	★★★★★	2016	51,194	0%	11/10/2020	\$13,132,987	\$257	-
<b>9</b> <b>8800 Technology Forest Pl</b>	★★★★★	2002	268,950	0%	12/14/2020	\$11,900,000	\$44	-
<b>10</b> <b>10777 Clay Rd</b>	★★★★★	1998	227,484	100%	2/25/2021	\$9,000,000	\$40	-
<b>11</b> <b>15415 Katy Fwy</b>	★★★★★	1983	195,212	35.1%	11/19/2020	\$7,500,000	\$38	5.5%
<b>12</b> <b>1250 Wood Branch Park Dr</b>	★★★★★	1982	102,956	78.2%	12/23/2020	\$7,402,500	\$72	-
<b>13</b> <b>9949 W Sam Houston Pk...</b>	★★★★★	2006	36,099	50.0%	9/24/2020	\$5,300,000	\$147	-
<b>14</b> <b>Westpark Place</b> 6260 Westpark Dr	★★★★★	1974	57,416	0%	3/9/2021	\$4,935,749	\$86	-
<b>15</b> <b>Westpark Place</b> 6250 Westpark Dr	★★★★★	1974	57,416	0%	3/9/2021	\$4,764,251	\$83	-
<b>16</b> <b>Intercontinental Park III</b> 16701 Greenspoint Park Dr	★★★★★	1982	88,551	15.4%	2/26/2021	\$3,675,000	\$42	11.0%
<b>17</b> <b>1335 La Concha Ln</b>	★★★★★	1995	10,000	0%	7/10/2020	\$3,000,000	\$300	-
<b>18</b> <b>6952 Industrial Pky</b>	★★★★★	2011	6,000	0%	11/13/2020	\$2,800,000	\$467	8.6%
<b>19</b> <b>Oxyde Chemicals</b> 225 Pennbriht Dr	★★★★★	2003	13,987	0%	9/24/2020	\$2,800,000	\$200	-
<b>20</b> <b>3231 Audley St</b>	★★★★★	1961	6,594	0%	4/28/2020	\$2,650,000	\$402	-

Houston will continue to feel the impact of the coronavirus pandemic on its economy, and the metro is still on the road to recovery. Houston employment fell by more than 360,000 jobs from February to April 2020, surpassing the job losses from the '80s oil bust (+226,000) and the Great Recession (+120,000). As a result, the unemployment rate jumped to more than 14% in April 2020. Through February, the market has added back only about a third of those lost jobs. The unemployment rate remains stubbornly high – at above 8% – and significantly above the 3.8% seen during February 2020. 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 prior to the pandemic consistently ranked among the top metros for job growth in the country. Ample job opportunities had spurred significant population growth and more than 1.1 million new residents were added 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 cut more than 60% of capex spending this past 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-\$60s/barrel.

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.

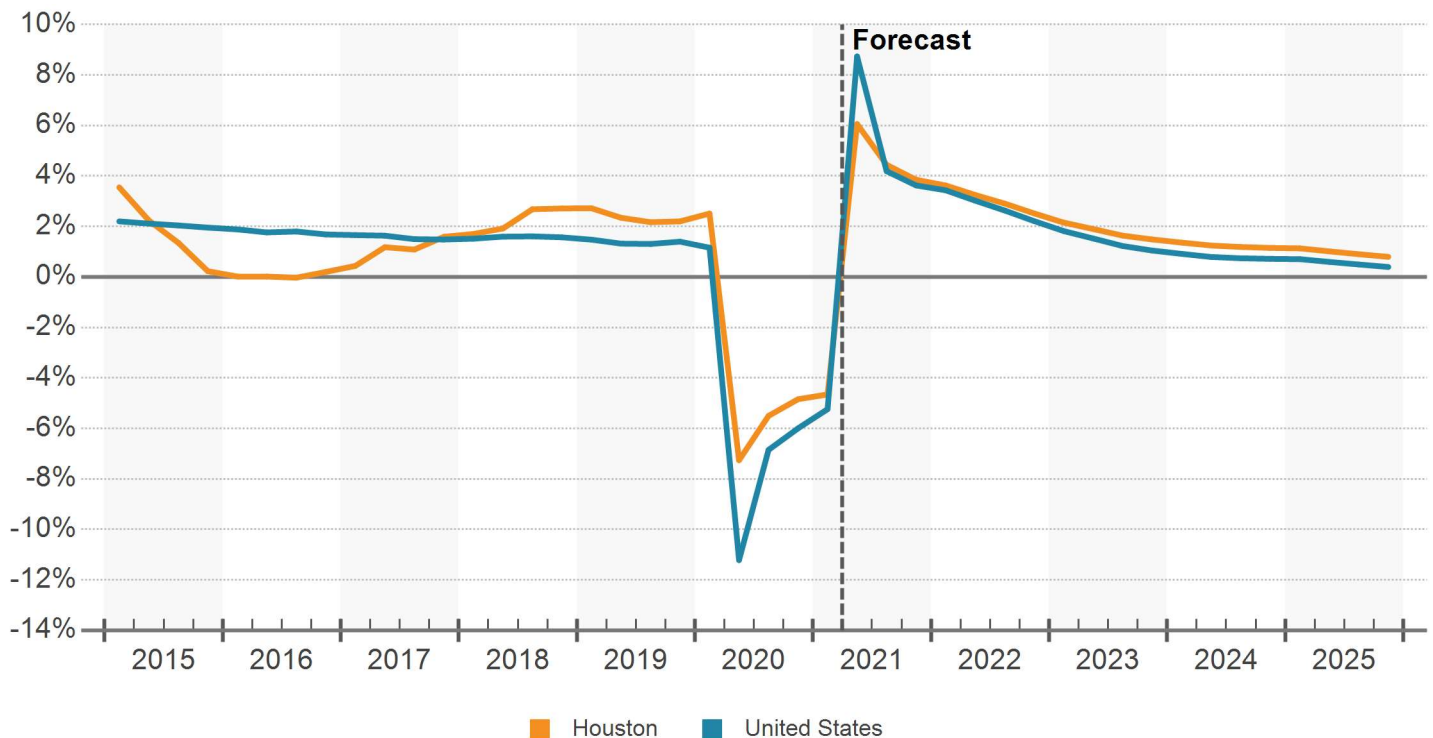
Owing to its affordability, warm climate, low taxes, and pro-business environment, Houston, like many major Sun Belt cities, is well-positioned for future growth and remains resilient.

## HOUSTON EMPLOYMENT BY INDUSTRY IN THOUSANDS

NAICS Industry	CURRENT JOBS		CURRENT GROWTH		10 YR HISTORICAL		5 YR FORECAST	
	Jobs	LQ	Market	US	Market	US	Market	US
Manufacturing	223	0.8	-4.05%	-2.93%	0.12%	0.60%	1.30%	0.42%
Trade, Transportation and Utilities	618	1.1	-2.38%	-2.06%	1.51%	0.86%	1.10%	0.56%
Retail Trade	298	0.9	-1.42%	-2.15%	1.08%	0.40%	0.99%	0.69%
Financial Activities	168	0.9	-1.70%	-0.84%	1.88%	1.30%	1.27%	0.74%
Government	394	0.9	-4.47%	-5.08%	0.38%	-0.34%	1.30%	1.00%
Natural Resources, Mining and Construction	295	1.7	-6.84%	-2.52%	1.36%	2.64%	1.89%	1.06%
Education and Health Services	409	0.8	-1.95%	-2.73%	2.77%	1.61%	2.01%	1.76%
Professional and Business Services	520	1.2	-0.11%	-3.20%	2.90%	1.87%	1.45%	1.56%
Information	30	0.5	-6.98%	-4.63%	-0.67%	0.22%	1.65%	1.92%
Leisure and Hospitality	299	1.0	-10.49%	-14.15%	2.27%	0.46%	4.01%	4.12%
Other Services	109	0.9	-8.91%	-5.16%	1.32%	0.36%	2.82%	1.34%
<b>Total Employment</b>	<b>3,066</b>	<b>1.0</b>	<b>-3.89%</b>	<b>-4.27%</b>	<b>1.67%</b>	<b>0.95%</b>	<b>1.77%</b>	<b>1.41%</b>

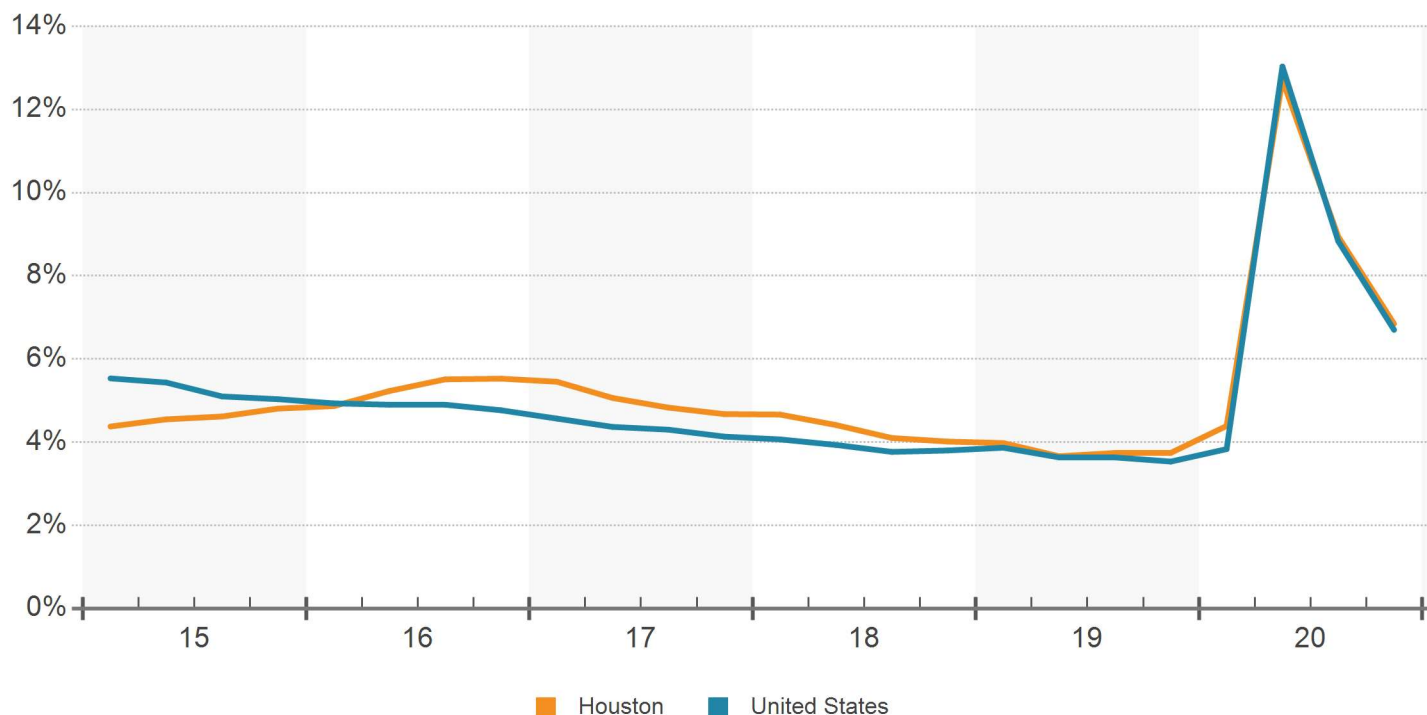
Source: Oxford Economics  
LQ = Location Quotient

## YEAR OVER YEAR JOB GROWTH

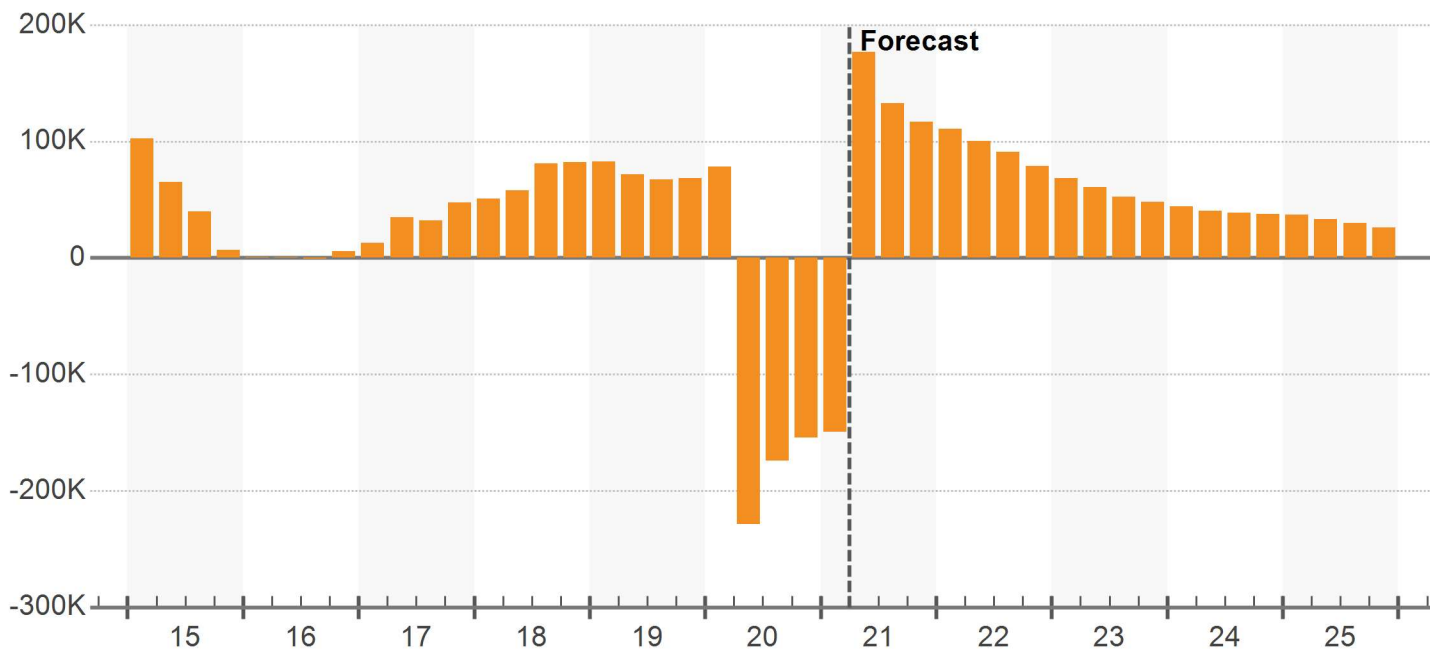


Source: Oxford Economics

## UNEMPLOYMENT RATE (%)

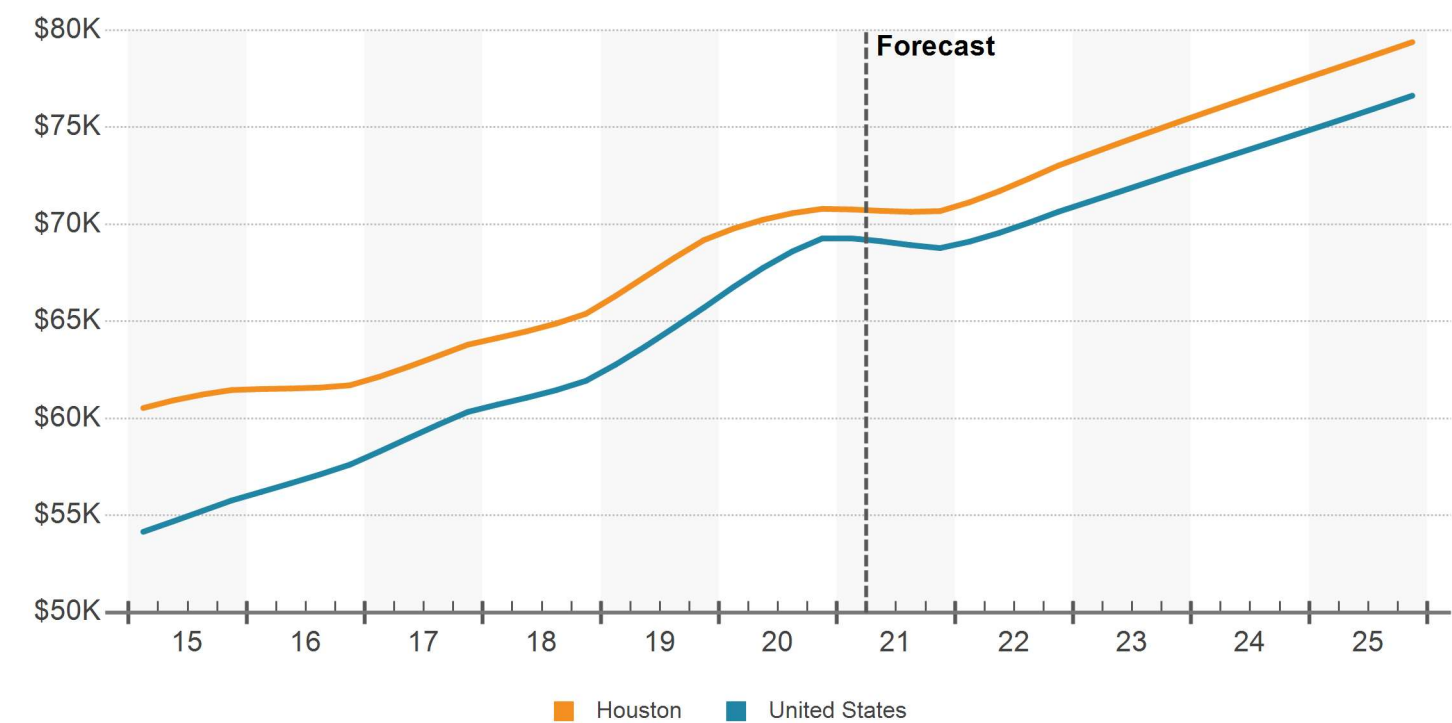


## NET EMPLOYMENT CHANGE (YOY)

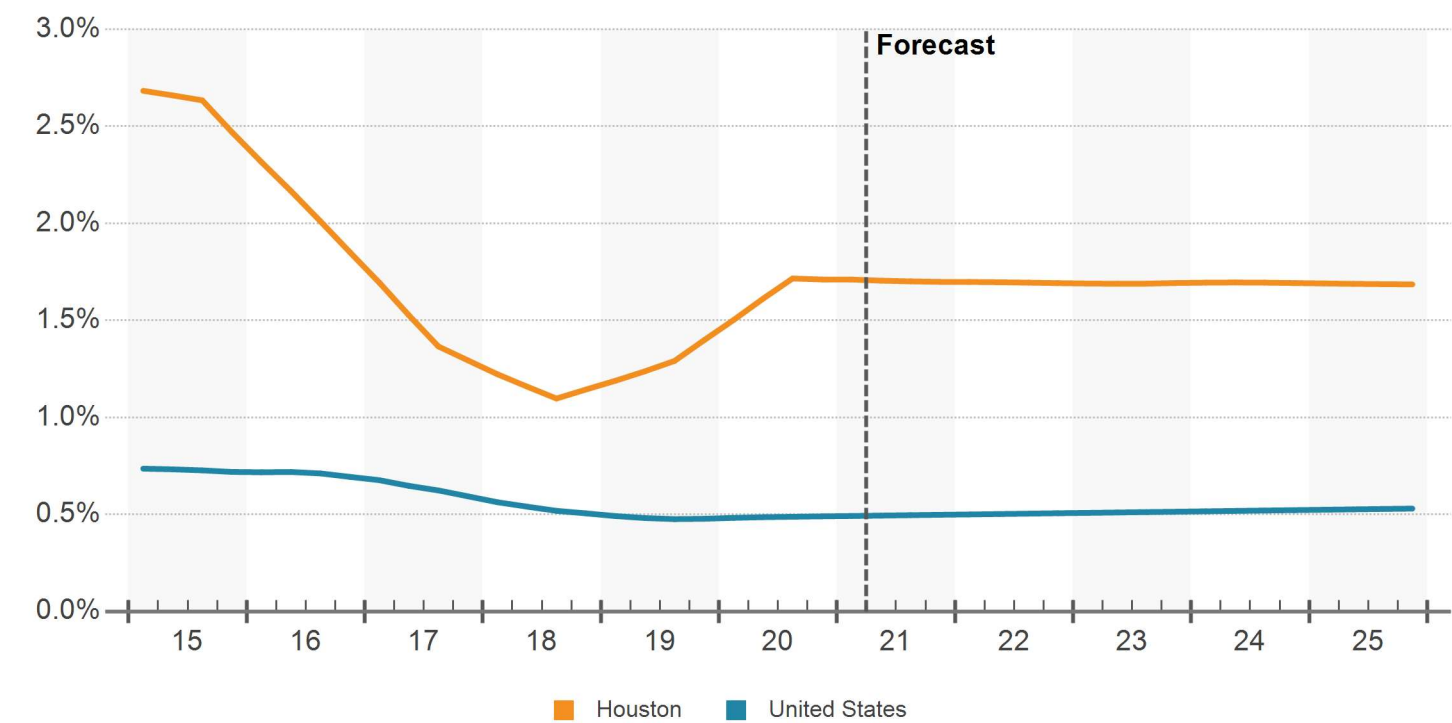




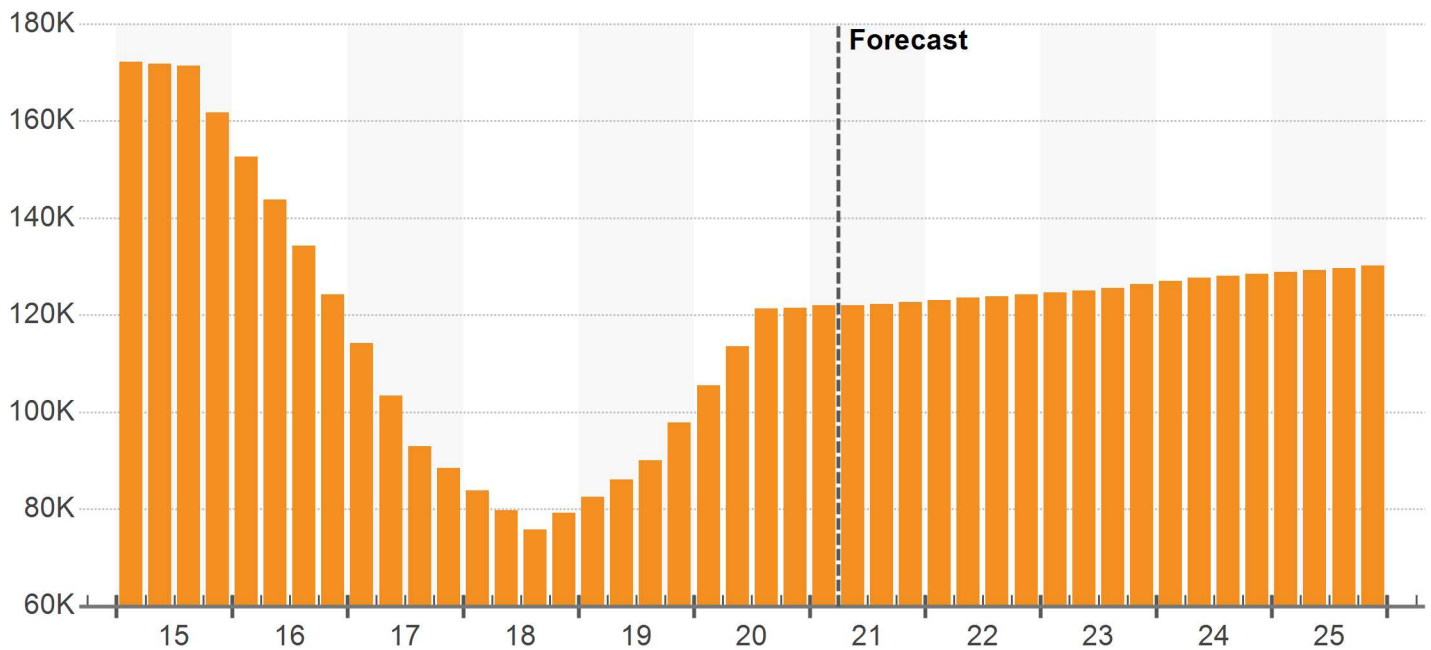
MEDIAN HOUSEHOLD INCOME



POPULATION GROWTH (YOY %)



## NET POPULATION CHANGE (YOY)

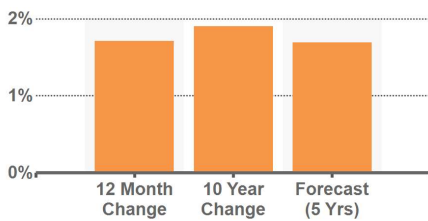


## DEMOGRAPHIC TRENDS

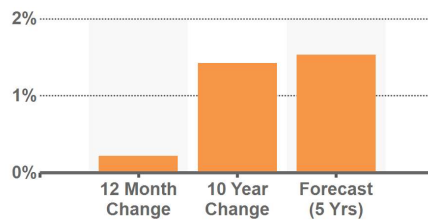
Demographic Category	Current Level		12 Month Change		10 Year Change		5 Year Forecast	
	Metro	US	Metro	US	Metro	US	Metro	US
Population	7,254,588	330,864,938	1.7%	0.5%	1.9%	0.6%	1.7%	0.5%
Households	2,472,117	123,657,008	1.7%	0.4%	1.8%	0.7%	1.7%	0.5%
Median Household Income	\$70,763	\$69,265	1.4%	3.6%	2.7%	3.3%	2.5%	2.2%
Labor Force	3,446,894	161,000,000	0.2%	-1.6%	1.4%	0.5%	1.5%	0.8%
Unemployment	6.8%	6.7%	1.8%	2.2%	-0.1%	-0.2%	-	-

Source: Oxford Economics

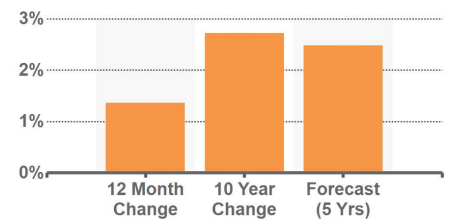
### POPULATION GROWTH



### LABOR FORCE GROWTH



### INCOME GROWTH

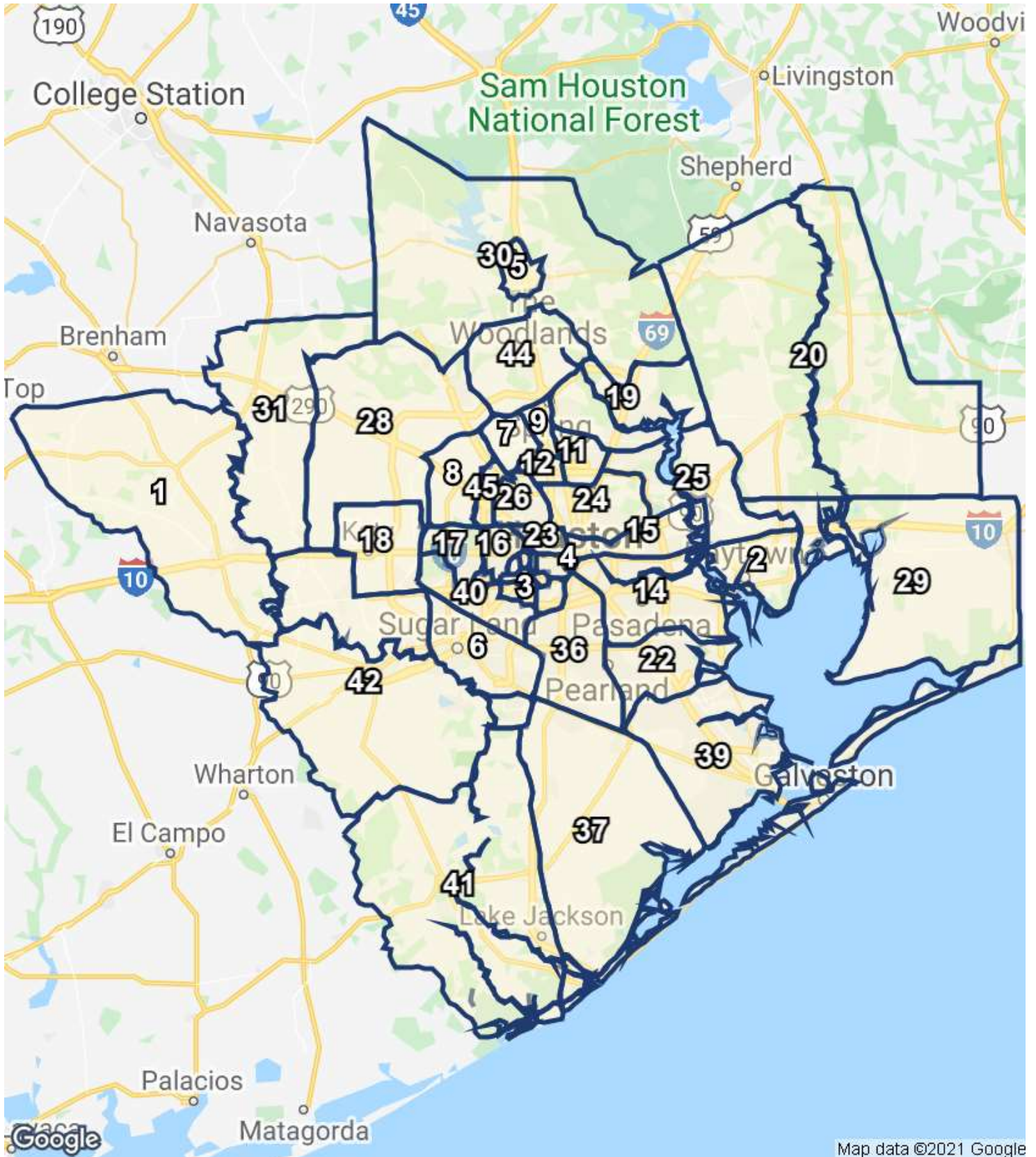


Source: Oxford Economics

## Submarkets

## Houston Office

## HOUSTON SUBMARKETS



## 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	139	1,871	0.5%	37	0	0	0%	-	0	-	-	-
3	Bellaire	93	5,325	1.6%	21	1	53	1.0%	16	0	-	-	-
4	CBD	164	51,463	15.1%	1	0	0	0%	-	2	1,271	2.5%	1
5	Conroe	276	2,862	0.8%	30	2	44	1.5%	17	3	65	2.3%	12
6	E Fort Bend Co/Sugar Land	461	10,455	3.1%	11	22	280	2.7%	2	5	28	0.3%	15
7	FM 1960/Champions	308	4,431	1.3%	23	30	160	3.6%	6	1	3	0.1%	19
8	FM 1960/Hwy 249	496	9,856	2.9%	13	19	119	1.2%	12	7	190	1.9%	6
9	FM 1960/I-45 North	118	2,481	0.7%	31	2	5	0.2%	25	0	-	-	-
10	Galleria/Uptown	67	16,954	5.0%	5	1	70	0.4%	15	0	-	-	-
11	Greenspoint/IAH	58	3,283	1.0%	28	0	0	0%	-	0	-	-	-
12	Greenspoint/N Belt West	119	11,024	3.2%	10	0	0	0%	-	0	-	-	-
13	Greenway Plaza	274	12,689	3.7%	7	0	0	0%	-	0	-	-	-
14	Gulf Freeway/Pasadena	672	8,353	2.4%	14	0	0	0%	-	2	64	0.8%	13
15	I-10 East	157	1,470	0.4%	40	1	31	2.1%	18	0	-	-	-
16	Katy Freeway East	271	11,926	3.5%	8	1	138	1.2%	8	4	961	8.1%	3
17	Katy Freeway West	266	28,087	8.2%	2	3	26	0.1%	19	0	-	-	-
18	Katy/Grand Parkway West	493	6,615	1.9%	16	10	202	3.1%	4	14	149	2.3%	7
19	Kingwood/Humble	255	4,068	1.2%	26	2	309	7.6%	1	0	-	-	-
20	Liberty County	80	459	0.1%	43	0	0	0%	-	0	-	-	-
21	Midtown	606	11,067	3.2%	9	2	139	1.3%	7	2	458	4.1%	5
22	NASA/Clear Lake	549	10,347	3.0%	12	3	21	0.2%	20	2	17	0.2%	17
23	North Loop West	387	6,420	1.9%	17	4	133	2.1%	10	0	-	-	-
24	Northeast Near	152	2,265	0.7%	32	0	0	0%	-	0	-	-	-
25	Northeast Outlier	94	980	0.3%	41	0	0	0%	-	1	15	1.5%	18
26	Northwest Far	132	4,372	1.3%	24	0	0	0%	-	0	-	-	-
27	Northwest Near	63	1,526	0.4%	39	1	16	1.1%	22	1	23	1.5%	16
28	Northwest Outlier	326	2,212	0.6%	34	18	138	6.2%	9	5	72	3.3%	11
29	Outlying Chambers County	29	179	0.1%	45	0	0	0%	-	0	-	-	-
30	Outlying Montgomery Cnty	233	1,726	0.5%	38	7	118	6.8%	13	8	122	7.1%	8
31	Outlying Waller County	26	134	0%	46	1	10	7.5%	23	0	-	-	-
32	Post Oak Park	45	4,820	1.4%	22	1	190	3.9%	5	1	77	1.6%	10
33	Richmond/Fountainview	121	2,241	0.7%	33	0	0	0%	-	0	-	-	-
34	Riverway	24	3,176	0.9%	29	0	0	0%	-	0	-	-	-
35	San Felipe/Voss	50	5,352	1.6%	20	0	0	0%	-	0	-	-	-
36	South	301	3,509	1.0%	27	9	122	3.5%	11	8	108	3.1%	9
37	South Hwy 35	167	880	0.3%	42	1	3	0.3%	29	0	-	-	-
38	South Main/Medical Center	246	13,909	4.1%	6	1	5	0%	26	4	1,216	8.7%	2
39	Southeast Outlier	372	4,371	1.3%	25	1	8	0.2%	24	0	-	-	-
40	Southwest Beltway 8	193	7,294	2.1%	15	0	0	0%	-	0	-	-	-
41	Southwest Far	100	2,057	0.6%	36	1	20	1.0%	21	0	-	-	-
42	Southwest Outlier	248	2,158	0.6%	35	9	74	3.4%	14	9	44	2.1%	14



## 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	<a href="#">Southwest/Hillcroft</a>	111	5,362	1.6%	19	1	5	0.1%	26	0	-	-	-
44	<a href="#">The Woodlands</a>	689	23,992	7.0%	3	12	221	0.9%	3	3	603	2.5%	4
45	<a href="#">West Belt</a>	118	6,405	1.9%	18	1	4	0.1%	28	0	-	-	-
46	<a href="#">Westchase</a>	139	20,383	6.0%	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	\$23.69	30	1.4%	6	14.7%	9
2	Baytown	\$23.84	29	1.4%	7	7.0%	16
3	Bellaire	\$26.28	20	0.8%	11	-1.3%	40
4	CBD	\$36.28	1	-1.1%	36	-1.2%	39
5	Conroe	\$24.65	26	-0.2%	21	16.1%	8
6	E Fort Bend Co/Sugar Land	\$28.16	14	-0.4%	23	-0.5%	36
7	FM 1960/Champions	\$18.97	43	0.4%	13	19.5%	5
8	FM 1960/Hwy 249	\$25.93	21	-0.4%	26	-0.5%	37
9	FM 1960/I-45 North	\$20.48	39	0.3%	14	11.0%	11
10	Galleria/Uptown	\$32.35	4	-0.7%	30	3.0%	27
11	Greenspoint/IAH	\$19.62	41	-1.4%	39	-3.7%	44
12	Greenspoint/N Belt West	\$18.85	44	-0.1%	18	1.1%	31
13	Greenway Plaza	\$31.48	6	-0.9%	34	6.6%	17
14	Gulf Freeway/Pasadena	\$22.14	35	0%	17	17.7%	7
15	I-10 East	\$21.91	36	1.4%	4	23.5%	4
16	Katy Freeway East	\$33.06	2	-1.8%	42	-0.1%	34
17	Katy Freeway West	\$29.41	10	-2.7%	45	-1.0%	38
18	Katy/Grand Parkway West	\$29.43	9	-1.5%	41	0.5%	33
19	Kingwood/Humble	\$25.47	24	-0.6%	29	7.9%	15
20	Liberty County	\$22.50	34	1.4%	5	17.7%	6
21	Midtown	\$30.32	7	-4.3%	46	6.1%	21
22	NASA/Clear Lake	\$24.05	28	-1.4%	38	3.1%	26
23	North Loop West	\$22.72	32	-0.7%	31	8.0%	14
24	Northeast Near	\$24.82	25	0%	16	2.7%	28
25	Northeast Outlier	\$26.70	17	0.7%	12	6.3%	19
26	Northwest Far	\$19.43	42	-0.9%	33	-0.5%	35
27	Northwest Near	\$19.71	40	-1.1%	35	9.2%	12
28	Northwest Outlier	\$28.23	13	-0.4%	24	8.5%	13
29	Outlying Chambers County	\$24.26	27	1.3%	8	2.4%	29
30	Outlying Montgomery Cnty	\$25.84	22	1.2%	9	5.9%	22
31	Outlying Waller County	\$23.05	31	1.6%	1	31.2%	2
32	Post Oak Park	\$32.25	5	0%	15	5.7%	24
33	Richmond/Fountainview	\$21.44	37	1.5%	3	26.1%	3
34	Riverway	\$27.17	16	-0.5%	27	-2.3%	42
35	San Felipe/Voss	\$26.45	19	-0.1%	19	0.9%	32
36	South	\$28.28	12	-0.7%	32	6.5%	18
37	South Hwy 35	\$20.95	38	1.6%	2	31.9%	1
38	South Main/Medical Center	\$29.68	8	-1.3%	37	-3.2%	43
39	Southeast Outlier	\$22.63	33	-0.1%	20	13.0%	10
40	Southwest Beltway 8	\$18.38	45	-0.4%	25	5.8%	23
41	Southwest Far	\$26.48	18	-0.3%	22	-3.9%	45
42	Southwest Outlier	\$25.56	23	0.9%	10	6.1%	20

## 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	-0.6%	28	4.7%	25
44	The Woodlands	\$32.62	3	-2.1%	44	-8.0%	46
45	West Belt	\$29.12	11	-1.5%	40	1.1%	30
46	Westchase	\$27.35	15	-2.0%	43	-2.2%	41

### SUBMARKET VACANCY & NET ABSORPTION

No.	Submarket	Vacancy			12 Month Absorption			
		SF	Percent	Rank	SF	% of Inv	Rank	Construc. Ratio
1	Austin County	15,359	5.9%	4	2,241	0.9%	15	-
2	Baytown	134,590	7.2%	9	(6,665)	-0.4%	21	-
3	Bellaire	645,307	12.1%	16	123,685	2.3%	3	0.4
4	CBD	11,366,803	22.1%	37	(749,557)	-1.5%	45	-
5	Conroe	315,139	11.0%	13	9,866	0.3%	12	4.5
6	E Fort Bend Co/Sugar Land	1,385,964	13.3%	22	(28,233)	-0.3%	30	-
7	FM 1960/Champions	664,293	15.0%	24	158,499	3.6%	2	0.2
8	FM 1960/Hwy 249	1,620,691	16.4%	31	(26,673)	-0.3%	28	-
9	FM 1960/I-45 North	800,143	32.3%	44	8,459	0.3%	14	0.6
10	Galleria/Uptown	3,498,816	20.6%	36	(573,370)	-3.4%	43	-
11	Greenspoint/IAH	774,986	23.6%	40	(5,672)	-0.2%	18	-
12	Greenspoint/N Belt West	4,930,065	44.7%	46	70,357	0.6%	6	-
13	Greenway Plaza	2,481,328	19.6%	34	(548,420)	-4.3%	42	-
14	Gulf Freeway/Pasadena	1,069,097	12.8%	20	(26,850)	-0.3%	29	-
15	I-10 East	143,060	9.7%	11	(16,281)	-1.1%	27	-
16	Katy Freeway East	1,499,359	12.6%	18	(265,445)	-2.2%	40	-
17	Katy Freeway West	6,558,595	23.4%	38	(712,705)	-2.5%	44	-
18	Katy/Grand Parkway West	1,000,261	15.1%	26	(380)	0%	17	-
19	Kingwood/Humble	441,267	10.8%	12	238,582	5.9%	1	1.3
20	Liberty County	25,529	5.6%	3	(11,663)	-2.5%	24	-
21	Midtown	1,260,761	11.4%	14	(148,675)	-1.3%	35	-
22	NASA/Clear Lake	1,358,724	13.1%	21	17,220	0.2%	11	0.9
23	North Loop West	1,130,963	17.6%	32	(8,630)	-0.1%	23	-
24	Northeast Near	140,777	6.2%	7	(14,114)	-0.6%	25	-
25	Northeast Outlier	66,187	6.8%	8	(6,150)	-0.6%	19	-
26	Northwest Far	787,194	18.0%	33	(55,749)	-1.3%	32	-
27	Northwest Near	208,254	13.6%	23	(15,891)	-1.0%	26	-
28	Northwest Outlier	333,166	15.1%	25	104,918	4.7%	4	1.2
29	Outlying Chambers County	3,036	1.7%	2	1,218	0.7%	16	-
30	Outlying Montgomery Cnty	210,143	12.2%	17	93,094	5.4%	5	0.8
31	Outlying Waller County	1,500	1.1%	1	8,592	6.4%	13	1.2
32	Post Oak Park	1,592,170	33.0%	45	(168,884)	-3.5%	36	-
33	Richmond/Fountainview	259,664	11.6%	15	(67,384)	-3.0%	33	-
34	Riverway	781,071	24.6%	41	(52,560)	-1.7%	31	-
35	San Felipe/Voss	1,394,153	26.0%	43	(261,189)	-4.9%	39	-
36	South	446,062	12.7%	19	38,272	1.1%	8	2.2
37	South Hwy 35	54,443	6.2%	6	(6,181)	-0.7%	20	-
38	South Main/Medical Center	1,047,665	7.5%	10	(192,561)	-1.4%	37	-
39	Southeast Outlier	264,751	6.1%	5	52,615	1.2%	7	0.1
40	Southwest Beltway 8	1,478,147	20.3%	35	(99,962)	-1.4%	34	-
41	Southwest Far	318,293	15.5%	27	23,623	1.1%	9	0.8
42	Southwest Outlier	349,703	16.2%	30	(6,852)	-0.3%	22	-

## SUBMARKET VACANCY & NET ABSORPTION

No.	Submarket	Vacancy			12 Month Absorption			
		SF	Percent	Rank	SF	% of Inv	Rank	Construc. Ratio
43	Southwest/Hillcroft	838,719	15.6%	29	21,567	0.4%	10	-
44	The Woodlands	3,725,741	15.5%	28	(999,309)	-4.2%	46	-
45	West Belt	1,613,269	25.2%	42	(267,913)	-4.2%	41	-
46	Westchase	4,766,028	23.4%	39	(234,971)	-1.2%	38	-



## OVERALL SUPPLY & DEMAND

Year	Inventory			Net Absorption		
	SF	SF Growth	% Growth	SF	% of Inv	Construction Ratio
2025	355,550,051	3,895,653	1.1%	4,850,661	1.4%	0.8
2024	351,654,398	3,314,565	1.0%	5,370,411	1.5%	0.6
2023	348,339,833	2,594,090	0.8%	6,068,438	1.7%	0.4
2022	345,745,743	1,911,179	0.6%	4,934,196	1.4%	0.4
2021	343,834,564	3,377,730	1.0%	308,510	0.1%	10.9
YTD	341,069,023	612,189	0.2%	(1,142,866)	-0.3%	-
2020	340,456,834	2,698,251	0.8%	(3,990,142)	-1.2%	-
2019	337,758,583	1,945,389	0.6%	329,901	0.1%	5.9
2018	335,813,194	1,538,793	0.5%	324,808	0.1%	4.7
2017	334,274,401	3,571,169	1.1%	(1,944,940)	-0.6%	-
2016	330,703,232	6,486,218	2.0%	703,748	0.2%	9.2
2015	324,217,014	12,907,033	4.1%	4,038,394	1.2%	3.2
2014	311,309,981	7,592,320	2.5%	9,043,282	2.9%	0.8
2013	303,717,661	4,846,515	1.6%	4,521,982	1.5%	1.1
2012	298,871,146	1,824,771	0.6%	5,254,864	1.8%	0.3
2011	297,046,375	1,782,660	0.6%	2,598,491	0.9%	0.7
2010	295,263,715	1,194,099	0.4%	1,448,187	0.5%	0.8
2009	294,069,616	7,905,180	2.8%	2,485,089	0.8%	3.2

## 4 & 5 STAR SUPPLY & DEMAND

Year	Inventory			Net Absorption		
	SF	SF Growth	% Growth	SF	% of Inv	Construction Ratio
2025	169,820,923	4,581,230	2.8%	4,740,151	2.8%	1.0
2024	165,239,693	3,996,641	2.5%	4,775,274	2.9%	0.8
2023	161,243,052	3,276,973	2.1%	4,796,581	3.0%	0.7
2022	157,966,079	2,400,288	1.5%	4,243,189	2.7%	0.6
2021	155,565,791	2,791,024	1.8%	699,379	0.4%	4.0
YTD	153,167,874	393,107	0.3%	(614,240)	-0.4%	-
2020	152,774,767	1,242,706	0.8%	(3,093,456)	-2.0%	-
2019	151,532,061	1,355,204	0.9%	1,761,496	1.2%	0.8
2018	150,176,857	1,497,119	1.0%	1,023,181	0.7%	1.5
2017	148,679,738	4,004,987	2.8%	607,368	0.4%	6.6
2016	144,674,751	6,828,597	5.0%	1,866,644	1.3%	3.7
2015	137,846,154	11,888,392	9.4%	4,922,971	3.6%	2.4
2014	125,957,762	7,138,575	6.0%	6,807,499	5.4%	1.0
2013	118,819,187	4,432,520	3.9%	4,298,530	3.6%	1.0
2012	114,386,667	1,459,910	1.3%	3,331,263	2.9%	0.4
2011	112,926,757	2,200,231	2.0%	2,883,940	2.6%	0.8
2010	110,726,526	137,317	0.1%	557,341	0.5%	0.2
2009	110,589,209	5,597,864	5.3%	2,122,249	1.9%	2.6

## 3 STAR SUPPLY & DEMAND

Year	Inventory			Net Absorption		
	SF	SF Growth	% Growth	SF	% of Inv	Construction Ratio
2025	139,432,696	18,287	0%	641,787	0.5%	0
2024	139,414,409	15,956	0%	1,032,629	0.7%	0
2023	139,398,453	11,044	0%	1,590,032	1.1%	0
2022	139,387,409	197,972	0.1%	1,229,571	0.9%	0.2
2021	139,189,437	917,368	0.7%	(44,596)	0%	-
YTD	138,493,181	221,112	0.2%	(501,850)	-0.4%	-
2020	138,272,069	1,414,015	1.0%	(440,164)	-0.3%	-
2019	136,858,054	703,831	0.5%	(869,676)	-0.6%	-
2018	136,154,223	175,274	0.1%	(673,050)	-0.5%	-
2017	135,978,949	33,474	0%	(2,130,582)	-1.6%	-
2016	135,945,475	(19,349)	0%	(928,187)	-0.7%	-
2015	135,964,824	1,250,172	0.9%	(1,379,286)	-1.0%	-
2014	134,714,652	575,333	0.4%	1,684,699	1.3%	0.3
2013	134,139,319	620,770	0.5%	552,810	0.4%	1.1
2012	133,518,549	387,809	0.3%	1,870,121	1.4%	0.2
2011	133,130,740	(76,147)	-0.1%	249,910	0.2%	-
2010	133,206,887	899,950	0.7%	639,517	0.5%	1.4
2009	132,306,937	1,954,654	1.5%	221,539	0.2%	8.8

## 1 & 2 STAR SUPPLY & DEMAND

Year	Inventory			Net Absorption		
	SF	SF Growth	% Growth	SF	% of Inv	Construction Ratio
2025	46,296,432	(703,864)	-1.5%	(531,277)	-1.1%	-
2024	47,000,296	(698,032)	-1.5%	(437,492)	-0.9%	-
2023	47,698,328	(693,927)	-1.4%	(318,175)	-0.7%	-
2022	48,392,255	(687,081)	-1.4%	(538,564)	-1.1%	-
2021	49,079,336	(330,662)	-0.7%	(346,273)	-0.7%	-
YTD	49,407,968	(2,030)	0%	(26,776)	-0.1%	-
2020	49,409,998	41,530	0.1%	(456,522)	-0.9%	-
2019	49,368,468	(113,646)	-0.2%	(561,919)	-1.1%	-
2018	49,482,114	(133,600)	-0.3%	(25,323)	-0.1%	-
2017	49,615,714	(467,292)	-0.9%	(421,726)	-0.8%	-
2016	50,083,006	(323,030)	-0.6%	(234,709)	-0.5%	-
2015	50,406,036	(231,531)	-0.5%	494,709	1.0%	-
2014	50,637,567	(121,588)	-0.2%	551,084	1.1%	-
2013	50,759,155	(206,775)	-0.4%	(329,358)	-0.6%	-
2012	50,965,930	(22,948)	0%	53,480	0.1%	-
2011	50,988,878	(341,424)	-0.7%	(535,359)	-1.0%	-
2010	51,330,302	156,832	0.3%	251,329	0.5%	0.6
2009	51,173,470	352,662	0.7%	141,301	0.3%	2.5

### OVERALL RENT & VACANCY

Year	Market Rent				Vacancy		
	Per SF	Index	% Growth	Vs Hist Peak	SF	Percent	Ppts Chg
2025	\$32.79	119	3.9%	10.2%	55,651,703	15.7%	-0.4%
2024	\$31.55	114	5.0%	6.0%	56,597,415	16.1%	-0.7%
2023	\$30.04	109	5.4%	0.9%	58,643,342	16.8%	-1.1%
2022	\$28.51	103	1.9%	-4.2%	62,107,998	18.0%	-1.0%
2021	\$27.97	101	-2.3%	-6.0%	65,121,813	18.9%	0.7%
YTD	\$28.62	104	0%	-3.8%	63,801,236	18.7%	0.5%
2020	\$28.64	104	-1.3%	-3.8%	62,049,015	18.2%	1.8%
2019	\$29.02	105	1.4%	-2.5%	55,366,622	16.4%	0.4%
2018	\$28.63	104	1.2%	-3.8%	53,762,690	16.0%	0.2%
2017	\$28.30	102	0.2%	-4.9%	52,858,563	15.8%	1.5%
2016	\$28.25	102	-3.5%	-5.1%	47,458,885	14.4%	1.5%
2015	\$29.27	106	-1.7%	-1.7%	41,663,316	12.9%	2.3%
2014	\$29.77	108	4.9%	0%	32,781,914	10.5%	-0.8%
2013	\$28.37	103	5.5%	-4.7%	34,439,810	11.3%	-0.1%
2012	\$26.89	97	7.3%	-9.7%	34,273,049	11.5%	-1.2%
2011	\$25.06	91	2.0%	-15.8%	37,694,685	12.7%	-0.3%
2010	\$24.57	89	-5.1%	-17.5%	38,493,363	13.0%	-0.1%
2009	\$25.90	94	-6.3%	-13.0%	38,747,451	13.2%	1.6%

### 4 & 5 STAR RENT & VACANCY

Year	Market Rent				Vacancy		
	Per SF	Index	% Growth	Vs Hist Peak	SF	Percent	Ppts Chg
2025	\$39.26	111	3.8%	3.9%	29,333,031	17.3%	-0.6%
2024	\$37.82	107	4.9%	0.1%	29,493,154	17.8%	-0.9%
2023	\$36.05	102	5.3%	-4.6%	30,272,962	18.8%	-1.4%
2022	\$34.24	97	1.8%	-9.4%	31,793,729	20.1%	-1.5%
2021	\$33.63	95	-2.5%	-11.0%	33,637,509	21.6%	1.0%
YTD	\$34.46	97	-0.1%	-8.8%	32,553,208	21.3%	0.6%
2020	\$34.49	98	-2.3%	-8.7%	31,545,861	20.6%	2.7%
2019	\$35.31	100	2.2%	-6.5%	27,210,699	18.0%	-0.4%
2018	\$34.57	98	0.7%	-8.5%	27,616,991	18.4%	0.1%
2017	\$34.31	97	-0.1%	-9.2%	27,172,638	18.3%	1.8%
2016	\$34.35	97	-5.8%	-9.1%	23,880,543	16.5%	2.8%
2015	\$36.48	103	-3.4%	-3.4%	18,912,865	13.7%	4.2%
2014	\$37.78	107	4.7%	0%	11,940,056	9.5%	-0.3%
2013	\$36.08	102	6.1%	-4.5%	11,608,980	9.8%	-0.4%
2012	\$34.01	96	8.6%	-10.0%	11,642,552	10.2%	-1.8%
2011	\$31.30	89	2.5%	-17.1%	13,513,905	12.0%	-0.9%
2010	\$30.55	86	-6.2%	-19.1%	14,195,461	12.8%	-0.4%
2009	\$32.57	92	-7.9%	-13.8%	14,615,485	13.2%	2.6%

### 3 STAR RENT & VACANCY

Year	Market Rent				Vacancy		
	Per SF	Index	% Growth	Vs Hist Peak	SF	Percent	Ppts Chg
2025	\$28.20	127	4.0%	14.0%	21,698,843	15.6%	-0.4%
2024	\$27.11	122	5.1%	9.6%	22,322,503	16.0%	-0.7%
2023	\$25.79	116	5.5%	4.2%	23,339,353	16.7%	-1.1%
2022	\$24.45	110	2.0%	-1.2%	24,918,518	17.9%	-0.8%
2021	\$23.99	108	-2.7%	-3.1%	25,950,240	18.6%	0.6%
YTD	\$24.58	111	-0.3%	-0.7%	25,708,916	18.6%	0.5%
2020	\$24.64	111	-0.4%	-0.4%	24,988,788	18.1%	1.2%
2019	\$24.74	111	0%	0%	23,134,609	16.9%	1.1%
2018	\$24.74	111	1.4%	0%	21,572,658	15.8%	0.4%
2017	\$24.39	110	0.8%	-1.4%	20,993,915	15.4%	1.6%
2016	\$24.19	109	-1.0%	-2.2%	18,839,553	13.9%	0.7%
2015	\$24.45	110	-0.2%	-1.2%	17,922,372	13.2%	1.8%
2014	\$24.50	110	5.0%	-1.0%	15,289,142	11.3%	-1.0%
2013	\$23.33	105	4.8%	-5.7%	16,605,442	12.4%	0%
2012	\$22.26	100	6.3%	-10.0%	16,534,567	12.4%	-1.1%
2011	\$20.94	94	1.3%	-15.4%	18,016,879	13.5%	-0.2%
2010	\$20.66	93	-4.2%	-16.5%	18,342,936	13.8%	0.1%
2009	\$21.56	97	-3.0%	-12.9%	18,082,503	13.7%	1.2%

### 1 & 2 STAR RENT & VACANCY

Year	Market Rent				Vacancy		
	Per SF	Index	% Growth	Vs Hist Peak	SF	Percent	Ppts Chg
2025	\$25.09	138	4.2%	18.4%	4,619,829	10.0%	-0.2%
2024	\$24.08	132	5.3%	13.6%	4,781,758	10.2%	-0.4%
2023	\$22.87	125	5.7%	7.9%	5,031,027	10.5%	-0.6%
2022	\$21.64	119	2.2%	2.1%	5,395,751	11.2%	-0.1%
2021	\$21.17	116	-0.1%	-0.1%	5,534,064	11.3%	0.1%
YTD	\$21.39	117	0.9%	0.9%	5,539,112	11.2%	0.1%
2020	\$21.19	116	0.9%	0%	5,514,366	11.2%	1.0%
2019	\$21.01	115	1.7%	-0.9%	5,021,314	10.2%	0.9%
2018	\$20.65	113	2.7%	-2.6%	4,573,041	9.2%	-0.2%
2017	\$20.10	110	-0.7%	-5.1%	4,692,010	9.5%	0%
2016	\$20.24	111	2.0%	-4.5%	4,738,789	9.5%	-0.1%
2015	\$19.85	109	4.1%	-6.3%	4,828,079	9.6%	-1.4%
2014	\$19.06	105	5.9%	-10.0%	5,552,716	11.0%	-1.3%
2013	\$18.00	99	4.6%	-15.1%	6,225,388	12.3%	0.3%
2012	\$17.20	94	2.9%	-18.8%	6,095,930	12.0%	-0.1%
2011	\$16.72	92	1.2%	-21.1%	6,163,901	12.1%	0.5%
2010	\$16.52	91	-2.1%	-22.1%	5,954,966	11.6%	-0.2%
2009	\$16.87	92	-7.5%	-20.4%	6,049,463	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	-	-	-	-	-	-	\$257.57	175	7.7%
2024	-	-	-	-	-	-	\$246.26	167	7.7%
2023	-	-	-	-	-	-	\$231.20	157	7.7%
2022	-	-	-	-	-	-	\$215.47	146	7.8%
2021	-	-	-	-	-	-	\$210.90	143	7.8%
YTD	138	\$165.6M	1.1%	\$7,184,348	\$121.83	8.2%	\$215.93	147	7.9%
2020	641	\$751.4M	3.1%	\$6,286,662	\$189.91	7.5%	\$215.94	147	7.9%
2019	761	\$3.2B	7.2%	\$17,298,874	\$201.28	8.0%	\$219.00	149	7.7%
2018	646	\$1.8B	5.4%	\$11,422,017	\$185.89	7.4%	\$221.92	151	7.5%
2017	580	\$3.1B	7.6%	\$20,276,109	\$215.46	7.6%	\$217.30	148	7.3%
2016	550	\$694.1M	4.4%	\$7,931,887	\$194.64	7.6%	\$222.02	151	7.1%
2015	589	\$2.5B	7.3%	\$17,030,774	\$217.08	7.6%	\$226.74	154	6.9%
2014	601	\$2.5B	6.4%	\$16,215,001	\$191.66	7.8%	\$221.01	150	6.8%
2013	475	\$4.5B	9.4%	\$28,612,073	\$207.81	7.6%	\$203.69	138	7.1%
2012	453	\$3.7B	8.8%	\$28,320,605	\$207.95	7.9%	\$188.07	128	7.4%
2011	292	\$2.3B	6.0%	\$23,024,140	\$189.21	8.8%	\$173.29	118	7.8%
2010	230	\$1.4B	4.5%	\$17,161,549	\$144.65	8.8%	\$151.27	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	-	-	-	-	-	-	\$328.58	174	7.3%
2024	-	-	-	-	-	-	\$314.50	166	7.3%
2023	-	-	-	-	-	-	\$295.52	156	7.3%
2022	-	-	-	-	-	-	\$275.57	146	7.4%
2021	-	-	-	-	-	-	\$269.91	143	7.4%
YTD	15	\$124.6M	1.0%	\$62,109,472	\$183.08	7.0%	\$276.72	146	7.5%
2020	43	\$470.8M	2.5%	\$38,923,048	\$193.05	6.7%	\$276.53	146	7.5%
2019	60	\$2.4B	7.8%	\$97,644,049	\$259.96	7.3%	\$283.12	150	7.3%
2018	54	\$1.2B	4.5%	\$60,597,081	\$235.87	6.7%	\$290.69	154	7.0%
2017	62	\$2.5B	10.8%	\$75,589,569	\$223.47	6.6%	\$280.85	149	6.9%
2016	27	\$506.5M	4.0%	\$72,261,090	\$312.76	6.8%	\$286.80	152	6.7%
2015	50	\$1.7B	8.0%	\$60,474,323	\$274.97	6.6%	\$294.09	156	6.5%
2014	35	\$1.6B	5.8%	\$72,921,085	\$267.76	7.5%	\$285.67	151	6.4%
2013	48	\$3.7B	13.5%	\$97,166,877	\$247.19	6.5%	\$263.19	139	6.7%
2012	50	\$3B	12.6%	\$84,359,756	\$232.73	7.2%	\$242.50	128	7.0%
2011	36	\$1.8B	8.5%	\$73,421,554	\$256.11	7.8%	\$224.53	119	7.3%
2010	21	\$841.1M	4.6%	\$64,699,184	\$180.05	8.2%	\$195.22	103	8.0%

(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.



### 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	-	-	-	-	-	-	\$209.94	177	7.9%
2024	-	-	-	-	-	-	\$200.48	169	7.9%
2023	-	-	-	-	-	-	\$188.06	159	7.9%
2022	-	-	-	-	-	-	\$175.17	148	8.0%
2021	-	-	-	-	-	-	\$171.36	145	8.0%
YTD	65	\$21.3M	1.2%	\$2,362,895	\$43.56	8.9%	\$175.63	148	8.1%
2020	270	\$216.3M	3.5%	\$4,291,432	\$220.23	7.5%	\$175.84	149	8.0%
2019	363	\$696.6M	7.2%	\$6,912,434	\$117.76	7.5%	\$175.49	148	8.0%
2018	292	\$583M	6.5%	\$7,664,899	\$138.06	7.3%	\$174.35	147	7.8%
2017	224	\$571.7M	4.9%	\$8,510,369	\$196.02	7.1%	\$173.14	146	7.6%
2016	240	\$155.1M	4.6%	\$3,546,654	\$95.25	7.6%	\$177.02	150	7.3%
2015	237	\$694.5M	6.9%	\$11,557,407	\$154.04	8.0%	\$179.83	152	7.1%
2014	234	\$884M	7.1%	\$12,242,211	\$130.66	8.0%	\$176.11	149	7.1%
2013	161	\$748.2M	7.9%	\$14,653,083	\$122.87	8.3%	\$162.57	137	7.3%
2012	158	\$606.6M	6.7%	\$13,157,712	\$141.75	8.1%	\$150.87	127	7.6%
2011	123	\$422.9M	5.0%	\$10,296,226	\$96.95	9.1%	\$138.00	117	8.1%
2010	99	\$481.2M	5.1%	\$13,724,191	\$115.35	9.5%	\$121.08	102	8.8%

(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.

### 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	-	-	-	-	-	-	\$166.02	175	8.5%
2024	-	-	-	-	-	-	\$158.30	167	8.5%
2023	-	-	-	-	-	-	\$148.28	156	8.5%
2022	-	-	-	-	-	-	\$137.98	145	8.6%
2021	-	-	-	-	-	-	\$134.72	142	8.6%
YTD	58	\$19.8M	1.4%	\$1,646,250	\$103.59	7.2%	\$136.26	143	8.6%
2020	328	\$64.3M	4.2%	\$1,096,038	\$119.99	7.9%	\$136.31	143	8.6%
2019	338	\$75.8M	5.1%	\$1,227,205	\$114.55	8.6%	\$137.78	145	8.5%
2018	300	\$57.4M	4.9%	\$897,140	\$107.17	8.4%	\$137.32	144	8.3%
2017	294	\$58.3M	5.1%	\$1,071,673	\$138.10	8.6%	\$139.75	147	8.0%
2016	283	\$32.5M	4.9%	\$857,849	\$102.24	7.8%	\$142.93	150	7.7%
2015	302	\$83.4M	6.8%	\$1,451,522	\$116.26	8.0%	\$144.78	152	7.5%
2014	332	\$60.3M	6.0%	\$953,206	\$111.60	7.6%	\$142.00	149	7.4%
2013	266	\$52.7M	4.0%	\$771,277	\$88.39	8.1%	\$130.43	137	7.8%
2012	245	\$40M	5.8%	\$822,347	\$103.93	9.5%	\$119.87	126	8.1%
2011	133	\$44.8M	3.1%	\$1,315,586	\$69.57	9.4%	\$109.85	116	8.6%
2010	110	\$34.3M	3.2%	\$1,107,301	\$64.09	7.2%	\$96.62	102	9.3%

(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.