



# Office Market Report Houston Market

PREPARED BY



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**OFFICE MARKET REPORT**

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12 Mo Deliveries in SF

**2.8 M**

12 Mo Net Absorption in SF

**2.5 M**

Vacancy Rate

**16.5%**

12 Mo Rent Growth

**1.0%**

A return to positive net absorption and positive rent growth in 2018 were very welcome signs. Houston is also seeing the office vacancy rate compress lower from an early 2018 peak of nearly 17% thanks to a limited supply pipeline and steady tenant demand, though it's still among the highest vacancies in large U.S. metros.

Houston's significant space availability means that landlords must continue to offer free rent and concessions to attract tenants. And as tenants continue to absorb the large wave of new supply that delivered over the past several years, rent growth remains quite low by historical standards.

The current building boom has put pressure on older

assets. As in other markets that experienced a large amount new construction this cycle, CoStar expects a wave of renovations as older assets try to compete. However, the new supply should satisfy key occupiers that are driven by quality buildings as part of their strategy to attract and retain talent in the midst of a tight national labor market.

The largest cluster of energy companies and the largest medical center in the world should keep large employers in Houston, even if growth moving forward is projected to be slower than in the recent oil boom years. Meanwhile, the planned TMC | 3 collaborative research campus and The Ion innovation hub in Midtown Houston both offer the promise of a burgeoning tech scene.

### KEY INDICATORS

| Current Quarter | RBA                | Vacancy Rate | Market Rent    | Availability Rate | Net Absorption SF | Deliveries SF | Under Construction |
|-----------------|--------------------|--------------|----------------|-------------------|-------------------|---------------|--------------------|
| 4 & 5 Star      | 148,001,151        | 18.0%        | \$33.57        | 23.5%             | 257,942           | 54,840        | 2,844,026          |
| 3 Star          | 134,025,989        | 17.2%        | \$24.27        | 19.4%             | (70,746)          | 15,900        | 540,693            |
| 1 & 2 Star      | 49,914,155         | 10.3%        | \$20.81        | 12.7%             | 51,977            | 0             | 32,984             |
| <b>Market</b>   | <b>331,941,295</b> | <b>16.5%</b> | <b>\$27.94</b> | <b>20.3%</b>      | <b>239,173</b>    | <b>70,740</b> | <b>3,417,703</b>   |

| Annual Trends        | 12 Month | Historical Average | Forecast Average | Peak       | When    | Trough      | When    |
|----------------------|----------|--------------------|------------------|------------|---------|-------------|---------|
| Vacancy Change (YOY) | -0.2%    | 13.0%              | 14.9%            | 16.7%      | 2018 Q2 | 8.9%        | 1999 Q1 |
| Net Absorption SF    | 2.5 M    | 3,163,365          | 3,645,267        | 9,675,305  | 2006 Q4 | (4,018,642) | 2017 Q3 |
| Deliveries SF        | 2.8 M    | 5,204,908          | 3,251,115        | 13,760,890 | 2015 Q2 | 1,278,682   | 2010 Q4 |
| Rent Growth          | 1.0%     | 1.7%               | 1.1%             | 14.4%      | 2008 Q1 | -6.3%       | 2009 Q4 |
| Sales Volume         | \$1.8 B  | \$1.7B             | N/A              | \$5.0B     | 2013 Q3 | \$250.8M    | 2009 Q4 |

With employers hiring again, demand for office space has returned, albeit slowly. Large move-ins last quarter included the American Bureau of Shipping's occupancy of 300,000 SF at CityPlace 2 in Springwoods Village. Asurion moved into more than 125,000 SF at the Legacy at Fallbrook in the West Belt Submarket, and BP moved into 85,000 SF in West Memorial Place 2 in Katy Freeway West.

Altogether, net absorption totaled about 500,000 SF last quarter, representing the third consecutive quarter of positive demand after two years of losses. CoStar's forecast calls for demand to pick up, and average about 1 million SF per quarter, fairly in line with Houston's average.

Houston also recorded some significant leases last quarter, including welcome signings by two energy tenants: Honeywell for 115,000 SF in CityWestPlace Building 1 in Westchase and Direct Energy for 105,000 SF at 2 Houston Center in the CBD.

The beleaguered Energy Corridor will soon welcome two new tenants: CAM Integrated Solutions signed for 59,000 SF at 17000 Katy Freeway for a reported \$17/SF, and

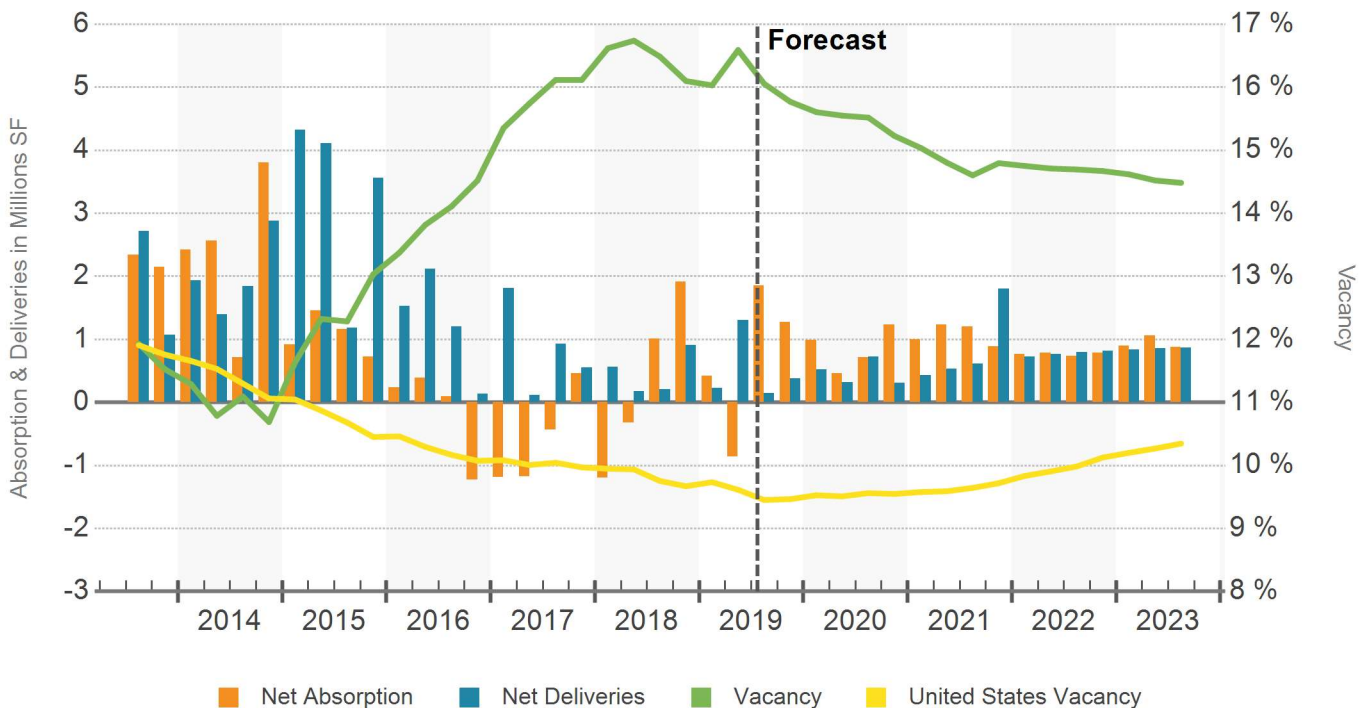
Olin will move into 54,000 SF at 16290 Katy Freeway at a rate of \$31/SF on a full-service basis.

Total leasing volume last quarter reached 3.5 million SF, and this total is expected to rise above 4.5 million SF once all leases have been reported.

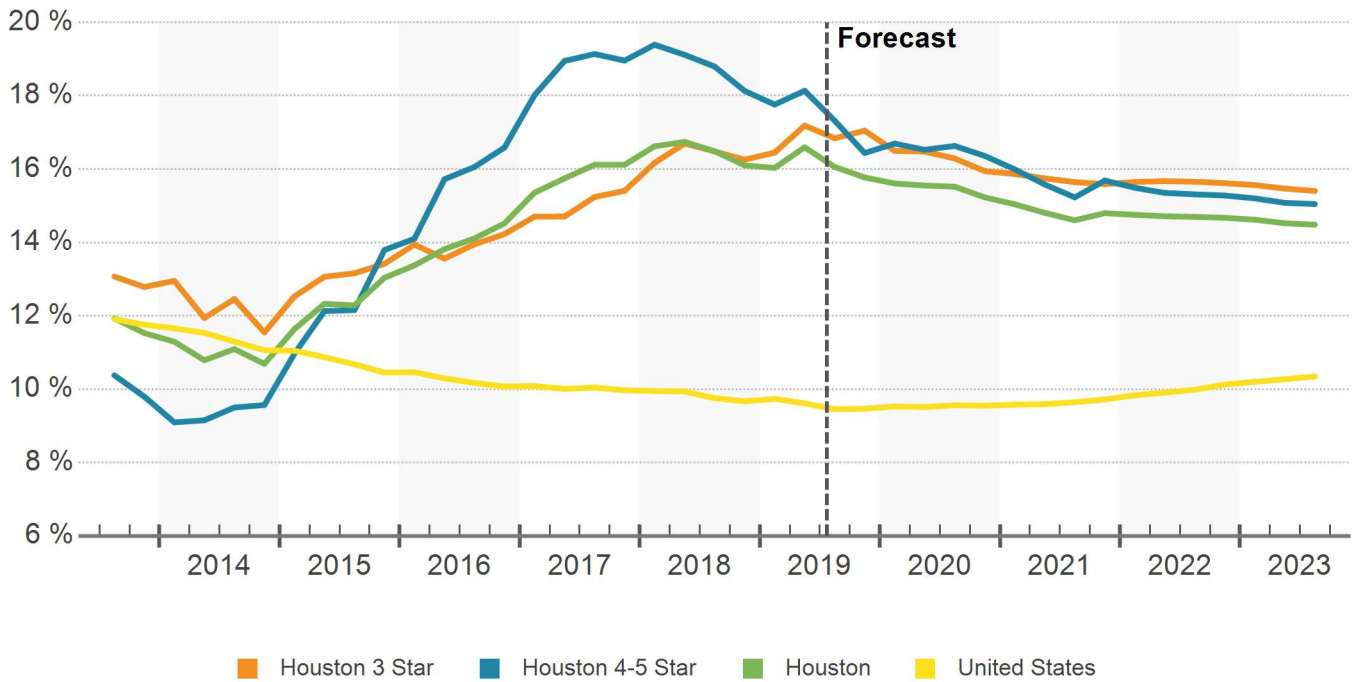
Last quarter, The Woodlands accounted for nearly 1 million SF of positive absorption. The Woodlands Submarket also leads net absorption among all Houston-area submarkets since 2010, accounting for nearly 40% of the Houston metro's net absorption this cycle.

Katy Freeway West accounted for 650,000 SF of absorption last quarter, a welcome return after a few soft years. Since 2010, West Houston submarkets such as Katy Freeway West and East, Katy/Grand Parkway West, the West Belt, and Westchase accounted for nearly half of net absorption in the metro. The CBD posted nearly 500,000 SF of positive absorption last quarter, which was quite a welcome sign, as Downtown Houston lost more than 10 million SF of tenants since 2010. It appears that tenants are gravitating towards newer office space, whether in suburban or downtown areas.

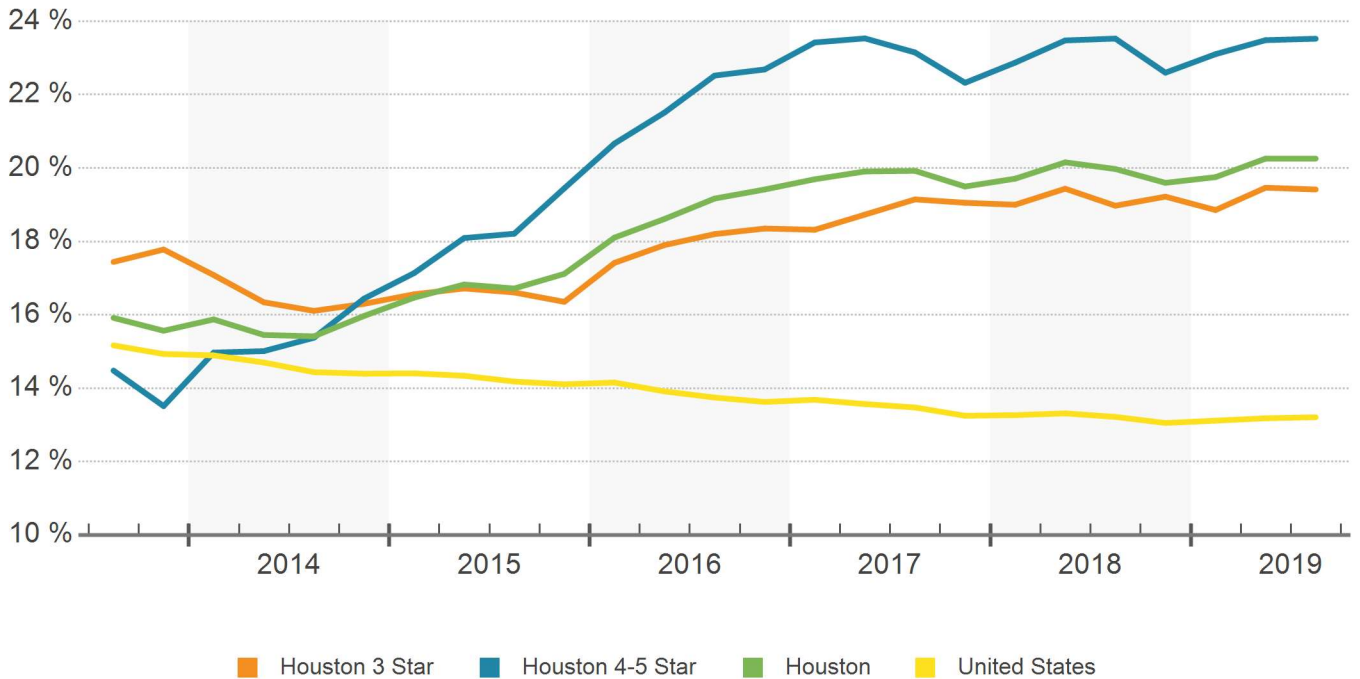
## NET ABSORPTION, NET DELIVERIES & VACANCY



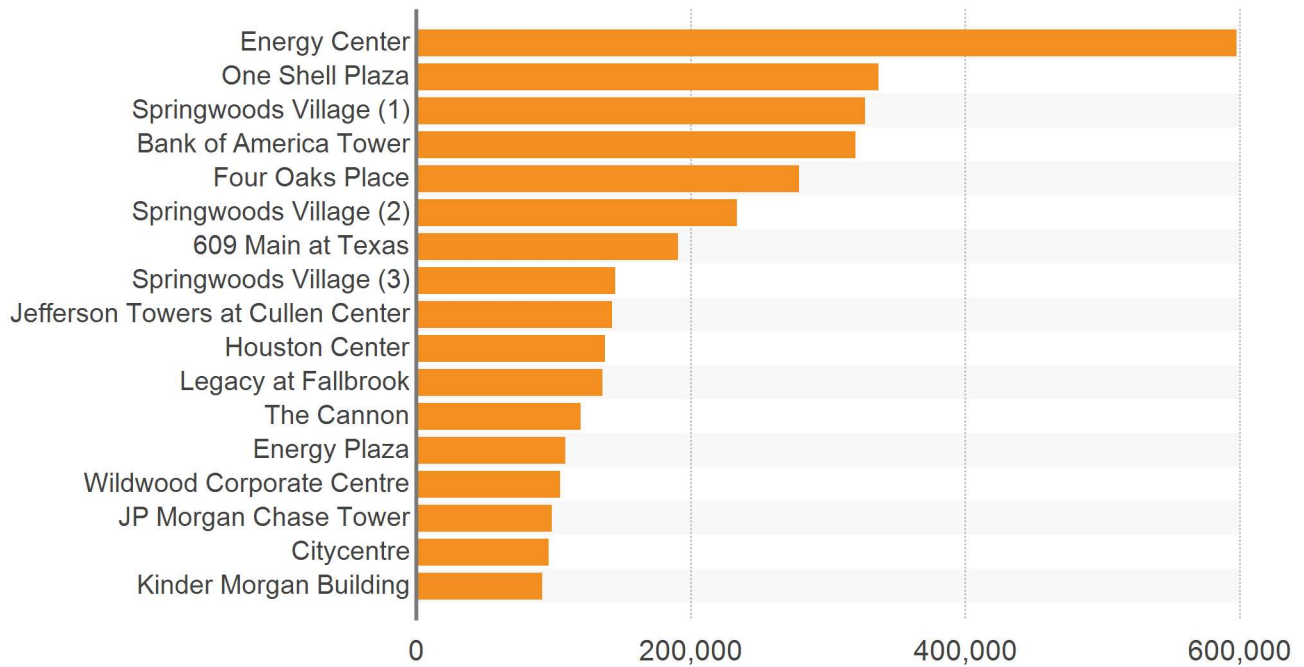
## VACANCY RATE



## 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         |
| Energy Center                       | Katy Freeway West | 597,629            | 0                 | 0                 | 0                | 0              | 0        | 597,628          |
| One Shell Plaza                     | CBD               | 1,228,923          | 144,219           | (4,799)           | 0                | 0              | 0        | 336,586          |
| Springwoods Village (1)             | The Woodlands     | 326,800            | 0                 | 303,137           | 0                | 0              | 0        | 326,800          |
| Bank of America Tower               | CBD               | 780,593            | 460,709           | 0                 | 319,884          | 0              | 0        | 319,884          |
| Four Oaks Place                     | Galleria/Uptown   | 496,608            | 40,735            | 0                 | 197,871          | 0              | 0        | 279,074          |
| Springwoods Village (2)             | The Woodlands     | 233,516            | 0                 | 0                 | 0                | 0              | 0        | 233,516          |
| 609 Main at Texas                   | CBD               | 1,056,658          | 250,671           | 32,733            | 19,171           | 71,286         | 0        | 190,738          |
| Springwoods Village (3)             | The Woodlands     | 144,886            | 0                 | 0                 | 0                | 0              | 0        | 144,886          |
| Jefferson Towers at Cullen Center   | CBD               | 390,479            | 81,901            | 86,399            | 0                | 0              | 0        | 142,598          |
| Houston Center                      | CBD               | 1,024,956          | 371,158           | 58,343            | 48,759           | 0              | 0        | 137,493          |
| Legacy at Fallbrook                 | West Belt         | 206,808            | 7,874             | 126,983           | 2,983            | 0              | 0        | 135,826          |
| The Cannon                          | Katy Freeway West | 120,000            | 0                 | 0                 | 120,000          | 0              | 0        | 120,000          |
| Energy Plaza                        | Katy Freeway West | 429,157            | 96,162            | 48,854            | 7,000            | 0              | 0        | 108,675          |
| Wildwood Corporate Centre           | The Woodlands     | 201,933            | 72,205            | 12,398            | 24,664           | 53,350         | 0        | 105,036          |
| JP Morgan Chase Tower               | CBD               | 1,656,529          | 360,749           | 18,022            | 21,502           | 30,171         | 0        | 98,797           |
| Citycentre                          | Katy Freeway East | 227,063            | 13,482            | 3,691             | 53,533           | 0              | 0        | 96,297           |
| Kinder Morgan Building              | CBD               | 937,003            | 0                 | 0                 | 0                | 0              | 0        | 91,924           |
| <b>Subtotal Primary Competitors</b> |                   | <b>10,059,541</b>  | <b>1,899,865</b>  | <b>685,761</b>    | <b>815,367</b>   | <b>154,807</b> | <b>0</b> | <b>3,465,758</b> |
| Remaining Houston Market            |                   | 321,881,754        | 52,885,726        | (266,374)         | (1,680,548)      | 84,366         | 0        | (1,001,273)      |
| <b>Total Houston Market</b>         |                   | <b>331,941,295</b> | <b>54,785,591</b> | <b>419,387</b>    | <b>(865,181)</b> | <b>239,173</b> | <b>0</b> | <b>2,464,485</b> |

### TOP OFFICE LEASES PAST 12 MONTHS

| Building Name/Address               | Submarket                 | Leased SF | Qtr   | Tenant Name                   | Tenant Rep Company   | Leasing Rep Company         |
|-------------------------------------|---------------------------|-----------|-------|-------------------------------|----------------------|-----------------------------|
| Citycentre                          | Katy Freeway East         | 600,000   | Q4 18 | Marathon Oil Corporation      | CBRE                 | -                           |
| Energy Center                       | Katy Freeway West         | 524,316   | Q4 18 | McDermott International       | CBRE                 | CBRE                        |
| Enclave Place                       | Katy Freeway West         | 300,906   | Q3 18 | Transocean                    | JLL                  | Colvill Office Properties   |
| Bank of America Tower               | CBD                       | 284,331   | Q4 18 | Waste Management              | CBRE                 | CBRE;SCD Acquisition...     |
| Springwoods Village                 | The Woodlands             | 284,000   | Q4 18 | Hewlett Packard Enterprise    | JLL                  | JLL                         |
| Springwoods Village                 | The Woodlands             | 284,000   | Q4 18 | Hewlett Packard Enterpris...  | JLL                  | JLL                         |
| Total Plaza *                       | CBD                       | 246,220   | Q4 18 | Total E&P USA, Inc.           | Savills              | Brookfield Office Proper... |
| Heritage Plaza *                    | CBD                       | 203,012   | Q4 18 | Deloitte                      | -                    | Brookfield Office Proper... |
| Alight Solutions                    | The Woodlands             | 180,000   | Q2 19 | Alight Solutions              | JLL                  | Colliers International      |
| JP Morgan Chase Tower *             | CBD                       | 132,528   | Q4 18 | Hunton Andrews Kurth LLP      | CBRE                 | Colvill Office Properties   |
| 811 Louisiana *                     | CBD                       | 127,734   | Q3 18 | Targa Resources Corp.         | Cushman & Wakefield  | Colvill Office Properties   |
| Houston Center *                    | CBD                       | 118,596   | Q3 18 | Ernst & Young                 | -                    | Transwestern                |
| Kirby Collection                    | Greenway Plaza            | 117,555   | Q4 18 | Pros, Inc                     | Cushman & Wakefield  | CBRE;Thor Equities          |
| CityWestPlace                       | Westchase                 | 114,204   | Q2 19 | Honeywell                     | CBRE                 | Parkway Realty Manag...     |
| Four Oaks Place                     | Galleria/Uptown           | 112,024   | Q3 19 | Engie                         | JLL                  | Cushman & Wakefield         |
| 1301 Fannin Office Tower *          | CBD                       | 110,756   | Q4 18 | ExxonMobil                    | -                    | Lee & Associates            |
| Sam Houston Crossing *              | West Belt                 | 108,639   | Q1 19 | Forum Energy Technologi...    | CBRE                 | Transwestern                |
| Pinnacle Westchase                  | Westchase                 | 106,490   | Q2 19 | Empyrean Benefit Solutio...   | -                    | Newmark Knight Frank        |
| Houston Center                      | CBD                       | 105,934   | Q1 19 | Direct Energy LP              | CBRE                 | Brookfield Office Proper... |
| 717 Texas *                         | CBD                       | 98,544    | Q4 18 | Calpine Corporation           | CBRE                 | Colvill Office Properties   |
| Kinder Morgan Building              | CBD                       | 93,896    | Q3 18 | Constellation                 | -                    | CBRE                        |
| Loop Central *                      | Bellaire                  | 93,235    | Q1 19 | UniversalPegasus Internat...  | CBRE                 | Transwestern                |
| 12301 Kurland Dr *                  | Gulf Freeway/Pasadena     | 92,140    | Q3 18 | Dashiell Corporation          | -                    | Transwestern                |
| 1100 Louisiana (Enterprise Plaza) * | CBD                       | 91,264    | Q2 19 | King & Spalding               | Cushman & Wakefield  | Colvill Office Properties   |
| American General Center             | Midtown                   | 90,166    | Q2 19 | Marsh Wortham                 | -                    | CBRE                        |
| Lake Front North in Hughes Landing  | The Woodlands             | 87,231    | Q4 18 | Arena Energy                  | Lee & Associates     | Colliers International      |
| West Memorial Place 2               | Katy Freeway West         | 85,800    | Q3 18 | BP PLC                        | -                    | Savills                     |
| Jefferson Towers at Cullen Center   | CBD                       | 83,800    | Q4 18 | Houston Forensic Science...   | CRES +               | Greenmark Realty            |
| San Felipe Plaza                    | San Felipe/Voss           | 76,407    | Q3 18 | Encino Energy                 | Newmark Knight Frank | Parkway Realty Manag...     |
| Life Science Plaza                  | South Main/Medical Center | 70,889    | Q2 19 | -                             | -                    | JLL                         |
| Memorial City                       | Katy Freeway East         | 69,448    | Q4 18 | McGriff, Seibels & William... | CBRE                 | MetroNational Corporati...  |
| GreenStreet                         | CBD                       | 63,429    | Q4 18 | Regus                         | CBRE                 | Colvill Office Properties   |
| Bank of America Tower               | CBD                       | 62,516    | Q4 18 | Winston & Strawn LLP          | -                    | CBRE                        |
| Hess Tower                          | CBD                       | 61,689    | Q4 18 | MIDCOAST ENERGY PA...         | Lee & Associates     | Cushman & Wakefield         |
| Havenwood Office Park               | The Woodlands             | 61,308    | Q2 19 | -                             | -                    | J. Beard Real Estate C...   |
| Four Oaks Place                     | Galleria/Uptown           | 60,678    | Q3 18 | Texas Capital Bancshares...   | -                    | Transwestern                |
| Citycentre                          | Katy Freeway East         | 60,055    | Q4 18 | Regus                         | CBRE                 | Colvill Office Properties   |
| 17000 Katy Fwy                      | Katy Freeway West         | 59,220    | Q1 19 | CAM Integrated Solutions      | Transwestern         | Transwestern                |
| 11000 Equity Drive                  | West Belt                 | 58,857    | Q3 18 | Exterran Energy Solutions     | JLL                  | Transwestern                |
| 609 Main at Texas                   | CBD                       | 57,315    | Q2 19 | White & Case LLP              | JLL                  | Colvill Office Properties   |

\*Renewal

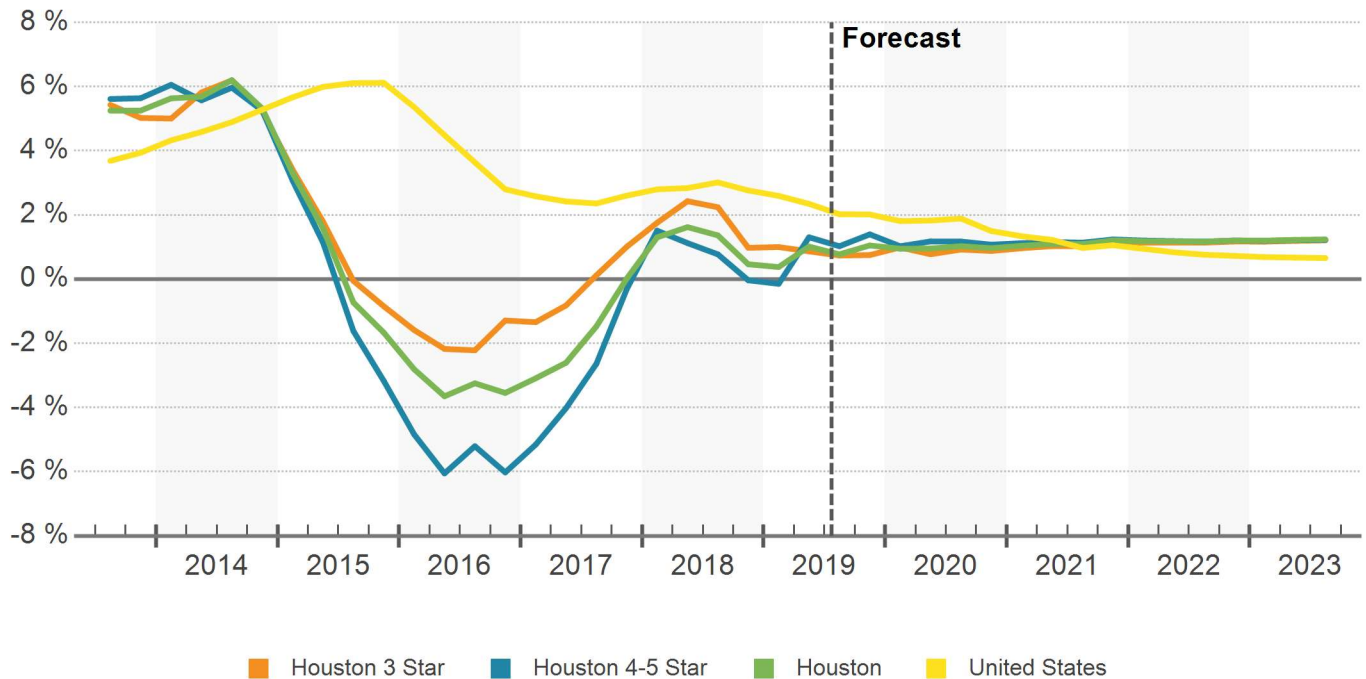
Houston's rents have stabilized over the past year after suffering losses in 2016 and 2017—the same years when most markets were posting their strongest rent growth. Houston office rents are set to continue their recovery into the forecast, with rent growth accelerating over the next three years in the CoStar Base Case. However, rents are forecast to grow by less than 1% annually, half the projected rate of inflation.

Rent growth has varied across Houston's submarkets. The NASA/Clear Lake Submarket's rents grew by 3.5% last year. The submarket is home to a diverse array of aerospace, medical device manufacturing, healthcare, and government tenants, which has helped the submarket bounce back quicker from the oil downturn.

North Loop West and Riverway, both relatively affordable submarkets near the Galleria/Uptown area, experienced nearly 2% year-over-year rent growth, rounding out the top three submarkets, although barely keeping pace with inflation.

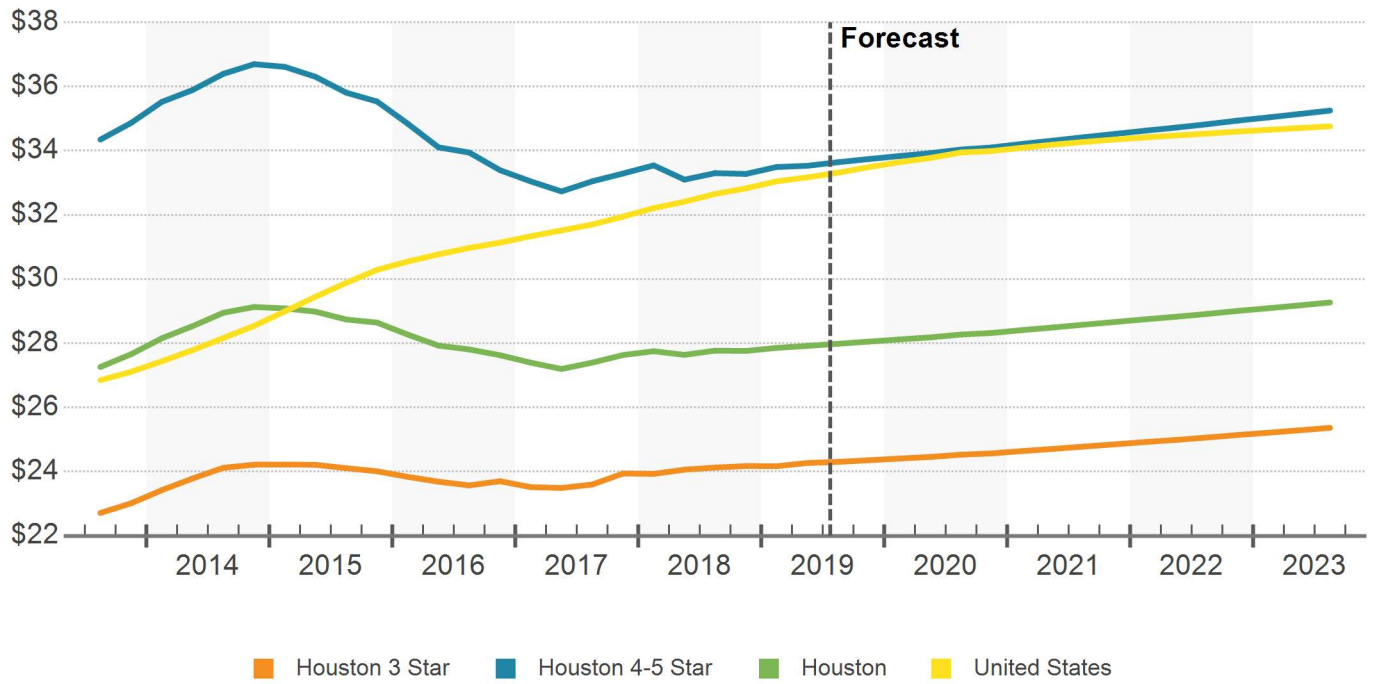
The adjacent Greenspoint/N Belt West and Greenspoint/IAH Submarkets remain the hardest-hit submarkets, posting rent losses of 3% and 5% respectively over the past year. These two submarkets still have the highest vacancy rates in the Houston metro at 45% and 25%. And they were both largely impacted by ExxonMobil's move to its new campus in Springwoods Village.

## MARKET RENT GROWTH (YOY)





## MARKET RENT PER SQUARE FOOT



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

| Market / Cluster          | Utilities | Cleaning | Insurance | Taxes  | Other   | Total          |
|---------------------------|-----------|----------|-----------|--------|---------|----------------|
| <b>Houston</b>            | \$0.57    | \$1.37   | \$0.46    | \$4.78 | \$8.62  | <b>\$15.80</b> |
| Bellaire                  | \$0.47    | \$1.41   | \$0.46    | \$2.72 | \$8.47  | <b>\$13.53</b> |
| Conroe                    | \$0.68    | \$1.36   | \$0.41    | \$2.69 | \$7.99  | <b>\$13.13</b> |
| Downtown                  | \$0.47    | \$1.18   | \$0.54    | \$6.73 | \$7.78  | <b>\$16.70</b> |
| E Fort Bend Co/Sugar Land | \$0.54    | \$1.65   | \$0.46    | \$3.78 | \$7.49  | <b>\$13.92</b> |
| FM 1960                   | \$0.64    | \$1.11   | \$0.41    | \$5.00 | \$8.97  | <b>\$16.13</b> |
| Greenway Plaza            | \$1.37    | \$1.48   | \$0.41    | \$4.38 | \$6.42  | <b>\$14.06</b> |
| Gulf Freeway/Pasadena     | \$0.52    | \$1.90   | \$0.64    | \$4.73 | \$7.95  | <b>\$15.74</b> |
| I-10 East                 | \$0.45    | \$1.36   | \$0.64    | \$0.75 | \$8.91  | <b>\$12.11</b> |
| Katy Freeway              | \$0.54    | \$1.49   | \$0.37    | \$5.46 | \$9.56  | <b>\$17.42</b> |
| Katy/Grand Parkway West   | \$0.84    | \$1.11   | \$0.51    | \$6.02 | \$8.73  | <b>\$17.21</b> |
| Kingwood/Humble           | \$0.49    | \$1.54   | \$0.46    | \$3.11 | \$9.20  | <b>\$14.80</b> |
| NASA/Clear Lake           | \$0.49    | \$1.52   | \$0.74    | \$4.36 | \$8.63  | <b>\$15.74</b> |
| North Belt                | \$0.36    | \$1.13   | \$0.42    | \$1.51 | \$9.01  | <b>\$12.43</b> |
| Northeast Near            | \$0.38    | \$1.14   | \$0.47    | \$2.44 | \$9.52  | <b>\$13.95</b> |
| Northeast Outlier         | \$0.49    | \$1.52   | \$0.46    | \$4.12 | \$9.22  | <b>\$15.81</b> |
| Northwest                 | \$0.32    | \$0.99   | \$0.39    | \$3.03 | \$8.67  | <b>\$13.40</b> |
| Northwest Outlier         | \$0.44    | \$1.26   | \$0.46    | \$5.27 | \$10.18 | <b>\$17.61</b> |
| Outlying Montgomery Cnty  | \$0.53    | \$1.57   | \$0.46    | \$3.13 | \$9.17  | <b>\$14.86</b> |
| San Felipe/Voss           | \$0.64    | \$1.12   | \$0.36    | \$4.59 | \$6.05  | <b>\$12.76</b> |
| South                     | \$0.47    | \$1.42   | \$0.48    | \$3.80 | \$7.56  | <b>\$13.73</b> |
| South Main/Medical Center | \$0.60    | \$1.70   | \$0.57    | \$4.15 | \$7.55  | <b>\$14.57</b> |
| Southeast Outlier         | \$0.46    | \$1.39   | \$0.55    | \$9.33 | \$8.16  | <b>\$19.89</b> |
| Southwest                 | \$0.41    | \$1.21   | \$0.44    | \$2.09 | \$8.48  | <b>\$12.63</b> |
| Southwest Far             | \$0.47    | \$1.43   | \$0.46    | \$3.38 | \$7.42  | <b>\$13.16</b> |
| Southwest Outlier         | \$1.12    | \$0.98   | \$0.65    | \$3.67 | \$7.92  | <b>\$14.34</b> |
| The Woodlands             | \$0.49    | \$1.77   | \$0.44    | \$4.28 | \$8.95  | <b>\$15.93</b> |
| West Belt                 | \$0.53    | \$1.19   | \$0.49    | \$4.99 | \$8.49  | <b>\$15.69</b> |
| West Loop                 | \$0.72    | \$1.08   | \$0.40    | \$4.85 | \$8.08  | <b>\$15.13</b> |
| Westchase                 | \$0.37    | \$1.29   | \$0.48    | \$5.26 | \$10.24 | <b>\$17.64</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>            | \$0.49    | \$1.24   | \$0.33    | \$3.66 | \$4.98 | <b>\$10.70</b> |
| Austin County             | \$0.51    | \$1.26   | \$0.40    | \$2.43 | \$6.78 | <b>\$11.38</b> |
| Baytown                   | \$0.44    | \$1.12   | \$0.35    | \$3.45 | \$3.71 | <b>\$9.07</b>  |
| Bellaire                  | \$0.45    | \$1.29   | \$0.42    | \$3.83 | \$5.64 | <b>\$11.63</b> |
| Conroe                    | \$0.47    | \$1.46   | \$0.25    | \$2.47 | \$4.26 | <b>\$8.91</b>  |
| Downtown                  | \$0.44    | \$1.26   | \$0.43    | \$3.88 | \$6.89 | <b>\$12.90</b> |
| E Fort Bend Co/Sugar Land | \$0.48    | \$1.50   | \$0.40    | \$3.71 | \$4.53 | <b>\$10.62</b> |
| FM 1960                   | \$0.52    | \$1.19   | \$0.28    | \$3.30 | \$4.85 | <b>\$10.14</b> |
| Greenway Plaza            | \$0.53    | \$1.28   | \$0.38    | \$5.11 | \$5.76 | <b>\$13.06</b> |
| Gulf Freeway/Pasadena     | \$0.52    | \$1.16   | \$0.37    | \$3.52 | \$2.36 | <b>\$7.93</b>  |
| I-10 East                 | \$0.43    | \$1.12   | \$0.35    | \$2.77 | \$3.95 | <b>\$8.62</b>  |
| Katy Freeway              | \$0.50    | \$1.33   | \$0.33    | \$5.17 | \$6.11 | <b>\$13.44</b> |
| Katy/Grand Parkway West   | \$0.87    | \$0.93   | \$0.38    | \$4.53 | \$6.52 | <b>\$13.23</b> |
| Kingwood/Humble           | \$0.45    | \$1.41   | \$0.34    | \$3.33 | \$3.93 | <b>\$9.46</b>  |
| Liberty County            | \$0.43    | \$1.10   | \$0.34    | \$2.15 | \$3.63 | <b>\$7.65</b>  |
| NASA/Clear Lake           | \$0.45    | \$1.11   | \$0.35    | \$3.07 | \$3.57 | <b>\$8.55</b>  |
| North Belt                | \$0.38    | \$1.01   | \$0.20    | \$2.35 | \$6.20 | <b>\$10.14</b> |
| Northeast Near            | \$0.37    | \$1.00   | \$0.27    | \$3.13 | \$5.96 | <b>\$10.73</b> |
| Northeast Outlier         | \$0.46    | \$1.35   | \$0.29    | \$6.39 | \$4.06 | <b>\$12.55</b> |
| Northwest                 | \$0.37    | \$1.00   | \$0.29    | \$3.95 | \$5.71 | <b>\$11.32</b> |
| Northwest Outlier         | \$0.47    | \$1.18   | \$0.35    | \$3.49 | \$5.98 | <b>\$11.47</b> |
| Outlying Chambers County  | \$0.43    | \$1.10   | \$0.34    | \$2.05 | \$3.63 | <b>\$7.55</b>  |
| Outlying Montgomery Cnty  | \$0.46    | \$1.43   | \$0.24    | \$2.82 | \$4.13 | <b>\$9.08</b>  |
| Outlying Waller County    | \$0.51    | \$1.26   | \$0.40    | \$1.24 | \$6.78 | <b>\$10.19</b> |
| Richmond/Fountainview     | \$0.45    | \$1.07   | \$0.34    | \$2.42 | \$5.91 | <b>\$10.19</b> |
| San Felipe/Voss           | \$0.47    | \$1.10   | \$0.35    | \$3.38 | \$6.04 | <b>\$11.34</b> |
| South                     | \$0.43    | \$1.24   | \$0.41    | \$3.24 | \$4.27 | <b>\$9.59</b>  |
| South Hwy 35              | \$0.44    | \$1.33   | \$0.45    | \$2.41 | \$4.78 | <b>\$9.41</b>  |
| South Main/Medical Center | \$0.47    | \$1.41   | \$0.47    | \$4.72 | \$4.82 | <b>\$11.89</b> |
| Southeast Outlier         | \$0.44    | \$1.29   | \$0.43    | \$2.31 | \$4.55 | <b>\$9.02</b>  |
| Southwest                 | \$0.39    | \$1.20   | \$0.41    | \$2.41 | \$3.90 | <b>\$8.31</b>  |
| Southwest Far             | \$0.45    | \$1.36   | \$0.45    | \$3.86 | \$4.86 | <b>\$10.98</b> |
| Southwest Outlier         | \$0.79    | \$0.92   | \$0.45    | \$3.95 | \$5.98 | <b>\$12.09</b> |
| The Woodlands             | \$0.46    | \$1.66   | \$0.19    | \$3.96 | \$4.27 | <b>\$10.54</b> |
| West Belt                 | \$0.45    | \$0.98   | \$0.29    | \$4.32 | \$4.80 | <b>\$10.84</b> |
| West Loop                 | \$0.40    | \$0.96   | \$0.35    | \$3.88 | \$6.96 | <b>\$12.55</b> |
| Westchase                 | \$0.37    | \$1.16   | \$0.30    | \$3.31 | \$5.12 | <b>\$10.26</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>            | \$0.41    | \$1.02   | \$0.29    | \$3.38 | \$3.67 | <b>\$8.77</b>  |
| Austin County             | \$0.48    | \$1.12   | \$0.33    | \$1.74 | \$4.54 | <b>\$8.21</b>  |
| Baytown                   | \$0.39    | \$1.01   | \$0.32    | \$2.37 | \$3.57 | <b>\$7.66</b>  |
| Bellaire                  | \$0.39    | \$1.04   | \$0.23    | \$4.31 | \$3.52 | <b>\$9.49</b>  |
| Conroe                    | \$0.43    | \$1.06   | \$0.23    | \$1.87 | \$4.60 | <b>\$8.19</b>  |
| Downtown                  | \$0.43    | \$0.88   | \$0.38    | \$5.48 | \$3.47 | <b>\$10.64</b> |
| E Fort Bend Co/Sugar Land | \$0.45    | \$1.39   | \$0.34    | \$2.86 | \$3.76 | <b>\$8.80</b>  |
| FM 1960                   | \$0.42    | \$1.07   | \$0.25    | \$2.92 | \$4.29 | <b>\$8.95</b>  |
| Greenway Plaza            | \$0.49    | \$0.99   | \$0.36    | \$6.72 | \$4.49 | <b>\$13.05</b> |
| Gulf Freeway/Pasadena     | \$0.42    | \$1.02   | \$0.31    | \$2.75 | \$2.47 | <b>\$6.97</b>  |
| I-10 East                 | \$0.39    | \$0.98   | \$0.30    | \$2.41 | \$3.59 | <b>\$7.67</b>  |
| Katy Freeway              | \$0.46    | \$1.13   | \$0.30    | \$3.86 | \$4.39 | <b>\$10.14</b> |
| Katy/Grand Parkway West   | \$0.46    | \$0.93   | \$0.30    | \$3.90 | \$4.94 | <b>\$10.53</b> |
| Kingwood/Humble           | \$0.44    | \$1.24   | \$0.34    | \$2.65 | \$3.53 | <b>\$8.20</b>  |
| Liberty County            | \$0.39    | \$1.02   | \$0.32    | \$1.66 | \$3.59 | <b>\$6.98</b>  |
| NASA/Clear Lake           | \$0.41    | \$1.02   | \$0.32    | \$2.67 | \$3.58 | <b>\$8.00</b>  |
| North Belt                | \$0.35    | \$0.84   | \$0.20    | \$2.50 | \$3.81 | <b>\$7.70</b>  |
| Northeast Near            | \$0.35    | \$0.78   | \$0.24    | \$2.13 | \$1.68 | <b>\$5.18</b>  |
| Northeast Outlier         | \$0.43    | \$1.20   | \$0.24    | \$3.15 | \$3.86 | <b>\$8.88</b>  |
| Northwest                 | \$0.34    | \$0.76   | \$0.27    | \$4.46 | \$3.58 | <b>\$9.41</b>  |
| Northwest Outlier         | \$0.48    | \$1.12   | \$0.32    | \$3.06 | \$0.31 | <b>\$5.29</b>  |
| Outlying Chambers County  | \$0.40    | \$1.04   | \$0.33    | \$1.97 | \$3.67 | <b>\$7.41</b>  |
| Outlying Montgomery Cnty  | \$0.44    | \$1.23   | \$0.24    | \$2.36 | \$3.91 | <b>\$8.18</b>  |
| Outlying Waller County    | \$0.45    | \$1.05   | \$0.31    | \$2.86 | \$3.55 | <b>\$8.22</b>  |
| Richmond/Fountainview     | \$0.35    | \$0.94   | \$0.21    | \$3.25 | \$3.62 | <b>\$8.37</b>  |
| San Felipe/Voss           | \$0.44    | \$1.16   | \$0.26    | \$4.24 | \$4.64 | <b>\$10.74</b> |
| South                     | \$0.41    | \$1.09   | \$0.28    | \$2.91 | \$3.50 | <b>\$8.19</b>  |
| South Hwy 35              | \$0.40    | \$1.10   | \$0.24    | \$2.19 | \$3.56 | <b>\$7.49</b>  |
| South Main/Medical Center | \$0.41    | \$1.05   | \$0.28    | \$5.26 | \$3.75 | <b>\$10.75</b> |
| Southeast Outlier         | \$0.44    | \$1.21   | \$0.28    | \$1.56 | \$3.91 | <b>\$7.40</b>  |
| Southwest                 | \$0.33    | \$0.81   | \$0.16    | \$2.20 | \$3.57 | <b>\$7.07</b>  |
| Southwest Far             | \$0.40    | \$1.08   | \$0.24    | \$2.05 | \$3.51 | <b>\$7.28</b>  |
| Southwest Outlier         | \$0.41    | \$0.86   | \$0.25    | \$2.09 | \$5.00 | <b>\$8.61</b>  |
| The Woodlands             | \$0.42    | \$1.29   | \$0.18    | \$3.56 | \$4.00 | <b>\$9.45</b>  |
| West Belt                 | \$0.40    | \$0.86   | \$0.26    | \$3.37 | \$3.65 | <b>\$8.54</b>  |
| West Loop                 | \$0.43    | \$1.04   | \$0.29    | \$4.73 | \$5.06 | <b>\$11.55</b> |
| Westchase                 | \$0.34    | \$1.10   | \$0.23    | \$2.80 | \$5.57 | <b>\$10.04</b> |

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

Houston's office supply pipeline is the lowest it has been since the global financial crisis. The pause in the market's normally frenetic pace of development has limited the damage from weak demand. However, it also underscores the crisis of confidence investors and developers have about Houston.

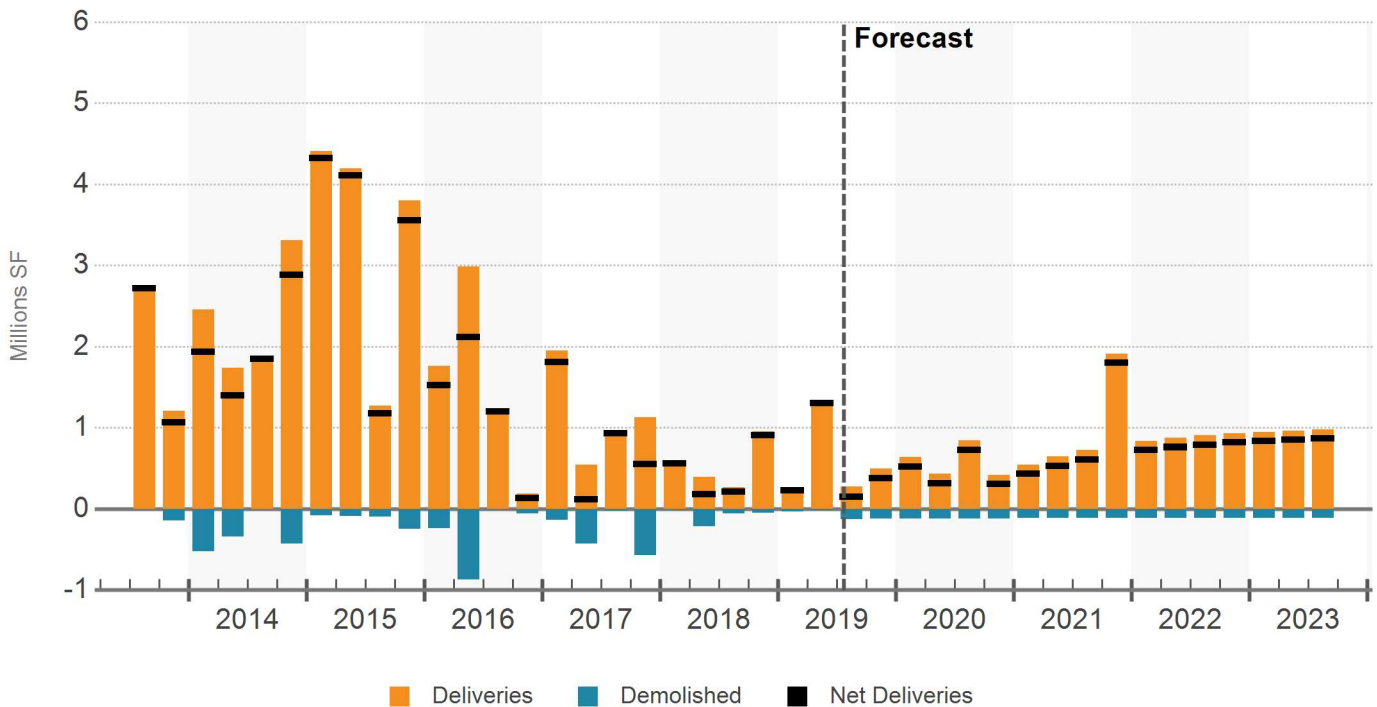
Last quarter, a number of small properties delivered, totaling just 260,000 SF. But some mega developments are on the way. Skanska's 780,000-SF Capitol Tower, scheduled to open in 19Q2, is more than 80% leased, with Bank of America and Waste Management as anchor tenants.

Hines' 1.1-million-SF Texas Tower is set to open in 2021. Designed by world-renowned architecture firm Pelli Clarke Pelli, the 5 Star tower will rise to 47 stories upon completion. Hines and partner Ivanhoé Cambridge decided to build the tower as a bet on Houston's continued economic recovery, the trend towards a flight to quality, and the site's prime location. International law

firm Vinson & Elkins signed a 16-year lease on 212,000 SF for the top seven floors of the building. Hines' decision to move their global headquarters to the building also provided an added level of sponsor commitment to the asset.

Stonelake Capital Partners also announced in February that it will break ground on Park Place Tower. The 15-story, 200,000-SF office building will be located at the intersection of Westheimer Road and Mid Lane in the Post Oak Park Submarket near the Galleria/Uptown area. It is the third building in the group's mixed-use development at the site, which already includes the Ivy and the James multifamily towers. Stonelake recently signed two tenants: Compass Real Estate and Charles Schwab. It also recently decided to move its office to the building. Collectively, the three offices will occupy approximately 43,000 SF, or 20% of the building. Stonelake felt that it was the right time to deliver to the area a new, Class A, luxury office building with first-class amenities.

## 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                            | 1,274        | 530                 | 41.6%        | 6    | 319,507               | 636,850       | 1    |
| 2             | FM 1960/Hwy 249           | 31                           | 355          | 92                  | 25.9%        | 7    | 20,697                | 11,441        | 10   |
| 3             | Kingwood/Humble           | 3                            | 327          | 273                 | 83.4%        | 2    | 15,725                | 109,077       | 3    |
| 4             | E Fort Bend Co/Sugar Land | 13                           | 276          | 189                 | 68.4%        | 3    | 24,216                | 21,208        | 9    |
| 5             | Katy/Grand Parkway West   | 5                            | 222          | 5                   | 2.3%         | 9    | 14,180                | 44,389        | 7    |
| 6             | Post Oak Park             | 1                            | 207          | 29                  | 13.8%        | 8    | 108,850               | 207,202       | 2    |
| 7             | Midtown                   | 3                            | 202          | 136                 | 67.3%        | 4    | 17,130                | 67,470        | 5    |
| 8             | The Woodlands             | 3                            | 189          | 185                 | 98.1%        | 1    | 35,652                | 62,861        | 6    |
| 9             | North Loop West           | 3                            | 105          | 0                   | 0%           | 10   | 18,641                | 34,838        | 8    |
| 10            | Katy Freeway East         | 1                            | 102          | 62                  | 61.0%        | 5    | 44,417                | 102,474       | 4    |
|               | All Other                 | 13                           | 159          | 56                  | 35.0%        |      | 32,235                | 12,250        |      |
| <b>Totals</b> |                           | <b>78</b>                    | <b>3,418</b> | <b>1,557</b>        | <b>45.6%</b> |      | <b>34,448</b>         | <b>43,817</b> |      |

# Under Construction Properties

Houston Office

Properties

**79**

Square Feet

**3,425,299**

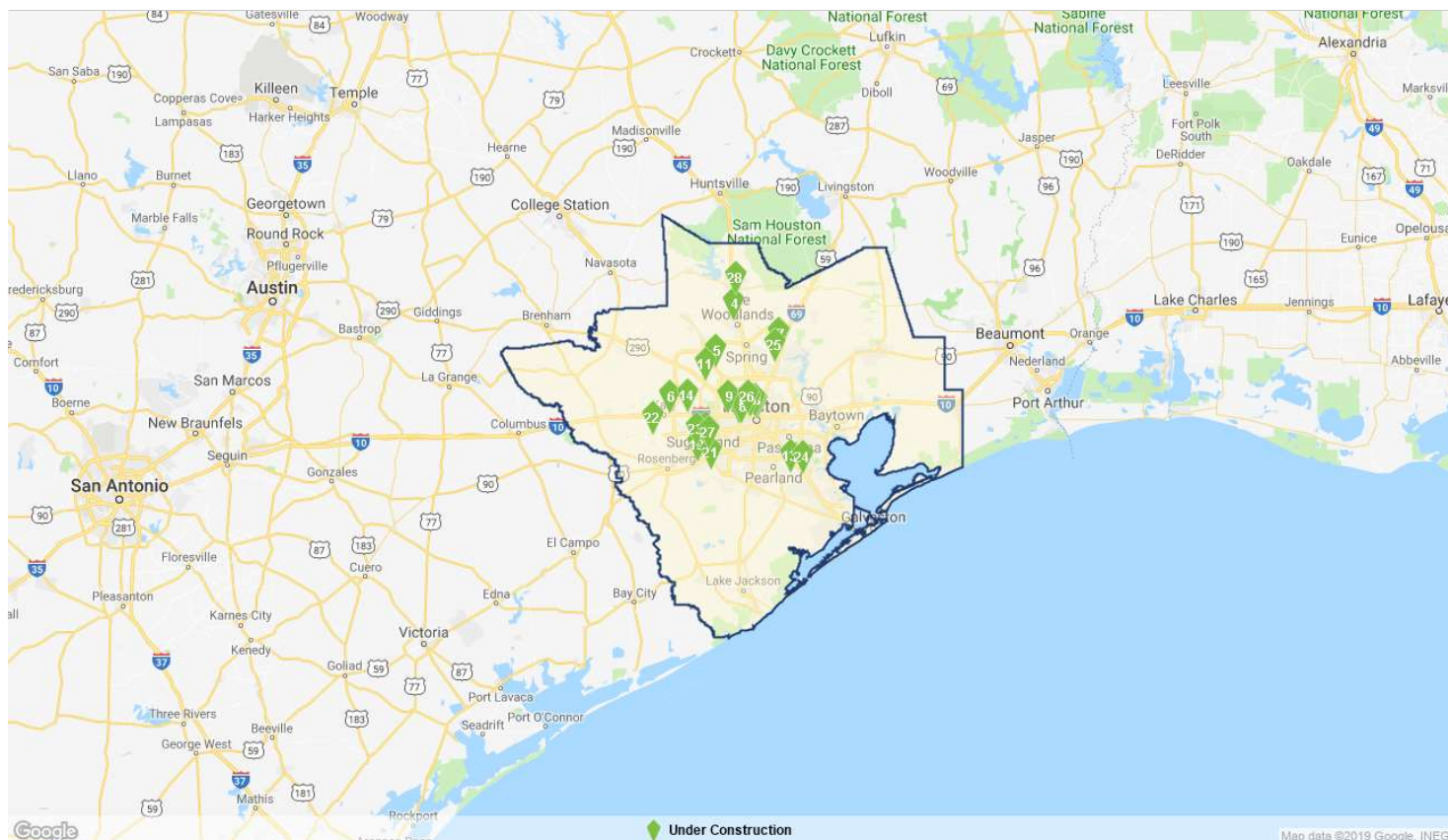
Percent of Inventory

**1.0%**

Released

**45.6%**

## UNDER CONSTRUCTION PROPERTIES



## UNDER CONSTRUCTION

| Property Name/Address  | Rating | Bldg SF   | Stories | Start    | Complete | Developer/Owner  |
|--|--------|-----------|---------|----------|----------|--|
| 1 <b>Texas Tower</b><br>845 Texas Ave                        | ★★★★★  | 1,123,699 | 47      | Jul-2018 | Oct-2021 | Hines Securities, Inc.<br>Hines Securities, Inc.               |
| 2 <b>Insperty Inc.</b><br>Kingwood Dr                        | ★★★★☆  | 270,000   | 10      | May-2019 | Jun-2020 | Insperty, Inc.<br>Insperty, Inc.                               |
| 3 <b>Park Place   River Oaks</b><br>4200 Westheimer Rd       | ★★★★☆  | 207,202   | 15      | Feb-2019 | Mar-2020 | Stonelake Capital Partners<br>Stonelake Capital Partners       |
| 4 <b>Alight Solutions</b><br>8770 New Trails Dr              | ★★★★☆  | 180,000   | 4       | Jun-2019 | Feb-2020 | The Howard Hughes Corporation<br>The Howard Hughes Corporation |
| 5 <b>Chasewood Crossing Th...</b><br>19350 State Highway 249 | ★★★★☆  | 156,000   | 6       | Jun-2018 | Aug-2019 | Greenwood Properties Inc<br>Greenwood Properties Inc           |
| 6 <b>Katy Ranch Phase II</b><br>24279 Katy Fwy               | ★★★★☆  | 150,920   | 6       | Jul-2019 | Aug-2020 | Freeway Properties<br>Freeway Properties                       |
| 7 <b>401 Franklin St</b>                                     | ★★★★☆  | 150,000   | 5       | Sep-2018 | Aug-2020 | Lovett Commercial<br>Lovett Commercial                         |

# Under Construction Properties

Houston Office

## UNDER CONSTRUCTION

| Property Name/Address                                     | Rating | Bldg SF | Stories | Start    | Complete | Developer/Owner  |
|---|--------|---------|---------|----------|----------|--|
| 8 <b>River Oaks Medical</b><br>3720 Westheimer Rd         | ★★★★☆  | 130,000 | 6       | Jan-2019 | Sep-2019 | Ancorian LLC<br>Ancorian LLC   |
| 9 <b>Hedwig Place</b><br>8731 Katy Fwy                    | ★★★★☆  | 102,474 | 4       | Mar-2018 | Aug-2019 | Stream Realty Partners, LP<br>Diamond Realty Investments, Inc.         |
| 10 <b>800 Bonaventure Way</b>                             | ★★★★☆  | 87,500  | 1       | Jun-2019 | Apr-2020 | -<br>Rubicon Realty Group, LLC   |
| 11 <b>Kelsey Seybold</b><br>Hwy 290 & FM 1960 Dr          | ★★★★☆  | 73,000  | 4       | Mar-2019 | Dec-2019 | Caldwell Companies<br>Welltower Inc.                                   |
| 12 <b>Bldg 3</b><br>13151 W Airport Blvd                  | ★★★★☆  | 56,000  | 2       | Jun-2019 | Jan-2020 | HCSS<br>HCSS   |
| 13 <b>Tannos land Holding III</b><br>505 S Friendswood Dr | ★★★★☆  | 51,614  | 4       | Jun-2018 | Oct-2019 | Tannos Construction & Developm...<br>Tannos Construction & Developm... |
| 14 <b>19002 Park Row</b>                                  | ★★★★☆  | 50,000  | 2       | Jan-2019 | Jan-2020 | -<br>-   |
| 15 <b>Office/Retail 5</b><br>600 N Shepherd Dr            | ★★★★☆  | 45,400  | 1       | Jun-2019 | Feb-2020 | Radom Capital LLC<br>Draxis Management Inc.                            |
| 16 <b>Office 3</b><br>600 N Shepherd Dr                   | ★★★★☆  | 44,025  | 1       | Jun-2019 | Feb-2020 | Radom Capital LLC<br>Draxis Management Inc.                            |
| 17 <b>215 Kingwood Executive...</b>                       | ★★★★☆  | 41,230  | 2       | Jun-2019 | Apr-2020 | Jacob White Construction<br>Jacob White Construction                   |
| 18 <b>Rethink Co-Working</b><br>1512 Center St            | ★★★★☆  | 37,046  | 1       | May-2019 | Dec-2019 | -<br>Rethink Center Llc  |
| 19 <b>6921 Brisbane Ct</b>                                | ★★★★☆  | 36,663  | 2       | May-2019 | Dec-2019 | D'Agostino Companies<br>D'Agostino Companies                           |
| 20 <b>Buffalo Heights</b><br>3663 Washington Ave          | ★★★★☆  | 35,363  | 7       | Jul-2017 | Sep-2019 | Midway Companies<br>SG Interests                                       |
| 21 <b>Building A</b><br>University Blvd                   | ★★★★☆  | 27,000  | 2       | Mar-2019 | Dec-2019 | The Marcel Group<br>Regency Centers Corporation                        |
| 22 <b>Building G</b><br>Cross Creek Ranch Blvd            | ★★★★☆  | 27,000  | -       | Mar-2019 | Mar-2020 | The Marcel Group<br>The Marcel Group                                   |
| 23 <b>Bldg B</b><br>15500 Voss Rd                         | ★★★★☆  | 25,000  | 2       | Jan-2019 | Sep-2019 | Fisher Global Development, LLC<br>Fisher Global Development, LLC       |
| 24 <b>1400 W Nasa Pky</b>                                 | ★★★★☆  | 22,000  | 2       | May-2019 | Dec-2019 | -<br>Wycoff Development & Constructi...                                |
| 25 <b>9717 McKay Dr</b>                                   | ★★★★☆  | 16,000  | 2       | Jun-2018 | Aug-2019 | Engelco-Lockwood Group<br>Engelco-Lockwood Group                       |
| 26 <b>Office/Retail 2</b><br>600 N Shepherd Dr            | ★★★★☆  | 15,090  | -       | Jun-2019 | Feb-2020 | Radom Capital LLC<br>Draxis Management Inc.                            |
| 27 <b>Phase II Building 1</b><br>12926 Dairy Ashford Rd   | ★★★★☆  | 12,027  | -       | Feb-2019 | Nov-2019 | -<br>-   |
| 28 <b>400 River Pointe Dr</b>                             | ★★★★☆  | 11,000  | -       | Jan-2019 | Feb-2020 | -<br>-   |



Houston's recorded trailing 12-month office transaction volume totalled \$1.5 billion as of 19Q3.

Houston cap rates tend to be a bit higher than the national average, typical of a large, affordable Sunbelt market with little zoning and abundant land. And a large amount of value-add portfolio deals traded in 2017.

Generally, Houston trades right in line with the national average, though cap rates have drifted higher since the energy slump.

In January, Granite Properties acquired from TIER REIT the three properties in Eldridge Place in the Energy Corridor totaling nearly 825,000 SF for \$78.4 million, or about \$95/SF. These were collectively approximately 70% occupied at the time of sale.

In April 2019, Houston-based Patrinely Group sold the nearly 340,000-SF HP Buildings 1 and 2 in Springwoods Village to Washington, D.C.-based Northridge Capital for an undisclosed price. CoStar estimates that they paid around \$109 million at a 7% cap rate. The buildings, which delivered in 18Q4, are leased to HP Inc. for 12

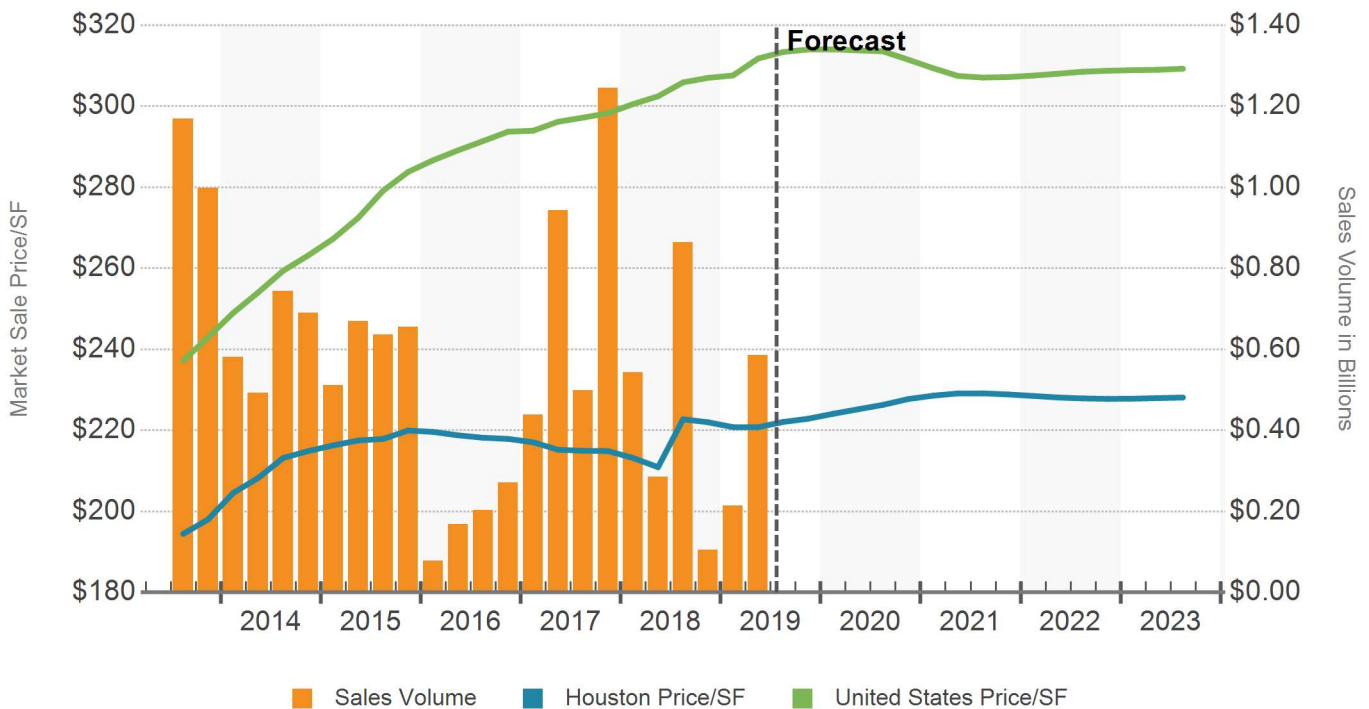
years.

Also in April 2019, a joint venture between Houston-based Hicks Ventures and New York-based Taconic Capital Advisors acquired the 340,000-SF building at 1177 West Loop in Post Oak Park from Dallas-based Spire Realty Group for an undisclosed price. CoStar estimates that they paid around \$78.5 million at a 6.4% cap rate. At the time of sale, the property was 73% occupied.

Lastly, in April of this year, Austin-based CapRidge Partners acquired from Houston-based Unilev Management Corporation a three-property portfolio in the San Felipe/Voss Submarket, including two adjacent buildings totaling 540,000 SF. These properties also sold for an undisclosed price, although CoStar estimates that they paid around \$96 million at a 7.4% cap rate.

CoStar estimates that prices have risen about 3% over the past year. However, rising cap rates and slowing rent growth will limit value gains over the forecast to less than 6%.

## SALES VOLUME & MARKET SALE PRICE PER SF



# Sales Past 12 Months

Houston Office

Sale Comparables

**669**

Avg. Cap Rate

**7.6%**

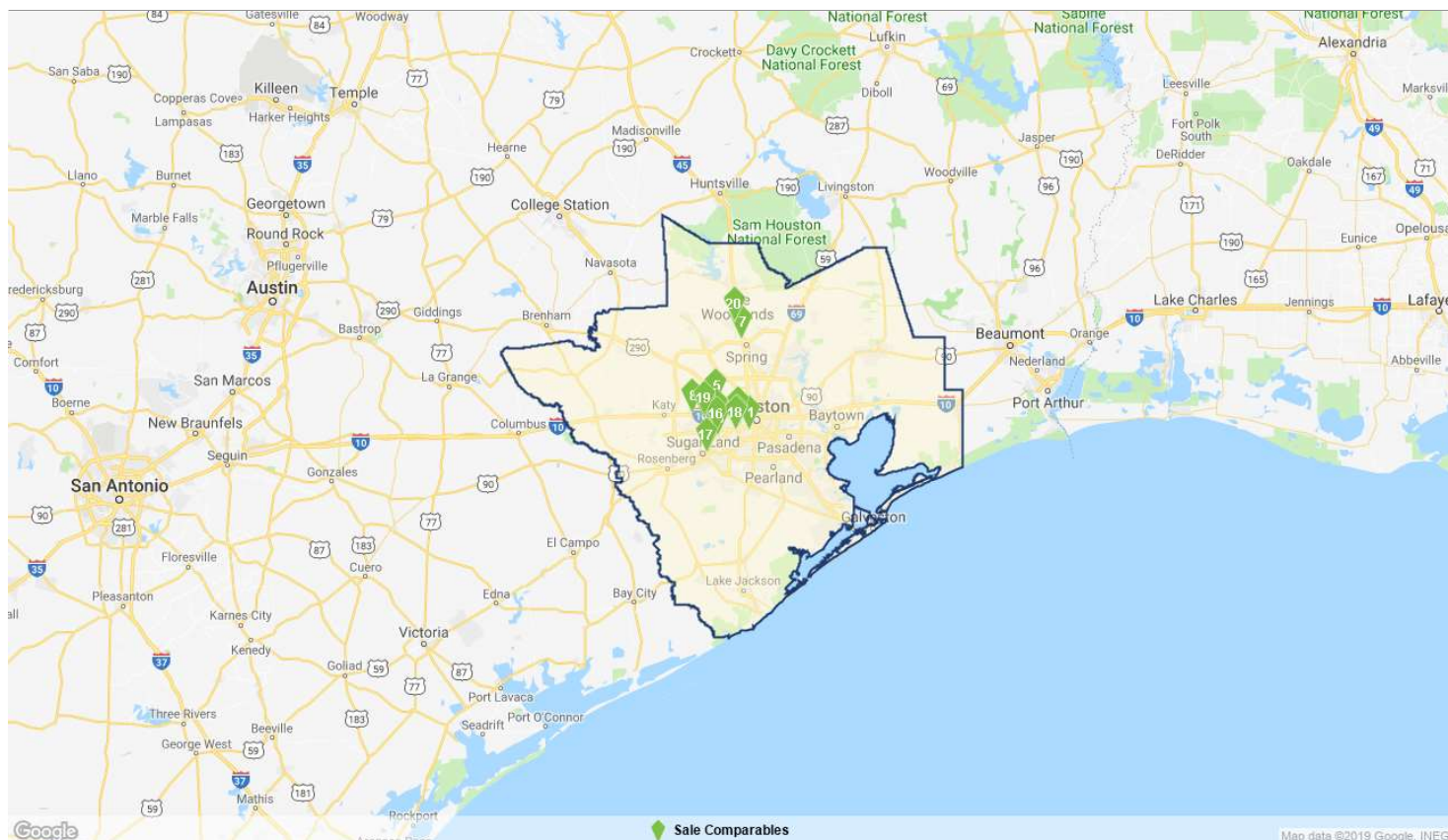
Avg. Price/SF

**\$218**

Avg. Vacancy At Sale

**18.2%**

## SALE COMPARABLE LOCATIONS



## SALE COMPARABLES SUMMARY STATISTICS

| Sales Attributes          | Low      | Average      | Median      | High          |
|---------------------------|----------|--------------|-------------|---------------|
| Sale Price                | \$68,000 | \$12,078,378 | \$1,125,000 | \$404,700,000 |
| Price Per SF              | \$25     | \$218        | \$165       | \$969         |
| Cap Rate                  | 4.7%     | 7.6%         | 7.5%        | 12.5%         |
| Time Since Sale in Months | 0.0      | 6.2          | 5.7         | 12.0          |
| Property Attributes       | Low      | Average      | Median      | High          |
| Building SF               | 541      | 34,626       | 6,527       | 554,385       |
| Stories                   | 1        | 2            | 1           | 30            |
| Typical Floor SF          | 541      | 11,242       | 5,640       | 110,877       |
| Vacancy Rate At Sale      | 0%       | 18.2%        | 0%          | 100%          |
| Year Built                | 1910     | 1984         | 1983        | 2019          |
| Star Rating               | ★☆☆☆☆    | ★★★☆☆ 2.6    | ★★★★☆       | ★★★★★         |

# 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>Memorial Hermann Medi...</b><br>6400 Fannin St            | ★★★★★    | 2007     | 510,355 | 0%      | 7/24/2018 | \$404,700,000 | \$793    | 4.7%     |
| <b>2</b> <b>One BriarLake Plaza</b><br>2000 W Sam Houston Pky S       | ★★★★★    | 2000     | 502,410 | 25.4%   | 6/14/2019 | \$133,906,829 | \$267    | 5.3%     |
| <b>3</b> <b>Schlumberger</b><br>10001 Richmond Ave                    | ★★★★☆    | 1976     | 554,385 | 0%      | 9/4/2018  | \$114,637,904 | \$258    | 8.6%     |
| <b>4</b> <b>HP Building 1</b><br>10300 Energy Dr                      | ★★★★★    | 2018     | 233,516 | 0%      | 4/4/2019  | \$109,476,934 | \$469    | 6.0%     |
| <b>5</b> <b>Westway Plaza</b><br>11330 Clay Rd                        | ★★★★☆    | 2015     | 320,000 | 20.0%   | 7/27/2018 | \$101,300,000 | \$317    | 7.5%     |
| <b>6</b> <b>Two BriarLake Plaza</b><br>2050 W Sam Houston Pky S       | ★★★★★    | 2014     | 333,100 | 20.2%   | 6/14/2019 | \$88,780,806  | \$267    | 5.3%     |
| <b>7</b> <b>HP Building 2</b><br>10400 Energy Dr                      | ★★★★★    | 2018     | 144,886 | 0%      | 4/4/2019  | \$63,523,066  | \$438    | 6.0%     |
| <b>8</b> <b>Westgate I</b><br>17220 Katy Fwy                          | ★★★★☆    | 2013     | 248,707 | 4.7%    | 8/1/2018  | \$63,420,285  | \$255    | 7.6%     |
| <b>9</b> <b>1177 West Loop South</b>                                  | ★★★★☆    | 1979     | 341,947 | 12.8%   | 4/1/2019  | \$53,000,000  | \$155    | -        |
| <b>10</b> <b>Comerica Bank Building</b><br>1 Sugar Creek Center       | ★★★★☆    | 1983     | 193,998 | 13.6%   | 5/17/2019 | \$40,000,000  | \$206    | -        |
| <b>11</b> <b>Three Eldridge Place</b><br>737 N Eldridge Pky           | ★★★★★    | 2009     | 306,957 | 9.1%    | 1/31/2019 | \$35,691,782  | \$116    | -        |
| <b>12</b> <b>Memorial Hermann Orth...</b><br>5420 West Loop S         | ★★★★☆    | 2005     | 99,768  | 10.6%   | 5/15/2019 | \$35,604,404  | \$357    | 5.5%     |
| <b>13</b> <b>Parkwood Circle Bldg</b><br>7909 Parkwood Circle Dr      | ★★★★☆    | 1983     | 196,589 | 0%      | 3/29/2019 | \$32,803,363  | \$167    | -        |
| <b>14</b> <b>Lake Front North</b><br>2103 Research Forest Dr          | ★★★★☆    | 2003     | 105,864 | 100%    | 9/7/2018  | \$30,215,552  | \$285    | -        |
| <b>15</b> <b>Enclave on the Lake</b><br>1255 Enclave Pky              | ★★★★☆    | 1999     | 171,091 | 16.7%   | 2/7/2019  | \$28,230,015  | \$165    | 12.0%    |
| <b>16</b> <b>Oak Park Office Center III</b><br>6001 Rogerdale Rd      | ★★★★☆    | 2008     | 150,950 | 100%    | 9/27/2018 | \$28,000,000  | \$185    | -        |
| <b>17</b> <b>Two Sugar Creek Center</b><br>77 Sugar Creek Center Blvd | ★★★★☆    | 1999     | 143,410 | 14.5%   | 6/20/2019 | \$27,400,000  | \$191    | -        |
| <b>18</b> <b>4800 Fournace Pl</b>                                     | ★★★★☆    | 1976     | 452,370 | 88.7%   | 9/27/2018 | \$25,717,444  | \$57     | -        |
| <b>19</b> <b>Two Eldridge Place</b><br>757 N Eldridge Pky             | ★★★★☆    | 1986     | 285,260 | 17.3%   | 1/31/2019 | \$22,206,160  | \$78     | -        |
| <b>20</b> <b>Lake Front North</b><br>2107 Research Forest Dr          | ★★★★☆    | 2014     | 152,827 | 63.1%   | 9/7/2018  | \$21,997,344  | \$144    | -        |

Houston rebounded from the energy slump and the ravages of Hurricane Harvey to add some 73,300 jobs in 2018. This was a bit lower than the city's annual pace of job gains during the boom years but still ranked Houston in the top three U.S. metros for new job gains last year, along with New York and Dallas-Fort Worth.

These gains, while average for the metro, suggest that Houston's economy can thrive even with lower oil prices than were experienced at the height of the oil boom. This optimism is tempered by oil prices languishing in the low-\$50s/barrell as of June 2019, mostly due to domestic oversupply. About half of Houston's gross metropolitan product is tied to the strength of the national economy, and about half is tied to the strength of the energy industry. Growth in the healthcare industry remains

strong, as Houston is home to the Texas Medical Center, the largest medical complex in the world. The healthcare sector is also growing in line with Houston's strong population growth.

Between July 2017 and July 2018, Houston added 94,417 new residents, ranking it third behind Dallas-Fort Worth and Phoenix. Moreover, the diversified professional and business services sector continues to add jobs, as does the manufacturing sector, particularly in fabricated metals and petrochemicals.

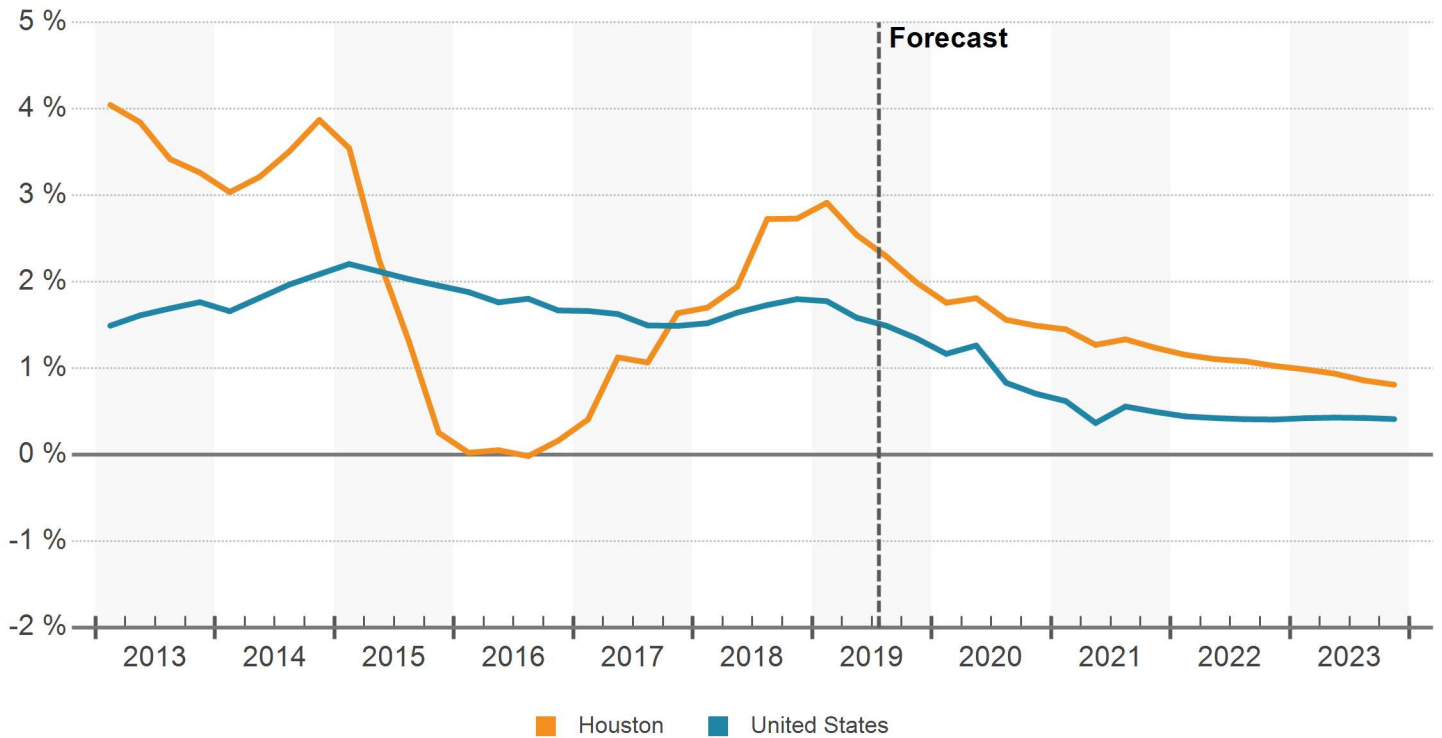
CoStar's Base Case, which incorporates Oxford Economics' Moderate Upside scenario, assumes that Houston will add approximately 70,000 jobs this year, then slow to about 50,000 jobs thereafter.

## 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                              | 240          | 0.9        | 5.21%          | 1.39%        | 0.68%            | 0.85%        | 0.55%         | 0.00%        |
| Trade, Transportation and Utilities        | 629          | 1.1        | 1.07%          | 0.86%        | 1.80%            | 1.15%        | 1.25%         | 0.48%        |
| Retail Trade                               | 304          | 0.9        | -1.24%         | -0.17%       | 1.41%            | 0.84%        | 0.89%         | 0.38%        |
| Financial Activities                       | 169          | 0.9        | 1.52%          | 1.00%        | 1.69%            | 1.00%        | 1.24%         | 0.35%        |
| Government                                 | 410          | 0.9        | 1.81%          | 0.44%        | 0.96%            | -0.02%       | 1.12%         | 0.76%        |
| Natural Resources, Mining and Construction | 311          | 1.8        | 3.13%          | 3.14%        | 1.41%            | 2.09%        | 0.57%         | 0.26%        |
| Education and Health Services              | 404          | 0.8        | 2.86%          | 2.28%        | 3.18%            | 2.12%        | 0.91%         | 0.55%        |
| Professional and Business Services         | 515          | 1.2        | 3.63%          | 2.26%        | 3.16%            | 2.62%        | 1.89%         | 0.99%        |
| Information                                | 31           | 0.5        | -2.05%         | -0.90%       | -1.14%           | 0.01%        | 0.10%         | 0.56%        |
| Leisure and Hospitality                    | 329          | 0.9        | 1.00%          | 2.51%        | 3.43%            | 2.50%        | 1.34%         | 0.61%        |
| Other Services                             | 119          | 1.0        | 5.80%          | 1.30%        | 2.21%            | 0.98%        | 0.77%         | 0.30%        |
| <b>Total Employment</b>                    | <b>3,159</b> | <b>1.0</b> | <b>2.48%</b>   | <b>1.56%</b> | <b>2.06%</b>     | <b>1.43%</b> | <b>1.16%</b>  | <b>0.56%</b> |

Source: Oxford Economics  
LQ = Location Quotient

## YEAR OVER YEAR JOB GROWTH



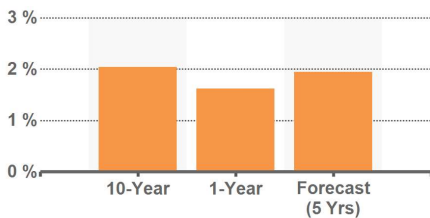
Source: Oxford Economics

## DEMOGRAPHIC TRENDS

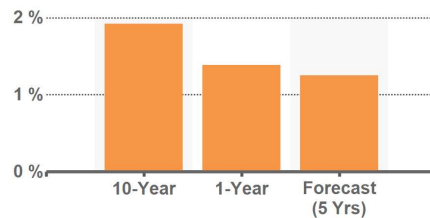
| Demographic Category    | Current Level |             | Current Change |       | 10-Year Change |       | Forecast Change (5 Yrs) |      |
|-------------------------|---------------|-------------|----------------|-------|----------------|-------|-------------------------|------|
|                         | Metro         | U.S.        | Metro          | U.S.  | Metro          | U.S.  | Metro                   | U.S. |
| Population              | 7,097,810     | 329,121,781 | 1.6%           | 0.6%  | 2.0%           | 0.7%  | 1.9%                    | 0.7% |
| Households              | 2,383,571     | 121,209,266 | 1.5%           | 0.5%  | 1.9%           | 0.6%  | 1.8%                    | 0.6% |
| Median Household Income | \$67,548      | \$63,614    | 3.4%           | 3.3%  | 2.0%           | 2.2%  | 4.6%                    | 4.4% |
| Labor Force             | 3,439,760     | 163,327,891 | 1.4%           | 0.9%  | 1.9%           | 0.6%  | 1.3%                    | 0.6% |
| Unemployment            | 3.8%          | 3.6%        | -0.5%          | -0.3% | -0.4%          | -0.6% | -                       | -    |

Source: Oxford Economics

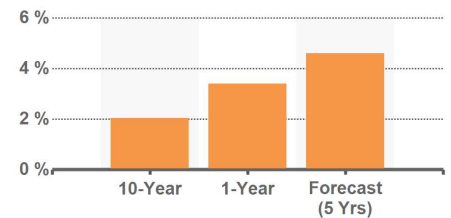
### POPULATION GROWTH



### LABOR FORCE GROWTH

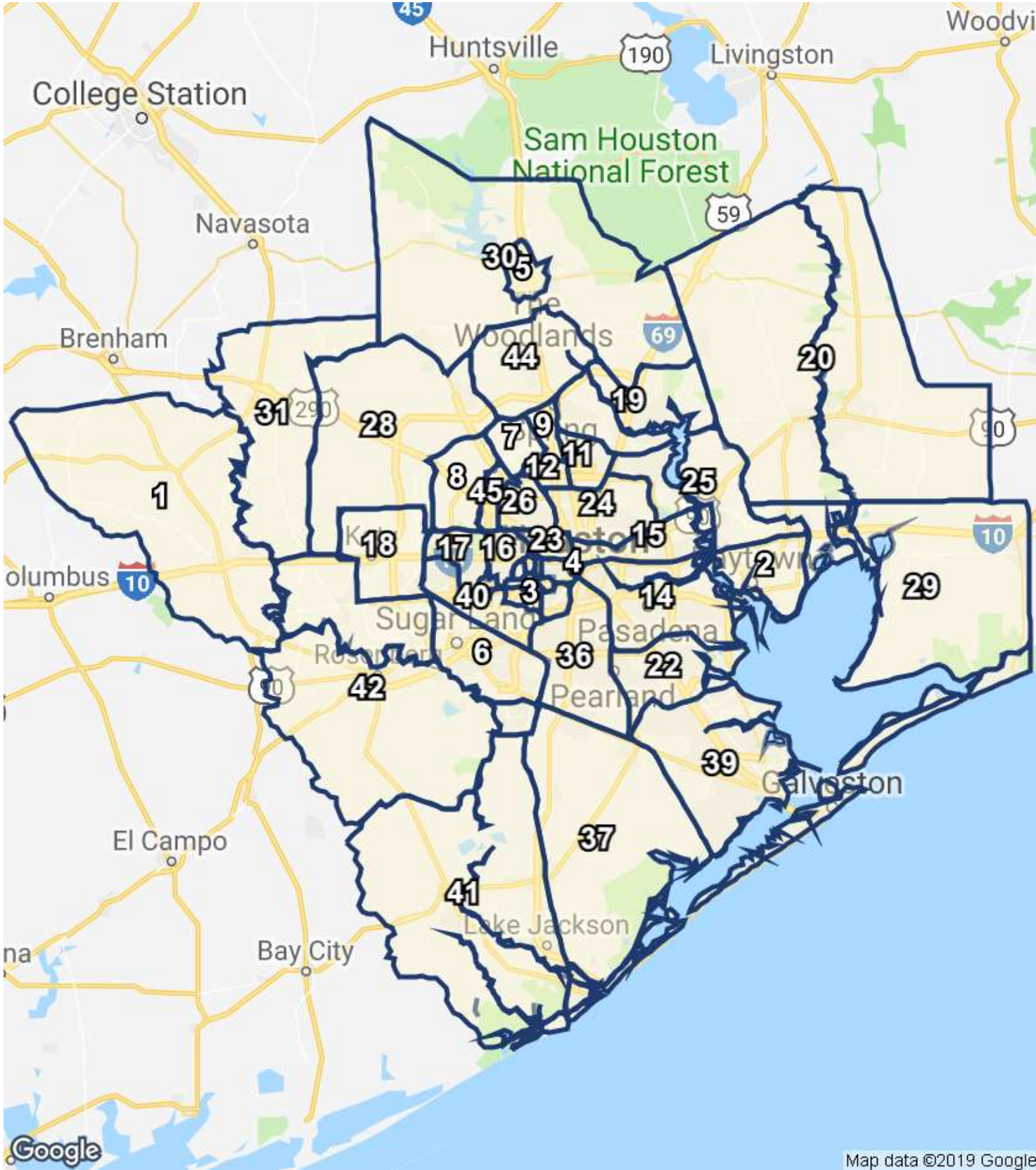


### INCOME GROWTH



Source: Oxford Economics

## 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             | 44        | 263      | 0.1%     | 44   | 0                   | 0        | 0%      | -    | 0                  | -        | -       | -    |
| 2   | Baytown                   | 137       | 1,638    | 0.5%     | 36   | 0                   | 0        | 0%      | -    | 0                  | -        | -       | -    |
| 3   | Bellaire                  | 92        | 5,238    | 1.6%     | 21   | 0                   | 0        | 0%      | -    | 1                  | 5        | 0.1%    | 16   |
| 4   | CBD                       | 161       | 51,441   | 15.5%    | 1    | 1                   | 781      | 1.5%    | 2    | 2                  | 1,274    | 2.5%    | 1    |
| 5   | Conroe                    | 259       | 2,686    | 0.8%     | 30   | 1                   | 4        | 0.1%    | 23   | 1                  | 11       | 0.4%    | 14   |
| 6   | E Fort Bend Co/Sugar Land | 414       | 10,025   | 3.0%     | 11   | 13                  | 143      | 1.4%    | 4    | 13                 | 276      | 2.8%    | 4    |
| 7   | FM 1960/Champions         | 261       | 4,430    | 1.3%     | 23   | 1                   | 11       | 0.2%    | 16   | 0                  | -        | -       | -    |
| 8   | FM 1960/Hwy 249           | 433       | 8,962    | 2.7%     | 13   | 10                  | 81       | 0.9%    | 7    | 31                 | 355      | 4.0%    | 2    |
| 9   | FM 1960/I-45 North        | 112       | 2,539    | 0.8%     | 31   | 0                   | 0        | 0%      | -    | 0                  | -        | -       | -    |
| 10  | Galleria/Uptown           | 66        | 16,848   | 5.1%     | 5    | 0                   | 0        | 0%      | -    | 0                  | -        | -       | -    |
| 11  | Greenspoint/IAH           | 57        | 3,197    | 1.0%     | 28   | 0                   | 0        | 0%      | -    | 0                  | -        | -       | -    |
| 12  | Greenspoint/N Belt West   | 119       | 11,037   | 3.3%     | 9    | 0                   | 0        | 0%      | -    | 0                  | -        | -       | -    |
| 13  | Greenway Plaza            | 276       | 13,129   | 4.0%     | 7    | 0                   | 0        | 0%      | -    | 0                  | -        | -       | -    |
| 14  | Gulf Freeway/Pasadena     | 644       | 8,046    | 2.4%     | 14   | 1                   | 10       | 0.1%    | 18   | 0                  | -        | -       | -    |
| 15  | I-10 East                 | 137       | 1,377    | 0.4%     | 40   | 2                   | 3        | 0.2%    | 24   | 0                  | -        | -       | -    |
| 16  | Katy Freeway East         | 261       | 11,593   | 3.5%     | 8    | 1                   | 2        | 0%      | 25   | 1                  | 102      | 0.9%    | 10   |
| 17  | Katy Freeway West         | 262       | 28,598   | 8.6%     | 2    | 2                   | 126      | 0.4%    | 5    | 1                  | 4        | 0%      | 18   |
| 18  | Katy/Grand Parkway West   | 440       | 6,239    | 1.9%     | 18   | 16                  | 95       | 1.5%    | 6    | 5                  | 222      | 3.6%    | 5    |
| 19  | Kingwood/Humble           | 232       | 3,648    | 1.1%     | 26   | 3                   | 148      | 4.1%    | 3    | 3                  | 327      | 9.0%    | 3    |
| 20  | Liberty County            | 73        | 353      | 0.1%     | 43   | 0                   | 0        | 0%      | -    | 0                  | -        | -       | -    |
| 21  | Midtown                   | 575       | 9,850    | 3.0%     | 12   | 2                   | 12       | 0.1%    | 15   | 3                  | 202      | 2.1%    | 7    |
| 22  | NASA/Clear Lake           | 532       | 10,389   | 3.1%     | 10   | 5                   | 56       | 0.5%    | 10   | 2                  | 74       | 0.7%    | 11   |
| 23  | North Loop West           | 355       | 6,618    | 2.0%     | 16   | 3                   | 31       | 0.5%    | 12   | 3                  | 105      | 1.6%    | 9    |
| 24  | Northeast Near            | 149       | 2,259    | 0.7%     | 32   | 0                   | 0        | 0%      | -    | 0                  | -        | -       | -    |
| 25  | Northeast Outlier         | 86        | 937      | 0.3%     | 41   | 1                   | 8        | 0.9%    | 20   | 0                  | -        | -       | -    |
| 26  | Northwest Far             | 130       | 4,398    | 1.3%     | 24   | 0                   | 0        | 0%      | -    | 0                  | -        | -       | -    |
| 27  | Northwest Near            | 56        | 1,528    | 0.5%     | 37   | 2                   | 64       | 4.2%    | 9    | 0                  | -        | -       | -    |
| 28  | Northwest Outlier         | 269       | 1,819    | 0.5%     | 34   | 13                  | 70       | 3.9%    | 8    | 4                  | 24       | 1.3%    | 13   |
| 29  | Outlying Chambers County  | 23        | 84       | 0%       | 46   | 1                   | 7        | 8.8%    | 21   | 0                  | -        | -       | -    |
| 30  | Outlying Montgomery Cnty  | 207       | 1,431    | 0.4%     | 39   | 2                   | 11       | 0.7%    | 17   | 1                  | 5        | 0.3%    | 16   |
| 31  | Outlying Waller County    | 22        | 116      | 0%       | 45   | 0                   | 0        | 0%      | -    | 0                  | -        | -       | -    |
| 32  | Post Oak Park             | 43        | 4,681    | 1.4%     | 22   | 0                   | 0        | 0%      | -    | 1                  | 207      | 4.4%    | 6    |
| 33  | Richmond/Fountainview     | 117       | 2,187    | 0.7%     | 33   | 0                   | 0        | 0%      | -    | 0                  | -        | -       | -    |
| 34  | Riverway                  | 24        | 3,091    | 0.9%     | 29   | 0                   | 0        | 0%      | -    | 0                  | -        | -       | -    |
| 35  | San Felipe/Voss           | 50        | 5,338    | 1.6%     | 20   | 0                   | 0        | 0%      | -    | 0                  | -        | -       | -    |
| 36  | South                     | 267       | 3,236    | 1.0%     | 27   | 2                   | 51       | 1.6%    | 11   | 1                  | 2        | 0.1%    | 19   |
| 37  | South Hwy 35              | 157       | 846      | 0.3%     | 42   | 1                   | 15       | 1.8%    | 14   | 0                  | -        | -       | -    |
| 38  | South Main/Medical Center | 240       | 13,619   | 4.1%     | 6    | 0                   | 0        | 0%      | -    | 0                  | -        | -       | -    |
| 39  | Southeast Outlier         | 349       | 3,914    | 1.2%     | 25   | 0                   | 0        | 0%      | -    | 1                  | 7        | 0.2%    | 15   |
| 40  | Southwest Beltway 8       | 191       | 7,457    | 2.2%     | 15   | 0                   | 0        | 0%      | -    | 0                  | -        | -       | -    |
| 41  | Southwest Far             | 92        | 1,455    | 0.4%     | 38   | 0                   | 0        | 0%      | -    | 0                  | -        | -       | -    |
| 42  | Southwest Outlier         | 218       | 1,753    | 0.5%     | 35   | 2                   | 7        | 0.4%    | 22   | 1                  | 27       | 1.5%    | 12   |

## 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 | 109       | 5,346    | 1.6%     | 19   | 0                   | 0        | 0%      | -    | 0                  | -        | -       | -    |
| 44  | The Woodlands       | 645       | 22,995   | 6.9%     | 3    | 17                  | 1,050    | 4.6%    | 1    | 3                  | 189      | 0.8%    | 8    |
| 45  | West Belt           | 112       | 6,303    | 1.9%     | 17   | 2                   | 10       | 0.2%    | 19   | 0                  | -        | -       | -    |
| 46  | Westchase           | 138       | 19,004   | 5.7%     | 4    | 1                   | 16       | 0.1%    | 13   | 0                  | -        | -       | -    |



## SUBMARKET RENT

| No. | Submarket                 | Gross Asking Rent |      | 12 Month Asking Rent |      | Annualized Quarterly Rent |      |
|-----|---------------------------|-------------------|------|----------------------|------|---------------------------|------|
|     |                           | Per SF            | Rank | Growth               | Rank | Growth                    | Rank |
| 1   | Austin County             | \$21.65           | 32   | 1.5%                 | 12   | -0.3%                     | 38   |
| 2   | Baytown                   | \$21.24           | 35   | 1.7%                 | 8    | 0%                        | 22   |
| 3   | Bellaire                  | \$25.25           | 17   | 2.5%                 | 4    | -1.7%                     | 45   |
| 4   | CBD                       | \$35.69           | 1    | 1.0%                 | 21   | 1.7%                      | 6    |
| 5   | Conroe                    | \$22.12           | 29   | 0.6%                 | 27   | -0.1%                     | 25   |
| 6   | E Fort Bend Co/Sugar Land | \$27.02           | 13   | 0%                   | 37   | 3.6%                      | 4    |
| 7   | FM 1960/Champions         | \$18.77           | 42   | -1.1%                | 41   | -0.2%                     | 27   |
| 8   | FM 1960/Hwy 249           | \$24.99           | 18   | -1.0%                | 40   | 0%                        | 23   |
| 9   | FM 1960/I-45 North        | \$20.25           | 37   | -2.0%                | 42   | 0.2%                      | 16   |
| 10  | Galleria/Uptown           | \$32.00           | 2    | 0%                   | 38   | 4.7%                      | 3    |
| 11  | Greenspoint/IAH           | \$18.76           | 43   | -2.4%                | 45   | -0.2%                     | 36   |
| 12  | Greenspoint/N Belt West   | \$18.37           | 45   | -2.8%                | 46   | 0.4%                      | 13   |
| 13  | Greenway Plaza            | \$29.90           | 7    | 0.8%                 | 24   | 0.8%                      | 12   |
| 14  | Gulf Freeway/Pasadena     | \$21.30           | 33   | 0.3%                 | 33   | -0.2%                     | 34   |
| 15  | I-10 East                 | \$20.06           | 38   | 1.5%                 | 14   | -0.2%                     | 32   |
| 16  | Katy Freeway East         | \$30.76           | 5    | 2.8%                 | 3    | 1.3%                      | 9    |
| 17  | Katy Freeway West         | \$30.61           | 6    | 3.2%                 | 1    | 0.9%                      | 10   |
| 18  | Katy/Grand Parkway West   | \$28.69           | 9    | 0.9%                 | 23   | 1.5%                      | 8    |
| 19  | Kingwood/Humble           | \$24.57           | 19   | 0.1%                 | 35   | 0%                        | 21   |
| 20  | Liberty County            | \$21.29           | 34   | 1.1%                 | 19   | -0.2%                     | 28   |
| 21  | Midtown                   | \$29.43           | 8    | 2.0%                 | 6    | 0.8%                      | 11   |
| 22  | NASA/Clear Lake           | \$23.83           | 24   | 2.8%                 | 2    | 0%                        | 24   |
| 23  | North Loop West           | \$23.31           | 25   | 0.7%                 | 26   | 0.1%                      | 19   |
| 24  | Northeast Near            | \$23.88           | 23   | 0.5%                 | 31   | -0.5%                     | 42   |
| 25  | Northeast Outlier         | \$24.23           | 21   | 1.5%                 | 13   | -0.2%                     | 26   |
| 26  | Northwest Far             | \$19.70           | 40   | 0.1%                 | 36   | -0.6%                     | 44   |
| 27  | Northwest Near            | \$19.66           | 41   | -0.5%                | 39   | 0.3%                      | 14   |
| 28  | Northwest Outlier         | \$24.55           | 20   | 0.8%                 | 25   | -0.3%                     | 41   |
| 29  | Outlying Chambers County  | \$22.94           | 26   | 1.4%                 | 15   | -0.2%                     | 37   |
| 30  | Outlying Montgomery Cnty  | \$22.09           | 30   | 1.5%                 | 11   | -0.2%                     | 33   |
| 31  | Outlying Waller County    | \$21.83           | 31   | 1.0%                 | 22   | -0.2%                     | 29   |
| 32  | Post Oak Park             | \$31.52           | 4    | 0.3%                 | 32   | 5.9%                      | 2    |
| 33  | Richmond/Fountainview     | \$19.70           | 39   | 1.3%                 | 16   | 0%                        | 20   |
| 34  | Riverway                  | \$27.70           | 12   | 1.6%                 | 9    | 9.0%                      | 1    |
| 35  | San Felipe/Voss           | \$26.59           | 15   | 2.3%                 | 5    | 0.3%                      | 15   |
| 36  | South                     | \$26.03           | 16   | 0.5%                 | 30   | -0.3%                     | 39   |
| 37  | South Hwy 35              | \$20.32           | 36   | 1.1%                 | 20   | -0.2%                     | 30   |
| 38  | South Main/Medical Center | \$27.91           | 11   | 1.3%                 | 17   | -0.5%                     | 43   |
| 39  | Southeast Outlier         | \$22.35           | 27   | 0.2%                 | 34   | -0.2%                     | 31   |
| 40  | Southwest Beltway 8       | \$18.40           | 44   | -2.2%                | 43   | 0.1%                      | 18   |
| 41  | Southwest Far             | \$23.89           | 22   | 1.9%                 | 7    | -0.3%                     | 40   |
| 42  | Southwest Outlier         | \$22.29           | 28   | 1.2%                 | 18   | 2.3%                      | 5    |

## SUBMARKET RENT

| No. | Submarket           | Gross Asking Rent |      | 12 Month Asking Rent |      | Annualized Quarterly Rent |      |
|-----|---------------------|-------------------|------|----------------------|------|---------------------------|------|
|     |                     | Per SF            | Rank | Growth               | Rank | Growth                    | Rank |
| 43  | Southwest/Hillcroft | \$17.32           | 46   | -2.4%                | 44   | -0.2%                     | 35   |
| 44  | The Woodlands       | \$31.63           | 3    | 0.5%                 | 29   | 0.1%                      | 17   |
| 45  | West Belt           | \$28.05           | 10   | 0.6%                 | 28   | -3.8%                     | 46   |
| 46  | Westchase           | \$26.61           | 14   | 1.6%                 | 10   | 1.6%                      | 7    |

## SUBMARKET VACANCY & NET ABSORPTION

| No. | Submarket                 | Vacancy   |         |      | 12 Month Net Absorption |          |      |                  |
|-----|---------------------------|-----------|---------|------|-------------------------|----------|------|------------------|
|     |                           | SF        | Percent | Rank | SF                      | % of Inv | Rank | Construct. Ratio |
| 1   | Austin County             | 15,318    | 5.8%    | 6    | (7,688)                 | -2.9%    | 32   | -                |
| 2   | Baytown                   | 105,870   | 6.5%    | 8    | 5,893                   | 0.4%     | 27   | -                |
| 3   | Bellaire                  | 842,055   | 16.1%   | 30   | (6,555)                 | -0.1%    | 31   | -                |
| 4   | CBD                       | 9,791,573 | 19.0%   | 37   | 693,982                 | 1.3%     | 2    | 1.1              |
| 5   | Conroe                    | 280,421   | 10.4%   | 19   | (15,975)                | -0.6%    | 35   | -                |
| 6   | E Fort Bend Co/Sugar Land | 1,124,850 | 11.2%   | 21   | 54,687                  | 0.5%     | 14   | 2.6              |
| 7   | FM 1960/Champions         | 608,261   | 13.7%   | 26   | 1,684                   | 0%       | 28   | -                |
| 8   | FM 1960/Hwy 249           | 1,227,783 | 13.7%   | 25   | (311,430)               | -3.5%    | 46   | -                |
| 9   | FM 1960/I-45 North        | 673,364   | 26.5%   | 44   | (37,729)                | -1.5%    | 38   | -                |
| 10  | Galleria/Uptown           | 2,557,080 | 15.2%   | 29   | 282,988                 | 1.7%     | 5    | -                |
| 11  | Greenspoint/IAH           | 737,056   | 23.1%   | 41   | 41,790                  | 1.3%     | 18   | -                |
| 12  | Greenspoint/N Belt West   | 4,987,854 | 45.2%   | 45   | 34,731                  | 0.3%     | 19   | -                |
| 13  | Greenway Plaza            | 1,792,017 | 13.6%   | 24   | 155,489                 | 1.2%     | 6    | -                |
| 14  | Gulf Freeway/Pasadena     | 808,971   | 10.1%   | 16   | 65,201                  | 0.8%     | 11   | -                |
| 15  | I-10 East                 | 85,549    | 6.2%    | 7    | 44,291                  | 3.2%     | 17   | -                |
| 16  | Katy Freeway East         | 1,141,164 | 9.8%    | 15   | 125,155                 | 1.1%     | 8    | -                |
| 17  | Katy Freeway West         | 6,976,392 | 24.4%   | 42   | 370,746                 | 1.3%     | 3    | 0.3              |
| 18  | Katy/Grand Parkway West   | 630,532   | 10.1%   | 17   | 142,566                 | 2.3%     | 7    | 0.4              |
| 19  | Kingwood/Humble           | 395,866   | 10.9%   | 20   | 92,956                  | 2.5%     | 9    | 0.8              |
| 20  | Liberty County            | 8,551     | 2.4%    | 1    | (4,686)                 | -1.3%    | 30   | -                |
| 21  | Midtown                   | 997,458   | 10.1%   | 18   | (139,611)               | -1.4%    | 43   | -                |
| 22  | NASA/Clear Lake           | 1,492,886 | 14.4%   | 28   | 63,986                  | 0.6%     | 12   | 0.9              |
| 23  | North Loop West           | 1,115,824 | 16.9%   | 31   | (11,781)                | -0.2%    | 34   | -                |
| 24  | Northeast Near            | 125,767   | 5.6%    | 5    | (652)                   | 0%       | 29   | -                |
| 25  | Northeast Outlier         | 36,629    | 3.9%    | 2    | 29,660                  | 3.2%     | 21   | 0.3              |
| 26  | Northwest Far             | 820,201   | 18.6%   | 35   | 44,468                  | 1.0%     | 16   | -                |
| 27  | Northwest Near            | 213,807   | 14.0%   | 27   | (21,981)                | -1.4%    | 37   | -                |
| 28  | Northwest Outlier         | 240,817   | 13.2%   | 23   | 54,830                  | 3.0%     | 13   | 1.0              |
| 29  | Outlying Chambers County  | -         | -       | -    | 7,796                   | 9.3%     | 26   | 1.0              |
| 30  | Outlying Montgomery Cnty  | 128,715   | 9.0%    | 14   | 14,646                  | 1.0%     | 24   | 0.3              |
| 31  | Outlying Waller County    | 8,242     | 7.1%    | 10   | (8,242)                 | -7.1%    | 33   | -                |
| 32  | Post Oak Park             | 1,202,953 | 25.7%   | 43   | (18,906)                | -0.4%    | 36   | -                |
| 33  | Richmond/Fountainview     | 177,374   | 8.1%    | 12   | 15,856                  | 0.7%     | 23   | -                |
| 34  | Riverway                  | 673,892   | 21.8%   | 39   | (144,751)               | -4.7%    | 44   | -                |
| 35  | San Felipe/Voss           | 1,142,227 | 21.4%   | 38   | (84,359)                | -1.6%    | 39   | -                |
| 36  | South                     | 220,242   | 6.8%    | 9    | 45,597                  | 1.4%     | 15   | 1.1              |
| 37  | South Hwy 35              | 36,219    | 4.3%    | 3    | 9,781                   | 1.2%     | 25   | 1.5              |
| 38  | South Main/Medical Center | 743,562   | 5.5%    | 4    | (123,482)               | -0.9%    | 41   | -                |
| 39  | Southeast Outlier         | 281,388   | 7.2%    | 11   | (131,465)               | -3.4%    | 42   | -                |
| 40  | Southwest Beltway 8       | 1,417,571 | 19.0%   | 36   | (300,609)               | -4.0%    | 45   | -                |
| 41  | Southwest Far             | 251,032   | 17.2%   | 32   | 30,962                  | 2.1%     | 20   | -                |
| 42  | Southwest Outlier         | 229,598   | 13.1%   | 22   | 24,769                  | 1.4%     | 22   | 0.2              |

## SUBMARKET VACANCY & NET ABSORPTION

| No. | Submarket           | Vacancy   |         |      | 12 Month Net Absorption |          |      |                  |
|-----|---------------------|-----------|---------|------|-------------------------|----------|------|------------------|
|     |                     | SF        | Percent | Rank | SF                      | % of Inv | Rank | Construct. Ratio |
| 43  | Southwest/Hillcroft | 938,044   | 17.5%   | 33   | 65,820                  | 1.2%     | 10   | -                |
| 44  | The Woodlands       | 2,019,566 | 8.8%    | 13   | 1,090,117               | 4.7%     | 1    | 0.9              |
| 45  | West Belt           | 1,171,654 | 18.6%   | 34   | 314,147                 | 5.0%     | 4    | 0                |
| 46  | Westchase           | 4,309,396 | 22.7%   | 40   | (90,204)                | -0.5%    | 40   | -                |

## OVERALL SUPPLY & DEMAND

| Year | Inventory   |            |          | Net Absorption |          |                    |
|------|-------------|------------|----------|----------------|----------|--------------------|
|      | SF          | SF Growth  | % Growth | SF             | % of Inv | Construction Ratio |
| 2023 | 344,298,349 | 3,435,656  | 1.0%     | 3,840,282      | 1.1%     | 0.9                |
| 2022 | 340,862,693 | 3,095,648  | 0.9%     | 3,072,815      | 0.9%     | 1.0                |
| 2021 | 337,767,045 | 3,372,654  | 1.0%     | 4,324,732      | 1.3%     | 0.8                |
| 2020 | 334,394,391 | 1,867,877  | 0.6%     | 3,397,705      | 1.0%     | 0.5                |
| 2019 | 332,526,514 | 2,057,064  | 0.6%     | 2,676,753      | 0.8%     | 0.8                |
| YTD  | 331,941,295 | 1,471,845  | 0.4%     | (206,621)      | -0.1%    | -                  |
| 2018 | 330,469,450 | 1,871,030  | 0.6%     | 1,405,497      | 0.4%     | 1.3                |
| 2017 | 328,598,420 | 3,415,763  | 1.1%     | (2,333,105)    | -0.7%    | -                  |
| 2016 | 325,182,657 | 4,976,004  | 1.6%     | (503,748)      | -0.2%    | -                  |
| 2015 | 320,206,653 | 13,168,552 | 4.3%     | 4,253,039      | 1.3%     | 3.1                |
| 2014 | 307,038,101 | 8,059,872  | 2.7%     | 9,497,185      | 3.1%     | 0.8                |
| 2013 | 298,978,229 | 4,588,512  | 1.6%     | 4,759,600      | 1.6%     | 1.0                |
| 2012 | 294,389,717 | 2,055,108  | 0.7%     | 5,083,360      | 1.7%     | 0.4                |
| 2011 | 292,334,609 | 2,361,976  | 0.8%     | 2,975,789      | 1.0%     | 0.8                |
| 2010 | 289,972,633 | 1,258,815  | 0.4%     | 1,693,453      | 0.6%     | 0.7                |
| 2009 | 288,713,818 | 8,310,794  | 3.0%     | 2,617,727      | 0.9%     | 3.2                |
| 2008 | 280,403,024 | 8,158,254  | 3.0%     | 4,206,474      | 1.5%     | 1.9                |
| 2007 | 272,244,770 | 4,311,062  | 1.6%     | 6,680,870      | 2.5%     | 0.6                |

## 4 & 5 STAR SUPPLY & DEMAND

| Year | Inventory   |            |          | Net Absorption |          |                    |
|------|-------------|------------|----------|----------------|----------|--------------------|
|      | SF          | SF Growth  | % Growth | SF             | % of Inv | Construction Ratio |
| 2023 | 161,716,074 | 3,879,451  | 2.5%     | 3,769,165      | 2.3%     | 1.0                |
| 2022 | 157,836,623 | 3,542,992  | 2.3%     | 3,631,177      | 2.3%     | 1.0                |
| 2021 | 154,293,631 | 3,819,448  | 2.5%     | 4,228,529      | 2.7%     | 0.9                |
| 2020 | 150,474,183 | 2,024,445  | 1.4%     | 1,809,607      | 1.2%     | 1.1                |
| 2019 | 148,449,738 | 1,744,701  | 1.2%     | 3,885,712      | 2.6%     | 0.4                |
| YTD  | 148,001,151 | 1,296,114  | 0.9%     | 1,268,780      | 0.9%     | 1.0                |
| 2018 | 146,705,037 | 1,419,472  | 1.0%     | 2,360,591      | 1.6%     | 0.6                |
| 2017 | 145,285,565 | 3,577,681  | 2.5%     | (460,023)      | -0.3%    | -                  |
| 2016 | 141,707,884 | 5,338,938  | 3.9%     | 642,449        | 0.5%     | 8.3                |
| 2015 | 136,368,946 | 12,358,396 | 10.0%    | 5,414,916      | 4.0%     | 2.3                |
| 2014 | 124,010,550 | 7,794,286  | 6.7%     | 7,313,129      | 5.9%     | 1.1                |
| 2013 | 116,216,264 | 4,142,932  | 3.7%     | 4,521,915      | 3.9%     | 0.9                |
| 2012 | 112,073,332 | 1,494,705  | 1.4%     | 2,862,856      | 2.6%     | 0.5                |
| 2011 | 110,578,627 | 2,239,764  | 2.1%     | 2,918,433      | 2.6%     | 0.8                |
| 2010 | 108,338,863 | 137,317    | 0.1%     | 533,354        | 0.5%     | 0.3                |
| 2009 | 108,201,546 | 5,950,878  | 5.8%     | 2,557,753      | 2.4%     | 2.3                |
| 2008 | 102,250,668 | 5,430,329  | 5.6%     | 3,535,526      | 3.5%     | 1.5                |
| 2007 | 96,820,339  | 1,828,827  | 1.9%     | 4,199,796      | 4.3%     | 0.4                |

# Supply & Demand Trends

Houston Office

## 3 STAR SUPPLY & DEMAND

| Year | Inventory   |           |          | Net Absorption |          |                    |
|------|-------------|-----------|----------|----------------|----------|--------------------|
|      | SF          | SF Growth | % Growth | SF             | % of Inv | Construction Ratio |
| 2023 | 134,593,850 | 11,654    | 0%       | 431,811        | 0.3%     | 0                  |
| 2022 | 134,582,196 | 10,634    | 0%       | (26,896)       | 0%       | -                  |
| 2021 | 134,571,562 | 8,096     | 0%       | 485,536        | 0.4%     | 0                  |
| 2020 | 134,563,466 | 290,549   | 0.2%     | 1,723,665      | 1.3%     | 0.2                |
| 2019 | 134,272,917 | 437,928   | 0.3%     | (782,530)      | -0.6%    | -                  |
| YTD  | 134,025,989 | 191,000   | 0.1%     | (1,184,484)    | -0.9%    | -                  |
| 2018 | 133,834,989 | 525,902   | 0.4%     | (903,823)      | -0.7%    | -                  |
| 2017 | 133,309,087 | (67,587)  | -0.1%    | (1,630,949)    | -1.2%    | -                  |
| 2016 | 133,376,674 | (114,542) | -0.1%    | (1,177,999)    | -0.9%    | -                  |
| 2015 | 133,491,216 | 988,219   | 0.7%     | (1,623,351)    | -1.2%    | -                  |
| 2014 | 132,502,997 | 322,956   | 0.2%     | 1,716,918      | 1.3%     | 0.2                |
| 2013 | 132,180,041 | 580,986   | 0.4%     | 447,788        | 0.3%     | 1.3                |
| 2012 | 131,599,055 | 502,022   | 0.4%     | 2,295,837      | 1.7%     | 0.2                |
| 2011 | 131,097,033 | (51,132)  | 0%       | 184,453        | 0.1%     | -                  |
| 2010 | 131,148,165 | 985,002   | 0.8%     | 696,936        | 0.5%     | 1.4                |
| 2009 | 130,163,163 | 1,936,963 | 1.5%     | (129,130)      | -0.1%    | -                  |
| 2008 | 128,226,200 | 2,571,318 | 2.0%     | 891,056        | 0.7%     | 2.9                |
| 2007 | 125,654,882 | 2,269,074 | 1.8%     | 2,377,944      | 1.9%     | 1.0                |

## 1 & 2 STAR SUPPLY & DEMAND

| Year | Inventory  |           |          | Net Absorption |          |                    |
|------|------------|-----------|----------|----------------|----------|--------------------|
|      | SF         | SF Growth | % Growth | SF             | % of Inv | Construction Ratio |
| 2023 | 47,988,425 | (455,449) | -0.9%    | (360,694)      | -0.8%    | -                  |
| 2022 | 48,443,874 | (457,978) | -0.9%    | (531,466)      | -1.1%    | -                  |
| 2021 | 48,901,852 | (454,890) | -0.9%    | (389,333)      | -0.8%    | -                  |
| 2020 | 49,356,742 | (447,117) | -0.9%    | (135,567)      | -0.3%    | -                  |
| 2019 | 49,803,859 | (125,565) | -0.3%    | (426,429)      | -0.9%    | -                  |
| YTD  | 49,914,155 | (15,269)  | 0%       | (290,917)      | -0.6%    | -                  |
| 2018 | 49,929,424 | (74,344)  | -0.1%    | (51,271)       | -0.1%    | -                  |
| 2017 | 50,003,768 | (94,331)  | -0.2%    | (242,133)      | -0.5%    | -                  |
| 2016 | 50,098,099 | (248,392) | -0.5%    | 31,802         | 0.1%     | -                  |
| 2015 | 50,346,491 | (178,063) | -0.4%    | 461,474        | 0.9%     | -                  |
| 2014 | 50,524,554 | (57,370)  | -0.1%    | 467,138        | 0.9%     | -                  |
| 2013 | 50,581,924 | (135,406) | -0.3%    | (210,103)      | -0.4%    | -                  |
| 2012 | 50,717,330 | 58,381    | 0.1%     | (75,333)       | -0.1%    | -                  |
| 2011 | 50,658,949 | 173,344   | 0.3%     | (127,097)      | -0.3%    | -                  |
| 2010 | 50,485,605 | 136,496   | 0.3%     | 463,163        | 0.9%     | 0.3                |
| 2009 | 50,349,109 | 422,953   | 0.8%     | 189,104        | 0.4%     | 2.2                |
| 2008 | 49,926,156 | 156,607   | 0.3%     | (220,108)      | -0.4%    | -                  |
| 2007 | 49,769,549 | 213,161   | 0.4%     | 103,130        | 0.2%     | 2.1                |

## OVERALL RENT & VACANCY

| Year | Market Rent |       |          |              | Vacancy    |         |          |
|------|-------------|-------|----------|--------------|------------|---------|----------|
|      | Per SF      | Index | % Growth | Vs Hist Peak | SF         | Percent | Ppts Chg |
| 2023 | \$29.36     | 109   | 1.2%     | 0.8%         | 49,612,162 | 14.4%   | -0.3%    |
| 2022 | \$29.01     | 108   | 1.2%     | -0.4%        | 50,008,770 | 14.7%   | -0.1%    |
| 2021 | \$28.66     | 106   | 1.2%     | -1.6%        | 49,977,940 | 14.8%   | -0.4%    |
| 2020 | \$28.32     | 105   | 1.0%     | -2.8%        | 50,921,846 | 15.2%   | -0.5%    |
| 2019 | \$28.05     | 104   | 1.0%     | -3.7%        | 52,442,673 | 15.8%   | -0.3%    |
| YTD  | \$27.94     | 104   | 0.6%     | -4.1%        | 54,785,591 | 16.5%   | 0.4%     |
| 2018 | \$27.76     | 103   | 0.5%     | -4.7%        | 53,203,114 | 16.1%   | 0%       |
| 2017 | \$27.63     | 103   | 0%       | -5.1%        | 52,956,867 | 16.1%   | 1.6%     |
| 2016 | \$27.63     | 103   | -3.5%    | -5.2%        | 47,215,123 | 14.5%   | 1.5%     |
| 2015 | \$28.65     | 106   | -1.7%    | -1.7%        | 41,736,340 | 13.0%   | 2.3%     |
| 2014 | \$29.13     | 108   | 5.3%     | 0%           | 32,820,827 | 10.7%   | -0.8%    |
| 2013 | \$27.66     | 103   | 5.2%     | -5.0%        | 34,465,074 | 11.5%   | -0.2%    |
| 2012 | \$26.28     | 97    | 7.6%     | -9.8%        | 34,636,162 | 11.8%   | -1.1%    |
| 2011 | \$24.43     | 91    | 2.0%     | -16.1%       | 37,664,414 | 12.9%   | -0.3%    |
| 2010 | \$23.96     | 89    | -5.1%    | -17.8%       | 38,278,227 | 13.2%   | -0.2%    |
| 2009 | \$25.25     | 94    | -6.3%    | -13.3%       | 38,712,865 | 13.4%   | 1.6%     |
| 2008 | \$26.96     | 100   | 7.3%     | -7.5%        | 33,019,798 | 11.8%   | 1.1%     |
| 2007 | \$25.11     | 93    | 14.2%    | -13.8%       | 29,067,693 | 10.7%   | -1.1%    |

## 4 & 5 STAR RENT & VACANCY

| Year | Market Rent |       |          |              | Vacancy    |         |          |
|------|-------------|-------|----------|--------------|------------|---------|----------|
|      | Per SF      | Index | % Growth | Vs Hist Peak | SF         | Percent | Ppts Chg |
| 2023 | \$35.35     | 103   | 1.2%     | -3.7%        | 24,222,965 | 15.0%   | -0.3%    |
| 2022 | \$34.94     | 102   | 1.2%     | -4.8%        | 24,113,921 | 15.3%   | -0.4%    |
| 2021 | \$34.52     | 101   | 1.2%     | -5.9%        | 24,203,361 | 15.7%   | -0.7%    |
| 2020 | \$34.10     | 100   | 1.1%     | -7.1%        | 24,613,651 | 16.4%   | -0.1%    |
| 2019 | \$33.74     | 99    | 1.4%     | -8.1%        | 24,399,748 | 16.4%   | -1.7%    |
| YTD  | \$33.57     | 98    | 0.9%     | -8.5%        | 26,625,537 | 18.0%   | -0.1%    |
| 2018 | \$33.28     | 97    | 0%       | -9.3%        | 26,598,203 | 18.1%   | -0.8%    |
| 2017 | \$33.29     | 97    | -0.3%    | -9.3%        | 27,539,322 | 19.0%   | 2.4%     |
| 2016 | \$33.39     | 98    | -6.0%    | -9.0%        | 23,504,668 | 16.6%   | 2.8%     |
| 2015 | \$35.53     | 104   | -3.2%    | -3.2%        | 18,808,179 | 13.8%   | 4.2%     |
| 2014 | \$36.70     | 107   | 5.3%     | 0%           | 11,864,699 | 9.6%    | -0.2%    |
| 2013 | \$34.86     | 102   | 5.6%     | -5.0%        | 11,383,542 | 9.8%    | -0.7%    |
| 2012 | \$33.00     | 97    | 8.9%     | -10.1%       | 11,762,525 | 10.5%   | -1.4%    |
| 2011 | \$30.30     | 89    | 2.6%     | -17.4%       | 13,130,676 | 11.9%   | -0.9%    |
| 2010 | \$29.53     | 86    | -6.2%    | -19.5%       | 13,809,345 | 12.7%   | -0.4%    |
| 2009 | \$31.47     | 92    | -8.0%    | -14.2%       | 14,205,382 | 13.1%   | 2.6%     |
| 2008 | \$34.20     | 100   | 9.1%     | -6.8%        | 10,812,257 | 10.6%   | 1.4%     |
| 2007 | \$31.34     | 92    | 18.2%    | -14.6%       | 8,917,454  | 9.2%    | -2.7%    |

## 3 STAR RENT & VACANCY

| Year | Market Rent |       |          |              | Vacancy    |         |          |
|------|-------------|-------|----------|--------------|------------|---------|----------|
|      | Per SF      | Index | % Growth | Vs Hist Peak | SF         | Percent | Ppts Chg |
| 2023 | \$25.44     | 116   | 1.2%     | 5.0%         | 20,593,286 | 15.3%   | -0.3%    |
| 2022 | \$25.14     | 115   | 1.2%     | 3.8%         | 21,013,570 | 15.6%   | 0%       |
| 2021 | \$24.85     | 113   | 1.2%     | 2.6%         | 20,976,186 | 15.6%   | -0.4%    |
| 2020 | \$24.57     | 112   | 0.9%     | 1.5%         | 21,453,771 | 15.9%   | -1.1%    |
| 2019 | \$24.36     | 111   | 0.7%     | 0.6%         | 22,886,980 | 17.0%   | 0.8%     |
| YTD  | \$24.27     | 111   | 0.4%     | 0.2%         | 23,035,576 | 17.2%   | 0.9%     |
| 2018 | \$24.18     | 110   | 1.0%     | -0.2%        | 21,756,081 | 16.3%   | 0.9%     |
| 2017 | \$23.94     | 109   | 1.0%     | -1.1%        | 20,534,950 | 15.4%   | 1.2%     |
| 2016 | \$23.70     | 108   | -1.3%    | -2.1%        | 18,974,449 | 14.2%   | 0.8%     |
| 2015 | \$24.01     | 109   | -0.8%    | -0.8%        | 17,910,992 | 13.4%   | 1.9%     |
| 2014 | \$24.22     | 110   | 5.2%     | 0%           | 15,299,422 | 11.5%   | -1.2%    |
| 2013 | \$23.02     | 105   | 5.0%     | -5.0%        | 16,900,318 | 12.8%   | 0%       |
| 2012 | \$21.92     | 100   | 6.6%     | -9.5%        | 16,767,120 | 12.7%   | -1.4%    |
| 2011 | \$20.56     | 94    | 1.3%     | -15.1%       | 18,560,935 | 14.2%   | -0.2%    |
| 2010 | \$20.30     | 93    | -4.4%    | -16.2%       | 18,796,520 | 14.3%   | 0.1%     |
| 2009 | \$21.23     | 97    | -3.2%    | -12.3%       | 18,508,454 | 14.2%   | 1.4%     |
| 2008 | \$21.93     | 100   | 4.6%     | -9.4%        | 16,442,361 | 12.8%   | 1.1%     |
| 2007 | \$20.98     | 96    | 9.2%     | -13.4%       | 14,761,774 | 11.7%   | -0.3%    |

## 1 & 2 STAR RENT & VACANCY

| Year | Market Rent |       |          |              | Vacancy   |         |          |
|------|-------------|-------|----------|--------------|-----------|---------|----------|
|      | Per SF      | Index | % Growth | Vs Hist Peak | SF        | Percent | Ppts Chg |
| 2023 | \$21.81     | 117   | 1.4%     | 4.8%         | 4,795,911 | 10.0%   | -0.1%    |
| 2022 | \$21.52     | 116   | 1.3%     | 3.4%         | 4,881,279 | 10.1%   | 0.3%     |
| 2021 | \$21.24     | 114   | 1.2%     | 2.1%         | 4,798,393 | 9.8%    | 0%       |
| 2020 | \$20.98     | 113   | 0.7%     | 0.8%         | 4,854,424 | 9.8%    | -0.5%    |
| 2019 | \$20.83     | 112   | 0.3%     | 0.1%         | 5,155,945 | 10.4%   | 0.6%     |
| YTD  | \$20.81     | 112   | 0.2%     | 0%           | 5,124,478 | 10.3%   | 0.6%     |
| 2018 | \$20.77     | 112   | 1.3%     | -0.2%        | 4,848,830 | 9.7%    | -0.1%    |
| 2017 | \$20.51     | 110   | -1.4%    | -1.4%        | 4,882,595 | 9.8%    | 0.3%     |
| 2016 | \$20.81     | 112   | 2.3%     | 0%           | 4,736,006 | 9.5%    | -0.5%    |
| 2015 | \$20.33     | 109   | 4.1%     | -2.3%        | 5,017,169 | 10.0%   | -1.2%    |
| 2014 | \$19.53     | 105   | 6.0%     | -6.2%        | 5,656,706 | 11.2%   | -1.0%    |
| 2013 | \$18.42     | 99    | 3.8%     | -11.5%       | 6,181,214 | 12.2%   | 0.2%     |
| 2012 | \$17.74     | 95    | 3.6%     | -14.7%       | 6,106,517 | 12.0%   | 0.3%     |
| 2011 | \$17.13     | 92    | 0.7%     | -17.7%       | 5,972,803 | 11.8%   | 0.6%     |
| 2010 | \$17.00     | 91    | -1.7%    | -18.3%       | 5,672,362 | 11.2%   | -0.7%    |
| 2009 | \$17.29     | 93    | -7.1%    | -16.9%       | 5,999,029 | 11.9%   | 0.4%     |
| 2008 | \$18.61     | 100   | 6.6%     | -10.5%       | 5,765,180 | 11.5%   | 0.7%     |
| 2007 | \$17.46     | 94    | 9.8%     | -16.1%       | 5,388,465 | 10.8%   | 0.2%     |



### 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 |
| 2023 | -                          | -         | -        | -            | -            | -            | \$228.42                  | 159         | 7.5%     |
| 2022 | -                          | -         | -        | -            | -            | -            | \$227.79                  | 159         | 7.4%     |
| 2021 | -                          | -         | -        | -            | -            | -            | \$228.89                  | 160         | 7.3%     |
| 2020 | -                          | -         | -        | -            | -            | -            | \$227.74                  | 159         | 7.3%     |
| 2019 | -                          | -         | -        | -            | -            | -            | \$222.89                  | 155         | 7.3%     |
| YTD  | 358                        | \$800.5 M | 3.3%     | \$10,890,524 | \$178.48     | 8.2%         | \$220.82                  | 154         | 7.3%     |
| 2018 | 645                        | \$1,797 M | 5.4%     | \$11,751,206 | \$187.81     | 7.5%         | \$222.02                  | 155         | 7.2%     |
| 2017 | 576                        | \$3,124 M | 7.7%     | \$20,407,261 | \$215.72     | 7.0%         | \$214.92                  | 150         | 7.2%     |
| 2016 | 552                        | \$720.0 M | 4.2%     | \$7,962,329  | \$208.96     | 7.3%         | \$217.92                  | 152         | 7.0%     |
| 2015 | 578                        | \$2,472 M | 7.4%     | \$17,394,479 | \$216.54     | 6.9%         | \$219.99                  | 153         | 6.9%     |
| 2014 | 598                        | \$2,506 M | 6.4%     | \$15,942,364 | \$191.24     | 7.7%         | \$214.92                  | 150         | 6.9%     |
| 2013 | 466                        | \$4,238 M | 9.4%     | \$27,693,983 | \$205.95     | 7.5%         | \$198.06                  | 138         | 7.2%     |
| 2012 | 444                        | \$3,692 M | 8.8%     | \$28,606,520 | \$208.37     | 7.7%         | \$183.21                  | 128         | 7.5%     |
| 2011 | 286                        | \$2,301 M | 6.0%     | \$23,468,876 | \$190.60     | 8.3%         | \$168.52                  | 118         | 7.9%     |
| 2010 | 229                        | \$1,364 M | 4.6%     | \$17,472,478 | \$143.55     | 8.6%         | \$146.93                  | 102         | 8.6%     |
| 2009 | 217                        | \$250.8 M | 2.0%     | \$3,975,446  | \$75.32      | 8.5%         | \$126.73                  | 88          | 9.6%     |
| 2008 | 278                        | \$1,476 M | 4.4%     | \$11,883,485 | \$169.25     | 7.6%         | \$143.37                  | 100         | 9.1%     |

(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 |
| 2023 | -                          | -         | -        | -             | -            | -            | \$296.29                  | 162         | 7.0%     |
| 2022 | -                          | -         | -        | -             | -            | -            | \$295.64                  | 161         | 6.9%     |
| 2021 | -                          | -         | -        | -             | -            | -            | \$297.16                  | 162         | 6.8%     |
| 2020 | -                          | -         | -        | -             | -            | -            | \$295.57                  | 161         | 6.8%     |
| 2019 | -                          | -         | -        | -             | -            | -            | \$288.89                  | 158         | 6.8%     |
| YTD  | 26                         | \$575.9 M | 2.5%     | \$57,518,558  | \$230.95     | 6.2%         | \$285.93                  | 156         | 6.8%     |
| 2018 | 54                         | \$1,129 M | 4.6%     | \$62,681,704  | \$232.76     | 6.9%         | \$287.86                  | 157         | 6.8%     |
| 2017 | 60                         | \$2,500 M | 10.8%    | \$75,744,480  | \$225.30     | 6.8%         | \$274.51                  | 150         | 6.8%     |
| 2016 | 24                         | \$512.4 M | 3.7%     | \$85,401,013  | \$345.66     | 6.8%         | \$278.42                  | 152         | 6.6%     |
| 2015 | 46                         | \$1,604 M | 7.7%     | \$66,848,518  | \$285.63     | 6.3%         | \$281.46                  | 153         | 6.5%     |
| 2014 | 31                         | \$1,566 M | 5.4%     | \$74,577,722  | \$266.80     | 7.2%         | \$274.20                  | 150         | 6.5%     |
| 2013 | 45                         | \$3,508 M | 13.1%    | \$100,239,121 | \$247.98     | 6.9%         | \$252.99                  | 138         | 6.8%     |
| 2012 | 47                         | \$3,037 M | 12.5%    | \$84,359,738  | \$232.81     | 7.0%         | \$234.00                  | 128         | 7.0%     |
| 2011 | 35                         | \$1,823 M | 8.5%     | \$75,947,394  | \$262.52     | 7.3%         | \$216.63                  | 118         | 7.4%     |
| 2010 | 20                         | \$804.5 M | 4.6%     | \$67,044,950  | \$175.96     | 7.7%         | \$188.14                  | 103         | 8.1%     |
| 2009 | 5                          | \$132.4 M | 1.2%     | \$33,106,116  | \$115.41     | 8.5%         | \$162.01                  | 88          | 9.0%     |
| 2008 | 14                         | \$1,070 M | 5.2%     | \$82,312,579  | \$204.28     | 6.1%         | \$183.39                  | 100         | 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.

## 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 |
| 2023 | -                          | -         | -        | -            | -            | -            | \$182.06                  | 156         | 7.7%     |
| 2022 | -                          | -         | -        | -            | -            | -            | \$181.49                  | 156         | 7.7%     |
| 2021 | -                          | -         | -        | -            | -            | -            | \$182.37                  | 157         | 7.6%     |
| 2020 | -                          | -         | -        | -            | -            | -            | \$181.58                  | 156         | 7.5%     |
| 2019 | -                          | -         | -        | -            | -            | -            | \$177.94                  | 153         | 7.6%     |
| YTD  | 175                        | \$202.8 M | 4.6%     | \$5,837,850  | \$113.33     | 8.0%         | \$176.41                  | 151         | 7.6%     |
| 2018 | 291                        | \$607.0 M | 6.6%     | \$8,207,599  | \$144.69     | 7.5%         | \$177.36                  | 152         | 7.5%     |
| 2017 | 226                        | \$566.2 M | 5.3%     | \$8,304,724  | \$191.66     | 6.5%         | \$174.37                  | 150         | 7.4%     |
| 2016 | 243                        | \$172.9 M | 4.7%     | \$3,785,070  | \$106.56     | 7.3%         | \$176.81                  | 152         | 7.3%     |
| 2015 | 234                        | \$784.7 M | 7.3%     | \$12,439,512 | \$152.96     | 6.8%         | \$178.35                  | 153         | 7.2%     |
| 2014 | 233                        | \$873.6 M | 7.4%     | \$12,270,051 | \$131.64     | 7.8%         | \$174.90                  | 150         | 7.1%     |
| 2013 | 158                        | \$677.4 M | 8.2%     | \$13,528,943 | \$116.07     | 8.0%         | \$161.06                  | 138         | 7.4%     |
| 2012 | 153                        | \$604.3 M | 6.8%     | \$13,703,432 | \$144.03     | 8.1%         | \$149.40                  | 128         | 7.7%     |
| 2011 | 119                        | \$434.5 M | 5.1%     | \$10,577,927 | \$96.71      | 8.5%         | \$136.18                  | 117         | 8.1%     |
| 2010 | 101                        | \$525.1 M | 5.2%     | \$14,561,298 | \$119.78     | 8.9%         | \$119.23                  | 102         | 8.9%     |
| 2009 | 119                        | \$93.1 M  | 2.5%     | \$3,727,648  | \$53.97      | 9.3%         | \$103.10                  | 89          | 9.9%     |
| 2008 | 150                        | \$308.2 M | 4.1%     | \$6,656,094  | \$122.78     | 7.7%         | \$116.46                  | 100         | 9.4%     |

(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 |
| 2023 | -                          | -        | -        | -           | -            | -            | \$148.08                  | 156         | 8.1%     |
| 2022 | -                          | -        | -        | -           | -            | -            | \$147.32                  | 155         | 8.1%     |
| 2021 | -                          | -        | -        | -           | -            | -            | \$147.74                  | 156         | 8.0%     |
| 2020 | -                          | -        | -        | -           | -            | -            | \$146.98                  | 155         | 7.9%     |
| 2019 | -                          | -        | -        | -           | -            | -            | \$144.36                  | 152         | 8.0%     |
| YTD  | 157                        | \$21.8 M | 2.2%     | \$735,716   | \$107.93     | 9.2%         | \$143.47                  | 151         | 8.0%     |
| 2018 | 300                        | \$60.6 M | 4.9%     | \$963,245   | \$116.32     | 8.1%         | \$143.21                  | 151         | 7.9%     |
| 2017 | 290                        | \$58.5 M | 5.1%     | \$1,115,806 | \$134.62     | 8.3%         | \$143.89                  | 152         | 7.7%     |
| 2016 | 285                        | \$34.7 M | 4.7%     | \$868,600   | \$101.84     | 7.8%         | \$145.65                  | 154         | 7.6%     |
| 2015 | 298                        | \$82.6 M | 6.7%     | \$1,490,225 | \$123.78     | 8.0%         | \$146.23                  | 154         | 7.5%     |
| 2014 | 334                        | \$65.9 M | 6.3%     | \$1,009,928 | \$110.62     | 7.7%         | \$143.38                  | 151         | 7.5%     |
| 2013 | 263                        | \$52.6 M | 3.9%     | \$770,043   | \$88.22      | 8.1%         | \$131.54                  | 139         | 7.8%     |
| 2012 | 244                        | \$50.9 M | 5.7%     | \$1,027,338 | \$106.20     | 7.9%         | \$120.68                  | 127         | 8.2%     |
| 2011 | 132                        | \$43.6 M | 3.1%     | \$1,318,709 | \$68.55      | 9.4%         | \$110.12                  | 116         | 8.6%     |
| 2010 | 108                        | \$34.1 M | 3.2%     | \$1,136,904 | \$62.73      | 8.6%         | \$96.88                   | 102         | 9.4%     |
| 2009 | 93                         | \$25.3 M | 2.2%     | \$723,224   | \$55.26      | 7.1%         | \$83.69                   | 88          | 10.5%    |
| 2008 | 114                        | \$97.5 M | 3.7%     | \$1,497,051 | \$100.43     | 8.1%         | \$94.85                   | 100         | 9.9%     |

(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.