

HOUSTON OFFICE MARKET

THIRD QUARTER 2017

Hurricane Harvey Takes a Toll on Houston

Sublease space decreases by 930K SF

OVERVIEW

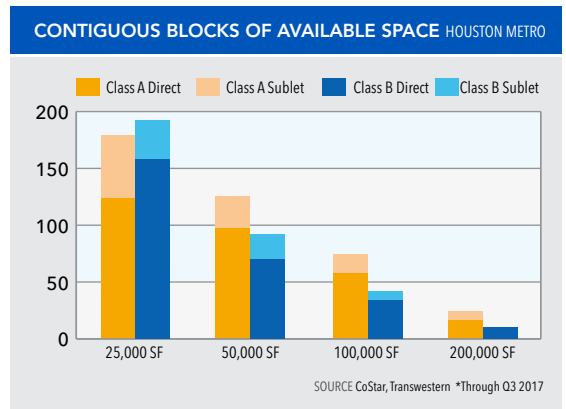
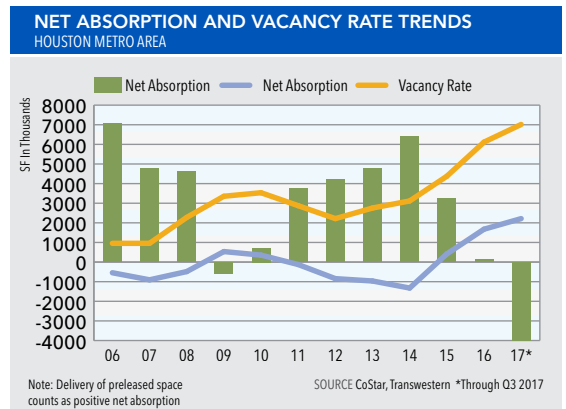
Harvey Delays Office Recovery Slightly

While the office market has been under storm clouds for several quarters, the third quarter saw Hurricane Harvey eclipse the sun and pour over five feet of water on the Houston Metro area. Initial reports on the storm's capital impacts were significantly exaggerated as they were tethered to estimates based upon flood maps. However, a detailed review indicated that the storm damaged just under 70 office buildings with a net rentable area impact of 2.0 million square feet, or 0.8% of total supply, significantly less than initially anticipated. A lack of strong winds spared most office buildings from significant harm, leaving property damages mostly to parking garages, first and sub-floors as well as minor roof leaks. Of the properties damaged, over 75% were fully operational within two weeks of the event. The most tangible impact that Harvey had upon the Houston office market was essentially delaying the sectors recovery for an additional quarter.

NET ABSORPTION

2017 Year-to-Date Absorption Totals Negative 3.9M SF

Year-to-date absorption totals of negative 3.9 million square feet continue to highlight the delayed impacts of the energy downturn as well as the trend of companies striving for efficiency and reducing their space footprint. Absorption for the quarter totaled negative 732,000 square feet and was equally distributed among classes. Class A properties totaled negative 360,000 square feet with the West Loop



Notable Q3 Leases

TENANT	SF	LEASE TYPE	BUILDING	SUBMARKET
NRG Energy	431,307	Sublease	One Shell Plaza	CBD
McDermott	186,000	Sublease	Westway Plaza II	West Belt
USCIS	100,020	Renewal	Northpoint Plaza	North District
EDF Trading	60,000	New Lease	601 Travis	CBD

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and Central Business District primarily accounting for the negative absorption. Class B finished the third quarter with negative 398,000 square feet of absorption, due to space give backs in the Houston North District and the West Loop submarkets.

DIRECT VACANCY & TOTAL AVAILABILITY

Total Availability Declines While Vacancy Rises

The overall office availability rate (all space marketed as available for lease, both direct and sublet) decreased 0.3% over the quarter, ending at 23.3%. Class A properties drove the decrease, declining by 0.5% to finish the period at 24.4%. While Class B properties ticked up marginally, finishing at 23.0%.

Direct vacancy rose for the twelfth consecutive quarter, up 0.3% and closing at 15.4% overall. Class A properties saw vacancy increase by 0.2%, ending at 15.1%, while Class B properties were up 0.4% to 16.7%. Currently, over 1.5 million SF of sublease space is set to expire over the next 12 months, equating to roughly 20% of total sublease supply. This is especially pronounced in the North Houston District where 868,845 SF is set to expire by end of year 2018. As more sublease space expires city-wide, vacancy rates will continue to trend up.

RENTAL RATES

Asking Rates Continue to Ascend

Overall asking rates for the Houston Metro area increased by 1.5% over the quarter and 2.0% over the year, finishing the period at \$30.92 PSF full service. Despite the increase in asking rates, concessions remain elevated throughout the market with generous concession packages and tenant improvement allowances being offered in order to maintain the highest rent figures.

Class A rates closed the quarter up 0.6% (+\$0.20), ending at \$35.83 PSF full service, while Class B asking rates declined by 1.2%, ending at \$21.97 PSF full service. The submarkets with the highest asking rents are the Katy Fwy East (\$45.00 PSF), the Central Business District (\$44.35 PSF) and Galleria/Uptown (\$38.83 PSF).

SUPPLY AND DEVELOPMENT

Development Pipeline Remains in Check

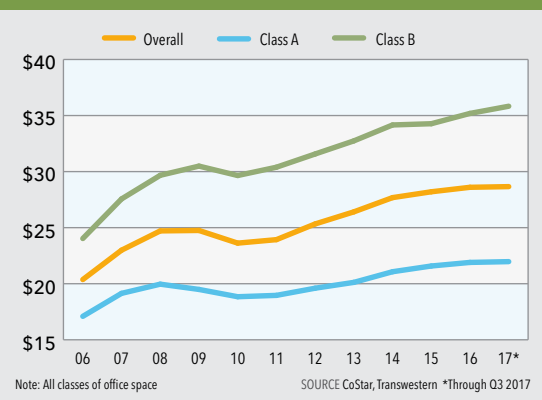
Houston area construction activity has slowed greatly due to both the delivery of over 33.0M SF in the past seven years and the downturn in the energy sector. Given the ample amount of space currently on the market for lease, developers are wary of additional speculative construction. Still, as tenants strive to retain talent and attain efficiency both in their space footprint as well as their operating expenses, the potential for additional construction tethered to a lead tenant remains high. Specifically, in core office submarkets such as the CBD, the Woodlands and West Loop. At the close of the third quarter, the Houston construction pipeline totaled 2.3 million square feet and is currently 52.5% preleased.

Total Available Space

Houston Metro | Q3 2017

SUBMARKET	SUBLEASE SPACE (SF)	% OF SUPPLY	SUBMARKET % TOTAL AVAILABLE
Energy Corridor	2,386,277	6.6%	25.3%
CBD	2,178,987	5.0%	25.8%
Westchase	1,543,705	8.8%	29.0%
Galleria	842,634	5.0%	21.3%
North District	877,698	6.8%	48.8%
All of Houston	9,829,433	4.1%	23.3%

AVERAGE OFFICE RENTS HOUSTON METRO AREA



Office Under Construction

Houston Metro | Q3 2017

SUBMARKET	NUMBER OF BLDGS	SF	% PRE-LEASED
CBD	1	778,344	27.0%
Woodlands	2	515,800	100.0%
E Fort Bend Co/Sugar Land	3	247,200	30.1%
Greenway Plaza	1	188,547	0.0%
Westchase	1	187,011	80.9%
Northeast	1	115,601	100.0%
West Loop	1	104,579	46.8%
Energy Corridor	1	86,255	61.5%
Katy	1	72,045	50.8%
Total	12	2,295,382	52.5%



The largest projects currently under construction are Capitol Tower (CBD, 778,000 SF - 27% leased to Bank of America), CityPlace 3 (The Woodlands, 328,000 SF - 100% Leased to HP), CityPlace 2 (The Woodlands, 326,000 SF - 100% Leased to ABS) and The Kirby Collection, a mixed-use project with a significant office component (Greenway Plaza, 212,000 SF, 0% preleased).

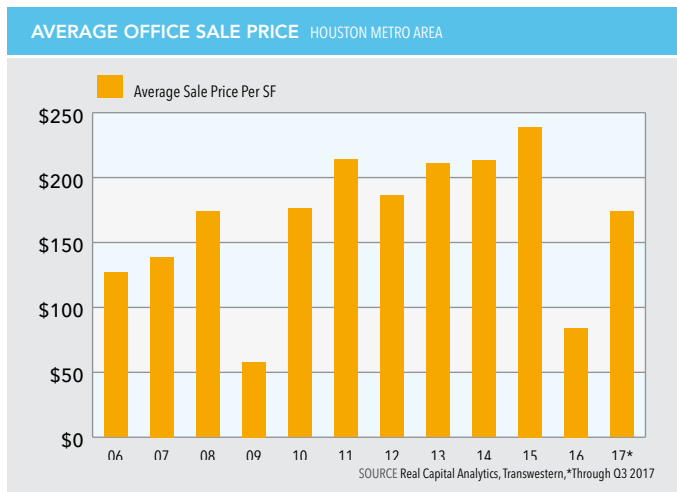
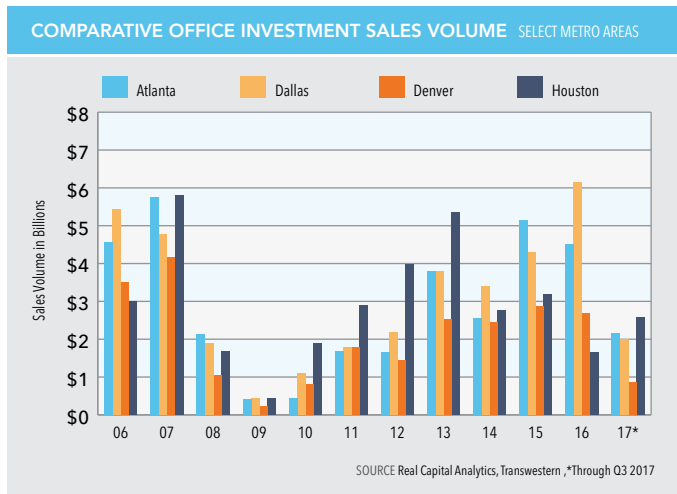
INVESTMENT MARKET

Houston Investment Market is Red-Hot

Harvey had little impact on Houston's investment market as a flurry of activity took place throughout the quarter. The underlying fundamentals of the market are strong and stabilization in the energy sector should begin to avail itself over the next 9-12 months, keeping sentiment positive amongst the investor community. Sales for the quarter (including the under contract Houston Center), totaled \$1.4 billion and were comprised of 15 transactions.

The most significant transaction of the third quarter was Brookfield Properties acquisition of Houston Center from JPMorgan Asset Management. The four building portfolio located in Houston's Central Business District totals over 4.0 million square feet and is under contract for approximately \$875 million. Additionally, Bank of America corporation acquired Energy Center IV from Trammell Crow Company for \$275 million or \$461.00 PSF (6.0% cap rate). The 597,000 square foot Class A facility is located in the Katy Fwy West submarket and is under long-term lease to ConocoPhillips.

The market remains full of potential with a plethora of well located infill properties representing value add opportunities to investors. As such, investment activity should remain strong through the balance of 2017. These figures represent assets for which pricing information could be obtained.



Notable Q3 Transactions

BUILDING	SUBMARKET	SF	SALE PRICE	SELLER	BUYER
Houston Center	CBD	4,200,000	\$875.0 million (under contract)	JPMorgan Asset Management	Brookfield Asset Management
Greenspoint Plaza	North District	2,080,000	N/A	Northwestern Mutual	Lincoln Property Co & H.I.G. Realty Partners joint venture
Energy Center IV	Katy Freeway West	597,000	\$275.0 million	Trammell Crow Company	Bank of America Corporation
1700 W Loop S	Galleria/Uptown	272,941	\$52.0 million	Bridge Investment Group	Lingerfelt Commonwealth Partners

SOURCE Real Capital Analytics, HFF, Transwestern

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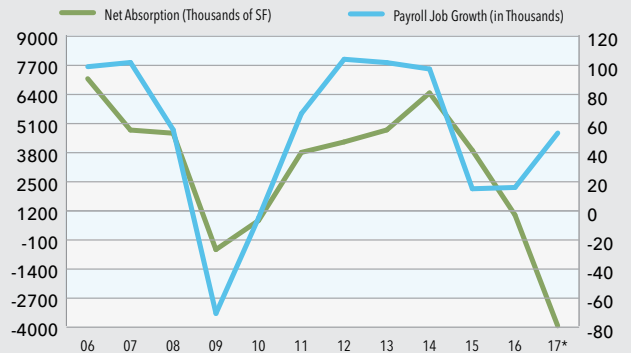
OUTLOOK

Light at the End of the Tunnel?

The Houston office market has been in limbo for several quarters as office using job growth has been all but non-existent following the energy sector downturn. Large swaths of expiring sublease space compete head-to-head with direct vacant blocks and recent activity has been a shuffling of tenants as opposed to expansionary. While diversification in industries such as healthcare, petrochemical, distribution and retail/hospitality have helped offset many of the jobs lost in the energy sector, there is little doubt that the market needs a return to form for crude prices or the emergence of an alternative industry to help alleviate the vacant and available supply. As such, eyes will continue to focus upon Houston's strategy to support Tech growth, North American crude inventories, OPEC's willingness to maintain production cuts, and the resulting impacts to the spot price of WTI.

Overall market activity is projected to remain flat through the remainder of the year as leasing activity continues to fall below historical averages. Tenants with near term expirations are in a favorable market to extend early and lock in favorable terms. The energy sector will continue to see Mergers and acquisitions at a rapid pace leaving the potential for additional blocks of space to be brought on-line due to redundancies.

OFFICE ABSORPTION AND EMPLOYMENT HOUSTON METRO AREA



*12-month job growth through May 2017, net absorption YTD through Q2 2017

SOURCE Bureau of Labor Statistics, Transwestern

Multi-tenant market vs Transwestern comprehensive market coverage

	MULTI-TENANT	ENTIRE MARKET
Inventory	199.2 MSF	241.8 MSF
Overall Vacancy	21.0%	17.1%
Q3 Net Absorption	(291,372) SF	(3,993,708) SF

WHY OUR METHODOLOGY IS THE BEST INDICATOR OF CURRENT MARKET CONDITIONS

We include owner occupied and single-tenant buildings in our inventory, vacancy and absorption statistics to capture more market activity than many of our competitors. This allows us to better correlate changes in the market with changes in employment. As single-tenant space does compete with multi-tenant space, we believe it is critical to understand all components of the market. The inclusion of single-tenant and owner-occupied space tends to yield lower vacancy rates and higher absorption totals than some of our competitors' results, but our coverage of the market is more comprehensive.

Houston Office Market Indicators - All Space

SUBMARKET	TOTAL BLDGS	INVENTORY	SF AVAILABLE IMMEDIATELY	DIRECT VACANCY Q3 2017	VACANCY W/ SUBLET Q3 2017	TOTAL AVAILABILITY Q3 2017	UNDER CONSTRUCTION	NET ABSORPTION Q3 2017	NET ABSORPTION YTD 2017
Conroe	13	920,281	49,898	5.4%	5.9%	9.8%		116	49,451
Central Business District	62	43,693,078	7,023,493	16.1%	17.9%	25.8%	778,344	(62,154)	(1,473,646)
Midtown	32	5,664,375	639,580	11.3%	11.8%	17.3%	-	(32,479)	52,843
Downtown	94	49,357,453	7,663,073	15.5%	17.2%	24.8%	778,344	(94,633)	(1,420,803)
FM 1960 / Champions	23	1,900,382	335,845	17.7%	17.7%	21.5%	-	(26,340)	1,339
FM 1960 / Highway 249	37	5,148,719	483,854	9.4%	11.1%	15.9%	-	(9,937)	(9,539)
FM 1960 / I-45 North	15	1,325,458	361,994	27.3%	27.8%	34.2%	-	(48,238)	(35,966)
FM 1960	75	8,374,559	1,181,693	14.1%	15.2%	20.0%	-	(84,515)	(44,166)
Greenway Plaza	48	11,095,766	1,413,238	12.7%	13.2%	19.4%	188,547	4,920	(111,005)
Gulf Freeway/Pasadena	33	2,642,527	294,851	11.2%	11.2%	17.4%	-	2,042	16,224
Katy Far West	27	2,954,733	360,241	12.2%	12.7%	16.7%	72,045	15,234	137,815
Katy Freeway East	60	9,674,691	935,320	9.7%	10.1%	16.4%	-	(81,816)	(136,869)
Katy Freeway West	141	26,654,315	4,484,804	16.8%	20.5%	28.5%	86,255	(95,822)	(540,187)
Katy Frwy / Energy Corridor	201	36,329,006	5,420,124	14.9%	17.7%	25.3%	86,255	(177,638)	(677,056)
Kingwood / Humble*	11	1,234,389	30,190	2.4%	2.4%	2.6%	-	6,497	3,174
NASA / Clear Lake	53	5,613,374	1,006,896	17.9%	18.8%	22.6%	-	25,788	(30,925)
North District / IAH	20	2,759,860	767,085	27.8%	28.0%	30.6%	-	(16,346)	(176,722)
North District / North Belt W	75	10,184,568	4,290,148	42.1%	44.8%	53.7%	-	(155,687)	(434,901)
North District / North Belt	95	12,944,428	5,057,233	39.1%	41.2%	48.8%	-	(172,033)	(611,623)
Northeast	11	1,370,813	85,167	6.2%	6.2%	10.0%	115,601	(32,465)	(23,029)
North Loop West	29	3,955,285	673,622	17.0%	17.1%	20.9%	-	3,436	(39,389)
Northwest Far	30	3,339,250	739,776	22.2%	22.3%	27.9%	-	30,761	56,167
Northwest Near	12	1,290,803	28,959	2.2%	2.5%	3.4%	-	1,153	(10,968)
Northwest	71	8,585,338	1,442,357	16.8%	16.9%	21.0%	-	35,350	5,810
South Main / Medical Center	47	10,338,924	616,556	6.0%	6.1%	7.9%	-	19,648	6,440
E Fort Bend Co / Sugar Land	47	6,284,708	457,834	7.3%	8.9%	15.9%	187,200	(46,534)	(28,854)
Southwest Beltway 8	41	5,546,947	814,433	14.7%	14.8%	22.9%	60,000	16,526	(14,400)
Southwest / Hillcroft	36	4,321,807	612,462	14.2%	14.9%	23.7%	-	5,889	(29,672)
Southwest Fwy / Sugar Land	124	16,153,462	1,884,729	11.7%	12.5%	20.4%	247,200	(24,119)	(72,926)
The Woodlands	96	16,485,335	1,609,344	9.8%	10.1%	12.4%	515,800	23,886	(44,655)
West Belt	37	5,387,946	784,684	14.6%	19.3%	36.7%	-	26,910	75,278
Bellaire	28	4,302,857	433,933	10.1%	10.3%	14.9%	-	(75,343)	(53,386)
Galleria / Uptown	58	16,833,939	2,266,941	13.5%	16.6%	21.3%	104,579	(128,316)	(441,417)
Post Oak Park	27	4,581,030	1,025,783	22.4%	23.8%	28.5%	-	(76,997)	(290,005)
Richmond / Fountainview	11	829,982	157,202	18.9%	18.9%	10.7%	-	12,883	28,970
Riverway	16	2,868,522	594,885	20.7%	22.1%	24.4%	-	(20,378)	(256,789)
San Felipe / Voss	33	5,060,157	917,168	18.1%	18.0%	24.5%	-	(74,428)	(91,718)
West Loop	173	34,476,487	5,395,912	15.7%	17.5%	21.9%	104,579	(362,579)	(1,104,345)
Westchase	89	17,585,648	2,873,713	16.3%	20.5%	29.0%	187,011	55,368	(147,367)
TOTAL - Houston	1,298	241,850,469	37,169,899	15.4%	17.1%	23.3%	2,295,382	(732,223)	(3,993,708)

SOURCE CoStar, Transwestern

NOTE Includes buildings 50,000 SF RBA and greater; does not include buildings under construction or owned by the government

HOUSTON METRO MARKET

THIRD QUARTER 2017

Houston Office Market Indicators - Class A

SUBMARKET	TOTAL BLDGS	INVENTORY	SF AVAILABLE IMMEDIATELY	DIRECT VACANCY Q3 2017	VACANCY W/ SUBLET Q3 2017	TOTAL AVAILABILITY Q3 2017	UNDER CONSTRUCTION	NET ABSORPTION Q3 2017	NET ABSORPTION YTD 2017
Conroe	2	128,832	13,011	10.1%	10.1%	14.3%	-	(3,763)	(3,763)
Central Business District	37	34,033,274	4,366,244	12.8%	14.9%	23.3%	778,344	(99,593)	(1,160,237)
Midtown	8	2,486,094	394,782	15.9%	16.8%	25.0%	-	(20,358)	(23,305)
Downtown	45	36,519,368	4,761,026	13.0%	15.1%	23.4%	778,344	(119,951)	(1,183,542)
FM 1960 / Champions	1	150,000	-	0.0%	0.0%	0.0%	-	-	-
FM 1960 / Highway 249	17	3,729,412	296,314	7.9%	8.4%	10.5%	-	19,013	12,705
FM 1960 / I-45 North	2	206,705	54,512	26.4%	26.4%	26.4%	-	-	(25,387)
FM 1960	20	4,086,117	350,826	8.6%	9.0%	10.9%	-	19,013	(12,682)
Greenway Plaza	20	7,356,944	991,921	13.5%	13.9%	22.4%	188,547	25,460	(22,416)
Gulf Freeway/Pasadena	0	-	-	-	-	-	-	-	-
Katy Far West	15	1,560,283	358,018	22.9%	23.8%	31.1%	72,045	15,234	120,782
Katy Freeway East	24	5,761,894	648,374	11.3%	11.6%	18.4%	-	(56,676)	(127,936)
Katy Freeway West	72	18,772,511	2,846,601	15.2%	20.1%	28.1%	86,255	(10,403)	(290,885)
Katy Frwy / Energy Corridor	96	24,534,405	3,494,975	14.2%	18.1%	25.8%	86,255	(67,079)	(418,821)
Kingwood / Humble	2	144,312	7,466	5.2%	5.2%	6.5%	-	1,927	1,927
NASA / Clear Lake	15	2,028,136	102,561	5.1%	7.3%	13.6%	-	12,699	(17,066)
North District / IAH	8	1,213,677	563,373	46.4%	46.9%	48.6%	-	(12,657)	(165,750)
North District / North Belt W	17	4,334,810	2,213,029	51.1%	56.7%	66.5%	-	14,091	(148,064)
North District / North Belt	25	5,548,487	2,776,402	50.0%	54.5%	62.6%	-	1,434	(313,814)
Northeast	3	640,700	32,465	5.1%	5.1%	5.1%	-	(32,465)	(32,465)
North Loop West	6	1,240,544	355,226	28.6%	28.8%	30.2%	-	10,736	(28,636)
Northwest Near	4	797,237	326,246	40.9%	41.4%	42.7%	-	(10,157)	9,509
Northwest Far	1	237,384	-	0.0%	0.0%	0.0%	-	-	-
Northwest	11	2,275,165	681,472	30.0%	30.2%	31.4%	-	579	(19,127)
South Main / Medical Center	16	4,810,992	179,545	3.7%	3.9%	6.3%	-	18,818	(15,745)
E Fort Bend Co / Sugar Land	21	3,867,531	277,757	7.2%	9.4%	14.8%	94,200	(44,458)	(50,191)
Southwest Beltway 8	3	566,699	82,955	14.6%	14.6%	16.3%	-	(34,000)	(34,355)
Southwest / Hillcroft	6	1,487,219	225,793	15.2%	17.3%	35.2%	-	(1,392)	2,656
Southwest Fwy / Sugar Land	30	5,921,449	586,505	9.9%	11.9%	20.1%	94,200	(79,850)	(81,890)
The Woodlands	44	11,752,920	1,219,960	10.4%	10.8%	12.3%	704,800	(15,665)	(32,754)
West Belt	23	4,085,321	633,381	15.5%	19.9%	34.8%	-	26,910	29,999
Bellaire	8	1,470,637	167,634	11.4%	11.9%	21.3%	-	(1,882)	17,851
Galleria / Uptown	35	13,491,405	1,899,069	14.1%	18.0%	22.8%	104,579	(106,168)	(433,814)
Post Oak Park	9	2,617,868	810,471	31.0%	33.5%	37.9%	-	(37,037)	(259,074)
Riverway	0	-	-	-	-	-	-	-	-
Richmond / Fountainview	5	1,885,813	408,974	21.7%	23.6%	25.6%	-	(19,644)	(233,225)
San Felipe / Voss	3	1,720,793	397,299	23.1%	22.2%	31.7%	-	(39,729)	(8,130)
West Loop	60	21,186,516	3,683,447	17.4%	20.3%	25.5%	104,579	(204,460)	(916,392)
Westchase	33	9,958,830	1,637,676	16.4%	23.4%	32.4%	187,011	40,941	(118,260)
TOTAL - Houston	460	142,538,777	21,510,657	15.1%	17.7%	24.5%	2,026,781	(360,218)	(3,036,029)

SOURCE CoStar, Transwestern

NOTE Includes buildings 50,000 SF RBA and greater; does not include buildings under construction or owned by the government

Houston Office Market Indicators - Class B

SUBMARKET	TOTAL BLDGS	INVENTORY	SF AVAILABLE IMMEDIATELY	DIRECT VACANCY Q3 2017	VACANCY W/ SUBLET Q3 2017	TOTAL AVAILABILITY Q3 2017	UNDER CONSTRUCTION	NET ABSORPTION Q3 2017	NET ABSORPTION YTD 2017
Conroe	10	688,859	36,887	5.4%	6.0%	10.4%	-	3,879	53,214
Central Business District	23	9,439,750	2,634,092	27.9%	28.7%	35.1%	-	37,439	(304,898)
Midtown	20	2,955,580	188,485	6.4%	6.5%	10.3%	-	(12,121)	82,461
Downtown	43	12,395,330	2,822,577	22.8%	23.4%	29.2%	-	25,318	(222,437)
FM 1960 / Champions	20	1,630,186	325,905	20.0%	20.1%	24.4%	-	(16,400)	4,939
FM 1960 / Highway 249	18	1,315,795	181,048	13.8%	19.0%	31.3%	-	(29,458)	(34,032)
FM 1960 / I-45 North	11	968,736	256,253	26.5%	27.1%	35.9%	-	(48,238)	(14,923)
FM 1960	49	3,914,717	763,206	19.5%	21.4%	29.6%	-	(94,096)	(44,016)
Greenway Plaza	26	3,598,525	370,629	10.3%	10.8%	12.6%	-	(20,540)	(87,063)
Gulf Freeway / Pasadena	27	2,179,493	203,993	9.4%	9.4%	16.9%	-	3,951	17,539
Katy Far West	11	1,275,188	2,223	0.2%	0.2%	0.7%	-	-	17,033
Katy Freeway East	26	2,879,196	284,287	9.9%	10.6%	17.4%	-	(26,811)	(33,943)
Katy Freeway West	66	7,640,290	1,631,426	21.4%	21.8%	30.1%	-	(85,419)	(249,302)
Katy Fwy / Energy Corridor	92	10,519,486	1,915,713	18.2%	18.7%	26.6%	-	(112,230)	(283,245)
Kingwood / Humble	9	1,090,077	22,724	2.1%	2.1%	2.1%	-	4,570	1,247
NASA / Clear Lake	37	3,532,220	904,335	25.6%	25.6%	28.1%	-	13,089	(12,375)
North District / IAH	10	1,343,858	203,712	15.2%	15.2%	18.9%	-	(3,689)	(10,972)
North District / North Belt W	46	4,831,938	1,853,094	38.4%	39.0%	47.4%	-	(193,747)	(279,975)
North District / North Belt	56	6,175,796	2,056,806	33.3%	33.8%	41.2%	-	(197,436)	(290,947)
Northeast*	6	554,309	47,734	8.6%	8.6%	12.2%	115,601	-	14,404
North Loop West	21	2,596,620	317,893	12.2%	12.3%	16.8%	-	(8,437)	(11,009)
Northwest Near	23	2,294,586	413,530	18.0%	18.0%	25.8%	-	40,918	46,658
Northwest Far	9	873,086	28,959	3.3%	3.6%	5.1%	-	1,153	(10,968)
Northwest	53	5,764,292	760,382	13.2%	13.2%	18.6%	-	33,634	24,681
South Main / Medical Center	19	4,025,606	409,601	10.2%	10.2%	11.5%	-	830	25,493
E Fort Bend Co / Sugar Land	25	2,343,177	180,077	7.7%	8.3%	18.3%	93,000	(2,076)	21,337
Southwest Beltway 8	33	4,622,364	709,681	15.4%	15.5%	24.7%	60,000	53,262	18,312
Southwest / Hillcroft	19	1,794,770	315,337	17.6%	17.7%	20.9%	-	7,281	(21,376)
Southwest Fwy / Sugar Land	77	8,760,311	1,205,095	13.8%	14.0%	22.2%	153,000	58,467	18,273
The Woodlands	50	4,451,730	389,384	8.7%	9.0%	13.3%	-	39,551	(11,901)
West Belt	14	1,302,625	151,303	11.6%	17.4%	42.4%	-	-	45,279
Bellaire	16	2,448,714	227,568	9.3%	9.4%	11.9%	-	(73,461)	(68,127)
Galleria	22	3,266,742	367,872	11.3%	11.6%	15.7%	-	(22,148)	(7,603)
Post Oak Park	16	1,803,120	215,312	11.9%	11.9%	17.3%	-	(39,960)	(30,931)
Riverway	7	570,270	147,558	25.9%	25.9%	12.9%	-	(969)	14,608
Richmond / Fountainview	9	870,153	183,011	21.0%	21.3%	24.6%	-	(534)	(31,725)
San Felipe / Voss	30	3,339,364	519,869	15.6%	15.8%	20.8%	-	(34,699)	(83,588)
West Loop	100	12,298,363	1,661,190	13.5%	13.7%	17.0%	-	(171,771)	(207,366)
Westchase	52	7,132,965	1,204,713	16.9%	17.5%	25.7%	-	14,427	(15,299)
TOTAL - Houston	731	89,659,892	14,928,495	16.7%	17.1%	23.0%	268,601	(398,357)	(957,486)

SOURCE CoStar, Transwestern

NOTE Includes buildings 50,000 SF RBA and greater; does not include buildings under construction or owned by the government

Houston Office Market Indicators - Asking Rental Rates

SUBMARKET	Q3 2016 CLASS A	Q3 2016 CLASS B	% CHANGE Y-O-Y CLASS A	% CHANGE Y-O-Y CLASS B	Q2 2017 CLASS A	Q2 2017 CLASS B	% CHANGE OVER QUARTER CLASS A	% CHANGE OVER QUARTER CLASS B	Q3 2017 CLASS A	Q3 2017 CLASS B
Conroe	\$31.05	\$24.50	0.0%	-6.4%	\$31.05	\$22.87	0.0%	0.2%	\$31.05	\$22.92
Central Business District	\$45.53	\$31.29	-2.6%	-5.5%	\$44.39	\$30.75	-0.1%	-3.8%	\$44.35	\$29.58
Midtown	\$34.47	\$33.08	0.1%	4.4%	\$34.49	\$35.36	0.0%	-2.3%	\$34.49	\$34.54
Downtown	\$44.72	\$31.59	-2.8%	-4.2%	\$43.53	\$31.39	-0.1%	-3.6%	\$43.47	\$30.26
FM 1960 / Champions	-	\$14.00	-	0.3%	-	\$13.75	-	2.1%	-	\$14.04
FM 1960 / Highway 249	\$27.59	\$21.62	1.3%	-9.9%	\$27.93	\$19.90	0.1%	-2.1%	\$27.94	\$19.48
FM 1960 / I-45 North	\$23.69	\$17.67	5.5%	2.3%	\$24.12	\$18.17	3.6%	-0.6%	\$25.00	\$18.07
FM 1960	\$26.93	\$17.31	1.9%	-1.7%	\$27.13	\$17.00	1.2%	0.1%	\$27.44	\$17.01
Greenway Plaza	\$36.81	\$25.97	1.9%	3.6%	\$36.97	\$26.43	1.5%	1.8%	\$37.50	\$26.91
Gulf Freeway/Pasadena	-	\$21.21	-	2.9%	-	\$21.72	-	0.5%	-	\$21.82
Katy Far West	-	-	-	-	\$27.17	-	-1.2%	-	\$26.85	-
Katy Freeway East	\$42.90	\$27.57	4.9%	1.8%	\$43.67	\$27.54	3.1%	1.9%	\$45.00	\$28.06
Katy Freeway West	\$39.43	\$23.30	-6.0%	4.4%	\$36.30	\$25.34	2.0%	-4.0%	\$37.05	\$24.32
Katy Frwy / Energy Corridor	\$39.75	\$23.97	-4.8%	3.7%	\$36.81	\$25.65	2.8%	-3.2%	\$37.85	\$24.84
Kingwood / Humble	\$30.94	\$18.75	3.2%	8.6%	\$31.94	\$23.07	0.0%	-11.8%	\$31.94	\$20.36
NASA / Clear Lake	\$24.59	\$19.33	2.9%	-5.8%	\$25.23	\$17.95	0.3%	1.5%	\$25.29	\$18.22
North District / IAH	\$22.71	\$16.86	1.7%	-9.4%	\$21.91	\$16.23	5.4%	-5.9%	\$23.09	\$15.27
North District / North Belt W	\$26.03	\$16.58	-2.5%	-1.0%	\$25.48	\$16.62	-0.4%	-1.3%	\$25.37	\$16.41
North District / North Belt	\$25.44	\$16.61	-2.0%	-1.9%	\$24.79	\$16.58	0.6%	-1.7%	\$24.93	\$16.29
Northeast	-	\$22.71	-	0.0%	-	\$22.71	-	0.0%	-	\$22.71
North Loop West	\$26.21	\$22.22	2.4%	-1.7%	\$26.55	\$22.08	1.1%	-1.1%	\$26.84	\$21.84
Northwest Near	\$19.39	\$16.99	0.5%	-10.3%	\$18.92	\$14.80	3.0%	3.0%	\$19.48	\$15.25
Northwest Far	-	\$18.50	-	5.1%	-	\$19.49	-	-0.2%	-	\$19.45
Northwest	\$22.94	\$19.46	1.8%	-8.4%	\$22.91	\$17.70	1.9%	0.7%	\$23.34	\$17.82
South Main / Medical Center	\$32.09	\$26.74	6.8%	4.2%	\$33.86	\$27.80	1.2%	0.2%	\$34.27	\$27.87
E Fort Bend Co / Sugar Land	\$30.14	\$23.10	3.1%	-3.1%	\$31.31	\$21.88	-0.8%	2.4%	\$31.06	\$22.40
Southwest Beltway 8	-	\$15.37	-	23.9%	\$20.20	\$18.76	-0.1%	1.6%	\$20.18	\$19.05
Southwest / Hillcroft	\$19.50	-	0.4%	-	\$19.57	\$17.41	0.1%	-0.8%	\$19.58	\$17.27
Southwest Fwy / Sugar Land	\$27.30	\$21.16	-12.8%	-9.7%	\$23.66	\$18.88	0.6%	1.2%	\$23.80	\$19.10
The Woodlands	\$36.35	\$22.80	1.3%	8.6%	\$36.70	\$24.91	0.3%	-0.7%	\$36.82	\$24.75
West Belt	\$27.12	\$16.68	20.1%	31.0%	\$32.28	\$24.18	0.9%	-9.6%	\$32.58	\$21.86
Bellaire	\$27.70	\$23.63	-0.1%	-0.3%	\$27.79	\$23.29	-0.4%	1.2%	\$27.67	\$23.56
Galleria / Uptown	\$38.81	\$25.60	0.1%	10.7%	\$38.77	\$28.59	0.2%	-0.9%	\$38.83	\$28.35
Post Oak Park	\$39.59	\$27.96	-5.0%	-5.8%	\$37.95	\$26.51	-0.9%	-0.7%	\$37.61	\$26.33
Riverway	-	\$17.72	-	11.2%	-	\$18.28	-	7.8%	-	\$19.70
Richmond / Fountainview	\$34.74	\$26.02	-4.7%	-2.8%	\$33.25	\$25.36	-0.4%	-0.2%	\$33.10	\$25.30
San Felipe / Voss	\$36.21	\$25.25	0.8%	-0.1%	\$36.54	\$25.10	-0.1%	0.5%	\$36.50	\$25.22
West Loop	\$37.44	\$24.85	-0.9%	2.9%	\$37.14	\$25.20	-0.1%	1.4%	\$37.10	\$25.56
Westchase	\$36.68	\$20.06	0.3%	-3.7%	\$36.93	\$19.43	-0.4%	-0.6%	\$36.79	\$19.32
TOTAL - Houston	\$36.95	\$22.56	-3.0%	-2.6%	\$35.63	\$22.24	0.6%	-1.2%	\$35.83	\$21.97

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METHODOLOGY

The information in this report is the result of a compilation of information on office, industrial, retail, multifamily and healthcare properties located in the Houston metropolitan area. This report includes single-tenant, multi-tenant and owner-user properties and excludes properties owned and occupied by a government agency.

