

HOUSTON OFFICE MARKET

YEAR-END 2017

Office Market Signals Recovery

The Rise of Co-Working in Houston

OVERVIEW

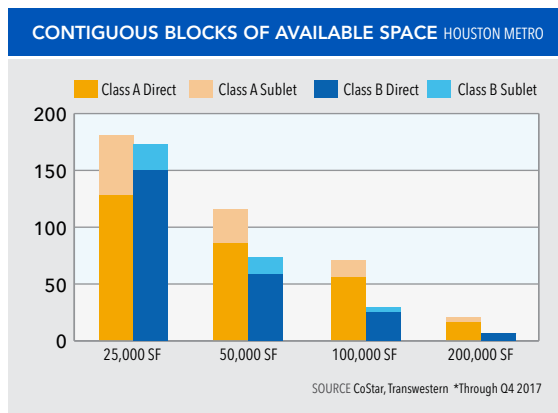
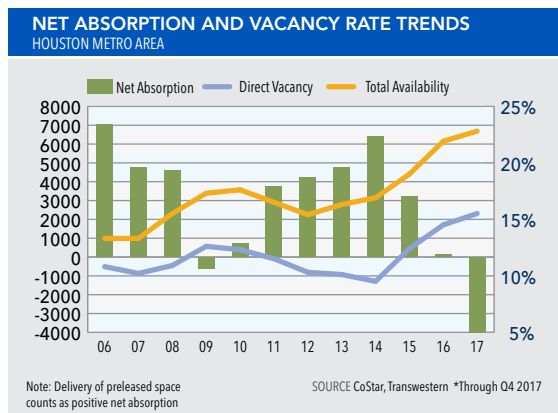
Availability Continues to Decline as Co-Working Rises

The Houston office market ended 2017 on a strong note, as total availability declined for the second straight quarter, the investment market remained hot, and WTI crude prices settled above \$60 per barrel. Despite absorption remaining negative for the fourth quarter, citywide availability declined by 0.5%, ending the year at 22.8%. This change was largely attributable to the reduction in sublease supply (-900k square feet) as tenants Motiva (Saudi Aramco), Stewart Title, Empyrean Benefits Solutions, and several others opted for sublease alternatives. At the end of the year, sublease space totaled 8.9 M SF with 1.3 M SF set to expire over the next 12 months. Late year activity also saw the rise of co-working space throughout the market. Several providers such as WeWork, Spaces, The Cannon and The Work Lodge announced or opened locations, pushing co-working space totals past 500k SF with both urban and suburban alternatives. The quick expansion of co-working space has both providers and landlords taking notice. In December, Brookfield Properties and Onex made an indicative proposal on IGW, the holding company of Regus and Spaces, as Brookfield Asset Management looks to gain a foothold in the co-working market. Additionally, Servcorp, announced that they will pivot into a co-working strategy in order to capitalize on the trend.

NET ABSORPTION

Quarterly Absorption Flat After Down Year

Cumulative annual absorption totals of negative 3.9 million square feet highlight the delayed impacts of the energy downturn. However, the



Notable Q4 Leases

TENANT	SF	LEASE TYPE	BUILDING	SUBMARKET
Motiva (Saudi Aramco)	173,000	Sublease	Two Allen Center	CBD
Stewart Title	156,151	Sublease	1360 Post Oak	Galleria/Uptown
Empyrean Benefits*	106,904	Sublease	3010 Briarpark Dr	Westchase
Talos Energy	98,000	Relocation/Expansion	Three Allen Center	CBD
TransCanada	82,916	Expansion	Bank of America Center	CBD

* Empyrean leveraged sublease alternative with minimal remaining term to execute direct deal.

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fourth quarter saw negative absorption of only 51,628 SF. This represents a marked improvement over the recent quarter totals of -2.1M SF (1Q 2017), -1.1 M SF (2Q 2017), and -0.6 M SF (3Q 2017). Class A absorption for the fourth quarter totaled -86,067 SF, bringing the 2017 annual absorption for the property class to -3.1 M SF. Class B absorption for the fourth quarter was positive 82,959 SF with Class B annual absorption totaling negative 791,000 SF.

DIRECT VACANCY & TOTAL AVAILABILITY

Total Availability Declines, Vacancy Increases

The overall office availability rate (all space marketed as available for lease, both direct and sublet) decreased 0.5% over the quarter, ending the year at 22.8%. The fourth quarter saw several tenants (Stewart Title, Empyrean Benefits Solutions and Saudi Aramco) opt to leverage sublease alternatives. In total, sublease supply decreased by 894,000 SF over the quarter. Class A availability finished the year at 24.0%, down by 0.4% over the quarter. Class B availability decreased by 0.7% over the period, ending the year at 22.2%.

While decreases in sublease space triggered declines in availability, vacancy continued to rise over the quarter. Overall direct vacancy ended 2017 at 15.5%, increasing by 1.7% year-over-year. Class A direct vacancy ended the year at 15.2%, up 2.1% annually and 0.1% over the quarter. Class B direct vacancy increased by 1.1% year-over-year, ending 2017 at 16.7%. With 1.3 million SF of sublease space set to expire over the next 12 months, direct vacancy is anticipated to continue increasing through the first half of 2018. This is especially pronounced in the North Houston District where 868,845 SF is set to expire by end of year 2018.

RENTAL RATES

Asking Rates Level Off

Overall asking rates for the Houston metro area decreased marginally over the quarter, finishing 2017 at \$30.59 PSF full service. Class A rates declined by 1.9% over the year, closing at \$35.83 PSF full service, while Class B asking rates declined by 4.0%, ending at \$21.78 PSF full service. Though there are signs of improvement, the market remains firmly in the tenants favor with credit grade tenants able to attain generous concession packages. The submarkets with the highest gross asking rents are the Central Business District (Class A - \$45.17 PSF), the Katy Fwy East (Class A, \$42.41 PSF), and Galleria/Uptown (Class A - \$39.26 PSF).

SUPPLY AND DEVELOPMENT

Construction Pipeline

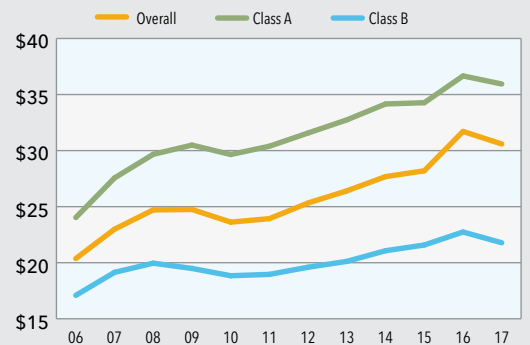
After the delivery of 33.0M SF over the past seven years, construction activity has slowed greatly. Considering the number of large blocks and total space available for lease, developers are wary of additional speculative construction. Still, as tenants strive to retain talent and attain efficiency both in their space footprint as well as their operating expenses, the potential for additional construction tethered to a lead tenant or build-to-suit remains in play. At year end, the Houston area

Total Available Space

Houston Metro | Q4 2017

SUBMARKET	SUBLEASE SPACE (SF)	% OF SUPPLY	% TOTAL AVAILABLE
CBD	2,067,450	4.7%	18.4%
Katy Fwy West	1,924,169	7.2%	26.3%
Westchase	1,445,315	8.2%	28.0%
West Loop	932,700	2.7%	12.8%
N Houston District	905,617	7.0%	14.2%
All of Houston	8,935,719	3.7%	16.2%

AVERAGE OFFICE RENTS HOUSTON METRO AREA



Note: All classes of office space SOURCE CoStar, Transwestern *Through Q4 2017

Office Under Construction

Houston Metro | Q4 2017

SUBMARKET	NUMBER OF BLDGS	SF	% PRE-LEASED
CBD	1	778,344	32%
Woodlands	3	704,800	97%
South	2	300,000	7%
West Loop	1	104,579	70%
Kingwood	1	100,000	0%
FM 1960	1	73,000	100%
Katy	1	72,045	51%
Total	7	2,032,768	67%



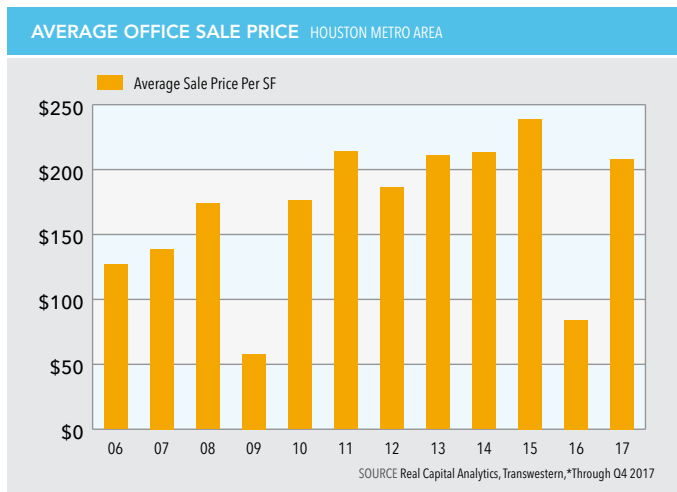
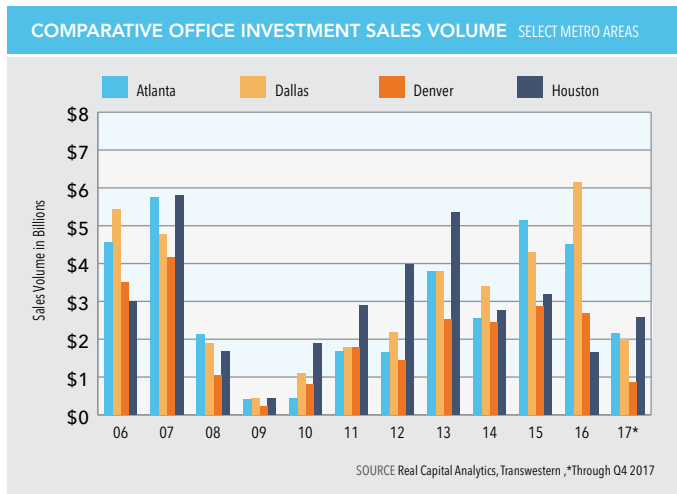
construction pipeline totaled 2.1 M SF with 33.0% available for lease. Houston's largest office developments currently under construction are Capitol Tower (CBD, 778,000 SF - 27% leased to Bank of America), CityPlace 2 (The Woodlands, 326,000 SF - 100% Leased to ABS) and HP's Build-to-Suit Campus (The Woodlands, two-189,000 SF buildings). Notable fourth quarter deliveries include The Kirby Collection, a mixed-use project with a significant office component (Greenway Plaza, 188,547 SF, 21% leased) and Members Choice Credit Union (Katy Fwy West, 86,265 SF, 62% leased).

INVESTMENT MARKET

Investments Rebound Sharply Over 2017

Houston investment activity rebounded sharply in 2017, as annual sales totaled \$3.8 billion, marking the highest total since registering \$4.6 billion in 2013. Regardless of elevated vacancy figures, the strength in the underlying fundamentals of the market have investors buying into Houston's future. Of particular interest to investors are well located urban infill properties with upside available through renovation and lobby/service activation. Notable properties that traded over the course of 2017 include Greenway Plaza (4.9 M SF, \$210 PSF), Houston Center (4.2 M SF, \$218 PSF) and Greenspoint Place (2.0 M SF, undisclosed).

Sales for the quarter totaled \$1.3 billion, bolstered by the closing of Houston Center, as Brookfield Properties officially acquired the 4.2 M SF Class A property portfolio for \$875 million. The fourth quarter saw another iconic property trade hands, as M-M Properties and Baupost Group were reported as having acquired Marathon Oil Tower, a 41-story 1.2 M SF Class A office building for \$175.0 M from CBRE Global Investors. These figures represent assets for which pricing information could be obtained.



Notable Q4 Transactions

BUILDING	SUBMARKET	SF	SALE PRICE	SELLER	BUYER
Marathon Oil Tower	Galleria/Uptown	1,197,300	\$175.0 million	CBRE Global Investors	M-M Properties/Baupost Group
Westchase Park Plaza	Westchase	232,108	\$24.0 million	Parmenter Realty Partners	Hertz Group
Nitya Tower (FKA Norfolk Tower)	Greenway Plaza	207,562	Undisclosed	TA Realty	Nitya
5757 Woodway	San Felipe/Voss	162,888	Undisclosed	Fuller Realty	Braun Enterprises/ Harbert Mgmt

SOURCE Real Capital Analytics, HFF, Transwestern

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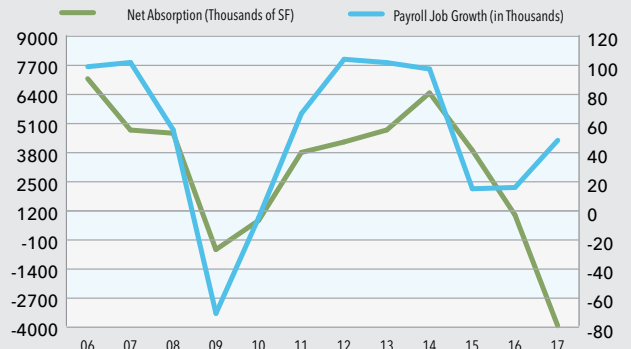
OUTLOOK

A Return To Normal or More of the Same in 2018?

After suffering through the worst of the effects of the energy downturn, the Houston office market appears poised to begin a tangible recovery in 2018 as WTI prices have settled over \$60 per barrel, more favorable corporate tax rates are set to kick in and a strong national economy has consumer confidence near 20-yr highs. Diversification in industries such as healthcare, petrochemical, distribution and retail/hospitality have helped offset many of the jobs lost through the energy downturn; however, there is little doubt that the market needs a return to form for energy or the emergence to help alleviate the vacant and available supply. As such, the late year surge in crude prices is especially notable. Still, job growth in the sector will require prices to maintain in the \$60's for the balance of 2018.

Considering current market conditions, overall market activity is projected to remain light over the first half of 2018 with the second quarter seeing direct vacancy crest. Tangible improvement should begin in the second half of 2018, as job growth stimulates absorption. All core metrics are forecast to improve, with availability and vacancy decreasing, while absorption returns to positive absorption. Additionally, the quick rise of co-working should continue to benefit landlords (in the short-run) as their demand for space increases co-working market totals significantly and helps to reduce direct available supply. With all signs pointing up, the only headwinds remaining for the Houston office market center around the energy sector and the highly unpredictable nature of crude prices.

OFFICE ABSORPTION AND EMPLOYMENT HOUSTON METRO AREA



*12-month job growth through Nov 2017, net absorption YTD through Q4 2017

SOURCE Bureau of Labor Statistics, Transwestern

Multi-tenant market vs Transwestern comprehensive market coverage

	MULTI-TENANT	ENTIRE MARKET
Inventory	200.4 MSF	241.8 MSF
Overall Vacancy	20.7%	17.0%
2017 Net Absorption	(2,035,970) SF	(3,990,948) 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 Q4 2017	VACANCY W/ SUBLET Q4 2017	TOTAL AVAILABILITY Q4 2017	UNDER CONSTRUCTION	NET ABSORPTION Q4 2017	NET ABSORPTION YTD 2017
Conroe	13	920,281	46,047	5.0%	5.5%	10.9%		3,851	53,302
Central Business District	62	43,786,269	7,045,527	16.1%	18.2%	25.6%	778,344	(32,095)	(1,497,427)
Midtown	32	5,664,375	596,439	10.5%	11.0%	15.2%	-	43,141	95,984
Downtown	94	49,450,644	7,641,966	15.5%	17.3%	24.5%	778,344	11,046	(1,401,443)
FM 1960 / Champions	23	1,900,382	311,155	16.4%	16.4%	19.3%	-	24,690	26,029
FM 1960 / Highway 249	37	5,148,719	506,126	9.8%	10.1%	14.8%	-	(22,272)	(31,811)
FM 1960 / I-45 North	15	1,325,458	359,898	27.2%	27.4%	33.8%	-	2,096	(33,870)
FM 1960	75	8,374,559	1,177,179	14.1%	14.3%	18.8%	-	4,514	(39,652)
Greenway Plaza	48	11,095,766	1,435,116	12.9%	13.4%	19.2%	188,547	(21,878)	(132,883)
Gulf Freeway/Pasadena	33	2,642,527	406,870	15.4%	15.4%	19.8%	-	2,337	18,561
Katy Far West	27	3,022,554	355,537	11.8%	12.2%	16.3%	72,045	72,527	210,342
Katy Freeway East	59	9,593,191	835,819	8.7%	9.5%	15.1%	-	108,144	(28,725)
Katy Freeway West	141	26,653,982	4,371,900	16.4%	18.9%	27.5%	86,255	68,590	(506,214)
Katy Frwy / Energy Corridor	200	36,247,173	5,207,719	14.4%	16.4%	24.2%	86,255	176,734	(534,939)
Kingwood / Humble*	11	1,234,389	36,734	3.0%	3.0%	11.1%	-	(6,544)	(3,370)
NASA / Clear Lake	53	5,612,060	1,081,246	19.3%	19.6%	22.4%	-	(75,664)	(105,105)
North District / IAH	20	2,759,860	758,398	27.5%	27.9%	29.7%	-	8,687	(168,035)
North District / North Belt W	75	10,164,618	4,374,339	43.0%	45.8%	54.5%	-	(191,752)	(539,042)
North District / North Belt	95	12,924,478	5,132,737	39.7%	41.9%	49.2%	-	(183,065)	(707,077)
Northeast	11	1,370,813	66,715	4.9%	4.9%	8.7%	115,601	134,053	111,024
North Loop West	29	3,925,538	635,231	16.2%	16.2%	25.6%	-	8,644	(30,745)
Northwest Near	10	1,041,250	37,983	3.6%	3.6%	3.9%	-	(9,024)	(19,992)
Northwest Far	30	3,339,250	788,209	23.6%	23.9%	26.2%	-	(48,433)	7,734
Northwest	69	8,306,038	1,461,423	17.6%	17.7%	23.1%	-	(48,813)	(43,003)
South Main / Medical Center	47	10,360,561	643,463	6.2%	6.3%	5.4%	-	(26,907)	(20,467)
E Fort Bend Co / Sugar Land	45	6,097,508	408,316	6.7%	7.9%	11.9%	187,200	49,518	20,664
Southwest Beltway 8	41	5,513,131	875,917	15.9%	16.0%	22.0%	60,000	(61,484)	(75,884)
Southwest / Hillcroft	36	4,321,807	781,234	18.1%	18.4%	21.8%	-	(97,368)	(135,444)
Southwest Fwy / Sugar Land	122	15,932,446	2,065,467	13.0%	13.5%	18.1%	247,200	(109,334)	(190,664)
The Woodlands	96	16,520,878	1,518,816	9.2%	9.6%	11.3%	515,800	90,461	45,806
West Belt	37	5,398,069	739,318	13.7%	19.5%	32.5%	-	55,489	130,767
Bellaire	28	4,298,130	415,853	9.7%	10.0%	14.2%	-	13,353	(40,033)
Galleria / Uptown	58	16,760,379	2,226,099	13.3%	15.9%	20.0%	104,579	(32,718)	(474,135)
Post Oak Park	27	4,581,030	1,081,758	23.6%	26.0%	31.3%	-	(55,975)	(345,980)
Richmond / Fountainview	11	829,982	140,424	16.9%	16.9%	9.2%	-	16,778	45,748
Riverway	16	2,868,522	586,689	20.5%	21.4%	23.6%	-	8,196	(248,593)
San Felipe / Voss	33	5,060,157	904,582	17.9%	18.3%	23.1%	-	12,586	(79,132)
West Loop	173	34,398,200	5,355,405	15.6%	17.3%	21.3%	104,579	(37,780)	(1,142,125)
Westchase	89	17,588,552	3,004,925	17.1%	20.4%	29.3%	187,011	(92,655)	(240,022)
TOTAL - Houston	1,293	241,399,988	37,376,683	15.5%	17.0%	22.8%	2,295,382	(51,628)	(3,990,948)

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

YEAR-END 2017

Houston Office Market Indicators - Class A

SUBMARKET	TOTAL BLDGS	INVENTORY	SF AVAILABLE IMMEDIATELY	DIRECT VACANCY Q4 2017	VACANCY W/ SUBLET Q4 2017	TOTAL AVAILABILITY Q4 2017	UNDER CONSTRUCTION	NET ABSORPTION Q4 2017	NET ABSORPTION YTD 2017
Conroe	2	128,832	13,011	10.1%	10.1%	14.3%	-		(3,763)
Central Business District	37	34,126,465	4,408,722	12.9%	15.3%	23.1%	778,344	(52,539)	(1,204,462)
Midtown	8	2,486,094	374,119	15.0%	15.9%	22.7%	-	20,663	(2,642)
Downtown	45	36,612,559	4,782,841	13.1%	15.4%	23.1%	778,344	(31,876)	(1,207,104)
FM 1960 / Champions	1	150,000	0	0.0%	0.0%	0.0%	-		
FM 1960 / Highway 249	17	3,729,412	304,377	8.2%	8.3%	10.5%	-	(8,063)	4,642
FM 1960 / I-45 North	2	206,705	54,512	26.4%	26.4%	26.4%	-		(25,387)
FM 1960	20	4,086,117	358,889	8.8%	8.9%	10.9%	-	(8,063)	(20,745)
Greenway Plaza	20	7,356,944	1,040,932	14.1%	14.7%	22.6%	188,547	(49,011)	(71,427)
Gulf Freeway/Pasadena							-		
Katy Far West	15	1,628,104	353,314	21.7%	22.6%	29.7%	72,045	72,527	193,309
Katy Freeway East	24	5,761,894	622,842	10.8%	11.8%	17.7%	-	34,175	(93,761)
Katy Freeway West	72	18,772,178	2,836,562	15.1%	18.5%	27.5%	86,255	18,490	(272,395)
Katy Frwy / Energy Corridor	96	24,534,072	3,459,404	14.1%	16.9%	25.2%	86,255	52,665	(366,156)
Kingwood / Humble	2	144,312	9,393	6.5%	6.5%	6.5%	-	(1,927)	
NASA / Clear Lake	15	2,028,136	123,135	6.1%	6.9%	11.4%	-	(20,574)	(37,640)
North District / IAH	8	1,213,677	560,229	46.2%	46.2%	47.7%	-	3,144	(162,606)
North District / North Belt W	17	4,334,810	2,306,830	53.2%	58.8%	68.9%	-	(93,801)	(241,865)
North District / North Belt	25	5,548,487	2,867,059	51.7%	56.0%	64.2%	-	(90,657)	(404,471)
Northeast	3	640,700	16,757	2.6%	2.6%	2.6%	-	15,708	(16,757)
North Loop West	6	1,240,544	281,966	22.7%	22.7%	45.1%	-	73,260	44,624
Northwest Near	1	237,384	0	0.0%	0.0%	0.0%	-	0	
Northwest Far	4	797,237	326,833	41.0%	41.5%	45.2%	-	(587)	8,922
Northwest	11	2,275,165	608,799	26.8%	26.9%	40.4%	-	72,673	53,546
South Main / Medical Center	16	4,810,992	199,524	4.1%	4.3%	7.0%	-	(19,979)	(35,724)
E Fort Bend Co / Sugar Land	20	3,773,331	262,355	7.0%	7.9%	11.1%	94,200	15,402	(34,789)
Southwest Beltway 8	3	566,699	104,819	18.5%	18.5%	18.5%	-	(21,864)	(56,219)
Southwest / Hillcroft	6	1,487,219	323,413	21.7%	22.5%	29.0%	-	(59,216)	(94,964)
Southwest Fwy / Sugar Land	29	5,827,249	690,587	11.9%	12.6%	16.4%	94,200	(65,678)	(185,972)
The Woodlands	44	11,788,463	1,127,756	9.6%	10.0%	11.2%	704,800	92,137	59,383
West Belt	23	4,095,444	589,143	14.4%	20.2%	31.5%	-	54,361	84,360
Bellaire	8	1,470,637	172,271	11.7%	12.4%	19.8%	-	(4,637)	13,214
Galleria / Uptown	35	13,417,845	1,873,326	14.0%	17.1%	21.2%	104,579	(47,817)	(481,631)
Post Oak Park	9	2,617,868	812,528	31.0%	35.2%	40.1%	-	(2,057)	(261,131)
Richmond / Fountainview							-		
Riverway	5	1,885,813	422,371	22.4%	23.8%	25.3%	-	(13,397)	(246,622)
San Felipe / Voss	3	1,720,793	380,589	22.1%	22.1%	28.6%	-	16,710	8,580
West Loop	60	21,112,956	3,661,085	17.3%	20.0%	24.4%	104,579	(51,198)	(967,590)
Westchase	33	9,961,734	1,783,408	17.9%	23.5%	32.4%	187,011	(107,175)	(225,435)
TOTAL - Houston	459	142,580,266	21,685,037	15.2%	17.5%	24.0%	2,026,781	(86,067)	(3,152,186)

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 Q4 2017	VACANCY W/ SUBLET Q4 2017	TOTAL AVAILABILITY Q4 2017	UNDER CONSTRUCTION	NET ABSORPTION Q4 2017	NET ABSORPTION YTD 2017
Conroe	10	688,859	33,036	4.8%	5.5%	11.8%	-	3,851	57,065
Central Business District	23	9,439,750	2,613,648	27.7%	28.6%	35.2%	-	20,444	(284,454)
Midtown	20	2,955,580	166,007	5.6%	5.8%	8.2%	-	22,478	104,939
Downtown	43	12,395,330	2,779,655	22.4%	23.1%	28.8%	-	42,922	(179,515)
FM 1960 / Champions	20	1,630,186	301,215	18.5%	18.5%	21.9%	-	24,690	29,629
FM 1960 / Highway 249	18	1,315,795	198,049	15.1%	15.5%	27.1%	-	(17,001)	(51,033)
FM 1960 / I-45 North	11	968,736	254,157	26.2%	26.6%	35.4%	-	2,096	(12,827)
FM 1960	49	3,914,717	753,421	19.2%	19.5%	27.0%	-	9,785	(34,231)
Greenway Plaza	26	3,598,525	346,783	9.6%	9.9%	11.7%	-	23,846	(63,217)
Gulf Freeway/Pasadena	27	2,179,493	325,177	14.9%	14.9%	20.3%	-	(6,828)	10,711
Katy Far West	11	1,275,188	2,223	0.2%	0.2%	0.7%	-	0	17,033
Katy Freeway East	26	2,879,196	193,346	6.7%	7.4%	14.1%	-	90,941	56,998
Katy Freeway West	66	7,640,290	1,528,561	20.0%	20.2%	27.9%	-	50,100	(233,819)
Katy Frwy / Energy Corridor	92	10,519,486	1,721,907	16.4%	16.7%	24.1%	-	141,041	(176,821)
Kingwood / Humble	9	1,090,077	27,341	2.5%	2.5%	11.7%	-	(4,617)	(3,370)
NASA / Clear Lake	37	3,530,906	958,111	27.1%	27.2%	28.9%	-	(55,090)	(67,465)
North District / IAH	11	1,493,858	198,169	13.3%	14.0%	16.2%	-	5,543	(5,429)
North District / North Belt W	46	4,811,988	1,825,573	37.9%	38.6%	47.7%	-	(80,040)	(272,404)
North District / North Belt	57	6,305,846	2,023,742	32.1%	32.8%	40.2%	-	(74,497)	(277,833)
Northeast	6	554,309	44,990	8.1%	8.1%	11.7%	115,601	118,345	132,749
North Loop West	21	2,566,873	348,317	13.6%	13.6%	16.7%	-	(60,171)	(71,180)
Northwest Near	7	623,533	37,983	6.1%	6.1%	6.5%	-	(9,024)	(19,992)
Northwest Far	23	2,294,586	461,376	20.1%	20.3%	22.4%	-	(47,846)	(1,188)
Northwest	51	5,484,992	847,676	15.5%	15.6%	17.9%	-	(117,041)	(92,360)
South Main / Medical Center	19	4,020,231	408,389	10.2%	10.2%	4.5%	-	1,212	26,705
E Fort Bend Co / Sugar Land	24	2,250,177	145,961	6.5%	8.2%	13.6%	-	(60,171)	55,453
Southwest Beltway 8	33	4,588,548	732,065	16.0%	16.1%	23.3%	60,000	(22,384)	(4,072)
Southwest / Hillcroft	19	1,794,770	373,317	20.8%	20.9%	22.0%	-	(24,980)	(16,356)
Southwest Fwy / Sugar Land	76	8,633,495	1,251,343	14.5%	15.0%	20.5%	153,000	(13,248)	35,025
The Woodlands	50	4,451,730	391,060	8.8%	9.3%	12.5%	-	(1,676)	(13,577)
West Belt	14	1,302,625	150,175	11.5%	17.4%	35.7%	-	1,128	46,407
Bellaire	16	2,443,987	212,075	8.7%	8.8%	11.8%	-	10,766	(57,361)
Galleria / Uptown	22	3,266,742	352,773	10.8%	11.1%	15.6%	-	15,099	7,496
Post Oak Park	16	1,803,120	269,230	14.9%	14.9%	21.4%	-	(53,918)	(84,849)
Richmond / Fountainview	7	570,270	135,568	23.8%	23.8%	11.2%	-	11,990	26,598
Riverway	9	870,153	163,518	18.8%	19.1%	23.1%	-	19,493	(12,232)
San Felipe / Voss	30	3,339,364	523,993	15.7%	16.3%	20.2%	-	(4,124)	(87,712)
West Loop	100	12,293,636	1,657,157	13.5%	13.8%	17.3%	-	(694)	(208,060)
Westchase	52	7,132,965	1,190,193	16.7%	17.1%	26.6%	-	14,520	(779)
TOTAL - Houston	729	89,372,410	14,912,379	16.7%	17.1%	22.2%	268,601	82,959	(791,533)

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	Q4 2016 CLASS A	Q4 2016 CLASS B	% CHANGE Y-O-Y CLASS A	% CHANGE Y-O-Y CLASS B	Q3 2017 CLASS A	Q3 2017 CLASS B	% CHANGE OVER QUARTER CLASS A	% CHANGE OVER QUARTER CLASS B	Q4 2017 CLASS A	Q4 2017 CLASS B
Conroe	\$31.05	\$23.53	0.1%	-6.8%	\$31.05	\$22.92	0.1%	-4.4%	\$31.09	\$21.92
Central Business District	\$45.00	\$31.10	0.4%	-3.3%	\$45.16	\$29.58	0.0%	1.7%	\$45.17	\$30.08
Midtown	\$34.31	\$33.44	0.4%	-1.9%	\$34.49	\$33.65	-0.1%	-2.5%	\$34.44	\$32.81
Downtown	\$44.27	\$31.58	0.2%	-3.6%	\$44.29	\$30.18	0.1%	0.8%	\$44.35	\$30.43
FM 1960 / Champions	-	\$13.77	-	4.8%	-	\$14.04	-	2.8%	-	\$14.43
FM 1960 / Highway 249	\$27.84	\$21.74	-0.2%	-11.9%	\$27.94	\$19.48	-0.6%	-1.7%	\$27.78	\$19.15
FM 1960 / I-45 North	\$23.69	\$17.33	5.5%	5.9%	\$25.00	\$18.07	0.0%	1.6%	\$25.00	\$18.36
FM 1960	\$27.09	\$17.39	1.0%	-1.0%	\$27.44	\$17.01	-0.3%	1.3%	\$27.35	\$17.22
Greenway Plaza	\$37.89	\$26.22	-1.9%	3.3%	\$38.12	\$26.92	-2.4%	0.6%	\$37.19	\$27.08
Gulf Freeway/Pasadena	-	\$21.50	-	1.8%	-	\$21.82	-	0.3%	-	\$21.89
Katy Far West	-	-	-	-	\$28.73	-	0.3%	-	\$28.82	-
Katy Freeway East	\$41.92	\$27.20	1.2%	-2.2%	\$42.80	\$28.10	-0.9%	-5.3%	\$42.41	\$26.61
Katy Freeway West	\$39.24	\$23.22	-6.5%	-0.5%	\$36.72	\$23.25	-0.1%	-0.7%	\$36.68	\$23.10
Katy Frwy / Energy Corridor	\$39.49	\$23.85	-4.7%	-1.6%	\$37.83	\$23.93	-0.5%	-1.9%	\$37.64	\$23.46
Kingwood / Humble	\$31.73	\$20.61	0.3%	12.8%	\$31.94	\$20.36	-0.4%	14.2%	\$31.82	\$23.25
NASA / Clear Lake	\$24.80	\$19.58	-1.2%	-6.3%	\$24.50	\$18.24	0.0%	0.6%	\$24.49	\$18.36
North District / IAH	\$22.28	\$16.57	3.8%	-6.4%	\$23.09	\$15.27	0.2%	1.5%	\$23.13	\$15.51
North District / North Belt W	\$25.22	\$16.81	-1.5%	-1.5%	\$25.37	\$16.41	-2.1%	0.9%	\$24.85	\$16.55
North District / North Belt	\$24.67	\$16.79	-0.6%	-2.0%	\$24.93	\$16.29	-1.6%	0.9%	\$24.53	\$16.45
Northeast	-	\$22.71	-	0.0%	-	\$22.71	-	0.0%	-	\$22.71
North Loop West	\$26.17	\$22.77	1.5%	-3.6%	\$26.84	\$21.84	-1.1%	0.4%	\$26.56	\$21.94
Northwest Near	\$19.26	\$15.69	1.5%	-3.1%	\$19.48	\$15.25	0.3%	-0.4%	\$19.54	\$15.19
Northwest Far	-	\$18.38	-	7.3%	-	\$19.71	-	0.1%	-	\$19.72
Northwest	\$22.83	\$18.71	4.4%	-3.9%	\$23.34	\$17.83	2.1%	0.8%	\$23.83	\$17.98
South Main / Medical Center	\$32.34	\$26.99	3.9%	-12.9%	\$34.27	\$27.87	-2.0%	-15.7%	\$33.59	\$23.50
E Fort Bend Co / Sugar Land	\$30.70	\$22.73	2.3%	3.0%	\$31.52	\$22.40	-0.4%	4.5%	\$31.41	\$23.41
Southwest Beltway 8	\$23.83	\$15.92	-12.2%	16.5%	\$21.15	\$18.92	-1.0%	-2.0%	\$20.93	\$18.54
Southwest / Hillcroft	\$19.50	-	1.3%	-	\$19.58	\$17.26	0.9%	-3.1%	\$19.76	\$16.72
Southwest Fwy / Sugar Land	\$27.30	\$20.73	-11.7%	-10.3%	\$24.07	\$19.02	0.1%	-2.2%	\$24.10	\$18.60
The Woodlands	\$36.55	\$23.65	-10.8%	9.5%	\$32.33	\$25.18	0.9%	2.9%	\$32.62	\$25.90
West Belt	\$27.12	\$16.64	19.5%	47.7%	\$32.58	\$21.86	-0.5%	12.4%	\$32.42	\$24.58
Bellaire	\$27.68	\$23.52	0.5%	2.5%	\$27.67	\$23.56	0.5%	2.3%	\$27.81	\$24.12
Galleria / Uptown	\$38.16	\$29.16	2.9%	-1.7%	\$39.14	\$28.35	0.3%	1.1%	\$39.26	\$28.66
Post Oak Park	\$39.70	\$28.43	-7.3%	-7.8%	\$38.75	\$26.33	-5.0%	-0.5%	\$36.79	\$26.20
Richmond / Fountainview	-	\$17.76	-	9.8%	-	\$19.70	-	-0.9%	-	\$19.51
Riverway	\$34.74	\$26.61	-4.6%	-3.6%	\$33.10	\$25.30	0.1%	1.3%	\$33.13	\$25.65
San Felipe / Voss	\$35.90	\$25.70	-0.2%	0.3%	\$36.50	\$25.22	-1.8%	2.3%	\$35.82	\$25.79
West Loop	\$37.13	\$25.92	0.0%	0.3%	\$37.61	\$25.56	-1.3%	1.7%	\$37.12	\$26.00
Westchase	\$36.45	\$20.01	-0.9%	-0.7%	\$36.79	\$19.26	-1.8%	3.2%	\$36.12	\$19.87
TOTAL - Houston	\$36.66	\$22.68	-1.9%	-4.0%	\$36.30	\$21.85	-1.0%	-0.3%	\$35.94	\$21.78

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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.

