Quarterly Market Overview
2014 Third Quarter
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HOUSTON'S COMMERCIAL OUTLOOK SOLID AS JOB GROWTH REMAINS STRONG THROUGH 2014

HOUSTON — (October 21, 2014) — Houston's commercial real estate market stayed solid as job growth remained strong, resulting in positive absorption and unparalleled construction activity, according to quarterly market research compiled by Commercial Gateway, the commercial division of the Houston Association of Realtors.

The third quarter reported office net absorption of more than 1 million square feet, representing the 14th consecutive quarter of positive absorption. The year-to-date absorption total of almost 4.2 million square is more than the 3.5 million square feet recorded for the previous year. As in previous quarters, Class A properties represent the bulk of the growth while Class B and Class C properties show limited absorption. The market activity is clearly tied to job growth, with The Greater Houston Partnership's just-released employment numbers: 119,400 jobs created for the 12 months ending in September for the Houston-Sugar Land-Baytown Metro Area, as provided by the Texas Workforce Commission. This job growth leads all areas within the state.

Nine new buildings were delivered during the third quarter at a combined 68.8% leased. The largest were Westgate III, a 225,885-square-foot building that Mustang Engineering preleased entirely and Greenhouse Office Park Phase I, a 203,149-square-foot building with 135,000 square feet preleased to UBS. The nine buildings accounted for more than 700,000 square feet of absorption including Jacobs Engineering's 81,181-square-foot move into its new namesake building at 12140 Wickchester in the Energy Corridor and Devon Energy's 64,000 square feet in the newly completed Wildwood Corporate Center in The Woodlands.

Other major single-tenant move-ins during the third quarter in The Woodlands include Repsol's 200,000 square feet in its built-to-suit Research Forest Building, which was completed last quarter, and Kiewit Energy, who ended up taking the entire 95,078-square-foot building at 3831 Technology Forest. CGG Veritas also occupied its new expansion building of 106,992 square feet in Westchase.

Construction starts continued, but at a slower pace. Overall, the Houston under-construction office market boasts 43 properties with 64 buildings totaling almost 17 million square feet. Collectively, the buildings are 61% preleased, with 34 buildings classified as multi-tenant. The multi-tenant properties represent about 9.1 million square feet or 53% of the under-construction total and are about 30% leased.

The largest project under construction remains ExxonMobil's 3 million-square-foot campus, although employees are starting to relocate there. Phillips 66's 1.1 million-square-foot campus in the Westchase area is the second largest project underway. The largest spec building under construction with the largest availability remains Hines' 609 Main at Texas building with1.05 million square feet.

New spec starts this quarter with no preleasing included Energy Center Five, a 594,000-square-foot building; West Memorial Place II, a 382,000-square-foot sequel, both in the Energy Corridor; and Grandway West Building I, the first of five buildings with 86,800 square feet. The 56-acre Grandway West project, a joint venture between InSite Realty Inc. and Urban Construction Southwest Inc. will total 780,000 square feet when complete. Numerous projects concentrated in the north markets and Central Business District (CBD) have announced upcoming dates to break ground.

The current 11.0% vacancy rate is a slight increase from the 10.9% vacancy recorded last quarter, but still slightly better than the same quarter a year ago. Class A space overall is at 7.9%, with the Energy Corridor showing a Class A vacancy of 2.6% and a submarket average of 4.7%, the lowest of all submarkets. Eight of the 13 submarkets are recording single-digit vacancies in Class A space, with four of the 13 boasting single-digit vacancies overall.

Rental rate increases are becoming more modest overall, the overall averaged weighted rental rate of $24.97 representing a 3.4% increase during the past year. Class A rates, now at $32.57 citywide and at $38.35 in the CBD, have experienced the largest increases as supply tightens. Most properties are quoting net rates, with operating expenses rising as property values continue their upward trend. With few signs that the area's economy will be hitting any major roadblocks in the near future, rental rates will continue on the upswing but perhaps more modestly in all but the premier projects.

Overall sublease space took a small dip from last quarter to just over 3 million square feet this quarter compared to 2.3 million square feet a year ago, which represents a 32.3%

increase during the 12-month period. Sublease space has seen gradual increases over the last two years as tenants expanding opt to pay more and move into brand new office space.

Commercial Gateway Member/Broker Comments on the Houston Office Market:

Mario A. Arriaga, First Group "The Houston area's commercial real estate market continues to experience unprecedented growth due to gains in both employment and population. The energy sector is at the forefront, with ExxonMobil and Phillips 66 leading the way with their massive headquarters' expansions coupled with the smaller, but just as significant developments by other firms grappling with the need to increase their production to keep pace with the area's growth.

"In my specific area, north of the city, it is important to note not just commercial and residential growth but also transportation issues being addressed. Once the Grand Parkway is completed from Highway 290 to Highway 59 North, areas previously not on anyone's radar will become feasible locations for various types of development. And as the real estate activity is expected to increase and develop northward, other sectors of the city will counter with competitive offers to firms looking to relocate.

"With so much space currently in the pipeline, we will begin to see a stabilization regarding rental rates and expenses as more of the new construction comes on line. But due to the strong economic picture, the Houston area will remain a leading growth market in the country."

David Baker, Executive Vice President, Houston Operations, Transwestern "Job growth continues to surpass previous expert estimates, resulting in continued office demand. The submarkets with the lowest vacancy continue to be The Woodlands and the Energy Corridor/West Houston, where several large leases have been signed with several still waiting to be signed."

Dan F. Boyles, Jr., Partner – Office Tenant Representation, NAI Houston "Overall the Houston office market remains on solid footing. However, the absorption figures reported for the 3rd Quarter of 2014 indicate a possible slowdown in leasing activity. Vacancy rates remain stable around 11%, and new buildings being delivered to the market during the quarter had significant preleasing (67% on average) in place.

“Major concerns for the coming months include the impact of lower oil prices on capital budgets for E and P (Exploration and Production) companies and the possible slowdown in the global economy. In summary, I don’t foresee a major shift in the market; however, clearly activity has slowed from earlier this year and 2013."

John Spafford, Executive Vice President, Director of Leasing, PM Realty Group

“Houston’s economy continues to enjoy high employment growth, driven by gains in energy, manufacturing and other key industries. Bolstered by this growth, Houston’s office market has recorded nearly 5.1 million square feet of direct net absorption within the past 12 months and just over 12.4 million square feet since the beginning of 2012. Class A space remains the preferred choice among growing firms and has accounted for 82% of the citywide absorption growth since 2012.

For more than three years, Houston’s office market has demonstrated consistently rising occupancy rates, as energy companies have been strategically positioning themselves to locate and secure prime office space needed to support oil exploration, production and transport operations. While many of the growing energy firms have already secured their space, a new share of leasing activity has begun to spring from small-to-medium-sized engineering and technical firms supporting the oil and gas industry. Although large-deal leasing activity for near-term space has slowed slightly compared to a year ago, there is still significant demand for quality space as larger tenants are looking to consolidate, upgrade or relocate their office environment and small to mid-size firms look to upgrade.

“With Class A asking rents at record highs and occupancy rates exceeding or edging the 90% mark in the premier submarkets, office space under construction has increased to nearly 19 million square feet (a 30-year high) with 64% of this space already leased or committed by an owner-user. Corporate-owned office space currently accounts for 36% of the total space under construction, which includes Exxon-Mobil’s 3 million-square-foot campus, Phillips 66’s 1.1-million-square-foot campus, Shell Oil’s 672,000-square-foot campus expansion, and Southwestern Energy’s 515,000-square-foot office building.

“Looking ahead, strong leasing demand will continue to drive rental rates higher, creating a more landlord favorable setting in the most desirable submarkets. However, a wave of new construction will deliver in the coming quarters to alleviate the difficulty in finding quality space.”

Houston Industrial Market

Houston's industrial market continues to expand with strong positive net absorption of 1.7 million square feet during the third quarter of 2014, according to statistics released by Commercial Gateway.

This quarter's absorption represents the 19th consecutive quarter -- four years plus -- of positive absorption, with 14 quarters recording more than 1 million square feet each. This absorption is slightly more than the absorption recorded in the same quarter in 2013 and last quarter. However, vacancy overall is 6.2%, the lowest vacancy on record in recent years, and down from the 7.3% during the same quarter last year. Vacancy for warehouse/distribution space citywide is 6.3% with manufacturing space 3.6%. Houston has been described as one of the healthiest industrial markets nationwide due to its balance of supply and demand.

Warehouse/distribution properties continue to record the lion's share of absorption with 76% of the total, or 1.3 million square feet, of absorption this quarter, continuing a six-year trend of positive absorption. Properties classified as warehouse/distribution represent about 73% of the total market.

More than 2.2 million square feet in 32 buildings came online during the third quarter bringing the total new buildings for the year to more than 6.8 million square feet. Collectively, the new buildings are currently 51.1% leased and represent about 2.5 million square feet of absorption, or about half of the absorption recorded for the year. New buildings completed this quarter include Silver Eagle Distributor's 400,000 square feet in the Southeast and Liberty Property Trust's Fallbrook Distribution Center's 400,250-square-foot spec property in the Northwest.

Construction activity is still setting records, with warehouse/distribution projects accounting for almost 7.2 million square feet, or 83%, of the total under construction. Currently, 83 buildings are underway in 71 projects and represent 8.7 million square feet. Major projects include a 150,000-square-foot building in Kenswick AirFreight and Logistics Centre that is already totally preleased to DB Schenker, a second phase of DCT's Northwest Crossroads project which will add 320,430 square feet, a third 77,987 square-foot building in West Road Building Park, and the breaking ground of two buildings totaling 416.930 square feet called Interstate Commerce Center in North Houston.

Rental rates increased steadily during the past year and currently average $7.42 per square foot per year citywide, representing a 13.5% increase from the same quarter last year. More importantly, rents quoted for all new space completed in 2014 to date, about 6.8 million square feet, average $9.74 per square feet. Rental rates quoted are grossed up and weighted and averaged based on available space. Most new buildings are now quoting net rents and passing on the increased taxes and operating costs.

Sublease space decreased slightly this quarter to almost 1.4 million square feet, but is still much lower than the almost 2.3 million square feet reported during the same quarter a year ago.

Commercial Gateway Member/Broker Comments on the Houston Industrial Market:

Chris Caudill, SIOR, Partner - Industrial, NAI Houston “Given the recent drop in oil prices over the past few weeks, I am a little concerned about what OPEC is doing. There is a direct correlation between the price of oil and the commercial real estate market in Houston, particularly the industrial market. There are several million feet of industrial space coming to market across the city; up until recently, it has been what I would call a landlord’s market -- with landlords sticking very close to their asking rates, no concessions, and increased pricing of tenant improvements. Will this hold true for 2015 or will the tide turn? We will need to wait another couple of quarters to find out, but I am sensing a slowdown.”

Logan S. Greer, Vice President, InSite Realty Partners L.P. “We are continuing to see steady demand from energy-related firms, as well as consumer related groups that are increasing their local presence to service the growing Houston population. EastGroup’s Ten West Crossing at I-10 and Mason Road has been particularly successful at catering to oil and gas firms who want to be near the Park Ten Energy Corridor while gaining access to the Grand Parkway, as well as catering to firms servicing the booming Katy-area population. Moving forward, the recent weakness in the price of oil raises some eyebrows. For Houston’s sake, let’s hope that is only temporary.

“On the supply side, an interesting story playing out is the amount of new spec industrial product that is being delivered, particularly in the North submarket, and how the market is responding. We predict some loosening of rates and a slight uptick in leasing incentives as the new space is absorbed and slack is created in the market due to existing tenant shuffling to upgrade their facilities and to relocate to better fits. We are confident that the market will absorb this space, and that overall we should continue to see rates slowly increase and overall vacancy remain low. We may also see the anticipated rising interest rate environment quell the pace of spec development and allow us maintain a healthy supply/demand balance moving forward.***”***

Christopher S. Klein, Principal, Colliers International “After a modest capitulation in activity over the late summer, activity in the industrial fabrication sector rebounded strong in September. In most instances, crane-served fabrication space was backfilled prior to existing tenants vacating the facilities. This is a strong indication that all three sectors of the energy market continue to have ‘pent-up demand’ for fabrication capacity. In most instances, this demand is tempered by the lack of functional fabrication facilities and tight labor markets.”

Mark G. Nicholas, SIOR, Executive Vice President and National Director, Jones Lang LaSalle “I am having some concern with the recent fluctuation in the price of oil since much of our recent growth is tied directly to the oil industry. This concern is tempered with the fact that outside investors are recognizing the opportunities in Houston’s real estate market and are willing to pour their dollars into our marketplace. There are a lot of different types of people chasing the same deals, which makes for a very competitive and thriving market.

“The industrial market in Houston has never been more active. We are experiencing record levels of construction and leasing activity as the area’s employment and population growth continue. Demand still exists for crane-ready facilities in the 20,000- to 35,000-square-foot range, however, new projects are starting to meet some of that demand. There is new demand for quality flex projects located on major thoroughfares.

“If the economic trend continues with more jobs and more people, there will be continued demand for more industrial facilities to both manufacture and house products.”

Rand Stephens, Principal and Managing Director, Avison Young “U.S. manufacturing is thriving again, returning the demand for industrial space to pre-recession levels. The U.S. industrial sector is leading the commercial real estate recovery with historically low vacancy rates and expanding speculative construction. Developers are far more disciplined than the prior cycle and the portion of speculative development has only recently become more in line with a healthy real estate market. Given current demand, it does not appear that rents will peak or experience a correction anytime soon even with new speculative deliveries. So, what is driving industrial real estate development?

“Industrial production, which correlates highly with industrial demand, rose to a record level at the end of 2013 and continues to advance through 2014. As manufacturing sciences progress and consumers expect a quicker delivery of products, warehouses and distribution centers are adapting which translates to renovating existing structures as well as new construction.

“In the Houston market, the expansion of oil and gas manufacturing and equipment storage facilities has always driven the city’s industrial market. Current events in the Middle East have created a renewed focus on domestic energy production as well as, potentially, the export of energy commodities thus cementing the demand for industrial space. Apart from energy exports, the market for industrial space near the Port of Houston is being further strengthened by the expansion of the Panama Canal in 2015.

“Houston’s overall industrial vacancy rate decreased in the third quarter, landing at 4.5 percent. The outlook for the remainder of 2014 continues to look good for industrial development, with strong year-over-year growth.”

Founded in 2001, Commercial Gateway, the commercial division of the Houston Association of Realtors (HAR) is a commercial information exchange of commercial real estate professionals engaged in every aspect of property sales and leasing, appraisal, property management and counseling.

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Houston-Area Office Market Summary

2014 Third Quarter

	Class	No. Bldgs *	Bldg SF **	Vacant SF	Vacancy Rate	Net Absorption Current	Net Absorption YTD	Under Construction	Wted Avg Rent ***	Sublease Avail
Central Business District	A	34	31,549,769	2,540,165	8.1 %	(178,681)	(172,462)	1,550,000	$38.35	910,096
	B	27	8,016,377	758,052	9.5 %	39,780	217,575	0	$27.85	158,974
	C	11	1,060,896	151,475	14.3 %	(2,845)	(25,904)	0	$19.24	0
Central Business District Subtotal		72	40,627,042	3,449,692	8.5 %	(141,746)	19,209	1,550,000	$35.20	1,069,070
Energy Corridor	A	37	11,909,594	307,068	2.6 %	149,282	1,440,965	3,462,062	$33.00	343,553
	B	55	5,422,305	520,093	9.6 %	(130,489)	(185,999)	0	$23.63	249,786
	C	8	393,150	5,518	1.4 %	(518)	833	0	$23.00	0
Energy Corridor Subtotal		100	17,725,049	832,679	4.7 %	18,275	1,255,799	3,462,062	$27.08	593,339
Fort Bend County	A	34	4,042,478	309,866	7.7 %	77,427	266,992	161,792	$27.34	36,027
	B	21	1,430,664	191,186	13.4 %	(21,622)	(12,723)	20,000	$21.30	92,376
	C	2	136,000	30,380	22.3 %	0	(9,180)	0	$17.00	0
Fort Bend County Subtotal		57	5,609,142	531,432	9.5 %	55,805	245,089	181,792	$24.57	128,403
Greenspoint	A	24	4,932,533	422,153	8.6 %	(207,856)	(198,512)	0	$25.37	66,171
	B	42	4,680,825	1,270,376	27.1 %	85,495	(43,424)	0	$17.46	80,823
	C	27	2,145,835	531,704	24.8 %	15,831	46,567	0	$13.83	0
Greenspoint Subtotal		93	11,759,193	2,224,233	18.9 %	(106,530)	(195,369)	0	$18.09	146,994
Inner Loop	A	37	10,983,629	766,966	7.0 %	66,388	287,995	613,151	$31.41	128,431
	B	100	9,623,299	1,264,093	13.1 %	78,351	3,235	0	$23.02	34,309
	C	77	4,455,894	367,263	8.2 %	15,376	56,672	0	$17.59	4,712
Inner Loop Subtotal		214	25,062,822	2,398,322	9.6 %	160,115	347,902	613,151	$24.87	167,452
North/The Woodlands/Conroe	A	58	7,190,285	379,630	5.3 %	545,390	1,322,262	4,402,909	$31.53	104,169
	B	75	4,588,186	755,457	16.5 %	48,315	46,826	0	$16.82	29,990
	C	32	1,136,292	193,554	17.0 %	(10,344)	4,689	0	$12.30	600
North/The Woodlands/Conroe Subtotal		165	12,914,763	1,328,641	10.3 %	583,361	1,373,777	4,402,909	$20.37	134,759
Northeast	A	6	51,670	7,630	14.8 %	0	2,020	360,000	$25.50	0
	B	17	732,310	80,296	11.0 %	(3,892)	(10,500)	0	$18.60	2,606
	C	6	243,603	69,025	28.3 %	0	0	0	$13.25	0
Northeast Subtotal		29	1,027,583	156,951	15.3 %	(3,892)	(8,480)	360,000	$16.58	2,606
Northwest	A	36	3,404,208	340,709	10.0 %	(21,915)	(23,724)	1,311,369	$22.36	96,952
	B	62	5,625,397	1,215,746	21.6 %	(3)	47,891	0	$19.20	40,014
	C	22	826,606	143,539	17.4 %	(5,197)	(92,664)	0	$18.42	0
Northwest Subtotal		120	9,856,211	1,699,994	17.2 %	(27,115)	(68,497)	1,311,369	$19.77	136,966

Houston-Area Office Market Summary

2014 Third Quarter

	Class	No. Bldgs *	Bldg SF **	Vacant SF	Vacancy Rate	Net Absorption Current	Net Absorption YTD	Under Construction	Wted Avg Rent ***	Sublease Avail
Southeast	A	19	2,166,588	279,940	12.9 %	(8,449)	(78,521)	0	$24.85	17,064
	B	52	3,334,878	538,668	16.2 %	(114,298)	(129,285)	0	$18.65	1,311
	C	49	2,088,864	388,384	18.6 %	38,100	(16,582)	0	$17.15	0
Southeast Subtotal		120	7,590,330	1,206,992	15.9 %	(84,647)	(224,388)	0	$19.60	18,375
Southwest	A	5	1,227,586	543,342	44.3 %	8,789	(172,837)	0	$18.10	16,168
	B	52	6,008,695	1,567,435	26.1 %	(43,270)	(11,759)	0	$17.38	14,457
	C	83	5,010,615	729,139	14.6 %	37,423	63,153	0	$12.83	0
Southwest Subtotal		140	12,246,896	2,839,916	23.2 %	2,942	(121,443)	0	$16.35	30,625
Uptown	A	46	17,627,312	1,992,363	11.3 %	182,289	397,375	862,678	$35.06	305,182
	B	78	10,096,444	1,102,157	10.9 %	(23,870)	114,433	0	$26.60	58,356
	C	18	1,133,574	78,759	6.9 %	5,427	34,066	0	$17.89	0
Uptown Subtotal		142	28,857,330	3,173,279	11.0 %	163,846	545,874	862,678	$31.69	363,538
West	A	41	6,185,024	300,116	4.9 %	382,925	594,623	2,193,492	$31.26	8,409
	B	38	3,107,871	252,898	8.1 %	37,218	8,564	127,953	$17.96	16,970
	C	39	2,588,814	90,630	3.5 %	318	2,251	0	$15.52	1,440
West Subtotal		118	11,881,709	643,644	5.4 %	420,461	605,438	2,321,445	$23.82	26,819
Westchase	A	32	8,654,144	540,532	6.2 %	160,297	442,077	1,917,000	$32.80	166,733
	B	51	6,839,802	1,057,643	15.5 %	(170,943)	(38,085)	0	$22.56	57,038
	C	19	833,492	171,079	20.5 %	3,693	(20,427)	0	$16.54	0
Westchase Subtotal		102	16,327,438	1,769,254	10.8 %	(6,953)	383,565	1,917,000	$25.10	223,771
Suburban	A	375	78,375,051	6,190,315	7.9 %	1,334,567	4,280,715	15,284,453	$30.20	1,288,859
	B	643	61,490,676	9,816,048	16.0 %	(259,008)	(210,826)	147,953	$20.39	678,036
	C	382	20,992,739	2,798,974	13.3 %	100,109	69,378	0	$15.02	6,752
Suburban Subtotal		1,400	160,858,466	18,805,337	11.7 %	1,175,668	4,139,267	15,432,406	$22.82	1,973,647
Houston-Area	A	409	109,924,820	8,730,480	7.9 %	1,155,886	4,108,253	16,834,453	$32.57	2,198,955
	B	670	69,507,053	10,574,100	15.2 %	(219,228)	6,749	147,953	$20.93	837,010
	C	393	22,053,635	2,950,449	13.4 %	97,264	43,474	0	$15.24	6,752
Houston-Area Total		1,472	201,485,508	22,255,029	11.0 %	1,033,922	4,158,476	16,982,406	$24.97	3,042,717

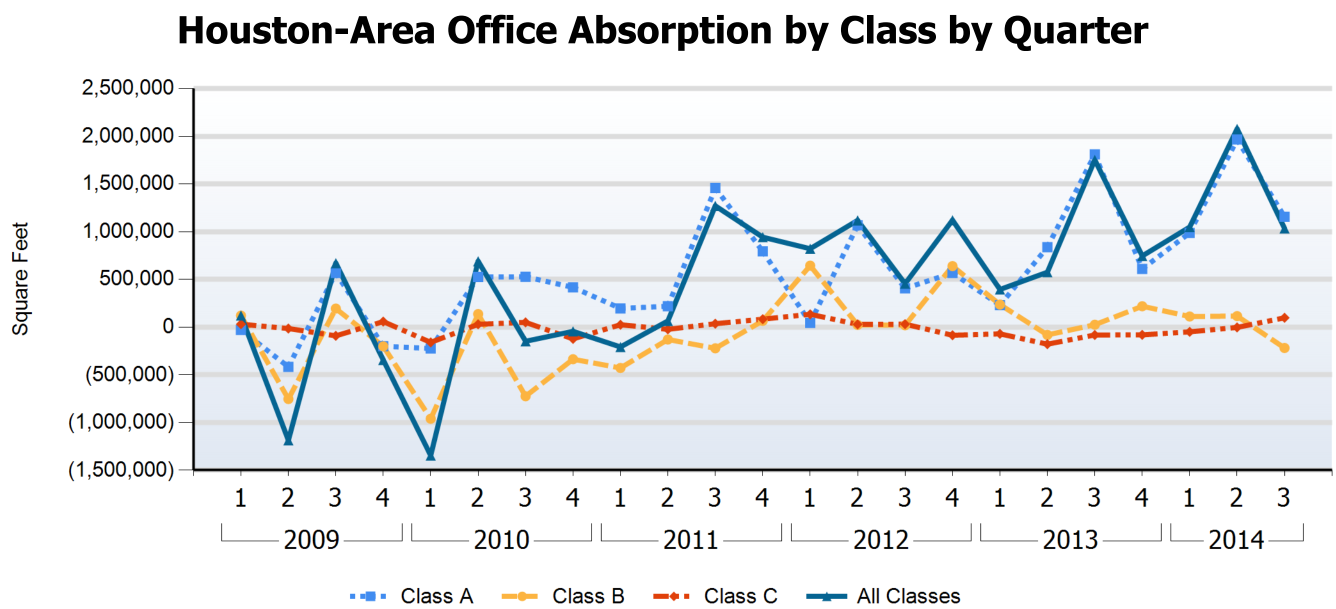
* Number of buildings calculated on specific buildings at each property address.
** Includes all general-purpose existing office buildings 20,000 square feet or larger.

*** Rental rates weighted and averaged based on available space.

Houston-Area Office Statistical Summary

Period	Office SF	No. of Bldgs	Vacant SF			Vacancy Rate			Net Absorption			Avg* Gross Rent	
			Direct	Sublease	Total	Direct	Sublease	Total	Direct	Sublease	Total	Direct	Sublease
2014 Q3	201,485,508	1,472	22,255,029	3,042,717	25,297,746	11.0 %	1.5 %	12.6 %	1,033,922	84,296	1,118,218	$24.97	$26.75
2014 Q2	200,155,692	1,463	21,851,078	3,127,013	24,978,091	10.9 %	1.6 %	12.5 %	2,076,731	(375,772)	1,700,959	$24.89	$25.80
2014 Q1	198,444,554	1,454	22,056,621	2,751,241	24,807,862	11.1 %	1.4 %	12.5 %	1,047,823	(241,993)	805,830	$24.71	$23.45
2013 Q4	197,254,550	1,450	22,164,857	2,616,113	24,780,970	11.2 %	1.3 %	12.6 %	745,371	(316,361)	429,010	$24.13	$24.62
2013 Q3	196,207,887	1,443	22,437,091	2,299,752	24,736,843	11.4 %	1.2 %	12.6 %	1,751,036	(264,946)	1,486,090	$24.14	$24.76
2013 Q2	193,664,580	1,429	21,589,400	2,034,806	23,624,206	11.1 %	1.1 %	12.2 %	574,846	(295,404)	279,442	$23.43	$21.01
2013 Q1	192,987,191	1,425	21,803,667	1,681,604	23,485,271	11.3 %	0.9 %	12.2 %	393,869	(49,559)	344,310	$23.25	$21.22
2012 Q4	192,929,993	1,424	22,260,790	1,632,045	23,892,835	11.5 %	0.8 %	12.4 %	1,120,277	37,432	1,157,709	$23.08	$21.63
2012 Q3	192,475,646	1,422	22,766,440	1,669,477	24,435,917	11.8 %	0.9 %	12.7 %	454,212	204,364	658,576	$22.91	$21.68
2012 Q2	192,670,636	1,421	23,244,042	1,873,841	25,117,883	12.1 %	1.0 %	13.0 %	1,117,861	346,625	1,464,486	$22.77	$22.74
2012 Q1	192,631,496	1,420	23,762,407	2,220,466	25,982,873	12.3 %	1.2 %	13.5 %	820,860	287,689	1,108,549	$22.72	$23.86
2011 Q4	192,413,561	1,413	25,482,688	2,508,155	27,990,843	13.2 %	1.3 %	14.5 %	942,031	496,847	1,438,878	$22.86	$24.15
2011 Q3	191,796,311	1,406	26,014,134	3,005,002	29,019,136	13.6 %	1.6 %	15.1 %	1,270,142	(222,073)	1,048,069	$22.67	$23.78
2011 Q2	191,029,266	1,403	26,648,453	2,782,929	29,431,382	13.9 %	1.5 %	15.4 %	64,124	71,935	136,059	$22.96	$23.50
2011 Q1	190,333,864	1,401	26,204,541	2,827,526	29,032,067	13.8 %	1.5 %	15.3 %	(208,556)	350,061	141,505	$23.22	$22.36
2010 Q4	189,356,527	1,399	25,537,136	3,177,587	28,714,723	13.5 %	1.7 %	15.2 %	(44,809)	422,532	377,723	$22.72	$22.35
2010 Q3	188,905,574	1,399	25,817,368	3,394,705	29,212,073	13.7 %	1.8 %	15.5 %	(148,926)	(175,513)	(324,439)	$23.06	$22.86
2010 Q2	188,905,574	1,399	25,584,317	3,220,668	28,804,985	13.5 %	1.7 %	15.2 %	689,745	557,095	1,246,840	$23.38	$23.51
2010 Q1	188,435,208	1,395	26,106,503	3,777,763	29,884,266	13.9 %	2.0 %	15.9 %	(1,346,347)	(94,915)	(1,441,262)	$23.94	$25.00
2009 Q4	187,173,700	1,378	24,331,287	3,660,848	27,992,135	13.0 %	2.0 %	15.0 %	(345,229)	148,642	(196,587)	$24.35	$24.51
2009 Q3	186,709,156	1,384	23,722,616	3,809,490	27,532,106	12.7 %	2.0 %	14.7 %	669,826	144,267	814,093	$24.27	$21.91
2009 Q2	184,672,886	1,366	22,887,546	3,940,508	26,828,054	12.4 %	2.1 %	14.5 %	(1,186,469)	(1,030,317)	(2,216,786)	$24.13	$21.74
2009 Q1	183,576,137	1,355	20,084,530	2,922,017	23,006,547	10.9 %	1.6 %	12.5 %	120,667	(652,599)	(531,932)	$23.70	$21.71

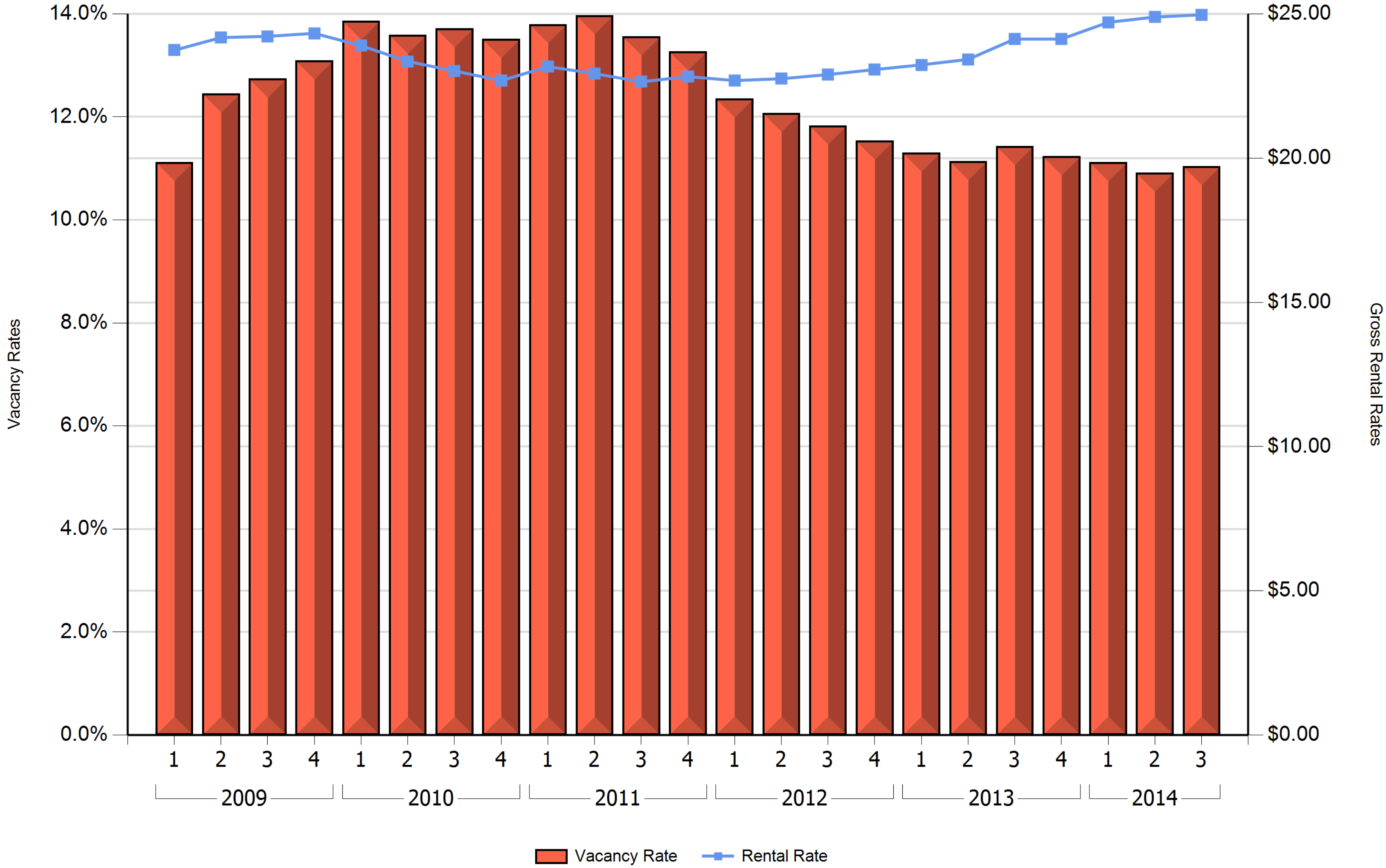
** Rental rates are averaged and weighted based on available space.*



		Class A	Class B	Class C	All Classes
2014	Q3	1,155,886	(219,228)	97,264	1,033,922
	Q2	1,965,268	115,191	(3,728)	2,076,731
	Q1	987,099	110,786	(50,062)	1,047,823
2013	Q4	608,883	218,191	(81,703)	745,371
	Q3	1,809,844	24,260	(83,068)	1,751,036
	Q2	836,376	(82,046)	(179,484)	574,846
	Q1	229,455	235,552	(71,138)	393,869
2012	Q4	566,957	639,219	(85,899)	1,120,277
	Q3	405,430	18,446	30,336	454,212
	Q2	1,066,677	22,729	28,455	1,117,861
	Q1	43,439	643,622	133,799	820,860
2011	Q4	793,753	65,449	82,829	942,031
	Q3	1,457,485	(222,599)	35,256	1,270,142
	Q2	218,266	(130,246)	(23,896)	64,124
	Q1	195,659	(428,686)	24,471	(208,556)
2010	Q4	416,133	(337,040)	(123,902)	(44,809)
	Q3	526,692	(724,927)	49,309	(148,926)
	Q2	524,438	136,335	28,972	689,745
	Q1	(224,705)	(960,759)	(160,883)	(1,346,347)
2009	Q4	(200,880)	(201,810)	57,461	(345,229)
	Q3	567,711	193,945	(91,830)	669,826
	Q2	(417,117)	(754,074)	(15,278)	(1,186,469)
	Q1	(29,638)	120,175	30,130	120,667

Absorption square footage includes only net absorption for direct space; sublease space is excluded.

Houston-Area Office Vacancy and Rental Rates* by Quarter



** Gross rental rates are averaged and weighted based on available space.*

Houston-Area Industrial Market Summary

2014 Third Quarter

Market Area	Type	No. Bldgs *	Bldg SF **	Vacant SF	Vacancy Rate	Net Absorption Current	Net Absorption YTD	Under Construction	Wted Avg Rent ***	Sublease Avail
Inner Loop	Warehouse/Distribution	498	17,265,028	629,561	3.6 %	(51,485)	104,298	0	$6.65	52,966
	Flex/Service Center	186	4,715,088	118,282	2.5 %	32,303	76,861	0	$13.05	39,617
	Manufacturing	51	1,883,663	92,474	4.9 %	11,000	11,000	0	N/A	0
	HighTech/R&D	5	169,011	0	0.0 %	0	0	0	N/A	0
Inner Loop Subtotal		740	24,032,790	840,317	3.5 %	(8,182)	192,159	0	$7.67	92,583
North	Warehouse/Distribution	388	8,004,710	258,028	3.2 %	87,502	234,302	821,265	$7.00	32,000
	Flex/Service Center	124	2,336,421	111,968	4.8 %	29,063	45,113	0	$8.58	7,000
	Manufacturing	54	1,089,183	83,890	7.7 %	22,696	22,696	104,000	N/A	0
	HighTech/R&D	14	526,612	3,944	0.7 %	5,100	(3,944)	0	$16.80	10,432
North Subtotal		580	11,956,926	457,830	3.8 %	144,361	298,167	925,265	$7.58	49,432
Northeast	Warehouse/Distribution	1,159	51,062,779	4,177,253	8.2 %	356,037	1,622,146	1,784,954	$6.93	265,080
	Flex/Service Center	337	8,400,489	862,597	10.3 %	4,288	(11,001)	350,000	$8.46	29,107
	Manufacturing	237	9,000,200	320,264	3.6 %	1,400	(30,698)	688,750	$7.30	103,714
	HighTech/R&D	15	658,067	168,810	25.7 %	0	4,830	0	N/A	0
Northeast Subtotal		1,748	69,121,535	5,528,924	8.0 %	361,725	1,585,277	2,823,704	$7.20	397,901
Northwest	Warehouse/Distribution	2,415	94,983,488	6,140,903	6.5 %	208,568	677,184	3,342,289	$7.45	307,709
	Flex/Service Center	742	17,882,551	1,444,099	8.1 %	(19,665)	65,135	67,200	$9.84	90,839
	Manufacturing	501	18,211,615	748,607	4.1 %	(55,680)	194,291	75,236	$4.22	0
	HighTech/R&D	35	1,950,903	38,819	2.0 %	(50)	(8,252)	0	$15.00	5,442
Northwest Subtotal		3,693	133,028,557	8,372,428	6.3 %	133,173	928,358	3,484,725	$7.61	403,990
South	Warehouse/Distribution	683	22,698,283	726,080	3.2 %	159,957	284,603	249,881	$5.37	28,354
	Flex/Service Center	134	2,723,508	151,398	5.6 %	28,220	53,605	0	$18.34	0
	Manufacturing	136	5,687,816	168,700	3.0 %	137,425	188,625	157,000	$4.00	90,000
	HighTech/R&D	13	342,024	0	0.0 %	0	0	0	N/A	0
South Subtotal		966	31,451,631	1,046,178	3.3 %	325,602	526,833	406,881	$7.03	118,354
Southeast	Warehouse/Distribution	1,445	67,331,888	4,694,854	7.0 %	573,001	941,038	622,500	$5.48	95,317
	Flex/Service Center	268	4,915,793	388,639	7.9 %	(4,800)	(1,863)	25,000	$7.99	0
	Manufacturing	205	8,696,251	127,960	1.5 %	(11,000)	50,480	0	$5.75	23,903
	HighTech/R&D	15	445,973	66,967	15.0 %	900	4,009	0	$13.80	0
Southeast Subtotal		1,933	81,389,905	5,278,420	6.5 %	558,101	993,664	647,500	$5.77	119,220
Southwest	Warehouse/Distribution	820	33,349,872	1,834,835	5.5 %	(30,086)	177,292	415,880	$8.05	154,870
	Flex/Service Center	479	14,626,142	1,142,310	7.8 %	21,352	71,642	0	$13.09	44,486
	Manufacturing	108	3,416,291	169,224	5.0 %	211,085	587,672	0	$5.87	0
	HighTech/R&D	13	948,730	455,195	48.0 %	0	0	0	$29.60	0
Southwest Subtotal		1,420	52,341,035	3,601,564	6.9 %	202,351	836,606	415,880	$12.27	199,356
Houston-Area	Warehouse/Distribution	7,410	294,733,248	18,461,514	6.3 %	1,303,494	4,040,863	7,236,769	$6.78	936,296
	Flex/Service Center	2,270	55,599,992	4,219,293	7.6 %	90,761	299,492	442,200	$10.63	211,049
	Manufacturing	1,292	47,985,019	1,711,119	3.6 %	316,926	1,024,066	1,024,986	$5.15	217,617
	HighTech/R&D	110	5,041,320	733,735	14.6 %	5,950	(3,357)	0	$26.63	15,874
Houston-Area Total		11,082	403,359,579	25,125,661	6.2 %	1,717,131	5,361,064	8,703,955	$7.42	1,380,836

* Number of buildings calculated on specific buildings at each property address.

** Includes all general-purpose existing industrial buildings 10,000 square feet or larger.

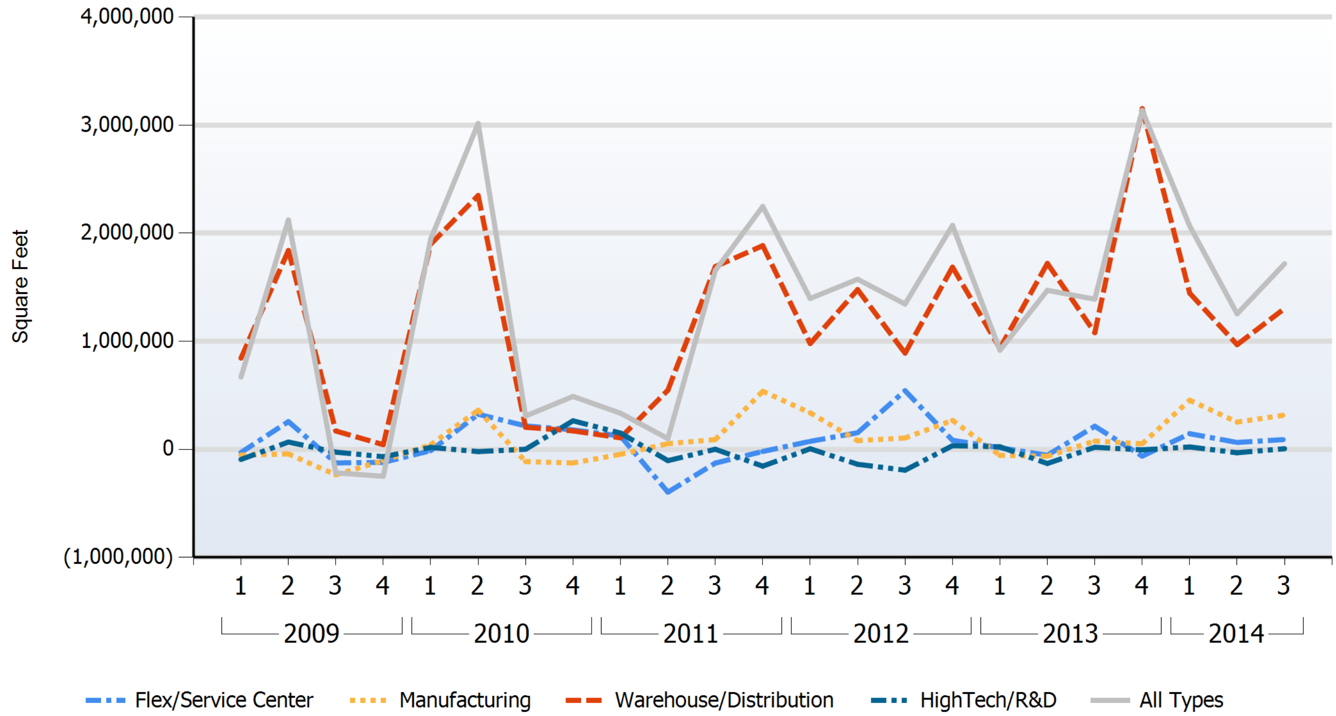
*** Rental rates are weighted and averaged based on available space.

Houston-Area Industrial Statistical Summary

Period	Building SF	No. of Bldgs	Vacant SF			Vacancy Rate			Net Absorption			Avg* Gross
			Direct	Sublease	Total	Direct	Sublease	Total	Direct	Sublease	Total	Direct Rent
2014 Q3	403,359,579	11,082	25,125,661	1,380,836	26,490,657	6.2 %	0.3 %	6.6 %	1,717,131	120,501	1,837,632	$7.42
2014 Q2	400,867,908	11,045	25,216,059	1,486,237	26,702,296	6.3 %	0.4 %	6.7 %	1,253,717	(90,632)	1,163,085	$7.14
2014 Q1	398,513,610	11,015	25,362,073	1,363,465	26,725,538	6.4 %	0.3 %	6.7 %	2,067,230	148,511	2,215,741	$6.64
2013 Q4	395,921,731	10,973	27,641,875	1,941,510	29,583,385	7.0 %	0.5 %	7.5 %	3,136,696	199,060	2,915,756	$6.59
2013 Q3	393,445,735	10,939	28,530,325	2,249,174	30,779,499	7.3 %	0.6 %	7.8 %	1,389,567	85,252	1,474,819	$6.54
2013 Q2	390,394,448	10,882	27,151,771	2,174,211	29,325,982	7.0 %	0.6 %	7.5 %	1,471,321	(448,240)	1,023,081	$6.34
2013 Q1	388,392,323	10,851	27,651,175	1,686,838	29,338,013	7.1 %	0.4 %	7.6 %	917,017	27,475	944,492	$5.92
2012 Q4	386,364,805	10,795	26,062,778	1,714,313	27,777,091	6.7 %	0.4 %	7.2 %	2,072,622	259,860	2,332,482	$5.77
2012 Q3	385,076,709	10,771	27,729,961	1,674,442	29,404,403	7.2 %	0.4 %	7.6 %	1,344,734	8,362	1,353,096	$5.71
2012 Q2	384,550,767	10,753	28,909,854	1,682,804	30,592,658	7.5 %	0.4 %	8.0 %	1,573,933	33,946	1,607,879	$5.60
2012 Q1	383,149,594	10,737	28,747,026	1,946,440	30,693,466	7.5 %	0.5 %	8.0 %	1,396,194	339,895	1,736,089	$5.56
2011 Q4	381,633,455	10,706	29,084,294	1,944,075	31,028,369	7.6 %	0.5 %	8.1 %	2,247,283	160,320	2,407,603	$5.52
2011 Q3	380,502,379	10,684	30,552,330	2,104,395	32,656,725	8.0 %	0.6 %	8.6 %	1,655,597	48,710	1,704,307	$5.44
2011 Q2	380,349,492	10,673	32,509,210	2,079,022	34,588,232	8.5 %	0.5 %	9.1 %	99,503	(59,701)	39,802	$5.35
2011 Q1	377,659,589	10,561	31,767,646	1,998,321	33,765,967	8.4 %	0.5 %	8.9 %	334,590	(134,971)	199,619	$5.57
2010 Q4	377,385,560	10,552	31,950,296	1,863,350	33,813,646	8.5 %	0.5 %	9.0 %	489,363	(14,162)	475,201	$5.45
2010 Q3	376,112,528	10,505	32,449,393	1,837,938	34,287,331	8.6 %	0.5 %	9.1 %	308,569	585,710	894,279	$5.47
2010 Q2	375,677,773	10,496	32,601,301	2,390,982	34,992,283	8.7 %	0.6 %	9.3 %	3,015,651	147,783	3,163,434	$5.63
2010 Q1	374,689,147	10,484	34,322,951	2,538,765	36,861,716	9.2 %	0.7 %	9.8 %	1,946,252	(202,279)	1,743,973	$5.41
2009 Q4	371,834,724	10,351	34,853,817	2,320,452	37,174,269	9.4 %	0.6 %	10.0 %	(249,435)	203,277	(46,158)	$5.41
2009 Q3	369,114,526	10,300	33,670,565	2,554,979	36,225,544	9.1 %	0.7 %	9.8 %	(217,424)	259,436	42,012	$5.32
2009 Q2	365,213,400	10,203	32,017,114	2,774,869	34,791,983	8.8 %	0.8 %	9.5 %	2,122,592	134,516	2,257,108	$5.43
2009 Q1	360,986,619	10,100	32,368,926	2,826,615	35,195,541	9.0 %	0.8 %	9.7 %	668,930	(336,819)	332,111	$5.56

Rental rates are averaged and weighted based on available space.

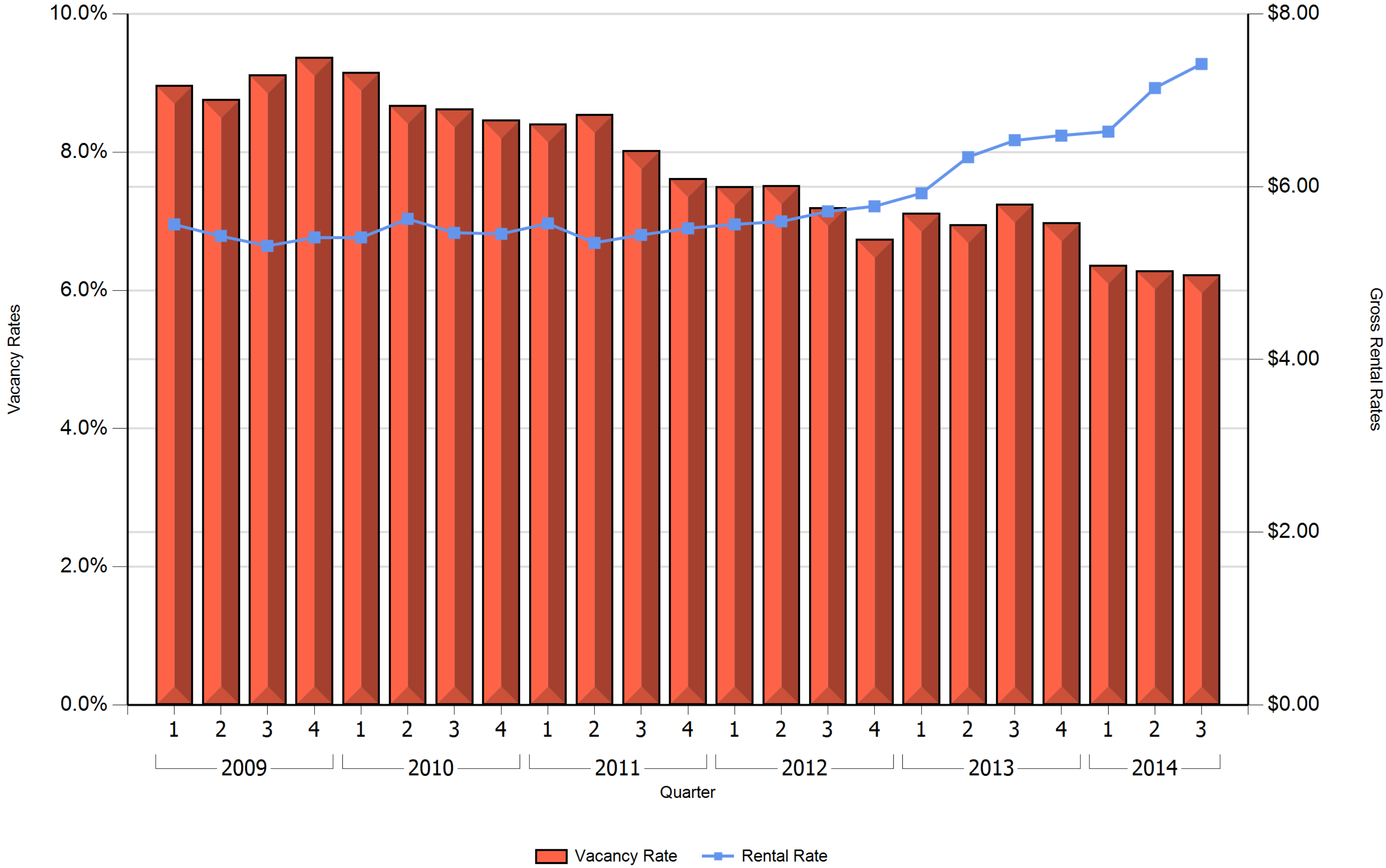
Houston-Area Industrial Absorption by Type by Quarter



		Flex/ Service Center	Manufacturing	Warehouse/ Distribution	HighTech/R&D	All Types
2014	Q3	90,761	316,926	1,303,494	5,950	1,717,131
	Q2	63,784	252,390	968,856	(31,313)	1,253,717
	Q1	144,947	454,750	1,445,527	22,006	2,067,230
2013	Q4	(62,830)	51,980	3,152,376	(4,830)	3,136,696
	Q3	213,988	76,584	1,079,569	19,426	1,389,567
	Q2	(54,671)	(63,405)	1,720,429	(131,032)	1,471,321
	Q1	14,928	(55,955)	934,551	23,493	917,017
2012	Q4	83,703	268,394	1,686,686	33,839	2,072,622
	Q3	542,749	105,257	889,608	(192,880)	1,344,734
	Q2	153,636	80,346	1,478,213	(138,262)	1,573,933
	Q1	74,166	337,516	979,014	5,498	1,396,194
2011	Q4	(19,619)	537,804	1,884,724	(155,626)	2,247,283
	Q3	(127,015)	90,211	1,691,251	1,150	1,655,597
	Q2	(396,231)	52,971	547,202	(104,439)	99,503
	Q1	123,407	(46,076)	106,659	150,600	334,590
2010	Q4	180,353	(126,114)	170,965	264,159	489,363
	Q3	217,032	(113,250)	203,996	791	308,569
	Q2	324,860	362,699	2,348,839	(20,747)	3,015,651
	Q1	(12,387)	42,018	1,898,796	17,825	1,946,252
2009	Q4	(120,826)	(103,971)	43,272	(67,910)	(249,435)
	Q3	(125,472)	(235,847)	169,789	(25,894)	(217,424)
	Q2	257,014	(42,205)	1,840,299	67,484	2,122,592
	Q1	(29,090)	(52,567)	843,994	(93,407)	668,930

Absorption square footage includes only net absorption for direct space; sublease space is excluded.

Houston-Area Industrial Vacancy and Rental Rates* by Quarter



** Gross rental rates are averaged and weighted based on available space.*