

Quarterly Market Overview
2017 Third Quarter

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**HOUSTON'S OFFICE MARKET RECOVERY SLOW,
INDUSTRIAL DEMAND REMAINS HIGH**

HOUSTON — (October 18, 2017) — Houston's commercial real estate market is optimistic after grappling with Hurricane Harvey amid the continued energy recovery, according to quarterly market research compiled by Commercial Gateway, the commercial division of the Houston Association of Realtors (HAR).

For office space, direct negative net absorption of 39,995 square feet was recorded; Class A and C showed positive absorption of 246,119 square feet and 18,230 square feet, respectively, while Class B reported negative absorption of 304,344 square feet. Move-ins at 609 Main including four different firms who preleased space in the new building accounted for almost 263,000 square feet of the Class A positive absorption. Year-to-date overall totals are positive for the year primarily due to the first quarter occupancy of 600,000 square feet by BHP Billiton in its new headquarters building, although the firm is leaving behind more than 320,000 square feet that is currently on the sublease market.

Space left behind by various firms occupying new properties along with sublease spaces converting to direct space will continue to affect the vacancy rate. The current 16.7% direct vacancy rate is unchanged from last quarter, but up from the 15.5% recorded during the same quarter in 2016. Class A space overall is 16.0% vacant, Class B is 19.1% vacant and Class C is 11.4% vacant.

Total sublease space saw a slight decline this quarter with almost 9.1 million square feet compared to second quarter's 9.4 million square feet and year-end's 10.2 million square feet. Although some spaces have been leased, such as the largest block of 431,307 square feet taken by NRG in One Shell Plaza, others have turned into direct availability. Others have been taken off the market but are still available. NRG will be leaving vacant space and possibly adding to the sublease market in three buildings in the Central Business District (CBD): 1201 Fannin (GreenStreet), 1000 Main and 1300 Main.

The effects of Harvey resulted in sublease space taken as displaced companies and governmental entities lease short-term space. (Please see brokers' commentaries for more detail.) But the amount of sublease space continues to play a large role in the dynamics of the marketplace. Today's sublease space represents about 4% of our total tracked office market, but if counted as vacant, the overall vacancy changes from 16.7% to 21.0%. Currently, 83 of the sublease listings representing 2.3 million square feet have terms expiring by year-end 2018 while another 69 listings representing 1.4 million square feet are set to expire by the end of 2019.

The under-construction market in Houston currently totals 13 buildings and 2.4 million square feet and overall is 53% preleased. Properties completed during the third quarter include Generation Park's first spec building at 250 Assay Street, which is about 80% preleased, along with two 25,000-square-foot buildings on Memorial, which are collectively 23% preleased. Four buildings totaling 354,499 square feet broke ground during third quarter, the largest being CityPlace 1 in Springwoods Village with 149,500 available square feet.

Concessions are becoming more commonplace in the market, even though quoted rental rates have remained steady. At \$28.73 overall, rental rates showed a slight increase from the past quarter and from a year ago. Class A rates, now at \$34.78 citywide and at \$42.35 in the CBD, experienced slight increases from last quarter's \$34.30 citywide and \$41.50 in the CBD. Quoted rents for sublease space decreased from \$25.41 last quarter to \$23.00 this quarter.

Commercial Gateway Member/Broker Comments on the Houston Office Market

Mario A. Arriaga, First Group "Houston's office market continues to grapple with the energy downturn after experiencing a brief stoppage in late September due to Harvey's interruption; many businesses and schools remained closed for days following the initial impact of the storm due to property damage and street flooding. The Houston area since has experienced higher retail sales as consumers and businesses must make repairs and replace flooded furniture and other household goods. This activity in turn is resulting in stronger demand for warehouse space among retailers; Home Depot and Lowe's recently leased new 200,00 to 300,000 square-foot spaces to accommodate the increased inventory. The housing market also showed its 'Houston Strong' resiliency during the four weeks that followed the storm with a rebound in home sales and the strongest rental activity of all time.

“Although the office market will be the last sector to recover, market activity continues. Leasing activity appears to be picking up, and sublease spaces are still offering competitive options to companies like NRG, who just signed for 431,000 square feet of former Shell Oil space at 910 Louisiana. But with more than 9 million square feet of sublease space in the market, and 3.7 million square feet of that with terms expiring within the next two years, office vacancy rates will remain high.”

David Baker, Executive Vice President, Transwestern "Hurricane Harvey affected less than 1% of Houston's office inventory, so it didn't significantly change the overall available space in our market. Notwithstanding, the negative absorption is mostly comprised of space we knew was coming available to the direct market as much as two to three years ago. There is a significant number of deals in the marketplace that correlates with the strong job growth we are seeing in the city."

Dan Boyles, Partner, Team Leader – Office Tenant Rep Group, NAI Partners "I have been asked quite often about the impact Harvey has had or will have on the office market. Although the statistics are not yet available, our general consensus is there were some positives coming from companies needing space after being displaced; however, most of these needs were short-term in nature and, therefore, will have no sustainable impact on the market. The ability to work remotely, along with the deployment of temporary power solutions for those buildings that went down, are two major factors that allowed landlords and tenants to get back to work quickly following the storm.

"The Houston office market continues to be a tenant's market in almost every submarket across the city. The vacancy rate now stands at 20.8%, with overall availability more than 26%. On the demand side, absorption has been negative for the fifth quarter in a row, and we will likely see negative net absorption for the year more than three million square feet. As a result, landlords will continue to feel the pressure to drop rents and increase concessions for those few tenants in the market looking for space.

"The good news is that there has been activity in the market. However, much of that activity has been for smaller tenants needing space of less than 10,000 square feet. It is impossible to make up for the millions of square feet dumped on the market resulting from the energy downtown in 5,000- to 10,000-square-foot chunks. At that rate it would take 50 years for the market to return to any type of equilibrium. The good news for landlords is that historically speaking, the office market has cycles of 7 to 8 years in

Houston. As such, we should begin to see some light at the end of the tunnel sometime in 2018. However, I believe we have a ways to go before we pendulum will swing back in the landlords' favor.

"Average asking rents continue to fall, but that statistic does not tell the real story. Landlords tend to hold advertised asking rents, only to drop them significantly once they have a strong prospect to lease space. We have seen rental rates decrease by as much as 30% during the negotiation process, while concession packages will increase by that same percentage. The amount of negotiation can vary from submarket to submarket and even building to building, so it is important for tenants to consider all their options to find the best lease terms.

"The overall office market continues to face new challenges. Merger and acquisition activity has left companies with more excess space to be placed in the sublease market. Examples of this include Ensco's acquisition of Atwood Oceanics and Spectra Energy's acquisition of Enbridge. Both transactions resulted in large blocks of space being put on the sublease market. The former is in the Energy Corridor and the latter in the CBD.

"The rest of 2017 will likely continue with more of the same: not enough positive influences to outweigh the results of the downturn in the energy business which started roughly three years ago. However, history tells us that 2018 should be a year in which the office market will see signs of life that will lead to a gradual recovery."

Patrick Duffy, President, Colliers International "The office market, pre-Harvey, had begun to stabilize. While absorption was still negative, the rate of space placed into availability by the energy companies had definitely declined. We have not started the recovery stage of this market yet, but the bottom has formed. Harvey will slow the recovery for a few months, but we expect a bit of a slingshot once everyone deals with their employees and corporate flood issues.

"Beyond the temporary absorption for recovery space and some short leases for government agencies who will be here sorting out the damage and federal funding application, we do not believe that Harvey will have a significant impact on the office market. However, this event is a good reminder for all tenants along with their real estate brokers, legal counsel and insurance agents, to take a closer look at lease language regarding remedies, cures and insurance provisions. These areas are often viewed as

'just boiler plate,' either out of ignorance or just deal fatigue. The implications at a time like this are anything but boiler plate!"

John Spafford, Executive Vice President, Director of Leasing, PM Realty Group "Houston's office market fundamentals remain soft with nearly 1.8 million square feet of occupancy losses year-to-date, causing citywide direct occupancy rates to drop to 82.2%, the lowest level since 1995. The Class A market has been most impacted during the down cycle as new construction deliveries and tenant departures have caused direct occupancy rates to drop by 230 basis points over the last 12 months to 81.1%. However, there are signs of stabilization as Class A direct occupancy rates remained unchanged during the third quarter due to modest absorption gains primarily driven by pre-lease commitments. Sublease availability also improved with its fourth consecutive quarterly decline since hitting a cyclical high of 12.1 million square feet in Third Quarter 2016. In addition, the construction pipeline has dropped by 74.2% since hitting its peak of 12.2 million square feet of leasable office product that was underway in Third Quarter 2014.

"Although Houston's office leasing market continues to experience softness, there is a sense of renewed optimism that has led to an uptick in leasing activity since the beginning of the year. Tenants are beginning to realize there is a window of opportunity to lock-in reduced rental rates on a new lease as rates appear to have bottomed out. As a result, leasing activity above the 50,000-square-foot mark demonstrated signs of picking up with 20 deals closed totaling 3 million square feet since the beginning of the year. Meanwhile, small- and mid-sized leases (10,000 to 50,000 square feet) have accounted for the remaining 41% of the cumulative space leased year-to-date above the 10,000-square-foot threshold.

"There has been just over 2.2 million square feet of new office construction completed year-to-date, with an additional 1.1 million square feet slated to deliver by year-end 2017 (excluding corporate-owned projects). Even though construction levels have tapered off dramatically to their lowest level in five years, 3.1 million square feet of competitive office space is still under construction, of which 45.3% is already preleased. Looking ahead, developers and contractors will keep a close eye on construction costs as rebuilding after this season's massive hurricanes has caused building costs to increase nationwide due to increased demand for building materials and skilled labor.

“Although Houston’s economic recovery is underway and the worst of the energy slump appears to be behind us, the high volume of available direct and sublease space will delay the office market’s recovery. The office leasing market is expected to continue facing challenges as many sublease listings will roll over to direct space as their agreements expire, further impacting the direct occupancy rates. Even though office-using employment growth is expected to accelerate into 2018, the abundance of sublease and shadow space will create a drag on future leasing demand as companies will need to backfill this space before expanding into additional space.”

Houston Industrial Market

Houston’s industrial market dominated the commercial market during the third quarter with expansions resulting in positive direct net absorption of almost 3.3 million square feet, according to statistics compiled by Commercial Gateway.

This quarter’s absorption represents the 31st consecutive quarter – more than seven years – of positive absorption, with four quarters recording more than 3 million square feet each and 10 recording more than 2 million square feet each. The third-quarter absorption totals were positive for all types and included almost 2.8 million square feet of warehouse-distribution space along with 265,857 square feet of net absorption of light industrial space. Manufacturing properties recorded 204,346 square feet while flex/R&D space absorption was 36,261 square feet. Overall, 24 properties recorded 50,000 square feet or more of absorption this quarter, with eight of those recording 100,000 square feet or more.

About 2.6 million square feet in seven buildings came online during the third quarter. The absorption of 2.4 million square feet of new space this quarter included both FedEx’s 1.1 million square-foot distribution facility in the Northwest near the Grand Parkway and U.S. Highway 290 and Amazon’s 855,000-square-foot fulfillment center off the Beltway in Pinto Park. Two other build-to-suits were also completed and occupied this quarter: Floworks International’s affiliated companies occupied its 225,000-square-foot facility in the South while Pepperl+Fuchs completed and occupied its 110,000 square-foot distribution center in West Ten Business Park in the west. For the year, 32 properties totaling almost 4.7 million square feet were completed and are currently 12.2% vacant.

Vacancy rates have decreased slightly to 5.8% from 6.0% last quarter but are the same as in Third Quarter 2016. Vacancy for warehouse/distribution space citywide is 6.2% with manufacturing space at 2.6%.

Construction activity has slowed when compared to previous years, with only 36 projects totaling more than 3.4 million square feet underway. The largest project currently is a build-to-suit project, Amazon's 1.0 million square-foot distribution project in Katy, followed in size by Cedar Port's 501,020 square-foot building in the Southeast. Including Amazon, eight warehouse-distribution projects with more than 100,000 square feet are underway with three 100% preleased.

The bulk of projects under construction is concentrated in the North/Northwest, with 14 buildings totaling 1.7 million square feet or 49.1% followed by the Southeast with six projects totaling 1.2 million square feet or 33.9% of the total. Overall, the under-construction market is 43% preleased.

New projects and large leases continue to be announced, with the most recent new project breaking ground in early October, a speculative 673,785-square-foot distribution facility being developed by Oakmont Industrial Group in Katy's West Ten Business Park. Houston-based Pontikes Development has announced a 3-million-square-foot speculative project to be built in Baytown. Both Lowe's and Home Depot recently signed leases up to 300,000 square feet to handle consumer demand, while other large deals are in the market.

Rental rates have increased this quarter to \$7.22 from \$6.48 last quarter but are similar to rents recorded in early 2016. Rates for sublease space dipped slightly to \$6.45 from \$6.52 last quarter.

Sublease space also decreased slightly this quarter to 3.5 million square feet but is a slight increase when compared to the same quarter last year.

Commercial Gateway Member/Broker Comments on the Houston Industrial Market

Walker Barnett, SIOR, Principal, Colliers International "Houston is a tale of two big-box markets: consumer goods distributors (including e-commerce) and port-related import and export businesses. The Houston metropolitan region has led the nation in population growth for eight years, and we are seeing increased demand from consumer and durable goods tenants seeking spaces of more than 200,000 square feet. And even with

the slowdown in the 'upstream' side of the oil and gas economy, the 'downstream' end-product side continues to be a robust growth market.

"The east side of Houston has been the strongest submarket, as its proximity to the nation's largest petrochemical refineries and the Port of Houston makes the area appealing to plastic resin packagers. This group has been taking substantial warehouse space in rail-served buildings of up to 500,000 square feet. In addition, we have seen global retailers commit to import distribution centers in the area - which speaks to Houston's strength as a 'third-coast' port that allows access to consumers in the central United States."

Mark Nicholas, SIOR, Executive Vice President, Regional Director, JLL "Houston's industrial market continues to work on all cylinders. During third quarter, the industrial sector returned to business as usual with declining vacancy and availability, coupled with strong net absorption of 3.0 million square feet well above the historical average.

"Consistently high occupancy - even through the energy downturn - had led to increased interest from institutional and foreign investors, and deal volume is up both in the quarter and the year. Local and regional investors can expect to see increased competition as foreign capital looks to Houston for opportunities to achieve higher returns on industrial portfolios, given the long-term favorable market performance.

"The North submarket, which has struggled with oversupply in recent quarters, is mounting recovery in late 2017. The submarket accounted for over 50 percent of leasing activity and over 40 percent of net absorption for the third quarter, assisted by declining asking rents as landlords get aggressive to fill space.

"Consumer goods, retail distribution, and plastics manufacturing will continue to drive market dynamics while supply plays catch-up across the metro. With over 10 million square feet of tenants in the market, there's no shortage of large user-demand in the pipeline."

Darren O'Connor, Vice President, NAI Partners/Houston "As the city of Houston continues its recovery from the aftermath of Hurricane Harvey, those in the industrial sector have been keen to determine how deeply Harvey affected our product type. The real estate market - like much of the city - hit the pause button for a couple of weeks even though it felt like much longer. As the city has since returned to business with some sense of

normalcy post-Harvey, we have seen activity levels pick back up with increases in virtually all submarkets.

“Two recent transactions were the direct result of Harvey: Home Depot leasing approximately 300,000 square feet in Northwest Houston, and Lowe’s taking around 250,000 square feet in North Houston. Both retail giants absorbed sizable space to address demand for construction supplies.

“Following increased demand, the overall vacancy rate has decreased slightly over the past quarter. Consumers in need of construction supplies along with increasing requirements for e-commerce facilities are two significant factors driving the vacancy decline. The recent announcement of the speculative 673,785-square-foot distribution facility being developed by Oakmont Industrial Group and marketed by NAI Partners in Katy’s West Ten Business Park is a testament to the growing appetite for buildings that can serve online retailers as well as many other types of uses. Lastly, the Southeast Market has also remained strong due to the need for rail-served product.

“The resiliency Houston has shown post-Harvey is a reminder to all how strong the industrial market is and will continue to be in the future.”

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 Overview

2017 Third Quarter



Submarket	Class	# of Bldgs*	Building SF*	Vacant SF	Vacancy Rate	Net Absorption		Under Construction	Avg Rent***	Avail Sublease
						Current	YTD			
CBD	A	34	31,924,350	4,090,934	12.8%	279,330	(157,744)	754,000	\$42.35	1,906,626
	B	34	11,175,523	2,794,394	25.0%	35,437	(38,478)	0	\$26.02	166,871
	C	6	394,396	100,288	25.4%	12,796	13,905	0	\$19.16	0
CBD Subtotal		74	43,494,269	6,985,616	16.1%	327,563	(182,317)	754,000	\$37.78	2,073,497
Energy Corridor	A	49	15,891,381	3,119,184	19.6%	48,002	(45,247)	0	\$36.45	1,241,481
	B	58	6,733,012	1,625,499	24.1%	(62,909)	(222,618)	0	\$27.07	154,370
	C	7	340,198	31,989	9.4%	8,972	7,488	0	\$19.98	3,519
Energy Corridor Subtotal		114	22,964,591	4,776,672	20.8%	(5,935)	(260,377)	0	\$31.40	1,399,370
Fort Bend County	A	26	3,068,830	248,815	8.1%	(15,557)	30,976	0	\$30.74	140,130
	B	23	2,528,901	141,736	5.6%	45,313	40,923	74,799	\$20.78	6,855
	C	1	156,000	35,738	22.9%	(1,023)	5,959	0	\$19.00	0
Fort Bend County Subtotal		50	5,753,731	426,289	7.4%	28,733	77,858	74,799	\$27.00	146,985
Greenspoint	A	25	5,209,070	2,655,649	51.0%	20,454	35,962	0	\$25.73	540,373
	B	48	4,919,245	1,806,280	36.7%	(97,049)	(150,397)	0	\$16.55	311,934
	C	27	2,020,855	448,892	22.2%	(12,345)	(12,422)	0	\$12.43	11,506
Greenspoint Subtotal		100	12,149,170	4,910,821	40.4%	(88,940)	(126,857)	0	\$20.80	863,813
Inner Loop	A	36	11,059,054	1,655,287	15.0%	(138,785)	(164,445)	188,696	\$33.62	169,158
	B	107	11,380,385	1,398,482	12.3%	(70,677)	(25,208)	0	\$26.97	110,881
	C	62	4,136,040	305,494	7.4%	(22,902)	35,930	0	\$18.23	9,483
Inner Loop Subtotal		205	26,575,479	3,359,263	12.6%	(232,364)	(153,723)	188,696	\$29.93	289,522
North/The Woodlands/Conroe	A	58	11,766,038	1,317,435	11.2%	(4,235)	45,325	854,300	\$26.46	233,278
	B	91	5,812,817	752,780	13.0%	(7,107)	147,255	56,113	\$20.26	157,645
	C	19	1,082,230	161,889	15.0%	1,051	(24,719)	0	\$14.40	1,664
North/The Woodlands/Conroe Subtotal		168	18,661,085	2,232,104	12.0%	(10,291)	167,861	910,413	\$22.81	392,587
Northeast	A	4	498,193	80,230	16.1%	17,309	17,309	0	\$25.75	0
	B	11	482,105	68,934	14.3%	(28,706)	(9,447)	0	\$17.83	0
	C	5	197,243	46,624	23.6%	(161)	33,548	0	\$25.66	0
Northeast Subtotal		20	1,177,541	195,788	16.6%	(11,558)	41,410	0	\$20.04	0
Northwest	A	41	4,876,262	917,533	18.8%	18,262	(19,843)	0	\$27.43	297,760
	B	63	6,611,718	1,074,800	16.3%	(13,570)	108,003	0	\$18.82	100,656
	C	19	850,491	52,006	6.1%	9,008	1,336	0	\$14.50	5,200
Northwest Subtotal		123	12,338,471	2,044,339	16.6%	13,700	89,496	0	\$22.25	403,616

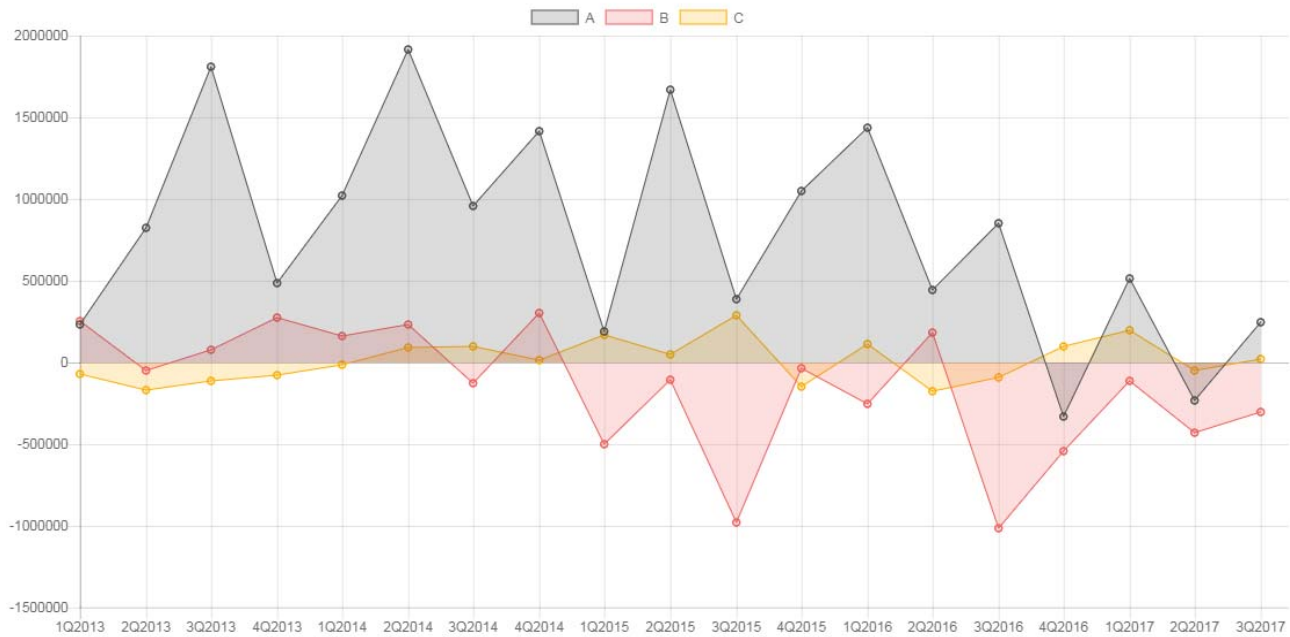
Submarket	Class	# of Bldgs*	Building SF*	Vacant SF	Vacancy Rate	Net Absorption Current	YTD	Under Construction	Avg Rent***	Avail Sublease
Southeast	A	20	2,693,380	119,262	4.4%	18,848	81,860	0	\$24.98	26,245
	B	56	4,437,151	920,905	20.8%	15,703	183,528	0	\$18.32	13,031
	C	37	1,800,547	268,837	14.9%	(7,165)	24,002	0	\$19.74	27,610
Southeast Subtotal		113	8,931,078	1,309,004	14.7%	27,386	289,390	0	\$19.34	66,886
Southwest	A	5	1,122,590	237,303	21.1%	0	5,732	0	\$17.40	53,437
	B	46	5,516,471	1,367,275	24.8%	15,006	(141,254)	0	\$17.56	27,194
	C	70	4,813,726	481,292	10.0%	36,291	62,694	0	\$15.55	10,946
Southwest Subtotal		121	11,452,787	2,085,870	18.2%	51,297	(72,828)	0	\$16.97	91,577
Uptown	A	49	19,237,943	3,275,791	17.0%	(161,561)	676,148	140,000	\$37.33	905,678
	B	77	10,396,558	1,518,754	14.6%	(23,488)	(66,102)	0	\$27.56	305,298
	C	11	868,722	59,738	6.9%	5,563	8,505	0	\$21.10	0
Uptown Subtotal		137	30,503,223	4,854,283	15.9%	(179,486)	618,551	140,000	\$34.63	1,210,976
West	A	54	8,628,331	1,286,831	14.9%	77,362	137,976	86,255	\$30.74	705,154
	B	41	3,753,595	537,379	14.3%	(58,110)	(47,114)	72,045	\$19.92	63,348
	C	32	1,581,506	86,477	5.5%	(3,905)	40,677	0	\$16.15	5,982
West Subtotal		127	13,963,432	1,910,687	13.7%	15,347	131,539	158,300	\$25.89	774,484
Westchase	A	34	10,330,409	1,183,023	11.5%	86,690	(139,532)	186,000	\$37.18	1,137,010
	B	52	7,596,429	1,503,502	19.8%	(54,187)	(100,355)	0	\$20.27	233,394
	C	13	572,634	61,006	10.7%	(7,950)	(31,470)	0	\$18.48	176
Westchase Subtotal		99	18,499,472	2,747,531	14.9%	24,553	(271,357)	186,000	\$30.31	1,370,580
Houston Area	A	435	126,305,831	20,187,277	16.0%	246,119	504,477	2,209,251	\$34.78	7,356,330
	B	707	81,343,910	15,510,720	19.1%	(304,344)	(321,264)	202,957	\$22.10	1,651,477
	C	309	18,814,588	2,140,270	11.4%	18,230	165,433	0	\$16.09	76,086
Houston-Area Total		1,451	226,464,329	37,838,267	16.7%	(39,995)	348,646	2,412,208	\$28.73	9,083,893

* 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 are weighted and averaged based on available space

Houston-Area Office Direct Net Absorption by Class



Period	Class A	Class B	Class C	All Classes
2017 Q3	246,119	(304,344)	18,230	(39,995)
2017 Q2	(232,068)	(432,595)	(51,273)	(715,936)
2017 Q1	515,735	(118,063)	193,871	591,543
2016 Q4	(336,578)	(543,756)	98,733	(781,601)
2016 Q3	851,993	(1,018,591)	(96,016)	(262,614)
2016 Q2	443,813	183,040	(181,753)	445,100
2016 Q1	1,437,939	(252,844)	110,467	1,295,562
2015 Q4	1,047,903	(39,851)	(148,638)	859,414
2015 Q3	388,022	(980,177)	288,849	(303,306)
2015 Q2	1,670,153	(106,443)	47,764	1,609,547
2015 Q1	186,877	(502,956)	168,774	(146,435)
2014 Q4	1,415,039	298,373	14,315	1,727,727
2014 Q3	955,886	(126,773)	94,919	924,032
2014 Q2	1,916,611	228,677	89,631	2,234,599
2014 Q1	1,016,779	161,486	(16,995)	1,161,270
2013 Q4	484,233	274,194	(80,972)	677,880
2013 Q3	1,809,844	75,175	(117,343)	1,767,676
2013 Q2	825,910	(52,453)	(169,337)	604,120
2013 Q1	229,455	252,585	(71,189)	410,851

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Period	# of Buildings*	Building SF**	Vacant SF	Vacancy Rate	Avail SF	Net Absorption	Avg Rent***	
			Direct	Direct	Sublease	Direct	Direct	Sublease
2017 Q3	1,451	226,464,329	37,838,267	16.7%	9,083,893	(39,995)	\$28.73	\$23.00
2017 Q2	1,495	227,312,558	37,953,923	16.7%	9,425,943	(715,936)	\$28.32	\$25.41
2017 Q1	1,499	227,853,168	37,445,041	16.4%	9,980,263	591,543	\$28.77	\$24.73
2016 Q4	1,497	226,219,897	36,445,014	16.1%	10,211,382	(781,601)	\$28.37	\$25.30
2016 Q3	1,494	226,143,148	34,976,040	15.5%	10,727,188	(262,614)	\$28.23	\$23.36
2016 Q2	1,479	224,432,349	33,021,806	14.7%	10,191,713	445,100	\$28.24	\$25.25
2016 Q1	1,456	221,136,243	30,612,790	13.8%	7,440,283	1,295,562	\$27.89	\$22.18
2015 Q4	1,411	215,823,335	28,949,388	13.4%	6,747,090	859,414	\$28.87	\$23.59
2015 Q3	1,352	205,990,648	27,317,659	13.3%	5,749,042	(303,306)	\$27.33	\$25.39
2015 Q2	1,346	204,955,072	25,737,474	12.6%	4,883,961	1,609,547	\$26.68	\$28.09
2015 Q1	1,339	202,418,133	24,961,553	12.3%	3,460,749	(146,435)	\$26.38	\$29.70
2014 Q4	1,329	199,819,687	22,674,538	11.3%	3,205,260	1,727,727	\$25.54	\$29.30
2014 Q3	1,322	197,208,059	21,431,395	10.9%	3,052,773	924,032	\$25.24	\$29.40
2014 Q2	1,313	195,781,170	20,969,381	10.7%	3,137,069	2,234,599	\$25.20	\$27.93
2014 Q1	1,306	194,126,034	21,478,878	11.1%	2,761,297	1,161,270	\$24.97	\$26.01
2013 Q4	1,302	193,233,524	21,645,607	11.2%	2,626,169	677,880	\$24.37	\$27.50
2013 Q3	1,295	191,933,483	21,940,993	11.4%	2,299,752	1,767,676	\$24.33	\$27.48
2013 Q2	1,283	190,065,097	21,055,857	11.1%	2,034,306	604,120	\$23.69	\$26.34
2013 Q1	1,278	189,004,629	21,292,981	11.3%	1,703,104	410,851	\$23.39	\$25.56

* 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 are weighted and averaged based on available space

Houston-Area Industrial Market Summary

2017 Third Quarter



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Submarket	Specific Use	# of Bldgs*	Building SF**	Vacant SF	Vacancy Rate	Net Abs (Current)	Net Abs (YTD)	Under Const	Avg Rent***	Avail Sublease
Inner Loop	Warehouse - Distribution	213	11,222,624	528,717	4.7%	(54,872)	81,353	0	\$6.58	0
	Manufacturing	21	1,213,627	91,974	7.6%	0	0	0	n/a	0
	Light Industrial	167	4,745,072	211,392	4.5%	(89,915)	(1,806)	0	\$6.40	12,900
	Flex/R&D	92	2,640,539	130,033	4.9%	32,564	11,090	0	\$12.11	0
Inner Loop Subtotal		493	19,821,862	962,116	4.9%	(112,223)	90,637	0	\$6.97	12,900
North	Warehouse - Distribution	267	15,084,797	914,941	6.1%	118,284	404,597	293,280	\$7.50	38,236
	Manufacturing	59	4,680,012	231,100	4.9%	57,110	(48,990)	0	\$5.65	0
	Light Industrial	277	7,150,687	221,819	3.1%	(18,794)	335,986	17,500	\$7.18	54,861
	Flex/R&D	60	3,522,188	357,640	10.2%	(30,367)	9,343	0	\$11.27	2,790
North Subtotal		663	30,437,684	1,725,500	5.7%	126,233	700,936	310,780	\$7.29	95,887
Northeast	Warehouse - Distribution	635	56,311,297	4,741,915	8.4%	861,333	1,162,442	0	\$5.06	659,845
	Manufacturing	111	9,391,651	356,083	3.8%	12,412	(64,669)	0	\$8.19	18,493
	Light Industrial	387	10,613,797	922,088	8.7%	52,330	370,233	0	\$8.73	36,701
	Flex/R&D	110	4,325,187	525,885	12.2%	18,461	59,458	21,000	\$7.53	21,130
Northeast Subtotal		1,243	80,641,932	6,545,971	8.1%	944,536	1,527,464	21,000	\$6.77	736,169
Northwest	Warehouse - Distribution	1,086	88,065,897	4,954,846	5.6%	934,334	1,024,161	1,451,350	\$6.63	710,516
	Manufacturing	216	24,193,098	708,284	2.9%	36,507	139,200	38,420	\$6.70	58,600
	Light Industrial	896	23,039,302	1,651,929	7.2%	(43,376)	(197,229)	183,100	\$16.65	173,712
	Flex/R&D	347	13,528,024	915,713	6.8%	(74,981)	(55,662)	40,000	\$10.77	48,075
Northwest Subtotal		2,545	148,826,321	8,230,772	5.5%	852,484	910,470	1,712,870	\$10.23	990,903
South	Warehouse - Distribution	293	18,748,998	475,807	2.5%	226,727	640,537	80,958	\$4.25	51,699
	Manufacturing	64	5,720,521	13,176	0.2%	0	287,182	15,000	n/a	90,000
	Light Industrial	370	8,916,831	333,681	3.7%	20,215	125,245	0	\$6.43	28,000
	Flex/R&D	60	2,509,626	141,042	5.6%	2,800	66	0	n/a	62,302
South Subtotal		787	35,895,976	963,706	2.7%	249,742	1,053,030	95,958	\$5.31	232,001
Southeast	Warehouse - Distribution	725	70,006,758	4,668,424	6.7%	434,106	1,678,458	1,020,480	\$4.62	601,801
	Manufacturing	188	22,436,355	86,750	0.4%	0	(26,413)	24,307	\$5.88	0
	Light Industrial	381	10,224,520	1,147,953	11.2%	92,024	517,063	0	\$4.75	178,743
	Flex/R&D	81	2,941,638	292,656	10.0%	44,982	(102,341)	0	\$11.86	0
Southeast Subtotal		1,375	105,609,271	6,195,783	5.9%	571,112	2,066,767	1,044,787	\$5.04	780,544
Southwest	Warehouse - Distribution	524	39,029,252	2,067,237	5.3%	256,610	1,335,347	0	\$7.60	477,774
	Manufacturing	76	6,132,180	459,187	7.5%	98,317	186,233	80,000	\$4.09	0
	Light Industrial	413	12,440,645	386,974	3.1%	253,373	288,685	71,856	\$9.25	60,603
	Flex/R&D	215	10,263,286	614,839	6.0%	42,862	148,654	100,000	\$12.56	129,545
Southwest Subtotal		1,228	67,865,363	3,528,237	5.2%	651,162	1,958,919	251,856	\$7.41	667,922

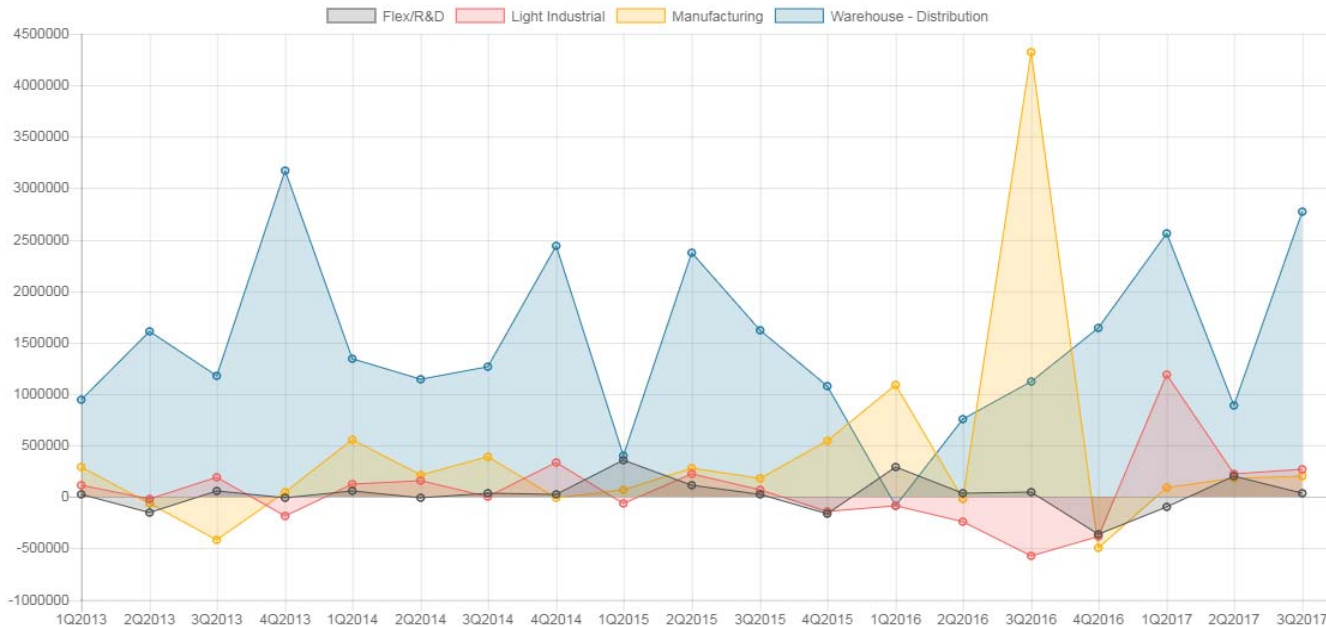
Submarket	Specific Use	# of Bldgs*	Building SF**	Vacant SF	Vacancy Rate	Net Abs (Current)	Net Abs (YTD)	Under Const	Avg Rent***	Avail Sublease
Houston Area	Warehouse - Distribution	3,743	298,469,623	18,351,887	6.2%	2,776,522	6,326,895	2,846,068	\$5.68	2,539,871
	Manufacturing	735	73,767,444	1,946,554	2.6%	204,346	472,543	157,727	\$6.24	167,093
	Light Industrial	2,891	77,130,854	4,875,836	6.3%	265,857	1,438,177	272,456	\$10.10	545,520
	Flex/R&D	965	39,730,488	2,977,808	7.5%	36,321	70,608	161,000	\$10.22	263,842
Houston-Area Total		8,334	489,098,409	28,152,085	5.8%	3,283,046	8,308,223	3,437,251	\$7.22	3,516,326

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

**Includes all general-purpose existing industrial buildings 10,000 square feet or larger or those within a designated business park

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

Houston-Area Industrial Direct Net Absorption by Type



Period	Flex/R&D	Light Industrial	Manufacturing	Warehouse - Distribution	All Types
2017 Q3	36,321	265,857	204,346	2,776,522	3,283,046
2017 Q2	206,428	223,138	183,103	890,307	1,502,976
2017 Q1	(96,795)	1,186,463	93,008	2,558,773	3,741,449
2016 Q4	(360,309)	(388,466)	(490,809)	1,638,907	399,323
2016 Q3	46,540	(574,995)	4,325,612	1,123,877	4,921,034
2016 Q2	35,070	(245,441)	(20,921)	756,350	525,058
2016 Q1	292,212	(84,605)	1,089,555	(83,407)	1,213,755
2015 Q4	(165,720)	(136,368)	540,478	1,073,357	1,311,747
2015 Q3	22,000	72,650	179,608	1,619,750	1,894,008
2015 Q2	117,699	220,659	276,460	2,372,083	2,986,901
2015 Q1	353,148	(60,697)	65,129	404,830	762,410
2014 Q4	20,908	337,374	(5,913)	2,440,102	2,792,471
2014 Q3	31,000	(353)	392,958	1,263,440	1,687,045
2014 Q2	(8,135)	157,139	207,922	1,145,394	1,502,320
2014 Q1	52,636	120,587	558,561	1,346,490	2,078,274
2013 Q4	(4,830)	(182,582)	51,980	3,166,875	3,031,443
2013 Q3	52,871	192,276	(421,003)	1,181,610	1,005,754
2013 Q2	(147,032)	(23,093)	(63,405)	1,607,658	1,374,128
2013 Q1	23,493	110,038	294,045	949,529	1,377,105

Houston-Area Industrial Historical Overview

2017 Third Quarter



Period	# of Buildings*	Building SF**	Vacant SF	Vacancy Rate	Avail SF	Net Absorption	Avg Rent***	
			Direct	Direct	Sublease	Direct	Direct	Sublease
2017 Q3	8,334	489,098,409	28,152,085	5.8%	3,516,326	3,283,046	\$7.22	\$6.45
2017 Q2	8,314	485,738,691	28,975,587	6.0%	3,582,786	1,502,976	\$6.48	\$6.52
2017 Q1	8,332	485,940,803	29,632,929	6.1%	3,715,812	3,741,449	\$6.46	\$6.29
2016 Q4	8,316	485,378,426	30,594,750	6.3%	3,879,157	399,323	\$6.67	\$5.74
2016 Q3	8,307	482,187,125	27,913,199	5.8%	2,925,847	4,921,034	\$6.89	\$7.05
2016 Q2	8,283	475,016,862	26,445,721	5.6%	2,520,643	525,058	\$7.32	\$6.96
2016 Q1	8,048	466,289,152	24,245,832	5.2%	2,468,805	1,213,755	\$7.23	\$6.81
2015 Q4	7,788	451,296,453	24,086,897	5.3%	2,635,894	1,311,747	\$7.65	\$6.94
2015 Q3	6,649	365,041,674	20,818,429	5.7%	1,866,659	1,894,008	\$7.72	\$7.24
2015 Q2	6,631	363,440,289	21,677,925	6.0%	1,761,238	2,986,901	\$7.65	\$7.39
2015 Q1	6,593	361,739,305	22,791,547	6.3%	1,617,777	762,410	\$7.65	\$7.31
2014 Q4	6,536	359,064,290	22,509,115	6.3%	1,483,283	2,792,471	\$7.54	\$6.97
2014 Q3	6,499	355,705,498	23,408,218	6.6%	1,378,661	1,687,045	\$7.32	\$6.84
2014 Q2	6,460	353,431,613	23,428,683	6.6%	1,412,102	1,502,320	\$7.15	\$6.89
2014 Q1	6,435	350,592,901	23,831,536	6.8%	1,291,505	2,078,274	\$6.77	\$6.27
2013 Q4	6,414	349,256,774	25,911,958	7.4%	1,934,709	3,031,443	\$6.63	\$6.10
2013 Q3	6,390	347,660,308	27,282,705	7.8%	2,108,446	1,005,754	\$6.41	\$5.94
2013 Q2	6,353	343,564,448	25,720,318	7.5%	2,097,516	1,374,128	\$6.38	\$5.46
2013 Q1	6,327	341,222,418	25,736,763	7.5%	1,555,943	1,377,105	\$6.00	\$5.73

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