Quarterly Market Overview
2014 Second Quarter
FOR IMMEDIATE RELEASE

For more information, please contact:
David Mendel, Public Relations Manager
Phone: 713.629.1900 ext. 258
E-mail: david.mendel@har.com

HOUSTON'S COMMERCIAL OUTLOOK REMAINS HEALTHY ENTERING THE SECOND HALF OF 2014

HOUSTON — (July 22, 2014) — Houston's commercial real estate market continues to realize strong levels of absorption and construction activity as energy-related companies expand in proposed and under-construction projects, according to quarterly market research compiled by Commercial Gateway, the commercial division of the Houston Association of Realtors.

The second quarter brought office net absorption of almost 2.2 million square feet, representing the 13th quarter of positive absorption and about 1.6 million more than was recorded in the second quarter of 2013. Class A properties represent 92% of the net total due to Class B's limited absorption and Class C's struggle during a seventh quarter of negative net absorption.

Eight new buildings were delivered during the second quarter at a combined 89.6% leased. The largest were two Shell Westcreek buildings for a total 672,000 square feet in the Energy Corridor; Two Briarlake Plaza, a 331,689-square-foot building in Westchase; and Two Hughes Landing, a 197,719-square-foot building in The Woodlands. The eight buildings accounted for almost 1.5 million square feet of absorption, with another 200,000 square feet to be counted later in the year when Repsol moves into its newly completed Research Forest building in The Woodlands.

Other major move-ins during the second quarter include Frost Bank's 42,000 square feet in the Blvd complex in Uptown, Noble occupying 88,000 square feet in Granite's Briarpark Green in Westchase, and Texas Instruments' move into its new 165,000-square-foot building on University Boulevard in Sugar Land in Fort Bend County.

The Energy Corridor's many projects continue to take the lead as they are completed and occupied, with Technip's move-in of 450,000 square feet counted in last quarter's totals. The second quarter continued strong with Shell's buildings heavily contributing to the submarket's 1.2 million square feet of absorption. Only four other submarkets recorded more than 200,000 square feet of absorption for this quarter; projects in the five submarkets represented 69% of the almost 3.2 million square feet of absorption for the year. The 2014 mid-year total is similar to the totals recorded for both year-end 2013 and 2012.

Construction starts continued, but at a slower pace. Overall, the Houston under-construction office market boasts 50 properties with 72 buildings totaling almost 17.1 million square feet. Collectively, the buildings are 40.1% preleased, with 38 buildings classified as multi-tenant. The multi-tenant properties represent about 8.4 million square feet or 49% of the under-construction total and are about 20% leased.

Four major brokerage firms are responsible for leasing 57% of the total available space under construction. Colvill Office Properties grabbed the largest share at 28.9%, PM Realty Group represents 12.0%, Moody Rambin 8.7% and Stream Realty 7.4%. Radler Enterprises, currently developing Beltway Lakes 3 and 4, represents 8.0% of the total square footage.

The largest project under construction remains ExxonMobil's 3 million-square-foot campus, although employees are starting to relocate there. Phillips 66's 1.2 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 starts this quarter included Hilcorp's 500,000-square-foot building in the Central Business District (CBD), Westway Plaza's 425,000 square feet along the Beltway and six projects on the west side: Energy Center Four, Enclave Place, Mason Creek Office Center II, LaCenterra at Cinco Ranch Phase IV, Katy Ranch Phase I and Entrust Building II.

Proposed projects scheduled to break ground later this year include Westcreek Centre, a 21-story, 368,000-square-foot building inside Loop 610; CityPlace, formerly called Town Center in Springwoods Village, a 605,000-square-foot, two-building project in the North; Energy Center Five, a spec project consisting of 500,000 square feet in the Energy Corridor; and Hughes Landing Three, a 300,000-square-foot building in The Woodlands.

Four larger buildings are reportedly getting closer to offering competition to 609 Main in the CBD: Crescent's 6 Houston Center, a proposed 30-story, 605,000-square-foot building is set to break ground soon; Skanska's Capitol Tower, a 35-story, 750,000-square-foot building is currently undergoing site work and demolition work; Brookfield's Five Allen Center, a proposed 50-floor, 1.2 million square-foot building; and One Market Square, a 41-floor, 750,000-square-foot project being developed by Stream and Essex.

The current 10.9% vacancy rate is a slight improvement from the 11.1% vacancy recorded during the same quarter a year ago and last quarter. Class A space overall is at 7.8%, with the Energy Corridor boasting a Class A vacancy of 1.1% and a submarket average of 3.0%. Nine of the 13 submarkets are recording single-digit vacancies in Class A space, with three of the 13 boasting single-digit vacancies overall.

Rental rate increases are making the news with the overall averaged weighted rental rate of $24.76 representing a 5.7% increase during the past year. Class A rates, now at $32.06 citywide and at $37.53 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.

Overall, office rents have increased almost 9% in the last two years, from $22.75 per square foot to the current $24.72 per square foot. All quoted gross rental rents are weighted and averaged based on available space. When broken down by class, rents have shown a 12.1% increase, from $28.65 per square foot two years ago to $32.06 this quarter for Class A properties. Smaller escalations were reported for the lower classes, with an 8.8% increase in Class B, from $18.95 to $20.63 per square foot, and a 4.8% increase for Class C, from $14.70 to $15.41, over the last two years.

Within selected submarkets during the last two years, The Woodlands reported the largest percentage increase, 17.0%, for overall rates with Uptown showing a 15.4% increase and Westchase a 14.2% increase. For Class A space, rents have reported a 21.8% jump in Westchase and a 13.0% jump in Uptown over the last two years; Class B rates also show double-digit increases with Uptown’s 24.2% increase leading the way, followed by The Woodlands’ 22.0% and the Energy Corridor’s 13.7% increase.

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.

Overall sublease space increased to almost 2.8 million square feet this quarter compared to 1.7 million square feet a year ago, which represents a 63.6% increase during the 12-month period. Sublease space has seen gradual increases over the last year as tenants expanding opt to pay more and move into brand new office space; however, many of the better spaces are being leased quickly.

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

David Baker, Executive Vice President, Houston Operations, Transwestern "The second quarter absorption continues to support the fact that office absorption is dominated by Class A absorption and construction. The hottest submarket continues to be the Energy Corridor with strong Class A absorption and followed by solid absorption in the CBD, Fort Bend County and inside the 610 Loop. Two trends – large energy companies leasing new Class A space and that new construction deliveries are highly preleased – will continue to accelerate over the next three years.

"Additionally, as new construction Class A rents continue to escalate because of increased construction and land costs, it is having a rising tide effect on all rents. We are seeing rents in existing Class A and well-located Class B buildings starting to rise in a meaningful way as well."

Sanford Criner, Executive Vice President, Global Corporate Services, CBRE Group, Inc. "We would all like to see this robust market continue on at an outstanding pace, but we all know it can't be sustained. We are getting some mixed signals about the future of the market, but if you just look at the current numbers, we have nothing to complain about.

"We know that employment and job growth drive office activity, and we are still seeing year-over-year job growth both in office jobs and overall, but the rate of growth has begun to slow. We foresee a possible change, but it will not come quickly.

"There is 16 million square feet of construction underway, but about 5 million square feet of office space is awaiting tenants. Lending has remained disciplined so far, and construction will slow down eventually. The question is whether or not we will continue to build at the current rate as demand falls off, which it unquestionably will.

"Asking rates are at an all-time high for Class A space, although this is partially due to higher taxes and operating costs. Class A rates in the CBD, The Woodlands and Westchase are all above $40, and those are really big numbers for Houston.

In a hot market with a lot of new product, there is usually a big difference between the best existing buildings and new projects, and that differential is the lowest I can ever recall. The new product's rents are just slightly higher than the top existing buildings, while new buildings in the past, especially in the CBD, would command much higher rates than existing buildings.

"Absorption has been incredible the last four years, and the pace is just not sustainable. We still feel good about the market, but we are definitely approaching a point of change. Pretty soon absorption will slow, and construction must do the same."

Jason Whittington, Partner, NAI Houston "The Houston economy and its robust energy business continue to drive rental rates and absorption on the office market. Despite the continued delivery of new office buildings and inventory to the office market, Houston's absorption continues to be positive. Our statistics show there were 62 new buildings completed so far in 2014 totaling approximately 4.5 million square feet, and we still had positive absorption of over 4.7 million square feet.

"Trends in rental rates continue to rise with the gap between Class A and B widening. The average Class A rate is now approaching $34.50 per square foot vs. Class B at approximately $21.00 per square foot. This gap is causing some tenants whose leases are expiring in Class A buildings to look at Class B buildings as a more affordable option. Class B net absorption in the second quarter actually had a higher percentage increase than Class A. Vacancy stands at 9.6% for Class A and 12.8% for Class B.

"Due to the size and magnitude of the Houston office market, numerous attractive office options are available for tenants. Free rent and other concessions are still available as well as attractive tenant improvement allowances if you know where to find them. Knowing where the vacancies are and where they will be as well as the trends in the market place is an advantage we bring to our clients.

"Lease terms also seem to be getting longer. Where the average lease terms had been about 5 years, we are now seeing 7 to12 years or even longer lease terms, especially on the larger transactions."

Houston Industrial Market

Houston's industrial market continues to expand with strong positive net absorption of almost 1.9 million square feet during the second quarter of 2014, according to statistics released by Commercial Gateway.

This quarter's absorption represents the 18th consecutive quarter -- four years plus -- of positive absorption, with 13 quarters recording more than 1 million square feet each. This absorption is a third more than the absorption recorded in the same quarter in 2013 and slightly less than last quarter. However, vacancy overall is 6.3%, the lowest vacancy on record in recent years, and down from the 7.0% during the same quarter last year. Vacancy for warehouse/distribution space citywide is also 6.3% with manufacturing space 4.3%. 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 85% of the total, or 1.6 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. This total will increase even more as Grocers Supply, a locally-based wholesale supplier, recently announced plans for a 1.7 million-square-foot warehouse and distribution facility in Pinto Business Park. Phase I is scheduled to start soon with completion by the end of 2015. Other major land sales have been announced in business parks from the west to the north with building schedules still in planning.

More than 2.4 million square feet in 21 properties came online during the second quarter bringing the total new 2014 buildings to 4.8 million square feet. Collectively, the new buildings are currently 50.5% leased and represent almost 2.0 million square feet of absorption, or about half of the absorption recorded for the year. New buildings completed this quarter include three properties in Pinto Business Park: HD Supply's new building along with two smaller spec buildings in the North and Dover Energy's 150,000 square feet in the Southeast.

Construction activity is still thriving, with warehouse/distribution projects accounting for almost 7.0 million square feet, or 88%, of the total under construction. Currently, 90 buildings are underway in 70 projects and represent almost 8.0 million square feet. Several multiple-building projects have started this year with the largest projects concentrated in the Northwest and Greenspoint areas. The five largest projects currently under construction with additional buildings planned include Interstate Commerce Center, 717,706 square feet; Beltway Crossing Northwest, 663,600 square feet; Fallbrook Pines Business Park, 650,040 square feet; Reed's

Landing Business Park, 517,382 square feet; and Gateway Northwest, 472,687 square feet. One of the largest buildings to break ground this quarter was First Northwest Commerce Center's Building 1 at 350,820 square feet along with Beltway Crossing Northwest's 441,000-square-foot building.

Rental rates increased steadily during the past year and currently average $7.09 per square foot per year citywide, representing a 12% increase from the same quarter last year. 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 rose slightly this quarter to almost 1.5 million square feet, but is still much lower than the almost 2.2 million square feet reported during the same quarter a year ago.

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

Travis Land, SIOR, Partner, NAI Houston "Demand for industrial space remains strong in the Houston market even though approximately 2 million square feet of new construction was delivered to the market in the second quarter. A large amount of new construction will continue to occur through the rest of 2014 as vacancy rates and rental rates are still attractive to industrial developers."

Tom Lynch, Senior Vice President, Investment Properties - Industrial, CBRE Group, Inc.

"We are delivering more space now than we have in previous years, but the market is balanced. Approximately half of the industrial product we are seeing is manufacturing product, and the other half is distribution space.

"We currently have 8 million square feet under construction and 4 million have delivered – which means the delivery of new space is steadily increasing, but not yet at the height of previous time periods in the market. Since most of Houston's industrial product was built in the 1980s, new construction will continue because current tenants are not finding what they need. Standards and demand have changed.

"Ten years ago, developers would build 150,000-square-foot projects but are now satisfying demand for 350,000- to 400,000-square-foot 'boxes' to service the increased population in the larger geographical area; about six or seven of those ‘boxes’ are currently being developed.

“Houston is growing so quickly that distribution projects have taken off along Beltway 8 and are now moving out to the Grand Parkway. For the first time, industrial projects are having to compete with residential for available sites, which is making industrial product tougher to develop.

“We are definitely not overbuilt today, but we still will not be overbuilt six to eight months from now when these projects have delivered. National groups are being very careful as to how much capital is available.

“One game changer will be the chemical plants being built. That expansion will yield products that will change distribution patterns and create a greater need for buildings in the Southeast and Southwest along with more housing and restaurants. Hines is building a 900,000-square-foot project in Fort Bend County close to the Beltway, which is already further out than most other projects.”

Mark G. Nicholas, SIOR, Executive Vice President and National Director, Jones Lang LaSalle “This is the busiest summer I can ever recall in the industrial building and land markets in the Greater Houston metropolitan area including Brazoria County.

“We are seeing plenty of new multi-tenant product being built in the North and Northwest Houston areas; however, the West market is currently under-served for both single-tenant and multi-tenant buildings. We know this to be true from our tenant representation site searches.

“Many energy services companies and their suppliers and vendors are looking for space here, and since this area was never overbuilt, demand has currently overtaken supply.

“Land sites out west are not just difficult to find but prices continue to escalate. We’ve seen quotes of $8 to $12 per square foot. With increased land prices and limited supply, construction costs and eventually rents are definitely going up, too.

“We just started marketing a new spec industrial project off Highway 288 in Angleton which will help alleviate that shortage of supply in the Far South Houston market.”

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 Second 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	35	32,807,731	2,361,484	7.2 %	126,244	6,219	1,550,000	$37.53	862,340
	B	26	6,703,983	797,832	11.9 %	188,917	177,795	0	$26.92	200,158
	C	11	1,060,896	148,630	14.0 %	3,168	(23,059)	0	$19.18	0
Central Business District Subtotal		72	40,572,610	3,307,946	8.2 %	318,329	160,955	1,550,000	$34.15	1,062,498
Energy Corridor	A	36	11,585,986	132,742	1.1 %	1,194,659	1,291,683	2,876,003	$28.70	259,306
	B	55	5,420,826	377,560	7.0 %	11,936	(28,870)	0	$23.03	185,998
	C	8	393,150	5,000	1.3 %	0	1,351	0	N/A	0
Energy Corridor Subtotal		99	17,399,962	515,302	3.0 %	1,206,595	1,264,164	2,876,003	$24.50	445,304
Fort Bend County	A	35	4,079,478	387,293	9.5 %	206,111	200,065	162,380	$27.64	87,880
	B	19	1,376,027	157,594	11.5 %	12,727	3,399	20,000	$19.89	92,376
	C	2	136,000	30,380	22.3 %	0	(9,180)	0	$17.00	0
Fort Bend County Subtotal		56	5,591,505	575,267	10.3 %	218,838	194,284	182,380	$24.96	180,256
Greenspoint	A	24	4,932,533	214,297	4.3 %	25,080	9,344	0	$25.41	73,203
	B	41	4,613,354	1,336,136	29.0 %	(113,786)	(127,918)	0	$17.18	119,209
	C	27	2,145,835	547,535	25.5 %	54,819	30,736	0	$13.96	0
Greenspoint Subtotal		92	11,691,722	2,097,968	17.9 %	(33,887)	(87,838)	0	$17.18	192,412
Inner Loop	A	36	10,869,493	831,753	7.7 %	335,111	221,607	851,591	$31.22	74,178
	B	102	9,753,053	1,344,045	13.8 %	(69,956)	(75,116)	0	$23.28	18,355
	C	77	4,436,803	382,639	8.6 %	19,311	41,296	0	$17.80	4,436
Inner Loop Subtotal		215	25,059,349	2,558,437	10.2 %	284,466	187,787	851,591	$25.04	96,969
North/The Woodlands/Conroe	A	55	6,919,712	520,512	7.5 %	(7,372)	720,924	4,905,703	$31.91	107,476
	B	74	4,539,873	799,318	17.6 %	(8,694)	(1,489)	45,000	$17.01	29,673
	C	32	1,136,292	183,210	16.1 %	12,027	15,033	0	$12.46	600
North/The Woodlands/Conroe Subtotal		161	12,595,877	1,503,040	11.9 %	(4,039)	734,468	4,950,703	$21.62	137,749
Northeast	A	6	51,670	7,630	14.8 %	0	2,020	0	$25.50	0
	B	17	732,310	76,404	10.4 %	8,658	(6,608)	0	$18.80	6,046
	C	6	243,603	69,025	28.3 %	0	0	0	$13.25	0
Northeast Subtotal		29	1,027,583	153,059	14.9 %	8,658	(4,588)	0	$16.63	6,046
Northwest	A	36	3,401,155	318,794	9.4 %	(1,087)	(1,809)	1,202,754	$21.80	148,251
	B	62	5,626,924	1,140,454	20.3 %	29,914	47,894	0	$19.43	31,057
	C	23	852,630	151,196	17.7 %	(86,610)	(87,467)	0	$18.33	0
Northwest Subtotal		121	9,880,709	1,610,444	16.3 %	(57,783)	(41,382)	1,202,754	$19.79	179,308

Houston-Area Office Market Summary

2014 Second 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	271,491	12.5 %	(40,392)	(70,072)	0	$24.30	21,131
	B	52	3,338,158	424,370	12.7 %	3,149	(14,987)	0	$18.67	1,311
	C	49	2,088,864	426,484	20.4 %	(10,022)	(54,682)	0	$17.68	0
Southeast Subtotal		120	7,593,610	1,122,345	14.8 %	(47,265)	(139,741)	0	$19.66	22,442
Southwest	A	5	1,221,793	552,131	45.2 %	(110,782)	(181,626)	0	$18.01	16,168
	B	52	6,008,695	1,524,165	25.4 %	25,306	31,511	0	$17.55	47,808
	C	83	5,007,647	766,562	15.3 %	972	25,730	0	$13.03	0
Southwest Subtotal		140	12,238,135	2,842,858	23.2 %	(84,504)	(124,385)	0	$16.42	63,976
Uptown	A	46	17,626,430	2,119,272	12.0 %	29,197	215,086	997,678	$34.23	429,700
	B	78	10,088,708	1,078,287	10.7 %	89,680	138,303	0	$26.29	64,765
	C	18	1,133,574	84,186	7.4 %	0	28,639	0	$17.91	0
Uptown Subtotal		142	28,848,712	3,281,745	11.4 %	118,877	382,028	997,678	$31.20	494,465
West	A	39	5,755,535	254,007	4.4 %	(7,991)	230,866	2,316,161	$29.81	0
	B	38	3,107,871	290,116	9.3 %	(4,794)	(28,654)	127,953	$17.42	18,135
	C	39	2,588,814	90,948	3.5 %	923	1,933	0	$15.41	1,440
West Subtotal		116	11,452,220	635,071	5.5 %	(11,862)	204,145	2,444,114	$22.09	19,575
Westchase	A	31	8,533,302	593,837	7.0 %	240,658	281,780	2,023,992	$33.11	179,050
	B	51	6,834,779	854,542	12.5 %	932	165,016	0	$20.62	46,963
	C	18	808,866	162,492	20.1 %	1,684	(24,120)	0	$16.35	0
Westchase Subtotal		100	16,176,947	1,610,871	10.0 %	243,274	422,676	2,023,992	$24.79	226,013
Suburban	A	368	77,143,675	6,203,759	8.0 %	1,863,192	2,919,868	15,336,262	$29.98	1,396,343
	B	641	61,440,578	9,402,991	15.3 %	(14,928)	102,481	192,953	$20.10	661,696
	C	382	20,972,078	2,899,657	13.8 %	(6,896)	(30,731)	0	$15.21	6,476
Suburban Subtotal		1,391	159,556,331	18,506,407	11.6 %	1,841,368	2,991,618	15,529,215	$22.65	2,064,515
Houston-Area	A	403	109,951,406	8,565,243	7.8 %	1,989,436	2,926,087	16,886,262	$32.06	2,258,683
	B	667	68,144,561	10,200,823	15.0 %	173,989	280,276	192,953	$20.63	861,854
	C	393	22,032,974	3,048,287	13.8 %	(3,728)	(53,790)	0	$15.41	6,476
Houston-Area Total		1,463	200,128,941	21,814,353	10.9 %	2,159,697	3,152,573	17,079,215	$24.76	3,127,013

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

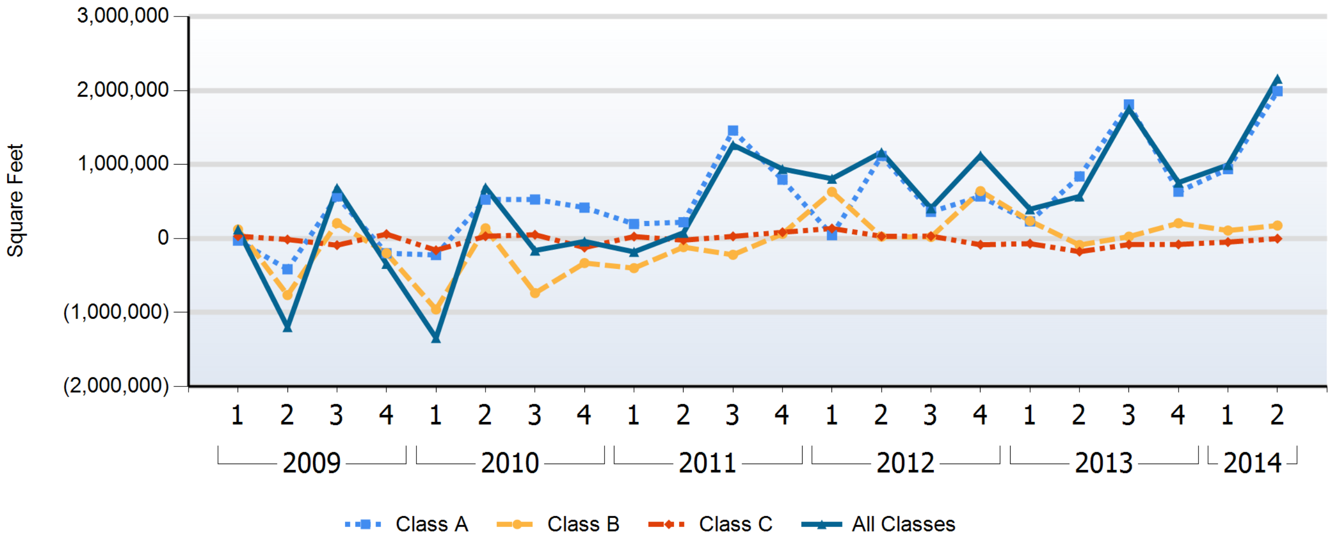
*** Rental rates weighted and averaged based on available space.

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 Q2	200,128,941	1,463	21,814,353	3,127,013	24,941,366	10.9 %	1.6 %	12.5 %	2,159,697	(375,772)	1,783,925	$24.76	$25.68
2014 Q1	198,412,803	1,454	22,052,054	2,751,241	24,803,295	11.1 %	1.4 %	12.5 %	992,876	(241,993)	750,883	$24.63	$23.41
2013 Q4	197,222,799	1,450	22,146,697	2,616,113	24,762,810	11.2 %	1.3 %	12.6 %	755,089	(316,361)	438,728	$24.13	$24.62
2013 Q3	196,026,136	1,443	22,428,649	2,299,752	24,728,401	11.4 %	1.2 %	12.6 %	1,751,036	(264,946)	1,486,090	$24.14	$24.76
2013 Q2	193,632,829	1,429	21,580,958	2,034,806	23,615,764	11.1 %	1.1 %	12.2 %	567,092	(295,404)	271,688	$23.42	$21.01
2013 Q1	192,955,440	1,425	21,787,471	1,681,604	23,469,075	11.3 %	0.9 %	12.2 %	393,869	(49,559)	344,310	$23.25	$21.22
2012 Q4	192,898,242	1,424	22,244,594	1,632,045	23,876,639	11.5 %	0.8 %	12.4 %	1,120,277	37,432	1,157,709	$23.09	$21.63
2012 Q3	192,443,895	1,422	22,750,244	1,669,477	24,419,721	11.8 %	0.9 %	12.7 %	407,644	204,364	612,008	$22.91	$21.68
2012 Q2	192,638,885	1,421	23,181,278	1,873,841	25,055,119	12.0 %	1.0 %	13.0 %	1,164,429	346,625	1,511,054	$22.78	$22.74
2012 Q1	192,599,745	1,420	23,746,211	2,220,466	25,966,677	12.3 %	1.2 %	13.5 %	806,607	287,689	1,094,296	$22.72	$23.86
2011 Q4	192,381,810	1,413	25,452,239	2,508,155	27,960,394	13.2 %	1.3 %	14.5 %	938,107	496,847	1,434,954	$22.86	$24.15
2011 Q3	191,764,560	1,406	25,979,761	3,005,002	28,984,763	13.5 %	1.6 %	15.1 %	1,262,546	(222,073)	1,040,473	$22.67	$23.78
2011 Q2	190,997,515	1,403	26,606,484	2,782,929	29,389,413	13.9 %	1.5 %	15.4 %	75,902	71,935	147,837	$22.97	$23.50
2011 Q1	190,302,113	1,401	26,174,350	2,827,526	29,001,876	13.8 %	1.5 %	15.2 %	(182,027)	350,061	168,034	$23.22	$22.36
2010 Q4	189,324,906	1,399	25,533,474	3,177,587	28,711,061	13.5 %	1.7 %	15.2 %	(41,267)	422,532	381,265	$22.72	$22.35
2010 Q3	188,873,953	1,399	25,817,248	3,394,705	29,211,953	13.7 %	1.8 %	15.5 %	(163,708)	(175,513)	(339,221)	$23.06	$22.86
2010 Q2	188,873,953	1,399	25,569,415	3,220,668	28,790,083	13.5 %	1.7 %	15.2 %	689,745	557,095	1,246,840	$23.38	$23.51
2010 Q1	188,403,587	1,395	26,091,601	3,777,763	29,869,364	13.8 %	2.0 %	15.9 %	(1,346,347)	(94,915)	(1,441,262)	$23.94	$25.00
2009 Q4	187,142,079	1,378	24,316,385	3,660,848	27,977,233	13.0 %	2.0 %	14.9 %	(343,641)	148,642	(194,999)	$24.35	$24.51
2009 Q3	186,677,535	1,384	23,709,302	3,809,490	27,518,792	12.7 %	2.0 %	14.7 %	681,976	144,267	826,243	$24.27	$21.91
2009 Q2	184,641,265	1,366	22,886,382	3,940,508	26,826,890	12.4 %	2.1 %	14.5 %	(1,198,619)	(1,030,317)	(2,228,936)	$24.13	$21.74
2009 Q1	183,544,516	1,355	20,071,216	2,922,017	22,993,233	10.9 %	1.6 %	12.5 %	121,146	(652,599)	(531,453)	$23.71	$21.71

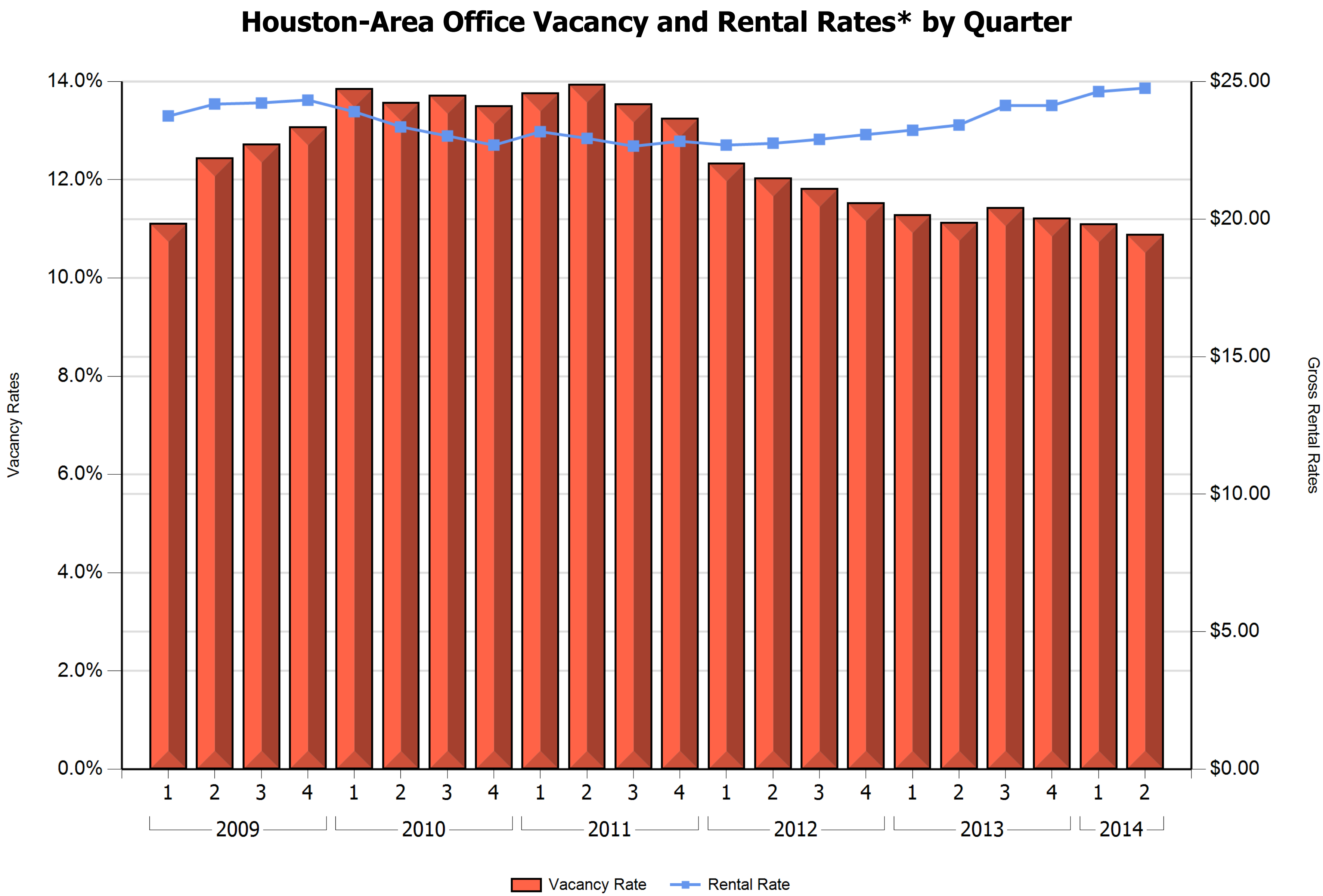
** Rental rates are averaged and weighted based on available space.*

Houston-Area Office Absorption by Class by Quarter



		Class A	Class B	Class C	All Classes
2014	Q2	1,989,436	173,989	(3,728)	2,159,697
	Q1	936,651	106,287	(50,062)	992,876
2013	Q4	631,499	205,293	(81,703)	755,089
	Q3	1,809,844	24,260	(83,068)	1,751,036
	Q2	836,376	(89,800)	(179,484)	567,092
	Q1	229,455	235,552	(71,138)	393,869
2012	Q4	566,957	639,219	(85,899)	1,120,277
	Q3	358,862	18,446	30,336	407,644
	Q2	1,113,245	22,729	28,455	1,164,429
	Q1	43,439	629,369	133,799	806,607
2011	Q4	793,753	61,525	82,829	938,107
	Q3	1,457,485	(222,076)	27,137	1,262,546
	Q2	218,266	(118,468)	(23,896)	75,902
	Q1	195,659	(402,157)	24,471	(182,027)
2010	Q4	416,133	(333,498)	(123,902)	(41,267)
	Q3	526,692	(739,709)	49,309	(163,708)
	Q2	524,438	136,335	28,972	689,745
	Q1	(224,705)	(960,759)	(160,883)	(1,346,347)
2009	Q4	(200,880)	(200,222)	57,461	(343,641)
	Q3	567,711	206,095	(91,830)	681,976
	Q2	(417,117)	(766,224)	(15,278)	(1,198,619)
	Q1	(29,638)	120,654	30,130	121,146

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



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

Houston-Area Industrial Market Summary

2014 Second 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	578,076	3.3 %	42,396	155,783	0	$7.08	52,966
	Flex/Service Center	186	4,715,088	150,585	3.2 %	49,323	44,558	0	$13.58	39,617
	Manufacturing	51	1,883,663	103,474	5.5 %	0	0	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	832,135	3.5 %	91,719	200,341	0	$8.42	92,583
North	Warehouse/Distribution	384	7,915,646	279,786	3.5 %	46,800	146,800	526,930	$7.02	12,100
	Flex/Service Center	124	2,336,421	141,031	6.0 %	17,000	16,050	0	$9.20	1,200
	Manufacturing	54	1,095,879	106,586	9.7 %	0	0	104,000	N/A	0
	HighTech/R&D	14	526,612	9,044	1.7 %	(3,944)	(9,044)	0	$16.80	10,432
North Subtotal		576	11,874,558	536,447	4.5 %	59,856	153,806	630,930	$7.94	23,732
Northeast	Warehouse/Distribution	1,154	50,566,953	4,390,665	8.7 %	623,307	1,266,003	1,979,554	$7.01	255,834
	Flex/Service Center	327	8,260,921	717,317	8.7 %	32,658	(15,289)	476,568	$8.34	34,839
	Manufacturing	234	8,930,200	251,664	2.8 %	0	(32,098)	57,500	$7.43	103,714
	HighTech/R&D	13	593,824	102,567	17.3 %	0	4,830	0	N/A	0
Northeast Subtotal		1,728	68,351,898	5,462,213	8.0 %	655,965	1,223,446	2,513,622	$7.21	394,387
Northwest	Warehouse/Distribution	2,404	94,228,915	5,636,544	6.0 %	203,916	539,567	3,431,420	$7.23	339,900
	Flex/Service Center	742	17,875,672	1,458,087	8.2 %	(41,900)	84,800	12,250	$9.45	81,199
	Manufacturing	502	18,204,366	788,724	4.3 %	(166,617)	249,971	25,000	$4.22	0
	HighTech/R&D	35	1,950,903	38,769	2.0 %	(27,369)	(8,202)	0	N/A	5,442
Northwest Subtotal		3,683	132,259,856	7,922,124	6.0 %	(31,970)	866,136	3,468,670	$7.34	426,541
South	Warehouse/Distribution	680	22,552,116	769,870	3.4 %	17,600	124,646	354,048	$4.95	15,670
	Flex/Service Center	134	2,723,508	179,618	6.6 %	17,935	25,385	0	$16.58	0
	Manufacturing	136	5,687,816	306,125	5.4 %	19,640	51,200	142,000	$5.37	90,000
	HighTech/R&D	13	342,024	0	0.0 %	0	0	0	N/A	0
South Subtotal		963	31,305,464	1,255,613	4.0 %	55,175	201,231	496,048	$6.72	105,670
Southeast	Warehouse/Distribution	1,439	67,258,613	5,129,245	7.6 %	558,383	789,037	659,478	$5.13	134,535
	Flex/Service Center	267	4,777,176	245,222	5.1 %	(16,500)	2,937	0	$9.17	0
	Manufacturing	204	8,681,251	101,960	1.2 %	31,480	61,480	15,000	$5.75	23,903
	HighTech/R&D	16	489,306	67,867	13.9 %	0	3,109	0	$14.40	28,500
Southeast Subtotal		1,926	81,206,346	5,544,294	6.8 %	573,363	856,563	674,478	$5.44	186,938
Southwest	Warehouse/Distribution	815	33,017,288	1,709,019	5.2 %	151,765	206,078	284,100	$7.64	211,900
	Flex/Service Center	473	14,430,315	1,042,926	7.2 %	13,713	72,451	90,000	$12.93	17,536
	Manufacturing	111	3,409,039	380,309	11.2 %	367,887	376,587	0	$5.87	23,600
	HighTech/R&D	13	948,730	455,195	48.0 %	0	0	0	N/A	0
Southwest Subtotal		1,412	51,805,372	3,587,449	6.9 %	533,365	655,116	374,100	$9.19	253,036
Houston-Area	Warehouse/Distribution	7,376	292,841,759	18,493,205	6.3 %	1,644,167	3,227,914	6,988,930	$6.53	1,022,905
	Flex/Service Center	2,253	55,119,101	3,934,786	7.1 %	72,229	230,892	578,818	$10.63	174,391
	Manufacturing	1,292	47,892,214	2,038,842	4.3 %	252,390	707,140	343,500	$5.28	241,217
	HighTech/R&D	109	5,020,410	673,442	13.4 %	(31,313)	(9,307)	0	$14.68	44,374
Houston-Area Total		11,030	400,873,484	25,140,275	6.3 %	1,937,473	4,156,639	7,911,248	$7.09	1,482,887

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

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

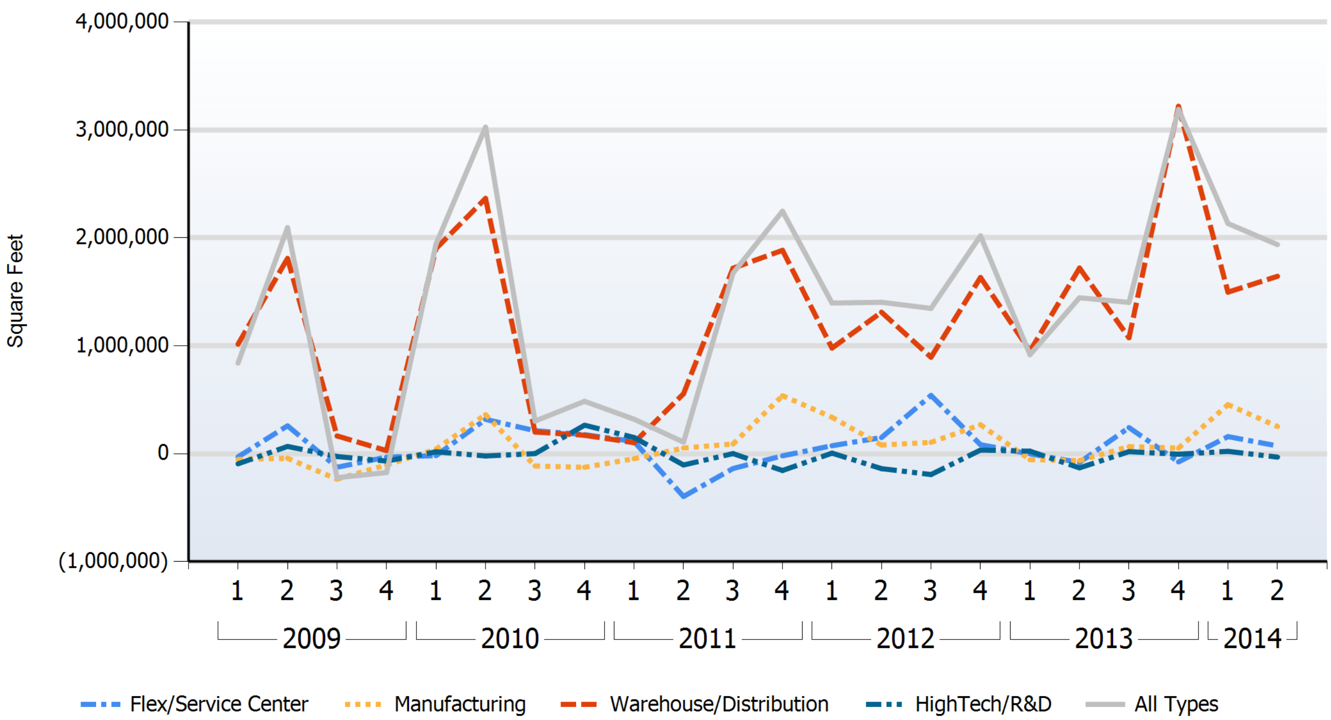
*** Rental rates are weighted and averaged based on available space.

Houston-Area Industrial Statistical Summary

Period	Building SF	No. of Bldgs	Vacant SF			Vacancy Rate			Net Absorption			Avg* Gross Direct Rent
			Direct	Sublease	Total	Direct	Sublease	Total	Direct	Sublease	Total	
2014 Q2	400,873,484	11,030	25,140,275	1,482,887	26,623,162	6.3 %	0.4 %	6.6 %	1,937,473	(63,682)	1,873,791	$7.09
2014 Q1	398,515,535	11,002	25,402,894	1,387,065	26,789,959	6.4 %	0.3 %	6.7 %	2,132,916	148,511	2,281,427	$6.49
2013 Q4	396,038,656	10,969	27,842,491	1,965,110	29,807,601	7.0 %	0.5 %	7.5 %	3,190,369	193,435	2,963,804	$6.53
2013 Q3	393,391,663	10,934	28,547,878	2,267,149	30,815,027	7.3 %	0.6 %	7.8 %	1,402,330	90,877	1,493,207	$6.53
2013 Q2	390,340,376	10,877	27,182,087	2,197,811	29,379,898	7.0 %	0.6 %	7.5 %	1,445,116	(448,240)	996,876	$6.33
2013 Q1	388,353,726	10,847	27,660,911	1,710,438	29,371,349	7.1 %	0.4 %	7.6 %	917,914	27,475	945,389	$5.94
2012 Q4	386,403,327	10,793	26,130,290	1,737,913	27,868,203	6.8 %	0.4 %	7.2 %	2,019,146	259,860	2,279,006	$5.77
2012 Q3	385,115,231	10,769	27,743,997	1,698,042	29,442,039	7.2 %	0.4 %	7.6 %	1,346,564	8,362	1,354,926	$5.71
2012 Q2	384,687,669	10,753	29,014,100	1,706,404	30,720,504	7.5 %	0.4 %	8.0 %	1,403,394	10,346	1,413,740	$5.60
2012 Q1	383,286,592	10,737	28,680,733	1,946,440	30,627,173	7.5 %	0.5 %	8.0 %	1,396,194	339,895	1,736,089	$5.56
2011 Q4	381,770,453	10,706	29,018,001	1,944,075	30,962,076	7.6 %	0.5 %	8.1 %	2,247,283	160,320	2,407,603	$5.51
2011 Q3	380,639,377	10,684	30,486,037	2,104,395	32,590,432	8.0 %	0.6 %	8.6 %	1,673,351	48,710	1,722,061	$5.45
2011 Q2	380,511,490	10,675	32,485,671	2,079,022	34,564,693	8.5 %	0.5 %	9.1 %	107,552	(59,701)	47,851	$5.35
2011 Q1	377,820,737	10,563	31,752,156	1,998,321	33,750,477	8.4 %	0.5 %	8.9 %	320,054	(134,971)	185,083	$5.57
2010 Q4	377,546,708	10,554	31,920,270	1,863,350	33,783,620	8.5 %	0.5 %	8.9 %	485,531	(14,162)	471,369	$5.45
2010 Q3	376,230,343	10,506	32,415,535	1,837,938	34,253,473	8.6 %	0.5 %	9.1 %	302,212	585,710	887,922	$5.47
2010 Q2	375,795,588	10,497	32,561,086	2,390,982	34,952,068	8.7 %	0.6 %	9.3 %	3,026,011	147,783	3,173,794	$5.63
2010 Q1	374,876,170	10,487	34,293,096	2,538,765	36,831,861	9.1 %	0.7 %	9.8 %	1,942,536	(202,279)	1,740,257	$5.41
2009 Q4	372,021,747	10,354	34,820,246	2,320,452	37,140,698	9.4 %	0.6 %	10.0 %	(174,201)	203,277	29,076	$5.41
2009 Q3	369,301,549	10,303	33,712,228	2,554,979	36,267,207	9.1 %	0.7 %	9.8 %	(222,100)	259,436	37,336	$5.32
2009 Q2	365,400,423	10,206	32,054,101	2,774,869	34,828,970	8.8 %	0.8 %	9.5 %	2,094,638	134,516	2,229,154	$5.43
2009 Q1	361,173,442	10,103	32,377,959	2,826,615	35,204,574	9.0 %	0.8 %	9.7 %	839,782	(336,819)	502,963	$5.56

Rental rates are averaged and weighted based on available space.

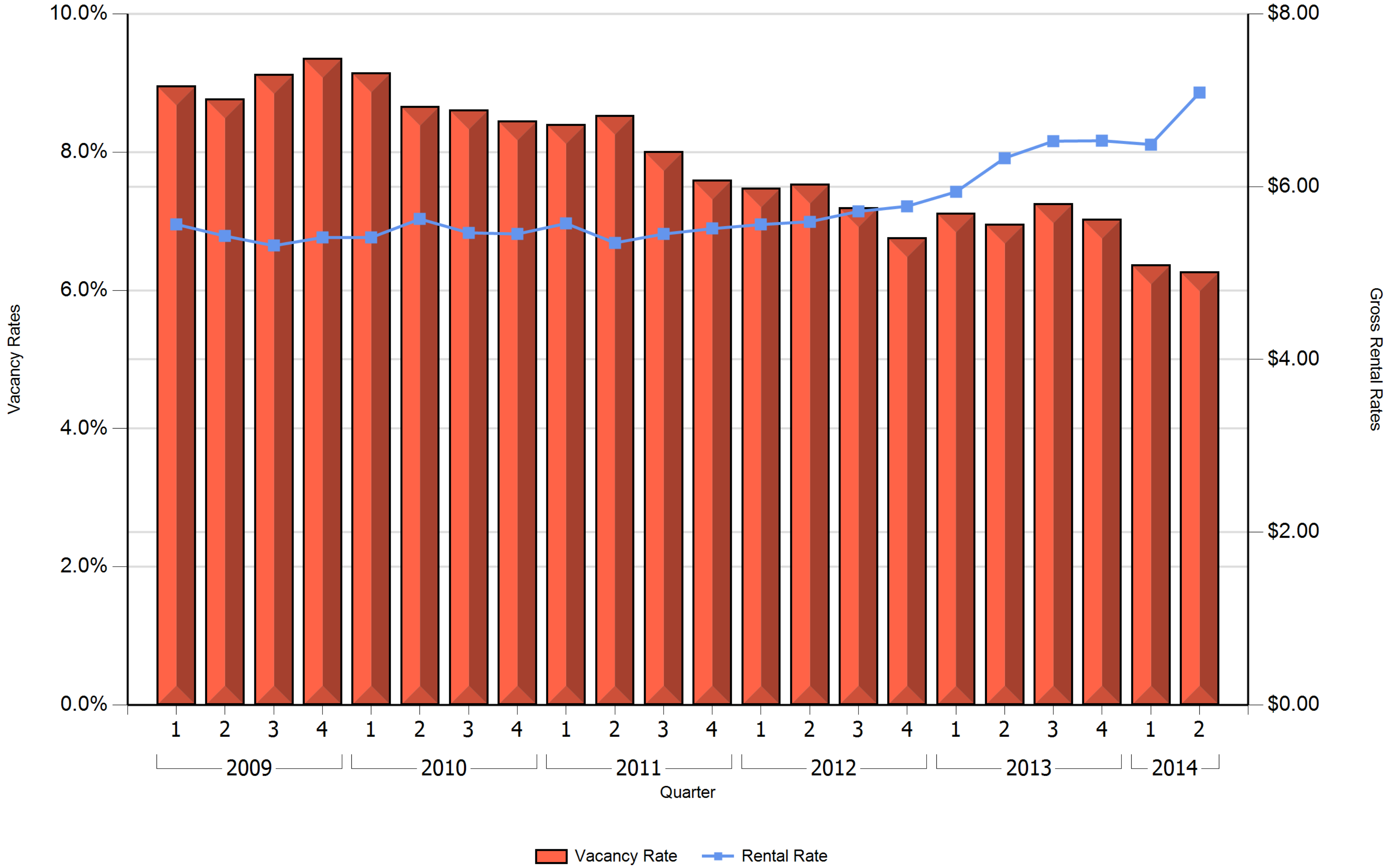
Houston-Area Industrial Absorption by Type by Quarter



		Flex/ Service Center	Manufacturing	Warehouse/ Distribution	HighTech/R&D	All Types
2014	Q2	72,229	252,390	1,644,167	(31,313)	1,937,473
	Q1	158,663	454,750	1,497,497	22,006	2,132,916
2013	Q4	(75,788)	51,980	3,219,007	(4,830)	3,190,369
	Q3	242,638	65,704	1,074,562	19,426	1,402,330
	Q2	(80,876)	(63,405)	1,720,429	(131,032)	1,445,116
	Q1	(1,272)	(55,955)	951,648	23,493	917,914
2012	Q4	83,703	268,394	1,633,210	33,839	2,019,146
	Q3	540,049	105,257	894,138	(192,880)	1,346,564
	Q2	149,809	80,346	1,311,501	(138,262)	1,403,394
	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	(137,015)	90,211	1,719,005	1,150	1,673,351
	Q2	(396,231)	52,971	555,251	(104,439)	107,552
	Q1	113,401	(46,076)	102,129	150,600	320,054
2010	Q4	176,521	(126,114)	170,965	264,159	485,531
	Q3	213,420	(113,250)	201,251	791	302,212
	Q2	318,360	362,699	2,365,699	(20,747)	3,026,011
	Q1	(18,168)	42,018	1,900,861	17,825	1,942,536
2009	Q4	(31,155)	(103,971)	28,835	(67,910)	(174,201)
	Q3	(125,472)	(235,847)	165,113	(25,894)	(222,100)
	Q2	259,014	(42,205)	1,810,345	67,484	2,094,638
	Q1	(29,090)	(52,567)	1,014,846	(93,407)	839,782

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.*