



# Office Market Report

## Houston - TX USA

PREPARED BY

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**OFFICE MARKET REPORT**

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12 Mo Deliveries in SF

**2.7M**

12 Mo Net Absorption in SF

**275K**

Vacancy Rate

**19.0%**

Market Asking Rent Growth

**1.6%**

As 2024 draws to a close, Houston's office market is proving to be surprisingly resilient. Headline vacancy—currently at 19.0%—is unchanged from a year ago. Total availability—now at 20.4% of inventory—has similarly stabilized in the last year. This has been aided by a slight reduction in sublet availability, which has edged downward after reaching a four-year high in 2022.

Houston is not immune to the trends shaping most office markets today, but they seem to be less pronounced here than elsewhere. While office utilization in Houston remains below pre-pandemic levels, it ranks among the highest in the country. Houston is less exposed to the tech sector which has adopted workplace arrangements that require less office space. Office-using job growth has slowed, but remains above the national average and still leads Texas. Although lease sizes over the past seven quarters were about 15% below the 2015-2019 average, the number of direct, non-renewal leases is well above, which has pushed total leasing volume above the pre-pandemic five-year average. Also, market participants note that the pace of downsizing by existing tenants has slowed significantly from the activity in 2023. Furthermore, some companies that initially reduced their office footprint, such as Bechtel, have signed expansions shortly after.

Still, there are headwinds. While demand in Houston's best-quality, 5 Star office buildings has remained

positive since 2020, older properties are struggling to backfill space. Annual absorption in buildings constructed between the 1970s and 1980s—which combined account for half of Houston's office stock—has been negative since 2015.

On the bright side, supply-side pressure is not an issue. Roughly 80% of the 2.6 million SF under construction is pre-leased. Meanwhile, groundbreaking is negligible and new supply is on pace to fall to a record low in 2025, which should further tighten demand for first-generation space.

With elevated availability, Houston remains a tenant's market with the exception of high-quality amenity-rich buildings in mixed-use settings. Generous tenant improvement allowances and rent packages of one month of free rent per year of term have become the norm.

A lack of liquidity and Texas' status as a non-disclosure state make pricing difficult to pin down, but average values appear to be down about 15% since the end of 2021, with cap rates rising about 180 basis points. Several underperforming buildings have sold at land value or well below replacement cost over the past year. With many buildings underwater on their mortgages, foreclosures and distressed sales are likely to continue throughout 2024, helping reset the market.

### KEY INDICATORS

Current Quarter	RBA	Vacancy Rate	Market Asking Rent	Availability Rate	Net Absorption SF	Deliveries SF	Under Construction
4 & 5 Star	147,890,815	23.6%	\$36.54	25.9%	(176,666)	0	1,946,981
3 Star	163,600,184	17.8%	\$25.89	18.2%	(63,992)	23,227	604,526
1 & 2 Star	48,281,468	9.4%	\$24.72	10.7%	(130,711)	0	26,200
<b>Market</b>	<b>359,772,467</b>	<b>19.0%</b>	<b>\$30.14</b>	<b>20.4%</b>	<b>(371,369)</b>	<b>23,227</b>	<b>2,577,707</b>

Annual Trends	12 Month	Historical Average	Forecast Average	Peak	When	Trough	When
Vacancy	0.4% (YOY)	13.5%	20.0%	19.0%	2024 Q4	8.5%	1999 Q1
Net Absorption SF	275K	2,606,476	197,279	9,848,422	2014 Q2	(3,293,321)	2017 Q3
Deliveries SF	2.7M	5,051,972	2,321,122	13,576,673	2015 Q2	1,247,814	2010 Q4
Market Asking Rent Growth	1.6%	1.6%	1.7%	14.5%	2008 Q1	-6.2%	2010 Q2
Sales Volume	\$366M	\$1.6B	N/A	\$4.9B	2013 Q3	\$258.1M	2009 Q4

Headline vacancy stands at 19.0%, the second highest across major markets behind only San Francisco. This is not a recent trend, as Houston has historically carried an elevated vacancy rate due to overbuilding in the 1980s and, more recently, in the mid 2010's, at the height of the shale boom. While the rate is about three percentage points above the 2019 year-end rate, it remains unchanged from a year ago, counter to the national trend that continues to move upward. Houston ranks seventh in the country for most office inventory and is the only one out of the top 10 to have posted consistent positive annual absorption since 2021.

In the 12-month period ending in 24Q3, about 15 million SF was leased, which is above the average from 2015 to 2019 of 14 million SF per year. Leasing volume has been bolstered by large leases by companies like Camden, BlueCross BlueShield, Ovintiv, and Noble Corporation, which all signed commitments exceeding 100,000 SF. While the preference for high-end, quality space and amenities continues, market participants note that the shrinking of office footprint trend has tapered off in Houston and expansions are slowly making their way back. For example, BlueCross Blue Shield's 137,000-SF lease in May was an expansion.

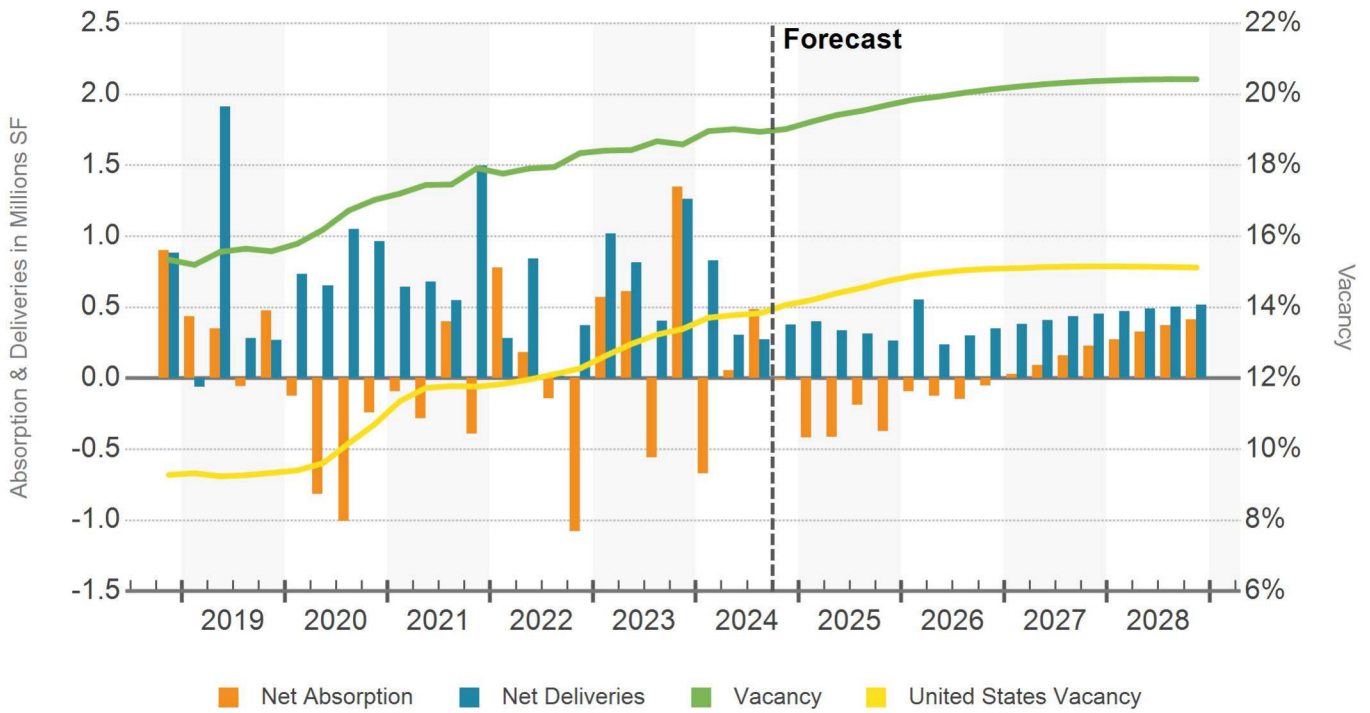
The vacancy rate in the Galleria/Uptown, often considered Houston's "Second Downtown," is now 30%, which is double the 2019 year-end tally and the submarket where vacancies have climbed the most since. Conversely, the vacancy rate in the Katy Freeway East stands at 9%, which is 80 basis points below the 2019 year-end tally. Out of Houston's top 10 largest submarkets by inventory, this is arguably the best

performing one. While it is among the most expensive, it offers an attractive mix of restaurants and other retailers and is close to population centers. Buildings within a 2-mile radius of Midway's mixed-use CityCentre show an average occupancy rate of 94%. Less than 10% of the Galleria/Uptown's office inventory was built since 2010 while more than one-third of the Katy Freeway East's inventory was, further adding to its attractiveness as quality buildings remain in highest demand.

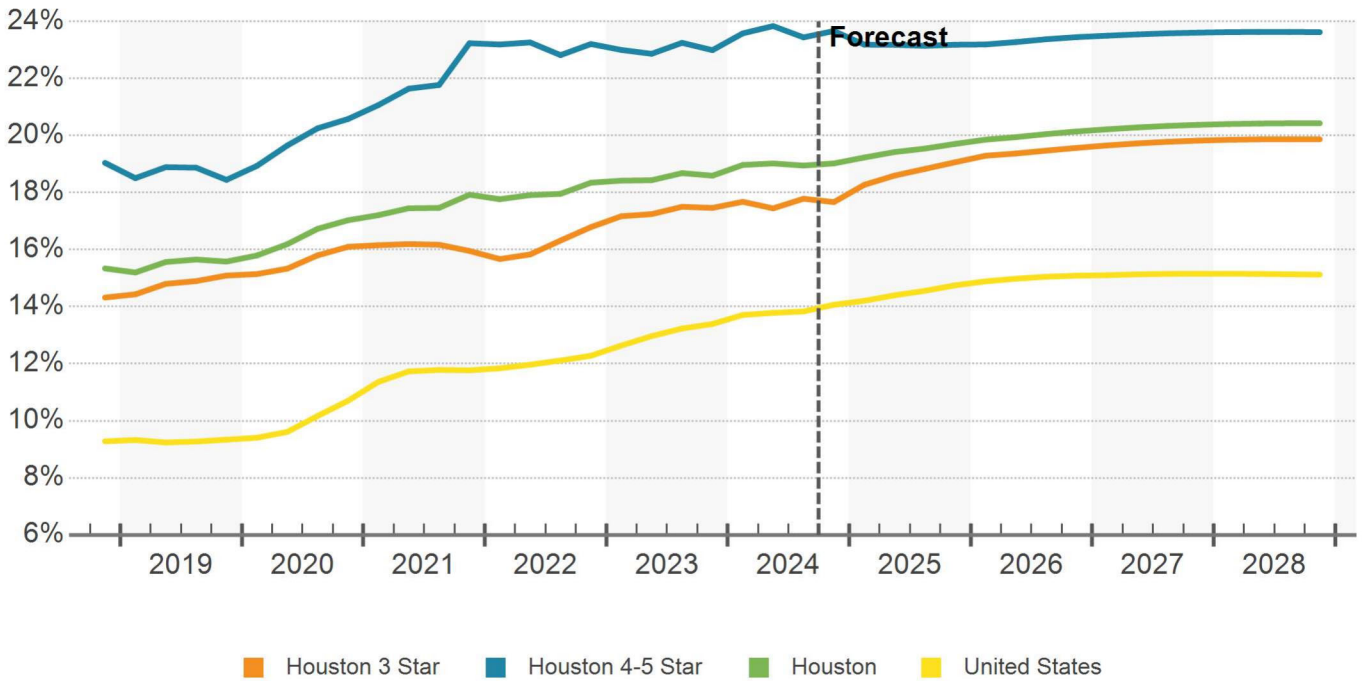
Bucking the national trend, where sublease inventory remains nearly double what it was at the end of 2019, Houston's number— 6.5 million SF— is now just slightly above the 2019 mark. It accounts for just 1.8% of Houston's office inventory, which is slightly below the U.S. average of 2.2%. Nearly 80% of space available for sublease is 4 & 5 Star. By location, Houston's CBD accounts for more than one-third. Reasons behind the reduction in sublet space include companies taking advantage of significant discounts being offered in many of these spaces. Turnkey space is often at a discount of 25% or more. Also, fewer companies are subletting their space, and others have withdrawn the listing as their return to office strategies are solidified.

With office attendance stable and office-using job growth slowing, demand conditions are not expected to change meaningfully over the next year or two. Still, the balance of risks to the houseview forecast is tilted to the upside. As the national economy slows down and growth remains stronger in Texas, local participants expect new firms to continue moving to Houston from out-of-state because they see growth opportunities.

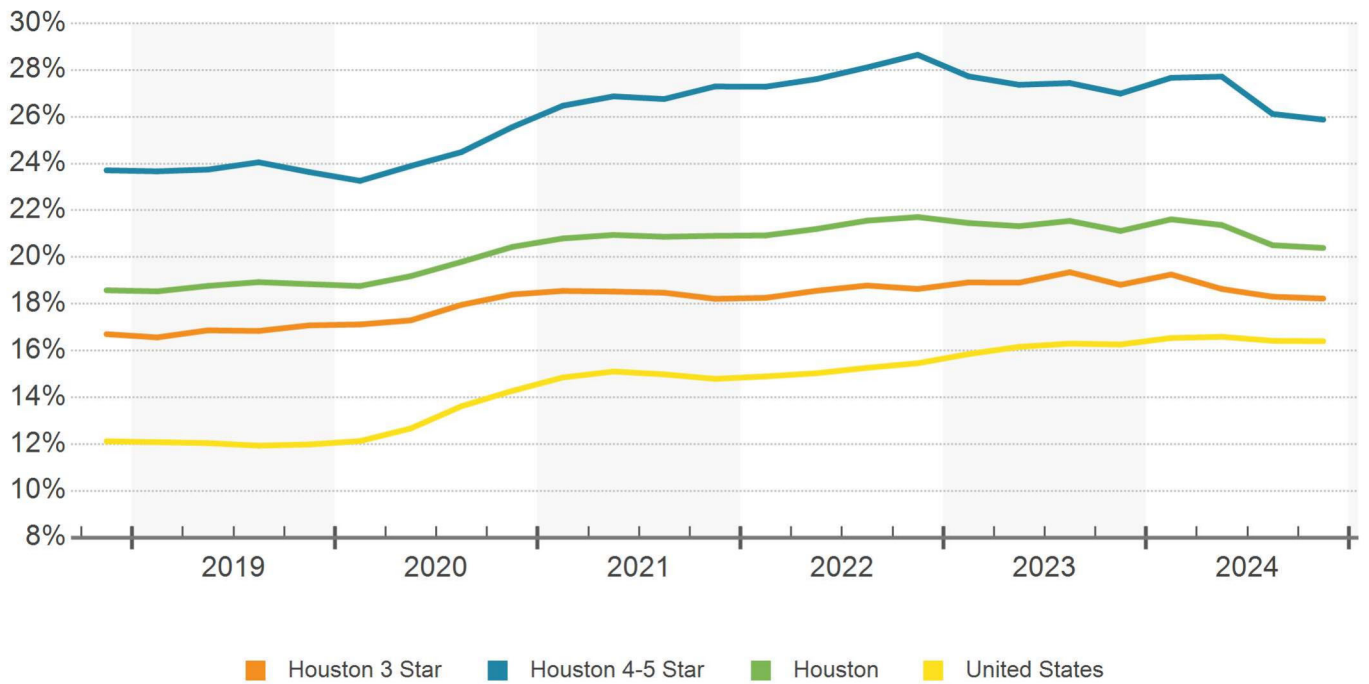
## NET ABSORPTION, NET DELIVERIES & VACANCY



## VACANCY RATE



## AVAILABILITY RATE



### TOP OFFICE LEASES PAST 12 MONTHS

Building Name/Address	Submarket	Leased SF	Qtr	Tenant Name	Tenant Rep Company	Leasing Rep Company
CityCentre	Katy Freeway East	229,656	Q4 23	The Dow Chemical Co.	-	Cushman & Wakefield
Waterway Square *	The Woodlands	168,805	Q2 24	Ovintiv	JLL	JLL
Sugar Land Business Park	E Fort Bend Co/Sugar Land	150,000	Q4 23	Frazer, Ltd	-	-
The RO	Greenway Plaza	146,003	Q2 24	Vitol Inc	-	-
West Belt Office Center	Southwest Beltway 8	136,800	Q2 24	BlueCross BlueShield of T...	Cushman & Wakefield	JLL
Memorial Hermann Sugar Land Medi...	Southwest Outlier	135,000	Q1 24	Memorial Hermann Sugar...	-	-
11555 University Blvd	E Fort Bend Co/Sugar Land	135,000	Q4 23	Kelsey-Seybold Clinic	-	-
Remington Square *	West Belt	123,344	Q1 24	Patterson-UTI	Partners;Transweste...	Stream Realty Partners...
Post Oak Central	Galleria/Uptown	121,067	Q2 24	-	-	Parkway Realty Manag...
CityWestPlace	Westchase	110,250	Q1 24	Noble Corporation	Savills	Parkway Realty Manag...
CityWestPlace	Westchase	106,456	Q1 24	Bechtel Corporation	CBRE	Parkway Realty Manag...
Eldridge Place	Katy Freeway West	104,667	Q4 23	Fluor	Cushman & Wakefield	Granite
Williams Tower	Galleria/Uptown	104,013	Q2 24	Camden Property Trust	Avison Young	CBRE
Energy Center	Katy Freeway West	99,501	Q2 24	OneSubsea	-	JLL
Schlumberger Building	Galleria/Uptown	94,602	Q4 23	SLB	-	-
Kelsey Seybold, Building B	NASA/Clear Lake	80,100	Q1 24	Kelsey Seybold	-	-
Greens Crossing II	Greenspoint/N Belt West	79,200	Q2 24	General Services Adminis...	-	JLL
Southwest Corporate Center	Southwest Beltway 8	76,540	Q4 23	AT&T Wireless	-	-
Westway Park	West Belt	75,036	Q2 24	Higginbotham & Associates	-	Cushman & Wakefield
Houston Center *	CBD	69,614	Q4 23	Norton Rose Fulbright	CBRE	Transwestern Real Est...
Great Jones	CBD	65,909	Q3 24	Spaces.	JLL	CBRE
Two Westway *	West Belt	64,319	Q4 23	Seadrill Americas Inc	Newmark	Transwestern Real Est...
Hercules II *	NASA/Clear Lake	63,716	Q1 24	Axiom Space	Savills	Transwestern Real Est...
Hess Tower	CBD	61,000	Q1 24	EnLink Midstream	-	JLL
Texas Tower	CBD	60,764	Q3 24	Fayez Sarofim & Co.	-	Cushman & Wakefield
1000 Main *	CBD	60,000	Q1 24	JERA Americas	Newmark	Avison Young
Houston Center	CBD	59,257	Q1 24	-	-	JLL
330 N Sam Houston Pky E	Greenspoint/N Belt West	59,000	Q2 24	Up Excellence Academy	-	Cano & Company
Four Oaks Place *	Galleria/Uptown	58,956	Q4 23	Gray Reed Attorneys & C...	-	-
The Offices at Greenhouse	Katy/Grand Parkway West	56,433	Q4 24	-	JLL	Transwestern Real Est...
CCA-04-06, Viva Center	FM 1960/Hwy 249	54,247	Q1 24	SynergenX Health	-	SVN   J. Beard Real Es...
Discovery West	CBD	53,007	Q2 24	Boston Consulting Group	-	CBRE
Energy Plaza	Katy Freeway West	52,012	Q4 24	-	-	CBRE
3009 Post Oak Blvd	Galleria/Uptown	50,990	Q3 24	-	-	CBRE
Woodbranch Office Plaza	Katy Freeway West	50,380	Q2 24	Rimkus Consulting Group,...	Cresa	Avison Young
Kiewit Energy Company *	The Woodlands	50,102	Q3 24	Kiewit	-	JLL
8790 Hammerly Blvd	Northwest Inner Loop	50,000	Q2 24	Kids' Meals	-	-
East River One	Gulf Freeway/Pasadena	47,416	Q2 24	Orion Group Holdings	CBRE	Parkway Realty Manag...
Nexen Tower	Katy Freeway East	47,304	Q1 24	Kraken Resources	Whitebox Real Estat...	MetroNational Corporat...
Texas Tower	CBD	46,149	Q3 24	-	-	Cushman & Wakefield

\*Renewal

Houston office asking rents of \$30.00/SF are now almost \$1/SF above what they were entering 2020. Year-over-year, rents have adjusted by 1.6%, compared to the national average of 1.0%. Rent growth in Houston has held steady in the 1.5%-2% range over the past two years. It would be worse, except market participants note that landlords are usually reluctant to reduce their asking rents, preferring to apply discounts instead in the way of generous concession and tenant improvement packages.

There is no meaningful disparity between the CBD and the suburbs when it comes to free rent. Office brokers are generally reporting three months of free rent on a three-year lease, six to eight months of free rent on a five-year lease, and 12 to 18 months of free rent on a 10-year lease. Landlords like to see build-out allowance applied as construction in the building but have become more generous, now allowing tenants to use it to pay for things that don't attach to the building, such as furniture and moving costs. Build-out allowances are now at \$75-90/SF for legacy buildings and \$110-120/SF for new spaces. These allowances are relatively unchanged from two years ago.

Rent at 4 & 5 Star properties, which stands at \$37.00/SF, finally returned to its early 2020 mark in mid-2024. At a national level, rents in this segment remain more than \$1 below where they were in early 2020. The highest rents in Houston are found in submarkets with a notable concentration of 4 & 5 Star buildings. The CBD has the highest average asking rents, at \$37/SF, followed by the Katy Freeway East, at \$35/SF. New buildings push the threshold for asking rents. For example, Skanska's 1550

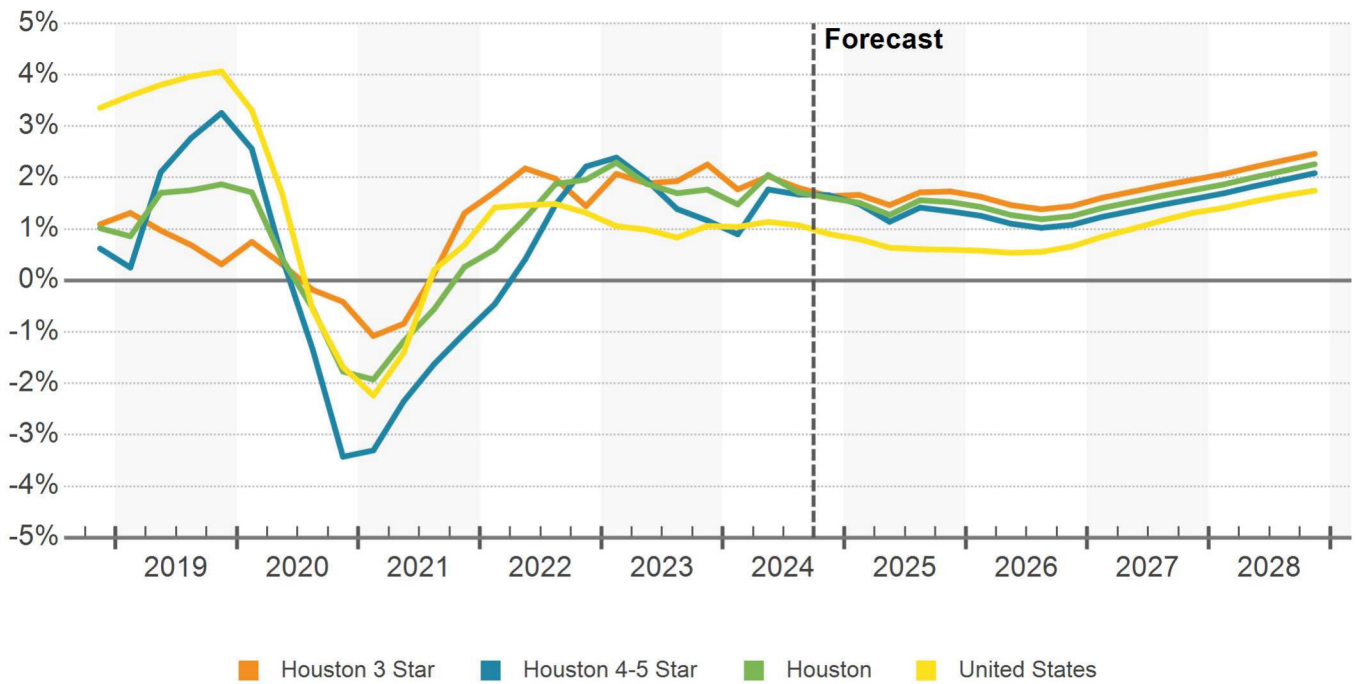
on the Green tower, which completed earlier this year in the CBD, commands among the highest advertised rents in the market, at around \$50/SF NNN.

While sublet availability in the market measures just 1.8% of Houston's office inventory, the listed sublet space is often offered at a discount. For example, CoStar reports that sublease rents are being offered at \$14/SF NNN in the 1983-built Comerica Office Tower in the E Fort Bend Co/Sugar Land Submarket, whereas direct rents in 3 Star buildings there average \$22/SF, a 36% discount. In the 2014-built Two Hughes Landing in The Woodlands Submarket, sublease rents are being offered at \$17.00/SF NNN, compared to direct rents in 4 Star buildings which average \$24/SF, a 30% discount.

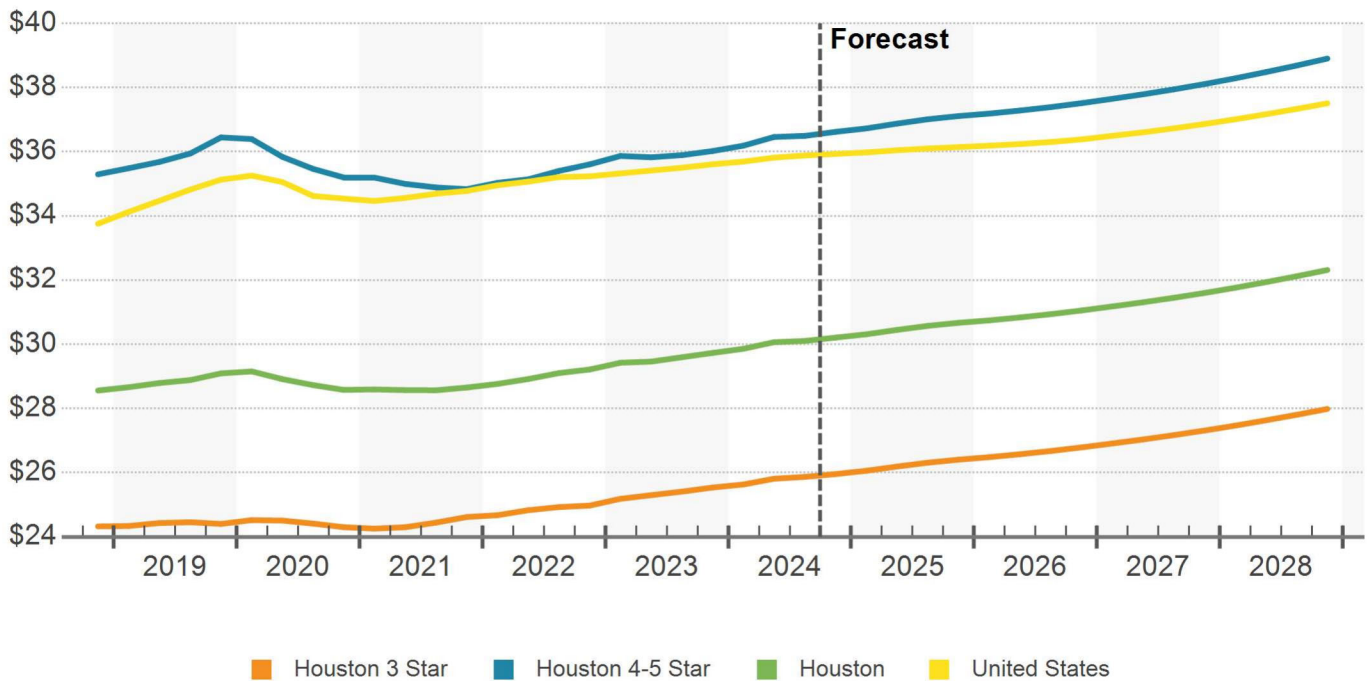
There are exceptions to the overall rent story. New or recently renovated buildings within mixed-use settings like City Centre and Memorial City are in high demand and offering little concessions. Some buildings are seeing material rental rate increases of 10%-20% over the past 18-20 months. Outside these pockets of strength, given the significant amount of available space, it will be challenging for landlords to raise rents meaningfully over the near term. Furthermore, a correction in property values could also lead to lower rents as some underperforming buildings have recently sold at notable discounts to prior valuation allowing the owners to cover their costs at lower rent levels. Accordingly, the house view calls for rent growth to continue slowing through the end of 2025. Still, with new supply on pace to fall dramatically next year, there is a potential for rent growth to reaccelerate in 2026.



## MARKET ASKING RENT GROWTH (YOY)



## MARKET ASKING RENT PER SQUARE FEET



### 4 & 5 STAR EXPENSES PER SF (ANNUAL)

Market / Cluster	Utilities	Cleaning	Insurance	Taxes	Other	Total
<b>Houston</b>	\$0.63	\$1.53	\$0.56	\$5.42	\$9.44	<b>\$17.58</b>
Baytown	\$0.52	\$1.57	\$0.80	\$5.05	\$10.31	<b>\$18.25</b>
Bellaire	\$0.52	\$1.58	\$0.56	\$3.71	\$8.74	<b>\$15.11</b>
Conroe	\$0.59	\$1.19	\$0.39	\$4.77	\$7.74	<b>\$14.68</b>
Downtown	\$0.55	\$1.35	\$0.68	\$5.54	\$8.95	<b>\$17.07</b>
E Fort Bend Co/Sugar Land	\$0.58	\$1.80	\$0.54	\$4.12	\$8.01	<b>\$15.05</b>
FM 1960	\$0.67	\$1.16	\$0.46	\$4.19	\$9.21	<b>\$15.69</b>
Greenway Plaza	\$1.19	\$1.36	\$0.42	\$5.44	\$5.64	<b>\$14.05</b>
Gulf Freeway/Pasadena	\$0.56	\$1.86	\$0.80	\$4.04	\$9.71	<b>\$16.97</b>
Katy Freeway	\$0.61	\$1.67	\$0.48	\$6.42	\$11.13	<b>\$20.31</b>
Katy/Grand Parkway West	\$0.99	\$1.26	\$0.65	\$6.79	\$9.88	<b>\$19.57</b>
Kingwood/Humble	\$0.57	\$1.78	\$0.58	\$4.93	\$10.64	<b>\$18.50</b>
NASA/Clear Lake	\$0.54	\$1.62	\$0.86	\$3.69	\$8.72	<b>\$15.43</b>
North Belt	\$0.37	\$1.18	\$0.48	\$1.13	\$9.75	<b>\$12.91</b>
Northeast Near	\$0.43	\$1.29	\$0.55	\$3.65	\$10.54	<b>\$16.46</b>
Northwest	\$0.38	\$1.13	\$0.49	\$2.37	\$10.09	<b>\$14.46</b>
Northwest Outlier	\$0.61	\$1.46	\$0.55	\$6.62	\$10.02	<b>\$19.26</b>
Outlying Montgomery Cnty	\$0.57	\$1.77	\$0.58	\$3.44	\$10.68	<b>\$17.04</b>
San Felipe/Voss	\$0.59	\$1.07	\$0.37	\$2.98	\$5.78	<b>\$10.79</b>
South	\$0.55	\$1.67	\$0.59	\$5.95	\$8.11	<b>\$16.87</b>
South Main/Medical Center	\$0.66	\$1.86	\$0.69	\$6.77	\$8.30	<b>\$18.28</b>
Southeast Outlier	\$0.53	\$1.61	\$0.69	\$2.76	\$9.44	<b>\$15.03</b>
Southwest	\$0.41	\$1.22	\$0.44	\$1.45	\$8	<b>\$11.52</b>
Southwest Far	\$0.55	\$1.65	\$0.58	\$7.35	\$8.58	<b>\$18.71</b>
Southwest Outlier	\$1.08	\$1.24	\$0.71	\$5.53	\$8.65	<b>\$17.21</b>
The Woodlands	\$0.57	\$2.10	\$0.54	\$6.70	\$10.11	<b>\$20.02</b>
West Belt	\$0.53	\$1.15	\$0.49	\$4.58	\$8.16	<b>\$14.91</b>
West Loop	\$0.89	\$1.13	\$0.53	\$5.54	\$8.32	<b>\$16.41</b>
Westchase	\$0.41	\$1.45	\$0.58	\$5.86	\$11.68	<b>\$19.98</b>

Expenses are estimated using NCREIF, Trepp, IREM, and CoStar data using the narrowest possible geographical definition from Zip Code to region.

### 3 STAR EXPENSES PER SF (ANNUAL)

Market / Cluster	Utilities	Cleaning	Insurance	Taxes	Other	Total
<b>Houston</b>	\$0.57	\$1.44	\$0.43	\$5.29	\$5.93	<b>\$13.66</b>
Austin County	\$0.60	\$1.46	\$0.50	\$3.15	\$7.84	<b>\$13.55</b>
Baytown	\$0.50	\$1.29	\$0.45	\$4.12	\$4.37	<b>\$10.73</b>
Bellaire	\$0.54	\$1.55	\$0.54	\$4.15	\$6.61	<b>\$13.39</b>
Conroe	\$0.56	\$1.68	\$0.32	\$4.36	\$5.09	<b>\$12.01</b>
Downtown	\$0.51	\$1.47	\$0.55	\$5.36	\$7.96	<b>\$15.85</b>
E Fort Bend Co/Sugar Land	\$0.56	\$1.74	\$0.51	\$5.51	\$5.60	<b>\$13.92</b>
FM 1960	\$0.58	\$1.32	\$0.34	\$5.44	\$5.57	<b>\$13.25</b>
Greenway Plaza	\$0.62	\$1.46	\$0.47	\$6.54	\$6.53	<b>\$15.62</b>
Gulf Freeway/Pasadena	\$0.60	\$1.35	\$0.47	\$4.81	\$2.97	<b>\$10.20</b>
I-10 East	\$0.50	\$1.30	\$0.43	\$3.89	\$4.54	<b>\$10.66</b>
Katy Freeway	\$0.57	\$1.50	\$0.42	\$5.36	\$7.13	<b>\$14.98</b>
Katy/Grand Parkway West	\$0.99	\$1.09	\$0.50	\$7.80	\$7.68	<b>\$18.06</b>
Kingwood/Humble	\$0.53	\$1.66	\$0.45	\$4.50	\$5.03	<b>\$12.17</b>
Liberty County	\$0.49	\$1.27	\$0.43	\$2.79	\$4.20	<b>\$9.18</b>
NASA/Clear Lake	\$0.53	\$1.33	\$0.46	\$4.23	\$4.47	<b>\$11.02</b>
North Belt	\$0.45	\$1.19	\$0.27	\$2.42	\$7.22	<b>\$11.55</b>
Northeast Near	\$0.43	\$1.15	\$0.33	\$4.19	\$6.89	<b>\$12.99</b>
Northeast Outlier	\$0.45	\$1.35	\$0.30	\$7.57	\$4.46	<b>\$14.13</b>
Northwest	\$0.43	\$1.15	\$0.37	\$5.41	\$6.66	<b>\$14.02</b>
Northwest Outlier	\$0.54	\$1.39	\$0.45	\$8.05	\$7.49	<b>\$17.92</b>
Outlying Chambers County	\$0.50	\$1.31	\$0.42	\$1.82	\$4.26	<b>\$8.31</b>
Outlying Montgomery Cnty	\$0.54	\$1.69	\$0.32	\$3.95	\$5.21	<b>\$11.71</b>
Outlying Waller County	\$0.59	\$1.47	\$0.51	\$2.18	\$7.59	<b>\$12.34</b>
Richmond/Fountainview	\$0.51	\$1.21	\$0.40	\$2.81	\$6.35	<b>\$11.28</b>
San Felipe/Voss	\$0.55	\$1.28	\$0.44	\$3.58	\$7.06	<b>\$12.91</b>
South	\$0.51	\$1.47	\$0.53	\$6.37	\$5.25	<b>\$14.13</b>
South Hwy 35	\$0.51	\$1.53	\$0.55	\$2.53	\$5.49	<b>\$10.61</b>
South Main/Medical Center	\$0.55	\$1.64	\$0.58	\$5.84	\$5.88	<b>\$14.49</b>
Southeast Outlier	\$0.51	\$1.47	\$0.53	\$3.90	\$5.25	<b>\$11.66</b>
Southwest	\$0.47	\$1.44	\$0.55	\$3.09	\$4.55	<b>\$10.10</b>
Southwest Far	\$0.51	\$1.55	\$0.56	\$4.06	\$5.63	<b>\$12.31</b>
Southwest Outlier	\$0.90	\$1.17	\$0.59	\$6.34	\$6.72	<b>\$15.72</b>
The Woodlands	\$0.54	\$1.92	\$0.25	\$5.40	\$5.24	<b>\$13.35</b>
West Belt	\$0.51	\$1.12	\$0.37	\$4.60	\$5.90	<b>\$12.50</b>
West Loop	\$0.50	\$1.05	\$0.45	\$5	\$7.35	<b>\$14.35</b>
Westchase	\$0.43	\$1.34	\$0.40	\$4.23	\$6.15	<b>\$12.55</b>

Expenses are estimated using NCREIF, Trepp, IREM, and CoStar data using the narrowest possible geographical definition from Zip Code to region.

### 1 & 2 STAR EXPENSES PER SF (ANNUAL)

Market / Cluster	Utilities	Cleaning	Insurance	Taxes	Other	Total
<b>Houston</b>	\$0.48	\$1.19	\$0.36	\$4.43	\$4.24	<b>\$10.70</b>
Austin County	\$0.55	\$1.29	\$0.42	\$2.24	\$5.26	<b>\$9.76</b>
Baytown	\$0.46	\$1.18	\$0.40	\$3.49	\$4.16	<b>\$9.69</b>
Bellaire	\$0.44	\$1.19	\$0.29	\$4.45	\$4.13	<b>\$10.50</b>
Conroe	\$0.50	\$1.22	\$0.29	\$2.54	\$5.34	<b>\$9.89</b>
Downtown	\$0.49	\$1.02	\$0.48	\$6.78	\$4.03	<b>\$12.80</b>
E Fort Bend Co/Sugar Land	\$0.52	\$1.64	\$0.44	\$3.62	\$4.38	<b>\$10.60</b>
FM 1960	\$0.48	\$1.23	\$0.32	\$4.08	\$4.96	<b>\$11.07</b>
Greenway Plaza	\$0.57	\$1.15	\$0.45	\$8.14	\$5.23	<b>\$15.54</b>
Gulf Freeway/Pasadena	\$0.48	\$1.19	\$0.39	\$3.61	\$2.87	<b>\$8.54</b>
I-10 East	\$0.44	\$1.11	\$0.37	\$3.74	\$4.13	<b>\$9.79</b>
Katy Freeway	\$0.52	\$1.29	\$0.38	\$5.03	\$5.02	<b>\$12.24</b>
Katy/Grand Parkway West	\$0.53	\$1.08	\$0.38	\$5.28	\$5.70	<b>\$12.97</b>
Kingwood/Humble	\$0.51	\$1.45	\$0.43	\$3.73	\$4.16	<b>\$10.28</b>
Liberty County	\$0.46	\$1.18	\$0.40	\$2.51	\$4.18	<b>\$8.73</b>
NASA/Clear Lake	\$0.48	\$1.20	\$0.41	\$3.50	\$4.22	<b>\$9.81</b>
North Belt	\$0.41	\$1.01	\$0.26	\$3.18	\$4.52	<b>\$9.38</b>
Northeast Near	\$0.40	\$0.91	\$0.31	\$3.51	\$2.02	<b>\$7.15</b>
Northeast Outlier	\$0.46	\$1.30	\$0.30	\$3.83	\$4.19	<b>\$10.08</b>
Northwest	\$0.39	\$0.88	\$0.34	\$5.91	\$4.13	<b>\$11.65</b>
Northwest Outlier	\$0.56	\$1.30	\$0.40	\$4.18	\$0.62	<b>\$7.06</b>
Outlying Chambers County	\$0.45	\$1.16	\$0.40	\$2.32	\$4.17	<b>\$8.50</b>
Outlying Montgomery Cnty	\$0.51	\$1.43	\$0.30	\$4.14	\$4.60	<b>\$10.98</b>
Outlying Waller County	\$0.54	\$1.24	\$0.39	\$2.95	\$4.12	<b>\$9.24</b>
Richmond/Fountainview	\$0.41	\$1.07	\$0.26	\$4.31	\$4.15	<b>\$10.20</b>
San Felipe/Voss	\$0.50	\$1.33	\$0.33	\$7.39	\$5.30	<b>\$14.85</b>
South	\$0.47	\$1.25	\$0.35	\$3.82	\$4	<b>\$9.89</b>
South Hwy 35	\$0.47	\$1.27	\$0.31	\$2.33	\$4.12	<b>\$8.50</b>
South Main/Medical Center	\$0.48	\$1.20	\$0.36	\$7.15	\$4.34	<b>\$13.53</b>
Southeast Outlier	\$0.50	\$1.37	\$0.35	\$2.85	\$4.44	<b>\$9.51</b>
Southwest	\$0.38	\$0.94	\$0.20	\$2.89	\$4.08	<b>\$8.49</b>
Southwest Far	\$0.46	\$1.26	\$0.30	\$2.78	\$4.08	<b>\$8.88</b>
Southwest Outlier	\$0.47	\$0.98	\$0.31	\$3.31	\$5.72	<b>\$10.79</b>
The Woodlands	\$0.48	\$1.50	\$0.23	\$4.59	\$4.62	<b>\$11.42</b>
West Belt	\$0.46	\$1	\$0.32	\$3.97	\$4.28	<b>\$10.03</b>
West Loop	\$0.50	\$1.15	\$0.36	\$4.37	\$5.43	<b>\$11.81</b>
Westchase	\$0.39	\$1.25	\$0.28	\$4.86	\$6.49	<b>\$13.27</b>

Expenses are estimated using NCREIF, Trepp, IREM, and CoStar data using the narrowest possible geographical definition from Zip Code to region.

Supply-side pressure is minimal in the Houston office market. As of the fourth quarter of 2024, there is 2.6 million SF underway, equal to just 0.7% of total inventory and a fraction of the 10-year average of 5.6 million SF. Houston's under-construction pipeline had already thinned out notably since the 2016 oil bust and has done so even more over the past few quarters as higher borrowing costs and limited financing availability has made it difficult for projects to break ground. Construction starts are at all-time lows and new supply in 2025 is projected to be the lowest on record. Local participants predict that tenants will start backfilling second and third generation space in the coming months due to limited availability for first-generation space.

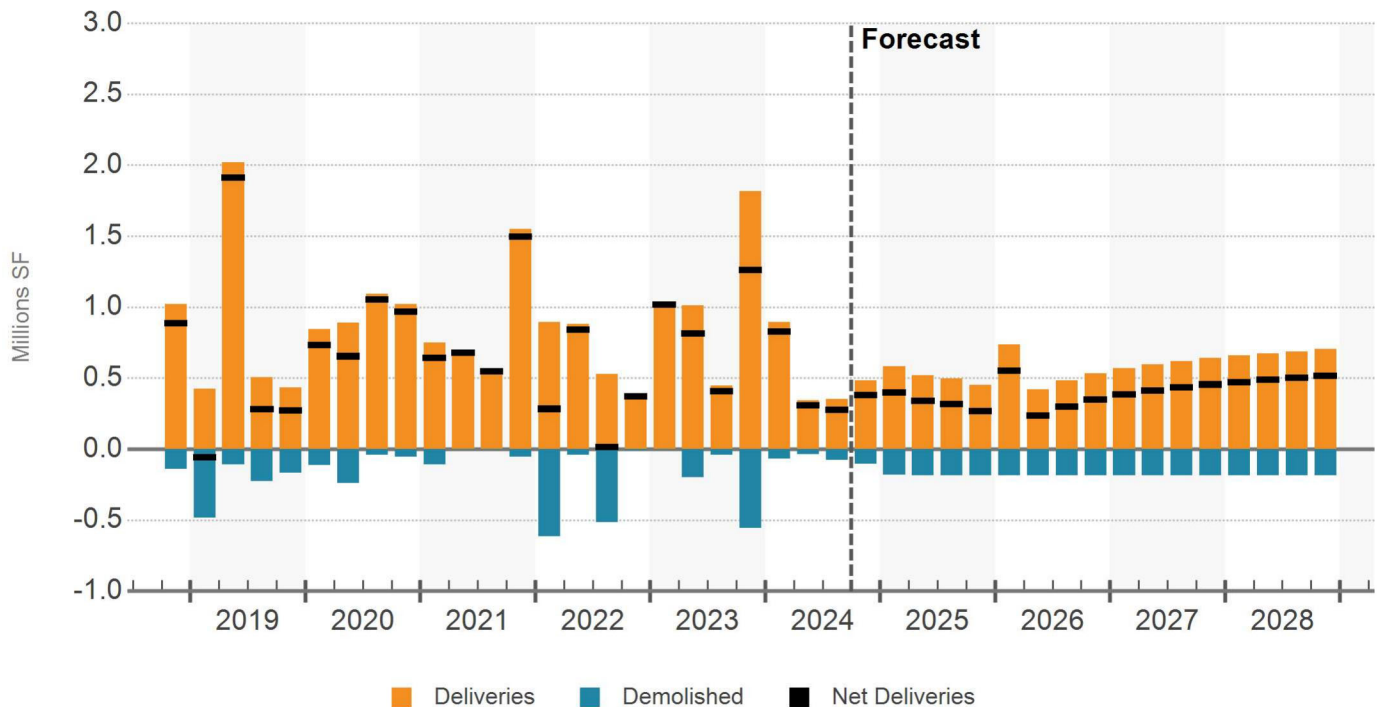
About 80% of what is underway is preleased, minimizing the impact of new supply. Those developers that are building spec buildings are often targeting submarkets with established mixed-use projects. For example, recent projects such as Midway's 308,000-SF CityCentre Six Office, MetroNational's 190,000-SF building and Moody Rambin's 170,000-SF Town Centre Two—all within or near CityCentre in the Katy Freeway East Submarket—have all leased quickly prior to completion and underscore the strong demand for quality office space among walkable, high-density settings.

Meanwhile, the CBD has made headlines of its own recently. Earlier this year, Skanska completed the 1550 On The Green spec trophy tower. Law firm Norton Rose Fulbright is the anchor tenant and preleased one-third of the building prior to its completion. The 390,000-SF 28-story tower marks the first phase of its Discovery West mixed-use development, which, upon build-out, will include retail, restaurant, and adjacent multifamily units.

There is a particularly high concentration of office inventory in a 40-square-mile area that includes Downtown and the affluent areas extending west of it to the Energy Corridor, bounded by I-10, Highway 6, the Westpark Tollway, and 59 where it loops around Downtown. While this area makes up less than 0.5% of the MSA's total land area, it is home to nearly 50% of its office inventory.

Further south, the South Main/Medical Center Submarket has had one of Houston's most active office pipelines over the past few years after a near-dearth in construction activity between 2010 and 2020. Over the past three years, nearly 2 million SF were added. For context, between 2010 and 2020, less than 400,000 SF were completed. New life science developments have taken center stage as the Texas Medical Center works to create the world's largest life science campus.

## DELIVERIES & DEMOLITIONS



## SUBMARKET CONSTRUCTION

No.	Submarket	Under Construction Inventory					Average Building Size		
		Bldgs	SF (000)	Pre-Leased SF (000)	Pre-Leased %	Rank	All Existing	Under Constr	Rank
1	FM 1960/Hwy 249	4	448	447	99.7%	3	20,298	112,025	3
2	Katy Freeway East	1	402	295	73.4%	8	47,936	402,293	1
3	Northwest Outlier	21	362	273	75.2%	7	7,511	17,254	10
4	Southwest Outlier	9	226	196	86.6%	6	8,320	25,134	8
5	E Fort Bend Co/Sugar Land	11	219	90	41.0%	9	21,377	19,952	9
6	Southwest Beltway 8	2	152	132	87.2%	5	38,415	75,873	5
7	Greenway Plaza	1	146	146	100%	1	48,928	146,003	2
8	Kingwood/Humble	5	144	134	93.2%	4	16,593	28,725	6
9	NASA/Clear Lake	4	112	112	100%	1	19,197	27,975	7
10	North Loop West	1	88	0	0%	10	15,566	87,563	4
	All Other	30	278	199	71.5%		36,135	9,282	
<b>Totals</b>		<b>89</b>	<b>2,578</b>	<b>2,024</b>	<b>78.5%</b>		<b>31,328</b>	<b>28,963</b>	

# Under Construction Properties

Houston Office

Properties

Square Feet

Percent of Inventory

Released

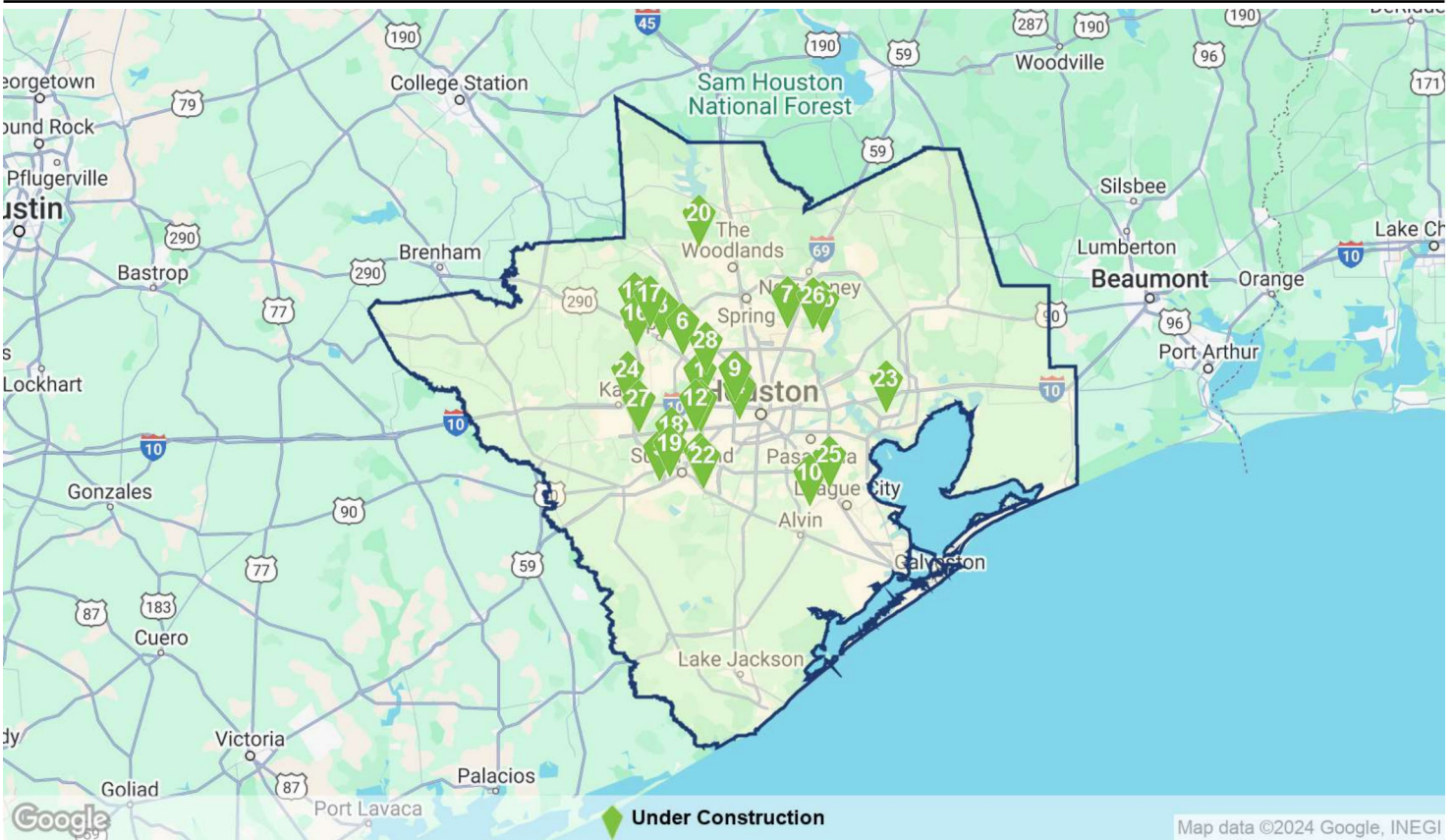
89

2,577,707

0.7%

78.5%

## UNDER CONSTRUCTION PROPERTIES



## UNDER CONSTRUCTION

Property Name/Address	Rating	Bldg SF	Stories	Start	Complete	Developer/Owner
1 <b>CityCentre Six Office</b> 903 Town and Country Ln	★★★★★	402,293	19	Apr 2024	Mar 2026	Midway Midway
2 <b>Houston Methodist Cypr...</b> 24500 US 290	★★★★☆	162,900	6	Dec 2021	Dec 2024	McCarthy Building Companies Houston Methodist
3 <b>Houston Methodist Cypr...</b> 24500 US 90	★★★★☆	160,200	6	Dec 2021	Dec 2024	McCarthy Building Companies Houston Methodist
4 <b>The RO - Parcel 1</b> 3120 Buffalo Speedway	★★★★☆	146,003	13	Sep 2024	Sep 2025	Transwestern Development Com... Transwestern Development Com...
5 <b>Memorial Hermann Suga...</b> 17500 W Grand Pkwy S	★★★★☆	135,000	3	Jul 2023	Dec 2024	Memorial Hermann Memorial Hermann
6 <b>Kelsey Seybold Northwe...</b> 19926 Northwest Fwy	★★★★☆	120,000	3	Jul 2023	Dec 2024	Kelsey-Seybold Clinic Welltower Inc.
7 <b>18835 McKay Dr</b>	★★★★☆	105,000	4	Jun 2024	Dec 2025	Arch-Con Corporation Modern Heart And Vascular



# Under Construction Properties

Houston Office

## UNDER CONSTRUCTION

Property Name/Address	Rating	Bldg SF	Stories	Start	Complete	Developer/Owner
8 <b>Memorial Hermann Cypr...</b> 27800 Highway 290	★★★★☆	100,000	4	Apr 2023	Dec 2024	Austin Commercial Memorial Hermann
9 <b>XSpace Houston</b> 7022 Old Katy Rd	★★★★☆	87,563	4	Apr 2024	May 2025	XSpace Group XSpace Group
10 <b>Castle Biosciences</b> 1500 W Parkwood Ave	★★★★☆	80,000	4	Oct 2024	Mar 2025	- -
11 <b>Asian City Plaza</b> 6865 W Sam Houston Sou...	★★★★☆	76,746	6	Jun 2024	Dec 2025	Asian City Development, Inc. Allied Hospitality
12 <b>11116 Bellaire Blvd</b>	★★★★☆	75,000	6	May 2024	Dec 2024	Southern News Group Southern News Group
13 <b>Grand Cypress Doctors...</b> 29404 Northwest Fwy	★★★★☆	60,000	3	May 2024	Jun 2025	CONAR Building Group Kim Keller
14 <b>6810 Hwy 6</b>	★★★★☆	57,159	2	Jul 2023	Dec 2024	UMRE Real Estate Group UMRE Real Estate Group
15 <b>Kelsey Seybold Atascocita</b> 17818 W Lake Houston Pk...	★★★★☆	50,000	2	Jul 2023	Aug 2025	Welltower Inc. Welltower Inc.
16 <b>One Bridgeland Green</b> 20203 Bridgeland Creek Pky	★★★★☆	49,117	3	May 2024	Jul 2025	Tellepsen Builders The Howard Hughes Corporation
17 <b>Bishop Square Office Co...</b> 14914-14922 Mueschke Rd	★★★☆☆	48,600	1	Nov 2022	Dec 2024	Gambit Construction Gambit Construction
18 <b>Village Medical</b> Highway6 & Imperial Blvd	★★★★☆	48,000	3	Mar 2024	Dec 2024	Bryant + Stacy Group Bryant + Stacy Group
19 <b>6932 Brisbane Ct</b>	★★★☆☆	40,000	4	Oct 2023	Dec 2024	- Modisoft Inc.
20 <b>33003 Egypt Ln</b>	★★★☆☆	33,000	2	Apr 2024	Dec 2024	Kelsey-Seybold Clinic Kelsey-Seybold Clinic
21 <b>SWC Creeks End &amp; West...</b>	★★★☆☆	32,000	2	Feb 2024	Dec 2024	Raintree Commercial Pacific Financial
22 <b>Missouri City Medical Ce...</b> 8130 Highway 6	★★★★☆	32,000	2	Oct 2024	Apr 2025	- The Johnson Development Corp.
23 <b>City of Baytown - Public...</b> 3300 N Main St	★★★☆☆	30,000	2	Nov 2022	Dec 2024	- City Of Baytown
24 <b>Scott Square Medical Off...</b> 130 Bella Katy Dr	★★★☆☆	25,710	3	Jul 2023	Dec 2024	- -
25 <b>Kelsey-Seybold Clearlak...</b> 1010 S Ponds Dr	★★★☆☆	25,600	3	Oct 2022	Dec 2024	Kelsey-Seybold Clinic Welltower Inc.
26 <b>Continental Hwy and Atasc</b>	★★★☆☆	25,000	2	Oct 2023	Dec 2024	WeBuild Texas Mikenprang, LLC
27 <b>Grand Park West</b> 21611 FM 1093	★★★☆☆	23,800	1	May 2023	Dec 2024	Grand Park Professional Place LLC Grand Park Professional Place LLC
28 <b>6702 Gessner Rd</b>	★★★☆☆	18,425	2	Aug 2023	Dec 2024	- -





Transaction activity in Houston's office investment remains considerably suppressed. Disclosed sales volume totaled \$320 million during the first three quarters of 2024, which was similar to last year's pace and near 2009 lows and more than 75% below the five-year pre-pandemic average during that same time period. When looking at number of deals, this fell to the slowest first three quarter period since 2020.

Private investors now dominate the buyer pool, accounting for roughly two-thirds of deal volume over the past 12 months. This compares to the five-year pre-pandemic average of just 25%. These investors usually target properties at lower price points—typically less than \$5 million. Availability of debt financing remains scarce, and many institutional investors have pulled back on acquisition activity.

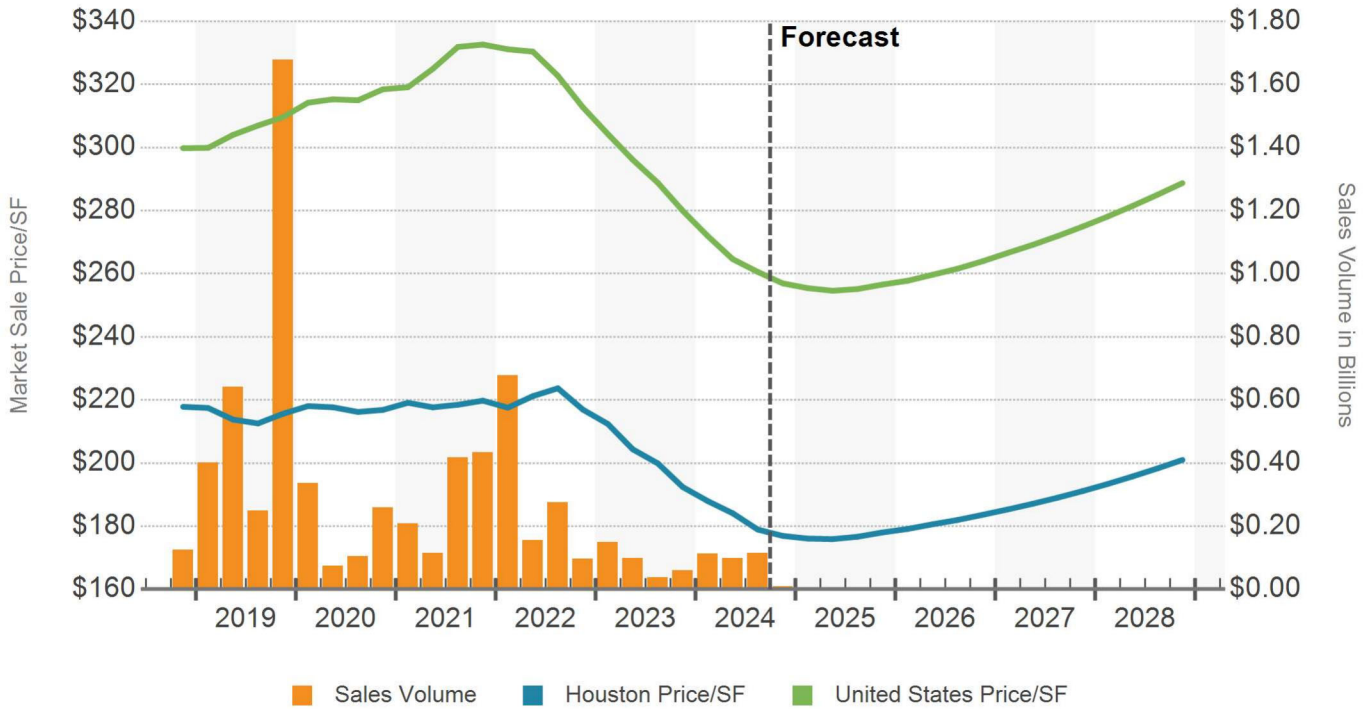
Aside from the change in buyer pool, another theme that has emerged in Houston's office investment market over the past year and continues in 2024 is the rise in distressed sales. For example, in August, NBK out of New York bought the 285,000-SF TwentyFour25 building in West Loop Plaza for \$27 million, or \$95/SF in a bankruptcy sale. The 1980-built property was 53% leased at the time of sale. In July, KBS Growth & Income REIT, sold the 200,000-SF Offices at Greenhouse for \$17.6 million, or \$87/SF. The 2014-built property was 53% leased at the time of sale. The property last sold in November 2016 for \$47 million, or \$231/SF, a 63% loss in value during the eight-year hold period. Also in July, Clarke Inc. sold a 200,000-SF property in Greenspoint

at auction for \$2.2 million, or \$11/SF. The 1994-built property was vacant at the time of sale.

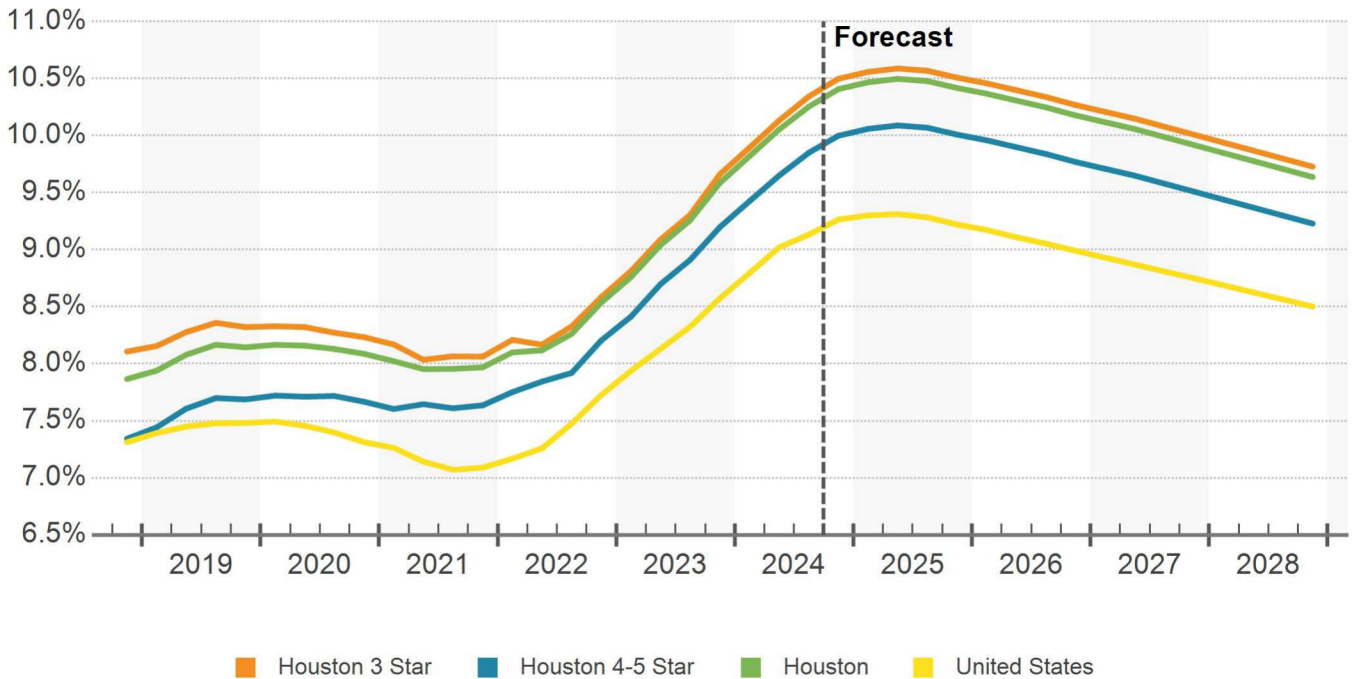
Cap rates have risen across all property types over the past two years as the cost of debt has increased. While the office sector has witnessed the sharpest rise, some segments have proven more resilient than others. Cap rates are now typically falling in the 7% to 8% range for medical office—up about 100 to 150 basis points from 2022 lows. For example, in May, a 19,000-SF medical office in Webster sold for an undisclosed price at a 7.2% cap rate. The 2003-built property was 100% leased at the time of sale. Meanwhile, cap rates are now typically falling in the 8% to 9% range or higher in regular office buildings depending on occupancies and vintage. These properties have seen cap rates expand by 200 basis points or more from their early 2022 lows. For example, also in May, Silver Star Properties REIT sold the 140,000-SF Tower Pavilion in Houston for an undisclosed price at an 8.9% cap rate. The 1981-built property was 90% leased at the time of sale.

Debt maturities pose challenges for 2024, with roughly \$580 million in office loans maturing this year and another \$1.1 billion combined. Of the \$3.8 billion of outstanding CMBS loans secured by office properties, about 13% was delinquent as of the end of July, well above the national average of 8%. On a look-forward basis, many investors are anticipating an increase in distressed sales activity over the near term as the hope of driving near-term NOI growth wanes and borrowers' ability to extend existing loans becomes more difficult.

## SALES VOLUME & MARKET SALE PRICE PER SF



## MARKET CAP RATE



# Sales Past 12 Months

Houston Office

## RECENT SIGNIFICANT SALES

Property Name - Address	Property				Sale			
	Rating	Yr Built	Bldg SF	Vacancy	Sale Date	Price	Price/SF	Cap Rate
<b>1</b> River Oaks District Build... 4444 Westheimer Rd	★★★★★	2015	67,060	11.1%	2/29/2024	\$57,551,826	\$858	-
<b>2</b> The Jones on Main 712 Main St	★★★★★	1929	794,186	25.5%	4/30/2024	\$35,751,143	\$45	-
<b>3</b> TwentyFour25 2425 West Loop South	★★★★★	1980	284,896	57.1%	8/17/2024	\$27,000,000	\$95	-
<b>4</b> Memorial Hermann Sport... 11049 Memorial Hermann Dr	★★★★★	2023	44,510	0%	11/21/2023	\$19,115,000	\$429	-
<b>5</b> Southwest Corporate Ce... 9700-9702 Bissonnet St	★★★★★	1975	525,580	73.0%	6/21/2024	\$18,620,250	\$35	10.7%
<b>6</b> The Offices at Greenhouse 19219 Katy Fwy	★★★★★	2014	203,284	27.8%	7/23/2024	\$17,600,000	\$87	-
<b>7</b> Creekside Park Medical... 26424 Strake	★★★★★	2022	48,993	100%	2/20/2024	\$14,000,000	\$286	-
<b>8</b> Athlete Training and Hea... 27646 Northwest Fwy	★★★★★	2024	48,648	0%	9/26/2024	\$13,000,000	\$267	-
<b>9</b> Diagnostic System Labo... 445 Medical Center Blvd	★★★★★	1985	57,920	0%	8/20/2024	\$12,600,000	\$218	-
<b>10</b> The Tower at 290 13430 Northwest Fwy	★★★★★	1981	245,846	52.1%	2/28/2024	\$11,800,000	\$48	8.5%
<b>11</b> 3100 Timmons 3100 Timmons Ln	★★★★★	1975	136,480	23.4%	8/27/2024	\$10,500,000	\$77	-
<b>12</b> Cypress Medical Plaza 20320 Northwest Fwy	★★★★★	2008	46,316	23.2%	5/17/2024	\$9,304,750	\$201	-
<b>13</b> The Gateway Building 26865 I-45	★★★★★	2013	23,987	0%	9/30/2024	\$6,953,000	\$290	5.2%
<b>14</b> Offices on Brooks Lake 1449 Highway 6	★★★★★	2006	32,368	0%	6/28/2024	\$5,750,000	\$178	-
<b>15</b> Magnolia Place - Buildin... 13774 FM 1488 Rd	★★★★★	2022	18,582	0%	8/14/2024	\$3,984,935	\$214	-
<b>16</b> 4141 Southwest Fwy	★★★★★	1969	45,932	32.5%	3/4/2024	\$3,612,500	\$79	-
<b>17</b> 13250 Forkland Dr	★★★★★	1999	10,740	0%	10/18/2024	\$3,500,000	\$326	-
<b>18</b> Regency Square Office... 7211 Regency Square Blvd	★★★★★	1979	64,063	20.5%	11/27/2023	\$3,240,000	\$51	10.0%
<b>19</b> 23800 Northwest Fwy	★★★★★	2008	11,250	0%	5/9/2024	\$2,900,000	\$258	-
<b>20</b> Eagle Suites 1346 E Broadway St	★★★★★	1999	14,433	53.6%	2/15/2024	\$2,715,000	\$188	-



Houston continues to be one of the nation's better-performing markets for employment growth, adding more than 75,000 jobs in the trailing 12-month period through September 2024. The labor market now has almost 270,000 more jobs than before the pandemic, among the highest gains in the nation.

Last year, Houston added more than 100,000 new jobs for the third consecutive year. For context, excluding boom and bust years, Houston has created around 65,000 new jobs annually and should the pace of growth continue to slow, could fall short of that amount this year. Still, job growth is slowing and total new payrolls this year could be in the 70,000 mark.

The Houston metropolitan area has a population of about 7.6 million making it the fifth-largest in the U.S. Its young population, affordability, warm climate, low taxes, generally pro-business environment, diversity, and culture continue to attract new residents. Median household income sits at around \$79,000/year. For comparison, the national median income is \$78,000/year. The region's population has grown 16.8% over the past decade, compared to the national benchmark of 5.4%.

Houston took the longest to recover from the pandemic-induced job losses, compared to its fellow Texas Triangle peers (DFW, Austin, and San Antonio). Oil remains a

significant part of Houston's economy, but the Bayou City continues to diversify its economy and foster other sectors such as healthcare, biomedical research, and aerospace. Houston is home to the world's largest medical center. The TMC3 project currently under construction is the linchpin in the Texas Medical Center's plan to establish Texas as the "Third Coast" for commercial life sciences and biotechnology research to compete directly with Cambridge, Massachusetts, and Mission Bay in San Francisco. TMC3 is expected to create 26,000 jobs and generate \$5.2 billion in economic benefits in Houston. In addition, there are several million SF of new life science-oriented mixed-use projects either under construction or planned along a 2-mile stretch of Holcombe Boulevard in the Texas Medical Center.

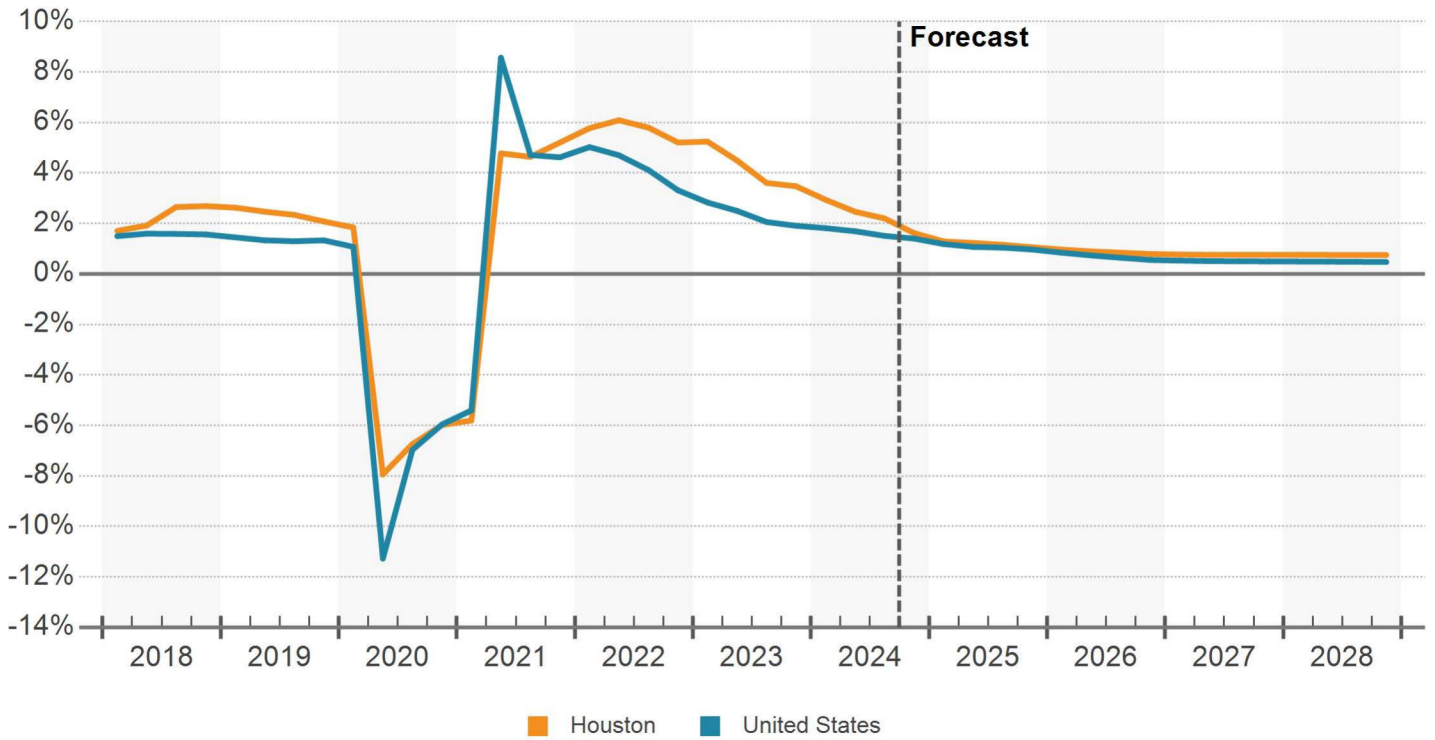
Houston boasts a relatively low cost of living and high disposable income compared with other large metros. While not widely considered a tourist destination per se, Houston is the fifth-largest metro in the U.S., and it benefits from its proximity to Mexico and other Latin American countries as a major gateway city. For instance, Houston offers more flights to Mexico than any other U.S. metro. Furthermore, due to the Texas Medical Center, it receives a significant volume of medical tourism, welcoming scores of patients and their families every year from every corner of the globe.

## HOUSTON EMPLOYMENT BY INDUSTRY IN THOUSANDS

Industry	CURRENT JOBS		CURRENT GROWTH		10 YR HISTORICAL		5 YR FORECAST	
	Jobs	LQ	Market	US	Market	US	Market	US
Manufacturing	239	0.8	1.44%	0.01%	-0.74%	0.56%	0.21%	0.36%
Trade, Transportation and Utilities	694	1.1	0.77%	0.73%	1.49%	0.97%	0.63%	0.33%
Retail Trade	321	0.9	0.04%	0.42%	0.87%	0.18%	0.50%	0.23%
Financial Activities	194	1.0	1.76%	0.42%	2.62%	1.46%	0.62%	0.42%
Government	456	0.9	2.74%	1.98%	1.90%	0.65%	0.91%	0.52%
Natural Resources, Mining and Construction	315	1.6	2.87%	2.45%	-0.14%	2.26%	0.53%	0.91%
Education and Health Services	471	0.8	4.13%	3.53%	2.94%	2.09%	1.22%	0.85%
Professional and Business Services	574	1.1	1.28%	0.56%	1.92%	1.76%	0.89%	0.62%
Information	34	0.5	0.98%	-0.22%	0.70%	0.93%	0.31%	0.57%
Leisure and Hospitality	363	1.0	0.54%	1.65%	2.32%	1.41%	1.31%	0.95%
Other Services	130	1.0	3.88%	1.15%	1.87%	0.59%	0.95%	0.55%
<b>Total Employment</b>	<b>3,470</b>	<b>1.0</b>	<b>1.94%</b>	<b>1.46%</b>	<b>1.61%</b>	<b>1.31%</b>	<b>0.83%</b>	<b>0.61%</b>

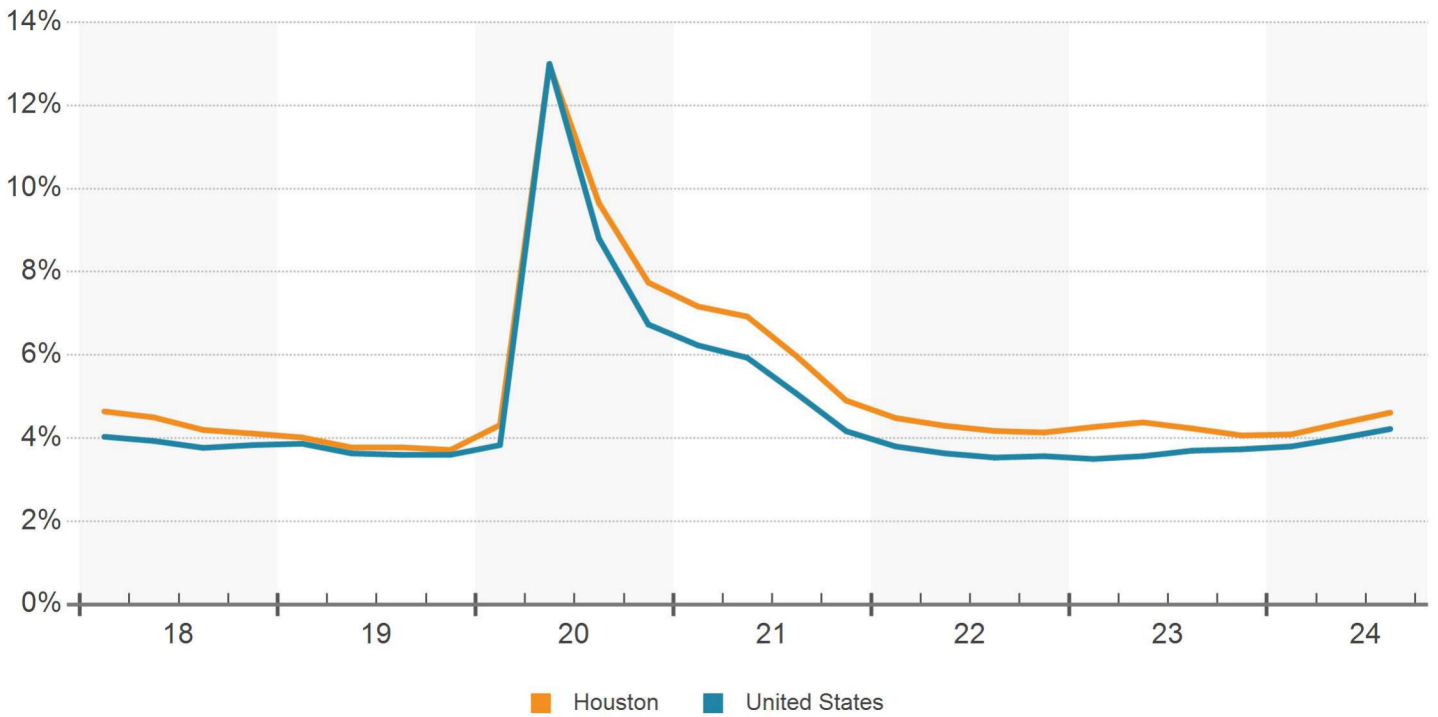
Source: Oxford Economics  
LQ = Location Quotient

## JOB GROWTH (YOY)

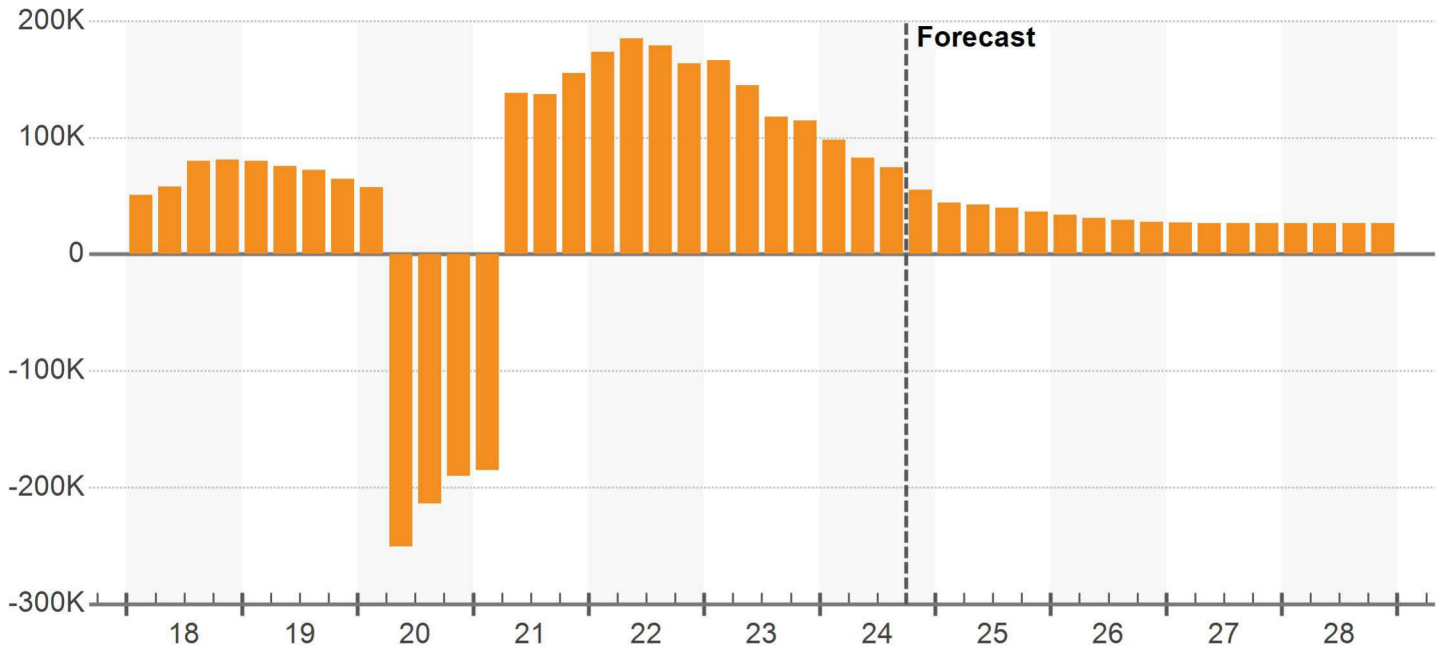


Source: Oxford Economics

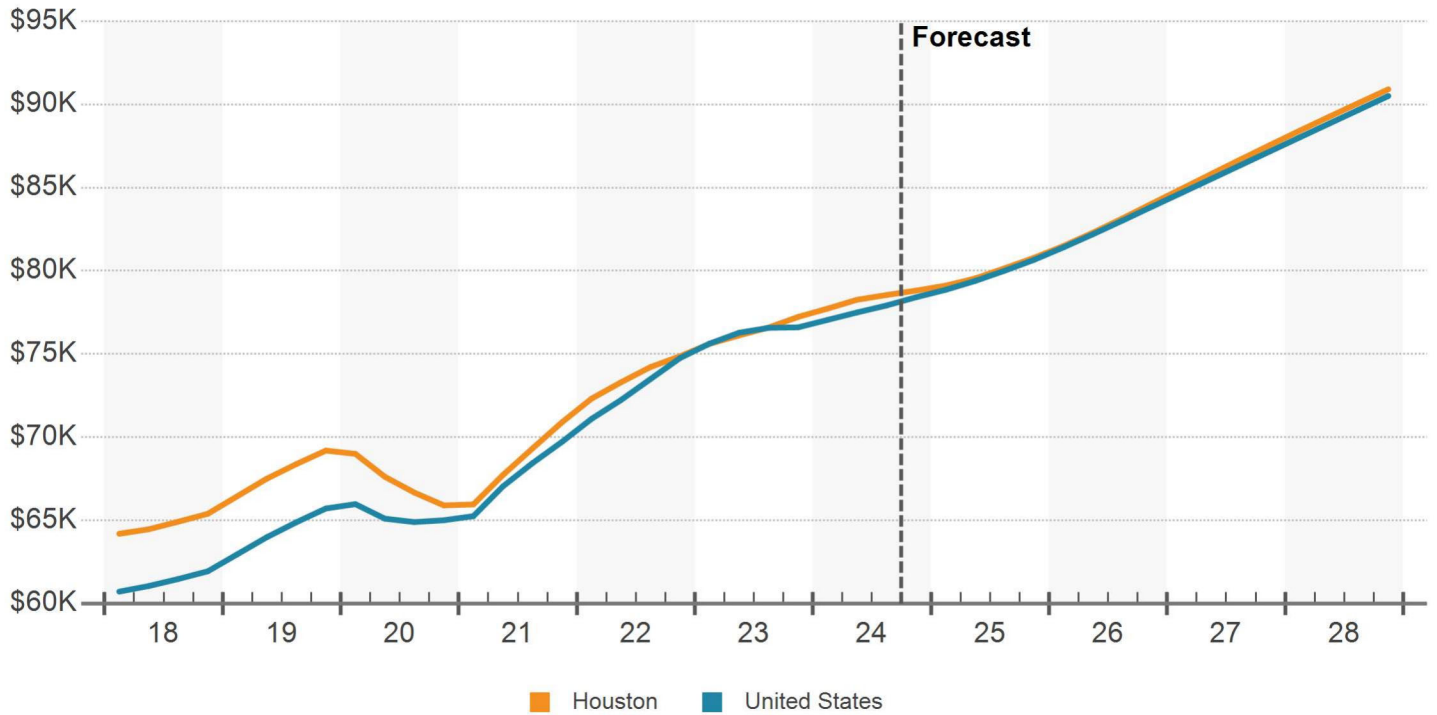
## UNEMPLOYMENT RATE (%)



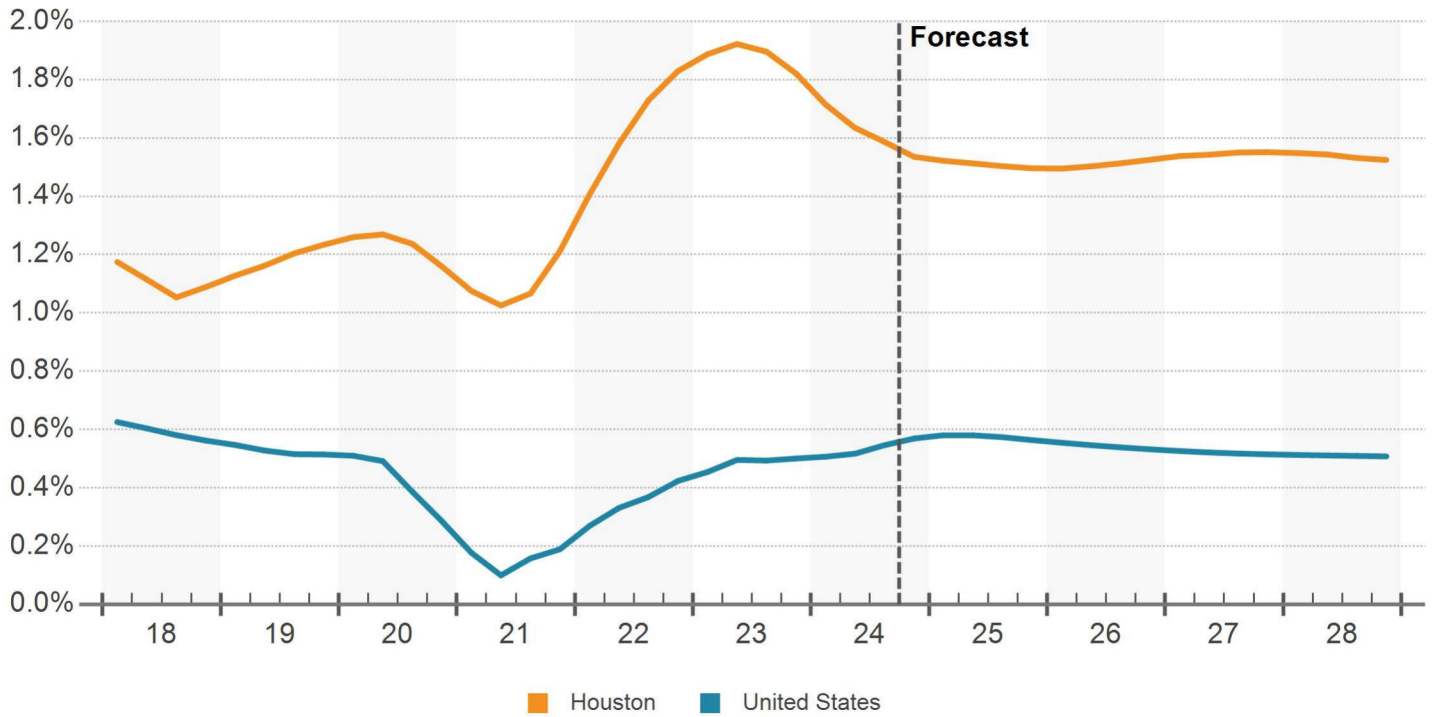
## NET EMPLOYMENT CHANGE (YOY)



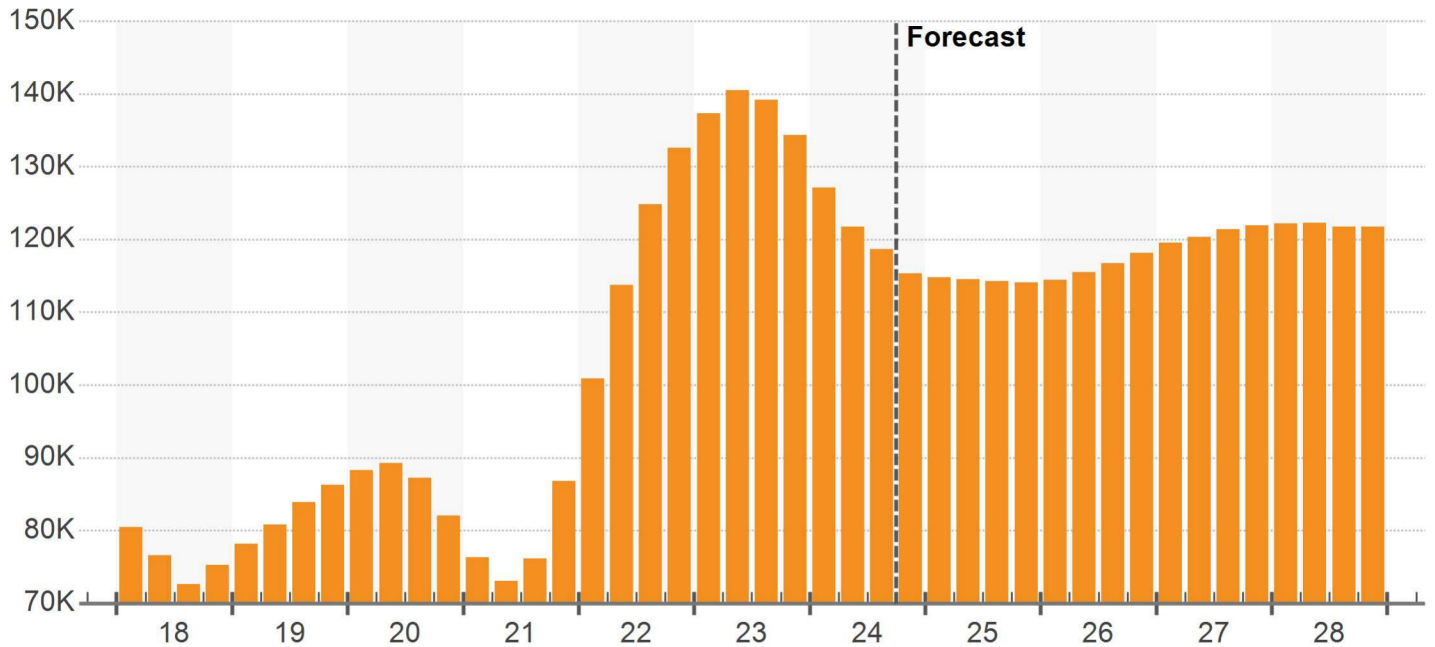
## MEDIAN HOUSEHOLD INCOME



## POPULATION GROWTH (YOY %)



## NET POPULATION CHANGE (YOY)



## DEMOGRAPHIC TRENDS

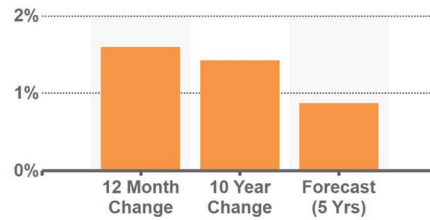
Demographic Category	Current Level		12 Month Change		10 Year Change		5 Year Forecast	
	Metro	US	Metro	US	Metro	US	Metro	US
Population	7,612,384	336,958,094	1.6%	0.6%	1.6%	0.5%	1.5%	0.5%
Households	2,786,224	132,344,266	1.7%	0.7%	2.1%	1.0%	1.6%	0.6%
Median Household Income	\$78,661	\$78,132	2.3%	2.0%	2.8%	3.9%	3.6%	3.6%
Labor Force	3,706,477	168,666,109	1.6%	0.6%	1.4%	0.8%	0.9%	0.4%
Unemployment	4.6%	4.2%	0.5%	0.5%	0%	-0.2%	-	-

Source: Oxford Economics

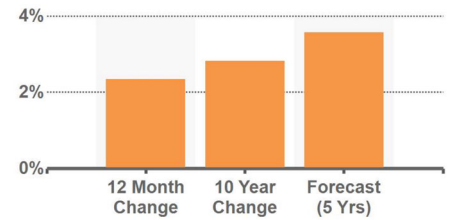
### POPULATION GROWTH



### LABOR FORCE GROWTH



### INCOME GROWTH

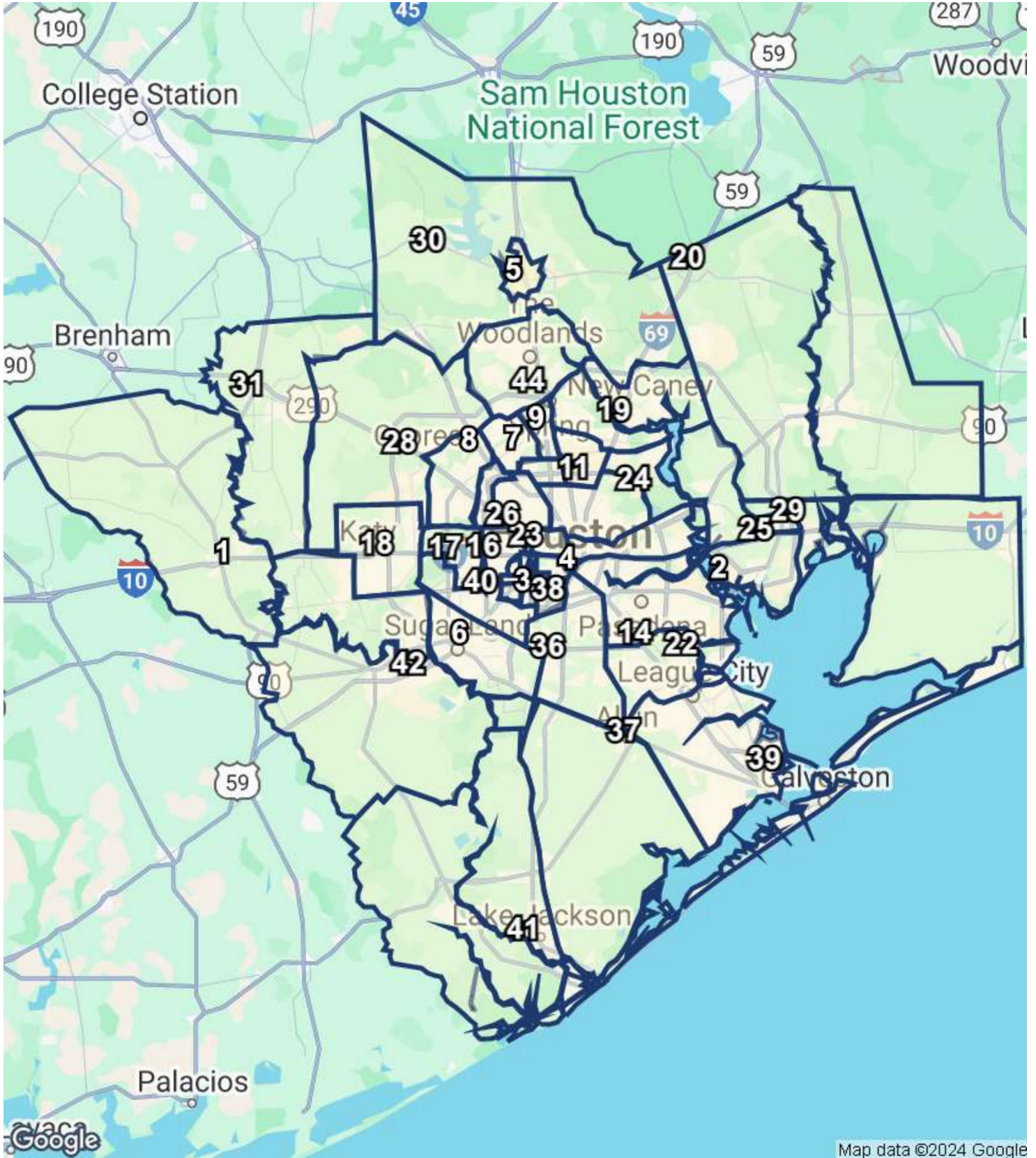


Source: Oxford Economics



# Submarkets

## HOUSTON SUBMARKETS



## SUBMARKET INVENTORY

No.	Submarket	Inventory				12 Month Deliveries				Under Construction			
		Bldgs	SF (000)	% Market	Rank	Bldgs	SF (000)	Percent	Rank	Bldgs	SF (000)	Percent	Rank
1	Austin County	59	266	0.1%	44	0	0	0%	-	0	-	-	-
2	Baytown	154	1,940	0.5%	38	0	0	0%	-	1	30	1.5%	15
3	Bellaire	94	5,352	1.5%	20	0	0	0%	-	0	-	-	-
4	CBD	167	54,016	15.0%	1	1	386	0.7%	1	0	-	-	-
5	Conroe	297	3,086	0.9%	31	0	0	0%	-	0	-	-	-
6	E Fort Bend Co/Sugar Land	533	11,394	3.2%	10	10	327	2.9%	3	11	219	1.9%	5
7	FM 1960/Champions	316	4,397	1.2%	26	3	12	0.3%	18	2	8	0.2%	18
8	FM 1960/Hwy 249	572	11,611	3.2%	9	2	12	0.1%	19	4	448	3.9%	1
9	FM 1960/I-45 North	123	2,466	0.7%	33	0	0	0%	-	0	-	-	-
10	Galleria/Uptown	64	17,071	4.7%	5	0	0	0%	-	0	-	-	-
11	Greenspoint/IAH	61	3,177	0.9%	30	0	0	0%	-	0	-	-	-
12	Greenspoint/N Belt West	110	10,479	2.9%	13	0	0	0%	-	0	-	-	-
13	Greenway Plaza	267	13,064	3.6%	8	0	0	0%	-	1	146	1.1%	7
14	Gulf Freeway/Pasadena	754	9,946	2.8%	14	6	131	1.3%	8	0	-	-	-
15	I-10 East	174	1,522	0.4%	40	0	0	0%	-	0	-	-	-
16	Katy Freeway East	289	13,853	3.9%	7	2	205	1.5%	7	1	402	2.9%	2
17	Katy Freeway West	268	27,481	7.6%	2	0	0	0%	-	0	-	-	-
18	Katy/Grand Parkway West	615	7,336	2.0%	16	33	281	3.8%	4	4	38	0.5%	13
19	Kingwood/Humble	289	4,795	1.3%	24	2	28	0.6%	15	5	144	3.0%	8
20	Liberty County	96	420	0.1%	43	0	0	0%	-	0	-	-	-
21	Midtown	647	11,166	3.1%	12	2	26	0.2%	16	0	-	-	-
22	NASA/Clear Lake	590	11,326	3.1%	11	5	241	2.1%	6	4	112	1.0%	9
23	North Loop West	437	6,802	1.9%	18	1	6	0.1%	20	1	88	1.3%	10
24	Northeast Near	172	2,456	0.7%	34	0	0	0%	-	0	-	-	-
25	Northeast Outlier	107	1,094	0.3%	41	6	25	2.3%	17	1	50	4.6%	12
26	Northwest Far	140	4,599	1.3%	25	0	0	0%	-	0	-	-	-
27	Northwest Near	66	1,595	0.4%	39	0	0	0%	-	0	-	-	-
28	Northwest Outlier	438	3,290	0.9%	28	11	116	3.5%	9	21	362	11.0%	3
29	Outlying Chambers County	35	187	0.1%	45	0	0	0%	-	0	-	-	-
30	Outlying Montgomery Cnty	298	2,200	0.6%	36	7	36	1.7%	12	3	14	0.7%	17
31	Outlying Waller County	30	141	0%	46	0	0	0%	-	0	-	-	-
32	Post Oak Park	49	4,947	1.4%	23	0	0	0%	-	0	-	-	-
33	Richmond/Fountainview	125	2,372	0.7%	35	1	29	1.2%	14	0	-	-	-
34	Riverway	21	3,178	0.9%	29	0	0	0%	-	0	-	-	-
35	San Felipe/Voss	49	5,436	1.5%	19	0	0	0%	-	0	-	-	-
36	South	359	4,021	1.1%	27	9	68	1.7%	10	7	34	0.8%	14
37	South Hwy 35	179	860	0.2%	42	1	1	0.1%	22	0	-	-	-
38	South Main/Medical Center	269	16,432	4.6%	6	3	385	2.3%	2	0	-	-	-
39	Southeast Outlier	427	5,316	1.5%	21	0	0	0%	-	0	-	-	-
40	Southwest Beltway 8	202	7,760	2.2%	15	1	31	0.4%	13	2	152	2.0%	6
41	Southwest Far	112	2,166	0.6%	37	0	0	0%	-	0	-	-	-
42	Southwest Outlier	302	2,513	0.7%	32	9	42	1.7%	11	9	226	9.0%	4

## SUBMARKET INVENTORY

No.	Submarket	Inventory				12 Month Deliveries				Under Construction			
		Bldgs	SF (000)	% Market	Rank	Bldgs	SF (000)	Percent	Rank	Bldgs	SF (000)	Percent	Rank
43	<a href="#">Southwest/Hillcroft</a>	106	5,313	1.5%	22	0	0	0%	-	0	-	-	-
44	<a href="#">The Woodlands</a>	755	25,116	7.0%	3	15	269	1.1%	5	9	81	0.3%	11
45	<a href="#">West Belt</a>	126	6,917	1.9%	17	1	1	0%	21	3	22	0.3%	16
46	<a href="#">Westchase</a>	141	18,897	5.3%	4	0	0	0%	-	0	-	-	-

## SUBMARKET RENT

No.	Submarket	Market Asking Rent		12 Month Market Asking Rent		QTD Annualized Market Asking Rent	
		Per SF	Rank	Growth	Rank	Growth	Rank
1	Austin County	\$26.18	27	1.4%	28	0.6%	38
2	Baytown	\$24.63	35	1.3%	34	0.8%	21
3	Bellaire	\$27.35	20	1.4%	31	1.0%	14
4	CBD	\$36.66	2	1.0%	45	1.0%	12
5	Conroe	\$27.08	24	1.6%	12	0.9%	20
6	E Fort Bend Co/Sugar Land	\$28.99	14	1.5%	24	0.7%	29
7	FM 1960/Champions	\$20.59	43	1.6%	16	1.2%	8
8	FM 1960/Hwy 249	\$27.34	21	1.5%	23	0.7%	32
9	FM 1960/I-45 North	\$21.65	39	1.3%	36	0.6%	37
10	Galleria/Uptown	\$32.85	5	1.3%	35	2.1%	2
11	Greenspoint/IAH	\$20.81	42	1.6%	13	0.2%	44
12	Greenspoint/N Belt West	\$20.01	45	1.5%	17	1.0%	13
13	Greenway Plaza	\$32.59	6	1.4%	29	1.5%	6
14	Gulf Freeway/Pasadena	\$25.30	31	1.4%	26	0.7%	25
15	I-10 East	\$21.77	38	1.2%	40	0.7%	28
16	Katy Freeway East	\$37.66	1	3.1%	1	1.2%	9
17	Katy Freeway West	\$30.74	10	2.5%	2	1.2%	10
18	Katy/Grand Parkway West	\$31.40	8	2.4%	3	0.9%	19
19	Kingwood/Humble	\$26.10	28	1.9%	7	0.6%	35
20	Liberty County	\$23.05	37	1.5%	21	0.7%	33
21	Midtown	\$31.07	9	1.5%	22	0.4%	41
22	NASA/Clear Lake	\$25.82	29	1.4%	27	0.3%	43
23	North Loop West	\$24.91	33	1.3%	33	0.8%	23
24	Northeast Near	\$27.19	22	1.3%	32	0.4%	40
25	Northeast Outlier	\$28.37	16	1.5%	20	0.9%	18
26	Northwest Far	\$21.04	41	1.5%	19	1.8%	4
27	Northwest Near	\$21.35	40	1.3%	38	0.7%	34
28	Northwest Outlier	\$29.73	11	1.0%	44	0.9%	16
29	Outlying Chambers County	\$26.22	26	1.2%	41	0.6%	36
30	Outlying Montgomery Cnty	\$27.08	23	1.3%	37	1.0%	15
31	Outlying Waller County	\$24.72	34	1.2%	42	-1.9%	46
32	Post Oak Park	\$34.92	4	2.4%	4	3.5%	1
33	Richmond/Fountainview	\$24.46	36	1.7%	11	0.7%	27
34	Riverway	\$27.93	18	1.9%	6	1.8%	3
35	San Felipe/Voss	\$27.07	25	1.0%	46	0.4%	39
36	South	\$29.33	12	1.1%	43	0.8%	24
37	South Hwy 35	\$25.61	30	1.5%	18	0.7%	30
38	South Main/Medical Center	\$32.20	7	1.6%	14	-0.8%	45
39	Southeast Outlier	\$25.08	32	1.6%	15	0.7%	26
40	Southwest Beltway 8	\$20.17	44	1.7%	10	0.8%	22
41	Southwest Far	\$27.91	19	1.3%	39	0.4%	42
42	Southwest Outlier	\$28.17	17	1.4%	30	0.9%	17

## SUBMARKET RENT

No.	Submarket	Market Asking Rent		12 Month Market Asking Rent		QTD Annualized Market Asking Rent	
		Per SF	Rank	Growth	Rank	Growth	Rank
43	Southwest/Hillcroft	\$19.42	46	1.5%	25	0.7%	31
44	The Woodlands	\$35.55	3	1.9%	5	1.1%	11
45	West Belt	\$28.79	15	1.9%	8	1.6%	5
46	Westchase	\$29.32	13	1.8%	9	1.2%	7

## SUBMARKET VACANCY & NET ABSORPTION

No.	Submarket	Vacancy			12 Month Absorption			
		SF	Percent	Rank	SF	% of Inv	Rank	Construc. Ratio
1	Austin County	8,000	3.0%	2	(3,008)	-1.1%	30	-
2	Baytown	226,490	11.7%	22	14,891	0.8%	21	-
3	Bellaire	883,932	16.5%	30	87,256	1.6%	8	-
4	CBD	13,789,298	25.5%	39	(294,830)	-0.5%	44	-
5	Conroe	263,491	8.5%	13	(115,957)	-3.8%	40	-
6	E Fort Bend Co/Sugar Land	2,623,346	23.0%	36	(569,675)	-5.0%	45	-
7	FM 1960/Champions	651,781	14.8%	28	(114,715)	-2.6%	38	-
8	FM 1960/Hwy 249	2,106,253	18.1%	32	84,158	0.7%	9	0
9	FM 1960/I-45 North	697,805	28.3%	43	(84,588)	-3.4%	37	-
10	Galleria/Uptown	6,055,317	35.5%	45	(1,044,594)	-6.1%	46	-
11	Greenspoint/IAH	859,575	27.1%	42	(7,914)	-0.2%	32	-
12	Greenspoint/N Belt West	4,349,697	41.5%	46	182,941	1.7%	5	-
13	Greenway Plaza	2,878,682	22.0%	34	(242,673)	-1.9%	43	-
14	Gulf Freeway/Pasadena	1,172,236	11.8%	23	73,932	0.7%	10	0.9
15	I-10 East	138,205	9.1%	14	28,161	1.9%	19	-
16	Katy Freeway East	1,159,973	8.4%	10	128,876	0.9%	7	-
17	Katy Freeway West	4,890,018	17.8%	31	959,694	3.5%	1	-
18	Katy/Grand Parkway West	689,385	9.4%	15	331,431	4.5%	4	0.8
19	Kingwood/Humble	406,359	8.5%	12	40,415	0.8%	16	0.6
20	Liberty County	45,382	10.8%	19	(553)	-0.1%	28	-
21	Midtown	1,212,028	10.9%	20	46,879	0.4%	15	0.3
22	NASA/Clear Lake	1,270,748	11.2%	21	146,983	1.3%	6	1.0
23	North Loop West	1,078,036	15.8%	29	(8,185)	-0.1%	33	-
24	Northeast Near	142,495	5.8%	7	(26,539)	-1.1%	35	-
25	Northeast Outlier	74,181	6.8%	9	12,285	1.1%	23	2.1
26	Northwest Far	593,798	12.9%	25	58,965	1.3%	13	-
27	Northwest Near	86,688	5.4%	6	34,616	2.2%	18	-
28	Northwest Outlier	329,853	10.0%	17	49,346	1.5%	14	1.6
29	Outlying Chambers County	1,500	0.8%	1	4,261	2.3%	25	-
30	Outlying Montgomery Cnty	227,499	10.3%	18	16,900	0.8%	20	1.4
31	Outlying Waller County	4,769	3.4%	3	(163)	-0.1%	27	-
32	Post Oak Park	1,108,572	22.4%	35	39,399	0.8%	17	-
33	Richmond/Fountainview	228,661	9.6%	16	13,080	0.6%	22	2.2
34	Riverway	830,606	26.1%	40	(15,994)	-0.5%	34	-
35	San Felipe/Voss	1,584,516	29.2%	44	63,723	1.2%	12	-
36	South	338,195	8.4%	11	65,380	1.6%	11	0.3
37	South Hwy 35	43,188	5.0%	5	4,977	0.6%	24	0.2
38	South Main/Medical Center	2,144,285	13.0%	26	(115,792)	-0.7%	39	-
39	Southeast Outlier	183,203	3.4%	4	(1,294)	0%	29	-
40	Southwest Beltway 8	1,814,263	23.4%	37	(116,647)	-1.5%	41	-
41	Southwest Far	128,172	5.9%	8	(7,255)	-0.3%	31	-
42	Southwest Outlier	368,169	14.7%	27	723	0%	26	58.2