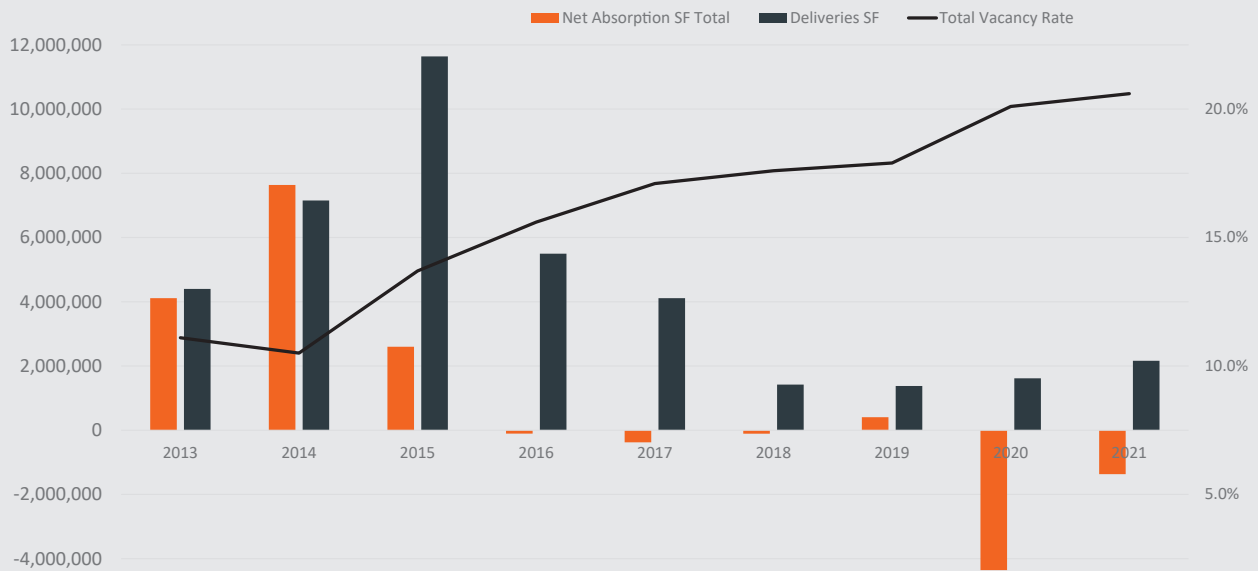


Houston Office Market

FUNDAMENTALS 1Q 2022



Office Market Conditions

	TOTAL VACANCY	SUBLEASE SPACE	NET ABSORPTION	COMPLETIONS	UNDER CONSTRUCTION	AVERAGE ASKING RATES
1Q21	20.4%	6,824,252	-436,459	477,446 SF	4,104,675 SF	\$29.38
2Q21	20.5%	7,475,519	-435,162	316,125 SF	3,788,550 SF	\$29.19
3Q21	21.1%	7,219,043	-519,179	553,778 SF	3,799,125 SF	\$29.52
4Q21	20.6%	7,904,437	36,357	795,886 SF	3,461,445 SF	\$29.29
2021 YEAR-END	20.6%	7,904,437	-1,368,124	2,163,227 SF	3,461,445 SF	\$29.29
1Q22	20.3%	7,941,777	1,096,505	794,772	3,297,615	\$29.06

Market fundamentals for the Houston market remain challenging due to a combination of new construction and tenant downsizing (as leases expire and through sublease space). With a high total vacancy rate (20.3%), there has been downward pressure on rates (\$29.06 FSG). Rising energy prices should help the Houston office market in the coming quarters, but currently new supply is outpacing demand.

The current construction pipeline (3.3 million square feet), points to a further increase in the vacancy rate as roughly half of the pipeline is accounted by built-to-suits and pre-leasing (50%).

SUBMARKET	INVENTORY		VACANCY		NET ABSORPTION SF		COMPLETIONS		UNDER CONSTRUCTION	ASKING RENT
	# OF BLDGS	TOTAL SF	TOTAL SF	RATE	CURRENT QTR	YTD	CURRENT QTR	YTD	AT END OF CURRENT QTR	WTD. AVG. (FS/G)
AUSTIN COUNTY	4	89,976	31,629	35.2%	0	0	0	0	0	\$16.50
BAYTOWN	25	1,397,803	203,890	14.6%	891	891	0	0	0	\$25.81
BELLAIRE	48	5,223,092	923,038	17.7%	-3,607	-3,607	0	0	0	\$24.92
CONROE	45	1,802,554	237,152	13.2%	30,276	30,276	59,800	59,800	0	\$25.94
DOWNTOWN	242	61,854,833	14,199,025	23.0%	-168,736	-168,736	0	0	426,323	\$37.32
E FORT BEND CO/SUGAR LAND	133	8,551,800	1,527,891	17.9%	-35,385	-35,385	0	0	0	\$29.68
FM 1960	221	15,798,685	2,675,566	16.9%	6,794	6,794	0	0	19,235	\$21.33
GREENWAY PLAZA	84	12,265,465	2,669,163	21.8%	-38,620	-38,620	0	0	0	\$33.31
GULF FREEWAY/PASADENA	155	6,122,934	780,883	12.8%	36,614	36,614	57,077	57,077	228,600	\$21.80
I-10 EAST	20	942,485	119,467	12.7%	-13,018	-13,018	0	0	0	\$18.09
KATY FREEWAY	299	39,332,134	7,685,791	19.5%	302,204	302,204	0	0	186,000	\$26.21
KATY/GRAND PARKWAY WEST	77	4,732,974	719,316	15.2%	11,937	11,937	0	0	20,758	\$29.86
KINGWOOD/HUMBLE	64	3,081,267	277,922	9.0%	25,481	25,481	0	0	0	\$24.40
LIBERTY COUNTY	4	145,204	21,673	14.9%	0	0	0	0	0	\$15.33
NASA/CLEAR LAKE	146	8,040,540	640,639	8.0%	619	619	0	0	126,800	\$22.50
NORTH BELT	124	14,035,768	5,865,347	41.8%	36,946	36,946	0	0	0	\$17.78
NORTHEAST NEAR	27	1,703,816	147,193	8.6%	-3,445	-3,445	0	0	0	\$16.19
NORTHEAST OUTLIER	15	582,545	41,131	7.1%	3,366	3,366	0	0	0	\$23.19
NORTHWEST	153	10,651,169	1,892,722	17.8%	92,098	92,098	0	0	156,245	\$19.26
NORTHWEST OUTLIER	34	1,327,746	151,352	11.4%	52,618	52,618	64,395	64,395	144,132	\$29.18
OUTLYING CHAMBERS COUNTY	1	84,194	0	0.0%	0	0	0	0	0	\$22.00
OUTLYING MONTGOMERY CNTY	21	827,849	157,709	19.1%	1,799	1,799	0	0	0	\$28.92
OUTLYING WALLER COUNTY	1	38,150	0	0.0%	0	0	0	0	0	\$22.00
RICHMOND/FOUNTAINVIEW	41	1,749,185	157,916	9.0%	-226	-226	0	0	0	\$17.71
SAN FELIPE/VOSS	40	5,284,730	1,398,557	26.5%	18,747	18,747	0	0	0	\$30.64
SAN JACINTO COUNTY	1	27,261	0	0.0%	0	0	0	0	0	\$22.00
SOUTH	58	2,503,153	280,274	11.2%	-1,328	-1,328	0	0	57,165	\$28.14
SOUTH HWY 35	12	302,741	16,660	5.5%	0	0	0	0	0	\$22.00
SOUTH MAIN/MEDICAL CTR.	102	14,068,489	1,215,164	8.6%	89,399	89,399	116,500	116,500	1,525,459	\$30.72
SOUTHEAST OUTLIER	59	3,172,045	134,732	4.2%	32,554	32,554	0	0	61,000	\$19.83
SOUTHWEST	149	11,814,192	2,037,800	17.2%	6,136	6,136	0	0	70,647	\$17.88
SOUTHWEST FAR	20	1,694,358	307,807	18.2%	3,516	3,516	0	0	0	\$22.00
SOUTHWEST OUTLIER	31	1,301,395	227,090	17.4%	147	147	0	0	80,000	\$28.89
THE WOODLANDS	213	22,056,382	3,549,745	16.1%	497,166	497,166	497,000	497,000	118,062	\$30.21
WEST BELT	84	6,662,017	1,532,809	23.0%	35,227	35,227	0	0	0	\$24.51
WEST LOOP	112	25,608,364	6,542,750	25.5%	188,927	188,927	0	0	77,189	\$34.31
WESTCHASE	122	18,811,132	5,219,012	27.7%	-112,592	-112,592	0	0	0	\$27.54
TOTAL	2,987	313,688,427	63,588,815	20.3%	1,096,505	1,096,505	794,772	794,772	3,297,615	\$29.06
CLASS A	596	161,387,801	38,412,078	23.8%	1,068,679	1,068,679	677,895	677,895	2,529,371	\$33.47
CLASS B	1,772	128,836,209	23,394,125	18.2%	24,120	24,120	116,877	116,877	749,009	\$22.72
CLASS C	619	23,464,417	1,782,612	7.6%	3,706	3,706	0	0	19,235	\$18.57
TOTAL HOUSTON	2,987	313,688,427	63,588,815	20.3%	1,096,505	1,096,505	794,772	794,772	3,297,615	\$29.06