

OFFICE MARKET



Office Market Sees Softening as Double-Whammy Takes Hold Availability Jumps with a Quarter of Building Stock Marketed

OVERVIEW

Pandemic Puts Decision Making on Pause

The Houston metro office market saw activity slow to a near halt over the third quarter with both leasing and sales volumes being well below historical market averages. The double whammy of the pandemic and energy sector collapse were on display across the metro with physical utilization remaining constrained due to WFH strategies, while space give backs from the energy sector were elevated on bankruptcies and sublease listings. Space requirements that are not mission critical to occupiers remain on hold with firms more focused on establishing a reentry path to the office and appropriate safety protocols, than those of physical space needs. With leasing activity muted, absorption remained deep in the red for the third consecutive quarter, bringing annualized absorption totals to over (5.1 MSF) of space give backs. As a result, vacancy and availability have both hit new highs - a feat that is likely to be repeated for several quarters as the market resets. Vacancy reached a new peak of 19.0%, while overall market availability pushed up to 25.0%.

Despite sales volumes being compressed year-to-date, investor interest remains strong for the metro given underlying fundamentals such as robust population growth, low cost of living, no state income tax and affordable housing. Nitya Capital's acquisitions of One Westchase Center (Class A - 466k SF) and Chasewood Technology Park (Class A - 461k SF - 4 bldgs) echoed this sentiment. Still, investor interest remains more keenly focused on troubled assets where a reset basis could create a competitive advantage in the challenged Houston office market. As occupancy continues to decline citywide, the list of troubled assets grows.

DEMAND

2020 YTD Absorption Totals -5.1M SF

Fallout continued over the third quarter as negative absorption of (1.5 MSF) marked the third consecutive quarter the figure registered over (1.0 MSF) of space give backs. As such, year-to-date absorption totals a staggering (5.1 MSF). Bankruptcies in the energy sector contributed to the totals as Harvest Oil/ Enervest (155 KSF) gave back several floors in the CBD. Looking forward, this is a trend that is anticipated to continue over the near term. Quarterly absorption was equally split between Class A and B assets with total of (760 KSF) and (725 KSF), respectively. With respect to submarkets, Katy Fwy West saw the most space give back with (270 KSF) of expirations.

ANNUAL TRENDLINES

5-YEAR TREND

JOB GROWTH



-8.3k JOBS

Year-over-Year
Office Employment*

ABSORPTION



-1.5M SF

2020 Q3 absorption
for all classes of space

DIRECT VACANCY



19.0%

Increased 60 bps
over the quarter

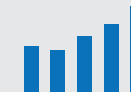
TOTAL AVAILABILITY



25.0%

Increased 70 bps
over the quarter

UNDER CONSTRUCTION



3.8MSF

Under construction
Q3 2020

RENTAL RATE



\$31.17 PSF

Avg asking rate for all
classes of space

* Office-using employment sectors include: Professional and Business Services, Information, and Financial Activities.

VACANCY/AVAILABILITY

Vacancy Closes In on 20% as Availability hits 25%

Over the third quarter, vacancy increased 70bps to 19.0%, up 240 bps year-over-year. Both Class A and B properties saw the metric rise. Class A vacancy is up 70 bps over the quarter at 18.6%, while Class B vacancy is up 70 bps to 20.3%. 24 of the 32 reporting submarkets indicated increases in vacancy with the largest increase registered by the West Belt, up 320 bps to 21.7%. Expirations of leases by National Oilwell Varco, Cameron and Flotek drove the uptick.

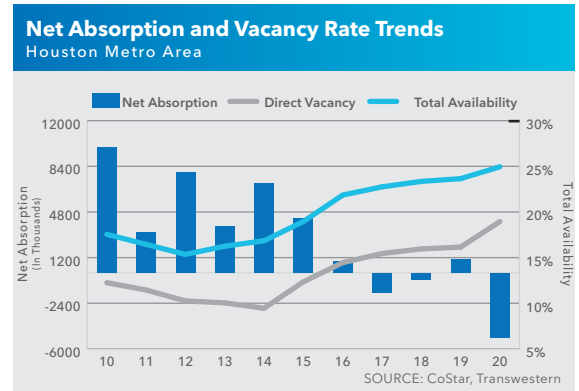
Total availability hit an ominous threshold of 25.0% over the period. This marks an uptick of 80 bps over the period and an increase of 130 bps year-over-year. Class A saw the metric increase 60 bps over the period to 25.9%, while Class B saw a 110-bps increase in availability. 22 of the 32 reporting submarkets indicated increases in total availability. The submarket with the largest quarterly increase in availability was FM-1960/Hwy 249 with a staggering 500 bps uptick to 29.4%. This was due to the recent listing of 11403 Compaq Center West, a 261k SF Class B office building formerly occupied by HP and recently acquired by Capital Commercial Investments, as available for lease.

As previously mentioned, vacancy and availability both increased over the period. Each uptick in the metrics register new market highs and underscore the changing face of the office market and resetting the baseline average. High availability and diminishing demand have resulted in an abundance of alternatives for tenants. As such trends towards efficient, heavily amenitized space are anticipated to continue, with a simultaneous eye to value. Furthermore, tenant’s focus on property financials is increasing with preference for well capitalized, proactive ownership groups to ensure a healthy and continuous operating environment in a post-pandemic workplace. As physical office utilization trends up over the balance of the year, the focus on wellness and communication will be magnified.

SUPPLY AND DEVELOPMENT

Pipeline Continues to Trend Down - For Now

At the close of the third quarter, the development pipeline registered 3.8 million SF with a total of 14 buildings currently under construction at 65.3% preleased. Two buildings delivered over the period. 9707 Lakeside Dr, a fully available 135k SF Class A building in The Woodlands submarket; and 24825 Katy Fwy, 153k SF Class A building in the Katy Far West submarket with 133k SF available. Texas Tower remains the largest building currently under-construction, a 1.1M SF trophy tower in the CBD that is 40.3% preleased. Considering the current economic environment, near-term groundbreakings are anticipated to be limited with activity primary held to build-to-suit requirements. Still, appetite for new construction remains elevated, especially for office occupiers in industries that have seen a spur in activity despite the pandemic, such as legal and select professional and business service. As such, well capitalized development plays remain viable for credit qualified tenants of scale, seeking term.



**Total Available Space
Houston Metro | Q3 2020**

SUBMARKET	SUBLEASE SPACE (SF)	DIRECT AVAILABLE (SF)	% TOTAL AVAILABLE
Downtown	1,327,845	12,787,904	26.8%
Katy Fwy/Energy Corridor	1,283,064	7,492,104	24.0%
North Houston District	50,205	5,667,863	45.1%
The Woodlands	514,618	2,395,037	17.2%
West Loop	821,924	8,333,214	27.0%
Westchase	459,081	4,494,880	28.1%
All of Houston	5,936,810	54,274,021	25.0%

**Office Under Construction
Houston Metro | Q3 2020**

SUBMARKET	# OF BLDGS	SF	% PRE-LEASED
CBD	2	1,273,699	37.8%
Galleria/Uptown	1	133,248	76.8%
Katy Far West	1	80,000	25.0%
Katy Freeway East	4	1,171,280	74.2%
Kingwood/Humble	1	270,000	100.0%
Midtown	2	440,000	76.5%
North Loop West	1	70,324	20.4%
The Woodlands	2	440,000	100.0%
Total	14	3,878,551	65.3%

RENTAL RATES

Asking Rates Under Pressure As Vacancy Grows

Average weighted asking rental rates declined a modest 10 bps over the quarter to \$31.17 per SF full service. Over the year, asking rates remained flat. In total, 18 of 32 reporting submarkets saw rents decline over the third quarter. The largest decline in rates occurred in the Northeast Near submarket, which saw a 19.5% reduction on the retraction of a medical office lease listing. Despite the relatively flat nature of asking rents over the last several quarters, effective rents remain under significant pressure as elevated tenant improvement allowances and generous free term are standard for credit quality tenants with scale and term. As the next wave of bankruptcies occur in assets across the market asking rates will see pressure increase further.

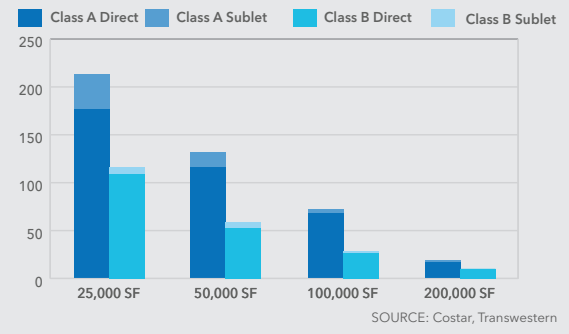
Class A rental rates ticked up 30 bps over the quarter to \$36.53 per SF full service. Over the year, Class A rates have fallen 20 bps with 17 of 29 submarkets registering decreases. Class B rental rates were flat over the quarter, but up 190 bps over the quarter, to \$22.59 per SF gross.

INVESTMENT SALES

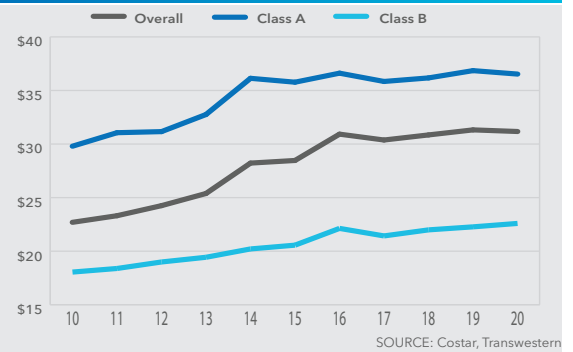
Nitya Capital Bets On Houston Office Market

Property sales activity remained subdued over the quarter as just three properties (6-buildings) traded hands. In a display of confidence in the long term fundamentals of the market, Nitya Capital acquired two of these properties (5-buildings). Nitya purchased One Westchase Center, a 466k SF Class A building in the Westchase submarket from Investcorp International, and Chasewood Technology Park, a 4-building Class A portfolio totaling 461k SF in the FM 1960/Hwy 249 submarket, from The GenCap Group. Nitya's focus had primarily been in the multifamily sector prior to these acquisitions. Also trading hands this quarter was 363 North Belt. Realty.com acquired the 386k SF Class A building in the North Houston District from The Khoshobin Company. While acquisition activity remains subdued, the appetite to acquire quality facilities on a reduced operating basis has kept investor sentiment positive for the Houston market. For the balance of the year, non-performing assets are anticipated to lead investment activities.

Contiguous Blocks of Available Space
Houston Metro Area



Average Office Rental Rates (FS)
Houston Metro Area



Multi-Tenant vs Entire Market Coverage

	MULTI-TENANT	ENTIRE MARKET
Inventory	195.2 MSF	238.1 MSF
Direct Vacancy	22.8%	19.0%
Q3 Net Absorption	(1,416,973 SF)	(1,478,700 SF)

Notable Q3 Sales Transactions

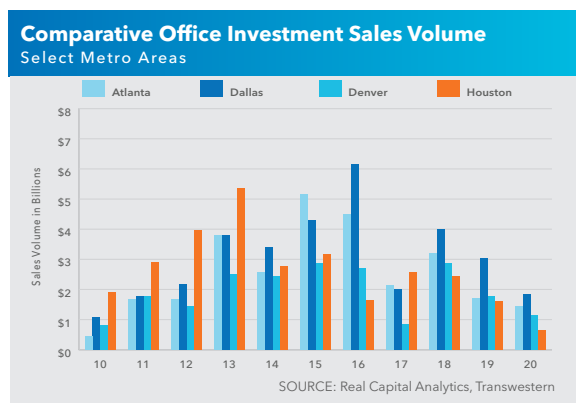
BUILDING(S)	SUBMARKET	SF	SELLER	BUYER
One Westchase Center	Westchase	466,025	Investcorp International	Nitya Capital
Chasewood Technology Park (Portfolio)	FM 1960/Hwy 249	463,969	The GenCap Group	Nitya Capital
363 North Belt	NHD/North Belt	386,277	The Khoshobin Company	Realty.com

SOURCE: Real Capital Analytics, Transwestern





OUTLOOK

The Haves and the Have Nots

Looking forward, the Houston office market will be challenged over the near term as headwinds relating to the pandemic and energy sector collapse lead to fallout among occupiers. With supply far outstripping demand for the next several years, the office market will be bifurcated into the haves and have nots with overall vacancy continuing to rise, while premium properties gain market share. Properties having the royal flush of location, access, amenities and building efficiencies are expected to be the winners, with a premium placed on recent construction and location within the stack. Properties with challenges relating to floor plate, ingress/egress, amenities, and location will struggle to not be commoditized. From an occupier perspective, the pandemic has resulted in higher level of building maintenance required of operators from a health and safety perspective. As such, well capitalized institutional owners will be highly preferred by prominent occupiers.



Notable Q3 Lease Transactions

TENANT	SF	LEASE TYPE	BUILDING	SUBMARKET
Indigo Natural Resources	45,125	Renewal	JPMorgan Chase Tower	Downtown
Linebarger Goggan Blair Sampson 	43,113	Extension	Loop Central III	West Loop
Rockliff Energy	41,102	New	717 Texas Ave	Downtown
HostGator 	38,582	Renewal	5005 Mitchelldale St	Northwest
LJA Engineering 	33,464	Extension	Grandway West Bldg 1	Katy Fwy/Energy Corridor
PCS Software	25,272	New	CityWestPlace 4	Westchase
Escalate Workspace	24,826	New	Katy Ranch Phase II	Katy Far West
Gate, Inc	24,302	New	Republic Square	Katy Fwy/Energy Corridor
CommonDesk	24,140	New	2500 CityWest	Westchase
Momentum Midstream LLC	22,575	Renewal	JPMorgan Chase Tower	Downtown
Akerman 	20,575	Renewal	Wells Fargo Bank Tower	West Loop
Mesquite Energy 	20,458	New	Pennzoil Place - North	Downtown
Robert Half International	20,270	Renewal	Energy Tower I	Katy Fwy/Energy Corridor
Preva Surgical Partners	17,128	New	Cy-Fair Medical Office Building	FM 1960
Hargrove	16,710	Expansion	16290 Katy Fwy	Katy Fwy/Energy Corridor
Hoover Ferguson	16,603	New	Katy Ranch Phase II	Katy Far West
TFH Reliability Group 	14,861	New	Sam Houston Crossing II	West Belt

Indicates Transwestern represented parties involved in transaction

WHY OUR METHODOLOGY IS THE BEST INDICATOR OF CURRENT MARKET CONDITIONS

We include owner occupied and single-tenant buildings in our inventory, vacancy and absorption statistics to capture more market activity than many of our competitors. This allows us to better correlate changes in the market with changes in employment. As single-tenant space does compete with multi-tenant space, we believe it is critical to understand all components of the market. The inclusion of single-tenant and owner-occupied space tends to yield lower vacancy rates and higher absorption totals than some of our competitors' results, but our coverage of the market is more comprehensive.

Houston Office Market Indicators - All Space

Submarket	Total Bldgs	Inventory	SF Available Immediately	Direct Vacancy Q2 2020	Direct Vacancy Q3 2020	Total Availability Q3 2020	Under Construction	Net Absorption Q3 2020	YTD Net Absorption 2020
Conroe	12	863,053	61,675	6.7%	7.1%	10.8%		(3,635)	15,134
CBD	63	43,770,502	8,792,685	19.8%	20.1%	28.7%	1,273,699	(133,217)	(929,798)
Midtown	31	5,613,589	724,530	12.9%	12.9%	17.7%	440,000	(1,800)	(116,314)
Downtown	94	49,384,091	9,517,215	19.0%	19.3%	27.4%	1,713,699	(135,017)	(1,046,112)
FM 1960/Champions	22	1,809,050	272,088	17.7%	15.0%	19.1%		(3,592)	30,458
FM 1960/Hwy 249	37	5,446,937	1,023,825	18.2%	18.8%	29.4%		(30,888)	(114,947)
FM 1960/I-45 North	14	1,216,285	568,116	47.2%	46.7%	48.0%		5,903	(80,046)
FM 1960	73	8,472,272	1,864,029	22.3%	22.0%	29.9%		(28,577)	(164,535)
Greenway Plaza	46	10,671,153	1,767,300	15.1%	16.6%	22.7%		(157,978)	(452,261)
Gulf Freeway/Pasadena	31	2,473,180	250,718	9.1%	10.1%	12.2%		(25,018)	(45,972)
Katy Far West	26	2,855,123	412,721	12.0%	14.5%	22.8%	80,000	62,310	82,425
Katy Freeway East	56	9,492,715	797,428	7.9%	8.4%	15.8%	1,171,280	(43,844)	(15,561)
Katy Freeway West	138	25,984,408	5,315,650	19.4%	20.5%	27.3%		(269,267)	(593,593)
Katy Fwy/Energy Corridor	194	35,477,123	6,113,078	16.3%	17.2%	24.0%	1,171,280	(313,111)	(609,154)
Kingwood/Humble	9	1,078,389	67,146	5.7%	6.2%	5.0%	270,000	(5,263)	(22,785)
NASA/Clear Lake	50	5,302,529	841,318	16.1%	15.9%	18.9%		10,636	(32,375)
North District / IAH	19	2,774,860	692,965	24.8%	25.0%	25.5%		(3,979)	52,412
North District / N Belt West	72	10,055,884	4,711,065	47.2%	46.8%	50.5%		31,225	(56,955)
North District / North Belt	91	12,830,744	5,404,030	42.3%	42.1%	45.1%		27,246	(4,543)
Northeast	10	1,286,347	28,660	4.6%	2.2%	4.8%		(4,464)	(961)
North Loop West	29	3,947,534	725,036	18.1%	18.4%	23.1%	70,324	(9,418)	41,596
Northwest Far	29	3,248,305	558,617	18.7%	17.2%	20.3%		(986)	(20,047)
Northwest Near	8	720,533	38,568	5.7%	5.4%	5.4%		2,547	6,830
Northwest	66	7,916,372	1,322,221	17.2%	16.7%	20.3%	70,324	(7,857)	28,379
South Main/Medical Center	42	8,799,310	618,843	6.9%	7.0%	8.7%		(8,532)	(175,620)
E Fort Bend Co/Sugar Land	44	6,013,061	670,706	9.6%	11.2%	18.2%		(91,378)	(95,821)
Southwest Beltway 8	39	5,379,136	1,429,144	23.5%	26.6%	28.2%		(165,495)	(222,487)
Southwest/Hillcroft	35	4,273,464	749,171	17.8%	17.5%	22.5%		11,824	72,912
Southwest Fwy / Sugar Land	118	15,665,661	2,849,021	16.6%	18.2%	22.8%		(245,049)	(245,396)
The Woodlands	107	18,286,529	2,400,510	12.4%	13.1%	17.2%	440,000	(21,419)	(888,609)
West Belt	35	4,689,393	1,019,156	18.5%	21.7%	28.7%		(149,859)	(357,013)
Bellaire	30	4,427,514	491,685	10.9%	11.1%	15.5%		(8,420)	332,619
Galleria/Uptown	58	16,773,152	2,744,270	15.2%	16.4%	27.4%	133,248	(196,785)	(367,650)
Post Oak Park	25	4,541,278	1,425,470	30.6%	31.4%	35.7%		(37,970)	(206,436)
Richmond/Fountainview	10	765,482	93,553	12.9%	12.2%	14.2%		5,476	(14,421)
Riverway	16	2,868,522	733,806	24.5%	25.6%	30.3%		(32,364)	(89,109)
San Felipe/Voss	31	4,884,192	1,088,505	20.2%	22.3%	28.1%		(102,891)	(144,743)
West Loop	170	34,260,140	6,577,289	18.1%	19.2%	27.0%	133,248	(372,954)	(489,740)
Westchase	89	17,772,766	4,011,290	22.0%	22.6%	28.1%		(100,159)	(688,861)
TOTAL - Houston	1,263	238,084,175	45,126,220	18.3%	19.0%	25.0%	3,878,551	(1,478,700)	(5,097,999)

SOURCE: CoStar, Transwestern

NOTE: Includes buildings 50,000 SF RBA and greater; does not include buildings owned by the government.

NOTE: Total availability includes under construction projects

Houston Office Market Indicators - Class A

Submarket	Total Bldgs	Inventory	SF Available Immediately	Direct Vacancy Q2 2020	Direct Vacancy Q3 2020	Total Availability Q3 2020	Under Construction	Net Absorption Q3 2020	YTD Net Absorption 2020
Conroe	1	68,832	22,392	35.5%	32.5%	32.5%		2,025	2,025
CBD	37	34,001,771	5,691,606	16.6%	16.7%	25.7%	1,273,699	(53,181)	(792,411)
Midtown	8	2,486,094	202,165	8.0%	8.1%	15.4%	440,000	(2,722)	26,177
Downtown	45	36,487,865	5,893,771	16.0%	16.2%	25.0%	1,713,699	(55,903)	(766,234)
FM 1960/Champions	1	150,000	0	0.0%	0.0%	8.1%		0	0
FM 1960/Hwy 249	18	3,885,412	522,788	12.5%	13.5%	26.9%		(37,875)	(80,226)
FM 1960/I-45 North	1	98,105	55,370	65.9%	56.4%	56.4%		9,273	9,273
FM 1960	20	4,133,517	578,158	13.3%	14.0%	26.9%		(28,602)	(70,953)
Greenway Plaza	20	7,394,756	1,378,258	16.3%	18.6%	26.2%		(174,074)	(438,750)
Katy Far West	15	1,682,732	410,631	21.2%	24.4%	36.8%	80,000	64,400	84,515
Katy Freeway East	25	5,906,103	516,424	8.5%	8.7%	16.8%	1,171,280	(17,116)	11,384
Katy Freeway West	70	18,158,210	3,270,878	16.8%	18.0%	24.4%		(218,383)	(548,072)
Katy Fwy/Energy Corridor	95	24,064,313	3,787,302	14.8%	15.7%	22.3%	1,171,280	(235,499)	(536,688)
Kingwood/Humble	3	244,312	3,940	1.0%	1.6%	0.8%	270,000	(1,441)	(1,441)
NASA/Clear Lake	15	2,026,527	201,079	10.1%	9.9%	13.6%		4,214	(12,268)
North District / IAH	8	1,328,677	524,263	38.7%	39.5%	40.1%		(9,889)	23,243
North District / N Belt West	17	4,361,685	2,821,303	65.2%	64.7%	66.9%		21,702	(156,007)
North District / North Belt	25	5,690,362	3,345,566	59.0%	58.8%	60.6%		11,813	(132,764)
Northeast	3	642,223	14,025	2.2%	2.2%	2.2%		0	0
North Loop West	6	1,240,544	354,513	28.3%	28.6%	34.7%	70,324	(2,966)	35,718
Northwest Far	4	797,237	239,400	29.5%	30.0%	34.3%		(4,194)	(847)
Northwest	10	2,037,781	593,913	28.8%	29.1%	34.6%	70,324	(7,160)	34,871
South Main/Medical Center	14	4,067,288	401,625	9.5%	9.9%	12.1%		(16,601)	(200,139)
E Fort Bend Co/Sugar Land	21	3,925,112	408,081	9.8%	10.4%	20.0%		(23,641)	(70,789)
Southwest Beltway 8	3	566,699	93,209	24.8%	16.4%	16.6%		47,540	46,969
Southwest/Hillcroft	6	1,489,093	419,109	28.6%	28.1%	35.5%		6,317	(15,226)
Southwest Fwy / Sugar Land	30	5,980,904	920,399	15.9%	15.4%	23.6%		30,216	(39,046)
The Woodlands	61	14,224,096	1,930,688	12.8%	13.6%	17.1%	440,000	5,837	(770,852)
West Belt Total	22	3,445,942	719,878	19.8%	20.9%	30.0%		(38,392)	(246,809)
Bellaire	8	1,475,481	155,002	10.8%	10.5%	16.9%		4,737	(35,271)
Galleria/Uptown	35	13,431,436	2,140,995	14.9%	15.9%	28.9%	133,248	(144,210)	(312,563)
Post Oak Park	10	2,825,070	915,186	31.7%	32.4%	37.0%		(18,927)	99,037
Riverway	5	1,885,813	539,397	27.6%	28.6%	32.4%		(19,651)	(30,520)
San Felipe/Voss	3	1,720,793	444,539	19.4%	25.8%	30.2%		(109,936)	(62,739)
West Loop	61	21,338,593	4,195,119	18.3%	19.7%	29.6%	133,248	(287,987)	(342,056)
Westchase	33	9,961,337	2,310,040	22.9%	23.2%	30.1%		(32,265)	(476,861)
TOTAL - Houston	473	143,491,380	26,706,784	17.9%	18.6%	25.9%	3,878,551	(759,419)	(3,913,450)

SOURCE: CoStar, Transwestern

NOTE: Includes buildings 50,000 SF RBA and greater; does not include buildings owned by the government.

NOTE: Total availability includes under construction projects

Houston Office Market Indicators - Class B

Submarket	Total Bldgs	Inventory	SF Available Immediately	Direct Vacancy Q2 2020	Direct Vacancy Q3 2020	Total Availability Q3 2020	Net Absorption Q3 2020	YTD Net Absorption 2020
Conroe	10	691,631	39,283	4.9%	5.7%	10.2%	(5,660)	13,109
CBD	24	9,548,677	3,101,079	31.6%	32.5%	40.1%	(80,036)	(137,387)
Midtown	20	2,956,728	463,580	15.6%	15.7%	18.9%	(2,482)	(142,086)
Downtown	44	12,505,405	3,564,659	27.8%	28.5%	35.1%	(82,518)	(279,473)
FM 1960/Champions	19	1,538,854	272,088	20.8%	17.7%	21.6%	(3,592)	30,458
FM 1960/Hwy 249	18	1,508,036	492,967	33.7%	32.7%	36.3%	15,057	(26,651)
FM 1960/I-45 North	11	968,163	380,729	39.0%	39.3%	41.0%	(3,370)	(6,096)
FM 1960	48	4,015,053	1,145,784	30.0%	28.5%	31.8%	8,095	(2,289)
Greenway Plaza	24	3,136,100	386,868	12.8%	12.3%	15.4%	14,461	(15,708)
Gulf Freeway/Pasadena	26	2,098,841	175,897	7.2%	8.4%	10.8%	(24,544)	(53,430)
Katy Far West	10	1,053,129	2,090	0.0%	0.2%	2.0%	(2,090)	(2,090)
Katy Freeway East	24	2,763,592	245,352	8.4%	8.9%	16.5%	(13,751)	(11,679)
Katy Freeway West	65	7,584,684	1,985,619	25.5%	26.2%	34.2%	(49,133)	(40,513)
Katy Fwy / Energy Corridor	89	10,348,276	2,230,971	21.0%	21.6%	29.5%	(62,884)	(52,192)
Kingwood/Humble	6	834,077	63,206	7.1%	7.6%	7.6%	(3,822)	(21,344)
NASA/Clear Lake	34	3,222,984	640,239	20.1%	19.9%	22.6%	6,422	(20,107)
North District / IAH	10	1,393,858	168,702	12.5%	12.1%	12.5%	5,910	29,169
North District / N Belt West	43	4,509,222	1,755,251	39.0%	38.9%	44.6%	4,753	85,952
North District / North Belt	53	5,903,080	1,923,953	32.8%	32.6%	37.0%	10,663	115,121
Northeast	5	468,320	5,183	7.2%	1.1%	2.5%	(4,464)	(3,944)
North Loop West	21	2,588,869	352,246	13.3%	13.6%	17.5%	(7,462)	6,780
Northwest Far	23	2,295,051	319,217	16.2%	13.9%	15.8%	3,208	(19,200)
Northwest Near	7	623,533	38,568	6.6%	6.2%	6.2%	2,547	6,830
Northwest	51	5,507,453	710,031	13.8%	12.9%	15.5%	(1,707)	(5,590)
South Main/Medical Center	17	3,255,691	179,848	5.7%	5.5%	7.2%	5,898	17,244
E Fort Bend Co/Sugar Land	23	2,087,949	262,625	9.3%	12.6%	14.7%	(67,737)	(25,032)
Southwest Beltway 8	31	4,454,553	1,249,649	23.3%	28.1%	29.8%	(213,765)	(268,020)
Southwest/Hillcroft	18	1,744,553	148,269	8.6%	8.5%	12.2%	1,612	94,367
Southwest Fwy / Sugar Land	72	8,287,055	1,660,543	16.7%	20.0%	22.3%	(279,890)	(198,685)
The Woodlands	44	3,776,941	469,822	11.7%	12.4%	17.3%	(27,256)	(117,757)
West Belt	13	1,243,451	299,278	15.1%	24.1%	25.2%	(111,467)	(110,204)
Bellaire	18	2,568,527	253,763	9.4%	9.9%	13.7%	(11,510)	423,058
Galleria/Uptown	22	3,265,924	603,275	16.9%	18.5%	21.6%	(52,575)	(55,087)
Post Oak Park	14	1,608,208	510,284	30.5%	31.7%	35.9%	(19,043)	(305,473)
Richmond/Fountainview	7	563,186	72,668	12.7%	12.9%	15.5%	(1,374)	(3,596)
Riverway	9	870,153	176,798	18.1%	20.3%	24.4%	(19,586)	(54,141)
San Felipe/Voss	28	3,163,399	643,966	20.6%	20.4%	26.9%	7,045	(82,004)
West Loop	98	12,039,397	2,260,754	18.0%	18.8%	23.1%	(97,043)	(77,243)
Westchase	53	7,383,878	1,691,239	22.0%	22.9%	26.7%	(67,894)	(208,025)
TOTAL - Houston	697	85,770,762	17,449,648	19.6%	20.3%	24.6%	(725,700)	(1,022,607)

SOURCE: CoStar, Transwestern

NOTE: Includes buildings 50,000 SF RBA and greater; does not include buildings owned by the government.

NOTE: Total availability includes under direct available space (including under construction buildings) and sublet available space.

Houston Office Market Indicators - Asking Rental Rates - Full Service

Submarket	Q3 2018 Class A	2-Yr % Change Class A	Q3 2019 Class A	1-Yr% Change Class A	Q3 2020 Class A	Q3 2018 Class B	2-Yr % Change Class B	Q3 2019 Class B	1-Yr % Change Class B	Q3 2020 Class B
Conroe	\$29.09	9.1%	\$31.82	-0.3%	\$31.74	\$26.65	-1.0%	\$26.61	-0.9%	\$26.38
CBD	\$46.57	-1.3%	\$46.32	-0.8%	\$45.95	\$30.42	6.7%	\$33.05	-1.8%	\$32.44
Midtown	\$34.62	-0.5%	\$33.86	1.8%	\$34.45	\$31.33	-10.1%	\$27.94	0.8%	\$28.15
Downtown	\$46.06	-1.2%	\$45.93	-1.0%	\$45.48	\$30.57	3.2%	\$31.92	-1.2%	\$31.55
FM 1960/Champions	\$28.73	0.0%	\$28.73	0.0%	\$28.72	\$14.69	5.6%	\$14.87	4.4%	\$15.52
FM 1960/Hwy 249	\$27.85	2.3%	\$27.48	3.7%	\$28.50	\$19.08	9.7%	\$20.02	4.5%	\$20.93
FM 1960/I-45 North	\$25.00	0.0%	\$25.00	0.0%	\$25.00	\$16.85	3.5%	\$17.53	-0.5%	\$17.44
FM 1960	\$27.42	2.2%	\$27.07	3.5%	\$28.02	\$16.60	8.5%	\$17.32	4.0%	\$18.01
Greenway Plaza	\$39.12	-7.8%	\$36.13	-0.1%	\$36.08	\$27.24	5.0%	\$28.50	0.4%	\$28.61
Gulf Freeway/Pasadena						\$20.52	2.1%	\$21.27	-1.5%	\$20.95
Katy Far West	\$28.68	13.8%	\$30.89	5.7%	\$32.64	\$27.50	-100.0%	\$27.50	-100.0%	
Katy Freeway East	\$39.57	18.2%	\$36.80	27.1%	\$46.77	\$25.09	-9.1%	\$22.84	-0.1%	\$22.82
Katy Freeway West	\$36.01	-3.7%	\$35.22	-1.5%	\$34.69	\$23.27	-3.6%	\$22.82	-1.7%	\$22.43
Katy Fwy / Energy Corridor	\$36.46	0.0%	\$35.44	2.9%	\$36.47	\$23.41	-4.1%	\$22.83	-1.6%	\$22.45
Kingwood/Humble	\$35.46	1.9%	\$37.88	-4.6%	\$36.15	\$20.00	0.0%	\$20.00	0.0%	\$20.00
NASA/Clear Lake	\$24.26	11.3%	\$26.52	1.8%	\$27.00	\$19.31	-1.0%	\$20.14	-5.1%	\$19.12
North District / IAH	\$22.20	-5.1%	\$21.87	-3.7%	\$21.07	\$13.01	22.5%	\$14.92	6.9%	\$15.94
North District / N Belt West	\$22.91	-11.1%	\$20.58	-1.1%	\$20.36	\$15.50	4.6%	\$15.50	4.6%	\$16.21
North District / North Belt	\$22.77	-10.1%	\$20.82	-1.6%	\$20.47	\$15.30	5.8%	\$15.44	4.8%	\$16.19
Northeast						\$22.71	-7.5%	\$23.98	-12.4%	\$21.00
North Loop West	\$26.31	9.8%	\$26.18	10.3%	\$28.89	\$23.54	-3.2%	\$22.77	0.1%	\$22.79
Northwest Far	\$19.31	2.0%	\$18.19	8.3%	\$19.70	\$16.33	-1.4%	\$16.69	-3.6%	\$16.09
Northwest	\$22.95	11.1%	\$22.89	11.3%	\$25.48	\$19.56	0.7%	\$19.26	2.3%	\$19.70
South Main/Medical Center	\$33.02	-11.8%	\$31.63	-8.0%	\$29.11	\$25.11	8.7%	\$26.19	4.2%	\$27.30
E Fort Bend Co/Sugar Land	\$32.15	6.7%	\$32.58	5.3%	\$34.30	\$24.01	-7.8%	\$24.16	-8.4%	\$22.14
Southwest Beltway 8	\$20.91	-5.9%	\$20.43	-3.7%	\$19.67	\$19.42	0.5%	\$17.87	9.2%	\$19.51
Southwest/Hillcroft	\$20.46	-4.6%	\$18.62	4.9%	\$19.52	\$16.64	-5.7%	\$16.60	-5.5%	\$15.69
Southwest Fwy / Sugar Land	\$25.15	7.5%	\$24.29	11.3%	\$27.04	\$19.33	0.9%	\$18.49	5.5%	\$19.51
The Woodlands	\$33.72	15.7%	\$38.27	1.9%	\$39.00	\$27.12	-2.7%	\$27.61	-4.4%	\$26.39
West Belt	\$34.11	-6.7%	\$33.58	-5.2%	\$31.82	\$24.80	2.8%	\$23.68	7.6%	\$25.49
Bellaire	\$28.40	4.8%	\$29.26	1.7%	\$29.76	\$23.32	8.1%	\$22.13	13.9%	\$25.22
Galleria/Uptown	\$38.79	0.8%	\$39.67	-1.4%	\$39.11	\$27.84	5.7%	\$28.85	2.0%	\$29.43
Post Oak Park	\$35.96	6.6%	\$39.16	-2.1%	\$38.34	\$28.98	-25.0%	\$23.88	-9.0%	\$21.74
Richmond/Fountainview						\$20.49	-2.7%	\$20.03	-0.5%	\$19.94
Riverway	\$34.50	1.6%	\$35.62	-1.6%	\$35.05	\$26.66	-4.5%	\$26.50	-3.9%	\$25.45
San Felipe/Voss	\$36.21	-3.1%	\$36.53	-4.0%	\$35.09	\$26.08	-9.9%	\$26.10	-10.0%	\$23.49
West Loop	\$36.93	2.5%	\$38.51	-1.8%	\$37.84	\$25.91	-1.4%	\$25.37	0.7%	\$25.55
Westchase	\$35.08	-1.5%	\$35.16	-1.7%	\$34.57	\$18.71	0.4%	\$19.46	-3.4%	\$18.79
TOTAL - Houston	\$36.80	-0.7%	\$36.60	-0.2%	\$36.53	\$21.97	2.8%	\$22.18	1.9%	\$22.60

SOURCE: CoStar, Transwestern

NOTE: 1) Includes buildings 50,000 SF RBA and greater; does not include buildings owned by the government.

2) Total availability includes under direct available space (including under construction buildings) and sublet available space.

3) Average Asking Rental Rates are weighted averages based on direct availability for properties with stated asking rents. (Pertains to FS, NNN & OPEX calculations)

Houston Office Market Indicators - Asking Rental Rates - NNN

Submarket	Q3 2018 Class A	2-Yr % Change Class A	Q3 2019 Class A	1-Yr % Change Class A	Q3 2020 Class A	Q3 2018 Class B	2-Yr % Change Class B	Q3 2019 Class B	1-Yr % Change Class B	Q3 2020 Class B
Conroe	\$19.00	10.5%	\$21.00	0.0%	\$21.00	\$18.43	4.8%	\$19.33	-2.6%	\$18.83
CBD	\$29.15	1.4%	\$29.55	-1.5%	\$29.10	\$18.99	5.5%	\$20.04	-0.4%	\$19.96
Midtown	\$24.98	0.1%	\$25.01	-2.1%	\$24.48	\$21.70	-7.2%	\$20.14	1.1%	\$20.36
Downtown	\$29.01	1.6%	\$29.47	-1.6%	\$28.99	\$19.28	4.0%	\$20.06	-0.2%	\$20.02
FM 1960/Champions			\$22.00	0.0%	\$22.00					\$10.50
FM 1960/Hwy 249	\$22.00	0.0%	\$22.00	0.0%	\$22.00	\$18.42	0.1%	\$18.45	1.5%	\$18.73
FM 1960	\$22.00	0.0%	\$22.00	0.0%	\$22.00	\$18.42	0.1%	\$18.45	-25.6%	\$13.72
Greenway Plaza	\$23.00	-2.3%	\$22.46	-1.4%	\$22.14	\$16.96	6.5%	\$18.06	-3.6%	\$17.41
Gulf Freeway/Pasadena						\$19.72	-22.0%	\$15.37	20.8%	\$18.57
Katy Far West	\$19.90	-0.8%	\$19.75	13.9%	\$22.49					
Katy Freeway East	\$26.93	-3.5%	\$25.99	30.4%	\$33.88	\$20.09	-2.6%	\$19.57	2.9%	\$20.13
Katy Freeway West	\$23.15	-5.6%	\$21.86	-2.3%	\$21.36	\$15.52	0.0%	\$15.52	0.8%	\$15.64
Katy Fwy / Energy Corridor	\$23.64	-6.1%	\$22.20	5.1%	\$23.34	\$16.12	-0.8%	\$15.99	0.2%	\$16.02
Kingwood/Humble	\$23.00	4.3%	\$24.00	0.0%	\$24.00					
NASA/Clear Lake	\$22.04	7.9%	\$23.78	5.1%	\$25.00	\$14.62	-1.2%	\$14.44	3.6%	\$14.96
North District / IAH	\$13.01	-6.1%	\$12.22	-2.6%	\$11.90	\$12.00	-16.7%	\$10.00	0.0%	\$10.00
North District / N Belt West	\$14.92	-14.1%	\$12.82	-4.1%	\$12.30	\$11.59	-9.4%	\$10.50	0.3%	\$10.53
North District / North Belt	\$14.56	-12.8%	\$12.70	-3.7%	\$12.23	\$11.60	-9.6%	\$10.49	0.0%	\$10.49
Northeast						\$13.00	0.0%	\$13.00	0.0%	\$13.00
North Loop West	\$16.54	0.5%	\$16.62	12.4%	\$18.69	\$16.07	0.1%	\$16.09	0.4%	\$16.15
Northwest Far	\$10.50	0.0%	\$10.50	23.8%	\$13.00	\$8.50	0.0%	\$8.50		
Northwest	\$15.52	1.8%	\$15.80	13.7%	\$17.96	\$13.59	4.8%	\$14.24	13.4%	\$16.15
South Main/Medical Center	\$23.13	-1.7%	\$22.73	25.4%	\$28.50	\$20.00	0.0%	\$20.00	15.0%	\$23.00
E Fort Bend Co/Sugar Land	\$21.71	-0.8%	\$21.54	5.6%	\$22.74	\$18.45	2.2%	\$18.85	-1.0%	\$18.67
Southwest Beltway 8	\$13.52	14.4%	\$15.46	3.4%	\$15.98	\$12.00	-1.1%	\$11.87	-0.2%	\$11.84
Southwest/Hillcroft						\$11.48	4.4%	\$11.98		
Southwest Fwy / Sugar Land	\$20.59	0.4%	\$20.67	6.4%	\$22.00	\$12.78	3.1%	\$13.18	31.3%	\$17.31
The Woodlands	\$21.81	14.4%	\$24.95	7.1%	\$26.72	\$21.19	-1.9%	\$20.79	7.7%	\$22.38
West Belt	\$20.96	-2.4%	\$20.45	-4.9%	\$19.45	\$16.55	1.2%	\$16.75	-11.2%	\$14.88
Bellaire	\$16.46	7.9%	\$17.76	-0.5%	\$17.67					
Galleria/Uptown	\$24.39	1.3%	\$24.71	-2.4%	\$24.11	\$20.24	-7.4%	\$18.73	1.5%	\$19.02
Post Oak Park	\$22.42	9.0%	\$24.45	-0.7%	\$24.27	\$15.08	0.9%	\$15.22	-8.8%	\$13.88
Richmond/Fountainview						\$18.30	-1.6%	\$18.00		
Riverway	\$19.67	2.9%	\$20.25	-0.5%	\$20.15	\$16.66	11.5%	\$18.57	-3.1%	\$18.00
San Felipe/Voss	\$21.57	1.2%	\$21.83	-3.4%	\$21.08	\$16.49	6.0%	\$17.48	-9.9%	\$15.74
West Loop	\$22.84	4.2%	\$23.80	-2.1%	\$23.31	\$17.90	1.0%	\$18.08	-3.3%	\$17.48
Westchase	\$22.20	-4.7%	\$21.17	0.1%	\$21.18	\$13.19	8.5%	\$14.31	2.2%	\$14.64
TOTAL - Houston	\$23.61	1.1%	\$23.85	-0.4%	\$23.75	\$16.52	0.8%	\$16.64	0.2%	\$16.68

NOTE: 1) Includes buildings 50,000 SF RBA and greater; does not include buildings owned by the government.

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Houston Office Market Indicators - Avg Operating Expenses

Submarket	Q3 2018 Class A	2-Yr % Change Class A	Q3 2019 Class A	1-Yr % Change Class A	Q3 2020 Class A	Q3 2018 Class B	2-Yr % Change Class B	Q3 2019 Class B	1-Yr % Change Class B	Q3 2020 Class B
Conroe	\$10.09	6.4%	\$10.82	-0.7%	\$10.74	\$9.35	7.4%	\$10.12	-0.8%	\$10.04
CBD	\$16.28	3.8%	\$16.36	3.2%	\$16.89	\$12.08	17.5%	\$13.46	5.5%	\$14.20
Midtown	\$14.00	-3.2%	\$13.58	-0.2%	\$13.55	\$12.79	-10.7%	\$11.35	0.6%	\$11.42
Downtown	\$16.21	3.6%	\$16.31	3.0%	\$16.81	\$12.17	13.3%	\$13.17	4.8%	\$13.79
FM 1960/Champions	\$6.73		\$6.73							
FM 1960/Hwy 249	\$15.86	-7.3%	\$15.86	-7.3%	\$14.71	\$10.65	-13.5%	\$12.10	-23.8%	\$9.22
FM 1960	\$8.16	80.3%	\$8.16	80.3%	\$14.71	\$10.65	0.1%	\$12.10	-11.9%	\$10.66
Greenway Plaza	\$15.48	-8.8%	\$13.99	0.9%	\$14.12	\$11.45	1.5%	\$11.37	2.2%	\$11.62
Gulf Freeway/Pasadena						\$7.87	-15.9%	\$6.40	3.5%	\$6.62
Katy Far West	\$9.55	23.2%	\$10.58	11.2%	\$11.76					
Katy Freeway East	\$15.68	8.3%	\$16.05	5.8%	\$16.98	\$11.75	-4.1%	\$10.77	4.6%	\$11.26
Katy Freeway West	\$14.62	-8.6%	\$13.82	-3.4%	\$13.36	\$9.84	-3.0%	\$9.24	3.2%	\$9.54
Katy Fwy / Energy Corridor	\$14.75	-6.2%	\$14.04	-1.5%	\$13.83	\$10.05	-4.0%	\$9.43	2.4%	\$9.65
Kingwood/Humble	\$12.46	-2.5%	\$13.88	-12.5%	\$12.15	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
NASA/Clear Lake	\$12.19	-4.5%	\$11.72	-0.7%	\$11.64	\$7.52	-13.7%	\$7.55	-14.0%	\$6.49
North District / IAH	\$10.06	-0.6%	\$10.38	-3.7%	\$10.00	\$9.12	-4.8%	\$8.81	-1.5%	\$8.68
North District / N Belt West	\$8.96	-2.9%	\$8.62	0.9%	\$8.70	\$8.98	-0.3%	\$8.96	-0.1%	\$8.95
North District / North Belt	\$9.19	-2.8%	\$8.95	-0.2%	\$8.93	\$8.98	-0.6%	\$8.94	-0.2%	\$8.93
Northeast										
North Loop West	\$10.04	4.5%	\$9.89	6.0%	\$10.49	\$10.27	-11.5%	\$9.99	-9.1%	\$9.08
Northwest Far	\$9.53	8.4%	\$9.53	8.4%	\$10.33	\$10.00	#DIV/0!	\$10.00	#DIV/0!	#DIV/0!
Northwest	\$9.95	5.2%	\$9.84	6.4%	\$10.47	\$10.20	-10.9%	\$9.99	-9.1%	\$9.08
South Main/Medical Center	\$12.84	-7.3%	\$12.92	-7.9%	\$11.90	\$13.15	0.6%	\$13.23	0.0%	\$13.23
E Fort Bend Co/Sugar Land	\$11.10	15.3%	\$11.61	10.2%	\$12.80	\$13.21	-17.6%	\$10.99	-0.9%	\$10.89
Southwest Beltway 8	\$8.61	-38.1%	\$10.60	-49.7%	\$5.33	\$9.38	2.6%	\$8.72	10.3%	\$9.62
Southwest/Hillcroft										
Southwest Fwy / Sugar Land	\$10.78	16.5%	\$11.49	9.3%	\$12.56	\$9.14	13.2%	\$8.64	19.7%	\$10.34
The Woodlands	\$11.42	18.7%	\$13.04	4.0%	\$13.56	\$11.69	-17.0%	\$12.21	-20.5%	\$9.70
West Belt	\$13.00	-3.9%	\$12.61	-1.0%	\$12.49	\$11.45	10.2%	\$11.64	8.4%	\$12.62
Bellaire	\$11.81	0.3%	\$11.79	0.4%	\$11.84					
Galleria/Uptown	\$15.00	0.9%	\$15.37	-1.5%	\$15.13	\$12.28	11.9%	\$12.61	9.0%	\$13.74
Post Oak Park	\$14.17	1.3%	\$14.54	-1.3%	\$14.35	\$8.95	18.3%	\$10.70	-1.1%	\$10.59
Richmond/Fountainview						\$9.93	-1.3%	\$9.74	0.6%	\$9.80
Riverway	\$15.63	1.9%	\$16.44	-3.1%	\$15.92	\$8.04	7.6%	\$8.09	6.9%	\$8.65
San Felipe/Voss	\$14.68	-5.0%	\$14.80	-5.8%	\$13.95	\$12.32	-14.0%	\$11.25	-5.7%	\$10.60
West Loop	\$14.76	0.8%	\$15.15	-1.8%	\$14.88	\$11.33	6.0%	\$11.43	5.1%	\$12.01
Westchase	\$14.09	4.1%	\$14.12	3.9%	\$14.67	\$10.40	-5.7%	\$8.03	22.2%	\$9.81
TOTAL - Houston	\$14.33	1.0%	\$14.25	1.5%	\$14.47	\$10.77	6.3%	\$10.72	6.8%	\$11.45

NOTE: 1) Includes buildings 50,000 SF RBA and greater; does not include buildings owned by the government.

2) Total availability includes under direct available space (including under construction buildings) and sublet available space.

3) Average Asking Rental Rates are weighted averages based on direct availability for properties with stated asking rents. (Pertains to FS, NNN & OPEX calculations)

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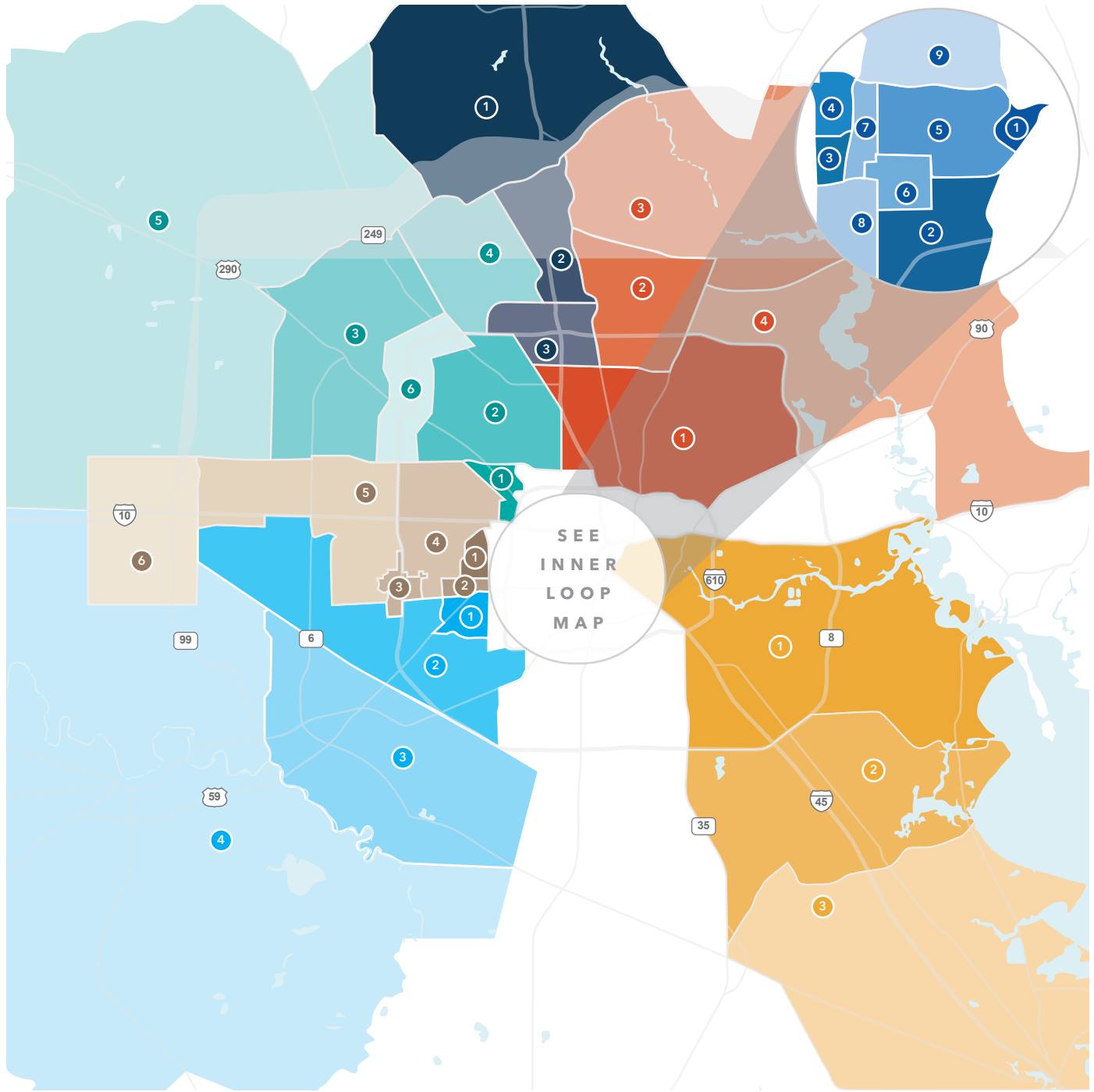
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METHODOLOGY

The information in this report is the result of a compilation of information on office, industrial, retail, multifamily and healthcare properties located in the Houston metropolitan area. This report includes single-tenant, multi-tenant and owner-user properties and excludes properties owned and occupied by a government agency.

Transwestern is a privately held real estate firm of collaborative entrepreneurs who deliver a higher level of personalized service – the Transwestern Experience. Specializing in Agency Leasing, Asset Services, Occupier Solutions, Capital Markets and Research, our fully integrated global enterprise adds value for investors, owners and occupiers of all commercial property types. We leverage market insights and operational expertise from members of the Transwestern family of companies specializing in development, real estate investment management and research. Transwestern has 33 U.S. offices and assists clients from more than 219 offices in 37 countries through strategic alliances with France-based BNP Paribas Real Estate and Canada-based Devencore. Experience Extraordinary at transwestern.com and @Transwestern.

Q3 2020 | HOUSTON | OFFICE MARKET



INNER LOOP	1	CBD
	2	S. Main/Medical Center
	3	Galleria/Uptown
	4	Riverway
	5	Midtown
SOUTHEAST	1	Gulf Freeway/Pasadena
	2	NASA/ Clear Lake
	3	Southeast Outlier

NORTH	1	The Woodlands
	2	FM 1960/ I-45 North
	3	Greenspoint
	6	Greenway
	7	Post Oak Park
	8	Bellaire
	9	North Loop West

NORTHWEST	1	Northwest Near
	2	Northwest Far
	3	FM 1960/HWY 249
	4	FM 1960/Champions
	5	Northwest Outlier
	6	West Belt

WEST	1	San Felipe/Voss
	2	Richmond/Fountainview
	3	Westchase
	4	Katy Freeway East
	5	Katy Freeway West
	6	Katy / Grand Parkway West

SOUTHWEST	1	Southwest/Hillcroft
	2	Southwest Beltway 8
	3	Fort Bend Co. Sugar Land
	4	Southwest Outlier

NORTHEAST	1	Northeast Near
	2	Greenspoint/IAH
	3	Kingwood/Humble
	4	Northeast Outlier