

OFFICE MARKET



Office Market Sees Continued Fallout Through Year's End

Pandemic, Oil Collapse Lead to Worst Year on Record for Market

OVERVIEW

2020 the Year of the Pandemic

The Houston metro office market saw its most challenging year on record as the global pandemic and collapse in the energy sector led to negative absorption of 6.4 million SF over the year. Despite an uptick in leasing activity at year's end, the fourth quarter saw negative absorption of 1.0 million SF. Impacts to the market were felt beyond negative absorption, as sublease supply increased by 934k SF over the fourth quarter, ending the year at 6.8 million SF available across the metro. The uptick in sublease supply was fueled by the energy sector as Schlumberger listed over 400k SF across multiple locations, while Maverick Natural Resources, TechnipFMC, and McDermott all added sublease listings with term in high quality product. With absorption in the red and an increase in sublease supply, both vacancy and availability saw upticks, ending the year at new highs of 19.5% and 25.8%, respectively.

The market continues to be reshaped by the pandemic and outlook of economic uncertainty over the near term. As such, leasing activity has been heavily weighted to short term renewals and blend and extend activity. New leasing has seen much more of a focus on value over the lure of new construction that dominated the decade. This was evident in several new leases over the fourth quarter. Notably, Vroom taking 102k SF of "as-is" space at Westchase Park II in Westchase. In addition, Cadence Bank leased 82k SF in Park Towers, a recently refreshed 80's vintage campus that had already seen a post pandemic leasing boost from Ryan taking 67k SF in the 2nd quarter.

DEMAND

Absorption Remains in the Red

For the fourth consecutive quarter, the Houston office market registered negative absorption of over 1.0 MSF of space give backs. As such, 2020 annual absorption totaled a staggering negative 6.5 MSF, the worst year on record for the metric. The Downtown submarket saw the largest decline in leased space with negative absorption of 605k SF. This was driven by Waste Management's lease expiration at 1021 Main, in addition to Concho Resources give back of three floors at 1001 Fannin. Greenway Plaza and the West Loop also registered significant changes in leased supply with negative absorption of 224k SF and 199k SF respectively. Looking forward, shadow space totaling over 3.4 MSF are set to expire and come back to market over the next 24 months, keeping pressure on the leasing market to generate positive absorption.

ANNUAL TRENDLINES

5-YEAR TREND

JOB GROWTH



-5.0k JOBS

Year-over-Year
Office Employment*

ABSORPTION



(1.0M) SF

2020 Q4 absorption
for all classes of space

DIRECT VACANCY



19.4%

Increased 40 bps
over the quarter

TOTAL AVAILABILITY



25.8%

Increased 80 bps
over the quarter

UNDER CONSTRUCTION



3.8MSF

Under construction
Q4 2020

RENTAL RATE



\$31.18 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 and Availability Continue Upward Trajectory

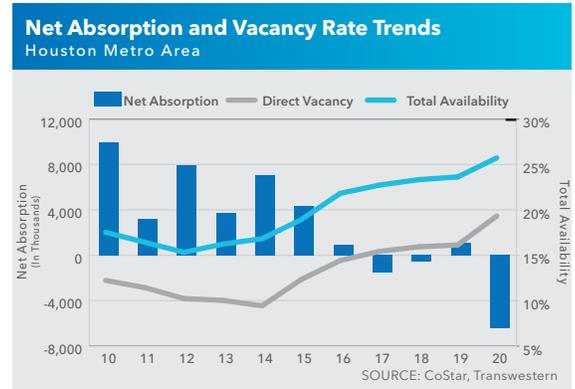
Over the fourth quarter, vacancy increased 30 bps to 19.4%, up 290 bps year-over-year. Class A vacancy is up 60 bps over the quarter to 19.5%, while Class B improved by 20 bps to 20.1%. 17 of the 32 reporting submarkets registered increases in vacancy with the largest increase of 210 bps to 19.0% in Greenway Plaza. Expirations of leases by W&T Offshore and Rimkus drove the uptick in the submarket. Total availability increased by 80 bps over the period, to 25.8%, an increase of 240 bps year-over-year. Class A saw the metric increase 90 bps over the period to 26.8%, while Class B saw a 60 bps increase in availability to 25.3%. Overall, 21 of the 32 reporting submarkets registered increases in availability, in large part due to increases in sublease offerings. Looking forward, additional sublease offerings are likely to be added to the market post-pandemic as the prospect of moving the space becomes more viable.

As previously mentioned, each uptick in vacancy and availability register new market highs and underscore the changing face of the office market. 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, tenants’ 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 such aging properties that don’t check these boxes will struggle to not be commoditized and particularly challenged buildings are becoming functionally obsolete. As physical office utilization trends up over the new year, the focus on wellness and communication will be magnified.

SUPPLY AND DEVELOPMENT

Construction Pipeline Trends Down Over Quarter

At the close of the fourth quarter, the development pipeline totaled 3.7 million SF underway across 15 buildings. These properties are currently 61.9% pre-leased with the largest contingent concentrated in the Downtown market area. Four buildings are under construction in the submarket totaling over 1.7 million SF. One property delivered over the period. The MKT, a 70k SF, Class A mixed-use development in the North Loop West submarket that is 20% pre-leased. 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 primarily held for lead tenant/build-to-suit requirements. Still, appetite for new construction exists, especially for office occupiers in industries that have seen a spur in activity despite the pandemic, such as legal and select professional and business services. As such, well capitalized development plays remain viable for credit qualified tenants of scale, seeking term.



Total Available Space
Houston Metro | Q4 2020

SUBMARKET	SUBLEASE SPACE (SF)	DIRECT AVAILABLE (SF)	% TOTAL AVAILABLE
Downtown	1,419,404	13,124,435	28.3%
Katy Fwy/Energy Corridor	1,854,401	7,700,074	25.8%
North Houston District	72,886	5,571,068	44.9%
The Woodlands	511,514	2,708,229	17.2%
West Loop	978,391	9,067,365	29.5%
Westchase	499,019	4,384,593	27.7%
All of Houston	6,880,985	55,257,451	25.8%

Office Under Construction
Houston Metro | Q4 2020

SUBMARKET	# OF BLDGS	SF	% PRE-LEASED
CBD	2	1,273,699	37.8%
West Loop	1	133,248	76.9%
Katy Fwy/Energy Corridor	4	1,171,280	74.2%
Kingwood/Humble	1	270,000	100.0%
Midtown	2	440,000	45.9%
The Woodlands	2	440,000	100.0%
Total	12	3,728,227	63.4%

RENTAL RATES

Asking Rates Remain Under Pressure

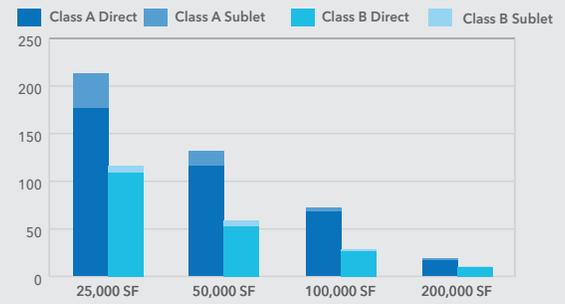
Average weighted asking rental rates decreased 10 bps over the quarter and 40 bps over the year to close 2020 at \$31.18 per SF for all classes of office property. In total, 30 of the 32 reporting submarkets saw rents decline over the fourth quarter. Class A rental rates fell by 50 bps over the quarter to \$36.32 per SF full service. Over the year, Class A rates have fallen 120 bps with 26 of the 28 submarkets registering decreases. Class B rental rates were up 70 bps over the quarter to \$22.80 per SF gross. With availability increasing in both direct and sublet offerings, effective rents remain under significant pressure that is not accurately reflected in asking rates. As such, elevated tenant improvement allowances and generous free term remain a primary lure for securing large credit quality tenants seeking term. As the next wave of bankruptcies occur in office assets across the market, asking rates will see pressure increase further.

INVESTMENT SALES

Transactions Remained Slowed by Pandemic

Property sales remained subdued over the fourth quarter with few notable transactions. Triten RE Partners & Taconic Capital's acquired 1111 Fannin in the CBD. The building's anchor lease to JP Morgan Chase is set to expire in September '21 as the company moves back into their namesake property located nearby. Also of note, Capital Commercial Investments purchased 6500 West Loop South from AT&T Inc. As with 1111 Fannin, The 389k SF facility in Bellaire, known for its large floorplate, is set to convert to multi-tenant leasing opportunity. Additionally trading hands, Javier Marcos acquired 10700 North Fwy in the North Houston District from Iron Point Titan Asset Management. The 182k SF Class A tower is located in the North Houston District/North Belt West submarket. While acquisition activity remains slowed, the appetite to acquire quality facilities on a reduced operating basis has kept investor sentiment positive for the Houston market.

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	195.1 MSF	238.1 MSF
Direct Vacancy	23.4%	19.4%
Q4 Net Absorption	(959,654 SF)	(1,018,142 SF)

Notable Q4 Sales Transactions

BUILDING(S)	SUBMARKET	SF	SELLER	BUYER
6500 West Loop South	Bellaire	389,025	AT&T, Inc	Capital Commercial Investments
10700 North Fwy	NHD/North Belt West	182,235	Iron Point Titan Asset Mgmt	Javier Marcos

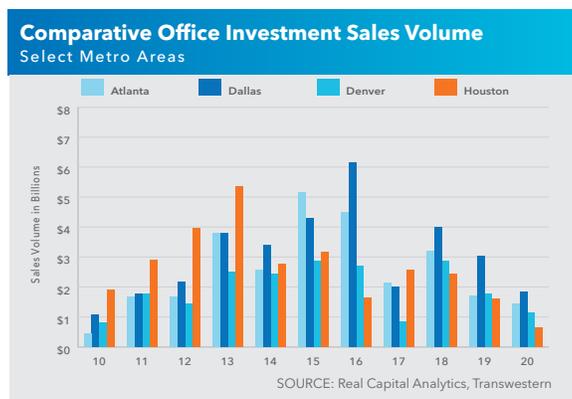
Indicates Transwestern represented parties involved in transaction

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 outpacing 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, efficiencies, 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 Q4 Lease Transactions

TENANT	SF	LEASE TYPE	BUILDING	SUBMARKET
Hess Exploration	565,913	Renewal	Hess Tower	CBD
TC PipeLines, LP	320,788	Renewal	TC Energy Center	CBD
Vroom 	102,492	New	Westchase Park II	Westchase
Diamond Offshore	98,000	Sale/Leaseback	15415 Katy Fwy	Katy Freeway West
Cadence Bank 	82,215	New	Park Towers South	Post Oak Park
JLL	81,999	New	200 Park Place	Post Oak Park
CommonDesk	58,000	New	The ION	Midtown
Houston Fire Department	56,440	New	Jefferson Towers at Cullen Center	CBD
ECMC Education Inc	53,766	Renewal	Southwest Corporate Center	Southwest Beltway 8
Parker Drilling	50,544	New	CityWestPlace 4	Westchase
Howard Hughes Corporation	44,697	New	9950 Woodloch Forest Dr	The Woodlands
Yang Ming (America) Corporation 	34,541	New	Reserve at Westchase	Westchase
Nouryon Chemicals	26,960	Expansion	Park Ten Plaza	Katy Freeway West
Microsoft Corporation	24,491	New	The ION	Midtown
IntegraNet Health	23,144	New	Brookhollow Central II	North Loop West
Preventice Healthcare Services	21,263	New	785 Greens Pky	North Belt West
NRL Mortgage 	20,380	New	Five Post Oak Park	Post Oak Park

 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 Q3 2020	Direct Vacancy Q4 2020	Total Availability Q4 2020	Under Construction	Net Absorption Q4 2020	Net Absorption 2020
Conroe	12	863,053	56,264	7.1%	6.5%	10.2%		5,411	20,545
CBD	63	43,770,502	9,459,193	20.3%	21.6%	29.3%	1,273,699	(589,974)	(1,568,951)
Midtown	31	5,623,589	739,790	12.9%	13.2%	20.7%	440,000	(15,260)	(131,574)
Downtown	94	49,394,091	10,198,983	19.4%	20.6%	28.3%	1,713,699	(605,234)	(1,700,525)
FM 1960/Champions	22	1,809,050	301,137	15.0%	16.6%	22.2%		(29,049)	1,409
FM 1960/Hwy 249	37	5,446,937	1,012,652	18.5%	18.6%	29.5%		(3,148)	(118,095)
FM 1960/I-45 North	14	1,216,285	572,545	46.7%	47.1%	48.4%		(4,429)	(84,475)
FM 1960	73	8,472,272	1,886,334	21.8%	22.3%	30.6%		(36,626)	(201,161)
Greenway Plaza	46	10,671,153	2,027,820	16.9%	19.0%	23.9%		(223,500)	(712,781)
Gulf Freeway/Pasadena	30	2,406,180	189,595	10.1%	7.9%	9.7%		4,623	(41,349)
Katy Far West	26	2,902,373	404,294	14.2%	13.9%	22.8%		8,427	90,852
Katy Freeway East	56	9,492,715	875,354	8.5%	9.2%	16.8%	1,171,280	(70,018)	(85,579)
Katy Freeway West	138	25,997,616	5,381,999	20.6%	20.7%	29.5%		(21,727)	(650,202)
Katy Fwy/Energy Corridor	194	35,490,331	6,257,353	17.4%	17.6%	25.8%	1,171,280	(91,745)	(735,781)
Kingwood/Humble	9	1,078,389	66,167	6.2%	6.1%	5.0%	270,000	979	(21,806)
NASA/Clear Lake	50	5,302,529	793,921	15.6%	15.0%	18.5%		31,047	15,022
North District / IAH	19	2,774,860	691,251	25.0%	24.9%	26.1%		1,714	54,126
North District / N Belt West	70	9,870,189	4,643,497	46.6%	47.0%	50.2%		(22,298)	(79,253)
North District / North Belt	89	12,645,049	5,334,748	41.9%	42.2%	44.9%		(20,584)	(25,127)
Northeast	11	1,372,336	32,840	2.2%	2.4%	4.8%		(4,180)	(5,141)
North Loop West	30	4,017,858	762,986	18.4%	19.0%	23.6%		32,374	73,970
Northwest Far	29	3,248,305	588,936	18.0%	18.1%	20.8%		(5,003)	(25,050)
Northwest Near	8	720,533	35,868	5.4%	5.0%	5.0%		2,700	9,530
Northwest	67	7,986,696	1,387,790	17.0%	17.4%	20.8%		30,071	58,450
South Main/Medical Center	42	8,799,310	611,574	7.0%	7.0%	8.5%		4,148	(171,472)
E Fort Bend Co/Sugar Land	44	6,013,061	748,348	11.2%	12.4%	18.6%		(77,642)	(173,463)
Southwest Beltway 8	39	5,379,136	1,163,950	25.7%	21.6%	26.9%		30,131	(147,691)
Southwest/Hillcroft	35	4,273,464	713,135	17.0%	16.7%	20.9%		13,941	86,853
Southwest Fwy / Sugar Land	118	15,665,661	2,625,433	17.8%	16.8%	22.0%		(33,570)	(234,301)
The Woodlands	107	18,286,529	2,343,873	13.1%	12.8%	17.2%	440,000	44,734	(857,472)
West Belt	35	4,689,393	1,042,796	22.3%	22.2%	29.3%		4,130	(352,883)
Bellaire	30	4,427,514	533,112	12.4%	12.0%	23.3%		(41,427)	127,811
Galleria/Uptown	58	16,773,152	2,995,690	17.3%	17.9%	29.5%	133,248	(130,215)	(619,070)
Post Oak Park	25	4,539,705	1,365,043	31.6%	30.1%	35.1%	92,839	67,791	(146,009)
Richmond/Fountainview	10	765,482	105,901	12.2%	13.8%	16.7%		(12,348)	(26,769)
Riverway	16	2,868,522	734,226	25.1%	25.6%	31.5%		(14,914)	(104,023)
San Felipe/Voss	31	4,884,994	1,211,565	23.4%	24.8%	30.6%		(68,060)	(212,803)
West Loop	170	34,259,369	6,945,537	20.1%	20.3%	29.5%	133,248	(199,173)	(980,863)
Westchase	89	17,772,766	3,928,189	22.5%	22.1%	27.7%		62,900	(605,760)
TOTAL - Houston	1262	238,057,480	46,133,511	19.1%	19.4%	25.8%	3,728,227	(1,018,142)	(6,461,553)

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 Q3 2020	Direct Vacancy Q4 2020	Total Availability Q4 2020	Under Construction	Net Absorption Q4 2020	Net Absorption 2020
Conroe	1	68,832	16,981	32.5%	24.7%	24.7%		5,411	7,436
CBD	37	34,001,771	6,284,412	17.0%	18.5%	26.6%	1,273,699	(516,272)	(1,357,862)
Midtown	8	2,486,094	206,305	8.1%	8.3%	20.0%	440,000	(4,140)	22,037
Downtown	45	36,487,865	6,490,717	16.4%	17.8%	26.1%	1,713,699	(520,412)	(1,335,825)
FM 1960/Champions	1	150,000		0.0%	0.0%	8.1%		0	0
FM 1960/Hwy 249	18	3,885,412	515,998	13.1%	13.3%	26.6%		(7,532)	(87,758)
FM 1960/I-45 North	1	98,105	51,633	56.4%	52.6%	52.6%		3,737	13,010
FM 1960	20	4,133,517	567,631	13.6%	13.7%	26.6%		(3,795)	(74,748)
Greenway Plaza	20	7,394,756	1,608,523	19.1%	21.8%	27.0%		(193,245)	(669,015)
Katy Far West	15	1,729,982	402,204	23.7%	23.2%	37.3%		8,427	92,942
Katy Freeway East	25	5,906,103	587,316	8.9%	9.9%	17.8%	1,171,280	(62,984)	(51,600)
Katy Freeway West	70	18,158,206	3,365,315	18.3%	18.5%	27.0%		(49,815)	(632,769)
Katy Fwy/Energy Corridor	95	24,064,309	3,952,631	16.0%	16.4%	24.5%	1,171,280	(112,799)	(684,369)
Kingwood/Humble	3	244,312	3,940	1.6%	1.6%	0.8%	270,000	0	(1,441)
NASA/Clear Lake	17	2,155,528	267,493	12.3%	12.4%	16.8%		(2,954)	(26,613)
North District / IAH	8	1,328,677	528,253	39.5%	39.8%	41.8%		(3,990)	19,253
North District / N Belt West	17	4,361,685	2,810,537	65.0%	64.4%	66.5%		25,524	(130,483)
North District / North Belt	25	5,690,362	3,338,790	59.1%	58.7%	60.7%		21,534	(111,230)
Northeast	3	642,223	14,025	2.2%	2.2%	2.2%		0	0
North Loop West	7	1,310,868	387,238	28.6%	29.5%	33.7%		37,599	73,317
Northwest Far	4	797,237	239,248	30.0%	30.0%	33.9%		152	(695)
Northwest	11	2,108,105	626,486	29.1%	29.7%	33.7%		37,751	72,622
South Main/Medical Center	14	4,067,288	397,685	9.9%	9.8%	11.7%		3,940	(196,199)
E Fort Bend Co/Sugar Land	21	3,925,112	486,416	10.4%	12.4%	20.5%		(78,335)	(149,124)
Southwest Beltway 8	3	566,699	92,185	16.4%	16.3%	16.6%		1,024	47,993
Southwest/Hillcroft	6	1,489,093	419,109	28.1%	28.1%	35.4%		0	(15,226)
Southwest Fwy / Sugar Land	30	5,980,904	997,710	15.4%	16.7%	23.9%		(77,311)	(116,357)
The Woodlands	61	14,224,096	1,874,078	13.5%	13.2%	17.1%	440,000	44,707	(739,742)
West Belt Total	22	3,445,942	756,776	21.7%	22.0%	31.2%		(9,128)	(255,937)
Bellaire	8	1,475,481	181,793	10.5%	12.3%	18.7%		(26,791)	(62,062)
Galleria/Uptown	35	13,431,436	2,415,278	17.1%	18.0%	31.7%	133,248	(153,078)	(586,846)
Post Oak Park	10	2,823,497	852,471	32.7%	30.2%	35.9%	92,839	70,079	161,752
Riverway	5	1,885,813	556,605	28.0%	29.5%	34.3%		(29,031)	(59,551)
San Felipe/Voss	3	1,720,793	482,825	25.8%	28.1%	30.8%		(38,286)	(101,025)
West Loop	61	21,337,020	4,488,972	20.4%	21.0%	31.6%	133,248	(177,107)	(647,732)
Westchase	33	9,961,337	2,237,523	23.2%	22.5%	28.9%		72,517	(404,344)
TOTAL - Houston	476	143,736,378	28,042,165	18.9%	19.5%	26.8%	3,728,227	(902,464)	(5,090,552)

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 Q3 2020	Direct Vacancy Q4 2020	Total Availability Q4 2020	Net Absorption Q4 2020	Net Absorption 2020
Conroe	10	691,631	39,283	5.7%	5.7%	10.2%	0	13,109
CBD	24	9,548,677	3,174,781	32.5%	33.2%	39.8%	(73,702)	(211,089)
Midtown	20	2,966,728	470,616	15.6%	15.9%	20.4%	(7,036)	(149,122)
Downtown	44	12,515,405	3,645,397	28.5%	29.1%	35.2%	(80,738)	(360,211)
FM 1960/Champions	19	1,538,854	291,065	17.7%	18.9%	24.6%	(18,977)	11,481
FM 1960/Hwy 249	18	1,508,036	488,584	32.7%	32.4%	37.3%	4,384	(22,267)
FM 1960/I-45 North	11	968,163	388,895	39.3%	40.2%	41.8%	(8,166)	(14,262)
FM 1960	48	4,015,053	1,168,544	28.5%	29.1%	33.5%	(22,759)	(25,048)
Greenway Plaza	24	3,136,100	416,588	12.3%	13.3%	17.2%	(29,720)	(45,428)
Gulf Freeway/Pasadena	26	2,098,841	173,604	8.4%	8.3%	10.3%	2,293	(51,137)
Katy Far West	10	1,053,129	2,090	0.2%	0.2%	1.7%	0	(2,090)
Katy Freeway East	24	2,763,592	253,899	8.9%	9.2%	17.9%	(8,547)	(20,226)
Katy Freeway West	65	7,597,896	1,959,195	26.1%	25.8%	35.5%	26,424	(14,089)
Katy Fwy / Energy Corridor	89	10,361,488	2,213,094	21.5%	21.4%	30.8%	17,877	(34,315)
Kingwood/Humble	6	834,077	62,227	7.6%	7.5%	7.6%	979	(20,365)
NASA/Clear Lake	32	3,093,983	526,428	18.1%	17.0%	20.0%	34,001	41,635
North District / IAH	10	1,393,858	162,998	12.1%	11.7%	12.1%	5,704	34,873
North District / N Belt West	41	4,323,527	1,698,755	37.8%	39.3%	44.2%	(48,128)	37,824
North District / North Belt	51	5,717,385	1,861,753	31.7%	32.6%	36.4%	(42,424)	72,697
Northeast	6	554,309	6,843	1.1%	1.2%	2.5%	(1,660)	(5,604)
North Loop West	21	2,588,869	357,192	13.6%	13.8%	18.9%	(4,946)	1,834
Northwest Far	23	2,295,051	349,688	15.0%	15.2%	16.6%	(5,155)	(24,355)
Northwest Near	7	623,533	35,868	6.2%	5.8%	5.8%	2,700	9,530
Northwest	51	5,507,453	742,748	13.4%	13.5%	16.5%	(7,401)	(12,991)
South Main/Medical Center	17	3,255,691	175,377	5.4%	5.4%	7.2%	1,350	18,594
E Fort Bend Co/Sugar Land	23	2,087,949	261,932	12.6%	12.5%	15.0%	693	(24,339)
Southwest Beltway 8	31	4,454,553	991,880	27.1%	22.3%	28.3%	22,706	(200,649)
Southwest/Hillcroft	18	1,744,553	147,130	8.5%	8.4%	12.1%	1,139	95,506
Southwest Fwy / Sugar Land	72	8,287,055	1,400,942	19.5%	16.9%	21.5%	24,538	(129,482)
The Woodlands	44	3,776,941	469,795	12.4%	12.4%	17.5%	27	(117,730)
West Belt	13	1,243,451	286,020	24.1%	23.0%	24.1%	13,258	(96,946)
Bellaire	18	2,568,527	269,531	12.1%	10.5%	26.2%	(15,768)	243,909
Galleria/Uptown	22	3,265,924	580,412	18.5%	17.8%	20.7%	22,863	(32,224)
Post Oak Park	14	1,608,208	512,572	31.7%	31.9%	35.9%	(2,288)	(307,761)
Richmond/Fountainview	7	563,186	85,258	12.9%	15.1%	18.8%	(12,590)	(16,186)
Riverway	9	870,153	160,010	20.0%	18.4%	24.1%	14,117	(40,024)
San Felipe/Voss	28	3,164,201	728,740	22.1%	23.0%	30.5%	(29,774)	(111,778)
West Loop	98	12,040,199	2,336,523	20.0%	19.4%	26.7%	(23,440)	(264,064)
Westchase	53	7,383,878	1,684,435	22.6%	22.8%	27.4%	(13,397)	(201,221)
TOTAL - Houston	694	85,566,069	17,211,691	20.3%	20.1%	25.3%	(127,216)	(1,220,597)

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	Q4 2018 Class A	2-Yr % Change Class A	Q4 2019 Class A	1-Yr% Change Class A	Q4 2020 Class A	Q4 2018 Class B	2-Yr % Change Class B	Q4 2019 Class B	1-Yr % Change Class B	Q4 2020 Class B
Conroe	\$29.09	9.1%	\$31.82	-0.3%	\$31.74	\$26.52	-0.5%	\$26.49	-0.4%	\$26.38
CBD	\$46.13	-0.5%	\$46.27	-0.7%	\$45.92	\$31.07	5.4%	\$32.81	-0.2%	\$32.75
Midtown	\$34.60	0.8%	\$34.44	1.3%	\$34.89	\$31.22	-10.2%	\$28.09	-0.2%	\$28.03
Downtown	\$45.65	-0.7%	\$45.88	-1.2%	\$45.32	\$31.10	1.9%	\$31.85	-0.5%	\$31.70
FM 1960/Champions	\$28.73	0.0%	\$28.73	0.0%	\$28.72	\$14.52	12.0%	\$14.91	9.1%	\$16.26
FM 1960/Hwy 249	\$27.67	2.9%	\$27.46	3.8%	\$28.49	\$18.21	6.9%	\$20.54	-5.2%	\$19.46
FM 1960/I-45 North	\$25.00	0.0%	\$25.00	0.0%	\$25.00	\$16.78	3.3%	\$17.56	-1.3%	\$17.33
FM 1960	\$27.28	2.8%	\$27.04	3.7%	\$28.04	\$16.31	8.2%	\$17.51	0.8%	\$17.65
Greenway Plaza	\$38.00	-5.4%	\$36.07	-0.3%	\$35.97	\$28.42	0.4%	\$28.85	-0.9%	\$28.59
Gulf Freeway/Pasadena						\$21.27	0.4%	\$21.00	1.7%	\$21.36
Katy Far West	\$29.00	8.4%	\$31.07	1.2%	\$31.44	\$27.50				
Katy Freeway East	\$39.14	19.8%	\$42.98	9.1%	\$46.88	\$25.32	-9.0%	\$22.88	0.7%	\$23.03
Katy Freeway West	\$34.00	1.2%	\$35.12	-2.0%	\$34.41	\$23.27	-1.4%	\$22.77	0.7%	\$22.94
Katy Fwy / Energy Corridor	\$34.80	4.0%	\$37.09	-2.4%	\$36.19	\$23.44	-2.1%	\$22.78	0.7%	\$22.95
Kingwood/Humble	\$36.46	-0.9%	\$37.88	-4.6%	\$36.15	\$20.00	0.0%	\$20.00	0.0%	\$20.00
NASA/Clear Lake	\$24.30	6.7%	\$26.24	-1.2%	\$25.93	\$20.26	-7.1%	\$19.92	-5.5%	\$18.82
North District / IAH	\$22.14	-4.9%	\$21.90	-3.9%	\$21.05	\$12.99	22.8%	\$14.69	8.6%	\$15.95
North District / N Belt West	\$21.23	-6.2%	\$20.52	-3.0%	\$19.91	\$15.44	2.5%	\$15.45	2.5%	\$15.83
North District / North Belt	\$21.39	-6.1%	\$20.78	-3.3%	\$20.09	\$15.24	3.9%	\$15.37	3.1%	\$15.84
Northeast						\$22.71	-33.9%	\$24.43	-38.6%	\$15.00
North Loop West	\$26.34	10.3%	\$26.21	10.9%	\$29.07	\$23.57	-1.7%	\$22.60	2.5%	\$23.17
Northwest Far	\$19.22	3.9%	\$19.11	4.5%	\$19.97	\$16.06	-1.3%	\$16.59	-4.5%	\$15.86
Northwest Near						\$18.69	-7.4%	\$19.16	-9.8%	\$17.29
Northwest	\$23.04	10.9%	\$23.17	10.3%	\$25.56	\$19.37	2.1%	\$19.09	3.6%	\$19.78
South Main/Medical Center	\$33.09	-12.3%	\$30.26	-4.1%	\$29.03	\$25.28	6.8%	\$25.94	4.1%	\$27.01
E Fort Bend Co/Sugar Land	\$31.47	9.0%	\$33.18	3.4%	\$34.30	\$24.05	-7.2%	\$24.37	-8.4%	\$22.32
Southwest Beltway 8	\$19.91	-1.8%	\$20.55	-4.9%	\$19.54	\$18.33	7.9%	\$18.39	7.6%	\$19.78
Southwest/Hillcroft	\$20.35	-4.1%	\$19.39	0.7%	\$19.52	\$16.48	-3.7%	\$16.24	-2.2%	\$15.87
Southwest Fwy / Sugar Land	\$24.29	13.1%	\$24.95	10.2%	\$27.48	\$18.70	5.7%	\$18.75	5.4%	\$19.76
The Woodlands	\$34.88	10.6%	\$38.42	0.4%	\$38.57	\$26.85	-1.7%	\$27.84	-5.2%	\$26.39
West Belt	\$34.20	-7.9%	\$32.03	-1.6%	\$31.51	\$23.42	10.9%	\$22.61	14.9%	\$25.98
Bellaire	\$29.71	-0.1%	\$29.37	1.0%	\$29.67	\$23.87	6.6%	\$22.14	15.0%	\$25.46
Galleria/Uptown	\$38.63	1.5%	\$39.81	-1.5%	\$39.22	\$27.88	5.7%	\$29.14	1.1%	\$29.47
Post Oak Park	\$35.60	4.2%	\$39.00	-4.9%	\$37.10	\$29.88	-26.8%	\$23.90	-8.5%	\$21.88
Richmond/Fountainview						\$20.10	-3.0%	\$19.60	-0.6%	\$19.49
Riverway	\$34.32	6.3%	\$35.63	2.4%	\$36.49	\$26.56	-1.4%	\$26.47	-1.1%	\$26.18
San Felipe/Voss	\$36.33	-4.0%	\$36.26	-3.8%	\$34.86	\$26.13	-1.1%	\$25.85	0.0%	\$25.84
West Loop	\$36.79	2.7%	\$38.59	-2.0%	\$37.80	\$26.16	0.1%	\$25.34	3.4%	\$26.19
Westchase	\$35.29	-3.1%	\$34.95	-2.1%	\$34.20	\$19.62	-5.7%	\$19.47	-5.0%	\$18.50
TOTAL - Houston	\$36.25	0.2%	\$36.76	-1.2%	\$36.32	\$22.01	3.6%	\$22.26	2.4%	\$22.80

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	Q4 2018 Class A	2-Yr % Change Class A	Q4 2019 Class A	1-Yr% Change Class A	Q4 2020 Class A	Q4 2018 Class B	2-Yr % Change Class B	Q4 2019 Class B	1-Yr % Change Class B	Q4 2020 Class B
Conroe	\$19.00	10.5%	\$21.00	0.0%	\$21.00	\$18.61	1.2%	\$18.83	0.0%	\$18.83
CBD	\$29.56	-1.7%	\$29.56	-1.7%	\$29.06	\$19.21	3.2%	\$20.56	-3.6%	\$19.82
Midtown	\$24.85	-1.5%	\$25.10	-2.4%	\$24.48	\$21.20	-4.5%	\$20.05	0.9%	\$20.24
Downtown	\$29.44	-1.7%	\$29.48	-1.8%	\$28.95	\$19.49	2.0%	\$20.49	-2.9%	\$19.89
FM 1960/Champions	\$22.00									\$13.95
FM 1960/Hwy 249	\$22.00					\$19.18	-74.4%			\$4.91
FM 1960	\$22.00					\$19.18	-53.5%			\$8.92
Greenway Plaza	\$22.96	-4.8%	\$22.08	-1.1%	\$21.85	\$17.74	-2.7%	\$18.04	-4.3%	\$17.26
Gulf Freeway/Pasadena						\$16.23	16.0%	\$16.68	12.8%	\$18.82
Katy Far West	\$19.83	8.0%	\$21.39	0.2%	\$21.42					
Katy Freeway East	\$26.68	26.0%	\$30.87	8.9%	\$33.62	\$19.26	4.7%	\$19.81	1.8%	\$20.17
Katy Freeway West	\$22.04	-1.7%	\$21.38	1.3%	\$21.66	\$15.02	7.5%	\$15.47	4.3%	\$16.15
Katy Fwy / Energy Corridor	\$22.73	1.7%	\$23.46	-1.5%	\$23.11	\$15.56	5.1%	\$15.99	2.3%	\$16.36
Kingwood/Humble	\$24.00	0.0%	\$24.00	0.0%	\$24.00					
NASA/Clear Lake	\$22.04	-20.2%	\$23.43	-24.9%	\$17.59	\$14.62	-17.9%	\$14.85	-19.2%	\$12.00
North District / IAH	\$12.59	-5.3%	\$12.22	-2.4%	\$11.92	\$12.00	-21.8%	\$10.00	-6.1%	\$9.39
North District / N Belt West	\$13.72	-15.4%	\$12.52	-7.3%	\$11.61	\$10.26	-13.0%	\$10.36	-13.9%	\$8.92
North District / North Belt	\$13.47	-13.5%	\$12.47	-6.5%	\$11.66	\$10.29	-12.9%	\$10.33	-13.2%	\$8.97
Northeast						\$13.00		\$13.00		
North Loop West	\$16.59	13.5%	\$16.61	13.4%	\$18.84	\$16.07	0.1%	\$16.07	0.1%	\$16.09
Northwest Far	\$10.50	15.5%	\$10.50	15.5%	\$12.13	\$8.50				
Northwest	\$15.54	15.1%	\$15.69	14.0%	\$17.89	\$14.16	13.7%	\$16.07	0.1%	\$16.09
South Main/Medical Center	\$23.27	20.3%	\$35.75	-21.7%	\$28.00	\$20.00	15.0%	\$20.00	15.0%	\$23.00
E Fort Bend Co/Sugar Land	\$21.11	3.5%	\$21.66	0.9%	\$21.84	\$19.74	-5.4%	\$18.68	0.0%	\$18.68
Southwest Beltway 8	\$13.78	61.3%	\$16.30	36.3%	\$22.22	\$11.85	-0.1%	\$11.99	-1.2%	\$11.84
Southwest/Hillcroft						\$11.48		\$12.31		
Southwest Fwy / Sugar Land	\$20.26	7.9%	\$20.98	4.2%	\$21.85	\$12.44	26.4%	\$12.75	23.4%	\$15.72
The Woodlands	\$23.81	8.1%	\$26.43	-2.6%	\$25.75	\$21.41	-9.4%	\$20.82	-6.8%	\$19.41
West Belt	\$20.98	-8.8%	\$19.38	-1.3%	\$19.13	\$16.71	-2.7%	\$16.38	-0.8%	\$16.26
Bellaire	\$17.95		\$17.54		\$17.63					
Galleria/Uptown	\$24.26		\$24.62		\$24.47	\$18.83		\$18.99		\$18.40
Post Oak Park	\$21.81		\$24.48		\$23.94	\$14.56		\$13.72		\$13.92
Richmond/Fountainview						\$18.50		\$17.87		\$9.50
Riverway	\$19.61		\$20.07		\$21.33	\$18.61		\$18.55		\$17.11
San Felipe/Voss	\$21.41		\$21.84		\$21.01	\$16.54		\$17.13		\$18.04
West Loop	\$22.63		\$23.75		\$23.53	\$17.73		\$17.81		\$17.64
Westchase	\$21.88		\$21.48		\$21.03	\$15.11		\$14.17		\$13.28
TOTAL - Houston	\$24.00		\$23.93		\$23.58	\$16.18		\$16.58		\$16.15

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Q4 2020 | HOUSTON | OFFICE MARKET

Houston Office Market Indicators - Avg Operating Expenses

Submarket	Q4 2018 Class A	2-Yr % Change Class A	Q4 2019 Class A	1-Yr% Change Class A	Q4 2020 Class A	Q4 2018 Class B	2-Yr % Change Class B	Q4 2019 Class B	1-Yr % Change Class B	Q4 2020 Class B
Conroe	\$10.09	6.4%	\$10.82	-0.7%	\$10.74	\$9.35	7.4%	\$10.14	-1.0%	\$10.04
CBD	\$16.16	4.3%	\$16.39	2.9%	\$16.86	\$12.14	17.9%	\$13.61	5.2%	\$14.32
Midtown	\$14.00	-3.2%	\$13.86	-2.2%	\$13.55	\$12.79	-10.9%	\$11.38	0.2%	\$11.40
Downtown	\$16.11	4.2%	\$16.35	2.7%	\$16.78	\$12.23	13.2%	\$13.28	4.2%	\$13.84
FM 1960/Champions	\$6.73	-100.0%	\$16.35	-100.0%						\$7.61
FM 1960/Hwy 249	\$15.86	-100.0%				\$10.37	-0.1%			\$10.35
FM 1960	\$8.16	-100.0%				\$10.37	-11.6%			\$9.16
Greenway Plaza	\$15.05	-6.2%	\$13.99	0.9%	\$14.12	\$11.85	-1.3%	\$11.58	1.0%	\$11.70
Gulf Freeway/Pasadena						\$8.00	-19.3%	\$6.68	-3.4%	\$6.46
Katy Far West	\$10.01	14.6%	\$10.67	7.5%	\$11.47					
Katy Freeway East	\$15.40	11.0%	\$15.87	7.7%	\$17.10	\$11.31	-6.4%	\$10.86	-2.5%	\$10.58
Katy Freeway West	\$13.81	-5.7%	\$13.80	-5.6%	\$13.02	\$9.88	-0.5%	\$9.88	-0.6%	\$9.82
Katy Fwy / Energy Corridor	\$14.05	-3.8%	\$14.25	-5.2%	\$13.52	\$10.06	-1.9%	\$9.99	-1.3%	\$9.86
Kingwood/Humble	\$12.46	-2.5%	\$13.88	-12.5%	\$12.15					
NASA/Clear Lake	\$12.19	-43.0%	\$11.80	-41.2%	\$6.94	\$7.52	4.3%	\$6.31	24.2%	\$7.84
North District / IAH	\$10.15	-1.5%	\$10.44	-4.2%	\$10.00	\$9.12	-5.9%	\$8.82	-2.7%	\$8.58
North District / N Belt West	\$8.67	2.0%	\$8.63	2.5%	\$8.84	\$8.85	5.8%	\$8.95	4.7%	\$9.36
North District / North Belt	\$9.00	0.3%	\$8.97	0.6%	\$9.02	\$8.85	4.9%	\$8.94	4.0%	\$9.29
Northeast										
North Loop West	\$10.04	5.1%	\$9.90	6.7%	\$10.55	\$10.27	-11.0%	\$9.99	-8.6%	\$9.13
Northwest Far	\$9.53	8.4%	\$9.53	8.4%	\$10.33	\$10.00	-100.0%			
Northwest	\$9.95	5.7%	\$9.84	6.9%	\$10.52	\$10.20	-10.5%	\$9.99	-8.6%	\$9.13
South Main/Medical Center	\$12.81	-7.1%	\$21.22	-43.9%	\$11.90	\$13.15	0.6%	\$13.23	0.0%	\$13.23
E Fort Bend Co/Sugar Land	\$11.01	13.9%	\$11.66	7.7%	\$12.55	\$13.04	-16.5%	\$10.99	-0.9%	\$10.89
Southwest Beltway 8	\$8.84	-39.7%	\$10.60	-49.7%	\$5.33	\$9.43	2.0%	\$8.72	10.3%	\$9.62
Southwest/Hillcroft						\$7.78	-100.0%	\$7.35	-100.0%	
Southwest Fwy / Sugar Land	\$10.76	14.8%	\$11.52	7.2%	\$12.35	\$9.30	11.1%	\$8.64	19.7%	\$10.34
The Woodlands	\$11.75	14.9%	\$12.96	4.1%	\$13.50	\$11.78	-18.7%	\$12.11	-20.9%	\$9.58
West Belt	\$13.22	-6.4%	\$12.65	-2.1%	\$12.38	\$11.46	10.1%	\$11.65	8.3%	\$12.62
Bellaire	\$11.88	-0.5%	\$11.84	-0.1%	\$11.83					
Galleria/Uptown	\$15.00	1.0%	\$15.37	-1.5%	\$15.14	\$12.28	12.3%	\$12.97	6.2%	\$13.78
Post Oak Park	\$13.79	1.6%	\$14.52	-3.6%	\$14.00	\$8.91	18.1%	\$10.70	-1.7%	\$10.52
Richmond/Fountainview						\$9.93	-1.3%	\$9.74	0.6%	\$9.80
Riverway	\$15.44	-1.8%	\$16.35	-7.3%	\$15.16	\$8.03	26.3%	\$8.09	25.3%	\$10.14
San Felipe/Voss	\$14.92	-7.2%	\$14.42	-3.9%	\$13.85	\$12.46	-8.0%	\$11.24	2.0%	\$11.47
West Loop	\$14.65	0.6%	\$15.13	-2.6%	\$14.74	\$11.47	6.1%	\$11.64	4.5%	\$12.17
Westchase	\$14.07	3.7%	\$14.06	3.8%	\$14.59	\$9.88	0.2%	\$9.94	-0.4%	\$9.89
TOTAL - Houston	\$14.19	1.0%	\$14.29	0.4%	\$14.34	\$10.68	7.6%	\$11.02	4.3%	\$11.49

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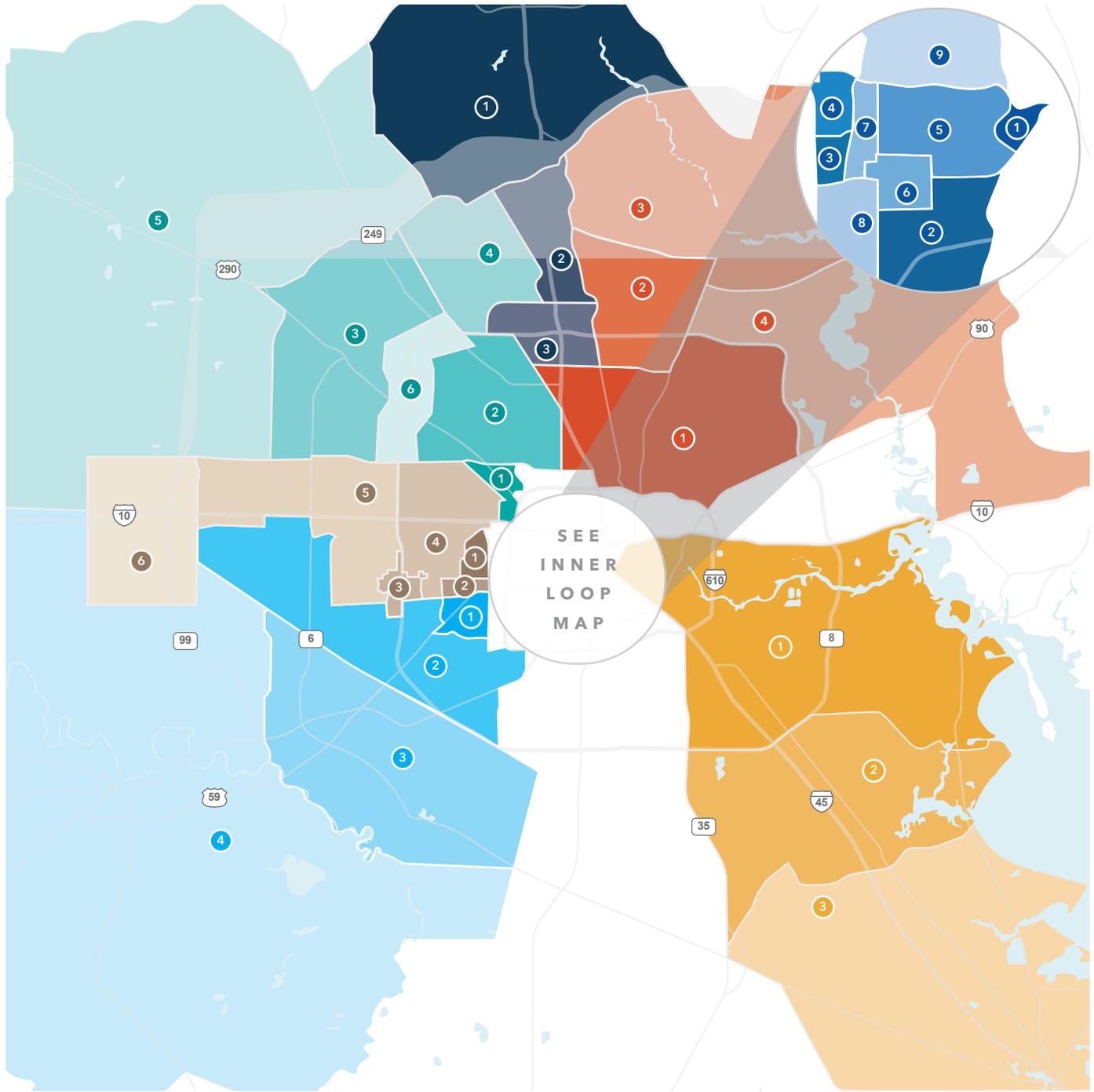
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METHODOLOGY

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.

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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

6	Greenway
7	Post Oak Park
8	Bellaire
9	North Loop West

NORTH	1	The Woodlands
	2	FM 1960/ I-45 North
	3	Greenspoint

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