



# HOUSTON OFFICE MARKET RESEARCH & FORECAST REPORT



## Houston's Office Market Ends 2011 on a Positive Note

Houston's office market has undergone significant changes in the past twelve months benefiting from positive absorption, falling vacancy, and rising rental rates. Increased leasing activity has been key to the year-end positive net absorption of 2.6 million square feet citywide. An important driver of these market trends has been a healthy economic climate conducive to increased business activity. The Houston metropolitan area has gained about 77,000 jobs through November 2011, representing a solid 3.0% growth rate.

Overall vacancy levels decreased by 50 basis points between quarters to 15.5% from 16.0%, which was also the citywide overall vacancy rate one year ago. The average suburban vacancy rate decreased by 30 basis points to 15.3% from 15.6% the previous quarter, while the CBD vacancy rate decreased by 100 basis points to 16.6% from 17.6%.

On a year-over-year basis the citywide average rental rate increased by \$0.12 per square foot to \$23.20 from \$23.08 per square foot. The citywide average rental rate also rose slightly between quarters to \$23.20 from \$22.93 per square foot.

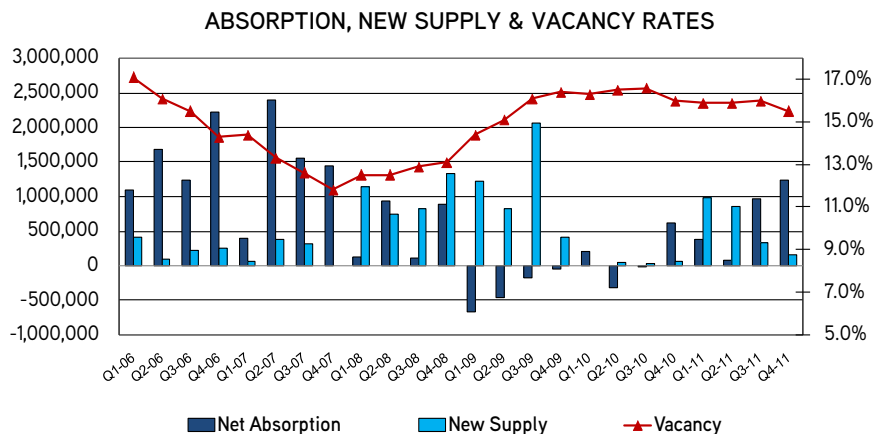
Houston's Office Investment sales activity decreased between quarters with only 10 properties changing hands, compared to 15 in the previous quarter. According to Real Capital Analytics, Houston office sale transactions had a total dollar volume of \$732.9 million, averaging \$406 per square foot with a 6.6% capitalization rate. The most significant sale was Trammell Crow JV's sale of Hess Tower to H&R REIT for \$442.5 million or \$524 per square foot.

Houston's office leasing activity reached 1.4 million SF in the fourth quarter, bringing the year-end total to 3.3 million SF. One of the most significant transactions that occurred in the fourth quarter was Shell's renewal of 1.3 million SF in One and Two Shell Plaza in the CBD submarket. A list of 2011's top office leases can be found on page 3 of this report.

With solid expansion in the energy sector and a strong housing market, (up 4.1% year-to-date through November), Houston's economy is expected to continue outperforming the national economy over the next twelve to eighteen months.

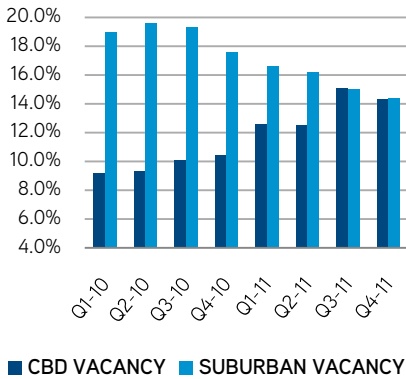
MARKET INDICATORS			
	YE 2010	YE 2011	
<b>CITYWIDE NET ABSORPTION (SF)</b>	476k	2.6m	↑
<b>CITYWIDE AVERAGE VACANCY</b>	16.0%	15.5%	↓
<b>CITYWIDE AVERAGE RENTAL RATE</b>	\$23.08	\$23.20	↑
<b>CLASS A RENTAL RATE</b>			
CBD	\$34.61	\$35.29	↑
SUBURBAN	\$27.11	\$27.34	↑
<b>CLASS A VACANCY</b>			
CBD	10.4%	14.3%	↑
SUBURBAN	17.5%	14.4%	↓

JOB GROWTH & UNEMPLOYMENT (Seasonally Adjusted)			
UNEMPLOYMENT	11/10	11/11	
HOUSTON	8.7%	7.8%	
TEXAS	8.3%	8.1%	
U.S.	9.8%	8.6%	
JOB GROWTH	ANNUAL CHANGE	11/11	
HOUSTON	3.4%	20.2k	
TEXAS	2.2%	46.4k	
U.S.	1.0%	120.0k	

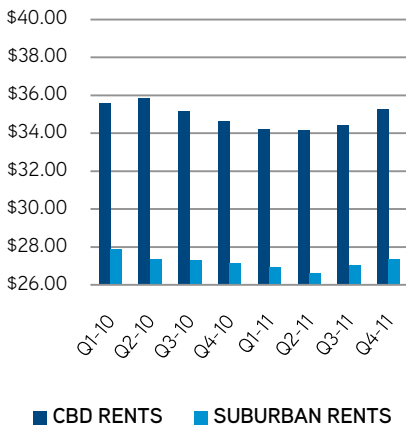


**CBD VS. SUBURBAN**

**CLASS A OFFICE VACANCY**



**CLASS A OFFICE RENTS**



**VACANCY & AVAILABILITY**

Overall vacancy levels decreased by 50 basis points between quarters to 15.5% from 16.0%. The average suburban vacancy rate decreased by 30 basis points to 15.3% from 15.6% the previous quarter, while CBD vacancy decreased by 100 basis points to 16.6% from 17.6%. On a year-over-year basis the city-wide vacancy rate decreased by 50 basis points to 15.5% from 16.0%. The suburban vacancy rate decreased 130 basis points to 15.3% from 16.2%, and the CBD vacancy rate increased 170 basis points to 16.6% from 14.9%.

Vacancy in CBD Class A properties decreased to 14.3% from 15.1% between quarters, while CBD Class B vacancy rates decreased to 18.0% from 19.5%.

Although suburban vacancy rates remained in double-digits, Class A vacancy actually dropped between quarters to 14.4% from 15.0%. The suburban Class B vacancy rate decreased between quarters to 16.6% from 16.7%.

Citywide, a total of 46 office properties had a minimum of 100,000 SF available for lease in both direct and sublease space, and 13 of those properties have over 200,000 SF available.

Available sublease space totaled 3.1 million SF, including 1.7 million SF of vacant space and 1.4 million SF of subleases available for occupancy over the next 18 months. The largest available sublease space is Devon Energy’s 198,478 SF space in Two Allen Center in the CBD. Braeswood Tower II has the largest

suburban contiguous block of sublease space available, 146,392 SF.

**ABSORPTION & DEMAND**

Houston recorded positive net absorption of 1,226,000 SF in the fourth quarter, bringing the year-end total to 2,643,000 SF. Contributing to the quarter’s positive gain was suburban Class A space with a positive net absorption of 631,000 SF, followed by suburban Class B space with positive net absorption of 269,000 SF, and CBD Class A space with positive net absorption of 175,000 SF. The majority of the CBD positive absorption was due to company expansions including Carrizo Oil & Gas, Burns & McDonnell and Eagle Rock Energy Partners.

**RENTAL RATES**

Citywide rental rates rose between quarters to \$23.20 from \$22.93 per square foot. The CBD Class A average quoted rental rate increased by \$0.86 to \$35.29 per square foot from \$34.43, while the suburban Class A average rate increased \$0.31 to \$27.34 per square foot from \$27.03. The CBD Class B average rate decreased by \$0.04 to \$23.65 per square foot from \$23.69, while the suburban Class B average rate rose \$0.08 to \$18.30 per square foot from \$18.22 between quarters.

On a year-over-year basis the citywide average rental rate increased by \$0.12 per square foot.

**QUOTED GROSS RENTAL RATES FOR TOP PERFORMING OFFICE BUILDINGS**

BUILDING NAME	ADDRESS	SUBMARKET	RBA (SF)	YEAR BUILT	LEASED	AVAIL. SF	RENT (\$/SF)	OWNER
Wells Fargo Plaza	1000 Louisiana	CBD	1,721,242	1982	96.0%	324,156	\$41.10	Metropolitan Life Insurance Co. & N.Y. State Retirement Fund
Heritage Plaza	1111 Bagby	CBD	1,089,266	1986	89.0%	194,407	\$40.50	Brookfield Office Properties
BG Group Place	811 Main	CBD	972,474	2011	62.3%	366,608	\$42.00	CalPERS
Minute Maid Building	2150 Town Square Place	E. Fort Bend	185,000	2008	77.6%	41,489	\$30.00	Planned Community Developers
Wells Fargo Bank Tower	1300 Post Oak Blvd.	Galleria	491,254	1983	93.8%	55,155	\$36.15	TIAA-CREF
Williams Tower	2800 Post Oak Blvd	Galleria	1,476,973	1983	88.3%	251,024	\$35.17	Hines
9 Greenway Plaza	9 Greenway	Greenway	746,824	1978	93.6%	71,503	\$32.22	Crescent Real Estate Equities
One BriarLake Plaza	2000 W. Sam Houston	Westchase	550,000	2000	100%	47,332	\$39.15	Behringer Harvard
Waterway Plaza II	10001 Woodloch Forest	Woodlands	142,560	2001	83.8%	77,906	\$34.30	Triple Net Properties
Waterway Square	4 Waterway Ave.	Woodlands	232,364	2009	98.9%	2,539	\$36.00	The Woodlands Development

Note: Avail. SF includes direct and sublet space.  
Source: CoStar Property

## SALES ACTIVITY

Houston's Office Investment sales activity decreased between quarters with only 10 properties changing hands, compared to 15 in the previous quarter. According to Real Capital Analytics, Houston office sale transactions had a total dollar volume of \$732.9 million, averaging \$406/SF with a 6.6% capitalization rate.

The most significant transactions that closed during the fourth quarter are listed in the table below.

Q4 2011 SIGNIFICANT SALES TRANSACTIONS								
BUILDING NAME	SUBMARKET	RBA (SF)	YEAR BUILT	BUYER	SELLER	SALE PRICE	\$/SF	CLOSED
Hess Tower	CBD	844,763	2010	H&R REIT	Trammell Crow JV	\$442.5M	\$524	12/2011
2500 CityWest	Westchase	578,284	1982	Crimson R E Fund JV	Thomas Properties JV	\$132.5M	\$231	11/2011

## LEASING ACTIVITY

Houston's office leasing activity reached 1.4 million SF in the fourth quarter, bringing the year-end total to 3.3 million SF. Below is a list of the significant 2011 lease transactions.

2011 TOP OFFICE LEASES					
BUILDING NAME/ADDRESS	SUBMARKET	SF	TENANT	LEASE DATE	
One Shell Plaza	CBD	804,491	Shell*	11/2011	
Two Shell Plaza	CBD	471,934	Shell*	11/2011	
1600 Smith	CBD	311,000	Chevron*	5/2011	
Fulbright Tower	CBD	229,676	Fulbright & Jaworski*	1/2011	
Westway III	Northwest Far	181,814	GE Oil & Gas	6/2011	
Three Eldridge	Katy Freeway West	166,452	BP	7/2011	
1325 Dairy Ashford	Katy Freeway West	155,324	Schlumberger*	2/2011	
Eldridge Oaks	Katy Freeway West	138,000	KBR*	4/2011	
Galleria Plaza I	West Loop/Galleria	120,458	Telecheck Services*	2/2011	
CityWestPlace 3	Westchase	115,056	ION Geophysical*	6/2011	
One Allen Center	CBD	110,816	Carrizo Oil & Gas, Inc.	8/2011	
Waterway Square	Woodlands	103,200	Newfield Exploration	3/2011	
12 Greenway Plaza	Greenway Plaza	93,594	Direct Energy*	3/2011	
Five Post Oak Park	Post Oak Park	87,212	Willbros United States Holdings, Inc.*	3/2011	
5 Greenway Plaza	Greenway Plaza	81,565	Occidental Oil & Gas Corporation*	1/2011	
One Westchase Center	Westchase	80,033	EDG*	1/2011	
1330 Enclave Parkway	Katy Freeway West	75,000	Lloyd's Register	3/2011	
Williams Tower	West Loop/ Galleria	75,000	Rowan Companies*	6/2011	
America Tower	Allen Parkway	70,000	BBS Technologies**	2/2011	
Offices at Park 10	Katy Freeway West	68,205	MODEC International, Inc.	1/2011	
First City Tower	CBD	68,201	Black Stone Minerals*	1/2011	
Ashford V	Katy Freeway West	62,026	FloaTEC Solutions	3/2011	
Sage Plaza	West Loop/Galleria	55,000	Columbia Gas Transmission	5/2011	
8847 W Sam Houston Parkway	Northwest	50,201	Twin Eagle Resource Management	7/2011	
5959 Corporate Drive	Southwest	50,000	Amerigroup Corp	4/2011	
1177 W Loop S	Post Oak Park	49,574	Cornerstone Mortgage*	6/2011	
Two Riverway	Riverway	44,818	Gainer, Donnelly, & Desroches	7/2011	
Remington Square	Northwest	42,364	Seawell	6/2011	
Chase Tower	CBD	42,136	Breitbart Energy*	4/2011	

\*Renewal and/or Expansion

\*\* Sublease

## HOUSTON OFFICE MARKET SUMMARY (CBD, SUBURBAN &amp; CITYWIDE)

Class	Inventory		Direct Vacancy		Sublease Vacancy		Vacancy	Vacancy Rate (%)		Net Absorption (SF)		Rental Rate
	# of Bldgs.	Total (SF)	(SF)	Rate (%)	(SF)	Rate (%)	Total (SF)	Q4-2011	Q3-2011	Q4-2011	YE 2011	AVG (\$/SF)
<b>CBD</b>												
A	28	26,123,539	2,913,485	11.2%	826,722	3.2%	3,740,207	14.3%	15.1%	174,827	448,442	\$35.29
B	35	9,885,553	1,750,213	17.7%	27,068	0.3%	1,777,281	18.0%	19.5%	87,259	117,998	\$23.65
C	19	1,704,299	748,233	43.9%	0	0.0%	748,233	43.9%	44.6%	11,791	-16,755	\$18.28
<b>Total</b>	<b>82</b>	<b>37,713,391</b>	<b>5,411,931</b>	<b>14.4%</b>	<b>853,790</b>	<b>2.3%</b>	<b>6,265,721</b>	<b>16.6%</b>	<b>17.6%</b>	<b>273,877</b>	<b>549,685</b>	<b>\$31.02</b>
<b>SUBURBAN</b>												
A	241	65,436,537	9,058,008	13.8%	337,738	0.5%	9,395,746	14.4%	15.0%	631,143	1,862,194	\$27.34
B	915	76,206,180	12,176,556	16.0%	454,156	0.6%	12,630,712	16.6%	16.7%	269,402	400,505	\$18.30
C	442	18,331,332	2,380,988	13.0%	49,168	0.3%	2,430,156	13.3%	13.5%	52,057	-169,659	\$14.91
<b>Total</b>	<b>1598</b>	<b>159,974,049</b>	<b>23,615,552</b>	<b>14.8%</b>	<b>841,062</b>	<b>0.5%</b>	<b>24,456,614</b>	<b>15.3%</b>	<b>15.6%</b>	<b>952,602</b>	<b>2,093,040</b>	<b>\$21.41</b>
<b>OVERALL</b>												
A	269	91,560,076	11,971,493	13.1%	1,164,460	1.3%	13,135,953	14.3%	15.0%	805,970	2,310,636	\$29.61
B	950	86,091,733	13,926,769	16.2%	481,224	0.6%	14,407,993	16.7%	17.0%	356,661	518,503	\$18.92
C	461	20,035,631	3,129,221	15.6%	49,168	0.2%	3,178,389	15.9%	16.2%	63,848	-186,414	\$15.24
<b>Total</b>	<b>1680</b>	<b>197,687,440</b>	<b>29,027,483</b>	<b>14.7%</b>	<b>1,694,852</b>	<b>0.9%</b>	<b>30,722,335</b>	<b>15.5%</b>	<b>16.0%</b>	<b>1,226,479</b>	<b>2,642,725</b>	<b>\$23.20</b>

## HOUSTON SUBURBAN OFFICE MARKET SUMMARY

Class	Inventory		Direct Vacancy		Sublease Vacancy		Vacancy	Vacancy Rate (%)		Net Absorption (SF)		Rental Rate
	# of Bldgs.	Total (SF)	(SF)	Rate (%)	(SF)	Rate (%)	Total (SF)	Q4-2011	Q3-2011	Q4-2011	YE 2011	AVG (\$/SF)
<b>Allen Parkway</b>												
A	2	1,198,654	189,590	15.8%	0	0.0%	189,590	15.8%	16.2%	4,198	54,685	\$28.74
B	30	2,866,922	223,012	7.8%	3,348	0.1%	226,360	7.9%	6.5%	-37,199	-62,204	\$22.78
C	25	1,141,150	406,251	35.6%	0	0.0%	406,251	35.6%	35.8%	3,434	21,727	\$19.67
<b>Total</b>	<b>57</b>	<b>5,206,726</b>	<b>818,853</b>	<b>15.7%</b>	<b>3,348</b>	<b>0.1%</b>	<b>822,201</b>	<b>15.8%</b>	<b>15.2%</b>	<b>-29,567</b>	<b>14,208</b>	<b>\$25.49</b>
<b>Baytown</b>												
B	4	244,544	6,802	2.8%	0	0.0%	6,802	2.8%	2.8%	0	0	\$14.53
C	4	201,358	7,083	3.5%	0	0.0%	7,083	3.5%	3.2%	-1,496	-456	\$16.25
<b>Total</b>	<b>8</b>	<b>445,902</b>	<b>13,885</b>	<b>3.1%</b>	<b>0</b>	<b>0.0%</b>	<b>13,885</b>	<b>3.1%</b>	<b>3.0%</b>	<b>-1,496</b>	<b>-456</b>	<b>\$14.99</b>
<b>Bellaire</b>												
A	6	1,086,526	107,990	9.9%	0	0.0%	107,990	9.9%	8.2%	-19,296	-26,945	\$24.08
B	13	1,714,873	239,097	13.9%	8,381	0.5%	247,478	14.4%	13.8%	-10,895	-4,270	\$20.93
C	7	604,738	143,190	23.7%	10,454	1.7%	153,644	25.4%	24.8%	-3,428	-20,048	\$14.01
<b>Total</b>	<b>26</b>	<b>3,406,137</b>	<b>490,277</b>	<b>14.4%</b>	<b>18,835</b>	<b>0.6%</b>	<b>509,112</b>	<b>14.9%</b>	<b>14.0%</b>	<b>-33,619</b>	<b>-51,263</b>	<b>\$21.22</b>
<b>Conroe</b>												
A	1	60,000	0	0.0%	0	0.0%	0	0.0%	0.0%	0	0	-
B	3	129,475	34,730	26.8%	0	0.0%	34,730	26.8%	26.8%	0	-18,022	\$15.77
C	7	354,307	2875	0.8%	0	0.0%	2,875	0.8%	0.9%	0	0	\$13.40
<b>Total</b>	<b>11</b>	<b>543,782</b>	<b>37,605</b>	<b>6.9%</b>	<b>0</b>	<b>0.0%</b>	<b>37,605</b>	<b>6.9%</b>	<b>7.2%</b>	<b>0</b>	<b>-18,022</b>	<b>\$15.32</b>
<b>E. Fort Bend</b>												
A	18	3,416,217	899,956	26.3%	18,679	0.5%	918,635	26.9%	27.6%	34,232	67,650	\$27.48
B	37	2,122,313	187,271	8.8%	79,566	3.7%	266,837	12.6%	15.9%	57,705	46,321	\$18.47
C	5	216,013	1,668	0.8%	0	0.0%	1,668	0.8%	1.2%	0	1,587	\$18.50
<b>Total</b>	<b>60</b>	<b>5,754,543</b>	<b>1,088,895</b>	<b>18.9%</b>	<b>98,245</b>	<b>1.7%</b>	<b>1,187,140</b>	<b>20.6%</b>	<b>22.6%</b>	<b>91,937</b>	<b>115,558</b>	<b>\$23.86</b>

## HOUSTON SUBURBAN OFFICE MARKET SUMMARY - CONTINUED

Class	Inventory		Direct Vacancy		Sublease Vacancy		Vacancy	Vacancy Rate (%)		Net Absorption (SF)		Rental Rate
	# of Bldgs.	Total (SF)	(SF)	Rate (%)	(SF)	Rate (%)	Total (SF)	Q4-2011	Q3-2011	Q4-2011	YE 2011	AVG (\$/SF)
FM 1960												
A	13	2,307,455	1,348,937	58.5%	5,442	0.2%	1,354,379	58.7%	60.3%	57,778	50,968	\$24.79
B	85	4,779,690	861,922	18.0%	34,959	0.7%	896,881	18.8%	18.6%	-3,694	33,617	\$15.02
C	19	664,680	60,602	9.1%	19,615	3.0%	80,217	12.1%	13.0%	5,148	-19,496	\$13.77
Total	117	7,751,825	2,271,461	29.3%	60,016	0.8%	2,331,477	30.1%	29.6%	59,232	65,089	\$18.99
Greenway												
A	11	4,525,675	582,962	12.9%	22,125	0.5%	605,087	13.4%	14.1%	18,787	92,659	\$28.31
B	30	4,191,736	308,799	7.4%	14,735	0.4%	323,534	7.7%	8.3%	145,592	198,295	\$22.40
C	20	839,062	259,317	30.9%	0	0.0%	259,317	30.9%	30.8%	-1,439	-15,428	\$17.39
Total	61	9,556,473	1,151,078	12.0%	36,860	0.4%	1,187,938	12.4%	13.3%	162,940	275,526	\$24.80
Gulf Freeway/Pasadena												
A	1	52,362	13,098	25.0%	0	0.0%	13,098	25.0%	27.4%	1,263	5,350	\$28.52
B	28	1,710,416	210,575	12.3%	13,275	0.8%	223,850	13.1%	13.0%	-8,128	-24,634	\$18.90
C	22	883,702	94,178	10.7%	0	0.0%	94,178	10.7%	10.7%	324	-8,845	\$14.30
Total	51	2,646,480	317,851	12.0%	13,275	0.5%	331,126	12.5%	12.5%	-6,541	-28,129	\$18.17
I-10 East												
B	4	274,672	76,364	27.8%	0	0.0%	76,364	27.8%	27.5%	-456	-724	\$14.63
C	6	189,062	0	0.0%	0	0.0%	0	0.0%	0.0%	0	6,536	-
Total	10	463,734	76,364	16.5%	0	0.0%	76,364	16.5%	16.3%	-456	5,812	\$14.63
Katy Freeway												
A	44	11,134,152	1,075,103	9.7%	92,893	0.8%	1,167,996	10.5%	11.3%	96,871	732,210	\$29.75
B	89	7,872,112	1,372,250	17.4%	80,863	1.0%	1,453,113	18.5%	18.8%	105,276	81,298	\$18.86
C	36	1,663,336	163,165	9.8%	10,911	0.7%	174,076	10.5%	10.7%	-20,639	-30,777	\$15.27
Total	169	20,669,600	2,610,518	12.6%	184,667	0.9%	2,795,185	13.5%	14.2%	181,508	782,731	\$23.35
Kingwood/Humble												
A	1	91,962	41,824	45.5%	0	0.0%	41,824	45.5%	45.5%	0	-15,920	\$30.10
B	61	1,870,354	141,922	7.6%	1,000	0.1%	142,922	7.6%	7.4%	-4,298	39,843	\$19.82
C	83	759,343	42,019	5.5%	0	0.0%	42,019	5.5%	3.0%	-17,153	-9,077	\$16.44
Total	145	2,721,659	225,765	8.3%	1,000	0.0%	226,765	8.3%	7.5%	-21,451	14,846	\$20.46
NASA/Clear Lake												
A	9	1,374,794	205,988	15.0%	0	0.0%	205,988	15.0%	20.4%	69,916	-4,897	\$24.01
B	45	3,231,690	456,227	14.1%	0	0.0%	456,227	14.1%	14.4%	8,825	-187,062	\$19.44
C	25	913,506	113,819	12.5%	1,100	0.1%	114,919	12.6%	13.5%	10,520	31,654	\$14.76
Total	79	5,519,990	776,034	14.1%	1,100	0.0%	777,134	14.1%	15.7%	89,261	-160,305	\$19.89
North Belt/Greenspoint												
A	18	4,189,708	286,866	6.8%	64,707	1.5%	351,573	8.4%	7.6%	-33,509	-104,660	\$19.87
B	57	5,976,882	1,198,710	20.1%	83,411	1.4%	1,282,121	21.5%	21.2%	2,487	112,496	\$16.38
C	20	1,225,036	296,289	24.2%	6,256	0.5%	302,545	24.7%	24.6%	-1,453	-67,747	\$13.41
Total	95	11,391,626	1,781,865	15.6%	154,374	1.4%	1,936,239	17.0%	16.6%	-32,475	-59,911	\$16.61
Northeast Far and Outlier												
B	5	301,773	77,923	25.8%	0	0.0%	77,923	25.8%	23.4%	-7,195	-2,396	\$22.21
C	5	129,152	18,200	14.1%	0	0.0%	18,200	14.1%	14.1%	0	-5,694	\$12.00
Total	10	430,925	96,123	22.3%	0	0.0%	96,123	22.3%	20.6%	-7,195	-8,090	\$16.68

## HOUSTON SUBURBAN OFFICE MARKET SUMMARY - CONTINUED

Class	Inventory		Direct Vacancy		Sublease Vacancy		Vacancy	Vacancy Rate (%)		Net Absorption (SF)		Rental Rate
	# of Bldgs.	Total (SF)	(SF)	Rate (%)	(SF)	Rate (%)	Total (SF)	Q4-2011	Q3-2011	Q4-2011	YE 2011	AVG (\$/SF)
Northwest/Outlier												
A	18	3,351,796	800,878	23.9%	27,713	0.8%	828,591	24.7%	29.2%	75,618	235,696	\$23.89
B	71	6,529,176	1,551,153	23.8%	33,696	0.5%	1,584,849	24.3%	22.9%	23,913	56,298	\$16.19
C	39	1,473,170	161,287	10.9%	0	0.0%	161,287	10.9%	11.4%	7,072	-34,367	\$12.45
Total	128	11,354,142	2,513,318	22.1%	61,409	0.5%	2,574,727	22.7%	23.4%	106,603	257,627	\$17.98
Richmond/Fountainview												
B	14	781,369	93,451	12.0%	0	0.0%	93,451	12.0%	10.4%	-12,426	-9,555	\$15.59
C	16	598,633	80,663	13.5%	0	0.0%	80,663	13.5%	13.4%	-534	-36,643	\$14.06
Total	30	1,380,002	174,114	12.6%	0	0.0%	174,114	12.6%	11.7%	-12,960	-46,198	\$15.19
San Felipe/Voss												
A	3	1,714,930	310,509	18.1%	0	0.0%	310,509	18.1%	14.6%	-60,221	-49,570	\$31.58
B	31	3,279,441	306,381	9.3%	22,026	0.7%	328,407	10.0%	9.6%	-18,158	-12,362	\$19.80
C	4	239,680	48,067	20.1%	0	0.0%	48,067	20.1%	19.4%	-1,735	-10,489	\$14.72
Total	38	5,234,051	664,957	12.7%	22,026	0.4%	686,983	13.1%	11.6%	-80,114	-72,421	\$23.70
South												
A	1	80,000	19,000	23.8%	1702	2.1%	20,702	25.9%	23.8%	-1,702	-202	\$28.36
B	13	479,107	92,230	19.3%	0	0.0%	92,230	19.3%	18.4%	2,394	-8,494	\$18.44
C	4	223,029	42,056	18.9%	0	0.0%	42,056	18.9%	18.7%	237	-2,472	\$14.91
Total	18	782,136	153,286	19.6%	1702	0.2%	154,988	19.8%	19.0%	929	-11,168	\$19.21
South Main/Med Center												
A	14	4,474,422	376,413	8.4%	0	0.0%	376,413	8.4%	10.7%	138,704	72,963	\$29.74
B	35	4,055,197	261,901	6.5%	0	0.0%	261,901	6.5%	6.9%	16,179	59,679	\$23.91
C	32	2,486,810	140,622	5.7%	0	0.0%	140,622	5.7%	5.1%	17,577	-693	\$18.33
Total	81	11,016,429	778,936	7.1%	0	0.0%	778,936	7.1%	7.8%	172,460	131,949	\$25.13
Southeast/Outlier												
A	1	159,304	0	0.0%	0	0.0%	0	0.0%	0.0%	0	0	-
B	9	477,658	112,908	23.6%	0	0.0%	112,908	23.6%	20.5%	-6,275	-28,631	\$20.21
C	2	118,772	12,533	10.6%	0	0.0%	12,533	10.6%	10.6%	0	0	\$24.00
Total	12	755,734	125,441	16.6%	0	0.0%	125,441	16.6%	14.9%	-6,275	-28,631	\$20.65
Southwest												
A	6	1,583,702	283,482	17.9%	0	0.0%	283,482	17.9%	20.6%	7,400	164,906	\$16.04
B	58	5,856,602	1,462,328	25.0%	34,083	0.6%	1,496,411	25.6%	21.3%	-150,490	-213,022	\$15.77
C	41	2,300,174	199,560	8.7%	832	0.0%	200,392	8.7%	10.5%	64,813	29,929	\$12.92
Total	105	9,740,478	1,945,370	20.0%	34,915	0.4%	1,980,285	20.3%	18.6%	-78,277	-18,187	\$15.44
Southwest Far and Outlier												
A	1	57,710	7,779	13.5%	0	0.0%	7,779	13.5%	10.3%	-1,832	1,562	\$23.00
B	14	610,117	76,028	12.5%	0	0.0%	76,028	12.5%	21.3%	12,567	154,904	\$26.28
C	3	128,735	1,000	0.8%	0	0.0%	1,000	0.8%	0.8%	0	0	\$16.00
Total	18	796,562	84,807	10.6%	0	0.0%	84,807	10.6%	17.5%	10,735	156,466	\$25.78

HOUSTON SUBURBAN OFFICE MARKET SUMMARY - CONTINUED

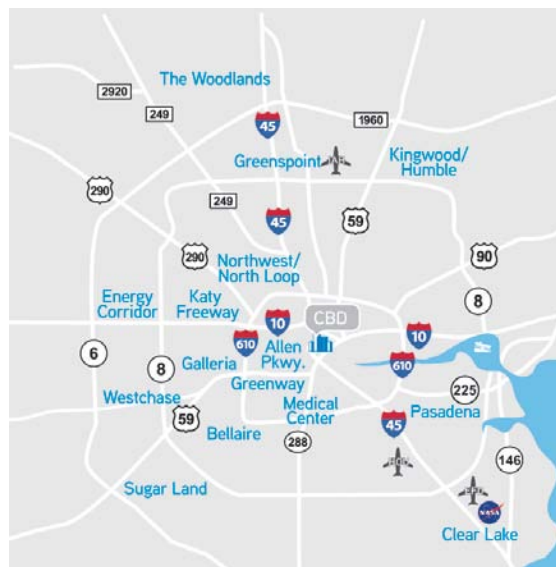
Class	Inventory		Direct Vacancy		Sublease Vacancy		Vacancy Total (SF)	Vacancy Rate (%)		Net Absorption (SF)		Rental Rate
	# of Bldgs.	Total (SF)	(SF)	Rate (%)	(SF)	Rate (%)		Q4-2011	Q3-2011	Q4-2011	YE 2011	AVG (\$/SF)
<b>West Loop/Galleria</b>												
A	35	14,629,698	1,525,354	10.4%	74,463	0.5%	1,599,817	10.9%	10.5%	50,604	-66,099	\$29.30
B	59	7,372,003	1,386,869	18.8%	8,683	0.1%	1,395,552	18.9%	22.1%	20,408	14,867	\$21.30
C	4	240,656	0	0.0%	0	0.0%	0	0.0%	0.0%	0	940	\$16.75
<b>Total</b>	<b>98</b>	<b>22,242,357</b>	<b>2,912,223</b>	<b>13.1%</b>	<b>83,146</b>	<b>0.4%</b>	<b>2,995,369</b>	<b>13.5%</b>	<b>13.7%</b>	<b>71,012</b>	<b>-50,292</b>	<b>\$26.49</b>
<b>Westchase</b>												
A	21	6,636,105	783,017	11.8%	16,384	0.2%	799,401	12.0%	13.3%	162,360	405,317	\$27.71
B	59	6,256,422	1,011,374	16.2%	9,819	0.2%	1,021,193	16.3%	18.3%	-22,508	-136,088	\$18.04
C	7	339,118	62,224	18.3%	0	0.0%	62,224	18.3%	15.0%	-11,301	-9,347	\$15.40
<b>Total</b>	<b>87</b>	<b>13,231,645</b>	<b>1,856,615</b>	<b>14.0%</b>	<b>26,203</b>	<b>0.2%</b>	<b>1,882,818</b>	<b>14.2%</b>	<b>15.2%</b>	<b>128,551</b>	<b>259,882</b>	<b>\$21.83</b>
<b>The Woodlands</b>												
A	17	3,311,365	199,262	6.0%	13,630	0.4%	212,892	6.4%	8.6%	29,972	246,521	\$28.92
B	61	3,221,636	426,329	13.2%	26,311	0.8%	452,640	14.1%	15.5%	155,778	313,079	\$19.74
C	6	398,110	24,320	6.1%	0	0.0%	24,320	6.1%	6.6%	2,110	9,547	-
<b>Total</b>	<b>84</b>	<b>6,931,111</b>	<b>649,911</b>	<b>9.4%</b>	<b>39,941</b>	<b>0.6%</b>	<b>689,852</b>	<b>10.0%</b>	<b>11.5%</b>	<b>187,860</b>	<b>569,147</b>	<b>\$22.87</b>

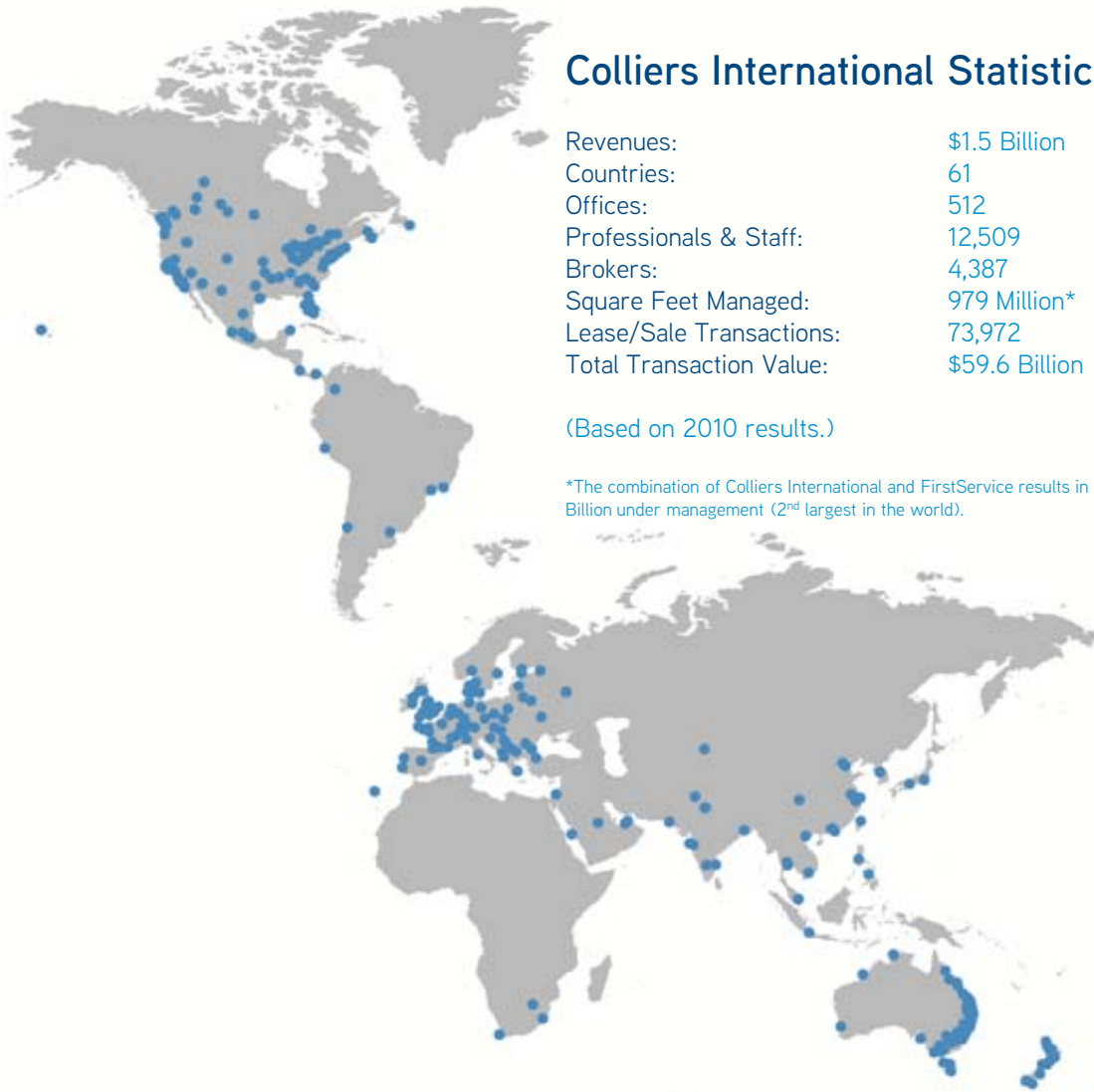
OFFICE DEVELOPMENT PIPELINE

Currently, there are six buildings in Houston’s construction pipeline. The following table is a summary of those projects.

SELECT OFFICE BUILDINGS UNDER CONSTRUCTION						
BUILDING NAME	ADDRESS	SUBMARKET	SF	PRE-LEASED	DEVELOPER	EST. DELIVERY
Nexen Building	945 Bunker Hill	Katy Freeway	331,513	57.2%	MetroNational Corp	8/2012
BBVA Compass/2200 Post Oak	2200 Post Oak Blvd.	Galleria/Uptown	306,012	51.1%	Redstone and Stream	4/2013
3009 Post Oak Blvd.	3009 Post Oak Blvd.	Galleria/Uptown	302,539	0.0%	Skanska Commercial Development	7/2013
CityCentre Three (Nexen)	842 W Sam Houston Pky N	Katy Freeway	120,228	44.7%	Midway Companies	9/2012
Halliburton North Belt Campus	Milner Road	North Belt/Greenspoint	100,000	100.0%	D. E. Harvey Builders	1/2013
Technology Forest Professional	4055 Technology Forest	Woodlands	50,000	50.0%	D’Agostino Companies	1/2012

HOUSTON OFFICE SUBMARKET MAP





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Accelerating success.