Quarterly Market Overview
Year-End 2014
FOR IMMEDIATE RELEASE

For more information, please contact:
David Mendel, Public Relations Manager
Phone: 713.629.1900 ext. 258
E-mail: david.mendel@har.com

HOUSTON'S 2015 COMMERCIAL OUTLOOK STEADY AS RECORD-LEVEL ABSORPTION AND CONSTRUCTION CLOSE 2014

HOUSTON — (January 20, 2015) — Houston's commercial real estate market outlook remains steady as record absorption and construction levels close out 2014, according to quarterly market research compiled by Commercial Gateway, the commercial division of the Houston Association of Realtors.

The fourth quarter reported office net absorption of 1.7 million square feet, representing the 15th consecutive quarter of positive absorption, to close out the year with a record-level 5.8 million square feet. The 2014 level tops the two previous years by more than 2.2 million square feet each. As in previous years, Class A properties represent the bulk of the growth, 91.2%, while Class B and Class C properties show limited absorption.

The market activity is clearly tied to job growth, substantiated by the Greater Houston Partnership's just-released employment numbers: The Houston-Sugar Land-Baytown metro area led the state in employment growth, creating 125,300 jobs in the 12 months ending in November, according to the Texas Workforce Commission. Are falling oil prices going to have an effect on Houston's energy-dependent commercial real estate market? For more insight, please review our expert broker commentaries and outlooks later in this release.

For the year, 33 new buildings were completed, adding 6.1 million square feet to the market. Of that total, 16 were single tenant or owner occupied and contributed 4.0 million square feet of absorption. By yearend, the new properties collectively were almost 84.3% leased with rental rates averaging $33.83, slightly higher than the Class A overall rate.

Contributing heavily to the fourth quarter's absorption were two projects just south of The Woodlands: Southwestern Energy's move into its new 515,000 square-foot headquarters' building and 1 million square feet attributed to ExxonMobil's occupied space in its new campus. The other largest absorption contributors earlier in the year were also energy-related and included Anadarko's move into Hackett Tower, a 549,260-square-foot building adjacent to its headquarter's building in The Woodlands, Shell's occupying 672,000 square feet in the west, and Technip's occupying 450,532 square feet in Energy Tower III in the west.

Construction starts continued during the fourth quarter, but at a slower pace. Overall, the Houston under-construction office market boasts 53 properties with 71 buildings totaling 17.4 million square feet. Collectively, the buildings are 56% preleased, with 42 buildings classified as multi-tenant. The multi-tenant properties represent about 9.1 million square feet or 54% of the under-construction total and are about 18% leased.

The largest project under construction remains ExxonMobil's 3 million-square-foot campus, although employees have occupied about a third of the total so far. Phillips 66's 1.2 million-square-foot campus in the Westchase area is the second largest project underway. The largest spec building under construction with the largest availability remains Hines' 609 Main at Texas building with1.05 million square feet.

New spec starts this quarter with little or no preleasing included Stream's Remington Square Phase II, a 201,000-square-foot building in the northwest; One Grand Crossing, a 172,000-square-foot building by Trammell Crow and Prudential in the west; and Park Place at Buffalo Bayou, a Pinto Realty Partners project near Memorial and Waugh with 18 floors and 250,000 square feet. Several smaller projects of less than 100,000 square feet also broke ground, while several larger proposed projects, specifically in the north, west and Central Business District (CBD), postponed their start dates.

The current 11.3% vacancy rate is a slight increase from the 11.1% vacancy recorded last quarter, and during the same quarter a year ago. Class A space overall is at 8.7%, with the Westchase submarket showing the lowest Class A vacancy of 4.2% followed by the Energy Corridor at 4.8% and the West submarket at 5.7%. The West submarket is recording the lowest vacancy of all submarkets at 5.6%. Seven of the 13 submarkets are recording single-digit vacancies in Class A space, with four of the 13 boasting single-digit vacancies overall.

Rental rate increases are modest, with the overall averaged weighted rental rate of $25.17 representing a 4.4% increase during the past year. Class A rates, now at $32.22 citywide and at $37.91 in the CBD, experienced a slight decrease from the previous quarter and only a 2.0% increase citywide and 4.2% in the CBD from the same quarter last year. Since most properties are quoting net rates, the overall rates will be determined by new estimated operating expenses currently being quoted for 2015.

Overall sublease space increased slightly from last quarter to just less than 3.2 million square feet this quarter, representing a 22.1% increase from the same quarter last year. Sublease space has seen gradual increases over the last two years as tenants expand into newly built space.

<u>Commercial Gateway Member/Broker Comments on the Houston Office Market:</u>

Mario A. Arriaga, First Group "The Houston area's commercial real estate market experienced one of the most phenomenal years in the city's history with both record-level absorption and construction, so some slowdown for 2015 was predicted even before the price of oil dropped. However, with a combined 25 million square feet under construction in the office and industrial sectors, the activity level should remain high.

"The city continues to receive accolades for a great year, with the most recent being named No. 7 on the Milken Institute's 2014 Top 25 Best Performing Large Cities. The institute uses an index created to measure 'economic vitality' and cities accordingly. Houston was recognized as having the fourth highest job growth between 2008 and 2013 and the third highest wage growth between 2007 and 2012.

"In my specific area, north of the city, we are not seeing too much of a slowdown. ExxonMobil continues to occupy its massive campus, and Southwestern Energy just occupied its new headquarters. The Woodlands Corporation is planning another major expansion north of its current location along with several other major developers, and the Grand Parkway's completion here later in the year will open up the area even more.

"With so much space currently in the pipeline, we will begin to see a stabilization regarding rental rates and expenses as more of the new construction comes on line. And even if the projected slowdown happens, the Houston area will remain a leading growth market in the country."

David Baker, Executive Vice President, Houston Operations, Transwestern "Houston finished 2014 strong with net absorption close to 1.6 million square feet for a year-end total of over 6.4 million square feet. Notwithstanding, the recent decline in oil prices and the uneasiness being caused in the oil patch, most area economists are still projecting significant positive job growth in other sectors of the economy for 2015, which should translate into a solid year. As it relates to commercial real estate, a slowdown in the economy and resulting absorption will not likely leave the metro overbuilt in office, retail or industrial."

Chadd Bolding, Senior Associate, Colliers International "The talk of the town right now is oil: price of the barrel, where it's headed, for how long and the impact in Houston. As someone who sits on the tenant's side of the negotiation table, I am excited about the next 12 to 24 months. We currently have 5.2 million square feet of vacant space under development with large blocks of second-generation space coming available as new buildings deliver and tenants relocate and/or consolidate. This trajectory will put our vacancy rate above 10% and swing the pendulum back in favor of the tenant, allowing us to recapture concessions that were very difficult or impossible to negotiate during this previous cycle.

"Owners who increased rental rates by 30% to 50% over the last three years may have to adjust their approach in 2015. There are value plays in each submarket for existing product and even more so when considering new development. Tenants who have the ability to help a building come out of the ground are in the driver's seat as developers compete over a shrinking list of prospects.

"Reading the paper might remind you of Chicken Little: 'The Sky is Falling, The Sky is Falling!' Texas continues to attract jobs from international and national markets. Houston is also home to the Texas Medical Center and a beneficiary of the Panama Canal expansion. Soon our infrastructure will allow LNG exportation to countries currently relying on Russia and when oil rebounds, our rig count will increase along with energy independence."

John Spafford, Executive Vice President, Director of Leasing, PM Realty Group "Strong employment growth fueled Houston's office leasing market with just over 3.9 million square feet of direct net absorption in 2014 and a total of 16.1 million square feet absorbed since the beginning of 2011. The Class A office market accounted for nearly 2.7 million square feet of the absorption growth last year, but experienced some losses late in 2014 largely due to ExxonMobil (511,000 square feet), Halliburton (435,000 square feet) and Shell Oil (375,000 square feet) vacating a combined 1.3 million square feet of leased product as these energy firms relocated into new corporate-owned projects. Although developers delivered 4.4 million square feet of new construction in

2014, new supply kept pace with demand as the direct overall occupancy rate remained unchanged at 87.6% on a year-over-year basis.

“With Class A asking rents at record highs and occupancy rates exceeding or edging the 90% mark in the premier submarkets, Houston continues to lead the nation with just over 17.9 million square feet under construction – including corporate-owned projects – with 64.4% of this space either preleased or committed by an owner-user.

“With slower office employment growth anticipated on the horizon, Houston’s office market will experience healthy but slower direct absorption growth in 2015 – but should still exceed the 20-year historical average of 2.5 million square feet. In terms of new supply, Houston’s office market is scheduled to deliver just over 7.9 million square feet of new lease space (excluding corporate-owned projects).

“While a significant percentage of Houston’s office construction coming online in the coming year is significantly pre-leased, the new inventory will likely cause overall direct occupancy rates to stabilize in the near-term and decrease slightly toward the end of 2015. A steady influx of new product coming online will provide tenants numerous opportunities to upgrade their space or expand, following a trend that should continue.”

Houston Industrial Market

Houston’s industrial market continues to expand with strong positive net absorption of 3.4 million square feet during the fourth quarter of 2014, according to statistics released by Commercial Gateway.

This quarter’s absorption represents the 20th consecutive quarter – five years – of positive absorption, with 15 quarters recording more than 1 million square feet each. This absorption is 500,000 square feet more recorded compared to the same quarter last year and almost doubles that of last quarter. The annual 2014 absorption total of almost 9.0 million square feet surpasses all recent years, and is actually double the absorption recorded in 2011.

Warehouse/distribution properties continue to record the lion’s share of absorption with 86% of the total, or 3.2 million square feet, of absorption this quarter, continuing a six-year trend of positive absorption. Properties classified as warehouse/distribution represent about 73% of the total market.

Vacancy continues to fall with the overall rate of 5.8% the lowest vacancy on record in recent years, and down from the 7.0% reported during the same quarter last year. Vacancy for warehouse/distribution space citywide is 5.9% with manufacturing space 3.8%. Houston has been described as one of the healthiest industrial markets nationwide due to its balance of supply and demand.

More than 3.4 million square feet in 38 buildings came online during the fourth quarter, cumulating in 119 new buildings for more than 10.4 million square feet of new space on the market during 2014. Collectively, the new buildings are currently 47.8% leased and represent about 4.4 million square feet of absorption, or a little less than half of the absorption recorded for the year. The five largest buildings completed during 2014 include Pinto Greens Crossing 1/HD Supply's 600,750 square feet in the north, Weatherford Artificial Lift System's 564,000-square-foot building in Katy, Fallbrook Distribution Center II's 400,250-square-foot building in the northwest, Silver Eagle Distributor's 400,000-square-foot facility in Pasadena, and DCT Northwest Crossroad's Logistics Center's 362,180 square feet in the northwest.

Construction activity is still setting records. Currently, 98 buildings are underway in 63 projects and represent more than 7.8 million square feet. Major spec projects without major preleasing include Fallbrook Pines' 709,045 square feet, Mason Ranch Industrial Park's 658,740 square feet, Fallbrook 1 Pinto Business Park's 500,400 square feet, Beltway Crossing Northwest Building 7's 441,000 square feet, Interstate Commerce Center's 416,930 square feet and Bayou Bend Business Park's 378,380 square feet.

Rental rates increased steadily during the past year and currently average $7.78 per square foot per year citywide, representing an 18.1% increase from the same quarter last year. More importantly, rents quoted for all new space completed in 2014 averaged $9.09 per square feet. Rental rates quoted are grossed up and weighted and averaged based on available space. Most new buildings are now quoting net rents and passing on the increased taxes and operating costs.

Sublease space increased 11% from last quarter to more than 1.5 million square feet, but is still much lower than the 1.9 million square feet reported during the same quarter a year ago.

<u>Commercial Gateway Member/Broker Comments on the Houston Industrial Market:</u>

C.E. 'Trey' Erwin, III, Vice President, Colliers International "The price of crude is currently the main topic of discussion everywhere in Houston.

"All things considering, Houston's industrial market continued steadily with 1.37 million square feet of positive net absorption in the fourth quarter. Since 500,000 square feet of this total positive net absorption came from the Southeast Corridor submarket alone, this shows that the downstream front of energy remains resilient.

"Total vacancy displayed an improvement with the citywide average concluding at 4.8% in the fourth quarter, down from 5.1 % in the third quarter of 2014.

"Look for tenants to view this period of depressed oil prices as an opportunity – rental rates should shift downward, especially with another 5.6 million square feet of construction to be delivered in First Quarter 2015 as well as an additional 1.7 million square feet in Second Quarter 2015."

Mark G. Nicholas, SIOR, Executive Vice President and National Director, JLL Houston "The price of oil withstanding, activity remains extremely strong so it may take a few more months to catch up with $45 to $50 oil. I am seeing competition among companies for lease space and entire buildings with multiple letters of intent for almost all deals. And I am continuing to see more and more consolidations and 'campus' type settings with larger companies.

"Land deals are also still active, with more foreign companies coming to the greater Houston area. For example, the last four land contracts I wrote within the last 45 to 60 days are all from European companies and users for specialized design builds, i.e., build to suits. These companies will be adding more space, although specialized, to the market and perhaps creating more diversity for the long term."

Clay Pritchett, SIOR, Senior Vice President, NAI Partners "Houston's industrial market finished the fourth quarter of 2014 strong as ever, but there are certainly clouds of skepticism on the horizon for brokers and developers alike as we embark on 2015. The prospects of an overbuilt market as well as falling oil prices weigh heavily on everyone.

"The fourth quarter saw another record delivery of 1.7 million square feet of combined industrial space brought to market, which pushed the total 2014 delivery to upwards of

12 million square feet of space across all submarkets. The last time Houston saw such growth in this sector was early 2008 just before we encountered one of the sharpest declines in the overall US economy due to the pending economic and financial crisis of late 2008, early 2009.

“Houston’s surge in new industrial construction is directly attributed to its newfound identity as a major distribution hub making use of its various transportation modes, i.e., the Port of Houston, its vast existing rail infrastructure and our ever expanding highway logistical system with its latest addition being the newly formed Grand Parkway.

“Fourth-quarter vacancy rates fell as well to 5% from 5.3%, so for the time being, demand seems to be keeping up with new development. Additionally, rental rates held steady for the close of 2014 at an average gross rate of $0.67 per square foot on all combined industrial space but with the more closely watched distribution market seeing a slightly higher average gross rate of $0.48 per square feet.

“While 2014 closed on a very active development and absorption cycle, it also brought sharply declining prices in crude. That has all those in Houston who follows these things keeping a close eye on how the industrial market, its occupants and its developers will react to what analysts say will be a protracted decline in the oil markets throughout 2015. With more than 8.5 million square feet of industrial space under construction at the close of 2014, one can anticipate new development will certainly arrive at a crossroad of sorts with declining oil prices: companies face the potential for layoffs and/or placing expansion projects on hold while we all wade through 2015’s uncertainty.”

Rand Stephens, Principal and Managing Director, Avison Young “With a 50% drop in oil prices, the hot topic in Houston is “how low will it go.” My dad told me when I was a kid that ‘with every negative there’s a positive.’ Stay positive Houston…now is the time to roll up your sleeves and look for opportunity!

"Below are my 2015 predictions:

- There will not be a recovery in oil prices in 2015. Clearly there’s a structural supply and demand issue that will take some time to work through. Oil prices recently dipped below $50/barrel. Even the energy analysts won’t make a call right now as to where prices will bottom-out. However, I think the price will bottom-out this year and make a decent percentage gain off the bottom, but from a price per barrel standpoint, I don't see that coming back this year anywhere close to the $90-$100/barrel level.

- Job growth in Houston will be positive but down considerably from the last several years. There is still a large talent pool deficiency in the energy business as the baby boom generation moves through retirement. Energy companies will hang on tightly to their talent in Houston. Also, the petrochemical business expects a banner year in 2015, and Houston expects to see positive job growth in the Texas Medical Center.

- Occupancy rates in the office and the industrial markets will decline but not enough to impact rental rates significantly.

- Leasing volume will decline and landlords will offer more concessions like rent abatement and tenant improvement allowances to win lease deals. Companies with good balance sheets who are expanding in 2015 will find attractive concession offers.

- Sublease space will increase significantly as energy companies who tied up space anticipating future growth look to right-size their space in the short-term.

- The vultures will be circling, but there won't be blood in the streets with respect to real estate. Everything is so much better capitalized since 2008 that it will take a dramatic drop in occupancy and rental rates for owners to feel the desperation of negative cash flow. That said, there should be some better buying opportunities. Most real estate investors will sit on the sidelines waiting to see what happens in Houston. Smart investors will take advantage of less competition.

- The Texans will make it to the playoffs next year!"

Founded in 2001, Commercial Gateway, the commercial division of the Houston Association of Realtors (HAR), is a commercial information exchange of commercial real estate professionals engaged in every aspect of property sales and leasing, appraisal, property management and counseling.

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Houston-Area Office Market Summary

2014 Fourth Quarter

	Class	No. Bldgs *	Bldg SF **	Vacant SF	Vacancy Rate	Net Absorption Current	Net Absorption YTD	Under Construction	Wted Avg Rent ***	Sublease Avail
Central Business District	A	34	31,549,769	2,496,042	7.9 %	169,123	(123,339)	1,525,000	$37.91	914,322
	B	27	8,016,377	705,250	8.8 %	52,802	270,377	0	$28.29	162,478
	C	11	1,060,896	140,310	13.2 %	11,165	(14,739)	0	$19.11	0
Central Business District Subtotal		72	40,627,042	3,341,602	8.2 %	233,090	132,299	1,525,000	$35.09	1,076,800
Energy Corridor	A	38	11,909,594	572,656	4.8 %	(265,588)	1,175,377	3,462,062	$31.56	142,541
	B	55	5,343,328	535,676	10.0 %	(35,164)	(201,582)	0	$23.83	290,992
	C	8	393,192	5,518	1.4 %	0	833	0	$23.00	0
Energy Corridor Subtotal		101	17,646,114	1,113,850	6.3 %	(300,752)	974,628	3,462,062	$27.80	433,533
Fort Bend County	A	35	4,078,831	386,525	9.5 %	(40,306)	226,686	133,500	$27.91	15,945
	B	21	1,430,664	160,122	11.2 %	31,064	30,371	20,879	$21.31	79,566
	C	2	136,000	30,380	22.3 %	0	(9,180)	0	$17.00	0
Fort Bend County Subtotal		58	5,645,495	577,027	10.2 %	(9,242)	247,877	154,379	$25.51	95,511
Greenspoint	A	24	4,932,533	839,795	17.0 %	(417,642)	(616,154)	0	$25.39	112,129
	B	42	4,684,819	1,225,013	26.1 %	43,945	1,939	0	$17.20	78,061
	C	28	2,167,820	538,110	24.8 %	(6,406)	40,161	0	$13.85	0
Greenspoint Subtotal		94	11,785,172	2,602,918	22.1 %	(380,103)	(574,054)	0	$19.15	190,190
Inner Loop	A	37	10,983,629	809,188	7.4 %	(42,222)	245,773	863,151	$32.15	158,118
	B	100	9,625,409	1,114,050	11.6 %	150,043	153,278	0	$24.61	39,742
	C	77	4,455,894	393,782	8.8 %	(26,519)	30,153	0	$17.38	4,712
Inner Loop Subtotal		214	25,064,932	2,317,020	9.2 %	81,302	429,204	863,151	$26.02	202,572
North/The Woodlands/Conroe	A	69	8,859,498	526,155	5.9 %	1,773,688	2,895,449	3,274,895	$31.99	90,409
	B	75	4,586,782	768,940	16.8 %	(13,483)	33,343	0	$17.05	31,968
	C	32	1,136,292	183,588	16.2 %	9,966	14,655	0	$12.31	0
North/The Woodlands/Conroe Subtotal		176	14,582,572	1,478,683	10.1 %	1,770,171	2,943,447	3,274,895	$21.78	122,377
Northeast	A	6	51,670	7,630	14.8 %	0	2,020	360,000	$25.50	0
	B	17	732,310	79,223	10.8 %	1,073	(9,427)	0	$18.50	2,606
	C	6	243,603	69,025	28.3 %	0	0	0	$13.25	0
Northeast Subtotal		29	1,027,583	155,878	15.2 %	1,073	(7,407)	360,000	$16.52	2,606
Northwest	A	37	3,674,208	577,232	15.7 %	33,477	9,753	1,289,540	$28.00	81,089
	B	62	5,625,397	1,140,704	20.3 %	75,042	122,933	0	$19.59	50,090
	C	22	831,022	143,475	17.3 %	64	(92,600)	0	$18.89	0
Northwest Subtotal		121	10,130,627	1,861,411	18.4 %	108,583	40,086	1,289,540	$22.14	131,179

Houston-Area Office Market Summary

2014 Fourth Quarter

	Class	No. Bldgs *	Bldg SF **	Vacant SF	Vacancy Rate	Net Absorption Current	Net Absorption YTD	Under Construction	Wted Avg Rent ***	Sublease Avail
Southeast	A	19	2,166,588	259,100	12.0 %	20,840	(57,681)	78,000	$25.98	17,064
	B	53	3,355,764	569,044	17.0 %	(30,376)	(159,661)	0	$18.50	1,311
	C	49	2,088,864	396,023	19.0 %	(7,639)	(24,221)	0	$16.79	0
Southeast Subtotal		121	7,611,216	1,224,167	16.1 %	(17,175)	(241,563)	78,000	$19.53	18,375
Southwest	A	5	1,227,586	534,790	43.6 %	8,552	(164,285)	0	$18.20	16,168
	B	52	6,008,695	1,614,351	26.9 %	(46,916)	104,576	0	$17.06	15,543
	C	83	5,010,615	678,695	13.5 %	50,444	113,597	0	$12.93	0
Southwest Subtotal		140	12,246,896	2,827,836	23.1 %	12,080	53,888	0	$16.28	31,711
Uptown	A	46	17,630,658	1,995,040	11.3 %	(2,677)	394,698	1,377,824	$35.06	269,518
	B	78	10,097,444	1,097,435	10.9 %	4,722	119,155	0	$26.38	314,066
	C	18	1,133,574	114,134	10.1 %	(35,375)	(1,309)	0	$18.15	0
Uptown Subtotal		142	28,861,676	3,206,609	11.1 %	(33,330)	512,544	1,377,824	$31.48	583,584
West	A	42	6,271,824	354,672	5.7 %	32,244	626,867	2,885,492	$32.13	40,998
	B	38	3,107,871	229,611	7.4 %	23,287	31,851	327,953	$18.23	15,686
	C	39	2,588,814	86,640	3.3 %	3,990	6,241	0	$15.63	1,440
West Subtotal		119	11,968,509	670,923	5.6 %	59,521	664,959	3,213,445	$25.24	58,124
Westchase	A	32	8,654,144	362,068	4.2 %	178,464	620,541	1,817,000	$31.49	196,700
	B	51	6,837,766	1,044,908	15.3 %	12,735	(25,350)	0	$22.50	51,942
	C	19	833,492	175,166	21.0 %	(4,087)	(24,514)	0	$16.01	0
Westchase Subtotal		102	16,325,402	1,582,142	9.7 %	187,112	570,677	1,817,000	$23.84	248,642
Suburban	A	390	80,440,763	7,224,851	9.0 %	1,278,830	5,359,044	15,541,464	$30.26	1,140,679
	B	644	61,436,249	9,579,077	15.6 %	215,972	201,426	348,832	$20.49	971,573
	C	383	21,019,182	2,814,536	13.4 %	(15,562)	53,816	0	$15.09	6,152
Suburban Subtotal		1,417	162,896,194	19,618,464	12.0 %	1,479,240	5,614,286	15,890,296	$23.31	2,118,404
Houston-Area	A	424	111,990,532	9,720,893	8.7 %	1,447,953	5,235,705	17,066,464	$32.22	2,055,001
	B	671	69,452,626	10,284,327	14.8 %	268,774	471,803	348,832	$21.03	1,134,051
	C	394	22,080,078	2,954,846	13.4 %	(4,397)	39,077	0	$15.29	6,152
Houston-Area Total		1,489	203,523,236	22,960,066	11.3 %	1,712,330	5,746,585	17,415,296	$25.17	3,195,204

* Number of buildings calculated on specific buildings at each property address.
** Includes all general-purpose existing office buildings 20,000 square feet or larger.

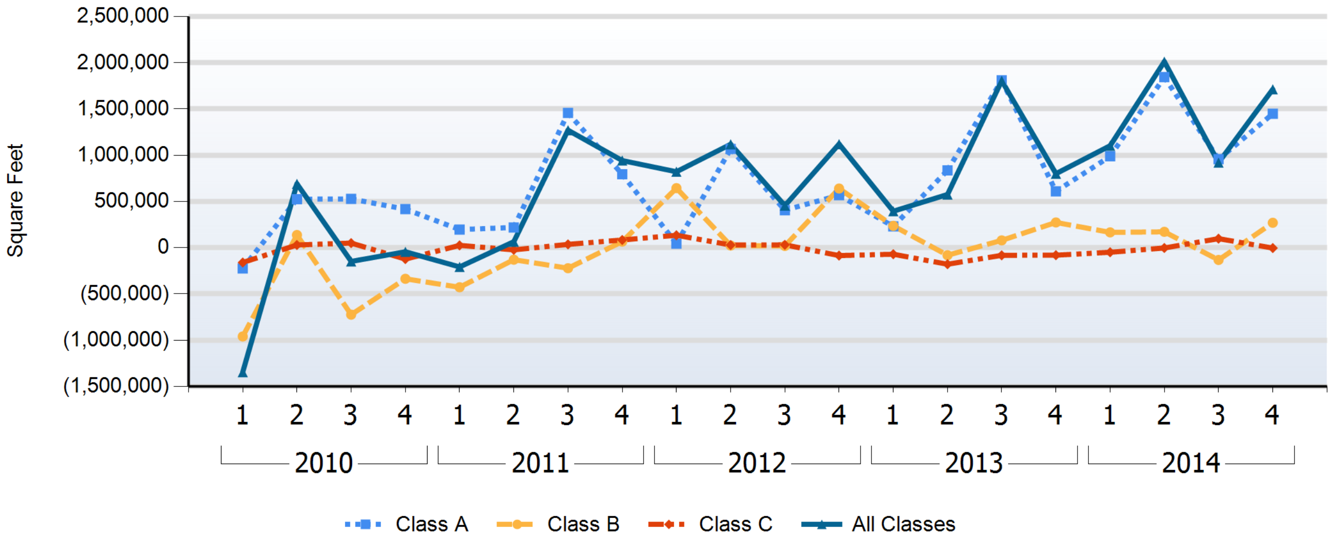
*** Rental rates weighted and averaged based on available space.

Houston-Area Office Statistical Summary

Period	Office SF	No. of Bldgs	Vacant SF			Vacancy Rate			Net Absorption			Avg* Gross Rent	
			Direct	Sublease	Total	Direct	Sublease	Total	Direct	Sublease	Total	Direct	Sublease
2014 Q4	203,523,236	1,489	22,960,066	3,195,204	26,155,270	11.3 %	1.6 %	12.9 %	1,712,330	(152,487)	1,559,843	$25.17	$26.26
2014 Q3	201,485,508	1,472	22,288,447	3,042,717	25,331,164	11.1 %	1.5 %	12.6 %	919,950	84,296	1,004,246	$24.97	$26.75
2014 Q2	200,155,692	1,463	21,904,077	3,127,013	25,031,090	10.9 %	1.6 %	12.5 %	2,012,065	(375,772)	1,636,293	$24.88	$25.80
2014 Q1	198,444,554	1,454	22,111,038	2,751,241	24,862,279	11.1 %	1.4 %	12.5 %	1,102,240	(241,993)	860,247	$24.70	$23.45
2013 Q4	197,254,550	1,450	22,219,274	2,616,113	24,835,387	11.3 %	1.3 %	12.6 %	799,788	(316,361)	483,427	$24.12	$24.62
2013 Q3	196,207,887	1,443	22,491,508	2,299,752	24,791,260	11.5 %	1.2 %	12.6 %	1,805,453	(264,946)	1,540,507	$24.13	$24.76
2013 Q2	193,664,580	1,429	21,643,817	2,034,806	23,678,623	11.2 %	1.1 %	12.2 %	574,846	(295,404)	279,442	$23.43	$21.01
2013 Q1	192,987,191	1,425	21,803,667	1,681,604	23,485,271	11.3 %	0.9 %	12.2 %	393,869	(49,559)	344,310	$23.25	$21.22
2012 Q4	192,929,993	1,424	22,260,790	1,632,045	23,892,835	11.5 %	0.8 %	12.4 %	1,120,277	37,432	1,157,709	$23.08	$21.63
2012 Q3	192,475,646	1,422	22,766,440	1,669,477	24,435,917	11.8 %	0.9 %	12.7 %	454,212	204,364	658,576	$22.91	$21.68
2012 Q2	192,670,636	1,421	23,244,042	1,873,841	25,117,883	12.1 %	1.0 %	13.0 %	1,117,861	346,625	1,464,486	$22.77	$22.74
2012 Q1	192,631,496	1,420	23,762,407	2,220,466	25,982,873	12.3 %	1.2 %	13.5 %	820,860	287,689	1,108,549	$22.72	$23.86
2011 Q4	192,413,561	1,413	25,482,688	2,508,155	27,990,843	13.2 %	1.3 %	14.5 %	942,031	496,847	1,438,878	$22.86	$24.15
2011 Q3	191,796,311	1,406	26,014,134	3,005,002	29,019,136	13.6 %	1.6 %	15.1 %	1,270,142	(222,073)	1,048,069	$22.67	$23.78
2011 Q2	191,029,266	1,403	26,648,453	2,782,929	29,431,382	13.9 %	1.5 %	15.4 %	64,124	71,935	136,059	$22.96	$23.50
2011 Q1	190,333,864	1,401	26,204,541	2,827,526	29,032,067	13.8 %	1.5 %	15.3 %	(208,556)	350,061	141,505	$23.22	$22.36
2010 Q4	189,356,527	1,399	25,537,136	3,177,587	28,714,723	13.5 %	1.7 %	15.2 %	(44,809)	422,532	377,723	$22.72	$22.35
2010 Q3	188,905,574	1,399	25,817,368	3,394,705	29,212,073	13.7 %	1.8 %	15.5 %	(148,926)	(175,513)	(324,439)	$23.06	$22.86
2010 Q2	188,905,574	1,399	25,584,317	3,220,668	28,804,985	13.5 %	1.7 %	15.2 %	689,745	557,095	1,246,840	$23.38	$23.51
2010 Q1	188,435,208	1,395	26,106,503	3,777,763	29,884,266	13.9 %	2.0 %	15.9 %	(1,346,347)	(94,915)	(1,441,262)	$23.94	$25.00

** Rental rates are averaged and weighted based on available space.*

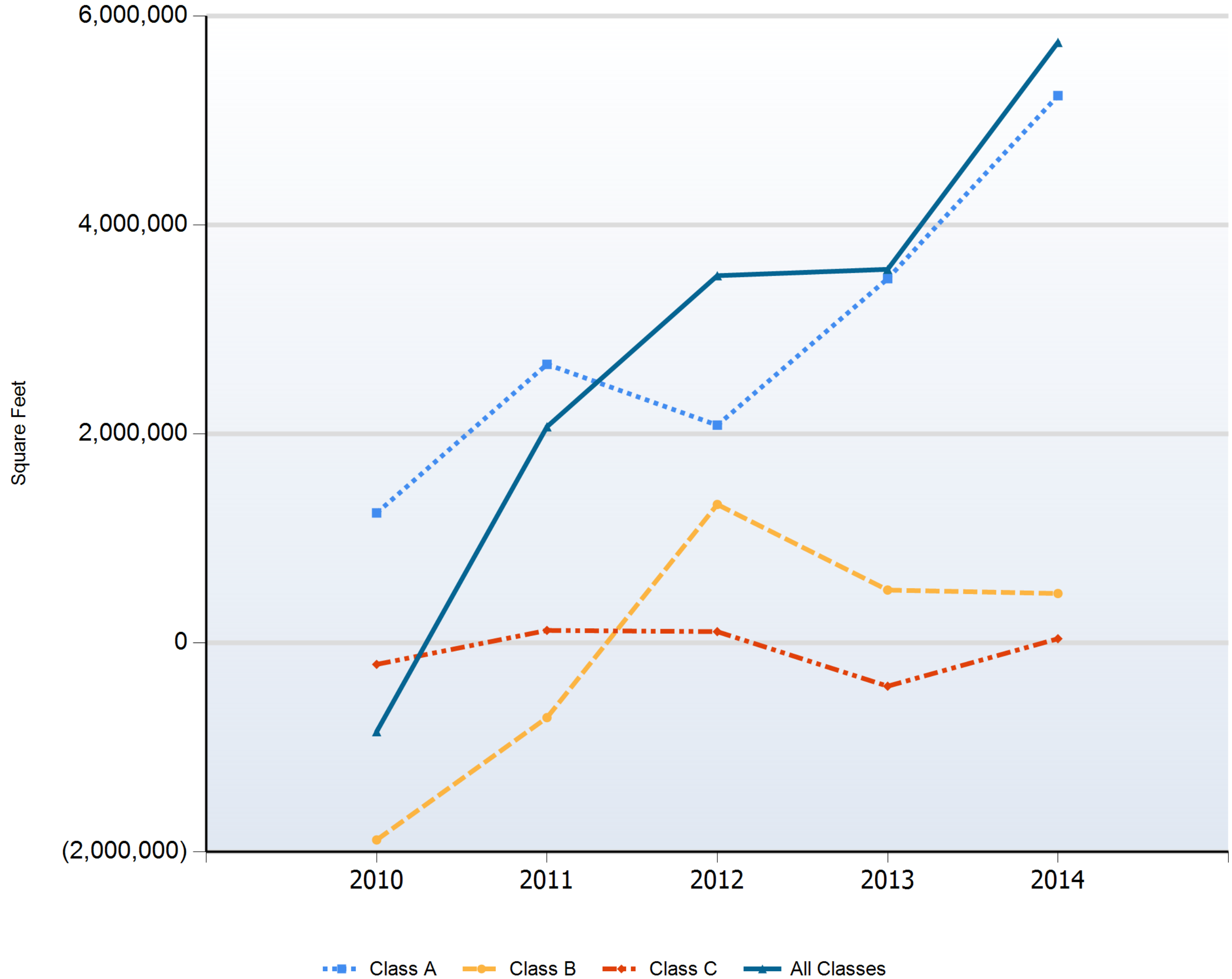
Houston-Area Office Absorption by Class by Quarter



		Class A	Class B	Class C	All Classes
2014	Q4	1,447,953	268,774	(4,397)	1,712,330
	Q3	955,886	(133,200)	97,264	919,950
	Q2	1,844,767	171,026	(3,728)	2,012,065
	Q1	987,099	165,203	(50,062)	1,102,240
2013	Q4	608,883	272,608	(81,703)	799,788
	Q3	1,809,844	78,677	(83,068)	1,805,453
	Q2	836,376	(82,046)	(179,484)	574,846
	Q1	229,455	235,552	(71,138)	393,869
2012	Q4	566,957	639,219	(85,899)	1,120,277
	Q3	405,430	18,446	30,336	454,212
	Q2	1,066,677	22,729	28,455	1,117,861
	Q1	43,439	643,622	133,799	820,860
2011	Q4	793,753	65,449	82,829	942,031
	Q3	1,457,485	(222,599)	35,256	1,270,142
	Q2	218,266	(130,246)	(23,896)	64,124
	Q1	195,659	(428,686)	24,471	(208,556)
2010	Q4	416,133	(337,040)	(123,902)	(44,809)
	Q3	526,692	(724,927)	49,309	(148,926)
	Q2	524,438	136,335	28,972	689,745
	Q1	(224,705)	(960,759)	(160,883)	(1,346,347)

Absorption square footage includes only net absorption for direct space; sublease space is excluded.

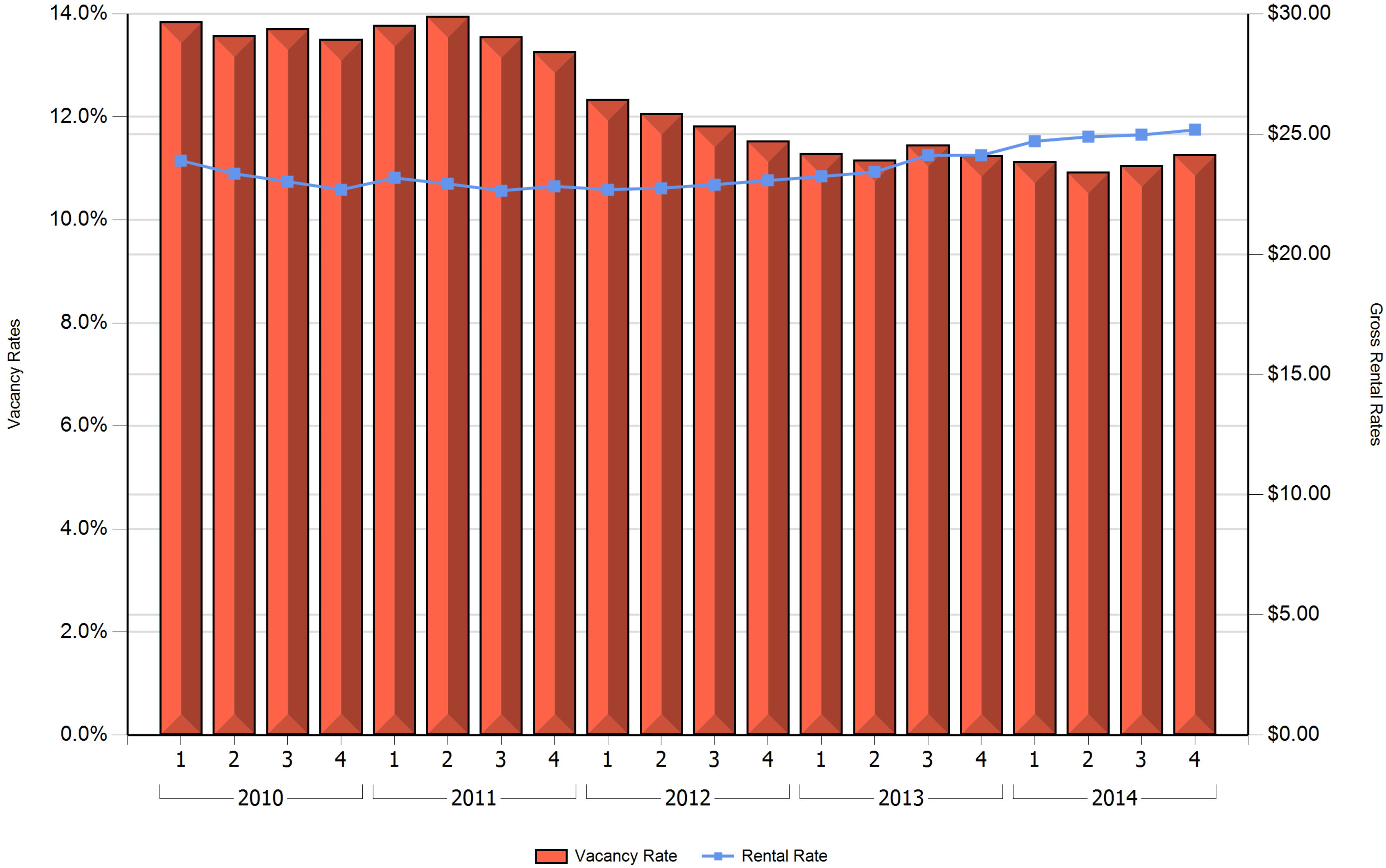
Houston-Area Office Absorption by Class by Year



	Class A	Class B	Class C	All Classes
2014 YTD	5,235,705	471,803	39,077	5,746,585
2013 YTD	3,484,558	504,791	(415,393)	3,573,956
2012 YTD	2,082,503	1,324,016	106,691	3,513,210
2011 YTD	2,665,163	(716,082)	118,660	2,067,741
2010 YTD	1,242,558	(1,886,391)	(206,504)	(850,337)

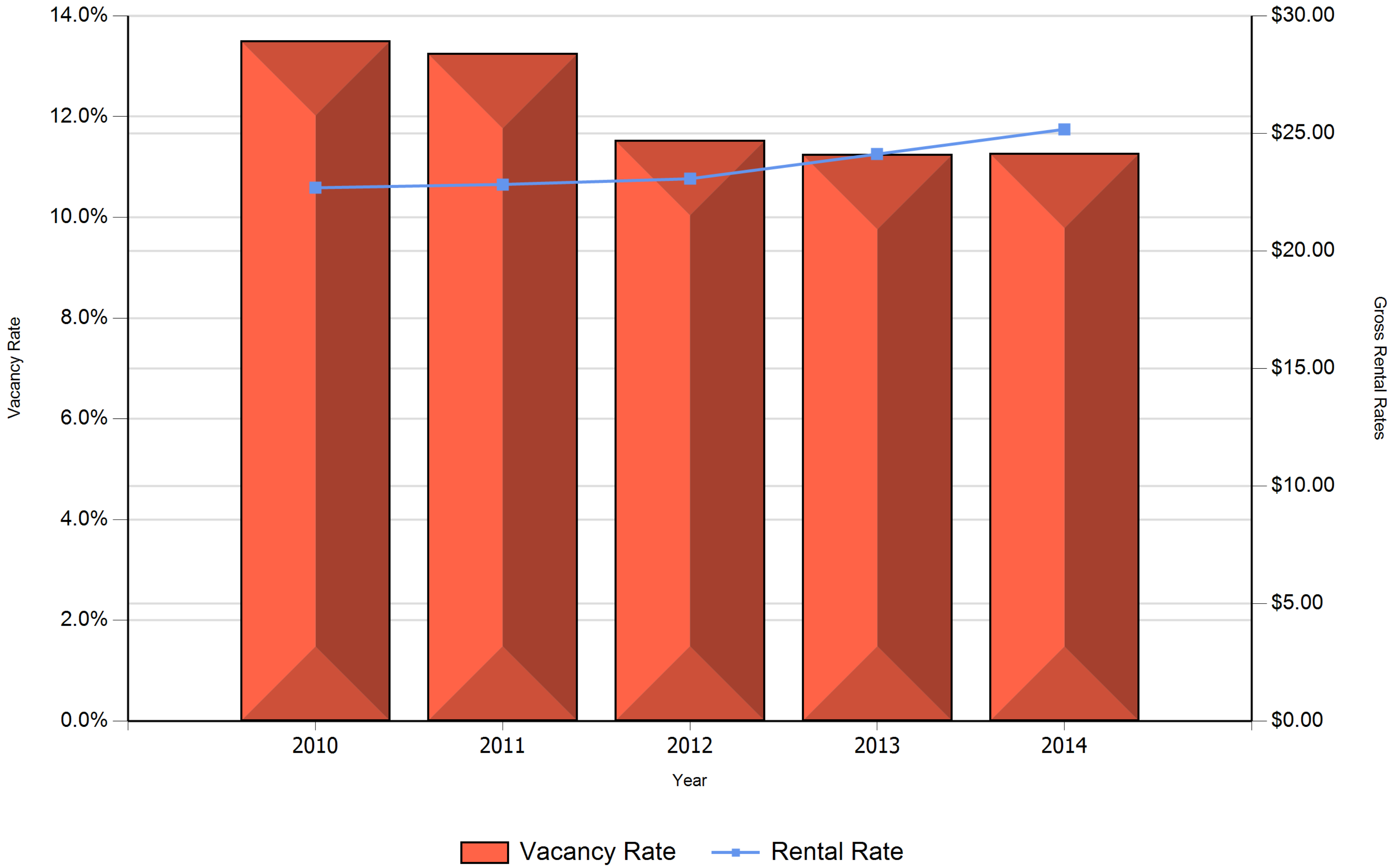
Absorption square footage includes only net absorption for direct space; sublease space is excluded.

Houston-Area Office Vacancy and Rental Rates* by Quarter



** Gross rental rates are averaged and weighted based on available space.*

Houston-Area Office Vacancy and Rental Rates* by Year



*Year-end numbers. *Gross rental rates are averaged and weighted based on available space.*

Houston-Area Industrial Market Summary

2014 Fourth Quarter

Market Area	Type	No. Bldgs *	Bldg SF **	Vacant SF	Vacancy Rate	Net Absorption Current	Net Absorption YTD	Under Construction	Wted Avg Rent ***	Sublease Avail
Inner Loop	Warehouse/Distribution	498	17,265,028	626,287	3.6 %	(55,729)	48,569	0	$7.28	52,966
	Flex/Service Center	186	4,713,740	116,106	2.5 %	2,176	79,037	0	$13.05	39,617
	Manufacturing	51	1,883,663	37,000	2.0 %	2,000	13,000	0	$4.32	0
	HighTech/R&D	5	169,011	0	0.0 %	0	0	0	N/A	0
Inner Loop Subtotal		740	24,031,442	779,393	3.2 %	(51,553)	140,606	0	$8.00	92,583
North	Warehouse/Distribution	391	8,342,590	328,688	3.9 %	200	234,502	572,021	$8.79	4,800
	Flex/Service Center	125	2,363,921	137,858	5.8 %	8,150	87,303	48,000	$10.85	18,000
	Manufacturing	59	1,193,456	20,943	1.8 %	62,947	85,643	0	N/A	0
	HighTech/R&D	14	526,612	7,344	1.4 %	(3,400)	(7,344)	0	$16.80	10,432
North Subtotal		589	12,426,579	494,833	4.0 %	67,897	400,104	620,021	$9.52	33,232
Northeast	Warehouse/Distribution	1,168	52,502,287	4,984,042	9.5 %	1,047,463	2,669,609	1,047,760	$7.71	248,652
	Flex/Service Center	326	7,949,004	904,540	11.4 %	(64,875)	(62,011)	350,000	$8.38	35,220
	Manufacturing	240	8,952,950	361,014	4.0 %	0	(30,698)	640,000	$6.96	103,714
	HighTech/R&D	15	660,067	168,810	25.6 %	0	4,830	0	$12.00	0
Northeast Subtotal		1,749	70,064,308	6,418,406	9.2 %	982,588	2,581,730	2,037,760	$7.88	387,586
Northwest	Warehouse/Distribution	2,429	96,080,105	5,663,593	5.9 %	1,068,109	1,783,854	3,502,448	$7.84	436,723
	Flex/Service Center	750	18,332,507	1,240,980	6.8 %	233,251	284,521	0	$10.72	93,960
	Manufacturing	505	18,610,465	792,837	4.3 %	21,120	215,411	57,636	$5.14	0
	HighTech/R&D	36	2,060,903	24,150	1.2 %	14,669	6,417	0	$15.00	5,442
Northwest Subtotal		3,720	135,083,980	7,721,560	5.7 %	1,337,149	2,290,203	3,560,084	$8.05	536,125
South	Warehouse/Distribution	683	22,656,059	534,624	2.4 %	264,080	548,683	38,640	$5.83	39,041
	Flex/Service Center	134	2,740,411	64,155	2.3 %	20,826	113,301	0	$11.41	0
	Manufacturing	136	5,687,816	168,700	3.0 %	0	188,625	181,000	$4.00	90,000
	HighTech/R&D	13	342,024	0	0.0 %	0	0	0	N/A	0
South Subtotal		966	31,426,310	767,479	2.4 %	284,906	850,609	219,640	$5.89	129,041
Southeast	Warehouse/Distribution	1,447	67,189,263	3,689,906	5.5 %	846,379	1,787,417	705,157	$5.76	115,621
	Flex/Service Center	269	4,963,338	244,088	4.9 %	5,934	4,071	25,000	$9.99	0
	Manufacturing	210	8,957,468	127,960	1.4 %	0	161,480	0	$5.75	26,085
	HighTech/R&D	15	445,973	66,967	15.0 %	0	4,009	0	$14.76	0
Southeast Subtotal		1,941	81,556,042	4,128,921	5.1 %	852,313	1,956,977	730,157	$6.16	141,706
Southwest	Warehouse/Distribution	820	33,337,872	1,644,713	4.9 %	45,672	230,464	764,880	$8.05	186,331
	Flex/Service Center	479	14,626,622	969,630	6.6 %	83,618	147,760	0	$13.19	26,950
	Manufacturing	108	3,416,291	358,045	10.5 %	(188,821)	398,851	0	$5.51	0
	HighTech/R&D	13	948,730	455,195	48.0 %	0	0	0	$29.60	0
Southwest Subtotal		1,420	52,329,515	3,427,583	6.5 %	(59,531)	777,075	764,880	$12.10	213,281
Houston-Area	Warehouse/Distribution	7,438	297,410,404	17,471,853	5.9 %	3,216,174	7,303,098	6,630,906	$7.32	1,084,134
	Flex/Service Center	2,269	55,689,543	3,677,357	6.6 %	289,080	653,982	423,000	$10.84	213,747
	Manufacturing	1,309	48,702,109	1,866,499	3.8 %	(102,754)	1,032,312	878,636	$5.49	219,799
	HighTech/R&D	111	5,153,320	722,466	14.0 %	11,269	7,912	0	$23.49	15,874
Houston-Area Total		11,127	406,955,376	23,738,175	5.8 %	3,413,769	8,997,304	7,932,542	$7.78	1,533,554

* Number of buildings calculated on specific buildings at each property address.

** Includes all general-purpose existing industrial buildings 10,000 square feet or larger.

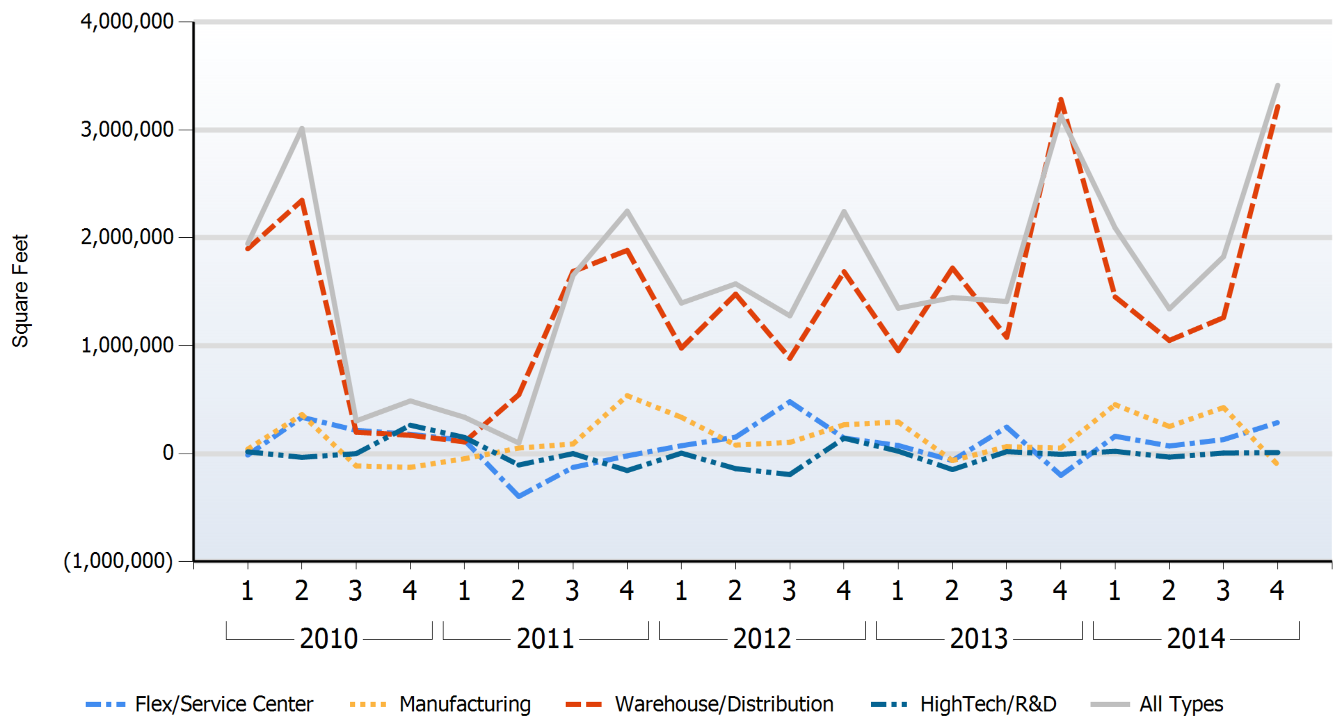
*** Rental rates are weighted and averaged based on available space.

Houston-Area Industrial Statistical Summary

Period	Building SF	No. of Bldgs	Vacant SF			Vacancy Rate			Net Absorption			Avg* Gross Direct Rent
			Direct	Sublease	Total	Direct	Sublease	Total	Direct	Sublease	Total	
2014 Q4	406,955,376	11,127	23,738,175	1,533,554	25,271,729	5.8 %	0.4 %	6.2 %	3,413,769	(136,718)	3,277,051	$7.78
2014 Q3	403,377,415	11,077	25,164,283	1,380,836	26,545,119	6.2 %	0.3 %	6.6 %	1,826,342	120,501	1,946,843	$7.40
2014 Q2	400,840,879	11,041	25,394,987	1,486,237	26,881,224	6.3 %	0.4 %	6.7 %	1,342,282	(90,632)	1,251,650	$7.12
2014 Q1	398,444,541	11,010	25,372,836	1,363,465	26,736,301	6.4 %	0.3 %	6.7 %	2,091,925	148,511	2,240,436	$6.64
2013 Q4	395,852,662	10,968	27,677,333	1,941,510	29,618,843	7.0 %	0.5 %	7.5 %	3,130,396	199,060	2,909,456	$6.59
2013 Q3	393,376,666	10,934	28,563,483	2,249,174	30,812,657	7.3 %	0.6 %	7.8 %	1,411,045	85,252	1,496,297	$6.53
2013 Q2	390,336,259	10,878	27,217,287	2,174,211	29,391,498	7.0 %	0.6 %	7.5 %	1,446,796	(448,240)	998,556	$6.34
2013 Q1	388,319,134	10,846	27,677,166	1,686,838	29,364,004	7.1 %	0.4 %	7.6 %	1,348,484	27,475	1,375,959	$5.92
2012 Q4	385,956,616	10,790	26,124,007	1,714,313	27,838,320	6.8 %	0.4 %	7.2 %	2,243,851	259,860	2,503,711	$5.77
2012 Q3	384,558,520	10,765	27,791,190	1,674,442	29,465,632	7.2 %	0.4 %	7.7 %	1,278,205	8,362	1,286,567	$5.71
2012 Q2	384,032,578	10,747	28,904,554	1,682,804	30,587,358	7.5 %	0.4 %	8.0 %	1,574,233	33,946	1,608,179	$5.60
2012 Q1	382,631,405	10,731	28,742,026	1,946,440	30,688,466	7.5 %	0.5 %	8.0 %	1,396,194	335,275	1,731,469	$5.56
2011 Q4	381,115,266	10,700	29,079,294	1,939,455	31,018,749	7.6 %	0.5 %	8.1 %	2,247,283	160,320	2,407,603	$5.52
2011 Q3	379,984,190	10,678	30,547,330	2,099,775	32,647,105	8.0 %	0.6 %	8.6 %	1,652,597	68,870	1,721,467	$5.44
2011 Q2	379,831,303	10,667	32,501,210	2,094,562	34,595,772	8.6 %	0.6 %	9.1 %	99,503	(59,701)	39,802	$5.35
2011 Q1	377,141,400	10,555	31,759,646	2,013,861	33,773,507	8.4 %	0.5 %	9.0 %	337,590	(134,971)	202,619	$5.57
2010 Q4	376,867,371	10,546	31,945,296	1,878,890	33,824,186	8.5 %	0.5 %	9.0 %	489,363	(14,162)	475,201	$5.45
2010 Q3	375,594,339	10,499	32,444,393	1,853,478	34,297,871	8.6 %	0.5 %	9.1 %	304,069	585,710	889,779	$5.47
2010 Q2	375,159,584	10,490	32,591,801	2,406,522	34,998,323	8.7 %	0.6 %	9.3 %	3,014,151	147,783	3,161,934	$5.63
2010 Q1	374,150,758	10,477	34,311,951	2,534,105	36,846,056	9.2 %	0.7 %	9.8 %	1,946,252	(202,279)	1,743,973	$5.41

Rental rates are averaged and weighted based on available space.

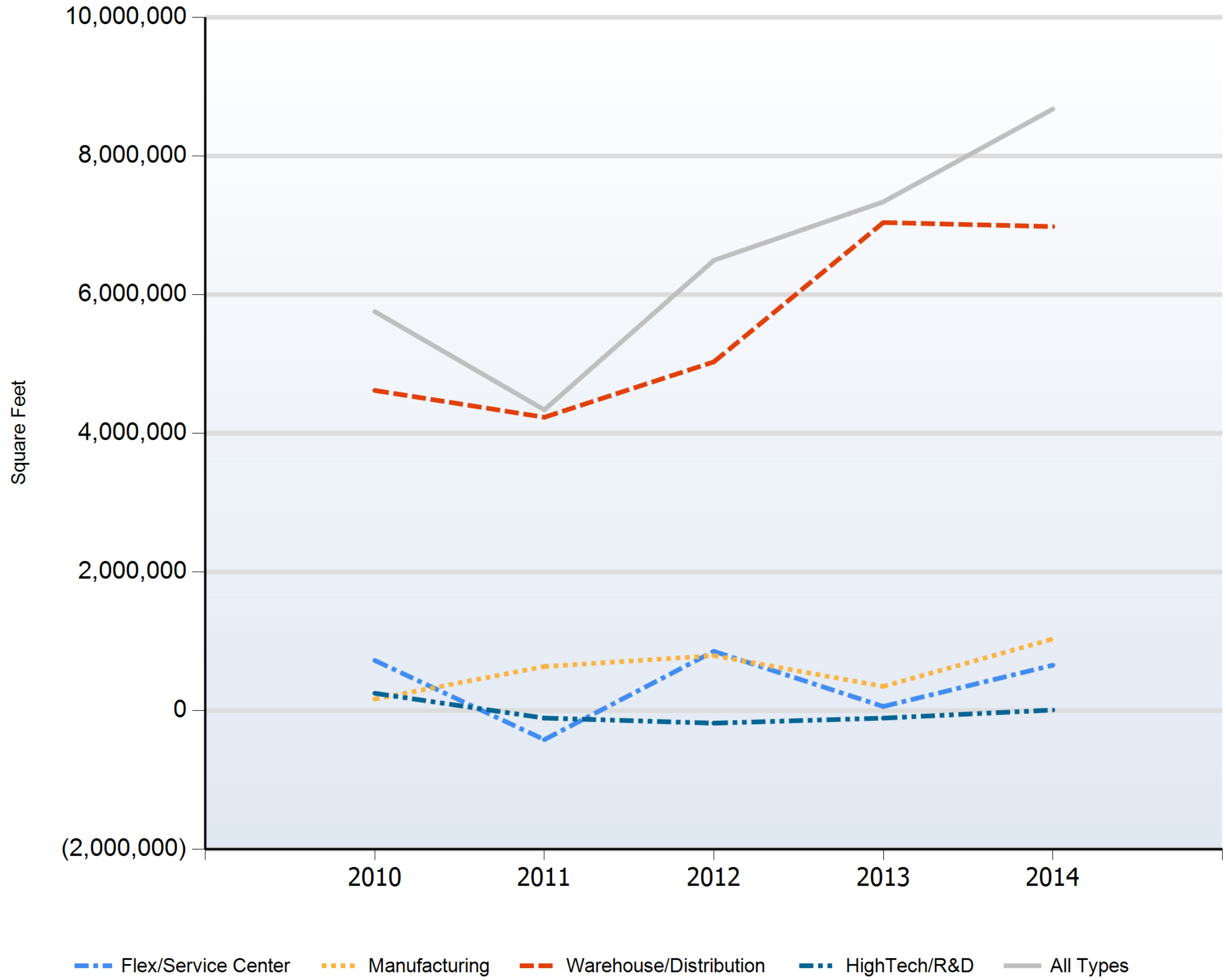
Houston-Area Industrial Absorption by Type by Quarter



		Flex/ Service Center	Manufacturing	Warehouse/ Distribution	HighTech/R&D	All Types
2014	Q4	289,080	(102,754)	3,216,174	11,269	3,413,769
	Q3	131,101	427,926	1,261,365	5,950	1,826,342
	Q2	71,659	252,390	1,049,546	(31,313)	1,342,282
	Q1	162,142	454,750	1,453,027	22,006	2,091,925
2013	Q4	(200,247)	51,980	3,283,493	(4,830)	3,130,396
	Q3	246,346	65,704	1,079,569	19,426	1,411,045
	Q2	(63,196)	(63,405)	1,720,429	(147,032)	1,446,796
	Q1	76,157	294,045	954,789	23,493	1,348,484
2012	Q4	144,932	268,394	1,686,686	143,839	2,243,851
	Q3	481,520	105,257	884,308	(192,880)	1,278,205
	Q2	153,636	80,346	1,478,513	(138,262)	1,574,233
	Q1	74,166	337,516	979,014	5,498	1,396,194
2011	Q4	(19,619)	537,804	1,884,724	(155,626)	2,247,283
	Q3	(127,015)	90,211	1,688,251	1,150	1,652,597
	Q2	(396,231)	52,971	547,202	(104,439)	99,503
	Q1	123,407	(46,076)	109,659	150,600	337,590
2010	Q4	180,353	(126,114)	170,965	264,159	489,363
	Q3	217,032	(113,250)	199,496	791	304,069
	Q2	337,660	362,699	2,347,339	(33,547)	3,014,151
	Q1	(12,387)	42,018	1,898,796	17,825	1,946,252

Absorption square footage includes only net absorption for direct space; sublease space is excluded.

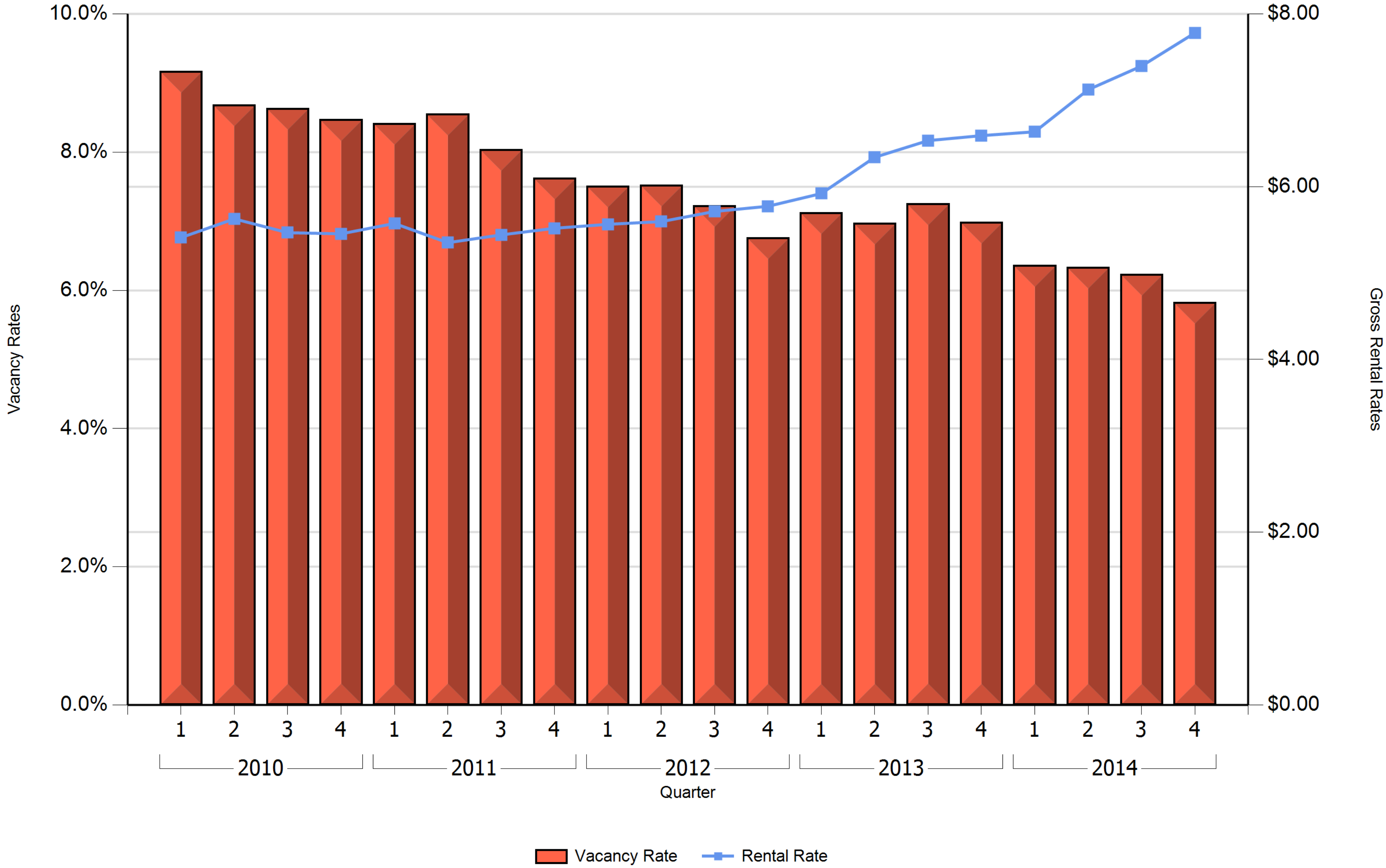
Houston-Area Industrial Absorption by Type by Year



	Flex/ Service Center	Manufacturing	Warehouse/ Distribution	HighTech/R&D	All Types
2014	653,982	1,032,312	7,303,098	7,912	8,997304
2013	59,060	348,324	7,038,280	(108,943)	7,336,721
2012	854,254	791,513	5,028,521	(181,805)	6,492,483
2011	(419,458)	634,910	4,229,836	(108,315)	4,336,973
2010	722,658	165,353	4,616,596	249,228	5,753,835

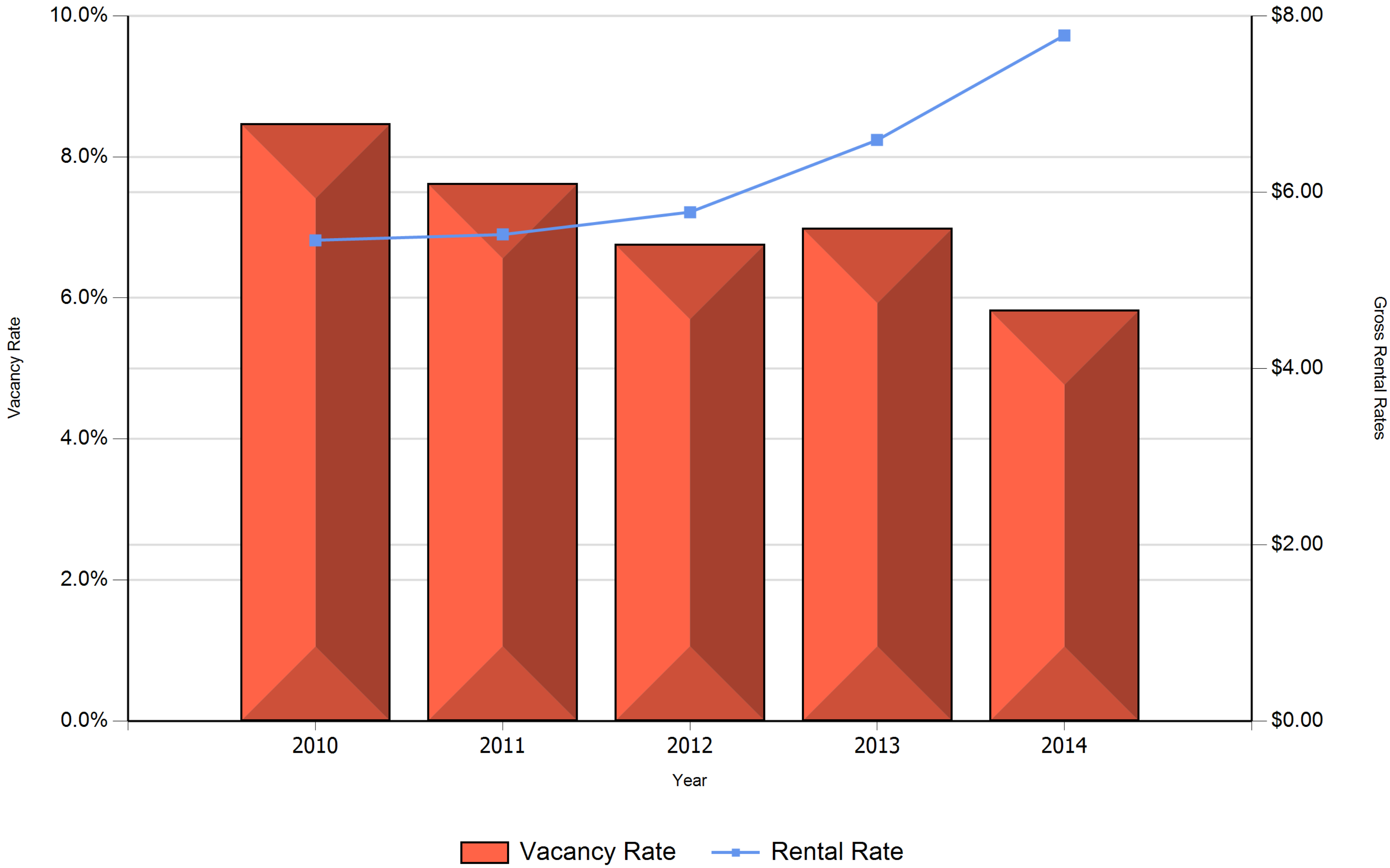
Absorption square footage includes only net absorption for direct space; sublease space is excluded.

Houston-Area Industrial Vacancy and Rental Rates* by Quarter



** Gross rental rates are averaged and weighted based on available space.*

Houston-Area Industrial Vacancy and Rental Rates* by Year



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