

## **HOUSTON'S SECOND-QUARTER COMMERCIAL ACTIVITY SHOWS OFFICE STRUGGLE, INDUSTRIAL FLOURISH**

HOUSTON — (July 21, 2016) — Houston's commercial real estate market offers a mixed report: office continues to struggle while certain types of industrial continue to flourish, depending on location. That's according to quarterly market research compiled by Commercial Gateway, the commercial division of the Houston Association of Realtors (HAR).

The second quarter reported direct negative net absorption of 88,768 square feet of office space, a major decrease when compared to the same quarter last year of positive 1.5 million square feet and this year's first-quarter absorption of 905,855 square feet. Class B properties represent the bulk of the this quarter's growth, 122,152 square feet, offset by Class A and C's negative absorption of 110,920 square feet. However, to put this in perspective, both last year's and last quarter's positive absorption resulted from single-tenant and owner-occupied projects being completed and occupied.

Space left behind by various firms occupying those new properties are showing up as direct space and affecting the vacancy rate, which continues to climb. The current 15.4% direct vacancy rate is up from the 14.4% vacancy recorded last quarter, and also up from the 12.8% recorded during the same quarter in 2015. No submarket is reporting a single-digit vacancy rate, and only the Central Business District is reporting single-digit vacancy in Class A space. Class A space overall is 14.6% vacant.

The changing economy related to the energy downturn is clearly reflected in the record-level vacancy when it is combined with the additional 2.8 million square feet of sublease space added this quarter. One newly completed building representing almost 600,000 square feet of preleased space came on the market with its total square footage now being marketed as sublease space. More than 5.2 million net square feet has been added during the last 12 months, although more than 700,000 square feet of sublease space has been reported as having been leased during the first half of the year. At the end of the second quarter, the

Houston market recorded more than 10.1 million square feet of sublease space available and being marketed. Of that total, almost 8.1 million, or 80%, is Class A space.

For the quarter, seven new buildings were completed, adding almost 2.8 million square feet to the market. Five of the buildings have no pre-leasing while the other one entered the market preleased but is now available as sublease. The bright spot was the Phillip 66 headquarters complex being completed with 1.1 million square feet to be occupied during the next two months, which will improve the absorption total for the year.

Construction starts have idled for the most part since the first quarter, with only office buildings in mixed-use projects breaking ground. Overall, the Houston under-construction office market has 15 properties totaling 3.9 million square feet. Collectively, the under-construction buildings are about 47.4% preleased, with 13 properties classified as multi-tenant. Of those under construction, eight are scheduled for completion by yearend. Three of those are not bringing any availability to the market: BHP Billiton will be occupying its entire 600,000 square feet in Uptown, the Greater Houston Partnership and other local governmental type firms will be occupying the Partnership building, and the Dave Ward Building will be occupied by Crime Stoppers. The largest spec building under construction with the largest availability remains Hines' 609 Main at Texas building, which is 28% preleased.

With construction on the decline, one major prelease announced during second-quarter was American Bureau of Shipping's 300,000+-square-foot lease at CityPlace2 in Springwoods Village near The Woodlands. CityPlace2 is scheduled to break ground next year. ABS will leaving almost 259,000 square feet in Greenspoint Place. Other leases recorded during the second quarter included Patterson-UTI Energy's 34,748-square-foot lease in Remington Square II along with two additional preleases for Amegy Bank Tower, which leaves that building with only 12,469 square feet to lease.

Concessions are becoming more commonplace in the market, even though quoted rental rates have seen averages increase. Rental rates showed an increase from the past quarter and the past year with the current overall averaged weighted rental rate of \$28.04, up from last quarter's \$27.72 and \$26.57 from last year. Class A rates, now at \$33.54 citywide and at \$41.04 in the CBD, experienced slight increases from last quarter from the same quarter in 2015. Rents for sublease space also increased slightly at \$24.31 from last quarter's \$22.45 after showing consistent decreases for almost two years.

## **Houston Industrial Market**

Houston's industrial market continued to expand with positive direct net absorption of 719,078 square feet during the second quarter despite manufacturing slowdowns and overall economic uncertainty, according to statistics released by Commercial Gateway.

This quarter's absorption represents the 26th consecutive quarter – over six years – of positive absorption, with six quarters recording more than 2 million square feet each and more than half recording more than 1 million square feet. The second quarter's net absorption clearly represents a slowdown from those quarters, but is in line with the first quarter's absorption of 628,981 square feet. The warehouse-distribution segment recorded 865,302 square feet absorption in the second quarter, with manufacturing and light industrial offsetting that positive with a negative 184,304 square feet.

In addition to the most recent announcement that IKEA is planning up to a million square-foot distribution facility, Amazon has announced a large facility in the North along with the leasing of another 100,000 square feet of distribution space in the Northwest. Serta has also taken 268,407 square feet of space in Fallbrook Pines in the Northwest and FedEx moved into its new 303,335 square-foot build-to-suit in the Southwest. Applied Optoelectronics also moved into its expansion property totaling 111,600 square feet also in the Southwest.

Activity is slowing for some product in some areas, and due to several large properties coming online with little preleasing, the vacancy rate increased slightly to 6.3%, compared to 6.0% the previous quarter. Vacancy for warehouse/distribution space citywide is 6.4% with manufacturing space at a low of 3.8%.

More than 1.5 million square feet in 14 buildings came online during the second quarter, contributing about 600,000 square feet to the absorption total. Collectively, all industrial buildings completed this year entered the market 46.9% leased.

Construction activity is still high with many projects underway and many other proposed properties announced. Currently, 62 buildings representing more than 10.7 million square feet are underway. The two largest BTS projects are Daiken's 4 million square foot facility off Highway 290 and FedEx's new 800,000-square-foot project near the Grand Parkway in the Northwest. The bulk of the remainder under construction is concentrated in the Southeast with 17 projects totaling more than 2.8 million square feet followed by the Southwest with eight

projects totaling more than 1.1 million square feet. Overall, the under-construction market is 73.8% preleased.

Rental rates have increased 2.8% this quarter to \$7.47 from \$7.24 last quarter but are less than the \$7.70 recorded during the same quarter last year.

Sublease space had been steadily increasing each quarter during the last couple years, but remained constant at 2.4 million square feet this quarter. The current quarter's total is still almost double the square footage from the same quarter a year ago.

# Houston-Area Office Market Overview

2016 Second Quarter



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Submarket	Class	# of Bldgs*	Building SF**	Vacant SF	Vacancy Rate	Net Abs (Current)	Net Abs (YTD)	Under Const	Avg Rent***	Sublease Avail
CBD	A	32	30,812,169	2,676,569	8.7%	(163,807)	349,450	1,166,658	\$41.04	1,748,934
	B	26	9,544,105	2,710,344	28.4%	1,278	(309,066)	0	\$30.69	238,848
	C	8	552,183	104,447	18.9%	(14,557)	(15,824)	0	\$18.64	0
<b>CBD Subtotal</b>		<b>66</b>	<b>40,908,457</b>	<b>5,491,360</b>	<b>13.4%</b>	<b>(177,086)</b>	<b>24,560</b>	<b>1,166,658</b>	<b>\$37.74</b>	<b>1,987,782</b>
Energy Corridor	A	45	14,973,224	1,776,047	11.9%	44,697	70,835	385,274	\$31.27	2,126,082
	B	52	5,526,983	1,187,235	21.5%	(27,457)	(27,897)	0	\$24.39	676,041
	C	6	285,459	39,885	14.0%	(20,517)	(27,299)	0	\$21.14	6,195
<b>Energy Corridor Subtotal</b>		<b>103</b>	<b>20,785,666</b>	<b>3,003,167</b>	<b>14.5%</b>	<b>(3,277)</b>	<b>15,639</b>	<b>385,274</b>	<b>\$27.99</b>	<b>2,808,318</b>
Fort Bend County	A	26	3,010,145	404,027	13.4%	(57,611)	73,369	0	\$30.31	91,079
	B	23	2,601,481	215,047	8.3%	(28,268)	27,611	0	\$19.84	1,765
	C	1	156,000	25,030	16.0%	6,682	19,277	0	n/a	0
<b>Fort Bend County Subtotal</b>		<b>50</b>	<b>5,767,626</b>	<b>644,104</b>	<b>11.2%</b>	<b>(79,197)</b>	<b>120,257</b>	<b>0</b>	<b>\$26.62</b>	<b>92,844</b>
Greenspoint	A	25	5,246,262	2,128,745	40.6%	(124,648)	(574,103)	0	\$25.51	561,908
	B	45	4,707,496	1,613,325	34.3%	80,679	94,380	0	\$17.17	209,060
	C	28	2,121,861	366,882	17.3%	49,773	120,339	0	\$11.95	0
<b>Greenspoint Subtotal</b>		<b>98</b>	<b>12,075,619</b>	<b>4,108,952</b>	<b>34.0%</b>	<b>5,804</b>	<b>(359,384)</b>	<b>0</b>	<b>\$21.30</b>	<b>770,968</b>
Inner Loop	A	40	12,219,811	2,021,418	16.5%	2,556	144,371	582,002	\$32.14	225,495
	B	107	10,472,153	1,238,539	11.8%	(1,676)	(81,155)	0	\$26.22	39,470
	C	59	3,859,180	266,079	6.9%	(34,359)	64,270	0	\$16.48	6,453
<b>Inner Loop Subtotal</b>		<b>206</b>	<b>26,551,144</b>	<b>3,526,036</b>	<b>13.3%</b>	<b>(33,479)</b>	<b>127,486</b>	<b>582,002</b>	<b>\$28.84</b>	<b>271,418</b>
North/The Woodlands/Conroe	A	60	11,634,312	1,275,145	11.0%	85,046	40,013	201,651	\$37.01	372,659
	B	89	5,073,362	835,455	16.5%	61,609	30,026	0	\$18.29	126,114
	C	23	999,077	141,628	14.2%	(17,093)	(13,624)	0	\$12.90	0
<b>North/The Woodlands/Conroe Subtotal</b>		<b>172</b>	<b>17,706,751</b>	<b>2,252,228</b>	<b>12.7%</b>	<b>129,562</b>	<b>56,415</b>	<b>201,651</b>	<b>\$26.77</b>	<b>498,773</b>
Northeast	A	3	411,670	7,630	1.9%	0	360,000	0	\$25.50	0
	B	12	551,716	139,651	25.3%	(2,003)	(2,212)	0	\$15.35	0
	C	4	116,022	0	n/a	0	265	0	n/a	0
<b>Northeast Subtotal</b>		<b>19</b>	<b>1,079,408</b>	<b>147,281</b>	<b>13.6%</b>	<b>(2,003)</b>	<b>358,053</b>	<b>0</b>	<b>\$15.94</b>	<b>0</b>
Northwest	A	39	4,726,974	877,660	18.6%	191,606	134,046	0	\$29.03	231,824
	B	62	5,371,291	1,216,179	22.6%	43,549	43,031	0	\$19.74	123,478
	C	18	781,787	164,937	21.1%	(16,387)	(24,423)	0	\$17.77	0
<b>Northwest Subtotal</b>		<b>119</b>	<b>10,880,052</b>	<b>2,258,776</b>	<b>20.8%</b>	<b>218,768</b>	<b>152,654</b>	<b>0</b>	<b>\$22.58</b>	<b>355,302</b>

Southeast	A	17	1,989,497	161,345	8.1%	(17,256)	2,122	0	\$27.41	37,320
	B	53	3,554,775	616,784	17.4%	30,466	(127,560)	0	\$17.60	20,889
	C	42	1,909,863	272,742	14.3%	25,055	25,768	0	\$17.89	27,610
<b>Southeast Subtotal</b>		<b>112</b>	<b>7,454,135</b>	<b>1,050,871</b>	<b>14.1%</b>	<b>38,265</b>	<b>(99,670)</b>	<b>0</b>	<b>\$18.59</b>	<b>85,819</b>
Southwest	A	6	1,879,127	490,277	26.1%	(38,194)	4,580	0	\$20.48	2,100
	B	49	5,053,514	1,043,134	20.6%	28,306	1,572	0	\$18.31	45,031
	C	71	4,815,908	588,555	12.2%	(34,528)	(42,863)	0	\$13.56	17,700
<b>Southwest Subtotal</b>		<b>126</b>	<b>11,748,549</b>	<b>2,121,966</b>	<b>18.1%</b>	<b>(44,416)</b>	<b>(36,711)</b>	<b>0</b>	<b>\$17.89</b>	<b>64,831</b>
Uptown	A	44	16,991,362	2,500,118	14.7%	(46,749)	171,483	1,107,170	\$37.01	986,807
	B	80	11,063,442	1,286,274	11.6%	(111,627)	(99,350)	0	\$27.64	245,111
	C	13	929,110	57,297	6.2%	(6,491)	(9,934)	0	\$19.35	0
<b>Uptown Subtotal</b>		<b>137</b>	<b>28,983,914</b>	<b>3,843,689</b>	<b>13.3%</b>	<b>(164,867)</b>	<b>62,199</b>	<b>1,107,170</b>	<b>\$34.25</b>	<b>1,231,918</b>
West	A	53	8,799,049	1,438,196	16.3%	50,265	100,440	290,000	\$27.63	540,409
	B	46	3,820,395	405,205	10.6%	(19,439)	(19,872)	0	\$19.82	20,274
	C	33	2,271,435	121,185	5.3%	(32,864)	(24,533)	0	\$16.77	7,541
<b>West Subtotal</b>		<b>132</b>	<b>14,890,879</b>	<b>1,964,586</b>	<b>13.2%</b>	<b>(2,038)</b>	<b>56,035</b>	<b>290,000</b>	<b>\$24.63</b>	<b>568,224</b>
Westchase	A	34	10,354,083	2,183,991	21.1%	(49,005)	251,916	186,000	\$35.85	1,132,626
	B	50	6,723,066	726,212	10.8%	66,735	233,658	0	\$19.62	259,321
	C	16	767,856	75,964	9.9%	7,466	562	0	\$15.99	0
<b>Westchase Subtotal</b>		<b>100</b>	<b>17,845,005</b>	<b>2,986,167</b>	<b>16.7%</b>	<b>25,196</b>	<b>486,136</b>	<b>186,000</b>	<b>\$29.93</b>	<b>1,391,947</b>
Houston Area	A	424	123,047,685	17,941,168	14.6%	(123,100)	1,128,522	3,918,755	\$33.54	8,057,243
	B	694	74,063,779	13,233,384	17.9%	122,152	(236,834)	0	\$22.00	2,005,402
	C	322	19,565,741	2,224,631	11.4%	(87,820)	71,981	0	\$15.52	65,499
<b>Houston-Area Total</b>		<b>1,440</b>	<b>216,677,205</b>	<b>33,399,183</b>	<b>15.4%</b>	<b>(88,768)</b>	<b>963,669</b>	<b>3,918,755</b>	<b>\$28.04</b>	<b>10,128,144</b>

\* 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 are weighted and averaged based on available space

# Houston-Area Office Historical Summary

2016 Second Quarter



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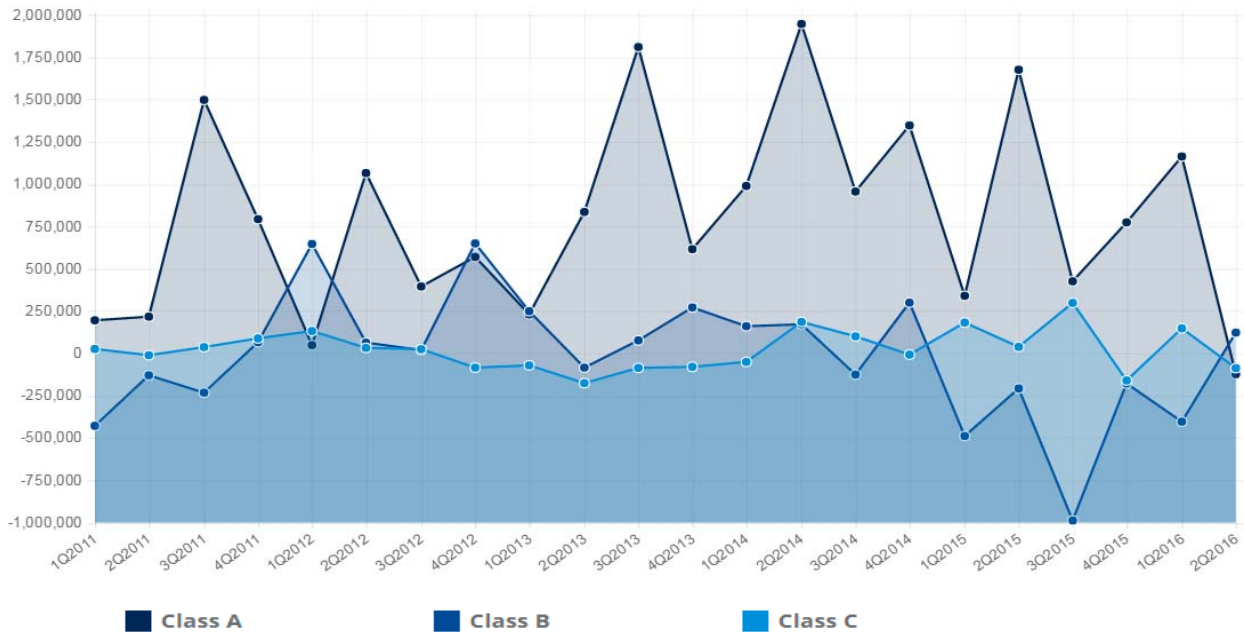
Period	# of Buildings*	Building SF**	Vacant SF		Avail SF	Net Absorption		Avg Rent***	
			Direct	Rate Direct		Sublease	Direct	Sublease	
2016 Q2	1,440	216,677,205	33,399,183	15.4%	10,128,144	(88,768)	\$28.04	\$24.31	
2016 Q1	1,417	214,130,054	30,808,257	14.4%	7,322,911	905,855	\$27.72	\$22.45	
2015 Q4	1,402	212,602,436	29,962,782	14.1%	6,699,931	434,158	\$28.64	\$23.16	
2015 Q3	1,374	209,676,369	28,000,668	13.4%	5,738,477	(264,659)	\$27.10	\$25.40	
2015 Q2	1,369	208,482,780	26,722,335	12.8%	4,871,969	1,503,287	\$26.57	\$28.10	
2015 Q1	1,363	206,107,104	25,839,751	12.5%	3,450,693	32,894	\$26.30	\$29.72	
2014 Q4	1,350	202,997,550	23,140,593	11.4%	3,195,204	1,637,837	\$25.35	\$29.33	
2014 Q3	1,343	200,395,315	22,092,765	11.0%	3,042,717	930,055	\$25.07	\$29.42	
2014 Q2	1,334	198,968,426	21,698,869	10.9%	3,127,013	2,301,836	\$25.00	\$27.94	
2014 Q1	1,326	197,226,784	22,003,601	11.2%	2,751,241	1,097,457	\$24.83	\$26.01	
2013 Q4	1,322	196,048,750	22,106,517	11.3%	2,616,113	805,851	\$24.26	\$27.50	
2013 Q3	1,315	194,818,858	22,398,958	11.5%	2,299,752	1,799,437	\$24.22	\$27.48	
2013 Q2	1,302	192,749,407	21,545,583	11.2%	2,034,806	574,091	\$23.58	\$26.34	
2013 Q1	1,297	191,705,036	21,752,678	11.3%	1,703,604	408,040	\$23.29	\$25.56	
2012 Q4	1,298	191,663,838	22,175,972	11.6%	1,654,045	1,133,953	\$23.19	\$23.05	
2012 Q3	1,294	191,145,491	22,695,298	11.9%	1,669,477	437,218	\$22.95	\$23.71	
2012 Q2	1,292	191,318,481	23,155,906	12.1%	1,873,841	1,159,965	\$22.77	\$24.85	
2012 Q1	1,292	191,336,899	23,716,375	12.4%	2,220,466	825,651	\$22.75	\$25.28	
2011 Q4	1,290	191,161,490	25,441,447	13.3%	2,508,155	945,690	\$22.90	\$25.34	
2011 Q3	1,284	190,677,765	26,182,552	13.7%	3,001,909	1,300,872	\$22.74	\$25.32	
2011 Q2	1,283	189,777,320	26,589,601	14.0%	2,748,436	74,580	\$22.97	\$24.95	
2011 Q1	1,281	189,093,168	26,156,145	13.8%	2,793,033	(208,340)	\$23.23	\$24.02	

\* 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 are weighted and averaged based on available space

## Houston-Area Office Direct Net Absorption by Class



Period	Class A	Class B	Class C	All Classes
2016 Q2	(123,100)	122,152	(87,820)	(88,768)
2016 Q1	1,162,819	(404,313)	147,349	905,855
2015 Q4	773,460	(178,523)	(160,779)	434,158
2015 Q3	425,430	(987,754)	297,665	(264,659)
2015 Q2	1,675,438	(208,317)	38,093	1,503,287
2015 Q1	339,553	(489,042)	181,513	32,894
2014 Q4	1,346,578	299,247	(7,988)	1,637,837
2014 Q3	955,886	(125,940)	100,109	930,055
2014 Q2	1,946,038	171,026	185,092	2,301,836
2014 Q1	988,624	159,809	(50,976)	1,097,457
2013 Q4	615,149	270,612	(80,335)	805,851
2013 Q3	1,809,844	76,169	(86,576)	1,799,437
2013 Q2	835,216	(84,770)	(176,355)	574,091
2013 Q1	230,615	248,903	(71,478)	408,040
2012 Q4	569,506	649,256	(84,809)	1,133,953
2012 Q3	394,633	18,446	24,139	437,218
2012 Q2	1,065,152	63,081	31,732	1,159,965
2012 Q1	48,249	645,798	131,604	825,651
2011 Q4	792,303	65,449	87,938	945,690
2011 Q3	1,497,234	(232,783)	36,421	1,300,872
2011 Q2	216,347	(130,246)	(11,521)	74,580
2011 Q1	194,823	(428,686)	25,523	(208,340)



# Houston-Area Industrial Market Overview

2016 Second Quarter



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Submarket	Specific Use	# of Bldgs*	Building SF**	Vacant SF	Vacancy Rate	Net Abs (Current)	Net Abs (YTD)	Under Const	Avg Rent***	Sublease Avail
Inner Loop	Warehouse - Distribution	293	13,884,793	376,613	2.7%	131,672	66,935	0	\$7.30	26,500
	Manufacturing	28	1,375,273	0	0.0%	0	(1,265)	0	n/a	0
	Light Industrial	167	4,277,115	284,034	6.6%	14,308	(34,083)	0	\$6.20	0
	Flex/R&D	99	2,605,543	190,554	7.3%	(6,516)	(32,106)	0	\$13.96	0
<b>Inner Loop Subtotal</b>		<b>587</b>	<b>22,142,724</b>	<b>851,201</b>	<b>3.8%</b>	<b>139,464</b>	<b>(519)</b>	<b>0</b>	<b>\$8.04</b>	<b>26,500</b>
North	Warehouse - Distribution	337	13,049,854	1,224,284	9.4%	64,456	35,117	223,735	\$7.63	0
	Manufacturing	66	3,263,944	205,845	6.3%	105,705	162,485	45,653	\$5.72	0
	Light Industrial	152	3,565,030	326,076	9.2%	(33,614)	(22,029)	178,113	\$8.67	30,203
	Flex/R&D	47	1,868,686	319,150	17.1%	(1,700)	(8,600)	50,000	\$15.36	0
<b>North Subtotal</b>		<b>602</b>	<b>21,747,514</b>	<b>2,075,355</b>	<b>9.5%</b>	<b>134,847</b>	<b>166,973</b>	<b>497,501</b>	<b>\$7.97</b>	<b>30,203</b>
Northeast	Warehouse - Distribution	715	51,121,033	4,780,253	9.4%	66,517	99,485	857,460	\$8.70	439,222
	Manufacturing	121	8,640,446	166,920	1.9%	110,553	796,813	34,500	\$7.33	122,207
	Light Industrial	212	6,850,700	930,408	13.6%	(98,935)	(187,910)	0	\$8.37	114,446
	Flex/R&D	95	2,816,607	231,176	8.2%	13,500	(4,017)	0	\$6.92	47,663
<b>Northeast Subtotal</b>		<b>1,143</b>	<b>69,428,786</b>	<b>6,108,757</b>	<b>8.8%</b>	<b>91,635</b>	<b>704,371</b>	<b>891,960</b>	<b>\$8.49</b>	<b>723,538</b>
Northwest	Warehouse - Distribution	1,357	90,783,166	5,912,167	6.5%	425,567	226,825	869,490	\$7.38	636,116
	Manufacturing	271	15,723,501	543,003	3.5%	(51,265)	(35,014)	4,000,000	\$8.37	115,835
	Light Industrial	528	15,574,718	1,114,235	7.2%	(112,953)	(235,616)	45,250	\$7.69	178,559
	Flex/R&D	229	6,817,724	423,876	6.2%	(81,240)	(141,698)	0	\$8.13	43,865
<b>Northwest Subtotal</b>		<b>2,385</b>	<b>128,899,109</b>	<b>7,993,281</b>	<b>6.2%</b>	<b>180,109</b>	<b>(185,503)</b>	<b>4,914,740</b>	<b>\$7.50</b>	<b>974,375</b>
South	Warehouse - Distribution	333	18,990,736	917,979	4.8%	(150,591)	(178,628)	433,000	\$5.56	67,001
	Manufacturing	61	3,774,168	55,650	1.5%	(55,650)	0	80,000	n/a	90,000
	Light Industrial	289	5,715,793	353,626	6.2%	(74,668)	(111,630)	0	\$6.30	0
	Flex/R&D	54	1,715,237	72,729	4.2%	10,364	7,664	0	\$7.32	0
<b>South Subtotal</b>		<b>737</b>	<b>30,195,934</b>	<b>1,399,984</b>	<b>4.6%</b>	<b>(270,545)</b>	<b>(282,594)</b>	<b>513,000</b>	<b>\$5.84</b>	<b>157,001</b>
Southeast	Warehouse - Distribution	838	61,575,830	2,913,068	4.7%	(119,508)	(228,046)	2,271,497	\$5.87	10,400
	Manufacturing	143	13,975,211	412,353	3.0%	(14,000)	83,970	260,000	\$8.15	125,104
	Light Industrial	197	4,310,512	525,683	12.2%	(10,782)	(26,990)	123,853	\$7.94	0
	Flex/R&D	87	2,264,665	59,542	2.6%	49,090	39,125	154,360	\$15.88	0
<b>Southeast Subtotal</b>		<b>1,265</b>	<b>82,126,218</b>	<b>3,910,646</b>	<b>4.8%</b>	<b>(95,200)</b>	<b>(131,941)</b>	<b>2,809,710</b>	<b>\$6.45</b>	<b>135,504</b>
Southwest	Warehouse - Distribution	502	32,870,528	2,039,446	6.2%	447,189	1,069,509	1,123,167	\$6.71	169,759
	Manufacturing	65	4,322,369	549,229	12.7%	(159,013)	(206,250)	0	\$5.22	65,942
	Light Industrial	397	12,088,903	576,572	4.8%	196,010	(22,130)	0	\$8.99	114,732
	Flex/R&D	187	6,516,023	403,087	6.2%	54,582	4,003	0	\$14.03	34,545
<b>Southwest Subtotal</b>		<b>1,151</b>	<b>55,797,823</b>	<b>3,568,334</b>	<b>6.4%</b>	<b>538,768</b>	<b>845,132</b>	<b>1,123,167</b>	<b>\$7.92</b>	<b>384,978</b>

Houston Area Warehouse - Distribution	4,375	282,275,940	18,163,810	6.4%	865,302	1,091,197	5,778,349	\$7.15	1,348,998
Manufacturing	755	51,074,912	1,933,000	3.8%	(63,670)	800,739	4,420,153	\$6.93	519,088
Light Industrial	1,942	52,382,771	4,110,634	7.9%	(120,634)	(640,388)	347,216	\$7.87	437,940
Flex/R&D	798	24,604,485	1,700,114	6.9%	38,080	(135,629)	204,360	\$11.41	126,073
<b>Houston Area Total</b>	<b>7,870</b>	<b>410,338,108</b>	<b>25,907,558</b>	<b>6.3%</b>	<b>719,078</b>	<b>1,115,919</b>	<b>10,750,078</b>	<b>\$7.47</b>	<b>2,432,099</b>

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

\*\*Includes all general-purpose existing industrial buildings 10,000 square feet or larger or those within a designated business park

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

# Houston-Area Industrial Historical Summary

2016 Second Quarter



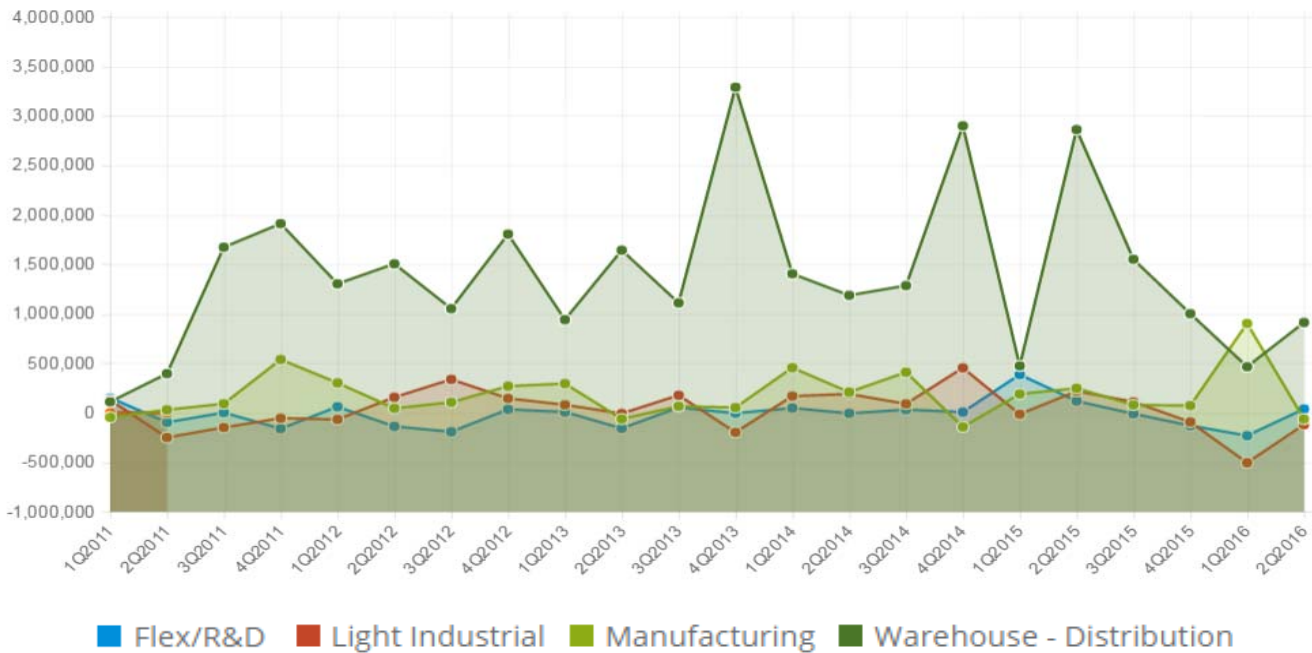
Period	# of Buildings*	Building SF**	Vacancy		Avail SF	Net Absorption		Avg Rent***	
			Vacant SF Direct	Rate Direct		Direct	Sublease	Direct	Sublease
2016 Q2	7,870	410,338,108	25,907,558	6.3%	2,432,099	719,078	\$7.47	\$6.65	
2016 Q1	7,735	409,395,762	24,390,202	6.0%	2,419,894	613,203	\$7.24	\$6.35	
2015 Q4	7,699	409,193,387	25,122,878	6.1%	2,451,206	910,996	\$7.53	\$5.45	
2015 Q3	7,390	408,330,314	22,055,100	5.4%	1,851,334	1,727,837	\$7.77	\$6.81	
2015 Q2	7,373	406,733,847	22,556,765	5.5%	1,765,988	3,442,915	\$7.70	\$7.40	
2015 Q1	7,328	404,331,594	23,739,391	5.9%	1,628,464	1,032,430	\$7.69	\$7.31	
2014 Q4	7,270	402,340,623	24,046,963	6.0%	1,517,554	3,213,995	\$7.57	\$6.92	
2014 Q3	7,228	398,681,656	25,056,140	6.3%	1,378,661	1,813,560	\$7.35	\$6.84	
2014 Q2	7,187	396,122,547	24,981,919	6.3%	1,484,062	1,576,570	\$7.13	\$6.81	
2014 Q1	7,159	393,062,413	25,116,791	6.4%	1,363,465	2,073,135	\$6.67	\$6.26	
2013 Q4	7,133	391,610,966	27,276,720	7.0%	2,003,230	3,137,471	\$6.52	\$6.06	
2013 Q3	7,104	389,103,121	28,472,022	7.3%	2,310,894	1,404,630	\$6.35	\$5.78	
2013 Q2	7,066	385,631,494	27,238,411	7.1%	2,205,071	1,412,501	\$6.34	\$5.32	
2013 Q1	7,040	383,286,989	27,471,495	7.2%	1,717,698	1,320,799	\$5.97	\$5.53	
2012 Q4	7,005	381,345,270	26,037,436	6.8%	1,745,173	2,250,701	\$5.90	\$5.14	
2012 Q3	6,987	379,947,218	27,805,629	7.3%	1,705,302	1,300,505	\$5.75	\$5.73	
2012 Q2	6,969	379,248,101	28,740,118	7.6%	1,713,664	1,566,279	\$5.67	\$5.65	
2012 Q1	6,956	378,618,201	28,913,229	7.6%	1,977,300	1,596,121	\$5.60	\$5.08	
2011 Q4	6,933	376,636,869	29,183,000	7.7%	1,970,315	2,231,354	\$5.51	\$5.58	
2011 Q3	6,917	375,464,400	30,418,034	8.1%	2,130,635	1,614,384	\$5.48	\$6.41	
2011 Q2	6,906	375,221,383	32,388,501	8.6%	2,125,422	76,885	\$5.54	\$5.51	
2011 Q1	6,843	372,328,597	31,619,559	8.5%	2,044,721	342,142	\$5.51	\$5.37	

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

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

## Houston-Area Industrial Direct Net Absorption by Type



Period	Flex/R&D	Light Industrial	Manufacturing	Warehouse-Distribution	All Types
2016 Q2	38,080	(120,634)	(63,670)	865,302	719,078
2016 Q1	(231,785)	(505,482)	901,614	464,634	628,981
2015 Q4	(130,139)	(93,964)	72,183	1,000,415	848,495
2015 Q3	(10,736)	109,791	78,674	1,550,108	1,727,837
2015 Q2	117,699	217,791	247,275	2,860,150	3,442,915
2015 Q1	385,258	(15,037)	188,910	473,299	1,032,430
2014 Q4	6,239	452,754	(143,098)	2,898,100	3,213,995
2014 Q3	30,950	89,523	408,958	1,284,129	1,813,560
2014 Q2	(6,166)	188,931	207,922	1,185,883	1,576,570
2014 Q1	47,194	167,799	454,750	1,403,392	2,073,135
2013 Q4	(4,830)	(197,956)	51,980	3,288,277	3,137,471
2013 Q3	52,871	176,250	65,704	1,109,805	1,404,630
2013 Q2	(157,790)	(8,137)	(63,405)	1,641,833	1,412,501
2013 Q1	7,293	79,562	294,045	939,899	1,320,799
2012 Q4	33,839	144,932	268,394	1,803,536	2,250,701
2012 Q3	(192,880)	336,660	105,257	1,051,468	1,300,505
2012 Q2	(138,262)	156,070	44,180	1,504,291	1,566,279
2012 Q1	59,798	(67,480)	301,350	1,302,453	1,596,121
2011 Q4	(161,071)	(55,481)	537,804	1,910,102	2,231,354
2011 Q3	1,150	(148,928)	90,211	1,671,951	1,614,384
2011 Q2	(97,335)	(250,220)	29,313	395,127	76,885
2011 Q1	150,600	127,959	(46,076)	109,659	342,142