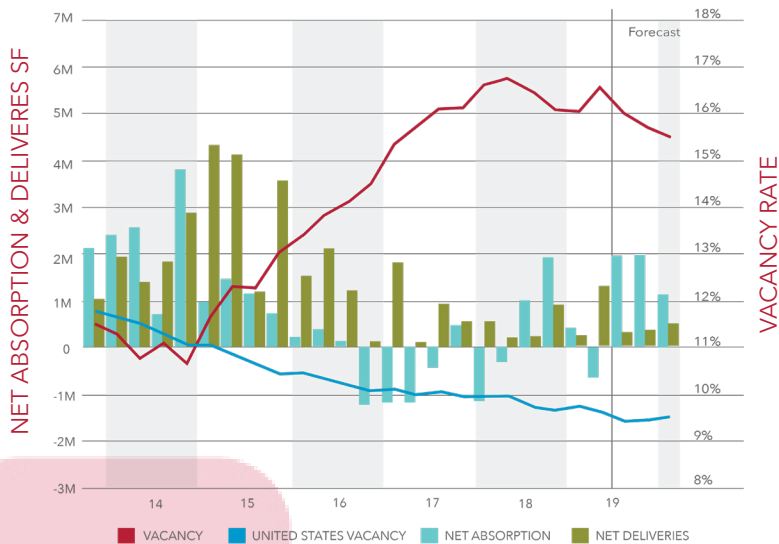


MARKET INDICATORS

	CURRENT Q2 2019		Q1 2019	Q1 2018
Vacancy Rate (%)	16.6	↑	16.2	16.6
Net Absorption (SF)	(635,845)	↓	425,790	(1,159,243)
Rental Rate (\$)	27.92	↑	27.85	27.75

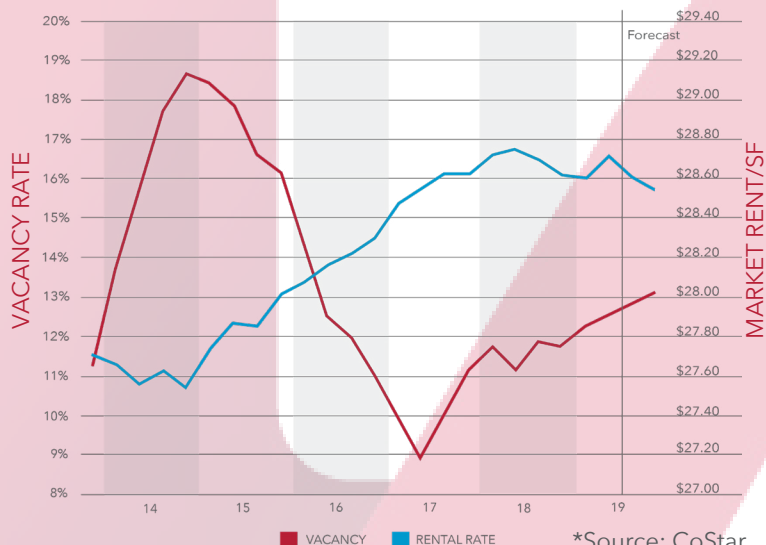
*Source: CoStar

NET ABSORPTION, DELIVERIES & VACANCY



*Source: CoStar

VACANCY VS. RENTAL RATE



*Source: CoStar

ECONOMY

Houston's economy is on track to have a net gain of 68,000+ jobs by the end of 2019. Houston's unemployment rate is at 3.2%, which is lower than the nation (3.4%) but higher than the state of Texas (2.9%). Houston ranks 3rd for the largest job growth, behind New York and Dallas. There are many construction cranes in the Houston skyline. Houston has more than 2.8 million square feet of office buildings under construction in Houston, with a total of 71 office buildings. The tariffs that President Trump placed on Mexico and China have profound implications for Houston's trading. Our exports to China are down 57% and China's imports to Houston are only down 10.4%. Overall, Houston's economy has recovered and job growth is climbing.

TRENDING NOW WRITTEN BY JILL NESLONEY

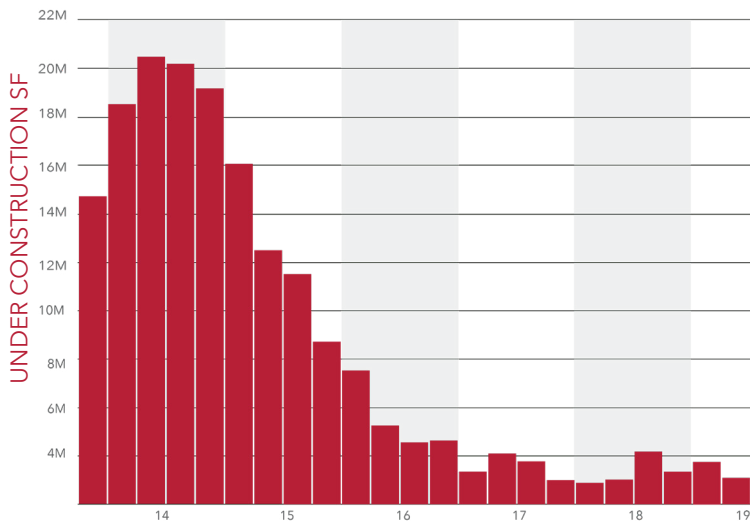
The office market has been slow to make a full recovery in Houston. Vacant office space is slowly and steadily being absorbed but it will likely take another year or two before we see Houston recover fully. We have consistently seen high vacancy rates for two years now. The city-wide vacancy rate has been hovering at around 16-17% since 2017. These high vacancy rates mean that it is still a tenant's market. Landlords are doing everything they can to retain tenants since there are so many competitive alternate options available.

Outside of offerings lots of free rent and concessions Landlords are also trying to make improvements to their properties to retain tenants. Many buildings are adding fitness centers, tenant lounges, delis, concierge services, tenant conference rooms, coffee shops and other amenities to help retain and attract tenants. Landlords of older properties or Class B buildings are now competing with Class A properties that have many more amenities. You will see that lobby renovations and more common area lounge type spaces are also being added to buildings. Tenants are working to retain their employees and officing in buildings that give a work, play, live environment is essential. Large downtown buildings like Bank of America and Allen Center are undergoing major renovations to keep up with tenant demands in the marketplace.

While the vacancy rates haven't changed much there are still lots of deals that are being done in Houston in the second quarter. Empyrean Benefits Solutions signed a 106,000 SF lease at 3010 Briarpark Drive. King & Spalding signed a 91,000 SF lease at 1100 Louisiana. Marsh Wortham signed a 90,000 SF lease at 2929 Allen Parkway. Honeywell signed a 114,000 SF lease at 2101 Citywest. White & Case signed a 57,000 SF lease at 609 Main. Olin Corporation signed a 54,000 SF lease at 16290 Katy Freeway. Direct Energy signed a 105,000 SF lease at 909 Fannin.

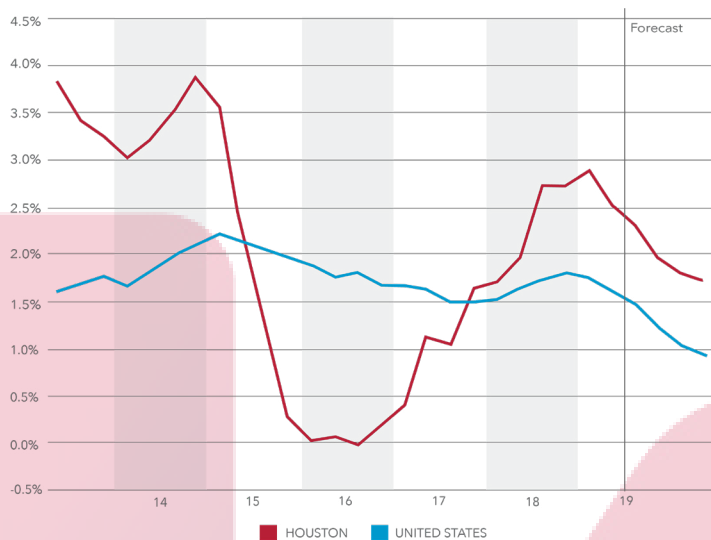
HOUSTON Q2 2019 OFFICE MARKET REPORT

UNDER CONSTRUCTION



*Source: CoStar

YEAR TO YEAR JOB GROWTH



*Source: CoStar

WTI PRICE

The WTI Crude Oil (Nymex) is at a price of 57.80 as of July 9, 2019 finishing in a +0.14 change and a +0.24% Change from last year. It fell -2.00 from last quarters price at \$59.49 (Bloomberg).

RIG COUNT

As of July 3, 2019, drilling rigs working in the U.S. is at 963 during the last week of June 2019. This is down 89 rigs from last year with a -4 change from the prior count (Baker Hughes).

RENTAL RATES

The average quoted asking rental rate for available office space, all classes, was \$27.92 per square foot per year gross which is up \$0.07 from last quarter. Rental rates are unlikely to increase market wide until more vacancy is absorbed throughout the market (CoStar).

The average quoted rate within the Class-A sector was \$35.04 per square foot at the end of the second quarter 2019, while Class-B gross rates are up slightly at \$22.31. At the end of the fourth quarter 2018, Class-A rates were \$34.58 per square foot, Class-B rates were \$21.92 (CoStar).

The average quoted asking rental rate in Houston's CBD was \$41.44 per square foot gross at the end of the second quarter 2019, and \$26.40 per square foot in the suburban markets (CoStar).

VACANCY

The office vacancy rate in the Houston market area increased to 16.6% at the end of the second quarter of 2019. The vacancy rate was 16.2% at the end of the first quarter of 2019 and 16.6% at this time last year (CoStar).

Class A projects reported a vacancy rate of 20.3% at the end of the second quarter, while it was 19.9% at the end of the first quarter of 2019. This time last year the vacancy rate was 21.2% at this time last year (CoStar).

Class B projects reported a vacancy rate of 17% at end of second quarter of 2019, 16.2% at the end of the first quarter of 2019 and 16.3% at this time last year (CoStar).

Class C projects reported a vacancy rate of 5.9% at the end of the second quarter of 2019, 6.1% at the end of the second quarter of 2019, and 6.3% at this time last year (CoStar).

The overall vacancy rate in Houston's central business district at the end of the second quarter 2019 slightly increased to 18.2%, while the first quarter of 2019 was 17.2%. The vacancy rate was 17.4% at the end of the second quarter last year (2018). The total available including subleases in Downtown Houston (CBD) is 24% at the end of the second quarter of 2019 (CoStar).

The vacancy rate in the suburban markets decreased to 15.2% at the end of second quarter 2019 and was at 15.8% in the second quarter 2019, and 16.7 at this time last year (CoStar).

SUBMARKET	EXISTING INVENTORY		VACANCY			YTD NET ABSORPTION	YTD DELIVERIES	UNDER CONST SF	
	# BLDG	TOTAL RBA	DIRECT SF	TOTAL SF	VAC %				
Baytown	137	1,637,547	114,353	114,353	7.0%	(14,146)	0	0	\$20.10
Bellaire	92	5,242,939	811,967	839,421	16.0%	(34,532)	0	5,000	\$25.27
CBD	161	51,451,907	9,015,326	9,904,672	19.3%	290,718	780,593	1,123,699	\$41.43
E Fort Bend Co/Sugar.	414	10,023,079	980,650	1,105,121	11.0%	(53,923)	69,099	290,306	\$26.10
FM 1960/Champions	260	4,424,796	624,555	638,023	14.4%	(18,336)	0	0	\$16.40
FM 1960/Hwy 249	431	8,928,055	1,111,866	1,153,613	12.9%	(193,979)	53,431	358,056	\$24.10
FM 1960/I-45 North	111	2,537,821	677,190	682,199	26.9%	(99,934)	0	0	\$17.65
Galleria/Uptown	66	16,848,369	2,410,137	2,575,859	15.3%	18,824	0	0	\$36.68
Greenspoint/IAH	57	3,197,153	834,034	838,321	26.2%	16,839	0	0	\$19.04
Greenspoint/N Belt W.	119	11,037,296	4,989,950	5,014,014	45.4%	(132,082)	0	0	\$18.50
Greenway Plaza	276	13,132,454	1,745,427	1,815,174	13.8%	(7,256)	0	0	\$31.61
Gulf Freeway/Pasadena	645	8,108,771	779,984	782,217	9.6%	31,161	0	0	\$21.26
I-10 East	135	1,373,111	88,420	88,420	6.4%	(6,070)	0	0	\$19.38
Katy Freeway East	260	11,606,278	1,081,870	1,197,273	10.3%	(43,930)	2,254	102,474	\$30.26
Katy Freeway West	262	28,597,325	5,985,559	7,033,013	24.6%	(229,594)	126,000	4,300	\$30.18
Katy/Grand Parkway W.	440	6,235,498	616,643	623,675	10.0%	75,706	34,260	21,025	\$27.77
Kingwood/Humble	232	3,655,064	385,997	387,060	10.6%	12,950	7,500	57,230	\$24.59
Midtown	570	9,764,836	975,038	982,963	10.1%	(58,566)	12,237	202,409	\$29.03
NASA/Clear Lake	532	10,389,526	1,493,373	1,498,471	14.4%	70,538	15,008	73,614	\$22.32
North Loop West	353	6,619,038	1,120,114	1,129,317	17.1%	(106,690)	10,020	104,515	\$24.51
Northeast Near	150	2,263,108	102,816	117,171	5.2%	5,360	0	0	\$17.21
Northwest Far	130	4,398,278	850,394	851,597	19.4%	(5,844)	0	0	\$16.77
Northwest Near	56	1,528,143	229,568	231,273	15.1%	(19,347)	64,348	0	\$16.36
Post Oak Park	43	4,680,539	1,090,541	1,157,593	24.7%	(40,464)	0	207,202	\$35.77
Richmond/Fountainview	118	2,189,838	176,882	176,882	8.1%	(7,289)	0	0	\$17.35
Riverway	24	3,090,743	653,195	663,098	21.5%	(100,271)	0	0	\$32.30
San Felipe/Voss	50	5,338,079	1,074,990	1,120,883	21.0%	(90,223)	0	0	\$29.49
South	265	3,235,626	224,134	226,364	7.0%	57,586	41,000	103,238	\$28.45
South Hwy 35	157	846,754	36,219	36,219	4.3%	13,602	15,000	0	\$13.74
South Main/Medical C.	240	13,619,487	704,251	720,584	5.3%	(76,277)	0	0	\$26.80
Southwest Beltway 8	191	7,470,061	1,330,928	1,389,403	18.6%	(143,703)	0	0	\$17.53
Southwest Far	91	1,453,169	251,032	251,032	17.3%	10,160	0	0	\$17.14
Southwest Outlier	213	1,724,905	224,026	226,026	13.1%	(8,603)	6,000	27,000	\$24.00
Southwest/Hillcroft	109	5,341,893	934,725	939,100	17.6%	8,561	0	0	\$16.12
The Woodlands	645	22,944,865	1,850,499	1,943,491	8.5%	573,874	210,422	245,424	\$30.13
West Belt	111	6,300,942	1,049,240	1,188,515	18.9%	118,627	0	0	\$25.60
Westchase	138	19,004,095	3,523,929	4,145,636	21.8%	14,762	0	0	\$27.09
Totals	\$8,584.00	\$322,678,316.00	\$50,196,816.00	\$53,844,384.00	\$16.6	-\$189,863.00	\$1,444,808.00	\$2,702,290.00	\$27.92