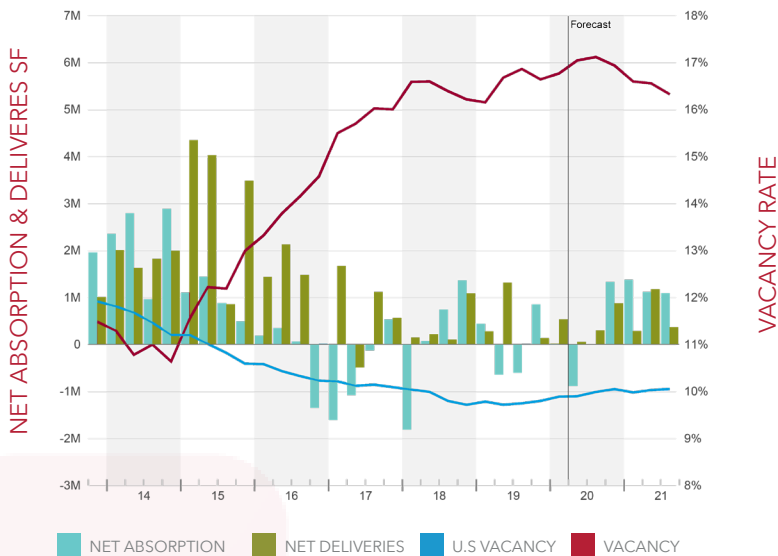


MARKET INDICATORS

	CURRENT Q1 2020	Q4 2019	Q1 2019
Vacancy Rate (%)	16.8 ↑	16.4	16.2
Net Absorption (SF)	(1,590,062) ↓	1,637,955	425,790
Quoted Rental Rate (\$)	28.46 ↑	28.04	29.19

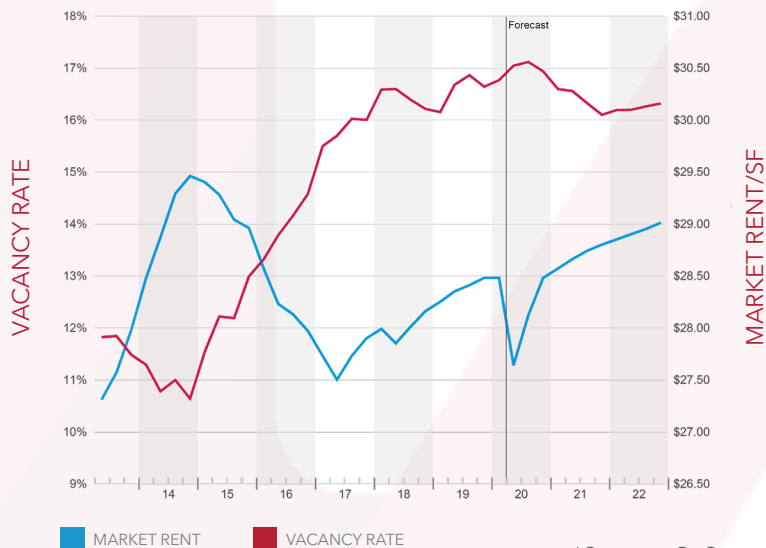
*Source: CoStar

NET ABSORPTION, DELIVERIES & VACANCY



*Source: CoStar

VACANCY VS. RENTAL RATE



*Source: CoStar

ECONOMY

2020 began with cautious optimism as confidence in building on the conservative growth in 2019 were highlighted by several sizable office transactions during the first quarter. Broad demand has been bridled by uncertainty in the energy business combined with a long overdue capital market correction. That uncertainty became a new reality in early March as a global oil war sent an already weakened energy business into a mid-1980's scale crash. Couple this with the COVID-19 health crisis that caused an economic shutdown of epic proportions and we find ourselves living a nightmare in which business sectors across the board have reverted to survival mode. Key economic indicators such as unemployment rates and GDP that looked promising at the beginning of the year are fluid at this point as the dismal results await. As the initial panic tails off, there are those that believe the economy will bounce back quickly due to the abrupt nature of the shutdown. No one knows for sure what looms ahead, but one thing is almost a guarantee: with its challenges related to the previous oil downturn, Houston will fall into a recession over the coming months.

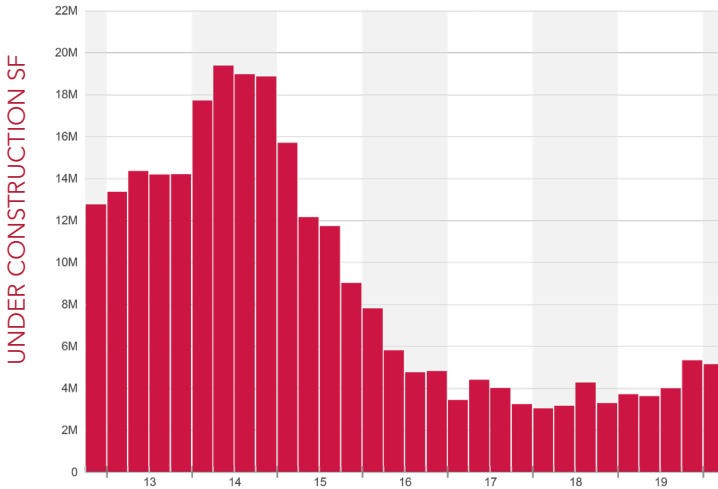
According to industry experts, the U.S. produces roughly 13 M barrels of crude oil per day (bpd) and imports another 6 M (bpd). The U.S. exports an average of 2 - 3 M (bpd) while U.S. oil refineries have cut back to processing 15 M (bpd) based on shrunken demand. The remainder is being stored in underground mines, storage tanks and tanker ships. With a total commercial crude oil storage capacity of nearly 650 M barrels of storage and 450 M already in inventory, the U.S. will reach maximum storage capacity in approximately 90 -120 days. Oil companies will be shutting-in wells either voluntarily or involuntarily, the efficacy of which would be prolonged devastation to the industry and those that it supports.

TRENDING NOW WRITTEN BY TRAVIS TAYLOR

The stay home, work safe order will at bring into question the necessity of large-scale office space and likely have long term impact on workplace culture. Social and economic trends that have been unfolding over the last several years will fully transpire as, for the first time ever, more people are working from home than from the office. Companies that are managing a remote workforce will be closely evaluating the effects of telecommuting during this global experiment. Without the conventional 9:00-5:00 routine, work hours are becoming more flexible and professional etiquette such as refraining from after-hour emails has become less of a concern.

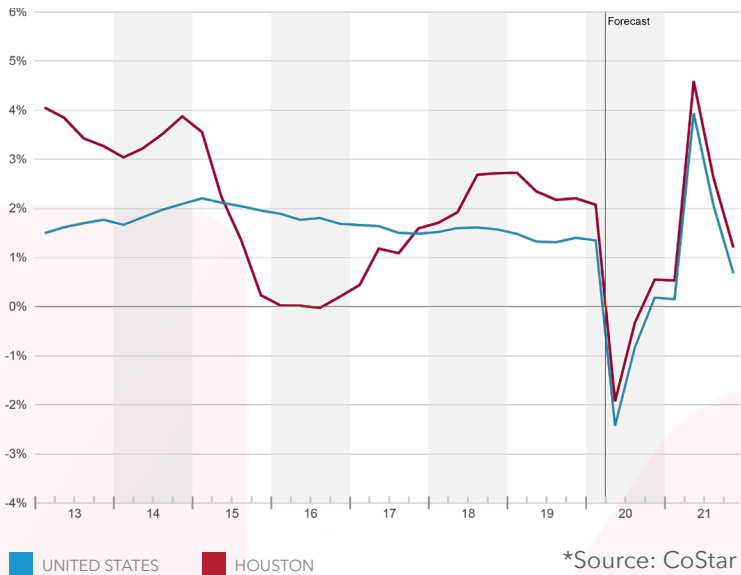
If productivity is not compromised, an increasing number of companies will turn away from the traditional model of commuting every day to a central headquarters. The silver lining is that employees that the require flexible working arrangements or desire an improved work - life balance are in for a significant change in the way business can occur remotely. The bad news is that the rest of us are as well.

UNDER CONSTRUCTION



*Source: CoStar

YEAR TO YEAR JOB GROWTH



*Source: CoStar

VACANCY & RENTAL RATES

The office vacancy rate in the Houston market area continued to increase this quarter to 16.8%. This is up 0.4% from last quarter's vacancy rate of 16.4% in Q4 2019. The vacancy rate was 16.6% at this time last year (CoStar). Overall, the North District/N Belt West submarket has the highest availability (Transwestern).

The average quoted asking rental rate for available office space, among all classes, for this quarter has increased slightly to \$28.46 square foot in comparison to \$28.04 per square foot per year gross from last quarter. Last year at this time, the rental rate was \$29.19 in Q1 2019. Class A availability stands at 18.7% and Class B at 23.0% (Transwestern). However, rental rates are unlikely to increase market wide until more vacancy is absorbed throughout the market.

TOP OFFICE LEASES



The Woodlands Towers at
The Waterway
2801 Lake Robbins Drive
807,586 SF
Occidental Petroleum Corp.



Enterprise Plaza
1100 Louisiana
512,345 SF
Enterprise Products Partners



The Woodlands Towers at
The Waterway
9950 Woodloch Forest Drive
133,948 SF
Western Midstream Partners

WTI PRICE

The WTI Crude Oil spot price for a barrel is averaged at \$19-22 as of mid March. The average price was forecasted to increase to \$54.31 for 2020 but is now predicted to be \$38.19 because of economic turns due to COVID-19 (GHP).

RIG COUNT

As March 2020, drilling rigs working in the U.S. is at 792. This is down 225, or 22.87%, rigs from the same week in March last year (Baker Hughes).

SUBMARKET	EXISTING INVENTORY		VACANCY		YTD NET ABSORPTION	YTD DELIVERIES	UNDER CONST SF	QUOTED RATES
	# BLDGS	TOTAL RBA	TOTAL SF	VAC %				
Baytown	140	1,901	102,761	5.4%	5,206	0	53	\$22.22
Bellaire	92	5,237	709,361	13.5%	78,274	1	1,252	\$25.53
CBD	160	51,212	10,261,678	20.0%	66,327	1	169	\$37.19
E Fort Bend Co/Sugar.	433	10,125	1,114,148	11.0%	14,697	21	-	\$27.56
FM 1960/Champions	263	4,420	788,784	17.8%	(212,429)	0	148	\$19.13
FM 1960/Hwy 249	465	9,631	1,557,197	16.2%	(263,317)	24	-	\$25.59
FM 1960/I-45 North	113	2,511	755,455	30.1%	(230,572)	0	70	\$20.48
Galleria/Uptown	66	16,850	2,911,681	17.3%	(253,579)	0	-	\$31.21
Greenspoint/IAH	57	3,355	770,497	23.0%	58,947	0	-	\$19.51
Greenspoint/N Belt W.	117	10,897	5,040,519	46.3%	(11,767)	0	-	\$18.95
Greenway Plaza	273	12,668	1,961,688	15.5%	(199,783)	0	62	\$30.57
Gulf Freeway/Pasadena	650	8,083	915,228	11.3%	(133,419)	0	31	\$22.26
I-10 East	142	1,389	93,243	6.7%	(7,668)	0	1,350	\$21.00
Katy Freeway East	263	11,701	1,121,617	9.6%	174,225	1	-	\$31.41
Katy Freeway West	263	27,971	5,928,238	21.2%	670,240	3	154	\$30.56
Katy/Grand Parkway W.	467	6,431	766,459	11.9%	(52,455)	15	309	\$28.86
Kingwood/Humble	241	3,757	390,105	10.4%	67,520	3	521	\$25.23
Midtown	583	9,942	944,602	9.5%	(56,427)	1	62	\$31.19
NASA/Clear Lake	537	10,309	1,384,976	13.4%	65,953	4	136	\$24.27
North Loop West	362	6,207	966,175	15.6%	85,066	1	-	\$23.57
Northeast Near	148	2,263	162,545	7.2%	(7,304)	0	-	\$24.58
Northwest Far	131	4,388	733,301	16.7%	59,605	0	109	\$19.99
Northwest Near	289	2,054	178,072	11.1%	75,772	12	207	\$20.24
Post Oak Park	44	4,607	1,164,749	25.3%	(119,112)	0	-	\$31.82
Richmond/Fountainview	120	2,208	201,043	9.1%	(31,213)	0	-	\$19.87
Riverway	24	3,099	684,182	22.1%	(137,650)	0	-	\$27.34
San Felipe/Voss	50	5,346	1,128,185	21.1%	(90,808)	0	86	\$26.43
South	274	3,286	342,792	10.4%	16,141	6	3	\$26.85
South Hwy 35	160	862	52,877	6.1%	(33,515)	0	5	\$20.02
South Main/Medical C.	240	13,013	761,633	5.9%	(94,327)	0	-	\$28.41
Southwest Beltway 8	191	7,411	1,418,684	19.1%	(31,418)	0	20	\$18.06
Southwest Far	93	1,458	269,657	18.5%	1,339	0	17	\$24.16
Southwest Outlier	233	1,916	222,333	11.6%	52,040	4	5	\$23.77
Southwest/Hillcroft	110	5,318	881,974	16.6%	(3,046)	0	723	\$17.32
The Woodlands	667	23,696	2,653,948	11.2%	(312,781)	11	4	\$32.02
West Belt	113	6,314	1,358,398	21.5%	(157,282)	0	-	\$28.44
Westchase	140	18,925	4,489,960	23.7%	40,216	0	5496	\$27.29
Totals	8,714	320,761	55,188,745	15.8%	(908,304)	108	5,403	\$25.21

*Source: CoStar