



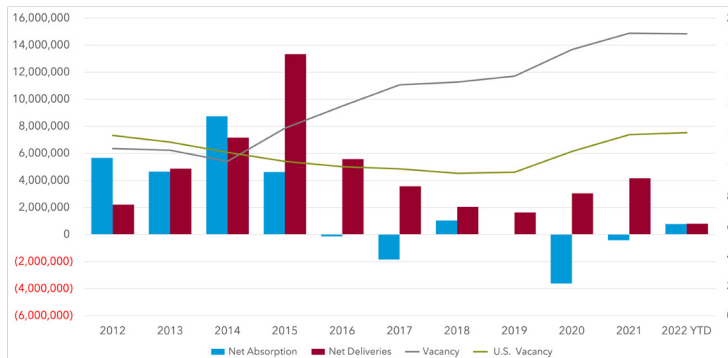
OFFICE MARKET OVERVIEW

BLAKE VIRGILIO, SIOR, CCIM, *Senior Director*

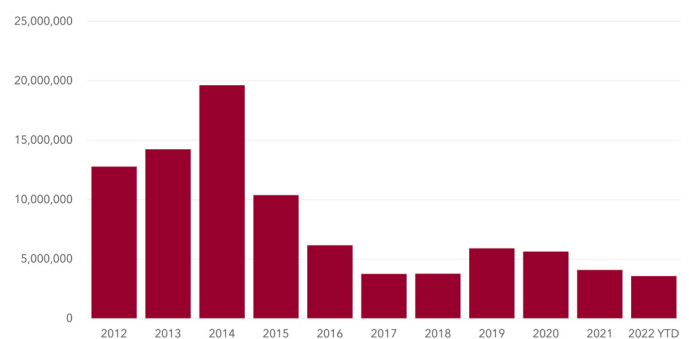
The Houston office market showed positive signs during the 1Q, with vacancy & new development decreasing, and over 1M SF of positive absorption. The tail winds of pent-up demand, strong energy pricing, and overall business confidence have started the trajectory toward a more equilibrium office market. Tenant concessions, and landlord's bolstering their amenity base, are still prevalent and necessary to close transactions. The amount of office space under construction is 18% of the 2014 peak, with minimal in the pipeline. Increased steel pricing has caused construction pricing for interiors to continue to increase, creating continued pressure TI Allowances and rents.

| MARKET INDICATORS | Q1 2022 | Q4 2021 | Q3 2021 | Q2 2021 | Q1 2021 |
|---------------------------|-------------|-------------|-------------|-------------|-------------|
| ▲ Qtrly Net Absorption SF | 1,148,815 | (418,150) | (1,468,515) | (3,336,339) | (3,802,241) |
| ▼ Vacancy Rate | 18.80% | 19.00% | 18.50% | 18.40% | 18.10% |
| ▲ Avg NNN Asking Rate PSF | \$28.52 | \$28.49 | \$28.47 | \$28.50 | \$28.59 |
| ▼ SF Under Construction | 3,570,560 | 4,084,235 | 4,965,764 | 4,867,136 | 5,352,127 |
| ▲ Inventory SF | 350,754,697 | 349,971,987 | 347,841,659 | 347,068,365 | 346,354,934 |

NET ABSORPTION, NET DELIVERIES, & VACANCY



UNDER CONSTRUCTION



| TOP SALE TRANSACTIONS BY SF | SIZE | SALE PRICE | BUYER / SELLER | BUILDING CLASS |
|---|--------------|-------------|--|----------------|
| 11445 Compaq Center West CCA 4-7 Houston, TX | 1,374,000 SF | Undisclosed | Mexcor, Inc. Hewlett Packard Enterprise | Class A |
| 1500 CityWest Houston, TX | 192,313 SF | Undisclosed | BioUrja Group Bridge Commercial | Class A |
| 10001 Richmond Avenue Houston, TX | 554,385 SF | Undisclosed | Real Capital Solutions LXP Industrial Trust | Class A |

| TOP LEASE TRANSACTIONS BY SF | SIZE | LANDLORD | TENANT | TENANT INDUSTRY |
|---|------------|--------------------------|---------------------|-----------------------|
| 915 N. Eldridge Parkway (Sublease) Houston, TX | 292,892 SF | McDermott | Enbridge Inc. | Oil/Gas Services |
| 1585 Sawdust Houston, TX | 40,813 SF | Orion Office REIT | Linde | Engineering |
| 460 Wildwood Forest Drive Houston, TX | 43,230 SF | GeoSouthern Energy Corp. | Strike Construction | Construction Services |

