

Houston's office market is finally on the mend

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Houston's office market made more progress in the third quarter than it has in the past three years, posting positive absorption of 901,844 SF, a substantial increase from the negative 0.7 million SF of absorption recorded one year ago. Leasing activity increased 22% over the quarter, and Houston's overall vacancy rate is finally below 20%.

Houston's job growth increased by 3.7% over the year according to recent data released by the US Bureau of Labor Statistics. The Houston MSA created 101,200 jobs (not seasonally adjusted) between August 2017 and August 2018, growing faster than Texas and the U.S. during the same period. Employment sectors with the most substantial growth includes the construction sector which grew by 13.5% over the year, and professional and business services which increased by 7.2%.

According to the U.S. Energy Information Administration, Gulf Coast refineries are taking in record levels of crude oil. Crude oil exports were up significantly in the first half of 2018 and West Texas Intermediate crude oil prices jumped in the first week of October 2018, exceeding \$75.00 per barrel for first time since November 2014. The increase in crude oil production, along with the increase in crude oil prices and significant job growth are all indicators that Houston's economy is bustling and it is positive news for Houston's office market.



Market Indicators Relative to prior period	Annual Change	Quarterly Change	Quarterly Forecast*
VACANCY	↑	↓	■
NET ABSORPTION	↑	↑	↓
NEW CONSTRUCTION	↓	■	↑
UNDER CONSTRUCTION	↑	↑	■

*Projected

Summary Statistics Houston Office Market	Q3 2017	Q2 2018	Q3 2018
Vacancy Rate	19.2%	20.1%	19.7%
Net Absorption (Million Square Feet)	-0.7	-0.1	0.9
New Construction (Million Square Feet)	0.2	0.1	0.1
Under Construction (Million Square Feet)	2.2	1.8	3.3
Class A Vacancy Rate			
CBD	19.0%	19.7%	19.3%
Suburban	21.7%	22.3%	21.9%
Asking Rents Per Square Foot Per Year			
Houston Class A	\$35.31	\$34.93	\$34.18
CBD Class A	\$44.36	\$44.28	\$45.28
Suburban Class A	\$32.92	\$32.24	\$31.04

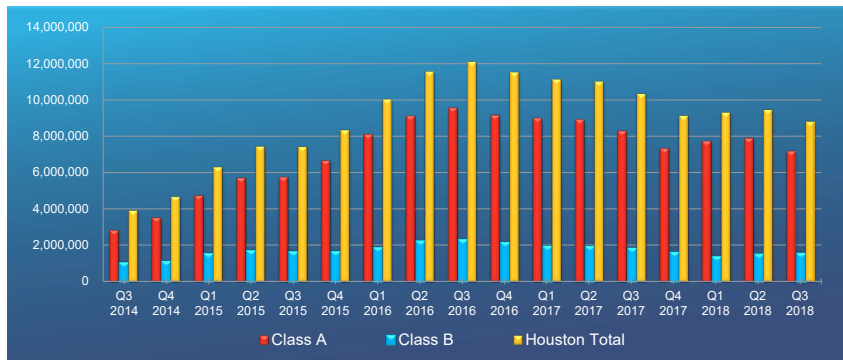
Vacancy & Availability

Houston's citywide vacancy rate decreased 40 basis points from 20.1% to 19.7% over the quarter, but this was an increase of 50 basis points year over year, up from the 19.2% recorded in Q3 2017. Over the quarter, the average suburban vacancy rate decreased 30 basis points from 19.6% to 19.3% and the average CBD vacancy rate fell 60 basis points from 22.2% to 21.6%.

The average Class A vacancy rate in the CBD dropped 40 basis points over the quarter from 19.7% to 19.3% and the average Class B vacancy rate in the CBD decreased from 31.3% to 29.8%. The average suburban Class A vacancy rate decreased 40 basis points from 22.3% to 21.9% between quarters, while the average suburban Class B vacancy decreased 10 basis points from 17.3% to 17.2%.

Of the 1,717 existing office buildings in our survey, 83 buildings have 100,000 SF or more contiguous space available for lease or sublease. Within these, 26 buildings have 200,000 SF or more contiguous space available. Citywide, the available sublease space decreased over the quarter from 9.4 million SF to 8.8 million SF. Available space differs from vacant space in that it includes space that is currently being marketed for lease but may be occupied with a future availability date. In contrast, vacant space is truly vacant and is and may still be immediately available. Most of the sublease space is located in Class A properties as seen in the chart below.

HISTORICAL AVAILABLE SUBLEASE SPACE



AVAILABLE SUBLEASE SPACE - 125,000 SF OR GREATER

Large Sublease Availabilities (Total available in building and/or complex)			
BUILDING	TENANT	SUBMARKET	SF
5 Greenway Plaza	Oxy	Greenway Plaza	807,567
Four WestLake Park	BP	Katy Freeway	454,487
Energy Tower II	KTI Corporation (Technip)	Katy Freeway	349,931
NRG Tower	Reliant Energy Retail	CBD	262,325
One Shell Plaza	Shell Oil	CBD	245,785
Three WestLake Park	Phillips 66	Katy Freeway	221,723
1100 Louisiana	Enbridge	CBD	202,680
10777 Clay Rd	AMEC Foster Wheeler	Katy Freeway	189,285
Westway III	GE Oil & Gas	West Belt	182,004
1001 Louisiana St	EP Energy Corporation	CBD	124,600

Source: CoStar

Job Growth & Unemployment

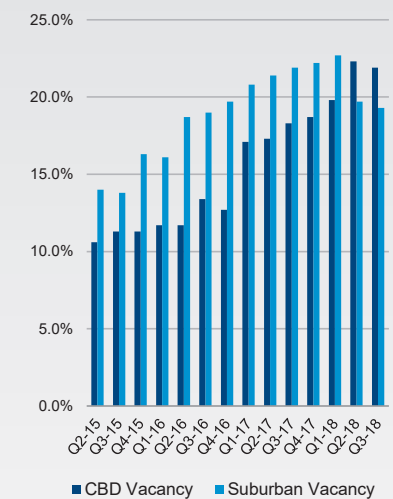
(not seasonally adjusted)

UNEMPLOYMENT	8/17	8/18
HOUSTON	5.1%	4.3%
TEXAS	4.4%	3.9%
U.S.	4.5%	3.9%

JOB GROWTH	Annual Change	# of Jobs Added
HOUSTON	3.7%	101.2K
TEXAS	3.2%	386.9K
U.S.	1.7%	2.4M

CBD vs. Suburban

CLASS A OFFICE VACANCY



CLASS A OFFICE RENTS



Absorption & Demand

Houston's office market posted 901,844 SF of positive net absorption in Q3 2018. Suburban Class A space recorded the largest gain, posting 457,043 SF of positive net absorption. Some of the tenants that relocated during the third quarter include the Harris County Veterans Service (moving into 118,800 SF in 500 Jefferson in the CBD submarket), Exterran Energy Solutions (occupying 44,900 SF in 11000 Equity Drive office building located in the West Belt submarket) and WorkSuites (moving into 30,355 SF at 2001 Timberloch Place in The Woodlands submarket).

Rental Rates

Houston's average asking rental rate increased over the quarter from \$28.99 per SF to \$30.02 per SF. Houston average rental rate for Class A space decreased over the quarter from \$34.93 per SF to \$34.18 per SF. In contrast, the average Class A rental rate in the CBD increased by a dollar over the quarter up from \$44.28 to \$45.28 per SF. The Suburban Class A rental rate decreased from \$32.24 to \$31.04 per SF.

Leasing Activity

Houston's office leasing activity increased 22% over the quarter from 2.9M SF to 3.5M SF. Leasing activity includes new/direct, sublet, renewals/expansions and pre-leasing in proposed buildings. Some of the more notable transactions are noted in the table below. Highlighting the continuing improvement in the market, the office market recorded 2.3 million square feet of leasing activity in the first four days of the fourth quarter of 2018.

Q3 2018 Select Office Lease Transactions					
BUILDING NAME/ADDRESS	SUBMARKET	SF	TENANT	LEASE DATE	
801 Texas	CBD	212,000	Vinson & Elkins ⁴	Jul-18	
801 Texas	CBD	155,000	Hines ⁴	Jul-18	
1001 Louisiana St	CBD	93,896	Constellation ²	Aug-18	
15377 Memorial Dr	Katy Freeway	85,500	BP ²	Jul-18	
1221 McKinney St	CBD	72,900	Haynes and Boone ³	Aug-18	
1177 West Loop South	West Loop/Galleria	64,022	Cornerstone Home Lending ^{3,5}	Sep-18	
2050 W Sam Houston Parkway	Westchase	55,000	Cardtronics ¹	Aug-18	
11000 Equity Dr	West Belt	44,894	Exterran Energy Solutions ¹	Aug-18	

¹New/Direct

²Renewal/Expansion

³Colliers International Transaction

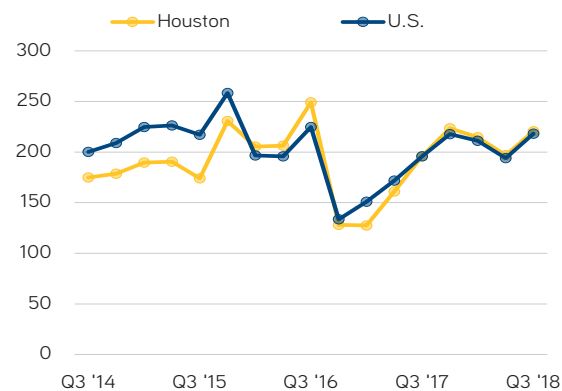
⁴Sublease

⁵Pre-lease in proposed/under construction

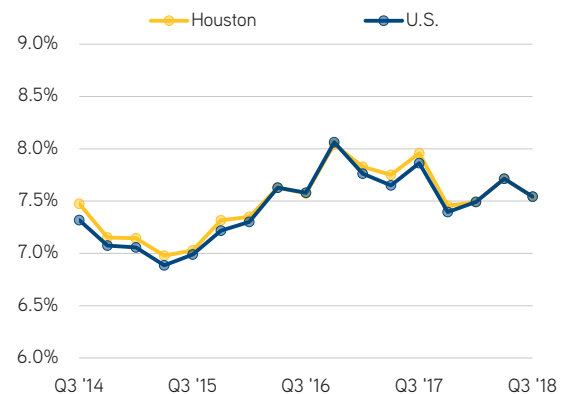
Sales Activity

Houston's office investment sales plunged dramatically over the year, falling by 45.3% since Q3 2017. The average sales price per square foot trended up from \$197 to \$221 per SF over the quarter. Houston's average cap rate of 7.5% is the same as the U.S. average rate.

AVERAGE OFFICE SALES PRICE PER SF



AVERAGE OFFICE CAP RATE



Sources: CoStar and Real Capital Analytics

Houston Office Market Summary (CBD, Suburban, & Overall)

CLASS	INVENTORY		DIRECT VACANCY		SUBLEASE VACANCY		VACANCY TOTAL (SF)	VACANCY RATE (%)		NET ABSORPTION (SF)		RENTAL RATE
	# OF BLDGS.	TOTAL (SF)	(SF)	RATE (%)	(SF)	RATE (%)		Q3-2018	Q2-2018	Q3-2018	Q2-2018	AVG (\$/SF)
CBD												
A	34	32,499,577	5,110,217	15.7%	1,170,290	3.6%	6,280,507	19.3%	19.7%	105,746	285,038	\$45.28
B	31	10,009,778	2,916,459	29.1%	68,340	0.7%	2,984,799	29.8%	31.3%	143,733	-147,042	\$29.85
C	13	855,542	99,657	11.6%	0	0.0%	99,657	11.6%	11.6%	0	5,050	\$19.99
Total	78	43,364,897	8,126,333	18.7%	1,238,630	2.9%	9,364,963	21.6%	22.2%	249,479	143,046	\$38.03
SUBURBAN												
A	402	99,673,964	18,091,785	18.2%	3,708,861	3.7%	21,800,646	21.9%	22.3%	457,043	491,647	\$31.04
B	947	77,865,112	12,927,731	16.6%	498,144	0.6%	13,425,875	17.2%	17.3%	109,256	-628,986	\$20.90
C	290	12,228,759	1,362,490	11.1%	10,963	0.1%	1,373,453	11.2%	11.9%	86,066	-51,691	\$17.39
Total	1639	189,767,835	32,382,006	17.1%	4,217,968	2.2%	36,599,974	19.3%	19.6%	652,365	-189,030	\$26.42
OVERALL												
A	436	132,173,541	23,202,002	17.6%	4,879,151	3.7%	28,081,153	21.2%	21.7%	562,789	776,685	\$34.18
B	978	87,874,890	15,844,190	18.0%	566,484	0.6%	16,410,674	18.7%	18.9%	252,989	-776,028	\$22.55
C	303	13,084,301	1,462,147	11.2%	10,963	0.1%	1,473,110	11.3%	11.9%	86,066	-46,641	\$17.56
Total	1717	233,132,732	40,508,339	17.4%	5,456,598	2.3%	45,964,937	19.7%	20.1%	901,844	-45,984	\$30.02

Houston Suburban Office Market Summary

CLASS	INVENTORY		DIRECT VACANCY		SUBLEASE VACANCY		VACANCY TOTAL (SF)	VACANCY RATE (%)		NET ABSORPTION (SF)		RENTAL RATE
	# OF BLDGS.	TOTAL (SF)	(SF)	RATE (%)	(SF)	RATE (%)		Q3-2018	Q2-2018	Q3-2018	Q2-2018	AVG (\$/SF)
ALLEN PARKWAY (MIDTOWN)												
A	8	2,284,619	360,019	15.8%	12,016	0.5%	372,035	16.3%	16.0%	-5,377	74,753	\$32.99
B	34	2,552,569	225,471	8.8%	10,295	0.4%	235,766	9.2%	8.3%	-23,293	-27,022	\$27.66
C	13	402,988	104,026	25.8%	0	0.0%	104,026	25.8%	24.9%	-3,621	-1,880	\$26.44
Total	55	5,240,176	689,516	13.2%	22,311	0.4%	711,827	13.6%	13.0%	-32,291	45,851	\$30.26
BAYTOWN												
B	3	186,005	8,540	4.6%	0	0.0%	8,540	4.6%	4.6%	0	77	\$21.45
C	3	81,481	2,500	3.1%	0	0.0%	2,500	3.1%	3.1%	0	0	-
Total	6	267,486	11,040	4.1%	0	0.0%	11,040	4.1%	4.1%	0	77	\$16.59
BELLAIRE												
A	7	1,375,713	145,586	10.6%	13,969	1.0%	159,555	11.6%	15.1%	48,309	-26,732	\$29.06
B	19	2,456,593	129,907	5.3%	13,721	0.6%	143,628	5.8%	5.8%	-2,095	-62,103	\$24.78
C	5	318,508	34,518	10.8%	0	0.0%	34,518	10.8%	11.0%	658	0	\$18.06
Total	31	4,150,814	310,011	7.5%	27,690	0.7%	337,701	8.1%	9.3%	46,872	-88,835	\$26.04
CONROE AND OUTLYING MONTGOMERY CO												
A	2	88,449	28,449	32.2%	0	0.0%	28,449	32.2%	32.2%	0	0	\$23.53
B	9	368,376	1,474	0.4%	0	0.0%	1,474	0.4%	0.8%	1,345	3,470	\$18.00
C	7	287,369	14,768	5.1%	0	0.0%	14,768	5.1%	3.5%	-4,636	4,166	\$18.60
Total	18	744,194	44,691	6.0%	0	0.0%	44,691	6.0%	5.6%	-3,291	7,636	\$6.74
E. FORT BEND CO SUGAR LAND												
A	17	3,400,728	197,796	5.8%	151,320	4.4%	349,116	10.3%	10.7%	13,147	57,466	\$31.56
B	40	2,411,312	269,663	11.2%	12,109	0.5%	281,772	11.7%	14.2%	77,471	-1,766	\$24.86
C	5	146,524	0	0.0%	0	0.0%	0	0.0%	0.0%	0	0	\$13.02
Total	62	5,958,564	467,459	7.8%	163,429	2.7%	630,888	10.6%	11.8%	90,618	55,700	\$27.69

Houston Suburban Office Market Summary - Continued

CLASS	INVENTORY		DIRECT VACANCY		SUBLEASE VACANCY		VACANCY	VACANCY RATE (%)		NET ABSORPTION (SF)		RENTAL RATE
	# OF BLDGS.	TOTAL (SF)	(SF)	RATE (%)	(SF)	RATE (%)	TOTAL (SF)	Q3-2018	Q2-2018	Q3-2018	Q2-2018	AVG (\$/SF)
FM 1960												
A	13	2,975,786	386,491	13.0%	12,512	0.4%	399,003	13.4%	12.6%	-22,834	-14,850	\$28.09
B	71	4,386,053	815,751	18.6%	25,651	0.6%	841,402	19.2%	19.6%	19,808	-41,412	\$16.86
C	23	805,296	109,392	13.6%	0	0.0%	109,392	13.6%	15.3%	13,448	27,437	\$14.27
Total	107	8,167,135	1,311,634	16.1%	38,163	0.5%	1,349,797	16.5%	16.7%	10,422	-28,825	\$19.95
GREENWAY PLAZA												
A	21	7,429,743	1,343,525	18.1%	57,444	0.8%	1,400,969	18.9%	19.6%	57,979	-162,220	\$35.94
B	31	3,103,161	370,660	11.9%	1,675	0.1%	372,335	12.0%	12.5%	14,983	14,142	\$26.61
C	12	406,928	35,560	8.7%	0	0.0%	35,560	8.7%	12.1%	13,549	-4,201	\$21.75
Total	64	10,939,832	1,749,745	16.0%	59,119	0.5%	1,808,864	16.5%	17.3%	86,511	-152,279	\$33.68
GULF FREEWAY PASADENA												
A	2	105,782	29,975	28.3%	0	0.0%	29,975	28.3%	28.3%	0	53,101	-
B	42	2,435,737	232,773	9.6%	10,555	0.4%	243,328	10.0%	11.5%	37,743	-2,217	\$21.28
C	27	996,887	104,885	10.5%	0	0.0%	104,885	10.5%	10.6%	528	5,417	\$23.16
Total	71	3,538,406	367,633	10.4%	10,555	0.3%	378,188	10.7%	11.8%	38,271	56,301	\$21.21
I-10 EAST												
B	6	427,851	74,516	17.4%	0	0.0%	74,516	17.4%	22.7%	22,668	-1,393	\$17.73
C	6	266,929	13,000	4.9%	0	0.0%	13,000	4.9%	4.9%	0	0	\$18.08
Total	12	694,780	87,516	12.6%	0	0.0%	87,516	12.6%	15.9%	22,668	-1,393	\$17.78
KATY FREEWAY												
A	88	22,224,825	3,412,568	15.4%	1,703,559	7.7%	5,116,127	23.0%	23.6%	131,082	752,167	\$35.29
B	93	8,384,623	1,587,369	18.9%	85,043	1.0%	1,672,412	19.9%	19.9%	-7,013	10,160	\$21.75
C	30	1,374,963	121,642	8.8%	5,206	0.4%	126,848	9.2%	8.8%	-5,439	-12,814	\$19.76
Total	211	31,984,411	5,121,579	16.0%	1,793,808	5.6%	6,915,387	21.6%	22.0%	118,630	749,513	\$30.72
KATY GRAND PARKWAY												
A	17	1,563,712	214,791	13.7%	6,896	0.4%	221,687	14.2%	15.0%	39,199	66,309	\$28.93
B	16	1,147,005	13,364	1.2%	0	0.0%	13,364	1.2%	1.0%	-2,270	-1,046	\$25.27
C	2	149,262	0	0.0%	0	0.0%	0	0.0%	0.0%	0	0	-
Total	35	2,859,979	228,155	8.0%	6,896	0.2%	235,051	8.2%	8.5%	36,929	65,263	\$28.72
KINGWOOD HUMBLE												
B	19	1,285,693	88,353	6.9%	0	0.0%	88,353	6.9%	6.3%	-7,242	-18,700	\$22.28
C	5	159,105	12,878	8.1%	0	0.0%	12,878	8.1%	8.6%	800	24,215	\$18.14
Total	24	1,444,798	101,231	7.0%	0	0.0%	101,231	7.0%	6.6%	-6,442	5,515	\$21.75
NASA CLEAR LAKE												
A	12	1,778,721	168,709	9.5%	2,390	0.1%	171,099	9.6%	9.3%	-5,116	-35,425	\$27.54
B	48	3,146,817	862,643	27.4%	1,092	0.0%	863,735	27.4%	28.0%	18,199	-246	\$19.81
C	17	511,360	75,291	14.7%	0	0.0%	75,291	14.7%	13.8%	-4,849	1,182	\$16.07
Total	77	5,436,898	1,106,643	20.4%	3,482	0.1%	1,110,125	20.4%	20.6%	8,234	-34,489	\$20.73
NORTH BELT GREENSPPOINT												
A	25	5,522,618	3,359,079	60.8%	56,081	1.0%	3,415,160	61.8%	62.1%	14,034	-171,898	\$22.09
B	56	5,735,931	1,669,442	29.1%	34,145	0.6%	1,703,587	29.7%	30.3%	36,773	-185,460	\$15.31
C	21	1,410,678	221,426	15.7%	2,757	0.2%	224,183	15.9%	18.7%	39,573	-3,122	\$13.17
Total	102	12,669,227	5,249,947	41.4%	92,983	0.7%	5,342,930	42.2%	42.9%	90,380	-360,480	\$19.56
NORTHEAST NEAR AND OUTLIER												
A	3	642,223	21,702	3.4%	0	0.0%	21,702	3.4%	3.4%	0	6,355	-
B	6	243,799	34,508	14.2%	0	0.0%	34,508	14.2%	10.4%	-9,146	54	\$21.51
C	2	56,562	12,035	21.3%	0	0.0%	12,035	21.3%	18.1%	-1,819	2,448	\$15.00
Total	11	942,584	68,245	7.2%	0	0.0%	68,245	7.2%	6.1%	-10,965	8,857	\$13.52

Houston Suburban Office Market Summary - Continued

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	# OF BLDGS.	TOTAL (SF)	(SF)	RATE (%)	(SF)	RATE (%)		Q3-2018	Q2-2018	Q3-2018	Q2-2018	AVG (\$/SF)
NORTHWEST AND NORTHWEST OUTLIER												
A	9	1,985,781	844,756	42.5%	5,107	0.3%	849,863	42.8%	36.9%	-116,461	-49,699	\$22.88
B	73	5,832,796	934,746	16.0%	1,468	0.0%	936,214	16.1%	17.3%	74,951	-16,485	\$18.80
C	33	1,329,729	101,319	7.6%	3000	0.2%	104,319	7.8%	10.6%	36,289	-99,664	\$16.62
Total	115	9,148,306	1,880,821	20.6%	9,575	0.1%	1,890,396	20.7%	20.6%	-5,221	-165,848	\$20.52
RICHMOND FOUNTAINVIEW												
B	15	916,446	117,042	12.8%	0	0.0%	117,042	12.8%	14.4%	14,736	14,064	\$17.10
C	10	392,300	32,035	8.2%	0	0.0%	32,035	8.2%	8.0%	-804	-9,566	\$17.33
Total	25	1,308,746	149,077	11.4%	0	0.0%	149,077	11.4%	12.5%	13,932	4,498	\$17.15
SAN FELIPE VOSS												
A	3	1,720,793	475,401	27.6%	20,779	1.2%	496,180	28.8%	27.7%	-20,000	-436	\$36.13
B	30	3,157,710	560,770	17.8%	36,227	1.1%	596,997	18.9%	18.8%	-2,191	-871	\$24.81
Total	33	4,878,503	1,036,171	21.2%	57,006	1.2%	1,093,177	22.4%	22.0%	-22,191	-1,307	\$30.00
SOUTH												
A	1	76,048	9,307	11.6%	0	0.0%	9,307	11.6%	11.6%	0	1,715	\$30.88
B	12	358,303	25,829	7.2%	0	0.0%	25,829	7.2%	8.5%	4,466	-5,116	\$24.78
C	5	195,387	26,100	13.4%	0	0.0%	26,100	13.4%	5.5%	-15,400	1,704	\$28.34
Total	18	629,738	61,236	9.7%	0	0.0%	61,236	9.7%	8.0%	-10,934	-1,697	\$27.26
SOUTH MAIN MEDICAL CENTER												
A	1	485,000	0	0.0%	0	0.0%	0	0.0%	0.0%	0	0	-
B	12	829,793	94,169	11.3%	0	0.0%	94,169	11.3%	12.8%	12,071	-5,177	\$17.99
C	7	286,418	59,495	20.8%	0	0.0%	59,495	20.8%	21.3%	1,458	8,797	\$15.28
Total	20	1,601,211	153,664	9.6%	0	0.0%	153,664	9.6%	10.4%	13,529	3,620	\$16.65
SOUTHEAST												
B	17	1,271,884	84,909	6.7%	0	0.0%	84,909	6.7%	8.8%	27,300	-5,523	\$18.06
C	2	118,209	0	0.0%	0	0.0%	0	0.0%	0.0%	0	0	-
Total	19	1,390,093	84,909	6.1%	0	0.0%	84,909	6.1%	8.1%	27,300	-5,523	\$15.91
SOUTHWEST												
A	6	1,580,642	334,346	21.2%	29,163	1.8%	363,509	23.0%	23.0%	-213	18,211	\$19.46
B	63	6,069,695	1,190,596	19.6%	58,887	1.0%	1,249,483	20.6%	19.9%	-42,403	33,578	\$17.15
C	34	1,802,750	255,226	14.2%	0	0.0%	255,226	14.2%	14.0%	-3,009	-4,342	\$15.04
Total	103	9,453,087	1,780,168	18.8%	88,050	0.9%	1,868,218	19.8%	19.3%	-45,625	47,447	\$17.28
SOUTHWEST FAR AND OUTLIER												
A	2	158,720	19,737	12.4%	0	0.0%	19,737	12.4%	12.4%	0	0	-
B	12	925,976	233,335	25.2%	0	0.0%	233,335	25.2%	25.2%	0	-10,520	\$27.67
C	3	91,661	7,000	7.6%	0	0.0%	7,000	7.6%	8.7%	1,000	-5,000	\$15.60
Total	17	1,176,357	260,072	22.1%	0	0.0%	260,072	22.1%	22.2%	1,000	-15,520	\$26.23
WEST BELT												
A	30	4,380,523	698,854	16.0%	361,923	8.3%	1,060,777	24.2%	28.2%	176,413	-175,953	\$29.74
B	36	2,086,925	339,678	16.3%	101,889	4.9%	441,567	21.2%	21.3%	3,168	-77,628	\$20.82
C	4	112,629	0	0.0%	0	0.0%	0	0.0%	0.0%	0	0	-
Total	70	6,580,077	1,038,532	15.8%	463,812	7.0%	1,502,344	22.8%	25.6%	179,581	-253,581	\$26.82
WEST LOOP												
A	51	18,015,071	3,072,561	17.1%	510,656	2.8%	3,583,217	19.9%	20.9%	185,957	141,328	\$37.53
B	53	6,030,358	940,915	15.6%	59,336	1.0%	1,000,251	16.6%	15.4%	-70,960	-146,069	\$27.86
C	4	216,268	2,943	1.4%	0	0.0%	2,943	1.4%	100.0%	-758	-2,185	\$20.82
Total	108	24,261,697	4,016,419	16.6%	569,992	2.3%	4,586,411	18.9%	19.4%	114,239	-6,926	\$35.25

Houston Suburban Office Market Summary - Continued

CLASS	INVENTORY		DIRECT VACANCY		SUBLEASE VACANCY		VACANCY TOTAL (SF)	VACANCY RATE (%)		NET ABSORPTION (SF)		RENTAL RATE AVG (\$/SF)
	# OF BLDGS.	TOTAL (SF)	(SF)	RATE (%)	(SF)	RATE (%)		Q3-2018	Q2-2018	Q3-2018	Q2-2018	
WESTCHASE												
A	34	10,002,462	1,933,281	19.3%	704,480	7.0%	2,637,761	26.4%	25.4%	-92,441	-8,240	\$31.54
B	62	7,615,667	1,635,501	21.5%	35,476	0.5%	1,670,977	21.9%	19.9%	-142,316	-109,523	\$22.07
C	5	176,872	10,193	5.8%	0	0.0%	10,193	5.8%	5.8%	0	-1	\$15.00
Total	101	17,795,001	3,578,975	20.1%	739,956	4.2%	4,318,931	24.3%	22.9%	-234,757	-117,764	\$28.65
THE WOODLANDS												
A	50	11,876,005	1,034,852	8.7%	60,566	0.5%	1,095,418	9.2%	9.7%	53,365	-34,305	\$33.12
B	69	4,498,034	385,807	8.6%	10,575	0.2%	396,382	8.8%	10.0%	52,503	13,746	\$26.29
C	5	131,696	6,258	4.8%	0	0.0%	6,258	4.8%	19.3%	19,098	15,718	\$25.08
Total	124	16,505,735	1,426,917	8.6%	71,141	0.4%	1,498,058	9.1%	9.8%	124,966	-4,841	\$31.24

Office Development Pipeline

3.2 million SF of office space is under construction and 46.6% of space is pre-leased. Build-to-suit projects make up 26% of the space under construction and the remaining 74% is spec office space, of which 28% is pre-leased. The table below includes office buildings under construction with a RBA of 100,000 SF or more.

BUILDING NAME	ADDRESS	SUBMARKET	SF	PRE-LEASED	DEVELOPER/CONTRACTOR	EST. DELIVERY
801 Texas	801 Texas Ave	CBD	1,110,220	33.1%	Hines Securities, Inc.	Oct-21
Capitol Tower	800 Capitol St	CBD	778,344	34.4%	SCD Acquisitions LLC	Jun-19
CityPlace 2 - BTS for ABS	1701 City Plaza Dr	The Woodlands	326,800	93.9%	Patrinely Group, Inc	Oct-18
CityPlace - HP Building 1	City Plaza Dr	The Woodlands	189,000	100%	Patrinely Group, Inc	Jan-19
CityPlace - HP Building 2	City Plaza Dr	The Woodlands	189,000	100%	Patrinely Group, Inc	Jan-19
Chasewood Crossing Three	19350 State Highway 249	FM 1960	156,000	0%	Greenwood Properties	Jul-19
CityPlace 1	1700 City Plaza Dr	The Woodlands	149,500	5.2%	Patrinely Group, Inc	Apr-19

Skylines | Now Available Online at colliers.com/houston

A skyline view of available space for nine of Houston's Class A office submarkets including CBD, Galleria, Energy Corridor, Greenway Plaza, NASA/Clear Lake, North Belt, Sugar Land, The Woodlands and Westchase, is now available online.

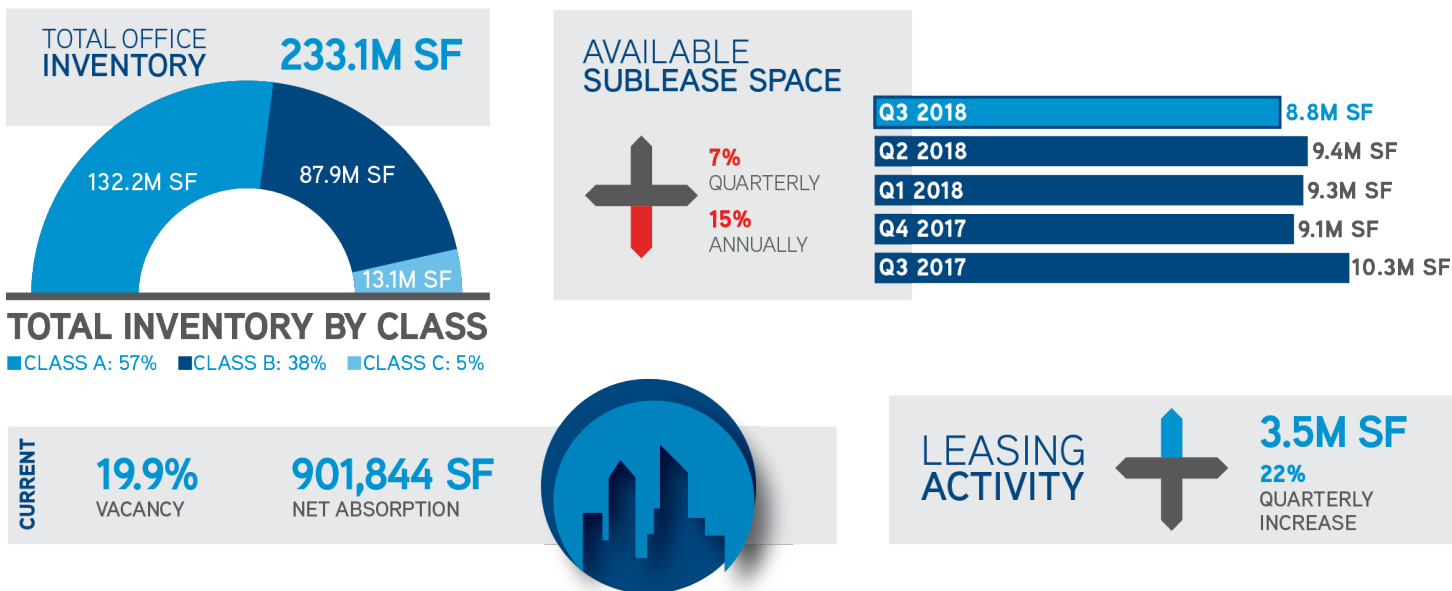


Quoted gross rental rates for **existing** top performing office buildings

BUILDING NAME	ADDRESS	SUBMARKET	RBA (SF)	YEAR BUILT	% LEASED	AVAIL. SF	RENT (\$/SF)	OWNER
BG Group Place	811 Main St	CBD	972,474	2011	93.6%	79,568	\$51.91	BG Holdco LLC
Heritage Plaza	1111 Bagby St	CBD	1,212,895	1986	98.8%	70,714	\$51.06	Brookfield Office Properties, Inc
CityCentre Two	818 Town & Country Blvd	Katy Freeway	149,827	2009	99.1%	1,375	\$50.04	Midway Cc15 Partners
Town Centre One	750 Town & Country Blvd	Katy Freeway	253,714	2015	85.2%	37,451	\$43.09	Moody Ramin
Amegy Tower	1717 W Loop Fwy S	West Loop/Galleria	380,000	2017	90.2%	61,986	\$49.87	Zions Bancorporation
BBVA Compass Plaza	3009 Post Oak Blvd	West Loop/Galleria	326,200	2013	96.6%	11,035	\$51.63	Corporacion Masaveu S.A.
CityWestPlace 4	2103 CityWest Blvd	Westchase	518,293	2000	85.5%	128,303	\$50.45	Canada Pension Plan Investment Board
Granite Briarpark Green	3151 Briarpark Dr	Westchase	302,551	2013	98.9%	91,547	\$39.77	GPI Briarpark Green LP
Two Hughes Landing	1790 Hughes Landing Blvd	The Woodlands	197,696	2014	95.5%	13,899	\$44.47-\$50.47	The Woodlands Development Company, L.P.

Note: Available SF includes direct and sublet space as well as any future available space currently listed.
Source: CoStar Property

Q3 2018 Houston Office Highlights



FOR MORE INFORMATION

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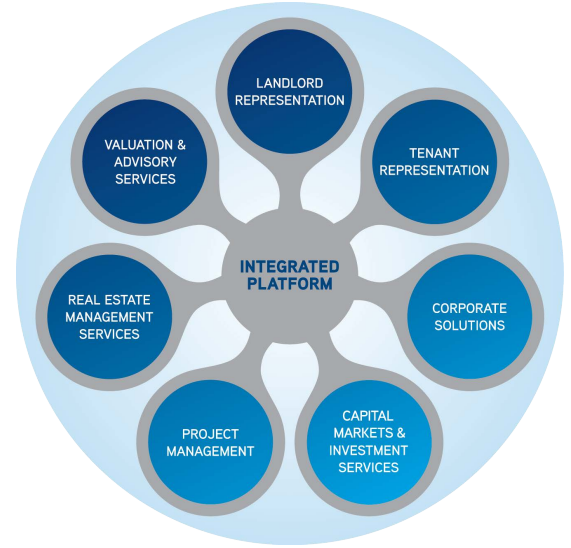
Colliers statistical criteria includes all general purpose multi and single tenant office buildings 20,000 SF or greater.

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Colliers professionals think differently, share great ideas and offer thoughtful and innovative advice to accelerate the success of its clients. Colliers has been ranked among the top 100 global outsourcing firms by the International Association of Outsourcing Professionals for 13 consecutive years, more than any other real estate services firm. Colliers is ranked the number one property manager in the world by Commercial Property Executive for two years in a row.

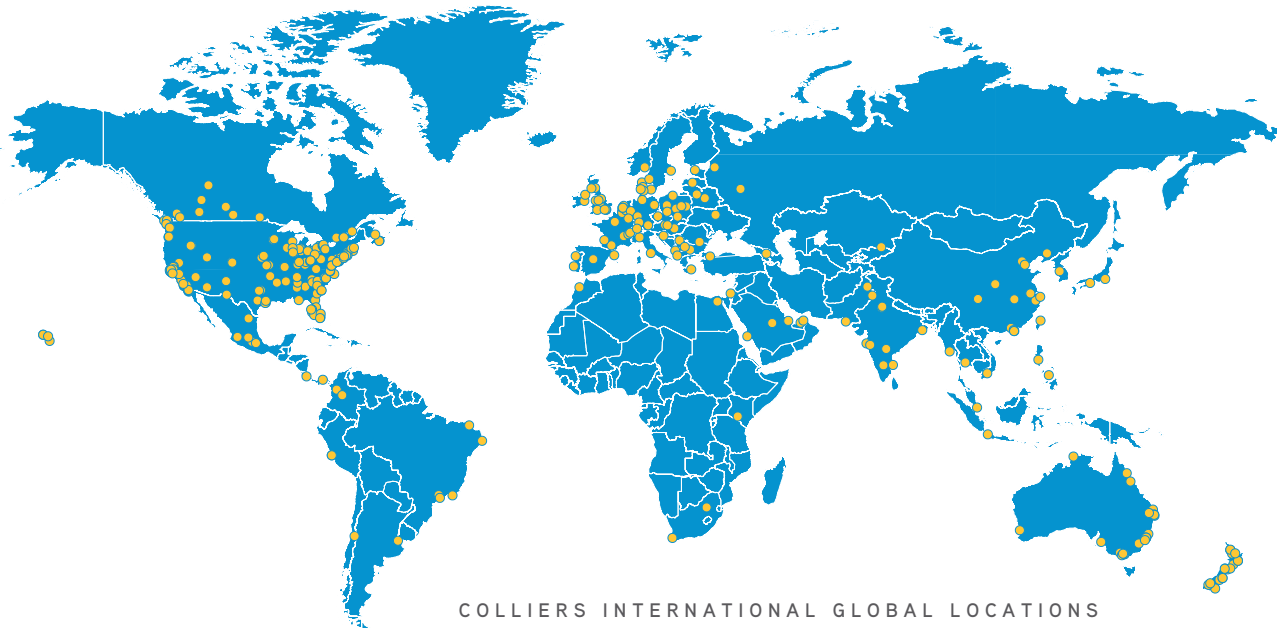
Colliers is led by an experienced leadership team with a proven record of delivering more than 20% annualized returns for shareholders, over more than 20 years.



COMMERCIAL REAL ESTATE SECTORS REPRESENTED



Our philosophy revolves around the fact that the best possible results come from linking our global enterprise with local advisors who understand your business, your market, and how to integrate real estate into a successful business strategy.



\$116B
TRANSACTION VALUE



2B
SF UNDER MANAGEMENT



\$2.7B
IN REVENUE



413
OFFICES



15,400
PROFESSIONALS



340
ACCREDITED MEMBERS



69
COUNTRIES