

Houston's office market closes out 2018 with positive net absorption

Lisa Bridges Director of Market Research | Houston

Houston's office market continues to take baby steps towards filling vacant space emptied during the energy downturn. In Q4 2018, the market posted positive absorption of 1.9 million SF, a substantial increase from the negative 0.4 million SF of absorption recorded one year ago. Leasing activity remained steady over the quarter at 3.5M SF pushing the year-end total to 14M SF. Houston's overall vacancy rate fell slightly from 20.6% to 20.0% over the quarter, but it is still well above Houston's 5-year average vacancy rate of 16.4%.

Construction activity decreased in Q4 2018 from 3.2M SF to 2.5M SF as several new buildings were delivered. HP's and ABS's new CityPlace buildings in The Woodlands submarket delivered during Q4 2018.

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 114,400 jobs (not seasonally adjusted) between November 2017 and November 2018, growing faster than the U.S. during the same time period. Employment sectors with the most substantial growth include support activities for mining which grew by 11.7% over the year, construction increased by 10.8% and durable goods manufacturing was up by 9.0% over the year.



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	Q4 2017	Q3 2018	Q4 2018
Vacancy Rate	19.9%	20.6%	20.0%
Net Absorption (Million Square Feet)	-0.4	0.6	1.9
New Construction (Million Square Feet)	0.6	0.1	0.8
Under Construction (Million Square Feet)	2.0	3.2	2.5
Class A Vacancy Rate			
CBD	19.0%	19.7%	19.0%
Suburban	22.2%	22.7%	21.7%

Asking Rents Per Square Foot Per Year

Houston Class A	\$35.08	\$34.50	\$34.43
CBD Class A	\$44.58	\$45.28	\$44.30
Suburban Class A	\$32.43	\$31.37	\$31.64

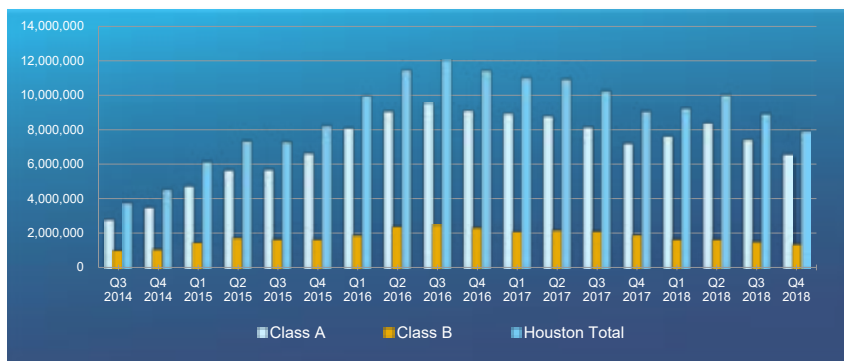
Vacancy & Availability

Houston's citywide vacancy rate decreased 60 basis points from 20.6% to 20.0% over the quarter. The average suburban vacancy rate also decreased 60 basis points from 20.3% to 19.7%, and the average CBD vacancy rate fell 40 basis points from 21.7% to 21.3% between quarters.

The average Class A vacancy rate in the CBD dropped 70 basis points over the quarter from 19.7% to 19.0% and the average Class B vacancy rate in the CBD remained stable at 30.1%. The average suburban Class A vacancy rate decreased 100 basis points from 22.7% to 21.7% between quarters, while the average suburban Class B vacancy decreased 30 basis points from 18.7% to 18.4%.

Of the 1,734 existing office buildings in our survey, 79 buildings have 100,000 SF or more contiguous space available for lease or sublease. Of these, 26 buildings have 200,000 SF or more contiguous space available. Citywide, available sublease space decreased over the quarter from 8.9 million SF to 8.0 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 immediately available.

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	746,070
Four WestLake Park	BP	Katy Freeway	454,487
Energy Tower II	KTI Corporation (Technip)	Katy Freeway	297,919
NRG Tower	Reliant Energy Retail	CBD	262,325
One Shell Plaza	Shell Oil	CBD	252,075
Three WestLake Park	Phillips 66	Katy Freeway	221,723
Hess Tower	Hess Corporation	CBD	215,887
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

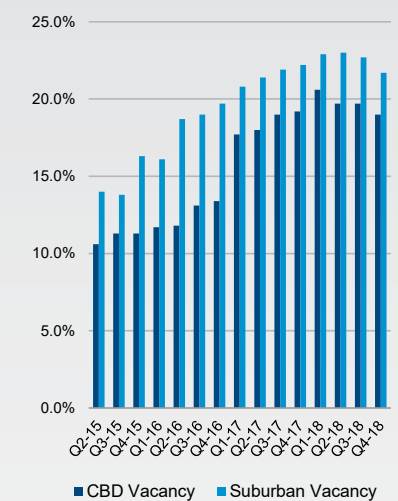
(not seasonally adjusted)

UNEMPLOYMENT	11/17	11/18
HOUSTON	4.4%	3.8%
TEXAS	3.8%	3.5%
U.S.	3.9%	3.5%

JOB GROWTH	Annual Change	# of Jobs Added
HOUSTON	3.7%	114.4K
TEXAS	3.9%	360.0K
U.S.	1.7%	2.5M

CBD vs. Suburban

CLASS A OFFICE VACANCY



CLASS A OFFICE RENTS



Absorption & Demand

Houston's office market posted 1.9M SF of positive net absorption in Q4 2018. Suburban Class A space recorded the largest gain, posting 1.4M SF of positive net absorption. A few of the tenants that relocated during the fourth quarter include ConocoPhillips (moving into 597,600 SF in Energy Center IV in the Katy Freeway submarket), MidCoast Energy Partners (moving into 61,600 SF in Hess Tower in the CBD submarket) and Sheridan Production Co LLC (occupying 59,075 SF in Four Oaks Place located in the West Loop/Galleria submarket).

Rental Rates

Houston's average asking rental rate remained relatively steady over the quarter, decreasing from \$29.06 per SF to \$29.04 per SF. The Class A average asking rental rate decreased over the quarter from \$34.50 per SF to \$34.43 per SF, as did the average CBD Class A rental rate which fell from \$45.28 to \$44.30 per SF. In contrast, the Suburban Class A average asking rental rate increased from \$31.37 to \$31.64 per SF.

Leasing Activity

Houston's office leasing activity decreased 2.8% over the quarter from 3.6M SF to 3.5M SF. 2018 leasing activity totaled 14M SF. Leasing activity includes new/direct, sublet, renewals/expansions in existing buildings, and pre-leasing in proposed buildings. Some of the more notable transactions are noted in the table below.

Q4 2018 Select Office Lease Transactions				
BUILDING NAME/ADDRESS	SUBMARKET	SF	TENANT	LEASE DATE
Energy Center Five	Katy Freeway	524,300	McDermott International ¹	Nov-18
Enclave Place	Katy Freeway	300,900	Transocean ^{1,4}	Oct-18
Capitol Tower	CBD	284,300	Waste Management ^{1,4}	Nov-18
Kirby Collection	Greenway Plaza	97,700	PROS, Inc. ¹	Nov-18
Lake Front North	The Woodlands	87,200	Arena Energy ^{1,3}	Nov-18
San Felipe Plaza	San Felipe/Voss	76,000	Encino Energy LLP ¹	Nov-18
Hess Tower	CBD	61,700	MidCoast Energy Partners ²	Nov-18
The Offices at Park 10 Phase II	Katy Freeway	23,200	Olin Corporation ^{1,3}	Oct-18

¹New/Direct

³Colliers International Transaction

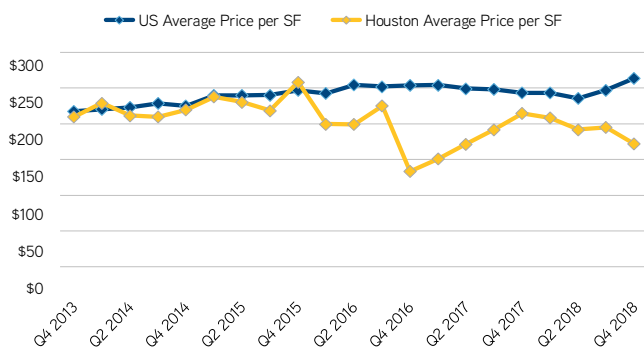
²Sublease

⁴Pre-lease in proposed/under construction

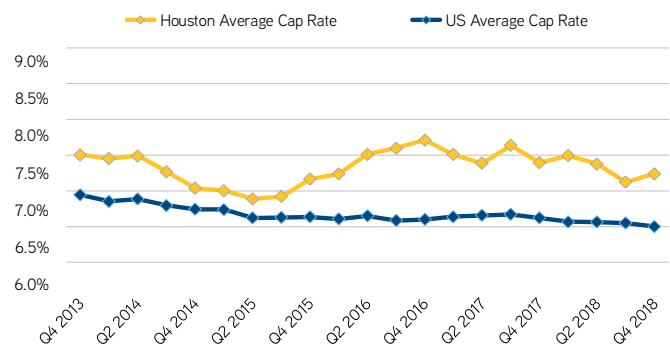
Sales Activity

Houston's office investment sales decreased over the year by 20.0% to \$172 per SF from \$215 per SF in Q4 2017. The average sales price per square foot trended down from \$195 to \$172 per SF over the quarter. Houston's average cap rate of 7.2% is above the average U.S. cap rate of 6.5%.

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 (%)		Q4-2018	Q3-2018	Q4-2018	Q3-2018	AVG (\$/SF)
CBD												
A	34	32,511,547	5,246,525	16.1%	935,720	2.9%	6,182,245	19.0%	19.7%	237,972	-19,443	\$44.30
B	30	9,916,895	2,916,163	29.4%	68,873	0.7%	2,985,036	30.1%	30.1%	-237	143,733	\$30.12
C	13	900,419	76,500	8.5%	0	0.0%	76,500	8.5%	8.5%	0	0	\$19.99
Total	77	43,328,861	8,239,188	19.0%	1,004,593	2.3%	9,243,781	21.3%	21.7%	237,735	124,290	\$39.06
SUBURBAN												
A	409	100,311,377	18,587,597	18.5%	3,225,804	3.2%	21,813,401	21.7%	22.7%	1,452,762	348,551	\$31.64
B	957	78,643,262	13,913,522	17.7%	543,622	0.7%	14,457,144	18.4%	18.7%	211,716	131,460	\$20.75
C	291	12,260,865	1,328,426	10.8%	20,353	0.2%	1,348,779	11.0%	11.2%	19,323	40,633	\$17.47
Total	1657	191,215,504	33,829,545	17.7%	3,789,779	2.0%	37,619,324	19.7%	22.1%	1,683,801	520,644	\$26.61
OVERALL												
A	443	132,822,924	23,834,122	17.9%	4,161,524	3.1%	27,995,646	21.1%	19.9%	1,690,734	329,108	\$34.43
B	987	88,560,157	16,829,685	19.0%	612,495	0.7%	17,442,180	19.7%	18.6%	211,479	275,193	\$22.37
C	304	13,161,284	1,404,926	10.7%	20,353	0.2%	1,425,279	10.8%	11.0%	19,323	40,633	\$17.60
Total	1734	234,544,365	42,068,733	17.9%	4,794,372	2.0%	46,863,105	20.0%	20.6%	1,921,536	644,934	\$29.04

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 (%)		Q4-2018	Q3-2018	Q4-2018	Q3-2018	AVG (\$/SF)
ALLEN PARKWAY (MIDTOWN)												
A	8	2,284,619	364,673	16.0%	2,459	0.1%	367,132	16.1%	16.3%	4,903	-5,377	\$32.52
B	34	2,450,022	237,594	9.7%	6,637	0.3%	244,231	10.0%	9.6%	-8,465	-23,293	\$28.84
C	13	402,988	102,926	25.5%	0	0.0%	102,926	25.5%	25.8%	1,100	-3,621	\$27.00
Total	55	5,137,629	705,193	13.7%	9,096	0.2%	714,289	13.9%	12.8%	-2,462	-32,291	\$30.47
BAYTOWN												
B	3	186,005	8,540	4.6%	0	0.0%	8,540	4.6%	4.6%	0	0	\$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	0	\$16.59
BELLAIRE												
A	7	1,375,713	124,875	9.1%	45,720	3.3%	170,595	12.4%	11.6%	-11,040	48,309	\$29.25
B	19	2,451,213	573,872	23.4%	19,210	0.8%	593,082	24.2%	24.3%	2,916	-2,095	\$20.54
C	6	344,785	36,571	10.6%	0	0.0%	36,571	10.6%	10.0%	-2,053	658	\$17.65
Total	32	4,171,711	735,318	17.6%	64,930	1.6%	800,248	19.2%	8.4%	-10,177	46,872	\$21.88
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%	0.4%	0	1,345	\$18.00
C	7	287,369	17,855	6.2%	0	0.0%	17,855	6.2%	5.1%	-3,087	-4,636	\$16.39
Total	18	744,194	47,778	6.4%	0	0.0%	47,778	6.4%	1.8%	-3,087	-3,291	\$20.69
E. FORT BEND CO SUGAR LAND												
A	17	3,399,208	185,400	5.5%	103,511	3.0%	288,911	8.5%	10.3%	60,205	13,147	\$31.85
B	40	2,411,540	338,414	14.0%	3,984	0.2%	342,398	14.2%	12.2%	-49,192	67,646	\$23.45
C	5	146,524	0	0.0%	0	0.0%	0	0.0%	0.0%	0	0	\$13.02
Total	62	5,957,272	523,814	8.8%	107,495	1.8%	631,309	10.6%	10.3%	11,013	80,793	\$26.42

Houston Suburban Office Market Summary - Continued

CLASS	INVENTORY		DIRECT VACANCY		SUBLEASE VACANCY		VACANCY TOTAL (SF)	VACANCY RATE (%)		NET ABSORPTION (SF)		RENTAL RATE
	# OF BLDGS.	TOTAL (SF)	(SF)	RATE (%)	(SF)	RATE (%)		Q4-2018	Q3-2018	Q4-2018	Q3-2018	AVG (\$/SF)
FM 1960												
A	13	2,968,954	379,329	12.8%	12,512	0.4%	391,841	13.2%	13.4%	7,162	-22,834	\$28.26
B	70	4,342,065	795,824	18.3%	48,210	1.1%	844,034	19.4%	19.4%	-2,632	19,808	\$16.37
C	23	805,296	97,149	12.1%	0	0.0%	97,149	12.1%	13.6%	12,243	13,448	\$14.47
Total	106	8,116,315	1,272,302	15.7%	60,722	0.7%	1,333,024	16.4%	16.8%	16,773	10,422	\$19.77
GREENWAY PLAZA												
A	21	7,429,743	1,317,897	17.7%	70,952	1.0%	1,388,849	18.7%	18.7%	1,180	57,979	\$36.26
B	31	3,103,161	283,727	9.1%	1,675	0.1%	285,402	9.2%	12.0%	86,933	14,983	\$26.86
C	13	433,479	34,203	7.9%	0	0.0%	34,203	7.9%	8.2%	1,357	13,549	\$22.16
Total	65	10,966,383	1,635,827	14.9%	72,627	0.7%	1,708,454	15.6%	17.5%	89,470	86,511	\$34.33
GULF FREEWAY PASADENA												
A	2	105,782	29,975	28.3%	0	0.0%	29,975	28.3%	28.3%	0	0	-
B	44	2,487,156	231,163	9.3%	10,555	0.4%	241,718	9.7%	10.9%	28,710	37,743	\$21.96
C	26	982,194	131,625	13.4%	0	0.0%	131,625	13.4%	10.7%	-26,740	528	\$23.35
Total	72	3,575,132	392,763	11.0%	10,555	0.3%	403,318	11.3%	14.6%	1,970	38,271	\$20.75
I-10 EAST												
B	6	427,851	63,335	14.8%	0	0.0%	63,335	14.8%	17.4%	11,181	22,668	\$17.17
C	6	266,929	0	0.0%	0	0.0%	0	0.0%	4.9%	13,000	0	-
Total	12	694,780	63,335	9.1%	0	0.0%	63,335	9.1%	16.3%	24,181	22,668	\$17.17
KATY FREEWAY												
A	95	23,278,021	3,575,765	15.4%	1,497,131	6.4%	5,072,896	21.8%	24.8%	703,436	122,403	\$36.55
B	101	9,261,588	1,984,531	21.4%	142,977	1.5%	2,127,508	23.0%	23.4%	36,609	30,961	\$22.26
C	29	1,363,282	109,791	8.1%	4,596	0.3%	114,387	8.4%	8.7%	4,517	-5,439	\$19.87
Total	225	33,902,891	5,670,087	16.7%	1,644,704	4.9%	7,314,791	21.6%	22.0%	744,562	147,925	\$31.23
KATY GRAND PARKWAY												
A	17	1,629,940	224,903	13.8%	8,302	0.5%	233,205	14.3%	16.8%	40,482	39,004	\$27.83
B	16	1,042,144	30,607	2.9%	0	0.0%	30,607	2.9%	2.4%	-5,143	-2,465	\$21.74
C	2	149,262	0	0.0%	0	0.0%	0	0.0%	0.0%	0	0	-
Total	35	2,821,346	255,510	9.1%	8,302	0.3%	263,812	9.4%	10.1%	35,339	36,539	\$27.10
KINGWOOD HUMBLE												
B	19	1,285,693	72,357	5.6%	100	0.0%	72,457	5.6%	6.9%	15,896	-7,242	\$21.61
C	5	159,105	12,903	8.1%	0	0.0%	12,903	8.1%	8.1%	-25	800	\$18.16
Total	24	1,444,798	85,260	5.9%	100	0.0%	85,360	5.9%	6.2%	15,871	-6,442	\$21.09
NASA CLEAR LAKE												
A	12	1,778,721	187,603	10.5%	2,390	0.1%	189,993	10.7%	9.6%	-18,894	-5,116	\$26.21
B	46	3,060,111	856,440	28.0%	0	0.0%	856,440	28.0%	27.6%	-12,166	4,699	\$20.22
C	17	511,488	66,597	13.0%	0	0.0%	66,597	13.0%	14.7%	8,694	-4,849	\$16.98
Total	75	5,350,320	1,110,640	20.8%	2,390	0.0%	1,113,030	20.8%	22.9%	-22,366	-5,266	\$21.04
NORTH BELT GREENSPOINT												
A	25	5,522,618	3,338,681	60.5%	34,914	0.6%	3,373,595	61.1%	62.3%	64,775	-9,176	\$22.11
B	58	5,938,207	1,868,509	31.5%	28,157	0.5%	1,896,666	31.9%	32.1%	8,007	36,773	\$15.75
C	22	1,433,108	248,786	17.4%	2,757	0.2%	251,543	17.6%	15.6%	-27,360	39,573	\$12.68
Total	105	12,893,933	5,455,976	42.3%	65,828	0.5%	5,521,804	42.8%	44.3%	45,422	67,170	\$19.50
NORTHEAST NEAR AND OUTLIER												
A	3	642,223	21,702	3.4%	0	0.0%	21,702	3.4%	3.4%	0	0	-
B	6	243,799	41,938	17.2%	8,000	3.3%	49,938	20.5%	14.2%	-15,430	-9,146	\$21.69
C	2	56,562	15,843	28.0%	0	0.0%	15,843	28.0%	21.3%	-3,808	-1,819	\$15.00
Total	11	942,584	79,483	8.4%	8,000	0.8%	87,483	9.3%	6.3%	-19,238	-10,965	\$14.43

Houston Suburban Office Market Summary - Continued

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	# OF BLDGS.	TOTAL (SF)	(SF)	RATE (%)	(SF)	RATE (%)		Q4-2018	Q3-2018	Q4-2018	Q3-2018	AVG (\$/SF)
NORTHWEST AND NORTHWEST OUTLIER												
A	9	1,985,781	838,144	42.2%	1,203	0.1%	839,347	42.3%	42.8%	10,516	-116,461	\$22.85
B	73	5,837,020	905,020	15.5%	1,705	0.0%	906,725	15.5%	16.0%	29,489	74,951	\$18.75
C	33	1,310,096	100,662	7.7%	3000	0.2%	103,662	7.9%	8.2%	3,250	-9,144	\$17.27
Total	115	9,132,897	1,843,826	20.2%	5,908	0.1%	1,849,734	20.3%	20.0%	43,255	-50,654	\$20.53
RICHMOND FOUNTAINVIEW												
B	15	916,446	91,039	9.9%	0	0.0%	91,039	9.9%	12.8%	26,003	14,736	\$17.00
C	10	392,300	26,855	6.8%	0	0.0%	26,855	6.8%	8.2%	5,180	-804	\$17.48
Total	25	1,308,746	117,894	9.0%	0	0.0%	117,894	9.0%	12.7%	31,183	13,932	\$17.11
SAN FELIPE VOSS												
A	3	1,720,793	484,127	28.1%	20,779	1.2%	504,906	29.3%	28.8%	-8,726	-20,000	\$36.15
B	30	3,162,310	603,660	19.1%	19,538	0.6%	623,198	19.7%	18.9%	-26,201	-2,191	\$25.34
Total	33	4,883,103	1,087,787	22.3%	40,317	0.8%	1,128,104	23.1%	22.0%	-34,927	-22,191	\$30.15
SOUTH												
A	1	80,000	9,307	11.6%	0	0.0%	9,307	11.6%	11.6%	0	0	\$30.88
B	12	358,303	24,304	6.8%	0	0.0%	24,304	6.8%	7.2%	1,525	4,466	\$24.37
C	5	195,387	26,100	13.4%	0	0.0%	26,100	13.4%	13.4%	0	-15,400	\$18.94
Total	18	633,690	59,711	9.4%	0	0.0%	59,711	9.4%	8.0%	1,525	-10,934	\$23.01
SOUTH MAIN MEDICAL CENTER												
B	12	829,793	91,588	11.0%	0	0.0%	91,588	11.0%	11.3%	2,581	12,071	\$18.42
C	7	286,418	59,339	20.7%	0	0.0%	59,339	20.7%	20.8%	156	1,458	\$19.61
Total	19	1,116,211	150,927	13.5%	0	0.0%	150,927	13.5%	9.7%	2,737	13,529	\$18.89
SOUTHEAST												
B	17	1,271,884	79,006	6.2%	0	0.0%	79,006	6.2%	6.7%	5,903	27,300	\$17.77
C	2	118,209	0	0.0%	0	0.0%	0	0.0%	0.0%	0	0	-
Total	19	1,390,093	79,006	5.7%	0	0.0%	79,006	5.7%	8.1%	5,903	27,300	\$17.77
SOUTHWEST												
A	6	1,580,642	427,171	27.0%	0	0.0%	427,171	27.0%	24.7%	-36,161	-7,144	\$19.11
B	63	6,033,077	1,358,358	22.5%	63,512	1.1%	1,421,870	23.6%	21.8%	-105,686	-35,903	\$17.29
C	34	1,805,477	210,860	11.7%	0	0.0%	210,860	11.7%	14.1%	44,366	-3,009	\$14.47
Total	103	9,419,196	1,996,389	21.2%	63,512	0.7%	2,059,901	21.9%	19.3%	-97,481	-46,056	\$17.38
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	212,381	22.9%	0	0.0%	212,381	22.9%	25.2%	20,954	0	\$22.95
C	3	91,661	7,000	7.6%	0	0.0%	7,000	7.6%	7.6%	0	1,000	\$15.60
Total	17	1,176,357	239,118	20.3%	0	0.0%	239,118	20.3%	22.9%	20,954	1,000	\$20.38
WEST BELT												
A	29	3,730,831	803,075	21.5%	228,288	6.1%	1,031,363	27.6%	28.4%	29,414	176,413	\$29.18
B	37	2,106,925	340,065	16.1%	75,954	3.6%	416,019	19.7%	21.0%	25,548	4,368	\$19.72
C	4	112,629	0	0.0%	10000	8.9%	10,000	8.9%	0.0%	-10,000	0	-
Total	70	5,950,385	1,143,140	19.2%	314,242	5.3%	1,457,382	24.5%	28.8%	44,962	180,781	\$26.37
WEST LOOP												
A	50	17,965,285	2,971,078	16.5%	415,521	2.3%	3,386,599	18.9%	20.1%	220,069	116,479	\$37.36
B	53	6,032,050	904,097	15.0%	67,352	1.1%	971,449	16.1%	16.6%	28,802	-70,960	\$27.43
C	4	216,268	7,518	3.5%	0	0.0%	7,518	3.5%	1.4%	-4,575	-758	\$21.53
Total	107	24,213,603	3,882,693	16.0%	482,873	2.0%	4,365,566	18.0%	18.9%	244,296	44,761	\$35.02

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 (%)		Q4-2018	Q3-2018	Q4-2018	Q3-2018	
WESTCHASE												
A	34	10,002,462	1,950,569	19.5%	714,323	7.1%	2,664,892	26.6%	26.2%	-39,781	-92,441	\$34.61
B	62	7,616,602	1,489,123	19.6%	33,164	0.4%	1,522,287	20.0%	21.9%	148,640	-142,266	\$22.32
C	5	176,872	10,193	5.8%	0	0.0%	10,193	5.8%	5.8%	0	0	\$15.00
Total	101	17,795,936	3,449,885	19.4%	747,487	4.2%	4,197,372	23.6%	19.8%	108,859	-234,707	\$29.25
THE WOODLANDS												
A	53	12,582,872	1,305,137	10.4%	67,799	0.5%	1,372,936	10.9%	9.2%	425,222	53,366	\$34.34
B	69	4,493,945	426,556	9.5%	12,892	0.3%	439,448	9.8%	8.8%	-43,066	52,503	\$24.53
C	5	131,696	3,150	2.4%	0	0.0%	3,150	2.4%	4.8%	3,108	19,098	\$24.65
Total	127	17,208,513	1,734,843	10.1%	80,691	0.5%	1,815,534	10.6%	9.2%	385,264	124,967	\$31.91

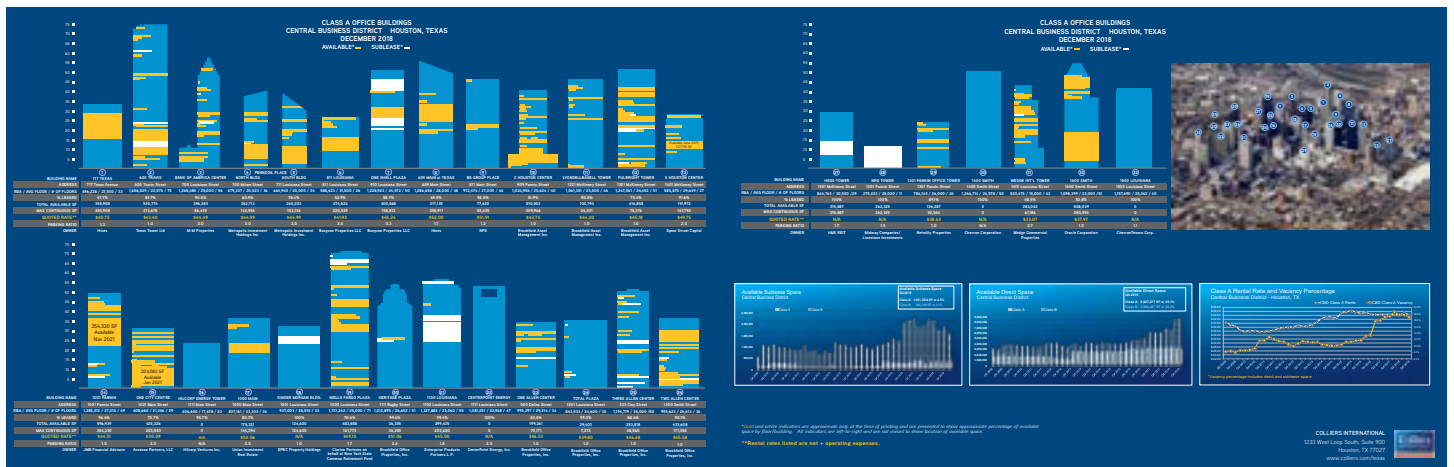
Office Development Pipeline

2.5 million SF of office space is under construction and 46.7% is pre-leased. Build-to-suit projects make up 6% of the space under construction and the remaining 94% is spec office space, of which 49.5% is pre-leased. Build-to-suit projects for ABS and HP in the CityPlace Development in The Woodlands submarket delivered during the fourth quarter, adding 704,800 SF to existing inventory. 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	32.8%	Hines Securities, Inc.	Oct-21
Capitol Tower	800 Capitol St	CBD	778,344	81.0%	SCD Acquisitions LLC	Jun-19
Chasewood Crossing Three	19350 State Highway 249	FM 1960	156,000	0%	Greenwood Properties	Sep-19
CityPlace 1	1700 City Plaza Dr	The Woodlands	149,500	18.0%	Patrinely Group, Inc	Apr-19
600 N Shepherd Dr	600 N Shepherd Dr	North Loop West	100,000	8.5%	Triten Real Estate Partners	Jan-20

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.

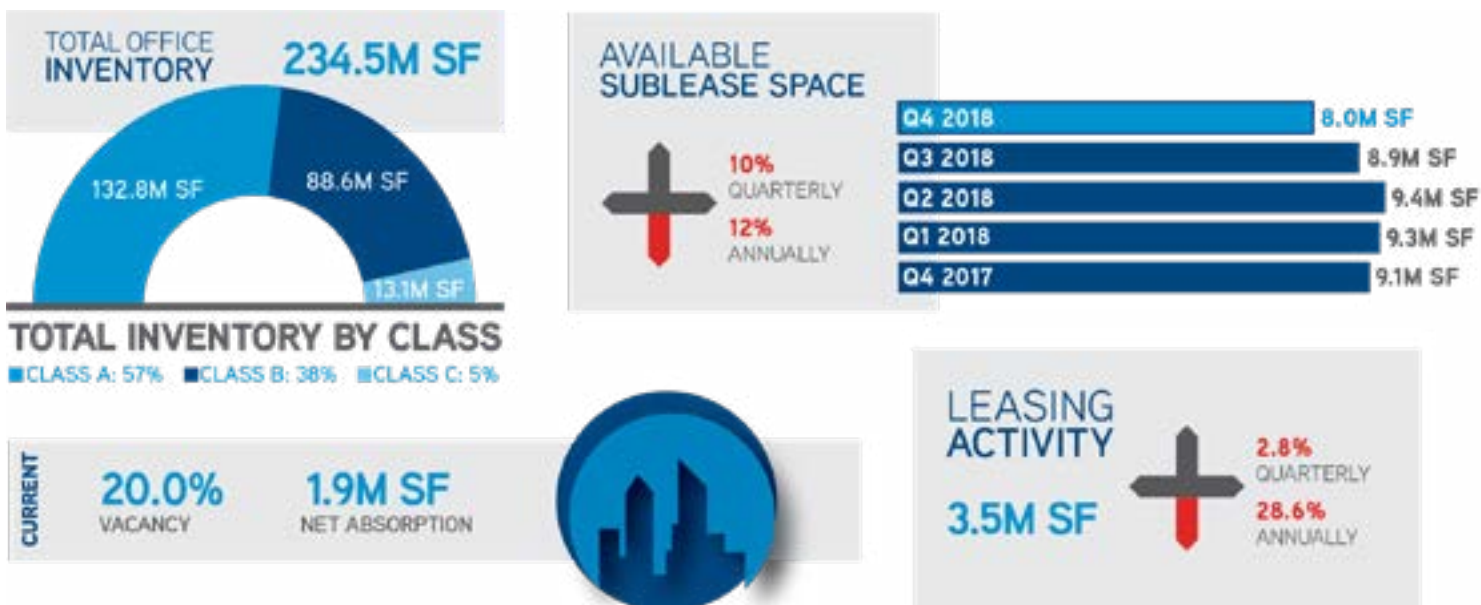


Quoted gross rental rates for existing top performing office buildings

BUILDING NAME	ADDRESS	SUBMARKET	RBA (SF)	YEAR BUILT	% LEASED	AVAIL. SF	RENT (\$/SF)	OWNER
BG Group Place	811 Main St	CBD	972,474	2011	92.0%	77,420	\$51.91	BG Holdco LLC
1000 Main	1000 Main St	CBD	837,161	2003	80.7%	175,321	\$52.06	HRO International, Ltd
Kirby Grove	2925 Richmond Ave	Greenway Plaza	248,275	2015	85.7%	53,865	\$47.33	Midway Companies
CityCentre Two	818 Town & Country Blvd	Katy Freeway	149,827	2009	99.1%	78,846	\$50.04	Midway Cc15 Partners
Town Centre One	750 Town & Country Blvd	Katy Freeway	253,714	2015	85.2%	37,451	\$43.09	Moody Rambin
6 BLVD Place	1800 Post Oak Blvd	West Loop/Galleria	70,131	2009	93.9%	9,479	\$45.55	Wulfe & Co.
Williams Tower	2800 Post Oak Blvd	West Loop/Galleria	1,476,973	1983	92.7%	204,043	\$46.42-\$49.42	Invesco Advisors, Inc.
One BriarLake Plaza	2000 W Sam Houston Pky S	Westchase	502,410	1999	90.1%	200,586	\$45.29	TIER REIT, Inc.
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

Q4 2018 Houston Office Highlights



FOR MORE INFORMATION

Lisa Bridges, CPRC
 Director of Market Research | Houston
 +1 713 830 2125
 lisa.bridges@colliers.com

Beth Staggs CPRC, CPMC
 Research Coordinator | Houston
 +1 713 830 2130
 beth.staggs@colliers.com

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

