



HOUSTON OFFICE MARKET RESEARCH & FORECAST REPORT



HOUSTON'S HEALTHY ECONOMY BOOSTS OFFICE LEASING ACTIVITY

Houston's strong job growth has boosted office leasing in 2012. Third quarter leasing activity reached 2.6 million SF, 1.5 million SF of which was in Class B product. The Houston metropolitan area added 89,500 jobs between August 2011 and August 2012, an annual increase of 3.5% over the years prior job growth. Further, Houston's unemployment fell to 7.0% from 8.6% one year ago which has bolstered annual Houston area home sales by 20.0%.

Expansion in the energy industry has driven demand for new office development as tenants find it harder to locate blocks of quality office space. Currently, 4.1 million SF is in the office construction pipeline and 58.0% of the space is pre-leased. A complete list of properties under construction can be found on page 7 of this report.

Houston's office market posted 767,000 SF of positive absorption in the third quarter, pushing the year-to-date total to 3.2 million SF.

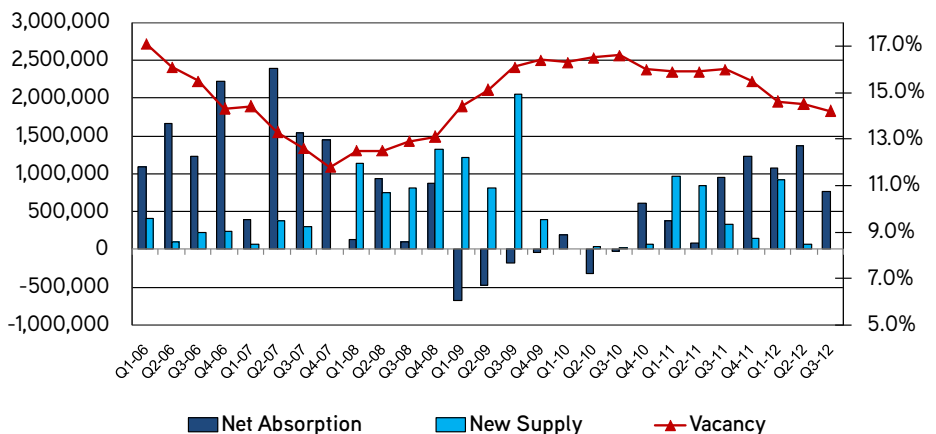
Houston's overall vacancy levels fell to 14.2%, an annual decrease of 180 basis points. The city-wide average rental rate increased from \$22.93 per SF to \$23.61 per SF over the year.

With continued expansion in the energy industry and a strong housing market, Houston's economy is expected to remain healthy for both the near and long-term.

MARKET INDICATORS		
	Q3 2011	Q3 2012
CITYWIDE NET ABSORPTION (SF)	957K	767K ↓
CITYWIDE AVERAGE VACANCY	16.0%	14.2% ↓
CITYWIDE AVERAGE RENTAL RATE	\$22.93	\$23.61 ↑
CLASS A RENTAL RATE		
CBD	\$34.43	\$36.85 ↑
SUBURBAN	\$27.03	\$27.31 ↑
CLASS A VACANCY		
CBD	15.1%	10.6% ↓
SUBURBAN	15.0%	12.0% ↓

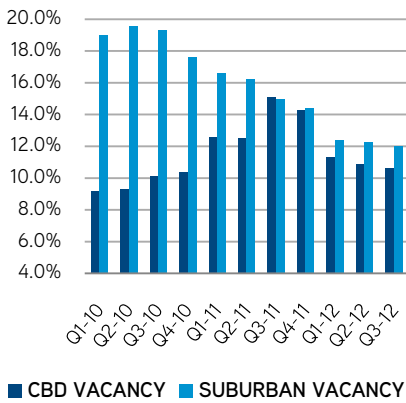
JOB GROWTH & UNEMPLOYMENT (Not Seasonally Adjusted)		
	8/11	8/12
UNEMPLOYMENT		
HOUSTON	8.6%	7.0%
TEXAS	8.2%	7.0%
U.S.	9.1%	8.2%
JOB GROWTH	ANNUAL CHANGE	# OF JOBS ADDED
HOUSTON	3.5%	89.5K
TEXAS	2.5%	261K
U.S.	1.4%	1.96M

ABSORPTION, NEW SUPPLY & VACANCY RATES



CBD VS. SUBURBAN

CLASS A OFFICE VACANCY



VACANCY & AVAILABILITY

Houston’s average vacancy rate and the average suburban vacancy rate both decreased by 30 basis points to 14.2% from 14.5% on a quarterly basis. The average CBD vacancy rate decreased by 50 basis points to 13.9% from 14.4% between quarters. On a year-over-year basis, the city-wide vacancy rate decreased by 180 basis points to 14.2% from 16.0%. The average suburban vacancy rate decreased by 140 basis points to 14.2% from 15.6%, and the average CBD vacancy rate decreased by 370 basis points to 13.9% from 17.6%.

The CBD Class A vacancy rate decreased by 30 basis points to 10.6% from 10.9% between quarters, while the CBD Class B vacancy rate decreased 120 basis points to 18.0% from 19.2%. The suburban Class A vacancy rate decreased by 30 basis points to 12.0% from 12.3% between quarters, while the suburban Class B vacancy rate decreased to 16.5% from 16.9%.

Of the 1,709 buildings in the Houston office market, only 39 have 100,000 SF of contiguous space available for lease or sublease. Further, only 12 have 200,000 SF contiguous available

Available sublease space totals 3.2 million SF or 1.7% of total inventory, of which 1.1 million SF is currently vacant.

ABSORPTION & DEMAND

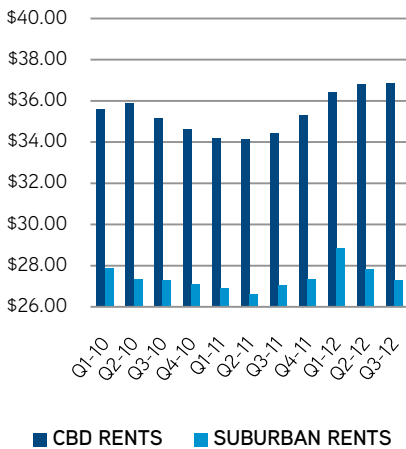
Houston recorded positive net absorption of 767,000 SF in the third quarter, pushing the year-to-date absorption total to 3,211,000 SF. Contributing to the third quarter’s positive gain was CBD Class A space with a positive net absorption of 292,000 SF, followed by suburban Class A space with positive net absorption of 281,000 SF. Some of the larger tenants that moved into their space or expanded into additional space during the third quarter included Shell Oil relocating to 331,000 SF in 1000 Main from 250,000 SF in 2 Houston Center, Rosetta Resources relocating to 109,000 in Heritage Plaza from 70,000 SF in 717 Texas, and WorleyParsons moved into 130,000 SF in the Reserve at Park Ten.

RENTAL RATES

The average citywide rental rate remained relatively flat between quarters decreasing to \$23.61 from \$23.66 per square foot. The CBD Class A average quoted rental rate increased to \$36.85 from \$36.80 per square foot, while the suburban Class A average quoted rental rate decreased to \$27.31 from \$27.81 per square foot.

The CBD Class B average quoted rental rate increased to \$24.00 from \$23.61 per square foot, while the suburban Class B average quoted rental rate increased to \$18.74 from \$18.54 per square foot between quarters.

CLASS A OFFICE RENTS



QUOTED GROSS RENTAL RATES FOR TOP PERFORMING OFFICE BUILDINGS

BUILDING NAME	ADDRESS	SUBMARKET	RBA (SF)	YEAR BUILT	LEASED	AVAIL. SF	RENT (\$/SF)	OWNER
5 Houston Center	1401 McKinney St	CBD	600,000	2002	99.0%	61,071	\$42.66	Wells Real Estate Funds
1000 Main	1000 Main St	CBD	837,161	2003	98.3%	22,420	\$42.00	INVESCO
Heritage Plaza	1111 Bagby	CBD	1,089,266	1986	98.4%	45,007	\$41.94	Brookfield Office Properties
BG Group Place	811 Main	CBD	972,474	2011	77.2%	221,440	\$41.87	CalPERS/Hines
Wells Fargo Bank Tower	1300 Post Oak Blvd.	Galleria	491,254	1983	98.1%	13,784	\$40.15	TIAA-CREF
Williams Tower	2800 Post Oak Blvd	Galleria	1,476,973	1983	98.5%	31,133	\$37.66	Hines REIT
9 Greenway Plaza	9 Greenway	Greenway	746,824	1978	94.4%	66,017	\$32.90	Crescent Real Estate Equities
Two Eldridge Place	757 N Eldridge Pky	Katy Freeway	280,322	1986	98.3%	11,882	\$34.45	Behringer Harvard REIT I, Inc.
San Felipe Plaza	5847 San Felipe St	San Felipe/Voss	980,472	1984	80.8%	199,272	\$37.42	Thomas Properties Group, L.P.
One BriarLake Plaza	2000 W. Sam Houston	Westchase	502,410	2000	100.0%	22,905	\$44.55	Behringer Harvard Holdings
24 Waterway	24 Waterway Ave.	Woodlands	311,938	2009	98.6%	12,250	\$36.89	Black Forest Ventures LLC

Note: Avail. SF includes direct and sublet space.
Source: CoStar Property

SALES ACTIVITY

Houston's office investment sales activity increased between quarters with 21 properties changing hands, compared to 15 in the previous quarter. According to CoStar Comps, Houston office sales transactions had a total dollar volume of \$1.2 billion, averaging \$228 per square foot.

Some of the more significant transactions that closed during the third quarter are listed below.

Q3 2012 SIGNIFICANT SALES TRANSACTIONS – (20,000 SF or greater)									
BUILDING NAME	SUBMARKET	RBA (SF)	YEAR BUILT	BUYER	SELLER	SALE PRICE	\$/SF	CAP RATE	CLOSED
One & Two Shell Plaza	CBD	1,795,883	1970	Enterprise Products	Hines Interests	\$550M	\$306	6.50%	8/2012
Ashford Office Park (3-bldg portfolio)	Katy Freeway	566,308	1981	Beacon Investment Properties	Falcon Southwest	\$81M	\$144	8.16%	8/2012
Kirkwood Tower	Katy Freeway	285,682	1984	Frontier Equity	Equastone	\$32M	\$112	6.25%	7/2012

LEASING ACTIVITY

Houston's office leasing activity reached 2.6 million SF in the third quarter, pushing the year-to-date total to over 9.75 million SF. Below is a list of the significant 3Q 2012 lease transactions.

Q3 2012 SIGNIFICANT LEASE TRANSACTIONS				
BUILDING NAME/ADDRESS	SUBMARKET	SF	TENANT	LEASE DATE
Westgate 2 & 3	Katy Freeway	340,000	Wood Group Mustang	Aug-12
Westgate 1	Katy Freeway	100,000	Subsea 7 Inc	Aug-12
Chase Tower	CBD	58,944	Linn Energy ²	Aug-12
Galleria Plaza I	Galleria/West Loop	46,416	Just Energy TX, L.P. ¹	Aug-12
Halbouty Center	Galleria/West Loop	30,907	Envoy Mortgage ^{1,2}	Jul-12
Heritage Plaza	CBD	25,389	Tudor, Pickering & Holt ¹	Aug-12
Chase Tower	CBD	22,561	Breitbart Energy Partners ²	Aug-12
333 Northbelt	North Belt/Greenspoint	22,518	Holloman Corporation ^{1,2}	Jul-12
Chase Tower	CBD	21,900	Indigo Minerals ¹	Aug-12
Chase Tower	CBD	21,900	M2 Midstream ¹	Aug-12
5543 Westheimer	Galleria/West Loop	19,870	Ruth's Chris	Jul-12
Kirkwood Atrium	Katy Freeway	19,675	Paychex ¹	Aug-12
Williams Tower	Galleria/West Loop	17,057	Nathan Sommers Jacobs ¹	Aug-12
Park Ten Plaza	Katy Freeway	16,634	MCS Kenny	Aug-12
712 Main	CBD	11,000	Chicago Title ¹	Aug-12
2100 West Loop South	Galleria/West Loop	10,536	Platinum Energy Solutions, Inc. ^{1,2}	Sep-12
Space Park Office Bldg	NASA/Clear Lake	10,032	Nassau Engineering Co.	Aug-12
Marathon Oil Tower	Galleria/West Loop	10,000	Texas Dow Employees Credit	Jul-12
Granite Westchase I	Westchase	9,779	Arup Texas Inc.	Jul-12
Chase Tower	CBD	9,091	Angola LNG Supply Services LLC ¹	Aug-12

¹Renewal

²Expansion

³Sublease

HOUSTON OFFICE MARKET SUMMARY (CBD, SUBURBAN & CITYWIDE)

Class	Inventory		Direct Vacancy		Sublease Vacancy		Vacancy	Vacancy Rate (%)		Net Absorption (SF)		Rental Rate
	# of Bldgs.	Total (SF)	(SF)	Rate (%)	(SF)	Rate (%)	Total (SF)	Q3-2012	Q2-2012	Q3-2012	YTD-2012	AVG (\$/SF)
CBD												
A	27	26,119,764	2,312,993	8.9%	453,454	1.7%	2,766,447	10.6%	10.9%	292,498	616,912	\$36.85
B	35	9,759,818	1,726,657	17.7%	34,716	0.4%	1,761,373	18.0%	19.2%	54,945	85,760	\$24.00
C	24	2,030,303	755,842	37.2%	0	0.0%	755,842	37.2%	36.6%	-4,496	2,591	\$19.05
Total	86	37,909,885	4,795,492	12.6%	488,170	1.3%	5,283,662	13.9%	14.4%	342,947	705,263	\$32.01
SUBURBAN												
A	247	66,953,119	7,802,684	11.7%	222,074	0.3%	8,024,758	12.0%	12.3%	280,529	2,168,938	\$27.31
B	932	75,130,911	12,050,600	16.0%	358,494	0.5%	12,409,094	16.5%	16.9%	133,500	276,945	\$18.74
C	444	18,007,434	2,292,445	12.7%	30,984	0.2%	2,323,429	12.9%	12.8%	9,731	60,134	\$14.80
Total	1623	160,091,464	22,145,729	13.8%	611,552	0.4%	22,757,281	14.2%	14.5%	423,760	2,506,017	\$21.64
OVERALL												
A	274	93,072,883	10,115,677	10.9%	675,528	0.7%	10,791,205	11.6%	11.9%	573,027	2,785,850	\$29.96
B	967	84,890,729	13,777,257	16.2%	393,210	0.5%	14,170,467	16.7%	17.2%	188,445	362,705	\$19.29
C	468	20,037,737	3,048,287	15.2%	30,984	0.2%	3,079,271	15.4%	15.2%	5,235	62,725	\$15.24
Total	1709	198,001,349	26,941,221	13.6%	1,099,722	0.6%	28,040,943	14.2%	14.5%	766,707	3,211,280	\$23.61

HOUSTON SUBURBAN OFFICE MARKET SUMMARY

Class	Inventory		Direct Vacancy		Sublease Vacancy		Vacancy	Vacancy Rate (%)		Net Absorption (SF)		Rental Rate
	# of Bldgs.	Total (SF)	(SF)	Rate (%)	(SF)	Rate (%)	Total (SF)	Q3-2012	Q2-2012	Q3-2012	YTD-2012	AVG (\$/SF)
Allen Parkway												
A	3	1,478,488	213,989	14.5%	0	0.0%	213,989	14.5%	14.3%	-4,767	-24,399	\$29.77
B	30	2,868,619	284,494	9.9%	1,518	0.1%	286,012	10.0%	7.4%	103	-58,913	\$24.43
C	23	1,060,486	383,521	36.2%	0	0.0%	383,521	36.2%	33.8%	8,965	6,465	\$19.33
Total	56	5,407,593	882,004	16.3%	1,518	0.0%	883,522	16.3%	14.6%	4,301	-76,847	\$26.90
Baytown												
B	4	244,544	0	0.0%	0	0.0%	0	0.0%	0.0%	0	6,802	\$16.10
C	3	163,362	4,024	2.5%	0	0.0%	4,024	2.5%	4.2%	0	-731	\$0.00
Total	7	407,906	4,024	1.0%	0	0.0%	4,024	1.0%	1.9%	0	6,071	\$16.10
Bellaire												
A	6	1,086,526	282,278	26.0%	5,226	0.5%	287,504	26.5%	11.3%	-190,164	-179,514	\$25.00
B	13	1,714,873	140,876	8.2%	0	0.0%	140,876	8.2%	13.5%	89,444	106,602	\$21.84
C	7	533,622	52,949	9.9%	0	0.0%	52,949	9.9%	9.9%	0	11,749	\$14.12
Total	26	3,335,021	476,103	14.3%	5,226	0.2%	481,329	14.4%	12.2%	-100,720	-61,163	\$22.99
Conroe												
A	1	60,000	0	0.0%	0	0.0%	0	0.0%	0.0%	0	0	-
B	4	148,970	35,638	23.9%	0	0.0%	35,638	23.9%	25.7%	-2,500	-908	\$16.79
C	8	376,307	2,250	0.6%	0	0.0%	2,250	0.6%	0.6%	0	625	\$7.80
Total	13	585,277	37,888	6.5%	0	0.0%	37,888	6.5%	6.3%	-2,500	-283	\$16.30
E. Fort Bend/Sugar Land												
A	18	3,563,296	825,805	23.2%	0	0.0%	825,805	23.2%	25.1%	34,621	97,247	\$27.57
B	35	2,092,123	379,905	18.2%	87,600	4.2%	467,505	22.3%	18.8%	-32,252	-95,645	\$19.94
C	6	236,013	4,639	2.0%	1,506	0.6%	6,145	2.6%	1.5%	0	-4,477	\$18.40
Total	59	5,891,432	1,210,349	20.5%	89,106	1.5%	1,299,455	22.1%	21.9%	2,369	-2,875	\$24.90

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)	Q3-2012	Q2-2012	Q3-2012	YTD-2012	AVG (\$/SF)
FM 1960												
A	14	2,384,164	1,208,521	50.7%	0	0.0%	1,208,521	50.7%	35.2%	47,721	162,831	\$24.04
B	87	4,810,744	1,013,865	21.1%	93,949	2.0%	1,107,814	23.0%	19.8%	-152,188	-196,718	\$15.36
C	21	720,936	67,869	9.4%	19,615	2.7%	87,484	12.1%	12.3%	6,336	-2,105	\$13.22
Total	122	7,915,844	2,290,255	28.9%	113,564	1.4%	2,403,819	30.4%	23.7%	-98,131	-35,992	\$18.74
Greenway												
A	15	6,168,363	496,276	8.0%	13,129	0.2%	509,405	8.3%	9.3%	-43,706	104,125	\$28.96
B	27	2,634,645	270,487	10.3%	3,213	0.1%	273,700	10.4%	12.7%	24,864	24,236	\$23.44
C	22	895,784	281,248	31.4%	0	0.0%	281,248	31.4%	28.9%	4,257	3,240	\$17.44
Total	64	9,698,792	1,048,011	10.8%	16,342	0.2%	1,064,353	11.0%	11.9%	-14,585	131,601	\$25.65
Gulf Freeway/Pasadena												
A	1	52,362	8,279	15.8%	0	0.0%	8,279	15.8%	15.8%	0	4,819	\$30.22
B	29	1,769,561	239,491	13.5%	6,405	0.4%	245,896	13.9%	12.7%	-22,997	-22,046	\$18.74
C	26	1,006,420	118,568	11.8%	0	0.0%	118,568	11.8%	10.6%	3,987	-21,090	\$15.07
Total	56	2,828,343	366,338	13.0%	6,405	0.2%	372,743	13.2%	12.0%	-19,010	-38,317	\$17.78
I-10 East												
B	5	342,302	84,269	24.6%	0	0.0%	84,269	24.6%	26.5%	4,876	10,626	\$14.94
C	6	232,062	4,838	2.1%	0	0.0%	4,838	2.1%	0.0%	-4,838	-4,838	-
Total	11	574,364	89,107	15.5%	0	0.0%	89,107	15.5%	15.7%	38	5,750	\$14.94
Katy Freeway												
A	43	10,237,366	428,716	4.2%	0	0.0%	428,716	4.2%	9.1%	245,319	594,787	\$28.14
B	91	7,816,522	1,315,850	16.8%	38,448	0.5%	1,354,298	17.3%	19.7%	67,549	114,132	\$19.53
C	35	1,622,689	159,096	9.8%	3,153	0.2%	162,249	10.0%	10.2%	9,188	12,012	\$15.43
Total	169	19,676,577	1,903,662	9.7%	41,601	0.2%	1,945,263	9.9%	13.2%	322,056	720,931	\$21.74
Kingwood/Humble												
A	1	91,962	41,824	45.5%	0	0.0%	41,824	45.5%	45.5%	0	0	\$30.10
B	64	1,668,188	110,399	6.6%	1,000	0.1%	111,399	6.7%	7.0%	36,154	36,319	\$20.48
C	82	730,773	17,797	2.4%	0	0.0%	17,797	2.4%	3.8%	313	20,459	\$17.00
Total	147	2,490,923	170,020	6.8%	1,000	0.0%	171,020	6.9%	7.4%	36,467	56,778	\$21.46
NASA/Clear Lake												
A	8	1,230,469	176,378	14.3%	0	0.0%	176,378	14.3%	14.1%	-3,719	-4,670	\$23.71
B	44	2,857,147	429,765	15.0%	6,138	0.2%	435,903	15.3%	18.5%	-14,998	-125,210	\$19.19
C	25	879,785	176,662	20.1%	1,100	0.1%	177,762	20.2%	15.8%	-38,636	-52,168	\$13.80
Total	77	4,967,401	782,805	15.8%	7,238	0.1%	790,043	15.9%	16.9%	-57,353	-182,048	\$19.43
North Belt/Greenspoint												
A	19	4,348,663	341,995	7.9%	41,044	0.9%	383,039	8.8%	8.9%	8,831	-54,496	\$21.93
B	57	5,696,714	1,255,699	22.0%	57,993	1.0%	1,313,692	23.1%	21.7%	46,875	8,387	\$16.61
C	21	1,248,374	249,367	20.0%	1,937	0.2%	251,304	20.1%	23.4%	20,313	51,241	\$12.78
Total	97	11,293,751	1,847,061	16.4%	100,974	0.9%	1,948,035	17.2%	17.0%	76,019	5,132	\$17.71
Northeast Near and Outlier												
B	5	301,773	77,923	25.8%	0	0.0%	77,923	25.8%	25.8%	0	0	\$21.77
C	4	105,203	16,333	15.5%	0	0.0%	16,333	15.5%	12.6%	0	1,867	\$12.00
Total	9	406,976	94,256	23.2%	0	0.0%	94,256	23.2%	21.9%	0	1,867	\$16.69

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)	Q3-2012	Q2-2012	Q3-2012	YTD-2012	AVG (\$/SF)
Northwest/Outlier												
A	19	3,493,935	485,324	13.9%	25,030	0.7%	510,354	14.6%	19.4%	173,608	350,208	\$23.11
B	67	6,180,358	1,342,865	21.7%	14,959	0.2%	1,357,824	22.0%	22.5%	-6,980	79,073	\$17.01
C	39	1,520,247	141,908	9.3%	0	0.0%	141,908	9.3%	10.5%	29,234	43,583	\$12.23
Total	125	11,194,540	1,970,097	17.6%	39,989	0.4%	2,010,086	18.0%	19.9%	195,862	472,864	\$18.51
Richmond/Fountainview												
B	14	775,717	252,996	32.6%	0	0.0%	252,996	32.6%	31.9%	-5,832	-159,545	\$15.92
C	16	598,633	95,987	16.0%	0	0.0%	95,987	16.0%	17.7%	2,665	-15,584	\$13.08
Total	30	1,374,350	348,983	25.4%	0	0.0%	348,983	25.4%	25.7%	-3,167	-171,962	\$15.20
San Felipe/Voss												
A	3	1,714,930	337,130	19.7%	0	0.0%	337,130	19.7%	17.4%	-37,209	-29,931	\$32.79
B	32	3,309,912	305,961	9.2%	8,711	0.3%	314,672	9.5%	8.8%	-21,042	18,595	\$20.39
C	4	239,680	65,103	27.2%	0	0.0%	65,103	27.2%	20.2%	-15,694	-17,997	\$14.63
Total	39	5,264,522	708,194	13.5%	8,711	0.2%	716,905	13.6%	12.1%	-73,945	-29,333	\$24.26
South												
A	1	80,000	0	0.0%	0	0.0%	0	0.0%	23.8%	19,000	20,702	-
B	13	479,107	72,236	15.1%	0	0.0%	72,236	15.1%	14.8%	-8,920	2,422	\$15.72
C	5	192,262	76,020	39.5%	0	0.0%	76,020	39.5%	34.1%	6,700	6,700	\$13.83
Total	19	751,369	148,256	19.7%	0	0.0%	148,256	19.7%	21.2%	16,780	29,824	\$17.28
South Main/Med Center												
A	14	4,471,845	685,060	15.3%	2,000	0.0%	687,060	15.4%	8.3%	-1,851	584,950	\$29.85
B	38	4,958,374	360,424	7.3%	0	0.0%	360,424	7.3%	7.5%	26,497	-28,419	\$23.05
C	32	2,401,818	117,733	4.9%	2,073	0.1%	119,806	5.0%	6.5%	14,338	42,585	\$18.51
Total	84	11,832,037	1,163,217	9.8%	4,073	0.0%	1,167,290	9.9%	7.6%	38,984	599,116	\$24.84
Southeast/Outlier												
A	1	159,304	0	0.0%	0	0.0%	0	0.0%	0.0%	0	0	-
B	13	776,863	132,942	17.1%	0	0.0%	132,942	17.1%	24.8%	15,120	11,466	\$18.69
C	2	118,772	4,914	4.1%	0	0.0%	4,914	4.1%	10.6%	0	7,619	\$24.00
Total	16	1,054,939	137,856	13.1%	0	0.0%	137,856	13.1%	17.3%	15,120	19,085	\$18.89
Southwest												
A	6	1,583,702	305,825	19.3%	4,265	0.3%	310,090	19.6%	17.7%	-35,639	-26,608	\$15.86
B	61	6,073,167	1,459,179	24.0%	3,827	0.1%	1,463,006	24.1%	24.7%	25,373	95,260	\$15.74
C	40	2,203,089	174,521	7.9%	1,600	0.1%	176,121	8.0%	8.6%	-12,162	1,271	\$13.14
Total	107	9,859,958	1,939,525	19.7%	9,692	0.1%	1,949,217	19.8%	19.8%	-22,428	69,923	\$15.48
Southwest Far and Outlier												
A	1	61,049	30,168	49.4%	0	0.0%	30,168	49.4%	54.1%	-16,797	-22,389	\$25.00
B	16	717,194	72,490	10.1%	800	0.1%	73,290	10.2%	12.3%	1,636	27,575	\$26.12
C	3	151,836	2,050	1.4%	0	0.0%	2,050	1.4%	1.1%	500	-550	\$16.00
Total	20	930,079	104,708	11.3%	800	0.1%	105,508	11.3%	14.0%	-14,661	4,636	\$25.66

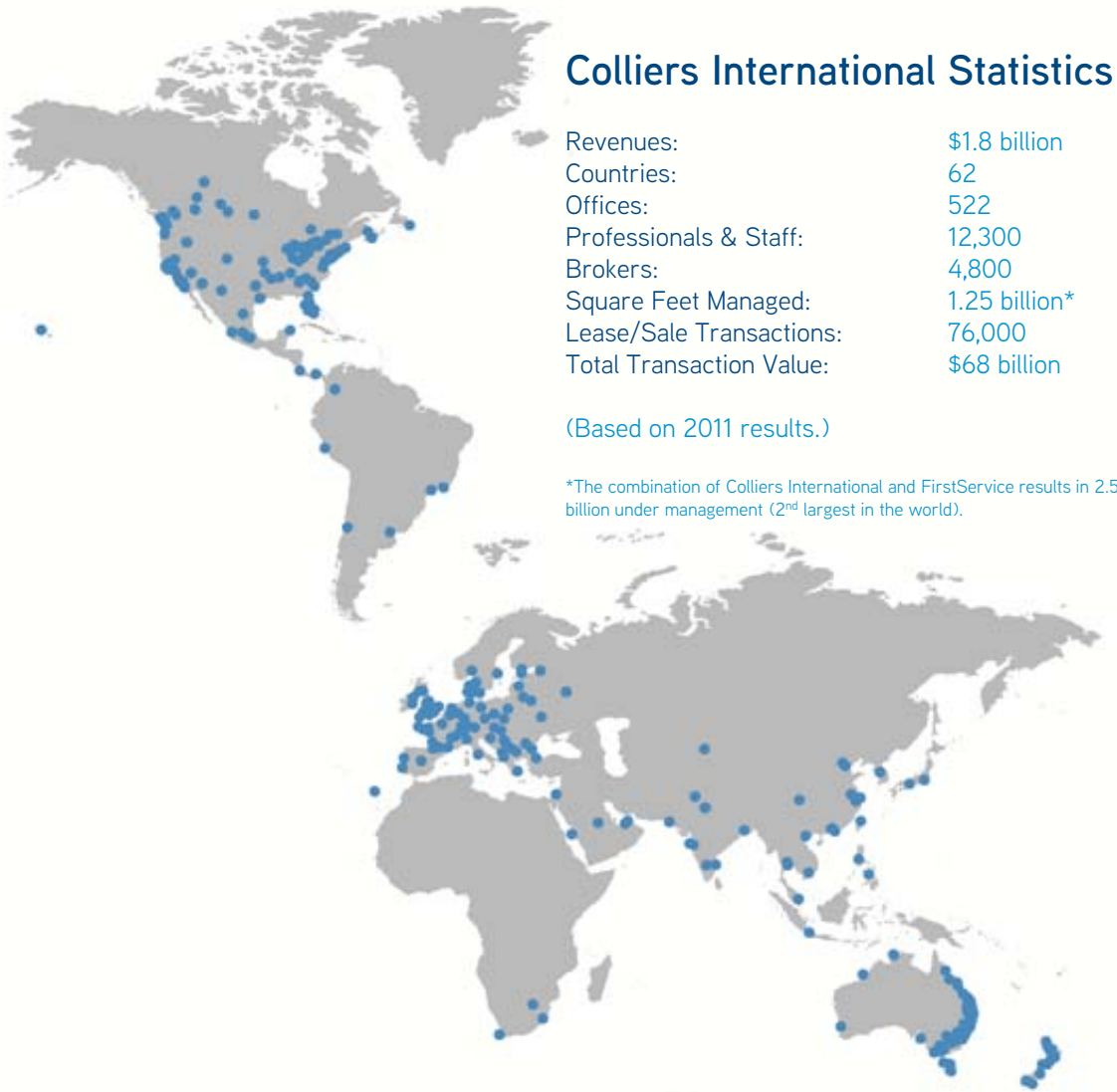
HOUSTON SUBURBAN OFFICE MARKET SUMMARY - CONTINUED

Class	Inventory		Direct Vacancy		Sublease Vacancy		Vacancy	Vacancy Rate (%)		Net Absorption (SF)		Rental Rate
	# of Bldgs.	Total (SF)	(SF)	Rate (%)	(SF)	Rate (%)	Total (SF)	Q3-2012	Q2-2012	Q3-2012	YTD-2012	AVG (\$/SF)
West Loop/Galleria												
A	35	14,696,357	1,419,599	9.7%	46,593	0.3%	1,466,192	10.0%	10.7%	25,200	146,148	\$30.13
B	58	7,268,372	1,221,851	16.8%	5,721	0.1%	1,227,572	16.9%	18.8%	-60,407	87,706	\$23.47
C	3	147,042	433	0.3%	0	0.0%	433	0.3%	0.0%	0	-433	\$18.79
Total	96	22,111,771	2,641,883	11.9%	52,314	0.2%	2,694,197	12.2%	13.2%	-35,207	233,421	\$27.25
Westchase												
A	22	6,791,438	458,998	6.8%	73,347	1.1%	532,345	7.8%	12.2%	44,542	383,453	\$29.98
B	59	6,168,349	842,554	13.7%	7,134	0.1%	849,688	13.8%	16.3%	60,397	118,450	\$18.50
C	6	281,047	74,615	26.5%	0	0.0%	74,615	26.5%	18.3%	-25,735	-30,227	\$18.32
Total	87	13,240,834	1,376,167	10.4%	80,481	0.6%	1,456,648	11.0%	14.3%	79,204	471,676	\$24.77
The Woodlands												
A	16	3,198,900	56,519	1.8%	11,440	0.4%	67,959	2.1%	2.9%	15,539	61,675	\$34.82
B	66	3,456,773	348,441	10.1%	21,078	0.6%	369,519	10.7%	12.7%	62,728	216,698	\$21.19
C	5	341,192	0	0.0%	0	0.0%	0	0.0%	0.0%	0	918	-
Total	87	6,996,865	404,960	5.8%	32,518	0.5%	437,478	6.3%	7.6%	78,267	279,291	\$24.63

OFFICE DEVELOPMENT PIPELINE

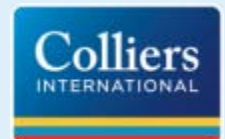
Houston's construction pipeline continues to expand with 4.1 million square feet currently under construction. The table below includes buildings 50,000 square feet or larger.

BUILDING NAME	ADDRESS	SUBMARKET	SF	PRE-LEASED	DEVELOPER	EST. DELIVERY
Anadarko Tower 2	1201 Lake Robbins Dr	Woodlands	550,000	100.0%	Patrinely Group Inc	4/2014
Energy Tower III	11740 Katy Freeway	Katy Freeway	428,831	0.0%	Mac Haik Realty LLC	1/2014
Nexen Building	945 Bunker Hill	Katy Freeway	331,513	72.9%	MetroNational Corp	10/2012
Murphy Exploration	9805 Katy Freeway	Katy Freeway	320,000	54.1%	MetroNational Corp	10/2013
BBVA Compass/2200 Post Oak	2200 Post Oak Blvd	Galleria/Uptown	306,012	59.3%	Redstone and Stream	4/2013
3009 Post Oak Blvd.	3009 Post Oak Blvd	Galleria/Uptown	302,536	0.0%	Skanska Commercial Development	7/2013
Research Forest Lakeside - Building 4	2445 Technology Forest Blvd	Woodlands	300,000	50.0%	Warmack Investments	4/2013
Granite Briarpark Green	3151 Briarpark Dr	Westchase	299,664	2.1%	Granite Properties	7/2013
3 Waterway Square Place	3 Waterway Ave.	Woodlands	233,844	90.0%	The Woodlands Development Company, L.P.	6/2013
8 West Centre	3505 W Sam Houston Pky N	Katy Freeway	228,000	0.0%	CORE Parkway Central, Ltd	7/2013
17320 Katy Freeway	17320 Katy Freeway	Katy Freeway	182,000	1.1%	Transwestern	12/2013
Sam Houston Crossing II	10344 Sam Houston Pky N	Northwest Far	159,056	0.0%	Duke Realty	5/2013
Mason Creek Office Center	Mason Rd & Merchants Way	Northwest Outlier	135,330	0.0%	Myers, Crow & Saviers	4/2013
CityCentre Three	842 W Sam Houston Pky N	Katy Freeway	120,211	46.5%	Midway Companies	6/2013
CityCentre Four	840 W Sam Houston Pky N	Katy Freeway	120,052	52.8%	Midway Companies	6/2013
Halliburton North Belt Campus	Milner Road	North Belt/Greenspoint	100,000	100.0%	-	12/2012



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