2017
CBD OFFICE STORY

Survey data as of January 1, 2017

Background

- This survey supplements, and does not replace other traditional market surveys: broker, owner, or third-party reports.

- It provides unique insight on the current competitive leasing environment, based on analysis of primary data. The results ***assist owners, leasing agents and potential investors make strategic marketing and investment decisions***.

- Buildings in the survey universe have proven the ability to compete for tenants in the downtown Class A and B markets [henceforth classified as Tiers 1, 2 and 3]

- This is the 33rd year of this analysis with this methodology.

Survey Universe

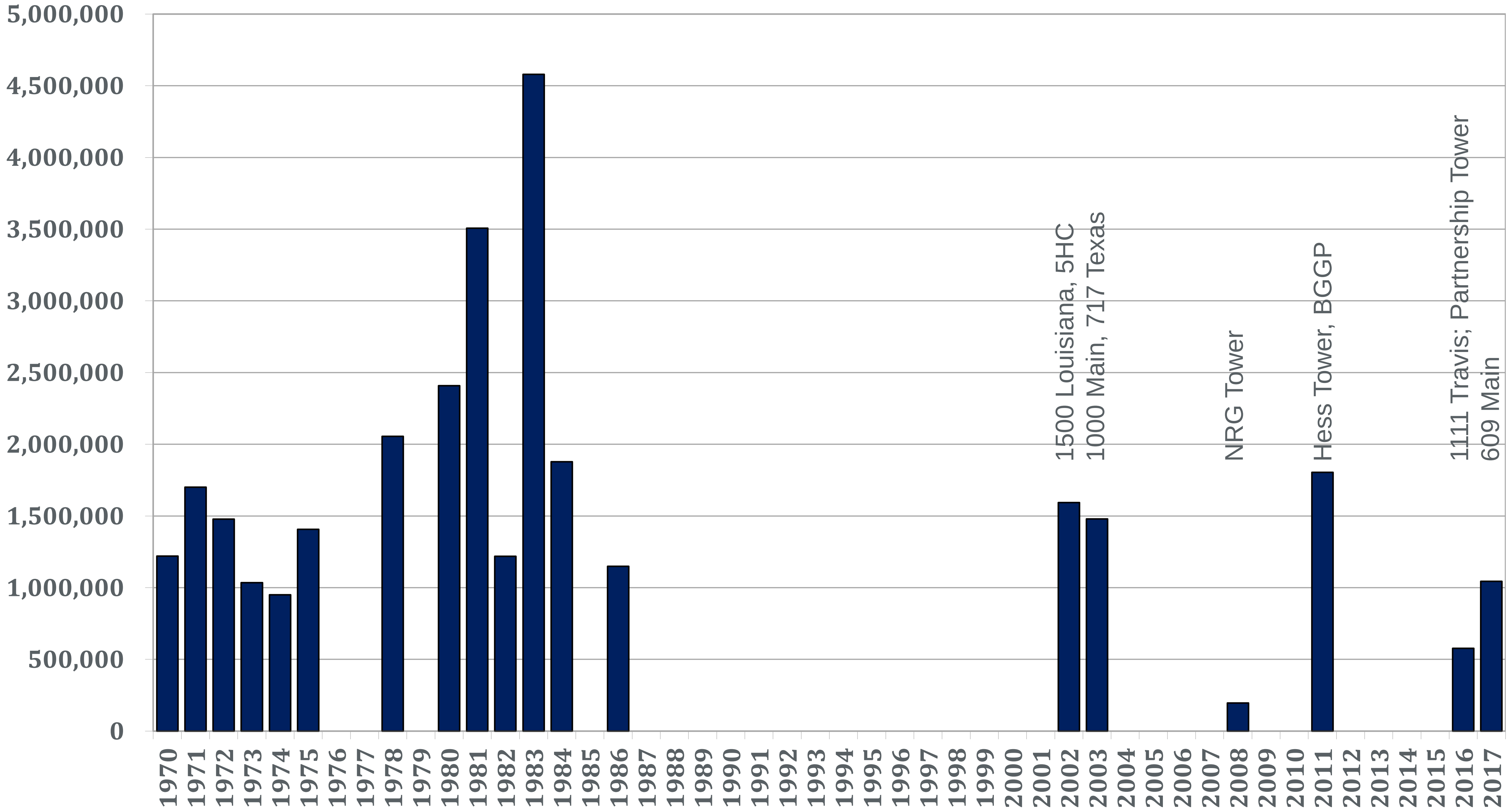
- The survey universe includes only competitive office buildings; it does not include owner-occupied buildings

		Number	Rentable SF
Class A	Tier 1	10	10,480,861
	Tier 2	14	14,384,864
Class B	Tier 3	21	9,908,403
	Total	45	34,774,128

Not included: 1500 Louisiana, 1400 Smith and 1111 Travis (all owner occupied); 800 Bell; and Capitol Tower

Class A and B Building Construction

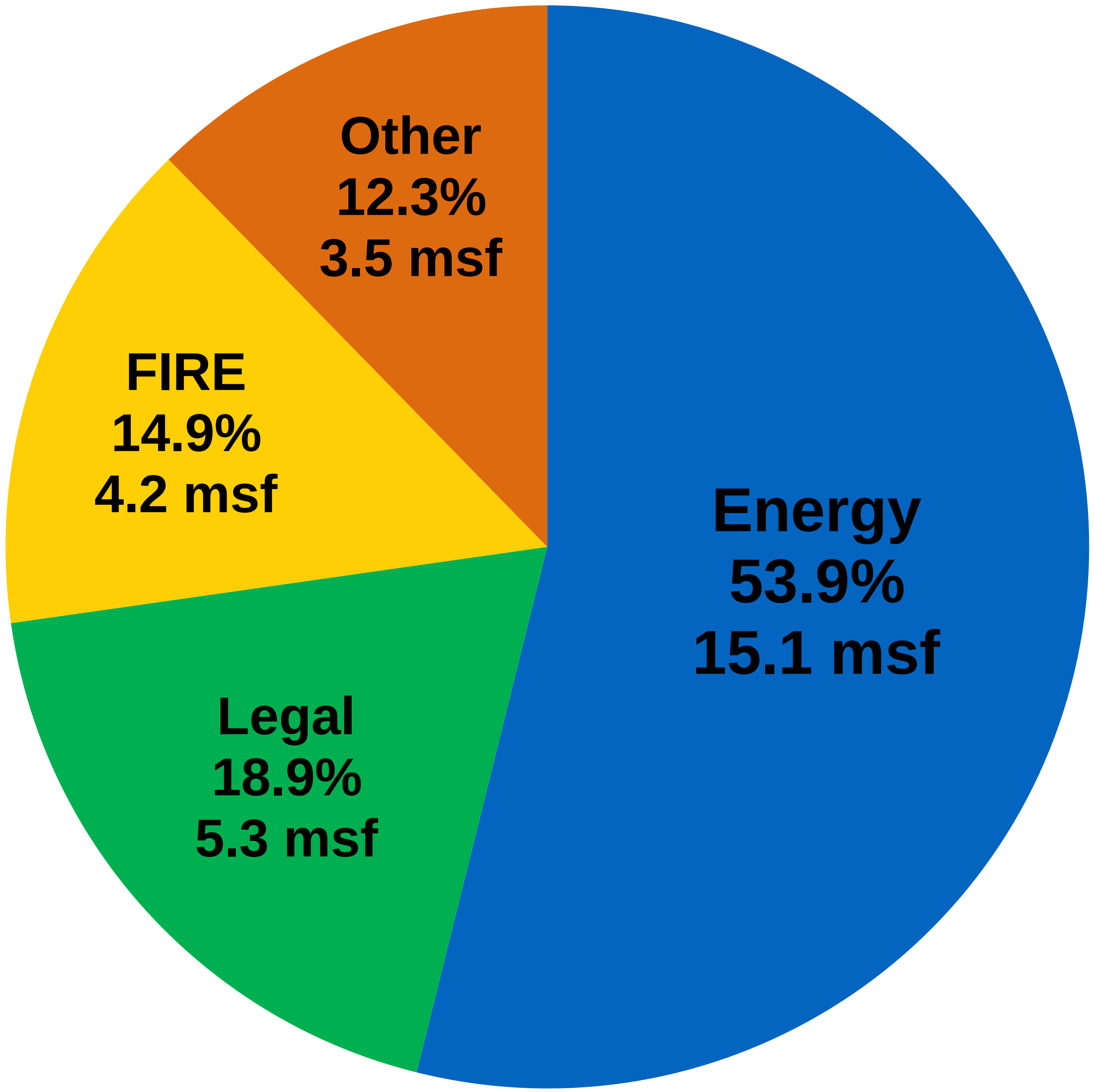
Square Feet Built per Year



Office Building Use by Industry

Properties in the survey universe

As of 1/1/2017

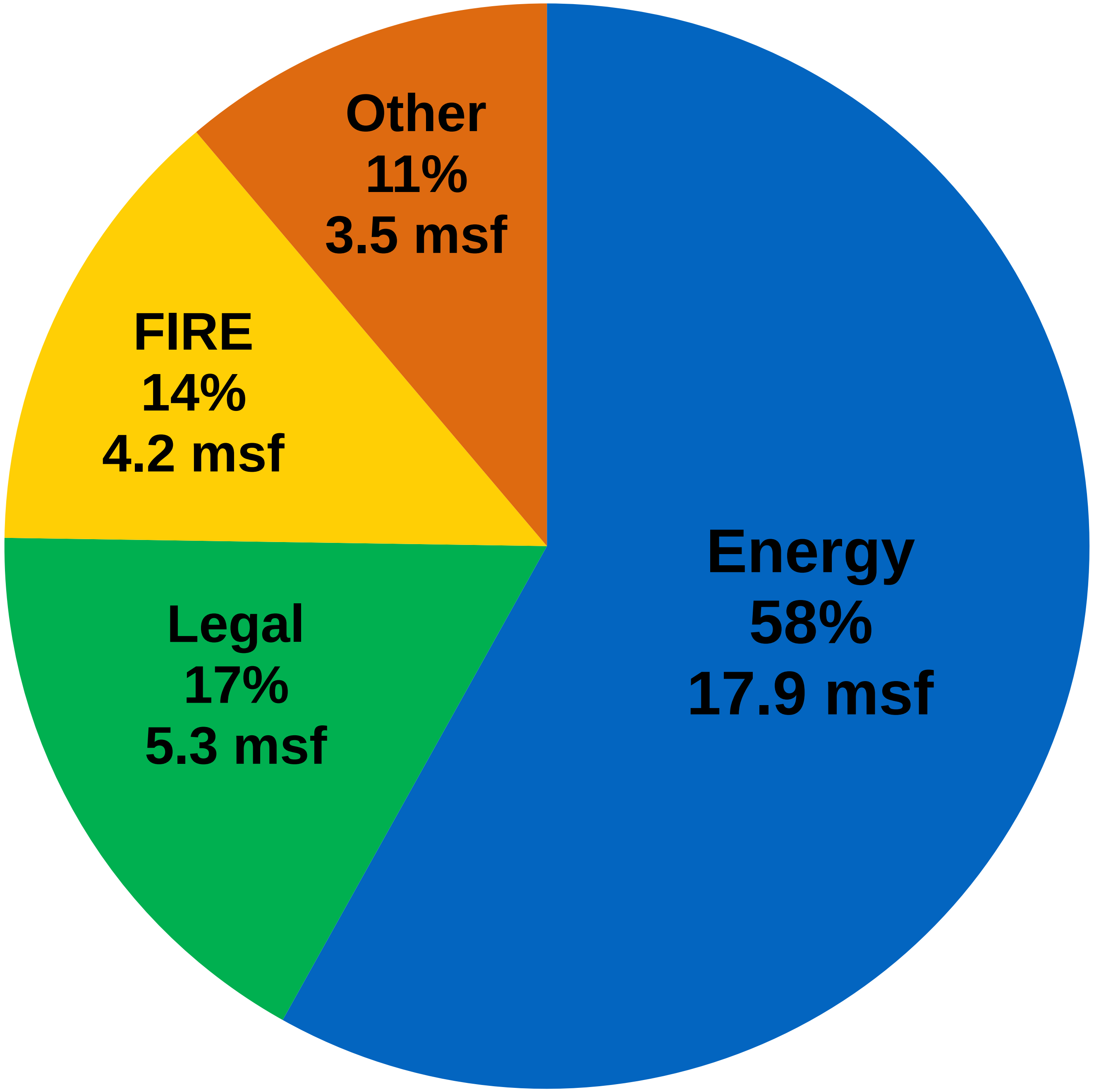


- 28.1 million sf of ***leased*** space in survey universe
- Owner-occupied buildings are excluded: 1500 Louisiana, 1400 Smith, 1111 Travis
- Energy is broadly defined, and includes exploration and production, pipelines, utilities and chemical companies. We also include service companies such as KBR.
- FIRE = Finance, Insurance, Real Estate
- "Other" includes companies such as Waste Management and United Airlines

Office Space Use by Industry

Including owner-occupied buildings

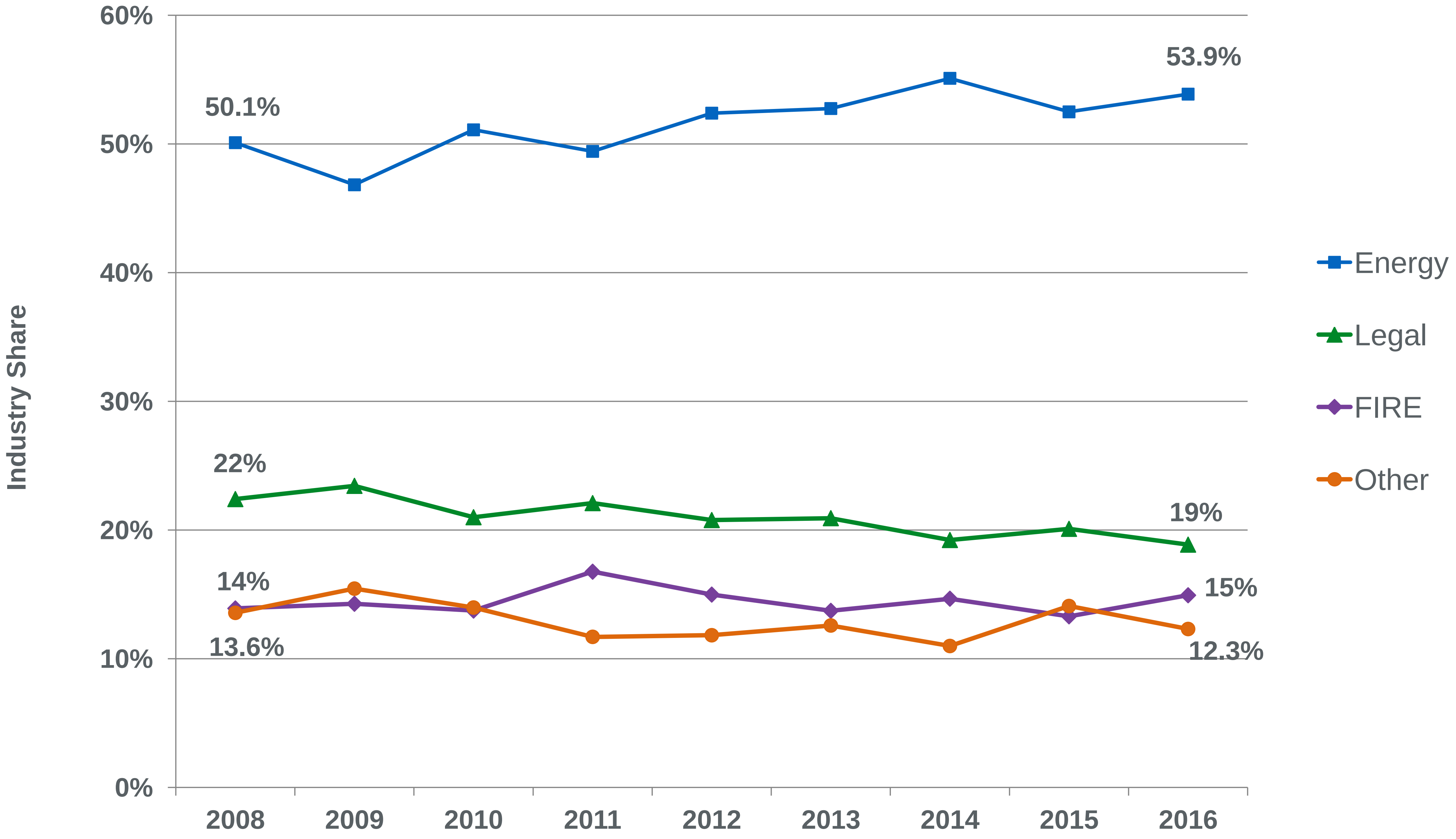
As of 1/1/2017



- 30.9 million sf of ***leased*** space in downtown's Class A and B office buildings.
- Owner-occupied buildings are included here: 1500 Louisiana, 1400 Smith, 1111 Travis
- Energy is broadly defined and includes exploration and production, pipelines, utilities and chemical companies. We also include service companies such as KBR.
- FIRE = Finance, Insurance, Real Estate
- "Other" includes companies such as Waste Management and United Airlines

Trend in Office Building Use by Industry

Properties in the Survey Universe, 2008 - 2016



Large Tenants in Building Universe

Central Houston

Tenants by number of floors	
One or more floors	305
Two or more floors	134
Four or more floors	65
Tenants by square footage	
20,000+ sf	239
100,000+ sf	53
200,000+ sf	26
500,000+ sf	6
Tenants by % of survey universe	
25%	14
33%	26
50%	78

Excludes: 1500 Louisiana, 1400 Smith and 1111 Travis (all owner occupied) and 800 Bell

Summary Data

January 1, 2017

Survey Universe	34,774,128
Space Being Marketed (Direct)	6,162,274
Percent Being Marketed (Direct)	17.7%
Space Being Marketed (Sublease)	2,649,038
Percent Being Marketed (Sublease)	7.6%
Total Space Being Marketed	**8,811,312**
Percent Being Marketed (Total)	**25%**
2016 Leases Signed (Direct)	**3,684,897**
2016 Change in Space Being Marketed (Direct)	(1,053,939)

Definitions – Availability

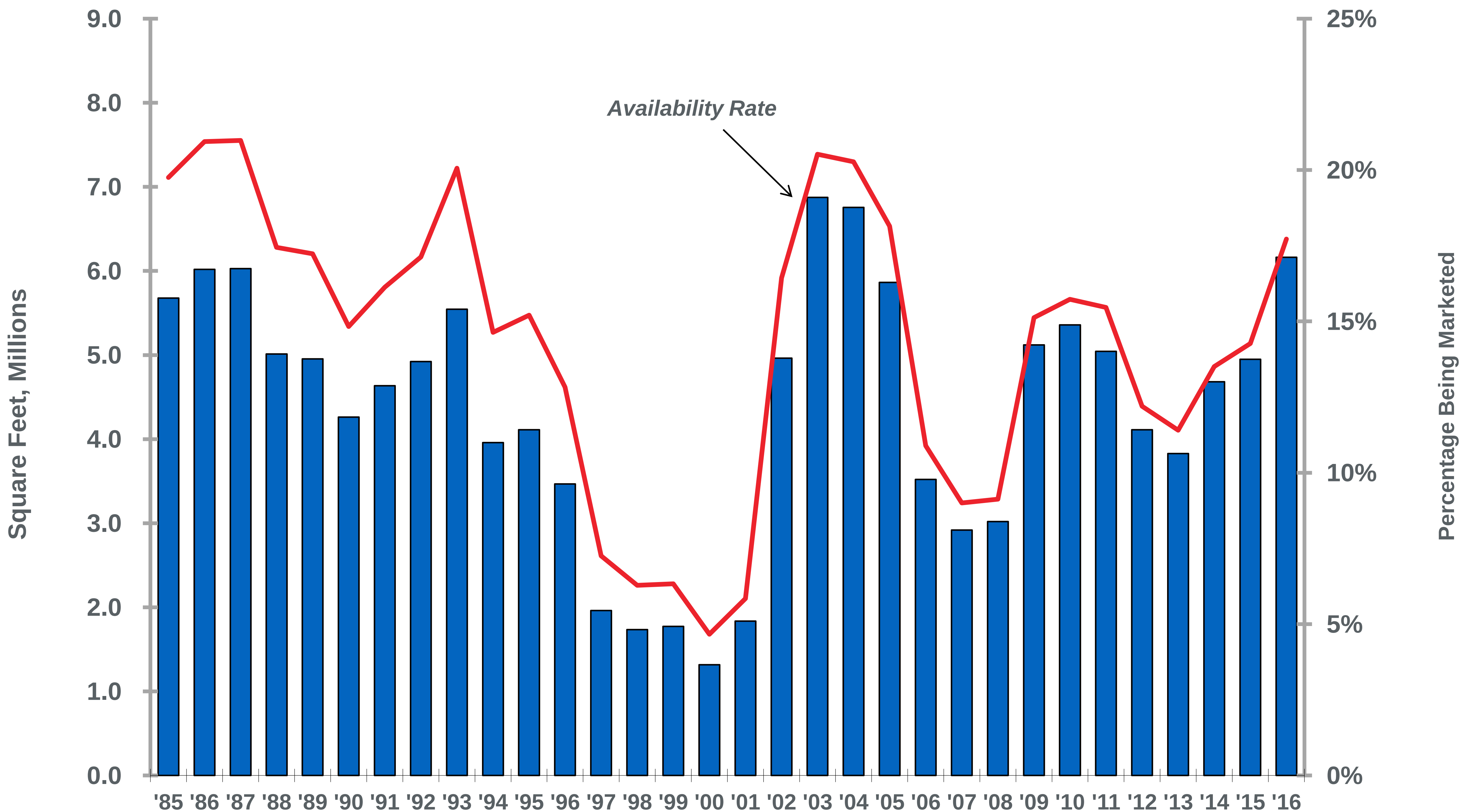
- **Space Available**: Any office space being marketed, even if occupied and leased. If it is being marketed, it is competing against other space.

- **Availability rate**: Direct office space being marketed divided by the total amount of office space in this survey universe.

Direct Space

Historical Space Being Marketed

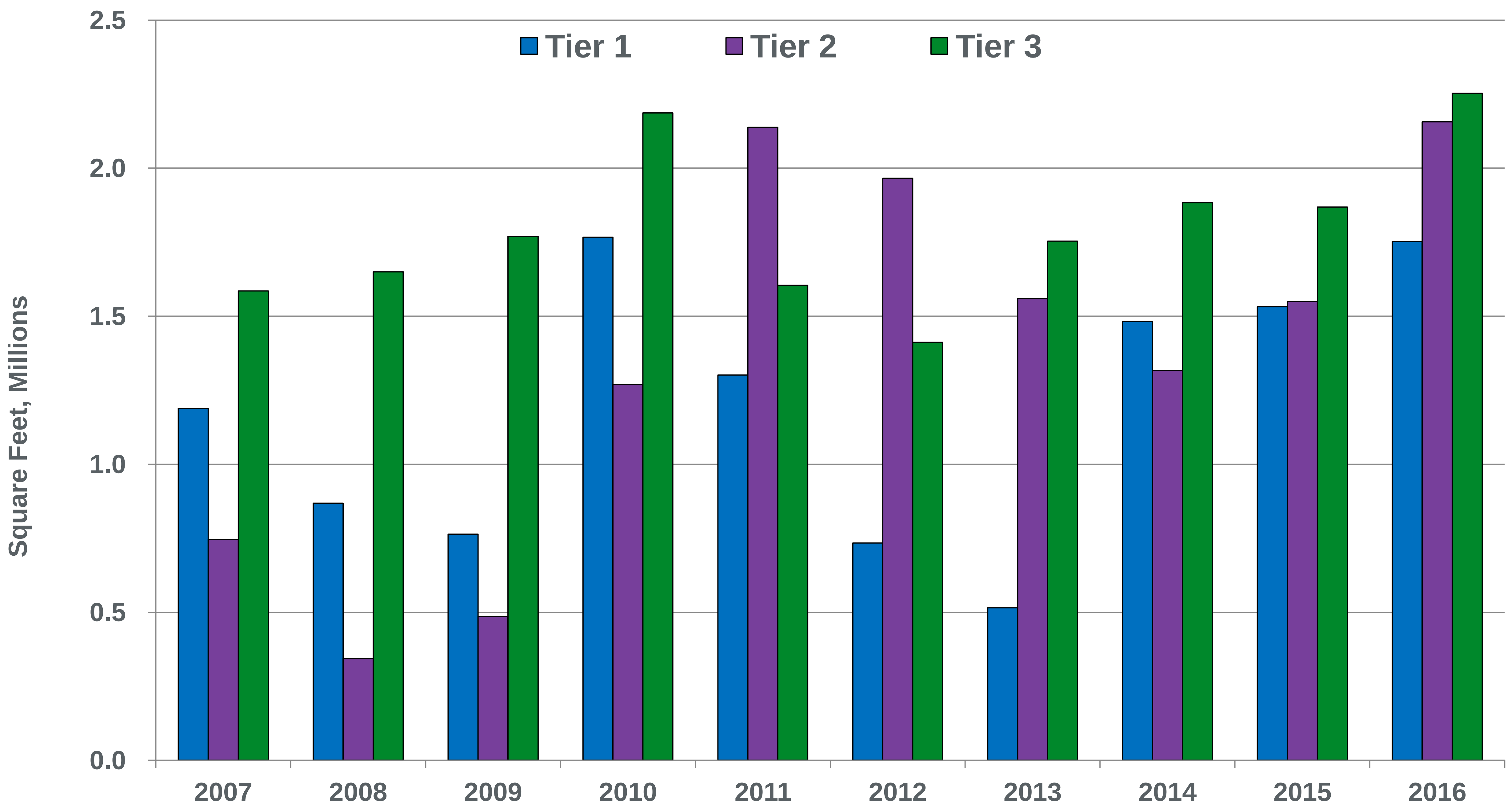
As of 1/1/17



Direct Space

Historical Space Being Marketed

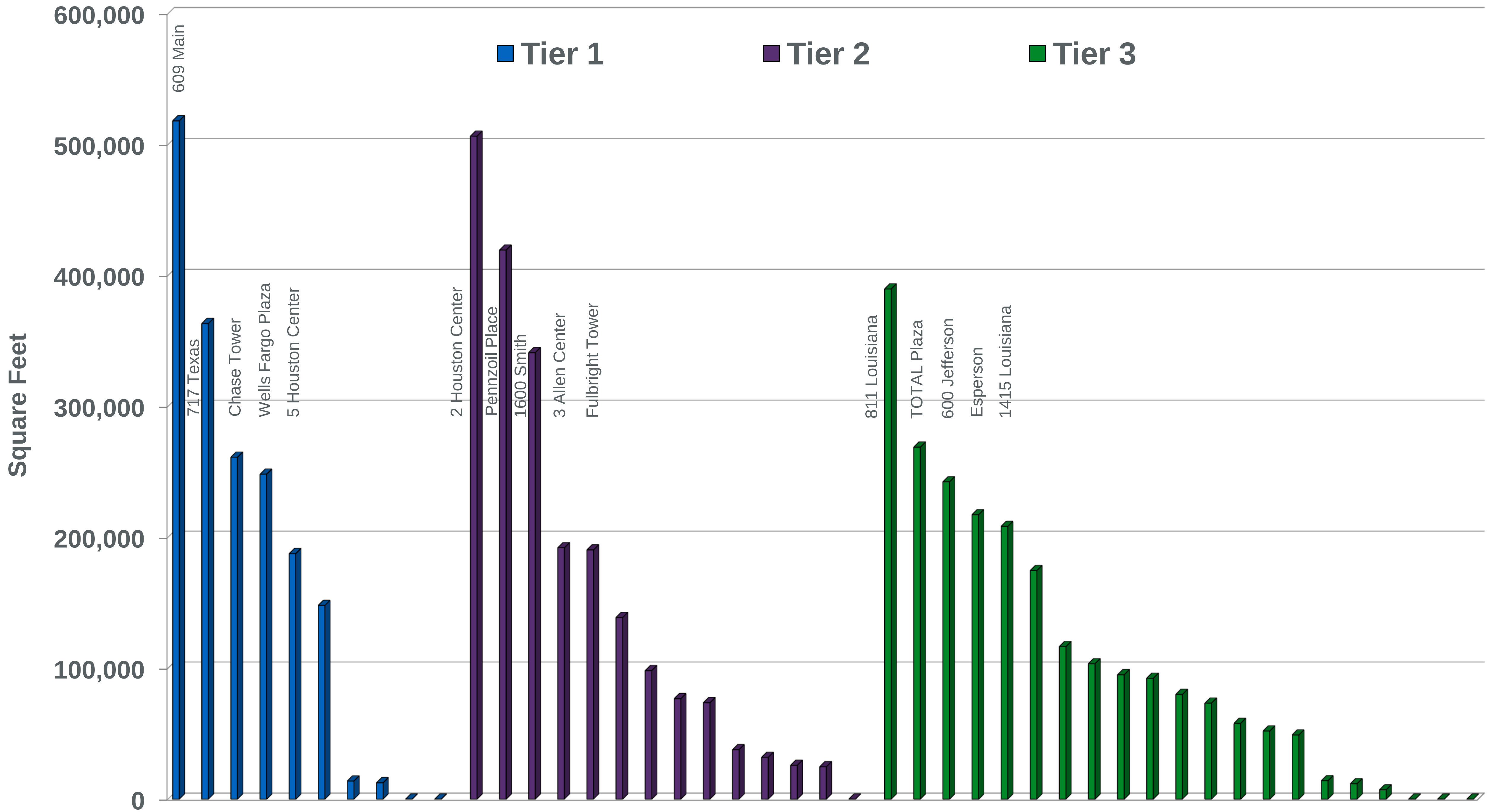
By Tier



Direct Space

Space Being Marketed by Building

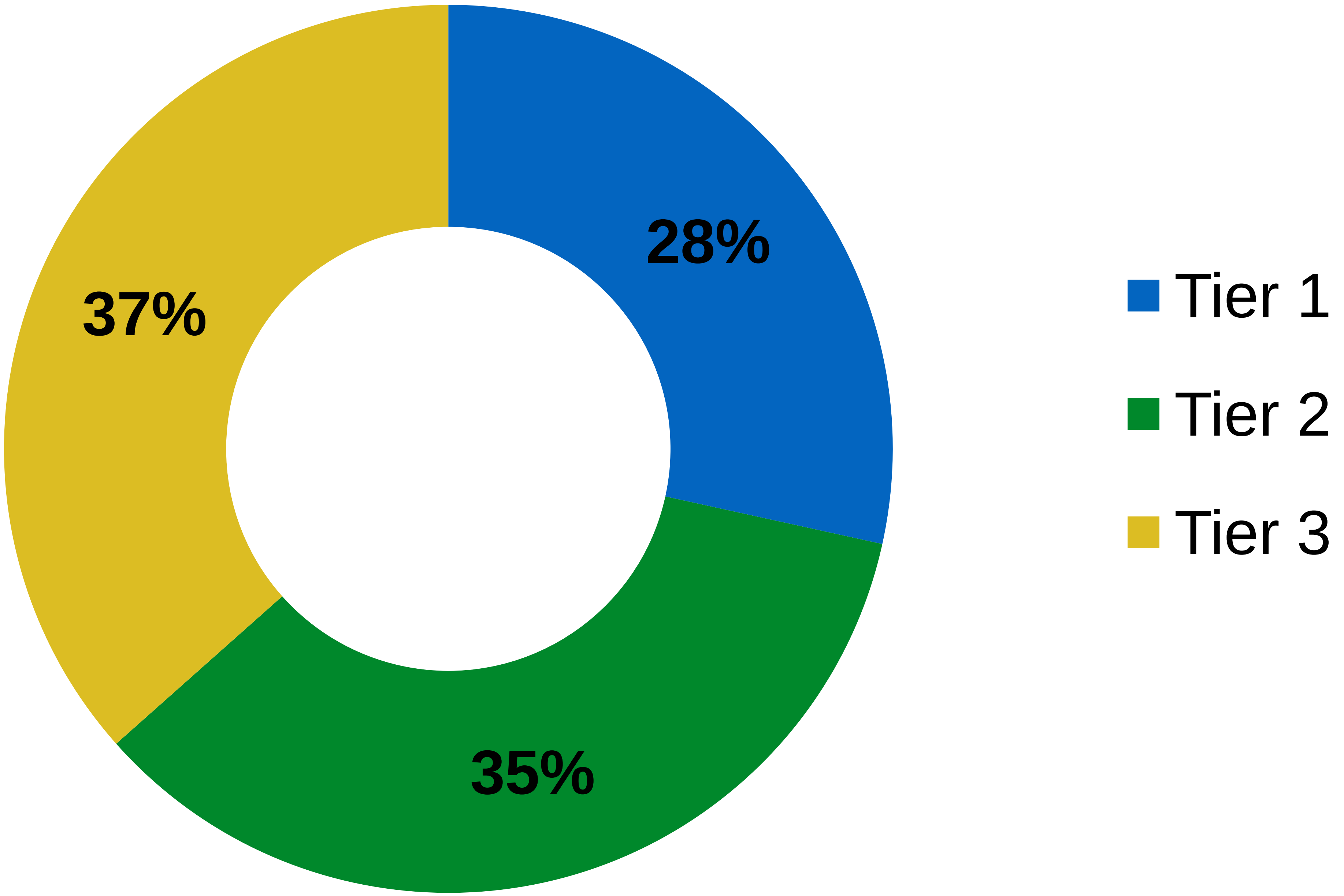
As of 1/1/2017



Direct Space

Space Being Marketed by Tier

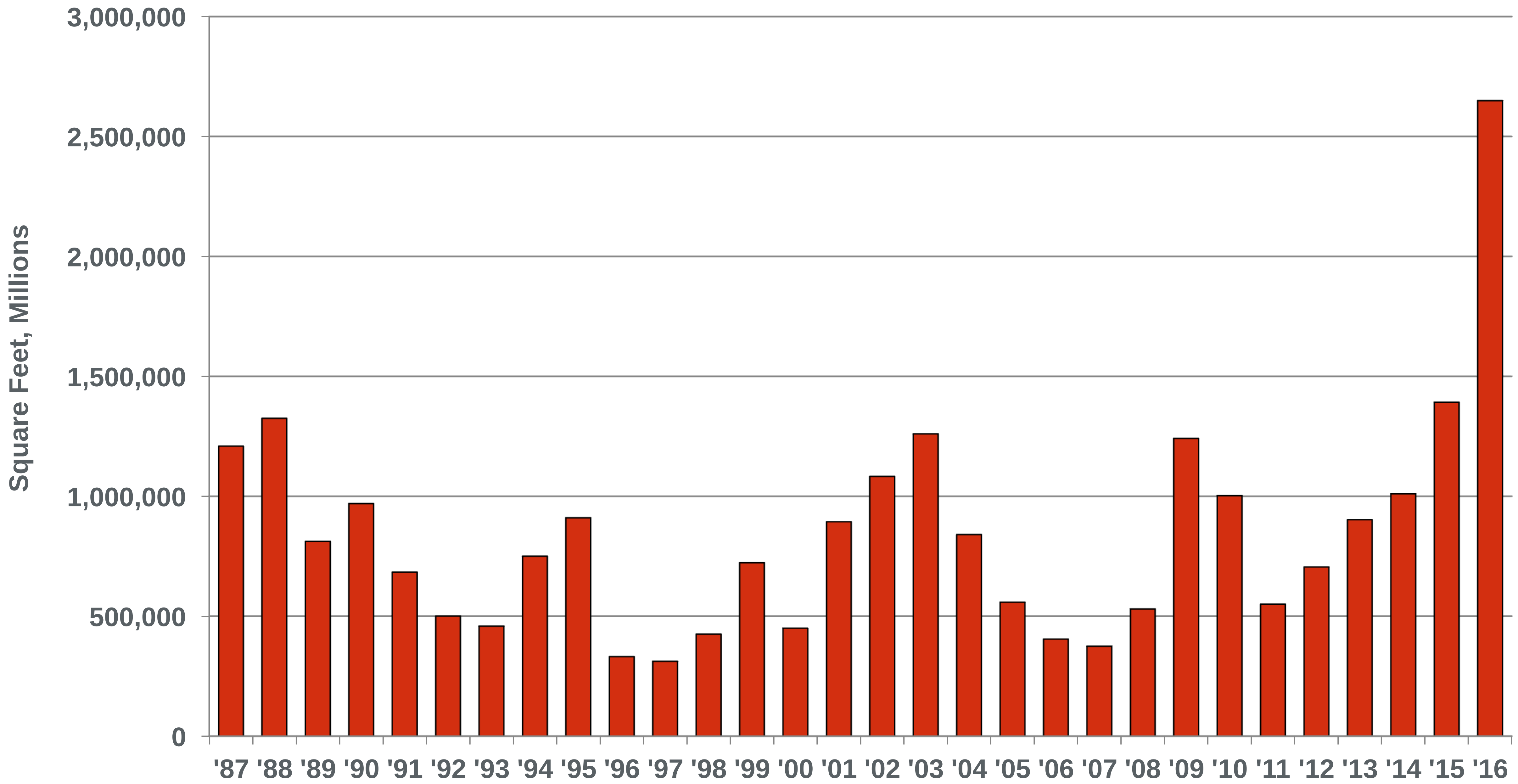
As of 1/1/2017



Sublease Space

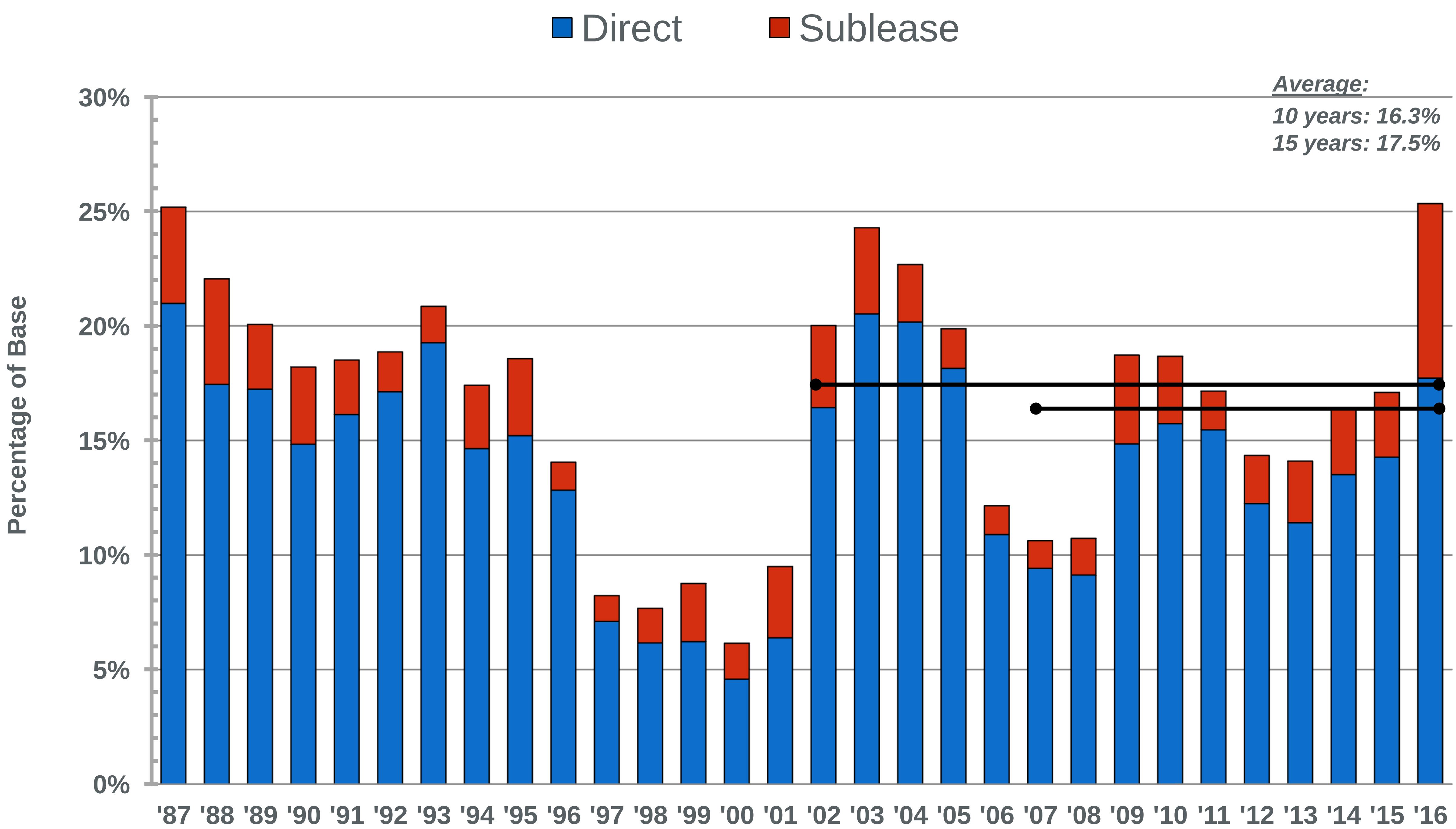
Historical Sublease Available

As of 1/1/17



Direct and Sublease Space

Historical Space Being Marketed



Central Houston

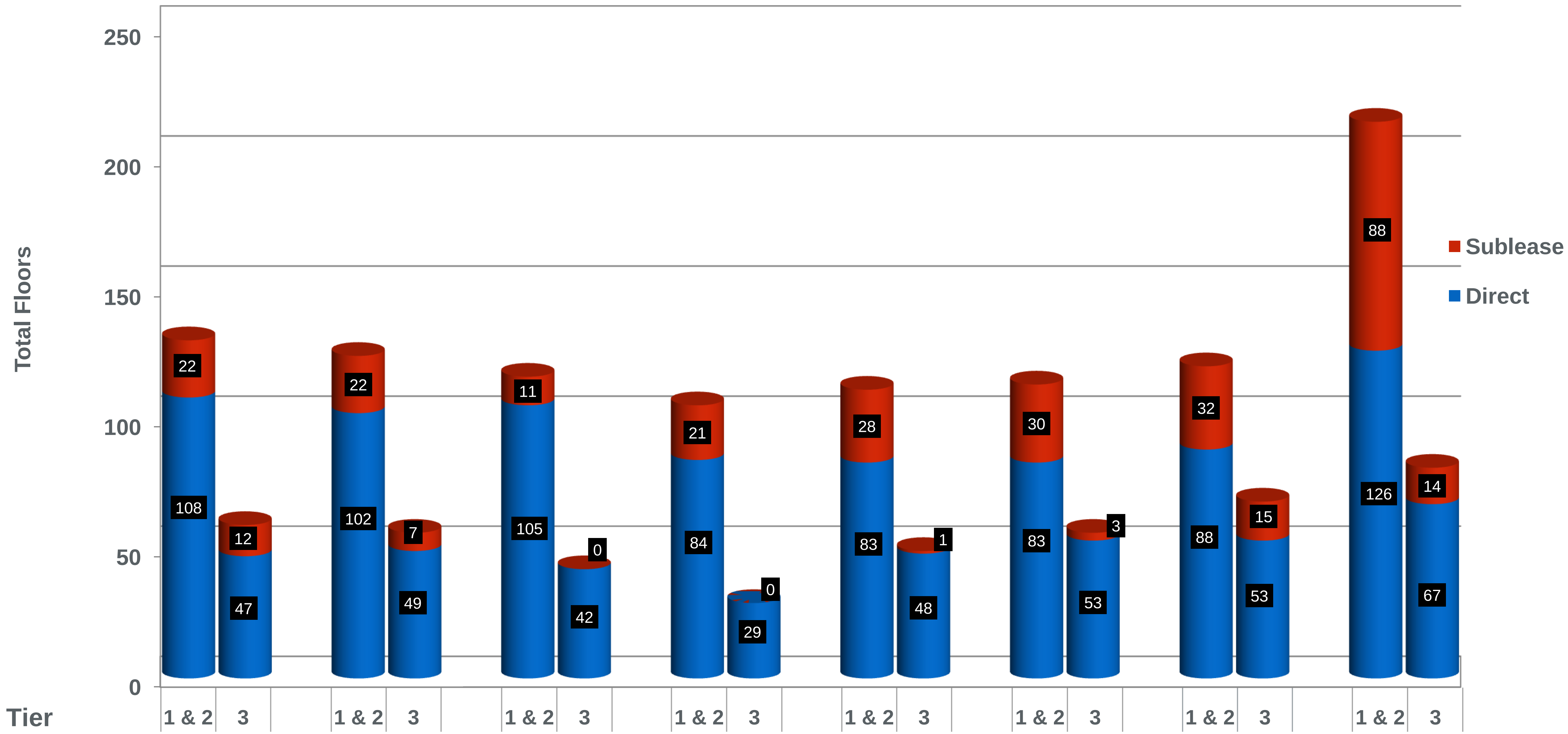
Full-Floor Sublease Spaces

With term as of 4/13/2017

Tier	Building	Description	Exp	SF
2	One Shell Plaza	3-31, 41-48 (Shell)	Dec. 2025	877,026
2	Two Allen Center	26-36 (Chevron)	Jan. 2020	316,164
3	500 Jefferson	3-6, 13-17 (KBR)	Jun. 2030	175,510
1	Heritage Plaza	14-18, 21 (Rosetta)	Aug-23	165,120
2	Fulbright Tower	5-9 (Statoil)	Aug-20	123,201
1	Pennzoil Place (NT)	28, 30-36 (Freeport)	Aug-18	119,032
2	Two Allen Center	3-5, 21 (Devon)	Jan-20	111,634
1	BG Group Place	29-32 (BG Group)	Jan-26	109,836
3	919 Milam	6, 9, 12 (Valerus Compression)	Jun-23	66,217
2	Three Allen Center	3, 5-6 (Devon)	Jan-20	65,469
2	Fulbright Tower	41-42 (Norton Rose (sublease to Orrick))	Mar-18	51,092
2	1100 Louisiana	51, 55 (Vitol)	Apr-21	43,000
3	1415 Louisiana	26, 28 (Eagle Rock)	Feb-18	37,372
1	600 Travis	3, 4 (Ascend)	Feb-19	33,527
1	1000 Main	22 (Shell/Motiva)	Dec-25	28,963
2	Two Allen Center	23 (Kinder Morgan/Baytex Energy)	Jan-20	28,350
2	1001 Fannin	28 (Vinson & Elkins)	Oct-21	28,065
2	1001 Fannin	4 (Enervest)	Nov-26	26,801
2	Fulbright Tower	21 (Memorial Prod)	Aug-20	25,127
2	1100 Louisiana	31 (Enbridge)	Apr-25	22,982

Full Floors Available

Direct and Sublease, as of 1/1/2017



Year	2009	2010	2011	2012	2013	2014	2015	2016
Total Floors	**189**	**180**	**158**	**134**	**160**	**169**	**188**	**295**

Effective Blocks of Space

100,000 SF+ *As of 4/13/2017*

Tier	Building	Floors	SF	Avail	Former Tenant
2	One Shell Plaza	3-31, 41-48	877,026	Immed.	Shell
1	609 Main	P19-21, 24-P35, 36-39	515,313	Immed.	n/a
1	717 Texas	16-28	355,908	Immed.	Freeport McMoRan
3	811 Louisiana	10-15, 18-22	329,138	Immed.	Shell
2	Pennzoil - North Tower	6-12, 25-26, 28-36	326,239	Immed.	Freeport + new
2	2 Allen Center	26-36	316,164	Immed.	Chevron
2	2 Houston Center	P3-10	298,185	Immed.	Shell + 9-10 Argent
2	1600 Smith	5-16	279,000	Immed.	United Airlines (1/2 is new)
2	1100 Louisiana	25-31, 33-34, 36-38	271,773	Immed.	Enbridge
2	Fulbright Tower	5-9, 38-39,41-42	225,379	Immed.	Statoil/ Norton Rose/ New
3	600 Jefferson	1-2, 11-19	221,590	Jan '18	United Airlines
3	500 Jefferson	3-6, 13-19	215,136	Immed.	KBR
1	Wells Fargo Plaza	30-35, 62-64	192,449	Immed.	Gardere
2	3 Allen Center	28-29,31-34	146,115	Immed.	Thompson & Knight + new
3	Total Plaza	10-15	145,203	Immed.	Hilcorp
1	5 Houston Center	21, 23-26	144,829	Immed.	McKinsey + new
2	Pennzoil - South Tower	6-11	112,833	Immed.	Gensler + new
3	1415 Louisiana	18-20, 25-26, 28	110,567	Immed.	Eagle Rock, Sabine, and other
1	BG Group	29-32	109,836	Immed.	BG Group

TOTAL: **5,192,683**

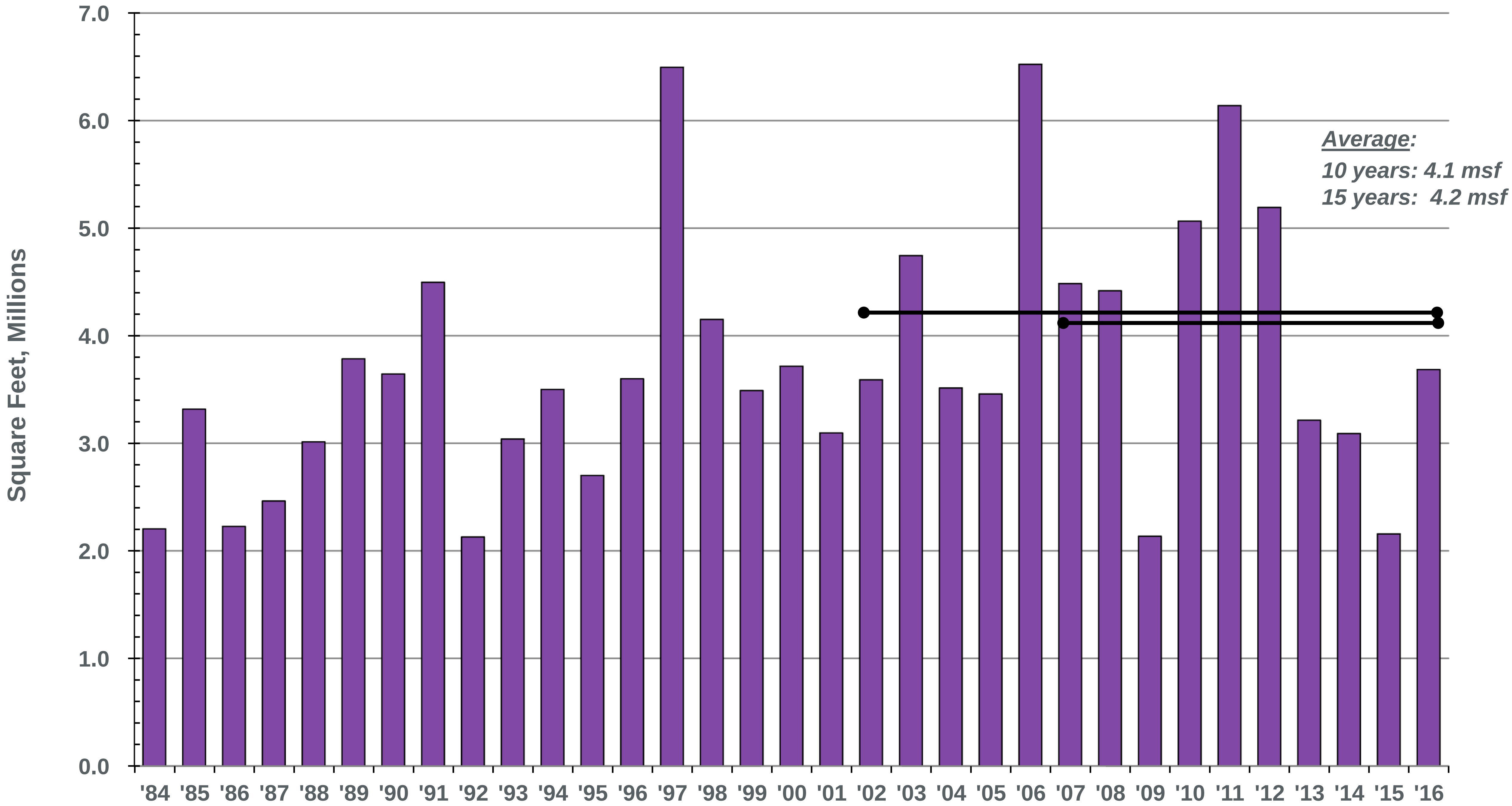
Definition – Leasing Activity

- Any lease signed during the year, no matter when occupancy is to take place.

  - CoStar's definition: "The volume of square footage that is committed to and signed under a lease obligation for a specific building or market in a given period of time. It include direct leases, subleases and renewals of existing leases. It also includes any pre-leasing activity in planned, under construction or under renovation buildings."

Historical Leasing Activity

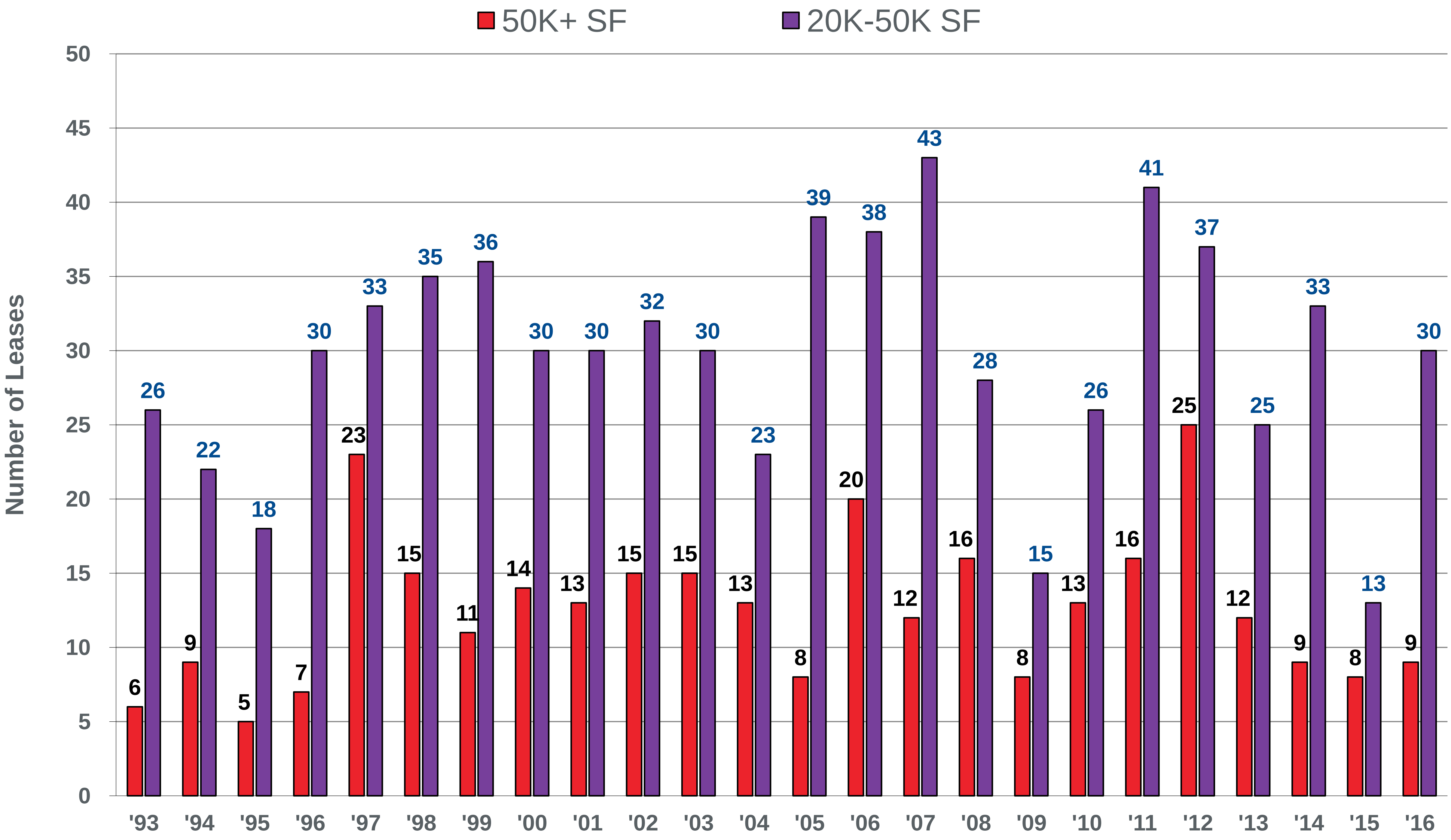
In millions of SF



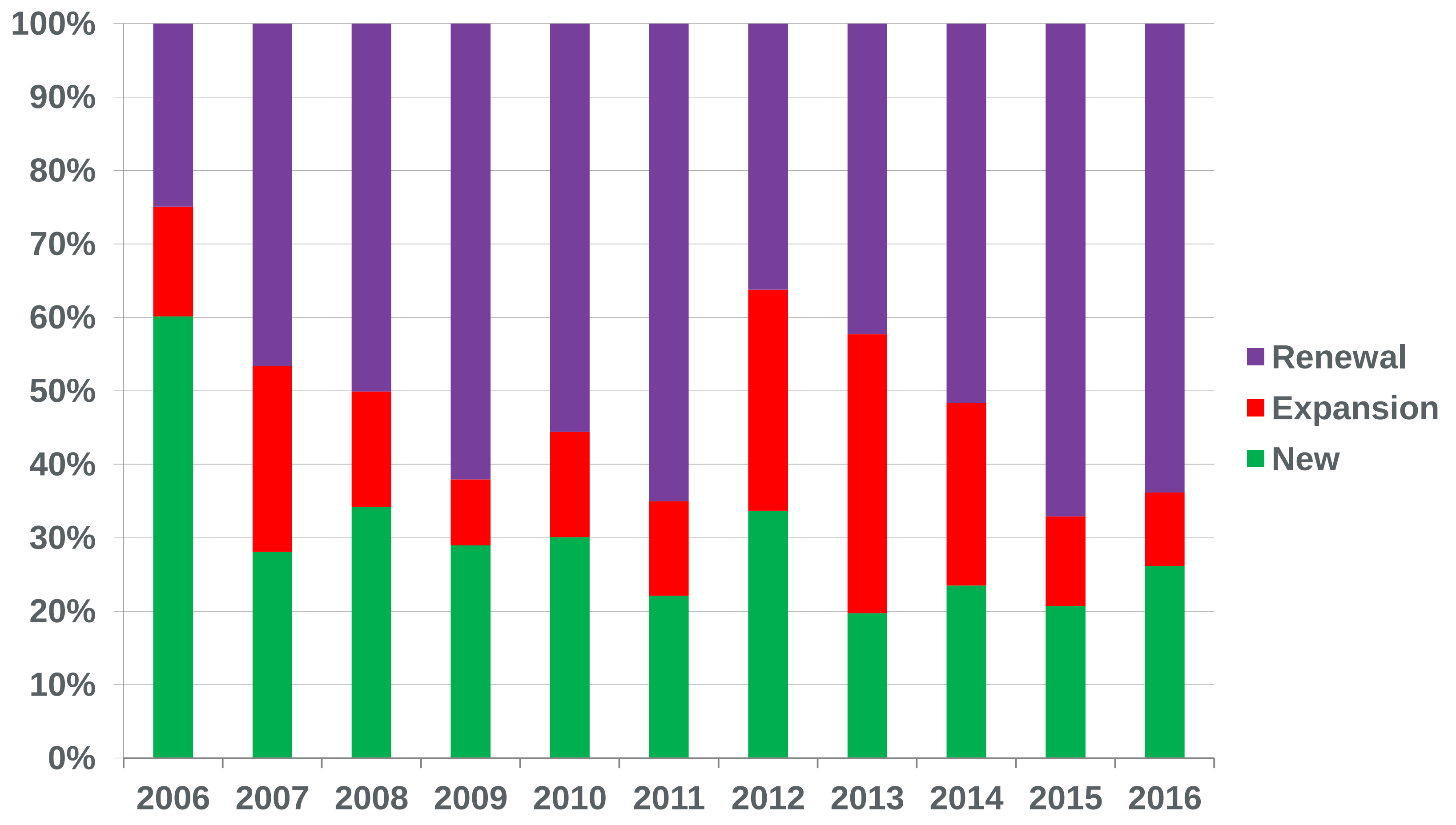
Central Houston

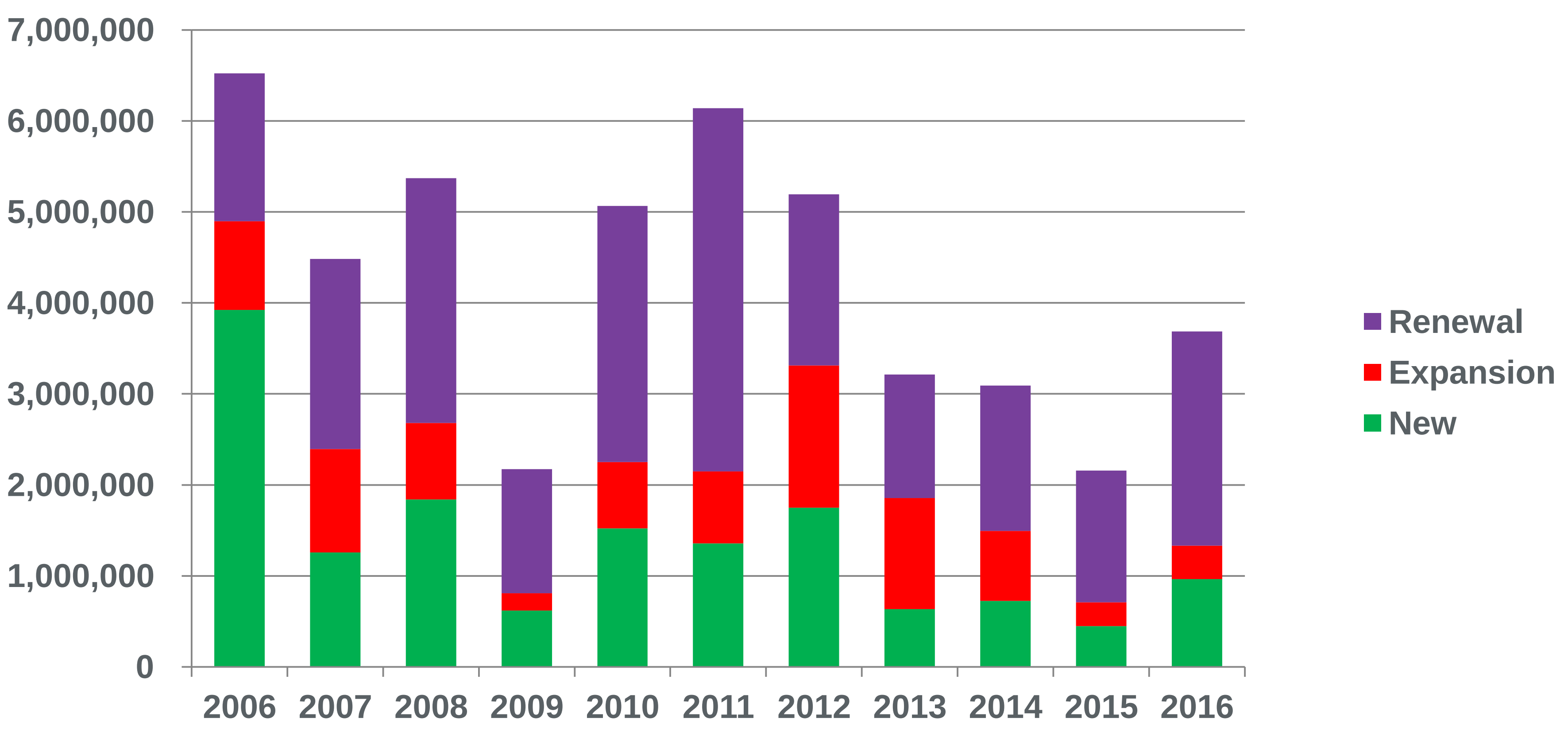
Number of **Large Transactions**

Direct



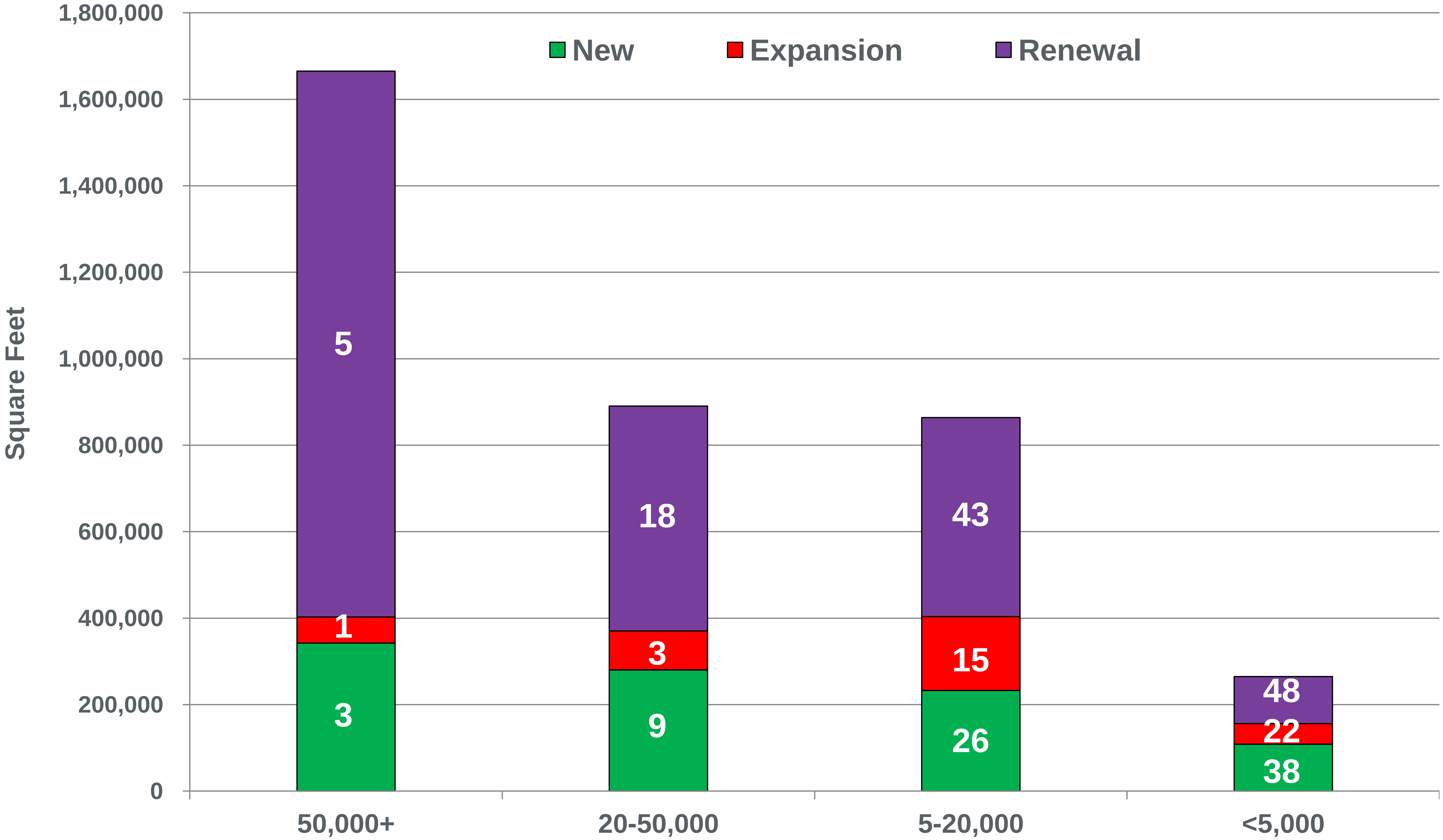
Leasing by Transaction Type





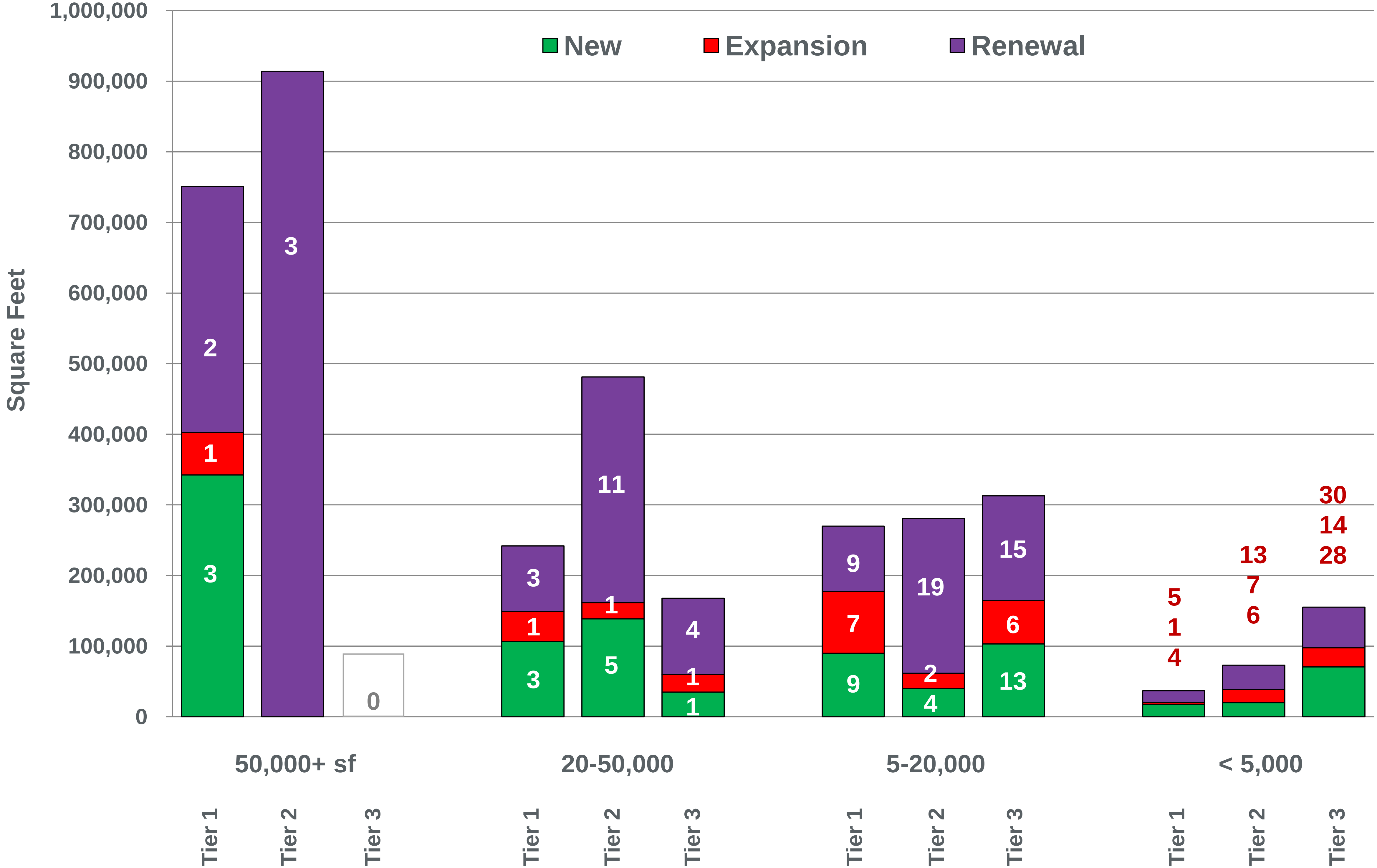
Lease Transactions

Direct space: by Size & Type



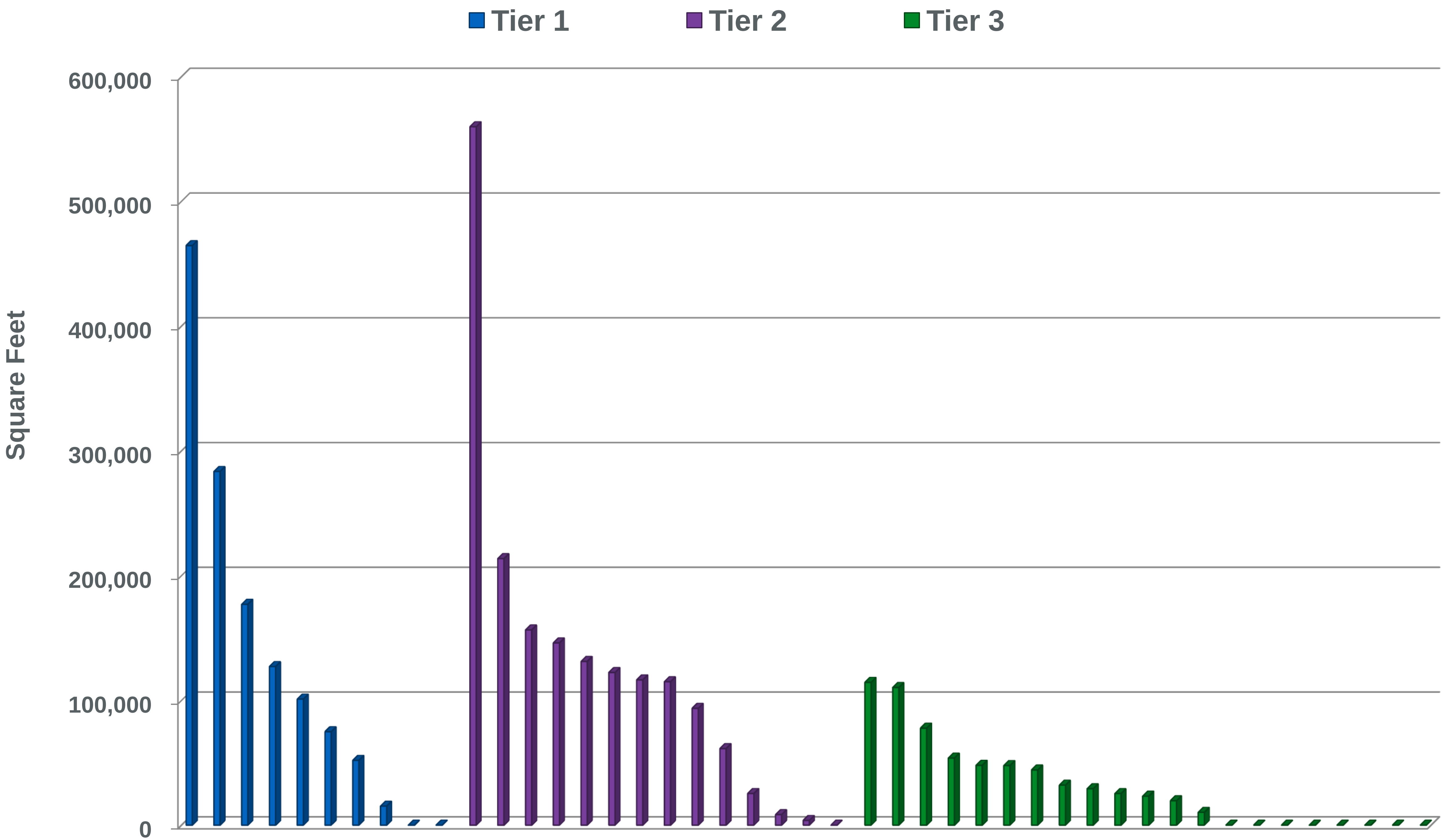
Lease **Transactions**

Direct, by Tier



Leases Signed by Building

Direct, by building



Definition – Space Being Marketed

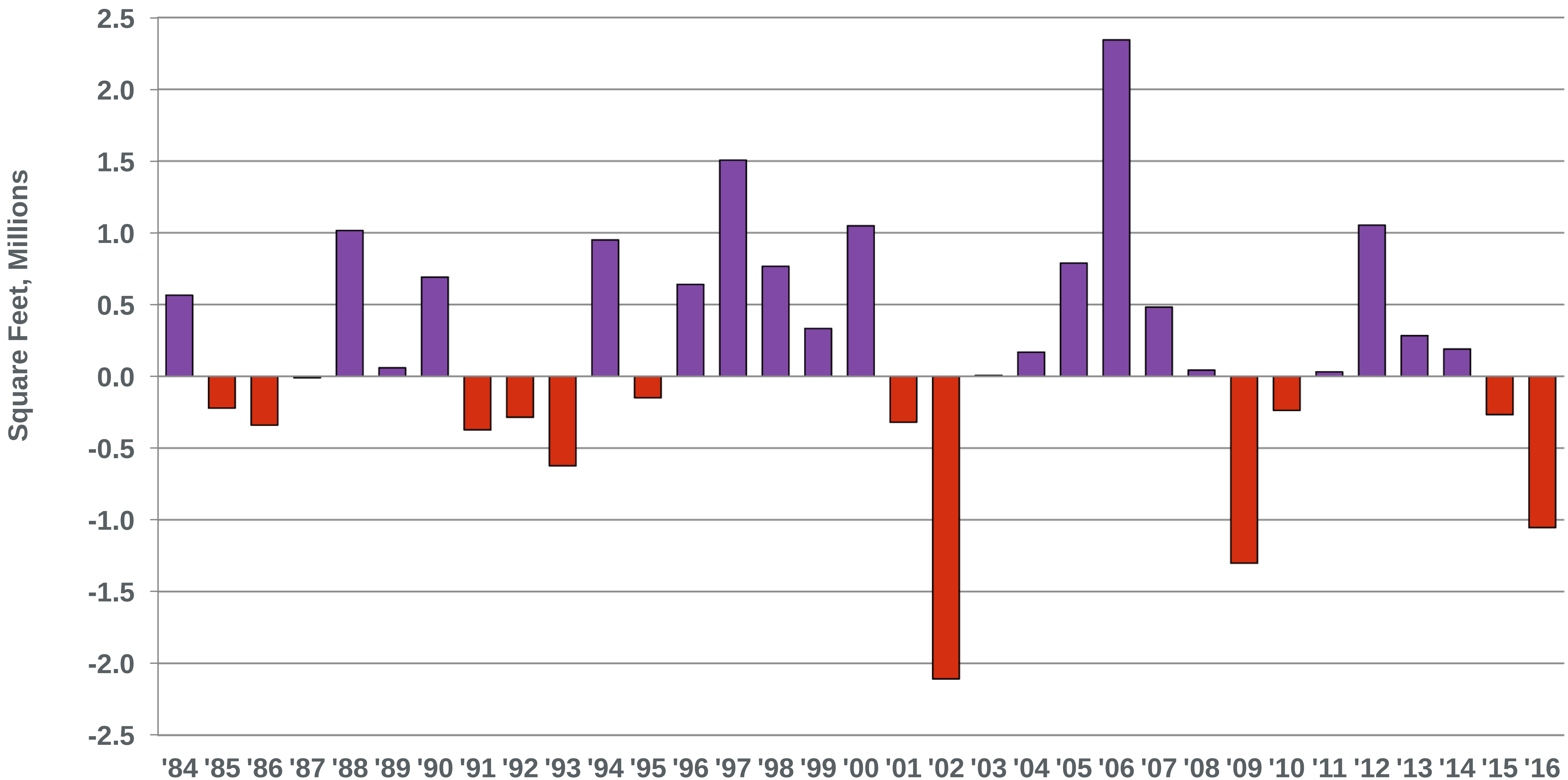
- The difference in aggregate space being marketed at the beginning vs. end of the year with the *same* buildings.

- Absorption is tied to a change in space being marketed, not occupancy of a building.

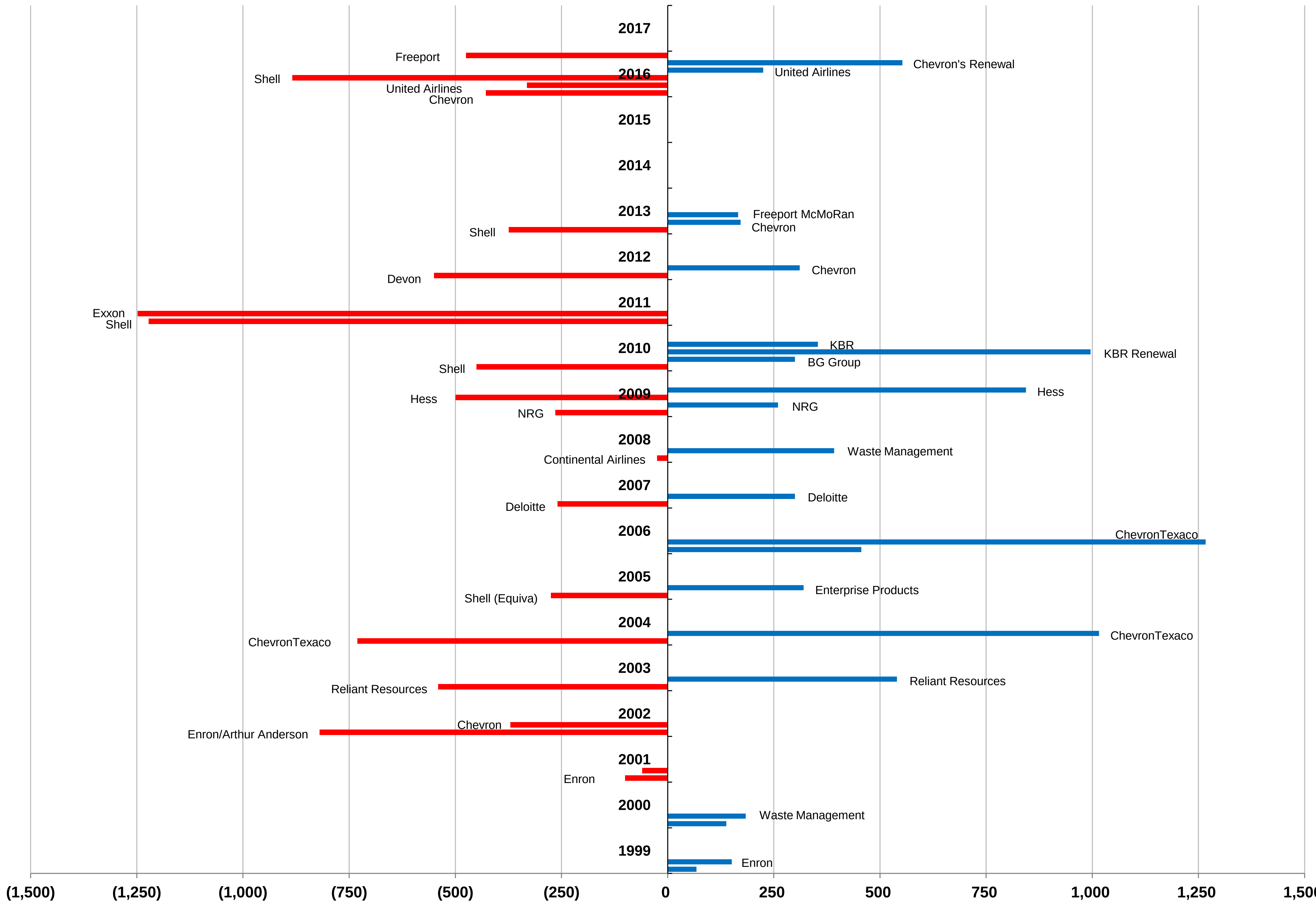
- Thus, when a building is added to the survey, and a downtown tenant is moving to that building, the transaction often shows up as negative absorption because it is leaving a building in the survey universe but going to a new building not in the survey universe.

Historical Change in Marketed Space

Direct

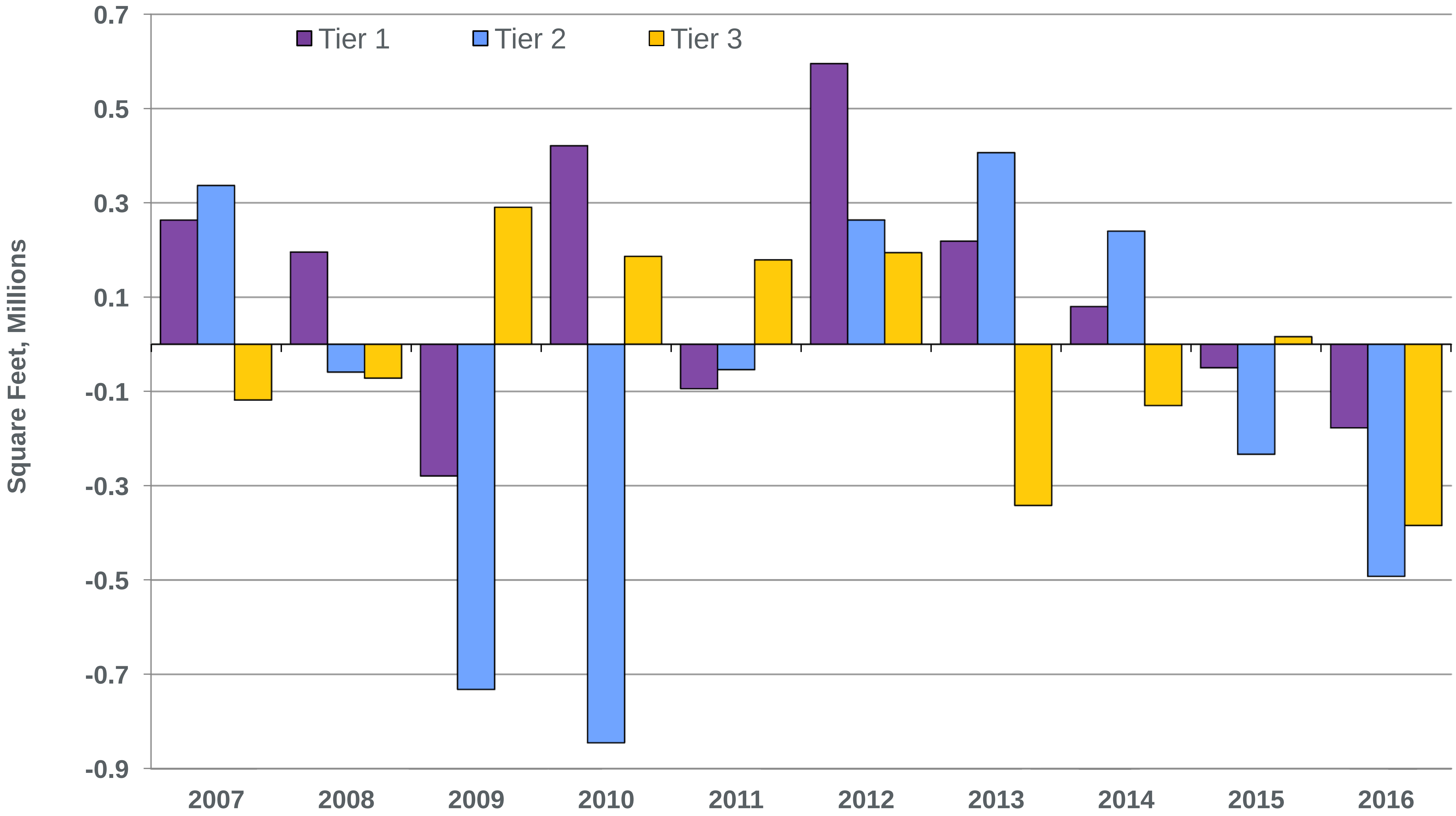


Major **Events**



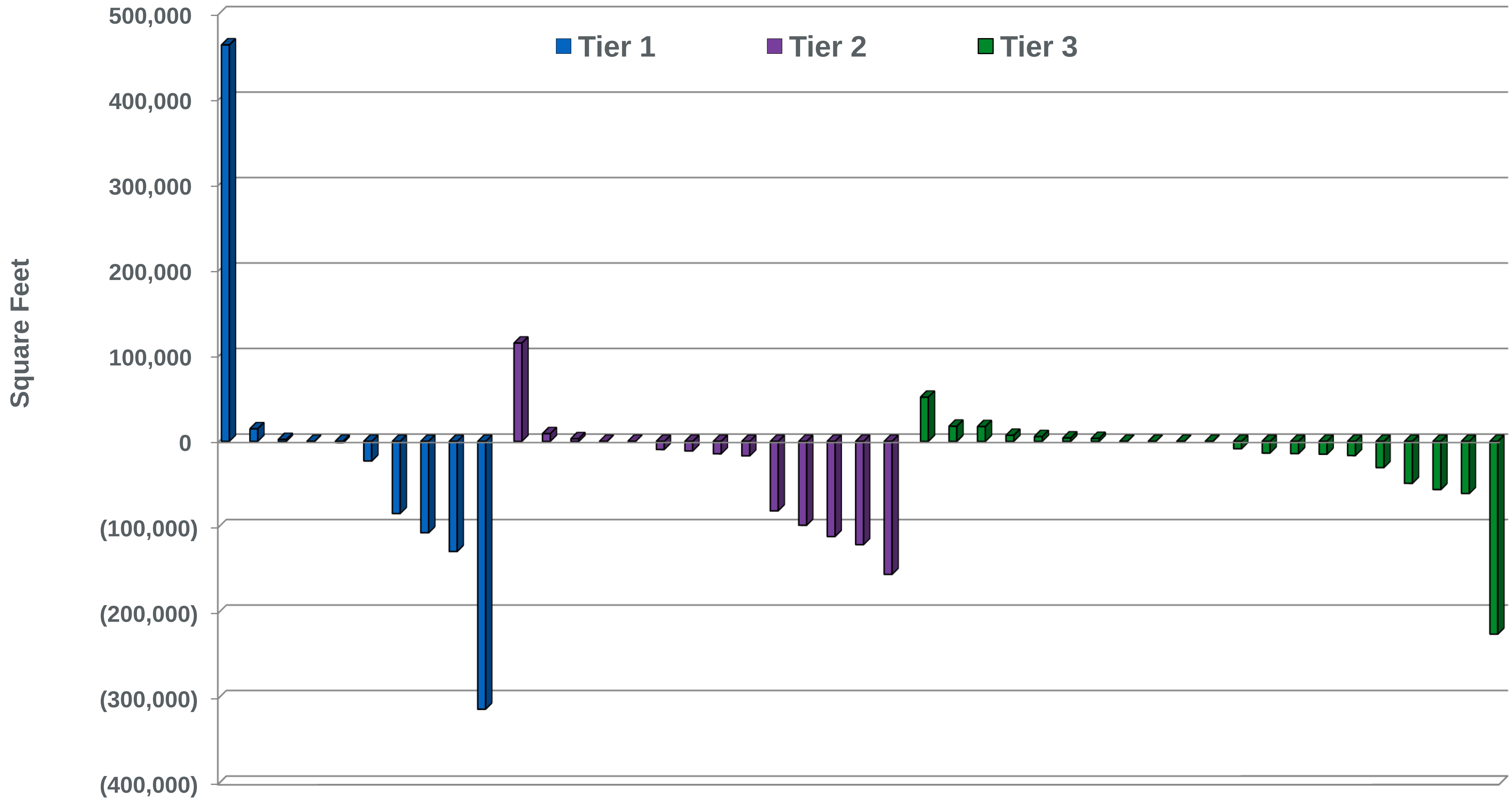
Absorption – Building Tiers

Direct



Central Houston

Absorption by Building



Operating Expense Projections for 2017

	Tier 1	Tier 2	Tier 3
Average Expenses	$18.43	$15.24	$12.96
Average Taxes	$10.01	$7.07	$4.59
Tax as % of Expenses	54%	46%	35%

Factors Affecting 2017+

- Available Space:
  - Shell: 877,026 SF, exp 2025
  - Chevron/Devon space (2 Allen): 427,798 SF, exp. 2020
  - Enbridge, merger with Spectra (1100 Louisiana): 294,367 SF
  - United Airlines, net loss: 106,000 SF
  - Thompson & Knight, net loss: 37,000 SF
  - Freeport McMoRan (717 Texas): 355,908 SF
  - KBR (500 Jefferson): 316,326 SF

  [These include previously marketed and new space]

- Changing workforce demographics
  - Co-working, collaborative, and innovative spaces

Central Houston

Downtown Development:
2016 & 2017+

Office

Completed in 2016

609 Main

- Hines
- 48 stories
- 1.1 million SF
- Completed 1Q 2017

1111 Travis

- 1110 Main Partners LP
- 24 stories
- 475,000 SF
- Moved in April 2016

Partnership Tower

- Houston First Corporation
- 7 stories
- 120,000 SF
- Completed September 2016

Office

Under Construction

Capitol Tower

- 35 stories
- 750,000 SF
- Skanska

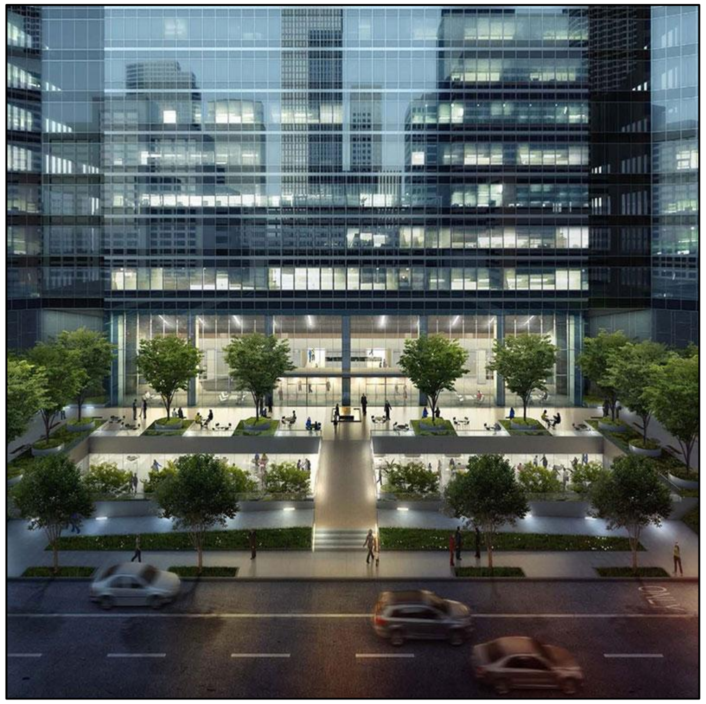
Planned

Chevron Office Tower

- 50 stories
- 1.7 million SF

6 Houston Center

- 30 stories
- 600,000 SF
- Crescent



800 Bell Redevelopment

- 45 stories
- 1.4 million SF
- Shorenstein Properties

Residential

Completed in 2016

500 Crawford

- Finger Properties
- 7 stories
- 397 units

SkyHouse Main

- Novare Group
- 24 stories
- 336 unit towers

Market Square Tower

- Woodbranch Tower
- 40 stories
- 463 units

Residential

Completed in 2016

Block 334

- 207 units
- 5 stories
- Alliance Residential

The Hamilton

- 148 units
- 5 stories
- Resolution Real Estate

The Star [2017]

- 323 units
- 16 stories
- Provident Realty Advisors

Current Unit Count: 4,777

Residential

Under Construction: 1,482 Units

Catalyst

- Marquette Companies
- 28 stories
- 361 units
- Completion: 2Q 2017

Alexan Downtown

- Trammell Crow
- 6 stories
- 285 units
- Completion: 3Q 2017

Aris Market Square

- Hines
- 32 stories
- 274 units
- Completion: 2Q 2017

1711 Caroline

- Leon Capital Group
- 5 stories
- 220 units
- Completion: 2Q 2017

Marlowe

- Randall Davis
- 20 stories
- 100 condo units
- Completion: 4Q 2018

Eighteen25

- Allied Orion Group
- 8 stories
- 242 units
- Completion: 2Q 2017

Residential

Planned

1810 Main

- Fairfield Residential
- 10 stories, 290 units

Block 330 & 346

- Camden Property Trust
- 20 stories, 550 units

Block 98

- Trammell Crow
- 40 stories
- 314 rental units

Block 114

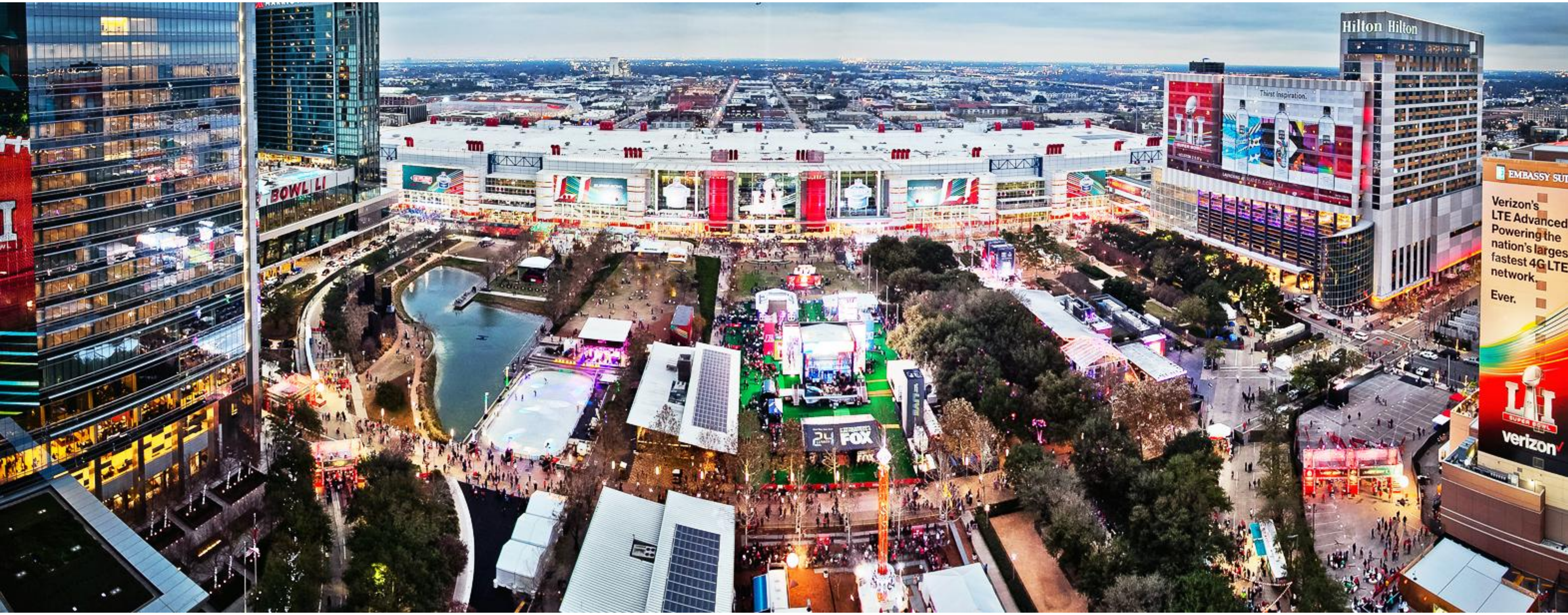
- Marquette Companies
- 24 stories
- 304 units

By EOY 2017

- Residential units to increase by almost 30%
  [From 4,777 units to 6,259 units]
- Estimated increase in the number of residents
  [From ~5,425 residents to ~7,480 residents]

Convention District

Renovated George R. Brown Convention Center
New Avenida Houston



Hotel

Completed in 2016

Aloft

- 168 rooms
- Historic Stowers Building
- Opened October 2016

Marriott Marquis

- 1,000 rooms
- Houston First Corp.
- RIDA Development
- Opened December 2016

Hampton Inn/ Homewood Suites

- Hampton: 173 rooms
- Homewood: 127 rooms
- 14 Stories
- Opened March 2016

4 opened in 2016: 7,300 rooms

Hotel

Under Construction

Planned

Hotel Alessandra

- 21 stories, 225 keys
- Midway Companies
- Completion 3Q 2017

Le Meridien

- 21 stories, 255 rooms
- Development Svs. Group
- Completion 3Q2017

2 under construction (2017): 7,780 rooms

AC Hotel by Marriott

- 10-story, 185-key
- Newcrestimage
- Est. completion 1Q 2018

1 planned (2018): 7,965 rooms

Central Houston

HSPVA (completion 4Q ’18)

Central Houston

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