



HOUSTON

OFFICE & INDUSTRIAL
MARKET REPORT

Q4 2022

CONTENTS

OFFICE MARKET REPORT

2	OVERVIEW
4	LEASING
9	RENT
11	CONSTRUCTION
13	UNDER CONSTRUCTION PROPERTIES
14	SALES
16	SALES PAST 12 MONTHS
18	HOUSTON OFFICE SUBMARKETS MAP

INDUSTRIAL MARKET REPORT

22	OVERVIEW
24	LEASING
28	RENT
30	CONSTRUCTION
32	UNDER CONSTRUCTION PROPERTIES
33	SALES
35	SALES PAST 12 MONTHS
37	HOUSTON INDUSTRIAL SUBMARKETS MAP

NOTE: The data provided within this report is sourced from CoStar Group, Inc.

OFFICE MARKET REPORT

OVERVIEW

12 Mo Deliveries in SF

2.1M

12 Mo Net Absorption in SF

(363K)

Vacancy Rate

19.0%

12 Mo Rent Growth

0.7%

Houston's office market continues to face its fair share of challenges at the start of 2023. Total leasing volume averaged about 16 million SF annually in 2022, similar to the level recorded in 2021 and still well below the 22 million SF seen between 2017 and 2019, before the pandemic. Meanwhile, the total amount of space listed as available for lease across the market does not appear to have peaked. A record high of 79.7 million SF of space (22.5% of total inventory) is available in Houston, an increase of approximately 11 million SF since 20Q1. Nearly 60% of available space is classified 4 & 5 Star (Class A) and spread out across Houston's primary office submarkets.

Houston's vacancy rate remains among the highest in the nation among major markets. Complicating matters further is the 5.1 million SF under construction. Nearly half of this activity is occurring within the South Main/Medical Center Submarket, driven by the space needs of Houston's booming life sciences sector.

These trends, paired with uncertainty of what lies ahead for office-using companies and their physical footprints, continues to weigh on rent growth, which is among the worst in the U.S. and underperforming well below the national average.

Rising borrowing costs have begun impacting the region, and deal flow has waned considerably since mid-2022 to a level last seen during the beginning of 2020. A looming recession coupled with uncertainty over the near-term leasing environment will likely keep sales activity in Houston concentrated in deals with minimal leasing risk and stable cash flows.

KEY INDICATORS

Current Quarter	RBA	Vacancy Rate	Market Rent	Availability Rate	Net Absorption SF	Deliveries SF	Under Construction
4 & 5 Star	158,878,770	22.8%	\$33.79	28.2%	(367,471)	0	3,733,970
3 Star	141,316,695	17.8%	\$25.24	19.7%	(343,042)	6,125	1,345,760
1 & 2 Star	49,102,163	10.0%	\$23.46	11.7%	(66,929)	0	2,100
Market	349,297,628	19.0%	\$28.92	22.5%	(777,442)	6,125	5,081,830

Annual Trends	12 Month	Historical Avg.	Forecast Avg.	Peak	When	Trough	When
Vacancy Change (YOY)	0.4%	13.4%	19.1%	19.0%	2023 Q1	8.7%	1999 Q1
Net Absorption SF	(363K)	2,627,853	1,700,577	10,550,403	2014 Q2	(4,012,312)	2017 Q3
Deliveries SF	2.1M	5,087,549	3,110,539	13,855,119	2015 Q4	1,327,352	2010 Q4
Rent Growth	0.7%	1.5%	1.9%	14.6%	2008 Q1	-6.4%	2009 Q4
Sales Volume	\$1.1B	\$1.7B	N/A	\$4.9B	2013 Q3	\$259.7M	2009 Q4

LEASING

As of 2023q1, quarterly leasing was still down nearly 30% compared to levels averaged during the three years prior to the pandemic. While several sizable leases have been signed over the past year, many of these commitments actually reflect space reductions. For example, in 23Q2, Baker Hughes will relocate to 130,000-SF of space at 575 Dairy Ashford Road within the Houston Energy Corridor, marking a more than 60% reduction in office space from its current headquarters. The company currently occupies 340,000 SF at adjacent buildings on Aldine Westfield Road (within the Greenspoint/IAH Submarket). In 23Q4, engineering and construction multinational firm Bechtel will reduce its footprint of 440,000 SF (after 40 years in the Galleria) by more than half once it relocates to 200,000 SF at CityWestPlace in the Westchase Submarket.

Aside from companies reducing their office space, another headwind the Houston market is facing is the amount of sublet space available, which is currently a 8.5 million SF — about 2.4% of the metro's total inventory. This is up from about 5.1 million SF at the start of 2020. However, it remains below the figure of 11.2 million SF recorded during 16Q4, which was largely a result of the oil bust from 2015 to 2016. The CBD alone accounts for more than one-third of all of Houston's available sublease space.

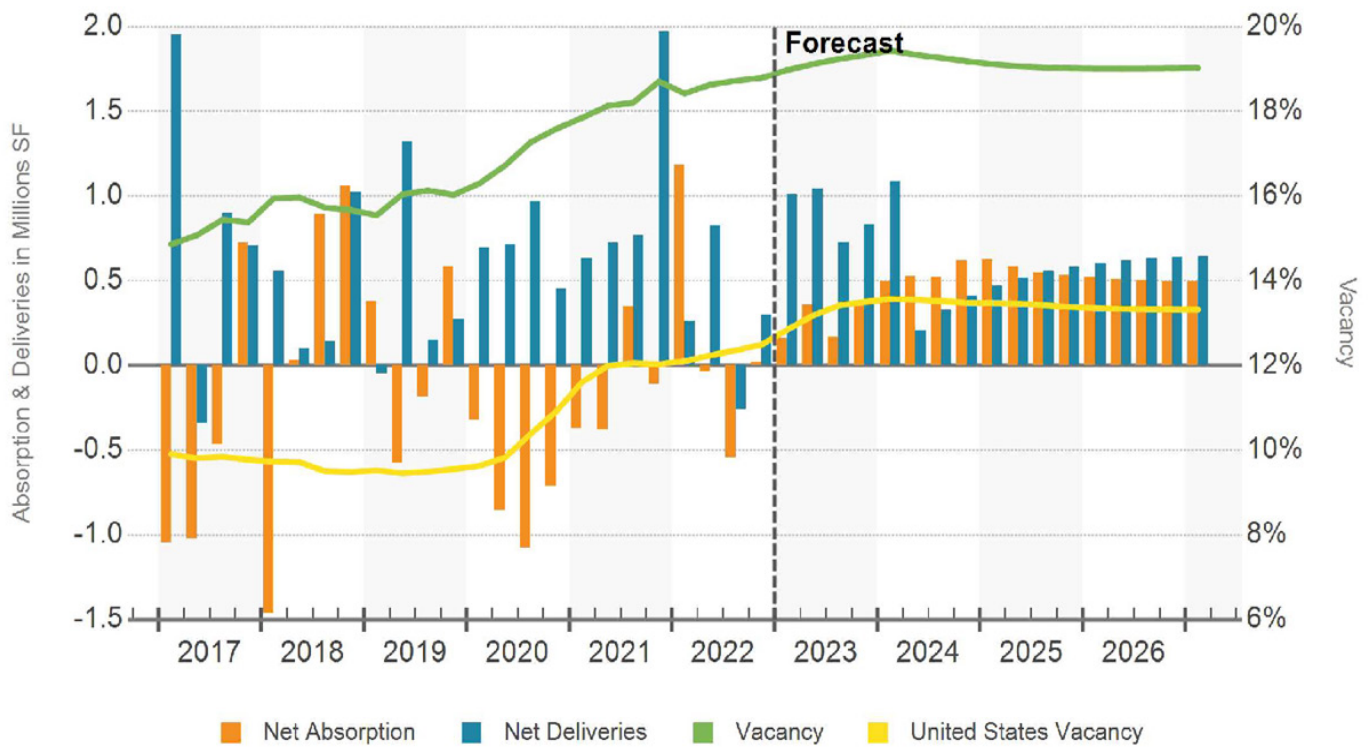
Still, there are some bright spots. Leasing demand from the oil and gas industry, which has historically played a significant role in Houston's office sector, has slowly picked back up over the past year. In 22Q4, Callon Petroleum Company signed a 107,000-SF lease in MetroNational's 190,000-SF office building in Memorial City, which is currently underway and marked for a 24Q2 completion. In 22Q3, EOG Resources renewed its 374,000-SF lease at Heritage Plaza in the CBD.

Furthermore, companies within the life science sector have made some notable headlines. In 23Q3, Axiom Space will move into its 400,000 SF headquarters in the NASA/Clear Lake Submarket, where it will train private astronauts and manufacture the world's first commercial space station.

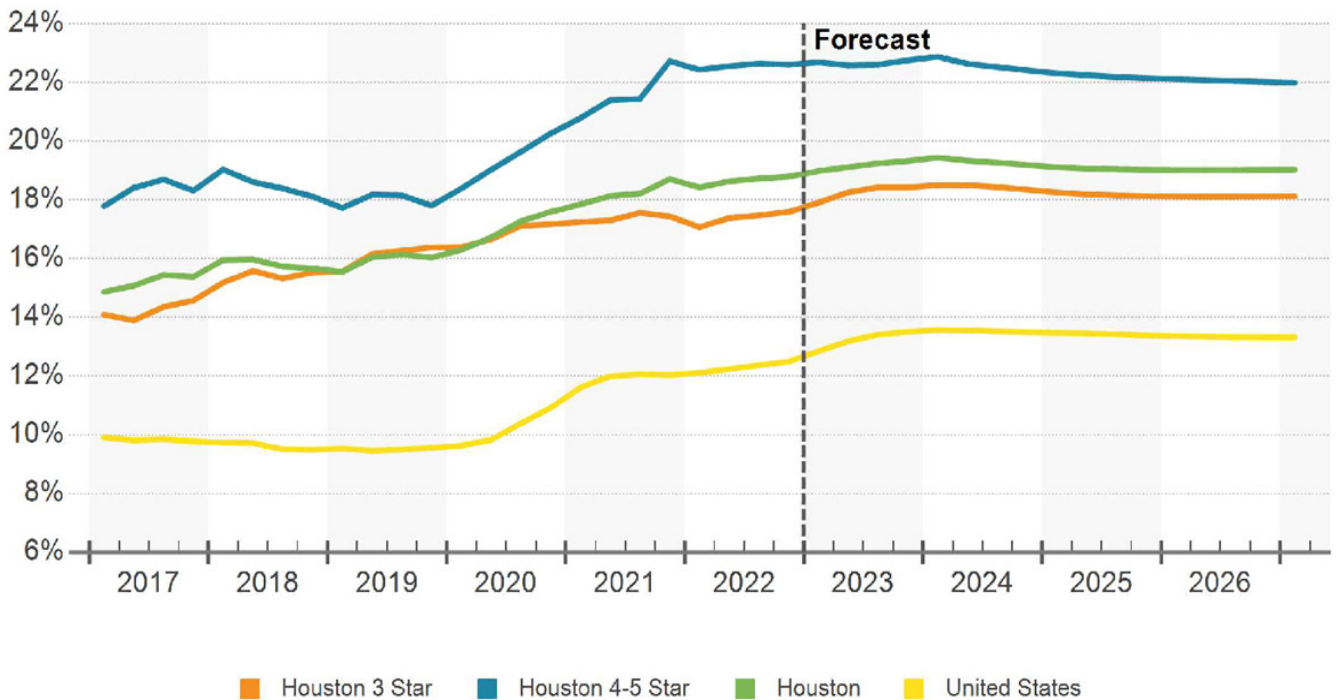
Houston benefits from business-friendly regulations, its relative affordability, strong talent pool, and the presence of George Bush Intercontinental Airport, and despite the aforementioned headwinds, the metro has landed some major corporate tenants since the start of the pandemic. For example, in 2022, Hewlett Packard Enterprise (HPE) relocated its global headquarters from California to its new 440,000-SF state-of-the-art Springwoods Village campus in The Woodlands. In 23Q2, Cellipoint Bioservices is relocating its headquarters from California to more than 75,000 SF of space at the Research Forest Lakeside also in The Woodlands.

Houston's vacancy rate has shifted by 0.4% to 19.0% over the past year, which compares to the five-year average of 17.2%. This ranks Houston among the highest out of all U.S. metros in terms of vacancy rate. Nationwide, office vacancies were 12.7%. According to Kastle occupancy data, workplace occupancy stands at 59% in Houston, one of the highest rates within primary office markets. Still, local brokers agree that the return to the office does not have the momentum that was anticipated. Many occupiers continue to evaluate their true space needs moving forward, and hybrid work trends are anticipated to continue to weigh on net absorption figures. CoStar's Base Case vacancy forecast has the market flat at around 19% over the next few years. The moderate downside forecast, which is linked to more widespread work from home trends that will weigh further on demand formation, has Houston at above 21% by 23Q3.

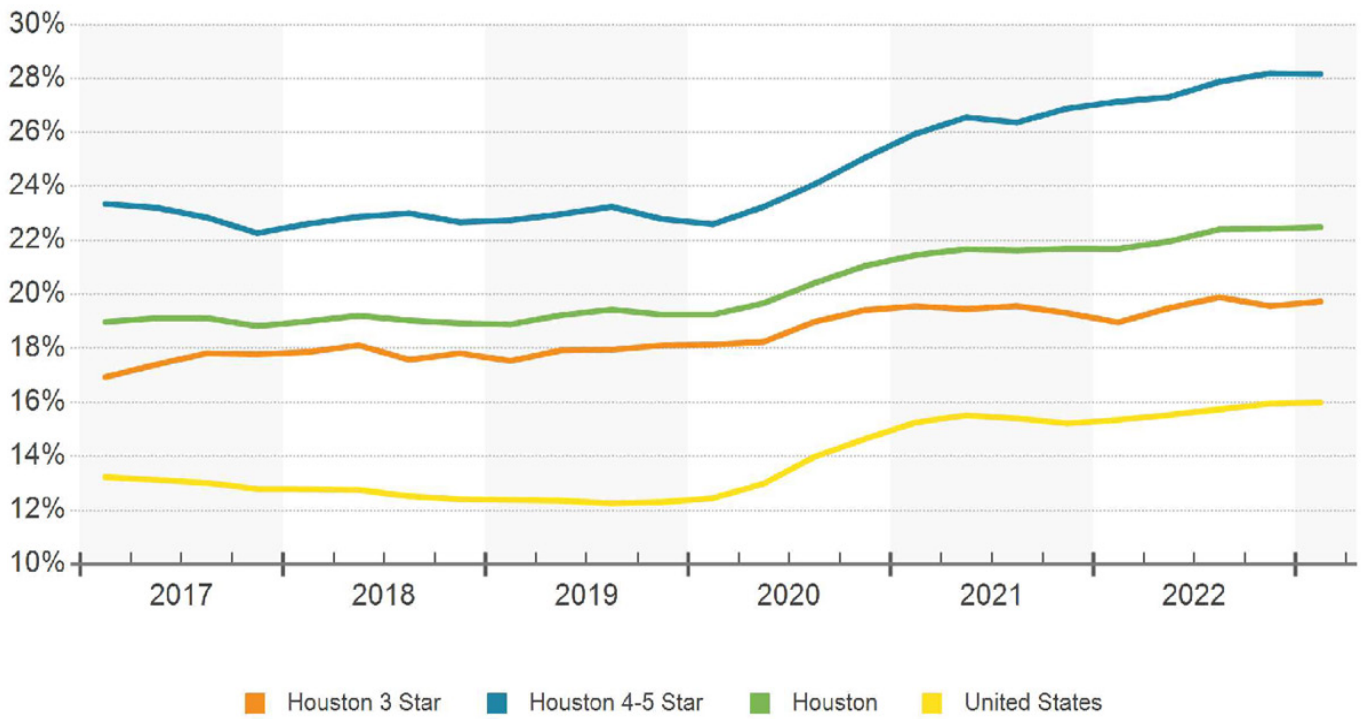
NET ABSORPTION, NET DELIVERIES & VACANCY



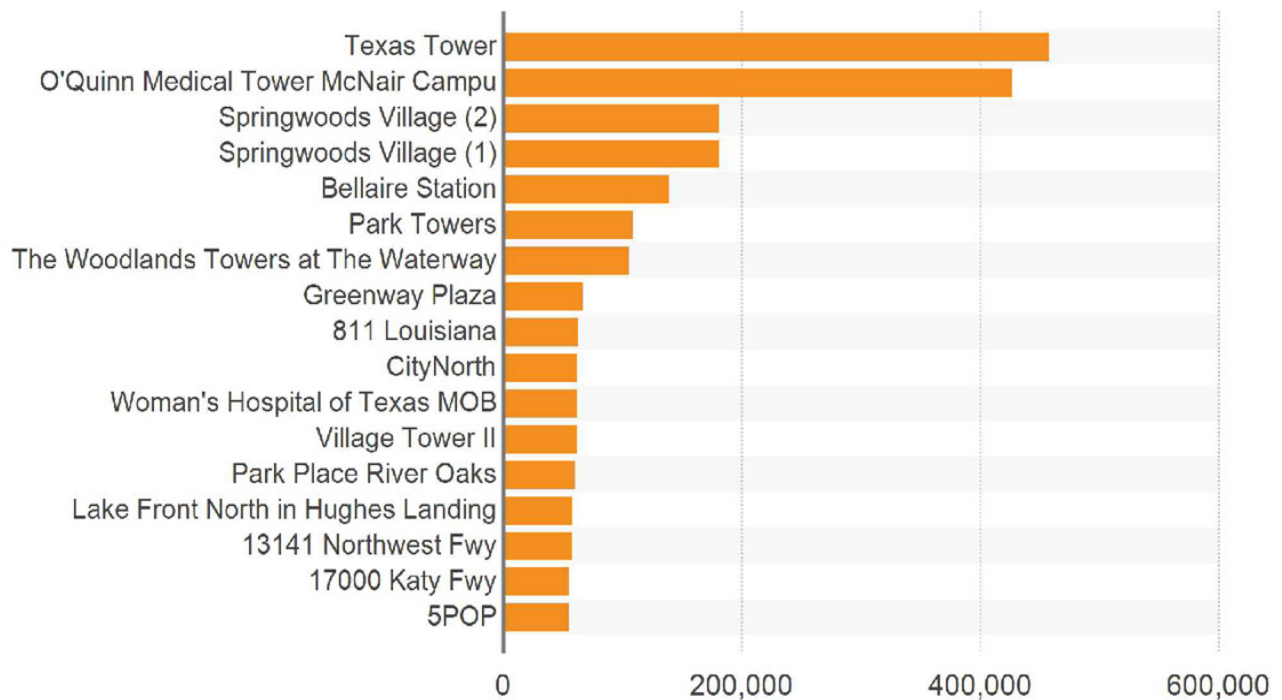
VACANCY RATE



AVAILABILITY RATE



12 MONTH NET ABSORPTION SF IN SELECTED BUILDINGS



Building Name/Address	Submarket	Bldg SF	Vacant SF	Net Absorption SF				
				1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	12 Month
Texas Tower	CBD	1,133,619	635,193	0	0	0	0	457,942
O'Quinn Medical Tower McNair...	South Main/ Medical...	427,000	0	0	0	0	0	427,000
Springwoods Village (2)	The Woodlands	220,000	0	0	0	0	0	180,888
Springwoods Village (1)	The Woodlands	220,000	0	0	0	0	0	180,888
Bellaire Station	Bellaire	389,826	167,813	0	0	0	0	139,243
Park Towers	Post Oak Park	272,621	70,937	0	0	0	0	108,560
The Woodlands Towers at The...	The Woodlands	601,151	238,934	282	0	0	0	105,277
Greenway Plaza	Greenway Plaza	630,594	187,118	14,037	0	0	0	66,667
811 Louisiana	CBD	588,423	170,365	0	0	0	0	63,127
CityNorth	Greenspoint/N Belt...	423,899	74,642	0	0	0	0	62,146
Woman's Hospital of Texas MOB	South Main/ Medical...	119,113	43,781	0	0	0	0	61,939
Village Tower II	Katy Freeway East	150,000	52,963	0	0	0	0	61,809
Park Place River Oaks	Post Oak Park	206,943	0	0	0	0	0	60,538
Lake Front North in Hughes Lan...	The Woodlands	152,721	5,538	0	0	0	0	58,284
13141 Northwest Fwy	Northwest Far	57,571	0	0	0	0	0	57,571
17000 Katy Fwy	Katy Freeway West	174,469	0	53,468	0	0	0	55,113
5POP	Post Oak Park	567,000	216,952	0	0	0	0	54,752
Subtotal Primary Competitors	6,334,950	1,864,236	67,787	0	0	0	2,201,744	2,707,251
Remaining Houston Market	342,962,678	64,535,818	(845,229)	0	0	0	(2,564,524)	(1,929,260)
Total Houston Market	349,297,628	66,400,054	(777,442)	0	0	0	(362,780)	777,991

TOP OFFICE LEASES PAST 12 MONTHS

Building Name/Address	Submarket	Leased SF	Qtr	Tenant Name	Tenant Rep Compa...	Leasing Rep Company
Heritage Plaza *	CBD	337,529	Q3 22	EOG Resources, Inc.	-	-
Energy Center	Katy Freeway West	290,025	Q1 22	Enbridge Inc.	-	JLL
Westgate *	Katy Freeway West	226,287	Q4 22	Wood	Cushman & Wakefield	Cushman & Wakefield;...
CityWestPlace	Westchase	205,000	Q2 22	Bechtel	-	Parkway Realty Manag...
BriarLake Plaza *	Westchase	202,480	Q4 22	Apache Corporation	JLL	Transwestern Real Est...
Greenway Plaza *	Greenway Plaza	180,218	Q2 22	Invesco Ltd.	-	Parkway Realty Manag...
910 Louisiana *	CBD	172,301	Q3 22	Baker Botts	Savills	Cushman & Wakefield
Texas Tower	CBD	151,490	Q2 22	Cheniere Energy, Inc.	Cushman & Wakefield	Cushman & Wakefield
Energy Center	Katy Freeway West	129,231	Q3 22	Baker Hughes	CBRE	JLL
BriarLake Plaza	Westchase	125,520	Q4 22	Apache Corporation	-	Transwestern Real Est...
9753 Katy Fwy	Katy Freeway East	107,171	Q4 22	Callon Petroleum Company	Cushman & Wakefield	MetroNational Corporat...
11603 Aerospace Ave	NASA/Clear Lake	106,000	Q2 22	Axiom Space	Savills	-
Westchase Park *	Westchase	99,654	Q2 22	Vroom	-	Transwestern Real Est...
Houston Center *	CBD	88,247	Q4 22	Venture Global LNG, Inc.	-	Transwestern Real Est...
CityWestPlace	Westchase	80,634	Q4 22	Bechtel	-	Parkway Realty Manag...
Greenway Plaza	Greenway Plaza	77,214	Q3 22	Perry Homes	Transwestern Real...	Parkway Realty Manag...
Research Forest Lakeside	The Woodlands/Conroe	75,225	Q3 22	Cellipoint Bioservices	NAI Partners	Transwestern Real Est...
Westway Business Park	West Belt	71,981	Q4 22	Gallen College of Nursing	-	Transwestern Real Est...
Town & Country Village	Katy Freeway East	67,995	Q3 22	Greystar	Axis Property Adviso...	Moody Ramin
9753 Katy Fwy	Katy Freeway East	67,815	Q3 22	BW Energy	NAI Partners	MetroNational Corporat...
Westway Plaza	West Belt	64,018	Q3 22	Surge Energy	CBRE	Cushman & Wakefield
601 Travis	CBD	62,261	Q2 22	GEXA Energy	-	Cushman & Wakefield
Allen Center *	CBD	56,164	Q3 22	Macquarie Americas Corp	CBRE	-
Allen Center *	CBD	55,178	Q4 22	Chamberlain, Hrdlicka, W...	Cushman & Wakefield	CBRE
17000 Katy Fwy	Katy Freeway West	53,468	Q3 22	NorthDen Holdings Ltd.	-	Transwestern Real Est...
The Woodlands Towers at The Wate...	The Woodlands	52,634	Q3 22	Centric Infrastructure Group	JLL	Colliers
Village Tower II	Katy Freeway East	52,012	Q4 22	Solaris	Colliers	Moody National Realty...
811 Louisiana	CBD	49,145	Q2 22	Genesis Energy	Savills	Cushman & Wakefield
Houston Center	CBD	46,626	Q3 22	Reed Smith LLP	-	Transwestern Real Est...
Westgate	Katy Freeway West	46,594	Q4 22	Subsea	Newmark	Cushman & Wakefield
10393 League Line Rd	Outlying Montgomery Cnty	44,474	Q1 22	-	-	Evergreen Properties, Inc
Wildwood Corporate Centre	The Woodlands	43,230	Q1 22	Strike Construction	NAI Partners	CBRE
12301 Kurland Dr *	Gulf Freeway/Pasadena	42,627	Q4 22	IBM	-	Transwestern Real Est...
2001 Timberloch Pl *	The Woodlands	39,394	Q3 22	WorkSuites	Cresa	Stream Realty Partners...
CityNorth	Greenspoint/N Belt West	38,501	Q3 22	-	-	Lincoln Property Comp...
CityNorth	Greenspoint/N Belt West	38,350	Q3 22	Suncoast Post Tension	-	Lincoln Property Comp...
JPMorgan Chase & Co. Tower	CBD	37,621	Q1 23	-	-	Cushman & Wakefield
Post Oak Central	Galleria/Uptown	35,198	Q3 22	Brown Sims	Partners	Parkway Realty Manag...
Museo Plaza Office Building	South Main/Medical Center	34,854	Q4 22	HCVA Houston Cardiovas...	CBRE	CBRE
Bank of America Tower	CBD	31,257	Q1 22	Baker & McKenzie	CBRE	CBRE

Renewal

RENT

Asking rents in Houston have adjusted by 0.7% over the past 12 months, which was underperforming the U.S. average of 1.2% as of 2023q1. The market has not recorded an annual growth rate of at least 2% since 2015 and, given the weak leasing environment, owners and landlords have favored occupancy over pushing rents.

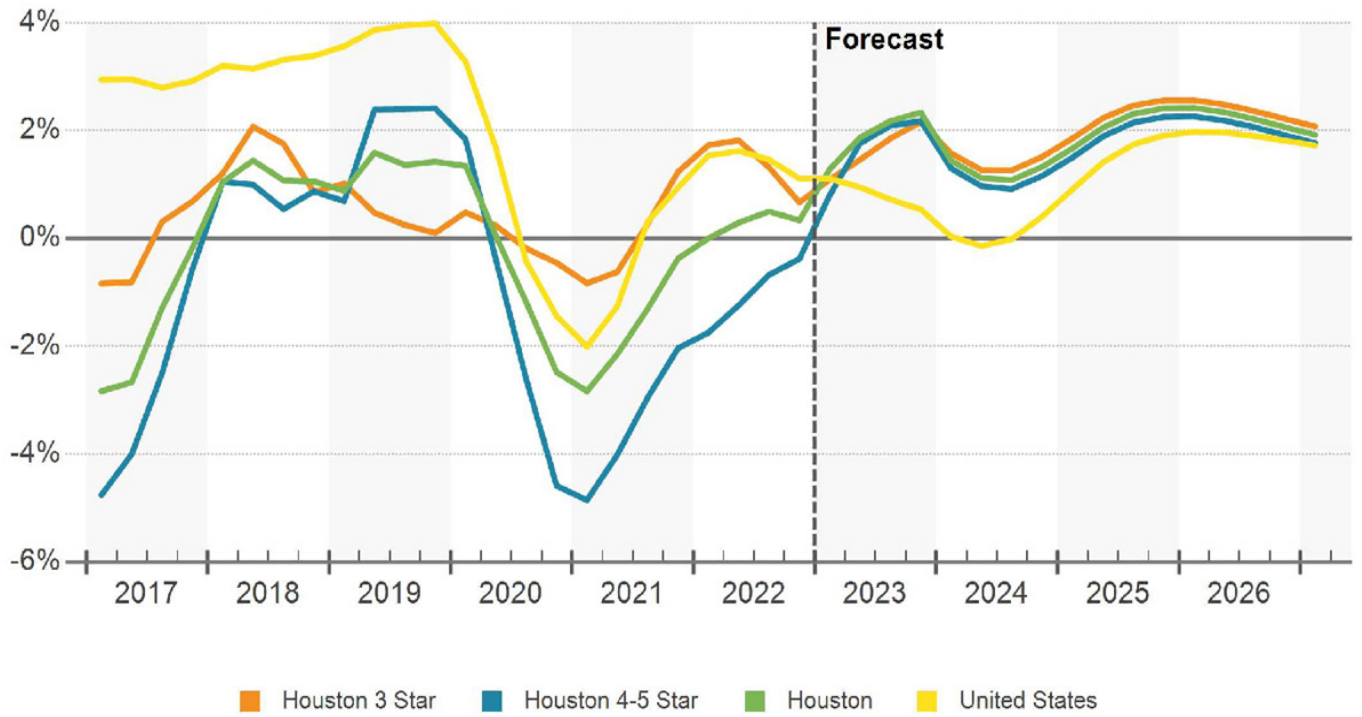
The highest market rents are found in submarkets with a notable concentration of 4 & 5 Star buildings. The CBD continues to command the highest average asking rents, at over \$36/SF, followed by The Woodlands, at around \$33/SF. These two submarkets combined account for more than 36% of the metro's 4 & 5 Star office buildings. Generous concession packages also continue to accompany the rent discounts for tenants willing to make large commitments in most Houston submarkets.

Houston's sublease availability rate has grown from 1.4% in 20Q1 to 2.4% as of 2023q1. This recent uptick in sublease space also continues to place downward pressure on rents. In some of the largest sublease blocks available downtown and in the Energy Corridor,

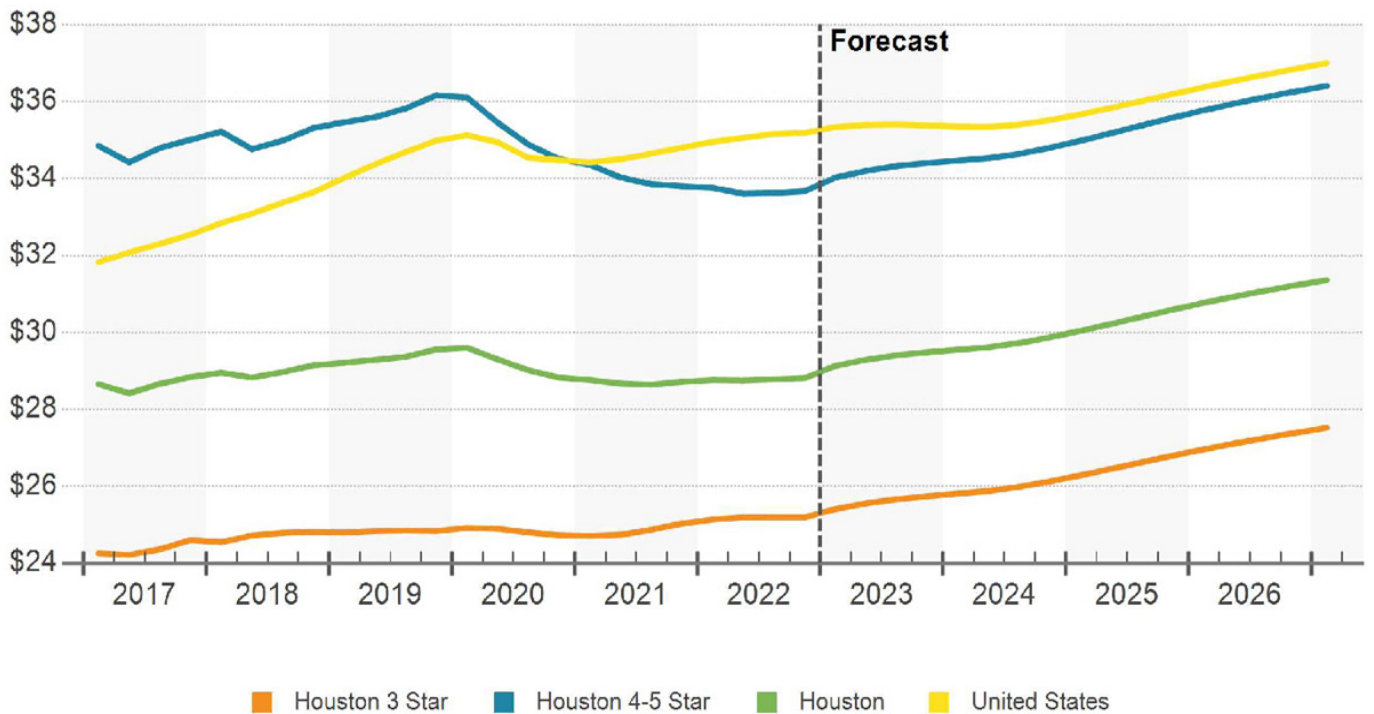
triple net sublease rates are being offered at a 25%-60% discount range to direct rents in the area for 4 and 5 Star properties. For example, CoStar reports that sublease rents are being offered at \$12.50/SF in Energy Tower III, whereas 5 Star rents in the Katy Freeway West Submarket are going for an average of \$33/SF, a 60% discount. In Twelve Greenway Plaza, sublease rents are being offered at \$17.50/SF, compared with 4 Star rents in the Greenway Plaza Submarket being offered at \$32/SF on average, a 45% discount. Some of the largest sublease blocks include Noble Energy's 450,000 SF in Noble Energy Center II, TechnipFMC's 330,000 SF in Energy Tower III, and BHP Petroleum's 250,000 SF in 1500 Post Oak Blvd.

Given the current leasing environment and significant amount of available sublease space, it will be challenging for landlords to raise rents meaningfully over the near term.

MARKET RENT GROWTH (YOY)



MARKET RENT PER SQUARE FOOT



CONSTRUCTION

The amount under construction in Houston as of 2023q1 has slowed to one-fourth of the level under construction seen in 14Q2 — equal to approximately 1.5% of Houston's total inventory. Still, there is 5.1 million SF under construction, including several large trophy assets in the South Main/Medical Center, the CBD, Katy Freeway East, and The Woodlands submarkets — representing a mix of life sciences, spec, and build-to- suit development. This new construction was about 50% preleased as of 2023q1.

Emblematic of the shift toward life sciences, the submarket with the most square footage under construction is the Texas Medical Center — amounting to 13% of its inventory underway. Texas A&M and partner Medistar are under construction with the 520,000-SF Horizon Tower — a state-of-the-art life sciences building — in the Texas Medical Center, which is expected to deliver in 24Q1.

Hines, in partnership with investment management firm Harrison Street and 2ML Interests, broke ground on the 53-acre Levit Green mixed-use development in 21Q4. The first phase includes a 300,000-SF spec building geared for life sciences companies seeking state-of-the- art wet lab space for research and development purposes. At least 25,000 SF will be set aside for lab incubator space, which will provide early-stage life science companies with flex lab and office space. The building is expected to deliver by 22Q4.

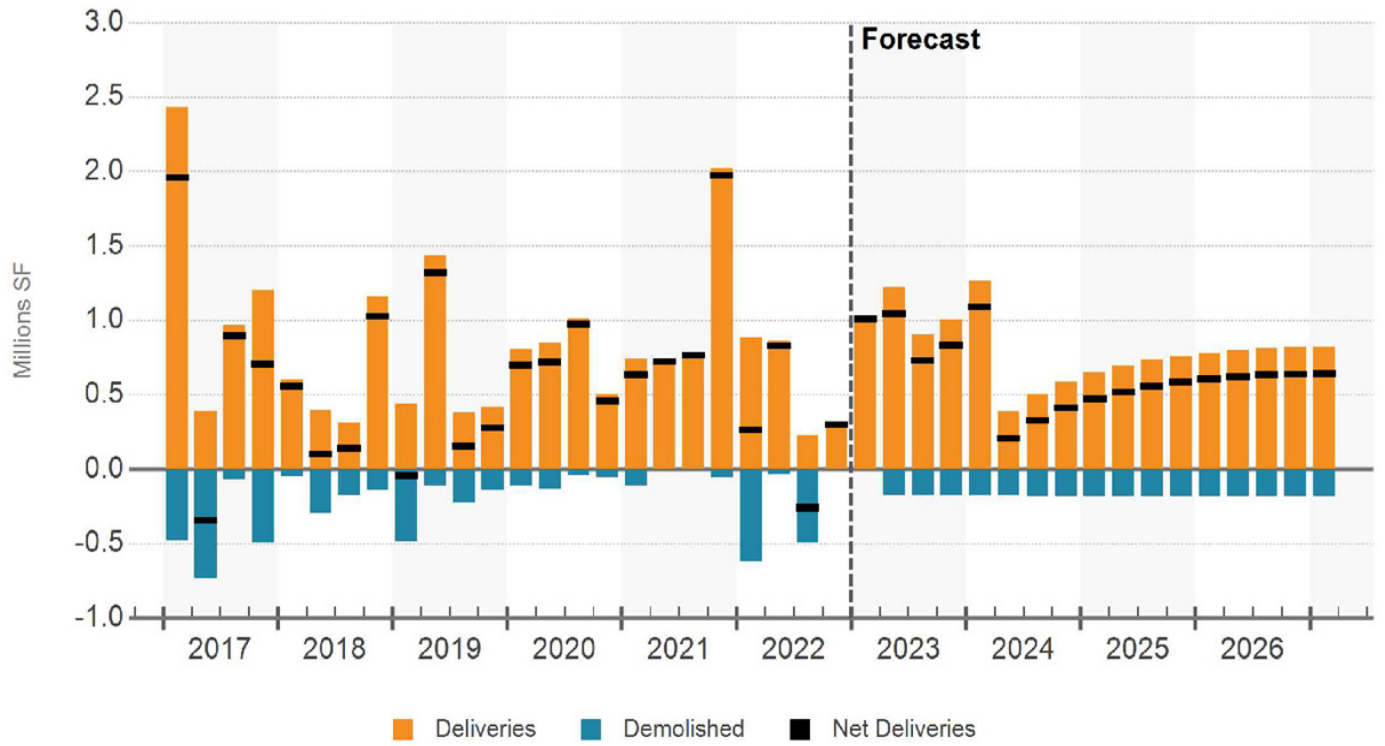
The Texas Medical Center also broke ground on its TMC3 mixed-use development in mid-2021 anchored by a 700,000-SF facility developed by Beacon Capital Partners and strategic partner Braidwell. Development plans eventually call for a 410-room TMC Hotel and Conference Center and 50,000 SF of conference space. In all, the site totals 37 acres. The first phase is expected to deliver in 23Q3.

Skanska's 1550 On The Green is the first trophy spec office development in Houston in several years. Law firm Norton Rose Fulbright, which will serve as the building's anchor tenant, has preleased one-third of the building. The 390,000-SF tower marks the first phase of its Discovery West mixed-use development, which, upon build-out, will house additional retail, restaurant, and adjacent multifamily units.

In 22Q1, Hines' 1.1 million-SF Texas Tower in the CBD, which is anchored by law firm Vinson & Elkins and Hines' new global headquarters delivered, marking the largest building to deliver since 2016, when the 1.2 million-SF Phillips 66 tower was completed in the Westchase Submarket.

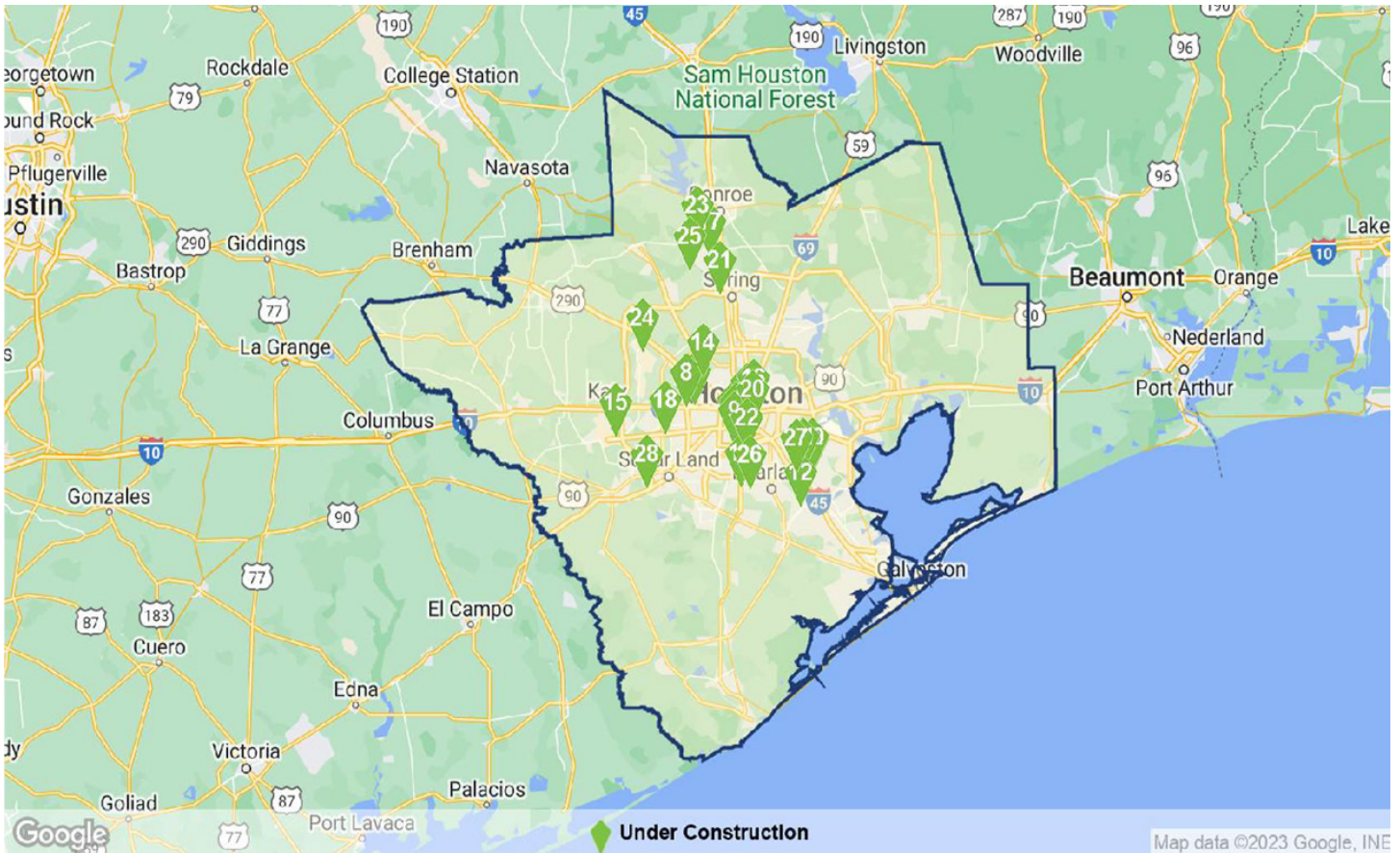
There is a particularly high concentration of office inventory in a 40-square-mile area that includes Downtown and the affluent areas extending west of it to the Energy Corridor, bounded by I-10, Highway 6, the Westpark Tollway, and 59 where it loops around Downtown. While this area makes up less than 0.5% of the MSA's total land area, it is home to nearly 50% of its office inventory. It includes most of the CBD, Midtown, Greenway Plaza, Post Oak Park, Galleria/Uptown, Riverway, San Felipe/Voss, Richmond/Fountain View, Katy Freeway East, Westchase, Katy Freeway West, and Southwest Beltway submarkets.

DELIVERIES & DEMOLITIONS



UNDER CONSTRUCTION PROPERTIES

Properties: **109** Square Feet: **5,081,830** Percent of Inventory: **1.5%** Released: **49.3%**



SALES

Deal flow has moderated considerably in Houston's office market since mid-2022 to a level last seen during the beginning of 2020. Investment sales activity will likely continue to decelerate over the near term, as additional rate hikes are expected this year and more expensive borrowing costs will continue to shrink the yield spread.

Average pricing, based on the estimated price movement of all properties in the market, sits at \$230/SF, which is well below the national average of \$340/SF. The metro's average cap rate stands slightly above similar-sized in terms of total office inventory Sun Belt markets such as DFW and Atlanta. Cap rates have increased in recent years and this is likely to continue in the quarters ahead.

A shift has occurred in the buyer landscape in Houston's office market. Since 2020, private investors have comprised 45% of sales volume, up from an average of 30% between 2015 and 2019. Meanwhile, REITs, institutional investors, and private equity groups were much more active a few years ago. Since 2020, these types of investors have comprised 45% of sales volume in Houston, down from an average of 65% between 2015 and 2019.

Buyers in Houston's office market are targeting quality: Roughly \$727 million of the \$1.1 billion in confirmed office sales in the past 12 months was attached to 4 or 5 Star assets. Investors have continued to target new high-quality assets in the market, often with long-term tenants in place. In one of the highest prices per square foot for an office building in Houston,

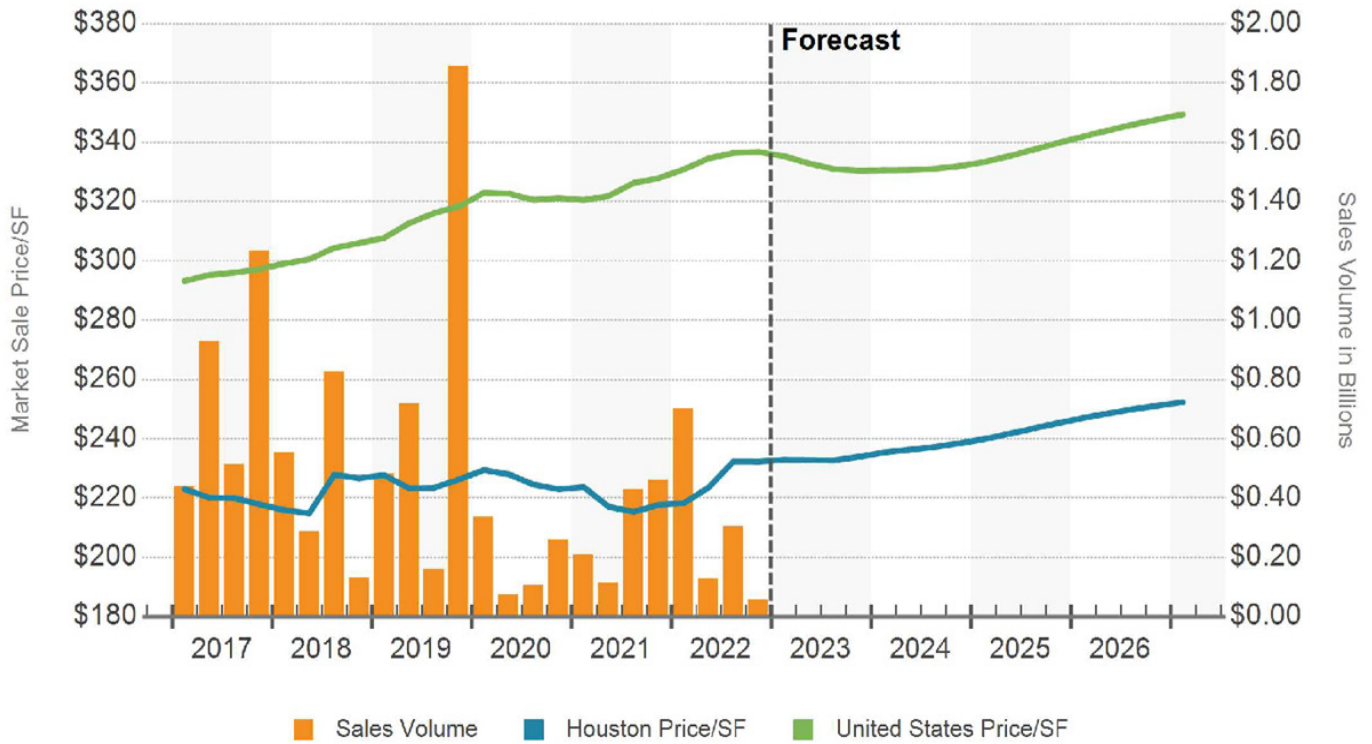
Hines acquired the fully leased 15-story, 210,000-SF 200 Park Place office tower from developer Stonelake Capital Partners for \$145 million (\$700/SF) in 22Q3. The 5 Star property, which was built in 2020 and renovated in 2021, is located in the urban core, adjacent to Tanglewood and River Oaks, some of Houston's most affluent neighborhoods.

Pricing varies greatly by asset and often, vacant buildings trade for notable discounts to the market benchmark whereas well-leased properties can command above-average values. A perfect example of a vacant property selling at a discount is the sale in 22Q3 of Massachusetts-based Office Properties Income Trust's 206,000-SF Oak Park Office Center II within the Oak Park at Westchase for \$9.8 million (\$48/SF). The 2006-built property was 49% leased at the time of sale.

Recent transactions suggest that pricing discounts may have started to emerge. In 23Q1, a 14,000-SF office property in Galveston sold for \$1.2 million (\$83/SF). The 1993-built property was 100% leased at the time of sale. The property sold at a 10% discount on its initial asking price of \$1.3 million.

While the number of investors buying multi-tenant office towers has waned substantially over the past few quarters, they have still continued. In 22Q4, the 75,000-SF Northchase Place located in the Northchase Business Park sold for \$2.2 million (\$29/SF). The 1983-built property was 100% leased at the time of sale to 29 tenants. The property previously traded in 13Q2 for \$1.95 million (\$26/SF).

SALES VOLUME & MARKET SALE PRICE PER SF

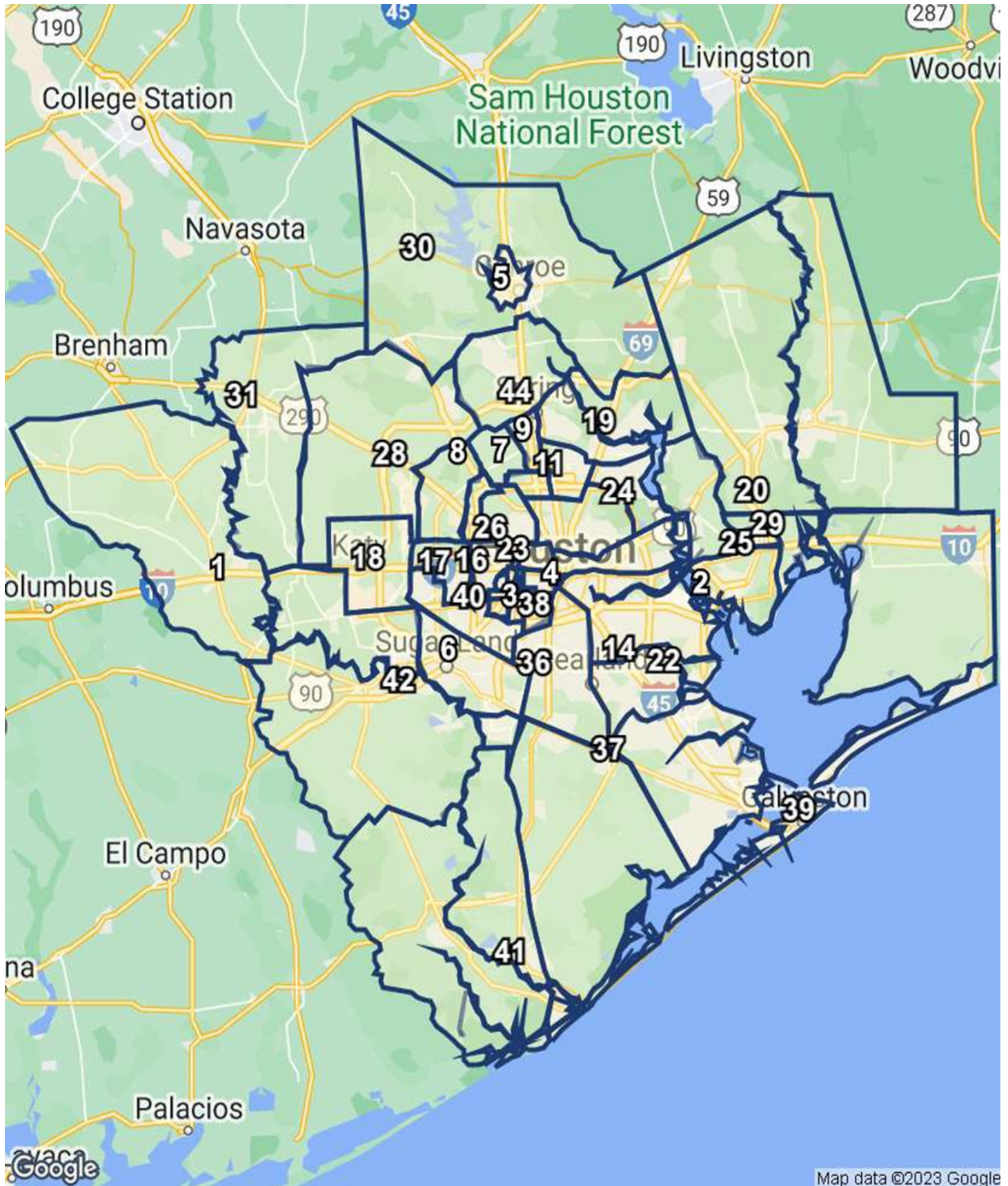


RECENT SIGNIFICANT SALES

Property Name - Address	Property				Sale			Cap Rate
	Rating	Yr Built	Bldg SF	Vacancy	Sale Date	Price	Price/SF	
1 Building 2 5170 Westway Park Blvd	★★★★★	2015	162,000	0%	3/1/2022	\$209,408,032	\$1,293	-
2 200 Park Place 4200 Westheimer Rd	★★★★★	2020	206,943	0%	7/19/2022	\$145,000,000	\$701	-
3 West Memorial Place II 15377 Memorial Dr	★★★★★	2016	384,531	64.5%	2/1/2022	\$77,599,251	\$202	-
4 10001 Richmond Ave	★★★★★	1976	304,385	0%	2/10/2022	\$77,090,708	\$253	-
5 West Memorial Place I 15375 Memorial Dr	★★★★★	2015	331,404	17.9%	2/1/2022	\$69,400,749	\$209	-
6 1900 West Loop S	★★★★★	1978	411,243	14.6%	2/7/2022	\$61,449,302	\$149	-
7 Westway II 4424 W Sam Houston Pky N	★★★★★	2009	242,374	71.0%	8/26/2022	\$45,125,680	\$186	-
8 Dow Chemical Company... 332 State Highway 332	★★★★★	2015	230,000	0%	8/26/2022	\$39,339,519	\$171	-
9 Bissonnet Medical Plaza 4460 Bissonnet St	★★★★★	2020	52,825	0%	6/16/2022	\$39,000,000	\$738	5.1%
10 Vision Park Professional... 129 Vision Park Blvd	★★★★★	2016	76,906	0%	4/27/2022	\$36,250,000	\$471	-
11 Greenpark One 7515 S Main St	★★★★★	1984	134,910	26.2%	10/21/2022	\$32,000,000	\$237	-
12 East Building 251 Medical Center Blvd	★★★★★	2008	46,562	0%	3/30/2022	\$21,551,930	\$463	-
13 West Building 253 Medical Center Blvd	★★★★★	2009	47,229	0%	3/30/2022	\$21,448,070	\$454	-
14 Three WestLake Park 550 Westlake Park Blvd	★★★★★	1983	419,671	96.9%	2/3/2022	\$21,367,500	\$51	-
15 Western Research Bldg 3600 Briarpark Dr	★★★★★	1985	160,000	0%	2/10/2022	\$18,353,509	\$115	-
16 2646 S Loop W	★★★★★	1983	106,534	6.1%	10/11/2022	\$10,455,000	\$98	9.9%
17 Western Geophysical 3750 Briarpark Dr	★★★★★	1981	90,000	0%	2/10/2022	\$10,055,783	\$112	-
18 Oak Park Office Center II 6380 Rogerdale Rd	★★★★★	2006	206,362	48.7%	7/1/2022	\$9,800,000	\$47	-
19 Lennar Office Building... 681 Greens Pky	★★★★★	2015	68,950	0%	8/26/2022	\$8,623,832	\$125	-
20 Beltway 8 Corporate Cen... 5300 W Sam Houston Pky N	★★★★★	2002	100,719	0%	9/23/2022	\$8,282,250	\$82	-

HOUSTON MAP

OFFICE SUBMARKETS



SUBMARKET INVENTORY

No.	Submarket	Inventory				12 Month Deliveries				Under Construction			
		Bldgs	SF (000)	% Market	Rank	Bldgs	SF (000)	Percent	Rank	Bldgs	SF (000)	Percent	Rank
1	Austin County	57	281	0.1%	44	0	0	0%	-	0	-	-	-
2	Baytown	149	1,959	0.6%	37	0	0	0%	-	0	-	-	-
3	Bellaire	93	5,451	1.6%	20	0	0	0%	-	0	-	-	-
4	CBD	167	52,086	14.9%	1	0	0	0%	-	1	386	0.7%	3
5	Conroe	287	3,054	0.9%	30	6	69	2.3%	7	1	5	0.2%	23
6	E Fort Bend Co/Sugar Land	487	10,618	3.0%	12	15	78	0.7%	6	11	54	0.5%	14
7	FM 1960/Champions	316	4,473	1.3%	25	5	28	0.6%	15	0	-	-	-
8	FM 1960/Hwy 249	547	11,919	3.4%	9	5	12	0.1%	21	9	48	0.4%	15
9	FM 1960/I-45 North	118	2,467	0.7%	32	1	5	0.2%	24	2	20	0.8%	16
10	Galleria/Uptown	66	16,829	4.8%	5	0	0	0%	-	0	-	-	-
11	Greenspoint/IAH	60	3,300	0.9%	29	0	0	0%	-	0	-	-	-
12	Greenspoint/N Belt West	115	10,632	3.0%	11	0	0	0%	-	0	-	-	-
13	Greenway Plaza	269	13,092	3.7%	7	1	27	0.2%	16	0	-	-	-
14	Gulf Freeway/Pasadena	712	8,996	2.6%	14	3	85	0.9%	5	6	265	2.9%	6
15	I-10 East	162	1,442	0.4%	40	0	0	0%	-	0	-	-	-
16	Katy Freeway East	279	12,919	3.7%	8	0	0	0%	-	3	384	3.0%	4
17	Katy Freeway West	282	28,586	8.2%	2	8	54	0.2%	9	0	-	-	-
18	Katy/Grand Parkway West	549	6,946	2.0%	16	27	147	2.1%	4	4	55	0.8%	13
19	Kingwood/Humble	271	4,196	1.2%	26	2	10	0.2%	22	2	10	0.2%	21
20	Liberty County	86	497	0.1%	43	0	0	0%	-	0	-	-	-
21	Midtown	629	11,127	3.2%	10	1	40	0.4%	12	2	11	0.1%	19
22	NASA/Clear Lake	562	10,342	3.0%	13	4	50	0.5%	10	7	804	7.8%	2
23	North Loop West	409	6,603	1.9%	18	3	19	0.3%	19	0	-	-	-
24	Northeast Near	166	2,329	0.7%	33	0	0	0%	-	0	-	-	-
25	Northeast Outlier	105	1,058	0.3%	41	3	13	1.2%	20	0	-	-	-
26	Northwest Far	137	4,535	1.3%	24	1	58	1.3%	8	1	99	2.2%	11
27	Northwest Near	62	1,514	0.4%	39	0	0	0%	-	1	10	0.7%	20
28	Northwest Outlier	387	2,848	0.8%	31	19	211	7.4%	3	10	132	4.6%	9
29	Outlying Chambers County	31	182	0.1%	45	0	0	0%	-	1	20	11.0%	17
30	Outlying Montgomery Cnty	264	1,902	0.5%	38	8	50	2.6%	11	13	109	5.7%	10
31	Outlying Waller County	28	137	0%	46	0	0	0%	-	0	-	-	-
32	Post Oak Park	48	4,847	1.4%	22	1	5	0.1%	23	0	-	-	-
33	Richmond/Fountainview	120	2,097	0.6%	35	0	0	0%	-	0	-	-	-
34	Riverway	23	3,425	1.0%	28	0	0	0%	-	0	-	-	-
35	San Felipe/Voss	52	5,723	1.6%	19	0	0	0%	-	0	-	-	-
36	South	329	3,750	1.1%	27	8	38	1.0%	13	11	200	5.3%	7
37	South Hwy 35	175	896	0.3%	42	0	0	0%	-	0	-	-	-
38	South Main/Medical Center	255	14,878	4.3%	6	2	525	3.5%	2	6	1,956	13.1%	1
39	Southeast Outlier	406	4,635	1.3%	23	0	0	0%	-	1	5	0.1%	22
40	Southwest Beltway 8	197	7,663	2.2%	15	0	0	0%	-	1	71	0.9%	12
41	Southwest Far	105	2,078	0.6%	36	0	0	0%	-	0	-	-	-
42	Southwest Outlier	275	2,205	0.6%	34	5	23	1.1%	18	5	134	6.1%	8
43	Southwest/Hillcroft	109	5,318	1.5%	21	0	0	0%	-	0	-	-	-
44	The Woodlands	727	24,357	7.0%	3	7	528	2.2%	1	10	282	1.2%	5
45	West Belt	121	6,793	1.9%	17	1	31	0.5%	14	0	-	-	-
46	Westchase	141	18,312	5.2%	4	1	24	0.1%	17	1	20	0.1%	17

SUBMARKET RENT

No.	Market	Gross Asking Rents		12 Month Asking Rent		Annualized Quarterly Rent	
		Per SF	Rank	Growth	Rank	Growth	Rank
1	Austin County	\$25.44	28	1.9%	9	15.2%	3
2	Baytown	\$23.90	33	1.3%	16	12.6%	9
3	Bellaire	\$26.20	23	0.2%	41	7.6%	33
4	CBD	\$36.37	1	0.4%	37	8.5%	23
5	Conroe	\$26.06	25	1.9%	8	11.2%	14
6	E Fort Bend Co/Sugar Land	\$28.74	13	1.0%	26	7.2%	38
7	FM 1960/Champions	\$20.38	41	0.4%	36	11.6%	13
8	FM 1960/Hwy 249	\$26.54	20	-0.7%	45	6.5%	42
9	FM 1960/I-45 North	\$21.42	39	-0.3%	44	9.2%	22
10	Galleria/Uptown	\$30.73	9	-0.8%	46	5.5%	45
11	Greenspoint/IAH	\$19.81	43	1.5%	14	6.1%	44
12	Greenspoint/N Belt West	\$19.29	45	1.7%	12	7.3%	37
13	Greenway Plaza	\$30.91	7	1.0%	28	7.7%	31
14	Gulf Freeway/Pasadena	\$24.17	32	2.0%	7	12.9%	8
15	I-10 East	\$22.55	37	1.7%	11	13.8%	6
16	Katy Freeway East	\$33.70	2	1.0%	30	7.6%	35
17	Katy Freeway West	\$28.84	11	0.7%	33	6.7%	41
18	Katy/Grand Parkway West	\$31.07	6	1.1%	24	10.1%	19
19	Kingwood/Humble	\$26.39	22	1.2%	22	9.9%	21
20	Liberty County	\$21.91	38	1.8%	10	14.5%	5
21	Midtown	\$31.95	5	1.3%	21	10.4%	18
22	NASA/Clear Lake	\$25.50	27	1.1%	25	8.5%	25
23	North Loop West	\$23.70	35	1.3%	18	7.1%	40
24	Northeast Near	\$25.40	29	0.9%	31	11.1%	16
25	Northeast Outlier	\$27.55	15	1.4%	15	12.9%	7
26	Northwest Far	\$20.20	42	1.0%	29	4.1%	46
27	Northwest Near	\$20.90	40	1.6%	13	8.3%	28
28	Northwest Outlier	\$29.56	10	1.0%	27	8.5%	24
29	Outlying Chambers County	\$25.56	26	1.1%	23	11.9%	12
30	Outlying Montgomery Cnty	\$26.53	21	1.3%	20	12.5%	10
31	Outlying Waller County	\$24.95	31	2.6%	3	19.6%	1
32	Post Oak Park	\$32.42	3	0.9%	32	7.2%	39
33	Richmond/Fountainview	\$22.57	36	2.0%	5	14.9%	4
34	Riverway	\$26.65	19	0.1%	42	6.5%	43
35	San Felipe/Voss	\$26.18	24	0.3%	38	7.6%	34
36	South	\$28.81	12	1.3%	17	11.0%	17
37	South Hwy 35	\$25.28	30	2.8%	2	19.3%	2
38	South Main/Medical Center	\$30.83	8	0.3%	40	8.4%	26
39	Southeast Outlier	\$23.75	34	2.0%	6	11.2%	15
40	Southwest Beltway 8	\$19.47	44	3.0%	1	7.4%	36
41	Southwest Far	\$27.06	18	0.3%	39	10.0%	20
42	Southwest Outlier	\$27.12	17	1.3%	19	12.4%	11
43	Southwest/Hillcroft	\$18.52	46	2.4%	4	8.1%	30
44	The Woodlands	\$32.29	4	0.1%	43	8.1%	29
45	West Belt	\$28.52	14	0.6%	35	7.7%	32
46	Westchase	\$27.47	16	0.7%	34	8.4%	27

SUBMARKET VACANCY & NET ABSORPTION

No.	Submarket	Vacancy			12 Month Absorption			Constrct. Ratio
		SF	Percent	Rank	SF	% of Inv	Rank	
1	Austin County	40,220	14.3%	24	(7,140)	-2.5%	23	-
2	Baytown	252,706	12.9%	22	(13,397)	-0.7%	25	-
3	Bellaire	997,039	18.3%	32	47,444	0.9%	11	-
4	CBD	12,741,285	24.5%	38	(598,172)	-1.1%	45	-
5	Conroe	275,975	9.0%	11	95,190	3.1%	8	0.2
6	E Fort Bend Co/Sugar Land	1,759,143	16.6%	29	(104,424)	-1.0%	39	-
7	FM 1960/Champions	558,907	12.5%	20	44,369	1.0%	13	-
8	FM 1960/Hwy 249	1,812,470	15.2%	26	(164,532)	-1.4%	42	-
9	FM 1960/I-45 North	677,026	27.4%	43	(26,015)	-1.1%	28	-
10	Galleria/Uptown	5,259,074	31.3%	44	(951,985)	-5.7%	46	-
11	Greenspoint/IAH	633,946	19.2%	33	32,472	1.0%	14	-
12	Greenspoint/N Belt West	5,107,065	48.0%	45	(158,161)	-1.5%	41	-
13	Greenway Plaza	2,710,950	20.7%	35	5,188	0%	19	5.2
14	Gulf Freeway/Pasadena	1,058,435	11.8%	18	(73,095)	-0.8%	38	-
15	I-10 East	175,834	12.2%	19	(62,350)	-4.3%	37	-
16	Katy Freeway East	1,104,716	8.6%	7	225,630	1.7%	5	-
17	Katy Freeway West	6,324,217	22.1%	36	195,697	0.7%	6	0.2
18	Katy/Grand Parkway West	769,733	11.1%	16	240,202	3.5%	4	0.4
19	Kingwood/Humble	396,216	9.4%	12	(14,086)	-0.3%	26	-
20	Liberty County	67,076	13.5%	23	(17,639)	-3.6%	27	-
21	Midtown	1,296,776	11.7%	17	(46,899)	-0.4%	34	-
22	NASA/Clear Lake	1,311,826	12.7%	21	(29,405)	-0.3%	30	-
23	North Loop West	1,129,639	17.1%	31	46,344	0.7%	12	0.4
24	Northeast Near	132,597	5.7%	4	22,079	0.9%	17	-
25	Northeast Outlier	49,567	4.7%	3	4,509	0.4%	20	2.9
26	Northwest Far	887,862	19.6%	34	(34,621)	-0.8%	32	-
27	Northwest Near	111,057	7.3%	5	21,158	1.4%	18	-
28	Northwest Outlier	303,974	10.7%	15	165,234	5.8%	7	0.8
29	Outlying Chambers County	3,851	2.1%	1	(3,851)	-2.1%	22	-
30	Outlying Montgomery Cnty	192,735	10.1%	13	31,640	1.7%	15	1.6
31	Outlying Waller County	-	-	-	1	0%	21	-
32	Post Oak Park	1,253,034	25.9%	40	326,148	6.7%	3	0
33	Richmond/Fountainview	183,425	8.7%	10	(28,111)	-1.3%	29	-
34	Riverway	776,493	22.7%	37	(39,741)	-1.2%	33	-
35	San Felipe/Voss	1,568,637	27.4%	42	(52,214)	-0.9%	35	-
36	South	327,568	8.7%	9	58,990	1.6%	10	0.5
37	South Hwy 35	66,506	7.4%	6	(10,603)	-1.2%	24	-
38	South Main/Medical Center	1,291,943	8.7%	8	492,384	3.3%	2	0.9
39	Southeast Outlier	186,839	4.0%	2	27,252	0.6%	16	-
40	Southwest Beltway 8	1,246,590	16.3%	28	(57,041)	-0.7%	36	-
41	Southwest Far	323,113	15.5%	27	(32,788)	-1.6%	31	-
42	Southwest Outlier	232,340	10.5%	14	72,954	3.3%	9	0.3
43	Southwest/Hillcroft	888,545	16.7%	30	(137,433)	-2.6%	40	-
44	The Woodlands	3,551,837	14.6%	25	547,289	2.2%	1	0.3
45	West Belt	1,851,643	27.3%	41	(184,127)	-2.7%	43	-
46	Westchase	4,509,624	24.6%	39	(217,125)	-1.2%	44	-

INDUSTRIAL MARKET REPORT

OVERVIEW

12 Mo Deliveries in SF

24.7 M

12 Mo Net Absorption in SF

28.7 M

Vacancy Rate

5.5%

12 Mo Rent Growth

4.8 %

Houston has historically been a powerhouse for industrial tenant demand and entering 2023, the market's trailing 12-month total for industrial space absorbed has surpassed every other major metro area in the U.S. Very few industrial markets have a list of industrial demand drivers as long and diverse as Houston's, which includes the major port, U.S.-leading population growth, along with a massive manufacturing sector and petrochemical industry.

With a wealth of open land and minimal zoning constraints, Houston is every bit as hospitable to industrial developers as it is to tenants. Large-scale distribution center construction has historically kept occupancy rates and rent growth below the U.S. average. After reaching 20-year highs in 2022, industrial rent growth in Houston is slowing and this trend will likely continue in the near term, as landlords will be grappling with a record amount of speculative development completing.

Rising commercial mortgage rates have tempered sales velocity, and continued upward movement of cap rates appears highly likely. Still, most sellers are exiting their investments with notable earnings, and institutional investors such as Prologis, ARES Management, and Mirae Asset Global Investments remain well represented among the list of recent buyers.

KEY INDICATORS

Current Quarter	RBA	Vacancy Rate	Market Rent	Availability Rate	Net Absorption SF	Deliveries SF	Under Construction
Logistics	582,569,940	5.7%	\$7.99	11.2%	(56,086)	207,292	34,079,359
Specialized Industrial	124,781,536	2.9%	\$9.28	3.8%	(156,165)	11,900	294,640
Flex	58,193,758	8.1%	\$12.25	10.3%	(79,496)	0	400,250
Market	765,545,234	5.5%	\$8.50	10.0%	(291,747)	219,192	34,774,249

Annual Trends	12 Month	Historical Avg.	Forecast Avg.	Peak	When	Trough	When
Vacancy Change (YOY)	-0.8%	6.2%	6.1%	8.9%	2004 Q1	4.1%	1999 Q1
Net Absorption SF	28.7M	11,754,717	21,090,300	43,724,166	2022 Q2	392,072	2001 Q2
Deliveries SF	24.7M	13,884,997	25,408,224	34,675,168	2020 Q4	4,086,553	2011 Q1
Rent Growth	4.8%	2.3%	1.9%	8.7%	2000 Q2	-1.8%	2010 Q3
Sales Volume	\$2B	\$663.5M	N/A	\$3.3B	2022 Q1	\$131.3M	1999 Q4

LEASING

Houston's industrial vacancy rate has been cut by nearly 300 basis points over the past two years, and leasing volume remains at extraordinarily high levels. As of December 2022, trailing three-month total square footage leased was up about 20% compared to the same period in 2021 and up more than five times compared to the levels recorded during the three years prior to the pandemic. In 2022, 100 leases were signed of 100,000 SF or higher, more than double the annual average of 45 recorded between 2010 and 2020 and exceeding 2021's all-time high of 90.

Distribution and third-party logistics firms are driving a record number of these large leases rushing to meet consumers' preference toward online shopping, a trend that has only been magnified since 2020. One such example was Wayfair's commitment to a 1.2 million-SF distribution center at the Prologis Presidents Park, which is being developed by Prologis and marked for a 23Q3 move in. Similarly, Macy's committed to 910,000 SF at the Interchange 249 business park, which is being developed by Houston-based Lovett Industrial and New York-based Clarion Partners and also scheduled for a 23Q3 move in. The retailer's new distribution home will anchor the 240-acre business park in Tomball and will have direct access to both the Grand Parkway and Highway 249, allowing for efficient regional and local distribution.

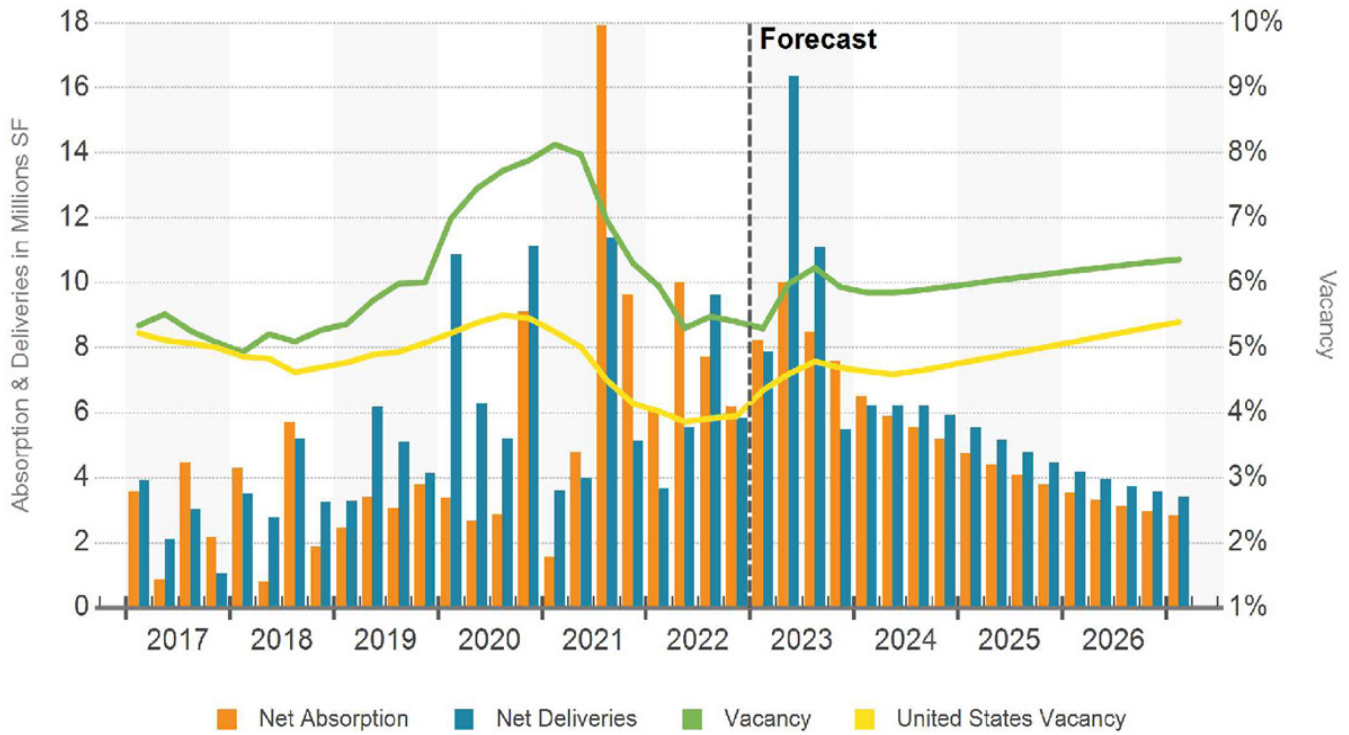
Oncoming new supply could cause vacancy rates to flatline and even potentially rise slightly in 2023. Similar to other fast growing Sun Belt metros, unleashed space under construction in Houston is significant. At around 85% it is similar to DFW's levels, but above the levels seen in Orlando (75%), Raleigh (70%) and Nashville (45%). Furthermore, inflationary pressures are testing the strength of the industrial tenant, and stakeholders remain vigilant, especially of the smaller businesses, which must absorb significant rent increases with inflation and labor costs eating up their profit margins.

Small tenants account for the majority of overall demand: Approximately 87% of all of Houston's industrial leases signed in 2022 were for less than 50,000 SF. If smaller tenants begin to struggle, total demand will inevitably cool.

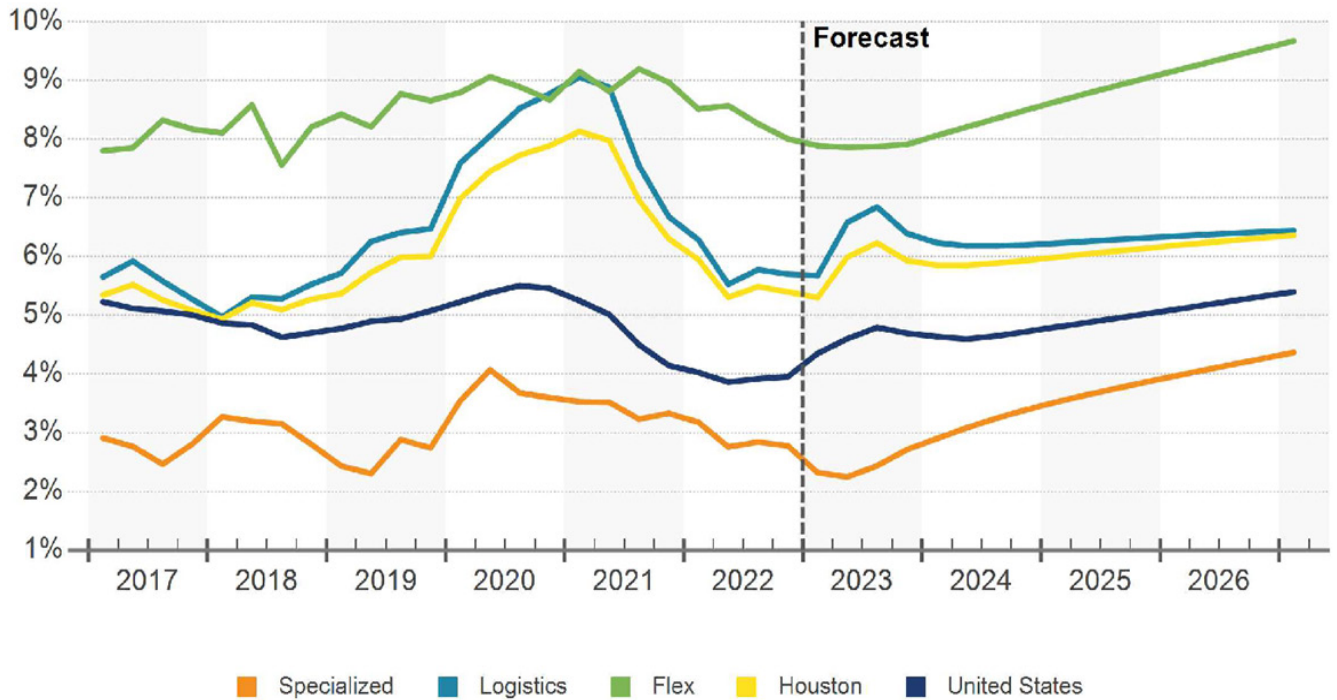
The East Southeast Far Submarket, which is home to the largest amount of industrial inventory, regularly leads the market when it comes to net absorption, and despite a heavy construction pipeline, availabilities will likely remain tight. Proximity to infrastructure is one of this submarket's top selling points. It is home to the Port of Houston and the TGS Cedar Port Industrial Park, the country's largest master-planned rail-and-barge-served industrial park. Despite having the most big-box assets (properties larger than 200,000 SF) out of Houston's submarkets, large availabilities in existing assets are rare, and tenants seeking such large amounts of space often resort to build-to-suits. For example, in 23Q1, furniture company Article will move into a 507,000-SF build-to-suit warehouse in the TGS Cedar Port Industrial Park in Baytown as the location for its first Texas distribution center.

Meanwhile, the Sugar Land Submarket currently has among the highest percentage of its total inventory underway (15%) and at risk of seeing availability rise in the near term as nearly 90% of what is currently under construction consists of speculative projects.

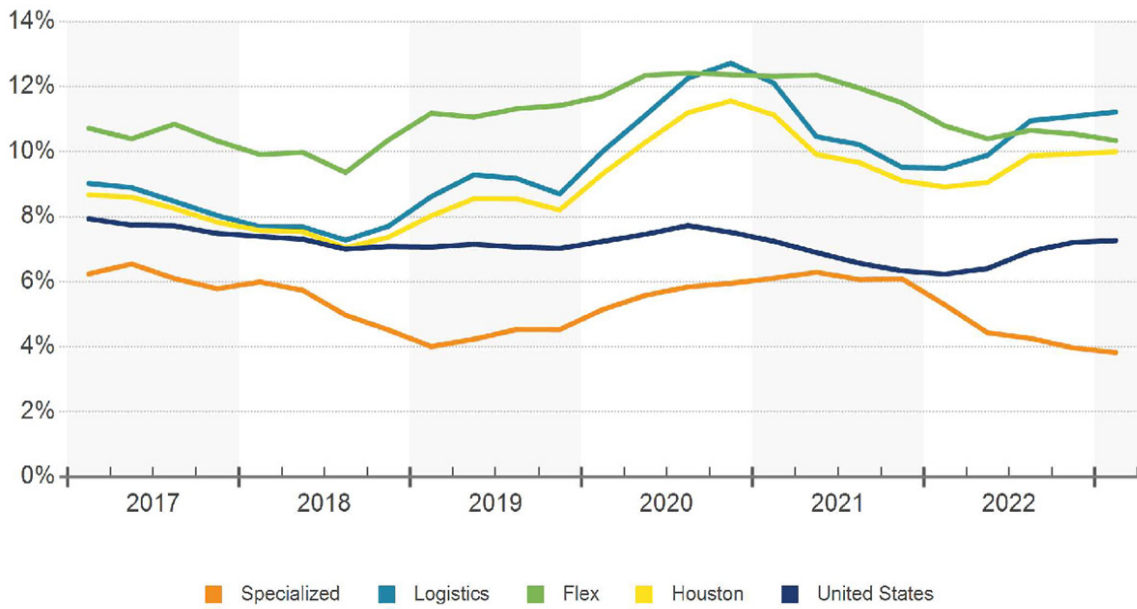
NET ABSORPTION, NET DELIVERIES & VACANCY



VACANCY RATE



AVAILABILITY RATE



12 MONTH NET ABSORPTION SF IN SELECTED BUILDINGS

Building Name/Address	Submarket	Bldg SF	Vacant SF	Net Absorption SF				
				1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	12 Month
Cedar Port Industrial Park	East-Southeast Far Ind	1,211,620	0	0	0	0	0	1,211,620
TGS Cedar Port Industrial Park (1)	East-Southeast Far Ind	1,021,440	0	0	0	0	0	1,021,440
TGS Cedar Port Industrial Park (2)	East-Southeast Far Ind	851,308	0	0	0	0	0	851,308
NorthPoint 90 Logistics Center	Northeast I-10 Ind	687,902	0	0	0	0	0	687,902
Building 1 - Plastic Express	East-Southeast Far Ind	799,680	0	0	0	0	0	657,514
Generation Park	Northeast Hwy 90 Ind	648,720	0	0	0	0	0	648,720
Presidents Park	North Hardy Toll Roa...	629,186	0	0	0	0	0	629,186
Phase II - Building 2	Southeast Outer Loo...	525,200	0	0	0	0	0	525,200
5800 Mesa Dr	Northeast Hwy 90 Ind	610,418	0	0	0	0	0	509,643
West Ten Business Park	Northwest Outliers Ind	500,000	0	0	0	0	0	500,000
American Furniture Warehouse	The Woodlands/Conr...	492,262	0	0	0	0	0	492,262
Crane Worldwide	North Outer Loop Ind	445,120	0	0	0	0	0	445,120
12104 W Little York Rd	West Outer Loop Ind	424,956	0	0	0	0	0	424,956
Cedar Port Distribution Center	East-Southeast Far Ind	405,600	0	0	0	0	0	405,600
Mason Ranch	Northwest Outliers Ind	373,860	0	0	0	0	0	373,860
Binford	Northwest Hwy 6 Ind	445,466	0	0	0	0	0	366,271
00 Binford	Northwest Hwy 6 Ind	445,466	0	0	0	0	0	366,271
Subtotal Primary Competitors		10,518,204	0	0	0	0	0	10,116,873
Remaining Houston Market		755,030,030	41,826,231	(291,747)	0	0	0	18,578,125
Total Houston Market		765,548,234	41,826,231	(291,747)	0	0	0	28,694,998

TOP INDUSTRIAL LEASES PAST 12 MONTHS

Building Name/Address	Submarket	Leased SF	Qtr	Tenant Name	Tenant Rep Company	Leasing Rep Company
6363 FM 1405	East-Southeast Far	1,211,620	Q3 22	Home Depot	-	NAI Partners
Milner Rd	North Hardy Toll Road	1,200,320	Q2 22	Wayfair	-	CBRE;Prologis, Inc.
5805 S Sam Houston Pky E	South Hwy 35	1,200,000	Q4 22	-	-	Partners
111 Empire Blvd	Northwest Outliers	1,039,060	Q4 22	Tesla	-	Stream Realty Partners...
000 Interchange 249	Northwest Hwy 6	908,853	Q1 22	Macy's	-	Cushman & Wakefield
4851 Sam Houston Pky	South Hwy 35	603,780	Q4 22	Penske Logistics	Cushman & Wakefield	Cushman & Wakefield
9501 Bay Area Blvd	East-Southeast Far	480,480	Q4 22	RoadOne Logistics	-	Stream Realty Partners...
SEC Hwy 288 & Airport Blvd	South Hwy 35	413,718	Q4 22	-	-	Carson Companies;CB...
5800 Mesa Dr	Northeast Hwy 90	408,510	Q1 22	Performance Team	-	Burr & Temkin;NAI Part...
1211 Rankin Rd	North Hardy Toll Road	392,480	Q2 22	Meiborg	-	Cushman & Wakefield
2244 N Mason	Northwest Outliers	373,860	Q2 22	Warefor	-	Partners
5335 Cedar Port Pky	East-Southeast Far	341,000	Q1 22	N F I	Lee & Associates	EQT Exeter
I-10 East & Thompson Rd	East-Southeast Far	337,000	Q1 22	FedEx	-	JLL
112 Empire Blvd	Northwest Outliers	333,030	Q4 22	H-E-B	Boyd Commercial, L...	Stream Realty Partners...
7500 Uvalde Rd	Northeast I-10	315,101	Q3 22	Lineage Logistics	-	Colliers
4000 Cedar Blvd	East-Southeast Far	312,034	Q3 22	Gateway Logistics	CBRE	CBRE
Beltway 8 & E Little York Rd	Northeast Hwy 90	310,792	Q4 22	-	-	Partners
4000 Cedar Blvd	East-Southeast Far	306,980	Q2 22	Supply Chain Warehouses	Cresa	CBRE
12400 W Little York Rd	West Outer Loop	295,680	Q4 22	Fresh Pak	-	CBRE
10591 Red Bluff Rd	East-Southeast Far	295,134	Q1 22	Frederick Trucking	NAI Partners	JLL
10909 Greens Crossing Blvd	North Fwy/Tomball Pky	282,190	Q4 22	KDP	-	CBRE
7300 Thompson Rd	Northeast Hwy 321	277,235	Q3 22	Plastipak Packaging	Benchmark Partners	Partners
14700 North Fwy	North Hardy Toll Road	267,170	Q1 22	Majewski Transportation L...	-	Boyd Commercial, LLC...
1842 S 16th St	East-Southeast Far	247,240	Q4 22	-	-	Colliers;Prologis, Inc.
121 Esplanade Blvd	North Outer Loop	244,550	Q1 23	-	-	JLL
4000 Cedar Blvd *	East-Southeast Far	242,000	Q4 22	Gulf Stream Marine	-	CBRE
9401 Bay Area Blvd	East-Southeast Far	240,240	Q3 22	Frederick Trucking	-	Stream Realty Partners...
750 Lockwood Dr	Downtown Houston	239,376	Q2 22	Dixie Cullen Interests, Inc.	CBRE	NAI Partners
10640 Telge Rd	Northwest Outliers	226,720	Q4 22	-	-	Stream Realty Partners...
411 Cravens Rd	Hwy 59/Hwy 90 (Alt)	221,438	Q3 22	Best Buy	-	Stream Realty Partners...
2700 East Fwy	East-Southeast Far	205,878	Q1 22	Petroleum Service Corpor...	-	JLL
29789 US Highway 90	Northwest Outliers	205,200	Q3 22	American Wire Group	-	EQT Exeter
6315 West by Northwest Blvd *	Northwest Inner Loop	201,600	Q3 22	RR Donnelley & Sons Co...	Cushman & Wakefield	Transwestern Real Est...
10640 Windfern Rd	Hwy 290/Tomball Pky	201,240	Q3 22	Foxconn	-	Stream Realty Partners...
12510 W Airport Blvd	Sugar Land	199,978	Q2 22	Cubework	Kander Pacific, Inc.	Transwestern Real Est...
28350 W Ten Blvd	Northwest Outliers	195,974	Q2 22	Isikel	Commercial Market...	Transwestern Real Est...
4300 Malone Dr	East-Southeast Far	195,438	Q2 22	Excargo Services	Boyd Commercial, L...	Carson Companies
13300 John F Kennedy Blvd	North Outer Loop	194,439	Q2 22	Walmart	-	CBRE
SEC Hwy 288 & Airport Blvd	South Hwy 35	193,321	Q4 22	-	-	Carson Companies;CB...
8705 Citypark Loop	Northeast Hwy 90	191,614	Q1 22	Jaguar Logistics	-	CBRE

Renewal

RENT

Record levels of demand have translated into stronger rent growth, which is running above its five-year average rate of 3.4%. Rents in Houston have grown annually by 4.8%, though are significantly underperforming the national average of 10.6%, as has historically been the case. With no zoning and relatively lower barriers to entry for new development, the recent supply wave continues to weigh on rent growth compared with other markets. The quarterly pace of asking rent growth was about 6% during 22Q1 and 22Q2, but decelerated to 5.6% in 22Q3, the first time quarterly gains have decelerated in Houston since the start of the pandemic. This trend continued in 22Q4 and will likely persist in the near term with new supply hitting the market and the potential for an economic slowdown. Under CoStar's Base Case scenario, industrial rents are forecast to grow by 3.4% in 2023, which is nearly 150 bps lower than the growth of 4.8% recorded in 2022. Still, these figures remain above the 2.7% average annual rent growth seen between 2017 and 2019.

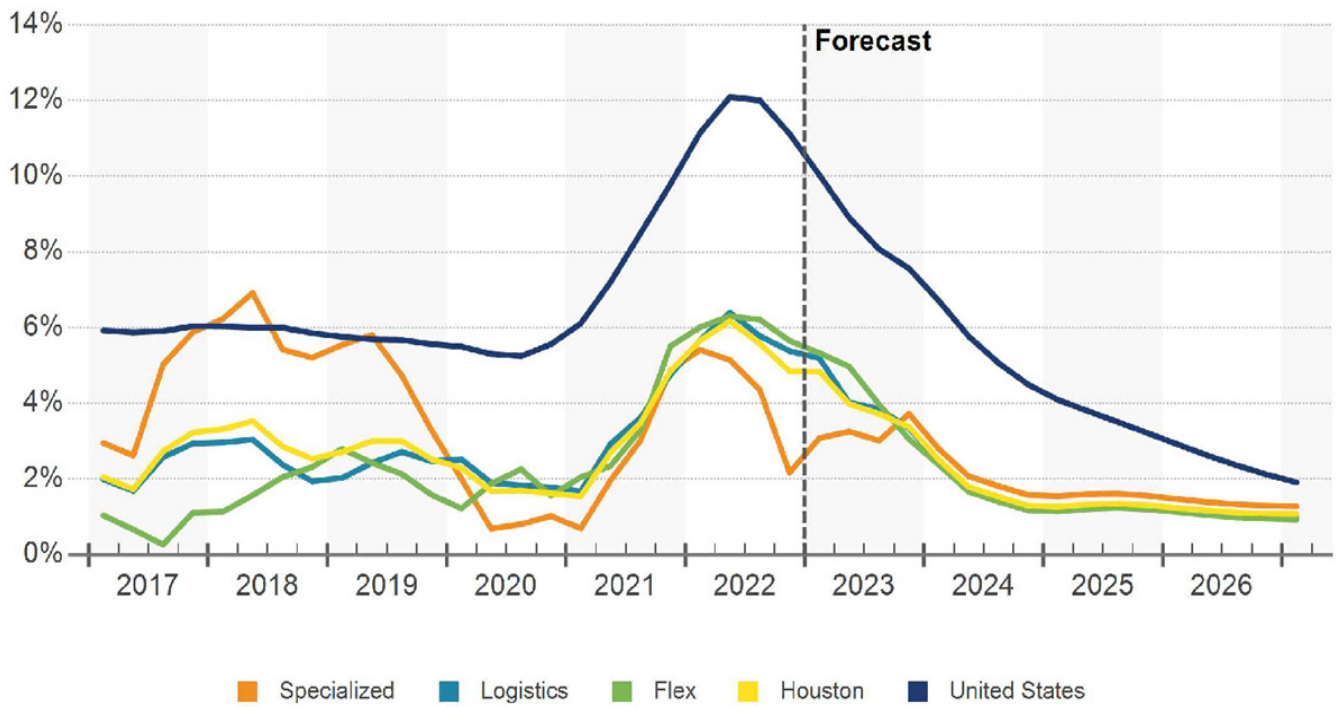
From a geographic perspective, submarkets like Southwest Inner Loop and Southwest Outer Loop are reporting the strongest annual rent gains out of Houston's submarkets, aided by healthy net absorption and limited new supply during this time.

Industrial rents across Houston usually range between \$5/SF and \$10/SF, though they can range higher and lower, depending on location and size. Submarkets such as Southeast Outer Loop and East I-10 Outer Loop have asking rents that are far less expensive than areas such as Southwest Inner Loop and CBD-Northwest Inner Loop, which is in part due to the large swaths of available and affordable land.

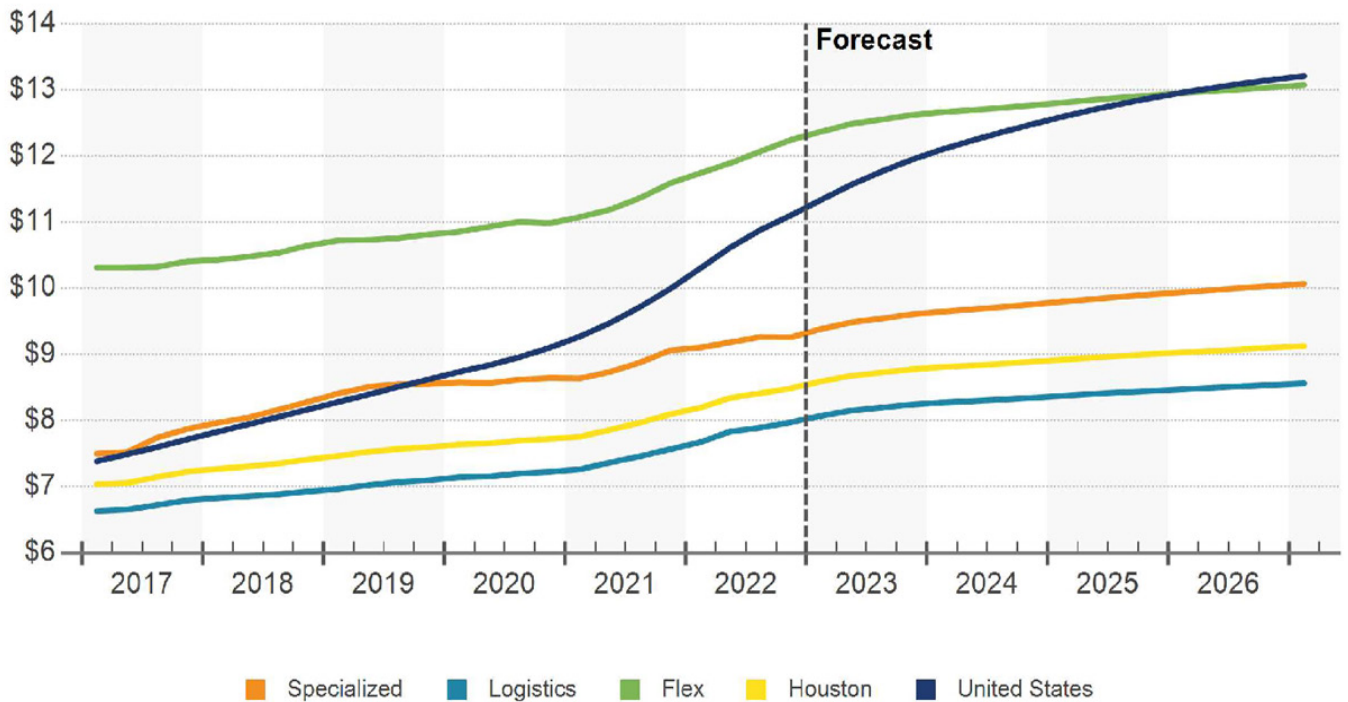
Despite asking rent growth decelerating, owners continue to offer free rent concessions at relatively low levels. Securing one to three months worth of free rent on leases of five to seven years remains typical. For example, in 22Q3, Superbag Operating, LTD leased 102,000 SF at the Fairbanks Industrial Park for \$5.40/SF triple net. The five-year lease included two months of free rent.

In one of the largest leases inked in 22Q3, Innovex Downhole Solutions leased 175,000 SF at the AMB IAH Global Logistics Center II in Humble for \$7.44/SF triple net. The 10-year lease included eight months of free rent. This property is located within the North Hardy Toll Road, which has among the highest availabilities currently in Houston.

MARKET RENT GROWTH (YOY)



MARKET RENT PER SQUARE FOOT



CONSTRUCTION

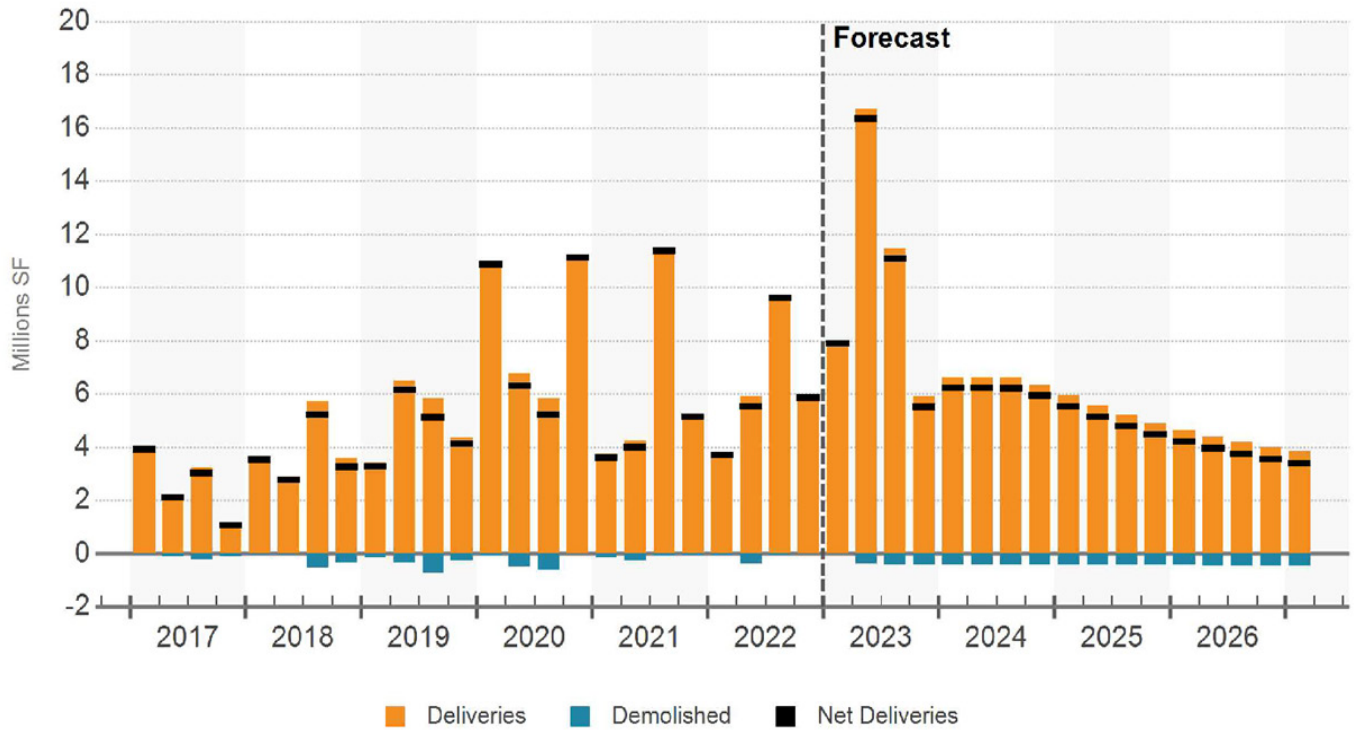
Industrial construction starts in Houston peaked in 2022 and 2023 will mark a record year for new supply, joining markets like D-FW, Orlando, Nashville, and Raleigh, which are also bracing for a record amount of new supply this year. Under construction projects comprise 4.5% of Houston's current inventory, which compares to the national benchmark of 3.8%. Approximately 85% of all space underway remains available for lease, but if recent leasing trends persist, this new supply should not have much of an effect on fundamentals. Many of these projects are leasing either prior to completion, or shortly after.

The East-Southeast Far Submarket currently has the most space under construction in Houston. The Cedar Port Industrial Park in Baytown is located in this submarket and is home to some of the largest industrial projects in Houston, including Trans-Global Solutions' 1.2 million-SF distribution center, which is speculative and marked for a 23Q2 delivery. This will follow another 1.2 million-SF speculative distribution center which Trans-Global Solutions completed in July 2022 and by August 2022 was fully leased by Home Depot. Other recent notable deliveries in Cedar Port include a 850,000-SF build-to-suit for Blackline Cold Storage, which delivered in 22Q2.

The Northwest Outliers submarket, which is at the heart of West Houston's demographic growth, is also garnering its fair share of construction. PinPoint Commercial is building an 840,000-SF speculative warehouse in the Grand Central West Industrial Park in Katy marked for a 23Q1 delivery. Meanwhile, Stream Realty continues to bet on the area. It has a 670,000-SF warehouse in the Empire West Business Park in Brookshire, half of which is available and the other half of which is leased to H-E-B. This follows the combined 1.7 million square feet the developer completed in 2022 in that same park.

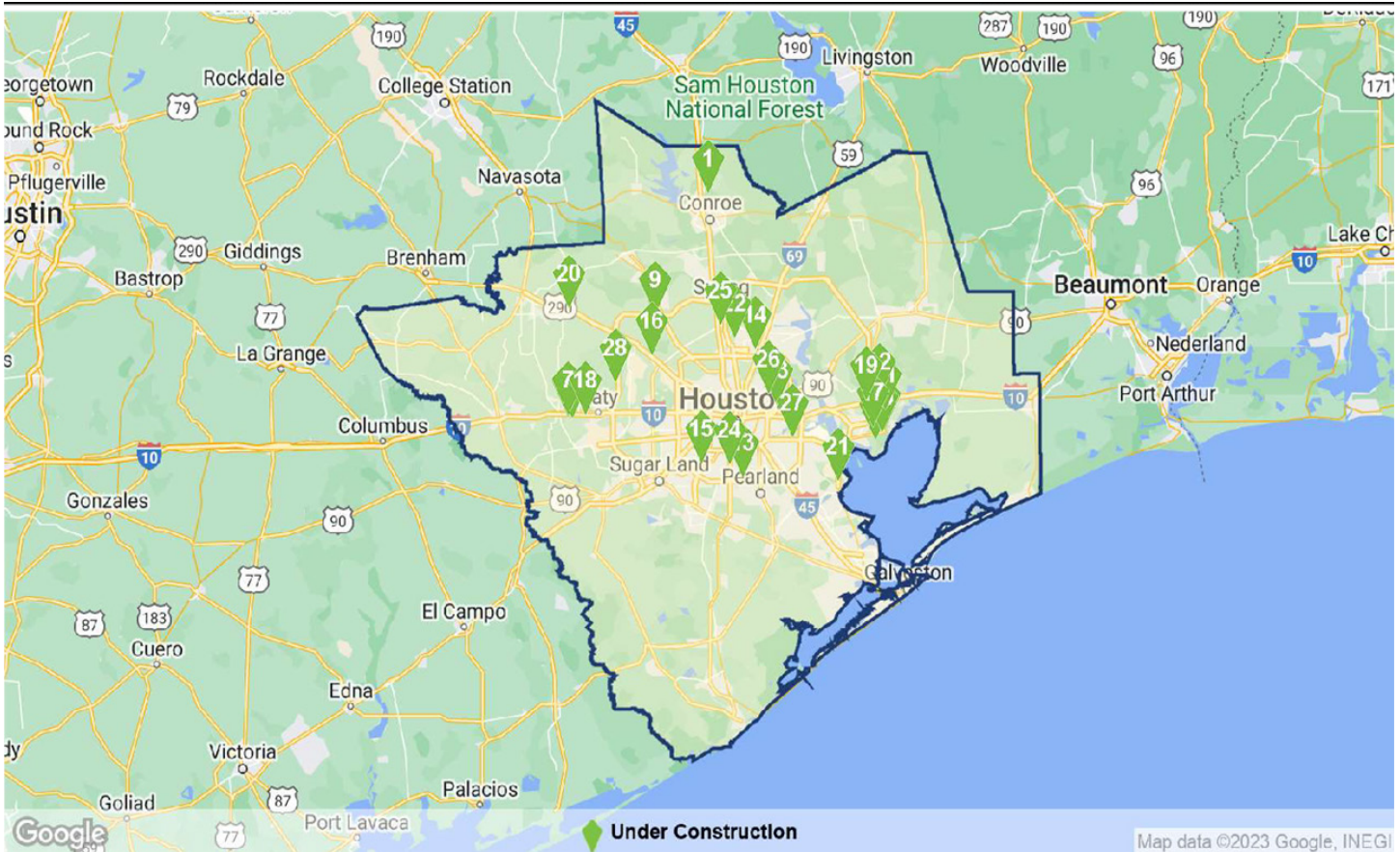
Industrial construction has been a common sight in Houston for many years, as the strength of its job and population trends have not been lost on developers. All told, nearly 200 million SF of space has been added to the market over the past decade, expanding its total inventory by 30% and ranking among the top four markets in the country in terms of new supply during this time. Only DFW and Inland Empire have added more space during this time.

DELIVERIES & DEMOLITIONS



UNDER CONSTRUCTION PROPERTIES

Properties: **294** Square Feet: **34,847,226** Percent of Inventory: **4.9%** Released: **14.7%**



SALES

Entering 2023, transaction activity in Houston's industrial market is decelerating after a remarkably strong 2022. Industrial property sales totaled \$5.2 billion in 2022, which is the second-largest total on record, bested only by the \$6.8 billion recorded in 2021. However, higher debt costs, decelerating rent growth prospects over the near term, and a widening gap of buyer and seller expectations for property pricing, are weighing on investment activity. Fourth quarter in 2022 amounted to less than 30% of the year's total volume, the lowest since the 21% in 2017.

Institutional, public REIT, and private equity investors have demonstrated increased interest in the market, accounting for nearly two-thirds of buyers during the past three years and a trend that has persisted over the past 12 months.

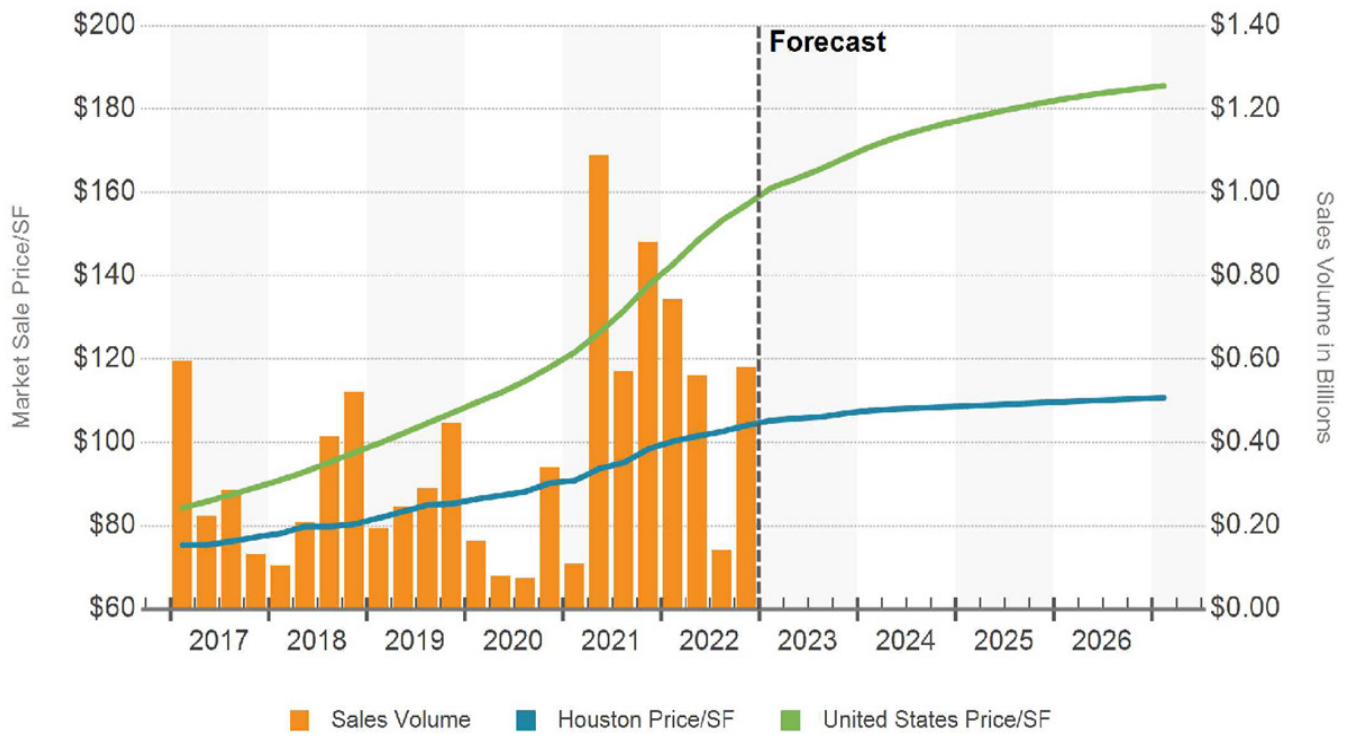
The metro's average sale price of \$105/SF is well below the national average of \$158/SF and is comparable with other national distribution markets like Dallas-Fort Worth and Atlanta. After steadily compressing over the past decade, cap rates have been trending up over the past year, a trend that will likely persist in the quarters ahead. Pricing is likely to pullback over the near term as investors continue to monitor the changing economic and interest rate environment and yields on stabilized industrial properties seem expensive compared to both corporate and treasury bonds. Investors are targeting well-leased properties: over the past 12 months, more than 90% of the properties that sold were 80% leased or higher at the time of sale.

Furthermore, owner/user sales have continued to close in large numbers. For example, in 22Q4, The Woodlands-based Newpark Resources, an industrial fluids and drilling provider, sold its industrial blending division and associated divisional headquarters and equipment to South Carolina-based Oleon Americas for a total of \$80 million. The 62,000-SF manufacturing facility in the Conroe Park North Industrial Park sold for \$11 million (\$177/SF).

National and institutional investors continue to target large assets with credit tenants secured to long-term leases. For example, in 22Q2, institutional South Korea-based Mirae Asset Global Investments acquired 1.5 million-SF distribution building in the Primewest Business Park in Katy from Phoenix-based Tratt Properties for \$190 million (\$127/SF). The building, which was built in 1976 and renovated and 2006, was fully leased on a long-term, absolute triple net-lease basis to Academy Sports + Outdoors-one of the leading full-line sporting goods and outdoor recreation retailers in the U.S.

Similar to last year, sales volume has continued to be boosted by portfolio transactions. Nearly 15% of total properties traded during the past 12 months were part of a portfolio. In 22Q4, San Francisco-based Prologis acquired Duke Realty for \$23 billion (\$160/SF). About two dozen of the 673 properties were located in Houston.

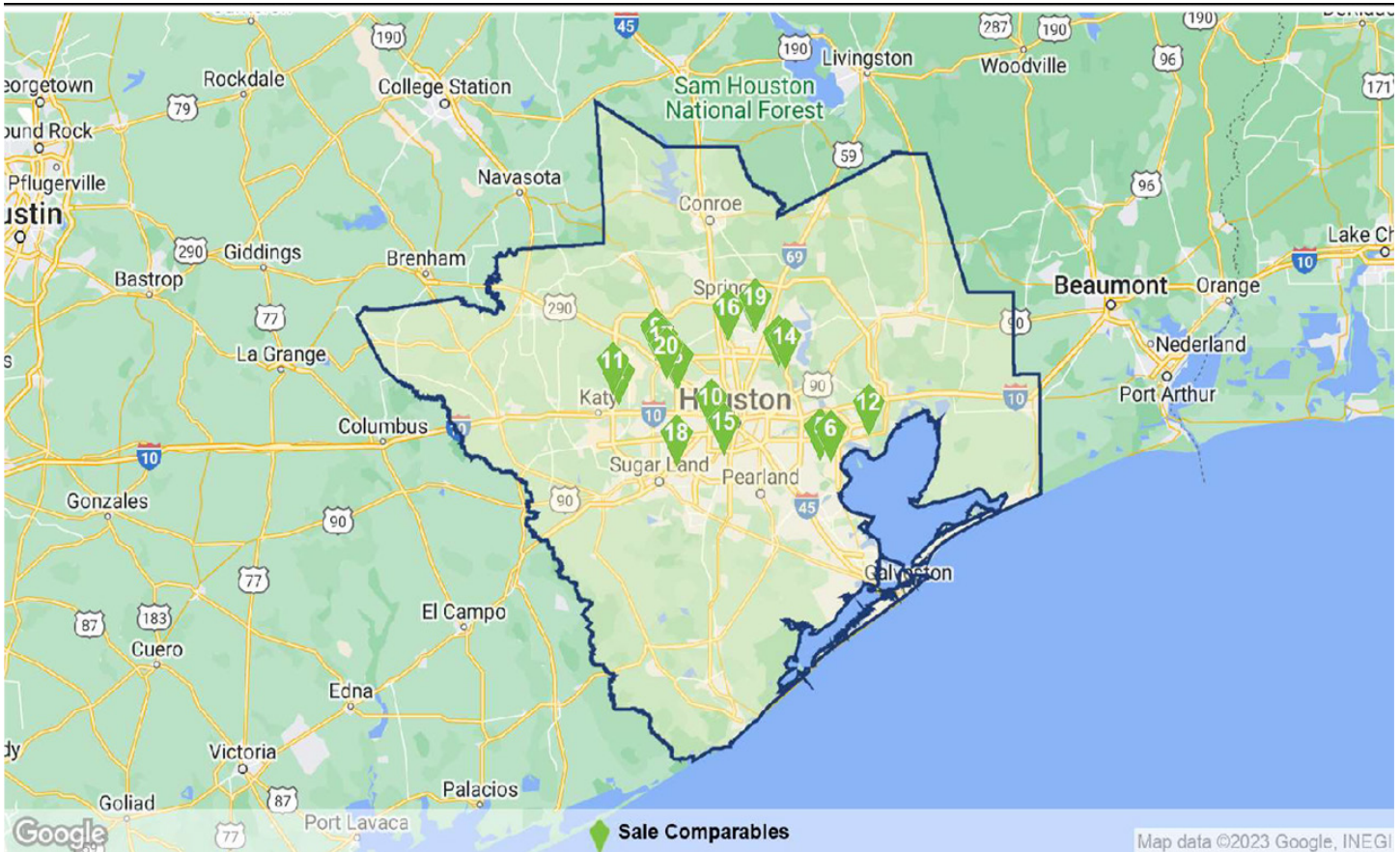
SALES VOLUME & MARKET SALE PRICE PER SF



SALES PAST 12 MONTHS

Sale Comparables	Avg. Cap Rate	Avg. Price/SF	Avg. Vacancy At Sale
1,375	7.3%	\$126	10.3%

SALE COMPARABLE LOCATIONS



KEY INDICATORS

Sales Attributes	Low	Average	Median	High
Sale Price	\$48,000	\$7,832,099	\$1,650,561	\$335,467,724
Price/SF	\$14	\$126	\$116	\$591
Cap Rate	3.7%	7.3%	6.8%	22.9%
Time Since Sale in Months	0.1	6.4	6.6	12.0

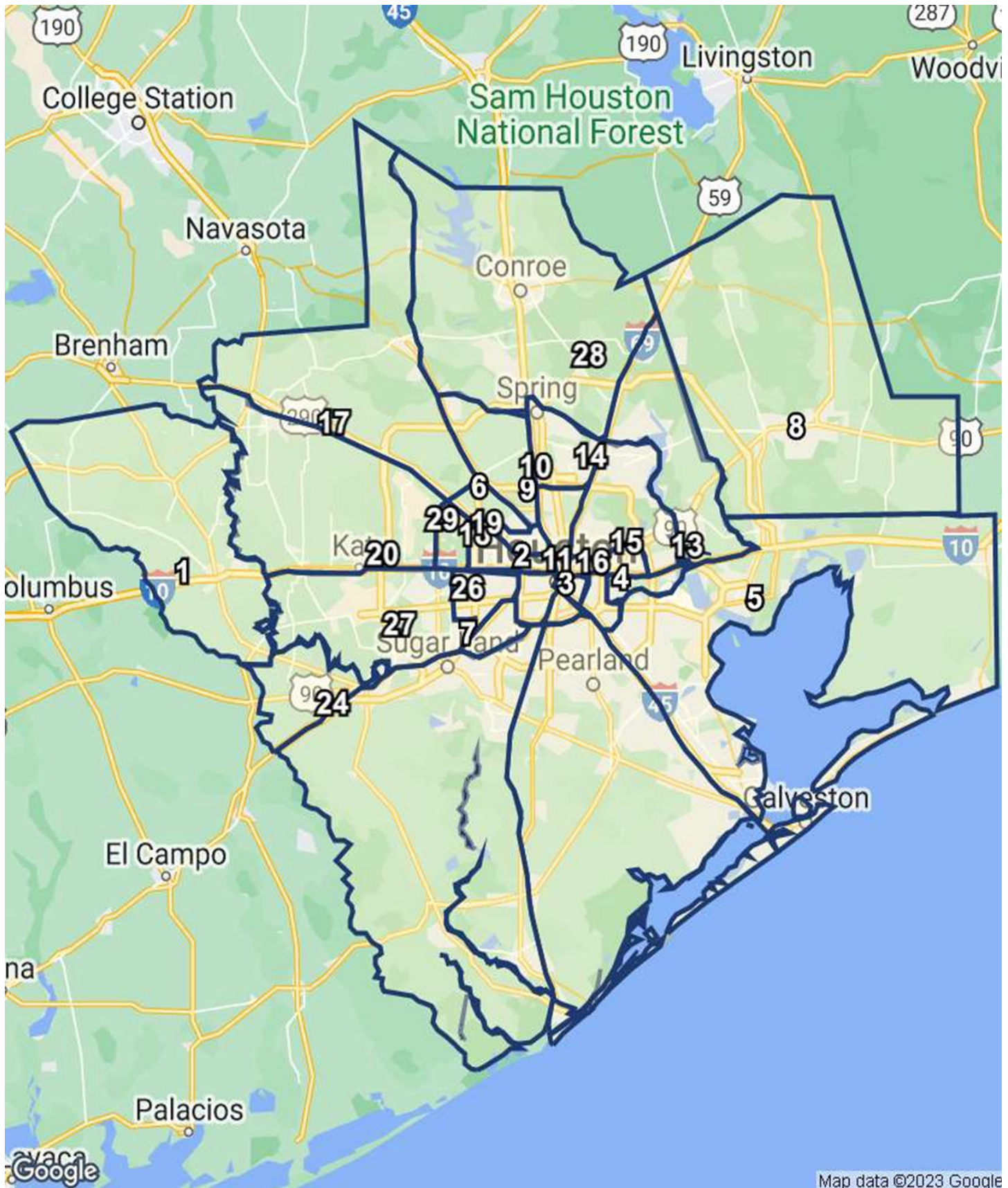
Property Attributes	Low	Average	Median	High
Building SF	548	36,086	12,940	1,500,596
Ceiling Height	8'	21'	20'	62'
Docks	0	5	0	185
Vacancy Rate At Sale	0%	10.3%	0%	100%
Year Built	1882	1990	1988	2023
Star Rating	★★★★★	★★★★★ 2.3	★★★★★	★★★★★

RECENT SIGNIFICANT SALES

Property Name - Address	Property				Sale				
	Rating	Yr Built	Bldg SF	Vacancy	Sale Date	Price	Price/SF	Cap Rate	
1 Building 3 11000 Corporate Centre Dr	★★★★★	2014	640,000	0%	3/1/2022	\$335,467,724	\$524	-	
2 Academy Sports Distrib... 1800 N Mason Rd	★★★★★	1976	1,500,596	0%	4/7/2022	\$190,000,000	\$127	-	
3 Building 1 5150 Westway Park Blvd	★★★★★	2009	162,000	0%	3/1/2022	\$91,565,937	\$565	-	
4 Generation Park 10100 W Lake Houston Pky	★★★★★	2020	648,720	0%	5/13/2022	\$71,250,000	\$110	-	
5 Building #1 4331 Underwood Rd	★★★★★	2008	600,000	0%	10/3/2022	\$41,416,224	\$69	-	
6 Interport 13001 13001 Bay Area Blvd	★★★★★	2007	598,000	0%	10/3/2022	\$41,278,170	\$69	-	
7 Point North Three 8221 Volta Dr	★★★★★	2019	337,700	0%	10/3/2022	\$37,745,373	\$112	-	
8 Building 3 20510 Hempstead Rd	★★★★★	2018	368,432	0%	10/3/2022	\$35,602,227	\$97	-	
9 Gateway Northwest 20710 20710 Hempstead Rd	★★★★★	2015	357,887	0%	10/3/2022	\$34,583,245	\$97	-	
10 CyrusOne Galleria Data... 4201 SW Freeway	★★★★★	1969	112,000	0%	3/1/2022	\$33,558,307	\$300	-	
11 Building 5 3900 Peek Rd	★★★★★	2020	433,200	0%	10/3/2022	\$30,333,562	\$70	-	
12 3959 Oscar Nelson Jr Dr	★★★★★	2014	75,000	0%	12/28/2022	\$30,000,000	\$400	-	
13 Point North 8111 8111 FM 1960 Rd E	★★★★★	2014	250,660	0%	10/3/2022	\$28,016,746	\$112	-	
14 Sheldon Business Park 12732 N Lake Houston Pky	★★★★★	2019	214,300	0%	1/28/2022	\$27,250,000	\$127	-	
15 Building I 10001 Fannin St	★★★★★	2002	218,966	0%	6/1/2022	\$26,800,000	\$122	-	
16 Building 1 (Cross-dock) 17510 E Hardy Rd	★★★★★	2022	283,480	100%	8/31/2022	\$25,513,200	\$90	-	
17 Westland 13788 13788 West Rd	★★★★★	2011	300,000	0%	10/3/2022	\$25,181,762	\$84	-	
18 10225 Mula Road 10225 Mula Rd	★★★★★	2008	241,800	0%	10/3/2022	\$24,577,833	\$102	-	
19 8411 FM 1960 Road	★★★★★	2015	205,920	0%	10/3/2022	\$23,016,071	\$112	-	
20 12400 W Little York Rd	★★★★★	-	300,000	0%	6/1/2022	\$22,800,000	\$76	-	

HOUSTON MAP

INDUSTRIAL SUBMARKETS



SUBMARKET INVENTORY

No.	Submarket	Inventory				12 Month Deliveries				Under Construction			
		Bldgs	SF (000)	% Market	Rank	Bldgs	SF (000)	Percent	Rank	Bldgs	SF (000)	Percent	Rank
1	Austin County	50	2,416	0.3%	28	0	0	0%	-	0	-	-	-
2	CBD-NW Inner Loop	511	12,198	1.6%	23	0	0	0%	-	0	-	-	-
3	Downtown Houston	880	31,460	4.1%	11	0	0	0%	-	0	-	-	-
4	East I-10 Outer Loop	277	15,705	2.1%	19	0	0	0%	-	0	-	-	-
5	East-Southeast Far	2,624	100,485	13.1%	1	28	5,236	5.2%	1	24	7,170	7.1%	1
6	Hwy 290/Tomball Pky	812	32,124	4.2%	8	10	697	2.2%	12	12	1,981	6.2%	6
7	Hwy 59/Hwy 90 (Alt)	1,112	30,134	3.9%	12	2	540	1.8%	13	1	19	0.1%	19
8	Liberty County	93	2,183	0.3%	29	0	0	0%	-	0	-	-	-
9	North Fwy/Tomball Pky	1,478	40,669	5.3%	6	71	1,329	3.3%	7	45	1,734	4.3%	8
10	North Hardy Toll Road	963	45,137	5.9%	3	16	1,810	4.0%	4	24	3,450	7.6%	4
11	North Inner Loop	206	5,486	0.7%	26	0	0	0%	-	0	-	-	-
12	North Outer Loop	1,197	29,751	3.9%	13	4	990	3.3%	10	3	175	0.6%	18
13	Northeast Hwy 321	149	2,608	0.3%	27	1	6	0.2%	20	1	277	10.6%	15
14	Northeast Hwy 90	754	27,496	3.6%	14	5	464	1.7%	15	8	1,048	3.8%	12
15	Northeast I-10	203	6,380	0.8%	25	4	1,672	26.2%	6	4	1,076	16.9%	11
16	Northeast Inner Loop	198	13,097	1.7%	21	0	0	0%	-	0	-	-	-
17	Northwest Hwy 6	757	19,465	2.5%	18	49	1,820	9.4%	3	26	3,709	19.1%	3
18	Northwest Inner Loop	1,847	64,485	8.4%	2	6	101	0.2%	18	1	192	0.3%	17
19	Northwest Near	850	20,575	2.7%	16	1	18	0.1%	19	3	240	1.2%	16
20	Northwest Outliers	885	42,767	5.6%	5	54	4,170	9.8%	2	28	1,973	4.6%	7
21	South Hwy 35	1,974	43,802	5.7%	4	8	147	0.3%	17	18	2,440	5.6%	5
22	South Inner Loop	424	12,756	1.7%	22	1	3	0%	21	1	10	0.1%	20
23	Southeast Outer Loop	461	19,837	2.6%	17	1	525	2.6%	14	1	332	1.7%	14
24	Southwest Far	734	23,208	3.0%	15	20	1,201	5.2%	9	13	1,405	6.1%	10
25	Southwest Inner Loop	425	6,977	0.9%	24	1	159	2.3%	16	0	-	-	-
26	Southwest Outer Loop	699	15,006	2.0%	20	0	0	0%	-	1	5	0%	21
27	Sugar Land	610	35,457	4.6%	7	13	1,693	4.8%	5	41	5,238	14.8%	2
28	The Woodlands/ Conroe	1,515	32,014	4.2%	9	29	832	2.6%	11	29	1,733	5.4%	9
29	West Outer Loop	933	31,871	4.2%	10	22	1,315	4.1%	8	3	568	1.8%	13

SUBMARKET RENT

No.	Market	Gross Asking Rents		12 Month Asking Rent		Annualized Quarterly Rent	
		Per SF	Rank	Growth	Rank	Growth	Rank
1	Austin County	\$6.72	25	3.5%	28	4.1%	4
2	CBD-NW Inner Loop	\$9.25	7	5.2%	9	3.3%	16
3	Downtown Houston	\$6.31	27	5.3%	5	2.0%	29
4	East I-10 Outer Loop	\$6.95	24	4.2%	25	3.1%	23
5	East-Southeast Far	\$8.31	16	4.7%	20	3.8%	8
6	Hwy 290/Tomball Pky	\$8.61	13	4.9%	13	3.7%	11
7	Hwy 59/Hwy 90 (Alt)	\$8.77	10	5.3%	7	3.0%	25
8	Liberty County	\$7.87	21	4.8%	19	3.2%	22
9	North Fwy/Tomball Pky	\$9.24	8	3.2%	29	2.7%	27
10	North Hardy Toll Road	\$8.51	14	5.0%	12	3.4%	12
11	North Inner Loop	\$6.50	26	4.9%	14	2.4%	28
12	North Outer Loop	\$7.93	20	5.0%	10	3.7%	9
13	Northeast Hwy 321	\$10.28	5	4.5%	22	2.9%	26
14	Northeast Hwy 90	\$8.49	15	4.1%	26	3.2%	21
15	Northeast I-10	\$7.39	22	4.8%	16	3.1%	24
16	Northeast Inner Loop	\$5.93	29	4.3%	24	3.4%	14
17	Northwest Hwy 6	\$10.66	3	4.0%	27	4.0%	5
18	Northwest Inner Loop	\$8.23	17	5.3%	8	3.3%	17
19	Northwest Near	\$8.08	18	5.3%	4	3.4%	13
20	Northwest Outliers	\$9.58	6	4.6%	21	3.3%	18
21	South Hwy 35	\$8	19	5.0%	11	7.2%	1
22	South Inner Loop	\$7.10	23	5.3%	3	5.5%	2
23	Southeast Outer Loop	\$6.18	28	4.5%	23	3.3%	20
24	Southwest Far	\$8.68	12	4.8%	17	3.3%	15
25	Southwest Inner Loop	\$10.74	1	5.5%	1	3.8%	7
26	Southwest Outer Loop	\$10.73	2	5.5%	2	3.3%	19
27	Sugar Land	\$8.93	9	5.3%	6	3.7%	10
28	The Woodlands/Conroe	\$10.64	4	4.8%	18	4.4%	3
29	West Outer Loop	\$8.68	11	4.9%	15	3.9%	6

SUBMARKET VACANCY & NET ABSORPTION

No.	Submarket	Vacancy			12 Month Absorption			Constrct. Ratio
		SF	Percent	Rank	SF	% of Inv	Rank	
1	Austin County	193,800	8.0%	26	52,666	2.2%	19	-
2	CBD-NW Inner Loop	358,130	2.9%	4	(65,859)	-0.5%	27	-
3	Downtown Houston	1,663,196	5.3%	17	(376,309)	-1.2%	29	-
4	East I-10 Outer Loop	535,730	3.4%	7	(270,751)	-1.7%	28	-
5	East-Southeast Far	5,378,045	5.4%	18	7,372,906	7.3%	1	0.6
6	Hwy 290/Tomball Pky	1,888,571	5.9%	21	1,063,457	3.3%	12	0.1
7	Hwy 59/Hwy 90 (Alt)	1,495,860	5.0%	14	1,292,994	4.3%	8	0.4
8	Liberty County	66,624	3.1%	5	10,910	0.5%	21	-
9	North Fwy/Tomball Pky	2,412,041	5.9%	22	1,205,445	3.0%	10	1.0
10	North Hardy Toll Road	3,605,955	8.0%	25	2,112,727	4.7%	3	0.9
11	North Inner Loop	88,935	1.6%	1	9,747	0.2%	22	-
12	North Outer Loop	1,597,984	5.4%	19	839,984	2.8%	14	1.2
13	Northeast Hwy 321	99,298	3.8%	9	(29,941)	-1.1%	24	-
14	Northeast Hwy 90	1,218,874	4.4%	13	1,927,807	7.0%	4	0.2
15	Northeast I-10	975,587	15.3%	29	796,940	12.5%	15	2.1
16	Northeast Inner Loop	266,102	2.0%	2	229,328	1.8%	18	-
17	Northwest Hwy 6	1,353,039	7.0%	23	1,864,460	9.6%	5	0.5
18	Northwest Inner Loop	2,778,485	4.3%	12	1,197,261	1.9%	11	0
19	Northwest Near	856,693	4.2%	11	(49,904)	-0.2%	26	-
20	Northwest Outliers	3,899,359	9.1%	28	3,260,599	7.6%	2	1.2
21	South Hwy 35	1,425,424	3.3%	6	(9,354)	0%	23	-
22	South Inner Loop	484,552	3.8%	8	289,547	2.3%	17	0
23	Southeast Outer Loop	543,989	2.7%	3	1,631,435	8.2%	6	0.3
24	Southwest Far	1,976,928	8.5%	27	1,370,657	5.9%	7	0.8
25	Southwest Inner Loop	351,610	5.0%	15	51,854	0.7%	20	3.1
26	Southwest Outer Loop	858,628	5.7%	20	(47,149)	-0.3%	25	-
27	Sugar Land	2,585,380	7.3%	24	1,205,763	3.4%	9	1.4
28	The Woodlands/Conroe	1,249,351	3.9%	10	702,715	2.2%	16	0.8
29	West Outer Loop	1,618,061	5.1%	16	1,055,062	3.3%	13	1.2