



Houston, Texas

Tenant's Guide ▪ North American Markets ▪ Fourth Quarter 2011

Overview

Houston's office market ended 2011 with dramatic gains in activity, both in leasing and investment sales. Energy companies continued to expand, users snapped up several office buildings, and Houston's solid job growth, now returned to pre-recession employment levels, produced 797,088 SF of absorption in the fourth quarter, and 2.2 million SF for the full year. Shell's recently announced downtown renewal represented the largest lease transaction nationwide for the year, and December saw the Hess Tower trade hands at a record-setting per SF price. The ExxonMobil campus is now under construction and a steady exodus of other Greenspoint tenants are taking large blocks of space in nearby Woodlands buildings. Rental rates are strong with increases projected as inventory continues to decline. Downtown class A buildings ended the quarter with average asking rent of \$36.68/SF, compared to \$36.28 for the final quarter in 2010. Rents for the best quality suburban buildings reported average fourth quarter rents of \$28.02/SF, compared to \$27.38/SF at year-end one year ago. Houston's citywide sublease inventory ended the year at 1,882,715 SF, a decrease from last year's 4.1 million SF.

Another leading indicator that directly impacts Houston's robust energy and engineering sectors is the rig count, up nearly 20% from the same period last year. Based on strong tenant demand for space, new projects have recently broken ground in the Galleria, The Woodlands, and the Energy Corridor.

Market Trends

- The Greater Houston Partnership projects 88,000 new jobs in 2012.
- Based on strong demand, Houston may see a select number of new spec buildings break ground.
- Expect continued tenant migration from the 290 and Greenspoint submarkets, and from poorly capitalized and maintained class B and C properties.

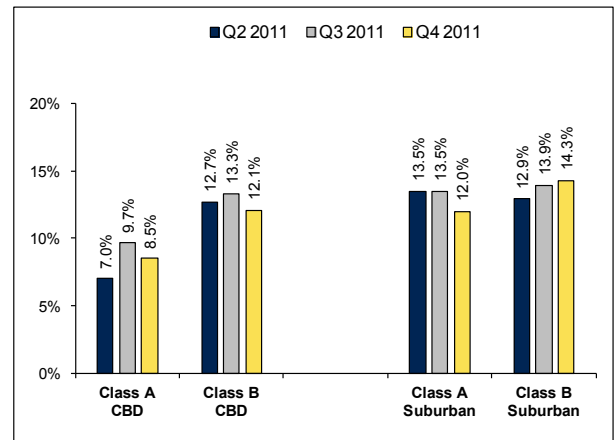
Tenant's Perspective

Tenants with lease expirations in 2012 and beyond need to proactively manage their renewals and be prepared for fewer lease concessions, starting their space search process sooner than later.

Major Transactions

Tenant/Buyer	Size	Type	Lease/Sale
Shell	1,200,000	Office	Lease
Hess Tower	844,000	Office	Sale
Westway II	242,000	Office	Sale
BP	166,000	Office	Lease
Universal Pegasus	159,000	Office	Lease
2323 S. Shepherd	120,000	Office	Sale
530 Wells Fargo Dr	109,000	Office	Sale
Cobalt Energy	75,000	Office	Lease
4543 Post Oak	73,000	Office	Sale
RPC	70,000	Office	Lease

Vacancy Rate



Average Rental Rates

CBD	Q2 2011	Q3 2011	Q4 2011
Class A Office	\$36.19	\$36.07	\$36.68
Class B Office	\$23.52	\$23.77	\$23.70

Suburban	Q2 2011	Q3 2011	Q4 2011
Class A Office	\$27.20	\$27.65	\$28.02
Class B Office	\$18.23	\$18.58	\$18.51