



## COMMERCIAL TRENDS

### January 2017

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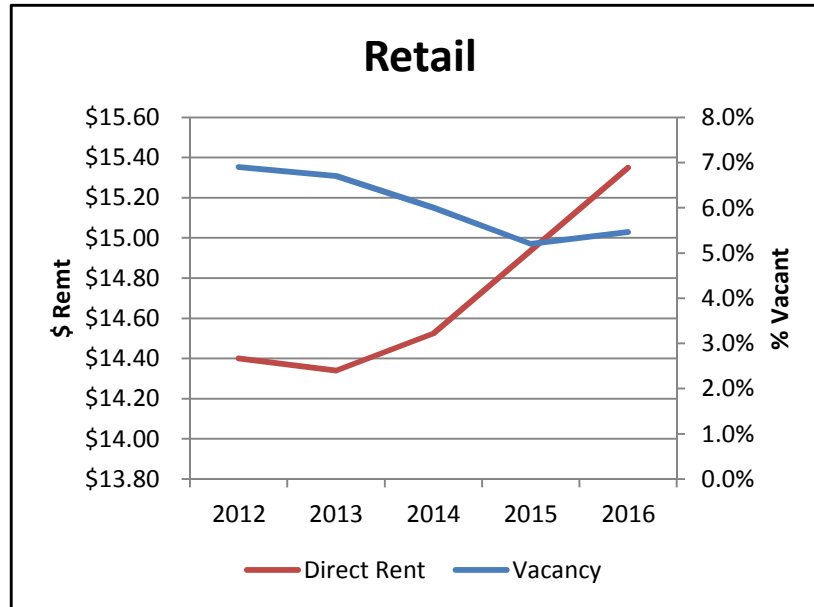
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#### Summary

Vacancy remains under 6% and stable, however it has ticked up by 0.3% for 2016.

#### 2016 Q3 Statistics

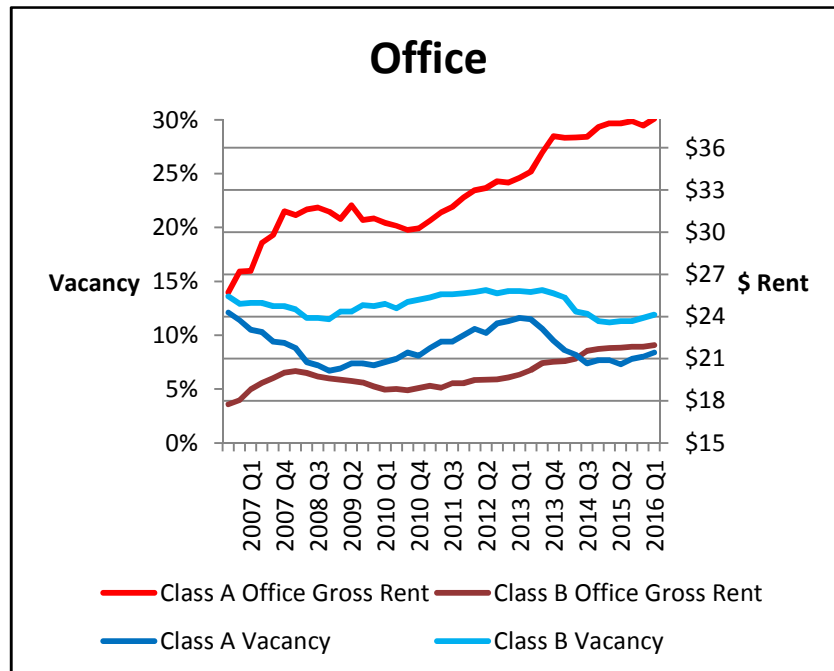
Inventory  
367,630,735 SF a 12% increase from Q1

Direct Rent

\$15.35

Vacancy

5.5%



#### Summary

The Class A office market continues to see the greatest increase in vacancy. For 2016 Class A rent per square foot has increased 5% since 2015.

#### 2016 Q3 Statistics

Net Absorption:

107,024,703 SF

Class A Vacancy: 16%

Class A Rate: \$29.51

## Houston Office

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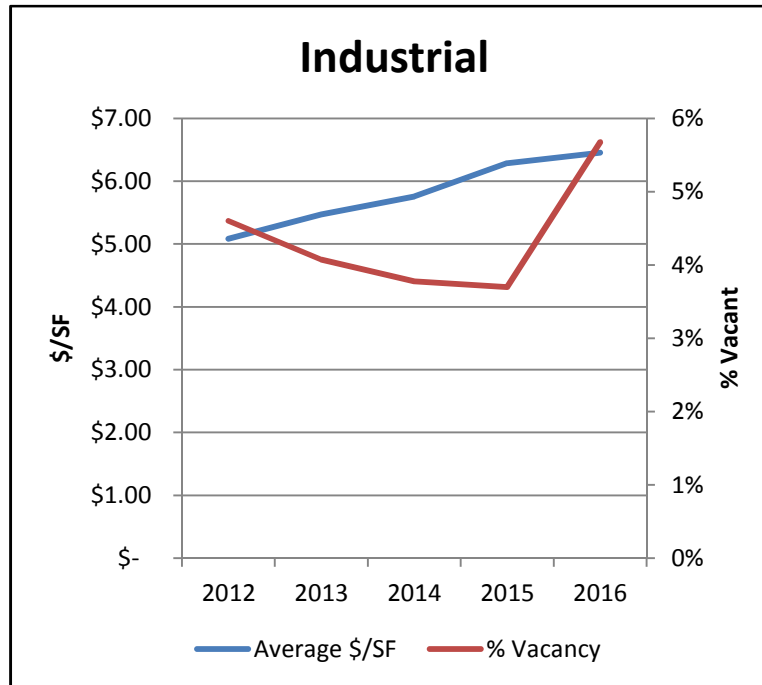
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### Summary

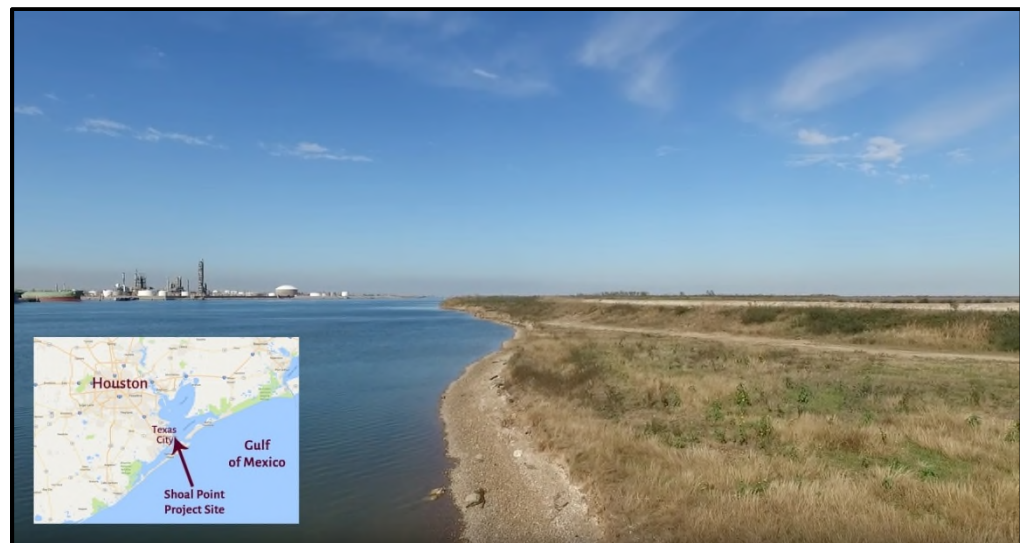
The industrial market has seen a 2% increase in vacancy since 2015, however the industrial sector still remains to have the lowest vacancies in the commercial marketplace.

### 2016 Q1 Statistics

Inventory: 468,501,833 SF  
Industrial Vacancy: 6%  
Average \$/SF \$ 6.46

### Industrial Spotlight

In January 2017, NextDecade LLC announced they had signed lease agreements with the State of Texas and Texas City for close to 1,000 acres at Shoal Point. Potential plans are for the development of a multi billion dollar liquefied natural gas improved facility. The agreement follows the 2016 gas finding totalling over 90 trillion cubic feet. *Source: NextDecade Press Release*



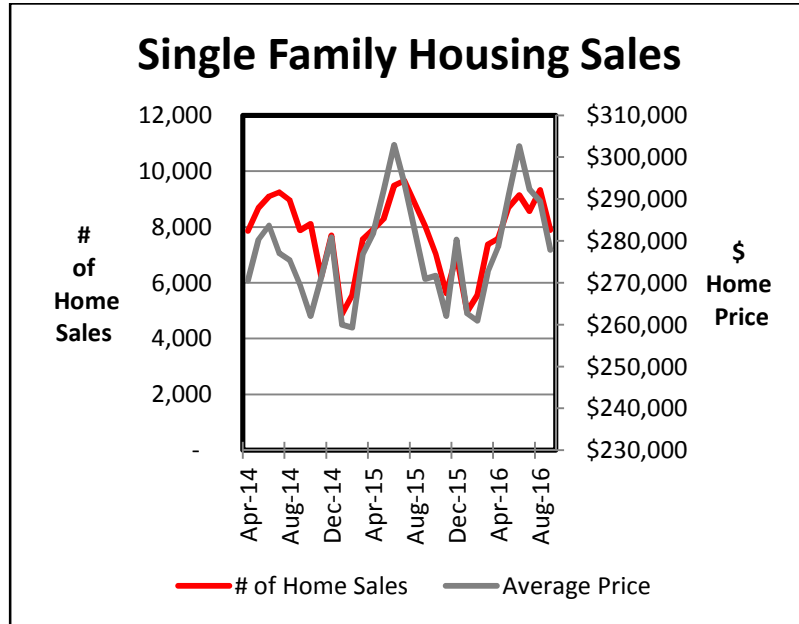
**Valbridge Property Advisors** is one of the largest commercial property valuation and advisory services firms in the U.S.

**Valbridge** has 200 MAIs, 68 office locations and 650+ staff across the nation. Each Valbridge office is led by an appraiser who holds the MAI designation of the Appraisal Institute.

**Valbridge Property Advisors | Houston** is led by 10 MAI designated members of the Appraisal Institute representing more than 180 years of combined real estate experience.

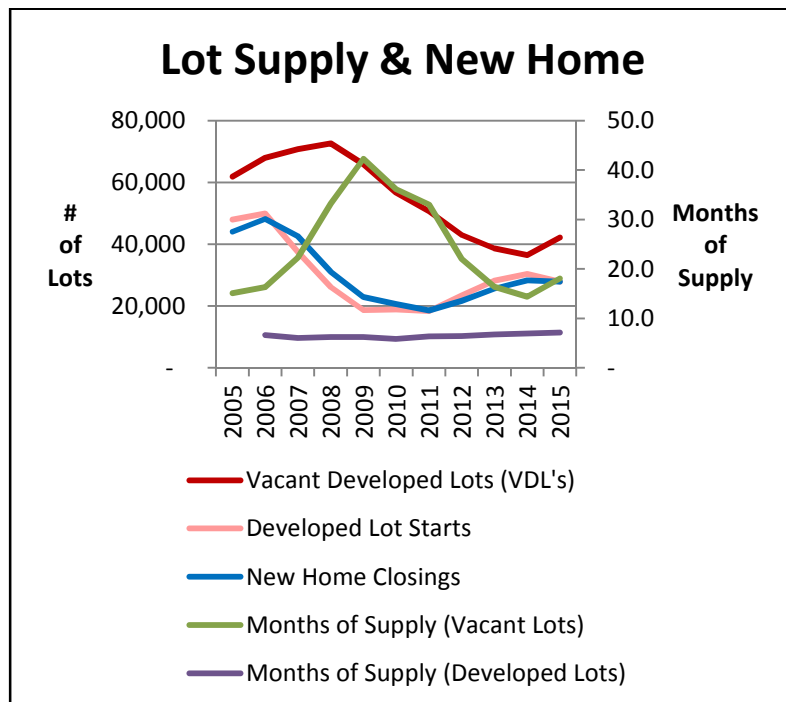
**Valbridge Property Advisors | Houston** provides appraisals, consulting, market studies and feasibility analyses within the Houston MSA.

## Housing Trends



### Summary

According to the Houston Association of Realtors, the number of home sales and housing prices have seen an increase since the beginning of 2016. For November, the average housing price was \$281,671 with a total of 5,706 homes sold. HAR reported a record year with over 91,000 homes sold in 2016.



### Summary

Houston continues to see growth in the number of vacant developed lots and months of supply (vacant lots and developed lots). The market appears to have stabilized for the time being with annualized starts at 25,809 and annualized new home sales at 27,247 through 3Q2016.



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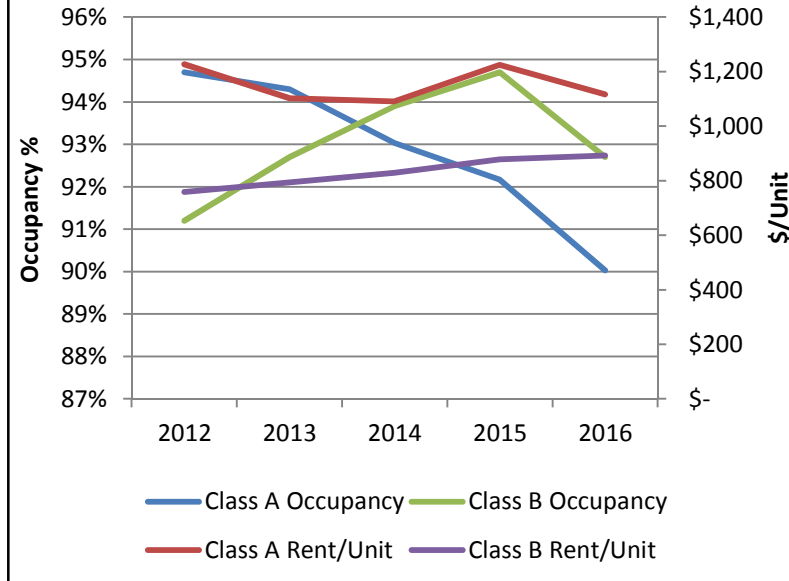


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## Multifamily



### Summary

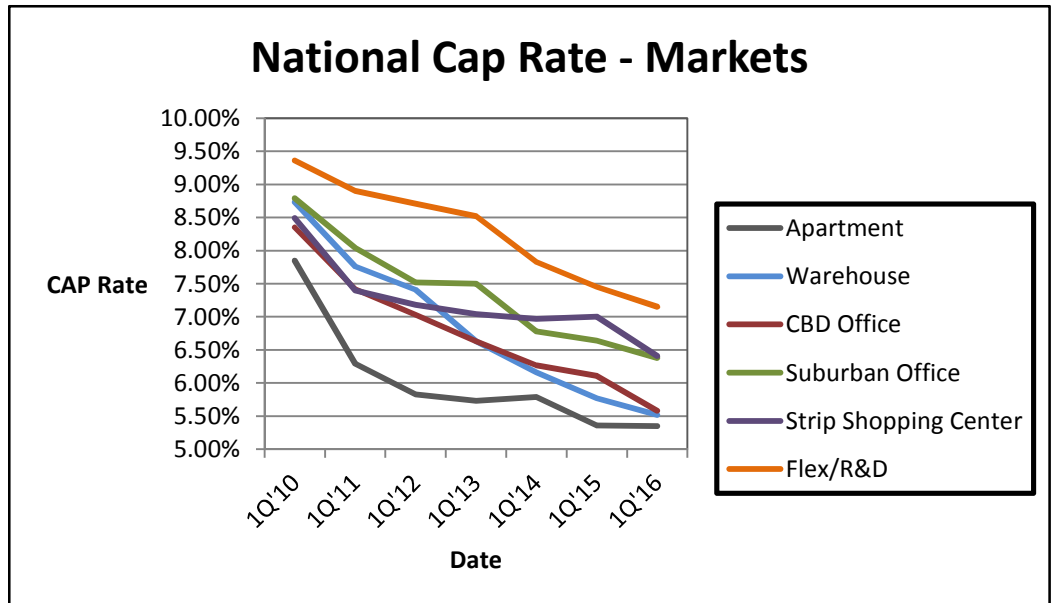
The multifamily market is experiencing a decrease in occupancy due to new units coming online and the drop in oil price. Since 2015 effective market rents have risen by 2%, while occupancy has decreased by 2%.

### 2016 Q3 Statistics

Inventory: 672,333 SF  
Occupancy: 91 %  
Effective Market Rent: \$1,009

## Cap Rates – National

### National Cap Rate - Markets





## Data Sources

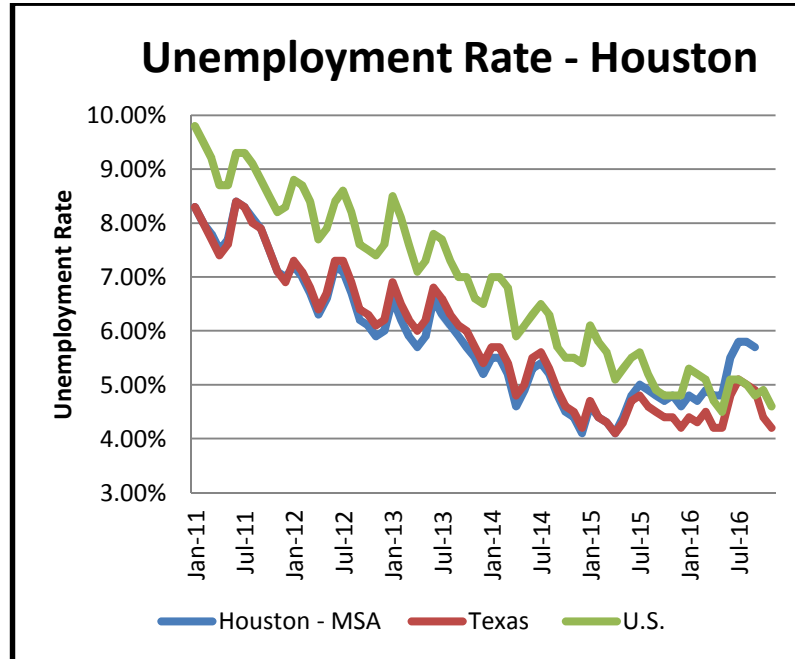
- Colliers
- CoStar Group, Inc.
- Cushman & Wakefield
- Houston Association of Realtors
- Houston Business Journal
- JLL
- Marcus & Millichap
- Transwestern
- Newmark Grubb Knight Frank
- PMRG
- PWC
- Situs Real Estate Research Corporation
- Texas Labor Market Information
- Texas Workforce Commission
- Valbridge Property Advisors

*Some figures are interpolated and estimated due to variances between the reports.*

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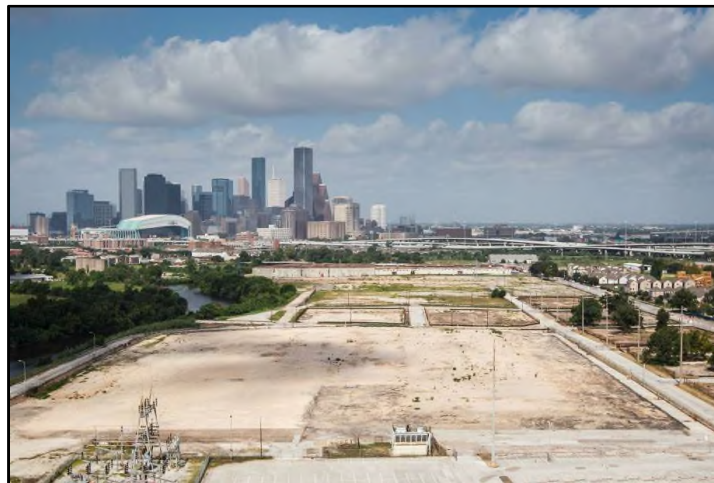
## Unemployment Rates



### Summary

According to the Texas Workforce Commission, the September 2016 unemployment rate for the Houston MSA was at 5.7%. This percentage is currently higher than the U.S. average (4.8%) and Texas average (4.9%). This is primarily attributed to the downturn in the energy sector and decline in construction for the Houston MSA.

## Midway Development Project East of Downtown



### Summary

Midway Companies is planning to co-develop a 147 acre tract at the former KBR site in east downtown.

The East End development dubbed "East River" will be four times the size of City Center, Midway's mixed use development near I-10 and Beltway 8.

The project is currently in the planning stage and is expected to be fully completed over the next decade with a price tag that could reach into the billions.