



North Houston District



North Houston District Market Update

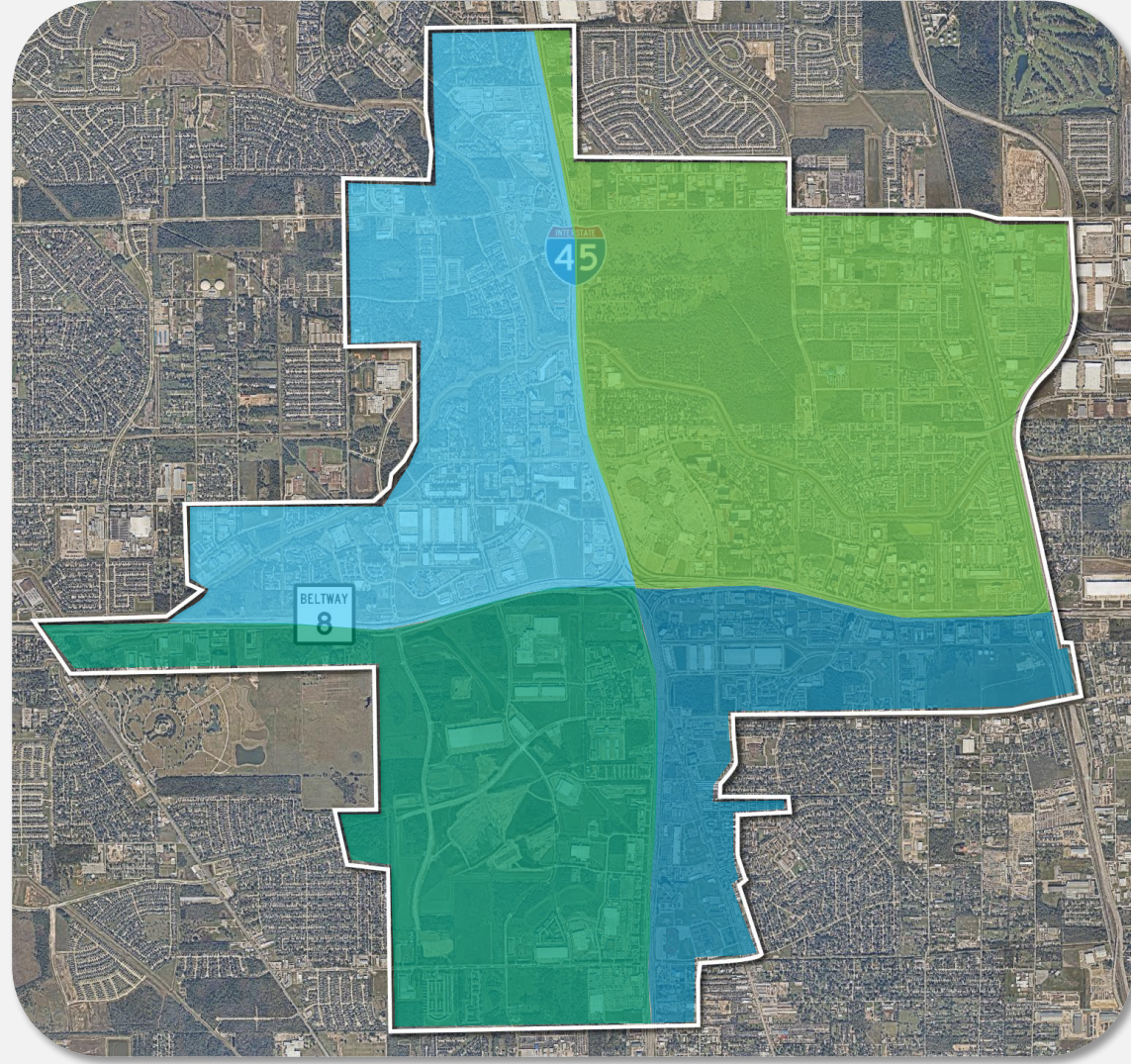
July 27, 2017



North Houston District

The North Houston District Submarket: 1H 2017

North Houston District



The Macro
Environment

2017 Mid-
Year Update

2017

A Transition Year



**Checkmark
Recovery**

Suggests a sharp bottom and a quick rebound.



**Hockey Stick
Recovery**

Suggests a deep plunge then a recovery characterized by steady, uninterrupted growth.



**Bathtub
Recovery**

Suggests a wide, flat growth curve.

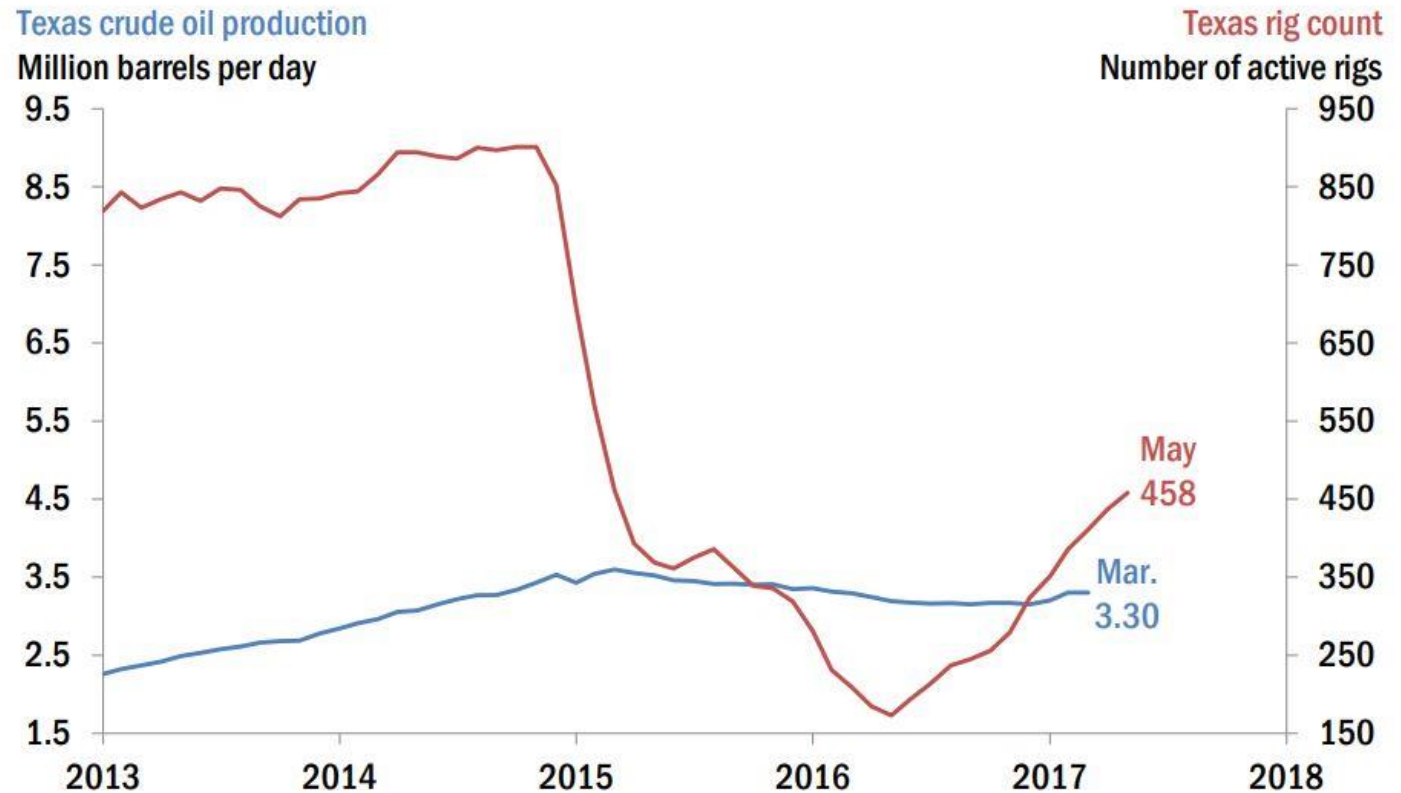
Source: Greater Houston Partnership

Gliding along the bottom of the bathtub?

The Macro Environment

Oil & Gas

Texas Oil Production & Rig Count

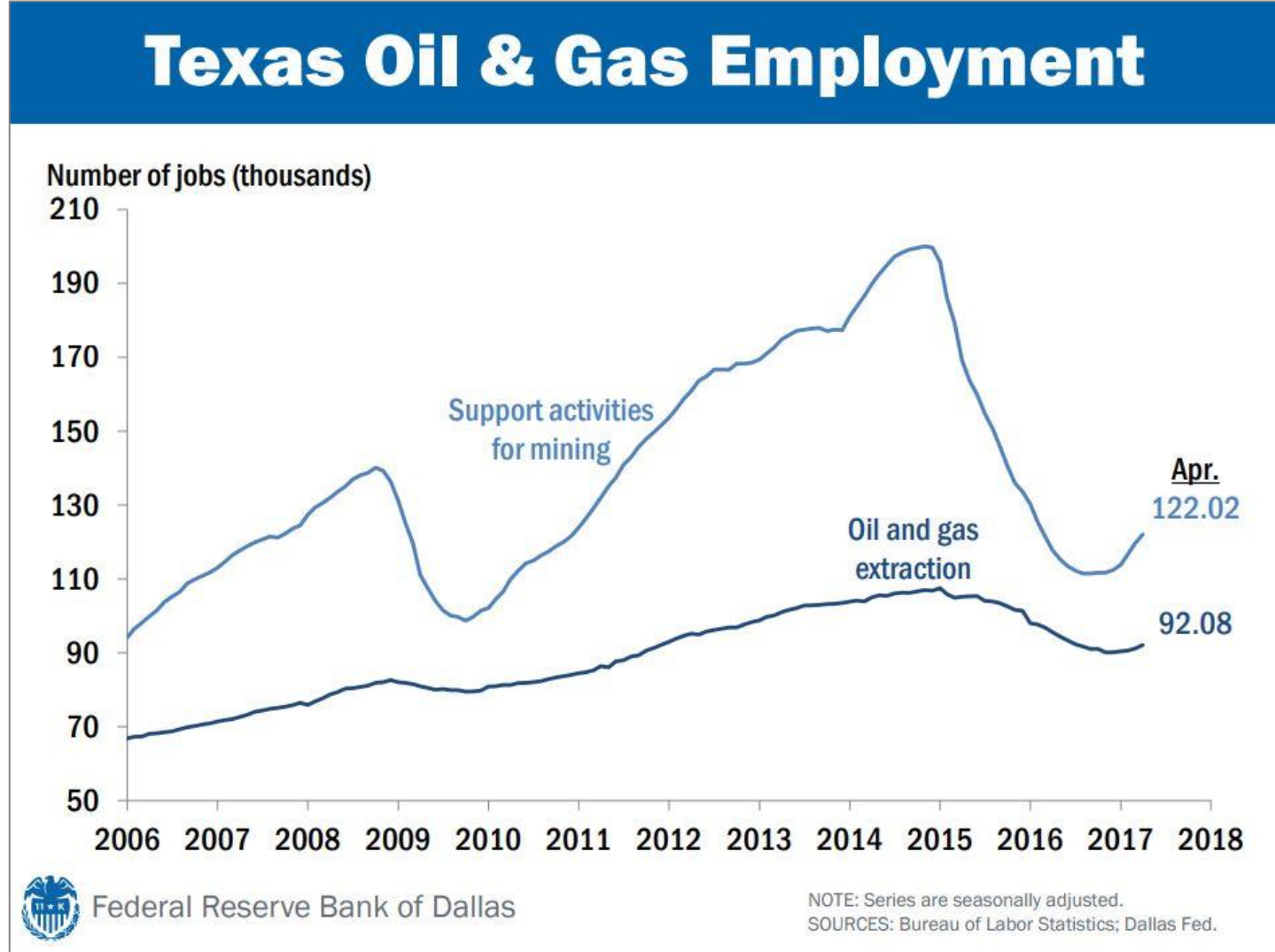


Federal Reserve Bank of Dallas

NOTE: Rig count series shows the last weekly count each month.
SOURCES: Baker Hughes; Energy Information Administration.

The Macro Environment

Oil & Gas



Source: Dallas Federal Reserve Bank

The Macro Environment

Oil & Gas

The New York Times

ENERGY & ENVIRONMENT

OPEC, Fighting Market Forces, Extends Production Cuts

By STANLEY REED MAY 25, 2017



Khalid A. al-Falih, the Saudi energy minister, talked to journalists before an OPEC meeting in Vienna on Thursday. Leonhard Foeger/Reuters

RELATED COVERAGE



As Their Cloud Wanes, Saudi Arabia and Russia Extend Oil Production Cuts
MAY 15, 2017



Oil Producers Comply With OPEC Deal to Cut Output, but for How Long? FEB. 13, 2017



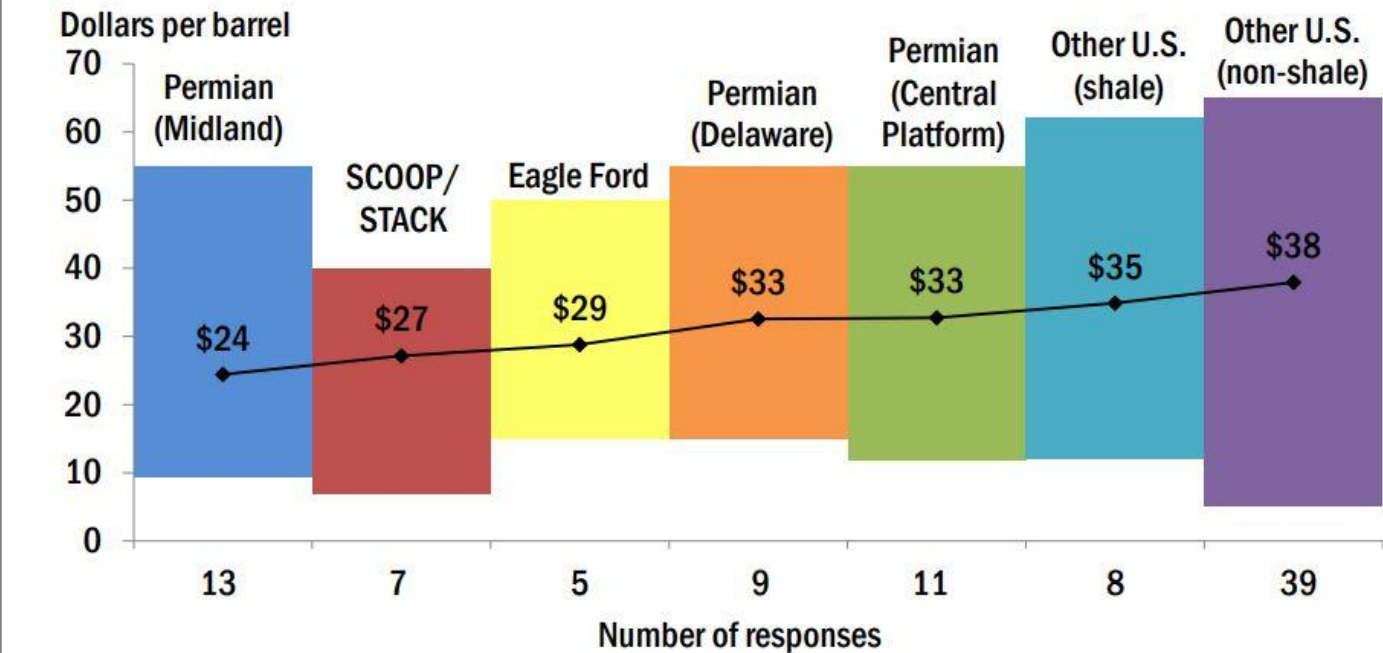
OPEC Agrees to Cut Production, Sending Oil Prices Soaring SEPT. 28, 2016

The Macro Environment

Oil & Gas

Shut-in Prices for Existing Wells

Dallas Fed Energy Survey—In the top two areas in which your firm is active: What WTI oil price does your firm need to cover operating expenses for existing wells?



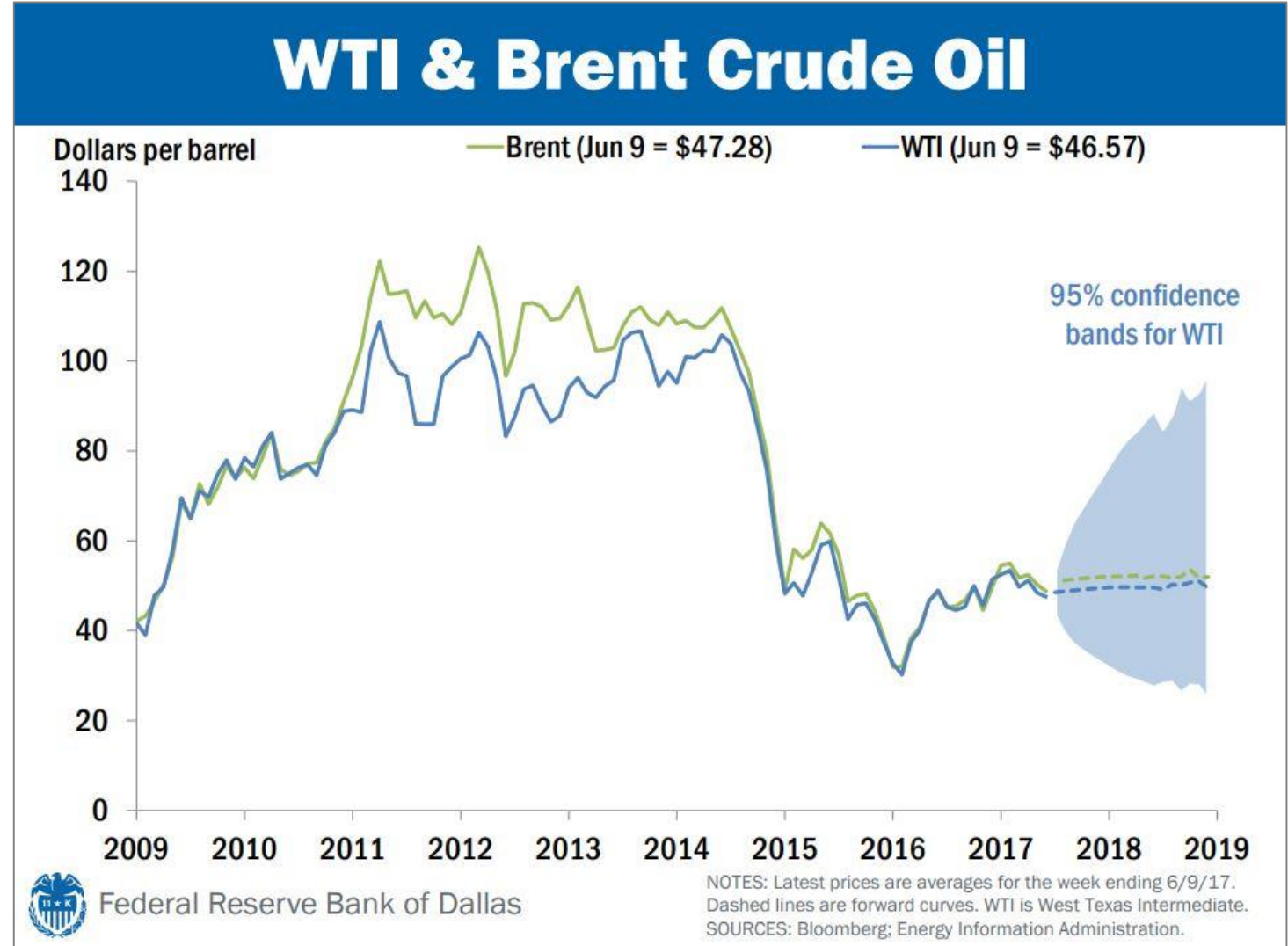
Federal Reserve Bank of Dallas

NOTES: Line shows the mean, and bars shows the range of responses. 60 E&P firms answered this question from March 15-23, 2017.
SOURCE: Federal Reserve Bank of Dallas.

Source: Dallas Federal Reserve Bank

The Macro Environment

Oil & Gas

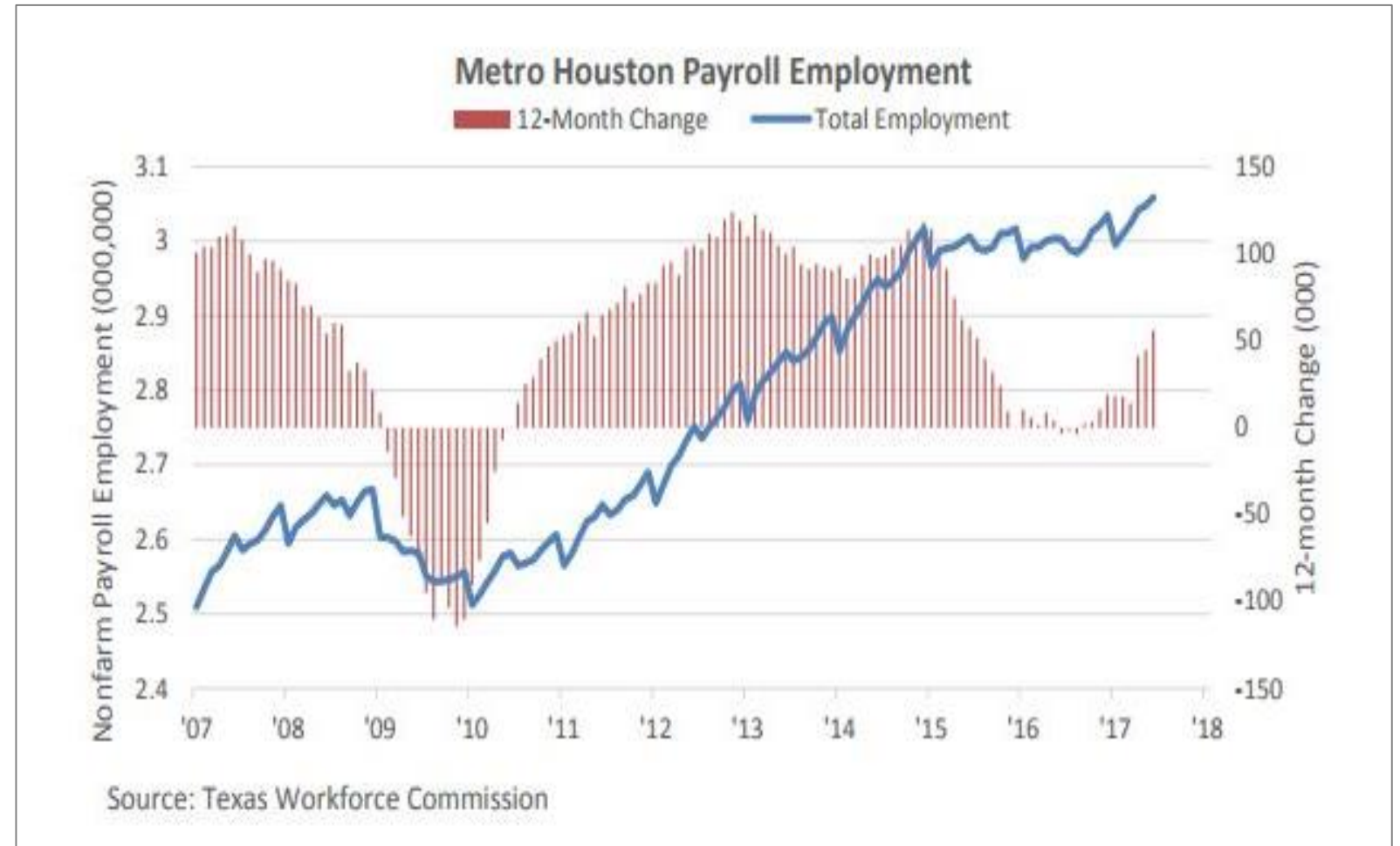


The Macro Environment



Source: Greater Houston Partnership

The Macro Environment



Source: Greater Houston Partnership

The Macro
Environment

2017 Mid-
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Source: Greater Houston Partnership

Gliding along the bottom of the bathtub?

The Capital Markets

Lending

CBRE LENDING MOMENTUM INDEX

Seasonally Adjusted, 2005 average = 100



Source: CBRE Capital Markets and CBRE Research, Q2 2017.

The Capital Markets Lending



The Capital Markets

Lending

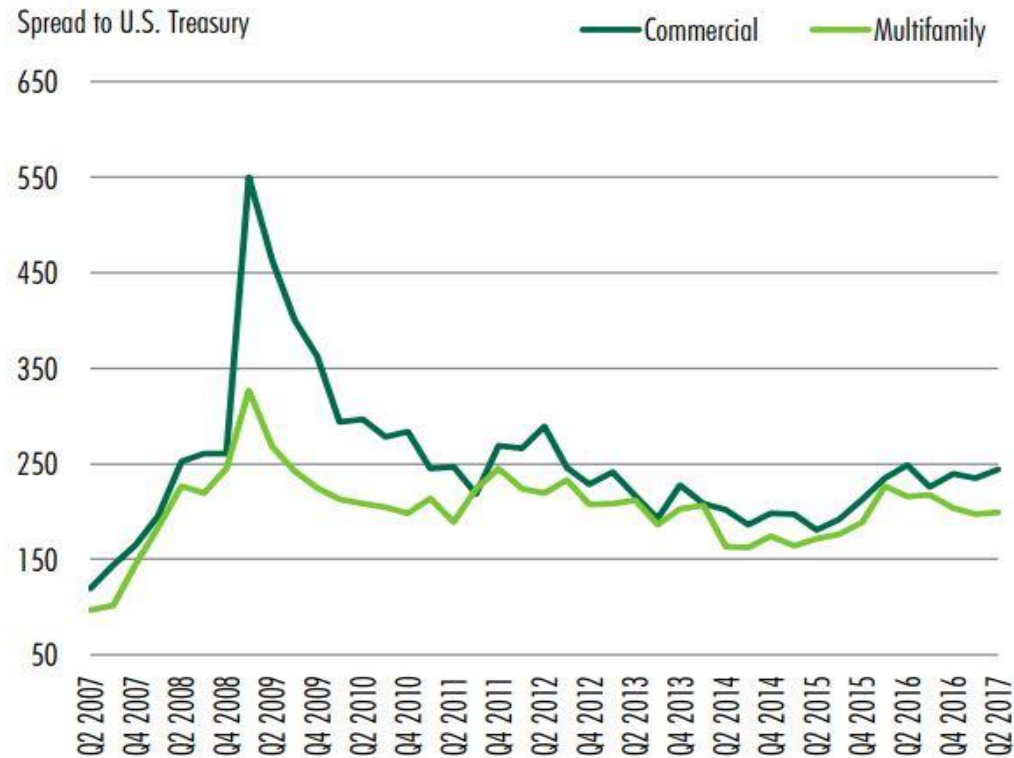
U.S. TREASURY YIELD CURVE



Source: Federal Reserve Bank, July 2017.

The Capital Markets Lending

COMMERCIAL/MULTIFAMILY LOAN SPREAD TRENDS



Source: CBRE Capital Markets and CBRE Research, Q2 2017.

Note: Reflects average spreads on 7-10 year, 55-65% LTV, permanent fixed-rate loans closed by CBRE Capital Markets.

The Capital Markets Lending

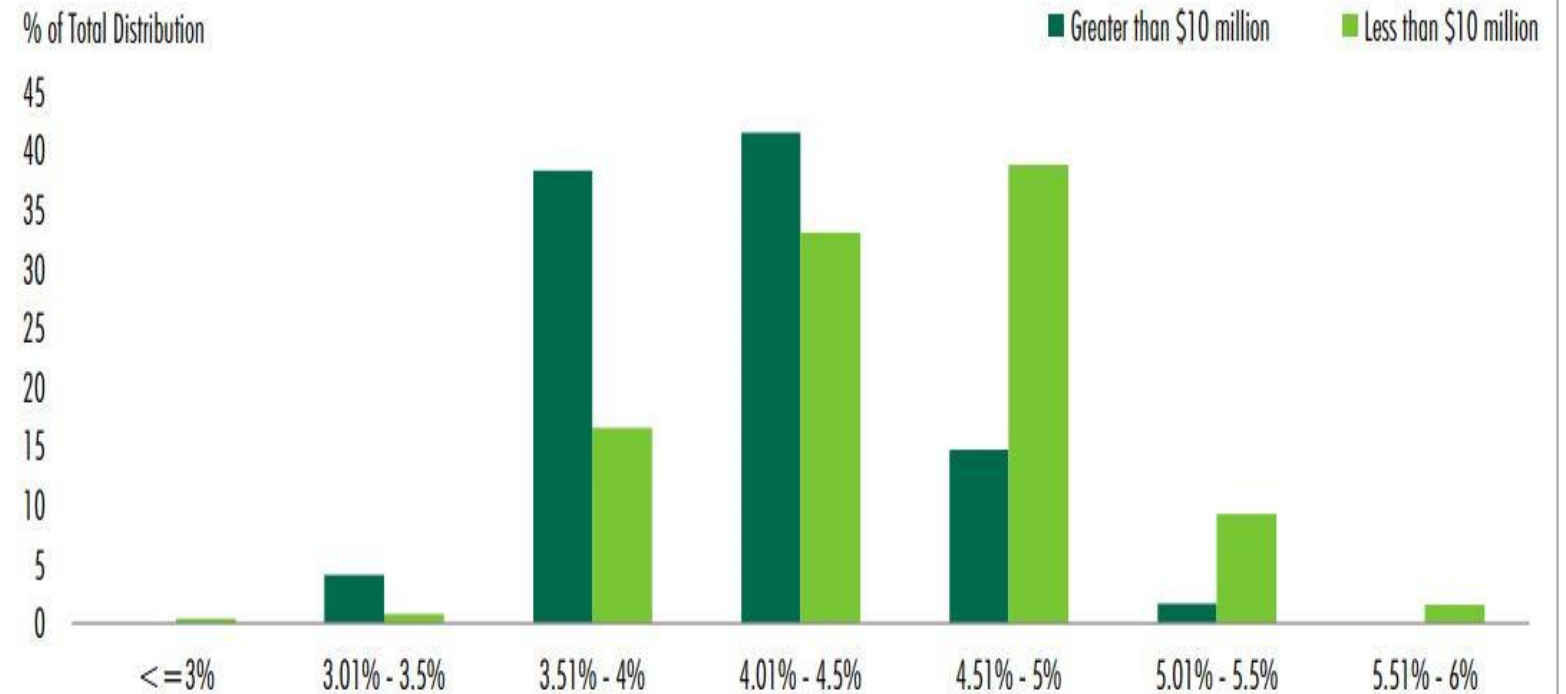
TREPP-i Survey Loan Spreads (50–59% LTV)*

	This Week (7/14)	Previous Week (7/7)	Previous Month (June 2017)	End of 2016	End 2015	End 2014
Industrial	142	143	143	153	163	138.5
Multifamily	142	142	141	153	168	139.8
Office	150	150	153	160	168	148
Retail	146	148	146	157	168	139.8
Average Spread	145	145.75	145.75	155.75	166.75	141.5
10-year Treasury Yield	2.33	2.39	2.30	2.445	2.27	2.17

Source: ULI

The Capital Markets Lending

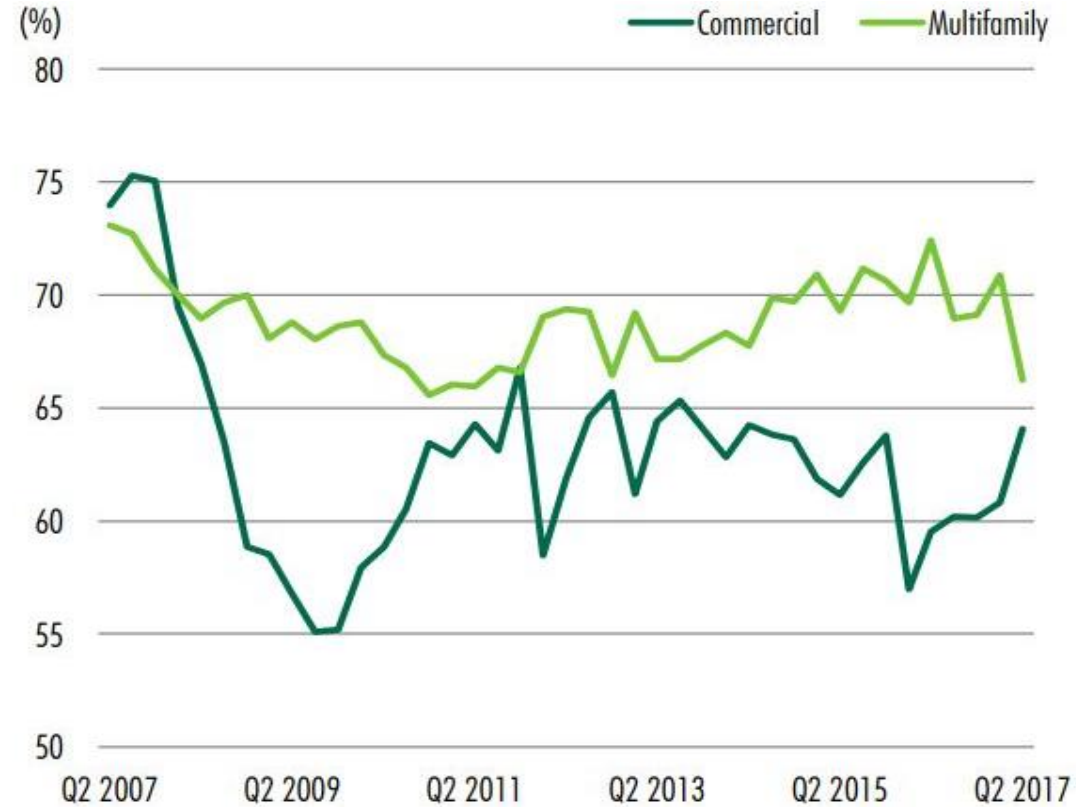
DISTRIBUTION OF MORTGAGE INTEREST RATES



Source: CBRE Research, Q2 2017.

The Capital Markets Lending

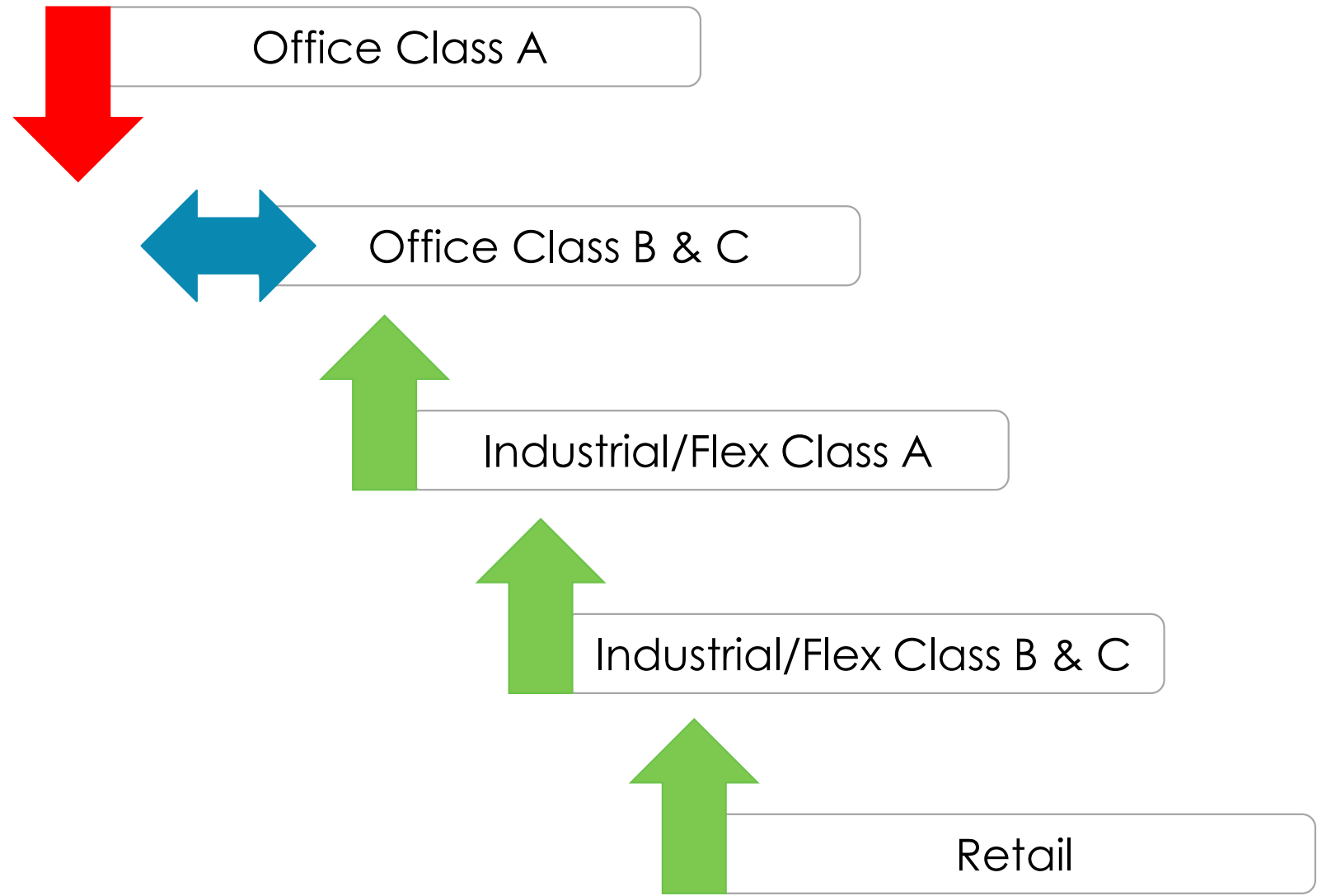
AVERAGE LOAN-TO-VALUE RATIO



Source: CBRE Research, Q2 2017.

North Houston District

Market Snapshot



2017 Development Highlights

OFFICE



vinmar

37,617 SF

BAKER
CONCRETE CONSTRUCTION

101,111 SF



13,900 SF

vantiv

41,000 SF



18,073 SF

INDUSTRIAL

amazon

855,000 SF

OTHER

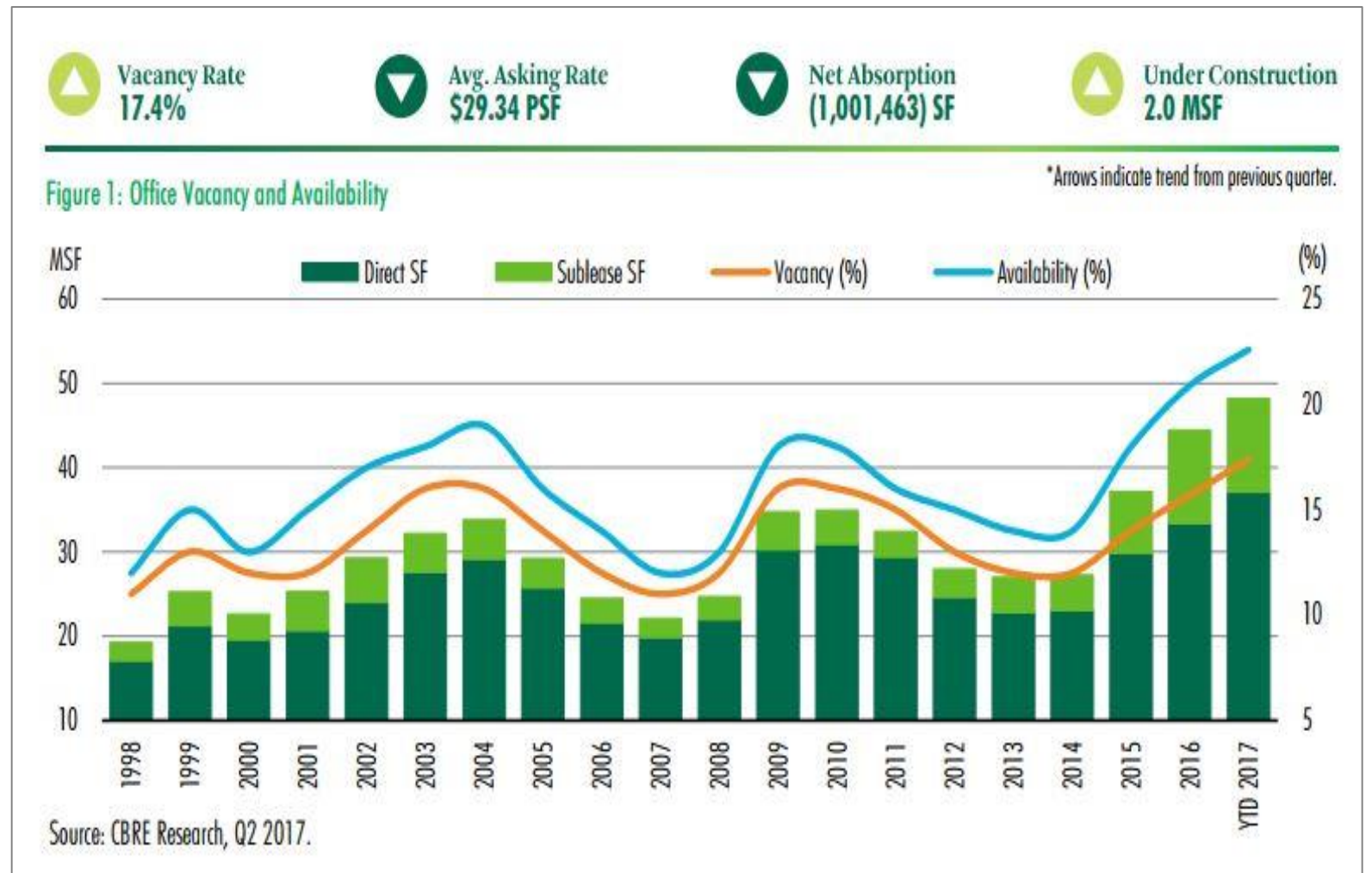


PORSCHE

NORTH HOUSTON

64,000 SF

Houston Office Market Overview



Houston Office Market Overview

Highlights from CBRE 2Q Press Briefing on July 18


Leasing Activity
3.2 M sf
In 2Q,
nearly double 1Q

“Flight to
Quality”
Vacancy =
 **A**  **B**

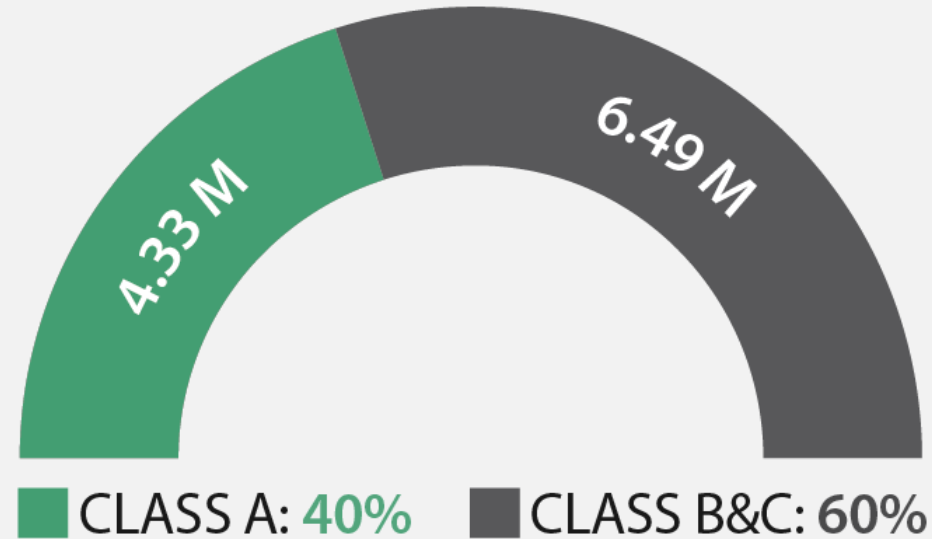

3 M sf
sublease space
To burn off in next
2.5 years
*(availability won't go
up; vacancy will)*

North Houston District Submarket

Office

OFFICE INVENTORY

10.82
MILLION SF



North
Houston
District
Submarket

Class A Office

CLASS A
OCCUPANCY | **42.5%**

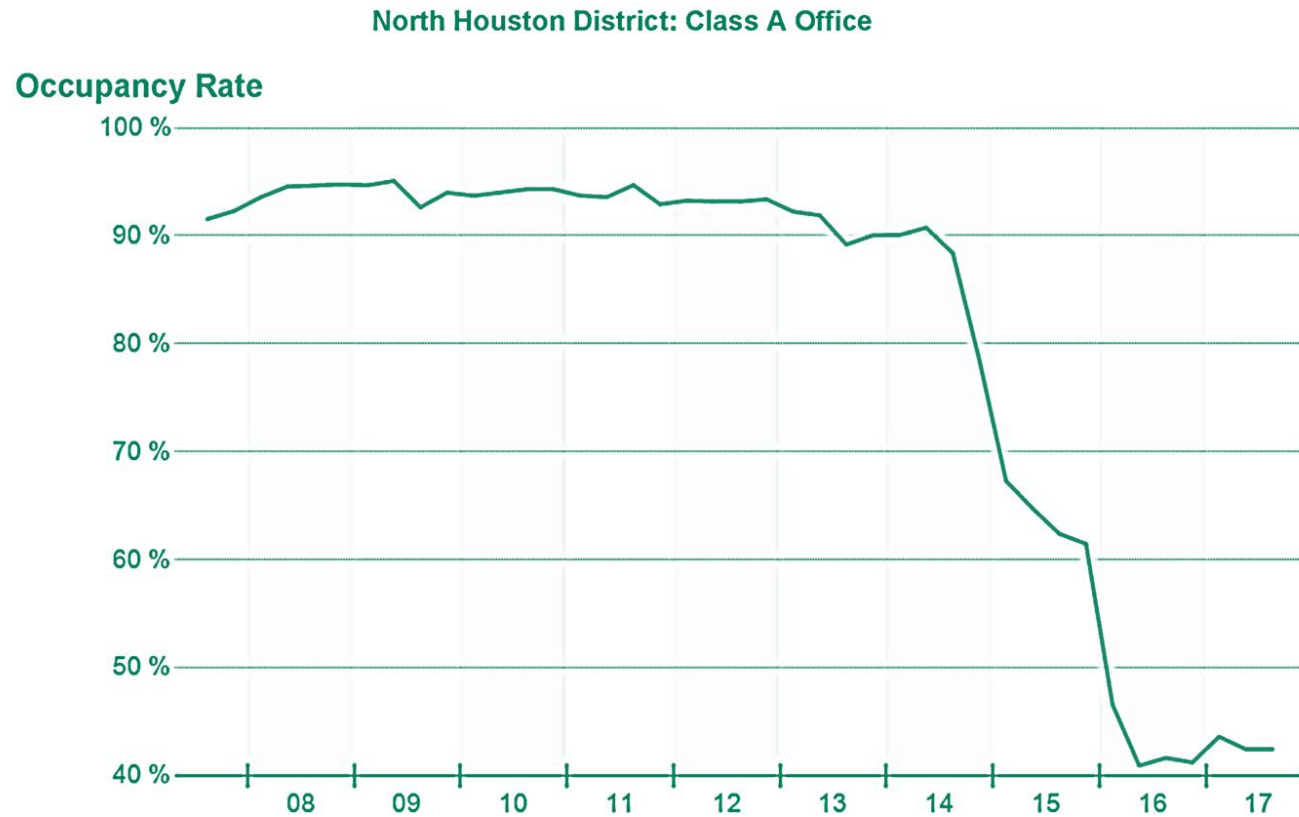
TOTAL 4.33 M SF

AVAILABLE 2.89 M SF

VACANT 2.49 M SF

SUBLET 563 k SF

North Houston District Submarket Class A Office

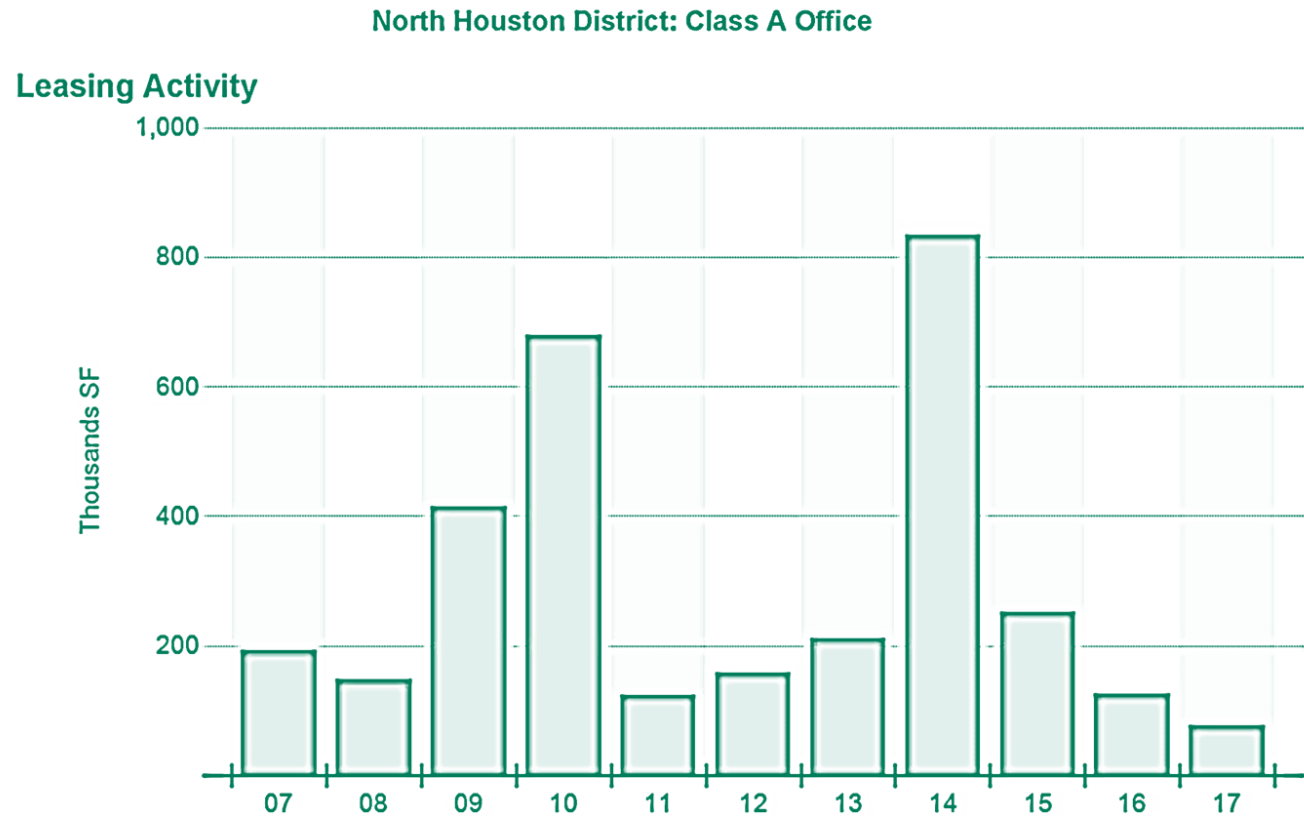


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7/3/2017

Source: CoStar

North Houston District Submarket Class A Office



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7/3/2017

Source: CoStar

North
Houston
District
Submarket

Class A Office

Class A Office Pricing

\$23.50
per square
foot

Five-year
average:
\$27.08
per square
foot

Source: CoStar

North
Houston
District
Submarket

Class A Office

So What Does it Mean?

- Large Blocks
- Nice Buildings
 - Value Pricing
 - Headquarters Opportunities



North Houston District

Headquarters Opportunities

*Headquartered
In Houston*



*Headquartered In
North Houston District*



North
Houston
District

Headquarters
Opportunities

Tax & Regulatory Environment

No State, Personal or
Corporate Income Tax



Business-friendly
Regulatory Environment



North
Houston
District

Headquarters
Opportunities

Workforce Training/Higher Education

One of Texas's largest
community colleges with
workforce training in
numerous fields



Two Tier 1 Universities in
the Houston Region

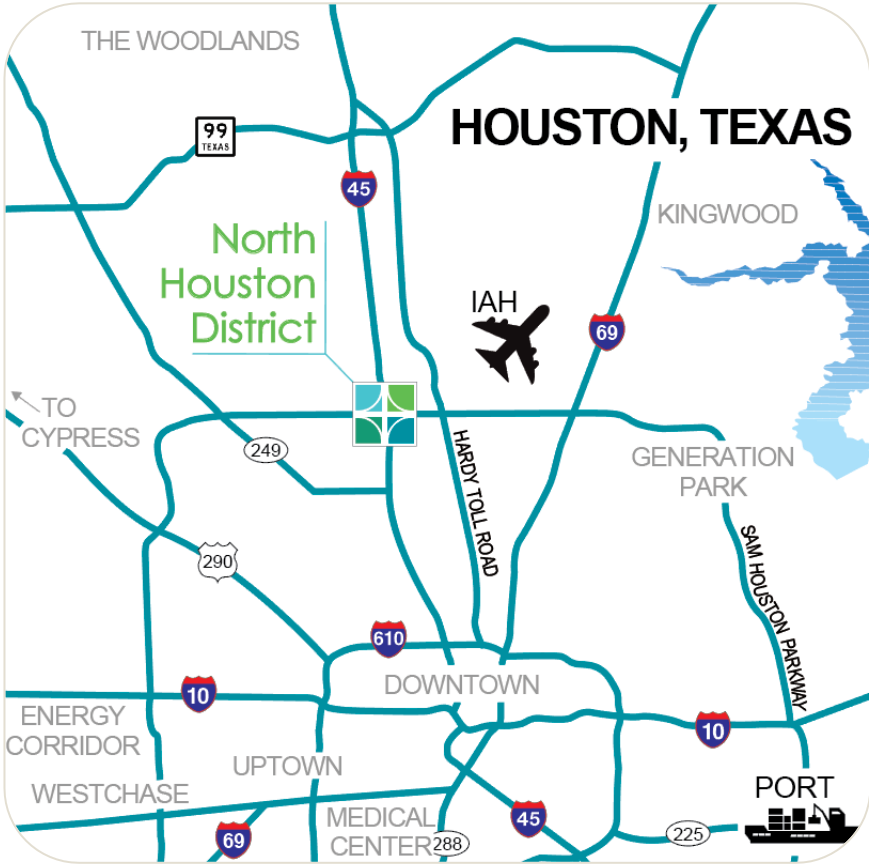


North Houston District

Headquarters Opportunities

<u>Destination</u>	<u>Miles</u>	<u>Min</u>
Downtown	13	19
Bush Intercontinental Airport (IAH)	6	10
Port of Houston	22	30
Texas Medical Center	20	29
The Galleria	19	25
The Woodlands	17	20
Energy Corridor	22	25
Generation Park	14	18

Source: Yahoo! Maps, Driving Directions



North
Houston
District

Headquarters
Opportunities

Why North Houston District?



North Houston District

Headquarters Opportunities

Buildings with Sizeable Space Available (sample listing)

**Greenspoint
Place**

(multiple buildings)

8 Greenspoint

**Northborough
Tower**

**13401 North
Freeway**

**Towerpark
North**

(10700 North Fwy)

**16676
Northchase**



North
Houston
District
Submarket

Class B&C
Office

**CLASS B & C
OCCUPANCY** | **65.6%**

TOTAL 6.49 M SF

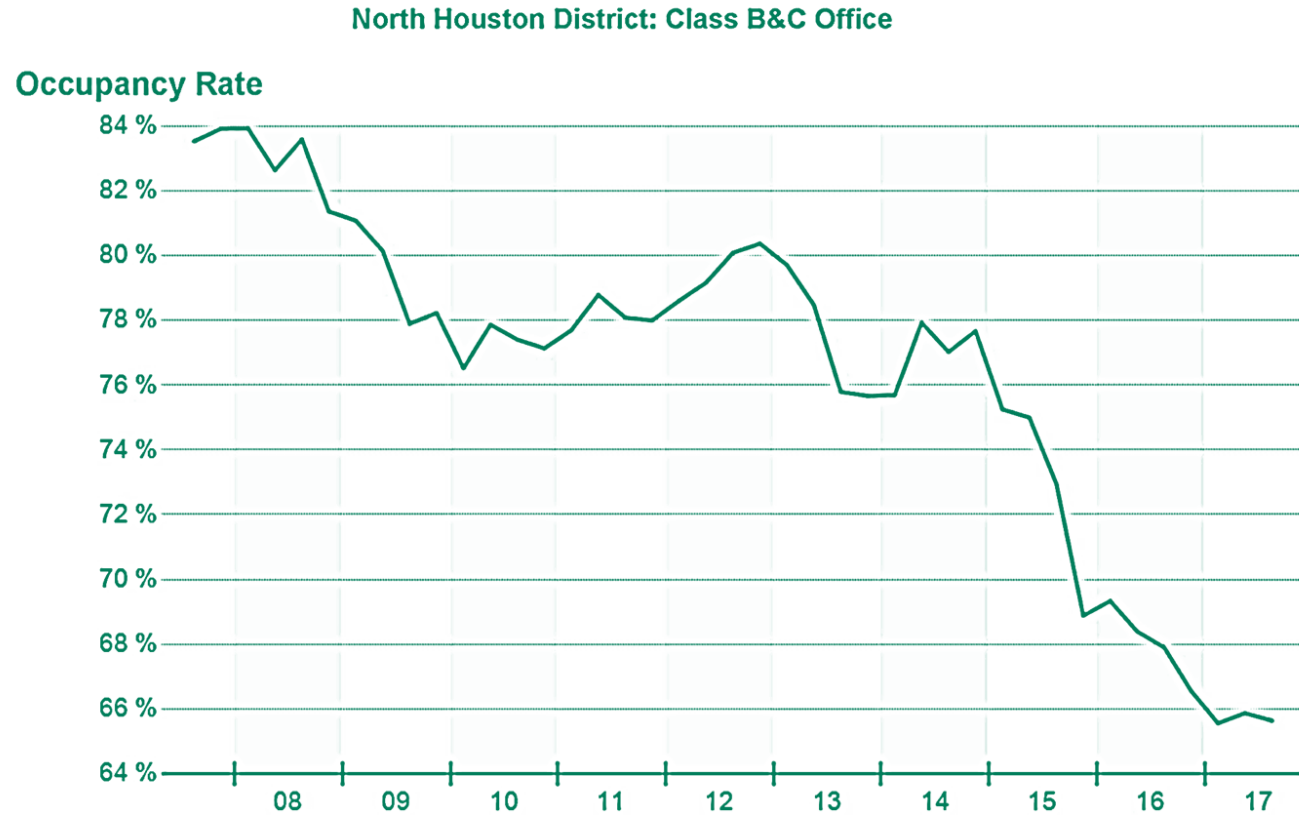
AVAILABLE 2.58 M SF

VACANT 2.23 M SF

SUBLET 308 k SF

North Houston District Submarket

Class B&C Office



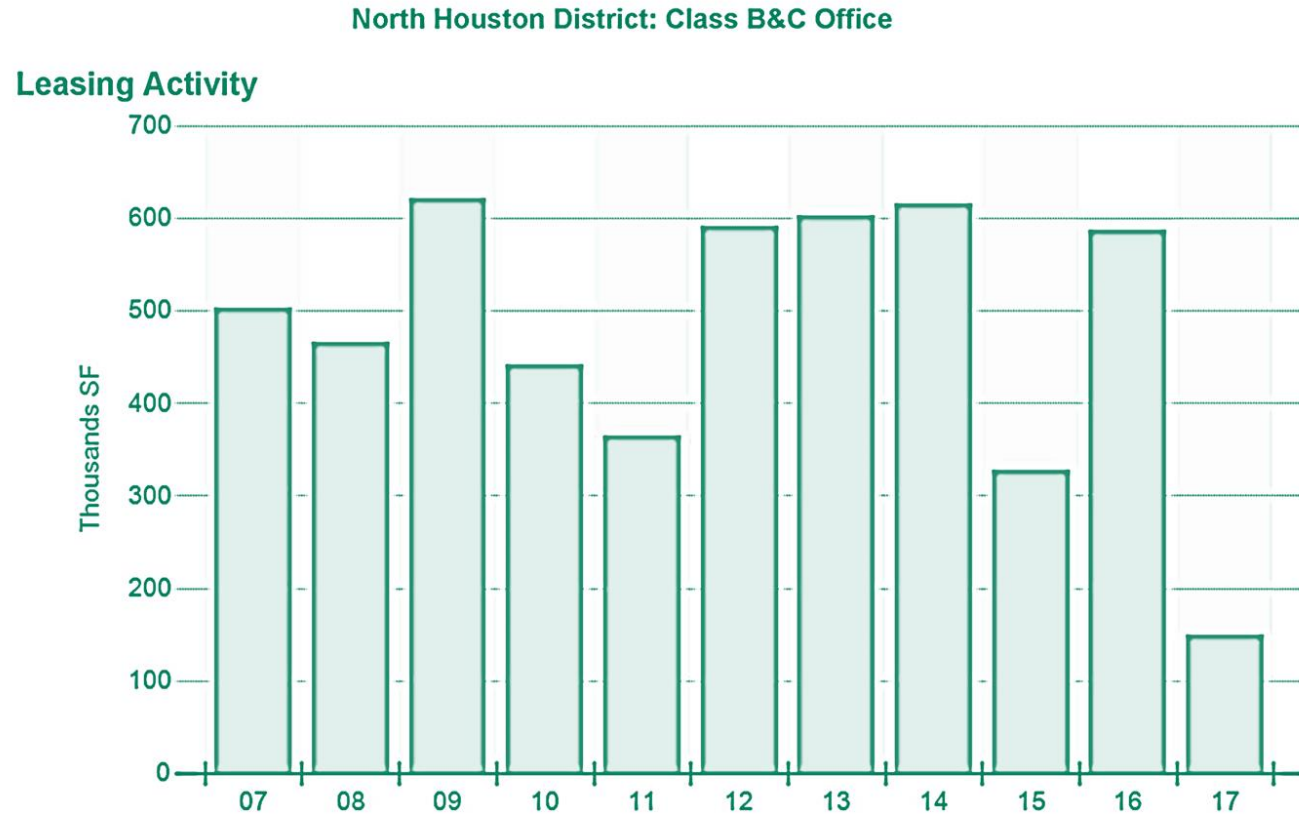
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Source: CoStar

North Houston District Submarket

Class B&C Office



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Source: CoStar

North
Houston
District
Submarket

Class B&C
Office

Class B & C Office Pricing

\$16.09
per square
foot

Five-year
average:
\$15.41
per square
foot

Source: CoStar

Houston Industrial Market

Houston Industrial Market Overview

- Strong in warehouse/distribution
- Soft in manufacturing (crane-served)
- Positive net absorption and disciplined development
- E-commerce driving trends

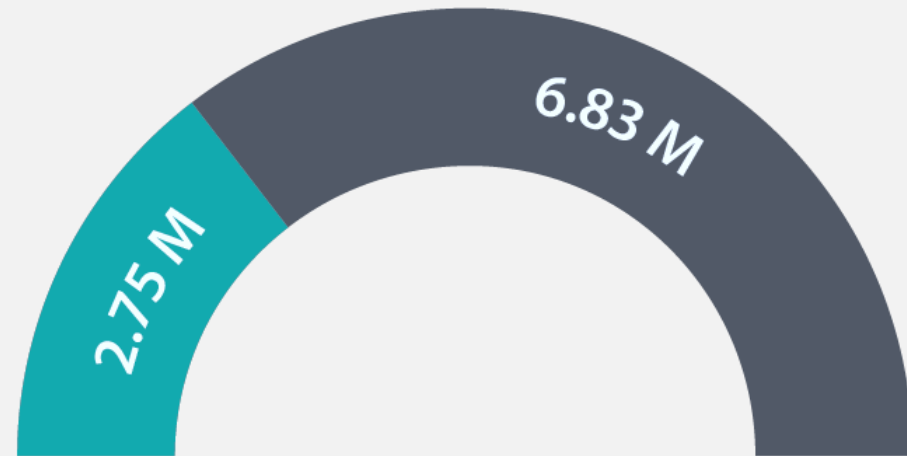


North
Houston
District
Submarket

Industrial/Flex

INDUSTRIAL/FLEX INVENTORY

9.58
MILLION SF



■ CLASS A: 29% ■ CLASS B&C: 71%

North
Houston
District
Submarket

Class A
Industrial/Flex

CLASS A | **59.7%**
OCCUPANCY

TOTAL 2.75 M SF

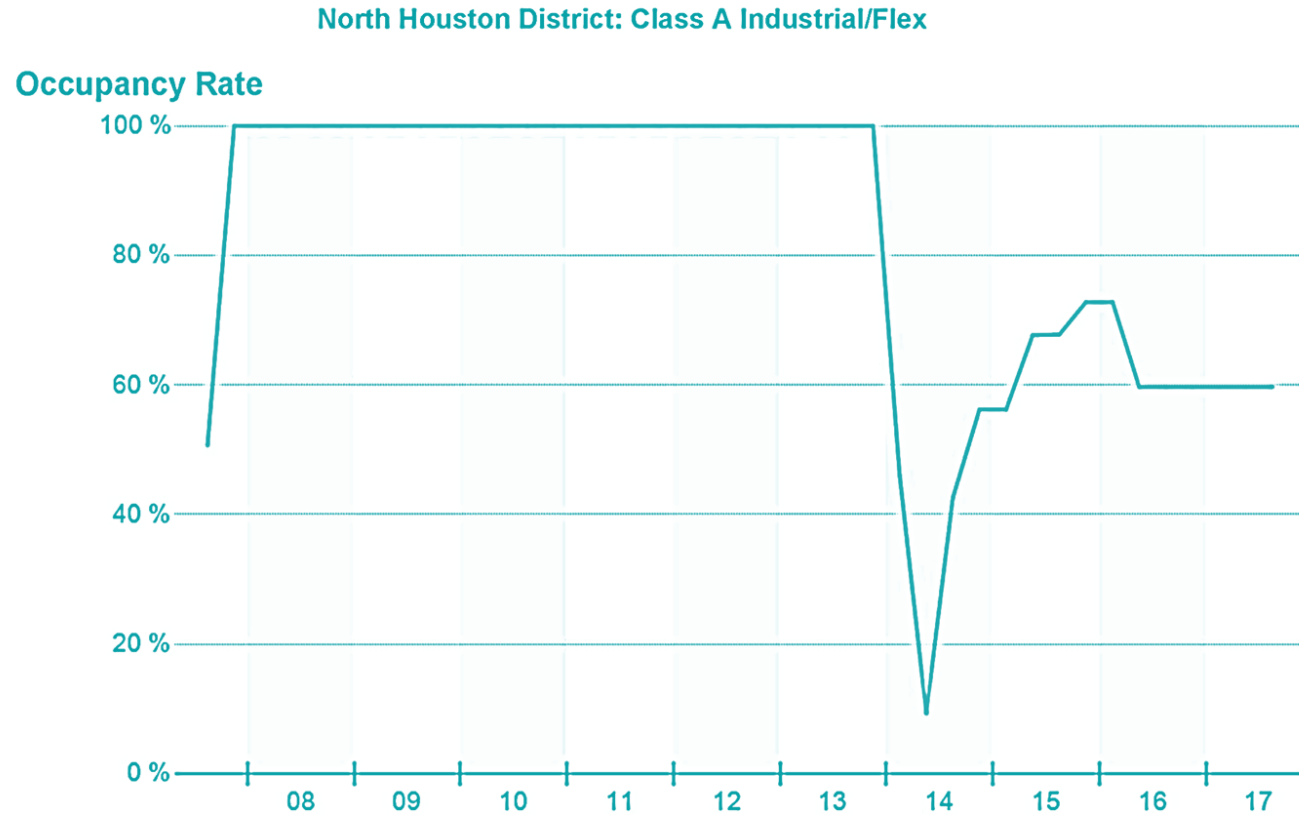
AVAILABLE 1.2 M SF

VACANT 1.1 M SF

SUBLET 93 k SF

North Houston District Submarket

Class A Industrial/Flex



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7/3/2017

Source: CoStar

North
Houston
District
Submarket

Industrial/Flex



Facts/Figures

855,000 sf

2,500 jobs

\$173 million annual
economic impact

Construction

Start
3Q 2016

Finish
3Q 2017

582 jobs,
\$110.6 million

Why North Houston?

Freeway Network

Proximity to Airport

North
Houston
District
Submarket

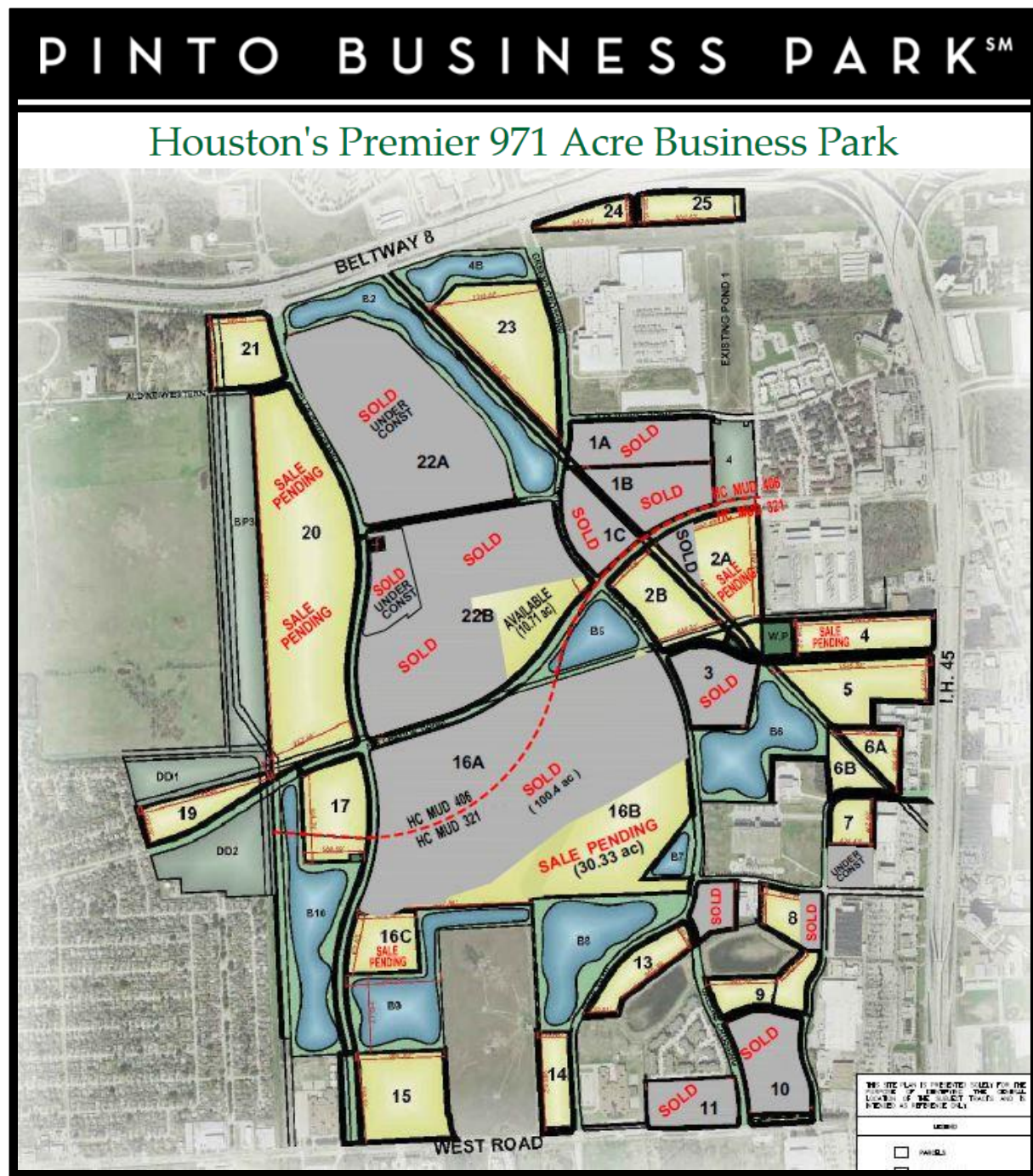
Industrial/Flex

Opened July 16



North
Houston
District
Submarket

Industrial/Flex



North
Houston
District
Submarket

Class B&C
Industrial/Flex

CLASS B & C | **90.1%**
OCCUPANCY

TOTAL 6.8 M SF

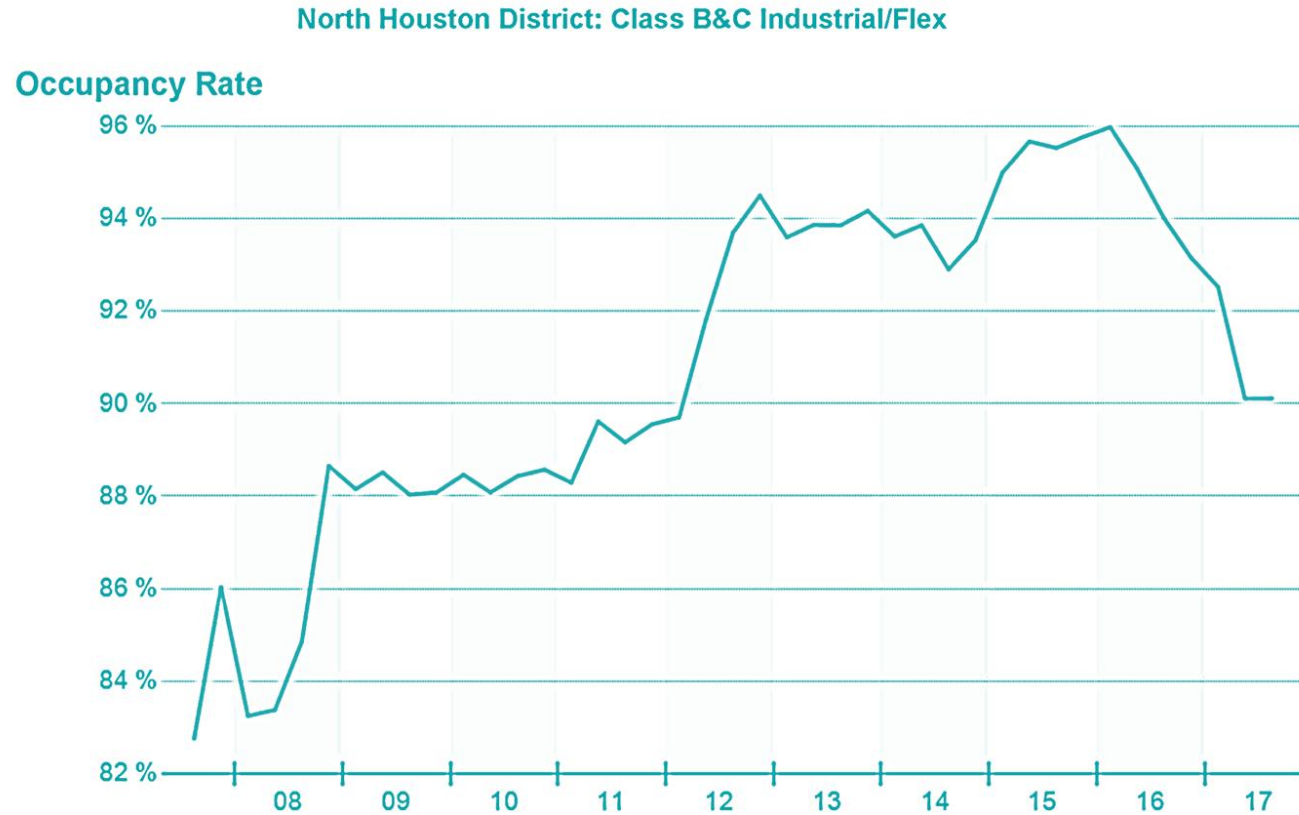
AVAILABLE 970 k SF

VACANT 656 k SF

SUBLET 73 k SF

North Houston District Submarket

Class B&C Industrial/Flex



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Source: CoStar

North Houston District Submarket

Retail

Retail

Big component of North Houston
District's commercial real estate market

Approximately
195 buildings
5.3 million sf

>\$600
million in value

North
Houston
District
Submarket

Retail

**The
New
Retail
Paradigm**

HIGH-END

MIDDLE

LOW-END

North
Houston
District
Submarket

Retail

HIGH-END



**NOT
HERE**



North Houston District Submarket

Retail

MIDDLE



Old Middle...

...New Middle



North
Houston
District
Submarket

Retail



LOW-END

North Houston District Submarket

Retail



North
Houston
District
Submarket

Retail

Hispanic-Focused Retail - Another Strong Retail Segment



North Houston District Submarket

Retail

And there is retail under construction and land for more...



North
Houston
District
Submarket

Retail

RETAIL
OCCUPANCY | **93.0%**

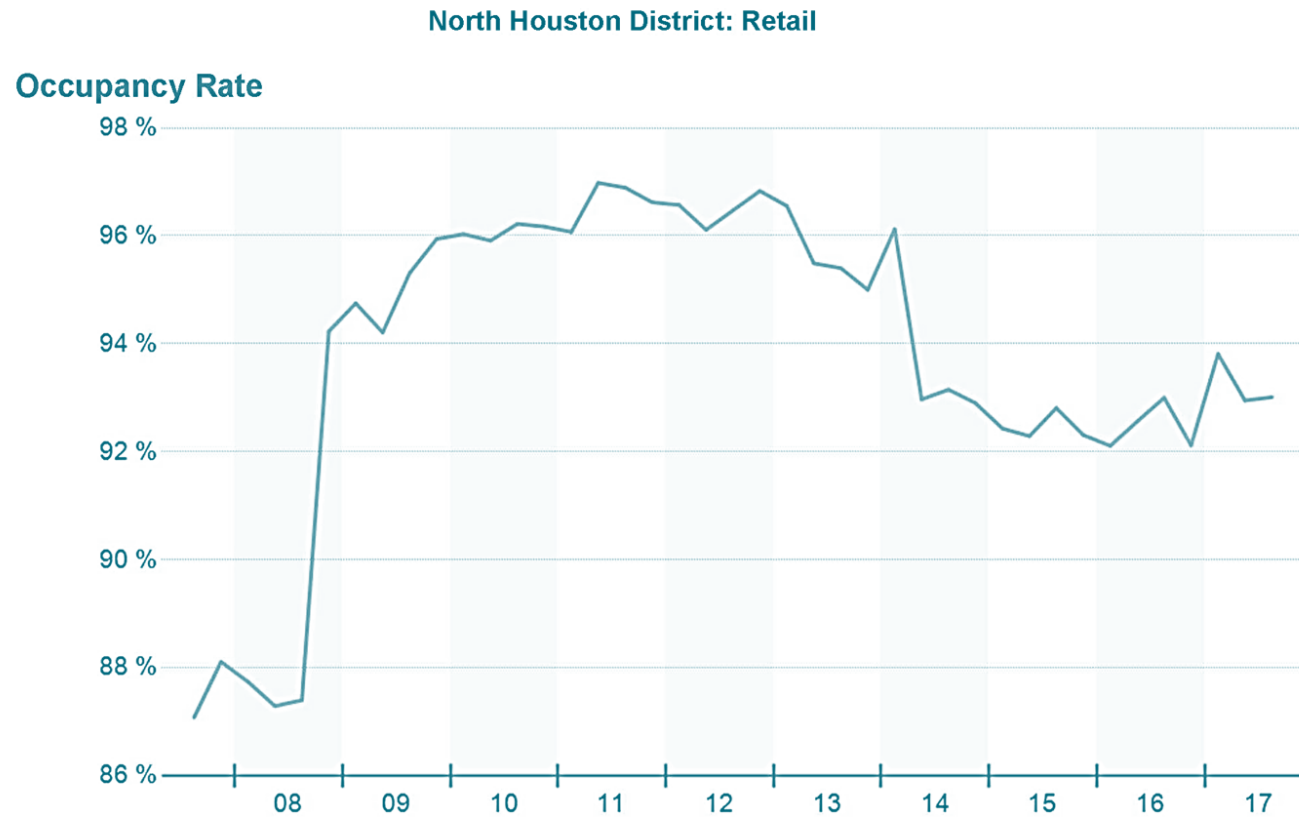
TOTAL 5.30 M SF

AVAILABLE 835 k SF

VACANT 370 k SF

SUBLET 10 k SF

North Houston District Submarket Retail



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Source: CoStar

North Houston District Submarket

Retail

Retail Pricing

\$12.56
per square
foot NNN


Five-year
average:
\$12.40
per square
foot NNN

Source: CoStar

Questions?



Tell Us What
You Think

 North Houston District
Market Update Meeting Survey


1. Was this a convenient time for you?
☐ YES ☐ EARLIER ☐ LATER

2. Did you find the information useful?
☐ YES ☐ SOMEWHAT ☐ NO

3. What topics would you like you hear about in future presentations?

4. Comments

Thank you for your feedback!

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North Houston District

North Houston District Market Update

July 27, 2017