Central Houston, Inc.

DOWNTOWN OFFICE STORY
2020 Market Analysis

Data Collected and Analysis Compiled, January 1 – April 30, 2021
Central Houston Inc.’s Office Story measures the 12-month Downtown competitive leasing cycle

- A unique Downtown Houston survey that includes:
  - All marketed space
  - Large available blocks / full floors
  - Tenants by industry
  - Sublease space on the market and by tenant
  - Multi-floor tenants
  - Large transactions / tenants new to Downtown
  - Operating expenses and property taxes by building
  - Downtown’s largest tenants by industry and total amount of office space
  - Surveyed buildings organized into three distinct Tiers to better understand patterns in Downtown’s top office towers including renovation and new construction

- Proprietary and longitudinal: Central Houston’s Office Story in its 37th year began in 1985 by Stewart O. Robinson, President, SOR Real Estate Advisors, LLC
Inventory Analysis

- Downtown Houston total office inventory
  - Nearly 52 Million SF
  - Class A & B, historic buildings and government properties

- Central Houston Inc. Office Story
  - Survey completed in January –March 2021 for all 2020 leasing activity
  - Approximately 37 Million SF
  - 48 office buildings
  - More than 71% of all Downtown office space
  - More than 2.7 Million SF of Downtown leasing during 2020
    - 7.3% of surveyed space was a new lease, expansion or renewal

- Downtown Houston is region’s largest office market with >22.8 million SF in lease activity since 2015, approximately the same size as Uptown’s total inventory (23.05 million SF), Houston’s 2nd largest market
Office Market by Space & Industry

- **Class A Competitive Space**: 31,522,116 square feet (6.1%)
- **Class A Owner Occupied Space**: 6,645,974 square feet (9.9%)
- **Class B & Historic Class Competitive Space**: 5,129,067 square feet (12.8%)
- **Other**: 1,507,117 square feet (20.6%)
- **FIRE**: 47,800,000 square feet (71.2%)

**Industry Breakdown**:
- **Other**: 36,923,573 square feet (71.2%)
- **FIRE**: 14,022,427 square feet (20.6%)
- **Legal**: 3,152,211 square feet (4.7%)
- **Energy**: 1,507,117 square feet (2.2%)
- **Government**: 47,800,000 square feet (71.2%)

**Additional Information**:
- Class A Owner Occupied Space: Partnership Tower, Hilcorp Energy Tower, 1400 Smith/1500 Louisiana
- Class B & Historic Class Competitive Space: 917 Franklin, 1018 Preston, etc.
- Government: Harris County Administration Building (1001 Preston), HPD HQs (1200 Travis), METRO HQs (1900 Main), etc.
## Summary of Survey Data

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total SF Surveyed</td>
<td>35,537,315</td>
<td>36,679,935</td>
<td>36,922,971</td>
<td>36,923,573</td>
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<tr>
<td>Direct Marketed SF</td>
<td>7,758,499</td>
<td>9,300,933</td>
<td>8,906,043</td>
<td>9,669,480</td>
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<td>% Direct Marketed</td>
<td>22.0%</td>
<td>25.4%</td>
<td>24.1%</td>
<td>26.2%</td>
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<tr>
<td>Net YOY SF Direct Marked</td>
<td>591,933</td>
<td>1,542,434</td>
<td>(394,890)</td>
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<td>Sublease Marketed SF</td>
<td>1,819,523</td>
<td>1,435,971</td>
<td>1,498,046</td>
<td>1,171,832</td>
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<tr>
<td>% Sublease Marketed SF</td>
<td>5.1%</td>
<td>3.9%</td>
<td>4.1%</td>
<td>3.2%</td>
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<tr>
<td>Net YOY SF Sublease Marked</td>
<td>(829,525)</td>
<td>(383,552)</td>
<td>62,075</td>
<td>(326,214)</td>
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<tr>
<td>Total Marketed</td>
<td>9,578,022</td>
<td>10,736,904</td>
<td>10,404,089</td>
<td>10,841,582</td>
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<tr>
<td>% Total Marketed</td>
<td>27.1%</td>
<td>29.3%</td>
<td>28.2%</td>
<td>29.4%</td>
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</table>
## Surveyed Buildings

<table>
<thead>
<tr>
<th>By Tier</th>
<th>2020 Building Count</th>
<th>2020 Total Rentable Square Feet</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tier 1</td>
<td>12</td>
<td>12,361,813</td>
</tr>
<tr>
<td>Tier 2</td>
<td>14</td>
<td>14,312,902</td>
</tr>
<tr>
<td>Tier 3</td>
<td>22</td>
<td>10,248,858</td>
</tr>
<tr>
<td>Total</td>
<td>48</td>
<td>36,923,573</td>
</tr>
</tbody>
</table>
Building Analysis & Summary

- 36,923,573 SF of surveyed office space
  - 24.7 million SF, was built between 1971 & 1986
  - More than 5.2 million SF completed since 2011
  - 3.4 million completed in last 5 years
    - including the 1.1 million SF Texas Tower to be completed this year
- Robust building renovation activity in 2020
  - 8.2 million SF completed in 10 buildings
  - 4.7 million SF underway:
    - TC Energy Tower (Phase II)
    - Heritage Plaza
    - Three Allen Center
    - 1001 Fannin
Building Analysis & Summary

- Downtown’s Double AA office buildings, comprising newest construction with state-of-the-art space amenities are collectively marketing 3.8% of all surveyed space
  - 811 Main (960K SF)
  - 609 Main at Texas (1.05M SF)
  - Bank of America Tower (743K SF)
  - + Texas Tower (1.1M SF) under construction

- Skanska USA Commercial Development is planning 1550 on the Green (1550 Lamar)
  - 375,000 SF Double Class AA, 28-story office tower and mixed-use district adjacent to Discovery Green
  - Begins construction 2021
Marketed Space

- Direct space on-market loosened during 2020 by 763K SF
  - Activity since 2011 shows even number of years tightening and loosening
  - During a robust construction cycle at the same time
- Tier I made gains in 2020 by more than 150K SF
  - Led by JP Morgan Chase moving into 255K SF at the renamed JP Morgan Chase Tower (600 Travis)
- Tiers II and III saw on-market space increase by a combined 910K SF during 2020
  - Tier II comprises more than 70% of additions
Marketed Space

- Nearly 35% of the direct marketed Downtown space is within 5 Tier I buildings
  - Led by Texas Tower currently under construction (~668K SF on market)
- 359 full floors available in 2020 up from 344 in 2019
  - Down from 375 in 2018 (average since 2011=260)
  - Sublease peaked in 2016 @ 102 floors
- 35 blocks >200K totaled 4.7 million SF in 2020
  - 57% of the total 8.2 million SF of on-market space
Historical Marketed Space

By % Direct Available & Available SF

Report Created by Central Houston, Inc.
**Historical Marketed Space**

### Direct & Sublease Space 5-YR Comparison

<table>
<thead>
<tr>
<th>Year</th>
<th>Direct</th>
<th>Sublease</th>
</tr>
</thead>
<tbody>
<tr>
<td>5-Year Average (2016-2020)</td>
<td>22.9%</td>
<td>5.0%</td>
</tr>
<tr>
<td>10-Year Average (2011-2020)</td>
<td>18.0%</td>
<td>3.8%</td>
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</tbody>
</table>

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Marketed Space

Annual Net Change in SF (Thousands)

- Covid-19 Pandemic
- Energy Commodity Price Crunch
- Great Recession
- 'Tech Wreck' + Enron Bankruptcy

Loosening Market

Tightening Market
Marketed Space

Largest Marketed Totals By Tier, 01/01/2021

- 717 Texas: 2.14 Million SF
- 1000 Main: 2.40 Million SF
- TC Energy Tower: 1.58 Million SF
- Wells Fargo Plaza
- Texas Tower (U/C)
- Pennzoil Place - NT
- Fulbright Tower
- Two Allen Center
- 1600 Smith
- 1001 Fannin
- 1801 Smith
- 1415 Louisiana
- 1301 Fannin
- 4 Houston Center
- One City Centre

SF, Thousands

Report Created by Central Houston, Inc.
Available Floors

1,675 Total # of Floors in All Surveyed Buildings
# Direct Available Blocks

<table>
<thead>
<tr>
<th>Building</th>
<th>Contiguous Floors</th>
<th>Former Tenant</th>
<th>Availability</th>
<th>Square Feet</th>
</tr>
</thead>
<tbody>
<tr>
<td>1001 Fannin</td>
<td>4-7, 10-11; 25-36; 41-45</td>
<td>Vinson &amp; Elkins</td>
<td>3/1/2022</td>
<td>723,232</td>
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<tr>
<td>Texas Tower</td>
<td>12-29, 36-37, 39-40</td>
<td>New Construction</td>
<td>10/1/2021</td>
<td>640,869</td>
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<tr>
<td>Wells Fargo Plaza</td>
<td>2-3; 30-35; 43-46; 65-67</td>
<td>Cathexis</td>
<td>Vacant</td>
<td>441,260</td>
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<tr>
<td>1600 Smith</td>
<td>5-18; 40-48</td>
<td>Chevron</td>
<td>Vacant</td>
<td>434,354</td>
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<tr>
<td>Two Allen Center</td>
<td>2-5; 25-30</td>
<td>Devon Energy</td>
<td>Vacant - 30 Days</td>
<td>379,575</td>
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<tr>
<td>Fulbright Tower</td>
<td>2-5; 25-27; 38-39; 41-42</td>
<td>Norton Rose Fulbright</td>
<td>Vacant</td>
<td>344,070</td>
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<tr>
<td>Pennzoil Place - North Tower</td>
<td>7-12; 28-36</td>
<td>Fleur De Lis; Flame Acquisitions</td>
<td>Vacant</td>
<td>303,919</td>
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<tr>
<td>Pennzoil Place - South Tower</td>
<td>3-12</td>
<td>Quinn Emanuel Trial Lawyers</td>
<td>Vacant</td>
<td>263,923</td>
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<tr>
<td>1801 Smith</td>
<td>3-5; 11-18</td>
<td>Vacant</td>
<td>Vacant</td>
<td>241,306</td>
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<tr>
<td>1000 Main</td>
<td>19-22; 29-31</td>
<td>Vacant</td>
<td>Vacant</td>
<td>234,128</td>
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<tr>
<td>1100 Louisiana</td>
<td>28-34; 36-38</td>
<td>Enbridge</td>
<td>Vacant</td>
<td>229,528</td>
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<tr>
<td>1415 Louisiana</td>
<td>18-19; 25-28; 30-33</td>
<td>Jackson Lewis, WEDGE Services, LLC</td>
<td>Vacant</td>
<td>212,419</td>
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<tr>
<td>1301 Fannin</td>
<td>8-9; 14-15</td>
<td>ExxonMobil</td>
<td>Vacant</td>
<td>201,978</td>
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*All Blocks With Term Available, 01/01/2021*

| Total Largest Direct Available Blocks | 4,650,561 |
## Full Floor Sublease Blocks

<table>
<thead>
<tr>
<th>Building</th>
<th>Tier</th>
<th>Floor(s)</th>
<th>Former Tenant</th>
<th>Availability</th>
<th>Square Feet</th>
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<tbody>
<tr>
<td>919 Milam</td>
<td>3</td>
<td>6-12</td>
<td>Valerus</td>
<td>June 2023</td>
<td>155,863</td>
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<tr>
<td>One Allen Center</td>
<td>2</td>
<td>15; 18; 22-24</td>
<td>Marsh USA; Range Resources; Callon Petroleum</td>
<td>2027; 2022; 2029</td>
<td>139,103</td>
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<tr>
<td>Heritage Plaza</td>
<td>1</td>
<td>14-17</td>
<td>Maverick Natural Resources</td>
<td>August 2023</td>
<td>108,564</td>
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<tr>
<td>One City Centre</td>
<td>3</td>
<td>16; 18; 26; 28</td>
<td>Energy EXXI</td>
<td>January 2024</td>
<td>85,489</td>
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<tr>
<td>Hess Tower</td>
<td>1</td>
<td>9-10</td>
<td>Hess</td>
<td>June 2026</td>
<td>61,682</td>
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<tr>
<td>609 Main at Texas</td>
<td>1</td>
<td>25-26</td>
<td>WeWork</td>
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<td>56,351</td>
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<tr>
<td>Total Plaza</td>
<td>3</td>
<td>29-30</td>
<td>Tellurian</td>
<td>April 2026</td>
<td>49,896</td>
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<tr>
<td>600 Travis</td>
<td>1</td>
<td>24-25</td>
<td>Locke Lord Liddell</td>
<td>January 2027</td>
<td>43,160</td>
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<tr>
<td>TC Energy Tower</td>
<td>1</td>
<td>21</td>
<td>BMO Capital Markets Group</td>
<td>December 2025</td>
<td>30,275</td>
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<tr>
<td>Fulbright Tower</td>
<td>2</td>
<td>24</td>
<td>MRC Global</td>
<td>October 2022</td>
<td>25,114</td>
</tr>
<tr>
<td>1100 Louisiana</td>
<td>2</td>
<td>55</td>
<td>Vitol</td>
<td>April 2021</td>
<td>19,491</td>
</tr>
<tr>
<td>1415 Louisiana</td>
<td>3</td>
<td>29</td>
<td>Quintana Energy Services</td>
<td>Jan-24</td>
<td>15,860</td>
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<tr>
<td>1600 Smith</td>
<td>2</td>
<td>50</td>
<td>Royston Rayzor</td>
<td>October 2023</td>
<td>11,352</td>
</tr>
<tr>
<td>1001 McKinney</td>
<td>3</td>
<td>22-23</td>
<td>Thorp Petroleum</td>
<td>December 2022</td>
<td>8,811</td>
</tr>
</tbody>
</table>

*All Blocks With Term Available, 01/01/2021*  

| Total Full-Floor Sublease | 811,011 |
Leasing Analysis

• COVID & subsequent energy commodity crunch in 2020 created a leasing cycle that mirrored Houston’s three prior energy declines
  • Downtown in 2020 still outperformed those of 2009 and 2015
  • Despite the unprecedented and unexpected effects of COVID-19

• New construction + state-of-the art amenities drawing larger occupiers from existing buildings

• Tier I lease activity dominated by large renewals averaging nearly 35,000 SF with the major being a renewal and expansion at TC Energy Tower
  • New leases averaged >50K SF
  • Renewals totaled 718K SF or 63% of all Tier I lease activity
Leasing Analysis

- Tier II activity also characterized by renewals
  - New leases + expansions >180K SF
  - Nearly 800K SF of Tier II Renewals
- More than half of all signed leases for all categories in Tier III buildings
  - Mainly renewals = 460K SF
  - New Tier III leases averaged 6,372 SF
  - ~12th the size of avg. Tier I
Leasing Analysis

3.92 M SF 5-Year Average
3.94 M SF 10-Year Average

Significant Energy Price Slumps

2020 Energy Price Plunge + COVID 19 Pandemic

SF, Millions

Leases by Size/Type

- <5,000: 42 New, 8 Expansion, 15 Renewal
- 5-20,000: 32 New, 3 Expansion, 3 Renewal
- 20-50,000: 15 New, 5 Expansion, 3 Renewal
- >50,000: 4 New

148 in ’20 / 240 in ’19 / 249 Total Leases in ’18
# Leases by Size/Tier

## Tier I

<table>
<thead>
<tr>
<th>SF</th>
<th>&lt;5K</th>
<th>5-20K</th>
<th>20-50K</th>
<th>50K+</th>
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</thead>
<tbody>
<tr>
<td>New</td>
<td>0</td>
<td>4</td>
<td>2</td>
<td>0</td>
</tr>
<tr>
<td>Expansion</td>
<td>1</td>
<td>2</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>Renewal</td>
<td>4</td>
<td>5</td>
<td>10</td>
<td>2</td>
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</table>

<table>
<thead>
<tr>
<th>SF</th>
<th>&lt;5K</th>
<th>5-20K</th>
<th>20-50K</th>
<th>50K+</th>
</tr>
</thead>
<tbody>
<tr>
<td>New</td>
<td>2</td>
<td>4</td>
<td>3</td>
<td>0</td>
</tr>
<tr>
<td>Expansion</td>
<td>9</td>
<td>0</td>
<td>1</td>
<td>0</td>
</tr>
<tr>
<td>Renewal</td>
<td>11</td>
<td>13</td>
<td>5</td>
<td>1</td>
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## Tier II

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<tr>
<th>SF</th>
<th>&lt;5K</th>
<th>5-20K</th>
<th>20-50K</th>
<th>50K+</th>
</tr>
</thead>
<tbody>
<tr>
<td>New</td>
<td>13</td>
<td>7</td>
<td>0</td>
<td>1</td>
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<tr>
<td>Expansion</td>
<td>5</td>
<td>1</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Renewal</td>
<td>27</td>
<td>14</td>
<td>4</td>
<td>1</td>
</tr>
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</table>

## Tier III

The graphs show the distribution of new, expansion, and renewal leases across different size tiers for each tier.
Large Transactions

- 3.92 M SF 5-Year Average
- 3.94 M SF 10-Year Average

Transaction #

- 20-50K SF
- 50K+ SF

Report Created by Central Houston, Inc.
Occupier Analysis

• Energy still dominates at 48% of the tenant base
  • Legal and Other (tech, engineering, health and transportation) expanded for the sixth consecutive year
  • Now comprise more than 52% of the industry mix
• Long-term trend shows Legal primarily occupying Tier II buildings
  • Encompasses nearly a third of Tier I
  • Single-floor occupiers on the rise in 2020 mainly in Tier III buildings with smaller full-floor footprints, led mainly by 1001 McKinney and 919 Milam
Occupier Analysis

• New Downtown tenants signed for nearly 135,000 SF during 2020
  – Led by City of Houston Fire Department @ 500 Jefferson and Legal
  – Tier III outpaced 2018 activity in terms of SF & volume

• Operating and property expenses went down

• Lower daily occupancy cut electricity consumption
Class A Occupier Industry

Class A Surveyed

- Other: 20.6%
- FIRE*: 17.6%
- Legal: 14.0%
- Energy: 47.8%

Class A Surveyed & Class A Owner Occupied

- Other: 18.5%
- FIRE*: 16.5%
- Legal: 12.9%
- Energy: 52.1%

*FIRE: Finance/Insurance/Real Estate
Industry Trends

*Energy peaked in 2014 @55.1%
### Multi-Floor Occupiers

#### Occupier By % of SF

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<tr>
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<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>25%</td>
<td>18</td>
<td>18</td>
<td>17</td>
<td>13</td>
</tr>
<tr>
<td>33%</td>
<td>32</td>
<td>33</td>
<td>31</td>
<td>36</td>
</tr>
<tr>
<td>50%</td>
<td>113</td>
<td>112</td>
<td>117</td>
<td>119</td>
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</table>

#### Occupiers By # of Floors

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<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>4+</td>
<td>49</td>
<td>49</td>
<td>54</td>
<td>54</td>
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<tr>
<td>2+</td>
<td>118</td>
<td>124</td>
<td>120</td>
<td>125</td>
</tr>
<tr>
<td>1+</td>
<td>249</td>
<td>259</td>
<td>260</td>
<td>285</td>
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#### Occupiers By Total SF

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<thead>
<tr>
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<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>500K+</td>
<td>7</td>
<td>7</td>
<td>6</td>
<td>5</td>
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<tr>
<td>200K+</td>
<td>25</td>
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<tr>
<td>100K+</td>
<td>48</td>
<td>49</td>
<td>49</td>
<td>47</td>
</tr>
<tr>
<td>20K+</td>
<td>242</td>
<td>245</td>
<td>227</td>
<td>249</td>
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</tbody>
</table>

Increasing smaller occupiers reflect industry diversification.

2020 floor expansions on tighter floor sizes.

Devon Energy acquisition brought large occupiers to 5 during 2020 in Allen Center.
Largest DT Occupiers:
- Chevron
- Hess
- CenterPoint Energy
- NRG
- EOG Resources
- Vinson & Elkins
- ANR Pipeline
- JPM
- United Airlines
- Waste Management
- Shell Oil
- LyondellBasell
- Norton Rose Fulbright

Percent by Space Occupied:
- 13
- 36
- 119
- 1,812
Multi-Floor Occupiers

- **54** Occupiers (Four or More)
- **125** Occupiers (Two or More)
- **285** Occupiers (One or More)

### # of Occupiers by # of Floors
- **54** Occupiers
- **125** Occupiers
- **285** Occupiers

### # of Occupiers by SF Occupied
- **5** >500
- **27** >200
- **47** >100
- **249** >20

*In Thousands of Square Feet*
Activity by Tier

Tier I
- 42.1%
- 1,149,236 SF
- 33 Leases

Tier II
- 35.2%
- 961,354 SF
- 42 Leases

Tier III
- 22.7%
- 618,588 SF
- 73 Leases
Activity by Size

- >50K SF: 47.6%
  - 1,299,333 SF
  - 6 Leases
- 5-20K SF: 17.7%
  - 482,728 SF
  - 50 Leases
- 20-50K SF: 28.8%
  - 784,707 SF
  - 27 Leases
- <5K SF: 6.0%
  - 162,410 SF
  - 65 Leases
2020 New Downtown Occupiers

16 New Occupiers in ’20 / 27 in ’19
134,899 SF in ’20 / 295,470 SF in ’19

Square Feet

Tier I

<table>
<thead>
<tr>
<th>Category</th>
<th>Square Feet</th>
<th>Number</th>
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<tr>
<td>FIRE</td>
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<tr>
<td>Energy</td>
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Tier II

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Tier III

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<td>Other</td>
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Report Created by Central Houston, Inc.
2021 Outlook

- Leasing activity is ticking up in the early months of 2021
  - Suggesting a year of some volume improvement, but lengthy transaction times and tenant interest in downsizing could keep the amount of space on the market higher this year
- Building wellness, sanitation and cleaning protocols will focus on air quality and circulation
  - Opposed to deep surface cleaning
  - WELL and Fitwel issuing healthy building certifications and seals
2021 Outlook

• Workforce returns will gain momentum and are expected to increase in September
  • Schools open to a normal 2021-2022 academic year and vaccination rates peak

• Rising construction costs for materials and labor and supply-chain delays
  • Pose greater challenges than in prior years

• Landlords increasingly look to flex space operators
  • Concessions, services and upgraded amenities target tenant attraction and retention
2021 Appendix
Survey Background

37th year of survey providing unique insight on the current competitive office leasing environment based on analysis of primary data

Results assist building owners, lease agents and investors in making informed business decisions

Surveyed buildings have proven ability to compete for tenants in Downtown’s premier office buildings in the survey’s 3 tiers (I, II & III) and does not replace traditional market surveys such as broker, owner or third-party reports
Survey Definitions

- **Office Inventory**: Total office space in all Downtown buildings regardless of building class or survey tier.
- **Survey Universe**: Downtown’s premier office buildings classified as Tier I, II & III in this Report.
- **Owner-Occupied**: Buildings fully owned and/or occupied by the owner; includes Chevron’s 1500 Louisiana and 1400 Smith; Hilcorp’s 1111 Travis and Partnership Tower (701 Avenida De Las Americas).
- **Energy**: Exploration and production (E&P), pipeline, mining, utility, chemical and service providers.
- **Legal**: Law firms and legal service providers.
- **FIRE**: Finance, insurance and real estate.
- **Other**: Professional and business services, information technology, public administration, retail.
- **Leased Space**: All leased spaced regardless of occupancy status.
- **Actively Marketed and/or Available Space**: Marketed office space regardless of occupancy and lease status.
- ** Availability Rate**: Direct space currently marketed divided by total amount of surveyed space.
- **Leasing Activity**: Signed leases during the survey year regardless of scheduled occupancy status and includes direct, sublease, renewals and pre-leasing activity.
- **Absorption**: Total annual survey change of square feet marketed regardless of occupancy.
Thank You! Questions?

Central Houston, Inc.

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