
Mixed Use Development Potential

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Executive Summary

- The property is within the high-value Upper Kirby District as defined on pgs. 4-9
- Located in Super Neighborhood 87 - The Upper Kirby / Greenway Plaza Super Neighborhood has three main regional draws: Greenway Plaza, The Upper Kirby District, and Highland Village.
- The CMA was defined as the area encompassed by zip codes 77006, 77019, 77027, 77046, 77056, and 77098 (includes subject site)
 - 2010 Census, the market area included 86,070 persons. At 2013, the population had increased by 4.8%.
 - The market area's households experienced similar growth during this time and are expected to increase 8.7%, from 2013 to 56,955 in 2018.
 - The median and average ages in the market area are 38 and 40
 - 52.7% of the households are 1-person; 33.1% 2-persons
 - 66% of persons 25 years old or older in the market area hold a Bachelors, Masters, Professional or Doctors degree
 - 34% of the households in the market area have incomes of \$100,000 or more; 13% of the households in the CMA earn over \$200,000 per year. Of these, 4% have incomes over \$500,000
 - 38% of the total housing units in the CMA are owner occupied
 - 66.8% of the housing units in the market area are multi-family
 - The median value of owner-occupied homes in the market area is \$359,761; 30.5% of homes are valued at greater than \$500,000
 - 84% of the market area civilian employed persons 16 years of age or older are in white collar occupations
- HGAC and CDS Market Research Forecasts by RAZ are predicting a significant net gain in population, households, and employment
 - The market area should be expected to add about **793 new households each year** over the 2010 to 2015 period
 - **The projected growth of 1,344 jobs annually** is an indicator of demand for new commercial products in the market area
- The long-term outlook for the Houston metro area is positive, and steady, healthy growth will be the norm for Houston for the foreseeable future
- Houston Apartment Market
 - Overall vacancy rate is 8.4%
 - Rental rates continued to increase with overall rates rising to \$823 per month (\$0.94psf)
 - Absorption rate at Mid-Year was a positive rate of 7,968 units
 - Apartment construction jumped in the first 6 months of 2013 with 6,483 units (27 projects). **Greenway/Montrose** had an addition of 935 units while **West Loop/Galleria** added 554 units by mid-year 2013.
 - With an additional 15,311 units under construction, 2013 could hit close to 20,000 units added to the supply
 - The areas with the largest number of units under constructed is **Greenway Plaza/Montrose**, with 4,586 units and the **West Loop/Galleria** with 2,823 units.

- **Greenway/Montrose** is projected to add an additional 1,074 units
- **Houston Office Market**
 - The overall market includes 1,306 buildings including 173,832,324 square feet
 - For the first time in more than seven years, the office market absorbed 1.8 million square feet, bringing the year-to-date absorption total to 3.4 million square feet
 - Rental rates increased for the first time this year; overall rates increased by almost a dollar to \$24.40.
 - Class A West Loop rates have increased almost five dollars since 2008
 - 10.2 million square feet is underway in 30 buildings with 81.8% pre-leased
- **Houston Retail Market**
 - Houston retail market includes 3,128 centers totaling 207,134,474 square feet
 - Total absorption Y-T-D has been 1.4 million square feet.
 - Retail vacancy rates declined ever so slightly to 7.4%, the lowest level in more than four years
 - Overall rental rates ticked up to \$21.81 per square foot
- **CMA Markets**
 - **Apartment Market**
 - Currently there are 120 multi-family properties with 27,046 units in the area
 - Units consist of mid-rise, and garden-style properties, ranging in class from A to D.
 - Class A units comprise 77% of the overall market.
 - The majority of the units in the CMA were built pre-1990s; in the past eleven years, 7,973 units have been constructed, all of which were Class A.
 - Currently there are 6,272 units under construction and an additional 1,980 proposed.
 - CMA currently has a vacancy rate of 11.79% which is higher than the overall Houston market with vacancy at 8.4%.
 - Average rental rates are almost double the overall Houston rate (\$1,523 versus \$823 per unit per month).
 - At mid-year 2013 the market absorbed 881 units compared to 548 in 2012 and 167 in 2011
 - The Class A market is currently comprised of 18,054 units; of these 5,358 units are located within the Greenway Plaza sub-market or the immediate vicinity of the subject site
 - Average occupancy is 86% overall and the average rent is \$1.76psf for Class A
 - The unit mix consists of 2% efficiency units, 58% one bedroom, 37% two bedroom and 3% three bedroom units in the CMA
 - There are four projects in the Greenway Plaza submarket which were constructed from 2010 to 2013. They are Gables Post Oak, Gables West Ave., Millenium High Street, and Pearl Greenway;
 - Average rents range from \$1.98 to \$2.37psf
 - Stabilized properties are at 97% occupancy
 - There are 1500 units in the construction pipeline which are within the Greenway Plaza sub-market

- There is demand in the CMA for only 450 units to 2015 due to the large number of units currently under construction and planned/proposed
- Demand increases to 918 units per years from 2016 to 2020 or 4,592 units
- Office Market
 - The CMA is located within three office sub-markets. They are Mid-Town/Allen Parkway, Greenway Plaza and Galleria
 - These sub-markets include 436 buildings for a total of 55,009,862 square feet (NRA)
 - The majority of the office space was built prior to 1990. Approximately 2.2 million square feet has been added to the sub-markets in the past ten years.
 - Currently there are 242 buildings including 42,384,453 square feet of office space in the CMA.
 - Currently the occupancy in the CMA (90.5%) is slightly above the overall sub-markets at 89.2%.
 - On average, 76,688 square feet has been absorbed annually in the CMA (overall). Most recently the CMA absorbed 212,836 sf in 2012 and 580,693 sf to date in 2013.
 - The CMA submarkets, Greenway Plaza Allen Parkway, and West Loop/Uptown Galleria have rates at \$27.25, \$25.59 and \$28.88 respectively. These rates are among the highest in Houston.
 - There is a total of approximately 17.3 million square feet of Class A space in fifty properties in the CMA.
 - There is currently 704,916 sf of office space under construction in the CMA.
 - An additional 3.15 million square feet has been announced with completion proposed from 2016 – 2018.
 - There is sufficient demand in the CMA for 921,744 square feet of office space to 2020 despite the 3.8 million sf of space under construction or planned/proposed thru 2018.
- Retail Market
 - The CMA is located within the very large Inner Loop sub-market. The Inner Loop submarket includes 243 centers with 14,540,552 square feet of space.
 - Vacancy is currently 5.9%, considerably lower than the overall rate of 7.4% for the Houston market.
 - Asking rents are on average \$35.25psf compared to \$21.81 for the overall Houston market.
 - Compared to all sub-markets in the Houston region, the Inner Loop sub-market includes the highest rental rates in the overall Houston market.
 - Within the previously defined 6 zip code CMA there are 161 retail establishments with a total of 11,804,337 million square feet (NRA).
 - Approximately, 12% of the centers in the CMA are classified as strip, 18% neighborhood, 17% community and 29% regional.
 - Absorption in the CMA has been positive on average with 158,568 square feet absorbed annually overall from 2000 to 2013.

- Currently overall occupancy is at 97.2%. Community centers have consistently had the highest occupancies among the retail types.
- Disclosed CMA Rental Rates range from \$18psf to \$45psf.
- Major retail development in the CMA includes Uptown, The Galleria, Highland Village, and West Avenue.
- Average daytime population is 178,883 in the CMA
- Psychographic analysis is used to identify consumer segments and match retail demand categories in the trade area(s). Major segments include:
 - 29.1% are Bohemian Mix - nation's most liberal lifestyles. Its residents are a progressive mix of young singles and couples
 - 19.7% are Young Digerati - nation's tech-savvy singles and couples living in fashionable neighborhoods on the urban fringe. Affluent, highly educated and ethnically mixed
 - 12.5% are Money & Brains - high incomes, advanced degrees and sophisticated tastes to match their credentials
 - 10.5% are American Dreams - more than half the residents are Hispanic, Asian or African-American
- Retail sales fell to \$4.9 billion in 2010 with the economic downturn. From 2010 to 2012 sales have been rebounding upward to \$5.8 billion (18% increase).
- The CMA Sales are higher than Aggregate Expenditure Estimates indicating that not only are residents shopping in the CMA but daytime population and residents outside the CMA are also shopping inside the area. The Clothing and Accessories stores are the largest recipient of outside shoppers with a \$1.0 billion surplus.
- Currently CMA households have an effective buying power of \$100,139 per household.
- The expected sales growth of retail sales of \$219 million from 2013 to 2018, would equate to a demand, in the CMA, for 730,200 square feet of new retail space of all types over the next 5 years. (p.91)
- The subject site is proposing 60,000 square feet of retail space. This would equate to 8.2% of the demonstrated demand based on aggregate expenditure projections which appears to be reasonable and feasible.

Scope of Project

The purpose of this study is to conduct an analysis of market conditions, trends, constraints and opportunities relative to support for near-term development of the mixed-use project described below. The study will focus on the competitive market environment, establishing demand estimates and assessing the overall potential for development. Following analysis of the above and other factors, CDS will form an opinion on market support for each major component as well as for the integrated mixed-use concept at the Kirby location.

Information to be collected and analyzed will include an evaluation of demographic trends and support, competitive buildings and potential sites, sales history, demand projections, price points and location/site considerations. Additionally we will address general parameters for the number and mix of units, major amenities deemed essential and other market information necessary for the architects to perform project modeling. Finally, based on the findings we will suggest the optimum timing for market supported development.

Introduction

Thor Equities owns a 3.16-acre property on the west side of Kirby Drive between Colquitt St. and W. Main St., bordered on the west by Lake St.

Thor Equities is interested in determining the potential for a proposed development program currently envisioned to include a 180-unit residential tower (200,000sf), 180,000 sq. ft. office tower and 60,000 GLA of retail space in a mixed-use environment along with 1,100 parking spaces. The retail component will likely be concentrated on levels 1 and 2 with attendant parking as required.

The new development program would displace the existing retail center with tenants – Café Express, S.K. Salon, and Hawthorne Restaurant and the freestanding vacant funeral home/Good Cats Bar and Grill.

Upper Kirby District

The property is within the high-value Upper Kirby District. Upper Kirby is defined by a network of historic neighborhoods mingling hand-in-hand with new urban/mixed-use developments and major economic centers.

The Upper Kirby District is located in the heart of Houston. Between the Galleria area and downtown, Upper Kirby District is immediately adjacent to Greenway Plaza, River Oaks, West University, and Montrose. The Upper Kirby District is identified with several agencies and organizations. Also known as the Harris County Improvement District #3, Upper Kirby is also Tax Increment Reinvestment Zone #19 (Upper Kirby Redevelopment Authority) and is a member of the Super Neighborhoods #23 and #87. Other entities that identify with the District are the Upper Kirby Foundation. Located in the central area of Houston between Downtown and Uptown along the US 59 corridor, Upper Kirby is one of Houston's most active and vital activity centers. It serves as a center of office, commercial, and residential activity.

The Upper Kirby District is surrounded by varying neighborhoods and office centers. These outside influences include high-end residential (River Oaks) to the north, high-end residential (West University) to the south, office (Greenway Plaza) to the west and a mix of residential, commercial, and ultimately the museum district/downtown to the east.

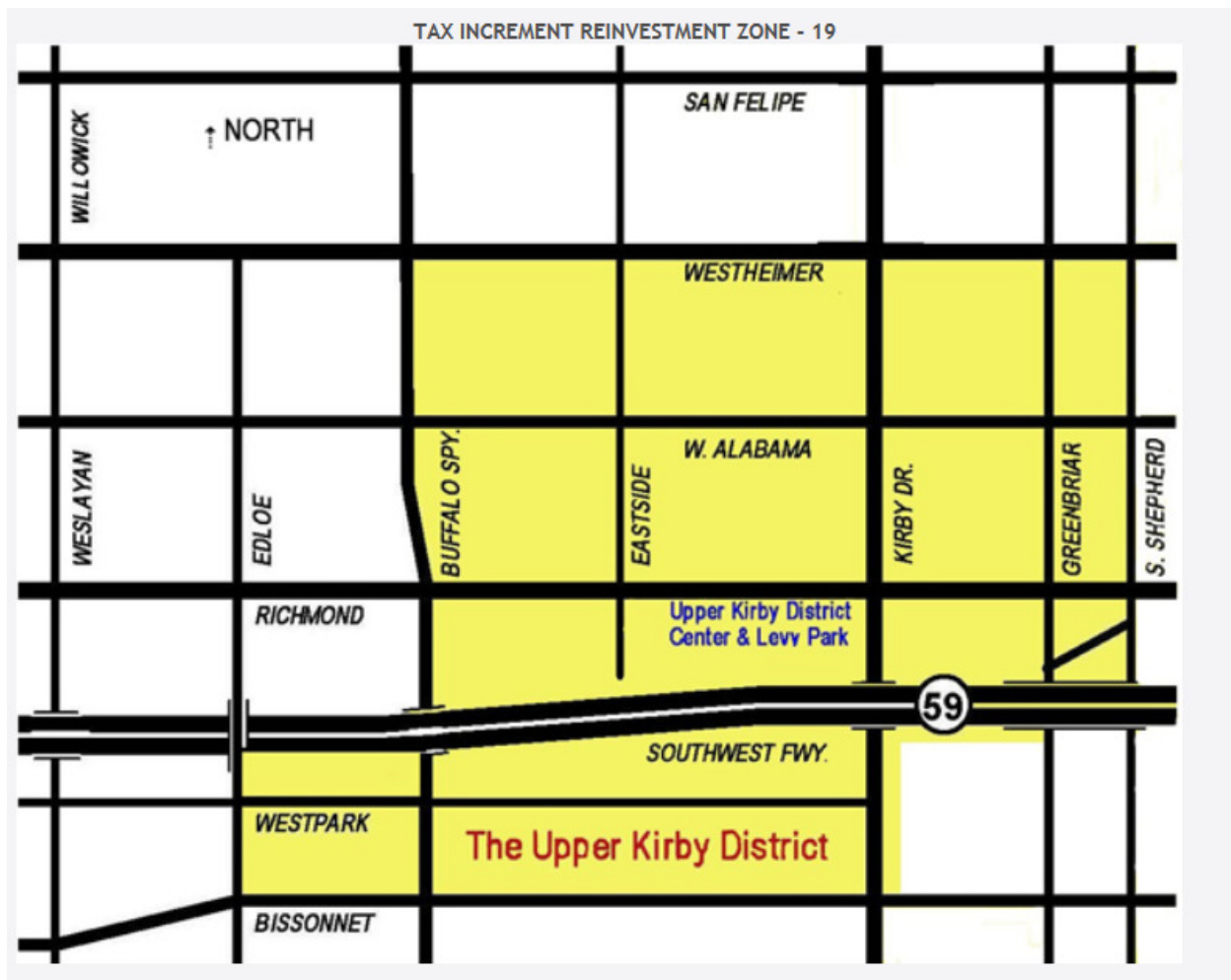
In recent years, development in Upper Kirby has been robust. While jobs still outnumber households by five-to-one, the large quantity of residential development suggests that the area is transitioning to a more mixed-use neighborhood. Four major developments that have been completed - Alexan Upper Kirby, La Maison, Gables Upper Kirby, and the Bellemeade represent a total of approximately 1,000 new units.

With its location very near several major, high-density employment centers, the residential market in Upper Kirby is already strong. Current commute patterns suggest that Upper Kirby is already an appealing neighborhood to live for employees working in Greenway Plaza, the CBD, and the Texas Medical Center. Once these jobs are connected by short trips on light rail, the neighborhood will become even more attractive to these office-based workers, who on average elect to commute by transit at a much higher rate than other types of workers. Although Upper Kirby has a significant stock of vacant units that will need to be absorbed in order to encourage developers to continue the rapid pace of residential construction, there is potential for high-density development.

As a consequence of the weak office market in Houston and especially Greenway Plaza, the market for new office space in Upper Kirby has been weaker for residential space. It will take time for the market to rebound such that it is feasible to redevelop the older office space along the commercial corridors. Nevertheless, in the long run, the enhanced access to office clusters that will be provided by the light rail service will improve the likelihood that the development of higher density modern office spaces in Upper Kirby will be successful.

Kirby Drive is envisioned as vibrant mixed-use corridor with a retail emphasis. Recent streetscape improvements have provided a positive first step in creating a more pleasant and attractive atmosphere along Kirby Drive, providing a framework for new mixed-use development that is medium and higher density and oriented directly to the sidewalk and pedestrian space.

With the added benefit of a Tax Increment Reinvestment Zone (TIRZ No. 19) and a Management District (Harris County Improvement District No. 3) within Upper Kirby, both new, high density residential and retail developments and existing neighborhoods are able to merge with infrastructure and landscaping improvements and ongoing maintenance services to create a blueprint capable of accommodating the city's growing population without sacrificing its natural beauty and character. A map of the District follows.

TIRZ 19/Upper Kirby District Map

The Upper Kirby Management District spends over \$300,000 annually maintaining Upper Kirby's public spaces. The District is adopting streets into its maintenance program as they are improved and upgraded. Currently, the Upper Kirby District maintains the esplanades on Richmond Avenue between Shepherd and Buffalo Speedway, the whole of Kirby Drive from Westheimer to US 59, all of Buffalo Speedway from US 59 to Bissonnet and Levy Park.

As the Management District implements its Streetscape and Utility Relocation plan, other major thoroughfares will be added to the Management District's scope of maintenance. As the Upper Kirby District TIRZ 19 and Upper Kirby Redevelopment Authority implement street reconstruction, storm drainage and other infrastructure improvements throughout the District, the Upper Kirby Management District is seizing the opportunity to implement pedestrian oriented streetscape improvements concurrently. In doing so, the District is able significantly leverage the taxpayer's dollars and reduce construction impact by only disturbing the street once.

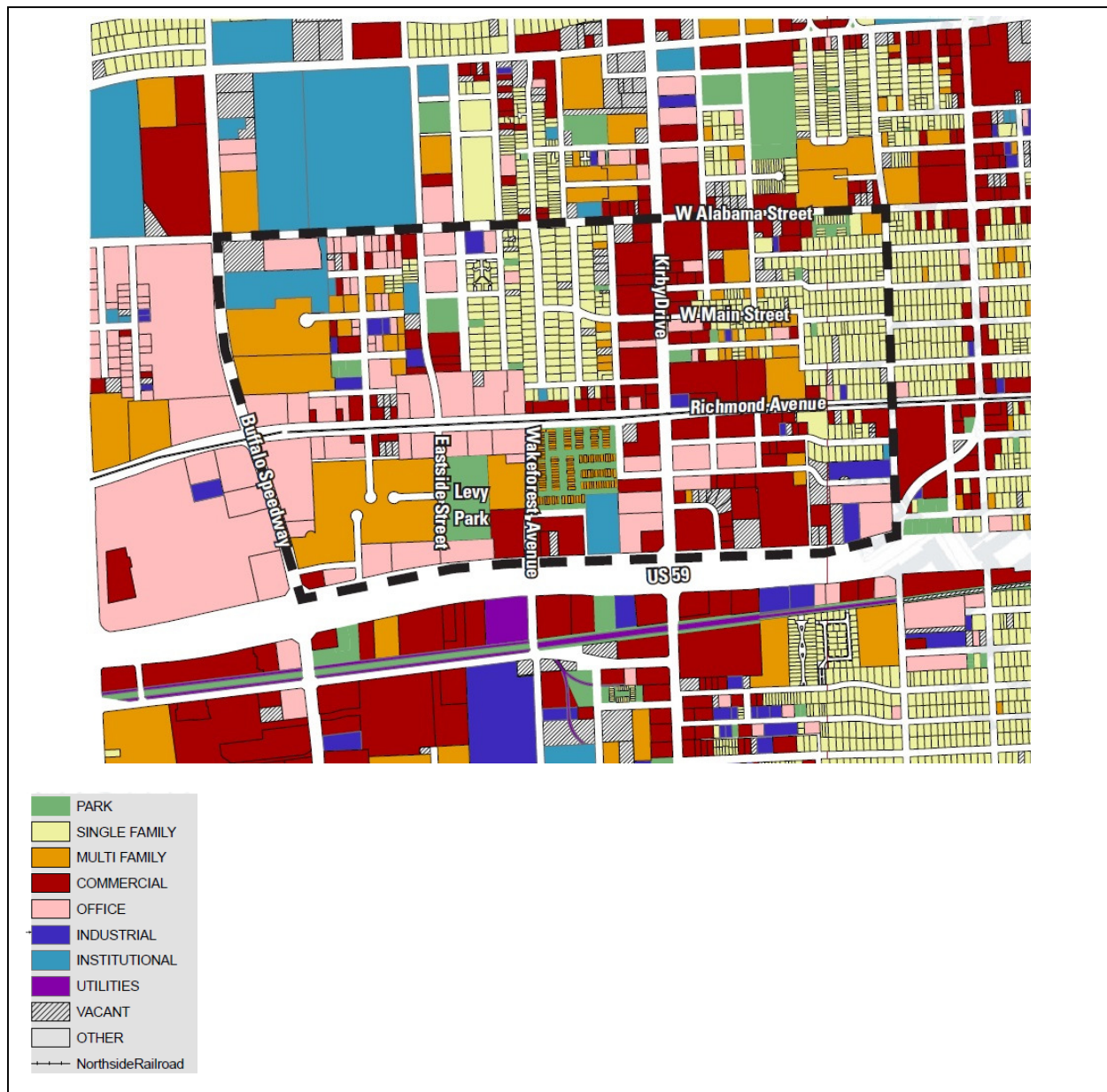
While each streetscape must be individually designed and is influenced by the context of the adjoining properties, site specific obstacles and space constraints, a typical Upper Kirby Streetscape Improvement Project includes: overhead utility relocation, pedestrian lighting, trash receptacles and pedestrian benches, upgraded bus shelters, widened sidewalks, brick paved crosswalks, upgraded landscaping and street trees, irrigation, enhanced street light and traffic signal standards, back-lit LED street signage and capacity for potential holiday lighting.

The Upper Kirby District Foundation is a community of residents, businesses and organizations united to preserving and improving the quality of life in the Upper Kirby District. Founded in May 1996, the Upper Kirby District Foundation, a 501© 3 charitable organization, is dedicated to enhancing the Upper Kirby District for commercial and residential living. These goals are accomplished through education, community programs, public improvements, outreach services, beautification and environmental efforts. Foundation Projects have included:

- **Upper Kirby District Center** -*The Upper Kirby District Center is the first private foundation community center to be established in the Houston. Along with Levy Park, the UKD Center continues to be updated to serve the needs of the community and its non-profit tenants.*
- **Upper Kirby Garden Club** - *The UKDF acted as a conduit for soliciting private contributions and grant funds to build the Levy Park Urban Nature Center and Community Gardens. The nature center provides educational opportunities for all ages and includes an enclosed community garden, wetland demonstration pond, orchard, special native plant areas and an outdoor amphitheater with rock seating wall.*

The Upper Kirby District is comprised of many different land use types. These varying land use types affect how people work, live, travel and recreate within the Upper Kirby District. The majority of the District is a conglomerate of land uses offering a more mixed use feel to the area. The Richmond corridor is primarily Office west of Kirby and Commercial/Residential east of Kirby. Kirby Drive is primarily Retail/Commercial along its entire stretch. The area located just northwest of the study area is largely Public Institutional. This “Educational Zone” is home to Lamar High School and St. John’s School. Typical Freeway Commercial/Office exists along US 59. The Residential neighborhoods of David Crockett and Alabama Place comprise the majority of Single Family within the District boundaries.

Upper Kirby Land Use Map



Sources: HCAD;

In August 2010, an Upper Kirby-Livable Centers Study was prepared by Van Meter Williams Pollack. The Livable Centers Study amends the current Upper Kirby Urban Design Master Plan into a Transit-Oriented Development (TOD) plan. The Study examines and provides strategies and projects to improve the pedestrian realm around the future Kirby light rail station as well as around the Upper Kirby District's proposed community outreach/civic center development. The study made the following recommendations:

- *As redevelopment happens over time, the study recommends to create both auto and pedestrian connections that help facilitate neighborhood connectivity throughout the District. Develop improved sidewalks and streetscape amenities along key arterials including West Alabama Street, Richmond Avenue, Kirby Drive, Eastside Street and Greenbriar Street.*
- *Encourage additional safe pedestrian crossings of Richmond Avenue and Kirby Drive.*
- *Identify properties that could be utilized as greenspace including small neighborhood parks, pocket parks and community gardens.*
- *Celebrate Levy Park and create greater pedestrian access to this important existing open space.*
- *Encourage mixed-use redevelopment with a housing emphasis in the northeast district.*
- *Encourage mixed-use redevelopment with a employment emphasis along the Richmond Corridor.*
- *Encourage mixed-use redevelopment with a retail emphasis along the Kirby Corridor.*
- *Encourage mixed-use redevelopment with a employment emphasis in the southeast district.*
- *Promote the Gallery Subdistrict as both a neighborhood and regional amenity.*
- *Investigate shared parking districts throughout the neighborhood in conjunction with new development.*
- *Promote the Civic Center District as the “heart” of Upper Kirby with both public and private investment.*

The study also includes guidelines for building designs for future developments. CDS Market Research strongly advises Thor Equities to consult with the Upper Kirby District regarding the Liveable Center Study before proceeding with any architectural designs for the proposed project.

Super Neighborhood 87

A super neighborhood is a geographically designated area where residents, civic organizations, institutions and businesses work together to identify, plan, and set priorities to address the needs and concerns of their community. The boundaries of each super neighborhood rely on major physical features (bayous, freeways, etc.) to group together contiguous communities that share common physical characteristics, identity or infrastructure.

The super neighborhood elects a council comprised of area residents and stakeholders that serves as a forum to discuss issues and identify and implement priority projects for the area. Greenway/Upper Kirby is recognized as super neighborhood 87 by the City of Houston.

The super neighborhood is irregularly shaped, being roughly bound by (clockwise): Westheimer to the north, Kirby to the west, Bissonnet to the south, Academy to the west, Law to the north, Southern Pacific railroad tracks to the west, Newcastle to the west, Glenmont to the south, Interstate 610 to the west, Highway 59 to the north, and the Southern Pacific railroad tracks to the east.

The Upper Kirby / Greenway Plaza Super Neighborhood has three main regional draws: Greenway Plaza, The Upper Kirby District, and Highland Village. Greenway Plaza is a master-planned mixed-use development with over 50 acres of prime frontage on the Highway 59. The complex has 10 main commercial buildings that contain more than 4.2 million square feet of space. Within the complex is the Doubletree Hotel, the Houston City Club, and Tony's - one of Houston's premiere restaurants. Condominiums, retail space and a full service food court make up the rest of Greenway Plaza.

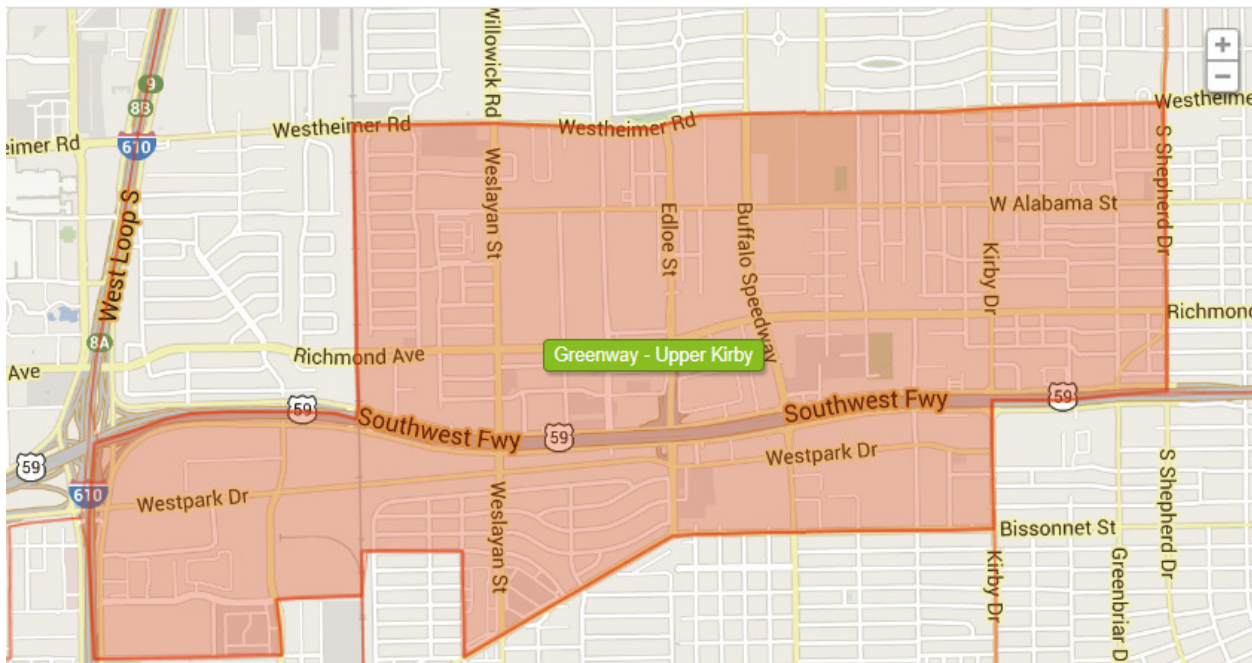
The commercial buildings in the complex range from 11 to 31 stories. The buildings in the complex are interconnected by bridges, tunnels, and walkways. The well maintained and manicured campus is a major employment center for the Houston Metro area. Companies located within the complex include USPS, Transocean, Flight Aware, China Airlines, Boardwalk Pipeline Partners, Humana, Mitsui Oil Exploration Co., Coastal Corporation, Camden Property Trust, Invesco, PBK Architects, Taipei Economic and Cultural Office (an office of the Republic of China), Direct Energy, and Americgroup.

Upper Kirby is the one area's major commercial corridors. Though the area is surrounded by affluent residential neighborhoods, the commercial corridor did not develop the same panache. The area's commercial corridor once had rundown commercial buildings and an uninteresting streetscape. The Upper Kirby District was created to combat the decline of the commercial corridor. Upper Kirby has undergone or is undergoing major transportation and beautification projects that are giving new life to this commercial corridor. Upscale restaurants and shops are moving into the area.

Along with Greenway Plaza and Upper Kirby District, Highland Village is another regional commercial attraction. Home furnishing stores, a large urban market, and national clothing chains bring people to the area to shop. Highland Village offers an upscale shopping experience for Houston's discerning shoppers.

The neighborhoods surrounding the Greenway Plaza and the Upper Kirby Commercial Corridor were built primarily in the 1940s and 1950s. The homes built throughout the area were predominately large ranch homes. The proximity to Houston's premier shopping districts, employment centers and entertainment venues have helped these residential areas stay in high demand. These neighborhoods have not experienced the physical decay often found in neighborhoods built during the same time. Despite the stability of property values in the area, starting in the 1990s many of the original homes have been demolished. New two-story homes are being built, adding verticality to the neighborhood streetscapes.

Map of Greenway/Upper Kirby Super Neighborhood



Competitive Market Area (CMA)

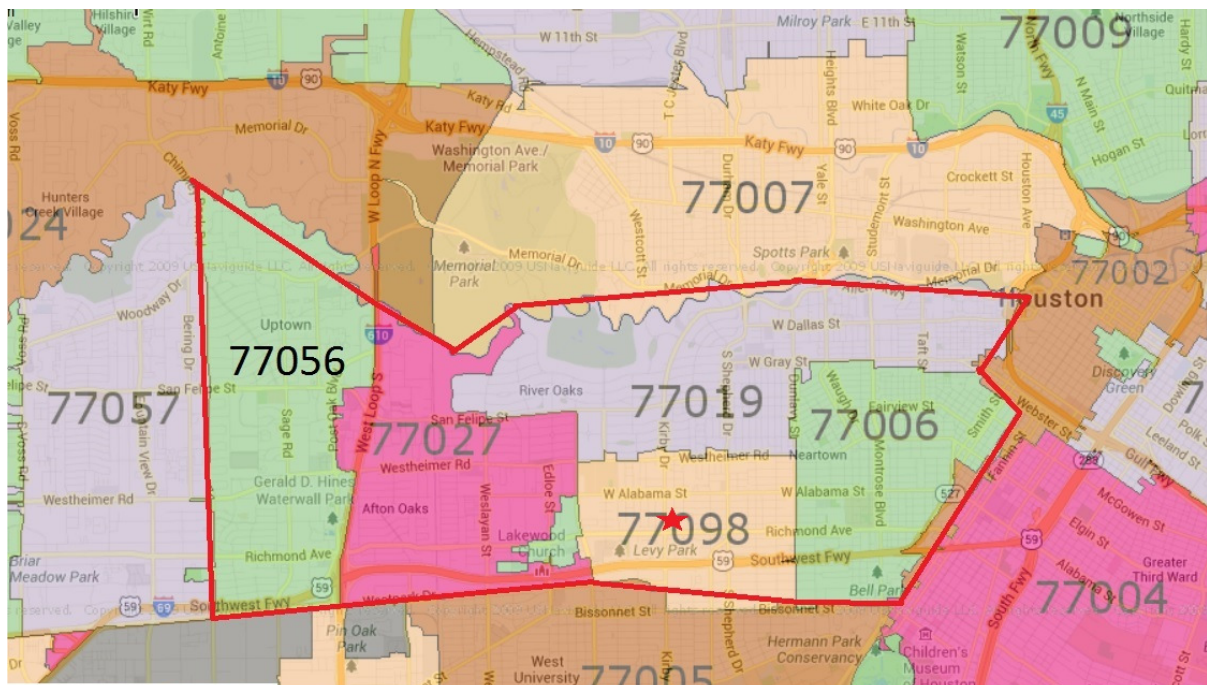
CDS has defined the Competitive Market Area (CMA) as the area that contains the majority of existing mid-rise and high-rise residential buildings, office buildings and retail that will compete with the proposed development. For purposes of our analysis CDS researched secondary data sources to measure current and projected population, household and demographic data relating to the CMA and to comparisons with the overall Houston area.

Definition of Competitive Market Area

The Competitive Market Area for research purposes was defined as the area encompassed by zip codes 77006, 77019, 77027, 77046, 77056, and 77098 (includes subject site) as illustrated below. This area includes those districts of Houston commonly referred to as Galleria/Uptown, Greenway, River Oaks, and Museum District. These areas include most of the existing mid-rise and high-rise condominiums and apartments in Houston, several upper income single-family home subdivisions and many garden apartments, as well as the principal Class A office complexes and several prominent shopping districts.

The rationale behind the selection of these areas of that they are believed to house a large percentage of the business owners, managers and professionals that work in the Galleria, Midtown, Downtown, or in the Texas Medical Center who would be most likely to consider an Inner Loop residence. Secondly, as mentioned, the area includes most of the existing mid-rise and high-rise residents of Houston that have already chosen that lifestyle and would presumably be most interested in considering a prestigious new building in a prime location along Kirby Drive.

Competitive Market Area (CMA) Map



Market Area Demographics

According to the 2010 Census, the market area included 86,070 persons. At 2013, the population had increased by 4.8%. Data available from the 2010 Census provides only population, ethnicity, and housing unit data. Due to this limited amount of information, we will rely on additional demographic information from other third party sources deemed reliable for our analysis herein.

The following tables and text illustrate the demographics of the market area and compare it with the demographics of the City of Houston as a whole and the Houston-The Woodlands-Sugar Land Metropolitan Statistical Area (MSA). Demographics were estimated by Claritas, a national population and demographics service and attributed to these specific areas using Tetrad's PCensus software.

Historic Growth and Projections

Population	2000 Census	2010 Census	2013 Estimate	2018 Projection	Growth 00-10	Growth 10-13	Growth 13-18
Market Area	75,499	86,070	90,265	97,677	14.0%	4.8%	8.2%
City of Houston	2,000,275	2,138,591	2,208,653	2,344,507	6.9%	3.2%	6.1%
Houston MSA	4,715,386	5,946,800	6,251,248	6,776,664	26.1%	5.1%	8.4%

Source: PCensus for Map Info, Copyright 2013 Tetrad Corporation

Households	2000 Census	2010 Census	2013 Estimate	2018 Projection	Growth 00-10	Growth 10-13	Growth 13-18
Market Area	42,438	49,651	52,355	56,955	17.0%	5.4%	8.7%
City of Houston	734,097	793,636	823,781	879,722	8.1%	3.8%	6.7%
Houston MSA	1,656,797	2,072,625	2,176,602	2,359,640	25.1%	5.0%	8.4%

Source: PCensus for Map Info, Copyright 2013 Tetrad Corporation

Population growth is one of the principal measures of the economic vitality of any Market Area because increasing population is generally the result of more jobs, a high level of immigration and a stable or expanding economy. The market area's population experienced double-digit percentage growth in the last decade and is expected to increase 8.2% to 97,677 by 2018. The market area's households experienced similar growth during this time and are expected to increase 8.7%, from 2013 to 56,955 in 2018.

Over the past decade, the market area has grown at a faster rate than the City of Houston as a whole. This trend is expected to continue over the next 5 years.

Comparison of Population, Gender, Age, and Marital Status

Gender and Age 2013 Estimate	Market Area	City of Houston	Houston MSA
Male	51.6%	50.1%	49.7%
Female	48.4%	49.8%	50.2%
Under Age 18	11.6%	25.9%	27.6%
Age 18 to 24	7.3%	10.2%	9.6%
Age 25 to 34	25.6%	17.1%	14.3%
Age 35 to 44	15.3%	14.1%	14.2%
Age 45 to 54	13.0%	12.5%	13.6%
Age 55 to 64	13.8%	10.3%	11.0%
Age 65 and over	13.2%	9.7%	9.5%
Median Age	38.5	33.1	33.9
Average Age	40.9	34.9	35.0
Married	38.7%	45.8%	53.3%

Source: PCensus for Map Info, Copyright 2013 Tetrad Corporation

Household Size

Households By Size	Market Area	City of Houston	Houston MSA
1-person household	52.7%	30.9%	23.6%
2-person household	33.1%	27.5%	28.3%
3-person household	7.8%	15.2%	17.0%
4-person household	4.1%	12.2%	15.3%
5-person household	1.4%	7.2%	8.6%
6-person household	0.4%	3.6%	3.9%
7 or more person household	0.2%	3.0%	2.9%
Estimated HH Size	1.71	2.64	2.84

Households By Type

Households By Type	Market Area	City of Houston	Houston MSA
Family	34.8%	61.7%	70.9%
Non-Family	65.1%	38.2%	29.0%

Population Gender, Age, and Marital Status

The majority of the population in the market area is male (51.6%). This is slightly higher percentage of males than the City and MSA as a whole. The market area also has a much older population than the City of Houston and the Houston MSA.

In 2013, only 11.6% of the population in the CMA was under the age of 18, compared to 25% and 27% in the City and MSA. The median and average ages in the market area are 38 and 40 respectively, while both the City and the MSA's median and average ages are around 33 and 35 respectively. The market area contains considerably higher concentrations of people in the age ranges of Age 25 to 34, Age 55 to 64, and Age 65 and over than does the City and the MSA.

38.7% of people over age 15 in the market area are currently married. This is a considerably lower rate than both the City of Houston (45.8%) and the Houston MSA (53.3%).

Household Size

Whereas the average household size in 2013 in Houston was 2.64 and in the Houston MSA was 2.84, the households in the Upper Kirby district averaged 1.71.

Household Type

Similarly, households in the CMA are composed of Singles or other Non-Family Households at nearly twice the rate of the rest of the city. This indicates that the CMA is already hospitable to households that are attracted to dense, multi-family housing.

Education Attainment

More than 66% of persons 25 years old or older in the market area hold a Bachelors, Masters, Professional or Doctors degree. This is significantly higher than that of the City and the MSA at 28%. These educational characteristics are compatible with high-density office jobs,

Household Income

Both the average and median household incomes in the market area are significantly greater than both the City of Houston and the Houston MSA. The market area's average household income is \$48,000 greater than the City and \$37,000 greater than the MSA's average income. The median income is also significantly greater. Approximately 34% of the households in the market area have incomes of \$100,000 or more, compared to 17% in the City of Houston and 23% in the Houston MSA.

13% of the households in the CMA earn over \$200,000 per year. Of these, 4% have incomes over \$500,000.

Only 5% of families are below poverty in the CMA, compared to 19% in the City and 13% in the MSA.

2013 Educational Attainment

Education	Market Area	City Houston	Houston MSA
No Diploma	5.0%	14.5%	10.1%
Some High School	2.3%	11.2%	9.4%
High School Graduate (or GED)	8.6%	22.5%	23.9%
College, no degree	16.6%	19.2%	22.4%
Associate Degree	4.2%	4.4%	5.9%
Bachelor's Degree	35.3%	17.4%	18.6%
Master's Degree	17.8%	6.9%	6.6%
Professional Degree	8.1%	2.3%	1.8%
Doctorate Degree	4.5%	1.6%	1.3%

Source: PCensus for Map Info, Copyright 2013 Tetrad Corporation

Comparison of Household Income

Household Income 2013 Estimate	Market Area	City of Houston	Houston MSA
Less than \$15,000	10.1%	16.5%	11.7%
\$15,000 to \$24,999	7.5%	13.5%	10.5%
\$25,000 to \$34,999	8.1%	12.7%	10.5%
\$35,000 to \$49,999	11.0%	14.4%	13.5%
\$50,000 to \$74,999	17.0%	16.2%	17.5%
\$75,000 to \$99,999	11.7%	9.3%	12.1%
\$100,000 to \$124,999	8.8%	5.6%	8.2%
\$125,000 to \$149,999	4.9%	3.2%	4.8%
\$150,000 to \$199,999	7.1%	3.7%	5.4%
\$200,000 to \$249,999	3.1%	1.3%	1.8%
\$200,000 to \$499,999	6.0%	2.1%	2.5%
\$500,000 or more	4.2%	1.0%	1.0%
Average HH Income	\$115,864	\$67,072	\$78,862
Median HH Income	\$69,243	\$42,345	\$55,071

Source: PCensus for Map Info, Copyright 2013 Tetrad Corporation

Housing Tenure and Units

Comparison of Housing Units and Tenure

Housing 2013 Estimate	Market Area	City of Houston	Houston MSA
Total Housing Units	60,766	937,412	2,422,221
Occupied Housing Units	52,355	823,781	2,176,602
Owner Occupied	38.9%	46.1%	62.6%
Renter Occupied	61.1%	53.9%	37.4%
Length of residence (yrs)			
<i>in Owned housing</i>	13	19	15
<i>in Rented housing</i>	6	6	6
1 Unit Attached	11.4%	5.4%	3.4%
1 Unit Detached	21.5%	45.6%	62.3%
2 Units	3.9%	2.0%	1.2%
3 or 4 Units	5.5%	4.0%	2.6%
5 to 19 Units	14.0%	23.1%	14.5%
20 to 49 Units	9.8%	7.0%	4.3%
50 or More Units	33.8%	11.8%	6.4%
Mobile Home or Trailer	0.3%	1.2%	5.3%
Boat, RV, Van, etc.	0.1%	0.1%	0.1%
Median Year Built	1980	1976	1985

Source: PCensus for Map Info, Copyright 2013 Tetrad Corporation

Only 38% of the total housing units in the CMA are owner occupied. This contrasts sharply with City and MSA households, 46% and 62% of which own, respectively.

As evidenced by the low concentration of home owners, only 33% (19,949) of the housing units in the market area are single-family dwellings. Of these 6,907 are attached (11%) and 13,042 are detached.

66.8% of the housing units in the market area are multi-family.

The average length of residence in the market area is shorter than that of the City and MSA in owned housing, but essentially the same in rented housing.

The median year built for housing units in the market area is slightly newer than the City of Houston as a whole and not much older than the entire MSA, which includes newly constructed suburban markets.

Housing Values

Housing values in the CMA are vastly higher than typical values from across the city and the MSA. The median values of owner-occupied homes in the market area is \$359,761. The City of Houston and the Houston MSA, have median home values of \$128,620 and \$140,302 respectively.

Within the market area, 30.5% of homes are valued at greater than \$500,000. Only 6% of the City of Houston's homes are valued at that level with only 4.4% of the entire MSA's homes.

Employment/Occupations

Houston's unemployment rate has been well below the nation's since November 2008.

The Greater Houston Partnership forecasts the 10-county Houston metro area will create 76,000 jobs in 2013. Employment will grow in all sectors, with construction, health care, and leisure and hospitality turning in the strongest performances.

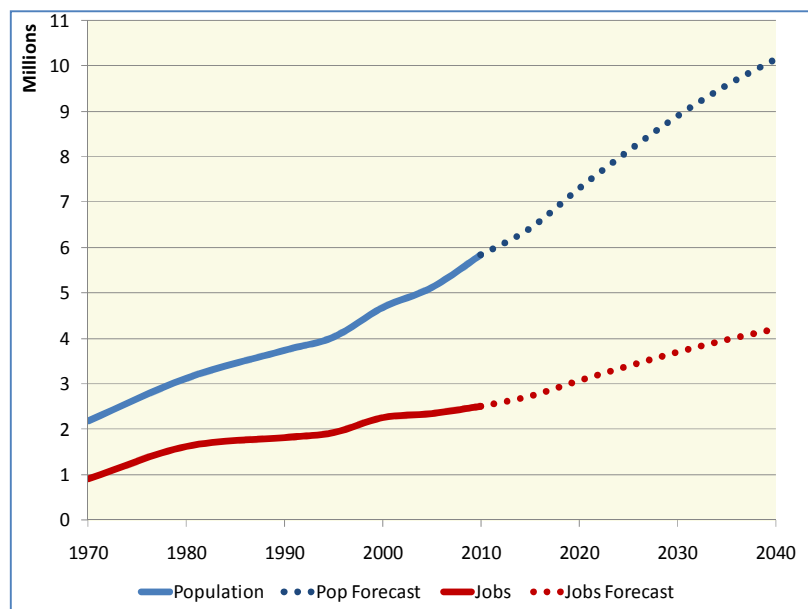
The University of Houston's Institute for Regional Forecasting released projections in 2011 for the Houston region's expected growth trends. These forecasts, shown to the right, predict the Houston region to grow to 10 million population by 2040, adding 4 million new residents.

Supporting that growth will be the addition of 1.7 million new jobs for a total of 4.2 million jobs in the region.

Comparison of Housing Values

Housing Value 2013 Estimate	Market Area	City of Houston	Houston MSA
Less than \$20,000	0.5%	1.9%	2.4%
\$20,000 to \$39,999	0.5%	2.8%	2.8%
\$40,000 to \$59,999	0.7%	5.5%	4.1%
\$60,000 to \$79,999	1.7%	10.9%	7.5%
\$80,000 to \$99,999	3.2%	15.1%	12.1%
\$100,000 to \$149,999	7.0%	24.1%	26.2%
\$150,000 to \$199,999	7.7%	12.1%	17.5%
\$200,000 to \$299,999	18.7%	12.3%	14.6%
\$300,000 to \$399,999	16.7%	6.2%	5.9%
\$400,000 to \$499,999	12.8%	3.3%	2.6%
\$500,000 to \$749,999	11.1%	3.0%	2.5%
\$750,000 to \$999,999	6.5%	1.2%	0.8%
\$1,000,000 or more	12.9%	1.8%	1.1%
Median Owned Housing Unit Value	\$359,761	\$128,620	\$140,302

Source: PCensus for Map Info, Copyright 2013 Tetrad Corporation



Source: University of Houston – Institute for Regional Forecasting, January 2011.

Approximately 84% of the market area civilian employed persons 16 years of age or older are in white collar occupations including management/business/financial or professional, compared to 55% for the city as a whole and 59% for the MSA.

2013 Employment by Occupations

	Market Area		City of Houston		Houston MSA	
2013 Estimated Employed Population Age 16 and Over by Occupation	59,025	%	1,061,611	%	3,002,198	%
Management , Inc. Farmers, Farm Managers	10,223	17.3%	85,123	8.0%	295,317	9.8%
Business and Financial Operations	6,485	11.0%	50,408	4.8%	150,265	5.0%
Computer and Mathematical	2,154	3.7%	21,561	2.0%	69,246	2.3%
Architecture and Engineering	2,855	4.8%	27,369	2.6%	88,369	2.9%
Life, Physical, and Social Science	1,743	3.0%	12,312	1.2%	32,486	1.1%
Community and Social Services	871	1.5%	12,261	1.2%	33,134	1.1%
Legal	3,498	5.9%	17,721	1.7%	36,079	1.2%
Education, Training, and Library	4,370	7.4%	56,142	5.3%	183,468	6.1%
Arts, Design, Entertainment, Sports, Media	2,229	3.8%	16,658	1.6%	42,255	1.4%
Healthcare Practitioners and Technical	3,113	5.3%	42,309	4.0%	133,422	4.4%
Healthcare Support	485	0.8%	24,509	2.3%	57,093	1.9%
Protective Service	397	0.7%	18,530	1.8%	61,339	2.0%
Food Preparation and Serving Related	2,266	3.8%	67,293	6.3%	159,712	5.3%
Building and Grounds Cleaning,	565	1.0%	60,242	5.7%	127,595	4.3%
Service : Personal Care and Service	1,206	2.0%	32,383	3.1%	86,149	2.9%
Sales and Related Occupations	7,347	12.5%	111,901	10.5%	334,473	11.1%
Office and Administrative Support	5,211	8.8%	133,920	12.6%	396,695	13.2%
Farming, Fishing, and Forestry	21	0.0%	2,749	0.3%	7,368	0.3%
Construction and Extraction	904	1.5%	99,818	9.4%	232,719	7.8%
Installation, Maintenance, and Repair	446	0.8%	34,604	3.3%	107,083	3.6%
Production	1,109	1.9%	63,871	6.0%	182,598	6.1%
Transportation and Material Moving	1,527	2.6%	69,927	6.6%	185,333	6.2%
2010 Estimated Civilian Employed Population Age 16 and Over by Occupation Classification						
Blue Collar	3,986	6.7%	268,220	25.2%	707,733	23.5%
White Collar	50,099	84.8%	587,685	55.3%	1,795,209	59.8%
Service & Farm	4,940	8.3%	205,706	19.3%	499,256	16.6%

Source: PCensus for MapInfo, Copyright 2013 Tetrad Corporation

Market Area Forecasts

Another way to define the market area is through Regional Analysis Zones (RAZ) as defined by Houston Galveston Area Council (HGAC). An aggregation of their regional analysis zones (RAZ) 6, 23, 24, 25, and 39 were used which closely resemble the zip code area used for the CMA.

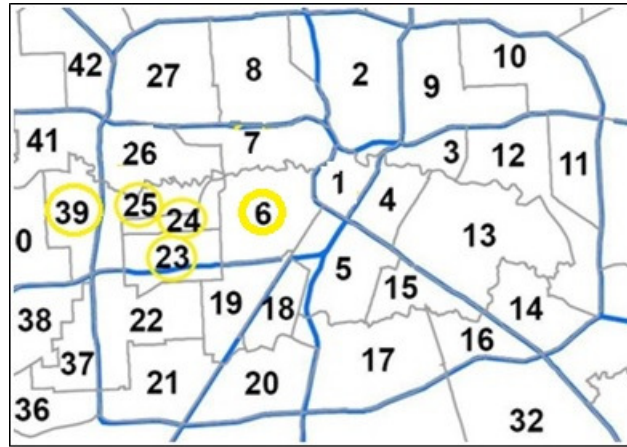
The first table uses projections from by Claritas, a re-seller of PCensus for MapInfo, for the zip codes in the market area. These forecasts are for the period 2010 to 2018 only and demonstrate an increase of 901 households per year.

Comparatively, the following table is data from the Houston Galveston Area Council Forecast to 2030. Followed by a recently completed MSA wide forecast by CDS Market Research. Both of these forecast use the RAZ zones defined above. Part of the differences in these projections is and Claritas is due to some differences in the boundaries of the market area.

The population and employment growth estimates from CDS are lower than H-GAC, while CDS estimates more total housing units than HGAC.

The key finding is that all of the forecasts are predicting a significant net gain in population,

Regional Analysis Zones (RAZ)



Source: H-GAC

Projections from PCensus

	2010	2013	2018	Growth 10-13	Annual Increase
Population	86,070	90,265	97,677	4,195	1,398
Households	49,651	52,355	56,955	2,704	901

Source: PCensus for MapInfo, Tetrad Computer Applications

Projections for RAZ Zones 6, 23, 24, 25, 39

H-GAC Forecasts

Market Area	2010	2015	2020	2025	2030
Households	53,488	55,033	56,370	56,617	56,812
Population	103,900	109,136	113,756	114,790	116,450
Employment	210,364	220,892	226,931	234,019	238,912

Source: Houston-Galveston Area Council

CDS Market Research Forecasts

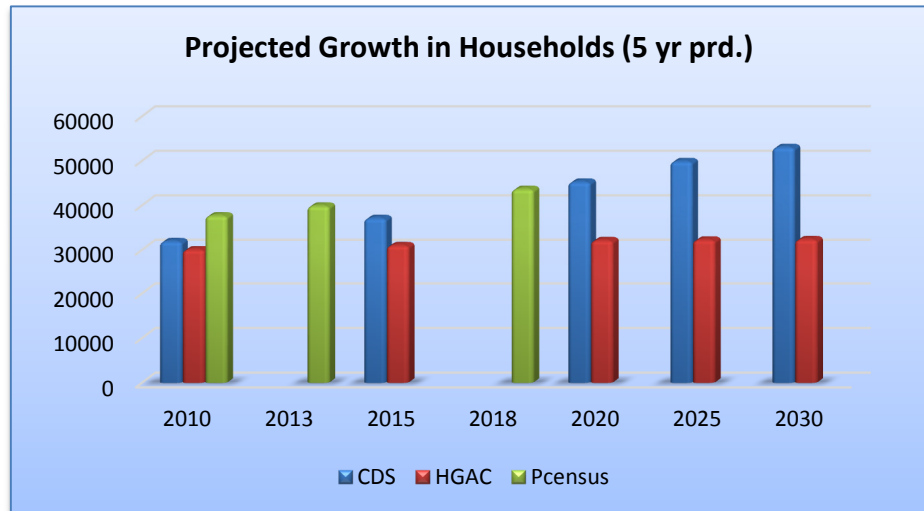
Market Area	2010	2015	2020	2025	2030
Housing Units	56,724	63,111	72,949	78,789	83,112
Population	83,831	91,771	104,300	111,879	117,676
Employment	181,706	185,362	192,828	200,186	206,892

Source: CDS Market Research, 2013

households, and employment within the CMA in the coming years.

Over the next five years, Claritas projects an increase of 4,195 households in the market area. H-GAC forecast is lower at 1,545 while the CDS forecast is higher at 6,387. The longer term gain (2015-2020) in the H-GAC and CDS forecasts predict 1,337 and 9,838 net household growth respectively. In the much longer term, 2020 to 2030, CDS projects continued household growth while H-GAC predicts very little.

Comparison of Household Growth Projections



Using an average of the expected growth from the three sources, the market area should be expected to add about **793 new households each year** over the 2010 to 2015 period.

Employment growth in the market area is projected by H-GAC to increase at a rate of 5.0% over the next five year period, 2.7% the following period (2016 to 2020), and by 3.1% the following five year period (2021-2025), while CDS predicts 2.0% growth from 2010 to 2015, 4.0% growth from 2016 to 2020 and a 3.8% increase in employment from 2021 to 2025. This **projected growth of 1,344 jobs annually** is an indicator of demand for new commercial products in the market area.

The Claritas and H-GAC estimates for population, households, and employment growth are conservative and can be viewed as lower end expectations relative to the growth that is likely to occur in this re-emerging market area. While some account for emerging patterns is in the projections, they are likely understated due to the nature of the emerging market.

Current Houston Economy

Any business decision related to a major residential property must be made in the context of the current economic environment of the Houston area. Following are key indicators of current performance based on data obtained from the Greater Houston Partnership.

- *Houston's unemployment rate remains well below that of the nation 5.8% compared to 7.4% respectively in November 2012.*
- *The U.S. Census Bureau released estimates showing that the Houston Metropolitan Statistical Area added 118,700 jobs, a 4.5 percent annual increase, in the 12 months ending February 2013.*
- *The Partnership's forecast calls for the 10-county Houston metro area to add 76,000 jobs in '13. The greatest gains will come in construction, health care, and leisure/hospitality.*
- *The Perryman Group sees population growth averaging 1.8% annually from 2011 to 2040. It also forecasts an additional 1.6 million jobs by 2040.*
- *For the 12 months ending October '12, the metro area created 95,800 jobs.*
- *As of October 2012, Houston is one of only three major metros that have recouped all jobs lost in the recession*
- *Houston is the nation's fifth-largest MSA; Houston gained more residents than any other MSA between 2000 and 2010.*
- *The Houston-Galveston Customs District set a record in trade. As of January '12 the 12-month total in trade value reached \$269.7 billion.*
- *Twenty-five companies on the 2012 Fortune 500 are headquartered in the Houston MSA*
- *Residential permits are up 54.1% over 2011. Median home sales prices are up 5.8%*
- *Construction of Exxon's new campus near The Woodlands will support a substantial number of jobs and spur additional development in the area.*
- *Some of the region's chemical plants and refineries are moving forward on projects deferred during the recession which should boost local employment in heavy construction.*
- *Houston's median and mean household incomes are above U.S. and Texas figures.*
- *The Houston Airport System handled 46.17 million passengers through the first eleven months of 2012, a 1% increase from last year at the same time.*

The long-term outlook for the Houston metro area is positive, and steady, healthy growth will be the norm for Houston for the foreseeable future.

Houston Economic Overview

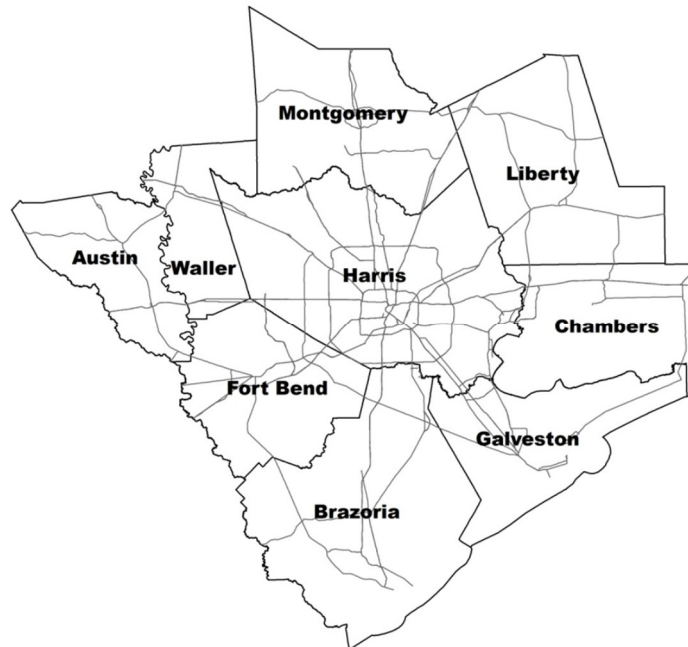
The study area is located in Harris County, one of nine counties that comprise the Houston-The Woodlands-Sugar Land- Metropolitan Statistical Area (MSA) (see exhibit). No matter the attributes specific to the study area, the potential for development is dependent upon the prospects and nature of regional economic growth.

The Houston Area Economy

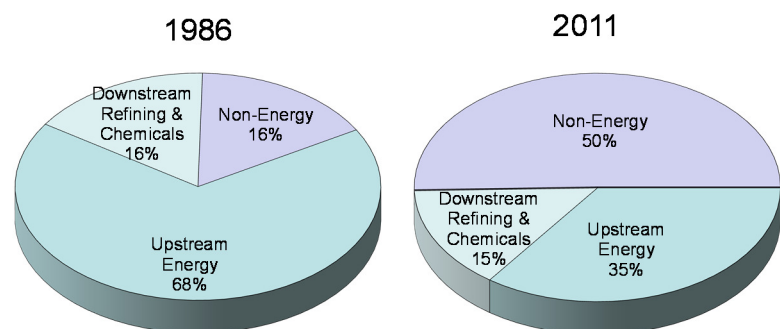
Houston's preeminence in the energy industry led to a boom during the energy shortages of the 1970s. But after a period of rapid growth during the 1974-1981 period as crude oil prices climbed, a plunge in the world oil market had a devastating effect on the Houston economy. From 1982 to 1987 Houston lost 221,900 jobs. This was one out of every seven jobs available in 1982. The majority of the losses, 184,200 jobs, were related to oil and gas exploration and production, oil field equipment manufacturing and sales, and pipeline transportation. But with the return to more normal supply/demand conditions in the industry, Houston was able to regain its lost jobs by 1990.

Since 1986, Houston's economy has become diversified thereby lessening dependence on the energy industry as the economic engine for the metropolitan area. Today, upstream energy sectors account for roughly a third of Houston's economic base jobs. Since 1986, the non-energy sectors of Houston's economic base have grown at an annual rate of 6.1%. As a result, Houston MSA employment in these sectors grew from less than 2.3% in 1986 to over 50% in 2011, while the proportion of basic employment in

Houston- The Woodlands- Sugarland Metropolitan Statistical Area (MSA)



Houston Economic Diversification



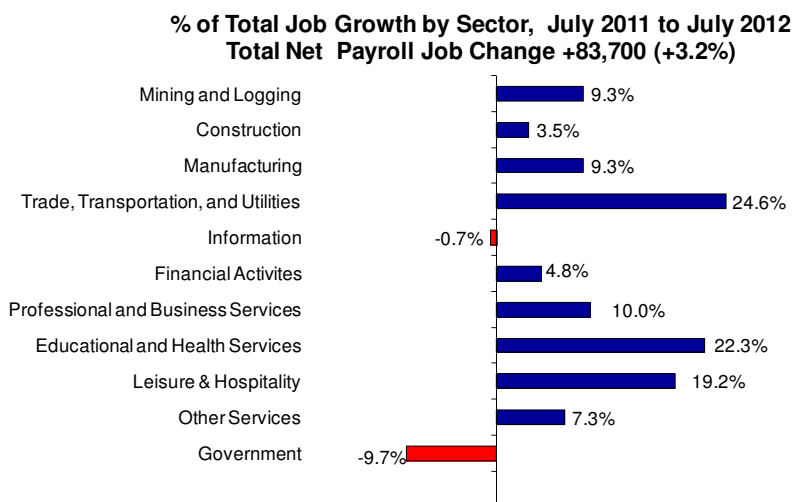
Source: University of Houston, Institute for Regional Forecasting, 2012

both upstream energy (exploration and production) and downstream energy (refining and marketing) declined.

Over the years, Houston's economy has evolved from a manufacturing economy to a services based economy. Service-providing organizations now account for 80% of Houston MSA jobs and represented 82% of net job growth over the 14 years leading up to 2012. More and more, Houston is evolving to an economy based on engineering, computer, legal, accounting and administrative services. Houston's diversification and growth in the services sector is reflected in the following charts depicting industry shares of new jobs and employment by industry.

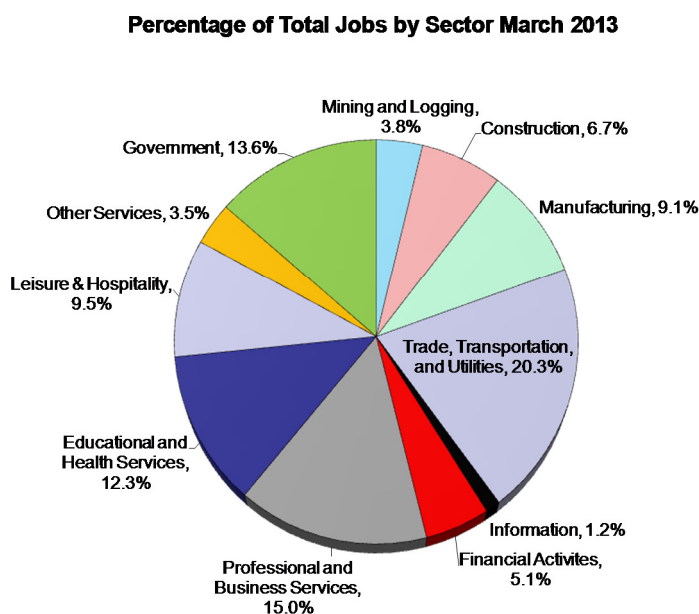
Houston's economic breadth is further substantiated by the number of large employers in the Houston area. According to the Greater Houston Partnership, as of 2012, there are 116 companies in Houston with 1,000 employees or more. In order to grow, Houston's employers rely on a substantial local college and university system. There are 17 community college campuses and 16 university campuses within the Houston MSA. Rice University has gained significant national attention with its recent discoveries in the field of nanotechnology.

Houston Region Shares of Job Growth by Sector



Source: Texas Workforce Commission

Employment by Industry



According to the Bureau of Economic Analysis (BEA), the Houston MSA's Gross Area Product (GAP) reached \$396.0 billion in 2008 and in 2009, declined to \$352.1 billion. As of 2011, the GAP had rebounded to \$419.7 billion.

The chart below depicting Houston MSA job growth, demonstrates that the Houston economy was flat during national recessions in the early 90s and early 00s (following the 9/11 attacks) but very robust during the intervening and subsequent years up to 2008. Houston has participated in the recent national recession with job losses beginning in January 2009. Recent data show Houston's recovery began in early 2010 and the region has added 278,300 jobs from Jan 2010 to March 2013. In the most recent 12 months from March 2012 to March 2013, the Houston region added 113,000 jobs – the fastest growing urban region in the U.S.

Houston MSA Long-Term Employment Growth Trends



Source: Texas Workforce Commission, April 2013

Factors Affecting Future Regional Economic Growth

According to the Federal Reserve Bank and the Greater Houston Partnership, three factors have governed the state of Houston's economy for the past 10 years:

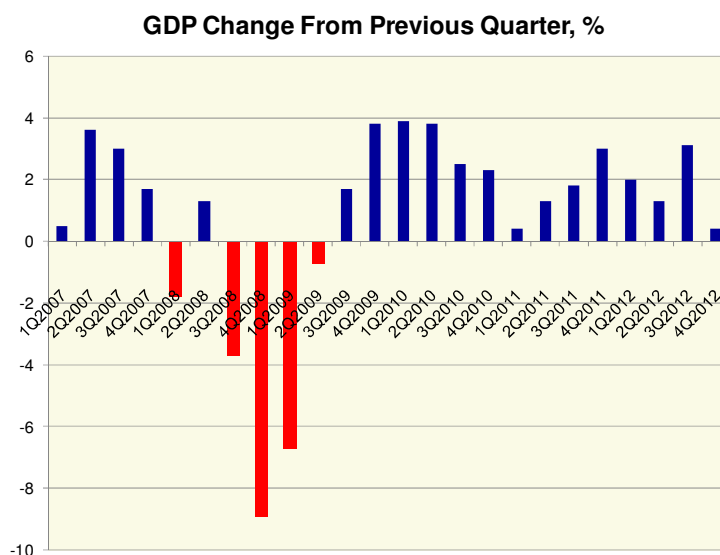
- the health of the national economy,
- the value of the U.S. dollar against foreign currencies and
- energy prices

All of the drivers of the economy entered a period of decline starting in mid 2008, real GDP began to drop, the value of the dollar began to rise and in oil prices began a sharp decline. These factors began to have an effect on the Houston economy.

The National Economy—According to the Bureau of Economic Analysis, U.S. real gross domestic product (GDP) peaked at \$13.36 trillion in the fourth quarter of 2007. Over the course of the current recession, real GDP fell by \$555.0 billion by mid-2009. GDP has increased for the past eleven quarters with an estimate of \$15.476 trillion in the first quarter of 2012. GDP growth dropped to 0.4% in the 4th Quarter of 2012 due to weak consumer spending, weakness in construction, government budget cuts, and lack of business confidence.

The U.S. Dollar – The US. Dollar is at a relatively high level today as compared to the long-term historical trend of the dollar Index of the Federal Reserve Bank. It is, however, substantially lower

U.S GDP Trends



Source: Bureau of Economic Analysis, April 2013.

Major Foreign Currencies vs. the Dollar

Dollar Index U.S. Federal Reserve Bank

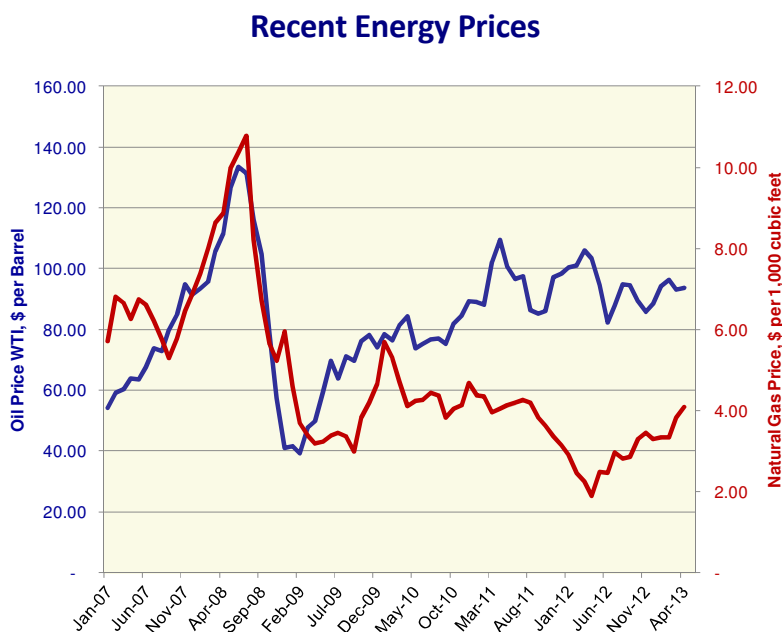


Source: U.S. Federal Reserve Bank, April 2013

http://www.federalreserve.gov/releases/h10/summary/indexb_m.htm

than the peak level of 129 set in late 2001. As of March of 2013 the index was 100 (29 points below the 2001 peak.) A low dollar stimulates trade which benefits Houston's manufacturing/ export sectors.

Energy Prices – Higher oil and gas prices stimulate demand for oil field equipment and services which is a strong sector within the Houston economy. Prices for West Texas Intermediate (WTI) crude began the decade in the \$20-\$30/Bbl range and remained there until 2004 when they began a steady climb to a peak of nearly \$140/Bbl.



Source: U.S. Energy Information Administration, April 2012.

during the first half of 2008. The worldwide recession, accompanied by a fall-off in demand, resulted in a decrease in WTI oil prices (**blue line in the graph to the right**) to less than \$40/Bbl. WTI price rebounded in the vicinity of \$100/Bbl and was in the \$90 range in the summer of 2012 dropping slightly into the high \$80s in the fall. In the winter and spring of 2013, prices increased into the mid \$90s. Concurrently, Henry Hub spot natural gas (**red line in the graph**) remained under \$10/mm Btu before falling to a low of \$2/mm BTU and then rebounding to \$6 in late 2009. Spot natural gas prices again fell to \$2 in the spring of 2012 but by the end of March 2013, had rebounded to \$4.00.

At the current time, only one of the three factors that affect the Houston economy, **Energy Prices**, presents positive signs for the Houston economy but that seems to be enough to create the strong rebound that has replaced all of the jobs lost in this recession plus many more. The Value of the U.S. Dollar and the U.S. economic malaise are negative drivers of the Houston economy.

Historic Growth and Projections

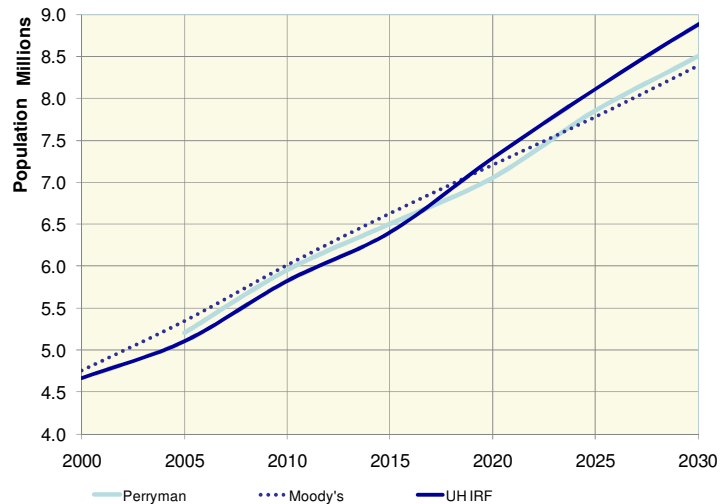
Even in light of the current recession and tough economic times for all Americans, Houstonians can take some comfort in the fact that economic growth will likely continue. Houston has a long history as a growth oriented community with conditions that are generally supportive of business expansion – low cost of living, low real estate prices, low unionization rates, and pro-business regulations.

The charts on the right illustrate three projections of Houston regional growth. The first is from the Perryman Group, a respected Texas economic research organization, the second is from Moody's Analytics, a national economic research company and the third is from the University of Houston – Institute for Regional Forecasting.

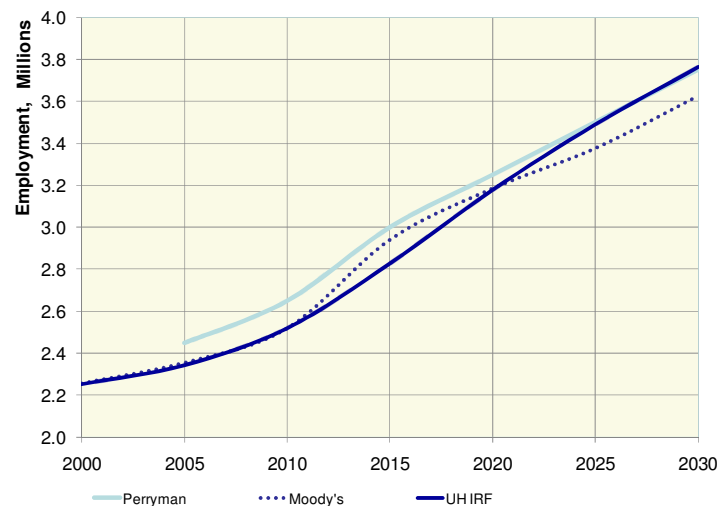
The projections are similar. By the year 2030, Perryman is projecting almost 3.8 million jobs and 8.5 million population. Moody's is slightly less optimistic, projecting 3.6 million jobs and 8.4 million population by 2030. The UH – IRF forecasts predicts 3.8 million jobs and 8.9 million population by 2030. Based on these forecasts, the region will add about between 2.4 and 3.0 million new residents from 2010 to 2030.

Economic Projections from Three Sources

Population



Employment

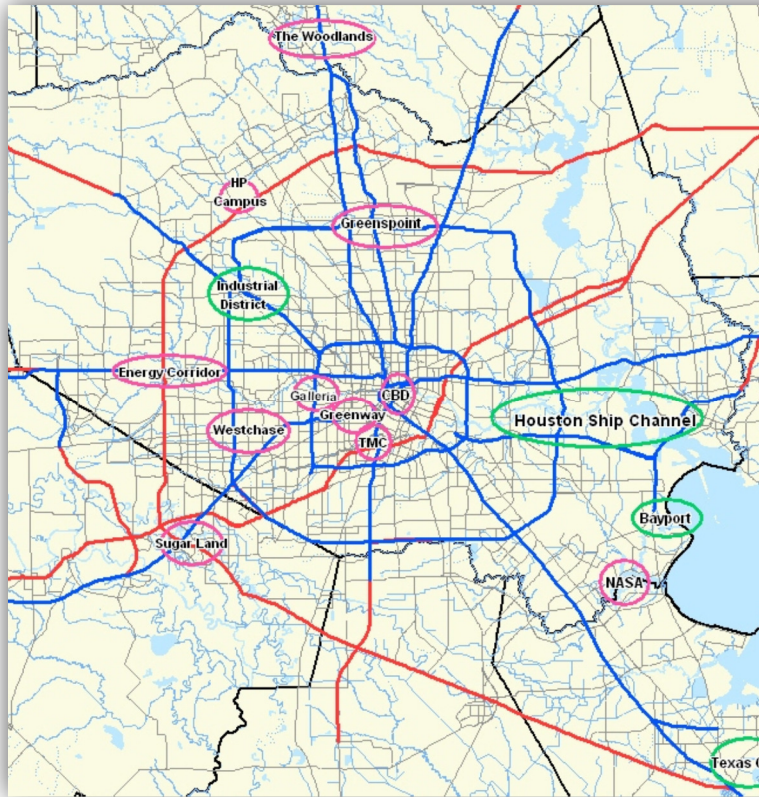


Sources: Moody's: *Economy.com Projections* from Moody's Analytics
 UH-IRF: University of Houston, Institute for Regional Forecasting,
2010 Economic Forecast

Economic Geography

The Houston MSA has developed in a low-density suburban form, uninhibited by natural geographic boundaries or excessive political regulation. The region's central business district presently accounts for only about 6% of regional employment. Other loosely-defined 'edge cities' comprise a large portion of the region's employment base. These typically are made up of a loose cluster of office, medical office, hotel, and supportive retail land uses. Examples within the Houston area include the Uptown/Post Oak area, the Texas Medical Center, Greenway Plaza, Sugar Land, Westchase, and Greenspoint. The region's heavy industries are clustered around the Houston Ship Channel. Additionally, a significant number of jobs are spread among Houston's suburbs in office parks, retail centers and light industrial facilities.

Major Regional Employment & Activity Centers



The accompanying map illustrates the locations of the principal activity centers (in red) and industrial districts (in green) in the Houston MSA.

Houston Area Business Activity Centers

The 9 principal business activity centers in the Houston region are, in alphabetical order:

- Downtown / Central Business District
- Clear Lake / NASA
- Energy Corridor
- Greenspoint
- Greenway Plaza
- Sugar Land
- The Woodlands
- Uptown/Galleria
- Westchase

Downtown/Central Business District

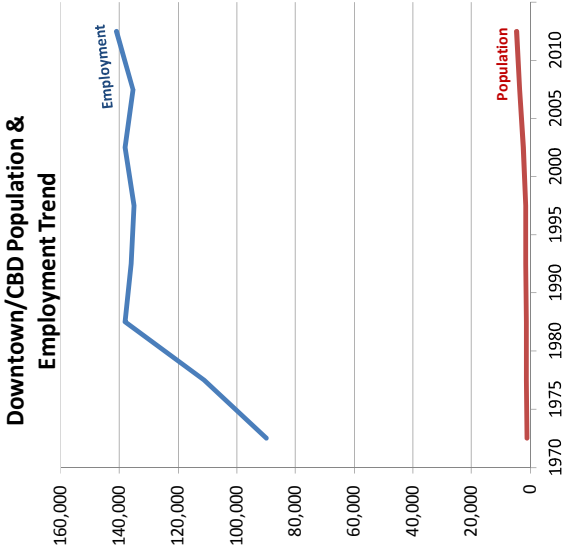
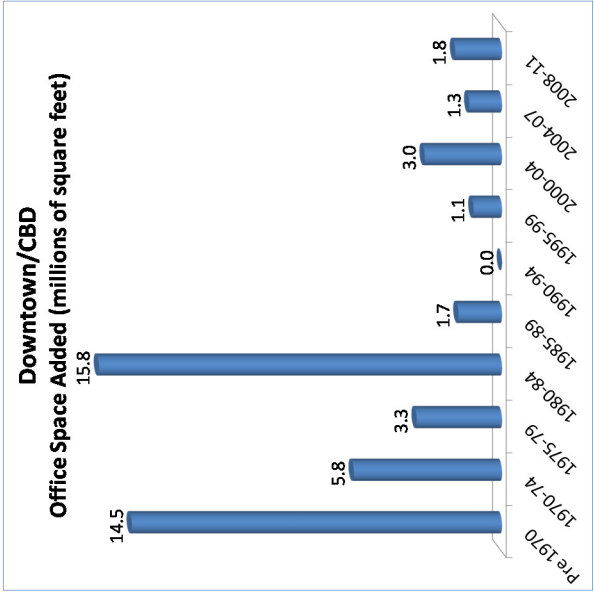
While the Texas Medical Center is certainly one of the largest concentrations of jobs and the greatest concentration of medical institutions in the nation, for the purposes of this report, they are not included here as a “Business” center.

Historical Growth of the Houston Activity Centers

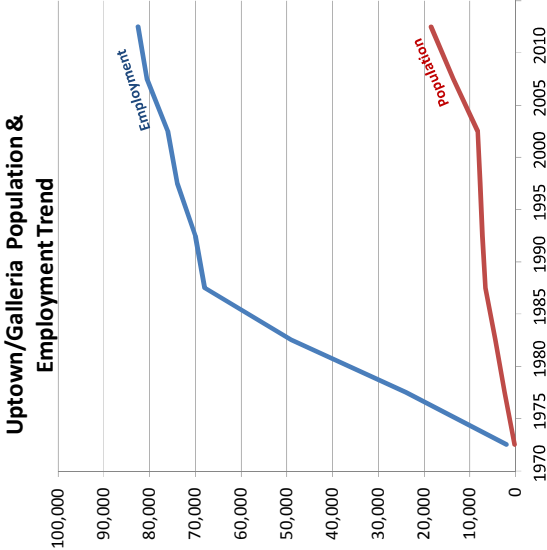
The following descriptions of the activity centers use data provided by O’Connor & Associates, Rice Center, the Houston-Galveston Area Council, and the various management districts representing these areas.

Downtown has been the center of the region’s economic activity since the city’s founding. Downtown has the highest concentration of jobs in Houston.

Downtown added 50,000 jobs during Houston’s energy boom, 1970 to 1980. But the oil bust of the early to mid-80s resulted in employment decline. No new office buildings were constructed downtown from 1986 until 2002 when 5 Houston Center was completed. 717 Texas Avenue, 1500 Louisiana and 1000 Main followed in 2003. Hess Tower and BG Group Place (totaling almost 2 million SF) were completed in 2010 and 2011, respectively. One Park Place, a luxury high-rise apartment tower with 346 units, is now 96% occupied and downtown’s population is rising, though still small.

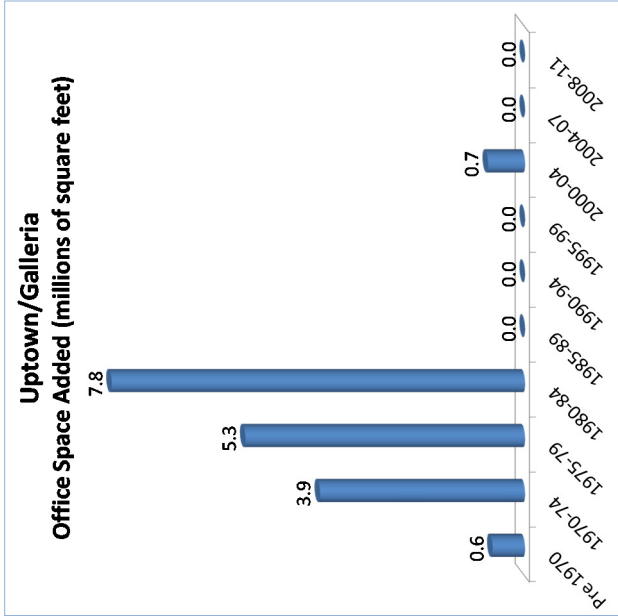


Uptown/Galleria Area



Uptown Houston is second only to downtown as an employment center. The area boasts a broad mix of office, retail, hotel, and residential development. The stimulus to the development of the area was the opening of the Galleria Mall in 1970 by Gerald Hines. Hines and others followed with a series of Class A office buildings, with construction peaking in the early 80s. This ended abruptly with no new office buildings constructed in Uptown for the next 15 years.

Market conditions have become strong enough at present that two office buildings, 1600 West Loop South and BBVA Compass Plaza at 2200 Post Oak Boulevard, are currently under



construction. Other office buildings may be built in the near future; most notably, Apache Corporation has purchased a site within the BLVD Place project just north of its current headquarters.

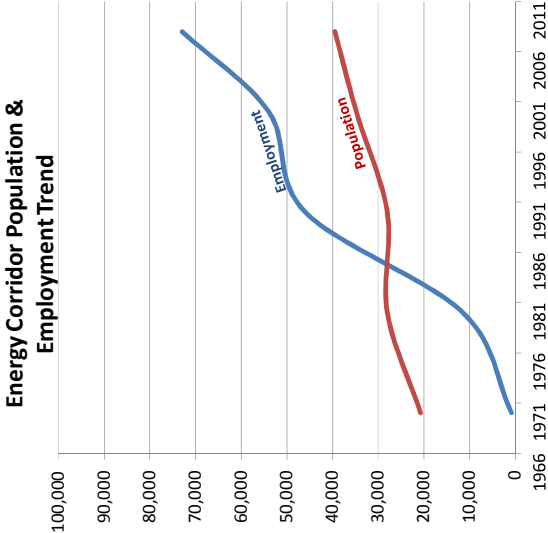
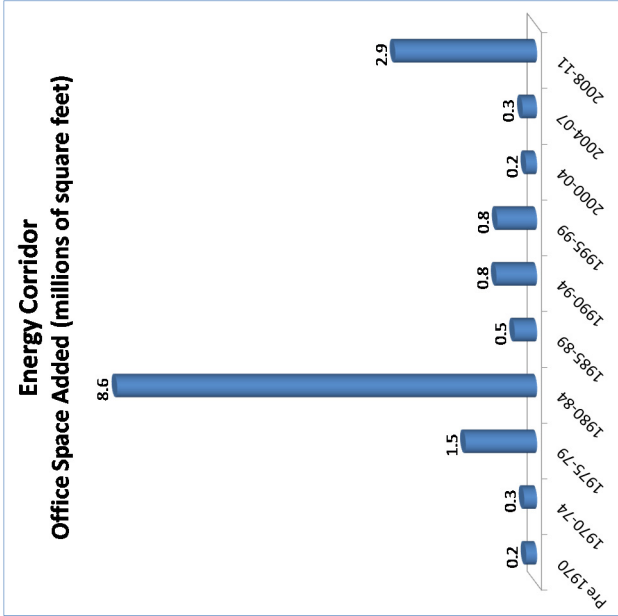
In recent years, luxury high-rise residential projects (condo and rental) have dominated the Uptown landscape. Since 2000, seven residential towers, containing more than 3,500 units have been completed; several more are under construction.

Other significant new projects include BLVD Place and River Oaks District, mixed-use urban centers with office, residential, retail and hotels.

Energy Corridor Area

The Energy Corridor contains the headquarters and regional offices of several prominent energy and energy services firms including BP America, Shell, ExxonMobil Chemical, ConocoPhillips, and CITGO.

With the energy crises of the mid to late 1970s, the area became an attractive location for expanding energy companies who felt the need to locate offices close to their key employees. The office growth first peaked in the early 1980s.



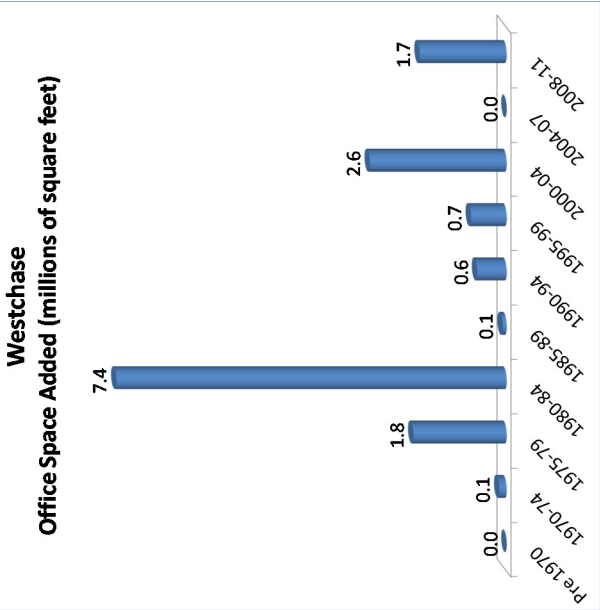
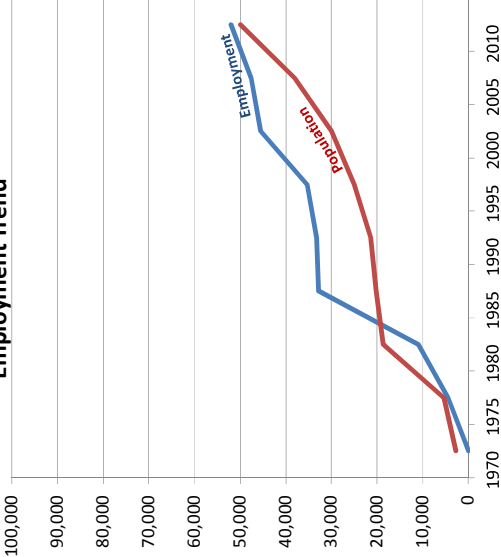
Recently office growth has again accelerated in the Energy Corridor with 3 million SF recently completed, and nearly 5.4 million SF under construction or proposed.

Westchase Area

Westchase began its growth in 1969 when Friendswood Development purchased the land at Westheimer and Gessner to create Woodlake Square. In 1973, the Westchase Corporation purchased 760 acres of land from the R.E. “Bob” Smith family.

The first 12 office buildings were built between 1975 and 1979 with a total of almost 1.8 million SF. The boom expanded in 1980 when 13 new buildings (670,000 SF) were completed. Commercial development slowed from the mid-80s to the mid 90s. Westchase saw a resurgence of over 4 million SF of office space completed 2000-2007. Office building in 2008 included 2.1 million sf (Granite Westchase II, Plaza at Enclave, City West Place V, City West Place VI, One Oak Park, and PGAL Architects).

Westchase Population & Employment Trend



Current office development in the area includes 15.3 million sq.ft. in 108 office buildings with an overall occupancy of 90.1%.

Under Construction/Pre-leasing and Planned:

Granite Properties on Briarpark, 300,000 sq.ft. (under construction)

Two Oak Park, 53,342 sq.ft.

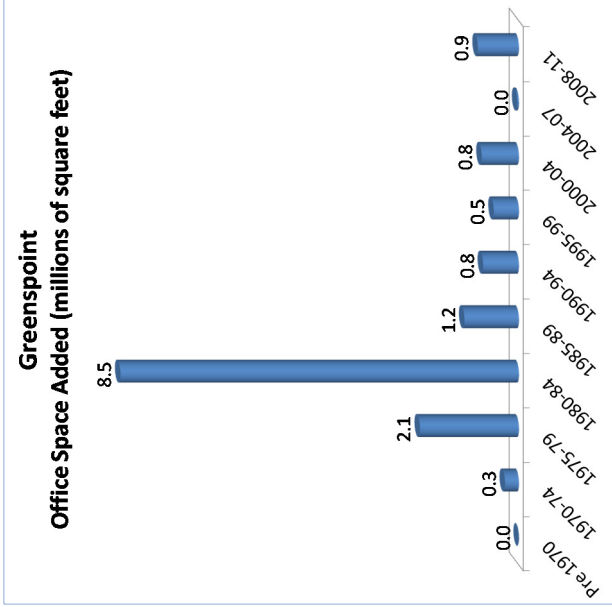
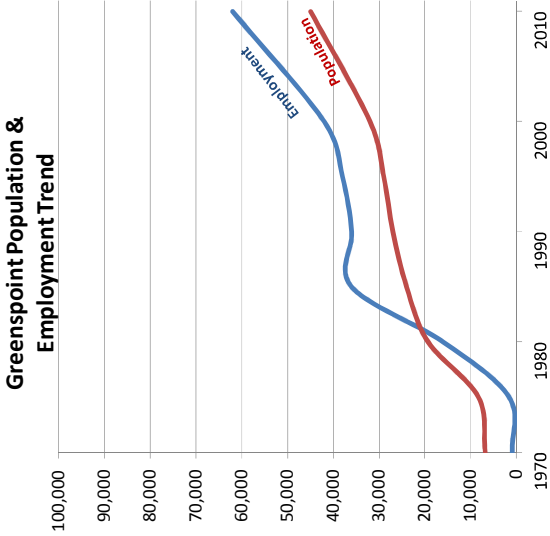
Two Briarlake Plaza, 332,000 sq.ft.

Greenspoint Area

Greenspoint has benefited from a location close to some of Houston’s fastest growing residential areas and proximity to Bush Intercontinental Airport. A significant growth spurt occurred from 1978 to 1985 when Friendswood Development Company developed Greenspoint Plaza (6 office buildings totaling almost 2 million SF).

The 80s saw rapid construction of office buildings in Greenspoint – capturing 9% of regional office space construction during that period.

Since the 80s there has been substantial growth of office warehouse and flex space in the area around Greenspoint. A major tenant for the area’s Class A buildings, ExxonMobil, will be vacating as the company’s new campus is built near The Woodlands over the next several years.

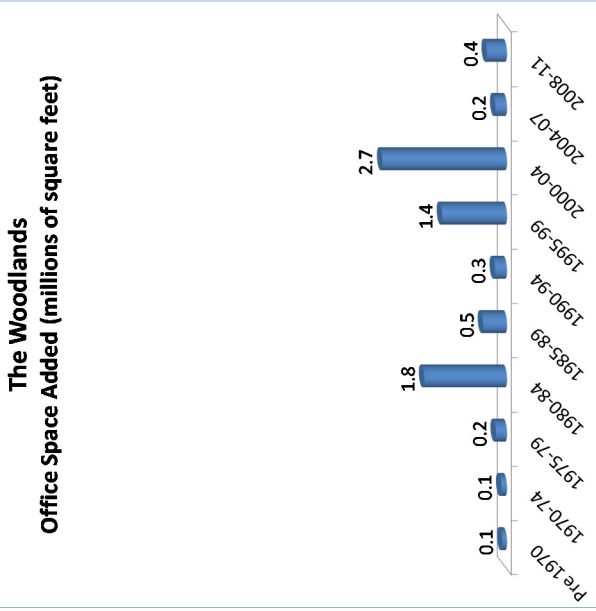
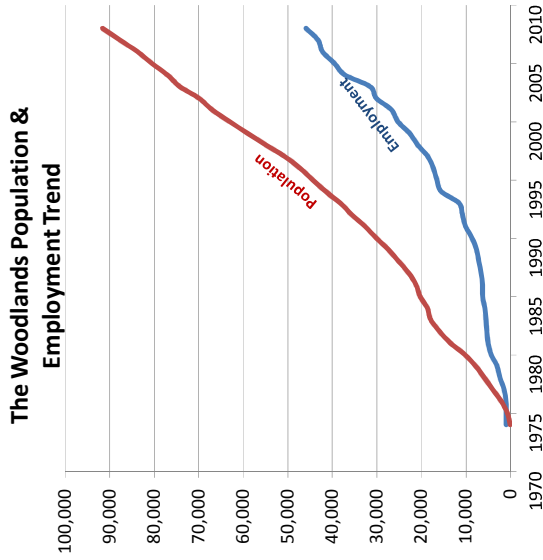


The Woodlands

The Woodlands, one of the most successful “new town” master-planned communities in the U.S, was developed by George Mitchell who began acquiring the original 12,000 acres in 1964 and began development in 1974. Today The Woodlands contains over 28,000 acres, much of which is built out.

Office and industrial development began in The Woodlands in 1982 with the establishment of Research Forest, an office park and a center for advanced research. In 1993, The Woodlands Town Center district was formed and the Town Center officially opened in 1994, containing The Woodlands Mall, Cochran’s Crossing and Market Street shopping centers.

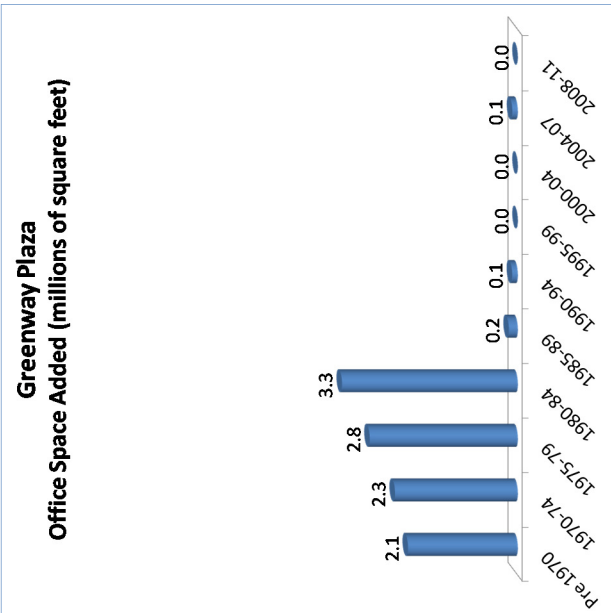
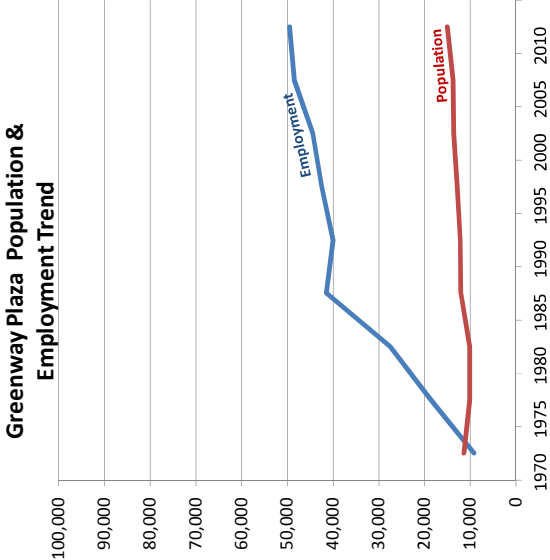
New office development projects for The Woodlands commercial district include the 220,000 SF 4 Waterway building, which is under construction and the planned 200,000 SF Vision Park office building. In early 2012, Anadarko began construction on a second office tower in The Woodlands. Howard Hughes Corporation, now the major developer of the community, has also announced a new office and retail district along Lake Woodlands, with construction to start soon on a speculative office building.



Greenway Plaza Area

Greenway Plaza is the smallest of the office activity centers in land area, totaling only 900 acres. An innovative project of Century Development Company, Greenway is built on the site of a residential subdivision whose homes covered by deed restrictions were purchased one-by-one. The project grew quickly during the late 70s and early 80s and was one of Houston’s first mixed-use projects combining office space, retail, hotel, entertainment, private club and high rise residential buildings. Growth slowed in the late 80s through the early part of this century.

In 2004, the 271-unit Camden Plaza apartments were completed. In 2007, the 34,000 SF Summit Plaza retail center was completed. Other new multifamily developments have been occurring immediately north of the office district along Richmond Avenue.



Sugar Land Area

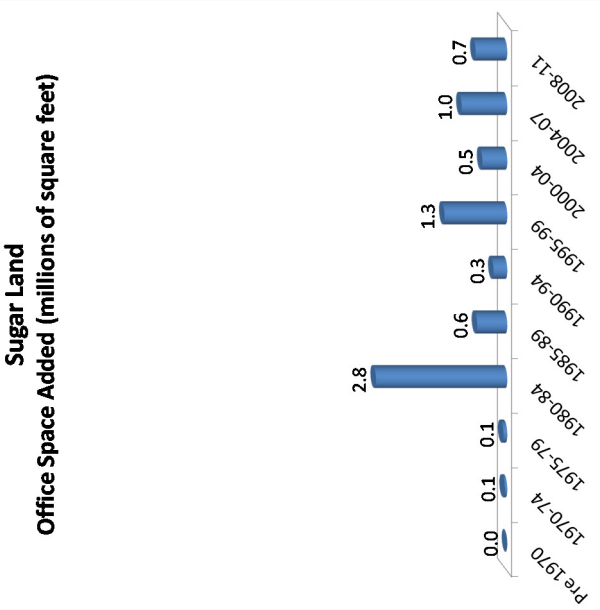
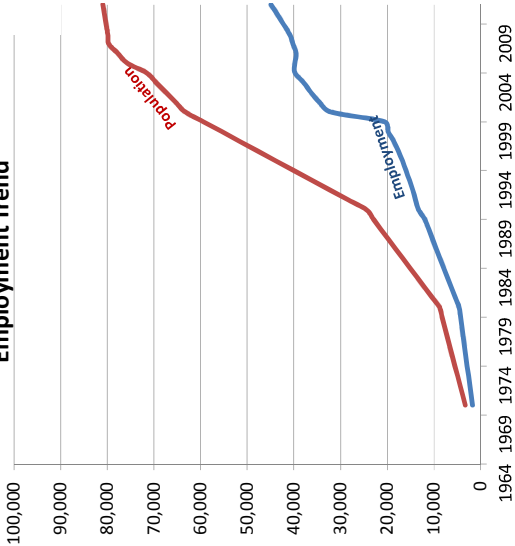
Sugar Land is one of the fastest-growing cities in Texas. Its strong development history dates to 1968 when the Imperial Cattle Ranch sold 1,500 acres to create Sugar Creek, the area's first master-planned community. Additional impetus occurred in 1976 when Gerald Hines began the development of First Colony, a 9,700 acre master-planned community.

The city ranks as the third-largest in population and second-largest in economic activities in the Houston region. Sugar Land is now a strong employment center with 40,000 employees working in retail, offices and industrial parks.

Sugar Land is home to regional headquarters of well-known employers including: Chevron; Fluor Daniel; National Oilwell Varco; Nalco Energy Services; Schlumberger Companies Tramountina and Minute Maid.

The Sugar Land Town Square is a successful mixed use center with retail, office, and hotel.

Sugar Land Population & Employment Trend

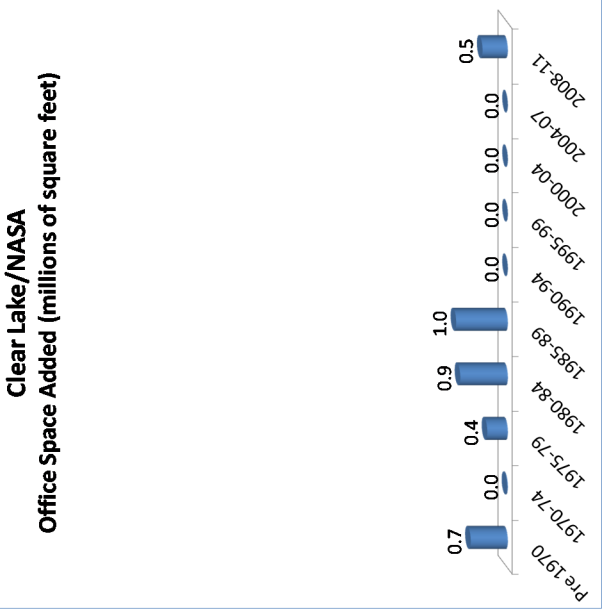
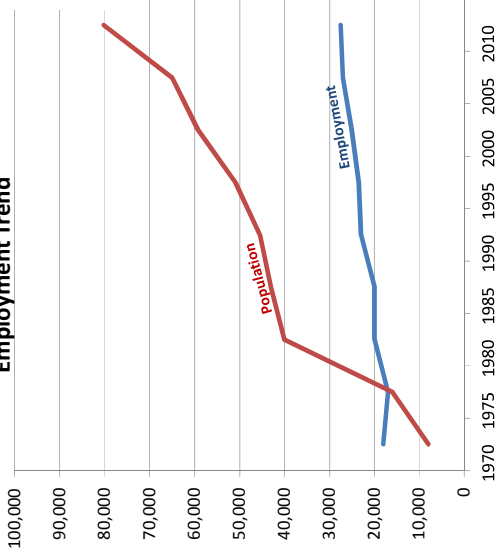


Clear Lake Area

Clear Lake City was one of the first master-planned communities of the Friendswood Development Company on land owned by Humble Oil (now ExxonMobil). The spark for Clear Lake was its selection, in 1961, as the site for the NASA manned spacecraft center. In 1963, residential development was initiated coincident with the construction of the space center. Clear Lake was unique to Houston as the first suburban area with substantial employment — everyone who worked in the area could live nearby. The Clear Lake/NASA area includes Clear Lake, Nassau Bay Seabrook, Webster and smaller cities.

The Nassau Bay Town Square, a new mixed-use project including a hotel, office, retail and residential is well underway along NASA Parkway.

Clear Lake Population & Employment Trend



Population

Historic Growth and Projections

Population growth is one of the principal measures of the economic vitality of any Market Area because increasing population is generally the result of more jobs, a high level of immigration and a stable or expanding economy. The United States Office of Management and Budget recently redefined the geographical units used by the Bureau of the Census. The Houston area, defined as the Houston-The Woodlands-Sugar Land Metropolitan Statistical Area (MSA) includes nine counties. The table below uses the original 8 county CMSA (excludes Austin County) and summarizes historic Census population counts for 1980, 1990, 2000, and 2010, and population projections for five year increments to 2040 for the Houston-CMSA and the eight counties.

The 8-County Houston CMSA has undergone tremendous growth in recent decades – from 3.12 million in 1980 to 4.669 million in 2000. In 2010, total population is reached 5.89 million.

As the table below demonstrates, population growth in the Houston MSA and the counties that comprise the area is projected to continue. From the 2010 estimate of 5.9 million, population in the MSA is projected to reach 6.4 million in 2015, equivalent to an annual compound growth rate of 1.9%. Population

County Level and Region Population Growth History and Projections

Yr.	Yr.	8*County CMSA	Brazoria	Chambers	Ft. Bend	Galveston	Harris	Liberty	Montgomery	Waller
Population by Year	1970	2,181,316	108,312	12,187	52,314	169,812	1,741,913	33,014	49,479	14,285
	1980	3,118,480	169,587	18,538	130,962	195,738	2,409,547	47,088	127,222	19,798
	1990	3,731,131	191,707	20,088	225,421	217,399	2,818,199	52,726	182,201	23,390
	1995	4,021,841	206,421	21,416	264,235	224,620	3,002,304	57,713	219,190	25,941
	2000	4,669,589	241,767	26,031	354,452	250,158	3,400,578	70,154	293,786	32,663
	2005	5,109,124	273,338	29,122	451,391	272,316	3,604,232	75,104	367,857	35,764
	2010	5,891,999	313,166	35,096	585,375	291,309	4,092,459	75,643	455,746	43,205
	2015	6,408,117	352,076	40,316	678,295	317,407	4,356,592	80,863	534,040	48,529
	2020	7,294,045	432,345	49,194	846,708	370,590	4,757,939	98,591	671,784	66,895
	2025	8,118,189	526,974	58,403	1,011,921	428,414	5,049,667	123,373	809,505	109,933
	2030	8,888,991	623,618	67,885	1,172,062	481,794	5,283,362	153,876	949,722	156,672
	2035	9,567,234	719,714	78,790	1,325,213	530,524	5,436,464	188,683	1,084,922	202,925
	2040	10,145,645	803,767	90,384	1,455,351	567,560	5,547,285	225,719	1,212,168	243,412
Change	Period									
Annual Average Pop. Growth by Period	'00-'10	122,241	7,140	907	23,092	4,115	69,188	549	16,196	1,054
	'10-'20	140,205	11,918	1,410	26,133	7,928	66,548	2,295	21,604	2,369
	'20-'30	159,495	19,127	1,869	32,535	11,120	52,542	5,529	27,794	8,978
	'30-'40	125,665	18,015	2,250	28,329	8,577	26,392	7,184	26,245	8,674
	'10-'40	141,788	16,353	1,843	28,999	9,208	48,494	5,003	25,214	6,674

Source: U.S. Bureau of the Census for historical to 2010, University of Houston, Institute for Regional Forecasting for projections to 2040.

projections for the 8-county region were prepared by the University of Houston, Institute for Regional Forecasting in 2011 and modified slightly by CDS Market Research as a result of the 2010 Census release.

Basis for Projections

The foregoing population projections are based upon general economic health in the Houston Metropolitan Area and a moderate sustained rate of growth for the foreseeable future. The projections are based upon a review of long-range population growth rates forecast by Claritas, Inc., a nationally recognized population and demographics service.

The caveat in using population projections occurs in times of a rapid change in the population of the area being studied. Some methods of population projection presume a stable rate of change. If an area is in the midst of rapid change, such forecasts may overstate or understate the magnitude of the change. Often, it takes time for the impact of such change to show up in economic and demographic estimates and forecasts. CDS Market Research uses the estimates and projections of respected authorities in order to present a reasonable, conservative picture within its analyses but there are places in which the primary population data may be understated or overstated. In such instances, derivative forecast calculations would then be similarly affected.

Housing Trends

Household Size Trends

The trends in average household size for the Houston MSA and the four primary counties are shown in the table on the right. In spite of the increasing numbers of one and two-person households due to longer life spans for empty nesters, later marriages among young professionals and a high divorce rate, average household size is actually increasing in the MSA, Harris County, and Montgomery County. This is due to the high birth rates and immigration rates on the part of the Hispanic component of the population. Household size in Ft. Bend County is forecast to decline slightly due in part to the large number of singles and couples without children that work in the Texas Medical Center. Meanwhile, Brazoria County persons per household remains constant.

Household Size Trends

1990 – 2010 and Projected 2015

Year	Household Size, persons/HH				
	Houston MSA	Harris County	Montgomery County	Ft. Bend County	Brazoria County
1990	2.75	2.72	2.84	3.14	2.86
2000	2.80	2.79	2.83	3.14	2.82
2010	2.85	2.85	2.87	3.13	2.82
2015	2.87	2.87	2.89	3.12	2.82

Source: PCensus for Map Info (Claritas, Inc.),

Housing Type Trends

The following table presents trends in housing types for the Houston MSA between 1970 and 2010. As shown, in 1970, single-family homes, including mobile homes, accounted for 79.1% of the housing stock in the MSA, while 20.9% of the inventory was comprised of multi-family units.

Between 1970 and 1980, 51.8% of the housing stock added in the MSA was single family, including mobile homes, and 48.2% was multi-family, decreasing single-family housing's share of the total inventory to 68.2% by 1980. Between 1980 and 1990, more than one-half of new housing construction added or 57.4% was single-family. By 1990, the single-family share of the total housing inventory had declined to 66.3% of the total housing inventory. Between 1990 and 2000, 76.2% of all new housing constructed was single-family. Single-family share of new housing units rose further through 2010 to 83.3%.

Housing Permit Trends

The chart below, right, provides a 16-year history of Houston MSA housing permits. From 2001 to 2005, single-family permits averaged 41,414 annually. In 2006, single-family permits peaked at 55,080 then declined to 42,089 in 2007. When the global recession took hold in Houston in 2008, single-family home permits declined dramatically to 28,155 and in the next two years permits hovered around 22,000 – a

Housing Type Trends, 1970 – 2010

Houston MSA

	Single-Family *	Multi-Family	Total
1970 Housing Units % of Total Units	591,854 79.1%	155,954 20.9%	747,808 100.0%
1980 Housing Units % of Total Units	849,330 68.2%	395,535 31.8%	1,244,865 100.0%
Unit Change, 1970-1980 % of Total Change	257,476 51.8%	239,581 48.2%	497,057 100.0%
1990 Housing Units % of Total Units	1,003,085 66.3%	509,863 33.7%	1,512,948 100.0%
Unit Change, 1980-1990 % of Total Change	153,755 57.4%	114,328 42.6%	268,083 100.0%
2000 Housing Units % of Total Units	1,215,015 67.8%	575,983 32.2%	1,790,998 100.0%
Unit Change, 1990-2000 % of Total Change	211,930 76.2%	66,120 23.8%	278,050 100.0%
2010 Estimated Housing % of Total Units	1,606,225 71.1%	654,152 28.9%	2,260,377 100.0%
Unit Change, 2000-2010 % of Total Change	391,210 83.35%	78,169 16.65%	469,379 100.0%

*Includes mobile homes. Source: U.S. Census of Population, 1970-2000; PCensus; and CDS Market Research

Historic Houston MSA Housing Starts*

2000 – 2012

Year	Multi Family	Single Family	SF Share	Total Permits	Annual % Change
2000	7,590	31,120	80%	38,710	-1%
2001	7,183	34,311	83%	41,494	7%
2002	12,401	34,640	74%	47,041	13%
2003	16,761	41,995	71%	58,756	25%
2004	10,858	45,039	81%	55,897	-5%
2005	11,080	51,085	82%	62,165	11%
2006	16,570	55,080	77%	71,650	15%
2007	21,158	42,089	67%	63,247	-12%
2008	14,553	28,155	66%	42,708	-32%
2009	4,953	22,324	82%	27,277	-36%
2010	5,166	22,113	81%	27,279	0%
2011	7,815	19,395	71%	27,210	-36%
2012	15,001	24,991	62%	39,992	47%

CMSA includes eight counties: Harris, Fort Bend, Galveston, Liberty, Brazoria, Chambers, Montgomery and Waller. *Starts necessarily based on building permit activity.

Source: Real Estate Center at Texas A&M University and CDS Market Research

60% decline from the peak in 2006. In 2011, single-family permits declined to 19,395. By 2012, the market was improving and permits increased to nearly 25,000.

Multi-family unit permits averaged 10,660 units annually in 1996-2000, 11,657 in 2001-2005 and 11,232 in 2006-2010. Due to changes in the condition of the housing market a larger share of multifamily units were permitted during the period from 2006-2008 with an average of 17,427 multi-family units permitted in that 3-yr period. In 2009, 2010, and 2011, the recession hit the multi-family market with only permits totaling 4,953, 5,166 and 7,815 units, respectively. By 2012, the multi-family permits increased to 15,000. The increase in 2012 is likely due primarily to the lack of mortgage loans in the capital markets.

Average Annual New Housing Starts Projections

Houston MSA, 2013 – 2020

Projection Period	Average Annual		
	Single-Family	Multi-Family	Total
Range			
2013-2015	28,000-32,000	12,000-16,000	40,000-48,000
% of Total	68%	32%	100%
Range			
2016-2020	30,000-34,000	15,000-18,000	45,000-52,000
% of Total	67%	33%	100%

Source: CDS Market Research

Housing Permit Projections

The table below presents annual single-family and multi-family new housing permit projections for the Houston MSA for the 2011-2015 and 2016-2020 periods.

Single-family housing construction has accounted for 76% of new permits in the region over the past 10 years, but the single-family share is expected to decline somewhat in the future as the area matures and urbanizes. The table on the right presents CDS Market Research's projection for new housing construction in the MSA for the next two 5-year periods.

2013-2015. CDS projects total annual average housing permits for the 2013-2015 period to be in the 40,000-48,000 range. Single-family unit permits are expected to increase from the 23,400 annual average during the 5-year period ending in 2012 to a range of 28,000 to 32,000. Single-family housing is expected to continue to account for the majority of housing permits, but due to tightened mortgage loan restrictions, its share is expected to decline to 65%.

2016-2020. Over the 2016-2020 period, CDS expects a return to a higher level of annual permits in the 45,000-52,000 range. When combined with the higher forecast share, annual average single-family permits will likely climb to 30,000-34,000 annually while multi-family permits increase somewhat to 15,000-18,000.

Growth Patterns

Three residential growth patterns, which had their inception in the 1980s, have been identified as trends, which seem certain to continue. First is the expansion of single-family development into counties surrounding Houston, especially Montgomery to the north, Fort Bend to the southwest and Brazoria County to the south. (The strong growth that also took place in the 90s and early 00s in Galveston County may or may not continue following the devastation of Hurricane Ike in September, 2008.) Second is the strong demand for housing located within and near master-planned communities. Third is the trend toward infill development of new housing, including high-rise projects, inside or located close to the urbanized core of the Houston Metro Area.

Overall Houston Markets

Apartment Market

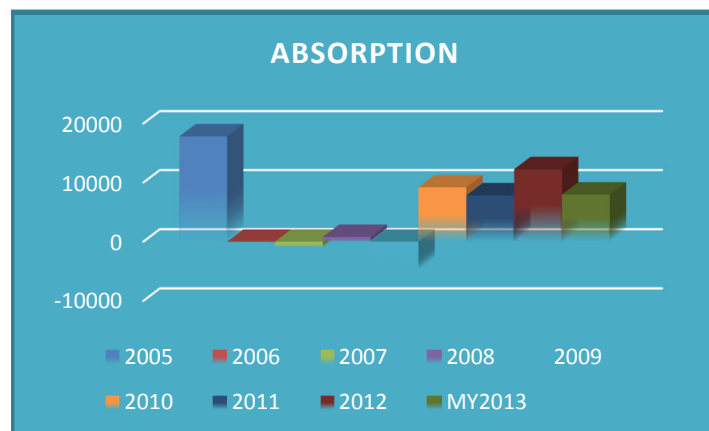
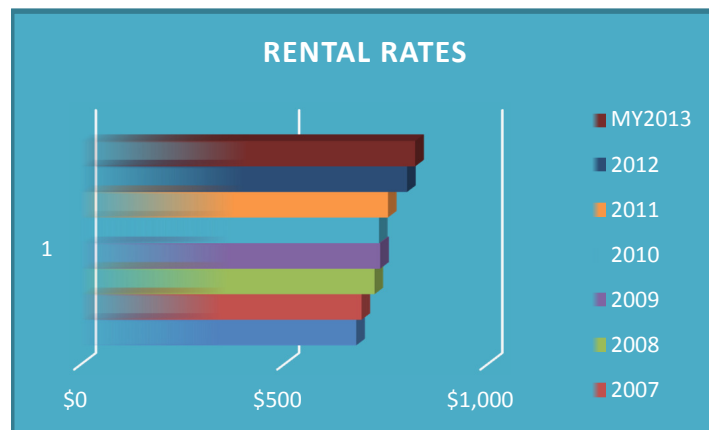
Houston's apartment vacancy rate has retreated to levels last recorded in 2006. This has sparked a surge in the development pipeline. Fortunately, key economic sectors including energy and health services are thriving, which will help generate sufficient renter demand to absorb new Class A deliveries. The upturn in residential and commercial development points to another year of strong expansion in the previously hard-hit construction industry, which will boost demand for more affordable units.

REVAC's Mid-Year 2013 Apartment Occupancy and Rental Survey include approximately 89% of the 595,578 units in the Houston and surrounding areas (projects with 5 or more units). The overall physical vacancy is 8.4% which is down 0.9 percentage points from the year end 2012 and down 1.4% from mid-year 2012.

Overall rental rates continued to increase with overall rates rising to \$823 per month (\$0.94psf) which is an increase of \$20 from year end 2012. The major factor affecting the rental rates is the decrease in the amount of concessions being offered. The trend indicates that in projects where the occupancy is low, aggressive rental concessions are offered until the property reaches a more stabilized occupancy rate.

The absorption rate at Mid-Year was a positive rate of 7,968 units. The increase

Apartment Trends



Source: REVAC 2013 Mid-Year Summary Report

in absorption is related to the decrease in the vacancy rate along with the moderate number of units proposed. The increase in absorption is related to the decrease in the vacancy rate of operating units along with the moderate number of new units coming into the market, allowing existing units to be absorbed.

Apartment construction jumped in the first 6 months of 2013 with 6,483 units (27 projects) constructed since year end 2012. **Greenway/Montrose** had an addition of 935 units while **West Loop/Galleria** added 554 units by mid-year 2013.

With an additional 15,311 units under construction, 2013 could hit close to 20,000 units added to the supply. The areas with the largest number of units under constructed is **Greenway Plaza/Montrose**, with 4,586 units and the **West Loop/Galleria** with 2,823 units.

At Mid-year 2013, there were an additional 5,442 units (21 projects) proposed for construction. **Greenway/Montrose** is projected to add an additional 1,074 units.

Areas with New Construction

AREA	Proj	Units
Central Business Dist (1)	2	509
Fringe CBD-East (2A)	1	70
Greenway/Montrose (3)	3	935
West Loop (4)	2	554
Near West (5)	2	648
Bellaire-SW (8A)	2	499
Almeda-SW (8B)	1	319
Far NE-Lk Hstn (15B)	2	497
Champions-W (17B)	1	114
Spring Branch-NW (19A)	1	36
Bear Creek-NW (19B)	1	216
Katy (19C)	3	626
The Woodlands (21)	1	264
Conroe (22)	1	210
Ft. Bend (23)	1	196
Brazoria Co./North (27)	2	722
Brazoria Co./South (28)	1	68
TOTAL	27	6,483

Areas Under Construction

AREA	Proj	Units
Central Bus.District (1)	5	1,031
CBD Fringe Area-NW (2D)	1	103
Greenway Plaza/Montrose (3)	17	4,586
West Loop (4)	9	2,823
Near West (5)	4	871
Far West (6)	7	1,782
South (9)	1	281
Far Northeast-Lk Hstn (15A)	1	236
Far Northeast-Airport (15B)	1	15
IH-45 North (16)	1	160
Champions-West (17B)	1	336
Champions-East (17C)	1	323
Brookhollow NW (18)	1	144
Bear Creek-NW (19B)	1	360
Katy-Northwest (19C)	5	1,578
The Woodlands (21)	1	380
Galveston Co.- North (25)	1	302
TOTAL	58	15,311

Proposed Units

AREA	Proj	Units
Central Bus.District (1)	4	1,215
Fringe CBD-Northwest (2D)	1	270
Greenway/Montrose (3)	4	1,074
West Loop (4)	1	150
Near West (5)	1	158
Far West (6)	1	240
Bellaire/SW (8A)	1	193
Champions-East (17C)	1	280
Far Northwest (17E)	1	294
Katy-NW (19C)	2	636
Baytown (20)	1	240
Ft. Bend (23)	2	608
Galveston Island (26)	1	84
TOTAL	21	5,442

Source: REVAC 2013 Mid-Year Summary Report

Units continue to be removed from the market being either torn down or converted to an alternate use. Some areas are seeing the removal of units for new or large multi-use projects. In addition some apartments are being converted to condos and sold. Since 1987, there have been 47,986 units torn-down or converted.

According to the Marcus and Millichap 3rd Quarter 2013 Houston Market Outlook, Houston's economic engine continues to fire on all cylinders thanks to a booming energy market, strong trade and surging development activity.

Construction Forecast: Developers will deliver 9,250 apartments this year, up 77% from 2012. The downtown/West Inner Loop area will record the most significant inventory growth.

Vacancy Forecast: *Despite a dramatic increase in completions, metro-wide vacancy is forecast to tick up to 7.9 percent, as outsized population growth and job creation strengthen new renter demand.*

Rent Forecast: *Effective rents in Houston will rise 4.5 percent in 2013 to \$907 per month, driven in part by the delivery of thousands of new high-end units to the marketplace. During 2012, the average effective rent increased 5.1 percent.*

Office Market

Houston continues to create more jobs than almost any other city in the country. Employment increased by 3.6%, which is slower than the 2012 pace of 4.5%, yet still well above its 10 year average growth rate of 2.0%.

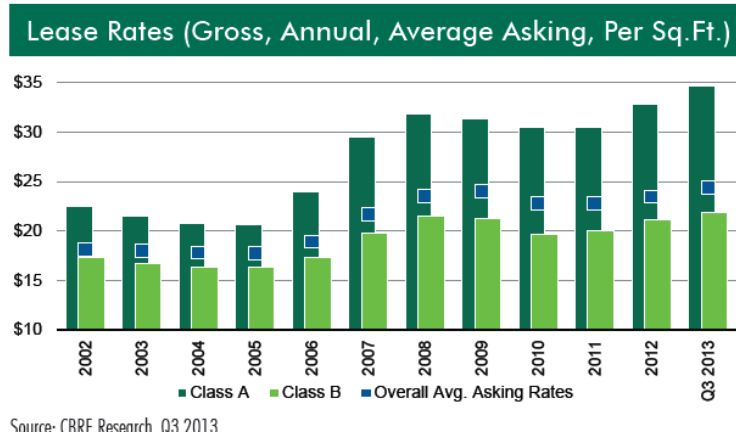
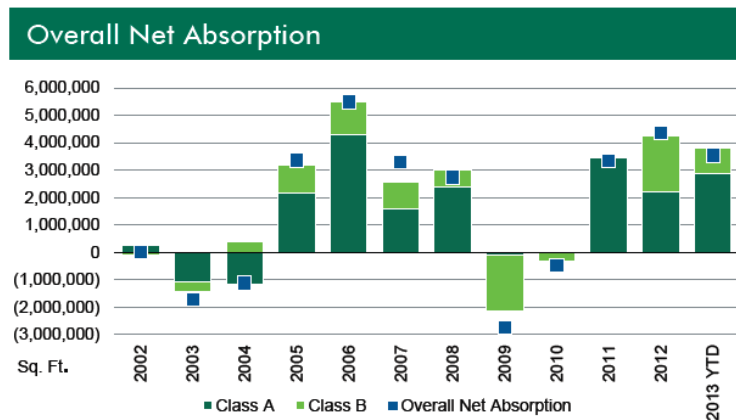
Job growth in the business sectors within the office market has seen a steeper decline than overall employment, slowing to 2.8% growth compared with 5.3% in Q3 2012.

According to CBRE, for the first time in more than seven years, the office market absorbed 1.8 million square feet, bringing the year-to-date absorption total to 3.4 million square feet. Over 60% of the third quarter absorption occurred in new construction deliveries. By evidence of the 1.8 million square feet of absorption, tenants vacating existing properties for new construction did not affect the overall market as a large number of the deliveries are user owned, build-to-suits and expansions. Of the 1.8 million square feet absorbed, 1.2 million square feet is due to occupied deliveries.

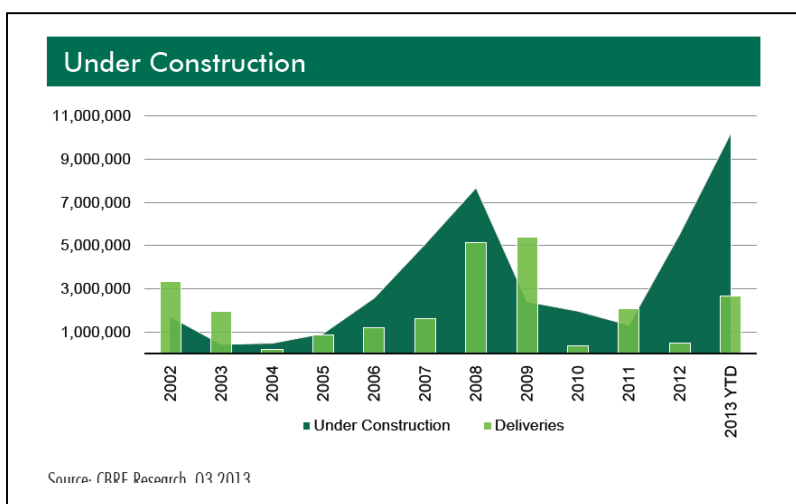
Rental rates increased for the first time this year; overall rates increased by almost a dollar to \$24.40. There is growing concern among tenants regarding rate increases. Asking rents have increased 10%-to-15% since some

tenants were last in the market and rates are approaching historical highs across the city. Class A West Loop rates have increased almost five dollars since 2008. Rate increases this quarter are likely due to the delivery of new office product as well as increased taxes inflating operating expenses.

According to Colliers International, the CBD Class A average quoted rental rate increased 0.4% from \$37.04 per SF to \$37.19 per SF between quarters 2Q and 3Q 2013.



Construction starts have slowed over the year with 1.4 million square feet breaking ground in Q3. Now, 10.2 million square feet is underway in 30 buildings with 81.8% pre-leased. Speculative construction is down with local developers being the first to start spec projects.



At 3Q 2013, Colliers International showed 1,306 buildings in the Houston Office Market including 173,832,324 square feet with a vacancy rate of 15.4% and rents at \$24.80psf overall.

Houston Office Market Summary

	Inventory		Direct Vacancy		Sublease Vacancy		Vacancy	Vacancy Rate (%)		Net Absorption (SF)		Rental Rate
Class	# of Bldgs.	Total (SF)	(SF)	Rate (%)	(SF)	Rate (%)	Total (SF)	Q3-2013	Q2-2013	Q3-2013	YTD-2013	AVG (\$/SF)
CBD												
A	28	28,249,120	2,410,786	8.5%	649,627	2.3%	3,060,413	10.8%	12.0%	326,951	-243,703	\$37.19
B	29	8,283,453	1,537,884	18.6%	24,341	0.3%	1,562,225	18.9%	18.9%	5,936	-7,393	\$25.04
C	21	1,390,823	766,346	55.1%	0	0.0%	766,346	55.1%	54.2%	-12,791	-20,001	\$18.18
Total	78	37,923,396	4,715,016	12.4%	673,968	1.8%	5,388,984	14.2%	15.1%	320,096	-271,097	\$33.20
Suburban												
A	210	56,155,919	6,465,455	11.5%	555,117	1.0%	7,020,572	12.5%	11.7%	846,497	1,767,461	\$29.79
B	758	68,057,788	11,755,575	17.3%	565,458	0.8%	12,321,033	18.1%	17.7%	-391,818	-841,800	\$18.97
C	260	11,695,221	1,961,922	16.8%	9,992	0.1%	1,971,914	16.9%	16.7%	-59,820	-231,189	\$14.98
Total	1228	135,908,928	20,182,952	14.9%	1,130,567	0.8%	21,313,519	15.7%	15.2%	394,859	694,472	\$22.98
Overall												
A	238	84,405,039	8,876,241	10.5%	1,204,744	1.4%	10,080,985	11.9%	11.8%	1,173,448	1,566,290	\$31.81
B	787	76,341,241	13,293,459	17.4%	589,799	0.8%	13,883,258	18.2%	17.8%	-385,882	-851,021	\$19.58
C	281	13,086,044	2,728,268	20.8%	9,992	0.1%	2,738,260	20.9%	20.1%	-72,611	-251,190	\$15.18
Total	1306	173,832,324	24,897,968	14.3%	1,804,535	1.0%	26,702,503	15.4%	15.1%	714,955	464,079	\$24.80

Retail Market

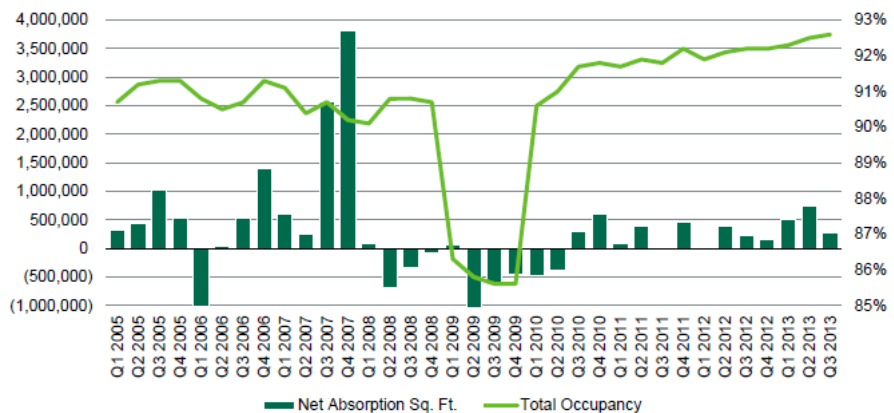
The Houston retail market continued its very active year in 2013. Multiple grocers, including Fresh Market, Aldi, and Sprouts, opened new locations as they compete for a piece of the growing grocery market according to CBRE Research, Q3 2013.

The Houston retail market includes 3,128 centers totaling 207,134,474 square feet.

The Houston retail market tallied 264,045 square feet of absorption during Q3 2013, down from 733,156 square feet last quarter. This marked the fifth consecutive quarter of positive absorption. Total absorption Y-T-D has been 1.4 million square feet.

Retail vacancy rates declined ever so slightly to 7.4%, the lowest level in more than four years and overall rental rates ticked up to \$21.81 per square foot.

Absorption and Occupancy



Source: CBRE Research, Q3 2013.

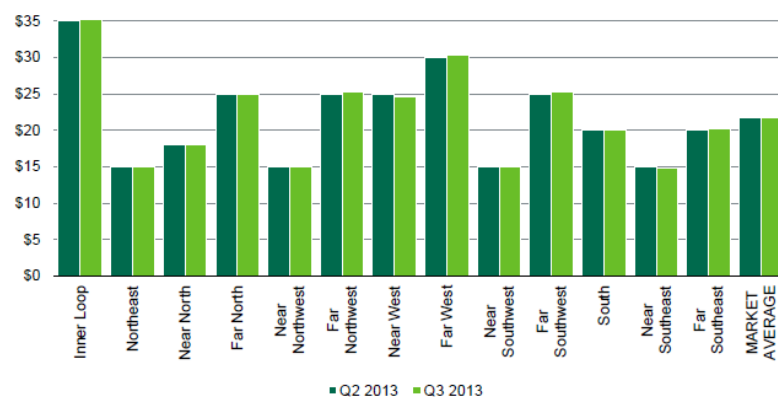
According to Marcus & Millichap, 3Q2013, vacancy at smaller, open-air buildings, including neighborhood/community centers, recently dipped below the 10 percent threshold to 9.8 percent in the second quarter.

At power/lifestyle/outlet centers, vacancy was 6.3 percent at midyear, down 10 basis points from this year's opening period. Year over year, however, vacancy is up 20 basis points due to the impact of new construction.

At neighborhood/community centers, average asking rents were \$14.15 per square foot in the second quarter, up 0.8 percent from one year ago. Asking rents remain more than 8 percent below the pre-recession peak.

Power/lifestyle/outlet centers posted average rents of \$19.94 per square foot during the second quarter, up 12 percent in the last year.

Asking Rates

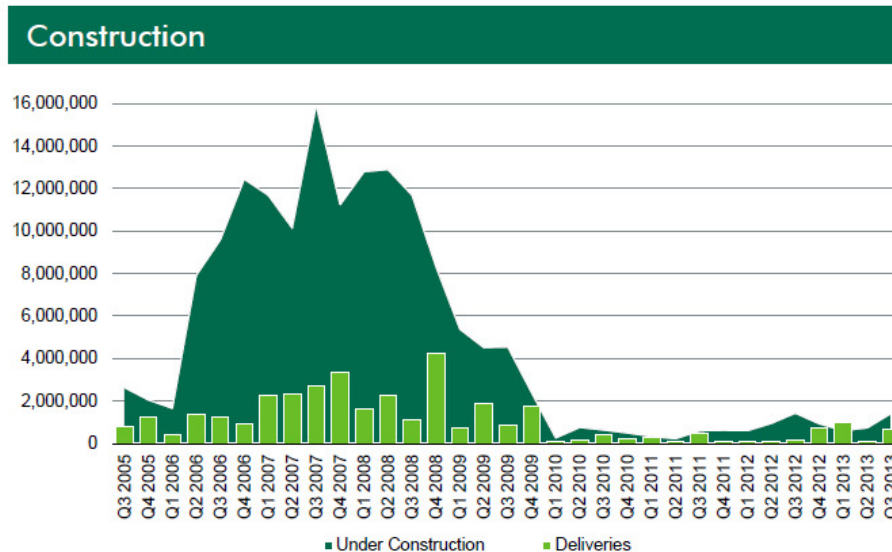


Annual gross average asking per sq. ft.

Source: CBRE Research, Q3 2013.

In Q3 2013, seven new retail centers totaling 789,052 square feet were completed. Among these are a 153,000 square foot Costco in Sugar Land, a 136,000 square foot Sam's Club near Westheimer and Eldridge and a 30,000 square foot Sprouts Farmers Market.

At 3Q 2013, Big Box building supply remains at slightly over 200, down from the 225 in 3Q 2012. Available Big Box spaces include 1.0 million sf of Class A, 1.1 million sf of Class B and 5.8 million sf of Class C space.



Source: CBRE Research, Q3 2013.

CMA Apartment Market

Using the previously defined zip code delineations for the Competitive Market Area on page 8 of this report, CDS Market Research along with secondary data services has determined the CMA supply. Currently there are 120 multi-family properties with 27,046 units in the area. These units consist of mid-rise, and garden-style properties, ranging in class from A to D. Class A units comprise 77% of the overall market. The following is a summary of the units in the CMA:

CMA Overall Market Summary

	A	B	C	D	Overall
Total # Projects	83	31	8	2	124
Total # Units	21,873	5,572	388	68	27,901
Total # Units OBR	0.60%	0.30%	0.50%	0.00%	1.50%
Total # Units 1BR	43.90%	15.30%	0.90%	0.20%	60.30%
Total # Units 2BR	27.70%	6.90%	0.40%	0.10%	35.10%
Total # Units 3BR	2.00%	1.00%	N/A	N/A	3.00%
Total # Units 4BR	0.00%	0.10%	N/A	N/A	0.10%
Average Units per Project	264	180	49	34	225
Average SF	983.71	857.53	658.88	610.65	945
Total # Units Under Construction	6,272	N/A	N/A	N/A	6,272
Total # Units Proposed	1,980	N/A	N/A	N/A	1,980
Occupancy					
Average Physical Occupancy	85.23%	97.07%	96.71%	95.35%	88.21%
Average Pre-Leased Occupancy	86.44%	97.09%	96.86%	96.88%	89.04%
Rental Rates					
Average Market Rent/SF	\$1.79	\$1.08	\$1.14	\$0.96	\$1.59
Average Market Rent/Unit	\$1,764.51	\$895.57	\$744.49	\$574.85	\$1,523.56
Absorption					
Current Quarter-to-Date	194	-16	1	0	179
Year-to-Date	866	27	-5	0	888

Source: O'Connor and Associates October 2013; CDS Market Research

The CMA currently has a vacancy rate of 11.79% which is higher than the overall Houston market with vacancy at 8.4%. However, average rental rates are almost double the overall Houston rate (\$1,523 versus \$823 per unit per month). As shown the lower occupancy rate is lowest for Class A units which is due to the construction of new units in this class and those still in stabilization periods.

The majority of the units in the CMA were built pre-1990s (7,345). In the past eleven years, 7,973 units have been constructed, all of which were Class A. Currently there are 6,272 units under construction and an additional 1,980 proposed. The following is a table of construction by Class.

Construction By Class

Year	Units					Total
	Class	Class	Class	Class	Class	
	A	B	C	D	U	
Pre-1990s	1,610	4,940	388	68	339	7,345
1991	252	0	0	0	0	252
1992	135	0	0	0	0	135
1993	222	0	0	0	0	222
1994	499	0	0	0	0	499
1995	224	0	0	0	0	224
1996	504	0	0	0	0	504
1997	412	0	0	0	0	412
1998	466	0	0	0	0	466
1999	1,820	500	0	0	0	2,320
2000	629	0	0	0	0	629
2002	0	100	0	0	0	100
2003	543	0	0	0	0	543
2004	1,249	0	0	0	0	1,249
2005	230	0	0	0	0	230
2006	152	0	0	0	0	152
2007	605	0	0	0	0	605
2008	2,099	0	0	0	0	2,099
2009	244	0	0	0	0	244
2010	1,514	0	0	0	0	1,514
2011	423	0	0	0	0	423
2012	598	0	0	0	0	598
2013	316	0	0	0	0	316
UC	6,272	0	0	0	0	6,272
Prop	1,980	0	0	0	0	1,980

Source: O'Connor and Associates October 2013; CDS Market Research

When comparing historical absorption with construction, it is apparent that the market area overall has been positive over the past thirteen years with an average of 549 units absorbed annually on average. At mid-year 2013 the market absorbed 881 units compared to 548 in 2012 and 167 in 2011. As illustrated, the largest number of units absorbed in the CMA was in 2010 (1,544), while construction was also at an all-time high. Absorption is keeping pace with current construction.

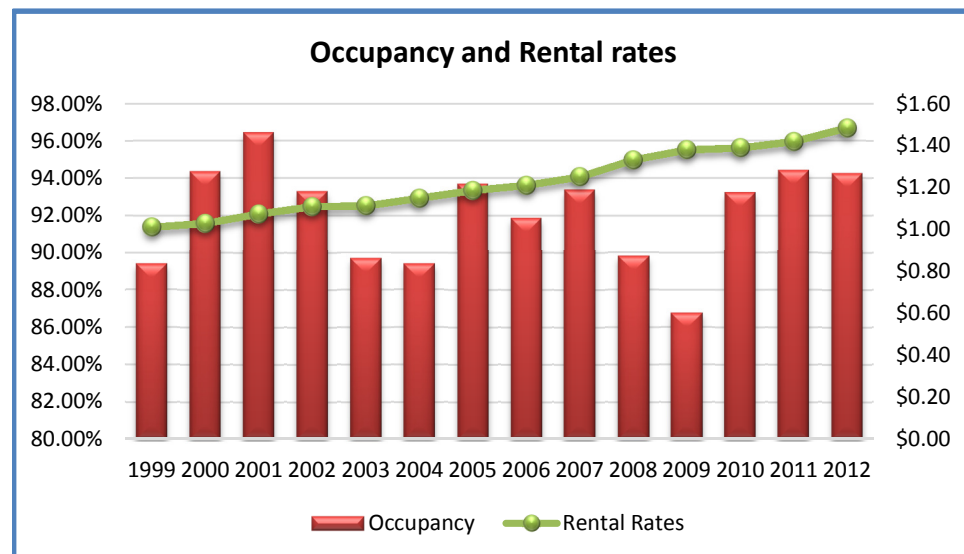
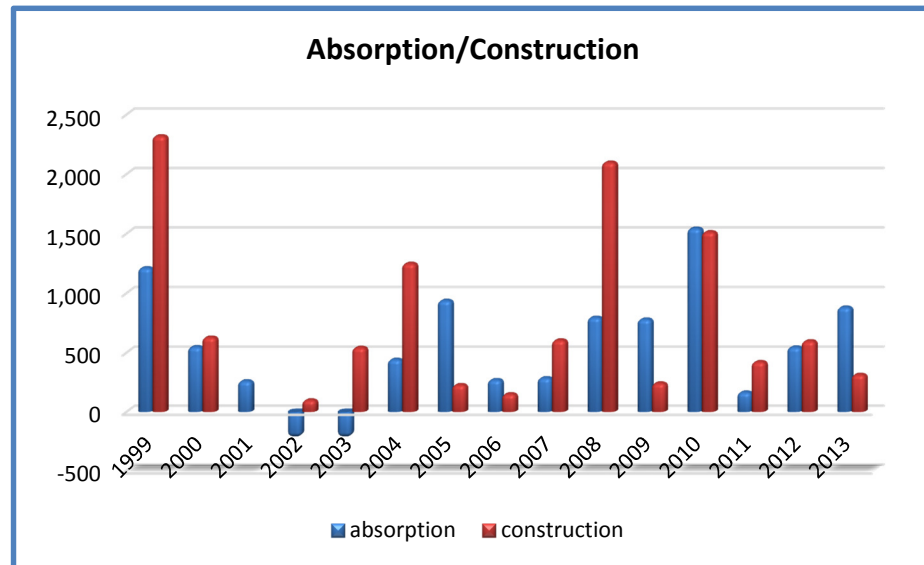
The following chart illustrates the thirteen year overall historical picture of occupancy and rental rates per square foot. As shown, rents have been steadily rising in the CMA while occupancy has fallen during periods of added supply to the market.

The occupancy was at its highest (96.4%) in 2001 when rents were at \$1.07 per square foot (psf). Occupancy took a plunge in 2003 and again in 2008-2009 to all time low of 86.7% while rents increased to \$1.37psf. By YE2012, rents were up to \$1.48 while occupancy was at 94.2%.

Rents are currently at \$1.59 psf overall, with occupancy at 88.2% at October 2013.

Historical Absorption, Occupancy, and Rental Rates

Primary Market Area Overall



Source: O'Connor and Associates; CDS Market Research

Market Area Class A Performance

There are 83 Class A projects in the CMA including 21,873 units. Average occupancy is 85.2% with average rents at \$1.79psf.

The CMA has seen relatively positive absorption over the past thirteen years, with an average of 571 Class A units absorbed per year.

The occupancy level in the market area has been relatively stable. Historically, Class A units have had occupancy levels between 83% and 96% in the CMA over the past thirteen years.

Rents remain higher per square foot for Class A properties as shown below. Class A properties in the market area have been over a \$1.00psf for the past thirteen years.

Absorption by Class

Survey Period	Class A	Overall CMA
1999	1,018	1,212
2000	367	549
2001	256	262
2002	-231	-219
2003	-86	-219
2004	557	443
2005	827	938
2006	178	272
2007	826	288
2008	882	796
2009	880	781
2010	1,472	1,544
2011	369	167
2012	390	546
2013	864	881

Apartment Rent/SF

Survey Period	A	Overall
1999	\$1.07	\$1.01
2000	\$1.09	\$1.03
2001	\$1.14	\$1.07
2002	\$1.18	\$1.11
2003	\$1.18	\$1.11
2004	\$1.22	\$1.15
2005	\$1.38	\$1.19
2006	\$1.41	\$1.21
2007	\$1.43	\$1.25
2008	\$1.53	\$1.33
2009	\$1.56	\$1.38
2010	\$1.57	\$1.39
2011	\$1.61	\$1.42
2012	\$1.66	\$1.48

Sources: O'Connor and Associates, Oct. 2013; CDS

Occupancy By Class

Survey Period	A	Overall
1999	89.57%	89.37%
2000	93.48%	94.36%
2001	96.21%	96.43%
2002	92.17%	93.29%
2003	88.67%	89.69%
2004	89.39%	89.37%
2005	93.49%	93.69%
2006	89.47%	91.86%
2007	91.73%	93.37%
2008	87.40%	89.80%
2009	83.88%	86.75%
2010	92.82%	93.24%
2011	94.35%	94.42%
2012	93.12%	94.25%

Sources: O'Connor and Associates, Oct 2013; CDS

The proposed project is to be a Class A property. CDS Market Research has narrowed the direct competition in the marketplace down to Class A units. The Class A market is currently comprised of 18,054 units. As illustrated, the average occupancy is 86% overall and the average rent is \$1.76psf for Class A apartments. The unit mix consists of 2% efficiency units, 58% one bedroom, 37% two bedroom and 3% three bedroom units in the CMA.

CMA Class A Properties

Complex	Street #	Street Name	Zip	Keymap	Class	Eff.	1 BD	2 BD	3 BD	Total Units	Occupancy	AvgRent / SF	AvgRent / Unit
2121 Midlane	2121	Midlane St	77027	491V	A	5	206	118	N/A	329	93.00%	\$1.79	\$1,775
230 W Alabama	230	W. Alabama	77006	493T	A	54	34	8	N/A	98	100.00%	\$1.90	\$1,179
1600 West Dallas	1600	W Dallas	77019		A		197	49	N/A	246	91.0%	\$2.19	\$1,816
2900 West Dallas	2900	W Dallas St	77019	493J	A	N/A	301	152	N/A	453	13.70%	\$2.13	\$2,201
3000 Sage	3000	Sage Rd.	77056	491Y	A	N/A	257	67	N/A	324	95.00%	\$1.58	\$1,606
33 ThirtyThree	3333	Weslayan St	77098	492S	A	41	330	156	N/A	526	95.00%	\$1.68	\$1,542
36Sixty	3660	Richmond	77046	492X	A	N/A	242	53	N/A	295	96.00%	\$1.76	\$1,586
5250 Apartments	5250	Brownway	77056	491U	A	48	150	99	N/A	298	27.00%	\$2.71	\$2,528
7 Riverway	7	Riverway Dr	77056	491L	A	N/A	81	94	N/A	175	98.00%	\$2.88	\$4,384
Alexan Upper Kirby	2300	Richmond	77098	492Y	A	N/A	98	146	N/A	230	97.00%	\$1.79	\$1,988
AMLI 2121	2121	Allen Pkwy	77019	492M	A	N/A	97	272	62	430	94.00%	\$1.71	\$2,048
AMLI City Vista	2221	W. Dallas	77019	493N	A	N/A	308	96	N/A	404	95.00%	\$1.70	\$1,843
AMLI Uptown	2525	McCue	77056		A		111	84	43	238	91.00%	\$1.95	\$1,983
Avenue R	5455	Richmond	77056	491X	A	N/A	294	98	N/A	392	75.00%	\$1.84	\$1,534
Belle Meade at River Oaks, The	2929	Westheimer	77098	492T	A	N/A	44	75	N/A	119	97.00%	\$2.50	\$3,646
Bordeaux, The	5010	Woodway	77056	491L	A	10	54	28	10	102	96.00%	\$1.52	\$1,199
Boulevard, The	2440	North Blvd	77098	492Y	A	N/A	66	36	N/A	113	98.00%	\$1.40	\$1,151
Broadstone West Dallas	1616	W Dallas St	77019	493K	A	N/A	197	49	N/A	246	91.10%	\$2.33	\$1,865
Cabochon at River Oaks	2828	Bammel Ln	77098	492T	A	N/A	50	57	3	126	78.00%	\$1.40	\$1,528

Mixed Use Development Potential

3200 Kirby Drive

Complex	Street #	Street Name	Zip	Keymap	Class	Eff.	1 BD	2 BD	3 BD	Total Units	Occupancy	AvgRent / SF	AvgRent / Unit
Calais at Courtlandt Square	3210	Louisiana	77006	493Q	A	N/A	184	160	12	356	99.40%	\$1.73	\$1,695
Camden Greenway	3800	Audley	77098	492X	A	N/A	507	249	N/A	756	95.00%	\$1.37	\$1,155
Camden Plaza	3833	Cummins St	77046	492W	A	40	183	47	N/A	271	96.00%	\$1.65	\$1,486
Camden Post Oak	1200	Post Oak Blvd	77056	491R	A	N/A	289	60	7	356	94.00%	\$2.34	\$2,674
Camden Travis Street	2700	Travis St	77006	493T	A	24	174	47	N/A	253	96.40%	\$2.01	\$1,646
Carlton, The	3805	W Alabama	77027	492S	A	N/A	120	102	N/A	222	96.00%	\$1.47	\$1,597
Century Galleria Lofts	3363	McCue	77056	491Y	A	N/A	133	74	16	223	96.00%	\$1.60	\$1,493
CityPlace Midtown	306	McGowen	77006	493P	A	N/A	122	63	N/A	185	99.50%	\$2.01	\$1,838
Connection at Buffalo Pointe, The	10201	Buffalo Spdwy	77098	532X	A	0	0	0	0	0	90.00%	\$0.00	\$0
District at Greenbriar	4100	Greenbriar	77098	492Y	A	44	162	109	N/A	319	11.00%	\$2.11	\$1,831
Dominion Post Oak	2323	McCue	77056	491U	A	N/A	110	95	25	230	93.00%	\$2.18	\$2,477
Essex House, The	3919	Essex Ln	77027	492S	A	N/A	131	60	N/A	135	86.00%	\$1.63	\$1,438
Fairmont Museum District	4310	Dunlavy St.	77006	492Z	A	N/A	170	66	N/A	236	100.00%	\$2.02	\$1,780
Gables CityScape	3720	W Alabama	77027	492S	A	N/A	145	108	N/A	252	96.00%	\$1.51	\$1,286
Gables CityWalk	2828	Greenbriar	77098	492U	A	N/A	111	110	N/A	221	95.30%	\$1.35	\$1,066
Gables Metropolitan Uptown	3300	Sage	77056	491Y	A	N/A	178	114	14	318	97.00%	\$1.42	\$1,291
Gables Post Oak	1875	Post Oak Park Dr	77027	491R	A	N/A	213	106	N/A	316	97.00%	\$2.01	\$1,969
Gables Upper Kirby	3206	Revere	77098	492U	A	4	88	59	1	144	95.00%	\$1.85	\$1,760
Gables Waterford Square	2300	W Alabama	77098	492U	A	N/A	46	50	N/A	96	95.30%	\$1.39	\$1,128
Gables West Ave	2800	Kirby	77098	492U	A	N/A	241	149	N/A	397	97.50%	\$2.20	\$2,359
Gables West Ave Ph II	2800	Kirby Dr	77098	492U	A	15	201	78	N/A	302	10.6%	\$2.37	\$2,265
Gael, The	3920	Essex Lane	77027	492S	A	N/A	114	95	N/A	209	92.00%	\$1.60	\$1,398
Hanover West Gray	1340	W Gray St	77019	493N	A	N/A	204	71	N/A	275	38.20%	\$1.96	\$1,961
Inverness	3133	Buffalo Spdwy	77098	492T	A	N/A	78	126	N/A	204	97.00%	\$1.30	\$1,300
La Maison at River Oaks	2727	Revere St	77098	492U	A	N/A	175	248	N/A	423	93.00%	\$2.09	\$2,024

Mixed Use Development Potential

3200 Kirby Drive

Complex	Street #	Street Name	Zip	Keymap	Class	Eff.	1 BD	2 BD	3 BD	Total Units	Occupancy	AvgRent / SF	AvgRent / Unit
Metro Greenway	4100	Southwest Frwy	77027	492W	A	N/A	158	151	N/A	309	92.00%	\$1.61	\$1,492
Metro Midtown	2350	Bagby	77006	493P	A	N/A	241	166	12	419	94.00%	\$1.69	\$1,467
Metropole Mid-Rise	3616	Richmond Ave	77046	492X	A	N/A	106	44	N/A	289	94.10%	\$1.62	\$1,731
Metropole Tower	3616	Richmond Ave	77046	492X	A	N/A	85	59	N/A	144	97.00%	\$1.80	\$1,743
Midtown Arbor Place	10	Oak Court	77006	493P	A	N/A	160	83	N/A	243	91.00%	\$2.00	\$1,768
Millennium High Street, The	4410	Westheimer Rd	77027	491V	A	N/A	232	88	20	340	4.70%	\$2.12	\$1,888
Montecito	2300	McCue St	77056	491U	A	N/A	155	142	2	299	94.00%	\$1.44	\$1,474
Montierra	2345	Sage Rd.	77056	491U	A	N/A	173	128	45	346	98.00%	\$1.58	\$1,741
Museum Tower, The	4899	Montrose	77006	493W	A	N/A	88	96	3	187	94.00%	\$2.82	\$5,060
Park at River Oaks, The	3121	Buffalo Spdwy	77098	492T	A	N/A	135	120	44	299	97.00%	\$1.87	\$2,267
Park at Westcreek	2350	Westcreek Ln	77027	491V	A	N/A	91	93	9	193	98.00%	\$1.47	\$1,326
Pearl Greenway	3788	Richmond Ave	77027	492W	A	0	284	57	N/A	341	51.00%	\$1.98	\$1,757
Place at Greenway, The	3333	Cummins St.	77027	492W	A	N/A	78	140	N/A	218	95.00%	\$1.36	\$1,171
Plaza at River Oaks, The	1920	West Gray	77019	492R	A	N/A	30	8	6	44	100.00%	\$1.53	\$1,411
Post Oak at Woodway	99	N Post Oak Ln.	77056	491M	A	N/A	36	144	36	216	94.00%	\$1.94	\$2,450
Post Oak Park	1919	Post Oak Park Rd	77027	491R	A	N/A	126	83	15	224	96.00%	\$1.55	\$1,398
Post Oak Park II	1901	Post Oak Park Dr	77027	491R	A	N/A	36	84	22	142	92.00%	\$1.48	\$1,680
Providence Uptown	3233	McCue	77056	491Y	A	N/A	232	172	16	420	98.00%	\$1.61	\$1,489
River Oaks High Rise	3435	Westheimer	77027	492T	A	N/A	42	79	17	139	53.00%	\$1.06	\$1,887
Sendera at Greenway	3400	Edloe	77027	492W	A	N/A	150	74	5	229	98.40%	\$1.33	\$996
Standard on West Dallas, The	2210	West Dallas	77019	493J	A	N/A	224	140	16	380	95.00%	\$1.83	\$1,512
Tree Tops at Post Oak, The	4510	Briar Hollow	77027	491R	A	N/A	145	35	N/A	112	89.00%	\$1.54	\$1,137
Uptown Post Oak	1111	Post Oak Blvd	77056	491R	A	N/A	217	175	N/A	392	96.00%	\$1.94	\$2,159
Villas at River Oaks, The	777	Dunlavy	77019	492M	A	N/A	156	132	N/A	288	94.80%	\$1.93	\$1,575

Mixed Use Development Potential

3200 Kirby Drive

Complex	Street #	Street Name	Zip	Keymap	Class	Eff.	1 BD	2 BD	3 BD	Total Units	Occupancy	AvgRent / SF	AvgRent / Unit
Westheimer, The	2001	Westheimer Rd	77098	492V	A	N/A	170	74	N/A	244	96.00%	\$1.96	\$1,881
TOTALS/AVERAGES						285	10,549	6,701	461	18,054	86.04%	\$1.76	\$1,765

Class A Apartment Rents By Unit, Construction Type and Year Built

Complex	Street #	Street Name	Zip	Efficiency	1 BD	2 BD	3 BD	Construction Type	Year built	SubMarket
2121 Midlane	2121	Midlane St	77027	\$1190-1225	\$1395 - \$1755	\$1990-2600		Midrise	2010	Galleria
230 West Alabama	230	W. Alabama	77006	\$970-\$1235	\$1180-\$2310	\$1610		Highrise	1957/1990	Midtown
1616 West Dallas	1616	W Dallas	77019		\$1330-\$2640	\$1800-\$3540		Midrise	2012	Montrose/Memorial Heights
2900 West Dallas	2900	W Dallas St	77019		N/A	N/A		Midrise	2013	River Oaks
3000 Sage	3000	Sage Rd.	77056		\$1250-\$2015	\$1850-\$2530		Midrise	2004	Galleria
33 ThirtyThree	3333	Weslayan St	77098	\$1220-1345	\$1450-1775	\$1950-2649		Mixed Use	2008	Greenway Plaza
36Sixty	3660	Richmond Ave	77046		\$1283-\$1989	\$1870-\$2386		Midrise	2005	Montrose/Memorial Heights
5250 Apartments	5250	Brownway St	77056	\$1500-1720	\$1675-\$2845	\$2450-\$5200		Highrise	2013	Galleria
7 Riverway	7	Riverway Dr	77056		\$2619-\$4876	\$3764-\$6291		Highrise	2007	Galleria
Alexan Upper Kirby	2300	Richmond	77098		\$1346-\$1910	\$1920-\$2608		Garden Style	2008	Museum District
AMLI 2121	2121	Allen Pkwy	77019		\$1534-\$1930	\$1995-\$2284	\$2,735	Garden Style	2007	Montrose/Memorial Heights
AMLI City Vista	2221	W. Dallas	77019		\$1367-\$1950	\$2025-\$2396		Garden Style	2008	River Oaks
AMLI Uptown	2525	McCue	77056		\$1420-\$1735	\$1950-\$2190	\$2150-\$2950		2013	
Avenue R	5455	Richmond Ave	77056		\$1220-\$1650	\$1835-\$2200		Garden Style	2013	Galleria
Belle Meade at River Oaks, The	2929	Westheimer Rd	77098		\$2649-\$3350	\$3692-\$4682		Midrise	2010	River Oaks
Bordeaux, The	5010	Woodway	77056	\$840	\$890-\$1165	\$1310-\$1650		Garden Style	1963/1993	Galleria
Boulevard, The	2440	North Blvd	77098		\$960-\$1090	\$1280-\$1485		Garden Style	1997	Greenway Plaza

Mixed Use Development Potential

3200 Kirby Drive

Complex	Street #	Street Name	Zip	Efficiency	1 BD	2 BD	3 BD	Construction Type	Year built	SubMarket
Cabochon at River Oaks	2828	Bammel Ln	77098		\$1250-\$1675	\$1590-\$2415	\$2810-\$3100	Highrise	1966/2002	Greenway Plaza
Calais at Courtlandt Square	3210	Louisiana	77006		\$1226-\$1765	\$1765-\$2450	\$2,715	Midrise	2004	Midtown
Camden Greenway	3800	Audley	77098		\$1228-\$1336	\$1691-\$1711		Garden Style	1999	Greenway Plaza
Camden Plaza	3833	Cummins St	77046	\$1219-1272	\$1419-\$1679	\$1699-\$2219		Garden Style	2004	Greenway Plaza
Camden Post Oak	1200	Post Oak Blvd	77056		\$1669-\$1919	\$3049-\$4274		Highrise	2003	Galleria
Camden Travis Street	2700	Travis St	77006	\$1409-1569	\$1529-\$1749	\$2049-\$2409		Midrise	2010	Midtown
Carlton, The	3805	W Alabama	77027		\$1271-\$1586	\$1714-\$1980		Garden Style	1993	Greenway Plaza
Century Galleria Lofts	3363	McCue	77056		\$1350-\$1575	\$1740-\$2205	\$2,120	Loft	2004	Galleria
CityPlace Midtown	306	McGowen St	77006		\$1460-\$2055	\$2145-\$2520		Midrise	2011	Midtown
Connection at Buffalo Pointe, The	10201	Buffalo Spdwy	77098		\$985-\$1185	\$1330-\$1485	\$1,950	Garden Style	2012	Hwy 288/Alameda
District at Greenbriar	4100	Greenbriar St	77098	\$1350-1505	\$1435-\$1880	\$2210-\$2670		Garden Style	2013	Museum District
Dominion Post Oak	2323	McCue	77056		\$1395-\$1779	\$2604-\$4225	\$5,625	Highrise	2005	Galleria
Essex House, The	3919	Essex Ln	77027		\$1195-\$1378	\$1614-\$1641		Garden Style	1992/2007	Greenway Plaza
Fairmont Museum District	4310	Dunlavy St.	77006		\$1395-\$1865	\$2115-\$2575		Garden Style	2008	Museum District
Gables CityScape	3720	W Alabama	77027		\$1080-\$1295	\$1385-\$1525		Garden Style	1991/2000	Greenway Plaza
Gables CityWalk	2828	Greenbriar	77098		\$1150-\$1295	\$1240-\$1585		Garden Style	1990/1998	River Oaks
Gables Metropolitan Uptown	3300	Sage	77056		\$1010-\$1315	\$1385-\$1470	\$1915-\$2165	Garden Style	1996	Galleria
Gables Post Oak	1875	Post Oak Park Dr	77027		\$1330-\$1992	\$2050-\$2726		Garden Style	2013	Greenway Plaza
Gables Upper Kirby	3206	Revere	77098		\$1294-\$1799	\$1870-\$2918	\$3,511	Midrise	2006	Museum District
Gables Waterford Square	2300	W Alabama	77098		\$1185-\$1295	\$1375-\$1585		Garden Style	1985/1999	River Oaks
Gables West Ave	2800	Kirby	77098		\$1565-\$2468	\$2628-\$3801		Midrise	2010	Greenway Plaza

Mixed Use Development Potential

3200 Kirby Drive

Complex	Street #	Street Name	Zip	Efficiency	1 BD	2 BD	3 BD	Construction Type	Year built	SubMarket
Gables West Ave Ph II	2800	Kirby Dr	77098	\$1410-1421	\$1941-\$2613	\$2598-\$3705		Garden Style	2013	Greenway Plaza
Gael, The	3920	Essex Lane	77027		\$1224-\$1403	\$1510-\$1875		Garden Style	2000	Greenway Plaza
Hanover West Gray	1340	W Gray St	77019		\$1502-\$1946	\$2303-\$2696		Midrise	2013	River Oaks
Inverness	3133	Buffalo Spdwy	77098		\$1305-\$1436	\$1653-\$1770		Garden Style	1990/2002	Greenway Plaza
La Maison at River Oaks	2727	Revere St	77098		\$1531-\$1841	\$1995-\$2737		Midrise	2010	Museum District
Metro Greenway	4100	Southwest Frwy	77027		\$1250-\$1580	\$1640-\$2050		Midrise	2008	Greenway Plaza
Metro Midtown	2350	Bagby	77006		\$1269-\$1539	\$1,669	\$2,459	Garden Style	1998	Midtown
Metropole Mid-Rise	3616	Richmond Ave	77046		\$1305-\$1471	\$1890-\$2567		Midrise	2007	Greenway Plaza
Midtown Arbor Place	10	Oak Court	77006		\$1400-\$1770	\$2005-\$2970		Garden Style	1999	Midtown
Millennium High Street, The	4410	Westheimer Rd	77027		\$1475-\$2350	\$2100-\$2750	\$2600	Mixed Use	2013	Greenway Plaza
Montecito	2300	McCue St	77056		\$1271-\$1568	\$1699-\$2477	\$3,259	Midrise	1997	Galleria
Montierra	2345	Sage Rd.	77056		\$1278-\$1608	\$1898-\$2408	\$2493-\$3388	Midrise	2004	Galleria
Museum Tower, The	4899	Montrose	77006		\$2760-\$4244	\$4005-\$9170	\$6220-\$12880	Highrise	2003	Museum District
Park at River Oaks, The	3121	Buffalo Spdwy	77098		\$1550-\$2235	\$2215-\$2735	\$2940-\$3275	Midrise	1999	River Oaks
Park at Westcreek	2350	Westcreek Ln	77027		\$1085-\$1440	\$1535-\$1565	\$2,095	Garden Style	1994	Galleria
Pearl Greenway	3788	Richmond Ave	77027		\$1371-\$2255	\$2727-\$3742		Garden Style	2013	Greenway Plaza
Place at Greenway, The	3333	Cummins St.	77027		\$900-\$985	\$1180-\$1245		Garden Style	1961/1998	Greenway Plaza
Plaza at River Oaks, The	1920	West Gray	77019		\$950-\$1045	\$2,000	\$2,235	Garden Style	1998	River Oaks
Post Oak at Woodway	99	N Post Oak Ln.	77056		\$1789-\$1975	\$2085-\$2730	\$2599-\$2835	Garden Style	1996	Galleria
Post Oak Park	1919	Post Oak Park Rd	77027		\$960-\$1180	\$1265-\$1495	\$2,150	Garden Style	1995	Galleria
Post Oak Park II	1901	Post Oak Park Dr	77027		\$1030-\$1450	\$1525-\$1885	\$2395-\$1565	Garden Style	1999	Galleria
Providence Uptown	3233	McCue	77056		\$1280-\$1370	\$1429-\$1744	\$2,094	Midrise	2000	Galleria

Mixed Use Development Potential

3200 Kirby Drive

Complex	Street #	Street Name	Zip	Efficiency	1 BD	2 BD	3 BD	Construction Type	Year built	SubMarket
River Oaks High Rise	3435	Westheimer	77027		\$1621-\$1758	\$1700-\$2500	\$2890-3792	Highrise	1962/2004	River Oaks
Sendra at Greenway	3400	Edloe	77027		\$895-\$1060	\$1120-\$1450	\$1420-\$1515	Garden Style	1963/2003	Greenway Plaza
Standard on West Dallas, The	2210	West Dallas	77019		\$1319-\$1570	\$1457-\$1816	\$2,230	Garden Style	1999	Montrrose/Memorial Heights
Tree Tops at Post Oak	4510	Briar Hollow	77027		\$1020-\$1157	\$941-\$1930		Garden Style	1968/2006	Galleria
Uptown Post Oak	1111	Post Oak Blvd	77056		\$1019-\$1673	\$1579-\$2392		Midrise	2008	Galleria
Villas at River Oaks	777	Dunlavy	77019		\$1312-\$1947	\$1715-\$2194		Garden Style	1996	River Oaks
Westheimer, The	2001	Westheimer Rd	77098		\$1472-\$1958	\$2021-\$2580		Garden Style	2009	Museum District

Source: O'Connor and Associates; ALN; CDS Market Research. Average rents do not include concessions.

Of the 18,054 Class A apartments in the CMA, 5,358 units are located within the Greenway Plaza sub-market or the immediate vicinity of the subject site as indicated in the above table by highlighting. The average rental rate for this submarket is \$1.65psf or \$1,551 per unit based on 943 square feet.

There are four projects in the Greenway Plaza submarket which were constructed from 2010 to 2013. They are Gables Post Oak, Gables West Ave., Millenium High Street, and Pearl Greenway. To be competitive in the current market, proposed units on the subject site would need to be priced accordingly to the following projects.

Immediate Vicinity of Subject Site

Complex	Occupancy	Avg. Rent PSF	Avg Unit SF	Unit Size		1 BD	Unit Size		2 BD	3 BD	Unit Size	Construction Type	Year built
				Efficiency									
Gables Post Oak	97.0%	\$2.01	984			\$1010-\$1315	619-990	\$1385-\$1470	1133-1451			Garden Style	2013
Gables West Ave	97.2%	\$2.20	1,073			\$1565-\$2468	719-975	\$2628-\$3801	1187-1738			Mid-Rise	2010
Gables West Ave Ph II	0.0%	\$2.39	947	\$1410	503-518	\$1941-\$2613	834-1100	\$2598-\$3840	1123-1485			Garden Style	2013
Millennium High Street, The	4.7%	\$2.12	900			\$1475-\$2350	647-1253	\$2100-\$2750	1047-1360	\$2600	1350	Mixed Use	2013
Pearl Greenway	51.0%	\$1.98	889			\$1371-\$2255	650-1133	\$2727-\$3742	1270-1719			Garden Style	2013

Source: O'Connor and Associates; ALN; CDS Market Research

The developers of the subject site are proposing a Class A+ project with rental rates from \$2.50psf. The following is a list of projects in the Houston area with rental rates which would be comparable to the subject. Also shown are the amenities which would be expected with properties in this higher rental rate. It should be noted that these are not specific to the CMA.

Class A+ Properties

Complex	Occupancy	Avg. Rent PSF	Avg Unit SF	Efficiency		One Bedroom		Two Bedroom		Three Bedroom		Year built	Amenities
				\$psf	Unit Size	\$psf	Unit Size	\$psf	Unit Size	\$psf	Unit Size		
5250 Brownway	27.0%	\$2.71	933	\$3.13- \$3.57	534- 544	\$2.60- \$3.01	689- 1043	\$2.57- \$3.05	998- 1638			2013	Resort rooftop pool, clubhouse, bus. Ctr., fitness ctr., hardwoods, quartz countertops, w/d, parking garage, theatre room
7 Riverway	98.0%	\$2.88	1521			\$2.46- \$3.77	1109- 1333	\$2.36- \$3.29	1641- 2414			2006	Concierge, valet, door attendant, heated 6 th flr rooftop pool, coffee bar, library, stainless steel appl., w/d, fitness club, clubhouse, wine cellar and lounge, catering kitchen, In-Room Dining – Omni Hotel
Belle Meade @ River Oaks	97.0%	\$2.50	1457			\$2.21- \$2.63	1006- 1519	\$2.48- \$2.58	1435- 1791				Concierge, resident dining rm and catering kitchen, resort heated pool, fitness ctr., bus ctr, garage parking, crown molding, hardwood flrs, built-ins, w/d, sec alarms ea. Unit, granite, stainless steel appl., large mstr bath,
Hannover Rice Village	74.0%	\$2.39	976			\$2.11- \$2.60	631- 993	\$2.40- 2.70	1236- 1432	\$2.70	1982	2012	On-site RETAIL, resort pool, “The Club”- billiards, theatre, clubhouse; fitness ctr, Pet washing station, hardwood floors, stainless appl., marble and granite countertops, w/d
Mosaic on Hermann Park	91.0%	\$2.31	1,004			\$2.27- \$2.76	672- 882	\$2.11- \$4.26	1184- 3093			2009	Concierge, valet, bus ctr., conf rooms, coffee bar, dog walk area, RETAIL ground flr,

Mixed Use Development Potential

3200 Kirby Drive

Complex	Occupancy	Avg. Rent PSF	Avg. Unit SF	Efficiency		One Bedroom		Two Bedroom		Three Bedroom		Year built	Amenities
				\$psf	Unit Size	\$psf	Unit Size	\$psf	Unit Size	\$psf	Unit Size		
													billiards, resort pool, yoga room, steam&sauna , catering kitchen, w/d, distinct finishes,
													Concierge, valet, fitness ctr., conf rooms, heated pool, storage units, granite, stainless steel appl., hardwood and stone flooring, walk-in closets, 12' ceilings,
Museum Tower	94.0%	\$2.74	1794			\$2.53- \$3.16	1033- 1537	\$2.39- \$3.23	1636- 3308	\$2.75- \$3.02	3831- 4450	2002	garage parking
													Concierge, valet, fitness ctr., conf rooms, coffee bar, resort pool, running track, storage units, granite, stainless steel appl., hardwood and stone flooring, walk-in closets, wine coolers, garage parking,
One Park Place	99.0%	\$2.87	1393			\$2.51- \$3.30	808- 1372	\$2.09- \$3.80	2000- 3524			2008	RETAIL - Phoenixia Specialty Foods
													Concierge, dog park, lounge with prep kitchen, METRO Rail, resort heated pool, cabanas, bus ctr., library, 10' ceilings, hardwood floors, two finishes, w/d, built-ins, intrusion alarms
Venue Museum district	92.0%	\$2.11	1317	\$2.45	763	\$1.92- \$2.32	1006- 1282	\$1.94- \$2.15	1435- 1857			2009	
													Internet café, coffee bar, conf room, fitness ctr., living room, lounge, catering kitchen, pool, guest suites, service runners, car service, built-ins, w/d, teak wood floors, granite, stainless steel appl., granite, islands
WaterWall Place		\$2.31	986			\$2.21- \$2.50	699- 1127	\$2.28- \$2.33	1165- 1740			2013	

Source: CDS Market Research, ALN, OConnor & Assoc., CoStar 2014

Currently there are 3,366 units under construction and 1,980 units proposed in the CMA. The following is a list of pipeline projects in the CMA. As seen, 1500 units are within the Greenway Plaza sub-market which includes the subject site.

Class A Pipeline Projects

Complex	Street #	Street Name	Zip	Keymap	Total Units	Status	Construction Type	SubMarket
2929 Wesleyan	2929	Weslayan St	77027	432S	254	U/C	Highrise	Greenway Plaza
3400 Montrose	3400	Montrose St	77006	493S	325	Proposed	Highrise	Montrose/Memorial Heights
Aria at Willowick Park		W Alabama	77027	492S	325	U/C	Midrise	Greenway Plaza
Broadstone Post Oak	3100	Post Oak Blvd	77056	491Y	272	U/C	Garden Style	Galleria
Dolce Living West Gray	202	W Gray St	77019	493P	188	Proposed	Garden Style	Montrose/Memorial Heights
Fairmont Museum District Ph II	4310	Dunlavy St	77006	492Z	250	U/C	Garden Style	Museum District
Gables West Ave Ph III		Kirby Dr	77098	492u	350	Proposed	Garden Style	Greenway Plaza
Graybelle	1916	W Gray St	77019	492R	160	U/C	Midrise	River Oaks
Hanover BLVD Place		Post Oak Blvd	77056	491Q	355	U/C	Highrise	Galleria
Lofts of Mid Main, The	3500 blk	Main St	77006	493T	363	Proposed	Garden Style	Midtown
Mid Lane	2307	Mid Lane	77027	491V	344	Proposed	Garden Style	Greenway Plaza
Olympia at Willowick Park		W Main St	77027	N/A	189	U/C	Garden Style	Greenway Plaza
Pearl Midtown	3101	Smith St	77006	493T	147	U/C	Garden Style	Midtown
Post Midtown Square Ph III	125	W Gray St	77019	493N	124	U/C	Midrise	Midtown
Post Richmond	510	Richmond Ave	77006	493W	242	U/C	Midrise	Museum District
Regent Square	3601	Allen Parkway	77019	492M	160	Proposed	Garden Style	Inner Loop West
Shepherd Alabama Apartments	3100 blk	S Shepherd Dr	77098	492U	250	Proposed	Garden Style	Museum District
Sovereign, The	3233	W Dallas St	77019	492R	290	U/C	Highrise	River Oaks
Sussane, The	3803	Dunlavy St	77006	492V	398	U/C	Midrise	Museum District
Townhomes at Willowick Park		Las Palmas St	77027	N/A	38	U/C	Townhome	Greenway Plaza
WaterWall Place	2801	WaterWall Dr	77056	491U	322	U/C	Midrise	Galleria

Source: O'Connor and Associates, REVAC, Inc.

Projected Market Rate Conventional Apartment Demand

Demand for new construction of apartment units is primarily rooted in the need to house additional population in an area. Therefore, we will quantify demand for new apartment units within the CMA based on the previously mentioned CDS Market Research forecasts that have been prepared for the Houston MSA as well as market performance within the CMA.

Housing unit forecasts from CDS previously illustrated on page 17 are the basis for the apartment demand calculations below and area illustrated on the first row of the following table. This housing unit forecast is tied directly to the population forecast in the same table. The second row of the table represents the incremental increase in units that are expected for each five year period in the future based on the forecast. Approximately 66.8% of the housing units in the CMA are multi-family units (p.11). In the third row of each table a figure of 66.8% has been applied to the incremental housing growth projections. Multiplication of the 66.8% share by the number of anticipated growth in housing units in each period arrives at a total number of anticipated apartments units for the CMA for each incremental period.

CMA Apartment Demand Projections

Demand Based on CDS Forecasts (RAZ) for Housing Units

	2010	2011-2015	2016-2020
Total Current and Projected CMA Housing Units	56,724	63,111	72,949
Incremental 5 year CMA Housing Unit Growth		6,387	9,838
Incremental CMA Apartment Unit Demand (66.8%)		4,267	6,572
Less Units in the Pipeline		3,366	1,980
Incremental 5 year CMA Apartment Unit Demand		901	4,592
CMA Apartment Demand Per Year		450	918

Sources: multifamily unit count, PCensus for Map Info, Copyright 2013
Tetrad Corporation, CDS Market Research 2013

In the CMA there is demand for 450 units from 2014 – 2015 due to the large number of units currently under construction. From 2016-2020 the demand will increase to 918 units per year or 4,592 units in the five year term based on the current number of units proposed in the CMA.

From the anticipated demand for the entire CMA, CDS conservatively estimates the subject site could capture 20% of the market during the first period illustrated and 10% during the following period.

Application of the capture rate to the CMA apartment demand results in 90 units by 2015, and an additional 91 units per year (from 2016-2020) demanded on the subject site or 459 total units by 2020.

The subject site is proposing a 180-unit residential tower. If constructed after 2015 the subject site would have to capture 10% of the apartment demand per year which appears to be reasonable.

Findings

Amenities in new construction apartments include hardwood flooring, ceiling fans, balcony, smoke free, views, garden tub, oversized closets, stainless steel appliances, washer/dryer in unit, under cabinet lighting, Valet, solar shades, gourmet kitchens with island, 10 - 12' ceilings, glass showers, 42" cabinets, granite countertops in kitchen and bathrooms, 2" wood blinds, side-by-side refrigerators, dual sinks, iPod docking stations and built-in speakers, computer desks, dog park, separate study, electric car charging stations, custom finish packages (modern, metropolitan, ranch)

Community features include clubhouse, fitness center, garages, pet park, green community, resort pool, internet cafe, business center, covered parking, climate controlled storage rooms, concierge, gated access, outdoor kitchen w/TV, BBQ grills, private club/dining, coffee bar, theatre, conference room, landscaped courtyards, elevators, bike racks

Special features might include furnished units, dog wash, dog run, quartz countertops, brick walls, bamboo flooring, retail/restaurants nearby, technology package (Bluetooth capabilities), LEED or Green certified (smoke free, energy and water efficiency, recycling, covered bike storage, public transit access), slate tiles in bathroom, travertine backsplash, custom closets, yoga/pilates studio, media/game room, tanning rooms, rooftop pool, wellness center, flex space (media rooms, dens), art niches, built-in desks with granite top, glass cooktops, towel service for pool and fitness center, demonstration kitchen, carpooling/ride-share programs

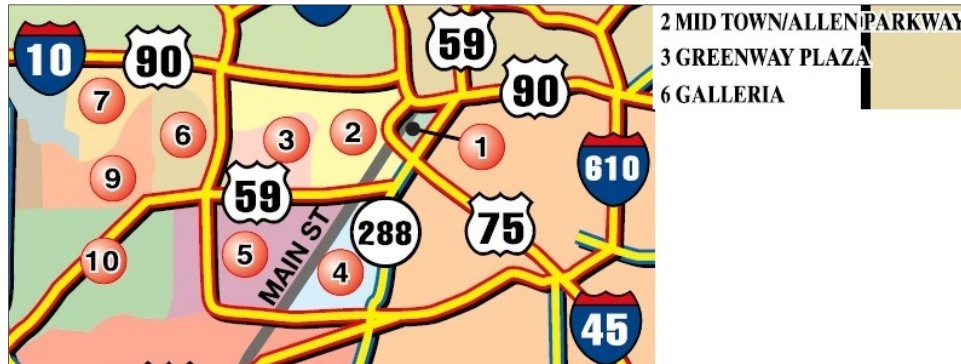
Recommendations

- For optimal positioning in the market, CDS recommends that new construction of apartments be Class A or A+ property
- Rents should be competitive with the market. Average Rates between \$2.50psf and \$2.90psf would be considered at market for new construction Class A+.
- CDS recommends the subject site have a unit mix similar to the CMA which would include both one bedroom units and two bedroom units. Efficiencies and three bedroom units are optional.
- Unit sizes should be competitive with other apartments in the immediate area
- Amenities should be competitive with those in the CMA (see Findings)
- Community features should include clubhouse, fitness center, garage or covered parking, pet park, green community, resort pool, wireless internet, business center, storage rooms, gated access, outdoor kitchen w/BBQ grills, and landscaped courtyards at a minimum
- Special features should be considered to be competitive (see Findings) for Class A+ properties

CMA Office Market

The CMA is located within three office sub-markets. They are Mid-Town/Allen Parkway, Greenway Plaza and Galleria. These sub-markets include 436 buildings for a total of 55,009,862 square feet (NRA). These sub-markets encompass an area slightly larger than the 6 zip code CMA as previously defined.

Map of Office Submarkets



Source: OConnor & Assoc.

As seen in the table to the right, the majority of the office space was built prior to 1990. Approximately 2.2 million square feet has been added to the sub-markets in the past ten years.

The market performance data provided in this section generally represent conditions as of the end of the 3rd quarter of 2013 unless otherwise indicated.

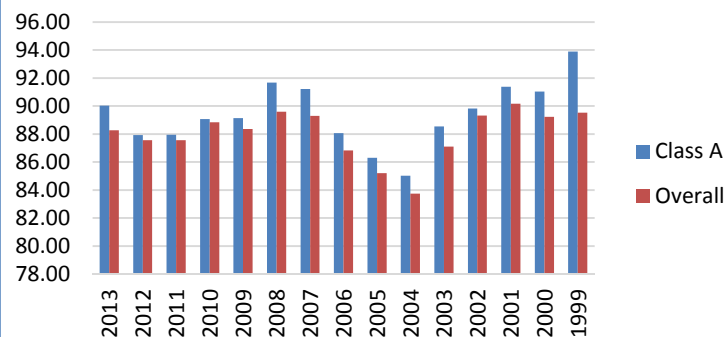
Overall occupancy in the sub-markets has been relatively stable from with the exception of years 2003-2005 at which time 409k sf came into the market. The markets were steadily increasing until the economic downturn in 2009. Despite the increase of 992k sf in the markets in 2010, occupancy has been relatively stable and rebounding with the Houston economy.

Inventory by Age

Decade Built	Number of Properties	Net Rentable Area
Pre-1960	60	1,823,539
1960	93	7,630,156
1970	153	19,466,405
1980	76	19,733,257
1990	10	398,382
2000	23	1,278,123
2010	3	992,000
N/A	18	3,688,000
TOTAL	436	55,009,862

Source: OConnor & Assoc.

Sub-Market Historical Occupancy



Rents in the sub-markets for Class A office space have remained relatively stable at rates between \$20psf and \$25.00psf over the past thirteen years. Currently rates are at \$22.99psf.

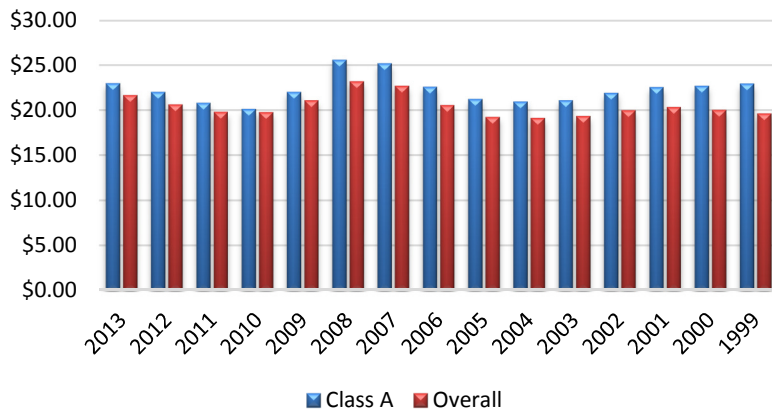
Using the previously defined zip code delineations for the Competitive Market Area on page 8 of this report, CDS Market Research along with secondary data services has determined the CMA supply. Currently there are 242 buildings including 42,384,453 square feet in the CMA.

The charts at right compare the historical rental and occupancy rates for office properties in the CMA and overall sub-markets.

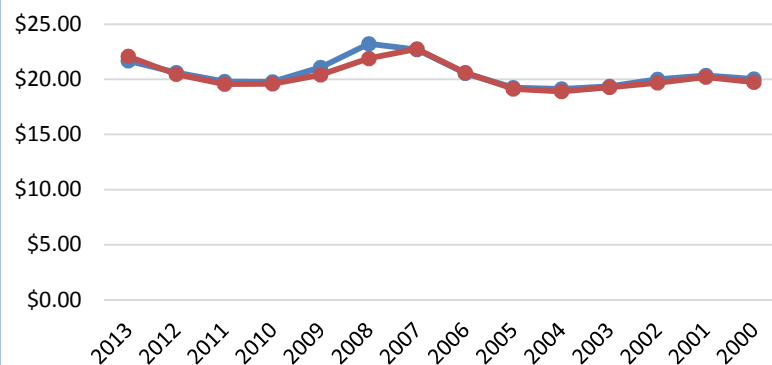
The CMA's rental rates have generally tracked with the overall sub-markets rental rates.

Occupancy on the other hand, is more variable. It was higher in the CMA from 2000 to 2006. Recently, however the CMA's occupancy levels dropped below the average for the sub-markets. Currently the occupancy in the CMA (90.5%) is slightly above the overall sub-markets at 89.2%.

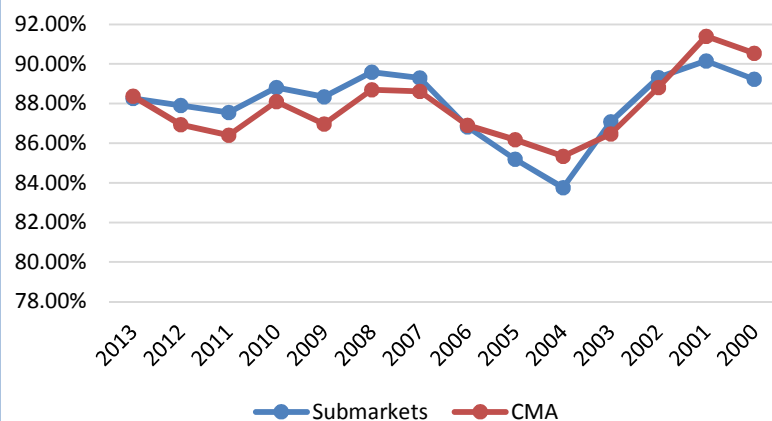
Sub-Market Historical Rental Rates



Comparison of Rental Rates

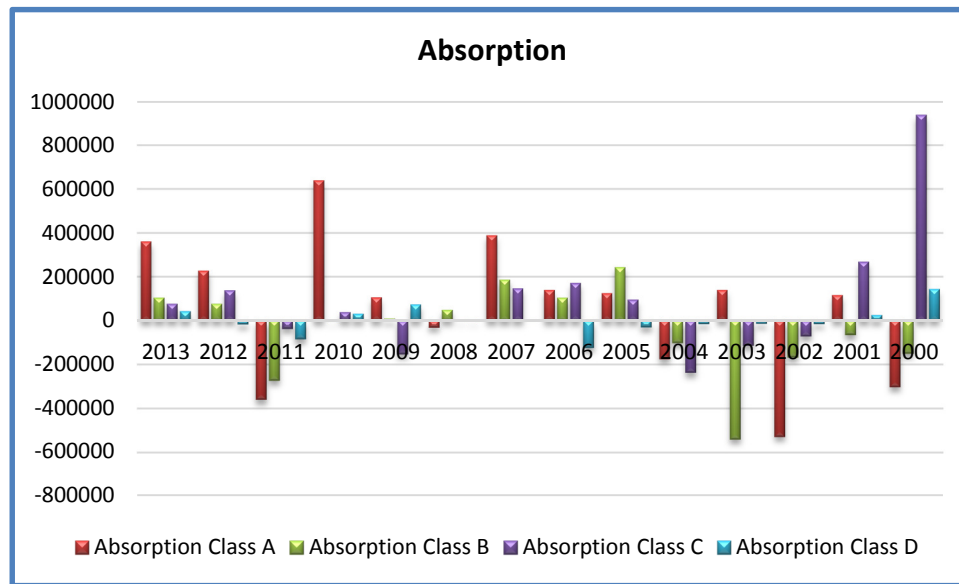


Occupancy Comparison

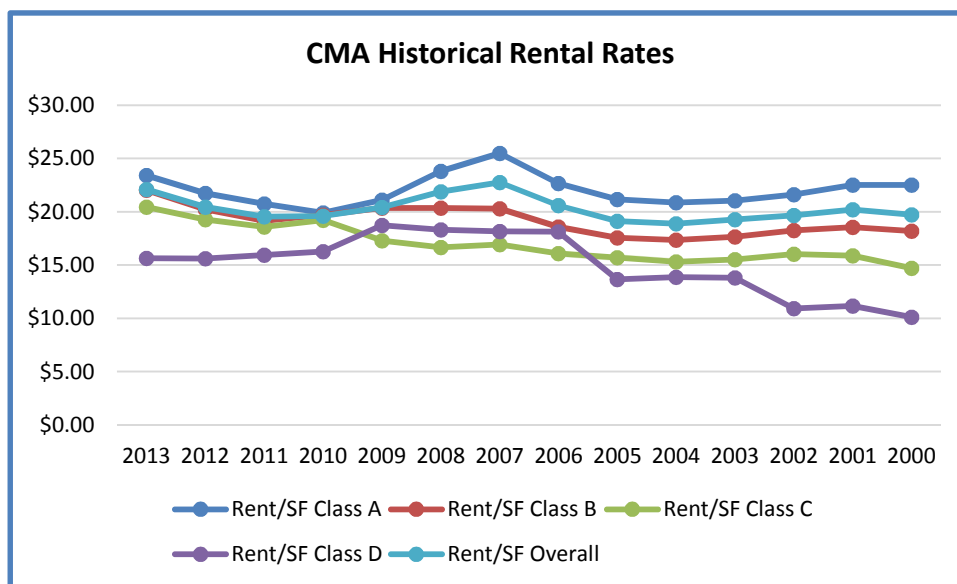


Absorption in the CMA has been positive overall over the past thirteen years. On average, 76,688 square feet has been absorbed annually in the CMA (overall). Most recently the CMA absorbed 212,836 sf in 2012 and 580,693 square feet to date in 2013.

CMA Office Absorption



Rental rates in the CMA are as expected, higher in Class A office space. Rates were fairly stable in the CMA from 2000 to 2007 at which time rates were at an all-time high. Rates fell with the economy and have been steadily increasing since 2010.



Downtown continues to have the highest lease rates in the Houston region. Lease rates, after being flat or declining for a number of years, began to rise in 2006 across the region and have remained elevated despite the national recession which affected Houston starting late 2008 through 2009. Colliers reports that rent growth has been occurring again since 2011. Other submarkets where job growth has been exceptionally strong, most notably the Energy Corridor, are also reportedly experiencing strong lease rate increases. Concessions (free rent, elevated improvement allowance, etc.) have been decreasing as conditions are shifting to favor property owners in several submarkets.

The CMA submarkets, Greenway Plaza, Allen Parkway, and West Loop/Uptown/Galleria have rates at \$27.25, \$25.59 and \$28.88 respectively. These rates are among the highest in Houston.

Average Asking Lease Rates 2Q2013

	Avg. Gross Asking Lease Rate / Sq.Ft.
Office Submarket	2013
Downtown / CBD	\$33.25
Allen Parkway	\$25.59
Clear Lake	\$18.51
East	\$14.74
Energy Corridor	\$20.69
FM 1960 / Highway 249	\$17.85
Greenway Plaza	\$27.25
Gulf Freeway/Pasadena	\$17.57
Katy Freeway	\$21.20
Kingwood	\$19.94
North Belt / Greenspoint	\$21.65
Northwest / Highway 290	\$18.70
Richmond/Fountainview	\$14.41
San Felipe/Voss	\$24.78
South Main / Medical Center	\$23.70
Southwest Freeway	\$19.49
Westchase	\$26.20
West Loop / Uptown / Galleria	\$28.88
Woodlands	\$27.36
Total	\$22.11

Source: Colliers 2Q2013

The tables on the following pages provide an inventory of Class A office properties in the CMA. There is a total of approximately 17.3 million square feet of space in fifty properties. As shown by the highlighted properties, new construction in the CMA over 100,000sf is new to the market.

CMA Class A Office Inventory

Building	GrossSF	KeyMap	Netsf	Rentpsf	Occu- pancy	Street	Street #	YrBuilt	YrRenov	ZipCode
1210 W Clay St	58364	493N	40852		100.00%	W Clay St	1210	1936	2009	77019
1335 W Gray St	22392	493N	22392			W Gray St	1335	2009	0	77019
1415 California St	40000	493S	40000		100.00%	California St	1415	2010	0	77006
1740 Westheimer Rd	13474	492V	13474			Westheimer Rd	1740	2007	0	77019
Federal Reserve Bank	271880	493K	271880	\$25.00	100%	Allen Pkwy	1801	2003	2004	77019
The Centre At River Oaks	49430	492U	49430	\$32.00	92.20%	W Alabama St	2405	2002	0	77098
2905 Sackett St	18730	492U	18730		100%	Sackett St	2905	1975	2004	77098
America Tower	1150000	493J	945156	\$28.50	69.00%	Allen Pky	2919	1982	0	77019
Greenway Plaza	243000	492T	234231		100%	Alabama St	3355	1981	1998	77098
3550 W Dallas St	84732	492M	84732		100%	W Dallas St	3550	1966	0	77019
Regent Square Office Center	165000	492R	165000			Allen Pkwy	3601	1968	0	77019
3700 Buffalo Speedway	150000	492X	144231	\$18.00	96.50%	Buffalo Speedway	3700	1970	2004	77098
3800 Buffalo Speedway	155801	492X	155801	\$24.47	100.00%	Buffalo Speedway	3800	1970	0	77098
The Campanile	63797	493W	52521	\$30.12	94.55%	Montrose Blvd	4203	1920	0	77006
Medical Plaza	75000	493W	75000	\$24.00	100%	Montrose Blvd	5020	1926	2006	77006
Greenway Plaza 3	518578	492X	518578	\$20.00	100.00%	Buffalo Speedway	3800	1970	1976	77046
Greenway Plaza 4	241294	492X	241294	\$25.43	100.00%	Buffalo Speedway	3800	1970	1976	77046
Greenway Plaza 9	800154	492X	746824	\$23.00	100.00%	Greenway Plz	9	1978	0	77046
Greenway Plaza 8	262246	492X	255305	\$15.00	100.00%	Greenway Plz	8	1983	0	77046
Greenway Plaza 12	349784	492X	349784	\$14.50	100.00%	Greenway Plaza	8	1983	0	77046
Upper Post Oak	27396	491R	27000		77.80%	S Wynden Ln	34	2002	0	77056
The Weatherford Center	296190	491R	272762	\$20.00	39.45%	Post Oak Blvd # 850	515	1980	1992	77027
Four Oaks Place (1400)	177000	491Q	158469	\$28.00	100.00%	Post Oak Blvd	1300	1983	1984	77056
1300 Post Oak Blvd	2332925	491Q	1751977		99.50%	Post Oak Blvd	1300	1983	1984	77056

Mixed Use Development Potential

3200 Kirby Drive

Building	GrossSF	KeyMap	NetSF	Rentpsf	Occu- pancy	Street	Street #	YrBuilt	YrRenov	ZipCode
Park Towers South	270000	491R	262136		98.00%	West Loop S	1333	1971	2000	77027
1455 W Loop Fwy S	193737	491R	193737	\$29.00	75.90%	West Loop S	1455	1968	2002	77027
1700 West Loop South	276914	491R	253226		83.00%	West Loop S	1700	1977	0	77027
3D International Tower	420526	491R	406415	\$31.50	82.30%	West Loop S	1900	1979	0	77027
Post Oak Central-Ii	450969	491Q	450969	\$25.00	95.10%	Post Oak Blvd	1980	1978	2001	77056
Post Oak Central-Iii	450944	491U	450944	\$24.00	96.00%	Post Oak Blvd	1990	1981	2001	77056
Former Minute Maid HQ	350000	491P	335028	\$18.00	100.00%	St James Pl	2000	1978	1985	77056
2000 West Loop S	356750	491R	356750	\$21.50	81.60%	W Loop S	2000	1972	0	77027
BBVA Compass Plaza	650000	491U	650000		81.40%	Post Oak Blvd	2200	2011	0	77056
Galleria Tower I	508960	491U	490152	\$21.00	90.70%	Post Oak Blvd	2700	1973	2003	77056
Williams Tower	1650000	491U	1514911		99.50%	Post Oak Blvd	2800	1982	0	77056
2808 Joanel St	13772	492T	13772		100.00%	Joanel St	2808	1993	0	77027
Lakes On Post Oak	462000	491Y	439645	\$25.00	100.00%	Post Oak Blvd	3000	1978	0	77056
3009 Post Oak Blvd	302000	491V	302000	\$31.50	67.00%	Post Oak Blvd	3009	2012	0	77056
Lakes On Post Oak	350000	491Y	338655	\$22.00	97.80%	Post Oak Blvd	3050	1979	2005	77056
3100 Timmons	110030	492S	110030		96.60%	Timmons Ln	3100	1975	2000	77027
Phoenix Tower	662480	492X	618578	\$25.00	84.70%	Southwest Frwy	3200	1984	2011	77027
3555 Timmons Ln	225895	492W	225895	\$17.50	92.80%	Timmons Ln	3555	1982	0	77027
Greenway Plaza	254410	492S	235686	\$24.00	97.20%	Essex Ln	3900	1981	2007	77027
Westheimer Oaks	164492	491V	161000	\$21.00	80.70%	Westheimer	4100	1976	2000	77027
River Oaks Physician Plaza	110000	492W	104671	\$17.50	100.00%	Southwest Frwy	4140	2007	0	77027
4223 Richmond Ave	21855	492W	21855		100.00%	Richmond Ave	4223	2004	0	77027
Post Oak Park V	590000	491R	590000	\$16.00	99.50%	Post Oak Pkwy	4400	1982	0	77027
4545 Post Oak Place Dr	71832	491R	68300		98.20%	Post Oak Place Dr	4545	1974	1998	77027
Galleria Financial Center	251204	491U	251204	\$18.00	82.40%	Westheimer Rd	5065	1977	0	77056
Decorative Center Houston	587178	491L	520893	\$24.00	98.90%	Woodway Dr	5120	1976	1984	77056
TOTALS/AVERAGES	17,323,115		16,001,875	\$23.11	92.52%					

Office Space - Under Construction or Proposed

There are several office building under construction or proposed in the CMA. There is currently 704,916 sf of office space under construction in the CMA. An additional 3.15 million square feet has been announced with completion proposed from 2016 – 2018.

Some of the office development is considered confidential (Uptown Houston). The following is a breakdown of new development in the CMA.

Uptown Houston

Wulfe & Co., Boulevard Place II – 130,916sf under construction; 56.5% preleased; Summer 2014

Transwestern, BHP Billiton Tower, Post Oak Blvd. – 560,000sf 30-story building; completion 2016

Apache, Boulevard Place – 740,000sf Proposed for 2017 completion

2017 Delivery – 450,000sf

2018 Delivery – 450,000sf, 300,000sf, and 650,000sf buildings

Greenway

PM Realty, 3333 Richmond Ave. – 400,000sf under construction

Allen Parkway

Hines, 2229 San Felipe – 174,000sf under construction; 2015 completion

Expected Overall Houston Area Office Space Demand

Since 1970, the Houston area has averaged adding approximately 5 million SF of office space annually.

Using the regional jobs forecasts from the UH – Institute for Regional Forecasting (UH-IRF), CDS Market Research employed two methods to estimate future office space demand for the region.

Method 1 used a straight ratio of regional office space per job. Method 2 used a ratio of the change in occupied office space in 5-year periods to the net addition of jobs in the region. The table below illustrates the results of those methods, the average of the two methods and the average annual office space demand. Based on this analysis, CDS Market Research estimates that annual office space demand will be approximately 4.0 million SF per year up to 2015, increasing to approximately 6 million SF between 2015 and 2020, and then declining slightly to 5.6 million SF annually between 2020 and 2025.

Projections for market area absorption later in this report are based on these regional estimates.

Overall Houston Office Space Demand Calculations

Period	Net New Jobs	Office Space Added		5-yr. Average	Estimated Annual Avg
		Method 1	Method 2		
2010-2015	222,865	22,110,348	16,714,908	19,412,628	4,000,000
2015-2020	342,779	32,392,615	25,708,425	29,050,520	6,000,000
2020-2025	320,461	30,283,589	24,034,594	27,159,091	5,600,000

Source: Employment forecasts from University of Houston, Institute for Regional Forecasting, January 2011. Future office space estimates from CDS Market Research.

The table on the following page summarizes the historical multi-year shares of office market achieved by each of the major office activity centers (p.26 of this report). Downtown has historically captured almost 20% of the office growth in the region while Uptown captured 7% and Greenway Plaza 4%.

From 1990 -2011, the CMA activity centers captured 1.37% (Uptown) and 0.42% (Greenway). As seen in the table, these centers have captured a lower share of the office growth in recent years as compared to other areas.

The only activity center to capture a higher share of the office growth in that period was the Energy Corridor.

Activity Center Historical Shares of Regional Office Space Growth

	Regional SF	Downtown / CBD	Uptown	Energy Corridor	West-chase	Greens-point	Sugar Land	Wood-lands	Greenway	Clear Lake
Pre 1970	24,099,732	60.35%	2.53%	0.92%	0.00%	0.00%	0.00%	0.41%	8.64%	2.92%
1970-74	23,680,054	24.58%	16.28%	1.11%	0.58%	1.26%	0.21%	0.51%	9.84%	0.05%
1975-79	37,073,860	9.03%	14.18%	3.95%	4.78%	5.70%	0.22%	0.64%	7.58%	1.05%
1980-84	97,009,846	16.32%	8.01%	8.89%	7.65%	8.78%	2.88%	1.83%	3.44%	0.93%
1985-89	15,074,193	11.34%	0.00%	3.04%	0.49%	7.73%	4.25%	3.40%	1.13%	6.50%
1990-94	4,215,778	0.00%	0.00%	19.78%	13.28%	18.16%	6.91%	6.11%	2.54%	0.00%
1995-99	9,235,992	12.12%	0.00%	8.82%	7.33%	5.82%	14.45%	15.08%	0.00%	0.00%
2000-04	14,972,788	20.28%	4.64%	1.50%	17.37%	5.32%	3.54%	17.87%	0.00%	0.00%
2004-07	10,034,558	12.81%	0.00%	2.95%	0.00%	0.33%	9.69%	2.48%	1.04%	0.00%
2008-11	12,290,902	14.98%	0.00%	23.69%	13.45%	7.14%	5.49%	3.51%	0.00%	3.91%
Total	247,687,703	19.60%	7.35%	6.50%	6.01%	6.10%	2.98%	3.13%	4.42%	1.40%
'90-'11	50,750,018	14.35%	1.37%	10.01%	10.82%	5.93%	7.49%	9.87%	0.42%	0.95%

Sources: O'Connor and Associates, Office Database, 2012, CDS Market Research for Activity Center Designations

CMA Capture

The table below summarizes the likely range of potential office demand within the Uptown and Greenway areas. It should be noted that these demand figures include all classes of office space types; demand for Class A properties would be a subset of total demand.

CMA Projected Shares of Regional Office Space Growth

Period	Regional Office Demand/ year	UPTOWN Share of Regional Office Demand		Incremental Office Capture	
		High Capture	Low Capture	High	Low
2010-2015	4,000,000	3%	1.3%	600,000	260,000
2015-2020	6,000,000	5%	1.3%	1,500,000	390,000
2020-2025	5,500,000	7%	1.3%	1,925,000	357,500
TOTAL				4,025,000	1,007,500
Less Pipeline Supply				3,280,915	3,280,915
TOTAL POSSIBLE DEMAND THRU 2025				744,085	-2,273,415

Sources: Employment forecasts from University of Houston, Institute for Regional Forecasting, January 2011.
Future office space estimates from CDS Market Research. O'Connor and Associates, Office Database, 2012, CDS Market Research for Activity Center Designations

Period	Regional Office Demand/ year	GREENWAY Share of Regional Office Demand		Incremental Office Capture	
		High Capture	Low Capture	High	Low
2010-2015	4,000,000	1%	0.4%	200,000	80,000
2015-2020	6,000,000	2%	0.4%	600,000	120,000
2020-2025	5,500,000	4%	0.4%	1,100,000	110,000
TOTAL				1,900,000	310,000
Less Pipeline Supply				400,000	400,000
TOTAL POSSIBLE DEMAND THRU 2025				1,500,000	-90,000

Given the previously described current regional economic trends, office market conditions, realistic potential capture of regional office growth, and competitiveness factors for the CMA, CDS has estimated what might be a realistic expectation of office development based on employment projections (p.17).

An office space per office employee factor for the past five years ranged from a low of 325 square feet in 2007 to a high of 365 square feet in 2010. It rebounded to 343 square feet per employee in 2012. In our analysis, we will use 340 square feet.

Within the next five years, the CMA will only have demand for 921,744 square feet of space, given the large amount of space that either currently under construction or proposed by 2018. The CMA will need an additional 3.4 million square feet of space to accommodate the employment growth in the market area (RAZ) that is expected in the area over the next 10 year period (2020 - 2030).

H-GAC Employment Forecasts by RAZ for CMA

Market Area	2010	2011-2015	2016-2020	2025	2030
Employment Projections	210,364	220,892	226,931	234,019	238,912
84.8% Labor Force/Prof. Jobs	178,389	187,316	192,437	198,448	202,597
5 Yr increase		8,928	5,121	6,011	4,149
Cumulative Increase		8,928	14,049	20,060	24,209
Estimated Office Space Required from Employment Growth					
340 SF per Job		3,035,520	1,741,140	2,043,740	1,410,660
Less: CMA pipeline space to 2015		-704,916			
Less: CMA Pipeline Supply to 2016-2018			-3,150,000		
Incremental Demand		2,330,604	-1,408,860	2,043,740	1,410,660
Cumulative Demand		2,330,604	921,744	2,965,484	4,376,144

Source: CDS Market Research, HGAC

Based on the above analysis, there is sufficient demand in the CMA for the proposed 180,000 square foot office tower on the subject site. If built by 2015, the subject site would be capturing 8% of the projected CMA demand which is reasonable. However, if built after 2015, it would have to capture 20% of demand based on employment projections by RAZ and the large amount of office space in the pipeline to enter the market between 2016 and 2018.

Recommendations:

- *The proposed office development should be priced with the competitive Greenway and West Loop sub-markets which are currently at \$27.25psf to \$28.88psf*
- *The subject site should be marketed to smaller users such as dentists, doctors, attorneys, financial, real estate brokers, insurance, accounting, architects, etc.*

CMA Retail Market

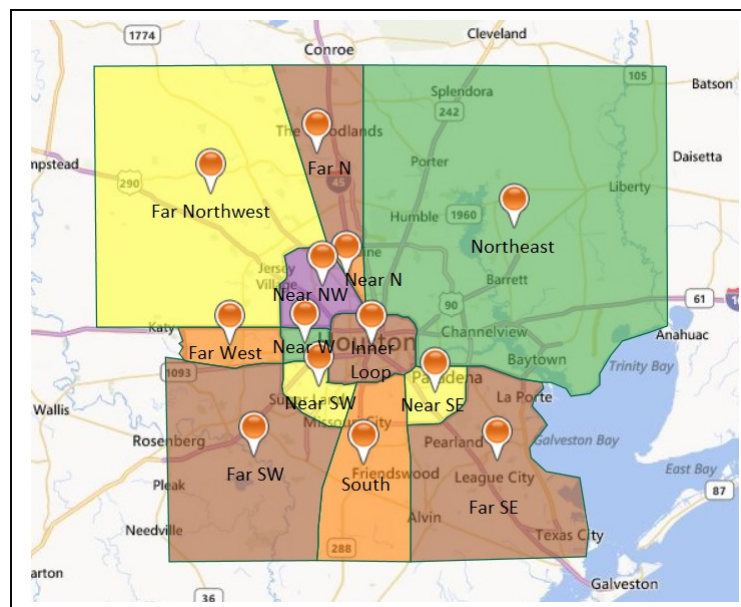
The CMA is located within the very large Inner Loop sub-market according to CBRE. The Inner Loop submarket includes 243 centers with 14,540,552 square feet of space. Vacancy is currently 5.9%, considerably lower than the overall rate of 7.4% for the Houston market. Asking rents are on average \$35.25psf compared to \$21.81 for the overall Houston market.

Compared to all sub-markets in the Houston region, the Inner Loop sub-market includes the highest rental rates in the overall Houston market. As far as absorption, the sub-market showed positive overall absorption. The comparison of the sub-markets and map is shown below.

Houston Sub-markets

Market Statistics									
Market	Number of Centers	Net Rentable Area Sq. Ft.	Direct Vacant Sq. Ft.	% Direct Vacant	Total Vacant Sq. Ft.	% Total Vacant	Average Asking Rate Annual, NNN Per Sq. Ft.	Q3 Total Net Absorption Sq. Ft.	2013 Total Net Absorption Sq. Ft.
Inner Loop	243	14,540,552	833,858	5.7%	862,749	5.9%	\$35.25	35,965	56,000
Northeast	232	15,685,151	1,480,840	9.4%	1,489,505	9.5%	\$15.00	29,799	104,845
Near North	97	5,940,558	193,202	3.3%	193,202	3.3%	\$18.00	(3,561)	50,777
Far North	420	30,376,313	2,460,343	8.1%	2,705,283	8.9%	\$25.00	74,404	197,630
Near Northwest	179	10,864,904	552,104	5.1%	552,104	5.1%	\$15.00	29,842	(95,588)
Far Northwest	425	26,938,668	1,877,556	7.0%	1,877,556	7.0%	\$25.25	42,360	237,539
Near West	185	12,794,800	577,585	4.5%	611,374	4.8%	\$24.50	36,872	113,548
Far West	254	16,976,482	1,202,172	7.1%	1,202,172	7.1%	\$30.25	106,775	357,012
Near Southwest	219	13,278,178	1,179,288	8.9%	1,229,953	9.3%	\$15.00	(581)	33,135
Far Southwest	333	21,635,433	1,445,231	6.7%	1,476,311	6.8%	\$25.25	(118,362)	65,064
South	142	8,556,716	621,575	7.3%	621,575	7.3%	\$20.00	71,950	142,678
Near Southeast	128	9,129,832	931,443	10.2%	936,943	10.3%	\$14.75	(53,263)	147,540
Far Southeast	271	20,416,887	1,469,688	7.2%	1,471,338	7.2%	\$20.25	11,845	69,356
TOTAL	3,128	207,134,474	14,824,885	7.2%	15,230,065	7.4%	\$21.81	264,045	1,479,536

Source: CBRE Research, Q3 2013.



Within the previously defined 6 zip code CMA there are 161 retail establishments with a total of 11,804,337 million square feet (NRA). These include single tenant, neighborhood centers, strip centers, community centers and regional centers.

Approximately, 12% of the centers in the CMA are classified as strip, 18% neighborhood, 17% community and 29% regional. As seen in the table below, the majority of the retail was built pre 1990.

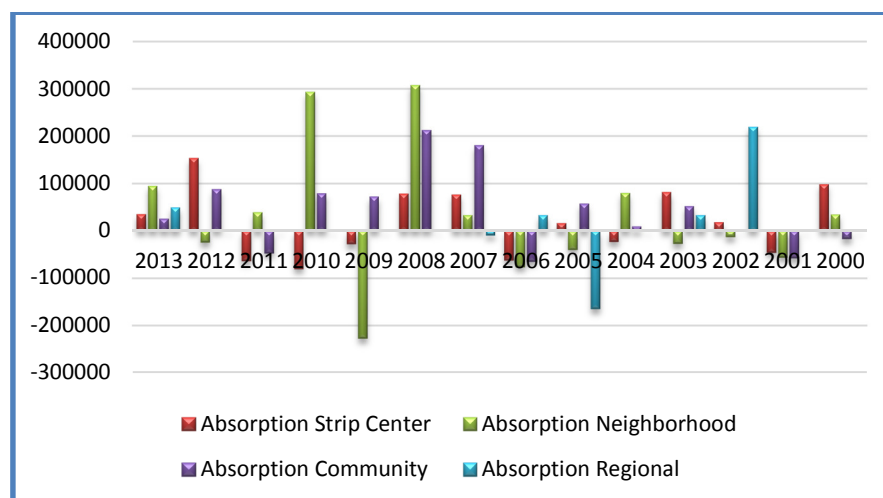
CMA Retail Construction

Year	Strip Center	Neighborhood	Community	Regional	Overall
2011	41,000	318,508			11,418,776
2007			427,663		10,921,319
2006			107,929		10,493,656
2005	22,388		33,900		10,385,727
2003	15,532				10,289,597
2002	28,035			226,566	10,247,512
2001	78,912				9,528,584
2000		50,000			9,436,548
1999	37,933				9,307,636
1998	20,110	147,000			9,209,395
1997	131,209				9,042,285
1996	95,893	42,666	221,965		8,911,076
1995	12,126	242,488			8,483,248
1994	13,597				8,169,746
1993	31,500				7,928,712
Pre-1991	806,392	1,298,272	1,178,599	3,074,581	7,886,762

Source: CDS Market Research, OConnor & Assoc.

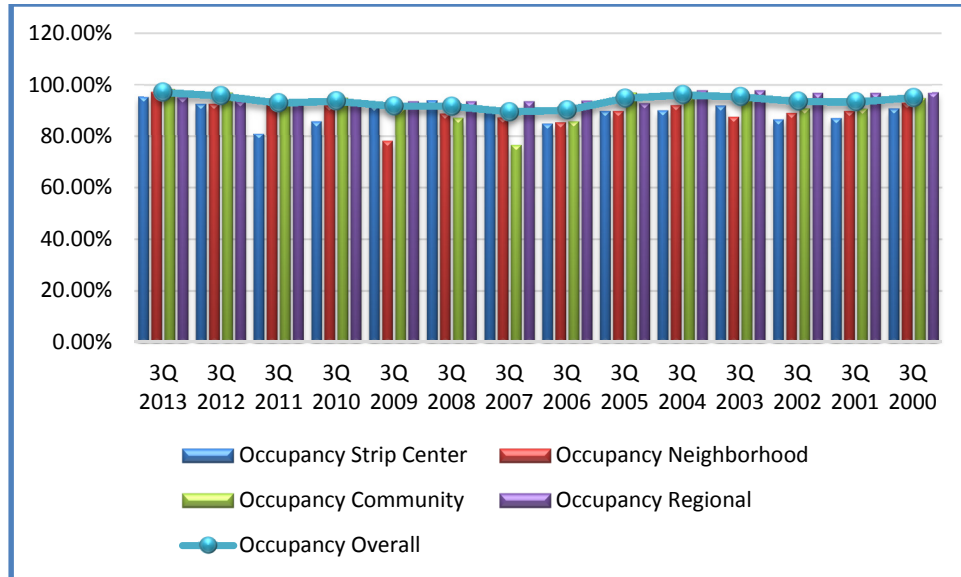
Absorption in the CMA has been positive on average with 158,568 square feet absorbed annually overall.

CMA Absorption



Occupancy in the CMA overall has been increasing since 2007. Currently overall occupancy is at 97.2%. Community centers have consistently had the highest occupancies among the retail types.

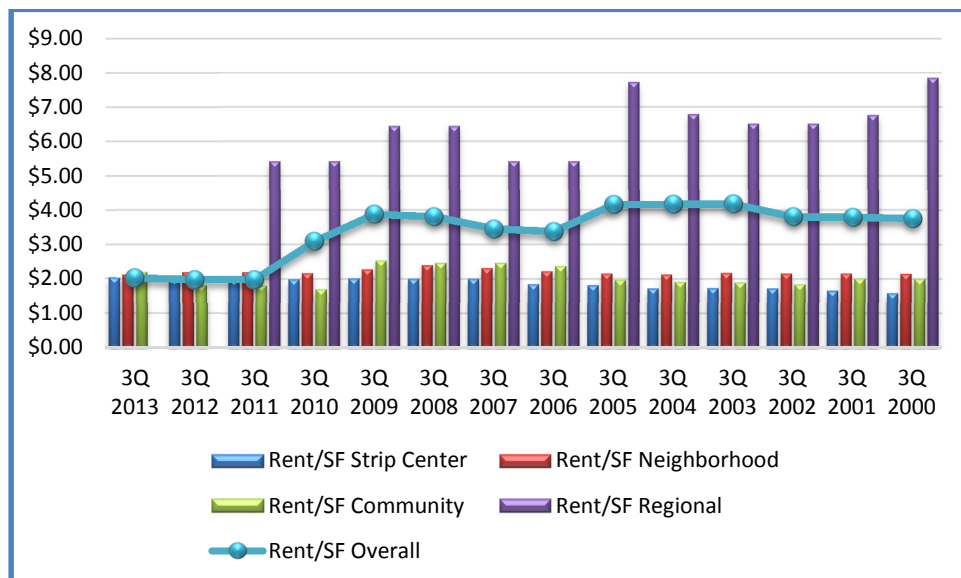
Retail Occupancy Trends



Source: CDS Market Research, OConnor & Assoc.

Rental rates overall have decreased in the CMA. Regional rates have been steadily decreasing from \$7.85psf in 2000 to \$5.42 in 2011. All other types of retail remained fairly stable from 2000 to 2006; from 2007 to 2009 rates increased at which time from 2010 to 2013 they have once again leveled off.

Historical Rental Rates



CMA Retail Overview

Uptown

Each year, more than 26 million people are drawn to the exquisite collection of stores at The Galleria, the fourth largest retail complex in the United States, and to the beauty of Uptown Park, a European-styled retail center whose elegant boutique shops exude Old World charm. In addition, hundreds of other specialty shops, boutiques and restaurants are sprinkled throughout the area, offering shoppers an assortment of options including the new BLVD Place, Centre at Post Oak, Highland Village, and Post Oak Shopping Center.

The Galleria is the number one shopping and tourist attraction in Houston and the southwest. With more than 375 stores, 30 restaurants, two hotels and a full-size ice rink. The Galleria is home to a who's who list of designers, including Louis Vuitton, Cartier, Chanel, Jimmy Choo, and Ralph Lauren, among many others. Sitting alongside the upscale boutiques are anchor stores Neiman Marcus, Saks Fifth Avenue, Nordstrom and two Macy's department stores, adding up to more than two million square feet of shopping

Nestled among prestigious neighborhoods, Uptown Houston is home to the largest number of couture retailers in the city, including Hermes, Versace, Yves Saint Laurent, Giorgio Armani and Bvlgari, as well as more mainstream brands like Banana Republic, Brooks Brothers and Macy's.

- *Uptown Annual gross retail sales exceeded \$3.19 billion in 2011.*
- *Uptown accounts for more than 10% of the entire taxable retail sales for the City of Houston.*

Highland Village was built nearly 50 years ago to serve the surrounding exclusive neighborhoods. Lined with palm trees, the stucco-clad center houses some of the most recognizable names in retail including Crate & Barrel, Williams-Sonoma, Banana Republic, Pottery Barn, Restoration Hardware, Fitigues, Cole Haan, Chico's, Lucy, Lucky Brand Dungarees, and Victoria's Secret, along with the Michael Kemper Salon & Day Spa, on the second level.

Highland Village is home to several of Houston's most distinctive dining establishments: famous New York steakhouse Smith & Wollensky, lauded for its USDA Prime beef, dry-aged on premises, succulent seafood, extensive, award-winning wine selection, and exceptional service; and nationally-known P.F. Chang's China Bistro with its outstanding Chinese cuisine blended with casual American hospitality. Other highlights are the swanky RA Sushi, UP Restaurant and Tex-Mex favorite Escalante's.

Greenway/Upper Kirby

Set at the crossroads of Upper Kirby and River Oaks, Houston's West Ave development brings together luxury residences, retail and fine dining options, in the heart of Houston. The pedestrian-friendly urban village has drawn some of the city's most talented, along with highly-regarded regional and national brands to create a hub of fashion, dining and nightlife.

The art-deco-inspired development—which offers 195,000 square feet of retail space—is home to luxury retailers including Q Custom Clothier, Rye 51, Ivannia Boutique and Ivory Bridal Atelier. Tootsies, a Houston-based luxury retailer of women's clothing, serves as West Ave's anchor store, occupying an entire city block. Interior design stores, plastic surgeon offices, as well as relaxing salons and spas also call the expanse home.

In addition to shopping, West Ave remains a popular dining destination offering a mix of trendy restaurants and fine dining outposts. Houston-born concepts like Pondicheri share space with West Coast-import Katsuya, Austin's Eddie V's and Dallas' Cru Wine Bar.

Retail Pipeline

The Galleria will receive a new residential tower and an additional 100,000 square feet of retail space after some tenants shuffle between locations. Macy's will consolidate its two stores into the Hidalgo Galleria location while Saks Fifth Avenue will move into a 200,000-square foot redevelopment of a former Macy's.

Retail Inventory

There is currently 13,007,479 square feet of gross retail space in the CMA. The following is a list of retail in the CMA including single tenant buildings.

CMA Retail Inventory

Building	GrossSF	NetSF	Street	Street#	Zip Code	Year Built	Yr Renov	Rental Rate	Occupancy	Type
Boulevard Place Phase II	185000	185000	Post Oak Blvd	0	77056	0	0			
The Shops @ Greenway	42876	42876	E Greenway	3	77046	1974	0	\$1.75	85.60%	Neighborhood
Pictures Plus Prints & Framing	27911	27911	Hyde Park Blvd	115	77006	1966	1970			Single Tenant
Whitney Place Plaza(415)	15770	15668	Westheimer Rd	425	77006	2000	0	\$2.00	100.00%	Strip Center
Tanglewood Center	41258	41258	Chimney Rock	500	77056	1996	1997	\$2.00	100.00%	Neighborhood
Waugh Drive Retail Center[502-550]	40000	39980	Waugh Dr	502	77019	2000	0	\$1.50	100.00%	Strip Center
515 Westheimer Shopping Center	13322	13160	Westheimer Rd	515	77006	2000	0	\$2.00	93.40%	Strip Center
Whole Foods Shopping	50000	50000	Waugh Dr.	701	77019	2010	0			Single Tenant
Cvs Pharmacy	12000	12000	Waugh Dr	1001	77019	2003	0			Single Tenant
Westmont Shopping Center	41838	41838	Westheimer Rd	1001	77006	1985	0	\$2.92	64.00%	Neighborhood
CVS Pharmacy	12000	12000	Richmond Ave	1003	77006	2004	0			Single Tenant
Uptown Park Ph I	154614	147000	Uptown Park	1101	77056	1998	0		88.80%	Community
1110 W Gray St	11696	11696	W Gray St	1110	77019	1968	0			Single Tenant
Tower Center	18747	17708	Westheimer Rd	1111	77006	1935	2010			Strip Center
1124 Lovett Blvd	10366	10366	Lovett Blvd	1124	77006	1996	0		100.00%	Neighborhood
Uptown Park Ph II	22388	22388	Uptown Park	1180	77056	2005	0	\$3.00	100.00%	Strip Center
1203 Lovett Blvd	38285	38285	Lovett Blvd	1203	77006	1925	2010			Single Tenant
Westheimer Center[1212-1226]	16634	16634	Westheimer Rd	1212	77006	1965	0	\$1.25	73.40%	Strip Center
Robert Weiz Office Furniture	10450	10450	Gray St W	1355	77019	1992	0	\$2.50	100.00%	Single Tenant
Six Pence Center [1415-1421]	10104	10104	Richmond Ave	1415	77006	1970	0		100.00%	Strip Center
River Oaks Plaza #1414-1574	188895	184642	W Gray St	1422	77019	1990	2002		100.00%	Community
24 Hour Fitness	47937	47937	Post Oak Blvd	1550	77056	1994	0		100.00%	Single Tenant

Building	GrossSF	NetSF	Street	Street#	Zip Code	Year Built	Yr Ren ov	Rental Rate	Occupancy	Type
Courtyard At Post Oak(1616)	13597	13597	Post Oak Blvd	1650	77056	1994	2003		29.50%	Strip Center
1665 Westheimer Rd	10309	10309	Westheimer Rd	1665	77006	1936	0		100.00%	Neighborhood
1700 -1735 Westheimer Rd	10000	10000	Westheimer Rd	1700	77098	1929	0	\$2.30	100.00%	Strip Center
Post Oak Plaza(1701-1753)	130000	128445	Post Oak Blvd	1701	77056	1970	2008	\$2.17	100.00%	Neighborhood
1701 W Alabama St	75049	75049	W Alabama St	1701	77098	2011	0		100.00%	Single Tenant
1702 Post Oak Blvd	43350	43350	Post Oak Blvd	1702	77056	0	2008	\$2.33	100.00%	Neighborhood
Micro Center	50000	50000	West Loop S	1717	77027	1994	0			Single Tenant
Boulevard Place Phase I	70000	70000	Post Oak Blvd	1800	77056	2008	0	\$2.08	100.00%	Community
Post Oak Row	18745	18745	Post Oak Blvd	1801	77056	1971	1997	\$1.83	100.00%	Strip Center
Driscoll Place Design Center	14349	14348	Alabama St W	1845	77098	1969	1980	\$1.75	100.00%	Single Tenant
1901-1921 Westheimer Rd	11000	11000	Westheimer Rd	1901	77098	1948	1996	\$2.00	100	Strip Center
Bakery Square(1909-1915)	19678	19678	W Gray St	1905	77019	1996	0	\$4.00	100.00%	Strip Center
Bakery Square - Walgreens	15304	15304	Gray St W	1921	77019	1996	0			Single Tenant
1947 W Gray St	12647	12647	W Gray St	1947	77019	1947	0		100.00%	Single Tenant
River Oaks East	71265	71265	Gray St W	1950	77019	1972	1998	\$1.00	100.00%	Neighborhood
River Oaks Shopping Center	324601	324601	W Gray St	1964	77019	1948	2011		96.90%	Community
Post Oak Central One	86046	86046	Post Oak Blvd	2000	77056	1979	0	\$1.92	100.00%	Neighborhood
River Oaks Shopping Center	61000	60423	W Gray St	2030	77019	1995	2008		89.40%	Neighborhood
99 Cent Only	18231	18231	Westheimer Rd	2030	77019	1980	0	\$1.50	100.00%	Single Tenant
Nicoletti's Lamps And Shades	21432	21432	W Alabama St	2032	77098	1954	2011		100.00%	Single Tenant
Shepherd 59 Center(2005-2035)	15000	15000	Southwest Fwy	2035	77098	1979	0	\$1.50	100.00%	Strip Center
2036 Westheimer Rd	10758	10758	Westheimer Rd	2036	77098	1950	1998		100.00%	Neighborhood
Shepherd Square	128000	127716	Westheimer Rd	2055	77098	1989	1990	\$2.38	98.80%	Community
2110 S Shepherd Dr	16896	16896	S Shepherd Dr	2110	77019	1960	0		100.00%	Single Tenant
The Post Oak Shopping Center	206515	206515	Post Oak Blvd	2131	77056	1959	2000	\$3.75	98.00%	Community
2200 W Alabama St	16424	15200	W Alabama St	2200	77098	1988	0	\$1.67	87.80%	Strip Center
2220 W Alabama Street,	10140	10140	W Alabama St	2220	77098	1980	0		100.00%	Single Tenant
2301 Yorktown St	11760	11760	Yorktown St	2301	77056	1979	0		100.00%	Neighborhood

Mixed Use Development Potential

3200 Kirby Drive

Building	GrossSF	NetSF	Street	Street#	Zip Code	Year Built	Yr Ren ov	Rental Rate	Occupancy	Type
2320 W Alabama St	12000	12000	W Alabama St	2320	77098	1993	0	\$1.66	100.00%	Strip Center
Westheimer Oaks Village	35026	34482	Mid Lane	2400	77027	1940	1977		100.00%	Neighborhood
Academy Sports	52000	52000	Southwest Frwy	2402	77098	1996	0		100.00%	Single Tenant
Centre @ River Oaks Phase II	25000	25000	W Alabama St	2405	77098	2002	0		100.00%	Neighborhood
Spec's Liquor	78826	78826	Smith St	2410	77006	1973	2003			Single Tenant
Town West Center(2415-2417)	18824	18824	Westheimer Rd	2415	77098	1975	0	\$1.66	100.00%	Strip Center
2418 W Alabama St	20110	20110	W Alabama St	2418	77098	1998	2010		100.00%	Strip Center
The Plazas @ Midtown II	11136	10913	Louisiana St	2450	77006	1999	0		100.00%	Strip Center
The Plaza @ Midtown I	15820	15820	Bagby St	2501	77006	1999	0	\$2.00	92.30%	Strip Center
2600 Travis	27660	27660	Travis St	2600	77006	1960	0		100.00%	Neighborhood
The Galleria(5001 Westheimer Rd)	2500000	2500000	Sage Rd	2607	77056	1985	2003		93.70%	Regional
Walgreens	14676	14676	Smith St	2612	77006	2005	0			Single Tenant
Kirby @ SW Freeway Center	41000	41000	Southwest Fwy	2615	77098	2008	0		100.00%	Strip Center
Avalon Center #2604-2630	33957	33957	Westheimer Rd	2626	77098	1945	0		97.10%	Strip Center
The Galleria(2630 Post Oak Blvd)	188356	188356	Post Oak Blvd	2630	77056	1971	0			Single Tenant
2631 Revere St	32927	32927	Revere St	2631	77098	1965	0		100.00%	Strip Center
2700 Milam St	11750	11750	Milam St	2700	77006	1965	0		100.00%	Neighborhood
5661 Westheimer	12500	12500	Chimney Rock	2707	77056	1983	0		100.00%	Strip Center
Kirby Oaks Center	32300	32300	Westheimer Rd	2719	77098	1996	0	\$2.33	80.00%	Neighborhood
2727 Southwest Fwy	54718	54718	Southwest Fwy	2727	77098	1974	2004			Single Tenant
West Ave At River Oaks	975817	427663	Kirby Dr # 397	2800	77098	2007	2008			Community
Shops On Sage	33900	33900	Sage Rd	2800	77056	2005	0	\$3.50	92.70%	Neighborhood
River Oaks Village [2802-2910]	22104	19500	Westheimer Rd	2802	77098	1993	0		100.00%	Strip Center
Mekong Center	17600	15722	Milam St	2808	77006	1997	0		100.00%	Strip Center
2808 Richmond Ave	10104	10104	Richmond Ave	2808	77098	2000	0		100.00%	Strip Center
Alabama Shepherd Shopping Center	58261	58261	Shepherd Dr S	2902	77098	1939	1992		100.00%	Neighborhood
2905 Travis St	11200	11200	Travis St	2905	77006	1999	0		100.00%	Strip Center
West Loop Market Ceter(2901)	14075	13920	West Loop S	2909	77027	1971	0		33.20%	Strip Center

Building	GrossSF	NetSF	Street	Street#	Zip Code	Year Built	Yr Ren ov	Rental Rate	Occupancy	Type
2955 Kirby Dr	42360	42360	Kirby Dr	2955	77098	1999	0		100.00%	Single Tenant
Centre @ River Oaks Phase I	50000	50000	Kirby Dr	3001	77098	2000	2012		100.00%	Neighborhood
Midtowne Shoppers	21055	21055	Milam St	3017	77006	1954	1997	\$2.50	100.00%	Strip Center
Kirby-Richmond Plaza(3041)	54321	54321	Kirby Dr	3025	77098	1978	1990	\$1.63	100.00%	Neighborhood
Sage Plaza	16752	16752	Sage Rd	3055	77056	1996	0		100.00%	Strip Center
High Fashion Home	125000	125000	Travis St	3100	77006	1952	2005			Single Tenant
3101 Louisiana St	25423	25423	Louisiana St	3101	77006	1939	1993			Single Tenant
Bed Bath & Beyond	36474	36474	Kirby Dr	3102	77098	1965	2002			Single Tenant
Shepherd Corner	11027	11027	S Shepherd Dr	3102	77098	1950	0		73.80%	Strip Center
West Loop Plaza	67000	67000	West Loop S	3115	77027	2006	0	\$2.00	100.00%	Neighborhood
3133 Southwest Fwy	18492	18492	Southwest Fwy	3133	77098	1968	2013		100.00%	Single Tenant
3200 Kirby Dr	28000	23467	Kirby Dr	3200	77098	1958	2011	\$1.67	100.00%	Strip Center
Summit Square [3245-3285]	58285	58285	Southwest Frwy	3249	77027	1997	0	\$2.08	100.00%	Strip Center
Lamar River Oaks(3272)	32000	32000	Westheimer Rd	3256	77098	1950	2010	\$3.33	91.60%	Strip Center
3300 Chimney Rock Rd	39818	39818	Chimney Rock	3300	77056	1970	2003	\$1.00	85%	Neighborhood
Kroger	43164	43164	Montrose Blvd	3300	77006	1963	1986			Single Tenant
Parvian Oriental Rugs	30964	30964	Kirby Dr	3303	77098	1979	0	\$2.50	100.00%	Strip Center
Richmond/Dunvale Center	11384	11384	Richmond Ave	3310	77098	1959	2003			Single Tenant
Walgreens	13500	13500	Montrose Blvd	3317	77006	1994	0			Single Tenant
3319 Louisiana St	11256	11256	Louisiana St	3319	77006	1969	0			Single Tenant
3327-3331 Damico St	11958	11958	Damico St	3401	77019	1950	0	\$1.25	37.50%	Strip Center
Hawthorne Square	14322	14322	Montrose Blvd	3407	77006	1997	0		100.00%	Strip Center
Shepherd Place(3208)	15532	15532	S Shepherd Dr	3415	77098	2003	0			Strip Center
3509 Montrose Blvd	13000	13000	Montrose Blvd	3509	77006	1980	0			Single Tenant
3600 Kirby Dr	31341	31341	Kirby Dr	3600	77098	1977	2009	\$3.17	95.20%	Neighborhood
3601 S Sandman St	10755	10755	S Sandman St	3601	77098	1958	0		100.00%	Neighborhood
3601 W Alabama St	10080	10080	W Alabama St	3601	77027	1977	0		100.00%	Strip Center
2207 Richmond Ave	20718	20718	Greenbriar St	3636	77098	1986	0		100.00%	Strip Center

Building	GrossSF	NetSF	Street	Street#	Zip Code	Year Built	Yr Ren ov	Rental Rate	Occupancy	Type
Timmons Place	51680	51680	Alabama Street	3701	77027	1970	0	\$1.08	100.00%	Neighborhood
3743 Westheimer Rd	50000	50000	Westheimer Rd	3743	77027	1970	0			Single Tenant
Shepherd Plaza(2121 Richmond Ave)	112632	103064	Farnham st	3800	77098	1955	1965	\$1.80	100.00%	Neighborhood
Summit Plaza	40929	40929	Southwest Frwy	3800	77027	2006	0	\$3.33	91.80%	Neighborhood
Willshire Village	46322	46322	Dunlavy St	3803	77006	1962	0	\$1.00	100.00%	Neighborhood
Plaza Centre	43784	43200	Southwest Frwy	3809	77027	1996	2012	\$2.42	95.10%	Strip Center
H E B Central Market	80000	80000	Westheimer Rd	3815	77027	2001	0			Single Tenant
Centre At Greenway	41000	41000	Richmond Ave	3817	77027	1960	1999	\$3.00	93.20%	Neighborhood
Greenway Commons [3810-3838]	248508	248508	Richmond Ave	3834	77027	2008	0		98.60%	Community
Walgreens	28728	28728	Westheimer Rd	3900	77027	1975	0			Single Tenant
Highland Village	482683	482683	Westheimer Rd	3920	77027	1950	2009		100.00%	Community
3939 Montrose Blvd	18688	18688	Montrose Blvd	3939	77006	1984	0	\$1.67	83.20%	Strip Center
Richmond Design Center	17008	17008	Richmond Ave	4009	77027	1961	2003	\$3.00	90.60%	Strip Center
The Campanile	68742	68742	Montrose Blvd	4100	77006	1945	1980	\$2.08	100.00%	Strip Center
Briar Hollow Center	22339	22339	San Felipe St	4200	77027	1968	2001		100.00%	Strip Center
4218 Richmond Ave	17514	17514	Richmond Ave	4218	77027	1954	1997			Single Tenant
4242 Richmond Ave	15000	15000	Richmond Ave	4242	77027	1970	0		74.70%	Strip Center
4302 Richmond Ave	20000	20000	Richmond Ave	4302	77027	1960	0	\$2.20	100.00%	Strip Center
CVS Pharmacy Store	12900	12900	North Fwy	4314	77027	2010	0			Single Tenant
Target	116000	116000	San Felipe St	4323	77027	1994	2004		100.00%	Single Tenant
Loop 610 @ San Felipe[4500-4560]	64000	64000	San Felipe St	4500	77027	1996	1997		100.00%	Neighborhood
Chelsea Market	55000	55000	Montrose Blvd	4611	77006	1940	1985	\$1.75	100.00%	Neighborhood
CVS Pharmacy	13166	13166	Kirby Dr	4700	77098	2004	0		100.00%	Single Tenant
Richmond Loop Plaza	35845	35845	Richmond Ave	4701	77027	1954	1960	\$1.66	100.00%	Strip Center
4702 Richmond Ave	26538	26538	Richmond Ave	4702	77027	1954	1960		100.00%	Neighborhood
Uptown Plaza [4715-4755]	28035	28035	Westheimer Rd	4715	77027	2002	0		100.00%	Strip Center
4810 San Felipe St	11705	11705	San Felipe St	4810	77056	1958	0			Single Tenant
4901 Richmond Ave	17948	17948	Richmond Ave	4901	77027	1999	0		100.00%	Single Tenant

Mixed Use Development Potential

3200 Kirby Drive

Building	GrossSF	NetSF	Street	Street#	Zip Code	Year Built	Yr Ren ov	Rental Rate	Occupancy	Type
4920 San Felipe	12852	12852	San Felipe	4920	77056	1974	0		100.00%	Single Tenant
Dillard's	300000	300000	Westheimer Rd	4925	77056	1963	0			Single Tenant
The Centre At Post Oak	182065	182065	Westheimer Rd	5000	77056	1995	0		97.20%	Community
Embassy Plaza (5026)	33771	33771	Westheimer Rd	5002	77056	1985	0	\$3.75	85.70%	Neighborhood
Richmond Square	33707	33707	Richmond Ave	5005	77056	1996	2003		100.00%	Neighborhood
5015 Westheimer Rd	574581	574581	Westheimer Rd	5015	77056	1970	0		100.00%	Regional
Rice Market Center	44750	44750	San Felipe St	5016	77056	1959	0		100.00%	Neighborhood
The Plaza On Richmond[5070-5092]	200000	200000	Richmond Ave	5070	77056	1960	1998		100.00%	Community
5116 Westheimer Rd	13828	13828	Westheimer Rd	5116	77056	1950	2001			Single Tenant
5133 Richmond Ave	58888	58888	Richmond Ave	5133	77056	1995	0			Single Tenant
The Galleria IV	246690	246690	W Alabama St	5135	77056	2002	0			Single Tenant
The Galleria	1062592	226566	W Alabama St	5137	77056	2002	0		100.00%	Regional
Houston Galleria	195320	195320	Westheimer Rd	5155	77056	1979	0			Single Tenant
Sage Plaza Retail Ctr	85394	83000	San Felipe St	5161	77056	1996	0	\$2.50	100.00%	Neighborhood
The Galleria IV	217637	217637	Hidalgo St	5192	77056	2002	0			Single Tenant
Walgreens	16263	16263	Westheimer Rd	5200	77056	1996	0			Strip Center
Richmond @ Sage	12126	12126	Richmond Ave	5201	77056	1995	0	\$2.16	100.00%	Strip Center
Cvs Pharmacy	12036	12036	Richmond Ave	5204	77056	2001	0		100.00%	Single Tenant
Sage Plaza[2610-2680 Sage Rd]	20120	237125	Westheimer Rd	5251	77056	1976	0		100.00%	Strip Center
Westheimer Court	14700	18047	Westheimer Rd	5300	77056	1973	1973		100.00%	Strip Center
5346 Westheimer Road	12208	12208	Westheimer Rd	5346	77056	1973	0			Strip Center
Uptown Collection(5363-5395)	42880	42880	Westheimer Rd	5363	77056	1997	0		100.00%	Strip Center
Cvs Pharmacy	14553	14553	Westheimer Rd	5402	77056	2003	0		100.00%	Single Tenant
Oriental Rug Bazaar	17486	17486	Westheimer Rd	5525	77056	1953	1991		100.00%	Strip Center
5511-5539 Richmond Ave	11328	11328	Richmond Ave	5539	77056	1975	0	\$3.57	100.00%	Strip Center
Circle West Plaza	23851	23851	Richmond Ave	5549	77056	1970	0	\$1.50	87.10%	Strip Center

Source: CDS Market Research; OConnor and Associates

Retail Trade By Establishments

According to Nielsen Business Facts, there are 1,491 business establishments in the CMA which are retail related and 734 food related businesses. Average daytime population is 178,883 in the CMA.

Retail Trade Establishments

	CMA				
	NAICS codes	Total Establishments	Total Employees	Sales in thousands	Establishments
Total Businesses	All	14,264	178,883	\$45,227,334	288
Retail Trade	44-45	1,491	22,658	\$4,121,988	31
Motor Vehicle and Parts Dealers	441	55	1,039	\$638,581	3
Furniture and Home Furnishing Stores	442	104	1,323	\$379,756	2
Electronics and Appliance Stores	443	152	6,766	\$502,769	4
Building Material and Garden Equipment and Supplies Dealers	444	53	418	\$82,246	1
Food and Beverage Stores	445	111	3,028	\$745,880	9
Health and Personal Care Stores	446	103	836	\$135,428	0
Gasoline Stations	447	36	177	\$82,128	0
Clothing and Accessories Stores	448	455	3,932	\$683,408	3
Sporting Goods, Hobby, Musical Instrument and Book Stores	451	84	630	\$80,773	1
General Merchandise Stores	452	33	2,764	\$450,466	7
Miscellaneous Store Retailers	453	284	1,370	\$210,251	0
Nonstore Retailers	454	21	375	\$130,302	1
Food Services and Drinking Places	722	734	16,016	\$653,411	28
Daytime Population		178,883			
Residential Population		90,265			
Households		52,355			
Average Household Income		\$115,864			

Prizm Social Groups

Psychographic analysis is used to identify consumer segments and match retail demand categories in the trade area(s). CDS has broken down the market area resident populations utilizing a consumer segmentation methodology. This system is used to understand and profile the population in the market area for the purpose of targeting the largest consumer lifestyle segments. Every household is defined in terms of 66 demographically and behaviorally distinct groups. Specific lifestyle segments will be quantified and ranked for the trade area. The top segments are correlated to likes, dislikes and purchase behavior relative to retail goods and services.

CMA Lifestyle Groups

PRIZM Household Segments	CMA	
	2013	%
	Households	
Households by PRIZM Segment	52,355	
16 Bohemian Mix	15,240	29.11%
A collection of young, mobile urbanites, Bohemian Mix represents the nation's most liberal lifestyles. Its residents are a progressive mix of young singles and couples, students and professionals, Hispanics, Asians, African-Americans and whites. In their funky row houses and apartments, Bohemian Mixers are the early adopters who are quick to check out the latest movie, nightclub, laptop and microbrew.		
04 Young Digerati	10,334	19.74%
Young Digerati are the nation's tech-savvy singles and couples living in fashionable neighborhoods on the urban fringe. Affluent, highly educated and ethnically mixed, Young Digerati communities are typically filled with trendy apartments and condos, fitness clubs and clothing boutiques, casual restaurants and all types of bars-from juice to coffee to microbrew.		
07 Money & Brains	6,551	12.51%
The residents of Money & Brains seem to have it all: high incomes, advanced degrees and sophisticated tastes to match their credentials. Many of these city dwellers, predominantly white with a high concentration of Asian Americans, are married couples with few children who live in fashionable homes on small, manicured lots.		
29 American Dreams	5,502	10.51%
American Dreams is a living example of how ethnically diverse the nation has become: more than half the residents are Hispanic, Asian or African-American. In these multilingual neighborhoods-one in ten speaks a language other than English-middle-aged immigrants and their children live in middle-class comfort.		
31 Urban Achievers	3,767	7.20%

PRIZM Household Segments	CMA	
	2013	%
	Households	
Households by PRIZM Segment	52,355	
Concentrated in the nation's port cities, Urban Achievers is often the first stop for up-and-coming immigrants from Asia, South America and Europe. These young singles and couples are typically college-educated and ethnically diverse: about a third are foreign-born, and even more speak a language other than English.		
01 Upper Crust	2,081	3.97%
The nation's most exclusive address, Upper Crust is the wealthiest lifestyle in America—a haven for empty-nesting couples over 55 years old. No segment has a higher concentration of residents earning over \$200,000 a year or possessing a postgraduate degree. And none has a more opulent standard of living.		
26 The Cosmopolitans	1,826	3.49%
Educated, midscale and multi-ethnic, The Cosmopolitans are urbane couples in America's fast-growing cities. Concentrated in a handful of metros—such as Las Vegas, Miami and Albuquerque—these households feature older home-owners, empty-nesters and college graduates. A vibrant social scene surrounds their older homes and apartments, and residents love the nightlife and enjoy leisure-intensive lifestyles.		
08 Executive Suites	1,304	2.49%
Executive Suites consists of upper-middle-class singles and couples typically living just beyond the nation's beltways. Filled with significant numbers of Asian Americans and college graduates—both groups are represented at more than twice the national average—this segment is a haven for white-collar professionals drawn to comfortable homes and apartments within a manageable commute to downtown jobs, restaurants and entertainment.		
54 Multi-Culti Mosaic	1,116	2.13%
An immigrant gateway community, Multi-Culti Mosaic is the urban home for a mixed populace of younger Hispanic, Asian and African-American singles and families. With nearly a quarter of the residents foreign born, this segment is a mecca for first-generation Americans who are striving to improve their lower-middle-class status.		
03 Movers & Shakers	1,059	2.02%
Movers & Shakers is home to America's up-and-coming business class: a wealthy suburban world of dual-income couples who are highly educated, typically between the ages of 35 and 54 and often with children. Given its high percentage of executives and white-collar professionals, there's a decided business bent to this segment: Movers & Shakers rank number-one for owning a small business and having a home office.		
14 New Empty Nests	1,035	1.98%

PRIZM Household Segments	CMA	
	2013	%
	Households	
Households by PRIZM Segment	52,355	
With their grown-up children recently out of the house, New Empty Nests is composed of upscale older Americans who pursue active-and activist-lifestyles. Nearly three-quarters of residents are over 65 years old, but they show no interest in a rest-home retirement. This is the top-ranked segment for all-inclusive travel packages; the favorite destination is Italy.		
59 Urban Elders	848	1.62%
For Urban Elders-a segment located in the downtown neighborhoods of such metros as New York, Chicago, Las Vegas and Miami-life is often an economic struggle. These communities have high concentrations of Hispanics and African-Americans, and tend to be downscale, with singles living in older apartment rentals.		
15 Pools & Patios	666	1.27%
Formed during the postwar Baby Boom, Pools & Patios has evolved from a segment of young suburban families to one for mature, empty-nesting couples. In these stable neighborhoods graced with backyard pools and patios-the highest proportion of homes were built in the 1960s-residents work as white-collar managers and professionals, and are now at the top of their careers.		
40 Close-In Couples	506	0.97%
Close-In Couples is a group of predominantly older, African-American couples living in older homes in the urban neighborhoods of mid-sized metros. High school educated and empty nesting, these 55-year-old-plus residents typically live in older city neighborhoods, enjoying secure and comfortable retirements.		
61 City Roots	68	0.13%
Found in urban neighborhoods, City Roots is a segment of lower-income retirees, typically living in older homes and duplexes they've owned for years. In these ethnically diverse neighborhoods-more than a third are African-American and Hispanic-residents are often widows and widowers living on fixed incomes and maintaining low-key lifestyles.		

Source: Tetrad for MapInfo

Retail Sales Trends

Total retail Sales in the CMA are illustrated in the following chart. Overall, from 2008 to 2012 sales decreased at a rate of 58.0 percent. The sales fell to \$4.9 billion in 2010 with the economic downturn. From 2010 to 2012 sales have been rebounding upward to \$5.8 billion (18% increase).

Retail Sales Trends

NAI CS	Retail Trade	2008	2009	2010	2011	2012
441	Motor Vehicle and Parts Dealers	321,876,204	300,296,816	356,835,226	418,826,865	501,676,365
442	Furniture and Home Furnishings Stores	228,422,063	209,853,503	279,966,747	266,950,528	281,207,869
443	Electronics and Appliance Stores	323,795,234	351,763,745	396,253,418	412,364,937	425,117,262
444	Building Material and Garden Equipment and Supplies Dealers	237,259,725	129,859,760	90,234,220	50,865,585	56,672,854
445	Food and Beverage Stores	512,214,711	509,474,130	517,880,793	571,890,113	686,942,920
446	Health and Personal Care Stores	227,289,478	241,271,815	258,066,269	268,836,135	282,405,993
447	Gasoline Stations	54,942,568	36,768,773	40,721,576	49,002,994	56,061,057
448	Clothing and Clothing Accessories Stores	1,010,688,391	931,364,480	1,026,554,235	1,181,813,172	1,236,862,734
451	Sporting Goods, Hobby, Book, and Music Stores	158,839,516	147,342,495	154,139,408	159,634,710	159,475,987
452	General Merchandise Stores	430,558,330	549,487,114	504,909,883	553,797,194	602,036,862
453	Miscellaneous Store Retailers	534,092,464	414,663,322	425,617,060	506,520,275	554,980,616
454	Nonstore Retailers	4,406,197,462	4,385,078,101	83,886,189	75,178,111	75,747,496
722	Food Services and Drinking Places	805,226,487	757,652,782	792,035,646	849,657,822	918,041,662
	TOTAL SALES	\$9,251,402,633	\$8,964,876,836	\$4,927,100,670	\$5,365,338,441	\$5,837,229,677

Source: CDS Market Research; PCensus for MapInfo

Retail Surplus/Leakage

The comparison of some categories presents a very superficial look at the potential retail leakages or surpluses. The aggregate expenditure estimate for the CMA is lower across the board, indicating that not only are residents shopping in the CMA but daytime population and residents outside the CMA are also shopping inside the area. The Clothing and Accessories stores are the largest recipient of outside shoppers with a \$1,072,353,008 surplus.

Comparison of 2012 Actual Sales with Expected Household Expenditures

BUSINESS CATEGORY DESCRIPTION	Sales	Aggregate Expenditure Estimate 2013
Furniture and Home Furnishings Stores	\$281,207,869	\$57,259,634
Electronics and Appliance Stores	\$ 425,117,262	\$30,893,478
Food and Beverage Stores	\$686,942,920	\$235,767,980
Health and Personal Care Stores	\$282,405,993	\$111,483,519
Clothing and Clothing Accessories Stores	\$1,236,862,734	\$164,509,726
Sporting Goods, Hobby, Book, and Music Stores	\$159,475,987	\$46,285,888
General Merchandise Stores	\$602,036,862	\$260,910,270

Sources: Texas Comptroller of Public Accounts for 2012 Sales

PCensus for MapInfo for 2013 Estimated Aggregate Expenditures.

Consumer Buying Power

A critical factor in consideration for commercial retail development is the buying power of the market area that a potential development site is located in. Buying power can be measured by the level of disposable or expendable income from consumers in a market area.

Currently CMA households have an effective buying power of \$100,139 per household.

2013 Estimated Households by Effective Buying Income	52,355
Less than \$15,000	5,584
\$15,000 to \$24,999	4,590
\$25,000 to \$34,999	5,210
\$35,000 to \$49,999	7,943
\$50,000 to \$74,999	9,352
\$75,000 to \$99,999	6,793
\$100,000 to \$124,999	3,181
\$125,000 to \$149,999	2,448
\$150,000 to \$199,999	2,032
\$200,000 to \$249,999	839
\$250,000 to \$499,999	2,151
\$500,000 or more	2,232
2013 Estimated Average Household Effective Buying Income	\$100,139

Estimating Supportable Retail Space

Using a rough “rule of thumb” from the Dollars & Cents of Retail Shopping Centers, published by the Urban Land Institute, it is possible to estimate the net annual increase of retail space. According to that source, the average retail sales per square foot is approximately \$300. Therefore the sales growth of retail sales of \$219 million would equate to a demand, in the CMA, for 730,200 square feet of new retail space of all types over the next 5 years.

The following table represents the number of supportable new establishments that could likely succeed if there were no leakage of future expenditures from the Market Area.

Future Market Area Opportunity Analysis

Consumer Buying Power		CMA						
		2013 Aggregate Expenditures	2018 Aggregate Expenditures	Total Expected Sales Growth	Sales/SF	Additional SF of Demand	Sf/Store	Total # of New Stores
Retail Store Type								
TOTAL SPECIFIED CONSUMER EXPENDITURES (USA)		\$5,952,277,025,451	\$6,525,281,569,375					
TOTAL SPECIFIED CONSUMER EXPENDITURES (AREA)		\$2,826,468,376	\$3,193,075,293	\$366,606,917				
All Retail Stores*		\$1,606,063,315	\$1,825,123,464	\$219,060,149	\$300.00	730,200		
Grocery Stores		\$242,429,605	\$272,315,043	\$29,885,438	\$472.63	63,232	44094	1.43
Health & Personal Care Stores		\$111,483,519	\$132,182,128	\$20,698,609	\$429.47	48,196	13078	3.69
Hardware Stores		\$5,435,730	\$6,256,343	\$820,613	\$144.44	5,681	6561	0.87
Home Centers		\$19,380,579	\$22,283,160	\$2,902,581	\$388.65	7,468	3700	2.02
General Merchandise Stores		\$260,910,270	\$309,255,617	\$48,345,347	\$169.10	285,898	8000	35.74
Department Stores (excluding anchors)		\$136,230,430	\$162,841,886	\$26,611,456	\$243.25	109,400	20000	5.47
Full-Service Restaurants		\$49,642,318	\$54,881,857	\$5,239,539	\$308.18	17,002	4416	3.85
Fast Food Restaurants		\$39,333,422	\$43,630,238	\$4,296,816	\$246.32	17,444	1710	10.20
Eating Places		\$142,390,970	\$157,536,681	\$15,145,711	\$289.57	52,304	4416	11.84
Drinking Places		\$4,401,270	\$4,862,093	\$460,823	\$396.27	1,163	3196	0.36
Furniture Stores		\$34,701,941	\$39,813,479	\$5,111,538	\$263.98	19,363	7360	2.63
Other Home Furnishing Stores		\$22,557,693	\$25,927,155	\$3,369,462	\$216.13	15,590	4854	3.21
Household Appliance Stores		\$6,336,393	\$7,730,127	\$1,393,734	\$302.00	4,615	1800	2.56

Mixed Use Development Potential

3200 Kirby Drive

Consumer Buying Power		CMA						
Retail Store Type	2013 Aggregate Expenditures	2018 Aggregate Expenditures	Total Expected Sales Growth	Sales/SF	Additional SF of Demand	Sf/Store	Total # of New Stores	
Radio/TV/Other Electronics Stores	\$24,557,085	\$36,627,422	\$12,070,337	\$302.20	39,942	3655	10.93	
Computer & Software Stores	\$9,731,848	\$14,659,737	\$4,927,889	\$335.14	14,704	2277	6.46	
Camera/Photographic Supply Stores	\$2,023,873	\$2,797,824	\$773,951	\$629.81	1,229	3052	0.40	
Clothing & Clothing Accessory Store	\$113,835,657	\$133,315,292	\$19,479,635	\$268.71	72,493	6500	11.15	
Clothing Accessory Stores	\$1,770,222	\$2,056,053	\$285,831	\$155.59	1,837	2948	0.62	
Shoe Stores	\$13,804,752	\$16,538,412	\$2,733,660	\$141.51	19,318	2950	6.55	
Jewelry Stores	\$35,099,095	\$39,680,162	\$4,581,067	\$317.37	14,434	1494	9.66	
Office Supplies & Stationery Stores	\$6,813,048	\$8,612,491	\$1,799,443	\$219.40	8,202	1779	4.61	
Gift, Novelty, & Souvenir Shops	\$6,185,476	\$7,167,410	\$981,934	\$145.43	6,752	4000	1.69	
Hobby, Toy, & Game Shops	\$9,946,646	\$11,561,391	\$1,614,745	\$194.92	8,284	1700	4.87	
Sew/Needlework/Piece Goods Stores	\$3,878,998	\$4,521,417	\$642,419	\$139.42	4,608	2262	2.04	
Florists	\$19,454,187	\$22,173,347	\$2,719,160	\$264.55	10,278	1445	7.11	
Book Stores	\$15,178,147	\$17,800,339	\$2,622,192	\$246.02	10,658	4120	2.59	
Sporting Goods, Hobby, Book & Music Stores	\$46,285,888	\$59,708,647	\$13,422,759	\$220.60	60,846	4000	15.21	
Sporting Goods Stores	\$16,741,471	\$22,852,010	\$6,110,539	\$220.87	27,666	3850	7.19	
Luggage & Leather Goods Stores	\$1,963,137	\$2,262,821	\$299,684	\$245.69	1,220	1485	0.82	
Automotive Part, Accessories, & Tire Stores	\$13,401,050	\$14,831,606	\$1,430,556	\$172.90	8,274	5600	1.48	

Source: PCensus for MapInfo, Urban Land Institutes Dollars & Cents of Shopping Centers, CDS Market Research

The subject site is proposing 60,000 square feet of retail space. This would equate to 8.2% of the demonstrated demand based on aggregate expenditure projections which appears to be reasonable and feasible.

Current Mixed Use Projects

The following is a list of current Mixed-use projects which have been accounted for in the planned/proposed projects for each type of development in this report. Houston's inner-loop has seen several mixed-use developments move forward with plans, but many of those were previously put on hold by the recession and are now springing back to life.

On five acres at the southwest corner of Richmond Avenue and Buffalo Speedway, the Houston-based company plans to build a high-rise development with upscale housing, offices and a hotel, the Houston Chronicle reports. The land, which **PM Realty** purchased this month, will have two buildings, one 18-story office structure and a 20-story tower with a hotel beneath the residential floors.

The \$275 million **River Oaks District project** on Westheimer that California-based Oliver McMillan LLC is developing will be a 650,000-square-foot mixed-use project, with 270,000 square feet of retail — including restaurants, cafés and a movie theater — 99,000 square feet of office space and 278 residential units. Construction will begin early next year, and the development is slated for completion in fall 2014.

Regent Square also fell into deep slumber several years ago and is now back under way. In August, Boston-based GID Group broke ground of the development's first 21-story residential tower, which will be surrounded by 230,000 square feet of retail and restaurant space, 60,000 square feet of office space and a 200-room boutique hotel building, with room for expansion in later phases.

The **Superblock in Midtown**, a six-acre property divided almost evenly between Midtown Development Authority and Camden Property Trust will eventually include a seven-story multifamily development with close to 300 units overlooking a park that will include about 8,000 square feet of retail. The Midtown Superblock is bound by Main, Anita, McGowen and Travis streets.

Just outside the loop, Wulfe & Co. has been working on its **BLVD Place phase II** since September, which includes a 53,000-square-foot Frost Bank and a 48,500-square-foot Whole Foods Market as anchors. Phase II contains about 211,000 square feet of retail, restaurant and office space.

Midway's Upper Kirby project located on Richmond is a redevelopment of Levy Park into an upscale urban park. The project will be called Kirby Grove and include 220k office/20k retail and 270 multi-family units.

Mid Main at 3500 Main Street will include 363-unit apartment complex called The Lofts of Mid Main, 30,000 square feet of retail and a large parking garage (773 cars) on the light-rail line. The project is to be completed by mid to late 2015. The Midtown Arts & Theatre Center will be located adjacent to this project.

As David Crossley, President of Houston Tomorrow, a non-profit organization that studies urban issues, stated recently "The idea of urbanism is the central paradigm today in metropolitan areas, and one that is a major trend in Houston and across the country".

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