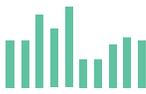


Houston



Trends to Watch

10-Year Trend	Current Quarter
Unemployment Rate  4.0% In July, down from 4.5% YOY	
Rig Count  934 Active rigs in August, an 11.6% decrease YOY	
Purchasing Managers Index (PMI)  51.4% In July, up from 51.2 in June	
Job Growth  93,600 Jobs created 12 months ending July	
Building Starts  \$20.1B In Metro Houston for 12 months ending June	

Overview

Houston's flourishing economy, large population gains and increased Port Houston activity are keys to the area's continued growth. According to Business Facilities magazine, Houston ranks fourth for both economic growth potential among large metro areas and for the nation's best start-up ecosystems.

Employment

Houston's strong employment growth and low unemployment during the first half of 2019 are positive signs for Houston's overall economy. Metro Houston created 93,600 jobs, a 3% increase, in the 12 months ending July 2019, according to the Texas Workforce Commission. The July unemployment rate is 4.0%, up from 3.8% in June but lower than year-over-year's 4.5%. The current rate is below Houston's five-year average unemployment rate of 4.7%.

Professional and business services (24,500) and mining, logging and construction (17,100) were the two sectors that provided the most jobs over the last year. Other sectors gaining employment were manufacturing (11,000); leisure and hospitality (9,900); and education and health services (9,100). If the remainder of the year follows historic patterns,

the region should end the year with a net gain between 65,000 and 70,000 jobs.

Population

The Houston metro area had the third largest population growth in the country between April 2010 and July 2018, according to the U.S. Census Bureau. More than one million residents were added to its population between 2010 and 2018, a rate increase of 18.2%. Between 2017 and 2018, greater Houston's population grew by 91,689 – the third largest increase in the country – to 6,997,384. This population upsurge is fueling e-commerce and distribution facilities. Houston is the nation's fifth most populous metro area and the fourth most populous city.

Housing

Houston-area realtors sold 8,953 single-family homes in July 2019, shattering the single-month sales record of 8,385 homes set in June 2018, according to data from the Houston Association of Realtors (HAR). The record-high was an 11.6% improvement from July 2018 and brought year-to-date sales to 49,474. The single-family home median sales price of \$250,000 was a 2.2% increase

from year-over-year, while the average price was also up 2.2% year-over-year to \$312,727, according to HAR.

Purchasing Managers Index

The Houston Purchasing Managers Index (PMI), a short-term leading indicator for regional production, registered 51.4 in July, marginally up from 51.2 in June. Readings above 45 signal overall economic expansion in Houston over the next three to four months while readings above 50 signal expansion in the manufacturing sector. The region's PMI has signaled expansion in overall economic activity for 36 consecutive months and manufacturing activity for 23 consecutive months.

Port Houston

Port Houston continues to break its own records with container volume up 12% year-to-date compared to the same time period last year. The port handled nearly 1.5 million TEUs through the first half of the year. Volume is growing rapidly due to surging demand for imports and a healthy export base driven by petrochemical and resin markets. Strong demand for these products remains the driving force of the robust industrial market, as the Southeast sector again records the highest net absorption of all sectors during the second quarter.

This demand has attracted new services and made upgrades of existing services. A new Trans-Pacific all-water service was recently announced by 2M Alliance, with Houston as its first port of call after crossing the Panama Canal. Port Houston extends its reign as the No. 1 U.S. port by foreign waterborne tonnage and No. 2 by foreign and domestic waterborne tonnage.

Construction

Nonresidential construction projects highlighted the increase in Houston's construction starts, which totaled \$20.1 billion in the 12 months ending June 2019; the total jumped 13% from \$17.8 billion for the comparable period in 2018, according to Dodge Data & Analytics. Nonresidential activity surged 36.5% to \$10.3 billion, while residential activity decreased 4.4% to \$9.8 billion.



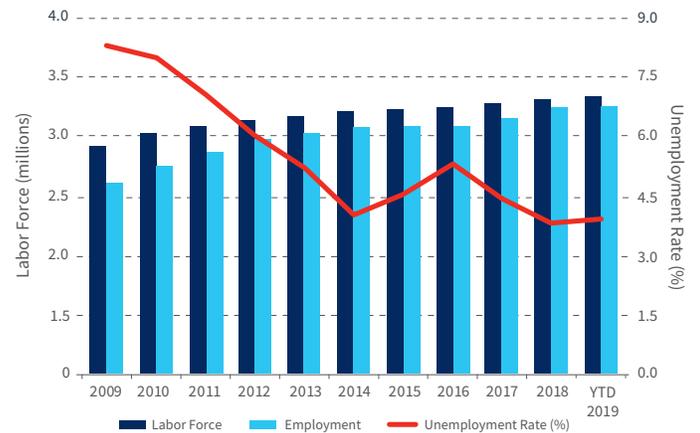
Construction starts in Houston totaled \$1.9 billion in June.



Purchasing Managers Index registered 51.4 in July.

Construction activity in June increased to \$1.9 billion, with nonresidential starts up 54.3% and residential decreased 5.6%. Nonresidential projects included the groundbreakings of Houston Spaceport, an \$18.8 million project at Ellington Airport, and the UHealth's new psychiatric hospital, a \$125 million project that is expected to be complete in early 2022. Residential construction activity in June included the groundbreaking of three multi-family projects totaling 672 units in The Woodlands, Spring and Clear Lake.

Employment

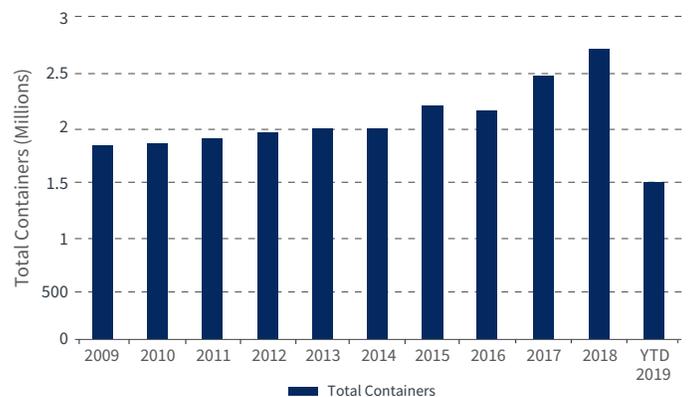


Home Sales

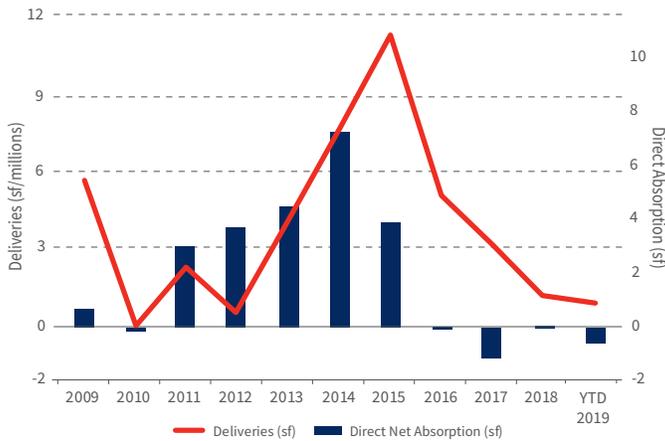


All Property Types			
	July 2019	July 2018	% Change
Sales	10,478	9,448	10.9%
Volume (\$billions)	3.109	2.755	12.8%
Active Listings	45,498	41,527	9.6%
Single Family Homes			
Sales	8,953	8,019	11.6%
Average Price	\$312,727	\$305,925	2.2%
Median Price	\$250,000	\$244,560	2.2%
Pending Sales	9,207	7,736	19.0%

Houston Port Container TEU Growth



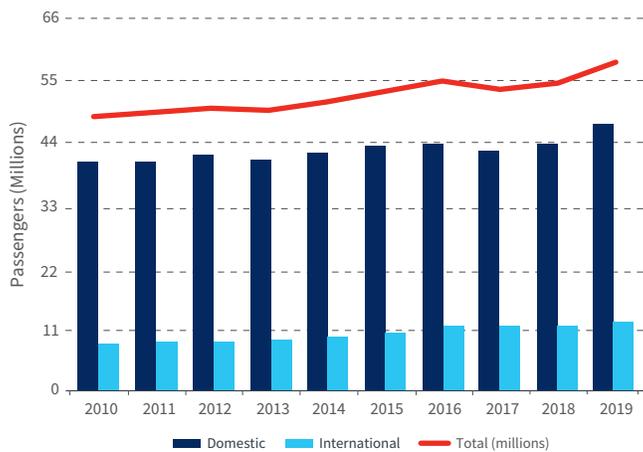
Office Supply & Demand



Industrial Supply & Demand



Houston Airport System Traffic



(12-Months Ending in June)

Commercial Real Estate

All commercial real estate sectors are healthy at second quarter, with industrial and retail boasting vacancies of 5.5% and 5.6%, respectively. Multi-family's vacancy is at 9.1% with 13,282 units currently under construction and rental rates increasing. Industrial projects continue to break ground with industrial construction at 13 million square feet (msf) and mid-year deliveries 8.7 msf. Net absorption for industrial properties was 1.9 msf for the second quarter, bringing the mid-year total to 3.7 msf.

The office pipeline is at 1.9 msf, and 60% is attributed to Texas Tower's 1.1 msf in downtown Houston. The office vacancy is 16.4% for direct space with an additional yet shrinking 6.8 msf of available sublease space. Net absorption for office properties turned negative in second quarter, offsetting three previous quarters of positive gain, to result in a mid-year total of a negative 616,015 sf for direct space. The bright spot in the office market was the delivery of the Bank of America Tower, Skanska's class A, platinum-LEED office building in downtown Houston, offering the latest in technology, amenities and sustainability.

Aviation

Passengers continue to set record-breaking numbers as the Houston Airport System handled 59.5 million passengers in the 12 months ending June 2019. The Greater Houston Partnership (GHP) reports the new record is a 7.5% increase from the 55.3 million handled over the same period in 2018 in both George Bush Intercontinental Airport (IAH) and William P. Hobby Airport. On a monthly basis, both airports handled a total 5.386 million passengers in June 2019, a 0.5% increase from last year.

Energy

The closing spot price for the West Texas Intermediate (WTI) oil averaged \$56.55 per barrel during the first week in August, down 18.6% from the same period last year, according to the U.S. Energy Information Administration (EIA). Year-to-date, WTI averaged \$57.22, a 12.2% decline from \$66.35 for the same span a year before. WTI prices peaked at \$76.40 in early October last year. EIA has downgraded its WTI forecast to \$57.87 in 2019. Baker Hughes reports 934 drilling rigs during the first week in August, which is down 11.6% or 123 rigs from the same week in August last year. The North American rig count was 1,075 the first week of January.

Startups and Incubators

Innovation is sparking excitement among Houston's major universities and corporate and medical sectors as technology startups and business incubators are attracted to work spaces custom-designed in the Innovation Corridor, a four-mile stretch along Main Street between the Medical Center and downtown. Boston-based business accelerator MassChallenge is opening in the GreenStreet development downtown.

Rice University's The Ion broke ground in July, converting the former 270,000-sf Sears building to a high-end office and collaboration center. Set to open in late 2020, The Ion is part of a 16-acre, Rice-led innovation

district in Midtown. And in the Texas Medical Center is the TMC Innovation Institute, a network of accelerators across America promoting national health security innovation. The Texas Medical Center is also expanding research capabilities in its future 36-acre TMC3 translational research campus, set to break ground in early 2020 and to open in 2022. All groups are connected by light rail on Main Street.

The GHP estimates that Houston is home to more than 500 digital technology companies, and tech giant Amazon has recently joined them by opening a North American Tech Hub in CityCentre. Amazon joins The Cannon on the west side, which recently opened a 120,000-sf building 88% leased by more than 150 companies sharing space in the new startup hub.

Texas Medical Center

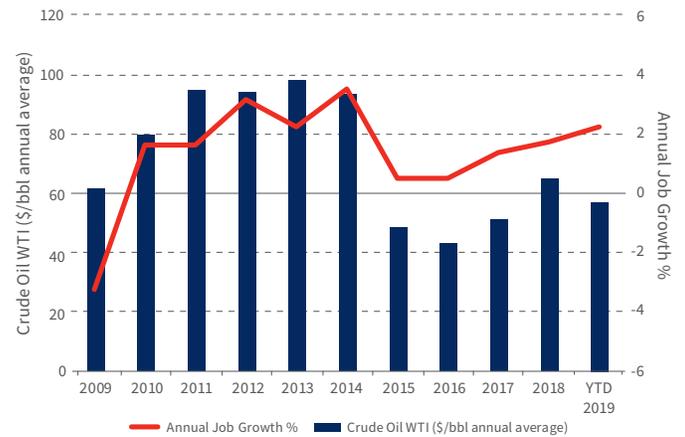
The Texas Medical Center is the largest medical complex in the world and is one of the area’s main economic drivers. It is home to the world’s largest children’s hospital and the world’s largest cancer hospital. Employees working in the 50-msf campus total more than 106,000, and expansion plans currently include \$3 billion in construction projects underway.

NASA Johnson Space Center

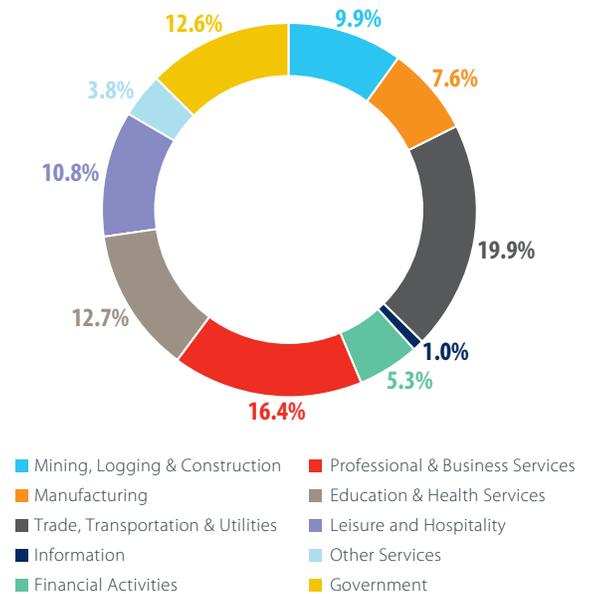
NASA Johnson Space Center is a \$1.5 billion complex housing one of NASA’s largest R&D facilities with the nation’s most talented, high-tech professionals in science and engineering. Houston’s aviation/aerospace community includes more than 150 companies involved in aircraft or space vehicle manufacturing, engineering, space research and technology. NASA has developed technologies for space exploration that also have applications in other industries and is encouraging more private sector involvement in aerospace.

NASA is currently working on landing a crew on the moon by 2024 through its Artemis project, which includes the Space Launch System heavy-lift rocket, Orion crew vehicle and the Gateway outpost. Another ongoing project is the FAA-licensed Houston Spaceport at Ellington Airport, which will be home to companies developing cutting edge space technology. San Jacinto College is establishing an aerospace workforce training center at the Spaceport; the new Edge Center will open in late 2019, fulfilling the goal of creating a ready-to-work talent pipeline for regional aerospace companies.

Oil Prices and Job Growth



MSA Employment by Industry (July)



Sources: Texas Workforce Commission, U.S. Census Bureau, Houston Association of Realtors, Greater Houston Partnership, Port Houston, U.S. Energy Information, Baker Hughes Rig Count, CoStar, Dodge Data & Analytics, Houston Airport System, Bay Area Houston Economic Partnership, NASA, Avison Young research.



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Properties

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