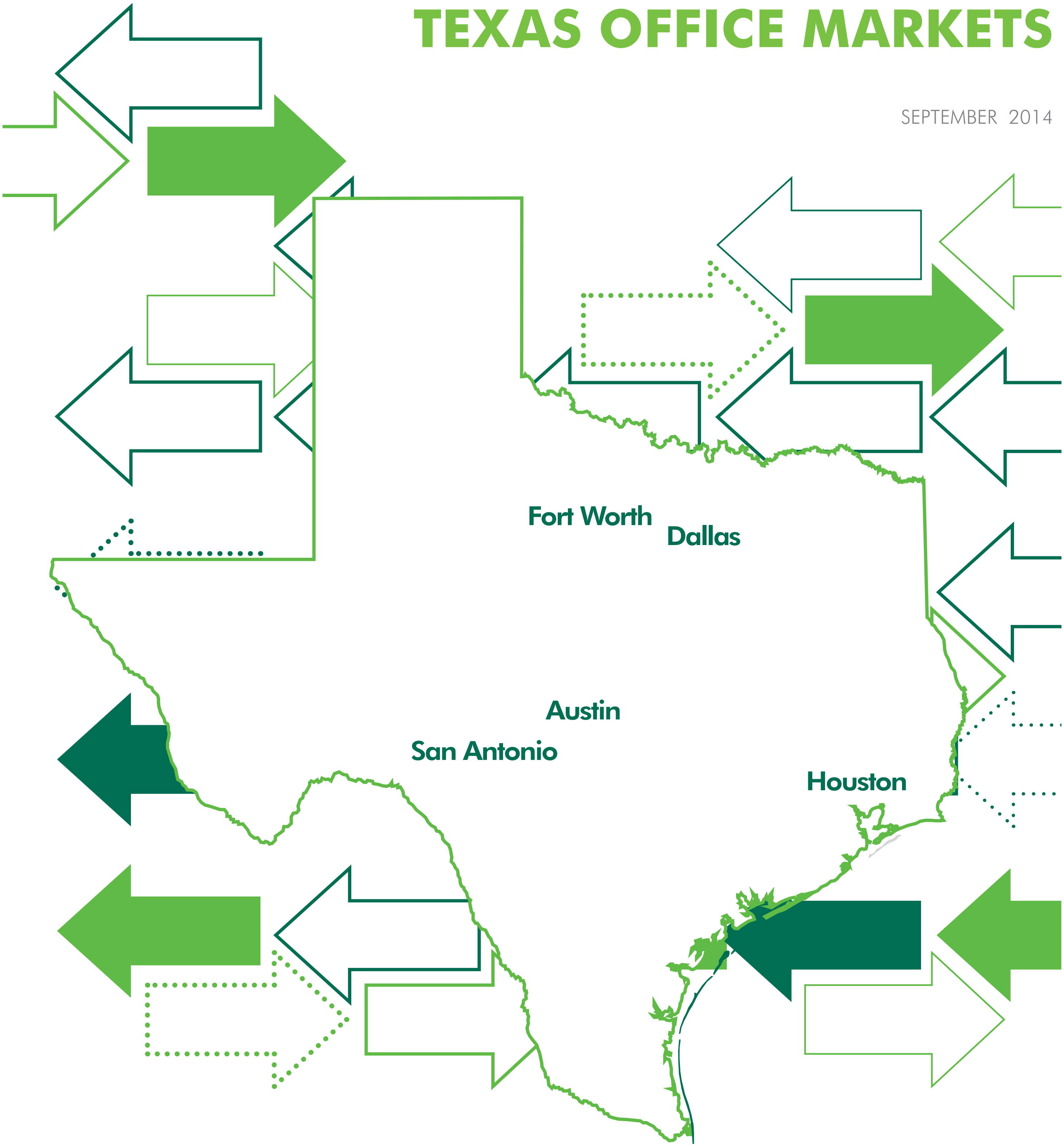
GLOBAL RESEARCH AND CONSULTING

IMPACT OF CORPORATE EXPANSIONS AND RELOCATIONS ON MAJOR TEXAS OFFICE MARKETS

SEPTEMBER 2014



CBRE

EXECUTIVE SUMMARY

Corporate expansion and relocation activity has played a significant role in the Texas office market recovery and expansion since 2010, tightening fundamentals and fueling economic growth.

CBRE Research identified 296 companies expanding and/or relocating their presence in the four major Texas office markets from 2010 through Q2 2014, accounting for 30 million sq. ft. of occupied space.

With 12.6 million sq. ft. of activity, Houston barely edged out Dallas/Fort Worth by total square footage, but DFW led by firm count. By industry, energy accounted for one-third of activity by size in Texas and 80% in Houston.

Austin accounted for 8.8%, or 2.6 million sq. ft., of this activity by square footage, half of which involved technology companies. San Antonio trailed the Austin total slightly with 2.1 million sq. ft., although with a more diverse distribution by industry.

Corporate office space transactions for future occupancy and recent announcements indicate that Texas will continue to benefit from expansions and relocations over the near-term.

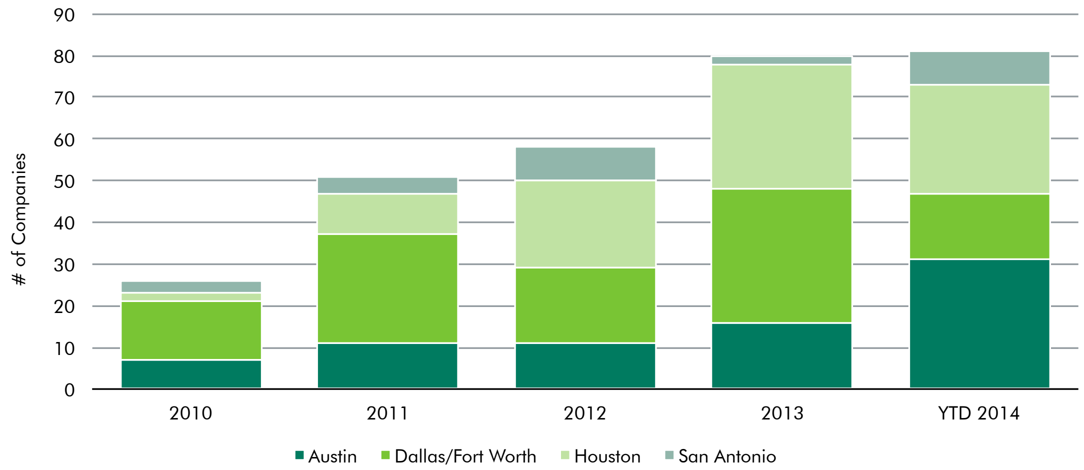
CBRE

TEXAS OVERVIEW

CBRE Research has identified 296 companies ***(shown in Figure 1)*** that relocated and/or expanded their presence in the Lone Star State's four largest office markets – Austin, Dallas/Fort Worth, Houston, and San Antonio – since 2010. These companies have taken occupancy of 29.8 million sq. ft. of office space over this period, as shown in ***Figure 2***. This activity includes headquarters locations and regional operations centers for companies growing their office footprint in Texas and/or moving these functions to our state. By market, Houston edged out Dallas/Fort Worth (DFW) for the most square footage, at 12.6 million sq. ft., compared to 12.5 million sq. ft. in North Texas. DFW has a higher company count for this activity, at 106, compared to 89 in Houston, where energy companies have led large deal activity.

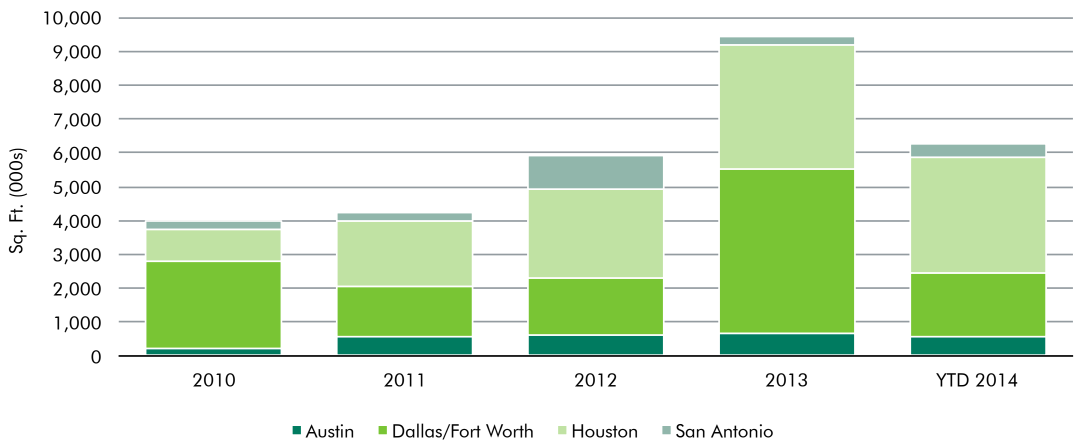
Texas is an attractive location for business operations and, in 2014, remains the only state to top Chief Executive Magazine's annual "Best States for Business" list since its inception a decade ago, which asks CEOs to grade states on taxation/regulation as well as workforce and living quality. The state has received other top rankings for its business-friendly environment, including winning Site Selection's Governor's Cup five times in the last decade and Business Facilities' Best Business Climate in 2012 and 2013. Perhaps more telling, though, are the 52 Fortune 500 companies that call Texas home, such as ExxonMobil, Phillips 66, Valero Energy, and AT&T. These 52 firms had $1.6 trillion of combined 2013 revenues with a market capitalization of over $2 trillion when the 2014 list was published.

Figure 1: Number of Companies Expanding/Relocating in Major Texas Office Markets



Source: CBRE Research, September 2014.

Figure 2: Office Space Occupied by Companies Expanding/Relocating in Major Texas Markets



Source: CBRE Research, September 2014.

TEXAS OVERVIEW

What attracts companies to Texas?

Texas has been in the top ten states for the Tax Foundation's Business Tax Climate Index for several years, due largely to its lack of personal and corporate income taxes. The state does, however, levy a margin tax (or modified gross receipts tax) on businesses that impacts large corporations as well as smaller firms. While the Texas tax code has been relatively consistent in recent years, other states have ramped up their efforts to become more competitive, especially with regard to corporate taxes, pushing Texas to eleventh place in the Tax Foundation's 2014 ranking. Among the five largest U.S. states by population, Texas is second only to Florida for its business tax climate, with Illinois near the middle of the pack, while California and New York are among the worst performing business tax climates.

Looking beyond state tax codes, the Small Business & Entrepreneurship Council uses tax policy along with other factors – including a state's regulatory and legal framework, fiscal condition, and operational costs, such as energy and health care – to develop its Small Business Policy Index. The result is an index that examines the cost and incentive structure of state and local governments to understand the impact on entrepreneurship and investment decisions across the 50 states. Texas is a top state in these rankings as well, placing third in the latest ranking from year-end 2013 behind South Dakota and Nevada.

In addition to the state's favorable tax and business climate, the Texas Enterprise Fund, established in 2003, is a state incentive fund that helps attract business investment and new jobs to Texas. It is the largest "deal-closing" fund of its kind in the nation and is utilized in the final phase in the site selection process when a Texas site is competing against an out-of-state location. To date, the state has allocated over $550 million for projects currently or formerly under contract with the Texas Enterprise Fund, with nearly $200 million of that total flowing into projects from 2010 to mid-2014.

From Friendship, Strength

While rankings and incentive programs are helpful to place state competitiveness in context, the relative strength of a state's economy is how the results are measured. Friendship is the origin of our state's name and is our state motto, so has the extension to a business-friendly environment supported growth? In short, yes.

Texas attracts major employers with its ample, quality workforce and the employment opportunities generated by these companies draw in new residents. Not only did the state's population grow at twice the national rate in 2013, twenty-year average population growth in Texas is nearly twice the national rate, at 1.9%. Over the past ten-years, the Texas population expanded by 4.4 million, which is more than the entire population of Kentucky. This growth includes both the natural increase in population and strong net migration flows from domestic and international sources. As a top draw for migration, Texas accounted for 23% of the nation's net migration over this period.

Figure 3: Key Workforce & Business Statistics for the Five Largest U.S. States

	DEMOGRAPHICS			LABOR MARKET							BUSINESS CONDITIONS		
State	Total Population (2013, Mil.)	10-Year Population Change (Mil.)	10-Year Total Net Migration (000s)*	Civilian Labor Force (Jul-14, 000s)	10-Year Labor Force Growth	Unemployment Rate (Jul-14)	Total Payroll Jobs (Jul-14, 000s)	10-Year Job Change (000s)	10-Year Job Growth	1-Year Job Growth	Best States For Business (Rank, 2014)	State Business Tax Climate (Rank, 2014)	Small Business Policy Index (Rank, 2014)
California	38.332	3.1	78.7	18,579.8	7.1%	7.4%	15,492.5	748.4	5.1%	2.1%	50	48	50
Texas	26.448	4.4	1,858.9	12,979.5	17.8%	5.1%	11,607.8	2,109.7	22.2%	3.5%	1	11	3
New York	19.651	0.5	(640.6)	9,599.5	3.0%	6.6%	9,042.2	576.6	6.8%	1.3%	49	50	47
Florida	19.552	2.5	1,770.9	9,611.2	14.7%	6.2%	7,795.9	287.8	3.8%	2.7%	2	5	5
Illinois	12.882	0.3	(284.6)	6,512.8	2.9%	6.8%	5,824.5	3.5	0.1%	0.6%	48	31	35
U.S.	316.128	26.0	8,008.5	156,023.0	5.6%	6.2%	139,004.0	7,219.0	5.5%	1.9%	na	na	na

*Includes domestic and international net migration.

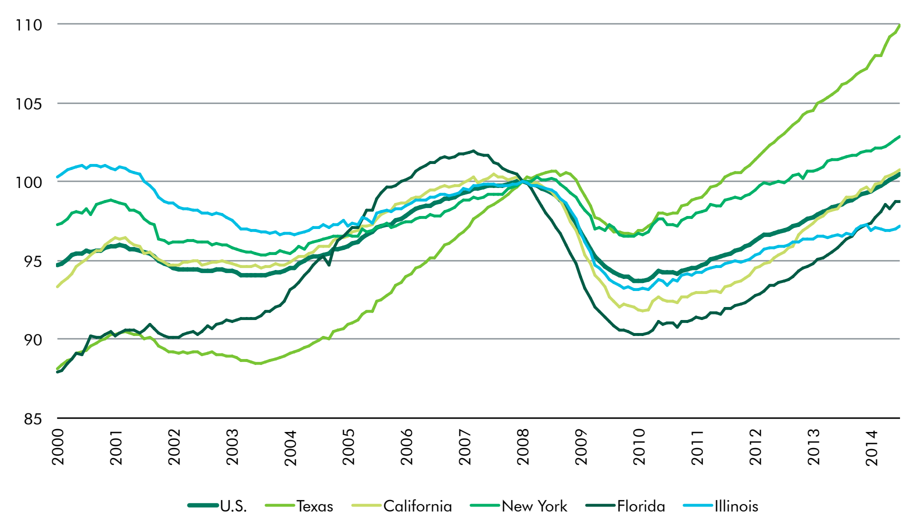
Source: Census Bureau, Bureau of Labor Statistics, Fortune, Tax Foundation, Chief Executive Magazine, Small Business & Entrepreneurship Council, CBRE Research, September 2014.

TEXAS OVERVIEW

As a result, Texas is home to the second largest civilian labor force in the nation. This workforce is expanding at a robust pace, although the unemployment rate, at 5.1% in July 2014, remains well below the national rate and rates in other large states due to strong job growth. Despite representing 8% of the U.S. labor force, Texas accounted for nearly 30% of the nation's payroll employment growth in the past decade. ***Figure 4*** puts this in further context showing the cycle in total employment, with 100 marking U.S. peak employment from the previous cycle. Texas employment was the first to fully recover from the Great Recession, in mid-2011, and growth has outpaced the nation as well as all other large states by a wide margin.

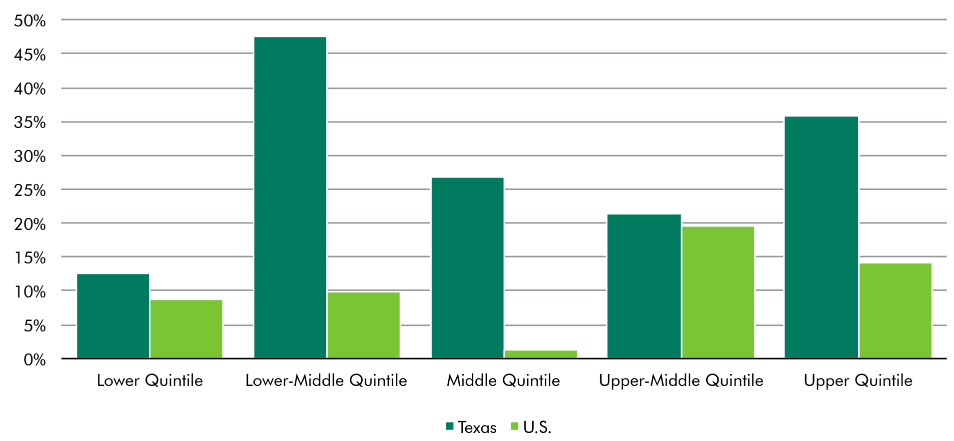
A popular misconception regarding employment growth in Texas has been that only low-paying jobs are being created. However, job opportunities in the Lone Star State have been found across the income spectrum and are more evenly distributed than in the nation as a whole. As shown in ***Figure 5***, employment at every income quintile in Texas has experienced double-digit growth. In contrast, only the two highest quintiles have experienced double-digit growth in the nation as a whole and the middle income quintile has barely budged with just 1.3% employment growth over the past decade.

Figure 4: Employment Cycles: U.S. and Five Largest States



Source: Bureau of Labor Statistics, CBRE Research, September 2014.

Figure 5: Job Growth by Wage Quintile, 2003-2013



Source: Occupational Employment Statistics, Bureau of Labor Statistics, CBRE Research, September 2014.

CBRE

This is an important piece to the puzzle of "Why Texas?" because it reflects the broad skill sets available to employers in the state, which supports the interest to locate and expand in Texas across industries and types of operations.

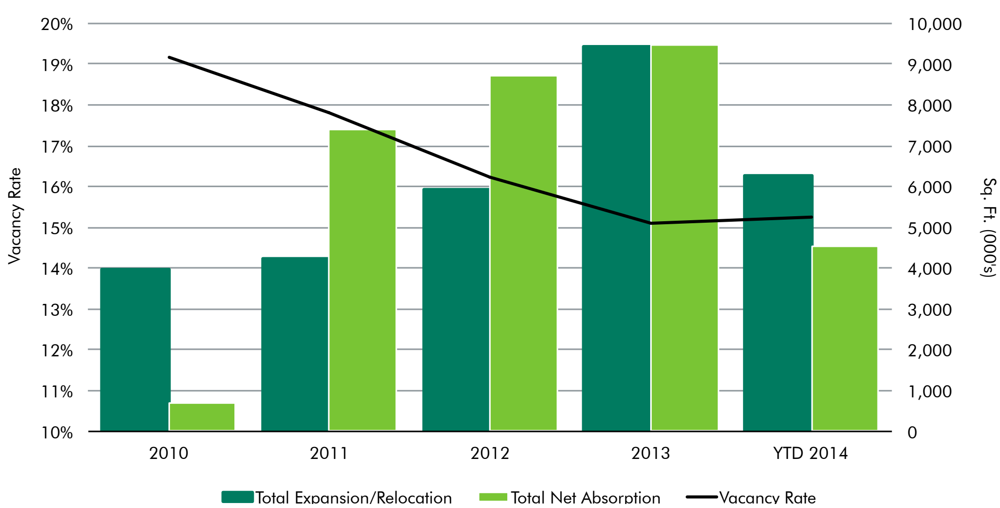
Office shines big and bright

From 2010-to-Q2 2014, while these 296 companies expanded and/or relocated into 29.8 million sq. ft. of office space, Texas added over 370,000 office-using jobs, for 18% growth, and office vacancy across the four major markets combined fell from a peak of 19.2% in 2010 to 15.3% in Q2 2014, a 490 basis points (bps) decline. Corporate expansions and relocations have been an important support to the office market recovery, as shown by the comparison in ***Figure 6*** between this activity and combined net absorption for the four major Texas office markets.

CORPORATE EXPANSIONS AND RELOCATIONS HAVE BEEN AN IMPORTANT SUPPORT TO THE OFFICE MARKET RECOVERY.

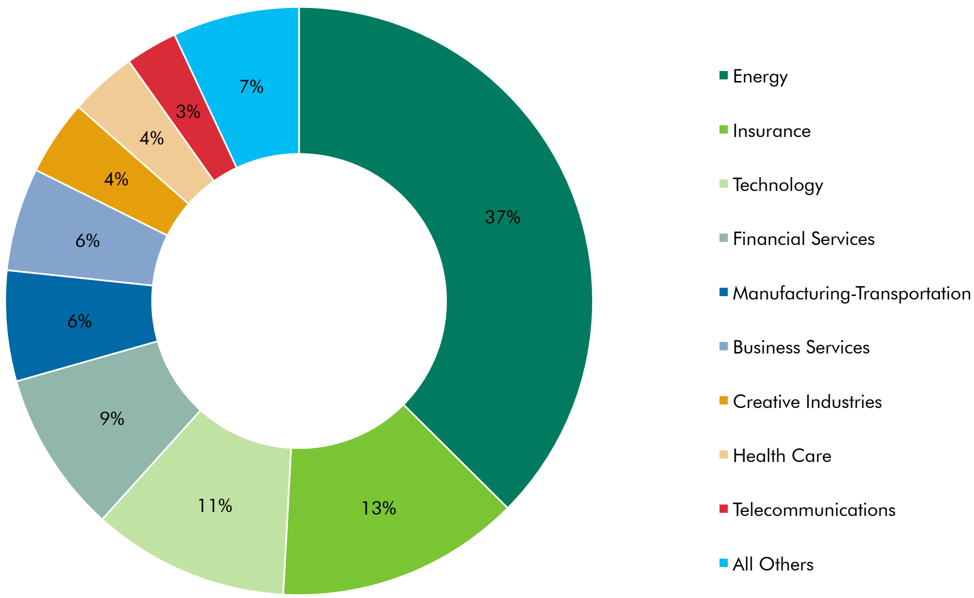
The annual firm count continued to trend upward through Q2 2014 with 81 companies taking space year-to-date versus 80 in all of 2013, as shown in ***Figure 1***. Yet, these firms represent less square footage, at 6.3 million sq. ft., due to smaller sized corporate deals this year. However, the current pace is well ahead of 9.4 million sq. ft. of activity in all of 2013. In addition, leasing, corporate campus development and CBRE Research's tracking of tenants-in-the-market indicate that expansion and relocation activity will remain an important office market driver in the short-term. The most notable companies driving future occupancies are ExxonMobil in northern Houston and, in the north Dallas suburbs, State Farm and Toyota.

Figure 6: Impact of Expansion/Relocation Activity on the Texas Office Market



Source: CBRE Research, September 2014.

Figure 7: Texas Corporate Expansion/Relocation Square Footage Share by Industry



Source: CBRE Research, September 2014.

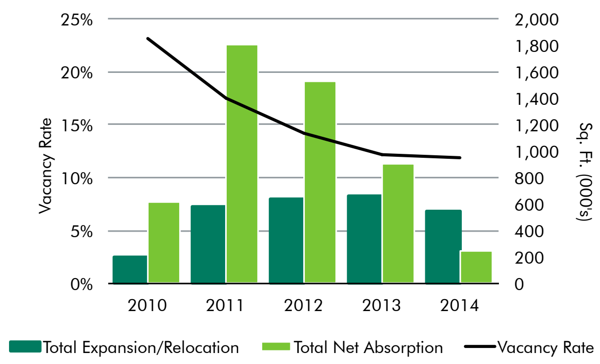
By industry, energy companies accounted for 37% of Texas's relocation and expansion activity to-date in this cycle, as shown in ***Figure 7***. Energy was by far the dominant sector in Houston, representing 80% of activity by square footage over this period, but also played a sizeable role in San Antonio with 21% of activity. Insurance is a distant second with less than half the concentration at a state level, or 13%, although this industry represents about one-third of the activity in both DFW and San Antonio. The 11% share for technology in Texas is largely driven by Austin, where this industry makes up nearly half of the activity. The tech industry also claimed the third highest share of activity in DFW, at 13%, which seems minimal compared to the share in Austin, yet accounts for more square footage with technology firms taking 1.7 million sq. ft. in DFW and 1.3 million sq. ft. in Austin.

The following sections offer more detail on activity by market.

AUSTIN

The Capital of Texas, much like the rest of the state, was early to experience the economic recovery and has been recognized by Forbes as the "Fastest-Growing U.S. City" for four consecutive years with a 5.6% expansion in its economy. Austin is currently the fourth most populated city in Texas and the 11th largest city in the country. Over the past decade, the Austin metro population has expanded by a whopping 36.8%, the fastest pace in the state, adding more than 500,000 new residents. Registering 34% growth, total employment expanded at nearly the same pace over this period. In another notable recognition, Business Facilities recently ranked Austin as the top market in the country for "Economic Growth Potential", indicating expectations for even more growth in Austin beyond 2014.

Figure 8: Impact of Expansion/Relocation Activity on the Austin Office Market

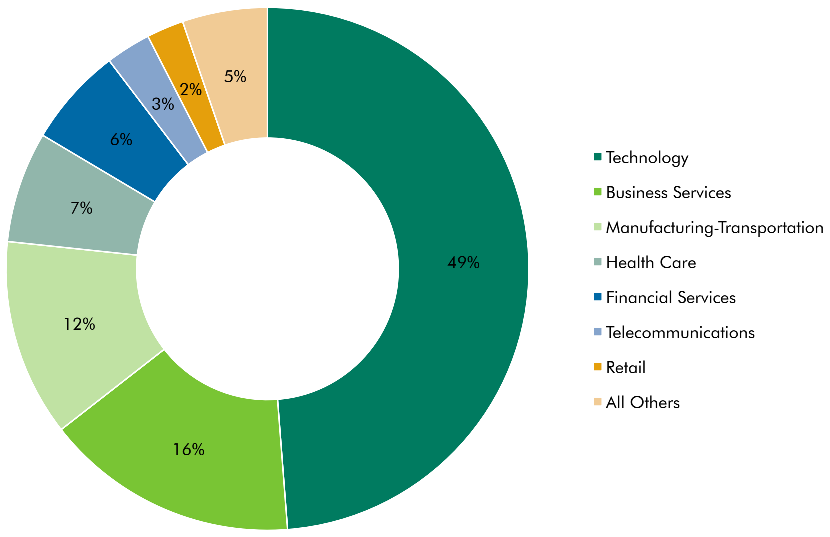


Source: CBRE Research, September 2014.

Since 2010, the Austin metro area has witnessed expansion and relocation movement from 76 corporations occupying 2.6 million sq. ft. of office space, as shown in ***Figure 8***. This represents more than one-fourth of the total company count in Texas, but only 8.8% of the square footage due to activity by small tech firms and startups. After a slower start in 2010, new occupancies of this type held steady at about 600,000 sq. ft. per year from 2011-to-2013, which corresponds to a 34% increase in high-tech employment. Occupancies have picked up in 2014 with year-to-date activity of nearly 550,000 sq. ft. Over this period, Austin office vacancy was nearly cut in half, falling 1,130 bps to 11.8% in Q2 2014.

While a support for net office absorption, corporate expansion/relocation activity has not been as significant relative to total net absorption as in the other major Texas office markets. With only one Fortune 500 company (Whole Foods), corporate activity is mainly tied to technology firms with a large footprint in Austin, despite a headquarters outside of the metro. Thus, it should come as no surprise that nearly half of the corporate expansion and relocation growth within the Austin market stemmed from the tech sector, as shown in ***Figure 9***. Technology-related companies represented 49%, or 1.3 million sq. ft., of the total new or expanded corporate growth that occurred between 2010 and Q2 2014.

Figure 9: Austin Corporate Expansion/Relocation Square Footage Share by Industry



Source: CBRE Research, September 2014.

CBRE

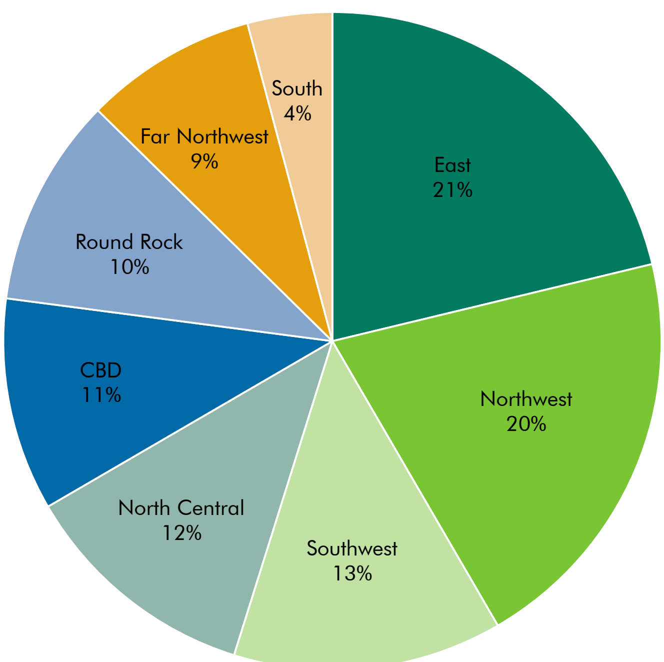
AUSTIN

Behind technology, the Austin market experienced significant growth from the business services and manufacturing-transportation industries, which constituted 16% and 12% of activity, respectively. Emerson Process Management expanded in a new Round Rock facility to establish the headquarters for its process systems and solutions business, marking the largest business services industry deal. The opening of General Motors' Austin Innovation Center accounted for the manufacturing-transportation activity as the firm brings much of its software engineering functions in-house. Austin was the first location outside of Michigan for these operations because the market is seen as a location where they can attract the top software talent.

Figure 10 shows the distribution across Austin's office submarkets for corporate expansion and relocation activity. The majority of expansion and relocation activity were spread across Austin's northern areas and CBD. The East submarket edged out the Northwest, Austin's largest submarket by rentable building area, for the highest share at 21% due primarily to activity in the Northeast micro-market. The bulk of Northeast activity came from General Motors, whose aforementioned innovation center is in a building formerly occupied by Dell. The line-up of active companies in the Northwest included Visa, VMWare and Samsung Austin Semiconductor.

The tech sector should continue to be a source of corporate expansion activity going forward in Austin. Apple's $300 million corporate campus development in Northwest Austin will be one of the largest and most high-profile technology expansions for the market and will further impact vacancy once all phases of the campus have been completed. The entirety of the campus, which will house the company's U.S. Operations Center, is expected to deliver in 2021 and create as many as 3,600 new jobs for the Austin metro area.

Figure 10: Austin Corporate Expansion/Relocation Square Footage Share by Submarket



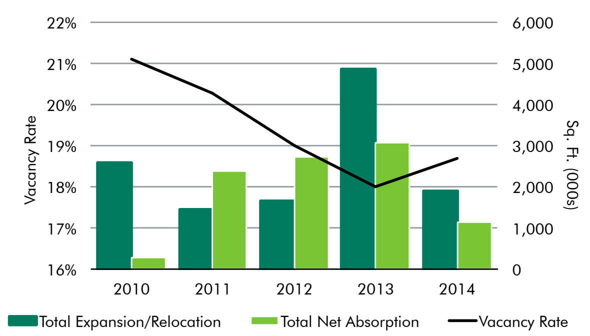
Source: CBRE Research, September 2014.

DALLAS/FORT WORTH

With a population of 6.8 million, Dallas/Fort Worth is the largest metropolitan area in Texas and fourth-largest in the nation. DFW has the largest civilian labor force in the state, totaling 3.5 million at the end of Q2 2014, with payroll employment expanding by about 2.5% annually since 2010. In addition, DFW is the sixth largest economy in the country and accounts for 26.8% of the state's gross domestic product.

This home to 18 Fortune 500 headquarters and four Global 500 headquarters has witnessed expansion and relocation movement from over 100 corporations occupying nearly 12.5 million sq. ft. of space since 2010. During this time, office vacancy throughout DFW steadily declined until construction began to rise to meet demand in 2014. With new blocks of space quickly absorbed by corporate users, speculative construction returned to the market. At mid-year 2014, market-wide vacancy had fallen by a total of 430 bps since its peak in 2010.

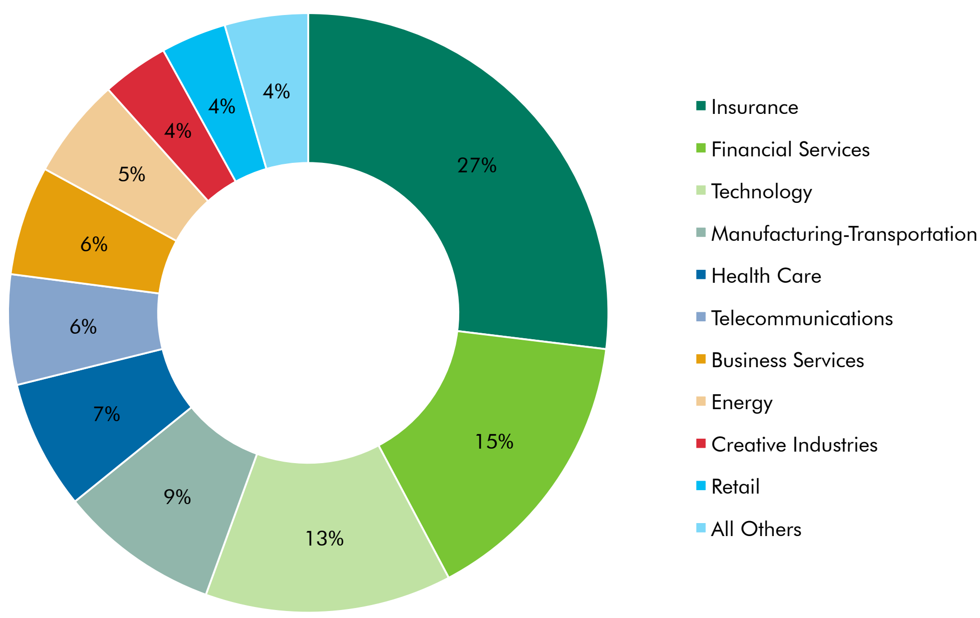
Figure 11: Impact of Expansion/Relocation Activity on the DFW Office Market



Source: CBRE Research, September 2014.

Known for its diverse economy, Dallas/Fort Worth substantiated this claim even further with eight major industry categories accounting for a 5% or higher share of corporate expansion/relocation activity since 2010. Insurance was the dominant industry, accounting for 27% of activity by square footage, largely due to State Farm's significant expansion into the market as the company anticipates the completion of its 2-million-sq.-ft. campus in Richardson, which is the largest office deal in North Texas history. Blue Cross Blue Shield also expanded their footprint in Richardson in 2010, while USAA and ExtendHealth recorded notable deals during this period. The financial services and technology industries were also well represented in DFW, constituting 15% and 13% of all activity, respectively.

Figure 12: Dallas/Fort Worth Corporate Expansion/Relocation Square Footage Share by Industry



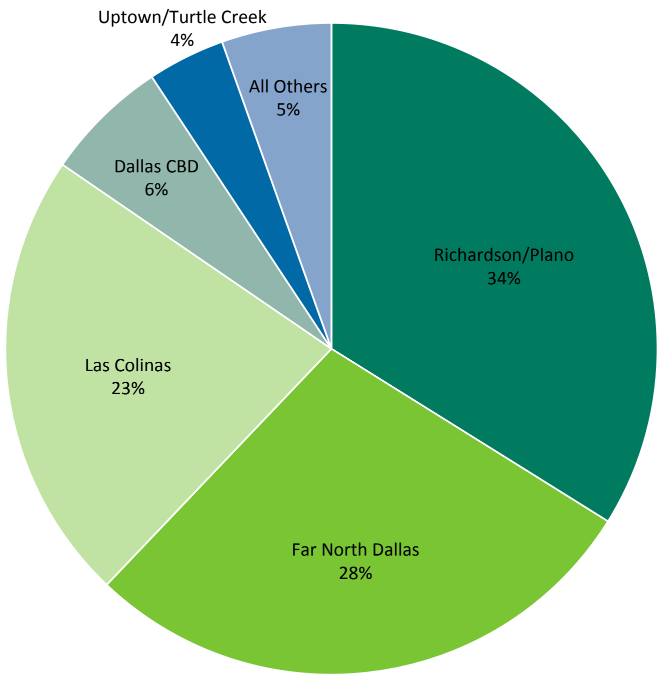
Source: CBRE Research, September 2014.

DALLAS/FORT WORTH

The combined submarkets of Richardson/Plano and Far North Dallas accounted for nearly two-thirds of the total expansion and relocation square footage since 2010. Far North Dallas is the largest DFW submarket in terms of total rentable building area and Richardson/Plano is fourth. With this support, Richardson/Plano office vacancy decreased from 29.1% in Q4 2010 to 14.7% in Q2 2014, with activity largely driven by State Farm occupying several large blocks in anticipation of its new campus development, which it will begin to occupy in 2015. Far North Dallas accounted for more than one-fourth of activity with expansions by Capital One, Ericsson, Conifer Health Solutions and several mid-size firms.

DFW SUBSTANTIATED ITS DIVERSE ECONOMY WITH EIGHT MAJOR INDUSTRY CATEGORIES ACCOUNTING FOR A 5% OR HIGHER SHARE OF CORPORATE EXPANSION/ RELOCATION ACTIVITY SINCE 2010.

Figure 13: Dallas/Fort Worth Corporate Expansion/Relocation Square Footage Share by Submarket



Source: CBRE Research, September 2014.

The Upper Tollway micro-market, a subset of Far North Dallas, is home to Legacy Business Park, another master-planned corporate community in West Plano that has been viewed as a highly demanded office destination over the last several years.

Las Colinas, the second-largest submarket, accounted for 23% of this activity, leading to a drastic reduction in office vacancy, from its peak of nearly 30% in mid-2008 to 16.7% as of Q2 2014. Las Colinas is an attractive option to corporate tenants because of its proximity to DFW International Airport and its large-scale mixed-use, master-planned environment.

The Dallas CBD and Uptown/Turtle Creek submarkets accounted for 6% and 4%, respectively, of the expansion and relocation movement within the DFW market. Santander Consumer USA's 370,000-sq.-ft. lease in Thanksgiving Tower, now named for Santander, was the most significant deal in the CBD. In addition, Omnitracs will be relocating from San Diego into 325,000 sq. ft. at 717 North Harwood in the CBD next year, backfilling KPMG's space after their move to the new KPMG Plaza. Uptown/Turtle Creek is currently experiencing single-digit vacancy among its Class A inventory as a result of its high quality, amenity-rich neighborhood and proximity to a skilled labor force.

Looking forward, this activity should continue to expand in North Texas. Toyota has announced its future U.S. headquarters relocation to a $350 million build-to-suit campus in Plano's Legacy West development that will bring roughly 4,000 jobs to North Texas from California, New York and Kentucky. Combined with FedEx's expansion into a new Legacy West building and the State Farm and Raytheon occupancies forthcoming in the City Line development in Richardson, the DFW office market is expected to continue benefiting from corporate activity in the near-term.


Dallas Arts District and downtown Dallas

HOUSTON

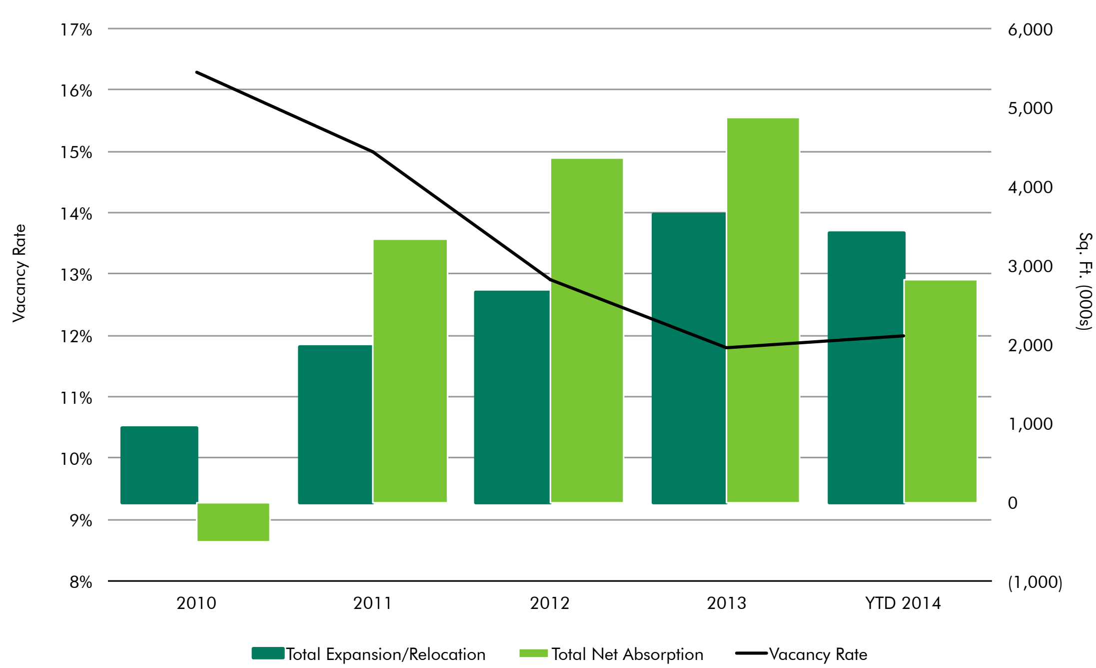
Houston, the nation's fourth-largest city and fifth-largest metropolitan area at 6.3 million people, is among the strongest and most dynamic local economies in the nation. Between 2003 and 2013, metro-area population increased by 1.3 million, for the largest increase among Texas metros. The metro also experienced the strongest employment growth over the decade ending July 2014, adding nearly 614,000 jobs for a 26.9% growth rate. For context, this job growth rate is nearly five times the national pace.

As home to half of Texas's 52 Fortune 500 companies, corporate expansion and relocation activity in Houston was the highest in Texas by square footage since 2010, totaling 12.6 million sq. ft. in deals by 89 companies. This activity steadily increased over the period with year-to-date activity in 2014, at 3.4 million sq. ft., nearly equal to the total for all of 2013. The contribution to net absorption has supported the rapid tightening in fundamentals with office vacancy falling 450 bps from 2010 to 2013 before leveling off this year as new construction provides more options for tenants.

In the early years of this analysis, energy firms represented 90% or more of corporate expansion/relocation activity due to the resiliency of the sector, which benefited from the emerging domestic production boom as the national economy was still struggling to gain traction in the recovery. As both energy sector growth and the national recovery broadened the local office market expansion, other industries, especially financial services and law firms, represented a larger share of activity, accounting for one-third of deals by square footage in 2013 and one-quarter to-date in 2014.

As an early beneficiary to energy industry expansion, the CBD leads Houston area activity with 37%, or 4.6 million sq. ft., of corporate expansions and relocations of which 4.2 million sq. ft. was occupied by energy firms. Law firms were the second most active industry with 5 deals totaling over 310,000 sq. ft. in 2013. Relocations were mostly in-town moves with reshuffling of space downtown and a few companies moving to the CBD from the West Loop, such as CitiGroup and BG Group moving into the newly constructed BG Group Place. The largest occupancies were for

Figure 14: Impact of Expansion/Relocation Activity on the Houston Office Market



Source: CBRE Research, September 2014.

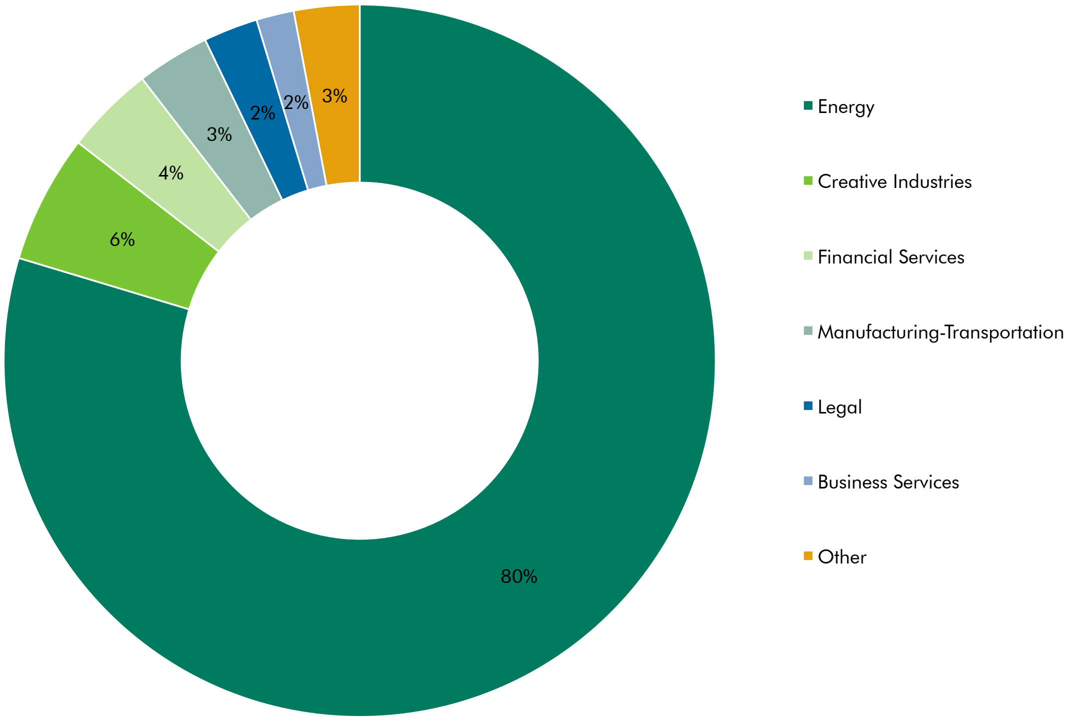
CenterPoint Energy at nearly 920,000 sq. ft. in 2010 and Hess Corp into about 845,000 sq. ft. in 2011.

Western submarkets and The Woodlands account for most of the remaining activity, reflecting the key suburban locations for energy firms. The Energy Corridor accounted for 15% of activity, or 1.8 million sq. ft., led by Technip and Shell taking occupancy in new construction delivered this year. Energy tenants, such as Apache and Ensco International, also accounted for a majority (61% or 1.1 million sq. ft.) of West Loop activity, although BBVA Compass Investment Solutions' new headquarters was the second largest deal of this kind in the submarket. Air Liquide, another energy occupier, has been expanding its West Loop footprint in Galleria Tower I, but will be taking on a larger space when it relocates into two new buildings along Katy Freeway in 2015. Anadarko's expansion into a second tower represented half of the activity in The Woodlands.

Houston's role as the "Energy Capital of the World" is expected to support office market fundamentals in the near-term due to continued expansion/relocation activity from the sector.

THE ENERGY CORRIDOR ACCOUNTED FOR 15% OF ACTIVITY, OR 1.8 MILLION SQ. FT., LED BY TECHNIP AND SHELL TAKING OCCUPANCY IN NEW CONSTRUCTION DELIVERED THIS YEAR.

Figure 15: Houston Corporate Expansion/Relocation Square Footage Share by Industry

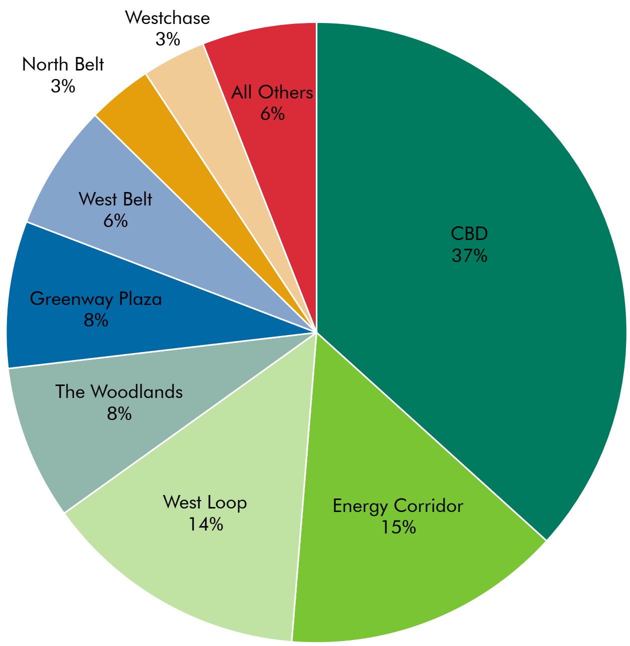


Source: CBRE Research, September 2014.

HOUSTON

Energy firms alone have completed 6.8 million sq. ft. of transactions set for occupancy in 2015 and 2016, including ExxonMobil's 3.1-million-sq.-ft. campus in the North submarket and nearly 500,000 sq. ft. of pre-leased space in the Hughes Landing development in The Woodlands. Statoil and BHP Billiton will also be taking occupancy in more than 500,000 sq. ft. each, as will technology firm, CyrusOne, in their new West Belt campus.

Figure 16: Houston Corporate Expansion/Relocation Square Footage Share by Submarket

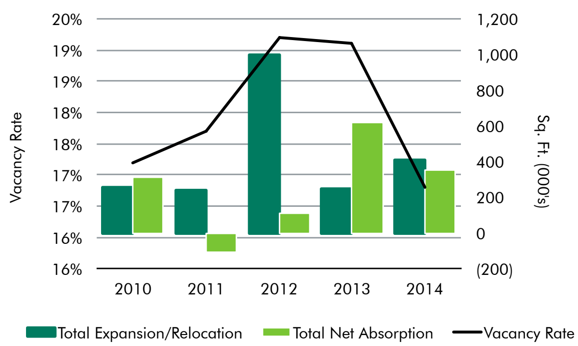


Source: CBRE Research, September 2014.

SAN ANTONIO

The San Antonio metro area, situated at the southwest point of the Texas Triangle, is the third largest metro in the state with 2.3 million people. On its own, the City of San Antonio is the seventh largest in the U.S., with 1.4 million people, ahead of both Dallas and Austin. Total employment expanded by 21.8%, or 166,000 jobs, over the same period with more than 36,000 of those positions created in office-using sectors.

Figure 17: Impact of Expansion/Relocation Activity on the San Antonio Office Market

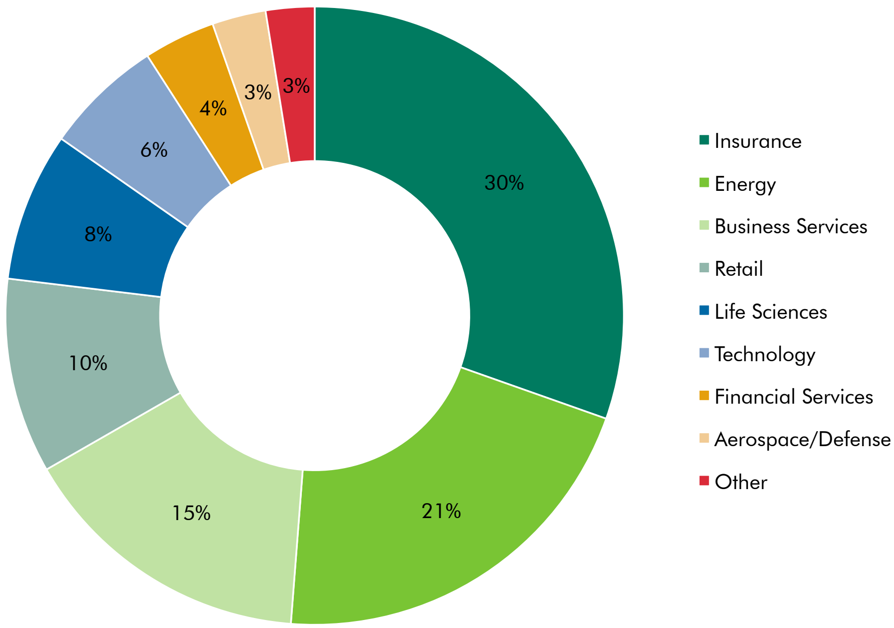


Source: CBRE Research, September 2014.

San Antonio is home to five Fortune 500 companies, which, although small in number, represent a range of industry sectors, such as insurance (USAA), energy (Valero and Tesoro), and media (CC Media Holdings). Further evidence of the market's industry diversity is in the headquarters locations not on the Fortune 500 list, such as retailer H-E-B and IT firm Rackspace. With this base of corporate operations, San Antonio saw 25 companies expand and/or relocate into 2.1 million sq. ft. of office space since 2010. While only representing 7.2% of this activity in Texas by square footage, it is a respectable showing for the smallest of the major office markets, with 26.8 million sq. ft. of rentable building area, or just 5.5% of the total square footage for the four major markets combined.

With a small base of office inventory, large tenant activity can have a big impact on fundamentals. San Antonio was somewhat late to the office market recovery with net absorption still relatively light through 2012. Yet, spikes in corporate activity have supported the market with build-to-suits for NuStar Energy and Nationwide Insurance in 2012 and USAA's expansion in 2014. Combined with other office market activity, office vacancy dropped to 16.8% in Q2 2014.

Figure 18: San Antonio Corporate Expansion/Relocation Square Footage Share by Industry



Source: CBRE Research, September 2014.

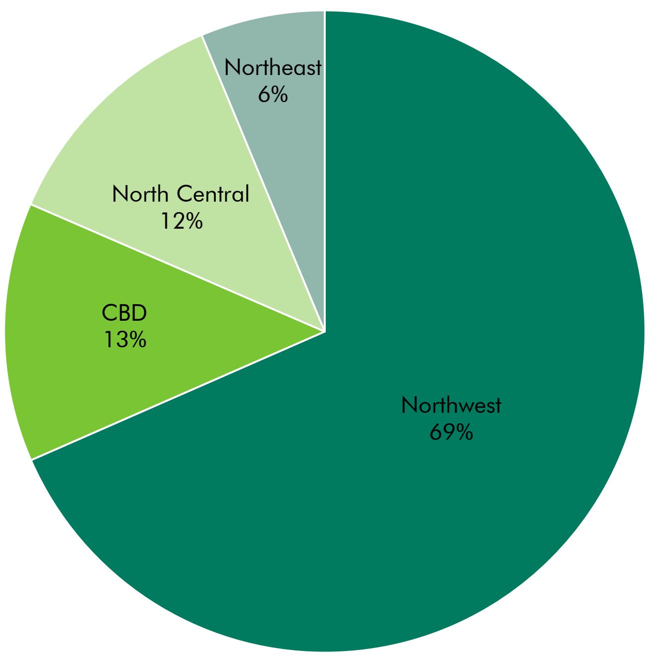
SAN ANTONIO

Similar to DFW, corporate office expansion and relocation activity exhibited a diverse industry structure with six industries achieving a 5% or higher share. San Antonio witnessed a high concentration of insurance industry activity, with 30% of total activity, followed by energy at 21% as Eagle Ford shale exploration and production drives the need for energy firm operations in the area.

Since 2010, the vast majority of corporate growth has proliferated throughout the Northwest submarket, with more than two-thirds of the total market activity. The submarket also contains one-third of San Antonio's total rentable office building area. Many of these companies have taken occupancy at build-to-suit or newly constructed facilities, including the three companies listed above as well as life sciences firm, KCI's headquarters, and operations centers for Petco and Kohl's. With diverse industry interest in the submarket, it is noteworthy that the Northwest accounts for 75% of the office construction underway in San Antonio as of Q2 2014, or nearly 336,000 sq. ft., and this space is 56% pre-leased.

The CBD was a distant second for activity with a 13% share by square footage as IBC Centre saw expansions by Visionary Properties and Argo Group and USAA leased a new office downtown. North Central was the third largest beneficiary of this activity with the largest deals, at 80,000 sq. ft. or more, by energy firm, Zachary Exploration, and Broadway Bank's build-to-suit. The only submarket among the five major office segments of San Antonio that has not experienced recent corporate relocation or expansion activity is South San Antonio, which is also the smallest submarket, with less than 500,000 sq. ft. of office inventory.

Figure 19: San Antonio Corporate Expansion/Relocation Square Footage Share by Submarket



Source: CBRE Research, September 2014.

CBRE

CONTACTS

Sara Rutledge
Director, Research and Analysis
Global Research and Consulting
CBRE
t: +1 214 979 6389
e: sara.rutledge@cbre.com

Lauren Paris
Senior Research Analyst
Global Research and Consulting
CBRE
t: +1 214 979 6587
e: lauren.paris@cbre.com

FOLLOW CBRE

GLOBAL RESEARCH AND CONSULTING

This report was prepared by the CBRE U.S. Research Team which forms part of CBRE Global Research and Consulting – a network of preeminent researchers and consultants who collaborate to provide real estate market research, econometric forecasting and consulting solutions to real estate investors and occupiers around the globe.

Additional U.S. research produced by Global Research and Consulting can be found at www.cbre.us/research.

DISCLAIMER

CBRE