

E Fort Bend Commercial Real Estate Trends

Lisa Bridges Director of Market Research | Houston

Office Market

The Fort Bend office submarket posted 177,000 SF of negative net absorption in Q1 2018. This was primarily due to Telecheck closing its Sugar Creek on the Lake offices. The average vacancy rate increased 330 basis points (bps) from 8.4% to 11.7% over the quarter. The average quoted rental rate decreased between quarters from \$25.14 to \$24.92 per SF. Leasing activity, which includes renewals, increased slightly over the quarter from 87,000 SF to 106,000 SF. There are currently two buildings under construction; the largest of the two being a 23,530-SF, two-story general purpose office building located at 12002 S Highway 6.

Medical Office Market

The average quoted rental rate decreased over the quarter from \$29.51 to \$29.20 per SF. The average vacancy rate increased 70 bps from 10.4% to 11.1% over the quarter mostly due to new construction. Currently, there are two medical office buildings under construction in the E Fort Bend/Sugar Land submarket. The largest project is a 38,600-SF, two-story medical office building located at 7619 Branford Place, which is expected to deliver in August 2018. Two medical office buildings delivered during Q1 2018, one delivered partially leased causing vacancy and absorption to increase over the quarter.

Industrial Market*

The average industrial vacancy rate increased marginally over the quarter. The submarket recorded 66,453 SF of negative net absorption during Q1 2018, down considerably from the 119,745 SF of positive net absorption in Q4 2017. The average quoted rental rate increased from \$6.27 per SF to \$6.71 per SF NNN over the quarter. Leasing activity, which includes renewals, fell sharply from 767,946 SF in Q4 2017 to 178,656 SF in Q1 2018. Approximately 610,000 SF is currently under construction and there was no new construction delivered during the first quarter.

Retail Market

The average asking rental rate for the Fort Bend retail submarket increased 6.2% between quarters from \$19.80 per SF to \$21.03 per SF. The submarket recorded 72,537 SF of positive net absorption in Q1 2018 and the vacancy rate decreased by 20 bps over the quarter. At the end of the quarter, 504,500 SF of retail space was under construction. The largest project is The Village at Riverstone, a 165,000-SF Kroger-anchored center located along University Boulevard at LJ Parkway. The shopping center is scheduled for completion in August 2018.

Market Indicators

	Q4 2017	Q1 2018	
OFFICE			
VACANCY	8.4%	11.7%	↑
NET ABSORPTION	66,039	(176,696)	↓
RENTAL RATE	\$25.14	\$24.92	↓
MEDICAL OFFICE			
VACANCY	10.4%	11.1%	↑
NET ABSORPTION	1,296	7,282	↑
RENTAL RATE	\$29.51	\$29.20	↓
INDUSTRIAL			
VACANCY	6.5%	6.7%	↑
NET ABSORPTION	119,745	(66,453)	↓
RENTAL RATE	\$6.27	\$6.71	↑
RETAIL			
VACANCY	4.2%	4.4%	↑
NET ABSORPTION	92,707	72,537	↓
RENTAL RATE	\$19.80	\$21.03	↑

Data Source: CoStar Property

* For the purpose of this report, the geographical boundaries previously used for the Fort Bend industrial submarket have been updated to include buildings that are typically considered by our clients when they are seeking locations in the Fort Bend/Sugar Land and Missouri City areas.

Representative Properties

Land



TELFAIR/HWY 59 COMMERCIAL TRACTS
+/- 187 Acres for Commercial Development
Hwy 59 & University Blvd, Sugar Land, TX



STAFFORD DEVELOPMENT TRACT
23 Acres for Commercial Development
Hwy 90A & Southwest Fwy, Stafford, TX

Office



THREE SUGAR CREEK
Office Space for Lease
3 Sugar Creek Center Blvd, Sugar Land, TX



14140 SOUTHWEST FREEWAY
Office Space for Lease
14140 Southwest Fwy, Sugar Land, TX

Retail



LEXINGTON SQUARE
Retail/Office Space for Lease
16525 Lexington Blvd, Sugar Land, TX



THE SHOPPES AT SIENNA PLANTATION
Retail Space for Lease
Hwy 6/Sienna Plantation, Missouri City, TX

Industrial

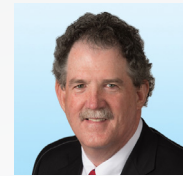


SUGAR LAND BUSINESS PARK
+/- 9,937-SF Flex Lease Space
1330 Industrial Blvd, Sugar Land, TX

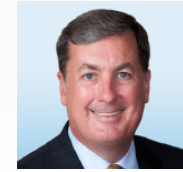


13006 MULA LANE
Light Industrial Sale-Leaseback
13006 Mula Ln, Stafford, TX

FORT BEND TEAM



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Office Market

The Fort Bend office submarket posted 68,139 SF of positive net absorption in Q4 2017. The average vacancy rate fell 130 basis points (bps) from 9.7% to 8.4% over the quarter, and decreased 190 bps from 10.3% in Q4 2016. The average quoted rental rate decreased between quarters from \$26.12 to \$25.14 per SF. Leasing activity, which includes renewals, decreased slightly over the quarter. There is one building under construction located at 13310 University Blvd. The building is two stories, contains 20,800 SF and is 29.7% pre-leased.

Medical Office Market

The average quoted rental rate increased over the quarter from \$28.59 to \$29.55 per SF and increased 16% over the year from \$25.46 per SF in Q4 2016. The average vacancy rate increased 50 bps from 10.6% to 11.1% over the quarter and increased 70 basis points from 10.4% in Q4 2016. Currently, there are two medical office buildings under construction in the E Fort Bend/Sugar Land submarket. The largest project is a 38,600-SF, two-story medical office building located at 7619 Branford Place, expected to deliver in March 2018. The other property is Egrets Landing, a 30,852-SF, two-story medical office building, which is also expected to deliver in March 2018.

Industrial Market*

The average vacancy rate decreased marginally over the quarter and by 130 basis points over the year from 8.5% in Q4 2016. The submarket recorded 43,092 SF of positive net absorption during Q4 2017, pushing year-end 2017 positive net absorption to over half a million square feet. Leasing activity increased from 311,443 SF in Q3 2017 to 559,195 SF in Q4 2017. The average quoted rental rate increased from \$6.04 per SF to \$6.22 per SF NNN over the quarter.

Retail Market

The average asking rental rate for the Fort Bend retail submarket decreased 4.3% between quarters from \$22.99 per SF to \$22.00 per SF and increased 2.4% from \$21.48 per SF in Q4 2016. The submarket recorded 124,540 SF of positive net absorption in Q4 2017 and the vacancy rate decreased by 80 bps over the quarter. At the end of the quarter, 488,000 SF of retail space was under construction. The largest project is The Village at Riverstone, a 165,000-SF Kroger-anchored center located along University Boulevard at LJ Parkway. The shopping center is scheduled for completion in August 2018.

Market Indicators	Q3 2017	Q4 2017	
OFFICE			
VACANCY	9.7%	8.4%	↓
NET ABSORPTION	54,149	68,139	↑
RENTAL RATE	\$26.12	\$25.14	↓
MEDICAL OFFICE			
VACANCY	10.6%	11.1%	↑
NET ABSORPTION	20,207	-5,551	↓
RENTAL RATE	\$28.59	\$29.55	↑
INDUSTRIAL			
VACANCY	7.3%	7.2%	↓
NET ABSORPTION	178,103	43,092	↓
RENTAL RATE	\$6.04	\$6.22	↑
RETAIL			
VACANCY	5.1%	4.3%	↓
NET ABSORPTION	-49,864	124,540	↑
RENTAL RATE	\$22.99	\$22.00	↓

Data Source: CoStar Property

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Representative Properties

Land



TELFAIR/HWY 59 COMMERCIAL TRACTS

+/- 187 Acres for Commercial Development
Hwy 59 & University Blvd, Sugar Land, TX



STAFFORD DEVELOPMENT TRACT

23 Acres for Commercial Development
Hwy 90A & Southwest Fwy, Stafford, TX

Office



THREE SUGAR CREEK

Office Space for Lease
3 Sugar Creek Center Blvd, Sugar Land, TX



14140 SOUTHWEST FREEWAY

Office Space for Lease
14140 Southwest Fwy, Sugar Land, TX

Retail



LEXINGTON SQUARE

Retail/Office Space for Lease
16525 Lexington Blvd, Sugar Land, TX



THE SHOPPES AT SIENNA PLANTATION

Retail Space for Lease
Hwy 6/Sienna Plantation, Missouri City, TX

Industrial



SUGAR LAND BUSINESS PARK

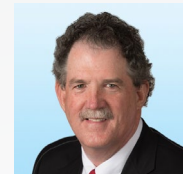
+/- 9,937-SF Flex Lease Space
1330 Industrial Blvd, Sugar Land, TX



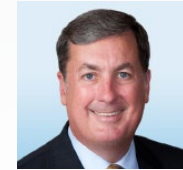
13006 MULA LANE

Light Industrial Sale Leaseback
13006 Mula Ln, Stafford, TX

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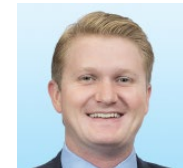
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Office Market

The Fort Bend office submarket posted 8,645 SF of negative net absorption in Q2 2017. The average vacancy rate increased 10 basis points (bps) from 10.5% to 10.6% over the quarter, and increased 160 bps from 9.0% in Q2 2016. The average quoted rental rate increased between quarters from \$24.41 to \$24.76 per SF. Current office development includes two buildings which total about 180,000 square feet in the Imperial Market mixed-use development. The office space is expected to be completed by October 2017.

Medical Office Market

The average quoted rental rate increased 1.8% over the quarter from \$28.42 to \$28.94 per SF, and increased 13.3% over the year from \$25.52 per SF in Q2 2016. The average vacancy rate decreased 40 bps from 13.4% to 13.0% over the quarter and decreased 20 basis points from 13.2% in Q2 2016. Currently, there are two medical office buildings under construction in the E Fort Bend/Sugar Land submarket. The larger property is a 38,600-SF, two-story medical office building located at 7619 Branford Place, expected to deliver in May 2018. The other property is Telfair Medical Plaza, a 23,600-SF medical office building which is currently 15.3% pre-leased. The building is expected to deliver in December 2017.

Industrial Market

The average vacancy rate still remains very low, however the Fort Bend industrial submarket increased 10 bps over the quarter and increased 40 bps over the year from 2.4% in Q2 2016. The average quoted rental rate decreased 6.9% from \$9.02 per SF to \$8.40 per SF NNN over the quarter, and increased marginally from \$8.32 per SF NNN in Q2 2016.

Retail Market

The average asking retail rental rate for the Fort Bend retail submarket increased 2.1% between quarters from \$20.68 per SF to \$21.12 per SF, and increased 3.6% from \$20.39 per SF in Q2 2016. The submarket recorded negative net absorption in Q2 2017 and the vacancy rate increased by 60 bps over the quarter. At the end of the quarter, 410,547 SF of retail space was under construction. The largest project is The Village at Riverstone, a 165,000-SF Kroger anchored center located along University Boulevard at LJ Parkway. The shopping center is scheduled for completion in August 2018.

Market Indicators	Q1 2017	Q2 2017	
OFFICE			
VACANCY	10.5%	10.6%	↑
NET ABSORPTION	8,975	-8,645	↓
RENTAL RATE	\$24.41	\$24.76	↑
MEDICAL OFFICE			
VACANCY	13.4%	13.0%	↓
NET ABSORPTION	-3,692	5,336	↑
RENTAL RATE	\$28.42	\$28.94	↑
INDUSTRIAL			
VACANCY	2.7%	2.8%	↑
NET ABSORPTION	4,581	15,962	↑
RENTAL RATE	\$9.02	\$8.40	↓
RETAIL			
VACANCY	4.2%	4.8%	↑
NET ABSORPTION	-14,594	-11,453	↑
RENTAL RATE	\$20.68	\$21.12	↑

Data Source: CoStar Property

Representative Properties

Land



TELFAIR/HWY 59 COMMERCIAL TRACTS
+/- 187 Acres for Commercial Development
Hwy 59 & University Blvd, Sugar Land, TX



THE VILLAGE AT KATY
84 Acres for Commercial Development
Interstate 10 & Pin Oak Rd, Katy, TX

Office



THREE SUGAR CREEK
Office Space for Lease
3 Sugar Creek Center Blvd, Sugar Land, TX



10702 CASH ROAD
70,000-SF Distribution Facility for Sale/Lease
10702 Cash Rd, Stafford, TX

Retail



LEXINGTON SQUARE
Retail/Office Space for Lease
16525 Lexington Blvd, Sugar Land, TX



THE SHOPPES AT SIENNA PLANTATION
Retail Space for Lease
Hwy 6/Sienna Plantation, Missouri City, TX

Industrial



SUGAR LAND BUSINESS PARK
+/- 9,937-SF Flex Lease Space
1330 Industrial Blvd, Sugar Land, TX



13006 MULA LANE
6,000 - 8,000 SF Warehouse Lease Space
13006 Mula Ln, Stafford, TX

FORT BEND TEAM



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Office Market

The Fort Bend office submarket posted 7,697 SF of positive net absorption in Q1 2017. The average vacancy rate increased 80 basis points (bps) from 10.1% to 10.9% over the quarter, and increased 320 bps from 7.7% in Q1 2016. The average quoted rental rate decreased marginally between quarters from \$24.53 to \$24.41 per SF. Current office development includes two buildings which total about 180,000 square feet in the Imperial Market mixed-use development. The office space is expected to be completed by October 2017.

Medical Office Market

The average quoted rental rate increased almost 10% over the quarter from \$26.40 to \$29.03 per SF, and over the year from \$26.20 per SF in Q1 2016. The average vacancy rate increased 90 basis from 10.9% to 11.8% over the quarter and decreased 70 basis points from 12.5% in Q1 2016. Currently, there is one medical office building under construction in the E Fort Bend/Sugar Land submarket. The property is a 38,600-SF, two-story medical office building located at 7619 Branford Place which has no leases signed. It is expected to deliver in September 2017.

Industrial Market

The average vacancy rate for the Fort Bend industrial submarket remained at 2.8% between quarters and fell by 30 bps from 3.1% in Q1 2016. The average quoted rental rate increased 7.6% from \$8.38 to \$9.02 per SF NNN over the quarter, and increased 7.9% from \$7.65 per SF NNN in Q1 2016.

Retail Market

The average asking retail rental rate for the Fort Bend retail submarket decreased 3.4% between quarters from \$21.41 per SF to \$20.68 per SF, and it increased marginally from \$20.42 per SF in Q1 2016. The submarket recorded only 4,198 SF of positive net absorption in Q1 2017 and the vacancy rate increased by 10 basis points over the quarter.

OFFICE

VACANCY	10.1%	10.9%	↑
NET ABSORPTION	-18,077	7,697	↑
RENTAL RATE	\$24.53	\$24.41	↓

MEDICAL OFFICE

VACANCY	10.9%	11.8%	↑
NET ABSORPTION	35,454	6,389	↓
RENTAL RATE	\$26.40	\$29.03	↑

INDUSTRIAL

VACANCY	2.8%	2.8%	■
NET ABSORPTION	-59,278	-40,757	↓
RENTAL RATE	\$8.38	\$9.02	↑

RETAIL

VACANCY	4.1%	4.2%	↑
NET ABSORPTION	224,054	4,198	↓
RENTAL RATE	\$21.41	\$20.68	↓

Data Source: CoStar Property

Representative Properties

Land



TELFAIR/HWY 59 COMMERCIAL TRACTS
+/- 187 Acres for Commercial Development
Hwy 59 & University Blvd, Sugar Land, TX



THE VILLAGE AT KATY
84 Acres for Commercial Development
Interstate 10 & Pin Oak Rd, Katy, TX

Office



THREE SUGAR CREEK
Office Space for Lease
3 Sugar Creek Center Blvd, Sugar Land, TX



10702 CASH ROAD
70,000-SF Distribution Facility for Sale/Lease
10702 Cash Rd, Stafford, TX

Retail



LEXINGTON SQUARE
Retail/Office Space for Lease
16525 Lexington Blvd, Sugar Land, TX



THE SHOPPES AT SIENNA PLANTATION
Retail Space for Lease
Hwy 6/Sienna Plantation, Missouri City, TX

Industrial

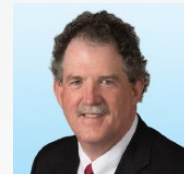


SUGAR LAND BUSINESS PARK
+/- 19,875-SF Flex Lease Space
1330 Industrial Blvd, Sugar Land, TX

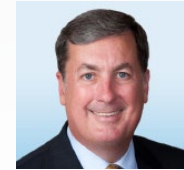


SUGAR LAND BUSINESS PARK
42,000-SF Flex/Value Office/Lab for Sale/Lease
12560 Reed Rd, Sugar Land, TX

FORT BEND TEAM



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Office Market

The Fort Bend office submarket posted 18,077 SF of negative net absorption in Q4 2016. The average vacancy rate increased 160 basis points (bps) from 8.9% to 10.5% over the year, and increased 40 bps from 10.1% in Q3 2016. Although the average quoted rental rate increased 1.7% between quarters from \$25.57 to \$26.01 per SF, it is still below the average of \$26.46 per SF in Q4 2015. Current office development includes about 90,000 square feet in the Imperial Market mixed-use development. The office space is expected to be completed by October 2017.

Medical Office Market

The average quoted rental rate increased 1.8% over the quarter from \$26.24 per SF to \$26.70 per SF, and over the year by 3.4% from \$25.82 per SF in Q4 2015. The vacancy rate decreased 50 basis from 14.3% to 13.8% over the quarter and increased 140 basis points from 12.4% in Q4 2015. Currently, there are two medical office buildings under construction in the E Fort Bend/Sugar Land submarket. The largest property is a 38,600-SF, two-story building located at 7619 Branford Place which has no leases signed. It is expected to deliver in September 2017.

Industrial Market

The average vacancy rate for the Fort Bend industrial submarket increased 40 bps from 2.2% to 2.6% between quarters and fell 40 bps from 3.0% in Q4 2015. The average quoted rental rate increased marginally from \$8.33 per SF NNN to \$8.38 per SF NNN over the quarter, and it increased 21.3% from \$6.91 per SF NNN in Q4 2015.

Retail Market

The average asking rental rate for the Fort Bend retail submarket decreased marginally between quarters from \$21.60 per SF to \$21.41 per SF, and it increased 4.4% from \$20.50 per SF in Q4 2015. The submarket recorded 231,954 SF of positive net absorption in Q4 2016 and the vacancy rate decreased by 10 basis points over the quarter.

Market Indicators	4Q 2015	4Q 2016	
OFFICE			
VACANCY	8.9%	10.5%	↑
NET ABSORPTION	1,398	-18,077	↓
RENTAL RATE	\$26.46	\$26.01	↓
MEDICAL OFFICE			
VACANCY	12.4%	13.8%	↑
NET ABSORPTION	-1,528	28,312	↑
RENTAL RATE	\$25.82	\$26.38	↑
INDUSTRIAL			
VACANCY	3.0%	2.6%	↓
NET ABSORPTION	819,096	-73,059	↓
RENTAL RATE	\$6.91	\$8.38	↑
RETAIL			
VACANCY	4.2%	4.1%	↓
NET ABSORPTION	44,652	231,954	↑
RENTAL RATE	\$20.50	\$21.41	↑

Data Source: CoStar Property

Representative Properties



TELFAIR/HWY 59 COMMERCIAL TRACTS
+/- 187 Acres for Commercial Development
Hwy 59 & University Blvd, Sugar Land, TX



THE VILLAGE AT KATY
84 Acres for Commercial Development
Interstate 10 & Pin Oak Rd, Katy, TX



THREE SUGAR CREEK
Office Space for Lease
3 Sugar Creek Center Blvd, Sugar Land, TX



10702 CASH ROAD
70,000-SF Distribution Facility for Sale/Lease
10702 Cash Rd, Stafford, TX



LEXINGTON SQUARE
Retail/Office Space for Lease
16525 Lexington Blvd, Sugar Land, TX



RIVERSTONE SHOPPING CENTER
New Retail Center for Lease
NEC Riverstone & Crosslakes, Missouri City, TX



SUGAR LAND BUSINESS PARK
+/- 19,875-SF Flex Lease Space
1330 Industrial Blvd, Sugar Land, TX

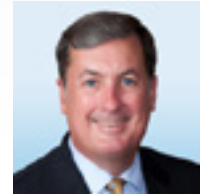


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The Fort Bend office submarket posted 72,721 SF of negative net absorption in Q3 2016. The average vacancy rate increased 120 basis points (bps) from 8.9% to 10.1% between quarters, and increased 130 bps from 8.8% in Q3 2015. The average quoted rental rate decreased 2.2% between quarters from \$26.15 to \$25.57 per SF, and dropped 1.8% from an average rate of \$26.05 per SF in Q3 2015. Current office development includes about 90,000 square feet in the Imperial Market mixed-use development. The office space is expected to be completed by October 2017.

Medical Office Market

The average quoted rental rate remained flat over the quarter and marginally decreased 0.3% from \$25.75 per SF in Q3 2015 to \$25.68 per SF. The vacancy rate decreased 40 basis from 14.7% to 14.3% over the quarter and increased 200 basis points from 12.3% in Q3 2015. Currently, there are four medical office buildings under construction in the E Fort Bend/Sugar Land submarket. The two largest properties include a 38,600-SF, two-story building located at 7619 Branford Place which is 0% pre-leased and is expected to deliver in June 2017. The other is the 25,000-SF Easton Professional Building located at 6514 Highway 90A which is 52.1% pre-leased and is expected to deliver during Q4 2016.

Industrial Market

The average vacancy rate for the Fort Bend industrial submarket decreased 20 bps from 2.4% to 2.2% between quarters and fell 140 bps from 3.6% in Q3 2015. The average quoted rental rate remained at \$8.33 per SF NNN over the quarter and increased 20.7% from \$6.90 per SF NNN in Q3 2015. A 39,750-SF warehouse located on Industrial Blvd delivered during Q3 2016. The building is 50% pre-leased.

Retail Market

The average asking rental rate for the Fort Bend retail submarket increased 5.9% between quarters from \$20.39 per SF to \$21.60 per SF and increased 2.7% from \$21.04 per SF in Q3 2015. The submarket recorded 50,482 SF of positive net absorption in Q3 2016 and the vacancy rate decreased by 20 basis points over the quarter. River Pointe Center, a 16,200-SF strip center, delivered in Q3 2016. The center is 100% leased and tenants include Mattress Firm, ATT Cellular, Goodwill, Big Salad and a nail salon.

Market Indicators	3Q 2015	3Q 2016	
OFFICE			
VACANCY	8.8%	10.1%	↑
NET ABSORPTION	163,881	-72,721	↓
RENTAL RATE	\$26.05	\$25.57	↓
MEDICAL OFFICE			
VACANCY	12.3%	14.3%	↑
NET ABSORPTION	4,080	5,060	↑
RENTAL RATE	\$25.75	\$25.68	↓
INDUSTRIAL			
VACANCY	3.6%	2.2%	↓
NET ABSORPTION	102,815	71,258	↓
RENTAL RATE	\$6.90	\$8.33	↑
RETAIL			
VACANCY	4.6%	4.4%	↓
NET ABSORPTION	55,865	50,482	↓
RENTAL RATE	\$21.04	\$21.60	↑

Data Source: CoStar Property

Representative Properties

Land



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+/- 187 Acres for Commercial Development
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84 Acres for Commercial Development
Interstate 10 & Pin Oak Rd, Katy, TX

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Office Space for Lease
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Retail



LEXINGTON SQUARE
Retail/Office Space for Lease
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RIVERSTONE SHOPPING CENTER
New Retail Center for Lease
NEC Riverstone & Crosslakes, Missouri City, TX

Industrial

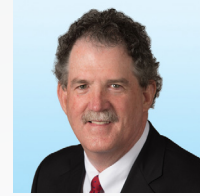


SUGAR LAND BUSINESS PARK
+/- 19,875-SF Flex Lease Space
1330 Industrial Blvd, Sugar Land, TX



GILLINGHAM DISTRIBUTION CENTER
Up to 76,050-SF Build to Suit on 5.6 Acres
1601 Gillingham Ln, Sugar Land, TX

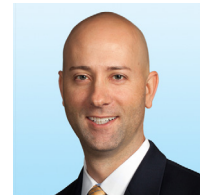
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E. Fort Bend Commercial Real Estate Trends

Lisa Bridges Director of Market Research | Houston

Office Market

The Fort Bend office submarket posted 25,848 SF of negative net absorption in Q2 2016, bringing the mid-year net absorption total to positive 45,536 SF. The average vacancy rate increased 40 basis points (bps) from 7.6% to 8.0% between quarters, and decreased 150 bps from 9.5% in Q2 2015. The average quoted rental rate decreased 1.0% between quarters from \$26.41 to \$26.15 per SF, and rose 3.6% from an average rate of \$25.25 per SF in Q2 2015. The Offices at Telfair opened during the second quarter and currently has 15,000 SF available for lease.

Medical Office Market

The average quoted rental rate remained at \$26.33 per SF over the quarter and increased 4.3% from \$25.24 per SF in Q2 2015. The vacancy rate increased 50 basis from 12.2% to 12.7% over the quarter and increased 10 basis points from 12.6% in Q2 2015. Easton Professional, a 25,000-SF medical office building, delivered during the second quarter. The Exchange at Telfair opened during the second quarter and has 40,000 SF available for lease.

Industrial Market

The average vacancy rate for the Fort Bend industrial submarket decreased 70 bps from 3.1% to 2.4% between quarters and fell 170 bps from 4.1% in Q2 2015. The average quoted rental rate increased 8.8% between quarters from \$7.65 per SF NNN to \$8.32 per SF NNN, and increased 22.9% annually from \$6.77 per SF in Q2 2015. A new 303,335-SF FedEx distribution facility on S Cravens Rd was completed in June. A 39,750-SF warehouse located on Industrial Blvd is currently under construction and scheduled to deliver in August. The building is 50% pre-leased. Park 8Ninety recently delivered three spec warehouses ranging in size from 55,250 SF up to 208,907 SF. All three buildings are currently available as well as additional land in the park for build-to-suit projects.

Retail Market

The average asking rental rate for the Fort Bend retail submarket decreased 1.4% between quarters from \$19.90 per SF to \$19.63 per SF and decreased by 2.7% from \$20.18 per SF in Q2 2015. The submarket recorded 11,582 SF of positive net absorption in Q2 2016 and the vacancy rate decreased by 50 basis points over the quarter. River Pointe Center, a 16,200-SF strip center, is currently under construction and is scheduled to deliver in Q3 2016. The center is 100% pre-leased and tenants include Mattress Firm, ATT Cellular, Goodwill, Big Salad and a nail salon.

Market Indicators

	2Q 2015	2Q 2016	
OFFICE			
VACANCY	9.5%	8.0%	↓
NET ABSORPTION	29,504	-25,848	↓
RENTAL RATE	\$25.25	\$26.15	↑
MEDICAL OFFICE			
VACANCY	12.6%	12.7%	↑
NET ABSORPTION	15,519	15,665	↑
RENTAL RATE	\$25.24	\$26.33	↑
INDUSTRIAL			
VACANCY	4.1%	2.4%	↓
NET ABSORPTION	255,833	251,879	↓
RENTAL RATE	\$6.77	\$8.32	↑
RETAIL			
VACANCY	4.4%	3.9%	↓
NET ABSORPTION	6,669	11,582	↑
RENTAL RATE	\$20.18	\$19.63	↓

Data Source: CoStar Property

Representative Properties

Land



TELFAIR/HWY 59 COMMERCIAL TRACTS
+/- 187 Acres for Commercial Development
Hwy 59 & University Blvd, Sugar Land, TX



THE VILLAGE AT KATY
84 Acres for Commercial Development
Interstate 10 & Pin Oak Rd, Katy, TX

Office



THREE SUGAR CREEK
Office Space for Lease
3 Sugar Creek Center Blvd, Sugar Land, TX



14140 SOUTHWEST FREEWAY
Office Space for Lease
14140 Southwest Fwy, Sugar Land, TX

Retail



LEXINGTON SQUARE
Retail/Office Space for Lease
16525 Lexington Blvd, Sugar Land, TX



RIVERSTONE SHOPPING CENTER
New Retail Center for Lease
NEC Riverstone & Crosslakes, Missouri City, TX

Industrial

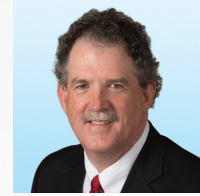


SUGAR LAND BUSINESS PARK
+/- 19,875-SF Flex Lease Space
1330 Industrial Blvd, Sugar Land, TX



15637 ENNIS RD
48,852-SF Industrial Bldg. on 2.29 Ac. for Sale
15637 Ennis Rd, Sugar Land, TX

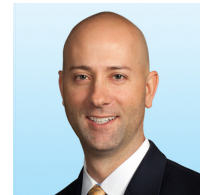
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E. Fort Bend Commercial Real Estate Trends

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Office Market

The Fort Bend office submarket posted 71,384 SF of positive net absorption in Q1 2016. The average vacancy rate fell 120 basis points (bps) from 8.9% to 7.7% between quarters, and decreased 240 bps from 10.1% in Q1 2015. The average quoted rental rate decreased 1.2% between quarters from \$26.37 to \$26.06 per SF, and rose 4.1% from an average rate of \$25.30 per SF in Q1 2015. Despite the turmoil in the energy sector, Schlumberger, Sugar Land's second largest employer, still plans to consolidate the company's U.S. headquarters to its existing 200-acre campus and plans to build more than 200,000 square feet of Class A office space and a 100,000-SF amenities building. APPLUS Ltd moved into 17,100 square feet on the sixth floor of Three Sugar Creek.

Medical Office Market

The average quoted rental rate decreased only 0.7% from \$25.82 to \$25.63 per SF between quarters, but increased 1.0% from \$25.11 per SF in Q1 2015. The vacancy rate decreased 20 basis from 12.4% to 12.2% over the quarter but decreased 170 basis points from 13.9% over the year. Houston Methodist Sugar Land Hospital recently opened the hospital's new six-story patient tower. Memorial Hermann Sugar Land Hospital continued construction on its campus expansion which doubles the size of the existing facilities. Construction is expected to be complete in Q4 2016.

Industrial Market

The average vacancy rate for the Fort Bend industrial submarket increased 30 bps from 3.2% to 3.5% between quarters and fell 190 bps from 5.4% in Q1 2015. The average quoted rental rate decreased 10.1% between quarters from \$6.91 per SF NNN to \$6.29 per SF NNN, and fell 5.7% annually from \$6.67 per SF in Q1 2015. MR Electronics renewed 37,000 SF in South By Southwest business park. Aldi's new 650,000-SF distribution center and division headquarters on Highway 90A-W in Rosenberg was completed during the first quarter.

Retail Market

The average asking rental rate for the Fort Bend retail submarket decreased 2.5% between quarters from \$20.39 per SF to \$19.89 per SF and decreased by 1.4% from \$20.18 per SF in Q1 2015. The submarket recorded 34,353 SF of positive net absorption in Q1 2016 and the vacancy rate decreased by 20 basis points over the quarter. Several retailers opened stores and/or signed new leases in Q1 2016, including Kirkland's, Allstate, Rite Aid Pharmacy, and Koko Fitness Club.

Market Indicators	1Q 2015	1Q 2016	
OFFICE			
VACANCY	10.1%	7.7%	↓
NET ABSORPTION	81,881	71,384	↓
RENTAL RATE	\$25.30	\$26.06	↑
MEDICAL OFFICE			
VACANCY	13.9%	12.2%	↓
NET ABSORPTION	-9,622	2,592	↑
RENTAL RATE	\$25.11	\$25.63	↑
INDUSTRIAL			
VACANCY	5.4%	3.5%	↓
NET ABSORPTION	279,855	598,267	↑
RENTAL RATE	\$6.67	\$6.29	↓
RETAIL			
VACANCY	4.2%	4.0%	↓
NET ABSORPTION	-1,807	34,353	↑
RENTAL RATE	\$20.18	\$19.89	↓

Data Source: CoStar Property

Representative Properties

Land



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+/- 187 Acres for Commercial Development
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THE VILLAGE AT KATY
84 Acres for Commercial Development
Interstate 10 & Pin Oak Rd, Katy, TX

Office



THREE SUGAR CREEK
Office Space for Lease
3 Sugar Creek Center Blvd, Sugar Land, TX



ROTUNDA BUILDING
Office Building Investment Sale
5819 Hwy 6, Missouri City, TX

Retail



LEXINGTON SQUARE
Retail/Office Space for Lease
16525 Lexington Blvd, Sugar Land, TX



THE SHOPPES AT SIENNA PLANTATION
Retail Pads for Sale or Ground Lease
State Hwy 6, Missouri City, TX

Industrial

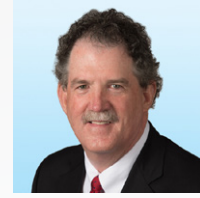


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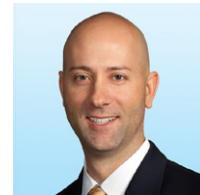
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