

HOUSTON MULTIFAMILY OVERVIEW

APR 2015



ARA[®]
A Newmark Company

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The following is a snapshot of current market conditions in Texas as a whole with an emphasis on Houston. Representatives of ARA Newmark will be available to discuss additional specific market dynamics, trends and other information beyond those discussed herein. At ARA Newmark, we strive to provide the highest level of service, as well as quality data and market analysis for our valued clients.

We hope you find this information useful to your investment decisions, and we welcome any comments, questions or requests.

ABOUT ARA NEWMARK

WHAT MAKES ARA NEWMARK UNIQUE

Each of ARA Newmark's 29 offices throughout the country share market information, buyer activity, relationships, and marketing concepts. ARA Newmark's shared market knowledge, marketing process, and the entire ARA Newmark team's shared relationship base make the ARA Newmark platform unique within the brokerage industry. The national free flow of real time transactional and buyer information benefits ARA Newmark's clients by combining national exposure and local market expertise.

National Market Coverage:

ARA Newmark's national market coverage includes a presence in 40 states and more than 300 cities. ARA Newmark's national annual production volume for 2014 was approximately \$14 billion.

National Buyer Committee:

ARA Newmark team members submit every prospect tour, bidder, and buyer on every asset to ARA Newmark National. This active bidder list is then distributed to each office every week. ARA Newmark team members know every bidder on every deal in the country. ARA Newmark then has a national call to discuss

current market trends and the most active buyers every other week.

ARA Newmark Capital Markets Team:

Provides debt and equity placement services. This ensures a greater surety of closing by facilitating the lending process and providing a more reliable disposition. During the valuation process, ARA Newmark underwrites the asset to understand potential debt and equity options. ARA Newmark then provides prospective buyers with real time debt quotes during the

marketing process to help them more precisely underwrite levered returns. ARA Newmark Capital Markets provide the seller with regular communication regarding the status of the buyer's loan throughout the due diligence and closing. This in-house service provides buyers and sellers a true partner/advisor role to handle asset dispositions and capital markets execution.



TEXAS OVERVIEW

ENERGY CORRIDOR:

- More than 300 companies and over 23 million SF of office space houses 91,000 employees in the Energy Corridor including BP, ConocoPhillips, Shell Oil Company, Mustang Group, Foster Wheeler, and Citgo Petroleum Corp.
- Over 3.5 million SF of office space is under construction and 85% of speculative development is leased
- Class A office space is 99% occupied and accounts for over 75% of the total office space
- By 2030, office/mixed-use space in the Energy Corridor is expected to reach 45.2 million SF

ARA NEWMARK TEXAS TEAM

- The ARA Newmark Texas team is unparalleled in size, experience, and expertise
- In 2014, the ARA Newmark Houston team closed over \$3.3B with 152 total transactions
- YTD 2015, ARA Newmark Houston has closed over \$617M with 32 transactions

ARA NEWMARK HOUSTON

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ARA NEWMARK HOUSTON TEAM

- ARA Newmark Houston has a team of 35, the largest team in the city
- With 17 full-time producers, ARA Newmark Houston has unparalleled capacity to handle a large volume of transactions while ensuring high quality service for our clients

ARA NEWMARK HOUSTON INSTITUTIONAL TEAM				AFFORDABLE HOUSING
David Oelfke Vice Chairman	Matt Rotan Vice Chairman	David Wylie Vice Chairman	David Mitchell Executive Managing Director	Cliff McDaniel Vice Chairman
ARA NEWMARK HOUSTON PRIVATE CLIENT SERVICE GROUP			SECONDARY MARKETS	
Russell Jones Executive Managing Director	Matt Saunders Executive Managing Director	Zach Springer Executive Managing Director	Brandon Miller Executive Managing Director	
TRANSACTION TEAM	ARA NEWMARK CAPITAL MARKETS	LAND TEAM	MARKETING TEAM	SUPPORT TEAM
David Whitby Senior Analyst	Adam Allen Executive Managing Director	Tim Dosch Executive Managing Director	Yvonne Sarmiento Marketing Director	Allison Sample Executive Assistant
Thomas Alleman Transaction Manager	Holly Minter Executive Managing Director	David Marshall Executive Managing Director	Elizabeth Ahow Marketing Specialist	David Stockton Controller
Art Barnes Multifamily Analyst	David Schwarz Senior Managing Director	Tom Dosch Vice President/Land	Ryan Murray Marketing Specialist	
Taylor Gaspard Multifamily Analyst	Tip Strickland Senior Managing Director	Clark Dalton Vice President/Land	Claudia Villa Marketing Specialist	
Brad Shaffer Multifamily Analyst	Elizabeth Cox Analyst	Jane Matsell Marketing Specialist		
Chirag Batavia Multifamily Analyst	Brett Benton Analyst	Becky Dosch Land Analyst		
	Kevin Amend Analyst	Dillon Mills Land Analyst		

TEXAS VS NATION

- Texas has consistently outperformed the nation in job growth from 2009 to 2015
- Since 2009, Texas has grown it's workforce by 15.3%* compared to 8.9% for the nation

Texas Job Growth Compared To The Nation				
Year	Texas		US	
	Total	Percent Change	Total	Percent Change
2009	-371,300	-3.50%	-5,088,000	-3.80%
2010	229,900	2.30%	1,066,000	0.80%
2011	240,100	2.30%	2,080,000	1.60%
2012	361,300	3.40%	2,257,000	1.70%
2013	301,100	2.70%	2,388,000	1.80%
2014	407,400	3.60%	3,116,000	2.30%
Feb'15	357,300	3.10%	3,227,000	2.30%

*Texas workforce increased 15.3% between Dec'09 (10,210k) and Feb'15 (11,770k), a net increase of 1,560k jobs.

FEB'15 FUNDAMENTALS

- All major Texas markets are above 91% occupancy and experiencing impressive rent growth
- 2014 job growth in each market exceeded 3.1% and projects healthy job growth in 2015

Texas Multifamily Fundamentals				
Statistic	Houston	Dallas/Fort Worth	San Antonio	Austin
Total Units	594,243	632,002	165,000	188,266
Average Occupancy	91.2%	92.8%	91.3%	91.0%
2015 Rent Growth (T12 Apr'15)	5.7%	5.6%	3.5%	5.0%
2014 Rent Growth	7.8%	6.1%	3.4%	6.0%
Absorption (T12 Apr'15)	15,871	16,242	6,068	7,781
Absorption (2014)	15,918	14,277	5,804	7,513
Under Construction (Apr'15)	26,490	16,404	5,513	8,355
Now Leasing (Apr'15)	20,406	16,138	5,267	11,039
2013 Job Growth	3.7%	2.9%	3.2%	4.7%
2014 Job Growth	3.4%	3.5%	3.2%	4.1%
2015 Job Y-O-Y (Feb'15)	3.1%	4.1%	3.7%	3.0%

TEXAS MULTIFAMILY CAP RATES

- Overall, 1Q'15 cap rates are showing healthy market fundamentals

Q1'15 Texas Cap Rates				
Class	Houston	Dallas	San Antonio	Austin
Urban Class "A"	4.50% - 5.25%	4.00% - 5.00%	5.00% - 5.50%	4.00% - 4.50%
Suburban Class "A"	5.25% - 6.00%	4.50% - 5.50%	5.25% - 5.75%	5.00% - 5.50%
Class "B"	6.00% - 7.00%	5.50% - 6.50%	5.75% - 6.75%	5.50% - 6.50%
Class "C"	7.50% +	7.00% +	6.75% +	6.50% +

HOUSTON ECONOMY



EXXONMOBIL:

- 8,000 jobs during construction
- 44,000 indirect and direct jobs created after completion
- 3,000,000 SF Campus, 20 buildings
- 10,000 employees

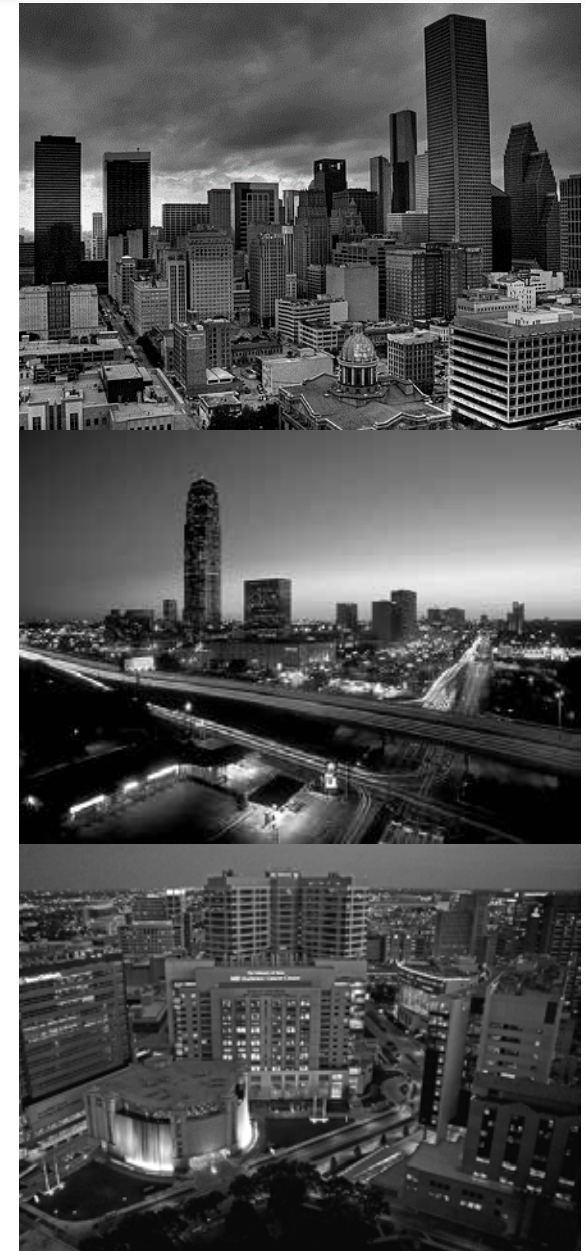
WHY HOUSTON?

Houston is a national leader in employment and population growth

- #1 in projected population growth from 2012-2017
- #2 in projected employment growth from 2012-2017
- The Houston-Sugar Land-Baytown MSA created 125,300 Jobs in the 12 months ending November'14

Strong Multifamily Fundamentals

- Rental Rates: T12 Annualized rent growth of 5.7% for Overall Market
 - Absorption: Total Apr'15 T12 absorption of 15,871
-
- Office construction boom unparalleled across nation with large multinational corporations building millions of square feet across city
 - Single family inventory at an all-time low of 2.8 months
 - **Over \$100 billion has been committed from 2010 through 2023 by chemical companies for expansion projects**
 - **91,000 people work in the Energy Corridor District and by 2030 employment is expected to grow 64% to 149,000**
 - **Houston has the largest export market in the U.S. with over \$255 billion in trade value**
 - **Over 200 million tons of cargo is moved through the Port of Houston every year and over \$35 billion is being invested from 2012 to 2015 to create 111,700 direct and 154,100 indirect jobs**



WHY HOUSTON?

Houston is a Tier I market for institutional investors due to the following reasons:

Employment Growth

- 2.9 million jobs in the Houston MSA, which is more jobs than 36 states.
- Added 375,000 jobs from April 2010 - July 2014
- Economists project approximately 60,000 to 100,000 jobs to be gained in 2015 for Houston

Population Growth

- Largest % population gain of any major U.S. Metropolitan with 26.1% from 2000-2010
- Added nearly 570,000 residents, the largest gain of any U.S. Metro from April 2010 - July 2014

Rent & Occupancy Growth

- Three consecutive years of solid occupancy growth; first time to reach above 90% since 2005
- Rental rates grew 5.0% for all classes of Houston multifamily during 1Q 2015

Historic Absorption & Supply Numbers

- 2010 and 2011 delivered the lowest number of units in 15+ years; only 5,636 conventional units delivered during 2012
- Last three years have absorbed over 15,000 units each year; 16,550 units absorbed during 2012

Areas of Job Growth

- Texas Medical Center
- Upstream/Downstream energy industry
- Port of Houston/Industrial market
- Infrastructure/Road construction projects
- Banking/Finance

HOUSTON RANKINGS

HOUSTON #1

America's Fastest-Growing City

Forbes – January 2015

Top Destination City

U-Haul International - April 2013

Best Cities for Young Entrepreneurs

CreditDonkey – February 2014

Top U.S. Manufacturing Cities

Manufacturers' News, Inc. – January 2014

Fastest Growing Wages in U.S.

Business Insiders – July 2, 2012

Top Cities for Global Trade

Global Trade – August 2013

Fastest Real GDP Growth Among Large MSAs

Bureau of Economic Analysis – February 22, 2013

Most Multifamily Construction

AXIOMetrics Inc. – January 30, 2013

Best City in America

Business Insider – May 30, 2013

HOUSTON #2

Top Metros of 2013

Site Selection – March 2014

Top US Real Estate Markets to Watch

PWC US & Urban Land Institute - November 2013

Top METRO With Largest Numeric Population Increase

U.S. Census Bureau – March 14, 2013

America's Fastest-Growing Metros

Forbes – January 23, 2013

Cities Creating the Most Middle Class Jobs

Forbes – October 2013

Best Cities for Good Jobs

Forbes – October 2013

HOUSTON #3

Most New Construction

Forbes - June 2013

American Cities With the Lowest Taxes

24/7 Wall St. – February 25, 2013

HOUSTON POPULATION GROWTH

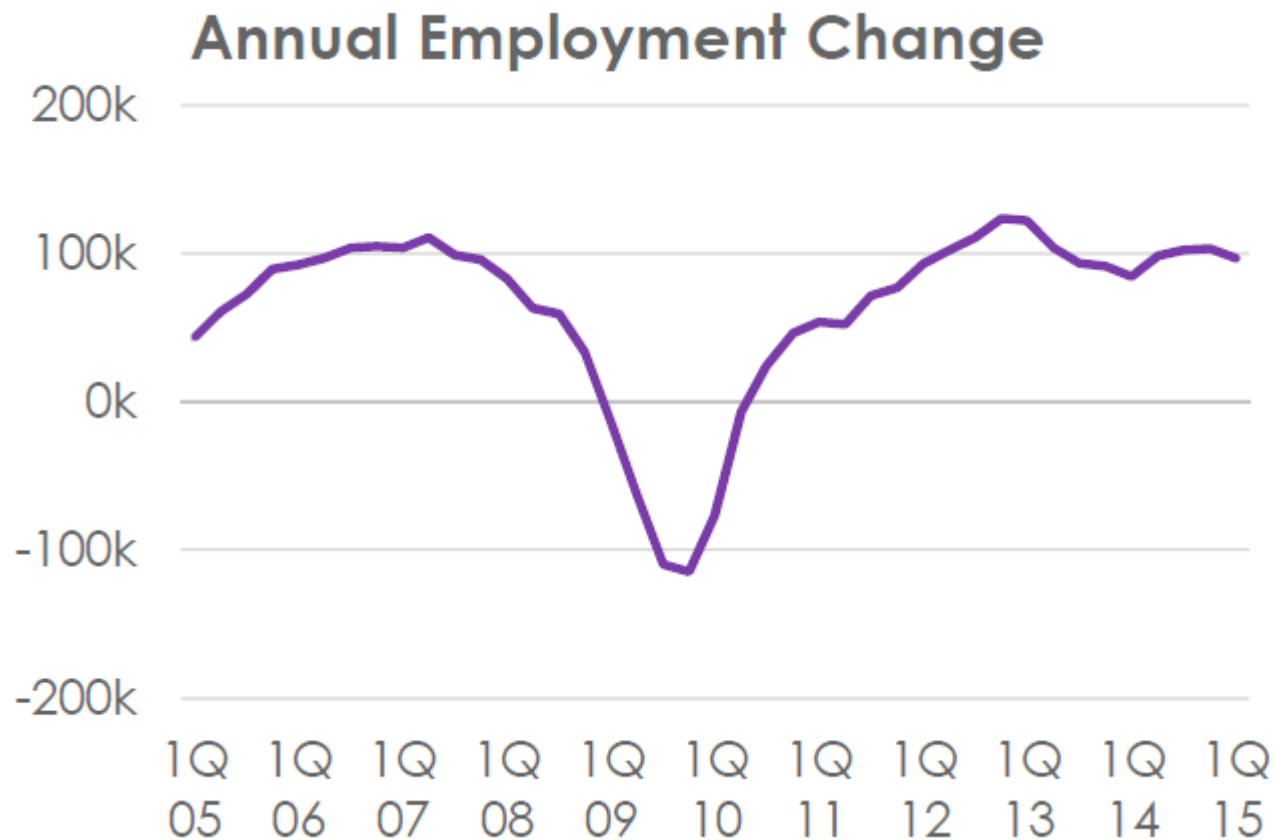
- 2013 to 2014, Houston ranked first for total population growth according to Census.gov
- Due to a strong economy/job growth and low cost of living, Houston has become a top destination for Fortune 500 companies

Population Growth Comparison: July 1, 2013 to July 1, 2014

Metropolitan Statistical Area	Numeric Change
Houston-The Woodlands-Sugar Land, TX Metro Area	156,371
Dallas-Fort Worth-Arlington, TX Metro Area	131,217
New York-Newark-Jersey City, NY-NJ-PA Metro Area	90,797
Atlanta-Sandy Springs-Roswell, GA Metro Area	88,891
Los Angeles-Long Beach-Anaheim, CA Metro Area	86,371
Phoenix-Mesa-Scottsdale, AZ Metro Area	84,980
Washington-Arlington-Alexandria, DC-VA-MD-WV Metro Area	66,561
Miami-Fort Lauderdale-West Palm Beach, FL Metro Area	66,361
San Francisco-Oakland-Hayward, CA Metro Area	64,406
Seattle-Tacoma-Bellevue, WA Metro Area	57,857

HOUSTON EMPLOYMENT GROWTH

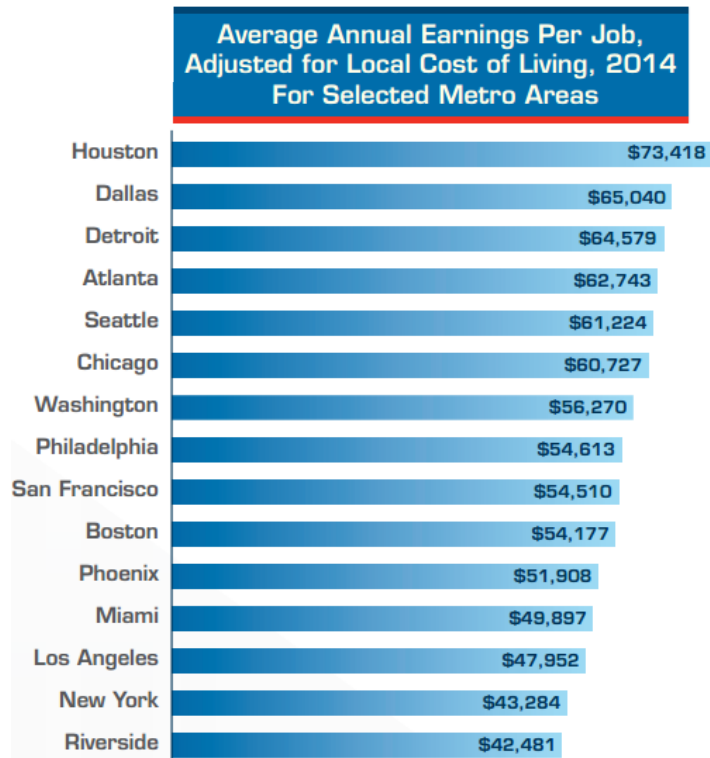
- Houston's economy has been outstanding with annual employment having topped 77,000 jobs in each of the past 14 quarters
- Houston's employment growth has been roughly 3% or more in each of the past 14 quarters



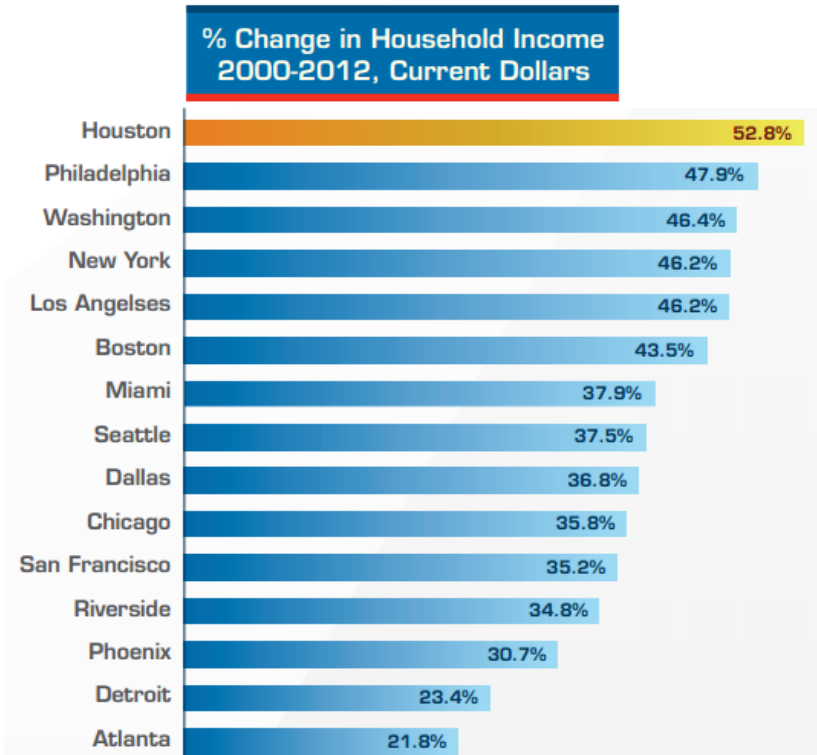
HOUSTON COST OF LIVING

HOUSTON'S HIGH STANDARD OF LIVING

Houston's low cost of living and high rate of job growth have made the city and its surrounding metro region attractive to young families. Additionally, Houston now has the highest standard of living of any large city in the U.S. and among the highest in the world (calculated by using Praxis Strategy Group calculations that factor in the cost of living as well as salaries). **The average cost-of-living-adjusted salary in Houston is about \$73,000, compared to about \$43,000 in New York and \$48,000 in Los Angeles.** Houston household income has also grown faster since 2000 than virtually any of the country's major metropolitan areas. Greater Houston has outperformed not only "legacy" cities like New York, Chicago and Boston, which are renowned as centers for high-wage jobs, but other "opportunity regions" such as Atlanta, Dallas-Ft. Worth and Phoenix.



Source: Praxis Strategy Group analysis based on Q2/14 EMSI wage data and 2013 C2ER cost of living data

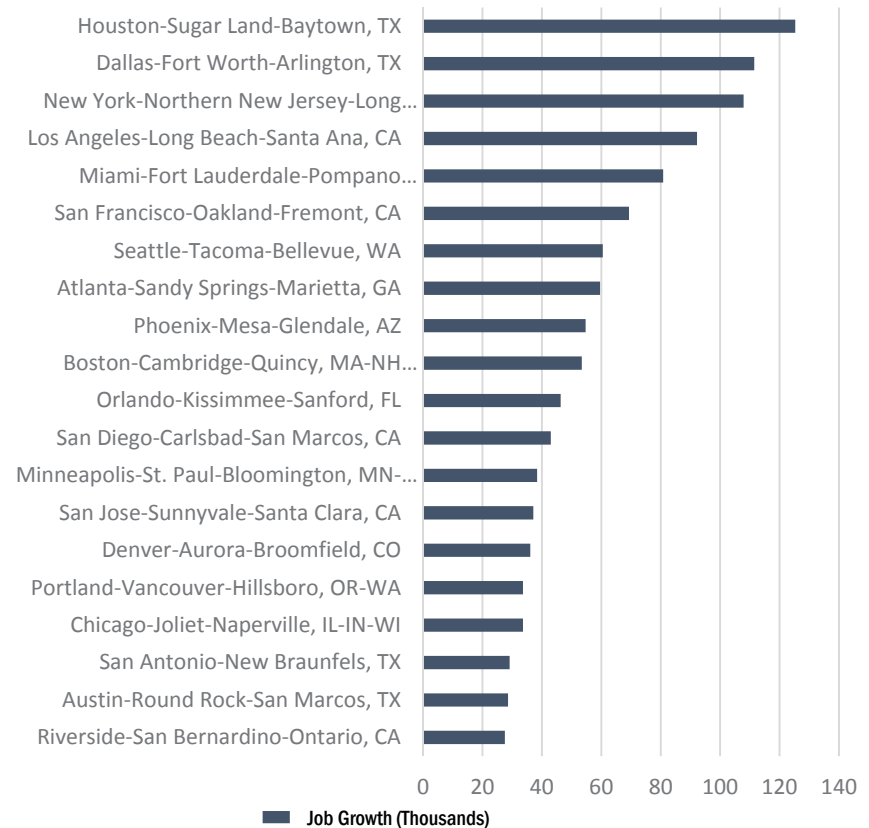


Source: U.S. Bureau of Economic Analysis

HOUSTON EMPLOYMENT GROWTH

Over-The-Year Employment Growth for Metropolitan Areas, November '13 - November '14

MSA	# of Jobs (Thousands)	Job Growth (Thousands)	Over the Year % Change
★ Houston-Sugar Land-Baytown, TX	2,955.9	125.3	4.4
Dallas-Fort Worth-Arlington, TX	3,260.6	111.5	3.5
New York-Northern New Jersey-Long Island, NY-NJ-PA	8,950.5	107.9	1.2
Los Angeles-Long Beach-Santa Ana, CA	5,765.2	92.2	1.6
Miami-Fort Lauderdale-Pompano Beach, FL	2,473.7	80.8	3.4
San Francisco-Oakland-Fremont, CA	2,211.6	69.3	3.2
Seattle-Tacoma-Bellevue, WA	1,868.3	60.5	3.3
Atlanta-Sandy Springs-Marietta, GA	2,506.4	59.6	2.4
Phoenix-Mesa-Glendale, AZ	1,909.5	54.7	2.9
Boston-Cambridge-Quincy, MA-NH-NECTA	2,644.2	53.4	2.1
Orlando-Kissimmee-Sanford, FL	1,133.9	46.3	4.3
San Diego-Carlsbad-San Marcos, CA	1,373.6	43	3.2
Minneapolis-St. Paul-Bloomington, MN-WI	1,862.2	38.4	2.1
San Jose-Sunnyvale-Santa Clara, CA	1,020.4	37.1	3.8
Denver-Aurora-Broomfield, CO	1,351.6	36.1	2.7
Chicago-Joliet-Naperville, IL-IN-WI	4,543.0	33.6	0.7
Portland-Vancouver-Hillsboro, OR-WA	1,088.7	33.6	3.2
San Antonio-New Braunfels, TX	944.9	29.1	3.2
Austin-Round Rock-San Marcos, TX	913.0	28.6	3.2
Riverside-San Bernardino-Ontario, CA	1,285.8	27.5	2.2



- **From November 2013 - November 2014, Houston added 125,300 jobs, a 4.4% growth rate (Highest employment growth for US Metropolitan Areas)**
- **Houston's November '14 unemployment rate was 4.5 percent, down from 5.7 percent in November '13**

HOUSTON EMPLOYMENT GROWTH

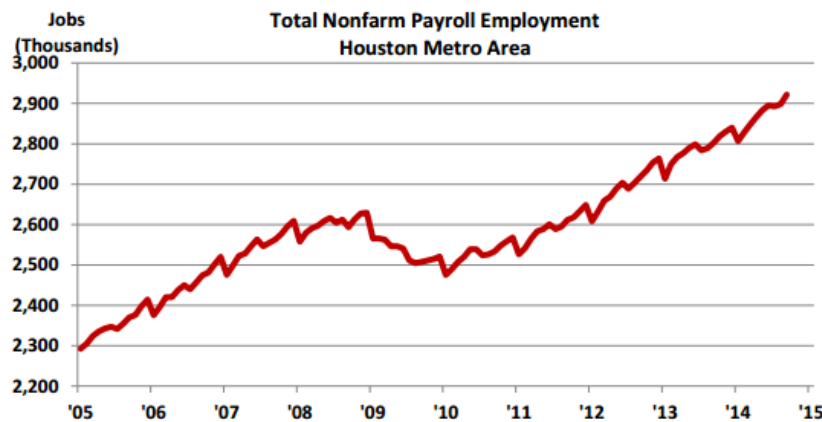
HOUSTON EMPLOYMENT AND ECONOMY BOOM WILL CONTINUE TO DRIVE DEMAND FOR NEW MULTIFAMILY DEVELOPMENT



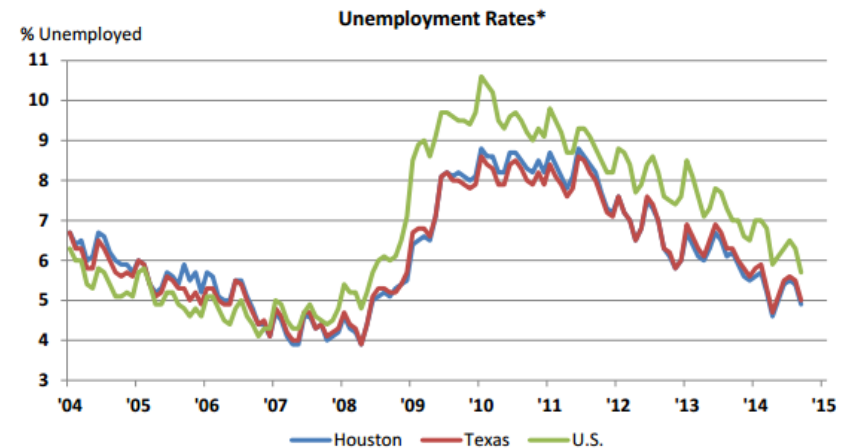
The Houston-Sugar Land-Baytown Metro Area created 125,300 jobs in the 12 months ending November '14

Total Nonfarm Payroll Employment is at an all time high surpassing 2.9 million

Since the bottom of the recession, the metro area has added 446,000 net new jobs, or nearly three times the 153,800 jobs lost during the recession



Source: Texas Workforce Commission



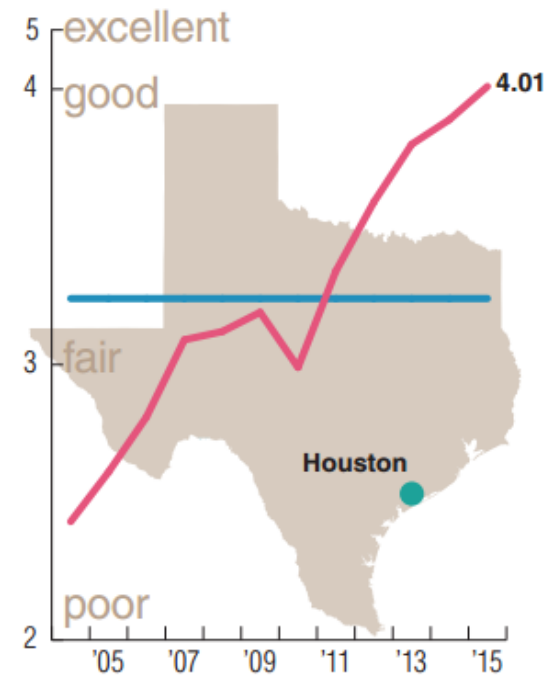
HOUSTON INVESTMENT/DEVELOPMENT



HOUSTON RANKS #1 OF 75 U.S. MARKETS TO WATCH FOR INVESTMENT AND DEVELOPMENT FOR 2015

The Urban Land Institute, in conjunction with PwC, recently named Houston the number one U.S. market for investment and development for the year 2015 in their annual trends and forecast publication *Emerging Trends in Real Estate 2015*. Four Texas markets made the list of 75 including Houston (1), Austin (2), Dallas/Fort Worth (5), and San Antonio (23). All areas of the real estate industry are interested in investment opportunities in Houston, with institutional investors particularly attracted to the city. Local market participants view the real estate market conditions as excellent in Houston for 2015, with a nearly perfect score of 4.7 out of 5.0. As expected, the local economy, real estate capital availability, and investor demand are viewed as being particularly strong for 2015 in the bayou city.

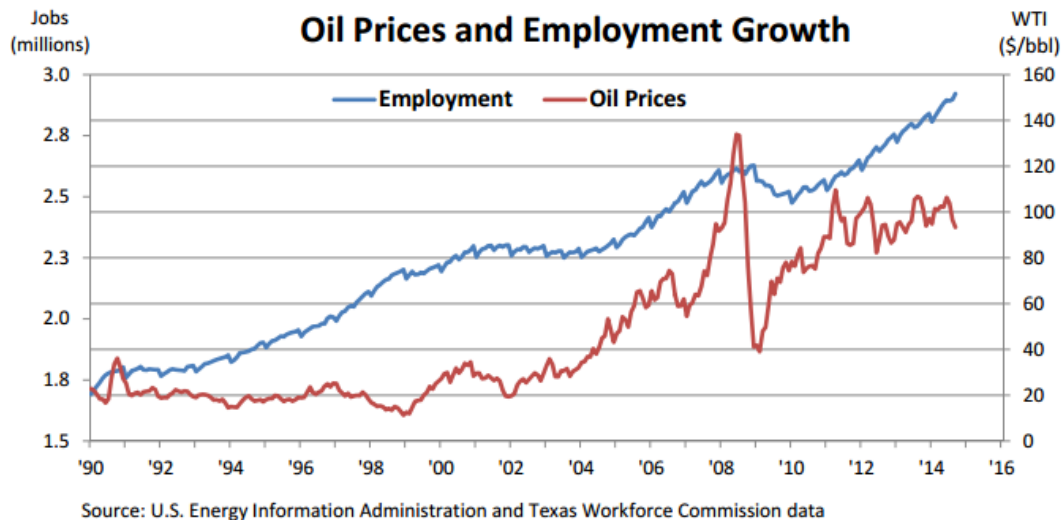
	Investment	Development	Homebuilding
1 Houston (1, 1, 2)	4.01	3.80	4.21
2 Austin (2, 4, 1)	3.85	3.68	4.33
3 San Francisco (3, 2, 5)	3.82	3.75	3.80
4 Denver (5, 5, 4)	3.66	3.54	3.87
5 Dallas/Fort Worth (9, 8, 3)	3.56	3.43	3.98
6 Los Angeles (6, 6, 6)	3.65	3.52	3.73
7 Charlotte (7, 7, 7)	3.61	3.44	3.71
8 Seattle (4, 3, 17)	3.70	3.72	3.34
9 Boston (8, 9, 14)	3.58	3.37	3.39
10 Raleigh/Durham (16, 17, 9)	3.42	3.24	3.57
11 Atlanta (17, 15, 10)	3.40	3.25	3.54
12 Orange County (13, 14, 15)	3.50	3.27	3.36
13 Nashville (21, 12, 13)	3.32	3.35	3.40
14 New York—Manhattan (12, 10, 22)	3.44	3.36	3.26
15 San Jose (19, 19, 11)	3.33	3.21	3.50
16 Portland, OR (26, 21, 8)	3.24	3.12	3.60
17 Oakland/East Bay (11, 20, 24)	3.52	3.19	3.15
18 Chicago (14, 13, 28)	3.46	3.30	3.08
19 Miami (10, 16, 40)	3.55	3.24	2.95
20 San Diego (18, 33, 16)	3.32	3.11	3.26



HOUSTON ENERGY SECTOR

Houston is far better poised to manage an energy sector slowdown than it was 30 years ago

1. In the 80's oil prices fell from \$42/bbl ('82) to \$12.50/bbl ('86) – a 70% drop. **For a similar decline today oil would have to drop to \$32.40/bbl which would devastate the budgets of OPEC nations making this scenario highly unlikely.**
2. Job growth is likely to slow, but due to momentum from the construction boom along the ship channel, pent-up demand for housing, a recent surge in population and growth in the health care industry the Houston job market is expected to grow at pace above the national average.
3. At the depth of the of the 80's recession the office vacancy rate in Houston topped 30% which is equivalent to every building in the CBD and the Energy Corridor going empty – another highly unlikely scenario.



If oil prices remain depressed for an extended period, Houston will find other ways to grow. The region has done so in the past. From January '90 to December '99, the spot price for WTI seldom went above \$22 per barrel. Yet over the same period, Houston added 942,000 residents and more than 525,000 jobs.

HOUSTON MULTIFAMILY

PORT OF HOUSTON:

- 25-mile long complex in East Houston with 150 industrial companies
- Contributes 1.1 million Texas jobs and almost \$179 billion of state economic activity
- Ship Channel accounts for \$15 billion in petrochemical complexes including the largest Exxon refinery in the world
- Between 2012 and 2015, the Houston port region is expected to see \$35 billion spent in capital and maintenance investments, creating 110,000 direct jobs and 154,100 indirect jobs

HOUSTON HISTORICAL OVERVIEW

- Delivered an average of 10,399 units while absorbing an average of 15,151 units (last four years)
- Occupancy has risen steadily since 2009 and currently sits at 91.1%

Historical Houston Multifamily Fundamentals

Year	# of Units	New Units Added to Market	Units Absorbed	Occupancy	Price (\$/mo)	Rent Trend
2003	471,308	14,405	-1,958	87.0%	\$622	-0.30%
2004	484,221	12,326	4,634	85.6%	\$632	1.60%
2005	496,708	12,714	34,865	90.5%	\$669	5.90%
2006	506,969	10,226	-3,049	88.1%	\$673	0.60%
2007	518,504	14,729	5,121	87.1%	\$698	3.70%
2008	536,281	21,862	8,427	85.8%	\$739	5.90%
2009	550,283	14,850	1,461	83.9%	\$721	-2.40%
2010	553,192	3,912	13,890	85.9%	\$737	2.20%
2011	558,143	5,623	13,706	87.6%	\$765	3.80%
2012	563,549	5,874	14,731	89.4%	\$807	5.50%
2013	574,970	12,186	16,248	90.5%	\$857	6.20%
2014	588,391	17,912	15,918	91.1%	\$924	7.80%
2015*	594,243	6,788	5,598	91.1%	\$939	5.70%

1Q'15 MULTIFAMILY OVERVIEW

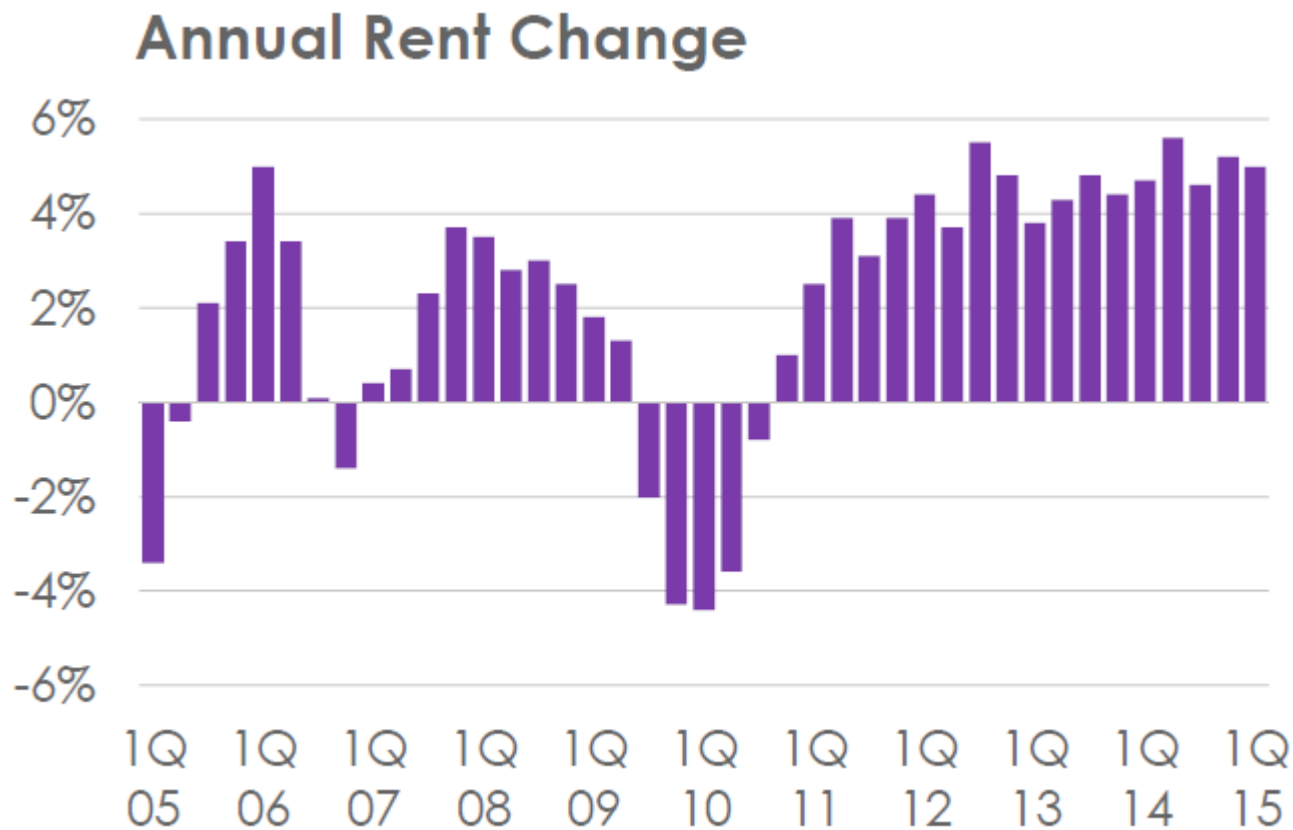
- Rental Rates: Overall, Houston grew 5.7% in the past 12 months as of April 2015
- Occupancy: Disregarding new construction, the overall Houston market is currently 91.2%

1Q'15 Houston Multifamily Fundamentals

Data as of 1Q'15	Overall Market	2013 Construction	2014/2015 Construction	Class A (w/o '13&'14)	Class B (w/o '13&'14)	Class C
Number of Units	594,243	12,186	24,700	112,063	197,095	179,518
Occupancy	91.2%	91.1%	39.9%	93.6%	94.5%	94.0%
Price Per SF	\$1.07	\$1.55	\$1.60	\$1.47	\$1.05	\$0.85
Price Per Month	\$939	\$1,475	\$1,533	\$1,402	\$914	\$713
Rent Growth (T12)	5.7%	1.1%	-	2.4%	7.0%	6.1%
Rent Growth (T3)	6.6%	3.6%	-	4.5%	6.7%	7.1%
Absorption (T12)	15,871	3,309	8,413	-1,403	404	3,204
Absorption (T3)	5,598	309	2,370	211	312	1,514

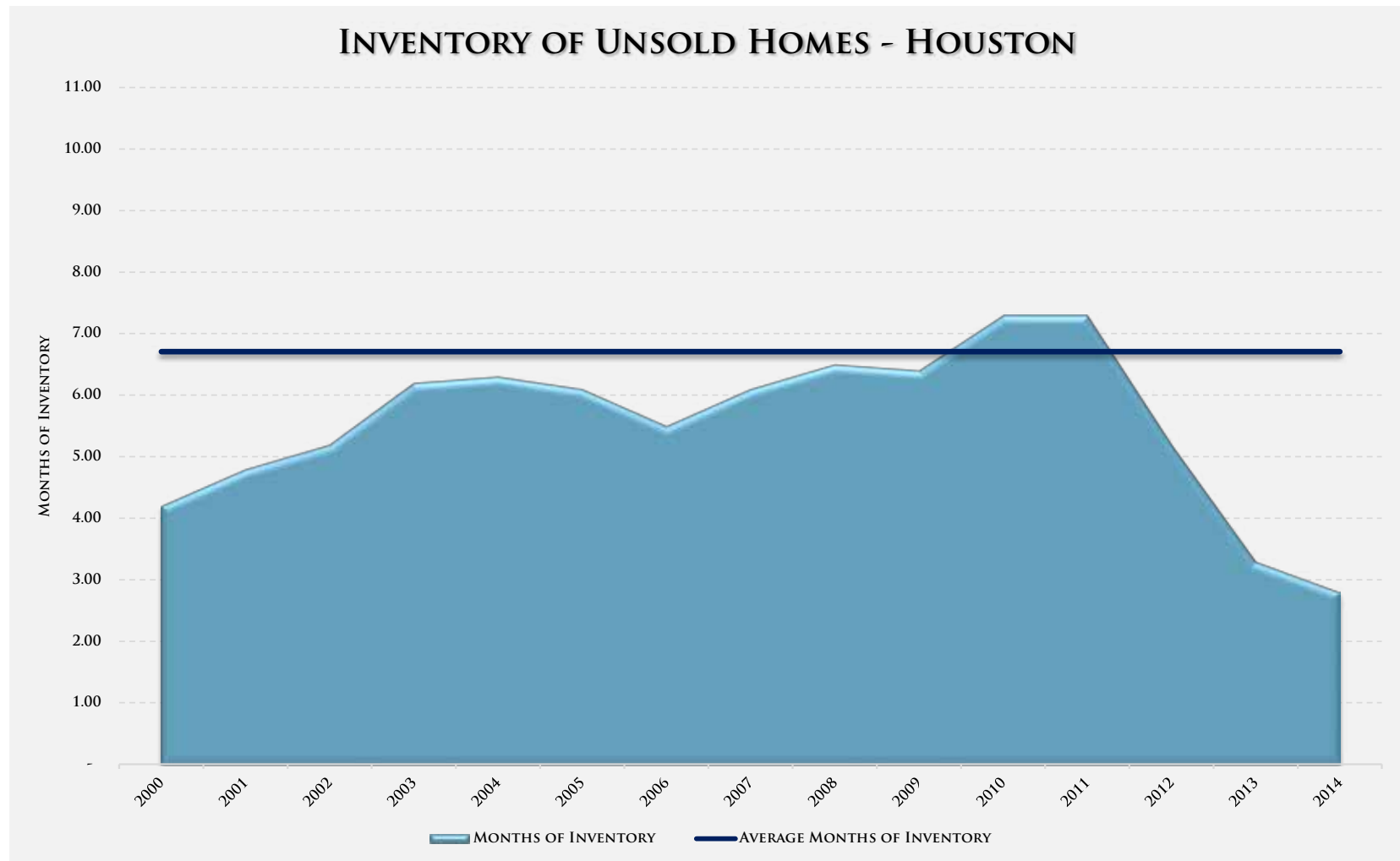
HOUSTON MULTIFAMILY

- Houston recorded year-over-year rent growth of 5.0% in 1st quarter 2015, which continued a 14-quarter streak of annual rent growth of roughly 4.0% or better.



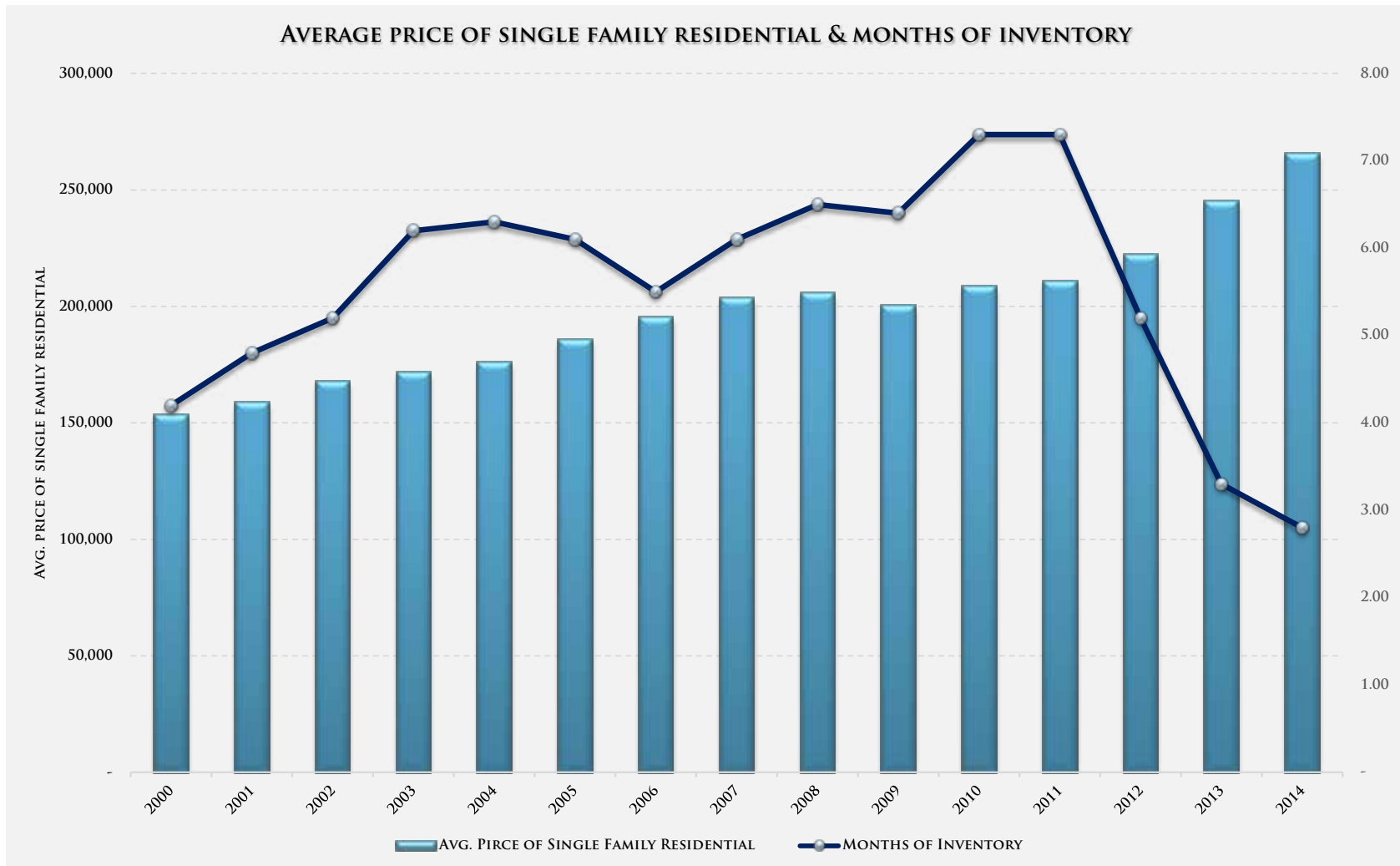
SINGLE FAMILY SUPPLY ANALYSIS

- With a record low 2.8 months of single family inventory, demand and sale prices will continue to increase to record levels.

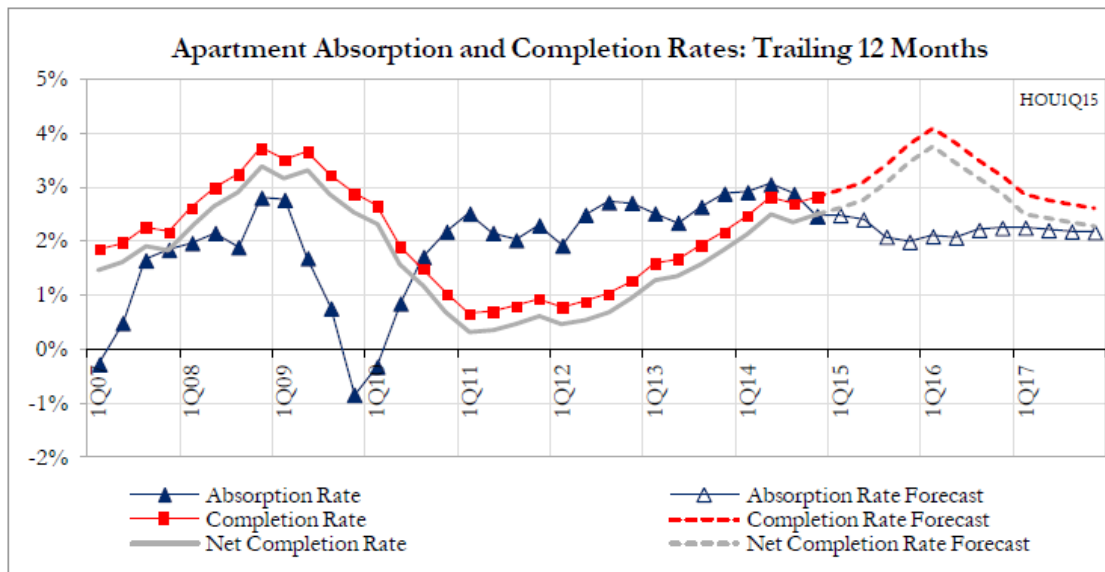


SINGLE FAMILY SUPPLY ANALYSIS

- With a record low of 2.8 months of single family inventory, sale prices will continue to increase to record levels and increase the rental demand and population

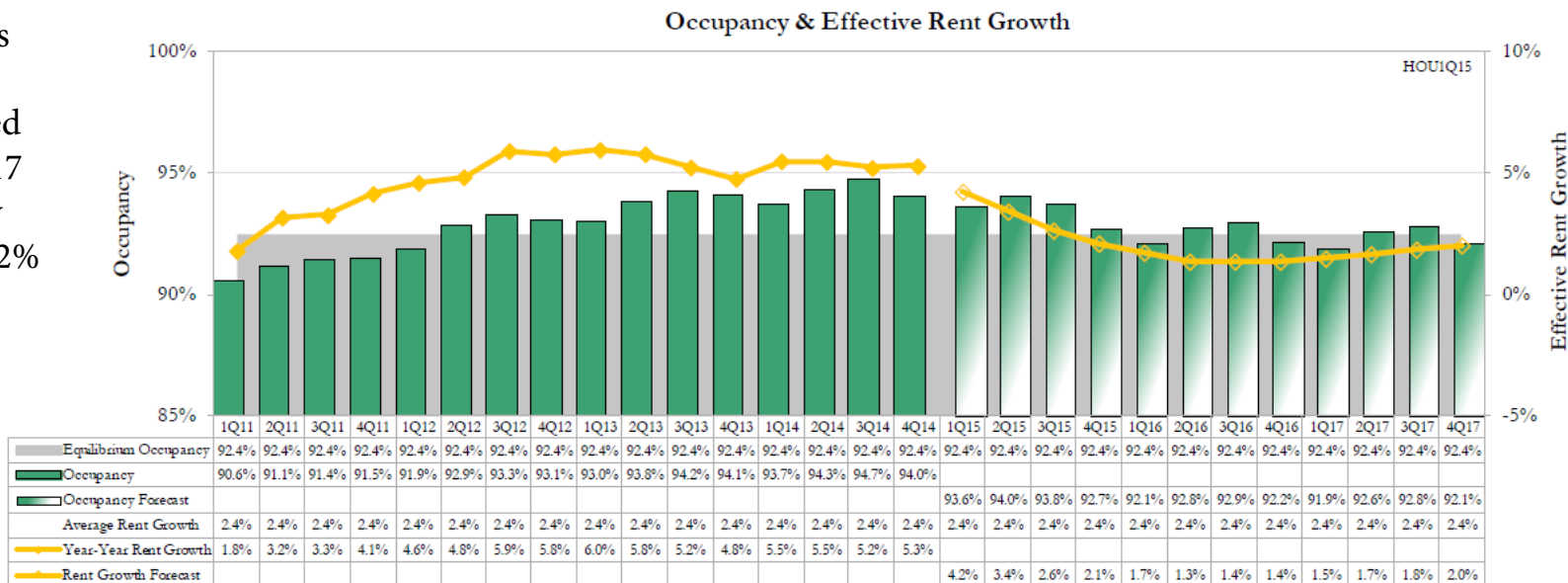


HOUSTON MULTIFAMILY PROJECTIONS



Witten Advisors expects absorptions in Houston to continue to be strong, posting over 4% net absorption at the peak in mid-2015

Witten Advisors expects rent growth to exceed 2% through 2017 with occupancy staying above 92% through 2017



An aerial photograph of downtown Houston, Texas, showing a dense cluster of skyscrapers and modern office buildings. The skyline is set against a hazy background of the city's outskirts. A green rectangular box is overlaid on the top left corner, containing the title text.

HOUSTON AREA DEVELOPMENTS

DOWNTOWN HOUSTON:

- 150,195 employees and more than 220,000 daily visitors
- 5,893 hotel rooms in 18 hotels and 6 hotels with 1,909 rooms under construction
- 2,899 Multi-family units and 2,729 units are under construction
- \$5.85 billion in development since 1996
- 12 Fortune 500 headquarters

WOODLANDS AND SURROUNDING AREAS

OFFICE DEVELOPMENTS

Anadarko Tower (Hackett Tower)

- 31 stories
- 550,000 square feet
- Accommodate 1,500 existing employees

ExxonMobil Corporate Complex

- 385 acres
- Largest worldwide Exxon complex
- Expected completion 2015
- Accommodate 10,000 existing employees

Southwestern Energy Complex

- 10 stories
- 500,000 square feet
- 22 acres
- New corporate HQ
- Accommodate 1,000 existing employees

Noble Energy Tower

- 20 stories, 456,000 square feet
- Tower will complete corporate campus spanning 1,000,000 square feet
- Expected completion of corporate campus 2015



GALLERIA

OFFICE DEVELOPMENTS

Skanska Office Building

- Sold to Post Oak Building LLC in late 2013
- 20 stories, 302,000 square feet
- Pre-certified LEED Platinum
- 92% leased to Skanska, alliantgroup, & Datacert
- Project Cost: \$60 million

BHP Billiton Tower

- 30 stories, 600,000 square feet
- Tower will be connected to existing tower to form BHP campus
- Developed by Transwestern
- Once complete in 2016, 4 Oaks Place will total 2.3M square feet
- Will accommodate 3,000 employees

Apache Tower (BLVD place)

- 33 stories, 6.4-acre site
- Purchased 1/3 of BLVD place project space

BBVA Plaza

- 22 stories, 300,000 square feet
- Regional HQ developed by The Redstone Cos and Stream Realty Partners, completed in 2013
- Accommodate 825 existing employees
- LEED Gold Certified



DOWNTOWN



6 Houston Center: Crescent Real Estate Holdings is planning the 30-story tower with 600,000 SF adjacent to the Houston Center Complex. Ground breaking is planned for Summer 2014.



Five Allen Center: Brookfield Properties could potentially develop a 50-story, 1 million SF office tower at Allen Center.



International Tower: Essex Commercial Properties along with Stream Realty Partners could be building a 750,000 SF tower in front of Market Square.



Capitol Tower: Skanska USA Commercial Development is making plans to demolish the former Houston Club building where it has plans to build a 755,000 SF tower at the site.



609 Main: Houston-based Hines has started work on a downtown block at 609 Main where it will build a 1 million square foot, 47-story tower.



800 Bell: Shorenstein Properties purchased the tower now occupied by Exxon - when the oil giant moves to its new campus in The Woodlands, the real estate firm plans major renovations.



1110 Main Partners: An investment partnership with a connection to Hilcorp Ventures is under construction on an office building on the site which used to house Macy's.



Chevron: The company just put this project on hold, but it says it's still committed to building a 50-story, 1.7 million SF skyscraper at 1600 Louisiana, adding to its other downtown buildings to create a corporate campus.

ENERGY CORRIDOR & TOWN & COUNTRY

OFFICE DEVELOPMENTS

Town Centre I

- 10 stories, 250,000 square feet

Town Centre II

- 100,000 square foot office tower
- Planned for future development

Technip Office Building

- 17 stories, Built by Mac Haik
- Leased 428,831 square feet Energy Tower III
- Site has room for a fourth office building

Energy Center III & IV

- 850,000 SF lease for EC3 & EC4
- 20 story Energy Center Three (2015)
- 22 story Energy Center Four (2016)
- Built by Trammell Crow

Shell Woodcreek Campus

- 200,000 square foot expansion from Hines

Energy Crossing Two

- 327,000 square feet
- 65% preleased
- Developed by Lincoln Properties



WESTCHASE

OFFICE DEVELOPMENTS

Two BriarLake Plaza (Samsung expansion)

- Two BriarLake Plaza is on 1.5 acres of land
- 332,000 rentable square feet
- Samsung will lease 160,000 square feet of Two BriarLake Plaza
- Once completed it will be North American HQ
- Built by Behringer Harvard

Phillips 66

- 14 acres
- Global HQ
- Accommodate existing 1,600 jobs

Briarpark Green

- 299,664 rentable square feet
- 25,000 SF floor plates
- Built by Granite Properties



OTHER MAJOR DEVELOPMENTS

BLVD Place Phase 2

- 21 acres
- 211,000 square feet of office and retail space
- 60% preleased
- 48,500 square foot Whole Foods
- 53,000 square foot Frost Bank (Houston HQ)
- Apache Corp. purchased 1/3 of project's land
- Plans include 1,000 high-rise multifamily residential units

ExxonMobil Baytown Expansion

- Stimulate \$870 million/ year in economic activity
- Expected completion 2016
- Expansion will add 350 permanent Exxon jobs
- Accommodate 10,000 construction jobs

Millennium High Street

- 6.25 acres
- 340 apartments
- Mixed-use space

Grand Parkway Development

- 180-mile segments F1, F2, and G
- Expected completion late 2015
- Objective: improve connectability and expand capacity
- Longest loop in the nation

Rail Line Expansion

- Overall METRORail expansion= 38.9 miles of rail
- North line
 - 5.3 miles of expansion
 - Expected completion 2014
 - 8 stations
- Southeast line
 - 6.6 miles of expansion
 - Expected completion 2014
 - 10 stations
- East line
 - 3.3 miles of expansion
 - Expected completion 2014
 - 6 stations

Hobby Airport Expansion

- International airport broke ground September 2013
- 280,000 square foot of terminal expansion
- Create 10,000 jobs in greater Houston area and cause economic impact of \$1.6 billion dollars
- Bring in an additional 1.6 million passengers a year

Chevron Phillips Baytown, new ethylene cracker

- First ethylene production in US since 2001
- Expected completion 2017
- Accommodate 400 plant employees and create 10,000 construction and engineering jobs during building process

OTHER MAJOR DEVELOPMENTS

Port Expansion, Panama Canal

- Expected completion early 2015
- Third set of locks
- Double the tonnage of trade that can transit the Canal
- 160% expansion in the ship size that can travel through
- Houston ranked as the nation's top exporting port
- Project Cost: \$5.2 billion

University of Texas MD Anderson Cancer Center

- Adding 185,000 square feet to Texas Medical Center
- Expected completion by the end of 2015
- New construction: 8-story building
- Project Cost: \$198 million

Methodist Expansion

- Three part expansion
- 68,000 SF expansion that will double outpatient facilities
 - Project Cost: \$30 to \$40+ million
 - Starting and completion dates are not yet determined
- At the West Campus, Methodist has begun construction on 166,000 square foot medical office building
 - Project Cost: \$20 million
- In Sugar Land, Methodist is building a 130,000 square foot, 6 story tower
 - Project Cost: Undetermined

Memorial Hermann at grand parkway and 1093

- 14-acre site
- Secured for Grand Lakes commercial center

La Centerra Office Building

- 3 phases
- Phase II A is 60% leased
- Phase II A will add 40,000 square feet of retail
- Phase II B will add 80,000 square feet of retail and 60,000 square feet of office space
- Phase II B expected completion in 2014
- Phase II C will add 275 high-end apartments
- Project Cost: Undetermined

ADDITIONAL INFORMATION

TEXAS MEDICAL CENTER:

- Largest medical complex in the world encompassing 45.8 million square feet of commercial space
- Hosts over 106,000 employees which includes 15,000 nurses, 5,000 physicians, and 5,700 researchers in addition to the 10,000 volunteers and 50,000 students
- Over 7.2 million patient visits per year, the TMC performs more heart surgeries than anywhere else in the world, and was the site of the first successful heart transplant in the US
- Construction will soon begin on a \$650 million expansion and renovation of the TMC campus adding an additional 1.34 million square feet to Memorial Hermann-TMC

HOUSTON LAND TRENDS

Possible Price Adjustments in the Second Half of the Year:

- Land trades of \$200 to \$300 PSF will be rare in 2015, we don't expect this year to be a record year in land prices
- Most land owners will wait to see how significant of an impact the oil crisis will have on the Houston economy before they consider lowering prices. We don't expect to see reduced land values until much later in 2015 as land owners slowly adjust to the market.
- Owners who need to sell could begin adjusting prices as early as Q3
- Many deals under contract will be extended to allow buyers more time to attract investors who are cautious about investing in Houston
- Single family developers very active in the suburban submarkets
- Groups with access to private capital will be able to take advantage of the lull in activity

Retail, Single Family Development Will Remain Active:

- Fewer land transactions for multifamily and office developers due to limited capital for these deals
- Retail developers will remain active in 2015 and will benefit from less competition for land from multifamily and office developers
- Both suburban and infill single family developers will remain active in 2015. However, local players will be more aggressive than national builders

ARA NEWMARK HOUSTON MULTIFAMILY TRANSACTIONS

Property Name	# of Units	Avg. SF	Mkt Rent at Sale	Year Built	Sales Date	Class	Submarket
Greenbriar	342	887	\$1.50	1992	Apr-15	A	Medical Center/Bellaire
Cambridge in the Groves	101	764	\$0.82	1971	Apr-15	B/C	Groves
Breakers at Windmill Lakes	174	829	\$1.04	1998	Mar-15	A	Gulfgate/Almeda Mall
OceanFront	102	698	\$1.42	1985	Mar-15	B/C	Galveston/Brazoria
Redford	856	808	\$0.81	1979/2013	Feb-15	B/C	Gulfgate/Almeda Mall
Harbortree	150	830	\$0.99	1973	Feb-15	B/C	Clear Lake
Richmond Towne Homes	188	978	\$1.32	1994	Feb-15	A	Westchase
Shadow Creek	296	723	\$0.79	1980	Feb-15	B/C	Brookhollow
The Bays	289	895	\$0.77	1963/1980	Feb-15	B/C	Clear Lake
Chateaux Normandie	123	1,115	\$1.02	2001	Jan-15	A	Northshore/Wood Forest
Copper Springs (Las Ventanas)	376	943	\$0.99	2003	Jan-15	A	Bear Creek/Copperfield
WestEnd	192	911	\$1.12	1999	Jan-15	A	West Memorial/Briar Forest
Bellestone Villas	60	860	\$0.66	1970	Jan-15	B/C	Gulfgate/Almeda Mall
The Alcove	292	787	\$0.76	1978	Jan-15	B/C	Pasadena/Deer Park
Broadstone Park West	370	884	\$1.33	2014	Jan-15	A	Katy/Far West
Trails at Dominion Park	843	931	\$0.77	1991/1994	Jan-15	A	FM 1960 West/Champions
Oaks of Cypress Station	292	849	\$0.66	1978	Jan-15	B/C	FM 1960 West/Champions
Villas at Hermann Park	320	1,021	\$1.36	2000	Jan-15	A	Medical Center/Bellaire

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