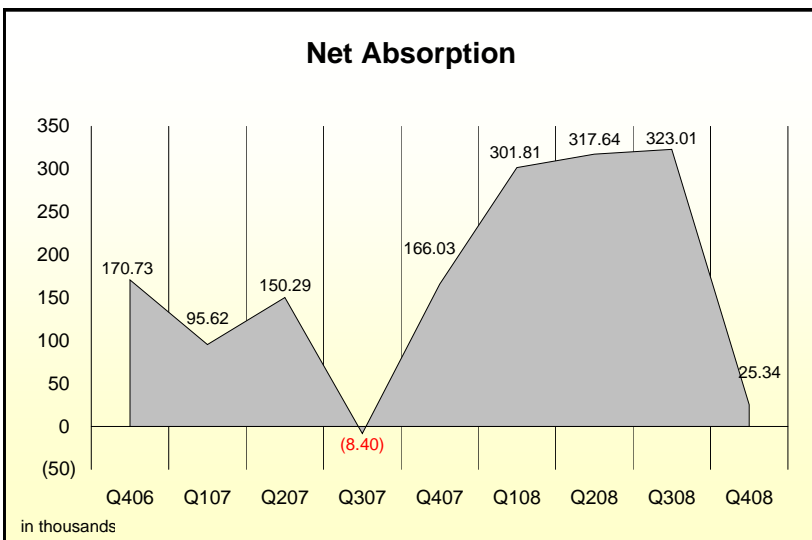


Houston Office Market Snapshot Katy Freeway

Grubb & Ellis Research

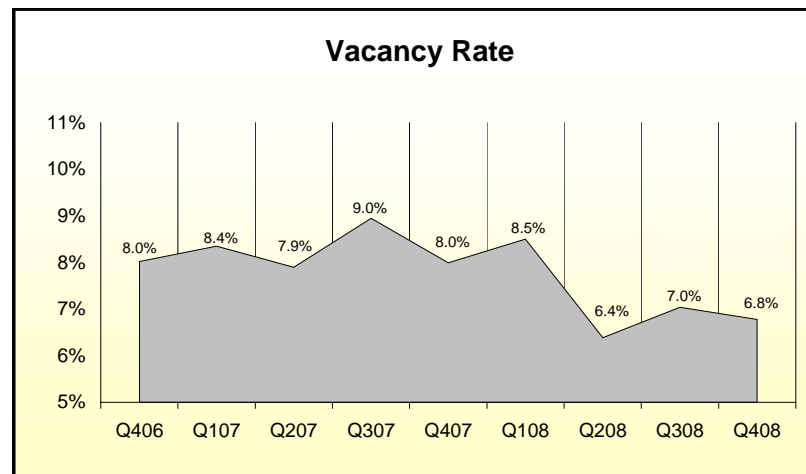
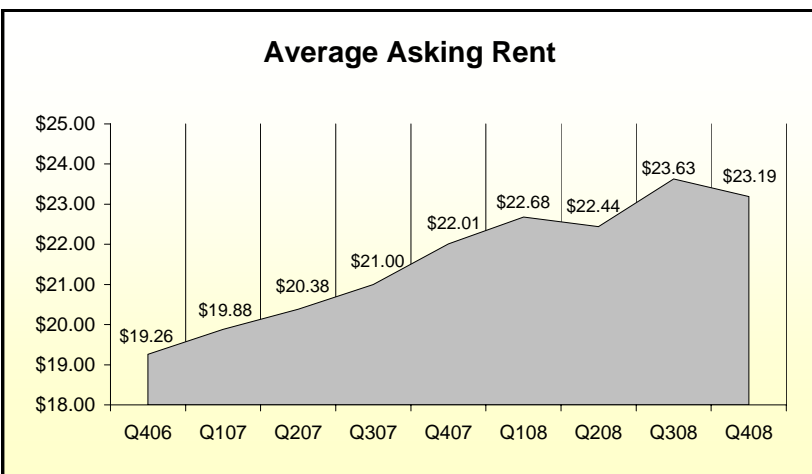
Fourth Quarter 2008



VACANCY SUBSIDIES The Katy Freeway/Energy Corridor submarket posted 25,338 square feet of positive net absorption during the fourth quarter as the year-end tally grew to just over a million square feet, by far the largest growth among all submarkets. This marks the fifth consecutive quarter the submarket has recorded positive gains. The majority of the quarterly growth occurred in Class A and C properties with 5,432 and 27,809 square feet. Meanwhile, Class B properties registered 7,903 square feet of negative absorption during the quarter. Consequently, overall vacancy within the submarket fell by 20 basis points to 6.8 percent, with Class A vacancy now sitting at a low 3.8 percent.

OVERALL ASKING RENTS DECREASE Overall full-service asking rents fell during the fourth quarter by \$0.44 to \$23.19 per square foot per year. The quarterly drop in rents was attributed to Class B full-service rents falling by \$0.09 to \$20.59 per square foot per year. Meanwhile, Class A and C asking rents rose by \$0.26 and \$0.27 to \$28.74 and \$17.17 per square foot per year, respectively.

HIGHEST CITYWIDE CONSTRUCTION LEVEL Currently, over 2.6 million square feet is under construction in the Katy Freeway/Energy Corridor submarket, which is the highest construction level citywide. With leasing velocity diminishing going into 2009, look for vacancy levels to rise as construction deliveries outpace demand.



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