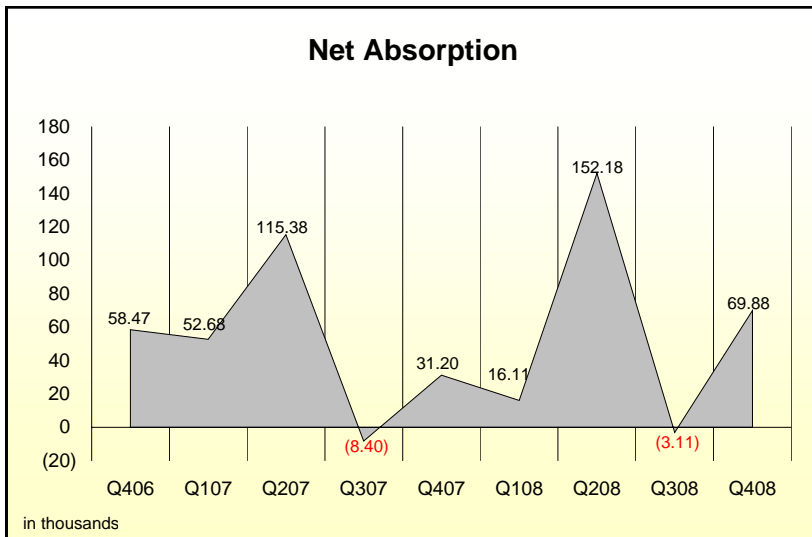


Houston Office Market Snapshot The Woodlands

Grubb & Ellis Research
Fourth Quarter 2008



LEASING VELOCITY INCREASES The Woodlands submarket posted 69,883 square feet of positive net absorption during the fourth quarter as the year-end figure rose to 217,244 square feet of growth. The quarterly growth was attributed to Class A properties recording 175,372 square feet, pushing the annual total to 374,269 square feet of growth. Meanwhile, Class B properties registered 106,309 square feet of negative absorption during the survey period. Despite the quarterly gain, overall vacancy increased by 310 basis points to 11.4 percent as new construction deliveries trumped tenant demand.

OVERALL ASKING RENTS DECREASE Overall full-service asking rents fell by \$0.19 to \$26.98 per square foot per year during the fourth quarter. The quarterly drop in rents was largely attributed to Class A and B asking rents falling by \$0.15 and \$0.58 to \$31.52 and \$20.12 per square foot per year, respectively.

NEW CONSTRUCTION UNDERWAY With vacancy near 10 percent, developers have responded with new office buildings under construction, including The Woodlands Development Company's 216,747-square-foot 4 Waterway Square slated for a July 2009 delivery. Currently, over 600,000 square feet is under construction in The Woodlands submarket, which will eventually relieve pressure from high occupancy and pent-up demand primarily seen in the Class A market.

