

## Demographics & Economics

Population		Unemployment Rate (March 2007)	
Houston MSA	5.6 million	Houston	4.1%
Houston Growth <sup>1</sup>	2.69%	Texas	4.2%
National Growth <sup>1</sup>	1.30%	National	4.3%

Household Income & Value			
Per Capita Income	\$38,510	2006 Households	1.9 million
3-year Job Growth <sup>2</sup>	2.70%	Household Growth <sup>1</sup>	2.57%
Net Migration (2005)	43,600	Median Home Price	\$143,000

Major Employers	
Cybersoft Technologies	
University of Texas MD Anderson Cancer Center	
Methodist Diagnostic Hospital	
University of Houston	
Ben Taub General Hospital	

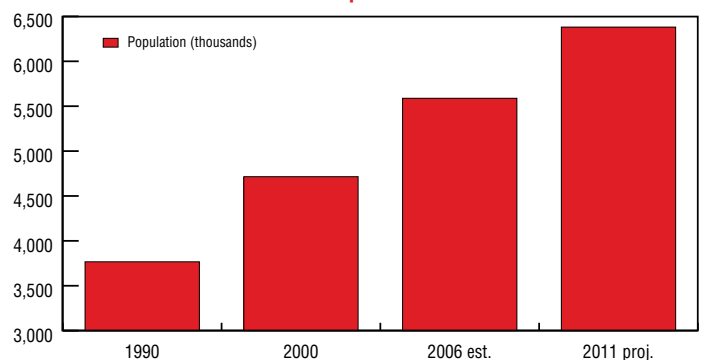
Sources: Bureau of Labor Statistics May 14, 2007 report, Houston Chamber of Commerce, NAR, STDB Online. "Home Price Analysis Report for Houston Region – July 2006" ©2006 NATIONAL ASSOCIATION OF REALTORS®. Used with permission. Reproduction, reprinting, or retransmission of this document in any form (electronic media included) is prohibited without written permission.  
<sup>1</sup>Projected annual growth over 5 years (2006-2011).  
<sup>2</sup>Total cumulative job creation of last 3 years.

## Noteworthy Transactions

	Sale Date	Sale Price	SF/Units	\$ Per SF/Unit
<b>Office</b>				
1301 Fannin St.	Mar. 07	\$114,500,000	795,115	\$144
One City Centre	Feb. 07	\$115,000,000	594,000	\$194
<b>Industrial</b>				
1777 & 1803 Gears Rd.	Mar. 07	\$64,140,000	462,500	\$139
Royal Window Coverings	Feb. 07	\$47,500,000	454,000	\$105
<b>Retail</b>				
Westgate Marketplace	Jan. 07	\$41,254,978	298,354	\$138
Baybrook Gateway	Jan. 07	\$58,300,000	236,854	\$246
<b>Apartment</b>				
Woodway Square Apartments	Feb. 07	\$86,000,000	595	\$144,538
<b>Hotel</b>				
Renaissance Houston	Mar. 07	\$115,000,000	388	\$296,392

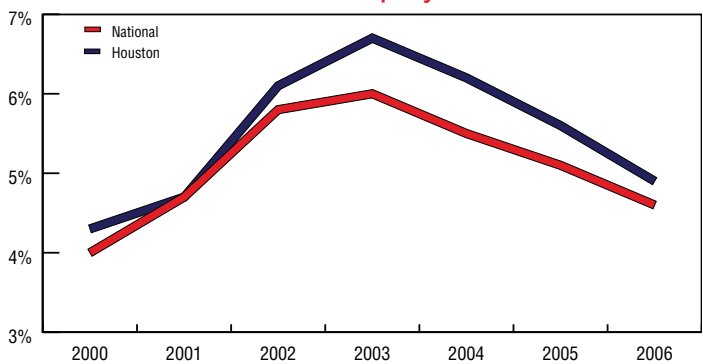
Compiled by RERC for the RERC/CCIM Investment Trends Quarterly report.

## Houston Population Growth



Source: STDB Online

## Houston Unemployment Rate



Source: Bureau of Labor Statistics

## Market Construction/Redevelopment Activity

	Property Type	New(N)/Refurbished(R)	Total SF/Units	Estimated Delivery
Energy Plaza	Office	N	330,000	2007
Westchase Project II	Office	N	319,000	2007
The Woodlands	Office	N	308,000	2007
Houston Pavilions	Office	N	195,000	2008

Sources: CBRE, RE Business

Changes from Previous Quarter		
	Office	Industrial
Vacancy	↓	↑
Inventory	↑	↓
Expected 1-Year Rents	↓	↓
Asking Rents	↑	↑

Data compiled from various sources, including RERC, Torto Wheaton Research, Grubb & Ellis, CBRE, and Marcus & Millichap.

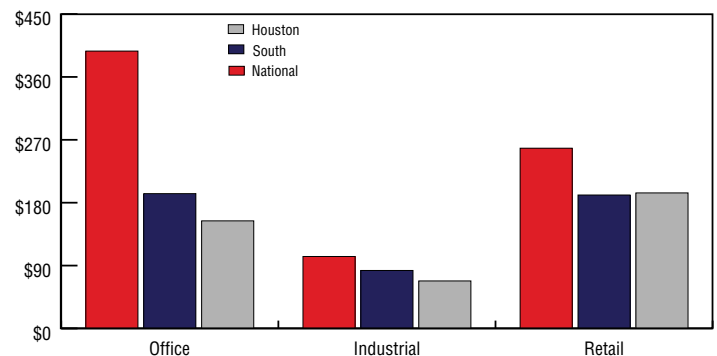
## RERC's Take on the Market

- The Houston area economy earned a performance rating of 8.5 on a scale of 1 to 10, with 10 being high. Watch for the area economy to continue to grow, as projected population and recent job growth are higher than national rates.
- Prices of commercial property in the Houston area are generally lower than regional and national averages, while capitalization rates are mixed.
- With low prices and a growing economy, the Houston commercial real estate market should continue to offer investment opportunities, especially in the office and apartment sectors.

Houston Transaction Breakdown (4/1/06 - 3/31/07)					
	Office	Industrial	Retail	Apartment	Hotel
<b>&lt; \$5 Million</b>					
Volume (Mil)	\$118	\$193	\$321	\$143	\$26
Size-Weighted Avg.	\$68	\$45	\$110	\$29,900	\$33,431
Price-Weighted Avg.	\$90	\$60	\$165	\$49,356	\$36,626
Median	\$64	\$43	\$107	\$35,870	\$33,770
<b>&gt; \$5 Million</b>					
Volume (Mil)	\$2,615	\$768	\$1,451	\$2,556	\$535
Size-Weighted Avg.	\$134	\$51	\$153	\$73,264	\$151,114
Price-Weighted Avg.	\$156	\$70	\$200	\$103,737	\$185,476
Median	\$107	\$52	\$139	\$66,230	\$120,850
<b>All Transactions</b>					
Volume (Mil)	\$2,733	\$961	\$1,772	\$2,698	\$561
Size-Weighted Avg.	\$129	\$50	\$143	\$68,045	\$129,915
Price-Weighted Avg.	\$154	\$68	\$194	\$100,862	\$178,576
Median	\$89	\$45	\$136	\$46,429	\$68,085
<b>Capitalization Rates % (All Transactions)</b>					
Weighted Average	7.1	7.3	7.1	5.9	9.3
Median	7.3	7.6	7.3	6.6	9.4

Source: RERC

## RERC Price-Weighted Average Price Per SF/Unit - 1Q 2007



## RERC Weighted Average Cap Rates - 1Q 2007

