
OFFICE MARKET

Houston's Office Market

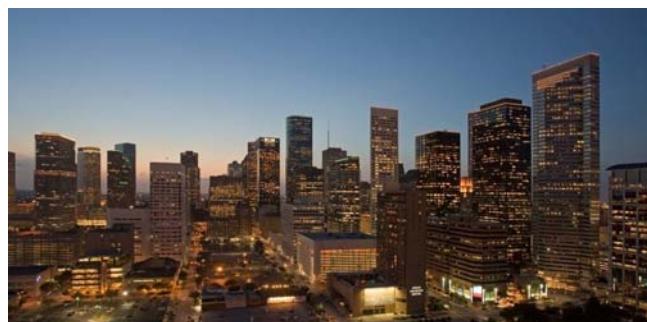
Houston's office market represents one of the best values in the United States. Rental rates are substantially lower than rates for similar class properties in other major cities. Economists predict a strong increase in job growth over the next year resulting in a stronger economy for the Houston area.

Creating the appetite for and attractiveness of investment in Houston's office market is demand for office space, limited large blocks of space, favorable financing climate, and a widening view that real estate in Houston is a safe haven for capital. Office building investors are also attracted to densely populated urban communities with restaurants, cultural and sports attractions, because they will attract better-educated workers in the short and long run.

Downtown Houston accounts for approximately 41 million square feet of Houston's office market. The third quarter vacancy rate for downtown was reported at approximately 10% and lease rates for Class A space hover at \$37 per square foot and Class B at \$28 per square foot. Sublease space is continuing to increase this year.

Downtown has improved its competitiveness as a headquarters location as it has become a more attractive, perpetually active and diverse place. It offers a Class A work environment and image desired by many corporate employers. Factors that support the long term viability of the downtown office market include:

- The relatively good access to all residential communities in the region and a large workforce base.
- Easy access to well-established residential neighborhoods where executives are likely to reside.
- By far the highest level of transit access with over 40% of commuters using a mode other than a single occupant vehicle to commute to work.
- A critical level of business activity that provides synergies among businesses.
- Increasingly, a diverse, active downtown urban environment with amenities for workers to interact outside of the workplace including sports, arts and culture, entertainment, education, dining and shopping.
- This factor combined with work spaces noted for design excellence make a highly attractive working environment.



Downtown Office Market

This is a vibrant, entrepreneurial city where people and businesses with dreams come to see them fulfilled. And the heartbeat of Houston is Downtown. Part of our Vision at El Paso is to be “The Place to Work” and we intend to be successful in recruiting and retaining the next generation of knowledge workers to our company. Being downtown is part of that Vision. Our employees have access to everything they need within walking distance or a short train ride – the Texas Medical Center, the arts, professional sports, restaurants and other entertainment venues, housing, and soon a world-class downtown park.

- Doug Foshee, President and Chief Executive Officer
El Paso Corporation

Tenants are attracted to downtown for a variety of reasons: largest pool of labor available in Houston because of transportation via freeways, buses, light rail system, high occupancy vehicle lanes or Park and Ride; office space value; the prestige of a downtown address; proximity to other businesses such as attorneys, suppliers, partners, etc.; and employee productivity because of immediate proximity to restaurants and services.

After more than \$4 billion in new development and with job growth is on the rise, downtown remains a desirable place to work and do business. Over the years, companies have moved or relocated to downtown to increase their stature in the eyes of their clients so they could compete with larger firms.

Downtown is heralding in a new generation of office buildings:

- The recently completed 200,000 square-foot Pavilions Tower is part of a new \$170 million, four block, mixed-use development.



MainPlace

- Hines’s MainPlace is under construction and scheduled to open in the first quarter of 2011. This 47-story building is pre-certified LEED Silver and will count a recessed sky garden and green roof among its amenities.
- Trammell Crow is under construction with the 31-story Hess Tower. This tower, which fronts the 12-acre Discovery Green park, is scheduled to open in 2010 with a LEED Gold certification and 10 wind turbines on the roof.
- Portfolio Associates Inc. is constructing a 20,000 square-foot, three-story office for their new headquarters at Pease and Chenevert.

Upon completion of these structures, downtown will have 44.6 million square feet of space.

Houston ranks third nationally in the number of LEED and Energy Star buildings with a total of 145 buildings consisting of 58.3 million square feet. Our city also ranks fourth in the nation on the EPA Green Building list. Downtown currently has 29 Energy Star buildings and 9 LEED projects.

Additional market reports are available at www.houstondowntown.com, under Business Info / Office Market Reports.

Downtown's major employers include the following:

DOWNTOWN HOUSTON MAJOR EMPLOYERS

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COMPANY	EMPLOYEES WITHIN DOWNTOWN
Shell Oil Company	7,000
Harris County	6,600
Chevron Corporation.....	6,590
City of Houston	5,125
Exxon Mobil Corporation.....	3,190
JPMorgan Chase	3,100
Continental Airlines	2,865
KBR.....	2,400
US Government	2,375
US Post Office.....	1,925
El Paso Corporation.....	1,850
Reliant Energy.....	1,810
CenterPoint Energy.....	1,760
Deloitte & Touche L.L.P.	1,550
St. Joseph Medical Center.....	1,460
Lyondell Petrochemical.....	1,415
Devon.....	1,275
Amerada Hess Corporation	1,100
EPCO and related companies	1,000
Ernst & Young.....	1,000
PricewaterhouseCoopers.....	1,000
University of Houston-Downtown.....	950
Waste Management, Inc.....	900
Houston Chronicle.....	880
KPMG International.....	840
Metro	835
Hilton Americas-Houston	825
Fulbright & Jaworski LLP	825
Vinson and Elkins L.L.P.	820
Calpine Corporation	800
Bank of New York	760
Baker Botts.....	690
Kinder Morgan.....	670
Amegy	625
Wells Fargo Bank.....	580
Total Petrochemicals.....	520
Bank of America.....	515
Enbridge	505
Andrews Kurth.....	490
Bracewell & Giuliani	485
Dynegy	470
EOG Resources	450
Plains and related companies (est).....	440
Hyatt Regency Hotel	430
Four Seasons Hotel	400