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HOUSTON REAL ESTATE TRENDS

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APARTMENTS

Apartment transactions increased in February with 4 projects containing at least 80 units changing hands. There were no foreclosures of a complex with at least 80 units. The 779 units sold was up 00% from the no units sold in January and down 79.33% from the 3,769 units sold in February 1998.

*Note: The multifamily projects listed below are followed by the O'Connor & Associates' database identification number and are included for subscriber cross-referencing. The property information contained within the **Houston Area Apartment Ownership Guide** is published on a quarterly basis.*

South Texas Venture Investments (713-988-0888), of Houston, represented by **Donald Chambers**, purchased the 211-unit **Sunswept Townhomes (2817)** from **Maxview Enterprises Ltd.**, represented by **Augustine Wong**, for \$1,550,000 (\$14,220 per unit). The amount is for 109 units of the 211 that were purchased. The 18-year-old class C project has 238,528 net rentable square feet, pitched roofs, and is separately metered for electricity. The complex is 98% occupied with an average street rental rate of \$0.62 per month, and is located in far southwest Houston (570H), at 12247 Sunset Meadow.

1612 Paris LLC (972-250-6400), of Denver, CO, represented by **William J. Powell**, purchased the 67-unit **Oakdale Manor Apartments (0350)** from **Alice L. Campbell**, of Houston, for \$637,500 (\$9,515 per unit). The class B project has 50,075 net rentable square feet, pitched roofs, and is separately metered for electricity. The 33-year-old project is 100% occupied with average street rental rate of \$0.42 per month. Oakdale Manor is located at 2203 Aldine Mail Road in north Houston (413H), on the north side of Aldine Mail Route east of Aldine Westfield.

1775 Partners Ltd., of Houston, purchased the 130-unit **Times Square Apartments (0990)** from **Frost Family I Ltd.** (713-942-7575), of Houston. Consideration included a \$4,475,000 note. The 8-year-old class A project has 130,800 net rentable square feet, pitched roofs, and is separately metered for electricity. The complex is 98% occupied with an average street rental rate of \$0.84 per month. The complex is located at 2525 South Voss in west Houston (490V), on the east side of Voss north of Westheimer.

Deerwood Chateau Investment Partnership (310-374-2816), of Manhattan Beach, CA, represented by **Bob Blanchard**, purchased the 216-unit **Deerwood at the Park FKA Chateau Bien (2752)** from **Rudolph Bugna** (714-752-9052), of Irvine, CA. Consideration included a \$2.9 million note amount. The 27-year-old class B project has 187,600 net rentable square feet, pitched roofs, and is separately metered for electricity. The complex is 98% occupied with an average street rental rate of \$0.62 per month. Chateau Bien is located at 335 East San Augustine in Deer Park (537R).

Main-Travis Investment Corp. (972-613-1300), of Dallas, purchased the 324-unit **Woodcreek on the Bayou Apartments (1844)** from **Houston Real Ventures Group**, represented by **Dziem Nguyen**, of Dallas. Consideration included a \$1,200,000 note payable to the grantor. The class C project has 207,068 net rentable square feet, flat roofs, and is separately metered for electricity. The 21-year-old complex is 75% occupied with an average street rental rate of \$0.52 per month. It is located at 7930 Corporate in southwest Houston (529M), on the west side of Corporate Drive north of Beechnut.

L.J. Melody & Company has arranged fixed-rate financing in the amount of \$21,700,000 for four apartment properties in Houston. **Paine Webber** provided the funding through **Tom Fish** and **Holly Minter** of L.J. Melody's Houston office on behalf of the borrower, **Flagship Properties**. The properties financed include **Rockport Apartments (1997)**, **Creekbend Apartments (2041)**, **Cedar Branch Apartments (0477)**, and **Heatherwood Apartments (2017)**. The four properties are 2-story garden communities, totaling over 1,000 units. L.J. Melody & Company, one of the largest commercial banking firms in the U.S., arranged \$6.9 billion in commercial real estate transactions nationwide in 1998, and maintains a servicing and asset management portfolio totaling \$11 billion.

Randall Davis has purchased the **220 Main** building out of foreclosure, thereby reopening discussion on development of the project. Davis paid \$2.8 million for the 12-story, 88-year-old building, which could be made into lofts, a full-service apartment project or a high-end hotel. According to Davis, all plans on the project are preliminary, but a final decision should be made by the end of June.

Lamar Construction is building a 400-unit luxury apartment project in Baytown, with the help of **Davis-Penn Mortgage Co.** The project will contain one-, two- and three-bedroom units with garages and mini-storage, and is scheduled for occupancy in February 2000.

According to Legg Mason Wood Walker Inc., apartment supply may exceed demand in the coming year. The firm forecasts a potential 50,000 units of excess supply based on national demand trends of 250,000 units, which would lower occupancy levels by 25 to 50 basis points. The national absorptions/completions ration is currently projected at 0.82 in 1999 (down from 1.03), and 0.84 in 2000 (down from 0.92). A ratio less than 1.0 indicates that demand will exceed supply.

According to Marcus & Millichap's 1999 Real Estate Market Analysis, the national apartment investment market has matured, due to healthy market fundamentals and the continual decrease of the sector's mortgage delinquency rates. The American Council of Life Insurance reports delinquency rates of 0.2% for apartment properties, second only to industrial properties. The average apartment price per square foot increased an estimated 6% in 1998, down 2% from 1997, with an average rent increase of 4%. Class B apartment rents and values have experienced a much stronger rate of appreciation than Class A properties, while the volume of Class A transactions is moderating (down 30% in 1998). Although the drop-off in sales volume is in part a response to new supply coming online in select markets, a slowdown in planned construction is already occurring. Marcus & Millichap forecasts an increase in rental rates for Class B properties of 5 to 7% nationally, compared with 3 to 5% for Class A properties, with the most favorable markets including San Francisco, Boston, New York, Orange County and Kansas City. Markets such as Atlanta, Denver, Austin, Dallas and Houston are at higher risk of reduced absorption and vacancy rates due to overbuilding.

The **Texas Apartment Association's "Apartment Living in Texas"** report highlights some of the economic impacts of apartment building in Texas, along with changes in the state's population and how those changes reflect the characteristics of apartment residents. The population of Texas is expected to double between 1990 and 2030, due to in-migration from other states as well as immigrants from other nations. More than a third of apartment residents living in Texas are under 30, while most Texas apartments house small families, with 50% of all renting families having a household income of less than \$25,000 a year, but with 15% having an annual household income of more than \$50,000. According to the TAA's report, the estimated one-year local impact of building a 250-unit apartment complex in Texas includes: \$26.3 million in new sales for Texas business, \$10.6 million in new earnings for Texans, 319 new jobs for the community, and \$1.1 million in new revenues for state and local government.

Trammell Crow Residential has sold two luxury apartment projects on which construction was just completed. Trammell Crow sold **The Maroneal (2191A)** apartment complex to **Metropolitan Life** for an undisclosed price. The 309-unit complex is located at the corner of Maroneal and Greenbriar at the fringe of the **Texas Medical Center**. **The Reserve at Fountain Lakes (5083B)** was sold to **Terrence J. Rose Inc.**, a trust fund from Santa Clara, CA. The 244-unit project was open for vacancy in 1998, and is located next door to **The Fountains Shopping Center**, at 10500 Fountain Lake Drive in Stafford. **Robert Bruno** of the Phoenix office and **Jim Heam** of the Houston office of **Hendricks & Partners** were the representatives for the transaction.

The 33-acre **Sugar Land Town Square** in Fort Bend County is again under consideration for development with help from the **Greater Fort Bend Economic Development Council**. 75% of respondents to a telephone poll by **Creative Consumer Research** were in favor of building the project, which would include luxury apartment projects and a hotel as well as street-level retail and restaurants. **Sugarland Properties Inc.** proposed developing the project over a year ago, but plans were stalled after the company failed in their request for a Tax Increment Financing District to be created. The Greater Fort Bend Economic Development Council is hoping that the **Fort Bend School Board**, who initially rejected the request for a TIF, will reconsider and enable the project's completion.

Baxter Development Corp., led by president **Greg Baxter**, is developing the **City Park Apartments (0659)** in the Houston Heights, after obtaining the permission for a Tax Increment Reinvestment Zone to be created to improve the 20-acre tract's infrastructure. In addition to the apartment project, an Albertson's supermarket and an extension of East T.C. Jester Boulevard along White Oak Bayou will be built by the end of the summer.

Holliday Fenoglio Fowler LP arranged refinancing in the amount of \$9.9 million for the 177-unit **Dawn By the Beach Apartments (6208)**. The project is located in the 7000 block of Seawall Boulevard in Galveston.

Fannie Mae has enhanced its website (<http://www.fanniemae.com>) to improve its services to multifamily lenders and business partners. Multifamily lenders can access loan documents, underwriting and servicing forms, and can view a list of Fannie Mae-owned multifamily properties, with photos. Fannie Mae was the largest provider of credit enhancement in the United States in 1998, providing nearly \$680 million in credit enhancement for 67 multi-family, tax-exempt bonds, according to statistics compiled by **Securities Data Co.** The company has credit enhanced nearly \$3 billion in tax-exempt bonds over the past four years.

According to the **O'Connor & Associates March 1999 Houston Area Apartment Ownership Guide**, the average occupancy of apartments in Harris County is 92.97%, a 0.09% increase over March 1998. The average rental rate is \$0.66 per square foot per month, a \$.03 (4.8%) increase over March 1998.

SINGLE-FAMILY HOUSING

The first quarter of 1999 saw three consecutive record-setting months for home sales, according to the **Houston Association of Realtors' Multiple Listing Service**. The report posted 4,888 resale home sales in March, with a total of 11,183 homes sold in the first quarter. These figures resulted in a total sales volume of more than \$1.39 billion, a 14.8% increase over first quarter 1998 in the number of homes sold. The median price of single-family homes rose 9.9% to \$101,650 in March, up from \$92,500 in January, only the fourth time in the market's history that the median price has gone above the \$100,000-mark. The Northwest area continued to lead the market in single-family home sales with 257.

New home sales were down by 11.4% from the first quarter of last year, according to a survey by **CDS Market Research**. 3,297 homes were sold in the first quarter, which was still one of the best quarters for new home sales that Houston has had in the last 15 years, according to **Pamela Minich**, vice president of CDS Market research. Although new home sales in March were down 18% from the same month 1998,

Minich noted that March 1998 was the best month for new home sales since 1983, which may account for the large decrease by comparison.

The \$500 million golf course community, **Royal Oaks**, is under construction on the site of the old **Andrau Airpark** in west Houston, just west of Beltway 8. The 500-acre project will feature 50 homes priced at more than \$1 million, with an average price of about \$500,000, and the least expensive home priced at \$275,000. **Sunrise Colony** is developing Royal Oaks, which will be one of the largest and most expensive communities to be built inside the Houston city limits in years, according to **Ralph Bivins** of the **Houston Chronicle**. The homes will be ready for occupancy in the first quarter of 2000.

According to the **City of Houston's Growth Indicators**, 297 new single-family units were permitted in February, a decrease of 20% compared to February 1998. The largest share of residential permitting went to Kingwood with 23 units, followed by Shadowlake in west Houston (15 units) and Clear Lake (15 units). The city's top residential communities ranked by the number of single-family starts in 1999 include: Shadowlake (26), Bridgegate (24), Pinebrook (20) and Riverchase (18). For year-to-date 1998 compared with year-to-date 1999, new citywide construction value decreased by 16% while new single-family housing starts decreased by 19%.

Cypress Realty is developing a 1000-home golf course community on a 503-acre tract in League City. The first residents will be moving in during 2000, says **Stephen T. Clark**, president of Cypress Realty. Homes will be priced between \$125,000 and \$400,000, and the area will feature a 27-hole daily-fee golf course.

Developer **Jim Rutherford** is building a \$150 million residential community on 300 acres of land on the west end of Galveston Island. Rutherford's company, Houston-based **Terramar Bay Corp.**, acquired the land, which is located off Seawall Boulevard, about 12 miles west of 61st street. The project, called **Bay Oaks**, will contain 300 homes priced between \$300,000 and \$400,000.

The Woodlands tops the list of most active in home starts for Houston-area residential communities, according to the **Houston Business Journal**. With 1,445 home starts in 1998, The Woodlands was easily the most active, compared to No. 2 Silverlake (678), Cinco Ranch (580), and Kingwood (570).

Local property values are rising significantly for the second year in a row due to the continuing economic boom, with local property taxes following the trend. Of the approximately 780,000 single-family residences in Harris County, more than 512,000 have increased in value from last year. The assessed value of all single-family residences in Harris County rose from \$4 billion to \$5.6 billion this year, according to **Jim Robinson**, the chief appraiser for the **Harris County Appraisal District**. Many homeowners saw an increase of more than 10%, although most increases registered near 8%. The appraisal district sent most 1999 assessment notices to property owners by the end of April.

According to statistics from **Greenwood King Properties**, last year was one of Houston's strongest in home sales, although fewer homes were sold in the higher-priced neighborhoods of **River Oaks**, **Memorial**, **Southgate** and **Montrose**. The prices of many homes rose in the double digits, including those in **Tanglewood** (+17% at an average price of \$603,520), **West University** (+13% at \$383,298), and **Memorial Villages** (+14% at \$646,287).

PERMIT ISSUANCE

The City of Houston issued permits to build 298 houses and to demolish 117 houses in February 1999. Permits were issued to build 56 multifamily buildings (1,242 units) and to demolish 14 multifamily buildings (132 units). Permits for privately owned new non-residential construction totaled \$132,714,820. Public sector permits for new non-residential construction totaled \$1,465,723. Additions, alterations and conversions totaled \$73,819,121 for the private sector and \$3,053,050 for the public sector.

Total Building Permits, City of Houston			
	1997	1998	1999

February	\$ 206,641,805	\$ 176,196,231	\$ 340,691,515
Year-to-Date	\$ 352,285,911	\$ 661,268,473	\$ 549,163,753

OFFICE BUILDINGS

Office building transactions decreased in February with 4 buildings totaling 789,581 square feet changing hands that were greater than 40,000 gross square feet in size. Owners sold 3 buildings or 722,000 SF while financial institutions sold one building or 67,581 SF. This month's transactions represent a 70.04% increase (in square feet) over the February 1998 office building transfer activity.

Note: The buildings listed below are followed by the O'Connor & Associates' database identification number and are included for subscriber cross-referencing. The property information contained within the Houston Area Office Ownership Guide is published on a quarterly basis.

Revo Inc., of Houston, represented by **Fred F. Caldwell, Jr.**, of **Caldwell Watson R E Group** (713-690-0000), purchased the 67,581 square-foot **Willowbrook Office Building (065 NOW)** from **First Allmerica Financial Life Insurance**, of **State Mutual Life Insurance Company of America**, of Boston, represented by **Doo F. Davis, VP**. The 17-year-old class B building is 95% occupied with an average rental rate of \$17.50 per square foot. The multi-tenant building, leased by Caldwell Watson R E Group and managed by **Mason-McAlpine**, is located at 7915 W FM 1960 in northwest Houston (370E).

Eled Inc. (713-781-5453), of Houston, led by **Rafel Ortega**, president, purchased **6906 Atwell office building (236 SOW)** from **A A L Inc.** (713-464-2470), of Houston, led by **Miryam M. Aboulaflia**, president. The 15,560 square-foot building is located in southwest Houston (531F), at the northwest corner of Edgemoore and Atwell. Consideration included a \$261,066 note financed by Banco Popular (713-463-2500), of Houston.

CMD Realty Investment Fund III LP, of **CMD Realty Investors** (312-726-3121), of Chicago, IL, purchased the **Northpoint Central Office Building (085 NOE)** from **North Point Partners LP ICIG Northpoint LLC**, of **Insignia Commercial Investments Group**, led by **Jeffrey Goldberg**, president. The 15-year-old class B building contains 177,105 square feet and is 92% occupied with an average rental rate of \$17.25 per square foot. The multi-tenant building is located at 2 Northpoint in northeast Houston (372V), at the southeast corner of Northpoint Drive and I-45, and is leased and managed by **Insignia/ESG**.

Tri-D Geophysics Inc. (281-371-0811), of Katy, represented by **Ed Threat**, vice president, purchased the **4230 Katy Hockley office building (363 NOW)** from **Sundt Construction Inc.** (520-748-7555), of Tuscon, AZ, represented by **Raymond C. Bargull**, executive vice president. The 10,969 square-foot building is located at the northwest corner of Clay and Katy Hockley Road in Katy (444G).

LA Houston Properties, of **Vantage Companies**, of Santa Monica, CA, led by **Robert L. Gindy**, president, purchased two office buildings from **Farmers New World Life Insurance Company Investments** (206-232-8400), represented by **Paul G. Secord**, VP, and **Gerald A. Dulek**, assistant VP, of Mercer Land, WA. The first building purchased was the class C **1710 Dairy Ashford Office Building (033 FAW)**. Consideration included a \$917,900 note financed by **Coastal Bank SSB** (713-789-7879), of Houston. The 23,720 square-foot, 20-year-old multi-tenant building is located in far west Houston (488R), at the southwest corner of Westmere and Dairy Ashford. It is 21% occupied with an average rental rate of \$9.50 per square foot. The second building purchased was the class C **Katy Plaza Office Building (123 FAW)**, located at 9182 Old Katy. The 25,588 square-foot, 21-year-old multi-tenant building is located on the north side of Old Katy Road east of Adkin (490C). It is 100% occupied with an average rental rate of \$10.00 per square foot. Consideration included an \$880,900 note financed by **Coastal Bank SSB** (713-789-7879), of Houston. Both buildings are leased and managed by **CB Richard Ellis**.

9235 Katy Freeway LP (713-956-7070), of Houston, represented by **Christopher A. Walker** and **Pamela O. Walker**, general partners, purchased the **Carmel Park Office Building (082 FAW)** from **Mission Life Insurance Co.**, of Houston, led by **Michael R. Earthman**, president. Consideration included a \$1,000,000

note financed by **Bank of America** (713-450-6181), of Houston, represented by **Cathy Lemman**. The 27-year-old class C building contains 32,827 square feet of space and is 100% occupied with an average rental rate of \$9.75 per square foot. The multi-tenant building, leased and managed by **Walker Construction**, is located on the south side of Katy Freeway east of Echo Lane (490C).

Hadi O. Bavili, of Katy, purchased the **3906 Westholme Office Building (194 SOW)** from **Mohammad Reza Azimpoor** (713-981-1933), of Houston. The 20,180 square-foot class D building is 28 years old and is 100% occupied with an average rental rate of \$12.00 per square foot. The multi-tenant building is located on the east side of Dunvale north of Westpark in southwest Houston (490Y).

JPF Holdings Inc. (713-974-4292), of Houston, purchased the **Commerce Office Building (050 DTN)** from **Kirachel Development Inc.**, represented by **Saul Kahn**, director, of Vancouver BC, Canada. The 64-year-old, 500,000 square-foot building is 10% occupied with an average rental rate of \$18.00. The multi-tenant property, leased and managed by **Tarantino Properties Inc.**, is located at 914 Main in downtown Houston (493L).

Testmasters Educational Services leased 10,487 square feet of space at 10899 Kinghurst from **Southwest Business Associates**. **L. Michael Wallace** of **Colliers Appelt Womack** was the sole broker involved in the transaction.

James and Brenda Tolbert of **Signaltron, Inc.** purchased an 11,000-square-foot office building on one acre of land at 5611 Hoover from **Marty and Donna Petri**. **David M. Boyd, SIOR**, of **Boyd-Page** represented the sellers. **Jim Arledge** of **Arledge & Company** represented the buyers.

Sacramento, CA-based **Panattoni Development Company** is developing a 72,500-square-foot office building at 550 Greens Parkway in Houston. Construction began in January 1999, with completion and occupancy slated for fall 1999. **Lenor Corp.** has already leased 32,000 square feet of space in the building. Panattoni develops, leases, and owns commercial and industrial projects in more than 45 cities throughout the U.S., with major projects including the 930,000-square-foot Ball Foster Glass Container Company in Fairfield, CA; the 5,000,000-square-foot South Point Distribution Park in Memphis, TN; and the 800,000-square-foot Hewlett Packard distribution facility in Woodland, CA. **Lee Goodwin** and **Ron Robertson** of **Cushman & Wakefield** are providing leasing for 550 Greens Parkway.

“Hoteling” has the widest impact of all alternative office space allocation strategies, according to tenant survey responses in 126 metropolitan cities and suburban locations across the United States and Canada. With “hoteling,” a trend where more than one employee is assigned a specific office space, a company requires fewer private offices, more open-plan work space and significantly less parking space. The survey on “hoteling” is included in the first collaborative publication from the Washington, D.C.-based **Building Owners and Managers Association International and Urban Land Institute – “What Office Tenants Want: 1999 BOMA/ULI Office Tenant Survey Report.”**

Mikob Properties Inc. has purchased 11 acres of land on the south side of Katy Freeway between Dairy Ashford and Eldridge Road, as part of the company’s Katy Freeway portfolio expansion. Mikob is also constructing a Class A office building at **11451 Katy Freeway (384 FAW)**, which is currently 40% pre-leased. The company also plans to construct an office building on a 9.88-acre tract of land near Dairy Ashford purchased earlier this year.

Lyondell Chemical Co. has leased 48,700 square feet in **Town Center Two (350 NOW)** in The Woodlands. The 150,000-square foot building is scheduled to open in June, and is located at the corner of Woodloch Forest Drive and The Woodlands Mall. **Town Center One (342 NOW)**, Town Center Two’s sister building, is fully leased. **Tim Relyea** of **Cushman Realty** represented **Lyondell Chemical**, and **John Pruitt** and **Dena Wren** of **CB Richard Ellis** represented **The Woodlands Operating Co.**

U.S. office investors appear to be rebounding quickly from last year’s credit crunch, with the volume of nationwide office transactions up 52% in the first quarter compared to the fourth quarter 1998. The new

study, conducted by New York-based **Granite Partners LLC**, also found average sales prices up 7% from the period. Private investment capital in the office market was up 76% in the first quarter, while institutional and offshore investment rose 10% and 18% respectively.

Strong demand for new office space prompted new developments in 1998, according to Marcus & Millichap's 1999 Real Estate Market Analysis. More than 3 million square feet were absorbed during the first nine months of 1998, and almost 5 million square feet are currently under construction. The overall average vacancy rate has dropped from 22% in 1994 to 11.4% in 1998, but is expected to rise to 12.4% in 1999. Other averages include an annual rent per square foot of \$17.92, an average sales price per square foot of \$45.00, and 3,071,000 square feet of completions in 1999. Comparatively, the national average vacancy rate is lower than Houston's at 9.8%, but all other areas are higher, with an average annual rent per square foot of \$24.14, an average sales price per square foot of \$117.73, and 3,150,000 square feet of completions.

In the national commercial property market, office properties are still on top, but oversupply is threatening some markets, according to the **1999 Real Estate Market Analysis by Marcus & Millichap**. With national unemployment rates below 5% for the past 18 months, and the economy creating jobs at a rate of 2% annually, national office employment has increased by almost 11% or 2.9 million since 1993. The recent **Employment Outlook Survey by Manpower Inc.** shows that 23% of employers have hiring plans for the first quarter of 1999, almost the same as the first quarter of 1998. Regarding rental rates, national CBD values have jumped 12%, compared with 8% for suburban markets, which remain vulnerable to overbuilding. Office starts, which surged in 1997, were up another 10% in 1998 and are expected to surpass 200 million square feet; due to the lag time between starts and completion and the large number of construction projects in the pipeline, certain markets could see softening in office product. Houston is one of four cities that appear particularly vulnerable. The short-term forecast calls for moderating growth for rents and values, reining in construction and sublease space entering the market competing with higher-priced vacant space.

CMD Realty Investors Inc. has purchased a 242,226-square foot Class A office building from **CB Richard Ellis Investors Inc.** for an undisclosed amount. The property is located at 2603 Augusta (**098 GAL**). **Kevin Brands** represented the buyer, and **Mark McAllister** and **Tom Bousquet** represented the seller.

Crescent Real Estate Equities, led by **Richard Rainwater**, plans to sell \$500 to \$650 million of office properties to raise funds and boost the company's stock, which is down 39%. The sales, which Crescent expects to complete in the fourth quarter, include 22 office buildings in The Woodlands; however, the funds will be used for other investments in The Woodlands, according to **Gerald Haddock**, president and chief executive officer for Crescent. The company may also use cash raised from sales to buy back some of its stock.

Hines has contracted to buy about 100 acres of land along the Katy Freeway in the Energy Corridor for the construction of a major office park. If the deal is completed, as many as 20 office buildings and some apartment complexes could be built on the site. The land is located on the north side of Interstate 10 between Eldridge Road and Texas 6.

According to **Cushman & Wakefield**, Houston's citywide office vacancy rate was 13.4% at the end of the first quarter, down from 14.8% a year earlier. This is a significant decrease from the 28.3% vacancy rate reported in the first quarter of 1989. Rental rates have also been increasing as vacancy is shrinking, with citywide rental rates at \$15.95 per square foot. However, energy mergers have doubled the amount of sublease space in the first quarter up from 1.1 million square feet to 2.2 million square feet, most of which can be attributed to the BP Amoco merger.

In December 1998, **Fuller Realty Partners** purchased 63 acres of office and technology land in Legacy Park, located off Beltway 8 between Clay Road and the Greenspoint Area from **CRS Partners**. After the acquisition, Fuller Realty's Houston office park holdings totaled about 360 acres. **Bill Rudolf** of **CB Richard Ellis** represented both Fuller Realty and CRS Partners in the deal.

Equity Office Properties Trust has leased about 100,000 square feet of space in Brookhollow Central (123, 124, & 125 NOW), a three-building complex containing about 800,000 square feet. Tenants include Oklahoma City-based LOGIX Communications (47,000 square feet), Texas Workers Compensation Insurance Fund (18,200 square feet), and American International Petroleum Corp. (12,000 square feet). **Todd King** of Equity Office represented his company in all transactions.

The Denton A. Cooley building of the Texas Heart Institute at St. Luke's is scheduled to open in March 2001. The 270,000-square-foot building will be located on the corner of Bates and Bertner Avenues and will back up against existing THI buildings. Features of the nine-story building include a basement with an auditorium capable of seating 500, an atrium, inside "healing gardens" and a teaching museum and two-story mural highlighting the history of medicine in Texas.

Continental Airlines wants to project its corporate globe logo high atop the side of its building at 1600 Smith (084 DTN). Although such a projection would violate the city's sign ordinance and deface Houston's "civic skyline," Continental is negotiating with **Robert Litke**, director of city planning and development, to make alterations to the ordinance in order for it to accommodate its proposal.

According to Michael L. Evans in a recent edition of *Urban Land*, demand for office space in 1999 and beyond will expand at a much more modest pace compared with previous years, with an annual forecasted growth rate of less than 2%. Compared to the tremendous growth of say, the 1980's, the U.S. economy experienced a national recession in the early-1990's along with a trend towards restructuring in the finance, insurance and real estate (FIRE) sectors during the same period. These factors plus technological innovation and slower population growth contributed to an oversupply of office product throughout the early part of this decade, says Evans. Therefore, demand is expected to decline by 2000 mainly due factors such as "full employment" (unemployment rates consistently below 5%) coupled with trends such as corporate downsizing, "hoteling" (where more than one person is assigned to the same office space) and increased levels of technology which encourage "telecommuting" when combined dampens real demand for office space. Given these developments, 1999 will likely be a bellwether year for the office market, according to Evans. The concern about overbuilding is still present, states Evens, but not as intense as the 1980's primarily because REIT prices dropped significantly during 1998. As a result, in a full employment market that is unaffected by net migration or corporate relocations, significant levels of new office construction could quickly increase vacancy rates.

Andersen Consulting leased 153,000 square feet in **America Tower (017 NEW)**, located at 2929 Allen Pkwy in American General Center. **Jonathan Serko** and **Vic Baltov** of **Cushman & Wakefield** represented **American General**, and **W. Derrell Curry** of **CB Richard Ellis** represented Andersen Consulting.

PM Realty Group has been awarded a 28-property, 3.8 million-square-foot portfolio by **PHL-OPCO L.P.** The portfolio contains office, retail, and industrial space in Kentucky, Maryland, Ohio, Texas, Florida, Georgia, North Carolina, Kansas and California.

According to researchers from Trammell Crow Company in a recent issue of *Urban Land*, capital markets will slow construction over the next few years and cause some downward pressure on sales prices. A reduced demand for office space along with less construction will lead to moderation in rent growth and slower price appreciation for office properties in 1999. Absorption rates experienced throughout the 1990's will also moderate as the national economy slows and stock market returns fade. The largest uncertainty is in the real estate debt market. If unstable conditions stabilize in 1999, the risk of overbuilding in the office sector will be significantly reduced and demand concerns will be heightened. As regards Houston, the combination of build-to-suit and speculative construction will add more than 7 million square feet of new space to the current inventory of 140 million square feet. The most active areas include: the Energy Corridor, with seven projects under construction totaling more than 1.6 million square feet; Westchase, with four projects totaling about 1 million square feet; West Houston, with four projects totaling more than 650,000 square feet; and new projects by BMC Software and Compaq Computer Corporation.

Lockheed Martin Corp. leased 86,500 square feet in **Clear Lake Central (101, 102 & 103 SOE)** from **Koll Bren Realty Advisors**. The property is located at 595 and 555 Gemini and Bay Area Blvd. Lockheed Martin will use the house to house its offices for the NASA Consolidated Space Operations Contract. **Greg Cizik** of **Colliers Appelt Womack** and **Jeff Flynn** of **Colliers Spaulding and Slye** represented Lockheed Martin, and **Derrell Curry** of **CB Richard Ellis** represented Koll Bren.

Ikon Office Solutions leased 73,031 square feet of space in Northwest Place 2 from **Northwest 43rd Corp.** The property is located at 7170 W. 43rd St., Suite 250. **David Hudson** of **Trammell Crow** represented Northwest 43rd Corp., and **Ron Waedemon** of **Interfund Group** represented Ikon.

AIM Management Group completed a 28,177-square-foot lease expansion at **11 Greenway Plaza (049 NEW)**. The space was leased from **Crescent Real Estate Funding III**. **Barbara Richey** of **Senterra Real Estate Group** negotiated for the landlord, and **Mike Boehler** of the **Staubach Co.** negotiated for the tenant.

National Office Partners LP, a joint venture between Houston-based **Hines** and **California Public Employees' Retirement System**, has acquired NationsBank Tower in Miami from **Miami Tower Associates LP** and **Miami Retail Associates LP**. The 47-story office building contains 586,000 square feet of space and was developed in 1987.

PM Realty Group will be the exclusive management and leasing company for the **1010 Lamar building (029 DTN)** in downtown Houston. Koll Bren Fund, a private investment group, awarded the contract to PM Realty. The 255,115-square-foot office building is currently 70% leased. Major tenants include Vanguard Geophysical, Williamson Oil & Gas and Houston Energy.

Anerson McBride purchased a 63,500-square-foot office building on 5.4 acres from **Tomkins Industries**. The building is located at 701 S. 16th, in La Porte. **Bill Rudolf** of **CB Richard Ellis** represented the buyer, while **Jim Foreman** of **Cushman & Wakefield** represented the seller.

Thomas E. Redding bought a 52,000-square-foot office building from **Technical Properties**. The property is located at 2914 W. T.C. Jester. **Albert Muller** of **Colliers Appelt Womack** represented the seller, and **James Garrity** of **Cushman & Wakefield** represented the buyer.

Millenium Outsource Services leased 27,782 square feet of space in the **Executive Plaza** office building (**137 NEW**) from **Cypress/TCP Office Holdings**. **Fontaine Carroll** of **TCP Realty Services** represented the landlord, while **Lester Lehman** of **CB Richard Ellis** represented the tenant.

Bass Consultants leased 13,891 square feet of space in the **Executive Plaza** office building (**137 NEW**) from **Cypress/TCP Office Holdings**. **Fonatine Carroll** of **TCP Realty Services** represented the landlord, and **Mike Boehler** of the **Staubach Co.** represented the tenant.

Shanks, Tritter & Associates leased 13,891 square feet of space in the **Executive Plaza** office building (**137 NEW**) from **Cypress/TCP Office Holdings**. **Fontaine Carroll** of **TCP Realty Services** represented the landlord, while **Lester Lehman** of **CB Richard Ellis** represented the tenant.

According to the **O'Connor & Associates April 1999 Houston Area Office Ownership Guide**, overall **occupancy** for Houston area multi-tenant office buildings is **85.88% (Class A = 94.2%; Class B = 86.89%; Class C = 67.31%)**. Compared to the current rate, occupancy in the Houston office market has risen .80 points in the last twelve months while experiencing its second consecutive quarter of rising vacancy. In fact, vacancy has increased .93 percent since October 1998 when the Houston office market had reached a recent high of 86.84 percent occupancy. Meanwhile, the **overall multi-tenant office building rental rate is \$17.59 per square feet per year**, an increase of \$0.18 or 1.03% over the previous quarter and is 11.26% over 1Q 1998.

RETAIL CENTERS

Shopping center transactions decreased in February with 5 centers totaling 432,103 square feet changing hands. This was a decrease of 65.57% from the 1,254,850 square feet sold in January and a decrease of 72.18% from the 1,553,179 square feet sold in February 1998. These figures are for centers that contain at least 40,000 square feet.

*Note: The retail centers listed below are followed by the O'Connor & Associates' database identification number and are included for subscriber cross-referencing. The property information contained within the **Houston Area Retail Ownership Guide** is published on a quarterly basis.*

Kempwood Plaza Ltd., of **Hartman Management Co.** (713-467-2222), of Houston, represented by Allen R. Hartman, sole proprietor, purchased the 109,240 square-foot **Kempwood Plaza (040 NNW)** from **Randall A. Hendricks** (281-350-7000), of Spring, for an undisclosed amount. The 25-year-old multi-tenant center is 94% occupied with an average rental rate of \$0.63 per square foot. It is located at the southeast corner of Kempwood and Camp, in near northwest Houston (450P), and is leased and managed by **Hartman Management Inc.**

Northwest Plaza, 1960 (713-464-4217), of **Sylvan Enterprises**, of Houston, purchased the **1960 Northwest Plaza Retail Center (094 FNO)** from **Mary K. Adel, Trustee**, of Tomball, for an undisclosed amount. The 23-year-old multi-tenant center is 90% occupied with an average rental rate of \$0.65 per square foot. The 54,128 square-foot project is located at 820 W FM 1960, on the southwest side of St. Edwards Drive, in far north Houston (332W), and is leased and managed by Sylvan Enterprises.

Mangum Commons LLC, of Houston, represented by **M. Malekan**, managing member, acquired the 40,000 square-foot **Mangum Road Center (078 NNW)** from **Chul Choe Chong** (281-531-6772), of Houston. The 40-year-old multi-tenant center is 82% occupied with an average rental rate of \$0.50 per square foot. The center is located at 4503 Mangum in near northwest Houston (451H), on the west side of Mangum north of 43rd.

Bingle Crossing Shopping Center Inc., of Houston, purchased **Bingle Crossing (080 NNW)** from **V & V Real Estate Investments Inc.**, of LaPorte, led by **Nasrullah A. Valani**, president. The 19-year-old multi-tenant project is 92% occupied with an average rental rate of \$0.63 per square foot. The 28,244 square-foot project is located at 2915-3001 Bingle in near northwest Houston (451N), adjacent to the north corner of Bingle Road and Kempwood, and is leased and managed by **Wile Interests**.

The **Kadry K. Bissada Trust** (713-667-4334), of Bellaire, represented by **Kadry K. Bissada**, trustee, sold the **Gess Park Shopping Center (001 NSW)** to **Gess Park Management Co.**, of Sugar Land, led by **Steven Chiu**, president of United Management Co. Consideration included a note amount of \$850,000 financed by **Metrobank NA** of Houston (713-776-3876). The 21-year-old multi-tenant center is 95% occupied with an average rental rate of \$0.80 per square foot. The 24,800 square-foot project is located at 3951 South Gessner in near southwest Houston (490W), at the northeast corner of Westpark Drive and Gessner.

Cross Century LLC (713-666-0195), of Houston, represented by **Shean-Jen Song**, purchased the 123,735 square-foot **Richmond Square Shopping Center (039 NRW)** from **9371 Richmond Avenue Ltd.**, of **Atlantic Pearl Investments**. The 15-year-old multi-tenant center, leased and managed by **Tarantino Properties Inc.**, is 64% occupied with an average rental rate of \$0.70 per square foot. Consideration included a \$2,470,000 note financed by **American First National Bank** of Houston (713-596-2888). The center is located at 9347-9431 Richmond in near west Houston (490X).

Kamfield, of Houston, represented by Chun Shing Kwan, general partner, sold the 24,000 square-foot **Westheimer Plaza Shopping Center (082 NRW)** to **Hooten Family Trust-1992**, of Indio, CA, led by **John**

P. Hooten, of J P H Enterprises. The 25-year-old project, leased and managed by **Investar R E Services**, is located at 5757 Westheimer in near west Houston (491T), and is 100% occupied with an average rental rate of \$1.50 per square foot.

David T. Song (713-681-1361), of Houston, purchased the 14,000 square-foot **Gaston Ponce Center (066 INL)** from **Genoveva Ponce** (713-643-6233), of Houston. Consideration included a \$225,000 note payable to the grantor. The 59-year-old center, leased and managed by **G P Record**, is located at 2124 North Main in midtown Houston (493G), and is 100% occupied with an average rental rate of \$0.35 per square foot.

Oak King Limited Partnership, of Houston, represented by **Wang Jye**, acquired the **Keegans Wood Plaza (146 FSW)** from **Kim Sa Thi Tran aka Elizabeth Dee Zonah**, of Houston. The 17-year-old multi-tenant center is 57% occupied with an average rental rate of \$0.92 per square foot. Consideration included a \$470,000 note financed by **New Era Life Insurance Co.** of Houston (281-368-7200). The 18,480 square-foot project is located at 14165 Bissonnet, in far southwest Houston (528N), and is leased and managed by **E Kim Z.**

Fereidun Dahesh (713-782-7966), of Houston, purchased the 14,968 square-foot **Bellerive Center (012 NSW)** from **MKL Realty Corporation**, of Houston. Consideration included a \$450,000 note payable to the grantor. The 19-year-old project, leased and managed by **M K L Realty**, is located in near southwest Houston (530C), at 7305-7320 Bellerive, and is 66% occupied with an average rental rate of \$0.90 per square foot.

Broadway Belfort Properties LLC (210-828-6777), of San Antonio, represented by **Robin Antar**, manager, purchased the **Broadway @ Belfort Shopping Center (008 NSE)** from **The Hooten Family Trust-1984**, of **JPH Enterprises**, of Indio, CA, led by **John P. Hooten** and **Harry Board Jr.**, trustees. The 28,292 square-foot, 22-year-old project is 100% occupied with an average rental rate of \$1.00 per square foot. It is located at 8300-8314 Broadway in near southeast Houston (535T), and is leased and managed by **R E O C Corp.**

Ou Pinson, of Houston, purchased the 18,000 square-foot **10736 West Belfort Shopping Center (148 FSW)** from **Rankin Ella Trust**, of Houston, led by **George Min-Hsieng, Trustee**. Consideration included \$590,000 note financed by **Texas First National Bank of Houston** (713-777-3838), represented by **Jason Chang**. The 25-year-old multi-tenant project is located at 10736 West Belfort in far southwest Houston (569C), and is 100% occupied with an average rental rate of \$0.65 per square foot. **Japage Realty Co.** handles leasing and management for the shopping center.

Southeast Hong Kong Center Inc., of Houston, represented by John Young, secretary of South Houston Market Realtors, purchased the 105,000 square-foot **Gulf Freeway Indoor Market (047 NSE)** from **South Houston Market Partners**, of Santa Anna, CA. Consideration included a \$2,366,250 note financed by **America First National Bank** of Houston (713-596-2888). The 23-year-old, single-tenant project, leased and managed by **Sam's Club**, is located in near southeast Houston (575D), at 9820 Gulf Freeway, and is 100% occupied.

Major retailers who establish web sites now are expected to dominate e-commerce in the near future, according to Dan Barry, an analyst with Merrill Lynch. Barry cited factors such as large retailers' ability to buy goods cheaper, more experienced staff, strong brand identity and the advantage of physical locations. In a 150-page report on how e-commerce is changing business in more than a dozen industries, Barry noted that as the Internet tends to "cannibalize" retail sales away from store-based retailers, retail real estate may actually experience a reduction in value.

Houston-based Gerland's Food Fair Inc. is developing a new store concept in Sugar Land in an effort to gain an advantage in the fast-growing community. Gerland's repurchased its store from locally based **Belden's (079 FSW)** and is spearheading an upscale project called **Gerland's Grand Market**. The store, located at the intersection of Sugar Creek Drive and Highway 59, will stock 1,000 additional grocery

items thus enabling the chain to compete with other supermarkets such as Randalls Flagship and Kroger Signature in Fort Bend County.

The **Greater Greenspoint Management District** has hired the consulting firm of **PKF Worldwide** to determine what steps are necessary to revitalize the **Greenspoint Mall (009 FNO)**. All current scenarios are based on a mixed-use concept that would include office space and convention centers as well as existing retail space. PKF Worldwide's feasibility studies are expected in early summer.

Retail real estate has reappeared as a viable opportunity for institutional and private investors, according to Marcus & Millichap's 1999 Real Estate Market Analysis. Demand for retail merchandise has been stable and retail sales remain even with 1997 increases. Consolidations have slowed and construction has been targeted to specific demand, factors that will offer a potential for solid returns on investment. Regarding Houston, the city's above-average population growth has stimulated strong retail demand. According to Marcus & Millichap, features of the Houston retail market include five million square feet of construction in 1999, a revival of downtown coupled with strong suburban development, and a slight increase in rental rates as major products come online. Houston's retail market statistics stand above the national average for vacancy rate (16.4% compared to 8.1%), total retail sales (5.0% and 4.5% change from the previous year, respectively), median household income (\$43,553 and \$38,724), and square feet of completions (5,000,000 and 2,543,000).

Equity Investment Group has purchased a 175,000-square-foot shopping center (**092 NSE**) at 1830 Sam Houston Parkway from **Lowe Enterprises** for an undisclosed price. The retail strip is anchored by Alberston's, and also includes Ross Dress for Less and Famous Footwear. **Tom Salanty** and **John Levinski** of **Cushman & Wakefield's** Dallas office negotiated for the buyer and **David Chuoke** and **Ken Page** of Cushman & Wakefield's Houston office negotiated for the seller.

Walzel Jewelers is moving, along with **Café Express**, from **Post Oak Pavilion** to **Uptown Park (189 NRW)**, the new shopping center under construction at Post Oak and Loop 610. Walzel's owner **John Walzel** cites the "topless mall" concept as one reason that the move looked promising. Walzel and Café Express aren't the only ones interested in the new concept: the buzz about the center has attracted other retailers such as **Bill Walker Clothier**, **Starbucks Coffee** and **Champps Americana**. Post Oak Pavilion, on the other hand, is looking into hotel and office space, in an apparent move away from the retail business.

Trammell Crow Co. and **AMB Property Corp.** are completing renovation of the 356,000-square-foot **Weslayan Plaza (018 & 019 INL)** in the West University area. The improvements, which are expected to be completed in late spring, will connect the two phases of the center on the east and west sides of Weslayan. Trammell Crow and AMB are also partnering in the restoration of the 110,000-square-foot **Woodway Collection** shopping center (**017 NRW**), which is anchored by **Randalls Flagship**, **Eckerd Drugs** and **Carraba's**.

Colony Square Shopping Center (171 & 171A FSW) has leased 25,000 square feet of space to **PetSmart** bringing the center's occupancy to 99%. Colony Square, one of the last "power centers" to be built in Houston, is a 435,000-square-foot complex located at the Southwest Freeway and First Colony Boulevard in Sugar Land.

Lehman Brothers maintains its position as the number one retail lender in the nation, according to **Shopping Center World's** second annual ranking of Top Retail Lenders. The New York-based company accounted for \$5 billion of loans, a billion more than 2nd-place holder **Credit Suisse First Boston**, which came in at \$4 billion. The largest jump occurred with 3rd-place **NationsBanc Montgomery Securities LLC**, up from 11th place as a result of the merger with **Bank of America**, bringing its loan amount from \$750 million to \$2.3 billion.

The Houston-based **REIT United Investors Realty Trust** went public in March 1998, generating \$78 million in new equity capital in the process. The funds enabled UIRT to acquire 16 strip centers in Texas, Florida and Arizona by the end of 1998, bringing the company's portfolio to 20 properties and 2.6 million

square feet. **Highland Square** shopping center (**086 FSW**) is one of UIRT's most notable properties, containing 64,171 square feet of space and located in Sugar Land. Houston properties in the portfolio include **Benchmark Crossing** shopping center (**137 NNW**), at 58,384 square feet; and the **Bissonnet/Kirkwood** center, at 15,542 square feet.

The success of **Magic Johnson Theatres** has brought new life to **Northline Mall (127 NNW)** and attracted new tenants as well, such as **Blockbuster Video**, a **Sonic Drive-In** and a **Pappas Bar-B-Q Restaurant**. Northline's owners had been trying to revive the mall's dismal atmosphere since the early 1990's, but no effort was as effective as **Earvin "Magic" Johnson's** investment in the new movie complex, which has reportedly brought more business to the area, especially on weekends. The optimism generated by the mall has spurred new development across the street by landlord **Carl Zucker**, whose new strip center will house Hollywood Video, a new tire store and another retailer.

The **Del Sol Food Mart** in the 6600 block of Canal was destroyed, along with nine other shops, in a four-alarm fire at 5 a.m. on April 14th. Besides the food mart, the building contained a bakery and tacqueria, insurance office, and shops that sold bicycles, clothing and jewelry. At the time of the report, the cause of the fire was still under investigation.

The **Park Shops (068 INL)** retail center in downtown Houston is undergoing improvements, even though it boasts a 90% occupancy rate and an 8% increase in sales in 1998. Proposals for a 1000-room convention center hotel and a basketball or hockey arena, plus downtown construction, has prompted the developers of the Park Shops to create banners or merchant display windows to attract potential customers. A 97% occupancy rate at the adjacent **Houston Center** office building has also boosted sales. As the revitalization of downtown Houston continues, more national retailers are becoming interested in retail space at the Park Shops.

PM Realty has purchased a 28-property, 3.8 million-square-foot portfolio by **PHL-OPCO LP**. The portfolio consists of office, retail and industrial space in Kentucky, Maryland, Ohio, Texas, Florida, Georgia, North Carolina, Kansas and California.

An investment group led by **Charles Whynot** of **Alliance Commercial Investments** has purchased the site of the old **Sakowitz** store (**053 FSE**) in Clear Lake. The Sakowitz building anchored the site, but was demolished after the economic crash of the 1980's. The group is planning to construct a small office building with some retail space on the site, which is located on NASA Road 1, across the street from the Johnson Space Center.

Houston developer **Randolph Wile** has completed renovations on **Meyerland Commons Shopping Center**, located at Beechnut just west of Loop 610. The 12,532-square-foot center is across the street from **Meyerland Plaza Shopping Center**, and houses tenants such as **The Men's Warehouse**, **PrimeCo Communications**, **Collina's Italian Café** and **Great Clips for Hair**.

According to the **O'Connor & Associates February 1999 Houston Area Retail Ownership Guide**, overall **occupancy** for Houston area multi-tenant shopping centers (excluding those proposed or under construction) is **86.44%**, an increase of .34% since November, a reasonable increase mostly attributed to activity in Neighborhood Centers and Regional Malls, and a .53% slippage in overall multi-tenant occupancy since February 1998. This recent increase marks the first in five quarters retail multi-tenant occupancy has risen for Greater Houston. In fact, we show that approximately **565,000 square feet were absorbed in the February survey period**, and despite some excess construction, this positive absorption trend is unlikely to be adversely affected mostly due to increased leasing options or softer terms. Meanwhile **overall multi-tenant rents remain flat at \$1.45 per square foot**, a pattern unaltered since May despite modest gains in Neighborhood and Community Centers.

VACANT LAND

Land sales decreased in February with 160 tracts changing hands. There were three foreclosures by property owners and one foreclosure by a lender. The 160 sales dropped 29.20% from the 226 sales in December and decreased 8.05% from the 174 sales in February 1998.

Albertson's Inc. (208-395-6200), of Boise, ID, represented by **William H. Arnold**, VP Real Estate Law, purchased 6.09 acres of land from **East T. C. Jester Ltd.**, of Houston, represented by **Gregory M. Baxter**, general partner. The land will be used for a proposed Albertson's #2773, with construction to begin in July of 1999. The land is located at the southeast corner of West 18th and East T. C. Jester in near west Houston (452U). Albertson's also purchased 2.37 acres of land at FM 2920 from **W.R. Roberts and J.E. Fisher**, trustee, for a proposed Albertson's. The land is located in Tomball (288K), on the north side of FM 2920 west of SH 249.

Village on the Lake Ltd. (713-864-3313), of Houston, led by **Marvy Finger**, president, purchased 22.72 acres of land for the proposed **Village on the Lake Apartments** from **Robert W. Hopson**, trustee. The 388-unit Phase I is expected to be completed in June of 2000, with a 366-unit Phase II proposed. The land is located at 19200 Space Center Boulevard in southeast Houston (619P), on the east side of Space Center north of Nasa Road 1.

Eller Media Co. (713-688-8651), of Houston, represented by **Nancy Dennis**, purchased 3.01 acres of commercial vacant land from **David R. Patterson**, of Houston. The land is located on Portwest in west Houston (492A), on the north side of Katy Freeway west of Portway.

Energy Park Partners Ltd. (281-556-0106), of Houston, represented by **Mitchell Kobernick**, manager, purchased 5.2 acres of land from **SCI Texas Funeral Services**, for a proposed office park. The land is located on the Katy Freeway in far west Houston (488D), at the southwest corner of Katy Freeway and Turkey Creek.

Intown Suites Mills Road Inc. (404-875-0046), of Atlanta, GA, led by **David Vickers**, president, purchased 2.2 acres of land for the proposed **Intown Suite Hotel** from **Mills Intermelk One Partnership** (713-621-2929), of Houston, represented by **Tofigh S. Shirazi**. The land is located on FM 1960 in far northwest Houston (369M), on the southeast side of FM 1960 north of Gilder Road.

Brazos Sports Retail LP (214-522-8292), of Dallas, led by **Gregory C. Greene**, president, purchased 5.5 acres of commercial vacant land from **Houston Fruitland Inc.** (281-820-5555), of Houston, represented by **Eric Ho**. The land is located in Katy (485B), at the southwest corner of Katy Freeway and East Fenhurst.

Jamal Nikmard purchased **32.6 acres** at I-10 and Peach Ridge Road in Waller County from Peach Ridge Road/I-10 Ltd. in an auction transaction. Timothy K. Clay of Clay & Company negotiated for the seller and Keith Jaehne of General Property & Services negotiated for the buyer.

TDC Properties, Ltd. purchased **5.7 acres** of unimproved land on NASA Road One, across from Space Center Houston, from **American National Company of Galveston**. **Charles L. Whynot** of **Alliance Commercial Investments, Inc.** represented the buyer, and **Simmi Basra** of **CB Richard Ellis** represented the seller.

U.S.A. Restoration Inc. purchased a **1.4-acre** tract of land located at State Highway 146 in Baytown from **Billy Leslie Wheaton**. **Sylvia Speers** represented the buyer and **Claire Sinclair** of **Re/Max Baytown** represented the seller.

Eastside Church of Christ purchased a **3.5-acre** tract of land located at State Highway 146 in Baytown from the **Estate of A.G. Westbrook**. **Sylvia Speers** represented the buyer and **Claire Sinclair** of **Re/Max Baytown** represented the seller.

Caldwell Watson Investments LP purchased a **6.967-acre** tract of land in Greens Crossing from **Green Land Properties Ltd., a Texas LP**. **Keith Grothaus** and **J. Brandy Wilkins** of **Caldwell Watson Real Estate Group** represented the buyer and **Ned Torlan** of **McDade, Smith, Gould & Johnston** represented the seller.

RealTex Ventures Inc. purchased a **6.12-acre** tract of land at the northwest corner of Longenbaugh Drive and Park Falls Drive from **Baptist Church Loan Corp. of Dallas**. **Glen Irby** of **Staloch Realty Services** represented the buyer and **Carol Gray** and **Mary Phillips** of **Phillips International Co.** represented the seller.

A-K Texas Venture Capital purchased **3.5 acres** of land on Mason Road near Highland Knolls Drive from **Cornerstone Plaza Partnership**. **Kathy Jones** of **CB Richard Ellis** represented the seller in the transaction; the buyer plans to develop a retail strip on the site adjacent to the nearby HEB Pantry Foods store.

Mikob Properties Inc. has purchased **11 acres** of land on the south side of the Katy Freeway between Dairy Ashford and Eldridge Road. The deal is a logical step in the expansion of Mikob's Katy Freeway portfolio expansion, according to **Allen Klein**, president of Mikob's commercial properties division.

Asset Preservation Inc. purchased a **1.0554-acre** tract of land located on FM 1960 east of U.S. 290 from **290 Crossroads LP, a Texas LP**. A self-service car wash will be constructed on the site. **ReMax Professional Group** represented the buyer and **Keith Gothaus** of **Caldwell Watson Real Estate Group** represented the seller in the transaction.

Spring Cypress Holdings purchased a **15.6-acre** tract of land located on Spring Cypress and Memorial Chase from **Marcy Jackson** and **Edward Jackson**. **Keith P. Grothaus** and **Clint Smith** of **Caldwell Watson Real Estate Group** represented the sellers in the transaction.

Local officials, conservationists and developers are considering **retrofitting Houston's bayou system with a network of "linear parks,"** according to **Bill Dawson** of the **Houston Chronicle**. Along with a three-day conference on the subject, Mayor Lee Brown has proposed a master plan to guide the long-range future of Houston's municipal park system, which places strong emphasis on installing many more miles of parks along bayous and creeks in all parts of the city. The **Bayou Preservation Association** and Houston city officials are also promoting buyouts of flood-damaged structures along the bayous which would help fund preservation of streamside natural areas.

Harris County plans to purchase almost three square blocks of prime downtown real estate for approximately \$15 million. The county will use the land to build a proposed \$125 million civil courthouse, a 1,200-car parking garage and a parklike plaza in the center of the courthouse complex. The property to be acquired is bounded by Franklin on the north, La Branch on the east, Congress on the south, and San Jacinto on the west. A quarter-block at the northeast corner of the intersection of Fannin and Franklin is also under consideration.

Cypress Realty purchased **503 acres** on FM 518 west of the Gulf Freeway in League City from **Chase Bank**. The land will be used for a master-planned community with more than 900 homes in the \$125,000 to \$400,000 range and a 27-hole golf course. The neighborhood is expected to be available for residency next year, according to **Stephen T. Clark**, president of Cypress Realty.

Jalar Lodging Corp. purchased **one acre** for the site of a motel at the 4500 block of Airline Drive at I-45 North from **Performance Radiator**. **David Boyd** of **Boyd Page & Associates** represented the seller and **Danny Shaw** represented the buyer.

Ulyesse J. LeGrange purchased a **48,750-square-foot parcel** for the development of a car wash on South Gessner Road north of Creekbend Drive from **S.M.B. Partners Ltd. Brent Fredricks of Fredricks Commercial Brokerage** negotiated for the seller and **G. David Martin of Haley Martin Associates** negotiated for the buyer.

Memorial West Assembly of God purchased a **5.9-acre** tract of land on Barker Oaks Drive near Texas 6 and Westheimer from **CARSAM Realty One. Steve Darmall, Bill Smith and Stewart Smith of Fuller Realty Partners** represented the seller in the transaction.

Brocks Car Care purchased **2.1 acres** of land at the corner of Bay Area Boulevard and FM 528 from **Randalls Properties. Perry Zieben with Perry Zieben Realty Co.** represented the buyer and **Tracy Goza with Alliance Commercial Investments** represented the seller.

A.N. Rusche Distributing Co. purchased **one acre** of land on U.S. 59 at Aldine Bender Road from **Woo Hin Wai. Mark Wimberly of the Betz Cos.** was the representative in the transaction.

CarpetMax purchased two tracts of land totaling **1.5 acres** for the construction of two new stores. The first tract is located at the corner of Texas 6 and Westheimer and was purchased from **West Oaks Mall**. The second tract is located at FM 1960 and Cutten Road and was purchased from **MB Development**, with **Dave Ramsey of United Equities** representing the seller. **Geoff Henrion of Staubach Retail Services** negotiated for the buyer in both transactions.

SkyComm Technologies has received approval from Houston City Council for a 30-year lease on a **7-acre** property at Ellington Field. The company will construct and operate a major telecommunications teleport, with is expected to be operational in a few months.

INDUSTRIAL FACILITIES

Industrial building sales increased in January with 14 buildings totaling 666,122 square feet changing hands. There were no foreclosures. Owners sold 10 buildings or 392,493 SF while financial institutions sold 4 buildings or 273,629 SF. The 14 sales were down 77.77% from the 63 buildings sold in January and down 61.11% from the 36 sold in February 1998.

*Note: The facilities listed below are followed by the O'Connor & Associates' database identification number and are included for subscriber cross-referencing. The property information contained within the **Houston Area Industrial Ownership Guide** is published on a semi-annual basis.*

Jenkins-Vail Partnership (281-479-4512), of Pasadena, purchased an office/warehouse facility at **7710 Gulf Freeway (4660)** from **Sandvik, Inc.**, represented by **Richard M. Askin, VP/Finance Administrator**, for \$550,000. Consideration included a \$525,000 note financed by **First Community Bank** (281-996-1000), of Pearland. The 19,800 square-foot single-tenant building features tiltwall construction, a clearance height of 16 feet, grade-level loading and sprinklers. The property is located in southeast Houston (535P), at the southwest corner of the Gulf Freeway.

United Fab Inc. (713-451-6103), of Houston, led by **David L. Garcia**, president, purchased a 23,670 square-foot warehouse building from **Kenneth H. Babcock**, of Houston, for \$382,500. The building features metal construction, and is located at **12820 Industrial Road (3626)** in east Houston (496M), on the northeast side of Industrial Road.

Jack Ford (409-273-2117), of Conroe, purchased the **Bear Creek Business Park (0459)** from **Harry J. Fries**, of The Woodlands, for \$1,000,000. The 79,633 square-foot multi-tenant project features grade-level loading and a 10-foot clearance height. It is located at 17410-17440 West Little York Road in far northwest Houston (407T), on the north side of West Little York Road.

Tim L. Le Tourneau, of Houston, purchased a 50,644 square-foot warehouse building located at **5819 Milwee (1491)** from **Black Harris Partnership** (972-783-9422), of Richardson, for \$1,500,000. The single-tenant building features metal construction, a 16-foot clearance height and dock-high loading. It is located on the south side of Milwee (451K) in northwest Houston.

Don Wooton (713-461-4527), of Houston, purchased a 10,980 square-foot warehouse building located at **9303 Long Point (1421)** in far west Houston (450Y) from **Wilbur G. and Martha E. Land** (760-722-1666) of Oceanside, CA. Consideration included a \$268,788 note payable to the grantors.

Henryco International Inc. (713-466-3452), of Houston, led by **Henry E. Hood**, president, purchased a 15,941 square-foot fabricating plant at **10533 West Little York (0591)** from **Ernest G. Layton, Sr.** Consideration included a \$700,000 note financed by **Omni Bank NA** (281-999-9225), of Houston. The single-tenant building is located in far northwest Houston (409Z).

First Industrial's Houston, Texas portfolio has grown to 86 buildings totaling 4.5 million square feet, up 64 percent since fall 1998. First Industrial bought the Houston portfolio from the **Sealy Companies** in Shreveport, Louisiana through an UPREIT transaction in December 1997. At that time, total square footage of the portfolio was about 2.1 million, and increased 350,000 square feet within the first two weeks of acquisition. In October 1998 they acquired 47 buildings representing 1.6 million square feet, which has given the portfolio its current square footage and about 350 tenants. The Houston market is part of First Industrial's West/Gulf region, which includes Baton Rouge, Phoenix, Dallas, Denver, and New Orleans. The West/Gulf region, led by managing director **Tim Gudim**, has an in-service portfolio of 263 buildings totaling 11.5 million square feet.

IIG Commercial Developers, Inc. leased 19,200 square feet of space in the **Central Green Distribution Center to Fallright America, LLC**, bringing the first three buildings in the center to 100% occupancy. **John McCambridge** represented the landlord, and **Troy McCane** of **CB Richard Ellis** represented Fallright America, which designs, manufactures, and distributes high-quality fall protection and rescue equipment. The three buildings in **Central Green Business Park**, containing 258,000 square feet of space on about 13 acres, offer tilt-wall, dock-high construction with 24-foot clearance, rear loading and 40-foot by 40-foot column spacing. A fourth building is under construction, with a fifth in the planning stage.

Reynolds Metals has leased a 30,240-square-foot crane-served office warehouse facility at **7010 Zoltowski (3564)** from **Ship Harbor Joint Venture**. **Clay Peeples** of **Boyd-Page** represented the tenant. **Brett Bohn** of **Lakeland Realty Services, Inc.** represented the landlord.

J.A. Webster, Inc. leased 25,600 square feet of warehouse space at **6300 West by Northwest Boulevard (0725J)** from **Sealy North by Northwest I LP**. **William J. Byrd** and **Michael J. Taetz** of **Colliers Appelt Womack, Inc.**, represented the tenant, and **Bill Rudolf** of **CB Richard Ellis** represented the landlord.

Veritas DGC Land Inc. subleased 14,000 square feet of warehouse space at **10935 Wilcrest (3874)** from **California Microwave, Inc.** **L. Michael Wallace** of **Colliers Appelt Womack** represented Veritas, and **Tom Lynch** of **CB Richard Ellis** represented California Microwave.

Avance, Inc. subleased 13,390 square feet of flex space at **4281 Dacoma (1681C)** from **ST²EP, LLC**. **L. Michael Wallace** of **Colliers Appelt Womack, Inc.** represented Avance, and **Tom Lynch** of **CB Richard Ellis** represented the landlord.

Panattoni Development Company is constructing a 391,360-square-foot distribution center on 24 acres at West Little York Road, just west of Sam Houston Parkway. The center, which is slated for occupancy in August 1999, features a 30-foot operating clear height and an ESFR (Early Suppression Fast Response) sprinkler system. **Clay Peeples** and **Conrad Bernard** of **Boyd-Page Commercial Real Estate Services** will handle the leasing of the project.

Shaw Industries, Inc. leased a 34,200 square foot warehouse/distribution facility at **11850 Hempstead Highway (1476A)** from **Hempstead Highway Development LP**. **Michael J. Taetz** of **Colliers Appelt Womack, Inc.** represented Shaw Industries, and **Billy Gold** of **CB Richard Ellis** represented the landlord.

AlliedSignal has leased 32,000 square feet of space in **Central Green Distribution Center** from **IIG Commercial Developers**. AlliedSignal, which will use the space for aircraft tire repair and maintenance, was represented by **Mike Hill** and **Cory Ferguson** of **CB Richard Ellis**, and **IIG Commercial Developers** was represented by **John McCambridge**.

ECONOMIC & FINANCIAL NEWS

The **number of wage and salary jobs** in the 6-county Houston area increased by 6,900 jobs to 2,010,100 in March 1999 from 2,003,200 in February 1999 and increased 2.5% by 48,100 jobs from 1,962,000 in March 1998, according to the **Texas Workforce Commission**. Although 6,900 jobs were added, the TWC reports that March's annual gains in the Houston MSA were the smallest since September 1996.

Total **non-agricultural employment** has experienced **seven consecutive months of declining annual growth** in Houston. According to the TWC, the annual employment growth rate has fallen from 5.7% in July 1998 to 2.5% in March 1999. Low oil prices (despite recent improvements) and sluggish international trade have caused a continuance in the receding mining and manufacturing job count for the seventh month in a row, down 1,200 jobs from February 1999.

The **Houston unemployment rate decreased** to 4.0% in March 1999 from 4.2% in February 1999 and is up from the 3.9% in March 1998, according to the Texas labor market estimates released by the Texas Workforce Commission. Nevertheless, Houston's unemployment rate still remains below that of Texas (4.4%) and the nation (4.4%).

First-quarter economic output, **the gross domestic product or GDP, expanded at an unexpectedly strong rate of 4.5%**, the Commerce Department reported during April. The initial estimate, coming on the heels of a 6.0% annual growth rate in GDP reported for the final quarter of 1998, heightened concerns that robust growth may lead to higher inflation. Consumer spending grew at a 6.7% pace during the first quarter, with Americans encouraged by the strong economy along with low unemployment and a rising stock market. The **Conference Board's index of consumer confidence climbed to 134.9 in April**, its highest level since last summer.

The **employment-cost index**, a measure of wages and benefits paid to workers and a closely watched inflation indicator, **rose a scant 0.4% during the first three months of 1999**. The figure seems at odds with the nation's booming employment picture. With unemployment at a decades-low 4.2%, many economists expect wages and benefits to rise as employers try to lure and keep workers. Analysts scrutinize employment costs as an inflation indicator because if these costs begin to ratchet higher, companies may respond by increasing prices for goods and services.

Durable-goods orders rose 2.0% in March, bouncing back from a decline of 3.9% in February (revised from an earlier estimate of a 5.0% decline). A drop in orders for aircraft and other aviation parts - a typically volatile sector - was more than offset by increases in orders for automobiles, ships, and industrial equipment.

The **U.S. trade deficit climbed 15.6% to a record \$19.4 billion in February**. Consumers nudged imports up 2.3% with purchases of clothing, cars, toys, televisions, and video equipment. While Americans continued to spend freely on foreign goods, U.S. manufacturers felt the weakness of economic growth outside the United States. Exports declined for the fourth consecutive month, falling 0.6%, led by a \$927 million drop in sales of commercial aircraft. The Department of Commerce reported in April that trade gaps widened with Japan, Western Europe and Mexico, but narrowed slightly with Canada and China.

Consumer prices inched up in March, as a rise in oil prices was generally offset by the lower cost of many foods. The **Consumer Price Index rose 0.2%** for the month, following increases of 0.1% in each of the three previous months. The so-called "core CPI rate," which excludes the volatile food and energy components, was up just 0.1%. Over the 12 months through March, the CPI is up 1.7%

Growth in retail sales slowed a bit in March, but Americans continue to spend money at a terrific pace. **Retail sales rose 0.2% last month**, a figure that was depressed by a slowdown in auto sales, which had soared in January and February. Overall, retail sales have been running at a near-record clip for the past several months. In fact, the increase in February sales - earlier pegged at 0.9% - was reassessed at an even stronger 1.7%. Separately, business inventories rose 0.4% in February, but sales kept pace with the increase in stockpiled goods and raw materials, the Commerce Department said in April. Economic observers scrutinize inventory levels for clues about how the supply of goods being produced by businesses matches up with consumer demand.

Industrial production, a measure of the output of U.S. manufacturers, mining companies, and electric and gas utilities, **edged higher in March**, the Federal Reserve Board reported during April. The 0.1% gain was the result of higher utility output; manufacturing was flat and mining declined. The report also noted that the capacity utilization rate, the percentage of producers' capacity they are actually using to create products, has fallen to a seven-year low. This may ease concerns that industrial producers will soon come under pressure to raise prices.

The nation's housing market remains healthy as builders continue to feed high demand. Housing starts dipped slightly in March to an annualized 1.77 million units, but even that rate exceeded analysts' estimates. So far in 1999, the housing market is being driven by the same factors that supported its record-setting performance in 1998: low mortgage rates, a strong job market and steady growth in household incomes.

Reprofile.com has come on-line as the **first real estate-related Web site to feature direct links to the court systems and lawmaking bodies** of all 50 states and the federal government. The site, developed by **Stewart Title**, caters to all segments of the real estate industry, including attorneys, brokers, sales agents, and financial institutions. Among the key benefits of the site are a national map provided by **Legicrawler**, in which visitors can view a bill-tracking list for selected real estate information; and **Virtual Underwriter (VU)**, Stewart's award-winning underwriting software.

Coldwell Banker posted record-breaking numbers in almost every real estate category for 1998, resulting in the company's greatest year ever. At the 1999 International Business Conference in San Diego, Coldwell Banker reported an increase in closed sales volume by 382%, an increase in the number of offices by 62%, and an increase in the number of sales associates by 83%. The firm also announced a 78% increase in property sales of luxury homes, with 4,305 properties in the million dollar range sold for a total sales volume of \$7.42 billion.

Houston Metro has approved a project that will add more than six miles to the Katy Freeway HOV lane from Texas 6 to Texas 99, cutting commute times by up to 15 minutes in the process. The cost of the \$3 million project will be split equally between Metro and the state. The addition is meant to ease traffic problems caused by the rebuilding of the Katy Freeway, which will be completed sometime in the next decade.

Houston city administration officials are projecting a \$1.2 billion budget for fiscal year 2000, the largest general fund budget increase in the city's history. The amount is about \$100 million more than the current spending plan, according to city Finance and Administration director **Jorge Cruz Aedo**. **Mayor Lee Brown** said that his budget plan would not require an increase in property taxes or water and sewer rates, but would repeat this year's \$10 million reduction in the annual transfer of funds from the Metropolitan Transfer Authority. Arts funding would be boosted for the second year in a row under the new budget, with funds for specific art projects to be incorporated into the city's capital improvement program.

American incomes rose 4.4% in 1998, with per capita incomes growing faster than prices in every state. The average income nationally was \$26,412, up 4.4% from 1997, but slightly lower than the 4.7% increase from 1996 to 1997. In comparison, the inflation rate declined from 2% in 1997 to 0.8% in 1998, putting buying power up 3.6% in 1998. Connecticut had the highest average income of all states, at \$37,598, while Mississippi had the lowest, at \$18,958.

Wages rose at the slowest pace on record in the first quarter of 1999, at a rate of 0.4%. Overall, labor costs were up 3.0%, down from 3.3% at the same time a year earlier. Labor costs for the finance, insurance and real estate industries fell 0.7% in the first quarter after a 1.1% rise in the last quarter of 1998. Additionally, sales of new homes climbed 2.1% in March to an all-time high annual rate of 909,000. Theories of wage inflation because of a booming economy have been proven wrong, as the unemployment rate posted a 29-year low of 4.2 percent with inflation at 1.7%.

Texas' economic growth could slow because of "Y2K," but not because of computer malfunctions; most state agencies and industries in Texas report that they will be prepared for the January 1, 2000 deadline. However, the cost of updating computer code and replacing hardware may cost up to \$280 million for Texas alone, with the nationwide cost reaching \$75 billion, according to **Carole Keeton Rylander, Texas Comptroller of Public Accounts.** The Comptroller also calls for a 0.35% drop in state economic output and a 0.2% drop in employment growth, much less than the 3% required to bring the state into a recession.

According to **E&Y Kenneth Leventhal's 1998/1999 CMBS Update,** new issuance of CMBSs rose from \$43.9 billion in 1997 to \$78.3 billion in the third quarter of 1998. During 1998, CMBS provided about two-thirds of all mortgage funding.

The Greater Houston Partnership has issued several favorable reports on the city's performance to date. According to **Newsweek,** Houston is ranked third among cities where employment will grow the fastest, with 1.5 million jobs expected to be opened up by 2025. Houston also continues to offer the least expensive office space of all major metropolitan markets, at 76% below the national average, according to **Granite Partners of Houston** and **New York's Winter Office Report.** In addition, the value of construction contracts awarded for new buildings in the Houston region increased by more than 50% in 1998 over the previous year.

Houston is 10th on a list of the top 10 job growth cities at 57,400 new jobs, based on preliminary first-quarter increase in nonagricultural employment for the previous twelve months. Statistics from the **U.S. Bureau Labor Statistics** and **M/PF Research Inc.** put Chicago and Dallas-Fort Worth at the top of the list, with employment gains of 102,100 and 96,300 new jobs respectively. Other high-growth cities include New York (91,300), Washington D.C. (82,400) and Los Angeles (78,300).

The MoneyTree Survey of venture capital investments, conducted by **PricewaterhouseCoopers,** reported that U.S. companies reached a record of \$14.27 billion in 1998. Out of the eight regions surveyed, Texas ranked fifth with 151 companies raising money with the help of venture capitalists. In the fourth quarter of 1998, 36 companies raised \$124.7 million of venture financing.

Profits after taxes at major U.S. manufacturing firms fell during the fourth quarter 1998 to the lowest level in three years, according to the **Commerce Department.** Manufacturers' after-tax profits totaled \$50.1 billion during the fourth quarter, compared with the third quarter's \$60.6 billion. In the fourth quarter of 1997, after-tax profits totaled \$59.3 billion. After-tax profits of major U.S. retailers, however, were higher at \$9.3 billion during the fourth quarter 1998, compared with \$8.8 billion in the fourth quarter of 1997.

According to **Marcus & Millichap's 1999 Real Estate Market Analysis,** enough economic resilience remains to avoid a recession in 1999. However, GDP growth will average approximately two to 2.5% for the year, down from an estimated 3.7% in 1998. Inflation will grow at a similar rate to 1998's 1.7 percent, while job growth will moderate, falling between 1.5 to 1.8%, with unemployment remaining between 4.5 to 5%. The Asian crisis is not expected to be resolved rapidly, as the U.S. trade deficit reached its largest

deficit on record, at \$160 billion. Economic volatility in 1999 will be related to global financial concerns, the Year 2000 problem and lackluster corporate earnings growth.

Marcus and Millichap have determined **Houston as one of the least expensive places to rent housing** in the U.S. Houston comes in at the bottom of the list of monthly rent costs for top 10 U.S. cities, at \$528 per month, or 15% of income allotted for rent. These figures place Houston well below other major U.S. cities such as New York City (the highest, at \$1,600 and 49%) and San Francisco (\$1,415 and 30%), and even below other Texas cities such as Austin (\$655 and 19.86%) and Dallas (\$648 and 16.08%).

Coldwell Banker has announced the expansion of its Commercial Services division, after a six-year hiatus following the sale of its previous non-residential division to **CB Richard Ellis**. New executives were added to lead the expansion, including **Jerry D. Anderson** as senior vice president and **Rick Ramenthol** as corporate service vice president. **Coldwell Banker Commercial** has more than 400 offices nationwide.

Even though energy prices increased 1.6% nationwide in March, a drop in food prices kept the inflation rate steady. The **U.S. Bureau of Labor Statistics** reported that consumer prices edged up 0.2% during March and rose 1.7% over the past 12 months.

Enron Corp. will pay \$100 million over 30 years to put its name on the Ballpark at Union Station. The deal is the largest ever for naming rights to a baseball stadium. However, Enron stands to earn up to \$200 million over 30 years as part of a total integrated facility management package. Enron also plans to build a 4,500 to 5,000-space parking garage on either side of Highway 59 east of the stadium.

The **Texas Workforce Commission** reported that Houston gained 48,000 jobs during the past 12 months, almost half of the increase recorded over the previous 12-month period ending in March 1998. Last year, Houston employers added 100,100 jobs for a 5.4% gain. This year's increase pushed Houston's unemployment rate down 0.2% to 4% in March.

Several offices at banks around Houston have changed their signs as a result of mergers and acquisitions. Offices at **Merchants Bank**, which merged with **Union Planters Bank** last year, now bear the Union Planters name. **Washington Mutual Bank** acquired **Savings of America** and has recently changed the signs on 27 offices in the Houston area. And **NationsBank's** merger with **Bank of America** has changed signs on all of their existing Houston buildings.

Transwestern Property Co. has continued to grow by completing significant mergers and acquisitions in 1998-1999. Its May 1998 merger with Washington, D.C.-based **Carey Winston** doubled the company's size, bringing its leasing portfolio to 63 million square feet valued at \$5 billion and expanding its presence to the Mid-Atlantic region. In January 1999, Transwestern expanded to the Southeast by acquiring Charlotte, NC-based **Percival's Inc.** Percival's provides Transwestern with a variety of commercial and industrial real estate services that had been acclaimed by clients and investors in the Charlotte region.

Dallas-based **Amresco Inc.** has hired New York-based **Goldman, Sachs & Co.** to evaluate the company's strategies and offer alternatives to alleviate its troubled financial situation. Amresco lost \$103.6 million in the last quarter of 1998 due to the shake out in the commercial mortgage back securities market. During the first quarter of 1999, the company has increased credit lines and purchased servicing rights on about \$8 billion in commercial mortgages.

According to the latest available data from the **U.S. Department of Commerce**, direct foreign investment in Texas reached \$72.3 billion in 1996, with about \$49 billion going towards the petroleum and manufacturing industries. The Dutch and the United Kingdom are the primary investors in the state, as UK firms provided 57,000 jobs in 1996. Jobs created by foreign firms totaled 317,000 statewide, or 3.4% of the Texas workforce. The figures placed Texas at second in foreign investment gross book value in 1996, after California and ahead of New York.

A study by the Lancaster, PA-based firm of Martin Associates says that the Port of Houston Authority adds \$5.9 billion to the state and national economy, a 5.4% increase since 1994. The Port

generated \$1.8 billion for the city of Houston by purchasing supplies and services from local companies, and 8,909 jobs were created since the last study. The Port also resulted in \$525.2 million in state and local taxes collected, and \$481.9 million of federal customs revenues.

Although the issue of low density urban sprawl continues to fuel public debate, the **Pacific Research Institute** has shown that U.S. lands used for urban and suburban purposes is less than 5% of the total land area. The **U.S. Geological Survey** has also reported that the amount of land developed is .0006%. And harvestable cropland has actually increased between 1992 and 1997, for a jump of 14 million acres.

THIRD-PARTY LENDERS

Lender(s)	Phone	Units, SF, acreage	Amount, \$000
Apartments			
<i>Frost National Bank</i>	512-473-4751	18	\$160.00
<i>North Houston Bank</i>	281-449-8282	67	\$638.00
<i>North Houston Bank</i>	281-449-8282	60	\$1,012.00
<i>Wallis State Bank</i>	409-478-6151	16	\$175.00
<i>WMC Mortgage Corp</i>	800-662-3032	4	\$41.00
Office Buildings			
<i>American Bank</i>	713-951-7100	90,398	\$1,200.00
<i>Banco Popular</i>	713-463-2500	15,560	\$261.00
<i>Bank of America</i>	214-526-3506	32,828	\$1,000.00
<i>Coastal Bank SSB</i>	713-789-7879	23,720	\$918.00
<i>Coastal Bank SSB</i>	713-789-7879	26,390	\$881.00
<i>Houston Community Bank</i>	281-537-7170	2,280	\$228.00
<i>Metrobank NA</i>	713-776-3876	2,719	\$115.00
<i>Woodforest National Bank</i>	281-604-2000	5,754	\$240.00
<i>Woodforest National Bank</i>	281-604-2000	38,402	\$960.00
Retail Centers			
<i>American First National Bank</i>	713-596-2888	123,687	\$2,470.00
<i>American First National Bank</i>	713-596-2888	4,913	\$334.00
<i>American First National Bank</i>	713-596-2888	105,000	\$2,366.00
<i>Asian American National Bank</i>	713-771-2828	3,700	\$135.00
<i>Bank of Galveston, NA</i>	409-765-2420	7,533	\$390.00
<i>Comerica Bank of Texas</i>	214-969-6678	24,099	\$4,417.00
<i>First Bank of Conroe NA</i>	409-760-1888	6,020	\$130.00
<i>Houston Commerce Bank</i>	713-433-5623	3,119	\$154.00
<i>Metrobank NA</i>	713-776-3876	24,800	\$850.00
<i>New Era Life Insurance Co</i>	281-368-7200	18,480	\$470.00
<i>Riverway Bank</i>	713-881-1235	25,200	\$1,550.00
<i>Southwestern Bank of Texas</i>	713-235-8800	2,625	\$77.00
<i>Texas First National Bank</i>	713-777-3838	18,000	\$590.00
<i>Texas First National Bank</i>	713-777-3838	7,420	\$113.00
<i>Wallis State Bank</i>	409-478-6151	1,800	\$52.00
Vacant Land			
<i>Banco Tejano</i>	713-926-3600	0.32	\$261.00
<i>Bank of America</i>	281-844-6611	50.66	\$160.00
<i>Bank of America</i>	713-247-6000	0.23	\$10,000.00
<i>Coastal Bank SSB</i>	713-789-7879	1.73	\$225.00
<i>Compass Bank - Houston</i>	713-867-1265	23.12	\$200.00

<i>First Bank</i>	713-785-5500	0.50	\$38.00
THIRD-PARTY LENDERS			
<i>First Bank of Texas</i>	281-351-1691	50.00	\$149.00
<i>First Bank of Texas</i>	281-351-1691	4.02	\$40.00
<i>First Bank of Texas</i>	281-351-1691	24.90	\$149.00
<i>First Prosperity Bank</i>	281-332-3595	1.20	\$44.00
<i>Metrobank NA</i>	713-776-3876	0.90	\$500.00
<i>North American Mortgage Co</i>	713-268-4189	0.11	\$194.00
<i>Omnibank</i>	281-999-9225	11.89	\$153.00
<i>Prime Bank</i>	713-209-6600	4.75	\$1,830.00
<i>Sterling Bank</i>	281-486-7800	39.18	\$317.00
<i>Sterling Bank</i>	713-952-6055	26.87	\$340.00
<i>Union Planters</i>	713-869-0351	0.47	\$137.00
<i>Wallis State Bank</i>	409-478-6151	0.23	\$53.00
<i>Wallis State Bank</i>	409-478-6151	0.46	\$120.00
<i>Woodforest National Bank</i>	281-604-2000	20.31	\$35.00
Industrial Facilities			
<i>First Bank</i>	713-785-5500	5,750	\$283.00
<i>First Community Bank</i>	281-996-1000	19,800	\$525.00
<i>Heller First Capital Corp</i>	312-441-7000	50,664	\$1,500.00
<i>Laredo National Bank</i>	956-723-1151	23,670	\$383.00
<i>Merchants Bank</i>	713-869-0351	N/A	\$810.00
<i>Metrobank</i>	713-776-3876	10,000	\$650.00
<i>Omni Bank</i>	281-999-9225	15,941	\$700.00
<i>Southwest Bank of Texas</i>	713-235-8800	6,939	\$228.00
<i>Sterling Bank</i>	713-952-6055	7,500	\$249.00
<i>Sun Life Assurance Co Canada</i>	781-237-6030	79,633	\$1,000.00
Total (not including SF in acreage or units)		927,006	\$43,200.00

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