



# HOUSTON REAL ESTATE TRENDS

EDITED BY PATRICK O'CONNOR, MAI

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## APARTMENTS

Apartment transactions increased in July with 17 projects containing at least 80 units changing hands. There were no foreclosures of a complex with at least 80 units. The 3,529 units sold was up 40.35% from the 2,105 units sold in June and down 82.66% from the 6,446 units sold in July 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 Data Program** is published on a quarterly basis.*

**Bryant Management Company** (281-992-6060), of Friendswood, represented by **Bruce A. Bryant**, purchased the 124-unit **Fall Lake Apartments (0194)** from the **Martin L. Shore Living Trust**. Located at 1415 Greens Parkway, the 15-year-old complex features pitched roofs, a volleyball court and a playground. The class B complex is separately metered for electricity and is 100% occupied with an average rental rate of \$0.69 per square foot. The project is located in north Houston (372S), between Greens Parkway and Ella.

**Beatrice Miller-Brown, Danny R. Leonard and Sandra S. Leonard** (281-457-1391), of Channelview, purchased the 50-unit **Alta Arms Apartments (0802)** from **Alta Interests Ltd., et al** (713-672-1732). Consideration for the 28-year-old complex included a \$363,375 note financed by **Sterling Bank** (281-444-5252). Located at 5117 Lavender St., the Class C complex features pitched roofs and is separately metered for electricity. The complex is 90% occupied, with an average rental rate of \$0.50 per square foot. The project is located in near northeast Houston (454U), west of Lockwood and south of the North Loop.

**Brownstones McCue Ltd.** (972-732-8628), of **Shamrock Management Inc.** of Dallas, represented by **Chris Smith**, purchased the 125-unit apartment complex located at **2400 McCue** from **2400 McCue Ltd.** Consideration for the 36-year-old complex included a \$1.5 million note financed by **Comerica Bank** (214-630-3030). The buyers have **demolished** the Class C complex, and plan **construction of a new 200-unit Class A complex (1100A)** on the site. Construction on the four-story luxury complex will commence early 2000 with occupancy scheduled by year-end 2000. The project will be built over a parking garage, and will feature brick and stucco construction along with a high level of amenities, according to the developer. The project is located in the Galleria area (491U), between Westheimer and McCue.

**Kingspoint Partners Ltd.** (713-974-4292), of Houston, purchased the 252-unit **Green Arbor Apartments (2934)** from **WMFMT Real Estate LP** and **Archon Group LP** (972-831-2200), of Irving, for \$7.5 million (\$29,762 per unit). Consideration included a \$5.59 million note through **Amresco Capital** (214-590-0000). Located at 10601 Sabo Rd., the 20-year-old complex features pitched roofs, a basketball court, tennis courts and a playground. The Class B complex is separately metered for electricity and is 93% occupied with an average rental rate of \$0.70 per square foot. The project is located in southeast Houston (576T), between Fuqua and Kingspoint.

**Pedda Chandra Corp.** (281-444-1585), led by **Chowary Yalamanchili**, president of **CNC Investments**, purchased the 120-unit **Las Brisas Apartments (2731A)** from **WMFMT Real Estate LP** and **Archon Group LP** (972-831-2200), of Irving, for \$1.95 million (\$16,250 per unit). Consideration included a \$1.8 million note financed by **Woodforest National Bank** (713-455-7000). Located at 2701 Pasadena Blvd., the 17-year-old complex features pitched roofs and is separately metered for electricity. The Class C complex is 85% occupied with an average rental rate of \$0.67 per square feet. The Pasadena-area (537T) project is located between Preston and Pasadena Blvd.

**LJH Enterprises Inc.** of Las Vegas (local number: 281-261-6716), represented by **Horace J. Colbert**, purchased the 64-unit **Camden Court Apartments (2812)** from **CFR Camden Court LP**, represented by **Bruce C. Friedman**, for \$1.9 million (\$29,688 per unit). Consideration included a \$1.4 million note financed by **Mitchell Mortgage Corp.** (281-297-7800). Located at 14550 Fonmeadow, the 15-year-old old complex features pitched roofs and is separately metered for electricity. The Class C complex is 96% occupied with an average rental rate of \$0.63 per square foot. The southwest Houston (570H) complex is located between Fondren and Sandpiper.

**Adan and Gloria Cardenas** (713-645-9594) purchased the 90-unit **Lawndale Village (2423)** from **John G. Miller, Trustee** (713-802-9998) for \$1.04 million (\$11,556 per unit). Located at 1500 Lawndale Plaza, the 54-year-old project is separately metered for electricity. The Class D complex is 100% occupied with an average rental rate of \$0.50 per square foot. The southeast Houston (534D) complex is located at the northwest corner of Lawndale and Smallwood.

**Octagon 2000 LLC**, of **Trimark Realty Investments**, (972-690-7108) of Dallas has purchased a portfolio of eight Texas apartments from the **Hansen Group** (817-573-2709) of Granbury. Trimark was represented by president **William E. Baldrige**. **Susan Hill**, of **Holliday Fenoglio Fowler, LP** (713-527-9646), arranged \$47.9 million in financing with **North Houston Bank** and **Lehman Brothers** for the portfolio of 2,156 units, which included projects in Houston, Dallas and Fort Worth. The Houston projects in the portfolio include **Spring Towne Apartments (0443)**, **North Cove Apartments (0500A)**, **Rushcreek Village Apartments (0180)**, **Fawndale Apartments (0409)**, **Quail Creek Apartments (0412)** and **Ravenwood Apartments (0553A)**. The 1,524 units in Houston have an average rental rate of \$0.58 per square foot. The primarily Class B and C properties are situated in Houston's northwest quadrant. Trimark plans to renovate and upgrade each of the recently acquired properties.

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**Martin Fein Interests** has recently begun construction on a 236-unit second phase at **St. Andrews at Silverlake (4025, 4025A)**. Expected to open in March, the project is currently preleasing. The first 236-unit phase of the project was completed earlier this year, and is currently 100% occupied with an average rental rate of \$0.89 per square foot. Buoyed by the early success of the project, Fein has taken an option on an additional tract of nearby land for a potential phase III.

**Holliday Fenoglio Fowler** arranged \$16 million in financing for the 243-unit **Live Oak Apartments (1440)** in Midtown. **Yvonne Wallace**, of Holliday's Houston office, arranged the financing for **Gross Investments**, through **Jefferson Pilot Life Insurance Co.**. The Class A complex was completed earlier this year, and currently boasts a 98% occupancy with an average rental rate of \$1.16 per square feet.

The **Trammell Crow Company** hopes to bring the spirit of Wrigleyville to Houston with their proposed **Ballpark Place**. In addition to providing Astros fans with views of Enron Field that will rival the rooftop perches Chicago Cub fans occupy to view their team, Ballpark Place will feature office and retail space on lower levels. The building will sit beyond the left field fence, 600 feet from home plate. (Even Jeff Bagwell would need a three-wood to hit a ball that could break a window.) Specific details of the project, including height and amount of office space, have not yet been announced, but sources at Trammell Crow indicate that the project will likely contain eight stories of lofts. The development will be situated on a block bounded by Preston, Prairie, Crawford and La Branch, a site currently occupied by the Star of Hope homeless shelter. Star of Hope is currently constructing a new facility eight blocks away, and will subsequently abandon its existing structure. Trammell Crow's project will likely be completed in 2001.

**E & M Property** has purchased the 58-unit **Braeswood Condominiums (2212D)** from **Texas-Ohio Capital LP**. **Jay Gilden** with **CMI Brokerage** represented the seller, while **Dan Mulligan** with **Dan C. Mulligan Real Estate** represented the buyer. The 18-year-old complex features flat roofs and is separately metered for electricity. The southwest Houston project (532L) is located at 2207 South Braeswood, and features an average rental rate of \$0.78 per square foot.

**Equity Residential Properties Trust**, the largest multifamily REIT in the country with nearly 200,000 units, has announced a new marketing arrangement with **Ryland Homes**. Under the program, tenants at Equity's 19 complexes throughout Houston will earn a credit equal to 20% of their monthly rent. This credit can then be applied as a cash payment for the purchase of a new Ryland home, up to 3% of the purchase price. Equity has recently instituted similar programs with builders in other cities.

**Vencor Inc.**, one of the nation's largest nursing home chains, filed for Chapter 11 bankruptcy protection as it attempts to restructure. The firm, burdened by \$1.4 billion in debts, operates 293 nursing homes and 56 long term care hospitals in 46 states. Locally, Vencor operates the 86-bed Houston Vencor Northwest acute care facility and the 46-bed Vencor Bay Area in Pasadena. The firms' financial troubles have been compounded by a series of regulatory problems that have resulted in nearly \$100 million in payments to multiple government agencies.

**Hanover Company**, a Houston-based apartment developer, has purchased a tract of land just west of downtown on which it will reportedly construct a high-rise residential project. The "Sabine Island" tract, located between Buffalo Bayou and Memorial Drive, offers spectacular views of downtown. Hanover has not yet announced firm intentions as to what it will do with the land, but it is expected that the project will not break ground until next Spring. The developer reportedly paid in the vicinity of \$40 per square foot for the land, or \$5 million, therefore a development of high-density appears likely.

The **senior living** industry has undergone a dramatic transformation in recent years, with facilities offering an ever-widening array of services. Newer facilities tend to offer increased levels of amenities, ranging from chandeliers to on-site banks to computers on which residents can e-mail their grandchildren. As the trend away from traditional nursing homes strengthens, facilities have shifted their focus to offering broader ranges of accommodations. Residents who today live independently, may require increasing levels of care as they age, prompting some places to offer services that run the gamut of care.

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## SINGLE-FAMILY HOUSING

Used home sales continue at a record pace, with 5,462 homes sold in August, according to the **Houston Association of Realtors**. August home sales were up 8.3% from last year's figure of 5,045. Available inventory rose slightly to 23,862 from July's 23,029 but still 2% below the August 1998 total of 24,312. The median prices of single-family homes also rose 5.1% from \$101,700 in July 1998 to \$106,900 in 1999. Compared to last August's 77 days, used homes spent 11 fewer days on the market at only 66 days. High rise properties showed a particularly dramatic price increase, rising 41.8% to \$221,000.

New home sales in Houston slowed in August due to a combination of rising prices, rising interest rates and a paucity of available inventory, according to **CDS Market Research**. Home sales decreased from 827 in August 1998 to 727 this year, well below the 824 homes sold in July 1999.

**Wheatstone Investment Group**, headed by **Walter Mischer**, will develop a 500-acre subdivision on part of the 1,800 acre tract it owns on the old **Josey Ranch** in west Houston. The development will be adjacent to a 600-acre development along Cypress Creek by **The Redstone Group** that is centered around a 36-hole golf course. Wheatstone plans to create infrastructure for a 513-acre tract roughly bounded by Cypress Creek, Katy Hockley road, U.S. Highway 290 and Barker Cypress Road. The first phase will include about 140 oversized lots on 200 acres. Parts of the development will front Redstone's golf course. Home prices will start at the \$200,000s.

Home buyers can now tour houses that interest them without rising from their desks. Local independent realtor **Greenwood King** has followed the example of a few national firms by incorporating 360-degree virtual tours on their website (www.greenwoodking.com). The tours provide customers panoramic views of living rooms, dining rooms, master bedrooms and backyards. Potential buyers can search the databases for potential properties and take virtual tours before venturing out to visit properties, providing an electronic open house 24/7.

**Kaufman-Meeks** have announced plans for a fourth Parkside community, **Parkside at Perry**. The development will be located just outside FM 1960 near the Tomball Parkway. The new urbanist community will feature 169 houses ranging from 1,200 to 2,200 square feet on 30 acres the company recently purchased. The Parkside concept features affordable homes on small lots, keeping the most expensive home at Perry at \$110,000. Kauffman and Meeks plan to break ground on the development in 4Q 1999.

Renowned as a city without zoning, Houston is home to five of the nation's 10 most expansive master-planned developments: **The Woodlands (3), Kingwood (6), Sienna Plantation (7), Clear Lake City (9) and First Colony (10)**. These communities allow for many of the benefits typically associated with zoning, while adhering to the notion of limited government.

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## PERMIT ISSUANCE

The City of Houston issued permits to build 397 houses and to demolish 142 houses in August 1999. Permits were issued to build 22 multifamily buildings (88 units) and to demolish 29 multifamily buildings (31 units). Permits for privately owned new non-residential construction totaled \$66,485,754. Public sector permits for new non-residential construction totaled \$33,986,000. Additions, alterations and conversions totaled \$47,611,740 for the private sector and \$15,363,795 for the public sector.

| Total Building Permits, City of Houston |                  |                  |                  |
|---|------------------|------------------|------------------|
|   | 1997             | 1998             | 1999             |
| August                                  | \$ 214,329,176   | \$ 306,794,015   | \$ 297,322,281   |
| Year-to-Date                            | \$ 1,615,966,467 | \$ 2,465,966,467 | \$ 2,089,594,971 |

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## OFFICE BUILDINGS

The number of office building transactions remained even in July 1999 with 2 buildings greater than 40,000 gross square feet in size changing hands, totaling 155,249 square feet. Owners sold both buildings. This month's transactions represent a 91.64% decrease (in square feet) over the July 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 Data Program** is published on a quarterly basis.*

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**PF 520 Post Oak Inc.** (214-989-0800), an entity of **L&B Realty Advisors**, of Dallas, purchased the 155,202 square-foot **520 Post Oak Office Building (041 GAL)** from **520 Partners LTD** (713-784-9591), of Houston, represented by **Tim R. Dunn**, chief financial officer, of **SF Realty Inc.** The 23-year-old Class B building is 97% occupied, with an average annual rental rate of \$20.00 per square foot. The multi-tenant building is located on the northwest corner of Post Oak Boulevard and Briar Hollow Lane at 520 Post Oak Boulevard, in Houston's Galleria area (KMC 491R).

**Research 620183 Ltd.** (512-480-9700), of Austin, represented by **Steven T. Matthews**, president, purchased the 47,000 square-foot **Aerospace Office Building (040 SOW)** multi-tenant office building from **CCI-1150 Gemini Ltd.**, of Austin, represented by **Paul D. Agarwal**. The 2-story, 32-year-old Class C building is 93% occupied with an average annual rental rate of \$14.50 per square foot. The building is located in southeast Houston (KMC 618Q), at 1002 Gemini, on the southeast corner of Diane Lane and Gemini Avenue.

**Crown Life Insurance Co.**, of Saskatchewan, Canada, represented by **Stephan von Buttlar**, assistant vice president, and **Les Miller**, vice president, sold the 34,842 square-foot **Belfort Square Office Building (014 SOE)** to **GSL Investments Inc.** (713-772-1393), of Houston, represented by **Gustave Levey** for a sales price of \$328,000 (\$9.41 PSF). The 25-year-old Class D building is fully unoccupied, with an average annual rental rate of \$9.00 per square foot. The multi-tenant building is located at 6711 Belfort, between Mykawa and Telephone Road, on Houston's southeast side (014 SOE).

The Houston office of **Cushman & Wakefield** ([www.cushwake.com](http://www.cushwake.com)) announced in September the lease negotiation of 7,597 square feet in the **Gateway II Office Building (018 NOE)** by Cosco North America Inc. located at 15333 J.F.K. Boulevard. **H. Lee Goodwin** (713-961-3700), of Cushman's Houston office, represented the tenant in the transaction while **Bob Cromwell** (713-271-5900), of **Moody Ramin**, represented the landlord. The sixteen-year-old Class B building, located at the northwest corner of the N. Sam Houston Parkway and J.F.K. Boulevard, contains 154,325 NRSF and is currently 19% occupied.

The *Houston Business Journal* reported in September that the estimated \$35.1 million sale (\$102.54 PSF) of the 342,292 net square-foot **Tractebel Building (102 GAL)**, located at 1177 West Loop South, was its "Sale of the Month." The buyer, **Cornerstone Real Estate Advisors**, a wholly owned subsidiary of **Massachusetts Mutual Life Insurance Co.**, of Hartford, CT, also owns the building next door at **1001 West Loop (100 GAL)**. The seller, **Prudential Real Estate Investors**, an arm of **Prudential Insurance Co.**, of Atlanta, GA, owned the building for approximately three and a half years, a growing trend of brief ownership for larger institutional investors, says **Rusty Tamlyn**, director of investment sales for **Trammell Crow Co.** The deal, brokered by **Tom Bousquet** and **H. Dan Miller**, of **C.B. Richard Ellis**, signals a renewed confidence by investors in Houston particularly when compared to the general dearth of citywide sales activity seen throughout the first half of the year. Indeed Houston's office market, according to **Logan Brown**, of **Grubb & Ellis**, has begun feeling its way back to normalcy – whatever that in fact may be after the local market's tumultuous two years.

Texas Avenue vs. Main Street: Houston-based **Hines** announced in September its intention to develop a new 32-story 600,000 square foot building on the block bounded by Prairie, Louisiana, Texas and Milam. Many industry watchers are lauding the announced development as a "slam dunk" because of Texas Avenue's strategic east-west position amongst the **Theater District** to the widely publicized **Enron Field** now under construction. In fact, some are speculating that Hines could make Texas Avenue an address as prestigious as the prolific development company made Louisiana Street with the construction of such high profile buildings as **Pennzoil Place (067 DTN)**, **1100 Louisiana Place (032 DTN)**, **One and Two Shell Plaza (031 & 103 DTN)**, and the **Bank of America Center (083 DTN)**. This news comes at a time where many others throughout the industry are endeavoring towards a rejuvenated Main Street of new retail shops amidst renovated and new office buildings. **Century Development**, for instance, continues its search for prospective tenants in order to launch the company's proposed office building at **1000 Main Street (125 DTN)**.

**The Christal Co.** has leased 7,748 square-feet of office space at **Oak Park Centre (238 NOW)**, from **Koll Bren Realty Advisors Houston Portfolio**. The Class B building is located at 14450 T.C. Jester. **Wanda Wilson** of **CB Richard Ellis** represented the landlord in the negotiations.

**Harding Lawson Associates** has leased 6,503 square-feet of office space at **9800 Richmond (166 FAW)**, from **Fraydun Realty**. The Class B building is currently 88% occupied. **Steve Rocher** of **Grubb & Ellis** represented the landlord and **David Raspler** and **Lispah Hogan** of **Studley Co.** represented the tenant in the negotiations.

**Tax Refund Express** has leased 11,750 square-feet of office space at **1050 N. Post Oak Blvd.** from **Moody Rambin Interests**. **Mathew Minnis** of **Moody Rambin Interests** represented the tenant and **Bob Cromwell** of **Moody Rambin Interests** represented the landlord in the negotiations.

**Penta Inc.** has leased 15,476 square-feet of office space at **333 North Belt Office Building (030 NOE)**, from **Harvard Property**. The Class B building is currently 87% occupied. **Julie King** of **GVA Strategies** represented the tenant and **Ann Thompson** of **Lanmark Property Advisors** represented the landlord in the negotiations.

According to the **O'Connor & Associates July 1999 Houston Area Office Data Program**, overall **occupancy** for Houston area multi-tenant office buildings is **85.23% (Class A = 91.95%; Class B = 86.63%; Class C = 68.85%)**. Compared to the current rate, occupancy in the Houston office market is off .41 points in the last twelve months while experiencing its third consecutive quarter of retreating occupancy. In fact, vacancy has increased 1.78 percent since October 1998 when the Houston office market had reached a recent high of 87.01 percent occupancy. Meanwhile, the **overall multi-tenant office building rental rate is \$17.80 per square feet per year**, an increase of \$0.18 or 1.02% over the previous quarter and is 8.01% over 2Q 1998.

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## RETAIL CENTERS

Shopping center transactions decreased in July, with 1 center totaling 52,636 square feet changing hands. This was a decrease of 81.54% from the 285,195 square feet sold in July 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 Data Program is published on a quarterly basis.*

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**Petereit Investments** (281-370-7062), of Humble, purchased the 33,450 square-foot **Midway Center (120 NEA)** from **Midway-James LP**, represented by **Henry Houck Jr., GP**. Consideration included a \$1.33 million note financed by **Standard Mortgage Investors**. The 14-year-old multi-tenant center is 73% occupied with an average rental rate of \$0.75 per square foot. The retail center is located in East Houston (496H) at 12751 East Freeway, at the northwest corner of I-10 and Normandy.

**Star Tex Distributors Inc.** (281-277-0077) of Stafford, represented by president **Karim Ali Momin**, purchased the 24,018 square-foot **Crossroads Shopping Center (039 NEA)** from **Crossroads Partners Inc.** (516-877-1677) of Mineola, NY, represented by **Manoucher Malekan**. Consideration included an \$825,000 note financed by **Navigation Bank** (713-223-3400). The 15-year-old multi-tenant center is 75% occupied with an average rental rate of \$0.75 per square foot. The retail center is located in Humble (337X) at 5020 FM 1960 E, the southwest corner of Twigsworth and FM 1960.

**Gerland's Realty Inc.** (713-746-3000) purchased the single-tenant retail center at **10 Uvalde (183 NEA)** from **Gocar Associates LP**, of Jericho, NY. Gerland's paid \$900,000 (\$29.71 per square foot) for the 15-year-old center, which they will fully occupy. The 30,290 square-foot center is located in east Houston (457T) at the southwest corner of the intersection of Uvalde and Wallisville.

New York-based **Ashford Plaza, Ltd.**, of **Mid National Investments Inc.**, represented by **Vickie Martin**, president of Mid National, purchased the 52,636 square-foot **Ashford Plaza (047 FWE)** from **Samir and Suad Khalaf** of Laguna Niguel, CA. Consideration for the 15-year-old center included a \$1.3 million note financed by **North Houston Bank** (281-449-8282). The multi-tenant center is 58% occupied with an average rental rate of \$0.93 per square foot. The center is located in west Houston (488Z) at 3505 South Dairy Ashford.

**Gray Falls Shopping Center LLC** (760-347-3469), of Indio, CA, led by trustee John P. Hooten, purchased the 20,155 square-foot **Gray Falls Center I (079 FWE)** from **Gray Falls Center 91, Ltd of Situs Inc.** (713-626-7700), led by GP Martin D. Bronstein. The 16-year-old multi-tenant center is 90% occupied with an average rental rate of \$1.20 per square foot. The center is located in west Houston (489S) at 12000-12120 Westheimer.

**Westheimer/Fountainview Property** purchased the 20,750 square-foot multi-tenant retail center located at **5887 Westheimer (102 NRW)** from **Persico Inc.** (310-475-5819), of Los Angeles, CA, led by president **Bob Yari**. The 9-year-old center is 86% occupied with an average rental rate of \$2.00 per square foot. The center is located in near west Houston (491T) at the southwest corner of Westheimer and Fountainview.

**5860-5888 Westheimer Ltd.** (281-331-5288) of Alvin, led by GP **Spectrum Westheimer Inc.** and president **Robert Boschen**, purchased the 39,339 square-foot **Spectrum (081 NRW)** retail center from **Wafra Spectrum, Inc.**, led by VP **Edward J. Ryan**. Consideration included a \$7.1 million note financed by **GE Capital Corp.** (972-728-7555). The 18-year-old center is 96% occupied with an average rental rate of \$1.80 per square foot. The multi-tenant center is located at 5848 Westheimer in near west Houston (491T) between Fountainview and Augusta.

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**Sweetland Properties** purchased the 16,000 net square-foot **Austin Parkway Center II (170 FSW)** from **Randall's Properties**. The 5-year-old center sits on 5.9 acres at the southwest corner of Texas Highway 6 and Austin Parkway in far southwest Houston (609A). The multi-tenant center is 100% occupied with an average rental rate of \$1.50 per square foot. **A. David Schwartz III** of **REOC Property Services** and **Frank Lee** of **Dreams Come True Realty** represented the buyer, while **Cyndee Smith** of **Shelby Estus Realty Group** represented the seller.

**Texas School of Business** leased 8,550 square feet of retail space at **FM 528 at Blackhawk (068 FSE)** from **528/Blackhawk Venture**. **Frank Onorato** with **Grubb & Ellis** represented the tenant, while **Mike Latima** with **Shopping Center Management** represented the landlord. The Friendswood-area center is 100% occupied with an average rental rate of \$0.55 per square foot.

**Factory 2-U** has leased 25,480 square feet of retail space at **Northtown Plaza (123 NNW)** from **CenterAmerica Property Trust**. The 39-year-old center is located at the northeast corner of I-45 and Tidwell. Factory 2-U has additionally leased 19,286 square feet of space at Uvalde and I-10 in the **Northshore West (091 NEA)** from CenterAmerica. In both transactions **Loch Cook** represented the lessee, while **Mike Parker** represented CenterAmerica.

San Antonio-based **H-E-B Grocery Co.** has announced plans for its **upscale grocery store** in Houston. Known locally as the purveyor of the Pantry format, emphasizing discount prices in smaller stores, the new store at **Westheimer and Fountainview (214 NRW)** represents H-E-B's new commitment to grander stores in the Houston area. The 48,000 square-foot facility will feature an enlarged produce section, bakery, deli and a large fountain out front. The store is one of three in Houston H-E-B plans for next year, each averaging approximately 50,000 square feet.

Fort Worth based **Crescent Real Estate Equities** has announced its vision of a **retail and entertainment complex** near the George R. Brown Convention Center. Crescent owns more than twenty acres on 11 separate blocks on the east side of downtown. If the center reaches fruition, it will feature 200,000+ square feet of open-air pedestrian friendly shops, restaurants and entertainment on up to eight acres. While no timetable has been announced, and sources at Crescent indicate the center is far from a certainty, construction could commence within 12 months. The center would be just east of Crescent's **Park Shops (068 INL)**, a 190,000 square-foot retail center catering to downtown office workers. The new center would be oriented toward fans attending Astros' games at Enron Field and others making downtown a social destination.

The southwest regional office of **First Union Bank** (713-787-7120) announced in September the closing of long-term fixed rate financing for the **Gray Falls Center I (079 FWE)** located at 12100 Westheimer Road in far west Houston (KMC 489S). **Clay B. Wright** of First Union's Real Estate Capital Markets division represented First Union Bank, the sixth largest in the nation. The sixteen-year-old multi-tenant retail center contains 20,155 square feet with 2,000 contiguous space available. **Jim Bayne**, of **Investar Real Estate Services** (713-464-1001), administers leasing and management.

In September, **Trammell Crow Company** (713-963-1000) and **Granite Properties Inc.** announced the purchase of a portfolio consisting of five retail centers in Texas, Florida and Kentucky. According to Trammell Crow Company, the venture, valued in excess \$100 million, marks the second between the two in a strategic alliance that began earlier this year. The properties contained in the recent acquisition include the 410,047 square-foot **First Colony Commons (135 FSW)** and the 319,000 square-foot **Baybrook Square Shopping Center (057 FSE)**, both of which are more than 97% occupied.

**CIN Briargrove LP**, of Houston, purchased **Briargrove Retail Center (074 NRW)**, from **Briargrove Shopping Center JV**, for an undisclosed amount. The 115,000 square-foot multi-tenant center is 95% occupied with an average rental rate for \$1.58 per square foot. **Ed Farris**, of **NAI/Partners Commercial**, and **Marvin Stapper**, of **M.M. Stapper**, represented CIN in the negotiations.

**Cencor Realty Services** is moving forward with a sizeable grocery-anchored shopping center in Pearland. The Dallas-based company announced it is breaking ground on a 102,000 square-foot shopping center anchored by a 67,000 square-foot **Kroger Signature store**. The shopping center, located at the northeast corner of FM 518 and Cullen Boulevard, will be named **Silverlake Village** and is expected to be completed by the summer of 2000. **The Weitzman Group** (713-868-9961) will administer leasing operations on behalf of the owner.

According to the **O'Connor & Associates August 1999 Houston Area Retail Data Program**, overall **occupancy** for Houston area multi-tenant shopping centers (excluding those proposed or under construction) is **86.71%**, an increase of .34% since May and a .95% increase in overall multi-tenant occupancy since August 1998. Approximately **738,000 square feet were absorbed in the August survey period**, and despite some excess construction, this positive absorption trend is unlikely to be adversely affected mostly due to increasingly flexible leasing options or softer terms (higher TIA). As a result, **overall multi-tenant rents retreated \$0.04 PSF at \$1.43 per square foot** in the third quarter of the year.

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## VACANT LAND

Land sales increased in July, with 247 tracts totaling 4,112 acres changing hands. There were 2 foreclosures by former owners. The 247 sales rose 5.26% from the 234 sales in May and increased 29.96% from the 173 sales in May 1998.

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**Westchase Section Three Partners** (713-888-4000), in conjunction with **The Staubach Company**, purchased 137.4 acres in the newly renamed **Oak Park at Westchase** from **Haliburton Co.** (713-624-2000). The purchase is part of a 225-acre business park that was originally started 25 years ago by **Halliburton**. The park was long thought to be only a corporate campus, but is now slated to become a corporate office park. The park is located in southwest Houston (529C) near the intersection of Beltway 8 and Harwin.

Also in **Oak Park at Westchase**, **Westchase Section Three Partners** (713-888-4000), represented by **Greg L. England**, has sold 69.4 acres to **Talisman Sugar Corp.** (904-396-6600), of Jacksonville, FL, represented by **G John Varey**, VP. **Means/Knaus** (214-360-1850) and the **St. Joe Company** expect to develop **2.2 million square feet of office space** on the land. The land is expected to be annexed into the nearby **Westchase District**.

**240 Stockton St. GP**, of San Francisco, CA, represented by **Leland Spiegelman**, has purchased **1.12 acres** of commercial vacant land at **315 North Sam Houston Parkway** from **Georgetown Trust**, represented by trustee **Ralph Taylor**. Consideration included a \$450,000 note financed by **Artesia Mortgage Capital Corp.** (425-313-4600). The land is located in north Houston (373S) at the northwest corner of Sam Houston Parkway and Ronan Rd.

**HEB Grocery Corp.** (210-938-8000), of San Antonio, represented by VP Jim D. Sloan, purchased **6.58 acres** of vacant land from **John O. Harris Interests LP** (281-487-6760), of Pasadena. The land is located in southeast Houston (578G) at the southwest corner of the Fairmont Parkway and Jana. HEB plans to construct a grocery store on the site.

**Dominion Development Corp.** (713-668-2900), represented by **Daniel Williams**, purchased **14.45 acres** of vacant land from **CAD Associates** (281-497-0093), represented by **Carl S. Doehring**. The property is located at the southeast corner of Pinemont and Golf Dr. in near northwest Houston (452Q). Consideration included a \$155,000 note financed by **Houston Housing Finance Corp.** (713-461-2749). The grantee plans to erect a religious facility on the site.

**Tommy and Peggy Bickel** (713-686-8500) have purchased **3.01 acres** of commercial vacant land from **Richard Wissing** (281-448-1912). Consideration included a \$58,840 note financed by **Southwest Bank of Texas** (713-235-8800). The property is located on West Tidwell, east of Antoine in northwest Houston (451C). The grantee has no current plans to build on the site.

**Longmire Self Storage LP**, of **JSG Management Inc.** (281-492-2980), represented by president **Brenda Koltz**, purchased **3.66 acres** of commercial vacant land at **1810 Fry Road** from **Granite Properties Inc.** (916-791-5991). Consideration included a \$1.75 million note financed by **Brenham National Bank** (409-836-4571). The land will house a mini warehouse. The property is located in west Houston (446Y) on the east side of Fry Rd. north of Park Row.

**Estate Land Co.** (281-531-7626), represented by **Aaron Wiese**, purchased **21.6 acres** of vacant land off Barker Cypress from **Neil C. Morgan, ET AL.** (713-840-9911). While no definitive plans for the site have been established, the west Houston land (447W) is envisioned as a potential apartment development site. The property is located on the west side of Barker Cypress, primarily north of South Park View.

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**Raju Patel and Pinakin Patel** purchased a **5.84-acre tract of land** located at Interstate 45 and Kurland, just inside the South Belt, from **Saloar S.A. James A. Garrity** of **Cushman & Wakefield** negotiated the transaction. The buyer plans to use the land as a future development site for retail activities.

**Hardy Rawls/Ken Rickli** purchased **26.96 acres** of land on the Hardy Toll Road south of Rankin Road from **Smith International**. **Gary A. Mabray** and **Cappy Ricks** of **Colliers International** represented the seller, while **Stephen George** of **Stephen George, Inc.** represented the buyer.

**1092, Ltd.** purchased 3.4069 acres of land in **Greenbriar Southwest, Section 4**, in Stafford from **Northgreen Park, Inc.** James H. Glanville of **Colliers International** represented the seller and was the sole broker involved in the transaction.

Fort Worth-based **Woodmont Companies** recently acquired **243 acres of land** in the northeast quadrant of the intersection of Reading Road and US 59. **Home Depot** will anchor the first phase of retail development on the land. Garden-style office buildings, restaurants, a hotel and residential uses are all planned for the Rosenberg development.

**Raymond R. Betz Interests, Inc.** sold a 24-acre parcel on Beltway 8. **Vantage Houston** will develop a light industrial project on the site, which sits south of Bissonnet.

**Raymond R. Betz Interests, Inc.** recently purchased two tracts of land. Both sites are considered for mixed-use development. A **35-acre site** at Interstate 10 and Westgreen Blvd. is envisioned as a potential apartment or retail site, while an **11.5-acre site** on Airtex at Blue Ash is situated in an area where Betz has sold multiple sites for restaurants and hotels.

**Chemcentral Corporation** has purchased **20.6 acres** on Mykawa Rd. from **FEF Family LP**. The site will likely be used for industrial development. **John Talhelm** of **Cushman & Wakefield** represented the buyer, while **Doyce Toups** of **Grubb & Ellis** represented the seller.

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## INDUSTRIAL FACILITIES

Industrial building sales decreased in June, with 59 buildings totaling 1,521,878 square feet changing hands. There were no foreclosures. Owners sold 58 buildings with one foreclosure. The 59 sales were up 10.61% from the 59 buildings sold in June and down 41.58% from the 101 sold in July 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 Data Program** is published on a quarterly basis.*

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**5919 Jessamine Ltd.**, of **Image Holdings Inc.** (713-772-2811), represented by **Patricia A. Walters**, purchased a 103,238 square-foot warehouse located at **5919 Jessamine (4143)** from **Teledyne Industries Inc.** of Los Angeles, CA. The Houston-based buyer paid \$1.9 million (\$18.40 psf) for the 35-year-old building, which features tiltwall construction, dock and semi-dock high loading and sprinklers. The fully occupied single tenant facility is located in southwest Houston (531F), at the southwest corner of Jessamine and Renwick.

**McIver & Smith Fabricators Inc.** (281-458-2651) purchased a 33,000 square-foot manufacturing facility at **8101 E Mount Houston (0990)** from **ABM Industries Inc.** of Pasadena, represented by president **Brij Agrawal**, for \$1.5 million (\$45.45 psf). Consideration included a \$700,000 note financed by **The Money Store Investment Corp.** (800-562-6937). The 18-year-old building features metal construction, grade high loading and crane service. The fully occupied single tenant facility is located in northeast Houston (415L), on the north side of E Mount Houston east of Sheridan.

**GSL Investments Inc.** (713-772-1393) of Houston, represented by president **Gustave S. Levey**, purchased a 48,530 square-foot office/warehouse located at **6628 Gulf Freeway (4419)** from **Genevieve Bailey** for \$1.2 million (\$24.73 psf). The 39-year-old building features metal construction, dock high loading, sprinklers and a 12-foot clearance height. The fully occupied single tenant facility is located in southeast Houston (534H) off I-45, between Griggs Road and Loop 610.

**GSL Investments Inc.** (713-772-1393) of Houston, represented by president **Gustave S. Levey**, purchased a 19,950 square-foot office/warehouse at **3920 Stoney Brook (2508)** from **Mike Kang** and **Sang Mi** for \$475,000 (\$23.82 psf). The 39-year-old building features tiltwall construction, grade level lading, sprinklers and a 12-foot clearance height. The vacant facility is located in southwest Houston (490Z) on the west side of Stoney Brook.

**5514 West 34<sup>th</sup> Corp.** of Blackwell, represented by president **Hugo Verhaeghe**, purchased a 37,693 square-foot warehouse at **5514 West 34<sup>th</sup> St. (1560)** from **PMM Investment Casting Inc.** (713-681-0681), led by president **G. S. Lazzara**, for \$825,000 (\$21.89 psf). Consideration included a \$600,000 note. The 34-year-old facility features metal construction and semi-dock loading. The fully occupied single tenant facility is located in northwest Houston (451Q) on the north side of West 34<sup>th</sup> east of Antoine.

**Y & J Properties Ltd** (713-468-1426) of Houston, represented by **Howard M. Chong**, purchased an 10,560 square-foot warehouse at **9449 Emnora Ln. (1367)** from **Goodwin-SBO LP** for \$375,000 (\$35.51 psf). The 20-year-old warehouse features metal construction and 12-foot clearance heights. The fully occupied single tenant facility is located in west Houston (450Q) at the southeast corner of Emnora and Campbell.

**Ronald A. Wickes**, of Houston, purchased a 10,000 square-foot office/warehouse located at **4101 Airline (2071A)** from **Lapine Trucks & Trailers Inc.** for \$240,000 (\$24.00 psf). Consideration included a \$192,000 note financed by **Omnibank** (713-747-7000). The 37-year-old facility features metal construction, grade level loading and 20-foot clearance heights. The vacant facility is located in north Houston (453P) at the northwest corner of East 40 1/2 and Airline Dr.

**John D'Angelo** (409-762-3229), of Galveston, purchased a 17,820 square-foot office/warehouse located at **3312 Laura Koppe (2140A)** from **William C. Robbins** (281-446-3021) of Humble for \$195,000 (\$10.94). Consideration included a \$170,000 note financed by the grantor. The 21-year-old facility features metal construction, grade level loading and a 16-foot clearance height. The fully occupied single tenant facility is located in north Houston (454E) north of Berry Rd.

**Invesco Realty Advisors** (972-715-7400), through a collection of entities including **Westway Business Center Inc., Pineway Business Center Inc. and Flex Place One Inc.**, purchased a portfolio of 15 industrial buildings totaling 395,704 square feet from **Transwestern Investment Company** and its related entities **Southwest Flex Partners I LP** and **Transwestern Kirby NW LP**. The facilities are located in west and northwest Houston, including **Westport Business Park (2617, 2618, 2620A), Westway Business Center (1089), Pineway Business Center (1308A, 1309A, 1332, 1333) and 4900 Langfield Road (1335)**.

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California-based **Alliance Financial Investment Services Inc.** has purchased **Westway Business Park, Phase III (3895)**, a 58,000 square-foot service center at 8000 Harwin, from **Westway Phase III Ltd. Susan Kunkel-Thomas** with **International Capital Inc.** represented the buyer, while **Larry Indermuehle** with **Indermuehle & Co.** represented the seller.

**Divested Information Technologies Inc.** has leased 36,450 square feet of office/warehouse space at **15150 Sommermeyer (0638H)** in the **West by Northwest Industrial Park**. **Glen Mireles** of **CB Richard Ellis** negotiated for the tenant, a Pennsylvania-based records management and storage firm, while **Jim Nelson** of **Dienna Nelson Augustine Co.** represented the landlord, **AMB Property Corp.**

**APRIA Healthcare, Inc.** signed a 10-year lease for 30,697 square feet of office/warehouse space in **Trade Center III (0307)** at 18120 Ammi Trail. APRIA will house their Mid-South regional operations at this facility, providing distribution, warehousing, repair and billing services for Texas and Louisiana.

**Kerr McGee Oil & Gas Corporation** renewed and expanded their lease at **747 Kenrick (0364A)**. They now occupy 20,900 square feet of space, which they use for offsite records storage.

**Banta Corp.** has leased 259,200 square feet in **West By Northwest Business Park** from **WBNW I LP**. A portion of the lease was for current occupancy, with the remainder under construction by **Transwestern Commercial Services** for January occupancy.

**Weingarten Realty Investors** purchased **Claywood Industrial Park (1324H)** from **Sandvik Rock Tools Inc.** The 329,600 square-foot warehouse is 100% occupied. WRI plans to develop an additional 400,000 square feet of industrial space at the 40-acre site. WRI has purchased \$64.3 million of retail and industrial properties in the first half of 1999.

**Stewart & Stevenson Services Inc.** leased 105,000 square feet of space in the **Westhollow Distribution Center (3751)** at 4023 Westhollow Park Drive. **Ross Matthews** of **Trammell Crow Co.** negotiated on behalf of landlord **AP-Prescott Bridgestone LP**, while **Brown Berry & Co.** represented the tenant.

Houston-based **Moody Rambin Interests** has merged with the smaller **Minnis Cos.** **Matthew Minnis** will be president of Moody Rambin Industrial Realty, while **James Y. Vann** will join the industrial division as a senior vice president. Minnis founded Minnis Cos. in 1992 after seven years with **Trammell Crow Co.**; Vann joined Minnis the following year.

**Greif Bros. Corp.** leased 96,400 square feet of manufacturing and distribution space in northwest Houston. The 122-year-old industrial packaging company contracted with **Houston Northwest #1 and #2 Associates** for **9230 and 9280 Baythorne Drive**, where Greif Bros. will produce 55-gallon plastic drums. Greif Bros. is one of the five oldest public companies in the United States, with more than 100 plants and offices throughout the US and Canada. **Bob Berry** of **The Staubach Co.** represented Greif Bros., while **Mike Handel** of **Insite Realty** represented the landlord.

**Plano Vistas Ltd.** purchased 2.7 acres of land housing a 41,170 square-foot office/warehouse from **James K. Skipton Jr.** The property is located at **16337 Park Row (1047)** in Park Ten. **James Glanville** of **Colliers International** and **Duke Woodward** represented the seller, while **Marshall Clinkscales** of **MSC Properties** represented the buyer.

**International Rags** will occupy a 100,000 square-foot distribution center to be constructed in the **Northpoint East** business park. International Rags recycles old clothing, typically material that has been rejected by social service agencies, into rags. The building will be located in Houston's east side at **7050 Bennington** near Homestead. **Howard Castleberry** of **GSL Constructors** will develop the building; **Cypress Realty** is the developer of the park.

**Timothy and Nancy Carnes** purchased 10,411 square feet of warehouse/distribution space at **5626-28 Star Lane** from **Peveto Co.** **Mark Nicholas** and **Drew Beeson** with **The Staubach Co.** represented the buyer, while **Doyle Toups** and **Nick Limperos** with **Grubb & Ellis** represented the seller.

**Fabrics & More International** leased 12,500 square feet of warehouse/distribution space at **8700 Scranton (5095)** from **Landreth Metal Forming.** **Mark Lehman** with **Grubb & Ellis** represented the tenant, while **Mark Drumwright** with **Caldwell Watson** represented the landlord.

**101 Products LLC** leased 29,350 square feet in the **Pine Forest Business Park** located at 392 Garden Oaks Blvd. The lease brings the park's occupancy to 96%. **David Hudson** of **Trammell Crow Company** represented the landlord, **Houston Pine Forest, Ltd.**, while **Troy McMane** represented the tenant.

**Quad Partners (dba Dale Industries)** purchased a 68,000 square-foot manufacturing facility located on 5.16 acres at **308-317 Hughes Street (3445)** from **L&J Manufacturing Co.** **L. Michael Wallace** and **Cappy Ricks** of **Colliers International** represented the seller, while **Ron Roberson** of **Caldwell Watson Real Estate** represented the buyer.

**Kinghorn, Driver, Hough & Co.** arranged \$5,000,000 in permanent loan financing for **PBV-USA, Inc.** for an industrial facility at **12735 Dairy Ashford** in Stafford. **Business Men's Assurance** provided the actual financing.

**Foxshire Partnership** has purchased two manufacturing facilities from **Del Commercial Properties.** One facility is a 45,095 square-foot building on 1.256 acres at **14209 Natalie (4998A)**, while the other is a 17,292 square foot building on 1.928 acres at **301 Foxshire (4998).** **Jim Foreman** of **Cushman & Wakefield** represented the seller, while **Don Haley** of **Haley Martin & Associates** represented the buyer.

**Pamsil, S.A.** has leased 14,282 square feet of office/warehouse space in the **Post Oak Distribution Center 2 (1741)** at 1241 North Post Oak from **Prologis Trust.** **Jim Foreman** of **Cushman & Wakefield** represented the tenant, while **Tom Pardee** of **Prologis** represented the landlord.

**Mirex Aquapure Solutions, LLC** has leased 11,953 square feet of office/warehouse space in the **Silber Business Park (1725)** from **TIAA Realty, Inc.** **Ron Robertson Foreman** of **Cushman & Wakefield** represented the tenant, while **Darrell Noon** of **Transwestern Property** represented the landlord.

**Iron Mountain Records Management** has leased 54,000 square feet of office/warehouse space in the **Pine Forest Business Center 9** at 3502 Yale Street from **Prologis Trust.** **Jim Foreman** of **Cushman & Wakefield** represented the tenant, while **Tom Pardee** of **Prologis** represented the landlord.

**Caldwell Watson** continues to develop the **Greens Crossing Business Park (0287A, 0288).** The Houston-based firm has completed a 45,000 square-foot warehouse (0288) and has another 90,000 square-foot warehouse under construction on the 50 acres it owns in the park. Caldwell Watson plans to build up to 1 million square feet of warehouse space in the park over the next five years.

**Trammell Crow Company** has announced the reorganization of the marketing organization for their Houston Industrial Division. Previously, Trammell Crow allowed all marketing executives to work across submarkets; under the new arrangement each representative will be assigned to a specific submarket. The arrangement is designed to allow for a greater deal of expertise by the representatives. **David Hudson, Faron Wiley** and **David Darilek** will handle the Northwest/Central; **Rick Ellis** will handle the North; **Ross Matthews** will cover the Northeast/Southeast; and **Greg Egan** will handle the Southwest.

**Cushman & Wakefield** has formed a strategic alliance with **Norman Levy Associates** to provide their clients complementary and coordinated asset liquidation and sales services. The two firms have worked together informally for the past year. Levy specializes primarily in asset sales through auction, liquidation and Internet sale.

According to the **O'Connor & Associates July 1999 Houston Area Industrial Data Program**, overall **occupancy** for Houston area multi-tenant industrial facilities (excluding those proposed or under construction) is **83.87%**, an decrease of 2.25% since April and a 2.75% decrease in overall multi-tenant occupancy since July 1998. **Overall multi-tenant rents remained steady at \$0.37 per square foot** in the most recent quarter.

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## ECONOMIC & FINANCIAL NEWS

The **number of wage and salary jobs** in the 6-county Houston area increased by 9,600 jobs to 2,050,200 in September 1999 from 2,040,600 in August 1999 and increased 2.0 percent by 41,100 jobs from 2,009,100 in September 1998, according to the Texas Workforce Commission. Houston's unemployment rate, though, gained 0.1 points to 4.6 percent in September; meanwhile the September 1999 statewide unemployment rate likewise moved up 0.1 points. As a result, the state rate of 4.5 percent remains slightly higher than the national rate, which dipped 0.1 points in September 1999, of 4.1 percent.

**September's job gains were largely in government as the completion of school staffing for the new academic year was responsible for approximately 13,000 new jobs.** According to the Texas Workforce Commission, most of September's decreases were found in manufacturing and trade, which lost 1,000 and 1,600 positions respectively. Meanwhile, the Houston MSA has gained 41,100 (2.0%) jobs since September of last year. Services and Trade accounted for 71% of the yearly increase.

**National sales of new single-family homes jumped 2.9% in August, as consumers shrugged off higher mortgage rates and home prices,** according to a **Census Bureau** report released on September 30<sup>th</sup>. The annual rate of new-home sales increased to 983,000 units from a revised 955,000 in July (initially reported as 980,000). The report surprised analysts, who had expected new-home sales to decline, as have sales of existing homes.

The **U.S. economy expanded at an inflation-adjusted annual rate of 1.6%** from April through June, the **Commerce Department** reported on September 30<sup>th</sup> in its final estimate of second-quarter gross domestic product (GDP). The growth rate of the economy's output was the slowest in four years and down sharply from the 4.3% rate during the first three months of this year. The report may have underestimated the momentum of the economy because inventory growth was very low in the quarter. But given that consumer demand remained strong, the inventory figures could indicate a need for greater production to replenish store shelves, warehouses, and car-sales lots; some analysts thus expect figures for third-quarter economic growth to be back in the 4% range. The GDP price deflator - the broadest measure of inflation - showed second-quarter prices rising at an annual rate of only 1.3%, down slightly from previous estimates.

**Consumer confidence dipped in September**, but remained at historically high levels, according to the **Conference Board**, a business research organization. While people's faith in current economic stability rose, their expectations of what is coming over the next several months were less positive. The survey, released September 28<sup>th</sup>, is considered an indicator of consumer spending, which accounts for two-thirds of U.S. economic activity.

**Personal spending rose 0.9% during August, outstripping a 0.5% increase in personal income**, the **Commerce Department** reported October 1<sup>st</sup>. The national savings rate, savings as a percentage of after-tax income, was -1.5%, meaning that Americans were not only spending all they made, but also taking on debt or dipping into savings to pay for purchases.

The **manufacturing sector expanded in September for the eighth month in a row**, according to the **National Association Purchasing Management's** monthly survey. The group said its activity index was 57.8, compared with 54.2 in August. Any reading higher than 50 indicates the sector is expanding.

**Orders to factories for durable goods** - products such as cars and machinery, which are expected to last three years or more - **rose 0.9%** in August. Increased orders were received by auto and airplane factories, while orders for steel, electronics, and industrial equipment declined.

Freeways comprise only 2% of the mileage of Houston's road network while carrying 60% of the traffic, says **Chris Olavson**, Houston planning director for the state transportation department. In what could be described as nothing less than a "love-hate relationship," Houston's freeways bear the weight of the local economy and its general mobility. Consequently, **several new local freeways are on drawing boards**: **Spur 5**, started in the 1980s, recently had a new leg finished which redefines the eastern boundary of the **University of Houston** and the **Texas Department of Transportation** plans to develop it all the way to the Sam Houston Tollway/Beltway 8; **Grand Parkway**, a third ring around Houston; **Texas 146**, a short segment of existing road built into a freeway from La Porte north to the Fred Hartman Bridge, with an interchange to 225; **Texas 249**, the creation of a "Tomball Pass," essentially an extension of the existing freeway in northwest Harris County from North Sam Houston Tollway/Beltway 8 up towards the west side of Tomball; **U.S. 90**, between 2002-08, the state will extend the road east from FM 2100 to the East Loop at I-10 East; **Westpark Toll Road**, the Harris County Toll Road Authority is planning to buy the old Southern pacific rail tracts next to Westpark from METRO and create a toll road running west for 13 miles from the Galleria to Texas 6 with limited entrances; **Fort Bend Tollway**, connecting Beltway 8 at Hillcroft and heading south to Texas 6 along the eastern edge of Missouri City, crossing the Brazos River to the Grand Parkway in the undeveloped Thomsons area.

The **Houston City Council voted 10-4** in September to put Mayor Lee Brown's plan for the city **to build and finance a convention center hotel** on the fast track. Essentially, the council approved a resolution authorizing the city to begin work on choosing a site, a developer and an operator for the hotel, develop a marketing plan, seek investment bankers, conduct a financing feasibility study, identify an architect and select bond counsel for the project which is expected to cost as much as \$180 million to build. Council also voted unanimously to begin similar preparations for the \$110 million expansion of the George R. Brown Convention Center.

**Viacom** announced in early-September that it will be **acquiring CBS Inc. for \$37.3 billion**, a transaction that is the biggest media merger yet, thus creating in the process the world's second-largest media company after **Time Warner**. If the merger is completed, the acquisition would add a major broadcast television network, fifteen CBS-owned television stations and the nation's largest group of radio stations to a media portfolio that includes the highly profitable MTV, VH1 and Nickelodeon cable networks, the Paramount film studio and the Blockbuster video-rental chain. The acquisition places the last of the original big broadcast networks into the hands of a conglomerate. **General Electric** has owned **NBC** since 1985, and **Walt Disney Co.** purchased **ABC** in 1995 for \$19 billion, the previous record-setting media merger.

**CB Richard Ellis** and the **Prudential Insurance Company of America** announced in early-September the formation of an alliance under which **CB Richard Ellis will be the lead broker of Prudential's corporate real estate portfolio**. Prudential Commercial Services, the company's commercial brokerage arm, will continue to handle portions of the corporate real estate portfolio and will team with CB Richard Ellis to ensure the account has full national coverage. As part of the alliance, CB Richard Ellis will drive business back to Prudential's residential and commercial real estate network and its relocation businesses. Also part of the agreement, CB Richard Ellis will place approximately \$50 million annually in residential and commercial referral through the company's full-service real estate brokerage franchiser, Prudential Real Estate Affiliates.

**Transwestern Commercial Services** added a **New York City office** while also purchasing a portfolio of six office and service center/flex buildings totaling 500,000 square feet plus additional land from **Highwoods Properties**, the company announced in August. Meanwhile, **Transwestern has merged with The Highland Co.**, of the Washington D.C. area, to add development services capabilities that the regional **Transwestern-Carey Winston** operation was lacking. In yet another acquisition announced last month, Transwestern is taking an 85% stake in a one million square foot **MONY Life Insurance** portfolio. Both of the aforementioned acquisitions will go into the Aslan fund, which closed on \$400 million of capital commitments so far and will be between \$450-\$500 million when complete. Including the deals just closed, the fund currently has \$350 million in assets.

Setting the pace for the rest of the nation, **Arizona, Nevada and Texas registered the fastest rates of employment growth throughout the United States between 1996-1998**, according to a study released in September by the **American City Business Journals**. Texas ranked third by expanding its nonfarm employment base by 8.27% from a 1996 average of 8.25 million jobs to a 1998 figure of nearly 8.94 million. The American South and West regions together hold the top seven places in the rankings. At the bottom of the list were the District of Columbia (-1.24%) and the state of Hawaii (-0.15).

**Crude oil prices punched past \$23 a barrel in early-September**, driven upwards by reports showing the nation's stockpile of oil is declining faster than previously thought and ahead of the winter heating season. The drop prompted some industry observers to declare the nation's oil glut will soon be history. Current estimates state there are approximately 300 million barrels of excess oil supplies on world markets – an amount that is likely to be depleted by the end of the 4Q 1999. Of course, oil ministers from the **Organization of Petroleum Exporting Countries (OPEC)** have also contributed to the stronger prices by generally respecting the quotas implemented earlier in the year and, as such, have stated that their current quotas are expected to remain unchanged until March 2000. Nevertheless, after trading in the \$22 per barrel range throughout late-September, oil markets were looking for direction from the latest inventory releases by the **American Petroleum Institute (API)** and the **Energy Information Administration (EIA)** in recent weeks. Unfortunately, a clear signal failed to emerge. The latest inventory data provide a mixed picture for markets, as crude oil inventories increased for the second week in a row (10/8-10/15/1999) and inventories of gasoline and distillate fuel oil declined unexpectedly. The net impact will likely be somewhat bullish, say analysts, since the large declines for such useful products will provide support for crude oil prices.

Just when the TIRZ headlines began to subside, the **Katy ISD and the City of Katy announced on September 1<sup>st</sup> the striking of a deal for a tax reinvestment program worth as much as \$100 million over the next 25 years.** The program will allow the two entities to use their shared property tax income from the **new Katy Mills Mall (164 FEW)** to build a multipurpose center for city and school district use and to pay for school district projects within the zone's boundaries. Final details are still in negotiation.

Facing an estimated \$10 million deficit, the **Houston Community College System trustees approved in September the first-ever property tax increase.** The ½ cent increase will be effective later this year with the mailing of property tax bills. However, this recent tax increase is expected to bring yet another next year because the college district has opened seven new facilities in recent years, which increased operating costs. The average tax rate among Texas community colleges is \$0.14 per \$100 valuation. Along with the recent tax increase, the trustees also approved a \$5 per credit hour tuition increase for all students whether they live within or without the district. The additional tax and tuition hikes are expected to generate an additional \$5.1 million, enough to cover a \$4.3 million shortfall this year but falls short of correcting the deficit itself, according to **Joseph Fenniger**, HCC chief financial officer.

In an effort to reduce costs as well as be near the center of U.S. petroleum and petrochemical production along the Gulf Coast, **Fina Inc.** stated in September it would be **moving its headquarters along with 500 employees to Houston next year.** The decision to relocate from Plano reflects major changes at the U.S. arm of **Total Fina** following a series of acquisitions made earlier in the year. For instance, Fina's parent, **PetroFina**, of Brussels, Belgium, was purchased by **Total**, of Paris, France, to create Total Fina. The new company is now in the process of acquiring **Elf Aquitaine**, subsequently making Total Fina the fourth largest oil company in the world. After the Total Fina-Elf Aquitaine merger, the combined company will have approximately 1,150 employees in the Houston area, and could ultimately reach as high as 1,650. A Houston site selection is currently underway with relocation to be completed by mid-2000.

## THIRD-PARTY LENDERS

| Lender(s)                       | Phone        | Units, SF, acreage | Amount, \$000 |
|---------------------------------|--------------|--------------------|---------------|
| <b>Apartments</b>               |              |                    |               |
| American First National Bank    | 713-596-2888 | 148                | \$10,948.00   |
| Atlantic Industrial Trust       |              |                    | \$90.25       |
| General Electric Capital Corp.  | 972-728-7555 | 292                | \$3,000.00    |
| North Houston Bank              | 281-449-8282 | 200                | \$4,135.00    |
| North Houston Bank              | 281-449-8282 | 556                | \$10,948.00   |
| North Houston Bank              | 284-449-8282 | 108                | \$2,187.00    |
| North Houston Bank              | 281-449-8282 | 192                | \$3,763.00    |
| North Houston Bank              | 281-449-8282 | 224                | \$4,782.00    |
| Sterling Bank                   | 713-952-6055 | 50                 | \$363.00      |
| <b>Office Buildings</b>         |              |                    |               |
| Chase Bank                      | 713-216-4865 | 39,802             | \$13,096.00   |
| First Bank                      | 713-785-5500 | 29,362             | \$320.00      |
| Southwest Bank of Texas         | 713-895-1366 |                    | \$2,300.00    |
| Texas Premier Bank              | 281-391-4900 | 9,100              | \$423.00      |
| <b>Retail Centers</b>           |              |                    |               |
| American First National Bank    | 713-596-2888 | 4,520              | \$70.00       |
| American First National Bank    | 713-596-2888 | 3,570              | \$375.00      |
| Bank United                     | 713-543-6604 | 2,600              | \$1,250.00    |
| Boca Raton First National Bank  | 561-347-2300 | 4,710              | \$190.00      |
| First Bank                      | 713-785-5500 | 9,246              | \$293,500.00  |
| First National Bank of Bellaire | 713-666-2511 | 8,395              | \$315.00      |

# THIRD-PARTY LENDERS

| Lender(s)   | Phone        | Units, SF, acreage | Amount, \$000       |
|---|--------------|--------------------|---------------------|
| <b><i>Retail Centers (con't.)</i></b>               |              |                    |                     |
| General Electric Capital Corp.                      | 972-728-7555 | 39,339             | \$7,100.00          |
| Laredo National Bank                                | 210-723-1151 | 800                | \$127.50            |
| Metrobank   | 713-776-3876 | 5,600              | \$75.00             |
| Metrobank   | 713-776-3876 | 6,500              | \$300.00            |
| Navigation Bank                                     | 713-699-9800 | 24,018             | \$825.00            |
| Prime Bank  | 713-209-6600 | 8,960              | \$320.00            |
| Standard Mortgage Investors                         |              | 32,300             | \$1,330.00          |
| Sterling Bank                                       | 713-682-6611 | 16,750             | \$200.00            |
| <b><i>Vacant Land</i></b>                           |              |                    |                     |
| Amresco Independence Fund                           | 972-247-1776 | 0.70               | \$150.00            |
| Artesia Mortgage Capital Corp.                      | 425-313-4600 | 1.12               | \$450.00            |
| Citizens Bank & Trust Co.                           | 281-427-5771 | 10.01              | \$68.80             |
| Commercial State Bank                               | 713-692-3565 | 1.93               | \$85.85             |
| Compass Bank of Houston                             | 713-261-3336 | 0.88               | \$97.00             |
| Crest Mortgage Co.                                  | 972-866-9920 | 5.00               | \$81.00             |
| Frost National Bank                                 | 210-220-4011 | 1.61               | \$249.50            |
| Horizon Capital Bank                                | 281-332-5521 | 55.06              | \$437.50            |
| Houston Housing Finance Corp.                       | 713-522-4663 | 14.45              | \$155.00            |
| Inwood National Bank                                | 214-358-5281 | 3.41               | \$268.20            |
| Merrill Lynch Credit Corp.                          | 904-218-6000 | 0.78               | \$96.30             |
| New South Federal Savings Bank                      | 205-951-4000 | 13.08              | \$180.00            |
| Prime Bank  | 713-209-6600 | 0.63               | \$96.00             |
| Prime Bank  | 713-209-6600 | 0.80               | \$475.00            |
| Southwest Bank of Texas                             | 713-759-9086 | 3.01               | \$58.84             |
| Sterling Bank                                       | 713-952-6055 | 4.53               | \$353.27            |
| Woodcreek Bank                                      | 281-955-0044 | 1.18               | \$22.40             |
| Woodforest National Bank                            | 713-455-7000 |                    | \$152.00            |
| <b><i>Industrial Facilities</i></b>                 |              |                    |                     |
| Compass Bank  | 713-869-1550 | 50,616             | \$852.00            |
| Horizon Capital Bank                                | 713-461-1300 | 8,973              | \$263.50            |
| Klein Bank  | 281-376-7160 | 3,600              | \$168.00            |
| Money Store Inv. Corp., The                         | 913-446-5000 | 18,000             | \$700.00            |
| Nations Bank of Texas                               | 214-745-5504 | 37,693             | \$600.00            |
| Omnibank  | 713-747-9000 | 11,400             | \$192.00            |
| Security Commercial Mortgage                        |              | 139,400            | \$1,103.30          |
| Sterling Bank                                       | 281-444-5252 | 11,369             | \$261.00            |
| Sterling Bank                                       | 281-444-5252 | 7,208              | \$100.00            |
| <b>Total (not including SF in acreage or units)</b> |              | <b>533,831</b>     | <b>\$374,893.21</b> |

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