



HOUSTON REAL ESTATE TRENDS

EDITED BY PATRICK O'CONNOR, MAI \$199 PER YEAR VOLUME 18 NUMBER 11 JANUARY 2004

APARTMENTS

Low mortgage rates, feeble job growth, and excessive construction have led to declining occupancy levels, negative absorption, and flat rents. While we anticipate an increase in demand in 2004, the large number of new units hitting the market does not bode well for apartment fundamentals in coming year.

To maintain overall market occupancy as it stands, at least 16,000 units would need to be absorbed in 2004, a situation that is highly unlikely. Conversely, if no units are absorbed in 2004, occupancy will plunge by more than 3 basis points. A more realistic scenario of 4,000 to 5,000 units absorbed in 2004 will force occupancy down to around 87% over the course of the year. Class A vacancy, meanwhile, will likely exceed 20% by year-end 2004.

According to the O'Connor & Associates **4th Quarter 2003 Houston Apartment Data Program**, overall **occupancy** for Houston area apartments projects is **89.37%** (Class A = 85.40%; Class B = 90.39%; Class C = 91.09%; Class D = 88.10%). Occupancy is down 2.69 points from the fourth quarter last year and 0.64 points from the past quarter. The overall monthly **rental rate** is **\$0.783 per square foot** (Class A = \$1.042; Class B = \$0.770; Class C = \$0.642; Class D = \$0.524). Overall rents are up \$0.014 from the fourth quarter last year and \$0.002 from the past quarter.

*Note: The multifamily projects listed herein are followed by their representative identification number as they appear in O'Connor & Associates' **Houston Apartment Data Program** and are provided for subscriber cross-referencing. The property information contained within this database is updated and published on a quarterly basis (contact us for more information).*

- According to the **National Multi Housing Council's (NMHC) Survey of Apartment Market Conditions**, the apartment sector continues to improve. The **Market Tightness Index**, which reflects changes in vacancy and rental rates, dropped to 52 in 4th quarter 2003 from 54 in 3rd quarter 2003. The **Sales Volume Index** dropped to 52 in 4th quarter 2003 from 57 in 3rd quarter 2003, indicating fewer sales in the market. The **Equity Financing Index** rose to 61 in 4th quarter 2003 from 54 in 3rd quarter 2003, indicating that investors see apartments more favorably. The **Debt Financing Index** rose to 64 in 4th quarter 2003 from 43 in 3rd quarter 2003, indicating that borrowing conditions are improving.

- The **Board of Regents of the University of Texas System** (512-499-4402) approved design and funding for a new \$22.5 million student housing project serving the **UT Health Science Center at Houston** in the Texas Medical Center (532H). The 315-unit housing project is slated for completion in August 2005.
- **Allied Realty Services** (713-622-5844) is developing the **Retreat at Cypress Station (0060)**, a 296-unit complex at 18200 Westfield Place (332K) on 17.5 acres recently purchased from **North Harris Montgomery Community College System**. The complex will contain one- and two-bedroom units averaging 933 square feet. It will feature slated roofs and will be separately metered for electricity. The project slated to finish in September 2004. In the land sale, **David Martin** of **Haley Martin & Associates** represented the buyer, while **Todd N. Edwards** and **Charles H. Herder** of **Colliers International** represented the seller.
- **Verandah Cos.** (713-365-0100) is developing the **Verandah At Meyerland (2154M)**, a 238-unit four-story project at 4620 N. Braeswood (531R), and is renovating the adjacent nine-story **Aramco Building (2154N)** at 9009 West Loop S. into a 63-unit apartment project. The rents in the newly constructed project will average \$1,250 per month and \$1,900 per month in the hirise. The first units will be delivered in May 2004. Plans for a second phase with 174 additional units are underway.
- **Gables Residential Trust** (561-997-9700) is planning **Gables River Oaks (1273)**, a 144-unit apartment project located at the corner of Revere and Branard streets (492U). The project will feature four stories of apartments on a two-story parking garage, with the first units available in Spring 2005. Units will range from 600 to 1,300 square feet, and will feature hardwood floors, stainless steel appliances, and granite countertops. Projected rents are approximately \$1.70 per square foot. The land was pieced together from 5 separate owners over the past year.

The following chart illustrates historical apartment rents.



Denver, CO-based **Pauls Real Estate Partners, LP** purchased the **Estates at Memorial Heights (1407H)**, a 437-unit apartment complex located at 616 Memorial Heights in Memorial Estates (493J), from a partnership between the **Morgan Group** and **Amstar Group, Ltd.** The 2-year-old Class A complex is 95% occupied with average rents at \$1.32 per square foot. The property features pitched roofs and is separately metered for electricity. The asking price for the property was \$54.1 million. **Paul Manley** of **Pauls Real Estate Partners, LP** represented the buyer, while **G. Craig LaFollette**, **J. Todd Stewart**, and **Todd Marix** of **CB Richard Ellis** represented the seller.

Sterlingshire, Ltd. purchased **Sterlingshire Apartments (0828)**, a 190-unit apartment complex located at 9002 Sterlingshire in northeast Houston (455C), from **San Antonio Government Holdings II**. The 32-year-old Class C complex is 85% occupied with average rents at \$0.66 per square foot. The property features pitched roofs and is separately metered for electricity.

SINGLE-FAMILY HOUSING

MLS home sales decreased in January, as 2,911 homes were sold, down from the 4,821 homes sold in December, according to the **Houston Association of Realtors (HAR)**. Sales for January 2004 were down 2% from January 2003. The median price of a used single-family home sold in January was \$126,000, down 3% from January of last year, while the average home price was \$162,390, was up 1% from the January 2003 level. *Note: MLS sales include primarily used home sales throughout the Houston region. Historical comparisons are offered solely for informational purposes and may not truly reflect growth in sales.*

According to **American MetroStudy Corporation**, net sales of new homes decreased in December to 1,540, or 1% percent below the December 2002 figure of 1,550. Realtor co-op sales represent 61% of net sales, up 1% from December 2002. Traffic is down 2% from last year, from 25,655 in 2002 to 25,042 in December 2003. The inventory of completed speculative homes (1,915) is 28% above last year's inventory of 1,692 homes. There are 3,373 spec homes under construction, which is 23% over the 2002 number of 2,641. Overall, the 5,288 specs (both completed and under construction) represent a 22% increase over the 4,333 specs of one year ago. *Note: the 26 homebuilders in this survey account for approximately 61% of housing starts in Houston.*

Nationwide sales of new single-family homes decreased in December to a seasonally adjusted annual rate of 1,060,000, 5.1% below the November sales rate of 1,117,000 according to a release by the **U.S. Department of Commerce**. The median sales price was \$197,600. Single-family housing starts were at an annual rate of 2,088,000 in December, 1.7% above the November figure. Single-family housing completions were at an annual rate of 1,710,000 in December, 0.2% above the November figure. National vacancy rates for rental housing rose 0.3% to 10.2%, while homeowner vacancy rates were slightly down to 1.8% in the 4th quarter. Both rental and homeowner vacancy rates were lowest in the suburbs, and higher in Central Business Districts and outside Metropolitan Statistical Areas.

Mike Inselmann, president of **American MetroStudy Corporation**, predicted 34,000 to 36,000 new homes in the Houston area in 2004 in his annual forecast to the **Greater Houston Builders Association**. These construction levels will be reached if interest rates remain low and if Houston gains 35,000 jobs. Houston had 37,800 home starts in 2003, a total not likely to be exceeded in 2004, according to Inselmann.

The **Department of Housing and Urban Development** has proposed an initiative to offer "zero down payment" mortgages, whereby the minimum of a 3% down payment on FHA-insured mortgages for first-time buyers of single-family homes would be eliminated. Although a somewhat higher insurance premium would be charged to the participant of such a program, projections indicate that the new option would produce 150,000 additional homebuyers in 2005.

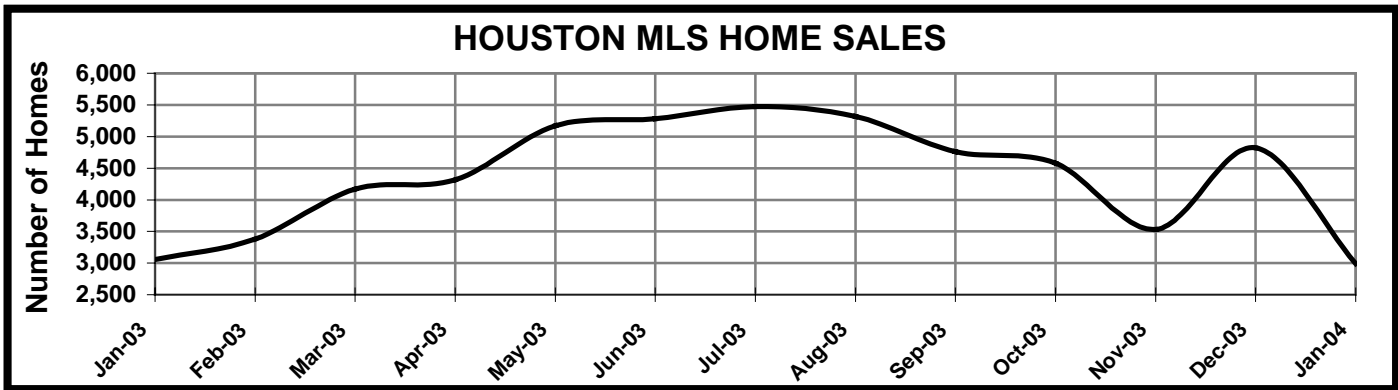
The **City of Houston Code Enforcement Group** has increased its fees on building permits for residential and commercial construction from \$0.04 per square foot to \$0.05 per square foot and minimum fees for building and trade permits have increased for \$2.00 to \$5.00 each. The fees will go to hiring 36 new employees at the Code Enforcement Group to help handle the increasing workload the office has experienced in recent years. The additional of new employees should improve services and shorten approval time for permits.

Texas homebuilders, contractors, and remodelers must register with the **Texas Residential Construction Commission** and pay a \$125 fee by March 1, 2004. An officer, manager, or managing partner designated as an agent in a corporation or a variety of partnerships must register as a builder. The fees are to enable the commission to register new homes with the state, oversee state inspections and dispute resolution processes, and adopt building and performance standards and limited statutory warranties.

The **National Association of Home Builders' (NAHB)** monthly **Housing Market Index**, a measure of builder confidence, declined 2 points to 68 from December to January on a scale where any number greater than 50 indicates that builders view sales as more good than poor. The index measuring sales of new single-family homes dropped 3 points to 74 and the index measuring sales expectations for the coming 6 months fell 2 points to 75.

Prudential Real Estate Affiliates (713-654-2197) purchased **eRealty**, a Houston-based real estate brokerage that operates over the Internet. eRealty's brand name will gradually be phased out as it's technology is adapted for use by Prudential.

The following chart illustrates historical MLS home sale activity.



Source: Houston Association of Realtors

Midway Residential, Inc. (281-350-9400) is developing **Spring Trails**, a 4,000-home subdivision that will have 310 homes in the first phase. Spring Trails will be located east of Hardy Toll Road and north of Bush Intercontinental Airport. **Perry Homes** (281-335-8830) and **Darling Homes** (281-353-1037) are constructing model and speculative homes on lots in the subdivision, with the grand opening expected in approximately three months.

Land Tejas Development (713-783-6702) is developing **Sterling Lakes**, a 4,000-home master-planned community on 1,400 recently purchased acres near Texas 288 and CR 56 in Brazoria County (653E). Construction is slated to begin in late 2004. In the land sale, **Carrinton Weems** of **Weems & Co.** represented the buyer, while **Bernard Perlmutter** represented **Matt Pasternack**, the seller of a 250-acre tract. **Legacy Trust** was the seller of the adjoining 1,150-acre tract.

Scottsdale, AZ-based **Millennium Development Corp.** and **Marhaba Partners, Ltd.** are developing **Olympia Estates**, a 1,170-acre development along the proposed Fort Bend Parkway in Missouri City (610Q). The master-planned community will include 2,422 single-family residences, 165 townhomes, and 380 condominium units, with 273 acres of land reserved for commercial use.

Johnson Development Corp. (713-960-9977) plans to develop **Tuscan Lakes**, an 870-acre community located at the corner of State Highway 96 and FM 270 in League City (659Q). The community will include 2,000 homes, with 47 acres reserved for apartments and 144 acres reserved for commercial development. Completion of the first homes is slated for Spring 2005. The community will feature a 28-acre park with a 20-acre lake, a pedestrian trail system, 160 acres of open space, and three recreational centers.

Ashton Woods Homes (281-561-7773) is planning to develop **Southern Trails**, a 1,500-home residential development on 522 recently purchased acres along CR 48 between FM 518 and CR 59 in Brazoria County (612U). The community will feature lakes, parks, and jogging trails with homes expected to sell for between \$100,000 and \$300,000. Construction of utilities, drainage, and roads is under way, with the first homes slated for delivery in the 1st quarter of 2005.

Group LSR (713-805-5717) is planning the **Doma Condominiums**, an 80-unit development located west of Waugh Dr. between West Gray and Allen Parkway (492R). The 2-building project will consist of four floors of one-, two-, and three-bedroom units on top of a one-story parking garage. Units will range in size from 776 square feet to 1,237 square feet and feature 10-foot ceilings. Preconstruction pricing starts at \$116,000, with large units fetching \$199,000.

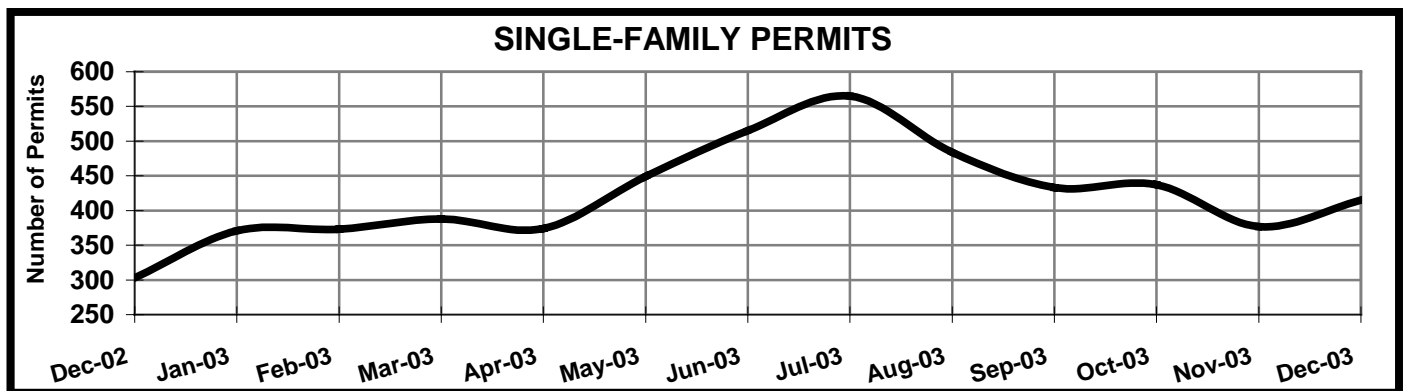
PERMIT ISSUANCE

The **City of Houston** issued permits to build 415 private single-family houses and 18 private multifamily projects with 258 units. Demolition permits were issued for 172 private single-family houses and 3 private multifamily projects. In addition, 203 permits were issued for privately owned non-residential construction totaling \$28,469,056 and 4 permits were issued for public non-residential construction totaling \$1,927,610. Additions, alterations and conversions totaled \$67,146,404 for the private sector and \$20,247,177 for the public sector.

Cost of Construction*

	2001	2002	2003
Month of December	\$ 371,007,722	\$228,603,745	\$202,941,628
Year-to-Date	\$ 3,694,052,544	\$3,300,254,484	\$3,517,842,505

* The figures in this section include all categories of buildings and non-building structures



Source: City of Houston

OFFICE BUILDINGS

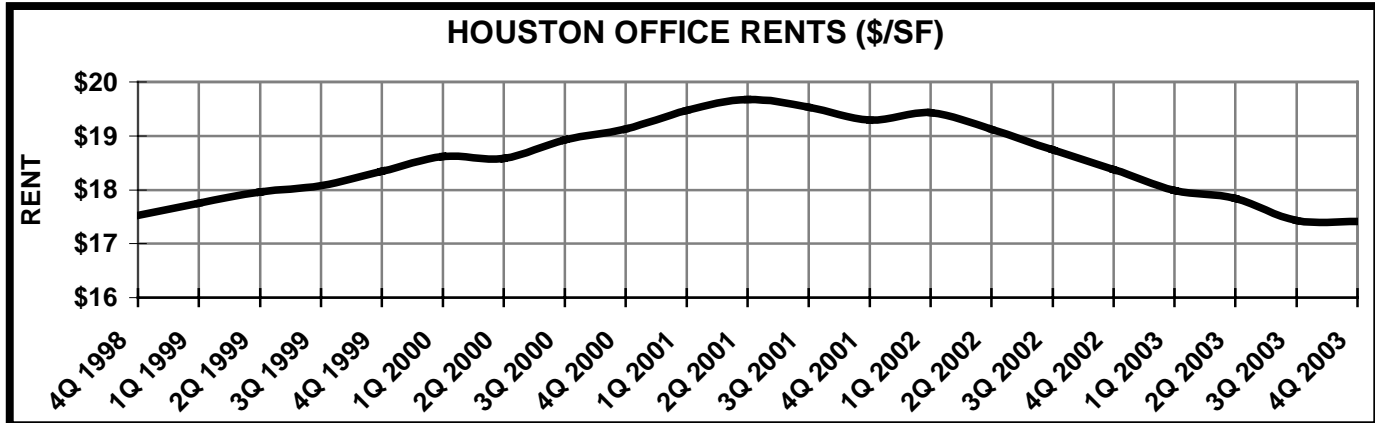
Strong growth over the second half of last year pushed overall 2003 job growth into the black. Demand for office space is typically a lagging indicator behind job growth, so improving job growth numbers augur well for the local office market in 2004. Though construction activity has mercifully slowed, large blocks of vacant space remain on the market. Fourth quarter numbers suggest that the Houston office market has begun to slow its descent, but this is still very much a tenants' market.

According to the O'Connor & Associates **4th Quarter 2003 Houston Office Data Program**, overall **occupancy** for Houston area multi-tenant office buildings is **81.71%** (Class A = 84.15%; Class B = 80.30%; Class C = 78.95%; Class D = 77.78%). Occupancy is down 3.00 points from the third quarter last year and 0.41 points from the past quarter. The overall annual multi-tenant office **rental rate** is **\$17.41 per square foot** (Class A = \$19.40; Class B = \$16.73; Class C = \$13.68; Class D = \$10.94). Overall rents are down \$1.00 from the third quarter last year and \$0.07 from the past quarter.

*Note: The office buildings listed herein are followed by their representative sector code and identification number as they appear in the O'Connor & Associates **Houston Office Data Program** and are provided for subscriber cross-referencing. The property information contained within this database is updated and published on a quarterly basis (contact us for more information).*

- **Planned Community Developers** (281-242-2000) is planning **Lake Pointe in First Colony (SFC 211)**, a mixed-use development on the south side of the Fluor Daniel campus, north of the intersection of the Southwest Frwy. and State Highway 6, and south of Brooks Lake and Oyster Creek (568X). Planned Community Developers has contracted to purchase 186 acres for the development, which tentatively consists of six to 10 offices buildings totaling 2 million square feet, a considerable number of high-priced residential projects including condominium towers and single-family homes, and approximately 400,000 square feet of retail space. In the land sale, **David Cook, Jeff Peden, and Marshall Davidson of Cushman & Wakefield** are representing the seller, **Fluor Daniel**. The sale is expected to go through in April 2004.
- **Tuscany on the Bayou, Ltd.**, a group of local doctors, is planning a 50,000 net square foot medical office building on 4.9 recently purchased acres in the 200 block of W. Sam Houston Parkway S. in west Houston (489M). The owners will occupy between 15,000 and 20,000 square feet and will lease the remainder to medical tenants. In the land sale, **Cliff Brock of Realty Associates** represented the buyer.
- **Hunting Path Partners** is constructing **Pineroft Medical Plaza (TWC 074)**, a 30,000 net square foot medical office building on 3.3 recently purchased acres at 9253 Pineroft Dr. across from **Memorial Hermann The Woodlands Hospital** (251D). The building will feature between 10 and 15 medical suites. Letters of intent have been inked for 40% of the space. Construction of the two-story building should be completed by October 2004. In the land sale, **Greg Jordan of The Woodlands Operating Co.** represented the seller, **The Woodlands Operating Co.**

The following chart illustrates historical office rents.



Hartman Management (713-467-2222) purchased three office buildings in the Houston area. The **North Belt Atrium I (GNB 072)**, a 118,372 net square foot building located at 15311 W. Vantage Parkway, is a 23-year-old Class B building with 80% occupancy and average rents at \$14.00 per square foot. The **North Belt Atrium II (GNB 073)**, a 105,217 net square foot building located at 15355 W. Vantage Parkway, is a 21-year-old Class B building with 88% occupancy and average rents at \$14.00 per square foot. Each was purchased from the **Praedium Group**. **John Crossin** and **Julian Kwok** of **Hartman Management** represented the buyer, while **John Dailey** of **PM Realty Group** and **Jeff Hertz** of the **Praedium Group** represented the seller. Hartman also purchased **Gulf Plaza (KFW 003)**, a 119,943 net square foot building located at 16010 Barkers Point Ln. in west Houston (488A), from **Transwestern Commercial Services**. The 22-year-old Class B building is 92% occupied with average rents at \$18.75 per square foot. **John Crossin** and **Julian Kwok** of **Hartman Management**, **Richard Rudd** and **Kent Peters** of **Granite Partners**, and **Rudy Hubbard** and **Randy Peterson** of **Transwestern Commercial Servicers** handled the sale.

The Lionstone Group (713-533-5860) purchased **Waterway Plaza One (TWC 048)** and **Waterway Plaza Two (TWC 049)**, a pair of 3-year-old Class A office building in The Woodlands (251H), from **Anadarko Petroleum Corp.** Waterway Plaza One, located at 10003 Woodloch Forest, has 226,000 net square feet and is 40% occupied with average rents at \$26.00 per square foot. Waterway Plaza Two, located at 10001 Woodloch Forest, has 142,000 net square feet and is 67% occupied with average rents at \$26.00 per square foot. Included in the sale is a 1,300-car structured parking garage. **Jeff Holliden** and **Jim Savage** of **Holliday Fenoglio Fowler** represented the buyer, while **Gerry Trione** and **Steve Hesse** of **CBRE/Trione & Gordon** represented the seller.

Boston-based **Franklin Street Partners** (919-489-2600) purchased **Eldridge Green**, a 247,596 net square foot building located at 1293 Eldridge Pkwy. in west Houston (488L), from **Westbrook Partners** and **Crow Holdings, Inc.** The 5-year-old Class A building is 100% leased, with 99,036 square feet of space available for sublease at an asking rate of \$17.50 per square foot. **Richard Rudd** of **Granite Partners** represented the seller.

Texas Equity Partners, LLC (713-783-5388) purchased **Briar Forest Crossing (WES 058)**, a 93,828 net square foot office building located in the Westchase district (489R), from **State Farm Life Insurance Co.** The 25-year-old Class B building has average rents at \$19.00 per square foot. At the time of sale, the building was 46% occupied, but the new leasing agent, **Mark Preston** of **Moody Rambin Interests**, quickly brought the recently renovated building's occupancy to 77%.

NextiraOne switched a 186,777 square foot sublease to a direct lease in the **Williams Tower (GAL 062)**, a 1,545,378 net square foot Class A office building at 2800 Post Oak Blvd. in the Galleria area (491U), from **Hines** (713-621-8000). The 20-year-old building is 92% occupied with average rents at \$21.00 per square foot. **Jim Cooksey** and **Kathy Bellinger** of **Jackson & Cooksey** represented the tenant, while **Ronnie Martin** and **Michael Anderson** of **Hines** represented the landlord.

The law firm of **Chamberlain, Hrdlicka, White, William & Martin** renewed and expanded their lease to 55,178 square feet at **Two Allen Center (CBD 074)**, a 991,425 net square foot Class A office building in the Central Business District (493Q), from **Trizec Corp.** The 27-year-old property is 98% occupied with average rents at \$12.75 per square foot. **Charles Gordon** and **Steve Hesse** of **CBRE/Trione Gordon** represented the tenant, while **Paul Frazier** of **Trizec Corp.** represented the landlord.

Coats, Rose, Yale, Ryman & Lee, LLP leased 50,371 square feet in **Three Greenway Plaza (GPL 020)**, a 518,578 net square foot building (492X), from **Crescent Real Estate Equities** (713-840-1170). The 33-year-old Class A building is 95% occupied with average rents at \$20.50 per square foot. **Ron C. McWherter** and **Jay W. Cliburn, Jr.** of **CBRE/Trione & Gordon** represented the tenant.

Clear Channel Communications leased 50,000 square feet at **2000 West Loop S. (GAL 117)**, a 356,750 net square foot building in the Galleria area (491R), from **CMD Realty** (713-840-6500). The 33-year-old Class A building is 75% occupied with average rents at \$22.00 per square foot. **Andre Granello**, **Mary Dadura**, and **Randy Wilhelm** of **NAI Partners Commercial** represented the tenant, while **Michelle Wogan** of **CB Richard Ellis** and **Lee Moreland** of **CMD Realty** represented the landlord.

Citibank leased 22,585 square feet in **Three Allen Center (CBD 007)**, a 1,194,719 net square foot building located at 333 Clay St. in the Central Business District (493Q), from **Trizec Corp.** (713-651-1515). The 24-year-old Class A building is 69% occupied with average rents at \$12.75 per square foot. **Ron C. McWherter** and **Jay W. Cliburn, Jr.** of **CBRE/Trione & Gordon** represented the tenant.

Farmers Insurance leased 19,017 square feet in **480 North Belt (GNB 033)**, a 101,510 net square foot building located at 480 N. Sam Houston Parkway E. in the Greenspoint area (373S), from **Oak Leaf Management** (713-541-9724). The 24-year-old Class B building is 94% occupied with average rents at \$14.50 per square foot. **Bob Seal** of **Oak Leaf Management** represented the landlord, while **Bruce Dewberry** of **USI** represented the tenant.

Frost Bank renewed 18,816 square feet in **Pin Oak Office Park (BWU 016)**, a 200,705 net square foot building located at 6750 West Loop S. in Bellaire (531G), from **FRM West Loop Associates 6, Ltd.** The 27-year-old building is 95% occupied with average rents at \$18.50 per square foot. **Charles Gordon** of **Trione & Gordon/CBRE** represented the tenant, while **Jerald King** and **Virgil Hydes** of **Navisys Group** represented the landlord.

Cbeyond Communications leased 18,000 square feet in **One Riverway (GAL 070)**, a 481,222 net square foot building in the Galleria area (491L), from **CIGNA** (860-726-2837). The 27-year-old Class A building is 86% occupied with average rents at \$21.50 per square foot. **Ron C. McWherter** and **Jay W. Cliburn, Jr.** of **CBRE/Trione & Gordon** represented the tenant.

Wachovia Securities renewed an 18,000 square foot lease in **Two Houston Center (CBD 018)** and a 12,118 square foot lease in **First City Tower (CBD 019)**. Two Houston Center is a 1,024,956 net square foot building located at 909 Fannin in the Central Business District (493Q) owned by **Crescent Real Estate Equities** (713-840-1170). The 30-year-old Class A building is 93% occupied with average rents at \$20.50 per square foot. First City Tower is a 1,333,312 net square foot building located at 1001 Fannin in the Central Business District (493Q) owned by **F C Tower Property Partners** (713-651-7841). The 23-year-old building is 93% occupied with average rents at \$20.50 per square foot. **Ron C. McWherter** and **Jay W. Cliburn, Jr.** of **CBRE/Trione & Gordon** represented the tenant.

First Investors Financial Services, Inc. renewed their lease and expanded to 17,028 square feet at **675 Bering Dr. (GAL 018)**, a 135,643 net square foot building located in the Galleria area (491K), from **Goddard Investment Group** (404-442-5500). The 22-year-old Class B building posts average rents at \$17.50 per square foot. **Dan F. Boyles, Jr.** of **NAI Partners Commercial** represented the tenant, while **David Carter** of **Yancey-Hausman** represented the landlord.

Bradmark Technologies leased 16,010 square feet in **Chase Bank – River Oaks (GAL 077)**, a 207,534 net square foot building located at 4265 San Felipe (491R) from **BMS Management** (713-621-3222). The 20-year-old Class A building is 91% occupied with average rents at \$19.50 per square foot. **Randy Wilhelm** and **Rob Banzhaf** of **NAI Partners Commercial** represented the tenant, while **Steve Rocher** and **Kristen Porter** of **Grubb & Ellis** represented the landlord.

RETAIL CENTERS

Retail finished the year with the highest annual absorption in over eight years, absorbing more than 4 million square feet (SF). Dramatically high yearly absorption in Regional Malls and Neighborhood Centers overpowered the negative absorption in Community Centers. Overall occupancy is up over the last quarter and the last year, though quarterly fluctuations were noticeable among the four categories. Rental rates lingered at \$1.50 per square foot (psf), unchanged over the last quarter, remaining at the highest level on record. All except Community Centers posted increases over the last year, though only Strip Centers posted an increase this quarter.

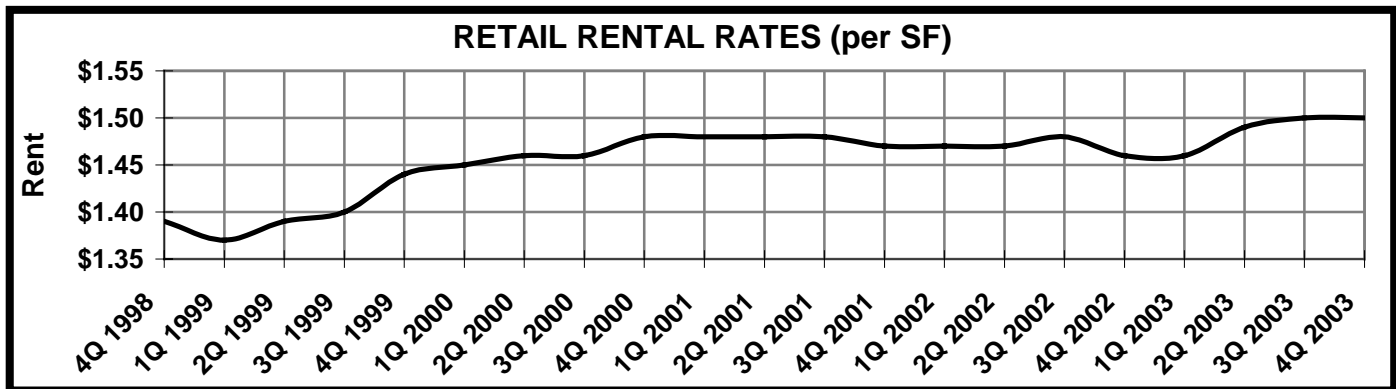
According to the O'Connor & Associates **4th Quarter 2003 Houston Retail Data Program**, overall **occupancy** for Houston area multi-tenant retail buildings is **85.70%** (Regional = 85.94%; Community = 82.41%; Neighborhood = 86.88%; Strip = 88.87%). Occupancy is up 0.41 points from the fourth quarter last year and up 0.54 points from the past quarter. The overall monthly multi-tenant retail **rental rate** is **\$1.50 per square foot** (Regional = \$3.01; Community = \$1.34; Neighborhood = \$1.05; Strip = \$0.95). Overall rents are up \$0.04 from the fourth quarter last year and are unchanged from the past quarter.

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- **Somera Investment Partners, LLC** (310-641-8060) is planning \$9.3 million in renovations to **West Oaks Mall (FSW 037)**, a 1,073,112 net square foot regional mall at the corner of Westheimer Rd. and Highway 6 in west Houston (488S). Renovations will begin in March and will be completed by October. Plans call for renovation of the food court and the addition of food and entertainment tenants.
- **Fidelis Realty Partners** (713-623-6800) is planning a 450,000 net square foot retail center on 42 recently purchased acres at the southeast corner of FM 529 and Fry Rd. in northwest Houston (406Q). They cite the extension of Fry Rd. to the Northwest Frwy. and the construction of a 13-mile stretch of the Grand Parkway as factors in the decision to build. **Eastbourne Investments** and **Wellington Development Co.** are equity partners in the deal.

- **NTS Asset Management** (281-335-7241) and **Roman Delight Management Co.** are developing **Marina Bay Village Business & Shopping Center (FSE 311)** a speculative 37,000 net square foot retail center and an 11,000 square foot office building on 7 acres at the northeast corner of Twin Oaks Blvd. and FM 2094 in League City (619Z). Completion of the retail component is slated for August 2005, while the office component is scheduled for delivery in June or July of 2005. **Zann Commercial Brokerage** will lease the properties, targeting financial institutions and full-service restaurants.
- **Hunington Properties, Inc.** (713-623-6944) is planning two retail centers totaling 33,249 net square feet on a recently acquired 4-acre tract at the southwest corner of Sage Rd. and W. Alabama in the Galleria area (461U). The shopping centers are slated for completion in Fall 2004, and have already received letters of intent from five retailers. Hunington sold 1.4 acres to an investment group that will develop an 11-story **Homewood Suites Hotel** with 150 rooms just north of the future retail centers.
- **The Centre at Lake Houston Parkway, LLC** is planning a 20,000 net square foot shopping center on 2.3 recently purchased acres at the corner of W. Lake Houston Parkway and Upper Lake in Kingwood (337P). In the land sale, **Roddy McAlpine** of **Colliers International** represented the seller, **Holley/Guniganti Kings Lake, Ltd.**
- **KSF Holdings** plans to construct a 22,000 net square foot retail center on two recently purchased acres at the corner of the South Frwy. and McHard Rd. in Pearland (613E). The center's construction timeline has not yet been finalized. In the land sale, **Elizabeth Bowman** of **CB Richard Ellis** represented the buyer, while **Gloria Chiu** of the **Real Estate Experts of Houston** represented the seller, **McHard 288, Ltd.**
- **Garden Ridge Corp.** (713-963-0885) filed for Chapter 11 bankruptcy, and is planning to close four stores, including three in Houston and one in Cincinnati, as part of its reorganization. The three affected Houston locations are at **7801 S. Main St. (INL 035)** near the Texas Medical Center (532L), **12001 East Frwy. (NEA 075)** in east Houston (496F) and **9450 FM 1960 Bypass (NEA 298)** in Humble (335T). The stores are slated to close within 120 days.
- **KB Toys, Inc.** (413-496-3000) filed for Chapter 11 bankruptcy after emerging from a difficult holiday season. Two of the 14 KB Toys stores in the Houston area will be closed as part of the reorganization. The stores are located in the **Galleria (NWE 084)**, owned by **Simon Property Group** (312-915-1735), and **San Jacinto Mall (NEA 116)**, owned by **Alliance Retail Group** (281-875-6255).
- **Boise Cascade Corp.** (208-378-1200) announced plans to close 40 to 45 of its **OfficeMax** locations and open 12 new stores this year. Boise Cascade has not specified which stores will be closed or where new ones will be located. Another 250 stores will be remodeled. There are currently 14 OfficeMax stores in the Houston area. Boise Cascade purchased OfficeMax in December 2003.
- San Diego-based **Factory 2-U** (858-627-1800) will close three unprofitable stores in the Houston area as part of its Chapter 11 bankruptcy reorganization. The stores are located in **Greenspoint Mall (FNO 009)**, **Pasadena Town Square (NSE 024)**, and at **12790 Willowchase Dr. (FNO 020)**.
- **Pilgrim Cleaners** has filed for Chapter 11 bankruptcy, and intends to reorganize the company and close unprofitable stores. The company owns 52 stores and franchises another 25 stores in the Houston area. Pilgrim closed 23 unprofitable stores in December 2003. Pilgrim plans to emerge from bankruptcy in Spring 2004.
- **Wilsons The Leather Experts** (800-236-9976) plan to close 111 poorly performing stores nationwide in order to cut costs; among them is the store in **Deerbook Mall (NEA 021)**. Wilsons operates stores in five other area malls.
- **Beeson Properties** (713-622-5595) plans to develop a 30,000 net square foot multitenant retail center with six pad sites on a 9-acre tract of land near the intersection of the North Frwy. and Airline Dr. (453F). The land was acquired from five separate owners, and is mostly vacant.
- **Lewis Property Company** (713-533-4400) plans to develop **2601 S. Shepherd (INL 429)**, a 7,500 net square foot multitenant retail center on 24,383 square feet of recently purchased land at the southeast corner of S. Shepherd and Westheimer Rd. (492Q). In the land sale, **Gregory Lewis** of **Lewis Property Co.** represented the buyer, while **Scott Shillings** of **Staubach Co.** represented the seller, **Chevron USA**.

The following chart illustrates historical retail rents.



Schrogin/Baer IV, Ltd. purchased **Riceland Pavilion (NEA 291)**, a 68,778 net square foot retail center at 4615 Garth Rd. in Baytown (501F), from **Shear Cos.** The 5-year-old property's average rents are at \$1.00 per square foot. Tenants include **Office Depot**, **Factory 2-U**, **Blockbuster**, and **Washington Mutual**. **Amir Moazami** of **Wes Walters Realty, Inc.** represented the buyer, while **Christopher D. Winters** of **Colliers International** represented the seller.

San Antonio-based **JPH Associates, LLC** (713-464-1001) purchased **Atascocita Del Norte (NEA 299)**, a 33,000 net square foot retail center in Atascocita (337Y), from **Reprise, Ltd.** The 20-year-old retail center is 100% occupied with average rents at \$0.83 per square foot. The retail center is attached to a separately owned **99 Cents Only** store. Tenants include **Cici Pizza**, **Farmers Insurance**, and a dentist. **Bill Lovejoy** of **CB Richard Ellis** represented the seller.

DMC Enterprises II, Ltd. purchased **1591 E. Hwy. 6 (FSE 331)**, a 22,400 net square foot retail center in Alvin (696N), from **Alvin 356 Venture, LP**, as part of a 1031 Exchange. The 3-year-old property is 84% occupied. Tenants include **Payless Shoesource**, **Cingular Wireless**, and **Stewart Title**. **Colin Fox** of **Colin Fox & Associates** represented the buyer, while **David M. Butler** and **Martin O'Malley** of **Colliers International** represented the seller.

AmREIT, Inc. (713-850-1400) purchased the **Terrace Shops (INL 201)**, a 16,400 net square foot center at 5115 Buffalo Speedway in West University (492X), from **MetroNational**. The 3-year-old center is 93% occupied with average rents at \$2.33 per square foot. Tenants include **Copy Dr.**, **Starbucks**, and **Sport Clips**.

LaBelle League City Properties, LP purchased a 13,013 net square foot **CVS Pharmacy (FSE 330)** on 2.3 acres at 2700 W. Main St. in League City (658K) from **CVS-LEC, Ltd.** as the down-leg of a 1031 Exchange. **Christopher D. Winters** of **Colliers International** represented the seller.

H-E-B signed a 20-year 109,000 square foot lease for **Cinco Crossing (FNW 335)**, a proposed 239,000 net square foot retail center located at the southwest corner of Fry Rd. and the Grand Parkway in west Houston (525B), from **Eastbourne Investments** (716-626-3624). The project will include 130,000 net square feet of inline retail space with two pad sites in addition to the anchor space. Construction will begin in Spring 2004 and is slated for completion in early 2005.

DSW Shoes leased 49,000 square feet in two retail centers. DSW leased 24,000 square feet at **2477 Post Oak Blvd. (NEW 088)**, a 206,515 net square foot shopping center located in the Galleria area (491V), from **Tanglewood Corp.** (713-622-8100). The 44-year-old retail center is 100% occupied with average rents at \$2.08 per square foot. DSW leased 25,000 square feet of end cap space in the **Market at Town Center (FSW 027)**, a 9-year-old 392,000 net square foot retail center at the corner of the Southwest Frwy. and Highway 6 in Sugar Land (568X), from **Weingarten Realty** (713-866-6000).

Chair King leased 31,000 square feet in the **Centre at Baybrook (FSE 056)**, a 464,165 net square foot retail center at 19801 Gulf Frwy. in Webster (618W), from **Kimco Realty Corp.** (214-270-0559). The 20-year-old retail center is 76% occupied. Tenants include **Bed Bath and Beyond**, **Oshman Sporting Goods**, and **Stein Mart**.

VACANT LAND

Hewlett-Packard Co. (650-857-1501) has placed 168.5 acres of land on the east side of State Highway 249 near Louetta Rd., northeast of the Compaq campus (329U), on the market for sale. List price is \$16.5 million, but Hewlett-Packard will consider dividing the tract. **David Cook, Jeff Perden, and Marshall Davidson** of **Cushman & Wakefield** will market the sale.

The Rouse Co. (410-992-6000) purchased 85 acres adjoining its 8,000-acre holding along House Hahl Rd. in northwest Houston (365M) from **CJR, Ltd.** (controlled by the **Chester Reed family**). The holdings will eventually be developed as a master-planned community. **Stan Creech** and **Roy Elledge** of **Stan Creech Properties** represented the buyer.

Romulus Co. (713-781-0200) purchased 47.5 acres at the corner of FM 3436 and FM 517 in Texas City (660Z) from **Johnny Huynh** and **Than Nguyen**. **Kerry Shawell** of **Hankamer & Associates** represented the buyer, while **Pete Zamora** of **Alliance Commercial Investments** represented the seller.

Fairbanks Business Park purchased 17 acres along the Northwest Frwy. between Windfern and Fairbanks North Houston in northwest Houston (410T), from **Venture 22**. The buyer is planning a business park on the site. **Dennis Johnston** and **Bill McDade** of **McDade, Smith, Gould, Johnston, Mason & Co.** represented the buyer.

The **City of Houston** (713-837-0311) purchased 9.12 acres in the 2600 block of W. Lake Houston Parkway in Kingwood (337B) from **C.H. Wilkinson Physician Network**. The city plans to construct a 6,000 net square foot community center on the site. **Richard Glover** of the **City of Houston** represented the buyer, while **Roddy McAlpine** and **Bob Parsley** of **Colliers International** represented the seller.

Allied Asset Corp. / Arcot Manufacturing Corp. (713-222-8088) purchased 9.05 acres at the corner of Mowery and Edwina in south Houston (572M) from **Westheimer Rigging & Heavy Hauling Co.** **John Hilton** of **H/D Management** represented the buyer, while **Gary Mabray, Charles Herder, and Chris Klein** of **Colliers International** represented the seller.

Fairmont Equity Partners, Ltd. (281-487-6760) purchased 8.16 acres at the intersection of Fairmont Parkway and Lily St. (577G) from **JP Morgan Chase Bank, trustee**. **Marshall S. Clinkscales** of **MSC Properties, Inc.** represented the buyer, while **Bill Byrd** of **Colliers International** represented the seller.

AmREIT, Inc. (713-850-1400) purchased three Houston-area tracts. Two acres at the corner of San Felipe and Winrock Blvd. in west Houston (491N) were purchased from a private Houston-based investor; AmREIT plans to demolish the existing apartments and construct a bank ranging from 5,000 to 7,000 net square feet. Another acre was purchased at the corner of the North Frwy. and West Rd. in north Houston (412D) from **Motiva Enterprises, LLC**. AmREIT is in negotiations with a fast food chain for a long-term ground lease. AmREIT's third purchase was of one acre in the master-planned development at State Highway 242 and College Park Dr. in The Woodlands (217R), which AmREIT plans on leasing to a fast food restaurant. The land was bought from a private Woodlands-based investor.

INDUSTRIAL FACILITIES

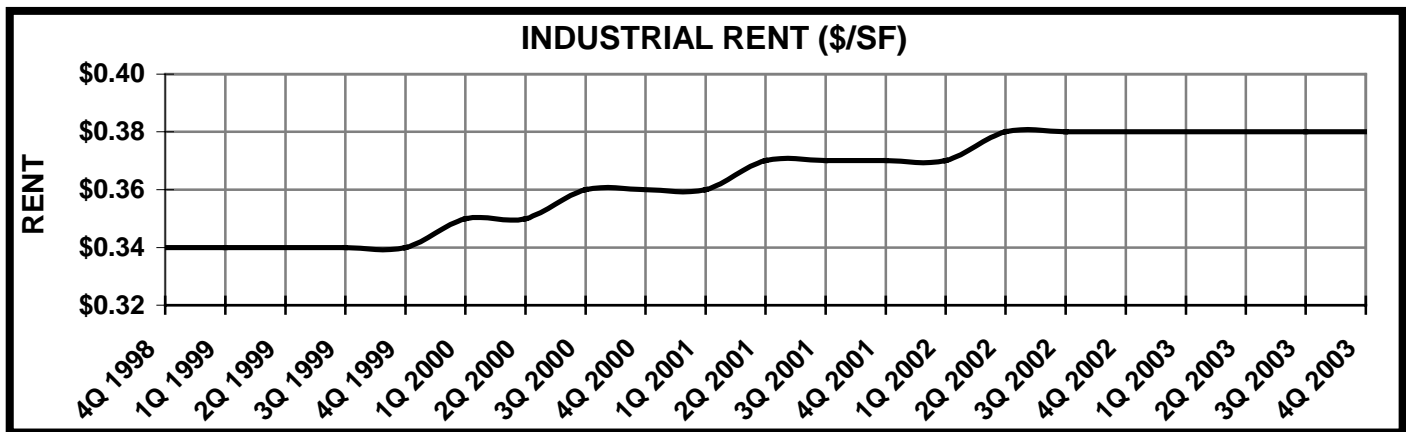
The Houston Industrial market reported lower overall occupancy yet again this quarter, reaching its lowest levels on record. Average occupancy fell 0.18 points to 87.85%, down half a point since this time last year. As occupancies have sagged, industrial rental rates have remained flat for more than a year. Overall rents are unchanged from last year and are up only \$0.01 (2.7%) over the past three years. For now, it is a tenant's market, but as we ride out the tough times, the balance will begin to shift by late 2004.

According to the O'Connor & Associates **4th Quarter 2003 Houston Industrial Data Program**, overall **occupancy** for Houston area operating industrial facilities is **87.85%** (Flex = 86.41%; Bulk = 87.33%; Manufacturing = 92.13%). Occupancy is down 0.18 points from the third quarter, and down 0.50 points from the fourth quarter last year. The overall monthly **rental rates** remain flat at **\$0.38 per square foot** (Flex = \$0.44; Bulk = \$0.35; Manufacturing = \$0.29).

*Note: The industrial facilities listed herein are followed by their representative identification number as they appear in the O'Connor & Associates' **Houston Industrial Data Program** and are provided for subscriber cross-referencing. The property information contained within this database is updated and published on a quarterly basis (contact us for more information).*

- **United Parcel Service** (800-742-5877) is constructing a 13,500 net square foot distribution center at **1314 State Highway 96** in League City (658K). League City offered UPS a \$45,230 incentive for the facility, which will replace UPS' Ellington Field location.
- **Roberts Development/Construction, Inc.** (281-647-9111) is planning eight 15,000 square foot buildings at **6103 Brittmoores Rd. (0578)** on 9 recently purchased acres in northwest Houston (409Y). The facilities will be marketed as both "for sale" and "for lease", and will be built in pairs of buildings. The 45,913 net square foot **Bayou Park Stables** are currently located on the site, but will be demolished. In the land sale, **Gary A. Mabray** of **Colliers International** represented the seller, the late **Dorothy Dukes Ford**.
- **Rogello and Magdalene Ortega** are planning a distribution facility on two recently purchased acres at the corner of Plantation Ln. and Stafford Point Dr. (569R). The facility will serve the couple's chain of Mexican food restaurants. In the land sale, **Brenda Rodriguez** of **Duffy LaRoe Realty** represented the buyers, while **Naveen Jaggi** of **CB Richard Ellis** represented the seller, who had been foreclosed upon by the **Bank of Texas**.

The following chart illustrates historical industrial rents.



North Texas Cement/Ashgrove Cement (817-540-4437) purchased a 72-acre deep-water dock facility at **922 Mayo Shell Rd.** along the Houston Ship Channel (536A) from **Valero Energy Corp.** The property features a ship slip for a 750-foot boat and a dock for two 350-foot barges. **C.A. Rousser** of **Rousser Co.** represented the buyer, while **Doyle Toups** and **Doug Nicholson** of **Grubb & Ellis** represented the seller.

Lovett Homes (713-764-8100) has contracted to buy **1255 North Post Oak Ln. (1738A)** a 225,000 net square foot manufacturing and R&D facility on 19.8 acres in northwest Houston (451Z) from **Kvaerner Oilfield Products, Inc.** (713-685-5700). The buyer considers the site to have potential for single-family development due to its location within Memorial High School's jurisdiction, and plans to flip the property to a residential developer. **Bill Rudolph** of **CB Richard Ellis** is representing the buyer, while **David Cook** of **Cushman & Wakefield** is representing the seller.

BJH Holdings, Inc. purchased **7922 Hansen (5044)**, a 54,000 net square foot facility on 4.4 acres in southeast Houston (575C), from **Schroeder Partnership, Ltd.** The 27-year-old facility features 20-foot clearance with grade-level loading. BJH is a steel company that will use the site to expand their business. **Clay Peeples** and **Mike Boyd** of **Boyd Commercial, LLC** represented the buyer, while **Troy Collins** and **Clay Prichett** of **Yancey-Hausman** represented the seller.

Schroeder Partnership, Ltd. purchased **403 South Loop West (4348C)**, a 53,157 net square foot facility on 4.6 acres in south Houston (533S), from **MAPIA Investments**. The 39-year-old crane-served facility is 100% occupied. The facility features 30-foot clearance with grade-level loading, and is being renovated by the new owner. The new owner occupies part of the building, and has leased the remaining space to a fabrication company. **Clay Peeples** of **Boyd Commercial, LLC** represented the buyer.

A private Houston-based investor purchased the **Rampart Business Park (4115)**, a 25,650 net square foot office/warehouse located at 6912 Rampart St. in southwest Houston (531E), from **Rampart III, JV** for \$635,000. The 23-year-old facility is 100% occupied. The facility features 14-foot clearance with grade-level loading. The buyer used in-house representation, while **Ross Cannizaro**, **Jeff Barbles**, and **Rob Chandler** of **Marcus & Millichap** represented the seller.

Harris County (713-355-6436) purchased **2202 Nance (2896B)**, a 52-year-old 127,568 net square foot telecom warehouse facility in the Central Business District (493M), from **801 Grand Avenue Capital, LLC** for approximately \$4.3 million (\$33.71 per square foot). **Verizon Global Network** leased 13,580 square feet in the building, which is 100% occupied with average rents at \$0.25 per square foot. **Graham Horton** of **The Staubach Co.** represented Verizon in the lease.

PDQ Machine Shop, Inc. purchased **15151 Henry Rd. (0384)**, a 15,000 net square foot warehouse located south of the intersection of Henry Rd. and Aldine Bender Rd. in north Houston (373X), from **John Hartnack**. The 26-year-old property is now owner occupied and features 24-foot clearance and grade-level loading. **Thad Hickman**, **Tyndall Yaap**, and **Jay Jenckes** of **Grubb & Ellis** represented the buyer, while **Chris Kugle** of **NAI Partners Commercial** represented the seller.

Duane Johnson purchased 1105 Industrial Blvd., a 19-year-old 13,209 net square foot warehouse in the **Sugar Land Business Park (568H)**, from **TMW Real Estate Partners, Inc.**, as the down-leg of a 1031 Exchange. **Mark Ray** of **Office Buildings of Houston** represented the buyer, while **Gary A. Mabray** of **Colliers International** represented the seller.

Bishop Lifting Products, Inc. leased 54,966 square feet at **1335 Boyles St. (3173)**, a 132,620 net square foot office/warehouse located in east Houston (494M), from **GBDS Investment, Inc.** The 34-year-old facility is 85% occupied with average rents at \$0.30 per square-foot. The facility features 16- and 20-foot clearances with dock-high loading. **Jim Stark** of **CB Richard Ellis** represented the tenant, while **Mike Taetz** of **Colliers International** represented the landlord.

IEC, LLC leased **4514 Brittmoore (1083M)**, a 48,800 net square foot single-tenant warehouse in northwest Houston (449C), from **Chapman & Cole of Houston (713-975-6969)**. The 23-year-old facility is 100% occupied. **John Simons** and **Billy Gold** of **CB Richard Ellis** represented the landlord, while **John Ferruzzo** and **Will Swanson** of **NAI Partners Commercial** represented the tenant.

Cadence McShane Corp. (713-681-8500) inked two leases in **Northwest Crossing Park (0564)**, a 61,800 net square foot office/warehouse located at 7701 W. Little York Rd. in northwest Houston (409T). **Gulf States Toyota** leased 12,250 net square feet, while **Walgreen Co.** leased 10,800 square feet. The new facility is 37% occupied with average rents at \$0.70 per square foot. **Eric Anderson** of **Transwestern Commercial Services** represented Gulf States and **Ross Matthews** of **Trammell Crow Co.** represented Walgreen, while **Ron Roberson** and **Caleb Lawson** of **Caldwell Watson** represented the landlord.

ECONOMIC & FINANCIAL NEWS

The **number of wage and salary jobs** in the 6-county Houston area **increased by 5,600 jobs** to 2,121,000 in December 2003, according to the **Texas Workforce Commission**. The Trade, Transportation, & Utilities sector posted the greatest change, adding 3,600 jobs. This month's total is **4,000 jobs more** than the 2,117,000 jobs at this time last year. **Houston's unemployment rate** dropped from 6.3% in November to 5.9% in December, while the statewide unemployment rate dropped from 6.1% in November to 5.8% in December.

Advance estimates reported by the **U.S. Department of Commerce** show that seasonally adjusted national retail and food services sales for December increased 0.5% from November, and are up 6.7% over December 2002. Non-Store Retailers, Motor Vehicle & Parts Distributors, and Sporting Goods, Hobby, Book & Music stores posted the greatest increases over the past month, with increases of 2.1%, 1.6%, and 0.8%, respectively.

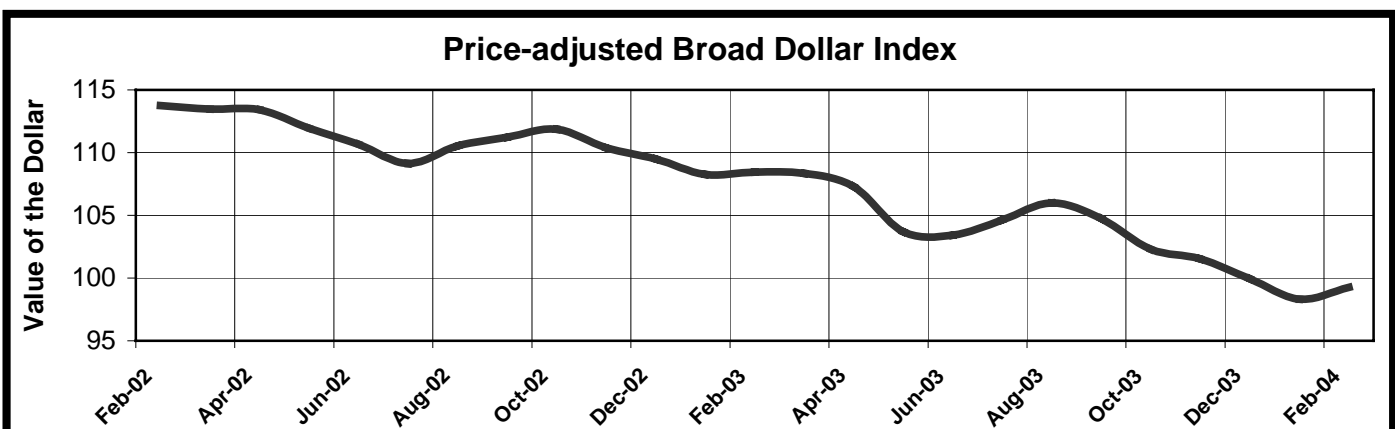
The latest **Conference Board Survey** indicates that the **Consumer Confidence Index** rose to 96.8 in January 2004, up 5.1 points from 91.7 in December 2003. The **Index of Leading Economic Indicators** rose 0.2% in December 2003 to 114.3, marking its highest level on record. The index is an indicator of direction the economy is expected to take in coming months, relative to a figure of 100 in 1996, the base year. In **Texas A&M University's Texas Business Leaders Confidence Index**, 1st quarter 2004 marks an all-time high at 71, having risen 12 points from 59 one year ago, indicating that business leaders have a much brighter outlook regarding the economy.

Personal income increased \$18.8 billion, or 0.2 percent, and disposable personal income (DPI) increased \$18.5 billion, or 0.2 percent, in December 2003, according to the **Bureau of Economic Analysis**. Personal consumption expenditures (PCE) increased \$35.3 billion, or 0.4 percent. Meanwhile, the **U.S. Department of Labor** reports that the Consumer Price Index (CPI) fell 0.1% in December 2003. The CPI indicates that prices excluding food and energy costs are stable.

The **Mortgage Bankers Association (MBA)** reports that the 30-year fixed-rate mortgage (FRM) averaged 5.58%, with an average of 1.47 points (including the origination fee), for the week ending January 28, 2004. Last year at this time, the 30-year FRM averaged 5.72%. The average for the 15-year FRM is 4.87%, with an average of 1.30 points (including the origination fee). A year ago, the 15-year FRM averaged 5.15%.

The **Baker Hughes** count of active domestic rotary rigs rose to 1,182 in January 2004, up 2% from 1,162 in December 2003, and 20% from 989 in December 2002. The rotary rig count is a census of the number of drilling rigs actually exploring for or developing oil or natural gas in the United States.

J.P. Morgan Chase & Co. has announced plans to merge with **Bank One Corp.** in a deal valued at \$58 billion. The resulting financial giant would handle assets of \$1.1 trillion, and will operate 2,300 branches in 17 states. The two companies' assets only overlap significantly in Texas, particularly in Houston and Dallas. J.P. Morgan acknowledges that the merger will eliminate the need for 10,000 jobs.



Source: Board of Governors of the Federal Reserve System

A survey by **Expansion Magazine** ranked Houston as the 41st best city for business relocation or expansion. Atlanta, GA, Nashville, TN, and Jacksonville, FL took the top three rankings, while San Antonio ranked 8th and Dallas and Austin tied for 16th. Rankings were determined by 70 site selection consultants evaluating 370 metropolitan areas in the United States.

The **Port of Houston Authority** (713-670-2400) is lobbying the federal government for \$3 billion to fund the **Harris County Freight Railroad Corridors and Urban Mobility Program**. The initiative would seek to consolidate Houston rail lines in such a way as to reduce or eliminate congestion on Houston's 11 rail lines and to provide the Port of Houston more throughput to handle the increase in cargo that will be the result of the **Bayport Container Terminal**.

The **Port of Freeport** (979-233-2667) is proposing that their channel be deepened to 60 feet and widened to 600 feet, which would make it the deepest port along the Gulf of Mexico. Benefits of the deeper channel are expected to outweigh costs by 19-to-1, and the project would not affect environmental aspects or displace pipelines or homes.

Metro's board of directors have rejected **Baxter Development Corporation's** proposed 1,200-space parking garage at the corner of Fannin and Galen in the Texas Medical Center (532H). The garage would have included 20,000 square feet of street-level retail. Members of the board felt that the land would be better preserved for residential development.

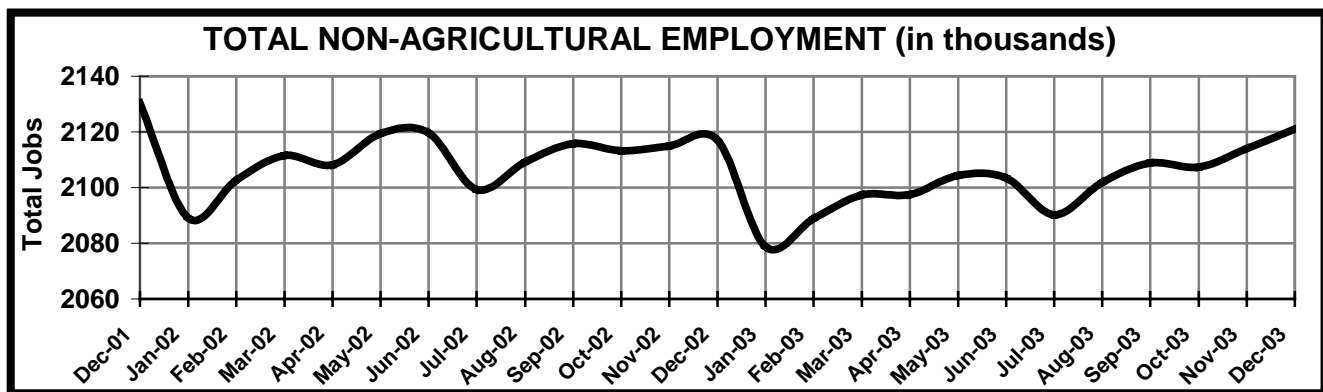
The Eastex Freeway High Occupancy Vehicle lane was recently expanded by 5.5 miles, serving commuter traffic between the Central Business District and Kingwood. The \$26 million project is a joint effort between **Metro**, the **Federal Transit Administration**, and the **Texas Department of Transportation (TXDOT)**.

Houston City Council approved the first phase of a yearlong project to synchronize traffic signals along 14 major Houston corridors at 1,500 intersections in efforts to reduce commute times and improve traffic flow. The project calls for the use of newer technology to coordinate traffic signals and will require that some traffic signals be upgraded. The estimated cost is \$3 million, but through the federal **Transportation Equity Act of the 21st Century** the city expects to be reimbursed for all but \$600,000.

The **Hotel Icon** (713-224-4266) has opened for business in a 93-year-old building at the corner of Main St. and Congress in the Central Business District (493L). The 135-room hotel, developed by **Randall Davis**, features custom-made furniture, original artwork, imported antiques, and a location adjacent to the light rail line. Standard rooms will rent for \$300 per night on weeknights and \$189 on weekends, but the three-level penthouse suite will rent for \$2,500 per night.

The Rouse Co. announced the completion of their acquisition of a 52.5% majority economic interest in The Woodlands from **Crescent Real Estate Equities Co.** and its affiliates. The remaining 47.5% is owned by **Morgan Stanley Real Estate Fund II, LP**, who will share control of The Woodlands Operating Co. with Rouse.

The following chart illustrates total non-agricultural employment.



Source: Texas Workforce Commission

Please direct any questions regarding content in the *Houston Real Estate Trends* to Richard Zigler at 713-686-9955 or rzigler@poconnor.com

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