



HOUSTON REAL ESTATE TRENDS

EDITED BY RICHARD ZIGLER

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APARTMENTS

Occupancy in Class A apartments inched higher this quarter, but with over 12,000 of the under-construction units not yet leasing, the rise in Class A occupancy is a temporary phenomenon. Tenants in Class B and C properties are being drawn to competitively-priced Class A apartments. Meanwhile, the number of projects undergoing renovations and upgrades are increasing in this over-built, under-rented market. And with the busiest leasing season approaching, all classes are still offering concessions in order to attract renters.

According to the O'Connor & Associates **First Quarter 2004 Houston Apartment Data Program**, overall **occupancy** for Houston area apartments projects is **88.89%** (Class A = 86.02%; Class B = 90.01%; Class C = 89.88%; Class D = 86.43%). Occupancy is down 1.76 points from the first quarter last year and 0.08 points from the past quarter. The overall monthly **rental rate** is **\$0.786 per square foot** (Class A = \$1.042; Class B = \$0.772; Class C = \$0.644; Class D = \$0.536). Overall rents are up \$0.013 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).

- **Wood Partners** (713-439-7900) is planning the **Alta Rice Village (2171M)** a \$66 million 28-story residential development with 392 loft-style units at the northeast corner of Kirby Dr. and Shakespeare near Rice Village (532C). They have not yet decided whether the project will be condominiums or apartments. Nearby residents have voiced concern regarding the potential impact on the neighborhood's character, and the developer is working closely with neighborhood and city officials to address public concern. The project is currently in the design phase, and timetables remain tentative.
- **Frank Jones** is planning **Anchor Bay**, a 250-unit apartment complex located near the corner of Stewart Rd. and Camino Real St. in Galveston's west end (806U). The complex faces criticism from neighbors who worry about apartment residents using the 3,500-foot Spanish Grant access canal.
- A fire destroyed an 18-unit building in **Seaside Village Apts. (6112)**, a 90-unit complex located at 4925 Fort Crockett Blvd. in Galveston (808B) owned by **Centra Asset Partners** (281-444-4868). The 17-

year-old Class B complex is 79% occupied with average rents at \$0.80 per square-foot. The property features both pitched and flat roofs and is separately metered for electricity.

- 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, rose 7 points to 59 in first quarter, the highest results in four years. The **Sales Volume Index** is unchanged from last quarter, at 52, indicating about the same number of sales on the market. The **Equity Financing Index** rose 6 points to 67, indicating that investors see apartments more favorably. The **Debt Financing Index** dropped 17 points to 47 in first quarter, indicating that borrowing conditions are worsening.
- According to the **U.S Department of Commerce**, nationwide residential vacancy rates in the first quarter 2004 were 10.4% in rental housing, up 1% over the past year, and 1.7% in homeowner housing, unchanged from last year. The rental vacancy rate in central cities was 1.4% higher than in 2003, while suburban rates were up 0.5%. The homeowner vacancy rate in central cities was 0.3% higher than in 2003, while suburban rates were down 0.1%. The South faces the highest vacancy rates in the nation, with 12.7% rental vacancy and 2.0% homeowner vacancy.

The following chart illustrates historical apartment rents.



AML Residential Properties Trust (713-529-5333) purchased both phases of the **Lodge on the Parkway (0863D and 0863F)**, a 668-unit complex at 1415 Eldridge Parkway in west Houston (488K), from **Sentinel Real Estate Corp.** The two phases of the Class A property are 5 and 7 years old, with occupancy at 96% and average rents at \$1.01 per square foot. The complex features pitched roofs and is separately metered for electricity. AMLI has renamed the property **AMLI on Eldridge Parkway**. **Mark Alfieri** of **AML Residential Properties Trust** represented the buyer, while **Matthew Rotan** of **Apartment Realty Advisors** represented the seller.

Venterra Realty Management (713-554-6900) purchased a 548-unit Class B portfolio in northwest Houston from **Walden Residential Properties**. **Bayou Oaks (0165)** is a 20-year-old 210-unit complex located at 13800 Ella Blvd. (372F). The complex is 85% occupied with average rents at \$0.79 and will soon undergo renovations. The property features pitched roofs and is separately metered for electricity. **Ashton Woods (0039)** is a 26-year-old 177-unit complex located at 17033 Butte Creek (331R). The complex is 93% occupied with average rents at \$0.75 per square-foot. The property features pitched roofs and is separately metered for electricity. **Wimbledon (0024)** is a 26-year-old 161-unit complex located at 16222 Stuebner-Airline Rd. (330Q). The complex is 98% occupied with average rents at \$0.75 per square-foot. The property features pitched roofs and is separately metered for electricity. **M. Todd Marix, G. Craig LaFollette** and **J. Todd Stewart** of **CB Richard Ellis** represented the seller. **Courtney Cole** and **Scott Galloway** of **HFF** secured acquisition financing, with **GE Capital Real Estate** providing the funds.

Sentinel Real Estate Corp. (281-496-2428) purchased **1200 Post Oak (1066B)**, a 356-unit high rise in the Galleria area (491R), from **The Hanover Co.** The 1-year-old project is 44% occupied with average rents at \$1.99 per square-foot. The property is separately metered for electricity.

MBS Cos. sold two apartment complexes totaling 278 units in northwest Houston as part of a push to replace a Class B portfolio with Class A properties. **Sterling Systems, Inc.** (281-568-2202) purchased

Cedar Pointe (0152), a 144-unit complex at 7610 Fallbrook Dr. (370Z), as the down leg of a 1031 Exchange. The 21-year-old Class B complex is 95% occupied with average rents at \$0.74 per square foot. The complex features pitched roofs and is separately metered for electricity. **Interurban Corp.** (303-759-9090) purchased **Country Club Apts. (0057)**, a 134-unit complex at 17610 Cali Dr. (332J) with occupancy at 93% and average rents at \$0.68 per square foot. The complex features pitched roofs and is separately metered for electricity.

GHKT, LP purchased **Farmington Apts. (0853)**, a 168-unit complex at 2013 Fry Rd. in west Houston (446Y), from **Executive Affiliates, Inc.** The 21-year-old Class B complex is 94% occupied with average rents at \$0.78 per square foot. The property features pitched roofs and is separately metered for electricity. Both buyer and seller are trading the property as part of a 1031 Exchange. **Kevin McCarthy** of **Hendricks & Partners** represented the buyer, while **Chip Nash** of **Hendricks & Partners** represented the seller.

Dawn Properties (601-271-2291) purchased **Elm Grove Village Apts. (0014)**, a 136-unit complex in northeast Houston (297S), from **Elm Grove Management, Inc.** The 25-year-old complex is 95% occupied with average rents at \$0.79 per square-foot. The property features pitched roofs and is separately metered for electricity.

JP Morgan Investment Management, Inc. (212-837-2300) purchased **Gables Residential Trust's** 20% share in **Gables White Oak (0639A)**, a 186-unit complex at 2424 E. TC Jester Blvd. in northwest Houston (452T). The complex is 92% occupied with average rents at \$1.30 per square-foot. The complex features pitched roofs and is separately metered for electricity. Gables will continue to manage the property.

SINGLE-FAMILY HOUSING

MLS home sales increased in March, as 5,057 homes were sold, up from the 3,778 homes sold in February, according to the **Houston Association of Realtors (HAR)**. Sales for March 2004 were up 21% from March 2003. The median price of a used single-family home sold in March was \$130,430, unchanged from March of last year, while the average home price was \$173,008, up 3% from the March 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.*

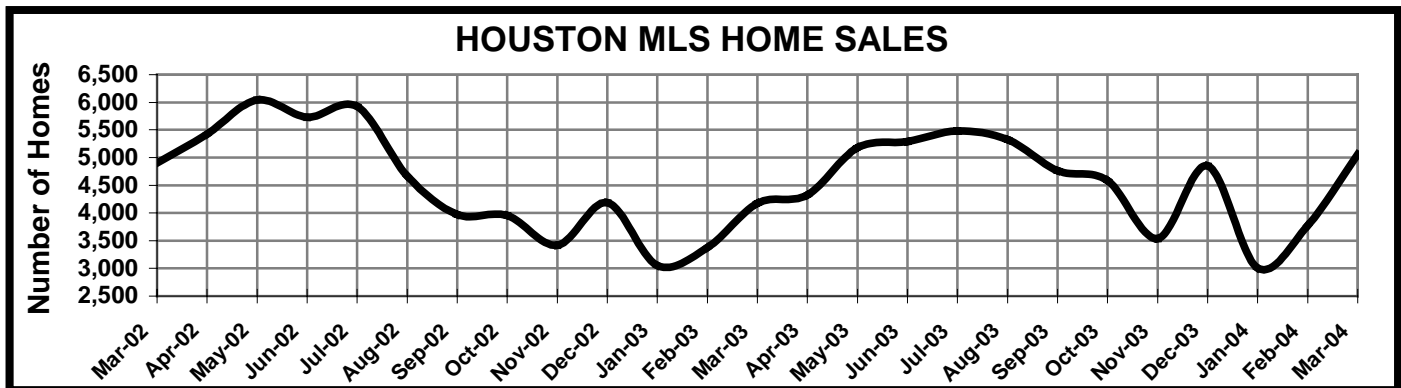
According to **American MetroStudy Corporation**, net sales of new homes increased in March to 3,016 or 19% above the March 2003 figure of 2,524. Realtor co-op sales represent 65% of net sales, up from 60% in March 2003. Traffic is down from last year, from 37,301 in 2003 to 34,674 in March 2004. The inventory of completed speculative homes (1,998) is 23% above last year's inventory of 1,624 homes. There are 3,295 spec homes under construction, which is 20% over the 2003 number of 2,738. Overall, the 5,293 specs (both completed and under construction) represent a 21% increase over the 4,362 specs of one year ago. *Note: the 23 homebuilders in this survey account for approximately 61% of housing starts in Houston.*

Nationwide sales of new single-family homes increased in March to a seasonally adjusted annual rate of 1,228,000, 8.9% above the February 2004 sales rate of 1,128,000, and 21.8% above the March 2003 figure, according to a release by the **U.S. Department of Commerce**. The median sales price was \$201,400. Single-family housing starts were at an annual rate of 2,007,000 in March, 15.2% above the March 2003 figure. Single-family housing completions were at an annual rate of 1,749,000 in March, 7.9% above the March 2003 figure.

The **National Association of Home Builders' (NAHB)** monthly **Housing Market Index**, a measure of builder confidence, rose 5 points to 69 in April 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 and the index measuring sales expectations for the coming 6 months each rose 6 points to 76, while the index measuring the traffic of prospective buyers fell 1 point to 48.

The **Mortgage Bankers Association** forecasts that new mortgages in the U.S. will drop from \$3.8 trillion in 2003 to \$1.85 trillion per year by 2006. The drop will be offset somewhat by housing sales produced by a stronger economy. Sales of existing homes are forecasted to drop 1.7% in 2004 and 6.8% in 2005, while sales of new homes are projected to rise 0.7% in 2004 and then fall 10% in 2005.

The following chart illustrates historical MLS home sale activity.



Source: Houston Association of Realtors

Millennium Development Corp. and **Kifsah, LLC** are developing **Spring Trace**, a 1,060-acre community near the corner of Beltway 8 and W. Lake Houston Parkway in northeast Houston (416H). The master-planned community will include 2,000 single-family homes, 1,300 apartment and townhome units, and a 100-acre "village center" modeled after a scaled down **Woodlands Town Center**, which will feature retail shops and restaurants, a movie theater, office space, and a pedestrian plaza. The development will feature a community center and an elementary school. Home prices will range from \$100,000 into the \$200,000s, with construction slated to begin in 2005.

Friendswood Development Co. (281-875-1552) has restarted construction in the 714-acre **Bentwood** subdivision, renamed **Oakhurst at Kingwood**, which it purchased in July 2003. Since then, the golf course was sold to Austin-based **OnCourse Strategies**, while 30 new homes have been sold. The 1,450-home community is located west of the Eastex Frwy. and north of Northpark in northeast Houston (296N). Builders in the community include **David Powers Homes**, **Newmark Homes**, **Legacy Homes**, **Frontier Custom Homes**, and **Lennar Homes**.

Amvest Properties, Inc. (713-784-6102) is developing **Eagle Creek**, a 1,250-home community on 325 acres along Beltway 8, east of the El Dorado Country Club (375Z). Several builders, including **Pulte Homes**, are participating in the project. Homes prices will range from the \$100,000s to \$250,000.

Trophy Homes (702-895-7677), a subsidiary of **Tousa Homes**, is planning to construct over 1,000 affordable homes in three Houston-area developments. Construction will begin in May on 348 homes in **Woodlands Pines**, a 260-acre project on Will Clayton Parkway near Atascocita Rd. in northeast Houston (376C). Homes are planned for **Remington Ranch**, along Rankin Rd. near the North Frwy. in north Houston (372M), and **Yaupon Ranch**, a development along FM 529 west of Barker-Cypress Rd. in northwest Houston (407P). Prices for the 1,000 to 2,800-square-foot homes in all three developments will range from the high \$80,000s to the \$140,000s.

Land Tejas (713-783-6702) is developing **Canyon Gate at Park Lakes**, a 972-home gated community on 400 acres at the corner of Wilson Rd. and Beltway 8 in northeast Houston (376S). This will be the first phase of what will eventually be the 4,000-home **Park Lakes** community. Homes will be priced from \$150,000 to \$300,000. Builders **MHI**, **D.R. Horton Custom Homes**, **Beazer Homes**, and **First Texas Homes** will begin construction in the fall of this year. Land Tejas is also planning the 749-home **Canyon Village at Park Lakes**, which will be built out by **Perry Homes**, **MHI**, **Emerald Homes**, and **Newmark Homes**, with prices ranging from \$100,000 to \$200,000.

John Cox Realty & Investment, Inc. is developing the 49-home second phase of **Prairie Knoll**, a subdivision west of the Gulf Frwy. along FM 1764 in La Marque (735H). Prices for new homes will start at \$140,000. **Bay Area Builders** is the exclusive builder for the community.

Ashkenazy Acquisition Corp. (212-213-4444) and **Mike Atlas** are planning to redevelop **2727 Kirby Dr.** near River Oaks (492U) into a 93-unit condominium high rise. A 40-year-old 58,000-net-square-foot office building owned by Ashkenazy currently stands on the site. The building is still in the design stage, and timetables for construction have not yet been set. **R. Scott Ziegler** of **Ziegler Cooper Architects** is designing the new building.

Prida Construction, Inc (409-741-4900) is planning to construct the **Ocean Grove Condominiums**, a \$14 million high-rise project located at 9420 Seawall Blvd. in Galveston (807K). The 11-story project will feature 54 two- and three-bedroom units, all featuring two bathrooms, as well as an Olympic-sized pool, an exercise room, and covered parking. Preconstruction pricing starts at \$200,000 for two-bedroom units and \$215,000 for three-bedroom units. Construction is slated to begin in early summer of this year.

Alan and David Klein (281-477-4300) are redeveloping an 81,816-net-square-foot warehouse at 1312 Live Oak St. east of the Central Business District (493W) into a 46-unit loft condominium project, dubbed **Live Oak Lofts**. The 68-year-old building is already undergoing the conversion, and is slated for completion in November 2004. Units will range from 900 to 1,900 square feet and will sell for an average of \$165 per square foot.

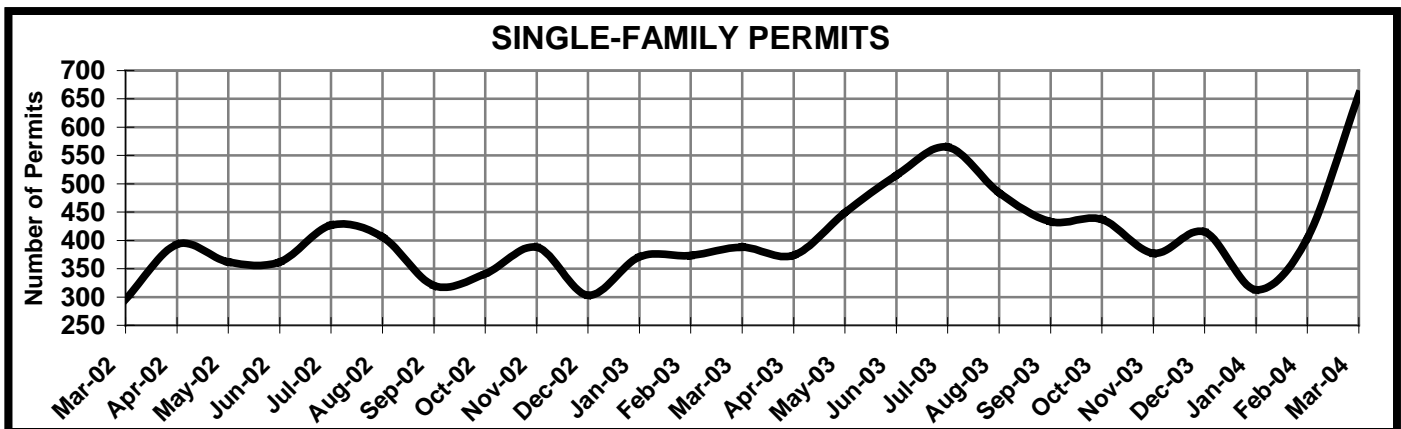
PERMIT ISSUANCE

The **City of Houston** issued permits to build 658 private single-family houses and 48 private multifamily projects with 732 units. Demolition permits were issued for 245 private single-family houses and no private multifamily projects. In addition, 384 permits were issued for privately owned non-residential construction totaling \$126,150,727 and 7 permits were issued for public non-residential construction totaling \$255,600. Additions, alterations and conversions totaled \$87,900,642 for the private sector and \$31,376,300 for the public sector.

Cost of Construction*

	2002	2003	2004
Month of March	\$444,530,812	\$284,748,416	\$384,864,396
Year-to-Date	\$998,588,562	\$952,190,018	\$728,225,641

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



Source: City of Houston

OFFICE BUILDINGS

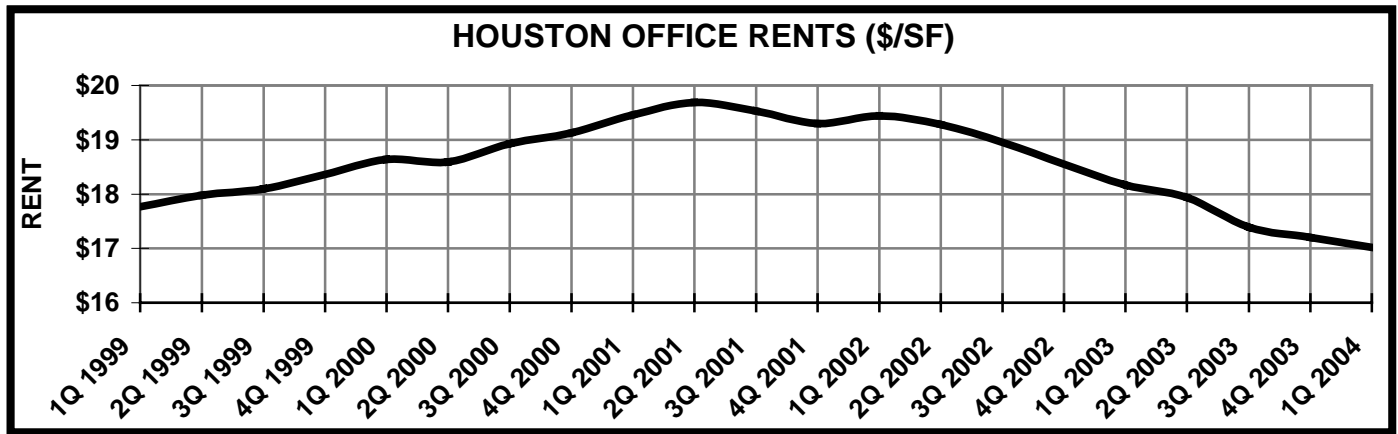
Overall rents continued their downward trend despite increases in Class C and D rents. Over the last year, average rents have fallen \$1.15 to \$17.02, the lowest level in over five years. Large decreases in Class A rents continued over the last quarter for a loss of over \$2.00 per square foot in the last year. The **Central Business District**, which has over 36 million square feet of office space and rents that now average \$1.00 below overall citywide levels, has been hit particularly hard. Class A rents downtown have fallen \$4.69 over the past year and are now \$9.74 per square foot below their peak two years ago.

According to the O'Connor & Associates **First Quarter 2004 Houston Office Data Program**, overall **occupancy** for Houston area multi-tenant office buildings is **81.45%** (Class A = 84.24%; Class B = 80.49%; Class C = 77.96%; Class D = 72.17%). Occupancy is down 3.38 points from the first quarter last year and 0.77 points from the past quarter. The overall annual multi-tenant office **rental rate** is **\$17.02 per square foot** (Class A = \$18.52; Class B = \$16.82; Class C = \$13.73; Class D = \$11.19). Overall rents are down \$1.15 from the first quarter last year and \$0.18 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).*

- As part of its cost-cutting initiative, **Reliant Energy** (713-497-3000) plans to sublease 120,000 square feet in the top four floors of **Reliant Energy Plaza (CBD 106)**, a 791,000-net-square-foot building at 1000 Main St. in the Central Business District (493L). The 1-year-old building is 94% leased with average rents at \$20.00 per square-foot.
- **Cambridge Properties** (713-790-1155) is planning a 480,000 net square foot medical office building with a new parking garage on the site of the remaining surface parking for **Fannin Medical Plaza (MED 011)** at 7505 Fannin. The site is south of the Texas Medical Center on the south side of the Fannin/Knight split (532M). The building is still in the design stage, and is contingent upon the new 192,000 net square foot building at **7501 Fannin (MED 091)** being leased up. **Page Southerland Page, LLP** would construct the building, bringing Cambridge's total holdings at the corner to 848,758 net square feet. **Trey Miller** of **Cambridge Properties** is the leasing agent for the portfolio.
- **Christus St. Joseph Hospital** (713-681-8877) is planning a \$130 million 200-bed medical office high rise. The building, to be located adjacent to the **St. Joseph Medical Plaza One**, is still in the design phase, but is approximate in size to the 19-story, 200,000-net-square-foot medical office building that it will replace. The first floor of the new building will feature a 20,000-square-foot cancer center.
- **Chris Cheatham** is planning a \$1.3 million professional office building along State Highway 105, west of FM 149, in Montgomery (123T). The 20,000-net-square-foot building has been designed by architect **Duane Freeman** to fit into the turn-of-the-century atmosphere prevalent in the town.
- **L.J. Melody & Co.** (713-787-1900) secured a permanent loan for over \$100 million for **Calpine Center (CBD 124)**, a 1-year-old 689,000-net-square-foot office building at 717 Texas in the Central Business District (493L) owned by **Hines Interests** and **Prime Asset Management, Inc.** The building is 86% occupied with quoted rents at \$16.50 per square foot. **Bank of America** provided funding.
- **Lehndorff Four Oaks Place, JV** (214-989-0800), a consortium of Japanese and American firms, have hired **HFF** to market the **Four Oaks Place (GAL 053, GAL 054, GAL 055, and GAL 056)** buildings located at 1300-1400 Post Oak Blvd. in the Galleria area (491R). The 1,717,146-net-square-foot portfolio is approximately 82% occupied with average rents at \$21.87 per square-foot. Anchor tenants include **BHP Billiton, Beirne, Maynard and Parsons, Fleming and Associates, Aon, and Grant Prideco**, all of which have leases extending beyond 2010.
- **Damon Palermo** and **Kevin Barr** have formed **PalermoBarr Commercial Real Estate Advisors** (281-681-8384), a firm specializing in tenant representation, dispositions, project leasing, and commercial development in The Woodlands submarket. The firm's clients are typically related to the engineering and energy industries.

The following chart illustrates historical office rents.



Behringer Harvard REIT I, Inc. (866-655-1605) purchased the **Enclave on the Lake (WES 119)**, a 171,091-net-square-foot office building at 1255 Enclave Parkway in the Westchase area (488L), from **Simmons Vedder & Co.** The 5-year-old Class A building is 100% occupied. **Jim Savage** and **Barry Brown** of **HFF** represented the seller.

Univision Television Group, Inc. (310-216-3434) purchased **5100 Southwest Frwy. (GAL 085)**, a 120,000-net-square-foot office building in the Galleria area (491Y), from **Radler Enterprises**. The entire 29-year-old Class B building will be used by Univision as its local office. **Roy Longman** of **Cresa Partners** and **Phil Arnett** of **CBRE/Trione & Gordon** represented the buyer, while **H. Dan Miller** and **Maggie Ogilvie** of **CB Richard Ellis** represented the seller.

Aztec Realty Co. (512-345-8480) purchased the **Richmond Tower Building (GPL 050)**, a 86,990-net-square-foot office building at 3411 Richmond Ave. in the Greenway Plaza area (492X), from **Greystar Holdings, Inc.** The 37-year-old Class B building is 49% occupied with average rents at \$16.50 per square foot.

Carsam Realty Seven, an affiliated partnership of **Fuller Realty Partners** (713-334-5120), purchased **1726 Augusta (GAL 015)**, a 33,250-net-square-foot office building in the Galleria area (491P), from **Koll Bren Schreiber Realty Advisors**. The 26-year-old Class B building is 93% occupied with average rents at \$15.00 per square foot. **William G. Smith, Jr.**, **Stephen G. Darnall**, and **W. Stewart Smith** of **Fuller Realty Partners** represented the buyer, while **H. Dan Miller** and **Maggie Ogilvie** of **CB Richard Ellis** represented the seller.

National Lending Corp. (713-974-0748) purchased **3673 Westcenter Dr. (WES 061)**, an 11,270-net-square-foot building in the Westchase area (489Z), from the **First Methodist Church of Houston Foundation**. The buyer intends to renovate the 23-year-old Class C building for use as their corporate headquarters. **Ace Schlameus** of **Grubb & Ellis** represented the seller.

Aker Kvaerner subleased two buildings at **3600 Briarpark (WES 089)** and **3750 Briarpark (WES 102)**, with 151,908 and 87,000 net square feet, respectively, from **Baker Hughes**. The 20- and 23-year-old Class B buildings are owned by **Lexington Corporate Properties Trust** (212-692-7200). **Aker Kvaerner** will vacate about 200,000 square feet at **7909 Parkwood Circle Dr. (SWF 078)** and a 225,000-net-square-foot office/manufacturing facility at **1255 N. Post Oak**. **Mark Russell** and **Mark O'Donnell** of **Studley, Inc.** represented the landlord.

MMI Management Services, LP leased 39,350 square feet while the **Educational Commission for Foreign Medical Graduates** and the **National Board of Examiners** leased 19,434 square feet in **400 North Belt Office Centre (GNB 030)**, a 222,793-net-square-foot office building at 400 N. Sam Houston Parkway E. in the Greenspoint area (373S), from **Parkway Properties** (281-447-8275). The 22-year-old Class B building is 61% occupied with average rents at \$16.25 per square foot. **Joseph E. Peddie** and **Philip L. Price** of **Cushman & Wakefield** represented MMI, while **Chuck Goldstein** and **John Behm** of **Cresa Partners** represented the Educational Commission and National Board. **Jayson Lipsey** of **Parkway Properties** and **Mark Preston** of **Moody Rambin Interests** represented the landlord in both leases.

The **City of Houston** leased 29,500 square feet at **500 Jefferson (CBD 023)**, a 460,347-net-square-foot office building in the Central Business District (493P), from **Trizec Properties, Inc.** (713-651-1515). The 42-year-old Class B building is 48% occupied with average rents at \$15.00 per square foot. The City of Houston will relocate its EMS and Fire Dept. administrators from **601 Sawyer St. (MAP 039)** to the new location. **Chip Horne** of **Cushman & Wakefield** represented the tenant, while **Gary Loh** of **Trizec Properties, Inc.** represented the landlord.

Giessel, Barker & Lyman, PC leased 24,301 square feet in **1 Houston Center (CBD 054)**, a 1,061,351-net-square-foot office building at 1221 McKinney St. in the Central Business District (493Q), from **Crescent Real Estate Equities** (713-840-1170). The 26-year-old Class A building is 99% leased. The tenant also secured an early-out to downsize from **2 Houston Center (CBD 018)**. **Jason Presley, Gerry Trione, and Steve Hesse** of **CBRE/Trione & Gordon** represented the tenant, while **Debbie Wilson** of **Crescent Real Estate Equities** represented the landlord.

Page Southerland Page, LLP leased 21,177 square feet on the ground floor of **1100 Louisiana (CBD 029)**, a 1,279,477-net-square-foot office building in the Central Business District (493Q), from **Hines Interests** (713-223-1312). The 24-year-old Class A building is 95% occupied. The tenant redesigned the lobby and tunnel space to create a 4,000-square-foot mezzanine, which is currently under construction. The tenant will move from **Post Oak Tower (GAL 093)** in the Galleria area. **David Price** of **Cresa Partners** represented the tenant, while **Clark Davis** of **Hines Interests** represented the landlord.

RETAIL CENTERS

Burgeoning suburban growth and healthy levels of consumer spending continue to buoy the Houston retail market, although quarterly numbers indicate that retail expansion is slowing. Retail absorption over the past twelve months is at its highest level in three years, absorbing almost 4 million square feet. Demand for Strip, Neighborhood, and Regional Mall space soared over the last year, each reaching their highest level in over eight years. Due to the loss of several anchor tenants, Community Centers had a rough year, though they posted strong positive quarterly absorption.

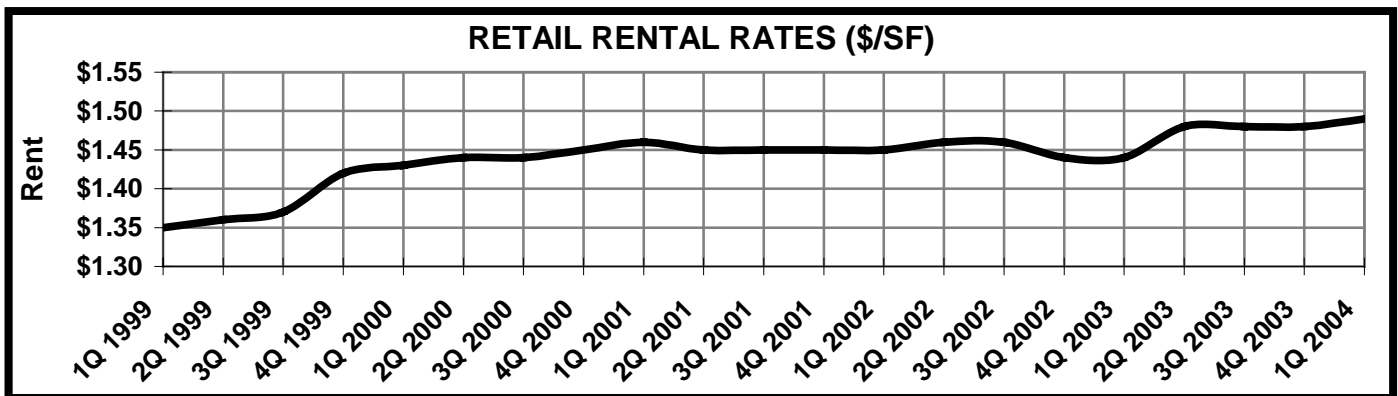
According to the O'Connor & Associates **First Quarter 2004 Houston Retail Data Program**, overall **occupancy** for Houston area multi-tenant retail buildings is **85.81%** (Regional = 86.94%; Community = 82.26%; Neighborhood = 86.83%; Strip = 88.60%). Occupancy is up 0.61 points from the first quarter last year and up 0.04 points from the past quarter. The overall monthly multi-tenant retail **rental rate** is **\$1.49 per square foot** (Regional = \$2.90; Community = \$1.36; Neighborhood = \$1.07; Strip = \$0.96). Overall rents are up \$0.05 from the fourth quarter last year and up \$0.01 from the past quarter.

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- **Wal-Mart Stores** (479-273-4000) is planning to allocate \$12 billion in the 2004 fiscal year to open between 230 and 240 Wal-Mart Supercenters, 40 to 50 discount stores, and up to 25 Neighborhood Market stores. Conversions or relocations of existing stores will account for 150 new Supercenters. Between 30 and 35 Sam's Club stores are also planned, of which approximately 20% will be relocations or expansions.
- **General Growth Properties'** (281-363-3363) 150,000-net-square-foot **Woodlands Mall Expansion (FNO 224)** is set to open for business on May 18, and has added a new tenant to the lineup. **Barnes & Noble** leased 30,000 square feet in the new wing, located at 1201 Lake Woodlands Dr., vacating its 29,950 square feet of space in **Pinecroft Center I (FNO 033)**, owned by **Amerishop Realty Services** (972-774-4100).

- **DKH Interests** (936-321-0010) is planning three new retail centers in Houston-area suburbs, totaling about 520,000 net square feet with an investment of \$75 million. Each center will take on the ALORE brand, an acronym for “A Leisure Oriented Retail Environment”. **Alore III (NEA 303)**, a 110,000-net-square-foot center, will be sited on 10.3 acres at the southwest corner of FM 1960 and W. Lake Houston Parkway in Atascocita (337Z). The center, anchored by a movie theater, is 65% preleased, and construction is scheduled to begin in June. **Alore IV (FSE 338)**, a 250,000-net-square-foot center, will be located on 26 acres at the southeast corner of State Highway 96 and FM 1266 in League City (660E). The development will feature a boardwalk with interactive water feature, along with townhomes on the 2nd floor. The 45% preleased retail center, anchored by **Alamo Drafthouse Theater**, is slated to break ground in mid-August 2004. **Alore V (FSW 265)**, a 160,000-net-square-foot center, will be located on 27 acres at the corner of State Highway 6 and Colonial Lakes Dr. in Missouri City (609F). Currently 45% preleased, construction is slated to begin in mid-August 2004. Completion for each of the three retail centers is expected in the spring of 2005. Land was contributed by a mix of partnerships led by **McAlister Co.**, and will see cash flows once construction is complete.
- **Wild Oats Markets, Inc.** (303-440-5220), which owns the chain of **Sun Harvest** stores that operate in Austin and San Antonio, is considering plans to enter the Houston market. The company’s policy is not to comment on potential sites until a lease is signed. Wild Oats has yet to set a timeline for market entrance.
- **HFF** (713-852-3500) arranged \$10.4 million in financing for four Houston-area retail centers, totaling 70,988 net square feet, owned by the **Peterson Group, Inc.** **New Territory Center (FSW 266)** at 5022 US 90A in Sugar Land, **First Colony Center (FSW 267)** at 1730 Williams Trace Blvd. in Sugar Land, **West Oaks Center (FWE 288)** at 2838 State Highway 6 S. in west Houston, and a small center located at Jones Rd. and FM 249 in northwest Houston make up the portfolio. **JP Morgan Mortgage Capital** provided funding.

The following chart illustrates historical retail rental rates.



A partnership led by **Fidelis Realty Partners** (713-623-6800) purchased the **West 19th St. Retail Center (INL 404)**, a 25,000-net-square-foot center at the southeast and southwest corners of 19th Street and Nicholson in the Houston Heights (452V), from **Ainbinder Co.** The 3-year-old center is 82% occupied with average rents at \$1.83 per square foot. Tenants include **Bluebonnet Federal Credit Union**, **Collina’s Italian Café**, and **The Worksource**. **David Aaronson** of **Live Oak Capital, Ltd.** arranged financing through **Morgan Stanley Mortgage Capital**.

Lenox Hill Holdings (713-850-0700) purchased **4803-4815 Bissonnet St. (NSW 085)**, a 23,000-net-square-foot retail center in Bellaire (531G), from **Texas Pacific Properties, Inc.**, which intends to use the capital in a 1031 Exchange. The 41-year-old center is 85% occupied with average rents at \$1.00 per square foot. Tenants include **Radio Shack** and **Charlie’s BBQ**.

An investment partnership made up of three San Francisco-based family trusts headed by **Morton Rothman**, **Russell Shatz**, and **Arline Marchi** have purchased **Greenwillow Center (FNW 344)**, a 10,000-net-square-foot retail center at 16929 Tomball Parkway in northwest Houston (370P), from **Remington Homes**. The 1-year-old center is 100% occupied by **Cindy’s Lingerie**, **That’s My Bratt**, and **Maria’s Bridal**. **Don Stringham** and **Brad Bailey** of **Marcus & Millichap** represented the buyer.

Ahmadali Virani (281-286-5454) purchased a portfolio of eight retail buildings ranging in size from 2,200 to 6,771 square feet in the Houston and Dallas/Fort Worth areas from **AmREIT** for slightly less than \$5 million. Two of the Houston-area buildings house **La Petite Academy** schools and are located at **4502 Austin Parkway** and **2229 Settlers Way**, one is leased to **Bennigan's** at **2700 South Loop W.**, and another two located at **8110** and **8115 Southwest Frwy.** are leased to **Church's Chicken**, **Superior Sound**, and **Gannett Outdoors**.

Six tenants have preleased space in **Bay Colony Town Center Ph. I (FSE 301)**, a 174,953-net-square-foot retail center under construction by **NewQuest Properties** (281-477-4300) at the northwest corner of the Gulf Frwy. and FM 646 in League City (699A). The center is 60% leased with average rents at \$2.08 per square foot, and will be anchored by a 100,000-square-foot H-E-B. Tenants involved in the recent deals are **Bank of America**, **Wells Fargo**, **Mainland Medical**, **TGF Haircutters**, **Planet Beach of League City**, and **Subway**. Store openings are planned for fall of 2004. **Ryan West of Wulfe & Co.** represented Planet Beach, while **Heather Nguyen of NewQuest Properties** represented the landlord in all transactions.

An as-yet unnamed tenant has been lined up to lease the space in the 375,000-net-square-foot **Marq*E Entertainment Center (NRW 193)** that was vacated by **Van's Skatepark** at the end of March. The 5-year-old retail center is 88% occupied with average rents at \$2.93 per square foot, and is owned by **Orix PLC Houston Venture** (312-669-6400). Tenants include **Jillian's**, **Edwards Cinema**, and **Café Adobe**.

Nine tenants have preleased a total of 25,100 square feet of in-line space in **Tomball Town Center (FNW 232)**, a 144,248-net-square-foot Kroger-anchored retail center that is under construction at the northwest corner of State Highway 249 and FM 2920 (288K), from **NewQuest Properties** (281-477-4300). The center is 50% leased with average rents at \$2.08 per square foot. Tenants will include **Hollywood Video**, **Berkeley Eye Center**, **Sprint PCS**, **Vogue Nail Salon**, **TGF Haircutters**, **Cold Stone Creamery**, and a **UPS Store**.

VACANT LAND

Legend Home Corp. (281-671-9000) purchased two tracts of land in the Houston area. A 150-acre tract at the northwest corner of FM 1960 and Aldine-Westfield Rd. (333K) was purchased from **Mary A. Robinson**. A 24-acre tract at the corner of Treaschwig, west of Aldine-Westfield Rd. in north Houston (333G) was purchased from the **Sophie L. Hueter Estate**. **Bill Heavin** and **Matthew Herring** of **Grubb & Ellis** represented the buyer in both transactions.

Gazer Enterprises, LLC purchased 124 acres at the southwest corner of Mykawa Rd. and Schurmier in south Houston (574V) from **Raymond Bellew**. Residential development is being planned for the site. **Mauris Hardcastle** of **Hardcastle Real Estate** represented the seller.

R. West Development Co. purchased 103 acres along State Highway 6 near County Rd. 99 in Brazoria County (694C) from the **Moore Living Trust**. **Mauris Hardcastle** of **Hardcastle Real Estate** represented both parties.

Northwest Green, Ltd. purchased three tracts totaling 37.86 acres at the southeast corner of Beltway 8 and State Highway 249 in northwest Houston (370U) from **Limestone Management**. The buyer plans to provide infrastructure and divide the tract into smaller parcels for office, retail, or industrial use. **Ed Taravella** and **Ron Dagley** of **The Betz Cos.** represented the buyer, while **Martin O'Malley** and **Todd Edmonds** of **Colliers International** represented the seller.

Eland Development (713-840-8591) purchased 30 acres southwest of FM 1960 and Kuykendahl Rd. in northwest Houston (331V) from **J.F. Eubank, II, trustee**. **Dan Cook** of **Houstonaire Real Estate** represented the buyer, while **Dennis Johnston** of **McDade, Smith, Gould, Johnston, Mason & Co.** represented the seller.

Joe Kilgore purchased 17.1 acres along W. Little York Rd., west of Cunningham Rd. in west Houston (409T) from **BP America Production Company**. **Jim L. Fields** of **The Wirtcrest Co.** represented the buyer, while **David L. Cook**, **Jeff G. Peden**, and **Marshall V. Davidson, Jr.** of **Cushman & Wakefield** represented the seller.

Cencor Realty Service (214-855-0300) purchased 13 acres at the southwest corner of Fry Rd. and W. Little York Rd. in northwest Houston (406Y) from **Moody Rambin Interests**. **Dennis Johnston** of **McDade, Smith, Gould, Johnston, Mason & Co.** represented the buyer, while **George Moody** of **Moody Rambin Interests** represented the seller.

Kagan Properties (713-850-1047) purchased 12.4 acres at the northeast corner of Cullen Blvd. and Beltway 8 in south Houston (573Z) from **Godima, Ltd.** **Martin O'Malley** of **Colliers International** represented the buyer, while **Bill Heavin** and **Matthew Herring** of **Grubb & Ellis** represented the seller.

Peter Jon Co. purchased 9.5 acres near the corner of S. Kirkwood and S. Main in Stafford (569K) from **C.M. Garver, trustee**. **Braxton Brockenbough** of **Weitzman Co.** represented the buyer, while **B. Kelley Parker, III** and **John F. Littman** of **Cushman & Wakefield** represented the seller.

Moretco, Inc. (713-465-0001) purchased one acre at the southwest corner of Westheimer Rd. and Seagler in west Houston (489R) from **J.P. Morgan Chase Bank**. **John Tobin** of **Stan Creech Properties** represented both parties.

INDUSTRIAL FACILITIES

Beltway 8 is continuing to serve as a growth magnet and is seeing several developments near the south and east Beltway segments. The **Far Southeast** and **Far South** remain the tightest industrial markets in Houston, with vacancies of 1.65% and 5.72%, respectively. Other increasingly attractive locations are those that can provide supply chain efficiencies, especially if the site can take advantage of the **Houston Ship Channel**, which is currently in the process of being deepened and widened.

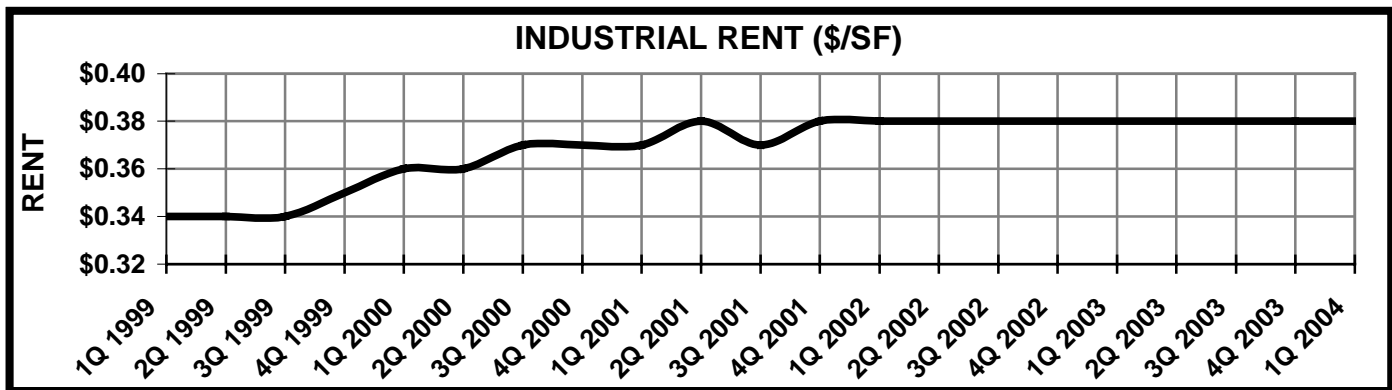
According to the O'Connor & Associates **First Quarter 2004 Houston Industrial Data Program**, overall **occupancy** for Houston area operating industrial facilities is **87.54%** (Flex = 86.56%; Bulk = 86.86%; Manufacturing = 91.41%). Occupancy is down 0.13 points from the fourth quarter, and down 0.76 points from the first 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).*

- **Liberty Property Trust** (713-960-1776) is constructing a build-to-suit 65,650-square-foot distribution facility on 5.5 acres at 16685 Air Center Blvd. in **Central Green Business Park** in north Houston (373L). The tenant, **TJX Cos.**, will use the distribution center to serve their subsidiary chains, **T.J. Maxx** and **Marshall's**. The facility will feature 24-foot clearances and expansion capabilities of up to 21,000 square feet. **Cadence McShane Corp.** is the general contractor and **Seeburger & Associates, LP** is the architect. Completion of the facility is slated for late Summer 2004.
- **Ash Grove Cement Co.** (800-545-1882) and **Alamo Cement Co.** (210-208-1880) are partnering to develop a cement storage terminal on 72 recently purchased acres at 922 Mayo Shell Rd. along the Houston Ship Channel (536A) with the capacity for 1.5 million tons of Portland cement throughput per year. Completion of the terminal is slated for Spring 2006. In the land sale, **C.A. Rousser** of **Rousser Co.** represented the buyer, while **Doyle Toups** and **Doug Nicholson** of **Grubb & Ellis** represented the seller, **Valero Energy Corp.**

- Las Vegas-based **Purafilter 2000** (702-386-0703) has completed a 20,000-net-square-foot manufacturing/distribution facility at 2025 Turning Basin in east Houston (495Q). The facility will help fill the demand for its products in the Texas region.
- **HFF** (713-852-3500) arranged refinancing for **A-Alamo Mini Storage (4253A)**, a 512-unit facility located at 7017 Alameda Rd. near the Medical Center (533J), owned by **A-Alamo Mini Storage, Ltd.** The 8-year-old facility is 95% occupied with average rents at \$0.70 per square-foot. The facility features 8-foot clearance. **Southern National Bank of Texas** provided the funding.
- **Live Oak Capital, Ltd.** (713-993-1339) arranged permanent financing for **Claymoore Center (1084W)**, two buildings totaling 97,802 net square feet on 6.5 acres at 10788 Kempwood Dr. in northwest Houston (449L), owned by **CORE Real Estate**. **Lehman Brothers** provided the funding for the 4-year-old office/warehouse.

The following chart illustrates historical industrial occupancy.



Greensport Management, LLC (281-999-4776) purchased the **Greensport Industrial Park (3615D)**, an industrial park with over 2.5 million net square feet on 610 acres at 1755 Federal Rd. on the north shore of the Houston Ship Channel (496Q), from **AK Steel Corp.** The park features more than 4,000 feet of frontage on the ship channel, a 1,080-foot deepwater dock, and four rail yards with the capacity to store 1,200 railcars. Originally built in 1941 as a steel plant, it was converted into a multi-tenant industrial park in 1983. Over \$11 million in improvements have been made since 2000. **B. Kelley Parker, III, John F. Littman, and Kenneth Page** of **Cushman & Wakefield** represented the seller.

Brazos Management Enterprises (713-266-1184) purchased **The Business Center at Park 10 (1054A)**, a 112,056-net-square-foot office/warehouse facility at 15720-15740 Park Row in west Houston (447Y), from **The Betz Cos.** The 6-year-old facility is 100% occupied with average rents at \$0.75 per square foot. The facility features 16- and 20-foot clearances with dock-high loading. **Larry Marks** of **The Betz Cos.** represented the seller.

London-based investor **Michael Ewer** purchased **Chrisman Business Park (0393)**, a 65,481-net-square-foot facility in at 14041 Chrisman Rd. in north Houston (413C), from **Braun Enterprises**. The 23-year-old facility features 16- and 18-foot clearance with grade-level loading. The new owner plans to renovate the property, while the seller seeks another local industrial facility as part of a 1031 Exchange. **Jeffrey Barbles** and **Rob Chandler** of **Marcus & Millichap** represented the seller.

DW Distribution, Inc. leased 112,720 square feet at **9835 Genard (1242H)**, a 417,350-net-square-foot distribution center in northwest Houston (450B), from **First Industrial Texas, Inc.** (713-681-0885). The 24-year-old facility is 56% occupied with average rents at \$0.29 per square-foot. The facility features 25-foot clearance with dock-high loading. **B. Kelley Parker, III** and **John F. Littman** of **Cushman & Wakefield** represented the tenant.

Dollar Land Stores, Inc. leased 14,721 square feet in **Beltway Service Center I (3772)**, a 76,818-net-square-foot office/warehouse facility at 10515 Harwin St. in southwest Houston (529D), from the **Vantage Cos.** (713-780-4300). The 29-year-old facility is 100% occupied with average rents at \$0.53 per square foot. The facility features 18-foot clearance with semi-dock loading. **Joshua Sebesta** of **Bernell & Associates** represented the tenant, while **Walter Menuet** of **Vantage Cos.** represented the landlord.

ECONOMIC & FINANCIAL NEWS

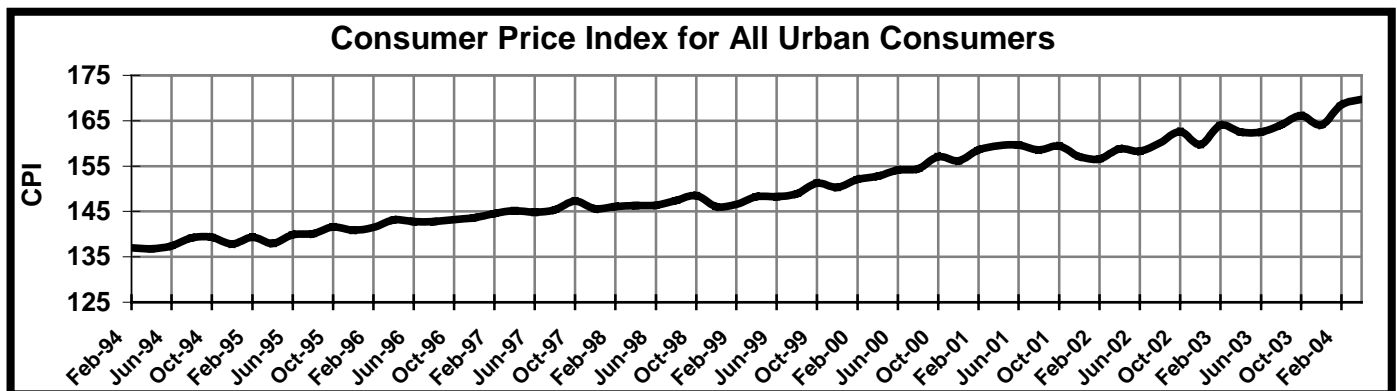
The **number of wage and salary jobs** in the 6-county Houston area **increased by 8,800 jobs** to 2,100,900 in March 2004, according to the **Texas Workforce Commission**. The Leisure & Hospitality sector posted the greatest change, adding 2,200 jobs. This month's total is **300 jobs more** than the 2,100,600 jobs at this time last year. **Houston's unemployment rate**, at 6.2% is down from 6.5% over the past year, while the statewide unemployment rate dropped from 6.6% last year to 6.0% in March 2004.

Advance estimates reported by the **U.S. Department of Commerce** show that seasonally adjusted national retail and food services sales for March were \$333.0 billion, an increase of 1.8% from the previous month, and up 8.2% from March 2003. Retail trade sales were up 2% from February 2004 and were 7.9% above last year. Building material and garden equipment and supplies dealers were up 20.8% from March 2003, while sales of food services and drinking places were up 11.1% from last year.

The latest **Conference Board Survey** indicates that the **Consumer Confidence Index** rose to 92.9 in April 2004, up 4.4 points from 88.5 in March 2004, while the **Business Sentiment Index**, based on a survey of 100 CEOs, rose from 63 in 4th quarter 2003 to 73 in first quarter, marking a 20-year-high. The **Index of Leading Economic Indicators** increased 0.3% in March 2004 to 115.4, 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.

Personal income increased \$38.3 billion, or 0.4%, and Disposable Personal Income (DPI) increased \$34.6 billion, or 0.4%, in February 2004, according to the **Bureau of Economic Analysis**. Personal Consumption Expenditures (PCE) increased \$33 billion, or 0.4% in February 2004. Meanwhile, the **U.S. Department of Labor** reports that the Consumer Price Index (CPI) for urban consumers increased 0.6% in March. The increase in prices can be fully attributed to rising costs of food and energy. Prices of other categories of consumer goods remain stable.

The following chart illustrates trends in the Consumer Price Index.



Source: Bureau of Labor Statistics (BLS)

According to the **Federal Reserve**, industrial production dropped 0.2% in March, but is still 3.4% higher than the March 2003 level. The rate of industrial capacity utilization was 76.5% in February, down 0.2% from February.

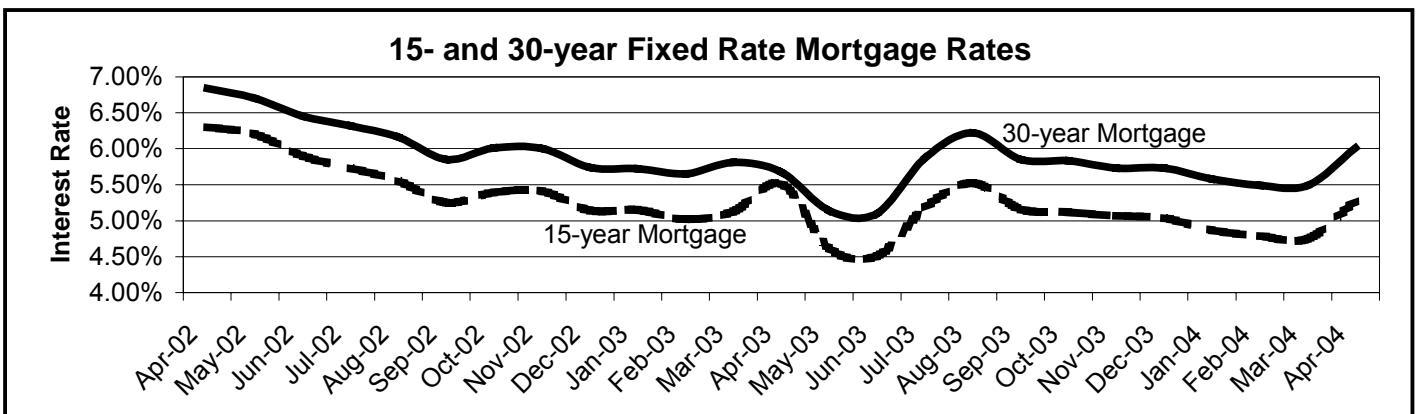
The **Baker Hughes** count of active domestic rotary rigs increased to 1,151 in April 2004, up 1.4% from March 2004 and up 17.1% from April 2003. The rotary rig count is a census of the number of drilling rigs actually exploring for or developing oil or natural gas in the United States.

Advance estimates released by the **U.S. Department of Commerce** indicate that Real GDP, the output of goods and services produced by labor and property in the United States, increased at an annual rate of 4.2% in the 1st quarter of 2004, up 0.1% from 4th quarter 2003. Contributors to the increase were personal consumption expenditures (PCE), equipment and software, government spending, exports, and private inventory investment.

The **U.S. Department of Commerce** reports that construction put in place spending during March 2004 was estimated at a seasonally adjusted annual rate of \$944.1 billion, 1.5% above the revised February estimate of \$930 billion. The March figure is 7.9% above the March 2003 estimate of \$875.2 billion. Private residential construction was at a seasonally adjusted annual rate of \$507.2 billion in March, 0.7% above the revised February estimate of \$503.7 billion, and 13.4% above the March 2003 estimate of \$447.1 billion.

The **Mortgage Bankers Association (MBA)** reports that the 30-year fixed-rate mortgage (FRM) averaged 6.01%, with an average of 1.28 points (including the origination fee), for the week ending April 23, 2004. Last year at this time, the 30-year FRM averaged 5.51%. The average for the 15-year FRM is 5.27%, with an average of 1.43 points (including the origination fee). A year ago, the 15-year FRM averaged 4.80%.

The following chart illustrates comparative historical mortgage rates.



Source: Mortgage Bankers Association (MBA)

Citgo Petroleum Corp. (281-875-9222) announced plans to relocate its corporate headquarters to Houston from Tulsa, OK. The move will create 700 new jobs in Houston and cost Citgo approximately \$85 million. Citgo will require about 300,000 square feet of office space, but has not yet settled on a location.

Economist **Dr. Barton Smith** of the **Institute for Regional Forecasting** at the **University of Houston** reports that the nation's economic momentum is building toward sustainable growth, but is hampered by uncertainties surrounding global turmoil, a political backlash against globalization, the coming housing market correction, and increasing costs of energy. At a recent **O'Connor & Associates Economic Forecast Luncheon**, Dr. Smith debunked the notion that job outsourcing is a major threat to the economy. "The media," Smith claims, "has blown the issue way out of proportion." The missing part of the outsourcing story is the extent of "insourcing" by which foreign companies create jobs in the U.S. Some statistics suggest that this is nearly as large as the so-called outsourcing phenomenon. Outsourcing is miniscule compared to the amount of domestic jobs that are taken by immigrants, according to Dr. Smith. An enormous amount of high-skilled labor has been imported, especially from India. Medical and computer science jobs are common job importers. The percent of foreign-born workers, 12.4%, is higher today, than since the late 19th century during the massive Eastern European migration to America, but these figures don't even attempt to count the impact of illegal immigrants.

Comptroller Carole Keeton Strayhorn's Spring 2004 forecast for the State of Texas is predicting 4.2% real Gross State Product (GSP) growth with 5.6% statewide personal income growth from 2004 to 2005. Output per worker will increase by 2.2% per year on average, and job growth will return to 1.9% annual growth. Nearly 95% of new jobs will be in the service sector.

The **U.S. Federal Reserve Bank of Dallas** predicts that an increase in venture capital spending and computer-related sales will bolster the local economies of Texas' five largest metropolitan areas. Higher oil and natural gas prices are also likely to impact the state in a positive way.

The **Texas Real Estate Confidence Index**, a survey conducted by the **Real Estate Center at Texas A&M**, indicates that statewide real estate confidence is up 5 points to 57 in the second quarter, and is 2 points higher than in first quarter 2003. In the Houston area, confidence is up 2 points to 52 in the second quarter, and is unchanged from this time last year. A score of 50 in the index reflects a neutral outlook, with numbers over 50 indicating positive outlook. Houston has the lowest real estate confidence in the state, with mortgage bankers and residential realtors voicing the most concern, while builders and the commercial sector retain high expectations.

The **Texas Transportation Commission** rewarded a \$40.67 million contract for the construction of a bypass connecting the Gulf Freeway frontage roads to NASA Road 1 at a point east of State Highway 3 and west of El Camino Real. Traffic flow along NASA Road 1 will not be impacted during at least the first eight months of construction, which will begin in June 2004.

HFF (713-852-3500) and professionals from **Chadwick Saylor** and **Fiduciary Capital** have formed **HFF Securities, LP**, an affiliate of HFF. HFF Securities will primarily access capital from pension funds and their advisors, raise capital for commingled real estate funds, and provide financial advisory services.

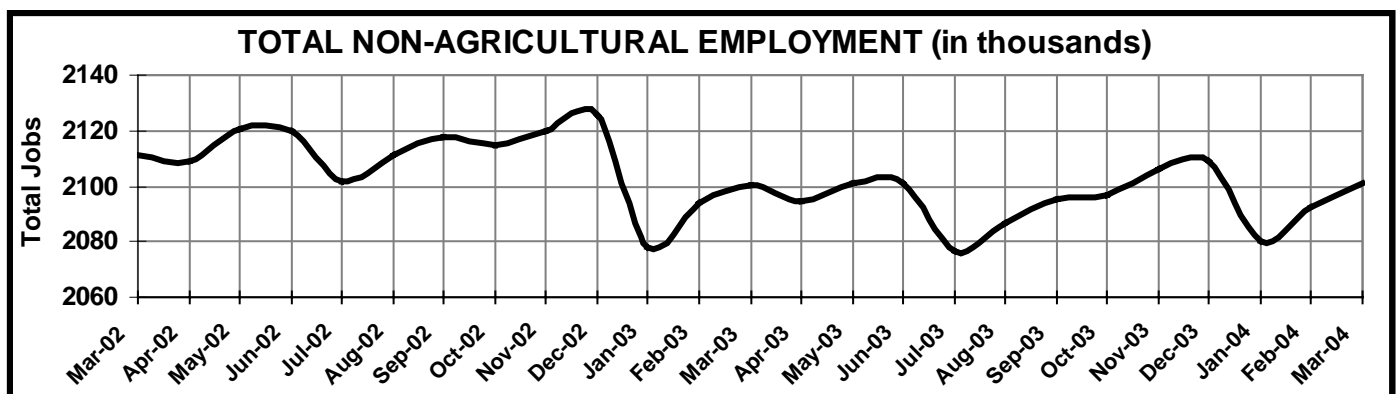
The **Hilton Hotel** at 54th St. and Seawall Blvd. in Galveston (808B) has completed an expansion from 150 rooms to 240, and has added three large meeting rooms to the ground floor. The hotel is owned and operated by **Fertitta Hospitality** (713-850-1010).

Sam Ghandi has opened the new 71-room **La Quinta Inn & Suites** at 8710 Seawall Blvd. in Galveston (807H). The property features a fitness center, swimming pool, and a heated whirlpool, while rooms feature high-speed internet access, microwaves, and refrigerators.

Thomas "Ted" Farmer, Jr. has contracted to purchase the 67-room **Brentwood Inn & Suites** at 2525 Jones Dr. in Galveston (807D), from **Airport Hospitality, Inc.** Farmer plans to renovate the 25-year-old property. The hotel is located near the site of the proposed **Schlitterbahn Water Park**, and has a lease on the land from the City of Galveston until 2038.

Mark Wyant is planning a 100-room **Comfort Inn** on the site that the **Captain Jack's Hotel** once stood, at 1702 Seawall Blvd. in Galveston (775S). Several historic homes on the 2-acre site will be relocated. Wyant is negotiating with an as-yet-unnamed national restaurant chain to build on the site, but it would require that a 20,400-square-foot stretch of 17th Street at Seawall Blvd. be abandoned by the city. Construction is slated to begin on the first of June. Wyant expects to build more hotels in Galveston in the future.

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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