



Your Key to Real Estate Services

Published by:  
**O'Connor & Associates**

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# HOUSTON REAL ESTATE TRENDS

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\$199 per year

Volume 21 Number 6

August 2006

## APARTMENTS

Concessions have returned to the Houston apartment market. In the months leading up to Hurricane Katrina, a soft market forced most owners to resort to concessions, usually in the form of reduced rents. A few complexes in the area offered concessions of up to three months free rent. Practically overnight, the influx of hurricane evacuees to the area filled vacant units and forced those looking for bargains on apartments to settle for paying market rents. However, many of these units have since been vacated, and with construction ramping up, more and more units have become available. Many complexes have responded by again offering concessions, which can be as little as waiving a deposit, or as much as two months free rent. While concessions have not reached pre-Katrina levels, they are becoming more widespread, and could continue to increase in the coming months.

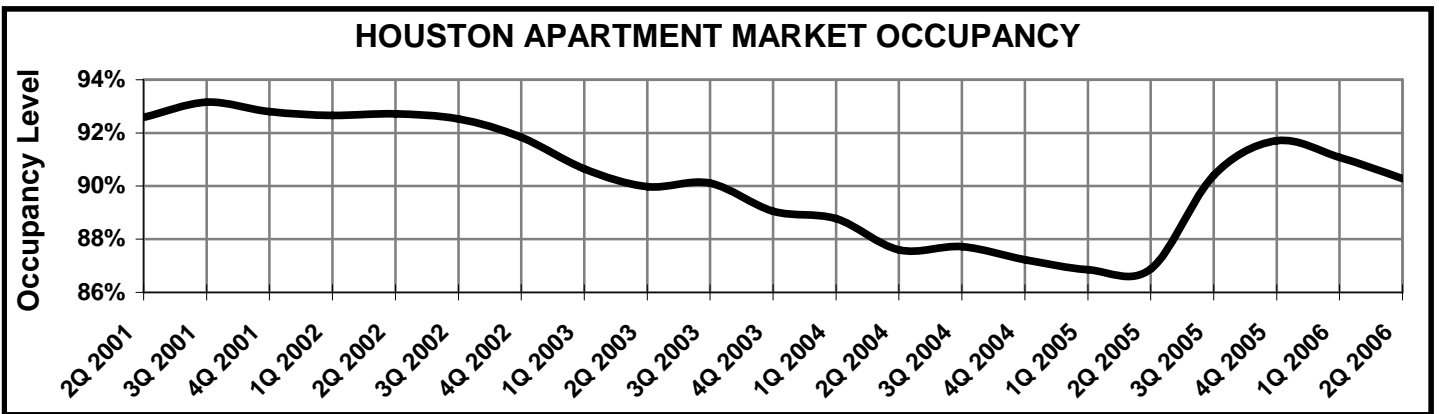
According to the O'Connor & Associates **Second Quarter 2006 Houston Apartment Data Program**, overall **occupancy** for Houston area apartments projects is **90.29%** (Class A = 90.95%; Class B = 91.14%; Class C = 89.31%; Class D = 84.70%). Occupancy is down 0.79 points from the first quarter and up 3.40 points over the past year. The overall monthly **rental rate** is **\$0.825 per square foot** (Class A = \$1.087; Class B = \$0.809; Class C = \$0.685; Class D = \$0.590). Overall rents are up \$0.004 from the first quarter of 2006 and \$0.026 over the past year.

Note: The multifamily projects listed herein are followed by their representative identification number as they appear in the new O'Connor & Associates **ApartmentLink Online Data** platform and are provided for subscriber cross-referencing. *The property information contained within this database is updated on a monthly basis and accessible over the web (please contact us for more details).*

- **Today Realty Advisors** (972-407-1925) are planning to develop **Mason Park Apartments (17417)**, a 312-unit complex located along Mason Park Dr. in Katy (486A). The complex, consisting of 14 buildings and three parking garages on 13 acres, will feature one-, two-, and three-bedroom apartments averaging 889 square feet with average rental rates expected to be \$1.01 per square foot. Amenities will include 10-foot ceilings, granite countertops, stainless steel appliances, hardwood floors, and a multilevel clubhouse with Internet café, billiards room, and wine room/cigar bar. Completion is estimated for the third quarter of 2007. **Loy Shaw** of **Henry S. Miller** arranged \$19.4 million in construction financing on behalf of Today.

- **NRP Group** (210-487-7878) is planning to develop **Costa Verde Clute**, a community located at Brazoswood Dr. and Old Angleton Rd. in Clute (884Q). The development, which has been dubbed a “life-cycle community” by the developers, will include 188 apartment units, 47 single family houses, and 60 senior housing units. Each set of housing will be in its own smaller gated community. The community will also include a 1-acre tract along Old Angleton Rd. for commercial development. Construction is slated to begin in January 2007.
- **Capmark Finance, Inc.** (713-499-4000) arranged a 10-year \$8.75 million refinancing loan on behalf of **Scott Bassin** for **Inwood Grove (4434)**, a 352-unit Class B complex located at 7302 Alabonson in northwest Houston (411P). The 24-year-old complex is 93% occupied with average rents at \$0.69 per square foot. **Jim Adams** of Capmark arranged the financing with funds provided by **Freddie Mac**.

The following chart illustrates historical apartment occupancy.



**GFI Capital Resources, Inc.** (212-344-1444) purchased a portfolio of 4 Houston area Class C apartment complexes totaling 1,328 units from the **Fifteen Group**. The properties include **Encore Apartments (3010)**, a 28-year-old complex located at 7255 Corporate Dr. in southwest Houston (529H), **Oakwood Gardens (1794)**, a 34-year-old complex located at 5625 Antoine Dr. in northwest Houston (451C), **Shadowtree Apartments (3067)**, a 27-year-old complex located at 9475 W. Sam Houston Parkway S. in southwest Houston (529V), and **Stradford Oaks Apartments (1783)**, a 33-year-old complex located at 4000 Watonga Blvd. in northwest Houston (451M). Occupancies at the properties range from 58% to 80%, while average rental rates range from \$0.60 to \$0.81 per square foot. **David Wylie** and **Matt Rotan** of **Apartment Realty Advisors** brokered the transaction.

**Stone Mountain Properties** (973-376-2626) purchased a controlling interest in **Louisville Court (3099)**, a 365-unit rental condominium development located at 9201 Clarewood in southwest Houston (530E), from **Asset Glory Holding, Ltd.** The 28-year-old complex is 98% occupied with average rents at \$0.70 per square foot. **Donnie Chang** of **ABC Realty Advisors** brokered the sale.

**GF Properties Group** (970-385-7770) purchased **Stonewood (4469)**, a 252-unit Class A complex located at 701 T.C. Jester Blvd. in northwest Houston (492C), from **Stonewood Complex, LLC**. The 4-year-old complex is 98% occupied with average rents at \$1.19 per square foot. **Greystar Management** (713-966-5000) will manage the property. **Jim Hearn, Ed Cummins, Ryan Terrell, and Tom Warren** of **Hendricks & Partners** represented the buyer, while **David Joachim** of **International Realty Concepts** represented the seller.

**Emery Jakab** (713-688-6888) purchased the **Bayfront Apartments (4014)**, a 200-unit Class B complex located at 11710 Algonquin in southeast Houston (616D), from **Bayfront National Associates**. The 33-year-old complex is 88% occupied with average rents at \$0.79 per square foot. **Cliff McDaniel** of **Apartment Realty Advisors** represented the buyer, while **Douglas Lockwood** of **Grubb & Ellis** represented the seller.

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# SINGLE-FAMILY HOUSING

**MLS** home sales increased in July, as 6,717 used homes were sold, up from the 6,587 homes sold in June, according to the **Houston Association of Realtors (HAR)**. Sales for July 2006 were up 3.7% from July 2005. The median price of a used single-family home sold in July was \$150,000, up 8.3% from July of last year, while the average home price was \$194,216, up 5.7% from the July 2005 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**, net sales of new homes decreased 13% in July to 2,568 from 2,940 in June, and are down 17% from July 2005. Realtor co-op sales represent 57% of gross sales, unchanged from July 2005. Traffic increased less than 1% from last year to 35,164 in July 2006. The inventory of completed speculative homes (1,910) is 3% above last year's inventory. There are 4,716 spec homes under construction, which is up 18% from 2005. Overall, the 6,626 specs (both completed and under construction) represent a 13% increase over 2005. *Note: the 24 homebuilders in this survey account for approximately 61% of housing starts in Houston.*

Nationwide sales of new single-family homes decreased in July to a seasonally adjusted annual rate of 1,072,000, 4.3% below the revised June sales rate of 1,120,000, and 21.6% below the revised July 2005 figure, according to a release by the **U.S. Department of Commerce**. The median sales price was \$230,000. Privately owned housing starts were at a seasonally adjusted annual rate of 1,795,000 in July 2006, 20.8% below the July 2005 figure. Privately owned housing completions were at a seasonally adjusted annual rate of 1,927,000 in July 2006, 2.3% above the July 2005 figure.

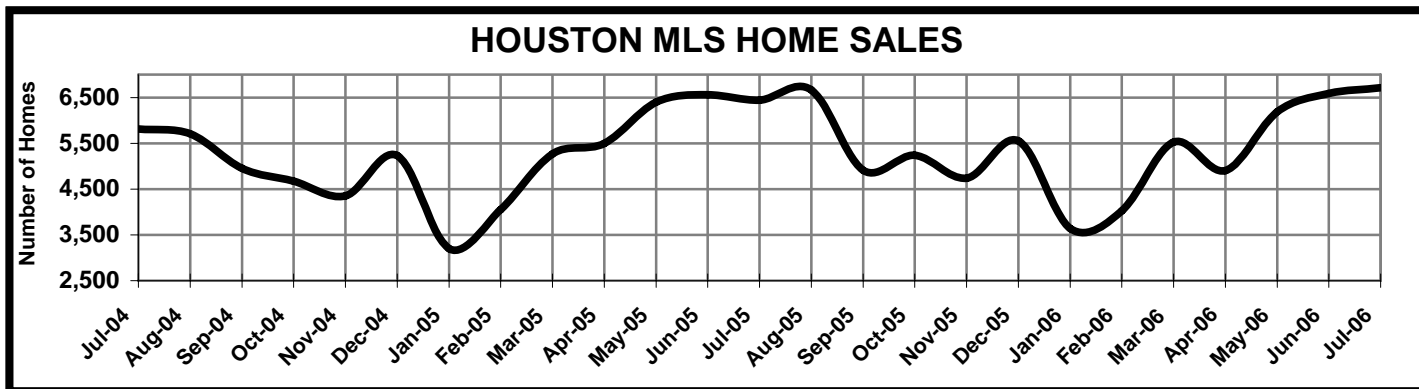
The **National Association of Home Builders/Wells Fargo Housing Market Index**, a monthly measure of builder confidence, decreased in August to 32 on a scale where any number greater than 50 indicates that builders view sales as more good than poor. The index measuring current sales of new single-family homes decreased 7 points to 36, the index measuring sales expectations for the coming six months decreased 6 points to 40, while the index measuring the traffic of prospective buyers decreased 6 points to 21.

According to the **National Association of Realtors (NAR)**, 604,000 existing homes were sold in July 2006, down 13.6% from 699,000 in June. The median sale price was \$230,000, a 0.9% increase over sale prices a year ago.

The **Galveston City Council** voted to place restrictions on the height of new structures in the city's West End. West of 103<sup>rd</sup> Street, planned buildings nine stories or taller must now obtain a specific-use permit, meaning that both the planning commission and the city council must approve the project. Much of the land fronting the shoreline will not be affected by the new ordinance, as zoning ordinances already in place limit development on most beachfront land to three or four stories.

Foreclosures in the Houston-Galveston-Brazoria area increased in the second quarter of 2006, according to a report by **RealtyTrac, Inc.** Second-quarter foreclosures in the area increased 39.5% from the first quarter. According to the report, the region ranked 6<sup>th</sup> in the country for foreclosures, recording one foreclosure for every 145 households.

The following chart illustrates historical used home sales.



Source: Houston Association of Realtors

**Endeavour Holdings, Inc.** (888-548-6759) and **Sun Resorts International, Inc.** (972-789-1400) have revised plans for **Endeavour Parkside**, a proposed condominium tower located at 4949 NASA Road 1 on the site of **Parkside Marina** in the Clear Lake area (568X). Original plans called for a 20-story tower with 129 units; the new design is a 34-story, 146-unit tower. Units will range from 900 to 3,000 square feet in size, with prices between \$300,000 and \$3 million. The existing marina is scheduled for demolition in September, with groundbreaking on the new development in early 2007. Construction is expected to wrap up 14 months later.

**Global Royal Investments**, a partnership led by **Ratan K. Jha**, is planning to develop **Regatta**, a four-building, 253-unit condominium development located at 9902 Seawall Blvd. in Galveston (807K). Community amenities will include an infinity-edge pool, clubhouse, fitness center, and a two-level parking garage. Units will feature granite countertops, hardwood or tile flooring, 10- and 11-foot ceilings, stainless steel appliances, and Gulf views. Pricing has not yet been determined for the units, which will range in size from 1,076 to 3,746 square feet. Construction is expected to begin in November, with completion slated for 12 to 14 months after.

**Cherokee Webster Development**, a partnership between **Johnston Development Group** (310-247-1994) and **Cherokee Investment Partners, LLC** (919-743-2500), is planning to develop **Edgewater**, a community located on 330 acres on the site of the former **Texas Genco** power plant in Webster (658D). The community will include an estimated 398 single-family homes, with pricing estimates at \$250,000 to \$1,000,000. Plans also call for some multifamily units, as well as 375,000 square feet of retail space and a marina on Clear Creek. Demolition of the power plant on the site is underway; lots are expected to be ready for construction in approximately one year, with full build-out of the site expected to take 5 to 7 years.

**Pulte Homes, Inc.** (248-644-7300) is planning to develop **Willowbrook**, a community of 167 townhome-style split-level homes from its new Urban Living Collection located at FM 1960 and Breton Ridge St. in the Willowbrook area (370E). The two- and three-bedroom homes, which will feature private covered patios and two-car garages, range in size from 1,219 square feet to 1,632 square feet and in price from \$139,990 to \$170,999. The gated community will also feature a swimming pool and cabana, walking trails, and a gazebo. Construction is scheduled to begin this year, with an estimated completion of 2008.

**Black Diamond Properties** (713-532-8848) and **Rohe & Wright Builders** (713-864-4040) are planning to develop **Caceres**, a community featuring 122 homes located on a 8.1-acre tract between Feagan, Renerman, and Detering in the Rice Military area (492L). The community will feature 105 townhomes and 17 single-family homes, ranging from 2,000 to 4,500 square feet in size. The community will be gated, with a security guard on-site 24 hours a day. Each builder will build half of the homes; construction is expected to begin in the first quarter of 2007.

**Don Jordan of Jordan Properties** (409-737-9779) has revised plans for a high-rise condominium development on Galveston's west side. Plans for the development, to be built on a 28-acre tract along Eckert Dr., now call for 216 units averaging 1,760 square feet contained in an 8-story building. Original plans called for a 16-story structure with 219 units, but the proposal was struck down by the **Galveston City Council**. Jordan, along with partner George Liberato, originally planned to fight the decision in court, but instead simply revised plans for the development, citing a desire to move forward on the project.

The **City of Houston** is now requiring builders to register with the **Texas Residential Construction Commission** in order to receive building permits. The commission requires homeowners with complaints against homebuilders to report the complaints to the commission before filing a lawsuit. The commission has the power to assess fees of up to \$5,000 to those who violate commission rules. Critics of the law note that there are no minimum requirements to register with the commission; of the more than 25,000 applications the commission has received since its creation three years ago, just 40 have been denied.

**Prudential Gary Greene, Realtors** has merged the Galveston real estate firm of **Paradise Realty** into its operations. The firm operates 24 offices with over 1,000 agents in the Houston area, including 3 offices with 48 agents in the Galveston area.

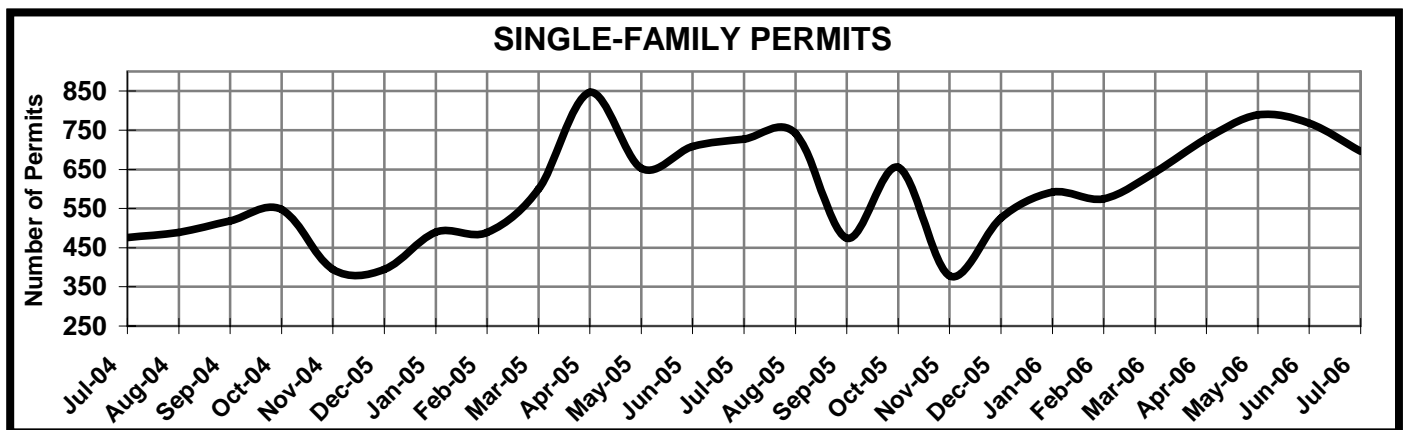
# PERMIT ISSUANCE

The **City of Houston** issued permits to build 696 private single-family houses and 43 private multifamily buildings in July. Demolition permits were issued for 134 private single-family houses. In addition, 269 permits were issued for privately owned non-residential construction totaling \$71,662,903 and 57 permits were issued for public non-residential construction totaling \$3,279,031. Additions, alterations, and conversions totaled \$76,063,279 for the private sector and \$16,504,672 for the public sector.

## Cost of Construction\*

	2004	2005	2006
Month of July	\$349,993,564	\$383,952,047	\$336,668,681
Year-to-Date	\$2,093,182,423	\$2,409,854,904	\$2,711,990,785

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



# OFFICE BUILDINGS

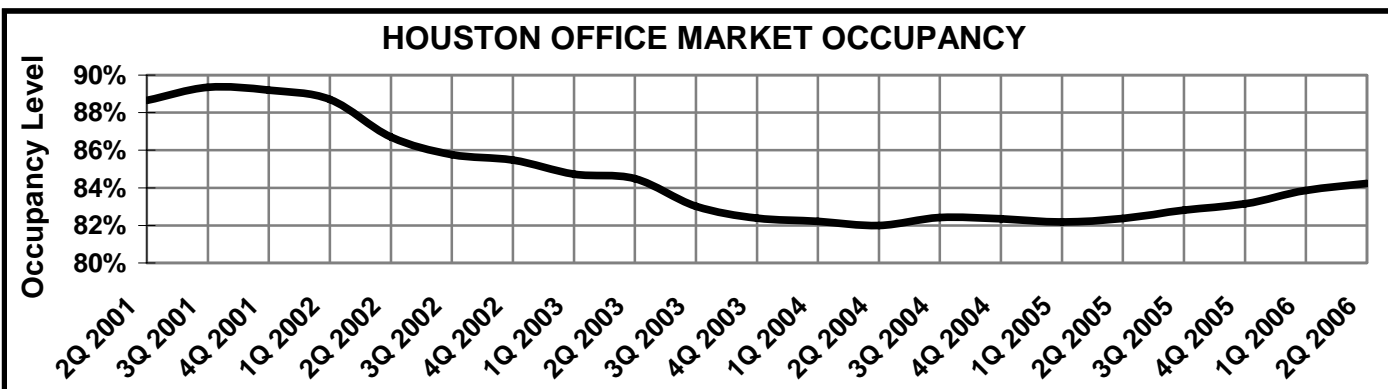
The office market in the Energy Corridor suffered during the early 2000s, as did Houston's office market in general. However, in the past year, occupancy has made substantial gains, and Energy Corridor office space is in demand once again. Developers are returning to the area, with several new office projects in the works, including Ten West Corporate Center II, being developed by Opus West Corp., which will add 250,000 square feet of space to the market at completion. The most notable project planned is The Energy Center, a two-building complex being developed by Trammell Crow Co. and Principal Real Estate Investors that will feature 630,000 square feet of space. While nothing is certain in Houston's ever-changing office market, the Energy Corridor appears to be in good shape, and the fact that prominent developers are again active bodes well for the area.

According to the O'Connor & Associates **Second Quarter 2006 Houston Office Data Program**, citywide **occupancy** for Houston area multi-tenant office buildings is **84.24%** (Class A = 87.02%; Class B = 82.99%; Class C = 81.89%; Class D = 79.29%). The citywide annual multi-tenant office **rental rate** is **\$18.44 per square foot** (Class A = \$21.15; Class B = \$17.17; Class C = \$13.77; Class D = \$11.27). Overall rents are up \$0.38 from the second quarter last year.

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).

- **Lone Star Alliance**, led by **Kirk Pfeffer**, is planning to develop three 60,000-square-foot office buildings (**NOW 055, 056, 057**) located along Beltway 8 between U.S. 290 and Texas 249 in northwest Houston. Asking rents at the buildings will range from \$19.00 to \$20.00 per square foot. Groundbreaking on two of the three buildings is scheduled for September, with completion slated for 2007. **Mark Preston** of **Moody Rambin** will handle leasing.

The following chart illustrates historical office occupancy.



**Creekstone Partners** (713-621-5300) purchased **1200 Enclave Parkway (WES 116)**, a 154,000-square-foot Class A building in west Houston (488L), from **Falcon Real Estate Investment Co.** The 7-year-old building is fully leased. **Harbor Capital** (832-203-6664) arranged \$22.4 million in financing for the acquisition of the building, with funds provided by **Bear Stearns & Co.**

**Holt Lunsford Commercial Investments** (713-850-8500) purchased **1201 Dairy Ashford (KFW 009)**, a 58,000-square-foot Class B building located in the Energy Corridor (488D), from **1201 Dairy Ashford, Ltd.** The 31-year-old building is fully leased. The buyer was represented in-house by **Ed Bane**, while **Louis Rosenthal** of **Jones Lang LaSalle** represented the seller.

**Amidee Capital Group** (281-649-4300) purchased **14420 W. Sylvanfield Dr. (GNB 132)**, a 28,000-square-foot office building located in north Houston (371A), from **Northchase Park JV**. The 23-year-old Class C building is fully leased. **Timothy Clay of Clay & Co.** represented the seller.

**Men's Wearhouse** leased 130,000 square feet in **Oak Park Office Center II (SW1 079)**, a 206,000-square-foot Class A building located at 6380 Rogerdale in southwest Houston (529G), from **Myers, Crow & Saviers** (713-465-8600). The recently completed facility is 63% occupied with average rents at \$14.10 per square foot.

**General Electric Co.** expanded their lease by 45,000 square feet in **Park Tower South (GAL 109)**, a 262,000-square-foot Class A building located at 1333 West Loop South in the Galleria area (491R), from **TPMC Realty Corp.** (713-963-9955). The 35-year-old building is 95% occupied with average rents at \$22.25 per square foot. **Robert Parsley** and **Jay Kyle** of **Colliers International** represented the tenant.

**INEOS** leased 26,000 square feet in **Marina View (CLC 136)**, a 116,000-square-foot Class A building located at 2600 South Shore Blvd. in League City (619Y), from **American National Insurance Co.** (409-766-6548). The 2-year-old building is 81% occupied with average rents at \$23.00 per square foot. **Tim Relyea** of **Cushman & Wakefield** brokered the transaction.

**Litton Loan Servicing** leased 22,000 square feet in **Loop Central III (GAL 155)**, a 199,000-square-foot building located at 4828 Loop Central in the Galleria area (491Z), from **Kennedy-Wilson Properties** (713-334-1155). The 23-year-old building is 95% occupied with average rents at \$18.25 per square foot. **Marshall Clinkscales** of **MSC Properties** represented the tenant, while **Virgil Hydes** and **Griff Jaggard** of **Lincoln Property Co.** represented the landlord.

**Detcon** renewed their lease for 15,000 square feet in **Venture Tech II (TWC 064)**, a 41,000-square-foot building located at 3200 Research Forest Dr. in The Woodlands (251B), from **Vista Equities Group, Inc.** (281-531-5300). The 17-year-old building is 89% occupied with average rents at \$14.50 per square foot. **Tim Maczko** of **The J. Beard Co.** represented the tenant, while **Joe Brockman** of **Cypressbrook Co.** represented the landlord.

**SAT Corp.** leased 10,000 square feet in **Westchase Corporate Center (WES 117)**, a 184,000-square-foot Class A building located at 10111 Richmond Ave. in the Westchase District (487Z), from **Means Knaus** (713-586-2538). The 7-year-old building is 96% occupied with average rents at \$22.50 per square foot.

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## RETAIL CENTERS

Classes have begun for students across the state, meaning that the annual tax holiday has passed as well. Most parents, and other consumers alike, see the tax holiday as a great way to save money, especially on clothing. However, there is much debate about the tax free weekend's benefits for consumers and retailers alike. Critics point out that the discount for consumers amounts to only about 8%, depending on local sales taxes. Furthermore, some question the benefit for retailers. Sales revenues certainly jump for most retailers during the tax holiday, but it is important to note that sales sometimes decline in the weeks leading up to the holiday. However, intangible benefits may exist for retailers such as added customer loyalty, and for consumers, retailers typically have sales to commemorate the tax holiday and attract the masses to their stores. In turn, while benefits may not be as substantial as might have been expected when the tax holiday was created, it can be considered a boon for both consumers and the retail industry.

According to the O'Connor & Associates **Second Quarter 2006 Houston Retail Data Program**, citywide **occupancy** for Houston area multi-tenant retail buildings is **85.67%** (Regional = 85.87%; Community = 86.93%; Neighborhood = 85.22%; Strip = 84.19%). Occupancy is down 0.42 points in the past 12 months, and is down 0.22 points over the last quarter. The citywide monthly multi-tenant retail **rental rate** is **\$1.56 per square foot** (Regional = \$2.88; Community = \$1.50; Neighborhood = \$1.15; Strip = \$1.13). Overall rents are down \$0.03 from the first quarter, and unchanged since this time last year.

Note: The retail centers listed herein are followed by their representative sector code and identification number as they appear in the O'Connor & Associates **Houston Retail 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).

- **Opus West Corp.** (713-953-0430) is developing **The Crossing at Fort Bend Parkway (NSW 314)**, a 300,000-square-foot center located at the intersection of Beltway 8 and the Fort Bend Parkway in southwest Houston (571S). The **Home Depot**-anchored center is 80% preleased with average rents at \$2.13 per square foot. Construction is under way, with completion scheduled for November 2006. **Eric Walker** of **NewQuest Properties** is handling leasing.
- **Wulfe & Co.** (713-621-1700) is developing **Little York Arcade (NNO 305)**, a 36,000-square-foot center located at 415 W. Little York Rd. in north Houston (412V). The center is 40% preleased with average rents at \$1.75 per square foot. Completion of the center is scheduled for September. **Paula Hohl** is handling leasing.
- Houston-area **Foley's** stores will officially become **Macy's** on September 9. All 16 area stores will undergo the conversion, most notably the Foley's at **The Galleria (NRW 084)**, meaning the mall will house two Macy's stores. After the conversion, Macy's will have 51 stores in Texas and will become the first nationwide department store chain, with more than 850 stores.
- According to the **Real Estate Research Corp.** and **Certified Commercial Investment Member (CCIM) Institute Investment Trends Quarterly**, retail properties ranked behind industrial, office, and residential properties for investor interest in the second quarter of 2006. Vacancies at retail properties nationwide increased to 8.5% in the second quarter, while the average price per square foot of retail properties decreased to \$194 in the second quarter from \$208 in the first quarter. On a 10-point scale representing market conditions, the report ranked the retail sector a 4.6.

The following chart illustrates historical retail occupancy.



**Kho's Family I** purchased **Market Place (FSW 175)**, a 75,000-square-foot center located at 13444 Southwest Fwy. in Sugar Land (568R), from **Richland Investments**. The 11-year-old center is fully leased with average rents at \$1.10 per square foot. Tenants in the center include **Bally's Total Fitness**. **Li-Shen Kline** of **LSK & Associates** represented the buyer, while the seller was represented in-house by **Michele Kirsch**.

**Greenstreet Real Estate Partners, LP** purchased **Copperfield Village (FNW 151)**, a 163,000-square-foot center located at 7081 Highway 6 N. in northwest Houston (408N), from **Weingarten Realty Investors**. The 22-year-old center, which was expanded in 2001, is 96% occupied with average rental rates at \$0.92 per square foot. Tenants in the **Randall's**-anchored center include **Ross Dress for Less, Radio Shack,** and **Trudy's Hallmark**. **George Cushing** and **Wendy Vandeventer** of **Grubb & Ellis** represented the seller.

**Newmark Homes** leased 21,000 square feet in **Briar Lake Village (FWE 330)**, a 47,000-square-foot center located at 10455 Briar Forest Dr. in west Houston (489R), from **MetroNational** (713-973-6400). The recently-completed center is 97% occupied. Newmark will use the second-floor space in the center as office space, and will operate a design center on the ground floor. **Ron McWherter** and **Jay Clieburn** of **CB Richard Ellis** represented the tenant, while the landlord was represented in-house by **Pat Hicks**.

**Affordable Furniture** leased 16,000 square feet in **Mall of the Mainland (FSE 097)**, a 782,000-square-foot mall located at 10000 Emmett F. Lowry Expressway in Texas City (700X), from **Triyar Cannon Group** (310-475-1823). The 15-year-old mall is 68% occupied with average rents at \$0.75 per square foot.

**Guaranteed Resale** leased 12,000 square feet in **Westheimer Commons (FWE 045)**, a 250,000-square-foot center located at 12520-12586 Westheimer in west Houston (488V), from **New Plan Excel Realty Trust** (713-660-4300). The 22-year-old center is 89% occupied with average rents at \$1.10 per square foot. **Perry Zieben** of **Perry Zieben Realty Co.** represented the tenant, while the landlord was represented in-house by **Kay Walker**.

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## INDUSTRIAL FACILITIES

The Houston industrial market tightened further during the second quarter of 2006. Despite a slight decrease in occupancy at office/warehouse facilities, overall occupancy increased 0.35 points to 92.23%, marking the fifth consecutive quarter of increases. The Far Southeast sector and Central Business District continue to lead the way with the highest occupancy levels. Overall rental rates recorded their first movement in nearly two years, increasing \$0.01 to \$0.41 per square foot. Overall rents were driven up by increases in rents at warehouses and manufacturing facilities. The Central Business District reports the highest average rental rates, at \$0.81 psf, followed by the Far Southwest sector at \$0.55 psf.

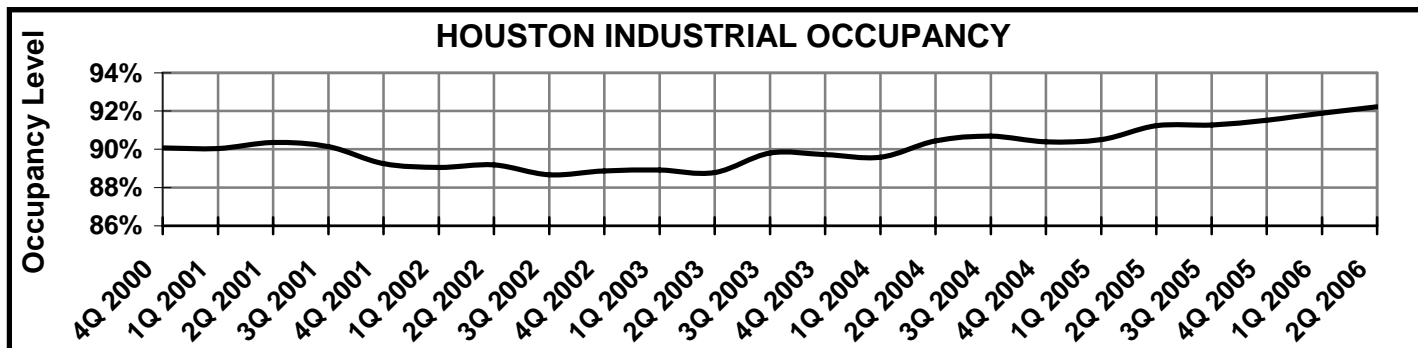
According to the O'Connor & Associates **Second Quarter 2006 Houston Industrial Data Program**, citywide **occupancy** for Houston area operating industrial facilities is **92.23%** (Flex = 89.20%; Bulk = 93.79%; Manufacturing = 93.71%). Occupancy is up 0.35 points from the last quarter, and up 1.14 points over the last year. The overall monthly **rental rates** gained \$0.01 to **\$0.41 per square foot** (Flex = \$0.46; Bulk = \$0.37; Manufacturing = \$0.35).

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).

- **Finger Management Co.** (713-227-6857) is planning to develop a 500,000-square-foot headquarters and distribution center (**4180Z**) located at 1601 Gillingham Ln. in Sugar Land (568G) for **Finger Furniture Company, Inc.** When the facility is completed, Finger will no longer operate its 300,000-square-foot warehouse at 5055 South Loop East (**3425**), although its showroom at 4001 Gulf Freeway will remain open. Construction on the facility is expected to begin in September, with completion slated for May 2007.

- A partnership between **ING Clarion** (212-883-2500) and **Trammell Crow Co.** (713-963-1000) is developing two warehouses in **Cole Creek Business Park** in northwest Houston (410T). The facilities include a 212,000-square-foot warehouse located at 8716 W. Little York (**0683D**), which has been leased to **Home Depot Supply**, and a 168,000-square-foot warehouse located at 8712 W. Little York (**0692A**). Both facilities will feature 30-foot clearance, as well as wide truck courts. Rents at the 8712 W. Little York facility are \$0.38 per square foot. Construction is under way, with completion of the facilities slated for January 2007. In the Home Depot lease, **Jim Foreman** of **Cushman & Wakefield** represented the tenant, while **Faron Wiley** and **Jim Casey** of **Trammell Crow Co.** represented the landlord.

The following chart illustrates historical industrial occupancy.



**Insite Commercial Real Estate** (713-339-1300) purchased a portfolio of office/warehouse facilities totaling 655,000 square feet from **Brookfield Asset Management**. The facilities include: **Commerce Center (3999)**, located at 9000 Southwest Freeway in southwest Houston (530P), **Commerce Park North (0102)**, located at 15621 and 15631 Blue Ash Dr. in north Houston (332X), **Plaza Southwest Business Park (3924, 3925, 3927, 3928)**, located at 7302 and 7350 Harwin St, 5601 and 5750 Bintliff Dr., and 5755 Bonhomme in southwest Houston (530C), **Technipark Ten Service Center (1044)**, located at 16115-16155 Park Row in west Houston (447Y), and **Westchase Park (2406)**, located at 3120-3130 Rogerdale Rd. in west Houston (489V). Occupancies at the facilities range from 72% to 100%, with rental rates ranging from \$0.65 to \$0.98 per square foot. **David Boyd** of **Boyd Commercial** represented the buyer.

**Carson Co.** (949-725-6525) purchased **Bayport North Distribution Center (5234N)**, a two-building facility totaling 565,000 square feet located at Underwood and Fairmont Parkway in Pasadena (579E), from **The Vantage Companies**. The recently completed facility is vacant. **Gray Gilbert** and **Billy Gold** of **CB Richard Ellis** represented the buyer, while **B. Kelly Parker III** of **Cushman & Wakefield** represented the seller. Vantage will continue to lease and manage the facility; **Walter Menuet** will handle leasing.

**Sealy & Co.** (713-688-6300) purchased **8855 City Park Loop (1022)**, a 347,000-square-foot distribution center located in west Houston (445Y), from **Grocers Supply Co.** The 21-year-old facility is fully leased to **Excel Logistics**. The buyer used in-house brokers to negotiate the transaction, while **John Ferruzzo** and **Barrett Gibson** of **NAI Houston** represented the seller.

**Invesco Realty Advisors** (972-715-7400) purchased **Houston Telecom Exchange (0582J)**, a 216,000-square-foot distribution center located at 7100 Business Park Dr. in northwest Houston (409U), from **Koontz McCombs Development**. The 6-year-old facility is 42% occupied with average rents at \$0.62 per square foot.

**Republic Manufacturing** (713-847-7542) purchased **8419 Tewanin (5088)**, a 127,000-square-foot office/warehouse facility located in south Houston (575E), from **Cragwood, Inc.** The 33-year-old facility will be owner occupied. **Marc Drumwright** of **Southwest Realty Advisors** represented the buyer, while **Aron Grenader** of **First Houston Properties** represented the seller.

**Mike O'Meara** and **Mark Yates** purchased **9207 Emmott (0682)**, a 37,000-square-foot office/warehouse facility located in northwest Houston (410T), from **National Western Life Insurance Co.** The 22-year-old facility is fully leased with average rents at \$0.45 per square foot.

**Powell Industries, Inc.** leased **12301 Kurland Dr. (5203A)**, a 139,000-square-foot office/warehouse facility located in south Houston (576U), from **C&L Partnership, Ltd.** Average rents at the facility are \$0.33 per square foot. **John Ferruzzo** of **NAI Houston** represented the tenant, while **Jarret Venghaus** and **Bob Berry** of **The Staubach Co.** represented the landlord.

**Carpet Pad Recycling** leased 27,000 square feet at **3483 W. 12<sup>th</sup> St. (1951)**, a 42,000-square-foot warehouse located in west Houston (452W), from **Albert H. Herzstein Investments** (713-681-7868). The 38-year-old facility is fully leased with average rents at \$0.32 per square foot. **Marc Drumwright** of **Southwest Realty Advisors** represented the tenant, while **Conrad Bernard** of **Boyd Commercial** represented the landlord.

**Specialized Cargo** leased 23,000 square feet in **Northwest Point Distribution Center (0582C)**, a 169,000-square-foot warehouse facility located at 7110-7190 Brittmoore Rd. in northwest Houston (409U), from **East Group Properties** (601-354-3555). The 22-year-old facility is fully leased with average rents at \$0.45 per square foot. **Bo Pettit** of **Boyd Commercial** represented the tenant, while **Clay Reichenbach** of **Insite Commercial Real Estate** represented the landlord.

**Questmark Information Management** leased 20,000 square feet in **Kirby Business Center (4240)**, a 115,000-square-foot office/warehouse facility located at 9400-9494 Kirby Dr. in south Houston (532Y), from **Mountain West Industrial Properties** (303-843-0440). The 25-year-old facility is 79% occupied with average rents at \$0.48 per square foot. **Brian Gammill** of **Transwestern** represented the landlord.

**Amandi** leased 19,000 square feet in **Pine Timbers Distribution Center #2 (1305)**, a 305,000-square-foot office/warehouse facility located at 4660 Pine Timbers in northwest Houston (450G), from **ProLogis** (713-682-2292). The 28-year-old facility is 90% occupied with average rents at \$0.34 per square foot. **David Boyd** of **Boyd Commercial** represented the tenant, while the landlord was represented in-house by **Jim Rodrigues**.

**Interline Brands** leased 12,000 square feet in **Hobby Commerce Center (5085)**, an office/warehouse complex totaling 76,000 square feet located at 8600 Telephone Rd. in south Houston (575E), from **The Vantage Companies** (713-780-4300). The recently completed complex is 32% occupied with average rents at \$0.52 per square foot. The complex features 24-foot clearance with grade- and dock-level loading. **Keith Bilski** of **Caldwell Watson** represented the tenant, while the landlord was represented in-house by **Walter Menuet** and **Ryan Cropper**.

**Perry Slingsby Systems** leased 15,000 square feet in **Bondesen North Business Park (0595)**, an office/warehouse complex totaling 165,000 square feet located at 10642-10648 W. Little York in northwest Houston (409U), from **The Vantage Companies** (713-780-8866). The 5-year-old complex is 39% occupied with average rents at \$0.56 per square foot. **Michael Hill** of **Michael Hill Properties** represented the tenant, while the landlord was represented in-house by **Walter Menuet** and **Ryan Cropper**.

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## VACANT LAND

**RII Timberland Partners 3, Inc.** has placed 54,000 acres of land located near Huntsville up for sale. The land, which is comprised of three tracts, is approximately 70 miles north of downtown Houston. Although the owner currently uses the property as timberland, the land is being marketed to residential developers as well as timber investors. First bids on the property are due September 15<sup>th</sup>, with the sale scheduled to close on December 14<sup>th</sup>. **Dan Daniels** of **Greater Houston Market Services, LLC** (979-690-6719) and **Andy Flack** of **HomeLand Properties, Inc.** (936-295-2500) are marketing the sale.

**411 Jackson Hill Partners, Ltd.** purchased 1.15 acres of land located at 2510 Chenevert in Midtown (493U), from **Southern Leather Co.** **Mark Lehman** of **Grubb & Ellis** represented the buyer, while **Thad Hickman & Tyndall Yapp** of **Grubb & Ellis** represented the seller.

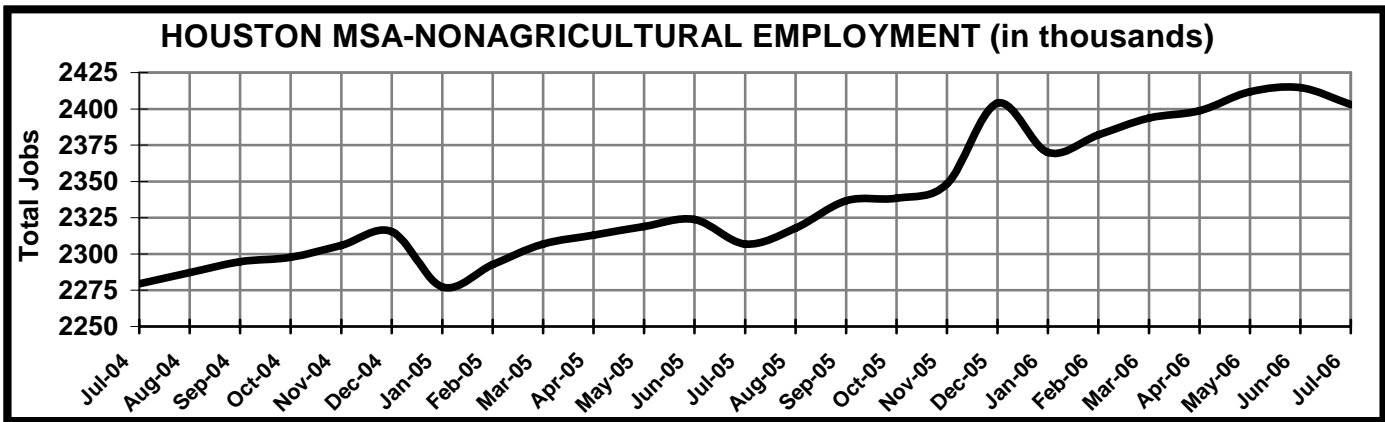
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## ECONOMIC & FINANCIAL NEWS

The **total number of wage and salary jobs** in the ten-county Houston area **decreased by 11,800 jobs** to 2,402,900 in July 2006, according to the **Texas Workforce Commission**. This month's total is **59,000 jobs more** than the 2,343,900 jobs at this time last year. Of nonagricultural employers, the Natural Resources, Mining, & Construction sector posted the largest gain over the last month at 3,200 jobs, followed by the Trade, Transportation, & Utilities sector, with 1,000 jobs gained. Over the year, the Natural Resources, Mining, & Construction sector has changed the most, adding 16,900 jobs.

The following chart illustrates total non-agricultural employment in the Houston MSA.



Source: Texas Workforce Commission (TWC)

Advance estimates reported by the **U.S. Department of Commerce** show that seasonally adjusted national retail and food services sales for July 2006 were \$367.9 billion, an increase of 1.4% from the previous month, and up 4.8% from July 2005. Retail trade sales were up 1.5% from June, and were 4.5% above last year's level. Gasoline station sales were up 19.2% from July 2005, and sales of nonstore retailers were up 15.6%.

Personal income increased \$60.2 billion, or 0.5%, and Disposable Personal Income (DPI) increased \$63.9 billion, or 0.7%, in July 2006, according to the **Bureau of Economic Analysis**. Personal Consumption Expenditures (PCE) increased \$78.7 billion, or 0.8% in July 2006. Meanwhile, the **U.S. Department of Labor** reports that the seasonally adjusted Consumer Price Index (CPI) for urban consumers increased 0.3% in July 2006, and is 4.1% higher than July 2005. Transportation, housing, and education and communication posted the largest increases in price during July 2006.

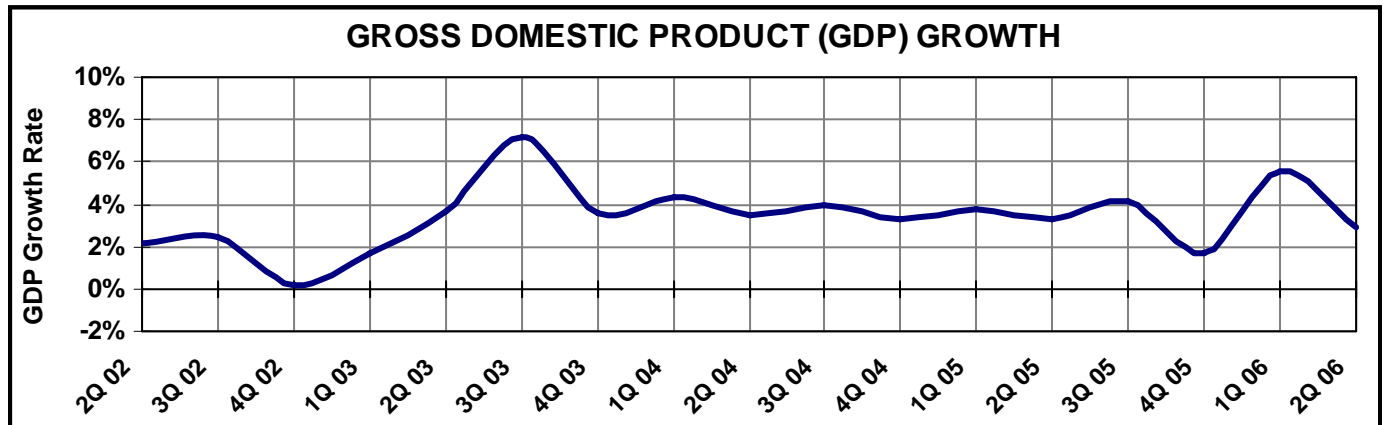
The latest **Conference Board Survey** indicates that the **Consumer Confidence Index** decreased to 99.6 in August 2006, down 7.4 point from 107.0, in July. The index is an indicator of consumers' overall assessment of current conditions, relative to a figure of 100 in 1985, the base year. The **Index of Leading Economic Indicators** decreased 0.1% in July to 138.1. 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.

According to the **Federal Reserve**, industrial production increased 0.4% in July after having increased 0.8% in June, and is 4.9% higher than the July 2005 level. Utilities outputs increased in July, and are 0.5% higher than the July 2005 level. The rate of industrial capacity utilization was 82.4% in July, an increase of 0.1% from June, and is up 1.9% from last year.

The **Mortgage Bankers Association (MBA)** reports that the 30-year fixed-rate mortgage (FRM) averaged 6.39%, with an average of 1.03 points (including the origination fee), for the week ending August 25, 2006. Last year at this time, the 30-year FRM averaged 5.73%. The average for the 15-year FRM is 6.06%, with an average of 1.06 points (including the origination fee). A year ago, the 15-year FRM averaged 5.36%.

The **Federal Reserve** did not change the federal funds rate at its August meeting, holding the rate steady at 5.25 percent. The decision not to change the rate, which is the overnight rate that banks charge each other, ended a string of 17 consecutive increases dating to June 2004.

According to revised estimates from the **U.S. Department of Commerce**, real GDP, the output of goods and services produced by labor and property in the United States, increased at an annual rate of 2.9% in the second quarter of 2006, down from the 5.6% growth rate recorded in the first quarter. The increase in GDP during the second quarter was largely attributed to increases in personal consumption expenditures, private inventory investment, nonresidential structures, and exports.



Source: Department of Commerce

The **U.S. Department of Commerce** reports that construction spending during July 2006 was estimated at a seasonally adjusted annual rate of \$1,200.0 billion, 1.2% below the June 2006 rate. The July figure is 5.1% above the July 2005 estimate of \$1,141.2 billion. Private residential construction was at a seasonally adjusted annual rate of \$627.4 billion in July, 2.0% below the revised June estimate of \$640.5 billion, and 3.0% below the July 2005 estimate of \$646.6 billion.

The **Baker Hughes** count of active domestic rotary rigs is up from 1,714 in July to 1,756 in August. The rig count in August is up 21.6% from the August 2005 figure of 1,444 rigs. 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.

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## POTPOURRI

Regents of the **University of Texas System** have approved \$1.6 billion in new construction projects, including projects at two Houston facilities. The **UT Health Science Center at Houston** will build three new buildings, including a new dental building and a facility for stem cell research. The **UT M.D. Anderson Cancer Center** will receive \$70 million to construct a center for therapy research. The projects are slated for completion within four years.

A joint venture between **University Hospital Systems** and **Park 8** is planning to develop **Chinatown General Hospital**, a \$68 million facility located along Beltway 8 between Beechnut and Bellaire (529M). The hospital will be geared toward Asian patients, with a bilingual admission staff. The nine-story hospital will feature 80 beds. Completion is scheduled for the fourth quarter of 2008.

**The University of Texas Medical Branch** announced plans to construct a medical specialty center in northern Galveston County. The **UTMB Specialty Care Center** at Victory Lakes will offer clinical, surgical, and diagnostic services. The center, which will occupy a 35-acre tract near the intersection of Interstate 45 and FM 646, is scheduled for a December 2007 opening.

**Memorial Hermann Healthcare System** plans to relocate long-term acute care operations from **Memorial Hermann Southwest Hospital** to **Memorial Hermann Fort Bend Hospital**. Memorial Hermann originally planned to sell the Fort Bend campus after the opening of the new **Memorial Hermann Sugar Land Hospital** this December. Instead, the existing hospital will be converted into a continuing care hospital at a cost of approximately \$5.5 million. Continuing care operations at the Fort Bend campus are expected to begin in late spring 2007.

The city of **Sugar Land** annexed 554 acres located directly north of U.S. 90A and west of Sugar Land Regional Airport. The area, known as Tract 2 and Central State Farm, was formerly owned by the **Texas Permanent School Fund**. The annexation allows Sugar Land to enforce zoning and building requirements, administer the floodplain, and coordinate utilities and drainage.

Former **Houston Rockets** star **Hakeem Olajuwon** purchased the **Fannin Garage**, a 1,181-space parking garage located at 1112 Clay St. in the Central Business District (493Q), from the **City of Houston** for \$8.05 million. **Ken Page** and **David Cook** of **Cushman & Wakefield** represented the seller.

**Othavaji & Sons** purchased the **Comfort Inn Galleria/Westchase**, a 74-room hotel located at 9041 Westheimer in the Westchase area (490U), from **Westheimer Hospitality, LLC**. **PKF Capital Markets Group** brokered the sale.

According to the recently released **Administaff Business Confidence Survey**, small and medium-sized business owners report good performance by their companies over the first half of 2006. Nearly 84% of survey respondents indicated their companies have met or exceeded growth expectations over the first six months of the year, an increase from 75% last year. Furthermore, 62% of respondents report that they are currently hiring new full-time employees.

**Stewart Information Services Corp.** announced plans to reorganize its business units under a new unit, **PropertyInfo Corp.** Stewart subsidiaries including **REIData, Inc.**; **First Data Systems, Inc.**; **Ultima Corp.**; and **Stewart Re-Source, Inc.** will come together under the PropertyInfo unit. The company provides title insurance and related information services to the real estate and mortgage industries.

According to **U.S. Census Bureau** data, the nationwide average daily commute time is decreasing. The average daily commute in 2005 was 25.1 minutes, down from 25.5 minutes in 2000. Houston was reported as having the 19<sup>th</sup> longest commute nationwide, at 28.1 minutes. Other Census Bureau findings include a decrease in the percentage of people carpooling and walking to work, and an increase in the percentage of people working at home.

According to a report by the **Center for Public Policy Priorities**, Texas has experienced a decline in real income since the recession of 2001-2002. The report states that Texas has had a 6.2% decline in real median income since 2002, with African-American workers and younger workers suffering the most from the trend. The center also reports that approximately one-third of the Texas workforce is Hispanic, about 70% of the workforce is between the ages of 25 and 54, and the rate of health insurance coverage in the state continues to decline.

A study by the **Taubman Center for Public Policy** at **Brown University** names **TexasOnline.com**, the state's official government portal, the best government site in the nation. The web site, which serves as a gateway to the more than 500 services offered online by the state, was commended for having such features as audio and video clips, as well as Spanish-language versions of nearly every web page. Texas' web site was ranked 18<sup>th</sup> last year.

Ten Houston-area companies were recently recognized on the **Texas Technology Fast 50** list. The list, compiled by **Deloitte & Touche**, ranks Texas technology companies according to revenue growth between 2001 and 2005. **RigNet, Inc.** came in at No. 2 on the list, with **Tanox, Inc.** at No. 3. Other area companies included on the list were **PreCash, Inc.**; **WebXites LP**; **INX, Inc.**; **DataCert, Inc.**; **FuelQuest, Inc.**; **ObjectWin Technology, Inc.**; **Network International, Inc.**; and **Paymetric, Inc.**

The **American Association of Retired Persons** recently named **The University of Texas M.D. Anderson Cancer Center** one of the top 50 places to work for workers over the age of 50. M.D. Anderson was the only employer in Texas to receive the honor. AARP bases its annual rankings on criteria such as recruiting practices, employee health and pension benefits, retirement benefits, and age diversity of the workforce.

A recent survey by **Forbes.com** names Houston as the 22<sup>nd</sup> most wired city in the nation. Houston ranked 18<sup>th</sup> in broadband adoption, 21<sup>st</sup> in access options, and 21<sup>st</sup> in WiFi hot spots. Atlanta was named as the most wired city, with Dallas coming in at No. 19.

**SustainLane** recently ranked Houston No. 39 on a list of sustainable cities nationwide. SustainLane, which promotes sustainable living in the United States, ranked Portland at the top of the list, while Columbus, Ohio was ranked least sustainable. Austin was ranked 14<sup>th</sup>, San Antonio was ranked 21<sup>st</sup>, Dallas was ranked 24<sup>th</sup>, and Fort Worth was ranked 46<sup>th</sup>.

**The Business of Football**, a report published by **Forbes.com**, names the **Houston Texans** as the fourth most valuable franchise in the National Football League. Forbes estimates the value of the Texans at \$1.043 billion, approximately 10% higher than last year. The **Washington Redskins** are estimated to be the most valuable franchise, valued at \$1.423 billion. Forbes compiles the valuations according to data including revenue, operating income, and stadium deals.

**Inc.** magazine's 2006 **Inc. 500** list recently recognized several Houston companies. The list ranks the fastest-growing private companies in the country according to year-over-year sales growth from 2002 to 2005. The Houston companies include: **Sirius Solutions, Inc.**; **Stafford's The Merrick Group**; **Providus**; **VeriCenter, Inc.**; **Rohe & Wright Builders**; **GeoMet**; **Gimmel Group, Inc.**; **RigNet, Inc.**; **Majestic Transportation**; and **DataCert, Inc.** Firms that were eligible for the list were those firms that were U.S. based, independent and privately held, and that had at least \$600,000 in net sales in 2002.

Please direct any questions regarding content in the *Houston Real Estate Trends* to Kathryn Koepke at 713-686-9955 or [kkoepke@poconnor.com](mailto:kkoepke@poconnor.com)



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