



Your Key to Real Estate Services

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

2200 N. Loop West, Suite 200  
Houston, TX 77018  
713.686.9955

[www.poconnor.com](http://www.poconnor.com)  
[www.oconnordata.com](http://www.oconnordata.com)

# HOUSTON REAL ESTATE TRENDS

EDITED by Kathryn Koepke

\$199 per year

Volume 21 Number 7

September 2006

## APARTMENTS

As land in desirable locations becomes more and more scarce, developers are more often resorting to razing existing buildings in order to build. Several projects have recently been announced or are under way that require the demolition of existing complexes or other structures. **Dinerstein** recently announced plans to construct a complex on a site currently occupied by a hotel and a vacant office building along the Southwest Freeway. **Trammell Crow** plans to demolish the **Westheimer Square** apartments, located near Westheimer and Shepherd, and construct a Class A complex. A new incarnation of the **Bayou on the Bend** apartments is nearing completion on Memorial Drive. **Trademark** has just announced plans for **High Street**, on the site of the former **Central Ford** dealership on Westheimer. The list is getting longer seemingly every week. Vacant land in the Inner Loop and Galleria areas is becoming harder to find, and developers will increasingly resort to purchasing an existing structure and tearing it down in order to get the land they need.

According to the O'Connor & Associates **Third Quarter 2006 Houston Apartment Data Program**, overall **occupancy** for Houston area apartments projects is **89.75%** (Class A = 92.04%; Class B = 90.53%; Class C = 87.57%; Class D = 84.63%). Occupancy is down 0.53 points from the second quarter and down 0.66 points over the past year. The overall monthly **rental rate** is **\$0.828 per square foot** (Class A = \$1.093; Class B = \$0.812; Class C = \$0.687; Class D = \$0.593). Overall rents are up \$0.003 from the second 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).*

- **Martin Fein Interests** (713-683-4810) is developing **Sawyer Heights Lofts (17428)**, a 326-unit Class A complex located at 2424 Spring St. just west of the Central Business District (493F). Units will range in size from 683 square feet to 1,344 square feet, and will include granite countertops, custom cabinets, and upgraded fixtures. The complex will also feature an exercise room, game room, library, and conference room. Construction is under way, with completion slated for 16 months.

- A joint venture between the **Harris County Housing Authority** (713-578-2100) and **Hettig/Kahn Development Corp.** (713-871-0063) is developing **Waterside Court (17423)**, a 118-unit tax credit complex located in the 500 block of West Rd. in northwest Houston (412B). The complex, which will feature four-bedroom two-bath units, will have 94 units 1,429 square feet in size and 24 units 1,445 square feet in size. The complex will feature a business center, swimming pool, and two playgrounds. Construction is under way, with completion slated for June 2007. **Don Hickey** of **iCap Realty Advisors** (713-888-4227) secured construction financing for the project, with funds provided by **Amegy Bank**.

The following chart illustrates historical apartment rents.



**Centaurus Investments** (310-415-6468) purchased a portfolio of 7 Class C complexes from **IMT Real Estate Group**. The properties include: **Hidden Pines (2386)**, a 32-year-old, 233-unit complex located at 6360 Skyline in the Galleria area (491W); **Peachtree (3245)**, a 29-year-old, 154-unit complex located at 5720 Rampart in southwest Houston (531A); **Southern Oaks (2422)**, a 30-year-old, 198-unit complex located at 6353 Skyline in the Galleria area (491W); **Unity Pointe (2414)**, a 32-year-old, 109-unit complex located at 6370 Windswept in the Galleria area (491W); **Ashley Square (2420)**, a 32-year-old, 117-unit complex located at 6330 Windswept in the Galleria area (491W); **Inglewood Village (2387)**, a 37-year-old, 94-unit complex located at 6363 Skyline in the Galleria area (491W); and **Shenandoah Woods (1828)**, a 30-year-old, 232-unit complex located at 4250 W. 34<sup>th</sup> St. in northwest Houston (451R). Occupancies at the properties range from 89% to 100%, with average rents ranging from \$0.66 to \$0.74 per square foot. Centaurus also purchased **The Waters at Kirkwood (2172)**, a 256-unit Class C complex located at 11710 Briar Forest in west Houston (489P), from **Lehman Bros**. The 29-year-old complex is 54% occupied with average rents at \$0.85 per square foot. Centaurus plans to spend a total of approximately \$2 million to upgrade the properties.

**JMG Realty, Inc.** (713-513-1000) purchased **Club of the Isle (16931)**, a 264-unit Class A complex located at 3433 Cove View Blvd. in Galveston (807F), from **Chaparral Group, LLC** for \$41.3 million. The year-old complex is fully leased with average rents at \$1.10 per square foot. The buyer plans to convert the complex into for-sale condominiums. **Bill Miller** and **Roberto Casas** of **HFF** represented the seller.

**Investment Realty, LLC** (210-828-9261) purchased **Remington Park (3253)**, a 428-unit Class A complex located at 5510 S. Rice in southwest Houston (531C), from **Creekstone Cos.** The 5-year-old complex is 97% occupied with average rents at \$1.15 per square foot. **David Wylie** of **Apartment Realty Advisors** brokered the sale.

**SMC Management Corp.** (617-923-8933) purchased **The Enclave at Mary's Creek (4150)**, a 240-unit Class A complex located at 2900 Pearland Pkwy. in Pearland (615T), from **Bob Lanier**. The 7-year-old complex is 96% occupied with average rents at \$0.99 per square foot. The buyer used in-house brokers to negotiate the transaction, while **Craig LaFollette**, **Todd Marix**, and **Tre Banks** of **CB Richard Ellis** represented the seller.

# SINGLE-FAMILY HOUSING

**MLS** home sales increased in August, as 7,052 used homes were sold, up from the 6,717 homes sold in July, according to the **Houston Association of Realtors (HAR)**. Sales for August 2006 were up 5.9% from August 2005. The median price of a used single-family home sold in August was \$152,000, up 5.6% from August of last year, while the average home price was \$200,555, up 6.6% from the August 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 2% in August to 2,499 from 2,543 in July, and are down 7% from August 2005. Realtor co-op sales represent 63% of gross sales, up from 54% in August 2005. Traffic increased 5% from last year to 30,465 in August 2006. The inventory of completed speculative homes (1,874) is unchanged from last year's inventory. There are 4,990 spec homes under construction, which is up 18% from 2005. Overall, the 6,864 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.*

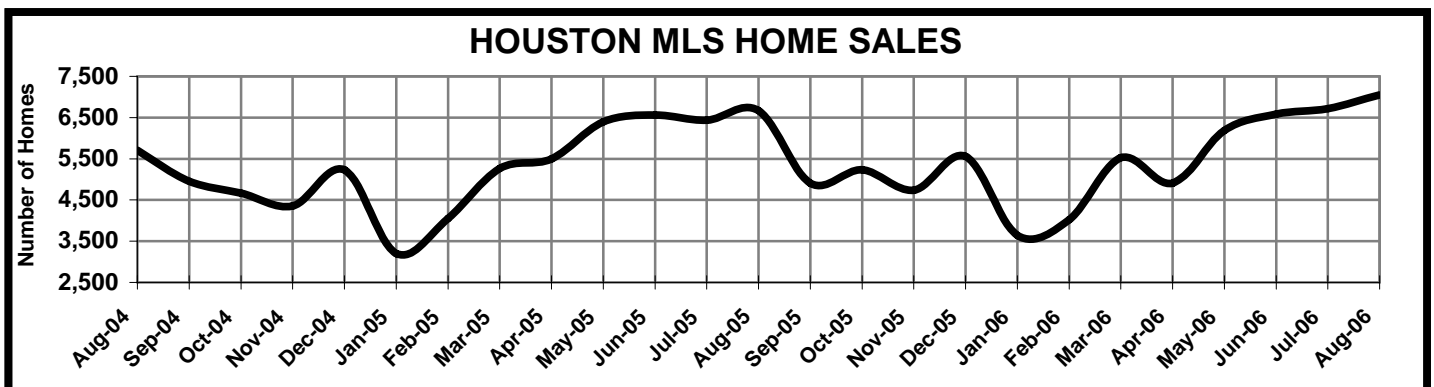
Nationwide sales of new single-family homes increased in August to a seasonally adjusted annual rate of 1,050,000, 4.1% above the revised July sales rate of 1,009,000, and 17.4% below the revised August 2005 figure, according to a release by the **U.S. Department of Commerce**. The median sales price was \$237,000. Privately owned housing starts were at a seasonally adjusted annual rate of 1,665,000 in August 2006, 19.8% below the August 2005 figure. Privately owned housing completions were at a seasonally adjusted annual rate of 1,868,000 in August 2006, 4.4% below the August 2005 figure.

The **National Association of Home Builders/Wells Fargo Housing Market Index**, a monthly measure of builder confidence, decreased in September to 30 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 5 points to 32, the index measuring sales expectations for the coming six months decreased 4 points to 37, while the index measuring the traffic of prospective buyers remained unchanged at 22.

According to the **National Association of Realtors (NAR)**, 654,000 existing homes were sold in August 2006, up 8.3% from 604,000 in July. The median sale price was \$225,000, a 1.7% decrease from sale prices a year ago.

According to a report by **RealtyTrac, Inc.**, nationwide foreclosures increased in August. Foreclosures increased 24% in August to 115,292, which is 53% higher than August 2005. August had the second-most foreclosures of any month so far this year; foreclosures totaled 117,151 in February. Sharp increases in California, Nevada, and Florida accounted for much of the overall increase. California foreclosures have increased 160% since last year, Nevada foreclosures have increased 255%, and Florida foreclosures have increased 62%.

The following chart illustrates historical used home sales.



Source: Houston Association of Realtors

**WY Atlantis**, a partnership between **Wyatt Henderson**, **Allen Jones**, **Westmount Realty Capital, LLC**, and **The Yucaipa Cos.**, is planning to develop **The Bridges at Lake Houston**, a community located on a 322-acre tract on the west side of Lake Houston south of Kingwood. Plans for the community call for 900 homes ranging in size from 1,500 square feet to 5,000 square feet, with prices averaging approximately \$300,000. Community amenities planned include a clubhouse, an Olympic-sized pool, and a trail system. Construction is expected to begin in the first quarter of 2007, with full build-out expected to take five to six years.

**Frey Development Cos.** (281-531-8000) is planning to develop **Saltgrass Crossing**, a community located at FM 1765 and FM 2004 in La Marque (736K). The first homes in the 300-acre community will range from 1,900 to 2,000 square feet, with prices ranging from \$130,000 to \$160,000. Community amenities will include a recreation center and swimming pool. When completed, the community will include an estimated 1,200 homes. Construction is expected to begin within 30 days, with full build-out expected to take 8 years.

**The Woodlands Development Co.** (281-719-6333) is planning to develop **Spindle Tree**, a community located on 400 acres along FM 2978 in The Woodlands (215T), just west of the **Village of Sterling Ridge**. The community, which will include over 900 single-family homes and townhomes, will include two parks and hike and bike trails. Home prices will start at \$190,000. Construction is expected to begin by the end of 2006, with the first homes expected to be ready for occupancy in 2008.

**Imperial Homes** (713-334-9066) is developing more than 100 homes in the **Barrington** community in Kingwood (336G). Homes will range from 2,523 square feet to 4,941 square feet in size, with prices starting at \$350,000. The Barrington community is a gated community featuring a fitness center, business center, theater, and pool. Construction on the homes is under way, with completion targeted for the first quarter of 2007.

**Libby Commercial Realty** is planning to develop **Cove View Townhomes**, a townhome community on a 5.9-acre tract located at 3203 Cove View Blvd. in Galveston (807K). The 86-home community will feature two- and three-bedroom townhomes, with prices starting at \$227 per square foot. Construction on the community is scheduled to begin in two months, with completion targeted for early 2007.

**Casa Del Mar Beachfront Suites**, a 276-unit condominium development located at 6102 Seawall Blvd. in Galveston, is undergoing \$5.2 million in remodeling. The units, which are individually owned, will all receive new balconies, while the original siding will be removed from the buildings and replaced with HardiPlank siding. The work is a continuation of a property-wide remodeling project that began several years ago.

The **Texas General Land Office** is no longer keeping a list of homes that occupy space on Texas public beaches. In June, **Land Commissioner Jerry Patterson** proposed offering those who own homes on the public beach up to \$40,000 to move their homes, as those homes would be in violation of the Open Beaches Act. Many beachfront homeowners initially feared they would be forced to move their homes; however, Patterson said the program will now focus on homes that are surrounded by water, pose a health or safety hazard, or are entirely blocking the beach.

---

---

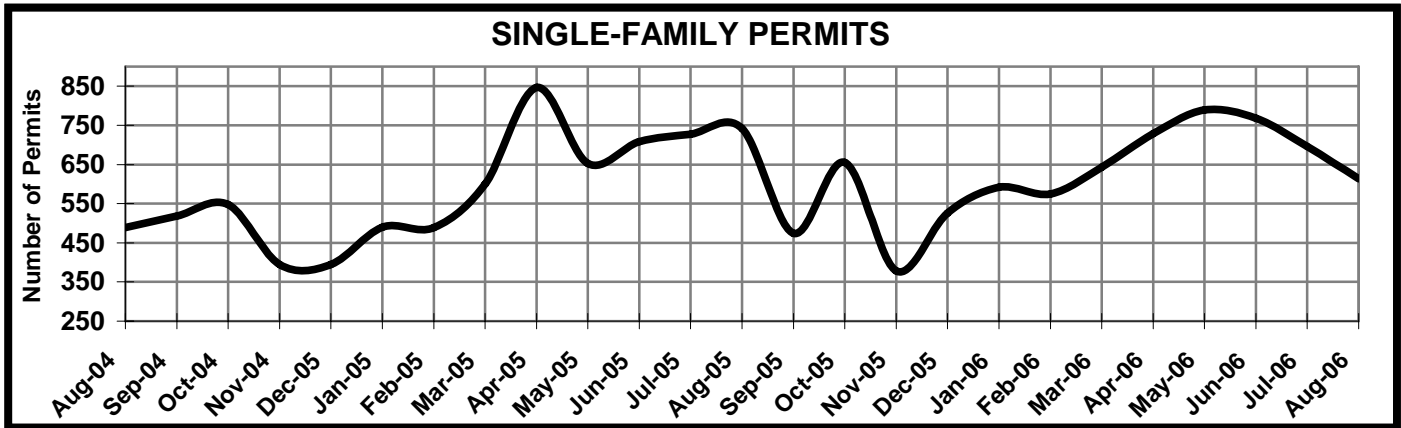
## PERMIT ISSUANCE

The **City of Houston** issued permits to build 614 private single-family houses and 4 private multifamily buildings in August. Demolition permits were issued for 156 private single-family houses. In addition, 306 permits were issued for privately owned non-residential construction totaling \$159,855,547 and 78 permits were issued for public non-residential construction totaling \$18,960,331. Additions, alterations, and conversions totaled \$120,913,029 for the private sector and \$34,873,280 for the public sector.

## Cost of Construction\*

	2004	2005	2006
Month of August	\$249,767,685	\$395,396,191	\$464,583,566
Year-to-Date	\$2,342,950,108	\$2,805,251,823	\$3,176,574,351

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



# OFFICE BUILDINGS

Overall office rental rates have risen significantly over the last 12 months, fueled by increases in Class A and Class B rents. However, Classes C and D have not followed suit. Class C rents held steady over the second quarter of 2006, and have increased \$0.12 per square foot over the past year. Class D rents have actually posted a decrease over the past 12 months. It is likely that some former Class C and D users have migrated to Class A and B space as the economy improves and due to rent concessions, leaving landlords in Class C and D no room to eliminate concessions or increase rents. Meanwhile, the influx of users to Class A and B buildings allows those landlords to raise rents for that space. However, as the saying goes, a high tide raises all boats. The office market's continued improvement is poised to facilitate rent increases in Classes C and D as Class A and B rents continue to rise, and more and more users are priced out of the higher-end space.

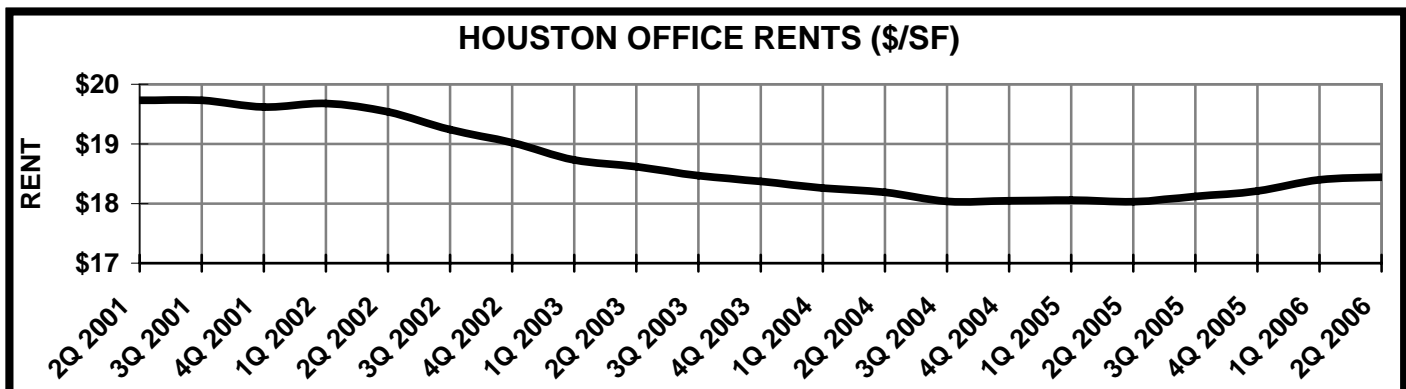
According to the O'Connor & Associates **Second Quarter 2006 Houston Office Data Program**, citywide **occupancy** for Houston area multi-tenant office buildings is **84.24%** (Class A = 87.02%; Class B = 82.99%; Class C = 81.89%; Class D = 79.29%). The citywide annual multi-tenant office **rental rate** 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).

- **British Petroleum** (281-366-2000) is planning to develop a 390,000-square foot seven-story building (**KFW 097**) on its Westlake Park campus at the Katy Freeway and Westlake Park Blvd. in the Energy Corridor (488B). The building will be constructed according to LEED guidelines, and will include a 1,700-space parking garage. BP's natural gas and power trading divisions will be located in the building. Construction on the building is expected to begin in the first quarter of 2007, with completion slated for the first quarter of 2009.

- **The Metrontario Group** (416-785-6000) is developing **Life Science Plaza (MED 093)**, a 300,000-square-foot medical office building located at 2130 W. Holcombe Blvd. near the Texas Medical Center (532H). Plans for the building were first announced in 2003; however, the developer said it would not begin construction until much of the building was preleased. The building was further delayed when the developer increased the size of the building from 210,000 square feet to 300,000 square feet. The building is 39% preleased with average rents at \$31.50 per square foot. Construction is under way, with completion slated for the first quarter of 2008. **Bruce Phillips** of **PinPoint Commercial** is handling leasing.
- **Shell Oil Co.** (281-544-7203) is developing a 170,000-square-foot six-story building (**KFW 098**) located at 150 N. Dairy Ashford in the Energy Corridor (488D). The building will be constructed according to LEED guidelines, and will include an 800-car garage. Shell Exploration & Production Americas Co. will occupy the building. The building is being constructed by **Hines**. Construction is under way, with completion targeted for December 2007.
- **Jolly Properties, Inc.** (281-444-5646) is developing **Willow Park Condominiums at Portofino Plaza**, a 58-unit office condominium development located at 250 Ed English Dr. in The Woodlands (218W). The units average 728 square feet in size, with prices averaging \$118,900; 15 of the 58 units have been sold. The project is under construction, with completion slated for February 2007. **Les Johns** of **The J. Beard Co.** is handling sales for the development.
- **Trammell Crow Co.** (713-963-1000) has been awarded the leasing assignment for **Wells Fargo Plaza (CBD 053)**, a 1,721,000-square-foot Class A building located at 1000 Louisiana in the Central Business District (493Q), by **MetLife**. The 24-year-old building is 90% occupied with average rents at \$28.00 per square foot.

The following chart illustrates historical office rents.



**Rockwell Management** (713-627-1100) purchased **International Plaza (SW2 002, SW2 003)**, a two-building office complex totaling 182,000 square feet located at 10101-10103 Fondren Rd. in southwest Houston (530Z), from **Fondren Properties** and **Kris York Properties**. The complex, whose two buildings are 27 and 25 years old, is 85% occupied with average rents at \$11.50 per square foot. The buyer was represented by in-house brokers, while **Rob Chandler**, **Jeff Barbles**, and **Trent Siskron** of **NAI Houston** represented the seller.

**Technip** expanded its lease by 189,000 square feet in **Energy Tower I (KFW 075)**, a 326,000-square-foot Class A building located at 11700 Old Katy Rd. in the Energy Corridor (489A), from **Mac Haik Enterprises** (281-496-7788). The 7-year-old building is fully leased with average rents at \$24.25 per square foot.

**Christus Health** leased 109,000 square feet of space in **1700 West Loop South (GAL 114)**, a 253,000-square-foot Class B building in the Galleria area (491R), from **CMD Properties, Inc.** (713-960-8710). The 30-year-old building is fully leased with average rents at \$17.75 per square foot. **Robert Parsley** and **Bill Byrd** of **Colliers International** represented the tenant, while **Michelle Wogan** of **Transwestern Commercial Services** represented the landlord.

**Lockheed Martin Space Operations** leased 80,000 square feet at **2400-2450 NASA Parkway (CLC 044)**, a 160,000-square-foot office complex in the Clear Lake area (619S), from **Travelers Insurance Co.** (410-321-1900). The 22-year-old facility is fully leased with average rents at \$17.50 per square foot. **John Pruitt** and **Dena Wren** of **CB Richard Ellis** represented the landlord.

**Petrohawk Energy Corp.** leased 76,000 square feet in **Wells Fargo Plaza (CBD 053)**, a 1,721,000-square-foot Class A building located at 1000 Louisiana in the Central Business District (493Q), from **MetLife** (972-404-4350). The 24-year-old building is 90% occupied with average rents at \$28.00 per square foot. **Lorie Herod** of **Giammalva Properties, Inc.** represented the tenant, while **Kevin Wyatt** and **JP Hutcheson** of **Lincoln Property Co.** represented the landlord.

**PM Realty Group** leased 32,000 square feet in **Reliant Energy Plaza (CBD 106)**, a 791,000-square-foot Class A building located at 1000 Main in the Central Business District (493L), from **KanAm grundinvest Fonds** (404-239-0818). The 3-year-old building is 97% occupied with average rents at \$31.00 per square foot. **Wade Bowlin** and **John Spafford** of PM Realty brokered the lease.

**Patterson & Sheridan, LLP** expanded their lease to 28,000 square feet in **Thirty Forty Post Oak (GAL 065)**, a 421,000-square-foot building located in the Galleria area (491Y), from **DRA Advisors** (212-697-4740). The 23-year-old Class A building is 87% occupied with average rents at \$23.50 per square foot. **Tommy Alexander** of **CB Richard Ellis** represented the tenant, while **Lee Jeane** of **Trammell Crow Co.** represented the landlord.

**Pannell Kerr Foster of Texas** expanded their lease by 21,000 square feet at **San Felipe Plaza (GAL 134)**, a 959,000-square foot Class A building located at 5847 San Felipe in the Galleria area (491P), from **Thomas Properties Group** (213-613-1900). The 22-year-old building is 89% occupied with average rents at \$23.00 per square foot. **Steve Biegel** of **Studley Houston** represented the tenant, while **Chip Colvill** and **Win Haggard** of **Colvill Office Properties** represented the landlord.

**Abercrombie, Gillette & Simmons** leased 18,000 square feet in **5300 Hollister (NNW 037)**, an 85,000-square-foot Class B building located in northwest Houston (450D), from **Genes Holdings, Ltd.** The 24-year-old building is 75% occupied with average rents at \$14.50 per square foot. The tenant was represented in-house by **Tom Abercrombie**, while **Terri Torregrossa** of **Moody Rabin** represented the landlord.

**Elsevier, Inc.** leased 10,000 square feet in **Columbia Centre (WES 053)**, a 166,000-square-foot Class A building located at 11011 Richmond Ave. in the Westchase District (489Y), from **TA Associates Realty** (617-476-2700). The 23-year-old building is 96% occupied with average rents at \$20.25 per square foot. **Elliott Hershfeld** of **CB Richard Ellis** represented the tenant, while **Steve Rocher** and **Lee Jeane** of **Trammell Crow Co.** represented the landlord.

---

---

## RETAIL CENTERS

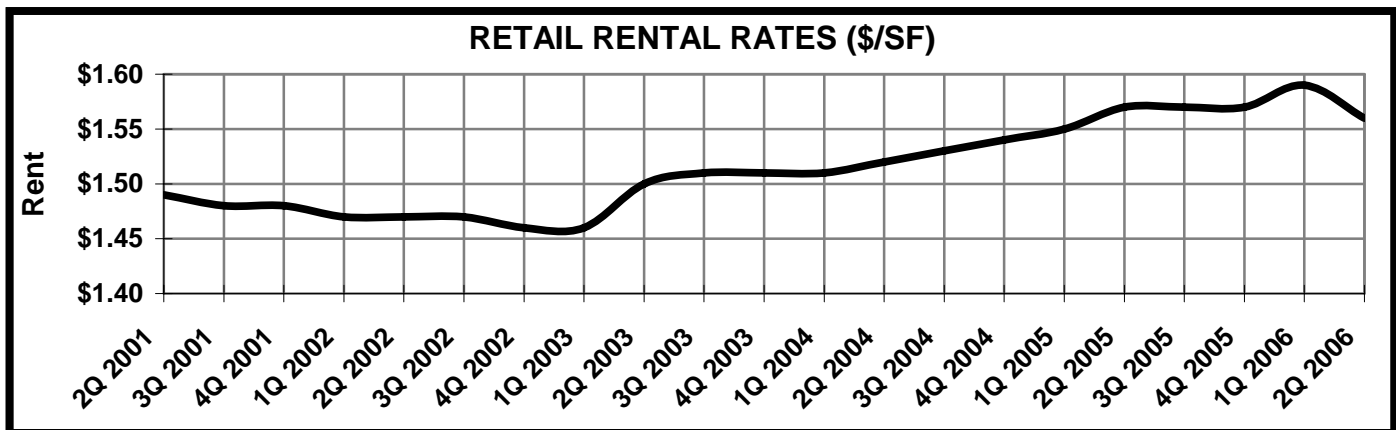
The completion of the northern extension of the Fort Bend Parkway has opened a new corridor for retail development. While the parkway only has six entrances and exits along its 6.2 miles from Highway 6 to U.S. 90A, those interchanges provide an opportunity for developers to benefit from excellent visibility and accessibility. One of the larger projects planned along the parkway is **The Crossing at Fort Bend Parkway**, being developed by **Opus West Corp.** The center, located at the parkway's intersection with Beltway 8, will be anchored by **Home Depot**, and will also include an **Office Depot**. More retail development is sure to follow, as the population continues to swell in the southwestern suburbs around the parkway, and available land along other major transportation corridors in the area dwindles.

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).

- **NewQuest Properties** (281-477-4300) is planning to develop **Brazos Town Commons (FSW 325)**, an 800,000-square-foot mixed-use project located along U.S. 59 between Reading Rd. and FM 762 in Rosenberg (605V), on a 125-acre tract of land recently purchased from **Tri Star Real Estate Investments, Inc.** The retail portion of the project will be anchored by **Academy**. Plans for the project also call for 320 multifamily units, 50 patio homes, and 100,000 square feet of professional office space. Construction on the center is under way, with the first tenants scheduled to open in the third quarter of 2007. In the land sale, NewQuest was represented in-house by **Steven Alvis**, while **Spencer Stone** of **Prime Tex Realty** represented Tri Star.
- **Studio Movie Grill** leased 34,000 square feet in **CityCentre (FWE 329)**, a proposed 502,000-square-foot center located at the southeast corner of Beltway 8 and the Katy Freeway in west Houston (489D), from **Midway Cos.** (713-629-5200). The center is 7% preleased with average rents at \$3.75 per square foot. Construction on the center is under way, with completion of the first phase scheduled for summer 2007. **Matt Reed** of **NewQuest Properties** and **Ross Golman** of **The Retail Connection** represented the tenant, while the landlord was represented in-house by **Jonathan Brinsden**.
- A report published by the **National Retail Federation** predicts that retail sales increases for the November-December holiday season will be above average. The federation forecasts that sales will increase 5% this year over last year, compared with the 10-year average annual increase of 4.6%. In 2005, sales during the holiday period increased 6.1%. The report predicts that holiday spending this year will total \$457.4 billion, compared with \$435.6 billion last year.
- According to the 18<sup>th</sup> annual **Retail Theft Survey**, conducted by **Jack L. Hayes International**, shoplifters and dishonest employees stole over \$5.8 billion in 2005. The 24 major retailers surveyed apprehended over 670,000 shoplifters and dishonest employees, recovering over \$127 million. The average value of goods shoplifted increased 21.5% from 2004 to \$126.87, while the average value of goods stolen by dishonest employees increased 5.7% from 2004 to \$724.15. According to the report, retail theft drives prices higher and even forces some retailers to go out of business.

The following chart illustrates historical retail rents.



**Surrey Equities, LLC** (212-619-3700) purchased **Fondren Southwest Village (NSW 119)**, a 268,000-square-foot center located at 11110 Fondren in southwest Houston (570D), from **Weingarten Realty Investors**. The **Fiesta**-anchored center is 99% occupied with average rents at \$1.58 per square foot. Other tenants in the 27-year-old center include **Palais Royal** and **Anna's Linens**. The buyer was represented in-house by **Leon Silvera**, while **George Cushing** and **Wendy Vandeventer** of **Grubb & Ellis** represented the seller.

**MJT Investments, LLC** purchased **Hollister Pointe (NNW 196)**, an 87,000-square-foot center located at 13151 Northwest Fwy. in northwest Houston (450D), from **Resource Development Group**. The 9-year-old center is 85% occupied with average rents at \$1.04 per square foot. **Bryan Mason** of **Colliers International** represented the buyer, while **Paul Gardner** of **Marcus & Millichap** represented the seller.

**MFP Properties, LLC** (310-324-9962) purchased **10 Uvalde (NEA 183)**, a 30,000-square-foot center located in northeast Houston (457T), from **Grocers Supply Co., Inc.** The center will be occupied by a **Fallas Paredes**, an affiliate of the buyer. **Shawn Ackerman** of **Henry S. Miller Commercial** represented the buyer.

**Incredible Pizza** leased 60,000 square feet in **5950 Fairmont (FSE 162)**, a 144,000-square-foot center located in Pasadena (577H), from **AS 82 Fairmont-Beltway 8, LP**. The 12-year-old center is 79% occupied with average rents at \$1.25 per square foot. **Brian McMackin** of **Lincoln Property Co.** represented the tenant, while **Dean Lane** and **Matt Reed** of **NewQuest Properties** represented the landlord.

**24 Hour Fitness** leased 36,000 square feet in **Bay Colony Town Center Phase I (FSE 301)**, a 175,000-square-foot center located at 1804 FM 646 West in League City (699A), from **NewQuest Properties** (281-477-4300). The 2-year-old, **H-E-B**-anchored center is 92% occupied with average rents at \$1.92 per square foot. **Jay Sears** and **Steven Alvis** of **NewQuest** brokered the lease.

**Ross Dress for Less** leased 30,000 square feet in **6105 Stewart (FSE 092)**, a 153,000-square-foot center located in Galveston (774W), from **Harold A. Clark & Co.** (713-722-9934). The 36-year-old center is 60% occupied with average rents at \$1.25 per square foot. **Dean Lane** of **NewQuest Properties** represented the tenant, while **Matt Reed** of **NewQuest** represented the landlord.

**Conn's** leased 25,000 square feet in **2665 Highway 6 South (FWE 138)**, a 51,000-square-foot center located in west Houston (488S), from **BET Investment, LP** (215-938-7300). The 13-year-old center is fully leased with average rents at \$0.67 per square foot. **Larry Coker** represented the tenant, while **Dean Lane** and **David Meyers** of **NewQuest Properties** represented the landlord.

**Fallas Paredes** leased 15,000 square feet in **8201 Broadway (NSE 007)**, a 75,000-square-foot retail center in southeast Houston (535T), from **New Plan Excel Realty Trust** (713-665-2511). The 35-year-old center is fully leased with average rents at \$2.00 per square foot. **Shawn Ackerman** of **Henry S. Miller Commercial** represented the tenant, while the landlord was represented in-house by **Christian Barraza**.

---

---

## INDUSTRIAL FACILITIES

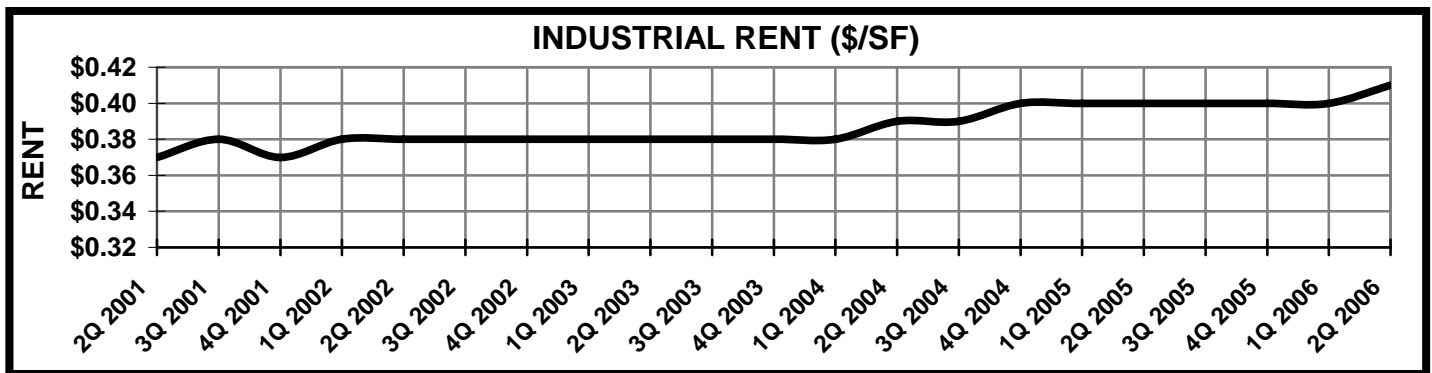
Houston's industrial market has followed a trend of steady improvement over the past year. The news should continue to be positive, thanks in part to the fact that the area office market is also on an upward trend. Office occupancy has jumped in the past year, as have average rents at area office buildings. While office users have had no trouble finding bargains on office space in the past few years, lately cheap rent has gotten harder to come by. In turn, some office users have responded by turning to industrial flex space, which can be built out much like office space, typically at lower rents. Good fundamentals for the industrial market along with a continued influx of office tenants will combine in the coming months to continue to push the market upward.

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).

- **AJ Weaver** is developing two single-tenant manufacturing facilities in **Thomas Road Industrial Park**, located at 6039 Thomas Rd. in northwest Houston (409X). **Building D (0623A)** is a 47,000-square-foot facility, while **Building E (0623B)** is a 28,000-square-foot facility. Both facilities are available, with average rents at \$0.50 per square foot. The facilities, which are under construction, will feature 30-foot clearance with grade-level loading. Completion is slated for October 2006. **Thad Hickman** and **Tyndall Yaap** of **Grubb & Ellis** are handling leasing.

The following chart illustrates historical industrial rents.



**Cobalt Capital Partners** (972-893-7000) purchased two industrial complexes from **ING Clarion**. The properties are: **Griggs I and II (4436)**, a 225,000-square-foot warehouse facility located at 5990-6018 Griggs Rd. in south Houston (534K); and **Westpark 1-4 (3943, 3944, 3945, 3946)**, a complex consisting of two warehouse facilities totaling 131,000 square feet and two office/warehouse facilities totaling 118,000 square feet located in the 8000 block of Westpark in west Houston (530C). Rents at the 41-year-old Griggs facilities average \$0.21 per square foot, while rents at the 26-year-old Westpark facilities average \$0.30 per square foot. All of the facilities are fully leased. The buyer was represented in-house by **David Broom**, while **Rusty Tamlyn, Ralph Tullier, and Mike Parker** of **Trammell Crow Co.** represented the seller.

**The Khoshbin Co.** (949-863-9390) purchased **North Belt Industrial Park**, an industrial complex totaling 474,000 square feet located in north Houston, from **Westmount Realty Capital**. The properties include: **Greenbriar 8 Plaza (0358)**, an 86,000-square-foot office/warehouse facility located at 15534 W. Hardy (373T); **Greenbriar I Plaza (0324A, 0324B, 0324C)**, an office/warehouse complex totaling 97,000 square feet located at 701-751 Bradfield (373N); **Greenbriar II Plaza (0324E, 0324F, 0324G)**, an office/warehouse complex totaling 77,000 square feet located at 755-783 Bradfield (373N); **Greenbriar Square Plaza (0358M)**, a 71,000-square-foot distribution facility located at 15535 W. Hardy (373T); and **Hedgecroft Square (0349)**, a 143,000-square-foot office/warehouse facility located at 16710 Hedgecroft (373S). Occupancies at the facilities range from 43% to 100%, with average rents ranging from \$0.42 to \$0.77 per square foot. All of the facilities are between 24 and 28 years old. **Patrick Giles** of **Marcus & Millichap** represented the buyer, while **Monte Lowery** and **Michael Lawrence** of **Marcus & Millichap** represented the seller.

**Alessio Partners, Inc.** purchased **Westpark Business Center (2513A, 2513B)**, a 207,000-square-foot office/warehouse complex located at 6400 Westpark in southwest Houston (490Z), from **Avalon Financial Group, Inc.** The 41-year-old complex is 83% occupied with average rents at \$0.55 per square foot. **Steve King** of **CB Richard Ellis** represented the buyer, while **Brian Gammill** of **Transwestern** represented the seller.

**Texas Screw Products** (713-230-2500) purchased **3303 W. 12<sup>th</sup> St. (1985)**, a 76,000-square-foot office/warehouse facility located in west Houston (452X), from **Jolley Printing, Inc.** The 21-year-old facility is owner occupied. **Daniel Zoch** and **J. Michael Boyd** of **Boyd Commercial** represented the buyer, while **Steve Kuper** of **National Realty Group** represented the seller.

**S & T Texas Properties** (281-798-7769) purchased **11200 Cox Rd. (0025)**, a 30,000-square-foot office/warehouse facility located in Spring (252K), from **North Houston Property Development**. The 4-year-old facility is 80% occupied with average rents at \$0.55 per square foot. The facility features 18-foot clearance with grade-level loading. **Mark Sepulveda** and **Clay Pritchett** of **Yancey-Hausman** represented the buyer, while **John Tatum** of **Greater Houston Commercial Real Estate** represented the seller.

**Hoovers Materials Handling Group, Inc.** leased **2135 Highway 6 (1083M)**, a 260,000-square-foot office/warehouse facility located in west Houston (448S), from **Dresser RE, Inc.** (972-361-9800). Average rents at the 30-year-old facility are \$0.25 per square foot. The facility features 24-foot clearance with grade- and dock-level loading. **Chris Caudill** and **Joe Michael** of **NAI Houston** represented the tenant, while **Doug Nicholson** of **Grubb & Ellis** represented the landlord.

**Electronic & Technical Specialists** leased 32,000 square feet in **4000 Greenbriar (4265)**, a 229,000-square-foot manufacturing facility located in Stafford (532C), from **RREEF Funds** (866-689-8966). The 26-year-old facility is fully leased with average rents at \$0.33 per square foot. **David Cook**, **Jeff Peden**, **Marshall Davidson**, and **Graham Horton** of **Cushman & Wakefield** represented the tenant.

---

---

## VACANT LAND

**Galveston College** placed its Fort Crockett campus, located at 51<sup>st</sup> St. and Avenue U in Galveston (774Y), up for sale. The 6-acre property includes a three-story building originally constructed as a U.S. Army hospital in the 1930s. **Yancey-Hausman Interests** (713-462-8802) is marketing the property.

**Verde Realty** (915-225-3200) purchased 16.05 acres of land located at the intersection of Northpoint Blvd. and Texas 249 in northwest Houston (328H), from **Eastbourne Investments, Ltd.** for \$3 million. The buyer plans to develop a multifamily project on the site. **William Wheless** of **Wheless Properties** represented the buyer, while **Christopher D. Winters** and **David Butler** of **Colliers International** represented the seller.

**Property Commerce Development Co.** (281-668-3400) purchased 12.5 acres of land located near the intersection of the North Freeway and Louetta Rd. in north Houston (292T), from **Bellaire Lenders** for \$3,765,250. The buyer used in-house brokers to negotiate the transaction, while **David Cook**, **Jeff Peden**, **Marshall Davidson**, and **Graham Horton** of **Cushman & Wakefield** represented the seller.

**Naztec** (281-240-7233) purchased 7.8 acres of land located at Gillingham and Jess Pirtle Blvd. in Sugar Land (568G), from **Riba Foods** and **Simkins Group**. The buyer plans to construct a 100,000-square-foot industrial facility on the property. **Don Janssen** of **Planned Community Developers** represented the buyer, while **John Haas** of **Wilson Wasaff Industrial** and **Rob Bryant** of **Simkins Group** represented the seller.

**ESV Properties** purchased 4.9 acres of land located at 323 Massey Thomkins in Baytown (501M), from **John Howard** and **Terry Watson** for \$195,000. The buyer plans to construct an office building on the property. **Wade Sinclair** of **Claire Sinclair Properties** represented the buyer, while **Hazel Burwick** of **Claire Sinclair** represented the seller.

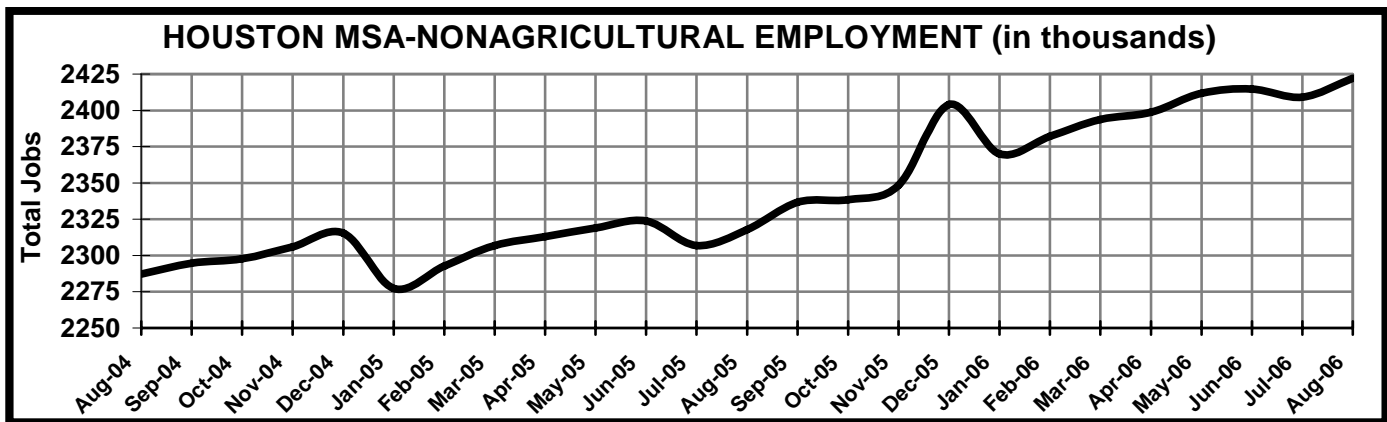
---

---

## ECONOMIC & FINANCIAL NEWS

The **total number of wage and salary jobs** in the ten-county Houston area **increased by 13,000 jobs** to 2,422,100 in August 2006, according to the **Texas Workforce Commission**. This month's total is **65,400 jobs more** than the 2,356,700 jobs at this time last year. Of nonagricultural employers, the Trade, Transportation, & Utilities sector posted the largest gain over the last month at 4,000 jobs, followed by the Professional & Business Services sector, with 3,400 jobs gained. Over the year, the Professional & Business Services sector has changed the most, adding 20,300 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 August 2006 were \$368.2 billion, an increase of 0.2% from the previous month, and up 6.7% from August 2005. Retail trade sales were up 0.2% from July, and were 6.6% above last year's level. Gasoline station sales were up 11.0% from August 2005, and sales of nonstore retailers were up 12.5%.

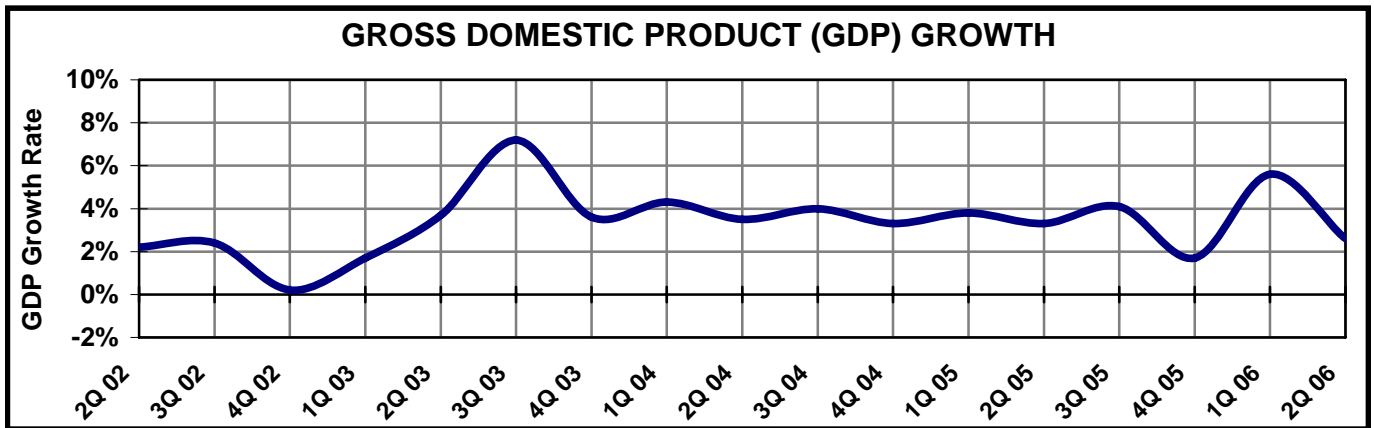
Personal income increased \$38.4 billion, or 0.3%, and Disposable Personal Income (DPI) increased \$38.8 billion, or 0.4%, in August 2006, according to the **Bureau of Economic Analysis**. Personal Consumption Expenditures (PCE) increased \$10.5 billion, or 0.1% in August 2006. Meanwhile, the **U.S. Department of Labor** reports that the seasonally adjusted Consumer Price Index (CPI) for urban consumers increased 0.2% in August 2006, and is 3.8% higher than August 2005. Apparel and medical care posted the largest increases in price during August 2006.

The latest **Conference Board Survey** indicates that the **Consumer Confidence Index** increased to 104.5 in September 2006, up 4.3 points from 100.2, in August. 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 0.2% in August to 137.6. 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 0.1% in August after having increased 0.4% in July, and is 4.7% higher than the August 2005 level. Utilities outputs decreased in August, and are 0.7% higher than the August 2005 level. The rate of industrial capacity utilization was 82.4% in August, an decrease of 0.3% from July, and is up 1.9% from last year.

The **Mortgage Bankers Association (MBA)** reports that the 30-year fixed-rate mortgage (FRM) averaged 6.18%, with an average of 1.06 points (including the origination fee), for the week ending September 22, 2006. Last year at this time, the 30-year FRM averaged 5.94%. The average for the 15-year FRM is 5.81%, with an average of 1.12 points (including the origination fee). A year ago, the 15-year FRM averaged 5.55%.

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 2.6% 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 August 2006 was estimated at a seasonally adjusted annual rate of \$1,200.7 billion, 0.3% below the July 2006 rate. The August figure is 4.4% above the August 2005 estimate of \$1,150.3 billion. Private residential construction was at a seasonally adjusted annual rate of \$617.0 billion in August, 1.5% below the revised July estimate of \$626.2 billion, and 5.2% below the August 2005 estimate of \$650.8 billion.

The **Baker Hughes** count of active domestic rotary rigs is down from 1,756 in August to 1,754 in September. The rig count in September is up 20.9% from the September 2005 figure of 1,451 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.

---



---

# POTPOURRI

**Texas Governor Rick Perry** announced that the state would enter into a partnership with the private sector that would invest \$10 billion in new wind power. Private companies would invest the capital, while the **Texas Public Utility Commission** would direct the building of new transmission lines. The governor's office states that every 1,000 megawatts of new wind power will help reduce carbon dioxide pollution by approximately 6 million tons over the next 20 years.

The **Port of Houston Authority** awarded a \$50.3 million contract to **McCarthy Building Companies** for the expansion of the container yard in the **Bayport Container Terminal's** first phase. Over the next 12 months, the container yard is scheduled for an expansion that will increase its size from 60 acres to 110 acres. At final completion, the container yard is expected to encompass 378 acres. Currently, work on the Bayport terminal is approximately 90% complete.

**Legacy Community Health Services, Inc.** recently opened a full-service health care center located at 5602 Lyons Ave. in the Fifth Ward. The facility will offer a range of services including wellness exams, family planning services, laboratory services, and mental health and social services, and will operate on a sliding-fee scale. The center will operate alongside the **City of Houston's Lyons Avenue Health Center**, which provides preventive care services including immunizations and disease testing.

**The University of Texas Health Science Center at Houston** has been awarded a \$36 million grant from the National Institutes of Health for the creation of the **Center for Clinical and Translational Science**, the first of its kind in Texas. The program was created in order to advance the speed at which basic science findings reach the area of patient care. UT-Houston will collaborate with **The University of Texas M.D. Anderson Cancer Center** on research and educational activities supported by the new center. Just 12 academic health centers nationwide received the grant this year

**Venture Commercial Real Estate** has announced plans to open a Houston office. The Dallas-based company handles leasing for more than 11 million square feet of retail space and represents more than 35 retail tenants statewide. The firm also handles land transactions. Venture's Houston team has taken over representation of 12 properties from the Dallas office.

The office of **Texas Governor Rick Perry** has committed \$10 million to establish a joint operations and intelligence center in Houston to help fight crime in the area. The money will be used to establish new command and control capabilities, to leverage new technology and provide additional law enforcement tools, and provide for more peace officers. The office will be patterned after operations the governor's office has conducted along the Texas-Mexico border with local, state, and federal agencies. According to the office, similar operations have resulted in a 70% reduction in violent crime in some communities.

According to a report by the **Houston Endowment**, immediate steps should be taken to reduce emissions in the Houston area. The report says that Houston's goal should be to reduce excess cancer risk to less than one death in one million people. Some areas in the southeastern portion of the city report excess cancer risks of one death in just 10,000 people. To reduce pollution and reduce cancer risks, the study recommends that local government provide economic incentives to reduce emissions, adopt pollution-reducing emissions that are in place in other areas, and implement an emissions-offset program. The group is made up of faculty and students from **Rice University, Baylor College of Medicine, Texas Southern University, University of Houston Law Center, and University of Texas Medical Branch at Galveston.**

According to the latest **American Community Survey** released by the **U.S. Census Bureau**, Americans are spending an increasing percentage of their income on housing. The survey results indicate that in 2005, 34.5% of homeowners with a mortgage were spending 30% or more of their gross income on housing costs, up from 26.6% in 2000. Also, nearly 46% of renters nationwide were spending 30% or more of their gross income on housing. The 30% level is widely viewed as a limit of affordability.

A recent report released by the **Organization for International Investment (OFII)** ranks Texas third in the nation for "insourced" jobs, or jobs created by the direct investment of overseas companies in the United States. The report estimates that 341,200 Texans work for subsidiaries of companies based in other countries. Of those jobs, over 27% are in the manufacturing sector. OFII states that 4% of private-sector jobs in Texas are provided by foreign-owned companies, and insourcing employment accounted for 900 new jobs statewide over the past year.

Two Houston-area medical schools were recently named among the top 10 medical schools for Hispanics by **Hispanic Business** magazine. **The University of Texas Medical Branch at Galveston** came in 3<sup>rd</sup> on the list, with **The University of Texas Health Science Center at Houston** coming in at No. 8. The magazine reported that of 826 medical students at UTMB's School of Medicine, 117 are Hispanic, and of 848 medical students at the UT Health Science Center at Houston, 108 are Hispanic. Other Texas medical schools recognized on the list include the **University of Texas Southwestern Medical Center at Dallas** and the **Texas A&M University System Health Science Center** in College Station.

The **Texas Employee Confidence Index**, released by **Spherion Corp.**, decreased more than 5 points to 57.4 in August. August figures also indicate that only 21 % of workers in Texas believe the economy is improving, down 10 % from July. Nationwide, only 18% of workers believe the economy is getting stronger, down from 23% in July. The survey also found that 38% of Texas workers intend to search for a new job.

The third annual **Advertising Week Walk of Fame** competition has named "**Don't Mess With Texas**" advertising's best catchphrase. The slogan will earn a spot on New York's Madison Avenue, with a plaque resting on the avenue, and will also receive permanent recognition in the **Advertising Icon Museum** in Kansas City. Austin advertising firm **GSD&M** created the slogan for the **Texas Department of Transportation** 20 years ago.

Travel industry group **AAA** recently named Houston the country's most pet-friendly city for travelers. According to AAA, Houston has 108 hotels that accept pets. Houston also has two off-leash dog parks, as well as 20 emergency veterinary hospitals accredited by AAA. San Antonio ranked second on the list, Austin ranked third, and Dallas came in at No. 6.

The **European School of Economics' Gordon Bethune School of Business** plans to open a Houston campus in 2008. The school will offer programs in emerging business sectors such as entertainment, fashion, and sports, and plans to establish a placement program by collaborating with local, national, and international employers. The school, which is named for former Continental Airlines CEO Gordon Bethune, currently has a campus in New York, with plans to establish one in Los Angeles.

**Landry's Restaurants** is planning to develop an RV park and hotel on the site of the former **Sea-Arama Marineworld** in Galveston. Demolition on the remaining buildings on the 23-acre site has begun. Landry's plans to use approximately 13 of the 23 acres to develop the RV park and hotel, which will be branded as a **Holiday Inn Express**.

**Transwestern Commercial Services** will now be referred to as simply **Transwestern**. The company decided to make the name change in order to eliminate confusion about the services it provides. Transwestern has also created a new tagline, "The Performance Advantage In Real Estate," after receiving input from its clients.

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)



# Apartment Research

*Winning in the apartment business depends on solid market knowledge.*

## Most Accurate Apartment Data in Texas, Now Online.

All Apartment Types including Tax Credit, Bond and Section 8

Oconnordata.com is your source for making smart decisions in major Texas markets.

- Austin
- Dallas/Fort Worth
- Houston
- San Antonio

### Benefits

- **More** Owner Contact Information
- **More** User-Friendly
- **More** Affordable
- **More** Comprehensive and Accurate
- Mapping and e-mailing capability
- Sort, select and save your lists
- Custom analytical tools and **More...**

### Features

- Occupancy, Rents and Specials
- Unit Mix, Fees and Policies
- Management and Owner Contact Information
- Photos and Floorplan Blueprints
- Property Comparison, Construction Pipeline Reports, Historical Trend Reports and **More...**

**FREE Trial Subscription Offer!**  
**[www.oconnordata.com](http://www.oconnordata.com)**

## For More Information

Heather Wiesner,  
1-800-856-7325 x 262.

Enhancements to a web platform previously offered by Monarch Data.



2200 North Loop W., Suite 200 Houston, TX 77018 • 1-800-856-7325 / 713-686-9955  
www.poconnor.com • www.oconnordata.com  
Houston (Corporate) • Dallas • Newport Beach • Los Angeles