



Houston Real Estate Trends

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\$199 per year

Volume 22 Number 3

May 2007

Published by:
O'Connor & Associates

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Houston, TX 77018
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APARTMENTS

While overall Houston-area apartment market rental rates continue to increase – gaining \$0.012 per square foot over the past year – the increases may be somewhat deceiving. Construction continues at a rapid pace in the area, and the Inner Loop area is one of the busiest parts of town in this regard. Many newer properties in the Inner Loop area command average rental rates of \$1.50 psf and above; these rents have become commonplace with newly constructed product in desirable parts of town. For instance, Class A properties in the Inner Loop West, Heights, Midtown, Montrose/Memorial Heights, and Museum District sectors constructed between 2004 and 2007 have an average rent of \$1.51 psf, while properties in the same sectors constructed between 1997 and 2003 average \$1.41 psf. However, rent increases at older properties, even Class A properties, have been somewhat sluggish, and many complexes are offering substantial concessions which are not accounted for in average rents. Therefore, it is likely that, as new properties continue to rise in the intown submarkets, average rents will rise with them; however, for the most part, rents at older properties will likely be stagnant in the near future.

According to www.oconnordata.com, O'Connor & Associates' online apartment data program, **First Quarter 2007** overall **occupancy** for Houston area apartment projects is **88.49%** (Class A = 90.96%; Class B = 89.58%; Class C = 85.54%; Class D = 83.81%). Occupancy is down 0.04 points from the fourth quarter and down 2.59 points over the past year. The overall monthly **rental rate** is **\$0.833 per square foot** (Class A = \$1.097; Class B = \$0.814; Class C = \$0.691; Class D = \$0.597). Overall rents are up \$0.002 from the fourth quarter of 2006 and \$0.012 over the past year.

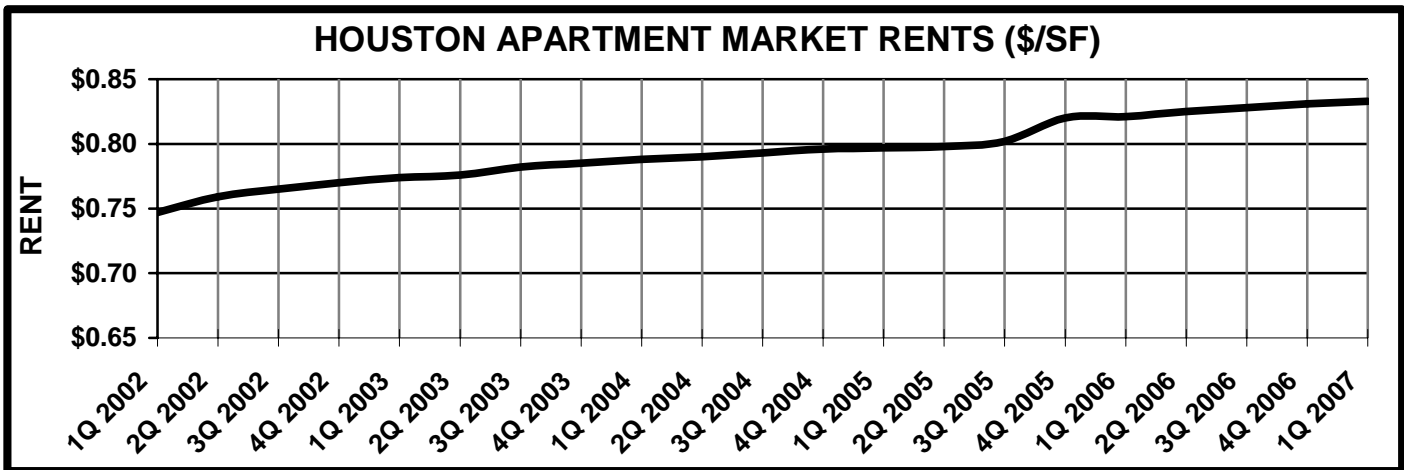
Note: The multifamily projects listed herein are followed by their representative identification number as they appear in the new O'Connor & Associates **ApartmentLink Online Data** platform and are provided for subscriber cross-referencing. *The property information contained within this database is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

- **Moody National Cos.** (713-977-7500) is planning to develop **Cambridge Tower (17579)**, a 200-unit complex located at 1920 Woodbury near the Texas Medical Center (533E), on 1.25 acres of land recently purchased from **Richard B. Patt**. Construction is scheduled to begin in the first quarter of 2008, with completion slated for the first quarter of 2009. In the land sale, the buyer was represented in-house by **Alex Sims**, while **Robert Frank** of **Karpas Properties** represented the seller.
- A partnership between **Housing Corporation of Greater Houston** (713-914-9400) and **Kilday Partners, LLC** is developing **Birdsong Place Villas (17587)**, a 96-unit seniors tax credit complex located at 1000 Birdsong Dr. in Baytown (501K). The complex will feature one- and two-bedroom units

restricted at 30% and 60% of the area median gross income. Construction is under way, with completion slated for the spring of 2008.

- **Internacional Realty, Inc.** (210-281-1469), has placed a 13-property portfolio up for sale, seven of which are located in the Houston area. The Houston-area properties include: **Meyer Park Lakeside Phase I (3354)**, a 14-year-old, 360-unit complex located at 9701 Meyer Forest Dr. in southwest Houston (531V); **Meyer Park Lakeside Phase II (15783)**, a 6-year-old, 296-unit complex located at 9550 Meyer Forest Dr. in southwest Houston (531V); **Beverly Wilshire Apartments (17114)**, a 8-year-old, 210-unit complex located at 1550 Wilshire Place in northwest Houston (410Z); **Calais at Courtland Square (16093)**, a 3-year-old, 356-unit complex located at 3210 Louisiana in Midtown (493Q); **The Seasons (1580)**, a 13-year-old, 216-unit complex located at 6969 Hollister in northwest Houston (410Z); **The Villas at River Park West (17570)**, a 252-unit, under-construction project located at 21811 Wildwood Park Rd. in Richmond (606L); and **The Reserve at River Park West (16821)**, a 2-year-old, 288-unit complex located at 22155 Wildwood Park Rd. in Richmond (606L). **David Mitchell of Apartment Realty Advisors** (713-599-1800) is marketing the properties on behalf of Internacional Realty.

The following chart illustrates historical apartment rents.



Summit America Capital (334-954-4458) purchased **Baystone (4058)**, a 290-unit Class B complex located at 800 W. NASA Road 1 in Webster (658B), from **Caltex Equity, LLC**. The 41-year-old complex is 80% occupied with average rents at \$0.71 per square foot. The buyer was represented in-house by **Jeremy Turner**, while **Pauline Thude** of **Meridian Investments** represented the seller.

Venterra Realty Management (281-554-6900) purchased **The Park at Waterford Harbor (4306)**, a 200-unit Class A complex located at 1420 Marina Bay Dr. in Kemah (619Y), from **New York Life Insurance Co.** (212-576-7000). The 11-year-old complex is 94% occupied with average rents at \$1.02 per square foot. The buyer was represented in-house by **Greg Finch**, while **Bill Miller** of **HFF** represented the seller.

SINGLE-FAMILY HOUSING

MLS home sales increased in April, as 5,086 used homes were sold, up from the 5,045 homes sold in March, according to the **Houston Association of Realtors (HAR)**. Sales for April 2007 were up 5.9% from April 2006. The median price of a used single-family home sold in April was \$142,000, up 1.8% from April of last year, while the average home price was \$193,930, up 6.4% from the April 2006 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 14% in April to 2,338 from 2,703 in March, and are down 29% from April 2006. Realtor co-op sales represented 58% of gross sales, down from 60% in April 2006. Traffic decreased 11% from last year to 29,186 in April 2007. The inventory of

completed speculative homes (2,136) is up 16% from last year. There are 3,775 spec homes under construction, which is down 15% from 2006. Overall, the 5,911 specs (both completed and under construction) are down 6% from April 2006. *Note: the 24 homebuilders in this survey account for approximately 65% of housing starts in Houston.*

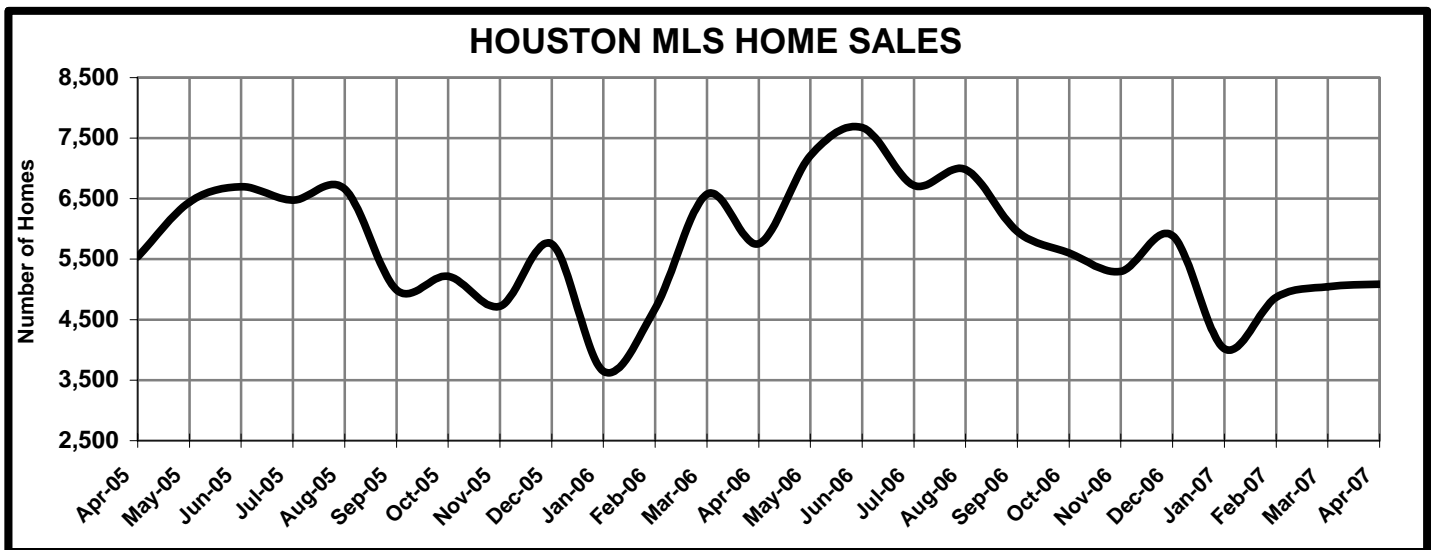
Nationwide sales of new single-family homes increased in April to a seasonally adjusted annual rate of 981,000, 16.2% above the revised March sales rate of 844,000, but 10.6% below the April 2006 figure, according to a release by the **U.S. Department of Commerce**. The median sales price was \$229,100. Privately owned housing starts were at a seasonally adjusted annual rate of 1,528,000 in April 2007, which is 16.1% below the April 2006 rate. Privately owned housing completions were at a seasonally adjusted annual rate of 1,523,000 in April 2007, 26% below the April 2006 figure.

The **National Association of Home Builders/Wells Fargo Housing Market Index**, a monthly measure of builder confidence, decreased 3 points in May 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 by 2 points to 31, the index measuring sales expectations for the coming six months declined 3 points to 41, while the index measuring the traffic of prospective buyers decreased 4 points to 23.

According to the **National Association of Realtors (NAR)**, 514,000 existing homes were sold in April 2007, up 6.2% from March sales, but down 8.2% from the 560,000 homes sold in April 2006. The median sale price was \$220,900, which represents a 0.8% decrease from sale prices one year ago.

John Laing Homes (949-265-2400) has entered the Houston market with the recent purchase of **Lindenwood Homes**. Lindenwood will now operate as the Houston division of John Laing. Lindenwood closed on 76 homes in 2006; John Laing expects to build 750 homes in the Houston area per year within the next five years. Furthermore, while the average home previously built by Lindenwood was priced at approximately \$165,000, plans are for that average to increase to approximately \$250,000. John Laing, which was named "America's Best Builder" in 2006 by Builder magazine, currently builds homes in Arizona, Colorado, and California.

The following chart illustrates historical used home sales.



Source: Houston Association of Realtors

Ed Eubanks and **Al Fichera** are developing **Stella Mare Village**, a community that will feature 79 homes located along San Luis Pass Rd. just west of 7 ½ Mile Rd. in Galveston (807J). The community will feature a neighborhood park and lake, as well as hike and bike trails. A second phase with retail and office space is planned after completion of the first phase. Infrastructure work is scheduled to be completed in approximately 6 months, after which home construction will begin.

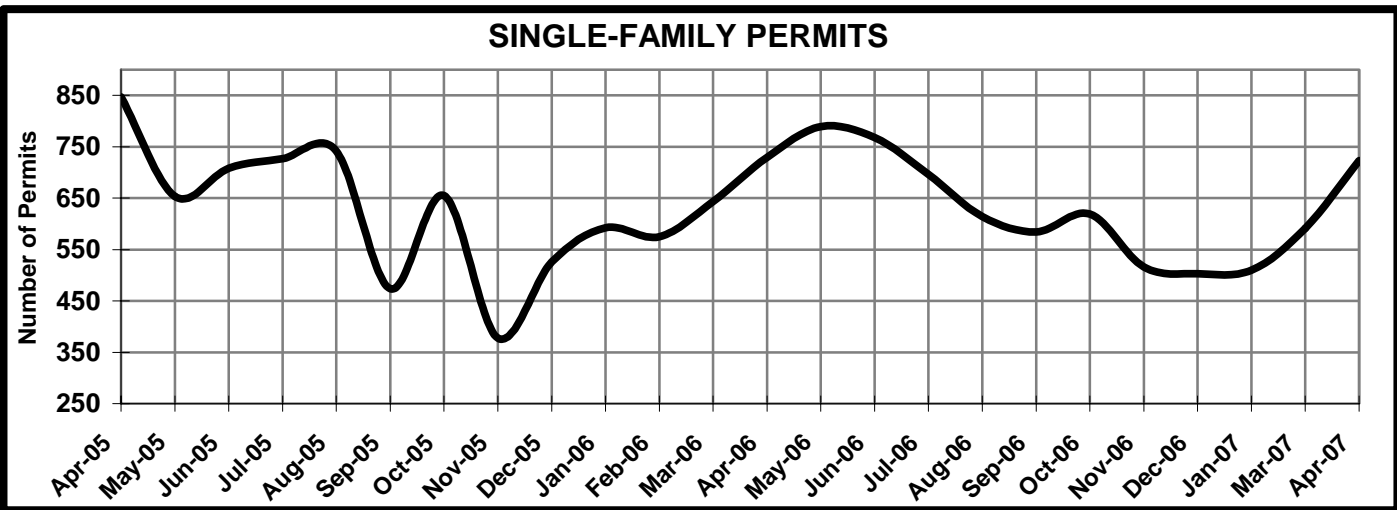
PERMIT ISSUANCE

The **City of Houston** issued permits to build 723 private single-family houses and 64 private multifamily buildings in April. Demolition permits were issued for 120 private single-family houses. In addition, 227 permits were issued for privately owned non-residential construction totaling \$93,814,347 and 28 permits were issued for public non-residential construction totaling \$20,672,200. Additions, alterations, and conversions totaled \$103,893,924 for the private sector and \$17,518,095 for the public sector.

Cost of Construction*

	2005	2006	2007
Month of April	\$312,247,295	\$401,621,847	\$401,785,601
Year-to-Date	\$1,349,117,705	\$1,509,531,805	\$1,755,939,336

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



OFFICE BUILDINGS

Demand in the Houston office market was strong once again over the first quarter of 2007. Total quarterly absorption was 2,102,253 SF, bringing the annual total to 7,513,871 SF. The Galleria sector continued its trend of strong absorption figures, absorbing 397,440 SF over the quarter, while the Westchase sector posted strong numbers as well at 262,142 SF. In terms of classes, Class A absorbed 943,628 SF over the quarter, bolstered by strong absorption in the Park 10 sector at 270,370 SF. Demand was highest for Class B space, as 984,512 SF was absorbed in Class B over the first quarter. The Galleria sector led the way in Class B, absorbing 340,446 SF, followed by The Woodlands/Conroe sector, which posted absorption of 230,681 SF. The Houston office market is likely to continue to see strong demand as Houston's economy continues to expand.

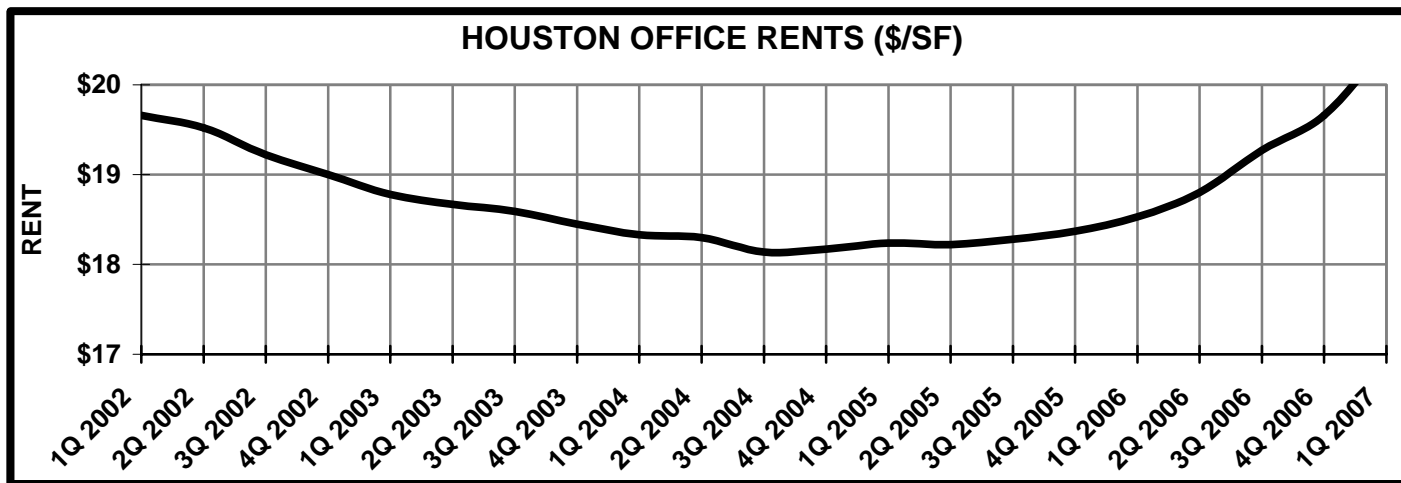
According to the O'Connor & Associates **First Quarter 2007 Houston Office Data Program**, citywide **occupancy** for Houston area multi-tenant office buildings is **87.37%** (Class A = 91.70%; Class B = 84.74%; Class C = 83.16%; Class D = 77.10%). The citywide annual multi-tenant office **rental rate** is **\$20.44 per square foot** (Class A = \$24.37; Class B = \$18.19; Class C = \$14.53; Class D = \$11.82).

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).

- **Morgan Stanley** (212-761-4000) agreed to acquire **Crescent Real Estate Equities Co.** (817-321-2100) for approximately \$6.5 billion (\$22.80 per share). Morgan Stanley will also assume Crescent's liabilities as part of the deal. Crescent is one of the most prominent office building owners in the Houston area, with its holdings totaling nearly 11 million square feet of space.
- **The National Realty Group** (713-956-1000) is planning to develop three medical office parks in the Houston area. **The Office Grove at Kingwood Medical Center (KNG 033)**, located at the intersection of Kingwood Dr. and Kingwood Place Dr. in Kingwood (335D), will have 50,000 square feet; **The Office Grove at Red Oak (CPQ 143)**, located at 17210-17214 Red Oak Dr. in northwest Houston (332J), will have 20,000 square feet; and **The Office Grove at Cy-Fair Medical Center (CPQ 144)**, located along Steepletop Dr. south of FM 1960 in northwest Houston (369X), will have 28,000 square feet. The buildings, which will be for sale or lease, will be divided into suites of between 1,200 and 6,000 square feet. The Office Grove at Red Oak is under construction; construction dates are unavailable for the other two developments. **Eric Hughes** is handling leasing and sales for The National Realty Group.
- **National Office Partners, LP**, a partnership between **Hines** (713-237-5600) and **CalPERS**, has placed **919 Milam (CBD 092)**, a 542,000-square-foot Class B building in the Central Business District (493Q), up for sale. The 51-year-old building is 75% occupied with average rents at \$26.69 per square foot. National Office Partners has retained **HFF** to market the property, with **Robert Williamson** and **Danny Miller** handling marketing duties.
- **USAA Real Estate Co.** (210-498-3222) has placed **1001 McKinney (CBD 046)**, a 371,000-square-foot Class B building located in the Central Business District (493Q), up for sale. The 60-year-old building is 79% occupied with average rents at \$18.50 per square foot. **Rusty Tamlyn** and **Robert Williamson** of **HFF** are marketing the property on behalf of USAA.

The following chart illustrates historical office rents.



EquityOption Properties (818-746-3051) purchased 5 Houston-area office buildings from **BMS Management** (713-621-3222). The properties include: **One Woodbranch Centre (NOW 003)**, a 23-year-old, 66,000-square-foot Class B building located at 11931 Wickchester in northwest Houston (449W); **10200 Richmond (WES 040)**, a 27-year-old, 61,000-square-foot Class C building in the Westchase District (489Z); **3030 S. Gessner (WES 026)**, a 29-year-old, 60,000-square-foot building in the Westchase District (490W); **Woodchase Building I (WES 075)**, a 30-year-old, 60,000-square-foot Class C building located at 2950 S. Gessner in the Westchase District (490S); and **PSB&J Plaza (KFW 052)**, a 25-year-old, 100,000-square-foot Class B building located at 1250 Woodbranch Park in west Houston (489A). Occupancy at the buildings ranges from 82% to 88%, with rents ranging from \$16.50 to \$20.00 per square foot. The buyer was represented in-house by **Brian Hennessey**, while **Danny Miller** of **HFF** represented the seller.

Interra-Augusta LLC (832-577-9696) purchased **Augusta Place (GAL 017)**, a 125,000-square-foot Class B building located at 2400 Augusta in the Galleria area (491T), from **Augusta Place, LLC**. The 28-year-

old building is 85% occupied with average rents at \$16.50 per square foot. The buyer was represented in-house by **Yakov Polatsek**, while **Rob Chandler** and **Jeff Barbles** of **NAI Houston** represented the seller.

United Partners Group, LLC (619-287-5383) purchased **Briar Hills I (KFW 015)**, a 101,000-square-foot Class B building located at 1011 Highway 6 South in west Houston (488E), from **Richland Investments** (713-682-5707). The 25-year-old building is 92% occupied with average rents at \$16.20 per square foot. The buyer was represented in-house by **Saeed Rahimzadeh**, while the seller was represented in-house by **Michelle Kirsch**. **Richland Mortgage Co.** arranged \$7,150,000 in financing on behalf of United Partners Group.

The Lionstone Group (713-533-5860) purchased **Timmons Square (GPL 088)** and **Timmons Place (GPL 005)**, two Class B buildings totaling 79,000 square feet located at 3637 and 3701 W. Alabama in the Greenway Plaza area (492S), from **Nelson Duffie Interests** (713-572-1680). Timmons Place was constructed in 1973, while Timmons Square was constructed in 1972. Both buildings are 98% occupied. **Darrell Betts** of **Grubb & Ellis** brokered both sales.

Del Mar Capital (281-291-8859) purchased **117-119 W. Pearce (SOE 156)**, a 13,000-square-foot building in Baytown (501Y), from **Estate of Robert Matherne**. The 79-year-old building is fully leased. **Jason Crump** of **Capital Trust Realty** represented the buyer, while **Claire Sinclair** of **Claire Sinclair Properties** represented the seller.

JPMorgan Chase renewed their lease for 15,000 square feet at **616 FM 1960 West (CPQ 112)**, a 142,000-square-foot Class A building located in northwest Houston (332P), from **KBS Realty Advisors** (949-417-6500). The 24-year-old building is 90% occupied with average rents at \$17.50 per square foot. **Mark Russell** of **Studley** represented the tenant, while **Wanda Wilson** and **Marcie Phillips** of **PM Realty Group** represented the landlord.

RETAIL CENTERS

While most consumers have come to accept large big-box stores as a fact of life, retailers seem to be moving away from this concept. Large stores do provide plenty of space for merchandise, drawing more potential buyers and allowing retailers to maximize sales at any given outlet. However, as products such as large electronics become smaller, and consumers continue to purchase many products online, large stores have simply become unnecessary in many cases. Furthermore, community opposition and zoning regulations have reduced retailers' ability to construct these large stores, even if they wanted to. The results of these shifting trends are quite noticeable. In 2001, over half of new Target stores were the massive Super Target format; last year, Super Target stores accounted for less than 20% of the chain's new openings nationwide. Best Buy stores averaged approximately 45,000 square feet three years ago; however, two-thirds of the planned Best Buy stores this year will be 30,000 square feet or less. While Houston's lack of zoning and the retail boom in the suburbs mean large big-box stores are probably not going away anytime soon in the area, the trend toward smaller big-boxes may make it more feasible for these retailers to open stores in areas of town with higher land prices and rental rates, such as the Inner Loop.

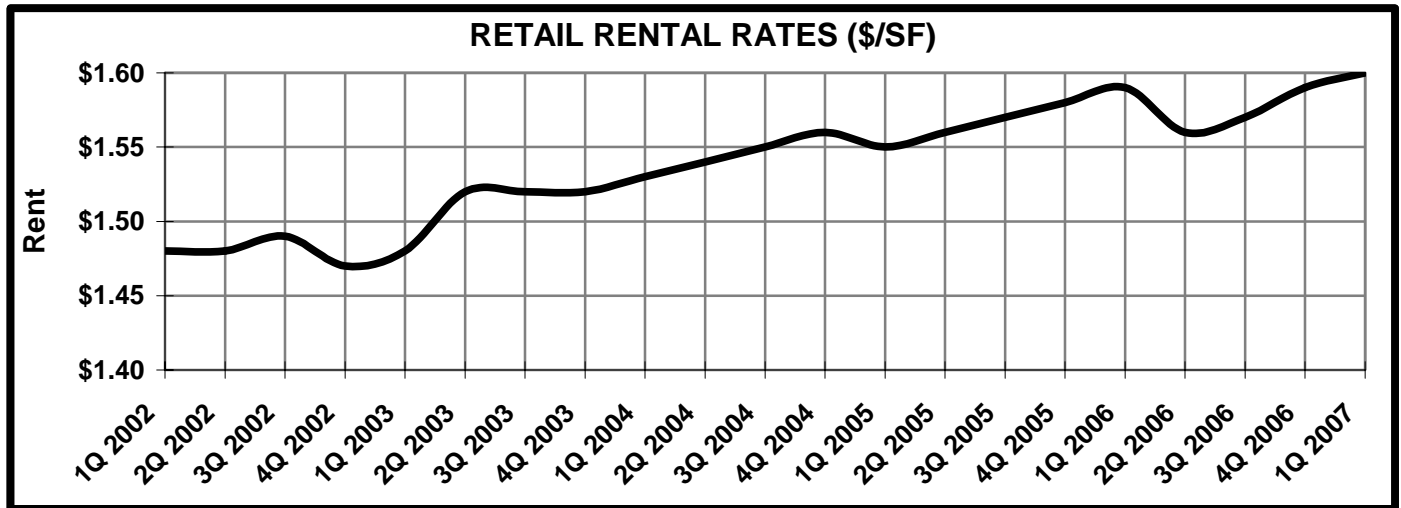
According to the O'Connor & Associates **First Quarter 2007 Houston Retail Data Program**, citywide **occupancy** for Houston area multi-tenant retail buildings is **85.81%** (Regional = 87.75%; Community = 87.14%; Neighborhood = 84.75%; Strip = 84.14%). Occupancy is up 0.03 points over the last quarter, and up 0.04 points over the past 12 months. The citywide monthly multi-tenant retail **rental rate** is **\$1.60 per square foot** (Regional = \$3.00; Community = \$1.58; Neighborhood = \$1.17; Strip = \$1.16). Overall rents are up \$0.01 from the last quarter, but are the same as last year's figure.

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).

- **Property Commerce** (281-668-3400) is planning to develop **Market Square at Eldridge Parkway (FWE 430)**, a 504,000-square-foot center located at Westheimer and Eldridge Pkwy. in west Houston (488T), on a 68-acre site, 20 acres of which was recently purchased from **Amherst Land, LP**. The center will be anchored by **Super Target**. **Chad Moss** will handle leasing for Property Commerce. Construction dates are not yet available. In the land sale, the buyer was represented in-house by **Chad Moss**, while **Stan Creech** of **Stan Creech Properties, Inc.** represented the seller.
- **Federated Department Stores, Inc.** (513-579-7000) shareholders approved a name change to **Macy's, Inc.** The move was made in order to emphasize the Macy's brand in the company's operations. Macy's has already rebranded several former May Co. department stores as Macy's, including Foley's, Marshall Field's, and Filene's. Macy's, Inc. operates over 850 stores nationwide under the Macy's and Bloomingdale's nameplates.

The following chart illustrates historical retail rents.



Fountain of Praise (713-433-1824) purchased **Mainhill (NSW 128)**, a 155,000-square-foot center located at 14065 S. Main in southwest Houston (571J), from **Harwin Exchange Center**. The 37-year-old center is 50% occupied with average rents at \$0.68 per square foot. **Greta Jordan** of **Re/Max** represented the buyer, while **Brian Kilpatrick** and **Jeff Barbles** of **NAI Houston** represented the seller.

Cypress Station Houston, LLC purchased **Cypress Station (FNO 090)**, a 127,000-square-foot center located at 211 FM 1960 West in north Houston (332K), from **SSIC, Inc.** (805-777-1177) for \$12,425,000. The 34-year-old center, which is anchored by **Louis Shanks Furniture**, is 89% occupied with average rents at \$1.00 per square foot. **Edward Hanley** and **Kevin Fryman** of **Hanley Investment Group** brokered the sale.

Carbon Canyon Acquisitions, Inc. (323-937-2010) purchased **12001 East Freeway (NEA 075)**, a 101,000-square-foot center in east Houston (496F), from **Eric, Shari, & Peter Fazio**. The 29-year-old center is 73% occupied with average rents at \$1.00 per square foot. The center is anchored by **Burlington Coat Factory**. **Mark Davis** of **Davis Commercial** brokered the sale.

United Partners Group, LLC (619-287-5383) purchased **Fry/Morton Shopping Center (FNW 647)**, a 72,000-square-foot center located at 3111 Fry Rd. in Katy (446Q), from **FM Road Retail, LP**. The year-old center is 83% occupied. Tenants in the center include **Schlotzsky's Deli**. The buyer was represented in-house by **Saeed Rahimzadeh**, while the seller was self-represented in the transaction.

Chiang Ui Im (713-683-9910) purchased **Bingle Crossing (NNW 080)**, a 28,000-square-foot center located at 2915 Bingle in northwest Houston (451N), from **Ramji Law Firm** (713-777-2654). The 27-year-old center is 79% occupied with average rents at \$1.00 per square foot. **Okie Beck** of **Realty Associates**

represented the buyer, while **Dan Perrier** of **McDade, Smith, Gould, Johnston, Mason + Co.** represented the seller.

LBBB Investment, Inc. (713-224-3474) purchased **Beaver Springs Plaza (FNO 269)**, a 15,000-square-foot center located at 1701 FM 1960 West in north Houston (331R), from **Aaron & Wright, Inc.** (713-942-8980). The 2-year-old center is 80% occupied with average rents at \$1.66 per square foot. **Craig Domin** of **Real Tech Commercial** represented the buyer, while the seller was represented in-house by **Marty Aaron**.

Finger Furniture leased 92,000 square feet at **Willowbrook Plaza (FNW 218)**, a 404,000-square-foot center located at 17125-17355 Tomball Pkwy. in northwest Houston (370J), from **CBL & Associates Properties** (423-855-0001). The 8-year-old center, which is anchored by **AMC Theatres** and **Linens-N-Things**, is 85% occupied with average rents at \$1.58 per square foot. **Bob Berry** of **The Staubach Co.** represented the tenant, while **Katherine Wildman** of **Wulfe & Co.** represented the landlord.

Ashley Furniture leased 50,000 square feet at **Shadow Creek Ranch Town Center (SOU 336)**, a 625,000-square-foot center located at 2803-2808 Business Center Dr. in Pearland (613N), from **Fox Properties** (713-993-0123). The **H-E-B**-anchored center, which is under construction, is 77% preleased with average rents at \$2.42 per square foot. **Katherine Wildman** of **Wulfe & Co.** represented the tenant, while **Lindsey Miller** of **Transwestern** represented the landlord.

Yardhouse leased 11,000 square feet in **Northwest Village Shopping Center (FNW 097)**, a 207,000-square-foot center located at 17360-17458 Northwest Freeway in northwest Houston (409K), from **Southwestern Investment Group** (303-534-1040). The 29-year-old center is 75% occupied with average rents at \$1.00 per square foot. The tenant was self-represented in the transaction, while **Shawn Ackerman** of **Henry S. Miller Commercial** represented the landlord.

INDUSTRIAL FACILITIES

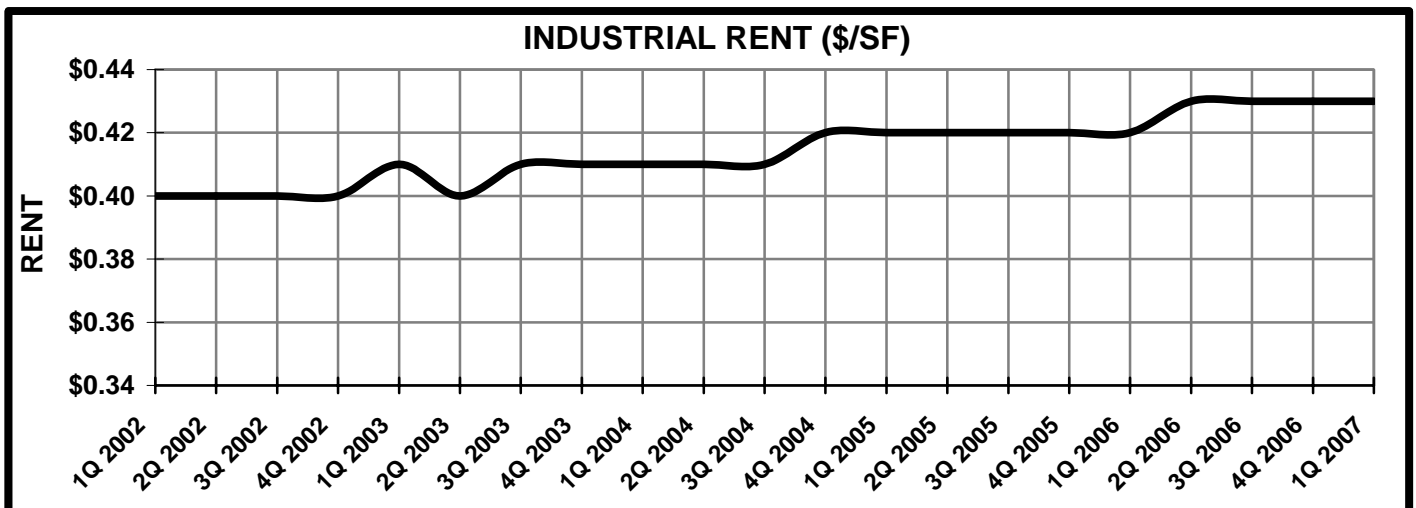
As the industrial boom near the Port of Houston continues, one of the most notable leases in the area was recently announced. **Wilson Industries, Inc.** signed a deal to occupy approximately half of **Clay Development & Construction's** 900,000-square-foot, newly-constructed **Underwood Distribution Center I (4860A)**. According to Clay executives, Wilson's options were very limited, as the Underwood Distribution Center was the only building in the area with enough contiguous space to meet Wilson's needs. In turn, Clay is now planning another very large building nearby, anticipating there will be other users with similar space needs. A trend is likely beginning, as many believe that an increased amount of goods being transported due to the recent opening of the **Bayport Container Terminal** will mean industrial users clamoring for more and more space. Furthermore, as was the case with Wilson, consolidating space from several facilities into one central location is increasing in popularity as well. For these reasons, it is likely that more developers will be announcing plans for large industrial facilities around the port in the near future.

According to the O'Connor & Associates **First Quarter 2007 Houston Industrial Data Program**, citywide **occupancy** for Houston area operating industrial facilities is **91.26%** (Flex = 89.38%; Bulk = 92.35%; Manufacturing = 92.42%, Service = 85.87%, Distribution = 88.59%, R&D = 94.82%). Occupancy is down 0.44 points from the last quarter, and down 1.23 points over the last year. The overall monthly **rental rates** remained flat at **\$0.43 per square foot** (Flex = \$0.45; Bulk = \$0.36; Manufacturing = \$0.35, Service = \$0.54, Distribution = \$0.39, R&D = \$0.59).

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).

- **Clay Development & Construction** (713-789-2529) is developing **Underwood Distribution Center II (4860B)**, a 734,000-square-foot distribution center located at 359 Underwood Rd. in La Porte (539J). Quoted rents at the facility, which is for lease, are \$0.38 per square foot. Estimated completion dates are not available. Clay also recently completed several single-tenant industrial facilities near the under-construction facility: **Preferred Freezer (4860G)**, a 158,000-square-foot distribution center located at 10060 Porter Rd.; **Packwell Distribution Center (4860D)**, a 424,000-square-foot distribution center located at 10016 Porter Rd.; **Poly One (4860E)**, a 131,000-square-foot distribution center located at 10100 Porter Rd.; and **10001 Porter Rd. (4860F)**, a 42,000-square-foot distribution center. All of the facilities feature 24-foot clearance with dock-level loading, except 10001 Porter Rd., which features 24-foot clearance with ground-level loading. All of the facilities are leased except 10001 Porter Rd., which is available with a quoted rent of \$0.38 per square foot.
- The **Port of Houston** and the **Port of Galveston** agreed to develop a master plan for a container facility on Pelican Island. The Port of Houston owns approximately 1,120 acres on the island, while the Port of Galveston owns approximately 100. However, the land belonging to the Port of Galveston has nearly the same waterfront access as the Port of Houston land. Officials expect that the agreement will double the number of container berths that can be constructed on the island. The agreement states that work on development of the Pelican Island container facility will not begin until after the Port of Houston finishes the Bayport container terminal; completion of the Bayport terminal is slated for 2015.
- According to the **2007 Texas Manufacturers Register**, published by **Manufacturers' News, Inc.**, Houston has more manufacturing jobs than any other city in the nation. The survey estimates Houston currently has 225,732 manufacturing jobs and 4,162 manufacturers, or 18.5% of manufacturing employment in Texas. The oil industry accounts for the most manufacturing jobs in Texas, at 11.5% of total manufacturing employment, followed by plastic products at 2.8%, industrial organic chemicals at 2.3%, and commercial printing at 2%.

The following chart illustrates historical industrial rents.



American Spectrum Realty (713-706-6200) purchased **Beltway Industrial Park (1063M, 1063L, 0561C, 0561F, 0561G, 1063H)**, a warehouse complex totaling 346,000 square feet located at 11875 W. Little York, 6525 Cunningham, and 6529 Cunningham in northwest Houston (409T), from **Beltway Industrial Park, Ltd.** The facility, which was built between 1999 and 2005, features 22- and 24-foot clearance with ground-level loading. The park is 98% occupied. The buyer was represented in-house by **Jay Carden**, while **George Adams** of **Match Realty** represented the seller.

Mountain West Industrial Properties (303-843-6015) purchased four Houston-area industrial facilities from **First Industrial Realty Trust** (713-681-0885). The facilities include: **Rockley Road Service Center II (3858)**, a 24-year-old, 58,000-square-foot service center located at 10610-10628 Rockley Rd. in southwest Houston (529Y); **Southwest Business Park (3826B)**, a 26-year-old, 64,000-square-foot office/warehouse facility located at 10215-10415 Landsbury Dr. in southwest Houston (529X); **8100 Westpark Dr. (3988)**, a 37-year-old, 74,000-square-foot office/warehouse facility in west Houston (530D);

and **3727 Greenbriar (4904)**, a 24-year-old, 45,000-square-foot warehouse in Stafford (569K). Occupancies at the facilities range from 55% to 100%. The buyer used in-house brokers to negotiate the transaction, while **Tom Lynch** of **CB Richard Ellis** represented the seller.

Mir Azizi purchased **3480 W. 11th St. (1987)**, a 280,000-square-foot office/warehouse facility in west Houston (452X), from **First Industrial Realty Trust** (713-681-0885). The 45-year-old facility, which features 16- and 22-foot clearance with dock-level loading, is fully leased. **John Nicholson** of **Grubb & Ellis** represented the buyer, while **Doug Nicholson** of **Grubb & Ellis** represented the seller.

RMI Investment Services, LLC (702-454-2159) purchased **Brittmoore Road Industrial Park (1170B)**, a 269,000-square-foot warehouse facility located at 2121 Brittmoore Rd. in west Houston (449Y), from **Mammoth Brittmoore, LLC** (949-276-2500) for \$13,300,000. The 24-year-old facility, which features 16-foot clearance with ground-level loading, is 86% occupied with average rents at \$0.53 per square foot. **Scott Owens** of **Lee & Associates** represented the buyer, while **Rob Mitchell** of **Voit Commercial** represented the seller.

AAM Partnership, LP (713-847-9888) purchased **6002 Donoho (4547)**, a 265,000-square-foot warehouse in southeast Houston (534T), from **Valley Plaza-Donoho, LLC**. The 39-year-old facility, which features 18-foot clearance and dock-level loading, will be owner occupied. **Stephen Schneidau** of **Cushman & Wakefield** represented the buyer, while **Chris Kugle** of **NAI Houston** represented the seller.

Beeson Sirota JV (713-622-5595) purchased **1415 West Loop North (1753)**, a 80,000-square-foot warehouse in northwest Houston (451Z), from **First Industrial Realty Trust** (713-681-0885). The 47-year-old facility is fully leased. **John Nicholson** of **Grubb & Ellis** represented the buyer, while **Doug Nicholson** of **Grubb & Ellis** represented the seller.

Coltec Industries leased 70,000 square feet at **Bondesen Distribution Center (0595N)**, a 273,000-square-foot office/warehouse facility located at 10633 W. Little York Rd. in northwest Houston (409U), from **DCT Industrial Trust** (303-597-2400). The 6-year-old facility, which features 24-foot clearance with dock-level loading, is fully leased with average rents at \$0.38 per square foot. **John Ferruzzo** and **Barrett Gibson** of **NAI Houston** represented the tenant, while **Walter Menuet** of **Vantage Cos.** represented the landlord.

Denver Southwest renewed its lease for 58,000 square feet at **Northwest Point Distribution Center Phase I (0582G)**, a 234,000-square-foot distribution center located at 7150 Business Park Dr. in northwest Houston (409U), from **Holt Lunsford Commercial** (713-850-8500). The 9-year-old facility, which features 24-foot clearance with dock-level loading, is fully leased with average rents at \$0.31 per square foot. The tenant was self-represented in the transaction, while the landlord was represented in-house by **Edward Bane**.

Leader International Co. leased 31,000 square feet in **Century Business Plaza Building 1 (0109C)**, a 60,000-square-foot office/warehouse facility located at 283-A Lockhaven Dr. in north Houston (332Y), from **Points West Realty** (952-939-0939). The 23-year-old facility, which features 18-foot clearance with dock-level loading, is 80% occupied with average rents at \$0.45 per square foot. **Andy Hsu** of **AA Realty Co.** represented the tenant, while **John Ferruzzo** of **NAI Houston** represented the landlord.

Cantoni renewed their lease for 22,000 square feet at **Westpark 5 II (2497)**, a 73,000-square-foot warehouse located at 3912-3920 Dunvale Rd. in southwest Houston (490Y), from **TIAA-CREF** (212-490-9000). The 26-year-old facility, which features 18-foot clearance and dock-level loading, is fully leased. **Jon Michael** of **Holt Lunsford Commercial** brokered the lease.

Thirsty's renewed its lease for 19,000 square feet at **Astro Business Center 9 (4220E)**, a 53,000-square-foot distribution center located at 9051-9087 Knight Rd. in south Houston (532V), from **Cobalt Capital Partners** (972-893-7000). The 28-year-old facility, which features 18-foot clearance and dock-level loading, is fully leased with average rents at \$0.47 per square foot. **Jon Michael** of **Holt Lunsford Commercial** brokered the lease.

The Joe Fly Co. leased **3802 Leeland (3345)**, a 17,000-square-foot warehouse located in southeast Houston (494S), from **Siegel Lone Star Trust** (203-795-9597). The 57-year-old facility, which features 16-

foot clearance with ground-level loading, has a quoted rent of \$0.25 per square foot. **Doug George** of **Gordon Partners Brokerage** represented the tenant, while **David Gerber** of **Gerber Realty** represented the landlord.

Argo International Corp. leased 16,000 square feet at **Northport Business Park (2180)**, a 121,000-square-foot office/warehouse facility located at 7111-7157 North Loop E. in northeast Houston (454V), from **Sealy & Co.** (318-222-8700). The 26-year-old facility is 93% occupied with average rents at \$0.56 per square foot. The facility features 20-foot clearance with dock-level loading. **John Ferruzzo** of **NAI Houston** represented the tenant, while the landlord was represented in-house by **Paige Buford**.

Export 220 Volt leased 13,000 square feet at **Beltway Service Center I (3772)**, a 120,000-square-foot office/warehouse facility located at 10515 Harwin Dr. in west Houston (529D), from **Halawa View Apartments**. The 32-year-old facility is 91% occupied with average rents at \$0.65 per square foot. **Walter Menuet** of **Vantage Cos.** represented the landlord.

Coastal Industries leased 10,000 square feet in **Pinemont Center (1320D)**, a 70,000-square-foot office/warehouse facility located at 4727-4747 S. Pinemont in northwest Houston (450G), from **Sutherland Properties, Inc.** (713-627-2290). The 7-year-old facility, which features 18-foot clearance with dock-level loading, is 85% occupied with average rents at \$0.40 per square foot. **Brian Corrison** of **Caldwell Watson Real Estate Group** represented the tenant, while **Walter Menuet** of **Vantage Cos.** represented the landlord.

Nolan Power Group leased 10,000 square feet in **5900 South Loop East (2169B)**, a 116,000-square-foot warehouse in southeast Houston (534P), from **Holt Lunsford Commercial** (713-850-8500). The 26-year-old facility is fully leased with average rents at \$0.34 per square foot. The tenant used in-house representation to negotiate the lease, while the landlord was represented in-house by **Jon Michael**.

VACANT LAND

Gross Investments has placed the 34-acre former **MetroNexus Technology Center** site, located at the intersection of the West Loop and Minimax in northwest Houston (452W), up for sale. Gross purchased the land in 2005 and razed the existing buildings, with plans to develop approximately 200 single family homes and an apartment complex on the site. However, those plans have since been canceled due to rising infrastructure costs and opposition from residents of a nearby subdivision regarding a proposed road extension through the property. **Michael Palmer** of **CB Richard Ellis** is marketing the sale on behalf of Gross.

Simpkins Group (713-963-0885) purchased 215 acres of land surrounding **Katy Mills** in Katy (484H) from **Katy Mills Residual, LLC**. The buyer plans to sell off the land in individual parcels for office, retail or industrial development. The buyer was represented in-house by **Doug Simpkins**, while **Tom Lynch** of **CB Richard Ellis** represented the seller. **Greg Young** of **Live Oak Capital** (713-993-1300) arranged \$22,565,000 in financing on behalf of Simpkins Group, with funds provided by **Wrightwood Capital**.

M.B. Golf Academy Investors sold the former Training Station golf course, located at the intersection of Crabb River Rd. and FM 762 in Rosenberg (606Z). **Cornerstone Community Bible Church** purchased 21 acres, while **Bhakti Vishram Kuteer** (281-256-3518) purchased 22.9 acres. Cornerstone Community Bible Church was represented by **Greg Hall** of **Mission Asset Marketing**, while Bhakti Vishram Kuteer was represented by **Nazim Thawer** of **Realty Associates**. M.B. Golf Academy Investors was represented by **William McDade**, **Hunter Jaggard**, and **Kristen McDade** of **McDade, Smith, Gould, Johnston, Mason + Co.** in both transactions.

North Main Partners, LLC (281-326-4801) purchased 24 acres of land at the southeast corner of North Main and Wallisville in Baytown (461Q), from **Monte and Dee Young**. **Wade Sinclair** of **Claire Sinclair Properties** represented the buyer, while **Claire Sinclair** of **Claire Sinclair Properties** represented the seller.

Beamer Villas, LLC purchased 18.5 acres of land located at 16650 Beamer Rd. in Friendswood (617T), from **Savjani Gopal. R.E. Smith** of **Alliance Commercial** represented the buyer, while **Michael Levitin** of **H Town Realty** represented the seller.

Avera Management, LLC (713-334-7577) purchased 14 acres of land located at 6899 W. Little York Rd. in northwest Houston (411W), from **Wearever Investments NV**. The buyer used in-house brokers to negotiate the transaction, while **Richard Pevey** of **RN Pevey Commercial & Investment Properties** represented the seller.

Epic Merchant Energy, LP (281-206-2260) purchased 8.2 acres of land located at the southwest corner of Park Row and South Creek Dr. in west Houston (447X), from **Brech Services**. **William McDade** of **McDade, Smith, Gould, Johnston, Mason + Co.** represented the buyer, while **William McDade, Hunter Jaggard**, and **Kristen McDade** of **McDade, Smith, Gould, Johnston, Mason + Co.** represented the seller.

Testmasters (713-896-1885) purchased 4.6 acres of land located at 11130 Tanner Rd. in northwest Houston (449C), from **Mercy McLaughlin** for \$668,767. The buyer plans to construct an industrial facility on the site, which will be owner occupied. **Mary Hughley** of **Realm Realtors** represented the buyer, while **David Gerber** of **Gerber Realty** represented the seller.

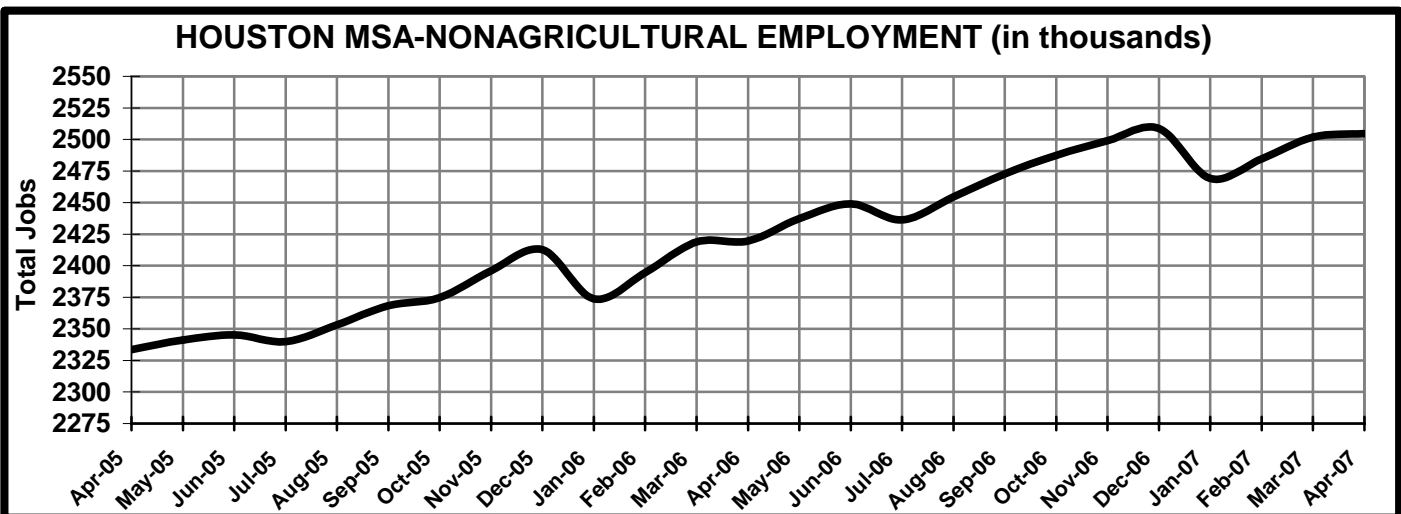
Navlock, Ltd. purchased 2.37 acres of land located at 4711 Navigation in east Houston (494P), from **Tyson Refrigerated Processed Meats**. **Kelly Parker** of **Cushman & Wakefield** represented the buyer, while **Todd Mason** and **Jeff Lindenberger** of **McDade, Smith, Gould, Johnston, Mason + Co.** represented the seller.

Shameem Group, Inc. purchased 2.1 acres of land located along Beltway 8 just east of U.S. 59 in northeast Houston (375U), from **BLWJR Properties 1, Ltd.** **Hunter Jaggard, William McDade**, and **Kristen McDade** of **McDade, Smith, Gould, Johnston, Mason & Co.** represented the seller.

ECONOMIC & FINANCIAL NEWS

The total number of wage and salary jobs in the ten-county Houston area increased by 2,800 jobs to 2,504,600 in April 2007, according to the **Texas Workforce Commission**. This month's total is 84,900 jobs more than the 2,419,700 jobs at this time last year. Of nonagricultural employers, the Leisure & Hospitality sector posted the largest gain over the month at 2,600 jobs, followed by the Government sector, with 1,000 jobs gained. Over the year, the Professional & Business Services sector has had the largest increase in employment, adding 14,500 jobs, followed by the Construction sector, which added 11,200 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 April 2007 were \$372.0 billion, a decrease of 0.2% from March, and up 3.2% from April 2006. Retail trade sales in April were down 0.2% from March, and were 3.0% above last year's level.

Personal income decreased \$7.1 billion, or 0.1%, and Disposable Personal Income (DPI) decreased \$9.7 billion, or 0.1%, in April 2007, according to the **Bureau of Economic Analysis**. Personal Consumption Expenditures (PCE) increased \$52.0 billion, or 0.5% in April 2007. Meanwhile, the **U.S. Department of Labor** reports that the seasonally adjusted Consumer Price Index (CPI) for urban consumers increased 0.6% in April 2007, and is 2.6% higher than in April 2006. Energy, at 2.4%, and Transportation, at 1.2%, posted the largest increases in April 2007.

The latest **Conference Board Survey** indicates that the **Consumer Confidence Index** increased to 108.0 in May 2007, up 1.7 points from 106.3, in April. 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 0.5% in April to 137.3. 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.

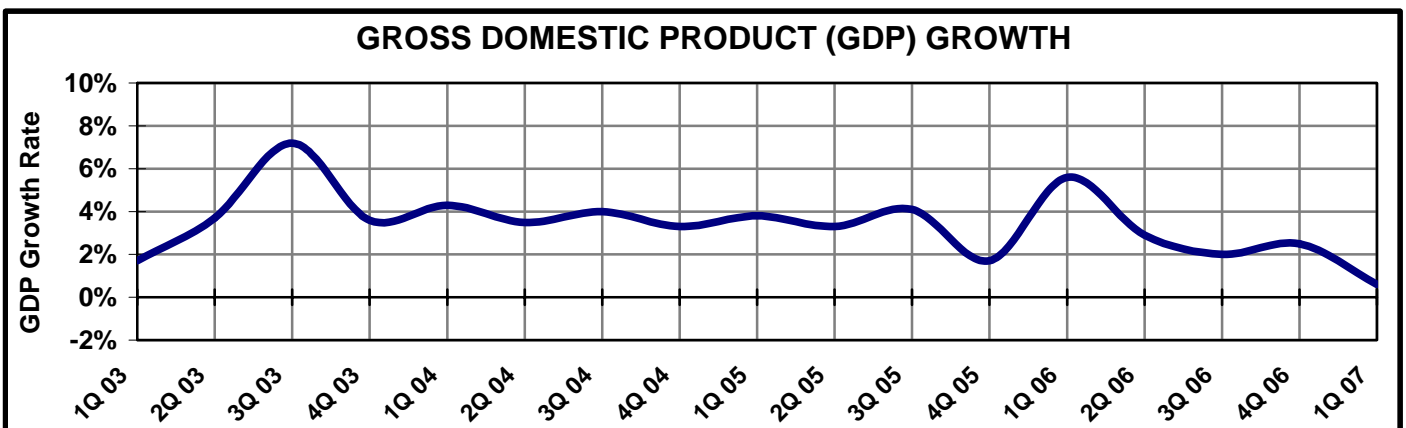
According to the **Federal Reserve**, industrial production increased 0.7% in April, and is 1.9% higher than the April 2006 level. Output in the manufacturing sector increased 0.5% in April, output of utilities increased 3.5% over the month, while output at mines decreased 0.3%. The rate of industrial capacity utilization was 81.6% in April, which reflected an increase of 0.4 points from the previous month's level, and was 0.3 points lower than the previous year's level.

Freddie Mac reports that the **30-year fixed-rate mortgage (FRM)** averaged 6.26% in May 2007, which is up 0.08 points from April, but down 0.34 points from one year ago. The average for the **15-year FRM** averaged 5.97% in May 2007, which is up 0.09 points from last month, and is 0.24 points lower than it was in May 2006.

The **U.S. Department of Commerce** reports that real GDP, the output of goods and services produced by labor and property in the United States, increased at an annual rate of 0.6% in the first quarter of 2007, down from the 2.5% growth rate recorded in the fourth quarter of 2006. The increase in GDP during the first quarter was attributed to positive contributions from personal consumption expenditures and state and local government spending.

The **U.S. Department of Commerce** reports that construction spending during April 2007 was estimated at a seasonally adjusted annual rate of \$1,190.0 billion, 0.1% above the revised March estimate. The current figure is 2.0% below the April 2006 estimate of \$1,214.4 billion. Private residential construction was at a seasonally adjusted annual rate of \$563.0 billion in April, 1.0% below the revised March estimate of \$568.8 billion, and 14.4% below the April 2006 estimate of \$657.8 billion.

The **Baker Hughes** count of active domestic rotary rigs stands at 1,760 during the week ending May 25, 2007. The current rig count is up 6.7% from last year's figure of 1,649 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 U.S.



POTPOURRI

The recent passage of two bills in the **Texas Legislature** will help make it possible for **The Woodlands** to become a city. House Bill 4109 will allow the community to establish a local government and expand its boundaries. Senate Bill 1012 allows regional partnerships, such as the one proposed between The Woodlands and Houston. The proposed agreement would give Houston \$45 million over 30 years, plus \$16 million up front, in exchange for Houston agreeing not to annex the community before 2014. The Woodlands was developed in 1974, and currently has an estimated 80,000 residents.

The **Metropolitan Transit Authority of Harris County** has selected **Washington Group International** for a \$77 million contract to help develop the first phase of a major rapid transit expansion. Washington Group will serve as facility provider for the design, construction, operation and maintenance of 20 miles of guided rapid transit, as well as a new intermodal transportation center. The contract calls for Washington Group to develop a detailed project schedule and finance plan, complete preliminary engineering and design, and begin construction activities. Final design and construction is scheduled to be performed by **Granite Construction, Inc.** and is expected to begin in early 2008.

According to the April 2007 **Architecture Billings Index**, developed by the **American Institute of Architects**, demand for non-residential construction is rising. The overall April index was 52.7, where any score above 50 indicates an increase in billings. The index measuring inquiries for new projects gained two points over the month, while industrial and institutional indices rose as well. According to the AIA, the forecast for non-residential construction should remain favorable for the remainder of 2007, based on lag time between billings and construction spending, and the high inquiry levels for new projects.

According to the monthly **Monster Worldwide, Inc.** employment index, online recruitment grew faster in Houston during the month of April than in any other major market nationwide. Houston has recorded a 21-point increase in the index over the past year. Of 20 occupational categories, 17 posted an increase over the month, with the overall index gaining 5 points. Food preparation and serving posted the largest annual and monthly gain of any category.

A recent study by **J.D. Power & Associates** named **William Hobby Airport** the best small airport for overall customer satisfaction in the nation. This is the second consecutive year the airport has earned the honor. Airports are rated according to eight factors: airport accessibility, baggage claim, check-in/baggage check, terminal facilities, security check, food and beverage, retail services, and immigration/customs control. **Dallas Love Field** and **San Antonio International Airport** tied for second place on the list.

According to the **AT&T 2007 Business Continuity Study**, Houston companies rank second in terms of disaster planning in the nation, second only to New York. Houston had the highest percentage of respondents indicating that business continuity planning was a priority, and the highest percentage of respondents that said they had updated their plans within the last 12 months. Houston also had the highest percentage of respondents who said they implement protective actions when the government issues an alert for an impending disaster. The survey ranked companies in 10 cities based on business continuity plans, actions taken on plans, and cybersecurity.

Houston-Sugar Land-Baytown was recently ranked 18th on the **2007 Best Cities for Relocating Families**, published by **Worldwide ERC** and **Primacy Relocation, LLC**. Cities were ranked based on housing affordability, taxes, leisure and recreation, arts and culture, cost of living, crime, and schools, among other factors. Fort Worth-Arlington was 1st on the list, with Austin-Round Rock at No. 5, San Antonio at No. 12, and Dallas-Plano-Irving at No. 13.

Houston was ranked 11th on the **AutoVantage "In The Driver's Seat Road Rage Survey,"** down from 9th last year. According to the survey, 19% of Houston drivers thought drivers were more courteous in

Houston than in other cities. Respondents named being in a hurry, running late, being impatient, and speeding as major causes of road rage.

Several Houston-area hospitals won awards from the **TMF Health Quality Institute**. Hospitals awarded the Quality Improvement Achievement Award include: **Cypress Fairbanks Medical Center, East Houston Regional Medical Center, Memorial Hermann Southeast Hospital, Park Plaza Hospital, Bayshore Medical Center, and Gulf Coast Medical Center**. The institute's highest honor, the Award of Excellence, went to: **Memorial Hermann-Texas Medical Center, Memorial Hermann Northwest Hospital, The Methodist Hospital, West Houston Medical Center, Christus St. Catherine Health and Wellness Center, Memorial Hermann Katy Hospital, Kingwood Medical Center, Memorial Hermann Sugar Land Hospital, Mainland Medical Center, and Memorial Hermann The Woodlands Hospital**. The awards acknowledge hospitals for improving care, particularly care related to heart attacks, heart failure, and pneumonia.

Houston Community College has begun work on a \$7.6 million upgrade of its West Loop campus. The project will include the addition of 70,000 square feet of space for 39 classrooms and laboratories, new faculty offices and student areas, and a food court. The project is slated for completion during the fall of 2008.

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