



Houston Real Estate Trends

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APARTMENTS

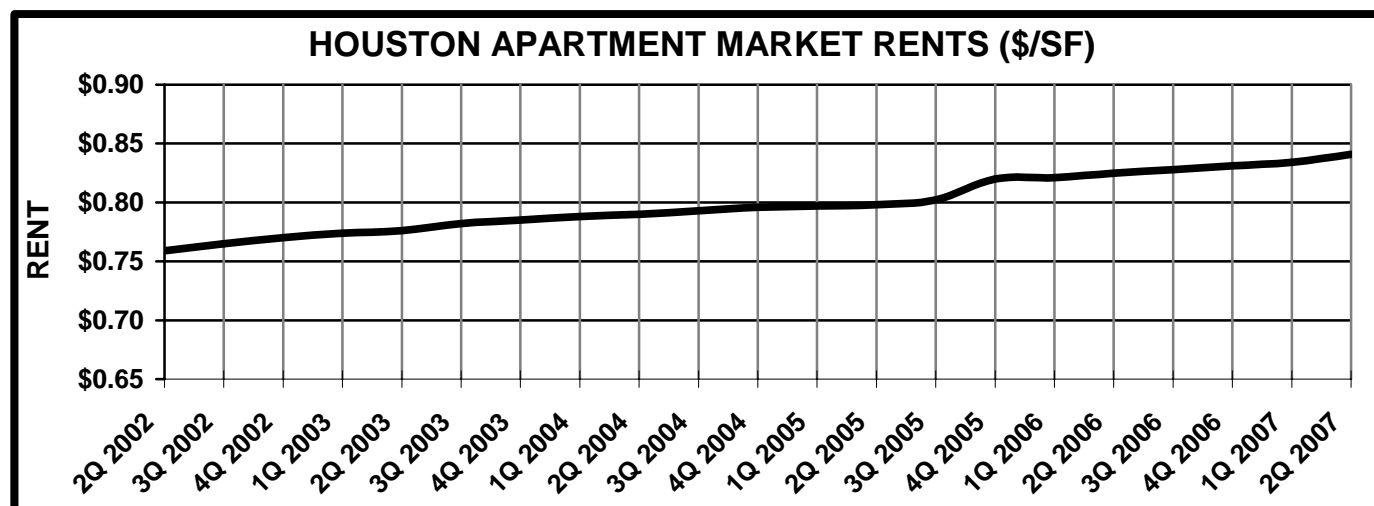
With mortgage rates on the rise, it seems that the rental market is poised to make up for some lost ground. Houston's multifamily market has experienced decreased occupancy levels and sluggish rents over the past few years, while the single-family market has flourished. With historically low mortgage rates and the seemingly endless supply of homes, homeownership had become a reality for many people that otherwise would not have been able to afford such a luxury. Prior to this period of highly affordable homeownership, many of these households would have been living in Class B and Class C properties, which is a key reason why the apartment market has struggled so much over the last few years. However, it does appear that the tide is finally beginning to shift. The recent decline in affordability in the housing market will keep many renters in apartments and bring households back to apartments after foreclosing on homes. Occupancy levels will continue to be fairly soft due to new construction, but positive absorption and recent growth are expected through the end of the year.

According to www.oconnordata.com, O'Connor & Associates' online apartment data program, **Second Quarter 2007** overall **occupancy** for Houston area apartment projects is **88.51%** (Class A = 91.02%; Class B = 89.27%; Class C = 85.82%; Class D = 84.79%). Occupancy is down 0.06 points from the first quarter and down 1.79 points over the past year. The overall monthly **rental rate** is **\$0.841 per square foot** (Class A = \$1.115; Class B = \$0.816; Class C = \$0.682; Class D = \$0.604). Overall rents are up \$0.007 from the first quarter of 2007 and \$0.015 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).*

- **Beverly Partners III, Ltd.** is selling 13 properties, which contain a total of 1,037 units, across the state of Texas. Included in the sale is **Imperial Landing (1524)**, a 264-unit Class C complex located at 16001 Cotillion (373W) in northeast Houston. The 29-year-old complex is 93% occupied with average rents at \$0.75 per square foot. **Norman Eastwood, John Barker, and Will Jarnagin** of **Marcus & Millichap** are represented the seller.

The following chart illustrates historical apartment rental rates.



Preferred Communities Group (281-276-8800) purchased **Providence at Kirby (3351)**, a 266-unit Class A complex located at 7550 Kirby Dr. in the Medical Center (532L), from **Equity Residential** (312-474-1300). The 7-year-old complex is 96% occupied with average rents at \$1.26 per square foot. The buyer was self-represented, while **Craig LaFollette, Todd Stewart, and Todd Marix** of **CB Richard Ellis** represented the seller.

CWS Capital (512-837-3028) purchased **Ironwood (2237)**, a 192-unit Class A complex located at 2742 Jeanetta St. in the Westchase area (490T), from **Ironwood Apartments, Ltd.** The 8-year-old complex is 90% occupied with average rents at \$1.09 per square foot.

The Jaymor Group (800-572-3564) purchased **Crosswinds (1525)**, a 240-unit Class B complex located at 14810 Crosswinds Dr. in north Houston (374Z), from **Sterling American Property, Inc.** (212-485-4400). The 26-year-old complex is 88% occupied with average rents at \$0.73 per square foot. The buyer was self-represented, while **Edward Nwokedi** and **Oliver Pereira** of **Cushman & Wakefield** represented the seller.

MNR Property, LLC (212-679-6500) purchased **Northwest Pines (1801)**, a 364-unit Class C complex located at 5801 N. Houston Rosslyn Rd. in northwest Houston (451C), from **JRK-Northwest Pines, LLC.** The 28-year-old complex is 86% occupied with average rents at \$0.59 per square foot. The buyer was self-represented, while **Edward Nwokedi** of **Cushman & Wakefield** represented the seller.

DM Real Estate, Ltd. purchased **Wesley Square (3516)**, a 252-unit Class D complex located at 7402 Calhoun Rd. in south Houston (533V), from the **Wesley Chapel Foundation** (713-747-0335). The 38-year-old complex is fully occupied with average rents at \$0.54 per square foot. The seller was represented by **Carl Raia** of **Texas Select Realty.**

Correction Notice: In the June 2007 edition, we incorrectly identified Matt Kafka as the both the buyer and seller's representative in the **Gables Windmill Landing (3992)** apartment sale. We apologize for any inconvenience. What follows is the corrected article: **Providence Management Company** (972-473-8100) purchased **Gables Windmill Landing (3992)**, 259-unit Class A complex located at 10121 Windmill Lakes Blvd. in Houston (576B), from **LG Windmill Landing, LP.** The 23-year-old complex is 95% occupied with average rents at \$0.85 per square foot. The buyer was self-represented, while **David Mitchell** of **Apartment Realty Advisors** represented the seller. **Matt Kafka** of **HFF** (713-852-3500) arranged acquisition financing on behalf of Providence Management Company.

SINGLE-FAMILY HOUSING

MLS home sales increased in June, as 6,130 used homes were sold, up from the 5,994 homes sold in May, according to the **Houston Association of Realtors (HAR)**. Sales for June 2007 were down 5.9% from June 2006. The median price of a used single-family home sold in June was \$154,000, up 3.4% from June of last year, while the average home price was \$207,311, up 1.6% from the June 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 increased 2% in June to 2,362 from 2,317 in May, but are down 19% from June 2006. Realtor co-op sales represented 59% of gross sales, a decrease of 4% from June 2006. Traffic decreased 12% from last year to 29,326 in June 2007. The inventory of completed speculative homes (2,362) is up 35% from last year. There are 2,938 spec homes under construction, which is down 33% from 2006. Overall, the 5,300 specs (both completed and under construction) are down 14% from June 2006. *Note: the 24 homebuilders in this survey account for approximately 65% of housing starts in Houston.*

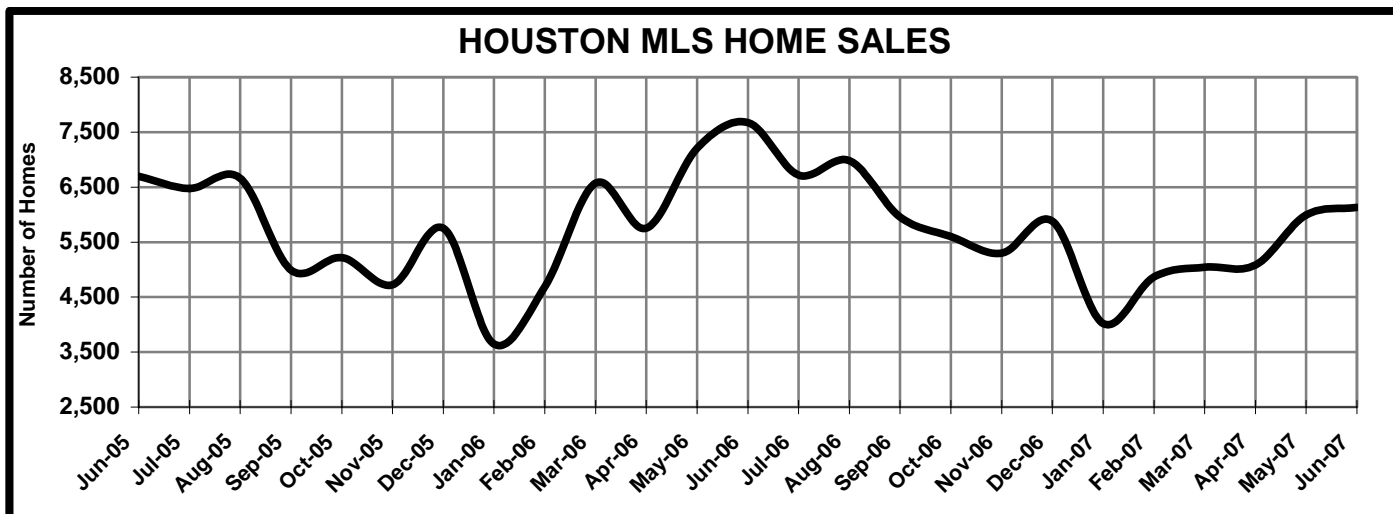
Nationwide sales of new single-family homes decreased in June to a seasonally adjusted annual rate of 834,000, 6.6% below the revised May sales rate of 893,000 and 22.3% below the June 2006 figure, according to a release by the **U.S. Department of Commerce**. The median sales price was \$237,900. Privately owned housing starts were at a seasonally adjusted annual rate of 1,467,000 in June 2007, which is 2.3% above the revised May estimate, but 19.4% below the June 2006 rate. Privately owned housing completions were at a seasonally adjusted annual rate of 1,470,000 in June 2007, 6.0% below the May 2007 figure, and 28.2% below the June 2006 figure.

The **National Association of Home Builders/Wells Fargo Housing Market Index**, a monthly measure of builder confidence, decreased 4 points in July to 24 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 5 points to 24, the index measuring sales expectations for the coming six months declined 5 points to 34, while the index measuring the traffic of prospective buyers decreased 3 points to 19.

According to the **National Association of Realtors (NAR)**, 604,000 existing homes were sold in June 2007, up 4.7% from May sales, but down 13.6% from the 699,000 homes sold in June 2006. The median sale price was \$230,100, which represents a 0.3% increase from sale prices one year ago.

According to the most recent report by **RealtyTrac**, 164,644 foreclosure filings — default notices, auction sale notices, and bank repossessions — were reported during the month of June. This figure is down 7% from May, but up 87% from June 2006. The company estimates that one in every 704 households nationwide entered the foreclosure process in June. Texas remains among the nation's 10 highest states in total foreclosure filing for the month of June. RealtyTrac also released cumulative statistics over the first six months of 2007. Foreclosure filings across the nation totaled 573,397 from January through June of 2007, up 58% from the same time period in 2006. Foreclosure filings in Texas over the six-month timeframe were the third highest in the nation, at 69,471, which equates to an average of one filing in every 130 homes in the state. California reported the highest number of foreclosure filings over the timeframe at 189,560, or one in every 69 households, followed by Florida with 102,213 filings, or one in every 81 households.

The following chart illustrates historical used home sales.



Source: Houston Association of Realtors

Perry Properties (281-313-7000) plans to develop **Hidden Lakes**, a 640-acre master planned community located near State Highway 96 and South Shore Blvd. in League City (660J). The community has the potential to be divided into 794 single-family lots. Homes are expected to be over 3,000 square feet in size, with prices ranging from \$225,000 to \$1,000,000. Community amenities will include a recreation center, multiple lakes available for resident use, as well as hike and bike trails. Construction is slated to begin in the fall of 2007, with full build-out expected by 2013.

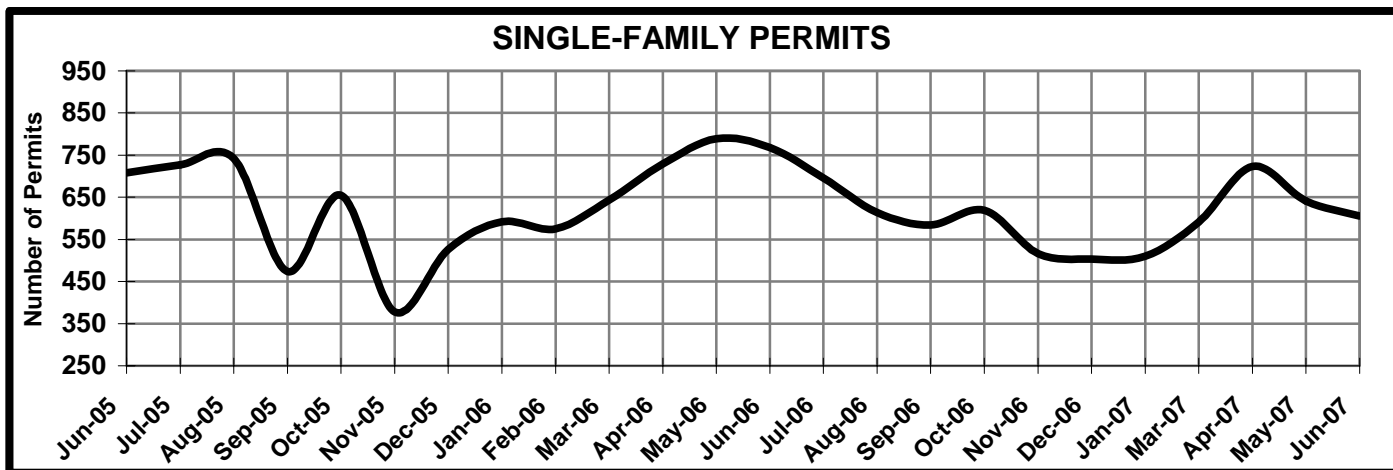
PERMIT ISSUANCE

The **City of Houston** issued permits to build 605 private single-family houses and 31 private multifamily buildings in June. Demolition permits were issued for 225 private single-family houses. In addition, 306 permits were issued for privately owned non-residential construction totaling \$379,367,285 and 24 permits were issued for public non-residential construction totaling \$1,131,658. Additions, alterations, and conversions totaled \$142,602,998 for the private sector and \$12,182,340 for the public sector.

Cost of Construction*

	2005	2006	2007
Month of June	\$292,803,757	\$464,276,763	\$702,241,389
Year-to-Date	\$1,641,921,462	\$1,973,808,568	\$2,887,908,622

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



OFFICE BUILDINGS

A tightening office market combined with continued economic growth, have led to a mini construction boom. The long quiet Central Business District is now abuzz with activity. Though only two projects have been officially announced, **Trammel Crow's** 623,000-square-foot **Discovery Tower** and the 200,000 square feet of space in **Houston Pavilions, Brookfield, Hines, and Crescent** are all rumored to be in planning stages for new downtown office properties. In addition, Houston's office darling, the Energy Corridor area, is pushing full steam ahead. There are seven properties containing over 1.4 million square feet of space currently under construction, while another six projects with a total of 1.7 million square feet of space are on the drawing board. Aided by a strong economy and healthy job market, we expect the office market to strengthen even further through the remainder of 2007. The Class A market will likely fare the best, ending the year with occupancy around 91% to 92%. Due to increasing rents in the Class A market, we expect the Class B market will also end the year on an up note, with year-end occupancy near 86%. We expect to see slight positive movement in the Class C market, where occupancy is currently at 83.55%, while Class D market will likely remain relatively stable at the 75% mark.

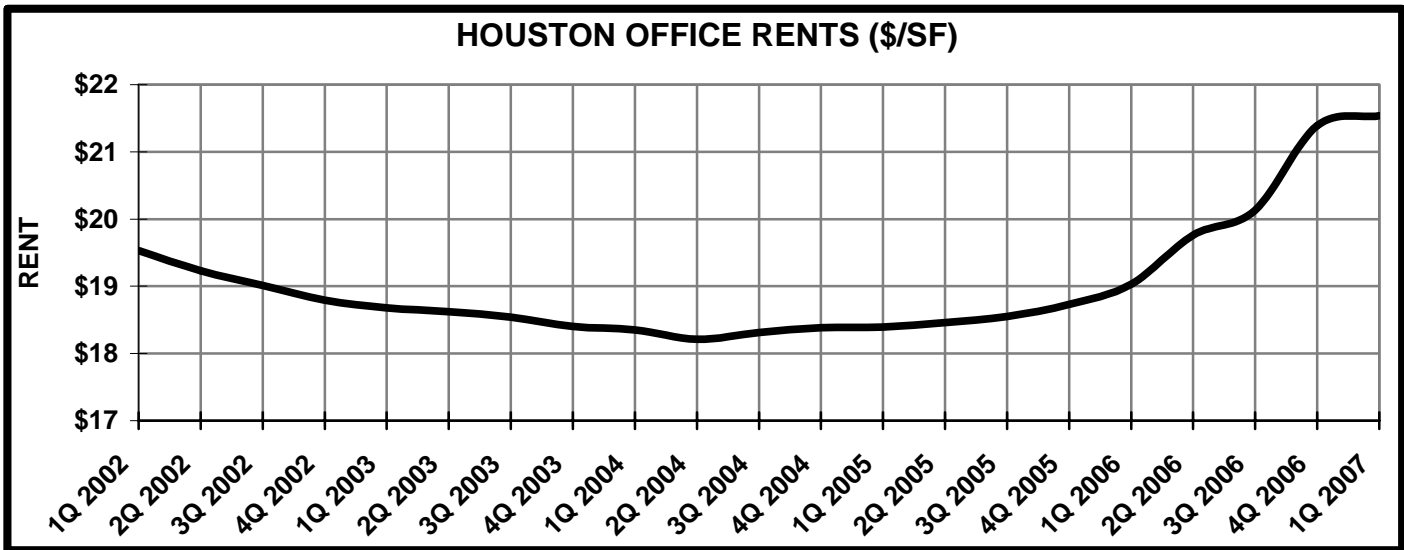
According to the O'Connor & Associates **First Quarter 2007 Houston Office Data Program**, citywide **occupancy** for Houston area multi-tenant office buildings is **87.66%** (Class A = 91.27%; Class B = 85.99%; Class C = 83.88%; Class D = 75.47%). The citywide annual multi-tenant office **rental rate** is **\$21.54 per square foot** (Class A = \$26.54; Class B = \$18.48; Class C = \$14.48; Class D = \$11.92).

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).

- **GenCap Partners, LP** (972-671-9120) is planning to break ground this summer on **Four Chasewood (CPQ 139)**, a 105,000-square-foot office building located at 4 Chasewood Dr. in northwest Houston (329Z). The building will include amenities such as on-site management/engineering services, video surveillance, courtesy officers, banking and conference facilities, and food service. Construction is expected to be completed by August 2008. An undisclosed energy company has already pre-leased 34,102 square feet at the property, where quoted rents average \$27.50 per square foot. **Michelle Wogan** of **Transwestern** represented the tenant, while **David Lee** and **Todd King** of **Transwestern** represented the landlord.
- **Transwestern** (713-270-7700) has been awarded leasing duties for **Pavilions Tower (CBD 151)**, a planned 200,000-square-foot office tower by **Geoff Jones** and **Bill Denton** (713-654-7110) at 1229 Polk St. in the Central Business District (493Q). The office tower is a component of the **Houston Pavilions** mixed-use development, which will also feature 360,000 square feet of retail and entertainment space. Rental rates for the new office space are expected to range from \$20 to \$25 per square foot, triple net. Construction of tower is expected to be completed by October 2008.
- **Lexington Realty Trust** (212-692-4015) has placed **Reserve at Greens Crossing, Ph. I (GNB 103)** and **Western Geophysical I (WES 089)** available for sale. **Reserve at Greens Crossing, Ph. I** is 158,000-square-foot Class A office building located at 810-820 Gears Rd. in the Greenspoint area (372Q). The 8-year-old property is fully occupied with average rents at \$19.25 per square foot. **Western Geophysical I** is a 165,000-square-foot Class B office building located at 3600 Briarpark Dr. in the Westchase area (489Z). The 23-year-old property is fully occupied. **Rusty Tamlyn** and **Daniel Miller** of **HFF** are marketing the properties.
- The **Building Owners and Managers Association** recognized two Houston area office buildings, **First City Tower (CBD 019)** and **Two Memorial City Plaza (KFW 012)**, at their annual **The Office Building of the Year (TOBY)** awards. The buildings were recognized for their excellent office management and operations. **First City Tower** is a 1.3-million-square-foot Class A building located at 1001 Fannin St. in the Central Business District (493Q). The 26-year-old property is 96% occupied with average rents at \$29.39 per square foot. The building is owned by **FC Tower Property Partners** (312-440-4800) and

managed by **CB Richard Ellis**. Two Memorial City Plaza is a 392,000-square-foot Class A building located at 820 Gessner St. in west Houston (490A). The 25-year-old property is fully occupied with average rents at \$20.50 per square foot. The building is owned and managed by **MetroNational Corp.** (713-973-6400).

The following chart illustrates historical office rental rates.



Parkway Properties, Inc. (601-948-4091) purchased **1401 Enclave Parkway (WES 147)**, a 214,000-square-foot Class A office building located in the Westchase area (488L), from **Triple Net Properties, LLC** (877-888-7348). The 8-year-old property is fully occupied with average rents at \$18.13 per square foot. **Alan Grilliette** of **Transwestern** represented both the buyer and seller.

Bresler & Reiner, Inc. (301-945-4300) purchased **Intercontinental Center (GNB 016)**, a 205,000-square-foot Class A office building located at 15600 John F. Kennedy Blvd. in the Greenspoint/North Belt area (374T), from **Thomas Properties Group, Inc.** (213-613-1900). The 24-year-old property is 83% occupied with average rents at \$20.39 per square foot. The buyer was self-represented, while **Ken Paige** of **Cushman & Wakefield** represented the seller.

Younan Properties, Inc. (818-703-9600) purchased **Westchase Bank Building (WES 062)**, a 205,000-square-foot Class B office building located at 9801 Westheimer Rd. in the Westchase area (490S), from **9801 Westchase, Ltd.** (713-627-1015). The 26-year-old property is 99% occupied with average rents at \$18.50 per square foot. In-house principle **Zaya Younan** represented the buyer, while **Ken Page** of **Cushman & Wakefield** represented the seller. Younan also purchased **Northbelt Corporate (GNB 045)**, a 162,000-square-foot Class B office building located at 2350 N. Sam Houston Parkway E. in the Greenspoint/North Belt area (373V), from **Triple Net Properties, LLC** (877-888-7348). The 25-year-old property is fully occupied. In-house principle Zaya Younan represented the buyer, while **Darrell Betts**, **Scot Farber**, and **Ryan Gallagher** of **Grubb & Ellis** represented the seller.

Northborough, LLC (732-829-4374) purchased **Northborough Atrium I & II (GNB 050 & GNB 005)** from **Sawyer 602 Limited Partnership**. Northborough Atrium I, an 82,000-square-foot Class C office building, is located at 12600 Northborough Dr. in the Greenspoint area (372Q). The 28-year-old building is 93% occupied with average rents at \$16.75 per square foot. Northborough Atrium II, an 88,000-square-foot Class C office building, is located at 350 Glenborough Dr. in the Greenspoint area (372Q). The 26-year-old building is 90% occupied with average rents at \$16.75 per square foot. The buyer was self-represented, while **Dan Miller**, **Rusty Tamlyn**, and **Marty Hogan** of **HFF** represented the seller in both transactions.

12345 Katy Freeway, LLC and **RSL Concentra, LLC** purchased **12345 Katy Freeway (KFW 059)**, a 14,000-square-foot Class B medical office building located in west Houston (488D), from **West Houston Real Estate, LLC** (713-850-7878). The 27-year-old building is 34% occupied with average rents at \$17.50 per square foot. **Todd Perman** of **Lynx Real Estate, Inc.** represented the buyer, while **Marshall Clinkscases** of **MSC Properties, Inc.** represented the seller.

Foster Wheeler USA Corp. leased **Energy Center I (KFW 085)**, a 330,000-square-foot Class A office building located at 585 North Dairy Ashford in west Houston (488C), from **Trammell Crow Co.** (713-840-6500). Foster Wheeler will fully occupy the property, which is currently under-construction and expected to be completed in February 2008. **Andy Iverson, Jim Cooksey, and John Beach** of **Jackson & Cooksey** represented the tenant, while **Mark Taylor** of **CB Richard Ellis** and **Steve Rocher** of Trammell Crow Co. represented the landlord.

IBM Corp. leased 55,600 square feet at **12301 Kurland (SOE 148)**, a 258,000-square-foot Class B office building located in southeast Houston (576V), from **Capital Commercial Investments** (512-472-6990). The 31-year-old building is 92% occupied with average rents of \$19.00 per square foot. **John Pruitt** of **CB Richard Ellis** represented the tenant, while **Eric Anderson** of **Transwestern** represented the landlord.

RETAIL CENTERS

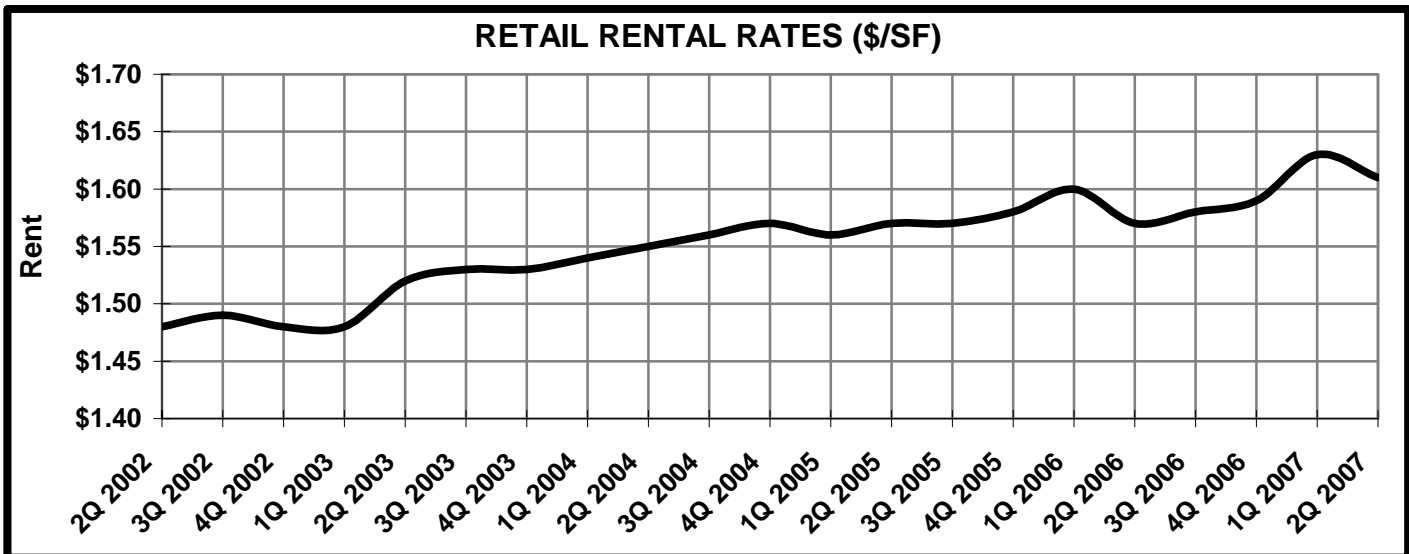
The housing market's recent slowdown has had a ripple effect that can be felt across all markets, with the retail being no exception. The decrease in home starts is having major effects on the traditional retail suppliers. Many home-improvement type retailers like **Lowe's, Home Depot, and Sears** have been hit especially hard by the slowdown. Home Depot, the nations' number one home improvement retailer, recently reported that same-store sales were down 7.6% from one year ago, while earnings per share are expected to fall between 15 and 18 percent due to the homebuilding slowdown. Lowe's is having a similar experience, as same store sales fell 6.3% over the first quarter of 2007, while Sears is struggling with slow appliance and home improvement department sales. The three home-improvement retailers are bracing for a rough couple of years, according to the near-term financial forecasts.

According to the O'Connor & Associates **Second Quarter 2007 Houston Retail Data Program**, citywide **occupancy** for Houston area multi-tenant retail buildings is **85.36%** (Regional = 87.46%; Community = 87.12%; Neighborhood = 84.06%; Strip = 83.52%). Occupancy is down 0.38 points over the last quarter, and down 0.18 points over the past 12 months. The citywide monthly multi-tenant retail **rental rate** is **\$1.61 per square foot** (Regional = \$3.00; Community = \$1.59; Neighborhood = \$1.19; Strip = \$1.18). Overall rents are down \$0.02 from the last quarter, but are up \$0.04 from 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).

- **Supervaluinc.** (314-592-9100) will open two new **Save-A-Lot** grocery stores in the Houston area this July. One store will be located in the **Belfort Shopping Center (SOU 330)**, while the other will be located at **6910 Capitol Street (INL 323)**. Belfort Shopping Center is a 48,000-square-foot center located at 5800 Belfort St. in south Houston (534X). The 44-year-old center, which is owned by **GR Zakhireh Family, LP** (713-722-8005), is 98% occupied with average rents at \$0.75 per square foot. 6910 Capitol Street is a 13,000-square-foot center located in east Houston (494ZX). The 13-year-old center, which is owned by **Capitol Street Development** (713-772-6262), is fully occupied by the Save-A-Lot grocery store. Save-A-Lot used in-house representation in both transactions, while **Peggy Rougeou** and **Eric Dry** of **Tarantino Properties** represented GR Zakhireh Family, LP and in-house broker **Edwin Freedman** represented Capitol Street Development.
- **Brake Check** (877-912-7253) has broken ground on a new **Brake Check Service Center** near the intersection of State Highway 3 and Clear Lake City Boulevard in the Clear Lake area (617C). Construction on the service center is expected completion by August 2008. Brake Check purchased the 0.96-acre lot from **Wile Interests**. **Patrick Graham** of **Colliers International** represented the buyer, while **Josh Jacobs** of **Page Partners** represented the seller.

The following chart illustrates historical retail rental rates.



Peterson Group, Inc./Yu-Tou, LLC (713-621-1700) purchased **2701 Yale St. (INL 521)**, a 26,000-square-foot center located in the Heights area (452V), from **Westheimer Jeanetta, Ltd.** The 6-year-old center is fully occupied. **Stephen Tou** of **Wulfe & Co.** represented the buyer, while **Ryan Baker** of **Baker Katz** represented the seller.

Eldridge Center, LLC purchased **Westland Plaza (FNW 584)**, a 14,000-square-foot center located at 8302 Eldridge Parkway in northwest Houston (408H), from **Satya.** **David Tran** of **Dollars Realty** represented the buyer, while **George Adams** of **Match Realty** represented the seller.

Mody Interests (713-772-6200) purchased **3218 Hillcroft (NRW 199)**, a 10,000-square-foot center located in west Houston (490Z), from **Qime Real Estate, LP.** The 41-year-old center, which is currently vacant, has quoted rents at \$1.50 per square foot. **Derek Hargrove** of **CB Richard Ellis** represented the buyer, while **Home Team of America** represented the seller.

Steve & Barry's, LLC leased 56,000 square feet in the **Corum Station Shopping Center (FNO 057)**, a 112,000-square-foot center located at 4880 Louetta Rd. in north Houston (331B), from **Corum Station Shopping II, LLC** (310-274-9494). The 21-year-old center is 75% occupied with average rents at \$1.19 per square foot. Steve & Barry's also leased 42,000 square feet in **Deerbrook Mall (NEA 021)**, a 1.2-million-square-foot mall located at 20131 Eastex Freeway in northeast Houston (335U), from **General Growth Properties** (312-960-5000). The 23-year-old mall is 91% occupied with average rents at \$2.40 per square foot. Steve & Barry's represented themselves in both transactions, while **Jeff Beard** of **J Beard Company** represented Corum Station Shopping II, LLC, and in-house broker **Rob Michaels** represented **General Growth Properties.**

Stage Stores (Palais Royal) leased 17,500 square feet in the **Kingwood Shopping Center (NEA 030)**, a 128,000-square-foot center located at 1113 Kingwood Dr. in Kingwood (336A), from **Weingarten Realty Management Co.** (713-866-6000). The 34-year-old center is 74% occupied with average rents at \$1.46 per square foot. Other tenants include **Not So Plane Jane, Sears Hardware, Steinmart,** and **Super Crown Books.** **Michael Stern** of **The Staubach Company** represented the tenant, while **Jeff Tinsley** of the **J Beard Company** represented the landlord.

American Furniture leased 53,332-square feet in **The Shops at Cypress (FNO 145)**, a 97,000-square-foot center located at 310 FM 1960 West in north Houston (332K), from **310 FM 1960, LP.** The 14-year-old center is 55% occupied with average rental rates at \$0.96 per square foot. Other tenants include **Kroger** and **CompUSA.** The tenant was self-represented, while **Peggy Rougeou** and **Eric Drymalla** of **Tarantino Properties** represented the landlord.

Houston Engineering & Scientific Society (H.E.S.S.) renewed their lease of **5430 Westheimer (NRW 440)**, a 21,000-square-foot restaurant/banquet/meeting facility in the Galleria area (491T), from **Franklin Post Oak, Ltd.** (713-877-1245). **Jason Whittington** of **NAI Houston** represented the tenant, while **Dean Wilkens** and **Linda Mulvihill** of **Tanglewood Property Management** represented the landlord.

Staples leased 20,480 square feet at **Almeda Crossing Shopping Center (NSE 312)**, a 450,000-square-foot center located at the northwest corner of Almeda Genoa Rd. and Rowlett St. in southeast Houston (576N), from **Realm Realty** (713-465-0001). The center, which is currently under construction and expected to be completed next year, is 55% pre-leased. The tenant was self-represented, while in-house principle **Kathy King** represented the landlord.

Modern Furniture leased **2955 Fondren (NRW 049)**, a 10,100-square-foot located in west Houston (490Y), from **Max Alfred Stettler** (713-468-5563). Modern Furniture fully occupies the 33-year-old center. The tenant was self-represented, while **Stephen Tou** of **Wulfe & Co.** represented the landlord.

Famous Footwear leased 6,600 square feet in **Riceland Pavilion (NEA 291)**, a 69,000-square-foot center located at 4561 Garth Rd. in Baytown (501F), from the **Donna and Andrew Rosenberg Trust 2002**. The 8-year-old center is 93% occupied with average rents at \$0.79 per square foot. Other tenants include **Office Depot**, **Factory 2U**, **Blockbuster**, and **Quizno's**. **Tony Armstrong**, **Josh Jacobs**, and **Ed Page** of **Page Partners** represented the tenant, while **Chris Pitts** and **Charlie Christ** of Page Partners represented the landlord.

La Madeleine leased a 48,351-square-foot pad site in **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 center, which is currently under construction, is 74% leased with average rents at \$2.42 per square foot. The retail center will be anchored by an **H-E-B Plus**, while other tenants on hand include **McAlister's Deli**, **Bank of Texas**, **Hobby Lobby**, **Academy**, and **Powerhouse Gym**. Construction is expected to be completed by the end of the summer. **Myles Kelly** of **Realty Ventures** represented the tenant, while **Lindsay Miller** of **Transwestern** and **Will Deane** of **Fox Properties** represented the landlord.

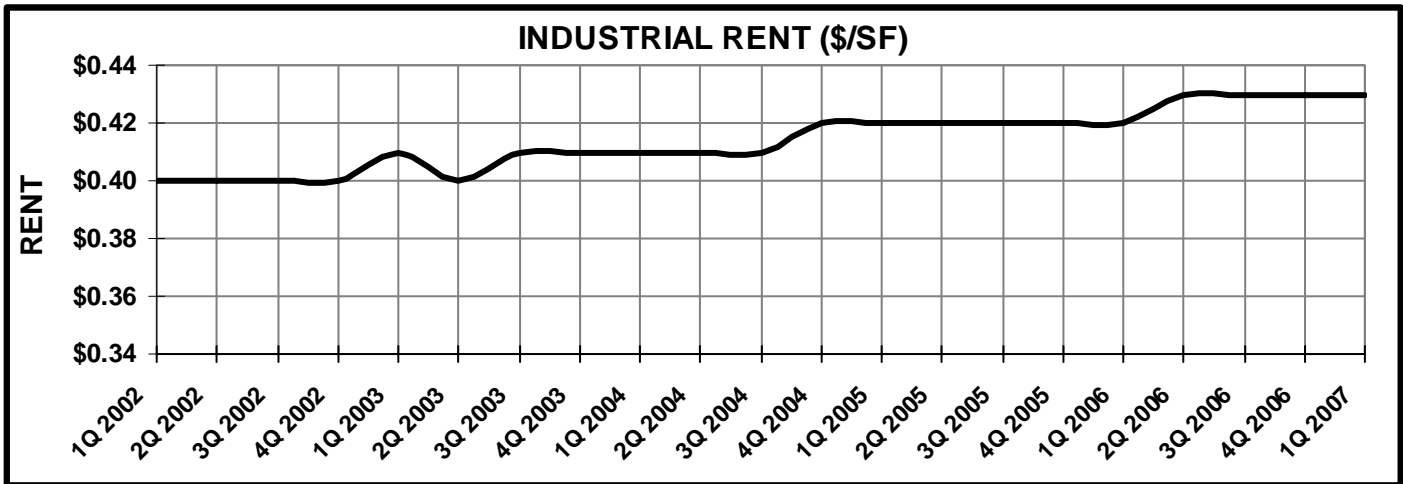
INDUSTRIAL FACILITIES

Houston has successfully attracted another major distribution center to the area. **The Simpkins Group** (713-963-0885) was recently awarded a contract to build the **Walgreens Distribution Center (5365A)**, a 500,000-square foot build-to-suit facility located on 26 acres near the intersection of the Hardy Toll Road and Greens Road in far north Houston (**373P**). Development costs for the project are estimated at \$20 million. Groundbreaking is slated for next month with completion expected by April 2008. The new facility will bring the number of distribution centers over 500,000 square feet in the Far North sector to three, and the total number of centers over 500,000 square feet in Greater Houston to 18. Houston's flourishing economy, affordable land prices, manageable transportation system, and growing Port of Houston, are the prime reasons major companies are attracted and will continue to be attracted to the area.

According to the O'Connor & Associates **First Quarter 2007 Houston Industrial Data Program**, citywide **occupancy** for Houston area operating industrial facilities is **91.19%** (Flex = 88.98%; Bulk = 92.83%; Manufacturing = 91.46%, Service = 85.68%, Distribution = 88.49%, R&D = 94.82%). Occupancy is down 0.50 points from the last quarter, and down 1.00 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)

The following chart illustrates historical industrial rental rates.



The Groceries Supply Co. (713-747-5000) purchased **7510 Ardmore (4325)**, an 89,000-square-foot warehouse facility located in south Houston (533P), from **Minor Brown Family Limited Partnership**. The 33-year-old facility is fully leased. The buyer was self-represented, while **Eric Hughes** and **Richard Glass** of **The National Realty Group** represented the seller.

JFC Development (713-621-3333) purchased **3484 W. 12th St. (1951A)**, a 42,000-square-foot warehouse facility located in the Heights area (452W), from **First Industrial Realty Trust** (713-681-0885). The 35-year-old facility, which features 16- to 22-foot clearances, is 76% occupied with average rents at \$0.35 per square foot. **Mark Lehman** and **Bill Burge** of **Grubb & Ellis** represented the buyer, while **Doug Nicholson** and **John Nicholson** of Grubb & Ellis represented the seller.

Dennis P. Flolo (713-941-1080) purchased **Fun Services (5043)**, a 16,000-square-foot warehouse facility located in south Houston (575C), from **Hycy Industrian, Inc. (713-838-7161)**. The 28-year-old facility, which features 14- to 16-foot clearances and grade-level loading, is currently vacant. The buyer was self-represented, while **Conrad Bernard** of **Boyd Commercial** represented the seller.

Canal Warehousing leased 60,000 square feet at **Northeast Trade Center 2 (2257)**, a 110,000-square-foot office/warehouse facility located at 5411-5415 Mesa Rd. in northeast Houston (455Q), from **Brookhollow Plaza, Inc. (713-686-3030)**. The 26-year-old facility, which features 20-foot clearance and dock-level loading, is fully leased with average rents at \$0.28 per square foot. **Rob Stillwell** of **Grubb & Ellis** represented both the tenant and landlord.

Clover International, Inc. leased 50,000 square feet at **World Houston IBC Building 2 (0412E)**, a 147,000-square-foot office/warehouse facility located at 15700 International Plaza Dr. in north Houston (374P), from **East Group Properties** (610-354-3555). The 11-year-old facility, which features 24-foot clearance and dock-level loading, is fully leased with average rents at \$0.40 per square foot. **Jon Farris** of **Cushman & Wakefield** represented the tenant, while **Rives Nolan** of **Insite Realty Partners** represented the landlord.

Encore Bits leased 49,750 square feet at **West by Northwest Industrial Center Building (0716)**, a 266,000-square-foot warehouse facility located at 14902 Sommermeyer Rd. in northwest Houston (410W), from **Teacher's Insurance & Annuity Association** (212-490-9000). The 24-year-old facility, which features 24-foot clearance and dock-level loading, is 91% occupied. **Mike Townsend** and **Dawn Zajicek** of **Moody Rambin Interests** represented the tenant, while **Jude Filippone** of **Transwestern** represented the landlord.

Industrial Reel Exchange leased 42,130 square feet at **5200 Jensen Dr. (2166F)**, a 171,00-square-foot distribution center located in northeast Houston (454S), from **Greenpaw Properties** (773-444-0230). The 37-year-old facility, which features 14- to 25-foot clearances and dock-level loading, is 25% occupied with average rents at \$0.24 per square foot. **Joel Michael** of **NAI Houston** represented the tenant, while **Kelley Parker**, **John Littman**, **Frank Stanley**, and **Jon Farris** of **Cushman & Wakefield** represented the landlord.

Fluid Systems leased **16619 Aldine Westfield (0212A)**, a 25,000-square-foot warehouse facility located at 16619 Aldine Westfield Rd. in north Houston (373M), from **GSL Industrial** (713-952-7000). Fluid Systems will fully occupy the 9-year-old facility, where rents average \$0.65 per square foot. **Caleb Lawson** of the **Lawson Group** represented the tenant, while the landlord was represented in-house by **Ryan Wesaff**.

Lone Star Fasteners leased 19,365 square feet at **Greens Crossing Park, Phase III (0287A)**, a 90,000-square-foot office/warehouse facility located at 845 Greens Parkway in north Houston (372P), from **DCT Greens Crossing, LP** (303-228-2200). The 8-year-old facility, which features 24-foot clearance and dock-level loading, is 21% occupied with average rents at \$0.46 per square foot. **Brian Corriston** of **Caldwell Companies** represented the tenant, while **Alexander Reilly** of **Boyd Commercial** represented the landlord.

DataBank IMX renewed a 15,607-square-foot lease at the **Lakes at 610 Technical Center (4211)**, a 29,000-square-foot office/warehouse facility located at 9000 Kirby Dr. in southwest Houston (532U), from **Mary C. Shouse** (713-783-5092). The 22-year-old facility, which features 13- to 14-foot clearances and dock-level loading, is now fully occupied. **Todd Juerk** of **TMJ Services** represented the tenant, while **Michael Boyd** of **Boyd Commercial** represented the landlord.

JM Tracerco leased 15,500 square feet at **Bayport North Industrial Park (5234H)**, an 82,000-square-foot manufacturing facility located at 9400 New Century Dr. in Pasadena (579E), from **GSL Industrial** (713-952-7000). The 6-year-old facility is fully occupied. **Mark Wood** of **Henry S. Miller Commercial** represented the tenant, while in-house principle **Ryan Wasaff** represented the landlord.

One Source Building Technologies leased 13,700 square feet at **7050 Empire Central Dr. (0674)**, a 91,000-square-foot office/warehouse facility located in northwest Houston (410S), from **America-Cantex, LP** (214-521-5310). The 25-year-old facility, which features 18-foot clearance and dock-level loading, is 90% occupied. **Glynn Mireles** and **Jeff Everist** of **CB Richard Ellis** represented the tenant, while **Han Brindley** of **First Industrial** represented the landlord.

AMC Industries leased 11,250 square feet at **Westgreen Business Center (1024M)**, a 3-building 29,000-square-foot office/warehouse facility located at 1410-1430 Vanderwilt Ln. in west Houston (446W), from **Sutherland Properties, Inc.** (713-627-2290). The 2-year-old facility, which features 16-foot clearance and grade-level loading, is 57% occupied with average rents at \$0.58 per square foot. **Travis Land** of **NAI Houston** represented the tenant, while **Chris Kugle** of **NAI** represented the landlord.

VACANT LAND

Johnson Development (713-960-9977) purchased 200.2 acres of land on a site located east of Honea Egypt Rd., south of FM 2854, and north of FM 1488 in Conroe (185K), from **Wilbur R. Cleaves**. The land purchase will add 200 acres to Johnson's **Woodforest** master planned community, which already spans 2,400 acres. **Bill McDade** and **Dennis Johnson** of **McDade, Smith, Gould, Johnson, Mason & Co.** represented the buyer, while **Bill Cole** of **Cole Commercial Real Estate** represented the seller.

Dubose Land Finance Investors (281-580-7045) purchased 27 acres just west of the Stuebner-Airline and Spring Cypress Rd. intersection in northwest Houston (330A) from **Legacy Trust**. Dubose plans to divide the property into 55 residential lots, which will then be sold to **Newmark Homes** for development of single-family homes. **Bob Downs**, an independent broker, and **Randy Jones** of **Jones Realty Consulting** represented both the buyer and seller.

Lee Road Partners, LP (713-528-4333) purchased 19.1 acres of land at 20000 Lee Rd. in north Houston (334R) from **Madden C. Berry**. **Ann Vickery** of **ReMax** represented the buyer, while **Mark Wimberly** of **The Betz Companies** represented the seller.

SCH Investments, LLC purchased 6.6 acres of land at the northeast corner of Harwin Dr. and Wagley St. in southwest Houston (530C) from **Ashoke K.** and **Sunado Nath.** **Jim Turano** of **Henry S. Miller** represented the buyer, while **Derek Hargrove** and **Simmi Jaggi** of **CB Richard Ellis** represented the seller.

Exxon Mobil Corp. (972-444-1000) purchased 1.9 acres of land located along Beltway 8 at the southeast corner of Beltway 8 and Mesa Rd. in Humble (375U), from **Fall Creek Investors.** **Mark Davis** of **Davis Commercial** represented the buyer, while in-house principle **Rusty Campbell** represented the seller.

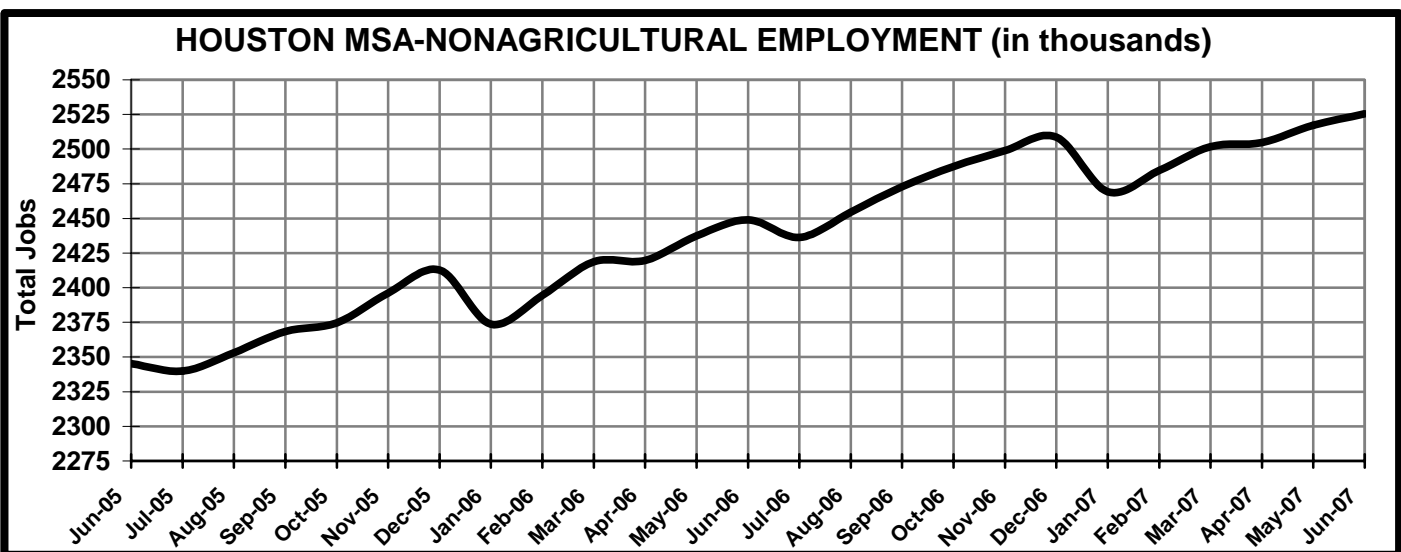
John O. Harris Interest, LP (281-487-6760) purchased 1.8 acres of land located at the southwest corner of State Highway 3 and John Audubon Parkway in the Clear Lake area (617G) from **Wile Interests.** John O. Harris Interest plans to develop a retail center with **Texas Citizens Bank** as the lead tenant on the site. **Marshall Clinkscales** of **MSC Properties, Inc.** represented the buyer, while **Josh Jacob** of **Page Partners** represented the seller.

Satya/Louetta Project, Ltd. (713-789-4443) purchased 1.1 acres of land located at the northeast corner of Beltway 8 and North Gessner Dr. in northwest Houston (370S) from **CW Gessner Retail Center.** The buyer used in-house representation, while **Keith Grothaus** and **Keith Edwards** of **Caldwell Cos.** represented the seller.

ECONOMIC & FINANCIAL NEWS

The total number of nonagricultural wage and salary jobs in the ten-county Houston area increased by 8,400 jobs to 2,525,600 in June 2007, according to the **Texas Workforce Commission.** This month's total is 76,500 jobs more than the 2,449,100 jobs at this time last year. Of nonagricultural employers, the Professional & Business Services sector posted the largest gain over the month at 4,300 jobs, followed by the Leisure & Hospitality sector, with 3,700 jobs gained. Over the year, the Professional & Business Services sector has had the largest increase in employment, adding 15,700 jobs, followed by the Construction sector, which has added 10,900 jobs.

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



Source: Texas Workforce Commission (TWC)

Advance estimates reported by the **U.S. Department of Commerce** show that seasonally adjusted national retail and food services sales for June 2007 were \$373.9 billion, a decrease of 0.9% from May, but up 3.8% from June 2006. Retail trade sales in May were down 1.0% from May, but were 3.5% above last year's level.

Personal income increased \$51.7 billion, or 0.4%, and Disposable Personal Income (DPI) increased \$42.1 billion, or 0.4%, in June 2007, according to the **Bureau of Economic Analysis**. Personal Consumption Expenditures (PCE) increased \$11.1 billion, or 0.1% in June 2007. Meanwhile, the **U.S. Department of Labor** reports that the seasonally adjusted Consumer Price Index (CPI) for urban consumers increased 0.2% in June 2007, and is 2.7% higher than in June 2006. Energy, at 4.2%, and Transportation, at 1.7%, posted the largest increases in June 2007.

The latest **Conference Board Survey** indicates that the **Consumer Confidence Index** increased to 112.6 in July 2007, up 7.3 points from 105.3, in June. 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** increased 0.3% in June to 137.5. 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 rose 0.5% in June, and is 1.4% higher than the June 2006 level. Output in the manufacturing sector increased 0.6% in June; output of utilities increased 0.3% over the month, while output at mines increased 0.5%. The rate of industrial capacity utilization was 81.7% in June, which reflected a decrease of 0.3 points from the previous month's level, and was 2.1 points lower than the previous year's level.

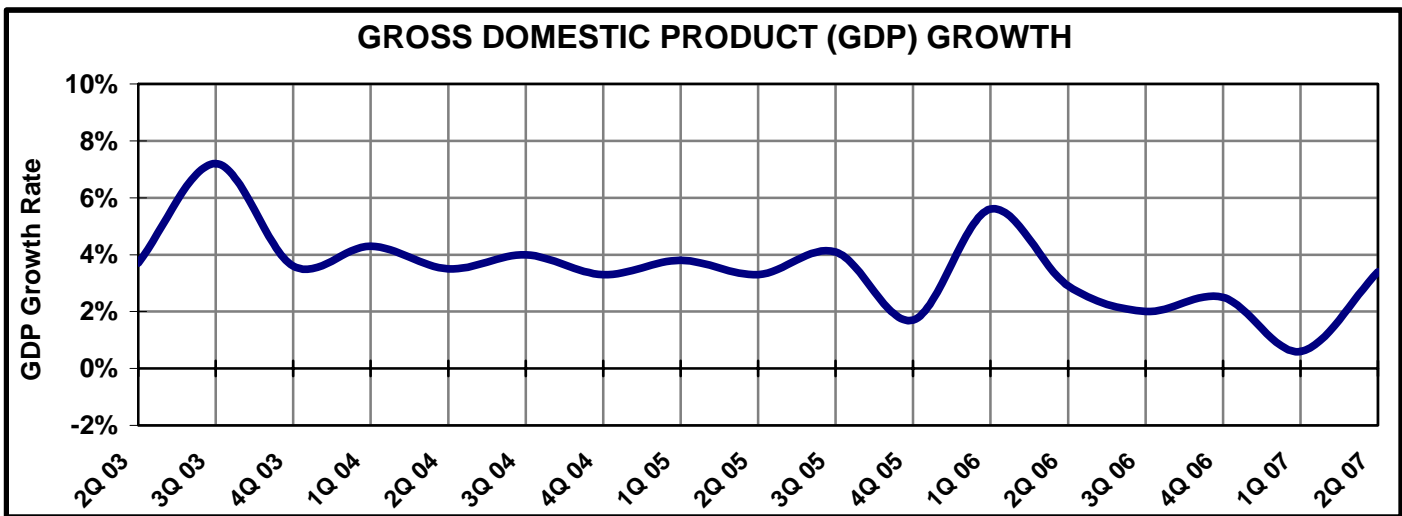
Freddie Mac reports that the **30-year fixed-rate mortgage (FRM)** averaged 6.70% in July 2007, which is up 0.04 points from May but down 0.06 points from one year ago. The average for the **15-year FRM** averaged 6.36% in July 2007, which is up 0.02 points from last month, but down 0.03 points from July 2006.

The **U.S. Department of Commerce** reports that advance estimates of the real GDP, the output of goods and services produced by labor and property in the United States, increased at an annual rate of 3.4% in the second quarter of 2007, up from the 0.6% growth rate recorded in the first quarter of 2007. The increase in GDP in the second quarter primarily reflected positive gains from personal consumption expenditures for services, exports, nonresidential structures, federal government spending, and state and local government spending.

The **U.S. Department of Commerce** reports that construction spending during June 2007 was estimated at a seasonally adjusted annual rate of \$1,175.4 billion, 0.3% above the revised May estimate. The current figure is 2.4% below the June 2006 estimate of \$1,204.0 billion. Private residential construction was at a seasonally adjusted annual rate of \$544.3 billion in June, 0.7% below the revised May estimate of \$548.3 billion, and 16.4% below the June 2006 estimate of \$650.9 billion.

The **Baker Hughes** count of active domestic rotary rigs stands at 1,775 during the week ending July 27, 2007. The current rig count is up 3.6% from last year's figure of 1,714 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.

The **National Restaurant Association's Restaurant Performance Index (RPI)** gained 0.5% in June to 101.4. The index is a monthly composite index that tracks the health and outlook for the U.S. restaurant industry. This is the first reported gain in three months, indicating restaurant performance and outlook are improving. The boost came about in part as same-store sales and traffic levels improved over the month.



Source: Department of Commerce

POTPOURRI

Omni Hotels Corp. (972-730-6664) and **Songy Partners, LLC** (404-995-8170) purchased the former **Houston Sheraton** located at 717 Polk St. in the Central Business District (493Q). Omni and Songy plan to renovate the hotel, which has sat vacant since 1986, into a 400-room all-suites hotel. Planned amenities include 30,000 square feet of meeting space, a 13,000-square-foot wellness center, a fitness center, and a Mokara Salon & Spa. The property is expected to open for occupancy in 2009.

In a survey conducted by **Pollstar Magazine**, the **Cynthia Woods Mitchell Pavilion** located at 2005 Lake Robbins Dr. in The Woodlands (251H) ranked as the top concert ticket sales venue in the world through the first six months of 2007. Ticket sales from January 1st through June 30th, 2007 at the Cynthia Woods Mitchell Pavilion totaled 106,723. The Pavilion also ranked in the Top 100 Tours.

The **Trust for Public Land** ranked Houston as one of the nation's Top 10 cities in parkland acreage. The Greater Houston area boasts 56,405 acres of parkland. Parkland acreage per 1,000 residents in the Houston area equates to 27.2 acres, which is well above the national average of 18.8 acres per 1,000 residents, and second in the nation only to San Diego, CA, where there are 35.6 acres of parkland per 1,000 residents.

The **Monster Local Employment Index**, which measures online job demand, for Houston increased one point in May to 132. The index has increased 20 points since May of 2006. Occupations with the highest individual index levels include Food Preparation and Serving at 159, Transportation and Moving at 152, and Arts, Design, Entertainment, Sports, and Media at 144.

According to **U.S. News'** 2007 hospital rankings, **University of Texas M.D. Anderson Cancer Center** ranked as the nation's top specialty cancer hospital. M.D. Anderson was also ranked as the seventh best hospital in the nation for ear, nose, and throat treatment; the seventh best hospital for urology treatment; and the eighth best hospital for gynecology treatment and services. Other Houston area hospitals making the 2007 list include the **Methodist Houston Hospital**, **St. Luke's Episcopal Hospital**, **Menninger Clinic**, and **Memorial Hermann**. The Methodist Houston Hospital was ranked No. 10 for best urology hospitals and No. 9 for neurology and neurosurgery hospitals; St. Luke's Episcopal Hospital was ranked No. 8 for best heart hospitals; the Menninger Clinic was ranked No. 7 for best psychiatry hospitals; and Memorial Herman's Institute for Rehabilitation and Recovery was ranked No. 4 for best rehabilitation hospitals.

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