



Your Key to Real Estate Services

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APARTMENTS

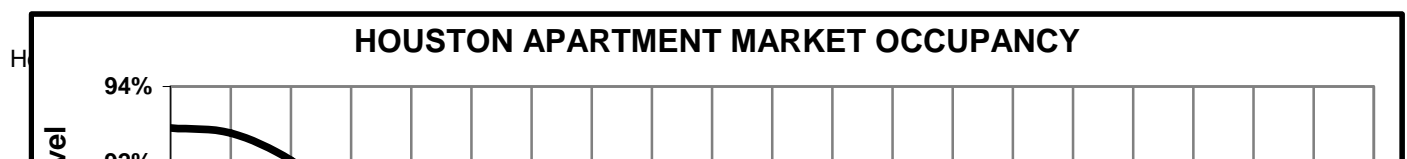
The Houston apartment market slowed slightly over the second quarter, posting 2,571 units of absorption, marking a small decrease over the first quarter's 2,588 units absorbed. Apartment occupancy fell as well over the second quarter, losing 0.05 points, and is down 1.76 points from the second quarter of 2006. However, Classes A and C apartments experienced the increases in occupancy raising 0.07 and 0.19 points, respectively, over the quarter. Despite the occupancy loss, rental rates increased, posting a \$0.007 per square foot (psf) gain. At \$0.841 psf, rents are \$0.015 higher than levels at this time last year. Classes A and D posted the largest increases in rental rates at \$0.018 and \$0.006, respectively, from the second quarter of 2006.

According to www.oconnordata.com, O'Connor & Associates' online apartment data program, **Second Quarter 2007** overall **occupancy** for Houston area apartment projects is **88.54%** (Class A = 91.03%; Class B = 89.29%; Class C = 85.86%; Class D = 84.79%). Occupancy is down 0.05 points from the first quarter and down 1.76 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 = \$0.692; 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).*

- **Harold Farb Properties** (713-683-4800) is selling 3 properties, which contain a total of 5,075 units, in the Houston area. Included in the sale is **Broadway Square (16962, 3695, 3725, 3938, 3735, 3925, 3939, 3921, 3955, and 3696)**, a 2,469-unit Class C complex located in southwest Houston (535X, 575B, and 575K), **Nob Hill (3311, 16990, 3319, and 3312)**, a 1,326-unit Class B complex located in the Meyerland area (531S and 531T), and **West Point/Creekside Apartments (17096, 2247, and 2248)**, a 1,280-unit Class B complex located near the Galleria area (490U). The seller is represented by **Craig LaFollette, Todd Stewart, Todd Marix, and Tre Banks** of **CB Richard Ellis**.
- **Michael Stevens Interest, Inc.** (281-496-4141) purchased 10.4 acres of land at 9000 Almeda Rd. in the Texas Medical Center (533S) from **WL Almeda GP, LLC** and is developing a yet unnamed 252-unit complex (**17694**) on the land. Construction on the complex is underway, with completion slated for Spring 2008. In the land sale, the buyer was represented in-house, while **Marshall Davidson, Jr., David Cook, Jeffrey Peden, and Graham Horton** of **Cushman & Wakefield** represented both the buyer and seller.

The following chart illustrates historical apartment occupancy.



JAW Equity (713-467-2671), purchased a 5-property portfolio from **Northland Investment Corporation** (617-965-7100). The Houston-area properties include: **Chateau Creole (3776)** is a 170-unit Class C complex located at 2300 Red Bluff in Pasadena (537K). The 36-year-old complex is 88% occupied with average rents at \$0.65 per square foot. **The Lake (1568)** is a 286-unit Class B complex located at 5650 Timber Creek Place in northwest Houston (408W). The 25-year-old complex is 86% occupied with average rents at \$0.88 per square foot. **The Pointe (4342)** is a 168-unit Class B complex located at 7301 Stewart Rd. in Galveston (808A). The 37-year-old complex is 90% occupied with average rents at \$1.12 per square foot. **Breckenridge Court (1646)** is a 272-unit Class B complex located at 16150 Keith Harrow in northwest Houston (448A). The 26-year-old complex is 87% occupied with average rents at \$0.83 per square foot. **The Boardwalk of Baytown (2957)** is a 290-unit Class C complex located at 2700 Ward in Baytown (502T). The 36-year-old complex is 72% occupied with average rents at \$0.62 per square foot. The buyer was self-represented, while the seller was represented in-house by **Hishale Patel**.

SKV Investments, LLC (281-870-0784) purchased **Westward Square (3239)**, a 672-unit Class C complex located at 6233 Gulfton in southwest Houston (531A), from **Westward Gulfton, Ltd.** The 32-year-old complex is 80% occupied with average rents at \$0.70 per square foot. The buyer was self-represented, while **Jim Hurd** of **Houston Income Properties** and **Tom Wilkinson** of **KET Enterprises** represented the seller.

Midtown Partners GP, LLC (610-896-3000) purchased **Metro Midtown (2650)**, a 419-unit Class A complex located at 2350 Bagby in Midtown (493P), from **AMLI/BPMT Midtown Partnership** (312-443-1477). The 9-year-old complex, previously called AMLI Midtown, is 95% occupied with average rents at \$1.42 per square foot. **David Mitchell** of **ARA** represented the buyer, while **David Mitchell, David Oelfke, Matt Rotan,** and **David Wylie** of **ARA** represented the seller.

MBS Companies (504-836-5075) purchased **Cornerstone Ranch (2078)**, a 352-unit Class A complex located at 2002 S. Mason Dr. in Katy (485M), from **Judwin Properties** (713-797-4400). The 7-year-old complex is 90% occupied with average rents at \$1.04 per square foot. **David Wylie** of **ARA** represented the buyer, while **David Mitchell, David Oelfke, Matt Rotan,** and **David Wylie** of **ARA** represented the seller.

Investment Realty, LLC (210-828-9261) purchased **Vintage Park (17373)**, a 324-unit Class A complex located at 15727 Cutten Rd. in the Champions area (329V), from **Sueba USA, Inc.** (713-747-7333). The newly built complex is 40% occupied with average rents at \$1.20 per square foot. **David Wylie** of **ARA** represented the buyer, while **David Mitchell, David Oelfke, Matt Rotan,** and **David Wylie** of **ARA** represented the seller.

Preferred Communities Management (281-276-8800) purchased **Stone Oak Apartments (1659)**, a 318-unit Class A complex located at 14220 Park Row in Copperfield (448W), from **Equity Residential** (312-474-1300). The 9-year-old complex was renovated in 2003 and is 94% occupied with average rents

at \$0.96 per square foot. The buyer was self-represented, while **Craig LaFollette, Todd Stewart, Todd Marix, and Tre Banks** of **CB Richard Ellis** represented the seller.

SMC Management (617-923-8933) purchased **Timberlakes at Atascocita (4459)**, a 312-unit Class A complex located at 18551 Timber Forest Dr. in Humble (377A), from **Timberlakes Lighthouse Apartments**. The 6-year-old complex is 92% occupied with average rents at \$0.92 per square foot. **David Wylie** of **ARA** represented the buyer, while **David Mitchell, David Oelfke, Matt Rotan, and David Wylie** of **ARA** represented the seller.

Mid-America Apartment Communities (901-682-6600) purchased **Chalet at Fall Creek (17245)**, a 268-unit Class A complex located at 8440 N. Sam Houston Parkway E. in Humble (375U), from **Martin Fein Interests** (713-683-4800). The year-old complex is 95% occupied with average rents at \$1.09 per square foot. **David Mitchell, David Oelfke, Matt Rotan, and David Wylie** of **ARA** represented both sides.

Falcon Southwest Development Co. (512-377-4400) purchased **Briar Meadows Apartments (2086)**, a 256-unit Class A complex located at 1414 S. Dairy Ashford in west Houston (488M), from **MBS Companies** (504-836-5075). The 15-year-old complex is 91% occupied with average rents at \$1.17 per square foot. **David Wylie** of **ARA** represented the buyer, while **David Mitchell, David Oelfke, Matt Rotan, and David Wylie** of **ARA** represented the seller.

ACM Investments, LLC (713-475-0492) purchased **Burke Square Apartments (3779)**, a 105-unit Class C complex located at 1141 Burke in Pasadena (537N), from **LaSalle Bank NA**. The 39-year-old complex was renovated in 1995 and is 72% occupied with average rents at \$0.66 per square foot. The buyer was self-represented, while **Jim Hurd** of **Houston Income Properties** and **Tom Wilkinson** of **KET Enterprises** represented the seller.

SINGLE-FAMILY HOUSING

MLS home sales decreased in July, as 5,895 used homes were sold, down from the 6,130 homes sold in May, according to the **Houston Association of Realtors (HAR)**. Sales for July 2007 were up 3.9% from July 2006. The median price of a used single-family home sold in July was \$150,000, up 0.1% from July of last year, while the average home price was \$198,219, up 2.4% from the July 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 11% in July to 2,103 from 2,362 in June, and are down 17% from July 2006. Realtor co-op sales represented 60% of gross sales, an increase of 2% from July 2006. Traffic decreased 20% from last year to 27,627 in July 2007. The inventory of completed speculative homes (2,127) is up 15% from last year. There are 2,808 spec homes under construction, which is down 40% from 2006. Overall, the 4,935 specs (both completed and under construction) are down 25% from July 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 July to a seasonally adjusted annual rate of 870,000, 2.8% below the revised June sales rate of 846,000 and 10.2% below the July 2006 figure, according to a release by the **U.S. Department of Commerce**. The median sales price was \$239,500. Privately owned housing starts were at a seasonally adjusted annual rate of 1,381,000 in July 2007, which is 6.1% above the revised June estimate, but 20.9% below the July 2006 rate. Privately owned housing completions were at a seasonally adjusted annual rate of 1,512,000 in July 2007, 0.1% below the June 2007 figure, and 22.2% below the June 2006 figure.

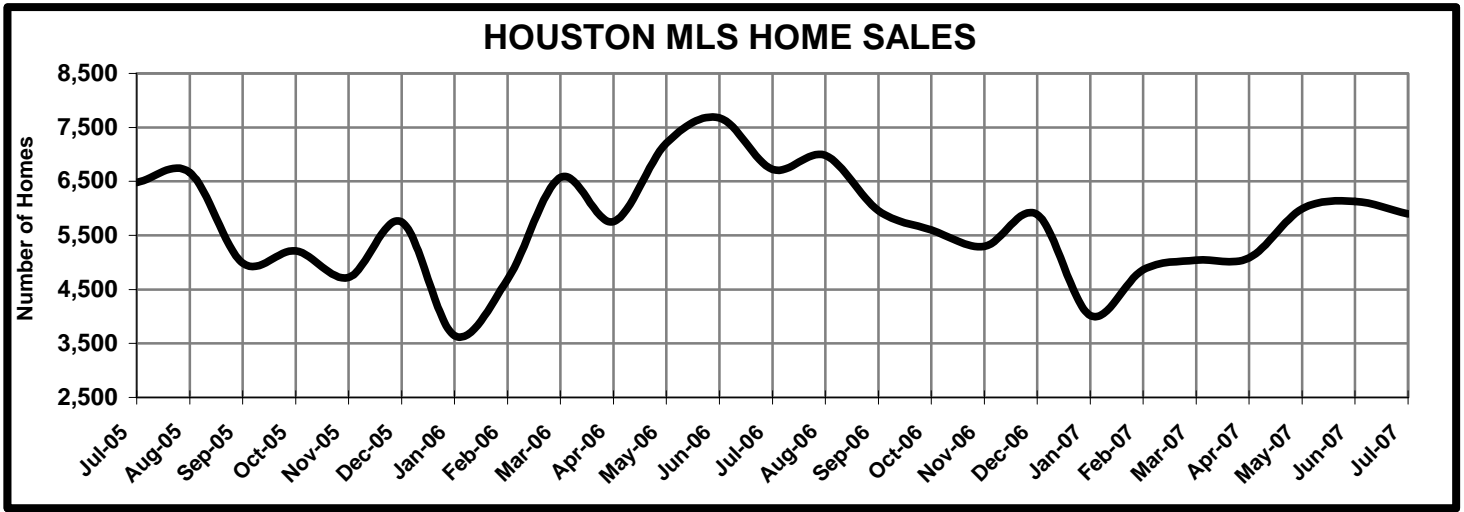
The **National Association of Home Builders/Wells Fargo Housing Market Index**, a monthly measure of builder confidence, decreased 2 points in August to 22 on a scale where any number greater than 50 indicates that builders view sales as more good than poor. The index measuring current sales of new single-family homes decreased by 1 point to 23, the index measuring sales expectations for the coming six

months declined 2 points to 32, while the index measuring the traffic of prospective buyers decreased 3 points to 16.

According to the **National Association of Realtors (NAR)**, 568,000 existing homes were sold in July 2007, down 6.1% from June sales and down 6.1% from the 605,000 homes sold in July 2006. The median sale price was \$228,900, which represents a 0.6% decrease from sale prices one year ago.

According to the most recent report by **RealtyTrac**, 179,599 foreclosure filings — default notices, auction sale notices, and bank repossessions — were reported during the month of July. This figure is up 9% from June, but up 93% from July 2006. The company estimates that one in every 693 households nationwide entered the foreclosure process in July. Texas remains among the nation’s 12 highest states in total foreclosure filing for the month of July.

The following chart illustrates historical used home sales.



Source: Houston Association of Realtors

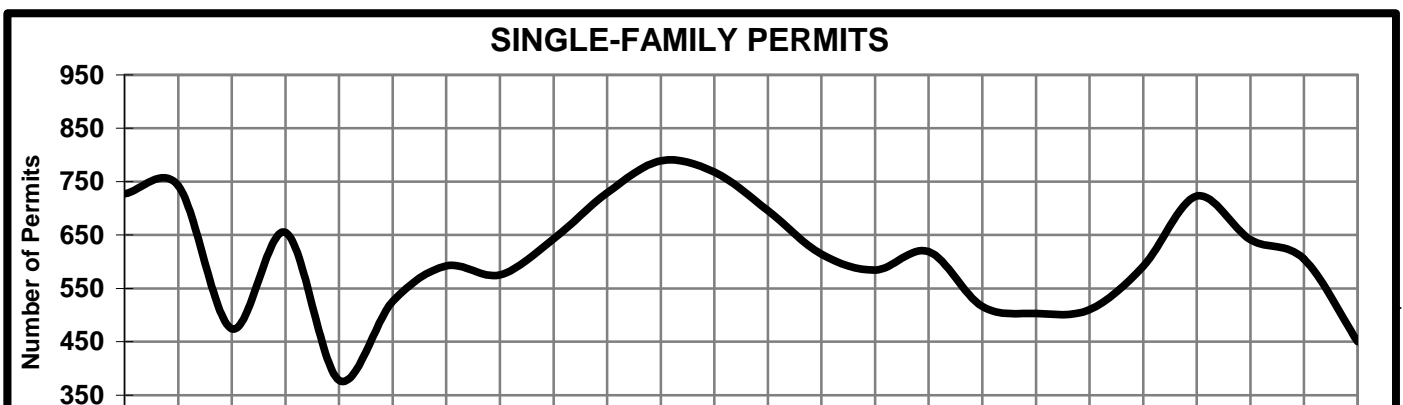
PERMIT ISSUANCE

The **City of Houston** issued permits to build 450 private single-family houses and 17 private multifamily buildings in July. Demolition permits were issued for 195 private single-family houses. In addition, 273 permits were issued for privately owned non-residential construction totaling \$182,481,819 and 4 permits were issued for public non-residential construction totaling \$7,580,000. Additions, alterations, and conversions totaled \$190,972,081 for the private sector and \$4,661,253 for the public sector.

Cost of Construction*

	2005	2006	2007
Month of July	\$292,803,757	\$464,276,763	\$532,981,777
Year-to-Date	\$1,641,921,462	\$1,973,808,568	\$3,420,890,399

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



OFFICE BUILDINGS

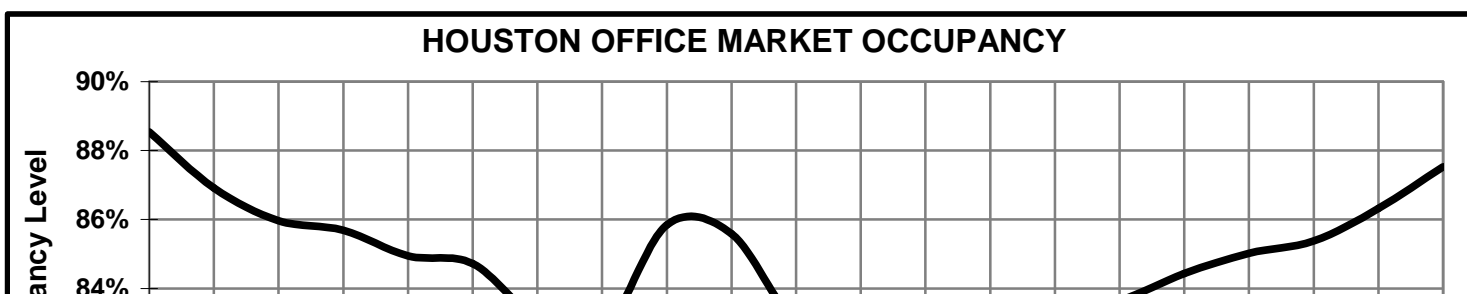
Over the past year, the Central Business District has posted strong gains and developers are banking on the fact that new office space is in demand once again. Developers are returning to the area, with several new office projects in the works, including **Pavilions Tower**, being developed by Transwestern, which will add 203,000 square feet of space to the market at completion, **Trammell Crow Company's** planned 30-story, 871,000-square-foot **Discovery Tower** near downtown's new park **Discovery Green**, and **Crescent Real Estate Equities Company's** proposed 29-story, 583,582-square-foot **6 Houston Center**. The largest project planned is **MainPlace**, a 47-story building being developed by **Hines Interests** that will feature 900,000 square feet of space. While nothing is certain in Houston's ever-changing office market, the Central Business District appears to be in good shape, and the fact that prominent developers are again active is a good sign for the area.

According to the O'Connor & Associates **Second Quarter 2007 Houston Office Data Program**, citywide **occupancy** for Houston area multi-tenant office buildings is **87.84%** (Class A = 92.02%; Class B = 85.68%; Class C = 83.67%; Class D = 75.14%). The citywide annual multi-tenant office **rental rate** is **\$21.86 per square foot** (Class A = \$27.19; Class B = \$18.53; Class C = \$14.56; Class D = \$11.94).

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).

- **Hines Interests** (713-966-2053) announced plans to build **MainPlace (CBD 154)**, a 900,000-square-foot office building located at 811 Main St. in downtown Houston (493L). Construction on the 47-story building is expected to be completed by late 2010 with average rental rates in the low \$30.00-per square-foot range.
- **Sherute, LLC** (609-587-0310) recently broke ground on **Galaxy II (CLC 149)**, a 110,000-square-foot office building located at 455 E. Medical Center in Clear Lake (618T). Construction is expected to be completed by March 2008. No tenants have currently been signed at the property, where quoted rents average \$19.00 per square foot. **Bob Zannelli** of **Zann Commercial** is handling the marketing of the property.
- **Moody National JR Sugarland, LLC** (713-963-9337) is developing **Julie Rivers Office Condos (SFC 288)**, a 72,000-square-foot office building located at Julie Rivers Rd. in Sugar Land (568M). Construction is expected to begin early 2008. Twelve office condos at 6,000 square feet each will be available. **Moody National Companies** is handling the design, construction, and sales of the property.

The following chart illustrates historical office occupancy.



Selligman Western Enterprises (212-484-0855) purchased the **Esperson Building (CBD 084)**, a 680,000-square-foot Class B office building located at 808 Travis in the Central Business District (493L), from **Amstar Group** and **Cameron Esperson, LP** (713-224-1663). The 80-year-old property is 78% occupied with average rents at \$22.70 per square foot. The buyer was self-represented, while **Richard Rudd** and **Kent Peters** of **CB Richard Ellis** represented the seller.

Pacifica Properties, LLC purchased **Centre One (SWF 079)**, a 230,000-square-foot Class B office building located at 9800 Centre Parkway in the Southwest Freeway area (529V), from **Phoenix Life Insurance Company** (860-403-4000). The 24-year-old property is 88% occupied with average rents at \$19.00 per square foot. The buyer was self-represented, while **Rudy Hubbard, Eric Johnson, and Leah Gallagher** of **Transwestern** represented the seller.

Fort Properties Holding, LLC (213-572-0222) purchased **Northbelt Office Center III & IV (GNB 001)**, a 107,200-square-foot Class A office building located at 600-700 N. Sam Houston Parkway E. in the Greenspoint area (372T), from **Rainier Capital Manager, LLC**. The 5-year-old building is fully occupied with average rents at \$13.25 per square foot. The buyer was represented in-house by **Robert Alter**, while **Dan Miller** and **Rusty Tamlyn** of **HFF** represented the seller in both transactions.

Triple Net Properties, LLC (714-667-8252) purchased **Raveneaux Office Park (CPQ 130)**, a 88,000-square-foot Class A office park located at 9720 Cyroresswood Dr. in the FM 1960 area (329Z), from **9700 Cypresswood Buildings, LP** (281-655-7400). The 2-year-old property is 70% occupied with average rents at \$28.00 per square foot. The buyer was self-represented, while **Ryan Barr** of **Lee & Associates** represented the seller.

STX1092, LLC (415-747-8435) purchased **Quail Office Center (SFC 030, 038)**, a 28,000-square-foot Class D office building located at 610-620 FM 1902 in Stafford (569U), from **T & H Ventures, Inc.** (713-643-2779). The 27-year-old property is fully occupied with average rents at \$12.00 per square foot. **Ed Benton** and **Monte Lowery** of **Marcus & Millichap** represented both the buyer and seller.

Minute Maid Company leased 120,000 square feet at **Sugar Land Town Square Building H (SFC 048)**, a 185,000-square-foot Class A office building located at 2150 Town Square Place in Sugar Land (568X), from **Planned Community Developers** (281-242-2000). The building, which is currently under-construction is expected to have average rents of \$28.00 per square foot. **Don Janssen** was the in-house representative for the landlord.

DMS leased 16,500 square feet at **2603 Augusta (GAL 103)**, a 259,400-square-foot Class B office building in the Galleria area (491T), from **C M D Realty Investors, Inc.** (312-726-3121). The 23-year-old property is 53% occupied with average rents at \$22.50 per square foot. **Mickey Guice** of **Indermuehle & Company** represented the tenant, while **Kevin Nolan** of **Moody Rambin Interests** represented the landlord.

RETAIL CENTERS

The Houston retail market took another step forward over the last quarter, posting a positive 918,383 square feet (SF) of absorption, marking 75% increase over the first quarter. Annual absorption remains positive at over 3.3 million SF. However, average occupancy, at 85.36%, is at its lowest level in four years. All market sectors except Community Centers posted a decrease in occupancy over the quarter, with Neighborhood Centers taking the biggest hit, losing 0.59 points. In addition to lackluster performance in occupancy over the last quarter, rental rates also decreased, posting a \$0.02 per square foot (psf) loss. At \$1.61 psf, rents are \$0.04 higher than levels at this time last year. The highest rents continue to be found in close-in parts of the city, while large amounts of newly constructed centers are driving up rents in some suburban areas.

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 identification number as they appear in the new O'Connor & Associates **RetailLink 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).*

- **PMC Houston Retail Development, LLC** (713-361-7200) is developing **Greenway Commons**, a 248,600-square-foot center located at the northeast corner of Wesleyan St. and Richmond Ave. in the Greenway Plaza area (492W). The center, which will feature a 164,000-square-foot **Costco** and a 45,000-square-foot **LA Fitness** has 29,600 square feet of space available for lease at quoted average rents of \$3.75 per square foot. Construction is slated to begin during the fall of 2007, with completion expected by summer of 2008. **Alex Makris** of **CB Richard Ellis** is handling leasing.
- **Winkler & Associates** (936-582-1363) is developing **Waterpoint at Lake Conroe**, a 90,000-square-foot center located at 15478 Highway 105 W. in Conroe (155F). The center, which will feature a **CVS Pharmacy**, **Starbucks**, **Marble Slab Creamery**, and **Snap Fitness**, has 16,000 square feet of space available for lease. Construction has already begun and is expected to be completed by Spring 2008. **Scott Gordon** of **Gordon Partners** is handling leasing.
- **Moody Rambin Interests** (713-271-5900) is preparing to add 86,000-square-feet of office and retail space to the **Town & Country Village (FEW 1695)**, a 411,000-square-foot center located between Memorial Dr. and W. Sam Houston Parkway in west Houston (489D). The center has 4,100 square feet of space available for lease at quoted average rents of \$2.50 per square foot. Construction is scheduled to be done before the 2007 holiday season. **Diane Daleo** of Moody Rambin Interests is handling leasing.
- **Lilly Golden** of **Evergreen Commercial Realty** (713-664-3634) has received the exclusive listing to lease **The Post Oak Shopping Center (NRW 088)** from Tanglewood Corp. (713-622-8100). The Post Oak Shopping Center is a 206,500-square-foot community center located at 2019 Post Oak Blvd. in the Galleria area (491V). The 47-year-old center is 89% occupied with average rents at \$2.50 per square foot. Tenants of the center include **The Container Store**, **Maggiano's Little Italy**, **DSW**, **The Sports Authority**, **Pier 1 Imports**, and **Kenny & Ziggy's**.
- **JC Penney Department Store** (972-431-1000) had the grand opening of their **Cy-Fair Town Center (FNW 680)** store located in Cypress (367E) on August 3rd. Currently, Cy-Fair Town Center is 80% occupied and has quoted rental rates of \$2.21 per square foot. Tenants of the center include **Bed, Bath, & Beyond**, **Target Supercenter**, **Best Buy**, **Ross Dress for Less**, **Pier 1 Imports**, and **TJ Maxx**.
- **Manley Bereson & Associates** (617-236-4996) has changed the name of Northline Mall to **Northline Commons (NNW 348)**. The owners are redeveloping the property by tearing it down and starting from

scratch with an outdoor concept. Some new shopping space has already been built. In all, about 750,000 square feet of new space will be added. Most of the new stores will be open by December 2008. Northline Commons is located at 400 Northline Mall in northwest Houston (453K). The center is 75% occupied with average rents at \$2.29 per square foot.

The following chart illustrates historical retail occupancy.



Almeda Mall, LP (713-622-2007) purchased **Almeda Mall (NSE 075)**, an 807,000-square-foot regional mall located at 555 Almeda Mall in southeast Houston (576P), from **Glimcher Realty Trust** (713-944-1010). The 39-year-old mall is fully occupied with average rents at \$2.13 per square foot. Tenants of the mall include **Macy's**, **Steve & Barry's**, **Palais Royal**, and **Ross Dress for Less**. The buyer was represented in-house by **Fox Properties**, while the seller was represented by **Blake Johnson** of **Eastdil Secured Broker Services**.

Hartman Income Properties XVII (713-467-2222) purchased **Mission Centre (FSW 147)**, a 113,000-square-foot center located at 14625 Beechnut in west Houston (528J), from **Mission Shopping Center Holdings, LP**. The 11-year-old center is 64% occupied with average rents at \$0.75 per square foot. Tenants of the center include **Hobby Lobby** and **Vision Center**. The buyer and seller were both represented by **Stephannie Mower** of **PM Realty Group**.

NNN Sugar Land Medical Center, LLC (714-836-5263) purchased **Sugar Land Medical Pavilion (FSW 080)**, an 80,600-square-foot center located at 14811 Southwest Freeway in southwest Houston (568U), from **Park Medical Pavilion GP, Inc.** The 22-year-old center, which is 96% occupied, has quoted rents at \$1.37 per square foot. Tenants of the center include **Fort Bend Imaging**, **SW Sports Medicine**, and **State Farm Insurance**. The buyer was self-represented, while **Greg Tilton** of **Transwestern** represented the seller.

Capital Real Estate Group (704-927-4500) purchased **College Park Plaza (FNO 209)**, a 70,200-square-foot center located at 3091 College Park Dr. in north Houston (217R), from **HSM Equity Partners** (713-626-2828). The 4-year-old center, which is 88% occupied, has quoted rents at \$1.67 per square foot. Tenants of the center include **Murphy's Deli**, **North Forest Dental**, and **Sterling Paws Veterinary**. The buyer was self-represented, while **Vaughn Miller** of **Henry S. Miller Commercial** represented the seller.

KJ Holdings, Inc. (281-494-0874) purchased **Cypress Trails (FNO 104)**, a 49,000-square-foot center located at 22602 Aldine Westfield in north Houston (333B), from **R P I Management** (713-662-7745). The 28-year-old center, which is 87% occupied, has quoted rents at \$1.20 per square foot. Tenants of the center include **HEB Pantry**, **Dollar General**, **Little Caesar's Pizza**, and **Merle Norman Cosmetics**. The buyer and seller were both represented by **Don Stingham** of **Marcus & Millichap**.

Berkeley Land Company (925-552-5450) purchased **Briar Lake Village (FEW 1913)**, a 46,800-square-foot center located at 10455 Briar Forest Dr. in west Houston (489R), from **MetroNational Investment Corporation** (713-973-6400). The 1-year-old center is 97% occupied. Tenants of the center include **Quizno's** and **Palazzo's**. The seller was represented by **Rusty Tamlyn** and **Mike Parker** of **HFF**, while the buyer was represented in-house.

Ronus Properties (713-664-1166) purchased **Meyerland Commons (NSW 191)**, a 12,500-square-foot center located at 4946 Beechnut in southwest Houston (531Q), from **Wile Interests** (713-337-3350). The 9-year-old center, which is fully occupied, has quoted rents at \$1.77 per square foot. Tenants of the center include **Men's Warehouse**, **Jack's Carpet**, and **Collina's Italian Restaurant**. The seller was represented in-house, and in-house brokers **Randolph Wile** and **Noel Graubart** represented the seller.

Ross Dress for Less leased 30,100 square feet in the **Northline Commons Shopping Center (NNW 348)**, a 450,000-square-foot center located at 400 Northline Mall in northwest Houston (453K), from **Fidelis Realty Partners** (713-623-6800). The center is undergoing renovations and is 75% occupied with average rents at \$2.29 per square foot. The tenant was represented by **H. Dean Lan, Jr.** and **Matt Reed** of **NewQuest Properties**, while **Lynn Davis** of **Fidelis Realty Partners** represented the landlord.

US Healthworks leased 12,300 square feet in the **Northwest Village Shopping Center (FNW 097)**, a 207,100-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, which is 90% occupied, has quoted rents at \$1.50 per square foot. Tenants of the center include **Spec's Liquor**, **Dollar General**, and **Harbor Freight Tools**. The tenant was self-represented, while **Shawn Ackerman** of **Henry S. Miller Commercial** represented the landlord.

Ersa Grae Corporation (713-627-1015) signed on four new tenants at its new shopping center at **Westheimer and Dunvale (NEW 314)**, a 40,500-square-foot center located at the southwest corner of Westheimer and Dunvale in west Houston (490U). The new tenants include **Simposio Ristorante Italiano**, which leased 4,500 square feet, **Purpose Money**, which leased 1,600 square feet, **Logical Laser Hair Removal**, which leased 2,200 square feet, and **Shimako Sushi**, which leased 1,600 square feet. The center, which is currently under construction, is 42% leased with average rents at \$2.09 per square foot. **Tony Armstrong**, **David Wise**, and **Joseph Jacobs** of **Page Partners** represented the landlord, while **Perry Zieben** of **Perry Zieben Realty** represented **Simposio** and **Joseph Curry** of **Curry Real Estate Services** represented Purpose Money.

INDUSTRIAL FACILITIES

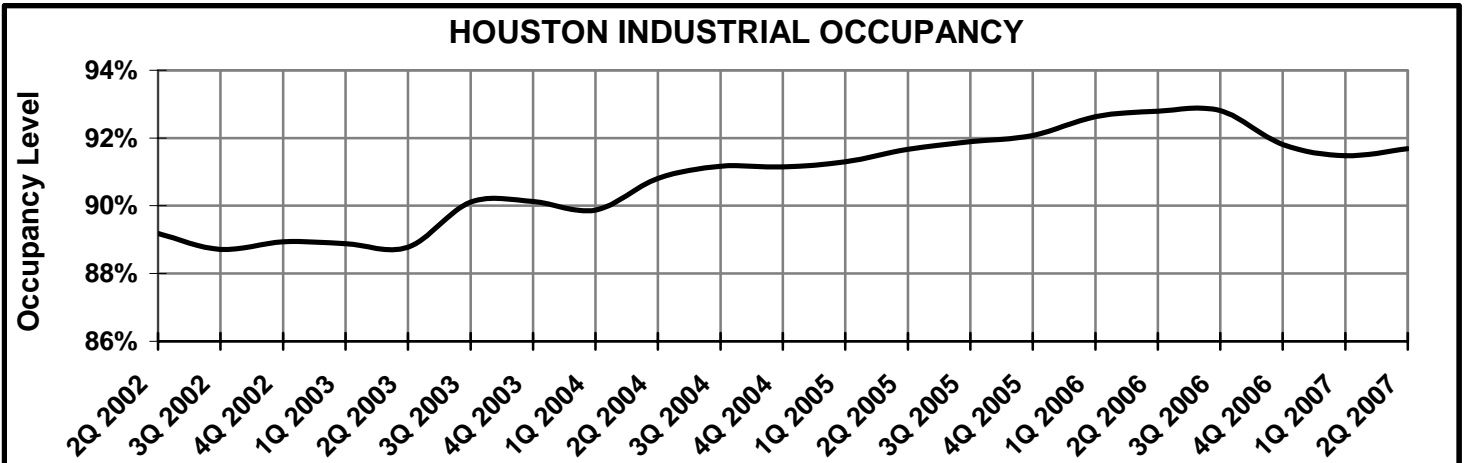
One of the most notable transactions to happen in the Houston area is the sale of a 1,226-acre tract in **Jacintoport Industrial Park**. The land has been bought by Houston-based **Pinto Realty Partners** in a joint venture with New York-based **ING Clarion** (212-883-2500) and was the largest privately owned site available along the Houston Ship Channel. The property, located at the southeast corner of Beltway 8 East and Interstate 10, includes 432 acres of deep water frontage on the channel, 213 acres of off-water industrial sites, a 209-acre nature conservancy, and a 372-acre private dredge spoil and reclamation facility. Currently about 600 acres are ready for development. Pinto and ING plan to develop, lease and hold the industrial properties long-term. The owners said they are studying possible upgrades to the site, including deep-water docks and expanded rail service. Possible future businesses for the site include those involved in steel, crude products, and specialty chemicals. The area is served by **Union Pacific** and the **Burlington Northern Santa Fe** railroads.

According to the O'Connor & Associates **Second Quarter 2007 Houston Industrial Data Program**, citywide **occupancy** for Houston area operating industrial facilities is **91.69%** (Flex = 89.43%; Bulk = 93.42%; Manufacturing = 91.46%, Service = 86.55%, Distribution = 89.94%, R&D = 94.82%). Occupancy

is up 0.21 points from the last quarter, and down 1.10 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 = \$0.55, 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 occupancy.



Collette Farms, Inc. (806-655-3775) purchased **Kempwood Tech Center (1370, 1371, and 1372)**, an 112,500-square-foot office/warehouse facility located in west Houston (450R), from **Midway Kempwood, Inc.** The 31-year-old facility, which features 16-foot clearances, is fully occupied with average rents at \$0.36 per square foot. **Frank Fitzgerald** of **NewQuest Properties** represented the buyer, while **Rusty Tamlyn** and **Mike Parker** of **HFF** represented the seller.

GSL Industrial, Ltd. (713-952-7000) purchased **6825 Wallisville (3113)**, an 17,300-square-foot warehouse facility located in northeast Houston (494D), from **Gulf-Tex Company, Inc.** The 39-year-old facility is fully occupied by **Ferguson Waterworks**. The buyer and seller were self-represented by **John Wilson** of **GSL Industrial, Ltd.** and **Warren Crawford** of **Gulf-Tex Company, Inc.**

Mallory Alexander International Logistics, LLC leased 144,000 square feet at **Bayport North Distribution Center (5234N)**, a 565,000-square-foot distribution center located in southeast Houston (579E), from **Carson Bayport I, PL** (949-725-6500). The year-old facility, which features 26-foot clearance and dock-level loading, is 87% occupied with average rents at \$0.33 per square foot. **Jim Vann** of **Moody Rambin Industrial Realty** represented the tenant, while **Walter Menuet** of **Vantage Companies** represented the landlord.

Catalytic Distillation Technologies leased 60,000 square feet at **Bayport North Distribution Center (5234N)**, a 565,000-square-foot distribution center located in southeast Houston (579E), from **Carson Bayport I, PL** (949-725-6500). The year-old facility, which features 26-foot clearance and dock-level loading, is 87% occupied with average rents at \$0.33 per square foot. **Greg Egan** of **Leasesquarefeet.com** represented the tenant, while **Walter Menuet** of **Vantage Companies** represented the landlord.

Harmony School leased 55,000 square feet at **16200 State Highway 249 (0214)**, a 55,000-square-foot warehouse facility located at in northwest Houston (370Q), from **Cohn-Huggins, LLC**. Harmony School will fully occupy the 36-year-old facility. **Keith Bilski** of **Caldwell Companies** represented the tenant, while **Jim Stark** of **CB Richard Ellis** represented the landlord.

Array Products leased 42,000 square feet at **Cypress Brook Air Center (0345)**, a 140,000-square-foot office/warehouse facility located at 16684 Air Center Blvd. in north Houston (373L), from **Cypressbrook**

Development (281-364-1777). The year-old facility, which features 24-foot clearance and dock-level loading, is 80% occupied. The tenant was self-represented, while **John Hornbuckle** of **Cypressbrook Company** represented the landlord.

Pine O Pine leased 40,230 square feet at **Northwest Industrial Park #4 (1225)**, a 208,200-square-foot warehouse facility located at 9200-9350 Baythorne Dr. in northwest Houston (450B), from **Hill Partners Management** (512-719-3050). The 27-year-old facility, which features 22-foot clearance, is fully leased with average rents at \$0.35 per square foot. **Brian Corriston** of the **Caldwell Companies** represented the tenant, while the landlord was represented by **Steve Hazel** of **Insite Commercial**.

Accurate Cargo Logistics leased 25,000 square feet at **Port Plaza (4646)**, a 100,000-square-foot office/warehouse facility located at 8201 La Porte Freeway in southeast Houston (535F), from **United Stevedoring Corporation** (713-921-3990). The 25-year-old facility, which features 20-foot clearance and dock-level loading, is 43% occupied. **C. A. Rousser** of **The Rousser Companies** represented the tenant, while **Kelley Parker, John Littman, H. Frank Stanley, and Jon Farris** of **Cushman & Wakefield** represented the landlord.

Community Coffee renewed its lease of 19,000 square feet at **Pine Forest Business Park 23 (1870)**, a 19,000-square-foot service center located at 447 West 38th St. in north Houston (452R), from **Holt Lunsford Commercial** (713-850-8500). The 27-year-old facility, which features 18-foot clearance, is fully leased. **Bill Ginder** of **Caldwell Companies** represented the tenant, while **Edward Bane** of **Holt Lunsford** represented the landlord.

Yesterday's Business Computers, Inc. leased 16,800 square feet at **Fairbanks Center (1290W)**, an 103,000-square-foot office/warehouse facility located at 4300 Windfern in northwest Houston (449M), from **DCT Fairbanks, LP** (303-597-2400). The 8-year-old facility, which features 24-foot clearance, is fully occupied with average rents at \$0.44 per square foot. **Edward Edson** of **Colliers International** represented the tenant, while **Walter Menuet** of **Vantage Companies** represented the landlord.

International Budget Freight, Inc. leased 14,100 square feet at **Beltway 8 Business Park I, Building 4 (3824O)**, a 134,400-square-foot office/warehouse facility located at 10511 Kip Way in southwest Houston (529U), from **DCT Fairbanks, LP** (303-597-2400). The 7-year-old facility, which features 24-foot clearances and dock-level loading, is 90% occupied with average rents at \$0.36 per square foot. **Mona Williams** of **Grubb & Ellis** represented the tenant, while **Walter Menuet** of **Vantage Companies** represented the landlord.

Morrison Homes leased 10,500 square feet at **Granite Park-Beltway 8, Buildings 1 and 3 (1075M)**, a 153,000-square-foot warehouse located in northwest Houston (449C), from **Granite Properties** (972-731-2300). The 2-year-old facility, which features 16-foot clearance, is fully occupied with average rents at \$0.92 per square foot. **Keith Bilski** of **Caldwell Companies** represented the tenant, while the landlord was self-represented in the deal.

VACANT LAND

I-10/Katy, Ltd. (281-873-4444) purchased 44.4 acres of land at Interstate-10 and the Grand Parkway, in west Houston (485B), from the **Rose B. Ernstes Estate**. **Todd Edmonds** of **Colliers International** and **Ron Dagley** of **Raymond R. Betz Interests, Inc.** represented the buyer, while **Charles Herder** of **Colliers** represented the seller.

Bohannon Development Corporation (815-833-3322) purchased 21.13 acres of land at Kingsland Blvd. and Cypress Wind in west Houston (487A), from **W The Real Estate Company**. Bohannon plans to develop a Class A, western-themed apartment complex on the site. **Tim Dosch** of **ARA** represented the buyer, while **Kevin White** of **W The Real Estate Company** represented the seller.

Chickadee Environmental Remediation (406-475-3739) purchased 21.10 acres of land at 8600 Manchester St. in east Houston (535C), from **Lone Star Industries, Inc.** **Doyle Toup** of **Grubb & Ellis** represented the seller in the transaction.

Greater Harris County Emergency 911 Network (713-625-9911) purchased 11.3 acres of land at Fairbanks N. Houston near Beltway 8 in north Houston (370U) from **Margaret R. Spencer c/o David B. Spencer**. **Pat Pollen** of **Yancey-Hausman Interests** represented the buyer, while **Keith Grothaus** of **Caldwell Companies** represented the seller.

CobbleStone Construction, Inc. (281-444-0358) purchased 8.5 acres of land at the southwest corner of W. Little York and Langham Way Dr. in northwest Houston (407T) from **James R. Peters** and **Richard H. Rudd**. **Jeff Lokey** of **NewQuest Properties** represented the buyer, while **Keith Grothaus** and **Keith Edwards** of **Caldwell Companies** represented the seller.

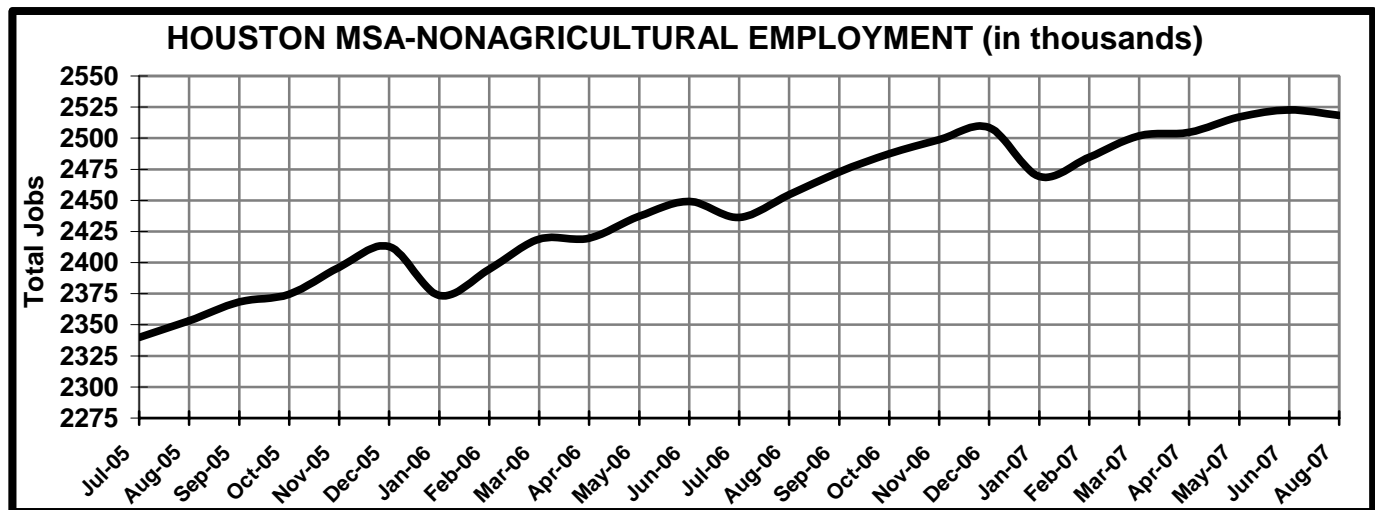
Soliri Hospice Care, LLC (713-664-7120) purchased 3.3 acres of land at 9714 S. Gessner in west Houston (530T) from **Ming Yao Lee**. **Sam Sheff** of **Grubb & Ellis** represented the buyer, while **Keith Edwards** of **Caldwell Companies** represented the seller.

The Patel Trust purchased 1.22 acres of land at the northwest corner of Will Clayton Parkway and McKay Blvd. in north Houston (375B) from **Jack R. Lee, Trustee**. The company plans to build a hotel on the site. The seller was represented by **Mark Wimberly** of **The Betz Companies**.

ECONOMIC & FINANCIAL NEWS

The total number of nonagricultural wage and salary jobs in the ten-county Houston area decreased by 4,500 jobs to 2,518,300 in July 2007, according to the **Texas Workforce Commission**. This month's total is 82,000 jobs more than the 2,436,300 jobs at this time last year. Of nonagricultural employers, the Professional & Business Services sector posted the largest gain over the month at 2,600 jobs, followed by the Trade, Transportation, and Utilities sector, with 2,100 jobs gained. Over the year, the Professional & Business Services sector has had the largest increase in employment, adding 17,700 jobs, followed by the Construction sector, which has added 11,300 jobs.

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



Source: Texas Workforce Commission (TWC)

Advance estimates reported by the **U.S. Department of Commerce** show that seasonally adjusted national retail and food services sales for July 2007 were \$376.1 billion, an increase of 0.3% from June, and up 3.2% from July 2006. Retail trade sales in May were up 0.2% from June, and were 2.7% above last year's level.

Personal income increased \$61.9 billion, or 0.5%, and Disposable Personal Income (DPI) increased \$57.3 billion, or 0.6%, in July 2007, according to the **Bureau of Economic Analysis**. Personal Consumption

Expenditures (PCE) increased \$37.8 billion, or 0.4% in July 2007. Meanwhile, the **U.S. Department of Labor** reports that the seasonally adjusted Consumer Price Index (CPI) for urban consumers was virtually unchanged in July 2007, and is 2.4% higher than in July 2006. Medical Care, at 0.6%, and Apparel, at 0.4%, posted the largest increases in July 2007.

The latest **Conference Board Survey** indicates that the **Consumer Confidence Index** decreased to 105.0 in August 2007, down 6.9 points from 111.9, in July. The index is an indicator of consumers' overall assessment of current conditions, relative to a figure of 100 in 1985, the base year. The **Index of Leading Economic Indicators** increased 0.4% in July to 138.1. The index is an indicator of direction the economy is expected to take in coming months, relative to a figure of 100 in 1996, the base year.

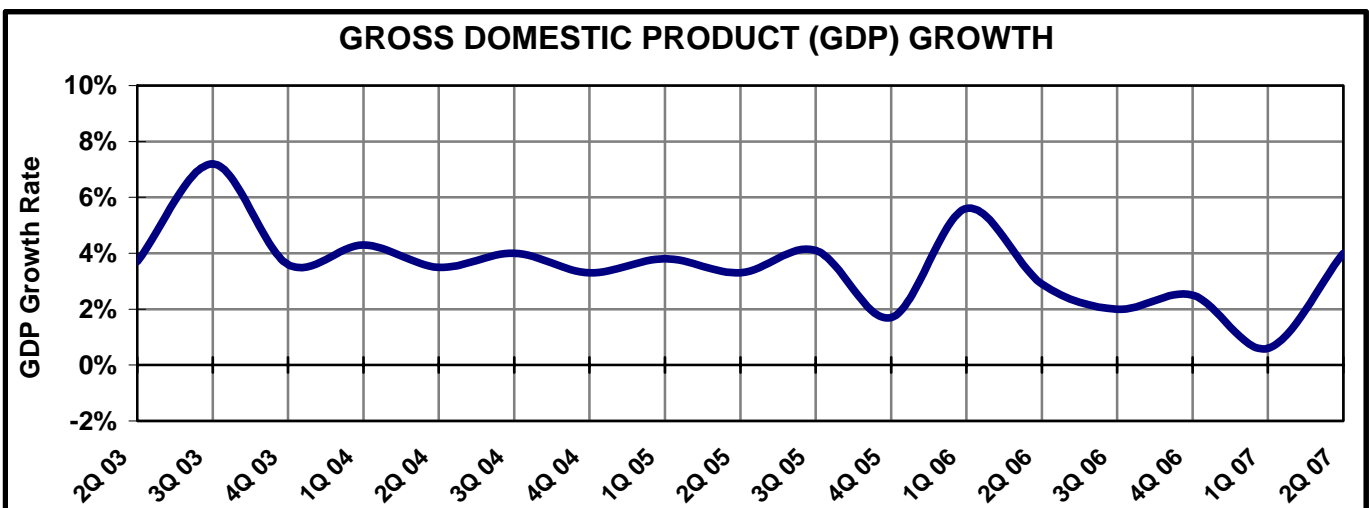
According to the **Federal Reserve**, industrial production rose 0.3% in July, and is 1.4% higher than the July 2006 level. Output in the manufacturing sector increased 0.6% in July; output of utilities decreased 1.9% over the month, while output at mines increased 0.7%. The rate of industrial capacity utilization was 81.9% in July, which reflected an increase of 0.2 points from the previous month's level, and was 0.5 points higher than the previous year's level.

Freddie Mac reports that the **30-year fixed-rate mortgage (FRM)** averaged 6.57% in August 2007, which is down 0.13 points from July and up 0.05 points from one year ago. The average for the **15-year FRM** averaged 6.23% in August 2007, which is down 0.13 points from last month, but up 0.03 points from August 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 4.0% 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 July 2007 was estimated at a seasonally adjusted annual rate of \$1,169.1 billion, 0.4% below the revised June estimate. The current figure is 2.0% below the July 2006 estimate of \$1,192.9 billion. Private residential construction was at a seasonally adjusted annual rate of \$534.0 billion in July, 1.4% below the revised June estimate of \$541.8 billion, and 6.0% below the July 2006 estimate of \$636.6 billion.

The **Baker Hughes** count of active domestic rotary rigs stands at 1,829 during the week ending August 31, 2007. The current rig count is up 5.6% from last year's figure of 1,732 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.



Source: Department of Commerce

POTPOURRI

The boards of directors of both **NNN Realty Advisors, Inc.** and **Grubb & Ellis** have approved a merger between the two companies. The transaction is expected to close in the third quarter or fourth quarter of 2007, subject to approval by stockholders of both companies and other closing conditions.

According to a report in **Forbes** magazine, Houston ranks as the most expensive commuting city, with travel taking up 20.9 percent of household costs. The report found that the annual delay per traveler in Houston was 63 hours a year. The magazine based its information on a study by the **Surface Transportation Policy Partnership**, a nonprofit research firm that compiled its rankings from 2003 **Bureau of Labor Statistics** data. Cleveland, Detroit, Tampa, Kansas City, and Cincinnati also landed on the list of the country's biggest cities where transportation eats up a fifth or more of household costs.

The **Monster Local Employment Index**, which measures online job demand, for Houston increased two points in July to 134. The index has increased 22 points since July of 2006. Occupations with the highest individual index levels include Healthcare Support at 160, Food Preparation and Serving at 155, and Healthcare Practitioners and Technical at 151.

Google, Inc. has added Houston to its worldwide mapping project. Street-level views of Houston can now be seen at www.maps.google.com by clicking on Street View. The company first photographed places around the globe from satellites and airplanes, but now trucks have been cruising streets in a dozen metropolitan areas in the United States capturing street scenes including people who happen to be in front of the cameras. In Houston, the views cover downtown and some surrounding areas, including the major freeways. Houston is one of nine U.S. metropolitan areas and the only Texas city with Street Views so far.

Memorial Hermann-Texas Medical Center was one of 15 major teaching hospitals to receive **Thomson Healthcare's 2006** performance improvement leader award, and the only hospital in the Houston area to be named one of Thomson's 100 Top Hospitals. **The Thomson 100 Top Hospitals: Performance Improvement Leaders** study analyzed acute care hospitals nationwide using detailed performance data from 2001 through 2005, including publicly available Medicare MedPAR data, Medicare cost reports, and Center for Medicare and Medicaid Services outpatient data. The study looked at all hospitals in the United States licensed to treat Medicare patients. Eight performance measures were examined at each hospital: Risk-adjusted mortality and complications; average length of stay; expenses; profitability; cash-to-debt ratio; growth in patient volume; and risk-adjusted patient safety index.

St. Luke's Episcopal Health System's NeuroScience Center was named a "Center of Excellence," by the **2006-2007 Neuroscience Center of Excellence Survey**. St. Luke's is the only designated neuroscience Center of Excellence in Houston, and is one of only four health care centers in Texas to receive this honor. The survey, sponsored by **NeuStrategy Inc.**, analyzed 150 neuroscience programs in 41 states. Every program's overall performance was determined by measuring four key areas: staff, business, clinical and research programs, and facilities and technology. Using this measurement plan, each program was then categorized in one of four stages.

NNN Healthcare/Office REIT, Inc. acquired the real property associated with **Triumph Hospital Northwest** and **Triumph Hospital Southwest**. Triumph Healthcare will continue as the operator of these facilities. Triumph Hospital Northwest, a 114-bed long-term acute care center that sits on 12 acres was purchased from **Hollow Tree, LLP**. Triumph Hospital Southwest, an 85-bed long-term acute care center on eight acres was purchased from **First Colony Investments, LLP**. **Henry Hagendorf** and **Brian Hines** of **Sperry Van Ness** represented the sellers in both transactions.

The former **Del Lago Golf Resort and Conference Center** on Lake Conroe has been renamed **LaCara Resort & Spa**. The new name was chosen to communicate family-friendly grandness. The new owner is investing more than \$100 million to buy and renovate the 175-acre complex. LaCara will have 445 all-suite guestrooms, a restaurant, 75,000 square feet of meeting and event space, a 30,000-square-foot spa/health complex, an updated golf course, and an ice skating rink when it opens in summer 2008. The property will also offer a 3.5-acre swimming pool complex, lazy river, marina, and a variety of water sports.

The three clubs that make up The Clubs of Kingwood, **The Clubs of Kingwood at Atascocita**, **The Clubs of Kingwood at Deerwood**, and **The Clubs of Kingwood at Kingwood**, will undergo a \$5 million construction and renovation project. The project includes construction of a new 17,000-square-foot athletic and spa facility at Kingwood that has already broken ground. When the facility is finished in spring 2008, it will include a fitness area, group exercise studio, day spa, locker rooms, and an outdoor patio area. In addition, roughly 55 greenside bunkers at Deerwood will be renovated in a project that's expected to be complete by spring 2008. The Kingwood clubhouse will be remodeled in September to bring in new carpet, flooring and furniture.

Houston is one of two cities chosen to host the **USA Gymnastics' 2008 Visa Championships**. Houston will host the men's artistic gymnastics, rhythmic gymnastics, trampoline, and tumbling competition at **Reliant Park** from May 22 to 24; and Boston will stage the women's competition at **Agganis Arena** at **Boston University** from June 5 to 7. The 2008 Visa Championships play a role in qualifying for the 2008 **U.S. Olympic Team Trials** to be held from June 19 to 22 at the **Wachovia Center** in Philadelphia.

The Architecture Billings Index, developed by the **American Institute of Architects**, reached the second highest mark since the survey's inception in 1995 in July 2007. Following June's 59.3 rating, July reported an index of 60.0 (any score above 50 indicates an increase in billings). According to the AIA, the forecast for non-residential construction remains favorable throughout 2007 and into early 2008, based on lag time between billings and construction spending, and the high inquiry levels for new projects.

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