



Your Key to Real Estate Services

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Houston Real Estate Trends

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APARTMENTS

Houston's apartment construction activity has picked up following a slowdown in 2006. 2007 has already been an active year, as 21 projects with 5,489 units have been completed, and an additional 82 projects with 21,903 units are underway. According to the Texas Workforce Commission, the Houston economy has added 64,400 jobs over the past year with the majority of them being in the working upper-class sector of Professional & Business Services. Annually, there has been an increase of 14,400 jobs, or 4.0%. With the upper-class employment growing like it is, it is not surprising that there has been a solid flow in construction of Class A developments in the Houston area. So far in 2007, 14 projects, totaling 4,101 units have been completed. However, another 69 projects containing 19,598 units are currently under-construction. These construction projects are throughout the Houston area, with a large number being built in the Far West, Medical Center, and Galleria sectors of town. There are currently over 4,000 total units being built in these sectors alone. This comes as no surprise as Houston's job growth continues to be in the energy, medical, and engineering fields. As employment in the Houston area continues to grow at its steady pace, the demand for Class A projects will remain for those business professionals wanting to live in the ever expanding Houston area without the burden and responsibilities of home ownership.

According to www.oconnordata.com, O'Connor & Associates' online apartment data program, **Third Quarter 2007** overall **occupancy** for Houston area apartment projects is **88.89%** (Class A = 90.85%; Class B = 89.99%; Class C = 86.07%; Class D = 85.02%). Occupancy is up 0.35 points from the second quarter and down 0.88 points over the past year. The overall monthly **rental rate** is **\$0.845 per square foot** (Class A = \$1.120; Class B = \$0.819; Class C = \$0.696; Class D = \$0.606). Overall rents are up \$0.004 from the second quarter of 2007 and \$0.016 over the past year.

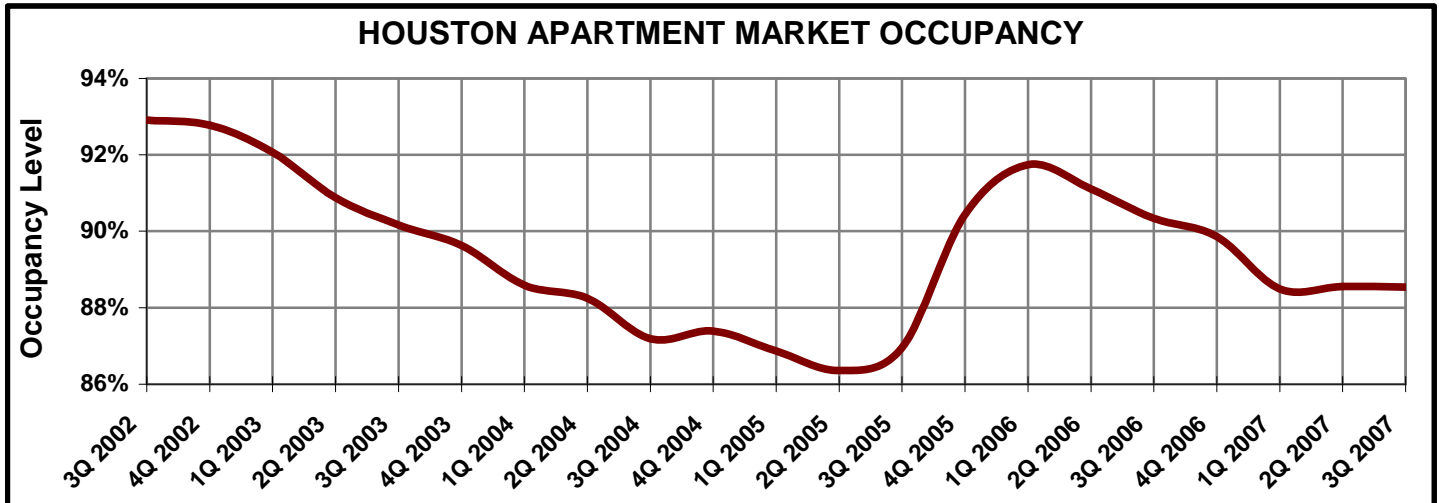
Note: The multifamily projects listed herein are followed by their representative identification number as they appear in the new O'Connor & Associates **ApartmentLink Online Data** platform and are provided for subscriber cross-referencing. *The property information contained within this database is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

- **Duval Copperfield Partners, Ltd.** (512-370-2777) is developing **Falls at Copper Lakes (17828)**, a 374-unit complex located at 9140 Highway 6 N. (408C) in the Steeplechase area. The complex will feature one- and two-, and three-bedroom units with an average unit size of 1,009 square feet. Proposed common area amenities for the development include a fitness center, game room, media center, and a pool overlooking a

four-acre lake with jogging trail and waterfall. Construction on the complex is under way, with completion slated for mid-2008.

- **The Dinerstein Companies** (713-977-4844) is developing **The Millennium - Greenway (17395)**, a 309-unit complex on 3.7 acres of land located at 4100 Southwest Freeway (492W) in the Greenway Plaza area. The complex will feature one- and two-bedroom units with an average unit size of 940 square feet. Proposed common area amenities for the development include a 24-hour athletic center, roof top courtyards, and a pool plaza with infinity spa. Unit amenities will include black pearl countertops, black slate flooring, and designer accent walls. Construction on the complex is under way, with completion slated for 2008.

The following chart illustrates historical apartment occupancy.



BNC Real Estate (972-437-9900) purchased **Linda Vista Apartments (1787)**, a 556-unit Class B complex located at 5500 DeSoto in northwest Houston (451C), from **Leeward Strategic Properties** (214-979-1172). The 25-year-old complex is 20% occupied with average rents at \$0.70 per square foot. The buyer was represented in-house, while **Jim Hurd** of **Houston Income Properties**, **Tom Wilkinson** of **KET Enterprises**, and **Patrick Tollett** of **Oak Leaf Management** represented the seller.

Abacus Capital Group, LLC (212-265-4680) purchased **The Cheval (17079)**, a 387-unit Class A complex located at 7105 Old Katy Rd. in the West Loop area (491D), from **AGS Ventures, Inc.** The 1-year-old complex is 96% occupied with average rents at \$1.36 per square foot.

Greystar Real Estate Capital Partners (713-966-5000) purchased **Kirby Place (3350)**, a 362-unit Class A complex located at 7500 Kirby in the Texas Medical Center (532L), from **Equity Residential Properties Trust** (312-474-1300). The 13-year-old complex is 95% occupied with average rents at \$1.23 per square foot. **Craig La Follitte** of **CBRE** represented the seller.

Geneva Wealth (612-746-4039) purchased **The Parkway (3152)**, a 348-unit Class B complex located at 6601 Harbor Town Dr. in the Sharpstown area (530F), from **K D, Inc.** The 26-year-old complex is 81% occupied with average rents at \$0.79 per square foot. **Lester Novy** and **Barry Novy** of **Novy Investments** represented the buyer and seller.

Greystar Real Estate Capital Partners (713-966-5000) purchased **Hawthorne (2965)**, a 312-unit Class C complex located at 15770 Bellaire Blvd. in west Houston (527G), from **TVO Hawthorne**. The 25-year-old complex is 83% occupied with average rents at \$0.76 per square foot.

Geneva Wealth (612-746-4039) purchased **Parkgreen (3151)**, a 307-unit Class C complex located at 8100 Bellaire in the Sharpstown area (530F), from **Bellaire International Development** (281-313-2888). The 38-year-old complex is 81% occupied with average rents at \$0.66 per square foot. **Lester Novy** and **Barry Novy** of **Novy Investments** represented the buyer, while **Stanley Wong** of **Unicap Corporation** represented the seller.

Realty Associates Fund VIII (619-476-2700) purchased **Retreat at Cypress Station (17163)**, a 296-unit Class A complex located at 18200 Westfield Place in the Champions area (332K), from **Retreat at Cypress Station, Ltd.** The 2-year-old complex is 88% occupied with average rents at \$1.13 per square foot. **Jim A. Hearn, Edward Cummins III, Clint Duncan, Ryan Terrell, Heather Moos, Tom Warren, and Christopher Thomson** of **Hendricks & Partners** represented the buyer and seller.

Creekside Holdings I, LLC (713-785-4411) purchased **Williamstown (3178)**, a 272-unit Class C complex located at 9200 Bissonnet near the Texas Medical Center (530S), from **Juniper Investment Group** (713-972-9302). The 30-year-old complex is 78% occupied with average rents at \$.71 per square foot. **Jim Hurn** of **Houston Income Properties** and **Tom Wilkinson** of **KET Enterprises, Inc.** represented the buyer, while **Glenda Arnett** of **First Choice Management** represented the seller.

Community Management, LLC purchased **Villas at Cypresswood (17846)**, a 270-unit Class A complex located in at 9844 Cypresswood Dr. in northwest Houston (329Z), from **Cutten Development, LP.** **Greg Austin, Chip Nash, Wade Smith, and Maritza Madrid-Stewart** of **Hendricks & Partners** represented the buyer and seller.

Reliant Property Group (713-521-1327) purchased **Somerset Place (4264)**, a 200-unit Class B complex located at 2020 N. 36th St. in Texas City (702S), from **Continental Somerset Corporation** (469-522-4200). The 23-year-old complex is 86% occupied with average rents at \$0.68 per square foot. **Jim Hurd** of **Houston Income Properties** represented the buyer, while the seller was represented in-house.

Cambury Place, LLC (281-873-8933) purchased **Cambury Place (1442)**, a 160-unit Class B complex located at 13725 Cambury in north Houston (372F), from **Cambury Properties, Ltd.** The 23-year-old complex is 90% occupied with average rents at \$0.82 per square foot.

Greystar Management (713-966-5000) purchased **Timber Run (2855)**, a 156-unit Class B complex located at 13000 Woodforest in the Northshore area (457W), from **Dalcor Properties** (256-533-1727). The 27-year-old complex is 88% occupied with average rents at \$0.87 per square foot.

LGP HoustonI, LLC (480-203-2650) purchased **Park Plaza Apartments (2190)**, a 108-unit Class B complex located at 10010 Westpark in the Westchase area (489Z), from **Boxer Property** (713-780-9708). The 29-year-old complex is 90% occupied with average rents at \$0.87 per square foot. **Jim Hurn** of **Houston Income Properties** and **Tom Wilkinson** of **KET Enterprises, Inc.** represented the buyer and seller.

SINGLE-FAMILY HOUSING

MLS home sales decreased in September, as 4,211 used homes were sold, down from the 5,937 homes sold in August, according to the **Houston Association of Realtors (HAR)**. Sales for September 2007 were down 14.1% from September 2006. The median price of a used single-family home sold in September was \$142,500, up 0.4% from September of last year, while the average home price was \$189,872, up 1.0% from the September 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 17% in September to 1,396 from 1,678 in August, and are down 41% from September 2006. Realtor co-op sales represented 63% of gross sales, the same as September 2006. Traffic decreased 18% from last year to 23,015 in September 2007. The inventory of completed speculative homes (2,071) is up 2% from last year. There are 2,421 spec homes under construction, which is down 46% from September 2006. Overall, the 4,492 specs (both completed and under construction) are down 31% from September 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 September to a seasonally adjusted annual rate of 770,000, 4.8% above the revised August sales rate of 735,000 and 23.3% below the August 2006 figure, according to a release by the **U.S. Department of Commerce**. The median sales price was \$238,000. Privately owned housing starts were at a seasonally adjusted annual rate of 1,191,000 in September 2007, which is 10.2% below the revised August estimate, and 30.8% below the September 2006 rate. Privately

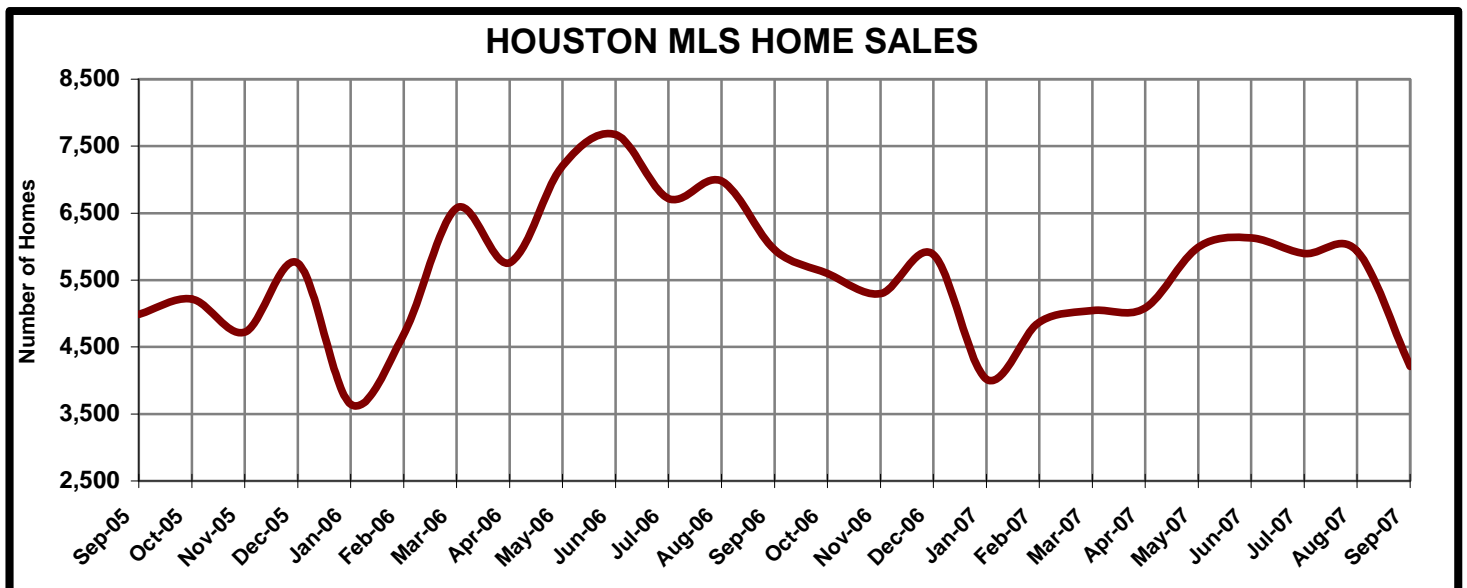
owned housing completions were at a seasonally adjusted annual rate of 1,391,000 in September 2007, 8.2% below the August 2007 figure, and 30.1% below the September 2006 figure.

The **National Association of Home Builders/Wells Fargo Housing Market Index**, a monthly measure of builder confidence, decreased 2 points in October to 18 on a scale where any number greater than 50 indicates that builders view sales as more good than poor. This is the index's lowest point since the series began in January of 1985. The index measuring current sales of new single-family homes decreased by 2 points to 18, the index measuring sales expectations for the coming six months held steady at 26, while the index measuring the traffic of prospective buyers declined 2 points to 15.

According to the **National Association of Realtors (NAR)**, 409,000 existing homes were sold in September 2007, down 28.9% from August sales, and down 22.7% from the 529,000 homes sold in September 2006. The median sale price was \$211,700, which represents a 4.2% decrease from sale prices one year ago.

According to the most recent report by **RealtyTrac**, 223,538 foreclosure filings — default notices, auction sale notices, and bank repossessions — were reported during the month of September. This figure is down 8% from August, but up 99% from September 2006. The company estimates that one in every 557 households nationwide entered the foreclosure process in September. Texas remains among the nation's 9 highest states in total foreclosure filing for the month of September.

The following chart illustrates historical used home sales.



Source: Houston Association of Realtors

Mike Speights & Associates (409-945-9076) is developing **Estates on Bayou Park**, a 32-acre gated community located at FM 517 and Pabst St. in Dickinson (699E). The project is expected to have 50 single-family homes built by **Parkstone Homes** (713-516-6106) with starting prices at \$420,000. Estates on Bayou Park will be the first gated community in Dickinson. Construction has begun and is expected to complete by 2010.

Royce Homes (281-440-5091) is developing **Villas of Las Palmas**, a 22-acre beach home community located at Marina Blvd. and Pirates' Beach Circle in Galveston (806W). Construction on the project has begun and is being built near Galveston Country Club. The community will feature 17 single-family homes built on piers above flood level with starting prices at \$315,000 and go up to \$425,000.

Y H Sabinal Partners, LP (713-462-8802) is developing **Caceres**, a 127-home gated community located on 8 acres at Reinerman St. near downtown (492L). The project is expected to have 17 custom homes with starting prices at \$280,000, 16 villas up to 3,900 square feet, and 94 town homes ranging in size from 2,300 to 4,000 square feet. The community will feature five pocket parks and a central plaza and the homes will have some

“green” features such as environmentally friendly insulation. Construction has begun and is expected to complete in three years.

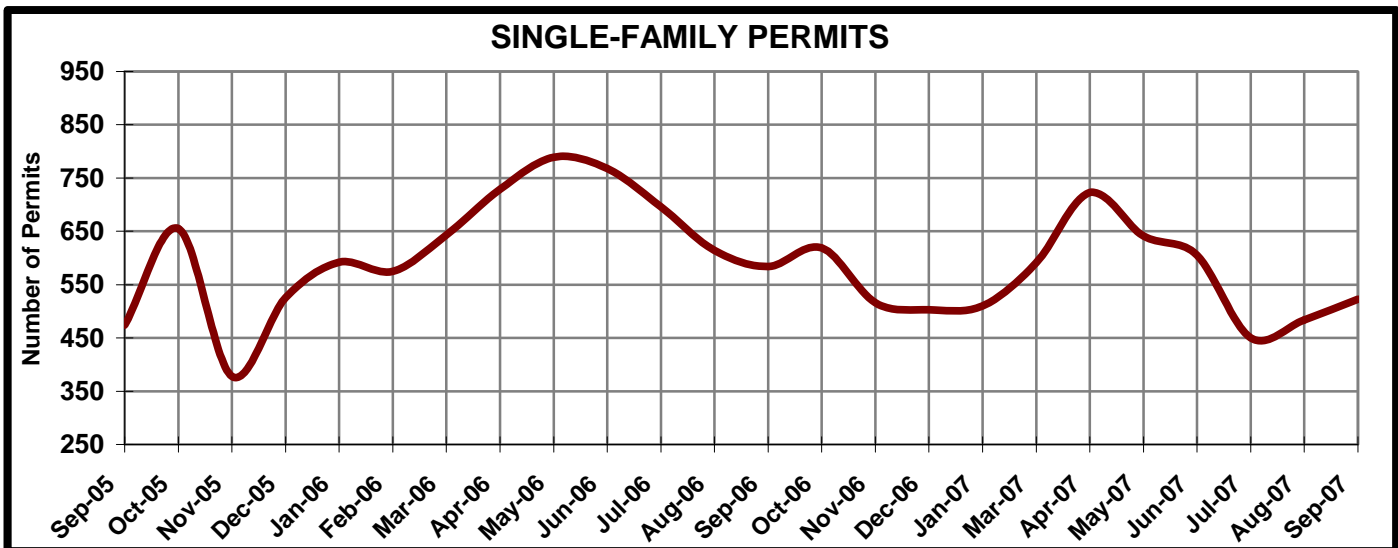
PERMIT ISSUANCE

The **City of Houston** issued permits to build 523 private single-family houses and 15 private multifamily buildings in September. Demolition permits were issued for 156 private single-family houses. In addition, 215 permits were issued for privately owned non-residential construction totaling \$66,909,391 and 13 permits were issued for public non-residential construction totaling \$10,222,000. Additions, alterations, and conversions totaled \$94,602,539 for the private sector and \$2,089,900 for the public sector.

Cost of Construction*

	2005	2006	2007
Month of September	\$226,970,232	\$392,166,980	\$328,499,402
Year-to-Date	\$3,032,222,055	\$3,568,741,331	\$4,153,940,107

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



OFFICE BUILDINGS

Houston’s office market has seen great growth since the beginning of 2005, with the Class A market leading the way. Since the first quarter of 2005, Class A occupancy has jumped more than 6 points and absorbed nearly 7.3 million square feet. Increases in Class A rental rates since the first quarter of 2005 have led the market as well. While overall rental rates have increased \$3.55 per square foot, or 19.3%, since the first quarter of 2005, Class A rents have gained \$5.70 psf, amounting to an amazing 26.5% increase. With the increase in demand for Class A office space and the decrease in large contiguous blocks available, the Class B office market could be heading for a change as well. Since the first quarter of 2005, occupancy in the Class B office market in Houston has increased more than 3 points and absorbed over 1.9 million square feet. With the current trend in the Class A office market of increased rental rates, it is likely that the Class B market will benefit as tenants look for a less expensive alternative. Houston’s office market should see a continued push to sell in the current market defined by high demand and low supply.

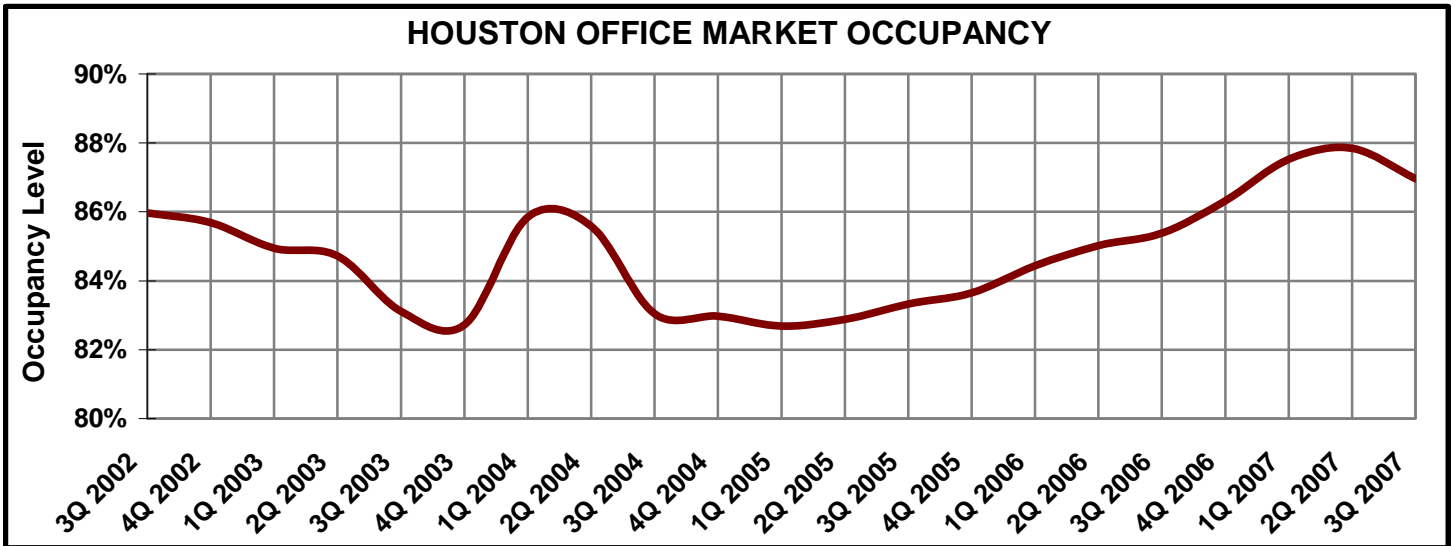
According to the O’Connor & Associates **Third Quarter 2007 Houston Office Data Program**, citywide **occupancy** for Houston area multi-tenant office buildings is **86.96%** (Class A = 91.67%; Class B = 84.18%;

Class C = 82.36%; Class D = 76.06%). The citywide annual multi-tenant office **rental rate** is **\$21.92 per square foot** (Class A = \$27.21; Class B = \$18.61; Class C = \$14.81; Class D = \$12.05).

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).

- **Caldwell Cos.** (713-690-0000) and **Sun Life Assurance Company of Canada** (1-800-786-5433) recently broke ground on **Remington Square Office Park (NOW 066, NOW 067, NOW 068, and NOW 069)**, a 383,000-square-foot office park located at 10602 – 10610 W. Sam Houston Pkwy N. in north Houston (369Z). The project will be comprised of four buildings with a conference center, retail shops, restaurants, fitness center, and a parking garage. Construction is expected to be completed by late 2008. This will be the first office and retail space venture in the suburbs for the new partnership, where quoted rents are \$19.00 to \$20.00 per square foot. **Mary Caldwell** of **Caldwell Cos.** is handling the leasing of the property.
- **Radler Enterprises** (281-440-8595) and **Yancey-Hausman** (713-462-8802) recently broke ground on **Beltway Lakes Phase I (GNB 158)**, a 165,000-square-foot office park located at 5825 N. Sam Houston Pkwy. in north Houston (370U). Phase I will be a 6-story office building with parking garage and will be one of six buildings in the master planned development. The entire project will be certified to LEED Gold standards of the US Green Building Council. Construction is expected to be completed by second quarter 2008 with quoted rents at \$19.00 per square foot for the first phase. **David Carter** of Yancey-Hausman is handling the leasing of the property.
- **St. Luke's Medical Tower Corporation** (713-785-8537) has placed **O'Quinn Medical Tower (MED 063)** available for sale. O'Quinn Medical Tower is a 600,000-square-foot Class A office building located at 6624 Fannin in the Texas Medical Center (532H). The 16-year-old property is fully occupied with average rents at \$25.00 per square foot. **Rusty Tamlyn** of **HFF** is marketing the property.
- **Stream Realty Partners, LP** (713-300-0300) has been retained by **Invesco Real Estate** (972-715-7400) to handle the leasing and management of **Park Ten Plaza (P10 033)**, a Class A, 7-year-old building totaling 156,000 square feet located at 15115 Park Row in the Park 10 area (447Z).
- **NorthMarq Capital** (713-622-6300) arranged \$7.425 million in financing on behalf of **Mykawa HSO Limited Partnership** (281-491-8404) for a 105,000-square-foot Class B office building located at **10101 Southwest Freeway (SWF 073)** in west Houston (529Z). The 25-year-old building is 95% leased with rents at \$17.25 per square foot. **Bill Luedemann** of NorthMarq arranged the financing.
- **Live Oak Capital, Ltd.** (713-993-1300) arranged the permanent re-financing on behalf of **8441 Gulf Freeway, Ltd.** (713-641-5008) for **8441 Gulf Freeway (SOE 023)**, a 80,000-square-foot office building located in southwest Houston (535U). The 25-year-old building is 98% leased with average rental rates at \$15.50 per square foot. Live Oak Capital arranged the financing, while funds were provided by One America.
- **Live Oak Capital, Ltd.** (713-993-1300) arranged the acquisition fixed financing on behalf of **Norvin Kingsland, LLC** (212-755-7552) for **777 South Fry (P10 028)**, a 32,000-square-foot medical office building located at S. Fry Rd. and Kingsland in Katy (486C). The 13-year-old building is 52% leased with average rental rates at \$20.00 per square foot. **Gary Dunkum** of Live Oak Capital arranged the financing.

The following chart illustrates historical office occupancy.



Younan Properties, Inc. (818-703-9600) purchased a 2-property portfolio from **CMD Realty Investors** (713-783-7228). **1700 West Loop S (GAL 114)** is a 277,000-square-foot Class B office building located in the Galleria area (491R). The 31-year-old building is 92% occupied with average rents at \$22.75 per square foot. **Shepherd Place (MAP 050)** is a 132,000-square-foot Class A office building located at 2323 Shepherd S. in the midtown area (492U). The 23-year-old building is 94% occupied with average rents at \$26.00 per square foot. **Zaya Younan** of Younan represented the buyer, while the seller was represented by **Ken Page** of **Cushman & Wakefield**.

KBS Realty Advisors (949-417-6500) purchased **3355 W. Alabama (GPL 004)**, a 243,000-square-foot Class A office building located in the Greenway Plaza area (492T), from **Crescent Real Estate Equities** (817-321-2100). The 24-year-old property is fully occupied with average rents at \$19.50 per square foot. The buyer was represented in-house by **Bill Rogella**, while **Dan Miller**, **Marty Hogan**, and **Rusty Tamlyn** of **HFF** represented the seller.

KBS Realty Advisors (949-417-6500) purchased **2200 West Loop S. (GPL 119)**, a 205,000-square-foot Class B office building located in the Greenway Plaza area (491V), from **CCD Acquisitions** (972-239-0394). The 33-year-old property is 99% occupied with average rents at \$24.00 per square foot. The buyer was represented in-house by **Bill Rogella**, while **Dan Miller**, **Marty Hogan**, and **Rusty Tamlyn** of **HFF** represented the seller.

Maneros Texas Realty II, LLC (203-622-9684) purchased a 2-property portfolio from **SMII** (949-417-6500). **Parkview I (P10 023)** is a 120,000-square-foot Class A office building located at 330 Barker Cypress in the Park Ten area (487A). The 20-year-old building is fully occupied. **Parkview II (P10 015)** is a 67,000-square-foot Class A office building located at 333 Cypress Run in the Park Ten area (487A). The 21-year-old building is fully occupied with average rents at \$19.00 per square foot. **Marty Hogan**, **H. Dan Miller**, and **Robert E. Williamson** of **HFF** represented the buyer and seller.

Pitt Southwest Investors (210-697-0704) purchased **One West Belt (SW! 003)**, a 105,000-square-foot Class B office building located at 9555 W. Sam Houston Pkwy. S. in southwest Houston (529V), from **Bayview Holdings, LLC**. The 25-year-old property is 89% occupied with average rents at \$15.50 per square foot. The buyer was represented in-house, while **Dan Miller** and **Marty Hogan** of **HFF** represented the seller.

Hartman Real Estate Income Properties XVIII (713-467-2222) purchased **7211 Regency Square (SWF 051)**, a 66,000-square-foot Class C office building located in west Houston (530C), from **8582 Katy Freeway, Ltd.** The 28-year-old property is 66% occupied with average rents at \$12.75 per square foot. The buyer was represented in-house by **David Wheeler** and **Sharon Turner**, while **Jeff Greenberg** of **Falcon Southwest** represented the seller.

Exterran Holdings, Inc. (281-447-8787) leased the following two office buildings from **RFP Lincoln Greenspoint, LLC** (214-740-3300): **Grant Corporation Bldg (GNB 023)** and **Kerr McGee Center (GNB 054)**. Grant Corporation Bldg is a 91,000-square-foot Class B office building located at 263 Sam Houston Pkwy. E. in the Greenspoint area (372V). Kerr McGee Center is a 151,000-square-foot Class B office building located at 16666 Northchase in the Greenspoint area (372V). **Dan Bellow, Lucian Bukowski, and Louie Crapitto of Staubach** represented the tenant, while **Kevin Wyatt and JP Hutcheson of Lincoln Property Co.** represented the landlord.

ADVO (860-285-6100) leased 26,000 square feet at **Northchase Center (CPQ 042)**, a 130,000-square-foot Class B office building located at 14550 Torrey Chase in north Houston (331W), from **Koll Bren Schreigber Realty Advisors** (949-417-6500). The 23-year-old property is 91% occupied with average rents at \$15.00 per square foot. **Randy Wilhelm, Mary Dadura, and Trey Martin of NAI Houston** represented the tenant, while **Wanda Wilson and Marci Phillips of PM Realty Group** represented the landlord.

Medical Diagnostics Laboratories (281-280-8778) leased an additional 16,000 square feet at **Clear Lake Commerce Center (CLC 138)**, a 98,000-square-foot Class B office building located at 17146 Feathercraft Lane in Webster (618T), from **Jackson Shaw Clear Lake 1** (972-628-7400). The 7-year-old property is fully occupied with average rents at \$14.97 per square foot. **Bob Zannelli of Zann Commercial** represented the tenant, while **Kurt Kistler of RM Crowe** represented the landlord.

Allegiance Bank leased 12,000 square feet at **Beltway Office Park (NNW 214)**, a 38,000-square-foot Class A office building in northwest Houston (410N), from **NewQuest Properties** (281-477-4300). The 5-year-old property is fully occupied with average rents at \$23.00 per square foot. **Robert Orkin of Robert Orkin Interests** represented the tenant, while **Jay Sears** of NewQuest represented the landlord.

RETAIL CENTERS

One of the significant trends in the retail industry in the past several years has been the struggle or complete disappearance of many mid-tier retail chains, while discount retailers and luxury chains have seen an increase in sales and growth. However, some discount retailers are beginning to feel the effects of the recent economic slowdown. For example, **Wal-Mart** experienced its first quarterly loss in more than a decade and is scaling back its expansion plans for the future. To help the upcoming holiday season, the retail giant is offering 10 to 50 percent discounts on the top toys for the season. On the other hand, most luxury chains have experienced healthy gains throughout the past year, but there are some rising concerns in the luxury sector as well. Those retailers that cater solely to the wealthy, such as **Hermes** should continue to see gains, while those, like **Coach** that also rely on middle class consumers may not fare as well in the fast approaching shopping season. A main factor for the slowdown can be contributed to the cut back of the middle class spending. Much of the middle class is facing mounting pressures of personal debt, rising gas prices, and housing woes. These pressures equate to less spending on luxury goods than in the past. With the recent increase in the number of households that have joined the ranks of the wealthy and the increase in foreign tourism and the heavy devaluing of the dollar in recent months could have a positive impact on the luxury retail market overall.

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).*

- **Whitestone REIT** (713-827-9595) has started renovations on 4 properties in its portfolio. The company plans on spending \$37 million to upgrade 11 total properties during the next 15 to 18 months. **Westchase Plaza (1497)** is a 43,000-square-foot center located at 3700-3778 S. Gessner in west Houston (490W). The 28-year-old center is 85% occupied with quoted rents at \$0.58 per square foot. **Lions Square (1743)** is a 120,000-square-foot center located at 10000-10710 Bellaire Blvd. in southwest Houston (529G). The 24-year-old center is 63% occupied with quoted rents at \$0.79 per square foot. **Sunridge Shopping Center (1922)** is a 49,000-square-foot center located at 3800-3890 S. Gessner in southwest Houston (530A). The 28-year-old center is 86% occupied with quoted rents at \$0.80 per square foot. **Bellnott Square (2144)** is a 74,000-square-foot center located at 1200-13238 Bellaire Blvd. southwest Houston (528G). The 25-year-old center is fully occupied with quoted rents at \$1.00 per square foot.

The following chart illustrates historical retail occupancy.



SMER Realty, LLC (212-566-1000) purchased the **Kroger Meyerland Center (2014)**, a 77,000-square-foot center located at 10306 S. Post Oak Rd. in southwest Houston (531U), from **Ainbinder Development** (713-892-5600). The 13-year-old center is 100% occupied. Tenants of the center include **Kroger**, **Hollywood Video**, and **H&R Block**. The buyer and seller were both represented by **Jerry Goldstein** of **Marcus & Millichap**.

DBSI Housing, Inc. (866-441-3377) purchased **Cross Colony Retail Center (2869)**, a 30,000-square-foot center located at 2211-2251 FM 646 in League City (699A), from **FM 646 Retail GP II, LLC** (713-622-0000). The 2-year-old center is 72% occupied. Tenants of the center include **Bay Colony Pediatrics**, **Bay Colony Dental**, **Simple Simon Pizza**, and **Modern Cuts**. The buyer was represented in-house by **Chris Fiscelli**, while **Wayne Barnhart** of **Barnhart Interest** represented the seller.

Woodforest Investment Group, LLC (213-622-0283) purchased **Coronado Village (468)**, a 20,000-square-foot center located at 12611 Woodforest Blvd. in northeast Houston (496C), from **Capstone Funding, LLC** (713-465-5100). The 22-year-old center is 75% occupied with quoted rents at \$0.85 per square foot. Tenants of the center include **Houston E Realtors**, **Hair Affair**, **Village Frame**, and **Continental Personal**. **Don Stringham** of **Marcus & Millichap** represented the buyer and seller.

M & L Properties, Inc. (713-533-4400) purchased **Clear Lake Crossing (2889)**, a 14,000-square-foot center located at 940 Clear Lake City Blvd. in the Clear Lake area (617G), from **CLCB, Ltd.** (713-337-3350). The 2-year-old center, which is fully occupied, has quoted rents at \$2.00 per square foot. Tenants of the center include **Washington Mutual**, **Wells Fargo**, and **CVS**. The buyer was represented by **Gregory Lewis** and **Adam Williams** of **Lewis Property Co.**, while the seller was represented by **Alvin Mansour** and **Philip Sambazis** of **Marcus & Millichap**.

John D. Burley (713-522-8141) purchased **2930 Hillcroft (3672)**, a 12,000-square-foot 39-year-old center located in west Houston (490Z), from **M & L Properties, Inc.** (713-533-4400). The buyer was self-represented, while the seller was represented by **Gregory Lewis** of **Lewis Property Co.**

Ashley Furniture leased 50,000 square feet at **Shadow Creek Ranch Town Center (2484)**, a 625,000-square-foot center located at 2803-2808 Business Center Dr. in Pearland (613N), from **Fox Properties** (713-993-0123). The center is currently under construction and has quoted rents at \$2.42 per square foot. Tenants of the center will include **H-E-B, Hobby Lobby, Academy, Powerhouse Gym, and La Madeleine.** **Katherine Wildman** of **Wulfe & Co.** represented the tenant, while the landlord was represented by **Lindsey Miller** of **Transwestern Commercial Services.**

Physicians at Sugar Creek leased 38,000 square feet at **Park at Sugar Creek (2177)**, a 134,000-square-foot center located at 14023 Southwest Freeway in Sugar Land (568R), from **KFLP Partnership, Ltd.** (310-276-2777). The 23-year-old center, which is 86% occupied has quoted rents at \$1.75 per square foot. Tenants of the center include **Kent Academy. Kolbe Curtice** of **Curtice Commercial** represented the tenant, while the landlord was represented by **Pete Stewart** of **Pete Stewart Properties.**

Office Depot leased 22,000 square feet at **Village Real Shopping Center (2698)**, an 84,000-square-foot center located at 915-961 NASA Rd. 1 in the Clear Lake area (618Y), from **Ersa Grae Corporation** (713-627-1015). The 30-year-old center, which is 86% occupied, has average quoted rents at \$1.50 per square foot. Tenants of the center include **Palais Royal** and **Nassau Postal.** **Lance Gilliam** of **Moody Rambin** represented the tenant, while **Ace Schlameus** of **Grubb & Ellis** represented the landlord.

5 Star Home Center leased 14,000 square feet at **Providence Plaza (2153)**, a 90,000-square-foot center located at 9404-9478 Highway 6 S. in southwest Houston (528S), from **Whitestone REIT** (713-827-9595). The 23-year-old center, which is 95% occupied, has average quoted rents at \$1.00 per square foot. Tenants of the center include **99 Cents Only, Just for Me Learning, and Plus Cleaners.** The landlord was represented in-house by **Peggy Espinoza.**

Washington Mutual Bank leased a 38,000-square-foot pad site in **Antoine Town Center (904)**, a 116,000-square-foot center located at 12430 Tomball Parkway in northwest Houston (411B), from **Inland Southwest Management** (630-218-8000). The 5-year-old center is 97% occupied. The tenant was represented by **Tami Pearson** of **NAI Houston**, while **Mark Sondock** of **NewQuest Properties** represented the landlord.

Humble Kawasaki leased an 11,000-square-foot pad site in **Township Center I & II (017)**, a 123,000-square-foot center located at 19300 Eastex Freeway in Humble (335U), from **Jim R. Smith & Company** (713-622-9933). The 35-year-old center, which is 95% occupied has quoted rents at \$1.00 per square foot. Tenants of the center include **Bally's, The Room Store, and Stetson's.** The tenant was self-represented, while **Matt Strange** and **Jim Smith** of **Staubach Co.** represented the landlord.

INDUSTRIAL FACILITIES

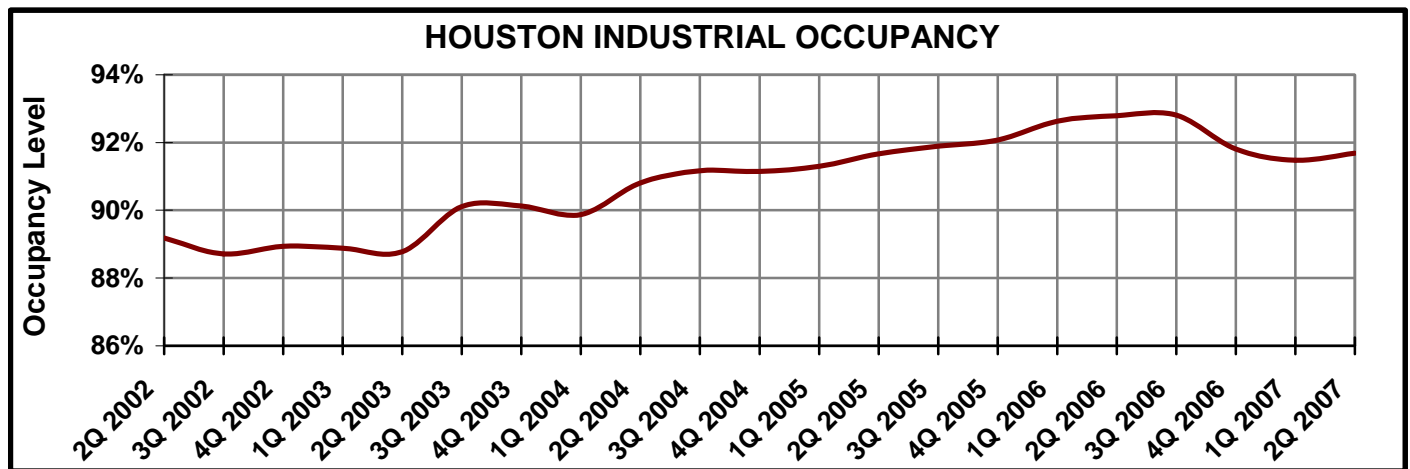
The city of Houston's industrial sector has experiencing tremendous growth over the past few years. Most of the new developments can be found in the Far Southeast section including the **Port of Houston.** The driving factor in the industrial growth for the city can be contributed to the increased business at the Port and the booming energy industry. Currently, there is over 9.3 million square feet of industrial space either under construction or proposed in the Houston area. The Far Southeast sector alone has over 4.7 million square feet of industrial space either under construction or proposed. The trend for developments is once new projects are leased up, developers introduce second and third phases of the project. The Houston industrial market should continue to experience expansion, high demand, and absorption as job growth and the energy industry continue to grow as well.

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.



Amigo Real Estate Investments (713-621-9442) purchased the following five industrial properties from **First Industrial Realty Trust, Inc.** (713-681-0885): **5072 Steadmont Dr. (1343A)**, **5082 Steadmont Dr. (1343B)**, **5092 Steadmont Dr. (1343C)**, **5112 Steadmont Dr. (1343D)**, and **11421 Todd Rd. (1553)**. 5072 Steadmont Dr. is a 13,000-square-foot warehouse facility located in northwest Houston (450H) that was completed in 1979. 5082 Steadmont Dr. is a 12,000-square-foot warehouse facility located in northwest Houston (450H) that was completed in 1979. 5092 Steadmont Dr. is a 14,000-square-foot warehouse facility located in northwest Houston (450H) that was completed in 1979. 5112 Steadmont Dr. is a 12,000-square-foot warehouse facility located in northwest Houston (450H) that was completed in 1979. 11421 Todd Rd. is a 35,000-square-foot warehouse facility located in west Houston (451P) that was completed in 1984. All five properties are fully occupied. The buyer used in-house representation, while **Doug Nicholson** and **John Nicholson** of **Grubb & Ellis** represented the seller.

Universal Truck & Trailer Sales (713-670-0468) purchased **3333 Rauch St. (3292B)**, a 13,000-square-foot warehouse facility located in east Houston (495C), from **TruckNation** (713-673-1757). The 45-year-old facility is occupied by Universal Truck & Trailer Sales. The buyer was represented in-house, while **Lane Guinn** of **JLM Commercial Advisors** represented the seller.

Mallory Alexander International Logistics, LLC (409-243-3406) leased 144,000 square feet at **Bayport North Distribution Center (5234N)**, a 565,000-square-foot distribution center located at 4330 Underwood Rd. in La Porte (579E), from **Carson Companies** (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** represented the tenant, while **Walter Menuet** of **Vantage Companies** represented the landlord.

Fluoro-Seal leased 40,000 square feet at **Eastport 8 (3531B)**, a 219,000-square-foot warehouse facility located at 9830-9858 East Frwy. in east Houston (495H), from **St. Paul Properties** (651-310-8449). The 26-year-old facility features 22- to 24-foot clearance. **Scott Fikes** and **Bob Bantly** of **Grubb & Ellis** represented the tenant, while **Brian Gammill** of **Transwestern Property Co.** represented the landlord.

Tell Manufacturing leased **2505 W. 11th St. (2654)**, a 49,000-square-foot warehouse facility located at in west Houston (492B), from **Festival Properties, Inc.** The 47-year-old facility will be fully occupied by Tell Manufacturing. The tenant was represented in-house by **Joe Braun**, while **Jeff Brock** of **Silvestri Investments** represented the landlord.

Shaw Pipeline Services leased 31,000 square feet at **World Houston IBC Bldg 24 (0413K)**, a 93,000-square-foot office/warehouse facility located at 4250 N. Sam Houston Pkwy. E. in north Houston (374U), from **East Group Properties** (601-354-3555). The facility is currently under construction and will feature 24-foot clearance. **Chris Kugle** and **John Ferruzzo** of **NAI Houston** represented the tenant, while **Rives Nolan** and **Clay Reichenboch** of **InSite Commercial Real Estate** represented the landlord.

Prosource Contract Manufacturing leased 25,000 square feet at **7223-7273 Empire Central (0669V)**, a 50,000-square-foot warehouse facility located in northwest Houston (410N), from **Nickson Brookhollow West** (713-961-4400). The newly constructed facility, which features 24-foot clearance, is 50% occupied with average rents at \$0.55 per square foot. The tenant was represented in-house, while **John Ferruzzo** and **Travis Land** of **NAI Houston** represented the landlord.

Raba Kistner Consultants leased 13,000 square feet at **3602-3698 Westchase Dr. (2425)**, a 158,000-square-foot office/warehouse facility located in southwest Houston (489Z), from **Sealy & Company, Inc.** (214-692-9600). The 26-year-old facility features 14- to 16-foot clearance. The tenant was represented by **Chris Caudill** and **Joel Michael** of **NAI Houston**, while **Paige Buford** of **Sealy** represented the landlord.

Geologistics leased 13,000 square feet at **World Houston IBC Bldg 16 (0412X)**, a 94,000-square-foot warehouse facility located at 4140 World Houston Pkwy. in north Houston (374U), from **East Group Properties** (601-354-3555). The 3-year-old facility is fully occupied with average rents at \$0.47 per square foot. The tenant was represented by **Doug Nicholson** and **John Nicholson** of **Grubb & Ellis**, while **Rives Nolan** of **Insite Commercial Real Estate** represented the landlord.

eNetsolutions, LLC leased 10,000 square feet at **Beltway 8 Business Park, Ph II (3824F)**, a 89,000-square-foot office/warehouse facility located at 10010-10100 W. Sam Houston Pkwy. S. in southwest Houston (529U), from **Vantage Companies** (214-559-9000). The 4-year-old facility, which features 14-foot clearance, is 77% occupied with average rents at \$1.00 per square foot. **John Parsley** of the **Colliers International** represented the tenant, while the landlord was represented in-house by **Walter Menuet** and **Ryan Cropper**.

VACANT LAND

Reserve at Grand Parkway, Ltd. (281-531-5300) purchased 89 acres of land at the intersection of Grand Pkwy and Kingsland Blvd. in west Houston (485F), from **Grand Parkway Ninety One, GP.** **Dennis Johnson** of **McDade, Smith, Gould, Johnston, Mason + Co.** represented the buyer, while **Stan Creech** of **Stan Creech Properties** represented the seller.

LAH Fort Bend I, LLC purchased 59 acres of land along FM 2234, in Fort Bend County (610G), from **Seton Hill University.** **Joe Trak** of **Keller Williams Realty** represented the buyer, while **Daniel Perrier** and **Richard Gould** of **McDade, Smith, Gould, Johnston, Mason + Co.** represented the seller.

Saad Development Corp. (251-478-7223) purchased 25 acres of land at the intersection of Orem and Mykawa Rd. in southeast Houston (574P), from **PinPoint Commercial, LP** (713-425-5425). **Billy Gold** and **John Simon** of **CBRE** represented the buyer, while **Jeff Pittman** and **Brendan Lynch** of **CBRE** represented the seller.

Mueschke Land Holdings, LP (713-614-4600) purchased 17.4 acres of land along Roberts Rd. in Hockley (324V), from **Fidelitas Partnership.** **Andy Friedman** of **Friedman Realty Group** represented the buyer, while **Dennis Johnson** of **McDade, Smith, Gould, Johnston, Mason + Co.** represented the seller.

Tim Jones Communities, Inc. (770-471-8089) purchased 12 acres of land at the intersection of Telge and Huffmeister in northwest Houston (367D), from **Equicap Telge GP, LLC.** **William McDade, Kristen McDade,** and **Hunter Jaggard** of **McDade, Smith, Gould, Johnston, Mason + Co.** represented the buyer, while **Josh Jacobs** of **Page Partners** represented the seller.

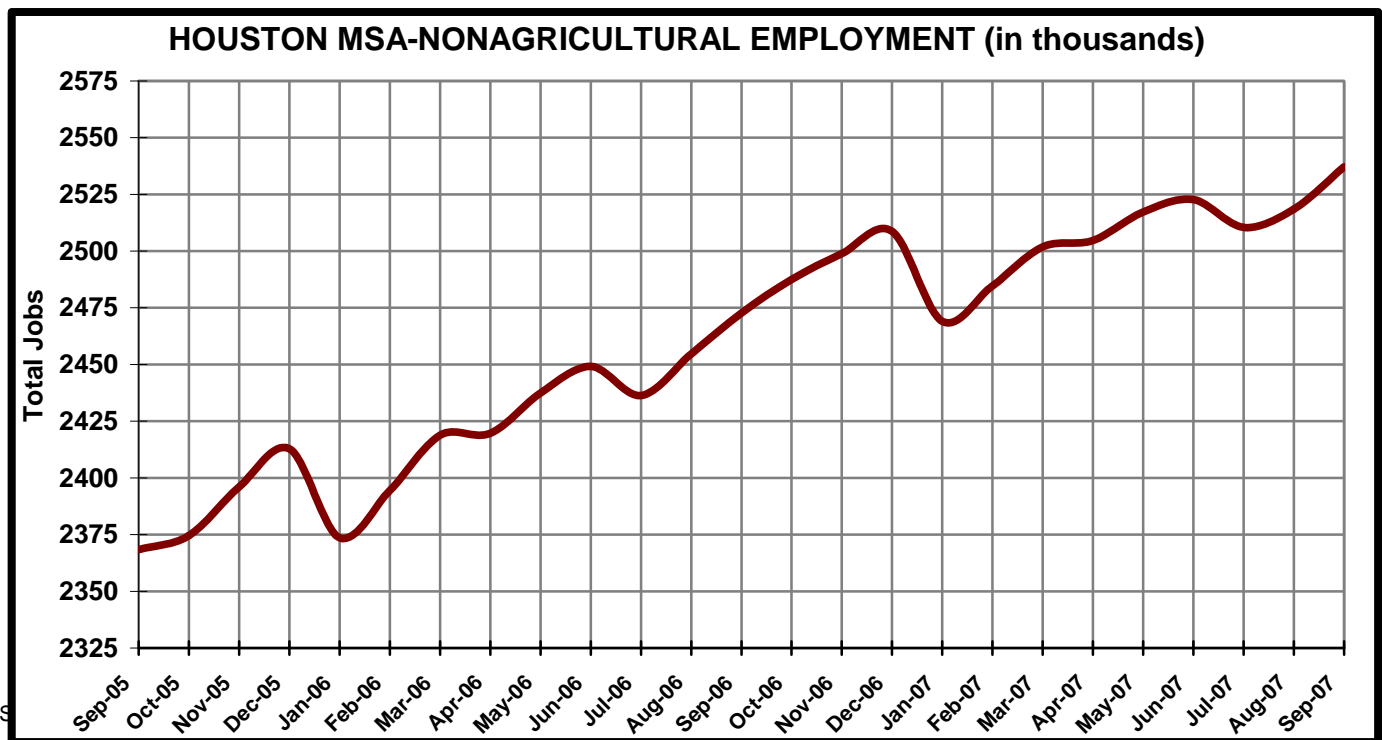
Stonebridge Gessner, LP (713-629-0500) purchased 10.24 acres of land at the intersection of S. Gessner and Pike Rd. in Missouri City (570N) from **BC Business Park GP, LLC.** **John Ferruzzo** of **NAI Houston** represented the buyer, while the seller was self-represented by **Corey Miner**.

Atascocita Kids Playce, Inc. (281-812-5333) purchased 1.3 acres of land in the 13000 block of Will Clayton Pkwy. in northeast Houston (377A) from **RRB Investment Fund 1, Ltd.** The land will be used to build a childcare and development center. The buyer was self-represented, while **Mark Wimberly** of **The Betz Companies** represented the seller.

ECONOMIC & FINANCIAL NEWS

The total number of nonagricultural wage and salary jobs in the ten-county Houston area increased by 18,700 jobs to 2,537,200 in September 2007, according to the **Texas Workforce Commission**. This month's total is 64,500 jobs more than the 2,472,700 jobs at this time last year. Of nonagricultural employers, the Government sector posted the largest gain over the month at 18,100 jobs, followed by the Construction sector, with 2,300 jobs gained. Over the year, the Professional & Business Services sector has had the largest increase in employment, adding 14,600 jobs, followed by the Construction sector, which has added 10,800 jobs.

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



Advance estimates reported by the **U.S. Department of Commerce** show that seasonally adjusted national retail and food services sales for September 2007 were \$380.2 billion, an increase of 0.6% from August, and up 5.0% from September 2006. Retail trade sales in September were up 0.6% from August, and were 5.0% above last year's level.

Personal income increased \$47.4 billion, or 0.4%, and Disposable Personal Income (DPI) increased \$40.6 billion, or 0.4%, in September 2007, according to the **Bureau of Economic Analysis**. Personal Consumption Expenditures (PCE) increased \$30.1 billion, or 0.3% in September 2007. Meanwhile, the **U.S. Department of Labor** reports that the seasonally adjusted Consumer Price Index (CPI) for urban consumers increased 0.3% in September 2007 and is 2.8% higher than in September 2006. Food and Beverages, at 0.5%, and Other Goods and Services, at 0.5%, posted the largest increases in September 2007.

The latest **Conference Board Survey** indicates that the **Consumer Confidence Index** decreased to 95.6 in October 2007, down 3.9 points from 99.5, in September. 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 September to 137.9. 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.

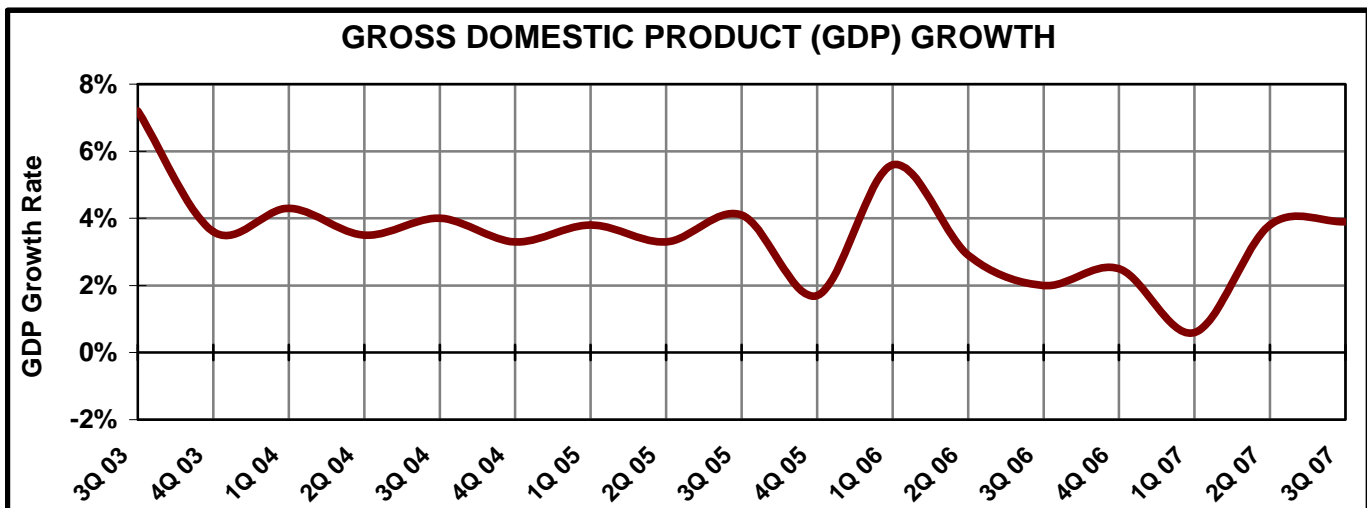
According to the **Federal Reserve**, industrial production rose 0.1% in September, and is 1.9% higher than the September 2006 level. Output in the manufacturing sector increased 0.1% in September; output of utilities decreased 0.1% over the month, while output at mines increased 0.2%. The rate of industrial capacity utilization was 82.1% in September, which remained the same from the previous month's level, and was 0.1 points higher than the previous year's level.

Freddie Mac reports that the **30-year fixed-rate mortgage (FRM)** averaged 6.38% in September 2007, which is down 0.19 points from August and down 0.02 points from one year ago. The average for the **15-year FRM** averaged 6.05% in September 2007, which is down 0.18 points from last month and down 0.03 points from September 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 3.9% in the third quarter of 2007, up from the 3.8% growth rate recorded in the second quarter of 2007. The increase in GDP in the third quarter primarily reflected positive gains from personal consumption expenditures for services, exports, federal government spending, equipment and software, and state and local government spending.

The **U.S. Department of Commerce** reports that construction spending during September 2007 was estimated at a seasonally adjusted annual rate of \$1,162.8 billion, 0.3% above the revised August estimate. The current figure is 0.8% below the September 2006 estimate of \$1,172.1 billion. Private residential construction was at a seasonally adjusted annual rate of \$511.4 billion in September, 1.4% below the revised August estimate of \$518.6 billion, and 16.4% below the September 2006 estimate of \$620.3 billion.

The **Baker Hughes** count of active domestic rotary rigs stands at 1,760 during the week ending October 26, 2007. The current rig count is up 0.92% from last year's figure of 1,744 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 **University of Texas Medical Branch** has won the **Texas Hospital Association's 2007 Excellence in Community Service Award**. UTMB created a partnership with other community and faith-based social service organizations to bring mental health and substance abuse services to adults and teens in the community. This program, **Continuum of Care: A Mental Health and Substance Abuse Model for Galveston and Brazoria Counties**, reduces the visits to UTMB emergency rooms and will save an estimated \$3.7 million.

Christus Health Partners (214-492-8500) has teamed up with 80 physicians to open a 56-bed hospital near **Bush Intercontinental Airport** in north Houston. **BPR Investment Properties** will develop and own the

acute-care hospital, which will cost up to \$75 million to build. The yet unnamed hospital is expected to be open in fall 2009.

American Liberty Hospitality (713-977-5556) is planning to build a 22-story **Embassy Suites** in downtown Houston. The 250-room hotel will be located at 1515 Dallas, near new developments such as **Discovery Green Park, One Park Place**, and the **Houston Pavilions**. Construction is expected to start by summer 2008 once final approval is received from Hilton Hotels Corp. with completion scheduled for early 2010.

Inland American Real Estate Trust, Inc. (800-826-8228) is under contract to purchase **The Woodlands Waterway Marriott Hotel and Convention Center** in The Woodlands from **Crescent Real Estate Equities** (817-321-2100) and **Morgan Stanley Real Estate** (212-761-4000). The hotel contains 341 rooms, a 70,000 square foot conference center, and 22,000 square feet of meeting space. Inland plans to retain the Marriott name and management.

The Lightstone Group (212-755-4600) has purchased two **Baymont Suites Hotels** in the Houston area. One of the hotels is a 145-room property located at 15385 Katy Frwy., while the other is a 145-room hotel located at 13420 Southwest Frwy. in Sugar Land. The two hotels recently under went a \$2 million renovation. Both hotels have been renamed to **Extended Stay Deluxe**, a division of **Extended Stay America, Inc.**

Titus and Igo Developments have broken ground on **Old Tuscan Villa of Garden Oaks**, a new venue for weddings and events in the Houston area. The resort will feature a chapel, grand ballroom, garden room, waterfall, various gardens, and a corporate meeting room. The main building will be 23,000 square feet and a 6,000-square-foot wine room will have seating for 200. The development is being built on the 3.2 acre site of the old **Bill Mraz Dance Hall** on W. 34th St. Phase one is expected to be complete by March 2008, with final construction anticipated by mid-2009.

Legends Sports Complex is scheduled to open its doors in The Woodlands in January 2008. Once open, the complex will be one of the largest sports training facilities in Texas. Totaling 96,000 square feet, the sports compound will feature basketball courts, softball fields, batting cages, an indoor turf field, weight room, cardio room, yoga room, golf simulators, a restaurant, and an arcade. An in-house sports medicine company will also make its home inside the complex.

The **Monster Local Employment Index**, which measures online job demand, for Houston decreased two points in September to 135. This marks the first monthly decline in the index since January of 2007. Occupations with the highest individual index levels include Healthcare Practitioners and Technical at 159, Transportation and Material Moving at 158, and Arts, Design, Entertainment, Sports, and Media at 153.

The **Architecture Billings Index**, developed by the **American Institute of Architects**, dropped to its lowest level since June 2006. Following August's six point decline to a 53.9 rating, September reported an index of 51.1 (any score above 50 indicates an increase in billings).

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