



Your Key to Real Estate Services

Published by:
O'Connor & Associates
2200 N. Loop West, Suite 200
Houston, TX 77018
713.686.9955

www.poconnor.com



Houston Real Estate Trends

Office • Retail • Apartment • Industrial

Edited by Kathryn Koepke

\$199 per year

Volume 22 Number 11

January 2008

APARTMENTS

Fourth Quarter 2007 O'Connor & Associates data indicates that Greater Houston apartment market occupancy has begun to decline (0.37 points) over the course of the year and overall rents continue to steadily increase with current per unit rates up 2.2% from fourth quarter 2006 (\$708.43) to fourth quarter 2007 (\$723.81). All classes have enjoyed steady rate increases as Class A is up 1.9% from \$1,039.69 to \$1,058.95, Class B is up 1.1% from \$658.84 to \$666.06, Class C is up 1.6% from \$555.65 to \$564.79, and Class D is up 2.0% from \$523.12 to \$533.36. With a continued supply of Class A and Class B complexes entering the market over the coming year, overall occupancy will continue to slip as new projects lease-up. However, this will not affect the trend of increasing rental rates as an additional 2.0% - 3.0% is projected for year-end 2008.

According to www.oconnordata.com, O'Connor & Associates' online apartment data program, **Fourth Quarter 2007** overall **occupancy** for Houston area apartment projects is **88.21%** (Class A = 88.59%; Class B = 89.83%; Class C = 85.91%; Class D = 84.42%). Occupancy is down 0.69 points from the third quarter and down 0.37 points over the past year. The overall **rental rate** is **\$0.848 per square foot** (Class A = \$1.122; Class B = \$0.821; Class C = \$0.698; Class D = \$0.607). Overall rents are up \$0.003 from the third quarter of 2007 and \$0.017 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).*

Table of Contents:

Apartments	1
Single-Family Housing.....	4
Permit Issuance.....	6
Office Buildings.....	7
Retail Centers.....	10
Industrial Facilities	12
Vacant Land	14
Economic & Financial News	15
Potpourri	17

The following chart illustrates historical apartment rental rates.



- **CWS Apartment Homes & Communities** (949-640-4200) purchased **Marquis on Briarforest (16390)**, a 400-unit Class A complex located at 14515 Briar Forest in west Houston (488N), from **M B S Management Services, Inc.** (504-836-5075). The 4-year-old complex is 96% occupied with average rents at \$1.13 per square foot. **Matt Rotan, David Oelfke, David Mitchell** and **David Wylie** of **Apartment Realty Advisors** represented both the buyer and the seller.
- **Laramar Hampton Partners, LLC** (312-669-1200) purchased **The Memorial Club Apartments (2434)**, a 354-unit Class B complex located at 904 Westcott St. in the Memorial Dr. area inside the Loop (492G), from **Alliance PP2 FX5 GP, LLC**. The 38-year-old complex is 96% occupied with average rents at \$1.02 per square foot.
- **Redwood Capital Partners** (214-515-7000) purchased **Edgewater (16900)**, a 228-unit Class A complex located at 514 That Way in Lake Jackson (883G), from **Alliance Residential Management** (713-977-1120). The 2-year-old complex is 93% occupied with average rents at \$0.99 per square foot. The buyer was self-represented, while **Mark Isaacson** of Redwood represented the seller.
- **Riverwood Pebble** (310-556-2274) purchased **RiverWood Apartments (17718)**, a 224-unit Class A complex located at 201 River Pointe Dr. in Conroe (187M), from **Martin Fein Interests** (713-683-4800). The year-old complex is 90% occupied with average rents at \$0.99 per square foot. **Matt Rotan, David Oelfke, David Mitchell** and **David Wylie** of **Apartment Realty Advisors** represented both the buyer and the seller.
- **Granite Asset Management, Ltd.** (281-487-3135) purchased **Woodlen Glen Apartments (3678)**, a 150-unit Class C complex located at 2301 Underwood Rd. in La Porte (535X), from **Davis Redevelopment, Inc.** (713-643-3975). The 41-year-old complex is 72% occupied with average rents at \$0.64 per square foot. **Shane Laurent** of **Laurent Co.** represented the buyer, while **Bashale Patel** of **Houston Income Properties** and **Tom Wilkinson** of **KET Enterprises Inc.** represented the seller.
- **Resource Real Estate, Inc.** (215-231-7050) purchased **Memorial Towers (2469)**, a 112-unit Class A complex located at 5400 Memorial Dr. inside the Loop (492L), from **RREEF Real Estate Investment Managers** (415-781-3300). The 36-year-old complex is 96% occupied with average rents at \$1.16 per square foot. **Craig LaFollette** of **CBRE** represented both the buyer and seller.
- **1421 S. Dairy Ashford, Ltd.** purchased **Pointe Plaza Apartments (1907)**, an 80-unit Class B complex located at 2790 W. T.C. Jester Blvd. in Houston (452S), from **Ikeda Properties** (713-871-0919). The 42-year-old complex is 99% occupied with average rents at \$0.90 per square foot. The buyer was self-represented, while **Jeff Eisenhardt** of **Hendricks & Partners** represented the seller.

- **GET Real Estate Dover Place, LLC** (818-841-7551) purchased **Dover Place Apartments (3689)**, a 32-unit Class C complex located at 4137 Dover St. in southeast Houston (535T), from **Paco Iglesias, LLC**. The 36-year-old complex is 96% occupied with average rents at \$0.64 per square foot. **Sheri Carey** of **Marcus & Millichap** represented the buyer, while **Jeffrey Fript** of **Marcus & Millichap** represented the seller.

ApartmentLink

**More Owner Contact
Information**

More User-Friendly

**More Comprehensive
& Accurate**

MORE AFFORDABLE!

www.oconnordata.com

Get your
FREE TRIAL TODAY!

Contact
Heather Wiesner at
(713) 375-4262 or
hwiesner@poconnor.com

SINGLE-FAMILY HOUSING

MLS home sales decreased in December, as 3,916 used homes were sold, down from the 3,965 homes sold in November, according to the **Houston Association of Realtors (HAR)**. However, sales for December 2007 were down 20.0% from December 2006. The median price of a used single-family home sold in December was \$140,000, flat compared to the same time last year, while the average home price was \$196,560, which was up 4.8% from the December 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 8% in December to 1,180 from 1,287 in November, but are down 33% from December 2006. Realtor co-op sales represented 64% of gross sales, up 3% from December of last year. Traffic decreased 23% from last year to 16,244 in December 2007. The inventory of completed speculative homes (2,078) is down 5% from last year. There are 1,782 spec homes under-construction, which is down 50% from December 2006. Overall, the 3,860 specs (both completed and under-construction) are down 32% from December 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 December to a seasonally adjusted annual rate of 604,000, 4.7% below the revised November sales rate of 634,000 and 40.7% below the November 2006 figure, according to a release by the **U.S. Department of Commerce**. The median sales price in December was \$219,200. Privately owned housing starts were at a seasonally adjusted annual rate of 1,006,000 in December 2007, which is 14.2% below the revised November estimate, and 38.2% below the revised December 2006 rate. Privately owned housing completions were at a seasonally adjusted annual rate of 1,302,000 in December, 7.7% below the revised November figure and 31.0% below the revised December 2006 figure.

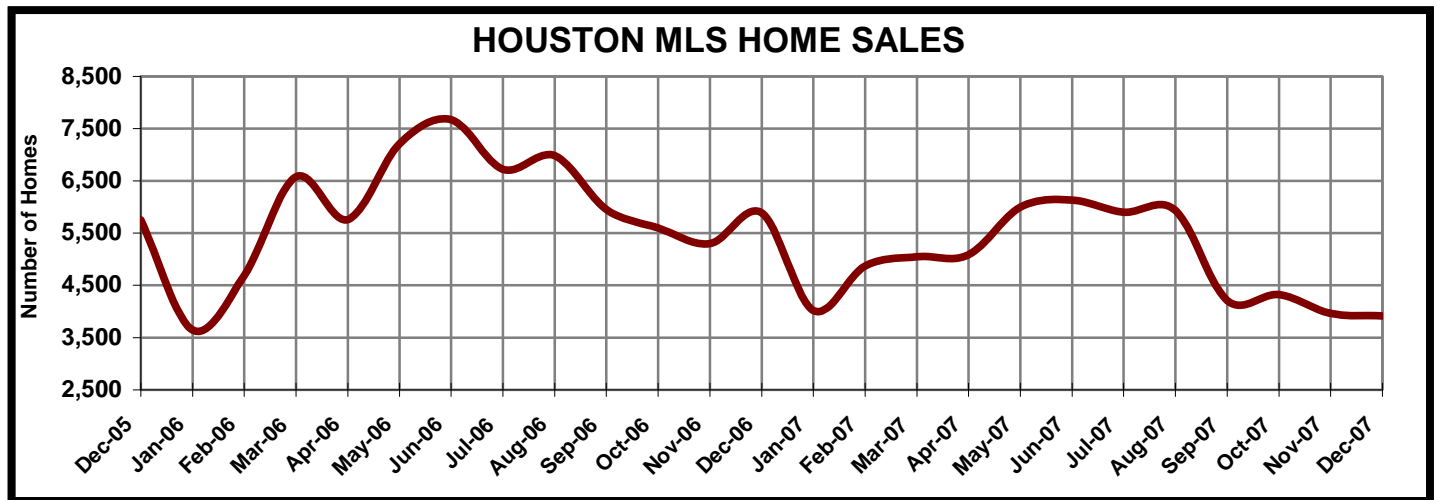
The **National Association of Home Builders/Wells Fargo Housing Market Index**, a monthly measure of builder confidence, rose one point to 19 in January, on a scale where any number greater than 50 indicates that builders view sales as more good than poor. The index measuring current sales of new single-family homes remained unchanged at 19, the index measuring sales expectations for the coming six months rose 2 points to 28, while the index measuring the traffic of prospective buyers increased 1 point to 14.

According to the **National Association of Realtors (NAR)**, 4,890,000 existing homes were sold in December 2007, down 2.2% from November sales, and down 22.0% from the 6,270,000 homes sold in December 2006. The median sale price was \$208,400, which represents a 6.0% decrease from sale prices last year.

According to the most recent report by **RealtyTrac**, 215,749 foreclosure filings — default notices, auction sale notices, and bank repossessions — were reported during the month of December. This figure is up 7% from November and up 97% from December 2006. Texas remains among the nation's 12 highest states in total foreclosure filings in 2007.

Tousa, the parent company of Houston home builders **Newmark Homes**, **Trophy Homes**, and **Fedrick, Harris Estate Homes** has filed for Chapter 11 Bankruptcy for reorganization. The company still expects to deliver the 2,500 homes it has in backlog. It also plans to continue to take new orders, build new homes, and provide financial services to its customers.

The following chart illustrates historical used home sales.



Source: Houston Association of Realtors

- **Hahnfeld Witmer Davis** (713-840-1001) is developing **Regent Square Brownstones**, a residential project located in Kings Harbor in Kingwood (377T). Plans call for the construction of 35 brownstones with average sizes ranging from 2,450 to 3,300 square feet that will be priced from the mid \$300,000's to over \$500,000. The three-story homes are currently under-construction.
- **Coventry Homes** (281-360-1034) is developing **The Villas at Kings Harbor**, a residential project located in Kings Harbor in Kingwood (377T). Plans call for the construction of 42 townhomes with average sizes at 2,700 square feet and pricing starting at \$330,000. Construction on the three-story homes is scheduled to begin in February 2008.
- **David Wu** (713-777-0505) plans to develop **Park 8**, a 16.5-acre development consisting of 3 23-story high-rise towers located on the west side of Beltway 8 between Beechnut and Bellaire Blvd. in Houston's Chinatown (529L). Homes will range in size from 1,000 to 3,000 square feet and will be priced from \$185,000 to \$500,000. Construction has begun on the first of the three towers with build out expected in 2009.

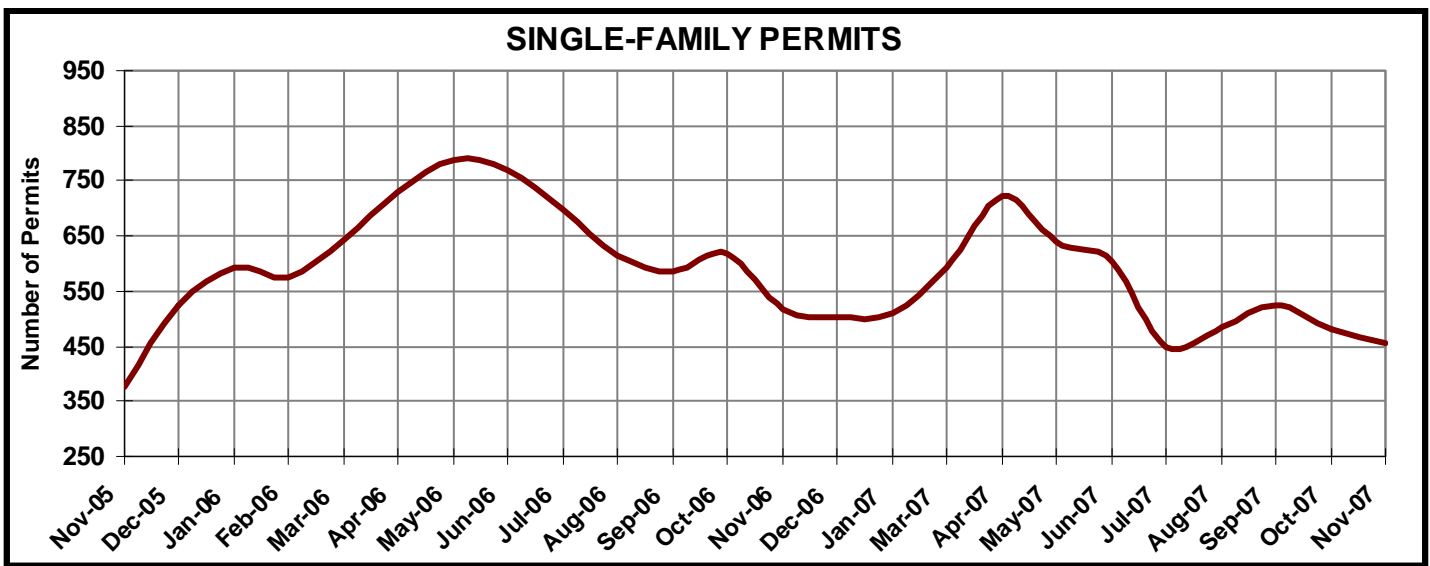
PERMIT ISSUANCE

The **City of Houston** issued permits to build 323 private single-family houses and 45 private multifamily buildings in December. Demolition permits were issued for 131 private single-family houses and 1 multifamily structure. In addition, 203 permits were issued for privately owned non-residential construction totaling \$171,033,015 and 10 permits were issued for public non-residential construction totaling \$12,189,377. Additions, alterations, and conversions totaled \$90,247,176 for the private sector and \$6,512,265 for the public sector.

Cost of Construction*

	2005	2006	2007
Month of December	\$372,052,601	\$344,282,616	\$440,852,134
Year-to-Date	\$4,118,136,568	\$4,730,156,017	\$5,539,413,158

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



OFFICE BUILDINGS

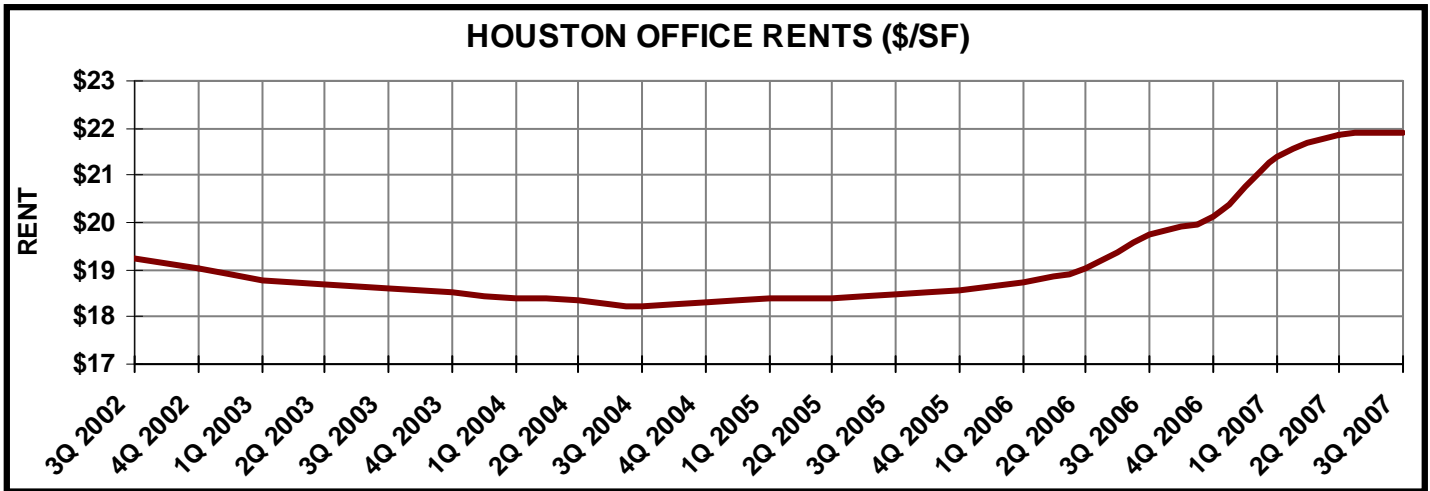
The Greater Houston Office market enjoyed a good year in 2007 as rents continued to escalate over all classes and vacancy continued its decline. The sustained demand and skyrocketing rents in Class A is creating a trickle-down effect for the other classes as the higher associated costs force some tenants to lower class buildings to achieve more affordable rents. Increasing rents and decreasing vacancy should be a continued theme of 2008 as corporate relocations consume office space and the CBD pushes the pricing ceiling higher.

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 **OfficeLink 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).*

- **NorthMarq Capital** (713-622-6300) arranged \$85 million in financing on behalf of **I-10 Energy Investments** (281-496-7788) for **Energy Tower II (962)**, a 447,000-square-foot Class A office building located at Kirkwood Dr. in the Energy Corridor (489A). The under-construction building is 84% pre-leased to **Technip, USA**. **John Burke** of NorthMarq arranged the financing.
- **Means Knaus Partners** (713-953-9100) plans to add two office buildings to its Oak Park at Westchase campus located in the Westchase area (529D). **One Oak Park (2248)** is a 150,000-square-foot building; **Two Oak Park (2249)** will be a build to suit building. **Chip Colvill** of **Colvill Office Properties** will handle leasing and management duties.
- **Opus West Corp.** (602-468-7000) is developing **Energy Crossing I & II**, two 6-story, Class A office buildings with approximately 230,000-square-feet each, located at I-10 and Highway 6 in the Energy Corridor (488A). Construction has begun on **Energy Crossing I (2330)** with an estimated completion date occurring in the fourth quarter of 2008. **Energy Crossing II (2331)** is slated to begin construction February 2008 with estimated completion in early 2009. **John Pruit** and **Dena Wren** of **CBRE** are handling leasing duties.
- **Crescent Real Estate Equities Co.** (713-840-1170) has placed **Five Post Oak (451)**, a 567,000-square-foot Class A building located at 4400 Post Oak Pkwy. in the Galleria area (491R), up for sale. The 26-year-old building is 91% occupied with average rents at \$27.17 per square foot. **Jeffrey Hollinden, Barbara Guffey** and **Robert Williamson** of **HFF** are marketing the property.

The following chart illustrates historical office rental rents.



- **PCCP CM Four Corners, LLC** (949-717-2700) purchased a two-property portfolio, **Tele Check Plaza (512)** and **5333 Westheimer (513)**, from **WGI GP**. Tele Check Plaza is a 216,000-square-foot Class B office building located at 5251 Westheimer in the Galleria area (491U). The 31-year-old building is 81% occupied with average rents at \$15.00 per square foot. 5333 Westheimer is a 178,000-square-foot Class B office building located in the Galleria area (491U). The 36-year-old building is 91% occupied with average rents at \$15.00 per square foot. **John Locke** of **Chase Merritt** represented the buyer in-house, while **Dan Miller, Rusty Tamlyn, and Marty Hogan** of **HFF** represented the seller.
- **Mariner Energy, Inc.** (713-954-5500) purchased **Dow Chemical Building (931)**, a 230,000-square-foot Class B office building located at 400 W. Sam Houston Pkwy. in the Energy Corridor (489H), from **Dow Chemical Company** (713-978-2971). The 29-year-old building is fully occupied. **Bill McDade** of **McDade, Smith, Gould, Johnston, Mason & Co.** and **Rob Neblitt** of **Newmark Night Frank** represented the buyer, while **Jeff Cutler, Craig Beyer** and **Michael Palmer** of **CBRE** represented the seller.
- **BGK Properties** (505-982-2184) purchased **Kirkwood Atrium II (907)**, a 224,000-square-foot Class B office building located at 11767 Katy Frwy. in the Energy Corridor (489A), from **KBS Realty Advisors** (949-417-6500). The 26-year-old building is 88% occupied with average rents at \$19.50 per square foot and is connected to a 707-space parking garage. **Dan Miller, Robert Williamson** and **Martin Hogan** of **HFF** represented the buyer, while the seller was represented in-house.
- **Behringer Harvard Opportunity REIT I** (866-655-3600) purchased **Westway One Office Building (2256)**, a 144,000-square-foot Class A LEED Silver-certified office building located at 11210 Equity Dr. in the Westway Business Park in northwest Houston (449H), from **Dienna Nelson Augustine Co.** (713-686-1222). The newly constructed building is 78% occupied and is situated on 9 acres. The buyer was represented in-house, while the seller was represented by **Pete Dienna** of **Dienna-Nelson-Augustine**.
- **JP Realty Partners** (972-458-7600) purchased **Nanes Professional Building (345)**, a 54,000-square-foot Class B office building located at 17030 Nanes in the FM 1960 area (332N), from **Nanes Professional Building, Ltd.** (281-586-4202). The 26-year-old building is 71% occupied with average rents at \$16.20 per square foot. **Tanner McGraw** of **Marcus & Millichap** represented both the buyer and seller.
- **GSL Industrial Properties** (713-952-7000) purchased **13000 Executive Dr. (2268)**, a 53,000-square-foot Class A office building located in Sugar Land (569J), from **Midway Cos., LTD** (713-629-5200). The 13-year-old building is fully occupied by **Bently Nevada, LLC**. **John Wilson** of **GSL Industrial Management** represented the buyer, while **Christopher D. Winters, Robert S. Parsley, and Jay Kyle** of **Colliers International** represented the seller.

- **Rahimzadeh Enterprises, LLC** (619-287-9023) purchased **7810 FM 1960 (2447)**, a 43,000-square-foot Class A office building in the Humble area (337Z), from **Jama Management, Inc.** (281-852-0000). The 12-year-old building is fully occupied. **Ross Cannizaro** of **Marcus & Millichap** represented both the buyer and seller.
- **Omran at Cinco Professional Plaza, LLC** (415-841-9290) purchased the **Cinco Professional Plaza (2226)**, a 29,000-square-foot Class A medical office building located at 2830 Commercial Center Blvd. in Katy (485T), from the **A-Team Development Company, Ltd.** The 3-year-old building is fully occupied with average rents at \$25.38 per square foot. **Chris Balat** of **Balcor Commercial, LLC** represented the buyer, while **Doug P. Morrow, Joseph B. Knauth,** and **Walker Ryan** of **Colliers International** represented the seller.
- **Dow Chemical Company** (713-978-2971) leased 280,000 square feet in **Plaza at Enclave (2408)**, a 343,000-square-foot Class A building located at 1254 Enclave Pkwy. in the Westchase area (488L), from **Core Real Estate** (713-577-1705). The building is currently under-construction and is 82% occupied with average rents at \$23.00 per square foot. **Cody Armbrister** and **Bonnie Kelley** of **CBRE** represented the landlord
- **WorleyParsons** leased 246,000 square feet at **6330 West Loop S. (11)**, a 293,000-square-foot Class B building located in the Bellaire area (531G), from **Barnhart Interests, Inc.** (713-622-0000). The 31-year-old building is fully occupied with average rents at \$19.50 per square foot. **Louis Cushman** of **Cushman & Wakefield** represented the tenant, while **Bonnie Kelley** of **CBRE** represented the landlord.
- **Sterling Bank** leased 211,000 total square feet in **Brookhollow Central II (1274) and III (1275)** from **Thomas Properties Group** (213-613-1900). **Brookhollow Central II** is a 301,000-square-foot Class A office building located at 2900 North Loop W. in northwest Houston (452S). The 28-year-old building is 98% occupied with average rents at \$14.00 per square foot. **Brookhollow Central III** is a 297,000-square-foot Class A office building located at 2950 North Loop W. in northwest Houston (452S). The 26-year-old building is 73% occupied with average rents at \$14.00 per square foot. **Thomas McKenzie** and **Bruce Fehn** of **UGL Equis** and **Mark Nicholas** of **The Staubach Co.** represented the tenant, while **Chip Colvill, Michael Anderson,** and **Win Haggard, Jr.** of **Colvill Office Properties** represented the landlord.
- **The Planet** leased 80,000 square feet at **Bayou Place Phase II (2229)** a 150,000-square-foot Class A building located at 315 Capitol St. in the Central Business District (493L), from **The Cordish Co.** (410-752-5444). The year-old building is fully occupied with average rents at \$28.00 per square foot. The owner was represented in-house by **Taylor Gray**.

O'Connorcomps

www.oconnorcomps.com

Sales Price, Property
Information & Photos

Land & Improved Property

Buyer Contact Information

Partner, Contributor and
User Level Access Available

Get your

FREE TRIAL TODAY!

Contact

Noble Ginther at

(713) 375-4243 or

nginther@poconnor.com

RETAIL CENTERS

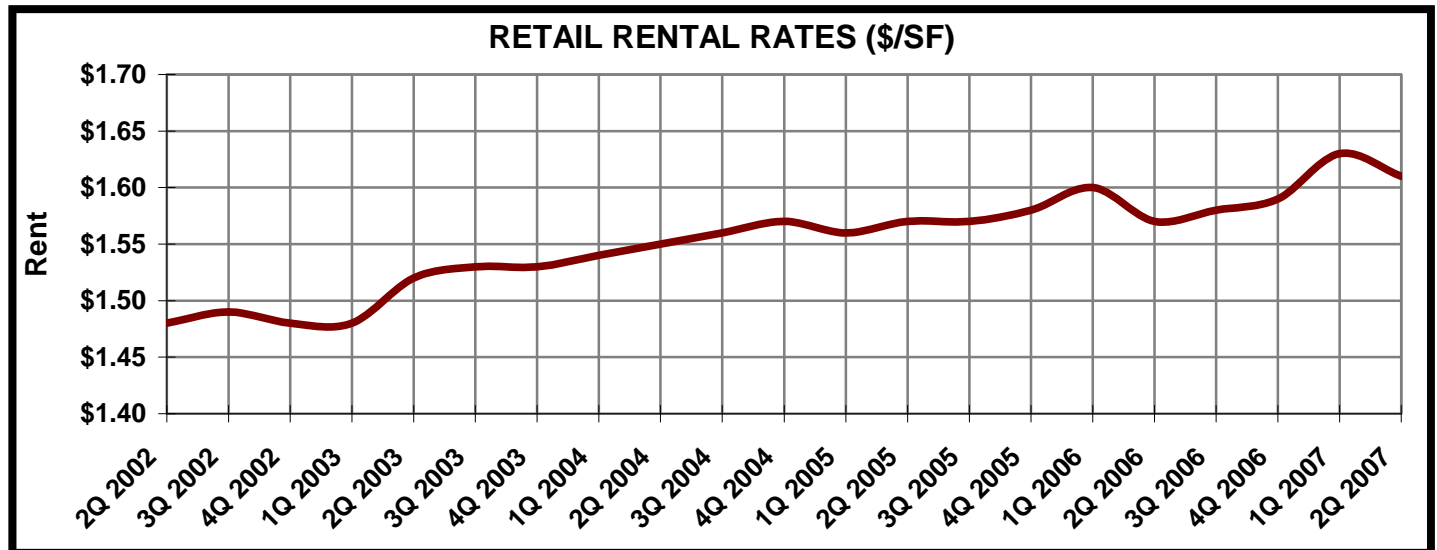
According to the **U.S. Census Bureau**, advance estimates of U.S. retail and food service sales for December 2007 were \$382.9 billion. Down a minimal 0.4% from the previous month, these sales represented a 4.1% increase over December 2006. Total sales for year-ending 2007 were up 4.9% over 2006, and at first blush indicate continued economic growth for the nation. Unfortunately, much of the increase is directly related to higher fuel costs as 2007 witnessed a 6.0% increase in Gasoline Station sales with its overall retail share increasing to 9.5%. With oil trading at record prices and the consumer confidence index declining (currently 87.9 for January 2008, down from 90.6 in December 2007), retail sales for 2008 will continue to decline as households expendable incomes are depleted, in large part, due to transportation costs.

According to the O'Connor & Associates **Fourth Quarter 2007 Houston Retail Data Program**, citywide **occupancy** for Houston area multi-tenant retail buildings is **85.35%** (Regional = 87.54%; Community = 87.37%; Neighborhood = 84.09%; Strip = 82.67%). Occupancy is down 0.06 points over the last quarter and down 0.23 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 = \$1.19). Overall rents remain the same from the last quarter, but are up \$0.02 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).*

- **Lion Gables Realty, LP** and **Urban Partners of Dallas** (214-521-0700) are developing **West Ave. (3847)**, a mixed use development that will include 180,000 square feet of retail space and 380 luxury apartment units located at the intersection of Westheimer and Kirby (492U). The project is currently under-construction and is scheduled to be delivered in summer 2009.
- **Orr Commercial** (713-468-2600) is developing **Shops at the Bay (3854)**, a 20,000-square-foot retail center located at Bay Area Blvd. and Highway 3 in the Clear Lake area (618S). Tenants of the center will include **Potbelly Sandwich Works** and **Chipotle**. **Cassie Crabtree** of Orr is handling leasing of the center.
- **Greenstreet Real Estate Partners, LP** is entering the second phase of renovations for **Copperfield Village (1214)**, a 163,000-square-foot center located at 7081 Highway 6 N. in northwest Houston (408N). The 22-year-old center, which was expanded in 2001, is 87% occupied with average rental rates at \$1.84 per square foot. Tenants in the **Randall's**-anchored center include **Ross Dress for Less**, **Radio Shack**, and **Trudy's Hallmark**.
- **Macy's** (800-289-6229) announced plans to close its **Sharpstown Mall (1938)** location as part of a chain-wide closure of nine underperforming stores. Details on when the closure will take place have not been released. **Finger Furniture Co.** (713-933-1009) has also announced plans to close its Sharpstown Mall location by the end of the first quarter 2008. Finger's is currently expanding and is closing or remodeling its older locations. Sharpstown Mall has witnessed a steep decline in occupancy and with the exit of Macy's and Finger's will register only 47% occupied.

The following chart illustrates historical retail rental rates.



- **Fountains Dunhill Investors, LLC** (214-373-7500) purchased **Fountains on the Lake (2298)**, a 598,000 square-foot center located at 12710 Southwest Frwy. in Stafford (569J), from **Kimco Realty** (516-869-9000). The 11-year-old center is 98% occupied with average rents at \$1.59 per square foot. Tenants in the center include **Bed, Bath, & Beyond**, **Borders**, **Hobby Lobby**, and **Office Max**. **Brian Ching** of Dunhill represented the buyer, while the seller was represented in-house.
- **FLF Investments** (214-520-2336) purchased **Westbury Triangle Shopping Center (2028)**, a 66,000 square-foot center located at 11320 Chimney Rock Rd. in southwest Houston (571B), from **Weingarten Realty Investors** (713-866-6000). The 43-year-old center is 79% occupied with average rents at \$0.80 per square foot. Tenants in the center include **Ace Cash Express**, **99 Cents Only Store**, and **Domino's Pizza**. **Jerry Goldstein** of **Marcus & Millichap** represented both the buyer and seller.
- **PCCP CM Four Corners, LLC** (949-717-2700) purchased **Sage Plaza (1541)**, a 19,000 square-foot center located at 2610 Sage Rd. in the Galleria area (491U), from **WGI GP**. The 31-year-old center is fully occupied with average rents at \$2.00 per square foot. Tenants in the center include **Murphy's Deli** and **D'Agostino Salon**. **John Locke** of **Chase Merritt** represented the buyer in-house, while **Dan Miller**, **Rusty Tamlyn**, and **Marty Hogan** of **HFF** represented the seller.
- **Bridgestone Firestone** leased 82,000 square feet at **Brazos Town Center (2224)**, a 1,000,000-square-foot center located at 24502 Southwest Frwy. in Rosenberg (605R), from **NewQuest Properties** (281-477-4325). The newly-constructed center is 98% occupied. Tenants of the center include **Target**, **Home Depot**, and **Hobby Lobby**. **Jonathan Moseley** and **Jake Baker** of **The Staubach Co.** represented the tenant, while **Eric Walker** of NewQuest represented the landlord.

INDUSTRIAL FACILITIES

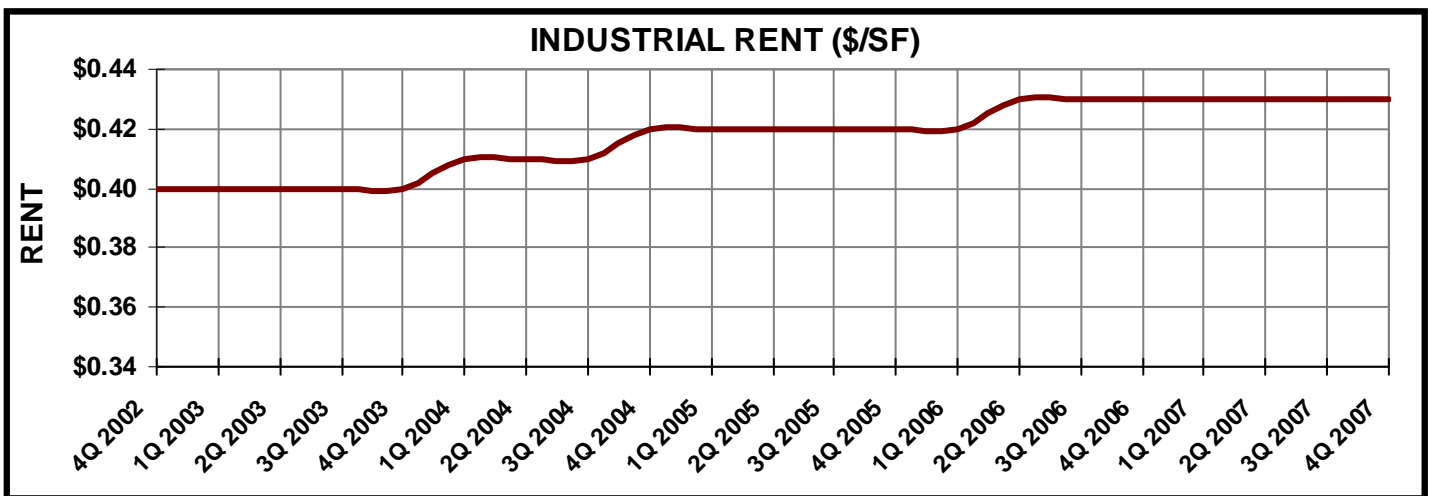
As Houston braces for the **Panama Canal** expansion, construction in the industrial market continued its fervent pace during the fourth quarter of 2007. According to O'Connor & Associates Industrial database, overall Houston has 51 facilities under-construction totaling 9,462,010 square feet, and an additional 30 facilities that are proposed, totaling 5,297,590 square feet. The Far Southeast sector lead the metro area in growth as 11 facilities totaling 3,425,706 square feet are currently under-construction and 4 facilities totaling 643,000 square feet have been proposed. Second in growth was the Far North sector, as 9 facilities totaling 1,420,588 square feet are under-construction with 16 facilities, totaling 1,909,490 square feet are proposed. With previously under-construction facilities being completed throughout the year, fourth quarter Houston industrial occupancy saw a slight decline of 1.68% from the third quarter figures, ending the year at 91.12%. This trend will continue into 2008, as speculative facilities work to lease out available space and developers continue to target Houston as a prime industrial real-estate market.

According to the O'Connor & Associates **Fourth Quarter 2007 Houston Industrial Data Program**, citywide **occupancy** for Houston area operating industrial facilities is **91.12%** (Flex = 89.43%; Bulk = 93.39%; Manufacturing = 91.62%, Service = 85.78%, Distribution = 83.79%, R&D = 96.97%). Occupancy is down 1.68 points from the last quarter and down 1.09 points over the last year. The overall monthly **rental rates** remained flat at **\$0.43 per square foot** (Flex = \$0.46; Bulk = \$0.37; Manufacturing = \$0.36, Service = \$0.57, Distribution = \$0.39, R&D = \$0.58).

Note: The industrial facilities listed herein are followed by their representative identification number as they appear in the O'Connor & Associates **IndustrialLink 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).*

- **Exel** (614-865-8500) has begun construction on **Hardy Distribution Center** at the northeast corner of the Hardy Toll Rd. and Greens Rd. in far north Houston (373K). The complex will consist of **Hardy Distribution Center Ph I (6435)**, a 248,000-square-foot warehouse building and **Hardy Distribution Center Ph II (6434)**, a 250,000-square-foot warehouse building. Construction has begun on the first building with completion slated for spring 2008. No timeline has been established for the second building.

The following chart illustrates historical industrial rental rates.



- **Joga, LLC** (713-956-6450) purchased **Excel Grocery Distribution (0668L)**, a 200,000-square-foot distribution center located at 8323 Fairbanks-White Oak in northwest Houston (410U), from **Bank of America**. The 36-year-old facility is fully occupied. **Gary Landson** of **Landco Realty Group** represented the buyer, while **David Boyd** and **R. Conrad Bernard** of **Boyd Commercial** represented the seller.
- **Beext Holdings, LLC** (832-767-4013X) purchased **Northwest Place 1 (1334A)**, an 119,000-square-foot office/warehouse facility located at 7250 West 43rd St. in northwest Houston (450H), from **Northwest Warehouse, LLC**. The 11-year-old facility, which features 24-foot clearance, is fully occupied with average rents at \$0.33 per square foot. **Karyn Stephens** and **Jeff Beard** of **J. Beard Real Estate** represented the buyer, while **Tom Lynch** of **CBRE** represented the seller.
- **TN Master Tile, LP** leased 70,000 square feet at **Bondeson Distribution Center (0595N)**, a 273,000-square-foot office/warehouse facility located at 10633 W. Little York Rd. in far northwest Houston (409U), from **DCT Industrial-Dallas** (972-982-8550). The 7-year-old facility, which features 24-foot clearance, is fully occupied with average rents at \$0.38 per square foot. **Billy Gold** of **CBRE** represented the tenant, while the landlord was represented by **Walter Menuet** and **Ryan Cropper** of **Vantage Cos.**
- **Core Laboratories LP, ProTechnics Division** leased 30,000 square feet of office space at **Core Laboratories, Inc. (0637F)**, a 30,000-square-foot service office/warehouse facility located at 6510 W. Sam Houston Pkwy. N. in the near northwest area (409Y), from **DCT Industrial-Dallas** (972-982-8550). The 7-year-old facility is fully occupied by Core Laboratories. **Mike Townsend** of **Moody Rambin** represented the tenant, while the landlord was represented by **Walter Menuet** and **Ryan Cropper** of **Vantage Cos.**
- **Medrecon, Ltd.** leased 26,000 square feet of office space at **Beltway 8 Business Park I Bldg. 2 (3824L)**, a 26,000-square-foot service office/warehouse facility located at 10114 W. Sam Houston Pkwy. S. in the far southwest Houston (529U), from **DCT Bondesen Beltway 8 Rittmann, LP** (972-982-8550). The 8-year-old facility is fully occupied by Medrecon with average rents at \$0.92 per square foot. **Louie Crapitto** of **The Staubach Company** represented the tenant, while the landlord was represented by **Walter Menuet** and **Ryan Cropper** of **Vantage Cos.**

RetailLink

www.oconnordata.com

Unlimited FREE Basic Searches

**More Comprehensive &
Accurate**

**More than 3,000 Properties
to Search**

Get your
FREE TRIAL TODAY!

Contact
Heather Wiesner at
(713) 375-4262 or
hwiesner@poconnor.com

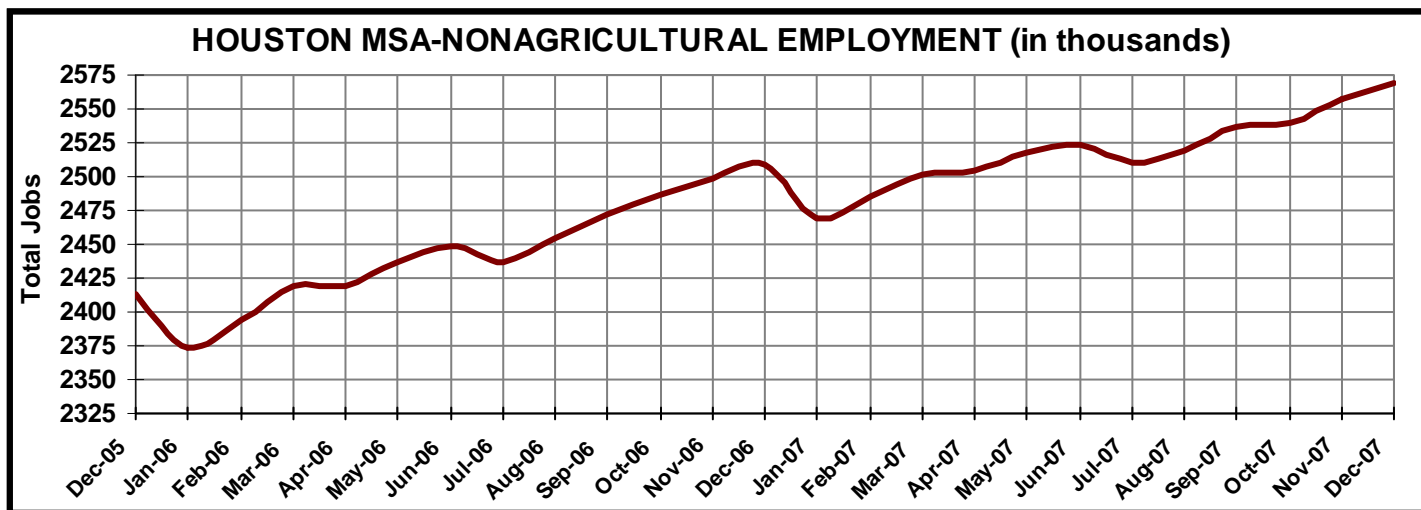
VACANT LAND

- **Trademark Property Co.** (817-870-1122) purchased 825 acres of land near Highway 290 between Kickapoo Rd. and Kermier Rd. in northwest Houston (283L) from **McAlister Co. Investment Real Estate**. The company plans to develop a master-planned project with 500 acres containing between 1,000 to 1,500 single-family and multifamily units and 300 acres of commercial space. **Nick Hernandez** of **Page Realty Partners Ltd.** and **Bryan Dunson** of **Stroll Properties** represented the seller, while the buyer was self-represented.
- **Parke Patterson Land Development** (281-313-0996) is under contract to purchase 400 acres of land along W. Lake Houston Pkwy. near Beltway 8 along Lake Houston in northeast Houston (377T) from **760 W. Lake Houston Parkway**. The company plans to develop townhomes, up to 15 acres of retail, and single-family homes. **David Crawford** of **Yancey Hausman & Associates, Inc.** represented the buyer, while the seller was self-represented.
- **Memorial Hermann Hospital System** (713-448-5555) purchased 13 acres of land at Highway 288 and Broadway in Pearland (613J) from **Reserve at Shadow Creek, Ltd.** The site, which is adjacent to the **Memorial Hermann Imaging Center-Pearland**, will be used for future expansion. The buyer was represented in-house by **Jerry Mueck**, while the seller was represented in-house.
- **Lasco** (713-961-0280) purchased 9 acres of land near the intersection of Richmond Ave. and Post Oak Blvd. in the Galleria area (491Y), from **Rich Oak Properties, LLC**. The buyer was self-represented, while **Simmi Jaggi** of **CBRE** represented the seller.
- **Bearotti, Ltd.** purchased 6 acres of land in **Walker Commons** at Walker Rd. and Texas 96 in League City, from **LC Partners, LP**. **Karen Keating** of **Martha Turner Properties** represented the buyer, while **Kelley Parker, John Littman, Frank Stanley, and Jon Farris** of **Cushman & Wakefield** represented the seller.
- **Orr Commercial, Inc.** (713-468-2600) purchased 5 acres of land at Heights Blvd. in the Heights (493E) from **Marnitz & Associates** and **Harvie Boulevard Investments**. The company plans to build a five-level mixed-use development on the site. **Heights Village** will consist of 100,000 square feet of retail space topped with 200 to 300 apartment units and a parking garage for 1,100 cars. Construction is expected to begin in the fall of 2008 with completion scheduled for 2010. The buyer and seller were both represented in-house.
- **TBLRJ GP, LLC** (281-364-0539) purchased 1.3 acres of land located at 780 Westridge Rd. in The Woodlands (252W), from **The Woodlands Land Development Co., LP**. The company plans to expand **Optimum Computer Solutions** headquarters. The buyer was represented in house, while the **Jeff Beard** of **J. Beard Real Estate** represented the seller.

ECONOMIC & FINANCIAL NEWS

The total number of nonagricultural wage and salary jobs in the ten-county Houston area increased by 9,600 jobs to 2,568,500 in December 2007, according to the **Texas Workforce Commission**. This month's total is 59,800 jobs more than the 2,508,700 jobs at this time last year. Of nonagricultural employers, the Trade, Transportation, and Utilities sector posted the largest gain over the month at 6,900 jobs, followed by the Construction sector, with 1,700 jobs gained. Over the year, the Professional & Business Services and Construction sectors had the largest increases in employment, adding 11,900 jobs each, followed by the Mining sector, which has added 6,700 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 December 2007 were \$382.9 billion, a decrease of 0.4% from November, but up 4.1% from December 2006. Retail trade sales in December were down 0.4% from November, but were 4.3% above last year's level.

Personal income increased \$55.1 billion, or 0.5%, and Disposable Personal Income (DPI) increased \$47.5 billion, or 0.5%, in December 2007, according to the **Bureau of Economic Analysis**. Personal Consumption Expenditures (PCE) increased \$23.5 billion, or 0.2% in December 2007. Meanwhile, the **U.S. Department of Labor** reports that the seasonally adjusted Consumer Price Index (CPI) for urban consumers decreased 0.1% in December 2007 and is 4.1% higher than in December 2006.

The latest **Conference Board Survey** indicates that the **Consumer Confidence Index** decreased to 87.9 in January 2008, down 2.7 points from 90.6 in December. The index is an indicator of consumers' overall assessment of current conditions, relative to a figure of 100 in 1985, the base year. The **Index of Leading Economic Indicators** decreased 0.2% in December to 136.5. The index is an indicator of direction the economy is expected to take in coming months, relative to a figure of 100 in 1996, the base year.

According to the **Federal Reserve**, industrial production was unchanged in December and is up 1.5% over the December 2006 level. Output in the manufacturing sector also was unchanged in December; output of utilities decreased 0.2% over the month, while output at mines rose 0.1%. The rate of industrial capacity utilization was 81.4% in December, which represents a 0.2-point increase from the previous month's level, and is 1.8 points higher compared to the previous year's level.

Freddie Mac reports that the **30-year fixed-rate mortgage (FRM)** averaged 6.10% in December 2007, which

is 0.11 points down from November and down 0.04 points from one year ago. The average for the **15-year FRM** averaged 5.75% in December 2007, which is down 0.10 points from last month and down 0.13 points from December 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 0.6% in the fourth quarter of 2007, down from the 4.9% growth rate recorded in the third quarter of 2007. The increase in GDP in the fourth quarter primarily reflected positive contributions from personal consumption expenditures (PCE), nonresidential structures, state and local government spending, exports, and equipment and software.

The **U.S. Department of Commerce** reports that construction spending during December 2007 was estimated at a seasonally adjusted annual rate of \$1,140.2 billion, 1.1% below the revised November estimate. The current figure is 2.3% below the December 2006 estimate of \$1,167.3 billion. Private residential construction was at a seasonally adjusted annual rate of \$462.0 billion in December, 2.8% below the revised November estimate of \$475.1 billion, and 20.4% below the December 2006 estimate of \$580.7 billion.

The **Baker Hughes** count of active domestic rotary rigs stands at 1,747 during the week ending January 25, 2008. The current rig count is up 2.8% from last year's figure of 1,699 rigs. The rotary rig count is a census of the number of drilling rigs actually exploring for or developing oil or natural gas in the United States.

The **National Restaurant Association's Restaurant Performance Index (RPI)** fell 0.3% in December to 98.7. The index is a monthly composite index that tracks the health and outlook for the U.S. restaurant industry. This is the index's lowest level since February 2003.

POTPOURRI

According to the monthly **Monster Worldwide, Inc.** employment index, online job demand posted a 10-point decline in the month of December. Of 21 occupational categories, 18 posted an increase over the month, while 3 declined. Life, Physical, and Social Science occupations posted the largest monthly gain of any category in online job opportunities over the month of December.

According to the December 2007 **Architecture Billings Index**, developed by the **American Institute of Architects**, demand for non-residential construction continues to rise. Following a rebound in November, December reported an index of 55.4 (any score above 50 indicates an increase in billings), up from the 55.3 mark in November.

Four Houston area companies made **Fortune's "100 Best Companies to Work For"** list. The **Methodist Hospital System, David Weekley Homes, LP, Camden Property Trust, and EOG Resources** all made the list for their various benefits and programs offered to their employees.

RM Crowe is closing its **Marriott Houston West Loop** to undergo a \$15 million renovation. The hotel will redesign its rooms, lobby, meeting rooms, exercise facility, restaurant, and lounge area. **Marriott International, Inc.** will take over management of the hotel and the property improvement plan will be phased in.

Memorial Hermann The Woodlands Hospital and **Tomball Regional Medical Center** are planning a new emergency center in The Woodlands located in **The Shops at Terramont II**. The 11,000-square-foot facility will feature a 24-hour, full-service emergency center and physicians and staff with specialties in emergency medicine. Construction is scheduled to begin soon, with completion in September 2008.

AutoNation, Inc. has broken ground on **Champion Acura**, a new 36,000-square-foot sales and service facility located at Interstate 45 and Butler Rd. in League City. The new facility will feature space for four display vehicles, an accessory store, customer lounge, and coffee bar. Also offered will be 22 service bays. Construction is expected to be complete in September.

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

Market Research Consulting

Market Segmentation Studies

Target Market Studies

Customer Studies & Surveys

AND MORE!

www.poconnor.com

For More Information
Contact:

Pamela Minich at
(713) 375-4082 or
pminich@poconnor.com