



www.poconnor.com



Houston Real Estate Trends

Office • Retail • Apartment • Industrial

Edited by Kathryn Koepke

\$199 per year

Volume 23 Number 4

June 2008

APARTMENTS

According to www.oconnordata.com, First Quarter 2008 O'Connor & Associates data indicates that Greater Houston apartment market occupancy has continued to decline (1.56 points) since last quarter and overall rents continue to steadily increase with current per square foot rates up 2.4% from first quarter 2007 (\$0.837) to first quarter 2008 (\$0.853). All classes have enjoyed steady rate increases as Class A is up 2.6% from \$1.107 to \$1.129, Class B is up 1.7% from \$0.814 to \$0.825, Class C is up 1.6% from \$0.692 to \$0.702, and Class D is up 1.9% from \$0.600 to \$0.609. 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.

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).*

- **The Hanover Company** (713-267-2100) is planning **BLVD Place (18120)**, a 236-unit Class A complex located on Post Oak Blvd. at the intersection of Post Oak and San Felipe in the Galleria area (491A). Construction is scheduled to start second quarter 2008 with completion estimated for mid 2011.
- **Blazer Residential** (713-265-4300) is planning the **Providence Town Square (18225)**, a 264-unit Class A tax credit senior housing complex located at 3801 Center St. in Deer Park (538T). Construction is to begin this fall.

Table of Contents:

Apartments.....	1
Single-Family Housing	3
Permit Issuance.....	5
Office Buildings	6
Retail Centers.....	8
Industrial Facilities.....	10
Vacant Land	12
Economic & Financial News	13
Potpourri.....	15

www.oconnordata.com

ApartmentLink

More Owner Contact Information

More User-Friendly

More Comprehensive & Accurate

More Affordable!

- **Formation Development Group** (770-777-9898) is developing the **Sienna at Cinco Ranch (18226)**, a 158-unit Class A complex located at 24001 Cinco Village Center in Katy (485T). There will be 126 independent living apartments and 32 assisted living units. Rents will start at \$2,795 for independent living and \$3,995 for assisted living. Construction began in May 2008 with completion estimated for third quarter 2009.

The following chart illustrates historical apartment rental rates.



- **Archstone-Smith** (303-708-5959) purchased **The Lofts at the Ballpark (4421)**, a 375-unit Class A complex located at 610 Saint Emanuel St. near **Minute Maid Park** (493R), from **Sentinel Real Estate Corporation** (212-408-5000). The 6-year-old complex is 95% occupied with average rents at \$1.31 per square foot. **Archstone-Smith** was represented in-house, while **David Oelfke, Dave Wylie** and **Matthew Rotan** of **Apartment Realty Advisors** represented the seller.
- **Francis Property Investments & Mgmt.** (310-556-2274) purchased **Harbor Cove (1371)**, a 300-unit Class A complex located at 4630 Magnolia Cove Dr. in Kingwood (337G), from **Midway Development** and **Chancellor Properties** (713-629-5200). The 7-year-old complex is 93% occupied with average rents at \$0.91 per square foot. **David Joachim** of **International Realty Concepts, Inc.** represented the buyer, while **David Mitchell** and **Matthew Rotan** of **Apartment Realty Advisors** represented the seller.
- **BJS Assets at Pecan Place, LLC** (713-592-8954) purchased **Pecan Place (3802)**, a 252-unit Class C complex located at 2001 Jenkins in Pasadena (537J), from **Graywood Holdings** (281-422-9436). The 29-year-old complex is 98% occupied with average rents at \$0.57 per square foot. **Brandon Brown** of **LMI Capital** negotiated the \$5,400,000 mortgage for the buyer.
- **BT Cypress Holdings, LLC** (281-334-4095) purchased **Cypress Bend (2919)**, a 180-unit Class C complex located at 3400 Shady Hill Dr. in Baytown (500R), from **Baytown Cypress Bend, LLC** (713-729-4110). The 32-year-old complex is 64% occupied with average rents at \$0.60 per square foot. The property is currently undergoing renovations. **Brandon Brown** of **LMI Capital** negotiated the \$3,685,000 mortgage for the buyer.

SINGLE-FAMILY HOUSING

MLS home sales decreased in May, as 4,828 used homes were sold according to the **Houston Association of Realtors (HAR)**. Sales for May 2008 were down 15.6% from May 2007. The median price of a used single-family home sold in May was \$155,000, which is unchanged from one year earlier, while the average home price was \$214,732, which was up 0.6% from the May 2007 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 4% in April to 1,736 from 1,811 in March, are down 29% from April 2007. Realtor co-op sales represented 64% of gross sales, up 4% from April of last year. Traffic decreased 31% from last year to 22,219 in April 2008. The inventory of completed speculative homes (1,860) is down 19% from last year. There are 2,279 spec homes under construction, which is down 43% from April 2007. Overall, the 4,139 specs (both completed and under construction) are down 34% from April 2007. *Note: the 24 homebuilders in this survey account for approximately 65% of housing starts in Houston.*

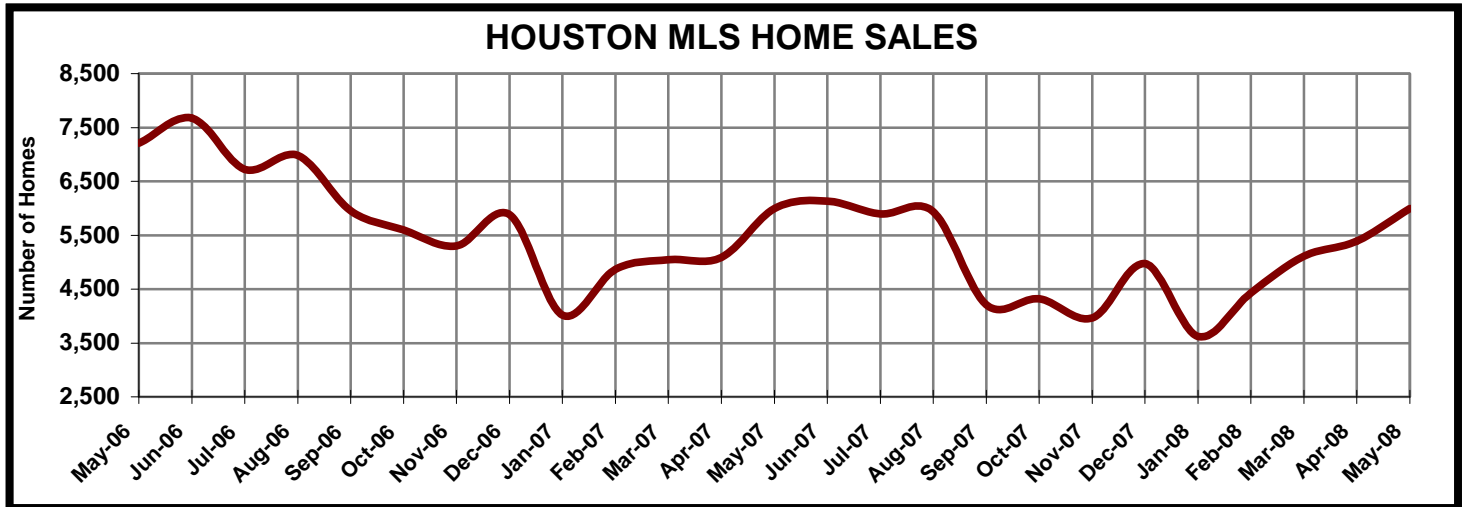
Nationwide sales of new single-family homes increased in May to a seasonally adjusted annual rate of 512,000, 2.5% below the revised April sales rate of 525,000 and 40.3% below the May 2007 figure, according to a release by the **U.S. Department of Commerce**. The median sales price in May was \$231,000. Privately owned housing starts were at a seasonally adjusted annual rate of 969,000 in May 2008, which is 1.3% below the revised April estimate, and 36.3% below the revised May 2007 rate. Privately owned housing completions were at a seasonally adjusted annual rate of 1,132,000 in May, 3.3% below the revised April figure and 26.9% below the revised May 2007 figure.

The **National Association of Home Builders/Wells Fargo Housing Market Index**, a monthly measure of builder confidence, decreased to 18 in May, 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 17, the index measuring sales expectations for the coming six months also remained unchanged at 28, while the index measuring the traffic of prospective buyers fell to 17.

According to the **National Association of Realtors (NAR)**, 4,990,000 existing homes were sold in May 2008, up 2.0% from April sales, but down 15.9% from the 5,930,000 homes sold in May 2007. The median sale price was \$208,600, which represents a 6.3% decrease from sale prices last year.

According to the most recent report by **RealtyTrac**, 261,255 foreclosure filings — default notices, auction sale notices, and bank repossessions — were reported during the month of May. This figure is up 7% from April and up 48% from May 2007. Texas remains among the nation's 21 highest states in total foreclosure filings in May 2008.

The following chart illustrates historical used home sales.



Source: Houston Association of Realtors

- **Land Tejas Companies** (713-783-6702) is scheduled to break ground on **Discovery at Spring Trails**, Houston's first solar-powered residential community consisting of nearly 3,000 homes. The project is located on Riley Fuzzel Rd. near the Hardy Toll Rd. in Spring (293E). Homes will range in priced from the \$170,000's to the \$400,000's. Construction is scheduled to begin this summer.
- **Ashton Woods Homes** (281-561-7773) is developing **Treeline**, a residential community consisting of 322 single-family homes. The project is located just north of Spring-Cypress Rd. and N. Eldridge Pkwy. in Tomball at the site of the former Treeline Golf Club (328M). Homes will range in size from 2,592 to 4,680 square feet and will range in priced from the \$250,000s to the \$480,000s.
- **Coventry Homes of Houston** (713-952-6767) is developing **The Villas at Kings Harbor**, a residential project located in Kings Harbor Waterfront Village in Kingwood (337G). Plans call for the construction of 42 townhomes consisting of one-, two- and three-bedrooms with prices starting at \$325,000. Construction is currently underway.
- **Hahnfeld Witmer Davis** (713-840-1001) is developing **Regent Square Bownstones**, a residential project located in Kings Harbor Waterfront Village in Kingwood (337G). Plans call for the construction of 35 brownstone homes consisting of two- and three-bedroom units that will range in size from 2,450 square feet to 3,300 square feet and prices starting at \$300,000. Construction is currently underway.

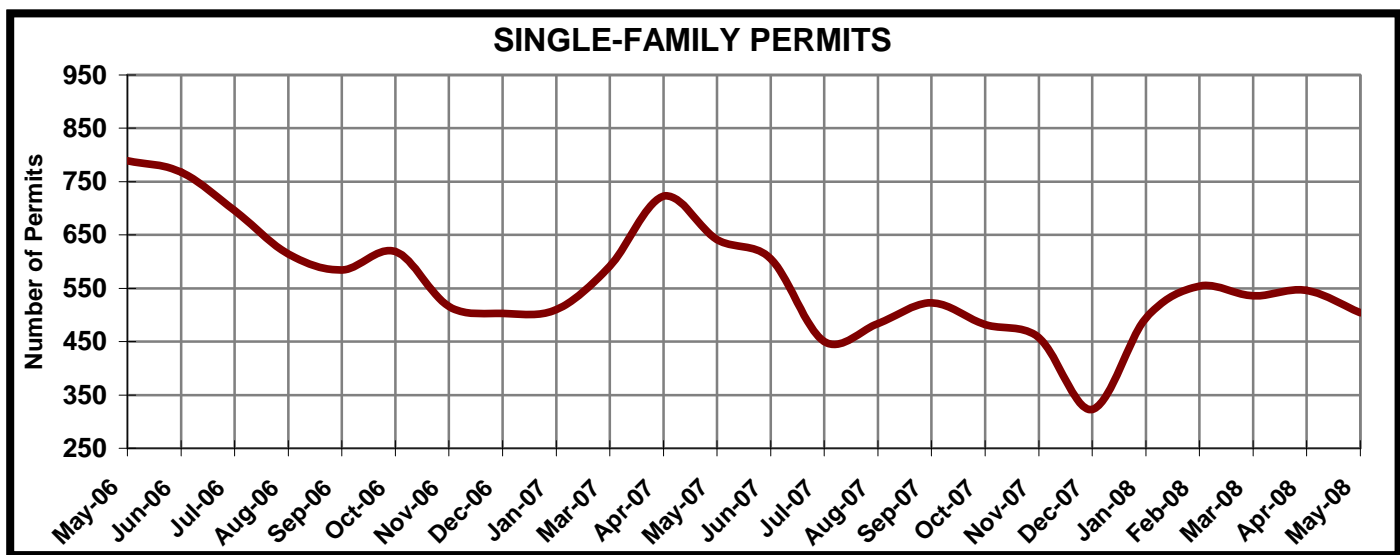
PERMIT ISSUANCE

The **City of Houston** issued permits to build 398 private single-family houses and 38 private multifamily buildings in May. Demolition permits were issued for 168 private single-family houses and 3 multifamily structures. In addition, 245 permits were issued for privately owned non-residential construction totaling \$137,526,805 and 6 permits were issued for public non-residential construction. Additions, alterations, and conversions totaled \$113,450,016 for the private sector and \$11,739,309 for the public sector.

Cost of Construction*

	2006	2007	2008
Month of May	\$401,621,847	\$429,727,897	\$416,351,441
Year-to-Date	\$1,509,531,805	\$2,185,667,233	\$2,668,781,710

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



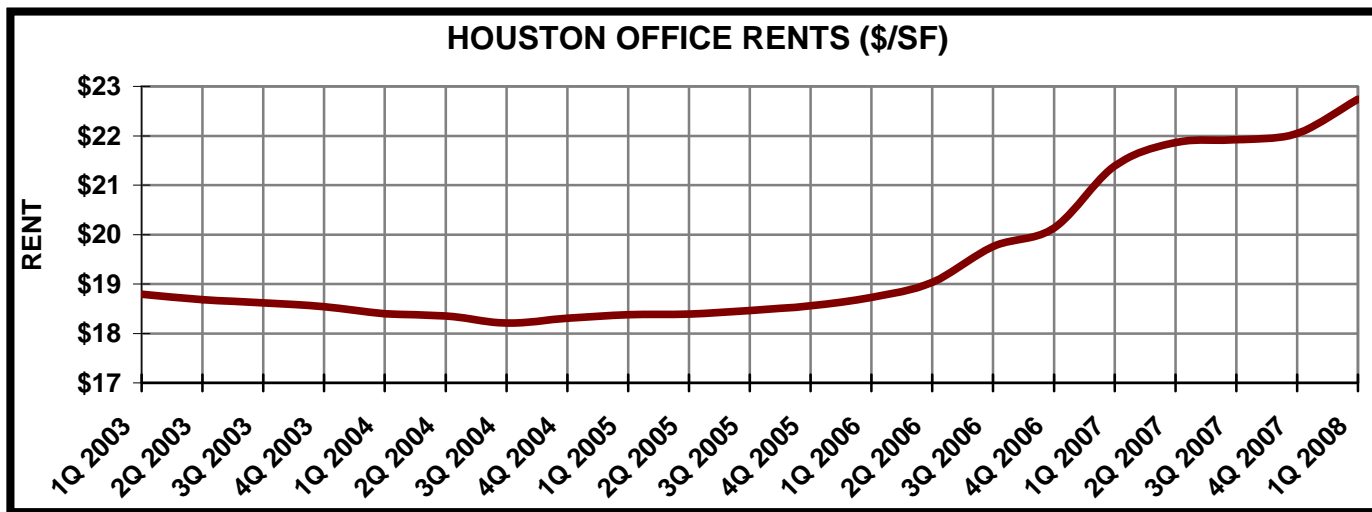
OFFICE BUILDINGS

According to the O'Connor & Associates **First Quarter 2008 Houston Office Data Program**, citywide **occupancy** for Houston area multi-tenant office buildings is **88.23%** (Class A = 92.25%; Class B = 85.70%; Class C = 83.93%; Class D = 79.46%). The citywide annual multi-tenant office **rental rate** is **\$22.74 per square foot** (Class A = \$28.04; Class B = \$19.32; Class C = \$15.00; Class D = \$12.51).

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).*

- **White Rock Commercial** (972-888-1490) is developing **West Pointe Center (2494)**, a 3-story, Class A office building with approximately 166,000-square-feet, located at northeast corner of Beltway 8 & West Rd. in northwest Houston (410E). Expected completion is fall of 2009.
- **Cadence McShane** (847-292-4300) is developing **Grand Parkway Medical Office Center (2495)**, a 3-story, Class A office building with approximately 60,000-square-feet located on Grand Pkwy. between Morton Rd. and Longmeadow Farms in Richmond (526W). Construction is expected to begin in the fourth quarter 2008 with completion estimated for the fourth quarter 2009.
- **Redstone Cos.** (713-266-1899) is preparing to raze the **Compass Bank Bldg.-Post Oak (476)**, a 7-story, Class B office building with approximately 123,000-square-feet located at 2200 Post Oak Blvd. in the Galleria area (491U). Tenants have been told their leases will be terminated effective December 1, 2008. **Redstone Cos.** has not revealed what will replace the structure.

The following chart illustrates historical office rental rates.



- **Behringer Harvard REIT I** (866-655-1605) purchased **One City Centre (82)** a 599,000-square-foot Class B office building located at 1021 Main St. in the Central Business District (493Q) from **Broadway Partners, LLC** (312-553-6116) for \$130.5 million. The 27-year-old building is 85% occupied with average rents at \$32.63 per square foot. **Robert Williamson, Jeffrey Hollinden** and **Barbara Guffey** of **HFF** represented the seller.
- **KPMG, LLP** leased 108,904 square feet at **Main Place (2296)**, a 900,000-square-foot Class A building located in the Central Business District (493L), from **Hines Interests** (713-237-5674). The

currently under construction building is 12% leased. **Dan Bellow** and **Ronnie Deyo** of **The Staubach Co.** represented the tenant, while **Stewart Robinson** and **Chrissy Wilson** of **Hines Interests** represented the landlord.

- **Fitts, Roberts & Co., P.C.** renewed and expanded their lease to 22,235 square feet at **Capital One Plaza (517)**, a 491,000-square-foot Class A building located in the Galleria area (491T), from **UBS Realty Investors, LLC** (972-458-3300). The 26-year-old building is 98% occupied with average rents at \$22.00 per square foot. **Ed Prejean** of **The Staubach Co.** represented the tenant, while **Lee Jeane** and **Cody Armbrister** of **CB Richard Ellis** represented the landlord.
- **Hogan & Hartson, LLP** leased 17,519 square feet at **Bank of America Center (106)**, a 1,256,000-square-foot Class A building located in the Central Business District (493L), from **GE Pension Trust** and **Novati Group** (203-326-2300). The 25-year-old building is 92% occupied with average rents at \$33.87 per square foot. **Kevin Hodges, Rick Rome, Nicole Miller** of **Studley, Inc.** represented the tenant, while **John Spafford** of **PM Realty Group** represented the landlord.
- **Amigo Energy** leased 12,699 square feet at **777 Post Oak Blvd. (467)**, a 175,000-square-foot Class A building located in the Galleria area (491R), from **Gateway Ridgecrest, Inc.** (713-572-9482). The 35-year-old building is fully occupied with average rents at \$23.50 per square foot. **Mary Maxey** of **CB Richard Ellis** represented the tenant, while **Cushman & Wakefield** represented the landlord.
- **Southwest Medical Examinations Services** leased 12,145 square feet at **4141 Southwest Frwy. (791)**, a 46,000-square-foot Class D building located in the Greenway Plaza area (492W), from **RA Ventures** (713-660-6664). The 40-year-old building is fully leased with average rents at \$15.00 per square foot. **Jack Berry** of **Berry/Meredith & Co.** represented the tenant, while **Dale Johnson** of **RA Ventures** represented the landlord.
- **Ensco Offshore** leased 11,899 square feet lease at **Atrium @ Park Ten (1444)**, a 139,000-square-foot Class C building located in the Park 10 area (447Y), from **KBS Realty Advisors** (949-417-6500). The 27-year-old building is 91% occupied with average rents at \$20.00 per square foot. **Lance McCarthy** of **CB Richard Ellis** represented the tenant, while **Doug Little** of **PM Realty Group** represented the landlord.
- **Accretive Solutions-Houston** renewed their lease of 11,332 square feet at **Millennium Tower (1937)**, a 361,000-square-foot Class A building located at 10375 Richmond Ave. in the Westchase area of Houston (489Z), from **Carolina Partners, Ltd.** (713-621-3222). The 26-year-old building is 99% occupied with average rents at \$25.50 per square foot. **Pauline Phillips Michno** represented the tenant, while **Kristen Rabel** and **Steve Rocher** of **CB Richard Ellis** represented the landlord.

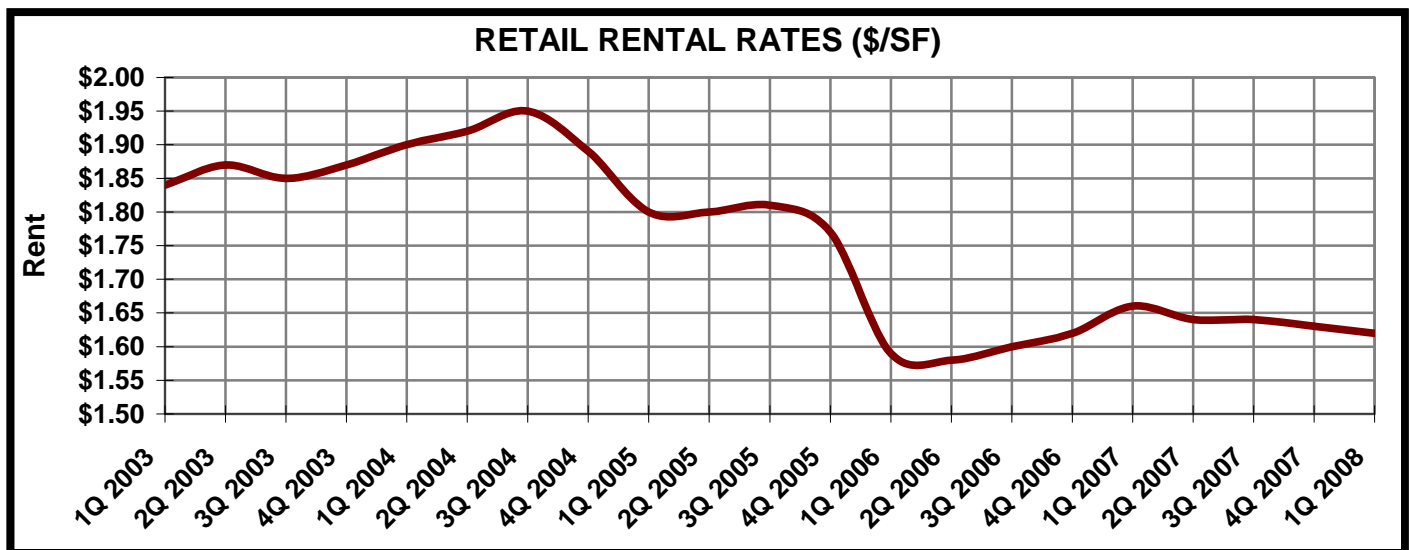
RETAIL CENTERS

According to the O'Connor & Associates **First Quarter 2008 Houston Retail Data Program**, citywide **occupancy** for Houston area multi-tenant retail buildings is 82.91% (Regional = 82.34%; Community = 85.72%; Neighborhood = 82.29%; Strip = 79.38%). Occupancy is up 0.35 points over the last quarter and up 0.06 points over the past 12 months. The citywide monthly multi-tenant retail **rental rate** is **\$1.62 per square foot** (Regional = \$2.77; Community = \$1.67; Neighborhood = \$1.23; Strip = \$1.24). Overall rents are down \$0.01 from the last quarter and \$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).*

- **Whole Foods, Inc.** (512-477-4455) is developing **Whole Foods Shopping Center - River Oaks (4025)**, a 50,000-square-foot building located on W. Dallas between Montrose and Waugh (493J). Construction dates have not been released as of yet.
- **Finger Interests** (713-221-4441) is developing **Finger Furniture - College Park Plaza (4024)**, an 80,000-square-foot building located at the intersection of I-45 North and College Park Dr. in The Woodlands (217R). Construction is expected to begin soon
- **SDI Realty, Inc.** (713-892-5200) is developing **Lowe's Home Improvement Store and Retail Center (2362)**, a retail center located at the intersection of FM 1092 and Hwy. 6 in Missouri City (609L). Construction is scheduled to begin after the old **Fort Bend Hospital** is razed.

The following chart illustrates historical retail rental rates.



- **Satterfield Helm Management** (801-572-1661) purchased **Northway Shopping Center (971)**, a 209,000-square-foot center located at 11036 Northwest Frwy. in northwest Houston (451Q), from **Weingarten Realty** (713-866-6000). The 4-year-old center is 90% occupied with average rents at \$0.79 per square foot. **George Cushing** and **Wendy Vandeventer** of **Grubb & Ellis** represented the seller in the deal.
- An entity of **SV Commercial Partners, LLC** (303-551-7750) purchased **Highland Knolls Randall's Center (1886)**, an 87,000-square-foot center located at 1525 Mason Rd. in Katy (485M), from **Regency Centers** (904-598-7000). The 10-year-old center is 97% occupied with average rents at

\$1.83 per square foot. **George Cushing** and **Wendy Vandeventer** of **Grubb & Ellis** represented the seller in the deal.

- **Hobby Lobby** leased 53,593 at **Meadows Market Place Ph. I & II (2226)**, a 237,000-square-foot center located at 6725 Fry Rd. in Katy (525B), from **Fidelis Realty Partners** (713-623-6800). The under construction center is 97% pre-leased. **Lynn Davis** of **Fidelis Realty Partners** represented the landlord, while the tenant was represented **Scott Shillings** of **Staubach Retail**.
- **Staples** leased 20,388 square feet at **Baybrook Passage (2719)**, a 180,000-square-foot center located at 19425 Gulf Frwy. in Webster (407B), from **Passage Realty, Inc.** (212-752-6164). The 3 year-old center is 98% leased. **Michael Thum** of **Woodmont Company** represented the landlord, while **Scott Shillings** and **Matt Strange** of **Staubach Retail** represented the tenant.
- **Staples** leased 20,388 square feet at **The Shops at Stone Park (3934)**, a 200,000-square-foot center located at 15635 Wallisville Rd. in northeast Houston (457V), from **Inwood Properties, LLC** (713-439-0788). The under construction center is 10% pre-leased. **Dean Lane** of **NewQuest Properties** represented the landlord, while **Scott Shillings** and **Matt Strange** of **Staubach Retail** represented the tenant.
- **Spec's Liquor** leased 20,000 at **Brazos Town Center (2224)**, a 1,000,000-square-foot center located at 24502 Southwest Frwy. in Rosenberg (605R), from **NewQuest Properties** (281-477-4300). The year-old center is 98% leased. **Eric Walker** of **NewQuest Properties** represented the landlord, while the tenant was represented **Bruce Lee** of **Commercial Real Estate Brokers**.
- **Taco Bell** leased 38,691 square foot ground lease at **Eagle Ranch Shopping Center (1392)**, a 93,000-square-foot center located at 6055 Fry Rd. in Katy (407B), from **Cencor Realty** (713-781-7111). The 3-year-old center is 90% leased. **Scott Gardner** of **Moody Rabin** represented the landlord, while the tenant was represented **Matt Reed** of **NewQuest Properties**.

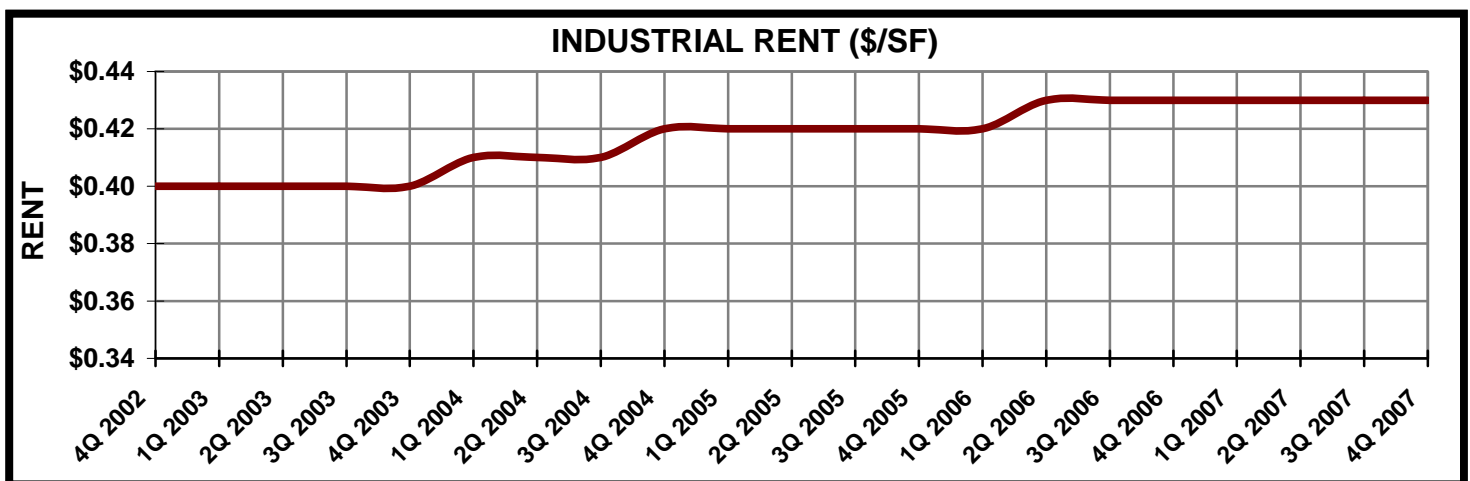
INDUSTRIAL FACILITIES

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).*

- **Mills Road, LLC** (954-428-5200) has begun construction on **Allied Power (6656)**, a 70,000-square-foot office/warehouse located at 10131 Mills Rd. the northwest Houston (369L). The facility is currently under construction with completion expected in the 4th quarter 2008.
- **Aries Freight Systems, LP** (281-821-3995) has begun construction on **Aries Freight (6657)**, a 60,000-square-foot office/warehouse building located at 1501E. Richey Rd. in north Houston (333T). The project is currently under construction with completion slated for December.
- **J Murray Land & Building, LLC** (713-465-8306) has begun construction on **Teal Construction Headquarters (6658)**, a 40,000-square-foot office/warehouse building located at the intersection of Gessner Dr. and Emmott Rd. in northwest Houston (410S). Construction is underway with completion slated for 4th quarter 2008.

The following chart illustrates historical industrial rental rates.



- **Jaymar Houston Ventures, LLC** (845-356-7747) purchased a portfolio consisting of 21 buildings totaling 509,000-square-foot from **Nelson Duffie Interests, Inc.** (713-572-2020). The portfolio includes **Emmott Business Center (6399)**, a 165,000-square-foot warehouse facility located at 8807 Emmott Rd. in northwest Houston (410T); **Four Seasons Bus. Park, Bldg. 1-3 (4960, 4961, 4962)**, a 102,000-square-foot office/warehouse facility located at 6830 Eldridge Pkwy. N. in northwest Houston (408V); **5950-6000 Berrybrook (6608)**, a 43,000-square-foot office/warehouse facility located in southeast Houston (535Z); **16623 Aldine Westfield (6609)**, a 30,000-square-foot office/warehouse

facility located in north Houston (373M); **6450 Langfield (6610)**, a 52,000-square-foot office/warehouse facility located in northwest Houston (411W); **6125 W. Sam Houston Pkwy. N. (6458)**, a 97,000-square-foot warehouse facility located in northwest Houston (409Y); and **9230 Keough Rd. (5234)**, a 20,000-square-foot office/warehouse facility located in northwest Houston (410T). The portfolio is 86% occupied. **Tom Lynch** of **CB Richard Ellis** represented the seller in the deal.

- **GSL Industrial Partners, LP** (713-952-7000) purchased **Glazier Foods Headquarters (5740)**, a 208,000-square-foot office/warehouse facility located at 11303 Antoine in northwest Houston (371P), from **Glazier Foods** (713-869-6411). The sale-leaseback of the 3 year-old facility includes a 160,000-square-foot expansion. **John Wilson, Welcome Wilson Sr.** and **Welcome Wilson Jr.** of **GSL Welcome Group, LLC** represented the buyer, while **Pat Pollan Sr.** and **Jackie Ritchie** of **Yancey-Hausman** represented the seller.
- **Testa Partners, LP** (713-477-6660) purchased **C. of Underwood & San Augustine Bldg. A & B (6290)**, a 66,000-square-foot distribution center located at 1200 Underwood in Deer Park (539N), from **1200 Underwood, LLC** (516-747-5180). The year-old park will be owner-occupied. **Gus Lagos** of **Grubb & Ellis** represented the seller in the deal.
- **Associated Global Systems** leased all of **JA Green International Cargo Center East (739)**, a 558,000-square-foot distribution center located at 3340 A-D Greens Rd. in north Houston (374P), from **AMB Institution Alliance** (415-394-9000). The 9 year-old facility is 81% occupied with average rents at \$0.63 per square foot. **Glynn Mireles** of **CB Richard Ellis** represented the tenant, while **Kyle Valentine** of **Stream Realty** represented the landlord.
- **Sunbelt Warehouse** leased 452,169 square feet at **Quitman Warehouses (215)**, a 772,000-square-foot warehouse facility located at 2300 Quitman St. in north Houston (494A), from **Hartman Management** (713-467-2222). The 88 year-old facility is 88% occupied with average rents at \$0.14 per square foot. **Andi Fleisch** of **Hartman Management** represented the landlord in the deal.
- **Saint George Trucking & Warehousing of Texas, Inc.** leased 129,000 square feet at **Bayport North Distribution Center, Ph. II (6272)**, a 773,000-square-foot facility located at 4035 Underwood in Pasadena (579E), from **Vantage Companies** (713-780-4300). The recently completed facility is 17% occupied with average rents at \$0.36 per square foot. **Walter Menuet** of **Vantage Companies** represented the landlord.
- **Willbros Construction** leased all of **Lauder Rd. Warehouse (6314)**, a 100,000-square-foot warehouse facility located at 2200 Lauder Rd. in north Houston (413D), from **GSL Investments, Inc.** (713-722-1393). The 24 year-old facility's average rents are \$0.25 per square foot. **Kelley Parker III** and **John Littman** of **Cushman & Wakefield** represented the tenant, while the landlord was represented by **David Ebro** of **GLS Investments, Inc.**
- **LQY Welded Tube, Inc.** leased 67,427 square feet at **Cedar Crossing Distribution Center (6209)**, a 130,000-square-foot facility located at 3710 Cedar Blvd. in Baytown (542B), from **Mountain West Indust. Props.** (303-843-6015). The year-old facility is 47% occupied with average rents at \$0.37 per square foot. **Sky Pulford** of **Re/MAX Memorial Town & Country** represented the tenant, while the **Walter Menuet** of **Vantage Companies** represented the landlord.

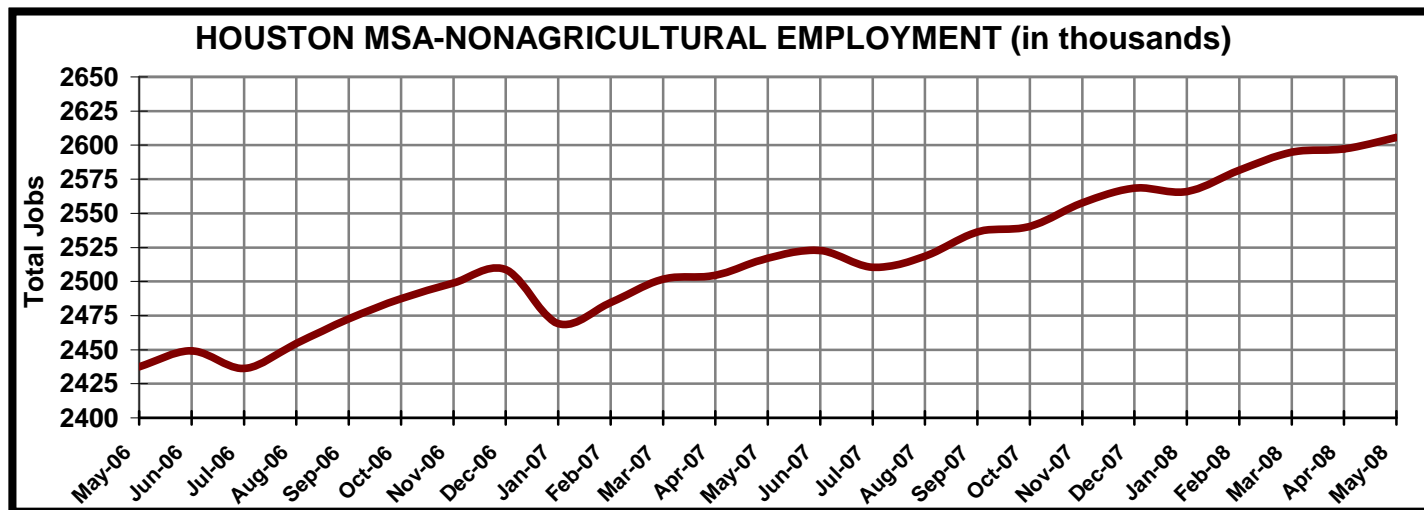
VACANT LAND

- **Villanueva Homes, Inc.** purchased 100 acres of land near FM 2090 in Montgomery County (224E) from **H. P. Coleman/Martha Utzman** (281-432-1019). **Jonathan Moctezuma** of **Houston Associates** represented the buyer in the deal, while **Carl Taylor** of **Coldwell Banker United** represented the seller.
- **Herzstein Investments, Inc.** (713-681-7868) purchased 8.5 acres of land near the intersection of Gessner Dr. and Emmott Rd. in northwest Houston (410N), from **NDI Brookhollow Partners, Ltd.** (713-572-2020). **R. Conrad Bernard** of **Boyd Commercial, LLC** represented the seller.
- **J Murray Land & Building, LLC** (713-465-8306) purchased 3.89 acres of land near the intersection of Gessner Dr. and Emmott Rd. in Harris County (410N), from **NDI Brookhollow Partners, Ltd.** (713-572-2020). **Marshall Davidson** and **Graham Horton** of **Cushman & Wakefield** represented the seller in this deal.
- **Cornerbrook Development** purchased 3.5 acres of land at 1200-1206 FM 2094 in Kemah (620W) from **MFL Partnership, Ltd.** (281-337-1618). The buyer was represented by **George Kaleh** of **Cornerbrook Development**, while the seller was represented **Scott Davis**, **Larry McWherter**, **Donna Kolius** and **Laura Smith** of **CB Richard Ellis**.

ECONOMIC & FINANCIAL NEWS

The total number of nonagricultural wage and salary jobs in the ten-county Houston area increased by 8,400 jobs to 2,605,700 in May 2008, according to the **U.S. Department of Labor**. This month's total is 58,300 jobs more than the 2,547,400 jobs at this time last year. Of nonagricultural employers, the Leisure and Hospitality sector posted the largest gain over the month at 3,700 jobs, followed by the Professional and Business Services sector, with 1,400 jobs gained. Over the year, the Trade, Transportation, and Utilities sector had the largest increase in employment, adding 11,900 jobs, followed by the Professional and Business Services sector, which has added 10,500 jobs.

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



Source: Bureau of Labor Statistics (BLS)

Advance estimates reported by the **U.S. Department of Commerce** show that seasonally adjusted national retail and food services sales for May 2008 was \$385.4 billion, an increase of 1.0% from April and up 2.5% from May 2007. Retail trade sales in May were up 1.0% from April and up 2.26% above last year's level.

Personal income increased \$225.7 billion, or 1.9%, and Disposable Personal Income (DPI) increased \$600.3 billion, or 5.7%, in May 2008, according to the **Bureau of Economic Analysis**. Personal Consumption Expenditures (PCE) increased \$77.4 billion, or 0.8% in May 2008. Meanwhile, the **U.S. Department of Labor** reports that the seasonally adjusted Consumer Price Index (CPI) for urban consumers increased 0.6% in April 2008 and is 3.9% higher than in April 2007.

The latest **Conference Board Survey** indicates that the **Consumer Confidence Index** decreased to 50.4 in June 2008, down 7.7 points from 58.1 in May. 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 0.1% in May to 102.1. The index is an indicator of direction the economy is expected to take in coming months, relative to a figure of 100 in 1996, the base year.

According to the **Federal Reserve**, industrial production decreased 0.2% in May and is down 0.1% over the May 2007 level. Output in the manufacturing sector was unchanged in May; output of utilities decreased 1.8% over the month, while output at mines rose 0.1%. The rate of industrial capacity utilization was 79.4% in May, which is 0.2% below the previous month's level, and is 1.6 points below its average for 1972-2007.

Freddie Mac reports that the **30-year fixed-rate mortgage (FRM)** averaged 6.04% in May, which is a 0.12 points increase from April, but down 0.22 points from one year ago. The average for the **15-year FRM** averaged 5.60% in May, which is an increase 0.13 points from April, but down 0.24 points from May 2007.

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 1.0% in the first quarter of 2008, up from the 0.6% growth rate recorded in the fourth quarter of 2007. The increase in GDP in the first 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 May 2008 was estimated at a seasonally adjusted annual rate of \$1,085.2 billion, 0.4% below the revised April 2008 estimate. The current figure is 6.0% below the May 2007 estimate of \$1,154.6 billion. Private residential construction was at a seasonally adjusted annual rate of \$784.2 billion in May, 0.7% below the revised April estimate of \$789.4 billion, and 9.7% below the May 2007 estimate of \$868.5 billion.

The **Baker Hughes** count of active domestic rotary rigs stands at 1,921 during the week ending July 2, 2008. The current rig count is up 8.8% from last year's figure of 1,752 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)** rose 0.2% in May to 98.6. The index is a monthly composite index that tracks the health and outlook for the U.S. restaurant industry.

POTPOURRI

According to the monthly **Monster Worldwide, Inc.** employment index, online job demand posted a three-point decrease in the month of June. Of 23 occupational categories, 6 posted an increase over the month.

According to the June 2008 **Architecture Billings Index**, developed by the **American Institute of Architects**, demand for non-residential construction slowed again in May. May reported an index of 43.4 (any score above 50 indicates an increase in billings), down from the 45.5 mark in April.

Mac Haik Realty (713-704-4000) is developing a 14-story, 216-room **Embassy Suites Hotel** at 11730 Katy Frwy. in west Houston. Construction on the hotel is expected to be completed by October 2009.

University of Texas Medical Branch, Galveston will begin construction in August on the 110,000-square-foot **League City Specialty Care Center**. It is located along I-45 just north of FM 646 and is slated to open in February 2010.

Odom Woodlands Hotel, LLC has plans to break ground this summer on a 91-room **Candlewood Suites** extended-stay hotel in The Woodlands. The site is located at the northwest corner of I-45 and St. Luke's Way, directly across from St. Luke's community Medical Center-The Woodlands.

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