



Your Key to Real Estate Services

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Houston Real Estate Trends

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APARTMENTS

According to www.oconnordata.com, **Third Quarter 2008 O'Connor & Associates data** indicates that Greater Houston apartment market occupancy has held steady (decreased only 0.25 points) since third quarter 2007 and overall rents continue to steadily increase with current per square foot rates up 1.7% from third quarter 2007 (\$0.847) to third quarter 2008 (\$0.861). All classes have enjoyed steady rate increases since third quarter 2007 as Class A is up 1.9% from \$1.133 to \$1.155, Class B is up 1.0% from \$0.820 to \$0.828, Class C is up 1.1% from \$0.696 to \$0.704, and Class D is up 1.0% from \$0.606 to \$0.612. 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).*

- **Blazer Building Co.** (713-265-4328) broke ground on the **Providence Grand Parkway (18239)**, a 205-unit Class A complex located at 22801 Franz Rd. in Katy (445T). The estimated completion date is November 2009.

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www.oconnordata.com

ApartmentLink

More Owner Contact Information

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More Affordable!

The following chart illustrates historical apartment occupancy rates.



- **Shubh Properties, Inc.** (281-565-1502) purchased **Northwood Villas (1637)**, a 325-unit Class C complex located at 5005 Aldine Mail Rte. in north Houston (414G), from **Northwood Villas, LP**. The 34-year-old complex is 91% occupied with average rents at \$0.65 per square foot. **Ric Holway of Marcus & Millichap** represented the buyer, while **Robert Su of Marcus & Millichap** represented the seller.
- **Firstval Properties 1, LTD** (254-776-4049) purchased **Kingsgate Village (3196)**, a 312-unit Class C complex located at 7298 Kingsgate Cir. in southwest Houston (530R), from **TTSF, LP** (713-777-8140). The 38-year-old complex is 50% occupied with average rents at \$0.55 per square foot.
- **Harbour Glen, LTD** (281-363-4920) purchased **The Enclave at Cornerstone (4439)**, a 232-unit Class B complex located at 15330 Bammel N. Houston in north Houston (331X), from **Texas Interfaith Housing** (713-526-6634). The 8-year-old complex is 90% occupied with average rents at \$0.78 per square foot. **First Choice Management** has been contracted to handle leasing and management of the complex.
- **Right Place Properties** (888-413-4870) purchased **Oakwood Gardens (1794)**, a 197-unit Class C complex located at 5625 Antoine in north Houston (451C), from **GFI Capital Resources Group, Inc.** (212-483-1444). The 43-year-old complex is 87% occupied with average rents at \$0.60 per square foot. **Red Door Group, Inc.** represented the buyer, while **Robert Su and Ric Holway of Marcus & Millichap** represented the seller.
- **Shannon Winter Square, LLC** purchased **Redford Square (3954)**, a 61-unit Class D complex located at 9406 Redford St. in north Houston (575H), from **La Casa Investments, Inc.** (713-523-3881). The 43-year-old complex is 98% occupied with average rents at \$0.65 per square foot. **Robert Su of Marcus & Millichap** represented the seller in the deal.

SINGLE-FAMILY HOUSING

MLS home sales had the biggest year-to-year decline in August, as 5,636 used homes were sold according to the **Houston Association of Realtors (HAR)**. Sales for August 2008 were down 20.1% from August 2007. The median price of a used single-family home sold in August was \$160,000, up 0.6% from the same time last year, while the average home price was \$223,933, which was up 4.3% from the August 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 increased 5% in August to 1,442 from 1,379 in June but down 15% from August 2007. Realtor co-op sales represented 58.0% of gross sales, down 4% from August of last year. Traffic decreased 30% from last year to 18,428 in August 2008. The inventory of completed speculative homes (1,817) is down 14% from last year. There are 2,204 spec homes under construction, which is down 16% from August 2007. Overall, the 4,021 specs (both completed and under construction) are down 15% from August 2007. *Note: the 24 homebuilders in this survey account for approximately 65% of housing starts in Houston.*

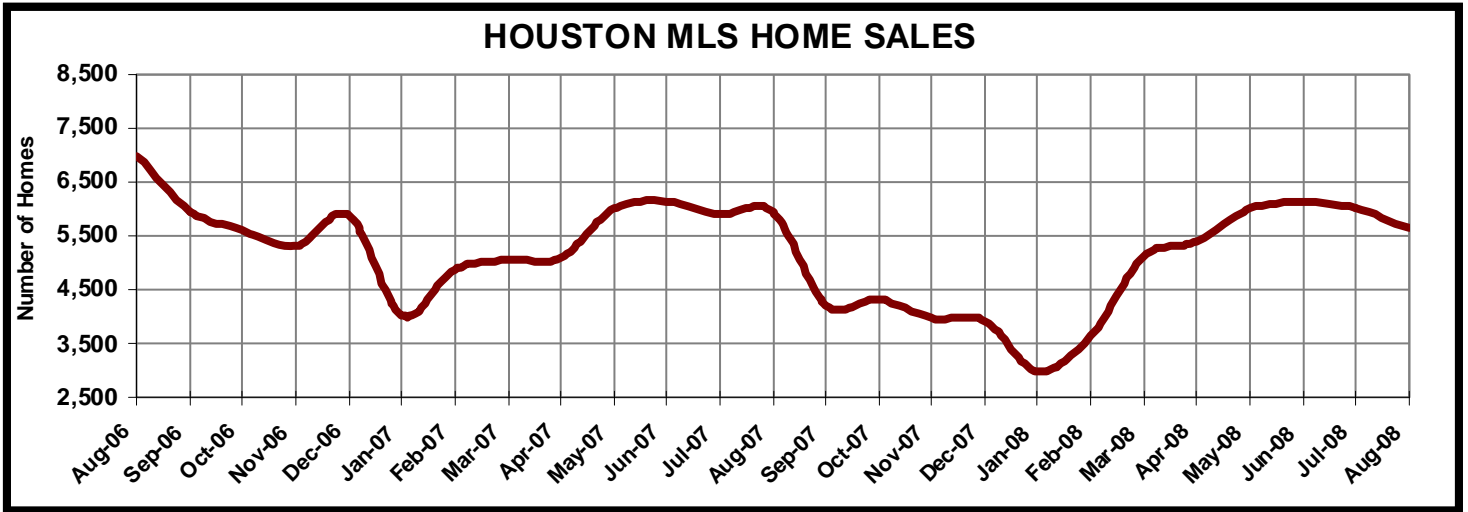
Nationwide sales of new single-family homes increased in August to a seasonally adjusted annual rate of 460,000, 11.5% below the revised July sales rate of 520,000 and 34.5% below the August 2007 figure, according to a release by the **U.S. Department of Commerce**. The median sales price in August was \$221,900. Privately owned housing starts were at a seasonally adjusted annual rate of 895,000 in August 2008, which is 6.2% below the revised July estimate, and 33.1% below the revised August 2007 rate. Privately owned housing completions were at a seasonally adjusted annual rate of 961,000 in August, 9.8% below the revised July figure and 35.8% below the revised August 2007 figure.

The **National Association of Home Builders/Wells Fargo Housing Market Index**, a monthly measure of builder confidence, rose to 18 in August, 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 rose one point to 17, the index measuring sales expectations for the coming six months had a six-point gain to 30, while the index measuring the traffic of prospective buyers rose to 14.

According to the **National Association of Realtors (NAR)**, 4,910,000 existing homes were sold in August 2008, down 2.2% from July sales and down 10.7% from the 5,500,000 homes sold in August 2007. The median sale price was \$ 203,100, which represents a 9.5% decrease from sale prices last year.

According to the most recent report by **RealtyTrac**, 303,879 foreclosure filings — default notices, auction sale notices, and bank repossessions — were reported during the month of August. This figure is up 12% from July, and up nearly 27% from August 2007. Texas remains among the nation's 20 highest states in total foreclosure filings in August 2008.

The following chart illustrates historical used home sales.



Source: Houston Association of Realtors

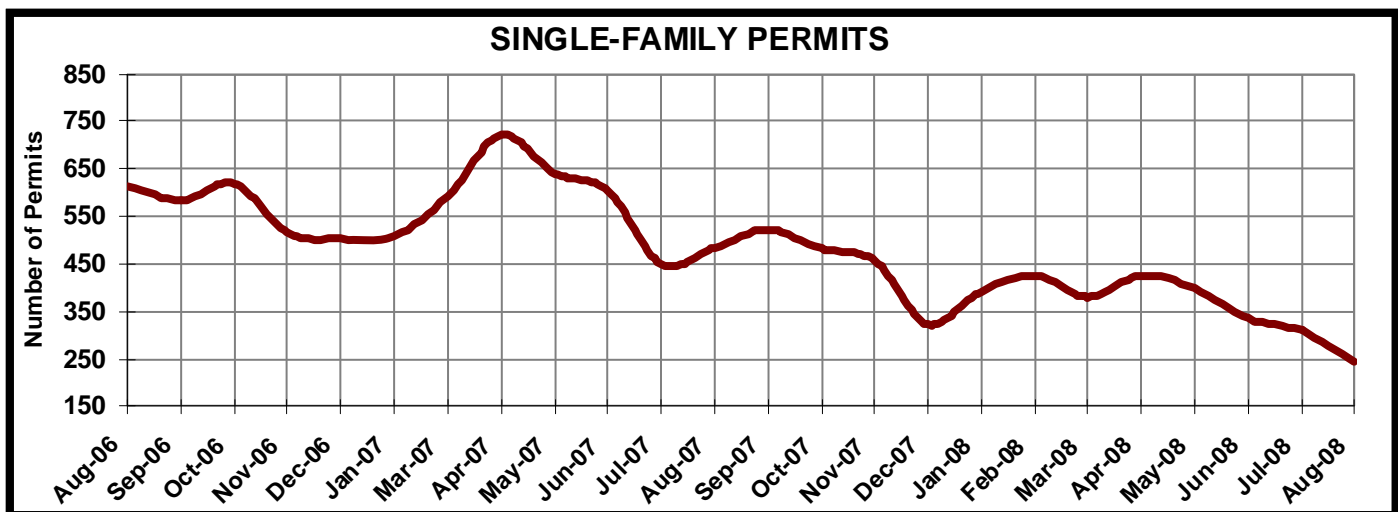
PERMIT ISSUANCE

The **City of Houston** issued permits to build 243 private single-family houses and 1 private multifamily building in August. Demolition permits were issued for 144 private single-family houses and 1 multifamily structure. In addition, 257 permits were issued for privately owned non-residential construction totaling \$94,525,712 and 31 permits were issued for public non-residential construction. Additions, alterations, and conversions totaled \$101,926,266 for the private sector and \$3,718,526 for the public sector.

Cost of Construction*

	2006	2007	2008
Month of August	\$464,276,763	\$532,981,777	\$286,445,711
Year-to-Date	\$1,973,808,568	\$3,420,890,399	\$4,078,945,505

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



OFFICE BUILDINGS

According to the O'Connor & Associates **Second Quarter 2008 Houston Office Data Program**, citywide **occupancy** for Houston area multi-tenant office buildings is **85.97%** (Class A = 90.78%; Class B = 83.05%; Class C = 80.17%; Class D = 76.83%). The citywide annual multi-tenant office **rental rate** is **\$23.37 per square foot** (Class A = \$29.11; Class B = \$19.68; Class C = \$15.00; Class D = \$12.34).

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).*

- **Sugarland Properties, Inc.** (281-242-2000) is developing **Sugar Land Town Square Bldg. H (1518)**, an office building with approximately 185,000-square-foot located at 2150 Town Square Pl. in Sugar Land (568X). Construction is underway with an estimated completion date occurring by years end.
- **Panattoni Development Co., LLC** (916-381-6171) is developing **Wortham Green (10913)**, an office building with approximately 63,000-square-foot located at 13100 Wortham Center Dr. in west Houston (368Z). Construction has begun with an estimated completion date occurring in March of 2009.

The following chart illustrates historical office occupancy rates.



- **Cole Investments** (281-280-9313) purchased a portfolio of three buildings totaling 216,000-square-foot from **KBS Realty Advisors** (949-417-6500). The buildings include **Camino Center I (181)** and **Camino Center II (180)**, located at 17625-17629 El Camino Real in southeast Houston (618U), and **Armand Plaza Office Center (Bldgs. A-D) (203)**, located at 16441 Space Center Blvd. (618L). The three 28-year-old Class C buildings have a combined 89% occupancy. **Dan Miller** of **HFF** represented the seller.
- **Lockheed Martin** leased 59,797 square feet at **Atrium @ Nassau Bay (241)**, a 119,000-square-foot Class B building located at 2100 Space Park Dr. in Clear Lake (618V), from **PM Realty Group** (281-209-5800). The 24-year-old building is 73% occupied with average rents at \$20.00 per square foot. **Derrell Curry** of **Studley Commercial** represented the tenant, while **Doug Little** of **PM Realty Group** represented the landlord.
- **J. P. Kenny** leased 53,808 square feet at **Park Ten Plaza (1461)**, a 156,000-square-foot Class A building located at 15115 Park Row in the west Houston (447Z), from **Invesco Real Estate** (972-715-7400). The 8-year-old Class A building is fully leased with average rents at \$22.51 per square foot.

Steve Hesse of **CB Richard Ellis** represented the tenant, while **Brad Fricks** of **Stream Realty** represented the landlord.

- **Fogarty Klein Monroe, Inc.** leased 39,506 square feet at **1800 West Loop S. (531)**, a 400,000-square-foot Class A building located in the Galleria area (491R), from **1800 West Loop Houston** (305-593-2222). The 26-year-old building is 95% occupied with average rents at \$27.00 per square foot. **Kevin Gardner** of **CresaPartners** represented the tenant, while **Michelle Wogan** of **Transwestern** represented the landlord.
- **Express Energy Services Operating, LP** leased 25,113 square feet at **The Phoenix Tower (804)**, a 619,000-square-foot Class A building located at 3200 Southwest Frwy. in Greenway Plaza (492X), from **FSP Franklin Street Properties** (781-246-4900). The 24-year-old building is 64% occupied with average rents at \$27.68 per square foot. **David Anderson** of **Fritsche Anderson Realty Partners** represented the tenant, while **Paula Bruns** of **Hines** represented the landlord.

RETAIL CENTERS

According to the O'Connor & Associates **Second Quarter 2008 Houston Retail Data Program**, citywide **occupancy** for Houston area multi-tenant retail buildings is 84.81% (Regional = 86.97%; Community = 87.74%; Neighborhood = 83.50%; Strip = 80.70%). Occupancy is up slightly (0.04 points) over the last quarter but down 0.13 points over the past 12 months. The citywide monthly multi-tenant retail **rental rate** is **\$1.60 per square foot** (Regional = \$2.86; Community = \$1.56; Neighborhood = \$1.20; Strip = \$1.22). Overall rents are unchanged from the last quarter but 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).*

- **NewQuest Properties** (281-477-4300) is developing the **Kroger @ Brazos Town Center (14742)**, a 123,000-square-foot retail center located at 24502 Southwest Frwy. in Rosenberg (605R). The proposed retail center will be owner occupied.

The following chart illustrates historical retail occupancy rates.



- **JC Penney Company, Inc.** leased 104,000 square feet at **Conroe Marketplace (868)**, a 380,000-square-foot center located at 2804 I-45 in Conroe (157L), from **Kimco Realty Houston** (832-242-6913). The 2-year-old center is 91% occupied. The tenant was represented in-house, while **Sarah Ellis** of **Kimco Realty Houston** represented the landlord.
- **JC Penney Company, Inc.** leased 105,000 square feet at **Victory Lakes Town Center (3509)**, a 383,000-square-foot center located at 1820 FM 646 in League City (699A), from **NewQuest Properties** (281-477-4300). The newly constructed center is 82% occupied. The tenant was represented in-house, while **Heather Nguyen** of **NewQuest Properties** represented the landlord.

INDUSTRIAL FACILITIES

According to the O'Connor & Associates **Second Quarter 2008 Houston Industrial Data Program**, citywide **occupancy** for Houston area operating industrial facilities is **89.83%** (Flex = 89.71%; Bulk = 91.21%; Manufacturing = 92.03%, Service = 84.36%, Distribution = 78.02%, R&D = 95.41%). Occupancy is down 0.37 points from the last quarter and down 0.95 points over the last year. The overall monthly **rental rates** increased slightly to **\$0.46 per square foot** (Flex = \$0.47; Bulk = \$0.39; Manufacturing = \$0.39, Service = \$0.57, Distribution = \$0.42, R&D = \$0.76).

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).*

The following chart illustrates historical industrial occupancy rates.



- **Harris County Emergency Services** (281-449-3131) purchased **VDG Interbelt (6310)**, a 49,000-square-foot facility located at 2800 Aldine Bender in north Houston (374M), from **Verde Construction Management** (713-467-0066). The year-old-facility will be owner occupied. **Andrew Sowell** of **Boyd Commercial** represented the buyer in the deal.
- **Lawndale Property** (845-356-0204) purchased **Loop 610 East Business Park (1856)**, an 120,000-square-foot office/warehouse facility in east Houston (535G), from **Loop 610 Business Park I** (713-522-4242). The 29-year-old-facility is 85% occupied. **Henry Hagendorf** of **Sperry Van Ness** represented the buyer, while the seller was represented in-house.
- **General Investment & Development Cos.** (617-973-9680) purchased **Bammel Business Park Bldg. 6 & 7 (26343)**, a 110,000-square-foot facility located at 4702-4802 N. Sam Houston Pkwy. W. in north Houston (371S), from **First Industrial Realty Trust** (713-681-0885). The newly constructed-facility is vacant. The buyer was represented in-house, while **Michael Parker** of **HFF** represented the seller in the deal.
- **RuhRPumpen, Inc.** (918-627-8400) purchased **10010 Gulf Frwy. (2014)**, a 30,000-square-foot warehouse facility located in southeast Houston (575D), from **PEJ Real Estate Interests, LP** (713-944-9852). The 31-year-old-facility is fully leased. The buyer was represented **Rob Stillwell** and **Jay**

Jenckes of **Grubb & Ellis**, while **B. Kelley Parker, III**, **John F. Littman**, **Coe Parker** and **Jon Farris** of **Cushman & Wakefield** represented the seller.

- **Delta Petroleum Company, Inc.** leased 129,000 square feet at **10521 Sheldon Rd. (1052)**, a 204,000-square-foot manufacturing facility located in northeast Houston (418T), from **Beitler Commercial** (310-820-2955). The 28-year-old facility is fully leased. **Ryan Fuselier** of **Jones Lang LaSalle** represented the buyer, while **B. Kelley Parker, III** of **Cushman & Wakefield** represented the landlord in the deal.
- **NGI Electronics, LLC** leased **7230 Empire Central (6503)**, a single-tenant 34,000-square-foot research & development facility located in northwest Houston (410N), from **Americo Real Estate** (214-521-5310). **Stephen Kuper** of **NAI Houston** represented both the tenant and the landlord in this deal.
- **Jack's Carpet, Inc.** leased 29,306 square feet at **Griggs Rd. 1 & 2 (2529)**, a 225,000-square-foot warehouse located at 5990 Griggs Rd. in south Houston (534K), from **Cobalt Capital Partners** (972-893-7000). The 43-year-old facility is 86% occupied. **Jon Michael** of **NAI Houston** represented the landlord in this deal.
- **Eurolaminates, LP** leased 27,660 square feet at **N. Shepherd Business Park (5385)**, a 142,000-square-foot service center located at 7801 N. Shepherd Dr. in northwest Houston (412V), from **Cobalt Capital Partners** (972-893-7000). The 23-year-old facility is 55% occupied. **Jon Michael** of **NAI Houston** represented the landlord in the deal.
- **Gulf Coast Community Services Association** leased 24,084 square feet at **University Business Park (5739)**, a 600,000-square-foot manufacturing facility located at 5000 Gulf Frwy. in south Houston (534B), from **Urban Meridian Group, Inc.** (713-869-4815). The 56-year-old facility is 83% occupied. **Brian Mitchell** of **Jackson Cooksey** represented the buyer, while **Frank Stanley** of **Cushman & Wakefield** represented the landlord in the deal.
- **Sep Pro Systems** leased 14,100 square feet at **11050 W. Little York, Bldg. L (6426)**, a 20,200-square-foot warehouse facility located at northwest Houston (409U), from **Four Seasons Business Park, Inc.** (713-466-7077). The under construction facility is 70% pre-leased. **Dylan Schopper** of **Caldwell Companies** represented the tenant, while the landlord was represented in-house.

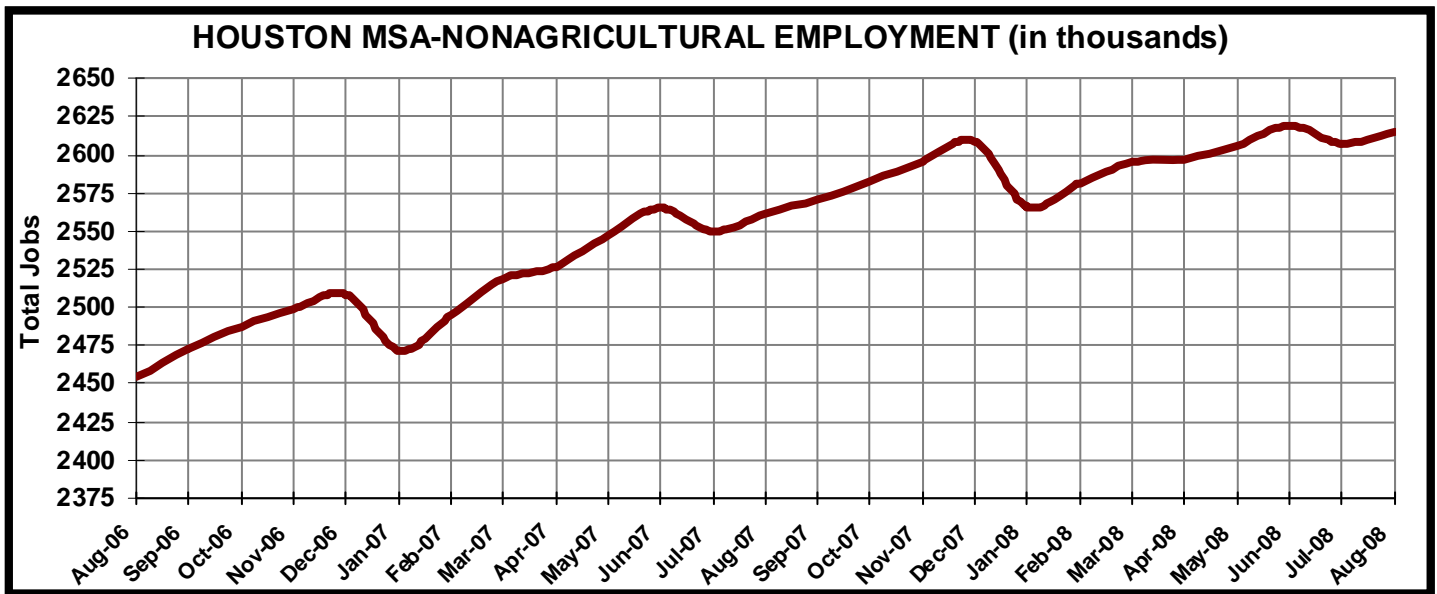
VACANT LAND

- **Notsuoh Development Corp.** (713-784-7770) purchased 49.37 acres of land on Fairmont Pkwy. east of Underwood Rd. in southeast Houston (579F) from **NDI Fairmont Parkway Parnters, Ltd.** (713-752-2020). **B. Kelley Parker, III, John F. Littman** and **Coe Parker** of **Cushman & Wakefield** represented the seller, while **Lane F. Guinn** of **JLM Commercial Advisors, Inc.** represented the buyer.
- **Texas Land Fund No. 6, LP** (713-535-2200) purchased 21.25 acres of land at the intersection of Hwy. 105 and FM 2854 in Montgomery County (123U) from **Janis Tomlinson. Travis Land** of **NAI Houston** represented the seller, while **Chris Hutcheson** of **McAlister Co.** represented the buyer.
- **Reid & Gina McMillian** purchased 13.13 acres of land at the intersection of Beckendorff and Pitts Rd. in Katy (404X), from **Craig Baker. Darren O’Conor** and **John Clark** of **NAI Houston** represented the seller, while **Charly Alksne** of **Keller Williams Realty** represented the buyer.
- **Texas Land Fund No. 6, LP** (713-535-2200) purchased 10.8 acres of land at the intersection of Hwy. 105 and FM 2854 in Montgomery County (123U) from **Geral W. & Susan Faus. Travis Land** of **NAI Houston** represented the seller, while **Chris Hutcheson** of **McAlister Co.** represented the buyer.
- **Moondream 2, Ltd.** (713-223-1900) purchased 6.73 acres of land at 8935-8945 Solon Rd. in southwest Houston (369R) from **Colliers Family Trust. Keith Edwards** of **Caldwell Companies** represented both the seller and the buyer in the deal.

ECONOMIC & FINANCIAL NEWS

The total number of nonagricultural wage and salary jobs in the ten-county Houston area increased by 7,600 jobs to 2,615,000 in August 2008, according to the **U.S. Department of Labor**. This month's total is 53,400 jobs more than the 2,561,600 jobs at this time last year. Of nonagricultural employers, the Trade, Transportation, and Utilities sector posted the largest gain over the month at 1,600 jobs, followed by the Professional and Business Services sector, with 900 jobs gained. Over the year, the Trade, Transportation, and Utilities sector had the largest increase in employment, adding 7,900 jobs, followed by the Professional and Business sector, which added 7,500 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 August 2008 were \$381.2 billion, a decrease of 0.3% from July, but up 1.6% from August 2007. Retail trade sales in August were down 0.3% from July, but were 1.3% above last year's level.

Personal income decreased \$61.5 billion, or 0.5%, and Disposable Personal Income (DPI) decreased \$93.3 billion, or 0.9%, in August 2008, according to the **Bureau of Economic Analysis**. Personal Consumption Expenditures (PCE) increased \$3.9 billion or less than 0.1% in August 2008. Meanwhile, the **U.S. Department of Labor** reports that the seasonally adjusted Consumer Price Index (CPI) for urban consumers decreased 0.4% in August 2008 but is 5.4% higher than in August 2007.

The latest **Conference Board Survey** indicates that the **Consumer Confidence Index** increased to 59.8 in September 2008, up 1.3 points from 58.5 in August. 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 0.5% in August. 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 1.1% in August 2008 from July 2008 and is down 1.5% over the August 2007 level. Output in the manufacturing sector decreased 0.3% in August; output of utilities decreased 3.2% over the month and output at mines decrease 0.4%. The rate of industrial capacity utilization was 78.7% in August, which is a 2.3 point decrease in the previous month's level, and is

4.2 points higher compared to the previous year's level.

Freddie Mac reports that the **30-year fixed-rate mortgage (FRM)** averaged 6.48% in August 2008, which is 0.05 points up from August but down 0.09 points from one year ago. The average for the **15-year FRM** averaged 6.03% in August 2008, which is up 0.06 points from July but down 0.20 points from August 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 2.8% in the second quarter of 2008, this accelerated growth is due to a larger decrease in imports than in the first quarter, an acceleration in exports, a smaller decrease in residential fixed investment, an acceleration in nonresidential structures, an upturn in state and local government spending, and an acceleration in PCE that were partly offset by larger decreases in inventory investment and in equipment and software.

The **U.S. Department of Commerce** reports that construction spending during August 2008 was estimated at a seasonally adjusted annual rate of \$1,072.1 billion, nearly the same as the revised July 2008 estimate. The current figure is 5.9% below the August 2007 estimate of \$1,138.8 billion. Private residential construction was at a seasonally adjusted annual rate of \$343.6 billion in August, 0.3% above the revised July estimate of \$342.5 billion, and 27.9% below the August 2007 estimate of \$ 487.9 billion.

The **Baker Hughes** count of active domestic rotary rigs stands at 1,979 during the week ending October 3, 2008. The current rig count is up 12.76% from last year's figure of 1,755 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)** remained soft in August with a rating of 98.3. 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 on record.

POTPOURRI

According to the monthly **Monster Worldwide, Inc.** employment index, online job demand had a one-point increase in the month of September, but remains down 14.0% from August 2007. Of 23 occupational categories, 12 posted an increase over the month, however the Index remained down 14 percent from a year ago. Public administration occupations posted the largest monthly gain of any category in online job opportunities over the month of August, while the community and social services industry posted the largest monthly losses.

According to the February 2008 **Architecture Billings Index**, developed by the **American Institute of Architects**, demand for non-residential construction rose in July 2008. July reported an index of 47.6 (any score above 50 indicates an increase in billings). The project inquiries index is 52.0.

Hurricane Ike leaves the industrial sector with little damage. Industrial properties that sustained the most severe damage occurred on Galveston Island. Some of these businesses will likely migrate to the main land, at least for a short period of time. In the meantime, the industrial market is expecting a spike in occupancy due to out-of-town contractors and FEMA-based programs setting up shop in the area. Requests are already being made for short-term leases.

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