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# Houston Real Estate Trends

Office • Retail • Apartment • Industrial

Edited by Stuart Showers

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## APARTMENTS

According to [www.oconnordata.com](http://www.oconnordata.com), **January 2009 O'Connor & Associates data** indicates that Greater Houston apartment market occupancy has decrease 0.33 percentage points from the previous month while overall rents held steady at \$0.866 for the month of December compared to November 2008. Only Class D rates have increased this month (\$0.614) from November's rate (\$0.613), while Class A showed a decline of \$0.002 from November's rate of \$1.159. Class B and C have held steady this month. Pre-leasing is currently underway in five communities (2,034 units) that are slated for occupancy to begin in February and March. Overall occupancy will continue to slip as these new communities 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).*

### Apartment Developments

- **Griffin Partners** (713-622-7714) construction is underway on the **Nassau Bay Town Square Apartments (18210)**, a 320-unit Class A complex located on Saturn Lane in Clear Lake (618Q). The project is slated for completion in early 2010.

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### ApartmentLink

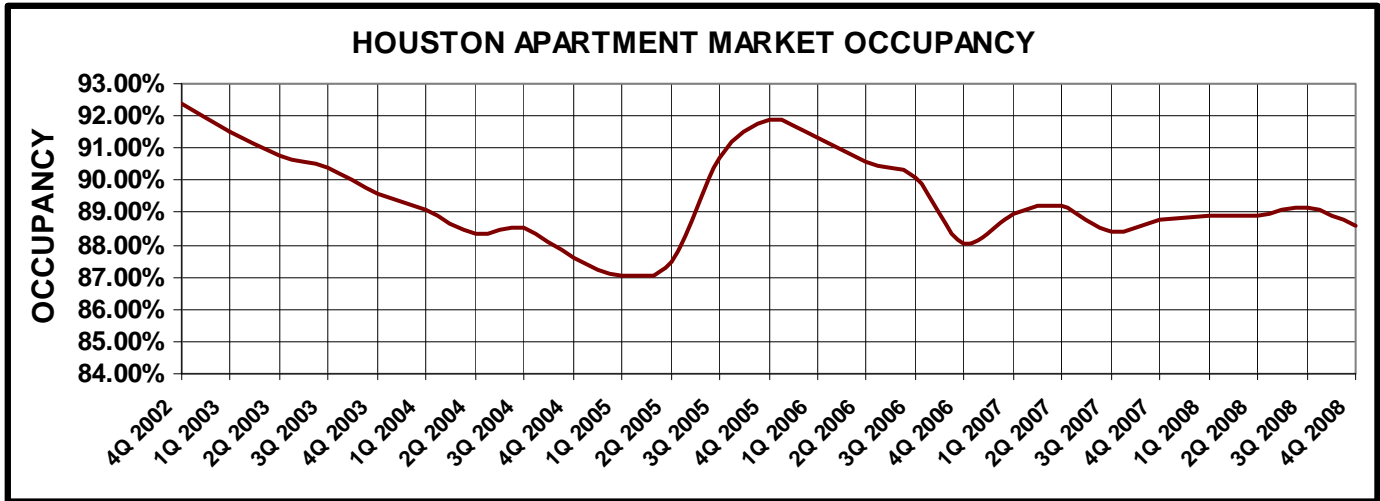
More Owner Contact  
Information

More User-Friendly

More Comprehensive  
& Accurate

**More Affordable!**

The following chart illustrates historical apartment occupancy rates.



## Apartment Sales

- **Inland American Real Estate Trust Inc.** (214-739-8184) purchased **Brazos Ranch Apartments (17249)** from **Judwin Properties** (713-297-4400), a 308-unit Class A complex located at 7404 Town Center Blvd in the Richmond/Rosenberg area (605Q). The 2-year-old complex is 93% leased with average rents at \$1.05 per square foot. Both buyer and seller were represented in-house.

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# SINGLE-FAMILY HOUSING

**MLS** home sales decline in December as 3,527 used homes were sold according to the **Houston Association of Realtors (HAR)**. Sales for December 2008 were down 8.7% from December 2007. The median price of a used single-family home sold in November was \$130,000, down 6.1% from the same time last year, while the average home price was \$171,774, which was down 11.5% from the December 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 24% in December to 725 from 951 in November and down 39% from December 2007. Realtor co-op sales represented 65.0% of gross sales, the same as December of last year. Traffic decreased 40% from last year to 10,530 in December 2008. The inventory of completed speculative homes (2,004) is down 1% from last year. There are 1,427 spec homes under construction, which is down 22% from December 2007. Overall, the 3,431 specs (both completed and under construction) are down 11% from December 2007. *Note: the 24 homebuilders in this survey account for approximately 60% of housing starts in Houston.*

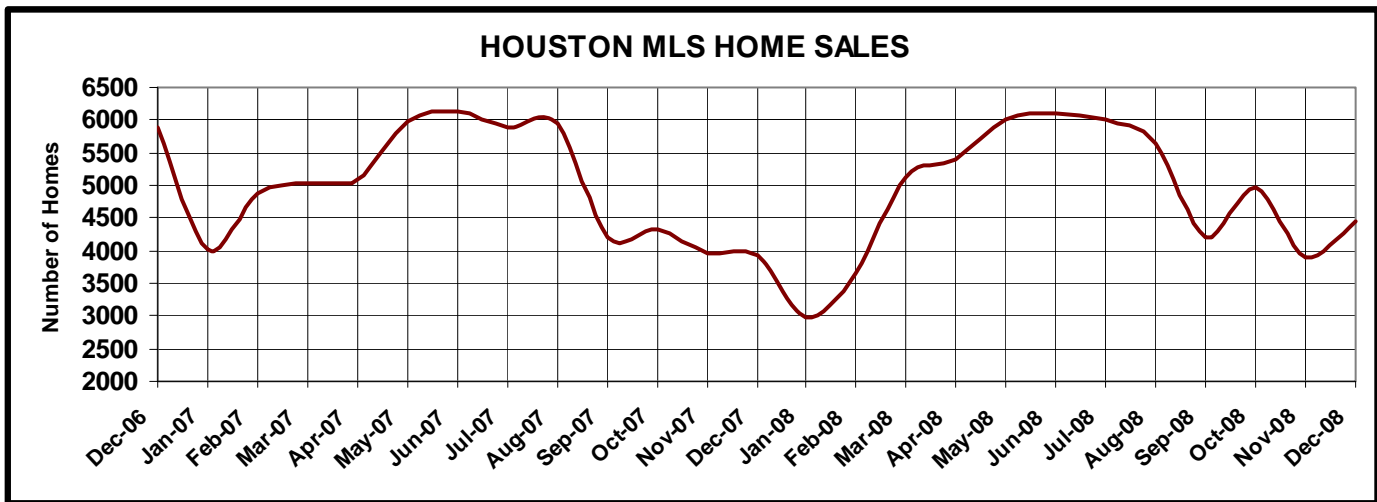
Nationwide sales of new single-family homes decreased in December to a seasonally adjusted annual rate of 331,000, 14.7% below the revised November sales rate of 388,000 and 44.8% below the December 2007 figure, according to a release by the **U.S. Department of Commerce**. The median sales price in December was \$206,500. Privately owned housing starts were at a seasonally adjusted annual rate of 550,000 in December 2008, which is 15.5% below the revised November estimate, and 45.0% below the revised December 2007 rate. Privately owned housing completions were at a seasonally adjusted annual rate of 1,015,000 in December, 5.2% below the revised November figure but 23.6% below the revised December 2007 figure.

The **National Association of Home Builders/Wells Fargo Housing Market Index**, a monthly measure of builder confidence, held steady at 9 in December, 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 also fell to 8, the index measuring sales expectations for the coming six months also declined to 16 and the index measuring the traffic of prospective buyers held at 7.

According to the **National Association of Realtors (NAR)**, 4,740,000 existing homes were sold in December 2008, up 6.5% from November sales but down 3.5% from the 4,910,000 homes sold in December 2007. The median sale price was \$ 175,400, which represents a 15.3 decrease from sale prices last year.

According to the most recent report by **RealtyTrac**, 303,410 foreclosure filings — default notices, auction sale notices, and bank repossessions — were reported during the month of December. This figure is up 17% from November and up nearly 41% from November 2007. Texas remains among the nation's 27 highest states in total foreclosure filings in December 2008.

The following chart illustrates historical used home sales.



Source: Houston Association of Realtors

- General Growth Properties** (312-960-5000) is currently looking for an equity partner for its **Bridgeland master-planned community**. There are 2,000 lots finished with 600 homes sold since 2006. The community is located in northwest Houston (366H). Holliday, Fenoglio, Fowler L.P. has been retained on an exclusive basis to market the re-capitalization and/or sale of the Lakeland Village community within Bridgeland. According to HFF, GGP has made a significant investment to create a long-term master plan and brand awareness of the Bridgeland project. A large part of the success of Lakeland Village to date is attributable to the commitment of future lifestyle amenities of the greater Bridgeland master-planned community. GGP would give consider the potential sale or joint venture of the entire Bridgeland project under the right circumstances. Bridgeland ranked number 9 on the 2008 Houston Business Journal list of Most Active Residential communities in the Houston Area.
- Newland Communities** (832-467-1700) has reported increased new-home sales in three communities for 2008. **Telfair**, a 2,018-acre community in Sugar Land (607D) has the largest sales increase, up 10.7% compared to 2007.

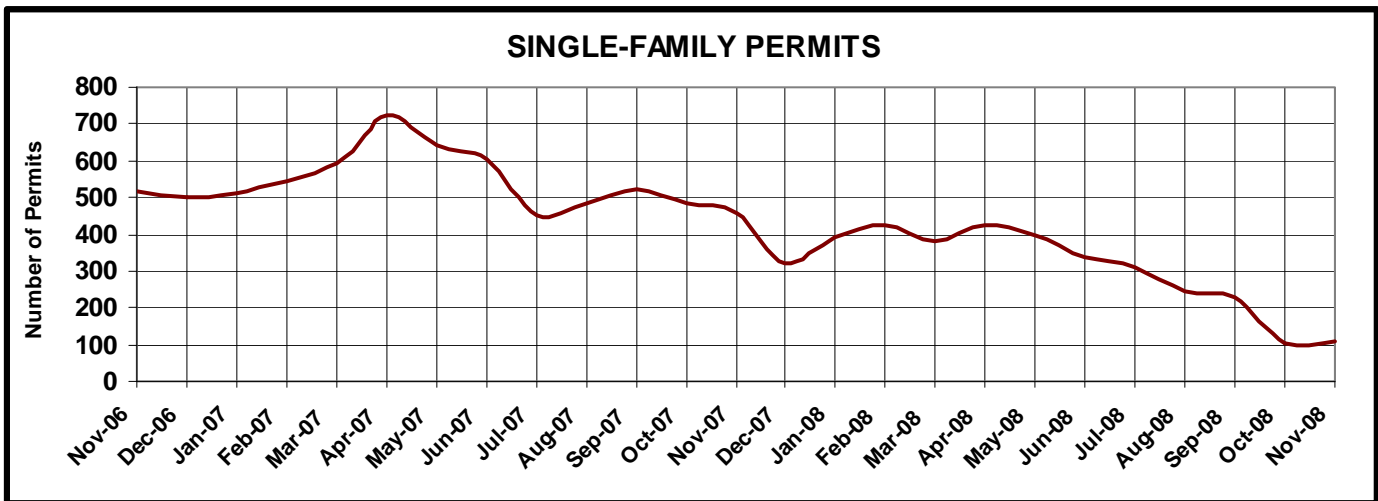
# PERMIT ISSUANCE

The **City of Houston** issued permits to build 200 private single-family houses and 8 private multifamily buildings in October. Demolition permits were issued for 105 private single-family houses and 28 multifamily structures. In addition, 211 permits were issued for privately owned non-residential construction totaling \$286,195,650 and 30 permits were issued for public non-residential construction. Additions, alterations, and conversions totaled \$231,428,302 for the private sector and \$26,015,685 for the public sector.

## Cost of Construction\*

	2006	2007	2008
Month of November	\$344,282,616	\$405,824,052	\$315,128,152
Year-to-Date	\$4,730,156,017	\$5,098,561,024	\$5,527,723,836

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



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# OFFICE BUILDINGS

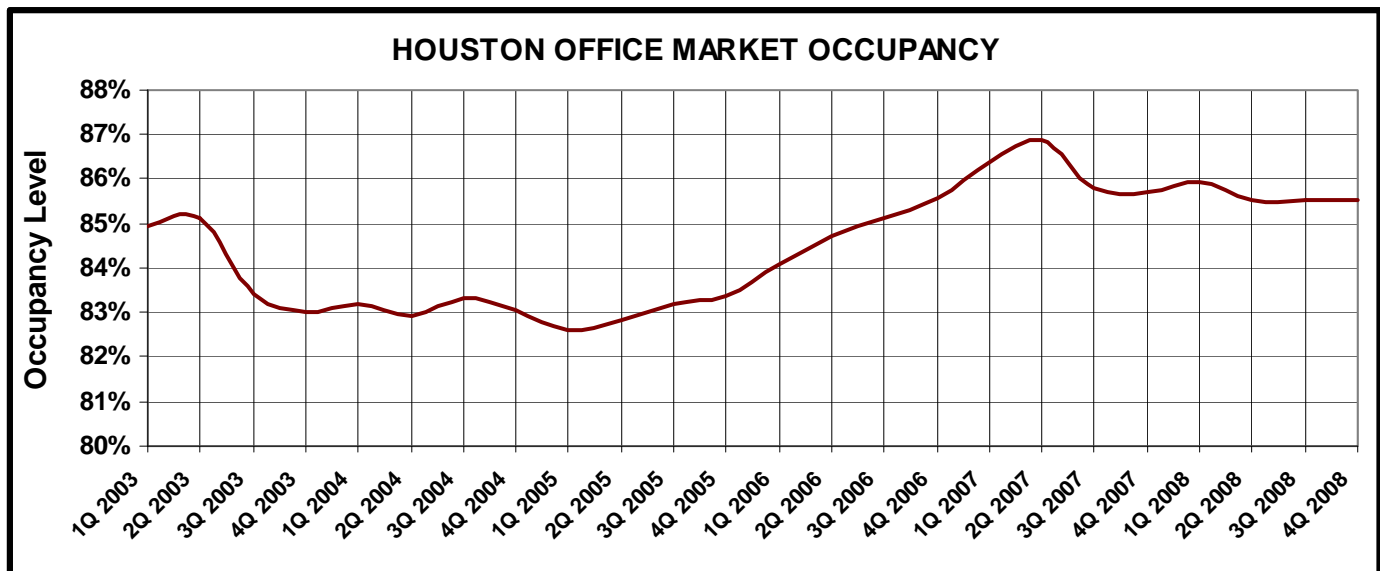
According to the O'Connor & Associates **Fourth Quarter 2008 Houston Office Data Program**, citywide **occupancy** for Houston area multi-tenant office buildings is **85.46%** (Class A = 90.37%; Class B = 82.18%; Class C = 80.22%; Class D = 77.09%). The citywide annual multi-tenant office **rental rate** is **\$24.29 per square foot** (Class A = \$31.40; Class B = \$19.24; Class C = \$15.05; Class D = \$12.38).

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).

## Office Developments

- **Simmons Vedder Partners** (713-626-9102) is developing **Westchase Park** (17178), an office building with approximately 270,000-square-feet located at the intersection of Westpark Dr. and Beltway 8 in west Houston (489Z). The current asking rents are \$22.50 per square foot triple net with \$30 per square foot for tenant improvements. The project is currently under construction with an estimated completion date June 2009.

The following chart illustrates historical office occupancy rates.



## Office Sales

- **Broadstone Real Estate, LLC** (585-399-7093) purchased a **portfolio of 2 buildings** from **Cancer Enterprises, LP** (281-440-5006) totaling 26,000 square feet. The first building is **Northwest Cancer Center** (17179), a 16,000-square-foot Class C building located at 17322 Red Oak Dr. in northwest Houston (332J); while the second building is **18488 S. Interstate 45** (17180), a 10,000-square-foot Class B building located in Conroe (97K). Both buildings were purchased as part of a 100% lease back deal with the seller. The buyer was represented in-house, while **Jason Ridenbaugh** of **Marcus and Millichap** represented the seller.

## Office Leases

- **Hess** leased the entire building at **Hess Tower (FKA: Discovery Tower) (2282)**, an 838,000-square-foot Class A building located at 1501 McKinney in the Central Business District of Houston (493Q) from **Trammell Crow Co.** (713-963-1000). The building is currently under construction. **Tim Relyea** of **Cushman & Wakefield** represented the tenant, while **John Pruitt** and **Cody Armbrister** of **CB Richard Ellis** represented the landlord.
- **WorleyParsons** leased 141,000 square feet at **Energy Center II (2250)**, a 303,000-square-foot Class A building located at 575 N. Dairy Ashford in west Houston (488C) from **Trammell Crow Co.** (713-963-1000). The newly built building is 46% leased. **Louis Cushman** and **Courtney Estenson** of **Cushman & Wakefield** represented the tenant, while **Steve Rocher** of **CB Richard Ellis** represented the landlord.
- **ABB** leased 83,812 square feet at **Westchase Park (17178)**, a 270,000-square-foot Class A building located at 3700 W. Sam Houston Pkwy. S. in west Houston (489Z) from **Simmons Vedder Partners** (713-626-9102). The under construction building is 31% pre-leased with asking rents at \$22.50 per square foot. **Mike Boehler** of **Jones Lang LaSalle** represented the tenant was by, while **Jeff Pace** of **Simmons Vedder Partners** represented the landlord.

# RETAIL CENTERS

According to the O'Connor & Associates **Fourth Quarter 2008 Houston Retail Data Program**, citywide **occupancy** for Houston area multi-tenant retail buildings is 84.13% (Regional = 86.82%; Community = 87.28%; Neighborhood = 82.43%; Strip = 79.48%). Occupancy is down 0.22 points over the last quarter and down 0.06 points over the past 12 months. The citywide monthly multi-tenant retail **rental rate** is **\$1.62 per square foot** (Regional = \$2.87; Community = \$1.66; Neighborhood = \$1.22; Strip = \$1.24). Overall rents are down from the last \$0.01 quarter and down \$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).*

## Retail Developments

- **Planned Community Developers, Ltd. (PCD)** (281-242-2000) is moving forward with the second phase of **Lake Pointe Village (2391)**, a 200,000-square-foot retail center located at 15890 Southwest Frwy. in Sugar Land (568X). Phase two includes the expansion of the existing Whole Foods-anchored shopping center and the addition of over 43,000 square feet of retail and restaurant space.
- **Rooms-to-go** (813-623-5400) is developing the **Rooms-To-Go Retail Center Katy (3821)**, a 500,000-square-foot retail showroom located at the intersection of the Katy Frwy. and Igloo Rd. in Katy (482D). The showroom will also have a distribution center at the same location and plans are in the works to add another 500,000 square feet to help meet customer demand.

The following chart illustrates historical retail occupancy rates.



## Retail Sales

- **South Shore Dunhill LLC** purchased the **South Shore Marketplace** from **Regency Realty Group Inc.** (904-598-7000), a 26,000-square-foot building located at 2640 League City Pkwy. in League City (619Y). The buyer was represented in-house, while **George Cushing** and **Wendy Vandeventer** of **Grubb & Ellis** represented the seller.

## Retail Leases

- **Flip Flop Shops** (770-424-0027) is planning to open four new stores in the Houston market within the next three years. The first store is slated to open in May at the **General Growth Properties'** (972-868-6500) **Baybrook Mall (2672)**, a 1,204,000-square-foot regional mall located at 19000 Gulf Frwy. in Friendswood. The Houston expansion is part of their national growth strategy calling for 236 locations nationwide over the next five years.

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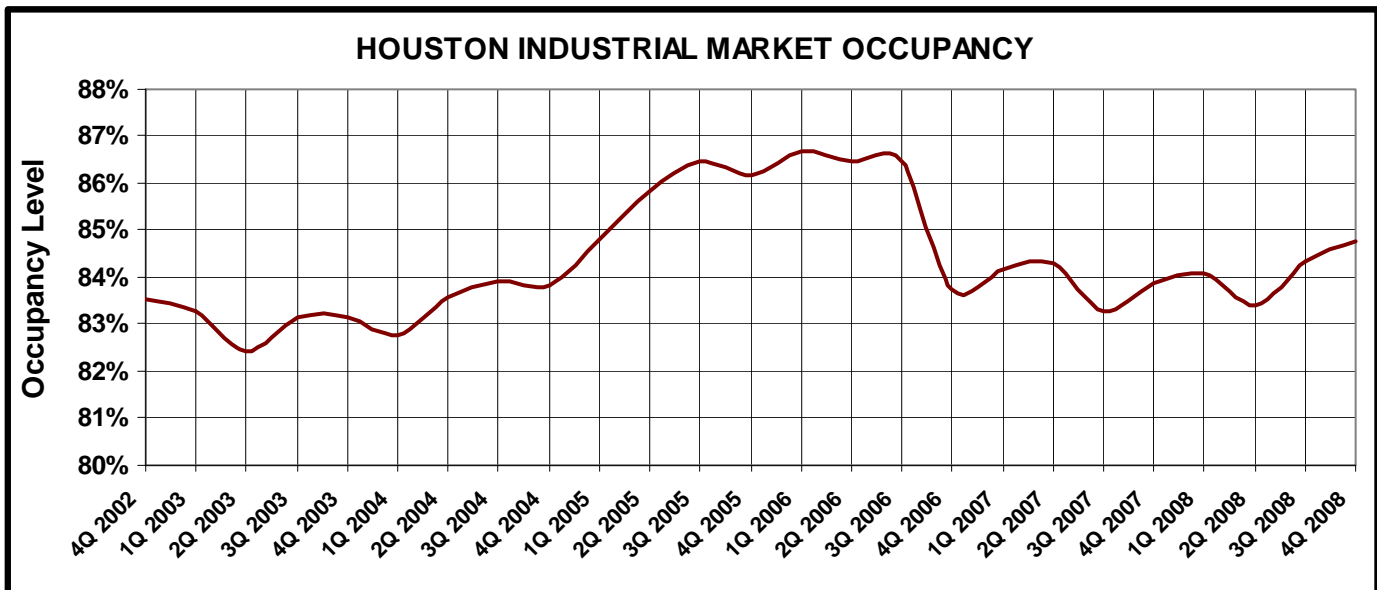
# INDUSTRIAL FACILITIES

According to the O'Connor & Associates **Fourth Quarter 2008 Houston Industrial Data Program**, citywide **occupancy** for Houston area operating industrial facilities is 84.78% (Flex = 86.88%; Bulk = 85.83%; Manufacturing = 76.62%, Service = 83.17%, Distribution = 71.40%, R&D = 51.22%). Occupancy is up 0.44 points from the last quarter and up 0.87 points over the last year. The overall monthly **rental rates** decreased held steady at **\$0.45 per square foot** (Flex = \$0.48; Bulk = \$0.40; Manufacturing = \$0.36, Service = \$0.54, Distribution = \$0.41, R&D = \$0.76).

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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.



## Industrial Developments

- **Rooms-to-go** (813-623-5400) is developing the **Rooms-To-Go Distribution Center Katy (6467)**, a 500,000-square-foot distribution center located at Igloo Road in Katy (482D). This is an owner occupied facility.

## Industrial Sales

- **Ampak Investment LLC** (281- 537-1579) purchased **13401 Gulf Frwy. (2902)**, a 158,000-square-foot warehouse facility, located in south Houston (576P), from **Finger Consolidated Partnership** (713-221-4500). The 52-year-old building will have 105,000 square feet owner occupied with the remaining square feet for lease. The leased portion is current 100% lease to **Finger Consolidated Partnership** in a leaseback deal. **Aron Grenader** of **First Houston Properties** represented the buyer in the deal, while **Michael Hill** of **Michael Hill Properties** represented the seller.

- **University of Houston System** (832-842-3444) purchased **4902 Gulf Frwy. (2282)**, a 102,000-square-foot office/warehouse facility, located in south Houston (534B), from **SNG Associates** (212-582-3810). The 34-year-old facility is vacant. Although no sales price was disclosed the University of Houston Regents approved the purchase with a price cap of \$2.5 million. The buyer did not disclose their representative, while **Billy Gold** of **CB Richard Ellis** represented the seller.
- **Holt Texas Properties Inc.** (210-648-1111) purchased **7010 North Loop E. (862)**, a 30,000-square-foot office/warehouse facility, located in north Houston (455S), from **Intermarine Services Inc.** (281-596-5600). The 39-year-old facility is 100% leased. The buyer was represented in-house, while **Mike Spears** of **TNRG** represented the seller.

## Industrial Leases

- **Ozburn-Hessey Logistics, LLC (OHL)** leased 147,000 square feet at **Prologis Northpark Bldg. 8 (6478)**, a 199,000-square-foot warehouse located in north Houston (532Y), from **ProLogis** (713-682-2292). The newly built facility is 100% leased. The tenant was represented by in-house, while **Ross Matthews** of **ProLogis** represented the landlord in the deal.
- **Overland Distribution** leased 103,184 square feet at **Port Crossing 2 (6023)**, a 413,000-square-foot facility located at 1701 S. 16th St. in La Porte (580J), from **National Property Holding** (713-943-0750). This 2-year-old facility is 75% leased. **Billy Gold** of **CB Richard Ellis** represented the landlord in this deal.

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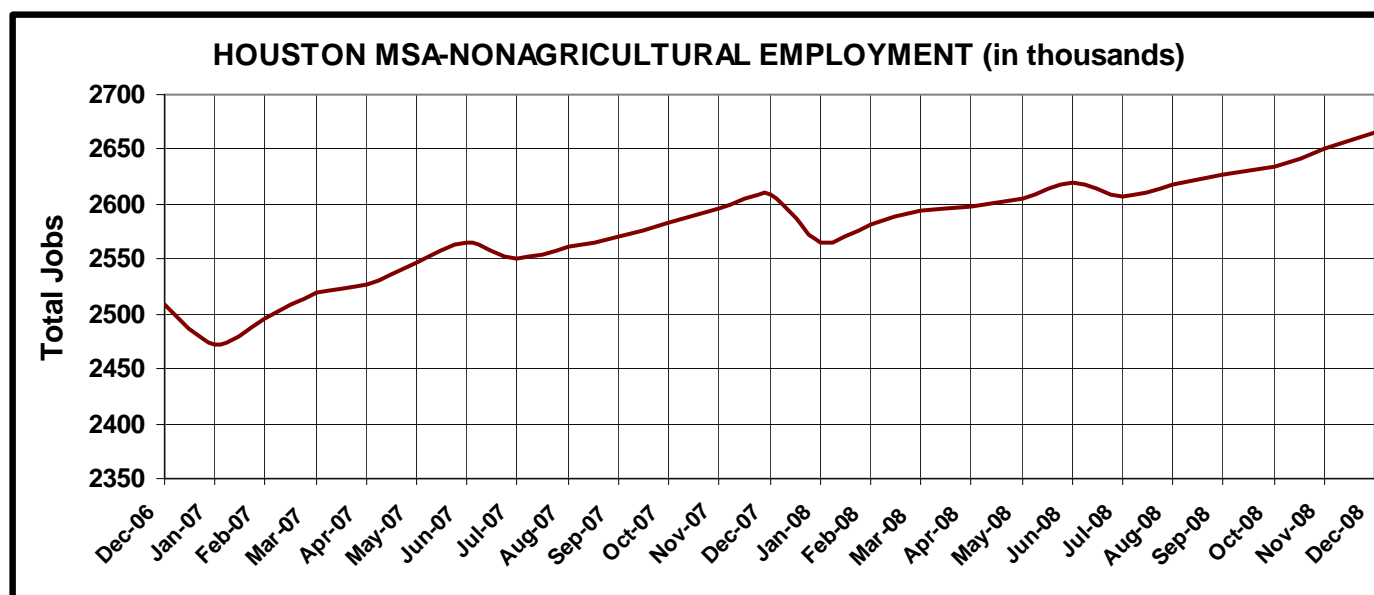
# VACANT LAND

- **Mark A Freeman and Marty H Hopkins** purchased 11.6357 acres of land on 11726 Padon Rd. in Rosenberg (684N), from **Bubbletight LLC** (281-342-2299). The buyer was represented in-house.

# ECONOMIC & FINANCIAL NEWS

The total number of nonagricultural wage and salary jobs in the ten-county Houston area increased by 16,000 jobs to 2,666,100 in December 2008, according to the **U.S. Department of Labor**. This month's total is 57,300 jobs more than the 2,608,800 jobs at this time last year. Of nonagricultural employers, the Service Provider sector posted the largest gain over the month at 15,400 jobs also the year over year largest increase was the Service Provider sector, which had 57,300 jobs added.

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 December 2008 were \$343.2 billion, a decrease of 2.7% from November and down 9.8% from December 2007. Retail trade sales in December were down 2.7% from November and were 7.7% below last year's level.

Personal income decreased \$25.3 billion, or 0.2%, and Disposable Personal Income (DPI) decreased \$25.1 billion, or 0.2%, in December 2008, according to the **Bureau of Economic Analysis**. Personal Consumption Expenditures (PCE) decreased \$102.4 billion, or 1.0% in December 2008. Meanwhile, the **U.S. Department of Labor** reports that the seasonally adjusted Consumer Price Index (CPI) for urban consumers decreased 1.0% in December 2008 but is 0.1% higher than in December 2007.

The latest **Conference Board Survey** indicates that the **Consumer Confidence Index** decreased to an all time low of 37.7 in January 2009, down 1.1 points from 38.6 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** increased 0.3% in December. 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 2.0% in December 2008 from November 2008 and is down 7.8% over the December 2007 level. Output in the manufacturing sector decreased 2.3% in December; output of utilities had little or no change from last month and output at mines decreased 1.6%. The rate of industrial capacity utilization was 75.4% in November, which is down 0.6% from the previous month's level and is 1.0 points lower compared to the previous year's level.

**Freddie Mac** reports that the **30-year fixed-rate mortgage (FRM)** averaged 5.29% in December 2008, which is 0.80 points down from November and down 0.21 points from one year ago. The average for the **15-year FRM** averaged 5.04% in December 2008, which is down 0.75 points from November and down 0.71 points from December 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, decreased at an annual rate of 3.8% in the fourth quarter of 2008, this decrease is due to negative contributions from exports, personal consumption expenditures, equipment and software, and residential fixed investment.

The **U.S. Department of Commerce** reports that construction spending during December 2008 was estimated at a seasonally adjusted annual rate of \$1,053.7 billion, which is 1.4% below the revised November 2008 estimate. The current figure is 3.6% below the December 2007 estimate of \$1,093.5 billion. Private residential construction was at a seasonally adjusted annual rate of \$319.2 billion in December, 3.2% below the revised November estimate of \$419.7 billion.

The **Baker Hughes** count of active domestic rotary rigs stands at 1,782 for December 2008. The current rig count is down 1.6% from last year's figure of 1,811 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 December with a rating of 96.4. The index is a monthly composite index that tracks the health and outlook for the U.S. restaurant industry. This is down 0.2% from November's level and is the 14<sup>h</sup> consecutive month below 100.

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# POTPOURRI

According to the monthly **Monster Worldwide, Inc.** employment index, online job demand had a 12-point decrease in the month of December and down 22.0% from December 2007. Of 20 industry categories only 2 reported an increase, the agriculture, forestry, fishing and hunting category and utility industry reported slight increases over the month. In contrast the finance and insurance industries register the strongest monthly declines in online job availability.

According to the December 2008 **Architecture Billings Index**, developed by the **American Institute of Architects**, for the second month in a row demand for non-residential construction plummeted to its lowest level since the survey began in 1995. December reported an index of 36.4 (any score above 50 indicates an increase in billings). The project inquiries index is 37.7.

**The Water Wall Park** was purchased by the **City of Houston** (832-393-1000) and will be preserved as a public park. The city paid \$8.5 million to an affiliate of Hines Interests LP for the three-acre park.

**Colliers International Houston** (713-222-2111) makes leadership change. **J Patrick Duffy** moved from Colliers Arnold in Florida and has taken the helm as president of **Colliers International Houston** replacing **J. Fed Baca**, who was with Colliers' for seven years. Duffy brings with him 25 years of experience from the Colliers Arnold office in Tampa, Fl.

Houston loses two esteemed commercial real estate professionals. **Trammell Crow**, a one-time accountant with no real estate experience who built one of the largest development companies in the nation passed away January 14<sup>th</sup> and **Thad Hickman**, an industrial broker with **Grubb & Ellis** passed away on February 2<sup>nd</sup>.

Please direct any questions regarding content in the *Houston Real Estate Trends* to Stuart Showers at 713-686-9955 or [sshowers@poconnor.com](mailto:sshowers@poconnor.com)