

DOWNTOWN REAL ESTATE UPDATE

DECEMBER 2011

SHELL – WORLD’S LARGEST LEASE YTD

Hines and Shell announced yesterday that they have signed the largest office lease in the world, year to date. Shell has renewed a total of 1,222,425 square feet: 804,491 sf in One Shell Plaza, and 471,934 sf in Two Shell Plaza. The 15-year lease term commences retroactively on 1/1/11 and expires in 2025. This renewal represents the culmination of Shell’s downtown space consolidation plan, and a commitment to keep a major presence in downtown Houston. “We are excited about securing our future in the heart of downtown Houston,” said Jeri Ballard, vice president, strategy & portfolio, Shell Oil Company. Cushman & Wakefield’s Tim Relyea, who with Joe Peddie represented Shell in the transaction, said, “Even though Shell’s existing lease agreement did not expire until the end of 2015, they started almost three and a half years ago in order to evaluate all possible options for such a large transaction because this much lead time is required.” Shell also leased 300,000 sf in 1000 Main last year. With these transactions, Shell continues its presence as one of downtown’s largest tenants and employers. See articles: [press release](#), [HBJ](#), [Chron blog](#)

HESS AND HESS TOWER

Trammell Crow Company could break two Houston-area real estate valuation records when it sells Hess Tower: exceeding the aggregate and per-square-foot prices ever paid for a Houston office building. CBRE is marketing the new 29-story, 844,763-square-foot building which overlooks Discovery Green. Hess Corporation occupies the entire building, with a lease expiration in 2026. Hess moved into the building in August from 500,000 sf of other downtown space, thus committing to a net additional 344,763 sf within the downtown market. The building, owned and developed by Trammell Crow Company and designed by Gensler, is certified LEED Gold, and has skybridges linking it to 5 Houston Center and Hess' adjacent 1,300-space parking garage. See articles: [Ralph Bivins](#), [HBJ](#).

CHEVRON PURCHASES BUILDING

Chevron has made several significant changes this year: It purchased 1400 Smith from Brookfield, so it now owns and occupies two skyscrapers (1500 Louisiana and 1400 Smith) and leases 311,000 sf in a third office building (1600 Smith). Chevron is opening a child care center for children of employees. And, this month Chevron plans to take possession of the former YMCA block now that the building has been removed and the ground sodded (see photo below).



1300 MAIN CHANGES HANDS, GAINING NEW TENANT

Energy Transfer Partners has purchased 1300 Main, formerly known as Travis Tower. Owning its own building is not unique to Houston: the firm also owns buildings it occupies in Dallas and San Antonio. Energy Transfer Partners plans to move many of its 650 Houston-area workers into approximately 150,000 sf of space at 1300 Main in late 2012. This transaction demonstrates the firm's commitment to and confidence in downtown and continued strength of the downtown office market. See also a [Chron blog](#) and [Bisnow](#).

BG GROUP PLACE FILLING AND GOES PLATINUM

Hines has [announced](#) that [BG Group Place](#) has achieved LEED Platinum status, making it one of only three LEED Platinum Core & Shell buildings in the world. The 46-story, 973,000 sf building is 71 percent committed. The building's largest tenant, BG Group, made its move to downtown, relocating its 650 employees and contractors from the Galleria area. Last year the firm committed to a lease of 164,000 sf, and then increased that commitment to 354,000 sf with building naming rights to the building. The building, located at 811 Main Street and formerly known as MainPlace, was developed by Hines for the Hines CalPERS Green Development Fund. Additional tenants include KPMG with 102,000 sf, Latham & Watkins with 49,000 sf, Citicorp NA with 49,000 sf, Hines with 25,000 sf, Energy and Minerals Group with 9,000 sf, and Frost Bank with 9,000 sf of street level retail banking. KPMG became the building's first occupant at the end of January 2011 when it moved into most of the space on the top four floors. And, Which Wich Superior Sandwiches is under construction and will open at the end of January 2012 as yet another building amenity.



CONTINENTAL AIRLINES

Prior to the merger with United Airlines, Continental employed up to 3,000 people in downtown and leased a total of 680,000 sf between 1600 Smith (Continental Center I) and 600 Jefferson (Continental Center II), with a lease expiration in 2014. Then the merger took place. In June the company stated that despite the fact that the headquarters would be in Chicago, 1,500 positions had been identified thus far that would remain in downtown Houston. To accommodate the reduction, United/Continental has decided not to renew six floors (approximately 142,000 sf) in 1600 Smith, and it will likely reduce its space further to adjust to the lower employment count. Despite the reduction in space and employment, the airline still remains one of downtown's largest tenants. Articles: [Chron](#), [HBJ](#).

MAKING PLANS

Two major studies have been completed and are available online: A [Livable Centers study](#) takes a comprehensive look at what is missing and what it will take to knit existing big venues together with a broader range of economic and activity generators within a 170-block study area. The second is a Mixed-Use [Retail Core study](#), which seeks to promote the revitalization of the existing retail core with incremental changes for short-term opportunities, mid-term opportunities and a long-range vision. The recommendations address the public realm with emphasis on the pedestrian environment, parking and mobility and strategic building interventions. Article: [Chron](#).

WHY DEALMAKERS ARE ATTRACTED TO HOUSTON

We came across an article published earlier this year, which discusses why dealmaking firms such as investment banks, private equity firms and law firms choose Houston. It also identifies specific companies, most of which have chosen downtown (Simmons, Credit Suisse, Barclays, Kohlberg Kravis Roberts, Tudor Pickering & Holt, McKinsey, Natural Gas Partners, White Deer Energy, Latham Watkins, Lime Rock Partners, and many more). Here's [the article](#) from *The Deal Magazine*.

SOCCER STADIUM

Construction crews have been erecting steel, with stadium completion prior to the first game, which will be played on May 12, 2012. The \$95 million, open-air, 22,000-seat stadium will be used primarily by the Houston Dynamo, but the facility will also serve as the home for Texas Southern University football games and will host other sporting events and concerts. It will be the first soccer-specific stadium in Major League Soccer located in a city's downtown. Currently known as Dynamo Stadium, a short list of companies has been developed who could purchase the naming rights. See a really cool [webcam view](#) and a [virtual tour](#) of the venue.

GROCERY STORE OPEN

Local favorite and nationally recognized [Phoenicia Specialty Foods](#) has opened and is bursting at the seams with customers. The store and restaurant is a one-of-a-kind, 38,000 sf international gourmet food market in One Park Place. In addition to the grocery store component, there is a cafe with a menu that includes a line of pizzas, items from the store, and popular dishes from Arpi's Phoenicia



Deli. The MKT Bar offers tapas and wines for happy hour and evening noshing. Additionally, the store carries an array of household goods and paper products. Phoenicia is enhancing the downtown experience for central city residents, downtown workers and visitors. [Chron article](#).

SHERATON -- GOING, GOING, GONE.

The former 28-story Sheraton Hotel located at 711 Polk was purchased by Brookfield Office Properties in 2010. Deconstruction work started in March, the building is down, and construction is underway for the new development. The end product will be a landscaped 35,000 sf surface parking lot, a three-story underground parking garage (yielding a total of 325 parking spaces), an elevator that will provide access to Total Plaza's mezzanine level, and a much better view for many of Total Plaza's tenants. The project should be complete in the second quarter of 2012. More in an interesting *Demolition News* [article](#).

SUNDANCE

Sundance Cinema opened two weeks ago in Bayou Place. Announced in March by Sundance Cinemas, The Cordish Companies and the City of Houston, the cinema takes the place of the former Angelika center space. Sundance Cinemas Houston provides the same unique patron experience and success of Sundance's two other theatres, located in San Francisco, Calif. and Madison, Wis. Sundance Cinemas Houston offers specialized film programming, playing the finest movies for a discerning audience culled from film festivals and the best in general release. The venue offers drinking and dining choices, all reserved seating, digital stereo sound and presentation, filmmaker screenings and exclusive events, plus free parking for patrons and community events. See also [Chron article](#) and more info from [Sundance's website](#).

DOWNTOWN CIRCULATOR SET TO START IN MAY

Free and convenient transportation is returning to downtown with a new bus service, GREENLINK, set to hit the streets in May 2012. Through a partnership between the Houston Downtown Management District, BG Group and Houston First Corporation, the downtown community can look forward to utilizing the environmentally friendly (CNG) buses to get them to popular downtown locations quickly. Seven buses will operate Monday through Friday, 6:30 a.m. to 6:30 p.m., approximately 7-10 minutes apart during peak hours. The route will span 2.5 miles with approximately 20 stops and will connect major office buildings along Smith and Louisiana streets to Metro transit, the convention corridor, hotels, restaurants, shopping and entertainment. Popular downtown destinations along the route include the George R. Brown Convention Center, Main Street Square, Discovery Green, Macy's, Houston Pavilions, City Hall and the Central Library. Here's [KUHF coverage](#).

NEW LISTS AND MAPS

- List of [major office relocations](#) to downtown
- [Bird's-eye-view map](#) of downtown: Pull up the pdf and print it on 11x17 or larger paper -- or come by our office and pick up printed 23" x 30" copies



CentralHouston

- [Above & Below](#) (Tunnel) map
- Current and prior [downtown developments](#)
- Various other maps and lists have been posted on the downtown portal, www.downtownhouston.org - go to the Resources section.

If you would like to be put on the regular distribution list, or if you have questions, please contact Laura Van Ness at laura@centralhouston.org or 713-650-1470.