

DOWNTOWN REAL ESTATE UPDATE

FIRST QUARTER 2012

KINDER MORGAN / EL PASO SPACE MOVES

Kinder Morgan, which expects to close on its purchase of El Paso Corporation in the 2nd quarter, will relocate its offices to the El Paso Building. The building will be renamed the Kinder Morgan Building, and Kinder Morgan will occupy the lower half of the building. El Paso's E&P group, called EP Energy Corp., is being sold and will be stacked on top of Kinder Morgan. The remaining five floors at the top of the building, or about 150,000 sf, are being marketed. Kinder Morgan's 220,000 sf in 1 Allen Center (the majority of floors 5-13), which is leased through the end of 2020, is being marketed for sublease. El Paso owns Travis Place Garage, next to the El Paso Building. The top two floors (floors 8 and 9) are mostly office and some fitness center space, totaling 120,000 sf, and are being marketed. El Paso's two floors in Fulbright Tower (floors 32 and 33), leased through the end of 2016, are being marketed for sublease.

LARGE BLOCKS OF SPACE, SPACE NEEDED

The Kinder Morgan/El Paso transaction and relocation adds to the list of downtown office properties over 100,000 sf being marketed. While the list may seem long, it is not. Negotiations are ongoing for some of the space, and due to timing and some encumbrances, not all of these blocks would fit a tenant's requirements – the market is tighter than the numbers indicate. As a result, new buildings are being marketed. As quoted by Nancy Sarnoff in a standing-room-only crowd at a CoreNet luncheon recently, "I think the potential for a new building to be announced in 2012 would be very high," said Chrissy Wilson, vice president of leasing for Hines, citing the single-digit vacancy rate." See Chron article, "[New downtown tower could take shape.](#)"

The following are blocks over 100,000 sf:

Building, Floors, Space
1 Allen Center, 3-20, 490,000 sf
Pennzoil, North, 12-29, 375,000
2 Houston Center, 4-10, 280,200
BG Group Place, 11-20, 268,000
1600 Smith, 17-26, 238,100
Wells Fargo, 60-66, 180,200
Travis Place, 8-9, 120,000
919 Milam, 11-15, 110,000
Pennzoil, South, 6-10, 104,000

LYONDELLBASELL LEASE AND BUILDING NAME CHANGE

LyondellBasell recently renewed and expanded its space in 1 Houston Center, leasing 358,138 square feet. The building's name is also being changed to LyondellBasell Tower. With the additional space, employee capacity will be expanded from 1,200 workers to 1,350 as the company's presence in downtown grows. See Chron article, "[Deal of the week: LyondellBasell to put name on tower](#)"

HOUSTON CLUB BUILDING/SKANSKA PROGRESS

Skanska, which last year purchased the Houston Club Building, has purchased Block 317 (Main/Fannin/Clay/Bell) where it will soon begin construction on a 10,000-square-foot childcare facility on the southern third of the block. The facility will provide services that are currently provided to JPMorgan Chase's employees at the Houston Club Building, which Skanska also owns. The Houston Club's lease in the building has been amended allowing for the Club to relocate its facility. These two efforts – the new day care center leased to JP Morgan Chase at Block 317 and the exit of the Houston Club – help clear the way for possible future redevelopment of the site.

2ND CONVENTION CENTER HOTEL PROGRESS

Responding to the need for 1,000 to 2,000 more hotel rooms in downtown, an [RFQ](#) has been released seeking qualifications and proposals for a second convention center hotel adjacent to the George R. Brown Convention Center. [Houston First](#) is the local government corporation that is responsible for management and operation of more than ten city-owned buildings and plazas, as well as underground and surface parking. Houston First issued the RFQ following completion of their [master plan](#). Houston First controls 6.7 acres of land adjacent to the GRBCC and Discovery Green. While the developer would obtain its own financing for the project, several incentive programs could be used such as hotel occupancy tax and sales tax rebates. The pre-qualification submission conference was held March 27th, and the RFQ submittal deadline is April 20th.

BBVA COMPASS STADIUM

Construction is almost complete, with the stadium's ribbon cutting set to be held on May 1st. The first home game will be held on May 12, and is already sold out. The \$95 million, 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 is the first soccer-specific stadium in Major League Soccer located in a city's downtown. Parking is being shared with Minute Maid Park, as there is no overlap of Dynamo and Astros games. See a really cool [webcam](#) view and a [virtual tour](#) of the venue.



CentralHouston

DOWNTOWN CIRCULATOR SET TO START IN MAY

Downtown's new free and convenient circulator, called GREENLINK, will hit the streets in late May. Seven buses will operate M-F, 6:30 a.m. to 6:30 p.m., approximately 7-10 minutes apart during peak hours. The 2.5-mile route will make approximately 20 stops along Walker, Smith, Louisiana, Dallas and Avenida de las Americas.

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