

# DOWNTOWN REAL ESTATE UPDATE

FIRST QUARTER 2013

This [Current Projects map](#) has received much attention. We updated it in Feb, and we will need to update it later this month (see below!). Updates to the map are posted at [www.downtownhouston.org](http://www.downtownhouston.org) in the *Maps* section.

## OFFICE ACTIVITY

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- Central Houston, Inc.'s analysis of downtown's office market has identified:
  - 5 million sf of leasing activity in 2012, the fourth highest ever.
  - More than one million sf was absorbed
  - The volume of energy firm expansions in 2012 was significant. TransCanada, Rosetta, Plains Exploration, Plains All American Pipeline, Chevron, Energy Transfer Partners, Halcon Resources, Enterprise Products and Cathexis were among the larger firms which signed leases to expand in place or relocate within downtown to larger space.
  - As of 1/1/13, there were only 134 full floors available (the fewest in the past four years) (direct and sublease, A and B), and there are currently only seven blocks of space being marketed of more than 100,000 sf (see below).
  - About 58% of downtown's occupied space is utilized by the energy industry, 19% by legal, 12% finance/insurance/real estate, and 11% other.
- **Hines** has released a rendering of their planned building at 609 Main (at Texas). Amenities for the 41-story, 815,000 sf building will include a 30,000 sf urban rooftop garden, fitness center, restaurant, conference center, and more. It will connect to the tunnel system under Main Street to 601 Travis (formerly Chase Center). See [Culture Map](#), [Chron](#)
- **Skanska** is proceeding with pre-development work on Capitol Tower, including asbestos abatement. The Houston Club relocated 1/1/13 to One Shell Plaza, and the day care center relocated in February to a new facility on Block 317 (Main at Bell). In addition to Hines & Skanska, other potential buildings being talked about in the industry include Linbeck/Stream on Block 43, Brookfield on Block 902, and others.
- **Shorenstein** has selected Transwestern to market [800 Bell](#), which will be vacated by Exxon in 2015 and ready for its first tenants in the second half of 2016, and in 2017. Shorenstein is currently rounding out the rest of its team to redevelop the property.
- Downtown's largest blocks of space being marketed that exceed 100,000 sf:
  - 1 Allen Center, floors 3-20, 490,000 sf (direct, former Hess + Kinder Morgan sublease space)
  - 2 Houston Center, 4-10, 280,200 sf (formerly Shell)
  - Pennzoil North, 16-25, 208,600 sf (currently Shell)
  - 1000 Main, 19-23, 144,400 sf (currently GenOn; to be subleased)
  - 1600 Smith, 17-22, 142,000 sf (former Continental)
  - Travis Place, 8-9, 120,000 sf (former El Paso, currently Kinder Morgan)

- Pennzoil South, 6-10, 104,000 sf (currently Energy Transfer and one other tenant)

## RESIDENTIAL

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- Site work continues on the two blocks next to Minute Maid Park for **The Finger Companies'** 397-unit, 7-story apartment property. Construction should start this summer and the development should open in 2015.
- Novare Group has closed on the purchase of Block 350 (Main/Fannin/Pease/Leeland), where it will develop **SkyHouse Houston**, a \$60+ million, 24-floor, 336-unit residential tower. Financial incentives through downtown's residential incentive program were recently approved for this project. Site work has begun, and construction will begin this month, with an expected opening of June 2014. Articles: [Chron](#), [HBJ](#)
- **Houston First** has control of the 1.5 blocks (~110,000 sf) of land directly north of the future Marriott Marquis hotel (Block 100) and is seeking, with HFF, developers for mixed-use development including residential. Proposals, presented January 24, are being evaluated, and a shortlist of developers has been identified. Article: [Bisnow](#)
- Pre-development work continues to convert 1111 Rusk/**Old Texaco Building**(Block 79) to 320 residential apartments and a new garage structure. Developer: Provident Realty and EFO Holdings.
- **Additional developers** have expressed an interest in downtown residential due to demand and high rents as well as the temporary program to incentivize up to 2,500 units in portions of downtown. [More information](#) on the program.

## HOTEL

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- Plans have just been announced to convert the 82-unit Humble Tower Apartments to a 166-room **SpringHill Suites Hotel**. This hotel will join the Courtyard by Marriott and the Marriott Residence Inn in the buildings that formerly housed Humble Oil's headquarters. The entire block was purchased by RJL Lodging Trust, a REIT. Is this because of lack of demand for residential? No -- we've heard there has been a waiting list for their apartments. Articles: [HBJ](#), [Chron](#)
- **Marriott Marquis**: Construction could begin in the first quarter of 2014 for the 1,000-room Marriott Marquis, with an opening in 2016, prior to the Final Four. Article: [Bisnow](#)
- The interior demolition of **806 Main** is progressing, as is the removal of the building's skin. This 325-key hotel is being developed by Pearl Hospitality, with plans to have it open prior to fall 2014.

## ADDITIONAL DEVELOPMENT

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- Construction will begin next year for a **new high school** -- the High School for the Performing and Visual Arts (HSPVA) -- on Block 77 (Capitol/Rusk/Caroline/Austin), which currently serves as surface parking. Funding for HISD's portion was included in the recent successful bond referendum; additional fundraising will take place on the private side.
- Mayor Annise Parker's **Retail Task Force**, formed in January of this year, released an update on the status of their work. Not only has the task force determined that there is market demand for retail, they are vetting the feasibility and viability of potential sites in the

"Retail Core" and concurrently, are having discussions with national retailers to gauge interest and determine requirements for them to locate downtown. [HBJ](#)

- An 1,800-space **parking garage** will be built adjacent to and north of the GRBCC to serve the convention center and the future Marriott Marquis. Approximately 700 spaces will be dedicated to the GRBCC.
- A [Southern Downtown / CBD Market Assessment](#) has been completed. This report assesses the market potential of the southern portion of downtown and has some very positive recommendations and interesting findings.
- The **International Coffee Building** at Allen's Landing is getting a makeover. Work will begin in June on a \$4 million construction project to transform the 3-story brick building into a recreational and cultural center to include an outdoor plaza, hiking/biking/boating facility, offices for Buffalo Bayou Partnership, and a rooftop terrace for event rental. This is a cooperative project of BBP and Houston First; Houston First will own and operate the building after the renovation. Articles: [CultureMap](#), [ABC video](#)
- **Midway** will announce the new name, branding, and construction plans, for Houston Pavilions at an April 4 "all are invited" street party (see [www.4april2013.com](http://www.4april2013.com)) to be hosted on the property.
- The **Historic District** is exploding with new restaurant/bar openings and more to be announced soon. Articles: [Houston Press](#), [Austin American Statesman](#)
- We're expanding from three to 21 stations in downtown as part of Houston Bike Share's [B-cycle program](#) which is rolling not only downtown, but in Midtown, Montrose and the Museum District. A great alternative to driving, especially for those short trips.

P.S. Not sure where which block numbers are which? Here's the [block map](#).

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@centralhouston.org](mailto:laura@centralhouston.org) or 713-650-1470.