

1Q 2017

Downtown Houston Market Update

Q1

KEY HIGHLIGHTS

323

New residential units
opened in Q1

1.05 million sf

new office space
opened in Q1

15

new retailers
opened in Q1

SuperBowl LI kicked off 2017, accelerating completion of several projects. Downtown was the epicenter of activity, attracting over one million visitors that took part in Super Bowl LIVE, a week-long fan festival, centered in and around Discovery Green, George R. Brown Convention Center and the newly transformed plaza at Avenida Houston.

The first quarter of 2017 was off to a good start with the completion of The Star, a new residential property, bringing Downtown's residential unit count to 4,777. Market Square Tower, which opened in December 2016 is already 50 percent leased. The completion of Hines' 609 Main at Texas also added 1.05 million SF of new office space to Downtown's office inventory; the building is close to 60 percent leased. Seven projects are under construction for delivery in 2017, bringing in another 1,382 residential units, 480 hotel rooms and a new 10-story parking garage.



Market Overview

RESIDENTIAL HIGHLIGHTS

4,777

residential units

1,482

under construction

1,454

proposed

RESIDENTIAL

A modern makeover and redevelopment of the historic Texaco Building, **The Star**, a 323-unit mid-rise luxury residential building, opened in February. Located at 1111 Rusk, the building includes 21,000 sf of retail space, and a 9-story, 685-car parking garage that will incorporate retail. ([The Star](#), [HBJ](#), [Bisnow](#))

Camden Property Trust is delaying the construction of its proposed 20 floor, 550 unit luxury apartment project until there is some moderation in construction prices. ([HBJ](#))



The Star

OFFICE

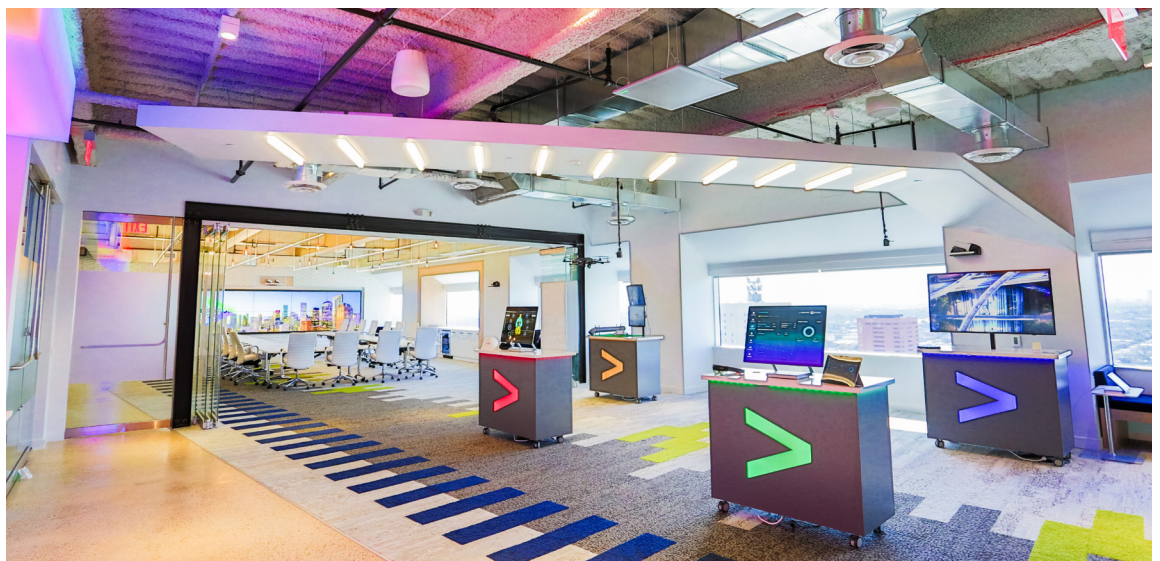
600 Jefferson has been renamed **1801 Smith**, and is undergoing a multi-million dollar renovation. This includes adding a main entrance on Smith Street, to leverage the prominent address of one of the most well-traveled streets in Downtown. ([Realty News Report](#))

Jefferson Smith LLC bought **500 Jefferson** from New York-based W.P. Carey. The new owners aim to begin renovations on the building in late 2017. With the change in ownership, plans to convert 500 Jefferson into Jefferson Towers at Cullen Center have been canceled. ([HBJ](#), [Bisnow](#))

Hines' **609 Main at Texas** is complete and about 60 percent leased. McKinsey & Co., Russell Reynolds, and Johnson Downie LLC joined the growing number of major tenants inking space at the new 1.05 million SF building. Kirkland & Ellis also nearly doubled its footprint in the building to about 105,000 SF. ([Hines](#), [HBJ](#))

Accenture recently opened a new 13,500-SF **innovation hub** in February, in the heart of Downtown as part of the company's accelerated innovation investment in the U.S. The innovation hub is designed to help clients grow, compete and transform in the digital economy. Located on the 18th floor of 1301 Fannin, the innovation hub includes a liquid studio and innovation center. These are highly collaborative environments where Accenture works side-by-side with its clients to leverage digital and emerging technologies, including artificial intelligence, blockchain, drone and computer vision, and virtual reality to create innovative and competitive business solutions. ([Accenture](#), [HBJ](#))

Houston-based Hilcorp Energy Co will be demolishing the 10-story **Americana Building** at 811 Dallas, across the street from the company's new headquarters at 1111 Travis. The building's 550-car parking garage will remain. ([HBJ](#))



Accenture

Market Overview

HOTEL HIGHLIGHTS

7,300
hotel rooms

480
under construction

185+
proposed

OFFICE (CONTINUED)

Skanska USA has begun construction on **Capital Tower**, a 35-story, 750,000 SF office tower at 811 Rusk. ([Realty News Report](#))

Brookfield is creating **DesignHive**, a collection of 'office of the future' prototypes, on the 37th floor of 1600 Smith, featuring spaces ranging from 2,815 SF to 4,193 SF. These innovative spec suites will cater to Houston's increasingly younger and more mobile workforce, and tenants' increasing demand for innovative and progressive work environments. ([HBJ](#))

Atlanta-based Columbia Property Trust sold all of its three Houston office properties to **Spear Street Capital** for \$272 million. These properties, including 5 Houston Center, totaled about 1.2 million SF. ([HBJ](#), [Realty News Report](#))

HOTEL

AC Hotel by Marriott, a 10-story, 185-room European style luxury hotel is being developed by Newcrest Image. A conversion of the Houston Bar Center at 723 Main, construction on the hotel commenced in 1Q 2017, and is slated for completion in 1Q 2018. ([HBJ](#))

RETAIL

Allen's Place, a two-level Houston history-themed neighborhood bar, opened on February 1 on the ground floor of the historic Dorrance Building at 114 Main Street. The upper level features five semi-private areas for a luxury box stadium experience. ([Website](#))

A new lobby bar and restaurant, **Bayou & Bottle**, opened in January at the Four Seasons as part of the hotel's ongoing multimillion-dollar renovations. The concept offers an upscale menu, Topgolf Swing suite and boasts the longest bar in Texas. ([HBJ](#), [Chronicle](#))

Owners of acclaimed French restaurant Étoile opened **Braserie du Parc** on January 30 at One Park Place. The 2-level 5,500-SF French restaurant, across the street from Discovery Green, also includes **Creperie du Parc**, a crêpe concept for to-go orders. ([HBJ](#))

Casa Blanca Lounge, a Guatemalan-style bar and lounge, is open at 312 Main Street in Historic Market Square. The lounge features live DJ's on the weekend, and is available for party reservations. ([Website](#))



Capital Tower

McAlister's Deli, a fast casual restaurant offering hand-crafted sandwiches and salads, opened just before the Super Bowl inside the George R Brown Convention Center. Located at 1001 Avenida De Las Americas, the restaurant offers dine-in, take-out and catering services.

Downtown's prominent culinary incubator, the Conservatory Food Hall and Beer Garden, has added a new food vendor, **Moku Bar**. Open at 1010 Prairie, the vendor serves fresh customized Poké and tempura options. ([Website](#))

One of the newest additions to Avenida Houston, **Pappadeaux Seafood Kitchen** opened in the southwest corner of the Convention Center. The restaurant's 30-year-old Cajun concept includes patio space and counter seating. ([Website](#))

The Sam Houston Hotel's former restaurant and bar—"17" and "The Sam Bar"—have been rebranded as **The Pearl**, a new seafood restaurant and oyster bar, which opened in February. ([HBJ](#))

Market Overview

RETAIL HIGHLIGHTS

15

new retailers

10+

proposed



Xochi

RETAIL (CONTINUED)

Astros owner, Jim Crane, opened his upscale, white table-cloth Italian restaurant, **Potente**, and his casual trattoria, **Osso & Kristalla**, on the ground floor of the 500 Crawford residential building at 1515 Texas, in February. ([Chronicle](#); [Houston Press](#))

Downtown restaurant Prohibition Supperclub & Bar has rebranded, splitting its dinner and theater services to complement downtown's energetic, street-friendly vibe. The restaurant, **The Oyster Bar at Prohibition**, will operate only for dinner, and the theater will continue as **Prohibition Supperclub**. Each concept has separate entrances and menus, and the theater is expanding to include more seats. ([HBJ](#))

Owners of Clé Club opened **Spire**, a mostly electronic dance nightclub, on January 15 in the former First Church of Christ Scientist building at 1720 Main. ([HBJ](#))

Owner of The Pastry War, Bobby Heugel, opened **Tongue-Cut Sparrow**, a new 25-seat formal cocktail bar and event space in February, on the second-floor of 310 Main. ([HBJ](#), [Houstonia Magazine](#))

Torchy's Tacos and **Shake Shack** opened in Minute Maid Park on March 29. The renovated Budweiser Patio in the stadium also features new food selections, including a grab-and-go market serving food, beverages and other items. ([HBJ](#))

Wokker TX Ranger, a modern Asian-Southern local food truck, is open at 907 Franklin inside Craft Beer Cellar, in Historic Market Square. The food truck hand crafts unique flavors that

sum up the flavors of Houston in one bite, and includes new menu items exclusive to this location. ([Website](#))

Hugo Ortega's highly anticipated Oaxacan restaurant, **Xochi**, opened in January on the ground floor of the Marriott Marquis. Xochi features unique Mexican cuisine that incorporates traditional Oaxacan herbs and ingredients. ([HBJ](#), [Houstonia](#))

COMING SOON:

Houston's oldest and largest craft brewery, Saint Arnold Brewing Company, is planning a 20,000-SF expansion to its property: **Saint Arnoldville** will bring a new restaurant to seat around 100 people, an outdoor deck, a beer garden and lawn with games and more. ([HBJ](#))

Owners of Montrose coffee shop Blacksmith, Morningstar and Greenway Coffee & Tea plan to open **Prelude Coffee and Tea** inside 609 Main's lobby. ([HBJ](#))

The Tipping Point, Downtown's first and only creative lifestyle destination will be opening on the ground floor of the historic W. L. Foley Building at 214 Travis Street. in May. The retail store will feature select limited-edition footwear, books, art, apparel, music, and accessories. ([Website](#))



Lamar Cycle Track



Plan Downtown Public Workshop

OTHER DEVELOPMENTS

Ten Downtown projects made the Houston Business Journal's **2017 Landmark Awards: Houston's Top Projects** finalists list. Projects are recognized for excellence in land planning, design, construction, economics, marketing and management. ([HBJ](#))

The Metropolitan Transit Authority of Harris County has completed the final portion of the **Green Line light rail**. The Green Line now offers nine stops, from downtown's theater district to the East End. ([HBJ](#))

Houston megachurch, **Houston's First Baptist Church**, plans to buy a 40,000-square-foot office building at 1730 Jefferson to significantly expand its downtown presence. ([HBJ](#))

Incarnate Word Academy, a 9th- through 12th-grade all-girls private school at 609 Crawford St. completed Phase 1 of its \$15 million expansion—a newly constructed 18,500-SF academic building—in February. Phase 2—construction of a parking garage across the street—is underway. ([HBJ](#))

The city is finalizing a quarter-mile extension of the **Lamar Cycle Track**, a two-way bike path that links Discovery Green and Sam Houston Park, to improve connection to the Buffalo Bayou trail and other trails. The extension is on the west side near Sam Houston Park, and is expected to be completed by the end of March, after which the city will look at improving connections on the east side of downtown. ([Houston Public Media](#))

Downtown Houston athletic and sports club, **The Met at The Downtown Club**, at 340 W. Dallas St., a 155,000-SF luxury athletic and sports club within downtown Houston's Allen Center, is undergoing a multimillion-dollar renovation to increase vibrancy, and to introduce new programming and events. Renovations are expected to wrap up this summer. ([HBJ](#))

The Houston Astros unveiled major renovations to its center field concourse at the **Minute Maid Park on March 29**, featuring new restaurants, more seating options, a new mural; and several other improvements meant to better the fan experience. ([HBJ](#))

New Hope Housing's affordable, permanent housing for low-income persons, the Hamilton SRO located at 320 Hamilton at Congress Avenue, prepares to move to a new facility on the eastern edge of downtown. The Downtown property was sold to Astros owner Jim Crane, who is expected to use the property as part of the Astros ballpark complex, possibly a parking lot. ([Realty News Report](#))

TxDOT began the first of three phases of the \$30.45 million **I-45 Northbound Direct Connector Project**, with a 7-month closure of Spur 5 going northbound on Interstate 45 (the Gulf Freeway) beginning on March 3. Spur 5 will be demolished to build a new I-69/U.S. 59 northbound direct connector, which is intended to alleviate congestion by improving exit placements. A new Pease/St. Joseph exit will also be built at grade. The entire project is expected to be complete in the second quarter of 2019. ([HBJ](#))

The Downtown Management District launched **Plan Downtown**, a 20-year urban plan to redefine the next phase of Downtown's development, focusing on improvements in the areas of livability, green space, neighborhood connectivity, transportation, the future workforce, tourism and education. Houston-based design firm Asakura Robinson Co. LLC will draft the plan alongside with Sasaki, Traffic Engineers Inc. and HR&A Advisors. A 17-member leadership group consisting of city and district officials will steer the new plan. The plan is expected to be presented in late Fall, following meetings and public workshops. ([HBJ](#), [Bisnow](#))

1Q 2017 Overview

MAJOR OFFICE LEASES AND SALES

OFFICE LEASES

TENANT	BUILDING	ADDRESS	SQUARE FOOTAGE
Q1 ENI Petroleum	Two Allen Center	1200 Smith	142,000
Targa Resources	811 Louisiana	811 Louisiana	127,734
Crestwood Midstream	BG Group Place	811 Main	54,215
McKinsey & Co.	5 Houston Center	609 Main	35,788
Castex Energy, Inc	Three Allen Center	333 Clay	27,673
Edison McDowell & Hetherington LLP	1001 Fannin	1001 Fannin	27,000
Legacy Holding	1801 Smith	1801 Smith	21,605
Arnold & Porter Kaye Sholer	Bank of America Center	700 Louisiana	21,290
Willis Towers Watson	811 Louisiana	811 Louisiana	19,222

REAL ESTATE SALES

BUYER/SELLER	PROPERTY NAME	ADDRESS	SIZE
Q1 Spear Street Capital	5 Houston Center	1401 McKinney	580,875
Jefferson Smith LLC	500 Jefferson	500 Jefferson	390,479

Sources : CoStar; Houston Office Q1 2017 – Quarterly Market Reports (Colvill, CBRE, Cushman & Wakefield, HFF, JLL, NAI Partners, Newmark Grubb Knight Frank, PMRG, Transwestern); Houston Business Journal (HBJ); Houston Chronicle; Realty News Report; Bisnow

RELOCATIONS & EXPANSIONS

TENANT	TYPE	TO	FROM	INITIAL SF
United Airlines	Relocation	609 Main	1801 Smith Street	225,000
Targa Resources Corp.	Relocation	811 Louisiana	Wells Fargo Plaza/ 1000 Louisiana	127,734
Kirkland & Ellis LLP	Relocation	609 Main	JPMorgan Chase Tower, 600 Travis	105,000
Indigo Resources and M5 Midstream	Expansion	600 Travis	600 Travis	67,710
Crestwood Partners	Relocation	811 Main	Bank of America Center, 700 Louisiana	54,215
Johnson Downie LLC	Relocation	609 Main	BG Group Place	TBD
McKinsey & Co	Relocation	609 Main	5 Houston Center	35,788
Edison McDowell & Hetherington LLP	New	1001 Fannin	Phoenix Tower at 3200 Southwest Freeway	27,000
Legacy Trust Company	Expansion/ Relocation within building	1801 Smith	1801 Smith	21,605
Russell Reynolds Associates	Relocation	609 Main	JPMorgan Chase Tower, 600 Travis	15,000

Sources: Houston Office Q1 2017 – Quarterly Market Reports (Colvill, CBRE, Cushman & Wakefield, HFF, JLL, NAI Partners, Newmark Grubb Knight Frank, PMRG, Transwestern); HBJ; Houston Chronicle; Realty News Report; Bisnow; Central Houston, Inc.

Note: 1801 Smith Street was formerly known as 600 Jefferson and rebranded as part of Stream Realty's multimillion-dollar renovation of the building

1Q 2017 Overview

TOTAL COMPLETED

323

Residential Units

1.05 million

Office SF

2

Total Projects

NEW DEVELOPMENT: COMPLETED

RESIDENTIAL	ADDRESS	DEVELOPER	FLOORS	UNITS	COMPLETION DATE
Q1 The Star	1111 Rusk	Provident Realty	16 floors	323 units	February 2017

OFFICE	ADDRESS	DEVELOPER	FLOORS	SF	COMPLETION DATE
Q1 609 Main at Texas	609 Main	Hines	48 floors	1.05 million	January 2017

RETAIL OPENINGS

opened 1Q 2017

Allen's Place
Bayou & Bottle
Brasserie du Parc & Creperie du Parc
Caffe Bene
Casa Blanca Lounge
McAlister's Deli
Moku Bar (new vendor)
Osso & Kristalla
Pappadeaux Seafood Kitchen
The Pearl
Potente
Spire
Tongue-Cut Sparrow
Wokker TX Ranger
Xochi

CO-WORKING SPACES/ INCUBATORS DOWNTOWN

PROPERTY NAME	ADDRESS
Accenture Innovation Hub	1301 Fannin
Station Houston	1301 Fannin

COMING SOON	
DesignHive	1600 Smith
Serendipity Labs	Esperson Building (808 Travis)

Sources: HBJ; Central Houston, Inc.

Spotlight on Downtown Houston

LOCAL MEDIA

March 13, 2017

10 REASONS BUYERS WILL LOVE LIVING DOWNTOWN

"In the last ten years, developers have spent more than \$4 billion to transform downtown <Houston> into a vital city center, bringing a vast spectrum of assets and amenities to the area. 1. Convenience and time saving... 2. Diversity of residents ... 3. Lots of green spaces and parks... 4. Lots of choices about where to live ...5. Sense of community...6. Entertainment galore ... 7. Sports fans' paradise ...8. ...Living in the midst of some of the world's largest and best medical centers ...10. Restaurants from around the world..."
—*Houston Agent Magazine*

March 10, 2017

A REVITALIZED GREENSTREET OFFERS WEEKLY INCENTIVES TO VISIT

"IF YOU HAVEN'T VISITED GREENSTREET since it was redeveloped and rebranded in 2013, you've got a lot of catching up to do. The 350,000-square-foot mixed use development that spans three blocks between Main and Caroline along Dallas and Polk Streets was originally built as the Houston Pavilions in 2008, but has since added inviting new amenities, from fountains to curious art installations (have you spotted the sheep yet?)." —*Houstonia*

March 7, 2017

DOWNTOWN HOUSTON A POPULAR SPOT FOR FORTUNE 500 COMPANIES

"Downtown's office market <is> still a popular place to be for many of the nation's biggest companies...at least 20 Fortune 500 companies, the nation's largest by revenue, have major downtown Houston digs... Chicago-based United Airlines, in one of last year's biggest lease deals, firmed up its commitment to downtown Houston..."
—*Houston Chronicle*

March 3, 2017

BROKER: DOWNTOWN HOUSTON BECOMING A MIXED-USE PART OF TOWN

"The amount of activity there, from a non-office perspective, has been pretty exciting. During the Super Bowl, I think the city showed off really well, and the amount of street-level retail that's gone in downtown is great to see from a long-term viewpoint. ... I think it'll be a much more mixed-use area of town rather than the 9-to-5 weekday place it was... I think it's still viewed as one of the best places to office in Houston." —*HBJ*

January 26, 2017

DOWNTOWN HOUSTON HAS UNDERGONE A DRAMATIC TRANSFORMATION SINCE THE LAST SUPER BOWL

"The last time the Big Game came to town, downtown offered tourists a bunch of nightclubs... and not much else. What a difference a decade makes... 1. Market Square Park: A thoughtful 2010 redesign made this historic park a destination... 2. Art Blocks ... 3. Discovery Green: Houston's state-of-the-art urban park is always chock-full of events, activities and art... 4. Houston Is... Mural ... 7. Avenida Houston: A new pedestrian-friendly dining corridor ... 8. Conservatory: ... an underground ... a beer garden that also houses four popular food stalls ... 10. Pastry War ... 13. Pappas Bros. Steakhouse ... 14. Jackson Street Barbecue ... 15. Phoenicia ... " —*Houstonia*

Spotlight on Downtown Houston

REGIONAL & GLOBAL MEDIA

January 2017

THE SUPER BOWL RETURNS TO A TRANSFORMED HOUSTON

The New York Times

"Upgrades include a \$175 million overhaul of the George R. Brown Convention Center, ... A new Marriott Marquis, which will serve as Super Bowl headquarters for the N.F.L., opened the day after Christmas, joining the Hilton Americas Houston as the city's second convention district hotel. Located just across from the convention center and within walking distance of the two convention hotels, Discovery Green will anchor a 10-day festival, Super Bowl LIVE, which is expected to draw more than one million people in the buildup to the game. An increasing number of downtown residential units, spawned in part by city tax incentives to developers, has drawn thousands of Houstonians to live in the central city."

January 2017

IS HOUSTON THE NFL'S BEST SUPER BOWL HOST CITY?

Forbes

"In 2004, 200,000 people took part in the festivities surrounding the Super Bowl in Houston. This year, more than 1 million people are expected to take part in activities surrounding the big game...<including> Super Bowl Live, a fan festival that runs from January 28 through February 5, centered in downtown Houston in and around Discovery Green. It's amazing to think that when Houston last hosted the Super Bowl in 2004, Discovery Green did not even exist. To make way for the downtown festivities, Houston's famed Avenida de las Americas is also undergoing a major transformation... to create a walkable plaza. This creation gives way to perhaps the most glaring aspect of Houston's transformation, a thriving and chic culinary scene. Lining the promenade are four new restaurants in the Convention Center that are expected to open in time for Super Bowl...Houston is gearing up to use the Super Bowl as yet another opportunity to showcase just how good Texas truly is."

January 2017

HOUSTON'S DOWNTOWN REVAMPED IN TIME FOR SUPER BOWL

 **REUTERS**

"When Houston last hosted the Super Bowl in 2004, the oil city's sleepy downtown lacked the sizzle befitting the big game—and that prompted civic leaders to act. This time, fans arriving for Sunday's American professional football championship will discover a revamped downtown district with twice as many residents, a renovated convention area and a plethora of food and entertainment offerings. ... Downtown's population of 5,400 is double that of 2004 and expected to double again in the next three to four years... The population of "Greater Downtown" within a two-mile (3.2-km) radius of the inner city has grown from 49,000 to 65,000 in the past 13 years. Station Houston, a hub and support center for technology startups, recently expanded into downtown and now assists over 170 early-stage software entrepreneurs. <It> has teamed up with companies ranging from oil giants such as Royal Dutch Shell and Chevron Corp to local beer maker Buffalo Bayou Brewing Co to attract new talent and technology projects. "We have more of our members who are moving into apartments right here in downtown, taking the light rail to work," said John Reale, Managing Director for Station Houston. "You see people on the streets grabbing lunch or coffee. It's cool."

Please contact Central Houston or the District with any questions you may have:

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RESOURCES

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