

Q3 2018 DOWNTOWN HOUSTON MARKET UPDATE

Market Highlights

It has been over a year since Hurricane Harvey made its landfall in the midst of recovery from the worst energy downturn in the last three decades. Market and economic indicators strongly suggest that the downturn is finally over, and robust growth has returned to Houston's economy. Oil is trading at a stable \$70/barrel range, above break-even cost for most producers. Driven by the rebound in commodity prices, growing global demand and OPEC production cuts, exploration budgets and drilling permits have risen dramatically, resulting in a rebound in the rig count and more companies reporting profits than losses. This in turn is boosting oil and gas-related sectors including manufacturing and professional services.

The Houston region's employment growth rate of 4.3% for the 12 months ending September, surpassed all other MSA's in the country. Though bolstered by the oil industry recovery and Hurricane Harvey job gains, employment gains have primarily been within professional and business services, and not in energy. The energy sector's recovery has not translated into positive office leasing, as a leaner, technologically-advanced and more efficient energy industry emerged from the downturn, requiring a smaller workforce. Ironically, the industry is also facing a talent shortage, in spite of the fact that it has not hired close to half as many employees as were laid off: of the 93,900 jobs lost from the peak to the trough of the downturn (Dec. 2014 to Jun. 2018), the industry has added only 19,600 jobs, or 21 percent. This is due to the shortage of quality *tech* talent required to work with new and evolving digital technologies in this efficiency-driven energy industry, including big data/analytics, robotics/AI, machine learning, and automation. Lower demand for office space due to technological efficiencies and skills shortages in the energy industry have thus slowed absorption of space downtown.

Downtown's office vacancy remains elevated at about 20%: new inventory from Hines, sublease space returning to landlords as lease terms expire (including Shell's 126,000-SF space at One Shell Plaza), and previously announced restructuring/downsizing or exits hitting the market, are among the contributors. As flight to quality persists, particularly for professional services, legal and financial firms who are willing to pay higher rates in high-quality or new buildings, new construction and Class A buildings will lead in the recovery, outperforming their B & C counterparts. Tenants' desire for experiential, amenity-rich and efficient offices to attract and retain top talent has resulted in relocations to new or renovated properties. Relocating to newer and more efficient downtown buildings has allowed firms to shrink their footprints, but this has come at the cost of higher availability rates, as the bulk of these tenant movements are within downtown, leaving vacancy in their wake. Underscoring the demand for new construction, Hines broke ground on a new 1 million-SF tower this quarter for delivery in 2021, securing 367,000-SF in pre-leases from Vinson & Elkins (V&E) and Hines (new HQ). However, with this move, V&E will downsize by more than 80,000-SF of its current space in 1001 Fannin. Despite high availability, downtown retained the highest average asking rents at quarter end, at \$42.39/SF gross, and Hines' new 801 Texas has set a record for highest rates ever quoted for a Houston office property, with rates above \$60 per SF gross.

Of the 17 largest office leases signed so far this year in Houston, nine were in downtown – the most from any one submarket. Accounting for the bulk of the region's robust leasing activity, Downtown recorded close to a million-SF in lease transactions in the third quarter, with Vinson & Elkins' 208,000-SF lease at Hines' new 801 Texas being the largest. Law firms and other professional and financial services firms continue to be key drivers of leasing activity. Kirkland & Ellis expanded its space in 609 Main by over 65% (an additional 56,000-SF), occupying a total of about 162,000-SF, and bringing the building up to 69% leased. Ernst & Young LLP (EY) renewed its 121,000-SF space at 5 Houston Center (1401 McKinney), with recent renovations to the building cited as integral to the firm's decision to extend its lease. Sable Permian Resources LLC leased 97,650-SF in Pennzoil Place-North Tower (700 Milam). Downtown also attracted several new tenants including two headquarters: 28-year-old refining services company, Cryptaphase, is relocating its corporate headquarters from Greenspoint to TOTAL Plaza (1201 Louisiana) and doubling its footprint; and Petrologistics II LLC, a new \$500 million petrochemical company will move into its first headquarters in 811 Louisiana in November 2018. Canadian oil and gas tech startup, Validere, relocated its headquarters from Calgary to downtown Houston (708 Main – WeWork building) in order to be at the heart of the energy capital of the world. Litigation funding firm, Validity, opened its first Houston office in downtown at Pennzoil Place-North Tower (700 Milam). Leasing activity is only expected to continue to gain momentum as oil prices show continued stability.

On the hospitality front, Brookfield has kicked off a \$7.5 million renovation of the Doubletree Hotel at 400 Dallas St., slated for completion in summer 2019. Wortham Theater has re-opened after a year-long closure for extensive Hurricane Harvey repairs and renovations costing about \$100 million. For the fourth time, Houston won a bid to host the Men's Basketball Final Four in 2023, which is expected to positively impact the downtown economy. The Astros have extended their lease at Minute Maid Park from the original expiration in 2030 through to 2050.

Downtown's residential market performance continues to exceed expectations, with an occupancy rate of 83.9% in the third quarter, a stark contrast to 62.3% the year before (the lowest occupancy rate in the Houston region). In July 2018 alone, commercial real estate firm, Berkadia, reported a 21.6 percent growth in downtown's occupancy rate compared to the year before. Downtown also had the highest monthly rent average, reaching \$2,032 by the end of the third quarter. Downtown now has close to 9,000 residents, up from 3,800 in 2012. Growing interest in Downtown's expanding residential neighborhoods, even on a national level, is attributed to the renewed focus on creating a pedestrian- and renter-friendly environment. National Real Estate Investor recognized Downtown as the fifth biggest submarket in the U.S. for new apartment construction, citing attractiveness to developers due to the oil and gas recovery and improved job growth, which have helped fuel demand for apartments. There is also a clear demand for condo units in downtown. Still a few months away from completion, downtown's newest high-rise condo tower, the Marlowe (1311 Polk), is already 94 percent sold. Strong job growth and renewed energy sector growth have contributed to strong apartment demand and rent growth.

Downtown's economy is expected to continue to grow at a healthy pace; but sustained strong job growth and higher oil prices that translate into absorption of office space over time are needed to return downtown's high office vacancy rates to historical averages. Downtown's revitalization into a live, work, play environment that is walkable and amenity-rich will continue to be key to its continued success, creating the place where people want to live and companies want to be.

Sources: GHP, CHI, JLL, RNR, Bisnow, HBJ, Colvill, GHP, Berkadia

Q3 KEY HIGHLIGHTS

10 New retailers added in Q3

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MARKET OVERVIEW

RESIDENTIAL

- Still two months away from delivery, the **Marlowe** condo building at 1311 Polk is already 94% sold, with only 4 units left on the market. Not only is the interest in living downtown very high, this building's performance is indicative of the increasing demand for for-sale units in downtown. ([The Marlowe](#))
- **The Star** apartments at 1111 Rusk has completed and opened its parking garage and amenities. The 286-unit apartment's new amenities include a rooftop sky terrace, state-of-the-art fitness center, heated resort style pool, private theater room, dog spa, social lounge with demonstration kitchen, and a club room with gaming area and golf simulator. ([The Star](#))
- At **83.9 percent occupancy** at the end of Q3 2018, up from 63.2 percent the year before, Downtown has almost reached the 9,000-resident mark. Up from 78.5 percent occupancy at the end of the second quarter, downtown remains one of the region's fastest growing residential markets by occupancy. Inventory has stabilized, allowing for existing properties to fill up. ([HBJ](#), [Berkadia](#))

5,992 RESIDENTIAL UNITS		595 UNDER CONSTRUCTION		1,179 PROPOSED
83.9% OCCUPANCY RATE		~9,000 ESTIMATED POPULATION		

OFFICE

- **412 Main**, the former historic State National Bank Building, has been sold by its owner SNB 412 Main LP to Highrock Hospitality LLC. The 13-story, 53,592-SF building's façade was recently renovated under the Historic Preservation and Restoration reimbursement grant from TIRZ3/ Downtown Redevelopment Authority. The new owner intends to develop the property into a hotel. ([DRA](#))
- Hines, in partnership with Ivanhoé Cambridge, has kicked-off construction on a new, 47-story, 1 million-SF office tower at **800 Texas Ave** (the former Houston Chronicle site). Slated to open in late 2021, the tower has two anchor tenants: Houston's largest law firm, Vinson & Elkins signed a 16-year lease for 212,000-SF (top seven floors) and will relocate from 1001 Fannin; Hines signed a 15-year lease for 155,000-SF (five floors) and will relocate its global headquarters from Williams Tower to the new building, putting the new tower at 33% pre-leased. Designed by Pelli Clarke Pelli architects, this 'next-generation' building will achieve LEED Platinum and WELL Building certifications, have an internal 11-level garage with more than 1,500 parking spaces, and offer unprecedented amenities to support employee recruiting, retention and collaboration. ([HBJ](#), [RNR](#), [Bisnow](#))
- **1001 McKinney** has been sold. A partnership between Cameron Management and Silverpeak Real Estate Partners, represented by HFF, sold the tower to a partnership between TRC Capital Partners LLC and Amstar America LLC. The 23-story, 375,440-SF historic landmark Art Deco building was recently renovated and includes an attached parking garage, and was 76% leased at closing ([HBJ](#), [RNR](#))
- **5 Houston Center** (1401 McKinney) recently underwent renovations including a reimagined lobby with a new curated coffee concept, a newly constructed high-tech tenant lounge, and a state-of-the-art fitness center. The 580,000-SF Class-A office tower was built in 2001. ([Bisnow](#))
- M-M Properties began renovation and expansion of the 56-story **Bank of America Center (700 Louisiana)** in August. Initially scheduled to start in early 2018, now at a higher budget of \$20 million, renovations include an 8,000-SF white tablecloth restaurant in the old Western Union part of the building, a 10,000-SF coworking space on the second floor, a coffee and wine bar in the banking hall, a conference center, and open seating for tenants. ([HBJ](#))
- **Hilcorp Energy Co.** earned a spot on Fortune's 2018 "100 Best Workplaces for Millennials" list, taking the No. 67 spot. Recently, Houston was rated among the top 10 best cities for Millennials. The region was also among the top 10 metros that saw the largest increase in Millennials from 2010 to 2015. ([HBJ](#))
- Chevron plans to demolish the former **Houston Press building** at 1621 Milan St., which it purchased in 2013. According to Chevron, the 41,202-SF low-rise building, dating back to 1923, has reached the end of its useful life. Future site plans are TBD. ([HBJ](#), [Bisnow](#))
- Co-working company **Level Office** (the largest owner-operator of shared office space) has rebranded as **Novel Coworking**. Novel Coworking has two locations downtown: 405 Main St. and 720 Rusk St. In 2017, the company was named the third fastest-growing real estate company in the nation by Inc. Magazine. ([NovelCoworking](#), [HBJ](#))



HOTEL

- **AC Hotel by Marriott** is on track for completion in June 2019. A redevelopment of the Houston Bar Center building at 723 Main St., the building is being converted into a 185-key upscale hotel by Marriott. ([0](#))
- Brookfield Properties has kicked off a 'radical' renovation at **Doubletree by Hilton Hotel-Houston Downtown**, just over a year after acquiring the hotel at 400 Dallas St. The renovated hotel will serve as the social hub of the newly renovated Allen Center. Renovations will wrap up in summer 2019. ([HBJ](#))
- Located in the heart of the theater district, the 12-story, 93-room historic luxury **Lancaster Hotel** is now open after a temporary ten-month closure for a

multimillion-dollar renovation and interior design refinement following flooding caused by hurricane Harvey. Acknowledging its 1926 charm, the landmark hotel, has been redesigned into a next-century service hotel with a curated collection of over 200 contemporary works of art by more than 100 internationally recognized and respected Texas artists, such as Mark Flood, Terrell James, Donald Moffett, Margo sawyer, and Donald Judd. ([Website](#), [Eater](#))

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7,803	564	400+
HOTEL ROOMS	U/C	PROPOSED

RETAIL

- The newly revamped Lancaster Hotel is home to a new modern fine dining restaurant, **Cultivated F+B**, at 701 Texas St. The space previously occupied by its predecessor Bistro Lancaster went through a complete interior design refinement and renovation, with new sidewalk seating. It is the perfect respite for a casual meal, power breakfast, pre-theater dinner or post-performance nosh. With a touch of 1926 charm and a modern vibe, the new bar provides inventive cocktails and vintage wine service. ([Website](#), [Chronicle](#))
- The Hobby Center for the Performing Arts has unveiled its new signature restaurant – **Diana American Grill** – which replaces Artista. Named for the late Diana Hobby, who was instrumental in creating the performing arts center, the new eatery at 800 Bagby St. serves an elegant menu of classic dishes typically associated with a Theater District-style restaurant. The revamped indoor-outdoor space highlights views of the skyline, and seats 180. Diana is open Tuesday through Sunday. ([EATER](#), [HBJ](#))
- **Etro Lounge** is now open at 114 Main St. The night club moved from its Montrose location into a larger venue Downtown in August. Known for Electro, Disco, EDM, and 80s dance music, Etro is now able to host live music shows in the larger venue, with parking available at Spaghetti Warehouse. ([Website](#), [Houston Press](#))
- New fully-fledged tiki and rum bar **Kanaloa** is now open downtown across from Market Square Park at 311 Travis, Tuesdays through Sundays. Created by Tyler Barrera, Keith Doyle, and Roland Keller, the bar provides the full-on tiki experience with a relaxing Polynesian vibe, coupled with a patio/private courtyard outfitted with overhead string lights. Kanaloa carries at least 90 different rums, the bar's menu features 15 signature cocktails, most of which pay close homage to their original recipes, from island classics like the Mai Tai and immortal Hurricane, to tiki creations of their own. Local Korean taco food truck stars, Oh My Gogi, serve the bar's food menu. The owners will officially host a grand opening on November 15th. ([Website](#), [Houston Food Finder](#), [Houstonia](#), [abc13](#))
- **KHOU** debuted their downtown **Avenida Studio** in September. Located on the ground floor of the George R. Brown Convention Center near Bud's Pitmaster BBQ, the 780-SF satellite studio at 1001 Avenida De Las Americas will be used several times a week on its newscasts, Great Day Houston and other KHOU programming and specials. With flexibility to open onto the plaza, the new studio will enable

reporters to directly engage with the public and be at the center of major downtown events. ([KHOU](#), [HBJ](#))

- New cocktail bar **One Armed Scissor** has opened its doors at 208 Travis St. Previously located at the Hughie's Tavern in the Heights, the popular cocktail bar from owner/barman Michael Molina was 'reborn' downtown in August. One Armed Scissor aims to serve the community as a neighborhood bar, providing a quieter, more intimate experience. Serving a cocktail menu with interesting names like Trinidad James, Thai Dollar Sign, and the Working Title, the bar is now open at 3 p.m. daily. ([Website](#), [Culturemap](#), [Houstonia](#))
- The new **Oscar De La Renta exhibit** is now on view at the Central Library through October 28. The Exhibit showcases award-winning garments from the Fourth Annual Fashion Fusion competition created by The Museum of Fine Arts and HCC's Fashion and Costume Design department. ([More Info](#))
- **Saint Arnold's new Beer Garden & Restaurant** is open at 2000 Lyons Ave. A new addition to the existing brewery, the outdoor/indoor oasis combines beer, food, architecture, and art seven days a week, and amazing views of downtown's skyline. The new beer garden and restaurant will serve favorites from the existing Beer Hall and several new dishes. ([Website](#))
- **Saint Arnold Brewing Co.** won two medals at the 2018 Great American Beer Festival for its Amber Ale and Oktoberfest beers, a year after being awarded three medals and recognized as Mid-Size Brewing Company and Brewer of the Year. This brings its total number of medals to 26. More than 8,000 beers from over 2,400 U.S. breweries competed at the festival. ([HBJ](#))
- Nestled in Historic Market Square, **Sapporo Japanese Sushi & Bar** is now open at 801 Congress. Open seven days a week, Sapporo serves a variety of traditional and specialty sushi rolls, as well as other Japanese fare. ([Sapporo Houston](#), [Downtown District](#))
- An innovative space to support Houston entrepreneurs and showcase local talent, **Social Graces Social Club** is now open at 1201 Fannin, Monday through Saturday. The Clubhouse includes a mix of retail, a member lounge, co-working, video production, and rentable meeting and event space. It also serves as the home of Real Beauty Real Women's innovation hub for digital media and community impact. Current retailers include The Graces, Bisong

Gallery, I Am So Kate Boutique, Isrel Fonseca, Lisa Giesler, Monrreal & Co., My Dainty Cakes, Recio Designs, and Vamp Vintage Wear. ([Website](#), [Contact](#))

- The former **Spaghetti Warehouse building** at 901 Commerce St., has been sold, and is slated for redevelopment after heavy Hurricane Harvey flood damage. Constructed in 1903, the 15,000-SF building, previously owned by USRP Funding 2001-A LP, was bought by 901 Commerce LLC. The new owner plans to remake the property into an open-air street market with a second-floor bar. Renovations propose opening up the ground level to mitigate flooding, allowing flood waters to pass through. ([RNR](#), [Chronicle](#), [HBJ](#))
 - **Treacherous Leches**, a new dessert shop, is now open inside Conservatory at 1010 Prairie St. Open every day of the week, the bakery offers a variety of handmade tres leches cakes and other desserts like key lime pie, cheesecake and doughnut bread pudding. ([Website](#))
 - **The Marriot Marquis' Parkview Terrace** is now open to the public for a fee on Open Deck Days. With the purchase of weekday-only resort day passes, the public can access the world's only rooftop Texas-shaped lazy river, the infinity pool, High Dive Bar and Restaurant, and Pure Spa and fitness center, located on the 6th floor of the hotel at 1777 Walker. ([Tickets](#))
 - **Pappas Bros. Steakhouse**, which includes the 1200 McKinney downtown location, made OpenTable's 2018 100 Best Restaurants for Wine Lovers list, touted as best in the country for wine. ([HBJ](#))
- [Coming soon](#)
- Houston-based **Adair Concepts** will be opening a restaurant (café and bar) in Wells Fargo Plaza at 1000 Louisiana in fall 2019. Designed by Gensler and McGarr Design & Interiors, the new 4,628-SF restaurant will offer indoor and outdoor seating, and direct access to street and tunnel levels. Open from 7 a.m. to 7 p.m., the new concept will serve breakfast and lunch, in addition to appetizers, wine and cocktails in the afternoon ([Chronicle](#), [Culturemap](#), [HBJ](#), [RNR](#))
 - Lovett Commercial has revealed finalized plans for the former **Barbara Jordan Post Office** it purchased in 2015. Now known as POST Houston/HTX, the 16-acre property at 401 Franklin St. will be redeveloped into a mixed-use development with retail and entertainment spaces including a food hall and market, live music venue, art exhibits, restaurants,

bars, private event space, coworking space and a park on the rooftop. Based on the building permit filed, the construction cost is estimated at \$31 million. ([HBJ](#), [Bisnow](#))

- \$58 million, 31,000-SF culinary destination **Lyric Market**, will now open in the Theater District in the second quarter of 2019, and will include between 22 and 24 global food and retail vendors. The venue's 2,500-square-foot speakeasy will be developed by a mixologist from Tel Aviv, Israel; he will design the space, create cocktails and craft a menu. Located 411 Smith St., the market will also offer booths that sell wine, olive oil, vinegar, bread and more. ([HBJ](#))
- **The Rustic** will open in November, with plans to hire 450 staff. The 25,000-SF venue at 1836 Polk St. will offer live music, full-service dining with a Texas-inspired menu, a large selection of wines, spirits and 40 beers on tap. The space features a large outdoor patio, a retractable roof, two VIP areas and The Rustic's signature U-shaped bar. Tickets to the "invite-only VIP grand opening" on November 1st will be given away via the venue's Facebook page. ([HBJ](#), [Rustic Jobs](#))

- Downtown's fifth food hall, **Understory**, a 35,000-SF food hall and community hub, will anchor the two-story atrium of Skanska's Capitol Tower in mid-2019. Understory will have a full-service restaurant and a 9,000-SF culinary market that will include seven chef-driven concepts and a cocktail bar. Two concepts have been secured: a new fast casual taco concept, **Mama Ninfa's Tacos y Tortas** from owners of The Original Ninfa's, Legacy Restaurants; and lobster roll purveyor **East Hampton Sandwich Co.** Architect Michael Hsu (Local Foods, Uchi) will create Understory, which will have five points of tunnel access, and operate seven days a week in a setting that merges the street and tunnel levels with a 30-foot-wide staircase with hanging art installation, deemed the "Great Steps," meant to be a "gathering place." The mixed-use dining and destination retail space will have Wi-Fi access, mobile-device-charging stations and games. ([Chronicle](#), [Eater](#), [HBJ](#), [Culturemap](#), [Houstonia](#), [RNR](#))

10 NEW RETAILERS

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Other Developments

- Downtown's newest immersive installation, **Open House**, gives visitors an architectural gaze into Houston's past and present. Located at 1100 Bagby St., the new interactive art installation in Sam Houston Park is open to the public through February 2019. Open House was created by Dan Havel and Dean Ruck and is part of Downtown District's Art Blocks initiative. Open daily from dawn to dusk, Open House is ADA accessible, and admission is free. Parking is available in the Heritage Society lot. ([365thingsinhouston](#), [DowntownHouston](#), [VisitHouston](#), [Culturemap](#))
- The Houston Astros have extended their lease at **Minute Maid Park**, where the professional baseball team has played since 2000. The original lease set to expire in 2030, now extends through 2050. Planned improvements, dubbed "Minute Maid Park 2.0.," will focus on "increasing gate capacity, improving entrance and departure efficiency, another addition along the "view deck," and more community areas. ([HBJ](#))
- State transportation officials have voted to seek proposals for the design and construction of the downtown segments of the **North Houston Highway Improvement Project (NHHIP)**, centered on re-routing I-45. The schedule projects a contract award for construction in March 2020. The \$7 billion project, with \$3 billion dedicated to downtown, calls for relocating I-45 to flow parallel to U.S. 59 on the east side of downtown, eliminating the "Pierce Elevated", and a redesign of the interchanges between I-45, U.S. 59, and I-10. The changes would dramatically improve travel times into downtown. ([Chronicle](#))
- **Downtown Houston Library** is now open on Sundays from 1 pm to 5 pm to benefit students and patrons that depend on the its services including computer and wifi access and job search, and a safe place where homeless patrons can meet with social service providers. The library now also offers 'wi-fi in your pocket,' where patrons can check out/take home mobile wifi for three weeks." ([Houston Public Media](#))

- **RYDE Company**, an exciting alternative mode of transit that provides 100% electric transportation service is now operating in downtown Houston. RYDE uses branded electric vehicles to transport patrons around downtown. The company also offers tours and works with partners to execute targeted advertising. ([RYDE](#))
- **Wortham Theater Center** reopened for the first time since Hurricane Harvey. Home to Houston Grand Opera, Houston Ballet, Society for the Performing Arts, Da Camera and other art groups in the Theater District, this gem has been restored to its original beauty and is opening its doors to an exciting line-up of fall performances. ([Wortham Theater](#))
- The first phase report on the development of the new **Southern Downtown Park** is now available on the TIRZ 3/Downtown Redevelopment Authority's [website](#), and provides information on the direction the park is moving in. The new park, built in response to the increasing number of downtown residents, will occupy three-fourths of a block bounded by Bell, San Jacinto, Leeland and Fannin streets. The park is slated for completion in 2Q 2020. ([Phase I Report](#), [RNR](#))
- The Downtown District is holding a Town Hall meeting on Tuesday, November 13 at 5:30 pm to discuss the District's 2019 Budget. The meeting will take place at the Hines Center, and will discuss current and future projects related to 2019. ([MORE INFO](#))

Q3 2018 OVERVIEW

MAJOR OFFICE LEASE AND SALE TRANSACTIONS

OFFICE LEASES				
Tenant	Type	Building		Square Footage
		To	From	
Vinson & Elkins LLP	Relocation [Prelease]	801 Texas Ave	1001 Fannin St	208,000-SF
Kirkland & Ellis	Expansion	609 Main		161,644-SF (56,000-SF expansion)
Hines Interests	Relocation/Consolidation [Prelease]	801 Texas Ave	Williams Tower	155,356-SF
EY (Ernst & Young)	Renewal/Expansion	5 Houston Center (1401 McKinney St)		121,000-SF
Constellation (subsidiary of Exelon Corp.)	New to Downtown/Expansion	Kinder Morgan Tower (1001 Louisiana St.)		93,896-SF
Houston Forensic Science Center (HFSC)	Relocation	500 Jefferson St	1200 Travis St.	83,000-SF
Haynes & Boone	Renewal	LyondellBasell Tower (1221 McKinney St.)		72,903-SF
Camber Energy Inc.	Relocation to Downtown	1415 Louisiana St.	San Antonio	
Crystaphase	New to Downtown	TOTAL Plaza (1201 Louisiana St.)	16945 Northchase Dr., Greenspoint	12,000-SF to 15,000-SF
Targa Resources	New/Expansion	811 Louisiana		31,834-SF
NextDecade (HQ)	New to Downtown	Wells Fargo Plaza (1000 Louisiana)		25,580-SF

PetroLogistics II LLC	New to Downtown	811 Louisiana		5,752-SF
Validity Finance	New to Downtown/Houston	Pennzoil Place - North Tower - 700 Milam St		8,744-SF
Validere	New to Downtown/Houston	708 Main (WeWork)		

Sources: Houston Office Q3 2018 – Quarterly Market Reports (Colvill, CBRE, Cushman & Wakefield, HFF, JLL, NAI Partners, Newmark Grubb Knight Frank, PMRG, Transwestern); CoStar; Houston Business Journal (HBJ); Houston Chronicle; Realty News Report; Bisnow; Central Houston, Inc.

Downtown Innovation Spaces: Co-Working, Accelerators, Incubators,

Property Name	Type	Address
WeWork	Co-working	708 Main
Accenture Innovation Hub	Innovation space	1301 Fannin
Station Houston	Co-working/Accelerator	1301 Fannin
Regus	Co-working	700 Milam, Two Allen Center (1200 Smith), 1001 Texas Ave
Novel Coworking	Co-working	720 Rusk, 405 Main
Servcorp	Co-working	700 Louisiana
Flatiron School (WeWork)	Coding School	708 Main
Veterans in Residence (ViR) (WeWork/Bunker Labs)	Co-working/Incubator	708 Main

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Sources: HBJ; Central Houston, Inc.

RETAIL OPENINGS

Opened Q3 2018

Cultivated F+B	701 Texas St.
Diana American Grill	800 Bagby St.
Etro Lounge	114 Main St.
Kalanoa	311 Travis St.
KHOU Satellite Studio	1001 Avenida De Las Americas
One Armed Scissor	208 Travis St.
Saint Arnold's Beer Garden & Restaurant	2000 Lyons Ave.
Sapporo Japanese Sushi & Bar	801 Congress Ave.
Social Graces Social Club	1201 Fannin St.
Treacherous Leches (Conservatory)	1010 Prairie St.

Opening soon

Restaurant by Adair Concepts	1000 Louisiana St.
Coterie	777 Preston St.
Mama Ninfa's Tacos y Tortas (Understory Food Hall)	800 Capitol St.
East Hampton Sandwich Co. (Understory Food Hall)	800 Capitol St.
The Rustic	1836 Polk St.

SPOTLIGHT ON DOWNTOWN HOUSTON

Local Media

Sept 19, 2018

Out-Of-Towners Swooping In Where Locals Fear To Tread: Downtown's New Wave Of Restaurants

"About 70% of the tenants in the new Lyric Market will be from outside of Houston. Most of the 20 chef-driven concepts will either be the first location in Houston or the first time branching out of its home state, Enav said. "The Downtown we are in today is very different than the Downtown 10 to 20 years ago," Enav said. Investment in apartments, hotels and office buildings in Downtown is spurring the expansion of the food scene. Restaurants no longer have to depend solely on the lunchtime or late-night traffic but can expect more consistent business from tourists and residents that live Downtown or in nearby neighborhoods, Bravery Hall partner Anh Mai said. "Downtown is a lot more balanced now," Mai said. "It's a totally different ballpark." – **Bisnow**

Sept. 10, 2018

DOWNTOWN'S NEW CALCULUS: Q&A WITH SANFORD CRINER, CBRE VICE CHAIRMAN AND NATIVE HOUSTONIAN

RNR: Is downtown still an attractive location for companies to locate? *Sanford W. Criner*: Yes, and that's not opinion. It's being proven in real time by the construction of Skanska's Capital Tower and the new Hines building. The new construction (and the leases that made it possible) reflects a change in demand for a higher quality workplace, and a willingness to pay for it. The world of downtown is changing with a new generation of buildings. *RNR*: What do you see for the future of downtown, say 10 years from now? *Sanford W. Criner*: Nothing but good things. Downtown will continue to be a more and more vital and important part of the city. People want places to go with street life and cultural events and the future of the downtown Houston office market will be a function of its success as a place to live, work, and play. – **Realty News Report**

Sept. 6, 2018

6 OPPORTUNITIES TO WATCH IN DOWNTOWN HOUSTON

"After the rollout of initiatives like Plan Downtown, Downtown Houston is emerging as an urbanized reflection of its former self. Downtown is now home to many more residents with a lot more to do, eat and see. Densification will continue as projects launch to cater to the needs of the growing submarket. **Grocery Shortage?** It's only a matter of time before an urban version of a major brand like H-E-B or Whole Foods enters the corridor, but shopping at a grocery store a few miles away will not deter families from living in Downtown. **Cheers To Food Halls...** Bravery, Lyric Market, Conservatory and Finn Hall are expected to be game changers. **A New Day, More Residents...** As apartments remain in high demand, so will increased investment and interest in for-sale condos. Downtown's residential population is rising monthly, jumping from 3,800 in 2013 to more than 8,000 residents in May." – **Bisnow**

Aug 30, 2018

HOUSTON IS A TECH CITY, JUST DIFFERENT THAN AUSTIN, DALLAS

Houston can learn a few real estate tricks from its in-state neighbors, but it should also embrace what it is good at, and not lose sight of the fact that it is a major healthcare and energy hub. "Houston is a technology city, the technology that goes into the energy business is second to none." The Houston office sector has become more competitive in attracting and retaining the business community. The quality of Houston's new office developments is outshining those in other Texas metros. Skanska's Capitol Tower has been described as a game-changer. Hines is planning a next-generation office tower. Almost 5,000 residents moved Downtown within the last five years, but also an influx of street-level retail, food trucks and food halls. All of this is aimed to make downtown Houston more attractive to millennials and emerge as a thriving live-work-play environment." – **Bisnow**

Jul 16, 2018

HOUSTON TO HOST 2023 MEN'S FINAL FOUR

Houston has won a bid to host the Men's Basketball Final Four® in 2023. "Returning the Final Four to Houston in 2023 will be a slam dunk. I'm overjoyed that the NCAA recognized this fact," Mayor Turner said. "From our restaurants, to our convention center, hotels, and retail spaces, Houston is poised to provide a total fan experience. The 2016 Final Four in Houston was a huge success. We will also host an NCAA Men's Regional in 2020. So when the Final Four returns, we will be seasoned hosting veterans." Houston realized \$250 million in economic impact from the 2016 event, the second-highest total in history... "Houston's on a roll ... We are part of the winning 2026 World Cup bid, we landed 2024 College Football Playoffs and just successfully hosted not only the 2016 Final Four, but also Super Bowl LI. This proves we know how to host multiple big events in succession. – **City of Houston**

Jul 10, 2018

ASTROS SIGN NEW LEASE AT BALLPARK THAT SPURRED DOWNTOWN GROWTH

It's ironic that news of the Astros extending their lease at Minute Maid Park through 2050 barely registers on the sports landscape. This may not seem like a big deal right now, but in the early '90s, one of the chief arguments from opponents was that no one would go downtown to see a ballgame and stadiums would have little or no impact on development. Wrong on both counts. From Discovery Green to new living spaces, much of downtown's east-side development can be traced to the Astros stadium. Minute Maid Park was the lynch pin in a plan that, at one point, few believed would work. – **Houston Press**

SPOTLIGHT ON DOWNTOWN HOUSTON

Regional & Global Media



FIVE SUB-MARKETS WITH THE MOST NEW APARTMENT UNITS

"New apartment construction on a national basis may be slowing down a bit compared to the past few years, but it by no means has come to a halt. Here are the top five submarkets that saw the opening of the most new apartment units over the year that ended in the second quarter of 2018. **Downtown Houston:** Apartment developers have returned to Houston, which has finally recovered from the energy downturn that sent the apartment market into a tailspin. Developers opened 2,473 new apartments in the River Oaks neighborhood and downtown Houston over the year that ended in the second quarter of 2018. That makes the neighborhoods the fifth biggest submarket in the U.S. for new apartment construction. People who lost homes to Hurricane Harvey in 2017 and improved job growth helped fuel demand for apartments."



AUGUST 2018

HOUSTON IS THE NEW CAPITAL OF SOUTHERN COOL

"We've been hearing the buzz for a few years now: Houston may, sneakily, be America's best food city. Houston is America's fourth-largest city, an international metropolis of great institutions and great wealth. It has professional sports teams; it has operas and ballets. The turning point in the emergence of the city's food scene was the annus mirabilis of 2012. Shepherd opened Underbelly that year. A few years earlier, Justin Yu, a Houston-born chef, returned to town and created Oxheart where he won a James Beard Award. A scene was being born—one that, its participants quickly realized, had the potential to invent a culinary identity where there hadn't been one before. Yu recently transformed Oxheart into the less rigid Theodore Rex (another 2018 GQ Best New Restaurant). Houston's qualities—community and affordability—shouldn't be underestimated, and maybe it's the sense of defiance that ultimately defines Houston's cool—the sense that a city where cool isn't the primary commodity can afford to lie back and let the world come to it, whenever the world catches on.

Forbes

JULY 2018

Forbes Releases 2018 List Of The World's Most Valuable Sports Teams

"Forbes released today its annual list of The World's 50 Most Valuable Sports Teams. Overall, there are 106 sports franchises worldwide worth at least \$1 billion, up from 87 last year. The Houston Rockets (No. 40, worth \$2.2 billion) was one of the biggest gainers, shooting up 14 spots after Tilman Fertitta closed on his deal to buy the team in October. The National Basketball Association has eight teams, European soccer represents seven teams, and Major League Baseball has six teams on the list. No hockey, Formula One or Nascar teams made the cut."

Forbes

JUNE 2018

HOUSTON'S NEW KINDER HIGH SCHOOL FOR THE PERFORMING AND VISUAL ARTS BLENDS CLASSROOMS, CREATIVITY

"The new Kinder High School for the Performing And Visual Arts in downtown Houston is designed as a "beacon of creativity" by project architect Gensler's Houston office. Occupying a full city block in downtown Houston, the new flagship HISD facility replaces, upgrades and expands the existing HSPVA. A magnet school for music, theater, writing, dance and art, the \$88.3 million project funded primarily by HISD received a lead gift of \$7.5 million from the Kinder Foundation. The new 5-story building's 168,000-SF accommodates: a central 800-seat theater, a 200-seat black box theater, rehearsal rooms, an arts gallery, academic classrooms and commons, a recording studio, a roof terrace and a cafeteria, plus administration and faculty spaces. Projected to open for students in January 2019, the new school can accommodate 750 with room to grow. "A cutting-edge beacon of creativity," the new building retains the communal-collaborative-contemplative mojo of the existing campus with interspersed academic classrooms and specialty spaces, and state-of-the-art technology. Kinder HSPVA is located one light rail stop away from Houston's Theater District, suggesting possible partnerships and convenient access. Located near other residential and mixed-use development projects, the school is helping "invigorate the area."



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Resources:

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