

Q3 2019

Downtown Houston Market Update

Central Houston and Houston Downtown Management District

Downtown had a busy summer particularly with hotel openings and property renovations. The AC Hotel by Marriott opened in July in the 105-year-old renovated Houston Bar Center and is the first AC-branded property in Houston and the second in Texas. The European-themed hotel is 10 stories, has 195 guest rooms, spans a total 92,833 square feet and features a 3,650-square-foot Zoe Ballroom, formerly the site of a silent movie theater. Cambria Hotel Houston Downtown Convention Center opened shortly afterwards in early-August. The historic building, built in 1926, is formerly known as the Great Southwest Building and the Petroleum Building and features 226 rooms, a fitness center, ballroom and multifunction meeting spaces.



EXECUTIVE SUMMARY (CONTINUED)

This is also the first Houston location for Cambria Hotel & Suites, part of Choice Hotels International Inc. Lastly, the 354-room C. Baldwin Hotel will officially debut its property-wide remake in October under Hilton's Curio Collection, a franchise based on its own historic hotel-themed identity. Located in the C. Baldwin is celebrity chef Chris Cosentino's 145-seat restaurant, Rosalie Italian, that will serve rustic, Italian American fare including breakfast, lunch, dinner and a Sunday brunch featuring its Sunday Gravy dinners.

Meanwhile, several large renovation projects were in the headlines during the third quarter. The Four Seasons Hotel Houston announced in September it is proceeding with a \$16.6 million upgrade and is presently finalizing plans and timeline. The Magnolia Houston completed a several year multifaceted renovation project that includes enhancements to the meeting spaces, ballroom, public rooms and its 314 guestrooms and suites. Downtown is likewise experiencing a wide array of renovations and upgrades to its office skyline. Brookfield Properties, Downtown's largest office building owner, announced it will commence in October on an extensive renovation of its 53-story Heritage Plaza. The Class A skyscraper, containing 1.1 million square feet of office space and 28,535 square feet of retail, will undergo renovations to its exterior, main lobby, tenant conferencing areas and the sky lobby with some of the biggest property elements to change being the addition of a new glass curtain wall at the corner of Dallas and Brazos streets; renovations are scheduled to be completed in December 2021. Including Heritage Plaza, there will be 12.6 million square feet of office space renovation underway throughout 13 Downtown buildings.

Rounding out the third quarter, Downtown saw the opening of four new BCycle stations, Houston's bike sharing program, at the University of Houston-Downtown near the walking and cycling trails where Buffalo Bayou meets White Oak Bayou. The Downtown location of Pappas Bros. Steakhouse received recognition for its outstanding wine program—one of only eight nationwide. The City of Pearland launched its first-ever Park and Ride program in July with 10 stops in the Texas Medical Center and nine stops Downtown. And Discovery Green was named one of America's Great Places 2019 by the American Planning Association, an organization of public and private sector community planners.

Market Overview

OFFICE HIGHLIGHTS

51,440,604 sf
current office inventory

1,273,699 sf
under construction

1,353,629
planned

OFFICE

Leasing concessions are on the rise as Downtown landlords compete to attract and retain office occupiers including adding features such as new conference rooms, flexible workspaces, high-end spa and fitness facilities and additional building-based amenities such as cafés and outdoor patios. Re-concepted food courts are becoming a must-have for prime, new office construction as employees further socialize after work. Meanwhile, tenants are also focusing more on employee health and wellness with buildouts being 'light, bright and tight.' Office footprints per employee are shrinking due to densification and more physical space is being dedicated to break-out rooms, standing desks and floor-to-ceiling windows in open concept and flexible design and use. Likewise, building location is important as employers increasingly use their office space as a tool for recruiting and retaining talent in a tight labor market. The surrounding community is now being factored into occupier decision making as employers are looking for with a diversity of restaurants, bars, entertainment and even childcare options located nearby.

Downtown leasing activity reflects these trends. For example, the bulk of the leasing gains year-to-date occurred in trophy and prime office product with more than 275,000 square feet of direct net absorption, largely driven by recent moves to new construction projects.

At the same time, owners of existing Class A buildings are in the process of renovating and upgrading their properties in order to stay competitive in today's Downtown leasing environment. Downtown's largest office building owner, Brookfield Properties, announced in September that it will commence next month on an extensive renovation of its 53-story Heritage Plaza. Located at 1111 Bagby, the building, which contains 1.1 million square feet of office space and 28,535 square feet of retail space, will undergo renovations to its exterior, main lobby, tenant conferencing areas and the sky lobby. Among the biggest elements of Heritage Plaza that will change during the remodel will be the addition of a new glass curtain wall at the corner of Dallas and Brazos streets as owners aim to provide the bright and open spaces Downtown's tenants are seeking. The renovations for Heritage Plaza are scheduled to be completed in December 2021.

Brookfield has also launched major renovations at several other buildings in order to strategically position its 10-building Downtown portfolio. The three-skyscraper Allen Center office complex is also in the middle of a major renovation project that is scheduled to be completed next year. Brookfield's 'Reimagining of Allen Center' project has moved into its second phase, which includes renovating Two and Three Allen Center. In July, Brookfield released new details about its plans for the



Heritage Plaza Exterior Entrance

Market Overview



Heritage Plaza Main Lobby

OFFICE (CONTINUED)

4-building Houston Center, which is also undergoing an extensive renovation. Construction on Houston Center's transformation began in February 2019 and is expected to be complete in late 2020.

In fact, Downtown is experiencing a wide array of renovations and upgrades to its office skyline. There will be 12.6 million square feet of office space under renovation taking place throughout 13 buildings, including Heritage Plaza, Allen and Houston Centers and an additional 6.1 million square feet has been renovated since 2015, close to half of the total Downtown net rentable office space. As a result, ongoing renovation and new construction activity, mainly Hines' 47-floor Texas Tower, containing 1.1 million square feet located 845 Texas, foretells that 2020 will be an exceptionally robust year for construction and development throughout Downtown's office sector.

Houston-based **Plains All American Pipeline LP** is undertaking a \$2.2 million renovation to its headquarters in **Three Allen Center** (333 Clay). Downtown's three-building Allen Center office complex is currently undergoing a major renovation project scheduled to be completed next year. The property is owned by New York-based **Brookfield Properties** which is represented by JLL for leasing. Brookfield's 'Reimagining of Allen Center' project has moved into its second phase, which includes renovating Two and Three Allen Center. **Two Allen Center** (1200 Smith) is set to receive a new two-story lobby, second-floor outdoor terrace and updated retail

bays and tenant mix. Three Allen Center's lobby also will be renovated, and the building will add enhancements to the changing rooms in its fitness center. Both buildings' elevator lobbies and elevator cabs will be renovated, and a new skybridge will connect the two towers. Other portions of the Allen Center transformation include a new restaurant and a new hotel. Earlier this summer, financial services firm **Jefferies LLC** also began a nearly \$6 million remodel of two suites in Three Allen Center. ([HBJ](#), [TAMU](#))

Ontellus, a Houston-based data company providing record retrieval services for the insurance and legal industries, announced in July it is relocating and expanding its Downtown headquarters. The company will occupy 32,000 square feet at **910 Louisiana** and will sublease its space from Shell Oil Co. Ontellus currently occupies 21,027 square feet in **Younan Square** (1010 Lamar), and said it will move into the 45th and 46th floors of the 50-story 910 Louisiana in late-2019. In a company statement, Ontellus said it would be quadrupling the number of its Houston-based employees with the signing of the new lease. ([Chron](#), [Ontellus](#), [RNR](#))

Golden Pass LNG, an importer and distributor of liquefied natural gas, has signed a long-term lease for 38,000 square feet at Downtown's **811 Louisiana** building for its headquarters. Developed in 1970 by Hines and designed by Skidmore Owings & Merrill, the building recently underwent a \$40 million renovation, including

Market Overview

a new exterior, lobby, conference and fitness centers, bike storage room and electric car charging stations in the garage. ([Chron](#), [TAMU](#))

McGinnis Lochridge announced it will move its local office into **609 Main at Texas** in September, relocating from 711 Louisiana, and will occupy 14,417 square feet. Citing significant growth in 2018 and 2019 as the reason for the move, the firm has added 28 lawyers over the past two years with new attorneys added to its Houston Labor and Employment, Oil and Gas and International Trade Practices groups. ([HBJ](#), [McGinnis Law](#))

Construction costs for commercial properties in Houston are projected to rise up to five percent in the coming year, according to Austin- and Houston-based **Kirksey Architecture** during its annual update held in September. The firm analyzes construction costs of office buildings, parking garages and corporate interiors. The cost of constructing a high-rise office building reached \$117 to \$164 per square foot in 2019. Owners are also seeing higher costs for interior buildouts as they improve properties with new or renovated fitness facilities, conference centers and employee dining areas. Houston's leasing market currently favors tenants and Class A landlords are competing by offering better deal terms and new lobby and amenity upgrades.

White & Case LLP is set to begin construction on a \$10.8 million build-out of its new offices in Hines' **609 Main at Texas**. Building permits show the law firm is planning a range of modifications to the 57,315 square feet leased in April on floors 29 and 30 of the office tower. Two of the permits are for a high-rise office build-out on the two floors, and each permit lists construction costs of \$5.2 million. The firm has also received two \$200,000 permits for a staircase connecting the two floors. The firm's website lists 40 attorneys working in its Houston office. Once completed in February 2020, employees will have access to a range of new amenities, including a dining room for clients, a coffee bar, open spaces for collaboration, offices with glass walls and a client-facing floor with 11 conference rooms, one of which can seat up to 90 people. ([HBJ](#))

New and expanding to Downtown, **Shackelford, Bowen, McKinley & Norton LLP** signed a 15,000 square foot lease in August with Hines to occupy space at the 33-story **717 Texas** in January 2020. Hines recently completed renovations on the building, which included a ground-floor upgrade featuring a more modern lobby design and new food and beverage concepts. The



609 Main

Shackelford firm began operating in Houston over the summer, focusing on insurance disputes, commercial litigation and energy law. Shackelford is a Dallas-based mid-sized law firm with 57 attorneys throughout six locations with five in Texas and Nashville. ([Connect Texas](#), [Chron](#), [Hines](#), [RNR](#))

Station Houston (1301 Fannin) opened its 15,000 square foot office and prototyping lab in September for the Ion Smart Cities Accelerator. The office space includes coworking areas for collaboration and quiet working areas. An XR lab provides virtual reality simulations for member companies and can be used to teach corporations about virtual reality and augmented reality products. The prototyping lab will be staffed by engineers to help startup founders design and create early versions of their products. The lab will also host programming and classes for students and other Houstonians. The Ion Smart Cities Accelerator is backed by Microsoft and Intel with programming and benefits provided by Station Houston, the City of Houston and the collaborative manufacturing workspace TXRX Labs. Aimed at assisting 'internet-of-things' technologies that can

Market Overview

HOSPITALITY HIGHLIGHTS

8,228
hotel rooms

150
under construction

400+
planned

be used in cities, the accelerator's first cohort began in September. Its curriculum-based programming will continue through December 4, followed by pilot programs to further test and prove the technologies. The startup hub and the accelerator program will move to Rice University's The Ion once renovations of the former Midtown Sears building are complete. ([Chron](#), [Innovation Map](#))

Brookfield Properties announced renovation plans for the 53-story **Heritage Plaza** (1111 Bagby), which will focus on upgrades to the exterior, main lobby, tenant conferencing and sky lobby areas. Construction will begin October 2019 with an estimated completion in January 2021. The Class A tower contains 1.1 million square feet of office space and approximately 29,000 square feet of retail space. Led by Austin- and Houston-based Kirksey Architecture, the redesign will enhance the volume and geometry of the space and focus on creating a clean and modern design using a brighter material palette with softer, lighter finishes. O'Donnell/Snider Construction will serve as general contractor. EOG Resources, Inc. is the largest tenant, occupying over 350,000 square feet for its corporate headquarters and begins interior renovations to their space this fall with an estimated completion in late 2020 ([Bisnow](#), [HBJ](#), [Culture Map](#), [Chron](#))

The new 47-story 1.1 million square foot **Texas Tower** (845 Texas) office tower was awarded WiredScore's Certified Platinum designation recognizing its advanced internet connectivity. Texas Tower, a Hines and Ivanhoe Cambridge development currently under construction, will be the first ground-up building in Houston to have the Platinum certification. A secure, reliable and fast internet connection is one of the top factors sought after by tenants—as well as crucial to the tenant experience. Texas Tower will have the capacity to accommodate any tenant connectivity requests, as well as offer maximum redundancy to decrease the chance of downtime and have multiple internet service options for primary and back-up connections, Hines said. Designed by Pelli Clarke Pelli, Texas Tower will aim to reduce energy consumption without compromising tenant comfort, to achieve the highest sustainability, connectivity and wellness standards—LEED Platinum, WiredScore Platinum and WELL v2 Building Standards, respectively. Construction of Texas Tower kick-started July 2018 and is slated to open in October 2021. ([RNR](#), [BisNow](#))

HOSPITALITY

Downtown remains the largest hospitality market in the region with nearly 8,300 rooms housed in 27 hotels. The Downtown hospitality market has expanded by 775 new and renovated hotel rooms during 2019. The new properties include the AC Hotel by Marriott (195 rooms, opened in July), the Cambria Hotel Downtown Convention Center (226 rooms, opened in August) and the recently renovated C. Baldwin (354 rooms) scheduled to formally debut in October. Downtown's year-to-date occupancy is 68 percent through July, nearly 6 percent higher than the regional average of 62.4 percent. Average Downtown daily hotel rates experienced an increase of \$8.03 per night to \$197.07 during the same period according to CBRE Hotels.

The **AC Hotel by Marriott** (723 Main) opened on July 30th and is the first AC-branded property in Houston and the second in Texas. Developed by Dallas-based NewcrestImage, the European-themed hotel is 10 stories, has 195 guest rooms and spans a total 92,833 square feet. The building most recently served as The Houston Bar Center, prior to being bought by NewcrestImage in 2016. The building was first developed in 1914 as the headquarters of Gulf Oil and many elements of were chosen to keep its status as a historic building, from the facade to the doors leading to the guest rooms and features a 3,650-square-foot Zoe Ballroom formerly the site of a silent movie theater. ([HBJ](#), [Chron](#), [HospitalityNet](#), [Bisnow](#), [Globest](#), [Chron](#), [Meetings & Conventions](#))

Cambria Hotel Houston Downtown Convention Center (1314 Texas) features 226 rooms, a fitness center, ballroom and multifunction meeting spaces on the 20th floor. This is the first Houston location for Cambria Hotel & Suites, part of Choice Hotels International Inc. The historic 20-story building was known formerly as the Great Southwest Building and the Petroleum Building. Todd Interests served as the developer. After entering the hotel from the street level, guests access the second-floor lobby via either preserved elevator cabs or a modern staircase. In addition to the front desk, the second floor also features the hotel's market, bar and The Rig restaurant, which will serve locally sourced bistro fare. ([Chron](#), [CultureMap](#), [Hospitality Design](#), [HBJ](#), [Hotel News Resource](#))

Market Overview

RETAIL HIGHLIGHTS

430+
restaurants,
bars, & clubs

5
opened 3Q 2019 including
bravery chef hall and
understory, downtown's
newest food halls

7+
planned



C. Baldwin Hotel

HOSPITALITY (CONTINUED)

C. Baldwin Hotel (400 Dallas) will officially debut in October under Hilton's Curio Collection, a franchise which is based on its own historic hotel-themed identity rather than the Hilton corporate brand. The redevelopment of the 354-room hotel will mark a substantial update of what was the 40-year-old DoubleTree by Hilton Downtown Houston. Owner Brookfield Property Partners will be hallmarking Houston's history by naming the property after Charlotte Baldwin Allen, known in Texan history as "the mother of Houston" and the wife of Augustus Chapman Allen, who used her inheritance to help finance Houston's founding. ([Chron](#))

Hyatt Place Houston/Downtown (1114 Texas) is slated to open by the end of the year in what was the 1950 Southwestern Bell building, developed by iconic Houston builder Jesse Jones. Pride Management, which owns the building, will manage the 150-room hotel, and will feature a 16th-floor bar with views of the Downtown skyline. ([Chron](#))

The Four Seasons Hotel Houston (1300 Lamar) is proceeding with a \$16.6 million renovation and has received a building permit for an interior remodel. The building permit was issued to Turner Construction Co., which served as general contractor on the hotel's last pre-2017 Super Bowl remodeling effort in 2016. The hotel is still finalizing plans for the renovation and has not set a timeline for when the project will be completed. However, if this latest remodel is like past projects the hotel has undertaken, the upgrades could be extensive. The Four Seasons' prior round of renovations included a redesign of the hotel's spa and fitness center. ([HBJ](#))

The Magnolia Houston (1100 Texas) has completed a several year multifaceted renovation project that includes enhancements to the meeting spaces, ballroom, public rooms and its 314 rooms and suites. The inspiration for the transformation and new interiors harks to the hotel's former life as the iconic Post-Dispatch newspaper building and, later, as the corporate office of the Shell Oil Company. The atmosphere is meant to embrace a 'Texas Parlor,' eliciting a 'nostalgic feel of an era gone by,' according to a release. Much of the updates are seen in the hotel's meeting spaces with most of the spaces featuring high ceilings, ample natural light and distinctive finishes and fixtures. ([Culture Map](#))

RETAIL

Downtown restaurants and bars created an active third quarter for its retail sector. Five new openings including two new unique food halls catering to the lunch, brunch and evening crowds with extended hours on evenings and weekends and open seven days a week. These longer operating hours reflect the increasing density of Downtown's residential population and afterwork entertainment crowds. Nearly 3,200 new Downtown multifamily units have been completed since 2015 alone with the total topping over 6,000 units and 90.5 percent occupancy. Further strengthening the local evening and weekend restaurant and bar demand is the 40 percent of the nearly 10,000 residents living Downtown who are aged between 25 to 40 years old.

Opening in late July, Bravery Chef Hall is a first of its kind 9,000 square foot Downtown venue, where the chef-driven concepts operate within an artisan environment.

Market Overview

RETAIL (CONTINUED)

Bravery Chef Hall also has an extensive beverage program that include a wine bar, craft cocktail bar and a patio bar catering to the evening and weekend brunch crowds. Bravery Chef Hall seats up to 400 patrons and is located on the ground level of the 32-story luxury high rise Aris Market Square at 409 Travis across from Market Square Park in Downtown's Historic Market Square neighborhood.

Meanwhile, sitting at the base of the 35-story Bank of America Tower, is Understory, which also opened this summer and offers a vibrant, expansive dining experience filled with natural light, artwork and community gathering space. Located at 800 Capitol, Understory has 10,000 square feet of retail and 20,000 square feet of public space and as with Bravery Chef Hall, serves breakfast, brunch, cocktails and dinner and is open seven days a week.

In addition to Downtown's newly opened food halls, Landry's Saltgrass Steak House opened a 4,500 square foot restaurant in September at the George R. Brown Convention Center facing Discovery Green.

With seven more restaurants now in the works, including the much-anticipated Rosalie and Guard and Grace, Downtown's retail sector is likely to be as active in the final quarter of the year.

Papps Bros. Steakhouse (1200 McKinney) received recognition for its outstanding wine program and was one of only eight nationwide to obtain Wine Spectator's Grand Award designation for the first time. To earn this recognition, restaurants must "show uncompromising, passionate devotion to the quality of their wine program," according to the magazine. ([Culturemap](#))

Mama Ninfa's Tacos y Tortas made its debut at Downtown's food hall Understory (800 Capitol) in mid-August occupying 622 square feet on the tunnel level, joining eateries like Filipino burger favorite Flip'n Patties, East Hampton Sandwich Company, Boomtown Coffee, and new cocktail bar Silver Lining. This is just the first of many outposts of Mama Ninfa's that will likely open in Houston with multiple standalone restaurants in the works. ([Eater](#), [Chronicle](#), [Culturemap](#))

Bravery Chef Hall (409 Travis) located on the ground level of Houston-based Hines' Aris Market Square, opened in July. The chef hall includes five chef-driven restaurants, two bars and a wine bar. The 9,000-square-foot space seats up to 400, most at bar-like stations around each restaurant's kitchen. Chefs at Bravery do the cooking, preparing, serving and dishwashing themselves. Bravery's food concepts include: **Atlas Diner**, a modern diner that serves brunch, lunch and dinner, as well as late-night bites; **The Blind Goat**, a modern, Vietnamese gastropub; **BOH Pasta & Pizza** serves anti-pasti, pasta and pizza al taglio, a Neopolitan type of pizza with a crust that takes days to proof; **Cherry Block Craft Butcher + Kitchen**, where on the menu is Gulf Coast seafood and local meats, including gumbo, shrimp and steaks; **Kokoro**, Japanese for "heart," offers a variety of sushi such as king salmon, lean tuna, tuna, scallops, eel and yellowtail. Beyond food, **Lockwood Stn.** serves classic craft cocktails, **The Secret Garden** located outside in a greenhouse-style glass building serving cocktails and espresso and **Bravery Wine Bar**, which has an extensive wine list and services the entire chef hall. ([Chron](#), [HBJ](#), [Houstonia](#), [HoustonFoodFinder](#), [Culturemap](#))

Understory, the 35,000-square-foot community hub and culinary market in the lower levels of Bank of America Tower (800 Capitol), held a grand opening in mid-August. The most recent addition for the 10,000 square foot culinary hall is **Silver Lining**, Understory's signature bar, occupying 262 square feet and will offer hand-crafted premium cocktails inspired by the culinary market's food vendors along with a wide range of upscale craft beer, wine and spirits and will also provide bar service for functions held in the tower's 10,000-square-foot conference and events center and the 24,000-square-foot SkyPark, a courtyard atop the building's parking garage. ([HBJ](#), [Houston Food Finder](#))

Landry's Inc. opened its newest **Saltgrass Steak House** location in September at the **George R. Brown Convention Center** (1001 Avenida de Las Americas, Suite B) facing Discovery Green. The restaurant replaces Bud's Pitmaster BBQ, which closed in October 2018. The 125-seat restaurant and it's No Bull Lounge will occupy



Atlas Diner



Saltgrass Steak House

RETAIL (CONTINUED)

approximately 4,500 square feet and employ 55 to 65 staff. The new restaurant is part of several hospitality concepts that form Avenida Houston, an entertainment district spanning the George R. Brown and surrounding venues. Other restaurants in the Avenida Houston area include Kulture and Grotto Downtown as well as Xochi, by Hugo Ortega and Tracy Vaught, at the new Marriott Marquis. ([HBJ](#), [Chron](#), [Hoodline](#))

Pizza Zquare opened this summer in Downtown's Finn Hall food hall (712 Main). This is owner Francisco Sierra's first business and was inspired to open a restaurant from trips to Italy and a love for pizza. Pizza Zquare serves pizzas by the slice or whole, along with sandwiches, salads and desserts. ([HBJ](#), [Houstonia Magazine](#))

James Haywood, a 2018 James Beard Award semifinalist and former chef-owner of Kitchen 713, is consulting on the new drink menu at **Kulture** (701 Avenida de las Americas), the Downtown restaurant created by The Breakfast Klub owner Marcus Davis. Haywood and his partner, Ross Coleman, were named semifinalists in the James Beard Awards' Best Chef Southwest category in 2018 for Kitchen 713. At Kulture, Haywood is creating cocktails inspired from black culture and creating drinks based on famous black plays, such as "Emperor Jones" and "Yellowman." Kulture opened in 2018 and offers a menu inspired by Caribbean and Southern food, such as pork and beans or oxtail ragout with coconut rice grits. ([HBJ](#), [Eater](#))

RETAIL—COMING SOON

Bravery Chef Hall (409 Travis), the newest entry into Houston's burgeoning food hall scene, is working toward completion of a new entry, a state of the art **Gaggenau** kitchen which will serve as a provider for pop-up dinners, chef demonstrations, cooking classes and other creative uses for the Bravery Chef Hall team who are certified to use the equipment. A grand opening is being planned for the second to third week of October. ([PaperCity Mag](#))

Guard and Grace (500 Dallas) is expected to open in November at **One Allen Center**. Brookfield Properties and restaurateur, Troy Guard, chef and owner of Denver-based TAG Restaurant Group, announced in 2018 the plans to open Guard's award-winning modern American steakhouse in Downtown, occupying approximately 15,000 square feet. The Denver location opened in 2014 on the street level of the Brookfield Properties' 1801 California and has since earned Guard and Grace's reputation as one of the nation's top steakhouses. The new Downtown Houston location will feature an expansive dining room, private dining space and private wine lockers. ([Eater](#))

Mendocino Farms will open its first Downtown location at **609 Main at Texas** in winter of this year. The local favorite, currently open in Midtown, Uptown and Rice Village, serves healthy, owner and seasonal sandwiches, salads and some soups, such as a vegan banh mi with organic marinated and baked tofu, house made pickled daikon and carrots. In another announcement, **Mendocino Farms** said in September it would be opening a second Downtown location late-summer 2020 in **Two Allen Center** (1200 Smith).

Common Bond Café & Bakery is opening in Downtown's latest food hall, **Understory** (800 Capitol). The 4,900-square-foot full-service bakery and brasserie, located on the ground floor in Skanska's Bank of America Tower, will feature one of Common Bond's first full bars, serving beer, wine and cocktails. Opening is planned for April 2020, and the location will seat approximately 210 customers and employ 63 as well as having longer weekend hours. ([HBJ](#))

Celebrity chef Chris Cosentino, who has restaurants in California and Oregon, will make his formal Texas debut in October with **Rosalie Italian Soul**. Named after his grandmother, the restaurant is a 145-seat venue serving rustic, Italian American fare located in Downtown's **C. Baldwin Hotel** (400 Dallas) which will formally unveil its renovation in early-October. The restaurant will serve all the meals at C. Baldwin including breakfast, brunch, lunch and dinner (including its Sunday Gravy dinners) as well as room service and a take and go option. ([Food+Wine](#), [CultureMap](#))

Market Overview

RESIDENTIAL HIGHLIGHTS

6,086

residential units

837

under construction

1,179

planned

91.0

occupancy rate

RESIDENTIAL

Downtown's residential submarket currently has a 91 percent occupancy, up 80 basis points over July, and monthly rents of \$2.35 per square foot per month, an increase of \$0.19 per square foot, outpacing the Houston regional average of \$1.29 per square foot per month.

Meanwhile, Downtown's residential population continues to attract young, educated and affluent professionals. Recent data from U.S. Census Bureau's American Community Survey show that 62 percent of the population within a 2-mile radius has an annual household income greater than \$50,000, up from 59 percent a year ago while 48 percent has a college degree or higher, another increase of 2 percent during the same reporting period and 54 percent of Downtown residents is 34 years-old or younger.

Multifamily construction is heating up again. Permitting in metro Houston is outpacing nearly all major U.S. markets, including every other major Texas metro, according to a recent analysis by RealPage, a Richardson, Texas-based real estate software firm. In the 12 months ending July 2019, multifamily permitting in Houston-The Woodlands-Sugar Land metropolitan area totaled 20,932 units, about 9,500 more than the preceding year. Downtown is no exception to this construction pace. There are currently three residential properties under construction containing 873 units, the first expected to be completed is the Camden Downtown (271 units), located at 1515 Austin and scheduled for delivery in April 2020.

Houston-based Hines has begun receiving construction permits in September for the next stage of construction in order to go vertical on **The Preston** (414 Milam), a 373-unit Downtown 46-story multifamily high-rise now underway. The permit for the high-rise shell and core estimates this phase of the project will reportedly cost \$71.4 million, with the build-out of each floor expected to cost about \$1.65 million, according to additional permits. The estimated cost of the 24,144-square-foot amenity deck to be located on the 10th floor is significantly higher, coming in at \$2.7 million. Plans for the amenity deck include a zero-edge pool, shaded cabanas and

daybeds, yoga lawn, covered terraces and an outdoor kitchen pavilion with gas grills. A second 5,312-square-foot amenity level on the 46th floor is expected to cost \$400,000, according to permit records. The project has also received a \$10 million permit to construct a 231,332-square-foot parking garage. Up to this point, construction crews have been focused on clearing the site and performing foundation work. Construction of The Preston is expected to be completed in the third quarter of 2022 and when finished, will be the tallest Downtown multifamily residential building. ([HBJ](#))



The Preston

Market Overview



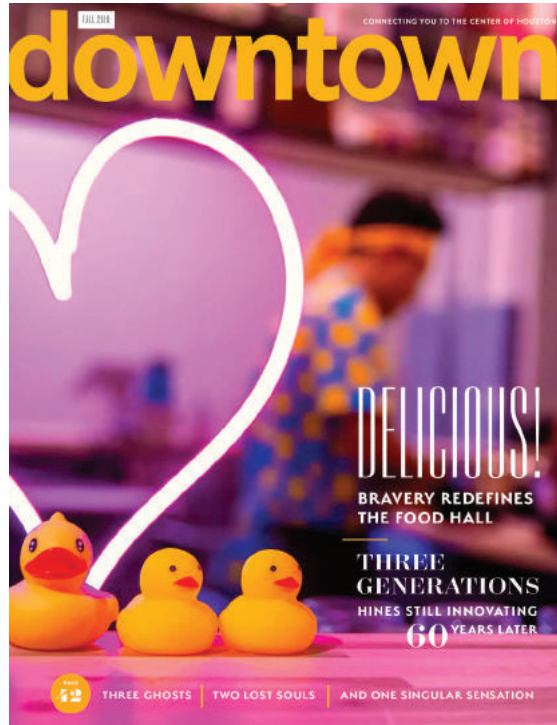
BCycle

OTHER DEVELOPMENTS

Kline Properties, an Austin real estate group, has acquired the historic **Hogg Palace Lofts**, an eight-story mixed-use building located at **401 Louisiana Street** in Downtown Houston. Constructed in 1921, Hogg Palace now stands as an historical building as designated by the Texas Historical Society. The building once housed the office of William C. Hogg, businessman, philanthropist and son of Texas Governor James Hogg. It also was once home to the automobile retailer Armor Auto Company. The Randall Davis Company converted the building to lofts in 1995. Hogg Palace Lofts now features 79 units, distinguished by soaring ceilings, exposed air conditioning ducts and industrial brick and concrete walls, with units ranging in size from 670 square feet to 1,811 square feet. ([RNR](#))

The City of Pearland launched its first **Park and Ride** program in July. Buses leave from the Sports Complex at Shadow Creek Ranch, where there are 350 free parking spaces. It will make 10 stops in the Texas Medical Center and nine stops Downtown. Riders will pay \$6.50 each way, but the city is also working out a discount for monthly memberships. Buses will run from 5:45 a.m. to 9:30 a.m. each morning, every 15 minutes, Monday through Friday. Return service starts at 3 p.m., with the last bus leaving at 6:45 p.m. The buses would run as part of a three-year pilot program with Kerrville Bus Company, but the city expects to get more funding through transportation grants once the project is up and running. ([ABC13](#), [City of Pearland](#))

Market Overview



downtown Magazine

OTHER DEVELOPMENTS (CONTINUED)

NOW ON STANDS: **downtown Magazine** Fall Edition. In 1957, when Gerald Hines chose Houston to start his career in commercial development, he saw a city filled with promise. More than 60 years later, his company has developed several buildings comprising Houston's marquee skyline, including Downtown's Pennzoil Place, 700 Louisiana and 600 Travis. Read all about his legendary career along with features on Bravery Chef Hall, Downtown's newest chef hall; a spotlight on wardrobe teams for Downtown's Theater District as the 2019-2020 season gets underway and more. ([Downtown Magazine Fall 2019](#))

Downtown now has two Amazon locker locations, **Fulbright Tower** in Houston Center (1301 McKinney) and a new one installed recently in the **One Market Square Garage** (800 Preston). The lockers offer building tenants and area residents a secure, self-service kiosk that allow for convenient package pick up including evenings and weekends. ([Amazon](#))

In mid-August, the **METRO Board of Directors** voted unanimously to approve the **METRONext Moving Forward** plan, calling for a referendum to be placed on the November 5, 2019 ballot for voters to consider \$3.5 billion in bonding authority for METRO. The METRONext plan includes 75 miles of METRORapid service (Bus Rapid Transit) including a connection to Bush Intercontinental Airport (IAH), 16 additional miles of light rail including a connection to Hobby Airport (HOU), expanded two-way HOV/HOT lanes, 290 miles of BOOST or optimized bus service along heavily traveled routes and signature bus service on Westheimer with limited stops. The plan also calls for investments in 21 new or improved Park & Rides and transit centers, as well as accessibility and usability improvements. ([METRONext](#))

The bike sharing program, **BCycle**, opened four new stations at the **University of Houston-Downtown** near the walking and cycling trails where Buffalo Bayou meets White Oak Bayou. University of Houston-Downtown President Dr. Juan Sanchez Munoz said the new bike share facility will also help the school meet its environmental goals with fewer cars on the road and reduced auto emissions. The new UHD BCycle stations are at the following locations: UHD's Jesse H. Jones Student Life Center; Athletic Fields near White Oak Bayou; Marilyn Davies College of Business/Lot B; and, Daly Street Parking Lot. Riders will be able to use the stations 24-hours a day, seven days a week. ([Houston Public Media](#))

Discovery Green (1500 McKinney) has been named one of America's Great Places 2019 by the American Planning Association, an organization of public and private sector community planners. The program annually recognizes streets, neighborhoods and public spaces that demonstrate exceptional character, quality and planning. Discovery Green is the only Texas location among 13 winners, including six parks, listed this year. Association president Kurt Christiansen said the group selected Discovery Green for multiple reasons citing that Houston's 11-year old Downtown park, due to public-private partnerships, replaced several parking lots and helped to transform an underperforming economic zone into one of Houston's most active public spaces. Christiansen also noted Discovery Green's valuable access to mass transit, its LEED gold-certified structures and even its space shuttle shape reflect thoughtful consideration by planners and the community. More than 4,000 members of the American Planning Association will see Discovery Green and other sites around Houston next April, when their national convention visits the George R. Brown Convention Center. ([Chron](#), [Paper City](#))

Q3 2019 Overview

MAJOR OFFICE LEASES AND SALES

OFFICE LEASES

TENANT	TYPE	TO	FROM	SQUARE FOOTAGE
Jefferies Group, LLC	Renewal, Relocation Within Building	Three Allen Center (333 Clay)		40,000
Ontellus	Relocation/Sublease	910 Louisiana	Yunan Square (1010 Lamar)	32,000 (Expansion: 10,000)
Hines2 (Hines Squared), The Square	New to Downtown/Houston	717 Texas		27,795
Stantec	Sublease/Expansion	910 Louisiana	500 Jefferson	23,515
Enterprise Products	Expansion	Enterprise Plaza (1100 Louisiana)		22,301
Chevron	Expansion	1600 Smith		23,740
Hunton Andrews Kurth LLP	Expansion	600 Travis		22,088
Station Houston	Expansion	1301 Fannin		15,000
Shackelford, Bowen, McKinley & Norton	New to Downtown/Houston	717 Texas		15,000
McGinnis Lochridge	Relocation/Expansion	609 Main at Texas	711 Louisiana	14,417
Mehaffy & Weber PC	Relocation in same building	One Allen Center (500 Dallas)		12,909
Husch Blackwell, LLP	Expansion	600 Travis		8,410
Lone Star Legal Aid	Renewal	500 Jefferson		4,456

Sources: Houston Office—2019 Quarterly Market Reports (Colvill, CBRE, Cushman & Wakefield, HFF, JLL, NAI Partners, Newmark Knight Frank, MadisonMarquette, Transwestern); CoStar; Houston Business Journal (HBJ); Houston Chronicle; Realty News Report; Bisnow; Central Houston, Inc.

INNOVATION SPACES: CO-WORKING, ACCELERATORS, INCUBATORS

PROPERTY NAME	TYPE	ADDRESS
Accenture Innovation Hub	Innovation space	1301 Fannin
BBL Labs (BBL Ventures)	Accelerator	1301 Fannin (out of Station Houston)
Bond Collective	Coding School	Pennzoil Place (711 Louisiana)
Flatiron School (WeWork)	Co-working	Great Jones (708 Main)
Founder Institute	Accelerator	1301 Fannin (out of Station Houston)
Hines2 (Hines Squared), The Square	Co-working	717 Texas
Ion Smart Cities Accelerator (Microsoft)	Accelerator	1301 Fannin (out of Station Houston)
Life Time Work	Co-working	GreenStreet (1201 Main)
MassChallenge	Startup accelerator and competition	GreenStreet (1201 Main)
Novel Coworking	Co-working	720 Rusk, 405 Main
Regus	Co-working	700 Milam, Two Allen Center (1200 Smith), 1001 Texas
Servcorp	Co-working	700 Louisiana
Spaces	Co-working	GreenStreet (1201 Main)
Station Houston	Co-working/Accelerator	1301 Fannin
Veterans in Residence (ViR) (WeWork Bunker Labs)	Co-working/Incubator	708 Main
WeWork	Co-working	708 Main
WeWork	Co-working	609 Main
WeWork Labs	Incubator	708 Main

Sources: Central Houston, Inc.

RESTAURANT & RETAIL OPENINGS

BARS & RESTAURANTS

Bravery Chef Hall (fully opened July 30)	
Atlas Diner	
The Blind Goat	
BOH Pasta	Bravery Chef Hall (409 Travis)
Bravery Wine Bar	
Cherry Block Butcher & Kitchen	
Kokoro	
Lockwood Station	
Secret Garden Patio Bar	
Finn Hall	The Jones on Main (712 Main)
Pizza Zquare	
KiLands LIVE	Bayou Place (530 Texas)
Saltgrass Steak House	George R. Brown Convention Center (1001 Avenida de Las Americas, Suite B)
Understory Food Hall (fully opened August 12)	
Boomtown Coffee	
East Hampton Sandwich Co.	
Flip 'n Patties	Bank of America Tower (800 Capitol)
Mama Ninfa's Tacos y Tortas	
Mona Fresh Italian Food	
SeaSide Poke	
Silver Lining	

RETAIL

Launch (new location)	George R. Brown Convention Center (1001 Avenida De Las Americas)
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RESTAURANT & RETAIL OPENINGS—COMING SOON

BARS & RESTAURANTS

Amelle's Coffee	811 Louisiana
BurgerIM	415 Milam
Gaggenau	Bravery Chef Hall (409 Travis)
Guard and Grace	One Allen Center (500 Dallas)
Mendocino Farms Sandwich Market (2 Downtown locations)	609 Main at Texas Allen Center (1200 Smith)
Rosalie Italian	C. Baldwin Hotel (400 Dallas)
Understory Food Hall	
Common Bond Cafe & Bakery (April 2020)	Bank of America Tower (800 Capitol)

RETAIL

Paloma Sloan/Hall	C. Baldwin Hotel (400 Dallas)
Starbucks	AC Hotel (723 Main)

*Based on known projects

Spotlight on Downtown Houston

LOCAL MEDIA

July 29, 2019

HOUSTON WELCOME CENTER OPENS IN DOWNTOWN CONVENTION DISTRICT

"Avenida Houston, Houston's downtown convention and entertainment campus, has opened a new Welcome Center in the George R. Brown Convention Center. Houston First Corp. will manage the center, which also offers a home for Launch, a retail outlet that started as a pop-up in Partnership Tower during Super Bowl LI to highlight the creations of local designers and artisans. Also, Avenida Eats will offer grab-and-go at nearby stadiums. Staff will assist visitors with signing up for guided tours, making reservations or purchasing tickets to Houston cultural attractions through the Marketplace. The Welcome Center will promote the region and provide a resource to the nearly 22 million visitors annually, according to Houston First." —**Houston Chronicle**

August 9, 2019

THREE NEW DOWNTOWN HOTELS WORTHY OF A STAYCATION

"It's no big secret that Downtown Houston is basically transforming before our very eyes. From new food halls to bars and restaurants, and revamped parks that host tons of free family-friendly events, the ever-changing area has a lot to offer, even for Houstonians, and even in the summer. Have you even checked out Yuri Sukuki's Sonic Playground at Discovery Green or the brand-new Understory food hall yet? With all that in mind, downtown seems perfect for a staycation right about now. Three stunning new hotels have opened their doors this summer, adding to our already impressive mix of lodging options. Here's what to know about each of these luxurious new downtown stunners. C. Baldwin: The luxurious new revamp of a former Doubletree is not only the newest addition to Hilton's high-end Curio Collection of hotels, but also the anchor for the reimagined landmark Allen Center, and a nod itself to our city's history. The name, C. Baldwin, honors Charlotte Baldwin Allen, wife of Houston co-founder AC Allen and one of the earliest benefactors of our city's development. AC: located in a property that's on the National Register of Historic Buildings—the Jesse Jones-designed Gulf Oil turned Houston Bar Center building, dating back to 1914, this 10-story, 195-room beauty boasts modernist architecture, an art collection, restored mid-century modern design elements and Spanish influences that's all very "European soul mixed with Texas charm," their intended ambience after a reported \$44 million renovation. Cambria: Located in the historic Great Southwest Building at 1314 Texas Avenue, and three blocks from Minute Maid Park, this new upscale hotel from Concord Hospitality opened its doors to guests on August 1." —**Houstonia**

August 21, 2019

GROWING SOFTWARE COMPANY OPENS DOWNTOWN HOUSTON OFFICE

"UiPath of New York, which creates software to mimic human activity, is aiming to win customers out of its new Downtown Houston that opened August 22 at 114 Main. The company is targeting the health care and energy sectors by automating their mundane employee tasks by performing routine, time-consuming tasks, such as copying data from a PDF and pasting it into an Excel spreadsheet. "Texas is a very critical place for us because it's where we have some very large customers and where we see a lot of innovation going on inside our customers," said Marie Myers, UiPath's chief financial officer who lives in Houston. "(Oil and gas companies) have had a lot of economic pressure in the past two to three years, so they've really had to look at ways to transform." Myers, previously the global controller and executive officer at HP, joined UiPath in December. "We have 71 folks here today," Myers said, "and we're hiring more every day." The company was founded in Romania in 2005 and moved its headquarters to New York in 2018. It has approximately 3,200 employees across 20 countries." —**Houston Chronicle**

Spotlight on Downtown Houston

LOCAL MEDIA (CONTINUED)

August 21, 2019

MAJOR HOUSTON ESPORTS TEAM REVEALS DATES, VENUE FOR FIRST-EVER DOWNTOWN HOME MATCHES IN 2020

"The Houston Outlaws, a major esports franchise in Blizzard Entertainment Inc.'s Overwatch League, will play its first local matches in Downtown Houston in 2020. Chris DeAppolonio, who was hired as president of the Houston Outlaws in August, told the Houston Business Journal that the franchise will host two weekends of competitive play in 2020 at the Revention Music Center, at 520 Texas. in Downtown Houston's Theater District. The first weekend of matches in Houston begin on Feb. 29, 2020 (Leap Day) in which the Outlaws will take on the London Spitfire. Overwatch League franchises representing Florida, Atlanta, New York, Philadelphia, Boston and Paris will also play matches in Houston that weekend, according to a recently released league schedule. The Outlaws will play the Toronto Defiant March 1 and the second weekend of matches in Houston will take place Aug. 1-2, 2020." —Houston Business Journal

REGIONAL & GLOBAL MEDIA

August 2019

HOUSTON'S ULTIMATE FOOD HALL GUIDE—EVERYTHING YOU NEED TO KNOW: From Downtown to The Heights to Rice Village, This Foodie Craze is Only Growing

"There's no denying it. Houston is in the throes of a food hall frenzy. Conservatory, the Bayou City's foray into centrally organized food stalls, opened three years ago and its follower, Finn Hall, just opened last year—but it's in full swing. As of right now, four ambitious food halls are either fully open or in the midst of soft openings and grand openings. And the concept is far from slowing down, with that many more on the way. Downtown Houston took off as the epicenter for this micro-restaurant phenomenon, but it's since spread to Rice Village, The Heights and beyond. No matter where you turn, you'll find a dizzying array of restaurants all under one roof. Food halls are ideal for those curious about food, those not satisfied to simply eat the same thing every time. Food halls are road maps to all the cuisines Houston has to offer. You can go again and again and always find something brand new. You can snack on seafood, chow down on Chinese, bite into a burger and more all within a few thousand square feet. But with eight whole food halls in the mix, it can be hard to keep track. But don't worry. We've got your (food) hall pass. This is the Ultimate Guide to Houston's Food Halls." —Annie Gallay

September 2019

MASSCHALLENGE NAMES THREE WINNERS FROM FIRST GROUP OF HOUSTON STARTUPS



"The MassChallenge accelerator program named three winners on September 5 from its first class of Houston startups. The winners were Louisiana-based NeuroRescue, a medical device company that cools a patient's temperature in situations ranging from heat exhaustion to cardiac arrest, Texas-based Noleus Technologies, a medical device company that accelerates patient recovery after abdominal surgery, and Texas-based Sensytec, which uses sensors to monitor, analyze and quantify cement and concrete conditions for the energy and construction sectors. "It took a city-wide effort to bring MassChallenge here," Mayor Sylvester Turner said in a news release. "Now I am proud to see how much has been accomplished in only nine months since the announcement of Houston as their second Texas-based location." This first local MassChallenge program was shorter than the typical programs, so these winners will be accepted into MassChallenge's three-month 2020 accelerator program in Houston or Austin to compete for equity-free cash prizes. The Houston Angel Network also awarded a \$40,000 investment prize to Sensytec, which this week started in another Houston business accelerator program called the Ion Smart Cities Accelerator. MassChallenge is a Boston-based nonprofit accelerator program with international locations. It targeted Houston startups that have generated less than \$1 million in revenue over the past year and have raised no more than \$500,000 in equity-based funding."

Spotlight on Downtown Houston

REGIONAL & GLOBAL MEDIA (CONTINUED)



September 2019

ACCENTURE TO HOLD HEALTHECH INNOVATION CHALLENGE IN NORTH AMERICA Finalists to Present in Houston February 6, 2020

"Accenture has kicked off the application period for the fourth annual Accenture HealthTech Innovation Challenge, which seeks to support innovative approaches and solutions for improving the way people access, manage and finance healthcare in North America. Applications will be accepted through September 22 and finalists will present in Houston on February 6, 2020. The three categories for this year's Accenture HealthTech Innovation Challenge are: Operational Efficiency: Solutions that increase efficiency and core day-to-day processes; Increased Access: Solutions that expand access to services and treatments for health organizations; and Consumer Experience: Solutions that create positive consumer experiences. Accenture is seeking applications that are focused on health care organization buyers, which include public health entities, private payers, provider systems, delivery networks, retail health companies and organizations that participate in the health care delivery and payment ecosystem."

September 2019

innovationmap

DOWNTOWN REDEVELOPMENT AUTHORITY APPROVES \$1.25 MILLION GRANT FOR NEW-TO-HOUSTON ACCELERATOR PROGRAM

"Houston attracted another nationally recognized accelerator program to Downtown. Wisconsin-based gener8tor has announced its plans to launch its pre-accelerator program, gBETA, in Houston in spring of 2020 thanks to a \$1.25 million grant approved by the Downtown Redevelopment Authority. "With gener8tor joining nonprofit global accelerator MassChallenge in Downtown, the Houston innovation ecosystem will be home to two nationally ranked accelerators," says Bob Eury, president of Central Houston and the Downtown Redevelopment Authority, in a news release. "This agreement furthers Central Houston's long-term goal to create a collaborative Innovation District within Downtown and helps bridge the gap between small local startups and the city's growing innovation economy." The grant will not exceed \$1.25 million and will be paid out over the next five years. Gener8tor will have two gBETA cohorts a year, and the seven-week program will have a max of five teams across industries. The program will be equity-free and at no cost to participants accepted into the program. The program will also host six lunch-and-learn events that will be free and open to the Houston innovation ecosystem." —Natalie Harms

September 2019

URBAN DENSIFICATION ELEVATING PROPERTY VALUES ON THE PERIPHERY OF DOWNTOWN HOUSTON, REPORTS DEAL SIKES



"The densification of urban Houston is creating more demand for infill development sites in districts around Downtown and property values are increasing, according to Deal Sikes, a leading Houston-based property valuation firm. "Real estate developers are seeking well-located parcels for high-rise residential, mixed-use projects, retail and multifamily construction," said Mark Sikes, principal with Deal Sikes. Major development firms including Hines, Hanover Co. and Madison Marquette have recently completed or are currently constructing high-rise residential towers in Midtown and Montrose. Additional new development, primarily multifamily and retail development, has been occurring in the Heights, the Washington Avenue corridor and in EaDo on the east side of Downtown. The emergence of the Inner Loop markets is also growing as Houston's population growth and commute times expand." Governmental policies and programs also play a role in the resurgence of Houston's infill markets and a trend toward rising valuations, said Matthew Deal, principal of Deal Sikes. "The success of the City of Houston's initiative to promote residential development in the Central Business District has transformed this market to a 24-hour activity center. The change in the Downtown mixed-use environment is driving land values to new levels. Deal Sikes provides valuation and counseling services for real estate firms, governmental agencies, law firms, and investors across the region." —Mark Sikes and Matthew Deal



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RESOURCES

[Downtown Hotel Map – August 2019](#)

[Downtown Residential Map – August 2019](#)

[Downtown Development Map and Building Renderings – July 2019](#)

[Downtown Parking Map](#)

[Downtown Bird's-Eye-View Map](#)

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