

Downtown Houston Market Update

Central Houston, Inc. and Houston Downtown Management District

Looking at the headlines this quarter felt like reading a weather outlook. From the sharp headwinds of COVID-19, adding in the dark skies caused by the nationwide economic consequences of a pandemic and a severe drought in oil prices, it seemed the Houston area forecast was more akin to a west Texas farmer looking up for rain than the busy, bustling H-Town we all know. Industries are having to be creative during this uncertain time: Downtown's hospitality sector began offering dozens of staycation packages, restaurant chefs spun up new and creative take-out options, residential property managers originated innovative leasing strategies, office tenants committed to space renewals and Downtown's Innovation Hub made one-two strides with new startup cohorts, the recruitment of a globally connected organization and the addition of a vertically integrated innovation space, Downtown Launchpad.



Houston Skyline

EXECUTIVE SUMMARY (CONTINUED)

Our update this quarter contains all the details of these developments but here are the highlights. Downtown's residential market is homing in on critical operational best practices including keeping communications with residents clear and open. Dine-in restaurant and bar closures motivated chefs and mixologists to create special take-away packages as Downtown dining found new paths to adapt to social distancing and hygiene requirements. The Downtown hospitality sector kicked into a new type of high gear with staycations as VisitHouston's website now features more than 60 types of hotel packages throughout Houston, including most of the signature Downtown hotels. And Downtown office environments are also changing. Soon, Downtown office buildings might even have A COVID-19 safety rating.

As we point towards tomorrow, Downtown celebrated the Fourth of July with the Shell Freedom Over Texas complete with a televised concert on ABC 13 broadcast from Jones Hall capped off with a live fireworks finale.

Market Overview

OFFICE HIGHLIGHTS

51,469,131 sf

office inventory

1,251,856 sf

under construction

603,629 sf

planned

OFFICE

Office work environments are adapting to the changes now required due to the COVID-19 pandemic. Hybrid and staggered schedules comprised of a combination of work from home (WFH) and in the office, more than six feet of social distancing while in the office or common building areas including elevators in addition to meeting and conference rooms plus the facial masks necessary to safeguard fellow workers are now a mainstay.

Soon Downtown office buildings might even have a COVID-19 safety rating. Dubbed the WELL Health-Safety Rating, it can be used to rate most property types, including office buildings, retail, restaurants and hotels as well as other property types. The standard will also examine building sanitation, which in a post-COVID-19 context includes cleaning and touchless surfaces, water quality, waste disposal and other factors. The International WELL Building Institute released its original system for building standards in 2016, which focuses on over 100 aspects of a building's environment positively influencing health and similar to Leadership in Energy and Environmental Design (LEED) has levels: silver, gold and platinum.

Another developing trend for office buildings is whether Downtown will see a spike in the amount of available sublease space. During the energy downturn starting in late-2014 and rebounding in 2016, the amount of Downtown sublease space peaked that same year at 2.7 million square feet according to Central Houston's annual Office Story. In the latest 2020 Office Story compilation, sublease has shrunk to almost half that amount as ongoing absorption over the past couple of years kicked in buttressed by strong subleasing activity during the second half of 2019 so the vast majority was absorbed by the end of the year, right before the latest drop in crude oil prices began this spring. Downtown Houston's total inventory is nearly 52 million square feet, and at the beginning of the second quarter sublease office space in Downtown Houston was scarce with just a 1.8 percent vacancy.

As a result, the significant reduction of sublease space by the end of 2019 has been a relief for the Downtown Houston office submarket, which otherwise could be facing a more difficult vacancy situation in the wake of the COVID-19 pandemic and energy downturn. Commercial leasing experts project that Downtown Houston remains one of the strongest markets in Houston because of the more diverse tenant mix and lack of a congregation of major engineering companies or large exploration and production (E&P) energy companies, which have been particularly hard-hit by falling oil prices. Consequently, Downtown is not expected to see a major volume of sublease space appear in the coming months.

Likewise, office lease renewal activity dominated many space negotiations this quarter. RCP Inc, a professional engineering consulting firm specializing in regulatory compliance services, renewed its Downtown headquarters lease for 12,204 square feet at 801 Louisiana while Venture Global LNG, a Virginia-based developer of liquefied natural gas export facilities more than doubled the size of its Downtown Houston office in an extension and expansion totaling 58,514 square feet at 5 Houston Center.

Houston-based **Hines**, which owns and operates properties around the world including the 48-story **609 Main at Texas** (609 Main) and the 47-story **Texas Tower** (845 Texas), a 1.1 million square foot Class A office tower currently under construction, took some of the first steps in mid-May for opening Downtown office buildings by releasing a 24-page guidebook showing what steps the company had taken to protect tenants' post COVID-19 safety and what is tenants are expected to do as they return to their offices. The company is basing much of its guidance on what it has learned from its properties in Asia, which began reopening in April once the COVID-19 coronavirus pandemic there began to recede. Hines' guidebook outlines a number of health and sanitation measures that have already been adopted, including installing hand sanitizer stations and signage providing guidance about 6-foot social distancing including how company has also ramped up cleaning efforts and will require building staff to wear personal-protection equipment when possible. As tenants return to their offices, Hines' guidebook recommends that they find ways for employees to avoid potentially transferring pathogens via common touch points. The guidebook said elevators will be limited to a maximum number of passengers per trip. Hines recommends that employees take the stairs when possible and maintain social distancing when doing so. Within individual office suites, tenants are encouraged to implement site-specific protocols aimed at maintaining the health of employees. ([HBJ](#))

RCP Inc, professional engineering consulting firm specializing in regulatory compliance services and web-based assessment tools for pipelines and pipeline related assets, renewed its Downtown headquarters lease for 12,204 square feet at **801 Louisiana**. RCP will occupy the entire second floor of the 105,145 square foot 8-story building which was completed in 1979 and last renovated in 2009. The company has 10 locations across the U.S., including Houston ([Bisnow](#))

Market Overview

HOSPITALITY HIGHLIGHTS

8,228

new retailers

150

under construction

300+

planned

OFFICE (CONTINUED)

Venture Global LNG, a Virginia-based developer of liquefied natural gas export facilities with projects in Louisiana, more than doubled the size of its Downtown Houston office in an extension and expansion totaling 58,514 square feet at **5 Houston Center** (1401 McKinney). Spear Street Capital, based in San Francisco and New York, acquired the 27-story building in 2017 which was first completed in 2002 and renovated in 2019. The 580,875 square foot Class A office property offers tenants a lobby coffee bar, fitness center, tenant lounge with casual meeting space and a conference facility. The renewal and expansion brought the building to 70 percent leased. 5 Houston Center currently has available for lease four contiguous floors totaling approximately 120,000 square feet. ([Chron](#))

The historic **Republic Building** (1018 Preston) has been sold and is now slated for renovation. A division of MVL Group, a global defense contractor and construction management firm, acquired the eight story, 19,850-SF office building located across from the Harris County Courthouse at the southwest corner of Preston and

Fannin, was built circa 1907. The building will undergo a significant refurbishment including an immediate implementation of a series of beautification projects such as replacing the missing cornice, artwork on the walled up exterior sides of the building and removing the entrance, as well as a complete overhaul of the HVAC system and elevator. The Republic Building housed the United States District Court in 1910 and was admitted to the National Register of Historic Places in 1979. The seller, Republic Building TX LP and the buyer, MVL Group was founded and is led by former Houstonian Abie Musa. The building is about two blocks from historic **Market Square Park** (301 Milam) and the new **Texas Tower** (845 Texas), a 47-story, 1.1 million square foot Class A office tower now under construction by Houston-based **Hines**. Investment sales activity has sharply slowed in recent months (the pending sale of the 48-story, 1.05 million square foot Class A office tower, **609 Main at Texas**, was put on pause in May) as the Houston real estate market contends with the coronavirus pandemic and a sharp decline in the energy industry. ([RNR](#), [Chron](#))



The historic Republic Building

HOSPITALITY

Downtown Houston's hospitality sector has long been dominated by being primarily a business and convention destination. Hotel rental rates tended to peak mid-week while softening on weekends. That pattern has changed as the industry adjusts to the COVID-19 pandemic by slowly re-opening but this time with the focus on Houstonians eager for a change of scenery without wanting to travel longer distances. [VisitHouston](#)'s website now features more than 60 types of hotel packages throughout Houston, including most of the signature Downtown hotels such as the Four Seasons Downtown, Hilton Americas-Houston, The Lancaster Houston Hotel and the Hotel Alessandra to name only a few. Hotels have adopted the Centers for Disease Control's (CDC) safety guidelines by increasing guest room sanitization, reducing hotel staff room access during guest stays and installing hand sanitizer stations throughout lobbies, elevator banks and common areas.

Business travel is being heavily reduced to only the most critical of trips and a great deal of cancellations are on the convention and event calendar. Conventions are nonetheless expected to pick up in 2021. In one specific example, CERAWEEK by IHS Markit, known as the world's premier energy conference, is scheduled to be held at the George R. Brown Convention Center during the first

Market Overview



Hilton Americas-Houston

HOSPITALITY (CONTINUED)

week of March. CERAWeek attracts executives, government officials and thought leaders from the energy, policy, technology and financial industries to Downtown Houston each year and last year there were over 5,500 delegates from over 1,000 organizations representing 85 countries. So, while the hospitality sector may be down for now, it certainly is not out.

However, the outlook is a pragmatic one. Demand for hotel lodging is expected to be far below 2019 levels throughout the year and will not return to pre-COVID-19 levels until the third quarter of 2022, according to real estate services firm, CBRE, stating that drive-to destinations, such as Downtown, will be among the first markets to recover. And with more than 8,200 hotel rooms, Downtown is Houston's largest hospitality submarket is forecast to be among the first to rebound.

The Cambria Hotel Houston Downtown Convention Center (1314 Texas) agreed in April to lease rooms to the city for first responders needing to quarantine following exposure to COVID-19. The City of Houston City Council approved the lease agreement for up to 400 hotel rooms totaling approximately \$48,000 with CS HPB LLC, the firm that owns the hotel. The Cambria is providing single-occupancy rooms at a rate of \$60 per night, plus taxes and a \$40 food and beverage package that includes three meals. In mid-April city council approved contracts to lease 186 quarantine rooms at two other hotels for first responders and city employees who cannot quarantine at home. ([Chron](#))

The **Hilton Americas-Houston** (1600 Lamar) received the 2019 Hilton Hotels & Resorts brand's Award of Excellence, the only Hilton property in the world to have earned this distinction for nine consecutive years. The annual award is bestowed on hotels that embody excellence by providing superior guest service through authentic Hilton hospitality. Since 2011, Hilton Americas-Houston has consistently been recognized as a top-performing hotel among all Hilton Hotels & Resorts properties, demonstrating the highest level of quality and service throughout the brand. "To receive this award nine consecutive years in one decade is unprecedented, and the timing couldn't have been better," said Jacques D'Rovencourt, general manager, Hilton Americas-Houston. "The past three months have been especially challenging for our entire hospitality family. This recognition is a testament to our team members' dedication to providing stellar service." Directly connected to the **George R. Brown Convention Center** (1001 Avenida De Las Americas), Hilton Americas-Houston contains 1,207 guest rooms, the city's largest number, in addition to ballrooms, hotel meeting space, and the most technologically advanced services available under one roof. Located between **Toyota Center** (1510 Polk) and **Minute Maid Park** (501 Crawford), the hotel has earned the AAA Four Diamond rating and offers Downtown venues its 91,500 square feet of flexible, technologically advanced meeting space, plus restaurants, lobby bars, Starbucks and full service spa and health club. ([Hilton](#))

Market Overview

RETAIL HIGHLIGHTS

400+
restaurants,
bars & clubs

4
opened

6
planned

RETAIL

Retail as an industry is one of the most profoundly impacted by the COVID-19 pandemic. Dine-in restaurant and bar closures drew the food and beverage industry into a dramatic pullback during April with only take-out options being available. Downtown dining slowly began to re-open in May with mainly outdoor patios and then limited indoor dining. During this time, many Downtown restaurant and bar owners became increasingly imaginative in their offerings. Downtown chefs and mixologists created special to-go packages, take-away picnic baskets and ghost kitchens while owners and managers heightened food delivery choices and operating hours replete with touchless menus and payment options. Downtown dining found new ways to adapt to social distancing and hygiene requirements during the second quarter even as the opening was then halted for bars and reversed in June for dine-in from 75 percent of restaurant capacity to 50 percent due to a late-quarter spike in positive COVID-19 cases throughout greater Houston.

In fact, Downtown saw several openings during what could be described as one of the worst 90-day periods for the U.S. food and beverage industry. Food halls are most notably well-positioned in the post COVID-19 environment and Downtown is squarely situated with food hall choices including Finn Hall at The Jones

Main, Bravery Chef Hall, Understory and Underground Hall. Lower capital and operating costs, available talent and price point will particularly make these venues more viable during the post-pandemic recovery period. Bravery Chef Hall made new, temporary additions with Andes Café, Naaco Bread. Co., and La Villa Tacos opening as pop-ups. Meanwhile, Finn Hall at The Jones and Underground Hall made new operational changes when they re-opened in May such as sourcing biodegradable materials to reduce the waste of disposable cutlery and packaging, limiting table seating, installing hand sanitizer stations, and stationing employees at the entrance to open doors for patrons in an effort to reduce contact with high-touch/surfaces such as doorknobs and door handles, which are most likely to spread coronavirus.

Food halls could be a major COVID-19 recovery vehicle for displaced chefs and restaurateurs who have lost their restaurants due to the business shutdown caused by the virus, according to experts with Cushman & Wakefield's Specialty Food, Beverage, Entertainment and Hospitality department. Relatively low capital costs, availability of talent and the price point will make food halls a viable point of re-entry for chefs and restaurateurs the realty brokerage firm said in April. Cushman & Wakefield reported in April that 221 food halls opened in the U.S. since 2017 with a total of 300 by the end of the year, including those in Houston that remained open such as **Bravery Chef Hall** (409 Travis) as well as parts of **Understory** (800 Capitol) and the new **Underground Hall** (1010 Prairie) which offered take-out and transitioned to a ghost kitchen model, as is the case for Bravery, serving a mix of fresh and frozen food for takeout and delivery. For example, one vendor is offered fresh and frozen pizzas and meal kits, designed for families or for two, include everything from a burger kits from Bravery Che Hall's **Cherry Block Craft Butcher & Kitchen** to frozen heat-and-eat goat curry and rice from **The Blind Goat**. ([HBJ](#))

Two of Downtown's food halls, **Finn Hall at The Jones on Main** (712 Main) and **Underground Hall** (1010 Prairie) announced changes in their operations when they re-opened in May. Finn Hall, home to nine restaurants and two bars, where each of the restaurants operates independently, said new efforts include sourcing biodegradable materials to reduce the waste of disposable cutlery and packaging; limiting table seating; installing hand sanitizer stations; and stationing employees at the entrance to open doors for patrons in an effort to reduce contact with high-touch surfaces like doorknobs, which are most likely to spread coronavirus. At Underground Hall, founder Daut Elshani said he started making



Underground Hall

RETAIL (CONTINUED)

preparations to reopen as soon as Gov. Abbott made the announcement on April 27. Some of Underground Hall's vendors were already serving delivery and takeout, with the exception of Crisp, whose owners will shutter the pizzeria's Underground Hall outpost in an effort to focus on their main location in the Heights. When Underground Hall opened, capacity was limited to a more stringent 20 percent, and glove disposal and hand sanitizing stations were installed. ([Houston Eater](#))

Downtown's **Brasserie du Parc** (1440 Lamar) beverage manager and mixology expert Kimberly Paul created some cocktail kits available for curbside pickup during the stay home/stay safe shutdown at the restaurant along with its to-go menu as restaurants and bars began to reopen in May. Each kit makes three drinks and includes the ingredients, liquor and directions including gift packaging a surprise swag item from the liquor companies. Options included the Unusual Times, a kit with Hendricks Gin, house made lemon syrup, rose sugar, Topo Chico and tonic. Other choices such as the Le Grand Fizz with Grey Goose Vodka and the Legend Has It with Tullamore Dew Irish Whiskey all intending by the mixology expert to make stay-at-home life a little brighter. Patrons have treated themselves to take-out dishes such as Steak Frites and Coq Au Vin. The restaurant reopened for dinner service on May 18. ([HoustonPress](#), [Chron](#))

Downtown food court **Bravery Chef Hall** (409 Travis) reopened in May with four new restaurant pop-ups in what the hall is calling Hawker Alley which will serve as an incubator of sorts to chefs who plan to open more permanent spots once two other new food hall projects are completed by the owners, Houston-based **Company of Nomads** in The Heights and in Uptown. The pop-ups include a revival of South American restaurant of **Andes Café**, Indian gastropub **Naaco Bread Co.**, **La Villa Tacos** by Jonathan Gallardo and José Doñez Bravery's bartenders for its patio, The Secret Garden HTX, bartender, and **Margaux's**, an oyster bar serving staples like elevated poboyos, lobster rolls and fish dip. Hawker Alley takes over the space formerly occupied by **Atlas Diner**. Bravery Chef Hall's original vendors **The Blind Goat**, **BOH Pasta and Pizza**, **Cherry Block Craft Butcher** and **Kokoro Sushi** reopened in May as did **Bravery Wine Bar**, **The Secret Garden** and **Lockwood Station**. ([Houston Eater](#))

RETAIL—COMING SOON

Gourmet salads will soon be on offer in Downtown by **Sweetgreen** (820 Main) when the popular chain opens its third Houston location later this spring, joining its two other locations in the Rice Village and Montrose areas. Founded in 2007 by then-Georgetown University students Jonathan Neman, Nicolas Jammet, and Nathaniel Ru, Sweetgreen has grown to over 100 U.S. locations. Sweetgreen is expected to be a hit with Downtown's lunch crowd in search for fresh, healthy choices. Sweetgreen's success goes to its creative salad combinations and also partners with high-profile chefs for special bowls. In Houston, Chris Shepherd contributed a Caesar salad riff with a Southern twist of pimento cheese, pecans, and a vinaigrette made with Steen's Cane syrup. Recently, the restaurant introduced a bowl designed by celebrity chef David Chang that includes kelp and sweet potatoes. The company has also earned acclaim for its innovative use of technology as more than half of all its orders are placed directly via the Sweetgreen mobile app. ([Culture Map](#), [Eater](#), [Chron](#))



Sweetgreen

Market Overview

RESIDENTIAL HIGHLIGHTS

6,278

residential units

888

under construction

893

planned

83.7%

occupancy rate

RESIDENTIAL

Downtown's residential market is starting to see new multifamily rental trends emerge as the COVID-19 pandemic unfolded through the second quarter. For example, Downtown managers are finding new ways to work around pandemic-imposed barriers to ensure they can take care of their residents. Critical operational best practices for multifamily managers now include keeping communications with residents clear and open, limiting accessibility to leasing offices, recasting physical events as virtual ones if possible, and using technology to conduct prospect leasing tours, according to guidance released by the National Apartment Association.

Meanwhile, rental unit turnover rates are expected to be reduced rather sharply during the summer months, a season that tends to be most active as renters relocate, students graduate or move-in and many new construction projects are completed. One of the largest announcements during the quarter was the acquisition by New Orleans-based NORF Cos. from Houston-based Freidman Prairie Associates of the historic 13,500 square foot building located at 1014 Prairie built in 1895. NORF Cos. plans to convert the property into a mixed-use multifamily project with renovations beginning in early 2021 and is expected to deliver in late summer 2022. The timing of the announcement is such that owners and developers are now rethinking multifamily property amenities so that some social distancing is built into the design with change now being factored into building and property plans for a post-COVID-19 apartment market.

Looking ahead, Downtown is coming from a strong position with more than 6,300 multifamily units and where occupancy gains created an estimated population base of approximately 9,300 residents, an increase of 450 people since 2018. As expected during the second quarter and the peak of the economic onslaught of the worst of the COVID-19 pandemic, Downtown did experience spot softening of multifamily demand with a contraction of 103 units during the first half of 2020. After robust growth in the first quarter for asking rents by 3.1 percent, they pulled back by 1.3 percent in the past 90 days and rental concessions such as free rent and waived or lowered application and deposit fees became more prevalent. But the second quarter Downtown trends reflect those in the overall Houston market during the late spring. Houston's urban multifamily markets comprising of Uptown, Montrose/Midtown, the Heights and Upper Kirby likewise saw occupancy decline by a half percent. Downtown continues to command the highest rents, though, which garner a premium of approximately \$2,139 per month/per unit, compared to Montrose/Midtown at \$1,766 per month/per unit ranking second.



Camden Downtown

As a result, construction continues for three Downtown multifamily properties. Fairfield Residential, which owns properties in 36 U.S. markets, is active on its development of 286 rental units planned for its location at 1810 Main with an expected delivery date in late-2021 or early-2022. Currently two other Downtown residential properties are also under construction. The first expected to be completed during 2021 is the mid-rise Sovereign at the Ballpark, located at 100 Crawford, containing 229 units and, and the luxury 46-story high rise, The Preston at 414 Milam is delivering 373 units to the Downtown residential market in 2022 along with an additional 6,800 square feet of street level retail.

Houston-based **Camden Property Trust** has not started construction on any of its proposed new projects in 2020 and said in April it will move cautiously as the COVID-19 pandemic unfolds. On the drawing boards, the multifamily real estate investment trust has two proposed projects in Houston including the second phase of **Camden Downtown** (1515 Austin) which opened the first phase in March 2020 containing 271 units. The second phase would have included approximately the same number of Class A rental units when construction was completed on an adjacent block owned by Camden Property Trust (bounded by Austin, Pease, LaBranch and Leeland) to Camden Downtown currently. ([RNR](#))

One of Downtown Houston's oldest buildings has been sold to a New Orleans-based company that plans to convert it into a mixed-use multifamily property. NORF Cos.—which stands for New Orleans Redevelopment

RESIDENTIAL (CONTINUED)

Fund—acquired the 13,500-foot building located at **1014 Prairie** from Houston-based **Friedman Prairie Associates**. The three-story structure was built in 1895 and features a Romanesque Revival building facade. The building is located near the intersection of Prairie Street and Main Street. NORF paid for the property out of an Opportunity Zone fund, which makes the property eligible for tax incentives if it is held for a certain period and significant improvements are made to the building. NORF plans to restore the building, turning the interior space into roughly 20 residential units. The ground floor will be available for retail leasing. NORF expects to break ground on the renovation project in early 2021. The acquisition marks NORF's latest purchase of a property located in an Opportunity Zone. The company said it plans to target Opportunity Zone properties across the southeast U.S., with a focus on Houston and San Antonio. (HBJ)

anchored by nationally recognized startup accelerators MassChallenge, gener8tor and recently announced globally recognized incubator Impact Hub, and will be a place for idea incubation, entrepreneur boot camps, community events, workforce development, innovation labs, creatives, coworking and corporate innovation. In addition, Downtown Launchpad will be part of The Cannon's integrated "vertical village" surrounded by a community of entrepreneurs, small businesses and services—unlike any other workspace in the city, enabling startups and entrepreneurs to move seamlessly through the stages of startup production, all in one space.

Impact Hub Houston is a locally rooted, globally connected, 501c3 nonprofit organization that inspires, connects and empowers people working to solve social problems in our city and beyond. A member of the Impact Hub global network—the world's largest community recognized by the United Nations for accelerating entrepreneurial solutions towards measurable and scalable impact—Impact Hub Houston intentionally designs places, platforms and programs to build an inclusive innovation ecosystem and equitably empower diverse changemakers, social entrepreneurs, and impact supporters to create the change they wish to see in the world.

Also making progress is gener8tor's program, gBETA, which offers a free, seven-week accelerator for early-stage companies with local roots. Each program is capped at five teams and requires no fees and no equity. In its first Spring 2020 cohort, the program received more than 80 applications with five startups in hospitality and sports, education and medical tech, including 33 percent female founders and 83 percent minority founders. During the second quarter, gener8tor began hosting emergency, one-week virtual programs for all small businesses, nonprofits, startups, freelancers and artists affected by the COVID-19 outbreak. The programs, which continue into the third quarter, feature daily webinars designed to identify, understand, and help secure resources to withstand the current crisis. Free, one-on-one consultations available for participants to ask specific questions about various federal, state, local and private programs (loans/grants/deferrals/law changes). Recorded webinars covered such topics as Federal Relief & Stimulus Programs for Small Businesses During COVID-19, Employment laws, navigating changes required by new laws and State & Federal Emergency Relief Programs, to name only a few.

Heading into the third quarter, MassChallenge has kicked off its latest startup cohort in a virtual setting and gener8tor is taking applications for its winter 2020/2021 cohort.



INNOVATION

Downtown's Innovation Hub is at the center of a corridor from UH-Downtown along Main Street into Midtown to Rice University and the Texas Medical Center. This four mile corridor is an extraordinarily powerful social and economic convergence linked by light rail, bike lanes and sidewalks offering easy access to key industry and institutions along with an unparalleled array of amenities.

Downtown is continuing to make substantial headway on Central Houston's vision to establish a vibrant innovation space that becomes the center of gravity for technology and entrepreneurship in the northern node of the Houston Innovation Corridor. Located in Amegy on Main, the 17,000 square foot Downtown Launchpad will be

DOWNTOWN INNOVATION HUB: CO-WORKING, ACCELERATORS, INCUBATORS (SORTED BY TOTAL SF)

PROPERTY NAME	TYPE	ADDRESS	SQUARE FEET
Novel Coworking	Coworking	Scanlan Building (405 Main)	85,000
WeWork including:	Co-working		
Flatiron School	Coding School		
Veterans in Residence (VIR) /WeWork Bunker Labs	Coworking/Incubator	708 Main	78,063
WeWork Labs	Incubator		
Spaces (Regus) – Opening March 2020	Co-working	GreenStreet (1201 Main)	63,429
WeWork	Co-working	609 Main at Texas	56,000
Life Time Work – Opens 2020	Co-working	GreenStreet (1202 Main)	37,681
Accenture Innovation Hub	Innovation Space	1301 Fannin	37,487
Hines2 (Hines Squared), The Square	Co-working	717 Texas	27,795
Bond Collective – Opens Late 2019 or Early 2020	Co-working	Pennzoil Place – South Tower (711 Louisiana)	25,871
Station Houston powered by Capital Factory:	Co-working		
BBL Labs (BBL Ventures)	Accelerator		
Founder Institute	Accelerator	1301 Fannin	25,412
Ion Smart Cities Accelerator (Microsoft, Intel)	Accelerator		
Regus	Executive Suites	Two Allen Center (1200 Smith)	23,350
The Cannon Tower	Coworking	Amegy Bank Building (1801 Main, 13th Floor)	17,000
Downtown Launchpad – Opening Summer 2020	Innovation Hub		
MassChallenge Texas	Accelerator	Amegy Bank Building (1801 Main, 10th Floor)	17,000
gener8or	Pre-Accelerator		
Impact Hub	Global Network		
Regus	Executive Suites	Pennzoil Place – North Tower (700 Milam)	15,200
Novel Coworking	Coworking	720 Rusk	15,000
Servcorp	Executive Suites	TC Energy Center (700 Louisiana)	7,065
Regus	Executive Suites	1001 Texas	4,600
MassChallenge Texas — Relocating Summer 2020 to Downtown Launchpad	Startup Accelerator and Competition	GreenStreet (1201 Main)	5,000
		GRAND TOTAL	540,953

Sources: Central Houston, Inc., CoStar

Market Overview



Kinder High School for the Performing and Visual Arts

OTHER DEVELOPMENTS

U.S. News & World Report has unveiled its Best High School rankings for 2020, and five Houston-area public high schools are in the top 200 nationwide including Downtown's **Kinder High School for the Performing and Visual Arts** (790 Austin), in an expansive edition this year. U.S. News only evaluated public high schools, and its methodology focused on six factors: college readiness,

reading and math proficiency, reading and math performance, underserved student performance, college curriculum breadth and graduation rates. Kinder High School for the Performing and Visual Arts ranked number 7 in the Houston metro region; 32nd in Texas and 234th in the U.S. with an overall score of 98.69 out of 100. ([HBJ](#))

Q2 2020 Overview

MAJOR OFFICE LEASES (SORTED BY SF)

OFFICE LEASES

TENANT	TYPE	BUILDING TO	BUILDING FROM	SQUARE FOOTAGE
Global Venture LNG	Renewal/Expansion	5 Houston Center (1401 McKinney)		58,514
Waste Management	Expansion	Bank of America Tower (800 Capitol)		31,750
USA: Office of the Comptroller & Office of Currency	Renewal	Fulbright Tower (1301 McKinney)		27,223
Lone Star Legal Aid	Renewal	500 Jefferson		20,020
USA: Office of the Comptroller of the Currency	Renewal	2 Houston Center (909 Fannin)		14,624
Rockcliff Energy LLC	Renewal	Fulbright Tower (1301 McKinney)		14,403
Enbridge. Inc.	Renewal	Enterprise Plaza (1100 Louisiana)		13,021
RCP, Inc.	Renewal	801 Louisiana		12,245

Sources: Houston Office – Second Quarter Market Reports (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.

RESTAURANT & RETAIL OPENINGS

BARS & RESTAURANTS	ADDRESS
Bravery Chef Hall (pop-ups)	
Andes Café	
La Villa Tacos	409 Travis
Margaux's	
Naaco Bread Co	

RETAIL	ADDRESS
Paloma Nail Salon	C. Baldwin Hotel (400 Dallas)

RESTAURANT & RETAIL COMING SOON*

BARS & RESTAURANTS	ADDRESS
Finn Hall at The Jones on Main	712 Main
Pho Binh	
Mendocino Farms Sandwich Market	Allen Center (1200 Smith)
Sweetgreen	820 Main
Understory Food Hall	
Common Bond Café & Bakery (April 2020)	Bank of America Tower (800 Capitol)

RETAIL	ADDRESS
The Argyle League	Bank of America Tower (800 Capitol)

*Based on known projects

Spotlight on Downtown Houston

LOCAL MEDIA

April 21, 2020

DOWN, BUT NOT OUT: HOUSTON'S SMALLER COWORKING FIRMS GRAPPLE WITH THE CORONAVIRUS

The enormous impact of the pandemic caught the entire business world by surprise, but for a new small business, it has been a particularly trying time. Coworking spaces are usually favored by entrepreneurs because of lower cost and commitment. But there are other benefits, too, like ample opportunities to collaborate with other small businesses in the same space. The Cannon has three locations in Houston [including Amegy Bank Downtown, 1801 Main], with more than 600 members. The company was created specifically as an incubator for Houston's startup scene. "The idea for The Cannon was that we could expand on this concept of innovation hub, and incubator space, for startups, and then create a community around having a startup," The Cannon CEO Jon Lambert said. Although typical in-person collaboration has been disrupted, Lambert said The Cannon's startup community has continued to stay connected online, using webinars and online content. The company is also offering advisory services to members around crisis management. Like Local Office, The Cannon is still allowing members to access coworking and flex space. That access is intended primarily for workers of essential businesses, and the rest of the community has been asked to respect the work-from-home order . . . Local Office is also looking into retrofitting all of its common area fixtures to be motion-sensored and touch-free, as well as placing foot handles on doors. Another action under consideration is making hallways one-way, to prevent people from colliding or congregating . . . Despite the short-term challenges, optimism remains around the future of coworking spaces in Houston . . . "Whenever all this is over, people—we need each other, and we need to see each other, and I think that's more present now than it ever has been," Wheeler said. "I don't think coworking spaces are done for, by any means." — **Bisnow Houston**

April 21, 2020

U.S. NEWS UNVEILS 2020 BEST HIGH SCHOOLS RANKINGS

"U.S. News & World Report, the global authority in rankings and consumer advice, today revealed the 2020 Best High Schools. This expansive edition ranks more schools across America than ever before, evaluating more than 17,700 public high schools on how well they serve all of their students, regardless of economic or ethnic background. "The Best High Schools rankings provide the most comprehensive, data-based information on nearly every public high school in the country," said Anita Narayan, managing editor of Education at U.S. News. "Families can use this information to see how their local schools compare on graduation rates and state assessments, as well as academic performance by students who are traditionally underserved – those who are black, Hispanic or from low-income households . . . The U.S. News Best High Schools rankings include data on more than 24,000 public high schools in 50 states and the District of Columbia. Nearly 18,000 schools were ranked on six factors based on their performance on state assessments and how well they prepare students for college . . . The Kinder High School for the Performing and Visual Arts ranked 32nd within Texas. Students have the opportunity to take Advanced Placement® coursework and exams. The AP® participation rate at The High School for the Performing and Visual Arts is 82%. The total minority enrollment is 56%, and 19% of students are economically disadvantaged. The High School for the Performing and Visual Arts is 1 of 54 high schools in the Houston ISD . . . The High School for the Performing and Visual Arts is ranked #234 in the National Rankings. Schools are ranked on their performance on state-required tests, graduation and how well they prepare students for college . . . #7 in Houston, TX Metro Area High Schools and #5 in Houston ISD High Schools. " —**U.S. News & World Report**

LOCAL MEDIA (CONTINUED)

May 4, 2020

NEW OPERATOR OF FUTURE HOUSTON FOOD HALL TO BRING IN LOCAL, NATIONAL CHEF

Akhtar Nawab is no stranger to food halls. The New York City-based chef and restaurateur, best known for his restaurants Alta Calidad in Brooklyn and Otra Vez in New Orleans, is the operator of several food halls across the country, including Inner Rail Food Hall in Omaha, Nebraska, and an upcoming project in Chicago. Now, he's taking over Lyric Market, which is underway in Houston, via his company, Hospitality HQ. Nawab met the developers behind Lyric Market, U.S. Property Management, a year and a half ago and took a tour of the building at 411 Smith St. in downtown Houston's Theater District. "It was such an interesting building, and it's such a beautiful footprint that they've created," Nawab said. "I'm still getting familiar with Houston a little bit. What I really liked is their approach to the project of bringing kind of this world-class talent together in one roof." Lyric will include both local chefs and chefs from across the country as vendors for the space. No vendors have been set in stone yet, but there will be 15 in total, fewer than the previous plans of more than 20. The space has been reduced, too, occupying only 15,000 square feet instead of 31,000 square feet. That's because a coworking space will be added to the building. Lyric Market will employ a staff of 15 to 25 people, aside from the vendors. Build-out costs and amount of seating are still in flux. The number of seats, in particular, might change because Nawab isn't sure what his capacity limits might look like when he opens late this year in light of the coronavirus pandemic. Lyric will also have an 1,800- to 2,000-square-foot outdoor mezzanine. The market will have an event space and a catering kitchen, which Nawab says most food halls don't have. Customers will be able to order from different Lyric vendors under one transaction and pick up their food at a concierge. The food hall is working with Apple Inc. (Nasdaq: AAPL) to utilize Apple Pay for pre-pay options."—**Houston Business Journal**

June 22, 2020

UH-DOWNTOWN NAMES INTERIM PRESIDENT, WILL START NATIONAL SEARCH FOR REPLACEMENT

"The University of Houston System has appointed Antonio Tillis, dean of the UH College of Liberal Arts and Sciences, as interim president of UH-Downtown as the search for a permanent president begins. Tillis takes on the interim role July 2 and replaces Juan Muñoz, who was president of UHD since 2017. Muñoz was named the fourth chancellor of the University of California-Merced in May and will assume his new role in early July. "UH-Downtown plays a unique and increasingly valuable role in the higher education landscape of this area," Tillis said in a statement. "The student body reflects the rich diversity of Greater Houston, while the institution provides our community with affordable and accessible academic resources and career opportunities. I look forward to continuing the admirable achievements of President Muñoz and his predecessors." Tillis has served as the dean of the College of Liberal Arts and Social Sciences since 2017, and he holds the position of M.D. Anderson Professor in Hispanic Studies. Prior to the UH roles, he was dean of the School of Languages, Culture and World Affairs at the College of Charleston in South Carolina. Tillis also held academic positions at Purdue University in Indiana and Dartmouth College in New Hampshire."—**Houston Business Journal**

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Resources

- [Downtown Development Map and Building Renderings – July 2020](#)
- [Downtown Buildings & Tunnels – June 2020](#)
- [Downtown Destinations – June 2020](#)
- [Downtown Development Project List & Building Details – March 2020](#)
- [Downtown Residential Map – March 2020](#)
- [Downtown Residential Building List – March 2020](#)
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- [Downtown Hotel Map – October 2019](#)
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