



A Shady Business:

Houston Developers and Operators-AND our City Fathers- Discover the Sycamore Tree

For years the oak tree, so prevalent around Rice University and the Museum District, has been the signature tree of Houston.

But the beautiful 'tree tunnels' in the Montrose, West University, and Museum District don't come without problems, as voraciously thirsty iron-hard oak roots heave up sidewalks all over town.

The sycamore, a native Houston tree, is much faster-growing than the oak, providing shade in the summer, and letting the warming sun penetrate its bare branches in winter time.

The first cousin of the sycamore, the plane tree, lines many of the grand boulevards of Europe, and other streets as well. Plane trees line country roads all over France and have for centuries.

Back in Houston, owners of retail centers, restaurants, beer gardens, ice houses, wine bars, and mixed-use developments are embracing the sycamore tree and planting them right and left.

Allen Parkway between Waugh Drive and the CBD is now lined with rows of sycamores, and they are being planted all over downtown, with the original plantings years ago as part of the Cotswold Project.

Today the fragrant leafy sycamores can be seen along Preston Avenue, around Market Square, on Dallas to



Discovery Green, and around the George R. Brown-to name a few locations.

Customers can park under and otherwise enjoy the shade of sycamore trees in Highland Village, Carrabba's Kirby, West University Village, Midway Companies Memorial Green, the River Oaks District, Benjy's on Washington, 13 Celsius wine bar in Midtown, and many other spots around town.

A prominent Houston subdivision developer told Hankamer just this last weekend that when he called his landscape contractor to double his number of sycamores in his recent

development near Pearland that the contractor told him that due to high demand he was going to have to work to find additional trees.

CCIM Luncheon - Major Texas Market Broker Panel

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Dallas-Ft. Worth Metroplex:

- This megamarket is 7 million people and growing; its economy is very diverse; commercial real estate segments enjoying 2.5% annual rent growth
- Huge corporate inbound relocation to North Dallas-1.7 mm SF Toyota; 2 mm SF State Farm; 1.4 mm SF JP Morgan; 1.1 mm SF Liberty Mutual, and many many smaller moves
- Frisco and Plano – two northern suburbs – have more office SF than all of Austin
- There is some new office development in CBD although there is an overhang of old space as tenants vacate and move to the northern suburbs
- Industrial market is huge and getting bigger
- The commercial center of gravity in Dallas is moving to the north, where a new CBD of sorts is forming

Austin:

- Booming with all CRE segments over 90% occupancy; 4-5% annual rent growth in all classes, all segments
- MF and office very strong, with undersupplied housing market ongoing into near future; CBD office rates as high as \$56 SF
- CBD is attracting mostly office development
- The Domain north of the CBD is attracting high-end mixed-use development and one day 'may be second CBD'
- Much of Austin growth focused in tech, which could be vulnerable in a tech downturn; new Oracle campus will have 775,000 SF
- Property tax valuations rising as much as 18% per year
- As in other Texas cities, urban market is attracting the young with suburban languishing somewhat
- Commercial development is starting to take hold east of I-35, which has always been a divider of the city
- Retail has a lot of older centers and one experienced developer observed that there has not been much innovation lately in retailing [perhaps brick and mortar retailers are the 'deer in the headlights' waiting to see the ultimate impact of online selling?]

San Antonio:

- Healthy in-migration
- Taking some tech expansion from Austin, due to high rents there
- Market diversified after many years of relying on military bases, which have shrunk from five to three
- Strong residential starts; high occupancy multi-family (MF)
- Downtown starting to attract the attention of Millennials, stimulated by the redevelopment of the old Pearl Brewery into "The Pearl" mixed-use development
- Developers starting to bring MF to downtown; high-rise condo living is a 'new thing' but catching on quickly
- Rents getting pushed up in all segments
- Medical center taking hold and strengthening
- Far west is seeing growth now, and the 1604/281 intersection is attracting office development
- Redevelopment through infill is complicated due to historic designations all around the inner city

Takeaway: Overall, commercial real estate in the major Texas markets is strong and getting stronger -isolated exceptions.