

Commercial Land Broker  
Sentiment Survey  
*Inaugural Edition*

FOR IMMEDIATE RELEASE



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## HOUSTON-AREA LAND BROKERS OPTIMISTIC

HOUSTON — (August 2, 2011) — Local land brokers express optimism about the improving prospects for land sales in the greater Houston area, according to the inaugural quarterly commercial land broker sentiment survey compiled by Commercial Gateway, the Commercial Division of the Houston Association of REALTORS®.

Citing a Houston-area, composite Land Sentiment Index of 78, a select group of surveyed land brokers agreed on a positive outlook regarding future land sales, which have been limited during the last few years of the economic downturn. The brokers rated eight different land types and descriptions on a scale of 0-100 -- based on expected bona fide offers during the next 12 weeks -- in the Land Sentiment Index (LSI), a forward-looking measure of broker attitudes and expectations. The scoring from 0-100 in the possible range index indicates a score of 0 to represent apocalyptic negativity, 50 is a neutral or unchanged set of expectations, while a 100 represents unanimous optimism.

Since this is the initial administration of the LSI survey, definitive statements cannot be made about the trends in these attitudes and expectations, but future LSI calculations will be a gauge of changing expectations and a leading indicator of market conditions for land in and around Houston. Commercial Gateway created, administered and calculated the survey results. A breakdown of the composite LSI by land type follows the brokers' comments.

### ***Commercial Gateway Member/Broker Comments on the Houston-Area Land Market***

***Carlos Bujosa, Vice President, General Brokerage Services, Transwestern:*** "Due to an improved employment picture in the Houston area, there is a renewed interest on the part of users and developers to get involved in new projects.

"We've seen an uptick in activity compared to 2010 in practically every sector of the land market. Lenders are coming back into the market, but they are being much more

selective. We have recently been approached by some of the stronger banks who have money to lend to credit-worthy borrowers with good projects.

“We are currently working with multi-family developers who are looking for sites in the Inner Loop area. Recent HAR MLS statistics showed a 27% increase in rentals in April of this year compared to April 2010. Multi-family developers keenly aware of this trend are actively seeking sites in the Houston area in an attempt to capture some of the rental market. Part of the reason for this increased multi-family development activity is the availability of financing from government sources such as HUD and Fannie Mae.

“Notable transactions recently include Wal-Mart and Kroger purchasing sites in the Washington Corridor. Hanover is planning multi-family projects in the West University Village area and at the corner of Waugh and West Gray. My firm, Transwestern, was involved in the recent sale of the former Houston Ballet site on West Gray by the River Oaks Shopping Center, which will also see a multi-family project coming up soon.”

**Joel English, Senior Vice President, NAI Houston:** “Overall, the financial climate is still keeping development from occurring. There are smaller pocket deals occurring, but overall still slow, but improving.”

**Darin Gosda, Senior Vice President, Betz Companies:** “Regardless of location, retail and hospitality remain weak. With financing beginning to thaw, apartment development is surging, but mainly inner loop and west, per this survey. The only demand for apartment land in the east is driven by "specialty-financed," tax credit/bond developments, which take 1 to 1½ years just to close.

“The expected volume of related closings should be down nearly 80% from that of 2010. Increased activity on the east side is fueled by the strength of the energy markets and related business operations.

“Larger tract sales in the west will be from 1) lender sales, which slowly are being re-priced to attract the limited, long-term/primarily cash investors, and 2) tracts that can support residential land development, hovering around the existing master-planned communities and reputable school districts. Some suburban apartment developments will be built near the master-planned projects, particularly Cinco Ranch.

“Smaller land sales will be predominantly to creditworthy users, not spec developers. Lender loan workouts and foreclosures (including deed-in-lieu) for land are gaining momentum.”

**Keith Grothaus, SIOR, Vice President, Brokerage Services, Caldwell Companies:** “We are seeing increased activity for user sites including industrial, retail and commercial development. There is also increased activity for apartment sites located inside Beltway 8. Larger tracts are not receiving much activity unless they are priced right for an investor. We are also seeing activity for 25- to 50-acre sites for residential development if they are located near a stable residential community.”

**Jeff Lindenberger, SIOR, Managing Partner, Mason Partners:** “We are seeing offers in the 2- to 5-acre range at 2007 velocity and pricing inside Loop 610. Multi-family developers have over 10 deals tied up in the Allen Parkway, Memorial Drive, Washington Corridor pocket. I will be surprised if half of these deals close due to the number of units that would be put on the ground within the same 12- to 18-month period; it will be interesting to track.”

**Mark G. Nicholas, SIOR, Senior Vice President, Jones Lang LaSalle:** “With the lack of zoning in Houston, many commercial-desirable, 10- to 25-acre tracts were absorbed by multi-family, single-family, and townhome developers in from 2003-2007. Now that the economy has rebounded, it is extremely difficult to locate land sites for industrial development at prices that economically work. If utilities are not at the property, it is extremely expensive to install utilities, roads, etc. The few industrial developers that had the foresight to provide shovel-ready sites are way ahead of the curve and are going to “knock it out of the park.”

**A. David Schwarz III, SIOR, Vice President, General Brokerage Services, Transwestern:** “A number of apartment developers are looking inside the loop and on the west side of Houston for multi-family sites. A number of residential developers and home builders are seeking 40- to 50-acre sites west of I-45 to the Grand Parkway and north of U.S. 59 (Southwest Freeway). Recent transactions of note include the Dinersteins' purchase of 2525 McCue in the Galleria area for an apartment project, a 100-acre site north of Bush IAH has been set aside for a special-use development, and a 3-acre site for an assisted-living facility in the Sugar Land area.”

**Ed Taravella, CCIM, President, Taracorp:** “The market remains sluggish. Demand has not increased, but a small number of transactions are being done.

“Investor-driven sales are virtually nonexistent, with many investors staying on the sidelines because of uncertainty regarding the economy. Even with all the talk of apartment developers making a comeback, very few tracts are being tied up right now. Apartment developers are being very cautious as well. They prefer the inner loop areas because that is where institutional money wants to go, but the suburbs probably offer better opportunity for new apartments.”

*Founded in 2001, Commercial Gateway, the commercial division of the Houston Association of REALTORS® (HAR) is a commercial information exchange of commercial real estate professionals engaged in every aspect of property sales and leasing, appraisal, property management and counseling.*

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## COMMERCIAL LAND BROKER SENTIMENT SURVEY

Second Quarter 2011

### The Houston-Area Composite Land Sentiment Index = 78

Commercial land brokers were asked to indicate whether they thought market demand for land in each category would increase, remain unchanged or decrease during the next 12 weeks, based on bona fide offers.

Below is the breakdown of the initial composite LSI by land type. Responses were weighted based on a broker's index number; all respondents' index numbers were averaged to produce the quarter's final Sentiment Index Number.

Land Type Categories and Descriptions		Average Response	Weighting
1.	1 - 5 ac. Mixed Use /Retail parcel inside Loop 610	83	15%
2.	1 - 5 ac. Unrestricted parcel inside Loop 610	89	15%
3.	5 - 10 ac. Mixed Use parcel outside Loop 610 but inside Beltway 8, on <b>Houston's West Side</b>	89	15%
4.	5 - 10 ac. Mixed Use parcel outside Loop 610 but inside Beltway 8, on <b>Houston's East Side</b>	56	5%
5.	10 - 50 ac. Mixed Use parcel outside Beltway 8, on <b>Houston's West Side</b>	89	12%
6.	10 - 50 ac. Mixed Use parcel outside Beltway 8, on <b>Houston's East Side:</b>	61	8%
7.	100 ac. or larger Unrestricted Development tract outside Beltway 8, on <b>Houston's West Side</b>	78	20%
8.	100 ac. or larger Unrestricted Development tract outside Beltway 8, on <b>Houston's East Side</b>	50	10%