

Business

Coming Tuesday

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Q&A

Expert has seen two sides of city's land deals

Real estate appraiser may assist Metro or owners of property

By Katherine Feser

Matthew Deal, a partner at Deal Sikes & Associates and a veteran of 23 years in real estate appraisal, specializes in eminent domain matters and provides other valuation and counseling services.

He's worked on scores of cases on behalf of property owners whose land was taken by the Texas Department of Transportation to make way for road projects. On the other side, he represents Metro in land acquisitions for rail and other projects.

Deal, who served as 2011 chairman of the Counselors of Real Estate, Houston/Gulf Coast Chapter, spoke with the Houston Chronicle about the local real estate market and the workings of government agencies.

Edited excerpts follow.

Q: What do you see happening with commercial real estate values?

A: Houston could be the best real estate market, from a growth standpoint, in the country. A lot of it has to do with the oil and gas activity that's occurring in the Eagle Ford Shale play, low cost of living and our ability to attract and maintain major corporations. The Port of Houston is a major economic driver. We have construction cranes all over town, from Exxon's new office construction just south of The Woodlands to Uptown Houston to all the apartments in the inner Loop.

Q: What areas of town do you think are the hottest for development?

A: Certainly Uptown, where \$1 billion



Cody Duty / Houston Chronicle

The view for commercial real estate is sunny from Waugh Drive and for much of the rest of the Houston area, says Matthew Deal, a principal at Deal Sikes & Associates, a real estate valuation and counseling firm in the city.

worth of office space is under construction or soon to be under construction. That market is about one-third office, one-third retail and one-third residential in terms of value. It has created a brand of mixed-use, which is very attractive to office users, residents and shoppers.

Q: How much negotiating goes on before a price is finalized in eminent-domain property cases?

A: Quite a bit. It's the government's job — whether it's Metro or the state or HISD or any government agency with the power of eminent domain — not to pay less than or more than market value. It's the property owner's desire to obtain market value as well. There's oftentimes a great disparity in opinion as it relates to what is fair and reasonable compensation. The government has the power to stop negotiations and condemn, meaning force the acquisition.

Q: How often does that happen?

A: For the Metro project, we were able to acquire about 80 percent of the property without having to utilize condemnation. Somewhere north of 225 parcels were acquired for the Metro rail-line project over the past five years. Remember the widening of I-10? That was the opposite — 80 percent required

condemnation. There were in excess of 300 parcels in that acquisition.

Q: What projects are happening along U.S. 290?

A: TxDOT started the acquisition process at the intersection of 610 and 290. They've acquired many of the about 60 parcels in there. They are well on their way to acquiring the property needed to begin reconstruction of that interchange. They are in the process of appraising and acquiring the property needed to reconstruct the interchange of Beltway 8 and 290.

Q: What's going on with the Grand Parkway extension?

A: The section from I-10 north to 290 is the furthest along as far as acquisition and construction goes. ... However, the recent discovery of bones is a bit of a curveball for that section. It has to result in some delay, but the extent of the discovery is still being quantified. We don't anticipate the project will stop, as they can deploy their construction efforts in other sections.

Q: What's that do for the area?

A: Right now, it's mostly just land. A big question is for property owners that are actually bisected by the Grand Park-

way. Whether or not it helps them is yet to be seen. If you think of it in terms of I-10, it's a great thing for general mobility out to and from west Houston because it's a much better road than it used to be. But for the property owners who were impacted heavily, it wasn't so good. It often happens that an acquisition will damage a property permanently.

Q: How are property owners compensated for that?

A: It's an analysis of the property as it existed before the taking and its value versus its market value after the taking. The difference is the amount of compensation due.

Q: How can you determine that?

A: As an appraiser, you measure the market, and how the market will accept or reject a property both before and after a taking. It's an estimate of the present value of what is anticipated to happen in the future. If the parties don't agree or can't bridge that gap through negotiations, then the government files a lawsuit.

Nancy Sarnoff contributed to this report.

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