



## Business

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### REAL ESTATE

## Woodlands property is twice a winner for investment firm



NANCY SARNOFF

It was déjà vu for Lionstone Group this month, when it closed on the sale of two office buildings in The Woodlands for the second time in 10 years.

After owning the buildings — Waterway Plaza I and II — for less than two years,

the Houston-based real estate investment firm sold them to Clarion Partners of New York.

The sales price was not disclosed, but the brokerage firm representing Lionstone said the number represents the highest price per square foot ever paid

for a suburban commercial property in the Houston area.

That record was last broken in April of this year when GC Essential Asset REIT purchased the six-story Schlumberger Financial building at 1200 Enclave Parkway for \$329 per square foot, according to Real Capital Analytics, a commercial real estate consulting and research firm based in New York.

Lionstone first bought the Waterway buildings in 2003 for \$42 million and then sold them for around \$74 million in 2005. Through an investment fund, the company bought them back last year for approximately \$83 million, Real Estate Analytics said.

In both cases, Lionstone bought the offices with existing or pending vacancies, which were filled before the company sold the properties.

The Woodlands has been one of the top commercial real estate markets in the Houston

area. The Woodlands office market posted a 3.8 percent vacancy rate at the end of the first quarter and rental rates on high-end space were up 8.8 percent from the end of 2012, according to data from Transwestern/Delta Associates.

Located at 10003 and 10001 Woodloch Forest Dr., the two Waterway buildings total 366,074 square feet and are 98 percent leased. Huntsman Corp. occupies more than 50 percent of the space under a long-term lease. The proper-

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## Properties are along The Woodlands Waterway

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ties are on a 4.5-acre site along The Woodlands Waterway in Town Center and are within walking distance to shops, restaurants and entertainment venues.

An HFF team led by Jeff Hollinden, Robert Williamson and Trent Agnew represented Lionstone in the building sale.

### Rising value

Commercial land prices in some areas close to downtown could double over the next few years, according to a local real estate consultant.

As more housing is developed inside the 610 Loop, retail sites are in high demand and the supply is tight for big-box retailers, smaller strip center developers and even freestanding stores, said Matthew Deal, principal of Deal Sikes & Associates, a real estate valuation firm.

Apartment developers are adding thousands of units to the Inner Loop and national retailers are focused on Houston's population growth.

"The challenge is blocking up larger retail sites to serve these multifamily developments that are coming in," Deal said.

Prices inside the 610 Loop have made a full recovery, since the real estate downturn, Deal said.

In the nicer areas, like Upper Kirby and other neighborhoods west of downtown, land is going



HFF

After owning Waterway Plaza I and II — for less than two years, Lionstone Group sold them to Clarion Partners of New York. The Houston-based real estate investment firm earlier sold them in 2005.

for upwards of \$100 per square foot.

As prices continue to rise, older retail, industrial and apartment sites will be redeveloped and delivered as mixed-use, multistory developments with apartments atop ground-level retail.

Deal pegs the East End as one of the areas with the most upside potential.

He sites the future redevelopment of the former KBR site — 136 acres on Clinton Drive along Buffalo Bayou — the eastbound extension of light rail and other area improvements.

"You're going to see a significant jump in land prices over there," Deal said. "At least double in the next three years."

Today they're in the

\$10- to \$20-per-square foot range, he said.

### Pick your finishes

A Houston apartment developer is borrowing a technique from the homebuilding industry by letting tenants pick their interior finishes.

At Pearl Greenway, a complex recently built on the former site of Central

Presbyterian at 3788 Richmond, renters can choose from three styles: "Modern," "Modern Ranch" or "Metropolitan."

It's not a true customization process, however. Unlike the builder model, the units have already been designed and built. Renters simply pick which model they like. The differences in the

finishes appear in the countertops, paint, carpet and laminate wood floors.

The "Modern," for example, has white cabinets and gray quartz counters, while the "Metropolitan" has darker cabinets and beige carpet.

Amid a wave of apartment development, the developer wanted the property to stand out from its competition.

The units have open floor plans and iPod docking stations and USB outlets.

The complex, which has been certified through the NAHB Green Building program, also has electric car charging stations and door-to-door recycling pickup.

Studios start at \$1,381 for 650 square feet; one-bedroom units start at \$1,500 for 691 square feet and two-bedrooms start at \$2,225 for 1,222 square feet.

Other amenities include a pool with private cabanas and TVs, a lap pool, a covered bar area with BBQ grills, and a dog park with a fountain, play obstacles and dog wash.

The 341-unit complex represents the launch of developer Morgan Group's Pearl multifamily brand.

The company is also building or planning projects in Midtown, in the CityCentre development and in Jacksonville, Fla.

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