

CDS Market Research—Real Estate Reflections

Houston Area Business Activity Centers – How Did They Grow?

Over the past 30 years, Houston has developed as a polycentric region comprised of numerous activity centers. Many of these centers are illustrated on the map below, including:

- business centers—characterized by office space mixed with other uses
- retail centers— major malls and retail concentrations
- economic centers — ship channel, airport and medical center, and
- emerging centers — new growth nodes.

This newsletter draws on a presentation made at a recent national planning conference of the American Planning Association, from projects for the Energy Corridor, Greenspoint and Memorial City management districts, and from recent projects for the City of Sugar Land, Texas and the Pearland Economic Development Corporation.

Houston’s downtown area was the first activity center and began to develop in the mid-nineteenth century. The Medical Center was the next node to develop, beginning in the mid-twentieth century. The Uptown/Galleria area began substantial development after completion of the West Loop in 1969 and Greenway Plaza followed in the early 1970s. Clear Lake began development in the mid 60s with the NASA center. The remaining activity centers all emerged from the energy crises of the mid to late 1970s when the oil industry in Houston boomed with unprecedented employment growth coupled with relatively expensive gasoline.

Because of the emergence of quality centers of business activity in Houston’s suburban areas, the region was prominently mentioned even as far back as the 1991 book *Edge City: Life on the New Frontier* by Joel Garreau. These centers are continuing to grow — adding new buildings, jobs and residences. Other locations such as Pearland, Cypress, Richmond/Rosenberg and Katy are

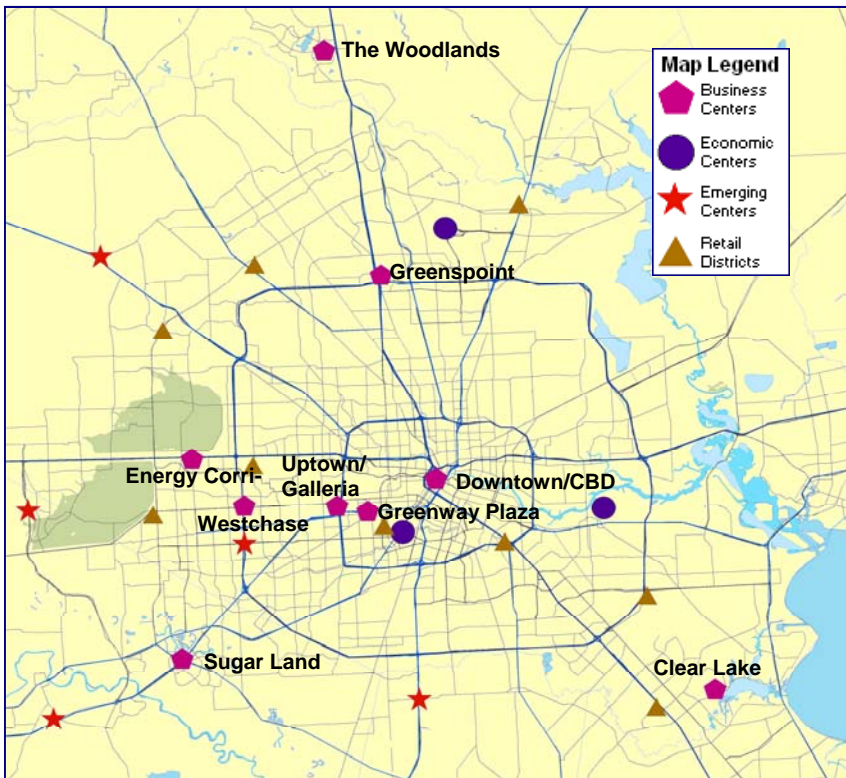
emerging to become future activity centers.

This newsletter presents summary statistics on the some of Houston’s prominent business activity centers (listed on the right). These activity centers contain 563,000 jobs representing 23% of the Houston region’s employment.

On the following pages, the characteristics and growth trends of these centers are described. This paper is not designed to be a precise description of the centers but more of an overview and historical account of how they grew. In some cases, CDS’s selection of the boundaries of the district may not correspond to existing management districts, property ownership or jurisdictional boundaries.

Selected Houston Activity Centers

- Downtown/CBD**
- Uptown/Galleria**
- Energy Corridor**
- Westchase**
- Greenspoint**
- The Woodlands**
- Sugar Land**
- Clear Lake**
- Greenway Plaza**



The table on the right summarizes current characteristics of the selected activity centers. One interesting question posed by CDS's recent research is: what defines a regional activity center? Recently the Houston-Galveston Area Council, through the livable centers initiative, began to formulate a definition. In their concept, a regional center would be an area of approximately 2 square miles and have a combination of resident population and daytime employment totaling between 50,000 and 100,000 (25,000 to 50,000 per square mile.) All of the selected centers meet the basic activity criterion (Pop + Emp.) of 50,000, but only the Downtown, Uptown, Greenway Plaza and possibly the Woodlands meet the density threshold. Does that mean that the other areas are not regional centers? No, it simply means that they are not yet at a density that allows for fewer daily vehicle trips and more transit and walking trips. It is the opinion of CDS that all of these centers qualify as Houston business activity centers.

Summary Statistics for Selected Activity Centers

| Activity Center | Area, mi ² | Commercial Space in millions of square feet | | | Employees | Empl./mi ² | Population | Pop./mi ² |
|------------------|-----------------------|---|--------|--------|-----------|-----------------------|------------|----------------------|
| | | Office | Retail | Indus. | | | | |
| Downtown/CBD | 1.4 | 42.0 | 1.8 | 1.0 | 142,000 | 101,000 | 3,800 | 2,700 |
| Uptown/ Galleria | 1.7 | 19.8 | 4.5 | 0.1 | 85,000 | 50,000 | 17,500 | 10,200 |
| Energy Corridor | 21.6 | 15.8 | 5.1 | 7.8 | 73,000 | 3,400 | 40,000 | 1,900 |
| Westchase | 8.6 | 15.1 | 3.5 | 2.9 | 55,000 | 6,400 | 33,600 | 3,900 |
| Greenspoint | 12.5 | 10.1 | 3.8 | 7.1 | 47,000 | 3,800 | 35,400 | 2,800 |
| The Woodlands | 2.2 | 4.6 | 2.4 | 0.8 | 46,000 | 20,900 | 800* | 400 |
| Greenway Plaza | 1.3 | 11.2 | 2.3 | 0.4 | 46,000 | 13,077 | 14,800 | 11,200 |
| Sugar Land | 32.2 | 5.7 | 5.6 | 7.0 | 40,000 | 1,242 | 80,000 | 2,500 |
| Clear Lake | 10.0 | 3.3 | 1.4 | 0.4 | 27,000 | 2,700 | 65,000 | 6,500 |

Source: CoStar, O'Connor & Associates, CDS Market Research. * Estimated current population in the commercial 2.2 sq. mi commercial area.

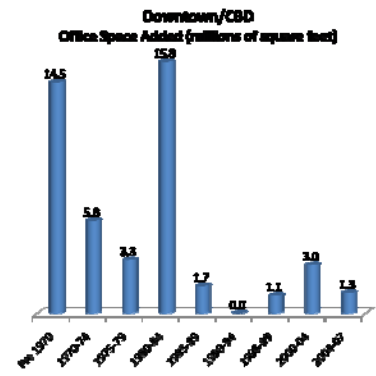
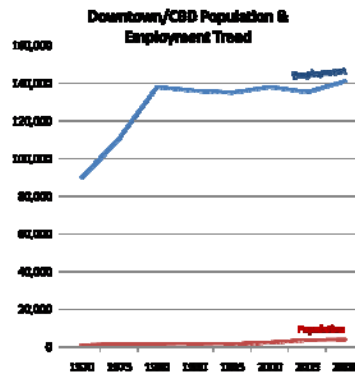
Downtown/CBD

Houston's Central Business District has been the center of the region's economic activity since the city's founding. The CBD has the highest concentration of jobs in Houston.

Downtown added 50,000 jobs during Houston's energy boom 1970 to 1980. But the oil bust of the early to mid-80s resulted in employment decline. No new office buildings were constructed in the CBD from 1986 until 2002

when 5 Houston Center was completed. 717 Texas Avenue, 1500 Louisiana and Reliant Energy Plaza followed in 2003.

Downtown is currently in a resurgence with Pavilions Tower, Discovery Tower and Main Place (totaling over 2 million SF) currently under construction. Also under construction is One Park Place, luxury high-rise apartments with 347 units. The Pavilions mixed-use project has just opened.



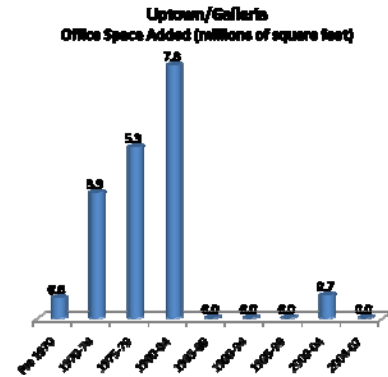
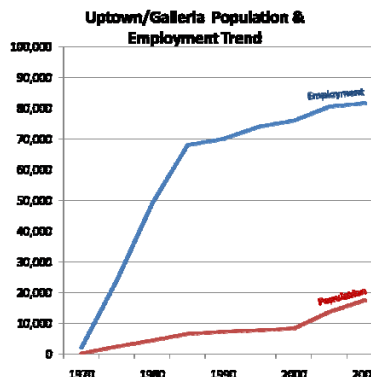
Uptown/Galleria

Uptown Houston is second only to the CBD as an employment center. The area boasts a broad mix of office, retail, hotel, and residential development. The stimulus to the development of the area was the opening of the Galleria Mall in 1970 by Gerald Hines. Hines followed with a series of office buildings and construction peaked in the early 80s. No office buildings were constructed in Uptown for the next 15 years. One office build-

ing, 1600 West Loop South, is planned for 2010.

In recent years, luxury high-rise residential projects (condo and rental) have dominated the Uptown landscape. Since 2000, seven residential towers, containing more than 3,500 units have been completed.

New projects include Boulevard Place and High Street, mixed-use urban centers with office, residential, retail and hotels.



Energy Corridor

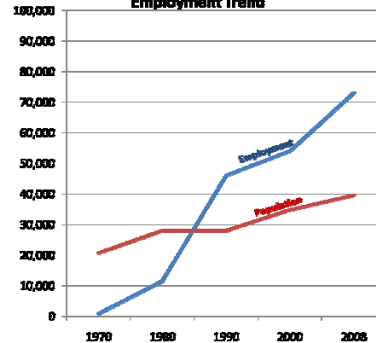
The Energy Corridor contains the headquarters and regional offices of several prominent energy and energy services firms including BP America, Shell, ExxonMobil Chemical, ConocoPhillips, and CITGO. The Energy Corridor's residential growth took off in the late 60s as an extension of the desirable Memorial corridor.

With the energy crises of the mid to late 1970s, the area

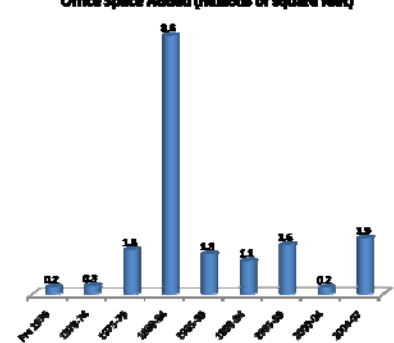
became an attractive location for expanding energy companies who felt the need to locate offices close to their key employees. The office growth peaked in the early 1980s.

Recently office growth has accelerated in the Energy Corridor with 2 million SF recently completed, 3 million under construction and another 2 million SF in the planning stage.

Energy Corridor Population & Employment Trend



Energy Corridor Office Space Added (millions of square feet)

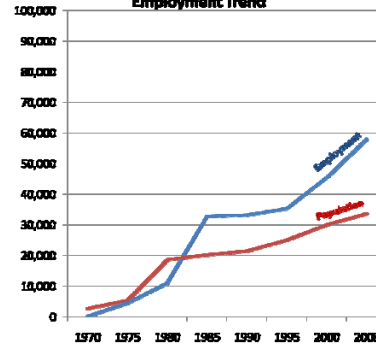


Westchase began its growth in 1969 when Friendswood Development purchased the land at Westheimer and Gessner to create Woodlake Square. In 1973, the Westchase Corporation purchased 760 acres of land from the R.E. "Bob" Smith family.

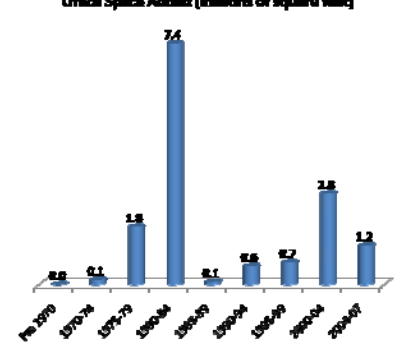
The first 12 office buildings were built between 1975 and 1979 with a total of almost 1.8 million SF. The boom ex-

panded in 1980 when 13 new buildings (670,000 SF) were completed. Commercial development slowed from the mid-80s to the mid 90s. But since then Westchase has seen a resurgence with over 4 million SF of office space completed 2000-2007. New office building in 2008 includes 2.1 million SF (Granite Westchase II, Plaza at Enclave, City West Place V, City West Place VI, One Oak Park, and PGAL Architects).

Westchase Population & Employment Trend



Westchase Office Space Added (millions of square feet)



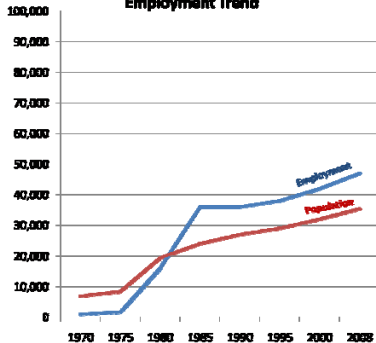
Westchase

Greenspoint has benefited from a location close to some of Houston's fastest growing residential areas and proximity to Bush Intercontinental Airport. A significant growth spurt occurred from 1978 to 1985 when Friendswood Development Company developed Greenspoint Plaza (6 office buildings totaling almost 2 million SF).

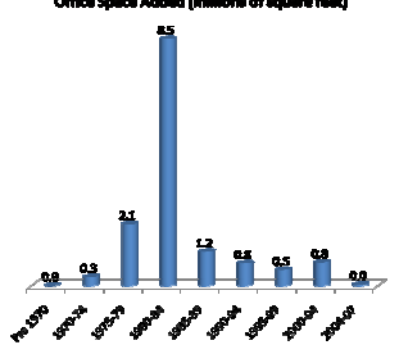
The 80s saw substantial construction of office buildings in Greenspoint – capturing 9% of regional office space construction during that period.

Since the 80s there has been substantial growth of office warehouse and flex space in the area around Greenspoint.

Greenspoint Population & Employment Trend



Greenspoint Office Space Added (millions of square feet)



Greenspoint

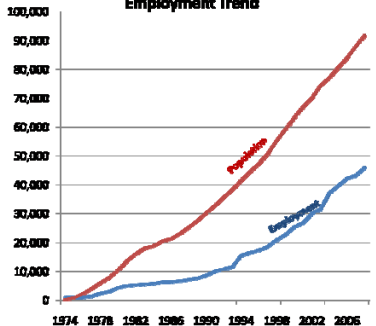
The Woodlands, one of the most successful "new town" master-planned communities in the U.S, was developed by George Mitchell who began acquiring the original 12,000 acres in 1964 and began development in 1974.

Office and industrial development began in the Woodlands in 1982 with the establishment of Research Forest, an office park and a center for advanced research. In 1993, The Wood-

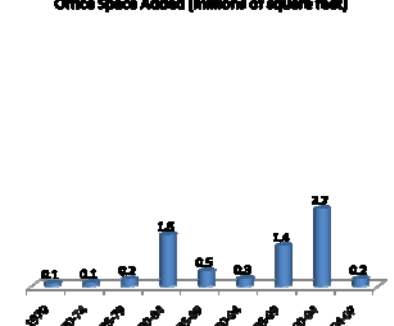
lands Town Center district was formed and the Town Center officially opened in 1994, containing the Woodlands Mall, Cochran's Crossing and Market Place shopping centers.

New office development projects for the Woodlands commercial district include the 220,000 SF 4 Waterway building, which is under construction and the planned 200,000 SF Vision Park office building.

The Woodlands Population & Employment Trend



The Woodlands Office Space Added (millions of square feet)



The Woodlands

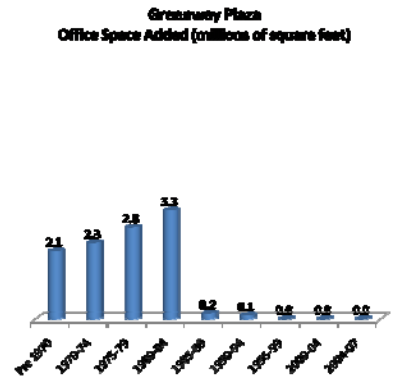
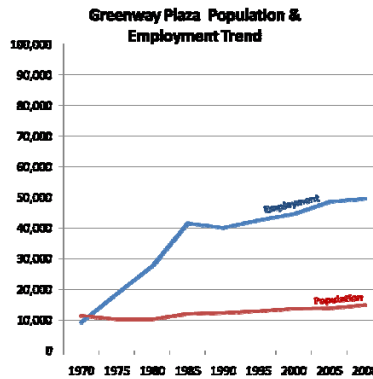
Greenway Plaza

Greenway Plaza is the smallest of the office activity centers in land area, totaling only 900 acres. An innovative project of Century Development Company, Greenway is built on the site of a residential subdivision whose homes covered by deed restrictions were purchased one-by-one. The project grew quickly during the late 70s and early 80s and was one of Houston's first mixed-use projects combining office

space, retail, hotel, entertainment, private club and high rise residential buildings. Growth slowed in the late 80s through the early part of this century.

In 2004, the 271-unit Camden Plaza apartments were completed.

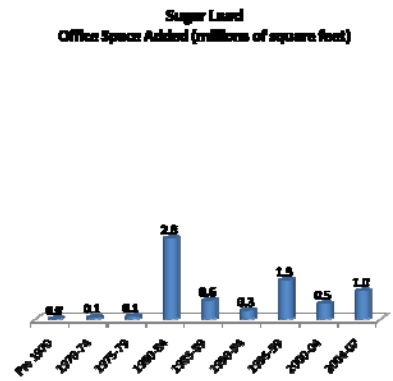
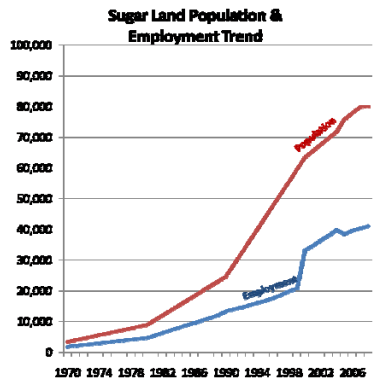
In 2007, the 34,000 SF Summit Plaza retail center was completed.



Sugar Land

Sugar Land is one of the fastest-growing cities in Texas. Its strong development history dates to 1968 when the Imperial Cattle Ranch sold 1,500 acres to create Sugar Creek, the area's first master-planned community. Additional impetus occurred in 1976 when Gerald Hines began the development of First Colony, a 9,700 acre master-planned community. The city ranks as the third-largest in population and second-largest in economic activi-

ties in the Houston region. Sugar Land is now a strong employment center with 40,000 employees working in retail, offices and industrial parks. Sugar Land is home to regional headquarters of well-known employers including: Chevron, Fluor Daniel; National Oilwell Varco; Nalco Energy Services; Schlumberger Companies; Trantontina and Minute Maid. The Sugar Land Town Square is a successful mixed use center with retail, office, hotel.

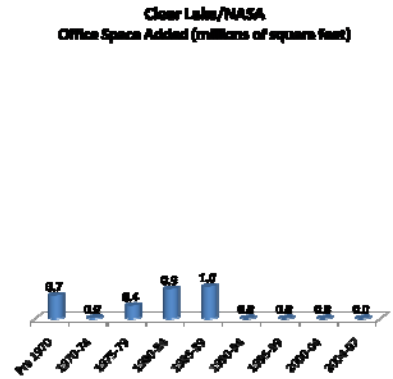
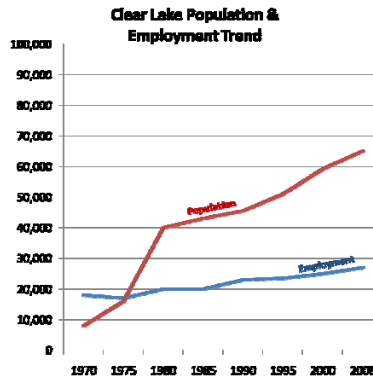


Clear Lake/NASA

Clear Lake City was one of the first master-planned communities of the Friendswood Development Company on land owned by Humble Oil (now ExxonMobil). The impetus for Clear Lake was its selection, in 1961, as the site for the NASA manned spacecraft center. In 1963, residential development was initiated coincident with the construction of the space center. Clear Lake was unique to Houston as the first suburban

area with substantial employment — everyone who worked in the area could live nearby. The Clear Lake/NASA area includes Clear Lake, Nassau Bay Seabrook, Webster and smaller cities.

A new mixed-use project including a hotel, office and residential are part of a Nassau Bay redevelopment effort along NASA Parkway.



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aspects of the firm's research. CDS has a strong team of professionals, averaging over 15 years of professional planning and market research experience, who help clients make the best decisions about property development, planning, and investment so they can seize the right opportunities for tomorrow ... today.