

archi**chat**

Photography by Jack Potts
Shot on location at Mo's restaurant

WE'VE TOASTED IN THE NEW YEAR WITH CHAMPAGNE AND HOPE! BEFORE OUR RESOLVE IS BROKEN, WHAT DO THE ICONS OF HOUSTON'S REAL ESTATE DEVELOPMENT EXPECT FOR 2010? I HAVE MY OPINION AS REAL ESTATE IS MY PASSION AND PROFESSION, SO I CORRALLED LOCAL DEVELOPERS TO SHARE OUR IDEAS, GETTING LARRY LEVINE AND RANDALL DAVIS TO (MORE OR LESS) SIT DOWN FOR A PHOTO SHOOT AT MO'S...A PLACE FOR STEAKS. SHOULD WE REFILL OUR COSMOS, BUY OR SELL, OR PLAN A EULOGY?

RANDALL DAVIS, Owner Randall Davis Company

Your Houston condo projects are sold out. Tell me about your other out of town ventures. Sapphire in South Padre. 230 units, 130 sold. Looking for a repeat of 2009 when I sold 40 units from March-September. Also, Diamond Beach Galveston on the West End which was completed at end of summer 2009. 116 units, 58 sold. Cautiously optimistic that sales this summer will "blow the doors off" as it has a \$4 million amenity package including the largest pool in Texas, lazy river and indoor pool. It truly has to be seen to be believed.

Plan for 2010? 2010 seems to be shaping up like 2009, concentrate on your own deals and hope a troubled viable opportunity at a sizable discount comes your way.

What's up with Sonoma? Sonoma is on indefinite hold by the landowner.

How are your rental loft projects like Hogg Palace? Loft rentals are holding steady as my historic buildings still have cachet, panache and reasonable rates.

What can Obama do to help get real estate back on course? Offer a 1-year window (only) for home buyers at a Fannie-Mae backed mortgage of 4%- 20 year amortization. This would clean up the massive excess inventory of unsold homes.

LARRY LEVINE, President of Levcor, Inc.

Current holdings? Retail centers in Houston, San Antonio, Dallas, Laredo, Waco, Sherman, Eagle Pass, McAllen, Yuma, Arizona and Knoxville, Tennessee.

Plan for 2010? Take care of our existing portfolio and try to buy existing retail projects.

What are you seeing different in your tenant mix now and 3 years ago? Tenants are more cautious and expanding at a slower pace. Rents are lower than the last few years and will continue that way for at least 3-4 years until the market absorbs all the vacant boxes.

Tell me about the centers in McAllen and why those are attractive. Diversity! These markets are more attractive because the border is counter-cyclical and caters not only to the United States but also to Mexico, which is a huge market!

REAL ESTATE + DEVELOPMENT STYLE

RANDALL DAVIS, LARRY LEVINE, GEOFF JONES, DERECK DARNELL



Happy Spot? We are very excited about Post Oak Plaza. We are striving to make it in the new shopping destination on the west side of town. We have been selective in our marketing to create the right tenant mix that caters to all ages. Masraff's, Angler's Edge, Meredith O'Donnell, Five Guy Burgers, Tasti-D-Lite and many more tenants have committed to our project.

GEOFF JONES, Principal/Developer, Houston Pavilions, L.P. (not pictured)

Current real estate holdings? Houston Pavilions (\$200 Mil; four blocks Downtown; approximately 560,000 square feet of retail/office with a 1,600 space parking garage, numerous smaller commercial properties in and around metropolitan Houston.

Your thoughts on 2010? We expect 2010 to be an improvement over 2009. For those experienced developers who are intrigued with the notion of "timing the market," 2010 might be the perfect year to visit your architect in order to be prepared for a potential shortage in commercial space in 2013.

If you were Obama, what would you do to reactivate the real estate market? I believe the economy is gradually improving. We should keep interest rates low and allow the markets to perform. As for the ever-burgeoning debt, it would have been incurred by either of the 2008 presidential candidates. The only significant difference between them was their disagreement over *where* and *how* money should be spent. I don't believe anyone can credibly deny that the massive amount of recent government spending was necessary. This is (was) no ordinary recession. It's "guns and butter" economics, but in either event, the money needed to be spent in order to get things pointed in the right direction again.

What is the Latest at the Pavilions? The Pavilions will be unveiling a number of new fashion tenants over the next six to eight months. The addition of these tenants, when coupled with the 264,000 square foot occupancy of NRG in late summer, will bring the project to completion.



Any advice to the new Mayor that would help Houston move forward real estate-wise? I would advise the Mayor to update and refine the City's signage and lighting ordinances. We have one of the most beautiful skylines in North America and yet it seems profoundly underemphasized. There are multiple ways to tastefully light up the City in order to show off one of its greatest assets. How we present ourselves *physically* to the rest of the world is terribly important. Paris is not known as the City of Lights for nothing.

DEREK DARNELL, Vice President, Pelican Builders (not pictured)

Current projects? Highland Tower, Audley Place and Maison Fontaine.

Biggest hurdles? The market should steadily improve. Virtually all new construction has come to a halt. With less new construction and improving demand 2010 should be better than 2009. Biggest hurdle is financing for new ventures.

What is the company's plan for 2010 and 2011? Very simply, sell our current projects and continue to look for new ways to finance new ventures.

How are sales at Highland compared to projections? Given the market turmoil that began at the end of 2007, sales are not quite what they were projected but not far off. What is encouraging is the fact that the market fundamentals in Houston are in balance. We see strong demand and the pricing for quality built in-town homes/condos is still holding. The biggest difference we see in this market isn't pricing or lack of demand; it's the pace of sales. Buyers have more time to make decisions and therefore the buying process takes longer.

What can the new Mayor do to assist in encouraging more high-density projects? I think it starts with educating the surrounding neighborhoods. Clear development guidelines will also enable the development community to understand their risks. It is still hard to believe that a city of our size really doesn't have many mixed use areas where people live and can walk to lifestyle attractions. Outside of one small segment in Midtown, it doesn't exist in Houston.

SANDRA GUNN, Sandra Gunn & Associates LP

Current focus? Listing and selling homes, high rises, town-homes and lofts with significant lease work due to demand. While we have always represented numerous developer clients, to date in 2010 we aren't seeing any of that. Our smaller builders are on hold waiting for lending restrictions to ease. However, several of our past developers are actively seeking distressed projects to take over from lenders.

Biggest hurdle? Educating sellers and buyers as to current market conditions. Most sellers are ruled by emotion and feel their home is special and worth more than the comps; buyers do not understand that homes are (usually) already priced with the market and they will not see huge discounts off the list price.

Outlook? My firm, Sandra Gunn Properties, is busy for this time of year. I spoke with Rosie Meyers at John Daugherty, Laura Lee Klemp and Cathy Blum at Greenwood King, Stephanie Pollard with Semmler Pollard and they echo the same. People have to live somewhere. They may scale back, move to a home with more space for new children or be relocating and rent in Houston for a bit before they make their final decision. Bottom line...everyone moves at some point!

Sandra's Takeaway... While shopping the Internet may create doom and gloom for some retail projects, buyers will seek out the unique and want to touch and feel it. Bottom line : It is time to hold on to what you have so you can eat, toast to hope, and pray!