



## Fort Bend County: Office Market Update

By Chase Ferrell, Associate

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As many of you have probably already noticed, we have seen a great deal of activity in the commercial real estate business in Fort Bend County over the last several years. It seems every where you look there is a new office building under construction. Many of us contemplate, "Why has Fort Bend County been such a success?" **In this month's article we explore several factors to our local office market boom.**

**Location, location, location** will always be key to any real estate decision and office is no exception to this rule. Fort Bend County's proximity to Houston has undoubtedly caused a large number of families to live in Fort Bend County. As suburban homebuilding continues to increase so do corporate decisions to open satellite offices, regional offices, and sometimes, outright corporate relocations to suburban markets such as Fort Bend County.

Another factor that spurs Fort Bend County is the presence of **well positioned master-planned communities**. A well designed master-planned community allows for residents to live, work, and play in the same area. Developers of master-planned communities set aside pockets for commercial activity which allows local residents to work close to home as well as serve as a buffer between people's homes and large office buildings.

Recently, we have seen an **unprecedented job growth in Houston**. At final count over 75,000 new jobs were created in the Houston Metropolitan Statistical Area (MSA) in 2006. Many of those people work in Houston, but chose to live right here in Fort Bend County because of its many amenities and positive attributes.

**Houston is the 5<sup>th</sup> largest office market in the U.S.** In 2006, Houston absorbed a total of 5.9 million square feet which is almost a 70% increase from a mere 3.5 million square feet in 2005. This is the highest annual total absorption since 1997. Following suit, vacancy rates in Houston dropped 2.8% from the previous year to 11.7%. The year 2006 was a record year for the Houston office market.

**Several of the largest (in square footage) office leases in Houston's history were signed last year and predominately one industry led the way – oil and gas.** A hand-full of developers are planning to develop new office buildings in Downtown Houston because of the increasing leasing activity from large oil companies and related industries. In fact, if you look back the oil and gas industry in and around Houston has influenced many large corporate companies to locate in Fort Bend County. Baker Petrolite, Fluor Daniel, Schlumberger, Chevron, Nalco, and Noble to name a few. So, what does this mean for Fort Bend County – more of everything.

Growth in oil and gas typically translates to positive absorption in office space through increased demand. And positive absorption in office space through increased demand leads to ... you got it ... more homes, more retail sales, more office space, and generally more of everything.. The end benefit to Fort Bend County is a larger property tax base to generate taxable income. Just as in Houston, we have seen the same kind of growth here in Fort Bend County.

Additional little known factors to Fort Bend County's development success include few barriers to entry, long-term tax incentives, high educational attainment, and low cost of living. These all translate into a strong economic outlook for the near future of Fort Bend County.

In summary, several factors are to credit for our Fort Bend County's local office market boom – location, well positioned master-planned communities, unprecedented 2006 job growth, Houston's position as the 5<sup>th</sup> largest U.S. office market and strong growth in the oil and gas industry.



If you are interested in learning more about the office market, please contact Chase Ferrell at Indermuehle & Co.

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