



The Recession That Isn't

By Larry Indermuehle, CCIM, President

If you listen to all the national media and television reports, you would think we should be tightening our belts and hedging all our bets to survive the downturn that is predicted. That seems to be the attitude of the media, when reporting the slowdown in housing and the economy, but the reality is any real slowing down the US economy is feeling is slight at best and its current effect on the Houston market is minimal to date.

From all appearances, Houston does not seem to be experiencing much of a slowdown, if at all. The year 2006 just ended with some pretty strong statistics, and one of the best commercial real estate years in my 25 year recollection.

The Houston office market absorbed 5.7 million square feet in 2006, and had 1.7 million square feet of office space added to the market. We have begun 2007 with 35 offices buildings under construction totaling over 3.5 million square feet. The industrial market absorbed 3.6 million square feet in 2006 and has begun 2007 with 44 buildings under construction totaling over 4.4 million square feet. Although retail numbers for year end are not yet available, it appears that the year was relatively flat, maybe indicating the nearest thing to a slowdown.

Fort Bend County is continuing to experience amazing development in all sectors. We continue to see master planned communities experiencing phenomenal growth, in all directions. The retail sector has been brisk, with new shopping centers, power centers and the upgrade and expansion of the First Colony Mall with the Lifestyle expansion shops all around the mall. Rosenberg is experiencing phenomenal growth in retail with a major mixed use project at Highway 59 and FM 762 by New Quest Properties known as Brazos Town Center featuring several national retailers. This growth is the result of developers that are anxious to cash in on the perceived need from all the new residential roof development.

The Fort Bend office building market has added four new office buildings in 2006. The most notable office buildings are the new 6 story office building at Town Square developed by PCD and totals 135,000sf office space with 15,000sf of retail space on the ground floor. The other notable building is the 6 story office building in Sugar Creek Center developed by Harry Green, which is 152,000sf. The current office occupancy rate for Fort Bend County is 88.7 percent.

The Industrial market in Ft. Bend County continues to be strong at 91.1 percent occupancy. There were four new multi-tenant office / warehouse buildings constructed for a total of 325,800sf. There are reports of two or three new projects planned for 2007. While financing remains reasonable, with a strong economy, many small and mid size businesses are looking for opportunities to purchase or build their own facility. Existing freestanding buildings are in short supply, to almost non-existent. Developers are starting to fill the demand with new freestanding and condominium office/warehouse buildings. There are a few new buildings already available and others will become available in 2007.

We do not see any sign of our economy slowing down in the year ahead. In fact, as we enter the second month of the year, we are experiencing a continued indication of the activity and demand experienced during 2006. We are fortunate that the Houston area is not over built, nor over priced like some other parts of the country at this time. This will bode well for us even if other parts of the country do experience some economic slowing in 2007.

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