

Commercial realty is looking rough

By **NANCY SARNOFF** Copyright 2008 Houston Chronicle

Dec. 6, 2008, 12:18AM

An increase in sublease office space. Falling property values. Retailers in lock-down mode.

"We're looking at difficult circumstances for 2009," Welcome Wilson Jr., president and CEO of GSL Welcome Group, said Friday at a commercial real estate forum hosted by law firm Boyar & Miller.

Business leaders from various fields of real estate expressed optimism about the Houston economy, but rents, vacancies and sales aren't what they used to be.

Many of the troubles stem from the crumbling financial market, which has halted new construction across the city and slowed building sales.

"New construction is pretty well going to come to a stop for 2009," said Craig Hausman, president of Yancey-Hausman, a commercial real estate firm.

Still, more than 10 million square feet of new office space is expected to open next year. And less than 20 percent of that space is preleased.

The new construction will outstrip demand as job growth slows or declines, Hausman said.

There's already a "substantial increase" in sublet office space, a telltale sign of a softening office market.

"We'll see more of a shift away from a landlord's market to a tenant's market," Hausman said.

The housing industry has also seen a market shift with falling home starts and sales.

While Houston-area home prices have seen years of steady and reliable growth, "we're going to see that drop off a little," said Joel Marshall, senior vice president of Trendmaker Development.

The retail real estate sector, which is closely tied to residential growth, will also slim down in 2009.

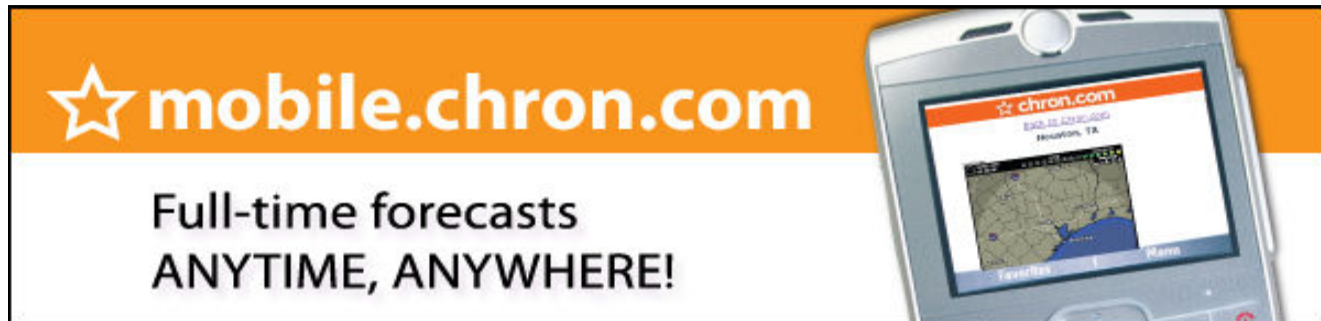
Houston developers will build 1.5 to 2 million square feet of space in 2009, said Ed Wulfe, president of Wulfe & Co. That's compared to about 5 million square feet this year.


With lackluster sales and an uncertain economy, retailers are putting expansion plans on hold for six months or a year, he said .

But there could be benefits. Construction costs will come down 15 to 20 percent, Wulfe said. And lower interest rates will encourage new development in the latter part of next year or in 2010.

nancy.sarnoff@chron.com

Advertisement



 **mobile.chron.com**

Full-time forecasts
ANYTIME, ANYWHERE!

Print Powered By  FormatDynamics™