

Straight From the Experts: The latest **BUZZ** in Commercial Real Estate

## The Bivins Report

The Houston office market is going to slide downward in 2009. But there may be a few positive points of light in the market - especially for tenants.

The tighter economy is bringing in cost-cutting across the board. Companies that have been in Class A office buildings will be seeking less expensive space in Class B buildings in 2009, according to Grubb & Ellis senior vice president Jim Arket. So there's a reason for Class B landlords to be hopeful, too.

"In 2009, landlords will be forced to give more concessions to make deals happen in the new era of weakening demand for space," Arket said in a speech at the O'Connor & Associates Office Forecast Breakfast.

Expect to see more sub-lease space hit the market as tenants downsize, he said. In addition, more space will be released onto the market in 2009 as 5 million square feet of new office space is completed, much of it in new buildings in the Energy Corridor. Downtown has two major towers under construction by Hines and Trammell Crow, but those buildings will not be finished for at least two years.

Grubb & Ellis is projecting that vacancy rates will rise in 2009. The year-end citywide vacancy of 13.5 percent in 2008 will rise to 16 or 17 percent at the end of 2009, Grubb & Ellis predicts.

Arket, who began his career at the Home Co. in 1979, said the Houston office market is coming down off a major boom that has lasted for three solid years. The year ahead will be tougher sledding.



Jim Arket and Ariel Guerrero, both of Grubb & Ellis, at the O'Connor Office Forecast Breakfast in December.

### LAND AND LOTS

Homebuilding is down substantially in Houston and across the nation. MetroStudy is projecting that the Houston area will have just over 25,000 home starts when the final tally comes in on 2008's activity. That's about half of the 50,000 home starts Houston had in 2006 - its best year ever.

Developers are slowing down their creation of new lots - and rightly so. The Houston economy is projected to lose jobs next year, which is bad news for builders. So expect the demand for residential development land to be declining in 2009, except in a few niche markets.

The lot prices paid by home builders have been holding steady in 2008, although some minor price cuts have been reported, according to the Greater Houston Area Lot Price

Survey, conducted by Kent Dussair of CDS Research. From 2002 to 2006, Houston area builders had seen lot price increases of 8 to 10 percent annually.

Dussair said lot prices may be dropping more significantly when land developers "come to grips with the rapidly changing housing market."

### WORLD NANO HEADQUARTERS

A nanoscientist has been hired to develop the Nano World Headquarters - projected to be a scientific hub that will spin off jobs and the formation of new companies. (Nanotechnology is the control of tiny amounts of matter on the molecular level.)

The Nanotechnology effort at WaterLights will be led by Valerie Moore, who studied under the late Nobel-Prize winning Professor Richard Smalley of Rice University.

The Nanotechnology project will be headquartered in the WaterLights District, a new 150-acre development on the west side of Highway 288, south of Beltway 8. WaterLights, developed by Historic Real Estate Inc., is projected to have a mix of retail, restaurants, office space, hotels and residential units, highlighted by a lake and a waterway similar to The Woodlands Waterway.

A significant amount of dirt work and lake excavation is underway at the WaterLights site and some noteworthy deals are in the pipeline.

Long-term, however, the Nanotechnology campus could be the biggest deal of all - especially if the developer's dream comes true and Highway 288 evolves into the Houston/Nano version of California's Silicon Valley.



Ralph Bivins, editor of RealtyNewsReport.com, is the dean of Texas real estate news writers. He is former president of the National Association of Real Estate Editors.

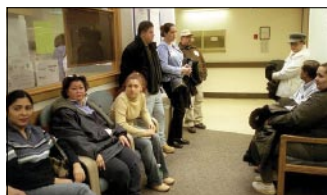


## Hospital Construction in Mexico

By Janis Arnold for REDNews

A growing demand for lower-health care costs in the United States appears to account in part for an increase in hospital construction in Mexico. Mexico's largest private-hospital chain, **Grupo Empresarial Angeles**, has plans to build fifteen new hospitals over the next three years. Currently foreigners make up five percent of the private hospitals' patients, but the hospital chain projects that foreigners, primarily Americans, will make up 20 percent of their patients by 2010. Texas hospital groups are also establishing a presence in Mexico: **International Hospital Corporation-Dallas** has five Mexican locations and **CHRISTUS**, which bought a majority stake in Mexico's Grupo Muguerza in 2001, now has eight hospitals in Mexico. One of the CHRISTUS hospitals is located on the Texas-Mexico border.

Some of the Texas patients seen in the border hospitals are there because they are uninsured or underinsured in the United States and simply can't afford Texas doctors or hospitals. Others are there because medical care, even with insurance, is cheaper in Mexico. Two areas of health care that have long seen the influx of Texans driving or walking across the border in cities such as Reynosa to access services are dental care and prescription drugs which are much cheaper in Mexico or in Canada than they are in the states. Now many Americans are going 'across' to access elective procedures



such as treatment for obesity (gastric-band procedure), which is typically not covered by insurance. Given the fact that the surgery, when performed in an American side of the Rio Grande hospital, can cost \$30,000 and is performed for less than a third of that price in Mexican hospitals, it is no surprise that increasing numbers of Americans are appearing in Mexico for their medical surgeries, treatments and supplies.

