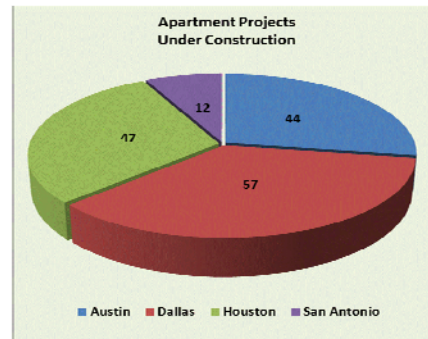
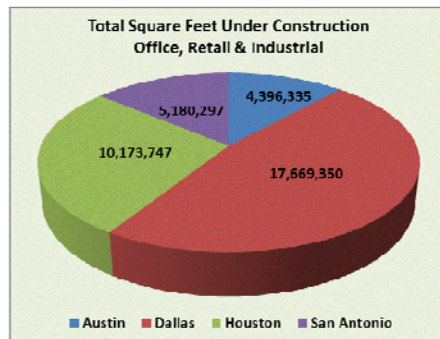


They Are Building What? Where is the Money Coming From?

“If you can’t make it here, you can’t make it anywhere” - Ed Wulfe, Chairman & CEO of Wulfe & Co

Texas’ major markets are expanding at levels unseen anywhere else in the U.S. and this time, it is not a speculative driven market. The negative economic forces hindering the recovery in the rest of the country are absent in Texas, resulting in a building boom locally. Because there are hundreds of new projects springing up across the state, we wanted to just provide an overall summary of the magnitude of the development schedules.

	UNDER CONSTRUCTION							
	Apartments		Industrial		Office		Retail	
	Projects	Units	Projects	Sq Ft	Projects	Sq Ft	Projects	Sq Ft
Austin	44	11,966	10	1,546,427	8	604,005	12	2,245,903
Dallas	57	15,107	13	5,240,826	36	5,925,711	40	6,502,813
Houston	47	12,701	24	2,464,634	25	3,499,081	34	4,210,032
San Antonio	12	2,844	11	2,585,743	11	908,527	12	1,686,027
Total	160	42,618	58	11,837,630	80	10,937,324	98	14,644,775



Source: O'Connor & Associates

It is obvious that all segments of the commercial real estate market in the Texas major metro areas are experiencing expansion. Some examples of the new development are:

Houston

In 2013 expect two new Kroger’s and an expansion of an existing store; one new HEB supermarket; one new Whole Foods Market, one Trader Joe’s; newcomers Sprouts and Fresh Market, each with four new stores; ALDI with fifteen new stores; two new Walmart Super Centers; two Sam’s Clubs; two new Costco stores; Ross three new stores, Marshall’s, Steinmart and DD’s Discount with one each. There will be three new theaters: a 22 screen Santikos Paladium theater on the Grand Parkway at Belfort, a 12 screen Cinemark in Spring and a Studio Movie Grill in League City.

Let’s talk CBD; after 5 million square feet of leasing in 2012 and one of the highest square foot office prices being paid for an office building in the state, big projects are underway. Skanska is proceeding with pre-development work on Capitol Tower. Site work continues on the two blocks next to Minute Maid Park for The Finger Companies’ 397-unit, 7-story apartment property. Novare Group will develop SkyHouse Houston, a \$60+ million, 24-floor, 336-unit residential tower. Construction could begin in the first quarter of 2014 for the 1,000-room Marriott Marquis.

Cont’d on next page.....

Next Month

Information technology is changing the way investors look at real estate. The investment in technology has been lacking in many of the institutional firms over the last several years, but new internet information sources at affordable costs are now available.

TEXAS REAL ESTATE UPDATE

Development and Finance

Dallas - Fort Worth

Encana Oil and Gas headquarters was occupied in May 2012 and by November 2012, the \$377 PSF sale price was one of the highest in the history of Dallas. Hillwood Communities is working through the \$1 billion Harvest development start in 2012, with residential, office and retail in a progressive "agrarian" program. Another 200,000 square feet of office is being added to the Park Lane complex near NorthPark Center. High Street is building 132 more apartments at Union at Carrollton Square adjacent to the DART station in the CBD. With 1Q 2013 homes starts the highest in five years, home prices up over 8% year-over-year and infrastructure expansion continuing, the market is poised for significant expansion and price appreciation.

Austin

The Formula One racing has been completed in the Wandering Creek mixed-use project, which also is planned for 1,800 homes. The \$350 million project completed its first Formula One race on November 18, 2012. The racetrack is not the only venue warranting excitement in the market, as almost 12,000 apartment units and 2 millions square feet of retail space is being added to the community. Pflugerville is constructing a \$240 million solar farm (60 megawatt), one of the largest in the county. Toshiba plans to build a 9.9-megawatt solar farm complex in the green park that will sell the power generated to the Bluebonnet Electric Cooperative at a cost of \$2 billion, take nine years to develop, and could potentially power 9,000 homes. The Central Texas Airport will be built in Bastrop, Texas. The first phase of this 1,100 acre development includes a 7,200 foot runway, 250,000 sf of hanger space, a fuel farm, fire and rescue facilities and commercial development. This \$150,000,000 first phase is located within a unique master-planned corporate campus project named Eco-Merge Green Corporate Centers (Eco-Merge GCC).

San Antonio

The City of San Antonio, while still reliant on military facilities, tourism, and convention business, has a deep and diversified economic base. In New Braunfels, the 2,400 acre master planned community is underway by Veramendi. With almost 2.6 million square feet of industrial space under development, the expansion is further solidifying the local employment base. Walmart is expanding with the Neighborhood Markets concept, with one being added to the 250,000 SF South Zazamora and Culberson retail development. Lone Star Funds will develop out Eilan, the 120 acre mixed use development.

Funding

REITS could achieve double-digit returns in 2013 as a result of low interest rates providing positive leverage and a rebounding real estate market. REITS saw a return of around 20 percent in 2012, according to data from the National Association of Real Estate Investment Trusts all equity index. Meanwhile the private real estate market returned 11 percent based on the NFI-ODCE Open End Diversified Core Equity measure. REITs also have a favorable cost of capital, so expect acquisition from REITS for some of this new product and even participation in new developments.

While a few bank acquisitions were evidenced in 2013, new market participants moving from other areas of the country are also now competing for new business. With banking being an important aspect of the economy, expect increased lending and competitive underwriting for the rest of 2013. Expect also to see continued public-private partnerships, as economic development incentives are helping new develop move to markets that would not normally be attractive.

— About Sage Group —

We are a group of appraisal professionals working together to provide a single source of information and analysis for commercial real estate professionals across the country. Our team is managed by John Fisher, CCRA, LEED AP, W. F. "Buddy" Trotter, Jr., MAI, Michael L. Miller, MAI, Andre Suissa, MAI, Greg Zachary, Senior Appraiser and H. E. "Skip" Preble MAI, CCIM. For more information about us or to sign up to receive our newsletter, contact Michael L. Miller, MAI at 713.358.8450 or mmiller@sageappraisalnetwork.com.