

Houston Retail

Just a few years ago, retail brokers around Houston would scarcely have blinked at the news that The Cheesecake Factory inked a lease or that the investment sale of a local Randall's-anchored shopping center had drawn more than a dozen offers. Throughout the run-up of the housing market, after all, those kinds of deals were closing fast and furious across the city. Who had time to scrutinize them all?

Amid the so-called Great Recession, however, Houston-area market-watchers are ever on the lookout for any and all signs of life. It has been years since The Cheesecake Factory, which is coming to Memorial City Mall, last signed a lease in Houston. It's been forever since we've seen the buyer interest like that of two recent offerings: the Randall's-anchored Shopping Center on Memorial at Dairy Ashford, which sold for approximately \$15.5 million and the sale of Deerbrook Marketplace for \$43 million.

If activity is on the rise, however, the reasons for it vary. Value-oriented tenants like Carl's Jr. are expanding aggressively in Houston for reasons rooted in the sluggish economy itself; consumers throughout the Lone Star State are trading down. During the last 24 months, Carl's Jr. has opened 30 stores across our great state.

Heartening as it might be to see leasing activity, we are still in the grips of a profound correction. Houston-based grocer H-E-B is in different phases of development on nine new projects around the city, but the kind of speculative development that used to be commonplace is still at a halt.

Fortunately, retailers' comp sales tend to be stronger in Houston than just about anywhere else. With about 150 million square feet of retail in the city, blanket generalizations must be kept in perspective. Drive through a master-planned community, and you might think Houston was making it through the recession nearly unscathed. Other submarkets in the city look very troubled indeed.

Given the surfeit of available space, we are unlikely to see meaningful development anytime soon. But just as doom-and-gloom can become contagious in the wake of an economic crash, optimism can spread amid the stirrings of a recovery. The relative strength of the Houston market means our city could well be a kind of epicenter of retail optimism—and actual economic activity—in the second half of the year.

— Jason S. Baker and Kenneth S. Katz are the principals of Baker Katz.