

RETAIL MARKET

Downtown Houston

Downtown Houston's office, entertainment, retail, residential and hotel investments completed and underway are heralding a new generation in downtown's retail market.

Most of downtown's major infrastructure projects were completed in 2005, making downtown Houston a new, vibrant and easy to navigate place. Daytime and nighttime activities have increased pedestrian traffic along the major streets 12 to 18 hours during the day. Increasing visitation levels have improved the potential for retail and eating and drinking sales to \$570 million in 2011, according to a recent retail demand study conducted by Urban Marketing Collaborative (UMC). The majority, 59%, of the total sales potential will be for eating and drinking.

Downtown Houston Retail Potential – 2011

| | DOWNTOWN EXPENDITURE | | | | Total |
|-----------------------------|-----------------------|----------------------|----------------------|----------------------|----------------------|
| | SIZE | Retail Merchandise | Convenience Goods | Eating and Drinking | |
| Downtown Residents | 4,136 households | \$4,126,752 | \$7,252,823 | \$6,733,077 | \$18,112,652 |
| Midtown Residents | 6,260 households | \$3,982,449 | \$2,000,802 | \$5,058,355 | \$11,041,606 |
| Other Inner Loop Residents | 180,679 households | \$34,549,783 | \$5,785,995 | \$87,767,638 | \$128,103,416 |
| Downtown Workers | 160,443 workers | \$64,487,186 | \$84,757,020 | \$188,821,887 | \$338,066,093 |
| Theater Patrons | 2,000,000 visits | \$750,000 | \$0 | \$9,900,000 | \$10,650,000 |
| Movie Attendees | 219,000 visits | \$180,675 | \$0 | \$681,638 | \$862,313 |
| Sporting Venue Attendees | 5,500,000 visits | \$2,475,000 | \$0 | \$15,950,000 | \$18,425,000 |
| Overnight Convention Guests | 315,900 room nights | \$611,898 | \$39,488 | \$2,988,414 | \$3,639,800 |
| Other Hotel Guests | 1,173,563 room nights | \$2,300,183 | \$146,695 | \$6,037,982 | \$8,484,860 |
| Day Use Convention Visitors | 730,000 visits | \$3,785,050 | \$182,500 | \$6,935,000 | \$10,902,550 |
| Downtown Students | 17,853 students | \$50,289 | \$156,133 | \$194,259 | \$400,681 |
| Special Visitors | 2,000,000 visits | \$4,950,000 | \$750,000 | \$600,000 | \$6,300,000 |
| Other Visitors | 11,000,000 visits | \$8,250,000 | \$4,125,000 | \$2,750,000 | \$15,125,000 |
| TOTAL | | \$130,499,265 | \$105,196,456 | \$334,418,250 | \$570,113,971 |

Source: UMC

Downtown Houston Retail

Today, downtown visitors enjoy access to almost 300 restaurants and clubs, and 2.45 million square feet of retail shops.

There are many new retailers in downtown Houston. The greatest change has occurred in the Historic District. Since 1998, 34 new restaurants and bars have opened filling over 361,000 square feet of retail space. Most of these operations are centered around Main Street between Texas Avenue and Franklin.



Macy's Department Store
Jim Olive Photography, Stockyard.com

As detailed in the UMC study, downtown Houston now stands in stark contrast to its former self. The community emerging on the banks of Buffalo Bayou is more vibrant, cosmopolitan and fresh than the downtown that existed just ten years ago.

Since 2001, an additional 284,910 square feet of retail space has been added to downtown Houston. Included were the following:

| Retail | Location | Square Footage | Year Open |
|------------------------|------------------|----------------|-----------|
| 1001 McKinney | 1001 McKinney | 12,044 | 2001 |
| 1100 Louisiana Garage | 1100 Louisiana | 36,000 | 2001 |
| Bayou Lofts and Garage | 913 Franklin | 25,000 | 2001 |
| McKinney Place Garage | 930 Main Street | 44,579 | 2001 |
| Humble Building | 1212 Main Street | 6,000 | 2003 |
| 717 Texas Office Tower | 717 Texas | 6,000 | 2003 |
| Franklin Lofts | 201 Main Street | 15,000 | 2003 |
| Landry's Aquarium | 410 Bagby | 26,000 | 2003 |
| Reliant Energy Plaza | 1000 Main Street | 50,000 | 2003 |
| Hotel Icon | 220 Main Street | 12,000 | 2004 |
| 5 Houston Center | 1400 McKinney | 17,800 | 2004 |
| Byrd's Lofts | 420 Main Street | 11,809 | 2005 |
| Stowers Building | 820 Fannin | 20,000 | 2005 |
| Kirby Lofts | Main Street | 8,500 | 2005 |
| Walker @ Main Garage | Walker @ Main | 6,222 | 2007 |
| Total | | 284,910 | |

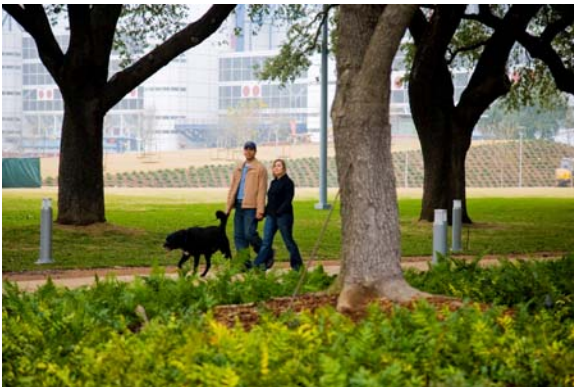
The result of this amazing revitalization is due to the concerted efforts of public and private sector agencies and businesses proactively working together to reinvent the downtown area for the greater good. This includes impressive infrastructure such as new streetscaping and streets, arts, entertainment, sporting venues, parks and plazas, civic and educational developments, and improved accessibility. The result of this investment is that downtown Houston has created an exciting environment to attract quality retail, residential and office growth.

Major new developments are about to usher in the next phase of retail downtown. These projects, located in close proximity to one another, will create the critical mass necessary to advance retail in downtown:

- Houston Pavilions – announced in early 2006, it will occupy three blocks along Dallas at Main Street. 350,000 square feet of retail and entertainment space anchored by House of Blues (44,000 square feet) as well as 200,000 square-feet of office space. Signed tenants include: Books-a-Million, Forever 21, BCBG, Lucky Strike, Yao's Restaurant & Bar, McCormick & Schmicks. Expected completion Fall 2008. Projected cost is \$170 million.



Houston Pavilions



- Discovery Green – a new downtown urban park opened April 13, 2008. It includes interactive recreational activities and two restaurants and will anchor new residential developments in the east end of Downtown. Projected cost is \$122 million.

- One Park Place – downtown's first, new high-rise luxury apartment residences in over 40 years is centered on the west side of Discovery Green. The 37-story property will have 346 units, 5 levels of parking and over 20,000 sf of retail on the pedestrian level.

The full study conducted by UMC is available from Central Houston, Inc. and the Houston Downtown Management District or online at www.houstondowntown.com/Home/Business/DoingBusiness/Retail



One Park Place