



Guess Works

Real Estate News from The Guess Group, Inc.

The Guess Group, Inc. is pleased to bring you Guess Works, an electronic newsletter for clients and friends to keep you in touch with developments affecting the Houston economy, our firm and the communities we serve. You may need to add www.guessgroup.net to your address book or safe senders list to ensure that our emails reach your inbox.

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Multi-Family Housing - Is There A Reason For Market Optimism?



David Minberg is owner of Flagship Properties Corporation, a privately held real estate investment firm located in Houston, Texas engaged in the ownership, management, and acquisition of multifamily assets, as well as being a provider of investment capital through various joint venture equity and mezzanine debt structures.

Is there a reason for market optimism? From an operational point of view, the fundamentals for multi-family continue to remain strong. As with anything in life, it all depends on one's perspective. In this case the perspective is whether one is a long or short term holder. Long term holders such as REITs and Pension Funds may have a very different perspective from that of a real estate entrepreneur owner/operator who is generally not as strongly capitalized and thus not as well positioned to ride out a cycle. Most institutional owners are not being forced to liquidate assets, while at the same time many entrepreneurial owners are under a lot of lender pressure from both operational issues and looming debt maturities.

How does the government's disproportionate support of home ownership over rentals distort the housing market? Governmental support of housing puts a lot of folks in home ownership who might be better off in rental housing. There are a number of reasons for this fact, but it includes that many times jobs and circumstances change rapidly but homeowners are essentially stuck in a home that can't be quickly sold in order to accommodate life's changes.

There is much talk in Washington about a new housing finance system. As we transition to what that will look like, do you see any explicit federally backed credit facility for multifamily to make up for private capital shortfalls? In light of the fiscal crunch this country is currently in, there is no discussion on-going of new viable program. We will have to work our way through with Fannie and Freddie before the United States is in a position to start a new fiscal multi-family program.

Finally, your thoughts on what 2011 will look like? The year 2011 may be very challenging for private developers. Many of them are under increasing lender pressure for the days of "extend and pretend" are coming to a close. As the banks get healthier through Federally subsidized loan rates, the banks will play harder with borrowers and be less fearful of taking assets back via the foreclosure route. I anticipate a significant uptick in transaction volume with pricing pressure on Sellers as a result of significant inventory in institutional hands.

Multifamily Development's Future: A Quick Look at Texas

Excerpt from article by Robert Voelker, Munsch, Hardt, Kopf & Harr, PC

Several national and local factors are simultaneously coalescing — forcing changes in the way housing in general, and apartments in particular, are developed, as the economy emerges from the current recession and development resurges. The good news is that multifamily will likely

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- Tenant Representation
- Property Management
- Right of Way Relocation

be one of the first types of new construction to emerge after the downturn, but demographic shifts, congestion and air pollution concerns, changing economic norms, and new national policies will force the development community to rethink the apartments that are built in 2010 and beyond.

A changing demographic in Texas, composed increasingly of Millennial generation singles, vibrant empty nesters, immigrants and retirees — and less of married couples with children — is looking for new housing choices. These groups place a greater emphasis on diversity, place, community and sustainability. The suburbs are mainly attractive to young families with children, but whereas 50 percent of households in the 1950s had children, today only 33 percent contain children and, more importantly, only 12 percent of new households over the next 20 years will have children. Pollution, global warming and traffic congestion have become significant problems in Texas' major cities. Residential buildings account for 20 percent of carbon emissions and transportation counts for one-third of carbon emissions.

Texas is projected to grow by 50 percent in the next 25 years and to double in population by 2050. Traffic and air quality will drastically deteriorate if we continue our prior development trends of expanding metro areas into farther flung suburbs and exurbs, and we simply cannot afford the low density infrastructure necessary to support this sprawl. Already, the average employee in the United States spends more than an entire work week per year stuck in traffic. Traffic congestion puts a huge burden on our nation's economy, draining \$78 billion in production annually through 4.2 billion lost hours and 2.9 billion gallons of wasted fuel, according to the Texas Transportation Institute.

With Texas likely to lead the nation in population and employment growth over the next 20 to 30 years, Texas' development challenge is to arrive at a more holistic understanding of and commitment to building housing closer to employment centers and along transit-lines/corridors, promoting urban "infill" growth and denser sub-urban growth in ways that minimize auto dependency, conserve land and energy and improve the environment. The Texas multifamily real estate community has always shown incredible creativity and leadership, and it will adapt to meet the needs arising from these new demographic, economic and environmental factors.

Properties for Sale

Imagine the POSSIBILITIES

The Guess Group, Inc. is currently offering two excellent development opportunities.



Galleria - Richmond near Chimney Rock
5.92 acres of unrestricted property. Unique parcel of land in rectangular configuration. A rare development opportunity in an area rich with retail, residential, office, hotel and dining. Close proximity to Houston's most

affluent residential neighborhoods and high-end retailers: The Galleria, Tanglewood, Highland Village, River Oaks, Bellaire, and West University. Excellent access to employment centers: Greenway Plaza and The Galleria Submarket. Established high-density residential base with almost 500,000 people within a 5-mile radius.



Highway 3 & Beltway 8

This 151-acre site has easy access to Beltway 8 and Interstate 45 and is strategically positioned to serve a variety of uses with access to The Port of Houston, Ellington Field, Hobby Airport, Johnson Space Center and Galveston. and the Petrochemical Corridor Rail.

FEATURED PROPERTIES



**3321 CALUMET
HOUSTON, TX**



**151.7 ACRES
HWY 3 &
BELTWAY 8 EAST**



**5.92 ACRES
GALLERIA AREA
RICHMOND NEAR
CHIMNEY ROCK**

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The Guess Group - For Your Real Estate And Business Needs

The Guess Group, Inc. provides a full spectrum of real estate services, with a specialization in **sales, management and acquisitions**. We have had extensive engagements in both the public and private sectors, including specialty branches of government that require real estate services. Our experience includes projects involving **leasing and selling of office buildings, strip shopping centers, multi-family housing, office/warehouse developments and undeveloped land**. These projects also include right of way acquisitions, tenant representation, sale and disposition of raw land, land assemblage, urban planning, and real estate consulting.

The Guess Group, Inc. is **certified** as a Small Business Enterprise with the Texas Department of Transportation (TX Dot) and the Metropolitan Transit Authority (METRO). Additionally, The Guess Group, Inc. is a **certified** Minority Business Enterprise (MBE) with The City of Houston.



GGI Consulting helps clients increase organizational effectiveness, manage and assess projects, capture value within their industry, plan for better futures and thereby enhance their long-term competitive advantage. Our primary services are **Business and Strategic Planning, Strategic Marketing and Branding and Project Feasibility**. Call us to schedule a workshop for your organization or church group.

The client list for The Guess Group, Inc. and GGI Consulting has included McDonald's Corporation, the Houston Independent School District, the Federal Deposit Insurance Corporation, KIPP Academy, the Toll Road Authority of Harris County, HEB Grocery, Houston Community College, Texas Southern University, the YMCA, Texas Women's University, the City of Houston, the State of Texas, the Department of Housing and Urban Development, the Houston Area Urban League, the Ensemble Theater, the Houston Museum of African American Culture, the Buffalo Soldiers Museum, the Housing Authority of the City of Houston, the Parks Board of Houston, the Resolution Trust Corporation, and Fort Bend County, Texas.

**The Guess Group,
Inc.
Community Giving**

Change Happens
(Formerly FUUSA)

Houston
Community College
Foundation

J D Tucker
Foundation

SEARCH Homeless
Services

Houston Tillotson
University

Wheeler Ave.
Baptist Church
Women's Guild

Texas Southern
University

City Wide Club

The Choice
Foundation

Blueprint Houston

The YMCA of
Greater Houston

Monarch Child
Development
Center

Houston
Community College

KIPP Academy

Higher Dimension
Church

Child Care Council
of Greater Houston

Museum of Fine
Arts Houston

Contemporary Arts
Museum Houston

The Ensemble
Theatre

GGI Consulting Announces Webinars



Alternative Sources of Income for Residential Real Estate Agents

A Webinar for Real Estate Professionals needing to broaden their income base

Managing Your Business in Tough Times; Building to Compete

The One Webinar Every Manager and Business Owner Values Today

Branding: Investing in You and Your Community

A Webinar for Business Owners, Decision Makers and Individuals Who Want to Stand Out

Commercial Real Estate: Foundation for Wealth

A Webinar for Investors, Business Owners and Individuals Looking for an Insight into Today's Market

Call Renae at 713-660-7003 to be informed of upcoming Webinars

The Last Word ...

"For decades, America has been over-housed. We need a secular shift from housing to production of things. To that end, rental housing plays an important part. America should be well housed, but not necessarily 100% homeowners."

Bill Gross, Co-founder and Co-chief Investment Officer, PIMCO

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