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## Brookfield Buys Houston Tower in Sign of Secondary-Market Demand

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By David M. Levitt

Dec. 10 (Bloomberg) -- Brookfield Office Properties paid \$321.5 million for Heritage Plaza, a 53-story skyscraper in Houston's downtown Skyline District, increasing its presence in Texas's biggest city.

The company bought the 1.2 million-square-foot (111,000-square-meter) tower from Goddard Investment Group LLC. Brookfield, downtown Houston's largest office owner, now has 10 properties totaling more than 10 million square feet in the city, the New York-based landlord said in a statement yesterday.

The sale demonstrates the attractiveness of the second-tier U.S. office markets as investors drive up prices in cities such as New York and Washington, said Christopher Macke, senior real estate strategist at CoStar Group Inc., a Washington-based real estate data service. Prices in New York, Washington and San Francisco were up 37 percent through August from their 2009 low, the MIT Center for Real Estate said in October.

"Houston is a logical secondary market to look at because of the high percentage of industry related to energy," Macke said in a telephone interview. "We saw the same thing happen back in '05, '06 when you couldn't find properties because there was so much competition, so people started looking at secondary markets like a Houston."

Houston, despite its rank as the fourth-largest U.S. city, is generally less attractive to investors because it has permissive zoning that makes it easier to build than in New York and the other supply-constrained markets, Macke said. As Houston's biggest office landlord, Brookfield is better positioned than many of its competitors there, he said.

### Rising Vacancies

The city's downtown office vacancy rate was 12.7 percent at the end of the third quarter, up from 11.4 percent a year earlier, according to a report by Cushman & Wakefield Inc. Rents averaged \$29.24 a square foot, down from a peak of \$30.53 at the end of 2008.

The sale "speaks to the strength of the Houston market and the ability of our people to execute in a challenging environment," said Bob Goddard, chairman and chief executive officer of Atlanta-based Goddard Investment, in an e-mailed statement.

The seller bought the property in July 2005 for \$128 million from an unidentified state pension fund, according to the Goddard statement. Goddard renovated the building and added on a 10-story parking garage.

The selling price totals \$283 a square foot, Goddard said.

The purchase was financed partly with a \$200 million fixed-rate loan maturing in January 2023, at a 4.97 percent interest rate, Brookfield said.

The tower at 1111 Bagby St., which overlooks Sam Houston Park, is about 84 percent leased, the company said. Tenants include Deloitte LLP and EOG Resources Inc.

The skyscraper, designed by Houston architect Mohammad Nasr, was completed in 1986. It features a pyramid top designed to resemble ancient structures the architect saw while visiting Mexico's Yucatan peninsula, according to Emporis.com, a database of tall buildings.

Heritage Plaza is Houston's fifth-tallest building, according to Emporis.

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