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## Office landlord in race for space

### Houston looms larger in the Texas portfolio of Younan Properties

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The largest office landlord in Dallas is out to claim the same title in Houston.

Younan Properties Inc. has an ambitious goal considering the Los Angeles-based firm owns only one local building right now. But two more office buildings are currently under contract, and the firm is preparing to buy another in the Galleria area.

The acquisitions would increase Younan's Houston portfolio to almost a million square feet.

Fort Worth-based Crescent Real Estate Equities Co. is considered the largest local owner, with 1 million square feet of office space.

New York-based Brookfield Properties Corp. has 7.5 million square feet in downtown Houston.

Zaya Younan, chairman and CEO, says Younan Properties is just beginning. He plans to have 5 million square feet of space by the end of the year.

"We might not be a familiar name in Houston today, but we are the third-largest office owner in Texas with 8 million square feet," notes Younan.

The Texas portfolio includes 7 million square feet of Dallas office properties, including the 615,000-square-foot One Dallas Centre the firm was scheduled to buy May 24.

"Now we have shifted our focus to implement a significant and very aggressive plan to buy more buildings in Houston," says Younan, a U.S. citizen who emigrated from Iran at the age of 13.

He says Houston "is in the process of a major recovery" and predicts the up-swing will continue for the next two or three years.

Dramatic job growth and under-valued real estate, he says, make Houston the place to be.

Says Younan: "Houston has a stronger economy than any other city in the entire country."

Other local office landlords are aware of Younan's California-backed acquisition activity.

Andrew Segal, owner of Boxer Property Management Corp., sees Younan's firm as one of many out-of-towners taking advantage of the state's favorable investment climate.

He says Boxer, with roughly 3 million square feet of Houston office space, won't be affected by another major owner because the market is so large.

Segal says many are awaiting Younan's next moves.

"It gets everyone's attention when he's closing a lot of deals," says Segal. He questions whether Younan



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**Zaya Younan of Younan Properties Inc.: 'Houston has a stronger economy than any other city in the entire country.'**

will do anything differently from other landlords, like Boxer, with similar repositioning strategies.

Says Segal: "I'm very curious. I think a lot of people are curious."

#### **BUILDING IMAGES, (HANGING NAMES**

Younan prefers to acquire high-rise Class A buildings.

In order to penetrate the local market more quickly, he will also buy Class B properties capable of being upgraded to Class A status with extensive remodeling.

Younan has a contract to buy the 200,000-square-foot building at 6464 Savoy Drive for \$7 million, and plans to spend up to \$5 million to renovate the Class B property.

Depending on what's needed, Younan says he invests enough money to completely renovate interiors and exteriors. Once the image makeover is complete, he gives the building a new name and reintroduces the property to the brokerage community.

Younan Properties will manage buildings bought in Houston, while Steve Rocher of CB Richard Ellis will lease the space to tenants.

Younan says continued positive absorption will increase the value of local office buildings and raise rental rates.

The California investor is attracted to Houston by

the city's job growth, Port of Houston activity and potential for profit from bargains in the office market.

A total of 98,500 new jobs were created in Houston over the last 12 months, Younan says, giving it higher job growth gains than any other U.S. city.

He predicts that within the next five years Houston's port will grow from No. 3 to the No. 1 largest port in the world, surpassing the Long Beach Port in California.

Growth at the port, which is not fueled by the energy industry, shows that Houston's upturn is across-the-board, he says.

"That trading created 40 percent of all the jobs created in Houston last year," Younan says.

In addition to acquisitions, Younan Properties plans to be ready when the time is right for construction of new office buildings. The firm is negotiating on several sites, and wouldn't mind acquiring all.

Says Younan: "We will buy every single one of them. Real estate is under valued in Houston."

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