

Q&A

Land broker talks oil market, flood regulations and latest trends

By Katherine Feser

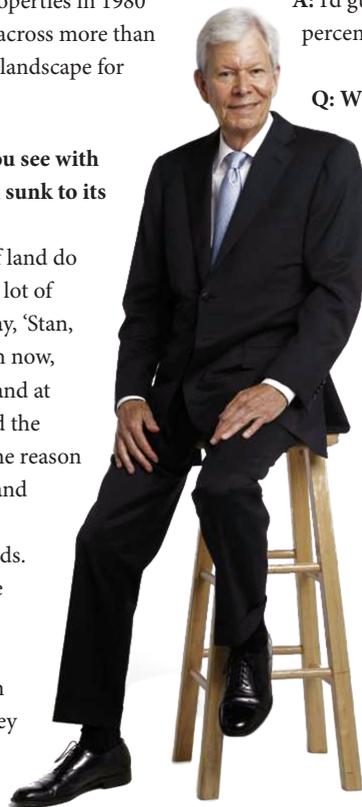
Stan Creech started his career in the land business on the fairways of Champions Golf Club after finishing law school at the University of Texas in 1971. He founded land brokerage firm Stan Creech Properties in 1980 and is closing in on \$3 billion in total sales of properties across more than 25,000 acres. Creech spoke with the Chronicle about the landscape for land. Edited excerpts follow.

Q: What is a healthy oil price for Houston real estate?

A: Land prices are going up as the market has recovered here in the last year. A lot of that is tied to the oil and gas industry. To me, that's the barometer of Houston. It's looking very good with oil having rebounded to the \$65 a barrel range. When it's \$100, people get giddy. They don't watch their costs enough. When it went down to \$25 to \$30 a barrel, the big energy companies were really watching their costs. If it stabilizes around \$65 or \$70 a barrel, which is where it is now, that's very healthy for the Houston market. Companies can make a lot of money at that price range and also keep their income up and expenses down.

Q: What did you see with prices when oil sunk to its recent lows?

A: The prices of land do not go down. A lot of buyers would say, 'Stan, things are tough now, can I buy that land at a discount?' and the answer is no. The reason is simple: The land ownership is in very strong hands. Landowners are almost always a very financially strong group. In other words, they do not need to sell.



Melissa Phillips/
Houston Chronicle

Land broker Stan Creech, president of Stan Creech Properties says the oil market is stabilizing around a healthy prices for real estate

Q: How much have prices gone up in the last few years?

A: I'd guess 10 percent to 15 percent a year.

Q: What's the biggest land deal you've ever done?

A: I've done three deals that were all over \$50 million each. All three are on Westheimer. Westheimer is the premier road in

Houston, Texas. No doubt about it. I think it's the most important road going from downtown, the Galleria, Westchase. One of those was Royal Oaks, which was the former Andrau Airpark. The second was 100 acres at the corner of Westheimer and West Belt, which is the West 8 development. The third was 3,000 acres which is now Cross Creek Ranch in Fulshear. I think I-10 is the premier freeway. A friend of mine that plays golf says, 'Stan, keep the ball in the fairway.' The fairway is between I-10 and Westheimer, downtown, River Oaks, Katy, Cinco Ranch. It just keeps going out.

Q: What challenges do buyers face in finding sites?

A: Finding good land is difficult. You come into Houston and the first impression is, there's a lot of land, thousands of acres, in all directions. Once you look at items which are development issues -drainage, utilities, flooding and retention - that eliminates a lot of property. Either it eliminates it or those issues will have to be solved, which takes a lot of time and a lot of money.

Q: How has Hurricane Harvey impacted the market?

A: One of the first questions developers are asking since Harvey is, did this property flood? That's putting a premium on properties that did not flood and are not in the flood plain. These flood plains are going to be studied for years. This will continue for many, many years in the right direction after

having major floods three years in a row. The new city regulation is 2 feet above the 500-year flood plain in the city limits. The surrounding Harris County, outside the city limits, and surrounding counties adopted the 500-year flood plain as opposed to the 100-year. Houston being so flat, when you go from the 100-year to the 500-year flood plain, it takes in a lot of properties that are now subject to the new regulations. There definitely needs to be more regulation. I think this bond issue (in August) will go a long way to solving some of these problems.

Q: Where are the biggest areas for growth?

A: Kind of in all directions, but the primary growth directions of Houston are west toward Katy and north toward The Woodlands and Conroe. Downtown Houston is the heartbeat of the Houston real estate market. You've got to have a vibrant downtown. But 80 percent of the growth in Houston takes place outside of the city limits into Harris County and the surrounding counties, which is commonly referred to as the suburbs.

Q: Are some sectors of commercial real estate doing better than others?

A: All the markets are doing well here now except for Class A office, but that's starting to recover.

Q: What trends are you seeing for urban parcels?

A: It's well over \$100 per foot for

any prime property. What's driving that is Houston now going toward a high-rise environment. A high-rise building can go on less than an acre of land so the land price per square foot can be very high, but the total price is still not that much. You can pay a lot for 1 acre instead of buying 4 acres. The developer is just going to look at the total price. Some of the prime tracts in the Galleria are over \$350 a foot, which a couple of years ago, we would not have believed.

Q: How has the scale of master-planned communities changed?A:

The ideal size is 1,200 acres as opposed to in the past when you had The Woodlands and First Colony. The carrying costs on a large piece of land like that is prohibitive. Bridgeland, at about 11,000 acres, will probably be one of the last large developments in Houston. Developers are looking at a 10-year time frame max to get in and out of these projects as opposed to 30 or 40 years. The negative to land is it's an illiquid asset. If your stock is going down, you can call your stockbroker and tell him you want to sell it today. When the land market goes down, you're not going to sell it. You just have to hold it. Going into a three- to five-year recession, you can't sell. It can get real expensive if you're holding thousands of acres.