

New developer to add ripple to crowded Creek

Houston Business Journal - October 13, 2006

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Houston Business Journal

The landowner planning to replace the well-located **Westcreek Apartments** with a 1.5 million-square-foot, mixed-use development is turning over half of the project to another developer.

Austin-based **Cypress Real Estate Advisors** intended to create midrise and high-rise residences, retail space and a boutique hotel on the 29-acre Westcreek site, just inside the 610 Loop between Westheimer and San Felipe. (See "Mixed-use project flows to Westcreek," April 28, 2006.)

However, Cypress executives have decided the complicated mixed-use project required a particular skill set they do not possess, says Cypress Principal John Kiltz, who notes that the firm primarily builds residential units if and when it develops properties.

As a result, the 15 acres closest to Westheimer is under contract to an undisclosed buyer that plans to begin working on a mixed-use project with a strong retail component as soon as the deal closes later this year.

Naveen Jaggi of CB Richard Ellis Inc., who is marketing the property with colleague Brendan Lynch, says it's too early to talk about what the unnamed developer plans to build, but more details will be known in early November.

The buyer, described as a mixed-use developer, has a contract to acquire 15 acres containing 655 apartments on the southern part of the 1,229-unit complex which dates back to the 1960s. The apartments will fall to a wrecking ball to make way for the new development.

Cypress, which owns Westcreek with Houston-based M. Kaplan Cos. LLC as a limited partner, intends to hold the remaining 15 acres with 574 apartments and continue operations as usual. The property's value is expected to increase when the neighboring development is completed, so Cypress will decide what to do with the asset closer to that time. The company plans to raise rents in the meantime.

Cypress typically assembles and prepares land for sale to other developers, but sometimes will save prime spots for itself to develop, which was the original plan with Westcreek.

"I consider Westcreek a very special asset," Kiltz says. "If we were going to pick one to go vertical on, it would have been a candidate."

Among the group of bidders that vied for the 15 acre-tract was Fort Worth-based Trademark Property Co., the developer behind the successful Market Street retail center in The Woodlands.

Trademark, which was not the highest bidder on Westcreek, was already planning to do a mixed-use development next door on the old Central Ford site at 4410 Westheimer. In fact, sources say, Trademark and Cypress discussed a joint development of their sites, but that deal did not materialize.

Trademark Principal Tommy Miller says the firm's preliminary plan includes retail space underneath residential units, which would be developed by a partner. A boutique hotel and office space are still not out of the question, he adds.

Despite missing out on the 15-acre Westcreek tract, Miller hopes a quality project will be built there that would benefit the entire neighborhood.

"It only helps us if something good happens there," he says.

Trademark will demolish the existing structure at the Central Ford site within two months, and Miller anticipates the project will be completed in late 2008.

Urban mixed-use developments such as this take longer than a traditional project, he says, because they're more complicated.

"Nothing happens quickly," he says.

Bruce Frankel of Planned Community Developers, who specializes in leasing retail space in the Sugar Land Town Square, says fierce competition for higher-end retailers in the area could also add to the development time. The Westcreek and Trademark projects will need extra time to attract retailers that aren't already located in nearby Highland Village and the Galleria mall. In addition, the projects will be competing with a new mixed-use project at San Felipe and Post Oak that is being developed by Houston retail guru Ed Wulfe.

"We're going to have a higher supply of retail space in Houston's urban core than demand," Frankel says. "It's going to take these projects a little longer to get out of the ground."

Westcreek Apartments

Size: A 29-acre tract encompassing 1,229 Class B apartment units.

Location: Between San Felipe and Westheimer, just inside the 610 Loop.

Owner: Austin-based Cypress Real Estate Advisors, with Houston-based M. Kaplan Cos. LLC as a limited partner.

Pending transaction: Unnamed buyer is under contract to acquire 655 apartments that would be replaced with a mixed-use development.

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