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Building a legacy

MetroNational's president has transformed his family's property into an urban oasis.

CARA SMITH, 8A



COVER STORY

MEET THE FASTEST-GROWING COMPANY IN HOUSTON

The energy company zeroed in on a lucrative customer base. SECTION 2

CHRIS CURRY/HBJ

BACK PAGE



Nonprofit's show must go on

Hurricane Harvey put the Nov. 9-13 Houston Cinema Arts Festival in a bit of a sticky situation.

RACHEL BROWNLOW-LUND, 31A

INNOVATION

The Cannon mixed-use ready to launch

A \$70-million mixed use project that includes a co-working space will break ground early next year.

JACK WITTHAUS, 7A

GO 'STROS



World Series Champs have homework

The Houston Astros are planning on riding the World Series momentum to boost attendance and ticket sales.

THE LOOP, 3A

PHILANTHROPY

Fertitta finds almost \$1M for boys in blue

James Harden, Renu Khator, Mayor Sylvester Turner and more attended the 10th-annual True Blue Gala.

AROUND & ABOUT, 15A

DIVERSITY IN BUSINESS

WE'RE HONORING THE TOP COMPANIES AND INDIVIDUALS PROMOTING DIVERSITY. SECTION C

COUGAR 100

FIND OUT WHICH UH ALUM RANKS HIGHEST ON THE ANNUAL COUGAR 100 LIST SECTION B



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FAMILY LEGACY

MetroNational prez talks family business, office slump and shift to multifamily

Q&A

In the two years since he has served as president of Houston-based MetroNational, Jason Johnson has been busy transforming Memorial City, his family's 265-acre legacy property, into a walkable urban mixed-use development.

There are around 530 multifamily units in Memorial City and over the next two years, that figure will nearly double, Johnson said. MetroNational is developing a 133-unit luxury apartment concept, dubbed The McCarthy, above the Hotel ZaZa Memorial City that should be completed in February 2018. The apartments should open in the fourth quarter of 2019. The hotel will officially open Dec. 1.

MetroNational is also developing a 327-unit luxury midrise adjacent to Memorial City Mall. In the past 12 months, the company has added two green spaces to Memorial City Mall's grounds and has several tracts of land poised for more development, Johnson said.

"I'd say we're still under-allocated on the multifamily side, and we could potentially do more," Johnson said.

Bringing residents to Memorial City is critical for the massive mixed-use development's long-term success, Johnson said, and much of the company's future developments will include a residential component.

"That's where our new growth is, at least for the short term," Johnson said, who's following in the footsteps of his grandfather, who founded MetroNational in the 1950s, and his father, who serves as chairman and CEO of the company.

What keeps you up at night? Making sure I'm living up to the expectation of the family business. It's third-generation, and I've got to keep this viable for the fourth, fifth and sixth generations, so I'm always making sure that I'm hiring the right people to execute on the vision that came two generations before me. I'm still carrying out those things.

At the end of the day, making sure that we're delivering high class, best-in-class product – that is what keeps me up at night.

What does MetroNational's development pipeline look like in the near term? Over the last 10 years, we've been moving toward an urban

► CLOSER LOOK

JASON JOHNSON

President of MetroNational

Education: Brigham Young University

Family: Wife, Stacy; one-year-old twin daughters

Hobbies: Golf, snowboarding, hunting, scuba diving

Community and philanthropic involvement: Board member of the Houston Police Foundation, Spring Branch Management District and Children's Memorial Hermann Hospital. Member of the steering committee of Heroes in Health through Memorial Hermann.



CARA SMITH/HBJ

environment ... (west Houston) has become the center of Houston, so there's a lot of mixed-use opportunities – more hotels, more multifamily, more restaurants. We have about five acres of land on Bunker Hill and Interstate 10 that's a new development opportunity. We just delivered the Cemex building, a tilt-wall office building on four acres, and we have another 12 acres left for new development. We think either hospitality, multifamily or retail would be well-suited for that land.

It's a tough time to own a shopping mall, but Memorial City Mall is still posting strong sales numbers. How have you kept the property competitive? It's hard to say that online hasn't affected retail in-general. We had some national retailers go under because they didn't keep up with the new trends in retail. But, as long as we're one of the better assets in the marketplace, we're going to be a viable product for quite some time. Memorial City Mall is second to The Galleria in terms of sales per square foot, so making sure we're investing back in the product is important to us.

I think if we're one of those great retail assets, Memorial City Mall is still going to be there in 50 years.

What's your multifamily strategy? We have close to 530 multifamily units in Memorial City, and we're almost doubling that over the next two years. Apartments are going to be very important. We want to make Memorial City a 24-hour atmosphere. We've always had the office, the retail and the shopping mall, but we really haven't had the presence of people living here

and staying here. We think adding those apartments will be great for the surrounding area.

Tell me about the decision to add multifamily units above the Hotel ZaZa. The Hotel ZaZa is such a unique product – as far as we're concerned, its boutique atmosphere is something that can't be matched by anyone in Houston. With the ZaZa, the spa and the wonderful bar that'll open, we thought it was the perfect built-in amenity to capitalize on. Some of the apartments, like the penthouse suites, will share some of the ZaZa's amenities. They'll have the opportunity to use free valet services, turndown services, pool and bar access, and more. Not capitalizing on that for multifamily would've been a mistake.

How has the energy slump affected Memorial City? Obviously, over the last four years, the office market has slowed quite a bit. Between 2009 and today, we've built close to five or six office buildings, so the good news is that we've survived.

Over the last two years or so, we've seen smaller tenants taking 10,000 square feet or less. But back in 2013 and 2014, it seemed like every single week or month, you had four or five big office tenants looking to upgrade and build their new facilities. That's not happening anymore, which is why we've shifted over toward the apartment model the last couple years. We are always in the market for developing new projects.

This interview has been edited for clarity and length.

► BREAKING GROUND

Best Buy picks site for its 550,000 SF distribution facility



DANIEL ACKER | BLOOMBERG

Best Buy's online sales have increased 25 percent since 2015, a company spokesperson said, having jumped from \$4 billion in online revenues in 2015 to an expected \$5 billion in online revenues in 2017.

Minnesota-based electronics retailer Best Buy (NYSE: BBY) will occupy a 550,000-square-foot facility at 636 Highway 90A at the corner of Cravens Road and Highway 90. The facility will create at least 40 full-time jobs and should be operational in the second half of 2018, Jeff Shelman, senior director of external communications, told the Houston Business Journal. A groundbreaking date hasn't been selected.

Seefried Industrial Properties and 4M Investments LLC will develop the property for Best Buy. Best Buy was wooed in-part by a competitive incentives package from Missouri City and Fort Bend County that offered a 10-year tax abatement, Shelman said.

The new facility will serve as a delivery distribution center for larger products, such as televisions and kitchen appliances, that can't go through a standard conveyor system, Shelman said. It'll serve 60 retail stores throughout Texas and Louisiana. Best Buy's appliance sales have grown over 25 consecutive quarters, Shelman said.

The distribution facility will also beef up Best Buy's online delivery services. Best Buy's online sales have increased 25 percent since 2015, Shelman said, having jumped from \$4 billion in online revenues in 2015 to an expected \$5 billion in online revenues in 2017. And while Best Buy's traditional revenue has grown every year since 2014, the company's online growth has far outpaced its brick-and-mortar sales growth.

"The online part of our business has grown dramatically," Shelman said. Best Buy has one other distribution center in Texas in Flower Mound, a suburb of the Dallas-Fort Worth area, that services the region, Shelman said. The company also has a distribution facility in Louisiana.