

February 19, 2018

Marathon tower sold to M-M Properties, awaits \$25M makeover

M-M Properties to focus on fixing public spaces, garage and a new restaurant



With the assumption that oil prices are stabilizing and the Houston leasing market has bottomed out, a local real estate investment firm is planning to spend more than \$25 million upgrading an early-1980s office tower in the Galleria area, one whose largest tenant is an oil company nearing the end of its lease.

M-M Properties, which recently acquired the 41-story Marathon Oil Tower at 5555 San Felipe at St. James Place, will concentrate its improvements on the public spaces, the garage and a new restaurant.

"We always believed it is one of the iconic buildings in the Galleria. We love the location, the ability to get in or out. It was just one of those properties that needed some loving care," Kenneth Moczulski, M-M founder and CEO, said.

The building sale is a positive sign for Houston's office market, which has weakened in recent years as oil prices plummeted.

Houston was named the top "sell" market in a February report from online marketplace Ten-X Commercial, which cited the city's rising vacancies.

"Houston is extremely vulnerable because its fundamentals have been weak in recent years and they are projected to continue sliding in the short term," the Irvine, Calif.-based company said.

Houston's office vacancy rate was 21.3 percent midway through the first quarter, a new report from the Houston office of NAI Partners found.

Yet that company gave the city a more positive outlook, noting growing employment. Houston added more than 12,000 jobs from August to December, an annual growth rate of 1.3 percent, the commercial real estate firm cited.

"Over the next three or four years, we think we'll have a solid recovery," Moczulski said.

The 1.2 million-square-foot Marathon Oil Tower was built in 1983 as the headquarters for its namesake. The Houston energy explorer has about four years left on its lease.

Moczulski said it's too early to say whether the company will renew its lease or move to another building. Marathon leases about 65 percent of the building. Marathon could not be reached for comment Monday afternoon.

The planned improvements will be made over the next two years.

They include a redesigned lobby with a brighter, updated look; new food and beverage options; a modern conference center; and garage improvements that will increase capacity and offer valet parking and executive spaces. M-M is in the process of interviewing architects for the project.

The red granite tower is about a mile west of Post Oak Boulevard, which has seen the lion's share of commercial development in recent years. New office buildings, apartment towers, restaurants and shops have made Uptown a more formidable commercial district.

M-M's plans for Marathon Tower are designed to make the area around it a bit more walkable by adding a freestanding, fine-dining restaurant on one side of the building along Yorktown. A pedestrian walkway would connect it to the tower.

The office building is 87 percent leased.

M-M did not disclose what it paid for the building, but the contract price was said to be in the \$175 million range, a sharp discount from the \$249.5 million paid by the previous owner, Los-Angeles-based CBRE Global Investors, industry publication Real Estate Alert reported late last year.

An M-M affiliate bought the building with Boston-based hedge fund Baupost Group. The deal closed at the end of January.

HFF marketed the property.

Original Article: <https://www.chron.com/business/real-estate/article/Marathon-tower-sold-to-M-M-Properties-awaits-12625369.php>

Source: Houston Chronicle (www.chron.com) by Nancy Sarnoff