

Statesman

AUSTIN ECONOMY

July 29, 2016

Austin's office market continuing to thrive

Projects on Barton Springs Road and at the Domain moving ahead.

By Shonda Novak snovak@statesman.com

Developers are moving forward with new buildings amid a continued thriving Austin-area office market.

Dirt will soon begin moving on Barton Springs Road just south of downtown, where a nine-story building will rise that will have 90,500 square feet of office space, plus a restaurant. The project, called 801 Barton Springs, is being developed by Generational Commercial Properties Co., an Austin-based firm, and Houston-based partner HTZ Investments, and will cost an estimated \$40 million to \$45 million to build, developers say.

In North Austin, a fourth-quarter start is set for an 11-story office building at the mixed-use Domain development. The building will bring 310,000 square feet to the market when it opens in early 2018. It is being developed by HPI Real Estate Services & Investments and partner Stonelake Capital, and will be the first office building at the Domain with a developer other than Endeavor Real Estate Group, the original developer of the Domain.



This is an artist's concept of an 11-story office building that is set to break ground later this year at the Domain in North Austin. Called Domain Tower, the project will bring 310,000 square feet of office space to the market. CONTRIBUTED BY BOKA POWELL

The buildings come as Cushman & Wakefield Austin and other firms released their latest quarterly report on the region's office market.

Cushman & Wakefield said top tier office space in the region was 90.4 percent full on average, and the average rent rate for that space was \$36.36 per square foot per year.

Though both figures have dipped from a year ago June, when Class A occupancy averaged 90.8 percent and Class A rents averaged \$36.41 per square foot, the market remains strong, office brokers say.

In downtown Austin, the rents are even higher, with an average rate of \$50.21 per square foot+

Austin-area office market

Quarterly Class A occupancy rate



Class A rent Per square foot



Source: Cushman & Wakefield/Oxford Commercial

LINDA SCOTT / STAFF

“The Austin office market this summer continues to sizzle... and demand for high-end space remains stronger than ever,” said Ryan Kasten, managing director with Cushman & Wakefield Austin.

“Downtown Class A office space made history by surpassing the \$50 mark for the first time. ... This upward trend in rates looks to continue as demand for premium Austin office space outpaces supply.”

In the market overall, for both new and existing space, occupancy rose to 91.1 percent by June, up from 90.3 percent the prior June, and the average rent rate rose to \$33.54 a square foot compared with \$32.83 a year ago June, Cushman & Wakefield said.

Jason Steinberg, brokerage principal with ECR, a commercial real estate firm, said leasing activity “remains very strong in most areas of Austin, especially new construction leasing.”

In addition, “we are still seeing record sale prices for office buildings, and with that, we are seeing more foreign capital come into Austin, most recently with Saudi-based Sidra Real Estate’s purchase of Austin Centre downtown,” Steinberg said.

Sam Houston, office division partner with HPI, said he couldn’t talk just yet about tenant prospects for Domain Tower. However, he noted that with recently signed and pending lease deals at the Domain, 450,000 square is being leased there — “far ahead of any other part of Austin.”

Savills Studley, a commercial real estate services firm that recently opened an Austin office downtown and specializes in tenant representation, recently secured more than 104,000 square feet of space in the Domain for the headquarters relocation for Accruent, a real estate and facilities management software firm.

However, in its second-quarter report, Savills notes that “slower hiring and tenuous tech investors have reduced demand from the tech industry” for office space, and that “renewals and consolidations by mature tech firms in popular suburban submarkets” accounted for much of the leasing in the quarter.

Bart Matheney, a principal with Aquila Commercial, which is handling leasing for 801 Barton Springs, said there has been “an extremely high level of interest” by prospective tenants and “we feel very confident that this property is going to do well.”

Contact Shonda Novak at 512-445-3856.