

AUSTIN BUSINESS JOURNAL

Why this Domain developer is scooping up dozens of industrial buildings

Stonelake Capital making use of \$326M fifth fund



Stonelake Capital Partners purchased six industrial buildings at 9701 Dessau Road in Northeast Austin in December, with five shown in the background. The firm already owned the three other buildings pictured at 9601 Dessau Road in the foreground.

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Stonelake Capital Partners LLC is on an industrial buying spree in Austin as it prepares for the Texas capital's next growth spurt.

The real estate private equity firm purchased 25 industrial buildings in North Austin in the last 18 months totaling 850,000 square feet, said Kenneth Aboussie, managing partner at Stonelake. That included buying 18 buildings in just December.

The latest transaction makes Stonelake one of the 10 largest industrial real estate owners in Austin, according to the firm.

And Stonelake plans to add to its portfolio in 2020.

"Stonelake is actively pursuing the acquisition of additional infill industrial buildings in Austin in 2020 on both a marketed and off-market basis," Travis Eickenhorst, partner at Stonelake Capital Partners, said in a statement.

Eickenhorst and Cole Wilson lead Stonelake's industrial strategy in Austin.

Stonelake acquired its latest industrial properties in an off-market deal from the McWane family of Birmingham, Alabama for an undisclosed price, according to firm. Stonelake said the purchase was made using its \$326 million fifth private equity fund, Stonelake Opportunity Partners V LP.

Most of the properties are nestled between I-35 and Highway 290 in Northeast Austin. They are at:

- 9701 Dessau Road (six buildings)
- 9100 Cameron Road
- 8900 Cameron Road
- 8700 Cameron Road
- 2136 Rutland Drive (two buildings)
- 8601 Cross Park Drive (two buildings)
- 8107 Springdale Road
- 2324 Ridgepoint Drive
- 1611 Headway Circle (three buildings)

"We are bullish on long-term population and job growth in North Austin, and with continued population and job growth, you are going to have a demand for goods and services," Aboussie said. "Those goods and services will create demand for warehouse space."

In the past five years, Stonelake has acquired 130

industrial buildings totaling 10.2 million square feet through 60 separate transactions in Austin, Dallas, Houston, Atlanta, San Antonio and El Paso. Stonelake owns 100% of those properties.

Unlike cities like Dallas and Houston that are regional distribution hubs, Aboussie said Austin's industrial space is largely for last-mile delivery warehouses that need to be closer to rooftops.

"We believe industrial is an attractive asset class and particularly our interest is in infill industrial where you have barriers to entry," he said.

Austin's industrial market softened slightly in December with the vacancy rate ticking up to 7.7%, compared with 6.5% for the same month in 2018, according to a recent report from NAI Partners. The uptick is due, in part, to 2.8 million square feet of industrial space delivering in 2019. About 60% of that new space remains vacant, according to NAI Partners.

In the Austin area, Stonelake is known for office development. It is behind the Domain Tower, fully leased by Indeed, and recently started construction on another high-rise. The company owns 33 acres at the south end of The Domain, which is about 300 acres in all.