

2 Downtown Towers poised for makeovers

Pomeroy Investment Corp. will add condos to one, keep other as office tower.

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A Michigan-based firm plans to pump more than \$20 million into floor-to-ceiling makeovers of two downtown office buildings, including transforming one into a mixed-use tower with about 80 condominiums.

Pomeroy Investment Corp. paid \$24.4 million this week for 14-story One Commodore at 800 Brazos St. and the 20-story Capitol Tower, formerly Two Commodore, at 206 E. Ninth St.

One Commodore will be renamed Brazos Place and will be converted into a tower with condos, offices, shops and possibly a restaurant and bar, said Jerry Reinhart, Pomeroy's president and chief executive.

The project will be the first condominium conversion of a downtown building since the Brazos Lofts, Avenue Lofts and the Railyard condominiums were converted in the late 1990s.

One Commodore was once the Commodore Perry Hotel. It was converted to an office building in 1985 and is now 35 percent occupied.

Capitol Tower has been empty since state and city workers moved out in 2005.

Pomeroy, which bought the buildings from the Shidler Group of San Diego, Calif., plans to start the makeover this summer. The work, which will include a skyline-altering crown for Capitol Tower, is expected to be finished in mid-2007, Reinhart said.

"Austin looks like a very strong market for us for the foreseeable future," Reinhart said. "And we would expect these assets to be our entry into a market that we intend to participate in for the next several years."

Pomeroy's investment underscores Austin's appeal to real estate investors as the market continues its upward trajectory from the tech bust in 2001, which squelched demand for office space and drove down rents and occupancy levels.

For the past year, investment money has been pouring into downtown.

The 23-story 300 West Sixth office tower sold in October for \$131.7 million — a record \$295 a square foot.

And in May, Cousins Properties Inc. put Austin's newest office building, Frost Bank Tower, up for sale with company executives citing "a very strong market" for first-class office buildings.

Reinhart said they have been contacted by companies expressing interest in leasing space in Capitol Tower, including technology firms and financial institutions.

"Although we recognize that the Austin market has strong demand presently, we have even been surprised at how quickly we have had activity on this building," Reinhart said.

With a tightening office market, Pomeroy now will have one of the largest contiguous blocks of available space in downtown in its Capitol Tower. The building's 736 parking spaces — a ratio of more than four spaces per 1,000 square feet — represents the highest parking ratio among downtown buildings, Reinhart said.

With unobstructed views of the Capitol and the University of Texas, Capitol Tower will be the first of the two office buildings to be remodeled, with renovations to its facade, lobby, garage and mechanical systems. The tower also will be topped with a new, curved crown.

"It will make Capitol Tower a piece of the city skyline," said Kim Burgess, project manager for Pomeroy. The building will keep its name and remain an office building, with existing tenants including Comerica Bank and GTE Mobilnet.

Brazos Place, meanwhile, will be renovated inside and out. Private balconies will be added, and the facade and lobby will get a face-lift.

Condominiums will be added on eight floors; they will be priced between \$200,000 and \$400,000, Reinhart said. The building also will have up to four floors of office and retail space.

Reinhart said the company's plans don't call for adding on to either building, though he didn't rule it out.

"It's part of our strategy to bring an asset to its highest and best use, and if there's an opportunity to add square footage, we would consider that," he said.

A changing downtown

Development in downtown Austin is heating up as the Central Texas economy continues its upward trajectory.

Sold

Chase Tower, 221 W. Sixth St., between \$66 million and \$68 million. Buyers were Austin-based Endeavor Real Estate Group and California-based Triple Net Properties LLC.

300 West Sixth, a 23-story office tower at West Sixth and Lavaca streets, for \$131.7 million. The buyer was Chicago-based Equity Office Properties Trust.