

Firm plans four Austin apartment complexes worth \$200 million

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In its first push into luxury apartment development, Austin-based Cypress Real Estate Advisors plans to build four complexes in Austin that will total \$200 million worth of new development and add 1,112 units to a multifamily market where rents and occupancies have risen to record levels.

Cypress' projects call for a 318-unit complex at South Lamar Boulevard and Manchaca Road; 302 apartment units at University Park, a planned mixed-use development on the former Concordia University campus north of downtown; 262 units in Corazon, a project planned in the block bounded by East Sixth, East Fifth, San Marcos and Medina streets; and a 230-unit complex set for the South Lakeshore Boulevard area off East Riverside Drive and Tinnin Ford Road, where older apartments have been razed to make way for the new upscale units.

The Lakeshore project is scheduled to be the first to break ground, with road and utility work set to start in August, followed by construction on a three-story apartment building in September. It will be the first phase of a larger project planned for 50 acres that could also include townhomes and office space.

The other projects are scheduled to start next year, including a targeted March launch for Corazon, slated for an area where an eclectic mix of restaurants and other businesses is emerging. Corazon would be on land now occupied by food vendors, some of which Cypress hopes to incorporate into its development, which could open in June 2013.

Cypress invests in or develops mainly residential and mixed-use properties and has about \$1.2 billion in assets under management.

Fueled by factors including job and population growth - 50,000 people moved into Central Texas in 2010, according to the U.S. Census Bureau - the Austin area has robust demand for apartments, yet relatively few projects in the pipeline. In addition, stricter mortgage lending requirements have meant fewer borrowers are qualifying for home purchases, which is pushing up apartment occupancy rates and rents, experts say.

John Burnham and Dudley Simmons are heading up Cypress' apartment development efforts. They said they hope to seize on the area's apartment market and save 10 percent to 15 percent on construction costs before they start to escalate.

With the supply of apartment units tightening, "it's a little bit of a race to put new product on the ground," said Burnham, who with Simmons is a managing director of Cypress' multifamily development arm.

"It's not dipping your toes in," said Burnham, who formerly worked with Simmons at Simmons Vedder Partners.

Charles Heimsath, a real estate consultant based in Austin, said the apartment market "is certainly the strongest commercial market segment in Austin right now."

"Demand has continued unabated with very little new supply coming to market, which is driving both occupancy and increases in rent," Heimsath said.

The occupancy rate in the Austin metro area is "extraordinarily high" at 96 percent, Heimsath said. And the average rent for a two-bedroom unit reached an all-time high in June at \$1,043 a month, a 5.5 percent increase from December, which "shows terrific strength in the local apartment market," he said.

Over the past 20 years, the Austin metro area, including southern Williamson and northern Hays counties, has had a net increase in leased apartments of about 4,000 units a year, Heimsath said.

He said 2,404 units are under construction now that will open this year or next. An additional 4,500 units are in the pipeline to start this year or in 2012.

Through 2020, Heimsath projects that there will be demand for about 5,000 new apartment units each year.

Heimsath, whom Cypress hired to conduct a market research for the Corazon project, said he is confident the firm will get at least one or two of its projects started this year.

He also expects "a few more (apartment) construction starts this year," as developers scramble to get their city approvals and complete the design work necessary to start their projects.

Other area apartment complexes now under construction include:

- Post South Lamar, a 298-unit complex that Post Properties Inc. of Atlanta is building at 1500 S. Lamar Blvd.
- The second phase of Camden Amber Oaks near Parmer Lane and RM 620 - 244 units that will be ready for tenants in March 2012 .
- Colonial Grand at Cityway, a \$31.7 million project with 296 units under way on South First Street at FM 1626 and due to open in early 2012. Rents are expected to range from about \$850 to about \$1,300.
- About 300 units being built by a Dallas firm on the site of a failed condominium project at Interstate 35 and East Riverside Drive.
- M Station, 150 below-market units due to open soon at East Martin Luther King Jr. Boulevard and the MetroRail line.
- The Retreat at North Bluff (formerly Village of Little Texas).
- MLK Station off East Martin Luther King, with 150 below-market units due to open next month

The Retreat at North Bluff has opened, and the 240 market rate and subsidized units in the project in south Central Austin are 93 percent occupied, Heimsath said.

Purgatory Creek, a 293-unit that project developer Larry Peel is building in San Marcos, is expected to open soon, and a 396-unit project in Kyle called the Settlement also will open this year, Heimsath said.

Local Cypress projects:

University Park Apartments: 302 units, average rent of \$1,529 a month. Targeted start date is summer 2012, with a projected summer 2013 opening.

Lakeshore Apartments: 230 units, average rent of \$1,150 a month. Infrastructure work is set to begin in August, followed by a September groundbreaking on the three-story apartment building.

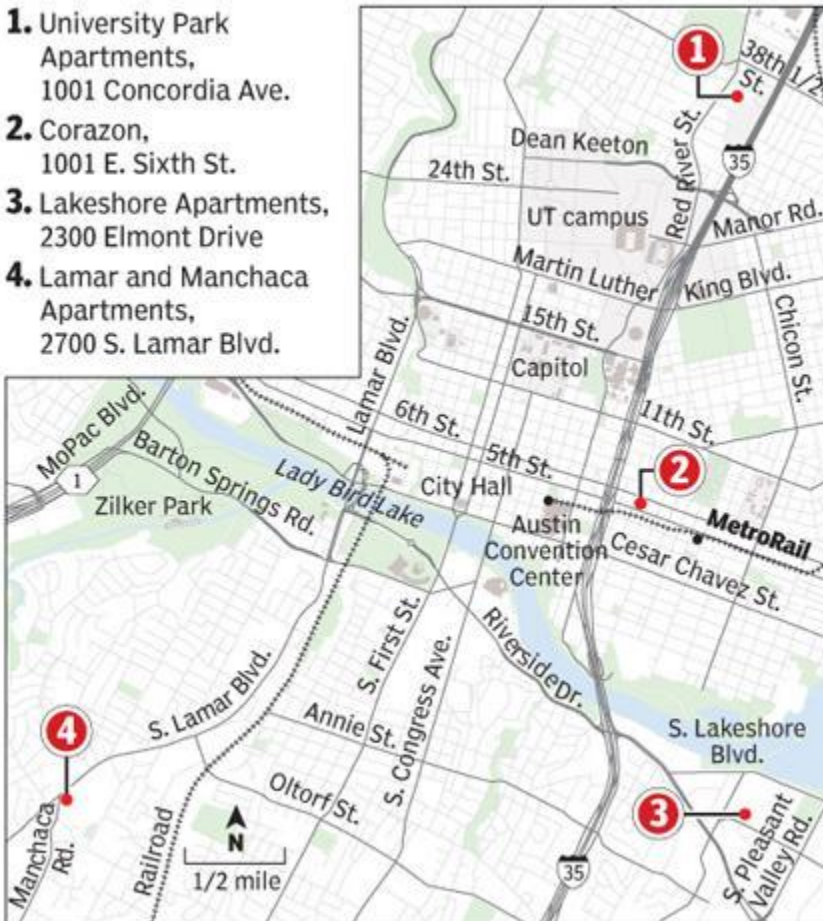
Corazon: 262 units with average rents of \$1,500 a month. The project would include 13,300 square feet of retail-restaurant space.

Lamar and Manchaca Apartments: 318 units, average rent of \$1,350 a month, along with 11,700 square feet of retail. Cypress hopes to break ground in March.

Each apartment project will have a business center, conference room, theatre room, gaming room, club room, fitness center, pool and landscaped courtyards.

Apartment projects planned by Cypress

1. University Park Apartments, 1001 Concordia Ave.
2. Corazon, 1001 E. Sixth St.
3. Lakeshore Apartments, 2300 Elmont Drive
4. Lamar and Manchaca Apartments, 2700 S. Lamar Blvd.



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Courtesy of JB Goodwin