

Austin commercial sales improve

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Commercial property sales in Austin are up significantly since last year — as much a reflection of how bad things were as it is of recovery.

Many properties continue to sit on the market as buyers have tended to want top-tier properties that are sure to make money or great deals on distressed assets, according to real estate experts' interpretation of a new report by LoopNet Inc.

For the 12 months ending August 2010, commercial property sales in Austin increased 93 percent from the prior 12-month period, according to the latest sales data by LoopNet, the San Francisco-based online commercial real estate listing service. Sales for the 12 months prior to September totaled \$1.2 billion, up from \$632 million the previous 12 months.

Retail and multifamily showed the most promise heading into the new year, but commercial real estate brokers are quick to caution that the report could minimize other problems.

Over the last year, prices paid for retail increased 58 percent while prices for multifamily increased 8 percent, but prices for office space declined 23 percent. That's in line with what the Austin market has seen with vacancy rates and leasing prices. Industrial figures weren't released.

For the second quarter, commercial property sales totaled \$502.4 million, up from \$272.8 million in second quarter 2009.

"The numbers did skyrocket compared to last year when they were near zero, and [are] still low compared to any other year in the decade," said **George Cushing**, a Houston-based senior vice president of Grubb & Ellis Co. who markets retail properties for sale in Austin. "But there is a steady, discernible trend back to the path of steady transactions. Lenders are coming back with terms that are attractive to buyers and owners, and rates are quite low, though coming up a bit in the last week."

Investors most of this year have leaned toward two types of commercial properties: Class A, trophy-type properties and distressed, bank-owned properties.

"There's really not much interest or product put out there that's in between those two categories," said **Bradley H. Bailey**, associate vice president of investments for Marcus & Millichap's Austin office.

Opportunities are popping up for both kinds of investors.

Grubb & Ellis listed a bank-owned neighborhood shopping center named Williamsburg Village in Georgetown for sale at \$7.2 million — about \$1.6 million less than when it hit the market in summer. At the southeast corner of Williams Drive and Booty's Crossing, Williamsburg Village is a 93,610-square-foot Class B project built in 1986 and is 75 percent leased, with Goodwill as its anchor tenant, according to Cushing, its broker.

Austin business mogul Whit Hanks in August listed one of his most prized possessions on the real estate market: the 12,795-square-foot Whit Hanks West End, a Class A multitenant retail property that's 100 percent occupied at what many say is Austin's most traffic-heavy intersection at North Lamar Boulevard and West Fifth Street. It's under contract and expected to close at the end of the year, said **Walter Saad**, CB Richard Ellis' local first vice president of investment properties who is representing Hanks on the sale.

"I think LoopNet's report ultimately reflects what trends are happening in the market, even if it doesn't catch the detail or context," Saad said. "I think these trends are what we likely will see in next year's report too."

Thus far, 2010 has been a turnaround year for the Austin apartment market with regard to absorption, occupancy and rental rates, with a slight increase also in pricing for property sales. On the heels of two previous quarters that saw positive gains, the third quarter capitalized on that momentum with increases not seen in the market for years, according to Austin Investor Interests LLC.

Occupancy rates were up almost 3 percent from the previous quarter, while rental rates were up 4 percent. Year-to-date figures show that the Austin area has absorbed more than 8,000 units — a figure unseen since 1985.

At the same time, however, apartment complexes face more foreclosures in Austin than any other type of commercial property, going from 183 postings in 2009 year-to-date to 213 postings in 2010 year-to-date.

Only one office building was sold last year, and only seven have been sold so far this year. By comparison, there were 33 sold in 2007 and 18 sold in 2008, said **Helen Jobes**, founding owner of real estate brokerage firm Gold Eagle Investments. Leasing activity has picked up in recent months for office space, but the glut of supply continues to hamper the market as it does with industrial space, with the exception of the Southeast submarket.

"We really had nowhere to go but up, so the dramatic number of a 93 percent increase illustrates that," Jobes said. "So while these are encouraging figures, we have a long way to go to get back to where we were."

Courtesy of JB Goodwin