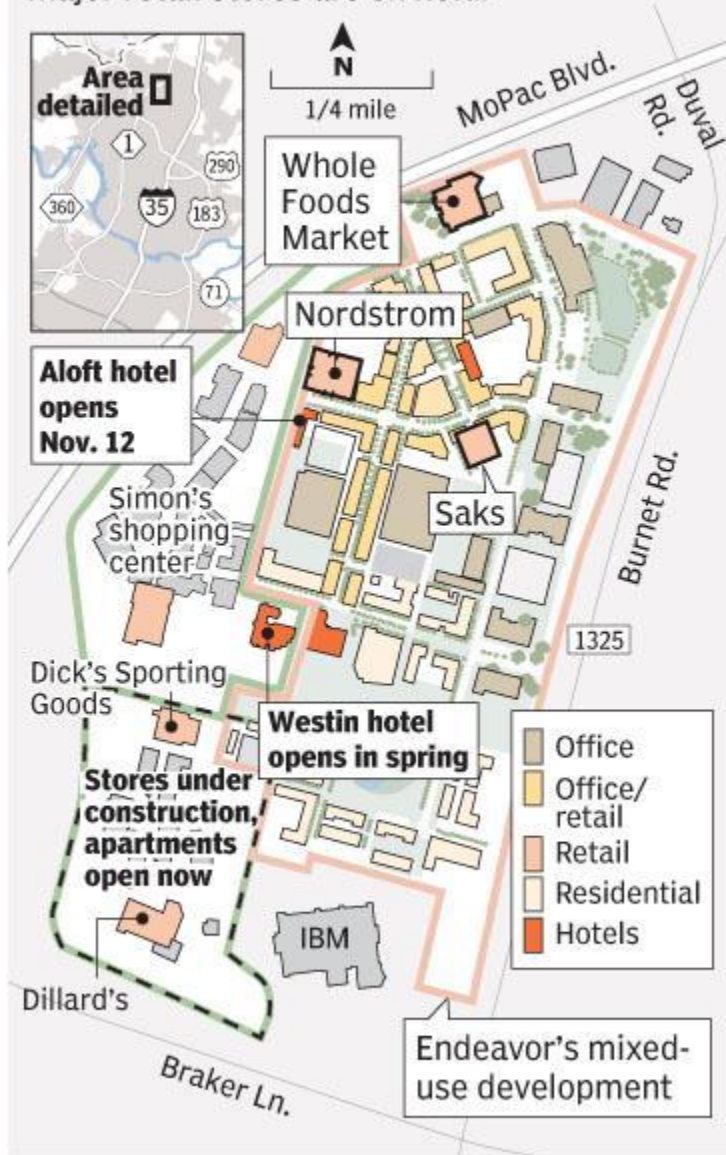


Domain update

The Aloft hotel opens next month, but three major retail stores are on hold.



Domain prepares for new hotel as retail phase stalls

By Shonda Novak
AMERICAN-STATESMAN STAFF
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The launch of the retail phase of Endeavor Real Estate Group's Domain project in North Austin, originally pushed back a year, has been postponed at least three more years, the developer said Tuesday. **However, a \$26 million boutique hotel, Aloft, is on schedule for a Nov. 12 opening.**

In December, Endeavor said the phase that was to bring a Whole Foods Market, Saks and the area's second Nordstrom would be delayed a year because of the recession and the troubled retail and credit markets — factors that have delayed other projects locally and nationally.

The proposed stores are part of a mini-city Endeavor has envisioned near Burnet Road and Braker Lane. Plans initially called for millions of square feet of shops, residences, hotel rooms and offices, but the size could change depending on future market conditions, said Chad Marsh, a principal with Austin-based Endeavor.

The one-year delay pushed the start date for the retail stores into 2009 and 2010.

But it now could be late 2012 or early 2013 before work starts on the Whole Foods store, which was to be the next building in the project, Marsh said.

The retail phase remains on hold until the capital markets, the economy and the retail sector show improvement, Marsh said.

Scott Simons, executive marketing coordinator for Whole Foods, said the company remains "excited about our Domain location and moving forward with the project."

However, he added, "because it is part of a much larger development, our opening timetable is beholden to the developer's construction timeline."

Julia Bentley, a spokeswoman for Saks, said the retailer signed a nonbinding letter of intent in May 2008 to open a store at the Domain.

"We will re-evaluate our involvement in the project when and if Endeavor indicates that it plans to move forward and provides us with an update on the other retailers committed to the development," she said.

Colin Johnson, a spokesman for Seattle-based Nordstrom, said a Domain store isn't currently on the company's list of planned openings. But he said Nordstrom is "open to continuing our discussion with Endeavor."

Meanwhile, Aloft is poised for its debut.

Wichita, Kan.-based Lodgeworks LP is developing the hotel, a Starwood property, with Dallas-based Open Hospitality Partners. The hotel will have 140 rooms, limited food and beverage service, and daily room rates of \$145 to \$185.

Chris Gebert, senior vice president of development for Lodgeworks, said the hope was that the other planned anchor retailers at the Domain would be under construction, or open, by the time Aloft opened.

"Obviously, it's problematic for us, but we understand the difficulty of the capital markets and the weakness in retail today," Gebert said.

Gebert still thinks Aloft will be successful, both because of continued strong corporate demand for hotel rooms in North Austin and because "we're in a great position" to take advantage of the existing stores and restaurants that are part of Simon Property Group's adjacent mixed-use project.

That project, also called the Domain, includes Neiman Marcus and Macy's, scores of smaller high-end retailers, restaurants and 390 luxury apartments.

"A guest today likes to be able to park their car, check in the hotel and walk to retail and restaurants," Gebert said. "That's the intent obviously on the Endeavor side, and I think we'll still get that opportunity from all the existing development on the Simon side."

Lodgeworks will own and operate Aloft.

It's unclear how Endeavor might alter its plans for the Domain, where it originally proposed 8.5 million square feet of shops, residences, hotel rooms and offices.

The original plans envisioned that the project would have more than 6,000 residents and 17,500 office workers when completed over 10 to 12 years.

In addition to the Aloft hotel, a 175,000-square-foot office building has been completed, which is 100 percent leased to OneWest Bank Group.

"There's certainly a dialing back of expectations and density in any development," Marsh said. "The debt markets are challenging, and to predict how much debt you can put on a multi-year project is guesswork at best right now. What ultimately gets built is dependent on market conditions as they play out."

Courtesy of JB Goodwin