

## A new option for shops: Buy

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Vista 620 will offer retail and office space to tenants that would prefer to buy rather than rent. Prospects with ties to the medical industry are being courted heavily by Kucera brokers.

Kucera Cos. is hoping to quietly blaze a trail through Central Texas commercial real estate by marketing retail condos in a new mixed-use project under way in Round Rock.

Vista 620, involving about 75,000 square feet along Highway 620 between Deepwood Drive and Oaklands Drive, will consist of nine to 10 buildings, depending on sales of roughly 1- to 3-acre lots, according to the developer's site plan. The developers are a group of physicians based out of state who declined to be named.

While retail condos have never had the profile that residential and office condos have across the country, they are somewhat common elsewhere and can sell for millions in cities like New York and in European cities where space for construction is limited.

In Austin, real estate brokers said retail condos were proposed in the past in East Austin but never gained marketwide appeal, mainly because there is enough for-lease supply. But following the downturn, retail tenants are seeing fewer leasing options in the Austin market as construction of retail space has halted while the local economy and population continues to grow.

Gay **Carpenter Ruggiano**, the broker at Kucera marketing the property, said she could envision one of the lots, Lot 5, having its 11,900 square feet of developable space possibly divided among four retail condo owners. The price for Lot 5's land alone is a little more than \$1.14 million without construction or finishout work. Ruggiano said small business lenders have told her tenants that getting a loan would likely require a 10 percent down payment with a 6 percent interest rate for a 20-year mortgage.

"Our thinking is that commercial lending has not been readily available for small business owners to be able to expand business, so these spaces would help qualify them for a [Small Business Administration]

loan,” Ruggiano said. “Like the medical office community and homeowners, retail tenants can save money by buying instead of renting, but just haven’t had the option aside from a standalone building.”

Vista 620 won’t be all retail. When fully constructed, developers estimate 60 to 70 percent of the space will be used for medical offices.

Of all the buildings, only two are slated as possibly becoming retail condos, with one, a 6,800-square-foot building on Lot 6, proposed as a potential spot for a restaurant with a drive-through — the project’s only food venue.

Medical businesses selling health care-related products or services — like a Miracle Ear or Eyemasters, for example — are expected to fill the bulk of the project.

“It’d be great to have retail of all kinds, but we would prefer to see retailers that complement the medical tenants and business driving by from St. David’s Round Rock Medical Center,” said developer **Ron Evans** of Plano-based Huffman Builders, which is building on one of the seven lots.

Although the project consists of mostly standalone buildings, Vista 620 is one of the few developments with a uniform look under construction in Round Rock. Due to its proximity to a residential neighborhood, zoning restricts the buildings to two stories, so most of Vista 620’s buildings are likely to be one story.

With contracts pending on three of the lots, it is expected that the lot near Deepwood Drive will have a convenience store and the lot by Oaklands Drive will hold a day care, Ruggiano said.

Another one of the lots could contain an urgent care center, Evans said, but he declined to say who is interested in the property.

Construction on utilities, site work and building pads is scheduled for completion by the end of this month. Following that date, buildings will be constructed over the next several months, depending on contract negotiations. New businesses are expected to open in summer 2011.

Retail condos are “promising as a concept, but it’s never gained momentum as a trend in the real estate market in the U.S. as a whole,” said **C. Kelly Cofer**, president and CEO of The Retail Coach, a national retail consulting, market research and development firm. Cofer said he worked on one retail condo project and wasn’t too fond of the challenges, especially as supply in most U.S. markets makes leasing seem safer than owning.

“In Round Rock,” he said, “it could work on a smaller level for stable local tenants with a locked-in, nearby base, but the challenge is going to be convincing a retailer to let go of the flexibility of moving around if the market or its client base goes elsewhere and it needs to follow.”

If retail condos are successful in the Round Rock project, Kucera would start eyeing places for retail condos near downtown and the University of Texas, where Ruggiano said rental rates are higher.

**Courtesy of JB Goodwin**