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## Some real estate activity likely to wait out downturn

Market values anticipated to bottom out during 2009

**Austin Business Journal - by [Kate Harrington](#) ABJ Staff**

“Wait and see” attitudes will likely dominate Central Texas real estate in 2009.

While Austin is in better shape than most cities nationwide in terms of foreclosures, leasing activity and home values, experts said Central Texas can expect to see some activity put on hold as the area feels the ramifications of the national economic downturn.

“We see an awful lot of potential buyers who want to come into the Austin market from all over, but they’re still on the sidelines,” said Joe Duncan, founder of land brokerage firm Duncan Commercial LLC. “The people who are coming in are smart, very experienced and ... think Austin will be a good long-term play for them. They want to be here. It’s just a matter of when do you pull the trigger and enter the market.”

Central Texas could see some minor discounting on land deals in the coming year, Duncan predicted, but he expects to see the markets start to bottom out toward the end of the second quarter or in the third quarter 2009.

“By that time, everyone will know what the tax laws will be and we’ll have a much better feel for the general direction [of the economy]. So I’d anticipate we’ll see some bottoming out and a slow climbing out,” Duncan said. “I don’t anticipate it being a springboard recovery, but more of a steady climb.”

Several planned developments and land deals went into a holding pattern in late 2008. For example, a 147-acre tract in Bastrop, long slated to hold more than 1 million square feet of retail, saw several developers option and subsequently drop the land. Most recently, Houston-based Weingarten Realty Investors dropped its plans to build retail on the land. And, citing the economic slowdown, Austin’s Endeavor Real Estate Group LLC has delayed plans for the next phase of its vertical mixed-use district at the Domain in North Austin.

On the leasing front, 2009 will have similar activity as 2008 in terms of showings, proposals going back and forth, and preliminary leasing discussions, said David Blackbird, co-managing partner at Stream Realty Partners. But, he said, that activity isn’t translating to commitments and signed leases as often.

“People aren’t wanting to make major business decisions in this environment,” he said. “That will spill over into 2009.”

Retail in Central Texas depends somewhat on big-box chains, and those companies are largely cutting back on new stores, so Austin can expect retail to lag in 2009, Blackbird said.

Scott Fried, city partner for the Austin office of The Weitzman Group and Cencor Realty Services, said the Austin area saw a limited number of store closings in 2008 and that many of those spaces were re-leased fairly quickly. The area can expect a few more store closings in 2009, he said.

One Circuit City is slated to close in Central Texas, as well as three Linens 'n Things. But Weitzman doesn't expect to see the type of closures that the region saw with Albertsons, when hundreds of thousands of square feet became vacant in 2007 after the grocer closed 13 large-format stores, Fried said.

"We're ending 2008 with an occupancy rate of 93 percent, which means we're the strongest major retail market in Texas in terms of overall occupancy," he said.

In regard to office and industrial space, Northwest Austin has a slight oversupply of office space and there is still an oversupply of industrial space in the Southeast market, Blackbird said. With new construction about to come online, "We can't help but see an increase in vacancy in both those submarkets," he said.

The downtown and Southwest office markets, however, likely won't see an increase in vacancy in 2009, Blackbird said.

**Courtesy of JB Goodwin**