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COMMERCIAL REAL ESTATE

BUILDING DOWNTOWN DENSITY, TOLL ROADS CREATED OPPORTUNITIES

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It's not hard to find evidence of the past decade's commercial real estate growth around Austin. Industry experts point to a number of developments, physical and intangible, that have helped shape Austin's commercial real estate over the last 10 years, from a concerted effort to build downtown density to new roads that have opened more land to development.

For John Rosato, a principal with Austin's Southwest Strategies Group Inc., two significant economic downturns coupled with periods of wild prosperity are among the biggest factors that have shaped the area's commercial real estate industry. During the decade, Rosato has had a front-row seat to developments that have shaped parts of Austin during both downturns, as well.

Southwest Strategies Group helped develop the 16-acre Penn Field project on South Congress Avenue. Penn Field was among the first South Congress projects to take off. It has anchored a rapidly chang-



Rosato

ing area that now draws natives and tourists alike. The former World War I Army training field and its existing buildings is now a 230,000-square-foot retail, office and warehouse complex.

Around the city and the region, other mixed-use developments have had a hand in much of the decade's development. Perhaps one of the biggest in terms of sheer impact, real estate experts say, has been the transformation of the former Mueller airport to a 700-acre mixed-use site that now includes a hospital, research facilities, offices, apartments, homes and retail. Planning for that project started in 1997, and it is being built out in phases.

In Kyle, 15 miles south of Austin, the Plum Creek development has brought thousands of rooftops to the small city, which has also gained its first major grocery store, a hospital and several businesses in the last decade. Plum Creek, once 2,200 acres of raw ranchland, started in 1998 and is also being built out.

For Bart Matheny, a principal with Aquila Commercial, toll roads have been among the biggest factors to drive commercial development in Central Texas.

"Bringing in about 100 miles of new toll roads really sparked quite a bit of develop-

ment in those areas," he said. "If you look out there right now, it would seemingly be too much. But it's built a pathway for future growth. That's been a huge impact."

In the past several years, the region has seen new toll roads open that include State Highway 45, State Highway 130 and U.S. Highway 183A. SH 130 cuts a new swath of road through rural, open land that the city of Austin has targeted as a desired future growth area. The road's presence spurred numerous developments long before the concrete was laid. One of the largest, being developed by Carma Texas, has been in the works since 2005 and will eventually span 2,300 acres that will include a master-planned community of homes, commercial space and parkland.

Another major piece has been dense downtown development, particularly the condominiums that have sprung up, said Jeff Coddington, a partner with Oxford Commercial/Cushman & Wakefield Alliance. One look at Austin's downtown skyline can summarize the growth the area has seen, he said. In 10 years, a new city hall, the iconic Frost Bank tower, almost a dozen new apartment and condominium towers, and the Second Street District have cropped up to transform a once much sleep-

ier downtown.

Along with opportunity, the last decade brought some valuable lessons for the commercial real estate industry, experts say.

"The biggest lesson the commercial real estate community can take away is that we're still a relatively small market. We have a tendency to turn on a dime in supply and demand, and that can cut both ways," Coddington said. "There will be times when vacancy we see will be absorbed, and then we'll be back in a situation where there are dramatic needs."

Rosato said if he could change one thing in the past decade, it would be the progress multimodal transportation has made in the region.

"... The best thing we can do for the environment is to densify the urban core, he said.

'[Toll roads] built a pathway for future growth. That's been a huge impact.'



Bart Matheny
Principal
Aquila Commercial