

Office Leasing Advisory

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Austin office rents decrease; “make an offer” appears in northwest sublease market

Companies looking for office space in the third quarter found over 2.4 million square feet of office space available for sublease, almost 10% of the Austin’s entire office inventory. Rental rates for this sublease space were often below the lease rates being paid by the master tenants, and some of it was as much as \$15/sq.ft. below what comparable direct space leased for earlier in the year.

The majority of this space continued to be in the northwest sub-market, where construction was suspended on one building and three others (totaling 550,000 sq.ft.) remained vacant and/or unleased. “Make an offer” and “no reasonable offer refused” appeared in the marketing of some Class A sublease space, phrases that had not been heard in over 10 years.

Rental rates for direct space in the northwest market also decreased, although not as drastically as the decrease in sublease rates (decreases were anywhere from \$2-7 per sq.ft.). Indicative of the times, the “Dr.Koop.com” sign was removed from the side of the Plaza 7000 building on Mopac. Their former space (the nicest in the Mopac corridor) remained on the direct lease market with asking rates about \$8/sq.ft.



CSC buildings, downtown Austin

lower than last year.

In contrast, the southwest sector continued with relatively strong conditions with rental rates remaining in the lower \$30’s along south Mopac. Historically the last sector to feel the effects of a downturn, the south-

. . .“make an offer’ and ‘no reasonable offer refused’ appeared in the marketing of some Class A sublease space, phrases that had not been heard in the Austin office market in over 10 years” . . .

to the northwest which had 67 percent. Barton Skyway IV (S. Mopac) and Mira Vista (Bee Caves Road) neared completion 90% and 60% pre-leased, respectively.

The central business district continued at the pace set in the 2nd quarter—slow and with rental rates down 10-20% versus the beginning of the year. Computer Sciences Corporation began moving in to their recently completed buildings along Cesar Chavez, but continued to have no takers for their 111,000 sq.ft. of sublease space.

Marketing efforts continued for the proposed new 510,000 sq.ft. building along Congress Avenue (see p. 2), with developers projecting site demolition to begin in September. The new 300 W. 6th building at 6th & Guadalupe was completed and interior finish-out began for tenants moving in December. However,

IN THIS ISSUE:

- | | |
|---|----------|
| “Make An Offer” returns to northwest | 1 |
| National Semiconductor Success Story | 2 |
| Sublease market helps with direct leases | 3 |

OFFICE LEASING ADVISORS

The Tenant Representation Specialists

Office Leasing Advisors'



Don Prater of **Office Leasing Advisors** represented National Semiconductor Corporation (NYSE: NSM) on a lease at Barton Oaks Plaza Two in southwest Austin. The 1st floor lobby space provides National Semiconductor with the ideal Class A setting to recruit new employees to their new Austin chip design center, one of several such facilities the company has internationally.

Like many large corporations, NSC had a relationship with a national real estate brokerage company that handled its space needs. The problem was that the Austin office of that company does primarily landlord representation, and therefore they showed NSC only properties they represent.

NSC then called on **OLA** to conduct an exhaustive search of the Austin market. Working with NSC's real estate department, Prater provided extensive listings of all buildings that fit the company's objectives. After touring, the list was narrowed to the top few. Then came in-depth cost comparisons and negotiations, with NSC finally choosing Barton Oaks Plaza Two as the best location for its chip design office.

Prater negotiated significant expansion and renewal options (crucial for a growing company), as well as reserved garage parking. Other amenities include on-site management and close proximity to restaurants, retail, and services—important considerations for recruitment of new employees.

This National Semiconductor lease demonstrated once again why large corporations use **Office Leasing Advisors** as their "local market expert" on office space—market knowledge and negotiating skills always lead to the best terms possible.

— OFFICE LEASING ADVISORS —

Bill Wendlandt (ext. 14)	President
Don Prater (ext. 11)	Vice President
Bill Anderson (ext. 20)	Vice President
Chris Roberts (ext. 25)	Leasing Associate
Mari Glass (ext. 10)	Marketing/Administration

515 Congress Ave., Suite 2620
Austin, TX 78701

FEATURED NEW BUILDING



Congress at 4th, 401 Congress Avenue
33-story, 510,000 sq.ft. building.
Features a health club, restaurants, garage parking,
Scheduled for completion in late 2003.

Each issue of the Office Leasing Advisory highlights a building that is under construction or that has large blocks of available space. The tenant representatives at Office Leasing Advisors can help answer your questions about this building or any other available office space.



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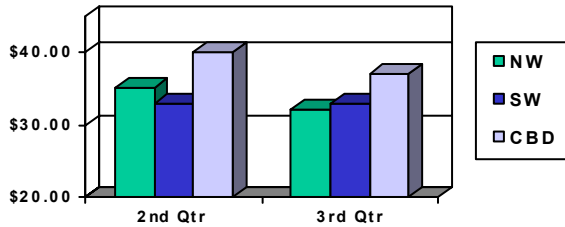
Visit our website for:

- Floorplans of our available sublease spaces
- Back issues of the *Office Leasing Advisory*

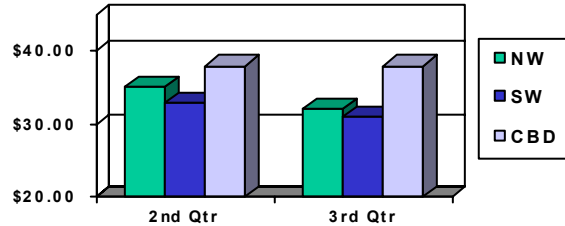
Austin Building Rental Rates Third Quarter 2001 Update

(Class A, per sq. ft., gross)

BUILDINGS UNDER CONSTRUCTION



EXISTING BUILDINGS



	<u>2nd Qtr.</u>	<u>3rd Qtr.</u>
Northwest	\$30-35	\$30-32
Southwest	\$31-33	\$31-33

	<u>2nd Qtr.</u>	<u>3rd Qtr.</u>
Northwest	\$28-35	\$28-32
Southwest	\$30-33	\$29-31

OLA clients use sublease market for better terms on direct space

Austin's inventory of sublease space approached 2.4 million square feet in mid-2001, and **OLA** used this surplus of space to help clients get better terms on both and direct leases.

For example, in the downtown market one client lowered their renewal rate by over \$6.00 per foot in a building where **OLA** uncovered over 90,000 sq.ft. of competing sublease space.

Along south Mopac another client subleased the top floor of the Terrace II building, complete with

vantage of market conditions to structure their sublease so that it will remain in-effect in the event the master tenant defaults on the master lease. This is a critical (yet often overlooked) component of any sublease.

OLA negotiated a similar "non-disturbance" clause for a Fortune 500 company who subleased space on South Congress after first considering several downtown options. One such option, (Frost Plaza, see chart below) had sublease space available for \$15/sq.ft. below comparable direct space.

Office Leasing Advisors helps companies get the best terms possible on office space. To see how

2001 Sublease Rates vs. Direct Lease Rates

Bldg.	Sublease size	2001 direct rate	2001 sublease rate
Bridgepoint Square/NW	6000-20,000	\$35	\$19
Shepherd Mtn. Plaza/NW	10-80,000	\$35	\$19-22
Frost Plaza/CBD	3000-20,000	\$33	\$18
Prominent Pointe/NW	4000-13,000	\$32	\$19

8303 Mopac/NW
\$31

Bridgepoint



Frost Plaza

12,000
make an offer

Congratulations to these clients for their recently-completed lease transactions!



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515 Congress, Suite 2620
Austin, TX 78701

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