

Office Leasing Advisory

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Record High Rates Leave Downtown Companies Scrambling For Space

Class A buildings reach \$40 rate; speculation increases that new 27-story project at 4th & Congress may be built; large law firms shift around, some head for the 'burbs'

Downtown rental rates soared to record highs in the 3rd quarter, led by One American Center (\$40/ft.) and the 23-story building under construction at 300 W. 6th (\$39/ft.). Rates for the best buildings in downtown Austin are now comparable to Class A rates in major markets such as Chicago, and are \$10-12/per foot higher than downtown Dallas or Houston.

Carr America's 300 W. 6th building continued strong pre-leasing with two large law firms as lead tenants and another major tenant looking at 75,000 sq.ft. on the top floors. Some observers believe that the building may follow the trend of recently built suburban buildings by becoming fully pre-leased in advance of its January 2002 opening.

Talks continued with regard to possible new buildings at 2nd & Colorado and 4th & Congress. The local developers for 4th & Congress were expected in late summer to announce a national partner for the project,



One bit of good news for downtown tenants was that several buildings (Chase, 301 Congress, Frost Plaza) are expected to have 80-100,000 sq.ft. holes to fill in 2002 when large tenants vacate. One large law firm announced its plans to leave One American Center for south Mopac, and at least two other firms are rumored to

Occupancy in Class A buildings continued to exceed 95%, with most buildings operating at or near capacity

be considering a similar move, thereby potentially creating two more large blocks of space in 2002.

In the south Mopac/south 360 corridor, space was virtually unavailable as occupancy climbed to over 99%. The two remaining Barton Skyway buildings were 100% pre-leased, while the new Davenport and Rob Roy buildings were announced for south 360, totaling over 430,000 sq.ft. and expected to be available in fall 2001. Rates for pre-leasing were quoted in the lower to mid \$30's.

The northwest market saw construction begin on Braker Pointe (Braker & Mopac) and Lakeview Plaza II (183 & Braker). Northwest Class A rates were universally above \$30 with Plaza On the Lake and Bridgepoint Square leading the way at \$35-36.

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The Tenant Representation Specialists

Office Leasing Advisors' Success Story



Company president Bill Wendlandt represented Hoover's on its 10-year lease of the 80,000 sq.ft. former Butter Krust Bakery on Airport Blvd. Closed in 1994 when the bakery ceased operations, the building will provide a landmark location for Hoover's, the leading producer of business information products and services.

The Hoover's lease was the culmination of months of work by Wendlandt and Hoover's dating back to a relationship with Hoovers that started in 1995. Chief financial officer, Lynn Atchison and in house counsel, Kris Rao were instrumental in closing the deal. The company's space requirements included several challenging parameters, one of which was their high parking requirement. While most buildings can offer 4 spaces per thousand sq.ft. of space, Wendlandt negotiated the Hoover's lease to include an astounding 7 spaces per thousand sq.ft., virtually twice the number of spaces available elsewhere.

Hoover's lease was structured so they could grow into the space, initially occupying about 50,000 square feet. With 250 current employees, Hoover's will have plenty of room to grow AND plenty of room to park.

The building also provides unsurpassed exterior signage for Hoover's as well as close proximity to the company's current offices just north of 290 & I-35. Financially, the terms of the deal represent a lease rate about 40% below the market rates being charged for new office buildings.

"The Hoover's lease was a classic example of how we can help companies," said Wendlandt. "We took a set of space requirements, looked 'outside the box', and found a solution that worked perfectly. It's a tough market out there, and you have to dig and dig until you get what the client wants."

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FEATURED BUILDING



300 W. 6th St.

430,000 sq.ft., January 2002 occupancy

Developer: CarrAmerica

Everything You Wanted To Know About Vacant Office Space.... But Were Afraid To Ask

When a building appears to be full, how do you get more space? That's where Office Leasing Advisors comes in. Although a building may be considered "100% leased", in fact several opportunities may exist to find space:

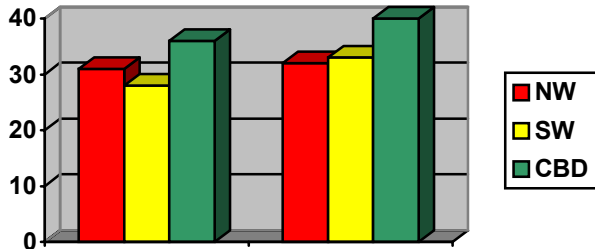
- **Subleases** The company down the hall may have more space than it's using, or may be planning to move out with time remaining on its lease. Their space will be available for sublease, often at a lower rental rate and with a shorter term.
- **"Give backs"** When desperate to get rid of space, a company may contact the building owner about a "give-back". Often, a landlord will take space back and re-lease it, especially if a higher rent and longer lease can be achieved.
- **Bankruptcy** Inevitably, some companies go out of business. While somewhat more complex to re-lease, spaces under bankruptcy may provide an option for expansion space where none previously existed.

Depending on the situation, a landlord may or may not disclose the availability of these types of spaces. That's where Office Leasing Advisor's market knowledge figures in.

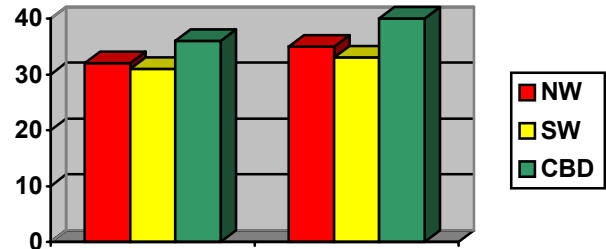
Austin Building Rental Rates Third Quarter 2000 Update

(Class A, per sq.ft, gross)

NEW BUILDINGS



EXISTING BUILDINGS



| | 2 nd Q | 3 rd Q |
|-----------|-------------------|-------------------|
| Northwest | \$30-31 | \$30-32 |
| Southwest | \$28-31 | \$32-33 |
| Downtown | \$36-37 | \$38-40 |

| | 2 nd Q | 3 rd Q |
|-----------|-------------------|-------------------|
| Northwest | \$28-32 | \$30-35 |
| Southwest | \$26-28 | \$29-33 |
| Downtown | \$32-36 | \$34-40 |

“Team-approach” best when negotiating a lease

Professional service providers “on your side” will help maximize your negotiating strengths

Professional service providers (such as attorneys, architects, and accountants) can work in conjunction with OLA to help your company get the best possible terms on office space. OLA can recommend professionals or work in conjunction with those already engaged by a tenant. The benefits to tenants can be subtle but critical:

- ❑ **Architects:** An architect who works on behalf of the tenant can look out for the tenant’s interest when designing a space (as opposed to the “staff” architect engaged by the landlord). This often results in a more efficient design, which in-turn saves money for the tenant.
- ❑ **Attorneys:** Some tenants use their attorney for lease review even though that attorney may specialize in a non-real estate area. This can result in important legal language being overlooked. A real estate attorney who specializes in leases will know which points can adversely affect the tenant.
- ❑ **Accountants:** Especially important for those tenants who may be considering buying or building an office building. Accountants can analyze the tax implications of buying a building and other financial considerations. Also they can talk directly with landlords to establish key points of a tenant’s “creditworthiness.”

OLA recommends a “team approach” in order to maximize the tenant’s negotiating strength. Another way Office Leasing Advisors helps tenants get the **best terms possible** on office space.

OFFICE LEASING ADVISORS

Works with tenants to help obtain
the best possible terms on office space.
Call us for your next move, renewal or expansion.

Visit us at:
www.leasingadvisors.com

Congratulations to these clients for their recently completed lease transactions!



Conley, Rose & Tayan P.C.

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