

# Office Leasing Advisory

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## 2001 Rates To Stabilize, Tenants May Have More Options For Space

While record-high rental rates and occupancy levels characterized the 2000 Austin office market, projections for 2001 suggest that rates will stabilize and tenants may finally begin to have more options for space. Two of the main reasons for this increased inventory are the continued downsizing of "dot-com" companies and the completion in 2001 of several new buildings now under construction.

Conditions may improve the most for downtown tenants. The new 300 W. 6<sup>th</sup> St. building is scheduled to deliver 430,000 sq.ft to the market in December 2001 (although 50% is already pre-leased), and several other Class A properties will have tenants vacating large blocks of space. At year-end 2000, the highest Class A rates remained just over \$40 per sq.ft. and occupancy levels were above 97%.

The North Mopac/360/183 sector showed some signs of stabilized rents as 2000 came to a close, and one study of the area showed that over 2 million square feet are currently occupied by technology tenants who are still not showing a profit. Thus, speculation increased that some of this 2 million square feet may



come back onto the market as downsizing and bankruptcies continue. In addition, the delivery of Stonebridge Plaza II (200,000 sq.ft), Stonecliff (68,000 sq. ft.), and Lakeview Plaza II (110,000) is likely to help ease the northwest market conditions.

On the other hand, the South Mopac/South 360 area shows no sign of slowing down (at least in the early half of 2001). The Terrace continued its strong

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**...Southwest Parkway is the next corridor for major southwest development with five new buildings announced for 2001 ...**

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### INSIDE THIS ISSUE:

Office Outlook 2001	1
Success Story: Austin360.com	2
Austin in the National Spotlight	3
Recent Client Lease Transactions	4

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pre-leasing with the announcement of a tenant taking an entire building in the development. Barton Skyway III and IV were 80% pre-leased in advance of their opening later in the year. Space is thus expected to remain virtually unavailable along South Mopac throughout the year.

Interestingly, the area along Southwest Parkway appears to be the next corridor for major southwest development with as many as five new buildings announced for 2001. The San Clemente and RobRoy projects on S. 360 may help ease the southwest space crunch, but not until their delivery at the end of 2001. These projects are scheduled to deliver a combined 300,000 sq.ft. of space. San Clemente can develop a total of 750,000 sq.ft. at its Westlake Dr./S. 360 site.

# Office Leasing Advisors' Success Story



Bill Anderson of Office Leasing Advisors represented Cox Interactive Media in a lease of 8,130 sq.ft. at the 812 San Antonio building in downtown Austin. Cox Interactive Media, a division of Atlanta-based Cox Enterprises, produces the popular Austin360.com web site. The space will house the Austin360.com staff, including sales, content, marketing, and business operations.

One of the major achievements in the lease negotiations was the renaming of the building to the "Austin360.com" building. In addition, Cox Interactive Media achieved expansion rights to the entire building (60,000 sq.ft.) as well as lobby signage and rights to exterior signage atop the 6-story building.

As the first "technology" tenant in the building, Cox Interactive Media will assist the 30-year-old building in becoming a state-of-the-art facility. This will include establishing high-speed data service to the property as well as installing first-class finish-out on the floor. Traditionally an attorney-based building, the property is expected to now attract other technology users who desire a close proximity to downtown, good parking, and the synergy of a major lead-tenant like Cox Interactive Media.

The lease represented the end of almost two years work between Office Leasing Advisors and Cox Interactive Media that focused on downtown Austin but also included the central and southwest areas. The lease negotiations were a combined effort of Austin general manager Kevin Stephens and business manager Guy Cherp, as well as Cox Atlanta personnel Beth Freeman and Emily McGrath.

"The Cox lease is a great example of how we can assist large companies who have local and corporate divisions," said Anderson. "It was a total team effort."

## 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.**

## FEATURED BUILDING



**RobRoy 360 (800 Capital of Texas Hwy. N.)  
88,000 sq.ft., October 2001  
Developer: Robbie Mayfield Co.**

## Tenants face tough decisions on office space in next two years

Companies with leases that expire in 2001/2002 are facing key decisions. What will happen to rental rates, given the numerous new buildings now under construction? What will the continued downsizing among technology companies do to rates and availability of space? Should companies renew their lease now, or wait in hopes that rates may decrease?

The biggest factor in renewing a lease is the timing of the negotiations. Often, the terms of a renewal will be better for the tenant if the landlord is facing the loss of a large tenant or the threat of competition from a nearby new building. Office Leasing Advisors has this kind of market information.

Our mission is to help tenants get the best possible terms on space, whether it's a renewal, an expansion, or a move. Call today for an analysis of your building and available options!

### — STAFF —

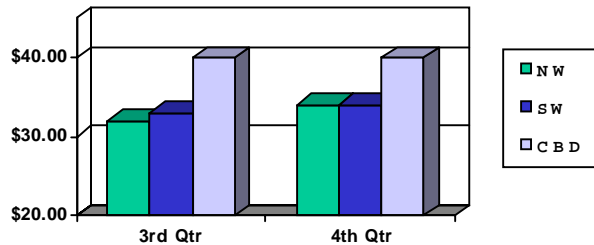
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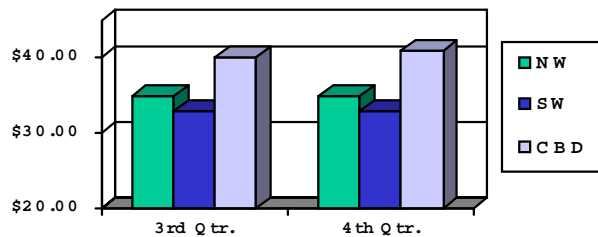
# Austin Building Rental Rates Fourth Quarter 2000 Update

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

## NEW BUILDINGS



## EXISTING BUILDINGS



	<u>3rd Qtr.</u>	<u>4th Qtr.</u>
Northwest	\$30-32	\$31-34
Southwest	\$32-33	\$33-34
Downtown	\$38-40	\$38-40

	<u>3rd Qtr.</u>	<u>4th Qtr.</u>
Northwest	\$30-35	\$30-35
Southwest	\$29-33	\$31-33
Downtown	\$34-40	\$35-41

## Technology provides clients with internet-based solutions

Can't find a copy of your lease when you need it? To solve this problem, Office Leasing Advisors is working to implement a system that will allow clients to store their leases on the Internet. This will mean immediate access to important dates, deadlines, and lease information. The system will allow the lease to be viewed and/or printed. All information will be secure and require a password for access.

OLA is also creating its own "in-house" database of available space. This database will feature:

- sublease and other "hard-to-find" space
- JPEG versions of floorplans and other vital data.
- accessibility via email and the internet

Stored on the Internet, this database will allow OLA staff to access vital information about available space 24-hours a day from any location, including clients' offices.

OLA also recently implemented a sophisticated software program that allows an in-depth financial analysis of clients' leases. This is critical in determining the "bottom line" cost of office space for tenants who may be considering a move.

Technology is another way Office Leasing Advisors' clients get the best lease terms possible!

## Austin office market receives national attention

Austin's most expensive space is downtown Class A space where rates now are quoted as high as \$41 per sq.ft. Although these rates have doubled since 1996, they still don't compare with the most expensive space in other cities around the country:

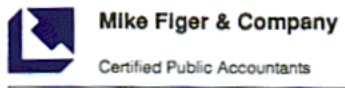
- Silicon Valley (CA) -- \$88/sq.ft.
- San Francisco (Financial District)--\$87/sq.ft.
- New York (Park Avenue)--\$77/sq.ft.
- Boston (CBD)--\$65.00

On the other hand, Austin's rates are substantially above those in other major Texas cities:

- Dallas -- \$26/sq.ft.
- San Antonio -- \$25/sq.ft.
- Houston -- \$24/sq.ft.

While several national studies have predicted that the Dallas market may become "overbuilt" in 2001, few have predicted such a fate for Austin. However, an October Wall Street Journal story did note that one major national developer has put construction of its last three Austin buildings "on hold." The article also speculated that "after riding the high-tech wave for five years, the Austin office market may have crested."

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



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