

Office Leasing Advisory

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1st Quarter 2001

Surplus sublease space eases tight office market; tenants find more choices, better rates

Office conditions in the first quarter 2001 improved for tenants, as large blocks of sublease space were delivered via continued company layoffs and space reductions. Over 600,000 sq. ft. of this sublease inventory was in the high tech-oriented northwest sector, including several blocks in excess of 40,000 sq. ft.

The immediate effect for companies in need of space was the instant availability of these new options, many of which had brand new finish-out. Some buildings along North 360 had smaller subleases that remained vacant for weeks after going on-the-market, a trend that had not been seen in the area for several years. Previously, these smaller spaces leased in a matter of days.

While the northwest area showed immediate effects of the sublease space, the South 360/South Mopac area reacted somewhat less dramatically. The high-demand South Mopac corridor between 360 and Bee Caves Road remained tight, although layoffs by one large tenant put some 60,000 sq. ft. back on the market. The bigger news for the area was the announcement of new Class A office buildings along Bee



The Pennybacker Bridge, more commonly known as the 360 bridge

Caves Road, a high-demand area with very little existing Class A product. One building was set for the Mopac end of Bee Caves and the other at the Loop 360 end. Delivery would be in 2002 and the combined square footage could exceed 600,000 sq. ft.

Downtown rates stabilized as the area prepared for up to 500,000 sq. ft. of space in early 2002. Although much of this is sublease and Class B space, the area did receive 100,000 sq. ft. of Class A office space

“...the bigger news for the Southwest area was the announcement of new Class A buildings along Bee Caves Road, a high-demand area with very little existing Class A product...”

(unexpectedly) in the new Computer Sciences buildings along 1st street. Some downtown tenants had to sublease space for less than what they were already paying. Amidst all this, one developer announced ambitious plans to build a 33-story high-rise on Congress Avenue (see story, page 3).

Overall, the first quarter provided tenants with more options and some breathing room in an extremely tight market. The remainder of the year is likely to see stabilized rental rates in the suburbs and reduced rental rates downtown as tenants finally see some relief.

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OFFICE LEASING ADVISORS

The Tenant Representation Specialists

Office Leasing Advisors' Success Story

SYNOPSIS

Bill Anderson and Chris Roberts of **Office Leasing Advisors** assisted Synopsys, Inc. in a transaction that resulted in prime Westlake-area office space for the Lance Armstrong Foundation. The deal took place at the Heritage Square complex at 2901 Bee Caves Road, a series of restored historic houses that serve as truly unique space in the area.

The process began with Synopsys and its national broker, Warren Wixen of Bailes & Associates, contacting **Office Leasing Advisors** for assistance. Synopsys had recently acquired an Austin chip company that had the lease on Heritage Square building. As a result of the acquisition and subsequent consolidation of employees, Synopsys no longer needed the 4870 sq. ft. Heritage space.

Working daily in a co-brokering effort, Bailes and **Office Leasing Advisors** began the task of disposing of the space. Anderson and Roberts targeted nearby companies via direct mail, email, and telephone contact in efforts to attract a subtenant to assume Synopsys' remaining lease term. Several companies negotiated for the property, and the solution was found when the Lance Armstrong Foundation inquired about leasing the house for its headquarters.

Instead of subleasing the space, the Armstrong Foundation entered into a new direct lease with Heritage Square, thereby releasing from Synopsys from its lease obligations. In addition, the new tenant made use of the existing furniture and equipment that was installed in the space. The landlord also benefited by gaining a new direct lease with a high-profile tenant like the Armstrong Foundation.

Office Leasing Advisors works with national brokers whenever their clients have space needs in Austin. Another way **Office Leasing Advisors** serves the needs of the tenant!

— STAFF —

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FEATURED NEW BUILDING



Stonebridge Plaza II, 9600 North Mopac
200,000 sq. ft., September 2001
Developer: Transworld Properties/Kennedy-Wilson

Buildings under Construction

| <u>Name</u> | <u>Location</u> | <u>Sq. Ft.</u> | <u>Date</u> |
|--------------------|--------------------------|----------------|-------------|
| Mira Vista | Bee Caves Rd | 125,000 | 1/02 |
| Barton Skyway IV | S. Mopac & Barton Skwy. | 160,000 | 3/02 |
| Stonecliff | 360 North | 68,000 | 3/02 |
| 300 W. 6th St. | 6th & Lavaca | 430,000 | 2/02 |
| River Place Pointe | 2222 & River Place Blvd. | 70,000 | 5/01 |

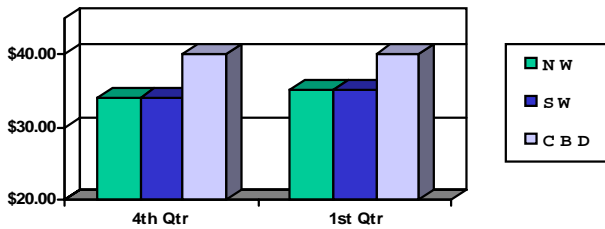
Every quarter, the **Office Leasing Advisory** highlights a building that is under construction. The tenant representatives at **Office Leasing Advisors** can help answer your questions about these buildings, or any other available office space.

**CALL US FOR YOUR NEXT MOVE,
EXPANSION, OR LEASE RENEWAL!**
512-472-1234 (ext. 14 or 20)

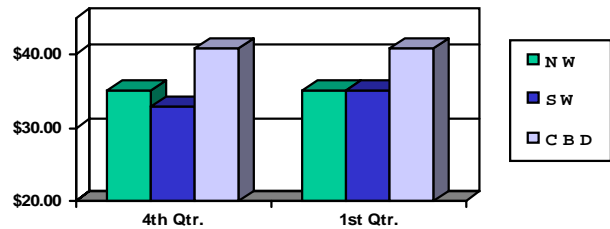
Austin Building Rental Rates First Quarter 2001 Update

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

NEW BUILDINGS



EXISTING BUILDINGS



| | <u>4th Qtr.</u> | <u>1st Qtr.</u> |
|-----------|-----------------|-----------------|
| Northwest | \$31-34 | \$33-35 |
| Southwest | \$33-34 | \$33-35 |
| Downtown | \$38-40 | \$38-40 |

| | <u>4th Qtr.</u> | <u>1st Qtr.</u> |
|-----------|-----------------|-----------------|
| Northwest | \$30-35 | \$30-35 |
| Southwest | \$31-33 | \$31-35 |
| Downtown | \$35-41 | \$35-41 |

High-rise building announced for Congress Avenue in 2003

Months of speculation ended in early February when developer Cousins-Stone announced plans to build a 33-story, 600,000-sq. ft. building at the intersection of 4th and Congress. If pre-leasing goals are achieved in the coming months, construction of the building could be completed by late 2003.

Located on the east side of Congress between 4th and 5th streets, the building would become the first high-rise to be developed on Congress Avenue since the One Congress Plaza building (at 1st & Congress) was completed in 1987. The developers are expected to market the building to major downtown law firms in an attempt to pre-lease some of the space.

The building would likely have ground floor retail space available as well as garage parking and other Class A amenities. Rental rates have not yet been determined, but will probably be similar to the upper \$30's rates at the 300 W. 6th high-rise now under construction.



Site of Cousins-Stone's 33-story building in 2003

Here's what clients are saying about Office Leasing Advisors

? "Your personal service and genuine care is something I don't see very often in the business world. Your diligent efforts made the difference between leasing an office space that would 'just do' and leasing one that truly fit our company needs."

-ALVE Technology

? "We found you to be responsive to our needs and were extremely pleased with your involvement in the project. Of the many co-brokers we have used, your firm is among the best with which we have had the opportunity to work."

-Bailes & Associates, Inc.

? "We very much appreciate that you were proactive in finding us the right space to fit our needs."

-Marsh USA

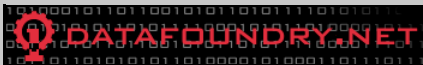
? "Your expertise saved us money, many weeks of planning and negotiation, and played a significant role in the development of a tremendous new office environment in downtown Austin."

-SWG&M Advertising

? "On behalf of the Texas Book Festival, I would like to thank you for helping us renegotiate our lease. Thanks to you, we are in one of the last bastions of reasonable rents in the downtown area."

-Texas Book Festival

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



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