

Crescent buys Austin Centre for \$97 million

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Talk about a hot property.

In less than two years, the price tag of one of downtown Austin's biggest commercial properties has increased 55 percent.

Crescent Real Estate Equities this week agreed to pay \$97 million for the city-block-sized Austin Centre; just two years ago it changed hands for \$62.7 million.

The sale of downtown's eighth-largest office building illustrates how strong Austin's office market has become and how investors — especially some of the nation's larger institutional investors — are clamoring for a piece of the action. It's also further proof of the resurgence of Austin's downtown market.

"What's happening in the Austin market is that we've moved up a step from a second-tier to almost a first-tier market," said Charles Heimsath, president of Capitol Market Research,

a real estate consulting company.

"Investors are now purchasing buildings here in anticipation of continued growth and vibrancy. They view Austin as a good, solid investment opportunity."

The 990,000-square-foot property, at 701 Brazos St., was sold by Highgate Holdings, which is owned by the Khimji family of Dallas and Vancouver, British Columbia. The family owns hundreds of millions of dollars worth of real estate in the United States and Canada, including Austin's Littlefield and Scarbrough buildings downtown and the Stephen F. Austin Hotel.

Austin Centre was not on the market when Crescent approached Highgate about purchasing it, said Tom Stacy, Highgate's local partner.

"We're still very committed to other properties downtown," he said.

Austin Centre includes 344,000 square feet of office space, a 314-room Omni hotel and 61 apartment units. The office building is 98 percent leased and is renting for \$23.85 per square foot,

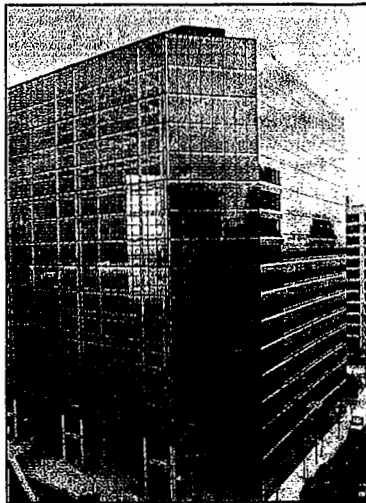
according to Oxford Commercial Inc., a real estate brokerage firm.

As suburban office space has filled up, many companies have come downtown to places like Austin Centre. As a result, the downtown occupancy rate has jumped to 90.9 percent — the highest level ever. In 1987, when the real estate boom turned to bust, only 36 percent of Austin's downtown office space was filled.

Today, few large, vacant blocks of office space remain, and prices have increased nearly 12 percent in the past year to an average of \$18.17 per square foot.

Austin Centre was built in 1986 during the height of the real estate boom for an estimated \$100 million. The property was acquired by a limited partnership headed by Highgate in March 1996 from an affiliate of Inter-Continental Life Corp. of Austin.

Dallas-based Crescent has been one of the most aggressive real estate investment trusts in the Austin market. Crescent's Austin portfolio includes



Austin Centre

Frost Bank Plaza, Bank One Tower, 301 Congress Ave., Barton Oaks Plaza I and The Avallon.

Nationwide, the company owns 84 office and seven retail properties.