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## Crescent looking to buy Austin Centre

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Crescent Real Estate Equities Ltd. is bidding to acquire Austin Centre, Austin's largest multiuse property under one roof.

Sources say Crescent has sent estoppel letters to Austin Centre tenants to confirm lease information. Real estate sources say estoppel letters are often used to determine a building's revenue stream, and their distribution by a potential investor is a strong indication of a pending sale.

Crescent is a Fort Worth-based real estate investment trust. The company's Austin office holdings include 301 Congress, The Avallon, Bank One Tower, Barton Oaks Plaza I and Frost Bank Plaza.

Upon completion of current acquisitions, Crescent and its subsidiaries will own 83 office properties and seven retail properties totaling 30.7 million square feet, plus a variety of other real estate holdings. The office rental properties are primarily in 21 metropolitan submarkets in Texas and Colorado.

Gerald Haddock, president and CEO of Crescent, was not available for comment.

Austin Centre currently belongs to Brazos Austin Center Ltd., a partnership of Tom Stacy of Austin and Highgate Holdings of Dallas.

Stacy says Austin Centre is not up for sale and declined to comment further.

Austin Centre is basically two buildings encased in a glass shell and amounts to almost 1 million square feet of space.

The Omni Austin Hotel Downtown is the largest tenant and occupies roughly half of the complex, with 314 rooms, meeting spaces and other facilities. The hotel occupies the entire second floor, but most of the Omni's space is stacked in a tower in the eastern half of the building.

A 343,664-square-foot office tower on the west side includes a mix of tenants on 16 floors. Tenants also include Ancho's Restaurant on the ground floor between the hotel and office towers, and a number of retail users in the lower levels of the office side. Parking for Austin Centre is arranged in several levels under the building.

Tax records indicate Brazos Austin Center Ltd. purchased Austin Centre from Investors Life Insurance Co. of North America, a subsidiary of FIC Life Group, for \$62.7 million in March 1996. The property was listed for sale prior to that

time for \$80 million.

FIC had purchased the building on Aug. 21, 1991, for \$31.3 million.

The Travis County Tax Appraisal District's appraised value for Austin Centre in 1997 was \$59.4 million.

Charles Heimsath, president of Capitol Market Research, says a bid on Austin Centre would be a good sign for the rest of the market.

"Any time you receive an unsolicited offer on a property that's a viable offer, it indicates significant strength in that market," he says.

While Heimsath says he is unaware of any effort to purchase Austin Center, he says the owning partners may see a better field of opportunity in concentrating on Class B properties.

Stacy and Highgate Holdings acquired several older downtown buildings over the past year, including the former Stephen F. Austin Hotel, and the Scarbrough, Littlefield and Perry-Brooks buildings.

"The strategy is to buy low and sell high," Heimsath says. "The opportunities for buying low and selling high for Class A properties have diminished relative to the Class B upgrade opportunities.

"There are some opportunities but there are fewer opportunities" to improve on the value of a Class A building, he says.

Heimsath's observation is borne out by a recent office market analysis by Oxford Commercial Inc., which showed a wide divergence in lease rates between Class A and Class B properties downtown. That gap may allow owners of Class B space to raise rates while staying well below the average rates for Class A offices.

In addition to office and retail properties, Crescent owns, through its subsidiaries, partial interest in 79 refrigerated warehouses, 90 behavioral health care facilities, six hotels totaling 1,962 rooms, two health and fitness resorts, and economic interest in five residential development corporations.