

Downtown site under contract

Houston developer may put up office building

BY MATT HUDGINS
AUSTIN BUSINESS JOURNAL STAFF

A Houston developer is buying a site for a new downtown office building.

John McKinnerney, vice president of Simmons, Vedder & Co., says the firm is studying the feasibility of building office space on an unspecified downtown site for

which it has a contract pending. He says the size of the project has not been decided.

Local real estate sources say the property under contract is a portion of the city block bordered by Brazos, San Jacinto, Second and Third streets. Sources say the contemplated development could amount to as much as 100,000 square feet of leasable space.

McKinnerney says Simmons, Vedder is working with an architect on a site plan for the building.

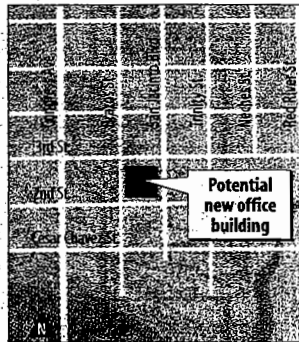
But the developer says he still has some hesitancy about the pro-

posed project, particularly in competition with suburban markets' parking and space availability.

While declining to discuss specifics, he says parking will be an important component of the project.

McKinnerney says downtown office space must compete with the suburbs, where parking is usually free to tenants. New suburban offices average about one vehicle per 250 square feet of office space, he says, and have an

See VEDDER, page 9



VEDDER: Houston developer to buy downtown site; may put up office space

From page 1

advantage over many existing downtown buildings that offer fewer spaces and charge an additional \$4 or more per square foot each month for the spaces they have.

If suburban office construction moves Austin's office market closer to an equilibrium between supply and demand, McKinnerney says, downtown properties may lose tenants to more convenient suburban projects.

"Parking has to be one of your draws" to a downtown office building, he says.

But even with a strong parking component in Simmons, Vedder's project, McKinnerney says future market conditions could hurt plans for downtown construction.

"I'm concerned there's too much space coming out over the next two years already," he says.

McKinnerney says he believes many tenants take downtown space because little else is available or because limited availability has made suburban space too expensive for some companies. Should big blocks of offices become available in the suburbs and result in a rent stagnation or even a decrease, he believes many downtown tenants would leave the Central Business District for the convenience and cheaper parking of the suburbs.

Downtown office building owner Tom Stacy of T. Stacy & Associates says he welcomes new office space because it allows existing companies to expand and gives those clamoring for Austin space

somewhere to go.

"It protects our market that we already have," he says.

While a large office building could affect lease rates downtown, Stacy says, a building of about 100,000 square feet is a small amount to add to the approximately 7 million square feet of office in the CBD and would leave the market balance relatively intact.

"There are a number of large users looking for that much space right now, [so] that much space can be absorbed pretty easily," he says. "When a 500,000-square-foot building is announced, that could have an impact on market rates."

Simmons, Vedder announced plans earlier this month to develop The Reserve, a 135,000-square-foot office complex in the 7500 block of Capital of

Texas Highway. The company will begin construction on more than 900,000 square feet of office space this summer in Houston.

Simmons, Vedder has more than 1 million square feet of office and warehouse space under construction in Atlanta, Ga.; Orlando, Fla.; and Reston, Va.

Principals Wolf Vedder and Tom Simmons formed Vedder, Simmons & Co. in 1992 after leaving Trammell Crow Co. At Trammell Crow, Simmons was group managing partner and Vedder was regional managing partner, and the two were responsible for the development of more than 25 million square feet of office, industrial and retail space in Houston; Washington, D.C.; Baltimore; and Philadelphia.