

## Stacy buying office complex

Hit by sluggish tech market, three-building Park 22 project has 35 percent occupancy rate

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An Austin real estate player with a history of acquiring, improving and then reselling office properties is under contract to buy a 205,000-square-foot complex on RM 2222 in Far Northwest Austin.



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T. Stacy & Associates Inc. is performing due diligence to buy Park 22, a complex of three buildings with structured parking on the south side of RM 2222 west of Loop 360. Sources say the deal is set to close in about two months.

"We're convinced it's an asset we would like to own," says Tom Stacy, president of the Austin real estate firm.

"It's practically a new property, so the due diligence is fairly simple and we're prepared to close on the transaction," he says. "Park 22 is such a beautiful setting ... If somebody wants to be in the suburbs, it's a beautiful place to be."

Executives with the partnership that owns Park 22 couldn't be reached for comment.

Park 22 has suffered from the slowed real estate market. Launched in the late 1990s when the high tech boom pushed the need for new space, the complex reached completion as demand began to ebb in 2000

and 2001. Tenants include VisionWeb Inc., Digital Motorworks Inc. and IBT Technologies Inc. for a collective leasing total of about 77,500 square feet.

Last spring, the ownership changed to make the lender a part of the ownership and to exclude the original developer. The new ownership turned leasing over to Insignia/ESG of Texas Inc. in April 2001. New leases signed last fall brought in Austin companies Digital Precision Inc. and C D Construction Consultants for 3,300 square feet and 1,000 square feet, respectively.

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Despite the new deals, Park 22 remains close to 35 percent occupied, as it was a year ago.

Leasing throughout the city has slowed to a trickle in that time, but occupancy in Far Northwest Austin is the lowest in the city. A recent study by Colliers Oxford Commercial found 76.4 percent occupancy in that sector, compared with a citywide rate of 88.2 percent.

But Stacy says that once his company buys the project, it expects to offer deals tenants won't be able to pass up.

"There's about 150,000 square feet of vacancy, and we plan to be extremely aggressive in leasing the property," Stacy says. "We understand where the leasing market is today, and we're prepared to make proposals that will get people's attention."



Stacy declines to specify expected asking rates for Park 22, but he says leasing agents Casey Beasley and Tim Jarvis at T. Stacy & Associates will be more aggressive on deals initially rather than later, when the property begins to fill up.

Sources say one of those deals under consideration is with Sunset Direct Inc., an Austin marketing and sales firm in the market for 60,000 square feet of new offices. Those familiar with the negotiation say Sunset has been offered six months of free rent as part of the deal, and Stacy's company has offered to pay the marketing firm's moving expenses.

Sunset Direct executives decline to discuss the site search.

Stacy declines to discuss specific offerings, but he says his firm's strategy is to bring tenants into Park 22 to begin generating cash flow and then raise the rental rates later if the market strengthens.

"We believe that it's better to get the project occupied and do what it takes to accomplish that in a given market than it is to hold the space off the market until the market gets stronger," he says.

Stacy declines to disclose the price under negotiation for Park 22. The owner hasn't marketed the space for sale, and Stacy says Kevin Black, senior vice president of acquisitions at T. Stacy & Associates, was instrumental in initiating discussions with the owner.

Tenant representation brokers say access to Park 22 from RM 2222 has been a stumbling block to leasing the property.

Local investment real estate brokers say that although access continues to be a problem, new retail planned for development to the west of Park 22 will benefit the office project.