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## Fertile ground

More office developers eye Round Rock

Austin Business Journal - by [A.J. Mistretta](#) ABJ Staff

Last year, as the newly formed Art Institute of Austin was putting together its programs, officials were searching the metro area for the best space to house the school.

The institute, part of the Art Institutes International offering creative arts degrees in fields from fashion to animation, wanted a location that students from across Central Texas could easily access. They found what they were looking for in Round Rock.

"The floor plan and our ability to build out and expand our space in this facility was one of the things that really attracted us," says Tommy Newsom, president of the Art Institute of Austin, which signed a lease late last year for 50,000 square feet in the Frontera Crossing office building.

While the institute is not a traditional office user, its lease is one of the largest of late in Round Rock, an area coming into its own as a legitimate office market, with space in the planning stages outstripping the amount that is currently on the ground.

The Austin suburb has burgeoned in the last decade from a quiet bedroom community into a thriving edge city, but has been slow to produce office space, due in large part to lack of transportation connectivity. However, the arrival of new roads such as State Highway 45 have dramatically altered the playing field, making Round Rock a far more attractive place to locate and run a business.

Round Rock has about 637,181 square feet of office space, the smallest inventory of any of the local submarkets, according to a year-end report from Oxford Commercial. The average rental rate, up 61 cents in the last six months to \$24.46, is on par with average rents across town despite the fact that the submarket has a 34 percent vacancy. Developers are betting the vacancy rate will improve, and they're planning new construction ahead of what they believe will be a hot area in coming years. At least 800,000 square feet of new product -- significantly more than what already exists -- is in the works for Round Rock. Some of that space is being offered for either sale or lease, but much of it is targeting office tenants who want to be closer to where their employees live.

"Round Rock has the retail amenities, the people who live there and now the roadways," says David Putman, executive vice president of Moore&Associates Inc., which has purchased two office buildings in Round Rock in the last 15 months. "Those three attributes fuel, in our

minds, this location becoming a real office submarket. I think the new projects will create a critical mass that will help the entire area gain [office] momentum."

La Frontera -- home to more than 1 million square feet of retail at the crossroads of I-35, MoPac Expressway and SH 45 -- has spawned a center of commerce in Round Rock, says Putman.

"What this area is lacking is office, and developers have recognized that," he says.

The largest of the new office developments, Frontera Vista, will bring nearly 268,000 square feet of product online at La Frontera by the end of 2008, and ultimately an additional 1.2 million square feet in future phases.

While Frontera Vista will look to attract traditional Class A office tenants, The Spectrum @ Crystal Park project to the north on Old Settlers Boulevard is focusing its attention on small business owners who want to lease or purchase their own building. St. Croix Capital Corp. is developing Spectrum and is already underway on the first phase, which consists of 10 buildings of various sizes totaling 84,000 square feet. St. Croix has also purchased adjacent land to add another 140,000 square feet to that.

Casey Ford, with CB Richard Ellis, who is marketing Spectrum, says the project will provide small and medium-sized companies, as well as medical professionals feeding off of the growing health care base, "with an opportunity to own instead of rent and build equity in the process. If you have a business with employees living in Cedar Park and Pflugerville, Round Rock is right in the middle."

Putman says his group has had success pitching businesses new to the area on Round Rock's attributes. Unlike companies already in Austin, those groups typically don't see the community to the north as being that far removed.

"When we show them the access and convenience, the affordable housing in the area, the good school system, they love it," he says. "From the outside in, it's very attractive."

Putman says The Summit at La Frontera, which Moore&Associates bought in October 2006, is 85 percent leased, while Frontera Crossing, purchased empty last summer, is slowly filling up with 120,000 square feet still available.

Kevin Kimbrough, vice president with Oxford Commercial, is responsible for leasing the 60,000-square-foot Crystal Park Plaza office building on Old Settlers Road. That property, which is currently 100 percent occupied, has for years captured the highest rents in Round Rock.

Kimbrough says developers of several new projects are checking with him to see how high they might be able to push rates, and whether they can make the numbers work, given rising construction costs.

"It's going to be interesting to see how that office product, or more specifically the rates that are going to have to be charged, will be received," says Kimbrough.

Still, he says some tenants in the Round Rock area who want a better image are looking for newer space -- and are willing to pay for it.

"Crystal Park Plaza was the last office building built up there and you're seeing more interest from more sophisticated tenants," says Kimbrough. "Because this is the smallest submarket, you're going to need new product to satisfy that need even if the vacancy rate doesn't suggest it."

The impact of the MoPac extension and SH 45 shouldn't be underestimated, says Kimbrough.

He's seen brokers showing their Austin clients around Round Rock in recent months who never would have dreamed of doing so before.

"The toll roads have really connected Austin to Round Rock in ways never thought possible," he says.

*amistretta@bizjournals.com*

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