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Amstar Acquires Austin Office Building Near Capitol

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By Tonie Auer, Southwest Correspondent

Just a few blocks down the street from the Texas state capitol building, Denver-based Amstar Group L.L.C. purchased a 180,000-square-foot fixer-upper in a Congress Avenue building for an undisclosed amount.

Located in the heart of downtown Austin, the off-market transaction was made by Amstar in partnership with T. Stacy & Associates, an Austin real estate operator, from 823

Congress Ltd. T. Stacy will manage and lease the building going forward. The purchase price was undisclosed, but the 2006 appraised value of the Class B property is \$19.4 million, according to the Travis County Appraisal District.



The Congress Avenue building (pictured) is three blocks south of the Texas State capitol and two blocks north of the intersection of Sixth Street and Congress Avenue, which a main and main type intersection for downtown Austin. The location was a key driver of Amstar's interest in the asset, as the partnership intends to participate in Austin's strengthening office market.

To date, 823 Congress has been under-capitalized, creating an immediate value-add opportunity for Amstar and T. Stacy's team to dramatically improve the building's image and operations, according to Amstar information. The partnership expects to spend more than \$2.5 million to enhance the building's exterior, common areas, parking facilities and new tenant spaces. Amstar information indicated this property is well positioned to benefit from an infusion of capital to take advantage of the improving office market in Austin.

"There is a big difference in average rental rates in class A and class B in the Austin CBD," Matt Levin, research analyst with Oxford Commercial in Austin told *CPN*. "The Class A is leasing for \$28.57 per square foot and the Class B for \$20.74 per square foot. It is a huge difference. So, if you can renovate this to Class A status or a real nice Class B, that will be where the value add is."

Additionally, being on Congress Avenue is a huge plus, too, he said. The 8.5 million square feet in the CBD is mostly Class A with 5.1 million, Levin said. Class B is 2.6 million. The vacancy rates reflect the demand for Class A, too, with 17 percent vacancy for Class A versus 22 percent for Class B, Levin said, according to third quarter numbers

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