


REAL ESTATE

Downtown office high-rise sold

Purchase by Denver firm, made with help of a local developer, is the latest in a series of downtown sales.

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AMERICAN-STATESMAN STAFF
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A 35-year-old office building on Congress Avenue in downtown Austin will get a makeover after being acquired Thursday by a Denver-based real estate private equity firm.

Amstar Group LLC teamed up on the purchase of 823 Congress Ave. with local developer Tom Stacy, who in 1994 led the investment partnership that bought the 16-story building at the southeast corner of Ninth Street and Congress Avenue. Amstar and Stacy did not disclose the purchase price.

Stacy, president of T. Stacy & Associates, is managing partner of the new ownership group, which plans to spend more than \$2.5 million next year to spruce up the dark bronze building inside and out, including a fresh coat of paint that will make it look like a new building, he said.

The improvements, including enhancements to its common areas, parking facilities and tenant spaces, will make the building more attractive to existing and new tenants as Austin's office market continues its upswing after several years in the dumps during the tech bust. Stacy's company will manage and lease the building, with a goal of bumping its occupancy rate, currently at 80 percent, to 95 percent over the next year, Stacy said.

The building is home to several high-profile tenants, including the Austin Museum of Art, the lobbying firm Hillco Partners and former Austin Mayor Bruce Todd's consulting firm.

With office occupancies and rents continuing to strengthen downtown, "it was a great time to sell to someone that wanted to stay with the building longer" and improve its image and operations to help it reach its potential, Stacy said.

The improvements, Stacy said, will make the second-tier building competitive with first-class office buildings downtown.

The location of the 181,381-square-foot building, two blocks south of the Capitol and two blocks north Sixth Street, piqued Amstar's interest.

"The current market fundamentals suggest Austin's office market is improving rapidly," Amstar Executive Director Doug Wiley said in a statement. "Net absorption is strong, rent growth is accelerating, new supply is not a significant threat and the economy is growing."

Amstar's acquisition follows several high-profile downtown office-building purchases in the past 14 months, fueled by the continued strengthening of Austin's office market.

In August, Chicago-based Equity Office Properties Trust snagged Austin's tallest building, Frost Bank Tower on Congress Avenue. The \$188 million purchase price worked out to \$354 a square foot, a state record.

The previous record was set in October 2005 when Equity bought 300 West Sixth, at Sixth and Lavaca streets, for \$131.7 million, or \$295 a square foot.

In June, California-based Triple Net Properties LLC bought the Chase Bank Tower in downtown Austin with local partner Endeavor Real Estate Group for an estimated \$68 million.

Also earlier this year, Michigan-based Pomeroy Investment Corp. paid \$24.4 million for 14-story One Commodore at 800 Brazos St. and the 20-story Capitol Tower, formerly Two Commodore, at 206 E. Ninth St. Pomeroy said it would spend more than \$20 million on floor-to-ceiling makeovers for the downtown office buildings, including converting One Commodore into a mixed-use tower with about 80 condominiums, plus shops and offices.

Amstar doesn't own any other office buildings in Austin but has other holdings in Central Texas. Those include 190 acres near Marble Falls for a mixed-use development and 37 acres on RM 620 just north of Texas 71 and RM 2244 (Bee Cave Road) for a residential development.

With a portfolio that includes office, industrial, apartment, retail and hospitality holdings in major markets across the U.S., Amstar also is pursuing additional opportunities in the Austin area, although nothing has been placed under contract.

And Amstar said it is "looking forward to doing more deals in Austin" with Stacy, whose other projects include plans for a 47-story high-rise at Fifth Street and Congress Avenue to be designed by Pelli Clarke Pelli, an internationally known architectural firm. It would be built next to Stacy's Bank of America building, replacing the current annex.

The building is planned to have condominiums, shops, offices and possibly a hotel. There is no timetable for breaking ground, Stacy said.

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