

Friday, September 26, 2008

Downtown office building to be redone

Undisclosed investment to turn 1300 Guadalupe into Class A space

Austin Business Journal - by [Jean Kwon](#) ABJ Staff



Nick Simonite

At one time, owners wanted to turn 1300 Guadalupe into condos.

[View Larger](#)

An old office building is being transformed into downtown's newest Class A office complex.

After a dramatic renovation, 1300 Guadalupe, on the northwest corner of 13th and Guadalupe streets, will offer 55,000 square feet of sorely needed Class A office space in the urban core. The three-story, 36,000-square-foot building will be completely revamped with a new exterior and interior, two additional floors and upscale amenities such as a rooftop terrace with views of the Capitol.

The site is owned by a group of undisclosed investors called Thirteenth & Guadalupe LLC who bought it last October. Aquila Commercial is marketing the building to prospective tenants.

Construction is scheduled to begin in several months and be complete by first quarter 2009. The cost of the project was not disclosed.

Commercial general contractor Burt-Watts Industries Inc. and design firm Noack-Little Architects and Interiors will lead construction and design of the renovations.

The unoccupied stucco and brick structure, built in 1964, has been used solely as Class B office space. It changed hands last October after its longtime previous owners, who were not disclosed, abandoned plans to convert the structure into condos.

While the sales price was not disclosed, the Travis Central Appraisal District assessed the property's value at nearly \$2.9 million.

The building will be remade in an "urban design" that includes steel, plaster and glass exterior components, says Shane Watts, vice president at Burt-Watts Industries, whose projects have included The Domain and medical buildings for the Seton Family of Hospitals.

Once finished, the redo will give the building a “modern contemporary feel” and qualify it for an Austin Green Building Program rating and Leadership in Energy and Environmental Design certification, says Chris Perry, a principal at Aquila Commercial.

The building is in a capitol view corridor, which prevented the owners from demolishing it and building an office tower, Perry says. Selling the renovated building is “not part of the strategy or intention at this time. ... [But] everything is always for sale.”

Rental rates will be \$22 per square foot, which includes turnkey finish-out costs. The landlord is willing to work with tenants on floor plans and budgets to pay for them with allowances for overages — “one thing we can offer that some buildings can’t,” Perry says. Most landlords offer an up-front tenant improvement allowance that typically doesn’t cover overages.

Limited availability of Class A office space in the urban core during recent years has created healthy demand for new product, experts say. As of June, there were roughly 8 million square feet of office space in the Central Business District — of which roughly 50 to 60 percent is Class A — with 88 percent of it occupied, real estate sources say. Average Class A rental rates hover above \$37 per square foot. Office space, in general, downtown averages between \$31 and \$34 per square foot.

While the suburban markets have exhibited softness with several new buildings coming online in the last few years, the Central Business District hasn’t had any significant deliveries since the Frost Bank Tower was completed in 2003, Perry says.

“If you look at occupancy rates and trends downtown, we are optimistic about the downtown market,” Perry says.

1300 Guadalupe should draw tenants who need access to the Capitol and the county and federal courthouses, says Mike Kennedy, founder and president of Commercial Texas. Kennedy, who is not involved in the project, adds that the proposed rental rates are attractive when compared to the office towers that line Congress Avenue a few blocks away.

“It’s a great play, and it’s certainly less costly than new ground-up construction since you are taking advantage of infrastructure that exists already on the property and offering product that frankly doesn’t exist over there right now,” Kennedy says