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Tech and Startups Alike Want in on Austin

By [Lisa Brown \(/author/profile/Lisa Brown/\)](#) | September 27, 2018 at 09:00 PM

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<https://images.globest.com/contrib/content/uploads/sites/312/2018/09/aus-paloma-ridge.jpg> Paloma Ridge is a 211,000-square-foot class-A office campus comprised of two buildings.

AUSTIN, TX—The office market is benefiting from remarkable growth among both **tech heavyweights** (<https://www.globest.com/2018/08/13/austin-has-more-tech-jobs-than-tech-grads/>) and a myriad of startups. An analysis of the top 10 tech companies in Austin shows that these firms own or lease approximately 6 million square feet or nearly 10% of the market. For the time being, the outsized and growing presence of these firms is creating very **tight market conditions** (<https://www.globest.com/2018/09/26/project-makes-the-most-of-underutilized-site/>), according to a second quarter office report by Savills Studley.

“Top tech firms in Austin are taking different routes to secure additional space for their growing workforces. Some are expanding on corporate campuses, others are making aggressive moves on future development sites. In general, the competition for space is becoming as fierce as the battle for talent,” said Brad Hauser, research director of Savills Studley.

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Indeed, firms are going the extra mile to claim space. For example, most recently, one property became re-stabilized with more than 65,000 square feet of new leased space.

Denver-based real estate private equity firm, Ascentris, stabilized Paloma Ridge, a 211,000-square-foot class-A office campus comprised of two buildings within the Far Northwest submarket. Ascentris acquired the 70% leased property in December 2017, along with land for a third building, and quickly executed on the new leasing.

Leasing activity came from several industries including cybersecurity, health insurance, homebuilding and interior design. Additionally, an existing software developer expanded by 13,000 square feet, bringing the property to 100% leased. Stream's Edvin Beasley and Scott Deskins are the leasing agents for the campus.

"Paloma Ridge successfully filled a void in the Austin office market by offering brand new class-A space at a significant rent discount to new construction," said Beasley. "Tenants are also attracted to Paloma's proximity to the high-growth residential neighborhoods in North Austin where their employees live. We are thrilled to move forward with the third building and believe that tenants will continue to gravitate to Paloma Ridge because of its compelling attributes."

Ascentris and Stream hired Sixthriver to complete the design for a third and final building on the campus. Construction is anticipated to begin in early 2019, with completion near the end of the year.

"The two existing buildings are 211,000 square feet, and we are planning a development of a third adjacent building totaling approximately 160,000 square feet," James Proffitt, principal of Ascentris, tells GlobeSt.com.

Building C will be three stories, with flexible 55,000-square-foot floorplates and private terraces on the third floor. The design includes a fitness center with spa-quality locker rooms, a 1-mile jogging trail and outdoor amenity areas. Ascentris is seeking certifications from WiredScore, Fitwel and LEED to demonstrate its commitment to developing a smart, healthy and sustainable building.

"The building's modern design, coupled with an above market parking ratio, proximity to the light rail station and relative value proposition to the Domain make Paloma a one-of-a-kind offering. We want to appeal to tenants seeking to optimize their business and improve their bottom line through efficient operations and a productive workforce," said Jake Rome, senior vice president of Ascentris.

Tenants leased 1.4 million square feet in the second quarter and have leased 7.3 million square feet in the four most recent quarters, well above the long-term market annual average.

In the largest second-quarter transaction, Indeed signed a 307,000-square-foot lease for the top 10 floors of Block 71 in downtown Austin, says the Savills Studley report. It plans to consolidate downtown locations at the new building upon its completion in 2021. This will give the company three outposts in the region—its campus in the Champion Office Park, 300,000 square feet in the Domain and the newest location downtown.

Indeed's aggressive move makes sense against the backdrop of tight availability. Several other tenants are in the market with significant space requirements. Austin Energy, for example, is looking for 300,000 square feet so it can consolidate all of its 1,700 employees under one roof, says the report.

Tight availability is prompting more developers to push forward with new projects. Lincoln Property is teaming up with Phoenix Property company on a potential 37-story tower at 401 W. Fourth St. Currently being called "The Republic" the project on one of the last undeveloped and unrestricted blocks downtown (near the W Hotel) would be just slightly taller than Trammell Crow's Block 71 project. The 1.42-million-square-foot building overlooking the recently renovated Republic Square would have 711,401 square feet of office space, ground-floor retail and 1,644 parking spaces. Still in the planning stages, Lincoln is moving ahead first with another tower, 600 Guadalupe St.

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Lisa Brown is an editor for the south and west regions of GlobeSt.com. She has 25-plus years of real estate experience, with a regional PR role at Grubb & Ellis and a national communications position at MMI. Brown also spent 10 years as executive director at NAIOP San Francisco Bay Area chapter, where she led the organization to achieving its first national award honors and recognition on Capitol Hill. She has written extensively on commercial real estate topics and edited numerous pieces on the subject.



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