



**Marketing & Investment Sales**

Helen Jobs, CCIM, a partner with Capella Commercial LLC, specializes in the sale and leasing of office, retail, and industrial property as well as investment sales in Central Texas, San Antonio, Houston and the Rio Grande Valley.

During her 34-year career, Jobs has leased over 800,000 sq. ft. of office space and sold more than 4.419 million sq. ft. of commercial real estate including office/warehouse, office, retail centers, apartments and land.

Jobs served as the investment sales broker at Trammell Crow (now CBRE) and was principal and founder of Gold Eagle Investments for ten years. She also served as the Regional Director of Marketing and Investment Sales for Kennedy Wilson for the past three years.

She is a member and served 11 years on the board of the Real Estate Council of Austin and is a past president and member of the Austin Commercial Real Estate Society. She is also a member of the Urban Land Institute and the Central Texas Commercial Brokers Association.

**Austin Office Investment Market – Continued**

**MARKET OVERVIEW**

Austin has one of the highest rates of pre-leasing for office space in the country which has fueled the consistent increase in rates and building values. In addition, the City is enjoying one of the lowest vacancy rates on record and about 53% of square footage slated to deliver in 2018 through 2022 is already pre-leased. Also adding to these positive reports, the City's unemployment remains significantly below the State and National rates. Rates continue to rise and values as well.

With escalating rental rates and expenses as well as parking limitations in the CBD, the East side has been the largest benefactor with its close proximity. However, a new joint venture between Cousins Properties, Riverside Resources and Ironwood Real Estate will put a 31-story, \$175 mm office tower on the site of the former Sullivan's Steakhouse at 300 Colorado and is already fully leased by Parsley Energy.

Also seeing increased expansion is the North/Domain area with most of the new buildings leased prior to delivery. Domain Tower, developed by HPI with completion date of September 2018, has been 100% leased by Indeed in addition to space they already occupy.

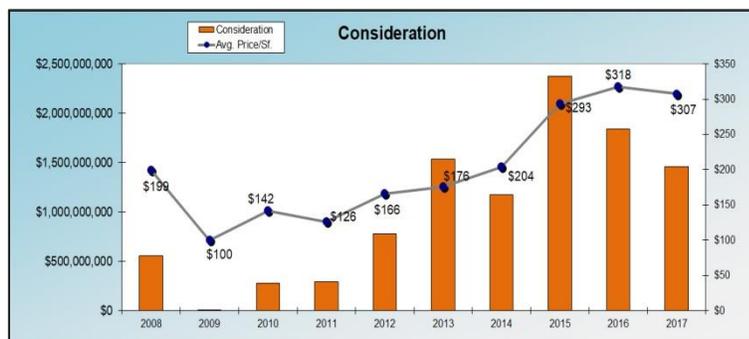
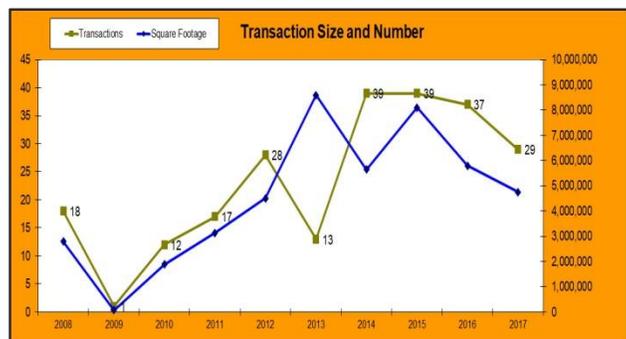
**BUILDING SALES/VALUES**

While the average price per square foot declined for 2017, this is due to the sale of two buildings totaling almost 200,000 SF that were empty and sale of a couple of Class C buildings. The decline in the number of sales is attributed to the lack of properties offered for sale.

The largest portfolio sale was the joint venture between DRA Advisors and Brandywine Realty on the sale of five properties to Starwood Capital Group totaling 1.16 million square feet for a gross sales price of \$333.3 million and an average PSF price of \$286.34. The highest price of a multi-tenant office property (non-medical) was the sale of 5th + Colorado at \$119 million or \$663.50 per square foot by Goldman Sachs Group Inc./Lincoln Property Company to Intercontinental Real Estate. The purchase was leasehold only with 65 years left on a ground lease with an option to extend for 25 years, year of construction was 2016.

	2002	2003	2004	2005	2006	2007	2008	2009
<b>Transactions</b>	11	11	23	33	14	34	18	1
<b>Consideration</b>	\$193,933,250	\$100,368,670	\$533,357,318	\$1,021,550,163	\$1,029,712,000	\$2,768,090,000	\$555,495,000	\$7,500,000
<b>Square Footage</b>	1,632,884	999,789	4,410,413	5,886,328	5,982,971	11,151,996	2,789,994	75,000
<b>Avg. Price/Sf.</b>	\$118	\$100	\$121	\$174	\$172	\$223	\$199	\$100

	2010	2011	2012	2013	2014	2015	2016	2017
<b>Transactions</b>	12	17	28	13	39	39	37	29
<b>Consideration</b>	\$280,992,000	\$407,625,668	\$778,475,224	\$1,537,239,842	\$1,176,021,724	\$2,377,911,013	\$1,843,240,122	\$1,459,385,943
<b>Square Footage</b>	1,890,185	3,227,561	4,506,860	8,597,424	5,637,662	8,106,169	5,798,810	4,747,644
<b>Avg. Price/Sf.</b>	\$142	\$126	\$166	\$176	\$204	\$293	\$318	\$307





**FINANCING AVAILABILITY**

Texas Realty Capital (“TRC”), based in Austin, TX recently returned from the Commercial Mortgage Bankers Conference in San Diego. The lenders in attendance are all increasing their allocation for originating new mortgage loans on commercial real estate – both for permanent loans on stabilized properties and also for bridge loans on value add properties or properties with significant tenant rollover. A great deal of discussion at this year’s conference was focused on rising interest rates and how much lenders are tightening their spreads to offset the rise of the yields on the US treasury index rates. The 10-year US Treasury yield is currently 2.88%. That is an increase of over 40 basis points since the beginning of 2018 and over 75 basis points from the summer of 2017.

Permanent lenders continue to be most interested in Industrial, Office and Multi-Family. While their appetite for retail has definitely become more selective, good quality retail properties can still attract good loan terms. Most life company lenders prefer to stay conservative on their loan sizing - targeting loans with LTVs below 70%. TRC is currently finding that 10 year fixed rate transactions are priced in the 4.40-4.60% range, but for larger (+\$20MM) deals that are below 60% LTV with a solid rent roll the rate could be as low as 3.80%.

There are new bridge lenders entering the market almost every month. Non-recourse bridge loans are widely available and while there is a large range in rates, TRC has seen that the increased competition among lenders has been pushing rates lower. Rates and fees will be based on the project’s in-place debt coverage and overall amount of cash equity from the sponsor. Most transactions are being priced in the 6.00%-8.00% range – with the more conservatively underwritten deals attracting some lenders in the 5.50% range. The term on these loans is commonly 2-3 years and usually charge 1-2% origination and 1-2% exit fees. Central Texas remains a very desirable area for Lenders as job growth and real estate fundamentals continue to outperform almost all other US markets. TRC is a correspondent for over 20 life insurance companies from all over the US and is actively working on loan sizes from \$1,000,000 to \$100,000,000 per transaction.

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**MARKET FORECAST**

The combination of a steady stream of demand for office space with limited construction will continue to create higher rents and low vacancy. The Austin economy grew at a healthy pace during 2017 adding 5,000 jobs and professional and business services employment climbing at 12.2%. Austin is one of the prime locations for millennials and with the tech labor force and favorable tax laws, we will continue to see an influx of companies.

One of the biggest announcements of 2017 is that Austin was one of only two locations in Texas that made the Amazon’s shortlist of 20 cities that could become the site of the retail giant’s planned second headquarters project.

Some Austin Accolades:

- ◆ Austin’s economy is the Nation’s fastest growing among large cities....*Wallhub*
- ◆ Austin is where tech salaries go the furthest...*Indeed*
- ◆ Austin ranks as America’s Fastest-growing city...*Forbes*
- ◆ Austin is the Best non-gateway city in the US for Commercial Real Estate Investment...*DLA Piper*

**HELEN’S NOTABLE 2017 SALES**

	<b>Crystal Mountain Office Building</b> (54,404 sf) 9433 Bee Cave Rd., Austin, TX 78746 Two story bldg. nestled in wooded setting with dramatic Hill Country views in prestigious SW Austin. Exceptional access to Hill Country Galleria & Village at Westlake. Dual access points, ample surface parking. <b>Sold October 2017</b>
	<b>Hunter's Pointe Office Complex</b> (30,902 sf) 13091 Pond Springs Rd., Austin, TX 78729 Architecturally unique business park setting at intersection of Pond Springs Rd. & Cahill Dr. Exceptional access to SH-45 tollway, Hwy 183/Research Blvd., Mopac Blvd., as well as premier shopping. Ample parking. <b>Sold October 2017</b>
	<b>1315 Nueces Office Bldg.</b> (1,988 sf) 1315 Nueces, Austin, TX 78701 Quaint building in highly desirable area of downtown Austin at corner of Nueces and W. 14 <sup>th</sup> Street. Good visibility and access. Six on-site parking spaces, zoned GO-MU. <b>Sold May 2017</b>
	<b>Avana</b> (22 Units/27,551 sf) 4525 Guadalupe, Austin, TX 78751 Condo quality complex built 2016 in historic Hyde Park with upscale contemporary architecture & luxurious amenities. Spacious floorplans, gourmet kitchens, hardwood flooring. <b>Sold March 2017</b>

For detailed information on the contents of this report or information on commercial real estate investment, contact me today!

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