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Dear Client:

How many new multi-level residential projects are emerging in downtown Austin? Five? Ten? The big number is eleven. And these are just apartment unit projects, not condos.

Downtown apartment buildings – in fact, units all over the metro area – are jam-packed. So there is a **rush to meet the demand for housing units triggered by a continually-increasing population.** Take a look at the timeline for these eleven projects totaling 2,435 units:

The Catherine, completion August 2014. A 19-story building will contain 300 apartments on the south shore of Lady Bird Lake.

7Rio, completion mid-2015. 221-units at West 7th and Rio Grande.

Corazon, completion early 2014. 256-units in a mixed-use project.

Coldwater, completion summer 2014. 225-units at Barton Springs Road.

Gables Park Plaza Tower, completion late 2013. 185-units in a mixed-use 18-story tower.

Whitley, completed June 2013. 266-units in 18-story building at 3rd & Brazos.

The Bowie, completion 3rd quarter 2014. 358-units, office and retail.

Eleven, completion August 2013 (phase 1). 83-units at IH35 and East 11th.

Austin Skyhouse, completion late 2014. 320-units in Rainey Street area.

Pearl and MLK, no completion date. 141-units in west UT Austin campus area.

West Campus Apartments, completion Oct 2013. 80-unit student housing.

This info is provided by the **City of Austin Economic Growth & Redevelopment Services.** It provides a map and description showing these and other emerging construction projects, such as commercial, non-profits, governmental, etc. You can contact the department for copies.

If there is a “War on Cars” in downtown Austin, additional residents of newly-constructed apartment units will greatly escalate those efforts. What does this mean for *bicycles* on the streets in downtown? There may be a roadmap in Seattle for what could happen.

Already millions of tax dollars are being spent to make it easier for bicycles to move around in downtown Austin. As one example, just check out the City of Austin’s roadway construction projects in downtown. Sure, there is a lot of underground utility work that tears up the streets. But when the streets are repaired, pedestrian walkways are widened and **bicycle lanes are created – there will be fewer traffic lanes for motor vehicles.**

According to a survey done for the Downtown Seattle Association, only 3% of downtown Seattle’s 200,000 commuters now bicycle, but **the number of bicyclists has increased 18% since 2010.** So what is happening in downtown Seattle to stay ahead of the bicyclist’s curve?

Amazon.com is building cycle tracks at its three-block office complex under construction in downtown Seattle, the *Puget Sound Business Journal* reported. “Plans show traffic signals for cyclists, complete with **‘leaning rails’ on which riders can rest their feet while waiting for the green light.** Once these cyclists arrive, they’ll pedal to indoor bike parking,” the *Journal* noted.

“Another developer, Harbor Urban, is building an **entire apartment building for bicyclists,**” the *Journal* continued. “The 171-unit project’s doors, lobby floors and elevator walls are designed to be bike-friendly and the apartments will have bike-storage ‘niches’.”

Another project is building a bike commuter lounge in its retail, office, residential and hotel complex. “We’re not just putting a rack over in the corner and bolting it to the floor and calling it good,” the project’s president was quoted as saying. **He also pointed out the bike lounge will brim with \$300,000 worth of racks, lockers, shower rooms and a vending machine that dispenses energy bars and spare tire tubes,** reported the *Journal*.

To bolster the argument for catering to bicyclists, authorities there point to a study by Portland State University that found **cyclists visited bars more often than drivers and spent more overall.** The numbers: over the course of a month, **cyclists stopped in almost five times, and plunked down a total of \$69. That compared to 1.6 visits for motorists, whose tabs totaled just \$40.**

Oh yeah, one 654-unit project in downtown Seattle contains a Bike Club. **Club members have a key card that gives them access to an elevator that lifts them up a floor to a space where they can store their bikes during the day, repair and wash them, and shower.** The Club has parking for 200 bikes. The monthly membership fee is \$15; an optional locker costs another \$15. So it goes in Seattle. Is Austin far behind?

The City of Austin has backed off an effort to move the governance of the city-owned utility to a separate board of directors. But the issue won't go away. A powerful State Senator has asked the Texas Attorney General for a ruling that may put the issue back on the table.

The Senate Business and Commerce Committee, chaired by Sen. **John Carona**, R-Dallas, recommended the **Austin City Council should consider giving up its control over Austin Energy** and transition control to a board of directors. But the legislation failed to be voted out of the most recent regular legislative session. Now Carona is taking another tack. He wants Attorney General **Greg Abbott** to step in. And Austin Senator **Kirk Watson** supports him.

In his request to the AG, Carona mentioned a number of **concerns about the City Council's management of the nation's largest city-owned electric utility**. He cited the recent Council vote to **raise electric rates** (being felt this month) and about the **affordability of the utility's renewable energy goals**.

You may recall the Council is among the most aggressive in the nation in adding renewable energy to its portfolio, setting a **goal of 35% renewable energy by 2020**. And just recently, Austin Energy announced three **new wind contracts** to provide electricity in the future. There was more, but you get the idea.

But some may ask if this isn't a local issue. In other words, **what is a Senator from Dallas doing meddling in Austin's internal affairs, questioning duly-elected local leaders?** The Senator has an answer.

"The State of Texas is one of the largest consumers of Austin Energy, which provides electric service to the Texas Capitol Complex, The University of Texas at Austin and other critical buildings and facilities owned by the state. **Debates and discussions related to Austin Energy cannot be viewed as matters solely of local concern,**" Carona pointed out.

He went on to say **"Austin Energy owns generation assets that are critical to the reliable operation of ERCOT** (Electric Reliability Council of Texas), and Austin Energy's customer base represents approximately 4% of the ERCOT load."

As he put it: **"...matters of oversight, financial policies, governance and the day-to-day operation of Austin Energy** are also of great interest to the State of Texas." Note that he included "financial policies" in his list of concerns.

Bottom line: Carona wants AG Abbott to issue an opinion on questions related to **transfer of governance from the Austin City Council to a board of directors** (that would include allowing out-of-town customers to be represented on the board). He also is asking if the **City Charter could be amended in an election open to all customers of the utility** and not only residents inside the city limits. The AG's ruling is much anticipated. Stay tuned.

If you are looking for office space in the Austin area, you will find a more competitive market than a couple of years ago. You will have fewer options. And, it's tighter and more expensive for tenants.

As you would expect, this pushes up the lease rates. "Following the laws of supply and demand, **rental rates are on the rise as the supply of available office space dwindles,**" says **Bob Rein**, AssocVP with the local commercial real estate firm, NAI REOC.

How severe are the hikes? "At the close of the first quarter, the citywide average quoted full-service rental rate climbed to \$24.31 per square foot on annual basis -- **up 5.8% compared to the same quarter last year,**" reported NAI REOC. This is citywide. What about downtown? "**Over the same period, asking rents for downtown office space have soared 10% to reach the current average of \$32.60,**" continued the commercial real estate firm.

Looking ahead, NAI REOC says these "substantial gains" should "serve as a solid springboard for continued improvement and growth in 2013. Expect to see continued area job growth translate into **additional demand for quality office space which will tighten market fundamentals,**" concluded **Kim Gatley**, SrVP/Research Director for NAI REOC.

A quick update on residential real estate: Austin area builders are starting construction of new homes at a red-hot pace, as demand continues to outpace supply of new homes.

Home builders started construction on 2,650 homes in the Austin area in the 2nd quarter – **a 32% surge increase year-over-year.** For a *full year*, this brings the tally to 9,027 home starts – **a 38% increase from the previous 12 months.**

Dr. Louis Overholster really likes Independence Day because it represents freedom. His take: "Freedom of speech is wonderful -- right up there with freedom not to listen."

Sincerely,



Editor/Publisher