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Stonelake Capital plans 50-story Austin skyscraper after taking over downtown project

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Plans for a large tower at the corner of Fifth and Colorado streets have dramatically changed.

Stonelake Capital Partners on Jan. 27 unveiled its proposal for a 50-story mixed-use tower at the downtown Austin site.

An affiliate of the real estate private equity firm, known in Austin for developing multiple towers at The Domain, acquired the 0.5-acre site at the southeast corner of Fifth and Colorado in September for an undisclosed price.

Austin Business Journal in May 2020 revealed plans by Ryan Companies to build a 41-story high-rise at the site, dubbed Tower 5C. But Stonelake has taken over and is now pushing ahead with a modified vision.

The working name for the new skyscraper is “5th & Colorado,” though Stonelake added it would announce the project’s full branding and identity at a later date. Plans call for 465,000 rentable square feet of residences and office space.

Stonelake has started the process to revise city permits. Tower 5C was permitted as an office tower, so Stonelake must update the permitting before moving forward with its plans for an office/residential project. Stonelake announced it owns 100% of the 5th & Colorado site, without an outside equity or development partner.

The high-rise would feature 318 residences built above 100,000 square feet of space. Residential floor plans would be 1,150 square feet, on average. Office floor plates would be 20,000 square feet around a central core. The high-rise would also include four residential and office amenity levels, including two sky lounges on floors 49 and 50.

Ziegler Cooper Architects was tasked with designing the 5th & Colorado project. The general contractor is Harvey Builders while Garza EMC will handle the project’s civil engineering services.



Construction is slated to start during the first quarter of 2022. Stonelake expects the project to be completed in early 2025.

“Now more than ever, both companies and people are moving to Austin,” Will Jenkins, the Stonelake principal leading the 5th & Colorado effort, said in a statement. “5th & Colorado’s design will reflect the next generation of vertical mixed-use development, placing emphasis on quality, generous living areas, dedicated work space and multiple open-air amenity offerings with panoramic views.”

Stonelake Managing Partner Kenneth Aboussie added the company’s plans to bring a new tower to Austin’s Central Business District on quick turnaround was a “unique opportunity.”

“Stonelake was able to react in an entrepreneurial way and close under a very short timeline,” Aboussie said in a statement. “The development

of residential and office in walkable, amenity rich locations is a centerpiece to Stonelake’s investment strategy.”

The high-rise would replace low-slung warehouses home to restaurants such as Lonesome Dove and Chinatown Downtown as well as a technology office of Walmart Inc. It would be directly north of the Bradywine Realty Trust-developed 405 Colorado office tower that is nearly complete.

Ryan Companies had initially proposed Tower 5C as a roughly 545,000-square-foot office tower. As of May 2020, executives with Ryan were pressing ahead with Tower 5C despite the onset of the Covid-19 pandemic.

That same month, the Austin Design Commission recommended the project met the city’s urban design guidelines, a key element of receiving a density bonus.

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5th & Colorado represents a major bet on downtown for Stonelake. The firm – which has offices in Austin, Dallas and Houston – has delivered multiple office buildings at The Domain in North Austin, and is currently developing Domain 2, the tallest tower in the mixed-use community. Stonelake said it owns more than \$3 billion in Texas as well as other states and that it has raised \$1.5 billion of equity across six private equity funds over the last 13 years. Aboussie and John Klitz founded the firm in Austin in 2007.

Stonelake isn't the only firm betting big on downtown. For example, M2 Development Partners plans a 64-story mixed-use tower at 80 Rainey Street, the Austin American-Statesman reported Jan. 27. The project carries an estimated \$540 million price tag and could be completed by 2025, according to the Statesman.

Mixed views on Austin's office market

Demand for office space in downtown Austin slowed in the second quarter of 2020 when, because of the pandemic, the Central Business District began experiencing negative absorption, meaning more space was vacated or delivered than was leased or absorbed by tenants. Previously, the CBD had seen 37 consecutive months of positive absorption. There was not a lot of new deal activity last year, according to Troy Holme, executive vice president with CBRE Group Inc.

A CBRE market report for the fourth quarter of 2020 showed the Austin office market experienced slowing development activity at the end of last year, falling to less than 6 million square feet for the first time since the second quarter of 2019. Preleasing activity also declined by 36% in the fourth quarter.

"Sublease space continues to spike due to a combination of business closures and space need re-considerations," the report stated.

Most markets have been hit pretty hard by Covid-19. A bumpy road ahead is expected for the first half of 2021, even with market indications showing a potential wave of businesses relocating to Austin.

"The downtown office market is inching back into position as California requirements continue to circle several new construction projects in the CBD," said Ryan Bohls, managing partner for NAI Partners. "Overall deal velocity remains largely parked in neutral for lease completions, though there's a marked uptick in deals in the market downtown. Sublease space remains elevated at 600% increase from this time last year, with few takers."

But Holme said there is optimism for the office market to strengthen during the second half of 2021, with recovery continuing into 2022. Questions persist about requirements and sizes, Holme continued, but there are hopeful signs.

Indeed Tower is 69% pre-leased and could have a few more leases signed before its doors open later this year. There are a number of pre-leases completed at the nearby 405 Colorado, as well.

Elsewhere in downtown Austin, Ryan Companies is moving forward with plans for a mixed-use high-rise at 321 W. Sixth Street, with 390 luxury apartments and 96,000 square feet of office space. A spokesperson with the development firm stated construction is expected to start in the fourth quarter of 2021. Initial reporting on this development said the high-rise, which would be caddy-corner to 6 X Guadalupe, would be 60 stories tall.

This story has been updated with additional comment from Stonelake Capital Partners.