

Stonelake Proposal for Skyline-Changing Tower Shows Investment Lure of Downtown Austin

Developer Bets On Long-Term Appeal of Texas Capital City



A rendering of 5th & Colorado, a vertical mixed-use project planned for downtown Austin, Texas. (Stonelake)

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(Corrected on Jan. 29 to say the seller of the property was Dorot LP.)

Austin, Texas, is attracting another vertical mixed-use project as the city's real estate market withstands the economic fallout from the pandemic, with Stonelake Capital Partners proposing a skyline-changing downtown residential and office tower soaring 50 stories.

An affiliate of Stonelake purchased the half-acre site at [415 Colorado St.](#) in September for an undisclosed price from Dorot LP, according to Travis County records. Called 5th & Colorado, Stonelake's project includes 318 apartments and 100,000 square feet of office space. Construction is expected to start in the first quarter of next year with completion expected in early 2025.

The move comes as the Texas capital has been attracting corporate relocations and office expansions from companies such as Apple, [Digital Realty](#) and Oracle. The downtown's office vacancy rate is 10.6%, which is still better than the metropolitan area's average of 13%, according to CoStar data. Austin and other cities in the Sun Belt have seen their populations [grow](#) during the pandemic as the regions attract people from pricier coastal areas.

Stonelake's project will not be Austin's tallest tower but will be one of the city's first vertical mixed-use projects combining office and residential space. Vertical mixed-use projects are not as common in Texas as they are in East and West coast cities but have been taking off in downtown Austin partly because soaring land prices have forced developers to build higher.

Land in Austin's central business district is by far more expensive than downtown tracts in Dallas and Houston, said Davis Adams, a managing director and capital markets broker with JLL. Land in downtown Austin can sell for more than \$1,000 per square foot, while land in the central business districts for Dallas and Houston can range from \$200 to \$500 per square foot, Davis said.

Kenneth Aboussie, managing partner of Texas-based Stonelake said in a statement that "5th & Colorado was a unique opportunity for Stonelake to acquire an irreplaceable development site. Stonelake was able to react in an entrepreneurial way and close under a very short timeline."

Stonelake is confident in Austin bouncing back after the pandemic and the city's strong population and job growth to move forward with the big project, which the developer said it can build without outside financing, Aboussie said, adding "when capitalizing an investment like 5th & Colorado, Stonelake is making a long-term investment decision."



5th & Colorado is expected to open in 2023. (Stonelake)

Previously, Minneapolis-based developer Ryan Cos. was under contract with Dorot LP to buy the land Stonelake bought and planned to build a 40-story, 465,900-square-foot office project called Tower 5C.

Those plans were scrapped and Ryan Cos. now plans to pursue "other development opportunities in Austin," said Hunter Barrier, Ryan Cos. president of the south-central region, in an email. "This includes planned projects in downtown Austin, the urban core, and in key suburban locations."

One of those projects by Ryan Cos. is in the design process and could eventually become [Austin's second-tallest tower](#). Ryan Cos. is partnering with the financial services company BBVA on the proposed 60-story residential and office tower on West Sixth Street, just two blocks away from the property bought by Stonelake. Barrier said Ryan Cos. is completing entitlements on the BBVA tower now.

Across the street from the BBVA tower, what is expected to become the tallest tower in Austin is being built at [600 Guadalupe St.](#) Called 6 X Guadalupe, the 66-story vertical mixed-use project is being developed by Lincoln Property Group and Kairoi Residential.

Stonelake's Project

The land Stonelake bought has been approved for office use, and the developer expects to apply for a permit to allow the site to be used for residential in addition to office space.

Typical residential floor plans will average 1,150 square feet and office floor plates will total 20,000 square feet around a central core, Stonelake said. The tower is expected to feature four residential and office amenity levels, including two sky lounges on levels 49 and 50. Separate ground floor lobby entrances and elevator banks will be built for the office portion and the apartments.

"Now more than ever, both companies and people are moving to Austin. 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," said Will Jenkins, a principal with Stonelake who is leading the 5th & Colorado project, in a statement.

Stonelake has \$3 billion of commercial real estate in high-growth markets such as Austin, Dallas, Houston, Atlanta, Phoenix and and the Florida cities of Tampa and Orlando. It is known in Austin for its work on The Domain, a popular mixed-use lifestyle district in north Austin, including an office tower leased to Indeed.com.

Stonelake's latest Austin project adds to the 3.5 million square feet of new office space under construction within the central business district, according to CoStar data. That amount of construction represents about 20% of downtown's total inventory, raising concerns about a future glut in space.

There has been a rise in sublease space in Austin's central business district in recent months. Some energy companies battered by the energy downturn have shrunk their office footprints, including Parsley Energy and Rig Up, which recently put larger blocks up for sublease. The central business district has seen about 932,000 square feet of negative absorption in the past 12 months, meaning there are significantly more tenants moving out of space than into space, according to [CoStar data](#).

The pandemic also is slightly pulling down rent by about 2.66% in Austin's central business district, according to CoStar data. Average asking rent for office space is down \$1.50 to \$54.72 per square foot downtown.

However, it is difficult to track the increase in concessions from landlords offering free rent or a bigger tenant improvement allowance during the pandemic, CoStar analysts note. As landlords dole out more concessions, that could mean the actual rental rate is lower than it looks, according to analysts. With the expected glut from new construction, rents are likely to drop more significantly if the crisis endures for longer than expected.

For the Record

Stonelake bought the land from Dorot LP, according to the deed. Stonelake is providing 100% of the equity for the project and has the ability to build 5th & Colorado without debt financing if needed, according to the company. Stonelake has hired Ziegler Cooper Architects to design 5th & Colorado and Harvey Builders as the general contractor. Garza EMC is the civil engineer. Stonelake will own 100% of 5th & Colorado without an outside equity or development partner.

CoStar News reporter Candace Carlisle contributed to this article.
