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274,231-SF Flex Building Sells to Equastone

By Amy Wolff Sorter

AUSTIN-Equastone continues to solidify its commitment to the region, buying a 274,231-sf flex asset in the Bergstrom Technology Center. The San Diego-based company, acquiring the building from KBS Realty Advisors of Newport Beach, CA, plans to spend \$2.5 million on upgrades.

With similar assets in the area trading in the \$80 per sf range, Jeff Schindler, Equastone's chief investment officer, says the building at 6800 Burleson Rd. represents a core investment because of upside. The 1980s-era building stands at 78% occupancy, giving Equastone the chance to spruce it up, lease it up, renew existing tenants as leases come due and then sell within two to three years.

"We felt this was an up-and-coming location," Schindler says. "As rents in other submarkets increase, tenants are starting to get priced out of some of them. This is a great alternative to tenants looking for value-oriented space with good access."

If all goes well, a new deal for 20,000 sf could be signed within two months. Schindler says the prospect is looking at another option as well, but if it signs at the Bergstrom Tech building, it will push occupancy to 95%.

Situated on 24 acres near Austin-Bergstrom Airport, Schindler points out that the building's coverage is definitely light. However, he says "we're not planning on building more there at this time."

With the purchase, Equastone's local holdings now exceed 900,000 sf. Schindler says the plan is to continue targeting the Austin area for more investments in 2008. "We're very much value-add and opportunistic and are very much pursuing opportunities there," he adds. "This is one of our key target markets for the coming year."

KBS Realty was represented by Transwestern Dallas managing directors Michael Hardage and Steve Simon and Hale Umstattd from Transwestern's Austin office. Transwestern will continue to lease and manage the asset for Equastone.

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