

## SIMMONS VEDDER SEES FAST LEASEUP NEAR UNIVERSITY

**Simmons Vedder & Co.** is finding it pays to build apartments close to a university. The developer is building the apartment component of **The Triangle**, an ambitious 22-acre MUD in Austin several minutes' drive from the University of Texas. In the first apartment phase of the project, about 90 units have been pre-leased since January, mostly to students. By comparison, **AMLI Downtown**, a 220-unit high-rise apartment project that began lease-up last April, is absorbing an average of 15 to 20 units per month—about average for the industry—and offering up to two months free on a 14-month lease for select loft units.

AMLI Downtown, which includes 41,675 s.f. of upscale, ground-floor retail, is located at the heart of Austin's CBD and was 98% complete at the end of Q4 2004 and 70% leased. Target tenants are renters by choice who work in the downtown area, which today is a flurry of development activity. Downtown projects in the works include **ZOM's** high-rise project near Town Lake and the 250-unit, 13-story **Rainey Street Apartments** by **Fairfield Residential**.

Fairfield's project, headed by Project Manager **Hunter Glass**, is slated for completion by July 2006. The community will consist of units that range from 750 s.f. to 1,350 s.f. and rent for \$1,300 to \$2,300, with penthouse units commanding more than \$3,500. Word is Fairfield might convert the apartments to condos and cash in on continued low interest rates.

Meanwhile, AMLI is in the preliminary planning stage for a second 220-unit MUD, probably 14 stories with 35,000 s.f. of ground-floor retail, several blocks from AMLI Downtown. AMLI also owns the land for 513 units in Northwest Austin, where the REIT plans to start the 288-unit first phase of **Anderson Mill** sometime this year.

Simmons Vedder is active on the development front in the Austin area, but not in the CBD. Besides **The Triangle**, the company is partnering with **Crimson Partners** on a mixed-use development east of the Dulles Airport frontage toll road that includes office, hotel and multifamily components. That project calls for a first phase of 165 condos.

Simmons Vedder Director of Multifamily Development **Rick Craig** attributes **The Triangle's** preleasing success to its Central Austin location along what is known as **The Drag**, a roadway that leads straight to the University of Texas about a half-mile away. Craig, a former **Gables Residential** exec, chose **Gables** to manage the property, tapping **Gables' Senior Regional Manager Rene Clark** to head up management and leasing operations. Craig expects 60% to 70% of the residents at **The Triangle** will be students.

**The Triangle**, which is being built on leased land bounded by three thoroughfares, has been in the works for years and many companies have bid on its multifamily component, including **Post Properties**. Simmons Vedder put in a rejected bid in the mid-90s. **Tom Terkel's Cencor Urban** is developing the retail component. Total build-out of the project calls for approximately 650 apartments and townhomes.

The first three phases are designed as Texas wraps, or four-story doughnuts. The fourth and final phase, with no start date yet scheduled, is tentatively designed as a four- and ten-story construction and could include no more than 200 units, either rental or for-sale. **The Steinberg Collaborative**, an architectural firm Craig has used on his projects since 1990, is drafting the blueprints.

The first two apartment phases of 166 units and 169 units are underway, slated for completion by August or September. Also in the first two phases is 26,500 s.f. of retail space. Units in the first phase range from 659 s.f. to 1,354 s.f. and rent for \$1,035 to \$2,180, or \$1.48/s.f. The third phase of 115 units will start by June and deliver first units by summer of 2006. The first two apartment phases include swimming pools, study areas, a billiards room and extensive exercise facilities – amenities that appeal to students. Finishes range from traditional laminate wood flooring and crown molding to more loft-like finishes like concrete stained floors and 10-foot ceilings.

First phase construction costs are running \$82/s.f., but Craig expects the cost of subsequent phases will be significantly higher. He's seen the price of construction materials like gypsum, concrete, lumber and steel rise over the past 12 months and estimates construction costs for the second phase could run more than \$90/s.f.