

REAL ESTATE INC.

Local investors buy downtown historic office properties; other huge deals brewing

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An Austin investment partnership has paid \$84 million for the historic Scarbrough and Littlefield Buildings in downtown Austin.

David Kahn, an Austin-based investor and his associates, purchased the properties in April, public records show. The properties were acquired from Divco West, a San Francisco company that owns several large office buildings in the city.

Details about the acquisition were also mentioned in research reports compiled by JLL and Colliers Inc.

JLL, for example, indicates that Invesco, a financial management company based in Atlanta, is buying 501



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Congress Ave. and 515 Congress Ave. from Stream Realty Partners and its affiliates.

The listing broker Michael McDonald of Eastdil Secured had no official comment when contacted by Austin Business Journal.

Meanwhile, other sources in the real estate community have said Tier REIT – the Dallas based company that is partnering with Cielo Property Group on the new office building at the current Austin Music Hall site– is purchasing The Domain portfolio that's been marketed by HFF on behalf of Endeavor Real Estate Group and its affiliates.

The second quarter office surveys reflect the robust nature of the Austin real estate investment market and the rapidly changing owner base.

More than ever, Austin office investment sales are tracking towards large institutional investors based miles away from Central Texas. Yet, Kahn's acquisition attests that there's still room for local players to make a statement.

The purchase price for the Scarbrough and Littlefield buildings wasn't formally disclosed as Texas is a non-disclosure state and very few real estate prices are readily available, but a second quarter market report published by Colliers International indicates the price Kahn paid for the combined 233,463 square feet as \$84,046,680 or about \$360 per square foot.

JLL pegged the sales price at closer to \$400 per square foot.

Kahn, who indicates on a LinkedIn account as being affiliated with ColinaWest Real Estate, typically flies underneath the radar. The deeds and property appraisals filed for the Scarbrough and Littlefield buildings, listed as 522 Congress LP and 601 Congress LP, track to Kahn's office at 804 Congress Ave.

The two properties, often described as being at the corner of Main and Main streets in downtown Austin, were built in the 1910-1914 time frame. President Lyndon B. Johnson once had his offices in the Littlefield Building. The historic offices were significantly remodeled by Divco West and leased up by more trendy, high tech businesses.

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The sale might lend credence to arguments from some industry observers that commercial properties are not adequately valued for taxing purposes. Based on records at the Travis Central Appraisal District, Scarbrough was last valued at about \$34.6 million and Littlefield at about \$30.2 million, far less than the reported purchase price of \$84 million.

Other big investment sales also were recorded during the second quarter, according to the JLL and Colliers reports, including:

- Perry Brooks Building, 720 Brazos Street. Clarion Partners in New York purchased the 127,972-square-foot 1950s circa building from Austin-based Barton Creek Capital. Colliers did not quote a purchase price but JLL reports that it traded for about \$480 square feet, a very aggressive price.
- The Aboretum Atrium at 9737 Great Hills Trail and Las Cimas I at 804 Las Cimas Blvd. were sold to Wedge Group, a Houston-based company. Moore & Associates of Bethesda, Maryland was the seller. The two properties, estimated at 173,870 square feet, sold for a reported \$45.5 million, according to Colliers. That's closer to the most recent combined appraised value of \$42.5 million.
- Previously, I reported that Accesso Partners, a Florida investment company, purchased Riata Corporate Park from Spear Street Capital. The purchase price was not disclosed for the multi-building 690,000-square-foot property, and neither JLL nor Colliers ventured a guess at what the going rate was.
- I also reported about CityView Center, which was purchased in April by Denver-based real estate investment trust Dividend Capital. That 282,106-square-foot property in the southwest submarket traded for \$68.8 million or about \$240 per square foot.

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