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Changing Places

by Dave Moore



Go ahead—define a “smart” commercial real estate submarket.

Is it finding a diamond in the rough and enjoying the transition (and cash savings) once you've unpacked and the area booms? Or is it ferrying your employees to a new locale you know they'll love right off the bat (while you write some hefty checks)?

D CEO set out to identify the smartest locales for companies looking to expand in or relocate to in the Dallas area, and found a universe of possibilities.

The fulcrum of this universe, as far as North Texas turns out, has nothing to do with office parks next to defunct Bennigan's eateries. It has everything to do with giving employees places to “escape” that don't involve hopping into a car or sitting around in a claustrophobic break room.

Companies, of course, want to attract and keep the best employees. And, more and more these days, these up-and-comers want to live, work, and play in the same proximity.

So, nix the notion of a standalone office building. Instead, think first-floor restaurants and retail space where workers and buddies can meet, grab lunch, breakfast, or dinner, an honest-to-God espresso, or even a movie.

And above it all? Townhomes and apartments and, yes, even offices. After all, who wouldn't prefer happy employees who perform alive and unfrazzled—thankful they don't have to drive 45 minutes each way to work every day amid speeders and reckless multi-taskers?



HIPSTERHEAVEN: Things are hopping at Hotel ZaZa.
photography by Scott Womack

UPTOWN DALLAS

VACANDY RATE: 10.6 percent
AVERAGE OFFICE RENTAL RATE: \$31.97/sq. ft.

If there were a recipe for sticking work-play-live in a blender and pressing "puree"—and then tossing in a shot of Hornitos—it would be labeled "Uptown."

Venture capitalists rub shoulders in the Crescent Club at the Rosewood Crescent Hotel; 17 floors down and a dropkick eastward, Hotel ZaZa (known for hosting paparazzi magnets Jessica Simpson and the Backstreet Boys) is rocking with a lunch crowd.

With all these shenanigans going on, it's hard to imagine there's a business plan to it. But there is.

"With the post-baby boom job environment, employers are having trouble attracting young talent," says John Alvarado, managing director in the Dallas office of Jones Lang LaSalle, who handles the sale of large office buildings.

"One thing [employers] are hearing from employees is that they want to be located in a dynamic work environment," Alvarado says. "That means being located in an urban locale. Not a sleepy environment. The top developments in DFW have been town centers."

Alvarado estimates that half to three-quarters of all new projects being planned in North Texas mix business and pleasure in some way.

If hanging around with bikini-clad bar maids dressed up like Santa Claus at ZaZa's pool ain't mixing business with pleasure, I don't know what is (yes, there are confirmed eyewitnesses to that sort of activity).

Now that the \$3 billion Victory development is filling out, the two neighborhoods are threatening to combine and explode into an enormous hipster fireball. Of course, there are no Dallas Area Rapid Transit trains in Uptown. If your Bimmer is broken, though, maybe you can hop on a trolley.



The W Dallas-Victory Hotel dominates the Victory development.

photography by Scott Womack



EYE CANDY: Downtown's Mosaic residential project.
photography by Lisa Means

DOWNTOWN DALLAS

VACANCY RATE: About 20 percent
AVERAGE RENTAL RATE: About \$20/sq. ft.

For decades, downtown Dallas had been on life support. At one time, a pre-mayoral Laura Miller suggested filling in one of its few thriving commercial districts (the subterranean mall at the Bank of America building) with concrete. But now, this time, this time, Dallas has a City Council and a mayor who've set about connecting together various signs of downtown life. The city plans to pull this off, in part, with a \$555 million project that includes a four-star hotel (perhaps an Omni) within a shovel pass of Dallas' convention center.

Developer Larry Hamilton has taken advantage of abandoned office properties to convert them into apartments (as he did with the Davis Building, the Dallas

Power & Light headquarters building, and the Mosaic Building).

"We voted with our feet," says Hamilton, who's predicting that areas of development in Dallas' urban core—especially Dallas' Main Street District, where Dallas Power & Light is located—will link up to Lamar Street to the south, to the hotel convention center to the west, and to Victory Plaza to the north. Not to mention Dallas' Arts District, which will connect with Uptown via the pedestrian-only Woodall Rodgers Deck Plaza, when that project is completed (expected in about two years).

Hamilton says the hotel convention center will be key in driving that process.

John Alvarado of Jones Lang LaSalle says city tax incentives have become necessary to reverse downtown Dallas' longterm slide—and it's already on the upturn.

"I used to office in downtown Dallas. If you walked out at 5 p.m. ... no one was downtown," he says. "Now, there's so much eye candy."

Already, Dallas' Convention and Visitors Bureau is marketing Dallas' downtown to conventioners looking beyond their typical destinations of Orlando and Las Vegas for sites.

"The whole 'live work and play' buzzwords—that's what's happening with Dallas' Central Business District," says Scott Morse, an executive vice president at Colliers International. "It's here to stay."



(above) Proposed Woodall Rodger Deck Plaza (below) Iron Cactus eatery.

*illustration courtesy of The Coulter Group
photography by Lisa Means*



GRAND CENTRAL: The Cityplace building offers nice amenities—and plenty of space.
photography by Elizabeth Lavin

NORTH CENTRAL EXPRESSWAY TO 635

VACANCY RATE: 15 percent
AVERAGE RENTAL RATE: \$22/sq. ft.

OK, let's just say it: That Cityplace building that stands 36 percent vacant just northeast of downtown Dallas is a deal. 7-Eleven pulled out of it to relocate to One Arts Plaza.

Jones Lang LaSalle's John Alvarado characterizes the structure, at 2711 N. Haskell Ave., as one of the nicest office buildings in Dallas, with its marble furnishings, built-in subway stop (not the fast-food eatery, but an

honest-to-God train stop), and central locale.

Bars and retail spaces and who-knows-what-else dot North Central Expressway as it winds through Dallas—from Lower Greenville to the frozen Cuba Libres at the bar with the similar name on North Henderson Avenue to the mixed-use development called Park Lane across from NorthPark Center.

Central Expressway “is the backbone of an entertainment district,” says Kimberly Byrum at the Dallas office of Alvarez & Marsal Real Estate Advisory Services LP. Byrum consults with companies to make sure where they’re building will actually be where employees and renters will want to be.

Byrum predicts that there will be an increasing demand for more office space near downtown Dallas as employers scramble to satisfy workers’ demands for shorter commutes. Living within a ramp shot of Central gets people downtown in a flash (as long as there aren’t any traffic backups).



The mixed-use Park Lane development.

photography courtesy of The Richards Group

Alvarado sees a major tenant occupying the roughly 470,000 square feet available at Cityplace. Apparently, others are catching onto the notion. The average vacancy rate of Central Expressway is 15 percent, compared to DFW’s 19 percent rate. But the rental rate is still comparable (\$1 more) with the metropolitan average rate of \$21 per square foot.

Two major things that will continue to drive people to the North Central Expressway area: The DART line that runs parallel to the highway; and the high-dollar neighborhoods (Park Cities, the M Streets) that line both sides of the road.

“I think the Central Expressway corridor has been underdeveloped because it was under construction for such a long period of time,” Alvarado says. In case you’ve been trapped in a bunker with Eva Braun, that project is finally over with.



UP-AND-COMING: Stemmons Corridor traffic.
photography by Elizabeth Lavin

STEMMONS CORRIDOR/UT SOUTHWESTERN

VACANCY RATE: 29.2 percent
 AVERAGE RENTAL RATE: \$14.94/sq. ft.

Conservative, image-conscious office managers and company owners might want to skip this entry in the “smart” derby. This area is more than a little rough around the edges, thanks to the, uh, colorful commercial activity that goes on over at Harry Hines Boulevard and the industrial buildings near the Trinity River.

But if you’re into bargains and are willing to work ahead of the curve, you might land yourself a deal here.

The reason: The University of Texas Southwestern Medical Center at Dallas continues to expand at its current location, while the city of Dallas is plowing \$1 billion into its Trinity River Corridor Project. Those two nodes, John Alvarado of Jones Lang LaSalle says, will likely connect as they grow.

For now, Stemmons/UT Southwestern is half the price of renting in Uptown or Preston Center (of course, it’s harder



to find a non-malt-based mojito here, too).

"It's got the oldest office inventories in the city," Alvarado says. "It was the original suburban office market in Dallas. It's got older inventory and, over time, there were some changes, some trends that weren't as positive, with the establishment of a quasi red-light district."

OK, it's finally been said.

But as some real-estate advisers are wont to do, Alvarado sees things as they could be, or will be, in the not-too-distant future.

It's no bluff, he reasons, that the city of Dallas is doing its Trinity River project, which is within walking distance of the various buildings on the west side of Stemmons. Children's Medical Center of Dallas expects to complete a 10-story hospital tower. And word is planners are working with existing developments to beat a path from the Trinity to their doors. This would give workers an easy place to take walk breaks instead of smoking in the office patio near a service road. And both hospitals have employees who are looking for ways to reduce their commutes.



(above) The Trinity Loft residences and (below) the International Design Plaza in Dallas' Design District
photography courtesy of Trinity Lofts and by Dave Shafter

The Trinity River project "is going to have a huge ripple effect into the ... industrial and Design District," says Matt Ferguson, president of the Stemmons Corridor Business Association, and an assistant administrator at Texas Scottish Rite Hospital for Children.

The Design District/Stemmons Corridor entry could be viewed as a proxy vote for most other properties along the Trinity River Corridor.



IRVING LIVING: A panoramic view of the Las Colinas Urban Center.
photography courtesy of Las Colinas Marketing Alliance

LAS COLINAS URBAN CENTER

VACANCY RATE: 25.4 percent
AVERAGE RENTAL RATE: \$20.97/sq. ft.

Lord knows mayors have been known to promote their 'burgs (or 'burbs). But Irving Mayor Herb Gears is either bluffing—or Irving has set about replacing the loss of the Dallas Cowboys with a train-station development that could make Mockingbird Station blush.

It's called the Las Colinas Urban Center. "We've got \$5 billion in construction right now," Gears says.

He doesn't mention, however, that much of the development has been sort of old-school: offices in this bin; golf courses over there; restaurants and homes over here. Las Colinas' people-mover ties them together.

And, they've done pretty well with that. Las Colinas boasts more than 2,000 corporations, including ExxonMobil Corp., Kimberly-Clark Corp., and a major SoCal transplant, Fluor Corp. Recent estimates are that about 120,000 people work there.

"You're rubbing shoulders with Fortune 500 companies, so it makes it real desirable," says Scott Morse, who represents tenants in office leasing for the Dallas office of



Colliers International.

One key element of Las Colinas' success is its proximity to Dallas-Ft. Worth International Airport. It's one of the closest major office/restaurant/residential submarkets to the airport, says Morse.

Now, the people of Las Colinas are trying to get them to stay at night.

Irving apparently is borrowing a page from Uptown Dallas (its high-end dining and hotels), one page from Mockingbird Station (for DART), and another from downtown Dallas (its hotel/convention center), then taking that document to Kinko's and blowing it up by 400 percent.

The city of Irving is building a 3,500-seat concert hall and a 250,000-square-foot convention center, which will be within a short stroll of an adjoining Watermark Hotel.

All this new development will be tied in with four new train stations (winks call this a Transit Oriented Development, or "TOD").

"We'll be the most successful TOD in the country," says Gears, an enthusiastic wonk if ever there were one.

If Gears is enthusiastic, it's because he really, really wants people to move into those office buildings. Statistics indicate they're more than a quarter vacant. And that's why John Alvarado of Jones Lang LaSalle says that Las Colinas would be better equipped to handle a major corporate relocation than, say, the smart market that follows ...



(above) The Mustangs at Williams Square and (below) Las Colinas Williams Square.

photography courtesy of Las Colinas Marketing Alliance



WALK HARD: Preston Center sports dozens of restaurants and a pedestrian-friendly environment.
photography by Elizabeth Lavin

PRESTON CENTER

VACANCY RATE: about 9.5 percent
 AVERAGE RENTAL RATE: \$28.357/sq. ft.

If Preston Center were an automobile, it would be a Lexus: expensive, with no surprises to keep you awake at night.

Preston Center's location is top-notch, being right off the Dallas North Tollway and Northwest Highway. Meeting clients for lunch, Preston Center execs only need to identify one of dozens of spots (from Taco Diner to California Pizza Kitchen) that are within walking distance at the center.

Such lunches can be pulled off easily within an hour, compared to suburban-offices lunch commutes, which can lead to 1.5 hours or more spent away from the office.

According to Michelle Corson, president of The Real Estate Council, retail always follows housing growth. There's little doubt that Preston Center merchants want a slice of that pie (the median home value in the nearby Preston Hollow neighborhood was about \$480,000 as of the last census).

Preston Center may typify what's bound to happen along the Dallas North Tollway from Interstate 635 north to Denton County (at least). Jones Lang LaSalle's John Alvarado seems to think so. Frisco/Legacy is a prime example.

For such developments to happen again—anywhere—someone with cash or credit must be willing to step up and spend

money. And as of press time, at least, cash for new development wasn't nearly as easy to come by as it was just a year ago, says Davis Deadman, president and CEO of NexBank.

Deadman says that if people are going to spend cash on new development, it's going to be on sure things—like Preston Center.

If they're done right, train-station developments are a pretty good bet too, Deadman says.

"I'm a believer in these TODs," Deadman says. "You know why? I don't see a whole lot of years in our future where we don't have [expensive] gas. I can see generations of people in the next 30-40 years, who are going to be interested in living in and around TODs, so they can drive less and be more green. It's cheaper and it feels good."

THE RUNNERS-UP Submarkets that didn't make the top six, but are worthy of consideration nonetheless:

DOWNTOWN FORT WORTH: It's one of the most sought-after urban districts in Texas, largely because it retains its Old West flavor. Turns out, chicken-fried steak makes for a darned good power lunch after all.

CARROLLTON: Trammell Crow is pushing to develop train stations here. This city will have trains from both Dallas and Denton converging at one point, probably by 2010. What's more, developers apparently haven't found out about this—until now. (Garland is also getting a Trammell Crow-backed TOD for itself.)

FRISCO/LEGACY: Many predict the North Dallas Tollway will spawn development from I-635 to the Oklahoma border. Enough Oklahomans come here to visit Ikea, maybe Ikea should open a University of Oklahoma satellite campus.

DAVIS STREET/OAK CLIFF/SOUTH SIDE OF THE TRINITY: Hopes are that the Trinity River Corridor will finally bring serious commerce south of the flood-prone river. So people with hope and lots o' cash are already buying deeds here.