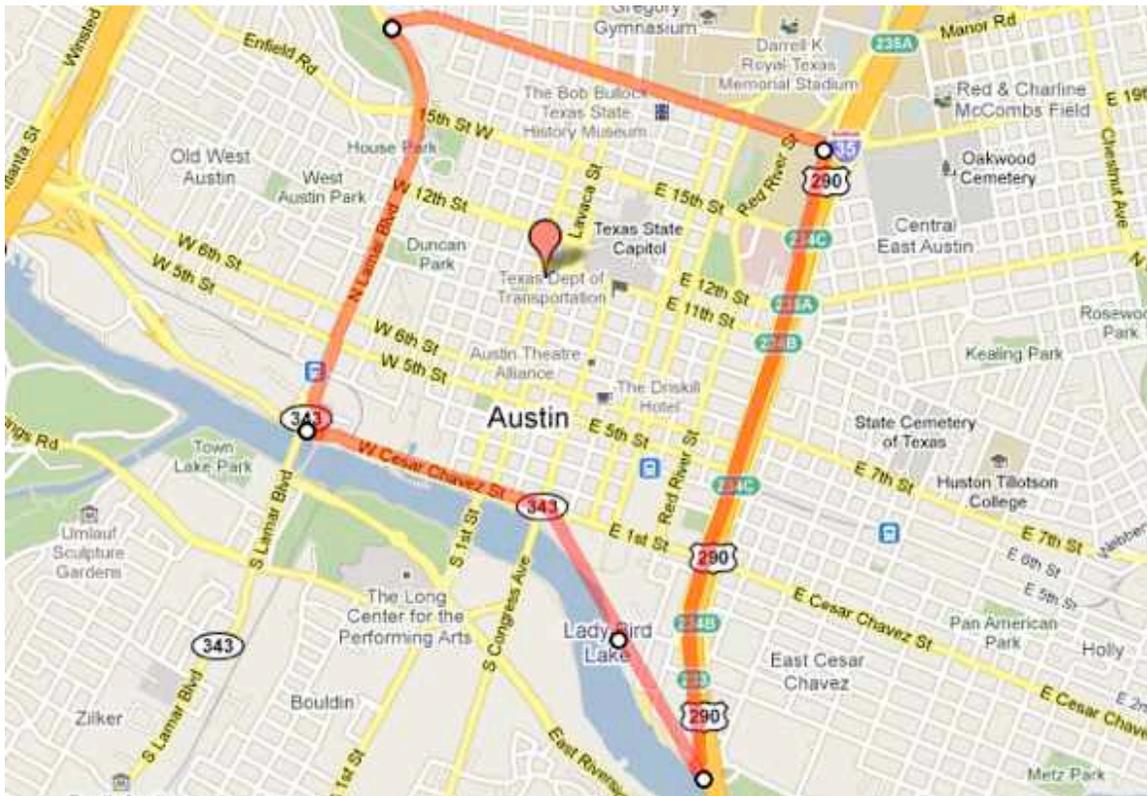


Downtown Austin Residential Real Estate Report First Quarter of 2010

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Introduction

Often referred to as area “DT”, the Austin MLS uses the same boundaries as the Downtown Austin Neighborhood Association. South of MLK, north of Lady Bird Lake, west of Lamar, east of I-35.



For the first time since the late 1990s, downtown Austin does not have a new project on the horizon specifically aimed at the sub-\$400,000 buyer.

This is great news for resales – a category of properties that has suffered over the past decade from routine announcements of a new, more compelling project. Now that there are no new projects being announced, or being built, expect to see resales dominate the downtown Austin market for the next few years.

As we’ve discussed at length on Downtown Austin Blog, the inventory of available new construction units is dwindling. So much so, the inventory of new units under \$400,000 can be counted on one hand.

We will collectively refer to The Austonian, W Hotel Residences, and Four Seasons Residences as “Tier One” buildings due to their premium amenities and pricing. Tier One buildings have yet to prove themselves in the market. Over the next few months, as the first units begin to close, we will begin to more effectively track sales at these buildings.

In general, downtown Austin transaction velocity continues to be strong. We could argue that the first time home buyer credit, worries of increasing interest rates, evidence of dwindling inventory, and perception of motivated sellers are the primary drivers of these transactions.

Snapshot Of Downtown Austin Market As Of March 31st, 2010

- Asking price: \$384 per square foot
- 178 resale properties listed in the Austin MLS for the DT region.

Snapshot Of Downtown Austin Market For The Period From January 1st – March 31st

- 32 recorded sales (MLS resales)*
- Average sale price: \$304 per square foot
- Approximately 50 unrecorded closings (direct developer sales) at the Sabine, the Shore, and Spring Condos. Pricing not published.

**Recorded to mean the information is available in the Austin MLS. For example, in most situations, a unit sold at an auction would not be recorded in the MLS, nor would a sale of a developer owned unit at The Shore Condos.*

Significant events from January 1st – March 31st 2010

- 1) Sabine auction
- 2) Anticipated availability of Austonian and Four Seasons in Q2
- 3) Rainey Street District forming its identity
- 4) Shoal Creek Walk concept announced

Sabine auction

On February 28th, the majority of remaining units at the Sabine were auctioned. This auction marked the “re-debut” of the Sabine, after the Sabine HOA had been stuck in litigation for more than a year.

of units auctioned = 31
Avg winning bid (inc. 4% prem.) = \$228psf
Avg original asking price = \$326psf
Avg discount from asking price = 30%

You'll recall that the Brazos Place auction fetched an average of \$281psf, and that was an avg 29% discount from original asking price.

In the weeks following the auction, all but five of the remaining units at the Sabine were sold, making it a nearly closed out building.

As of March 31st, approximately 15 of the auctioned units had closed.

Anticipated availability of Austonian and Four Seasons in Q2

During Q1 we witnessed the construction cranes being removed from two of the upcoming luxury high rises, the Four Seasons Residences and the Austonian.

With the facades complete, and the street level barricades removed, we are anticipating the first move-ins to begin in June.

Rainey Street District forming its identity

Rainey Street contains the greatest concentration of occupied residences in any downtown district. The introduction of Clive Bar and G'raj Mahal in late 2009 was another injection of badly needed entertainment and service venues into the district. The addition of Town Market and El Naranjo restaurant in Q1 demonstrated further promise.

Shoal Creek Walk concept announced

Schlosser Development has proposed a 350-foot office/residential tower in the Market District of downtown Austin. The structure would replace the surface level parking lot that sits between Whole Foods and the Austin City Lofts.

The site sits in a capital view corridor, and this constraint guided the wedge-like design. The lot sits along a Shoal Creek between 5th and 6th Streets, and Schlosser has allocation millions of dollars toward green-scaping. A construction date has not been set.

Insights

Not reflected in the 178 properties currently listed in the MLS are the inventory of units in the Tier One buildings. No auditable information is available for these. Though, if we rely on the data provided by Capitol Market Research for the website DowntownAustinFacts.com, we are informed that:

	# of units	# of contracts	% under contract
Austonian	178	55	31%
Four Seasons			
Residences	148	72	49%
W Hotel & Residences	159	78	49%
Spring Condos	248	120	48%

**data is from 10/14/2009. We've confirmed multiple contracts at each building since this date.*

Building prices continue to be stratified by age and location. Relative to the averages for the area, we are seeing premiums for buildings:

- 1) west of Congress Ave
- 2) built or adapted after 1998

Buildings completed before 1998 are typically different in style and demographics when compared to those built more recently. During Q1, units in these buildings sold at an average of **\$251psf**, compared to the average of \$304psf for area DT.

Buildings west of Congress Ave have been en vogue for many years, primarily due to entertainment venues away from E. 6th Street, and the close proximity to Whole Foods – downtown Austin's anchor grocery store. During Q1, units in these buildings sold at an average of **\$372psf**, ompared to the average of \$304psf for area DT.

**Building data, Sold property information
(next page)**

Transaction Number	Transaction Date	Address	Unit#	Beds	Baths	Year Built	Square Feet	List Price per Foot	List Price	Sale Price per Foot	Sold Price	Adjusted Days On Market	Loan Amount
1	1/5/10	901 W 9th ST # 418	418	1	1	2001	844	361	305,000	351	296,280	166	0
2	1/8/10	54 Rainey St # 907	907	2	2	2006	1164	266	309,900	257	299,000	156	284050
3	1/20/10	54 Rainey ST # 815	815	1	1	2006	756	264	199,900	251	190,000	153	0
4	1/22/10	555 E 5th St # 921	921	1	1	2004	1001	285	285,000	266	266,000	81	0
5	1/27/10	360 Nueces ST # 1303	1303	1	1	2008	728	343	249,900	338	246,000	131	0
6	1/29/10	555 E 5th St # 713	713	2	2	2004	1226	306	375,000	285	350,000	73	350000
7	2/2/10	1801 Lavaca St # 11B	11B	1	1	1964	460	310	142,500	310	142,500	56	0
8	2/10/10	1801 Lavaca St # 13B	13B	0	1	1964	460	348	160,000	330	152,000	62	0
9	2/18/10	1801 Lavaca St # 15C	15C	2	2	1964	1256	267	335,000	239	300,000	23	225000
10	2/18/10	1801 Lavaca St # 15D	15D	1	1	1964	1189	273	325,000	244	290,000	32	217500
11	2/19/10	603 Davis ST # 1210	1210	2	2	2006	1122	354	397,500	321	360,000	105	288000
12	2/23/10	1801 Lavaca ST # 5K	5K	2	2	1964	1169	192	225,000	187	219,000	3	164250
13	2/23/10	54 Rainey St # 516	516	1	1	2005	852	284	242,000	284	242,000	9	193600
14	2/26/10	800 W 5th St # 201	201	2	2	2003	1506	432	649,900	418	630,000	109	504000
15	3/4/10	603 Davis St # 713	713	2	2	2007	1219	328	399,900	331	403,000	64	342700
16	3/5/10	1801 Lavaca St # 8cd	8cd	2	2	1964	2445	270	659,000	254	620,000	76	0
17	3/8/10	1800 Lavaca St # 609	609	2	1	1966	919	162	149,000	150	138,000	26	0
18	3/12/10	360 Nueces ST # 2509	2509	2	2	2008	1244	398	495,000	374	465,000	364	0
19	3/15/10	360 Nueces ST # 1114	1114	1	1	2008	832	348	289,900	332	276,500	162	221500
20	3/17/10	800 W 5th ST # 908	908	2	2	2003	2422	398	965,000	385	932,500	57	0
21	3/18/10	411 Brazos # 310	310	4	4	1925	3360	387	1,300,000	342	1,150,000	342	0
22	3/19/10	54 Rainey St # 703	703	1	1	2005	865	208	180,000	206	178,500	43	0
23	3/22/10	360 Nueces St # 1616	1616	2	2	2008	1117	389	435,000	380	425,000	41	400000
24	3/23/10	360 Nueces # 1115	1115	1	1	2008	785	350	275,000	346	272,000	169	272000
25	3/24/10	40 N Interstate 35 # 4b3	4b3	2	2	1983	1288	190	245,000	184	237,500	96	0
26	3/25/10	603 Davis St # 605	605	1	1	2008	700	286	200,000	268	187,450	124	168700
27	3/25/10	800 W 5th St # 1001	1001	2	2	2003	1506	415	625,000	398	600,000	48	417000
28	3/26/10	360 Nueces St # 2011	2011	2	2	2008	1280	445	569,900	419	535,900	98	300000
29	3/29/10	1510 West Ave		5	6	1927	5934	370	2,195,000	361	2,145,000	269	0
30	3/29/10	555 5th St # 3022	3022	3	3	2004	3638	399	1,450,000	344	1,250,000	124	0
31	3/30/10	360 Nueces ST W # 3406	3406	1	1	2008	748	358	267,500	354	265,000	37	265000
32	3/31/10	410 E 5th St # 2	2	1	1	1999	1095	219	240,000	205	225,000	133	180000
		Averages		2	2	1991	1410	319	473181	304	446535	107	

**For information about selling or
buying a property in downtown
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