

Monday, November 10, 2008

## IRS inks major office deal in South Austin

Austin Business Journal

In one of the largest local office lease deals of 2008, the Internal Revenue Service is taking more than 92,000 square feet in South Austin for an expanded Central Texas presence.

The U.S. General Services Administration inked the deal in the new Southpark Office Center on behalf of the IRS. Endeavor Real Estate Group redeveloped the former Wal-Mart site on I-35 just south of Ben White Boulevard, to accommodate office users.

The ten-year lease for 92,335 square feet is not a relocation or consolidation of existing local offices, but rather an addition of a new IRS division in Austin. The division, which will review tax returns and related matters, will employ about 350 people at the site year-round with a significantly expanded headcount during tax season.

The deal comes at a critical time for the local office market, which has experienced a dearth of transactions this year as the economy faltered. Developers who had counted on companies relocating to and expanding in Austin delivered millions of square feet of new space in the latter part of 2007 and into 2008. But many of those buildings have sat vacant as worried businesses have opted to stay put and expand conservatively where necessary. That prompted the citywide vacancy rate to rise to 17 percent at the end of the third quarter, the highest level since 2005, according to a report from **CB Richard Ellis Inc.**

“The IRS expansion facility needed to be operational in a very short time period and required very dense parking within a tight geographical area,” says Jerry Frey, senior vice president in CBRE's Austin office, who represented the agency in the search. “Southpark Office Center offered a very good fit for both client requirements.”

Travis Dunaway and Jonathan Tate of Endeavor represented the landlord.

The IRS lease is the second largest this year behind Silicon Laboratories Inc.'s 200,000-square-foot lease of the former Computer Sciences Corp. building on Cesar Chavez downtown. However, that deal was not a traditional lease because it allows for Silicon Labs to actually purchase the building within the five-year lease term.