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Greyhawke Eyes Alternatives for Penney's

By Connie Gore

AUSTIN-The Greenwich, CT-based owner of a now-dark 200,000-sf anchor spot at the 1.1-million-sf Highland Mall is rolling out a marketing blitz for a backfill. The long-time owner is leaving no stone unturned, pitching the space for office or retail.

J.C. Penney Co. relocated its store at 6101 Airport Blvd. about four months ago at the end of a 35-year sale-leaseback with Greyhawke Capital Advisors LLC, which is holding a 17.28-acre site on the doorstep of a proposed light-rail station. As would be expected, the store is attached to the mall, but Greyhawke's president Robert J. Rosen sees that as a plus in marketing to office tenants. "I don't believe there's any office space you can get with access to shops, restaurants and rapid transit for \$12 per sf," he tells GlobeSt.com.

Rosen says he's also not opposed to splitting the uses or scraping the site. "As of now, the building's in good shape," he says. "We'd consider tearing it down for the right tenant and the right price." But, he adds, today's construction costs make it more of a candidate for retooling than scraping.

Rosen says he's been in discussions with the mall owners about the likelihood of a makeover on their space, but it doesn't appear too likely at this stage. The mall is believed to be the only joint venture holding of Chicago-based General Growth Properties Inc. and Indianapolis-based Simon Property Group Inc. General Growth inherited the partnership stake in 2005 when it bought the Columbia, MD-based Rouse Co.

Rosen says "we believe the owners of the mall have to put a lot of money into the mall" if they want to compete against 21st century retail projects like the Mueller Airport redevelopment and the Domain. The owner lost Penney's to a freestanding store in Tech Ridge, which is eight miles to the north. It's the level of competition that has Rosen and his broker, Tom Rohde of Rohde Ottmers Siegel in San Antonio, on the campaign trail for an office backfill.

"I view it as the largest block of office space in Austin," Rohde says. "It's in broom-clean condition. You could walk in there tomorrow and turn the lights on."

The 137-tenant Highland Mall, reportedly Austin's first, also has Dillard's and Macy's as anchors. A General Growth spokesman says the occupancy is "on par with the national average," which according to ICSC is 92% for malls.

Presenting the space as a mixed-use play builds in additional value for would-be tenants. Rohde says mixed-use space in the capitol city runs from \$15 per sf to \$20 per sf. The bi-level store is less than five miles from the University of Texas in the Downtown. A 19,000-sf former Penney's auto shop, positioned on an out-parcel, is fully leased to Firestone, Bank of America and the Money Store.

Rosen says there have been talks with some retailers, but they're primarily chasing discounted rates. He's holding firm to his \$12 per sf price. "Seventeen acres this close to Downtown Austin, to

me, is very valuable," he stresses.

Until last year, Greyhawke only had the leasehold rights in a partnership, but bought it lock, stock and barrel with its eyes on the value-add. Office isn't better than retail, Rosen says, but it's a good alternative--particularly with Austin strapped on office space and average rents trekking north of \$20 per sf.