

# High-end heads north

## \$85M project set for Far Northwest site

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Despite the relative affluence of residents in the immediate area, high-end retail has been slow to establish a significant foothold in Far Northwest Austin.

But a Houston developer wants to change that with Villagio, an \$85 million project near RR 620 and Anderson Mill Road. The bold mixed-use plan would bring 117,000 square feet of upscale retail, nearly 32,000 square feet of offices and 288 luxury apartments to a 29-acre tract.

"It looks as though Austin's [growth pattern] is moving in that direction," says Vernon Veldekens, CEO of development firm The Marcel Group. "And we felt that part of the city would need an upscale development of this nature to feed that growth."

He says the company views Far Northwest Austin in much the same way demographically as it does places like The Woodlands and Cinco Ranch in the Houston market. Marcel is attempting a smaller version of lifestyle-center projects like The Domain and Hill Country Galleria that marry mostly boutique-style retail with upscale residential units, and sometimes, office space.

Retail at Villagio would include at least four 5,000-square-foot or larger upscale restaurants, two bank sites, service shops like a salon and coffeehouse, and a solid mix of mostly local boutiques and specialty stores, says Veldekens. No retailers have signed on to the project as yet.

The apartments will be among the largest in the submarket, ranging from 700 square feet for the smallest one-bedroom to 1,500 square feet for the larger two-bedroom units. Two four-story parking garages will be hidden from view by multifamily units that will surround and top the parking.

Only about 15 of the 29 acres can be built upon due to impervious-cover rules; the developer will add a 5-acre lake in the rear of the property as an amenity. If approvals are obtained as anticipated, work should start on Villagio around March of next year with an 18-to-24 month construction window to follow.

The 620 corridor near the Four Points area and close to Lake Travis is fairly affluent, with an average household income in the zip code of more than \$102,000, according to the 2000 U.S. Census. Yet most of the retail has been centered around strip shopping centers, drawing heavily upon national chains. Shoppers near Lake Travis have to travel to the Lakeline Mall area for a broader base of retail options.

Villagio will be the company's first project in Austin, the result of a good opportunity to acquire land at a competitive price, says Veldekens. Since its launch in 2000, the vast majority of Marcel's development has been centered around the Houston market, and all of it in Texas. The company's current pipeline includes about \$200 million in projects from new shopping centers in the Houston area to a student-housing complex in Temple.

Veldekens says while Merkel has multiple projects in the works, the focus for the company in the near future will be the Villagio concept.

The first in the lineup was Villagio at Cinco Ranch near Houston. That 112,000-square-foot project is slated for delivery in December and is already 90 percent leased, according to Veldekens. The next Villagio is being planned in The Woodlands and the company is actively looking for sites where it can replicate the concept in Dallas.

Marcel is plotting for-lease multifamily units at Villagio, though the company's first such project in the Houston market features townhomes. Veldekens says he believes the condo market in Austin is getting saturated, so he opted to offer larger rental units. Still, he says the units will be built to conversion standards, enabling the company to eventually sell them off as condos.

Apartment occupancy in the Far Northwest submarket was hovering close to 90 percent at the end of the second quarter, down 1.7 percent compared with the same period a year earlier, according to the Austin Multifamily Trend Report from Austin Investor Interests.

New apartment inventory and residents trading the rental market for their own home may help explain the change in occupancy in the last year. But with new employers like Concordia University headed to the area along with new office construction in the works, the area is likely to see a boost in occupancy in coming years. Veldekens is betting enough of them will want full-scale amenities.

Marcel handles all of its own construction and leasing in-house. Veldekens says he will open an office at the site and bring in a full team as the start date gets closer.

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