



## **Regions** Southwest

### **AFIAA Acquires Wells Fargo Tower in Austin from Aspen Properties**

Reprint: July 24, 2008

By: Gail Kalinoski, Contributing Editor

AFIAA, a Zurich-based foundation investing in international real estate, has made its first purchase in Texas, acquiring the landmark Wells Fargo Tower in Downtown Austin from Aspen Properties Inc. for an undisclosed amount.

The 280,000-square-foot, 17-story building at 400 W. 15th St. was built in 1981 and is 96 percent occupied by corporate clients including Wells Fargo, IBM Corp. and Deloitte and Touch L.L.P. as well as many law firms. The Class A office building is located at the north end of the CBD close to the University of Texas at Austin campus and about four or five blocks from the State Capitol. AFIAA stated in a release that proximity to the Capitol was one of the attractions of the property. Describing it as a value-added opportunity, the firm noted on its Website that 23 percent of the building's leases will be rolling to market rate by December.

Chris Duisberg, managing director for AFIAA U.S. Investment, Inc., told *CPN* that leases for about 10 tenants of approximately 40 in the building will be expiring within the year. He said most of them would renew and some may expand. Duisberg, who declined to release average rents in the building, said AFIAA expected to do about \$2 million in renovations and upgrades over the next few years, including putting on a new roof.

Russell Young, executive vice president at Commercial Texas L.L.C. in Austin, told *CPN* today that average rents are about \$20 to \$21 per square foot for Class A office buildings constructed in the 1980s. Young, who was not involved in the Wells Fargo Tower deal, said buildings that went up around 2000 would be considered Class A + and can get "\$26 to \$27, even \$30 triple net" per square foot. Young said Class A rents have held steady and in some cases increased but that may change later this year as some 3 million square feet of new construction hits the Austin market, which already has about 38 million square feet of Class A office product. Young said the majority of the new construction has not been leased yet and that may create "significant opportunities for tenants who are planning ahead that are out in front of their situations to strike some good deals."

Duisberg said AFIAA was attracted to Austin because of the diverse economy. He said the city has many computer and technology businesses, but also the university, the state government and government-related businesses like lobbying firms and law firms. It is also has a good quality of life including a relatively affordable housing stock. Duisberg said AFIAA also looked in San Antonio and Houston . "From all of those, we really found Austin to be the most attractive," he said.

He said AFIAA would look for more assets in Austin in the future, but for the moment was focusing on closing financing for the Wells Fargo acquisition. Duisberg told *CPN* AFIAA paid cash for the purchase and is now financing it with a German bank. "We are working with a German bank because we can get better conditions," he said. "The simple interest rates are better. Also in Europe they don't typically securitize loans." Aspen Properties bought the Wells Fargo Tower from Archon Group L.P. in 2005. Aspen, which has owned more than 2 million square feet of office space in Austin, has been disposing of its assets in the city. Young said it's not surprising that a European

investment firm like AFIAA was buying property in the United States given the value of the U.S. dollar versus the Euro.

Earlier this year, AFIAA bought Elston Logan Plaza, a 159,800-square-foot shopping plaza in Chicago from a joint venture between Joseph Freed and Associates L.L.C. and Wynn and Associates, according to an April 10 *CPN* article. On April 3, *CPN* reported that AFIAA had acquired a distribution center in Groveport, Ohio, southeast of Columbus, for \$51 million.

Most of AFIAA's assets are located in Western Europe. The company has offices in Zurich, Munich, Vienna, Toronto and New York City. It primarily makes direct investments in countries including Germany, France, Austria, Canada and the United States. AFIAA also holds investments in three commingled real estate funds, including Hines U.S. Core Office Fund, an open-ended fund that invests in large U.S. office properties.