

REAL-ESTATE

Verde Square project still planned next to Austin's Q2 Stadium, although delayed

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A large, mixed-use project planned next to the Q2 Stadium in North Austin made a big splash in 2021, when city leaders approved zoning for the proposed development.

The developers planning the project, called Verde Square, are Los Angeles-based Karlin Real Estate, partnering with Austin-based Ironwood Real Estate LP.

In new details provided to the American-Statesman, Karlin officials say the proposed project now calls for 369 apartments, 450,000 square feet of office space, about 35,000 square feet of retail space and a hotel with 190 rooms.

The site encompasses about 6 acres on Burnet Road, just west of Q2 Stadium, where the city's major league soccer franchise Austin FC plays.

A zoning change approved in the fall of 2021 allows the developers to build a project with more height and square footage than under existing zoning at the time. Karlin and Ironwood can now build up to 308 feet tall, or 27 to 30 stories.

Verde Square, which is in the design stage, would join a number of other major projects planned or under construction in the area, which is near the popular Domain mixed-use development often referred to as Austin's "second downtown."

Karlin and Ironwood are billing Verde Square as a "dynamic live, work and play" pedestrian-oriented development.

"Verde Square will include more than 1 million square feet in total, with high-end residential units, highly amenitized office space, curated food and beverage offerings, a lifestyle hotel and more," said Matt Schwab, Karlin co-founder.

Initial published reports said Verde Square could break ground in late 2022 with construction continuing into 2025. However, that timeline has been delayed due to the challenging economic landscape, which has affected some other proposed projects in Austin and elsewhere in the United States. "As with all commercial real projects across the country over the last few years, the process has taken longer than originally anticipated because of the macro-economic environment," Schwab said. "However, during this time, we have been working to secure the right mix of tenants and improve on what we believe will be the most unique amenities in Austin. We look forward to announcing these developments in the very near future."

What are Verde Square's attributes?

In touting Verde Square's potential, Schwab cited:

"Synergies with Austin FC and the continued excitement around the team and Q2 Stadium."

The opportunity to build a new experiential food and beverage destination in North Austin featuring "ample green spaces and a 1-acre outdoor plaza with year-round programming."

A location adjacent to CapMetro's recently opened McKalla Station with increased Red Line rail service, which provides direct connections to downtown and Williamson County. Major employment hubs nearby, such as the Domain, the University of Texas J.J. Pickle Research Campus and the Charles Schwab campus.

"Architecture and aesthetics that will reflect the unique character of Austin while creating a sense of identity and place, making the development a distinctive landmark within the city."

Schwab said that "while navigating the current commercial real estate market, we remain steadfast in our commitment to creating a vibrant community unlike any other in the city."

Lots of projects, but which will get built?

A variety of projects are planned in the vicinity of the Domain and Q2 Stadium, from apartment complexes to office and mixed-use developments, including high-rises. But it remains to be seen if all will come to fruition.

A list of office projects from Austin-based Aquila Commercial shows 22 developments in the Northwest Austin market where the Domain and Q2 Stadium are located. Most of those are planned, with only two under construction and two others recently completed.

Along with Verde Square (which is mixed-use, with an office component), the list mentioned office developments that include Kilroy Realty's tower, formally known as Arena Tower; OneTerra; One Uptown; Uptown ATX and Domain 9.

Of those, Domain 9 and One Uptown are the only buildings to have wrapped up construction, said Max McDonald, a senior vice president with Aquila.

"Domain 9 was fully preleased to Amazon, and One Uptown has only leased a small portion of the ground floor and the remainder of the building sits vacant, although there have been rumors of sizable tenants touring recently that could be a solid prospect for this project," McDonald said.

Another proposed building, OneTerra, which has signed a pre-lease with IBM, has yet to break ground, Aquila said.

Further speculative office construction — meaning buildings without any tenants signed on — "is hard to justify with the current capital markets and interest rate environment, but tenants do continue to express interest in state-of-the-art facilities close to amenities," McDonald said. He said projects planned near "all that the Domain has to offer as well as the early successes of Austin FC at Q2 Stadium offer many attractive attributes for an office location."

Ryan Bohls and Alex Taghi with Franklin Street, a national commercial real estate services and strategies firm, said they remain skeptical that ground will be broken on any new office construction in the Domain area before the end of 2025 unless it's 100% preleased.

"We'd expect many sites to sit undeveloped for the better part of the next two years," said Bohls, Franklin Street's regional managing director in Austin. "Whereas the Domain has sat under 10% vacancy the last five years, with a sharp decrease in demand and few tenants requiring big blocks of space, the immediate fundamentals of the micro market have shifted."