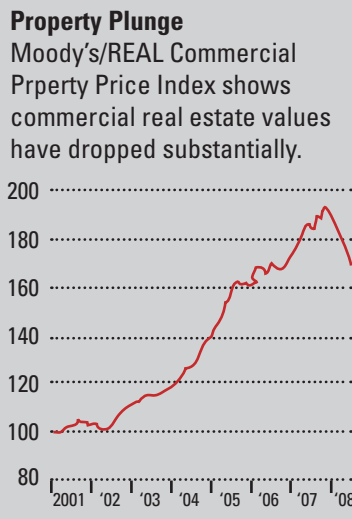


## Market Crises Lead to Drop in Property Values

With a trickle-down series of market crises following on the heels of the housing market woes of this past year, cash-flow projections for commercial and residential properties are being greatly reduced as an even greater economic slowdown is predicted into 2009.

With some of the biggest firms in finance and banking failing in September of this year, creditors that were once willing to make real estate loans before the upheaval are pulling back, leaving little capital to put back into the market.

Thus far, commercial real estate has fared better than residential properties with many office buildings, shopping centers, warehouses and other income-producing properties generating enough cash to pay their debt.



## Retail Vacancies Rise with Store Closings

According to a recently released survey from the International Council of Shopping Centers (ICSC), retail store closings are on the rise, but stores in densely populated urban areas will continue to thrive, said real estate investment services firm Marcus & Millichap.

Compared with 1,522 store closings in the first half of 2007, the first six months of 2008 were nearly double that with 2,831 announced closings. In addition, ICSC projects that 144,000 establishments will be closed in 2008, up 7 percent over 2007.

Given the store closings, vacancy rates have increased across the country, according to Marcus & Millichap Research: At midyear, vacancy in the United States was 10.7 percent, up from 9.7 percent in 2007. The firm projects that at year-end 2008, vacancy will hit 11.1 percent nationally. Of note is where shops are staying open: Densely populated urban areas are doing well, as people seek to cut back on the cost and inconvenience of driving.

## Soaring Sublease Trend May Lead to Rent Decline

Landlords across the nation are competing for tenants, not only with other property owners, but also with tenants offering space at exceptional rates for subleases. While the amount of subleases available today isn't cause for concern just yet, researchers say it is a growing trend signaling softening fundamentals and declining rental rates ahead.

In the 12 months ended at midyear 2008, tenants added 13 million square feet of offices to the inventory available for subleases nationwide, a gain of 18 percent, according to Grubb & Ellis. Negative absorption measured 3.25 million

square feet in the second quarter of 2008, reversing a five-year trend of positive absorption, according to the author of a national sublease report published by Grubb & Ellis in September. Negative absorption reflects tenant contraction, or users giving space back to the landlord as old leases expire rather than renewing their leases or leasing larger space.

Based on previous cycles, commercial real estate experts say declining rents are just around the corner. Asking rents will begin to decline in the fourth quarter and will bottom out around the middle of 2010, according to projections by Boston-based Property & Portfolio Research.

## >>> Adopt-A-Watt

A new program encourages businesses and groups to pay towns to switch to alternative energy. Modeled after the successful Adopt-a-Highway acknowledgment program, the National Adopt-A-Watt Program opens up sponsorship opportunities for businesses and groups willing to fund clean energy, alternative fuel and other energy-efficiency projects. But instead of a sign recognizing sponsors who pay to keep the highway clean, these Adopt-A-Watt sponsors fund solar-powered arrays for street lights, with the donor's name displayed on the light pole. Cities get cleaner energy sources while companies get to show their conservation efforts. For more information about the program, visit [www.adopt-a-watt.com](http://www.adopt-a-watt.com).

## >>> Home Buyers Looking for Less Space, More Green

A new survey reveals that people are opting for less space when constructing their homes and instead are focusing on more energy-efficient options. The report, issued by the American Institute of Architects' second-quarter Home Design Trend Survey, said that two-thirds of this year's responders report clients wanting greener alternatives for their homes, such as tankless water heaters, double- or triple-glazed windows and sustainable flooring products, such as bamboo or cork. And what a difference a year of soaring energy prices can make: In the 2008 survey, respondents reported clients wanting more features that facilitate energy efficiency. In fact, 68 percent of respondents said more customers want extra insulation in the attic, compared to 56 percent a year ago. Last year, 23 percent of respondents said game rooms were an increasingly popular home buyer request, while only 8 percent of survey's respondents report that this year.

## >>> Green Roofs on the Rise in Urban Areas

Construction of green roofs grew 30 percent in North America last year, according to the third annual Green Roof Market Industry Survey. Due to their cost, they appear primarily on public and commercial buildings, such as the Bank of America tower in Manhattan. But more are sprouting on the rooftops of private dwellings. The survey, conducted by the Toronto-based nonprofit group Green Roofs for Healthy Cities, reports that for the third time, Chicago topped the list of U.S. and Canadian cities for square footage of green roofs installed in one year. Only members of the Green Roofs for Healthy Cities are polled, but the group estimates the results reflect approximately 60 percent of green roof activities in the United States and Canada.



# “Quotables”

“Always leave enough time in your life to do something that makes you happy, satisfied, even joyous. That has more of an effect on economic well-being than any other single factor.”

**Paul Hawken**, Environmentalist

“Humor is just another defense against the universe.”

**Mel Brooks**, Actor/Comedian

“Some folks are wise and some are otherwise.”

**Tobias Smollett**, Scottish Writer

“A bachelor's life is a fine breakfast, a flat lunch, and a miserable dinner.”

**Francis Bacon**, English Philosopher

“Death comes to all, but great achievements build a monument which shall endure until the sun grows cold.”

**Ralph Waldo Emerson**, American Poet

“Be at war with your vices, at peace with your neighbors, and let every new year find you a better man.”

**Benjamin Franklin**, American Politian

“I cook with wine; sometimes I even add it to the food.”

**W. C. Fields**, Comedian

“It is cruel, you know, that music should be so beautiful. It has the beauty of loneliness of pain: of strength and freedom. The beauty of disappointment and never-satisfied love. The cruel beauty of nature and everlasting beauty of monotony.”

**Benjamin Britten**, English Composer

“My buildings will be my legacy... they will speak for me long after I'm gone.”

**Julia Morgan**, Architect

## Famous Properties

# Symbol of Sophistication

The Driskill Hotel is an Austin icon that highlights the city's history and growth

by Diana Mirel

Just five blocks away from the Texas State Capitol building in Austin, Texas, stands the Driskill Hotel—a local treasure whose Victorian palace-like presence has become a long-standing symbol of Austin and the epicenter of all of the city's happenings.

“From the very beginning there have been a lot of political activities and social functions that take place at the Driskill Hotel,” said Cynthia Maddox, spokesperson for the hotel. “Some of the grandest balls in Texas have been held here—whether it is governors’ inauguration balls, debutante balls or weddings.”

The hotel was also a favorite spot for President Lyndon B. Johnson and his wife Lady Bird Johnson. In fact, the power couple’s first date was spent lunching together in Driskill’s dining room. In addition, LBJ awaited the results of his senatorial, vice presidential and presidential elections at the Driskill. Today, the hotel honors the duo with its Lyndon and Lady Bird Johnson Presidential Suite.



Photo: The Driskill Hotel

Lyndon B. Johnson awaited his presidential election results at the Driskill.

## UPS & DOWNS

Construction of the Driskill Hotel began back in the 1880s, when wealthy cattle baron Jesse Lincoln Driskill vowed the hotel would be the “finest south of St. Louis,” hoping that it would serve as a showplace for Austin. Two years and nearly \$400,000 later, the Driskill Hotel opened in 1886 amidst great fanfare. About two weeks after the grand opening, the Driskill hosted its first inaugural ball for newly elected Texas Governor Saul Ross; many other Texas leaders followed Ross’ lead by holding their inaugural balls at the hotel.

But it has not always been smooth sailing for the Driskill. In 1887, the hotel’s general manager and half of the staff were hired away by Galveston’s Beach Hotel. This mass exodus proved disastrous for the Driskill, forcing it to close for a few months. Later that year, Driskill reopened the hotel with new managers and staff members. Unfortunately, just one year later, the Driskill family lost its fortune in the cattle-killing drought of 1888, and Driskill had to sell the hotel.

Since then, the Driskill Hotel has seen plenty of highs and lows and has been under many different owners. In the early 1970s, there was buzz about demolishing the aging hotel, but concerned Austin citizens and the Heritage Society of Austin stepped in to save the historic building. The group worked hard to get the Driskill Hotel named as a National Historic Landmark, and a successful community effort raised \$700,000 for the redevelopment budget.

Throughout all these ups and downs the Driskill Hotel has always been positioned as a premiere hotel with its Victorian grandeur and its reputation for Texas luxury



The Driskill Hotel underwent a \$4.5 million restoration that blended its historic charm with a contemporary feel.

and sophistication. Today, the 122-year-old Driskill Hotel is owned by Lowe Enterprises and managed by Destination Hotels & Resorts and is still a must-see Austin landmark.

“It is an icon,” said Maddox. “Certainly, anyone who has ever been to Austin will remember three buildings: the State Capitol, the Driskill Hotel and the University of Texas Tower.”

## HISTORIC PRESERVATION

Maintaining the hotel’s grandeur has been a top priority in its most recent history. In 1996, owners began a four-year, \$25 million historic restoration to bring the Driskill Hotel back to its “original opulence.” This meticulous top-to-bottom restoration affected each and every part of the hotel and was completed in 2000. To further maintain this historic building, the Driskill underwent a \$4.5 million restoration to update and refine the hotel’s 189 guest rooms. To cause as little disruption

as possible, the renovation began on the 12th floor of the hotel's traditional tower and moved down on a floor-by-floor basis, hitting the most historic rooms last.

"You need to upgrade rooms and freshen them up every few years, and it was just time," said Maddox. "The design firm we're working with has done a great job of blending the historic integrity of the hotel with a more contemporary twist."

Rather than the ruffled and floral room décor of the past, today's Driskill guest rooms have clean lines and sophisticated simplicity. Despite a more modern flair, the hotel's history is still prominently featured in each room. Black and white photographs of the hotel from the Austin History Center archival collection grace the walls and other images of the historic exterior of the building are incorporated throughout the design.

"The design firm took a drawing of the exterior of the hotel and screen-printed it onto the entertainment consul in each room," said Maddox. "So when you walk into the room, it embraces the whole history of the hotel."

The rooms have also been updated to meet the needs of modern-day travelers and visitors.

"We had some antique pieces of furni-

ture and some antique reproductions in the rooms that were quite nice pieces, but they weren't necessarily conducive for the current traveler who is traveling for business or pleasure and has a laptop," said Maddox. "A lot of this renovation has been about responding to the needs of our guests."

Of course, managing a local and national historic landmark can be tricky, particularly when it comes to renovations.

"Obviously, there are strict guidelines to follow, so we go through a lot of hoops when anything is being done to the hotel," said Maddox. "There are certain things you cannot alter. For instance, we cannot alter the exterior of this building."

Furthermore, the hotel's older systems can sometimes pose a challenge for the property's management.

"A historical hotel is magical," said John Spomer, vice president and managing director of the hotel. "But with historical systems and the age of the property, it can be very challenging to keep it looking tip-top and ensuring all the systems are optimized."

The hotel's operating leadership team is comprised of fewer than 30 people. As part of Destination Hotels & Resorts, the management team has access to resources, like staff, products and processes that help



Even after modern updates, the hotel has maintained its original Victorian-era design.

maintain the property in its finest form. As with any historic property, though, special maintenance problems are bound to arise, including issues with older equipment, wiring and systems.

"Although we're updating all the time, it would be a Promethean task to completely modernize all of the many systems and wiring," said Spomer. "We don't have the benefit of 'as-built' drawings through the years and modifications have been made that weren't properly documented. Sometimes we find some surprises, and sometimes we're pleasantly surprised when we don't find any."

Though the Driskill Hotel has had its fair share of change throughout its 122-year history, some things never change. The hotel remains at the center of Texas political life today.

"Our legislature only meets every two years, so during legislative sessions we're one of the hotels of choice," said Maddox. "More than likely, there have been more political and legislative decisions made in the halls of the Driskill than in the halls of the State Capitol!"



Since the hotel opened in 1886, it has been the scene of many of Texas' grandest events, including governors' inauguration balls.

Diana Mirel is a contributing writer to *JPM*. Send questions regarding this article to [mnaso@irem.org](mailto:mnaso@irem.org).

- In Tokyo, Japan, a **bicycle** is faster than a car for most trips of less than 50 minutes.
- When glass breaks, the **cracks** move faster than 3,000 miles per hour. To photograph the event, a **camera** must shoot at a millionth of a second.
- The longest recorded flight of a **chicken** is 13 seconds.



- Bats always **turn left** when exiting a cave.
- Humans **blink** more than 10 million times a year.
- The average **iceberg weighs** 20 million tons.
- The **basenji dog** does not bark but yodels when it gets excited.

- **Rubber bands** last longer when refrigerated.
- The **microwave** was invented after a researcher walked by a radar tube and a **chocolate bar** melted in his pocket.



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