

Is Downtown Dallas The Most-Recession Proof, Design-Forward Market In DFW?

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When it comes to what DFW submarkets will thrive in the next recession, **Downtown Dallas** is a top contender with its stock of historic buildings and affordable lease rates.



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Crescent Real Estate's Stephen Luik, Wildcat Management's Tanya Ragan, Granite Properties' Will Hendrickson, Parks for Downtown Dallas' Amy Meadows and Petros PACE Finance's Dustin Gabriel.

"When the economy does take a flip, **the West End** [in Downtown Dallas] will benefit because tenants in **Uptown** will start to look at their own occupancy costs, and the West End is at a much discounted rate compared to Uptown," Crescent Real Estate Vice President of Investments **Stephen Luik** said at *Bisnow's* Downtown Dallas event Thursday.

In the 25 office properties in the West End, the average rent hovers around \$25.10 per SF, compared to average rents of \$40 per SF and higher in Uptown Dallas, according to **CoStar** data.

Crescent's recently opened The Luminary, along with **Granite Properties'** nearby **Factory Six03** redevelopment of the old **West End Marketplace**, have lease rates somewhat on par with Uptown/Turtle Creek's average prices, CoStar Director of Market Analytics Paul Hendershot **told *Bisnow* last month.**

Still, these Downtown Dallas assets maintain a price-point advantage when compared to similarly situated high-quality assets going for \$50 to \$60 per SF in Uptown, Hendershot said.

"The miracle mile is really in Dallas," Todd Interests partner Philip Todd said at the event. "You go 1 mile north, and the rates are double in Uptown."

Part of that value comes from the ability to rehabilitate older properties and keep prices lower than new construction. **Todd Interests** has taken advantage of that, launching a series of redevelopment projects in the East District of Downtown.



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Todd Interests' Patrick Todd, Mitsubishi Electric & Cooling's Brent Del Toro, Hamilton Properties' Larry Hamilton, Merriman Anderson Architects' Aimee Sanborn and Woods Capital Management's Jonas Woods.

Historical renovation comes with many rewards beyond cheaper rents. As office tenants crowd into DFW from other parts of the country, they often bring with them a desire for modern office space situated inside timeless buildings.

Downtown Dallas is one of the few spots where out-of-towners can find historical buildings to meet their needs, as Granite Properties did with its conversion of the abandoned West End Marketplace building into creative office and mixed-use.

"The catalyst for this project for us is we traveled to Boston, San Francisco and Chicago, and we saw that this brick-and-timber product was the most desirable space across those markets," Granite Properties Senior Managing Director **Will Hendrickson** said. "And we came back to Dallas, and there's the West End Marketplace just sitting there vacant."

Wildcat Management's revival of the **Purse Building** on Elm Street also is bringing life back to a century-old building. The building witnessed everything from the Great Depression to the assassination of John F. Kennedy in Dealy Plaza.

"What's so wonderful about the West End is we still have that product," Wildcat Management owner and manager Tanya Ragan said. "It still exists. It hasn't been torn down, and it hasn't been overly modernized. You walk in, you see the high ceilings. You see the exposed brick."

The Purse Building's 115-year-old floors spent decades covered by carpet until Ragan ripped them out to reveal the original hard woods to potential tenants.

Renovated properties like Ragan's can't just rely on their historic cool and their discounted rents in the urban core. They also must come with modern amenities.

"Technologies have changed," Merriman Anderson Architects principal Aimee Sanborn said. "The way we use space has changed, and so it's really important to identify what the historic components of a building are, respect those components and preserve them as much as possible, while still transitioning the building [so it becomes] useful."

Sanborn's firm, Merriman Anderson Architects, worked alongside developer **Todd Interests** to process the developer's vision for the 52-story 1401 Elm St., a former **First National Bank building**.

Todd Interests is passionate about preserving the integrity of the original property, but the firm's leadership says preservation initiatives need to be balanced against the expectations of their modern tenants.

"The last thing we want to do is completely redo a building, and it just sits there like a museum because while it's pretty, it's not functional," Todd Interests partner Patrick Todd said.

And though the process may make for an appealing building at a price point that makes it recession-resistant, the rehabilitation of historic properties isn't easy.

"The lesson learned is you can't anticipate all the unknowns that you are going to find," Hendrickson said.

"When you are renovating a project that was built in 1909, and there have been several uses through the years, including a factory and an entertainment venue, once you start peeling back those layers, the things you find," he said. "It's a lot of start and stop. It affects your timeline."

See Also: [Silence vs. Success: Women In CRE Still Not Saying #MeToo](#)

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