

# Market Intelligence Report: Las Colinas, Texas

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Wealthy cattle rancher Ben H. Carpenter developed *El Ranchito de Las Colinas* ("the Little Ranch of the Hills") as one of the country's first master-planned communities in 1972. Las Colinas and neighboring Irving's location between Dallas and Fort Worth aided in attracting numerous real estate developers and Fortune 500 corporations during the building booms of the 1980s and 1990s. This article delves into Las Colinas' progress amid a global economic recession and how lodging demand plays a role within this framework.

## The Office Market

Las Colinas office space occupancy levels increased slightly during the fourth quarter of 2008 in line with net absorption of 177,153 square feet for the same period. Four of the Dallas/Fort Worth Metroplex's largest lease transactions in the latter half of 2008 took place in the Las Colinas submarket. Move-ins by Morgan Stanley, Humana, Archon, Horace Man, and other companies accounted for over 360,000 square feet of newly occupied space.

The primary concern for office market vacancies continues to be the large amount of speculative office space under construction. Several large tenants in the Dallas/Fort Worth office market, including Citigroup, Hunt Oil, and 7-Eleven, have streamlined operations, vacating larger blocks of space in favor of more efficient layouts. Other local companies are expected to follow this trend in 2009. The Dallas/Fort Worth office market has undoubtedly felt the effects of the national recession; however, Dallas/Fort Worth is forecast to outperform the nation in 2009.

Dallas' upscale NorthPark Center and Galleria mall channel much of the area's retail activity, complemented by shopping centers such as North East Mall, Hulen Mall, and University Park Village in Fort Worth. Lifestyle centers and mixed-use projects built in the past few years are key components of the area's retail marketplace in 2009. The demand for enclosed malls has declined since the middle of the decade, not only in the Dallas/Fort Worth area but in many metropolitan areas across the United States. The nationwide recession that took hold in late 2008 continues to take its toll on retail giants: Linens 'n Things, CompUSA, Office Depot, Starbucks, Mervyn's, Circuit City, Bombay Company, and KB Toys have suffered falling stocks and slow growth, closed a swath of stores, and in some cases filed for bankruptcy protection or turned out the lights for good.

## Development

What's curious about the Dallas/Fort Worth market, inclusive of Irving and Las Colinas, is that the situation is not so severe, at least not yet. Despite the recession, several major retail developments in the greater Irving area are expected to have a positive impact on future retail trends. Everest Heights Mall, reportedly the first South Asian-themed mall in the U.S. to be developed and operated by South Asians, broke ground on July 11, 2008, in Irving. The \$35-million project, to be built on 20 acres, is expected to encompass over 200,000 square feet of shopping area, including a six-screen movie theater, a banquet hall, a hotel, a bowling alley, a grocery store, a radio station, numerous boutique shops, and fast-food and fine-dining establishments. Roughly 50 tenants are expected to occupy the mall upon its completion in late 2009.

Tanger Factory Outlet Centers, Inc. plans to build a 380,000-square-foot upscale outlet mall near Texas Stadium, just northwest of the intersection of State Highway 114 and Loop 12 in Irving. The Tanger Center, the company's third mall in Texas, will include 90 stores and will also be the first major project for the Texas Stadium Redevelopment Area. The site is also adjacent to the upcoming Dallas Area Rapid Transit (DART) light-rail line, which will connect Downtown Dallas to the Las Colinas Urban Center, the Irving Convention Center, and the

## Summary

The Las Colinas lodging market is becoming more and more enmeshed in the Dallas/Fort Worth area's web of activity. This growth has the potential to influence hotel trends in the recession and beyond.

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Dallas/Fort Worth International Airport. The light-rail line opens up opportunities for visitors to experience different landmarks and attractions throughout the Metroplex without having to resort to the area's maze of highways. The enhanced transportation option of the rail line should therefore become a helpful tool in marketing area hotels.

The development of the Las Colinas Urban Center in the area surrounding Lake Carolyn is perhaps the biggest key to growth in the heart of Las Colinas. Major projects in this master-planned, mixed-use development include construction of the Irving Convention Center at Las Colinas (slated to open in November of 2010) and the open-air Entertainment District, inclusive of a 300,000-square-foot entertainment venue, a 3,500-seat concert hall, several live music stages, a movie theater, ten themed restaurants, and numerous shops. Several other developments are in the planning stage, including Water Street, Las Colinas Station, North Shore, and Las Colinas Peninsula. The latter projects are expected to add over 3,500 residential units, roughly 3.2 million square feet of office and retail space, and two upscale hotels. When all of the development around Lake Carolyn wraps up, Las Colinas stands to have almost 11,000 residential units; 1,575 hotel rooms; 840,000 square feet of retail space; and 7.8 million square feet of office space.

The previously mentioned convention center and Entertainment District will be the key drivers for commercial, group, and leisure demand at area hotels. The 275,000-square-foot convention center, which will be able to accommodate 4,000 attendees for a general session or sporting event, will target large groups for which hotel meeting space proves insufficient. These include corporate meetings, trade shows, regional events, and sporting events. A privately developed headquarters hotel, tentatively slated to open in 2011, is planned for a location adjacent to the convention center.

### **Transportation**

Three major infrastructure projects, planned for completion in 2010/11, will soon enhance transportation to the greater Irving area. The \$518-million Irving Diamond Interchange will eventually provide a seamless vehicular channel between Irving/Las Colinas and the Greater Dallas area. The project consists of a convergence of major Dallas/Fort Worth highways, including State Highways 183 and 114, Loop 12, Interstate 35E, Spur 482, Trinity Parkway, and the DART Orange Line.

DART's 14-mile Orange Line is a key component of a regional rail expansion that will lead to the doubling of DART's rail network to more than 90 miles by 2013. The Orange Line will run through Downtown Dallas to Bachman Station in Northwest Dallas. From Bachman Station, the Orange Line will head northwest to the Las Colinas Urban Center in 2011 and the Dallas/Fort Worth International Airport in 2013.

The North Texas Tollway Authority (NTTA) is planning to extend the western President George Bush Turnpike terminus south to Interstate 20 through the city of Grand Prairie, forming a half loop around the city of Dallas. This phase is still in the early stages and the NTTA has not released a completion date; however, construction on the State Highway 161 Toll Road south of State Highway 183 is in progress. The completion of the toll road south of State Highway 183 will dilute traffic congestion in and around the area south of Irving.

Dallas/Fort Worth International Airport is one of the nation's largest airports and a major supplier of lodging demand for hotels in the greater Irving and Las Colinas area. The airport, which is undergoing a \$45-million renovation, served over 57 million passengers in 2008. The enhanced facilities should prepare the airport for handling even greater passenger numbers once the economy rebounds.

### **New Hotels**

Several upscale, branded-boutique hotels have recently entered or are on their way to the Las Colinas market. The 136-room aloft opened in October of 2008, and construction has resumed on a 200-room NYLO Hotel, which is set to open in September of 2009. The NYLO Hotel will feature a 3,000-square-foot ballroom with a dramatic urban loft design, an expansive outdoor courtyard, and The Loft signature restaurant. A 123-room element hotel is under construction on the north side of Irving, along Interstate 635 near the Dallas/Fort Worth International Airport. The element, a stylish, environmentally-friendly, extended-stay hotel, is slated to open on June 11, 2009.

### **Conclusion**

The recession has resulted in slight declines in average rate and occupancy in the Irving/Las Colinas lodging market since late 2008, but the market is well positioned to persevere through the macroeconomic situation

over the long term. Ongoing and proposed infrastructure improvements are making Irving and Las Colinas more and more interconnected with the Dallas/Fort Worth market, and the arrival of new upscale hotels and the proposed Las Colinas Urban Center will strengthen the area's appeal as an all-in-one destination, inclusive of restaurant, retail, hotel, office, convention center, and entertainment venues, all within walking distance. Diversity and convenience are key to the market's performance, and if all of these projects come into harmony over the next several years, Irving and Las Colinas could emerge stronger than ever.

#### About **David R. Bone**



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