

Riverside Commerce Center

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CRE Signal Risk Index(TM)

39

Moderate

Executive Summary

The Riverside Commerce Center in Austin, TX presents an investment opportunity in the office sector with a CRE Signal Risk Index(TM) score of 39, placing it in the Moderate risk band. The investment involves a purchase price of \$12,500,000 with an anticipated Year 1 NOI of \$812,500.

Investment Thesis

The investment thesis hinges on capturing value through strategic leasing and market rent growth in Austin's office sector. The property is positioned to benefit from a projected 3% rent growth and controlled expense growth of 2.5%.

Key Assumptions

Purchase Price: \$12,500,000
NOI Year 1: \$812,500
Cap Rate In: 6.5%
LTV: 65%
Vacancy: 14%
Exit Cap Rate: 7.0%
Debt Rate: 7.25%
Hold Period: 5 years

Primary Risks

1. RefiRisk (Medium): Anchor tenant lease expiration in 18 months poses refinancing risk.
2. RentGrowthAggressive (Medium): 3% rent growth may not be sustainable.
3. VacancyUnderstated (Medium): Current vacancy at 14% with two vacant suites.

Market Context

Austin, TX office market vacancy is running 22-26% with cap rates in the 6.5-7.5% range as of Q4 2025. The market trend is softening due to tech-driven demand slowdown and elevated sublease availability.

Recommendation

Proceed with Conditions. Further due diligence on tenant renewal probabilities and submarket rent trends is advised before finalizing the investment.