

From the Atlanta Business Chronicle

<http://www.bizjournals.com/atlanta/print-edition/2013/03/08/state-farms-atlanta-project-could-be.html>

SUBSCRIBER CONTENT: Mar 8, 2013, 6:00am EST Updated: Mar 20, 2013, 10:15am EDT

State Farm's Atlanta project could be 1M sf



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State Farm Insurance Co. has begun discussions with GID Development about its more than 30-acre site near Perimeter Mall, where the insurance giant could put a huge regional hub.

The recent discussions between State Farm and GID were confirmed by real estate executives familiar with the process. Other developers with sites in the Central Perimeter are also pursuing the chance to land State Farm's operations, but GID is an early favorite, sources said.

State Farm is considering an office project that could range from 1 million square feet to 1.5 million square feet and cost around \$300 million to develop. At that size, it could mark one of the largest commercial real estate projects for any corporation in metro Atlanta's history. Once State Farm chooses a site, it could take another two years to finish the first phase of the project.

Boston-based GID declined comment.

State Farm has maintained a large campus in Johns Creek since the 1990s.

More recently, it has begun consolidating operations into metro Atlanta, leasing more than 600,000 square feet in two Perimeter office developments since last summer. It has reached the final stages of discussions to lease at least 200,000 square feet in a third Perimeter building.

Some of those leases would expire in about five years, giving the company the opportunity to consolidate hundreds of positions into a new office project.

State Farm has been cagey about the details, but it's carrying out a similar project in Phoenix, where the Chronicle's sister paper, Phoenix Business Journal, has reported State Farm will build a 1 million-square-foot regional headquarters. In Dallas, State Farm will occupy 1.5 million square feet of new office space in a more than \$1 billion mixed-use project, Dallas Business Journal has reported.

State Farm continues to review its facilities across its entire portfolio to ensure employees are in

the right places to provide the best service possible for its customers, spokesman [Justin Tomczak](#) said in an emailed statement to Atlanta Business Chronicle.

CBRE Inc. represents State Farm. It's not talking either.

GID is the frontrunner to land the State Farm project for several reasons, including its proximity to public transit, say several commercial real estate executives.

Almost six years ago, GID announced plans to create what it called High Street, a pedestrian-oriented mixed-use development across from Perimeter Mall and the MARTA station at Hammond Drive and Perimeter Center Parkway.

The recession and slow recovery have delayed its progress.

The GID site has several things going for it.

It's directly across from MARTA. State Farm has already shown its preference for locating its new operations in Atlanta close to public transit. The company is running a shuttle to MARTA from its 64 and 66 Perimeter Center East buildings, where last summer it announced it was leasing more than 400,000 square feet. It has since increased its footprint there to about 500,000 square feet and would lease the space for more than 10 years.

Earlier this year, State Farm agreed to lease roughly 200,000 square feet at the 10-story Hammond Exchange building, also near Perimeter Mall. Hammond Exchange is also right across from GID's site. More recently, State Farm has reached final negotiations to lease at least 200,000 square feet at Dunwoody's Terraces project.

Other Perimeter developers have sites that have emerged as top contenders.

Houston-based developer Hines filed plans March 6 to rezone its 14-acre site at Georgia 400 and Abernathy Road. The rezoning would seek the right to develop 1.5 million square feet of office space.

Seven Oaks Co. and CBRE are also involved in developing and leasing Perimeter Summit, an 83-acre development at Ashford-Dunwoody Road and Interstate 285 that could house more than 1.5 million square feet of new office space.

Another, more complicated, site is the former headquarters of Gold Kist Foods in Dunwoody. It sits on roughly 15 acres. The site is considered more of a long shot than the other three, commercial real estate executives said.

The Central Perimeter business district has drawn some of the region's biggest corporate real estate projects, including **Newell Rubbermaid Inc.** and, more recently, **Cox Enterprises Inc.**

State Farm is most likely considering a project with multiple mid-rise buildings, rather than one giant tower, said [Steve Martin](#), a managing principal with **SDM Partners**, a real estate investment firm, and the former managing director for Granite Properties. At potentially more than 1 million square feet, the project would be as large as the city's best-known towers, including Bank of America Plaza, Georgia Pacific Center and SunTrust Plaza.

"The scale and expense of a project like Bank of America Plaza sitting somewhere in the Central Perimeter wouldn't be consistent with the surrounding office market or the message that corporate America wants to send today," Martin said.

State Farm's projects in Atlanta, Dallas and Phoenix didn't surprise [John Boyd](#), principal of Princeton, N.J.-based site selection consultant The Boyd Co.

Insurance companies were among the first to carry out large consolidations that cut back on the number of regional offices, he said. Such decisions can significantly reduce real estate costs across a company's portfolio.

"Insurance is a labor-intensive business, with every function you can imagine housed in back offices and regional offices," Boyd said.

It's also notable that State Farm is consolidating operations into three Sun Belt markets, said [Mark Sweeney](#), a principal with Greenville S.C.-based McCallum Sweeney Consulting.

"Location decisions like this are clearly very important to corporate America," Sweeney said. "They've obviously decided Atlanta and the other cities are the places they can grow long term, where they can recruit the people they want and maintain the best chance of retaining that talent."

Douglas Sams covers Commercial Real Estate