

From the Atlanta Business Chronicle

:<http://www.bizjournals.com/atlanta/print-edition/2013/08/09/aig-looks-to-consolidate-in-atlanta.html>

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AIG looks to consolidate in Atlanta



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Months after saying it needed to cut costs, **American International Group Inc.** has launched a plan to shrink its real estate footprint across metro Atlanta, saving millions in leasing expenses.

American International Group has at least 350,000 square feet of office space dotting metro Atlanta from the northwest suburbs to North Fulton, along Georgia 400 and the Perimeter, and even Midtown. It could reduce that footprint by up to 40 percent.

The scope of the consolidation makes it a complicated, long-term project that could involve shifting 1,000 AIG employees to new locations in Atlanta.

AIG recently named real estate services company Newmark Grubb Knight Frank as its broker.

The project is going to result in at least one large leasing deal for Atlanta building owners to chase over the next two years or so, probably at least 200,000 square feet, according to people familiar with

AIG's plans.

The more interesting question for Atlanta developers is whether AIG could anchor the first new office tower on the skyline in more than three years.

One challenge would be the gap between rental rates at existing buildings and the higher rents a new tower would require. Rates for an existing class A tower along the Perimeter might top out at \$27 a foot.

A developer would likely have to charge at least \$5 to \$8 more a foot to justify the higher costs of building a new tower.

"AIG has to look at its existing space and make that determination but it has the wherewithal to be a major tenant in a new signature building," said [John Boyd](#), founder of Princeton, N.J.-based The Boyd Co., a site selection consultant. "It's not going to be bashful about it. A new building would bring prestige and visibility — and visibility trumps everything."

AIG declined comment.

In May, metro Atlanta was thought to be in the running for hundreds of jobs that AIG planned to relocate out of the Northeast to less expensive cities in the Sun Belt. That project may not have as much momentum behind it today, real estate executives said.

Atlanta has seen its share of large corporate consolidations in the wake of the Great Recession, both for office and industrial operations. Even as the economy shows signs of recovery, the consolidations continue.

In Atlanta, **State Farm** has been consolidating several large operation centers in the Southern region. In the past year, it committed to leasing almost 1 million square feet around the Atlanta Perimeter. It also expanded into new hubs in Phoenix and Dallas.

"This is about the continued rationalization of corporate cost structures," Boyd said. "We saw this in 2008, but companies are still wringing these expenses out several years later. It's been quite common in the insurance and financial services industries."

This isn't the first time AIG has eyed a big Atlanta project. Eight years ago, building owners along the Perimeter were pursuing another sizable AIG lease.

The company has a big presence in NorthPark Town Center, along the Perimeter. It also has space in Northwinds and Brookside office parks in Alpharetta, Wildwood office park in Cobb County and Colony Square in Midtown.

Much of the AIG space is back-office support, including claims groups.

It's going to be challenging for Buckhead and Midtown building owners to land AIG's consolidated operations. The company needs a lot of parking, and it's rarely free inside the city.

North Fulton and Perimeter building owners will make a strong push to consolidate AIG.

M&J Wilkow Ltd., a Chicago real estate investment firm, could make a convincing case. It owns the more than 370,000-square-foot mid-rise buildings that make up Cobalt Center, formerly home to the operations of **Cingular Wireless**, in Alpharetta.

In Dunwoody and Sandy Springs, State Farm has taken many of the largest remaining blocks of vacant office space.

Developer Hines Interests L.P. has approval for a 26-story building — the tallest ever proposed in Sandy Springs. It will be called Northpark 700.

Earlier this year, Hines got the green light to move forward with 100 Northpark, a mixed-use project also in Sandy Springs that would include up to 1.5 million square feet of office space.

Probably no development team is more prepared to start a new tower than GE Pension Trust, Seven Oaks Co. and **CBRE Inc.** They have the 18-story 4004 Perimeter Summit and the 12-story 9009 Perimeter Summit buildings in Brookhaven ready to go, the developers said.

One Perimeter developer recently said a new tower would have to be at least 60 percent pre-leased before any underwriters will take a look at financing construction, said [Scott Amoson](#), director of research with Colliers Atlanta. The size of AIG's consolidation leads some to think a new

tower is not a top priority.

"I would think if they are consolidating by that much, a build-to-suit would not be likely," Amoson said.

Douglas Sams covers Commercial Real Estate