ATLANTA BUSINESS CHRONICLE

From the Atlanta Business Chronicle
:http://www.bizjournals.com/atlanta/print-edition/2014/03/07/the-city-makes-a-comeback.html

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SUBSCRIBER CONTENT: Mar 7, 2014, 6:00am EST

The city makes a comeback

An intown development boom is bringing new offices, apartments, restaurants, stores and attractions

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After the steepest recession in decades sapped its strength, Atlanta is seeing billions of dollars in new investment in its urban core and the return of its official bird — the crane — to the skyline.

Last year alone, the city's intown properties, including trophy buildings, mixed-use developments and apartment towers, attracted almost $1.4 billion in new investment, according to data from **Real Capital Analytics**, a New York firm that tracks real estate deals. That's the most since $1.9 billion in 2007, the last good year before the market collapsed.

MetLife Inc. just spent more than $100 million to buy a nearly 400-unit apartment building near Buckhead Atlanta, a new mixed-use project that is luring first-to-market retailers here, including the latest, **Scoop NYC**.

Another intown apartment project — 12th & Midtown's 77 12th Street tower — could fetch an even higher price.

Even more impressive is the money for new development.

Cranes have returned for a spate of ongoing intown apartment projects in Buckhead and Midtown. Even bigger developments are in the pipeline. A New York development group plans 1,300 residential units at 98 14th Street, also known as the symphony center site, in Midtown. One of the towers could be close to 60 stories.

Add to that all the other intown development including the new $1 billion **Falcons** stadium in Atlanta; the continued expansion of the Atlanta Beltline; the emergence of Ponce City Market as a technology hub; and the opening this year of the **Atlanta Streetcar**, the **College Football Hall of Fame** and the **National Center for Civil and Human Rights**.

It's possible intown Atlanta may soon eclipse its most recent investment peak — $2.1 billion in 2006.

It's also another indication that reurbanization is probably here to stay, after first showing a resurgence two decades ago, sparked by the Olympics and the dot-com boom. Today, the city remains the target of most big developments, especially walkable mixed-use projects and apartment towers clustered near office buildings, shops and restaurants.

In fact, the gap of new apartment projects in the urban core versus suburban areas has continued to widen since 2011.

At the end of last year, developers had started construction on almost 7,000 apartment units in the central business district and less than 2,000 units in the suburbs, according to commercial real estate services firm **Cushman & Wakefield**.

Developers of new office towers have also focused most of their attention on intown sites, especially since the mid-2000s.

Atlanta saw an impressive — though poorly timed — office boom that peaked at more than 4 million square feet in 2008. Now that Buckhead trophy towers have recovered from the glut of office space several years ago, developers are talking once again of speculative projects.

Byron E. Small

12th and Midtown

Pressure on the suburbs

All this marks an important shift in development patterns that isn't limited to Atlanta.

Across the United States, urbanization — with its greater focus on walkable mixed-use projects near transit — is putting pressure on the suburbs to adapt.

For example, Long Island is battling what some have called a brain-drain that has seen more than half its 25- to 34-year-olds leave for the city. No demographic is expected to shape real estate investment and development more than these young workers, also known as millennials, who were raised on TV shows such as “Friends” and “Sex in the City,” which showcased the appeal of urban life.

Corporate America is paying attention to what these young workers want.

“The trend coast to coast is absolutely centered around recruiting,” said **John Boyd**, founder of Princeton, N.J.-based **The Boyd Co.**, a site selection firm. “Corporations want to remain ahead of the curve. They want to hire the best and the brightest. And they believe an urban, hip, setting in a mixed-use environment gives them a competitive advantage.”

For Atlanta, this marks a historical shift.

Developer **Don Childress**, who bought the land that became the Galleria office project on the northwest Perimeter, once said of metro Atlanta, “There has been, and will continue to be, a relentless movement outward and principally to the north.”

In the ’80s and ’90s, that’s exactly what happened.

Developers completed a wave of suburban office projects: **Northpark Town Center;** Wildwood; Gwinnett 316; Gwinnett Progress Center. It was driven by population growth. Developers wanted to build office parks close to where people lived to cut down on their commute times. It made sense. Suburban Atlanta counties were among the fastest-growing in the United States. Many companies migrated north and created the office markets in Roswell and Alpharetta. In the late ’90s, developers were under construction on almost 6.5 million square feet of office buildings in the Atlanta suburbs. After saturating those markets by the early 2000s, the amount of suburban office construction has generally been in decline.

The suburban office boom came with an unintended consequence: massive traffic congestion. The suburban network of roads and highways couldn’t handle the volume, and the region still cannot agree on a solution. In 2012, a regional transportation sales tax referendum overwhelmingly failed. Last year a study using **U.S. Census** data called Atlanta home to the worst traffic in the South.

The city scene

Developers are adjusting.

Instead of bulldozing trees for the latest suburban office park, they are looking for apartment sites on Peachtree, transit-oriented developments near **MARTA**, and adaptive reuse projects such as Ponce City Market, a former **Sears Roebuck & Co.** distribution and warehouse center on Ponce de Leon Avenue.

Jamestown has poured more than $225 million into the mixed-use project. So far, it has landed **MailChimp**, an Atlanta startup success story, founded by **Ben Chestnut** and **Dan Kurzius** on the heels of the dot-com boom in 2001, and software firm **Cardlytics**. Jamestown also convinced health IT company **athenahealth Inc.** to relocate to the project from Alpharetta.

“We are definitely seeing companies that are dependent on a younger workforce — such as technology and creative services — choosing to locate intown where most of those workers want to live,” said **Ed Cave**, president of interior design firm **VeenendaalCave Inc.**, an architect for athenahealth’s new space.

In Midtown, developers of the more than $1.2 billion mixed-use project 12th & Midtown plan to break ground this year on two more residential towers that would add at least 800 apartment and condo units to the blistering intown multifamily market.

The most sweeping intown project of all might be the Atlanta Beltline, a planned 22-mile corridor of transit lines and green space that would take abandoned railways and connect 45 Atlanta neighborhoods. The project could eventually link the east and west sides of the city.

Brian Hogg, a longtime Atlanta leasing executive who recently retired from **Portman Holdings**, has seen the patterns change. Years ago, Hogg worked with fellow **Georgia Tech** grad **Paul Duke** on the Technology Park project in Peachtree Corners. The idea was to develop a technology park on the northern edge of Atlanta — the Deep South’s answer to Cupertino, Calif.

“I think there has been a cultural shift,” Hogg said. “Back then we were selling the bucolic environment, a walk in the woods where you could think, where you wouldn’t be disturbed by the city scene. You might not see 10 cars coming south into Atlanta in those early days. Now, it’s almost always congested. Today’s younger generation wants to be in that city scene. They want convenience. They want to spend less on transportation. They want to ride their bike to work.”

12th and Midtown

Size: 2.1 million square feet completed

Official start of construction: 2003

Investment: $1.2 billion so far

Tenants: PricewaterhouseCoopers US; **IMG Worldwide;** Boston Consulting Group; Seyfarth Shaw; Exhale Spa; STK steakhouse; CB2.

Completion: 2020

Developer: Daniel Corp; **Selig Enterprises**

Impact: No project has done more to transform Midtown into a live, work, play environment over the past decade, and no project has been more important to adding street-level retail to the proposed Midtown Mile on Peachtree Street. “Over the last 10 to 15 years Atlanta’s infill submarkets have been emerging as communities,” said Steve Baile, a senior vice president at **Daniel Corp.** who has helped lead development at 12th & Midtown. “Where Atlanta once epitomized suburban sprawl it has now grown and the urban maturation has followed the same evolution of other major cities. Midtown offers some of the strongest fundamentals for institutional investment and therefore strong development opportunities.”

Atlanta Beltline

Size: 22 miles of transit; 33 miles of trails; 1,300 acres of parks and green space

Official start of construction: 2007

Investment: More than $360 million in public and private funds have been invested to date in the Atlanta Beltline program, spurring more than $1.1 billion in private redevelopment, including projects such as Ponce City Market.

Completion: The Atlanta Beltline 2030 Strategic Implementation plan divides the remaining 17 years of the program into three periods with transit, trail, park, streetscape, affordable housing and economic development projects and initiatives.

Developer: Atlanta BeltLine Inc.

I**mpact:** The Beltline should continue to accelerate gentrification of older single-family housing developments near the project. Ponce City Market has attracted growing technology companies that want their offices in hip, urban spots. More broadly, reurbanization patterns across the United States are drawing more people and employers back to the city to be closer to intown amenities and bold civic projects such as the Beltline. Those trends will likely spur the confidence of local and national real estate companies to invest in adaptive reuse projects around the Beltline. “Increasingly, developers are looking to cities and walkable, urban environments for growth and value in both residential and commercial investments,” said Paul Morris, president and CEO of the Beltline.

Buckhead Atlanta

Size: 1.5 million square feet planned

Official start of construction: August 2012

Investment: $1 billion

Tenants: Brunello Cucinelli, Doraku Sushi, Étro, Georgetown Cupcake, Gypsy Kitchen & The Southern Gentleman, Hérmes, Le Bilboquet, Shake Shack, Spanx

Completion: The first retail and restaurants will open their doors starting in July. The residential buildings and Spanx headquarters will be complete by the fall. The retail and restaurant portion will be complete in early 2015.

Developer: OliverMcMillan

Impact: “Lately, we have experienced

strong demand from luxury retailers interested in key cities such as Atlanta

and Houston,” said Jeff Zeigler, senior managing director of retail services for OliverMcMillan (and member of the firm’s executive committee). “In both cities,

they are looking for street-level storefronts

in walkable urban environments. Our

urban mixed-use projects provide great amenities that are attractive to both residents and companies.

Ponce City Market

Size: 1.1 million square feet

Official start of construction:

Late 2011

Investment: $250 million

Tenants/office: athenahealth, MailChimp, Cardlytics, Jamestown, Surber Barber Choate & Hertlein. **Retail/office:** Suzuki School, Binders

Completion: first openings/

move-ins beginning this fall

Developer: Jamestown

Impact: “Ponce City Market reflects a trend toward mixed-use developments housed in more authentic structures,” said Jamestown CEO Matt Bronfman. “Across the country we see tenants looking to step outside the traditional steel and glass structures and embrace brick-and-beam buildings. The proximity to the Beltline is also important to our tenants, who want to be able to take advantage of this amenity."

Suburbs Alive and Well

The huge wave of development in intown Atlanta doesn't mean the suburbs are dying.

Far from it.

Suburban Atlanta commercial real estate projects lured $9.8 billion in investment last year, according to **Real Capital Analytics**. That's the most in seven years.

Foreign money is more active. Australian real estate investment firm **Drapac Group USA** has acquired more than 2,000 acres over the past year and isn't done yet. It's confident big manufacturing projects such as **Caterpillar Inc.**'s new plant near Athens and **Baxter International Inc.**'s near Covington will spur new housing demand.

In Dunwoody, **State Farm Insurance Corp.** is about to launch the largest corporate real estate project in the region's history, a more than 2 million-square-foot employment hub. In the Cumberland Galleria area, the **Atlanta Braves** are building a new $672 million stadium and partnering with a developer on a $1 billion mixed-use project around the ballpark.

And in Alpharetta, **North American Properties** continues to develop its $600 million mixed-use project known as Avalon. It's in the heart of the suburbs, but in the affluent North Fulton market that is a hub for tech companies and a magnet for good schools. North Fulton blossomed in the late '90s and early 2000s and held its own during the slowdown.

North American Properties bought the property out of foreclosure. Today, it's mixing residential, retail and office development on the site — taking a page out of the live-work-play projects more often found in the urban core.

"That ability to park your car all day and work and shop right by your office — that sense of community in one project — you didn't use to see that in suburban development," said Reid Freeman, an executive with the developer **Regent Partners LLC**. "Now developers believe it yields more in the lo

Douglas Sams covers Commercial Real Estate