

Truist departing downtown tower will test city's ability to breathe new life into buildings



BB&T bank headquarters in Winston-Salem. Journal file photo

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It would be easy for local civic and economic officials to slap their heads and say “Here we go again” with the news of Truist Financial Corp.’s plan to exit the landmark downtown building that served as BB&T’s corporate headquarters for 25 years.

After all, the news signifies that all six of downtown’s signature towers — each built specifically for a primary occupant or owner — will have had each end user move on from the facility.

The good news is those officials are quite familiar with breathing new life into the buildings.

All of the previous five properties have been converted into successful multi-tenant use: two former Wachovia Corp. headquarters buildings, the former GMAC Insurance building, the former R.J. Reynolds Tobacco Co. headquarters and the Nissen Building.

The daunting news is that it took several years to repurpose each tower amid worries that at least four — Winston Tower, GMAC, Reynolds and Nissen — could have become white elephants.

Truist completed its move to Charlotte on Dec. 6 when the nation's sixth-largest bank debuted following BB&T's \$33.5 billion purchase of SunTrust Banks Inc. Truist's community/retail banking hub remains in Winston-Salem.

Truist spokeswoman Shelley Miller said last week that employees will move to company-owned office spaces at 101 N. Cherry St., known as the Park Building, and to 110 and 150 S. Stratford Road in the Five Points area.

"Winston-Salem's efforts over the years to redevelop available buildings prove that smart strategy can create thriving districts," said Mark Owens, president and chief executive of Winston-Salem Chamber of Commerce.

"We've seen it in the Innovation Quarter, 500 West 5th, Industry Hill, the Kimpton Cardinal (hotel), the arts district, and more.

"Reinvention is in our DNA, and we will approach this property with as much effort and dedication as our community has with those other projects in the past," Owens said.

BB&T buys, then sells Nissen Building

The first repurposing challenge and opportunity came in May 1999, when BB&T Corp. spent \$2.5 million to buy the former First Union Building from Aon Consulting Inc. The 18-story building at 310 W. Fourth St. was known as the Nissen Building until the late 1960s. It is listed on the National Register of Historic Places.

The Nissen Building always has been ahead of its time, a skyscraper built in 1926 and 1927, just before the Reynolds Building in 1929.

But the building never had a consistent anchor. Major tenants, such as the federal government and Aon, came and went, and floors were either unfinished or unoccupied for much of the past century.

As part of the BB&T purchase, Aon moved about 400 employees to University Corporate Center, formerly the headquarters of RJR Nabisco near Wake Forest University's athletic complex.

BB&T said in May 1999 it could take as many as four years for the bank to become the building's primary tenant.

However, BB&T agreed in August 2000 to sell the building for about \$2 million to Prime Residential LLC, a development company based in Chicago that converted the building into 132 apartments, along with restaurant space.

"If we had kept it for ourselves, it would've been in mothballs for several years," David Park, executive vice president at BB&T overseeing the sale, said at that time.

"We felt that leaving the building in that mothball condition would be the wrong thing to do for the city."

Prime Residential spent about \$26 million on the conversion project.

Jack Steelman, executive director of the Downtown Development Corp. at the time, described BB&T's decision to let the building become residential as "an incredibly community-minded thing to do."

Second Wachovia building

The second of Wachovia's three corporate headquarters in Winston-Salem officially opened at 301 S. Main St. in 1966.

The 30-story building was briefly the tallest in the Southeast. It was listed in 2001 on the National Registry of Historic Places.

Wachovia leased the 425,761-square-foot building from companies linked to JMB Realty Corp., a real-estate company based in Chicago.

It kept headquarters operations there until moving in 1995 to the \$80 million Wachovia Center at 100 N. Main St.

JMB later defaulted on a loan that was secured by Winston Tower and a neighboring building, so in 2003 a local investment group bought the buildings at foreclosure for \$1.5 million and assumption of the defaulted loan.

Winston Tower Properties LLC installed new systems, such as heating, cooling, water supply, electrical service and distribution, as well as fiber optics. New solar films were installed on all windows, and two banks of elevators, or 11 in total, were updated.

The new owners succeeded in landing some tenants, but have struggled at times to get a majority of the space leased.

A marketing flier by Christopher Commercial Properties lists up to 100,000 square feet of space being available.

Wachovia tower opens

The 28-story Wachovia headquarters at 100 N. Main St. was open just six years before the bank was sold to First Union Corp. for \$13.4 billion in April 2001.

With the Wachovia headquarters jobs shifted to First Union's hub in Charlotte, the 546,315-square-foot building changed ownership four times from 2004 to 2018.

The most recent purchase was by Oklahoma City real-estate developer WFC Property LLC for \$62 million.

The previous owner, SL Winston-Salem LLC of New York, bought the property for \$36 million in October 2008 — just weeks after the Wachovia collapse during the Great Recession and its subsequent sale to Wells Fargo for \$7 billion.

The building has remained at near full capacity, thanks to Wells Fargo operations on floors 1 through 14, 16 and 27 through 28, using about 400,000 square feet.

A recent listing by the Triad chapter of CBRE lists space available in the range of 1,000 to 53,000 square feet.

Besides Wells Fargo, tenants include Al Watson Corporate Image, Alex Brown, Aon Risk Service Inc., Craft Cleaners, U.S. Department of Veteran Affairs, Dixon Hughes Goodman LLP, and Morgan Stanley Wealth Management.

Reynolds moves

The next downtown tower to experience the loss of its anchor tenant was the R.J. Reynolds Tobacco Co. corporate headquarters.

It debuted in 1929, a signature building that was the model for the Empire State Building.

Even though the 22-story building aged well over the years, Reynolds decided in the early 1980s that it needed more space than its 239,781 square feet.

In 1982, Reynolds opened the Plaza Building next door with 449,150 square feet.

In the midst of waves of job-cutting consolidation moves, Reynolds announced in October 2008 it would vacate the former headquarters by early 2010.

“We are beginning a process of analysis, input and planning for the best future use of the Reynolds Building that takes into account not only its practical usage, but its historic significance to the community and the role it can play in downtown development,” spokeswoman Maura Payne said in October 2008.

A Greensboro hotel developer, Quaintance-Weaver Restaurants and Hotels, did an extensive review of the building in 2011 and 2012 as a potential upscale hotel.

In December 2012, the developer nixed the project, saying the reality of spending tens of millions of dollars on buying and renovating the building in an economic downturn was too much to pursue.

It was another 18 months before developer PMC Property Group purchased the building for \$7.8 million in June 2014.

PMC spent an estimated \$60 million overall to convert it by April 2016 into the Kimpton Cardinal Hotel, which has 174 guest rooms on the second through sixth floors, and the Residences @ the R.J. Reynolds Building, which features one- and two-bedroom apartment models on the seventh to 19th floors.

GMAC sells

The next economic tremor surrounding a downtown tower occurred in October 2009 when GMAC Inc.’s local operations were sold to an investment group led by an affiliate of American Capital Partners LLC of Hauppauge, N.Y.

Although the more than 700 GMAC jobs were not affected by the sale, the new owners eventually decided it didn’t need all the space in the 18-story building.

According to Forsyth County Register of Deeds data, the complex changed hands from a real estate investment trust to its lender, 500 W. Fifth Street Holdings LLC, in 2012.

In August 2013, National General Holdings Corp., the new brand for GMAC, announced plans to move its operations into the Madison Park business park at 5650 University Parkway.

After National General completed its move in June 2014, the building sat idle until June 2017, when automotive executive Don Flow stepped into the gap.

Affiliate Flow 500 West Fifth LLC spent \$6.15 million to buy the property from Slate Winston Holdings Inc. It has since spent more than \$10 million on renovating the building back into Class A office space.

Flow Automotive is occupying about 90,000 square feet of space for its workforce of about 140 of its 875 employees in the county.

If sock manufacturer Renfro Corp. leases the 10th floor along with the 11th floor it has taken, the 18-story tower would be at 90% occupancy for its 310,091 square feet of rentable space, according to Buddy Thomas, Flow's director of real estate.

The tenant base has great diversity, including: Flywheel, a co-networking space provider; Teall Capital Partners; Winston Starts, a nonprofit group that aims to accelerate the growth of startup businesses; a loan-production office for Select Bank; and co-developer Grubb Properties on the second floor.

The building's ownership has made a three-year commitment to provide a customized space and other in-kind support to the UNC Schools of the Arts' Kenan Institute, Salem College's Center for Women in Entrepreneurship and Business, Wake Forest University's Center for Private Business and for Forsyth Country Day School.

New use for BB&T building

Owens said he believes the BB&T Financial Center could serve again as a one-user building or for multiple tenants.

"Winston-Salem's comparatively low Class A office rates and growing downtown make this building perfectly situated for economic growth, and it will be a key asset in our real estate portfolio," Owens said.

"This is another great opportunity to market our downtown business core to local and external investors."

John H. Boyd, a national site-selection expert based in New Jersey, said the building owners should be successful in attracting another financial-services tenant given the industry workforce in the Triad.

He said an industry trend is shifting back-office operations "from hyper-costly and congested markets of New York, Boston and Philadelphia."

He cited examples that have worked in Nashville, Tenn., Columbus, Ohio, Indianapolis and Jacksonville, Fla.

"Our JPMorgan Chase client now has more workers in Columbus than in New York City," Boyd said.

"A single-tenant marketing focus would also distinguish the skyscraper from the competitive pressures from some of the other re-purposed campuses."

Keith Debbage, a joint professor of geography and sustainable tourism and hospitality at UNC Greensboro, said civic and economic officials would be wise to “move swiftly to attract new tenants.”

“The problem is this will be a huge challenge, and it is likely that it will take quite a bit of time to reposition the building,” Debbage said.

“Of course, will the new occupants pay the sorts of salaries and offer the sorts of employment opportunities provided by the previous tenants?”

“Likely not.”