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FUTURE OF OFFICE REAL ESTATE TAKING SHAPE

Corporate leases, coworking are redefining office sector in the Southeast, say SIOR specialists.

By John Nelson

When Wall Street asset management firm AllianceBernstein LP announced this summer that it plans to move its corporate headquarters from midtown Manhattan to downtown Nashville, it was a major coup for the city and a clear signal that the Southeast is a desirable destination for major corporations. Even the company's CEO is making the move southbound to the Music City.

"This was much ballyhooed, and rightly so," says Hilton Buck Forcum, SIOR, owner and principal of Nashville Office Consulting, a boutique office real estate consultant and brokerage firm. "The new AllianceBernstein corporate office will mean 1,000 new high-paying jobs. It could also make Nashville potentially more attractive

to other national and regional financial firms that are looking to relocate."

At the time, the lease was viewed as the biggest office transaction of the year for the Nashville market, but Forcum says that the deal was "dwarfed" by Amazon's announcement last month to build its \$230 million Center of Excellence for its operations business in downtown Nashville. The new 1 million-square-foot campus will service the e-commerce company's customer fulfillment, transportation and supply chain functions.

"With 5,000 new jobs, this is the largest jobs deal in the history of the state of Tennessee," says Forcum. "Amazon will not only become the largest employer in downtown Nashville, but the fourth largest employer in this entire region after Vanderbilt University,



Office real estate in 2018 was highlighted by major corporate relocations, like global investment firm AllianceBernstein's decision to lease 205,000 square feet in Nashville.

Nissan and HCA."

Amazon had a number of Southeast markets in its top 20 list for the com-

pany's \$5 billion second headquarters before ultimately deciding last month

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Promenade at Newnan Crossing is an apartment project that will bring density to Newnan, Georgia. The development team is led by Novare Group and PointOne Holdings.

HIGH DEMAND FOR HIGH DENSITY

Throughout Atlanta, multifamily developers are exploring how to properly densify in the suburbs.

By Lynn Peisner

When apartment developers say they're attracted to locations at Main and Main, it's very likely to be an intersection of a formerly sleepy suburb, not the convergence of high streets in a major metro.

Following demand and rent growth, multifamily development has been consistently pulled to the suburbs over the past six years.

According to Brookings Institution, the U.S. population is rising in outer exurban areas and low-density emerging suburban counties at growth levels not registered since 2008. The Great Recession, coupled with the mortgage crisis, slowed suburban growth through 2012, which was the peak year of the "back to the city"

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HIGH DEMAND FOR HIGH DENSITY

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movement. Since then, the growth of urban cores has halved and exurban county growth has quadrupled, according to Brookings.

Millennials and empty nesters — the two groups most likely to rent rather than own their homes — aren't looking for a low-density lifestyle in those suburbs. They want to simulate city life, preferably in a way that doesn't involve driving.

The most popular new suburban multifamily developments are more likely to be built over a retail base and feature an amenity deck, wrapped parking or even podium-style buildings with underground parking versus a low density, single-use format surrounded by surface parking.

Atlanta in particular is seeing a great deal of urban-style construction throughout what were previously remote suburbs and commuter islands outside the perimeter. Many of the city's new developments are located in suburbs defined by historic town squares — so there is "place making" occurring near long-established sidewalk communities. Newnan, Roswell, Lawrenceville and Avondale Estates, to name a few, are seeing some new multifamily living options as developers look away from the urban center.



James Borders
Novare Group

"We're creating a town-within-a-city-type of approach so that it feels like you're walking down Main Street USA," says James Borders, president and CEO of Novare Group. "We have been urban high-rise developers in the past, and we switched gears about two years ago to start executing on our vision of what urban communities in the suburbs would look like."

"Developers are getting wary of how competitive those infill sites have become," adds Brad Raber, market analyst with CoStar Group. "This year, projects are moving outside the Interstate 285 perimeter, and that's going to increase in 2019 and 2020."

All the Bells and Whistles

Novare Group is under construction on Promenade at Newnan Crossing, a 298-unit multifamily project being developed with partners PointOne Hold-



Willis Apartments' green space serves as a gateway to Avondale Estates, Georgia. Developer South City Partners says projects like this help cities improve their walkability.

ings Development and Batson-Cook Development Co. The project will comprise a mix of three-story apartment buildings, "Big House" buildings and for-rent townhomes on approximately 24.3 acres. The Big House product is an offering by Dallas-based architect Humphreys & Partners that clusters a smaller number of units — about six to 14 per building — with private attached garages and direct entry to the apartments.

The gated community in Newnan will include a leasing center, business center, clubroom, fitness center, pool, outdoor grilling area, bocce ball court, community garden, bike storage and a dog park. The multifamily community is one part of a 123-acre mixed-use development called Village Square at Newnan Crossing that will weave together public green space and walking trails with offices, shopping, restaurants, apartments and townhomes. Delivery of the first apartment homes is scheduled for spring 2019.

To give this cohort of renters what they want and need to live, work and play, Ben Colonomos, founding partner at PointOne Holdings, says office and working space is a priority in today's high-demand, new construction apartment homes.

"The numbers show that over 40 percent of Americans at some point spend time working remotely," he says. "We are designing more communal, work/study/meeting and breakout spaces with computers and printers and comfortable areas that encourage people to feel at home.

We believe it is a necessity rather than an amenity."

To that end, Promenade at Newnan Crossing will feature complimentary Wi-Fi throughout the offices, resident center and pool areas; separate working areas with stations that include Apple computers and wireless printing; community working tables and free Starbucks coffee and refrigerated drinks.

Taking in the Surroundings

Miller Lowry Developments is another developer at work building suburban communities, creating denser product in Lawrenceville, Norcross and Roswell. The company's newest projects include Vickers, with 80 multifamily units in Roswell that delivered in June 2018, and Blacksmith Row, which includes 17 for-sale luxury townhomes on Canton Street in historic Roswell. Blacksmith Row was delivered in August and construction of Phase II will kick off in January.

"People are looking for where they can live, work and play, and our communities tend to be in main-and-main locations where the walkability factor is huge," says Ed Wolff, chief operating officer for Miller Lowry. "It's less about their car and more around having a bike rack, dog park and a dog-wash station."

In Avondale Estates, a suburb on Atlanta's east side, South City Partners' Willis Apartments, named for the founder of Avondale Estates, George Francis Willis, kicked off the redevelopment of a tran-

sitioning strip that leads to the city's historic main street district. The city's 2014 master plan for growth along this road calls for wider walkways and pedestrian areas.

Along with the 197 units and 8,400 square feet of first-floor retail, South City Partners was also able to incorporate a park. This green space serves as the western gateway to the city and lends some softer, more natural elements to a road previously dominated by light-industrial uses.

"One of the larger themes in developing these cities within metropolitan Atlanta is that at the end of the day, people are trying to densify appropriately," says John Long, director with South City Partners. "In the past, outside of downtown Atlanta, density was sort of a bad word. But now there's a recognition that at their core, towns need some density."

The project opened in July 2018. The only tenant announced so far for the first-floor retail is Kafenio, a Greek restaurant and breakfast concept.

According to Ron Cameron, senior vice president and principal with Colliers International, these higher-density designs in the suburbs are influenced by the profile of potential renters.

"People who are leasing now are looking more for that walkable product that has mixed-use surrounded by other alternative things to do," he says. "Avalon was one of the first to go in that direction, and now we're seeing it in Norcross, Lawrenceville and other suburbs. People no longer rent because they have to rent, they rent because they want to rent."

According to a study by the Atlanta Regional Commission, the share of renter households in the region making more than \$50,000 a year has increased by 12.4 percent from 2007 to 2016.

"The quality in apartments today is significantly higher than it was even five years ago," says Cameron. "People like to be mobile, own as little as possible and live near where they work, shop and eat. When these developers are talking to lenders, one of the key things that the lenders want to know is, 'What's your walkability score?' We never heard that before now." ■



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