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Real Estate Report

THE BUSINESS POST

Know someone in the commercial real estate business?

It seems that everybody knows somebody in the commercial real estate business. But it is rare to meet someone who understands what the person they know really does. Let me shuffle the cards for you a little more.

Developers are usually leasing agents and property managers for their owners, often owners themselves and occasionally brokers. Leasing agents and property managers are rarely developers or owners, but are usually brokers. Brokers are usually leasing agents and property managers, but rarely developers and even more rarely owners. And owners are rarely developers, leasing agents, property managers or brokers. It's sometimes confusing.

Owners are at the top of the commercial real estate food chain. They are often referred to as "equity partners," "the landlord" and "investors." The reality is the owner is who put the big money up. They're the ones "with the gold that make the rules." These entities are generally either institutional funding sources or groups of high wealth individuals. In the GA 400 corridor some of the institutional players include Sun Life, JP Morgan, GE Capital, MetLife, State Farm and a lot more. It is unusual to know the high wealth individuals who are owners in that developers are protective of these money sources.

Developers may also be owners, but generally own substantially less than the entities that put up the big money. Developers are the creative people that create the value. These are the business people who use their relationships and creativity to identify piece of land, envision what it could be, hire an architect, get the property zoned, go out and raise the equity, arrange the financing, hire and work with the contractor, then get it leased and usually take care of it. The developers are usually paid fees for doing this and if the project is successful, often also earn ownership called "sweat equity." There are a lot of significant developers in the GA 400 corridor to name them all would be impossible. A good start would include Crossley, Jernigan and Ellison, Scott & Associates who developed the buildings on the east side of GA 400 on Mansell Road, The Myrick Company who developed Parkway 400 on Old Milton Parkway and The Paddocks across from Laurel Springs, Pope & Land at Northwinds, Taylor and Mathis with Georgia 400 Center, Park Day, Childress Klein, Opus South,

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Richard C. Lackey Jr.
Hometown Commercial Real Estate

The Alter Group, Barry Real Estate, Resurgens, Management, Hines, Simbler, Dewberry Capital and Technology Park/ Atlanta to name a few...and there are a lot more.

Finally you have the REIT's (Real Estate Investment Trusts); public companies that are in the business of developing, owning and operating income producing real estate. In the 400 corridor they include Equity Office (EOP) who owns most of Perimeter Center, Cousins (CUZ) who developed, own and still control pretty much all of North Point Mall area, Duke (DRE), Highwood's Properties (HIW), and Colonial Property Trust (CLP).

Right now the market is referred to as "soft, flat and / or dead." There is a lot of available space and very little leasing activity, especially relative to the normal blistering pace. According to the Dorey Market Analysis Group, "in 1995, North Fulton sub market had just over 12.8 million square feet of office, industrial, and retail space. Today, the area boasts 47 million square feet of space." That's 1079 acres under roof. Until about 12 months

ago, almost anything could be built and immediately leased. What's happening right now, due to negative job growth, companies have more space than they need. So the space that was under construction when the market died is vacant due to the limited demand and to make matters worse the companies that have too much space are trying to sublease it.

During 2002 in GA 400 Corridor Significant deals have being made:

Six Continents leased 67,000 square feet of office space at Great Oaks in Windward, Lafarge leased space in Deerfield, Textron Financial leased 37,000 square feet of space at Royal Center Two, Zhone Technologies Inc. renewed its 31,000 square feet at the 5555 Windward Parkway, Flexx Office purchased The Offices at Kings Landing, a 72,000-square-foot office building on Old Alabama, Barry Real Estate sold the Cinglar building on Windward Parkway for \$67.45 million, Triad bought 90 acres across from the proposed Rouse Co. Mall site and T&D Remarketed paid \$4.3 million for the former Van Bloem Headquarters in Bluegrass .

I am interested in what you think. Please email me at rlackey@htere.com.

Richard "Rick" Lackey Jr., MCR, is president of Hometown Commercial Real Estate in Gainesville.