ATLANTA BUSINESS CHRONICLE

Survey shows market could be stabilizing

REAL ESTATE NOTES
Douglas Sams

There are some encouraging signs for Atlanta real estate, according to a new survey by Atlanta-based **CoreNet Global**.

Since the previous survey in April, the number of companies indicating that they are growing increased from 41 percent to 54 percent. Also, the number of companies indicating they are in contraction mode dropped from 30 percent to 19 percent, according to the survey.

CoreNet conducted interviews with real estate executives from 125 international companies, or about 5 percent of Forbes Global 2000, said **Richard Kadzis**, CoreNet's director of membership and marketing.

CoreNet has been conducting the survey since August 2008.

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CoreNet Global

As companies faced budget constraints in 2008 and 2009, they delayed real estate projects, including new lease agreements. That caused a steep drop in real estate transactions.

"Some of the commentary showed that these companies expect to free up capital expenditures again," Kadzis said. "When tenants stop spending money, it has big ramifications. We hope this new information means the corporate freeze has ended."

Earlier this year, 65 percent of companies said they were cutting capital expenditures. By October, that number fell to 46 percent.

"It's a good indication that things are stabilizing," Kadis said.

Still, this time companies surveyed said the recession may not come to an end until 2011. Much of the concern stems from predictions of a jobless recovery.

The long-term prospects for Atlanta look strong, Kadzis said.

"Atlanta's advantage is still its key growth industries, like logistics, biosciences and manufacturing," he said. "Atlanta still has the ball and chain of the office market to deal with, but its talent and infrastructure, including the airport, give it advantages over other cities."

SECOND FORECLOSURE: CWCapital has foreclosed upon the nearly $51 million note secured by Buckhead's Tower Place 200.

The lender foreclosed on the loan Dec. 1 for about $32 million, said Bob Stupar, with **Kilpatrick Stockton LLP**'s real estate department.

The foreclosure represented a 37 percent decline from the original loan value Transwestern was in default on the loan. It was set to mature in 2011.

Talks between Tower Place 200 owner **Transwestern Investment Co.** and CWCapital broke down in September.

Tower Place 200 marks the second significant Atlanta office building to be foreclosed upon this year.

"I think this is a sign of things to come, unfortunately," said Jay O'Meara senior vice president, investment properties, for **CB Richard Ellis Inc.**

In June, an affiliate of Capmark Bank foreclosed on downtown's 33-story Equitable Building, a landmark office tower.

Transwestern bought Tower Place 200 in 2006, paying between $215 and $220 per square foot.

Since then, developers have completed several new Buckhead office buildings, with two more primarily vacant building slated to finish early next year.

At the same time, the recession undermined the job market and weakened the demand for office space.

Tower Place 200 struggled to reach 65 percent occupancy in 2009.

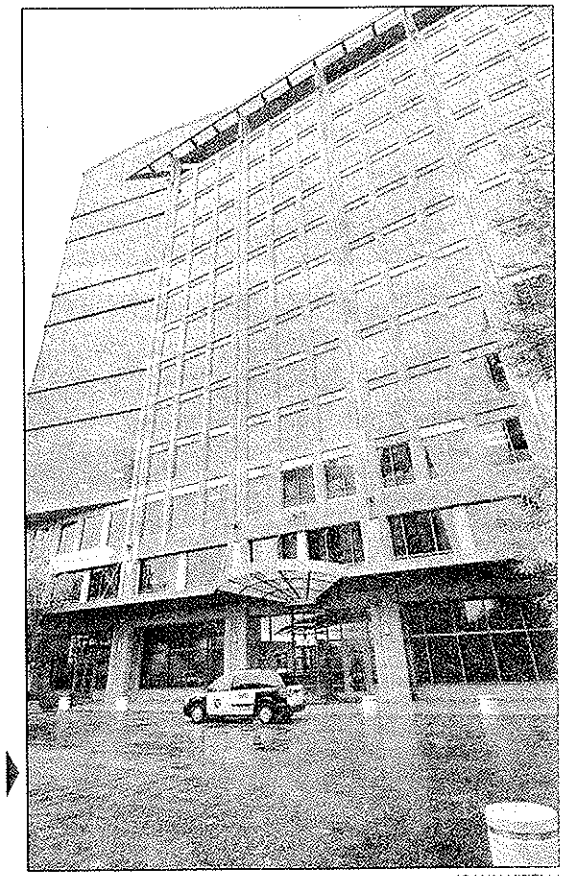
The Buckhead submarket is facing class A vacancy rates of more than 30 percent by early next year.

Recently, CWCapital reached an agreement that appointed commercial real estate firm **PM Realty** as the receiver of Tower Place 200. The foreclosure terminates that agreement, but PM Realty will continue to manage and lease the building.

Tower Place 200, developed by **Regent Partners LLC** and completed in 1998, was part of a wave of new development next to the Buckhead Loop.

Transwestern has been a player in the Atlanta real estate market for more than a decade. It also owns The Campanile, the former Midtown home of AT&T Inc. Transwestern has struggled to fill the 20-story tower since AT&T left.

It was a finalist to land the accounting firm **KPMG LLP**. KPMG, a fixture in downtown's SunTrust Plaza since the early 1990s, chose to renew its lease.



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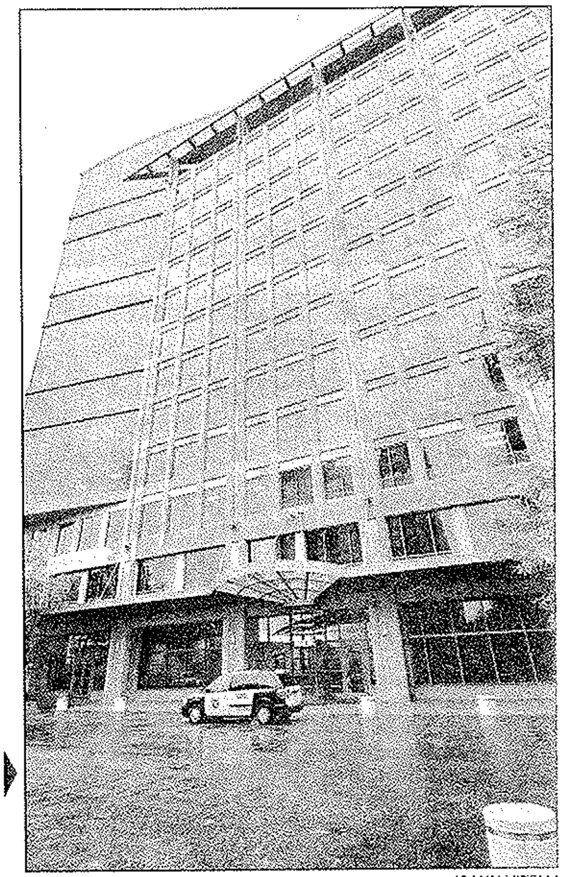

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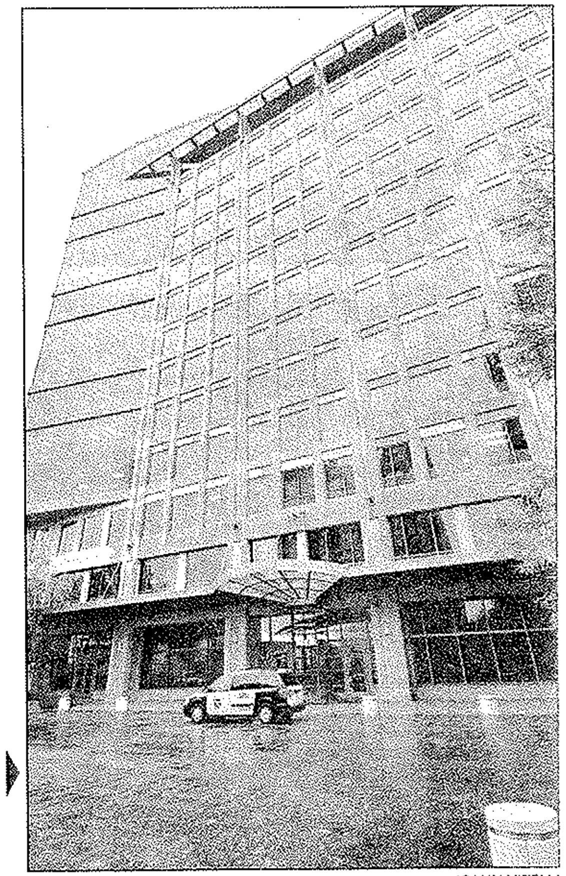

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