

\$140M 'SPEC' OFFICE TOWER SET TO RISE ON NORTH PERIMETER



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Atlanta Business Chronicle
January 8, 2016

Atlanta developer Seven Oaks Company LLC will break ground this month on a 15-story office building on Interstate 285, the first speculative project on Atlanta's central Perimeter in more than a decade.

The \$140 million project will become the fourth office building in Perimeter Summit, the 83-acre mixed-use development on Ashford-Dunwoody Road in Brookhaven. It already includes high-profile tenants such as Autotrader, Zurich American Insurance Co. and Verizon Telematics.

Seven Oaks is starting the building, which will be called 4004 Summit, as landlords chase several companies planning expansions and headquarters relocations.

Perimeter Summit is owned by Bryan Realty, a subsidiary of GE Asset Management. It's funding development of the 360,000-square-foot building, according to sources familiar with the plans.

Seven Oaks declined comment on construction financing. Its principal and founder Bob Voyles confirmed work is already under way on the site.



An official groundbreaking is scheduled Jan. 19, he said.

The development team includes architect TVSdesign and Holder Construction. A CBRE Inc. team of Clark Gore, Sabrina Gibson, and Bryan Heller will handle leasing.

Seven Oaks has entered preliminary discussions with at least three large tenants, Voyles said.

He added the building has also generated up to 700,000 square feet of prospects.

The project comes as fundamentals for the 22 million-square-foot central Perimeter office district, which includes the cities Brookhaven, Dunwoody and Sandy Springs, remain at their strongest levels in years. Class A direct vacancy is 9.7 percent, with no other spec office projects under construction, according to data from commercial real estate services firm Transwestern.

The last spec office building in the Perimeter came a dozen years ago when 2002 Perimeter Summit was completed.

Spec projects in the central Perimeter haven't exactly taken off since then. Even with metro Atlanta's overall office vacancy dropping to the lowest point since 2007 and nearly 100,000 jobs expected to be added before year's end, spec office construction still remains remarkably limited.

Tishman Speyer's 30-story Three Alliance Center in Buckhead is the only one under way.

Seven Oaks could get the jump on its competitors in the central Perimeter, where not only vacancy is reaching historic lows but also rents continue to climb. "Historically, the first guys out of the ground tend to do pretty well," Voyles said.

One challenge might be the gap between the rents landlords are charging at existing trophy Perimeter buildings versus rents Seven Oaks will need at 4004 Summit.

Those rents will probably reach at least \$38 per square foot. Voyles was confident that gap is not too large, especially in the central Perimeter, where rates have been soaring.

"Historically, tenants will pay up for new construction," Voyles said.

Russ Jobson, a longtime leasing executive with real estate services company Colliers International, agreed.

Both the central Perimeter and Buckhead are the tightest office districts in metro Atlanta, and both have seen rental rates at trophy buildings reach historic levels.

“I think tenants in central Perimeter and Buckhead will have the easier time paying up because they are already paying the highest rents they’ve ever paid,” Jobson said.

Seven Oaks is adapting as the region moves away from the isolated setting of a suburban office park, a model for years along the Georgia 400 corridor. Today, there’s greater emphasis on blending residential and pedestrian-oriented development with office buildings.

Consider how Seven Oaks is adding new mixed-use components to Perimeter Summit. In the past two years it’s opened the Hyatt Atlanta Perimeter at Villa Christina, and it’s working with multifamily developer Worthing SE on a 350-unit apartment project.

Seven Oaks may also benefit from how difficult it remains to get construction financing for new spec office buildings. “A lot of lenders got their fingers burned off,” Voyles said, “and they haven’t forgotten what that was like.”

Douglas Sams covers Commercial Real Estate