



# CAPITAL VIEWS



*“I think the biggest question and issue in our industry is how we will use office space in the future.”*

## PATTERSON PERSPECTIVE

LANCE PATTERSON, *Chief Executive Officer*

[lpatterson@pattersonreag.com](mailto:lpatterson@pattersonreag.com)

### SMALL IS BIG AND FULL SPEED AHEAD

Our industry was very busy last year. It feels like everyone did very well, which is great to see after a difficult 2020. It was definitely full speed ahead for our firm in 2021.

For those of you who have read our previous newsletters, you may recall that I usually end my article with a personal story, often about my sons. I thought in this newsletter I'd start by writing about my youngest son, the one in the Marine Corps. Bear with me if you will, as I am heading toward my thoughts on real estate!

I think of Andrew often. Much of what drives me, how I try to act and what I think is because of him. Andrew has been an officer in the Marine Corps almost five years, and two weeks ago began a one-year training effort for MARSOC - which stands for Marine Forces Special Operations Command, i.e., the Marine Corps equivalent of the Navy Seals. While I won't bore you with stories of what they do in training and what they do after training, suffice it to say that they do what you would assume special operations forces do. As a father, I can't describe both the immense pride and the simultaneous nausea I feel when I think about Andrew and what he will be doing.

When Andrew finishes training, he will be a squad leader with maybe six, maybe eight men. In other words, a small, nimble, agile and flexible group. The military has somewhat moved away from the massive army battles of World War II or even the first Gulf War, in favor of these smaller units, as it's the smaller units that are best able to deal with the changes that occur quickly and unpredictably on the battlefield. In MARSOC, not only are the units small, but they are disciplined. They are trained to take risks. They think, they act decisively, they are focused, they make strong decisions. So immense risk with what they do for sure - but undertaken

with the knowledge and belief that they will achieve their goals. For MARSOC, it is full speed ahead.

So, here's the real estate connection. I'm sure everyone reading this has noticed that most large companies, virtually all of them, have had their employees working from home since March 2020. And at the same time, most small companies, virtually all of them, have had their employees working from the office since May 2020. Have you thought about why that is? Or what it means?

I have thought a good bit about this as for real estate, I think the biggest question and issue in our industry is how we will use office space in the future. Will these large companies come back to the office? Will they move to a full-time, forever work-from-home model? A mix? And either way, when will they begin to make decisions? If you're an office developer, owner, investor, lender, broker, etc., this is pretty important to you as your livelihood depends on the office industry moving again. What we're seeing at least for now is it's the small companies, and the smaller more creative buildings, that seem to be causing and getting activity, whereas the large companies and larger buildings seem stagnant. Within all of this there will be winners and losers, risks and opportunities. The winners will be those who smartly assess the risk and then take advantage of the opportunities. If I had to bet, I'd place my money on the smaller firms leading us through this, as they seem to be the ones who are still full speed ahead. How about you - are you focused on the risks? Or do you see opportunity?

The other biggest issue we are now dealing with in our industry is construction costs. I remember a conversation I had with a wonderful client and developer a few years ago, might have been 2017. At that point, costs had been increasing ever since we came out of the last economic downturn around 2012. I'm pretty sure I remember that when I spoke with my friend in 2017, a new high-rise urban office building would probably cost around \$400 per square foot to develop. We both talked about how only a few years earlier we remembered that building might have cost closer to \$300 per square foot. My friend was confident costs would decrease, because "they always do." There was really no other reason, just "they always do." Today, that same building probably costs close to \$600 per square foot to build. While we can talk forever about the reasons why costs are higher, and why some of the costs might come back down, overall, I just don't see the "they always do" cost decrease coming. Do any of you?

Here's a positive one for you - what's the flip side of higher costs? The answer - higher values. No question we're setting ever higher record pricing and valuations for all product types throughout the Southeast. This is happening at least as fast as costs are increasing so that profit margins remain strong. I believe that values will continue to increase as the lure of the South - better weather, lower taxes, less regulation, more freedom - will remain strong.

There are other big positives. For the most part the property level performance in real estate is good. There remains a lot of capital - and as I have said for years now, while aggressive, the capital is also very smart, prudent and rigorous. Good apartment and industrial deals will likely get financed. Bad ones likely won't. Hotel development financing is a conversation we can reasonably have again with capital. In short, the markets feel healthy and good.

Finally - I bet if you asked most equity investors what they think the biggest issue is that we face, they would say, "What do I invest in...something I can win and where I can hit the yields I want?" That is leading to increased opportunities for more niche product types (data centers, active adult, RV parks) and for smaller market transactions to find capital.

## THE END

I had my first grandchild in October of 2021, Maximo Lance Patterson (MLP the 4th!). Before his birth, a friend of mine, also a recent grandfather, told me a story. He said, "Lance, I was on a walk around my neighborhood recently, and I ran into someone I didn't know. We began chatting, and somehow the conversation turned to grandchildren. This person told me that when you have a grandchild, you realize that there is a bottomless pit of love in your heart for your grandchild that you didn't know you had." Now that Max is with us, I often think of what my friend told me and how true it is. Max lives in Spain with my oldest son and his Spanish wife. While I got to visit him in November, most of my time with Max so far has been looking at pictures and videos and seeing him on Facetime. I often just stare at his picture, and I find myself smiling and laughing. What a joy - I'd strongly suggest getting yourself a grandchild if you don't yet have one. Doubly cool for me - my middle son and his wife will soon deliver grandchild #2! By the way, that "someone" who my friend ran into on his walk was Jeff Foxworthy.

*See you around and remember - full speed ahead!*

# 2021 SELECT TRANSACTIONS

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<b>CLIENT</b>	BROAD STREET INVESTMENTS
<b>PROJECT</b>	CREEKVIEW & DREW VALLEY APARTMENTS
<b>MARKET</b>	ATLANTA, GA
<b>TYPE</b>	MULTIFAMILY ACQUISITION
<b>ASSIGNMENT</b>	BRIDGE DEBT

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<b>CLIENT</b>	EXPEDITION CAPITAL ADVISORS
<b>PROJECT</b>	RAVINIA
<b>MARKET</b>	HOUSTON, TX
<b>TYPE</b>	MULTIFAMILY ACQUISITION
<b>ASSIGNMENT</b>	VALUE-ADD EQUITY

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<b>CLIENT</b>	MADISON CAPITAL GROUP
<b>PROJECT</b>	LOSO
<b>MARKET</b>	CHARLOTTE, NC
<b>TYPE</b>	LAND ACQUISITION
<b>ASSIGNMENT</b>	BRIDGE DEBT

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<b>CLIENT</b>	VENTURES DEVELOPMENT GROUP BATSON-COOK DEVELOPMENT COMPANY
<b>PROJECT</b>	THE SOUTHERLY AT WORLD GOLF VILLAGE
<b>MARKET</b>	ST. AUGUSTINE, FL
<b>TYPE</b>	MULTIFAMILY DEVELOPMENT
<b>ASSIGNMENT</b>	CONSTRUCTION EQUITY

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<b>CLIENT</b>	REDLINE PROPERTY PARTNERS
<b>PROJECT</b>	CARNEGIE POINT
<b>MARKET</b>	CHARLOTTE, NC
<b>TYPE</b>	OFFICE ACQUISITION
<b>ASSIGNMENT</b>	BRIDGE DEBT

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<b>CLIENT</b>	MADISON CAPITAL GROUP
<b>PROJECT</b>	MADISON WOODS & MADISON RIDGE
<b>MARKET</b>	CHARLOTTE, NC
<b>TYPE</b>	MULTIFAMILY DEVELOPMENT
<b>ASSIGNMENT</b>	CONSTRUCTION DEBT

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<b>CLIENT</b>	EAST WEST PARTNERS
<b>PROJECT</b>	RIVERFRONT
<b>MARKET</b>	AVON, CO
<b>TYPE</b>	CONDOMINIUM DEVELOPMENT
<b>ASSIGNMENT</b>	CONSTRUCTION EQUITY

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<b>CLIENT</b>	SHOPTAW
<b>PROJECT</b>	ATLANTA MULTIFAMILY PORTFOLIO
<b>MARKET</b>	ATLANTA, GA
<b>TYPE</b>	MULTIFAMILY RECAPITALIZATION
<b>ASSIGNMENT</b>	PERMANENT DEBT

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<b>CLIENT</b>	VINTAGE SOUTH
<b>PROJECT</b>	ROBERTSON AVENUE
<b>MARKET</b>	NASHVILLE, TN
<b>TYPE</b>	MIXED-USE DEVELOPMENT
<b>ASSIGNMENT</b>	CONSTRUCTION DEBT

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<b>CLIENT</b>	NAI EARLE FURMAN
<b>PROJECT</b>	ORANGEBURG
<b>MARKET</b>	ORANGEBURG, SC
<b>TYPE</b>	INDUSTRIAL DEVELOPMENT
<b>ASSIGNMENT</b>	CONSTRUCTION DEBT & EQUITY

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# 2021 SELECT TRANSACTIONS

<b>CLIENT</b>	ALBANY ROAD
<b>PROJECT</b>	COMMERCE CENTER
<b>MARKET</b>	NASHVILLE, TN
<b>TYPE</b>	OFFICE REFINANCE
<b>ASSIGNMENT</b>	PERMANENT DEBT

<b>CLIENT</b>	PORTMAN RESIDENTIAL
<b>PROJECT</b>	1000 SPRING STREET
<b>MARKET</b>	ATLANTA, GA
<b>TYPE</b>	MULTIFAMILY DEVELOPMENT
<b>ASSIGNMENT</b>	CONSTRUCTION DEBT & EQUITY

<b>CLIENT</b>	THIRD & URBAN
<b>PROJECT</b>	LOWER TUCK & HYGGE BUILDING
<b>MARKET</b>	CHARLOTTE, NC
<b>TYPE</b>	CREATIVE OFFICE ACQUISITION
<b>ASSIGNMENT</b>	BRIDGE DEBT

<b>CLIENT</b>	MADISON CAPITAL GROUP
<b>PROJECT</b>	THE PORTER
<b>MARKET</b>	CHARLESTON, SC
<b>TYPE</b>	MULTIFAMILY RECAPITALIZATION
<b>ASSIGNMENT</b>	BRIDGE DEBT

<b>CLIENT</b>	MIDDLE STREET PARTNERS
<b>PROJECT</b>	55 ROMNEY
<b>MARKET</b>	CHARLESTON, SC
<b>TYPE</b>	MULTIFAMILY DEVELOPMENT
<b>ASSIGNMENT</b>	CONSTRUCTION-TO-PERM DEBT

<b>CLIENT</b>	SDM PARTNERS
<b>PROJECT</b>	MEADOWBROOK NORTH
<b>MARKET</b>	BIRMINGHAM, AL
<b>TYPE</b>	OFFICE RECAPITALIZATION
<b>ASSIGNMENT</b>	BRIDGE DEBT

<b>CLIENT</b>	ALBANY ROAD
<b>PROJECT</b>	BRECK EXCHANGE
<b>MARKET</b>	ATLANTA, GA
<b>TYPE</b>	FLEX OFFICE ACQUISITION
<b>ASSIGNMENT</b>	BRIDGE DEBT

<b>CLIENT</b>	HAVEN COMMUNITIES
<b>PROJECT</b>	HAVEN SOUTH END
<b>MARKET</b>	CHARLOTTE, NC
<b>TYPE</b>	MULTIFAMILY DEVELOPMENT
<b>ASSIGNMENT</b>	CONSTRUCTION DEBT & EQUITY

<b>CLIENT</b>	THE UNIVERSITY FINANCING FOUNDATION
<b>PROJECT</b>	250 EAST PONCE
<b>MARKET</b>	ATLANTA, GA
<b>TYPE</b>	OFFICE ACQUISITION
<b>ASSIGNMENT</b>	BRIDGE DEBT

<b>CLIENT</b>	REDLINE PROPERTY PARTNERS
<b>PROJECT</b>	2155 EAGLE DRIVE
<b>MARKET</b>	CHARLESTON, SC
<b>TYPE</b>	OFFICE ACQUISITION
<b>ASSIGNMENT</b>	BRIDGE DEBT

<b>CLIENT</b>	CARTER
<b>PROJECT</b>	LAKE GIBSON
<b>MARKET</b>	LAKELAND, FL
<b>TYPE</b>	MULTIFAMILY DEVELOPMENT
<b>ASSIGNMENT</b>	CONSTRUCTION DEBT & EQUITY

<b>CLIENT</b>	HOLDER
<b>PROJECT</b>	DANIEL ISLAND
<b>MARKET</b>	CHARLESTON, SC
<b>TYPE</b>	MULTIFAMILY PAD SITE
<b>ASSIGNMENT</b>	INVESTMENT SALE

<b>CLIENT</b>	VENTURES DEVELOPMENT GROUP BATSON-COOK DEVELOPMENT COMPANY
<b>PROJECT</b>	SOUTHERLY AT ORANGE CITY
<b>MARKET</b>	ORANGE CITY, FL
<b>TYPE</b>	MULTIFAMILY DEVELOPMENT
<b>ASSIGNMENT</b>	CONSTRUCTION EQUITY

<b>CLIENT</b>	EAST WEST PARTNERS
<b>PROJECT</b>	THE CAPE AT KIAWAH
<b>MARKET</b>	KIAWAH ISLAND, SC
<b>TYPE</b>	CONDOMINIUM DEVELOPMENT
<b>ASSIGNMENT</b>	CONSTRUCTION DEBT

# 2021 SELECT TRANSACTIONS

<b>CLIENT</b>	SEVEN OAKS
<b>PROJECT</b>	TABLES & CHAIRS
<b>MARKET</b>	ATLANTA, GA
<b>TYPE</b>	ADAPTIVE RE-USE OFFICE
<b>ASSIGNMENT</b>	CONSTRUCTION EQUITY

<b>CLIENT</b>	ICM
<b>PROJECT</b>	SPARTAN RIDGE 2
<b>MARKET</b>	SPARTANBURG, SC
<b>TYPE</b>	INDUSTRIAL ACQUISITION
<b>ASSIGNMENT</b>	BRIDGE DEBT

<b>CLIENT</b>	HOLDER
<b>PROJECT</b>	DAVINCI COURT
<b>MARKET</b>	ATLANTA, GA
<b>TYPE</b>	OFFICE ACQUISITION
<b>ASSIGNMENT</b>	ACQUISITION EQUITY

<b>CLIENT</b>	CARTER
<b>PROJECT</b>	WESLEY CHAPEL
<b>MARKET</b>	TAMPA, FL
<b>TYPE</b>	MULTIFAMILY DEVELOPMENT
<b>ASSIGNMENT</b>	CONSTRUCTION DEBT & EQUITY

<b>CLIENT</b>	BRAND PROPERTIES
<b>PROJECT</b>	2827 PEACHTREE
<b>MARKET</b>	ATLANTA, GA
<b>TYPE</b>	OFFICE DEVELOPMENT
<b>ASSIGNMENT</b>	CONSTRUCTION DEBT

<b>CLIENT</b>	CARTER
<b>PROJECT</b>	MUNDY MILL
<b>MARKET</b>	ATLANTA, GA
<b>TYPE</b>	MULTIFAMILY DEVELOPMENT
<b>ASSIGNMENT</b>	CONSTRUCTION DEBT & EQUITY

<b>CLIENT</b>	GATEWAY VENTURES
<b>PROJECT</b>	22 WEST EDGE
<b>MARKET</b>	CHARLESTON, SC
<b>TYPE</b>	OFFICE RECAPITALIZATION
<b>ASSIGNMENT</b>	BRIDGE DEBT

<b>CLIENT</b>	LANDMARK PROPERTIES
<b>PROJECT</b>	THE METROPOLITAN AT GAINESVILLE
<b>MARKET</b>	GAINESVILLE, FL
<b>TYPE</b>	STUDENT HOUSING DEVELOPMENT
<b>ASSIGNMENT</b>	CONSTRUCTION DEBT

<b>CLIENT</b>	PARKSIDE PARTNERS
<b>PROJECT</b>	OAKHURST COMMONS
<b>MARKET</b>	CHARLOTTE, NC
<b>TYPE</b>	ADAPTIVE RE-USE OFFICE
<b>ASSIGNMENT</b>	CONSTRUCTION DEBT & EQUITY

<b>CLIENT</b>	EXPEDITION CAPITAL ADVISORS
<b>PROJECT</b>	ARBOR RIDGE
<b>MARKET</b>	GREENSBORO, NC
<b>TYPE</b>	MULTIFAMILY ACQUISITION
<b>ASSIGNMENT</b>	VALUE-ADD EQUITY

<b>CLIENT</b>	ALBANY ROAD
<b>PROJECT</b>	HERITAGE BUSINESS CENTER
<b>MARKET</b>	LAKELAND, FL
<b>TYPE</b>	FLEX OFFICE ACQUISITION
<b>ASSIGNMENT</b>	BRIDGE DEBT

<b>CLIENT</b>	CARLISLE DEVELOPMENT
<b>PROJECT</b>	THE OLIVER
<b>MARKET</b>	MEMPHIS, TN
<b>TYPE</b>	MULTIFAMILY DEVELOPMENT
<b>ASSIGNMENT</b>	CONSTRUCTION EQUITY

<b>CLIENT</b>	OA DEVELOPMENT
<b>PROJECT</b>	CRESTWOOD POINTE I & II
<b>MARKET</b>	ATLANTA, GA
<b>TYPE</b>	OFFICE RECAPITALIZATION
<b>ASSIGNMENT</b>	BRIDGE DEBT

<b>CLIENT</b>	REDLINE PROPERTY PARTNERS
<b>PROJECT</b>	2 SUN COURT
<b>MARKET</b>	ATLANTA, GA
<b>TYPE</b>	OFFICE RECAPITALIZATION
<b>ASSIGNMENT</b>	BRIDGE DEBT



## THE SECRET TO NASHVILLE'S SUCCESS

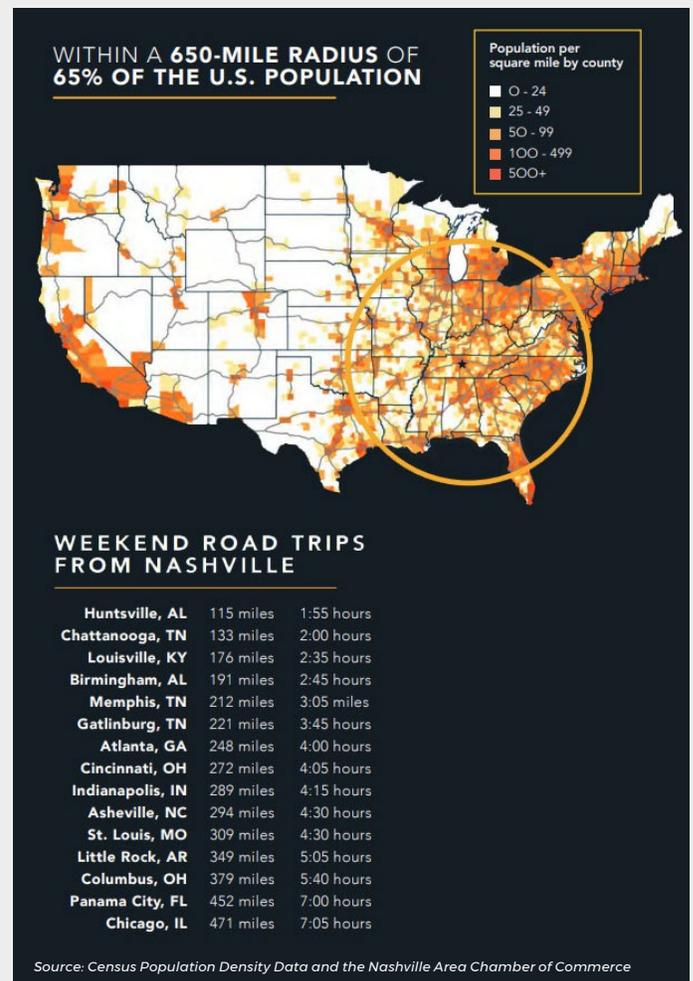
BERT MATHEWS, *President, The Mathews Company and Patterson Board Member*

Like most successful country music stars, Nashville is a twenty-five-year overnight success. We are topping the charts with our growth, attracting capital from around the world. Nashville is the place where young people come to make their mark. We are setting chartbusting investment sales numbers in almost every product type. So how did the overnight success happen, and what is the outlook for the city's future?

There are a number of reasons for the success. Some are physical, and some are important individual or community decisions. Nashville's location is critical. Sixty-five percent of the US population is within 650 miles, making it a day's drive to a huge market. Automobile manufacturing and other logistics companies came because of this. That same central location made air service an economic engine. Being the state capitol has its ups and downs, but the proximity to power is always important.

The primary reason for Nashville's success is its civic leadership. Nashville's mayors serve for four years and a maximum of two terms. From 1991 to 2015, Nashville's mayors presented a clear vision for the city's future. During this 24-year cycle, they brought the community through difficult decisions and expensive choices. The Tennessee Titans and the Nashville Predators came to town. Two new museums and a world class public library opened. A new convention center anchored the hospitality

industry in our downtown. These and many other civic decisions set the foundation for this overnight success.





Education and health care play a vital role in the city's success. Colleges and universities supply an ongoing supply of trained college graduates. Nearly 124,000 students attend the area's 21 colleges and universities. About 26,000 students graduate each year, and 60% of those graduates choose to remain in the Nashville region. The health care industry ecosystem is one of the most important in Nashville. More than 4,000 health care companies reside in Nashville, creating an economic impact of \$67 billion per year. But Nashville has a secret sauce that is different from almost any other city. Nashville is a music town. Not only is it the home of country music but virtually every other music genre from gospel to hip-hop has a master craftsman working here. Whether it is Keith Urban or T Bone Burnett or Taylor Swift or Dolly Parton, Nashville is the place they choose to live. Nashville is not only for the stars. It is the place where the song writers and the roadies live. It is the place where your waitress or the musician playing for tips on Lower Broad was probably on the road playing in front of 40,000 people at a Chris Stapleton concert earlier in the month.

*Nashville has a secret sauce that is different from almost any other city. Nashville is a music town.*

These fundamentals have brought incredible growth to the Mid-South region. In 2021, building permits were at an all-time high of 14,600 permits totaling \$5.5 billion. On the commercial side, there were 2,499 permits representing more than \$4 billion. With this growth, Nashville is receiving incredible accolades:

### #1 US MARKET TO WATCH

*ULI Emerging Trends in Real Estate 2022 Report (October 2021)*

Credits strong investor interest in Nashville; exceptional population growth (magnet market); bounce-back in economy (full recovery by end of 2021)

Above-average levels of economic diversity and white-collar employment

### #1 CITY FOR ECONOMIC GROWTH IN 2021

*Stessa (September 2021)*

Credits total employment change, unemployment rate, building permits, home sales

### #4 IN METROPOLITAN ECONOMIC STRENGTH 2021

*Policom Corporation (January 2021)*

The highest ranked areas have had rapid, consistent growth in both size and quality for an extended period

### #3 TECH JOB GROWTH IN THE US

*Nashville Technology Council & MTSU (May 2021)*

Analysis of tech job growth since 2010

#3 behind San Francisco & Silicon Valley

### 2ND HOTTEST JOB MARKET IN THE COUNTRY

*Wall Street Journal (February 2020)*

Analyzed unemployment rate, job growth, labor force growth, wage growth

### #8 BEST-PERFORMING CITY

*2021 Milken Institute Best-Performing Cities Index (April 2021)*

Factors included jobs, wages, high-tech growth, housing affordability and household broadband access

High quality of life - low cost of living and doing business plus an abundance of cultural and natural amenities

This performance is attracting great talent. College graduates looking for their first job find Nashville a great place to start. Experienced entrepreneurs are arriving from high tax states looking for a fresh perspective. At both ends of the scale, this talent is coming for the quality of life, a can-do business environment, no state income tax and “freedom,” whatever that may mean. This results in a net gain of 76 people per day.

Capital is also arriving by the wheelbarrow load. Where once investors flew over us, today they are landing at our world class airport. Nashville is on everyone’s shopping list. Capital for investment is arriving from literally every corner of the world. Local developers backed by sophisticated investors are battling it out with the largest real estate companies in the country. All are focused on Nashville real estate.

## OFFICE

The office market is 60.6 million square feet with 16.2 million square feet in downtown. There is currently 2.9 million square feet under construction and more than twice that amount in the planning stage. Nashville’s office market sector has grown 0.3% since Q1 2020 and is expected to grow 1.2% per year from 2023-2027, twice the US rate of 0.6%. The metro Nashville region saw job growth finish 2021 at 4.6%, and 2022 is expected to deliver job growth of 3.9%. All of these are healthy indicators for a positive future office market.

## INDUSTRIAL

The industrial market is literally on fire. The total inventory is 208 million square feet. Industrial market vacancy was 3.4% at the close of Q4 2021, marking the eighth consecutive quarter of sub-4% vacancy. This demand has kept construction elevated, with over 7.4 million square feet of space under construction. 75% of this product is in the East submarket. Net absorption exceeded 8 million square feet for 2021, and 2022 looks even brighter.

## RETAIL

By all measures, the Nashville retail market is healthy. Total inventory is 75 million square feet. Market vacancy is 5%. Absorption in 2021 was more than 972,000 square feet, and new supply increased by nearly half that amount. The retail market is recovering from the pandemic impacts and is positioned well for 2022.

## MULTIFAMILY

Nashville’s multi-family market is performing like an Olympic champion. There are 165,000 multifamily units in the Middle Tennessee market. Market vacancy is 2.5%. Absorption in 2021 was nearly 12,000 units, a new record for annual demand in Nashville. New supply increased by 7,000 in 2021. Over 21,000 units are currently under construction, with new deliveries in the coming year expected in the Downtown/fringe areas and Southeast Nashville.

So where does Nashville go from here? We are one of the top markets in the United States. Our prospects are brighter than ever. So, what are the potential risks going forward? What could stand in Nashville’s way? If brilliant civic leadership and bold vision got us here, where is that in Nashville today? There is a lack of clarity about where Nashville is going. More importantly no one can answer the question – how will we grow in the future? As the city increases in population, the personal relationships that provided the sinew and fabric for connection are fraying. In 2023 Nashville will have local elections. The current mayor could run for another four-year term although several other candidates have already decided to run against him. The City Council, nicknamed Forty Jealous Whores for its size and attitude, is also up for reelection. Vision and leadership are a risk.

Infrastructure is also problematic. Nashville has voted down transit funding twice. We are the largest city in the country without a dedicated source of revenue for its transit system. How much traffic will change due to Covid lifestyle changes is anybody’s guess. Nashville has made minimal infrastructure improvements in the last decade. Increases in jobs and population haven’t slowed. Very soon these will be in conflict.

Public education in Nashville is another risk and one faced by every city in the country. There has been a disconnect between funding and performance. This topic, on every leader’s list of top issues, seems to be directionless. Tons of energy and lots of hope but not much success.

Finally, the benefits of Nashville’s growth have not been equally shared. The cost of housing has put home ownership out of reach of many and created a massive housing affordability gap. Income disparity is also at an all-time high. Consensus around where we are heading makes it difficult to resolve these disparities.



This isn't a sad song for Nashville. Our growth is not slowing down no matter how much some may want. Our labor pool is strong and attracting the nation's best talent. Amazon, Oracle, and other visionary companies are choosing Nashville as a critical location for their future. These leaders are being followed by similar large technology names. We are just now seeing the eco-systems of smaller companies that support these huge firms making their own moves to Nashville. Our prospects continue to look up.

Like every musician who is on the rocket ship of success, Nashville faces several critical choices. Will we make the right ones?

- Are we a one hit wonder? Not likely because there is too much going for us. Nashville is attracting the talent in record numbers and the jobs that follow.
- Will we lose our focus and end up on skid row? Again, not likely. At every critical turn, Nashville has ultimately made the right decision.
- I think Nashville is like Garth Brooks. Don't know Garth? In May 2021, Garth received the prestigious Kennedy Center Honor. He is the #1-selling solo recording artist in US history, and he is the first-ever seven-time CMA Entertainer of the year.

So, if you come to Nashville, give me a call. We can head to Lower Broadway, grab a beer, and sing some songs...

*I'm not big on social graces  
Think I'll slip on down to the oasis  
Oh, I've got friends in low places*

*I've got friends in low places  
Where the whiskey drowns  
And the beer chases my blues away  
And I'll be okay*

*Garth Brooks  
- Friends in Low Places*

## OUR BOARD OF ADVISORS

The Patterson Board of Advisors provides invaluable guidance and expertise on matters related to corporate strategy, profitability, and risk management. Each advisor was hand-selected based on expertise and industry knowledge.



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profit entities



**LARA O'CONNOR HODGSON**  
President & CEO, NOW Corp



**BERT MATHEWS**  
President, The Mathews  
Company



## CHARLOTTE MARKET SPOTLIGHT

DREW BARNETTE, *Director*  
[dbarnette@pattersonreag.com](mailto:dbarnette@pattersonreag.com)

Suzanne Holman, Patterson's COO, sat down with Drew Barnette, Director of Patterson's Charlotte office, for a Q&A discussion about the Queen City.

### What separates Charlotte from other major cities generally?

Charlotte offers a compelling quality-of-life given its proximate access to the mountains and coasts and its low cost of living relative to some of the other high growth markets. This proposition coupled with a thriving and expanding economic base continues to drive overall demographic growth.

Having survived the 2008 great recession with banking and financial institutions being the principal economic engine, the city has demonstrated economic resiliency. Through civic and private sector focus it has also burgeoned into a diverse economy.

Case in point is Charlotte's technology sector. Banking has become very fintech-oriented. For Charlotte, that has driven tech talent significantly. Our proximity to the Research Triangle along with the expansion of UNC Charlotte has created a pipeline of talent to drive growth on the fintech side. You're now seeing companies locate here because of access to financial talent and financial tech talent.

### How would you describe Charlotte's commercial real estate community?

Charlotte has a vibrant real estate community which has evolved over the past decade. I'm lucky to work with great people here. As the market has matured from a capital investment and allocation perspective, so has the real estate community with a growing number of developers, lenders and equity sources participating in deals and choosing to locate regional offices here.

Historically, given that the primary source of economic growth was through banking and financial institutions, little out-of-town capital was needed to finance major projects in the City. When a new building was needed in Uptown Charlotte, there wasn't a significant need for outside capital. If, for instance, Bank of America or Wachovia was committed to leasing most of the building on a long-term basis, a developer could contribute a site and obtain leverage that displaced the typical common equity tranche in the capital stack. As a result, we saw limited participation from outside capital and overall market maturity.

This began to evolve once larger transactions started to occur along with other fundamental components

of growth such as the multifamily and residential development boom. Today the amount of outside capital investing in Charlotte and adjacency to the banking and financial sector has spurred many capital allocators to establish regional offices here.

## As the one of the major high-growth cities in the Southeast, how would you compare Charlotte to an Atlanta or Nashville.

Atlanta has always held the role of the capital of the Southeast. A lot of commercial real estate still goes through Atlanta, and it remains an important part of the overall growth narrative throughout the Southeast.

It's been amazing to observe how Nashville has become a thriving 18-hour city. There's so much energy and excitement there. The city's music industry and entertainment heritage has served as a great lifestyle catalyst that's driven demographic location decisions. Comparing Nashville to say an Austin, which has been on a 15-year growth run, you can see many overlapping attributes that drive growth in both places. Both are driven by lifestyle, and both offer a very experiential commercial real estate landscape. This lifestyle has attracted talent, and for Nashville, that's meant corporations following suit to go where the talent is choosing to live.

Charlotte also ranks highly as a desirable location for talent. But its story has been different with so much history connected to banking and financial services. There are exciting growth stories in areas of the city spurred by both expansion of our light-rail system and overall development.

South End is a perfect example. There has been a gravitational shift south from Uptown's historically significant Trade and Tryon axis to the South End

submarket where there continues to be exceptional growth in terms of both residential and commercial real estate. This is largely due to expansion of our overall economy and has served to bridge the Uptown and South End submarkets to become an office juggernaut in Charlotte.

And then there's the super-regional growth narrative for Charlotte and its location along the I-85 corridor between Raleigh/Durham and Atlanta where the convergence of technology, emerging life-sciences, banking/finance, manufacturing and distribution have the potential to drive outsized growth in the next decade.

## What do you envision when you think about how the city will grow and change over the next decade?

Charlotte is a geographically dense market. You can cover 70% of our Class A office market within a 20-minute drive. Infill development is more constrained than some of its counterpart cities in the Southeast given the density that already exists. South Park is a perfect example. There are only a couple of developable sites remaining in the submarket with little room to expand given the surrounding executive housing.

Mass transit and the continued expansion of our light rail system will play a critical part in Charlotte's growth story as evidenced by the development along the Lynx Blue Line extension north into the University submarket. We need this to access residential development and affordable housing, which has plagued Charlotte much like many other high-growth markets.

Continued diversification of the economy will be an important factor as well. A perfect example is the healthcare sector. Our city took a big step forward



through Atrium Health's partnership with Wake Forest Baptist Health developing a new medical school here. As a result of our growth, we're seeing new regional hospitals being built from Belmont to Matthews.

And then there's the question of how we translate the top talent our state's great academic institutions graduate every year. North Carolina is one of the nation's top states in producing PhDs. How do we keep that talent here? How do we harness and direct this wealth of creativity and innovation into local commerce?

### How would you describe Patterson's unique value proposition in Charlotte?

Our firm has a great depth and breadth of experience in capitalizing a variety of transactions across all major property types and components of the capital stack. Often, we're asked to help solve for a particular part of the capital stack which leads us to helping clients with opportunities assembling a more efficient means of capitalization. Our goal is to lever our expertise and access to capital for our clients. As developers and sponsors will tell you, in this hyper-competitive market, every advantage is needed to control, develop and deliver successful



projects. Finding the right capital source who can be flexible is critical, and strategically structuring all elements of a partnership and the participants within a capital stack is paramount.

And I'll always point to the people that make up our team. We have great people! The collaborative fabric on which our Company was founded extends to every client we have and deal we work on. Each receive the full support, problem solving and outcome-orientation of every person on the team. I truly think that's what separates us as a firm.

Since inception, Patterson has closed more than 360 transactions encompassing over \$8 billion in capital placement.

**INTEGRITY + INGENUITY + INVESTMENT = SUCCESS**

# CONNECT WITH US



**LANCE PATTERSON**  
*Chief Executive Officer  
and Founder*  
lpatterson@pattersonreag.com  
404.504.6683 | Atlanta, GA



**KEN GRIMES**  
*Senior Managing Director  
and Partner*  
kgrimes@pattersonreag.com  
404.504.6685 | Charleston, SC



**BILL MEALOR**  
*Senior Managing Director  
and Partner*  
bmealor@pattersonreag.com  
404.504.6687 | Atlanta, GA



**TODD FLAMAN**  
*Managing Director  
and Partner*  
tflaman@pattersonreag.com  
404.504.6677 | Atlanta, GA



**DREW BARNETTE**  
*Director*  
dbarnette@pattersonreag.com  
704.280.8705 | Charlotte, NC



**LAURA CLOUD**  
*Director*  
lcloud@pattersonreag.com  
615.410.9815 | Nashville, TN



**LAUREN HANLEY**  
*Director*  
lhanley@pattersonreag.com  
813.658.3230 | Tampa, FL



**ALEX HILL**  
*Director*  
ahill@pattersonreag.com  
404.504.6690 | Atlanta, GA



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