

# SHOPPING CENTER BUSINESS

MAY 2007

## At The Heart Of Midtown

**The mixed-use 12th & Midtown project will be the cornerstone of Atlanta's Midtown Mile, including about 300,000 square feet of flagship retail.**

— Randall Shearin

A big change is coming to Midtown Atlanta. More than 1 million square feet of retail is anticipated to be open along a 1-mile stretch of Peachtree Street over the next 8 years. One development, 12th & Midtown, will host the largest congruent mass of that retail. The area will change the way Atlanta — a city where people love malls — shops. The mile-long district, which already contains millions of square feet of office space and thousands of condominiums and apartments, is being marketed toward high end retailers and restaurants to create a Magnificent Mile for Atlanta.

*Shopping Center Business* recently met with representatives from the developers of 12th & Midtown. Attending the meeting were Steve Baile, senior vice president of Atlanta operations for Daniel Corpo-



Selig Enterprises and Daniel Corp. are developing 12th & Midtown. The first phase of retail will contain 50,000 square feet of retail, and subsequent phases will create up to 300,000 square feet of retail space.



There are 22 million square feet of office space and more than 30,000 residents living within a 5-minute walk of Atlanta's Midtown Mile, with an anticipated 52,000 residents by 2010.

ration and Shirley Gouffon, senior vice president of Selig Enterprises.

### ONE PROJECT LAUNCHES ANOTHER

Selig and Daniel came together to work on 12th & Midtown in an interesting way. Both had the common interests of the district at heart. Birmingham, Alabama-based Daniel Corporation made a commitment to reinvest in Atlanta real estate in 2001. The company had not owned anything in Atlanta since the 1980s. The company began scouting for property for new developments in the area. It pieced together property at West Peachtree and 8th Streets in Midtown and planned to develop a mixed-use project called Plaza Midtown. That project, which opened in 2006, consists of two condominium towers with grocery-anchored retail below.

"While we were developing Plaza Midtown, it became evident to us that mixed-use was the future of these large-scale urban developments," says Baile. "The one area that we didn't feel comfortable with was retail. We were already branching into a new market, and didn't want

to further extend ourselves by branching into a new property type.”

To handle the retail aspects of its mixed-use projects, Daniel created a joint venture with one of Atlanta’s top intown retail owners, Selig Enterprises. Selig handles the retail development aspects of the property, while Daniel specializes in the office and multifamily components. Daniel was attracted to Selig because of the level of detail at Selig’s Brookwood Place mixed-use center, about 1 mile from Plaza Midtown. Under the joint venture, both companies own 50 percent of the projects they co-develop.

Atlanta has become a big market for Daniel Corporation.

“Within months after starting Plaza Midtown we knew that this was a market that we were going focus on,” says Baile. “Combining Selig’s retail expertise with Daniel’s office and residential expertise has enabled us to develop large-scale mixed-use projects such as 12th & Midtown.”

#### THE NEXT VENTURE

When Plaza Midtown was just out of the ground, Daniel began looking for its next project in Atlanta. The company first acquired a parcel at 12th and Peachtree Streets. Soon, it acquired other parcels on both sides of Peachtree Street. Now, it owns 1 block on the west side of Peachtree Street at 12th Street, and two blocks on the east side of Peachtree Street.

Daniel and Selig plan to build a massive mixed-use project on the land over the next 5 years. Called 12th & Midtown, the project will consist of a number of



The developers plan to build an office tower as part of Phase II, in addition to hotel and retail space.

uses, including residential, hotel and about 300,000 square feet of high-end retail and restaurants. While the project is separated by the street, the companies named the project 12th & Midtown to tie everything together and create a brand for marketing.

“Each component of the project will have its own character, but we wanted to tie them all together under one brand to market as one project,” says Baile.

The first phase of 12th & Midtown, a condominium and retail building on the west side of Peachtree Street called 1010 Midtown, began construction in September 2006. 1010 Midtown has 443 condominium units and 50,000 square feet of retail. The condominiums will sell in the range of \$225,000 to \$900,000. The condominiums are geared to the broadening buyer market. Their residents will be a mix of people new to the area, as well as empty nesters moving from houses



Phase II of 12th & Midtown will consist of a 415-room four-star hotel, a 725,000-square-foot class A office building, and 60,000 square feet of on-street retail.

in the suburbs. The first condo units will be occupied starting in fall 2008.

Phase II will consist of a 415-room four-star hotel, a 725,000-square-foot class A office building, and 60,000 square feet of on-street retail. The hotel will also have about 50 residential condominiums on the upper floors that will sell for more than \$1 million. The hotel was a necessary component for the retail, as well as the office tower that Selig and Daniel plan to build as part of Phase II. The office building will be built on spec, but Daniel has identified a number of tenants looking to relocate around the time the building is complete.

“Being on Peachtree Street gives us an advantage, being part of a mixed-use project gives the leasing for an office



The first phase of 12th & Midtown is a condominium tower, 1010 Midtown, and 50,000 square feet of retail.

building an advantage, and of course, having a hotel component is a huge advantage,” says Baile.

Because of the high land costs, 12th & Midtown will maximize its floor to area ratio, using space as smartly and efficiently as possible.

Selig’s strategy for the retail is to go high end. The company wants to bring in world class retail that is unique to the Atlanta market. This is not an easy task, considering two of the top malls in the Southeast are about 5 miles away. Gouffon has done a study of all top tenants in the nation and discovered that there are over 150 world-class tenants who are not yet in the market.

“A lot of these tenants prefer a street-front location,” says Gouffon. “A number of them are also looking for a major flagship presence in the Southeast.”

The retail in the first phase will open in spring 2009. The first phase contains about 50,000 square feet at the base of the 1010 Midtown building. The first phase will consist of restaurants and significant tenants unique to Atlanta. Retail in Phase II will open in spring 2010.

“There will be a reason for high-end shoppers who live in Cobb County or Alpharetta to come to Midtown,” says Gouffon. “We want to bring in world recognized labels. We’ve been incredibly pleased with the reception that 12th & Midtown is getting from these exciting retail tenants.”

Phase III of the project will have a



An aerial showing the site for 12th & Midtown.

500,000-square-foot office component and a smaller, high-end boutique hotel. There will also be almost 60,000 square feet of street-level retail.

Because parking is an issue in Atlanta, Daniel and Selig are making an effort to have plenty of it for 12th & Midtown.

Residential codes require 1 space per bedroom. Parking for the condo units will be separated from that of the retail and office aspects of the project. The project is planned to accommodate three parking spaces per 1,000 square feet of retail. Retailers will not pay for parking, but the developers are looking at a validation system for shoppers.

"We are developing the parking so that it is accessible to the retail stores as well," says Gouffon. "All of the retailers will have entrances to the street, as well as to the parking decks."

Selig Enterprises and Daniel Corporation also have some financial partners on the 12th & Midtown project, including

Canyon-Johnson Urban Funds and MetLife. MetLife will lead the equity lending side of Phase II. Atlanta-based Rule, Joy, Trammell + Rubio is the project architect for the 12th & Midtown project. Birmingham, Alabama-based Brasfield & Gorrie is the contractor for the project.

#### A LARGER VIEW

12th & Midtown is part of a larger initiative to extend retail and restaurants down Peachtree Street from North Avenue to the High Museum of Art. Dubbed the Midtown Mile, there will be an estimated 1 million square feet of retail completed along the strip of Peachtree Street by 2015.



The retail space at 12th & Midtown will have pedestrian access as well as access from parking.

"That rivals any major regional mall in the area as far as density and square footage," says Gouffon. "We are the developer who will control the biggest chunk of retail, and we're the first out of the block. What we do will set the tone for the rest of the Midtown Mile."

The Midtown Mile is an initiative by the Midtown Alliance, a cooperation of businesses, volunteers, residents and consultants that has guided the area since 1978.

"There is already an incredible base of commerce and activity in Midtown," says Baile. "The museum, cultural events and the city's largest park are major attractions to residents and tourists."

In Midtown, all the other components exist except for a critical presence by retailers. There are 22 million square feet of office space and there are more than 30,000 residents living within a 5-minute walk of the Midtown Mile, with an anticipated 52,000 residents by 2010. More than 6 million visitors come to Midtown every year. The Midtown Alliance has formed a retail advisory council for the Midtown Mile that is tasked with growing the area responsibly and so that it is visually appealing.

"The Midtown Mile is going to come together very well," says Gouffon. "All of the developers are interested in sharing the same vision and working together to bring quality retail in. We're not competing. The stage is really set and it is very exciting to think about what Midtown is going to look like in 10 years. We're poised to change Atlanta dramatically."

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*Selected Transactions*

<p><b>\$13,349,000</b> Land Development 130 acres retail Newnan, GA JV/Equity</p>	<p><b>\$12,000,000</b> Indian Drive Center 100,212 sf retail Waxahachie, TX CMBS</p>
<p><b>\$11,656,000</b> CVS Drug Stores 5 stores Texas &amp; Louisiana CMBS</p>	<p><b>\$6,020,000</b> Four Corners Center 142,355 sf retail Angleton, TX CMBS</p>
<p><b>\$5,840,000</b> Switzer's Locker Rooms 900 self-storage units Edmond &amp; Moore, OK CMBS</p>	<p><b>\$5,040,000</b> Springtown Center 62,718 sf retail Springtown, TX CMBS</p>

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