

ATLANTA BUSINESS CHRONICLE

Hines plans 2018 start on 'spec' Atlantic Station project

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Developer Hines has tweaked the design of a proposed \$80 million Atlantic Station office building to echo the industrial roots of the former Midtown steel plant.

With partners Invesco Real Estate and the nation's second-largest public pension fund, California State TeachersRetirement System (CALSTRS), Hines plans to break ground on the 230,000-square-foot building in second-quarter 2018.

Hines would start construction on the project called T3 without office tenants signed to leases – also known as “going spec.”

“There is no reason to wait,” said John Heagy, a Hines senior managing director and leader of the project in Atlanta.

Hines wants the building delivered no later than the second quarter of 2019.

“There is strong pent-up demand in the Midtown market. And, we need that ability to align the project with the tenants' schedules,” Heagy said.

T3 has already generated at least 700,000 square feet of inquiries from potential tenants, Heagy added.

The building would rise on a small site along 17th Street, the highest point at Atlantic Station. It features views of Midtown and downtown. The site is also next to The Foundry Park, which Hines calls a key amenity for the building's future tenants.

The original design of T3, first unveiled to the Atlanta market in 2015, was altered.

“It just felt too heavy,” Heagy said.

For example, the former brick exterior is now steel, a nod to old Atlantic Steel Co. site on which Atlantic Station was developed more than a decade ago.

“It's our tip of the cap to those deep industrial ties,” said Kurt Hartman, Hines senior managing director.

The seven-story building will also feature a wood interior, 11-foot floor-to-ceiling windows that pull outdoor light inward, a rooftop deck and balconies, the developers said.

Another important feature that separates T3 from older, more traditional office buildings is its focus on creating a social environment. Take its lobby, for example, said Tori Kerr, a managing director and development partner on the project.

“It's designed to look and feel more like a living room



Hines' team includes, from left, Darcy Simasek, Kurt Hartman, Tori Kerr and John Heagy.

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than just a space you pass through on the way to the elevator," Kerr said.

T3 belongs to an emerging class of projects called creative office, which includes a wide range of buildings such as Atlanta's Ponce City Market, a former Sears, Roebuck & Co. warehouse.

Creative office attempts to break away from the monolithic glass towers that form much of the Atlanta urban and suburban skyline.

In fact, creative office has evolved into its own special category during the current development cycle, with big institutional investors putting their capital behind it, including JP Morgan.

It's easy to see why. Well executed, the projects can fill up quickly, with large, credit-worthy tenants willing to pay high rental rates. Consider that Ponce City Market boasts some of the

loftiest office rents in the city at more than \$50 a square foot.

For perspective, a decade ago, the highest rates were at Buckhead and Midtown towers, where they topped the mid-\$30s per square foot.

T3 at Atlantic Station will be designed by Chicago-based Hartshorne Plunkard Architecture, or HPA. It's known for projects such as 1Kfulton, the adaptive reuse of a 1920s cold-storage building that now serves as headquarters for Google Chicago.

T3 may face some hurdles. For one, it will be interesting to see how deep the pool of office tenants is that's willing to pay at least \$40 a square foot. Atlantic Station is also still cut-off from the core of Midtown by the interstate.

However, tenant demand and a restrained

pipeline of new spec projects bode well for Hines and other developers.

Earlier this year, brokers marketing space in the Campanile building at Peachtree and 14th reported 800,000 square feet of inquiries. "If anything, it's even higher than that now," said Jim Meyer, who formed a joint venture with Campanile owner John Dewberry.

"The demand is fueled by the economic engine that Georgia Tech has become, and all the new apartment units, which are attracting young professionals to Midtown," Meyer said.

T3 is the latest in a series of projects for Hines at the nearly 140-acre Atlantic Station. Over time, it's hoped those projects can replace its old, faux town center feel with that of a more authentic Midtown neighborhood.