

Hines Starting Spec Building Within 3 Months At Atlantic Station

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Atlanta's next office building will start without any companies leasing space ahead of time, and it will be made of logs.



Hines Interests will break ground on T3 West Midtown, a 205K SF office building in Atlantic Station that uses a timber frame, within the next 90 days, Senior Managing Director John Heagy said.

For months, Hines has hinted that it would move forward with a new office tower on its development pads at Atlantic Station. But this time officials offered a specific timetable for a start. Heagy's comments came during *Bisnow's* Development & Construction event Thursday.

Hines' investment partner in T3 and another proposed office project in Atlantic Station called Atlantic Yards, Invesco, pushed to get T3 underway, even without any companies having signed up for space ahead of time.

“[Invesco] saw the unique nature of the buildings that we're doing there,” Heagy said. “They pushed us. They said, 'Let's go spec with T3.' So we're spec on that building.”

Heagy also said that Hines and Invesco could also move forward on Atlantic Yards — the two-building, 500K SF project — once they generate leasing activity at T3 as well.



While there has been a slate of new office developments in Atlanta in the past couple of years, a bulk of them have been undertaken with a significant amount of pre-leasing. The most notable exceptions were Three Alliance Center, which is

now mostly filled up, and **Seven Oaks Co.'s 4004 Perimeter Summit**.

Real estate experts say there is still a near-impossible hurdle to overcome to grab financing for a speculative office development in today's environment. A big stumbling block for developers is rents; while growing, in many submarkets, there is a difference between what the average tenant is willing to pay for rent and what a developer needs to make to justify new construction.

“It is a challenge, and I think our Atlanta customers, it's taken a while to see and embrace rent growth,” Heagy said.

A combination of escalating land and construction costs has led to developers having to achieve rents in the \$40/SF range for a new office development.



“We are still cautious about spec development,” **Portman Holdings** Executive Vice President **Hunter Richardson** said. “We are very selective with where and how we do spec development.”

Most recently, **Portman scored a major build-to-suit assignment** with healthcare provider Anthem's IT operations in a 21-story tower to be called **Anthem Technology Center** at the corner of Fourth and West Peachtree streets in Midtown. The developer announced Friday that it secured \$150M in financing from PCCP, SunTrust and Regions for the 352K SF building in Atlanta's Technology Square.

Portman, though, has plans for an up-to-350K SF office tower next door to Anthem Technology Center. Richardson said not to expect that tower to rise until it grabs enough leases ahead of time.

“We will probably not start that without a significant pre-lease,” he said.

“For the spec deals, some level of pre-lease is a necessity,” **Holder Properties** Vice President **Andy Barfield** said. Holder secured a deal to develop a **build-to-suit office tower for Serta Simmons** at the Assembly development in **Doraville**.

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