

PROGRESS AHEAD

Downtown's class-A office owners wage PR campaign to transform 'negative perceptions of submarket'

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Some of the biggest players in downtown Atlanta real estate are laying competitive concerns aside and uniting to sell downtown as a great place to do business. The formation of an informal "downtown office coalition" encompasses many major property owners and Central Atlanta Progress (CAP), downtown's de facto marketing arm.

"It's a major effort to put our best foot forward and educate people about the downtown market," said A.J. Robinson, CAP president.

While it is just getting off the ground, the coalition already has held a series of events for brokers and consultants to sell them on the benefits of doing business and leasing office space within the central business district.

The group hopes to counter what it sees as a spate of negative and what it terms erroneous, publicity, along with a number of defections of prestigious tenants to points north -- specifically the burgeoning Midtown office market. In recent months, two of the city's biggest law firms, [King & Spalding LLP](#) and [Powell Goldstein LLP](#), have announced plans to relocate to Midtown.

Coalition members say news coverage of the moves has failed to take note of downtown's positive attributes -- amenities like relatively low lease rates, pedestrian-friendly thoroughfares and good transportation.

"The perception was that the sky is falling down here, but that's not the reality," said Don Huffner, senior vice president of Equity Office Properties Trust (NYSE: EOP), which owns 191 Peachtree, whose anchor tenant King & Spalding will depart for its own 41-story Midtown building. Considered downtown's trophy tower, 191 Peachtree would be 75 percent vacant by the end of next year.

Battling past demons

Downtown continues to be shackled with a reputation for high crime, panhandlers and parking problems. A new shelter in the old city jail is expected to relieve some of the central business district's homeless issues. The city and CAP are working on a downtown parking plan and recent statistics show that crime declined 23 percent in the downtown area last year, although it is uncertain as to whether the recent shootings in the Fulton County Courthouse, and subsequent carjackings, will mar the neighborhood's reputation.

"You're a lot safer downtown now than you are in Midtown or Buckhead," Huffner said.

Downtown has had its share of "wins." One Ninety One Peachtree recently signed new leases with NewSouth Energy and [Paradigm Group LLC](#) totaling nearly 10,000 square feet. [Ernst & Young LLP](#), the city's third-largest accounting firm, will move from Midtown's Bank of America Plaza to a new building to be constructed in the Centennial Hill area by [Barry Real Estate Co.](#) The Barry project also will include a second tower that will house the new corporate headquarters of Atlanta-based [Southern Co.](#) (NYSE: SO).

The Southern move is a wash, however, since it will vacate its downtown space in the 270 Peachtree building, owned by [Richard Bowers & Co.](#) Still, Mike Shelly, executive vice president at Bowers, remains optimistic.

"We have been pretty successful in relocating other tenants from Midtown and Buckhead. We have a law firm that moved in from Conyers and we have Atlanta magazine that moved from Midtown," Shelly said.

Coalition members acknowledge Midtown's lure as a mixed-use center that includes a variety of residential, commercial and entertainment amenities. But downtown is on the come in those areas.

"When you sign an office lease, you're not signing based on the past, you are looking 10 or 15 years into the future, and over time there are some very good things that will be happening in our marketplace," Robinson said.

The new Georgia Aquarium is expected to be a major draw, as is the renewed interest in intown living that has resulted in the construction of thousands of new downtown residential units.

"The relationship is one of synergy," Shelly said. "Activity breeds more activity and you get more retail, new residential, more people on the street. It creates its own kind of success going forward."

The Atlanta City Council last month approved a \$55 million bond issue to acquire new land for parks and to reimburse developers for certain infrastructure costs they incurred within the Eastside Tax Allocation District, part of which lies within the downtown business district.

If money talks

For the budget-minded, downtown offers a relatively inexpensive place to set up shop. With nearly 11 million square feet of class A office space available, rental rates averaged about \$21.42 per square foot in the fourth quarter of 2004, according to data provided by Dorey Market Analysis Group. That compared to \$27.08 in Midtown and \$25.26 in Buckhead. Downtown's vacancy rate of 18.4 percent was a bit lower than that of Midtown (19.2 percent) and the Central Perimeter (28.2), and only slightly higher than Buckhead (17.7).

The figures don't account for tenants moving out, however. Coalition members concede that the pending relocations coupled with Barry's new structures will keep pressure on rents for months to come.

That factor should also work in downtown's favor, Shelly said, as will concerns over traffic congestion and safety issues in competitive submarkets.

"As people are asked to renew their leases in Midtown and Buckhead [at rates] north of \$30 [per square foot] in a congested area, they will start looking to downtown again. There is going to be a reawakening to the opportunities here," he said.

"The people who will look the smartest then are the ones who take a leap of faith on downtown right now," Huffner added. "We are not going to let downtown fail."