

ATLANTA GETS A MAKEOVER: MORE UP, LESS OUT

By JENNIFER S. FORSYTH

The city that built out wants to build up.

Atlanta has long been linked to sprawl and traffic jams. Now several huge mixed-use construction projects seek to remake the city's landscape. The new developments aim to create neighborhoods in Atlanta as swank and walkable as some sections of New York and Chicago with easy access to nearby office jobs, chic restaurants or fashionable boutiques. If successful, the physical and cultural shifts could serve as a blueprint for other cities.

A few weeks ago, two big names in real estate announced a massive development project in the Midtown area of Atlanta.

Spanning three city blocks, the project, dubbed 12th & Midtown, will offer office space, two luxury hotels, high-rise condominiums and pricey retail shops in the \$1.1 billion initial phases. With hopes of luring high-end European fashion houses, developers Selig Enterprises Inc. and Daniel Corp. are pitching the project as a part of "Midtown Mile" a 14-block stretch of Peachtree Street that city fathers hope will resemble Chicago's Michigan Avenue in look and feel.

And that's just one of at least six multimillion-dollar projects with similarly ambitious goals under way in the urban core here. Other large projects include the \$1.95 billion Allen Plaza on the edge of downtown, \$225 million Peachtree Pointe on the northern edge of Midtown, as well as at least three in the upscale Buckhead area. All of these come in the wake of the success of the \$3 billion Atlantic Station - a former polluted area at a factory where barrel hoops were made - that has been converted into a mini-city of office space, national retail chains, apartments, and condos.

Thought the suburbs are in no danger of emptying, demographers are finding demand for urban residences. Young professionals flooding Atlanta for employment are being joined by "empty nesters" whose children have grown and moved out and by others who have finally had their fill of the long commutes from the outer ring of suburbs. Developers say they are seeing similar trends in Charlotte, NC,

Tampa, FL, and Dallas. It's part of a movement toward Downtown living that's happening in many places across the country.

Of course, Atlanta already has a dramatic skyline, as developers have been building office skyscrapers here for decades. But until very recently, there were hardly any residential towers much less the kinds of mammoth mixed-use developments that are now sprouting across the three main urban markets of downtown, Midtown and Buckhead, a high-end neighborhood north of midtown.

Urban living is being prodded by business and political leaders here in hopes of easing gridlock in the face of a continued population surge. In Buckhead, the state transportation department is using about \$37 million in federal funds - as well as contributions from the local business district and the city - to redesign Peachtree Road into a boulevard with wider sidewalks and a tree-lined median.

But don't hold funeral rites for the Atlanta automobile just yet. One reason people took refuge in suburban malls is that they offer a valued amenity, air-conditioning. "Summertime in Atlanta is like living in a dishwasher," says Andy Lechter, an executive vice president of Studley Inc. "That's a third of the year when it's hard enough to walk from your car to the shopping mall."

For much of the city's modern history, a walkable Atlanta seemed a contradiction in terms. Some of the nation's first suburban office parks were built in the rings around Atlanta. "For the longest time, this city was like a doughnut. Nothing happening downtown. Everything happening in the suburbs," says Hal Barry, chairman of Barry Real Estate, an Atlanta developer. But over the past four years or so, the mindset changed, in part due to exasperation over long commutes, says Jeff DuFresne, executive director of the Atlanta district council of the Urban Land Institute, a non-profit think tank. Among the nation's large metro areas, Atlanta is ninth in population but its residents had the fourth-largest average commute - 31 minutes, according to 2005 survey by the US Census Bureau.

Another contributor to the change: the number of college-educated young adults ages 25 to 34 increased 46% in the '90s, the fifth fastest rate of the 50 large metros, according to a recent study commissioned by the Metro Atlanta Chamber of Commerce. A survey of that group showed that young adults were unhappy with the lack of round-the-clock activity downtown.

Barry Real Estate's Allen Plaza is posed to capitalize on that demand. The developer lured the electricity giant Southern Company to a new corporate headquarters. The accounting firm of Ernst & Young took space in a second tower, and a third planned tower, with 46 stories, will be the tallest building to be built downtown in a decade. The complex also will house two hotels, and Post Properties, an Atlanta-based real estate investment trust, is teaming up to build apartments in yet another tower for the complex.

Overbuilding is a risk. "It's a city in a perpetual state of boom," says Keith Pierce, director of research for greater

Atlanta, for CB Richard Ellis, a real estate service firm. But recent absorption - the change in the net amount of occupied space - has been strong enough in the city's office market to justify new construction, despite a relatively high vacancy rate, adds Duke Doubleday, senior vice president for brokerage at Atlanta-based Ackerman & Co.

The condo market has been bumpy recently, but hasn't halted. While sales in the city center dropped by 43% from 2005 to 2006, the former was an aberration and 2006 sales were in line with the seven year average, according to Haddow & Co, Atlanta-based real estate consultants. Nonetheless, the condo inventory is considerably higher than in previous years and developers are hoping that strong growth in the Atlanta market will fill all those units. Two million new residents are expected to move to the Atlanta area in the next 25 years - which is roughly equal to most of the population of Nevada being placed here.

Peachtree Parade
Some of the massive mixed-use projects underway that could change the way Atlanta lives, works and plays:

Project/Location	Details	Developer	Cost, in millions
Atlantic Station Midtown	15 million square feet of retail, office, condos, a hotel plus 11 acres of public parks	AIG Global Real Estate Investment Corp./Jacoby Development	\$3,000
Allen Plaza Downtown	Three office towers plus two hotels and apartments across nine city blocks	Barry Real Estate/Post Properties	1,950
12th & Midtown Midtown	2.5 million square feet of office, condos, retail and hotels in five towers (early phases)	Daniel Corp./Selig Enterprises	1,100
Terminus Buckhead	Five towers (two office, three condos) plus retail on 10-acre site	Cousins Properties	660
3630 Peachtree Buckhead	Two towers with 425,000 square feet of office space and more than 100 luxury condos	Pope & Land Enterprises/Duke Realty Corp./Post Properties/Novare Group	300
3344 Peachtree Buckhead	93 luxury condos, 500,000 square feet of office, retail and restaurants	Regent Partners	230
Peachtree Pointe Midtown	Two office towers plus a planned residential tower plus retail	Dewberry Capital	225

Source: the Atlanta Journal-Constitution