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WINNER: BEST OVERALL DEAL

Leasing, timing made 3344 deal a home run

Best in Atlanta Real Estate Awards

Premium content from Atlanta Business Chronicle by Martin Sinderman , Contributing Writer

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Near-perfect timing, a high profile on Atlanta's signature thoroughfare in the city's toniest submarket, and near-spectacular leasing all contributed to the top-dollar sale of the 3344 Peachtree office tower.

This landmark deal, which marked a significant turning point in a recovering market, is the winner in the Best Overall Deal category for Atlanta Business Chronicle's 2011 Best in Atlanta Real Estate Awards.

In a \$167.3 million transaction that went under contract in December 2010, Atlanta-based developer and investor Regent Partners LLC sold the slightly less than 484,000-square-foot office and retail component of the trophy tower, a 50-story condo-topped mixed-use project it developed in the heart of Buckhead.

The buyer was Parkway Properties Inc. (NYSE: PKWY), a Jackson, Miss.-based REIT.

By coming in at just under \$346 per square foot, the 3344 deal — the first post-recession investment sale of a stabilized, class A core property in the metro area — topped the then-Atlanta-record office sale price of \$343 paid for the 22-story, 423,000-square-foot The Pinnacle (another Buckhead office development) in 2004.

When it opened in mid-2008, the 3344 tower was the first in a series of new Buckhead office buildings that hit the market during the next two years. Its competition didn't come on

line until a year later, when Two Alliance Center and Terminus 200 opened in 2009. These buildings were followed in 2010 by 3630 Peachtree and Phipps Tower.

That head start was one of several factors that contributed to 3344's hitting the 93 percent-leased mark in 2010 — a major factor in the building's ability to command top pricing when it went on the investment-sale market.

Composed of Regent Principal David Tennery and Director Adam Allman, and Jones Lang LaSalle Inc. Senior Vice President Jeff Frantz, 3344's leasing team came out of the blocks strong in 2008, closing deals with the Buckhead Club (18,000 square feet); Fifth Third Bank (31,461 square feet); Jones Lang LaSalle Inc. (67,883 square feet); the Littler Mendleson P.C. law firm (43,908 square feet); and hotel investment broker Hodges Ward Elliott Inc. (26,643 square feet).

The team kept up the pace during recession-wracked 2009 and 2010, when competition from the newly opened Two Alliance and Terminus 200 became more intense.

Major deals cut at 3344 during this year included those with body shaping apparel-maker Spanx Inc. (49,804 square feet) and SCANA Energy (13,770 square feet). In 2010, a lease for 63,980 square feet with the Weinberg Wheeler Hudgins Gunn & Dial LLC law firm brought 3344 Peachtree to its current level.

Other factors contributing to the leasing team's success included the building itself and its high-profile Peachtree location in amenity-rich Buckhead, with easy access to Georgia 400; and on-site amenities, including the Buckhead Club, Bistro Niko, and F20 (Fresh to Order) restaurant.

Having owner and developer Regent Partners on-site and readily available to evaluate proposed deals also provided a big boost. Architecturally unique, heavily amenitized, and strategically located, the tower had already been considered by many to be the top-drawer trophy building in Atlanta — but it took this kind of leasing performance to command a trophy-style price in today's investment market, according to Jones Lang LaSalle Managing Director Chris Marshall, who along with JLL Senior Vice President Ralph Smalley represented Regent Partners in the sale.

Luck also played a role.

"3344 is a great building. And yes, they did get a little bit lucky on their timing," said Kerry Armstrong, senior vice president at Duke Realty Corp., co-developer (along with Pope & Land Enterprises Inc.) of the office component of the mixed-use office/residential/retail 3630 Peachtree.

"But at the same time, their leasing team did one fantastic job."

3344 Peachtree

- Description: Fifty-story mixed-use tower. 484,000 square feet of office, retail and restaurant space, topped by Sovereign luxury residential condominiums (not involved in sale).
- Year opened: 2008
- Major tenants: Buckhead Club; Fifth Third Bank; Jones Lang LaSalle Inc.; Littler Mendleson P.C.; Hodges Ward Elliott Inc.; Spanx Inc.; SCANA Energy; Weinberg Wheeler Hudgins Gunn & Dial LLC
- Developer: Regent Partners LLC