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## **Location, timing key to sale of 3344 tower**

**Premium content from Atlanta Business Chronicle by Douglas Sams , Staff Writer**

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**Regent Partners LLC** just brought a little luster back to the Buckhead office market.

The Atlanta developer recently sold the 484,000-square-foot office component of its 3344 Peachtree tower for \$167.3 million, or \$345 a square foot.

That's a price more reminiscent of the boom than the bust.

The 50-story building, the tallest built in Atlanta in the past 20 years, had a lot going for it: A premier location on Peachtree Road within walking distance of a MARTA rail station, and easy access to Georgia 400.

Getting the tower finished in 2008, right before the job market collapsed, didn't hurt either.

"Two things we always talk about that you need in real estate are location and timing," said [David Allman](#), owner and chairman of Regent Partners. "We had both of those qualities in this building."

Jackson, Miss.-based **Parkway Properties Inc.** (NYSE: PKY) reached an agreement with Regent Jan. 25 to close on the office building.

It was purchased at a cap rate between 6 percent and 7 percent, suggesting an extremely stable asset, despite the uncertainty facing the office market surrounding it.

"It might be the high-water mark in Buckhead for years," said [Steve Martin](#), a local real estate investor who formed SDM Partners.

"What they sold that building for is good for the entire submarket," said [John Heagy](#), a senior vice president with developer **Hines**, a partner in Buckhead's Atlanta Financial Center, which sits across Peachtree from the 3344 tower.

Regent benefited from having one of Atlanta's few core properties on the market. The building is 97 percent leased even though the rest of Buckhead is battling vacancy of nearly 30 percent.

Regent's timing couldn't have been better, given the circumstances.

The company had at least a year to market the building before two fellow Buckhead developers, **Tishman Speyer** and **Cousins Properties Inc.**, finished their own new towers.

Regent leased up the majority of its building before the office market became oversaturated, prompting some property owners to offer the steepest tenant concessions that anyone could remember. Some deals involved two years of free rent and millions in tenant improvement allowances.

"We were two-thirds preleased before the economy began to collapse," said [Adam Allman](#), a Regent director.

"That was the real success story — being 70 percent leased when we got our [certificate of occupancy]," said [David Tenny](#), a Regent principal.

Regent didn't escape the economic downturn completely unscathed: At one time it had letters of intent that would have taken the tower to 85 percent leased.

But, by the end of 2008, as the economy began to collapse, many of those pending leases were put on hold.

It wasn't until late 2009 that things picked up.

Regent won leasing deals because it had a strong amenity package.

It convinced the owners of The Buckhead Club to relocate from Atlanta Financial Center, where the club had been for more than 20 years. It's rare for operator ClubCorp USA to relocate.

Regent also got a commitment from restaurateur [Pano Karatassos](#), who eventually opened a new French restaurant, Bistro Niko, a new addition to his Buckhead Life Restaurant Group Inc. It has been one of its top performers since it opened in 2009.

Much of that damage to the Buckhead office market occurred after more than 2 million square feet of buildings were added to the inventory, even as the job market showed no signs of picking up.

"They made it in just under the wire," Heagy said. "You have to give them a lot of credit."

Since its start in 1983, Regent has completed about \$2 billion in transactions, half of them involving distressed assets.

Going forward, the company thinks it will have opportunities to become a partner for developers seeking an infusion of equity into their under-water assets as debt comes due. Or, Regent may seek a role as an operating partner, after proving itself in arguably the most competitive office market in the Southeast.

It has set aside up to \$400 million to acquire primarily distressed office buildings, hotels and high-rise residential towers. The company will team up with Dallas-based Trigate Capital LLC.

It also enters the acquisition cycle a little wiser, after watching some fellow Buckhead investors return their buildings to lenders.

Regent didn't escape the struggles of the luxury condo market. It still has the majority of its Sovereign condos to sell.

Fortunately, its success with 3344 Peachtree allowed it to support sluggish condo sales and adjust prices to meet the market.

The tower was designed by the architects Smallwood, Reynolds, Stewart, Stewart & Associates Inc.