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Real Estate Notes

# HD Supply to occupy new \$100 million headquarters

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HD Supply wanted a change.

The company had been expanding for more than a year in its current home, Cumberland Center II, where it was one of several tenants in a 17-story building overlooking Interstate 75 and the Perimeter.

Now, the company is relocating to a nearly \$100 million headquarters at I-75 and Cumberland Boulevard. It gives HD Supply a much different setting, where its brand has more visibility over the interstate and more of its employees can “interact and collaborate spontaneously,” said William Stengel, senior vice president of strategic business development and investor relations.

An important feature is the leadership development center, the company’s take on what others might call an R&D center, he said.

The building is meant to become a nexus where departments such as sales, merchandising and information technology can intersect. “This is not going to be an ivory tower type of a headquarters,” Stengel said. “We think of it as a central node.”

The region’s economic recovery has been a big boost for HD Supply Holdings Inc. (Nasdaq: HDS), the



RENDERING SPECIAL/WAKEFIELD BEASLEY  
New HD Supply HQ.

giant distributor of such things as electrical and lighting, plumbing appliances, and kitchen and bath cabinets. The headquarters will allow the company to add 500 jobs over the next five years, the governor's office announced March 10.

The expansion is also big win for Atlanta real estate company Greenstone Properties, which is developing the 222,000-square-foot project on its more than 5-acre site at Interstate 75 and Cumberland Boulevard. Since 2014, the site was referred to as Encore Center, which is part of a rejuvenated Cumberland district with several large projects underway.

Other Cumberland area projects include:

SunTrust Park and its interwoven mixed-use project Battery Atlanta. It's been said the Atlanta Braves are taking 30 years worth of development in the Galleria and squeezing it into 30 years.

Synovus Financial Corp., (NYSE: SNV) which is anchoring a new mid-rise office development that will bring 300 Bank of North Georgia employees to Cobb.

Highwoods Properties Inc. (NYSE: HIW) and Atlanta developer Seven Oaks Co. are building Riverwood 200. Accounting firm Bennett Thrasher LLP is the anchor tenant.

The developments signal more capital spending and job growth in the corporate world, which could spark more office projects this year. The metro region is expected to add at least 70,000 jobs in 2016, economists say.

For Greenstone, the new headquarters is its first major Atlanta office development in about eight years, when it finished a 14-story building in Sandy Springs for Newell Rubbermaid Inc. Greenstone, led by managing principals De Little and Chris Schoen, secured the Cumberland site in 2014, when it saw the first signs of a new development cycle picking up.

HD Supply and Greenstone struck a letter of intent this past December. Chris Scott, with Greenstone, helped spearhead the final agreement.

The headquarters could break ground this summer with a goal to complete the project by February 2018.

HD Supply was represented in leasing negotiations by Douglas Biggs, Jeff Kelley, Drew Levine and Darren Ross with the Atlanta office of real estate services firm Colliers International. Architect Wakefield Beasley & Associates is designing the headquarters. Shell McElroy is the general contractor.

### **Out with the old**

The evolution of metro Atlanta's suburban office parks is in full swing.

Real estate company The Simpson Organization wants to redo Peachtree Dunwoody Pavilion, where four mid-rise office buildings have overlooked a small lake and sprawling parking lots for decades.

That secluded suburban campus design came into fashion 40 years ago, when the first Peachtree

Dunwoody Pavilion buildings were finished. Similar projects remained viable for decades.

Today, they look like dinosaurs — and appear headed for a similar fate.

The Simpson Organization proposes to rezone the 20-acre project at Peachtree Dunwoody Road and Lake Hearn Drive for a mixed-use district. It wants to redevelop some of the existing buildings. It also plans to add a 170-room hotel, a new office building, a new residential building, new stores and a restaurant.

The company filed plans with Sandy Springs March 8. A call to The Simpson Organization was not returned.

Three of the four current Peachtree Dunwoody Pavilion buildings will remain, according to the plans. The Simpson Organization will also seek permits to exceed 60 feet for two of the project's redeveloped office buildings, the new office building, the hotel, and the residential building, the plans say.

The project is a sign of the times. The trends aren't limited to Atlanta, either.

Similar transformations are being planned across American suburbia, both for office parks and malls. Those isolated fortresses surrounded by a sea of parking aren't in vogue anymore.

More U.S. employers are seeking offices amid walkable, amenity-rich neighborhoods near transit because that's what they believe their young, talented workers want. More developers and their capital partners are turning to the projects because they believe they achieve higher rents and occupancy.

In Peachtree Corners, about 15 miles north of Buckhead and just outside the Atlanta Perimeter, developers want to turn a 1970s-era office park into apartments, trails and green space, with bocce ball courts, fishing and other activities on a lake.

In Sandy Springs, Concourse Corporate Center is getting a \$90 million expansion that could include a new hotel, a new residential building and restaurants from top Atlanta chefs. It's the largest addition to the 63-acre project, known for its two iconic towers standing over the Atlanta Perimeter, in 25 years.

On the northern fringe of suburban Atlanta, mixed-use development Avalon represents the new mode. Its combination of restaurants, stores and apartment units at Georgia 400 in Alpharetta hit the market earlier this year. Its developer, North American Properties, could get \$500 million for the project, real estate observers say.

Peachtree Dunwoody Pavilion may have an advantage over Avalon and some other suburban projects: it's next to a MARTA train station. It wouldn't be surprising if the new plan created a better connection to the Medical Center station for office tenants. That tweak could make the redevelopment a better target for big corporate relocations or expansions that want a big city feel with a suburban cost.

The model seems to be working. State Farm Insurance Co., for example, is linking its new 8,000-employee Atlanta hub to the Dunwoody MARTA station.

## Cumberland leading suburban millennial growth

Suburban Atlanta cities talk a lot about adapting to bring back millennials.

The challenge is typically presented like this: millennials, or people born in the 1980s and 1990s, went away to college, and after graduation they chose American cities over suburbia. In Atlanta, they chose the Beltline, streetside cafes and other perks of intown life.

Today, more suburban cities are trying to lure those millennials, and the companies they work for, back to re-imagined developments with new housing, shops and chef-driven restaurants in walkable districts.

Take Peachtree Corners, where Community Development Director Diana Wheeler recently told Atlanta Business Chronicle “We are seeing a retrofitting suburbia that is becoming more urban in its spirit.” The city’s mayor, Mike Mason, also has said its biggest obstacle hindering growth is the ability to attract millennials.

Why do they matter so much? At more than 53 million, millennials are the largest generation in the American workforce. It’s no surprise that more companies have moved their offices intown.

That’s what makes new data from the Atlanta Regional Commission interesting. It shows which suburban Atlanta areas have actually done the best at not only retaining millennial populations over the past five years — but in some cases even expanding them.

The answer: northwest Perimeter, including Cumberland, or more precisely an area along interstates 75 and 285 in the 30339 ZIP code just north of Buckhead and West Midtown. From 2010 to 2015, Cumberland saw its millennial population increase to 9,049, a 32 percent jump.

It’s somewhat surprising that millennials, as a percentage of the population, grew faster in Cumberland than cities in the central Perimeter, such as Sandy Springs and Dunwoody. Those cities, unlike Cumberland, have MARTA train stations, and that’s been important for Atlanta and central Perimeter employers trying to recruit and retain young, talented workers.

By the end of 2015, millennials living in the central Perimeter area stood at 7,100, up 18 percent since 2010.

Atlanta Regional Commission also looked at other suburban development nodes along Georgia 400, including North Point, which saw little movement in the number of millennials over the past five years. At the end of 2015, North Point’s millennial population was the largest of any suburban center, standing at 28,625. That’s even larger than Midtown’s 17,643.

But North Point barely changed between 2010 and 2015, growing the millennial population just 0.3 percent. In Midtown, with all those new apartment towers and amenities, it grew by 36 percent.

Farther north on Georgia 400, Windward saw a decline of 8.5 percent, with the millennial population falling to 6,714.

For commercial real estate developers, they should probably take the data with a grain of salt. The population changes are pulled from ZIP code overlays of Atlanta regional centers. Put another way, the centers may not line up with what developers refer to as a traditional Atlanta real estate submarket, such as Cumberland, central Perimeter, or north Fulton.

Even so, the data leads some real estate observers to wonder if millennial population growth along the northwest Perimeter and Cumberland areas is linked to the availability of affordable housing. That includes Russ Jobson, a veteran leasing executive with commercial real estate services firm Colliers International.

Colliers recently brought together Atlanta Braves and Atlanta Regional Commission officials, along with Pope & Land Enterprises and Pollack Shores, two developers involved in the new SunTrust Park. The Colliers event looked at the growth of Cumberland, including millennials. "Cumberland has never seen such a rapid transformation as it is seeing right now," Jobson said.

Cumberland has an larger existing inventory of affordable housing geared to millennials versus central Perimeter cities such as Dunwoody, Sandy Springs and Brookhaven, Jobson added. "That likely plays a role with what's happening in Cumberland," he said.

It will be interesting to watch if those trends continue.

Over the next two years, more rental units are planned closer to the Dunwoody and Sandy Springs MARTA stations. Those cities are also working with developers to make the area more walkable, said Marc Pollack, chairman and CEO of Pollack Shores.

Also consider how urban parts of Dunwoody will start to look as State Farm Insurance Co. continues building out its massive campus on Hammond Drive, a project featuring three approximately 20-story office buildings, 90,000 square feet of retail and 8,000 workers who can walk to the MARTA station.

In Sandy Springs, developers are proposing an ambitious project that could include up to five office and residential towers around one of its MARTA stations. Major changes are also in store for Cumberland, where the Atlanta Braves are about a year away from finishing SunTrust Park and Battery Atlanta, its interwoven mix of office buildings, stores and apartments.

The recent ARC data may reinforce what more suburban cities are already catching onto: Chef-driven restaurants and transit are important, but it might also be wise to add affordable housing to the list of things millennials want.