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Granite Properties ramps up growth plans



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A Texas real estate company has ambitions to become one of Atlanta's top owners of office buildings.

Granite Properties has a little more than 1 million square feet across metro Atlanta today, including its largest asset, the Piedmont Center 5-8 buildings in Buckhead. It recently paid about \$67 million to acquire the property.

But Granite is just at the beginning of ramping up its Atlanta portfolio to eventually hit 3 million and perhaps as much as 5 million square feet. It could reach that goal in five years.

At that size, the privately held company's Atlanta office portfolio would rank alongside those of publicly traded real estate giants including Cousins Properties Inc. and Highwoods Properties Inc.

Granite's expansion reflects its confidence in Atlanta's recovering economy.

"I'll certainly take 50,000 to 60,000 jobs created in a year, and 3 to 4 million square feet in absorption versus where we were just a short time ago," said John Robbins, a managing director.

Granite's growth tells a bigger story.

"They represent a bit of a trend right now," said Will Yowell, a vice chairman with CBRE Inc. "A lot of capital, including institutional capital, has recognized the opportunity in Atlanta. Granite has been one of the early entrants."

Granite has been a familiar player in Atlanta commercial real estate for many years, but it sold its assets near the market's apex.

It then recommitted to the region in 2010, with the purchase of three office properties along the northern edge of Atlanta's Perimeter: City View, 2500 Cumberland and Parkside Terrace.

Since then it has pursued the acquisition of trophy buildings across the region, including intown properties such as Prominence in Buckhead. That 18-story tower eventually went to the buyer Crocker Partners LLC.

Granite remains aggressive, though, for the right buildings.

It continues to eye buildings, including trophy towers, in the range of \$25 million to \$100 million — its sweet spot.

"Our goal is to have a presence in every major office submarket in Atlanta," Robbins said.

It's targeting core-plus assets.

"We aren't going to buy buildings with one big tenant that has 15 years of term left on its lease," Robbins said.

In other words, like many commercial real estate investors, it's seeking opportunities to buy buildings at a discount from the peak and lease them up again, adding value.

Granite will have the capital to do it, said real estate executives familiar with the company's plans.



Byron E. Sirelli
Big plans: John Robbins is leading the expansion of Granite Properties in Atlanta.

Granite was founded in 1991 by the Schusterman family out of Tulsa, Okla. In the past few years, it sold off oil and gas interests that gave it at least \$8 billion to park into various holdings, including commercial real estate.

In cities such as Houston, where job growth rebounded faster than Atlanta, it's already developing a 300,000-square-foot, 12-story office building.

It will start developing again in Atlanta, eventually. For now, it still has some leasing holes to fill across its Atlanta portfolio, where occupancy stands at roughly 81 percent.

"Things are just a little further along in Houston, where it's a discussion about selling buildings and developing new projects," Robbins said. "I'm certainly cautiously optimistic we are heading in the right direction in Atlanta. But I'm not euphoric yet. We have to post more job growth."

The best thing going for Atlanta right now are more corporate relocations, such as the recent announcement that PulteGroup Inc. is moving its headquarters from Bloomfield Hills, Mich., to Buckhead. The company will relocate in 2014.

"We've got positive absorption and zero new construction," Robbins said. "That bodes well for the market, if that continues."

Only 450,000 square feet of speculative office space was in development at the end of May, all stemming from the redevelopment of the old Atlanta Sears building, a project known as Ponce City Market, in the Old Fourth Ward.

Atlanta's office market began to turn the corner in late 2011. That's when investors started to show the first signs of renewed confidence that job growth was rebounding.

Last year CBRE Inc. tracked \$1.3 billion in transactions for Atlanta office buildings.

Already through 2013 it's tracking \$1.2 billion, including deals that are expected to close by mid-year.

That's not only rekindling the confidence of buyers, but banks too.

"This is also about the lenders making acquisition loans again," Yowell said. "It's all being driven by the fundamentals."

Atlanta is one of Granite's fastest-growing markets, along with Los Angeles.

It already has a property management team. Next up: A big new hire in coming months to lead its leasing efforts.

Douglas Sams covers Commercial Real Estate