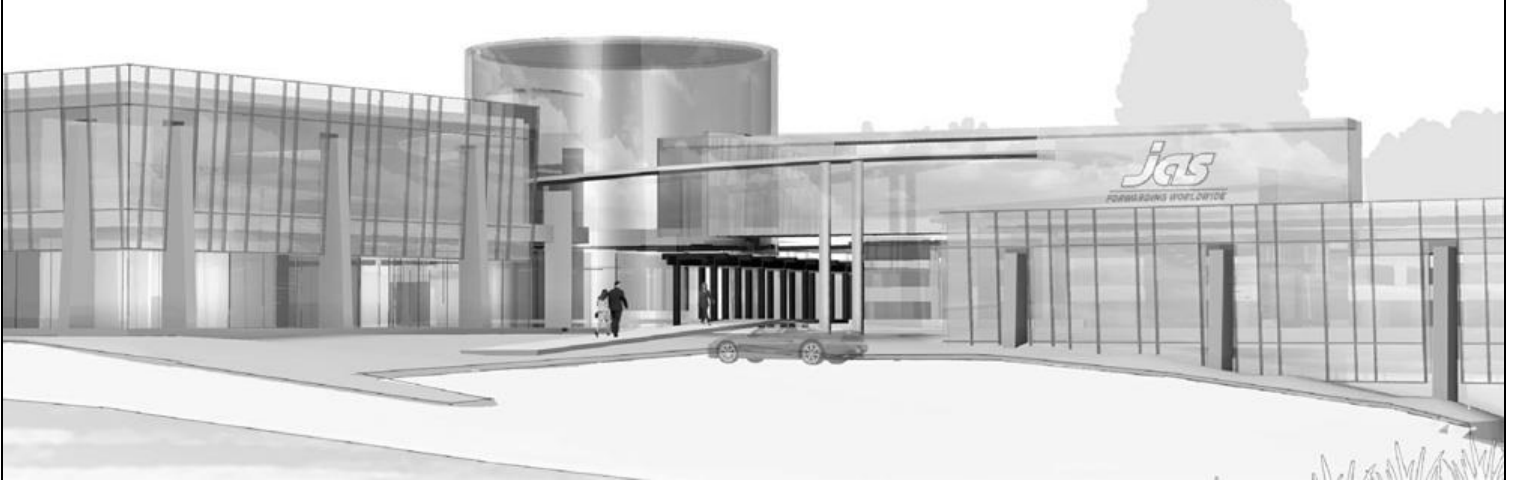


Case Study

Category:
Rehab/Renovation
JAS Worldwide International Headquarters



Project: **Redevelopment of the Cosmopolitan North Office Park to
the
JAS Worldwide International Headquarters**

Developer: **MidCity Real Estate Partners**

MidCity Real Estate Partners developed the JAS Worldwide International Headquarters, delivering the state-of-the-art corporate headquarters in 2011. The history of this transaction dates back to October 2004 (see Significant Events Section). Prior to forming MidCity Real Estate Partners, Kirk Demetrops was President of The Griffin Company and was the active partner on all aspects of the Project commencing in 2004.

After completing this project, MidCity, on adjacent property, delivered multiple buildings under a similar renovation strategy to multiple users including Northside Hospital/Laureate Medical, Thomas Eye Group & Kavali Plastic Surgery.

General Description:

The Project is the substantial renovation of three existing Class C, two-story exterior entrance office buildings in the Central Perimeter of Atlanta into a 90,000 SF state-of-the art, three building international corporate headquarters campus for JAS Worldwide. The 30 year old buildings have been demolished down to the steel frame and slab and then reconstructed with a new exterior skin, building systems and interiors. The design is a sophisticated "modern" theme that emphasizes simplicity. The extreme renovation will result in a finished product with the same quality as a completely new building.

JAS Worldwide (www.jas.com) is an international freight forwarding company with offices in 80 countries and over 3000 employees. The North American headquarters have been located in Atlanta for many years and the international headquarters is relocating from Milan, Italy.

It is very important to point out that JAS Worldwide purchased (vs. leased) the Project as they value the "utility" a building, its design, and function can bring to the people (the employees of JAS) who work at the Project. This long term mentality causes this Project to have exceptional features not found in typical office buildings that are the result of traditional corporate real estate decisions.

The history of the Project dates back to the late 90's. The Developer became very active in the Central Perimeter, particularly along Barfield Road. Barfield Road parallels GA 400 and connects three significant east/west roads including Hammond Drive, Mt. Vernon Highway, and Abernathy Road. Barfield Road, which becomes Glenlake Parkway to the north, is home to many corporate headquarters including UPS, Newell Rubbermaid, ISS (presently a division of IBM), and now JAS Worldwide. The Developer constructed the three building ISS headquarters, Perimeter Place, the Byers headquarters and the mixed-use development NorthPlace, which was runner up for Atlanta Business Chronicle's 2004 Best in Atlanta Real Estate Award - Mixed-Use Category. All of the above-mentioned deals were redevelopments that razed existing improvements and came back with new, higher density development.

With the success of NorthPlace, the Developer focused on the possible purchase of Cosmopolitan North when the owner, Highwoods Properties, put the six building complex up for sale in 2004. As Class C office buildings built in the 1970's, the existing buildings struggled with occupancy and rental rates. The Developer envisioned rezoning the property to allow a mix of residential, office and retail. The new project would triple the existing density. However, from the inception, the Developer recognized that the existing buildings, although old and outdated, were constructed in a manner with great value. The steel and concrete slab buildings were constructed just as modern buildings are built today. And, the buildings offered dimensions, ceiling heights, column size and width that were not functionally obsolete (as one might conclude from the condition of the buildings)

After rezoning and purchasing the site in 2005, the Developer pursued its initial strategy of demolishing the existing buildings and developing 280 residential units and a 136,000 SF office building with retail on the first floor. The Developer planned on selling the residential portion of the

development to a residential development company and developing the office/retail portion. In 2006, the Developer successfully placed the residential segment under contract with Trammell Crow Residential. In July of 2006, the Developer canceled all existing leases (all leases had one year cancellations) on the property. This calculated decision was made even though the Developer was concerned with the potential changes in the residential market. It was reasoned, at the time, that canceling the leases was a necessity even to pursue the alternate strategy of renovating the existing buildings.

Later in 2006, Trammell Crow Residential terminated its contract. The Developer pursued other residential developers but by early 2007, the residential market was beginning to change dramatically. By the summer of 2007, the Developer began analyzing its alternate strategy of completely renovating the existing buildings. In September, the Developer hired the architectural firm ASD to produce concept drawings of the renovation. As mentioned above, the renovation envisioned removing all existing improvements to the buildings except for the steel framing and concrete slabs. The existing buildings had outdoor exterior hallways. The renovation called for traditional, interior hallways and incorporated the old exterior hallways as new interior space. The renovated buildings would have a new exterior facades, new fire stairs, new elevator, new systems, and new interiors.

By late 2007, early 2008, the Developer garnered successful interest from office buyers wanting to buy the finished product. Most buyers were interested in one building or less. When JAS initially expressed interest in the project, it was interested in two of the buildings and connecting them in some manner. The Developer, along with the Architect ASD, provided many options. As the negotiations continued, JAS began to need more space and a third building was incorporated into the plan. At 6.4 acres, the three building campus will provide adequate space for the international headquarters for many years.

The transaction was negotiated during most of 2008 and the land sale closed December 22, 2008. The land sale included a simultaneous closing of a development agreement and construction contract. Prior to closing, JAS was very interested in the finished look of the exteriors of the building. ASD was retained to provide the architectural services and introduced a sophisticated, slanted glass exterior. The exterior design includes an exposed glass cylinder structure connecting two of the buildings. This structure serves as the focal point and functions as a main reception area for the campus.

Who was involved in Project?

- **Developer:** MidCity Real Estate Partners
- **Seller:** Developer controlled entity
- **Architect:** ASD
- **Zoning Attorney:** Woody Galloway with Dillard & Galloway
- **Transaction Attorney:** Parker Hudson (Developer) / Arnall Golden Gregory (JAS)
- **JAS Broker:** Jill Goldberg with Ben Carter Properties
- **General Contractor:** Griffin Construction Services

Vital Statistics:

- 6165 - 6205 Barfield Road (Borders GA 400), Atlanta (Sandy Springs), GA 30328
- 6.4 acres
- The cost of the Project, excluding FF&E, is \$21 million
- Three (3) buildings, two of them joined by new "architectural" connecting structure
- 10 "Hotel" Suites for international employees and visitors
- Private covered parking for senior executives
- State-of-the-art Data Center tracking worldwide freight commerce
- State-of-the-art Kitchen to serve daily meals to employees
- State-of-the-art Fitness Room for employees
- High tech interiors with added elements such as "no visible wiring"
- Manned Security Guard House
- Outdoor park created by removing existing parking spaces

Significant Events:

- **October 2004:** Developer presents Letter of Intent to Highwood Properties to purchase 11.4 acre
- **February 2005:** Developer executes Purchase and Sale Agreement to purchase property from Highwoods Properties
- **March 2005:** Developer makes application to Fulton County and Georgia Regional Transportation Association to rezone property from OI (office) to MIX (mixed use district)
- **November 2005:** Developer zoning is approved. Zoning includes GRTA approval and lengthy neighborhood agreement and covenants
- **December 2005:** Developer purchases property from Highwoods Properties. Investment Memorandum outlines base line strategy of holding property, cancelling existing leases, selling residential land to residential developer. Renovating existing buildings is highlighted as alternate strategy
- **June 2006:** Developer contracts with Trammel Crow Residential to sell TCR the residential portion of the site and plans to retain the portion of the site zoned for office over ground level retail.
- **July 2006:** Developer cancels the leases of the existing tenants by providing one year notice for a July 31, 2007 move out of tenants.
- **October 2006:** TCR terminates contract to purchase residential portion of property.
- **May 2007:** Developer sells .94 acres to Department of Transportation
- **September 2007:** Developer pursues alternate strategy of redeveloping existing buildings. Developer hires ASD to produce concept drawings.
- **January 2008:** Developer has multiple interest from users including initial discussions with JAS Worldwide
- **February 2008:** Developer presents Letter of Intent to JAS Worldwide
- **June 2008:** Developer and JAS Worldwide finalize contract that includes
 - 1) Land sale
 - 2) Development agreement, and
 - 3) Construction contract. Contingencies included Developer's ability to get administrative variance to allow use.

- **December 22, 2008:** Land sale closes and JAS simultaneously enters in Development Agreement and Construction Contract
- **February 2009:** Demolition and environmental work begin.
- **July 2009:** Construction Commences
- **April 2011:** Grand Opening of completed project

What Impact has the Project had on the community?

As the Central Perimeter transitions from a suburban submarket to a more urban market, how the area is redeveloped is at the forefront of the community agenda. Much of the debate focuses on increased density, traffic and infrastructure issues. This Project, once earmarked to triple its density, will now not increase density. 30 year old "tired" buildings have been redeveloped in such a manner to provide a new lifespan of at least another 40 years. Many of the existing, mature trees will remain and the Project removes some surface parking spaces and converts those areas to active green space. MidCity believes this type of development will become much more prevalent in Atlanta and the southeast. As infill locations increase in popularity, renovating, repositioning, and repurposing real estate will become a sustainable trend.

When/how was the project originally conceived?

The Project was originally conceived as an "Alternate Strategy" by the Developer when purchasing the property in 2005. After the initial strategy was delayed due to the current economic conditions, the Developer pursued this alternate strategy.

What was the biggest challenge that had to be overcome?

There were two significant challenges.

One, demonstrating to JAS that the Developer could transform the existing buildings into a high quality, finished product. In order to help demonstrate how the buildings would be renovated, the Developer demolished one floor of one of the buildings to a "cold, dark shell". These conditions exposed the steel beams and slab both on the floor and ceiling. Then, in a portion of that space, the Developer built new high-end interior space. The decision makers of JAS could stand in the new interior space and walk through an opening into the cold dark shell. With that exercise, they began to understand that renovating these buildings to a quality equal to "new" was a reality.

The second significant challenge was the timing of this transaction. As this deal was negotiated during 2008, the economic events the market experienced were unprecedented. In September of 2008 as Lehman Brothers failed and other banks struggled, the certainty of closing was unknown. Fortunately, the transaction closed in December 2008. Construction started in July of 2009, a year with minimal starts in commercial real estate.

Summary

This project spanned over 7 years. The JAS Worldwide Rehab/Renovation produced a very unique corporate campus with three individual buildings over 6.4 acres. The before and after of this renovation highlights the incredible potential in renovating buildings. It is one of the finest examples of office redevelopment in the Atlanta metropolitan area.

MIDCITY
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Renovated Wall Section



Original Wall Section

