

DAILY REPORT

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Move-in special: Wachovia to sublease 191 Peachtree

Nearly half-price rent is the lure to attract occupants to 14 floors

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ATTENTION DOWNTOWN shoppers: With 380,000 square feet to sublease in the One Ninety One Peachtree Tower, Wachovia Corp. has launched the commercial real estate equivalent of the blue light special.

The bank is offering to rent the space for \$12 per square foot per year until its lease in the downtown landmark expires at the end of 2008. Average rent in the building, which is only about one-third full as a result of departures by Wachovia, King & Spalding and Powell Goldstein, is about \$22 per square foot.

"Some income is better than no income," said Wachovia Senior Vice President Jerome W. Gabbert Sr.

"We had to make the rate attractive enough so that somebody might want to move in there temporarily and move out once the lease expires," Gabbert added.

Gabbert wouldn't say how much Wachovia is paying for the leased space, but, assuming it pays the \$22 per square foot average rent, the bank would recoup about \$4.6 million of \$8.4 million of annual rent if it subleases the entire space.

After acquiring SouthTrust Bank in November 2004, Wachovia began relocating its Atlanta headquarters last summer from One Ninety One Peachtree to the former SouthTrust tower at 171 17th Street at Atlantic Station. At that point,

Gabbert said the bank planned to eat the costs of the lease.

But it has since tapped NAI Brannen Goddard to market the One Ninety One space and a SouthTrust data processing center in Marietta, also acquired by Wachovia, Gabbert said. NAI Brannen Goddard also is subleasing a 4,359-square-foot Wachovia branch location at nearby 230 Peachtree St., said NAI Brannen Goddard's Chad Koenig.

Wachovia's space in the One Ninety One Peachtree Tower stretches along 14 floors and includes a branch location in the lobby and 1,683 square feet of storage space. The bank moved about 670 employees into about half as much space and floors at Atlantic Station, while other employees relocated to another former SouthTrust building at 360 Interstate North Parkway, Gabbert said.

This is the first time in the One Ninety One Peachtree's 16-year history that a tenant has sublet office space, said John R. Sullivan, Atlanta region vice president for Equity Office Properties Trust, the country's largest REIT, with more than 620 properties.

The 380,000 square feet of open space would be the largest sublease in Atlanta, said Koenig, who is tasked with the Wachovia job. He said he is trying lease the Wachovia in increments no less than 20,000-square feet.

"Just because the building is [two-thirds] vacant doesn't mean it's a bad building," Koenig said about the Class A office building, adding, that the building is only a five-minute walk from the Georgia Aquarium.

About 30 individuals—including representatives for technological consulting and software firms—have expressed interest in the space over the three weeks that it has been advertised, Koenig said.

Koenig said he is targeting existing downtown tenants who, perhaps, in the past didn't want to pay the rental rates One Ninety One Peachtree offered, but "now, through a sublease, can get into One Ninety One at a great price."

But attracting sublessees may also depend on the rate they would be offered once their sublease ends with Wachovia. Although Koenig said Equity has been receptive to Wachovia's desire to sublet, he and Gabbert both highly doubted Equity would offer rent at \$12 per square foot. Sullivan said he wouldn't comment on activity with lessees.

Wachovia's space will also likely compete with other vacancies in One Ninety One Peachtree and other downtown locations. According to NAI Brannen Goddard's first quarter 2006 Atlanta office figures, 19.2 percent of downtown's Class A office market is vacant.

Built in 1990, One Ninety One Peachtree is a 50-story building next door to the Ritz-Carlton. Equity acquired the building when it bought Cornerstone Properties Inc. in 2002.

King & Spalding rented about 405,000 square feet and accounted for 33 percent of the building's occupancy. The law firm moved to new quarters at 1180 Peachtree St. in March after its lease expired earlier this year. Powell Goldstein moved from One Ninety One Peachtree to One Atlantic Center about 18 months ago.

In April, Montgomery, Ala.-based Thomas, Means, Gillis & Seay P.C. signed a lease for 6,186 square feet at One Ninety One Peachtree. The law firm, which is relocating its Atlanta practice from the Equitable Building downtown, will move 19 employees onto the 35th floor at One Ninety One Peachtree next month.

Pickups like Thomas, Means will have to multiply for Equity to make a serious dent in its potential losses, which Sullivan estimates to be about \$13.2 million a year. Since Wachovia is still paying rent, the building is 50 percent leased.

To turn things around, Equity began exploring marketing ideas in March with real estate money management and services firm Jones Lang LaSalle. Sullivan said One Ninety One Peachtree's stepped-up marketing plan includes increased advertising and extensive work with the local brokerage community.

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