



Transwestern struggling with Tower Place 200



Tower Place 200

The owner of Buckhead's Tower Place 200 is trying to restructure a \$50.5 million loan to keep the building from possibly going into foreclosure.

Transwestern Investment Co. purchased the 14-story building in 2006 for \$57.7 million, when commercial property values were high and credit was easy.

But the 11-year-old building has seen its vacancy climb to about 35 percent.

To make matters worse for building owners like Transwestern, Buckhead is overbuilt.

Four new and primarily empty towers are in various stages of construction. They will put a lot of pressure on Transwestern and other owners of existing Buckhead buildings to retain tenants.

Transwestern is talking to its lender about restructuring a securitized loan that financed the 2006 acquisition, according to a source close to the discussions.

The \$50.5 million loan, originated by Greenwich Capital Financial, matures in 2011, according to real estate research firm Databank Inc.

Transwestern is in default on the loan, but the Chicago-based real estate company would not confirm if it fell behind on a mortgage payment, if it violated loan covenants, or both.

The situation facing Tower Place 200 is not unique.

Many real estate companies are having discussions about restructuring debt on buildings within their U.S. portfolio, as leasing activity stalls, property values fall and lending dries up.

Some owners are trying to restructure loans, even if near-term maturity isn't a concern, because they see little end in sight to the lack of capital.

Transwestern may have skipped a payment to trigger a discussion with its lender, observers said.

CWCapital Investments is the special servicer, a firm that often administers a loan after it goes into default.

Transwestern says it's making progress on new lease negotiations, but it will have to compete with the owners of the four new Buckhead buildings: Tishman Speyer Inc., Duke Realty Corp. and Pope & Land Enterprises Inc., Cousins Properties Inc. and Manulife Financial.

Each of the owners has a new office tower that is either near completion or slated to be finished next year.

It's unlikely that Transwestern can match its competitors' large tenant improvement allowances, which serve as effective enticements for potential tenants.

New construction loans can fund tenant improvements, which are being valued now at \$80 to \$100 per square foot — at least twice as high as recent years.

Transwestern can offer lower asking rents at Tower Place 200.

Jacoby's Atlantic dialogue. Atlantic Station developer Jim Jacoby says negotiations are under way to buy a larger stake in the giant Midtown mixed-use project.

Atlanta Business Chronicle reported June 8 that Jacoby was laying the groundwork to begin discussions later this year to increase his investment in Atlantic Station. His primary focus is the 600,000-square-foot retail heart of Atlantic Station known as the Atlantic Town Center, which includes some of the project's biggest stores and restaurants.

Jacoby may also be considering whether to buy other pieces of the 138-acre development.

Jacoby told the Chronicle Aug. 25, "We have started a dialogue."

The negotiations come as Atlantic Station co-owner and global insurer American International Group Inc. (AIG) continues to divest its real estate holdings.

AIG agreed to sell its New York headquarters earlier this year.