

One market, one strategy works for APG

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A local privately held real estate investment company that follows a “one market-one strategy” plan recently made a Buckhead building buy that says a lot about the way it likes to do business.

The company is Atlanta Property Group LLC. It was formed in 2003 by partners Jonathan Rodbell and Court Thomas, who had grown up together in Atlanta before moving on to college; Rodbell to the Wharton School of the University of Pennsylvania and Thomas to Georgetown University.

Both have backgrounds in institutional real estate. Rodbell’s pre-APG experience includes stints at Lazard Freres & Co. in New York, and JMB Realty/Heitman Financial in Chicago. Thomas worked at Lowe Enterprises Inc., an international real estate investment and development company based in Los Angeles; and in the Philadelphia office of GE Capital Real Estate.

The market is Atlanta. Utilizing funds raised from private real estate investors, APG focuses exclusively on owning and operating multi-tenant office buildings in the metro area. The firm’s portfolio currently totals 2.7 million square feet in 15 assets.

The firm seeks out well-located, value-oriented, often underperforming properties where it can add value.

Atlanta Property Group’s services include property management and, since the beginning of 2013, in-house leasing.

Adding leasing was a key goal, because it puts the company in direct contact with their existing tenants and tenant prospects, Rodbell said.

Recent office acquisitions by APG include Paces Cumberland, a 70,000-square-foot building in the Cumberland/Galleria submarket; 280 Interstate North, a 124,273-square-foot building, also in Cumberland/Galleria; 1190 West Druid Hills, an 80,249-square-foot building in the northeast Atlanta submarket; and the five-story, 183,619-square-foot 1200 Ashwood Parkway, located in the Central Perimeter submarket.

The acquisitions comprise two categories, Thomas said. “There are distressed properties, which aren’t performing well because, by definition, ownership doesn’t have the money to reinvest or do leases,” he said.

The other category is made up of non-core assets, “Where the owner’s primary business is something other than the type of asset we are buying from them.”

One of APG’s most recent acquisitions is Northcreek Office Park, a four-building, 563,000-square-foot Buckhead office project located on Northside Parkway near the I-75/West Paces Ferry Road interchange. At 91 percent leased, the property represents somewhat of a strategic departure, being a stabilized asset, Rodbell said.

Northcreek’s roster is primarily private companies, Rodbell said, “and we like private companies, because we are typically able to develop real relationships with the decision-makers, which is good for us and good for the tenant.” Northcreek’s access to I-75 and its wooded setting are also pluses.

“The site is very large, and there may be an opportunity to do additional, strategic development in the future, which creates potential upside,” Rodbell said.

All real estate investors, including Atlanta Property Group, have been dealing with an investment market that can be characterized as having high demand for, and limited supply of, quality properties.

A lot of private commercial real estate investment companies find the current market frustrating, according to Steven D. Martin, managing principal of SDM Partners, a private commercial real estate investment firm that focuses on office, industrial, business park and land sites in Atlanta and the Southeast.

“There is a lot of money out there and a lot of competition among capital sources — but there is just not a lot in the way of good properties out there to bid on,” Martin said. “When something does come on the market, you wind up seeing a lot of very aggressive offers as the price gets bid up.”

And apparently there’s more capital on the way — and much of it is headed specifically for the Atlanta market, according to Dan Fasulo, managing director with Real Capital Analytics, a New York-based global real estate research firm.

In the U.S., money for real estate is shifting out of “gateway markets,” such as New York and San Francisco, where prices for assets have been bid upward, “and yield and cap rates have gotten far too low for your bread-and-butter institutional investor,” Fasulo said.

As a result, “There is going to be an influx of institutional capital into major secondary markets — like Atlanta,” Fasulo said, “where there are plenty of buildings filled with plenty of tenants — and as long as those tenants have long-term leases, that capital is going to be interested.”

There is no question that investor interest in Atlanta is rising, Rodbell said.

“We believe that we can still buy assets at attractive prices within our targeted asset class — and when we no longer feel that is the case, we will stop investing until the next compelling strategy presents itself.”

Atlanta Property Group

Type of business: Privately held real estate investment company

Focus: Owning and operating multi-tenant office buildings in Atlanta

Number of employees: 30

Year formed: 2003