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***Southeast City Highlights p. 21
Richmond***

Southeast Snapshots p. 25

Office & Industrial Lenders Guide p. 20

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STARKVILLE REVIVAL

CottonMill project brings retail, housing.

Jon Ross

In Starkville, Mississippi, a small town of nearly 25,000 close to the state's eastern border, the main draw is Mississippi State University. People come to the university for academics, arts events and Southeastern Conference sports. Historically, Starkville's size and isolated location meant that once those visitors arrived, access to significant retail required a lengthy car ride to Tupelo or Tuscaloosa, Alabama. With the addition of the 746,196-square-foot CottonMill Marketplace, a \$216 million mixed-use development that will sit adjacent to the university campus, developers are hoping retail becomes a new reason to visit Starkville.

"This town wants a lot of retail," says Jon Maynard, president of the Greater Starkville Development Partnership. "They see a growth in retail as being a success point for the community. We're fairly

SEE REVIVAL, PAGE 28



COTTONMILL MARKETPLACE IN STARKVILLE, MISSISSIPPI.

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FIRM EYES SUMMER GROUNDBREAKING FOR ATLANTA APARTMENTS..... 14

\$172 MILLION HOUSING PROJECT PLANNED IN NEW ORLEANS 16

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SOUTHEAST FINANCIAL UPDATE

Small banks, apartment deals stay active during recession.

Jon Ross

The story of the current lending market is one of geography. To some extent, a city's location has always dictated what commercial property type will be a perennial hot item, but in this current economic climate, finding good news takes some looking at the map. A city hit hard by the recession may lie a few hours away from a relative real estate oasis. In Louisiana, hurricane recovery is still fueling the real estate market, and in Raleigh, North Carolina, stable employment has led to a level multifamily vacancy rate.

"Many owners and regional managers have told me that Raleigh is still the best performing market in their portfolio," says Sperry Van Ness | AIM

Real Estate Advisors' Scott Bush from his Raleigh office. Busch focuses on the area's multifamily market. "Buyers and sellers are still very optimistic in this market."

Areas where the commercial real estate market is still relatively healthy have one thing in common: regional banks rule. Unlike larger institutions, these local banks haven't been tied down by the ballooning number of problems the national banks are juggling. "Larger banks have been in the real estate market for a lot longer and have had much larger allocations on a year over year basis," says Saul Hoppenstein, who works in the Boca Raton, Florida, office of Tavernier Capital Partners. "The smaller banks

SEE UPDATE, PAGE 30

STARKVILLE REVIVAL

REVIVAL from page 1

remote, and people don't necessarily want to drive an hour or two for some of the larger chain-type stores."

Developers COMVEST Properties of Biloxi, Mississippi, and Jackson, Mississippi-based Nicholas Properties will break ground on CottonMill during the first quarter, aiming to complete the project by the end of next year. Plans outline more than 160,000 square feet of retail space and 25,758 square feet of restaurants in an open-air environment. Also included in the project is a 71,955-square-foot Courtyard by Marriott, 122,840 square feet of office space, 216 units of residential housing and a conference center. Retail tenants have not been officially announced, but COMVEST has secured letters of intent for three junior anchors and a handful of retailers leasing less than 10,000 square feet. "The majority of the retail has been based in Columbus," says Mark Nicholas of Nicholas Properties. "[University officials] had literally been putting their wives in a car and taking them to Columbus and had said, 'this is where you're going to shop.'" From his position at the Development Partnership, Maynard sees CottonMill as a regional draw. In addition to the tenants that will soon enter an area starved for national retail, CottonMill's design, conceptualized by CUPKOVIC architecture of Cleveland, will attract attention. "Malls in general are sort of passé,"

he says. "Outdoor, multi-use shopping has really become the wave of the future."

Before the project got off the ground, the developers met with officials from the city and MSU to secure wish lists from the two institutions outlining the services for which they see a need. Representatives from both organizations requested expanded retail and office options. Starkville has some additional office space coming online this year, but, for the most part, offices are hard to come by. "A lot of people are expanding their facilities in the county and in the city," says Scott Rheams of COMVEST. "You can't go up there and say, I want 10,000 square feet for my business; you can't find it today." At the top of the university's list, however, was student housing. Nicholas says enrollment at MSU has been growing at a rate of 1,000 students per year. With a requirement that freshman students live on campus, university officials were caught in a juggling act. "They were in trouble," says Nicholas, an MSU alumnus who sent his three sons to the school as well. "They didn't have any beds." The housing built at CottonMill will be put on the market, but with its proximity to the university, developers are predicting the added space will help ease the university's housing burden.

At the heart of the CottonMill development lies the E.E. Cooley Building,

a former cotton mill that had found new life as a home for the university's physical plant. The Cooley Building was constructed in 1902, is listed on the National Register of Historic Places and has been designated a Mississippi Landmark. When the developers are finished with it, the building's centerpiece will be a 67,840-square-foot conference center. "This mill remains one of the largest and most intact mill buildings from this early period of industrialization in the state," says Todd Sanders, tax incentives coordinator for the Mississippi Department of Archives and History. Due to its landmark status and historical significance, the developers had to obtain a special permit before reconfiguring the Cooley Building. Nicholas points out that they must outline and get any structural changes approved before starting construction. Also, they can't add anything to the building's façade. Still, Nicholas says, it's worth transforming the inside of the property because of the large windows and the historic charm. "It's a lot of planning to turn a turn-of-the-century building into a conference center," Nicholas says.

A new conference center was also high on the wish list for both university and city officials. The university is a research institution, so steady conference activity is business as usual, but in a town the size of Starkville, it was hard for conference planners to

find enough space to put on events. "There's not sufficient meeting space for folks in attendance of over 150 people. There's really not a place to have a conference," Rheams says. In addition to the on-site Marriott hotel, conference attendees will have access to two hotels owned by Atlanta-based Peachtree Hotel Group on either side of the development, bringing the number of hotel units in the immediate area to 500.

Reusing the Cooley Building opened up the possibility of obtaining tax credits associated with historical revitalization. Developers also received \$91 million from the GO ZONE allocation, money set aside to help the commercial real estate industry recover from Hurricane Katrina. Even with tax credits, financing was difficult to find due to the economy. "It's been a challenge," Rheams says. "However, with the amount of incentives that we've been able to put together for this project at all levels — from federal, state and local levels — we've really put together a project that when brought to the investment community, they can see a lot of value in it." Many of these tax credits and financing options carry a time frame, necessitating the December 2010 project deadline. The developers have planned out the project's schedule to the most minute detail, and Maynard says this is a huge selling point for investors. "Stability is a major draw for new development in an economy like we've got right now," he says.

The CottonMill project is expected to provide a big boost to the economy. In its executive summary, COMVEST officials highlight a \$90 million annual economic impact on the city and surrounding area. The development is also projected to generate a property tax increase of more than \$1.37 million, an annual sales tax revenue of between \$300,000 and \$450,000 and the capacity to create 1,000 permanent jobs. With numbers like these, CottonMill Marketplace will have a large economic impact on the Starkville market for years to come. "We could do a lot of other retail developments on a smaller scale," Maynard says, "but having one large retail development gives the town an awful lot of economic confidence. It will keep them from going out of town to spend money, and it will keep some of the outside traffic coming in to Starkville rather than bypassing Starkville and going somewhere else." ■

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