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Condo guru sees Atlanta looking up

Urban units to be hot: Miami builder will put prediction to a test with CityPlace at Lenox Square.

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Despite concerns among some metro Atlanta real estate professionals that the city may be overbuilt with condominiums, Miami condo mogul Jorge Perez says the current construction frenzy is only the outset of Atlanta's urbanization trend.

Perez, president and CEO of the Related Group, is betting big money on his opinion, having recently won rezoning of a 19.5-acre site near Lenox Square. He plans to break ground on the first of a mixed-use village with nine high-rises in mid-to-late 2007. The project, CityPlace, will also feature a series of pocket parks and townhomes along the border.

"We've been looking at Atlanta for quite a long time," Perez said during an interview at the offices of Smallwood Reynolds Stewart Stewart, a local firm involved in the design for CityPlace at Buckhead. "It is one of the most dynamic and growing markets for condominiums in the country."

Perez and his Related Group have a reputation for high-quality construction and a "sophisticated" marketing program that has made it a model company for urban development, said William Hardin, an associate professor in the School of Business Administration at Florida International University in Miami.

"They do have a market niche and it's at the high end," said Hardin, who holds a Ph.D. from Georgia State University and taught at Morehouse College before moving to Miami. "The question is, how deep is that market?"

But Perez is so sure Atlanta has a future in condo development that he's already bought a luxury unit at Mezzo, the Peachtree Street midrise proposed by Tivoli Properties.

Tivoli CEO Scott Leventhal's Florida-inspired development, Aqua, on 10th Street in Midtown, was modeled on the type of design and luxury appointments that have characterized Related's buildings.

Perez made his first public visit to Atlanta in November for Mezzo's groundbreaking and checked on local details for CityPlace.

Atlanta, Perez noted, is not only projected for remarkable growth over the next two decades, but social and demographic trends are poised to alter the character of the city's sprawling housing market.

"Atlanta has the largest projected growth rate [of any major U.S. city] over the next 20 years," Perez said. "You are in the infancy of the creation of a great city. You have great civic pride and great civic leaders, city leaders who want it to be a great city."

Prices for CityPlace have not been set, but Related Senior Vice President Robert Dorfman said he expects prices to average about \$400 per square foot.

Related will be going head-to-head at that price range with the market's other new player, Donald Trump, who has teamed with Wood Partners for a mixed-use development at West Peachtree and 15th streets in Midtown.

Atlanta-based Cousins Properties teamed with Related for Miami's 50 Biscayne project. Cousins Senior Vice President Tim Hendricks worked on the development with Perez and other Related executives.

"They have outperformed their marketplace in South Florida on every level," Hendricks said. "They will bring a product that will be a higher level of design, more cutting edge, than what I have seen in other Southeastern markets."

Beyond Atlanta

The CityPlace development in Atlanta is just part of the Related's corporate strategy to spread far beyond its Miami base into other locations in the United States and abroad.

In addition to Atlanta, Related is considering sites in Utah, Mexico and Argentina, along with other Sun Belt markets, Perez said.

Although Miami has been hit particularly hard by the 2006 downturn in real estate prices and sales, Perez maintains that Related is well-positioned to weather slower sales, reluctant investors and stagnant prices until the market recovers.

He concedes that "every place in the U.S. is much slower than it was a year ago."

But Perez expressed confidence that "places that are well-located, well-priced and well-planned will do quite well even though it might take a little longer."

Market will recover

Perpetually cyclical in nature, the real estate market will recover, Perez said, and affluent, aging baby boomers will be primed for a new lifestyle in coming years as his Atlanta project rises to receive them.

"For the last 10 years, baby boomers have been the largest segment purchasing second homes and retirement homes. The process will continue for the next eight to 10 years," Perez said.

Well-traveled boomers have experienced the scaled-down sophistication of European cities, and Atlanta's executive class in particular is weary of long, frustrating commutes.

"That's not going to improve," Perez said. "You're going, by necessity, to see growth in urban density."

In addition, the boomers' adult children, sometimes known as the "echo boom," are moving into their own homes, launching careers and starting families, creating further market demand for new housing, Perez said.

The Related CEO is hoping his company's reputation for cutting-edge architecture and amenities, including a world-class art displays, will entice both well-heeled boomers and their offspring to settle at CityPlace.

He also expects that the investors who have been such a key factor in his Miami success will continue to influence Related's sales here in Atlanta.

"Past experience shows that investors will follow us," Perez said. "We are not seeking them out nor are we avoiding them. But, due to the nature of the Atlanta market, I believe investors will not have an impact one way or the other."

Hardin said investors are not likely to affect Atlanta's market as significantly as Miami's because of Atlanta's inland location. Investors are more attracted to coastal or resort cities like Miami, Las Vegas and San Diego because of glitz and leisure factors.

"Atlanta's not a strategic move if you're an investor, not to the depth you see [in Miami]," Hardin said.

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