

# ULI Case Studies

## Avalon



RAFTERMEN

*Avalon is a mixed-use town center that has become a major attraction and destination for residents, businesses, and visitors in the Alpharetta area of north Fulton County, Georgia.*

### PROJECT SUMMARY

Avalon is a mixed-use town center that, in its first phase, includes retail, restaurant, multifamily rental housing, single-family for-sale housing, and office uses surrounding a main street and a central plaza. A second phase will add a hotel and conference center as well as additional retail, multifamily rental housing, and office space. The 2.3 million-square-foot project is located in an affluent northern suburb of Atlanta on an 86-acre site. A previous developer had planned a similar concept for the site in the mid-2000s era but was unable to execute the development.

### Introduction

Alpharetta, Georgia, is an affluent community in the far northern suburbs of Atlanta blessed with a plethora of high-paying tech jobs and many upscale residential areas and gated communities. But as in many affluent suburban communities, residents spend a lot of time in their cars, often

traveling to other parts of the metro area to find restaurant and entertainment experiences and services. Although the community did have an historic downtown, the area had a distinct lack of walkable urbanism. Avalon was conceived and developed to address this gap in the market and was designed as a mixed-use town center that

### QUICK FACTS

**Location**

Alpharetta, Georgia

**Project type**

Mixed use

**Site size**

86 acres

**Land uses**

Retail, Multifamily Rental Housing, Single-Family Detached Housing, Single-Family Attached Housing, Office, Restaurants, Cinema, Supermarket, Hotel, Conference Center, Park, Streets, Surface Parking, Structured Parking

**Keywords**

Town center, Main street retail, Concierge program, Planned community

**Website**

[www.experienceavalon.com](http://www.experienceavalon.com)

**Project address**

2200 Avalon Boulevard  
Alpharetta, Georgia 30009

**Current owner**

PGIM Real Estate

**Master developer**

North American Properties  
[www.naproperties.com](http://www.naproperties.com)

**Development investment partner**

Sarofim Realty Advisors  
North American Properties

**Retail, multifamily, and office developer**

North American Properties

**Single-family home developer**

Monte Hewett Homes

**Office developers (Phase II)**

Hines  
Cousins Properties

**Hotel developer (Phase II)**

Stormont Hospitality Group  
North American Properties

**Hotel investment partners**

Long Wharf Real Estate Partners  
City of Alpharetta  
North American Properties  
Stormont Hospitality Group

could offer many of the lifestyle and community amenities that were previously available only in places such as Midtown Atlanta.

The first phase of Avalon—completed in 2014—features 390,500 square feet of experiential shopping and dining options, 105,400 square feet of Class A loft office space, 250 luxury rental apartment units, and 101 single-family home sites. The developer has positioned the development as “the South’s first ‘urbanburb,’ a walkable, urban experience in a suburban setting, with a blend of curated uses that maximize the energy level of the property throughout the day and into the evening.” In designing Avalon, the developer focused on the human experience, rather than the buildings, with the goal of delivering “the luxury of time well spent.” Avalon was designed to serve both those who wanted to live and work in a more walkable setting and those from the surrounding residential areas who wanted to visit, shop, dine, and enjoy entertainment in such an environment.

Upon completion of Phase II, Avalon will feature an additional 88,400 square feet of retail, 550,000 square feet of Class A office towers, 276 luxury rental apartment units, and a 330-key hotel and conference center.

## Development Background and Site

Founded in 1954, North American Properties (NAP) is a privately held, multiregional real estate operating company that has acquired, developed, and managed more than \$5 billion of retail, multifamily, mixed-use and office properties across the United States. The company’s first major experience with mixed-use properties occurred when it acquired Atlantic Station in Atlanta, a mixed-use property in Midtown that had been undertaken by a previous developer and then sold. Following acquisition, NAP set about filling empty retail spaces and vacant floors of office towers to improve performance.

NAP learned a lot from the Atlantic Station experience, and when the Avalon property became available, the company was ready to move on to a new mixed-use development. The idea for a town center on the site was first initiated by Thomas Enterprises in the mid-2000s, and the development was called Prospect Park; however, the project was halted when the original developer lost funding during the depths of the recession. The site was foreclosed on by the lender, Wa-

chovia, which was later acquired by Wells Fargo. Thomas Enterprises had put a plan in place that was conceptually similar to Avalon, had begun site work, and had built a parking structure on the site. NAP acquired the property in July 2011 and decided to tear down the deck and create a new plan to respond to market demand, marking a new beginning for the two-phase project.

Avalon is located on 86 acres at the intersection of GA 400, Old Milton Parkway, and Westside Parkway in Alpharetta, one of the most affluent trade areas in the country. Alpharetta is located approximately 25 miles north of downtown Atlanta, 20 miles north of the Buckhead area, and 14 miles north of the Atlanta area’s I-285 perimeter highway. Home to many affluent households, Alpharetta and its surrounding area is known as one of the leading technology cities of the south. The nearest competitive retail/lifestyle places, though very different in nature, are the North Point Mall and downtown Alpharetta, both a few miles away.

Retail leasing began in March 2012, site work began in January 2013, and construction financing was arranged in August 2013, when 75 percent of the retail was leased. Vertical construction also began that month. Phase I opened in October 2014, and the multifamily residential was available for occupancy in November 2014. The Phase II opening is planned for April 2017, and the hotel and conference center opening is planned for January 2018.

## Development Finance

Financing the development involved a variety of equity and debt capital sources over two phases and a sale of Phase I assets following stabilization.

**Phase I financing.** The project was financed with \$10.3 million in equity from NAP and \$91.4 million in equity from joint venture partner Sarofim Realty Advisors, for a total \$101.7 million of equity for the project. This joint venture entity secured \$131 million in debt financing for Phase I, comprising a \$91 million syndicated senior loan from Wells Fargo Bank and Bank of America, accompanied by a \$40 million mezzanine loan provided by JP Morgan Asset Management. Eastdil Secured arranged the financing package. The total development costs for Phase I totaled around \$250 million to \$350 million. Once completed, the first phase was refinanced to free up capital for the second phase.

**Phase II financing.** For the second phase, financing for the retail and multifamily components was provided by Bank of America for \$60 million, and an additional \$66 million of capital was contributed from the Phase I refinance proceeds, for a total of \$126 million. In addition to those involved in the retail and residential components, several new players were involved for both the hotel and office components. The \$112 million hotel and conference center is a venture between NAP, Stormont Hospitality Group, investor Long Wharf Real Estate, and the city of Alpharetta. Equity capital sources for the hotel and conference center include \$4.5 million from NAP, \$22.5 million from Long Wharf Real Estate, \$24.9 million from the city of Alpharetta, \$2 million from Marriott, and \$2 million from Stormont Hospitality. Debt financing in the amount of \$56.3 million was provided by Suntrust Bank. The land for the hotel/conference center was sold by the Avalon ownership entity to the hotel ownership entity; NAP was an investor on both sides of that transaction.

For the second-phase office, Hines/Cousins acquired the office parcel from NAP and has financed the building separately. In addition, an option agreement allows for the development by the same venture of a 3.3-acre adjacent parcel.

**Single-family residential financial arrangements.** For the single-family residential, which is being developed through both phases, NAP developed the land and is selling the lots on a takedown schedule. NAP is the land developer and Monte Hewett Homes is the homebuilder, with a two-and-a-half-year takedown schedule. Notes Toro: “We are ahead of that schedule. To the degree that [Monte Hewett Homes] exceeds its pro forma budget, we share in part of that excess, which has been significant [thus far].”

**PGIM acquisition.** The first phase of the project was acquired by PGIM Real Estate, an arm of Prudential Financial, in July 2016, for an undisclosed amount, but reportedly in the range of \$500 million. PGIM Real Estate’s investment includes the existing retail, office, and multifamily assets, as well as a 3.3-acre office development parcel. The property was acquired on behalf of institutional investors.

At the time of acquisition, PGIM Real Estate announced it would refinance the Bank of America loan and provide the construction financing for the second phase of Avalon, with an option to purchase at closing. The loan, and subsequent purchase option, are secured by about

90,000 square feet of Class A retail space and 276 luxury apartment units.

Hines/Cousins will retain ownership of their office building, and the hotel investors will retain ownership of the hotel and conference facility, so these assets were not part of the sale.

NAP will remain involved as manager through completion of Phase II, including a lease-up requirement. Beyond that time, PGIM will determine who manages the property.

## Planning and Design

Several design firms were retained to design different elements of the development. Wakefield Beasley & Associates served as the master architect and the architect for the office and retail space, Dwell Design Studio as the multifamily-housing architect, Lew Oliver as the single-family home planner, Site Solutions as the landscape architect, and Cooper Carry as the hotel/conference center architect.

Before commencing design work for the development, NAP and Wakefield Beasley identified and visited some 15 similar mixed-use projects around the United States to discern what design elements and project features they wanted to incorporate into Avalon. Notes Lamar Wakefield: “We laser taped the spaces we liked. We measured the spaces we didn’t like. We took photos of all of that as well.” NAP also invited the local governmental agencies involved in the project to visit the same places, so they could learn from these examples as well. NAP and Wakefield Beasley were especially impressed by the Grove in Los Angeles and Santana Row in San Jose.

The plan for Avalon is organized around a main street—Avalon Boulevard—that runs parallel to the main access road, Old Milton Parkway, to the south. Three access points are provided into the development from this parkway, one at each end and one—Second Street—that aligns with the main entry feature and the central green space, the Plaza, at the center of Avalon Boulevard. The Plaza and Second Street essentially divide the project into two halves. Avalon Boulevard is set back from the parkway, and several outparcels along the parkway have been devoted to freestanding retail operations, including, from west to east, the Container Store, Whole Foods, PNC Bank, Bocado Burger Bar, and Arhaus furniture.

The more dense areas of the development are located near Georgia 400 to the east, and the less dense area is to the west, which has nearby residential areas.



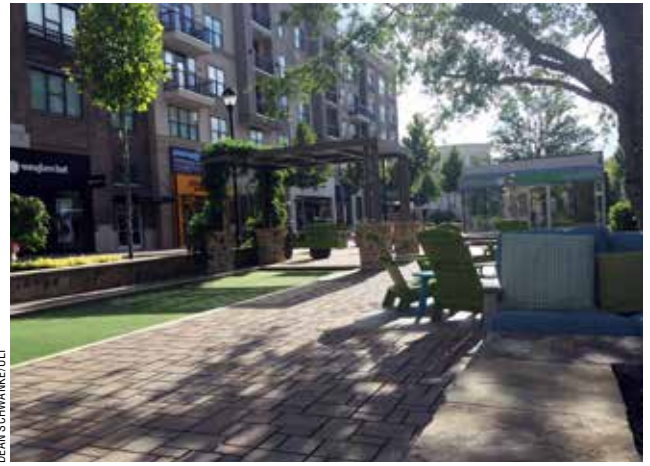
At the center of the project is the Plaza, featuring a turf lawn area and a fountain that is surrounded by restaurants and a 12-plex cinema.



In the winter, the lawn area of the Plaza is converted into an ice skating rink, with dimensions similar to the ice rink at Rockefeller Plaza in New York.



DEAN SCHWANKE/ULI



DEAN SCHWANKE/ULI

*Avalon includes a quiet residential lawn at the western end of the development that provides an amenity for 101 single-family homes, 24 detached and 77 attached.*

*A quiet public area along Avalon Boulevard, known as the Living Room, provides an outdoor gathering area for residents and includes a bocce court.*

### The Plaza, main street, and public areas.

Observes Toro: “A big part of the Avalon experience is the public realm.” At the center of the project is the Plaza, a rectangular town green area that is surrounded by residential over retail to the west, office over retail to the east, Regal Cinemas to the north, and a small concierge building to the south, facing onto Avalon Boulevard. The Plaza was carefully sized, designed, and programmed to serve a variety of purposes. Wakefield notes that some of the central spaces they visited on their tour were too large, and they wanted a more intimate size for this space.

The Plaza features a 60-foot-wide fountain, a green turf area that is heavily used throughout much of the day for a variety of activities, seating around the perimeter, and landscape elements. A large number of plug-in spots all around the Plaza are used by kiosk tenants, entertainers, or others that may need power. The turf area is converted to an ice-skating rink in winter, which is also very popular. The ice rink, not coincidentally, has the same dimensions as the ice rink at Rockefeller Center in New York. The Plaza design includes bar stool and counter seating all around its edges for use by those who wish to eat or drink while observing activities in the Plaza.

Avalon Boulevard itself is 1,700 feet long and runs through the length of the project, connecting the single-family home area on the far west side, the multifamily-over-retail area on the near west side, the Plaza at the center, the office over retail on the near east side, and the Phase II multifamily, office, and hotel uses on the far east side, under development as of fall 2016. Sidewalks are 20 feet wide along most of the boulevard.

In addition to the Plaza, the street offers a variety of different public gathering spaces. Notes

Wakefield, “We have a series of spaces that offer experiential opportunities.” At the far western end of the project is a linear lawn surrounded by single-family homes. This lawn is in turn connected to a smaller lawn area—Palmer Plaza—on Third Street, located between two restaurants and the larger lawn, that can be used for performances. The space includes ample seating, including Adirondack chairs, and a tiered wall that provides a transition to the residential lawn above.

On the near west side of Avalon Boulevard, the street is divided by a linear park in the center, called the Living Room, that features mature trees, a bocce court, a fire pit, and seating areas. The space is flanked on one end by Pinkberry, housed in a jewel-box building, and at the other by a coffee shop—Café Intermezzo. To make room for the Living Room area, the distance between the two facing buildings is greater here than at both the western and eastern ends of the street.

At the far eastern end of this linear park area is the Cru Food & Wine Bar, which faces onto a small plaza area. This and the concierge building on the plaza are the main elements at this central entry point at the intersection of Avalon Boulevard and Second Street. The concierge building serves as a welcome and information center; it also provides concierge services for residents, tenants, and visitors, including valet parking.

A similarly wide “living room” area has been designed for Avalon Boulevard in the Phase II section; when Phase II is complete, Avalon Boulevard will terminate at a plaza area at the eastern end, with the Hotel at Avalon placed visually at the end of the street.

In addition, several paseos connect these public areas with the surrounding parking garages; one of the paseos also connects directly

to the Whole Foods Market. A number of touch screens around the project allow visitors to locate a retailer or make reservations at restaurants.

**Retail/restaurants/cinema.** Retail/restaurant space in the first phase consists of 390,500 square feet, much of it along the entire length of Avalon Boulevard as well as surrounding the Plaza. A major feature of this component is the 12-screen Regal Cinemas, which has been strategically placed facing onto the Plaza at the center of the project. Two large parking structures flank the cinema to the east and west. The cinema facade features a brightly lit arch and colorful signage and has become a signature element and a highly visible feature from the Second Street entry. Regal initially began with a typical cinema product but eventually decided to retool its concept to be all premium, in line with the affluent market being served. As a result, Regal revised the program from a 16-screen complex down to 12 screens, with premium seating, and it added in-theater food and dining to the offerings, the first such deployment in the chain.

Most of the restaurants and food tenants are located around or near the Plaza and on the western half of the boulevard, including eight food-oriented tenants on the Plaza and three on the Living Room island, two restaurants at the Second Street entrance, two freestanding restaurants on the corners of Third Street and Avalon Boulevard, and two restaurants adjacent to the paseos on the western side of the boulevard. Most of the restaurants have outdoor patio seating. These patios were carefully placed and designed to provide shielding from the sun. A main question that was considered, notes Wakefield, was, “Where



The development features 15 restaurants, most with outdoor seating, including the CRU Wine Bar near the Plaza.

RAAF TERMEIN



Avalon includes a Whole Foods Market that is connected to Avalon Boulevard via a walkway.

DEAN SCHWANKE/ULI

can we put patios that will work in the summer time, and where do we not want to put them?" They used building shadows as important shielding devices and added hard canopies in some areas when necessary.

In front of the Plaza area, on the corners at the intersection of Avalon Boulevard and Second Street, are featured tenants Anthropologie, Banana Republic, J. Crew, and Lululemon Athletica. Two other large retailers—Crate & Barrel and Gap—have been located at the western entrance to Avalon Boulevard. Smaller retailers are located between these larger stores on the western side of the boulevard, as well as at the eastern end.

Retailers are encouraged to create their own unique storefronts, resulting in an eclectic and

varied storefront pattern along the main street. The Cosmetic Market, for example, uses an unusual stainless-steel metal frame, with numerous circular cutouts, around the entrance to the store. Crate & Barrel includes a signage band that wraps around the top of the store on two sides of the building. Although creative designs were encouraged, storefront approvals were required by the developer and the city for each storefront.

Along Old Milton Parkway is freestanding retail space that consists mainly of large-format destination stores—notably the Container Store, Whole Foods, and Arhaus—that have their own dedicated parking lots and good visibility from the parkway. These large-format retailers create a street presence along the parkway, which

was important to the developers. Notes Toro: "We were essentially seeking liner buildings to go out to the street and shield the parking from the parkway." They did not want a sea of parking to define the entry experience. Whole Foods originally considered a location with frontage on Avalon Boulevard but subsequently decided it preferred a freestanding location with better access to parking. However, the Whole Foods store does have strong pedestrian connections to the main street via the south paseo, and many shoppers do visit Whole Foods and Avalon Boulevard during one visit.

The retail buildings along Avalon Boulevard are designed for a two-hour fire separation between the retail and the uses above, so the structures are built with a concrete platform above and then office and residential uses are built on top of that. In addition, every retail/restaurant space in the property has been designed with venting through the multifamily or office space above, such that a restaurant could occupy the space if the evolving tenant mix should so dictate.

**Multifamily.** The first-phase multifamily units consist of 250 rental apartments in four- and five-story buildings on both sides of western Avalon Boulevard, with retail on the lower level. These units are located in four buildings, two on each side of Avalon Boulevard. Access is provided via entrances from both Avalon Boulevard and the parking structure into hallways that lead to secure elevator entrance areas. The hallways within the multifamily space itself are covered open-air hallways, which is common in the southeast.

Some of the one- and two-bedroom units include balconies that overlook Avalon Boulevard, and a few of the most expensive units are corner units with large balconies overlooking the central entrance area on Second Street. Residents can choose among three different finish packages. A pool is located on the second level of Building 1000, where the rental office is also located.

Dwell Design Studio was the architect for the multifamily housing. The multifamily structures are Type V, wood-frame apartments over a one-story, Type I, concrete podium of retail. The multifamily includes a 1,500-square-foot leasing office, a 2,000-square-foot clubroom, a 1,400-square-foot fitness room, and micro-offices for rent by residents. A main pool amenity courtyard is located on an elevated section near the leasing office. An additional 276 rental units



The multifamily rental apartment component, known as Haven, is configured in four- and five-story buildings over ground-level retail space on both sides of Avalon Boulevard.



Single-family detached homes are configured in a C shape surrounding courtyards on narrow lots, with a garage at the back.

are under development as part of Phase II, on the northern side of Avalon Boulevard.

**Office.** The offices in Phase I include 105,400 square feet of loft office space over retail on both sides of the eastern portion of Avalon Boulevard. Because only one level of office above retail exists, and the developer wanted to create some height along the street, this space has been designed with generously high ceilings, an attractive feature for many tenants. The space can be accessed through entries along the main street as well as from the adjacent parking lot and garage, respectively. Each lobby features a grand staircase and entry feature near the parking entrances.

An additional 550,000 square feet of Class A office space is planned for Phase II, on the southern side of Avalon Boulevard, including two buildings, one facing onto Avalon Boulevard and one facing Old Milton Parkway. The property facing the boulevard is a nine-story, 228,000-square-foot building being developed by Hines with investor Cousins Properties.

**Single-family homes.** The plan for the single-family homes was a collaboration between NAP and Monte Hewett Homes and its designer Lew Oliver. The single-family detached homes consist of 24 high-end, C-shaped courtyard homes on narrow lots that primarily surround and front on a central lawn at the western end of Avalon Boulevard. A private pool is located at the far western end of the lawn.

The single-family attached homes consist of 77 two- and three-level models located to the north, south, and west of the detached

homes, as well as along Third Street. About 11 different product types are used all together in the 101 units.

**Hotel at Avalon.** The Hotel at Avalon, part of the Autograph Collection by Marriott, will be a 330-key, full-service hotel and conference center that will anchor the eastern end of the project. The hotel itself has been placed at the end of Avalon Boulevard and will serve as a landmark element for this end of the project because it will be aligned with the street. The 65,000-square-foot conference center, located on the north side of the hotel, is being developed in a public/private partnership with the

city of Alpharetta. The hotel will serve business executives and leisure travelers as well as conference attendees.

**Parking.** Parking is currently located in two parking structures of three to four levels on the north side, flanking both sides of the cinema, one structure on the south side near the Whole Foods, extensive surface parking to the south, and limited parallel street parking along Avalon Boulevard, primarily at the eastern end. Haven multifamily residents have dedicated, gated, resident-only parking in nearby structures. Single-family homes have their own private garages.



Single-family attached homes include both two- and three-story models.

A shared-parking analysis was prepared before sizing and designing the parking, and the office/retail parking structure is located so that it can easily be used by evening and weekend visitors to the cinema and restaurants. Lower levels of the structures are designated for retail, and multifamily and/or office parking is designated for upper levels only.

Phase II will include three new parking structures, one in the far northeast corner that will serve the hotel and conference facilities, one in the southeast corner for the offices, and one in the middle of the multifamily property; the multifamily units wrap around this latter parking structure on four sides. The project will include a total of 4,970 parking spaces when complete.

## Marketing, Management, and Leasing

The marketing and management plan uses public relations and social media as the primary means for promoting and marketing the development, with virtually no reliance on advertising. Retail and multifamily leasing is handled by NAP staff, while office leasing is handled by CBRE. Hines and Cousins lease the Class A office building internally.

The marketing plan began with a clear focus on the very affluent market that was to be served. Notes Wakefield: “The ten-mile radius [around Avalon] is one of the wealthiest markets in the United States. There are 31 gated communities in that 20-mile circle with many houses priced at \$1 million and up.”

**Market research and brand.** The very affluent Alpharetta market was underserved with retail and restaurants. Very little new retail/entertainment space had been added in recent years, and many residents were traveling to Buckhead for retail and restaurant services. During the market research process, the development team interviewed about 200 stakeholders in the community to determine what exactly was missing in the market.

Notes Liz Gillespie, NAP partner and vice president of marketing: “What did they want? We listened, because we are big believers in ‘seek first to understand,’ and then we work from there. We took all the information from the interviews and everything we learned, and we were able to define a set of core values for Avalon.” These core values include health and wellness, cultural encounters, kids and family, connectivity, and walkability. NAP then set as a goal to

create a place where people could experience all of these core values in one setting.

As the developers studied the market, notes Gillespie, “We recognized that health and wellness would definitely be a core value for Avalon. We programmed the public spaces so we would know that they would be comfortable for events like yoga in the Plaza and accessible to those who wanted to host their own workout sessions.” Avalon hosts running clubs, yoga classes, and many other events involving physical activity. The walkability of the project also supports this health and wellness value.

The development team also focused on establishing a consistent brand built around these core values. The team chose the name Avalon, which was derived from the Avalon of King Arthur legend. This name and the brand

approach was used to create consistency among the retail/restaurant tenants, the multifamily and single-family offerings, the cinema offering, and the types of office tenants that were targeted.

Social media has been a critical component in communicating with the surrounding community, and the communication goes both ways. Notes Gillespie: “We cocurated the community with the community. We traveled the United States visiting what we considered to be best-in-class mixed use, and we documented it.” The development team took photos of these places and then posted them to social media and other channels and invited the community to respond. The images focused on fountains, retailers, pizza concepts, and many other features, so the community was empowered to comment on many things. “By the time we opened, we had



*The first-phase office space is configured as one floor over retail in two separate buildings facing each other across Avalon Boulevard.*



A view of the central Plaza of Avalon from the Second Street entrance.

a very strong community of brand advocates who felt this was something they helped create.” For example, Antico Pizza rose to the top as the preferred pizza offering, and NAP went after the tenant as a result. NAP also created the *Avalon Insider* series of videos that were made available via social media. In addition, NAP works with a public relations firm—the Wilbert Group—to promote the project, and thus far some 1,500 articles have been generated about Avalon. NAP does a press release about once a week.

Early on, NAP also used social media to focus on the renters-by-choice concept, which revealed community support for a multifamily rental offering. This research, in turn, helped convince the city that multifamily rental would be welcomed by the community and that the city should approve this use for inclusion.

**Retail leasing.** The retail, which is 98 percent leased, features carefully curated shopping and dining options. Avalon is anchored by an all-premium Regal Cinemas, Whole Foods, Crate & Barrel, and 15 restaurants. Other leading tenants include Anthropologie, Flywheel, Gap, J. Crew, Pottery Barn Kids, and Road Runner Sports on the western side, and Athleta, Banana Republic, Lululemon, Orvis, Tommy Bahama, and West

Elm on the eastern side. Other smaller spaces are occupied by BCBG, Calypso St. Barth, Columbia, the Cosmetic Market, J. Jill, Johnny Was, Kendra Scott, Madewell, Sunglass Hut, Vineyard Vines, and others. Very little tenant turnover has occurred thus far.

The tenants were carefully grouped to encourage cross shopping. Notes Wakefield: “We did 128 merchandising plans for Phase I. It’s all about the experience you create for people. Merchandising is critical so you can promote cross shopping and increase dwell time. You do that by grouping tenants together that have that same consumer.”

The dining options feature 15 different restaurant concepts—including celebrated chefs from Atlanta and the southeastern region as well as first-to-market national brands—in unique settings with outdoor and rooftop seating. The chef-driven restaurants create a strong draw to Avalon, including Giovanni DiPalma’s Antico Pizza Napolitano and Caffè Gio, Steve Palmer’s (Charleston) Oak Steakhouse and Colletta, Ford Fry’s El Felix, Brian Lewis’s Bocado Burger Bar, and Shaun Doty’s Bantam + Bidy. Other restaurant food offerings include Ted’s Montana Grill, Kona Grill, Marlow’s Tavern, CRÚ Food and Wine Bar, Pinkberry, and Goldberg’s Bagel Co.

& Deli. Chick-fil-A is coming to Avalon soon, so that NAP can better serve office workers with more fast-casual offerings. A Café Intermezzo is also under construction, which will add a coffee specialty to the mix in the Living Room area.

Leasing to chef-driven restaurants was challenging, because most did not want to come in unless others were also committed. NAP reached out to each individually and collectively, and eventually they came in as herd, together. Most are local; some are from Charleston.

An additional 88,400 square feet of retail and restaurants is planned for Phase II, including Barleygarden Craft Kitchen and Bar, Boardroom Salon for Men, Boogloos, Brine Fish House, Brooks Brothers, District 3, Hammer Made, Jeni’s Splendid Ice Creams, Levi’s, Lucky Brand, MF Bar, Rumi’s Kitchen, Scout & Molly’s, and Urban Outfitters.

**Office leasing.** The loft office space has been positioned to appeal to smaller tenants that are looking for a less corporate style of space. Tenant types targeted include design, media, technology, and financial services firms, as well as medical office tenants.





*Avalon features a concierge desk at the center of the project—with a movie theater in the background—that provides hotel-style services for tenants and visitors alike.*



*Avalon has become a social gathering place for Alpharetta-area residents.*

Tenants in the office include Ashton Woods Homes, Dental Town, Hug & Associates Architects, High Tower Shaffer Wealth Management, Internal Data Resources, Tripwire Inc., and Wakefield Beasley & Associates (architects). The high ceilings and access to light were a major draw for many of these firms. One of the key features used to market the space is the high-speed “fiberhood” offered in the project for tenants. CBRE was retained to lease the office space.

Microsoft has signed a lease for 43,000 square feet in the 8000 Avalon building being developed by Hines/Cousins as part of Phase II.

The office space rents for about \$30 to \$33 per square foot for the loft spaces and \$38-plus

per square foot for the new Hines/Cousins building.

**Multifamily leasing and marketing.** Multifamily leasing is handled by NAP through its traditional web-based and social media leasing channels. The units leased up very quickly at rents above pro forma.

The average age of renters in the apartments is 43, higher than expected, which surprised a lot of people, especially with all the high-tech jobs in the area. This older demographic was also more affluent, and the strong demand from these older renters helped push rental rates up during the leasing process, to around \$2.30 per square foot per month.

As many as 50 percent of the apartment residents have a home elsewhere. Some homebuyers began as renters, to experience the lifestyle, and then purchased a home in Avalon once they decided they liked the place.

The multifamily lease includes a rider noting that residents live in an urban environment in which some noises are inherent. Some of the premium units have bedrooms facing onto the main street, so it is important for Avalon management to establish a quiet atmosphere in late evening. As a result, visitors are asked to leave the Plaza and Living Room areas around 10 p.m.

**Concierge services at Club Avalon.** A signature element of the Avalon experience is Club Avalon, a concierge service offered to all tenants, residents, and visitors. The service is conceived as “a way of infusing resort-inspired services throughout the entire Avalon experience,” according to the Avalon website. The trained concierge staff strives to offer a welcoming environment that distinguishes the development from all of its competition. Complimentary services include restaurant delivery to residents, private and corporate event planning, tourist and activity information, and restaurant reservations.

For more personalized service, the Club Avalon Black Card is offered for an annual fee. Services offered for a fee include grocery delivery, dog walking, car washing and detailing, transportation assistance, dry cleaning, personal chefs, and maid services, among others. The service is staffed by a concierge manager, an assistant manager, and five trained concierge staff, and the concierge desk near the Plaza is typically open from 10 a.m. to 9 p.m. daily. Two staff members are usually on site offering services at the concierge desk at all times. Notes Gillespie, “It’s amazing how people gravitate to our concierge team.” These staff members are also involved in hosting events.

The idea for the concierge service came from several projects the development team had visited before development. Notes Toro: “The service aspect of the Grove [development in Los Angeles] intrigued us. Early in the process our goal was to out-Caruso Caruso [the developer of the Grove]. It’s our secret sauce.” To manage this service, notes Toro, we “brought Ritz Carlton Leadership Center in to train everyone from the C-suite to the housekeepers in the delivery of consistent five-star service, and that permeates everything we do. You take the experiential retail and the hospitality and meld them, and you have

got something really special.” NAP eventually recruited the general manager of the Grove to be the general manager of Avalon. He in turn recruited an assistant general manager who came from Four Seasons Hotels.

**Events.** Events are a major part of the ongoing marketing and promotion of Avalon. Avalon opened on October 30, 2014, with four days of celebrations, including a Georgia/Florida football game—viewing party, musical performances, chef demos, fashion shows, Halloween festivities, and fireworks.

Notes Gillespie, “We had 25,000 people here for grand opening, and we did not spend a nickel on advertising.” Typically, more than 300 events are programmed a year, large and small, with some event almost every day. Among these events are pub crawls; Avalon has an open-container policy throughout the property. Sometimes even nonevents draw big crowds. Notes Wakefield, “We had 600 people here one Easter Sunday [in the morning] and nothing was open.”

## Observations and Lessons Learned

Placemaking does pay dividends when done well—but is not without significant risk. Just ask the previous developer who started Prospect Park

but was unable to execute. NAP took the risk of acquiring this property at the right time—when the recovery was underway, but before land prices had been driven up substantially. Toro notes that mixed-use development is “extremely risky, and your capital partners have to be prepared to ride with you. Sarofim rode through some testy times as the team was seeking entitlements after the land had been acquired. We didn’t know whether we were going to be able to densify. There was a big delta in value there.”

The acquisition timing offered considerable time and latitude to move on a large project with reasonable confidence that it could be completed before the next downturn. NAP was able to execute on its plans in a timely manner to open when the market was strong. Notes Toro: “The preleasing threshold was also a challenging time. We literally held leasing meetings every day, six days a week, for nine months. We signed 54 leases in 12 months . . . which represented the 75 percent preleasing threshold that got us to the construction loan.” Buying land and starting a big project like this early in the development cycle was smart, but executing on the plan in a timely manner was even smarter.

Operations planning is critical and was very demanding and tough to get right at Avalon. Notes Toro: “Assembling a team that can execute at this level is extraordinarily difficult. We went through three general managers [before finding the right person].”

Mixed-use town centers can be appealing assets for institutional investors. When PGIM acquired the property in 2016, Kevin R. Smith, head of Americas at PGIM Real Estate observed: “The acquisition provides our investors with a rare opportunity to acquire a trophy-quality mixed-use property in a strong demographic area and is consistent with PGIM Real Estate’s strategy to acquire experiential retail centers in markets that are poised to continue to benefit from an increase in consumer discretionary spending.” Although investors have viewed mixed-use properties with some skepticism in the past, the size, scale, and performance of Avalon were attractive to PGIM and allowed it to acquire a set of high-quality properties in one large transaction, an appealing combination for a large institutional investor.

Creating the right density is always a question when embarking on a development like this. “I would be more dense earlier,”



A rendering of Phase II, with multifamily apartments on the left, the new Hines/Cousins office building on the right, and the Hotel at Avalon at the center in the background.

notes Toro. “The 5000 and 6000 buildings, which essentially are just one level of loft office above retail, I’d probably take that to two or three levels. At the time [that we started] we were extraordinarily concerned about the pace of the office leasing because at the time office was a challenged product.” The success of the office allowed NAP to add more dense office in the second phase.

Expect a few surprises during construction. For example, NAP encountered subsurface conditions that it did not expect. The site had been graded before, and things were buried there that NAP did not know were there. Phase I also saw overruns that were not budget busters but that did involve costs that were higher than expected. Some higher costs resulted from NAP electing to make a number of upgrades—for example, the fountain is much more grand than originally planned. The turf and the skating rink also came in at a cost higher than originally planned. In fact, the cost to prepare the ice rink space was not budgeted originally.

Mixed-use town centers, if done well, draw patrons who simply want to be there and may use the center for many purposes. Notes Gillespie: “What we have found is that the [mix of uses] has extended dwell time. When you increase dwell time, you naturally increase sales.” Some people come for breakfast, work out, have lunch, do some shopping, have dinner, and then go to a movie. NAP monitors social posts to learn how people are using the place.

Attracting the right fine-dining establishments is essential for establishing the right upscale brand for a mixed-use project, but to ensure that office workers are well served, fast-casual dining is also essential. Office workers typically eat lunch every day on site, and most will not eat at expensive dining establishments. Avalon is currently seeking to add more fast-casual offerings for these office workers. Whole Foods offers grab-and-go foods and is popular with office workers.

Focusing on the details of the pedestrian experience is essential. Notes Wakefield, “Make that street-level experience the best that it possibly could be.” That means focusing on the proportions between buildings and the street, the width of the streets, the width of the sidewalks, landscape elements, storefront design, and the sizing and variety of public spaces. Notes Wakefield: “A two-acre public square is too big. You get lost in a space like that.”

Automobile circulation needs to be an important consideration in a suburban project such as this, where many customers will arrive by car. The three main entrances work well in visually drawing auto visitors into the project and then distributing them to the various parking options. And although putting the valet parking at the concierge desk at the center was logical, in hindsight it creates additional trips through the project, and these trips take time and create congestion at times. “If we had it to do over,” notes Wakefield, “we would not put the valet upfront. We would move it closer to the parking deck.”

Overall, Avalon has performed well for investors:

- Retail sales are exceeding \$1,000 per square foot for a large number of tenants.
- Office rents at Avalon are 35 percent above the Alpharetta market.
- Luxury rental units are leasing at \$2.20 per square foot, 40 percent higher than the closest competitor.
- Single-family homes are selling for 60 percent more than the budgeted sales price.

Creating walkable urbanism in Alpharetta has also been a winning strategy for the city. When complete, Avalon is projected to generate about 4,000 new retail, hotel service, and office jobs. It is also projected to generate about \$21 million annually in sales tax revenue, \$4.5 million in property tax revenue, and \$1.8 million annually in hotel taxes. Business recruiters often bring prospects to Avalon to show off the character and lifestyle of the Alpharetta community. Moreover, notes Toro: “It has become something of a tourist destination. We invariably see large extended families here during the holidays. We see nearly every residential agent characterize their offering by how far it is from Avalon. . . . In relatively short order, Avalon became the living room for north Fulton County.”

## OTHER PARTICIPANTS

### Master architect and retail/office architect

Wakefield Beasley & Associates

### Multifamily housing architect

Dwell Design Studio

### Landscape architect

Site Solutions

### Single-family home architect/planner

Lew Oliver

### Hotel architect

Cooper Carry

### Office leasing

CBRE

### Public relations

The Wilbert Group

### Interviewees

Mark Toro, Partner, North American Properties

Liz Gillespie, partner, vice president of marketing, North American Properties

R. Lamar Wakefield, principal, Wakefield Beasley

## PROJECT INFORMATION

### Development timeline

|   |               |
|---|---------------|
| Site purchased/planning started           | July 2011     |
| Sales/leasing started                     | March 2012    |
| Site work started                         | January 2013  |
| Construction financing arranged           | August 2013   |
| Vertical construction started             | August 2013   |
| Phase I opened                            | October 2014  |
| Phase I apartments opened                 | November 2014 |
| Avalon Phase I sold to PGIM Real Estate   | July 2016     |
| Phase II opening planned                  | Spring 2017   |
| Hotel opening/project completion expected | January 2018  |

### Building area

| Use                       | Phase I                | Phase II               | Total (sq ft)    |
|---------------------------|------------------------|------------------------|------------------|
| Office                    | 105,400 sq ft          | 550,000 sq ft          | 655,400          |
| Retail/restaurant         | 390,500 sq ft          | 88,400 sq ft           | 478,900          |
| Hotel/conference center   |                        | 270,300 sq ft          | 270,300          |
| Residential               | 560,050 sq ft          | 276,700 sq ft          | 836,750          |
| Multifamily residential   | 250 units              | 276 units              | 525,700          |
| Single-family residential | 101 homes              |                        | 311,050          |
| Retail outparcels         | 43,000                 |                        | 43,000           |
| <b>Total GBA</b>          | <b>1,098,950 sq ft</b> | <b>1,185,400 sq ft</b> | <b>2,284,350</b> |
| Parking spaces            |                        |                        | 4,970 spaces     |

### Land use plan

| Use                       | Site area (acres) | % of site   |
|---------------------------|-------------------|-------------|
| Single-family residential | 13.9              | 16.2%       |
| Retail outparcels         | 4.1               | 4.8%        |
| Mixed-use Phase I         | 47.1              | 54.8%       |
| Mixed-use Phase II        | 20.9              | 24.3%       |
| <b>Total site area</b>    | <b>86.0</b>       | <b>100%</b> |

## Residential information

| Residential types                  | Number of units | Unit size (sq ft) | Percentage sold/leased | Typical rent or sales price |
|------------------------------------|-----------------|-------------------|------------------------|-----------------------------|
| Phase I multifamily rental (Haven) | 250             | 996               | 98%                    | \$2,221 per month           |
| Single-family detached homes       | 24              | 4,100             | 36%                    | \$1.78 million per unit     |
| Single-family attached homes       | 77              | 2,762             |                        | \$749,000 per unit          |
| Phase II multifamily rental        | 276             | 1,003             |                        |                             |
| <b>Total</b>                       | <b>627</b>      |                   |                        |                             |

| Single-family homes | Units      | Average sq ft | Total sq ft    |
|---------------------|------------|---------------|----------------|
| Townhouse           | 4          | 1,900         | 7,600          |
| Townhouse           | 12         | 2,400         | 28,800         |
| Townhouse           | 6          | 2,800         | 16,800         |
| Townhouse           | 21         | 2,800         | 58,800         |
| Townhouse           | 9          | 2,850         | 25,650         |
| Townhouse           | 21         | 3,000         | 63,000         |
| Townhouse           | 4          | 3,000         | 12,000         |
| Detached home       | 7          | 2,800         | 19,600         |
| Detached home       | 12         | 4,500         | 54,000         |
| Detached home       | 3          | 4,800         | 14,400         |
| Detached home       | 2          | 5,200         | 10,400         |
| <b>Total</b>        | <b>101</b> | <b>3,080</b>  | <b>311,050</b> |

## Office information

### Office Phase I

|                                |                     |
|--------------------------------|---------------------|
| Office net rentable area (NRA) | 105,400 sq ft       |
| Number of buildings            | 2                   |
| Typical floor size             | 53,149 sq ft        |
| Percentage of NRA occupied     | 100%                |
| Number of tenants              | 12                  |
| Typical tenant size            | 8,806 sq ft         |
| Annual rents                   | \$30–\$33 per sq ft |
| Average length of lease        | 7 years             |

### Office Phase II

|                          |                 |
|--------------------------|-----------------|
| Office net rentable area | 550,000 sq ft   |
| Number of buildings      | 2               |
| Annual rent              | \$38+ per sq ft |

### Major office tenants

|                                | Net rentable area (sq ft) |
|--------------------------------|---------------------------|
| Wakefield Beasley & Associates | 30,355                    |
| Tripwire Inc.                  | 14,856                    |
| Aston Woods                    | 13,490                    |
| Microsoft (Phase II)           | 43,000                    |

## PROJECT INFORMATION

### Hotel/conference center information

|                                |               |
|--------------------------------|---------------|
| Hotel/conference building area | 270,300 sq ft |
| Conference space               | 65,000 sq ft  |
| Number of keys                 | 330           |
| Standard room size             | 380 sq ft     |
| Luxury room size               | 400 sq ft     |
| Range of room sizes            | 380–463 sq ft |

### Retail/restaurant information (Phase I)

|                                   |                     |
|-----------------------------------|---------------------|
| Building area                     | 390,500 sq ft       |
| Percentage of retail GLA occupied | 100%                |
| Annual rent range                 | \$35–\$55 per sq ft |
| Average annual sales              | \$600 per sq ft     |
| Restaurants                       | 15                  |
| Retailers                         | 75                  |

| Key retail/restaurant tenants | Tenant type | GLA (sq ft) |
|-------------------------------|-------------|-------------|
| Regal Cinema                  | Cinema      | 53,525      |
| Whole Foods Market            | Grocery     | 45,627      |
| Crate & Barrel                | Retail      | 16,824      |
| Gap                           | Retail      | 12,858      |
| Anthropologie                 | Retail      | 10,844      |
| West Elm                      | Retail      | 9,500       |
| Kona Grill                    | Restaurant  | 7,141       |
| Pottery Barn Kids             | Retail      | 6,825       |
| Orvis                         | Retail      | 6,000       |
| Road Runner Sports            | Retail      | 5,808       |
| The El Felix                  | Restaurant  | 5,698       |
| J. Crew                       | Retail      | 5,200       |
| Oak Steakhouse                | Restaurant  | 4,632       |
| Antico Pizza                  | Restaurant  | 4,247       |
| Athleta                       | Retail      | 4,200       |
| Tommy Bahama                  | Retail      | 3,954       |
| Lululemon                     | Retail      | 3,299       |
| Vineyard Vines                | Retail      | 3,184       |
| Free People                   | Retail      | 2,388       |
| CRU Wine Bar                  | Restaurant  | 1,658       |

## Development cost information

### Phase I

|                               |                                |
|-------------------------------|--------------------------------|
| Unconfirmed development cost  | \$250 million to \$350 million |
| Unconfirmed sale price (2016) | \$450 million to \$500 million |

### Phase II

|                             |               |
|-----------------------------|---------------|
| 8000 Avalon office building | \$72,000,000  |
| Hotel and conference center | \$112,200,000 |
| Multifamily apartments      | n.a.          |
| Retail/restaurants          | n.a.          |

## Financing sources

### Equity capital sources (Phases I and II)

|                           |                        |
|---------------------------|------------------------|
| Sarofim Realty Advisors   | \$91.4 million         |
| North American Properties | \$10.3 million         |
| <b>Total</b>              | <b>\$101.7 million</b> |

### Debt capital sources (2013)

|                                 |                      |
|---------------------------------|----------------------|
| Wells Fargo and Bank of America | \$91 million         |
| JPMorgan mezzanine loan         | \$40 million         |
| <b>Total</b>                    | <b>\$131 million</b> |

### Refinance with Bank of America (2015)

|                            |               |
|----------------------------|---------------|
| Phase I term loan          | \$186 million |
| Phase II construction loan | \$67 million  |

**PGIM Real Estate capital (2016)** n.a.

### Hotel and conference center capital (2016)

|                                     |                        |
|-------------------------------------|------------------------|
| North American Properties (equity)  | \$4.5 million          |
| Long Wharf Real Estate (equity)     | \$22.5 million         |
| Stormont Hospitality Group (equity) | \$2.0 million          |
| City of Alpharetta                  | \$24.9 million         |
| Marriott (key money)                | \$2.0 million          |
| Suntrust (debt)                     | \$56.3 million         |
| <b>Total</b>                        | <b>\$112.2 million</b> |

### 8000 Office Building capital (2015)

|                    |      |
|--------------------|------|
| Hines              | n.a. |
| Cousins Properties | n.a. |

n.a. = not available.



## About the Urban Land Institute

The mission of the Urban Land Institute is to provide leadership in the responsible use of land and in creating and sustaining thriving communities worldwide.

Established in 1936, the Institute today has more than 39,000 members, representing the entire spectrum of land use and development disciplines. Professionals represented include developers, builders, property owners, investors, architects, planners, public officials, real estate brokers, appraisers, attorneys, engineers, financiers, academics, and students.

ULI is committed to

- Bringing together leaders from across the fields of real estate and land use policy to exchange best practices and serve community needs;
- Fostering collaboration within and beyond ULI's membership through mentoring, dialogue, and problem solving;
- Exploring issues of urbanization, conservation, regeneration, land use, capital formation, and sustainable development;
- Advancing land use policies and design practices that respect the uniqueness of both the built and natural environment;
- Sharing knowledge through education, applied research, publishing, and electronic media; and
- Sustaining a diverse global network of local practice and advisory efforts that address current and future challenges.

**Patrick L. Phillips**, Global Chief Executive Officer

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The ULI Case Studies program highlights and showcases innovative approaches and best practices in real estate and urban development. Each case study provides detailed information regarding the ideas, plans, process, performance, and lessons learned for the development project. Each also includes project facts, timelines, financial data, site plans, photos, location maps, and online videos. The new ULI Case Studies program is the revitalization of a program begun in 1971. For more information, visit the ULI Case Studies website at [casesudies.uli.org](http://casesudies.uli.org).

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