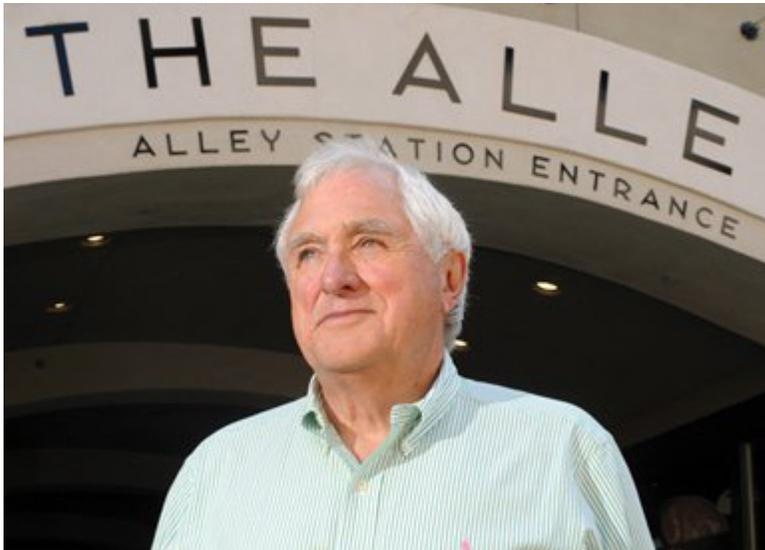


Seven Real Estate Winners Even in the toughest of real estate markets, some projects blossom

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An initial investment of \$1.6 million by the city of Montgomery stimulated \$50 million in private sector investments that created the complex of restaurants, entertainment venues and shops known as The Alley. Jerry Kyser, the largest private sector property owner in the district, lured the first tenant in 2009, Dreamland Bar-B-Que. PHOTO BY DAVID BUNDY

Sometimes a big deal can occur in a small space—like a back alley, for example.

That is what has happened along Montgomery's revitalized downtown riverfront, where a retail and entertainment area called The Alley has grown and prospered over the past three years. Developers have taken what literally had been an empty alleyway that ran past vacant warehouses and transformed it into a vibrant walkway filled with restaurants and shops.

The idea for the project came shortly after the city's new minor-league baseball park, Montgomery Riverwalk Stadium, opened in 2004, and plans were announced for the construction one block away of the Renaissance Convention Hotel (which opened in 2008). The adjacent block, between Commerce and Coosa streets, was filled primarily with unused buildings. So several of those building owners began working with city and county officials to create an entertainment district along the alleyway connecting the streets.

"We felt like the development of our downtown riverfront had a lot of opportunity," says Jerry Kyser, CEO of Jerry Kyser Builder and Kyser Property Management and the owner of several of the buildings. "What has caused it to be successful is we've had so many of our local elected officials cooperating with the infrastructure part of making it happen."

Kyser leased the bottom floor of one of his buildings to the owners of Dreamland Bar-B-Que, who became The Alley's first tenant to open for business, in April 2009. He later added three floors of loft apartments above Dreamland and opened a restaurant and an event center in another nearby building he owns. Other building owners also began opening dining, entertainment and retail shops along The Alley.

"It has a New Orleans look and feel to it," Kyser says. "It's just been a real good fit with everything else that's going on in that area."

While the city of Montgomery made an initial investment of \$1.6 million in the project, Kyser estimates there has been nearly \$50 million in private-sector investment. He says that was not easy to do at first, because, when the project was being planned, the economy was collapsing.

"We were fortunate that the owners of those buildings were willing to invest in something that had a lot of uncertainty at the time," Kyser says. "Having owners who already had properties in that area has been a big asset in making this work. And now all of us who are investing, we might have different businesses, but we see each other as partners in this venture rather than competitors."

When The Alley first opened, Montgomery city officials estimated that it would easily generate at least \$10 million in annual sales. Kyser says more than 250 jobs have been created by the opening of all the new businesses.

"It's just been an extremely successful investment for the city and everybody involved," Kyser says.

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Belk Hudson Lofts, Huntsville

When Charlie Sealy III talks with people his age, the 33-year-old vice president of Sealy Management Co. finds that they are increasingly shunning the suburbs in favor of living in the heart of downtown.

In the city of Huntsville, however, there is a scarce selection of downtown housing that is affordable to young professionals. The few condos in the area start at approximately \$300,000, and rental units are practically non-existent.

Sealy is trying to fill this void with the creation of Belk Hudson Lofts, a six-story, 75-unit apartment complex located less than two blocks from Huntsville's central downtown square. Most of the one- and two-bedroom apartments will rent for between \$850 and \$1,350 a month.

"I developed this with the mindset of: 'Where are all my friends living, and where would I want to live?'" Sealy says. "A lot of people my age want to be more centrally located."

Early last year, Sealy approached Huntsville officials with the idea of renovating the historic Belk Hudson department store building along with two adjacent buildings. The city is helping by paying Sealy \$450,000 over a five-year period, with the stipulation that he maintains the

original brick façade of the 90-year-old structure. Construction began last September, and he expects it to be completed this fall.

Sealy says the \$12 million project made sense to him despite the current economy because there is such an obvious need for this type of housing in downtown Huntsville. The city has been a magnet in recent years for transient young professionals who come to Huntsville for a short period of time to work in the high-tech research, defense and aerospace fields.

"We gauged a strong demand for downtown living in Huntsville, and the market really didn't exist for apartment rentals. There was just nothing there," Sealy says. "This is a niche project, where you identify a certain niche that needs to be filled. The demographics in Huntsville led us to feel that this would be a good product for the market."

By creating only 75 units in Belk Hudson Lofts instead of the typical sprawling 300-unit complex often found in the suburbs, Sealy says it makes the project more financially feasible. "That's indicative of the economy," Sealy says. "We're still doing a significant project, just scaling it back a little bit. Depending upon the project's success, we'll go in with a second phase right behind it, instead of doing a large project all at once."



Daniel Corp.'s Ross Bridge community developed around the RSA's \$55 million Renaissance Hotel and Spa and the Ross Bridge Golf Resort and Conference Center.
PHOTO BY MICHAEL CLEMMER

Ross Bridge, Hoover

While the overall real estate market might not be recession proof, John Gunderson believes that the community feel of a quality neighborhood can be resistant to the fluctuations of the economy. That is why the 1,700-acre Ross Bridge residential development in the Birmingham suburb of Hoover continued to sell well throughout the recent economic downturn, he says.

"Ross Bridge is far more than just a neighborhood. It's a collection of neighborhoods that come together to form a community that's unlike anything else in the Birmingham marketplace," says Gunderson, senior vice president of residential real estate with Daniel Corp., which developed Ross Bridge.

"We established a broad base of amenities and events for the residents that produced the feel of a classic American resort town. So, by the time the market started to slow down, Ross Bridge had already hit its stride. A lot of questions had been answered that took away all the caution and concern throughout the downturn."

The community is built around the \$55 million, 262-room Renaissance Hotel and Spa and the Ross Bridge Golf Resort and Conference Center. The first homes on the property were sold in 2006, just before the real estate market began to crash. But Gunderson says Ross Bridge has steadily sold approximately 150 to 170 homes each year. The development is nearly halfway to its planned capacity of 2,400 homes.

The homes at Ross Bridge range from the low \$200,000s to more than \$1 million. Gunderson says one of the keys to the project's success in recent years was keeping a consistent flow of houses available in all the different price points.

"We could have gone solely upscale in pricing, because of the golf course, but we took great effort from day one to introduce properties in multiple price points," Gunderson says. "So, very quickly, we had six or seven different types of neighborhoods.

"Then we made sure that we had new neighborhoods that could be added to the pipeline as each price point began to sell through. So, if you're selling a little quicker in one price point, you have neighborhoods to come right behind that and you can stay ahead of the curve. We had a different pipeline strategy based on how they sold."

The plan has paid off, with Ross Bridge being named the "Best Community in America" last year by the National Association of Home Builders.



Artist rendering of Huntsville's newest downtown development, tentatively called Twickenham Square.

Twickenham Square, Huntsville

No matter what the national economic numbers might indicate, Huntsville Mayor Tommy Battle looks all around him and sees signs of prosperity. Medical expansion. An increase in biotech research. New federal tenants at Redstone Arsenal.

"All of them seem to have some growth plans going right now," says Battle, who is in the final year of his first term as Huntsville's mayor. "We have a large high-tech base here, with a lot of degreed professionals and engineers, and those types of jobs are the ones that are expanding right now. This is a growing community."

That is the economic environment Battle witnesses firsthand, which is why he is confident that an upcoming \$82 million downtown development project tentatively called Twickenham Square will be successful.

The ambitious project will include a 40,000-square-foot office tower, a 100-plus room hotel, a residential complex with 236 loft apartments, a grocery store, restaurants, retail shops and a three-story, 700-space parking deck—all on the 12-acre site of a former housing project, located near the city's medical district.

"This is a major part of our downtown revitalization," Battle says. "It adds pedestrian traffic to the downtown area. It's making downtown become alive."

The project came together with a combination of private and public funds. Battle says the city of Huntsville is spending approximately \$8 million, primarily for the construction of the parking deck. Another \$2 million is coming from federal transit funds, which will help create a new, four-lane road connecting the site. Private developers will provide the rest, including paying \$5.6 million to the Huntsville Housing Authority for the purchase of the property.

Huntsville-based Triad Properties is in charge of building the office tower and also is planning to bring a hotel to the site. Two Nashville-area firms, Bristol Development Group and PGM Properties, are working together on the apartments and other commercial properties.

"This is an investment in our downtown area that pays back with almost a 36 percent return when you look at the sales tax, liquor and lodging tax and property tax that will be generated from this project," Battle says. "It's a development that will be a keystone for the city, and

something that people will be proud of.”

Battle says construction on the project will begin this summer, with completion expected in two to three years.



Artist rendering of the new home of the Birmingham Barons.

Birmingham, Baseball Park Development

Even the best hitter in baseball cannot win a game alone. It is still a team sport, requiring contributions from pitchers, fielders and other hitters.

The same can be said for the new minor-league baseball park scheduled to open in downtown Birmingham in time for the start of the 2013 season. A wide variety of entities came together in recent years to make the \$64 million project a reality.

“It takes so many different parts and pieces to make something like this happen,” says Robert Simon, president of Corporate Realty Services, which is overseeing development of the park. “You had this great confluence of support that really helped. This is about a community coming together.”

Simon and other city leaders and officials began talking in 2009 about the prospect of building a downtown park that would be home for the Class Double-A Birmingham Barons, who moved from Birmingham to the suburb of Hoover in 1988. The idea gained momentum following the opening in 2010 of the Railroad Park greenspace near UAB.

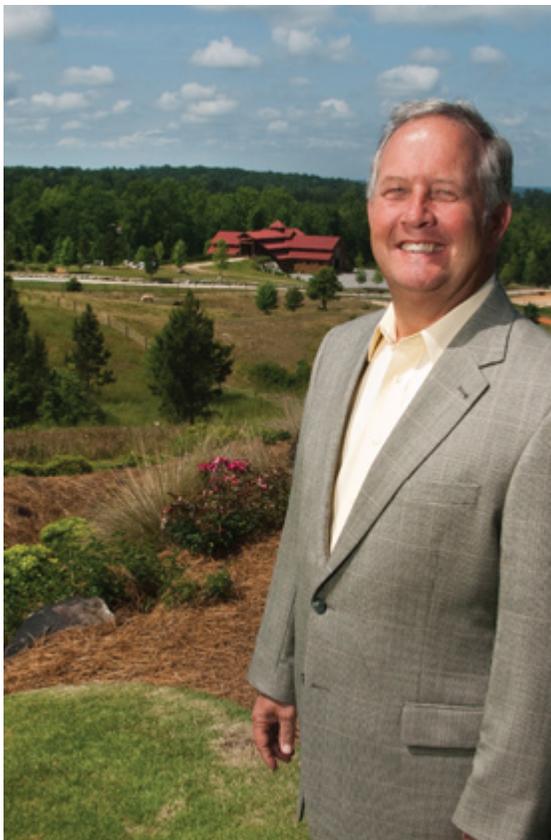
“Railroad Park was really the thing that kicked off the concept and the interest (in the baseball park). Without it, I don’t know that this park would have happened,” Simon says. “Suddenly you had this property between Railroad Park and UAB, and you knew something was going to go there.”

For that something to be the baseball park, Simon says a number of people had to commit to the project. That group included Don Logan, the former Time-Life Inc. executive who currently owns the Barons; Birmingham Mayor William Bell and other city officials; UAB and the other landowners in the area, and the downtown Birmingham corporate community.

“A vision is nothing but a dream if you don’t have a lot of people getting on the bandwagon to help make it happen,” Simon says. “This project gained great momentum because of the buy-in from the community.”

To fund the project, the city received a \$60 million loan from BBVA Compass, which will be paid back partly by a 3.5 percent increase in the city’s lodging tax. The city also plans to generate revenue from the entertainment, commercial and residential development that is expected to occur around the park.

“From a financing standpoint, the cost of capital is lower right now than it has been,” Simon says. “So it’s a great opportunity to have an economic development project like this where so many people can benefit.”



Tom Lamberth, president and COO of Russell Lands
PHOTO BY STEVE GATES

Russell Lands, Lake Martin

Water skiers refer to it as “glass,” that moment early in the morning on most any lake when the water is still and flat and perfectly smooth. Not a bit of chop or disturbance in sight.

For years, the real estate market at Lake Martin was as smooth and easy to navigate as the early-morning “glass.” The lake practically sold itself, and shoreline properties were as hot as an Alabama summer (which provided another selling point for lake homes).

But then some major chop struck in the form of the economic recession, and suddenly lake-front homes no longer were an easy sell. So Russell Lands, which has a large market of planned communities along Lake Martin, made some adjustments in order to successfully traverse the turbulent waters.

“When the real estate depression hit, the first thing we did was drop the prices on our lots 25 to 30 percent,” Russell Lands President and COO Tom Lamberth says. “We wanted a product that was priced aggressively, to try to make it as affordable as possible. Then we started building some spec homes, which we hadn’t really done much before, just to create some new product and create some activity, and we’ve sold nearly every one we built.”

Those initial moves were followed by a re-evaluation of the type of communities Russell Lands was creating along Lake Martin. Most of them had been modern-looking neighborhoods, with paved streets, curbs, gutters and houses that would have looked right at home in most cities. But Lamberth says customers increasingly were saying they wanted a more rustic feel to their lake experience.

So Russell Lands created Nichols Cove, located just north of Kowaliga Bridge. Instead of standard-looking houses, Nichols Cove consists of 11 cabins that were inspired by the architecture of Alabama native Bobby McAlpine. The cabins are located in a heavily wooded area with unpaved roads.

"I think that's the most significant thing we did (during the recession)," Lamberth says. "We had 11 lots, most under \$1 million, and we sold nine of them in a year. In a tough market, that was unusual. And we did it without doing a lot of marketing. They sold mainly by word-of-mouth.

"That told us that there is a strong market out there for something that has a real lake feel to it. That's what people wanted instead of the big house. They wanted something smaller and quainter."

The success of Nichols Cove led Russell Lands to open a similar development earlier this year called Russell Cabins at The Ridge.

"The key is to not flood the market with a lot of product but to have a well thought-out product that gives the customers what they want," Lamberth says.

Redstone Gateway, Huntsville

Real estate projects in general are difficult to kick-start during a recession. A down economy certainly does not seem to be the time to begin a major endeavor that eventually will include millions of square feet of office space and have a total price tag approaching \$1 billion.

But the developers of Redstone Gateway—a joint venture between Maryland-based Corporate Office Properties Trust and Montgomery-based Jim Wilson & Associates—were not focused on the current economic conditions when they began working on the ambitious project four years ago. Their sights were set squarely on the future and the ability to create a development that will meet the needs of the rapidly expanding Redstone Arsenal.

The end result will be a 468-acre development located near the front gate to the Redstone Arsenal. It will be a mixed-use business community with approximately 4.4 million square feet of office space, two hotels and several retail offerings. Construction recently was completed on the first office building, the 120,000-square-foot Redstone Gateway 100, and the primary road system within the park should be finished this summer. Work on the overall project is expected to continue for several years.

"The market we see for the park long-term is what allowed us to push through the difficult economic cycle that we're in," says Wayne Lingafelter, president of COPT's development and construction division. "The activities at the Arsenal are what we're targeting. We expect that will generate a level of business and demand for commercial space that we can satisfy with our location and the quality of the park."

The expected demand stems from the federal Base Realignment and Closure commission decisions that are adding approximately 4,700 military members, government workers and contractors to the Redstone Arsenal. That will elevate the base's working population to more than 30,000, while the off-base contractor population also will increase significantly.

The project is being funded primarily by the U.S. Department of Defense. COPT, a publicly-traded real estate investment trust that specializes in government-related properties, is providing the capital for the development and construction of the commercial buildings, while the city of Huntsville has helped with the creation of the project's roads and infrastructure through tax-incremental financing.

"We worked very closely with the city of Huntsville and with the Arsenal on the overall master planning work," Lingafelter says. "So it's been a nice cooperative project between public and private."

Cary Estes is a freelance writer for Business Alabama. He lives in Birmingham.