

# ★commercial real estate



Scott Cloud is the new managing director of Boston-based real estate firm Albany Road Real Estate Partners' Southeastern offices. The company recently paid \$34 million for ServiceSource Tower at 201 Fourth Ave. N. SAMUEL M. SIMPKINS / THE TENNESSEAN

## ALBANY ROAD SEES VALUE IN NASHVILLE

### City's growth attracts real estate company

Nashville's growth makes it a sought-after market for institutional investors looking to spend millions on real estate assets. That includes Albany Road Real Estate Partners, which hired Scott Cloud to open an office on West End here to target deals across the Southeast.

The Boston-based firm recently paid \$34 million for ServiceSource Tower at 201 Fourth Ave. N. in its first deal here. Before becoming a managing director with Albany Road, whose president is Vanderbilt University alum Chris Knisely, Cloud was a senior vice president of investments with Atlanta investment and development firm Carter.

Cloud, 38, who is relocating from Atlanta this summer, spoke with Tennessee reporter Getahn Ward about Albany Road's focus and the commercial real estate market.

#### How will Albany Road stand out in such a competitive market for investors?

We add value in a couple of ways: We have extensive relationships across the Southeast that help us identify opportunities. We have a strong capital source — high net worth individuals and family offices — that allows sellers to have strong confidence and assurance that we will close quickly and do what we say we're

going to do. Between my experience and those of the partners, we're able to evaluate opportunities and find the right fit for our investors.

#### Why Nashville over Atlanta? How different is your investment strategy for a secondary market like Nashville, versus a larger city like Boston?

I love Atlanta and we see a lot of opportunities there, but Nashville is a great location to open our Southern headquarters. Many of the partners and I have a history here and the economic story is arguably one of the best in the South. Albany Road was started in the Northeast pursuing secondary market opportunities, and so we see many opportunities to do that in the Southeast like in Nashville, Atlanta, Charlotte and Raleigh. We see the ability to find opportunities that may not be a fit for institutional capital and so that's a competitive advantage. We see opportunities in many of the tertiary Southeastern markets as well.

#### Which specific types of real estate will Albany Road target here and why?

We'll pursue office, industrial and retail acquisitions in the \$10 (million) to \$50 million range. We'll go above that, but that's the general range of most of our transactions. The Albany Road team has extensive experience in those three property types, which allows us to add value for our investors. I moved to Nashville in the late 1990s right out of college and have spent a great deal of time in Nashville pursuing acquisition opportunities throughout the years. I've been

able to see as a non-resident all of the growth and opportunity that's occurred. At Carter we pursued some downtown and suburban office opportunities here.

#### What was attractive about ServiceSource Tower to make it your first deal here, and what are your plans to boost your returns from that acquisition?

It's a prominent downtown office building with a great tenant (ServiceSource). We believe in the Nashville story and growth. The opportunity to buy a high-quality, well-located office building in such a strong city was very attractive to us. We're actively pursuing opportunities now in Nashville and other Southeast markets. We're exploring ways to upgrade the building and tenant experience, one of which is a potential lobby renovation.

#### What's the biggest thing you're watching in Nashville as far as its growth?

As a guy coming from Atlanta where we have transportation challenges of our own, it will be very interesting to watch how Nashville manages transportation as it grows. What is very clear to me from coming to Nashville often is having the city and the state government here is a very big positive, and it appears to me that there's a lot of cooperation between the business leaders and the city's leaders. And attracting ServiceSource to this building is a great example of that.

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## 3,500

Forecast need for residential units downtown within five years

## 2,000

Deficit projected if units under construction or planned are built

## Condo demand stays strong

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Even with developer Ray Hensler's plans to turn the nearly 300 units at his Twelve Twelve high-rise building in the Gulch into condos, real estate observers see demand remaining strong for more condo units near downtown.

So will Nashville see more high-end apartment projects follow suit?

"The word is getting out that there's demand, and I think developers are taking notice," said Zach Goodyear, managing broker with Parks in the Gulch, which is helping Hensler sell the units.

But a decision to convert isn't an easy one, especially if the property is already operating as apartments. That's why industry observers say any decision to convert by owners of existing luxury apartments such as Eleven North, West End Village or the soon-to-be-sold Elliston 23 could only happen as part of eventual exit strategies by investors who are paying record prices for those newer apartment buildings.

"If you're building it currently and your lenders allow it, then it's a great time to be selling condominiums," said David R. Hendrickson, a managing director of real estate investment banking with JLL in Chicago.

Otherwise, a conversion could be cost-prohibitive because of prepayment penalties that the new owners would have to incur to pay down long-term debt, Hendrickson said. Also, for conversion of an existing building to make sense, the new owners would have to expect significant profits after brokers' fees and marketing costs to justify making such a move.

"The larger the project, the harder it is because it takes time to sell condos and markets can change," Hendrickson said, adding, however, that some area apartment projects in the pipeline today could convert.

Currently, there's only a two-month supply of condos available for resale within the boundaries of downtown with no developer-owned units on the market, according to the Nashville Downtown Partnership.

With a consultant's report for the Metro Housing and Development Agency forecasting a need for at least 3,500 residential units downtown through 2017, Tamara Dickson, the partnership's vice president of economic development still sees a deficit of 2,000 residential units — assuming those under construction or planned are built.

Locally, apartment communities in the works set to have high-end finishes include the 431-unit project Childress Klein Properties of Charlotte, N.C., plans near the Music Row Roundabout, and the project Charlotte-based Crescent Communities plans for properties off Division Street. The same can be said about developer Tony Giarratana's planned SoBro apartment skyscraper in the area south of Broadway.

Kelly Dunbar, co-manager for Childress Klein's multifamily division, however, said the company doesn't have any intention to convert to condos.

Hendrickson, meanwhile, said he isn't as concerned about potential overbuilding here yet. "The market is still growing faster than the pace developers can build," he said.

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### DILBERT



## Earth Week benefits many

**making green**  
Mike Leonard

Founded in 1970, Earth Day has gained recognition and has been embraced as an ever-important opportunity to focus on improving quality of life and leaving the Earth a better place for generations to come.

But why does it matter today? It matters today because there is much more progress to be made, and as never before, we are empowered to make an impact through our own lives. Like the Earth Day founders, each of us can take an idea — our own vision of improving our environment — and make positive change that matters.

Here in Nashville, let's take this "environmental holiday" as an opportunity to contribute to, celebrate and reap the benefits of environmental awareness. Use Earth Day, now Earth Week, as a time to appreciate the many resources that great leadership and good civic planning have provided our community. And, more than mere appreciation, use those resources to celebrate Earth Week.

Here are a few great starting points:

» **Try new ways to get around.** Use Earth Week as an excuse to step out of your comfort zone and explore Nashville's sidewalk networks, bike-share programs and mass transit that have been systematically built in the region. If you work in the central business district, locate the nearest B-cycle Station and avoid the traffic when traveling to lunch or your next business appointment.

» **Get back to nature.** Biking, jogging or walking along a greenway will lead to healthier living and greater appreciation for nature. The region's considerable greenway system (more than 200 miles) is a remarkable asset in our community. These trails provide all citizens with barrier-free access to natural resources and opportunities for recreation and interacting with nature and the community.

» **Volunteer.** Engage with the community, such as volunteering with local nonprofits to preserve the environment. Corporate involvement in the Mayor's Workplace Challenge, for example, can help support a company's efforts toward be-

ing green, healthy and involved. You also can explore green buildings. Of the 80LEED-certified commercial buildings and neighborhoods in Middle Tennessee, nearly 20 percent are publicly owned with at least portions open to the public, many with educational kiosks.

» **Use less energy.** Evaluate how your residence and place of business use energy and take time to consider ways to reduce consumption. Programs in place by TVA (EnergyRight Solutions) and the city of Nashville (Nashville Energy Works) can help assess and reduce energy usage. This not only reduces the use of our limited natural resources (58 percent of our electricity is created by burning coal), but also saves money.

The very things that are good for the environment are also good for attracting business, investment and visitors and promoting a healthy and prosperous lifestyle.

Mike Leonard is director of green-STUDIO, a division of Hastings Architecture Associates. He was among the first architects in Tennessee to earn the LEED Accredited Professional credential.