

State of the market: Slow and steady, and transitioning



At Bisnow's State of the Market breakfast in Charlotte on Tuesday, six commercial market professionals shared their thoughts on Charlotte and its development future. They were, from left, Benjamin Collins of Crescent Communities, Chris Epstein of Beco South, Will Stevens of SilverCap Partners, George Dewey IV of Aston Properties, Jim Merrifield of Merrifield Patrick Vermillion and Mark Lange of Lord Aeck Sargent. Photo by Sharon Roberts

BY SHARON ROBERTS

CHARLOTTE – The days of being able to be “stupid” and still make money by buying troubled commercial properties and turning them around may be over, according to George Dewey IV and other commercial developers, but job growth and a development-friendly atmosphere will continue to make Charlotte an attractive place to build and renovate.

Dewey, president of Aston Properties, the Charlotte-based company that acquires, develops, leases and manages shopping and retail centers, was one of six panelists Tuesday at the fourth annual Charlotte State of the Market breakfast at the Omni Charlotte Hotel. About 200 people turned out for the event, which was hosted by Bisnow, a national commercial real estate events producer and publisher.

The speakers said that while the economic recovery from the Great Recession has not been as fast as those following the downturns of 1982 and 2000, “it’s a nice, steady pace,” said Chris Epstein, president of Beco South, which owns and manages commercial space in Charlotte, including Innovation Park and Charlotte Park.

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On the upside, they said, construction costs are stabilizing; borrowing rates have remained relatively low; jobs and population are growing steadily; and the city’s leaders and planners have provided “a central vision” that allows “things to get done,” said Mark Lange, a principal at Lord Aeck Sargent, an Atlanta architecture and design firm. “Urban planning has long been one of Charlotte’s greatest features.”

Epstein, who said he moved to Charlotte from Washington, D.C., about four years ago, attributed the atmosphere to “a hunger and gratefulness for new growth here.”

All in all, said Jim Merrifield, managing partner of Merrifield Patrick Vermillion, “We had a very solid 2013.” MPV is a brokerage, development and property management company started in 2010 through the mergers of Merrifield Partners, Bis-

sell Patrick and The Carolina Group.

The speakers said that it appears the market is in a transition period. Prerecession projects that were stalled are being finished and distressed properties have largely been bought or revived.

One of the drawbacks of that, said Benjamin Collins, is that the processes of purchasing land and acquiring capital are taking longer, as desirable land becomes more competitive and scarce, and investors demand more transparency and proof of competency. Collins is the Southeast regional director for Crescent Communities, the Charlotte-based residential, multifamily, commercial and land development company that sprang from Duke Energy.

Will Stevens, partner and cofounder of the Charlotte private equity firm SilverCap Partners, agreed: “I anticipate seeing institutional investors

asking managers how they are able to drive value,” he said. “Investors want transparency and to make sure managers understand” their fiduciary responsibility, he said, and that those factors are more critical than returns.

Collins said that he thinks these factors will keep the urban apartment market, such as the burgeoning South End, from becoming overheated. He said that while 4,000 or more units are scheduled to come online in the area each of the next three years, “It will be difficult to continue that pace.”

Other factors that are limiting growth include a lack of first-time homebuyers returning to the market, smaller projects done in phases to avoid overcommitting resources and a desire to prelease a good portion of buildings before taking the risk of building them.

When asked by panel moderator Cristi Lewis, a partner at accounting, tax and advisory firm CohnReznick, what the area’s hotspots are, the panelists cited the U.S. Highway 521 corridor near Fort Mill, S.C., as well as Ballantyne, Waxhaw and Harrisburg.

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