

New York Buyers Bet On Suburban Flex

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An East Coast investor is **changing course** when it comes to Atlanta buys because retail here has just become **too darn expensive**.



Rothenberg-Rosenfield just purchased Oakbrook North, an **11-building, 700k SF** flex office project in Norcross from [Sperry Equities](#) for **\$36.6M**. And while the idea of flex office—especially suburban flex office—may excite you as much as watching **Ben Stein teach a high school economics class**, Rothenberg-Rosenfield's [Josh Rosenfield](#) says the investment becomes particularly compelling when you realize the firm paid only \$52/SF for a project that—even at its worst—saw **no less than 70% occupancy rates**.

“No one's going to build this product type anymore, ever,” Josh says. “If it costs \$120/SF [to build], you can't rent it for **\$7/SF**.” And for small companies and mom-and-pop operations, flex office can be a real estate life saver, with rents far **below average** office rates (\$10/SF average in 2015, according to Colliers International).



Josh says the firm plans to **inject more than \$1M** in capital to spruce up the properties, both inside and out. But at the same time, because of its conservative basis, Rothenberg-Rosenfield doesn't look to **actually push rents up** that much—a common value-add investment strategy.

Instead, it just hopes to finish filling the **180k SF vacancy**. It's a pretty solid bet, considering that nearly **1.2M SF** of flex space saw positive **absorption** last year, 200k SF of which was in the Northeast Corridor alone, [according to Colliers](#).



Rothenberg-Rosenfield has been an investor in Atlanta since 2009, but mainly on the retail side with Marietta Trade Center, a **Walmart-anchored** shopping center off Cobb Parkway, and Centennial Village in [Roswell](#) (here), a **213k SF** Kroger-anchored shopping center off Holcomb Bridge Road.

The firm also made similar investments in Colorado, but **branched out** for the first time to industrial there, a bet that worked for it and encouraged the firm to look for similar industrial product in Atlanta (it strictly invests in multifamily in NYC).

And that's because as the **economy improved** and capital became more liquid, prime retail centers became much more sought after, **pushing pricing above** where Josh says he's comfy paying. "We thought the visibility of [Oakbrook North] is a huge selling point. And if we can find similar product at this price, **we'll jump on it.**"