

2020 NAIOP Georgia School Challenge – Case Study

The Zenith Fund wants to acquire underperforming office and industrial properties to reposition them. Richard Peabody, who started this New York-based fund in 2019, recognizes the current development cycle's long duration and the potential for a market correction. A war chest of \$1.0 billion has been raised with a very focused investment strategy.

Atlanta is a target city. Peabody has read about the dramatic transformation of the former Sears Roebuck store into Ponce City Market. He also recently learned about the overhaul and expansion of Colony Square. One of his friends knows the Carter folks and has relayed news about their ambitious program to reposition a century-old industrial complex on Atlanta's south side.

Peabody is convinced that the best opportunity to create value in office and industrial properties is to acquire assets below replacement cost and reposition them to compete in today's market. As a prelude to entering Atlanta, he asks your group to perform three initial tasks: 1) prepare case studies of major repositioned properties such as Armour Yards, The Works, White Provision, Ponce City Market, and The Met; 2) pinpoint areas of intown Atlanta that offer good upside potential, with a full explanation of the reasons why; and 3) identify specific office and industrial properties to target for acquisition.

The Zenith Fund's goal is to direct \$50 million in equity investment to the Atlanta market by the end of 2020, with up to a seven-year hold period. Your group must present a game plan for the targeted properties that spells out the following: 1) anticipated acquisition cost; 2) improvement plans; 3) marketing strategy; 4) financing approach; and 5) expected return on investment. Your findings should be summarized in a concise, yet thorough, written report, followed by a formal presentation to the fund's board.