A Glass Half Full or Half Empty?
Summary of the 2009 Gulf Coast Commercial Real Estate Summit

by Fred Rendfrey

On Wednesday, March 11 more than 300 real estate professionals from around the Gulf Coast gathered in the Mobile Convention Center for the Gulf Coast Commercial Real Estate Summit to network, share ideas, and most importantly to hear some good news for a change. The topics covered ran the gamut. We heard local experts discuss the challenges and opportunities on topics ranging from apartments to wetlands to condominium developments.

Not surprisingly, one of the most talked about issues was financing. Nearly every presenter discussed how financing was affecting the real estate market locally and nationally. We heard horror stories about how banks, exclusively from the real estate/development perspective, were changing lending requirements. If there is one thing that can be said for real estate professionals, it is how quickly they can adapt to changing circumstances.

Downtown real estate got some great coverage during the event. In fact there was an entire subsection devoted to what was going on with regards to downtown real estate. John Peebles of Grubb & Ellis/Peebles & Cameron was our downtown speaker and he identified some interesting facts and trends.

Regarding office buildings, there is roughly 2,000,000 SF of office space, excluding some of our larger government owned properties such as Government Plaza, the Bankruptcy Court, and the FBI building. The rental rates here run between $12-$22 per square foot depending on the caliber of the property and the build out. We also discovered that occupancy is somewhere around 80-85%, and the bulk of the vacant property is concentrated in one particular building.

The development and redevelopment of hotel rooms has been an exciting trend to notice. Over the last three years we have seen 238 rooms at the Renaissance Battle House Hotel remodeled, 372 rooms were renovated at the Renaissance Riverview Hotel, the Holiday Inn had 172 rooms that were renovated in 2008 and early 2009 and the Hampton Inn brought 155 new hotel rooms online as well. This brings the total number of hotel rooms in downtown to 1,125, with 1,090 of those designated as convention class.

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Director’s Letter

Throughout May we conducted an on-line survey to obtain people’s thoughts about downtown and the Alliance. We were thrilled to experience about a 15% response rate. The results have been so much fun to read. We will be using these comments over the course of this year to develop our new five year work plan. Many thanks to all of you who participated and shared your thoughts with us.

I want to take this space to share with our readers some of the responses that I found most interesting and to respond to some of the comments where there may be misunderstandings about the Downtown Mobile Alliance or the BID Services team.

There were several questions early in the survey that encouraged people to write their opinions – no options were given from which the respondent could choose. What do you like most about Downtown Mobile? The top four answers at nearly a tie were (1) restaurants & dining options; (2) entertainment district & venues; (3) historic buildings & the architecture; (4) the walkability. You gave us wonderful comments like:

“Once I park, I can walk to most of the places I need to go.”

“The colorful flowers in bloom. It lifts my spirits each morning as I drive down Dauphin Street and see all the flowers blooming.”

“The Downtown is intimate in scale, not overwhelming.”

“(a) Downtown is a friendly place and there is an informal ‘Network’ of business people.” “I like being able to sit outside on the sidewalk or porch at the bars and restaurants.”

“The architectural landscape of this city. It is a beautiful city.”

What is ironic about these comments is what a struggle it is to get the various regulatory agencies to support “walkability” or “historic preservation/redevelopment” of our buildings. The mindset among way too many of the regulators is that the car is supreme and walkers/bicyclists are an inconvenience and/or that historic buildings are a nuisance and that preservationists are a fringe group of nuts that get in the way of development.

In May, over the course of a few days, an antebellum (built before the Civil War) townhouse on St. Francis Street was torn down. Ironically, this was done while the Chamber Leadership Trip was taking place in Charleston. Because I am from Charleston, lots of people came up to me on the trip and commented as to what a shame it is that “they” tore down so many buildings in Downtown Mobile. We get back to town and another one bites the dust. Just in the two decades I have lived here, and long past the maligned “Urban Renewal” days, several dozen historic buildings have quietly gone to the landfill.

What can we do to enhance the things that people like the most about Downtown Mobile?

Walkability

1. Initiate a program to improve and maintain sidewalks and street lighting annually – there were so many complaints about the condition of the sidewalks – You should all demand that your elected officials talk more about sidewalks and less about pot holes!

2. Install clearly marked crosswalks and give people more time to cross the street and shorter waits between red lights – Why do we allow our governments to make pedestrians second class citizens to cars? This is not expensive; it is a matter of priority.

3. Plant and nurture flowers in front of your home or business. My goodness people respond to lush plantings!

4. Insist that commercial parking lots are clean and attractive places, with appropriate walking surfaces, friendly signage, and clearly marked fencing at the right-of-way line (and no barbed wire or yellow decapitation chains!)

5. Create an incentive program to entice more retail shops to fill vacant buildings. Retailing in the age of Walmart is harder than ever for independents. If we want retail shops, we have to incentivize their opening.
The residential component is important to any neighborhood or downtown. Downtown Mobile has seen a renaissance in downtown living over the last few years. While population numbers have not dramatically increased we have seen an increase in the types of options. Whether it is large or small apartments, single-family homes, or condo complexes, the variety is impressive and is luring new neighbors to our downtown community. Unfortunately the tightened credit market that is affecting nearly everything has put several residential projects on hold, however another trend that is surprising to see is that with our rental market is that there is a very little vacancy.

The retail scene downtown has seen improvement recently too. Retailers are beginning to look more seriously at downtown as an option. With conventioneers in hotel rooms, Carnival cruisers, day time workers, and the Dauphin Street entertainment district all growing, the retailers are not far behind.

The restaurant scene in downtown is becoming more impressive. Downtown Mobile has the highest concentration of dining options in the metro area. Interestingly it is continuing with the number of high-end and mid-range establishments. The growth could be driven by the increased number of tourists that are seen in downtown, or perhaps the continued increase in the artistic and cultural events is driving traffic.

For many, downtown Mobile will always be thought of as an entertainment district. After all, the LoDa (Lower Dauphin) advertising slogan, “Come play in the streets” was used successfully for years. However, a surprising trend has been the slight contraction in the number of traditional bars and an increase in other forms of entertainment, such as art galleries, music venues, restaurants, and sporting events. An anecdotal reason for this is the growing perception of downtown as a safe, clean, and attractive locale for business of all sorts. We have also become a hub for “regional” events such as fairs and fundraisers, bringing people from throughout the metro region downtown.

Downtown Mobile has received some glowing accolades recently from the development and real estate community. The proof is in the pudding and it is exciting for all of downtown when we can welcome a new business. It is exciting to be out on the street on a beautiful sunny afternoon and see hundreds or thousands of people walking to grab a bite or simply enjoying a stroll along beautifully landscaped sidewalks. If the next year can be as successful as the last then we may not be able to recognize downtown too soon in the near future.

We asked two of the area’s leading commercial real estate experts, Dr. Don Epley, Director of the Mitchell College of Business Real Estate Studies Center and Randy Delchamps of Randy Delchamps Real Estate & Development Co. and President of the Mobile Area Association of Realtors, a few questions targeted to downtown’s future. Below are their responses.

1. **What do you think about the direction downtown is headed?**

   **Epley:** Very positive. Would like to see it develop much faster.
   
   **Delchamps:** In the broad sense it is headed in the right direction. With the infrastructure and the major investments from the RSA, the

   BID has been positive. The smaller projects are great. They are trying to get people to live down here but it is a long process and won’t happen overnight. The courthouse, the docks are important. Some office buildings would like to be full but everything has improved and the mayor’s strategic plan will help.

2. **What are downtown’s competitive advantages?**

   **Epley:** Creating the Alliance was a good step. I think that the new meeting facilities are a wonderful advantage. I also think that the cruise terminal is an advantage that can continue to assist downtown’s redevelopment.
   
   **Delchamps:** Infrastructure; Central business district with good areas and growth areas to east and west. This is the central financial district with government, banking, and port that can’t be replicated. If someone is coming into town they will go downtown to do their major business. It has a lot of history and it cannot be replicated. I always felt, and still do, that by having the eastern shore to the east really strengthens downtown from a growth standpoint. People can live over there and still commute to downtown. Downtown is also centrally located.

3. **What are downtown’s competitive disadvantages?**

   **Epley:** Traffic from the container port traveling through downtown will negatively affect redevelopment in the future.
   
   **Delchamps:** We also have to get to the point that people are proud of downtown and they talk about it. The homeless problem, distance is a disadvantage, got to get venue that people want to see, we need more entertainment other than a bar. It will happen, but slowly. Downtown didn’t disappear quickly; it took time.

4. **We have seen much office, hotel, and port (special use) development lately. What will it take to get the residential and retail development to the same stage?**

   **Epley:** Downtown residential needs activities for the residential dwellers like gyms, restaurants, and some shopping. It must be developed together and sold as a package.
   
   **Delchamps:** People slowly started developing out west. It was a trickle. It will be very difficult to get the grocers and the major big box stores. One, there is not much real estate to put it on, then there is the negative that if there is not the density then they are not going to come. The more that happens, the more people will build downtown and the more residences we will get.

5. **How will the potential tanker project affect downtown?**

   **Epley:** Very, very positively. Downtown is only a couple of miles from Brookley Field, so it will be a major driving force in redevelopment.
   
   **Delchamps:** This will be a big boom. We could have executive types living near downtown. You will still need to know where the schools are but this will be pretty substantial.
This Place Matters – Barton Academy

The Downtown Mobile Alliance sponsored a photo session at Barton Academy on Thursday, May 14. The photograph included approximately 250 Downtown Mobile Alliance members, area historic preservation advocates and community leaders. The photo has been submitted to the National Trust for Historic Preservation as part of the This Place Matters national campaign that will draw attention to historic properties that are vulnerable to being lost. The photo may be seen on the Trust’s website: http://www.preservationnation.org/take-action/this-place-matters/.

May was Historic Preservation Month and preservationists across the country joined together to celebrate and advocate for preservation. Barton Academy is the oldest public school in the state of Alabama and is owned by the Mobile Public School System. Barton Academy is currently listed on the Places in Peril Endangered Properties List of the Alabama Trust for Historic Preservation.

2009 First-Time Homebuyer Tax Credit

If you have been toying with the idea of buying a home for the first time, now may be the time to seriously consider this investment. The 2009 First-Time Homebuyer Tax Credit makes buying a home more attractive, especially in today’s ‘buyers market’ economy.

The new tax credit is an incentive for first time homebuyers only. The tax credit is refundable for $8,000. The credit has been extended to first home purchases that occur on or before November 30, 2009 and can be claimed by those who closed on homes on or after January 1, 2009. For newly constructed homes, the purchase date must be the date you occupy the home, so the move in date must be before December 1, 2009. If you are married and file income statements jointly, you both must qualify as first time home buyers in order to qualify for the First-Time Homebuyer Tax Credit.

The tax credit does not apply for vacation homes or rental property, and the home must be located in the United States. You do not qualify if you are single and your income exceeds $95,000 or you are married and your income exceeds $170,000; if you buy your home from a close relative; if you stop using your home as your main residence, if you sell your home before the end of the three years, and if you are a nonresident alien.

If the home is sold prior to the three years of ownership required, the tax credit must be repaid. This provision is designed to prevent flipping homes in order to get the credit.

For more information on the credit and the 2009 Stimulus legislation, visit http://www.realtor.org/government_affairs/gapublic/american_recovery_reinvestment_act_home?lid=ronav0019, or consult your tax advisor.

New Payment Address for Property Owners

The Downtown Mobile District Management Corporation (DMDMC) recently changed billing procedures and has a new address for the payment of assessments. All payments should be sent to the DMDMC at P.O. Box 112, Mobile, AL 36601. If you have any questions, please call Jo Ann Olivera at 251-434-8498.

www.downtownmobile.org
Each edition of the Downtown Alliance News will feature a different downtown property. The goal of this feature is to provide information to the public on real estate options in the downtown area. If you would like more information on the property featured, please contact the management company or leasing agent directly.

2 South Water Street

Address: 2 South Water Street
Owner: Gulf Coast Buildings Venture
Management: Watson Realty
Year Built: early 1860s
Total Square Footage: 16,000 SF
Occupancy Rate: 100%
Leasing Rate: $16.00 per square foot
Leasing Agent: Watson Realty
Contact information: (251)602-1403
Website: www.watsonrealtyinc.net

The magnificent building that stands at 2 South Water Street was a building built ahead of its time. Constructed around 1860, and designed by architect James H. Giles, the building is nineteenth century Classical Revival, with a style based on sixteenth century Venetian Palace design. The unique feature of this building is the cast iron front, an architectural phenomenon in the mid-nineteenth century. The cast iron front, produced by the Badger Foundry in New York, stood practically independent of the structure, which stands behind it. Cast iron buildings, like 2 South Water Street, became the precursors of today’s steel-framed skyscrapers.

Originally, 2 South Water Street was built for Daniels, Elgin and Company, dry goods merchants. In 1865, the building was purchased by Isaac Goldsmith for Goldsmith, Frohlichstein and Company, another dry goods firm. The building stayed in the Goldsmith family until 1935. Through the years, the building has served as home to various businesses, including a men’s wholesale and retail dealer, a carriage and harness business, a sail manufacturer, and Gulf Coast Jewelry and Specialty Company. In 1948, Samuel J. Ripps purchased the building and it was later home to Gordon Jewelry Company.

In 1966, 2 South Water Street was included in the Historic American Building Survey for the Library of Congress. However, the building nearly became a casualty of the urban renewal movement that was sweeping the country in the 1960s and 70s. Fortunately, in spite of being located in the Water Street Urban Renewal district, 2 South Water Street was saved.

Today, the building has just undergone a beautiful refurbishment, including restoring or replicating the exterior details, adding a new outside canopy, installing new hardwood floors and exposing the original brick walls in the interior. With customer parking on-site, and all of the perks expected from a finely restored building, 2 South Water Street is still a magnificent building that reminds us of the great business hub Mobile was before the Civil War.

“...What makes this building so special.”

Real Estate Review

2 South Water Street was designed by architect James H. Giles and built in the early 1860s. This magnificent structure is one of the oldest commercial buildings standing in downtown Mobile. Constructed with a cast iron façade, it is a precursor to today’s skyscrapers.

“I think it’s important to remember the history of downtown Mobile,” stated Ralph Neal of Watson Realty. “You can stand in one block and see what Mobile was like in the mid-1800s, move to another block and see what Mobile was like in the late 1890s and move into yet another block and see what Mobile is like today when you look at the newly constructed RSA Tower. That is what makes this building so special.”

Editor’s Note:
Isaac Goldsmith (1817-1872) and William Frohlichstein were import merchants in Mobile. It is presumed that both gentlemen immigrated to Mobile from Bavaria in the early 1840s, and in addition to being associated in business for many years, the men married two sisters, Matilda and Sophia of Pares, Bavaria. The gentlemen built fashionable adjoining townhouses in 1862 for their wives. These houses are now known to Mobilians as The Malaga Inn.
Each issue of the Downtown Alliance News will feature a brief profile on a downtown business, a non-profit organization and a resident. Look for this profile to discover more about our community and our neighbors.

New Real Estate Company Moves Into Downtown

Name: Kimberly Knowles Real Estate
Address: 560 Dauphin Street
Telephone: (251) 478-4136
Website: www.homeskrg.com

Kimberly Knowles has been involved in the real estate business for over six years. Three years ago she opened her own office and last June moved into the heart of downtown. “I wanted to be downtown,” emphasized Kimberly. “It was my vision.”

And vision it was. Kimberly took a box-of-a-building, worked hard to renovate it, and created a beautiful office for her staff of four and her clients to enjoy. “It was a slow start,” she explained in her good-natured and charming way. “Then in January the phones began to ring, in February things began picking up, and now we have a ton of closings.”

Kimberly’s business encompasses both residential and commercial real estate, real estate investing, and construction. “Besides being a real estate broker, I am also a licensed builder. We specialize in building affordable spec homes. We build homes that are between 1,200 and 1,400 square feet and range in price from the mid-$90,000 to $120,000. We are currently working on a project with Mobile County on their Homes Program,” explained Kimberly. “A huge part of our business involves property purchasing, building and selling.”

“We love being downtown because of the convenience downtown offers,” she continued. “From the business-to-business services of having banks, attorneys, Probate Court and Government Plaza nearby, to having interstate access close. We do a lot of business in Saraland and Prichard, and we can move across the bay and into the southern part of the county quickly by jumping on the connector or interstate.”

“We are proud to be downtown,” Kimberly stressed. And, downtown is proud to have Kimberly and her staff downtown.

Keep Mobile Beautiful was founded in 1986 as a part of the Keep America Beautiful organization. What began as a small, litter abatement and beautification program has, in the past 23 years, developed into Mobile’s leading recycling and litter prevention organization. Keep Mobile Beautiful is now a city department that works under the leadership of coordinator Bob Haskins and has a staff of five, two of whom manage the office operations with three attendants manning the KMB Recycling Center. KMB also works with the non-profit arm of the organization, Keep Mobile Beautiful Inc., which helps with fundraising for the programs and community outreach.

“Keep Mobile Beautiful is now focusing on three areas,” explained Haskins, “litter prevention and education, recycling with the Recycling Center being a top priority, and beautification where our concentration right now is on planting trees.” Of the many milestones that Haskins discussed was the new litter fines, and Mayor Jones’s support of anti-litter programs, the re-planting of azaleas throughout the city and the efforts Keep Mobile Beautiful has made in lowering cigarette butt litter.

“What is are about changing people’s attitudes. If people leave things behind on a park bench and don’t think it’s litter, we have to do something about that. That is why our education program is so important,” stressed Haskins. “People need to know that beautiful is better. A clean environment is better for tourism and economic development, and it is a healthier place for us to live.”

Coming up - Keep your eye peeled for the revival of the Azalea Trail and the pink line that used to wind through our city. The first phase of the Azalea Trail should open next year in the historic districts, with two additional trails to follow.
Young Professionals Call Loft Space Home

Name: Marques and Meredith Ivy
Address: 412 Dauphin Street

Marques and Meredith Ivy are just two of a growing number of young professionals that are filling the loft spaces in downtown Mobile. Marques is a young executive with Wachovia Bank, working in the Title and License area of the Spanish Fort office; and Meredith is the Public Relations and Event Coordinator for the Mobile Museum of Art, who also works on the side with the University of South Alabama dance team. This dynamic young couple moved from a large four-bedroom family home in one of Mobile’s historic districts into the hip loft space of the Mattress Factory in August 2008.

“I’m from Milwaukee and wanted the city feel,” explained Marques when asked about their move. “That whole yard thing got to me too,” he laughed when talking about maintaining the larger home. “The Mattress Factory has that big city feel I like while maintaining the small town feel that downtown Mobile offers.”

Meredith, a Mobile native, likes all of the activities and downtown happenings. “We always do the LoDa ArtWalk and the Market in the Square,” she explained.

When asked what makes their loft lifestyle different, both talked about the entertainment opportunities downtown offers, the effect that downsizing made in simplifying their busy lives and the convenience of location.

“The Mattress Factory Lofts has some pretty young and lively tenants. We hang-out with a lot of our neighbors. We all stay in contact, some via email and phone calls. We do a lot of things together,” explained Marques. “Meredith runs with a neighbor and I workout with friends in the building. We only have three vacant spaces out of 22 or 23 units in the building.”

“It is so good to see all the new art galleries and retail stores opening. There are fresh flowers everywhere that the Alliance plants,” raved Meredith. “There are tons of people downtown, and when I see them, I realize that they are my neighbors.”

Annual Meeting Date Set

Make plans now to attend the fourth annual Downtown Mobile District Management Corporation Annual Meeting, set for noon on September 2, 2009 at the Battle House Hotel. Dr. David Bronner, CEO of the Retirement Systems of Alabama, will be the keynote speaker.

Although reservations for tables are not yet being taken, we are now accepting sponsorships for the event. The $1000 sponsorship includes a table for 10 and publicity in all advertising and printed materials. If you’re interested in sponsoring what historically has been a lively and news-making event, please contact Susan Daniels at the Downtown Mobile Alliance: 251-434-8498 or sdaniels@downtownmobile.org. Many thanks to the businesses below who have already signed on to help make this event possible.

The annual meeting also gives us the opportunity to recognize outstanding businesses, individuals and organizations who are actively working to create the kind of vibrant downtown we all desire. It’s a great way to wrap up your summer and focus on the new challenges Dr. Bronner is sure to deliver. You won’t want to miss this event!
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6. Keep the sidewalks and doorways clean and free of litter. Just read a Crewe of Stewards Weekly Report and you will know how much nastiness gets removed before you see it.

7. Encourage sidewalk cafes, public art, and balconies to enliven the street life. This is what makes us unique, play it up!

Historic Preservation/Redevelopment

1. Create a conservation district in the Hank Aaron Loop for the huge amount of area that is not in a “National Register” designated district. Such districts guide the height, mass, and scale of developments desired within a neighborhood or district.

2. Reinstate the demolition moratorium. Every time we think that there is nothing else to be torn down, something else is. The “minor” historic buildings when woven together with new buildings add to the mosaic that makes up our city’s story.

3. Fund grant programs for façade improvements. When there were façade incentive grants, people invested on average $7 for every $1 of incentive provided. What a difference these improvements make in the look and vibrancy of our city.

4. Enact a state tax credit for historic preservation to match with the Federal Historic Tax Credit. This has meant dramatic economic growth in the downtowns of states with the foresight to enact this incentive.

5. Develop good quality guidelines for work in historic districts, especially commercial. Property and business owners need well written, easily understood guidelines for work on historic buildings especially the commercial buildings that have changed and will continue to change uses over time.

What do people like the least about downtown Mobile? This one was fun. The leader by a long shot was (1) Parking, followed by (2) Vacant and unappealing buildings, and (3) lying were Lack of retail and Panhandling/Homeless. No real surprise there. Next in line were the commercial garbage cans on the sidewalk. Again, no surprise, we get sooooo many complaints about those.

The comments were worth sharing with you. This is a sampling of what people like least.

“Property owners sitting on dilapidated buildings.”

“Employers keeping us too busy to enjoy during the day.” That’s a great one!

“The sidewalks that are not maintained.” Really, something has got to be done about this.

“Not as much to do on the weekends.” It is time for restaurants and retailers to accept the fact that we are no longer a 9-5 M-F commercial district and open on the weekends and evenings.

“I would also love for there to be a playground where I could take kids.”

“The lidded garbage cans on the sidewalks are filthy and smell.”

“Extreme noise entering my living quarters.” How about a little respect for others in this situation?

“It is appalling that cars are allowed to park on the sidewalks and virtually anywhere else during any kind of events.” The ultimate insult to the pedestrian!

“The aggressive and uncaring way in which parking tickets are given out.” I’m speechless.

“We need more retail and for business owners to stick to the same hours for opening.”

These are all things on which everyone needs to work – government, Alliance, property owners, businesses, and citizens. Parking is a perennial issue because our district was laid out before the car was the preferred means of travel. We know that there are things to do to better manage parking and parking availability. We all need to do them. The other three items really work together. Retailers need to have a reasonable expectation that they can attract customers. Customers want great experiences – we are in the “Experience Economy” after all. Why do people shop? Because they have an idea that the experience will improve their life. The challenge for us is to constantly strive for that great experience.