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Dewberry beats odds with \$36M Campanile deal

Atlanta Business Chronicle - by [Douglas Sams](#) Staff writer

John Dewberry beat the odds when he outbid other suitors, including global real estate powerhouse [Tishman Speyer](#), to purchase Midtown's Campanile building.

The \$36 million deal, funded out of Dewberry's own pocket and financed by Georgia's Own Credit Union, closed Sept. 8.

It culminated a furious pursuit among at least two dozen bidders for the 20-story building, the former [BellSouth Corp.](#) headquarters, that rises at one of Midtown Atlanta's busiest intersections — Peachtree and 14th streets.

Investors saw a steal.

[Wells Fargo & Co.](#) foreclosed upon Campanile for \$40 million, a 59 percent plunge from the original value of the loan. Dewberry saw an opportunity, much like he did in purchasing similar distressed properties across the Southeast.

The 47-year-old investor and developer turned those properties around, including one of his first purchases, the Roosevelt Square shopping center in Jacksonville, Fla.

Campanile, located on what he calls "the best corner in the South," may have far greater upside.

For now, though, it's still just potential.

[Transwestern Investment Co.](#), the building's previous owner, was unable to land a major tenant after BellSouth left. That was about three years ago.

Campanile is 70 percent vacant, and the Atlanta job market shows no signs of a quick recovery. The building needs up to \$8 million in renovations, and at least another \$25 million to cover commissions and tenant improvement allowances.

Still, Dewberry remains optimistic.

"In three to five years this [building] is going to have a lot of choices for dining and shopping, and I have a lot of ideas beyond that," he said. "The ideas are simple and straightforward. They just need to be executed."

Waiting game

His purchase comes five years after he offered \$70 million for the building, during the run-up to the commercial real estate bubble. The former Georgia Tech quarterback turned down the deal once the sales price began to skyrocket.

"I learned something that not every quarterback has," he said. "Punting can be a very good play."

Now, Dewberry owns a former headquarters building that was worth \$350 a square foot. Dewberry paid about \$80 a foot.

He has Ridr Knowlton in charge of leasing Campanile.

Knowlton, formerly with real estate brokerage [Jones Lang LaSalle Inc.](#), has a long list of contacts in Atlanta and a track record of big deals.

Knowlton said the uncertainty surrounding the building's previous ownership hampered lease negotiations. Demand for space in the building is stronger than people realize.

"There is an entire group of tenants that have been interested in this building that didn't have a group to interact with regarding a lease," Knowlton said. "The building has been in transition for much of the past year. There is pent-up demand for it. The next step is informing the market about our renovation plan for this historic landmark."

Campanile's location will likely draw tenants because of the great visibility it offers.

The building has generated at least cursory interest from several big tenants in the market this summer, including [AGL Resources Inc.](#) and law firms [Morris, Manning & Martin LLP](#) and [Paul, Hastings, Janofsky & Walker LLP](#).

But, with office vacancy rates at greater than 20 percent in Midtown and Buckhead, and several recently finished office towers vying for



Byron E. Small

John Dewberry: "You would be hard-pressed to find a better purchase made in this recession — anywhere."

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the same tenants, the new owners of the 23-year-old Campanile face a lot of competition.

Dewberry said he would probably set rents below \$30 per square foot, initially, "but I could see us reaching more than \$30 by 2014."

May face long odds

Dewberry Capital already made a small gain at Campanile.

It expanded its lender Georgia's Own Credit Union by almost a full floor of office space, and extended its lease another five years. Dewberry probably faces long odds in turning around Campanile quickly, but, if so, he is also used to beating them.

He started in the real estate business more than two decades ago after graduating from Georgia Tech and spending a short stint in the Canadian Football League.

His CFL team gave him a \$7,500 bonus, and he used the money to help start his career and rise through the ranks of Atlanta real estate. He turned a "bend in the road" into Peachtree Pointe, an office complex on the north side of Midtown.

He spent "six years" working on the deal that eventually brought **Invesco Ltd.** to Peachtree Pointe.

He has used his own funds for almost every deal, except for his first building in Peactree Pointe, a partnership that involved some of the city's heavy hitters in business that included Atlanta Falcons owner Arthur Blank.

Dewberry eventually bought out the partnership and developed the second Peachtree Pointe building, once again with his own money.

More recently, he beat the longest odds when he survived Stage 4 prostate cancer.

Campanile gives him 25 acres under his control in Midtown, making him one of Midtown's largest land owners.

"It would be hard to say that there is a better situation in my mind and in the comfort that I have in this asset," Dewberry said.

"You would be hard-pressed to find a better purchase made in this recession — anywhere."

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