



MARKET FOCUSED

GBT Realty has followed the market for over 30 years. The prolific shopping center developer has more than \$900 million underway and plans to create a new value-add division.

By Randall Shearin

GBT Realty may be the best kept secret in the commercial real estate business. As one of the most active real estate development firms in the nation, Brentwood, Tennessee-based GBT has been active in the retail real estate sector for more than 30 years beginning with multi-tenant shopping centers and eventually expanding to include net lease and urban mixed-use properties. Now, in 2017, the company is launching a value-add retail division with plans to acquire and renovate older centers. In the past 30 years, the company has developed more than 35 million square feet of commercial real estate, valued at over \$6 billion in 22 states. *Southeast Real Estate Business* recently caught up with Founder and CEO George Tomlin to get the backstory on GBT's activity.

History

Tomlin has a rich history in the real estate business. His early 1980's career was spent managing office buildings in the Nashville area for a number of insurance companies. In 1982, he joined WM Capital, a prominent New York-based office owner which was buying buildings across the Southeast, to head up its Southeast management operations. The company also began developing office buildings in Nashville and Denver.

In his travels to Denver, Tomlin came across American Diversified Capital Corporation, then the fifth largest development company in the country. He later joined that company as head of acquisitions for the Southeast. The company developed and owned multifamily, retail and office properties.

In 1987, Tomlin formed GBT to develop properties in various real estate sectors.

"We started by developing office properties and redeveloping older office buildings," says Tomlin. "We also developed a number of retail projects in the Nashville area."

One of the company's first projects was its purchase of an office building that had been occupied by Comdata Corporation. GBT renovated the property and located AmSouth Bank, Coldwell Banker and an architectural firm to the building. Early on, the company developed the Regions Bank building in the upscale Green Hills area of Nashville. The company purchased the Nashville City Bank Building in downtown Nashville, renovated the histor-



GBT's Diversified Division is developing Village 21 at Regents Park in the upscale Hillsboro neighborhood of Nashville. The mixed-use development has 101 multifamily units on top of retail space.

ically significant building and leased it to Regions Bank. The company also acquired the headquarters of Metropolitan Federal Bank from the Resolution Trust Corporation after the failure of the bank during the early 1990s. It renovated the property that became known as the SouthTrust Bank building after its occupation.

In 1991, the company completed its office work and began to focus 100 percent on retail development.

"We had started doing land acquisitions and development with and for Walmart at the time," recalls Tomlin. "This led to our involvement in 51 Walmart Supercenters while we were developing grocery-anchored centers in the Southeast with Kroger, Harris Teeter and Albertsons."

GBT continued to develop retail properties throughout the 1990s and 2000s. In the early 2000s, the company developed a relationship with Target that resulted in a number of Target-anchored centers throughout the Southeast.

Today, GBT continues its strong tradition of development that it established early on. Over the past 48 months, the company has developed over 4.5 million square feet of commercial space, valued at about \$1.2 billion. The company has 900,000 square

feet of shopping center space and 450,000 square feet of net lease space currently under development. In addition, it has 183,000 square feet of development underway in its diversified development division. In total, GBT has about 3 million square feet under development, culminating in approximately \$900 million in value, according to Tomlin.

"We've been blessed to do a lot of development over the past five or six years," says Tomlin.

Net Lease

In January 2008, the company formed a division focused on single-tenant net lease developments. It began with relationships with AT&T and Buffalo Wild Wings, which were quickly expanding. At the end of 2008, with a recession pending, GBT converted its entire operation — without laying off an employee — to a net lease pursuit as developer and owner.

The company began scouting locations for retailers throughout the country, and developing the sites as time went on. Within a few years, the company had become one of the largest developers of net lease properties in the United States.

"Retailers that prefer single-tenant properties are continuing to capitalize on locations that are heav-

ily concentrated with other retailers," says Tomlin. "They are looking for heavy traffic counts to capture the demographics they are seeking. We are seeing net lease development in major MSAs, as well as second- and third-tier markets."

Today, the company still ranks among the top five developers of net lease, developing properties for retailers like Starbucks, Dollar General, Arby's, Discount Tire, Panera Bread, LongHorn Steakhouse, Aspen Dental and Tire Discounters.

"We are following the retailers who are financially doing well and who are continuing to expand their footprint," says Tomlin. "We're primarily working in second-tier cities, which is where a lot of retailers are growing, in addition to finding quality locations in suburban locations of certain dominant MSAs."

GBT has had success in partnering with retailers and working with them to develop locations, as well as taking strong locations to its base of retailers.

"We follow retailers and their growth patterns," says Tomlin. "We have extensive communication with our retailer partners to find out where they want to be. We then source locations in those markets and research those locations to develop well-located stores."

As a prolific developer of net lease, GBT does not desire to hold on to every store it develops. The company generally holds the locations it builds for 12 to 24 months — until it has a stabilized track record of performance — and then places the properties on the market.

Multi-Tenant

In 2010, the company picked-up its shopping center development activities again. With its long-time retail partner Target, the company developed a shopping center in Madison, Alabama, called Shoppes at Madison, which serves the growing suburb of Huntsville.

"At the time, the center had the only new Target store approved since the onset of the Great Recession," says Tomlin.

Since 2010, the company has rebuilt its shopping center division at a fast pace. The company has completed a number of shopping centers in the past 24 months. The Village on Pooler Parkway, a 147,000-square-foot center near Savannah, Georgia, is anchored by TJ Maxx, Ross Dress for Less, Michaels, PetSmart, Kirkland's, Hibbett Sports, Panera Bread, Olive Garden and others. In Louisville, Kentucky, GBT has completed Middletown Commons, a 240,000-square-foot center anchored by Academy Sports and Outdoors, Five Below, Hobby Lobby, Ross Dress for Less and others. Also in Louisville, the company completed Jefferson Commons, a 230,000-square-foot center anchored by Academy Sports + Outdoors, Michaels Arts and Crafts, Shoe Carnival, Five Guys, Firehouse Subs, and Qdoba. The company has also completed other large-scale shopping centers in Fayetteville, North Carolina; Hoover, Alabama; Murfreesboro, Tennessee; Elizabethtown, Kentucky; Hunstville, Alabama; Enid, Oklahoma; and Albertville, Alabama.

"Similar to our net lease division, most of the development in community shopping centers is being driven by the desire of retailers to be near other, major retail locations and to have front door locations with visibility to the traffic counts in an area," says Tomlin. "We are seeing this in the major metros, as well as secondary and tertiary markets."

Through its net lease and shopping center experience, GBT has developed a number of tenant relationships that have allowed GBT to grow. The company works with many retailers to find new development opportunities, working in 22 states

across all divisions over the years.

"Due to our deep relationships with retailers, they tell us where they want to have new store locations," says Tomlin. "We also have in-house research that forecasts where our core retailers should be next. Our acquisition managers travel throughout the United States and have a direct understanding of where they need to go to find sites, and where those sites need to be, based on the extensive research from the retailers and our team."

GBT's multi-tenant division has done a number of shopping centers with Ross Dress for Less, Academy Sports + Outdoors, HomeGoods, Marshalls, PetSmart, Hobby Lobby and Burlington — all retailers that have substantially expanded in recent years.

"These are really the retailers who are active today, that are doing well financially, and that have little threat of sales leakage from the internet," says Tomlin. "They want to expand their footprint and see the current time as the right time to do that."

GBT has five shopping centers under development currently, and more new developments planned in future years. In Benton, Arkansas, GBT is developing The Shoppes of Benton, a 170,000-square-foot center that will open later this year. In Bartlesville, Oklahoma, GBT is developing the 170,000-square-foot Silver Lake Village with ULTA, Rack Room Shoes, Petco, Ross Dress for Less and Maurices. In Oklahoma City, the company is developing the first phase of The Market at Czech Hall. The 162,000-square-foot project is opening this spring with Academy Sports and Outdoors, Marshalls, Ross Dress for Less, Petco, Ulta, Rack Room Shoes and Five Below. In McDonough, Georgia, the company is developing a 71,000-square-foot center called McDonough Commons that will open late in 2017 with Burlington, Pet Supermarket and Tuesday Morning, among other tenants. In St. Peters, Missouri, GBT is developing The Shoppes of Mid River, a 270,000-square-foot regional center with Burlington, Academy Sports and Outdoors, Marshalls, HomeGoods, Ross Dress for Less and Famous Footwear.

Diversified Holdings

Going back to its roots, GBT launched its diversified division in 2014 to take advantage of opportunities in urban areas. The division builds mixed-use properties that generally have underground parking, street-level retail and multifamily above the retail space.

"Our core business has always been retail, and this division is only developing mixed-use on what we deem to be A-plus sites," says Tomlin. "We are keeping our multifamily space very small, usually less than 100 units at our developments."

GBT is currently developing Village 21 at Regions Park in the upscale Hillsboro Village area of Nashville, near Vanderbilt University and Vanderbilt University Medical Center. The project has underground parking, street-level retail and 101 multifamily units. A second project just two blocks away, called Belcourt Park, has 76 multifamily units and is currently under construction.

"The Midtown/Vanderbilt neighborhood has long been one of Nashville's most desired urban areas because of its eclectic appeal and convenient location between Vanderbilt and Belmont," says Tomlin. "This is exactly the type of urban market that we feel supports our mixed-use product and aligns with our core strengths."

GBT is working on another upcoming development, a larger mixed-use project in the St. Louis suburb of Clayton, Missouri. The 537,000-square-foot project contains a grocery store, other retail space, and a residential tower, along with parking to support all uses.

"Our acquisition managers cover 22 states, and they are constantly seeking A-plus sites in core MSAs for our mixed-use endeavors," says Tomlin. "They work closely with the brokerage community in each respective market to identify these opportunities for us."

Mixed-use has become a growing sector for GBT as it seeks out new opportunities and places to locate its retail clients.

"Not too many years ago, mixed-use was something that lenders and tenants were fearful of and did not see the future viability of it," says Tomlin. "Today, it is one of the more favored asset classes, especially when it is done right by blending retail, entertainment and living components well. Today, you have to either create an environment — or seamlessly blend with the existing one — so that people are enticed to shop at the storefront — not online."

Value-Add

Always looking for opportunity, GBT is launching a value-add division in 2017. With many REITs and institutional owners selling off shopping centers in secondary and tertiary markets, GBT sees the opportunity to acquire some properties and add value through leasing or renovation.

In the first quarter, the company is working on the divisional structure and figuring how it will work with its existing construction and development departments before acquiring any assets.

"We run each of our divisions with a different set of employees," says Tomlin. "We see value-add as a natural fit to our company. We understand that business and we have relationships with many retailers in secondary and tertiary markets. We also know that many other retailers want to be in those markets as well."

GBT has researched the potential and the market for community and regional shopping centers in secondary, tertiary and suburban locations around larger markets. Tomlin believes GBT's value-add division will have the potential to acquire upwards of 100 centers over the next eight to 10 years.

"Many REITs have quality centers in secondary market locations that they would like to sell," says Tomlin. "Because they are owned by strong institutions, they have the strong tenants that we do business with. Because of our expertise and relationships, we know if the tenants are going to renew; and we know other tenants who are looking to enter new markets."

As a privately held company, GBT has no pressure to sell its developments in any given time frame. It does so based on market conditions for each property type and location. In core markets, the company has held most of its developments, placing permanent financing on them. The company generally holds properties in markets that it considers non-core for two to three years, then sells them in times when cap rates are favorable.

Flexibility has been one of the keys to GBT's success throughout the years. The company has followed the trends in retail, changing its development pursuits to fit the needs of retailers and to find more lucrative opportunities for itself.

"We are proud of our development track record over the past 30 years as well as our relationships with retail and community partners," says Tomlin. "Part of the reason that we've survived the peaks and valleys is that we are diversified. Even though we are primarily retail, the diversification of the product types within retail and the locations where we were willing to work helped us tremendously. That has withstood the test of time through the valleys." ■