

MIDTOWN RALEIGH NEWS JUNE 20, 2013

Kane plans 18-story office tower for Raleigh's North Hills

HIGHLIGHTS

Kane Realty plans to begin construction of an 18-story office tower at North Hills in December. The tower is part of a wave of new construction taking place at North Hills.

BY DAVID BRACKEN - DBRACKEN@NEWSOBSERVER.COM

Kane Realty plans to begin construction of an 18-story office tower at North Hills in December.

The \$82 million project, to be built on Six Forks Road between the 17-story CapTrust Tower and the First Citizens Bank building, will include 300,000 square feet of space and is expected to open in the fall of 2015.

The tower is part of a wave of new construction taking place in the section of North Hills east of Six Forks Road. Kane and Concord Hospitality Enterprises expect to open a \$40 million Hyatt House hotel next month, and Kane is also building a 214-unit apartment complex that will be built next to Harris Teeter and the Park & Market apartments.

The project is also a sign that developers are feeling more confident about demand for new space, after several years of a near moratorium on new office construction in the Triangle.

"There is a lot of demand and there's not much out there space-wise for Class A space over 25,000 square feet," said CEO John Kane. "We feel very confident that, bringing this to market now, it'll be very successful."

He said office space at North Hills is now about 98 percent leased.

Kane is moving ahead with the building despite not having any of the space preleased.

"We've got conversations going with a lot of different prospects but none to announce yet," he said.

Kane Realty is developing the project itself. The company had previously developed the 300,000-square-foot CapTrust Tower with Duke Realty.

CapTrust, which opened in 2009 during the depths of the recession, is nearly fully leased despite charging some of the highest rents in the Triangle. In February, the private equity firm KBS Realty Advisors acquired the building for \$98.4 million.

The price KBS paid, about \$328 per square foot, reflects how much value investors now place in office properties that are within walking distance of retail, residential and other amenities.

Kane said he expects to secure financing for the second North Hills tower shortly. Many office developers have had trouble securing financing without having a significant amount of the building pre-leased, but Kane said the lending environment has gotten better.

"It's actually improved pretty dramatically and there's a lot of capital resources out there looking for a home," he said. "We're having conversations with a number of them."

The North Hills tower is the third speculative office building to move ahead in recent months.

Dominion Realty Partners expects to break ground this fall on an 11-story, 225,000-square-foot building at the south end of Fayetteville Street in downtown Raleigh. And Duke Realty has begun construction on a five-story, 206,000-square-foot building at Perimeter Park in Morrisville.

