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Memphis Business Journal

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Lease deal puts UTMG on 7 floors

Group heads to Midtown tower

Memphis Business Journal - by [Andy Ashby](#)

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The largest office lease so far in 2009 has occurred in one of the least-likely submarkets: Midtown.

UT Medical Group, Inc., is consolidating its administrative offices by signing a 10-year, 80,000-square-foot office lease at 1407 Union, formerly Mid-Memphis Tower.

The organization, which is the not-for-profit, private practice arm of the University of Tennessee Health Science Center, will be moving 300 employees to the new space.

Its human resources department will be the first to move to 1407 Union, probably by July 1, with all departments in by the end of the year.

No clinical operations will be moved into the new space.

"It's something we need to do for good business reasons," says Steven Burkett, president and CEO of UT Medical Group.

UT Medical Group's administrative support functions are currently in five office locations: 66 N. Pauline, 70 N. Pauline, 1910 Nonconnah, 930 Madison and 1399 Madison.

"They'll all be able to be in one building and it will certainly increase our administrative and managerial efficiencies," Burkett says. "It will make it easier to communicate with people because we'll get to do a lot more face-to-face communication rather than calling on the telephone or traveling around town."

The new office lease will save UT Medical Group money compared to renovating existing office or building new office space, according to Burkett. It's also close to UTHSC.

"It came out to be the best choice economically and it had a lot of the opportunities we wanted to achieve in terms of communication and efficiencies," Burkett says. "All of that put together made it a good choice for our employees."

TRO Jung Brannen is designing UT Medical Group's new space.

Local real estate broker John Snyder represented UT Medical Group in the lease negotiations, while Investec Realty Services LLC principal broker Anthony Lopes and senior director of leasing Michael Donahoe were the landlord representatives.

1407 Union is a 16-story office building with 212,767 rentable square feet.

UT Medical Group will occupy roughly 40% of the building.

Other major offices tenants in the building include: the U.S. Department of Veteran Affairs, which leases 16,870 square feet; a branch of the Equal Employment Opportunity Commission, which leases 16,707 square feet; and Amerigroup Corp., which leases 9,000 square feet.

The building has an attached seven-story parking garage with 540 spaces.

New York-based DRA Advisors and Investec Realty Services bought the building in February 2007 for \$14 million.

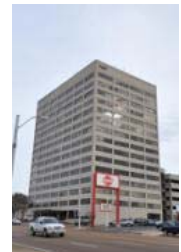
"We saw the building as a value-added opportunity," Lopes says. "We knew we were going to have to put money into the building to get it up to the type of building that DRA Advisors is used to owning."

DRA also owns a majority of the 530,000-square-foot Germantown Park office development in East Memphis, formerly known as The Koger Center.

More than \$700,000 in capital improvements have been made to 1407 Union since 2007, including remodeled lobby, bathrooms and common areas; renovated elevators; new building signage and tenant identification board; upgraded HVAC systems; added ADA compliant sliding entrance door; and new security systems.

"We feel like this building is the class of the Midtown submarket," Donahoe says. "We and DRA Advisors felt that if we came in and managed the building properly, we could attract a quality tenant."

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UT Medical Group has the option of putting its signage up. It will take up the first seven floors.

"Some tenants on those floors will either relocate within the building or move out of the building," Lopes says.

The UT Medical Group lease brings the building to 86% occupancy.

"Having a high-quality tenant like this should help us secure additional leases in the building," Lopes says.

The overall Midtown submarket consists of 272 office buildings with 3.6 million square feet of rentable space, according to CoStar Group, Inc.'s year-end report.

The submarket has an overall 8.6% vacancy rate and experienced 92,368 square feet of positive absorption for full-year 2008.

The average asking lease rate for the submarket is \$14.94 per square foot.

UT Medical Group, Inc.

Medical group practice

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Support staff: 725

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