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Developer of 3-tower Hillsborough Street project talks timeline, plans

By Ben Graham | Feb. 20, 2019



The first phase of the redevelopment at 301 Hillsborough St. includes a 20-story tower.

The developers behind downtown Raleigh's latest tower proposal are planning to do something that has proven tricky in the Triangle: build without tenants lined up beforehand.

The Fallon Company Chief Investment Officer Michael Fallon says the firm plans to build the first phase of its 301 Hillsborough St. project as a speculative development.

The initial phase includes a 20-story tower and more than 270,000 square feet of office space, along with ground-floor retail.

The Boston-based firm, new to the Triangle, has the ability to provide its own capital for large projects and is aiming to begin construction on its first Raleigh development in September.



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Instances of large, speculative office development are currently rare in the Triangle. The few examples include Dominion Realty Partners' Wade V office building and Kane Realty Corp.'s Tower 4 at North Hills, which has already inked IAT Insurance as a tenant since construction began.

The Fallon Company's project is set to rise on a prominent corner of downtown Raleigh, just two blocks west of the state Capitol. Newly released renderings show a building towering above Hillsborough and Dawson streets, with a glass façade that is curved inward. Fallon called it a "trophy" building on a "trophy" corner. The base of the building will also feature a public lobby, with the goal of connecting the building to the surrounding neighborhood.

"This building is going to have a ton of character," Fallon says. "There's nothing like it in the city."

The Fallon Company bought the 1.85-acre property last year from an ownership group that included the Lundy Group and Hyde Street Holdings, paying \$17 million. While the Fallon Company has scrapped the plans of the prior owners, the firm has kept the multitower aspect of the development.

The company's plans include three towers. In addition to the Phase 1 office project, later phases are slated to include two 19-story buildings, one for lodging and another for residential. A parking deck serving all three buildings will be constructed as part of the first phase and integrated into the office building. The total development will be nearly 1 million square feet. By comparison, the Wells Fargo Capital Center is 551,000 square feet.

As a new player in the market, the company decided to build within the existing zoning allowances, rather than seek more density through a rezoning request with the City Council. "We didn't want to send a message that we're bullying our way through," Fallon says.

While the Fallon Company is continuing to push its 301 Hillsborough St. project toward groundbreaking, the firm is already eyeing more investment in the urban centers of Raleigh and Durham. Fallon says the firm has "several offers" out on properties in both cities.

The company is hoping to move quickly on its 301 Hillsborough St. project, given the market's position in the current economic cycle. "I think right now we're in extra innings," Fallon says.

To manage risk, companies balance the kinds of projects they build across their portfolios. Given its portfolio makeup elsewhere, the Fallon Company had room



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for more speculative office construction, which is what has led to the push to begin construction on the initial phase of the 301 Hillsborough St. project, Fallon says.

CBRE Raleigh is handling leasing for the building. Construction is expected to wrap up in the fourth quarter of 2021.

The company was founded by Joseph Fallon in 1993 and got its start in Boston, developing more than \$5 billion in real estate, representing more than 6 million square feet of property, according to its website.

The firm entered the Charlotte market in 2016 with its Strawn Cottages project in the city's South End.