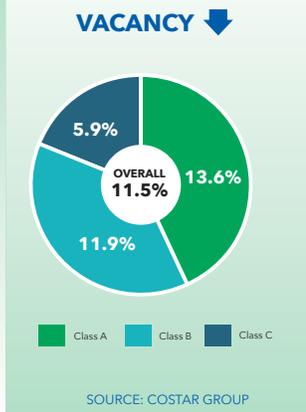
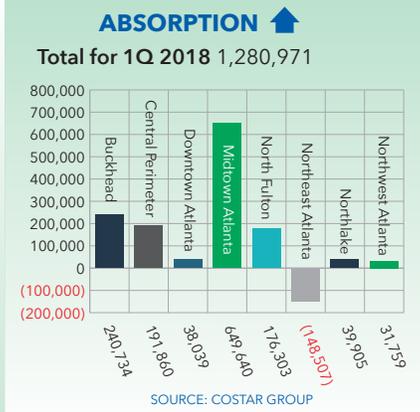




Q1 2018 MARKET REPORT

THE NUMBERS

Office **Rental Rates** continued to increase as the average quoted rental rate for Class A buildings was \$28.36/RSF at the end of the first quarter, with Midtown leading the way at \$36.36/RSF, followed by Buckhead at \$33.71/RSF, \$29.42/RSF in Central Perimeter and \$26.53/RSF in the Northwest/Cumberland submarket. **Positive Net Absorption** for the first quarter of 2018 totaled 1,280,971 RSF, and **Vacancy** rates declined to 11.5%. By submarket, Midtown vacancies were 7.7%; 10.7% in North Fulton; 14.2% in Central Perimeter; and 12.5% in Buckhead.



**TRENDING NOW
FOOD HALLS**

Food halls at **Ponce City Market** and **Krog Street Market** have been huge successes driving developers to explore the food hall concept in multiple locations around the city. One of the most notable is **The Daily** to be located on the old Varsity site at Northwinds in Alpharetta. Leases are being finalized on three of the five restaurants around a central courtyard. Food halls typically provide a higher quality food product than traditional mall food courts with a central location for community and rarely include fast food options. Krog

Street developer, George Banks, describes food halls as ‘a high-energy, all-day, elevated dining restaurant cluster’. **The Canteen** is a mini-food hall scheduled to open soon at **Tech Square** to include four restaurants in 4,000 square feet. The largest may be **Colony Square’s** new food hall being developed by North American Properties, responsible for the huge success of Avalon. Office tenants are now demanding multiple walkable food options as part of their search requirements. Sandwich shops in office buildings just don’t offer the same atmosphere. In addition, Fooda, Grubhub, UberEATS and food trucks are bringing multiple food options to office tenants in locations that can’t support a food hall.



Krog Street Market

WEST MIDWEST Expanding

What began with the revitalization of the **King Plow Co.** building on West Marietta Street in the early 1990’s and followed in the late 1990’s with the adaptive reuse of the **Carriage Works** buildings on Means Street into loft offices has spread throughout what is now referred to as West Midtown. The gentrification of the area is moving so fast that it’s hard to determine where it ends. The success of **Westside Provisions** on Howell Mill and the **Brickworks** on Marietta Street, among others, has attracted major investment to the area. Several new projects have been announced recently including

The Interlock, a \$140 million mixed-use development at Howell Mill & 14th Street, comprised of a 6-story, 200,000 RSF office building, 90,000 square feet of retail, up to 400 residences and a hotel. In addition, Star Metals, a \$210 development at Howell Mill and 11th Street, will include a 14-story, 185,000 square foot office tower, 30,000 square feet of retail and 400 residential units. Finally, **The Works**, a huge adaptive reuse project on 80 acres on Chattahoochee Avenue owned by Selig Development, contains more than 40 buildings which will take 5-10 years to develop but will totally revitalize the area.

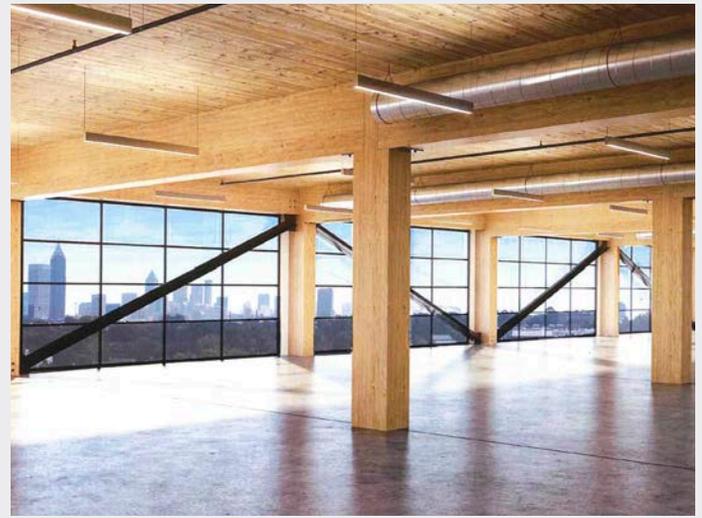


The Interlock



TIMBER, TRANSIT & TECHNOLOGY

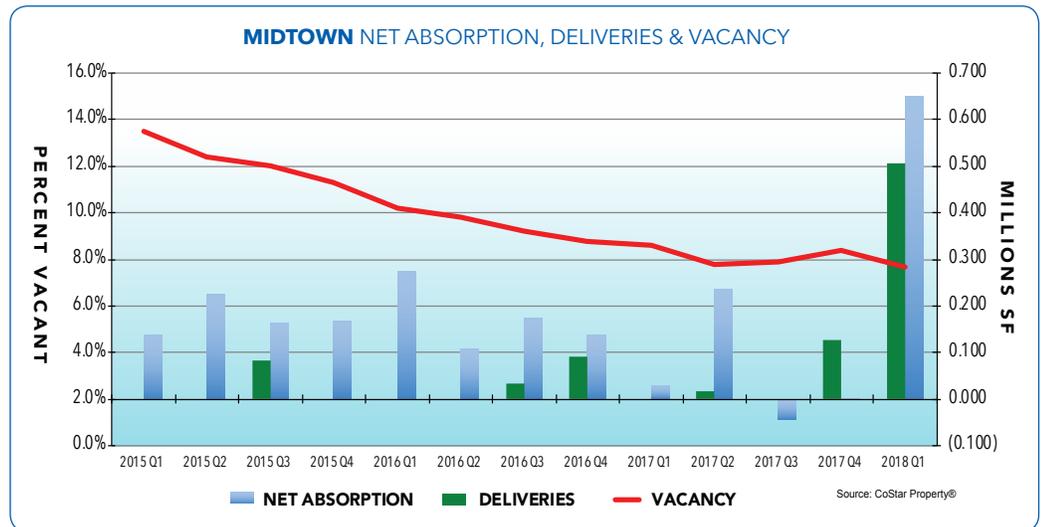
Hines and Invesco Real Estate announced they are moving forward to construct a new spec 205,000 RSF office building at **Atlantic Yards** across from Atlantic Station known as **T3 West Midtown**. T3 stands for timber, transit and technology and is a new concept to Atlanta. The idea is to offer the charm of an old brick and timber warehouse with 11' high exposed timber ceiling beams and columns using heavy timber rather than concrete giving it a very natural look and feel to appeal to technology companies. The building will also include a roof-top deck for T3's tenants. This will be the first totally-spec office building in Midtown in years and is driven by strong demand for office space and the significant increase in rental rates in the Midtown market. Greenstone Properties has implied they are proceeding with a 250,000 RSF, ten-story spec office building at 14th Street and Spring Street but no official announcement has been made. With all the demand in the area it will be surprising if someone else doesn't go spec before the end of the year.



SUBMARKET FOCUS - MIDTOWN

Midtown is easily the hottest submarket in the metro Atlanta area with 649,640 RSF of positive net absorption (PNA) in the first quarter of 2018 led by the completion and occupancy of the **NCR** headquarters building totaling 485,000 RSF. The building connects to **Tech Square** adding significant appeal to the area. Midtown's absorption represents 55% of the total PNA for the first quarter for the entire metro Atlanta area. In addition, the new 760,000 RSF CODA building at Tech Square is already 66% preleased with the announcement of the new 52,000 RSF **WeWork** lease and is expected to be delivered in the 1st quarter of 2019. Construction has begun on the new 21-story, 352,000 RSF, **Anthem Technology Center** located adjacent to CODA at 4th Street and West Peachtree with a projected completion in the first quarter of 2020. Both are being developed by Atlanta's Portman & Associates. A total of nearly 2.3 million square feet is under construction in Midtown which represents 54% of all construction in the metro area. Midtown's office vacancy declined to 7.7%, the lowest this century.

For the first time, Midtown passed Buckhead as the most expensive submarket in the metro area with average quoted office rents of \$34.12/RSF compared to \$32.66/RSF in Buckhead. Midtown is the only market in Atlanta with quoted rents over \$50.00/RSF as both Ponce City Market and CODA surpassed the \$50.00 mark. Midtown is also the focus of much of the speculation as the possible location of the Amazon HQ2 site if Atlanta is selected. While the Gulch offers more land, Midtown, with Tech Square, is probably the best offering for the city. Another major development is the decision by AT&T to vacate their 46-story tower on West Peachtree which could add approximately 1.9 million square feet to the market. The building will require a significant investment and an architectural overhaul to make it appealing in today's market.



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