



**Q2 2017 MARKET REPORT**

**THE NUMBERS**

Office **Rental Rates** continued to increase throughout Atlanta with Class A rents reaching \$34.42/RSF in Buckhead, \$31.53/RSF in Midtown, and \$29.00/RSF in Central Perimeter. Positive **Net Absorption** was 617,490 RSF in the second quarter however **Vacancy** rates remained unchanged at 12.1% due to the delivery of 1,544,925 RSF of new construction in Q2 including Three Alliance Center and 8000 Avalon. This was the most space delivered in a single quarter since 2008.

**RENTS** ↑



SOURCE: COSTAR GROUP

**ABSORPTION** ↑

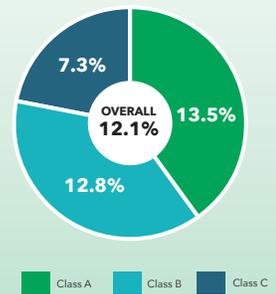
2Q 2017: 617,490



SOURCE: COSTAR GROUP

**VACANCY** ↔

Unchanged



SOURCE: COSTAR GROUP

**TRENDING NOW  
OFFICE MARKET FORECAST**

Customarily, about 4.3 million square feet of new office space has been added to the Atlanta metro market on an annual basis. However, from 2011 - 2016 only about one million square feet of new inventory was added annually. Further, a number of older office buildings, primarily in Midtown and Downtown, have been replaced with apartments and hotels resulting in only a net gain of approximately 500,000 square feet annually. When you combine the lack of deliveries with job growth that has been outperforming the national average since 2012, vacancies have naturally

compressed below the historical average and rents have rebounded strongly, especially in core submarkets. Less than 3 million square feet is expected to deliver in 2017, which means the 12-month deliveries will remain well below the historical average. Based on these factors, Atlanta's office fundamentals are expected to remain strong and landlords will continue to increase rental rates while reducing tenant improvement allowances and rent concessions.

Further, Atlanta's competitive advantage over other major US cities help attract new companies to Atlanta. Atlanta office rents are 15% lower than Chicago, 40% less than Los Angeles and 60% below New York rental rates.

SOURCE: COSTAR GROUP



**TRANSFORMING COMMUNITIES**

**ATLANTA BELTLINE**

The Atlanta Beltline is the most comprehensive transportation and economic development effort ever undertaken in the City of Atlanta. The 22-mile loop of transit, trails and parks will encircle the City of Atlanta following an historic railroad corridor, ultimately connecting 45 intown neighborhoods and linking 2,000 acres of green space throughout the city. Since inception in 1999, over

\$450 million in public and private funds have been invested and the Beltline has spurred \$3.7 billion in private redevelopment with the goal to generate \$10-20 billion over 25 years.

The Beltline has been the impetus to transform neighborhoods along its path attracting new residential, retail and loft-office developments, making intown Atlanta more attractive for people seeking a true urban living ex-

perience, which is especially appealing to a younger workforce. The success of Ponce City Market has been the Beltline's most visible success story with 24% of its visitors coming from the Beltline while their loft offices and retail command some of the highest rental rates anywhere in the Metro area. The impact on Midtown and Downtown Atlanta over the next 20 years is immeasurable.



The City of Alpharetta is home to 643 technology companies and one of the most robust and redundant fiber and power fiber infrastructure networks in the Southeast. Known as the “Technology City of the South”, the City formed the **Alpharetta Technology Commission (ATC)** in 2012, and the ATC is led today by its CEO, Karen Cashion. Karen is also the founder and Chairman of the Greater Alpharetta Tech Network (GATN), the leading technology organization in the Greater Alpharetta area.

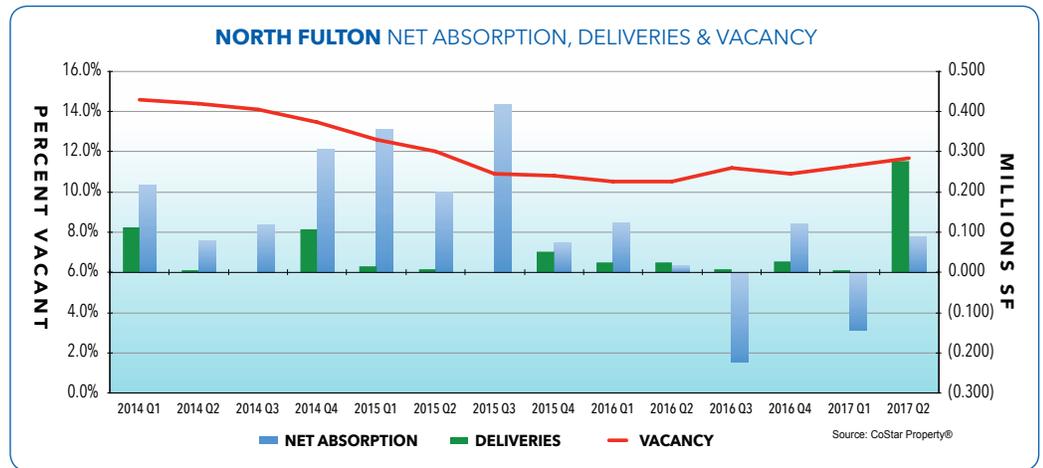
ATC’s mission is to inspire growth in technology and innovation in Alpharetta. To support the growth of tech startups in the area, the ATC opened its Innovation Center in 2015. Today, the ATC Innovation Center is a flourishing incubator with 56 tech startups, including biotech, cyber security, IOT, AI, healthcare IT, machine learning, data analytics, workflow, autonomous vehicle technology, and many other innovators. The Innovation Center offers on-site mentoring, educational and networking programs, and venture capital firm, Eleven-Eleven Investments, is based there as well.

The Innovation Center, located on Webb Bridge Road just north of Avalon, offers a variety of options to its tech startup members, including private offices and co-working spaces, with both dedicated desks and hot desks, conference rooms, lounge areas and communal tables. For more information about the ATC or the Innovation Center, please go to [www.innovatealpharetta.com](http://www.innovatealpharetta.com).

## SUBMARKET FOCUS - NORTH FULTON

Even though the North Fulton submarket experienced positive net absorption of 87,545 square feet in Q2, vacancies actually increased slightly from 11.3% to 11.7% due to the delivery of new office space to the market, namely the 8000 Avalon building. Because no tenants occupied the building prior to the end of Q2, statistically, it delivers as a totally vacant building.

The incredible demand for space in the new 9-story, 8000 Avalon building continues to be the big story in the North Fulton office market. The 228,000 square foot building is virtually 100% committed with a number of disappointed prospects hoping to lease space in the second and last office building at Avalon. The top two floors are fully leased including Microsoft’s 43,000 square feet while Crown Castle is taking two additional floors totaling 56,000 square feet and Spaces (Regus’ creative co-working concept) is leasing 34,000 square feet on the first and second floors. Another, 2-floor, 56,000 square foot lease will be announced in the next few weeks. Other tenants include BitPay and MuleSoft, leasing a total of over 20,000 square feet. These and other companies will be occupying the building throughout the remainder of the year. The next building, 10000 Avalon, has been announced and is expected to be similar in size to 8000 Avalon and delivered by the end of 2018 as a spec office building like 8000. Rents are projected to exceed \$40.00 per square foot which further confirms that Avalon has become “Main and Main” in the North Fulton corridor.



As we move into the later part of the year, interconnected, pedestrian friendly retail and office developments will continue to move to center stage. The North Fulton market is expected to experience the largest job growth in Atlanta over the next 20 years so communities, governments and real estate developers will continue to look at solutions that will assist in that growth including public-private partnerships leading to developments like the Alpharetta City Center. The City Center contains mostly restaurants and retail shops however new, smaller office developments are expected to be built nearby due to all the walkable amenities.

