



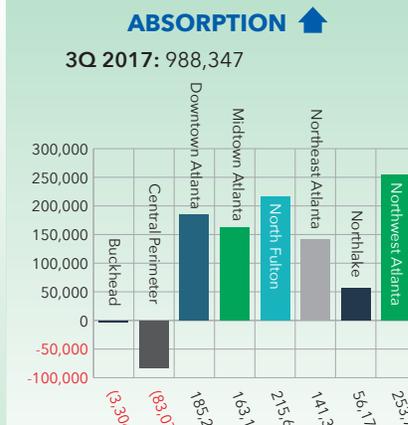
Q3 2017 MARKET REPORT

THE NUMBERS

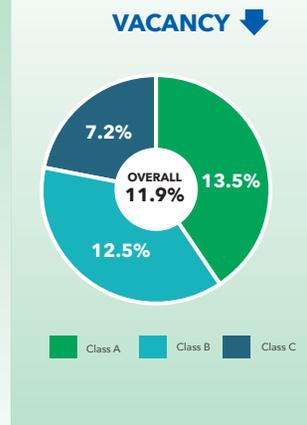
Office **Rental Rates** increased from \$27.74/RSF to \$27.88/RSF in Class A space with the market average increasing from \$22.78/RSF to \$22.97/RSF. Currently Class A rents are \$34.04/RSF in Buckhead, \$32.84/RSF in Midtown, and \$28.76/RSF in Central Perimeter. Positive Net **Absorption** reached 988,347 RSF through the third quarter and **Vacancy** rates declined to 11.9% from 12.1%.



SOURCE: COSTAR GROUP



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TRENDING NOW

Does Atlanta really have a chance to attract Amazon's huge HQ2? The economic benefits of landing the largest office requirement in many years are incredible with potential for 50,000 well-paying jobs and a \$5 billion investment. With Amazon's size, they only have to whisper the details of the requirement and most every major city east of Seattle is in hot pursuit with incentives that will be unprecedented. Moody's Analytics made a data-driven attempt to determine the location best suited for Amazon and ranked the Sandy Springs-Roswell area as the second most ideal location in the country, only behind Austin-Round Rock, TX.

The criteria used included the business environment, human capital, cost, quality of life and transportation. In addition, an Arizona-based site selection expert says, "Atlanta checks all the boxes." The time-zone diversity, the busiest airport in the country and the strong tech community also are pluses for Atlanta. Regardless of where HQ2 locates, Atlanta will be a winner. Amazon already has multiple locations in the Atlanta area and recently announced that our city has been selected as one of 12 regional hubs for the company.



TECH SQUARE: "HOTBED OF INNOVATION"

Anthem announced plans to sign a build-to-suit agreement with Portman Holdings to build a new 21-story, 352,000 square foot IT center adjacent to the new Coda Building at Tech Square at 4th Street and West Peachtree. The healthcare benefits giant will house about 3,000 employees in the new building. Tom Miller, Anthem's CIO called Tech Square a "hotbed of innovation". While choos-

ing to build a new building versus lease existing office space will cost Anthem \$10-15 per square foot more in rent, Miller stated that "the difference isn't that great especially when we consider the productivity that we're going to gain by building a collaborative space." This is another big win for Tech Square which already includes the world headquarters of NCR, more than a dozen innovation

centers for some of Atlanta's largest companies, the Advanced Technology Development Center (ATDC) and a strong presence for Georgia Tech. Tech Square is clearly the center of technology in Atlanta and only expected to gain more momentum with Anthem's new building.



BUCKHEAD'S MORATORIUM

Atlanta's Mayor, Kasim Reed, recently signed an executive order placing an immediate and unprecedented moratorium on developers applying for new projects in parts of Buckhead. The moratorium is in effect while a proposed ordinance aimed at reducing the number of parking spaces developers can build as part of their projects undergoes public review, according to a press release.

The law proposes to create the 'Buckhead Parking Overlay District,' an area where the maximum number of parking spaces — for retail, office, lodging, and residential buildings — would be reduced to what's allowed in downtown Atlanta. The boundaries would include Peachtree Road and "high-density environs between I-85 and the city limit." The exception to the moratorium is to applicants who conform to the proposed new parking ratios, but the amount of parking spaces or exact boundary limits were not announced. The reductions were prompted by an analysis of development patterns and projections in Buckhead's commercial core.

This is not good news for tenants in Buckhead as parking is already inadequate for the high density requirements of tech companies. With Buckhead's only new building in this cycle, Three Alliance Center, 80% leased and rates now in the range where new construction makes sense, no new construction can be approved.



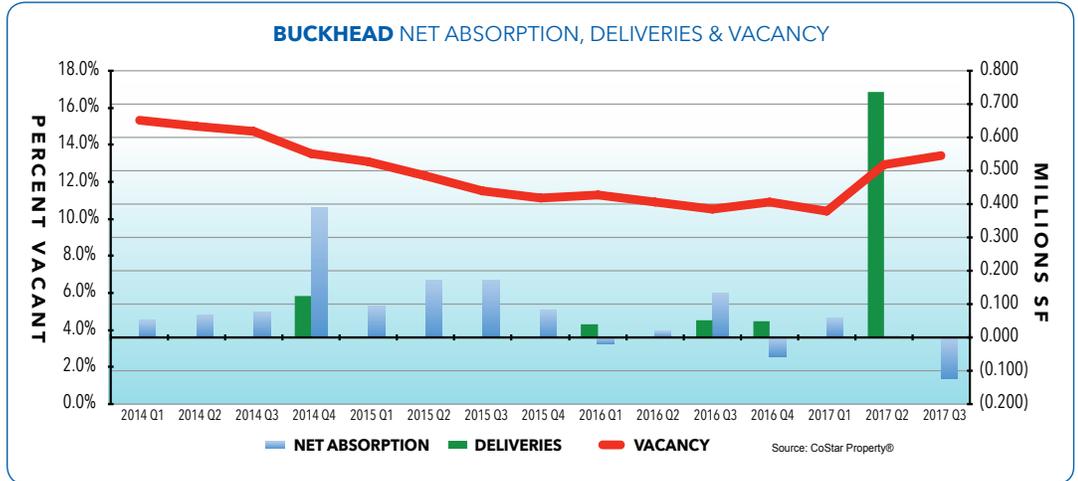
SUBMARKET FOCUS - BUCKHEAD

Even though the Buckhead office market has shown a negative net absorption of 3,304 square feet over the first three quarters of 2017 and vacancy rates have increased from 10.9% to 13.4% since year-end 2016, the Buckhead submarket is still strong. Average quoted rental rates are \$32.77 per square foot, over \$2.00 per square foot higher than Midtown. More than 700,000 square feet of new office construction has been delivered in Buckhead this year including the 506,000 square foot Three Alliance Center building.

The new delivery skews the vacancy numbers until the building is occupied. Three Alliance is 80% leased with strong credit tenants and is expected to attract the highest sales price/square foot of any office building in Atlanta's history. The largest contiguous space remaining is 51,000 square feet and rental rates range from \$45-47/square foot.

The current moratorium on new development will result in higher rental rates as existing supply dwindles and demand remains strong. There are only two existing buildings currently in Buckhead who can accommodate a requirement for 100,000 square feet of contiguous space. This will force larger tenants to consider other markets, possibly outside of Atlanta if no new construction is permitted.

Buckhead is going through a transformation and recently completed its first master plan in over 15 years. Much has changed and Buckhead has a far better walkable environment than before with thousands of new multifamily residential units convenient to retail and office developments. However, it is estimated that over 90% of those working in Buckhead commute from other parts of the city so traffic and parking are its greatest challenges. The plan continues to include the nine-acre, \$250 million signature bridge-park creating green space over a half-mile section of GA 400.



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