

**Total Inventory**  
312,337,030

**Overall Vacancy** —  
11.5%

**Net Absorption\*** ↓  
1,727,870

**Under Construction** ↓  
3,856,488

**Total Deliveries\*** ↑  
1,964,833

**Average Lease Rate** ↑  
\$23.93

## KEY TAKEAWAYS

- Metropolitan Atlanta's Office Market remains healthy, with 1.7M SF absorbed during the first six months of 2018. While most submarkets show improved fundamentals, the Northeast Atlanta submarket continues to struggle.
- Midtown accounted for 24% of our regions absorption totals, and 56% of Atlanta's under construction inventory as of mid-year. Developers continue to deliver product where they forecast tenant demand, evidenced by Hines (T3 West Midtown), Portman (Coda Building) and New City (725 Ponce).
- Base rates continue to rise, illustrating steady tenant demand and escalating construction pricing, with premium Class A rates at or about \$43.00/SF gross in Midtown and Buckhead. While four percent (4%) increases annually are commonplace regionally, submarkets such as Central Perimeter, Northeast Atlanta and Johns Creek have seen stagnant value enhancement due to challenging leasing conditions. It appears the rising tide is not lifting all ships.
- Office investment demand remains strong for Class A property, evidenced by sales transactions for Three Alliance Center (\$532/SF), Concourse Corporate Center (\$212/SF) and 11700 Great Oaks (\$170/SF). Class B offerings, however, have not produced as much interest, with stabilized projects selling at cap rates north of 7.5%. With the cost of debt rising, we do not forecast any further cap rate compression.



## METRO ATLANTA REPRESENTATIVE SALES ACTIVITY

### INVESTMENT SALES

Three Alliance Center <i>Purchased by State of Florida Pension on 01/05/18</i>	506,647 SF	\$532.92/SF
Pershing Point Plaza <i>Purchased by Dilweg Companies on 03/02/18</i>	409,579 SF	\$183.11/SF
100/200 Glenridge Point <i>Purchased by Richmond Honan on 05/24/18</i>	185,402 SF	\$237.32/SF

### OWNER/USER SALES

4300 North Point Parkway <i>Purchased by LG Electronics on 04/16/18</i>	60,000 SF	\$116.67/SF
1785 The Exchange <i>Purchased by Exchange Hub on 01/10/18</i>	44,054 SF	\$80.00/SF
5830 East Ponce De Leon <i>Purchased by Baytree Landscape on 03/21/18</i>	26,752 SF	\$92.20/SF

# ATLANTA OFFICE MARKET

## KEY METRO ATLANTA SUBMARKETS

MID YEAR 2018

### BUCKHEAD

	CURRENT	PREVIOUS TIME PERIODS		CHANGE
VACANT SF	3,013,229	Year End '17	3,168,474	(4.90%)
		Mid-Year '17	3,136,064	(3.92%)
SF UNDER CONSTRUCTION	0	Year End '17	120,757	(120,747)
		Mid-Year '17	139,275	(139,275)
RENTAL RATE	\$32.48	Year End '17	\$32.08	+\$0.40
		Mid-Year '17	\$32.86	(\$0.38)
ABSORPTION SF	276,002	Year End '17	(13,892)	+289,894
		Mid-Year '17	56,888	+219,114
DELIVERIES	120,757	Year End '17	18,518	+102,239
		Mid-Year '17	664,323	(543,566)

- Metropolitan Atlanta's financial submarket started 2018 well, posting 276,002 SF of absorption through mid-year.
- The submarket's vacancy dropped accordingly, to 12.6%.
- Three Alliance Center set an Atlanta sales record with its January 2018 closing at \$532/SF.

**ACTIVITY:** Coyote Logistics occupied 48,000 SF at 255 Ottley Drive; Preferred Apartments expanded to 86,000 SF at The Medici; Peachtree Hotel Group relocated into 20,000 SF at One Alliance Center.

- Better times returned to the region's corporate office submarket, which absorbed 329,172 SF during the past two quarters.
- Despite strong leasing performance, Central Perimeter's vacancy rate rose slightly to 13.8%, due to deliveries of 4004 Perimeter Summit and One Mercedes Drive.
- This submarket ranked second only to Midtown Atlanta in mid-year 2018 absorption performance.

**ACTIVITY:** Mercedes-Benz occupied their 225,000 SF North American Headquarters at One Mercedes-Benz Drive; Hodges-Mace relocated into 59,200 SF at Lakeside Office Park; Veritas committed to 42,000 SF at 41 Perimeter Center East.

### CENTRAL PERIMETER

	CURRENT	PREVIOUS TIME PERIODS		CHANGE
VACANT SF	4,746,299	Year End '17	4,495,221	+5.59%
		Mid-Year '17	4,372,885	+8.54%
SF UNDER CONSTRUCTION	670,000	Year End '17	1,250,250	(580,250)
		Mid-Year '17	1,270,966	(600,966)
RENTAL RATE	\$27.26	Year End '17	\$26.51	+\$0.75
		Mid-Year '17	\$26.81	+\$0.45
ABSORPTION SF	329,172	Year End '17	(101,620)	+430,792
		Mid-Year '17	(17,996)	+347,168
DELIVERIES	580,250	Year End '17	0	+580,250
		Mid-Year '17	15,402	+564,848

### DOWNTOWN

	CURRENT	PREVIOUS TIME PERIODS		CHANGE
VACANT SF	3,671,602	Year End '17	3,967,713	(7.31%)
		Mid-Year '17	4,142,917	(11.38%)
SF UNDER CONSTRUCTION	229,300	Year End '17	229,300	0
		Mid-Year '17	229,300	0
RENTAL RATE	\$25.73	Year End '17	\$25.19	+\$0.54
		Mid-Year '17	\$24.06	+\$1.67
ABSORPTION SF	296,111	Year End '17	175,204	+120,907
		Mid-Year '17	30,791	+365,320
DELIVERIES	0	Year End '17	0	0
		Mid-Year '17	0	0

- The region's first office submarket continues to rebound, registering 296,111 SF absorbed during the past six months.
- Downtown Atlanta's vacancy rate dropped for the fourth straight quarter, to 10.1% as of Mid-Year.
- Four loft conversion projects under development, totalling 230,000 SF, should not materially impact this submarket matrix in the near term.

**ACTIVITY:** Hall, Booth Smith expanded to 76,000 SF at 191 Peachtree Street; Anthem Group committed to 148,000 SF at Bank of America Plaza; CH Robinson relocated into 20,000 SF at Centennial Tower.

# ATLANTA OFFICE MARKET

## KEY METRO ATLANTA SUBMARKETS

MID YEAR 2018

- Atlanta's hip office submarket led the region with 419,074 SF of absorption through mid-year 2018.
- Projected tenant demand has produced more than 500,000 SF of recently delivered inventory, resulting in an increased vacancy rate of 8.6%.
- With more than 2.1 Million SF of office development under construction, we project softening in Midtown through 2020.

**ACTIVITY:** Reliance Worldwide relocated into 80,000 SF at Defoor Hills; Interface, Inc. occupied 40,000 SF at 1280 West Peachtree; WeWork expanded into 65,000 SF at 100 Colony Square.

## MIDTOWN

	CURRENT	PREVIOUS TIME PERIODS	CHANGE	
VACANT SF	2,092,721	Year End '17	2,010,146	+4.11%
		Mid-Year '17	1,964,584	+6.52%
SF UNDER CONSTRUCTION	2,167,060	Year End '17	2,090,209	+76,851
		Mid-Year '17	1,917,122	+249,938
RENTAL RATE	\$34.97	Year End '17	\$32.16	+\$2.81
		Mid-Year '17	\$28.90	+\$6.07
ABSORPTION SF	419,074	Year End '17	81,438	+337,636
		Mid-Year '17	266,591	+155,483
DELIVERIES	505,149	Year End '17	127,000	+378,149
		Mid-Year '17	17,000	+488,149

## NORTH FULTON

	CURRENT	PREVIOUS TIME PERIODS	CHANGE	
VACANT SF	4,065,997	Year End '17	3,889,122	+4.55%
		Mid-Year '17	4,122,688	(1.38%)
SF UNDER CONSTRUCTION	438,211	Year End '17	730,886	(292,675)
		Mid-Year '17	817,936	(379,725)
RENTAL RATE	\$22.50	Year End '17	\$22.03	+\$0.47
		Mid-Year '17	\$21.85	+\$0.65
ABSORPTION SF	141,300	Year End '17	344,586	(203,286)
		Mid-Year '17	44,950	+96,350
DELIVERIES	318,175	Year End '17	104,460	+213,715
		Mid-Year '17	290,960	+27,215

- Demand for space continues in North Fulton, which posted absorption of 141,300 SF for the first six months of 2018.
- This submarket's vacancy rate remained steady at 10.9%, given the delivery of 318,175 SF during the same period.
- 10000 Avalon will break ground 3rd quarter, with significant preleasing activity, with AXIS Insurance having committed to 76,000 SF.

**ACTIVITY:** Ultimate Software committed to 55,000 SF at Royal Centre Four; Milend purchased 52,000 SF at 8995 Westside Parkway; Halyard Health expanded into 205,000 SF at 5405 Windward Parkway.

- Driven in part by NCR's relocation to Midtown, this submarket registered (292,926 SF) in absorption since year end.
- Appropriately, Northeast Atlanta's vacancy rate rose 1% to 16.0% over the past six months.
- Industry observers hope that North American Property's Revel development off Sugarloaf Parkway will reinvigorate interest in this section of Atlanta.

**ACTIVITY:** Horizon Software leased 29,000 SF at 2850 Premiere Parkway; Navicure committed to 52,000 SF at Sugarloaf Overlook; Prototype Prime occupied 25,000 SF at 147 Technology Parkway.

## NORTHEAST

	CURRENT	PREVIOUS TIME PERIODS	CHANGE	
VACANT SF	5,794,593	Year End '17	5,473,665	+5.86%
		Mid-Year '17	5,656,986	+2.43%
SF UNDER CONSTRUCTION	110,354	Year End '17	81,946	+28,408
		Mid-Year '17	107,546	+2,808
RENTAL RATE	\$17.86	Year End '17	\$17.24	+\$0.62
		Mid-Year '17	\$17.07	+\$0.79
ABSORPTION SF	(292,926)	Year End '17	223,321	(516,247)
		Mid-Year '17	94,934	(387,860)
DELIVERIES	28,002	Year End '17	40,000	(11,998)
		Mid-Year '17	107,944	(79,942)

# ATLANTA OFFICE MARKET

## KEY METRO ATLANTA SUBMARKETS

MID YEAR 2018

### NORTHWEST

	CURRENT	PREVIOUS TIME PERIODS		CHANGE
VACANT SF	6,339,393	Year End '17	6,310,162	+0.46%
		Mid-Year '17	5,970,912	+6.17%
SF UNDER CONSTRUCTION	8,641	Year End '17	263,800	(255,159)
		Mid-Year '17	832,512	(823,871)
RENTAL RATE	\$22.70	Year End '17	\$21.75	+\$0.95
		Mid-Year '17	\$21.44	+\$1.26
ABSORPTION SF	228,769	Year End '17	235,262	(6,493)
		Mid-Year '17	271,552	(42,783)
DELIVERIES	258,000	Year End '17	512,878	(254,878)
		Mid-Year '17	404,933	(146,933)

- Northwest Atlanta continues to enjoy the scarcity of space in Kennesaw and the new amenities provided by The Battery while notching 228,769 SF of absorption.
- This submarket's vacancy has held steady at 12.3% for the past four quarters.
- ThyssenKrupp Elevator America's announced a 155,000 SF headquarters and innovation center along I-285 near SunTrust Park.

**ACTIVITY:** Synovus Bank occupied 107,000 SF at 3400 Overton Park; Public Broadcasting Atlanta moved into 44,000 SF at Cobb Business Center; Aveanna Healthcare leased 61,000 SF at Platinum Tower.

## LAVISTA ASSOCIATES, INC. REPRESENTATIVE OFFICE TRANSACTIONS

### SALE TRANSACTIONS

**John Cape** represented Satilla Capital in the sale of 2251 Lake Park Drive, a 34,000 SF building in Smyrna.

Representing the Purchaser Adkins Law Group, **Tom Hunter** brokered the sale of 1629 Monroe Drive in Atlanta.

**John Cape**, representing the Seller Capkey Gates, facilitated the 12,000 SF investment sale at the Gates of Sugarloaf in Suwanee.

### LEASE TRANSACTIONS

**Rush Bradley** represented Consulate Health Care on their 24,000 SF headquarters relocation to Crown Pointe in Dunwoody.

Representing The Weatherspoon Agencies, LLC, **Joe Gonsalves** brokered a 9,000 SF lease at Chattahoochee Office Park in Duluth.

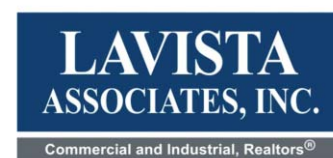
**Tom Davenport** represented Strategic Systems and Technology on their 10,000 SF lease renewal at The Paddocks in Suwanee.



Sources include: CoStar Office Market Report: Year-End 2017 & Lavista Associates, Inc.

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