

# Q2 2018 Atlanta Office Market Report

**315,028 SF**

Q2 NET ABSORPTION ↓

Q1 1,016,847 SF

**14.8%**

Q2 VACANCY ↑

Q1 14.7%

**2,959,737 SF**

Q2 LEASING ACTIVITY ↑

**3,455,810 SF**

UNDER CONSTRUCTION ↓

**469,357 SF**

NEW SUPPLY DELIVERED ↓

**\$24.95 SF**

AVERAGE ASKING RENT (PER YR.)

**\$199**

AVERAGE SALES PER SF

**\$408 M**

222 SALES TRANSACTIONS

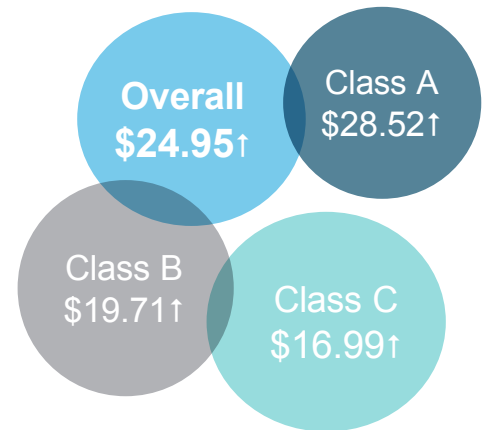


## MARKET OVERVIEW

Overall vacancy increased slightly in Q2 2018 10 basis points to 14.8% with a positive net absorption of 315,028 SF. Average asking rents continue to escalate to \$24.95 PSF over all classes. There was 3,455,810 SF under construction at the end of Q2 and a total of 1,635,088 SF of delivered office product in the first half of the year. Of the 3.5M SF under construction, 7 buildings are over 100,000 SF and 72% released.

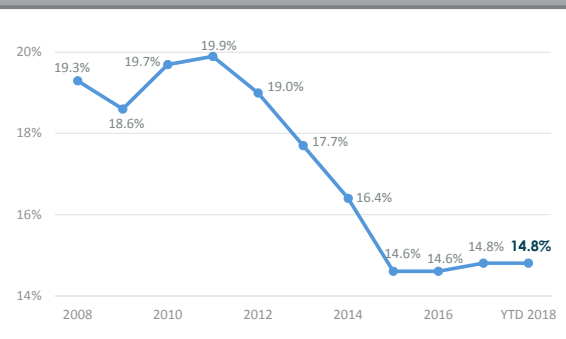
In the first 6 months of 2018, over 2,500 new office jobs were announced in Atlanta, with technology fueling most of the growth. Atlanta has been declared the 3rd fastest growing metro area in the nation by the US Census Bureau. Even with delivered vacant speculative product, developers are still pursuing new office projects to accommodate corporate expansions and relocations.

## OVERALL RENTAL RATES



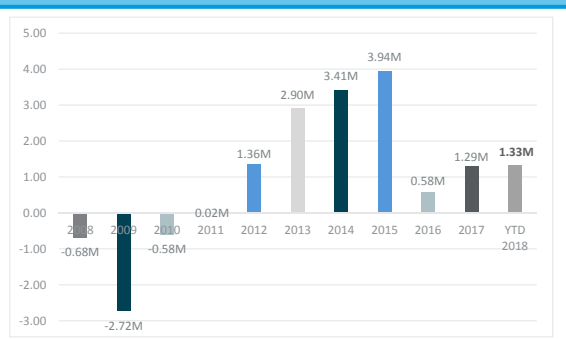
### VACANCY

percentage, 2008 - YTD 2018



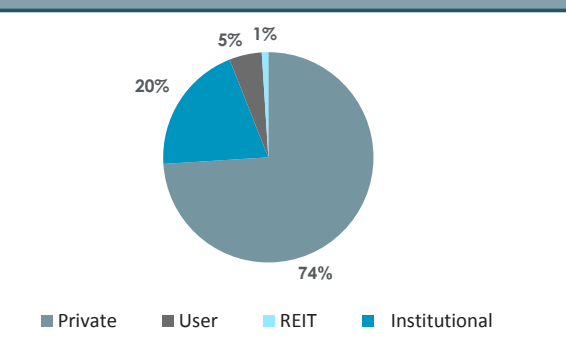
### ABSORPTION

in SF, 2008 - YTD 2018



### BUYER TYPE

Q2 2018 sales



### ABSORPTION

- Large corporate occupancies, such as HD Supply's 222,000 SF move in, drove Q2's positive net absorption

### VACANCY RATE

- Midtown reported to lowest submarket vacancy at 9.2%

### RENTAL RATES

- Buckhead and Midtown reported the highest asking average rental rates in Q2, both asking over \$30 PSF, with Midtown increasing \$6.19 PSF since Q2 2017

### DEVELOPMENT/CONSTRUCTION

- Even with speculative office deliveries and a slowly rising vacancy rate, developers continue to push new speculative projects, including Hines 230,000 SF speculative building that broke ground in Q2
- There have been 6 office buildings (100,000 SF +) announced as proposed developments in Midtown thus far in 2018, totaling 1.8 million SF

### SALES ACTIVITY

- The largest sale transaction of Q2 was the sale of 3100 Cumberland Blvd (94% leased) in the Northwest submarket, 419,456 SF for \$68 M

### LEASING ACTIVITY

- Leasing activity was 2,959,737 SF
- The largest lease transaction of Q2 was signed by Delta Dental; 167,379 SF renewal in the North Fulton submarket

## LARGEST PROJECTS UNDER CONSTRUCTION

as of Q2 2018

Building Name	Building Address	SF	Preleased	Delivery
Coda	771 Spring St	760,000	66%	Q1-19
Park Center II -State Farm	240 Perimeter Ctr Pky	670,000	100%	Q4-19
Anthem	740 W Peachtree St NW	351,981	100%	Q1-20
725 Ponce	725 Ponce de Leon Ave	343,270	0%	Q1-19
NCR Corp HQ II	864 Spring St	277,000	100%	Q4-18

## OFFICE SUBMARKET DATA

Office Submarkets	Total Inventory	Vacancy Total SF	Vacancy Q2 '18	Net Absorption YTD Total	YTD Deliveries	Under Construction	Asking Rent PSF
Buckhead	21,923,386	2,943,194	13.4%	301,557	120,757	-	\$32.63
Central Perimeter	28,915,638	4,607,075	15.9%	102,641	355,250	670,000	\$27.60
Downtown	25,942,907	3,611,589	13.9%	327,324	-	222,000	\$25.75
Midtown	22,142,649	2,038,980	9.2%	426,002	505,149	2,143,973	\$35.39
North Fulton	25,860,485	3,618,981	14.0%	96,307	295,932	106,411	\$23.37
Northeast Atlanta	23,259,477	5,084,542	21.9%	(309,825)	-	86,944	\$18.97
Northlake	18,571,593	2,261,902	12.2%	154,487	80,000	-	\$19.98
Northwest Atlanta	33,635,627	5,467,756	16.3%	229,546	258,000	-	\$23.66
South Atlanta	13,455,233	1,787,684	13.3%	11,427	20,000	188,872	\$19.15
West Atlanta	2,792,342	550,775	19.7%	(7,591)	-	37,610	\$18.14
<b>Total</b>	<b>216,499,337</b>	<b>31,972,478</b>	<b>14.8%</b>	<b>1,331,875</b>	<b>1,635,088</b>	<b>3,455,810</b>	<b>\$24.95</b>

Office Submarkets	Total Inventory	Vacancy Total SF	Vacancy Q2 '18	Net Absorption YTD Total	YTD Deliveries	Under Construction	Asking Rent PSF
Class A	113,254,359	17,838,556	15.8%	787,118	1,522,598	3,088,700	\$28.52
Class B	88,562,084	13,053,367	14.7%	397,379	112,490	367,110	\$19.71
Class C	14,682,894	1,080,555	7.4%	147,378	-	-	\$16.99
<b>Total</b>	<b>216,499,337</b>	<b>31,972,478</b>	<b>14.8%</b>	<b>1,331,875</b>	<b>1,635,088</b>	<b>3,455,810</b>	<b>\$24.95</b>

## METRO ATLANTA FACTS & FIGURES

#1

Most Traveled Airport in the World  
Atlanta is within a 2-hour flight of 80% of the US population

#1

Georgia is the #1 State for Doing Business Fourth Year in a Row

#1

Top Moving Destination for the Eighth Consecutive Year

#2

North American Metro Area for Competitiveness in the Business, Financial Services and Technology Industries

## ATLANTA SUBMARKET MAP



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data sources: CoStar Group, Inc., Real Capital Analytics, and Georgia State Economic Forecasting Center.

The Lee & Associates Atlanta Office Market Report compiles market data by using a third-party database for the proprietary analysis of over 15,000 office properties in the Atlanta Metropolitan Area. © Copyright 2018 Lee & Associates Atlanta. All rights reserved.

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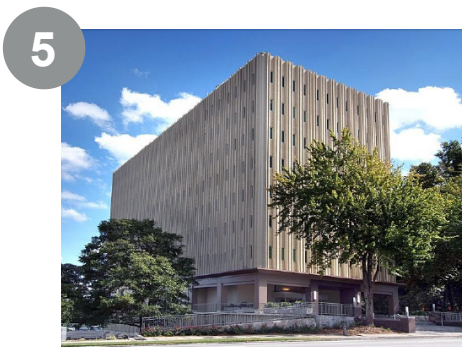
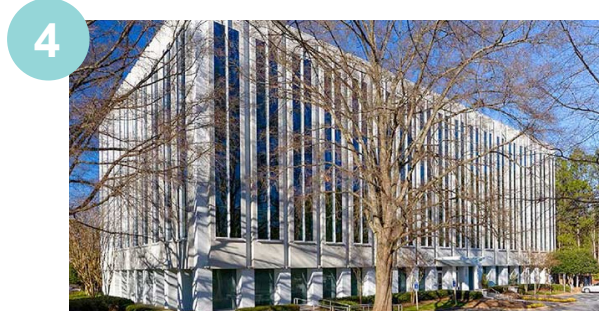
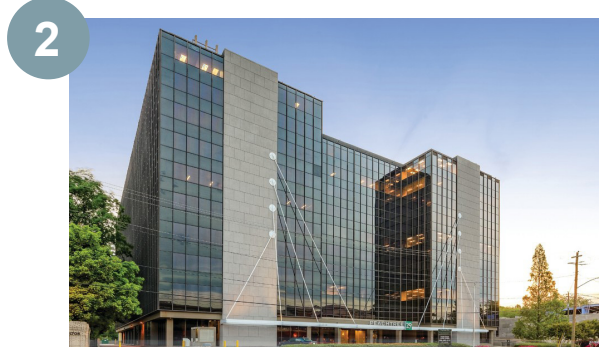
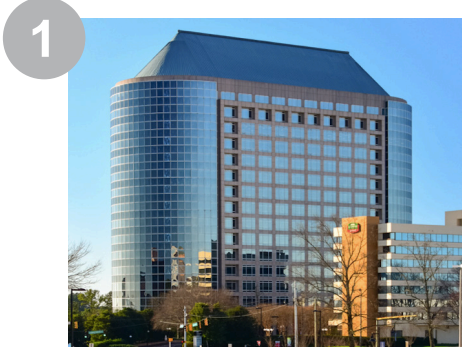
### Q2 2018 TOP LEASES

Property Name	Address	Submarket	Tenant Name	SF	Lease Type
Stonebridge III	1130 Sanctuary Pky	North Fulton	Delta Dental	167,379	Renewal
100 Southcrest	100 Southcrest Dr	South Atlanta	Conduent	120,276	New
Corporate Plaza	1950 Spectrum Cir SE	Northwest	BlueLinx Corp	68,023	New
100 Peachtree	100 Peachtree St NW	Downtown	Call Rail	58,223	New
The Pavilion Building	5770 Powers Ferry Rd NW	Northwest	Superior Essex	57,078	New

### Q2 2018 TOP SALES

+Portfolio sales as individual property sales

Property Name	Submarket	Buyer	Seller	SF	Sales / PSF
1 Cumberland Center II	Northwest	PCCP, LLC	Crocker Partners, LLC	419,456	\$68 M / \$162
2 Peachtree 25th Bldg	Buckhead	Noro Management Inc	Atlanta Property Group	366,232	\$62 M / \$170
3 2300 Defoor Hills+	Midtown	Nuveen Global Cities REIT	Wyatt Realty Company LLC	60,760	\$22 M / \$368
4 100 Glenridge Point+	Central Perimeter	Richmond Horan Development & Aquisitions	Noro Management	91,551	\$19 M / \$204
5 2045 Peachtree	Buckhead	Caddis Healthcare Real Estate	HD Realty	100,031	\$19 M / \$185



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