



# 1Q14 ATLANTA OFFICE MARKET

**Newmark Grubb Knight Frank**

## JOB GROWTH SPURS ON THE MARKET

The Atlanta office market posted a vacancy rate below 20.0% for the first time since the second quarter of 2009. At 19.5%, the vacancy rate for the first quarter of 2014 was 90 points lower than the previous quarter, and 220 basis points lower than the first quarter of 2013. After five quarters of declining vacancy, it is evident that recovery has taken hold. Class A vacancy rates led the sectors at 17.6%, 90 basis points below the fourth of quarter of 2013 and 240 basis points below the first quarter of 2013. The sector reached a significant milestone when vacancy dipped below 18.0% for the first time since first quarter of 2008. The Class B sector also made strides, with a vacancy rate of 22.0%, down 110 basis points from the previous quarter and 220 basis points from the same period in 2013.

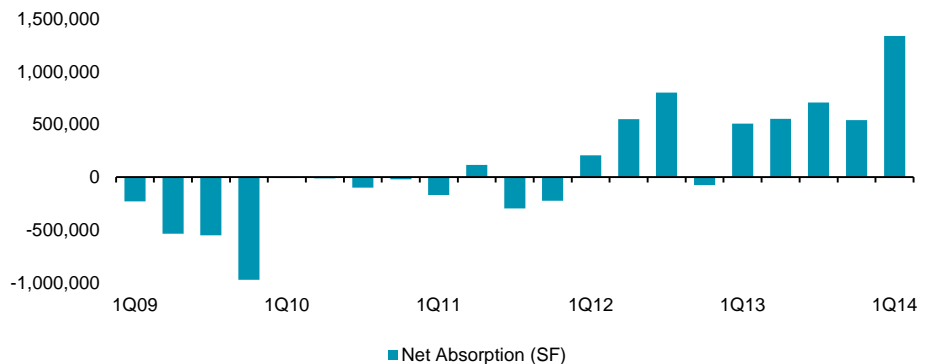
As expected, net absorption was strong in the first quarter of 2014 with more than 1.3 million square feet, 42.0% of 2013's total year-to-date net absorption. Rental rates remain healthy despite minor oscillations from quarter to quarter. Metro Atlanta's rental rate averaged \$20.54/SF for the quarter, up from the previous quarter's rate of \$20.26/SF and from \$20.15/SF for the first quarter of 2013.

Five submarkets posted quarterly net absorption of over 100,000 square feet, including Central Perimeter, Cumberland / Galleria, Downtown, Norcross /

**Asking Rent and Vacancy**



**Absorption**



Key Indicators			
Total Inventory (SF)		143,477,449	
	1Q14	4Q13	1Q13
Asking Rent (Price/SF)	\$20.54	\$20.26	\$20.15
Vacancy Rate (%)	19.5%	20.6	21.7%
Under Construction (SF)	1,081,300	550,000	450,000
	1Q14	4Q13	2014-YTD
Net Absorption (SF)	1,336,408	537,852	1,336,408
Deliveries (SF)	0	0	0

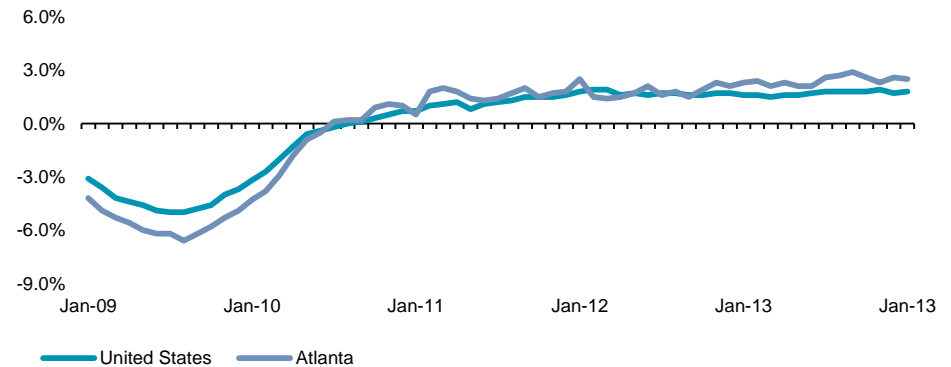


Peachtree Corners and North Fulton / Forsyth. Central Perimeter accounted for 42.0% of Atlanta's absorption with 555,465 square feet. Cumberland / Galleria's absorption was 195,701 square feet, 15.0% of Atlanta's total, which was carried surprisingly by the Class B sector with 203,483 square feet. Move-ins for Cumberland / Galleria included Centene at 1100 Circle 75 for 52,976 square feet, and Career Sports & Entertainment at 150 Interstate North for 59,555 square feet.

With 134,415 square feet of net absorption, the North Fulton/Forsyth submarket posted a vacancy rate of 20.4%, down 80 basis points from the fourth quarter of 2013 and 160 basis points from first quarter of 2013. The Class A sector propped up the submarket with 93.0% of the absorption totaling 125,286 square feet and posting a 19.7% vacancy rate, a 110-basis-point drop from the previous quarter and 200-basis-point reduction from first quarter of 2013. Significant leasing activity led by Fiserv will continue to support a turnaround in the North Fulton/Forsyth submarket.

## Payroll Employment

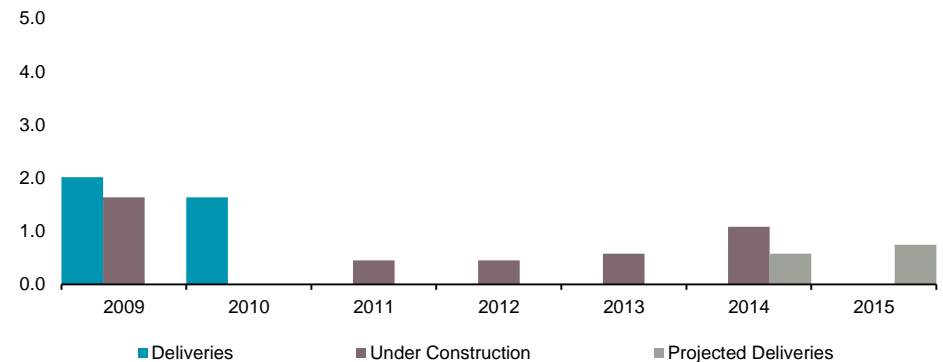
Total Nonfarm, Not Seasonally Adjusted, 12-Month % Change



Source: U.S. Bureau of Labor Statistics

## Construction and Deliveries

Square Feet, millions



## Select Lease Transactions

Tenant	Building	Submarket	Square Feet
Fiserv	Cobalt Center	North Fulton/Forsyth	376,000
CH2M Hill	Embassy Road Building 400	Central Perimeter	97,200
City of Johns Creek	12000 Findley Road	North Fulton/Forsyth	69,380
Preferred Apartment Communities	3266 Cobb Galleria Parkway	Cumberland/Galleria	60,000
Emory University	12 Executive Park Drive	NE I-85 Insight I-285	51,720

## Select Sales Transactions

Building	Submarket	Square Feet	Sale Price	Price/SF
The Plaza	Buckhead	400,000	\$68,000,000	\$170
Centrum at Glenridge	Central Perimeter	183,000	\$28,800,000	\$157
The Summit	Norcross/Peachtree Corners	179,692	\$22,340,000	\$124
Northlake Office Park	Northlake/Stone Mountain	716,106	\$20,600,000	\$29
730 Midtown	Midtown	213,041	\$19,200,000	\$90



Submarket Statistics								
	Total Inventory (SF)	Under Construction (SF)	Total Vacancy Rate	Qtr Absorption (SF)	YTD Absorption (SF)	Class A Asking Rent (Price/SF)	Class B Asking Rent (Price/SF)	Total Asking Rent (Price/SF)
Downtown	16,706,615		23.6%	136,337	136,337	\$20.29	\$18.70	\$19.79
<b>CBD Total</b>	<b>16,706,615</b>		<b>23.6%</b>	<b>136,337</b>	<b>136,337</b>	<b>\$20.29</b>	<b>\$18.70</b>	<b>\$19.79</b>
Airport/South Atlanta	4,435,469		22.3%	-14,123	-14,123	\$18.17	\$18.22	\$17.97
Buckhead	15,734,250	125,000	16.0%	40,391	40,391	\$26.76	\$20.25	\$25.15
Central Perimeter	22,744,888		15.6%	555,465	555,465	\$23.56	\$18.41	\$21.63
Cumberland/Galleria	20,325,776	506,300	19.0%	195,701	195,701	\$22.65	\$16.33	\$19.94
Decatur	1,485,552		5.6%	-1,421	-1,421	\$25.58	\$23.55	\$23.83
East Cobb	498,848		28.7%	-2,879	-2,879	-	\$17.39	\$17.39
I-20 East/Conyers	706,403		19.7%	-5,301	-5,301	\$22.50	\$16.14	\$17.77
I-20 West/Douglasville	530,653		15.8%	743	743	-	\$16.42	\$16.42
Marietta/Kennesaw	2,286,377		17.0%	21,597	21,597	\$21.02	\$19.20	\$19.93
Midtown	15,421,907	450,000	21.4%	12,061	12,061	\$26.37	\$19.10	\$25.63
NE I-85 Inside I-285	6,596,656		16.1%	76,535	76,535	\$20.00	\$17.78	\$17.52
NE I-85 Outside I-285/Gwinnett	7,595,125		24.4%	60,439	60,439	\$19.83	\$16.80	\$18.20
Norcross/Peachtree Corners	6,699,962		24.3%	106,844	106,844	\$18.45	\$15.40	\$16.26
North Fulton/Forsyth	17,700,493		20.4%	134,415	134,415	\$20.95	\$16.73	\$19.39
Northlake/Stone Mountain	2,920,898		23.0%	19,981	19,981	\$19.75	\$17.38	\$17.23
Northside Drive/I-75	1,119,577		10.4%	-377	-377	-	\$19.05	\$18.73
<b>Suburban Total</b>	<b>126,770,834</b>	<b>1,081,300</b>	<b>18.9%</b>	<b>1,200,071</b>	<b>1,200,071</b>	<b>\$23.37</b>	<b>\$17.32</b>	<b>\$20.66</b>
<b>Market</b>	<b>143,477,449</b>	<b>1,081,300</b>	<b>19.5%</b>	<b>1,336,408</b>	<b>1,336,408</b>	<b>\$22.84</b>	<b>\$17.43</b>	<b>\$20.54</b>



---

**Atlanta**

Monarch Tower  
3424 Peachtree Road, NE  
Suite 800  
Atlanta, GA 30326  
770.552.2400  
404.926.1100

---

**Kristen Hickcox**

Research and Marketing Manager  
770.552.2475  
khickcox@ngkf.com

**Roddy Bodin**

Research Analyst  
770.552.2477  
rbodin@ngkf.com

**Glossary of Terms****Absorption**

A measure of the change in occupied space

**Availability**

Space marketed for lease regardless of when the space will be available or whether the space is vacant or occupied

**Deliveries**

The total RBA of properties added to the inventory once construction has been completed

**Direct Space**

Available space offered for lease by the building owner, landlord, or owner representative

**Leasing Activity**

The volume of leases signed including new leases, direct and sublet leases, extensions and renewals, and leases signed in proposed or under construction buildings

**Occupancy**

Any space physically occupied by a tenant, regardless of lease status of the space

**Rentable Building Area (RBA)**

A measurement of the total square feet in a building including the tenant and common areas such as the lobby and hallways

**Sublet Space**

Available space offered for lease by a building tenant seeking a subtenant to fulfill the remaining lease obligation

**Under Construction**

Buildings under construction are defined by the time the foundation is poured through the time the building is certified for occupancy

**Vacancy**

Space not physically occupied by a tenant, regardless of the lease status or availability of space

**Weighted Average Rent**

The asking dollar amount for the use of available space, weighted by size--the average does not include negotiable or unpublished rates and is reported as full service including operating costs

Office inventory includes all multi-tenant and single tenant buildings at least 20,000 square feet in total rentable building area. Owner occupied buildings are not included in the inventory.

Newmark Grubb Knight Frank Research Reports are also available at [www.ngkf.com/research](http://www.ngkf.com/research)

All information contained in this publication is derived from sources that are deemed to be reliable. However, Newmark Grubb Knight Frank (NGKF) has not verified any such information, and the same constitutes the statements and representations only of the source thereof, and not of NGKF. Any recipient of this publication should independently verify such information and all other information that may be material to any decision that recipient may make in response to this publication, and should consult with professionals of the recipient's choice with regard to all aspects of that decision, including its legal, financial, and tax aspects and implications.

Any recipient of this publication may not, without the prior written approval of NGKF, distribute, disseminate, publish, transmit, copy, broadcast, upload, download, or in any other way reproduce this publication or any of the information it contains.



Please recycle,  
whenever possible

**Sustainably**

Newmark Grubb Knight Frank