



NW Atlanta OFFICE Market Report

January 2017

Optimism is Here

2016 came and went with increased optimism in the economy. The overall Atlanta Office market ended strong with decreased vacancy to 11.9% in Q4 from 12.2% in Q3, 12.2% in Q2 and 12.4% in Q1, according to Costar's Office Advisory Report. We believe that optimism in the economy is driving much activity in office leasing and sales.

The following data summarizes the office market in the various segments of our report which includes all Office Classes A, B and C combined. If you would like more specific data please reach out to us.

Market	Existing Inventory		Vacancy			YTD Net	YTD	Under	Quoted
	# Blds	Total RBA	Direct SF	Total SF	Vac %	Absorption	Deliveries	Const SF	Rates
Cherokee County	523	3,829,369	296,785	301,531	7.9%	57,317	54,000	0	\$16.42
Cumberland/Galleria	745	29,163,010	3,776,893	3,972,748	13.6%	351,139	150,000	1,076,906	\$22.49
East Cobb	356	3,190,319	296,903	307,751	9.6%	(54,609)	3,000	100,000	\$16.26
Kennesaw/Town Center	1,283	11,651,308	1,022,830	1,072,752	9.2%	48,491	45,610	0	\$17.82
Pickens County	62	370,635	41,868	41,868	11.3%	(5,963)	0	0	\$16.09

Analytics

According to Costar Analytic Reports, Cherokee County had 20 office buildings sold in 2016 for a total of 106,129 SF. The average sales price was \$98/SF with \$201/SF as the highest price. The East Cobb Office market had 28 buildings sold in 2016 for a total of 208,914 SF. The average price was \$87/SF with \$252/SF as the highest price. The Kennesaw/Town Center Office market had 45 office sales transactions in 2016 for a total of 328,026 SF. The average price was \$96/SF with \$321/SF as the highest price. Page 2 shows some recent sale comparables for the Cherokee Office Market.

Take-Away

Overall, building prices under \$100/SF represent a strong value for end-users considering location. Land costs and construction costs cause new office construction to be over \$100/SF. Investors should consider location, lease rates, lease term, market supply/demand and financing terms when purchasing an office investment. Locations in areas that are fully developed and have potential for redevelopment in 5+ years or can be easily updated are the types of value-add deals we look for. Most of these value-add deals are constructed in the 1990's or earlier.

Interest Rates

Interest rates vary with lenders. We are seeing rates from 3.5% to 4.5% for end users depending on the bank, terms and amortization schedule. Some banks require 20% down payment and others 15%. We have a strong referral base of lenders, building inspectors and closing attorneys that can help you with your purchase. Please let us know how we can serve you.

Please contact David Hacker at dhacker@visioncai.com or 678-905-6188 for further assistance.