

METRO ATLANTA

# Map Area **B** MIDTOWN WEST SUBMARKET CONDITIONS

## SUBMARKET FIELD REPORT



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**New Projects** - No new developments in the Midtown West submarket in the past 18 months. All of the residential buildings finished construction and delivered in early 2010 and most have seen decent lease activity on the retail portions of their developments due to the continued desire for restaurants and shops to be in the trendy area. There is a bright spot on the horizon as The Atlanta Development Authority (ADA) intends to close on a \$2.5 million TAD bond issuance for Moore's Mill Crossing in the first quarter of 2011, and Columbia, S.C.-based Edens & Avant plans to begin the next phase redevelopment in August. The \$42.1 million project will include a new, 45,600-square-foot Publix and 31,040 square feet of shop and restaurant space. This project will be a big boost for the entire area from Riverside Park up to Defoor / Collier Road.

**Major Leases** - Anthropologie is set to open a 9,000 SF store at the Westside Urban Market. They will join Room and Board as the second national retailer to enter the Midtown West Submarket. This will continue to bring other local and national retailers to the area and will allow for properties adjacent to these stores to be redeveloped from warehouse to retail / office showroom i.e. 1071 Howell Mill Road. The Atlanta Ballet opened the Michael C. Carlos Dance Centre (1695 Marietta Blvd.), Once an abandoned appliance manufacturing plant, the nearly \$11 million headquarters features recycled carpet, donated furniture, dual flush toilets and low-flow faucets, energy-efficient lighting and other green features. And it uses 35

percent less energy and water than conventional structures. Atlanta Ballet officials say the facility is one of the first LEED Gold certified headquarters for an arts organization in the country. Sunlow Mass Marketing purchased a 63,000 SF warehouse and relocated their headquarters from Howell Mill Road. The sales price was \$30 per square foot.

**Trends in the Submarket** - There are a half dozen properties under contract in the area (mostly warehouse product) to investors looking to capitalize on the nearly 30% to 40% reduction in asking prices in the market. Also, a handful of potential residential redevelopment sites remain on the market some with reduced asking rates and some that are holding on to 2006 prices. We should see a couple of the larger land sites trade in the next 12 to 18 months once the lending market frees up some.

**Effective Rental Rates and Concessions**

**Class A:** \$25.00 to \$30.00 per SF Full Service, with one project Medical (1800 Howell Mill Road)

**Class B:** \$12.00 to \$18.00 per SF - most are Modified Gross

**Class C:** \$8.00 to \$16.00 per SF - most are Modified Gross

**Concessions:**

- Free Rent: 1/2 to 1 month per year of term.
- TI Allowance: Very little on the office side, \$3 to \$10 per SF. Retail is getting a bigger number than office in TI concessions.
- Moving Allowance: Part of the TI package, if any.

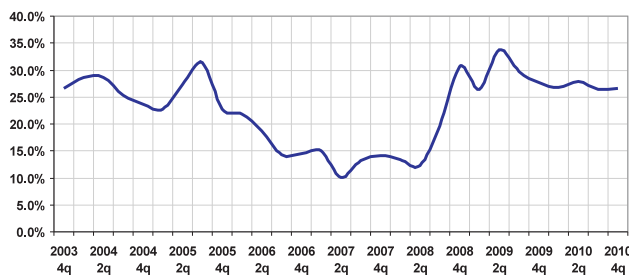


## Office Market Trends at a Glance

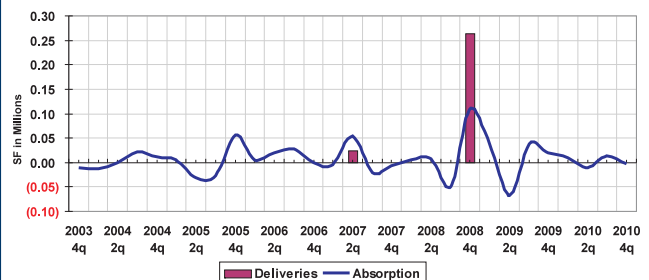
The Midtown West office market ended the fourth quarter 2010 with a vacancy rate of 26.59%. This vacancy rate represented a 0.25 percentage point increase over the previous quarter, when it was 26.34%. The increase in vacancy occurred in a quarter where Midtown West saw negative 2,377 square feet in net absorption and no new deliveries. Quoted rental rates ended the fourth quarter 2010 at \$17.38 per square foot, down from \$19.43 per square foot in the third quarter 2010. At the end of the quarter, there was nothing under construction in the Midtown West office market.

Class A projects in Midtown West reported a fourth quarter 2010 vacancy rate of 34.10%, from the 34.10% reported at the end of third quarter. Net absorption within the class A sector totaled 0 square feet for the quarter, and no new deliveries were reported. Quoted rental rates for available space within the class A sector averaged \$16.43 at the end of the quarter, down from the \$20.32 that was reported in the third quarter. There was nothing under construction in the class A market at the end of fourth quarter.

**Vacancy By Quarter**



**Absorption & Deliveries By Quarter (Actual thru 4th Qtr. 2010)**



Note: The charts and graphs above are based on CoStar's analytical set.

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