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NORTH ATLANTA'S

Business

POST

Soft market presents great way to start New Year

You keep hearing about the soft market conditions; want to know how to take advantage of the opportunity it presents? The million dollar question, how can I get one of those great deals? What a great way to start the New Year!

Great deals are available! Right now is very likely the best tenants' market in the past 10 years and possibly for the next 10 years. How long these great deals will last is hard to say. They'll be around guaranteed for the next 6 months, probably for 12 and likely to some extent for the next 2 years. For all practical purposes,

as long as layoffs and consolidations continue or new net jobs are not consistently created, the very soft market conditions will persist. But, as soon as metro Atlanta begins seeing some positive net job growth, the great deals will begin to diminish. First the companies with vacant space will fill up their own space. Once their own space is filled, the growing companies will snap up the sublease and vacant landlord space.

To put it in perspective let's look at the numbers. A few years ago, when things were really rolling, metro Atlanta was doing about 75,000 new net jobs a year.

That converts into demand of some where around 2-3 million square feet a year for the North Fulton sub market. For metro Atlanta to fill up its vacant office space it's going to take as many as 125,000 new net jobs. Therefore it will take about 22,500 new net jobs in North Fulton to fill up the current vacant space in the sub market. The confusing good news for landlords and the bad news for tenants others is Metro Atlanta produced 4600 new jobs in October. If this continues the market will tighten up. We all have our own personal economic

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Richard Lockey
President, Hometown
Commercial Real Estate, Inc.

predictions. I wish I had a crystal ball but I don't. So we can do our own math and speculate accordingly.

So if you are a tenant and will need to renew, move or expand in the next two years, as long as you have good credit, you should be able to take advantage of the market conditions. Early renewals are also opportunities. But only in buildings that have or expect to have vacant space and at sublease spaces. Remember, not all the landlords have excessive non revenue producing space because a lot of the vacancies are the result of subleases from existing tenants.

What kind of deal can you expect? It again is hard to say. As a general rule, buildings that were once publishing quoted rates and making deals in the low \$20's are still quoting rates in the low \$20's but making deals in the mid teens. And subleases can be had

below what the landlords are charging and may also include furniture phone systems and more. Tom Parker of Scott & Associates, the developers of Mansell One, Two & Three recently told us that their strategy was to make aggressive lower rate deals with strong credit tenants. While Greg Metcalf with CB Richard Ellis who handles the Alter Group owned properties at Brookside is suggesting to his client that they maintain higher rental rates in the buildings and reduce the effective rates with upfront concessions, thereby keeping the value of the building up at where it needs to be to when the market recovers. Each owner has a different strategy, so you had better know what you are getting into or you might not get what you thought you were (or were not) pay for.

Albeit self serving, I suggest you retain a great tenant rep commercial real estate professional to advise you. The landlords' have advisors on their side of the table tenants need to have representation as well. The good ones can help you avoid dangers, take advantage of the opportunities and capitalize on your strengths. Everyone's crystal ball is cloudy at best; however experience and access to industry information will allow commercial real estate professionals on both sides of the table to advise their respective clients about specific alternatives as they relate their clients' specific situations.