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business

Office vacancy rates increase

By Douglas Sams
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LAWRENCEVILLE — The amount of vacant metro-Atlanta office space on the market continues to grow.

Office vacancy rates jumped to 18 percent in the April-June quarter, compared with 11 percent during the same period a year ago, according to Reis Inc., a New York-based real estate research firm. The metro Atlanta vacancy rate stood higher than the national average of nearly 15 percent.

The glut of space primarily results from companies putting the brakes on their growth and cutting jobs because of the weak economy. The companies are left scrambling to find a business to sublease a portion of the corporate

offices they vacated, or otherwise watch the asset go to waste.

"The companies that own the leases — they're the ones who are stuck holding the bag. They're the ones who are bleeding the most," said Rick Lackey, a well-known real estate veteran in metro Atlanta for the past 15 years. Lackey is launching a new company, Hometown Commercial, basing it in Gainesville.

Office management companies, real estate investment trusts, or REITS, and even consumers are also hurt by a downturn in the commercial market, said Michael Burt, a senior economist with Penn-based economic consulting group Economy.com.

Asking rent prices for office space have fallen from \$21.04 per square foot at the end of last year to \$20.67 as of June, according to REIS. That adds

pressure to the management companies and the REITS.

Meanwhile, developers are wary of starting speculative projects in such a weak market. That is slowing down one of the steadiest job engines in Gwinnett — construction.

The number of commercial permits issued in Gwinnett last month fell to 123, a nearly 10 percent drop from last July. Construction is among the most important job sectors in the local economy, making up about 5.6 percent of metro Atlanta employment nearly a year ago.

The commercial real estate market could improve somewhat later this year, Burt said, but like the economy, may take some time to recover.

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