



Loft Office and the New Generation of Creative Spaces

The Atlanta Hub

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Atlanta and Creative Loft Office

Although so-called “Creative Office” space comprises just 1.2% of Atlanta’s total office market, it represents the most important change in space use since the invention of the cubicle. Tenants and landlords have only begun to leverage Creative Space design principles to push rents past levels previously thought possible, while increasing worker productivity and satisfaction. Trends in this sector will define the American workplace for decades to come.

While TAMI (tech, advertising, media, and information) companies are the largest user of these spaces, they are not the only tenants who prize the beneficial effects of Creative Space configurations. Traditional firms such as law practices and engineering firms also prize the benefits of so-called Creative Space. The demand-supply dynamic of this space is telling:

3 MSF

Total Creative Space in Atlanta

8.3%

Vacancy

1.2%

Portion of Total Office Market

\$29.96

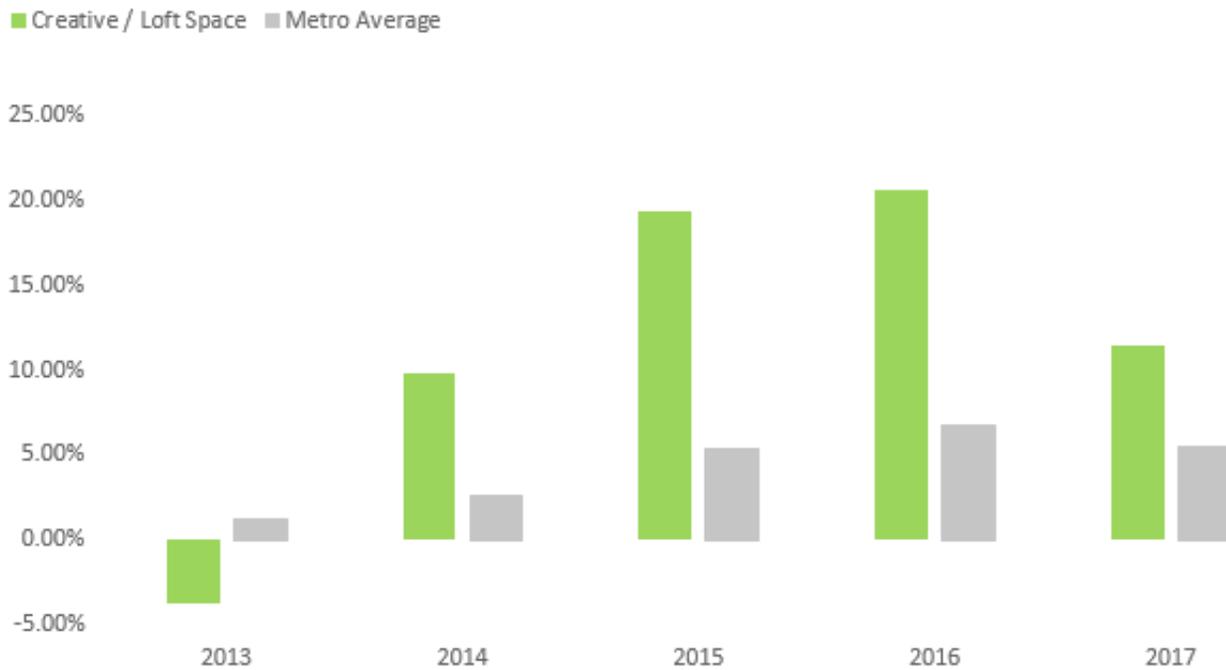
Avg. Asking PSF (Gross)

3405 Piedmont Road NE | Suite 450 | Atlanta, GA 30305 | www.lpcsoutheast.com

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During the most recent recovery—the first period in Atlanta’s history to see sustained rent growth—Creative Office space has significantly outperformed the rest of the market.

YOY % Rent Growth



Asking Rates			
	2013	2017	% Growth
Creative / Loft	\$18.44	\$29.96	62.5%
Metro Atlanta	\$20.00	\$23.43	17.2%

Simply put, traditional office landlords have not been able to grow rent nearly as quickly as Creative / Loft space landlords. There are several reasons for this. First, until recently, Creative Space was the low cost alternative. They had more room to raise rents than comparable, traditional office space. Second, the TAMI tenants Creative offices attract are very high growth—and high volatility. A tech incubator or co-working landlord will take on hundreds of aspiring workers, only to see a handful succeed. The ones that do succeed, however, are often flush with cash as investors flock.

The TAMI companies which spring from this culture are characterized by tremendous growth potential, heavy reliance on innovation, high levels of risk posed by new entrants, and low barriers to entry for those new entrants. From a landlord’s perspective, that is a recipe for disaster. Yet, Atlanta’s economic renaissance over the last 5 years has been driven in no small part by these TAMI companies. But is this new product type a good investment in the Atlanta market? How much life does this renaissance have left?

IS ATLANTA A 'TECH' CITY?

First, we must understand Creative Office tenants. How are TAMI firms performing in Atlanta? Does Atlanta have the diverse, skilled labor pool necessary to support these companies? Does Atlanta have the vibrant, “authentic” experiences necessary to retain those famously transient employees?



This picture is inside Buckhead's own Atlanta Tech Village, a creative loft office housing companies like Trio Media Group, Wayin, and KMS Technology, among others

Does Atlanta have *What It Takes*?

Forbes, The Atlanta Business Chronicle, and Tech.co have ranked Atlanta among the top tech hubs in the United States. Whether the company is a small startup (insightpool), an established tech mainstay (MailChimp), a FinTech behemoth (Fiserv, NCR) or a Health Care IT firm, you can find it the 5th largest cluster for IT employment in the United States (Atlanta). With over 200,000 high tech professionals, Atlanta is not just a steady market for technology firms—it is the Southern hub.

Atlanta has the infrastructure these companies need to grow. Since Turner Broadcasting Systems and CNN made Atlanta their homes, media (read: bandwidth) has been an important part of the Atlanta Jobs market. Today, Atlanta is one of four tier-one data center markets on the eastern seaboard, and the only one south of Washington DC. As tech startups increasingly rely on off-site data storage and access (the infamous “cloud”), Atlanta’s low exposure to potential natural disasters, significant pre-existing infrastructure, and bevy of established tech companies catapult it to the #3 spot on Forbes “tech boom” markets of the future.

Does Atlanta have *Who It Takes*?

TAMI companies drive demand for Creative Office space. But, as we have seen, it is the value generated by skilled employees which bankrolls this demand. Critically, collaborative interaction between diverse employees generates the novel, creative solutions which drive value for end users. The labor force these TAMI tenants want therefore exhibits two key characteristics: Skill and Diversity.

Skill

Atlanta is home to over 100,000 students and dozens of universities, including world-class research centers such as The Georgia Institute for Technology, Emory University, and now Georgia State University. Not only does Atlanta retain a fair portion of in-city graduates, it is the destination of choice for graduates from universities across the southeast. The result is that Atlanta has 33% more college graduates than the national average:

48%

Atlanta Population with at least a Bachelor's Degree

36%

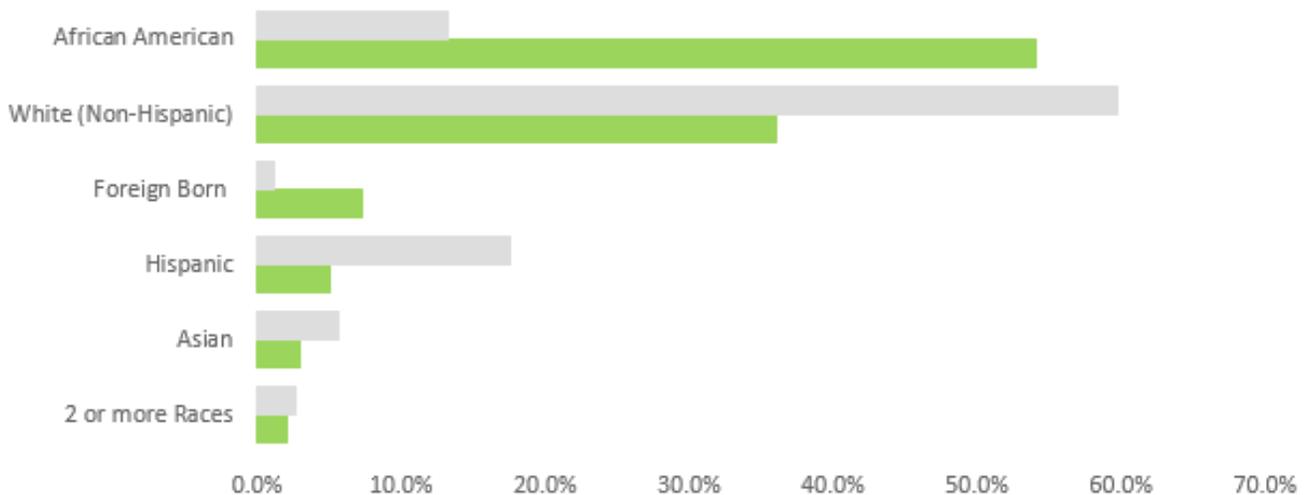
U.S. Population with at least a Bachelor's Degree

A step higher in education and the gap widens again. On average, 9% of the United States population has a graduate degree, but Atlanta's statistic is over 22%!

Diversity

Population Demographics

■ United States ■ Atlanta



Atlanta has the precise mix of ingredients TAMI companies need to thrive. Unsurprisingly, the core value drivers which created the recent tech boom in Atlanta shows no signs of slowing down.

CONCLUSION

Changes in the way we live and work are driving unprecedented rent growth in Atlanta. The supply of authentic creative space—mostly historic buildings—is critically low in development-rabid Atlanta. As a natural corollary of the TAMI business model is significant demand-side competition for talent, these firms have the resources and the impetus to pay for top-tier office space. Although landlords who own this scarce Creative Office space have been outperforming the market for years now, design trends gleaned from that school of space design can help all landlords push rents.

Although creative space only comprises 1.2% of existing office space, expect that figure to change drastically as TAMI companies continue their post-recession boom and traditional office users begin to implement creative space concepts to attract workers, push densities, and lower marginal costs.