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The Middle Georgia Commercial Real Estate Advisor

2018 Office Market Overview - Macon, Georgia

The Macon, Georgia office leasing market is primarily comprised of three office corridors. The North Macon Suburban Corridor (I-75/Riverside Dr.) extends from the I-75 Pierce Avenue Exit North along Riverside Dr. to the Bass Road Exit. The West Macon Suburban corridor focuses at the Zebulon Rd/I-475 Exit and also covers the Forsyth Road area. The Downtown Macon Market is made up of Downtown Macon's Central Business District and the areas around it extending to I-16.

The office market's occupancy has improved over the last few years. However, the mobility of the work force will remain a concern for the long term growth of the office market.

Downtown Market

The Macon Georgia Downtown Market showed a 2017 year end 88% lease occupancy rate. Class A office space increased to 92% occupancy. Downtown's residential market continued to grow which has created the demand for more loft development. This coupled with the growth of restaurant and entertainment choices has generated a renewed interest in Macon's Downtown office market. This momentum should continue for the next several years.

Suburban Market

According to Fickling & Company's recent survey of over 1 million square feet of suburban office lease space in Bibb County, the suburban office market occupancy lease rate is currently 87%. Leased Class A Office space has stabilized at 92% occupancy. Significant expansion of the professional office supply has not occurred during the last several years. There are no speculative projects on the market at present. Vacant land continues to be in generous supply with parcels still available in Preston Park, Bass Road, Providence, Northside Crossing, Elnora Drive, Gateway Drive, Arkwright Landing, Riverside Crossing and Overlook Business Park at Bass.

The strongest Macon office submarket again is the Zebulon Road/I-475 corridor. Occupancy in that area continues to be above 95%, as it has been for the past several years.

As in the past, most of the new office leases in both suburban and downtown markets are from relocation and expansion of existing office users. No significant changes in the Macon office market are expected in 2018.

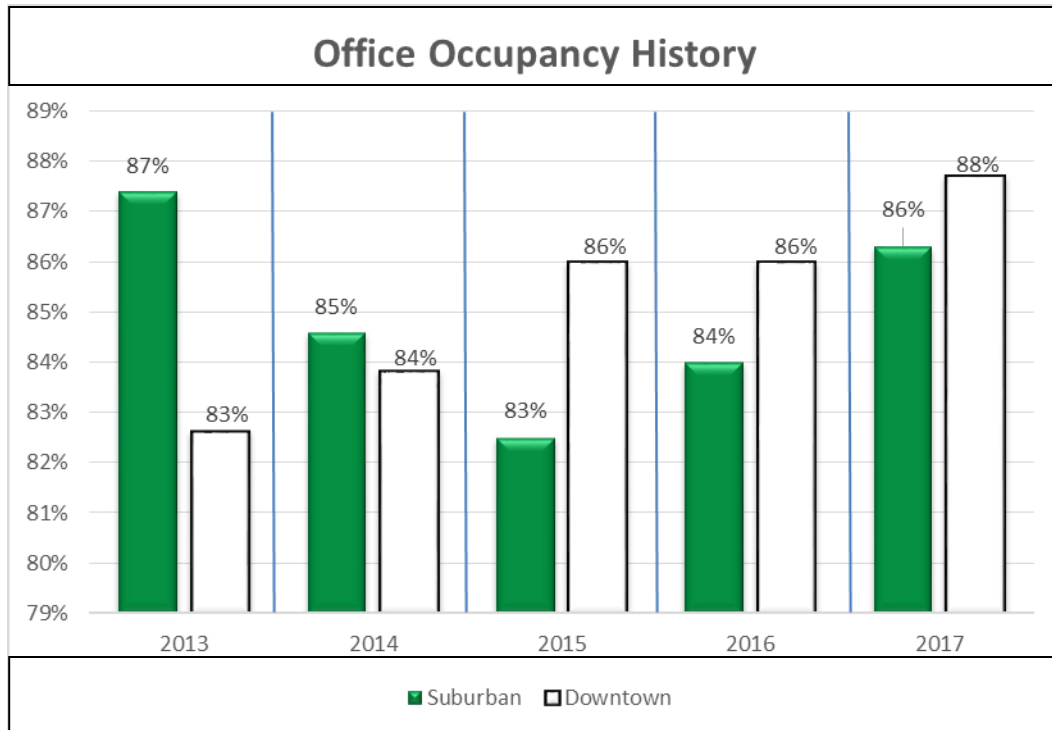
OFFICE SPACE	Low Rental Rate PSF	High Rental Rate PSF	Effective Avg. Rental Rate PSF	Vacancy Rate
DOWNTOWN OFFICE				
NEW CONSTRUCTION	\$18.00	\$20.00	\$18.00	n/a
CLASS A	\$14.00	\$19.00	\$15.50	8%
CLASS B	\$9.00	\$13.00	\$12.00	21%
SUBURBAN OFFICE				
NEW CONSTRUCTION	\$19.00	\$22.00	\$18.00	n/a
CLASS A	\$12.00	\$16.00	\$15.00	8%
CLASS B	\$9.00	\$14.00	\$11.50	25%

NOTE: The summary focuses on leased properties.

Note: The rents in this table are based on Full Service. However, numerous combinations of services are quoted in the Middle Georgia market and the terms describing what is included are often confusing, so verification of what rent actually includes when getting quotes is important.

New “turn-key” construction costs, including building and land, range from \$135 to \$190 per square foot for projects under 10,000 square feet. The overall range has not changed much over the previous year, but vary widely due to preferences in finish and location. Older properties generally have higher vacancies, and landlords continue to offer aggressive incentives to keep existing tenants and secure new tenants. Tenant improvements for existing space vary significantly, but \$10.00-\$15.00 per square foot appears reasonable. Demand for owner occupied buildings seems to have increased in 2012 as potential buyers sought to benefit from the discounted sale prices, low interest rates, and improving financing options.

The difficulty in securing tenant improvement funds extends the motivation of owners and tenants to use creativity such as longer term leases, buy-out options and office configuration flexibility to make future tenant improvements more feasible. Creative tenancy will continue to drive portions of the market for the foreseeable future.



Below is a summary of the type of leases that may be discussed and what they are usually intended to include as part of Landlord obligations along with expected costs.

Explanation of Lease Terminology – Landlord Obligations					
	Full Service Lease	Gross Lease	3 Net Lease	Absolute 3 Net	Comments
Janitorial service	\$0.95	\$0.00	\$0.00	\$0.00	Varies
Utilities	\$2.25	\$0.00	\$0.00	\$0.00	
Light bulbs, plumbing, electrical	\$0.12	\$0.12	\$0.00	\$0.00	
HVAC repairs	\$0.10	\$0.10	\$0.00	\$0.00	Varies
Taxes	\$1.00	\$1.00	\$0.00	\$0.00	
Insurance	\$0.18	\$0.18	\$0.00	\$0.00	
Common Maintenance	\$0.25	\$0.25	\$0.00	\$0.00	
Roof and Structure	Landlord	Landlord	Landlord	Tenant	