



# TRISTAR

REAL ESTATE INVESTMENT

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## *The Magic of the Loft Office*

Greetings!

When Wall Street advertising and PR firms leave Main Street, high-rise towers, and head to the urban warehouse districts of America, we need to pull back and ask "why?" If you think of the Mad Men era of creativity, you think of their need to be front and center in the business community with upscale offices in high profile locations...it was all about image and prestige. What happened to the creative sorts, and for that matter, much of corporate America when it came to this new loft office trend?

### ***What are Loft Offices?***

Key features of the loft office in its original state are:

1. Location- in transformed urban industrial districts that offer affordability. These were formerly meat packing houses, seed packaging, and textile buildings, to name a few.
2. Product- usually warehouses with very high ceilings, rollup garage doors, limited parking and edgy aesthetics. Sometimes the ceiling is so high, tenants build lofts as second stories to capture more usable area.
3. Modified Upgrades- polished concrete floors, exposed wood beams (original or imported) gaming areas, lounging areas with WIFI, recaptured building areas for parking. Outside patios are created for grilling, and pet walking. Your typical high-rise won't allow your pet, and you certainly aren't going to fire up the grill for a happy hour on the 26<sup>th</sup> floor of your conventional office.

We think there is danger and risk of character as we see what was once called "funky" now becoming mainstream. Let's be direct...the lack of single story product in aging warehouse areas is causing some developers to build new, multi-story loft offices, which seems to be the creation of an urban high-rise with the lipstick of funky appeal. This is kind of like looking for antiques, and you compromise by going to a Restoration Warehouse for the replica...but we digress.

### ***Why the Transition to These Areas?***

We spoke to one of the CEOs who made this move. He's an aging baby boomer who we suspect would rather be in his mahogany office overlooking the park, and

his answer was simple - **recruiting**. In an age of 4-5% unemployment and the surge of technology, change was essential to keep up with the times. The "creative culture" needs to be in these areas to attract employees. We asked if cost was a consideration, and as investors, we understand that the rents in these areas may be as high as conventional high-rise except for parking costs. It wasn't the chief consideration. However, the loft office is not just for the creative types. Lawyers, big companies, and non-creative types are seeking this product type. The appeal is genuine and across all industries. Is it here to stay or a fad?

***What are the Numbers?***

<b><u>Category</u></b>	<b><u>Urban Conventional Office</u></b>	<b><u>Urban Loft Office</u></b>
Rent(NNN)	\$16-\$30/rsf/year	\$20- \$26/rsf/year
Parking	\$50-\$150/space per month; covered	\$0; uncovered
Pet Policy	Considered a terrorist threat	Corporate policy approves but dictates policy; poop patrol and doggie bags
Amenity Base	Inside or walking distance	Road Trip
Happy Hour	Down at the bar	Outback while cooking on the Big Green Egg
Assembly	Conference Rooms	Touch down areas - sofa or kitchen bar
Atlanta Latest Sale	\$530/ sf record	\$356/sf record

I believe the trend is here to stay, and I think more people will head in that direction because the loft office can truly be a fun environment.

Investment Review

**Sample Loft Offices around town that have traded**



**Ellsworth Lofts**



**Stove Works**



**Armor Yards**



**Puritan Mills**

### Are You an Investor?

We are in pursuit of several investments. If you are an accredited investor and want to be considered for one of these offerings, please reach out to us. Call us today to learn more at 404-698-3535 or [dgibbs@tristarinvest.com](mailto:dgibbs@tristarinvest.com).

Sincerely,

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