

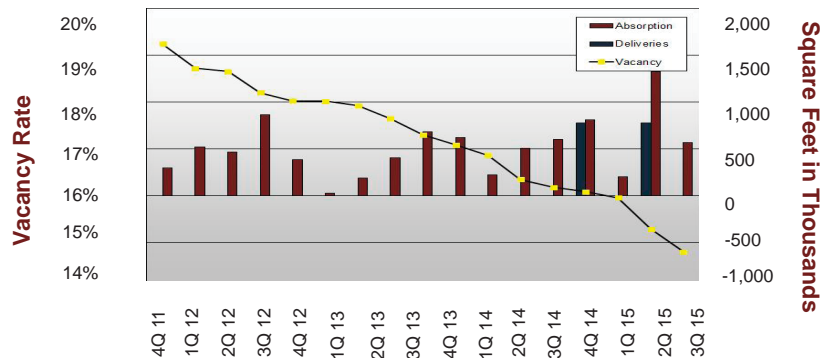
# MARKET REPORT

## ATLANTA OFFICE MARKET SNAPSHOT

Total Square Feet:	135,394,993	↑
Vacant Square Feet:	20,230,731	↓
Percent Occupied:	85.06%	↑
Absorption for Quarter:	565,573	↓
Absorption Year-to-Date:	2,053,734	↑
Average Rental Rates:	\$22.49	↑
Space Delivered YTD:	778,000	↑
Class "A" Avg. Rental Rate:	\$25.38	↑

\* Change from 3Q 2014

## METRO ATLANTA OFFICE MARKET SUMMARY



The Atlanta Office Market has experienced eighteen consecutive quarters of positive absorption.

Third quarter 2015 posted positive net absorption of 565,573 square feet, our 18th consecutive quarter of positive absorption. As a result of this continued absorption, the vacancy rate fell to 14.94 percent, down 1.66 percentage points from third quarter 2014 and 2.75 percentage points from third quarter 2013. This rapid decline in the vacancy rate is a sign of a steadily recovering Atlanta office market, as the vacancy rate is at its lowest since the third quarter of 2002.

The leading office submarkets in absorption this quarter was I-285/GA-400, followed by I-75/I-285, Buckhead/Lenox, Midtown, and I-75N/Marietta/Johnson Ferry. The Suburban submarkets recorded positive absorption for third quarter 2015 of 367,248 square feet, versus 198,325 square feet absorption for the Urban Corridor. The Urban Corridor has a significantly higher average rental rate than the Suburban submarkets, at \$24.38 per square foot compared to \$20.65 per square foot.

The Urban submarket with the highest occupancy rate is Buckhead/Lenox, which raised its occupancy rate from 85.82 percent for the third quarter of 2014 to 88.03 percent in third quarter 2015. Continued positive absorption of 91,842 square feet for the Midtown submarket has led to an increase in the occupancy rate of 2.62 percentage points since the third quarter of 2014, with current occupancy at 85.12%, and an average rental rate of \$26.07. The Downtown submarket continues to be the most affordable in the Urban Corridor with an average rental rate of \$20.72 and also has the most square footage available in the Urban Corridor, with 2,854,145 square feet currently vacant.

Through increasing occupancy and an improving economy, average quoted rental rates increased this quarter to \$22.49, up 79 cents from third quarter 2014. Class A rental rates increased \$1.21 from third quarter 2014, from \$24.17 in third quarter 2014 to a current price of \$25.38. As expected, the Urban Corridor submarkets demand nearly a four dollar per square foot premium over the suburban submarkets, with average rates at \$24.38 per square foot in the Urban Corridor versus \$20.65 per square foot in the suburban submarkets.

### Infrastructure

There are a number of significant infrastructural improvements either in progress or in the planning stages. One of the largest infrastructural developments is the I-75 / I-285 interchange and surrounding overpasses with work being performed for the 2017 opening of the new Atlanta Braves stadium. Other major infrastructural improvements include the expansion of Hartsfield Jackson International Airport to include a possible 6th runway, as well as a \$400,000,000-\$600,000,000 mixed-use development called "Airport City," which will include a four star hotel with 300-400 rooms, a service station, office and retail space, and possibly even residential development.

The Atlanta Streetcar is up and operational and is serving segments of our Central Business District particularly visitors, tourists, and others commuting from the Auburn Historic District to Centennial Olympic Park. MARTA is in the discussions stages for completing the North rail line to Alpharetta which would be a major accomplishment in providing rail services from the outer suburbs to the urban core; Buckhead, Midtown, and Downtown. With Clayton County joining the MARTA system and the possibility Gwinnett County could be joining as well, additional rail lines could be a strong possibility in the not too distant future.

The Atlanta BeltLine is continuing to expand its network on the Eastside, and work is also being performed on the Westside. The Atlanta BeltLine is clearly drawing significant development to our Intown communities, particularly from millennials and empty nesters that are providing the majority of our population increase to our city. As a side note, there is a growing segment of our adult population who are using alternative commuting methods other than the automobile either due to cost, personal preferences, saving time, and physical fitness considerations (walking or biking.)

Intown development for GA State is also taking place with a new student housing development with ground floor retail under construction at the corner of John Wesley Dobbs and Piedmont. Another residential development is under construction across the street from the Sweet Auburn Market on Edgewood Avenue. It is also contemplated that Underground Atlanta will move forward to closing early next year with the conceptual plans for high-rise residential development, a full-service upscale grocery store, and additional retail on this historic site. Plans are also moving forward with a \$300 million redevelopment of the Atlanta Civic Center, a project that could include 250,000 square feet of office space, 222,900 square feet of retail, a grocery store, 250 condominiums, 386 apartments, and 20 townhomes. A park, amphitheater, and water fountains surrounded by a wine bar and restaurants are planned for the center of the development as well.



### TOP FIVE RANKING SUBMARKETS

#### Net Absorption - 3rd Quarter 2015

I-285/GA-400	543,858
I-75/I-285	301,133
Buckhead/Lenox	263,461
Midtown	241,106
I-75N/Marietta/Johnson Ferry	208,461

#### Total Existing Square Feet

I-285/GA-400	23,214,938
I-75/I-285	18,587,264
GA-400 North	15,945,261
Downtown	15,810,867
Midtown	15,475,997

#### Submarket Occupancy Rate

NE Expressway-South	92.56%
Decatur	92.34%
I-75N/Marietta/Johnson Ferry	88.98%
Buckhead/Lenox	88.03%
I-75 Corridor	87.80%

#### Average Quoted Rental Rate

Buckhead/Lenox	\$29.21
Midtown	\$26.07
I-75 Corridor	\$24.91
I-285/GA-400	\$23.75
Downtown	\$22.76

#### Average Quoted Class "A" Rental Rate

I-75 Corridor	\$33.50
Buckhead/Lenox	\$31.71
Midtown	\$28.27
I-285/GA-400	\$25.63
Downtown	\$25.54

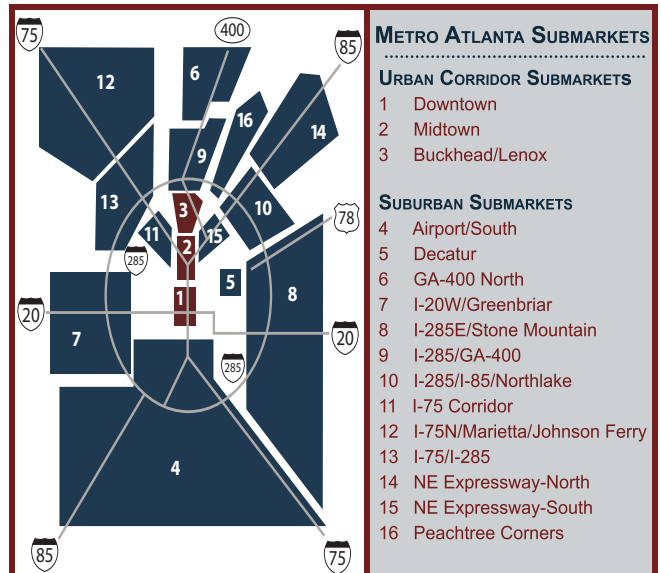
There are currently only two speculative office buildings under construction: the 500,000 Class A building at Three Alliance Center (projected to be completed fourth quarter 2016), which has asking rents approaching \$40 per square foot, and the 385,000 square foot Class A building at Riverwood 200 (projected to be completed second quarter 2017), which is 68% preleased. Additional office properties currently being proposed include a 390,000 square foot Class A building at Two Overton Park; a 400,000 square foot Class A building at 4004 Perimeter Summit; a 270,000 square foot high-rise office tower adjacent to the new Braves stadium, SunTrust Park; and Sugarloaf Crossing, a 1,100,000 square feet office park on 160 acres in Gwinnett County off GA 316. In addition, Georgia Tech has announced plans to expand Midtown's Technology Square with a 750,000 square foot mixed-used development, including a 600,000 square foot office building anchored by Georgia Tech and a High Performance Computing Center.

There will also be a number of future mixed use Atlanta developments that will include an office component, as Atlanta is bringing to market numerous land opportunities for multi-use developments, to include: Fort McPherson, a 488 acre development, which is anticipated to be a major housing and mixed use development; the Atlanta Civic Center, a 15.01 acre project; the 12 acre Underground Atlanta site; the 55 acre Turner Field Complex, which will be available as the Braves are relocating to Cobb County in 2017; and the 167 acre General Motors redevelopment in Doraville.

### Outlook

Corporate relocations continue to drive growth in metro Atlanta. NCR Corp. is moving its corporate headquarters to Technology Square, which will bring close to 4,000 jobs to Midtown. Mercedes Benz USA also announced plans to move to metro Atlanta earlier this year and plans to build a headquarters campus at Georgia 400 and Abernathy Road in Sandy Springs, on a 12 acre site known best for its historic Glenridge Hall mansion. The metro area continues to be a hotbed for corporate relocations as Atlanta provides a great place for business and many advantages to include the lowest relative business costs among the nation's top 10 largest metro areas, affordable housing, convenient transportation, a favorable climate, a low cost of living, favorable taxes, and a diverse, well-educated work force.

Although the Atlanta office market has lagged behind other major cities in this recovery to date, Atlanta's economy is finally growing and starting to catch up. In addition to rising rental rates, 2015 has had some notable building sales transactions, including the sale of the office buildings at Monarch Centre for \$297,500,000 (\$332/sf) in the third quarter. Monarch Centre joins several other Buckhead properties that traded hands over the past 14 months for greater than \$300 a foot including: 3630 Peachtree (\$390/sf), The Pinnacle (\$356/sf), and One Buckhead Plaza (\$340/sf.) We expect these types of transactions to continue to rise in price due to the current lack of new speculative office construction. Overall, we expect the trend of positive year-to-date absorption, decreasing vacancy rates, and rising rental rates to continue positively for the remainder of the year and for 2016. All indications point to these trends continuing as the economy is improving, unemployment is continuing to drop, new construction of office space is minimal, businesses are beginning to expand, low interest rates are continuing, and gasoline prices remain low.



### OFFICE TOTALS BY SUBMARKET

SUBMARKET	TOTAL SF	VACANT SF	OCCUPANCY RATE	CURRENT ABSORPTION	YTD ABSORPTION	AVERAGE RENT RATE
<b>Urban</b>						
Downtown	15,810,867	2,854,145	78.44%	55,795	(40,003)	\$20.72
Midtown	15,475,997	2,303,171	85.12%	91,842	241,106	\$26.07
Buckhead/Lenox	15,352,667	1,837,809	88.03%	50,688	263,461	\$29.21
<b>Urban Totals</b>	<b>46,639,531</b>	<b>6,995,125</b>	<b>85.00%</b>	<b>198,325</b>	<b>464,564</b>	<b>\$24.38</b>
<b>Suburban</b>						
Airport/South	3,111,415	822,873	73.55%	18,295	48,601	\$16.76
Decatur	1,154,049	88,455	92.34%	22,941	13,477	\$21.01
GA-400 North	15,945,261	2,131,370	86.63%	1,431	187,267	\$20.47
I-20W/Greenbriar	313,609	71,282	77.27%	21,059	24,695	\$14.46
I-285/GA-400	23,214,938	2,976,885	87.18%	60,365	543,858	\$23.75
I-285/I-85/Northlake	4,298,545	865,745	79.86%	11,112	9,359	\$17.20
I-285E/Stone Mountain	271,007	76,383	71.82%	1,786	6,316	\$12.45
I-75 Corridor	1,127,333	137,516	87.80%	(14,245)	73,215	\$24.91
I-75/I-285	18,587,264	2,818,335	84.84%	96,406	301,133	\$21.29
I-75N/Marietta/Johnson Ferry	3,158,977	348,128	88.98%	132,687	208,461	\$19.95
NE Expressway - North	4,934,213	1,090,924	77.89%	26,926	74,888	\$18.26
NE Expressway - South	4,677,125	347,993	92.56%	(33,205)	21,331	\$18.84
Peachtree Corners	7,961,726	1,459,717	81.67%	21,690	76,659	\$16.57
<b>Suburban Totals</b>	<b>88,755,462</b>	<b>13,235,606</b>	<b>85.09%</b>	<b>367,248</b>	<b>1,589,170</b>	<b>\$20.65</b>
<b>Total with Averages</b>	<b>135,394,993</b>	<b>20,230,731</b>	<b>85.06%</b>	<b>565,573</b>	<b>2,053,734</b>	<b>\$22.49</b>

Richard Bowers & Co. is Atlanta's premier, local commercial real estate firm. Established in 1980, we currently engage in leasing and sales of office, industrial, retail, land and investment properties and have completed over 11,000 requirements and over 86,000,000 square feet of space leased or sold since our inception. Over the years we have continued growth by adding affiliate companies to satisfy diverse real estate needs for our clients. Our full-service approach offers a single-source solution encompassing property and facility management; design and relocation services; development and construction management; and financial services.

**Richard Bowers & Company has been providing self generated and proprietary office market data since 1989**



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