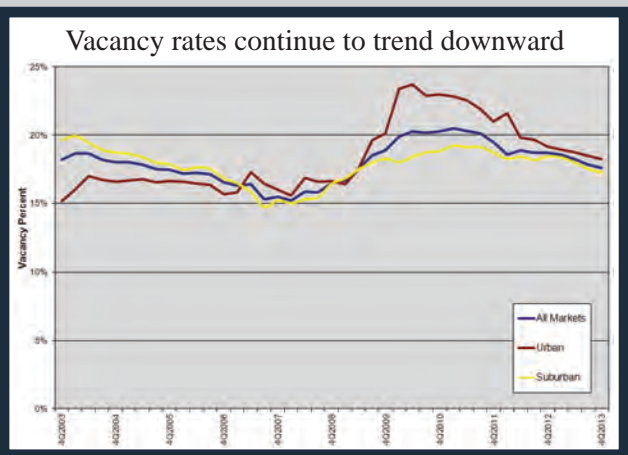
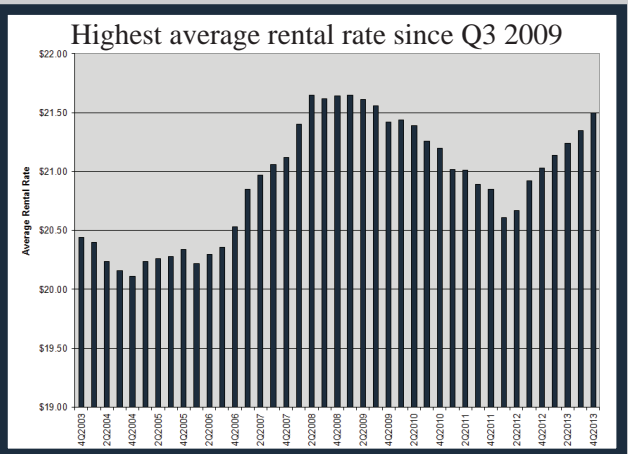
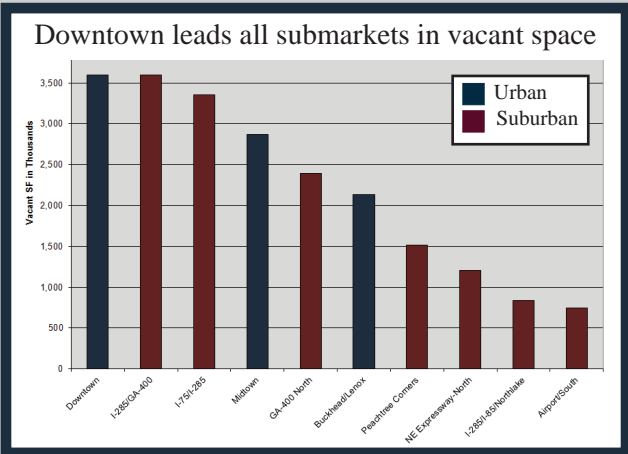


# THE BOWERS DIGEST

METRO ATLANTA OFFICE MARKET ANALYSIS

Vol. 25, No. 1



Metro Atlanta is experiencing the highest occupancy rate since second quarter 2009, at 82.4 percent.

REAL ESTATE TRENDS  
YEAR-END 2013

## IN BRIEF: THE ATLANTA MARKET

Fourth quarter 2014 reflected ongoing positive absorption of 619,152 square feet, our eleventh straight quarter of positive absorption with annual absorption for 2013 totaling 1,897,546 square feet, the most absorption since calendar year 2007. The leading submarkets in fourth quarter absorption were Buckhead/Lenox (307,341 square feet), GA-400 North (133,883 square feet), I-285/GA-400 (41,138 square feet), Midtown (33,520 square feet), and I-75N/Marietta/JF (30,996 square feet). The leading five submarkets in 2013 absorption were I-285/GA-400 (551,944 square feet), Buckhead/Lenox (470,593 square feet), GA-400 North (334,762 square feet), NE Expressway-North (153,303 square feet), and I-75/I-285 (100,770 square feet).

The five leading submarkets in occupancy are Decatur (91.47 percent), NE Expressway – South (88.64 percent), Buckhead/Lenox (85.95 percent), GA-400 North (84.92 percent), and I-285/GA-400 (84.18 percent). Decatur was also honored as one of the top ten neighborhoods in the country. The leading submarkets in average quoted rental rates are Buckhead/Lenox (\$26.65), Midtown (\$26.25), I-285/GA-400 (\$22.79), I-75 Corridor (\$21.79), and Downtown (\$20.71). The urban corridors average quoted rental rate is \$24.38/square foot compared with the suburbs at \$19.96/square foot, over a \$4.00/square foot price differential.

Regarding submarket size, average quoted rental rates and available square footage, the six largest submarkets dominate these statistics, except for the I-75 Corridor, which is the fourth leading submarket in average quoted rental rates at \$21.79 square foot. These six markets in order of size are the I-285/GA-400 (22,705,938 square feet), I-75/I-285 (18,948,936 square feet), Downtown (17,016,469 square feet), GA-400 North (15,838,963 square feet), Buckhead/Lenox (15,204,451 square feet), and Midtown (14,918,875 square feet).

**Infrastructure:** Atlanta has a number of major improvements either under construction or in the planning stages. The Atlanta Streetcar will be opening second quarter 2014 and is expected to bring a lot of activity and excitement to our Central Business District. This 2.7 mile circular route will connect Centennial Olympic Park, Peachtree Street, Marta, Auburn Avenue and the Martin Luther King Center. The National Civil Rights Museum and the National Football College Hall of Fame will both be opening Downtown in the Fall of 2014 on or near Centennial Olympic Park. These venues and improvements will add immensely to Downtown's activity and desirability.

The Atlanta beltline is continuing to open new sectors of the 22 mile circular path through intown neighborhoods along abandoned rail lines. Tremendous development activity is and has occurred in the Inman Park/Virginia Highland sector of the BeltLine. The Eastside Trail Extension will also begin construction this spring, extending the trail from Irwin Street to Memorial Drive. In addition, a portion of the Westside trail opened in August, which will eventually connect to a 4.5 mile path. This major intown development, with significant benefits for Downtown and Midtown, is expected to be completed by 2030 and will be served by walking/jogging trails and a proposed streetcar line. The Atlanta BeltLine is considered by some city planning organizations as the number one urban revitalization development in the entire country, and is already creating tremendous development activity in and around the beltline to include new residential, retail and office lofts adding to the in-migration for many of the young recent college graduates, professionals, and empty nesters. The beltline is also only approximately 2 miles from Downtown and Midtown along certain sectors on both the eastside and westside.

Hartsfield-Jackson International Airport, already the world's busiest airport, is moving forward with plans to enhance and improve the airport to include a possible sixth runway. Recently, the International terminal for Hartsfield-Jackson International Airport was completed in 2012. Our airport improvements are continuing to add and support metro Atlanta requirements for passenger and air freight service to and through Atlanta and around the world. These improvements are also being encouraged by Delta Airlines who recorded record profits of \$10.5 billion for 2013.

Other major infrastructural improvements, planned or currently under construction, include the toll road development along I-75/I-575, the diverging diamond interchange at I-85 and Jimmy Carter Boulevard, the planned reconfiguration of the I-285/GA-400 Interchange, the removal of the toll booths on GA-400 which has already taken place, and the deepening of the Savannah Harbor which is expected to increase the importance of Savannah's port and to double the amount of container shipments to and from the number two port on the East Coast. Downtown and Midtown Atlanta are also undergoing a major five million dollar beautification project for the two major Peachtree Street bridges that cross over the Downtown connector.

**Outlook:** The outlook for 2014 is very positive. The office market will become more balanced and will even be a seller's market in certain instances and in certain submarkets. With an improving economy, increased absorption over 2013, and only two new developments delivering space; Buckhead Atlanta containing 125,000 square feet which is 90 percent pre-leased to Spanx and the Ponce City Market redevelopment, a 1,100,000 square foot mixed-use development whose 450,000 square foot office component is already 75 percent pre-leased, occupancy rates will increase from 82.4 percent to 84 percent occupancy or better. In addition to positive absorption, limited deliveries, and an improving economy, occupancy rates will also increase with several major buildings being taken from the Atlanta office market, to include the 550,000 square foot 55 Park Place which has been acquired by Georgia State University and the SunTrust operations center at Atlanta Center totaling 362,000 square feet which is being converted to apartments.

Other possible office space reductions could include the teardown of Peachtree Dunwoody Pavilion for a mixed-use development and several other office buildings which could be converted to residential use.

Other factors that highly favor Metro Atlanta's ongoing success is Site Selection Magazine's ranking of Atlanta as the number one city nationally for business relocations based upon a positive business climate: great residential housing values, a low cost of living, a highly educated workforce, numerous Atlanta Universities, favorable commuting times, a moderate climate, the world's busiest airport, and excellent economic incentives. Atlanta was also cited in another Site Selection Magazine study as one of

the ten leading cities worldwide for international business relocations due to many of the above reasons. The top four U.S. cities for international relocations listed in the Top 10 were New York, Chicago, Dallas, and Atlanta, a great recognition!

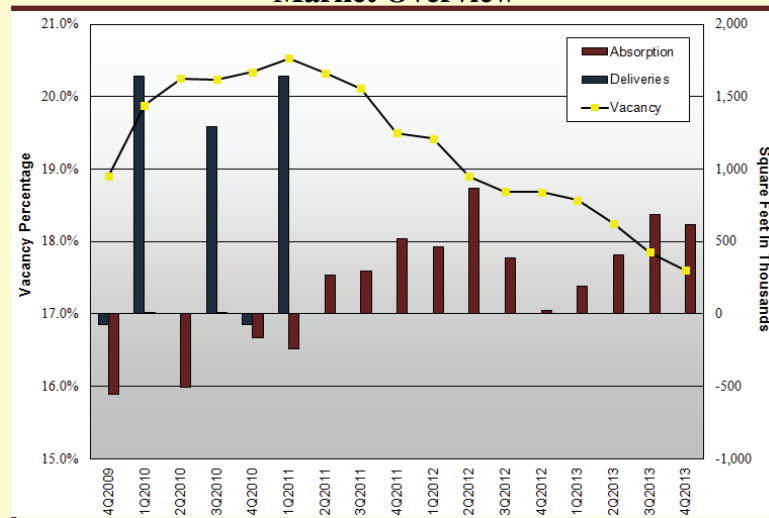
The major submarkets along the urban corridor are expected to continue performing well, along with I-285/GA-400, and GA-400 North. The I-75/I-285 submarket could also be a popular option with the Braves' recent announcement to relocate to the I-75/I-285 submarket. Downtown, surprisingly for some, could be the leading or among the leading submarkets in absorption for 2014 due to large commitments by Coca-Cola (275,868 square feet) and Koch (86,000 square feet) among others. In addition to all the new infrastructural improvements, there is ongoing expansion and development at Georgia State University. Downtown clearly offers tremendous excitement with new venues, the Atlanta Streetcar opening, the new Atlanta Falcons retractable roof football stadium, extremely favorable and competitive rental rates on high quality space, favorable tax advantages with the Downtown Opportunity Zone, excellent freeway and secondary road accessibility, convenient public transportation, and a location only 8 miles to perhaps Atlanta's greatest asset, Hartsfield-Jackson International Airport, the world's busiest airport.

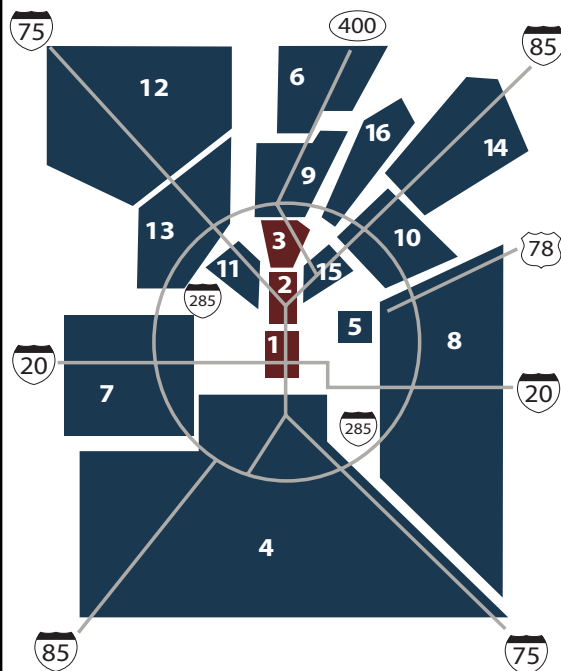
Our outlook for Atlanta is optimistic and bullish with an improving economy for local businesses, numerous business relocations and tremendous growth in local startup companies in high-tech, biomedical, and other fields of commerce.

Atlanta is and will be great! We wish everyone a great and prosperous 2014!

*Richard E. Bowers*

### Market Overview





**Urban Corridor Submarkets**

1. Downtown
2. Midtown
3. Buckhead/Lenox

**Suburban Submarkets**

4. Airport/South
5. Decatur
6. GA-400 North
7. I-20W/Greenbriar
8. I-285E/Stone Mountain
9. I-285/GA-400
10. I-285/I-85/Northlake
11. I-75 Corridor
12. I-75N/Marietta/Johnson Ferry
13. I-75/I-285
14. NE Expressway-North
15. NE Expressway-South
16. Peachtree Corners

**THE ATLANTA OFFICE MARKET**

	<u>4th Quarter 2013</u>	<u>4th Quarter 2012</u>
Year-End Absorption	1,897,546	1,742,054
4th Quarter Absorption	619,152	25,190
Total Existing Square Feet	135,409,999	135,465,599
Total Available Square Feet	23,833,938	25,309,557
Percent Of Total Space Vacant	17.60%	18.68%
Average Quoted Rental Rate	\$21.50	\$21.03
Space Delivered YTD - Square Feet*		0

\* Excludes Net Losses

**ATLANTA'S TOP FIVE RANKING SUBMARKETS**

**Absorption - 4th Quarter 2013:**

Buckhead/Lenox	307,341
GA-400 North	133,883
I-285/GA-400	41,138
Midtown	33,520
I-75N/Marietta/JF	30,996

**Total Available Square Feet:**

Downtown	3,600,514
I-285/GA-400	3,593,183
I-75/I-285	3,352,092
Midtown	2,865,081
GA-400 North	2,388,696

**Total Existing Square Feet:**

I-285/GA-400	22,705,938
I-75/I-285	18,948,936
Downtown	17,016,469
GA-400 North	15,838,963
Buckhead/Lenox	15,204,451

**Submarket Occupancy Rate:**

Decatur	91.47%
NE Expressway-South	88.64%
Buckhead/Lenox	85.95%
GA-400 North	84.92%
I-285/GA-400	84.18%

**Average Quoted Rental Rate:**

Buckhead/Lenox	\$26.65
Midtown	\$26.25
I-285/GA-400	\$22.79
I-75 Corridor	\$21.79
Downtown	\$20.71

**Average Class "A" Rental Rate:**

Buckhead/Lenox	\$28.91
Midtown	\$28.89
I-75 Corridor	\$28.00
I-285/GA-400	\$24.70
Decatur	\$22.98

*“Year-End absorption was 1,897,546 square feet, which is the most since calendar year 2007.”*

The Bowers Digest was prepared by the Research Department & Assistants of Richard Bowers & Company. The numerical data summarized herein were obtained directly from the owners and managers of the buildings included in the Richard Bowers & Company database. Richard Bowers & Company takes no responsibility for the accuracy of the information provided by others. Additional copies are available at \$25.00 each. Copyright © 2014 by Richard Bowers & Company, Atlanta, Georgia. All rights reserved.

ATLANTA MARKET TRENDS BY QUARTER

Quarter	Total Sq. Ft.	Vacant Sq. Ft.	Vacancy Rate	Delivered Qtr:	Delivered Ytd	Net Absorption			Average Rental Rate
						4 Qtr Total	Year To Date	Quarter	
<b>4Q2013</b>	<b>135,409,999</b>	<b>23,833,938</b>	<b>17.60%</b>	<b>0</b>	<b>0</b>	<b>1,897,546</b>	<b>1,897,546</b>	<b>619,152</b>	<b>\$21.50</b>
3Q2013	135,391,218	24,164,309	17.85%	0	0	1,303,584	1,278,394	683,692	\$21.35
2Q2013	135,221,299	24,678,082	18.25%	0	0	1,003,090	594,702	404,353	\$21.24
1Q2013	135,256,002	25,117,138	18.57%	0	0	1,466,308	190,349	190,349	\$21.14
4Q2012	135,465,599	25,309,557	18.68%	(8,835)	307,433	1,742,054	1,742,054	25,190	\$21.03
3Q2012	135,701,093	25,362,693	18.69%	127,043	316,268	2,229,071	1,714,273	383,198	\$20.91
2Q2012	135,574,050	25,618,848	18.90%	188,335	189,225	2,120,886	1,331,075	864,980	\$20.67
1Q2012	135,385,715	26,295,493	19.42%	890	890	1,479,655	466,095	466,095	\$20.61
4Q2011	135,384,825	26,686,726	19.71%	(17,615)	0	844,724	844,724	519,789	\$20.84
3Q2011	135,402,440	27,224,130	20.11%	0	0	184,350	324,935	297,530	\$20.89
2Q2011	135,402,440	27,521,660	20.33%	0	0	(100,857)	(27,405)	270,213	\$21.01
1Q2011	135,402,440	27,791,873	20.53%	0	0	(874,857)	(242,808)	(242,808)	\$21.02
4Q2010	135,357,440	27,549,065	20.35%	0	1,640,626	(626,015)	(626,015)	(140,585)	\$21.20
3Q2010	135,402,440	27,408,480	20.24%	0	1,640,626	(1,040,263)	(485,430)	12,313	\$21.26
2Q2010	135,402,440	27,420,793	20.25%	0	1,640,626	(1,364,227)	(497,743)	(503,777)	\$21.39
1Q2010	135,402,440	26,917,016	19.88%	1,640,626	1,640,626	(1,566,872)	6,034	6,034	\$21.44
4Q2009	133,761,814	25,282,424	18.90%	(76,233)	1,518,719	(1,947,045)	(1,947,045)	(554,833)	\$21.42
3Q2009	133,838,047	24,803,824	18.53%	1,295,143	1,594,952	(1,797,220)	(1,392,212)	(311,651)	\$21.56
2Q2009	132,542,904	23,197,030	17.50%	468,273	299,809	(1,552,421)	(1,080,561)	(706,422)	\$21.61
1Q2009	132,074,631	22,022,335	16.67%	(168,464)	(168,464)	(796,409)	(374,139)	(374,139)	\$21.65
4Q2008	132,243,095	21,816,660	16.50%	578,763	1,671,603	60,188	60,188	(405,008)	\$21.64
3Q2008	131,664,332	20,832,889	15.82%	(83,012)	1,092,840	456,974	465,196	(66,852)	\$21.62
2Q2008	131,747,344	20,849,049	15.83%	1,023,852	1,175,852	2,116,415	532,048	49,590	\$21.65
1Q2008	130,723,492	19,874,787	15.20%	152,000	152,000	2,975,148	482,458	482,458	\$21.40
4Q2007	130,571,492	20,205,245	15.47%	256,805	1,762,209	2,738,242	2,738,242	(8,222)	\$21.12
3Q2007	130,314,687	19,940,218	15.30%	331,482	331,482	3,587,670	2,746,464	1,592,589	\$21.06



**The Urban Corridor**

After a devastating recession that propelled office vacancy rates to nearly 24 percent in 2010, economic improvement and employment growth have brought the vacancy rate for the Urban Corridor back down to 18.25 percent. The Urban Corridor, which consists of the Downtown, Midtown and Buckhead submarkets, has experienced twelve consecutive quarters of positive absorption, including 368,124 square feet of absorption for fourth quarter 2013. While these in-town numbers are down year-to-date from 2012, the year-end total of 651,593 square feet of positive absorption supports the ongoing trend of continued recovery for Urban Atlanta. In the past two years, the average quoted rental rate for the Urban Corridor has jumped \$1.16 per square foot, to \$24.38, largely due to increased leasing activity and lack of new office construction.

Buckhead/Lenox continues to dominate and remains atop the leader board of Atlanta’s submarkets in a number of statistical categories. This submarket ranks second in year-to-date absorption with 470,593 positive square feet, behind only I-285/GA-400, and first in fourth quarter absorption with 307,341 square feet. The majority of this 307,341 square feet of absorption was due to the children’s apparel manufacturer, Carter’s Inc., moving their headquarters into Phipps Tower, who leased one of the last large blocks of space in Buckhead.

In 2014, we will see the first office delivery for Buckhead since 2010 with the completion of the mixed-use Buckhead Atlanta project, which will have 125,000 square feet of office space, with approximately 90 percent of the space already pre-leased to Spanx. Within the last three years Buckhead has had a remarkable turnaround, increasing the submarket’s occupancy by 13.2 percent, to a rate of 85.95 percent, the highest occupancy since first quarter 2008. Rental rates have also increased 4.4 percent since year-end 2012.

The Buckhead/Lenox submarket now has the most expensive office space per square foot in Metro Atlanta at \$26.65 per square foot and the highest Class “A” rental rate at \$28.91 per square foot.

Midtown also experienced positive fourth quarter absorption of 33,520 square feet and a year-end 2013 absorption total of 82,643 square feet. This absorption has increased Midtown’s occupancy rate 58 basis points over year-end 2012 to 80.8 percent. Second only to Buckhead, the Midtown submarket’s average rental rate is \$26.25 per square foot and \$28.89 per square foot for Class “A” space. Since fourth quarter 2012, these rates have improved 73 cents and 81 cents, respectively. Later this year Ponce City Market, the largest mixed-use redevelopment project in Atlanta’s history will deliver 450,000 square feet of office space, which has already been 75 percent pre-leased to Athenahealth, Jamestown, Cardlytics and MailChimp. In addition to office space the former 1.1 million square foot, Sears, Roebuck and Company Southeast Headquarters, will feature retail, restaurants and residential lofts adjacent to the Atlanta Beltline.

While Buckhead may be the hottest submarket in the Urban Corridor right now, Downtown is poised to challenge that status in 2014. Downtown has experienced four consecutive quarters of positive absorption, totaling 98,357 square feet, lowering the vacancy rate to 21.16 percent. Despite having the highest vacancy in the Urban Corridor, the Downtown submarket has performed better in the Class “A” category with an occupancy rate of 84.78 percent.

2013 has been a great year for Downtown activity, with companies such as Harland Clarke, Koch Business Solutions, and Coca-Cola Co. all signing large leases that will bring thousands of new jobs to our Central Business District, adding further to Downtown’s distinction as our largest employer.

Downtown’s future is excellent. There is currently more development, renovation activity, and investment dollars being spent in our Central Business District, than any other submarket. These developments are headlined by the new one billion dollar retractable roof football stadium for the Atlanta Falcons which will also host many other athletes and entertainment events,

## NOTABLE LEASE TRANSACTIONS SIGNED

<u>Lessee</u>	<u>Property</u>	<u>Size (SF)</u>
State Farm Insurance	North/South Terraces	278,342
The Coca-Cola Co.	SunTrust Plaza Garden	275,868
MailChimp	Ponce City Market	115,000
PulteGroup	Capital City Plaza	101,000
Frazier & Deeter	Promenade	96,000
Koch Business Solutions	100 Peachtree	86,000
Spanx	Buckhead Atlanta	86,000
Athenahealth	Ponce City Market	75,000
Cardlytics	Ponce City Market	74,000

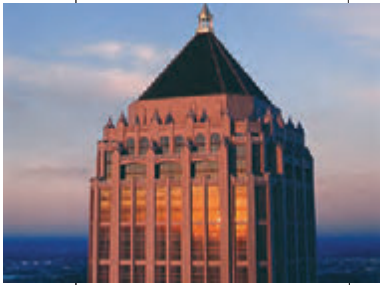
*“The Urban Corridor... has experienced twelve consecutive quarters of positive absorption.”*

## OFFICE SPACE BY BUILDING CLASSIFICATION

	<u>Total Sq. Ft.</u>	<u>Vacant Sq. Ft.</u>	<u>Vacancy Rate</u>	<u>Net Absorption</u>		<u>Average Rental Rate</u>
				<u>4th Quarter</u>	<u>4 Qtr Total</u>	
<b>Urban Corridor</b>						
Class A	30,518,338	4,825,602	15.81%	443,009	615,364	\$27.03
Class B	14,540,218	3,453,007	23.75%	(12,323)	72,815	\$19.92
Class C	<u>2,081,239</u>	<u>322,944</u>	<u>15.52%</u>	<u>(62,562)</u>	<u>(36,586)</u>	<u>\$16.62</u>
<b>Total</b>	<u>47,139,795</u>	<u>8,601,553</u>	<u>18.25%</u>	<u>368,124</u>	<u>651,593</u>	<u>\$24.38</u>
<b>Suburban</b>						
Class A	48,574,077	7,066,415	14.55%	187,921	879,796	\$22.36
Class B	33,503,685	6,513,408	19.44%	72,845	454,831	\$17.49
Class C	<u>6,192,442</u>	<u>1,652,562</u>	<u>26.69%</u>	<u>(9,738)</u>	<u>(88,674)</u>	<u>\$14.50</u>
<b>Total</b>	<u>88,270,204</u>	<u>15,232,385</u>	<u>17.26%</u>	<u>251,028</u>	<u>1,245,953</u>	<u>\$19.96</u>
<b>Total Market</b>						
Class A	79,092,415	11,892,017	15.04%	630,930	1,495,160	\$24.17
Class B	48,043,903	9,966,415	20.74%	60,522	527,646	\$18.22
Class C	<u>8,273,681</u>	<u>1,975,506</u>	<u>23.88%</u>	<u>(72,300)</u>	<u>(125,260)</u>	<u>\$15.03</u>
<b>Total</b>	<u>135,409,999</u>	<u>23,833,938</u>	<u>17.60%</u>	<u>619,152</u>	<u>1,897,546</u>	<u>\$21.50</u>



ATLANTA OFFICE MARKET: COMPARISON BY SUBMARKETS



**Urban**

Downtown  
Midtown  
Buckhead/Lenox  
**Urban Totals**

**Suburban**

Airport/South  
Decatur  
GA-400 North  
I-20W/Greenbriar  
  
I-285/GA-400  
I-285/I-85/Northlake  
I-285E/Stone Mtn  
I-75 Corridor  
  
I-75/I-285  
I-75N/Marietta/JF  
NE Expressway-North  
NE Expressway-South  
Peachtree Corners  
**Suburban Totals**  
  
**Total/W. Averages**

Total Market					
Total Sq. Ft.	Vacant Sq. Ft.	Occupancy Rate	Absorption This Qtr	Absorption YTD	Average Rental Rate
17,016,469	3,600,514	78.84% ↑	27,263	98,357 ↑	\$20.71 ↓
14,918,875	2,865,081	80.80% ↑	33,520	82,643 ↑	\$26.25 ↑
15,204,451	2,135,958	85.95% ↑	307,341	470,593 ↑	\$26.65 ↑
<b>47,139,795</b>	<b>8,601,553</b>	<b>81.75% ↑</b>	<b>368,124</b>	<b>651,593 ↑</b>	<b>\$24.38 ↑</b>
3,047,435	743,330	75.61% ↑	13,578	17,610 ↑	\$16.47 ↓
1,154,049	98,389	91.47% ↑	(309)	22,443 ↑	\$20.49 ↑
15,838,963	2,388,696	84.92% ↑	133,883	334,762 ↑	\$19.51 ↑
313,599	97,846	68.80% ↑	(5,477)	(12,795) ↑	\$14.21 ↑
22,705,938	3,593,183	84.18% ↑	41,138	551,944 ↑	\$22.79 ↑
4,292,723	834,885	80.55% ↓	(464)	(11,306) ↓	\$17.18 ↓
271,007	68,643	74.67% ↓	0	(22,980) ↓	\$13.47 ↓
1,127,333	208,645	81.49% ↑	0	16,617 ↑	\$21.97 ↑
18,948,936	3,352,092	82.31% ↑	23,067	100,770 ↑	\$20.60 ↑
3,157,277	596,746	81.10% ↑	30,996	88,283 ↑	\$18.86 ↑
4,776,925	1,202,550	74.83% ↑	9,634	153,303 ↑	\$17.86 ↓
4,677,125	531,521	88.64% ↓	(3,189)	(75,417) ↓	\$18.48 ↑
7,958,894	1,515,859	80.95% ↑	8,171	82,719 ↑	\$16.77 ↑
<b>88,270,204</b>	<b>15,232,385</b>	<b>82.74% ↑</b>	<b>251,028</b>	<b>1,245,953 ↑</b>	<b>\$19.96 ↑</b>
<b>135,409,999</b>	<b>23,833,938</b>	<b>82.40% ↑</b>	<b>619,152</b>	<b>1,897,546 ↑</b>	<b>\$21.50 ↑</b>

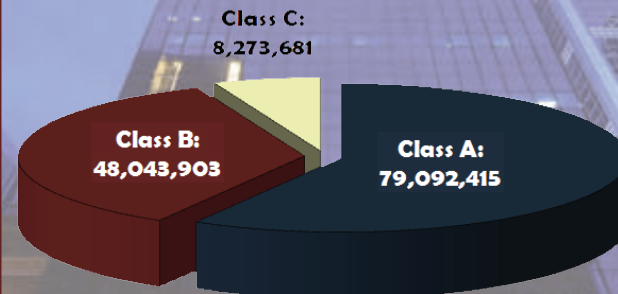
Change from Mid-Year 2013: ↑ Increase ↓ Decrease — No Change

as well as the SkyView Ferris Wheel, the College Football Hall of Fame, the National Civil Rights Museum, the Atlanta Streetcar, two new hotels expected to be a Hyatt House and Homewood Suites, and the former Day's Inn redevelopment as an Aloft hotel. Another major catalyst to Downtown's resurgence is the continued growth and expansion of Georgia State University, Atlanta's largest university and our state's second largest university with over 32,000 students. Georgia State University has recently acquired 55 Park Place (a Class A 550,000 square foot office tower), 100 Auburn Avenue (the former Atlanta Life Corporate Headquarters) and is developing the new 200,000 square foot Georgia State University Law School located at the intersection of Park Place and John Wesley Dobbs just south of the Georgia Pacific Tower.

**The Suburban Submarkets**

Despite recording less fourth quarter absorption than the Urban Corridor with 251,028 square feet of absorption, the suburban submarkets outpaced the Urban Corridor nearly 2 to 1 during 2013. The suburban submarkets, which consist of the remaining thirteen submarkets, posted year-end absorption of 1,245,953 square feet versus 651,593 square feet along the Urban Corridor, bringing the suburban vacancy rate down to 17.26 percent. This marks the lowest vacancy since first quarter 2009 and is a 118 basis point improvement since year-end 2012. Rental rates have also jumped 16 cents from last quarter and 38 cents annually to an average rental rate of \$19.96 per square foot.

EXISTING SPACE BY CLASS



Class A			Class B			Class C		
Vacant Sq. Ft.	Occupancy Rate	Average Rental Rate	Vacant Sq. Ft.	Occupancy Rate	Average Rental Rate	Vacant Sq. Ft.	Occupancy Rate	Average Rental Rate
1,394,479	84.78%	\$22.69	2,031,797	69.45%	\$18.89	174,238	85.53%	\$15.75
1,984,453	81.76%	\$28.89	743,828	78.02%	\$19.62	136,800	79.11%	\$16.63
1,446,670	86.19%	\$28.91	677,382	84.97%	\$21.65	11,906	94.65%	\$21.31
<b>4,825,602</b>	<b>84.19%</b>	<b>\$27.04</b>	<b>3,453,007</b>	<b>76.25%</b>	<b>\$19.92</b>	<b>322,944</b>	<b>84.48%</b>	<b>\$16.62</b>
175,995	80.13%	\$19.29	315,252	75.35%	\$15.90	252,083	71.44%	\$14.46
21,226	94.76%	\$22.98	77,163	89.70%	\$19.14	-	-	-
1,611,587	86.39%	\$20.67	777,109	80.42%	\$16.05	-	100.00%	\$16.50
-	-	-	3,644	92.00%	\$26.00	94,202	64.86%	\$12.20
1,918,247	87.38%	\$24.70	1,335,255	79.12%	\$19.81	339,681	69.47%	\$13.94
85,779	83.77%	\$19.95	318,883	84.16%	\$17.50	430,223	75.44%	\$15.97
21,872	60.00%	\$19.50	-	100.00%	\$12.00	46,771	70.37%	\$11.93
93,280	56.00%	\$28.00	102,564	87.79%	\$21.12	12,801	83.00%	\$14.50
1,543,923	87.07%	\$22.94	1,636,221	74.93%	\$16.83	171,948	64.43%	\$13.63
317,372	79.70%	\$20.60	196,366	84.74%	\$17.66	83,008	72.94%	\$15.05
781,801	75.03%	\$19.37	415,975	74.23%	\$14.95	4,774	85.00%	\$16.00
161,623	65.93%	\$21.14	365,920	90.22%	\$18.49	3,978	99.14%	\$15.61
333,710	85.76%	\$19.42	969,056	80.56%	\$16.07	213,093	66.30%	\$12.46
<b>7,066,415</b>	<b>85.45%</b>	<b>\$22.36</b>	<b>6,513,408</b>	<b>80.56%</b>	<b>\$17.49</b>	<b>1,652,562</b>	<b>73.31%</b>	<b>\$14.50</b>
<b>11,892,017</b>	<b>84.96%</b>	<b>\$24.17</b>	<b>9,966,415</b>	<b>79.26%</b>	<b>\$18.22</b>	<b>1,975,506</b>	<b>76.12%</b>	<b>\$15.03</b>

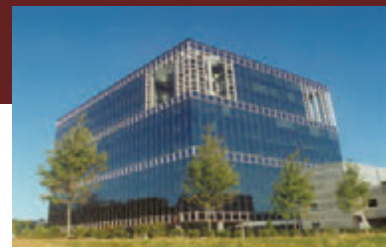
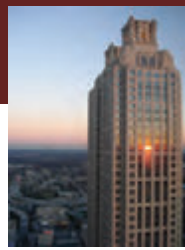
*“ In terms of absorption, the suburban submarkets outpaced the Urban Corridor nearly 2 to 1 during 2013.”*

The largest submarket in Metro Atlanta with over 22.7 million square feet of office space was also the best performing submarket during 2013. I-285/GA-400 picked up right where it left off in 2012 by adding another 551,944 square feet of absorption. The submarket’s occupancy rate now sits at 84.18 percent, thanks in large part to the expansion of State Farm in several buildings over the past six quarters. Ranked third behind only Buckhead and Midtown, I-285/GA-400 has an overall average rental rate of \$22.79 per square foot, as well as the fourth highest Class “A” rental rate at \$24.70 per square foot.

The suburban submarket with the greatest fourth quarter absorption was GA-400 North accounting for 133,883 square feet of positive absorption and increasing their occupancy rate to 84.92 percent, close to 2 percent better than year-end 2012. Another submarket with great promise over the next several years is I-75/I-285. This submarket experienced year-end absorption of 100,770 square feet bringing the vacancy rate down for the fourth straight quarter to 17.69 percent. The Atlanta Braves recently announced construction of their new Braves stadium, scheduled for completion for the 2017 baseball season at the I-75/I-285 interchange, could also increase demand for office space in the I-75/I-285 submarket.

## Overall Market

Overall, the Atlanta office market posted 619,152 square feet of positive absorption for fourth quarter 2013. This total brought the calendar year-end absorption to 1,897,546 square feet, which is the most since calendar year 2007. These absorption figures increased the overall occupancy rate to 82.4 percent, with the urban and suburban submarket occupancy rates at 81.75 percent and 82.74 percent, respectively. This is the highest occupancy rate Atlanta has experienced since second quarter 2009 and the highest average rental rate since third quarter 2009, currently at \$21.50 per square foot. The Class “A” market continues to outperform the overall market by 256 basis points at an occupancy rate of 84.96 percent due largely to companies upgrading to better space with more amenities while the rental rates remain favorable. As we look ahead to 2014, we expect an even stronger performing office market, thanks to an improving economy, strong job growth, and a sizeable number of business relocations to metropolitan Atlanta.



## ANNUAL ABSORPTION AND VACANCY RATE BY SUBMARKET

	<u>4Q 2009</u>		<u>4Q 2010</u>		<u>4Q 2011</u>		<u>4Q 2012</u>		<u>4Q 2013</u>	
	<u>4 Qtrs. Absorption</u>	<u>Vacancy Rate</u>	<u>4 Qtrs. Absorption</u>	<u>Vacancy Rate</u>	<u>4 Qtrs. Absorption</u>	<u>Vacancy Rate</u>	<u>4 Qtrs. Absorption</u>	<u>Vacancy Rate</u>	<u>4 Qtrs. Absorption</u>	<u>Vacancy Rate</u>
<b>Urban</b>										
Downtown	(237,791)	18.52%	(15,552)	18.62%	(135,849)	19.42%	(256,272)	21.74%	98,357	21.16%
Midtown	134,816	18.52%	(158,277)	23.52%	122,245	22.70%	447,233	19.78%	82,643	19.20%
Buckhead/Lenox	(161,307)	23.62%	145,196	27.25%	682,298	22.86%	1,074,342	15.60%	470,593	14.05%
<b>Urban Totals</b>	<b>(264,282)</b>	<b>20.13%</b>	<b>(28,633)</b>	<b>22.98%</b>	<b>668,694</b>	<b>21.58%</b>	<b>1,265,303</b>	<b>19.14%</b>	<b>651,593</b>	<b>18.25%</b>
<b>Suburban</b>										
Airport/South	(111,383)	28.05%	70,186	25.88%	7,581	25.63%	(17,702)	26.80%	17,610	24.39%
Decatur	(10,805)	13.33%	(69,498)	19.41%	38,835	16.01%	73,493	10.47%	22,443	8.53%
GA-400 North	(109,485)	16.90%	(55,765)	17.26%	376,153	14.90%	(323,887)	17.00%	334,762	15.08%
I-20W/Greenbriar	11,501	26.59%	(18,429)	32.33%	(10,339)	34.02%	21,640	27.12%	(12,795)	31.20%
I-285/GA-400	(899,412)	17.81%	(138,128)	18.42%	(527,188)	20.78%	801,396	17.42%	551,944	15.82%
I-285/I-85/Northlake	(186,277)	13.56%	(64,034)	15.06%	(6,632)	15.22%	(142,233)	18.88%	(11,306)	19.45%
I-285E/Stone Mountain	(2,350)	13.57%	2,215	12.88%	(1,880)	13.47%	26,798	13.04%	(22,980)	25.33%
I-75 Corridor	(26,744)	7.68%	(62,288)	13.21%	19,777	11.45%	(96,160)	19.98%	16,617	18.51%
I-75/I-285	(57,474)	18.13%	(251,656)	19.47%	179,205	18.56%	130,890	18.22%	100,770	17.69%
I-75N/Marietta/JF	(186,359)	21.88%	24,049	21.12%	(22,210)	21.82%	18,123	21.04%	88,283	18.90%
NE Expressway-North	(21,046)	24.98%	(37,524)	25.77%	(1,060)	25.87%	(94,208)	28.36%	153,303	25.17%
NE Expressway-South	3,192	11.69%	85,037	9.86%	68,920	8.39%	(51,071)	9.75%	(75,417)	11.36%
Peachtree Corners	(85,121)	21.54%	(81,547)	22.55%	54,868	21.36%	129,672	20.09%	82,719	19.05%
<b>Suburban Totals</b>	<b>(1,682,763)</b>	<b>18.27%</b>	<b>(597,382)</b>	<b>18.94%</b>	<b>176,030</b>	<b>18.71%</b>	<b>476,751</b>	<b>18.44%</b>	<b>1,245,953</b>	<b>17.26%</b>
<b>Total With Averages</b>	<b>(1,947,045)</b>	<b>18.90%</b>	<b>(626,015)</b>	<b>20.35%</b>	<b>844,724</b>	<b>19.71%</b>	<b>1,742,054</b>	<b>18.68%</b>	<b>1,897,546</b>	<b>17.60%</b>

### Agents

Ernie R. Baker, Thomas Barrow, Richard Bowers, SIOR, Rick Bowers Jr., Linda Burns, Michael Cheney, David Clappier, Barry Conway, Daniel Gannon, Bert Godwin, Drew Griffin, Randy Hoye, Bill Johnson, CCIM, Greg Kindred, Chet Lacy, Anthony Lois, CCIM, Charles McDonald, Jeff Searcy, Jeff McMullen, Paul Mendel, Donnie Miller, Angela Moore, David Morgan, Ray Nestlehutt, Ash Parker, Jenna Schulten, George Smeltzer, Tarkenton Thompson, Grahame Wood, Vernon L. Wright

### Research

Ryan Robinson, Kelly Pensmith, Rosanna Troncoso

### Administrative

Traci Alexander, Sandra Bowers, Alison Garland, Deborah Gleason, Tiffany Jenkins, Cynthia Lloyd, Dianne Oeser, Melissa Skoog, Jennifer Smith, Ginger Toothman



Richard E. Bowers, SIOR, President

260 Peachtree Street, Suite 2400, Atlanta, Georgia 30303

P: 404.816.1600 F: 404.880.0077 W: richardbowers.com

