

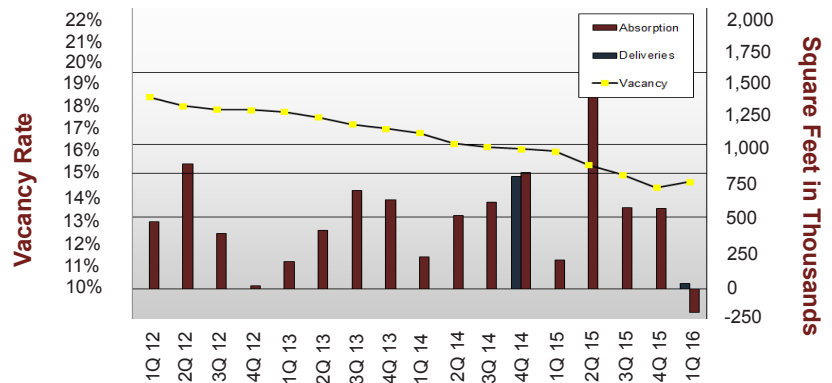
# MARKET REPORT

## ATLANTA OFFICE MARKET SNAPSHOT

Total Square Feet:	135,371,800	↑
Vacant Square Feet:	19,660,582	↓
Percent Occupied:	85.48%	↑
Absorption for Quarter:	(159,526)	↓
Absorption Year-to-Date:	(159,526)	↓
Average Rental Rates:	\$22.67	↑
Space Delivered YTD:	40,118	↑
Class "A" Avg. Rental Rate:	\$25.41	↑

\* Change from 1Q 2015

## METRO ATLANTA OFFICE MARKET SUMMARY



The Atlanta Office Market has experienced its first quarter of negative absorption since 2012.

1st Quarter 2016 proved to be a disappointing quarter yielding a surprising 159,526 square feet negative absorption. This is the first quarter of negative absorption since 4th quarter 2012. Although surprising, what occurred is likely due in part to the year-end 2015 and our first quarter stock market downturn which has since recovered along with other causes to include firms and companies moving to owner-occupied space, freeing up speculative space and companies downsizing their office requirements through open-space design requiring less square footage and hoteling even though they may not have eliminated employees and, in fact, may be hiring additional personnel. Nonetheless the outlook for 2016 is still quite strong with a favorable economy, job growth, company relocations to Metropolitan Atlanta, and the significant construction underway and in various planning stages for private and public developments, infrastructural improvements, housing and major venues to include both the Atlanta Braves and the Atlanta Falcons new stadiums with surrounding development.

The leading office submarkets in absorption this quarter were GA-400 at 163,085 square feet, followed by Buckhead/Lenox at 156,723 square feet, NE Expressway-North at 119,239 square feet, I-75N/Marietta/Johnson Ferry at 118,310 square feet, and Midtown at 86,738 square feet. The Suburban submarkets recorded first quarter negative absorption of 367,248 square feet, versus positive absorption of 59,257 square feet for the Urban Corridor. The Urban Corridor also has significantly higher average rental rates than the Suburban submarkets, at \$26.14 per square foot compared to \$21.17 per square foot.

### Urban Markets

The urban submarket with the highest occupancy rate is Buckhead/Lenox, which raised its occupancy rate from 87.15 percent for the first quarter of 2015 to 89.22% for first quarter 2016. Continued positive absorption of 86,738 square feet for the Midtown submarket has led to an increase in the occupancy rate of 1.47 percentage points since the first quarter of 2015, with current occupancy at 85.75%, and an average rental rate of \$27.13. The Downtown submarket continues to be the most affordable along the Urban Corridor with an average rental rate of \$21.31 and also with the most square feet available along the Urban Corridor, at 3,159,047 square feet currently vacant.

Despite negative first quarter absorption, the average rental rate and vacancy rate have remained steady from year end 2015. The average rental rate overall dropped just 3 cents from the previous quarter and the overall vacancy rate fell less than .33%. On a positive note, Class A rental rates increased 81 cents from first quarter 2015, from \$24.60 to a current rate of \$25.41. The Urban Corridor submarkets command a \$3.50 per square foot premium over the Suburban submarkets, with rates at \$26.14 per square foot versus \$22.67 per square foot in the Suburban submarkets. The leading submarkets for average quoted rental rates are Buckhead/Lenox at \$28.23, Midtown at \$27.13, I-75 Corridor at \$25.94, I-285/GA-400 at \$24.74, and I-75/I-285 at \$21.90.

In terms of existing square feet, the five largest submarkets are I-285/GA-400 at 23,133,938 square feet; I-75/I-285 at 18,587,264 square feet; GA-400 North at 15,962,950 square feet; Downtown at 15,810,867 square feet; and Midtown at 15,516,115 square feet. These submarkets are also the five leading submarkets in space availability, with Downtown at 3,159,047 square feet; I-285/GA-400 at 2,971,863 square feet; I-75/I-285 at 2,770,577 square feet; Midtown at 2,211,100 square feet; and GA-400 North at 1,864,374 square feet.

There are a number of new office developments, some of which are in mixed-use projects that are under construction. These developments include the Battery at SunTrust Park, Comcast Tower, Park Center (State Farm), NCR Corporation's Headquarters at Georgia Tech, Riverwood 200, and Three Alliance Center. Notwithstanding, the office market is lagging other areas of development to include multi-family, (primarily apartments) hotels, and single family residential. The Urban Corridor is extremely active with many new developments taking place again primarily in apartments. The only office building that



### TOP FIVE RANKING SUBMARKETS

#### Net Absorption - 1st Quarter 2016

GA-400 North	163,085
Buckhead/Lenox	156,723
NE Expressway-North	119,239
I-75N/Marietta/Johnson Ferry	118,310
Midtown	86,738

#### Total Existing Square Feet

I-285/GA-400	23,133,938
I-75/I-285	18,587,264
GA-400 North	15,962,950
Downtown	15,810,867
Midtown	15,516,115

#### Submarket Occupancy Rate

I-75N/Marietta/Johnson Ferry	93.58%
Decatur	92.00%
NE Expressway South	91.40%
I-75 Corridor	90.87%
Buckhead/Lenox	89.22%

#### Average Quoted Rental Rate

Buckhead/Lenox	\$28.23
Midtown	\$27.13
I-75 Corridor	\$25.94
I-285/GA-400	\$24.74
Downtown	\$21.90

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

I-75 Corridor	\$39.00
Buckhead/Lenox	\$30.01
Midtown	\$29.20
I-285/GA-400	\$26.93
I-75/I285	\$24.30

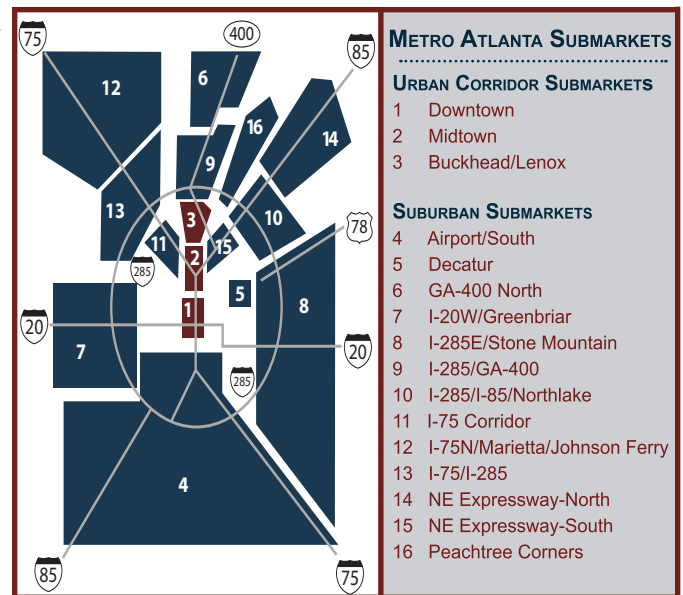
will deliver this year is in Buckhead at Three Alliance Center a 510,000 square foot office building with rental rates at approximately \$40 per square foot, full service.

## OUTLOOK

Despite a surprisingly unfavorable first quarter in office absorption, the 2016 outlook is still extremely favorable with the possibility that overall absorption will still be greater for calendar year 2016 than 2015. Atlanta's population and job growth are both quite strong. Numerous infrastructural improvements are underway or in the planning stages, and there are a number of major new developments underway again led by multi-family housing along the Urban Corridor and elsewhere primarily in Midtown and Buckhead, infrastructural improvements to include road improvements and interchange improvements at Georgia 400 / I-285 and I-75 / I-285, expanded MARTA services, and possible beautification projects to include creating parks over the Downtown Connector, and in Buckhead over Georgia 400 and the planned Aerotropolis development which will include office and hotel development, additional airport parking and accessibility improvements at Hartsfield-Jackson International Airport.

Downtown is making great strides with several major developments to include the redevelopment of Underground, providing additional retail, student housing and residential towers, the Civic Center redevelopment to include housing, retail, office and perhaps, a hotel and the new Post Properties multi-family apartment development located at Centennial Olympic Park, Post Centennial Park, a 438 unit community. The redevelopment of Centennial Olympic Park, the new Mercedes-Benz Atlanta Falcon's football stadium under construction, improvements to Phillips Arena and major tenant commitments to Downtown by SunTrust, Coca-Cola and most recently Koch are all adding positively to Downtown's interest and desirability. Georgia State's growth and expansion also adds tremendously to a vibrant Downtown as our State's largest University with over 50,000 students.

Other positive factors for Metro Atlanta include Atlanta's climate, a favorable cost of living in comparison to other urban centers, and taxes which are also favorable along with a significant urban immigration taking place by millennials and empty-nesters. If there is an area that is going to have to be addressed, it is infrastructure and transportation, both public transportation and road improvements, due to Atlanta's projected growth as the fastest growing US Metro region over the next fifteen years. Overall Metro Atlanta's outlook and growth is extremely positive both in town along the Urban Corridor and in the Suburbs.



## 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	3,159,047	80.02%	(184,204)	(184,204)	\$21.31
Midtown	15,516,115	2,211,100	85.75%	86,738	86,738	\$27.13
Buckhead/Lenox	15,352,667	1,655,222	89.22%	156,723	156,723	\$28.23
<b>Urban Totals</b>	<b>46,679,649</b>	<b>7,025,369</b>	<b>84.95%</b>	<b>59,257</b>	<b>59,257</b>	<b>\$26.14</b>
<b>Suburban</b>						
Airport/South	3,111,415	774,358	75.11%	44,077	44,077	\$16.77
Decatur	1,154,049	92,415	91.99%	(12,706)	(12,706)	\$21.00
GA-400 North	15,962,950	1,864,374	88.32%	163,085	163,085	\$20.47
I-20W/Greenbriar	313,609	128,022	59.18%	(61,270)	(61,270)	\$14.55
I-285/GA-400	23,133,938	2,971,663	87.15%	(252,403)	(252,403)	\$24.74
I-285/I-85/Northlake	4,298,545	867,046	79.82%	(16,991)	(16,991)	\$17.21
I-285E/Stone Mountain	271,007	66,780	75.36%	27,584	27,584	\$11.62
I-75 Corridor	1,127,333	102,930	90.87%	29,074	29,074	\$25.94
I-75/I-285	18,587,264	2,770,577	85.09%	(232,944)	(232,944)	\$21.90
I-75N/Marietta/Johnson Ferry	3,158,977	202,864	93.58%	118,310	118,310	\$20.07
NE Expressway - North	4,934,213	950,317	80.74%	119,239	119,239	\$18.43
NE Expressway - South	4,677,125	401,819	91.41%	(69,095)	(69,095)	\$19.05
Peachtree Corners	7,961,726	1,441,848	81.89%	(74,743)	(74,743)	\$16.70
<b>Suburban Totals</b>	<b>88,692,151</b>	<b>12,635,213</b>	<b>85.75%</b>	<b>(218,783)</b>	<b>(218,783)</b>	<b>\$21.17</b>
<b>Total with Averages</b>	<b>135,371,800</b>	<b>19,660,582</b>	<b>85.48%</b>	<b>(159,526)</b>	<b>(159,526)</b>	<b>\$22.67</b>

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



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