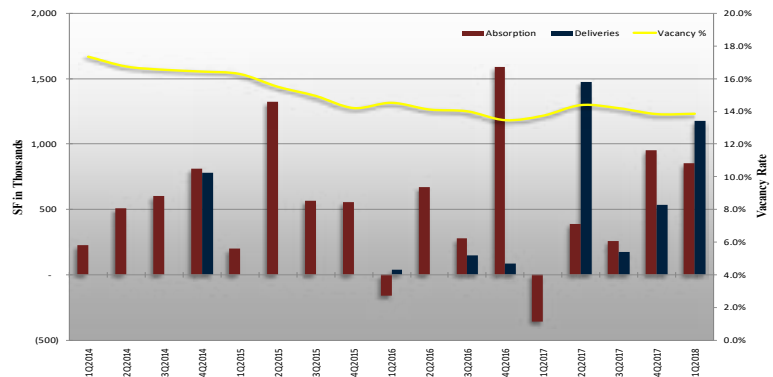


# MARKET REPORT

## ATLANTA OFFICE MARKET SNAPSHOT

Total Square Feet:	137,816,684	↑
Vacant Square Feet:	19,091,586	↑
Percent Occupied:	86.17%	↓
Absorption for Quarter:	855,308	↑
Absorption Year-to-Date:	855,308	↑
Average Rental Rates:	\$24.28	↑
Space Delivered YTD:	1,177,556	↑
Class "A" Avg. Rental Rate:	\$27.27	↑

## METRO ATLANTA OFFICE MARKET SUMMARY



Continuing strong into 2018...

### Overview

The Metro Atlanta office market kicked off 2018 with 855,308 square feet of positive absorption. This was due to two significant corporate headquarters opening in Atlanta, Mercedes-Benz and NCR Corp. These two offices combined for 710,000 square feet of positive absorption. Mercedes-Benz completed their 225,000 square foot headquarters in Sandy Springs and NCR Corp. completed their 485,000 square foot headquarters on Spring Street in Midtown. Total deliveries accounted for 1,177,556 square feet of Class A office space, including two speculative developments at 3 Edison Dr. in Alpharetta (107,643 square feet) and 4004 Perimeter Summit at I-285/GA-400 (355,250 square feet).

The average vacancy rate rose only two basis points from fourth quarter 2017 to 13.85%. Rental rates are continually increasing quarter-over-quarter and are now at \$24.28 per square foot on average. Rental rates are up over 7% since first quarter of 2016. Midtown led all submarkets this quarter in absorption with 506,660 square feet of positive absorption. This can mainly be attributed to NCR Corp.'s move-in in January, taking 100% of their 485,000 square foot new construction building. The I-285/GA-400 submarket ranked second in absorption, totaling 344,774 square feet of positive absorption. The relocation of Mercedes-Benz to Sandy Springs from New Jersey added 225,000 square feet of positive absorption to this submarket. Peachtree Corners came in third in total absorption, totaling 67,105 square feet. GA-400 North (17,662 square feet) and Buckhead (14,857 square feet) came in fourth and fifth, respectively, in total absorption this quarter. First quarter's absorption for the urban submarkets totaled 477,221 square feet of positive absorption and the suburban submarkets totaled 378,087 square feet of positive absorption, combining for 855,308 square feet of positive absorption.

### Urban Submarkets

The urban submarkets continue to be in high demand, with rental rates increasing quarter-over-quarter since first quarter of 2016, eight quarters straight. Occupancy rates have fluctuated between 86-87% during this time, but remain at the highest levels in decades. New deliveries and current construction are steady, with the delivery of NCR's corporate headquarters, there will be an additional phase set to deliver in November 2018, adding 277,000 square feet to the Midtown market. Downtown also has a development under construction set to deliver in May 2018 called "The Willoughby," a 61,000 square foot office building along the BeltLine in the Historic Old 4th Ward. Downtown is also going through a number of major renovations and major developments, to include The Gulch, Underground, and Newport's developments in South Downtown. The urban submarkets have seen 1.3 million square feet in deliveries since the beginning of 2017. Buckhead continues to hold the highest rental rates of any submarket, currently at \$30.63 per square foot on average. Midtown has seen remarkable increases in rental rates the past few years and is currently at \$30.18 per square foot on average, which is over an 11% increase since the beginning of 2016. This is the first quarter Midtown has eclipsed \$30.00 per square foot on average while closing the gap on Buckhead for the most expensive submarket.

### Suburban Submarkets

The suburban submarkets have continued constructing large developments, totaling nearly 1.9 million square feet in deliveries of office space since the beginning of 2017. The suburban submarkets have been on trend with the urban submarkets with 15 straight quarters of quarter-over-quarter rental rate growth. Rental rates for the suburban submarkets average \$22.40 per square foot. The most desirable suburban submarkets, such as I-285/GA-400 and I-285/I-75, are obtaining rental rates at \$27 per square foot or higher for certain Class A developments. Suburban submarkets also make up the top three submarkets in terms of existing square feet. I-285/GA-400 has 23,398,494 total square feet, I-75/I-285 has 19,412,170 total square feet, and GA-400 North has 16,219,132 total square feet. These submarkets have attracted large new developments for tenants looking to be outside the Central Business District and urban corridor. Rates are also more favorable for suburban Class A office space than urban alternatives inside I-285.



### TOP FIVE RANKING SUBMARKETS

#### Net Absorption - 1st Quarter 2018

Midtown	506,660
I-285/GA-400	344,774
Peachtree Corners	67,105
GA-400 North	17,662
Buckhead/Lenox	14,857

#### Total Existing Square Feet

I-285/GA-400	23,398,494
I-75/I-285	19,412,170
GA-400 North	16,219,132
Buckhead	16,164,348
Midtown	16,038,997

#### Submarket Occupancy Rate

I-20W/Greenbriar	93.80%
NE Expressway-South	93.62%
I-75N/Marietta/Johnson	93.42%
Decatur	92.02%
I-285/I-85/Northlake	88.75%

#### Average Quoted Rental Rate

Buckhead/Lenox	\$30.63
Midtown	\$30.18
I-75 Corridor	\$27.72
I-285/GA-400	\$25.67
I-75/I-285	\$23.67

#### Average Quoted Class A Rental Rate

Buckhead/Lenox	\$32.25
Midtown	\$31.94
I-285/GA-400	\$27.97
I-75/I-285	\$26.23
GA-400 North	\$25.07

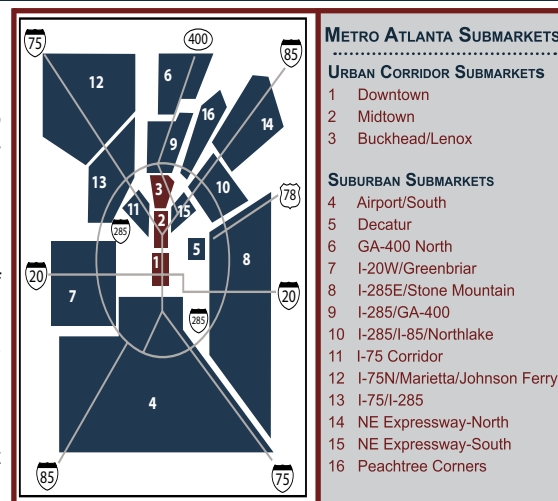
## Outlook

Our outlook for the Metro Atlanta office market remains very good for the near future. Corporate headquarters and major businesses are continuing to relocate to Atlanta. Small businesses are also continuing to develop and grow in the Metro Atlanta area. The Metro Atlanta population is growing at a faster pace than the national average and Hartsfield-Jackson International Airport is, yet again, the busiest airport in the world. Hartsfield-Jackson hosted 103,902,992 passengers in 2017, roughly 8 million more passengers than Beijing, the number two airport in the world. Rental rate growth and positive absorption continue to signal that demand is strong in many vital areas of the city. Many large developments in Downtown and along the BeltLine are supporting renewed development interest in the historic areas of Atlanta.

Georgia legislation has also established a transit authority to unite various transit services including MARTA, CobbLinc, Gwinnett County Transit and Xpress into one unified program and service. The Atlanta Transit Link Authority, or "The ATL," will provide a much-needed plan to coordinate all counties of the Metro Atlanta area and establish improvements to our regional transit system that has lagged our growth. This comes from the \$100 million 2019 state budget allocation from Governor Deal towards transit expansion in the metro area.

The Federal Reserve has also continued to provide inexpensive credit which has greatly benefitted large construction projects in the redevelopment of many abandoned areas and neighborhoods within the city by a number of developers in repositioning sections of Downtown, older intown neighborhoods, and others along the BeltLine, including the Westside. Sales transactions have also benefited from a thriving economy. Three Alliance Center in Buckhead sold for \$267,500,000 in January. At nearly \$530 price per square foot, this was the most expensive price paid for an Atlanta office building in history. Investors have been continually expanding their portfolios with Atlanta real estate. Many of the larger sales transactions have been focused on markets within the urban corridor, placing a premium on highly populated and dense markets with access to MARTA, shopping and dining.

While the national economy has grown significantly over the past few years, Metro Atlanta's gross domestic product has grown 30% in the last five years. Metro Atlanta has benefited greatly from a low unemployment rate, growing population, an advantageous pro-business policy by our local, state, and national government leaders, and a favorable credit environment. Other favorable Atlanta attributes include excellent airline connections, growing educational opportunities, improving public transportation, a temperate climate, an attractive forested city, a lower cost of living than most other major urban centers, and the dredging of the Savannah Harbor allowing for larger ships to dock all contribute towards a great outlook and positive future for Metro Atlanta and the Southeast United States. Atlanta remains one of the fastest growing metro areas and has been consistently ranked as one of the top cities to do business.



## OFFICE TOTALS BY SUBMARKET

SUBMARKET	TOTAL SF	VACANT SF	OCCUPANCY RATE	CURRENT ABSORPTION	YTD ABSORPTION	AVERAGE RENT RATE
<b>Urban</b>						
Downtown	15,575,867	2,347,152	84.93%	(44,296)	(44,296)	\$22.44
Midtown	16,083,997	1,879,737	88.31%	506,660	506,660	\$30.18
Buckhead/Lenox	16,164,348	1,993,454	87.67%	14,857	14,857	\$30.63
<b>Urban Totals</b>	<b>47,824,212</b>	<b>6,220,343</b>	<b>86.99%</b>	<b>477,221</b>	<b>477,221</b>	<b>\$27.81</b>
<b>Suburban</b>						
Airport/South	2,942,528	753,188	74.40%	(75)	(75)	\$17.29
Decatur	1,154,049	92,133	92.02%	(31,269)	(31,269)	\$21.85
GA-400 North	16,219,132	2,294,989	85.85%	17,662	17,662	\$22.89
I-20W/Greenbriar	313,609	19,439	93.80%	3,943	3,943	\$14.88
I-285/GA-400	23,398,494	3,050,990	86.96%	344,774	344,774	\$25.67
I-285/I-85/Northlake	4,449,611	500,439	88.75%	4,379	4,379	\$17.76
I-285E/Stone Mountain	271,007	35,893	86.76%	12,107	12,107	\$13.06
I-75 Corridor	1,127,333	127,089	88.73%	(7,329)	(7,329)	\$27.72
I-75/I-285	19,412,170	3,164,093	83.70%	8,351	8,351	\$23.67
I-75N/Marietta/Johnson Ferry	3,158,977	207,704	93.42%	(11,744)	(11,744)	\$20.72
NE Expressway - North	4,934,213	949,830	80.85%	(2,034)	(2,034)	\$19.27
NE Expressway - South	4,677,125	298,481	93.62%	(27,783)	(27,783)	\$20.10
Peachtree Corners	7,907,224	1,376,975	82.59%	67,105	67,105	\$17.03
<b>Suburban Totals</b>	<b>89,992,472</b>	<b>12,871,243</b>	<b>85.70%</b>	<b>378,087</b>	<b>378,087</b>	<b>\$22.40</b>
<b>Total with Averages</b>	<b>137,816,684</b>	<b>19,091,586</b>	<b>86.15%</b>	<b>855,308</b>	<b>855,308</b>	<b>\$24.28</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**

260 Peachtree Street • Suite 2400 • Atlanta, Georgia 30303 • P: 404.816.1600 • F: 404.880.0077

richardbowers.com

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