

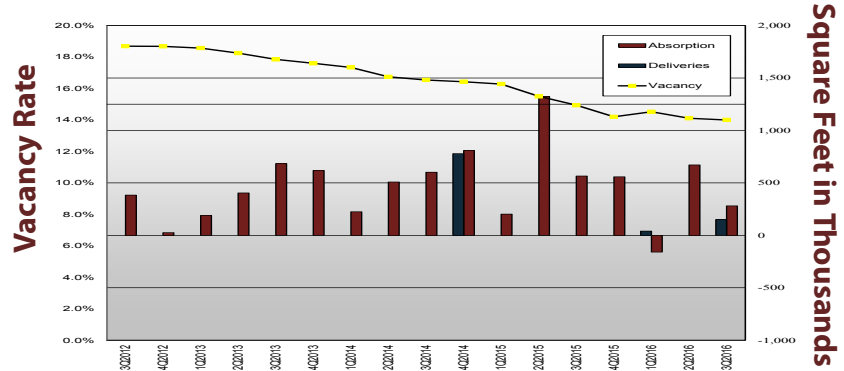
MARKET REPORT

ATLANTA OFFICE MARKET SNAPSHOT

Total Square Feet:	134,689,298	↑
Vacant Square Feet:	18,858,300	↓
Percent Occupied:	86.00%	↑
Absorption for Quarter:	281,019	↓
Absorption Year-to-Date:	792,756	↓
Average Rental Rates:	\$23.24	↑
Space Delivered YTD:	300,465	↓
Class "A" Avg. Rental Rate:	\$26.03	↑

* Change from 3Q 2015

METRO ATLANTA OFFICE MARKET SUMMARY



The Atlanta Office Market has Experienced its Second Quarter of Positive Absorption in a Row.

3rd Quarter 2016 posted a positive net absorption of 281,019 square feet. This represents the second quarter of positive absorption following negative absorption posted in Q1 of 2016. As a result of this positive absorption trend, we have seen the vacancy rate fall by almost an entire percentage point from just one year ago. The last time vacancy rates were as low as they currently are was in 2001. As vacancy rates continue to fall, rental rates across all submarkets continue to rise. The continued trend of higher rental rates has pushed the average rate across all submarkets to \$21.60, higher than we have ever recorded previously and over \$2 per square foot since 1Q2013.

The leading office submarkets in absorption this quarter were I-285/GA-400 at 198,820 square feet, followed by Downtown at 82,747 square feet, I-75/I-285 at 76,958 square feet, Buckhead/Lenox at 36,412 square feet, and Midtown at 34,765 square feet. The Suburban submarkets recorded third quarter absorption of 127,095 square feet, versus positive absorption of 153,924 square feet for the Urban Corridor. The Urban Corridor continues to have significantly higher average rental rates than the Suburban submarkets, at \$26.36 per square foot compared to \$21.60 per square foot.

Urban Markets

The urban submarket with the highest occupancy rate is Buckhead/Lenox, which raised its occupancy rate from 88.03 percent for the third quarter of 2015 to 89.06% for third quarter 2016. Continued positive absorption of 34,765 square feet for the Midtown submarket has led to an increase in the occupancy rate of 2.09 percentage points since the third quarter of 2015, with current occupancy at 85.12%, and an average rental rate of \$27.50. The Downtown submarket continues to be the most affordable along the Urban Corridor with an average rental rate of \$21.88 and also with the most square footage available, at 2,922,717 square feet currently vacant.

With positive absorption across most submarkets, the average rental rates and vacancy rates have risen steadily this year from 3rd quarter 2015. The average rental rate overall rose by 75 cents from a year ago and the overall vacancy rate fell by .94%. Class A rental rates increased 65 cents from third quarter 2015, from \$25.38 to a current rate of \$26.03. The class A Urban Corridor submarkets command a \$4.50 per square foot premium over the suburbs, with rates at \$26.36 per square foot versus \$21.60 per square foot in the Suburban submarkets. The leading submarkets for average quoted rental rates are Buckhead/Lenox at \$29.72 per square foot, Midtown at \$27.50 per square foot, I-75 Corridor at \$27.28 per square foot, I-285/GA-400 at \$25.00 per square foot, I-75/I-285 at \$22.82 per square foot and Downtown at \$21.88 per square foot.

In terms of existing square feet, the five largest submarkets are I-285/GA-400 at 22,705,938 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 2,922,717 square feet; I-285/GA-400 at 2,880,426 square feet; I-75/I-285 at 2,489,433 square feet; GA-400 North at 2,196,282 square feet; and Midtown at 1,983,793 square feet.

INFRASTRUCTURE

Insofar as infrastructure, the outlook for additional transportation improvements is outstanding, not only for public transportation, but also for road improvements. On November 8th, voters in the city of Atlanta and Fulton County will be voting on several important pieces of legislation. The City of Atlanta will be voting on a 5 year .4 cents T-SPLOST that will raise an expected \$380 million. Likewise, Fulton County will be voting on a .75 cent T-SPLOST referendum that will also extend



TOP FIVE RANKING SUBMARKETS

Net Absorption - 3rd Quarter 2016

I-285/GA-400	198,820
Downtown	82,747
I-75/I-285	76,958
Buckhead/Lenox	36,412
Midtown	34,765

Total Existing Square Feet

I-285/GA-400	22,705,938
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	\$29.72
Midtown	\$27.50
I-75 Corridor	\$27.28
I-285/GA-400	\$24.00
I-75/I-285	\$22.82

Average Quoted Class "A" Rental Rate

I-75 Corridor	\$39.00
Buckhead/Lenox	\$30.80
Midtown	\$29.61
I-285/GA-400	\$27.21
I-75/I285	\$25.49

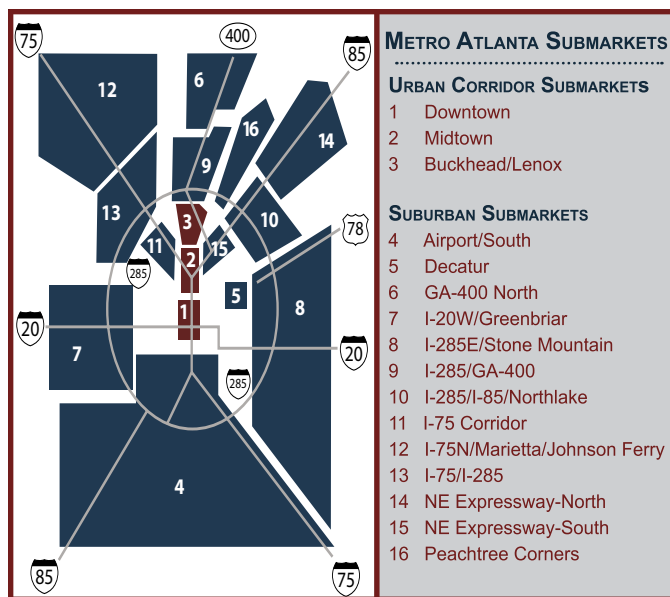
over 5 years and raise a projected \$550 million. Strategically this vote also allows for Fulton County to increase the T-SPLOST .25 cents to a full 1 cent at a later date. Also on the November 8th ballot, citizens in the City of Atlanta will also be voting on .5 cent sales tax which will extend over 40 years and is expected to raise \$2.5 billion. Additionally in 2015 the motor fuel tax was raised by about 10 cents which is expected to double the states motor fuel tax revenue from \$1 billion to about \$2 billion. Money raised from this tax will also help fund maintenance projects state wide.

OUTLOOK

With a favorable economy, no new deliveries in 2016, and lower vacancy rates, we clearly expect the fourth quarter to improve our numbers on both vacancy rates and average rental rates. The urban corridor is continuing to show higher average rental rates at \$26.14 per square foot versus \$21.60 for the suburbs. Notwithstanding, Downtown still affords excellent opportunities for users with rental rates of \$21.88 per square foot on average and several large blocks of vacant space.

For calendar year 2017 the outlook for the Atlanta market is expected to continue to improve with higher rental rates and higher occupancy, although we will have 7 new deliveries over 100,000 square feet, to include: Three Alliance Center, 4004 Perimeter Summit, Riverwood 200, Park Center, 3400 Overton, Stockyards Atlanta, and One Ballpark Center. These 7 buildings will add an additional 2.3 million square feet of "class A" office space to the Metro Atlanta market.

2017 and beyond will also highlight a number of major new developments to include the opening of the Mercedes Benz stadium, the opening of SunTrust Park, the redevelopment of Underground Atlanta, the redevelopment of the Civic Center, and several major mixed use developments of retail, residential, office, with a hotel component. Additional multifamily residential developments, mostly apartments, are expected to deliver in 2017 and later although other residential developments include condominiums, cluster homes, and single family homes will deliver as well. Additionally, we fully anticipate significant improvements in infrastructure and transportation both for public transportation and for automobile travel particularly with the T-SPLOST approvals if passed.



OFFICE TOTALS BY SUBMARKET

SUBMARKET	TOTAL SF	VACANT SF	OCCUPANCY RATE	CURRENT ABSORPTION	YTD ABSORPTION	AVERAGE RENT RATE
Urban						
Downtown	15,810,867	2,922,717	81.51%	82,747	52,126	\$21.88
Midtown	15,516,115	1,983,793	87.21%	34,765	314,045	\$27.50
Buckhead/Lenox	15,352,667	1,679,936	89.06%	36,412	132,009	\$29.72
Urban Totals	46,679,649	6,586,446	85.89%	153,924	498,180	\$26.36
Suburban						
Airport/South	2,911,415	780,316	73.20%	7,261	38,117	\$16.72
Decatur	1,154,049	87,600	92.41%	8,894	(7,891)	\$21.97
GA-400 North	15,962,950	2,196,282	86.24%	(224,873)	(168,823)	\$21.47
I-20W/Greenbriar	313,609	64,829	79.33%	4,922	1,923	\$14.51
I-285/GA-400	23,705,938	2,880,426	87.31%	198,820	(10,966)	\$25.00
I-285/I-85/Northlake	4,298,545	778,248	81.90%	21,595	71,807	\$17.28
I-285E/Stone Mountain	271,007	63,161	76.69%	9,259	31,203	\$13.23
I-75 Corridor	1,127,333	61,354	94.56%	4,144	70,650	\$27.28
I-75/I-285	18,587,264	2,489,433	86.61%	76,958	48,200	\$22.82
I-75N/Marietta/Johnson Ferry	3,158,977	199,135	93.70%	(6,892)	122,039	\$20.09
NE Expressway - North	4,934,213	888,385	82.00%	(6,389)	181,171	\$18.94
NE Expressway - South	4,677,125	365,451	92.19%	24,817	(32,727)	\$19.14
Peachtree Corners	7,907,224	1,417,234	82.08%	8,579	(50,129)	\$16.82
Suburban Totals	88,009,649	12,271,854	86.06%	127,095	294,574	\$21.60
Total with Averages	134,689,298	18,858,300	86.00%	281,019	792,754	\$23.24

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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

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