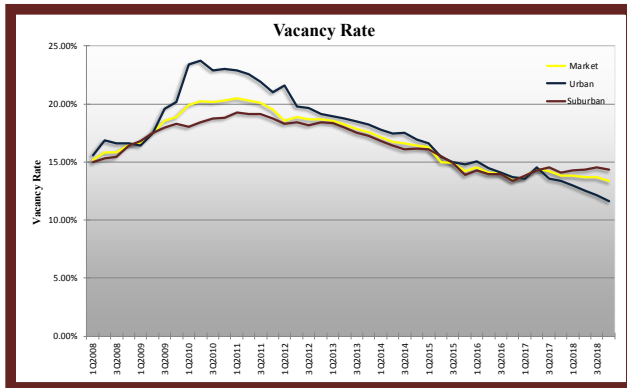
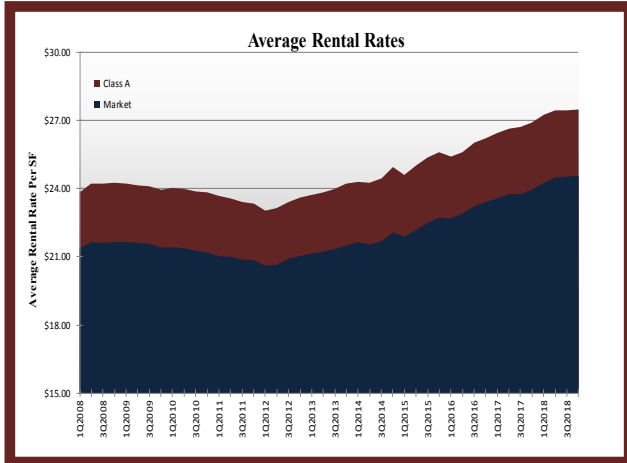
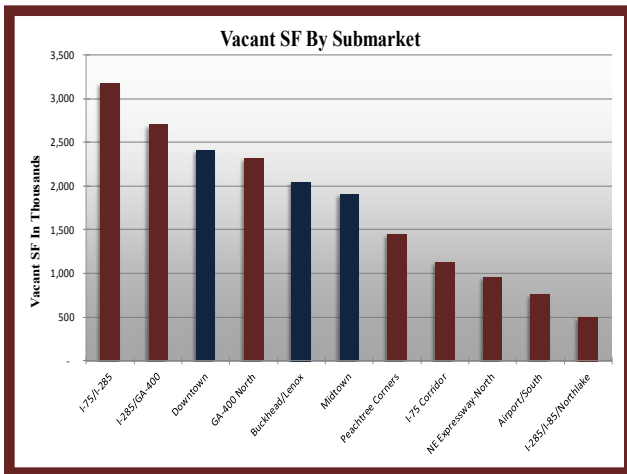


THE BOWERS DIGEST

METRO ATLANTA OFFICE MARKET ANALYSIS

Vol. 29, No. 4



REAL ESTATE TRENDS
YEAR-END 2018



Providing self generated and proprietary office market data since 1989

OVERVIEW: THE ATLANTA MARKET

Introduction

The metro Atlanta office market capped off another impressive year with 2,208,450 square feet of positive absorption for 2018. This follows up 2017 which produced 1,241,667 square feet of positive absorption. 2018 had the most year-to-date absorption since 2015, calming worries of an economic pullback. Rental rates have continued to climb to all-time highs as real estate markets all across the United States thrive under favorable economic conditions. As vacancy rates have fallen, new supply has been under construction to ease demand pressure. New deliveries this year included some significant developments such as NCR Corp.'s new headquarters in Midtown (762,000 total square feet), Mercedes-Benz USA headquarters in Sandy Springs (225,000 square feet), 4004 Perimeter Summit (355,250 square feet) and HD Supply's headquarters (222,000 square feet). Notwithstanding, these new developments are quite expensive and are quoting rental rates at the top of the market, upwards of \$40.00 per square foot full-service.

Overview

2018 included four quarters of positive absorption with first quarter producing 855,308 square feet of positive absorption, second quarter producing 586,364 square feet of positive absorption, third quarter producing 46,594 square feet of positive absorption and fourth quarter producing 720,184 square feet of positive absorption. Moves this year included consolidations and new headquarters, such as Interface, Mercedes-Benz, and State Farm, and overall growth of many companies in Atlanta. Much of this can be attributed to the growth that Atlanta has seen as a city. Atlanta's population has grown at over three times the national average rate. Prevalent industries in Atlanta include technology, financial services and professional services. These three sectors have seen some of the highest growth rates of any industries in the country.

Deliveries for 2018 totaled 1,858,444 square feet. These deliveries were instrumental in providing supply in a tight demand market. Much of this new delivery, as noted previously, was the product of new headquarter offices in Atlanta. Atlanta continues to attract major global corporations to the city with its business-friendly environment, favorable business tax incentives, moderate climate and affordable cost of living for its residents.

Current rental rates among all office classes and submarkets stands at \$24.56 per square foot on average. Rental rates have continued to climb and have grown over 4% on average since the beginning of 2017. There has currently been 11 straight quarters of quarter-over-quarter rental rate growth.

Vacancy rates have continued to fall over the past two years, currently sitting at 13.39%. This is at the lowest level since first quarter of 2001. Occupancy levels have continued to push demand on real estate developers and investors, which have caused rental rates to steadily increase year-over-year. This demand has also sought to bring new supply to the market, which resulted in 1,858,444 square feet of deliveries in 2018. Major construction projects currently include Coda, a 760,000 square foot office building going in at Midtown; State Farm's Phase II, 670,000 square feet in Central Perimeter; and 725 Ponce, a 370,931 square foot, 12-story office development connected to a new Kroger.

The urban corridor significantly outperformed the suburbs in absorption with 1,548,562 SF of positive absorption as compared to 659,888 SF for the suburbs. The three urban markets outperformed the twelve suburban markets by a ratio of over 2:1 in absorption. Average urban rental rates are also significantly higher at a rate of \$28.18 per SF compared to the suburbs at \$24.56 per square foot.

Regarding net absorption, Midtown led the fourth quarter absorption with 423,945 SF followed by I-285/GA 400 with 111,463 SF, GA 400N with 53,126 SF, Downtown with 40,358 SF, and the Airport south area at 38,161 SF. For calendar year 2018, the leading submarkets were Midtown at 502,960 SF, followed by Buckhead at 417,104 SF, I-285/GA 400 at 380,911 SF, the I-75/I-285 submarket at 335,602 SF, and Downtown at 128,498 SF.

The leading submarkets in average rental rates are Midtown at \$30.60/SF, Buckhead/Lenox at \$30.29/SF, I-75 Corridor at \$27.69/SF, I-285/GA 400 at \$25.87, I-75/I-285 at \$23.80/SF, and Downtown at \$23.47/SF.

Vacancy rates are at their lowest and are continuing to move down. Rental rates are going up and new construction is increasing average rental rates with rental rates continuing to climb to a rate of \$24.56/SF, the highest rental rate that we have ever reported. Average rental rates for the urban corridor are currently at \$28.18/SF and suburban averages are at \$22.62/SF.

Midtown Development

Midtown has seen remarkable demand over the past couple of years, overtaking Buckhead for the highest rental rates in the city. This demand has brought major real estate developers to the submarket including Cousins and Selig Enterprises. Both companies have well-known footprints in Atlanta and have major plans to add to the skyline in Midtown. Cousins has plans for a 31-story office development with 485,000 square feet of office and street level retail, named "8th @ West." Selig is beginning to break ground on 1105 West Peachtree, a 31-story steel and glass tower. Selig has signed a major Atlanta law firm, Smith, Grambrell & Russell, as the anchor tenant. Talks are also underway with Google as a second tenant at 1105 West Peachtree which would expand Google's presence in Midtown. Hines is continuing plans for a major expansion at Atlantic Station as well with new office buildings named T3, 205,000 square feet, and Atlantic Yards, a 500,000 square foot new development.

Urbanization

For a long period after World War II, the United States experienced a drawn-out period of young citizens migrating out of the cities to the suburbs where land was cheaper, more available, with less perceived crime, and automobiles were abundant and affordable to commute to work within the metro area. Through the 1990's with increasing technology, employees were required to spend less physical time at the office. Employees could benefit through email, telecommuting and the internet which allowed them to live away from the office. In 2019, where technology is more prevalent than ever, populations are now finding themselves moving back into the cities to urban, walkable environments. Urbanization isn't just taking place in the United States. The largest wave of urbanization in history is going on globally. Newer generations of workers are flocking to major urban cities with public transit options, walkable urban areas, and a variety of new living and

entertainment options. While this phenomenon of urbanization is likely to grow over the next few decades, it has put a strain on city infrastructures and has forced them to evaluate new and effective ways of efficiency. City planners and officials have sought new ways to provide affordable housing, public transit and other community-centric organizations to help provide for the massive influx of new residents.

Outlook

With a favorable economy, lower cost of living than a number of other major cities, a favorable climate, and a world-class airport, Atlanta is expected to be one of the fastest growing metropolitan areas over the next ten years, increasing in size to a little over 8,000,000 people. The urban corridor is expected to perform well with an increasing interest in urban environments and be a major recipient of this growth with its public transportation and pedestrian environment providing access to restaurants and amenities.

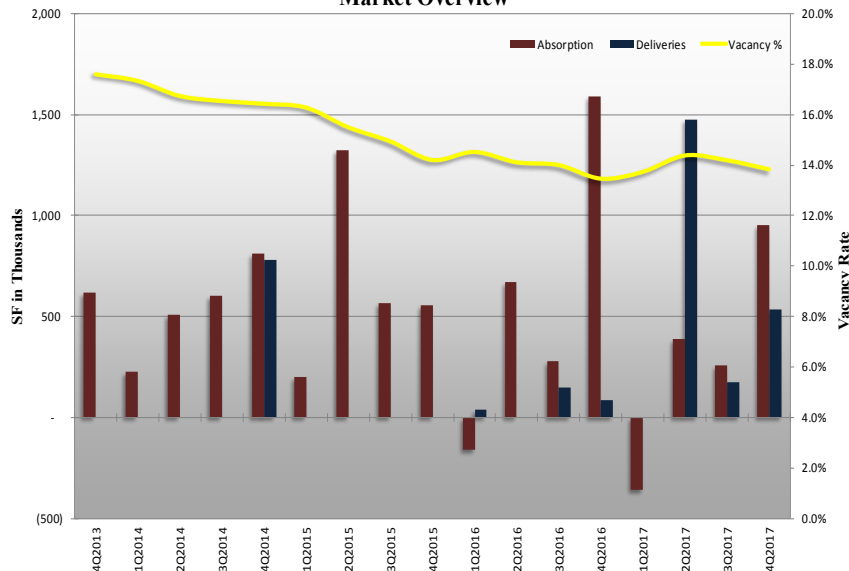
If there is any negative to the current state of Atlanta, it is perhaps the fact SunTrust is relocating its corporate offices to Charlotte, NC due to their merger with BB&T, although the majority of their employees in Atlanta will remain. Notwithstanding, the duplication of some branch banks will result in a reduction in personnel. Nonetheless, the outlook for Atlanta remains very favorable with the number of recent move-ins to the city. We expect this trend to continue favorably with a proactive economic development team, a favorable cost of living, excellent educational opportunities, good infrastructure that continues to improve, and a favorable economy. We are also very optimistic regarding Downtown attracting growth with the city's best infrastructure, the Gulch in Downtown, particularly with the economic development incentives that have been provided, along with great public transportation, freeway accessibility, and close proximity the Hartsfield-Jackson International Airport being only 10 miles away.

Although we expect the urban submarkets to continue to outperform the suburbs, we also fully expect the suburbs to be successful over the next decade, particularly the I-75/I-285, GA-400/I-285, and GA-400N (our three largest suburban submarkets) followed by the urban corridor of Buckhead, Midtown and Downtown. Rental rates are also expected to continue to rise with average rates increasing due to new construction with rates above \$40.00/SF and the demand for existing space increasing as well. In closing, the outlook for Atlanta is excellent. We have a great city with ongoing improvements and a very proactive leadership team encouraging economic development and Metro Atlanta growth.

As always, we want to wish our clients and customers great success and prosperity for calendar year 2019 and beyond!

Richard E. Bowers

Market Overview



Downtown has a great opportunity for business growth. With major developments and renovations coming to Downtown, the submarket should remain strong over the next few years. Developments including Mercedes-Benz Stadium, renovations to State Farm Arena and the surrounding area, expansions of Ponce City Market and large development plans in The Gulch should provide major interest to office, retail and residential space for the area. Downtown saw positive absorption in the fourth quarter, at 40,358 square feet. Downtown occupancy is currently at 86.54% with average rental rates \$23.47. These conditions make Downtown a favorable submarket for growth, due to available space and advantageous rental rates.

Midtown still holds major attraction to its amenities and office space, which holds the highest occupancy rates of the Urban Submarkets at 90.10%. With the development of NCR Corporation's new 485,000 square foot headquarters and development around Georgia Tech, many firms are attracted to this space due to the workforce talent in the area from the highly-skilled college graduates out of Georgia Tech who often look to stay within the city. This has drawn many employers to occupy these spaces in Midtown, especially those within technology sectors. Midtown's average rental rates are at \$30.60, which ranks highest among all submarkets. Midtown also absorbed 1,002,960 square feet in 2018.

Buckhead remains a very desirable submarket at \$30.29 per square foot on average. The demand in Buckhead has resulted from premier Class A office space being built over the past few years and many high-end retailers setting up shop in the area. Buckhead's occupancy rate is at 88.44% and is the top urban submarket for total existing square feet. Buckhead totaled 417,104 square feet of positive absorption for 2018.

Overall, the urban corridor remains in high demand as exemplified by the rising rental rates and sale prices for Class A office buildings. Demand is remaining steady for office space in Downtown, Midtown and Buckhead, and we expect this trend to continue for 2019 and beyond.

NOTABLE LEASE TRANSACTIONS

Tenant	Property	Size (SF)
Home Depot	320/340 Interstate N Pkwy	220,000
ThyssenKrupp	3 Battery Ave	210,000
Floor & Decor	2500 Windy Ridge Pkwy	185,473
WeWork	1115 Howell Mill	118,000

NOTABLE SALES TRANSACTIONS

Buyer	Property	Price
New York Life	3475 Piedmont Rd	\$166,000,000
Barings Real Estate	3445 Peachtree Rd	\$82,573,500
B Developments	1000 Windward Concourse	\$43,500,000

"The future for Downtown, with all the recent announcements and new developments planned, is extremely favorable as the city is experiencing a major urban renaissance."

OFFICE SPACE BY BUILDING CLASSIFICATION

	<u>Total Sq. Ft.</u>	<u>Vacant Sq. Ft.</u>	<u>Occupancy Rate</u>	<u>Average Rental Rate</u>
Urban Corridor				
Class A	32,981,273	3,425,241	89.61%	\$29.89
Class B	13,386,006	1,930,622	85.58%	\$24.75
Class C	<u>1,915,690</u>	<u>251,896</u>	<u>86.85%</u>	<u>\$21.38</u>
Total	<u>47,484,181</u>	<u>6,357,533</u>	<u>13.39%</u>	<u>\$28.18</u>
Suburban				
Class A	50,191,937	6,617,367	13.18%	\$22.33
Class B	33,195,239	4,963,100	14.95%	\$20.76
Class C	<u>5,912,740</u>	<u>976,307</u>	<u>16.51%</u>	<u>\$14.67</u>
Total	<u>89,299,916</u>	<u>12,556,774</u>	<u>14.06%</u>	<u>\$22.62</u>
Total Market				
Class A	82,290,453	10,317,224	12.92%	\$26.93
Class B	46,665,214	7,339,644	16.17%	\$20.06
Class C	<u>7,828,430</u>	<u>1,257,439</u>	<u>18.98%</u>	<u>\$15.83</u>
Total	<u>136,784,097</u>	<u>18,914,307</u>	<u>14.38%</u>	<u>\$24.56</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
15,810,867	2,104,698	86.54% ↑	40,358	128,498 ↑	\$23.47 ↑
16,360,997	1,620,319	90.10% ↑	423,945	1,002,960 ↑	\$30.60 ↑
16,285,105	1,882,742	88.44% ↑	33,561	417,104 ↑	\$30.29 ↑
48,282,969	5,607,759	88.39% ↑	497,864	1,548,562 ↑	\$28.18 ↑
2,942,528	663,959	77.44% ↑	38,161	89,154 ↑	\$17.41 ↑
1,154,049	85,257	92.61% ↑	3,048	(24,393) ↓	\$22.71 ↑
16,284,232	2,356,848	85.53% ↑	53,126	20,903 ↓	\$23.04 ↑
313,609	27,320	91.29% ↑	(7,193)	(3,938) ↑	\$15.53 ↑
23,398,494	3,014,853	87.12% ↓	111,463	380,911 ↓	\$25.87 ↑
4,449,049	493,858	88.90% ↑	29,051	10,960 ↑	\$17.94 ↑
271,007	59,042	78.21% ↓	(22,849)	(11,042) ↑	\$16.17 ↑
1,127,333	120,499	89.31% ↑	(4,333)	(739) ↑	\$27.69 ↓
19,634,170	3,058,842	84.42% ↑	31,708	335,602 ↑	\$23.80 ↑
3,158,977	245,917	92.22% ↑	(40,472)	(49,957) ↑	\$21.35 ↑
4,961,213	982,427	80.20% ↑	9,692	(34,631) ↑	\$19.33 ↓
4,677,125	303,424	93.62% ↓	(3,205)	47,274 ↓	\$20.87 ↓
7,907,224	1,544,296	80.47% ↓	24,123	(100,216) ↓	\$17.19 ↑
90,359,572	12,956,542	85.66% ↑	222,320	659,888 ↑	\$22.62 ↑
138,642,541	18,564,301	86.61% ↑	720,184	2,208,450 ↑	\$24.56 ↑

Change from Year-End:

↑ Increase

↓ Decrease

No Change

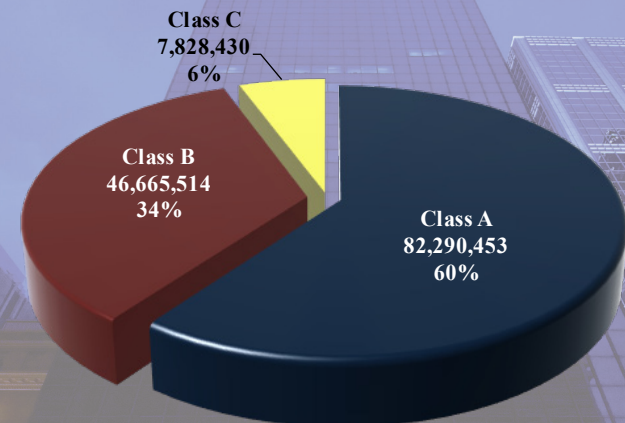
The Suburban Submarkets

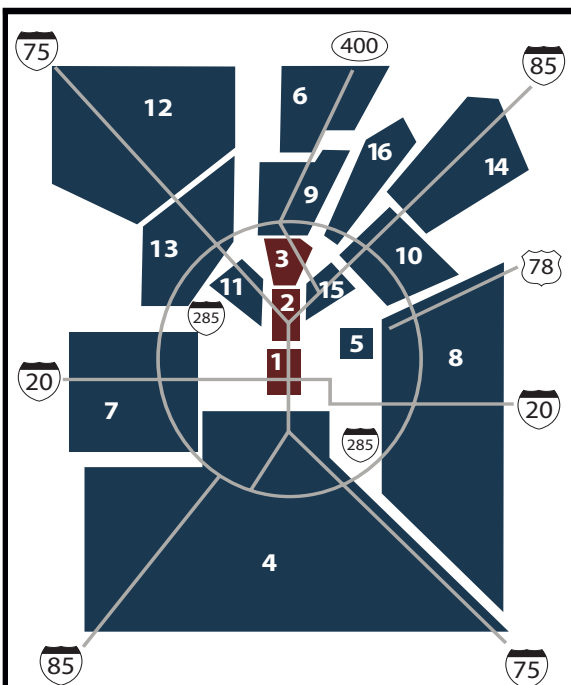
The suburban submarkets also had a good year in 2018 with 659,888 square feet of positive absorption. Occupancy rates for all suburban submarkets are at 85.66% and the average rental rate is \$22.62. The I-285/GA-400 submarket accounted for the highest absorption in fourth quarter 2018 with 111,463 square feet positive absorption. The GA-400 North submarket was second in total absorption in the fourth quarter 2018 with 53,126 square feet positive absorption.

Although the suburban submarkets have seen less demand than the urban corridor, there is still positive movement towards the suburban submarkets. The suburban submarkets offer favorable rental rates compared to the urban submarkets and usually offer better concessions.

Rental rates among all the suburban submarkets have increased year-over-year and are related to the overall growth of the metro Atlanta area. Many deliveries in 2018 have been filling with tenants and have contributed to a 51 basis point increase in occupancy rates since first quarter 2017. There is still tremendous growth in the suburban submarkets that should provide for a good year in 2018.

EXISTING SPACE BY CLASS





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 2018</u>	<u>4th Quarter 2017</u>
Year End Absorption	2,208,450	1,241,667
4th Quarter Absorption	720,184	951,721
Total Existing Square Feet	138,642,541	136,784,097
Total Available Square Feet	18,564,301	18,914,307
Percent Of Total Space Vacant	13.39%	13.83%
Average Quoted Rental Rate	\$24.56	\$23.95
Space Delivered YTD* (SF)	1,858,444	2,181,592

* Excludes Net Losses

ATLANTA'S TOP FIVE RANKING SUBMARKETS

Absorption - 4th Quarter 2018:

Midtown	423,945
I-285/GA-400	111,463
GA-400 North	53,126
Downtown	40,358
Airport/South	38,161

Total Existing Square Feet:

I-285/GA-400	22,705,938
I-75/I-285	19,412,170
GA-400 North	16,219,132
Buckhead	16,034,199
Downtown	15,810,867

Average Quoted Rental Rate:

Midtown	\$30.60
Buckhead	\$30.29
I-75 Corridor	\$27.69
I-285/GA-400	\$25.87
I-75/I-285	\$23.80

Total Available Square Feet:

I-75/I-285	3,172,444
I-285/GA-400	2,703,208
Downtown	2,407,196
GA-400 North	2,312,651
Buckhead	2,048,940

Submarket Occupancy Rate:

NE Expressway-South	93.62%
Decatur	92.61%
I-75N/Marietta/JF	92.22%
I-20W/Greenbriar	91.29%
Midtown	90.10%

Average Class "A" Rental Rate:

Midtown	\$32.24
Buckhead	\$31.78
I-285/GA-400	\$28.20
I-75/I-285	\$26.23
Downtown	\$25.64

"Metro Atlanta's population and job growth has outpaced national averages. Atlanta remains a desirable destination for new businesses and corporate headquarters."

The Bowers Digest was prepared by the Research Department & Assistants of Richard Bowers & Co. The numerical data summarized herein was obtained directly from the owners and managers of the buildings included in the Richard Bowers & Co. database. Richard Bowers & Co. takes no responsibility for the accuracy of the information provided by others. Additional copies are available.

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ATLANTA MARKET TRENDS BY QUARTER

Quarter	Total Square Feet	Vacant Square Feet	Vacancy Rate	Delivered Square Feet	Net Absorption			Average Rental Rate
					4 Qtr. Total	YTD	Quarter	
4Q2018	138,642,541	18,564,301	13.39%	315,500	2,208,450	2,208,450	720,184	\$ 24.56
3Q2018	138,327,041	18,968,985	13.71%	61,000	2,439,987	1,488,266	46,594	\$ 24.52
2Q2018	138,266,041	18,954,579	13.71%	449,357	2,652,972	1,441,672	586,364	\$ 24.49
1Q2018	137,816,684	19,091,586	13.85%	1,032,587	2,453,259	855,308	855,308	\$ 24.28
4Q2017	136,784,097	18,914,307	13.83%	534,066	1,241,667	1,241,667	951,721	\$ 23.95
3Q2017	136,250,031	19,331,962	14.19%	0	1,087,071	289,946	259,579	\$ 23.78
2Q2017	136,250,031	19,591,541	14.38%	1,474,620	1,108,511	30,367	386,651	\$ 23.75
1Q2017	134,775,411	18,503,572	13.73%	0	560,621	-356,284	-356,284	\$ 23.59
4Q2016	134,775,411	18,147,288	13.46%	86,113	614,886	614,886	797,125	\$ 23.43
3Q2016	134,689,298	18,858,300	14.00%	150,000	666,736	-182,239	281,019	\$ 23.24
2Q2016	134,539,298	18,989,319	14.11%	-832,502	951,290	-463,258	-161,239	\$ 22.91
1Q2016	135,371,800	19,660,582	14.52%	150,465	2,398,258	-302,019	-302,019	\$ 22.67
4Q2015	135,221,335	19,208,098	14.20%	-173,658	2,902,709	2,902,709	848,975	\$ 22.71
3Q2015	135,394,993	20,230,731	14.94%	-732,073	3,314,848	2,053,734	565,573	\$ 22.49
2Q2015	136,127,066	21,528,377	15.81%	778,000	3,066,735	1,488,161	1,285,729	\$ 22.20
1Q2015	135,349,066	22,036,106	16.28%	0	2,289,620	202,432	202,432	\$ 21.87
4Q2014	135,349,066	22,238,538	16.43%	1,274,219	2,406,068	2,406,068	1,261,114	\$ 22.06
3Q2014	134,074,847	22,225,433	16.58%	95,242	1,842,460	1,144,954	317,460	\$ 21.70
2Q2014	133,979,605	22,447,651	16.75%	3,855	1,558,762	827,494	508,614	\$ 21.54
1Q2014	133,975,750	22,952,410	17.13%	35,838	1,454,501	318,880	318,880	\$ 21.67
4Q2013	133,939,912	23,235,452	17.35%	316,327	1,590,361	1,590,361	697,506	\$ 21.53
3Q2013	133,623,585	23,616,631	17.67%	-994,156	48,687	892,855	33,762	\$ 21.37
2Q2013	134,617,741	24,644,549	18.31%	-34,703	142,507	859,093	404,353	\$ 21.24
1Q2013	134,652,444	25,083,605	18.63%	368,535	478,617	454,740	454,740	\$ 21.14



The Urban Corridor

The urban corridor, which consists of the Downtown, Midtown, and Buckhead submarkets, experienced 1,584,562 square feet of positive absorption for 2018. 277,000 square feet of this absorption came in the fourth quarter. This 2018 absorption was the highest year-to-date total since 2014, which ended with 1,298,139 square feet of positive absorption. 2018 was also a great year for office deliveries in the urban corridor, totaling 798,788 of new Class A office space. Midtown led all submarkets in absorption with 423,945 square feet of positive absorption. The urban submarkets outperformed the suburban submarkets by 924,674 square feet of absorption. The urban corridor, at a \$28.18 average rental rate, is a much higher expense compared to a \$22.62 rental rate for the suburban submarkets.

The infrastructure improvements and the Beltline around Downtown and Midtown reflect the city's commitment to connecting various intown neighborhoods, which has also improved mobility and property valuations within the city. Transportation within the city remains a top priority for city leadership who are trying to solve challenges that have long plagued Atlanta's transportation systems for years. Bus rapid transit and MARTA seem to be the main the projects being considered. These projects should help relieve congestion within the city.

The urban corridor is expected to continue to perform well with an ongoing and increasing interest in an urban environment and will be the major recipient of this projected growth with public transportation and a pedestrian environment providing access to restaurants and amenities. If there is any negative to the optimism in Atlanta, it is perhaps the fact SunTrust is relocating its corporate offices to Charlotte, NC due to their merger with BB&T. Even though the majority of SunTrust's employees will remain in Atlanta, the duplication of SunTrust and BB&T branch banks will also result in a reduction of personnel.

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
1,126,630	89.02%	\$25.64	1,165,148	81.30%	\$21.06	155,418	91.90%	\$16.79
1,185,143	91.70%	\$32.24	550,540	87.30%	\$26.41	165,714	74.37%	\$21.45
1,388,084	87.85%	\$31.78	660,856	89.34%	\$26.78	0	100.00%	\$25.91
<u>3,699,857</u>	<u>89.61%</u>	<u>\$29.89</u>	<u>2,376,544</u>	<u>85.58%</u>	<u>\$24.75</u>	<u>281,132</u>	<u>86.85%</u>	<u>\$21.38</u>
84,294	90.48%	\$20.33	367,227	71.96%	\$17.38	301,592	59.64%	\$13.46
32,086	92.08%	\$23.22	28,778	96.16%	\$21.05	-	-	-
1,792,365	85.28%	\$24.77	520,286	87.04%	\$16.43	-	100.00%	\$16.00
-	-	-	7,380	83.80%	\$25.50	16,002	94.03%	\$13.07
1,510,372	90.16%	\$27.65	958,606	85.01%	\$21.41	234,230	75.67%	\$14.64
42,288	93.78%	\$21.98	382,112	81.02%	\$17.77	80,418	95.42%	\$15.87
21,654	60.40%	\$14.50	-	100.00%	\$12.00	26,346	83.31%	\$12.95
2,120	99.00%	\$42.00	104,161	87.60%	\$24.95	13,479	82.10%	\$18.50
2,018,152	84.19%	\$26.18	1,109,751	82.00%	\$18.77	44,541	90.79%	\$15.75
28,819	98.16%	\$22.30	93,932	92.71%	\$19.65	73,209	76.13%	\$15.61
612,400	81.38%	\$20.72	335,396	79.56%	\$15.96	0	100.00%	\$25.00
35,724	92.47%	\$23.20	234,974	93.72%	\$19.92	0	100.00%	\$15.99
437,093	81.34%	\$20.22	820,497	83.36%	\$15.89	186,490	70.51%	\$12.57
<u>6,617,367</u>	<u>85.89%</u>	<u>\$22.33</u>	<u>4,963,100</u>	<u>85.72%</u>	<u>\$20.76</u>	<u>976,307</u>	<u>79.72%</u>	<u>\$14.67</u>
<u>10,317,224</u>	<u>87.35%</u>	<u>\$26.11</u>	<u>7,339,644</u>	<u>85.68%</u>	<u>\$22.76</u>	<u>1,257,439</u>	<u>83.28%</u>	<u>\$18.03</u>

“The Atlanta office market is quite favorable due to a strong economy and continued growth. The urban submarkets are currently outpacing the suburbs with higher absorption and higher rental rates.”

Overall Market

Overall, the metro Atlanta office market performed very well in 2018 and is likely to continue this trend in 2019. With a favorable economy and strong capital investment ventures within the metro area, Atlanta will remain a strong real estate market in the Southeast and the United States. As more office building deliveries are under construction and set to deliver this year, we expect the rising trend in rental rates to continue. Demand remains steady for premier Class A office space. Rental rates for the entire metro area currently average \$24.56. Rental rates are up 113 basis points since fourth quarter 2016 and are at their highest level on record. Rental rates have also increased every quarter since the beginning of 2016, signifying demand for exclusive new-constructed office buildings. Total absorption for 2018 ended well with 2,208,450 square feet with four quarters of positive absorption. This allowed occupancy rates to rise as tenants filled up several new office deliveries. Occupancy rates are currently at 86.61%, up from 86.17% at the end of 2016.

As Atlanta remains an attractive destination for business and the general population, we should continue to see an influx of population and job growth in the coming years. We expect Atlanta to experience inward growth along the Urban Corridor and towards Downtown as millennials and start-up companies are attracted to the urban lifestyle. The suburban submarkets offer great office space with more favorable rental rates as well.



ANNUAL ABSORPTION AND VACANCY RATE BY SUBMARKET

	<u>4Q 2014</u>		<u>4Q 2015</u>		<u>4Q 2016</u>		<u>4Q 2017</u>		<u>4Q 2018</u>	
	<u>4 Qtr.</u> <u>Absorption</u>	<u>Vacancy</u> <u>Rate</u>	<u>4 Qtr.</u> <u>Absorption</u>	<u>Vacancy</u> <u>Rate</u>	<u>4 Qtr.</u> <u>Absorption</u>	<u>Vacancy</u> <u>Rate</u>	<u>4 Qtr.</u> <u>Absorption</u>	<u>Vacancy</u> <u>Rate</u>	<u>4 Qtr.</u> <u>Absorption</u>	<u>Vacancy</u> <u>Rate</u>
<u>Urban</u>										
Buckhead/Lenox	182,904	13.69%	289,325	11.80%	129,519	10.96%	315,018	12.78%	417,104	11.56%
Downtown	(9,997)	20.45%	(18,208)	17.91%	48,569	17.61%	376,018	15.22%	128,498	13.46%
Midtown	<u>877,926</u>	<u>16.44%</u>	<u>286,557</u>	<u>14.59%</u>	<u>382,807</u>	<u>12.34%</u>	<u>136,634</u>	<u>12.16%</u>	<u>1,002,960</u>	<u>9.90%</u>
Urban Totals	<u>1,050,833</u>	<u>16.93%</u>	<u>557,674</u>	<u>14.80%</u>	<u>560,895</u>	<u>13.67%</u>	<u>828,237</u>	<u>13.39%</u>	<u>1,548,562</u>	<u>11.61%</u>
<u>Suburban</u>										
Airport/South	(64,164)	25.06%	53,039	26.30%	(135,135)	26.67%	31,570	25.59%	89,154	22.56%
Decatur	(3,543)	9.38%	22,223	6.91%	(20,639)	8.7%	39,484	5.27%	(24,393)	7.39%
GA-400 North	300,874	13.85%	308,867	12.60%	(38,376)	13.09%	9,366	14.26%	20,903	14.47%
I-20W/Greenbriar	1,879	28.73%	29,225	21.29%	47,789	6.05%	(4,419)	7.46%	(3,398)	8.71%
I-285/GA-400	581,440	13.60%	720,283	11.76%	(528,169)	12.42%	116,421	11.91%	380,911	12.88%
I-285/I-85/Northlake	(34,397)	23.29%	25,049	19.78%	200,751	15.11%	295,552	11.35%	10,960	11.10%
I-285E/Stone Mountain	(14,056)	25.61%	(11,665)	34.82%	26,795	24.93%	19,569	17.71%	(11,042)	21.79%
I-75 Corridor	(1,996)	18.21%	78,637	11.71%	70,650	5.44%	(58,406)	10.62%	(739)	10.69%
I-75/I-285	(38,503)	16.37%	581,835	13.22%	99,137	13.12%	90,958	16.34%	335,602	15.58%
I-75N/Marietta/JF	41,857	17.01%	235,415	10.17%	119,229	6.39%	5,985	6.20%	(49,957)	7.78%
NE Expressway-North	194,026	25.98%	96,256	21.68%	208,933	17.89%	(60,173)	19.10%	(34,631)	19.80%
NE Expressway-South	162,197	8.80%	36,600	7.11%	(22,150)	7.59%	84,176	5.79%	47,274	6.38%
Peachtree Corners	<u>(17,685)</u>	<u>20.62%</u>	<u>169,271</u>	<u>17.17%</u>	<u>25,176</u>	<u>16.28%</u>	<u>(156,653)</u>	<u>18.26%</u>	<u>(100,216)</u>	<u>19.53%</u>
Suburban Totals	<u>17.01%</u>	<u>1,107,929</u>	<u>2,345,035</u>	<u>13.89%</u>	<u>53,991</u>	<u>13.36%</u>	<u>413,430</u>	<u>14.06%</u>	<u>659,888</u>	<u>14.34%</u>
Total With Averages	<u>2,158,762</u>	<u>16.75%</u>	<u>2,902,709</u>	<u>14.20%</u>	<u>614,886</u>	<u>13.46%</u>	<u>1,241,667</u>	<u>13.83%</u>	<u>2,208,450</u>	<u>13.39%</u>

Agents

Ernie Baker, Richard Bowers, Rick Bowers, Michael Cheney, David Clappier, Lee Coleman, Barry Conway, Willie Ellington, Dan Gannon, Enio Guerra, Randy Hoyer, Bill Johnson, Greg Kindred, Kyle Kinton, Chet Lacy, Charles McDonald, Jeff McMullen, Paul Mendel, Donnie Miller, Angela Moore, Dave Morgan, Ray Nestlehurst, Ash Parker, Jeff Searcy, Tarkenton Thompson, Cliff Weeks, Grahame Wood, Vernon Wright

Research

Ross McLeod

Marketing

Charlyn Prater

Administrative

Sandra Bowers, Brittany Burgess, Deborah Gleason, Cynthia Lloyd, Jessyca McElhannon
Margie O'Reilly, Ginger Toothman, Tamara Young



Richard Bowers & Co.
Real Estate

Richard E. Bowers, SIOR, President

260 Peachtree Street, Suite 2400, Atlanta, Georgia 30303

P: 404.816.1600 F: 404.880.0077 W: richardbowers.com

