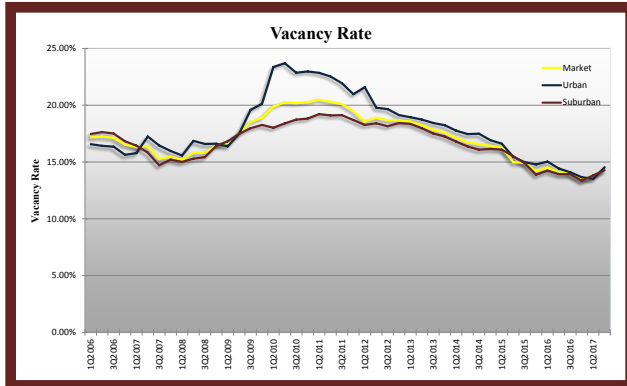
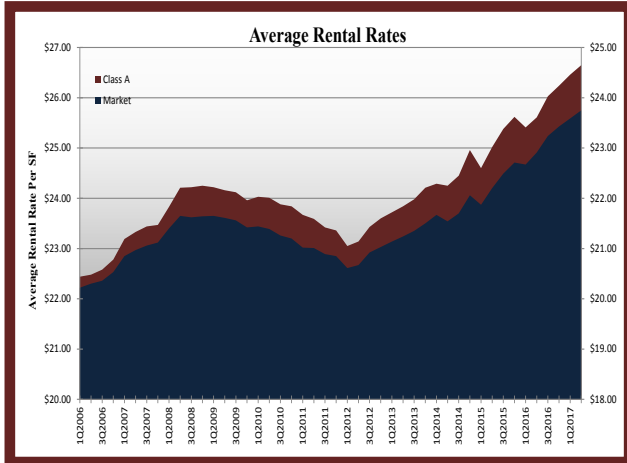
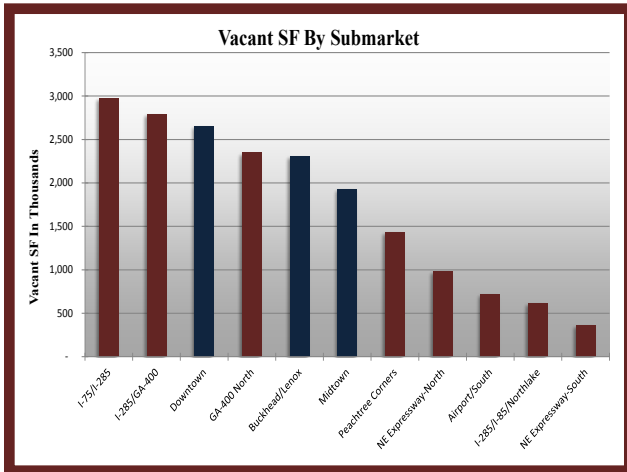


THE BOWERS DIGEST

METRO ATLANTA OFFICE MARKET ANALYSIS

Vol. 28, No. 2



REAL ESTATE TRENDS
MID-YEAR 2017



OVERVIEW: THE ATLANTA MARKET

Second quarter 2017 was a favorable recovery with 277,547 square feet of positive absorption. This is in contrast to 356,284 square feet of negative absorption in the first quarter of 2017. Second quarter's absorption numbers are mostly due to a number of large office deliveries and move-ins to those new buildings. This is a big rebound from the first quarter negative absorption, primarily attributed to a couple of large move-outs and consolidations, including Coca-Cola's corporate office consolidation.

Downtown is still the leading submarket in total absorption for 2017 with approximately 130,000 square feet of positive absorption. The Downtown submarket is followed by the I-285/GA-400 submarket with 78,856 square feet positive absorption, Buckhead in the third position with 58,884 square feet positive absorption year-to-date, the I-285/Northlake submarket in the fourth spot at 34,963 square feet positive absorption and the I-75 North/Marietta/Johnson Ferry submarket rounding out the leading five at 29,752 square feet positive absorption. The urban corridor (Downtown, Midtown and Buckhead) is doing far better than the suburbs for the first half of 2017 with 170,971 square feet of positive absorption. The suburbs are at 210,660 square feet negative absorption, although they had positive absorption of 167,773 square feet for the second quarter.

Buckhead had the highest absorption this quarter with over 160,000 square feet of positive absorption. This is primarily due to tenants moving into Three Alliance Center, a 506,000 square foot Class A office building that delivered in April. There is roughly an additional 1,169,000 square feet of office space scheduled to be delivered by the end of this year. These deliveries include One Ballpark Center, 3 Edison, 3400 Overton, 4004 Perimeter Summit, and Stockyards which will bring the total yearly office building deliveries to over 2,644,000 square feet for 2017.

For mid-year 2017, average rental rates increased from \$23.59 per square foot to \$23.75 per square foot primarily due to the aforementioned Class A office deliveries. Buckhead continues to maintain the highest average rental rate for the metro Atlanta market, increasing to \$30.66 per square foot. With the delivery of Three Alliance Center, Buckhead's occupancy rate also fell from 88.33% to 85.62%. These large office deliveries are roughly 50% pre-leased, which leaves significant space that has yet to be filled and increases the total amount of vacant space. The remaining four leading rental rate submarkets include Midtown at \$27.94 per square foot, the I-75 Corridor at \$27.72 per square foot, the I-285/GA-400 submarket at \$25.17 per square foot and the I-75/I-285 submarket at \$23.37 per square foot. The suburban submarkets have had an increase in overall average rental rates every quarter since 2014's second quarter.

Despite positive absorption, the metro area's average occupancy rate fell from 86.27% to 85.62% due to vacant square feet increasing from 18,503,572 to 19,591,541. Again, this is mainly due to approximately 1,474,620 square feet of new office deliveries in the second quarter of 2017. It is anticipated that occupancy rates will remain in the 85% range with somewhat greater absorption for the second half of 2017 due to a robust growing economy and positive job growth.

The five leading submarkets in space availability are the I-75/I-285 submarket with 2,976,513 square feet available followed by the I-285/GA-400 submarket with 2,795,000 square feet available, Downtown with 2,653,909 square feet available, GA-400 North with 2,350,722 square feet available and Buckhead Lenox at 2,305,074 square feet available. The urban corridor totals 6,891,799 vacant square feet while the suburban submarkets account for almost twice that vacancy at 12,699,742 vacant square feet. Both the urban and suburban submarkets remain relatively similar with 14.55% vacancy for the urban corridor and 14.29% for the suburban vacancy.

Infrastructure

There are numerous infrastructural improvements ongoing and in planning stages that include the continuing work at the I-75/I-85 interchange to service this submarket and SunTrust Park. Other improvements include the planned GA-400/I-285 interchange costing over \$1 billion which will reduce travel times between these two major expressways for many commuters. MARTA is looking to expand the transit's bus service to Clayton County and there is also the possibility of the North-South rail line being extended from North Springs to Windward Parkway in Alpharetta. The Georgia Department of Transportation announced this year their "Major Mobility Investment Program," which consists of approximately \$11 billion worth of improvements to road infrastructure in the Atlanta metro area. This will comprise 11 major projects including interchange developments, express lane additions, and highway widening projects to enhance many of our major roadways and interchanges. Hartsfield-Jackson International Airport announced last year they will be undergoing a \$6 billion expansion plan, with a majority of the construction commencing in 2017.

This will include parking deck construction, new gates on Concourse T, terminal renovations and preparations for a new concourse in the coming years. Other expansion plans include improvements and modernization of existing terminals, additional parking, airfield improvements, the development of a new runway and enhancements to other support facilities. Hartsfield-Jackson has been ranked as the busiest airport in the world and is undergoing these renovations to further expand its airport capacity and improve passenger convenience and service.

Downtown

Downtown is in the midst of completing a substantial number of new developments. Jamestown, the developer of Ponce City Market, has commenced discussions on expanding all aspects of Ponce City Market to include additional residential units, expanded retail and office space and additional parking. They are also acquiring the Kroger shopping center next door for a new high-rise, mixed-use development that will feature a newly designed 60,000 square foot Kroger serving as an anchor tenant.

Other large developments are proceeding near The Gulch, a large, undeveloped lot and rail yard in south Downtown near Five Points and Underground Atlanta. Retail, residential and commercial mixed-use structures are being planned for this area. The German real estate development company, Newport, has also acquired numerous properties for development in the southern section of Downtown along Peachtree, Broad and Forsyth Streets. New multi-million dollar Downtown developments and renovations to Atlanta's sports venues include the spectacular new Mercedes-Benz Stadium, renovations and surrounding developments to Philips Arena and Georgia State's redevelopment of Turner Field for their football stadium, baseball stadium and other facilities. Further information on Downtown's athletic venues is provided below in the sports industry section.

Sports Industry

The Atlanta sports industry is creating big waves across metro Atlanta. The I-75/I-285 submarket has seen a burst of new developments with the recent addition of The Battery and SunTrust Park, new home of the Atlanta Braves. Multiple new Class A office towers have been constructed in the area since 2013 adding over 500,000 square feet and creating over 2,270 jobs. In Downtown, Philips Arena has been approved for a \$200 million dollar renovation to be completed over the next two years with \$150 million being provided by the city and the other \$50 million provided by the owners of the Atlanta Hawks. A Los Angeles-based development group, CIM, has announced a new mixed-use development totaling nearly \$1 billion to be built around Philips Arena. Georgia State is continuing with their redevelopment of Turner Field, converting the iconic former baseball stadium into the GSU football stadium. They are also adding a baseball stadium and other athletic facilities over the

adjacent parking lots. Development partners are also investing in the remaining property for retail and residential developments. The Mercedes-Benz Stadium, the state-of-the-art \$1.5 billion new home of the Atlanta Falcons, is scheduled to open on August 26th with the inaugural preseason home game versus the Arizona Cardinals. These stadiums and their respective owners have introduced an influx of new investment, development and excitement for Downtown and metropolitan Atlanta.

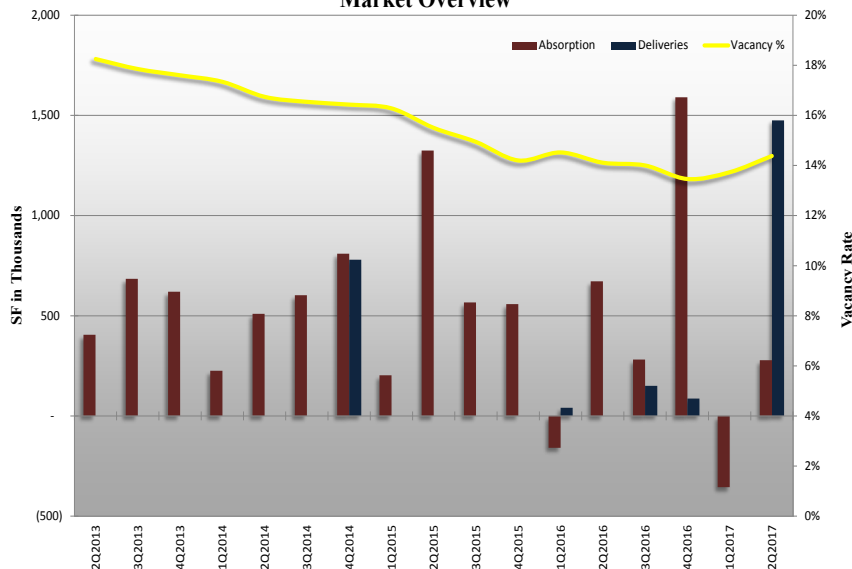
Outlook

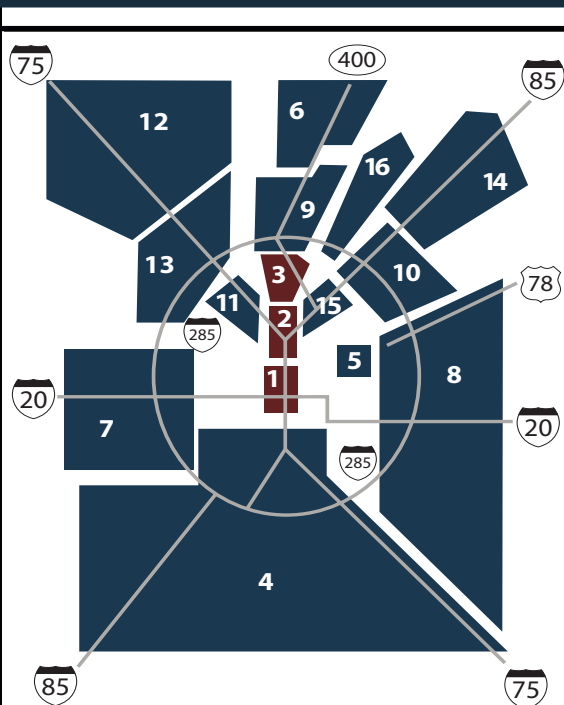
2017 will be an excellent year for the Atlanta office market due to a rapidly growing metropolitan area with new businesses, residential growth and a favorable economy. Atlanta's dramatic growth is fueled by new business migration, existing business growth and vast infrastructural improvements. Atlanta is projected to become the 4th largest metro area in the country within the next 20 years due to a growing economy, low cost of living in comparison to other major metropolitan cities, a highly educated work force, and pro-business policies by our local and state leaders. Most recently, Georgia was ranked No. 2 in the "Top States for Business" by CNBC. With a positive economic outlook, projected job growth and new office deliveries as previously mentioned, absorption numbers are expected to increase further over the second half of 2017.

We anticipate continued growth and further urbanization of Atlanta with dramatic improvements to our Central Business District. Downtown could be the leading submarket in absorption for 2017 and the urban corridor will likely outperform the other 13 suburban submarkets in absorption. Atlanta clearly has a tremendous positive future with excellent growth, numerous improvements, great infrastructural additions and a very competitive cost of living. Our outlook is very positive for the second half of 2017 and we wish our clients and customers great success as well.

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

2nd Quarter 2017 2nd Quarter 2016

Year End Absorption	(78,737)	(463,258)
4th Quarter Absorption	999,407	951,290
Total Existing Square Feet	136,250,031	134,539,298
Total Available Square Feet	19,591,541	18,989,319
Percent Of Total Space Vacant	14.38%	14.11%
Average Quoted Rental Rate	\$23.75	\$22.91
Space Delivered YTD* (SF)	1,474,620	0

* Excludes Net Losses

ATLANTA'S TOP FIVE RANKING SUBMARKETS

Absorption - 2nd Quarter 2017:

Buckhead/Lenox	167,756
I-75/I-285	136,265
GA-400 North	34,943
I-75N/Marietta	22,182
Airport/South	15,946

Total Existing Square Feet:

I-285/GA-400	22,705,938
I-75/I-285	19,152,170
GA-400 North	16,219,132
Buckhead/Lenox	16,034,199
Downtown	15,810,867

Average Quoted Rental Rate:

Buckhead/Lenox	\$30.66
Midtown	\$27.94
I-75 Corridor	\$27.72
I-285/GA-400	\$25.17
I-75/I-285	\$23.37

Total Available Square Feet:

I-75/I-285	2,976,513
I-285/GA-400	2,795,767
Downtown	2,653,909
GA-400 North	2,350,722
Buckhead/Lenox	2,093,835

Submarket Occupancy Rate:

I-75/Marietta	94.55%
I-20W/Greenbriar	93.95%
I-75 Corridor	92.95%
NE-Expressway South	92.20%
Decatur	89.41%

Average Class "A" Rental Rate:

I-75 Corridor	\$42.00
Buckhead/Lenox	\$32.02
Midtown	\$29.91
I-285/GA-400	\$27.41
I-75/I-285	\$25.95

"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

<u>Quarter</u>	<u>Total Square Feet</u>	<u>Vacant Square Feet</u>	<u>Vacancy Rate</u>	<u>Delivered Square Feet</u>	<u>Net Absorption</u>			<u>Average Rental Rate</u>
					<u>4 Qtr. Total</u>	<u>YTD</u>	<u>Quarter</u>	
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
4Q2012	134,283,909	25,169,810	18.74%	-954,222	489,972	489,972	-844,168	\$21.05
3Q2012	135,238,131	25,279,864	18.69%	-211,402	1,848,938	1,334,140	127,582	\$20.93
2Q2012	135,449,533	25,618,848	18.91%	63,818	1,996,369	1,206,558	740,463	\$20.67
1Q2012	135,385,715	26,295,493	19.42%	890	1,479,655	466,095	466,095	\$20.61

The Urban Corridor

The Urban Corridor, which consists of the Downtown, Midtown, and Buckhead submarkets, experienced 109,774 square feet of positive absorption for second quarter 2017, bringing the mid-year absorption total to 170,971 square feet. These numbers reflect a slight decrease from the 201,763 square feet of absorption the Urban Corridor experienced through mid-year 2016. Although this is not as positive as mid-year 2016, absorption is likely to continue to increase over the remainder of the year as tenants move into newly delivered spaces. Deliveries in the urban corridor accounted for 681,532 square feet of the total 1,474,620 square feet of deliveries in the metro Atlanta area. This is the largest amount of office deliveries in the Urban Corridor in several years. These recent Class A office deliveries have had an upward effect on the average rental rates. The average rental rate in the urban corridor is the highest on record at \$26.99 per square foot. This can be attributed to Buckhead, which has an average rental rate of \$30.66, and Midtown, averaging \$27.94 per square foot. These two submarkets hold the highest average rental rates for all the metro Atlanta submarkets. Vacancy rates in the Urban Corridor slightly increased this quarter from 13.54% in first quarter 2017 to 14.55% for second quarter 2017. This is because many tenants have yet to move into the newly delivered office space. Vacancy rates are expected to decrease over the next two quarters as tenants move into these new spaces.

Downtown had minor activity in the second quarter, with only 10,276 square feet of positive absorption. Although there was little momentum, Downtown still leads all submarkets in absorption year-to-date at 129,872 square feet. There has been positive absorption in Downtown every quarter since second quarter 2016, which is the longest streak among all the submarkets. This has caused occupancy rates to rise to 83.21%. Average rental rates have risen over this time period as well. Currently sitting at \$22.34 per square foot on average, this rate makes



Downtown 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 Philips Arena, expansions of Ponce City Market and large development plans in The Gulch should provide major interest to office, retail and residential space in the area.

Midtown saw 68,258 square feet of negative absorption for second quarter 2017. This was the highest negative absorption of all the submarkets this quarter and was mostly due to a large move out at 1776 Peachtree Street. Midtown has remained a strong submarket over the past few years, with significant absorption numbers since 2014. Occupancy rates in this submarket are at 87.54%, which is higher than the Urban Corridor average at 85.45%. Midtown's average rental rates rank second among all the submarkets at \$27.94. In January 2018, NCR Corp is set to deliver their new headquarters office on Spring Street, a 485,000 square foot Class A office building in the heart of Midtown. This will bring nearly 4,000 new jobs to the area, consolidating their current offices in Duluth and Alpharetta. Midtown has been the recent beneficiary of a tech industry boom in the metro area. Many major technology companies have moved into the area due to its close proximity to tech talent from Georgia Tech, Tech Square and other large tech talent pools.

Buckhead experienced positive absorption of 167,756 square feet this quarter, bringing the mid-year absorption total to 58,884 square feet. This was a strong rebound from first quarter 2017, where Buckhead had 108,872 square feet of negative absorption. Deliveries in Buckhead accounted for 681,532 square feet. This can be mainly credited to the delivery of Three Alliance Center, a 506,647 square foot Class A office building. Other major deliveries included The 309 on East Paces Ferry Road, accounting for 104,885 square feet, and Apple Valley Brookhaven, accounting for 69,819 square feet of new office space. Buckhead has continued to lead the charge in average rental rates for all submarkets. The submarket has seen an increasing trend in rental rates since the beginning of 2011 and reaching \$30.66 per square foot on average this quarter, the highest on record. This is over a 20% increase in average rental rates since the beginning of 2011. Vacancy rates have been steady around 11% on average over the last two years, but have increased this quarter due to the vacant space still left in these major deliveries.

NOTABLE LEASE TRANSACTIONS

Tenant	Property	Size (SF)
Q Squared Solutions	1600 Terrell Mill Rd.	138,981
Nelson, Mullins, Riley	201 17th St.	103,156
SunTrust Bank	211 Perimeter Cente	84,339
Reliance Worldwide	2282 Defoor Hills	80,262
MiMedx	1775 West Oak	79,000

NOTABLE SALES TRANSACTIONS

Buyer	Property	Price
Lionstone Investments	271 17th St.	\$182,000,000
Prudential Real Estate	Regions Plaza	\$176,000,000
Carter Validus	250 Williams St.	\$166,000,000

"With over 2.6 million square feet of office space to deliver by the end of 2017, the demand for Atlanta office space remains high..."

OFFICE SPACE BY BUILDING CLASSIFICATION

	<u>Total Sq. Ft.</u>	<u>Vacant Sq. Ft.</u>	<u>Vacancy Rate</u>	<u>Average Rental Rate</u>
Urban Corridor				
Class A	31,975,516	3,550,727	11.39%	\$28.99
Class B	13,469,975	2,509,953	20.85%	\$23.38
Class C	<u>1,915,690</u>	<u>320,558</u>	<u>16.30%</u>	<u>\$19.06</u>
Total	<u>47,361,181</u>	<u>6,381,238</u>	<u>13.67%</u>	<u>\$26.99</u>
Suburban				
Class A	49,780,871	5,531,716	11.16%	\$25.14
Class B	33,195,239	5,088,656	16.57%	\$18.61
Class C	<u>5,912,740</u>	<u>1,145,678</u>	<u>22.15%</u>	<u>\$14.95</u>
Total	<u>88,891,850</u>	<u>11,766,050</u>	<u>13.36%</u>	<u>\$22.03</u>
Total Market				
Class A	81,756,387	10,560,391	12.92%	\$26.65
Class B	46,665,214	7,545,538	16.17%	\$19.99
Class C	<u>7,828,430</u>	<u>1,485,612</u>	<u>18.98%</u>	<u>\$15.96</u>
Total	<u>136,250,031</u>	<u>19,591,541</u>	<u>14.38%</u>	<u>\$23.75</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	2,653,909	83.21% ↑	10,276	129,872 ↑	\$22.34 ↓
15,516,115	1,932,816	87.54% ↓	(68,258)	(17,785) ↓	\$27.94 ↑
16,034,199	2,305,074	85.62% ↓	167,756	58,884 ↑	\$30.66 ↑
47,361,181	6,891,799	85.45% ↓	109,774	170,971 ↑	\$26.83 ↑
2,942,528	722,299	75.45% ↑	15,946	46,438 ↑	\$17.25 ↑
1,154,049	122,249	89.41% ↑	3,778	(21,901) ↓	\$22.33 ↑
16,219,132	2,350,722	85.51% ↑	34,943	(28,705) ↓	\$22.45 ↑
313,609	18,963	93.95% ↑	0	0 ↑	\$15.23 ↑
22,705,938	2,795,767	87.69% ↓	(54,994)	78,856 ↓	\$25.17 ↑
4,298,545	614,341	85.71% ↑	10,055	34,963 ↑	\$17.35 ↑
271,007	64,281	76.28% ↓	1,794	3,288 ↑	\$13.06 ↑
1,127,333	79,505	92.95% ↑	4,439	(18,151) ↑	\$27.72 ↓
19,152,170	2,976,513	84.46% ↑	136,265	(82,215) ↑	\$23.37 ↑
3,158,977	172,193	94.55% ↑	22,182	29,752 ↑	\$20.23 ↑
4,961,213	986,179	80.12% ↑	(1,654)	(98,556) ↑	\$18.93 ↓
4,677,125	364,931	92.20% ↓	1,689	(10,057) ↓	\$19.61 ↓
7,907,224	1,431,799	81.89% ↓	(6,670)	(144,372) ↓	\$17.00 ↑
88,888,850	12,699,742	85.71% ↓	167,773	(210,660) ↑	\$22.03 ↑
136,250,031	19,591,541	85.62% ↓	277,547	(78,737) ↑	\$23.75 ↑

Change from Year-End:

↑ Increase

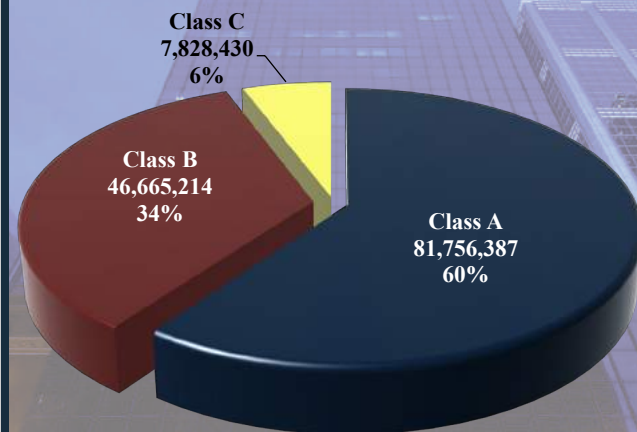
↓ Decrease

— No Change

The Suburban Submarkets

The suburban submarkets had a solid quarter with 167,773 total square feet of positive absorption. The I-75/I-285 submarket led the way with 136,265 square feet positive absorption. This market included the large deliveries of Riverwood 200, a 300,000 square foot Class A office building, and Two Ballpark Center, a 92,000 square foot Class A office building. This submarket has benefitted greatly from the recent addition of SunTrust Park, the new home of the Atlanta Braves. This new venue has brought in significant new development in office, retail and residential space. GA-400 North ranked second in absorption for the suburban submarkets at 34,943 square feet of positive absorption. This submarket also benefitted from a large delivery this quarter at 8000 Avalon, a 228,182 square foot Class A office building. The suburban submarkets, in total, delivered 683,984 square feet this quarter. These buildings attributed to positive absorption as well as a continued increase in average rental rates. The suburban submarkets average rental rates have seen an increase in every quarter since second quarter of 2014, now sitting at \$22.03 per square foot. Occupancy rates took a slight hit this quarter, falling to 85.71% from 86.17% just a quarter ago. This decline can be attributed to the large number of deliveries that include a lot of space that has yet to be filled. Overall, the suburban submarkets performed very similarly to the Urban Corridor.

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
1,273,852	86.14%	\$24.10	1,222,774	78.09%	\$20.46	157,283	84.85%	\$16.86
1,121,870	90.23%	\$29.91	627,062	81.47%	\$22.92	183,884	71.92%	\$19.35
1,571,943	86.10%	\$32.02	733,131	83.73%	\$27.34	0	100.00%	\$28.51
3,967,665	87.59%	\$28.99	2,582,967	80.82%	\$23.38	341,167	82.19%	\$19.06
70,043	92.09%	\$20.25	346,419	73.55%	\$17.33	305,837	59.07%	\$13.53
24,585	93.93%	\$23.83	97,664	86.96%	\$21.52	-	-	-
1,791,935	85.28%	\$24.46	558,787	86.08%	\$16.42	-	100.00%	\$16.00
-	-	-	2,961	93.50%	\$27.90	16,002	94.03%	\$13.07
1,563,108	89.81%	\$27.40	969,320	84.85%	\$21.38	262,673	72.71%	\$14.64
40,885	92.26%	\$20.40	383,315	80.96%	\$17.74	190,141	89.18%	\$15.98
34,504	36.90%	\$14.50	-	100.00%	\$12.00	29,777	81.13%	\$12.95
4,240	98.00%	\$42.00	52,675	93.73%	\$24.95	22,590	70.00%	\$18.50
1,886,736	84.91%	\$25.95	1,018,001	83.49%	\$18.70	71,776	85.15%	\$16.16
26,645	98.30%	\$22.10	55,161	95.72%	\$19.07	90,387	70.53%	\$15.61
653,494	80.13%	\$20.40	332,685	79.73%	\$15.86	0	100.00%	\$25.00
59,351	87.49%	\$22.53	305,580	91.83%	\$19.69	0	100.00%	\$15.99
436,534	811.37%	\$20.66	840,003	82.97%	\$15.83	155,262	75.45%	\$12.57
6,592,726	86.76%	\$25.14	4,962,571	85.05%	\$18.61	1,144,445	80.64%	\$14.95
10,560,391	87.08%	\$26.65	7,545,538	83.83%	\$19.99	1,485,612	81.02%	\$15.96

“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 the second quarter and should continue this trend throughout the remainder of the year. With the substantial amount of new Class A office deliveries, rental rates have continued an upward trend and although vacancy rates rose slightly for second quarter 2017, they are expected to fall over the third and fourth quarters. The overall market posted 277,547 square feet of positive absorption and is currently at 78,737 square feet of negative absorption year-to-date. As previously suggested, the overall office market vacancy rate increased from 13.73% in first quarter 2017 to 14.38% in the second quarter of 2017. The second quarter office deliveries are expected to fill up over the rest of 2017 and into 2018, which should contribute to positive absorption and higher occupancy rates. Average rental rates have continued to climb and are currently at \$23.75. Average rental rates have also been in a strong upward trend since 2012 and should continue that trend in 2017 and into 2018. The amount of deliveries this quarter and buildings under construction suggests that the demand for office space in metro Atlanta is high. Even though there was roughly 1.4 million square feet of new office space delivered this quarter, another 1.2 million square feet of space is expected to deliver in the third and fourth quarters. These deliveries support the fact that Atlanta is one of the fastest growing metropolitan areas in the United States. Atlanta has added over 81,900 jobs since second quarter of 2016 and the metro area's unemployment rate is at its lowest level since 2008, standing at 4.5%. These statistics have outpaced national averages and Atlanta continues to attract major businesses and corporate headquarters. This data also supports the current strength of the Atlanta office market and the anticipation that it will continue to keep growing.



ANNUAL ABSORPTION AND VACANCY RATE BY SUBMARKET

	<u>2Q 2013</u>		<u>2Q 2014</u>		<u>2Q 2015</u>		<u>2Q 2016</u>		<u>2Q 2017</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	434,980	15.29%	156,455	21.51%	388,668	12.30%	172,149	11.17%	92,806	14.37%
Downtown	(61,433)	21.50%	(325,080)	19.38%	(131,155)	21.03%	(95,524)	19.01%	351,555	16.78%
Midtown	<u>30,560</u>	<u>19.38%</u>	<u>152,968</u>	<u>15.03%</u>	<u>898,057</u>	<u>15.47%</u>	<u>416,573</u>	<u>13.00%</u>	<u>85,742</u>	<u>12.45%</u>
Urban Totals	<u>404,107</u>	<u>18.87%</u>	<u>(15,657)</u>	<u>17.47%</u>	<u>1,155,570</u>	<u>16.37%</u>	<u>493,198</u>	<u>14.44%</u>	<u>530,103</u>	<u>14.55%</u>
<u>Suburban</u>										
Airport/South	(211,457)	25.27%	(16,441)	25.06%	(12,889)	30.08%	(146,409)	27.05%	96,391	24.54%
Decatur	62,136	9.50%	1,427	9.38%	(3,130)	9.65%	14,902	8.36%	(25,755)	10.59%
GA-400 North	765	16.61%	442,754	13.85%	275,510	13.37%	179,081	12.34%	(123,131)	14.49%
I-20W/Greenbriar	(1,520)	32.55%	11,982	28.73%	(2,214)	29.44%	22,590	22.24%	50,788	6.04%
I-285/GA-400	144,307	17.07%	936,621	13.60%	560,599	13.34%	(550,996)	12.98%	283,479	12.31%
I-285/I-85/Northlake	(151,255)	18.94%	(178,579)	23.29%	128,906	20.39%	77,014	18.60%	185,502	14.29%
I-285E/Stone Mountain	(71,410)	22.56%	(8,283)	25.61%	(8,743)	28.84%	5,749	26.72%	8,139	23.71%
I-75 Corridor	(13,698)	18.70%	5,564	18.21%	82,069	10.93%	57,773	5.81%	(14,007)	7.05%
I-75/I-285	434,232	17.91%	(14,035)	16.37%	128,685	15.68%	348,350	13.80%	154,784	15.54%
I-75N/Marietta/JF	(27,589)	19.93%	114,756	17.01%	56,545	15.22%	288,572	6.08%	20,050	5.45%
NE Expressway-North	182,873	25.42%	(25,427)	25.98%	280,633	22.66%	235,854	17.87%	(77,183)	19.87%
NE Expressway-South	(109,751)	11.21%	112,561	8.80%	97,169	6.73%	(75,480)	8.34%	25,337	7.80%
Peachtree Corners	<u>(53,725)</u>	<u>19.50%</u>	<u>(86,589)</u>	<u>20.62%</u>	<u>160,625</u>	<u>18.61%</u>	<u>1,092</u>	<u>18.03%</u>	<u>(5,986)</u>	<u>18.10%</u>
Suburban Totals	<u>183,908</u>	<u>18.01%</u>	<u>1,296,311</u>	<u>16.38%</u>	<u>1,743,765</u>	<u>15.52%</u>	<u>458,092</u>	<u>13.94%</u>	<u>578,408</u>	<u>14.29%</u>
Total With Averages	<u>588,015</u>	<u>18.31%</u>	<u>1,280,654</u>	<u>16.75%</u>	<u>2,899,335</u>	<u>15.81%</u>	<u>951,290</u>	<u>14.11%</u>	<u>1,108,511</u>	<u>14.38%</u>

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