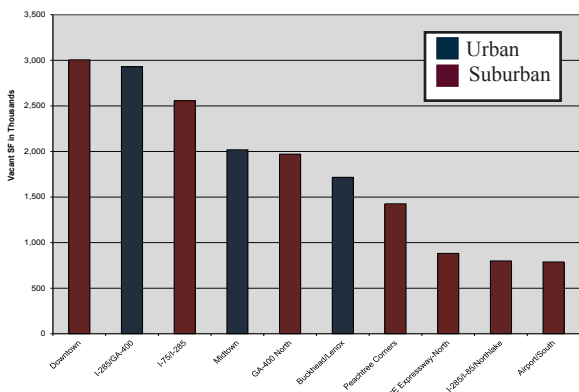


# THE BOWERS DIGEST

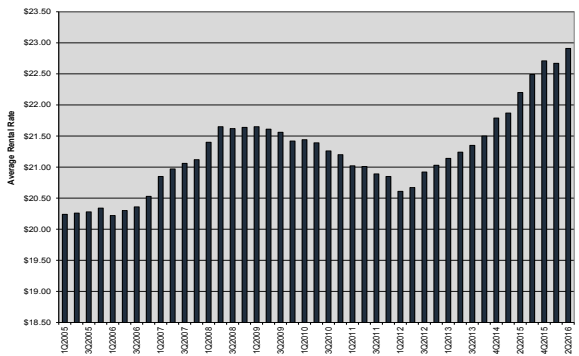
METRO ATLANTA OFFICE MARKET ANALYSIS

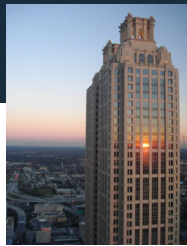
Vol. 26, No. 2

Downtown leads all submarkets in vacant space



Rental Rates Continue Upward Trend





## ANNUAL ABSORPTION AND VACANCY RATE BY SUBMARKET

	<u>2Q 2012</u>		<u>2Q 2013</u>		<u>2Q 2014</u>		<u>2Q 2015</u>		<u>2Q 2016</u>	
	<u>4 Qtrs.</u>	<u>Vacancy</u>	<u>4 Qtrs.</u>	<u>Vacancy</u>	<u>4 Qtrs.</u>	<u>Vacancy</u>	<u>4 Qtrs.</u>	<u>Vacancy</u>	<u>4 Qtrs.</u>	<u>Vacancy</u>
	<u>Absorption</u>	<u>Rate</u>	<u>Absorption</u>	<u>Rate</u>	<u>Absorption</u>	<u>Rate</u>	<u>Absorption</u>	<u>Rate</u>	<u>Absorption</u>	<u>Rate</u>
<b>Urban</b>										
Downtown	(113,231)	21.17%	(61,433)	21.51%	(325,080)	19.94%	36,245	21.04%	(95,524)	19.01%
Midtown	612,818	19.72%	30,560	19.38%	152,968	18.34%	898,057	15.48%	416,573	13.01%
Buckhead/Lenox	962,899	18.32%	434,980	15.03%	156,455	14.00%	388,668	12.30%	172,149	11.18%
<b>Urban Totals</b>	<b><u>1,462,486</u></b>	<b><u>19.79%</u></b>	<b><u>404,107</u></b>	<b><u>18.75%</u></b>	<b><u>(183,057)</u></b>	<b><u>17.47%</u></b>	<b><u>1,322,970</u></b>	<b><u>16.37%</u></b>	<b><u>493,198</u></b>	<b><u>14.44%</u></b>
<b>Suburban</b>										
Airport/South	132,268	22.61%	(109,540)	25.28%	(16,441)	25.07%	(12,889)	30.08%	53,591	27.05%
Decatur	54,150	14.04%	62,136	9.51%	1,427	9.38%	(3,130)	9.65%	14,902	8.36%
GA-400 North	(110,134)	16.37%	765	16.48%	442,754	13.75%	275,510	13.38%	179,081	12.35%
I-20W/Greenbriar	(2,183)	32.07%	(1,520)	32.56%	11,982	28.74%	(2,214)	29.44%	22,590	22.24%
I-285/GA-400	673,183	17.88%	267,090	17.88%	936,621	13.63%	560,599	13.34%	27,004	12.99%
I-285/I-85/Northlake	3,574	14.96%	(151,255)	18.95%	(178,579)	23.29%	128,906	20.40%	77,014	18.61%
I-285E/Stone Mountain	1,692	12.35%	7,746	22.56%	(8,283)	25.62%	(8,743)	28.84%	5,749	26.72%
I-75 Corridor	(49,314)	17.49%	(13,698)	18.71%	5,564	18.21%	82,069	10.93%	57,773	5.81%
I-75/I-285	(174,582)	19.89%	434,232	17.91%	(14,035)	16.37%	128,685	15.68%	348,350	13.81%
I-75N/Marietta/JF	86,992	20.14%	(3,589)	19.94%	114,756	17.01%	56,546	15.22%	288,572	6.09%
NE Expressway-North	(141,629)	29.10%	182,873	25.43%	(25,427)	25.98%	280,633	22.66%	235,854	17.88%
NE Expressway-South	42,951	8.87%	(109,751)	11.21%	112,561	8.81%	97,169	6.73%	(75,480)	8.34%
Peachtree Corners	141,432	19.69%	33,494	19.51%	(86,589)	20.62%	160,625	18.61%	55,594	18.03%
<b>Suburban Totals</b>	<b><u>658,400</u></b>	<b><u>18.42%</u></b>	<b><u>598,983</u></b>	<b><u>17.98%</u></b>	<b><u>1,296,311</u></b>	<b><u>16.36%</u></b>	<b><u>1,743,765</u></b>	<b><u>15.52%</u></b>	<b><u>1,290,592</u></b>	<b><u>13.94%</u></b>
<b>Total With Averages</b>	<b><u>2,120,886</u></b>	<b><u>18.90%</u></b>	<b><u>1,003,090</u></b>	<b><u>18.25%</u></b>	<b><u>1,113,254</u></b>	<b><u>16.74%</u></b>	<b><u>3,101,331</u></b>	<b><u>15.50%</u></b>	<b><u>1,783,790</u></b>	<b><u>14.11%</u></b>

### Agents

Ernie R. Baker, Richard Bowers, SIOR, Rick Bowers Jr., Michael Cheney, CCIM, David Clappier, Lee Coleman, Barry Conway, Willie Ellington, Daniel Gannon, Enio Guerra, Randy Hoyer, Bill Johnson, CCIM, Greg Kindred, Chet Lacy, Jeff Searcy, Jeff McMullen, Paul Mendel, Donnie Miller, Angela Moore, David Morgan, Ray Nestlehurst, Ash Parker, Trey Parrish, Tarkenton Thompson, Grahame Wood, Vernon L. Wright

### Research

Ethan Darcy, Charlyn Prater

### Administrative

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Real Estate

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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
1,294,674	84.96%	\$22.85	1,588,955	74.22%	\$20.13	121,835	88.27%	\$16.34
1,181,475	89.71%	\$29.25	646,746	80.89%	\$21.84	190,337	70.94%	\$18.53
1,021,247	90.39%	\$30.10	694,996	84.58%	\$27.00	105	99.95%	\$28.51
<b>3,497,396</b>	<b>88.61%</b>	<b>\$27.75</b>	<b>2,930,697</b>	<b>79.15%</b>	<b>\$22.74</b>	<b>312,227</b>	<b>83.70%</b>	<b>\$18.50</b>
143,219	83.83%	\$19.08	328,963	74.27%	\$16.57	315,395	57.79%	\$13.41
25,672	93.66%	\$23.55	70,822	90.54%	\$20.53	-	-	-
1,315,470	88.99%	\$23.00	655,939	83.55%	\$15.86	-	100.00%	\$16.00
-	-	-	2,961	93.50%	\$28.13	66,790	75.08%	\$12.24
1,474,302	90.30%	\$26.88	1,072,829	83.23%	\$21.18	382,115	60.30%	\$14.25
37,805	92.85%	\$21.06	517,715	74.28%	\$17.55	244,323	86.10%	\$15.99
30,075	45.00%	\$14.50	-	100.00%	\$12.00	42,345	73.17%	\$12.95
10,176	95.20%	\$39.00	55,322	93.41%	\$25.10	0	100.0%	\$14.50
1,323,109	88.92%	\$24.90	1,179,747	80.86%	\$18.03	63,535	86.86%	\$14.66
37,877	97.58%	\$21.49	60,926	95.27%	\$18.55	93,440	69.54%	\$19.33
585,189	82.20%	\$20.16	296,298	81.64%	\$15.68	509	98.40%	\$16.00
45,811	90.34%	\$22.20	344,457	90.80%	\$19.04	0	100.00%	\$15.99
423,711	81.92%	\$20.22	900,782	81.74%	\$15.62	101,320	89.98%	\$12.57
<b>5,452,416</b>	<b>88.84%</b>	<b>\$24.26</b>	<b>5,486,761</b>	<b>83.43%</b>	<b>\$18.19</b>	<b>1,309,772</b>	<b>77.85%</b>	<b>\$14.81</b>
<b>8,949,812</b>	<b>88.75%</b>	<b>\$25.61</b>	<b>8,417,458</b>	<b>82.15%</b>	<b>\$19.55</b>	<b>1,622,049</b>	<b>79.28%</b>	<b>\$15.71</b>

*“...we anticipate office market improvements in both rental rates and occupancy”*

As expected, the I-75 Corridor continues to have the highest average rental rates among the suburban submarkets, at \$27.00 per square foot, followed by the I-285/GA-400 submarket at \$24.73 per square foot and the I-75/I-285 submarket at \$22.36 per square foot. The Decatur, I-75N/Marietta/Johnson Ferry and GA-400 North submarkets also have average rental rates above \$20 per square foot, at \$21.59, 20.08 and \$21.21, respectively. The I-285/GA-400 submarket, which is the largest Atlanta submarket with just under 23 million square feet of existing office space, traditionally has been one of the most consistent top performers over the past four years. However, 1st quarter 2016 saw negative absorption for this submarket. Second quarter 2016 proved to be more fruitful for the I-285/Ga-400 submarket yielding a positive 42,617 square feet. This submarket's occupancy rate has increased to 90.30 percent from 79.22 percent just eighteen quarters ago. Continued positive absorption and high occupancy rates have helped push up the average rental rate to \$24.73 per square foot, which is the fourth highest rental rate behind only Midtown, Buckhead, and the I-75 Corridor.

## Overall Market

Overall, the Atlanta office market posted 671,263 square feet of positive absorption for second quarter 2016, bringing the mid-year absorption total to 511,737 square feet despite a largely negative first quarter. These absorption numbers have increased the overall occupancy rate to 85.89 percent with the urban and suburban submarket occupancy rates at 85.56 percent and 86.06 percent, respectively. This is the highest occupancy rate Atlanta has seen in over five years. The average rental rate for mid-year 2016 is \$22.91 per square foot, which is the highest overall rate we have experienced since we began tracking the Atlanta office market in 1989. The Class “A” occupancy rate is currently 88.75 percent, which is 286 basis points better than the overall average and at a level we haven't seen since well before the Great Recession. This statistic supports one of the major office trends in Atlanta, with companies upgrading to better space with more amenities while the rental rates are still favorable. As the Atlanta office market continues its recovery, we anticipate activity to pick up in the latter half of 2016, and we anticipate greater office market improvements in both rental rates and occupancy for the remainder of 2016 and well into 2017 which promises the delivery of large amounts of office space and with these deliveries an absorption increase.



## IN BRIEF: THE ATLANTA MARKET

The Atlanta office market bounced back second quarter 2016 after a surprisingly disappointing first quarter. Second quarter was quite strong yielding 671,253 square feet of positive absorption. When taking into account 1st quarter 2016's absorption of (159,526) square feet, the Atlanta Office Market is at a mid-year total of 511,727 square feet positive absorption.

The suburban submarket outperformed its urban counterpart in second quarter 2016; however the urban corridor year to date has seen considerably more positive absorption at 344,256 square feet when compared to only 167,479 square feet positive absorption for the suburban submarket. The I-75/I-285 submarket led this quarter with 204,186 square feet absorbed. This is not surprising considering that I-75/I-285 is currently the second largest submarket with a total of 18,587,264 square feet. Following closely behind was Midtown at 191,453 square feet and Downtown at 153,583 square feet. The top five is rounded out by the NE Expressway at 68,321 square feet and finally I-285/I-85 at 67,203 square feet.

Average rental rates this quarter increased from \$22.67/sq ft to \$22.91/sq ft. The leading submarkets in average rental rates are Buckhead/Lenox at \$29.17/sq ft, Midtown at \$27.18/sq ft, I-75 Corridor at \$27.00/sq ft, I-285/GA-400 at \$24.73/sq ft, and I-75/I-285 at \$22.36/sq ft. The leading submarkets in availability are Downtown at 3,005,464 sq ft, I-285/GA-400 at 2,925,246 sq ft, I-75/I-285 at 2,566,391 sq ft, Midtown at 2,018,588 sq ft, and GA-400 North at 1,971,409 sq ft.

#### Infrastructure:

There are numerous ongoing plans for transportation improvements as well as funding proposals through increased sales tax revenues for Fulton and DeKalb counties including enhanced MARTA services for the Emory campus and the CDC complex to include possibly MARTA rail and the extension of the northern rail line to Alpharetta.

Some potential improvements include the possibility of Gwinnett County joining MARTA, commuter rail service utilizing several of the existing rail lines being reactivated and the development of the multi-modal station at Five Points. Other transportation improvements include improvements at the I-75/I-285 interchange to accommodate additional traffic with the relocation of the Atlanta Braves to Cobb County for the 2017 season, a one billion plus interchange redevelopment at GA-400/I-285, high-speed traffic lanes in Cobb County up I-75 and up I-85 through Gwinnett County, and the proposed expansion of the Atlanta Streetcar service around the Beltline and possibly along Peachtree from Downtown to Buckhead.

As Atlanta continues to grow as the fastest growing metro region in the country over the next 15 years with a population increase of 2.5 million people, there is a lot of work which will need to be accomplished on both road improvements and public transportation – MARTA and commuter rail. With gasoline prices down, the possibility of a 5 to 10 cent, gasoline tax increase with a fixed future cut-off date to fund additional transportation improvements would be a great consideration for metro Atlanta as well.

#### T-SPLOST

This November 8th voters in City of Atlanta and all of Fulton County will be voting on several important pieces of legislation which could spell huge transportation improvements for the metro area. In 2015 a piece of legislation was passed that allowed counties to levy up to a 1 cent tax in order to benefit transportation. On November 8th voters in the City of Atlanta will be voting a .4 cent T-SPLOST. This T-SPLOST will extend over 5 years and is projected to yield at least \$380 million, all of which will be going to transportation. Similarly Fulton County will see a .75 cent referendum appear on their ballot, likewise this T-SPLOST, if voted for, will generate a projected \$550 million. Also on the ballot this coming election voters in City of Atlanta will see a ½ cent sales tax increase which will extend over 40 years. This will raise a potential \$2.5 billion, those funds could allow for an almost 50% increase in capacity for MARTA. Additionally in 2015 the motor fuel tax was increased roughly 10 cents which is expected to almost double the states revenue from the tax from about one billion dollars per year to around two billion dollars per year.

Additionally, money raised from this tax will fund maintenance projects and will be spread across the state. Outlook for future transportation improvements and further road maintenance is far more positive today than it was five years ago.

#### Development:

There are several large government assisted developments to include the new Atlanta Falcons stadium in Downtown, the new Atlanta Braves stadium in Cobb County, improvements to Phillips Arena, Downtown, surrounding support development to these major athletic venues to include retail, some office and new hotels, the expansion of the Hartsfield-Jackson International Airport (The Atlanta Aerotropolis) to include additional airport parking, offices, retail, and hotel development, the redevelopment of Turner Field by Georgia State and Carter Development for athletic fields, new student housing, retail, and other residential development among other uses, the Civic Center for a major retail/residential mixed use development, the General Motors site in Chamblee, and Underground Atlanta among others.

There are currently 14 office buildings over 50,000 sq ft under development or as part of mixed use developments totaling 3,661,707 sq ft. None of these developments will be delivering in 2016 which is good while allowing the Atlanta office market to continue to improve occupancy levels from the great recession. All these speculative office development opportunities will be delivering in 2017 or 2018.

There are also several major owner-occupied developments under construction which include State Farm at I-285/GA-400 delivering 602,000 sq ft in December 2017 as the first phase for their southeastern region headquarters and the US headquarters for Mercedes Benz, a 225,000 sq ft campus scheduled for delivery in early 2018. Both these owner occupied developments will free up approximately 827,000 sq

ft of office space which will be returned to the I-285/GA-400 office submarket for releasing in 2018 or later.

#### Outlook

Fortunately the office market should continue to improve with a reasonably optimistic economy, a limited number of new developments, positive absorption, and a rapidly growing metro region. The reasons for new office development constraints include high construction costs resulting in new office buildings requiring \$35-\$40 per sq ft full service rental rates, space as mentioned above that will be returned to the office market, and the fact that major users are looking at telecommuting and leasing less square footage per employee.

Conversely, the residential market particularly multifamily apartment developments and mixed use retail/residential developments could experience overdevelopment. Much of the current real estate development

taking place, particularly along the Peachtree corridor, is multifamily residential in some 23 developments totaling 7,172 units. There are also several residential condominiums developments adding to in-town residential availability. Lenders are currently slowing residential development by ceasing to provide loans and/or requiring additional equity. Notwithstanding, the densification of residential development along the Peachtree corridor, around the Beltline, and at or inside the perimeter is dramatically altering our city creating a much denser, more urban pedestrian environment.

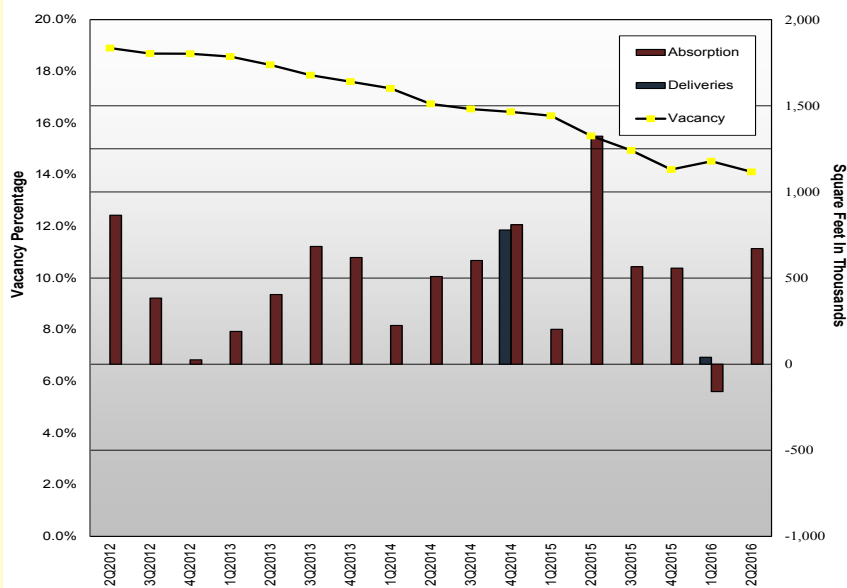
The outlook for the Atlanta office market is quite favorable with the highest occupancy at 85.89% since third quarter 2002, no deliveries scheduled for 2016, and a favorable outlook in both job and population growth. The urban corridor is expected to do quite well for the remainder of 2016 with the favorable trend by millennials and young professionals for an in town, urban, pedestrian environment with public transportation.

Downtown will also be a major benefactor with a significant amount of quality space available at rates less expensive than Midtown or Buckhead, great amenities as metro Atlanta's largest employer and largest visitors center, excellent infrastructure, Atlanta's best pedestrian environment, a location at the crossroads of our expressway and MARTA system, and a location only eight miles from the world's busiest airport, Hartsfield-Jackson International Airport.

We wish our clients and customers great success for the remainder of 2016!

*Richard E. Bowers*

### Market Overview





## NOTABLE LEASE TRANSACTIONS SIGNED

<u>Lessee</u>	<u>Property</u>	<u>Size (SF)</u>
GA TECH	771 Spring Street	289,000
HD Supply	Encore Center	222,000
Anthem Health	Three Glenlake	101,412
Equifax	1201 W Peachtree St NW	100,000
FBI	Flowers Rd Sw	151,065

*“Rental rates along the urban corridor now average \$26.14 per sq ft.”*

## OFFICE SPACE BY BUILDING CLASSIFICATION

	<u>Total</u>	<u>Vacant</u>	<u>Vacancy</u>	<u>Net Absorption</u>		<u>Average</u>
	<u>Sq. Ft.</u>	<u>Sq. Ft.</u>	<u>Rate</u>	<u>2nd</u>	<u>4 Qtr</u>	<u>Rental Rate</u>
				<u>Quarter</u>	<u>Total</u>	
<b>Urban Corridor</b>						
Class A	30,710,776	3,497,396	11.39%	81,768	1,337,839	\$28.41
Class B	14,053,183	2,930,697	20.85%	68,497	13,968	\$21.39
Class C	1,915,690	312,227	16.30%	-31,287	-28,837	\$15.89
<b>Total</b>	<b>46,679,649</b>	<b>6,740,320</b>	<b>16.18%</b>	<b>156,736</b>	<b>1,322,970</b>	<b>\$25.67</b>
<b>Suburban</b>						
Class A	48,837,783	5,452,416	11.16%	1,219,866	1,688,461	\$22.92
Class B	33,109,126	5,486,761	16.57%	122,813	123,015	\$17.67
Class C	5,912,740	1,309,772	22.15%	-175,928	-67,711	\$14.33
<b>Total</b>	<b>87,859,649</b>	<b>12,248,949</b>	<b>16.62%</b>	<b>1,166,751</b>	<b>1,743,765</b>	<b>\$20.36</b>
<b>Total Market</b>						
Class A	79,548,559	8,949,812	11.25%	1,301,634	3,026,300	\$25.02
Class B	47,162,309	8,417,458	17.85%	191,310	136,983	\$18.78
Class C	7,828,430	1,622,049	20.72%	-207,215	-96,548	\$14.77
<b>Total</b>	<b>134,539,298</b>	<b>18,989,319</b>	<b>16.60%</b>	<b>1,323,487</b>	<b>3,101,331</b>	<b>\$22.20</b>



## ATLANTA MARKET TRENDS BY QUARTER

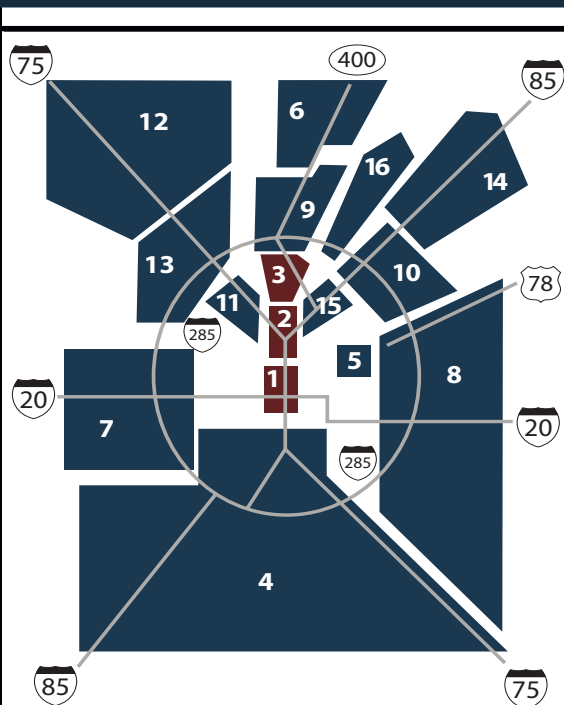
Quarter	Total Sq. Ft.	Vacant Sq. Ft.	Vacancy Rate	Delivered Qtr:	Delivered Ytd	Net Absorption		Average Rental Rate	
						4 Qtr Total	Year To Date		
2Q2016	135,260,453	18,989,319	14.11%	0	0	1,783,790	511,737	671,263	\$22.91
1Q2016	135,260,453	19,660,582	14.52%	40,118	40,118	2,398,258	(159,526)	(159,526)	\$22.67
4Q2015	135,221,335	19,208,098	14.20%	0	0	2,124,709	2,124,709	1,261,114	\$22.71
3Q2015	135,394,993	20,230,731	14.94%	0	0	3,314,848	2,053,734	565,573	\$22.49
2Q2015	136,127,066	21,528,377	15.50%	0	0	3,101,331	1,522,757	1,323,487	\$22.20
1Q2015	135,349,066	22,036,106	16.28%	0	0	2,289,620	202,243	202,243	\$21.87
4Q2014	135,349,066	22,238,538	16.43%	788,420	788,420	2,158,762	2,158,762	1,261,114	\$21.79
3Q2014	134,074,847	22,225,433	16.58%	0	0	1,842,460	1,144,954	317,460	\$21.70
2Q2014	133,979,605	22,447,651	16.75%	0	0	1,558,762	827,494	508,614	\$21.54
1Q2014	133,975,750	22,952,410	17.13%	0	0	1,454,501	318,880	318,880	\$21.67
4Q2013	135,409,999	23,833,938	17.60%	0	0	1,897,546	1,897,546	619,152	\$21.50
3Q2013	135,391,218	24,164,309	17.85%	0	0	1,303,584	1,278,394	683,692	\$21.35
2Q2013	135,221,299	24,678,082	18.25%	0	0	1,003,090	594,702	404,353	\$21.24
1Q2013	135,256,002	25,117,138	18.57%	0	0	1,466,308	190,349	190,349	\$21.14
4Q2012	135,465,599	25,309,557	18.68%	(8,835)	307,433	1,742,054	1,742,054	25,190	\$21.03
3Q2012	135,701,093	25,362,693	18.69%	127,043	316,268	2,229,071	1,714,273	383,198	\$20.91
2Q2012	135,574,050	25,618,848	18.90%	188,335	189,225	2,120,886	1,331,075	864,980	\$20.67
1Q2012	135,385,715	26,295,493	19.42%	890	890	1,479,655	466,095	466,095	\$20.61
4Q2011	135,384,825	26,686,726	19.71%	(17,615)	(17,615)	844,724	844,724	519,789	\$20.84
3Q2011	135,402,440	27,224,130	20.11%	0	0	184,350	324,935	297,530	\$20.89
2Q2011	135,402,440	27,521,660	20.33%	0	0	(100,857)	(27,405)	270,213	\$21.01
1Q2011	135,402,440	27,791,873	20.53%	0	0	(874,857)	(242,808)	(242,808)	\$21.02
4Q2010	135,357,440	27,549,065	20.35%	0	1,640,626	(626,015)	(626,015)	(140,585)	\$21.20
3Q2010	135,402,440	27,408,480	20.24%	0	1,640,626	(1,040,263)	(485,430)	12,313	\$21.26

## The Urban Corridor

The Urban Corridor, which consists of the Downtown, Midtown, and Buckhead submarkets, experienced 284,999 square feet of positive absorption for second quarter 2016, bringing the mid-year absorption total to 344,256 square feet. These in-town numbers mark a slight improvement from the 300,835 square feet of absorption the Urban Corridor experienced through mid-year 2015, and overall this marks a turn from what was a poor first quarter for the urban corridor, more specifically the Downtown Submarket. As a direct result of the last four and half years of absorption, the vacancy rate has declined from 22.86 percent to 14.44 percent, a change of 842 basis points. This positive absorption and increased occupancy rates have led to an increase in rental rates along the Urban Corridor, which now averages \$26.14 per square foot.

Buckhead experienced negative absorption of 61,126 square feet this quarter, bringing the mid-year absorption total for the submarket to 95,597 square feet. Despite this recent quarter, Buckhead has been largely positive in terms of absorption. The usual positive performance for this submarket has contributed to a continued rise in occupancy, which is up to 88.82%, an increase of 282 basis points from mid-year 2014. Buckhead also continues to experience increased average rental rates, up to \$29.17 per square foot, an increase of over \$2.00 from just two years ago. Class "A" rental rates in Buckhead are continuing to rise as well, reaching \$30.10 per square foot, which is the second highest Class "A" rental rate in Metro Atlanta behind the lone Class "A" property in the I-75 Corridor, The Forum.





#### 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>2nd Quarter 2016</u>	<u>2nd Quarter 2015</u>
Mid-Year Absorption	511,737	1,488,161
2nd Quarter Absorption	671,263	508,614
Total Existing Square Feet	135,371,800	134,104,122
Total Available Square Feet	18,989,319	22,447,651
Percent Of Total Space Vacant	14.11%	16.74%
Average Quoted Rental Rate	\$22.91	\$21.55
Space Delivered YTD - Square Feet*	40,118	0

\* Excludes Net Losses

## ATLANTA'S TOP FIVE RANKING SUBMARKETS

#### Absorption - 2nd Quarter 2016:

I-75/I-285	204,168
Midtown	192,542
Downtown	153,583
NE Expressway- North	68,321
I-285/I-85/Northlake	67,203

#### Total Available Square Feet:

Downtown	3,005,464
I-285/GA-400	2,962,246
I-75/I-285	2,556,391
Midtown	2,018,558
GA-400 North	1,971,409

#### Total Existing Square Feet:

I-285/GA-400	22,555,938
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-75 Corridor	94.19%
I-75N/Marietta/Johnson	93.91%
NE Expressway-South	91.66%
Decatur	91.64%
Buckhead/Lenox	88.82%

#### Average Quoted Rental Rate:

Buckhead/Lenox	\$29.17
Midtown	\$27.18
I-75 Corridor	\$27.00
I-285/GA-400	\$24.73
I-75/I-285	\$22.36

#### Average Class "A" Rental Rate:

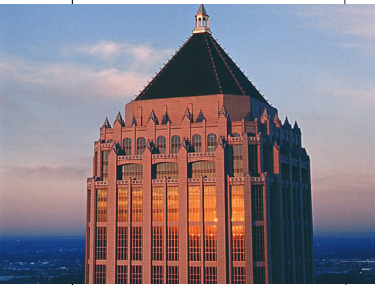
I-75 Corridor	\$39.00
Buckhead/Lenox	\$30.10
Midtown	\$29.25
I-285/GA-400	\$26.88
I-75/I-285	\$25.02

*"The average rental rate for mid-year 2016 is \$22.91 per square foot, which is the highest overall rate we have experienced since we began tracking the Atlanta office market in 1989"*

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# 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	3,005,464	80.99% ↓	153,583	(30,621) ↓	\$21.36 ↓
15,516,115	2,018,558	86.99% ↑	192,542	279,280 ↓	\$27.18 ↓
15,352,667	1,716,348	88.82% ↑	(61,126)	95,597 ↓	\$29.17 ↑
<b>46,679,649</b>	<b>6,740,370</b>	<b>85.56% ↑</b>	<b>284,999</b>	<b>344,256</b>	<b>\$26.14 ↑</b>
2,911,415	787,577	72.95% ↓	(13,219)	30,856 ↑	\$16.52 ↓
1,154,049	96,494	91.64% ↓	(4,079)	(16,785) ↓	\$21.59 ↑
15,962,950	1,971,409	87.65% ↑	(107,035)	56,050 ↓	\$21.21 ↑
313,609	69,751	77.76% ↓	58,271	(2,999) ↓	\$14.55 ↑
22,555,938	2,929,246	87.01% ↓	42,617	(209,786) ↓	\$24.73 ↑
4,298,545	799,843	81.39% ↑	67,203	50,212 ↑	\$17.26 ↑
271,007	72,420	73.28% ↑	(5,640)	21,944 ↑	\$13.06 ↑
1,127,333	65,498	94.19% ↑	37,432	66,506 ↓	\$27.00 ↑
18,587,264	2,566,391	86.19% ↓	204,186	(28,758) ↓	\$22.36 ↑
3,158,977	192,243	93.91% ↑	10,621	128,931 ↓	\$20.08 ↑
4,934,213	881,996	82.12% ↑	68,321	187,560 ↑	\$18.67 ↑
4,677,125	390,268	91.66% ↓	11,551	(57,544) ↓	\$19.06 ↑
7,907,224	1,425,813	81.97% ↓	16,035	(58,708) ↓	\$16.74 ↑
<b>87,859,649</b>	<b>12,248,949</b>	<b>86.06% ↓</b>	<b>386,264</b>	<b>167,479</b>	<b>\$21.34 ↑</b>
<b>134,539,298</b>	<b>18,989,319</b>	<b>85.89% ↑</b>	<b>671,263</b>	<b>511,737</b>	<b>\$22.91 ↑</b>

Change from Mid-Year 2015: ↑ Increase ↓ Decrease — No Change

## The Suburban Submarkets

At mid-year 2016, the suburban submarkets, which consists of the remaining thirteen submarkets, have only slightly outperformed their counterparts along the Urban Corridor. Second quarter 2016 has not been highlighted by the opening of any new building. 2017 promises the delivery of a large amount of office space. Still the suburban submarkets in the second quarter of 2016 experienced a year to date absorption of 167,479 square feet after a surprisingly slow first quarter. Second quarter did however yield 386,264 square feet. This positive absorption has also contributed to the suburban submarkets' increased occupancy rate, which stands at 86.06% at mid-year 2016, an increase of over 1.00% from mid-year 2015. In addition to improved occupancy, the average rental rate has continued its trend of increasing and currently sits at \$20.36 per square foot; 37 cents higher than at mid-year 2014.

In the suburban submarkets, I-285/GA-400, Peachtree Corners, and NE Expressway-South have all experienced largely negative absorption year to date. While I-75/I-285 had over 200,000 sq ft of positive absorption in second quarter 2016. The GA-400 North submarket has experienced positive absorption by the mid-year mark of 2016 with 56,050 square feet absorbed. The Northeast Expressway – South, Decatur, I-75 Corridor I75N/Marietta/Johnson Ferry submarkets all have occupancy rates over 90%.

## EXISTING SPACE BY CLASS

