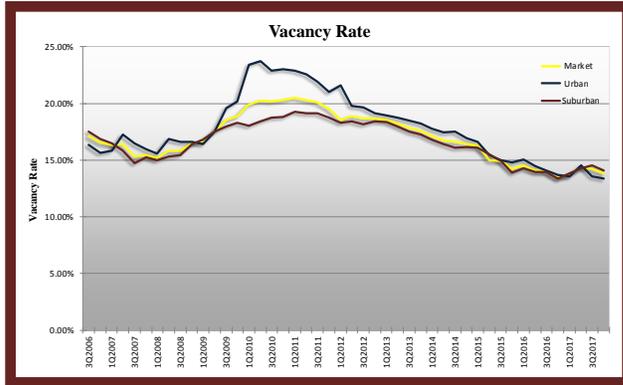
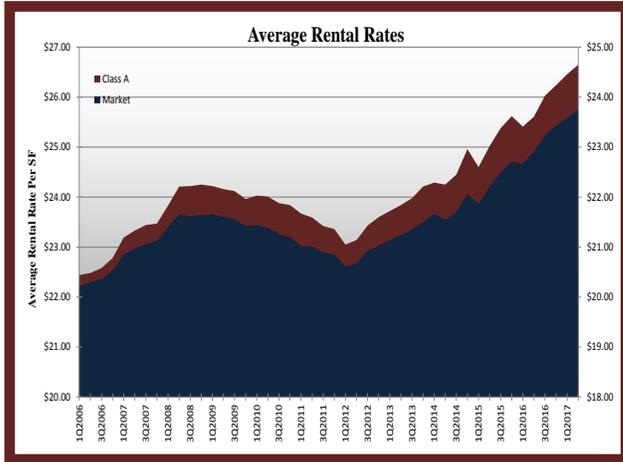
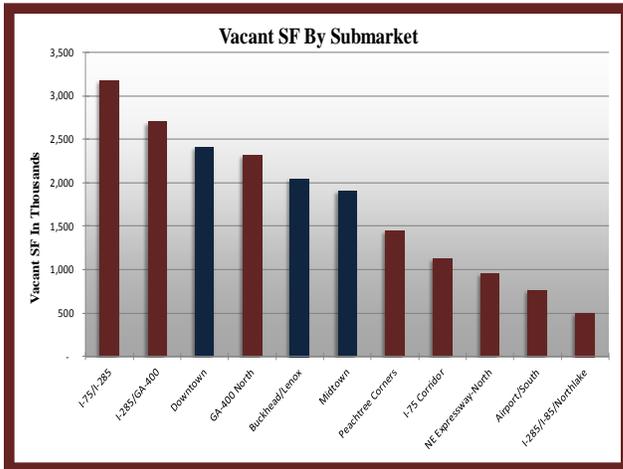


# THE BOWERS DIGEST

METRO ATLANTA OFFICE MARKET ANALYSIS

Vol. 28, No. 4



“Metro Atlanta is recognized as the international gateway and the economic engine of the Southeast.”

REAL ESTATE TRENDS  
YEAR-END 2017



# OVERVIEW: THE ATLANTA MARKET

2017 turned out to be another positive year for the metro Atlanta office market with 1,241,667 square feet of positive absorption. Vacancy rates for both the urban and suburban markets are at 13.83% which is in the lowest range of vacancy rates since 2002. Rental rates are at all-time highs at \$23.95 per square foot, on average. 2017 can be attributed to many factors, including a robust growing U.S. economy, low unemployment rates, significant capital investment within the city and state, and Atlanta's strategic location in the southeast which is the fastest growing area of the country.

2017 ended with three consecutive quarters of significant positive absorption, nullifying the effect of a poor first quarter. Large moves this quarter propelled absorption to over 1,200,000 square feet for 2017 while new office deliveries continued filling with new tenants. 2017 showed a growing demand for premier Class A office space, exemplified by the soaring rental rates and absorption numbers for these buildings. With 2.18 million square feet of office deliveries in 2017, 2018 is set to follow up strongly with many projects currently under construction and additional developments scheduled to break ground in the new year totaling 3.8 million square feet.

Deliveries for 2017 totaled 2,181,592 square feet with four office buildings over 200,000 square feet delivering including Riverwood 200 and One Ballpark Center, both in the I-75/I-285 submarket, Three Alliance Center in Buckhead, and 8000 Avalon in the GA-400 North submarket. There are approximately ten buildings under construction with scheduled deliveries in 2018 and 2019 totaling 3,798,893 square feet. Several of these buildings are owner occupied buildings and are 100% committed to include HD Supply, Mercedes-Benz, Jackson Healthcare, NCR, and State Farm among others.

Although the office market is continuing to grow and occupancy levels have risen, there is not as much new development, even with our favorable economy, as in earlier cycles due to smaller work stations, fewer offices, shared work space, and telecommuting by employees in numerous companies. Another factor in reduced construction is the disconnect between existing buildings, current rental rates, and new construction which is in the \$35.00 to \$40.00 per square foot price range for full service leases as compared to existing space in the \$25.00 to \$30.00 price per square foot range. Although our current office market vacancy rose 37 basis points from 2016 to 2017, we are still in the range of the lowest vacancy since first quarter 2002 at 86.17% occupancy and we expect our occupancy rates to move higher.

One interesting statistic regarding the current office market is the fact the Urban Corridor had approximately twice the absorption as the suburban submarkets. Urban submarkets accounted for 828,237 square feet positive absorption, as compared to 413,430 square feet positive absorption for the suburban submarkets. In addition, rental rates remain much higher in the Urban Corridor at an average rate of \$27.24 versus the suburbs at \$22.20. The five leading submarkets in absorption for 2017 are Downtown, with 376,565 square feet positive absorption, Buckhead with 315,018 square feet positive absorption, I-285/I-85 with 295,552 square feet positive absorption, Midtown with 136,634 square feet positive absorption, and I-285/GA-400 with 116,421 square feet positive absorption. All submarkets totaled 951,721 square feet positive absorption.

### Downtown

As previously stated, Downtown led all submarkets this year in absorption, totaling 376,585 square feet positive absorption. This is significant because it is the highest Downtown absorption year to date since 2000. This dramatic change to the development, interest and attention to Downtown Atlanta is a welcome and needed catalyst to our largest employer, largest visitors center and most important submarket. With only one quarter of negative absorption since third quarter 2015, Downtown Atlanta has made a strong reversal due to favorable rental rates, reduced space availability and speculative commercial and residential development in the neighboring areas to Downtown and around the BeltLine.

Many developments including The Gulch, Newport's developments, Georgia State Stadium and Underground Atlanta expect over \$1.5 billion in combined investments in the southern sector of our Central Business District. Reasons for this interest can be attributed to the increasing demand for historical buildings that Downtown holds in great supply, as well as urban growth that affords a great pedestrian environment, excellent public transportation, numerous points of freeway accessibility, and close proximity to the world's busiest airport, Hartsfield-Jackson International Airport. These characteristics are also much desired by millennials and empty nesters.

Older historic buildings, such as Ponce City Market, which was the former Sears Roebuck regional headquarters, have commanded some of the highest rental rates in the metro area. Intown migration has brought an influx of interest to these older Downtown neighborhoods that are subject to redevelopment and renovation. Developers are targeting millennials who want more of an inclusive area to live, work and play. Entertainment, nightlife, pedestrian-friendly neighborhoods and availability of alternative transportation such as MARTA and bike paths are transportation amenities millennials are looking for. Downtown still holds tremendous value at the lowest average rental rates and most square footage available among the urban submarkets. Downtown's average rental rates are 25%

to 30% cheaper than Midtown and Buckhead. 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. Downtown also affords many infrastructural advantages with more secondary roads, more points of ingress/egress to the expressways, and more rapid rail stations than Midtown and Buckhead combined.

### Infrastructure

Another major contribution to Atlanta's urbanization is the Atlanta BeltLine which is adding tremendous investment and intown growth, as well as residential and commercial development along the BeltLine. Large segments of the BeltLine on the west side were open in 2017 to include Westside Park at Bellwood Quarry, which is being developed on 19 acres with multiple phases for 700 residential units, 176,000 square feet of office space, plus restaurants and retail, and upon completion will be one of the larger developments in the area.

With Atlanta's tremendous growth, there is also growing interest in alternative transportation to automobile commuting with public transportation finally receiving support from both our local politicians and state legislature. The BeltLine, a 13 mile circumference around Downtown and Midtown, approximately 1.5 miles east and west of Peachtree Street, the core of Downtown and Midtown, is adding tremendously to housing, entertainment, dining and shopping experiences for intown urban workers surrounding residential neighborhoods, and out of town visitors.

Some of the proposed transportation improvements include the extension of MARTA up GA-400 to Windward Parkway, which has been in the planning stages for years, the redevelopment of the I-285/GA-400 interchange, several new bus routes serving intown neighborhoods, Clayton County, and Cobb County, as well as specialized H.O.V lanes, bus lanes, and additional expressway Peach Pass lanes. In addition, there is a strong possibility that Gwinnet County could join the MARTA rail system in the near term and even possibly Cobb County at some point in the future. Other infrastructural

improvements include an expansion of Hartsfield-Jackson International Airport including an additional runway, and support business developments including a large convention hotel along with retail and a major office tower within the airport confines.

### Development

The Atlanta office market is continuing to grow favorably with approximately 2,000,000 square feet scheduled for delivery in 2018 with much of this space already committed. The office market is projected to continue in a well-disciplined growth mode between additional supply and growing demand for 2018 and beyond.

Other real estate development types, including single family housing, are experiencing favorable conditions with a growing housing supply along with strong demand. Notwithstanding, the apartment sector of our residential market could experience a glut with the amount of new development coming online along the Urban Corridor and some of the major

suburban submarkets. Retail is experiencing a number of issues with major department stores and other retail establishments closing caused by the growing demand for online shopping. Notwithstanding, the major regional shopping malls and other retail centers in well-located, higher-income neighborhoods are continuing to do well to include Lenox Square, Phipps Plaza, Perimeter Mall, North Point Mall, and the Mall of Georgia. Industrial is perhaps our most favorable real estate market segment as demand is quite strong. Online retail is also requiring a tremendous amount of industrial space for product storage and home deliveries. In addition, the widening and opening of the Panama Canal, as well as the dredging and opening of the Port of Savannah, the 2<sup>nd</sup> leading shipping port for the U.S., to larger ships is significantly increasing imports to the Southeast and is requiring additional storage needs for various product inventories.

### Outlook

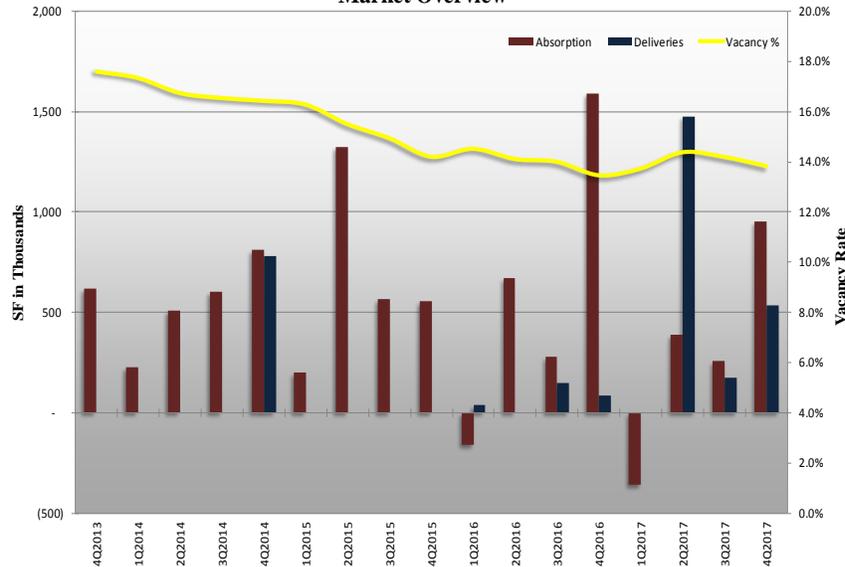
Overall, Atlanta should continue to do well as the major urban center for the Southeast and one of the fastest growing metropolitan areas in the country. Factors that favor Atlanta and the Southeast's continued success and growth include a lower cost of living than other sectors of the U.S., an excellent and growing economy, a favorable climate, Hartsfield-Jackson International Airport, and a well-educated workforce.

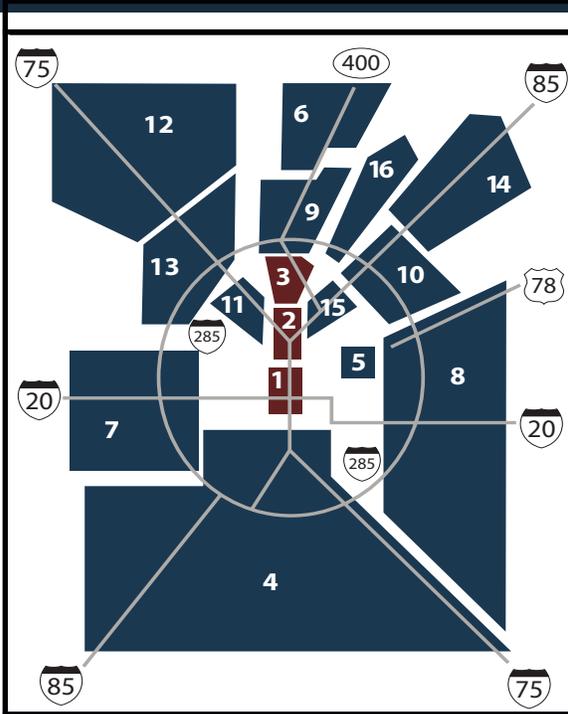
We continue to expect the Urban Corridor to outperform the suburbs in office growth and demand. There is also a strong possibility that Atlanta could be chosen for Amazon's second headquarters, which we believe could end up in the Gulch and the surrounding Downtown Atlanta area with all its favorable attributes and infrastructure, as well as proximity to Hartsfield-Jackson International Airport.

With a favorable national economy, we expect the office market for 2018 to continue with strong growth and a number of new office developments to be started, as well as completed, in 2018. In closing, we wish our clients and customers a Happy New Year, a great economy, and successful 2018!

*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**

	<u>4th Quarter 2017</u>	<u>4th Quarter 2016</u>
Year End Absorption	1,241,667	614,886
4th Quarter Absorption	951,721	797,125
Total Existing Square Feet	136,784,097	134,775,411
Total Available Square Feet	18,914,307	18,147,288
Percent Of Total Space Vacant	13.83%	13.46%
Average Quoted Rental Rate	\$23.95	\$23.43
Space Delivered YTD* (SF)	2,181,592	386,578

\* Excludes Net Losses

**ATLANTA'S TOP FIVE RANKING SUBMARKETS**

**Absorption - 4th Quarter 2017:**

I-285/I-85	273,545
I-75/I-285	117,976
Ne Expressway-South	95,801
Downtown	95,407
GA-400 North	67,980

**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/Lenox	16,034,199
Downtown	15,810,867

**Average Quoted Rental Rate:**

Buckhead/Lenox	\$30.48
Midtown	\$28.68
I-75 Corridor	\$27.72
I-285/GA-400	\$25.00
I-75/I-285	\$23.57

**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/Lenox	2,048,940

**Submarket Occupancy Rate:**

Decatur	94.73%
NE Expressway-South	94.21%
I-75N/Marietta/JF	93.80%
I-20W/Greenbriar	92.54%
I-75 Corridor	89.38%

**Average Class "A" Rental Rate:**

I-75 Corridor	\$42.00
Buckhead/Lenox	\$32.03
Midtown	\$30.76
I-285/GA-400	\$27.65
I-75/I-285	\$26.18

*“Metro Atlanta’s population and job growth has outpaced national averages. Atlanta remains a desirable destination for new businesses and corporate headquarters.”*

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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>	
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
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



### The Urban Corridor

The Urban Corridor, which consists of the Downtown, Midtown, and Buckhead submarkets, experienced 828,237 square feet of positive absorption for 2017. 191,752 square feet of this absorption came in the fourth quarter. This 2017 absorption was the highest year-to-date total since 2014, which ended with 1,298,139 square feet of positive absorption. 2017 was also a great year for office deliveries in the Urban Corridor, totaling 804,000 of new Class A office space. Downtown led all submarkets in absorption with 376,585 square feet of positive absorption. The Urban Submarkets outperformed the Suburban Submarkets by 414,807 square feet of absorption. The Urban Corridor, at a \$27.25 average rental rate, is a much higher expense compared to a \$22.20 rental rate for the Suburban Submarkets.

The Urban Corridor greatly benefitted from deliveries such as Three Alliance Center in Buckhead, a 506,000 square foot Class A office building that delivered in April. This building garnered a 93.5% occupancy rate and then sold for an Atlanta record \$532 per square foot, a \$270,000,000 total price tag. Other deliveries in the Urban Corridor for 2017 included Stockyards, 309 East Paces, Apple Valley Brookhaven, and 255 Ottley which total 860,087 square feet. Projects currently under construction in the Urban Corridor include Coda at 771 Spring St, a 760,000 square foot Class A office building, NCR Phase II at 864 Spring St, totaling 277,000 square feet, and 371 E Paces Ferry, totaling 129,099 square feet, among others.

The infrastructure improvements and the Beltline around the Downtown and Midtown Urban Corridor 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.

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 Philips 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 also saw the highest absorption in the fourth quarter of the Urban Submarkets, at 95,407 square feet. Downtown occupancy is currently at 84.78% with average rental rates \$22.55. 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 87.84%. 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 \$28.68, which ranks second among all submarkets, trailing Buckhead. Midtown also absorbed 136,634 square feet in 2017.

Buckhead remains the most expensive of all the submarkets at \$30.48 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 87.22% and is the top urban submarket for total existing square feet. There were three office deliveries in Buckhead in 2017, including Three Alliance Center, Apple Valley Brookhaven and 255 Ottley for a total of 632,202 square feet. All these deliveries have had tenants take occupancy fairly quickly after delivery, which has contributed to Buckhead's overall occupancy rate. Buckhead totaled 315,018 square feet of positive absorption for 2017, only trailing Downtown in 2017 absorption.

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 2018 and beyond.

## NOTABLE LEASE TRANSACTIONS

Tenant	Property	Size (SF)
Anthem	W. Peachtree & 4th St.	352,000
Jackson Healthcare	2655 Northwinds Pkwy	267,000
Serta Simmons	Assembly	210,000
Westrock	400 Northpark	204,735
Eversheds Sutherland	999 Peachtree	188,823

## NOTABLE SALES TRANSACTIONS

Buyer	Property	Price
State Farm	236 Perimeter Center	\$275,400,000
Lionstone Investments	271 17th St.	\$182,000,000
Prudential Real Estate	Regions Plaza	\$176,000,000

*"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

	Total Sq. Ft.	Vacant Sq. Ft.	Vacancy Rate	Average Rental Rate
<b>Urban Corridor</b>				
Class A	32,098,516	3,699,857	11.53%	\$29.34
Class B	13,469,975	2,376,544	17.64%	\$23.46
Class C	<u>1,915,690</u>	<u>281,132</u>	<u>14.68%</u>	<u>\$18.78</u>
<b>Total</b>	<u>47,484,181</u>	<u>6,357,533</u>	<u>13.39%</u>	<u>\$27.25</u>
<b>Suburban</b>				
Class A	50,191,937	6,617,367	13.18%	\$25.39
Class B	33,195,239	4,963,100	14.95%	\$18.68
Class C	<u>5,912,740</u>	<u>976,307</u>	<u>16.51%</u>	<u>\$14.87</u>
<b>Total</b>	<u>89,299,916</u>	<u>12,556,774</u>	<u>14.06%</u>	<u>\$22.20</u>
<b>Total Market</b>				
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>
<b>Total</b>	<u>136,784,097</u>	<u>18,914,307</u>	<u>14.38%</u>	<u>\$23.95</u>



ATLANTA OFFICE MARKET: COMPARISON BY SUBMARKETS



**Urban**

Downtown	15,810,867	2,407,196	84.78%	↑	95,407	376,585	↑	\$22.55	↑
Midtown	15,639,115	1,901,397	87.84%	↑	60,791	136,634	↓	\$28.68	↑
Buckhead/Lenox	16,034,199	2,048,940	87.22%	↑	35,554	315,018	↑	\$30.48	↑
<b>Urban Totals</b>	<b>47,484,181</b>	<b>6,357,533</b>	<b>86.61%</b>	<b>↑</b>	<b>191,752</b>	<b>828,237</b>	<b>↑</b>	<b>\$27.24</b>	<b>↑</b>

**Suburban**

Airport/South	2,942,528	753,113	74.41%	↑	(5,541)	31,570	↑	\$17.27	↑
Decatur	1,154,049	60,864	94.73%	↑	47,555	39,484	↓	\$21.81	↑
GA-400 North	16,219,132	2,312,651	85.74%	↑	67,980	9,366	↓	\$22.69	↑
I-20W/Greenbriar	313,609	23,382	92.54%	↑	(4,419)	(4,419)	↑	\$14.88	↑
I-285/GA-400	22,705,938	2,703,208	88.09%	↓	32,225	116,421	↓	\$25.34	↑
I-285/I-85/Northlake	4,449,049	504,818	88.65%	↑	273,545	295,552	↑	\$17.66	↑
I-285E/Stone Mtn	271,007	48,000	82.29%	↓	16,281	19,569	↑	\$13.06	↑
I-75 Corridor	1,127,333	1,127,333	89.38%	↑	13,246	(58,406)	↑	\$27.72	↓
I-75/I-285	19,412,170	3,172,444	83.66%	↑	117,976	90,958	↑	\$23.57	↑
I-75N/Marietta/JF	3,158,977	195,960	93.80%	↑	36,169	5,985	↑	\$20.57	↑
NE Expressway-North	4,961,213	947,796	80.90%	↑	53,493	(60,173)	↑	\$19.17	↓
NE Expressway-South	4,677,125	270,698	94.21%	↓	95,801	84,176	↓	\$19.87	↓
Peachtree Corners	7,907,224	1,444,080	81.74%	↓	15,568	(156,653)	↓	\$16.98	↑
<b>Suburban Totals</b>	<b>89,299,916</b>	<b>12,556,774</b>	<b>85.94%</b>	<b>↑</b>	<b>759,969</b>	<b>413,430</b>	<b>↑</b>	<b>\$22.20</b>	<b>↑</b>
<b>Total/W. Averages</b>	<b>136,784,097</b>	<b>18,914,307</b>	<b>86.17%</b>	<b>↑</b>	<b>951,721</b>	<b>1,241,667</b>	<b>↑</b>	<b>\$23.95</b>	<b>↑</b>

Total Market									
Total Sq. Ft.	Vacant Sq. Ft.	Occupancy Rate	Absorption This Qtr	Absorption YTD	Average Rental Rate				
						Change from Year-End:	↑ Increase	↓ Decrease	No Change

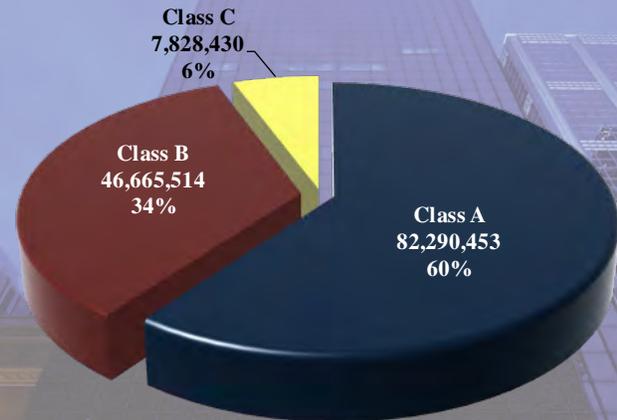
Change from Year-End: ↑ Increase ↓ Decrease No Change

**The Suburban Submarkets**

The suburban submarkets also had a good year in 2017 with 413,430 square feet of positive absorption. Occupancy rates for all suburban submarkets are at 85.94% and the average rental rate is \$22.20. The suburban submarkets had an excellent year for large office deliveries, especially in the I-75/I-285 submarket and around SunTrust Park. Office deliveries in the I-75/I-285 submarket totaled 824,906 square feet in 2017. All suburban submarkets accounted for 1,204,154 square feet of office deliveries in 2017. The I-285/I-85/Northlake submarket accounted for the highest absorption in fourth quarter 2017 with 273,545 square feet positive absorption. The I-75/I-285 submarket was second in total absorption in the fourth quarter 2017 with 117,976 square feet positive absorption.

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 2017 have been filling with tenants and have contributed to a 46-basis point increase in occupancy rates. There are also many projects under construction taking place within the suburban submarkets. Projects such as State Farm Phase II at 240 Perimeter Center is under construction for 670,000 square feet, and 4004 Perimeter Summit at 4004 Summit Blvd is under construction with 355,250 square feet. There is still tremendous growth in the suburban submarkets that should provide for a good year in 2018.

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
1,126,630	87.74%	\$24.25	1,165,148	79.12%	\$20.80	155,418	88.89%	\$16.86
1,185,143	89.78%	\$30.76	550,540	83.73%	\$23.36	165,714	74.70%	\$19.40
1,388,084	87.72%	\$32.03	660,856	85.33%	\$26.84	0	100.00%	\$25.91
<b>3,699,857</b>	<b>88.47%</b>	<b>\$29.34</b>	<b>2,376,544</b>	<b>82.36%</b>	<b>\$23.46</b>	<b>281,132</b>	<b>85.32%</b>	<b>\$18.78</b>
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
<b>6,617,367</b>	<b>86.82%</b>	<b>\$25.39</b>	<b>4,963,100</b>	<b>85.05%</b>	<b>\$18.68</b>	<b>976,307</b>	<b>83.49%</b>	<b>\$14.87</b>
<b>10,317,224</b>	<b>87.46%</b>	<b>\$26.03</b>	<b>7,339,644</b>	<b>84.27%</b>	<b>\$19.75</b>	<b>1,257,439</b>	<b>83.94%</b>	<b>\$23.95</b>

*“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 2017 and is likely to continue this trend in 2018. With a favorable economy and strong capital investment ventures within the metro area, Atlanta will remain a strong real estate market among the Southeast and entire United States. As more office building deliveries are under construction and set to deliver this year, we expect a rising trend in rental rates. Demand remains steady for premier Class A office space. Rental rates for the entire metro area currently average \$23.95. Rental rates are up 52 basis points since fourth quarter 2016 and at their highest level on record. Rental rates have also increased every quarter since the beginning of 2016, signifying demand for exclusive newly-constructed office buildings. Total absorption for 2017 ended quite nicely with 1,241,667 square feet positive absorption, bouncing back after a poor first quarter. This allowed occupancy rates to rise as tenants filled up new office deliveries. Occupancy rates are currently at 86.17%, up from 86.00% 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 investment committed to Downtown shows that developers and city leaders are excited about the future and the potential that Downtown holds.



## ANNUAL ABSORPTION AND VACANCY RATE BY SUBMARKET

	<u>4Q 2013</u>		<u>4Q 2014</u>		<u>4Q 2015</u>		<u>4Q 2016</u>		<u>4Q 2017</u>	
	<u>4 Qtr. Absorption</u>	<u>Vacancy Rate</u>								
<b>Urban</b>										
Buckhead/Lenox	200,593	14.05%	182,904	13.69%	289,325	11.80%	129,519	10.96%	315,018	12.78%
Downtown	(310,876)	20.57%	(9,997)	20.45%	(18,208)	17.91%	48,569	17.61%	376,018	15.22%
Midtown	82,643	19.20%	877,926	16.44%	286,557	14.59%	382,807	12.34%	136,634	12.16%
<b>Urban Totals</b>	<b>(27,640)</b>	<b>17.98%</b>	<b>1,050,833</b>	<b>16.93%</b>	<b>557,674</b>	<b>14.80%</b>	<b>560,895</b>	<b>13.67%</b>	<b>828,237</b>	<b>13.39%</b>
<b>Suburban</b>										
Airport/South	17,610	24.39%	(64,164)	25.06%	53,039	26.30%	(135,135)	26.67%	31,570	25.59%
Decatur	22,443	8.53%	(3,543)	9.38%	22,223	6.91%	(20,639)	8.7%	39,484	5.27%
GA-400 North	334,762	15.20%	300,874	13.85%	308,867	12.60%	(38,376)	13.09%	9,366	14.26%
I-20W/Greenbriar	(12,795)	31.20%	1,879	28.73%	29,225	21.29%	47,789	6.05%	(4,419)	7.46%
I-285/GA-400	551,944	15.82%	581,440	13.60%	720,283	11.76%	(528,169)	12.42%	116,421	11.91%
I-285/I-85/Northlake	(11,306)	19.45%	(34,397)	23.29%	25,049	19.78%	200,751	15.11%	295,552	11.35%
I-285E/Stone Mountain	(22,980)	25.33%	(14,056)	25.61%	(11,665)	34.82%	26,795	24.93%	19,569	17.71%
I-75 Corridor	16,617	18.51%	(1,996)	18.21%	78,637	11.71%	70,650	5.44%	(58,406)	10.62%
I-75/I-285	10,225	16.43%	(38,503)	16.37%	581,835	13.22%	99,137	13.12%	90,958	16.34%
I-75N/Marietta/JF	88,283	18.90%	41,857	17.01%	235,415	10.17%	119,229	6.39%	5,985	6.20%
NE Expressway-North	153,303	25.17%	194,026	25.98%	96,256	21.68%	208,933	17.89%	(60,173)	19.10%
NE Expressway-South	(75,417)	11.36%	162,197	8.80%	36,600	7.11%	(22,150)	7.59%	84,176	5.79%
Peachtree Corners	82,719	19.05%	(17,685)	20.62%	169,271	17.17%	25,176	16.28%	(156,653)	18.26%
<b>Suburban Totals</b>	<b>1,155,408</b>	<b>17.01%</b>	<b>1,107,929</b>	<b>16.38%</b>	<b>2,345,035</b>	<b>13.89%</b>	<b>53,991</b>	<b>13.36%</b>	<b>413,430</b>	<b>14.06%</b>
<b>Total With Averages</b>	<b>1,127,768</b>	<b>17.35%</b>	<b>2,158,762</b>	<b>16.75%</b>	<b>2,902,709</b>	<b>14.20%</b>	<b>614,886</b>	<b>13.46%</b>	<b>1,241,667</b>	<b>13.83%</b>

### Agents

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