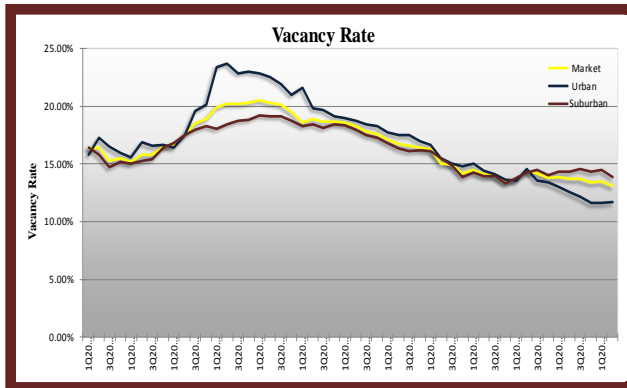
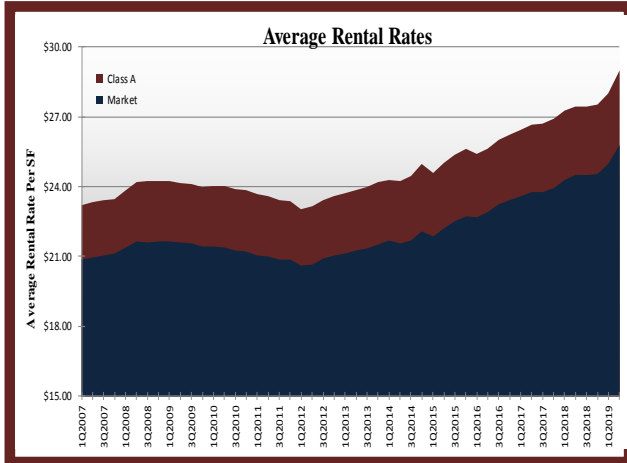
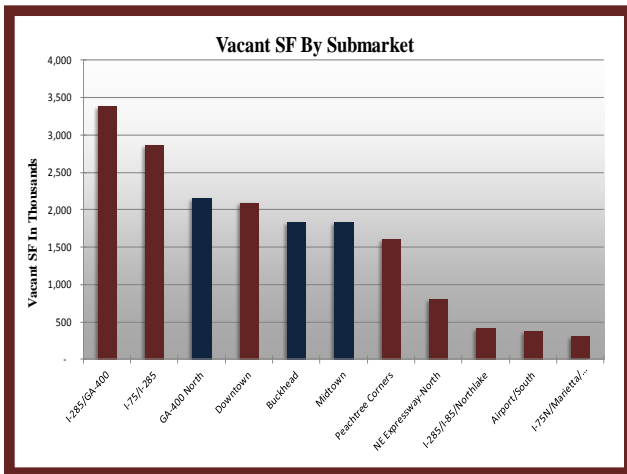


THE BOWERS DIGEST

METRO ATLANTA OFFICE MARKET ANALYSIS

Vol. 30, No. 2



“Atlanta is feeling the effects of a prosperous national economy and booming local development.”

REAL ESTATE TRENDS
MID-YEAR 2019



OVERVIEW: THE ATLANTA MARKET

Overview

The Metro Atlanta office market is off to another great start, with year-to-date absorption totaling 838,255 square feet. The Metro Atlanta real estate market continues to outperform other cities due to the continuing strong economy, favorable cost of living, and inexpensive office space. Metro Atlanta is well positioned for continued growth with major developers like CIM and Newport focusing on rehab initiatives on the southern side of Downtown coupled with continued growth up through the major avenues and into Midtown as well.

The top five submarkets in absorption this quarter are GA-400 North with 196,166 square feet of positive absorption, I-75/I-285 with 185,316 square feet of positive absorption, Midtown with 169,816 square feet positive absorption, NE Expressway-North with 74,530 square feet positive absorption, and Airport/South with 65,580 square feet of positive absorption.

Midtown has led all submarkets in year-to-date absorption with 739,707 square feet of positive absorption, which can be attributed to the delivery of The Coda in the first quarter and 725 Ponce coming online in the second quarter. GA-400 North follows in year-to-date absorption with 204,354 square feet of positive absorption. Following respectively is NE Expressway-North with 173,599 square feet of positive absorption, Buckhead/Lenox with 104,215 square feet of positive absorption, and Airport/South rounding out the top five with 113,524 square feet of positive absorption year-to-date.

725 Ponce came online in the second quarter introducing 370,931 square feet of Class A office space to the already prosperous Midtown submarket. Coupled with The Coda, Midtown has seen over one million square feet of new inventory year-to-date bringing the total to 1,250,931 square feet. With a full pipeline of both rehab projects and new construction, this development activity is advantageous with a strong leasing market which is expected to maintain an average vacancy rate of approximately 13% or less and to continue strong into the immediate future. A continued trend is the success of the urban corridor which has been outperforming the suburbs with significant interest by millennials, empty-nesters, and others in an urban pedestrian environment, public transportation, great amenities, and nightlife. Many are considering in-town residential locations as this sector is continuing to grow with many new apartment developments in Buckhead, Midtown and Downtown, new cluster housing projects, residential condominium developments, and somewhat more expensive single-family housing mixed in and near the Beltline.

Rental rates in Metro Atlanta have continued to climb and have had a quarter-over-quarter rate increase beginning in first quarter 2016. Average rental rates for Metro Atlanta are now at \$25.78 per square foot, an all-time high since Richard Bowers & CO. began tracking the office market data in 1989. Rental rates are up over \$0.82 since last quarter, which is a positive sign that Metro Atlanta office space remains in strong demand. The demand for Class-A office space has outpaced lesser expensive B and C developments, even with rental rate averages at \$29 per square foot for Class-A buildings and \$21.21 and \$16.80 respectively for class B and C office buildings.

The average quoted rental rates are much higher for the urban corridor at \$30.11 per square foot vs. \$23.40 for the suburbs, Midtown at \$32.61 per square foot, and Buckhead/Lenox at \$32.34 per square foot on average are the leading submarkets in pricing. Due to higher Midtown and Buckhead rental rates, Downtown is receiving strong interest in office relocations primarily due to economics and great infrastructure when considering points of ingress/egress to the expressway, secondary roads, pedestrian sidewalks, MARTA rapid-rail stations, as well as proximity to Hartsfield-Jackson International Airport only ten miles away. Tenants are also looking to the I-75/GA 400 and I-285/GA 400 submarkets for a suburban change of pace with a more pedestrian friendly environment, a convenient suburban location, and excellent amenities.

The major suburban submarkets are also continuing to do well as a number of these submarkets are creating urban pedestrian sectors in these larger suburban markets with increased density and high-rise office buildings. To note, the I-75/285 and I-285/GA 400 are becoming very popular suburban alternatives for employers looking for cheaper rents and a somewhat easier commute for employees. This increased demand for office space in the suburban submarkets is reflected by a decreasing vacancy rate currently at 13.8%; lowering the average vacancy rate, for Metro Atlanta to 13.11%.

South Downtown

With Amazon's decision to move forward with other cities for their new HQ locations, which at one time included the possibility of The Gulch, the southern side of Downtown has become a focal point of revitalization. With demand for reduced commute times and a live, work, play mentality among young working professionals, CIM and Stream Reality have taken on the task to redevelop the Gulch and the surrounding environs into a mixed-use urban center with retail, apartments and other residential developments, office and co-working space. With easy access to Mercedes-Benz Stadium, and a growing sports culture, The Gulch aims to capitalize on the success that other locations such as The Battery and East Atlanta Village are experiencing. The Gulch is at the crossroads of Atlanta's public transportation system (MARTA), the Atlanta expressway system, and is strategically located only eight miles to Hartsfield-Jackson International Airport. Atlanta's Gulch offers great commuting opportunities in all directions.

With the Braves' decision to move to the I-75/I-285 submarket, this decision has provided a great opportunity for Georgia State, Morehouse, Spelman, and Clark Atlanta to expand into southwest Downtown. Georgia State's football team, which is now playing at the former Olympic Stadium/Turner Field, is poised to have a strong year. With the growing student population and young working professionals moving inside the Beltline, south Downtown is seeing new life that it hasn't seen in over 30 years.

Transportation

Commuting and transportation have become a popular topic of conversation

over the past few years. From the introduction of the express lanes, to the onslaught of personal motorized vehicles, like the e-scooter, people continue to look towards alternative methods of transportation to combat longer commute times and to navigate Downtown and the urban streets.

As our population continues to grow so does the need for the highway system to expand. The Georgia Department of Transportation has plans to complete over 120 miles of express lanes that will cover most of the northern perimeter. This will give commuters more options helping to free up the main highways by allowing drivers to travel longer distances at quicker speeds.

E-scooters have become an issue in most major cities in the US, due to the quick to market approach, the e-scooter companies have left regulators fumbling to figure out the best

way to approach the growing personal motorized vehicle industry. Metro Atlanta has seen its fair share of issues with e-scooters from multiple deaths to a large number of injuries. E-scooters seem to add more danger to our already densely populated city. This has led to the recent nighttime ban or "curfew" of e-scooters to accompany the ban of riding on sidewalks and the Beltline. The scooter "curfew" is one of Atlanta's newest approaches to reducing rider fatalities and injuries enacted by our Mayor, Keisha Lance Bottoms. While these new rules and regulations are meant to keep people safe, a more long-term approach to the personal motorized vehicle industry and safety is necessary as cities continue to grow.

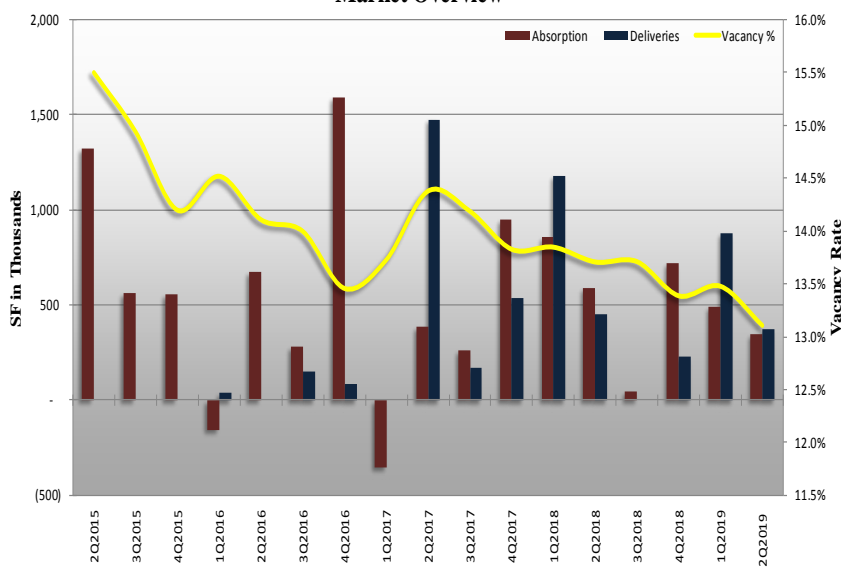
Outlook

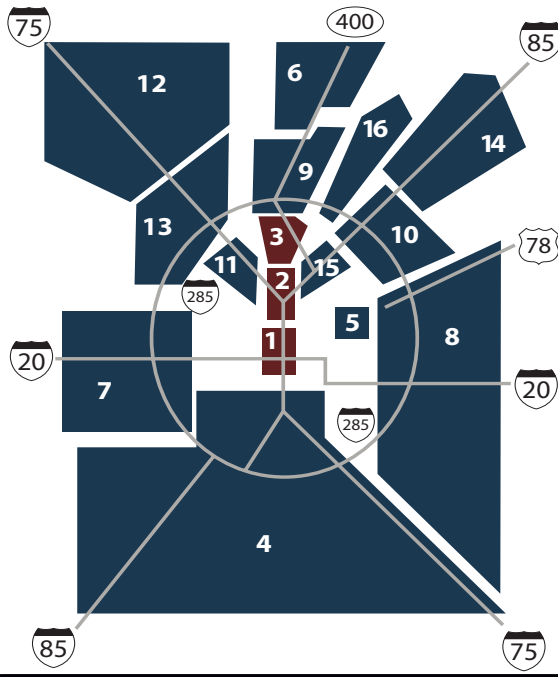
The outlook for the remainder of 2019 is favorable due to a strong economy, significant internal growth, and several large lease signings to include Invesco (300,000 square feet), Anthem (275,000 square feet), BlackRock (132,000 square feet) and Yardi Systems (91,736 square feet). Leases of this size show continued faith that the Atlanta office market is strong, and we can expect rental rates to continue increasing as there is a high demand for Metro Atlanta office space and our rental rates are less expensive than many other major urban centers.

The office market is contributing to the success and prosperity of our clients and office users throughout Atlanta, whether it is an urban location or the suburbs. Atlanta affords a great and plentiful supply of quality office space that is favorably priced in comparison to many other major metropolitan centers. In closing and 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





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 2019 2nd Quarter 2018

Year-to-Date Absorption	838,255	1,441,672
4-Quarter Cumulative Abs.	1,605,033	2,652,972
Total Existing Square Feet	139,153,106	138,266,041
Total Available Square Feet	18,236,614	18,954,579
Percent Of Total Space Vacant	13.11%	13.71%
Average Quoted Rental Rate	\$25.78	\$24.49
Space Delivered YTD* (SF)	1,250,931	1,480,944

* Excludes Net Losses

ATLANTA'S TOP FIVE RANKING SUBMARKETS

Net Absorption - 2nd Quarter 2019:

Midtown	739,707
GA-400 North	204,354
NE Expressway-South	173,599
Buckhead/Lenox	104,215
Airport/South	86,332

Total Existing Square Feet:

I-285/GA-400	23,393,831
I-75/I-285	19,475,357
Midtown	17,314,428
Buckhead/Lenox	16,343,929
GA-400 North	16,293,201

Average Quoted Rental Rate:

Midtown	\$32.61
Buckhead/Lenox	\$32.34
I-75 Corridor	\$28.89
I-285/GA-400	\$26.76
Downtown	\$25.02

Total Available Square Feet:

I-285/GA-400	3,381,025
I-75/I-285	2,862,289
GA-400 North	2,161,463
Downtown	2,095,626
Buckhead/Lenox	1,837,351

Submarket Occupancy Rate:

NE Expressway-South	94.19%
I-20W/Greenbriar	93.38%
Decatur	92.90%
I-285/GA-400	90.74%
I-75N/Marietta/Johnson Ferry	90.37%

Average Class "A" Rental Rate:

Buckhead/Lenox	\$34.25
Midtown	\$34.12
I-285/GA-400	\$29.31
I-75/I-285	\$27.50
Downtown	\$27.22

"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 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>	
2Q2019	139,153,109	18,236,614	13.11%	370,931	1,605,033	838,255	346,375	\$25.78
1Q2019	139,350,821	18,780,701	13.48%	880,000	1,845,022	491,880	491,880	\$24.96
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

The Urban Corridor

The Urban Corridor capped off another encouraging quarter, with 136,909 square feet of positive absorption and 754,579 square feet of positive absorption year-to-date. These significant absorption numbers are highlighted by a variety of new developments throughout the Midtown and Buckhead submarkets coupled with competitive Downtown rents.

The Beltline and Beltline Overlay District have been at the center of attention for many developers. The success of the Beltline continues to ripple throughout the urban corridor, bringing together all demographics in a pedestrian friendly environment. It is our belief the Beltline will have a positive impact on urban living and development which will continue to strengthen our Central Business District and the success of our urban tenants.

Ongoing, debate about whether one-way vs two-way roads saw an impressive win for the supporters of one-way roads with a veto from the Mayor (in favor of one-way roads) in hopes that a more long-term plan is developed before disrupting the flow of traffic in Downtown Atlanta. It is our firm belief that our one-way roads will continue to support office and residential growth within the Central Business District. The current system of one-way roads allows the one million and growing number of employees in the Central Business District to travel efficiently and safely through the city which also promotes a lot of retail loading and unloading and allows Hotels to safely move large amounts of people on and off the premise.

Downtown Atlanta continues to offer the most competitive rents of our three urban submarkets at \$25.02 per square foot. Occupancy in Downtown is at 86.60% with Class A properties charging upwards of \$27.50 per square foot. Tenants looking to remain in our Central Business District and capitalize on competitive rents will soon realize the return as developments like the Gulch and rehab projects like Underground Atlanta begin to bring new residents to the Central Business District. The growth of Georgia State will also continue to bring new young talent to our Downtown submarket.

Midtown has continued to have a very strong year, holding the highest overall average rental rate in Metro Atlanta, currently at \$32.61 per square foot and Midtown also holds the highest occupancy rate in the urban submarkets at 89.76%. Midtown has produced over one million square feet in new office buildings with another 232,141 square feet set to deliver before the end of year. Many firms are attracted to this urban space due to the workforce talent in the area from the highly skilled Georgia Tech, Georgia State, and other urban colleges, and whose graduates often look to stay within the city or the vicinity of their alma maters. This interest and demand have drawn many employers to occupy offices in Midtown, especially those from within technology sectors.

With increasingly high rental rates, Buckhead remains one of the most sought-after submarkets in the Southeast by investors and developers. Buckhead is currently at \$32.34 per square foot on average with over 16 million in inventory. Due to first-class office developments, luxury retail spaces, and excellent restaurants and hotels, many businesses and residents are attracted to Buckhead. Buckhead's occupancy rate is currently at 88.76%. 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 at over 85% occupancy, and we expect this trend to continue for 2019 and beyond.

NOTABLE LEASE TRANSACTIONS

Tenant	Property	Size (SF)
Invesco	1295 Spring St NW	300,000
Anthem	712 West Peachtree	275,000
BlackRock	725 Ponce	132,000
Yardi	500 Colonial Center Pkwy	91,736
Clorox	1150 Sanctuary Pkwy	72,000

NOTABLE SALES TRANSACTIONS

Property	Address	Price
Salesforce Tower	950 E Paces Ferry Rd NE	\$205,000,000
1 & 3 Glenlake	1 & 3 Glenlake Pkwy NE	\$104,573,548

"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	Quarterly Abs.	4-Qtr Abs.	Avg. Rental Rate
URBAN CORRIDOR						
Class A	34,258,059	3,666,110	89.30%	357,564	1,500,925	\$32.39
Class B	13,208,475	1,877,630	85.78%	(138,714)	149,624	\$25.63
Class C	1,828,690	223,280	87.79%	(9,384)	(57,564)	\$19.84
Urban Totals	49,295,224	5,767,020	88.30%	209,466	1,592,985	\$30.11
SUBURBAN CORRIDOR						
Class A	51,427,399	7,055,962	86.28%	106,591	114,704	\$26.74
Class B	32,969,576	4,757,106	85.57%	(22,204)	18,078	\$19.44
Class C	5,460,910	656,526	87.98%	52,522	(120,734)	\$15.78
Suburban Totals	89,857,885	12,469,594	86.12%	136,909	12,048	\$23.40
URBAN/SUBURBAN TOTALS						
Class A	85,685,458	10,722,072	87.49%	464,155	1,615,629	\$29.00
Class B	46,178,051	6,634,736	85.63%	(160,918)	167,702	\$21.21
Class C	7,289,600	879,806	87.93%	43,138	(178,298)	\$16.80
Total	139,153,109	18,236,614	86.89%	346,375	1,605,033	\$25.78



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
15,636,867	2,095,626	86.60% ↑	(24,698)	9,072 ↓	\$25.02 ↑
17,314,428	1,834,043	89.41% ↑	169,816	739,707 ↑	\$32.61 ↑
16,343,929	1,837,351	88.76% ↑	64,348	104,215 ↓	\$32.34 ↑
49,295,224	5,767,020	88.30% ↑	209,466	852,994 ↑	\$30.11 ↑
2,750,528	385,627	85.98% ↑	65,580	86,332 ↑	\$18.30 ↑
1,154,049	81,946	92.90% ↑	10,318	3,311 ↓	\$24.27 ↑
16,293,201	2,161,463	86.73% ↑	196,166	204,354 ↑	\$24.02 ↑
269,141	17,815	93.38% ↓	-	(34,963) ↓	\$16.78 ↑
23,393,831	3,381,025	85.55% ↓	(298,884)	(370,835) ↓	\$26.76 ↑
4,444,249	411,534	90.74% ↑	(104,268)	76,962 ↑	\$18.89 ↑
271,007	50,151	81.49% ↓	-	8,891 ↑	\$16.42 ↑
1,021,983	117,587	88.49% ↓	(21,370)	(102,438) ↓	\$28.89 ↑
19,475,357	2,862,289	85.30% ↑	185,316	37,740 ↑	\$24.65 ↑
3,158,977	304,186	90.37% ↑	(46,535)	(58,269) ↓	\$21.70 ↑
4,961,213	808,828	83.70% ↑	74,530	173,599 ↑	\$19.56 ↑
4,757,125	276,524	94.19% ↓	30,342	26,900 ↑	\$21.27 ↑
7,907,224	1,610,619	79.63% ↓	45,714	(66,323) ↓	\$17.36 ↑
89,857,885	12,469,594	86.12% ↑	136,909	(14,739) ↑	\$23.40 ↑
139,153,109	18,236,614	86.89% ↑	346,375	838,255 ↓	\$25.78 ↑

Change from Year-End:

↑ Increase

↓ Decrease

No Change

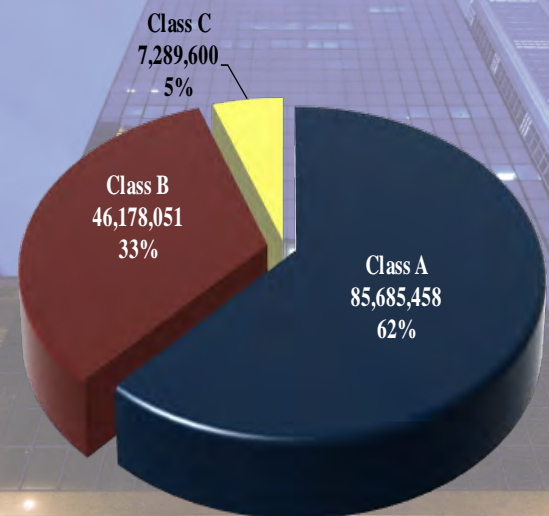
The Suburban Submarkets

The suburban submarkets also continue to show strength especially on the northern side. The I-285/GA-400 and I-75/I-285 corridors are still proving to be some of the strongest and most popular of the urban submarkets. The average rents for the two submarkets are \$26.76 per square foot and \$24.65 per square foot respectively. The GA-400 North corridor currently sits second overall with 209,466 square feet of positive absorption year-to-date.

The suburban office market is seeing a high growth rate as office tenants look to cut down on employee commute times, achieve competitive rents, and receive more amenities like walking trails and outdoor meeting areas. SunTrust Park and The Battery continue to impress office tenants who enjoy the perks of being close to the stadium and great restaurants. To the east we are monitoring a surge of tech companies moving up GA-400 to the northern suburbs and out of Midtown and Buckhead. We are also seeing rents as high as \$42 per square for class A office space in the I-285/GA 400 submarket. This growth has in actuality brought in a new class of office building owners and operators looking to capitalize on rehabbing the older office buildings and capturing higher rents.

Average occupancy for the suburban submarkets is 86.12% and we predict occupancy to continue to increase through 2019 and beyond. The suburban market has seen a mix of new development and building renovations, bringing life to older suburban areas of Metro Atlanta. As Atlanta continues to grow the need for both suburban and urban office space will increase.

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
1,028,590	88.81%	\$27.50	992,191	81.65%	\$22.31	74,845	92.79%	\$17.15
1,235,493	90.75%	\$34.12	450,115	86.35%	\$28.53	148,432	77.33%	\$22.33
1,402,027	88.02%	\$34.25	435,324	90.34%	\$27.49	-	100.00%	\$28.43
<u>3,666,110</u>	<u>89.30%</u>	<u>\$32.39</u>	<u>1,877,630</u>	<u>85.78%</u>	<u>\$25.63</u>	<u>223,280</u>	<u>87.79%</u>	<u>\$19.84</u>
69,098	92.20%	\$20.85	216,106	83.50%	\$18.31	100,423	81.91%	\$14.22
14,067	96.53%	\$26.67	67,879	90.94%	\$22.98	-	-	-
1,870,657	84.68%	\$26.25	290,806	92.83%	\$17.35	-	100.00%	\$16.00
-	-	-	6,833	85.00%	\$30.00	10,982	95.09%	\$14.09
2,180,556	86.40%	\$29.31	924,496	85.55%	\$21.99	275,973	71.33%	\$16.02
36,450	95.90%	\$24.53	374,474	81.40%	\$18.38	610	99.96%	\$16.32
24,606	55.00%	\$14.50	5,805	90.08%	\$26.22	19,740	87.49%	\$13.44
5,724	97.30%	\$42.00	111,863	84.77%	\$25.45	-	100.00%	\$25.50
1,634,087	87.42%	\$27.22	1,210,778	79.84%	\$19.78	17,424	96.40%	\$16.20
101,748	93.49%	\$24.37	106,319	91.75%	\$19.87	96,119	68.66%	\$15.80
511,824	84.44%	\$21.17	297,004	81.90%	\$16.23	-	100.00%	\$25.00
41,014	92.60%	\$24.53	235,510	93.71%	\$21.32	-	100.00%	\$16.89
566,131	75.84%	\$20.96	909,233	81.56%	\$16.10	135,255	78.61%	\$13.86
<u>7,055,962</u>	<u>86.28%</u>	<u>\$26.74</u>	<u>4,757,106</u>	<u>85.57%</u>	<u>\$19.44</u>	<u>656,526</u>	<u>87.89%</u>	<u>\$15.78</u>
<u>10,722,072</u>	<u>87.49%</u>	<u>\$29.00</u>	<u>6,634,736</u>	<u>85.63%</u>	<u>\$21.21</u>	<u>879,806</u>	<u>87.93%</u>	<u>\$19.84</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

In summary, the overall office market continues with strong growth trends. Rental rates are continuing to increase, and vacancies are continuing to drop. Construction and development have seen healthy growth bringing more supply to meet strong market demand. Atlanta has been an excellent market and continues to remain one of the top metropolitan centers in the country. With 838,255 square feet of positive absorption at mid-year, 2019 is showing that Atlanta will continue to be one of the more attractive markets for office tenants of all sizes. Midtown at \$32.61 per square foot on average has remained the most expensive submarket in Atlanta, topping Buckhead that currently is averaging \$32.45 per square foot on average. Class A office buildings have seen the highest demand with office building sales setting records. The Salesforce Tower recently sold for \$324.47 per square foot and One & Three Glenlake sold for \$321 per square foot.

In closing, Atlanta remains a top destination for corporate headquarters relocations and a top market for business relocations. With a strong economy, favorable business incentives by both local and state government, affordable housing and favorable office pricing, many business leaders are choosing to relocate and continue to grow their operations in Atlanta. Atlanta offers the busiest and most efficient airport in the world. Hartsfield-Jackson International Airport is in close proximity to other major southeastern cities such as Nashville, Birmingham, and Charlotte and has direct highway accessibility to the Port of Savannah, which handled a record 4.2 million container units of imports and exports for the 2018 fiscal year. Metro Atlanta also touts several of the strongest universities in the county including Georgia Tech, Emory, Kennesaw State and Georgia State, among others. The University of Georgia in Athens and Mercer University in Macon also offer great opportunities to study on their local campuses, and within Metro Atlanta as well. Atlanta is our major Southeastern metropolitan center and one of the largest metro areas in the country. Atlanta is well positioned for continued success, affording great accessibility, favorable economics, and a great climate for many years to come.



ANNUAL ABSORPTION AND VACANCY RATE BY SUBMARKET

	<u>2Q 2015</u>		<u>2Q 2016</u>		<u>2Q 2017</u>		<u>2Q 2018</u>		<u>2Q 2019</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	388,668	12.30%	172,149	11.18%	92,806	14.38%	655,599	11.67%	121,854	11.24%
Downtown	(131,155)	21.04%	(95,524)	19.01%	351,555	16.79%	125,237	14.73%	259,046	13.40%
Midtown	898,057	15.48%	416,573	13.01%	85,742	12.46%	685,001	11.29%	1,212,085	10.59%
Urban Totals	<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>1,465,837</u>	<u>12.56%</u>	<u>1,465,837</u>	<u>11.70%</u>
<u>Suburban</u>										
Airport/South	(12,889)	30.08%	(146,409)	27.05%	96,391	24.55%	(45,209)	26.08%	189,881	14.02%
Decatur	(3,130)	9.65%	14,902	8.36%	(25,755)	10.59%	32,127	7.81%	8,176	7.10%
GA-400 North	275,510	13.38%	179,081	12.35%	(123,131)	14.49%	87,803	14.09%	175,525	13.27%
I-20W/Greenbriar	(2,214)	29.44%	22,590	22.24%	50,788	6.05%	(476)	6.20%	(42,844)	6.62%
I-285/GA-400	560,599	13.34%	(550,996)	12.99%	283,479	12.31%	471,349	12.89%	(368,714)	14.45%
I-285/I-85/Northlake	128,906	20.40%	77,014	18.61%	185,502	14.29%	233,449	11.96%	115,062	9.26%
I-285E/Stone Mountain	(8,743)	28.84%	5,749	26.72%	8,139	23.72%	25,460	14.32%	11,330	18.51%
I-75 Corridor	82,069	10.93%	57,773	5.81%	(14,007)	7.05%	(37,042)	10.34%	(106,390)	11.51%
I-75/I-285	128,685	15.68%	348,350	13.81%	154,784	15.54%	344,000	15.86%	93,411	14.70%
I-75N/Marietta/JF	56,545	15.22%	288,572	6.09%	20,050	5.45%	(45,909)	6.90%	(86,084)	9.63%
NE Expressway-North	280,633	22.66%	235,854	17.88%	(77,183)	19.88%	(6,756)	20.01%	184,107	16.30%
NE Expressway-South	97,169	6.73%	(75,480)	8.34%	25,337	7.80%	100,638	7.24%	67,769	5.81%
Peachtree Corners	160,625	18.61%	1,092	18.03%	(5,986)	18.11%	27,701	17.76%	(206,521)	20.37%
Suburban Totals	<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>	<u>1,187,135</u>	<u>14.33%</u>	<u>12,048</u>	<u>13.88%</u>
Total With Averages	<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>	<u>2,652,972</u>	<u>13.71%</u>	<u>1,605,033</u>	<u>13.11%</u>

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