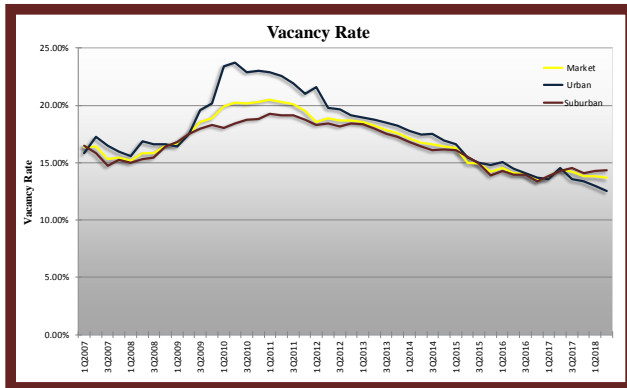
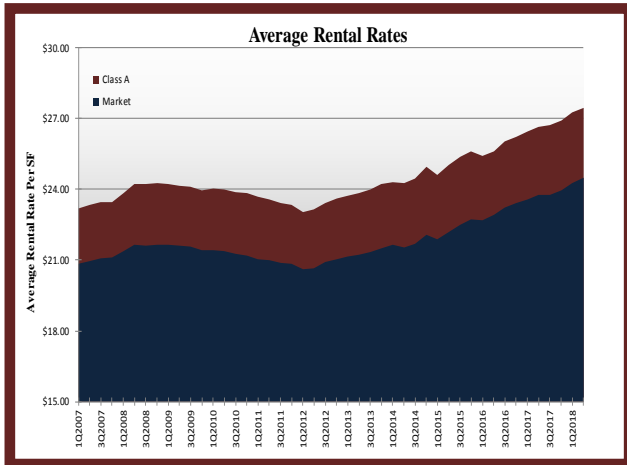
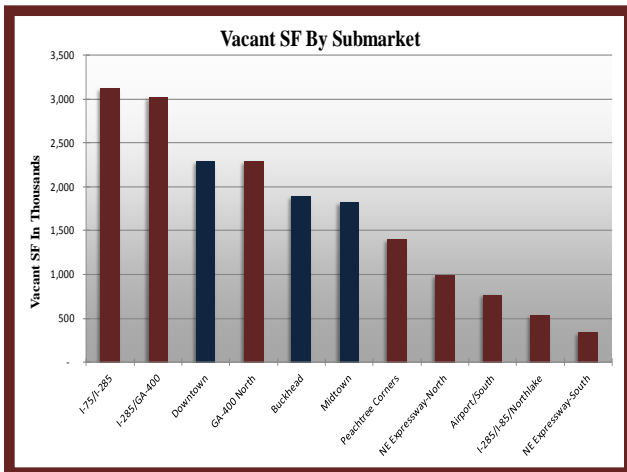


THE BOWERS DIGEST

METRO ATLANTA OFFICE MARKET ANALYSIS

Vol. 29, No. 2



REAL ESTATE TRENDS
MID-YEAR 2018



Providing self generated and proprietary office market data since 1989

OVERVIEW: THE ATLANTA MARKET

The Metro Atlanta office market is thriving this year, with YTD absorption already surpassing the total absorption for 2017, raising the total to over 1.4 million square feet positive absorption through mid-year 2018 as a result of a continuing strong economy, favorable cost of living, and inexpensive office space compared to other major cities. Currently with 1,441,672 square feet positive absorption, metro Atlanta is experiencing the effects of a prosperous economy and booming development. Atlanta is well poised to have its greatest year in absorption since the great recession as a result of a continuing strong economy, favorable cost of living and inexpensive office space compared to other cities.

The top five submarkets in absorption this quarter are I-75/I-285 with 271,580 square feet, Buckhead/Lenox with 213,830 square feet of positive absorption, Midtown with 64,040 square feet positive absorption, Downtown with 53,480 square feet positive absorption, and Northeast Expressway South with 34,188 square feet.

Midtown has led all submarkets in year-to-date absorption with 530,582 square feet of positive absorption, which can be attributed to the 485,000 square feet of new office delivery and absorption for NCR's corporate headquarters. Buckhead/Lenox follows in year-to-date absorption with 399,465 square feet of positive absorption. Our two most active suburban submarkets follow with I-285/GA-400 with 378,790 square feet of positive absorption and I-75/I-285 with 279,931 square feet of positive absorption. Downtown rounds out the top five with 113,524 square feet of positive absorption year-to-date.

Deliveries second quarter include Encore Center, a 222,000 square foot Class-A office building in the I-75/I-285 submarket, which HD Supply leased in its entirety. 371 East Paces also delivered in Buckhead, adding 120,575 square feet to the market. Trackside Chamblee and Trackside Two combined for 80,000 square feet in the I-85/I-285 submarket. Smaller deliveries including Liberty Hall, a 38,500 square foot office building, and Old Milton, a 26,600 square foot office building, both in Alpharetta. These deliveries combined for 449,357 square feet bringing the year-to-date delivery total to 1,626,913 square feet. This development activity is considered advantageous with a strong leasing market which is expected to reduce the vacancy rate down to the 10% or lower range, which is where vacancies were prior to 2000. 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 interested in an urban pedestrian environment, walk ability, public transportation, numerous amenities, and nightlife. Many are considering in-town residential locations as this sector is continuing to grow with many new apartment developments in Buckhead and Midtown, and to a lesser extent Downtown, with new cluster housing, residential condominium developments, and somewhat more expensive single family housing.

Rental rates in metro Atlanta have continued to climb and have had a quarter-over-quarter increase beginning in first quarter 2016. Average rental rates for Metro Atlanta are now at \$24.49 per square foot, an all time high since we began tracking office market data in 1989. Rental rates are up over \$0.20 since last quarter, which is a positive sign that 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 \$27.44 per square foot for Class-A buildings.

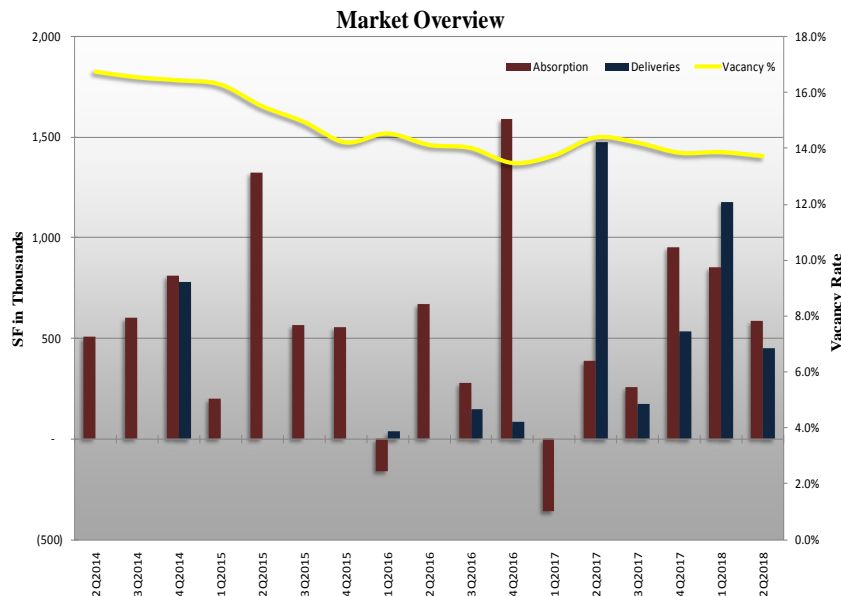
The average quoted rental rates are much higher for the urban corridor at \$28.07 per square foot vs. \$24.49 for the suburbs, Midtown at \$30.38 per square foot, and Buckhead at \$30.25 per square foot on average being the leading submarkets in price per square foot. Due to higher rental rates, Downtown is receiving strong interest in office relocations primarily due to economics, great infrastructure; potentially the best 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.

The major suburban submarkets are 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. This demand has been reflected in occupancy rates as well. Occupancy rates are at 86.29% overall for the metro Atlanta office market. This is the highest rate since occupancy rates were at 86.54% at the end of 2016.

Amazon

Although there are several cities under consideration for Amazon's second headquarters, it is our strong opinion that Atlanta deserves major consideration for numerous reasons. First, Amazon's current location is Northwest and our Southeast location holds many advantages in covering the United States as well as European nations. Atlanta's cost of living is 35% less than Seattle currently and Atlanta's housing prices are even more favorably discounted in comparison to Seattle. In addition, there is a readily available amount of single family homes, condos, and apartments to serve this large influx, something that several of the other cities cannot accommodate nearly as well. There are numerous other advantages that Metro Atlanta affords to include an attractive city, great climate, the world's busiest and most efficient airport, Hartsfield-Jackson International Airport, excellent educational institutions to include: Georgia Tech, Emory, Georgia State University, and Kennesaw State University among others, as well as a strong pro-business environment. Being an inland port also affords advantages by reducing potential damage from major coastal storms as has occurred recently in Houston and Florida.

Finally, The Gulch is a location that Atlanta can provide and is very likely unparalleled in any other major city in the United States. Amazon would have an opportunity to create a major campus and presence in the old historic district of Downtown Atlanta at the crossroads of our public transportation system (MARTA), our expressway system with many of our secondary roads also serving Downtown in a strategic central location only eight miles to Hartsfield-Jackson International Airport. This opportunity, with favorable pricing, tax advantages, and great accessibility is truly a one-of-a-kind location and opportunity. Atlanta's Gulch would afford great commuting opportunities in all directions, great public transportation, convenient airport accessibility for Amazon employees and visitors, excellent nearby hotels, favorable pricing, and many other amenities in proximity to our city, county, and state governments, civic organizations (many of which are Downtown), and existing affordable office space and land for development. Considering economics, accessibility, climate, educational and training opportunities, the Gulch's strategic central location, Atlanta affords a great cost effective and ideal location for this huge, prestigious requirement.



visitors, excellent nearby hotels, favorable pricing, and many other amenities in proximity to our city, county, and state governments, civic organizations (many of which are Downtown), and existing affordable office space and land for development. Considering economics, accessibility, climate, educational and training opportunities, the Gulch's strategic central location, Atlanta affords a great cost effective and ideal location for this huge, prestigious requirement.

Outlook

The outlook for the remainder of 2018 is favorable due to a strong economy, significant internal growth, and a number of relocations to metro Atlanta including ThyssenKrupp, Groupe PSA, and NCR due to excellent economics, space availability, favorably priced housing, an excellent educated workforce, and economic incentives.

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 2018 and beyond!

Richard E. Bowers

Downtown has a great opportunity for business growth due to infrastructure, favorable economics and proximity to Hartsfield-Jackson International Airport. With a number of major developments and renovations coming to Downtown, this submarket should remain strong over the next few years. New developments including the Mercedes-Benz retractable roof stadium, renovations to Philips Arena and the adjacent OMNI development as well as the surrounding area, expansions at or near Ponce City Market and a number of large developments planned in The Gulch and surrounding Georgia State University should provide major interest for office, retail and residential users for this area. Downtown Class A office rental rates are currently at \$25.59 per square foot, which provides a cost-effective option in relation to Midtown and Buckhead, which are at \$32.00 and \$31.74 per square foot, respectively. Downtown occupancy is currently at 85.27% which affords sufficient available space for a number of major users.

Midtown has continued a very strong year, claiming the highest overall average rental rate in Metro Atlanta, currently at \$30.38 per square foot and Midtown also holds the highest occupancy rate in the urban submarkets at 88.71%. With the development of NCR Corporation's new 485,000 square foot headquarters and other development around Georgia Tech, many firms are attracted to this space due to the workforce talent in the area from the highly-skilled Georgia Tech college graduates who often look to stay within the city or the vicinity of their alma mater. This has drawn many employers to occupy offices in Midtown, especially those from within technology sectors.

Continuously demanding high rental rates, Buckhead remains one of the most sought-after submarkets in the Southeast by investors and developers. Buckhead is currently at \$30.25 per square foot on average and Class A office space at \$31.74 per square foot. 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 88.33%. 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) |
|--------------------|---------------------|-----------|
| Insight Global | 1134 Hammond Dr | 204,000 |
| Northside Hospital | 1001 Summit Blvd | 178,000 |
| Delta Dental Plans | 1130 Sanctuary Pkwy | 162,000 |
| Conduent | 100 Southcrest Dr | 120,000 |
| Axis Capital | 10000 Avalon | 75,000 |

NOTABLE SALES TRANSACTIONS

| Property | Address | Price |
|-----------------------|-------------------|---------------|
| Three Alliance Center | 3550 Lenox Rd | \$270,000,000 |
| Phipps Tower | 3438 Peachtree Rd | \$205,000,000 |
| 7000 Central Park | 7000 Central Pkwy | \$104,800,000 |

"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 |
|-----------------------|--------------------|-------------------|-----------------|------------------------|
| Urban Corridor | | | | |
| Class A | 32,704,273 | 3,613,249 | 11.05% | \$30.11 |
| Class B | 13,325,006 | 2,143,785 | 16.09% | \$24.33 |
| Class C | 1,915,690 | 252,716 | 13.19% | \$19.37 |
| Total | 47,944,969 | 6,009,750 | 13.44% | \$28.07 |
| Suburban | | | | |
| Class A | 51,213,093 | 6,956,360 | 13.58% | \$25.73 |
| Class B | 33,195,239 | 5,000,847 | 15.06% | \$19.09 |
| Class C | 5,912,740 | 987,622 | 16.70% | \$15.14 |
| Total | 90,321,072 | 12,944,829 | 15.11% | \$22.60 |
| Total Market | | | | |
| Class A | 83,917,366 | 10,569,609 | 12.60% | \$27.44 |
| Class B | 46,520,245 | 7,144,632 | 15.36% | \$20.59 |
| Class C | 7,828,430 | 1,240,338 | 15.84% | \$16.17 |
| Total | 138,266,041 | 18,954,579 | 14.60% | \$24.49 |



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 |
|--------------------|-------------------|-----------------|---------------------|--------------------|---------------------|
| 15,575,867 | 2,293,672 | 85.27% ↑ | 53,480 | 9,184 ↑ | \$23.41 ↑ |
| 16,083,997 | 1,815,697 | 88.71% ↑ | 64,040 | 530,582 ↑ | \$30.38 ↑ |
| 16,285,105 | 1,900,381 | 88.33% ↑ | 213,830 | 399,465 ↑ | \$30.25 ↑ |
| 47,944,969 | 6,009,750 | 87.47% ↑ | 331,350 | 808,571 ↑ | \$28.07 ↑ |
| 2,942,528 | 767,508 | 73.92% ↑ | (14,320) | (14,395) ↑ | \$17.41 ↑ |
| 1,154,049 | 90,122 | 92.19% ↑ | 2,011 | 29,258 ↓ | \$22.71 ↑ |
| 16,219,132 | 2,289,519 | 85.91% ↑ | 32,070 | 49,732 ↓ | \$23.01 ↑ |
| 313,609 | 19,439 | 93.80% ↑ | 0 | 3,943 ↑ | \$15.53 ↑ |
| 22,705,938 | 3,016,974 | 87.11% ↓ | 34,016 | 378,790 ↓ | \$25.84 ↑ |
| 4,449,049 | 531,958 | 88.04% ↑ | (31,519) | (27,140) ↑ | \$17.94 ↑ |
| 271,007 | 38,821 | 85.68% ↓ | (2,928) | 9,179 ↑ | \$16.17 ↑ |
| 1,127,333 | 116,547 | 89.66% ↑ | 10,542 | 3,213 ↑ | \$27.39 ↑ |
| 19,412,170 | 3,114,513 | 84.14% ↑ | 271,580 | 279,931 ↑ | \$23.75 ↑ |
| 3,158,977 | 218,102 | 93.10% ↑ | (10,398) | (22,142) ↑ | \$21.34 ↑ |
| 4,961,213 | 992,935 | 79.99% ↑ | 43,105 | (45,139) ↑ | \$19.33 ↓ |
| 4,677,125 | 270,698 | 94.76% ↑ | 34,188 | 6,405 ↓ | \$20.89 ↓ |
| 7,907,224 | 1,444,080 | 82.24% ↑ | (27,123) | 39,982 ↓ | \$17.18 ↑ |
| 89,299,916 | 12,994,829 | 85.67% ↑ | 255,014 | 633,101 ↑ | \$22.60 ↑ |
| 136,784,097 | 18,914,307 | 86.29% ↑ | 586,364 | 1,441,672 ↑ | \$24.49 ↑ |

Change from Year-End:

↑ Increase

↓ Decrease

No Change

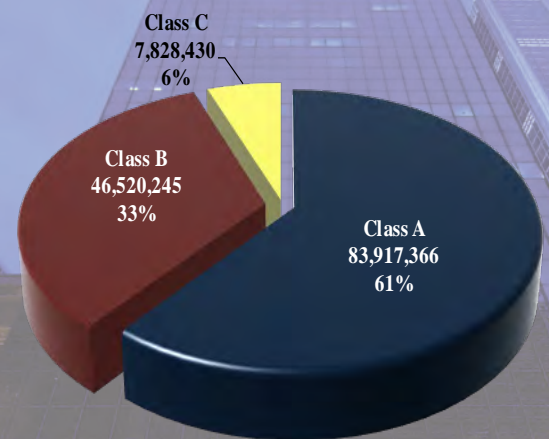
The Suburban Submarkets

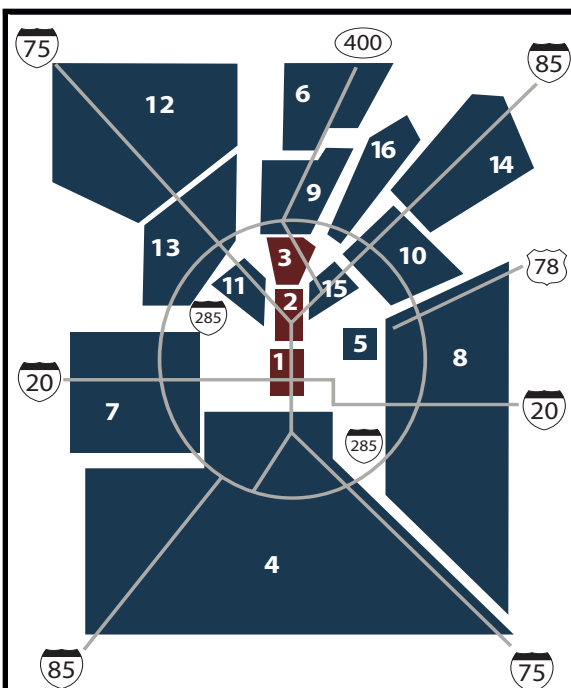
The Suburban submarkets continue to follow suit with the urban corridor. Suburban growth and development have had strong demand over the last couple of years. A notable project in the Suburban submarkets includes Encore Center, a 222,000 square foot office building that delivered this quarter. This office building will serve as HD Supply's global headquarters and will eventually house up to 1,000 employees. The Chamblee/Doraville area has also seen a large increase in attention from commercial developers. Projects such as Trackside, an 80,000 square foot office complex will serve the area, as well as provide new retail space and multifamily units within this development. Integral is continuing work in their Assembly Yards development, the former General Motors assembly plant near the Chamblee MARTA station and I-285, which will include over 1,000,000 square feet in a mixed use development.

Many new developments, especially in suburban submarkets, are located near public transit. Areas near MARTA stations have seen the biggest increase in suburban development activity. Over the past decade, the number of new residential developments within a half mile of MARTA stations has more than tripled in comparison to suburban developments elsewhere.

When it comes to office space, throughout metropolitan Atlanta, more than 60% of all new construction is now occurring within a half-mile of MARTA stations. Projects that have been transit-centered are seeing increased interest by both developers and users. Many metropolitan cities throughout the United States have seen urban planners move towards less car-centric options. Public transit, as well as alternative modes of transit to include ride-hailing services, bicycle-friendly streets, and even dockless scooters have gained a lot of traction over the past few years.

EXISTING SPACE BY CLASS





Urban Corridor Submarkets

1. Downtown
2. Midtown
3. Buckhead/Lenox

Suburban Submarkets

4. Airport/South
5. Decatur
6. GA-400 North
7. I-20W/Greenbriar
8. I-285E/Stone Mountain
9. I-285/GA-400
10. I-285/I-85/Northlake
11. I-75 Corridor
12. I-75N/Marietta/Johnson Ferry
13. I-75/I-285
14. NE Expressway-North
15. NE Expressway-South
16. Peachtree Corners

THE ATLANTA OFFICE MARKET

| | <u>2nd Quarter 2018</u> | <u>2nd Quarter 2017</u> |
|-------------------------------|-------------------------|-------------------------|
| Year-to-Date Absorption | 1,441,672 | 30,367 |
| 4-Quarter Cumulative Abs. | 2,652,972 | 1,108,511 |
| Total Existing Square Feet | 138,266,041 | 136,250,031 |
| Total Available Square Feet | 18,954,579 | 19,951,541 |
| Percent Of Total Space Vacant | 13.71% | 14.38% |
| Average Quoted Rental Rate | \$24.49 | \$23.75 |
| Space Delivered YTD* (SF) | 1,480,944 | 1,474,620 |

* Excludes Net Losses

ATLANTA'S TOP FIVE RANKING SUBMARKETS

Absorption - 2nd Quarter 2018:

| | |
|---------------------|---------|
| I-75/I-285 | 271,580 |
| Buckhead | 213,830 |
| Midtown | 64,040 |
| Downtown | 53,480 |
| NE Expressway-South | 34,188 |

Total Existing Square Feet:

| | |
|----------------|------------|
| I-285/GA-400 | 23,398,494 |
| I-75/I-285 | 19,412,170 |
| GA-400 North | 16,219,132 |
| Buckhead/Lenox | 16,164,348 |
| Downtown | 16,083,997 |

Average Quoted Rental Rate:

| | |
|---------------|---------|
| Midtown | \$30.38 |
| Buckhead | \$30.25 |
| I-75 Corridor | \$27.39 |
| I-285/GA-400 | \$25.84 |
| I-75/I-285 | \$23.75 |

Total Available Square Feet:

| | |
|----------------|-----------|
| I-75/I-285 | 3,164,093 |
| I-285/GA-400 | 3,050,990 |
| Downtown | 2,347,152 |
| GA-400 North | 2,294,989 |
| Buckhead/Lenox | 1,993,454 |

Submarket Occupancy Rate:

| | |
|---------------------|--------|
| I-20W/Greenbriar | 93.80% |
| I-75N/Marietta | 93.10% |
| NE Expressway-South | 92.76% |
| Decatur | 92.19% |
| I-75 Corridor | 89.66% |

Average Class "A" Rental Rate:

| | |
|--------------|---------|
| Midtown | \$32.00 |
| Buckhead | \$31.74 |
| I-285/GA-400 | \$28.16 |
| I-75/I-285 | \$26.16 |
| Downtown | \$25.59 |

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

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

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ATLANTA MARKET TRENDS BY QUARTER

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



The Urban Corridor

The urban corridor capped off another impressive quarter, with 331,350 square feet of positive absorption and 808,571 square feet of positive absorption year-to-date. These significant absorption numbers are highlighted by the emergence of co-working office spaces as well as a variety of new developments throughout the midtown market and our other urban markets.

Located adjacent to Georgia Tech, Technology Square continues to see extensive new developments. Tech Square remains a top destination for developers in the Midtown area due to the large number of skilled college graduates coming out of Georgia Tech and other college graduates desiring a major midtown and urban living environment. Major developments in the Georgia Tech area include NCR Headquarters Phase II (277,000 SF), Coda Tower (760,000 SF), Anthem Technology Center (352,000 SF), and 8th and West Peachtree (477,000 SF).

Another part of Midtown experiencing rapid growth and redevelopment is Pershing Point, with a number of large developments coming to the area in the near future. 1401 Peachtree Street (85,000 SF) office building is being redeveloped beginning in November and will include a variety of retail, restaurant and upgraded office suites. 17th and Peachtree Street, a 190,000 square foot office tower is set to begin construction in the near future. In addition, 1400 Peachtree Street (750,000 SF) is expected to break ground in February on a new office tower.

A shift in demand towards co-working office spaces has resulted in a rapid expansion of shared-space providers such as WeWork, Spaces and Regus providing facilities in the urban market and suburbs. Atlanta is the fifth largest co-working market in the United States and is expected to hit over 1 million square feet of co-working space this year. WeWork plans to lease 50,000 square feet at Coda Tower upon its completion and also recently leased 47,670 square feet in Terminus 100. Other co-working transactions include Spaces 56,121 square feet lease in Star Metals and WeWork's 39,000 square feet lease at 1372 Peachtree Street illustrate how these emerging shared-space providers are acquiring office space throughout Atlanta.

| 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% | \$25.59 | 1,165,148 | 79.12% | \$20.97 | 155,418 | 88.89% | \$16.66 |
| 1,185,143 | 89.78% | \$32.00 | 550,540 | 83.73% | \$26.35 | 165,714 | 74.70% | \$21.45 |
| 1,388,084 | 87.72% | \$31.74 | 660,856 | 85.33% | \$26.75 | 0 | 100.00% | \$25.91 |
| <u>3,699,857</u> | <u>88.95%</u> | <u>\$30.11</u> | <u>2,376,544</u> | <u>82.36%</u> | <u>\$24.33</u> | <u>281,132</u> | <u>85.32%</u> | <u>\$19.37</u> |
| 84,294 | 90.48% | \$20.53 | 367,227 | 71.96% | \$17.38 | 301,592 | 59.64% | \$13.46 |
| 32,086 | 92.08% | \$24.19 | 28,778 | 96.16% | \$21.05 | - | - | - |
| 1,792,365 | 85.28% | \$25.08 | 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% | \$28.16 | 958,606 | 85.01% | \$21.41 | 234,230 | 75.67% | \$14.64 |
| 42,288 | 93.78% | \$222.38 | 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% | \$40.50 | 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% | \$23.76 | 93,932 | 92.71% | \$19.65 | 73,209 | 76.13% | \$15.61 |
| 612,400 | 81.38% | \$20.92 | 335,396 | 79.56% | \$15.96 | 0 | 100.00% | \$25.00 |
| 35,724 | 92.47% | \$24.34 | 234,974 | 93.72% | \$19.92 | 0 | 100.00% | \$15.99 |
| 437,093 | 81.34% | \$20.57 | 820,497 | 83.36% | \$15.89 | 186,490 | 70.51% | \$12.57 |
| <u>6,617,367</u> | <u>86.42%</u> | <u>\$25.73</u> | <u>4,963,100</u> | <u>85.05%</u> | <u>\$19.09</u> | <u>976,307</u> | <u>83.49%</u> | <u>\$15.14</u> |
| <u>10,317,224</u> | <u>87.40%</u> | <u>\$227.44</u> | <u>7,339,644</u> | <u>84.27%</u> | <u>\$20.59</u> | <u>1,257,439</u> | <u>83.94%</u> | <u>\$16.17</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 grow, and vacancies are continuing to drop. Construction and development have seen healthy growth bringing more supply to meet a strong market demand. Atlanta has been an excellent market in the United States and continues to remain one of the top growing metropolitan centers in the country. With 1,441,672 square feet positive absorption at mid-year 2018, this year has already surpassed 2017's total yearly absorption of 1,241,667 square feet of positive absorption. Midtown at \$30.38 per square foot on average has claimed the most expensive submarket in Atlanta, topping Buckhead this quarter that holds at \$30.25 per square foot on average. Class A office space has seen the highest demand with office building sales setting records. Three Alliance Center sold for \$532 per square foot in first quarter 2018 and Phipps Tower sold for \$431 per square foot in second quarter 2018, both in Buckhead.

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, and affordable housing, it is no wonder why many business leaders are choosing to relocate their operations to Atlanta. Atlanta affords the busiest airport in the world, is in close proximity to other major metropolitan areas such as Nashville, Birmingham, and Charlotte and has direct highway access 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 some of the strongest universities in the county including Georgia Tech, Emory and Georgia State, as well as providing opportunities for students from the University of Georgia in Athens and Mercer University in Macon. Atlanta is in a strong position for continued success for many years to come.



ANNUAL ABSORPTION AND VACANCY RATE BY SUBMARKET

| | <u>2Q 2014</u> | | <u>2Q 2015</u> | | <u>2Q 2016</u> | | <u>2Q 2017</u> | | <u>2Q 2018</u> | |
|----------------------------|------------------------------------|-------------------------------|------------------------------------|-------------------------------|------------------------------------|-------------------------------|------------------------------------|-------------------------------|------------------------------------|-------------------------------|
| | <u>4 Qtr.</u> <u>Absorption</u> | <u>Vacancy</u> <u>Rate</u> | <u>4 Qtr.</u> <u>Absorption</u> | <u>Vacancy</u> <u>Rate</u> | <u>4 Qtr.</u> <u>Absorption</u> | <u>Vacancy</u> <u>Rate</u> | <u>4 Qtr.</u> <u>Absorption</u> | <u>Vacancy</u> <u>Rate</u> | <u>4 Qtr.</u> <u>Absorption</u> | <u>Vacancy</u> <u>Rate</u> |
| <u>Urban</u> | | | | | | | | | | |
| Buckhead/Lenox | 156,455 | 14.00% | 388,668 | 12.30% | 172,149 | 11.18% | 92,806 | 14.38% | 655,599 | 11.67% |
| Downtown | (325,080) | 19.94% | (131,155) | 21.04% | (95,524) | 19.01% | 351,555 | 16.79% | 125,237 | 14.73% |
| Midtown | 152,968 | 18.34% | 898,057 | 15.48% | 416,573 | 13.01% | 85,742 | 12.46% | 685,001 | 11.29% |
| Urban Totals | <u>(15,657)</u> | <u>17.43%</u> | <u>1,155,570</u> | <u>16.23%</u> | <u>493,198</u> | <u>14.40%</u> | <u>530,103</u> | <u>14.54%</u> | <u>1,465,837</u> | <u>12.56%</u> |
| <u>Suburban</u> | | | | | | | | | | |
| Airport/South | -16,441 | 25.07% | (12,889) | 30.08% | (146,409) | 27.05% | 96,391 | 24.55% | (45,209) | 26.08% |
| Decatur | 1,427 | 9.38% | (3,130) | 9.65% | 14,902 | 8.36% | (25,755) | 10.59% | 32,127 | 7.81% |
| GA-400 North | 442,754 | 13.86% | 275,510 | 13.38% | 179,081 | 12.35% | (123,131) | 14.49% | 87,803 | 14.09% |
| I-20W/Greenbriar | 11,982 | 28.74% | (2,214) | 29.44% | 22,590 | 22.24% | 50,788 | 6.05% | (476) | 6.20% |
| I-285/GA-400 | 936,621 | 13.60% | 560,599 | 13.34% | (550,996) | 12.99% | (283,479) | 12.31% | 471,349 | 12.89% |
| I-285/I-85/Northlake | (178,579) | 23.29% | 128,906 | 20.40% | 77,014 | 18.61% | 185,502 | 14.29% | 233,449 | 11.96% |
| I-285E/Stone Mountain | (8,283) | 25.62% | (8,473) | 28.84% | 5,749 | 26.72% | 8,139 | 23.72% | 25,460 | 14.32% |
| I-75 Corridor | 5,564 | 18.21% | 82,069 | 5.81% | 57,773 | 5.81% | (14,007) | 7.05% | (37,042) | 10.34% |
| I-75/I-285 | (14,035) | 16.37% | 128,685 | 15.68% | 348,350 | 13.81% | 154,784 | 15.54% | 344,000 | 15.86% |
| I-75N/Marietta/JF | 114,756 | 17.01% | 56,545 | 10.17% | 288,572 | 6.39% | 20,050 | 6.20% | (45,909) | 6.90% |
| NE Expressway-North | (25,427) | 25.98% | 280,633 | 21.68% | 235,854 | 17.89% | (77,183) | 19.10% | (6,756) | 20.01% |
| NE Expressway-South | (75,417) | 8.80% | 162,197 | 7.11% | 36,600 | 7.59% | (22,150) | 7.80% | 100,638 | 7.24% |
| Peachtree Corners | 82,719 | 20.62% | (17,685) | 17.17% | 169,271 | 16.28% | 25,176 | 18.26% | 27,701 | 17.76% |
| Suburban Totals | <u>1,296,311</u> | <u>18.97%</u> | <u>1,743,765</u> | <u>18.07%</u> | <u>458,092</u> | <u>15.25%</u> | <u>578,408</u> | <u>13.83%</u> | <u>1,187,135</u> | <u>13.19%</u> |
| Total With Averages | <u>1,280,654</u> | <u>18.20%</u> | <u>2,899,335</u> | <u>17.15%</u> | <u>951,290</u> | <u>14.83%</u> | <u>1,108,511</u> | <u>14.19%</u> | <u>2,652,972</u> | <u>12.88%</u> |

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