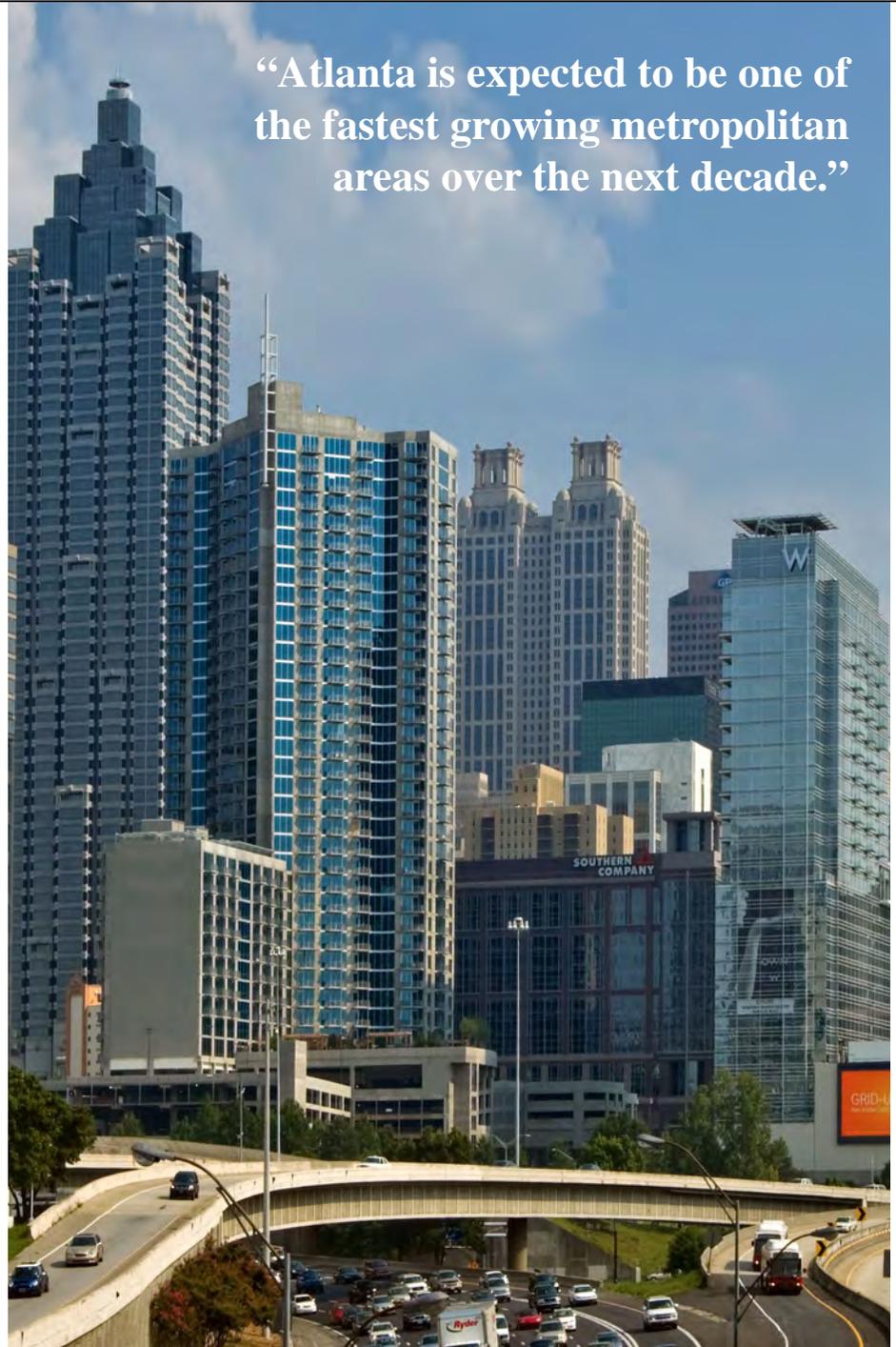
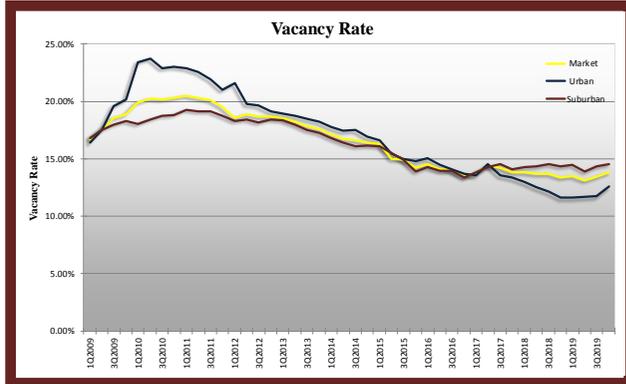
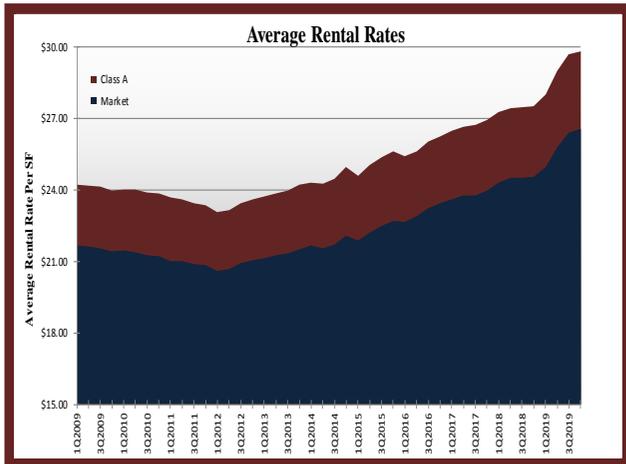
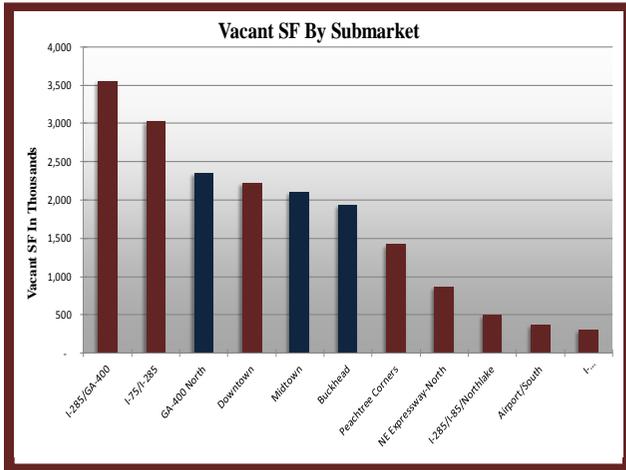


# THE BOWERS DIGEST

METRO ATLANTA OFFICE MARKET ANALYSIS

Vol. 30, No. 4



“Atlanta is expected to be one of the fastest growing metropolitan areas over the next decade.”

REAL ESTATE TRENDS  
YEAR-END 2019



# OVERVIEW: THE ATLANTA MARKET

## Introduction

The Metro Atlanta real estate market has seen a boom in recent years of new development coupled with massive rehab projects that are continuing to bring new life, more jobs and people to this already prosperous Metro Atlanta Market. Atlanta is one of the most popular destinations for large companies to include Amazon, Facebook, Serta Simmons and many others in recent years. Medial office space and hospitals are expanding rapidly in both the urban and suburban submarkets, as well as hospitality. The Metro Atlanta office market ended 2019 a bit slower than it started, with year-to-date absorption totaling 267,185 square feet and 1,573,072 square feet of new office space delivered.

## Overview

The top five submarkets for the year 2019 are Midtown with 782,526 square feet of positive absorption, Peachtree Corners with 129,270 square feet of positive absorption, NE Expressway-North with 113,040 square feet of positive absorption, Airport/South with 109,910 square feet of positive absorption, and GA-400 North with 101,686 square feet of positive absorption.

Midtown led all submarkets in 2019 absorption with 782,526 square feet of positive absorption, which can be attributed to the delivery of The Coda in the first quarter, 725 Ponce in the second quarter and T3 West Midtown in the fourth quarter. Peachtree Corners follows in 2019 absorption with 129,270 square feet of positive absorption. Following respectively is NE Expressway-North with 113,040 square feet of positive absorption, Airport/South with 105,910 square feet of positive absorption, and GA-400 North rounding out the top five with 101,686 square feet of positive absorption for 2019.

Metro Atlanta's office market delivered 1,573,072 square feet of new office space in 2019, most notably Serta Simmons (210,000 sq/ft), 725 Ponce (370,931 sq/ft), The Coda (670,000 sq/ft) and T3 West Midtown (232,141 sq/ft). T3 West Midtown came online unoccupied but is rumored to have a large national tenant looking to lease multiple floors. T3 West Midtown is Atlanta's first timber-built office stack and is one of the largest in the nation. 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 \$26.58 per square foot, an all-time high since Richard Bowers & CO. began tracking the office market data in 1989. Rental rates are up \$0.18 quarter-over-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 \$29.82 per square foot for Class-A buildings and \$21.89 and \$18.21 respectively for class B and C office buildings.

The average quoted rental rates are much higher for the urban corridor at \$31.16 per square foot vs. \$26.58 for the suburbs, Midtown at \$33.97 per square foot, and Buckhead/Lenox at \$33.31 per square foot on average are the leading submarkets in pricing. Due to higher Midtown and Buckhead rental rates, Downtown (\$25.76 per square foot) 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/I-285 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 compared with many of the other suburban submarkets.

The major suburban submarkets are also continuing to do well as a number of these submarkets are creating an urban pedestrian environment in these larger suburban markets with increased density and high-rise office buildings. To note, the I-75/285 (\$25.67 per square foot) and I-285/GA 400 (\$27.39 per square foot) are becoming very popular suburban alternatives for employers looking for less expensive rents and in certain instances a somewhat easier commute for employees. This increased demand for office space in the suburban submarkets is reflected by the increase in average rental rates to \$24.06 per square foot, up \$1.44 over last year.

## We Work – Coworking/Spec Space

WeWork and former CEO, Adam Neuman, caused major uproar in the office market during the fourth quarter of 2019. After a failed IPO and a valuation decrease of more than 80%, WeWork was on the verge of going bankrupt until a bail out by Softbank (\$9.5 Billion) and a line of credit from JPM (\$1.75 Billion), brought the company some much needed relief. Though WeWork has managed to keep its footprint in the global office market, the effects of the bailout have come in the form of layoffs, 20% of WeWork's employees (2,400 people) were laid off in an attempt to restructure the organization. This is significant when not only looking at the global office market, but the Metro Atlanta office market as well. WeWork accounts for over three million square feet of office space in Metro Atlanta and is an integral option of supplying quality and competitive space to small and medium size companies in the much sought after Urban Corridor.

While WeWork struggled over corporate governance and a radical CEO, the Coworking and Spec-Space market has continued to blossom in Metro Atlanta, as this has given landlords more options with large vacant space. Pre-built out office suites and coworking spaces allow for tenants of all sizes to move easily in and out as needed, at the same time decreasing turnover time for the landlords.

Atlanta has also seen a boom in the past few years of tech companies and startups choosing the highly sought-after Urban Corridor, due to the large talent pool, access to great amenities and a favorable cost of living. With no sign of new office developments slowing, Spec-Space and Coworking space allows older buildings to stay competitive in contrast to the new class-A developments, by offering state of the art office space and competitive rental rates. As WeWork rebuilds its corporate structure, its footprint still continues to grow with the launch of WeWork Labs, an attempt to put more focus on incubators for tech start-up companies.

## A Growing Skyline

Atlanta's Skyline has been transforming for the past 30 years, but what this past decade has shown both residences and tenants of Atlanta, is there is no slowing down in sight. With close to ten million square feet of new office space coming online since 2010, Atlanta has shown how well its infrastructure can handle the growing demand for both office and residential Development.

Looking back at 2019, 1,573,072 square feet of new office space came online. Of those buildings all but one (T3 West Midtown) came online over 90% occupied. Midtown was and will continue to be a desired location for new office construction. As Metro Atlanta has grown, Richard Bowers & CO. has been tracking a slowdown in construction this past decade (2010-2019) compared to the earlier two decades 1990-1999 and 2000-2009 respectively. This slowdown in development can be attributed significantly to the growing density and a reduction in square footage per employee, especially within the urban corridor. There is a strong correlation between density, number of new developments, and increased construction cost with increasing rents. This has led many large office tenants to reduce space in order to remain in these highly sought-after urban submarkets at a competitive cost.

As we look forward, 2020 is set to deliver over 2 million square feet of new office space, which will be the most since the 2009 recession halted new construction and reduced office demand. Developers to include Hines, KDC, Cousins, Portman Holdings and more, all continue to work on transforming Atlanta's Skyline, which once saw the Hyatt as the tallest building in the city. Some notable projects to look forward to are State Farm at Park Center – Phase II (670,000 sq/ft), Atlantic Yards (523,500 sq/ft), Anthem Technology Center (325,000 sq/ft), Twelve24 (335,000 sq/ft), The Interlock (200,000 sq/ft) and 10000 Avalon (251,000 sq/ft). Midtown will account for over half of the new development, followed by the northern perimeter's three submarkets I-75/I-285, I-285/GA-400 and I-85/I-285 respectively.

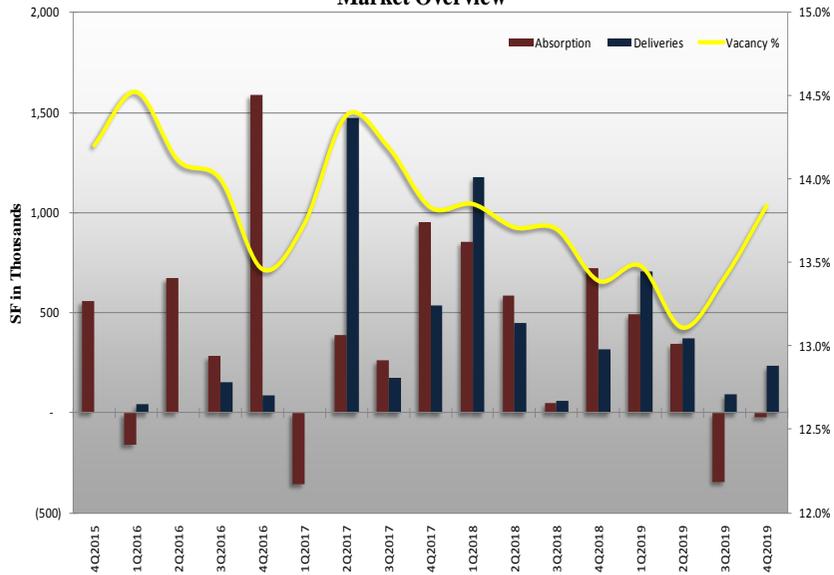
## Outlook

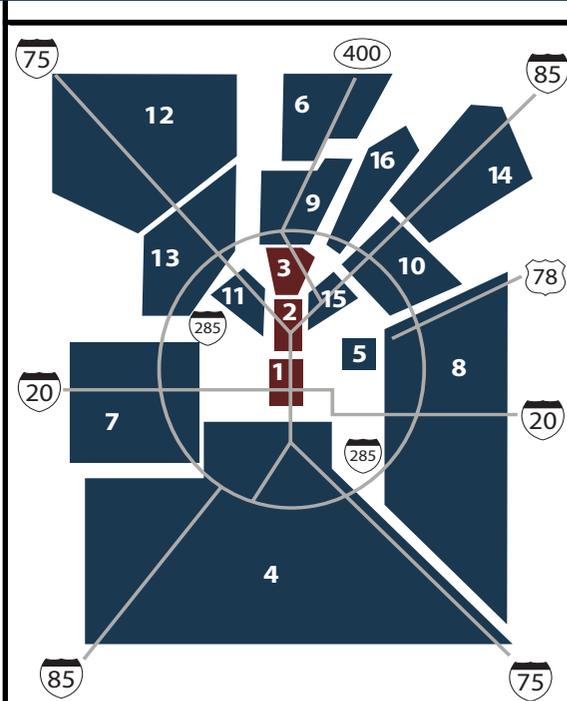
The outlook for 2020 is extremely positive as more and more large multi-national tenants look to open new locations or headquarters in Metro Atlanta and current tenants, such as Chick-Fil-A and Amazon, continue to grow their current operations. As we start a new decade, with the ongoing development types; office, industrial, multi-family, single-family, and hospitality, Metro Atlanta is set to see another large increase in population similar to that seen in the 90's that could bring Metro Atlanta's total population to well over 8 million people.

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 other major metropolitan centers. In closing and as always, we want to wish our clients and customers great success and prosperity for calendar year 2020 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**

	<u>4th Quarter 2019</u>	<u>4th Quarter 2018</u>
Year End Absorption	267,185	2,208,450
4th Quarter Absorption	(222,979)	720,184
Total Existing Square Feet	139,680,662	138,642,541
Total Available Square Feet	19,335,237	18,564,301
Percent Of Total Space Vacant	13.84%	13.39%
Average Quoted Rental Rate	\$26.58	\$24.56
Space Delivered YTD* (SF)	1,573,072	1,858,444

\* Excludes Net Losses

**ATLANTA'S TOP FIVE RANKING SUBMARKETS**

**Absorption - 2019 Total:**

Midtown	782,526
Peachtree Corners	129,270
NE Expressway-North	113,040
Airport/South	105,910
GA-400 North	101,686

**Total Available Square Feet:**

I-285/GA-400	3,553,693
I-75/I-285	3,018,382
GA-400 North	2,354,131
Downtown	2,217,991
Midtown	2,099,610

**Total Existing Square Feet:**

I-285/GA-400	23,461,077
I-75/I-285	19,475,357
Midtown	17,622,814
GA-400 North	16,383,201
Buckhead	16,343,926

**Submarket Occupancy Rate:**

NE Expressway-South	93.78%
I-75N/Marietta/JF	90.58%
Decatur	90.30%
I-285/I-85/Northlake	88.94%
Buckhead/Lenox	88.20%

**Average Quoted Rental Rate:**

Midtown	\$33.97
Buckhead	\$33.31
I-75 Corridor	\$29.22
I-285/GA-400	\$27.39
Downtown	\$25.76

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

Midtown	\$35.70
Buckhead	\$34.93
I-285/GA-400	\$29.77
I-75 Corridor	\$29.00
I-75/I-285	\$28.30

*“Metro Atlanta’s population and job growth has outpaced national averages. Atlanta remains the number one place to relocate new businesses and corporate headquarters due to it’s desirable destination and favorable rents.”*

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

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## ATLANTA MARKET TRENDS BY QUARTER

<u>Quarter</u>	<u>Total Square Feet</u>	<u>Vacant Square Feet</u>	<u>Vacancy Rate</u>	<u>Delivered Square Feet</u>	<u>Net Absorption</u>			<u>Average Rental Rate</u>
					<u>4 Qtr. Total</u>	<u>YTD</u>	<u>Quarter</u>	
4Q2019	139,680,662	19,335,237	13.84%	437,553	267,185	267,185	-222,979	\$ 26.58
3Q2019	139,243,109	18,674,705	13.41%	90,000	1,210,348	490,164	-348,091	\$ 26.40
2Q2019	139,153,109	18,236,614	13.11%	-197,712	1,605,033	838,255	346,375	\$ 25.78
1Q2019	139,350,821	18,780,701	13.48%	708,280	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 year, with over 700,000 square feet of positive absorption. These significant absorption numbers are highlighted by a variety of new developments throughout the Midtown and Buckhead submarkets coupled with competitive, and less expensive Downtown rents. We also expect to report a number of January lease signings and expect the positive absorption to continue well through 2020.

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 income sectors 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, other intown areas and the success of our urban tenants.

The ongoing infrastructure improvements, including Marta's expansion and the expansion of the fast pass lanes, coupled with the Beltline around Downtown and Midtown reflect the city's commitment to connecting various intown neighborhoods with suburban neighborhoods. This connectivity also improves mobility and property values within the urban corridor. 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 transportation systems being considered currently to relieve traffic on the northern perimeter. These projects should also help relieve congestion within the city. The Mayor and her staff will also be announcing new electric scooter regulations, in order to maintain safe streets and protect riders.

Downtown Atlanta continues to offer the most competitive rental rates of our three urban submarkets at \$25.76 per square foot. Occupancy in Downtown is at 85.84% with Class A properties charging upwards of \$28.20 per square foot. Tenants looking to remain in our Central Business District to capitalize on competitive Downtown rents will soon realize the return as developments like the Gulch and rehab projects including Underground Atlanta begin to bring new residents to our Central Business District. The growth of Georgia State will also continue to bring new young talent and students to our Downtown submarket.

Midtown finished a very strong year, attaining the highest overall average rental rate in Metro Atlanta, currently at \$33.97 per square foot and Midtown fell to second in occupancy with a occupancy rate in the urban submarkets of 88.09%. This Midtown reduction can be most attributed to T3 West Midtown coming online vacant. Midtown has produced over one million square feet in new office construction with another one million square feet set to deliver in 2020. 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 \$33.31 per square foot on average with over 16 million in inventory. Due to first-class office developments, luxury retail space, and excellent restaurants and hotels, many businesses and quality upscale residential development are attracted to Buckhead. Buckhead's occupancy rate is currently at 88.2%, ending the year in first place for the urban corridor. Overall, the Urban Corridor remains in high demand as exemplified by the rising rental rates and sales 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 well into 2020.

## NOTABLE LEASE TRANSACTIONS (DIRECT/RELET)

Tenant	Property	Size (SF)
Floor and Decor	Windy Ridge	190,510
AT&T Wireless	Glenridge Centre	138,142
Merrill Lynch & CO	The Pinnacle	137,648
MarketSource	Royal Centre Four	100,484
WeWork	Centennial Tower	80,240

## NOTABLE SALES TRANSACTIONS

Buyer	Property	Price
Cousins	Terminus 1 & 2	\$251,500,000*
Garrison Investment	Cumberland Center	\$44,500,000
Grubb Properties	5995 Windward Pkwy	\$31,500,000

\*Bought remaining 50% from JPM

*"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
<b>URBAN CORRIDOR</b>						
Class A	34,566,445	4,307,904	12.46%	(250,444)	702,509	\$33.44
Class B	13,235,014	1,718,925	12.99%	127,733	60,705	\$26.56
Class C	1,828,690	219,671	12.01%	3,609	(54,775)	\$21.22
<b>Urban Totals</b>	<b>49,630,149</b>	<b>6,246,500</b>	<b>12.59%</b>	<b>-119,102</b>	<b>708,439</b>	<b>\$31.16</b>
<b>SUBURBAN CORRIDOR</b>						
Class A	51,519,592	7,778,657	15.10%	(276,517)	(248,035)	\$27.38
Class B	33,042,611	4,705,895	14.24%	117,137	(149,891)	\$20.02
Class C	5,488,310	604,185	11.01%	55,503	(43,328)	\$17.20
<b>Suburban Totals</b>	<b>90,050,513</b>	<b>13,088,737</b>	<b>14.53%</b>	<b>-103,877</b>	<b>-441,254</b>	<b>\$24.06</b>
<b>URBAN/SUBURBAN TOTALS</b>						
Class A	86,086,037	12,086,561	14.04%	(526,961)	454,474	\$29.82
Class B	46,277,625	6,424,820	13.88%	244,870	(89,186)	\$21.89
Class C	7,317,000	823,856	11.26%	59,112	(98,103)	\$18.21
<b>Total</b>	<b>139,680,662</b>	<b>19,335,237</b>	<b>13.84%</b>	<b>(222,979)</b>	<b>267,185</b>	<b>\$26.58</b>



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
15,663,406	2,217,991	85.84% ↓	(88,838)	(86,754) ↓	\$25.76 ↑
17,622,814	2,099,610	80.09% ↓	(74,192)	782,526 ↓	\$33.97 ↑
16,343,929	1,928,899	88.20% ↓	43,628	12,667 ↓	\$33.31 ↑
<b>48,282,969</b>	<b>5,607,759</b>	<b>87.41% ↓</b>	<b>(119,102)</b>	<b>708,439 ↓</b>	<b>\$31.16 ↑</b>
2,750,528	366,049	86.69% ↑	1,960	105,910 ↑	\$18.70 ↑
1,154,049	111,966	90.30% ↓	(12,661)	(26,709) ↓	\$24.83 ↑
16,383,201	2,354,131	85.63% ↑	(81,922)	101,686 ↑	\$24.57 ↑
269,141	35,029	86.98% ↓	-	(52,177) ↓	\$18.78 ↑
23,461,077	3,553,693	84.85% ↑	(85,971)	(476,257) ↓	\$27.39 ↑
4,466,631	494,086	88.94% ↑	83,023	16,792 ↑	\$20.36 ↑
271,007	50,151	81.49% ↑	-	8,891 ↑	\$16.42 ↑
1,021,983	226,161	77.87% ↓	-	(211,012) ↓	\$29.22 ↑
19,475,357	3,018,382	84.50% ↑	(17,221)	(118,353) ↓	\$25.67 ↑
3,171,977	298,720	90.58% ↓	11,902	(39,803) ↑	\$21.57 ↑
4,961,213	869,387	82.48% ↑	(39,948)	113,040 ↑	\$19.69 ↑
4,757,125	295,956	93.78% ↑	(22,080)	7,468 ↓	\$22.30 ↑
7,907,224	1,415,026	82.10% ↓	59,041	129,270 ↑	\$17.59 ↑
<b>90,359,572</b>	<b>12,956,542</b>	<b>85.47% ↓</b>	<b>(103,877)</b>	<b>(441,254) ↓</b>	<b>\$24.06 ↑</b>
<b>139,680,662</b>	<b>19,335,237</b>	<b>86.16% ↓</b>	<b>(222,979)</b>	<b>267,185 ↓</b>	<b>\$26.58 ↑</b>

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

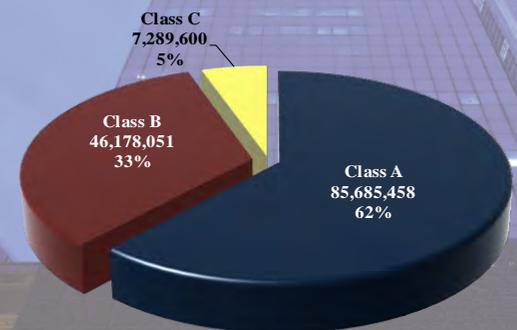
**The Suburban Submarkets**

The suburban submarkets also continue to show strength especially on the northern side. The I-285/GA-400, I-75/I-285, and the I-75 corridors are still proving to be among the strongest and most popular of the suburban submarkets. The average rents for these three submarkets are \$29.77 per square foot, \$28.30 per square foot, and \$29.00 per square foot respectively. Peachtree Corners currently sits second overall with 129,270 square feet of positive absorption for calendar year 2019.

The suburban office market is seeing a high growth rate as office tenants look to reduce 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 Braves' stadium and numerous and excellent restaurants. To the east we are monitoring a surge of tech companies moving up GA-400 to the northern suburbs from Midtown and Buckhead. After the success of 8000 Avalon, the addition of 10000 Avalon (251,000 square feet) will continue to bring new tenants up the GA-400 corridor. We are also seeing rents as high as \$42 per square for new class A office space in both the I-285/GA 400 and GA-400 North submarkets. This growth has actually 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 85.47%, which is slightly lower than third quarter, but we predict occupancy rates to increase through 2020. 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
1,221,523	86.71%	\$28.20	926,261	82.95%	\$22.90	70,207	93.24%	\$19.07
1,559,936	88.59%	\$35.70	390,210	88.16%	\$29.09	149,464	77.18%	\$22.33
1,526,445	86.96%	\$34.93	402,454	91.07%	\$29.13	0	100.00%	\$32.31
<b>4,307,904</b>	<b>87.54%</b>	<b>\$32.94</b>	<b>1,718,925</b>	<b>87.01%</b>	<b>\$27.04</b>	<b>219,671</b>	<b>87.99%</b>	<b>\$24.57</b>
63,008	92.89%	\$21.34	220,058	83.20%	\$18.50	82,983	85.05%	\$14.96
24,358	93.99%	\$28.46	87,608	88.30%	\$22.87	-	-	-
2,075,808	83.12%	\$26.84	278,323	93.13%	\$17.73	-	100.00%	\$16.00
-	-	-	6,833	85.00%	\$30.00	28,196	87.39%	\$16.50
2,433,361	84.82%	\$29.77	910,090	85.89%	\$23.11	210,242	78.48%	\$16.64
38,394	95.69%	\$25.75	448,418	77.94%	\$18.75	7,274	99.53%	\$19.35
24,606	55.00%	\$14.50	5,805	90.08%	\$26.22	19,740	87.49%	\$13.44
10,388	95.10%	\$42.00	215,773	70.63%	\$25.54	0	100.00%	\$30.00
1,892,598	85.43%	\$28.33	1,111,628	81.49%	\$20.58	14,156	97.07%	\$17.43
112,182	92.82%	\$24.24	98,219	92.38%	\$19.66	88,319	72.38%	\$16.21
570,153	82.66%	\$21.37	299,234	81.77%	\$16.23	0	100.00%	\$25.00
32,819	94.08%	\$25.95	263,137	92.97%	\$22.42	0	100.00%	\$16.89
500,982	78.62%	\$21.22	760,769	84.57%	\$16.24	153,275	75.76%	\$14.67
<b>7,778,657</b>	<b>84.90%</b>	<b>\$23.83</b>	<b>4,705,895</b>	<b>85.76%</b>	<b>\$21.37</b>	<b>604,185</b>	<b>83.32%</b>	<b>\$16.70</b>
<b>12,086,561</b>	<b>85.96%</b>	<b>\$28.39</b>	<b>6,424,820</b>	<b>86.12%</b>	<b>\$24.20</b>	<b>823,856</b>	<b>85.65%</b>	<b>\$20.63</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

The overall office market continues positively with strong growth trends. Rental rates are continuing to increase, and vacancies are remaining stable as the market sees a wave of new construction. Construction and new development have seen healthy growth bringing more supply to meet growing market demand. Atlanta has been an excellent growing market and continues to remain one of the top metropolitan centers in the country. With 267,185 square feet of positive absorption for 2019, Atlanta will continue to be one of the more attractive markets for office tenants of all sizes. Midtown at \$33.97 per square foot on average has remained the most expensive submarket in Atlanta, topping Buckhead that currently averages \$33.31 per square foot. Some notable sales of the 4th quarter include Glenridge Centre (\$17,000,000 - \$63.20 per sq/ft), Parkwood Plaza (\$19,650,000 - \$93.16 per sq/ft), 5995 Windward Pkwy (\$31,500,000 - \$93.16 per sq/ft), Cumberland Center (\$44,500,000 - \$203.64 per sq/ft) and the buyout of Terminus 1 & 2 (\$251,500,000 - \$411.96 per sq/ft).

In closing, Atlanta remains a top destination for corporate headquarters relocations and a top market for office expansions. With a strong economy, business incentives by both local and state government, an excellent workforce, 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 and is in close proximity to other major southeastern cities such as Nashville, Birmingham, and Charlotte while affording direct highway accessibility to the Port of Savannah, which handled a record 4.4 million container units of imports and exports for the 2019 fiscal year.

Metro Atlanta also touts several strong universities 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 educational 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 and fastest growing metro areas in the country. Atlanta is well positioned for continued success, affording convenient accessibility, a beautiful city, a great climate and, favorable economics for many years to come.



## ANNUAL ABSORPTION AND VACANCY RATE BY SUBMARKET

	<u>4Q 2015</u>		<u>4Q 2016</u>		<u>4Q 2017</u>		<u>4Q 2018</u>		<u>4Q 2019</u>	
	<u>4 Qtr. Absorption</u>	<u>Vacancy Rate</u>								
<b><u>Urban</u></b>										
Buckhead/Lenox	289,325	11.80%	129,519	10.96%	315,018	12.78%	417,104	11.56%	12,667	11.80%
Downtown	(18,208)	17.91%	48,569	17.61%	376,018	15.22%	128,498	13.46%	(86,754)	14.16%
Midtown	<u>286,557</u>	<u>14.59%</u>	<u>382,807</u>	<u>12.34%</u>	<u>136,634</u>	<u>12.16%</u>	<u>1,002,960</u>	<u>9.90%</u>	<u>782,526</u>	<u>11.91%</u>
<b>Urban Totals</b>	<b><u>557,674</u></b>	<b><u>14.80%</u></b>	<b><u>560,895</u></b>	<b><u>13.67%</u></b>	<b><u>828,237</u></b>	<b><u>13.39%</u></b>	<b><u>1,548,562</u></b>	<b><u>11.61%</u></b>	<b><u>708,439</u></b>	<b><u>12.59%</u></b>
<b><u>Suburban</u></b>										
Airport/South	53,039	26.30%	(135,135)	26.67%	31,570	25.59%	89,154	22.56%	105,910	13.30%
Decatur	22,223	6.91%	(20,639)	8.7%	39,484	5.27%	(24,393)	7.39%	(26,709)	9.70%
GA-400 North	308,867	12.60%	(38,376)	13.09%	9,366	14.26%	20,903	14.47%	101,686	14.37%
I-20W/Greenbriar	29,225	21.29%	47,789	6.05%	(4,419)	7.46%	(3,398)	8.71%	(52,177)	13.02%
I-285/GA-400	720,283	11.76%	(528,169)	12.42%	116,421	11.91%	380,911	12.88%	(476,257)	15.14%
I-285/I-85/Northlake	25,049	19.78%	200,751	15.11%	295,552	11.35%	10,960	11.10%	16,792	11.06%
I-285E/Stone Mountain	(11,665)	34.82%	26,795	24.93%	19,569	17.71%	(11,042)	21.79%	8,891	18.50%
I-75 Corridor	78,637	11.71%	70,650	5.44%	(58,406)	10.62%	(739)	10.69%	(211,012)	22.13%
I-75/I-285	581,835	13.22%	99,137	13.12%	90,958	16.34%	335,602	15.58%	(118,353)	15.50%
I-75N/Marietta/JF	235,415	10.17%	119,229	6.39%	5,985	6.20%	(49,957)	7.78%	(39,803)	9.42%
NE Expressway-North	96,256	21.68%	208,933	17.89%	(60,173)	19.10%	(34,631)	19.80%	113,040	17.52%
NE Expressway-South	36,600	7.11%	(22,150)	7.59%	84,176	5.79%	47,274	6.38%	7,468	6.22%
Peachtree Corners	<u>169,271</u>	<u>17.17%</u>	<u>25,176</u>	<u>16.28%</u>	<u>(156,653)</u>	<u>18.26%</u>	<u>(100,216)</u>	<u>19.53%</u>	<u>129,270</u>	<u>17.90%</u>
<b>Suburban Totals</b>	<b><u>2,345,035</u></b>	<b><u>13.89%</u></b>	<b><u>53,991</u></b>	<b><u>13.36%</u></b>	<b><u>413,430</u></b>	<b><u>14.06%</u></b>	<b><u>659,888</u></b>	<b><u>14.34%</u></b>	<b><u>(441,254)</u></b>	<b><u>14.53%</u></b>
<b>Total With Averages</b>	<b><u>2,902,709</u></b>	<b><u>14.20%</u></b>	<b><u>614,886</u></b>	<b><u>13.46%</u></b>	<b><u>1,241,667</u></b>	<b><u>13.83%</u></b>	<b><u>2,208,450</u></b>	<b><u>13.39%</u></b>	<b><u>267,185</u></b>	<b><u>13.84%</u></b>

### Agents

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