

Atlanta



Market Facts

16.1%

Total market vacancy down 40 bps year-over-year

13.8%

Class A vacancy up 30 bps year-over-year

4.4 MSF

SF under construction in the first quarter with 45% preleased

\$27.61 PSF

Average Class A asking rate up 5.9% in the last 12 months

Market Overview

The first three months of 2017 saw a decrease in the pace of activity from the end of 2016. While Metro Atlanta saw its first quarter of negative absorption since 2011, rental rates continue to rise and consecutively break records. As new jobs are consistently announced for Metro Atlanta, market conditions will continue to tighten.

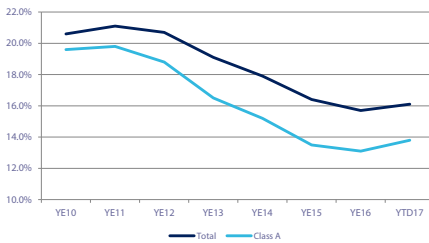
Vacancy and Absorption

The Atlanta office market saw its first negative absorption recorded during the first three months of the year with 372,930 sf of negative net gains. This was in large part due to Coca-Cola moving out of 320,000 sf at their Cumberland/Galleria location and consolidating into their Downtown headquarters. Due to the negative absorption the vacancy rate did increase from the fourth quarter of 2016, however year-over-year there was a 40 bps decrease. The Class A market

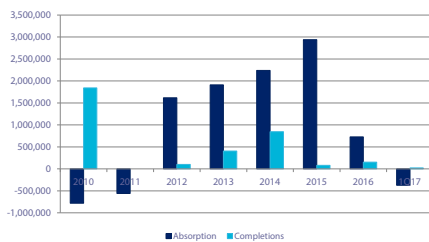
took the largest hit with 500,000 sf of negative net gains which increased the vacancy rate to 13.8% year-over-year. For the second consecutive quarter the Downtown submarket posted the strongest absorption at 96,514 sf. Stanley Beaman & Sears took occupancy of 22,935 sf at the Equitable building, which will see continued positive absorption in 2017 as Georgia's Own Credit Union begins to occupy their new space in the building. The Cumberland/Galleria submarket should rebound from the negative absorption it recorded in the first quarter as new construction projects that are heavily pre-leased, including Riverwood 200 and the two office buildings at The Battery, will deliver and be occupied in 2017. As companies, such as CallRail and SalesLoft, continue to expand and announce new jobs we expect market activity to increase.

As a lack of large blocks of Class A space in the urban submarkets continues to be a problem, tenants are having to find alternatives to meet their real estate needs.

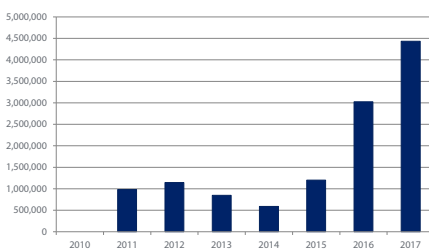
Vacancy Trends



Absorption vs. Completions



SF Under Construction



Leasing Activity

The first three months of 2017 saw a decrease in leasing activity compared to 2016. The Central Perimeter submarket saw the largest amount of leasing activity in the first quarter with 379,337 sf leased. This was largely due to WestRock signing a 195,000-sf lease at 400 Northpark. The Buckhead submarket followed closely with 317,917 sf of leasing activity. Out of the eleven Class A buildings in Buckhead that could accommodate a 50,000 sf or larger tenant, four of those buildings are currently under construction.

New Construction

Construction activity continues to be a hot topic in Metro Atlanta. Currently there is 4.4 msf under construction in the market and is 45% pre-leased. After the success of Ponce City Market, a new project broke ground in the first quarter at 725 Ponce de Leon Avenue. This 430,000 sf project consists of 360,000 sf of Class A office space and 70,000 sf of retail leased to Kroger across from the Atlanta Beltline. It is scheduled to deliver in 2019 and will accommodate tenants that are looking for creative loft office space near numerous amenities such as shopping and dining.

Rental Rates

The trend of rising asking rental rates at the end of 2016 has carried over to the first quarter of 2017. The average asking rate ended the first three months of the year at \$24.26, up 5.2% year-over-year. The average Class A rate rose by 5.9% to \$27.61, and the average Class B rate rose by 4.7% to \$18.84 in the same period. The Buckhead submarket continues to have the highest average asking rental

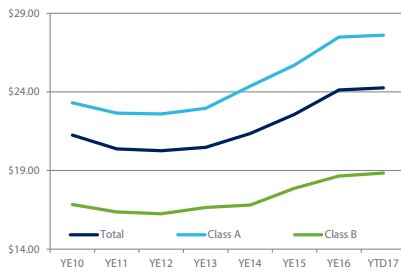
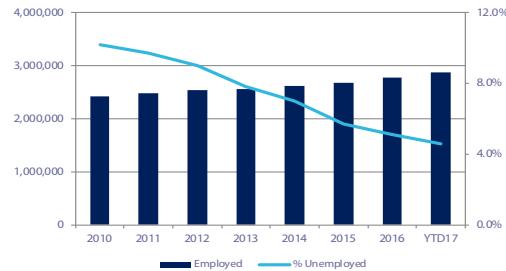
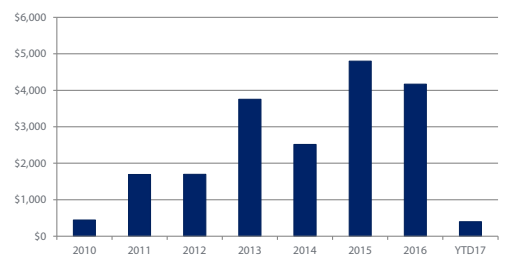
rate with an average of \$34.33 psf in Class A space. However, the highest quoted rate in Metro Atlanta is in Midtown at Ponce City Market where asking rates are over \$50.00 psf. In the Class A suburban market, Central Perimeter once again has a slight edge with an average asking rate at \$28.47 psf.

Investment Sales

Similar to the rest of the office market, investment sales started off the year at a slower pace than in 2016. Investment sales totaled approximately \$397 million in the first quarter. In the largest sale of the quarter, KBS Strategic Opportunity REIT purchased the two buildings at Crown Pointe in Central Perimeter from Barings Real Estate Advisors for \$83.4 million (\$167/sf).

Outlook

As expected, job growth continues to be the force behind Metro Atlanta's growing office market. Corporate recruitment efforts, as well as local tenant expansions, are driving the market to tighten at levels not seen since 2008. According to the Bureau of Labor Statistics, employment in the Atlanta Metro grew by more than 105,000 jobs between March 2016 and March 2017. As pre-leasing in new construction projects continues to be strong, vacancy rates should remain stable and rental rates will continue to rise. We expect to see an increased interest in loft office space as traditional office tenants start to look at creative alternatives to meet the young talent pools' growing demands. We expect activity to increase throughout the remainder of 2017 and that the year will end on a positive note.

Average Asking Rental Rate
(psf/year/full service)Metro Atlanta Employment
(March of each year)Office Investment Sales
(in millions)

Select Lease Transactions

Tenant	Property	Type	Submarket	SF
WestRock Co.	400 Northpark	New Lease	Central Perimeter	194,718
CBRE	Three Alliance	New Lease	Buckhead	104,817
Cushman & Wakefield	1180 Peachtree	New Lease	Midtown	50,203
Atlanta Regional Commission	International Tower	New Lease	Downtown	41,381
Heery International	999 Peachtree	Renewal	Midtown	31,690
SalesForce	Regions Plaza	New Lease	Midtown	30,524
Undisclosed	271 17th St	New Lease	Midtown	26,252
Capgemini U.S.	Prominence	Renewal	Buckhead	24,816
Mind Body	171 17th St	New Lease	Midtown	17,694

Select Sale Transactions

Property	Submarket	Buyer	Total SF	Sale Price	Price/SF
Crown Pointe	Central Perimeter	KBS Strategic Opportunity REIT, Inc	499,968	\$83,400,000	\$167
100 Galleria	Cumberland/Galleria	Childress Klein	418,434	\$69,000,000	\$165
One & Two Premier Plaza	Central Perimeter	Zeller Realty Group	316,600	\$54,700,000	\$173
Ashford Center	Central Perimeter	OA Development, Inc	161,247	\$22,375,000	\$139

Select Construction Projects

Property	Submarket	Projected Completion	Total SF	% Preleased	Asking Rate PSF
Coda	Midtown	First Quarter 2019	760,000	61%	Withheld
Three Alliance	Buckhead	Second Quarter 2017	506,647	48%	\$31.00 - \$36.00 NNN
NCR Headquarters*	Midtown	First Quarter 2018	485,000	100%	N/A
725 Ponce	Midtown	First Quarter 2019	430,000	0%	\$32.50 NNN
4004 Perimeter Summit	Central Perimeter	Third Quarter 2017	355,000	0%	\$40.00 - \$42.00 FS
Riverwood 200	Cumberland/Galleria	Second Quarter 2017	308,000	74%	\$29.50 NNN
Comcast Tower*	Cumberland/Galleria	Fourth Quarter 2017	260,000	100%	N/A
8000 Avalon	North Fulton/Forsyth	Second Quarter 2017	228,182	39%	\$37.00 - \$38.00 FS
Encore Center*	Cumberland/Galleria	First Quarter 2018	222,000	100%	N/A

*Single-tenant leased property

Market By The Numbers

BY SUBMARKET	Inventory	VACANCY			NET ABSORPTION		SF Under	AVERAGE ASKING RENT		
		Total	Class A	Class B	1Q17	YTD	Construction	Total	Class A	Class B
Buckhead	18,747,355	11.0%	11.1%	11.0%	12,284	12,284	855,793	\$33.26	\$34.33	\$25.46
Downtown	17,043,489	18.7%	17.5%	17.7%	96,514	96,514	-	\$24.07	\$24.90	\$18.92
Midtown	18,044,524	11.8%	11.4%	13.8%	32,681	32,681	1,798,000	\$29.28	\$31.88	\$23.41
Urban Total	53,835,368	13.7%	13.0%	14.5%	141,479	141,479	2,653,793	\$28.82	\$30.09	\$22.74
Airport/South Atlanta	4,252,018	23.0%	9.5%	26.3%	68,651	68,651	20,000	\$16.87	\$20.91	\$15.45
Central Perimeter	22,638,010	14.6%	12.5%	22.4%	(146,055)	(146,055)	355,000	\$26.91	\$28.47	\$23.73
Cumberland/Galleria	19,754,240	18.1%	17.1%	19.5%	(338,841)	(338,841)	1,046,906	\$23.71	\$26.60	\$18.84
Decatur/Stone Mountain	1,441,538	10.0%	13.2%	7.5%	(36,067)	(36,067)	-	\$22.54	\$25.57	\$18.41
Duluth/Suwanee/Buford	7,443,343	23.0%	17.9%	29.4%	21,994	21,994	-	\$17.89	\$20.82	\$15.40
I-20 East/Conyers	532,508	24.6%	-	29.0%	3,751	3,751	-	\$17.54	-	\$17.67
I-20 West/Douglasville	473,425	13.7%	-	12.1%	(1,219)	(1,219)	-	\$17.00	-	\$15.69
Norcross/Peachtree Corners	6,219,564	30.2%	21.1%	36.8%	(40,867)	(40,867)	-	\$18.26	\$21.83	\$16.39
North Fulton/Forsyth	19,101,367	14.8%	14.4%	16.0%	(100,287)	(100,287)	256,682	\$23.23	\$25.61	\$17.86
Northeast Atlanta	7,986,782	18.4%	8.9%	23.3%	12,198	12,198	100,000	\$18.25	\$22.02	\$17.97
Northwest Atlanta	3,054,260	7.0%	3.3%	10.3%	42,333	42,333	-	\$20.13	\$25.63	\$18.40
Suburban Total	92,897,055	17.5%	14.4%	22.7%	(514,409)	(514,409)	1,778,588	\$22.31	\$25.95	\$18.28
Total Market	146,732,432	16.1%	13.8%	21.0%	(372,930)	(372,930)	4,432,381	\$24.26	\$27.61	\$18.84

BY CLASS	Inventory	Vacancy	1Q Absorption	YTD Absorption	SF Under Construction	Sublease SF
Class A	98,628,656	13.8%	(586,188)	(586,188)	4,383,881	1,231,908
Class B	43,979,778	21.0%	173,254	173,254	48,500	287,322
Class C	4,123,989	21.3%	(619)	(619)	-	-
Total Market	146,732,432	16.1%	(372,930)	(372,930)	4,432,381	1,519,230



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