



SECOND QUARTER 2015

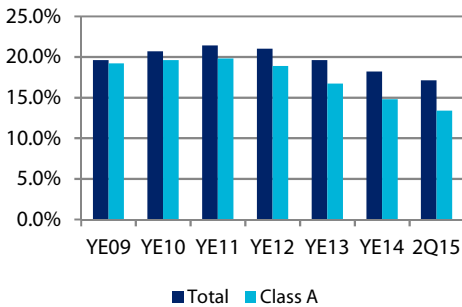
# Atlanta Office Market Report

Partnership. Performance.

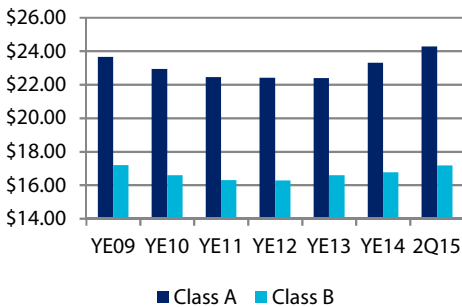


## MARKET FACTS

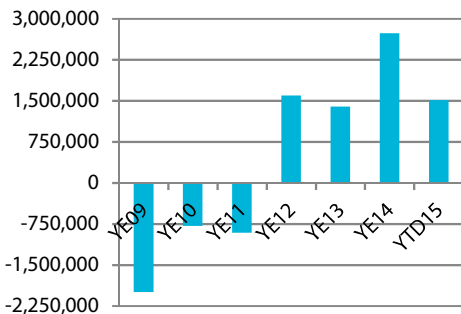
### Vacancy Rates



### Asking Rental Rates (\$/SF/Yr. Full Service)



### Net Absorption



## Market Takeaway

The Atlanta office market witnessed more than 1 million sf (msf) of net absorption in the second quarter, bringing the market's year-to-date total to 1.5 msf. With no new buildings delivered through the first half of the year, existing buildings witnessed significant occupancy gains, driving vacancy down by 60 basis points (bps) for the quarter and by 160 bps year-over-year. Vacancy ended the quarter at 17.1%, down from a cyclical high of 21.6% in mid-2011.

The Class A segment witnessed the strongest activity as tenants soaked up 776,172 sf. Class A vacancy ended the second quarter at just 13.4%, down by 60 bps for the quarter and by 220 bps in the last 12 months. Class A asking rental rates ended the second quarter at \$24.29, up by 7.5% year-over-year, and Class B rates rose by 3.1% to \$17.18 in the same period. The most dramatic increase in rental rates has taken place in Buckhead, where vacancy has fallen by 430 basis points in the last year. The average Class A asking rate in Buckhead ended the second quarter at \$29.79, up by 12.5% year-over-year and the highest rate in the market.

Among the largest transactions of the quarter, Intercontinental Hotel Group renewed and expanded its lease at Three Ravinia Drive in Central Perimeter, bringing its total occupancy to 320,671 sf; Kaiser Permanente leased 157,000 sf for its IT and innovation center at Pershing Point Plaza in Midtown; Sage Software leased 78,000 sf at Atlantic Station in Midtown; and Highwoods Properties secured preleasing commitments from Bennett Thrasher (62,500 sf) and Holder Construction (56,000 sf) at Riverwood 200 in Cumberland/Galleria. Highwoods plans to break ground on the 299,000-sf building in the third quarter.

Mirroring a national trend, office investment volume in Atlanta surged to \$1.4 billion in the second quarter, more than double the first quarter's volume and the strongest quarterly performance since 2007. Office sales outpaced all other property types in volume, including multifamily. There were four transactions valued at \$90 million or more, the largest of which was Building & Land Technology's \$469 million (\$221/sf) purchase of Concourse Corporate Center (2.1 msf in five buildings) in the Central Perimeter submarket. Other major sales included Atlantic Station (\$98.25 million - \$281/sf) in Midtown; Midtown Plaza I and II (\$93.3 million - \$185/sf), also in Midtown; and One and Two Securities Centre (\$90 million - \$171/sf) in Buckhead.

The market should continue to shift in favor of landlords for the next 18 to 24 months. According to the Bureau of Labor Statistics, Atlanta experienced annual job growth of 4.6% for the 12 months ending February 2015, making it the top performer among all large U.S. metros. Economists are projecting that Atlanta will add up to 100,000 new jobs in 2015, and construction remains at historically low levels. While several projects are planned, just one speculative building was underway at mid-year 2015. Little new product will hit the market before 2017, leaving ample room for rent growth. Tenants will need to act decisively and should be prepared for increased occupancy costs. Rising Class A rental rates should fuel more meaningful recovery in the Class B market heading into 2016.



# Market Indicators | Second Quarter 2015

By Submarket	Total SF	Vacant SF	Vacant %	NET ABSORPTION		SF Under	AVERAGE ASKING RENT	
				2Q15	YTD	Construction	Class A	Class B
Buckhead	18,973,988	2,027,197	10.7%	187,271	237,198	500,000	\$29.79	\$22.89
Downtown	17,074,000	3,964,913	23.2%	(48,208)	(116,532)	-	\$21.53	\$17.98
Midtown	17,513,225	2,644,734	15.1%	171,122	322,720	-	\$27.55	\$19.02
<b>Urban Total</b>	<b>53,561,213</b>	<b>8,636,844</b>	<b>16.1%</b>	<b>310,185</b>	<b>443,386</b>	<b>500,000</b>	<b>\$25.47</b>	<b>\$19.46</b>
Airport/South Atlanta	4,052,690	1,112,397	27.4%	50,728	94,615	-	\$19.31	\$15.59
Central Perimeter	23,127,502	3,248,099	14.0%	163,805	150,123	-	\$26.29	\$20.25
Cumberland/Galleria	20,033,161	3,746,129	18.7%	235,110	201,142	-	\$24.10	\$16.73
Decatur/Stone Mountain	1,307,459	109,195	8.4%	16,022	16,611	-	\$24.25	\$19.02
Duluth/Suwanee/Buford	7,254,690	1,843,826	25.4%	87,112	67,231	-	\$19.63	\$13.98
I-20 East/Conyers	579,558	215,323	37.2%	(43,336)	(40,380)	-	-	\$16.74
I-20 West/Douglasville	571,951	59,137	10.3%	1,437	8,010	-	-	\$15.74
Norcross/Peachtree Corners	6,327,137	1,586,798	25.1%	85,597	90,065	-	\$19.66	\$15.26
North Fulton/Forsyth	19,049,969	2,663,623	14.0%	49,601	302,595	-	\$22.47	\$16.22
Northeast Atlanta	7,869,865	1,583,286	20.1%	29,689	30,859	-	\$20.58	\$17.74
Northwest Atlanta	2,952,708	260,096	8.8%	48,712	151,363	-	\$21.18	\$17.47
<b>Suburban Total</b>	<b>93,126,690</b>	<b>16,427,909</b>	<b>17.6%</b>	<b>724,477</b>	<b>1,072,234</b>	<b>-</b>	<b>\$23.49</b>	<b>\$16.84</b>
<b>Totals</b>	<b>146,687,903</b>	<b>25,064,753</b>	<b>17.1%</b>	<b>1,034,662</b>	<b>1,515,620</b>	<b>500,000</b>	<b>\$24.29</b>	<b>\$17.18</b>

By Class	Available for Sublease							
Class A	97,719,673	13,140,125	13.4%	776,172	1,382,142	500,000	2,634,363	
Class B	44,257,686	10,725,110	24.2%	228,446	115,194	-	783,912	
Class C	4,710,544	1,199,518	25.5%	30,044	18,284	-	1,100	
<b>Totals</b>	<b>146,687,903</b>	<b>25,064,753</b>	<b>17.1%</b>	<b>1,034,662</b>	<b>1,515,620</b>	<b>500,000</b>	<b>3,419,375</b>	

\*Inventory and statistics re-benchmarked in 2Q2015. Direct comparisons to previous reporting periods may display inconsistencies.

## Notable Transactions

Tenant	Property	Type	SF	Submarket
Intercontinental Hotels Group	Three Ravinia Drive	Renewal/Expansion	320,671	Central Perimeter
Kaiser Permanente	Pershing Point Plaza	New	157,000	Midtown
Sage Software	Atlantic Station	New	78,800	Midtown
Pond & Co.	Peachtree Ridge	Renewal/Expansion	63,000	Norcross/Peachtree Corners
Bennett Thrasher	Riverwood 200	Prelease	62,500	Cumberland/Galleria
Holder Construction	Riverwood 200	Prelease	56,000	Cumberland/Galleria
SAP	One Alliance Center	New	46,304	Buckhead
CareerBuilder	Two Live Oak	New	30,031	Buckhead
Industrious	Ponce City Market	New	28,000	Midtown
Parson's Group	Royal Peachtree Corners	New	26,496	Norcross/Peachtree Corners
Hexaware Technologies	Peachtree Dunwoody Pavilion	New	23,277	Central Perimeter
Amazon	Terminus Two	New	20,000	Buckhead



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