



Market Takeaway

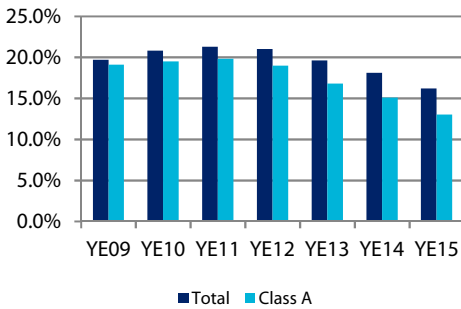
The Atlanta office market turned decidedly in favor of landlords in 2015. Annual net absorption topped 3 msf for the first time since 2006. With historically low levels of new construction, renewed tenant activity sent vacancy down at a rapid clip. Overall vacancy ended the year at 16.2%, down by 190 basis points (bps) since the end of 2014 and the lowest level since 2008. Improvement in the Class A market was even more dramatic, with vacancy declining by 210 bps to 13%, the lowest rate witnessed for this segment since 2001. Vacancy remains elevated at 23.1% in the Class B market, but this segment improved steadily throughout the year with vacancy falling by 150 bps. 2015 marked the second consecutive year of positive annual net absorption of Class B space following 7 consecutive years of negative absorption.

In response to strengthening market conditions, average asking rental rates rose dramatically in 2015. The average Class A asking rate rose to \$25.12 in the fourth quarter, an increase of 6.6% over the last 12 months and a record high for the region. Class A rate increases were even more pronounced in select submarkets, including Downtown (16.1%), Buckhead (11.7%), Cumberland/Galleria (8.1%) and Midtown (7.8%). Class B rates also increased notably, with the average rate rising by 6.0% over the last 12 months to \$17.92.

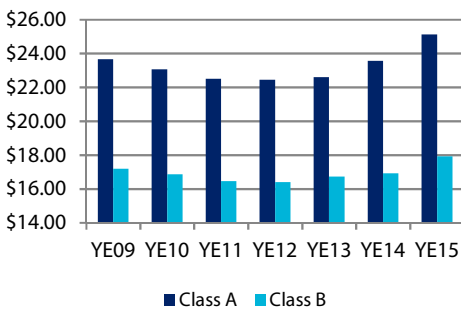
In the largest transaction of the fourth quarter, IBM signed a long-term lease for 238,600 sf with the new owner of its Central Perimeter offices at 6301 & 6303 Barfield Road. Also in Central Perimeter, eVestments leased 70,000 sf at 100 Glenridge Point, and Newell Rubbermaid purchased the 97,979-sf 6655 Peachtree Dunwoody Road office building for occupancy, removing it from the competitive inventory. In Cumberland/Galleria, RaceTrac leased 114,000 sf at Galleria 200 for its new headquarters location, and law firm Taylor English Duma renewed its lease and expanded by 24,000 sf, bringing its total occupancy at 1600 Parkwood Circle to 79,000 sf. On the downside, absorption fell into the red by 126,407 sf in the Norcross/Peachtree Corners submarket due primarily to Fiserv vacating multiple locations following its expansion and relocation and to Alpharetta's Cobalt Center.

Avison Young expects market fundamentals to continue to move in favor of landlords for the next 24 months. Continued job growth in the Atlanta market should fuel strong tenant demand in 2016. According to the Georgia Department of Labor, the Atlanta metropolitan area added 86,400 jobs in the 12 months ending November 2015. Moving forward, tenants will face an increasingly competitive market, and occupancy costs – both rental rates and tenant improvement costs – are poised to increase steeply. Just 856,000 sf of new construction is underway, with 23% reported as preleased. The largest projects are Tishman Speyer's 500,000-sf Three Alliance in Buckhead, scheduled for completion in the fourth quarter of 2016, and Highwoods Properties' 300,000-sf Riverwood 200 in Cumberland/Galleria, due in mid 2017.

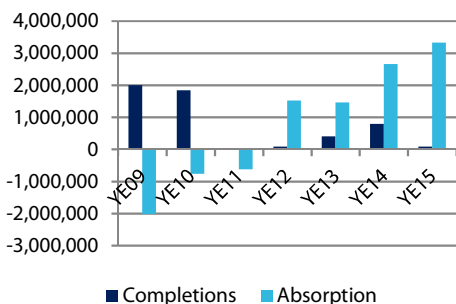
Vacancy Rates



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



Net Absorption



Market Indicators | Fourth Quarter 2015

By Submarket	Total SF	Vacant SF	Vacant %	NET ABSORPTION		SF Under	ASKING RENT	
				4Q15	YTD	Construction	Class A	Class B
Buckhead	19,414,163	2,082,128	10.7%	69,022	539,891	500,000	\$31.42	\$23.02
Downtown	16,507,020	3,485,001	21.1%	123,001	51,364	-	\$22.31	\$18.62
Midtown	17,549,232	2,469,455	14.1%	203,856	757,801	-	\$27.27	\$23.62
Urban Total	53,470,415	8,036,584	15.0%	395,879	1,349,056	500,000	\$26.67	\$22.15
Airport/South Atlanta	4,108,402	1,016,933	24.8%	46,028	167,555	-	\$19.68	\$15.36
Central Perimeter	22,880,780	3,186,295	13.9%	176,513	202,735	-	\$27.07	\$20.74
Cumberland/Galleria	20,036,867	3,324,882	16.6%	156,855	493,982	300,000	\$24.85	\$17.07
Decatur/Stone Mountain	1,409,655	85,246	6.0%	11,161	138,416	-	\$25.09	\$18.48
Duluth/Suwanee/Buford	7,288,269	1,794,568	24.6%	27,159	97,974	-	\$20.17	\$15.37
I-20 East/Conyers	532,558	150,175	28.2%	13,359	(23,122)	-	-	\$17.90
I-20 West/Douglasville	571,951	48,495	8.5%	9,009	18,652	-	-	\$15.69
Norcross/Peachtree Corners	6,384,271	1,856,290	29.1%	(126,407)	(198,854)	-	\$20.13	\$15.83
North Fulton/Forsyth	18,951,516	2,500,704	13.2%	121,430	804,978	-	\$23.18	\$17.19
Northeast Atlanta	7,896,459	1,534,508	19.4%	79,846	142,900	-	\$20.82	\$17.62
Northwest Atlanta	2,972,708	263,289	8.9%	(43,144)	133,182	56,000	\$22.98	\$17.92
Suburban Total	93,033,436	15,761,385	16.9%	471,809	1,978,398	356,000	\$24.11	\$17.34
Totals	146,503,851	23,797,969	16.2%	867,688	3,327,454	856,000	\$25.12	\$17.92

By Class	Available for Sublease						
Class A	98,000,793	12,769,511	13.0%	547,244	2,673,199	800,000	2,954,054
Class B	44,357,353	10,256,184	23.1%	277,666	570,619	56,000	729,750
Class C	4,145,705	772,274	18.6%	42,778	83,636	-	6,830
Totals	146,503,851	23,797,969	16.2%	867,688	3,327,454	856,000	3,690,634

Notable Lease Transactions

Tenant	Property	Type	SF	Submarket
IBM	6301 & 6303 Barfield Road	Renewal	238,600	Central Perimeter
RaceTrac	Galleria 200	New Lease	114,000	Cumberland/Galleria
eVestments	100 Glenridge Point	New Lease	70,000	Central Perimeter
N3	Piedmont Center	New Lease	65,000	Buckhead
MACTEC	Town Point Service Center	Renewal	57,642	Northwest
Taylor English Duma, LLP	1600 Parkwood Circle	Renewal/Expansion	79,000	Cumberland/Galleria
LG Electronics	Georgia 400 Center III	Renewal	38,000	North Fulton/Forsyth
Southern Company*	30 Allen Plaza	New Lease	30,178	Downtown
Atrium Hospitality*	Deerfield Point	New Lease	13,656	North Fulton/Forsyth

*Transaction handled by Avison Young



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