

Atlanta



Market Facts

15.7%

Total market vacancy down 70 bps year-over-year

13.1%

Class A vacancy down 40 bps year-over-year

3.7 MSF

SF under construction in the fourth quarter with 57% preleased

\$27.49 PSF

Average Class A asking rate up 7% in the last 12 months and a new record high for Atlanta

Market Overview

The last three months of 2016 saw an increase in the pace of activity from the beginning of the year. While the vacancy rate is nearing the lowest it has been since 2008, rental rates continue to break records and have exceeded \$24.00 for the first time in Atlanta history. The Downtown submarket saw the most activity it has recorded since 2009. As market conditions continue to tighten, developers are beginning to fill the construction pipeline.

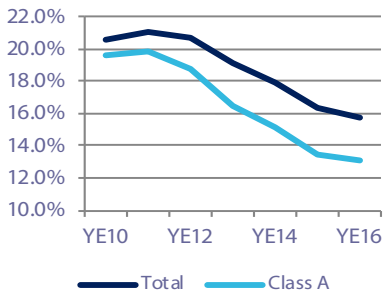
Vacancy and Absorption

The Atlanta office market saw an increase in absorption during the last three months of the year with 392,941 sf, bringing year-to-date absorption to 726,927 sf. Vacancy decreased to 15.7%, a 70 basis points (bps) drop year-over-year. Class A vacancy stood at 13.1%, down 40 bps for the quarter and year-over-year. Class B Vacancy saw strong activity in

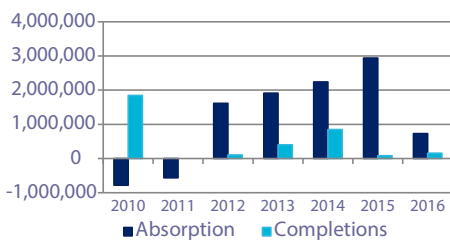
the fourth quarter and dropped 80 bps to 21.8%, and is down 100 bps year-over-year. Surprisingly the Downtown submarket posted the strongest absorption of the quarter at 251,391 sf. Drew, Eckl & Farnham took occupancy of 59,321 sf at SunTrust Plaza, and 191 Peachtree Street saw approximately 50,500 sf absorbed between the Metro Atlanta Chamber and HNTB. Year-to-date the Midtown submarket saw the largest amount of absorption at 653,279 sf, which makes up the majority of absorption seen in the entire Metro area. This is the lowest yearly absorption total since 2011. However, seeing the demand for space in the Midtown submarket, Selig Enterprises announced their plan to develop a new project at 1105 West Peachtree Street. The mixed-use development would include a 645,000 sf office tower, residential units, a boutique hotel and street-level retail.

As demand for Class A space continues to be at an all time high, rental rates are increasing and construction activity has accelerated with the largest amount of projects in development since 2008.

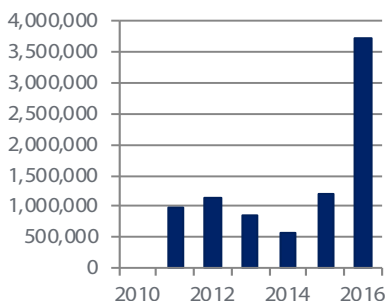
Vacancy Trends



Absorption vs. Completions



SF Under Construction



Leasing Activity

The Downtown submarket saw record leasing activity in the fourth quarter with 554,171 sf leased. This is the largest amount of activity in a single quarter since 2009. Anthem led the way with a 148,000 sf lease at Bank of America Plaza. Georgia's Own Credit Union announced they will leave Midtown submarket for Downtown and leased approximately 100,000-sf at 100 Peachtree Street. Overall leasing activity was slower than the strong pace set in 2015 with 10.4 msf leased in 2016. As demand for Class A space continues to be at a premium, new construction is coming into the pipeline.

New Construction

Construction activity continues to be a hot topic in Metro Atlanta. The highly anticipated 760,000 sf Coda project broke ground in the fourth quarter, bringing the current under construction total to 3.7 msf. This is the largest amount of sf under construction since the Buckhead boom in 2008. New construction is not just limited to Atlanta's CBD market. The Cumberland/Galleria submarket has seen a spike in new construction, 1.0 msf currently underway, and expects future developments to be announced as interest in the area around the new Braves stadium continues to be high.

Rental Rates

Asking rental rates have risen to record highs in Atlanta and will continue to face upward pressure in the near term as tenant demand remains strong and construction prices rise. The overall average asking rate ended the fourth quarter at \$24.12, up 6.8% year-over-year. The average Class A rate rose

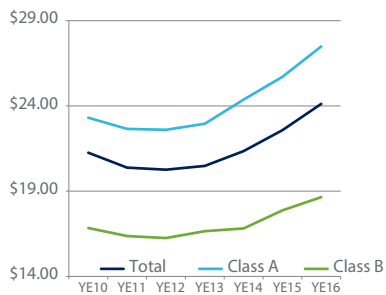
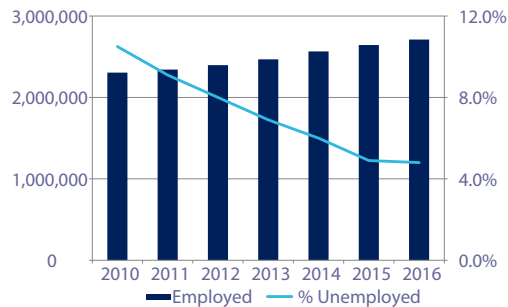
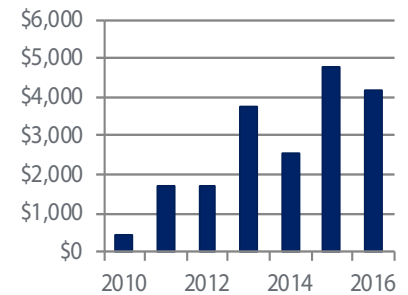
by 7.0% to \$27.49, and the average Class B rate rose by 4.4% to \$18.65 in the same period. The Buckhead submarket has the highest asking rental rates with an average of \$34.24 psf in Class A space. In the Class A suburban markets Central Perimeter currently has a slight edge with an average asking rate at \$28.44 psf. This is currently higher than Downtown's average rate of \$25.34 psf.

Investment Sales

Office sales totaled \$1.6 billion in the fourth quarter, bringing year-to-date volume to \$4.2 billion. In the largest sale of the quarter, a joint venture between Oaktree Capital Management and Banyan Street Capital purchased 191 Peachtree in Downtown from Cousins Properties for \$243 million (\$200/sf). The 50-story, 1.2-million-sf property was 93% leased upon closing.

Outlook

Metro Atlanta expects the momentum from 2016 to continue into 2017. Job growth remains strong, and Atlanta continues to have success in corporate recruitment efforts. According to the Bureau of Labor statistics, employment in the Atlanta metro grew by more than 68,000 between November 2015 and November 2016. As the cost for doing business in Atlanta remains more affordable than other major metro areas investors, will continue to look at the Atlanta market for profitable purchases. 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 millennials growing demands.

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

Select Lease Transactions

Tenant	Property	Type	Submarket	SF
Anthem	Bank of America Plaza	New Lease	Downtown	148,192
Crawford & Co	Midori	New Lease	Norcross/Peachtree Corners	109,172
Georgia's Own Credit Union	100 Peachtree Street	New Lease	Downtown	100,000
Weather Co	1001 Perimeter Summit	New Lease	Central Perimeter	92,272
Honeywell	715 Peachtree	New Lease	Midtown	62,467
State Street Global Advisors	Three Alliance	Prelease	Buckhead	51,724
WeWork	100 Colony Square	New Lease	Midtown	41,231
Athenahealth	Ponce City Market	Expansion	Midtown	40,000
General Electric Digital	Prominence in Buckhead	New Lease	Buckhead	34,988

Select Sale Transactions

Property	Submarket	Buyer	Total SF	Sale Price	Price/SF
191 Peachtree	Downtown	Oaktree Capital Management	1,219,000	\$243,425,000	\$200
Atlanta Financial Center	Buckhead	Sumitomo Corporation of Americas	914,774	\$222,500,000	\$243
Three Ravinia	Central Perimeter	Preferred Office Properties	813,145	\$210,100,000	\$258
North Creek Office Park	Cumberland/Galleria	GEM Realty Capital, Inc	536,453	\$101,500,000	\$189

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	First Quarter 2017	506,647	27%	\$31.00 - \$36.00 NNN
NCR Headquarters*	Midtown	First Quarter 2018	485,000	100%	N/A
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	20%	\$28.50 - \$29.50 NNN
Encore Center*	Cumberland/Galleria	First Quarter 2018	222,000	100%	N/A
Stockyards Atlanta	Midtown	Second Quarter 2017	136,000	72%	\$34.00 FS

*Single-tenant leased property

Market By The Numbers

BY SUBMARKET	Inventory	VACANCY			NET ABSORPTION		SF Under	AVERAGE ASKING RENT		
		Total	Class A	Class B	4Q16	YTD	Construction	Total	Class A	Class B
Buckhead	18,897,584	10.9%	11.0%	10.9%	(67,303)	144,113	656,551	\$32.92	\$34.24	\$24.56
Downtown	16,822,304	18.6%	18.1%	20.7%	251,391	99,546	-	\$24.46	\$25.34	\$19.02
Midtown	18,004,627	10.7%	10.1%	14.1%	141,429	653,279	1,368,000	\$29.06	\$31.38	\$23.97
Urban Total	53,724,515	13.2%	13.9%	15.6%	325,517	896,938	2,024,551	\$28.47	\$29.76	\$22.83
Airport/South Atlanta	4,235,541	21.6%	11.2%	25.1%	7,069	(29,589)	-	\$16.21	\$20.29	\$15.59
Central Perimeter	22,833,782	15.0%	12.5%	24.0%	(36,456)	(238,068)	355,000	\$26.87	\$28.44	\$23.45
Cumberland/Galleria	19,880,368	16.4%	14.1%	20.7%	(12,170)	464,976	1,046,906	\$23.57	\$26.66	\$18.45
Decatur/Stone Mountain	1,413,538	8.3%	9.2%	8.0%	1,896	(20,544)	-	\$22.90	\$25.70	\$18.52
Duluth/Suwanee/Buford	7,278,404	23.4%	18.6%	28.6%	1,899	11,164	-	\$17.63	\$20.92	\$15.16
I-20 East/Conyers	532,558	25.5%	-	30.3%	2,000	12,729	-	\$18.52	-	\$18.58
I-20 West/Douglasville	471,309	13.5%	-	11.8%	3,635	(11,451)	-	\$17.81	-	\$15.41
Norcross/Peachtree Corners	6,337,778	31.3%	19.6%	39.7%	22,764	(140,060)	-	\$17.97	\$21.08	\$16.42
North Fulton/Forsyth	19,026,052	14.0%	13.3%	16.1%	36,986	(219,108)	228,182	\$23.21	\$25.52	\$17.58
Northeast Atlanta	7,939,232	18.0%	8.8%	22.6%	66,338	32,404	70,000	\$17.69	\$21.42	\$17.50
Northwest Atlanta	3,054,260	9.4%	5.5%	12.9%	(26,537)	(32,464)	-	\$20.14	\$24.41	\$18.78
Suburban Total	93,002,822	17.2%	13.4%	23.4%	67,424	(170,011)	1,700,088	\$22.18	\$25.93	\$17.99
Total Market	146,727,337	15.7%	13.1%	21.8%	392,941	726,927	3,724,639	\$24.12	\$27.49	\$18.65

BY CLASS	Inventory	Vacancy	4Q Absorption	YTD Absorption	SF Under Construction	Sublease SF
Class A	98,699,357	13.1%	201,960	520,826	3,724,639	2,903,533
Class B	44,072,995	21.8%	173,414	79,290	-	560,565
Class C	3,954,985	14.1%	17,567	126,811	-	7,411
Total Market	146,727,337	15.7%	392,941	726,927	3,724,639	3,471,509



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