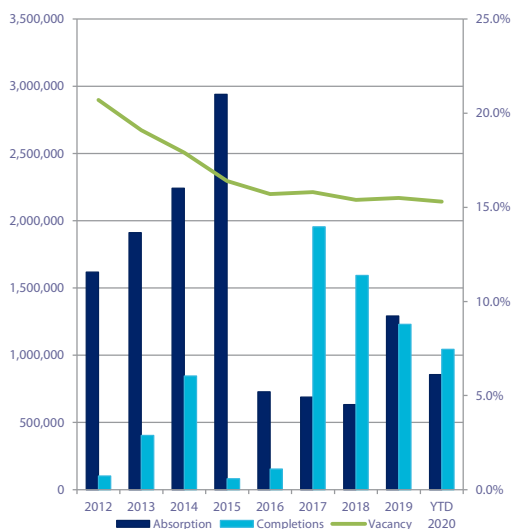




Market Snapshot

	1Q19	1Q20
Inventory	154.5 msf	155.1 msf
Vacancy	15.4%	15.3%
YTD Net Absorption	534, 573 sf	854,978 sf
YTD Deliveries	976,108 sf	1.0 msf
Under Construction	3.1 msf	3.9 msf
Avg. Asking Rents	\$27.10 psf	\$28.93 psf
Unemployment	3.8%	3.3%

Absorption, Deliveries & Vacancy



Although the Atlanta office market recorded strong activity during the first quarter of 2020, it must brace for what economists are predicting will be an upcoming global recession due to the financial headwind effects that widespread closures in response to COVID-19 are creating throughout the nation and globe.

Metro Atlanta's average asking rental rates continued to rise during the first quarter of 2020. The overall average asking rate ended the quarter at \$28.93 per square foot (psf) gross, up 6.8% year-over-year. Average class A rates rose at a faster pace of 7.0% to a record high \$32.01 psf. Class B average rates increased at a slightly slower pace of 6.2% to finish the quarter at \$21.17 psf. Class A Midtown rates remain the highest in the metro area and reached the \$41 mark for the first time, ending the quarter at \$41.49 psf. This is up 9.9% from the beginning of 2019, and was the largest submarket increase of the quarter.

After a strong performance in 2019, Atlanta's office market continued to see an increase in activity during the first quarter of 2020. The market recorded positive net absorption of 854,978 square feet (sf), which is the largest quarterly total since the second quarter of 2015. Leasing activity

remained strong at 1.5 msf, however, it did see a slight decrease from the pace recorded in 2019. This is partially due to the early March announcement of the COVID-19 pandemic which caused some companies to put new leases on hold.

Office vacancy saw a slight decrease, ending the first quarter at 15.3%, down 10 basis points (bps) year-over-year. Class A vacancy ended the quarter up 80 bps year-over-year reaching 15.1%, while class B vacancy recorded significant improvement, down 230 bps to 15.9% in the same time period. This is the lowest class B rate since 2007 and is anticipated to continue to decline as class A space becomes more expensive and more tenants make the move to less expensive class B space.

At the end of the first quarter, the Atlanta office market had 3.9 million square feet (msf) under construction, of which 36% of the space is preleased. The Midtown submarket makes up 3.1 msf of the total amount, with 1.3 msf alone located on the west side of Midtown. During the same period the market saw 1.0 msf of new space enter the inventory, the most new space during a single quarter since the second quarter of 2017.

10 bps

Decrease YOY vacancy

6.8%

YOY rent growth

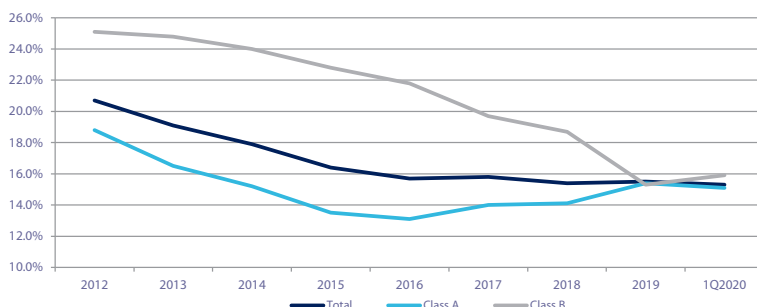
3.9 msf

under construction

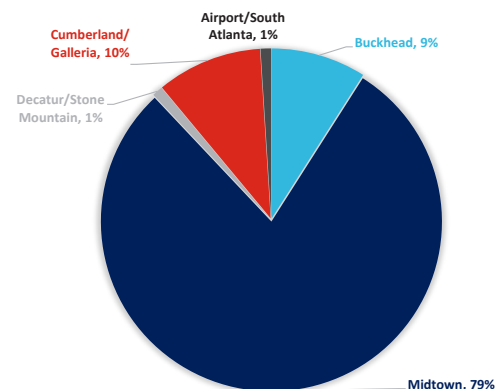
Market Highlights

- Macy's announced they will open a \$14 million technology hub at T3 West Midtown located at Atlantic Station during the summer of 2020. They will occupy 108,000 sf and plan on housing 630 employees at this location. This is the largest lease signed at this new construction building.
- Acoustic, formerly known as IBM's Watson Marketing, has announced its first metro Atlanta office in the Central Perimeter submarket. They will occupy the 7th floor at South Terraces, approximately 57,000 sf, and add 300 jobs.
- Inspire Brands was one of the largest move ins during the quarter, completing their multi-phase move at Three Glenlake. Taking the final 215,000 sf, they now occupy the entire building. This is their headquarters location as well as their global support center. Inspire Brands is the parent company to Arby's, Buffalo Wild Wings, Sonic, Jimmy John's and more.
- Phase one of Anthem's new technology campus delivered during the first quarter and was fully occupied at the same time. This building totals 352,000 sf while the second building, scheduled to complete in January of 2021, will consist of 310,000 sf.
- Investment sales activity in metro Atlanta during the first quarter of 2020 remained strong. Investors spent \$457 million, which is up 23.4% from the pace of activity during the same period in 2019. The average price per square foot (psf) in the first three months of the year was \$162, which is up 53.6% from 2019.
- In the largest sale of the quarter, Lone Star Funds purchased 55 Allen Plaza located in the Downtown submarket for \$80 million from Teacher's Retirement System of the State of Illinois. The building was 75% leased at the time of the sale and is home to EY. This is the first significant urban sale since Lindbergh City Center sold in the third quarter of 2019.

Vacancy by Property Type



Under Construction



Metro Atlanta Job Update

How metro Atlanta's job growth is performing against the nation and other top metro areas

42,800

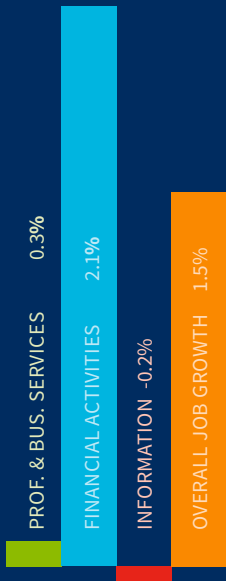
Number of jobs gained
February 2019 -
February 2020

1.5%

Metro Atlanta
job growth from
February 2019 -
February 2020

3.3%

Metro Atlanta
unemployment rate in
February 2020



Metro Atlanta Office-Using Employment

The Financial Activities industry led office-using job growth in metro Atlanta from February 2019 - February 2020



U.S. Job Growth

The U.S. saw 1.6% job growth from February 2019 - February 2020



U.S. Net Job Gains

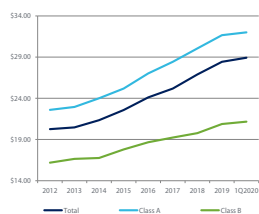
The U.S. gained 2.4 million jobs from February 2019 - February 2020



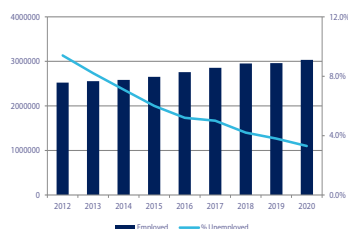
Southeast Job Growth

Atlanta led in job gains with 42,800 while Nashville led in job growth at 3.1%

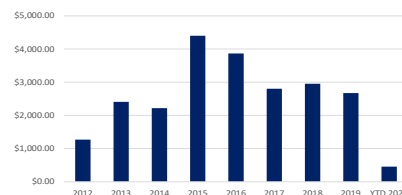
Average Asking Rental Rate (psf/year/FS)



Metro Atlanta Employment (February of each year)



Office Investment Sales (in millions)



Select 1Q 2020 Lease Transactions

Tenant	Property	Type	Submarket	SF
Georgia Department of Revenue	1800 Century Boulevard	Renewal	Northeast	254,032
Macy's	T3 West Midtown	New Lease	Midtown	107,712
Acoustic	South Terraces	New Lease	Central Perimeter	57,113
Toyota Financial Services	11625 Rainwater Drive	New Lease	North Fulton/Forsyth	56,642
Merchant ESolutions	1150 Sanctuary Parkway	New Lease	North Fulton/Forsyth	53,917
Soliant Health	5550 Peachtree Parkway	New Lease	Norcross/Peachtree Corners	51,419
Undisclosed	1277 Lenox Park Boulevard	New	Buckhead	43,419
Facebook, Inc	T3 West Midtown	New Lease	Midtown	35,904
USI Insurance Services	1 Concourse Parkway	New Lease	Central Perimeter	35,566

Select 1Q 2020 Sale Transactions

Property	Submarket	Buyer	Total SF	Sale Price	Price/SF
55 Allen Plaza	Downtown	Lone Star Funds	342,854	\$80,000,000	\$233
244 Perimeter Center	Central Perimeter	RocaPoint Partners	262,340	\$41,700,000	\$159
Mansell Ridge Portfolio	North Fulton/Forsyth	The Simpson Organization	242,765	\$36,595,000	\$151
Brickworks Portfolio	Midtown	Asana Partners	180,394	\$56,394,594	\$313

Select Construction Projects

Property	Submarket	Projected Completion	Total SF	% Preleased	Asking Rate PSF
1105 West Peachtree	Midtown	Second Quarter 2021	664,184	40%	\$45.00-\$47.00 NNN
Midtown Union	Midtown	Fourth Quarter 2021	609,110	53%	\$45.00 NNN
Atlantic Yards South	Midtown	Second Quarter 2020	366,970	0%	Withheld
One Phipps Plaza	Buckhead	Second Quarter 2021	340,000	0%	\$56.00 FS
3 Battery Ave	Cumberland/Galleria	Fourth Quarter 2020	332,486	56%	\$36.00 NNN
Anthem Technology Center*	Midtown	First Quarter 2021	310,000	100%	N/A
The Interlock	Midtown	Third Quarter 2020	290,000	63%	\$37.00 NNN

*Single-tenant leased property

Trends to Watch

Look for these three key trends to continue throughout 2020 in the Atlanta office market.



Leasing Activity

COVID-19 could slow down activity as some companies put major leasing decisions on hold.



Rental Rates

Should continue to increase, but at a slower pace.



Construction

Should remain tempered as developers wait for an anchor.

Market By The Numbers

BY SUBMARKET	Inventory	VACANCY			NET ABSORPTION		SF Under	AVERAGE ASKING RENT		
		Total	Class A	Class B	1Q20	YTD	Construction	Total	Class A	Class B
Buckhead	19,741,490	13.9%	14.2%	12.5%	(119,216)	(119,216)	340,000	\$36.54	\$37.99	\$27.47
Downtown	16,651,501	14.9%	17.1%	5.3%	(188,118)	(188,118)	-	\$28.74	\$29.08	\$25.26
Midtown	21,413,710	11.1%	11.7%	6.6%	683,197	683,197	3,060,856	\$40.68	\$41.49	\$25.37
Urban Total	57,806,701	13.1%	13.9%	6.8%	375,863	375,863	3,400,856	\$36.10	\$37.04	\$26.04
Airport/South Atlanta	4,607,621	19.7%	6.4%	24.7%	(1,450)	(1,450)	48,000	\$21.78	\$20.93	\$22.19
Central Perimeter	24,118,188	16.9%	17.9%	13.0%	295,309	295,309	-	\$28.64	\$30.23	\$21.97
Cumberland/Galleria	20,324,095	16.2%	15.6%	18.3%	(63,059)	(63,059)	371,615	\$27.34	\$30.04	\$21.64
Decatur/Stone Mountain	1,655,188	5.3%	6.1%	4.9%	(3,197)	(3,197)	52,000	\$25.14	\$28.47	\$21.40
Duluth/Suwanee/Buford	8,010,942	18.9%	17.2%	21.0%	(28,393)	(28,393)	-	\$21.00	\$22.56	\$18.37
I-20 East/Conyers	535,443	7.3%	-	7.4%	(3,868)	(3,868)	-	\$20.27	-	\$20.77
I-20 West/Douglasville	449,344	19.5%	-	19.2%	7,019	7,019	-	\$19.17	-	\$19.25
Norcross/Peachtree Corners	6,200,366	21.9%	27.6%	18.9%	47,813	47,813	-	\$19.77	\$21.74	\$18.06
North Fulton/Forsyth	19,645,098	15.8%	16.1%	15.2%	127,494	127,494	-	\$25.46	\$27.36	\$21.33
Northeast Atlanta	8,241,338	14.6%	4.2%	21.1%	104,702	104,702	-	\$22.18	\$24.87	\$21.44
Northwest Atlanta	3,529,337	11.4%	8.5%	13.8%	(3,255)	(3,255)	-	\$23.06	\$28.07	\$21.18
Suburban Total	97,316,960	16.5%	16.1%	18.5%	479,115	479,115	471,615	\$25.22	\$28.11	\$20.75
Total Market	155,123,661	15.3%	15.1%	15.9%	854,978	854,978	3,872,471	\$28.93	\$32.01	\$21.17

BY CLASS	Inventory	Vacancy	1Q Absorption	YTD Absorption	SF Under Construction	Sublease SF
Class A	106,285,246	15.1%	919,239	919,239	3,872,471	919,954
Class B	44,647,381	15.9%	(38,272)	(38,272)	-	360,173
Class C	4,191,034	11.6%	(25,989)	(25,989)	-	14,400
Total Market	155,123,661	15.3%	854,978	854,978	3,872,471	1,294,527

Avison Young Atlanta currently tracks Class A, B & C office buildings that are 20,000 square feet or greater, not owner occupied, not medical and not government.



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