

ATLANTA OFFICE

Economic Indicators

	Q3 16	Q3 17	12-Month Forecast
Atlanta Employment	2.6M	2.7M	▲
Atlanta Unemployment	5.1%	4.5%	▼
U.S. Unemployment	4.9%	4.4%	▼

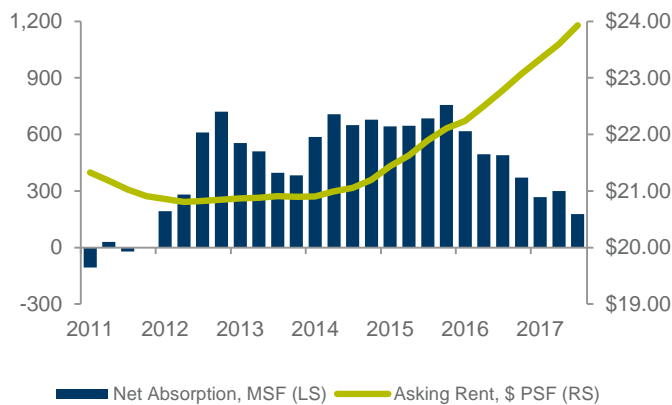
Market Indicators (Overall, All Classes)

	Q3 16	Q3 17	12-Month Forecast
Vacancy	15.8%	16.7%	▲
Net Absorption (sf)	554k	67k	▲
Under Construction (sf)	3.1M	3.1M	▼
Average Asking Rent*	\$23.38	\$24.72	▲

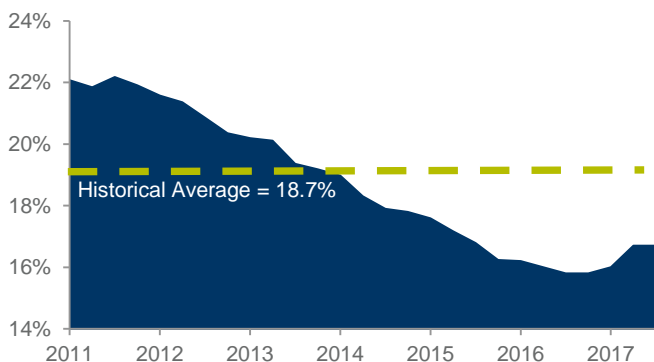
*Rental rates reflect gross asking \$psf/year

Overall Net Absorption/Overall Asking Rent

4-QTR TRAILING AVERAGE



Overall Vacancy



Economy

The Atlanta economy continued the momentum of healthy job growth. Metro Atlanta added 74,000 non-farm jobs year-over-year since the third quarter of 2016. The unemployment rate dropped 60 basis points to 4.5 percent from 5.1 percent a year ago. Employment in the office-using sectors grew 6.0% year-over-year and continues to support demand for office space throughout metro Atlanta.

Market Overview

The Atlanta office market experienced continued positive momentum through the third quarter of 2017. Overall average asking rental rates climbed to a new record of \$24.72 per square foot (psf), an increase of \$0.62 psf from last quarter's record of \$24.10 psf. Buckhead leads all submarkets with the highest Class A rate of \$34.27 psf, the first time in Atlanta's history that a submarket's Class A rates surpassed \$34 psf for two consecutive quarters.

The Atlanta overall vacancy rate in the third quarter of 2017 remained steady at 16.7%. Atlanta added only 218,000 square feet of deliveries this quarter after the near-record 1.3 million square feet delivered in the second quarter of 2017. Overall net absorption for Atlanta dropped significantly from the second quarter's 405,038 square feet of occupancy gains but remained positive for the second consecutive quarter at 67,544 square feet. The urban core of Buckhead, Midtown, and Downtown submarkets experienced negative absorption of -21,168 square feet, which partially offset the suburban submarkets' 89,000 square feet of positive absorption.

The relatively flat absorption market-wide conceals significant movement in the submarkets, six of which had positive absorption, and nine of which had negative absorption. The urban core had negative overall absorption for the first time since the second quarter of 2013. The Northwest submarket led all submarkets for the second consecutive quarter with 196,000 square feet of absorption. Buckhead had its worst quarter for absorption since the third quarter of 2003 with -163,000 square feet of negative absorption due to several large tenant move-outs.

Leasing activity continued its momentum with over 2.4 million square feet of leases signed. The Central Perimeter submarket dominated leasing activity for the second consecutive quarter with 500,056 square feet. Georgia 400/North Fulton was a close second at 458,160 square feet of leasing activity, followed by the Midtown submarket with 407,728 square feet.

Atlanta currently has over 3 million square feet of office buildings under construction, with 59% of the activity in the Midtown submarket. Coda Tech Square in Midtown is the largest speculative office project under construction at 760,000 square feet, followed by NCR's 485,000-square-foot build-to-suit, which is expected to be completed early 2018. The northern submarkets of Central Perimeter, Georgia 400/North Fulton, and Cumberland/Northwest dominate the construction activity in the suburbs. Ninety-one percent (91%) of the 1.14 million square feet of suburban construction are in these three submarkets.

OVERALL AVERAGE ASKING RENTAL RATES REACHED A NEW RECORD IN THE THIRD QUARTER OF 2017 AT \$24.72 PER SQUARE FOOT

Outlook

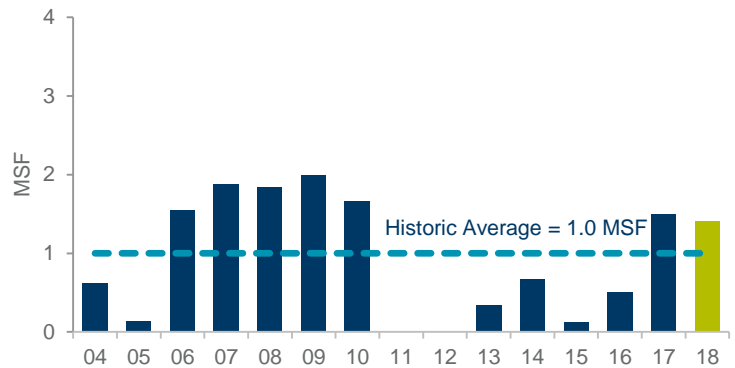
An overall flat market in terms of vacancy, leasing activity and absorption masks significant outcomes, both positive and negative among the submarkets. With 1.59 million square feet of new inventory and continued record rents, we expect the Atlanta market to build off of its momentum moving forward. With the delivery of 2.3 million square feet of speculative product over the next two years, the Atlanta office market will leverage its diverse economy and economic growth in order to flourish in the future.

Office Highlights

- Overall average asking rental rates continue to reach new heights. During the third quarter of 2017, overall average rates climbed to a new record of \$24.72 per square foot.
- Buckhead led all submarkets with the highest Class A rate of \$34.27 psf. This marks the first time in Atlanta's history that class A rates have eclipsed the \$34 per square foot.
- Construction deliveries slowed precipitously this quarter, but 2017 will have the largest amount of deliveries since 2010.
- Overall net absorption for Atlanta was slightly positive at 67,544 square feet of occupancy gains. The urban core of Buckhead, Midtown, and Downtown submarkets had negative overall absorption for the first time since the second quarter of 2013.

New Supply

NEW SUPPLY IN 2017 HAS ALREADY SURPASSED THE HISTORIC AVERAGE

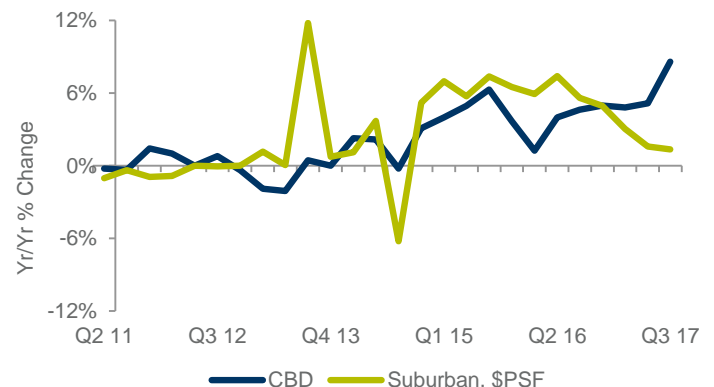


Atlanta Investment Sales



CLASS A Asking Rent Trend

CBD AVERAGE ASKING RATES CONTINUE TO CLIMB



MARKETBEAT

Atlanta

Office Q3 2017



SUBMARKET	INVENTORY	OVERALL VACANCY RATE	DIRECT VACANCY RATE	YTD LEASING ACTIVITY	UNDER CONSTRUCTION	YTD DIRECT NET ABSORPTION	YTD OVERALL NET ABSORPTION	OVERALL WEIGHTED AVG. ALL CLASSES GROSS RR.	DIRECT WEIGHTED AVG CLASS A R.R.
Downtown	14,885,981	20.8%	19.8%	575,400	124,000	194,015	186,119	\$26.75	\$28.82
Midtown	17,339,339	13.0%	12.5%	841,611	1,835,149	383,460	336,806	\$29.06	\$33.56
Buckhead	17,396,401	16.1%	14.5%	936,346	0	92,769	22,086	\$33.47	\$34.27
CBD	49,621,721	16.4%	15.4%	2,353,357	1,959,149	670,244	545,011	\$29.84	\$31.99
Central Perimeter	22,327,080	15.2%	13.6%	1,297,677	375,716	95,749	(47,452)	\$25.63	\$28.44
Georgia 400	17,938,981	15.9%	15.7%	1,094,817	178,184	4,567	(18,029)	\$22.92	\$24.67
I-75 Northside Drive	1,624,143	16.2%	15.0%	4,026	0	(77,174)	(77,174)	\$28.71	\$31.45
NW/Cumberland/Galleria	18,277,137	18.7%	18.5%	941,849	482,000	106,751	117,155	\$23.40	\$26.57
GA 120/Johnson Ferry Rd	232,533	10.8%	10.8%	10,365	0	(6,593)	(6,593)	\$19.31	\$0.00
I-75 North/Marietta	2,891,017	5.9%	4.5%	73,509	0	(5,637)	(5,637)	\$20.72	\$25.64
NORTHWEST SUBTOTAL	23,024,830	16.9%	16.4%	1,029,749	482,000	17,347	27,751	\$23.62	\$26.78
I-85/I-285/NE Atlanta	6,724,808	9.7%	9.6%	175,904	80,944	(94,298)	(92,966)	\$19.39	\$22.93
I-85 NE/Gwinnett Co./I-985	6,696,133	23.7%	23.5%	326,549	0	(141,349)	(153,273)	\$18.07	\$21.10
Peachtree Corners	6,443,933	19.6%	19.3%	206,443	0	63,777	166,453	\$17.96	\$21.22
NORTHEAST SUBTOTAL	19,864,874	17.6%	17.4%	708,896	80,944	(171,870)	(79,786)	\$18.28	\$21.25
Decatur	1,321,458	10.3%	10.3%	39,312	0	(17,998)	(17,998)	\$20.70	\$30.19
Northlake/Stone Mountain	2,940,281	31.4%	22.6%	208,284	0	(85,509)	(68,471)	\$20.06	\$20.56
NORTHLAKE/ DECATUR SUBTOTAL	4,261,739	24.9%	18.8%	247,596	0	(103,507)	(86,469)	\$20.15	\$22.39
I-20 West	470,049	15.7%	15.7%	0	0	(6,151)	(6,151)	\$9.91	\$0.00
Airport/South Atlanta	3,085,620	18.3%	18.2%	136,729	20,000	58,116	54,231	\$17.71	\$21.23
SOUTH SUBTOTAL	3,555,669	18.0%	17.9%	136,729	20,000	51,965	48,080	\$16.81	\$21.23
NON-CBD	90,973,173	16.9%	16.0%	4,515,464	1,136,844	(105,749)	(155,905)	\$22.22	\$25.79
ATLANTA TOTALS**	140,594,894	16.7%	15.8%	6,868,821	3,095,993	564,495	389,106	\$24.72	\$28.48

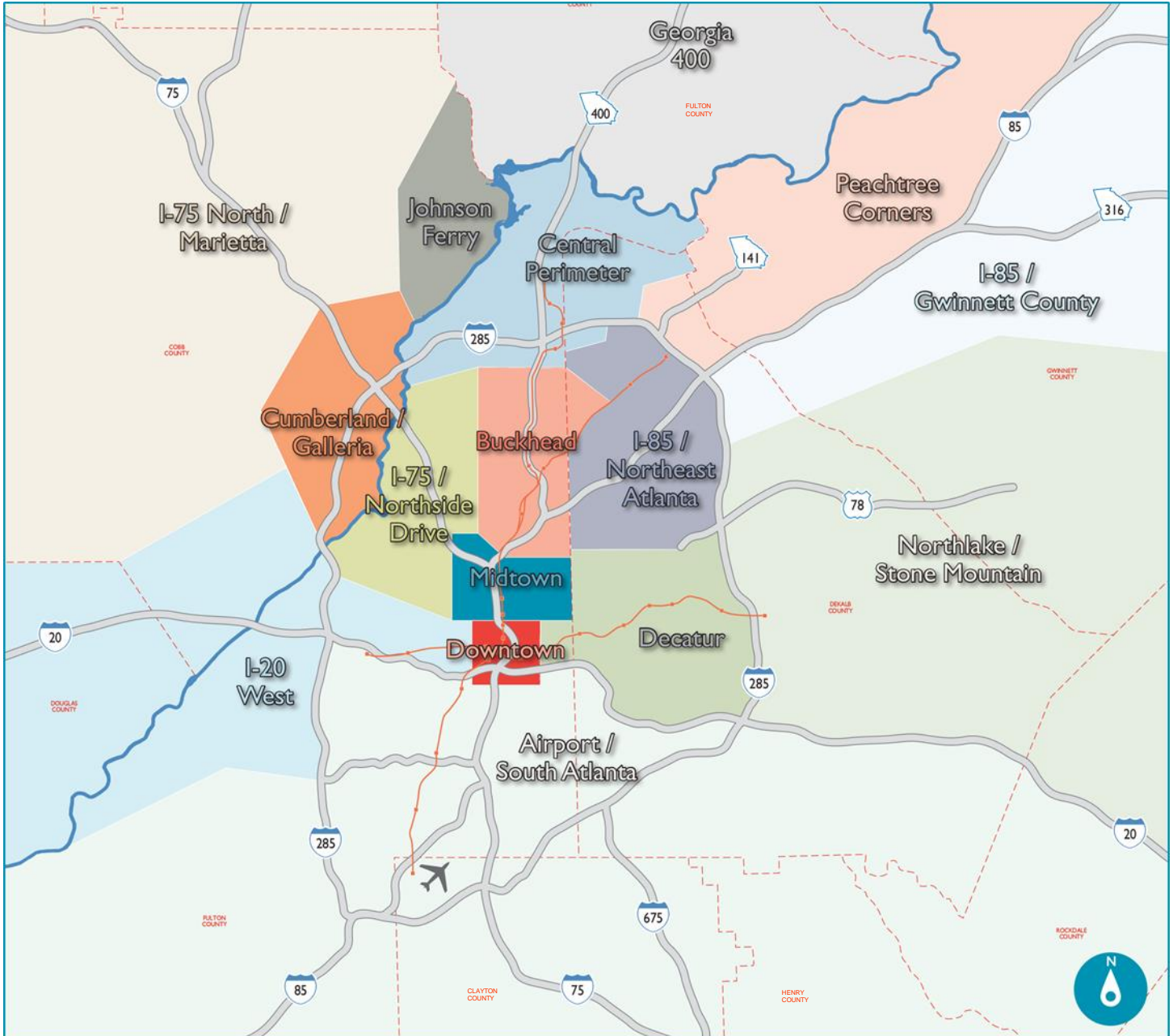
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Key Lease Transactions Q3 2017

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
999 Peachtree Street NE	188,823	Eversheds Sutherland LLP	Renewal	Midtown
11700 Great Oaks Way / Royal Centre Four	55,404	Ultimate Software	New Lease	North Fulton
1120 Sanctuary Parkway	51,886	Delta Dental Insurance Company	New Lease	North Fulton
219 Perimeter Center Parkway	48,051	Convergent	New Lease	Central Perimeter

Key Sales Transactions Q3 2017

PROPERTY	SF	SELLER/BUYER	PRICE / \$PSF	SUBMARKET
3565 Piedmont Road	519,000	Northwestern Mutual Life Insurance /The Ardent Companies	\$88,028,269 / \$169.61	Buckhead
3575 Piedmont Road	300,000	Northwestern Mutual Life Insurance /The Ardent Companies	\$55,971,731 / \$169.61	Buckhead
4411 E Jones Bridge Road	220,675	Wells Fargo / Peachland Homes	\$9,800,000 / \$44.41	Northeast Atlanta
1 West Court Square	159,705	Nightingale Properties LLC / Pope & Land Real Estate	\$13,361,264 / \$83.66	Northlake



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