

ATLANTA OFFICE

Economic Indicators

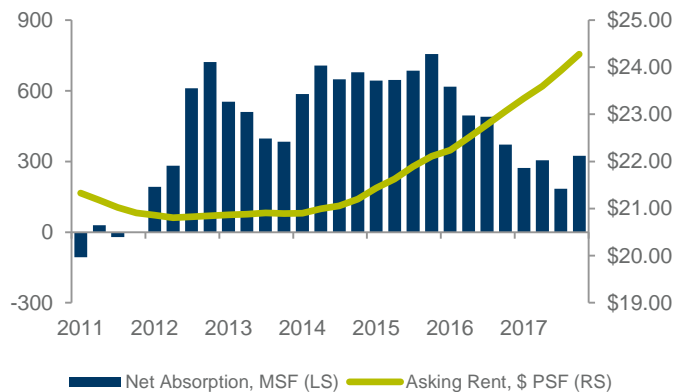
	Q4 16	Q4 17	12-Month Forecast
Atlanta Employment	2.7M	2.8M	▲
Atlanta Unemployment	5.1%	4.1%	▼
U.S. Unemployment	4.7%	4.1%	▼

Market Indicators (Overall, All Classes)

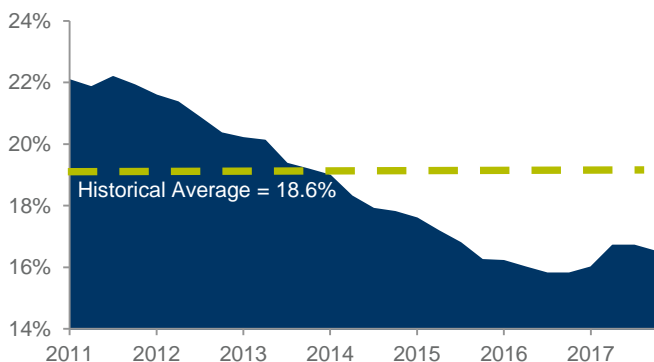
	Q4 16	Q4 17	12-Month Forecast
Vacancy	15.8%	16.5%	▲
Net Absorption (sf)	345k	906k	▲
Under Construction (sf)	4.0M	2.9M	▼
Average Asking Rent*	\$23.39	\$24.78	▲

*Rental rates reflect gross asking \$psf/year

Overall Net Absorption/Overall Asking Rent
4-QTR TRAILING AVERAGE



Overall Vacancy



Economy

The Atlanta economy outperformed the nation on multiple fronts in 2017, including job and wage growth. Metro Atlanta total employment increased 2.0% year-over-year (YoY), gaining 65,800 net jobs (compared to 1.4% YoY nationwide), and office-using employment sectors grew 6.0% YoY (compared to 2.0% YoY nationwide). Wage growth in Atlanta was 2.4% YoY, and Atlanta’s unemployment rate fell from 5.1% in 2016 to 4.1% in 2017.

Market Overview

The CBD/urban core of Buckhead, Midtown, and Downtown submarkets rebounded from negative overall absorption in the third quarter of 2017, posting the best quarter of the year and the highest absorption number since the third quarter of 2016.

Class A overall absorption was positive 601,333 square feet (sf) for the fourth quarter of 2017, and Class B and Class C combined was 304,338 sf. The fourth quarter’s strong positive absorption pushed 2017 absorption just shy of 1.3 million square feet (msf) and the four-quarter trailing average to 323,694 sf/qtr.

Only three submarkets had negative absorption in the fourth quarter of 2017, most notably Central Perimeter. Class A Central Perimeter was hit with 45,798 sf of negative absorption for the quarter, while Class B and Class C saw positive absorption of 14,511 sf. The NW/Cumberland/Galleria submarket led in terms of absorption for the third consecutive quarter (250,296 sf), followed by a rebounding Georgia 400 Corridor (159,240 sf).

During the fourth quarter of 2017, overall average rent inched up \$0.06 per square foot (psf) to a new record high of \$24.78 psf, the eighth consecutive record-high quarter. The Northlake/Stone Mountain submarket saw the largest rise of rents in the fourth quarter at 2.0%, increasing \$0.40 psf to reach \$20.46. The increase of 5.9% year-over-year marks the second consecutive year over 5.0% (2016 rent growth was 5.2%). Buckhead led all submarkets with the highest overall rental rate of \$33.27 psf for the quarter.

The fourth quarter of 2017’s impressive absorption numbers helped lower the Atlanta market’s overall vacancy rate 21 basis points (bps) to 16.5%. Vacancy fell 20 bps in the CBD overall to 16.2%, while the combined suburban submarkets saw vacancy fall 22 bps to 16.6%.

Office investor sales for the quarter total just under 1.6 msf in 13 transactions, with Class B deals comprising 10 of the transactions and 59.5% of the total square footage. For the year, investor sales totaled 10.6 msf in 76 transactions, the lowest annual volume since 2012.

Construction completions for the fourth quarter were just over 420,000 sf, bringing 2017's total deliveries to over 2.0 msf. Buckhead and NW/Cumberland/Galleria tallied 77.3% of 2017's completed square footage. Construction completions in 2018 will likely surpass 2017, with almost 2.2 msf of scheduled deliveries. In addition, the 760,000 Coda office complex in the midtown submarket delivers in 2019.

OVERALL AVERAGE ASKING RENTAL RATES REACHED A NEW RECORD IN THE FOURTH QUARTER OF 2017 AT \$24.78 PER SQUARE FOOT

Outlook

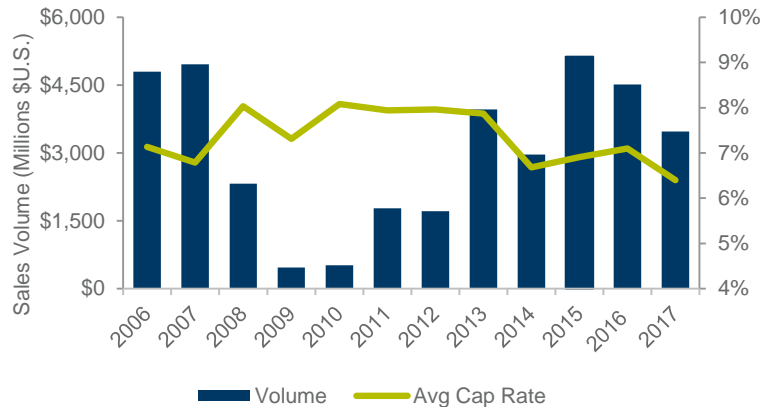
The economy is projected to continue to grow in 2018, and Atlanta is well-situated to benefit from the current expansion. The Atlanta office market saw over 2.0 msf of new construction delivered in 2017. This new inventory is currently 81% occupied. The expected record construction deliveries should be well received because the concentration of deliveries is in submarkets with the highest demand. Office job growth, while expected to be nearly 2.5%, is likely to slow down. Accordingly, vacancy rates may rise and rent growth may slow, especially in suburban submarkets.

Office Highlights

- The fourth quarter's strong positive absorption pushed 2017 absorption just shy of 1.3 msf and the four-quarter trailing average to 323,694 sf/qtr.
- Overall average rent reached a new record high of \$24.78 psf, the eighth consecutive record-high quarter.
- The Midtown submarket dominated leasing activity in the fourth quarter of 2017, with over 580,000 sf of leases signed, smashing the Central Perimeter's record third quarter for the year by over 80,000 sf.

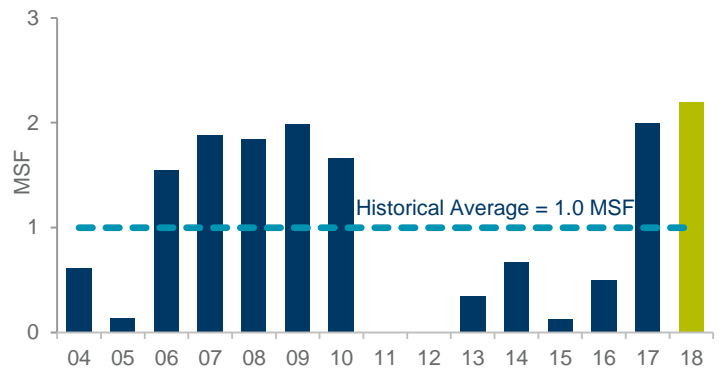
Atlanta Investment Sales

CAP RATES FELL 67 BASIS POINTS IN 2017 TO 6.4%



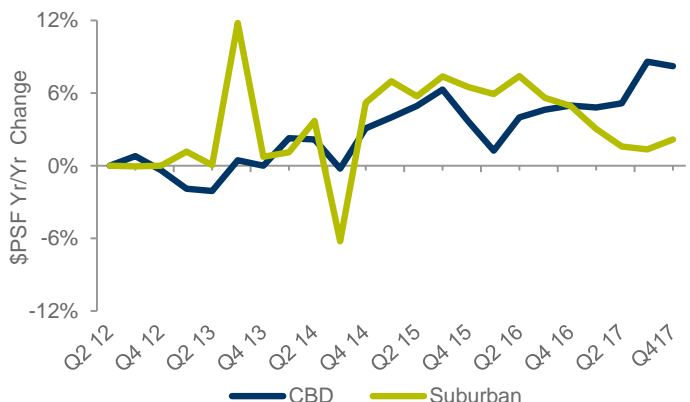
New Supply

NEW SUPPLY IN 2017 WAS THE HIGHEST DELIVERIES SINCE 2002



CLASS A Asking Rent Trend

CBD RENT GROWTH WELL ABOVE SUBURBAN GROWTH IN 2017



MARKETBEAT

Atlanta

Office Q4 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 R.R.*	DIRECT WEIGHTED AVG. CLASS A GROSS R.R.*
Downtown	14,885,981	20.3%	19.2%	779,734	124,000	286,475	254,997	\$26.62	\$28.71
Midtown	17,462,339	13.2%	12.5%	1,423,650	1,955,570	529,337	441,093	\$29.30	\$33.69
Buckhead	17,396,401	15.7%	14.2%	1,027,746	0	199,578	143,367	\$33.27	\$34.06
CBD	49,744,721	16.2%	15.1%	3,231,130	2,079,570	1,015,390	839,457	\$29.77	\$31.90
Central Perimeter	22,288,780	15.7%	14.1%	1,541,569	355,000	67,659	-78,739	\$25.94	\$28.44
Georgia 400 Corridor	17,988,981	14.8%	14.6%	1,225,711	206,684	163,807	141,211	\$22.95	\$24.66
I-75 Northside Drive	1,624,143	16.2%	15.0%	15,289	0	-76,398	-76,398	\$27.97	\$29.47
NW/Cumberland/Galleria	18,537,137	18.7%	18.4%	1,236,641	222,000	355,128	367,451	\$23.45	\$26.54
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	5.7%	4.3%	79,071	0	15,314	15,314	\$20.64	\$25.50
NORTHWEST SUBTOTAL	23,284,830	16.8%	16.3%	1,341,366	222,000	287,451	299,774	\$23.60	\$26.63
I-85/I-285/NE Atlanta	6,724,808	9.2%	9.1%	240,023	80,944	29,823	31,155	\$19.34	\$22.97
I-85 NE/Gwinnett Co./I-985	6,696,133	23.0%	22.7%	393,071	0	-92,365	-104,289	\$18.16	\$21.15
Peachtree Corners	6,443,933	19.6%	19.3%	254,580	0	69,641	172,317	\$17.96	\$21.22
NORTHEAST SUBTOTAL	19,864,874	17.2%	17.0%	887,674	80,944	7,099	99,183	\$18.30	\$21.27
Decatur	1,321,458	10.6%	10.4%	46,527	0	-19,439	-21,711	\$20.62	\$27.98
Northlake/Stone Mountain	2,879,594	30.3%	21.3%	208,284	0	-48,166	-31,128	\$20.46	\$20.56
NORTHLAKE/ DECATUR SUBTOTAL	4,201,052	24.1%	17.8%	254,811	0	-67,605	-52,839	\$20.48	\$22.62
I-20 West	470,049	15.7%	15.7%	0	0	-6,151	-6,151	\$9.91	\$0.00
Airport/South Atlanta	3,183,771	18.5%	18.3%	211,854	0	56,766	52,881	\$17.70	\$18.61
SOUTH SUBTOTAL	3,653,820	18.1%	18.0%	211,854	0	50,615	46,730	\$16.83	\$18.61
NON-CBD	91,282,337	16.6%	15.7%	5,462,985	864,628	509,026	455,320	\$22.37	\$25.81
ATLANTA TOTALS	141,027,058	16.5%	15.5%	8,694,115	2,944,198	1,524,416	1,294,777	\$24.78	\$28.38

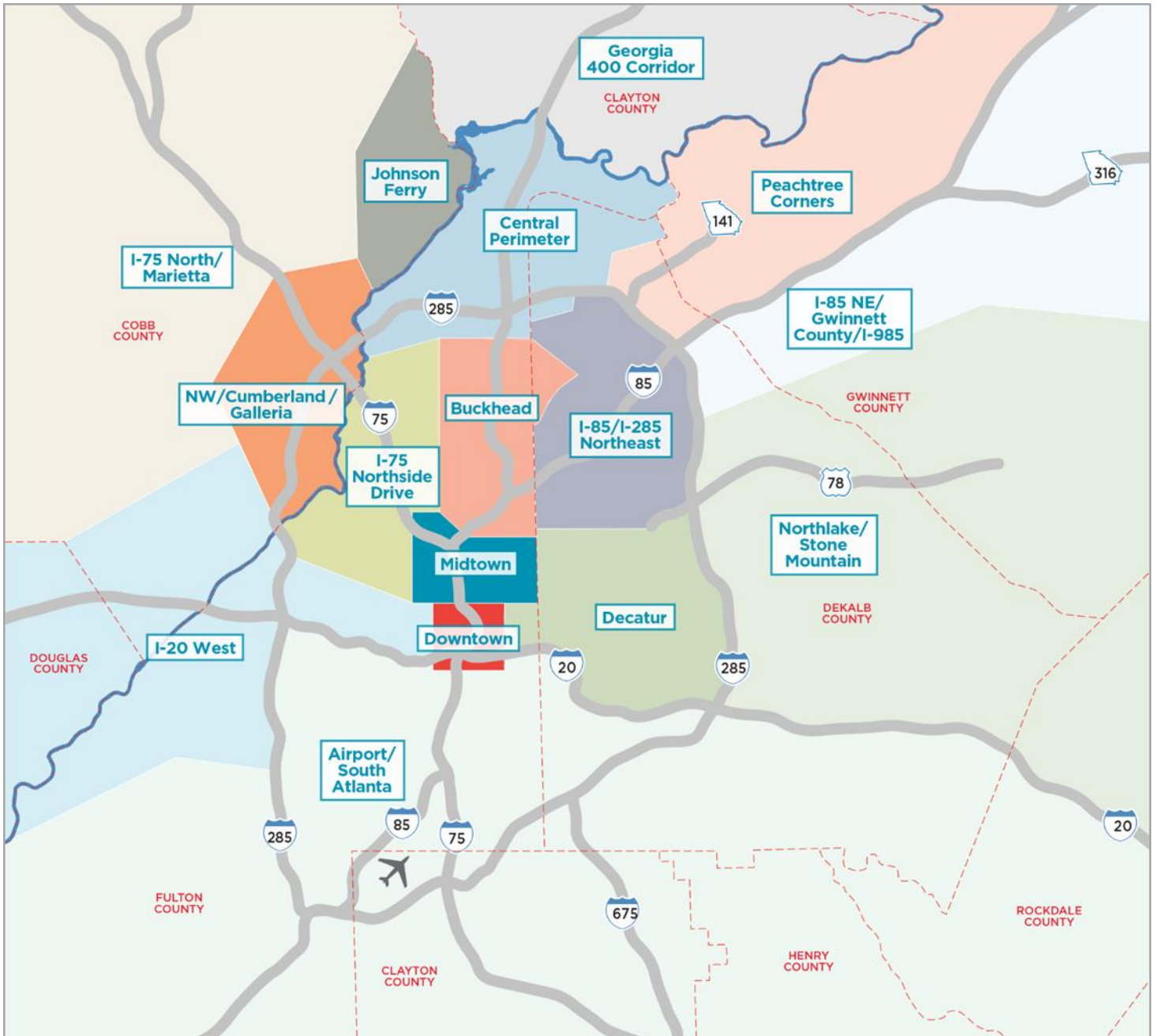
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Key Lease Transactions Q4 2017

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
740 W Peachtree St NW	352,000	Anthem	New Lease	Midtown
191 Peachtree Street	76,520	Hall, Booth, Smith, P.C.	New Lease	Downtown
7000 Central Parkway	55,867	Cox Communications	New Lease	Central Perimeter
1025 Virginia Avenue	55,308	Delta Community Credit Union	New Lease	Airport/South Atlanta

Key Sales Transactions Q4 2017

PROPERTY	SF	SELLER / BUYER	PRICE / \$PSF	SUBMARKET
300 Interstate North Parkway	174,805	The Weather Channel, Inc. / Rubenstein Partners	\$18,250,000 / \$104	NW/Cumberland/Galleria
777 Cleveland Avenue	62,575	ManoMedical, LLC / Olymbec USA LLC	\$2,075,000 / \$33	Airport/South Atlanta
960 Northpoint Parkway	66,968	James Rafton / Pergament Properties	\$7,400,000 / \$111	Georgia 400 Corridor



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