

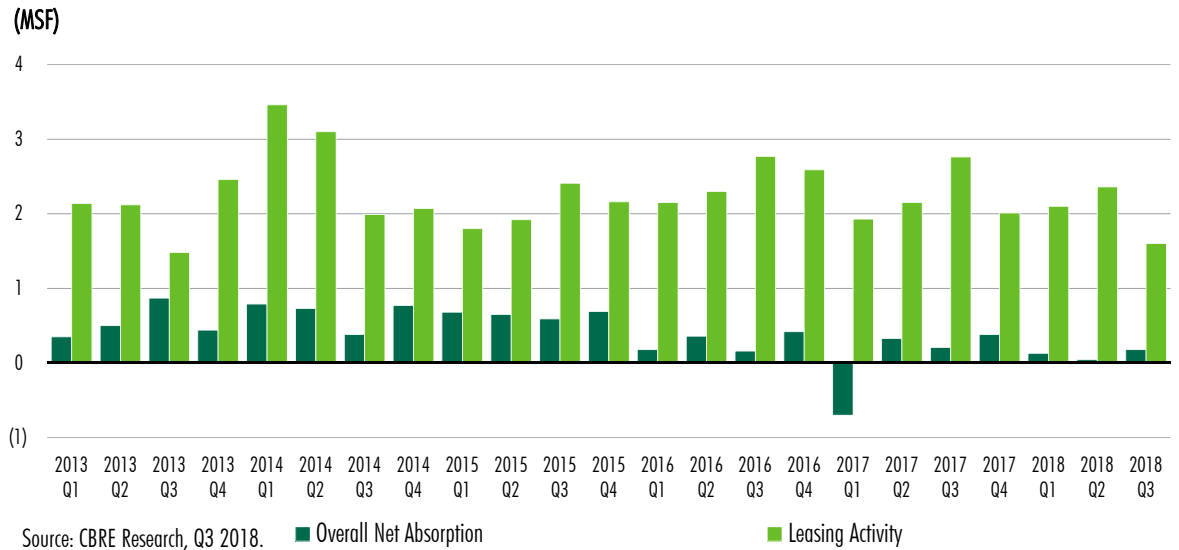
Atlanta Office, Q3 2018

Pair of large moveouts weigh on otherwise strong absorption

▼ Vacancy Rate 17.2%
▲ Overall Rate \$26.98 PSF
▲ Class A Rate \$28.86 PSF
▲ Net Absorption 175,875 SF
▲ Construction 2,172,272 SF
▼ Completions 61,000 SF

Figure 1: Historical Quarterly Net Absorption and Total Leasing Activity (MSF)

*Arrows indicate change from previous quarter.



During Q3, Class A office absorption was negative 307,000 sq. ft. mainly due to a pair of highly publicized moves. About 185,000 sq. ft. within the Terraces office development was vacated this quarter when State Farm consolidated a number of their employees into their new southeast hub in the Central Perimeter submarket. The 620,000 sq. ft. first phase of State Farm’s new Atlanta home, Park Center, was completed at the end of 2016. The second phase, 1.1 million sq. ft. of office space and retail space in two buildings, will be completed by the end of 2021. State Farm still has almost a million sq. ft. leased in a number of buildings throughout the Central Perimeter submarket which will be consolidated.

After announcing last year that AT&T will relocate a number of employees from Atlanta to Los Angeles and Dallas to consolidate jobs in its operations and entertainment hubs, they vacated about 300,000 sq. ft. out of Midtown’s AT&T Tower and Buckhead’s Lakeside at Lenox Park. Further moves out of their Lindbergh offices in Buckhead are expected.

Otherwise, overall net absorption was strong, gaining 175,000 sq. ft. despite the huge losses. Bank of America Plaza had almost 100,000 sq. ft. of occupancy with Flexport, Revel, and other companies moving in. Additionally, The 61,000 sq. ft. Willoughby office building delivered full with 5 companies taking occupancy.

ATLANTA REMAINS A TECH MARKET POWERHOUSE

Atlanta remains a Top 10 tech talent market in North America, ranking #9 on CBRE’s Tech Talent Scorecard, part of its sixth-annual Scoring Tech Talent Report. Atlanta grew its tech talent pool at the third fastest pace of all 50 markets, increasing by 34.7% in the last five years (2012-2017), surpassing the San Francisco Bay Area growth rate of 31%.

Tech labor concentration – or the percentage of total employment – is an influential factor in how “tech-centric” the market is and its growth potential. Atlanta has a tech talent labor pool of 134,770, or 5.1% of its total employment, compared to the national average of 3.5%. With more than 6,000 tech degree completions in 2016, Atlanta is among the top 10 regions in North America for producing graduates, or 41.2% growth over the last five years (2011-2016).

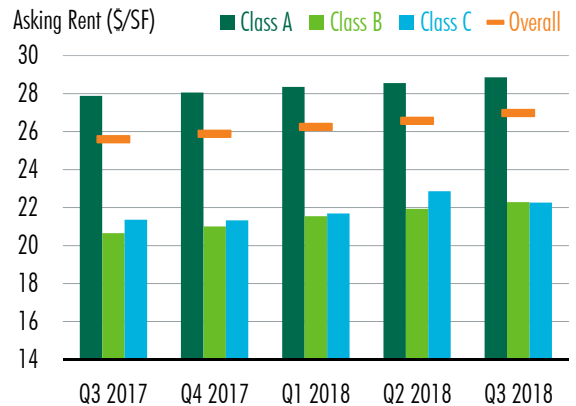
IF THIS IS TRUE, THEN HOW IS THE TECH INDUSTRY LOSING JOBS IN ATLANTA?

According to the Bureau of Labor Statistics, Atlanta’s information sector lost 3,200 jobs over the last 12 months. But the “devil is in the details.” The losses can be explained by further segmenting the employment subsectors; while the larger information sector is down 3.3% year-over-year, it’s due specifically to weakness within telecommunications (down 5.5%), and not indicative of a tech sector slowdown.

In fact, during this same time frame, employment within tech-heavy information subsectors such as data processing and computer systems design are up 5.6% and 1.4%, respectively.

The overall growth for tech employment in metro Atlanta is expected to be robust. Call analytics company CallRail is expanding in downtown Atlanta, where it plans to add another 300 jobs over the next five years. New York-based Namely, a human resources software firm, recently picked Atlanta for its operations hub, where it will create about 300 jobs over the next few years, and Pandora has announced that they will open a Southeast headquarters in Midtown adding 250 software development jobs.

Figure 2: Atlanta Asking Rental Rate by Class



Source: CBRE Research, Q3 2018.

Figure 3: Year-To-Date Key Leasing Transactions

Tenant	Location	Size (Sq. Ft.)	Submarket	Transaction Type
Delta Dental	1110-1130 Sanctuary Pkwy.	219,265	North Fulton	Renewal/Expansion
Insight Global	1134 Hammond Dr.	205,000	Central Perimeter	New
Northside Hospital	1001 Summit Blvd.	178,289	Central Perimeter	New
T-Mobile	1 Ravinia Drive	151,792	Central Perimeter	Renewal
Conduent Business Services	100 Southcrest Drive	120,276	South Atlanta	Renewal

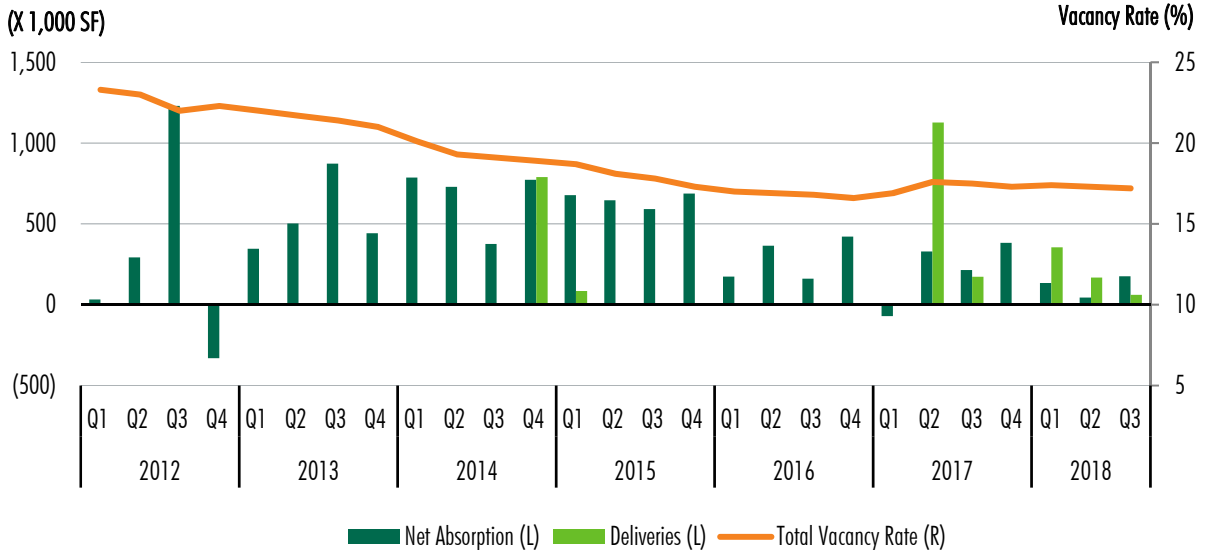
Source: CBRE Research, Q3 2018.

Figure 7: Market Statistics

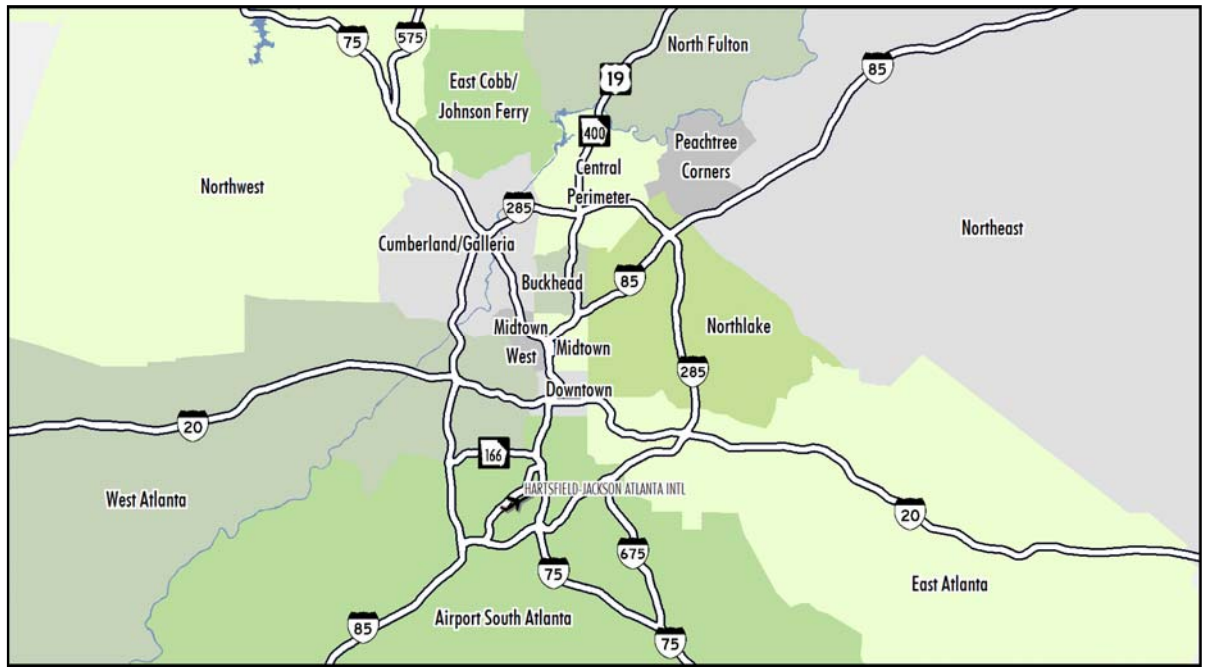
Submarket	Market Rentable Area (sq. ft.)	Vacancy Rate (%)	Sublease Space Avail. (sq. ft.)	Total Avail. Rate (%)	Q3 2018 Net Absorption (sq. ft.)	YTD Net Absorption (sq. ft.)	Under Construction (sq. ft.)	Avg. Gross Asking Lease Rate (\$/sq. ft./Yr)
Downtown	17,491,992	17.0	54,347	20.7	268,064	350,349	0	25.74
Midtown	16,911,064	13.2	350,987	18.2	12,755	(47,752)	1,350,000	34.43
Buckhead	15,931,875	14.5	356,197	20.8	(152,793)	116,067	0	33.82
Midtown West	775,167	8.7	0	12.8	18,352	23,627	185,000	29.73
CBD	51,110,098	14.8	862,405	19.8	146,378	442,291	1,535,000	30.68
Cumberland Galleria	19,060,550	19.3	677,444	28.6	21,855	(202,985)	0	25.64
Northwest	2,146,060	7.7	80,409	12.3	608	3,545	0	25.24
Central Perimeter	21,920,932	18.6	658,184	28.8	(15,053)	103,755	335,000	27.85
North Fulton	17,620,821	15.7	307,607	22.4	(70,848)	(87,678)	251,000	25.85
I-85/Northeast	6,197,445	22.3	222,018	27.3	111,872	25,941	0	20.57
Peachtree Corners	5,193,530	29.8	64,316	35.4	(169,816)	(91,963)	0	20.37
Northlake/Decatur	8,364,506	18.0	10,706	22.1	71,544	27,519	0	22.21
Airport South Atlanta	2,810,841	17.0	8,108	26.7	73,637	112,086	51,272	18.79
I-20 West	374,200	11.4	16,590	16.3	551	8,971	0	16.00
East Atlanta	391,869	23.0	0	23.0	2,704	3,830	0	13.54
East Cobb/ Johnson Ferry	247,518	3.6	0	3.6	2,443	8,559	0	17.45
SUBURBAN	84,328,272	18.7	2,045,382	26.4	29,497	(88,420)	637,272	25.35
ATLANTA	135,438,370	17.2	2,207,787	23.9	175,875	353,871	2,172,272	26.98

Source: CBRE Research, Q3 2018.

Figure 8: Quarterly Net Absorption and Deliveries vs. Vacancy Rate



Source: CBRE Research, Q3 2018.


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