

Q3 2016 ATLANTA OFFICE MARKET REPORT

35,084 SF

Q3 NET ABSORPTION ↓
Q2 181,435 SF

14.8%

Q3 VACANCY ↓
Q2 14.9 %

2,443,741 SF

LEASING ACTIVITY ↓

4,558,773 SF

UNDER CONSTRUCTION ↑

82,811 SF

NEW SUPPLY DELIVERED ↑

\$22.91 SF

AVERAGE ASKING RENT (PER YR.) ↑

\$175

AVERAGE SALES PER SF ↑

\$1.182 B

93 SALES TRANSACTIONS ↓



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MARKET HIGHLIGHTS

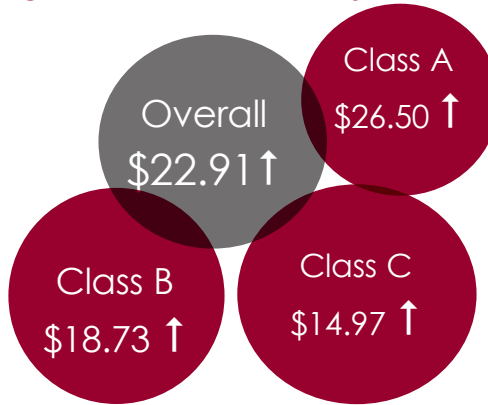
Metro Atlanta has added over 71,000 jobs since 3Q15; however, this has not necessarily translated into the absorption of office space. The 3Q16 produced 35,084 SF in positive net absorption in Metro Atlanta, with a YTD total of 216,634 SF and vacancy rate of 14.8%. Several factors have impacted the low absorption, at a time of strong job growth. Corporate build-to-suit projects, along with corporate relocations opting into "owned" space (NCR & Newell Rubbermaid) can negatively affect absorption totals, putting more spec space on the market.

3Q16 Office space currently under construction totals approximately 4.6 MSF, which is the highest level in eight years. The third quarter ended with 82,811 SF of deliveries, for a total YTD increase of 219,717 SF. Developers have focused on multi-use projects, with large residential components, catering to the increased demand in urban submarkets of Buckhead, and Midtown.

New workplace innovation along with a relatively low lease roll over rate in 2016 have resulted in negative net absorption in some submarkets like Central Perimeter, Downtown, North Fulton, and South Atlanta. Offsetting this negative net absorption in part has been the performance of the Midtown submarket. Midtown has had the strongest absorption of Atlanta's office submarkets with 3Q16 absorption of 132,387 SF, bringing the YTD net absorption for Midtown to 507,688 SF.

Atlanta's office landlords continue to reap the benefits of the city's historic rent growth. Average asking rents increased for a 14th consecutive quarter and continue their record climb.

OVERALL RENTAL RATES



3Q16 ended with a Metro Atlanta average of \$22.91 PSF. Tenants witnessed Class A rents rise to \$26.50 PSF, while Class B space rose to \$18.73 PSF. High rental rates have caused many tenants to resist relocation, thus forcing companies, who are increasing staff, to reevaluate office space use and efficiency. As rental rates continue to increase, companies are pressed to be strategic with their office space, while adhering to new trends in office layouts such as: open floor plans, collaborative work spaces, and even shared cooperative offices.

The largest lease transaction this quarter was signed by The Atlanta Journal

Constitution, who renewed 127,823 SF at Perimeter Center, followed by the 79,326 SF new lease signed by Global Payments at Three Alliance Center in Buckhead. This is likely to change next year as lease expirations jump from barely 1 MSF in 2016 to 6.3 MSF expiring in 2017 followed by 26.4 MSF expirations from 2018-2022.

The most significant sale transaction in 3Q16 was the purchase of One Atlantic Center by Starwood Capital Group. The 90% leased landmark building located in the heart of Midtown sold for \$318.1M or \$318.10 PSF. The second largest transaction in 3Q16 was Rubenstein Partner's acquisition of the Sanctuary Park office complex located in Alpharetta. This 1.6 MSF Class A, nine-building portfolio sold for \$260M or \$165.23 PSF and was 96% leased at closing.

With population estimates projecting the Metro Atlanta area to grow another 42% to 8 million people by 2040 and restricted new office supply, the Atlanta office sector should expect to see continued competition for quality office space in desirable submarkets. By the end of 2016, Lee & Associates projects the market vacancy will fall to 14.7% while rental rates should increase modestly through the end of the year.

LARGEST PROJECTS UNDER CONSTRUCTION

as of Q3 2016

Building Name	Building Address	SF	Delivery
State Farm	236 Perimeter Center Pkwy	602,000	Q4-17
Three Alliance	3550 Lenox Rd	506,647	Q1-17
NCR Corp	864 Spring St	485,000	Q1-18
4004 Perimeter Summit	4004 Summit Blvd	355,000	Q3-17
Riverwood 200	3300 Riverwood Pky SE	308,000	Q3-17

ECONOMIC INDICATORS

as of Q3 2016

Unemployment

U.S.	Up to 5.0%
Georgia	Down to 4.9%
Atlanta Metro	Up to 5.0%

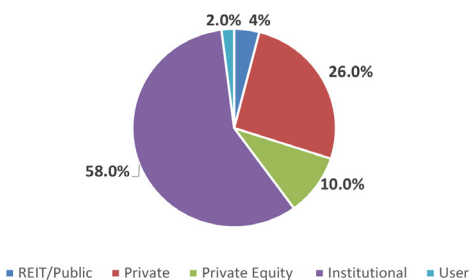
U.S. Consumer Price Index (CPI) Up 2.1%

Gross Domestic Product (GDP) Up 1.4%

Source: Bureau of Labor Statistics, Georgia State University Economic Forecasting Center, Bureau of Economic Analysis

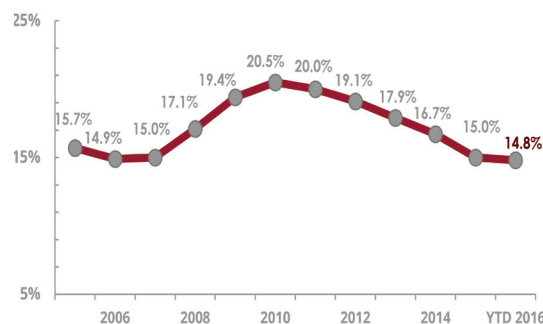
BUYER TYPE

Q3 2016 sales



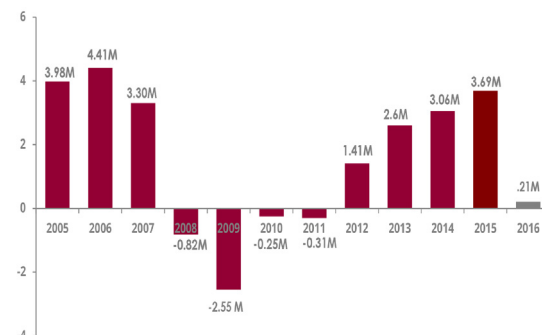
VACANCY

percentage, 2005-2016



ABSORPTION

in SF, 2005-2016

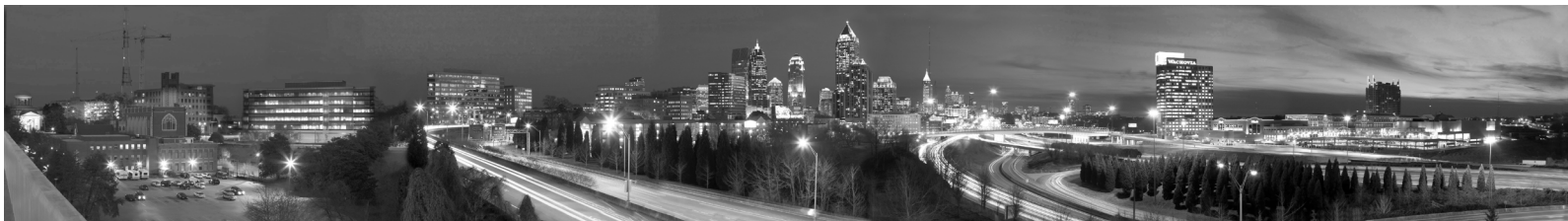
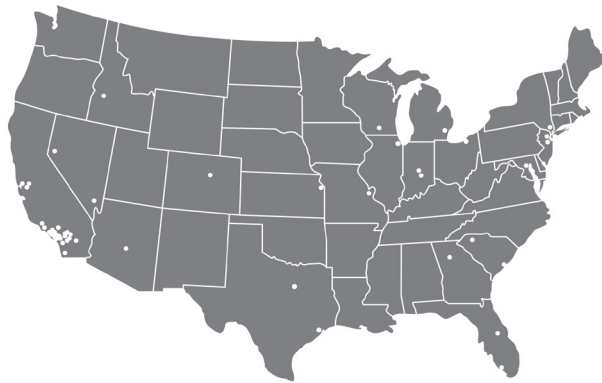


OFFICE SUBMARKET DATA

Office Submarkets	Total Inventory	Vacancy Total SF	Vacancy Q3 16	NET Absorption YTD Total	Under Construction	Building Completions YTD Total
1. Buckhead	21,140,162	2,380,839	11.3%	113,460	736,582	92,929
2. Central Perimeter	28,134,567	4,233,515	15.0%	-336,005	972,402	-
3. Downtown Atlanta	25,946,063	4,158,544	16.0%	-106,835	61,000	-
4. Midtown Atlanta	21,193,124	2,501,507	11.8%	507,132	699,873	-
5. North Fulton	25,016,983	3,449,706	13.8%	-102,267	455,575	37,689
6. Northeast Atlanta	22,417,590	5,019,414	22.4%	13,190	137,000	43,099
7. Northlake	17,931,048	2,436,307	13.6%	12,060	247,435	-
8. Northwest Atlanta	31,620,656	4,755,640	15.0%	205,820	1,178,906	46,000
9. South Atlanta	12,811,400	1,540,633	12.0%	-85,600	70,000	-
10. West Atlanta	2,783,338	553,493	19.9%	-4,321	-	-
Atlanta Metro Total	208,994,931	31,029,598	14.8%	216,634	4,558,773	219,717

By Building Type

Class A	107,557,582	15,354,604	14.3%	138,866	4,068,484	92,929
Class B	86,417,725	14,277,113	16.5%	130,807	490,289	126,788
Class C	15,019,624	1,397,881	9.3%	-53,039	-	-
Building Type Total	208,994,931	31,029,598	14.8%	216,634	4,558,773	219,717



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The Lee & Associates Atlanta Office Market Report compiles market data by using a third-party database for the proprietary analysis of over 15,000 office properties in the Atlanta Metropolitan Area.

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ATLANTA OFFICE SUBMARKETS



Q3 2016 TOP LEASES

Property Name	Address	Submarket	Tenant Name	SF	Lease Type
Perimeter Center	223 Perimeter Center Pky NE	Central Perimeter	Atlanta Journal & Constitution	127,823	Renewal
Three Alliance Center	3550 Lenox Rd NE	Buckhead	Global Payments	79,326	New
Deerfield Park	13010 Morris Rd	North Fulton	Change Healthcare	69,552	New
Terrell Mill Campus	1600 Terrell Mill Rd SE	Northwest	First Data	62,385	New
The Meridian	2736 Meadow Church Rd	Northeast	Cypress Care	38,726	Renewal

Q3 2016 TOP SALES

Property Name	Buyer	Seller	Sales Price	SF	PSF
One Atlantic Center	Starwood Capital Group	Hines US Core	\$318,100,000	1,098,709	\$318.10
Sanctuary Park "9 Bldg Portfolio"	Rubenstein Partners	JP Morgan Chase & Co.	\$260,453,590	1,577,608	\$165.23
Ten 10th Street	Union Investment	Okatree Capital Management	\$150,500,000	421,417	\$357.13
Atlanta Plaza	Oaktree Capital Management	CalSTRS	\$137,500,000	650,827	\$211.17
12525 Cingular Way	LCN Partners	M & J Wilkow	\$92,200,000	376,351	\$244.98

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In 2010, our Atlanta office joined Lee & Associates, the largest broker-owned commercial real estate sales organizations in the U.S. As a local office of this highly respected national firm, the Atlanta team capitalizes on Lee's stellar reputation to continue its paradigm of establishing long-term, client-driven relationships to develop customized solutions for every client's specific real estate requirement.



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