



ATLANTA 2Q17 OFFICE MARKET

GROWTH RATE SLOWS HEADING INTO SUMMER

Atlanta's office market has enjoyed a boom in activity over the past three years. The number of new jobs created and company relocation announcements have far exceeded historical levels. This translated into Atlanta's vacancy rate dropping from 22.7% in 2012 to 16.7% at the end of 2016 and the construction of 1.5 million square feet. However, the first half of 2017 has been marked with leasing activity and construction activity both cooling slightly. This has translated to market activity closer to historical levels, driven primarily by upcoming lease expirations instead of immediate new growth requirements.

Atlanta's vacancy rate rose during the second quarter from 16.9% to 17.2%, largely because of the delivery of 1.3 million square feet. Just over 69% of the space was pre-leased, though, so the vacancy will come down as the tenants move into the space over the next six to nine months. Net absorption for the quarter was 526,769 square feet, bringing the year-to-date total to 272,089 square feet. This was the third-highest quarterly total in the past two years.

Asking rental rates continued to climb, averaging \$24.85/SF at the end of the second quarter, up from \$24.15/SF last quarter and \$23.12/SF one year ago. The Class A average also rose from \$27.11/SF last quarter to \$27.95/SF. Across all classes, the average asking rent has increased 22.7% over the past five years. The Class A average rent has risen 24.9% during the same period. New construction in Buckhead and Midtown is achieving the highest rents ever seen in the market, resulting in additional rent growth among existing properties.

Renewals Account For Half of Top Transactions

Almost half of the leases for more than 15,000 square feet that were signed during the second quarter were renewals. While three of these were contractions, four expansions during the quarter helped offset any negative impact to statistics. Almost 65% of these large deals were signed outside the Perimeter, which will help vacancy improve over the next 12 to 18 months. Of the 10 largest deals for the quarter, six were renewals in place.

Current Development Pipeline at All-Time High

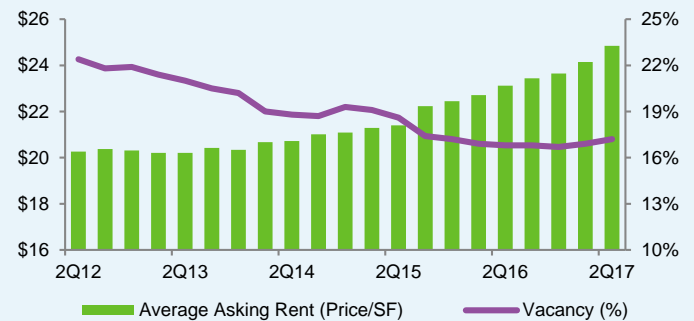
Six buildings totaling 1.3 million square feet were completed in the Atlanta office market during the second quarter. The largest of these projects was 3550 Lenox Road (Three Alliance Center) in Buckhead, a 510,000-square-foot building with 65.7% pre-leased. Two office buildings in North Fulton's Avalon project were finished at 2700 Old Milton Parkway and 2660 Old Milton Parkway with 64% of space leased, further strengthening the mixed-use development's stronghold in the market. Eight buildings have delivered year-to-date around the region with 67.2% pre-leased, adding almost 1.4 million square feet to the inventory.

Current Conditions

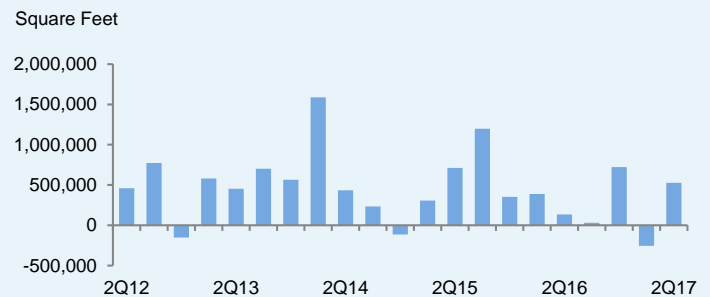
- Despite a relative slowdown in leasing velocity and activity, Atlanta posted the third-highest quarterly net absorption in the past two years.
- Atlanta's average asking rent has risen 22.7% in the past five years.
- 65% of leases over 15,000 square feet signed during the quarter were outside the Perimeter.
- Over 3.9 million square feet is under development, including three regional or corporate headquarters.

Market Analysis

Asking Rent and Vacancy



Net Absorption



Market Summary

	Current Quarter	Prior Quarter	Year Ago Period	12 Month Forecast
Total Inventory (SF)	145.4 M	144.2 M	143.7 M	↑
Vacancy Rate	17.2%	16.9%	16.8%	↓
Quarterly Net Absorption (SF)	526,769	-254,680	133,764	↔
Average Asking Rent (FS)	\$24.85	\$24.15	\$23.12	↑
Under Construction (SF)	3.9 M	4.5 M	3.5 M	↓
Deliveries (SF)	1.3 M	65,449	0	↑



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Over 3.9 million square feet is under construction for completion by the end of 2019. Three of the projects, totaling 1.4 million square feet, are build-to-suits for NCR in Midtown and for Mercedes-Benz USA and State Farm in Central Perimeter. The pipeline is 68.3% pre-leased, providing a healthy outlook for the market, as limited new vacant supply will be added upon completion.

Georgia Tech Continuing to Draw New Neighbors

Recognized as a top-tier engineering school, Georgia Tech continues to draw corporations looking to benefit from the knowledge of its graduates. Siemens announced it will open a software development center for its Data Analytics and Applications Center, which helps railway companies improve operations. Boeing will open a research center that will focus on adopting automation in industrial applications.

Sports Driving Plans for Large Mixed-Use Developments

As seen around the country, sports facilities can be a catalyst for development. These new sites are typically in underdeveloped areas of a city, welcoming ancillary neighboring projects. As Atlanta's new stadiums near completion, their ripple effects on nearby development are becoming apparent.

Three large mixed-use developments were announced this quarter, driven in large part by proximity to major sporting venues. SunTrust Park, the new home of the Atlanta Braves, opened in April in the

Cumberland/Galleria submarket, and Rubenstein Partners is looking to transform their newly acquired project next door into a more walkable area. In Downtown, Carter will be partnering with Georgia State University on the transformation of Turner Field, the Atlanta Braves' former home, into a mixed-use development that will include the university's athletic facilities. CIM Group announced it will be developing a \$1 billion project next to the renovated Philips Arena in Downtown, home to the Atlanta Hawks. This will also be a short walk from the newly constructed Mercedes-Benz Stadium, home of the Atlanta Falcons and Atlanta United.

Market Outlook

Market fundamentals in the second half of 2017 are expected to remain steady and positive. New job growth announcements continue to be released and incorporated into office statistics. The factors that have helped Atlanta remain one of the best performing markets over the past several years remain in place for additional near-term growth.

Lease/User Transactions

Tenant	Building	Submarket	Type	Square Feet
Q2 Solutions	1600 Terrell Mill Road	Cumberland/Galleria	Renewal	138,981
Nelson Mullins Riley & Scarborough	201 17th Street NW	Midtown	Renewal	103,156
SunTrust Bank	211 Perimeter Center Parkway NE	Central Perimeter	Renewal/Expansion	84,339
Reliance Worldwide	2282/2300 Defoor Hills Road	Midtown	New	80,262
Cotiviti	1 Glenlake Parkway NE	Central Perimeter	New	66,100

Sale Transactions

Building	Submarket	Sale Price	Price/SF	Square Feet
BB&T Tower	Midtown	\$182,000,000	\$341	534,000
Regions Plaza	Midtown	\$175,000,000	\$349	501,184
American Cancer Society Center	Downtown	\$166,000,000	\$167	993,000
Deerfield Point 100 & 200, Windward Pointe 200	North Fulton/Forsyth	\$47,000,000	\$141	333,109
The Pointe	Central Perimeter	\$46,200,000	\$110	418,000


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Submarket Statistics – All Classes

	Total Inventory (SF)	Under Construction (SF)	Total Vacancy Rate	2Q Net Absorption (SF)	YTD Net Absorption (SF)	Class A Asking Rent (Price/SF)	Class B Asking Rent (Price/SF)	Total Asking Rent (Price/SF)
Downtown	16,399,043	61,000	21.9 %	1,871	97,507	\$26.15	\$17.93	\$24.26
CBD Total	16,399,043	61,000	21.9 %	1,871	97,507	\$26.15	\$17.93	\$24.26
Airport/South Atlanta	3,726,569	-	23.7 %	39,398	48,647	\$19.05	\$19.10	\$19.49
Buckhead	17,427,455	-	15.2 %	39,538	35,190	\$35.40	\$25.50	\$34.15
Central Perimeter	23,305,178	1,180,000	16.2 %	-13,063	45,769	\$28.65	\$24.27	\$26.96
Cumberland/Galleria	20,072,807	654,906	18.5 %	289,453	-91,905	\$26.39	\$19.63	\$23.81
Decatur	1,485,552	-	7.8 %	15,888	-31,259	\$24.83	\$24.38	\$24.49
East Cobb	498,848	-	16.4 %	-1,966	20,787	-	\$19.82	\$19.82
I-20 East/Conyers	706,403	-	20.9 %	-3,578	1,246	\$22.50	\$18.36	\$19.38
I-20 West/Douglasville	429,397	-	12.4 %	-18	799	-	\$13.40	\$13.40
Marietta/Kennesaw	2,439,633	-	6.0 %	-10,285	39,290	\$26.69	\$20.70	\$22.94
Midtown	17,480,415	1,675,000	13.0 %	79,809	152,929	\$31.22	\$26.00	\$29.73
NE I-85 Inside I-285	6,148,513	20,000	12.8 %	11,998	52,388	\$23.16	\$20.72	\$20.86
NE I-85 Outside I-285/Gwinnett	7,282,302	-	21.6 %	18,060	-2,882	\$20.06	\$18.52	\$19.18
Norcross/Peachtree Corners	6,275,300	-	26.0 %	-68,107	-174,499	\$20.60	\$18.08	\$18.97
North Fulton/Forsyth	17,764,957	107,643	15.9 %	130,750	133,665	\$25.83	\$19.49	\$23.75
Northlake/Stone Mountain	2,886,004	-	24.3 %	-3,417	-72,521	\$20.50	\$17.75	\$17.70
Northside Drive/I-75	1,108,430	123,000	9.6 %	438	16,938	\$29.00	\$27.50	\$25.97
Suburban Total	129,037,763	3,760,549	16.6 %	524,898	174,582	\$28.32	\$20.55	\$24.94
Atlanta Total	145,436,806	3,821,549	17.2 %	526,769	272,089	\$27.95	\$20.36	\$24.85



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ECONOMIC CONDITIONS

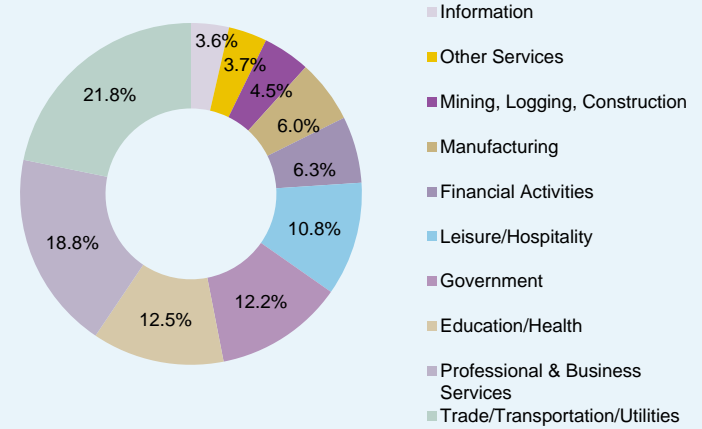
Atlanta continued to see job growth above the national rate, as no sectors posted job losses over the last 12 months ending in April 2017. The construction sector continued to experience the largest change over the past 12 months, as it grew 6.5%. Job growth propelled the other services sector to 3.7% of the region's employment, moving above information.

Payroll employment growth in Atlanta continues to far surpass the national rate. Companies across all industries are creating jobs in the region, either through expansions or relocations from other markets. In April, Atlanta's growth was 3.5% compared with 1.4% in the U.S.

The Atlanta metropolitan area's unemployment rate was 4.5% in April 2017, down from 4.8% one year ago but 10 basis points above the national unemployment rate. Georgia's unemployment rate was 5.0% in April, steadily declining from 5.5% in December 2016.

Employment By Industry

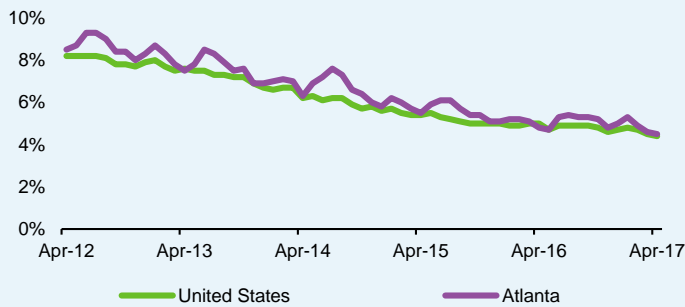
Atlanta, April 2017



Source: Bureau of Labor Statistics

Unemployment Rate

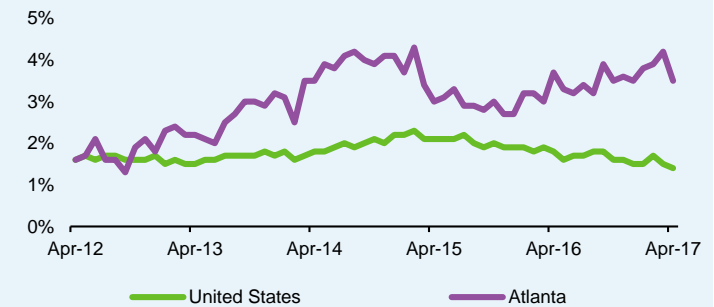
Seasonally Adjusted



Source: U.S. Bureau of Labor Statistics

Payroll Employment

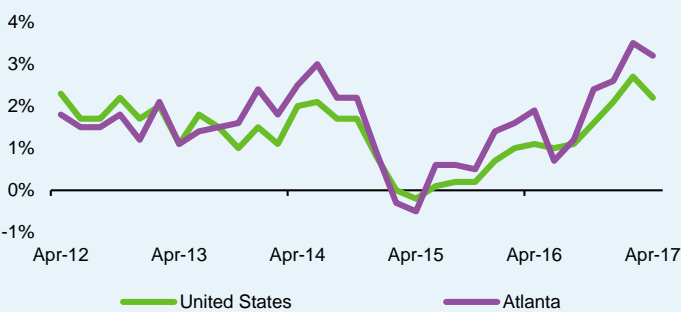
Total Nonfarm, Not Seasonally Adjusted, 12-Month % Change



Source: U.S. Bureau of Labor Statistics

Consumer Price Index (CPI)

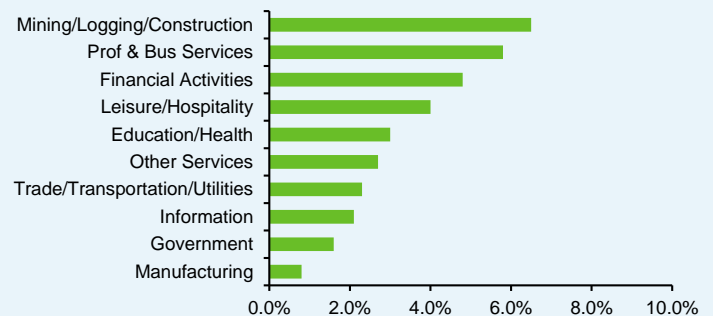
All Items, 12-Month % Change, Not Seasonally Adjusted, 1982-84=100



Source: U.S. Bureau of Labor Statistics

Employment Growth by Industry

Atlanta, April 2017, 12-Month % Change, Seasonally Adjusted



Source: U.S. Bureau of Labor Statistics



Atlanta

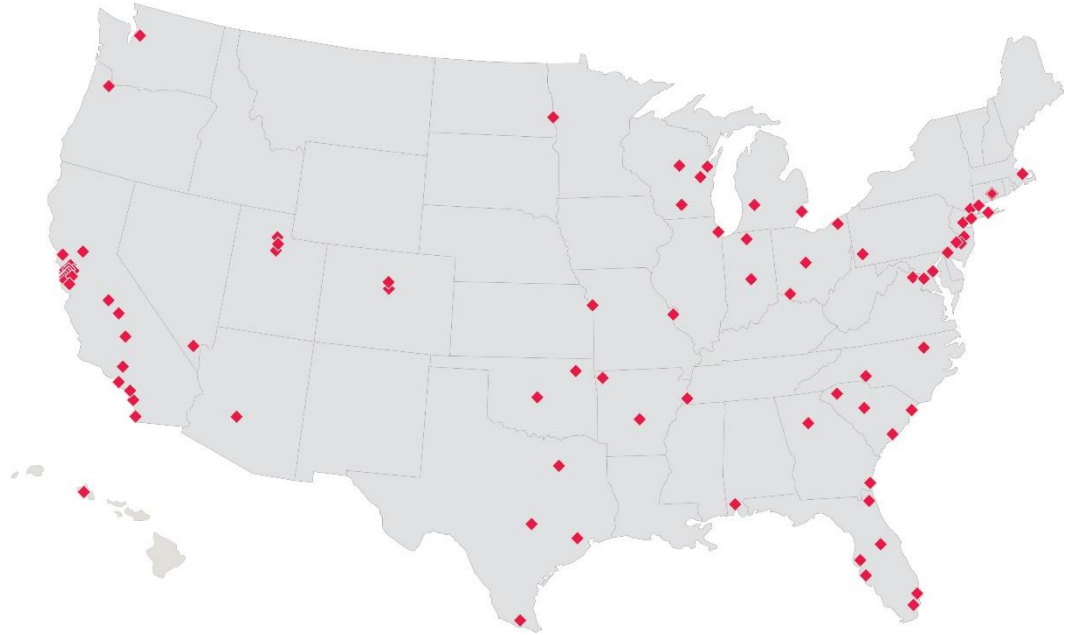
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