

ATLANTA OFFICE

Economic Indicators

	Q1 18	Q1 19	12-Month Forecast
Atlanta Employment	2.8M	2.8M	▲
Atlanta Unemployment	4.2%	3.6%	▼
U.S. Unemployment	4.1%	3.8%	▼

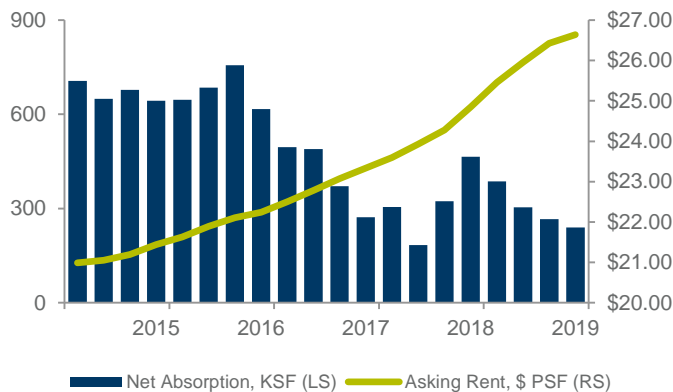
Numbers above are quarterly averages

Market Indicators (Overall, All Classes)

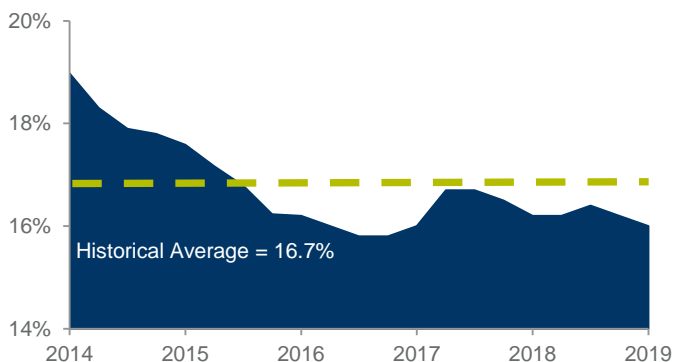
	Q1 18	Q1 19	12-Month Forecast
Vacancy	16.2%	16.0%	▼
Net Absorption (sf)	482k	374k	▼
Under Construction (sf)	2.4M	4.1M	▲
Average Asking Rent*	\$25.79	\$26.64	▲

*Rental rates reflect gross asking \$psf/year

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



Overall Vacancy



Economy

The Atlanta economy has continued to expand through the first quarter of 2019 and gained 57,600 jobs, up 2.1% year-over-year (YOY) compared to 1.0% nationwide. Atlanta's unemployment remains below the national average at 3.6%, increasing only 20 basis points from 3.4% in the fourth quarter of 2018. The national unemployment rate was 3.8% as of preliminary first-quarter data.

Market Overview

The national economy continues to show strength in 2019, and Atlanta has been a leading market in terms of job, GDP and population growth. While office densification has led to companies leasing less square footage per employee during the current economic expansion, relocations along with strong organic job growth have combined with restrained construction activity to keep vacancy rates below long-term averages and have helped drive strong rent growth. While much of the attention is on growth in the CBD (Midtown, Buckhead, and Downtown), rents actually increased faster in Q1 2019 YOY in the suburban submarkets.

The overall office market saw 374,472 square feet (sf) of positive absorption in the first quarter of 2019. While strong, the four-quarter absorption average continued its downward trend since its most recent peak in Q4 2017. CBD Class A office absorption was stronger than any individual quarter in 2018, but CBD Class B absorption fell due to AT&T's downsizing of 200,000 sf. Overall suburban absorption was just barely positive (850 sf), but suburban Class B absorption was extremely strong at 133,816 sf, with the largest gains in the Northwest/Cumberland, Peachtree Corners and GA 400 submarkets.

Overall office vacancy declined to 16.0% in Q1 2019, down 20 basis points from the previous quarter. This marks the sixth straight quarter vacancy has remained below the five-year average of 16.7%. Vacancy continued to decline in the CBD (down 1.2% YOY to 13.9%). Suburban submarkets saw vacancy decline for the second straight quarter to 17.2%, but remain 0.4% higher than in Q1 2018.

Rent growth continues to be healthy in the CBD (+3.7% YOY), especially in Midtown (+13%). However, rent has grown at an even faster pace in suburban submarkets (+4.2%), led by 1-75 North/Marietta (+19%), Airport (+15%) and East Cobb (+11.6%).

Overall office rent growth remained solid, but decelerated to 3.3% YOY in the first quarter of 2019. There was variability in rent growth with large gains in the aforementioned submarkets and rental rate declines in Downtown (-4.3%) and I-75/Northside Drive (-2.8%). After five straight quarters of record highs, overall CBD rents declined slightly to \$32.02 per square foot (psf). Suburban rents increased 60 basis points from Q4 2018 to \$24.34 psf.

Overall leasing activity in Q1 2019 was down 26% from a year ago. Leasing levels in suburban submarkets were down significantly while the 835,672 sf of CBD leasing activity represents a 3.6% increase from the first quarter of 2018. Tenants continue to be drawn to quality as Class A leasing accounted for 78% of all activity in Q1 2019, up slightly from the 76% for all of 2018.

SUBURBAN RENTAL RATE GROWTH YOY OUTPACED THE CBD IN Q1 2019 FOR ONLY THE SECOND TIME IN THE PAST TWO YEARS.

Outlook

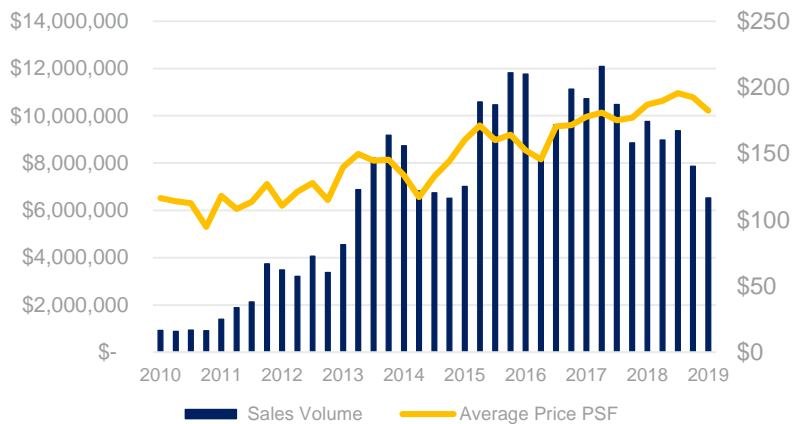
The Atlanta economy, and the broader U.S. economy, are likely to be strong throughout 2019. Atlanta's office construction is hitting its stride with 30% preleased and strong leasing momentum. There is 4.1 msf of office space currently under construction, but only 25% of that is scheduled to come online in 2019. Vacancy rates are below historical averages, but will likely creep up slightly over the next few years with additional product hitting the market. Continued job and population growth in Atlanta should lead to sustained rent growth, but perhaps at a lower level than was experienced in 2018.

Office Highlights

- Despite slowing absorption in Q1 2019, overall average asking rents in suburban submarkets set a fourth-consecutive record high (\$24.34 psf) and CBD rents (\$32.02 psf) remain less than 20 cents off the peak from Q4 2018.
- Vacant office space in CBD submarkets (7.2 msf) is the lowest since the fourth quarter of 2005. In the intervening years, CBD office inventory has expanded by over 26%.

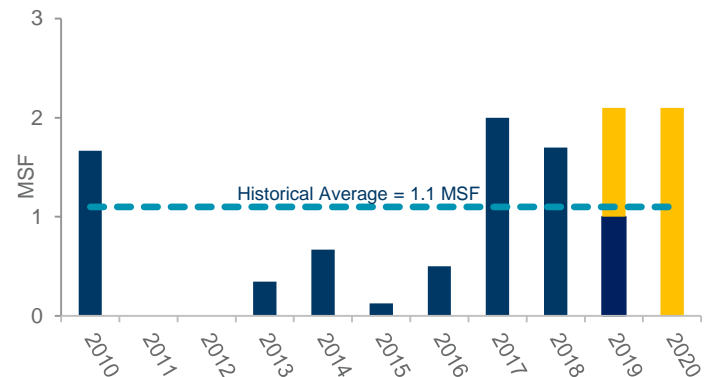
Atlanta Investment Sales

4-QUARTER TRAILING AVERAGE SALES VOLUME



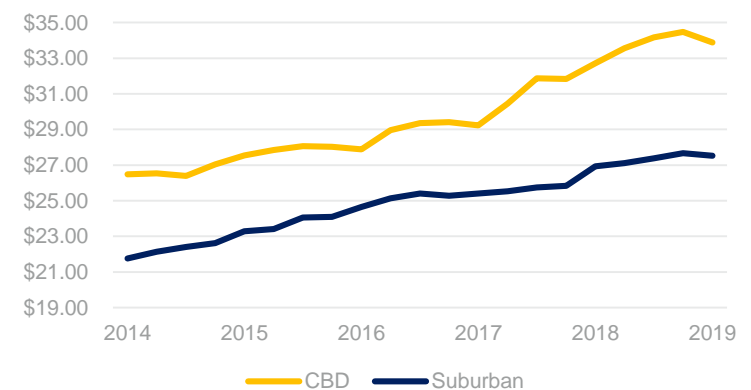
New Supply

2019 NEW SUPPLY CONTINUES TO PUSH RENTAL RATES TO NEW LEVELS



Class A Asking Rent Trend

CBD AND SUBURBAN AVERAGE CLASS A ASKING RATES UP YOY



MARKETBEAT

Atlanta

Office Q1 2019



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.**	OVERALL AVG. CLASS A GROSS R.R.**
Downtown	15,124,544	17.4%	16.2%	204,549	30,000	115,392	133,510	\$26.71	\$28.99
Midtown	19,064,438	11.2%	10.5%	426,172	2,586,137	201,246	201,246	\$34.95	\$37.80
Buckhead	17,363,833	13.9%	12.3%	204,951	340,000	77,923	38,866	\$35.16	\$36.28
CBD	51,552,815	13.9%	12.8%	835,672	2,956,137	394,561	373,622	\$32.02	\$33.88
Central Perimeter	22,618,990	16.7%	15.2%	267,068	339,500	(159,766)	(183,566)	\$28.55	\$30.66
Georgia 400 Corridor	18,245,101	14.5%	13.8%	89,840	453,800	54,074	54,074	\$23.91	\$26.66
I-75/Northside Drive	1,628,879	18.4%	16.6%	14,397	0	0	0	\$28.93	\$34.82
NW/Cumberland/Galleria	18,612,137	18.8%	18.3%	150,221	369,000	(119,671)	(145,024)	\$25.02	\$27.52
GA 120/Johnson Ferry Rd	232,533	10.8%	10.8%	0	0	0	0	\$21.55	N/A
I-75 North/Marietta	3,345,017	11.5%	8.5%	7,014	0	0	0	\$24.42	\$26.18
NORTHWEST SUBTOTAL	23,818,566	17.7%	16.7%	171,632	369,000	(119,671)	(145,024)	\$25.32	\$27.53
I-85/I-285/NE Atlanta	7,232,374	11.3%	11.2%	61,670	0	283,935	283,935	\$21.61	\$29.64
I-85 NE/Gwinnett Co./I-985	7,426,328	22.0%	20.2%	138,002	0	(15,869)	(15,869)	\$19.43	\$22.14
Peachtree Corners	5,595,546	21.0%	20.8%	239,579	20,000	(15,862)	(15,862)	\$19.48	\$21.91
NORTHEAST SUBTOTAL	20,254,248	17.9%	17.2%	439,251	20,000	252,204	252,204	\$19.94	\$22.55
Decatur	1,321,458	11.0%	10.8%	19,263	0	0	0	\$22.91	\$24.46
Northlake/Stone Mountain	2,842,225	30.5%	30.5%	5,832	0	(4,056)	(4,056)	\$22.47	\$22.44
NORTHLAKE/DECATUR SUBTOTAL	4,163,683	24.3%	24.3%	25,095	-	(4,056)	(4,056)	\$22.54	\$22.87
I-20 West	522,244	11.2%	11.0%	3,899	0	0	0	\$20.50	N/A
Airport/South Atlanta	3,036,741	19.6%	19.5%	12,842	0	27,218	27,218	\$20.36	\$22.91
SOUTH SUBTOTAL	3,558,985	18.4%	18.3%	6,741	-	27,218	27,218	\$20.37	\$22.91
NON-CBD	92,659,573	17.2%	16.3%	1,009,627	1,182,300	50,003	850	\$24.34	\$27.52
ATLANTA TOTALS	144,212,388	16.0%	15.0%	1,845,299	4,138,437	444,564	374,472	\$26.64	\$29.83

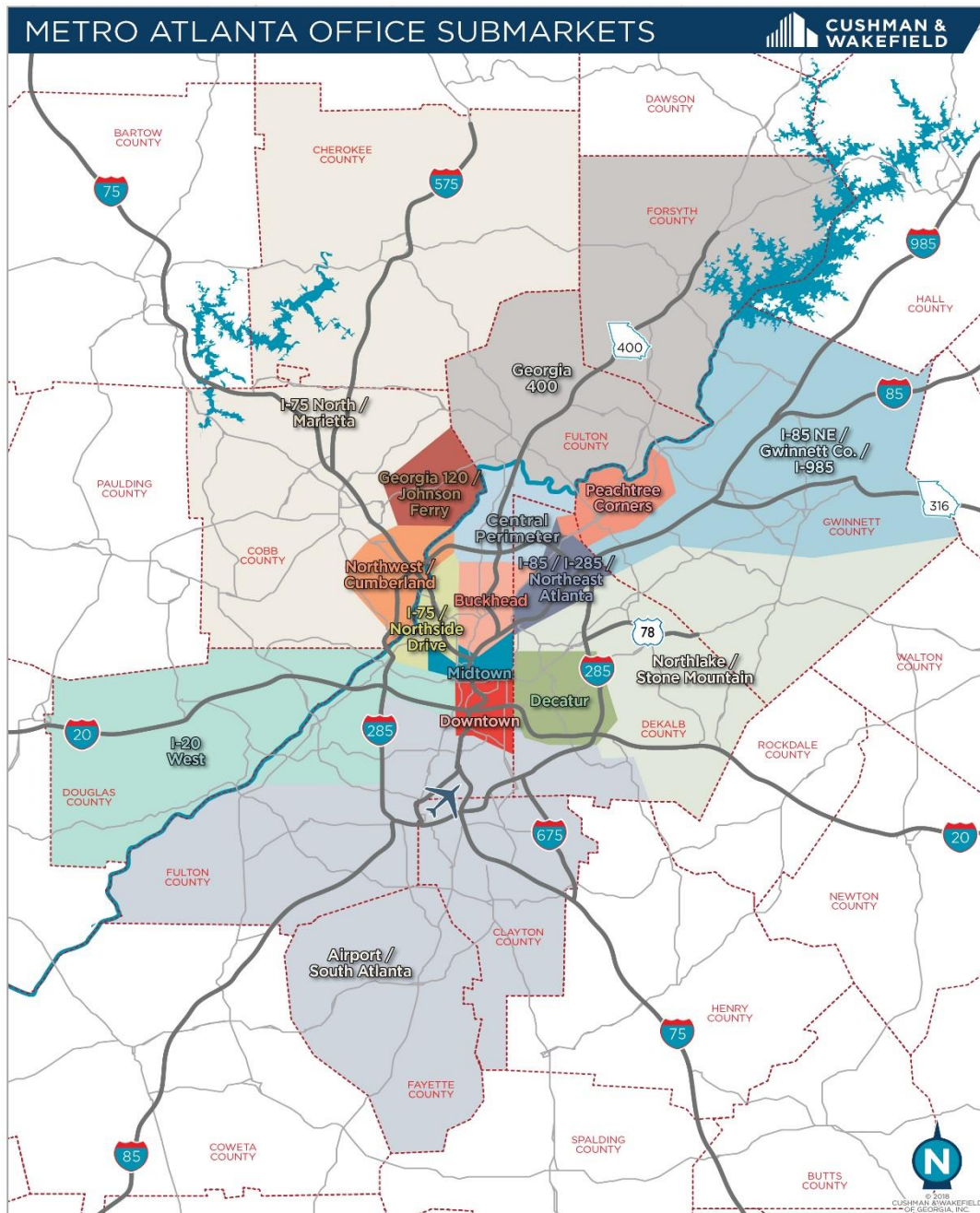
*Leasing Activity does not include renewals; **Rental rates reflect gross asking \$psf/year

Key Lease Transactions Q1 2019

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
1105 West Peachtree Street	161,292	Google	New Lease	Midtown
101 Marietta Street	80,240	WeWork	New Lease	Downtown
3097 Satellite Boulevard	70,779	OS National	New Lease	I-85 NE/Gwinnett Co./I-985
1170 Peachtree Street	64,910	Samsara	Sublease	Midtown

Key Sales Transactions Q1 2019

PROPERTY	SF	SELLER / BUYER	PRICE / \$PSF	SUBMARKET
1200 Peachtree Street NE	379,300	Norfolk Southern Corp/ Cousins Properties	\$82,000,000 / \$222	Midtown
3535 Piedmont Road	302,043	Lone Star Funds/ The Ardent Companies	\$58,000,000 / \$193	Buckhead
2100 Riveredge Parkway	268,454	Mainstreet Capital Partner/ River Edge Inc.	\$45,225,000 / \$171	NW/Cumberland/Galleria
11575 Great Oaks Way	152,878	Bridge Investment Group/ The Simpson Organization	\$24,850,000 / \$163	Georgia 400 Corridor



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