

ATLANTA OFFICE

Economic Indicators

	Q2 18	Q2 19	12-Month Forecast
Atlanta Employment	2.8M	2.8M	▲
Atlanta Unemployment	3.9%	3.7%	▼
U.S. Unemployment	3.9%	3.6%	▼

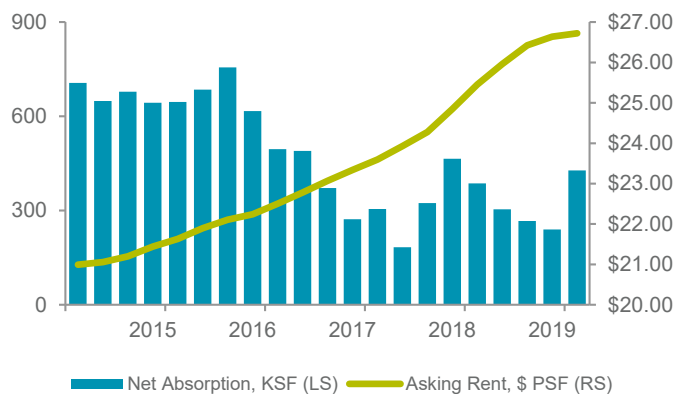
Numbers above are quarterly averages

Market Indicators (Overall, All Classes)

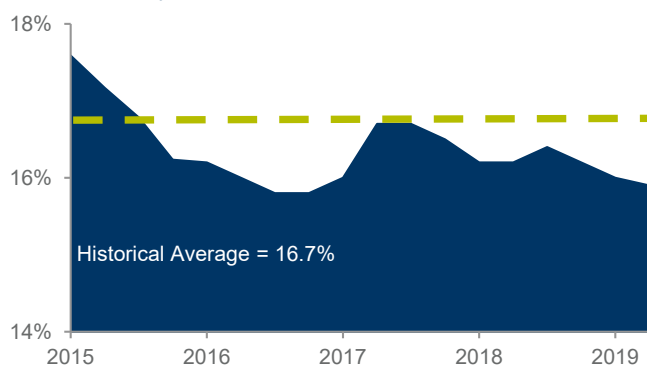
	Q2 18	Q2 19	12-Month Forecast
Vacancy	16.2%	15.9%	▼
Net Absorption (sf)	90k	842k	▲
Under Construction (sf)	2.3M	5.2M	▲
Average Asking Rent*	\$25.53	\$26.87	▲

\*Rental rates reflect gross asking \$psf/year

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



Overall Vacancy



Economy

The Atlanta economy continued to grow in the second quarter of 2019, posting 42,800 new jobs. Total employment was up 1.5% year-over-year (YOY), which is in line with nationwide job growth (+1.6%). Atlanta's unemployment rate was down YOY to 3.7% in Q2 2019. The national unemployment rate also declined over the past year and ended Q2 at 3.6%.

The current economic expansion is now the longest in U.S. history having passed 10 years in June. Job growth across the U.S. and in Atlanta remains positive, but at a lower pace than earlier in the cycle.

Market Overview

Market fundamentals in the second quarter of 2019 were extremely strong and office absorption reached 842,000 square feet (sf). This is the second highest quarterly absorption number in more than four years (since Q1 2015) and has pushed the four-quarter trailing absorption average up 78% to 428,000 sf per quarter.

Unlike Q1 2019, when nearly 100% of positive absorption was in the central business district (CBD), the most recent quarter reported a balance throughout the office market. Just over half of Q2 absorption (54%) was in the CBD submarkets of Midtown, Buckhead and Downtown. Midtown recorded the highest with just over 275,000 sf absorbed, driven by WeWork's 71,000-sf move into CODA at 756 W. Peachtree Street and Sirius XM's 50,000-sf move into the Campanile building at 1155 Peachtree Street.

The Georgia 400 submarket reported the strongest absorption by far in the suburbs with 265,000 sf. This absorption was largely impacted by McKesson's 104,000-sf move into Stonebridge I and Veam's 81,000-sf move into Northwinds VII. Other strong submarkets included Northwest/Cumberland with 99,000 sf of absorption and Peachtree Corners with 81,000 sf.

Asking rental rates across the Atlanta market increased to \$26.87 per square foot (psf), which is up \$0.23 psf (0.9%) from Q1 2019. The four-quarter trailing rent average ended Q2 2019 up 5.2% YOY. Rental rates in the suburbs grew slightly faster between Q1 and Q2 led by Decatur (+4.3%), Central Perimeter (+2.8%), Airport/S. Atlanta (+2.6%). The strongest CBD submarket was Buckhead, which recorded overall rents increase 3.0% from last quarter.

Overall office vacancy ticked down to 15.9% in Q2 2019, its lowest point since Q4 2016. This rate marks the seventh straight quarter vacancy has remained below the five-year average of 16.7%. Class A vacancy dropped 10 bps from Q1 to 14.9% and Class B vacancy remained flat at 18.2%.

The strong investment sales run of the current economic expansion continued as Q2 2019 volume moved upwards. The four-quarter trailing average sales volume increased 18.3% from the previous quarter and topped \$772 million. The average price was \$182 psf and marks the 10th straight quarter above \$175 psf.

Overall leasing in Q2 2019 was nearly identical to the previous quarter with 1.8 million square feet (msf) of new activity but represents a YOY decrease of 12% from Q2 2018. Class A inventory accounted for 74% of lease transactions. Suburban leasing volume (1.1 msf) increased 21% from the previous quarter and accounted for 63% of all leasing in Q2 2019. Similar to net absorption, leasing activity was highest in Midtown (0.5 msf), Northwest/Cumberland (0.4 msf), Georgia 400 (0.3 msf) and Central Perimeter (0.2 msf).

**OVERALL OFFICE VACANCY HIT ITS LOWEST POINT SINCE Q4 2016. THIS MARKS THE SEVENTH STRAIGHT QUARTER VACANCY HAS REMAINED BELOW THE FIVE-YEAR AVERAGE.**

**Outlook**

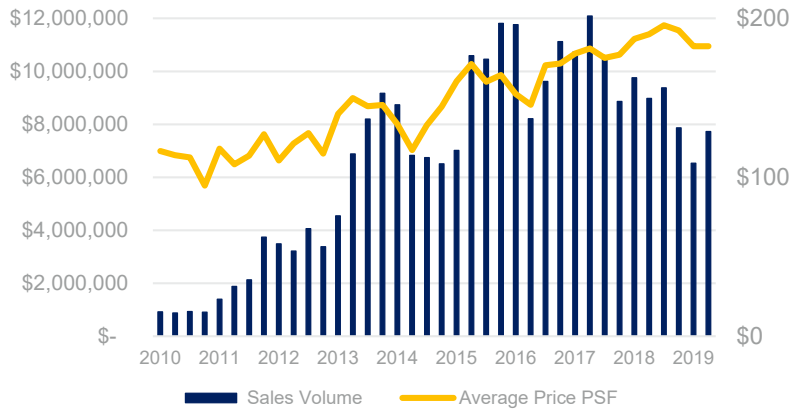
Atlanta's office development is hitting its stride with nearly 5.2 msf of new product under construction, the highest since Q1 2001. With 36% currently preleased, it appears promising that the remaining two thirds could be leased over the next two years. Vacancy rates are below historical averages but may creep up over the next few years with additional supply 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**

- Even with absorption down YOY, overall average asking rents hit a new high in Q2 (\$26.87).
- Class A vacancy remains well below the historical average, currently at 14.9%.
- There is currently 3.3 msf under construction in the CBD, but vacant office space in CBD submarkets (6.9 msf) is the lowest since the fourth quarter of 2005.

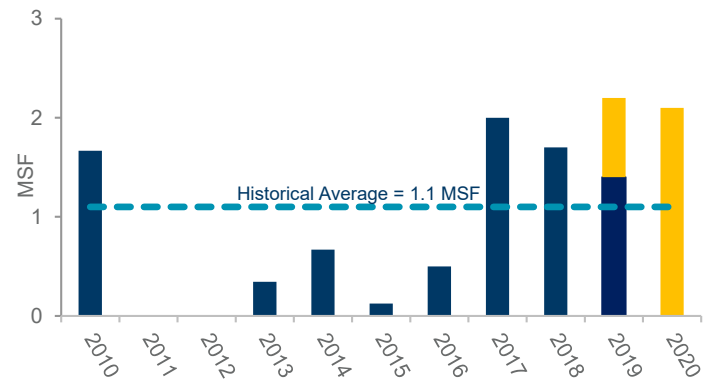
**Atlanta Investment Sales**

4-QUARTER TRAILING AVERAGE SALES VOLUME



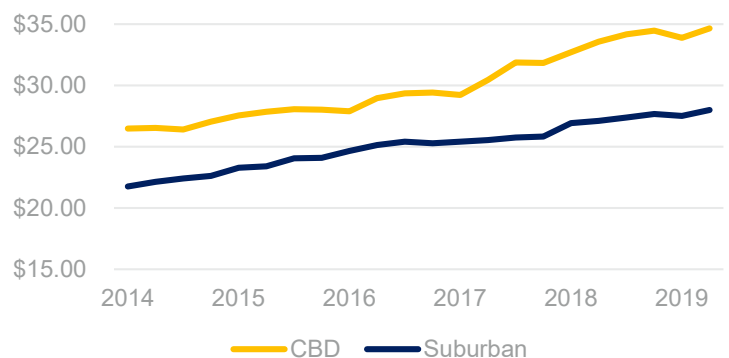
**New Supply**

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 Q2 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	17.0%	15.9%	255,737	30,000	52,260	185,770	\$27.37	\$29.65
Midtown	18,384,743	10.5%	9.8%	911,549	2,953,000	280,728	652,899	\$34.39	\$38.12
Buckhead	18,408,833	13.0%	11.3%	335,106	354,427	167,707	168,341	\$36.20	\$37.33
<b>CBD</b>	<b>51,918,120</b>	<b>13.3%</b>	<b>12.8%</b>	<b>1,502,392</b>	<b>3,337,427</b>	<b>1,068,181</b>	<b>1,007,010</b>	<b>\$32.36</b>	<b>\$34.66</b>
Central Perimeter	22,155,880	16.2%	14.6%	486,640	345,462	59,260	-129,709	\$29.35	\$31.16
Georgia 400 Corridor	18,303,867	15.3%	14.5%	349,585	484,048	273,018	318,639	\$24.34	\$29.95
I-75/Northside Drive	1,628,879	18.4%	16.6%	19,045	0	0	0	\$28.87	\$37.11
NW/Cumberland/Galleria	18,612,137	18.5%	17.9%	565,531	566,394	106,349	-46,454	\$25.23	\$27.91
GA 120/Johnson Ferry Rd	232,533	14.8%	11.9%	2,321	0	-2,600	-9,362	\$21.49	\$0.00
I-75 North/Marietta	3,345,017	11.5%	8.5%	25,204	100,000	12,380	12,380	\$24.66	\$ 26.38
<b>NORTHWEST SUBTOTAL</b>	<b>23,818,566</b>	<b>18.7%</b>	<b>17.0%</b>	<b>612,101</b>	<b>666,394</b>	<b>116,129</b>	<b>-43,436</b>	<b>\$25.43</b>	<b>\$27.71</b>
I-85/I-285/NE Atlanta	7,232,374	12.8%	12.6%	164,193	0	-98,065	173,576	\$21.27	\$30.37
I-85 NE/Gwinnett Co./I-985	7,426,328	22.5%	20.7%	172,472	0	29,481	13,612	\$19.52	\$22.14
Peachtree Corners	5,595,546	20.6%	20.3%	161,148	120,000	80,878	65,016	\$19.44	\$21.93
<b>NORTHEAST SUBTOTAL</b>	<b>20,254,248</b>	<b>20.0%</b>	<b>19.2%</b>	<b>497,813</b>	<b>120,000</b>	<b>12,294</b>	<b>252,204</b>	<b>\$19.91</b>	<b>\$24.01</b>
Decatur	1,321,458	10.5%	9.8%	33,205	0	13,379	7,487	\$23.89	\$26.77
Northlake/Stone Mountain	2,842,225	32.2%	32.2%	51,414	36,000	-46,840	-50,896	\$22.68	\$22.44
<b>NORTHLAKE/DECATUR SUBTOTAL</b>	<b>4,163,683</b>	<b>29.8%</b>	<b>29.4%</b>	<b>84,619</b>	<b>36,000</b>	<b>-33,461</b>	<b>-43,409</b>	<b>\$22.83</b>	<b>\$22.98</b>
I-20 West	522,244	11.2%	11.0%	3,899	0	0	0	\$20.50	\$0.00
Airport/South Atlanta	2,908,340	20.4%	20.3%	28,977	166,011	2,991	30,209	\$20.88	\$22.60
<b>SOUTH SUBTOTAL</b>	<b>3,430,584</b>	<b>19.8%</b>	<b>19.6%</b>	<b>32,876</b>	<b>166,011</b>	<b>2,991</b>	<b>30,209</b>	<b>\$20.85</b>	<b>\$20.65</b>
<b>NON-CBD</b>	<b>92,126,828</b>	<b>17.0%</b>	<b>16.4%</b>	<b>2,063,634</b>	<b>1,817,915</b>	<b>480,594</b>	<b>384,498</b>	<b>\$24.69</b>	<b>\$28.00</b>
<b>ATLANTA TOTALS</b>	<b>144,044,948</b>	<b>15.9%</b>	<b>14.8%</b>	<b>3,566,026</b>	<b>5,155,342</b>	<b>1,548,775</b>	<b>1,391,508</b>	<b>\$26.87</b>	<b>\$30.40</b>

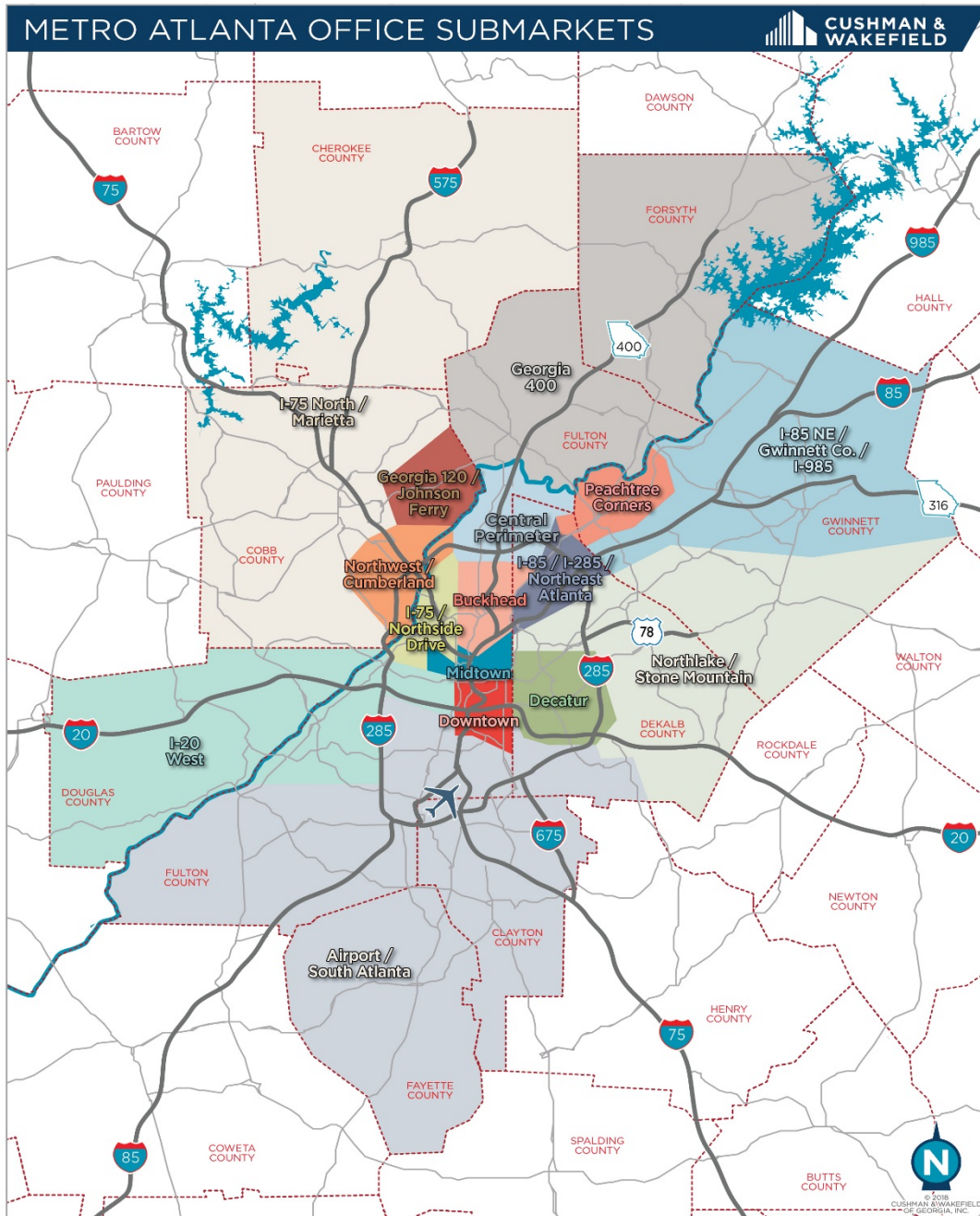
\*\*Rental rates reflect gross asking \$psf/year; \*Leasing Activity does not include renewals.

### Key Lease Transactions Q2 2019

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
712 West Peachtree	275,000	Anthem Blue Cross Blue Shield	New Lease	Midtown
3 Ravinia Drive	78,016	LeaseQuery	New Lease	Central Perimeter
1150 Sanctuary Parkway	72,180	The Clorox Co.	New Lease	Georgia 400 Corridor
500 Colony Square	115,000	Jones Day	New Lease	Midtown

### Key Sales Transactions Q2 2019

PROPERTY	SF	SELLER / BUYER	PRICE / \$PSF	SUBMARKET
One and Three Glenlake	710,832	Columbia Property Trust/ Starwood Capital Trust	\$227,500,000 / \$320	NW/Cumberland/Galleria
Paces West	646,471	Investcorp International/ Farallon Capital Management	\$119,500,000 / \$185	NW/Cumberland/Galleria
Galleria 100	410,571	Childress Klein/ Piedmont Office Realty Trust	\$95,100,000 / \$228	NW/Cumberland/Galleria
Georgia 400 Center	419,567	TPA Group, LLC/KBS	\$91,000,000 / \$217	Georgia 400 Corridor
Sugarloaf Corporate Center	256,180	Barings/Velocis	\$44,000,000 / \$172	I-85 NE



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