

Total Inventory 214,290,248	Overall Vacancy ↓ 14.8%	Net Absorption* ↑ 693,470	Under Construction ↓ 4,307,559	Total Deliveries* ↓ 765,177	Average Lease Rate ↑ \$24.33
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MARKET HIGHLIGHTS

The Southeastern United States premier office market finished 2017 surprisingly well, producing 693,470 SF of absorption since mid-year. This helped to offset 765,177 SF of delivered inventory over the same six month period. Consolidation of corporate offices and workspace efficiencies continue to negatively affect Atlanta's office markets, despite co-working expansion from WeWork, Spaces and Industrious. This shared services phenomenon is here to stay, but will not boost a market whose leasing activity levels are not keeping up with the 4.3 M SF currently under development. 725 Ponce, Coda, 4004 Perimeter Summit and 3 Eidson will deliver 1.1 M SF of available space between these four projects alone within sixteen months. Our region will depend on relocations in 2018 to rebalance market fundamentals, in part awaiting announcement of Amazon's HQ2 destination preferences.

Some interesting observations: Midtown for the first time has overtaken Buckhead, with the highest average quoted Class A rents. Downtown Atlanta placed second metro wide this year in net absorption, while Central Perimeter finished last. Cumberland/Galleria's performance can in part be associated with The Battery's popularity. Premium rents continue to drive the loft office wave – particularly in West Midtown, Old Fourth Ward and Chamblee. IT Operations of Anthem, Honeywell and NCR have produced much of Midtown's resurgence.

Investment appetite for institutional offerings remains strong fueled in part by a drop in offerings during the past year in our market. While State Farm's Park Center sale (\$406/ SF) set an Atlanta record, Ardent's Piedmont Center Buildings 1-4 & 15 expansion (\$169/SF) and Zeller's Resurgens Plaza acquisition (\$230/SF) showed the demand these core submarkets continue to generate. Cap rate compression appears to have slowed generally, especially in the Class B offering arena. While the "value-add" space still offers some opportunity, the costs to add value in many cases does not generate the desired returns.



METRO ATLANTA REPRESENTATIVE SALES ACTIVITY

INVESTMENT SALES

236 Perimeter Center Parkway <i>Purchased by Transwestern Investments on 07/27/17</i>	590,926 SF	\$466.05/SF
Resurgens Plaza <i>Purchased by Zeller Realty Group on 11/30/17</i>	402,802 SF	\$230.14/SF
One West Court Square <i>Purchased by Noro Management on 08/25/17</i>	159,705 SF	\$192.23/SF

OWNER/USER SALES

1577 Northeast Expressway <i>Purchased by Childrens Healthcare on 03/31/17</i>	40,000 SF	\$150.00/SF
1101 Northchase Parkway <i>Purchased by National Assoc. of Letter Carriers on 12/20/17</i>	40,000 SF	\$100.00/SF
300 Pinnacle Way <i>Purchased by Wyslend on 01/06/17</i>	55,033 SF	\$27.26/SF

ATLANTA OFFICE MARKET

KEY METRO ATLANTA SUBMARKETS

YEAR END 2017

BUCKHEAD

	CURRENT	PREVIOUS TIME PERIODS		CHANGE
VACANT SF	3,114,117	Mid-Year '17	3,082,455	+1.03%
		Year End '16	2,495,630	+24.78%
SF UNDER CONSTRUCTION	129,099	Mid-Year '17	147,617	(18,518)
		Year End '16	755,605	(626,506)
RENTAL RATE	\$32.20	Mid-Year '17	\$33.08	-\$0.88
		Year End '16	\$32.26	-\$0.06
ABSORPTION SF	(13,144)	Mid-Year '17	78,322	(91,466)
		Year End '16	101,399	(114,543)
DELIVERIES	18,518	Mid-Year '17	737,087	(718,569)
		Year End '16	72,747	(54,229)

- The region's financial district finished 2017 meekly with negative 13,144 SF absorbed since mid-year.
- Given the lack of leasing activity, Buckhead's vacancy rate rose slightly to 14.3%.
- Nine buildings in the submarket currently market 50,000 SF contiguous availabilities.

ACTIVITY: Amazon.com occupied 43,000 SF at Terminus 200; Blue Cross Blue Shield extended its 198,080 SF at 3350 Peachtree Road; Cousins Properties relocated into 30,000 SF at 3344 Peachtree Road.

- Atlanta's corporate tenant submarket registered negative 147,266 SF of absorption during the last two quarters.
- Accordingly, Central Perimeter's vacancy rate rose to 15.4% which ranks seventh among region submarkets.
- This submarket ranked last regionally in 2017 net absorption performance.

ACTIVITY: The Weather Channel relocated into 42,000 SF at 1001 Perimeter Summit; WestRock Company committed to 193,000 SF at Northpark; PSA Healthcare occupied 32,000 at Six Concourse Parkway.

CENTRAL PERIMETER

	CURRENT	PREVIOUS TIME PERIODS		CHANGE
VACANT SF	4,399,587	Mid-Year '17	4,231,605	+3.97%
		Year End '16	4,502,317	-2.28%
SF UNDER CONSTRUCTION	1,025,250	Mid-Year '17	1,045,966	(20,716)
		Year End '16	391,368	+633,882
RENTAL RATE	\$26.84	Mid-Year '17	\$27.13	-\$0.29
		Year End '16	\$26.37	+\$0.47
ABSORPTION SF	(147,266)	Mid-Year '17	(45,016)	(102,250)
		Year End '16	(103,518)	(43,748)
DELIVERIES	0	Mid-Year '17	15,402	(15,402)
		Year End '16	590,926	(590,926)

DOWNTOWN

	CURRENT	PREVIOUS TIME PERIODS		CHANGE
VACANT SF	4,001,408	Mid-Year '17	4,218,118	-5.14%
		Year End '16	4,421,071	-9.49%
SF UNDER CONSTRUCTION	124,000	Mid-Year '17	124,000	0
		Year End '16	61,000	+63,000
RENTAL RATE	\$25.20	Mid-Year '17	\$24.04	+\$1.16
		Year End '16	\$24.20	+\$1.00
ABSORPTION SF	216,710	Mid-Year '17	63,647	+153,063
		Year End '16	213,414	+3,296
DELIVERIES	0	Mid-Year '17	0	0
		Year End '16	0	0

- Downtown's resurgence continues as it posted 216,710 SF of absorption in the last six months of 2017.
- This submarket's vacancy rate dropped almost one percent during this period to 15.3%.
- Enhanced rental housing, convenient transit and improved amenities have all driven recent tenant demand.

ACTIVITY: Georgia's Own Credit Union occupied 40,000 SF at 100 Peachtree Street; EY U.S. expanded to 118,000 at 55 Allen Plaza; Riskalyze committed to 24,000 SF at Bank of America Plaza.

ATLANTA OFFICE MARKET

KEY METRO ATLANTA SUBMARKETS

YEAR END 2017

- Atlanta's shining office submarket produced little activity with a six month absorption of just 28,762 SF.
- However with just a region leading 9.6% vacancy rate, larger lease alternatives prove challenging to find.
- Look for opportunities in the next two years as Coda and 725 Ponce deliver in early 2019.

ACTIVITY: SalesLoft leased 30,000 SF at Regions Plaza; Fitzgerald & Co. occupied 45,000 SF at Stockyards Atlanta; Equifax moved into 112,000 SF at One Atlantic Center.

MIDTOWN

	CURRENT	PREVIOUS TIME PERIODS	CHANGE
VACANT SF	2,070,119	Mid-Year '17	1,975,881 +4.77%
		Year End '16	2,155,832 -3.98%
SF UNDER CONSTRUCTION	2,140,671	Mid-Year '17	1,986,671 +154,000
		Year End '16	1,573,671 +567,000
RENTAL RATE	\$32.68	Mid-Year '17	\$29.20 +\$3.48
		Year End '16	\$27.58 +\$5.10
ABSORPTION SF	28,762	Mid-Year '17	196,951 (168,189)
		Year End '16	342,119 (313,357)
DELIVERIES	123,000	Mid-Year '17	17,000 +106,000
		Year End '16	125,186 (2,186)

NORTH FULTON

	CURRENT	PREVIOUS TIME PERIODS	CHANGE
VACANT SF	3,490,463	Mid-Year '17	3,706,566 -5.83%
		Year End '16	3,372,106 +3.51%
SF UNDER CONSTRUCTION	391,995	Mid-Year '17	459,525 (67,530)
		Year End '16	616,818 (224,823)
RENTAL RATE	\$22.92	Mid-Year '17	\$22.87 +\$0.05
		Year End '16	\$22.82 +\$0.10
ABSORPTION SF	307,603	Mid-Year '17	(68,385) +375,988
		Year End '16	(108,016) +415,619
DELIVERIES	91,500	Mid-Year '17	266,075 (174,575)
		Year End '16	0 91,500

- The North Fulton submarket finished 2017 well, registering 307,603 SF of absorption since Mid-Year.
- This submarket's vacancy rate has jumped around quite a bit over three years, now standing at 13.6%.
- Cousin's/Hines success at 8000 Avalon has prompted discussion of a second building in that development.

ACTIVITY: TSYS expanded and extended it's 67,000 SF leased at 4501 North Point Parkway; Crown Castle committed to 56,000 SF at 8000 Avalon; Kimley-Horn occupied 19,000 SF at Parkway 400.

- Finally some good news for this submarket which posted 124,489 SF of absorption over the past two quarters.
- Northeast Atlanta's vacancy rate stands at 21.3%, the regions highest proving there is still room for improvement.
- Given proximity to labor markets and value offerings, this submarket posted twelve user sales in 2017.

ACTIVITY: Crawford & Company relocated into 109,000 SF at Midori; Safeco Insurance extended 46,000 SF at 2055 Sugarloaf Circle; Capstone Logistics leased 30,000 SF at 30 Technology Parkway.

NORTHEAST

	CURRENT	PREVIOUS TIME PERIODS	CHANGE
VACANT SF	4,938,942	Mid-Year '17	5,041,878 -2.04%
		Year End '16	4,896,768 +0.86%
SF UNDER CONSTRUCTION	47,944	Mid-Year '17	69,497 (21,553)
		Year End '16	111,553 (63,609)
RENTAL RATE	\$17.99	Mid-Year '17	\$17.65 +\$0.34
		Year End '16	\$17.66 +\$0.33
ABSORPTION SF	124,489	Mid-Year '17	(75,110) +199,599
		Year End '16	44,362 +80,127
DELIVERIES	21,553	Mid-Year '17	70,000 (48,447)
		Year End '16	27,000 (5,447)

ATLANTA OFFICE MARKET

KEY METRO ATLANTA SUBMARKETS

YEAR END 2017

NORTHWEST

	CURRENT	PREVIOUS TIME PERIODS	CHANGE
VACANT SF	5,318,313	Mid-Year '17	4,961,608 +7.19%
		Year End '16	4,815,733 +10.44%
SF UNDER CONSTRUCTION	258,000	Mid-Year '17	745,399 (487,399)
		Year End '16	1,079,606 (821,606)
RENTAL RATE	\$22.81	Mid-Year '17	\$22.87 -\$0.06
		Year End '16	\$21.97 +\$0.84
ABSORPTION SF	130,634	Mid-Year '17	246,125 (115,491)
		Year End '16	224,095 (93,461)
DELIVERIES	465,606	Mid-Year '17	392,000 +73,606
		Year End '16	154,000 +311,606

- This submarket's improvement continues with 130,634 SF absorbed since Mid-Year 2017.
- Despite significant new inventory, Northwest Atlanta's vacancy rate remains steady at 15.9%.
- The Battery's retail and entertainment components have provided exciting amenities to the Cumberland/Galleria office area.

ACTIVITY: Comcast occupied its 260,000 SF space at The Battery; Thomas/Horstemeyer leased 31,000 SF at the Towers at Wildwood; Aetna moved into 36,000 SF at 2000 Riveredge.

LAVISTA ASSOCIATES, INC. REPRESENTATIVE OFFICE TRANSACTIONS

SALE TRANSACTIONS

Kevin Walsh & Rush Bradley represented Midland in the sale of 2910 Miller Road, a 50,000 SF building in Decatur.

Representing the Seller, Joe Gonsalves brokered the sale of 5,500 SF at 1355 Terrell Mill Road in Marietta.

Rush Bradley, Kevin Walsh & Ed O'Connor represented the seller in the 24,000 SF investment sale of 1585 Old Norcross Road in Lawrenceville.

LEASE TRANSACTIONS

Bobby Mayson represented Ashley Capital on their 12,569 SF lease with the City of Stonecrest at 3120 Stonecrest Boulevard in Stonecrest.

Representing Ceto & Associates, Tom Davenport brokered a 12,624 SF lease renewal and expansion at The Paddocks in Johns Creek.

Rush Bradley represented PruittHealth on their 16,125 SF lease at 4022 Stirrup Creek Drive in Durham.



Sources include: CoStar Office Market Report: Year-End 2017 & Lavista Associates, Inc.

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