THE GROWING

MARTA MARKET

Ever-Increasing Demand Driving New Construction and Rate Hikes

2018 Edition

CUSHMAN & WAKEFIELD

The Growing "MARTA Market"

Two years ago, Cushman & Wakefield's research team analyzed and defined a new market not confined to one location, but instead situated across multiple geographies – specifically, office and multifamily projects located within one-half mile of MARTA rail stations. Traffic congestion, population growth, and densification throughout metro Atlanta is generating increasing demand for easy access to public transportation, and as a result, office buildings and residential properties near MARTA stops began to achieve higher rents than comparable projects located outside that half-mile radius.

Today, demand for living and working options appears insatiable, and MARTA itself is working to provide solutions through transit-oriented development ("TOD") at seven rail stations. While each project is different in size and scope, all seven projects will be vibrant, pedestrian-friendly, and genuinely integrated with transit by transforming under-utilized parking lots into mixed-use developments. With MARTA already a major driver of Atlanta's economy, these TOD projects will further increase ridership, generate new revenue, and support both local community and regional economic development.

And it's not just MARTA driving the development of office and multifamily projects within walking distance of a rail station — private developers have been focusing on sites located close to transit as well. Over the past two years Cushman & Wakefield's initial analysis of the MARTA market, has grown the office and residential inventory dramatically.

Public Transit's Economic Impact

$1.4B **annual economic activity** driven by MARTA

24,864 **MARTA jobs** supported

4.87% unemployment in MARTA's service area in 1Q18 **(down 84 basis points from 5.71% in 1Q17)**

Active Transit Oriented Development (TOD) Projects

1. Trackside at Chamblee Station

- 70,000 SF office
- 10,000 SF retail
- 4,300 SF pocket park
- First office TOD

2. iVillage at H.E. Holmes

- South side of Hamilton E Holmes Station
- 6,400 SF Retail/commercial
- 7,500 SF open space
- Scheduled to complete Q2/Q3 2018

3. East Lake Station

- Developing conceptual plan
- One of MARTA's least utilized stations

4. King Memorial Station

- South side of King Memorial Station
- 10,000 SF retail
- 400 apartments
- 80 affordable housing apartments

5. Edgewood/Candler Park Station

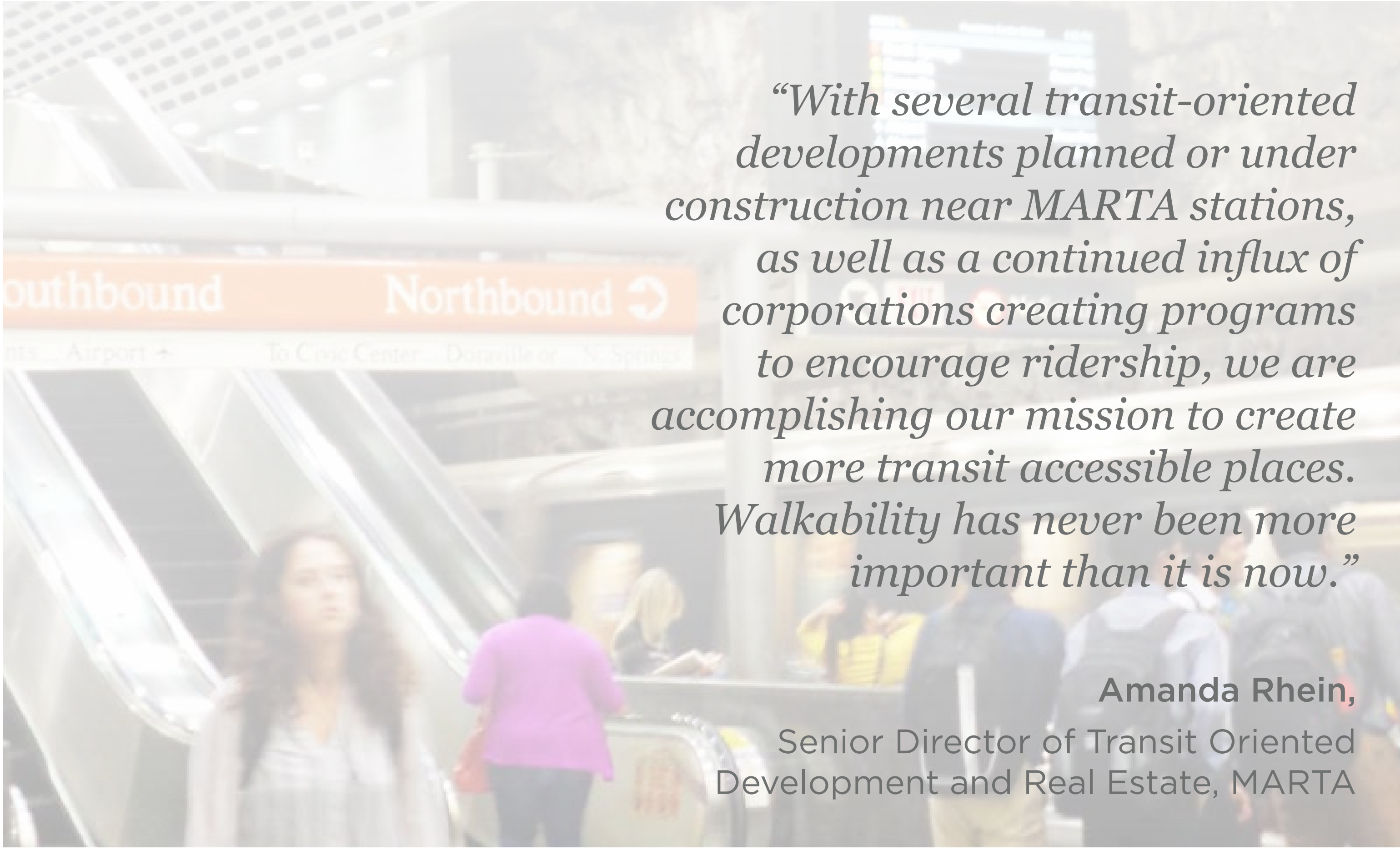
- 10,000 SF retail
- 224 apartments
- 1/2 acre park
- 20,000 SF cultural space

6. Avondale Station

- Adjacent to Avondale Station
- 41,500 SF retail
- 34 condominiums
- 378 market rate apartments
- 92 affordable housing apartments
- Public space plaza with greenway path

7. Arts Center Station

- Preliminary plans for the mixed-use project include office, residential, retail as well as enhancements to MARTA station



"With several transit-oriented developments planned or under construction near MARTA stations, as well as a continued influx of corporations creating programs to encourage ridership, we are accomplishing our mission to create more transit accessible places. Walkability has never been more important than it is now."

Amanda Rhein,

Senior Director of Transit Oriented Development and Real Estate, MARTA

On the office side, roughly 61% of all new construction is within one-half mile of a MARTA station, and all of these projects are high-end, Class A developments. Why? Because of growing corporate demand for transportation proximity.

Businesses — including major headquarters from companies such as Serta Simmons, NCR, WorldPay, Mercedes-Benz, Anthem, State Farm, and Salesforce — are now seeing MARTA as an essential element of their site-selection decision. In fact, Insight Global recently signed a 205,800-square-foot lease, the biggest office transaction to-date in 2018, at Twelve24 in the Central Perimeter submarket. The building, which is under development, will include a sky bridge to the Dunwoody MARTA station.

Employees that want to avoid the stress of driving in Atlanta's traffic are attracted to jobs that support this choice. Companies are capitalizing on locations with proximity to public transportation as a way to attract and retain top talent — of all ages.

Transit-Served Office Inventory & Construction

46% of Class A Atlanta office inventory is **within a half-mile of a MARTA station** (27.7% of metro Atlanta office inventory)

1.1M SF delivered since 2017 within **a half-mile of a transit station**

61% of Atlanta office construction **is within walking distance of a MARTA station**

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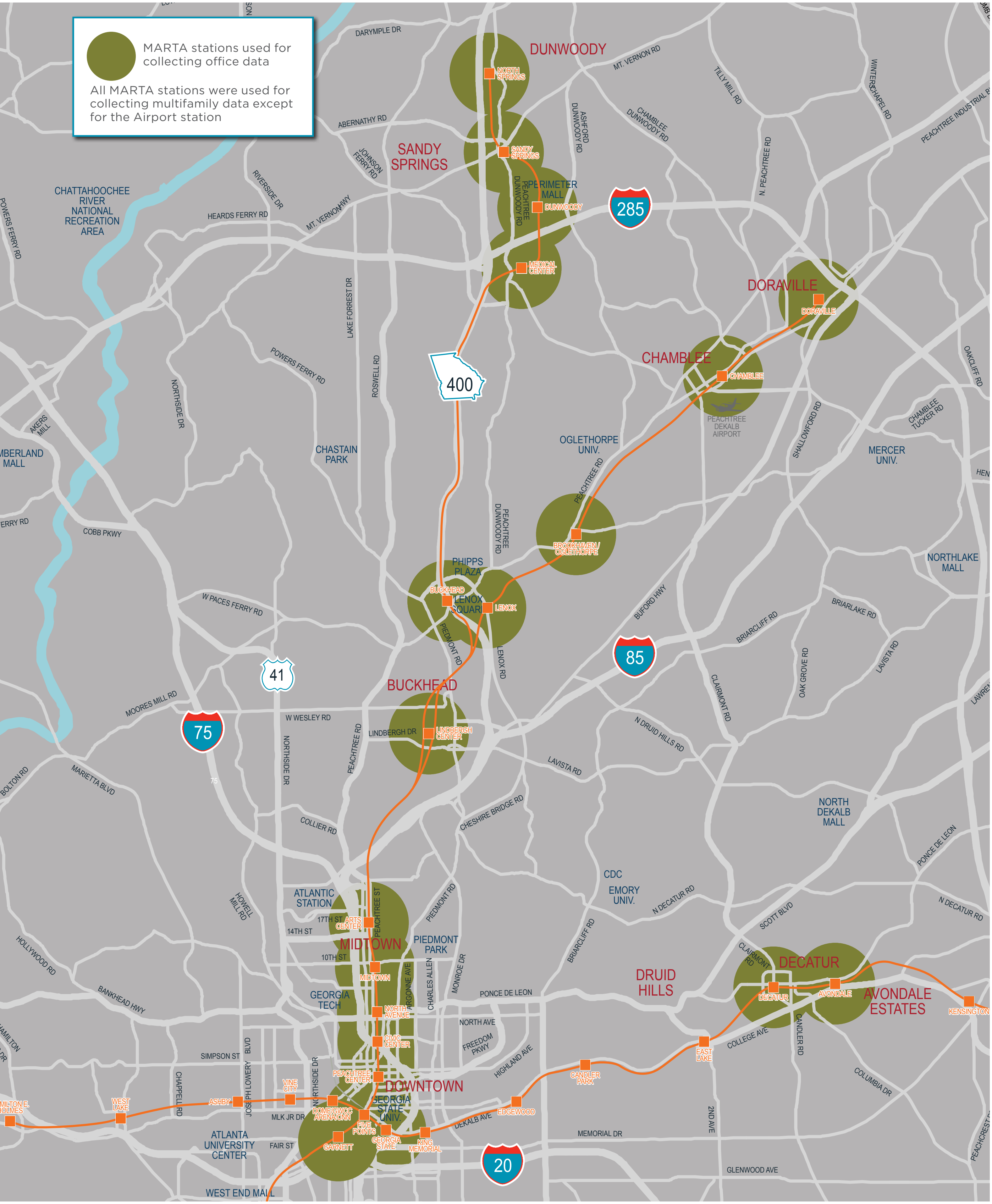


While millennials are often the focus when discussing hiring trends, demographic analyses shows that MARTA ridership and desire for car-free options are up across all age groups. Further driving demand is the diminishing amount of public parking options, particularly in Atlanta's in-town submarkets. Surface lots are disappearing as new construction continues, and the cost of deck parking is on the rise. All of this provides businesses with even more incentive to locate within walking distance of a MARTA rail station.

Today's workforce values access to multiple transportation options more than ever, according to Joshua Harrison, COO & CFO of Pattillo Industrial Real Estate.

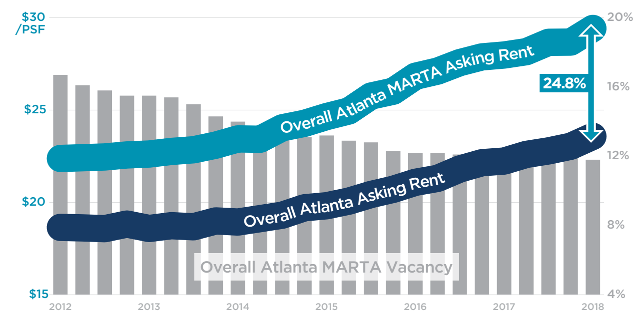
"Our decision to both develop and then relocate our headquarters into Trackside was definitely made with that in mind. Trackside enjoys both easily walkable access to the Chamblee MARTA Station and multiple access points to major car transportation arteries, making it a logical choice for employers seeking to offer a variety of options to its employee base," Harrison continued.

"Since we commenced construction, we have received significant interest from office and retail users that seek to use this attribute to attract and retain top talent. We are confident that ease of access to MARTA has greatly contributed to the interest we have received," he concluded.

During the past several years, the multifamily sector has also exhibited continued strength. A glance at the skyline, especially in the urban submarkets, reveals cranes everywhere, adding new residential developments to keep up with demand for in-town living.

T.O.D. Office Rents & Vacancy

$29.42 office rents within a half-mile of a transit station in 1Q18, up 5.1% YoY and **24.8% higher** than overall Atlanta market



Over the past decade, the number of new residential units within the MARTA market was more than triple the inventory growth of non-MARTA market locations. When demand is this strong, multifamily developments near rail stations are able to achieve rents nearly 50% higher than those outside the half-mile radius.

Effective 2018 rents within the MARTA market average $1.68 per square foot (psf) compared to non-MARTA market multifamily average of $1.14 psf. Today, new construction properties in the most active and desired submarkets have reached above $2.00 psf, as they are predominantly Class A developments with exceptional amenity packages and unit features.

"Today's workforce values access to multiple transportation options more than ever."

-Joshua Harrison, COO & CFO
Pattillo Industrial Real Estate

MARTA Market Spotlight

Midtown

The Midtown submarket, stretching from the North Avenue station on the south end to Midtown in the center and Arts Center station on the north, is Atlanta's largest MARTA submarket based on density and proximity. Midtown has emerged as Atlanta's true "24/7" district and is in high demand as a residential location, as evidenced by the number of cranes and under-construction multifamily projects.

It's also a location of choice for corporations which is driving job growth in the area. Companies such as Anthem (1,800 jobs), NCR (1,800 jobs), WeWork (1,000 jobs), Kaiser Permanente (900 jobs), Insight Global (800 jobs), Equifax (800 jobs), and Accenture (800 jobs) are boosting total employment in an area that encompasses less than four square miles.

Office

Midtown is a premier office location, with signature towers commanding some of the highest rents in the city. Rent for Class A properties within the Midtown MARTA submarket average $35.21 psf, which is the highest Class A rent in the MARTA market. The largest speculative project under construction in the MARTA market is the 760,000-square-foot CODA office building anchored by Georgia Tech and located in the Tech Square district. The building is expected to deliver in early 2019.

Multifamily

Midtown is the most active multifamily construction submarket in Atlanta and is pushing the ceiling on the overall market's rents more than any other location. There are nine properties currently in lease-up in the greater Midtown submarket and these properties are stabilizing at an average rate of 20 multifamily units per month with an average of $2.42 rents psf overall. Eight more properties are under construction totaling more than 2,000 units.

Office Buildings Under Construction

CODA
760,000 SF | 65.54% Leased
Portman Holdings | ‘Mar 2019 Delivery

ANTHEM TECHNOLOGY CENTER
605,135 SF | 100% Leased
Portman Holdings | Mar 2020 Delivery

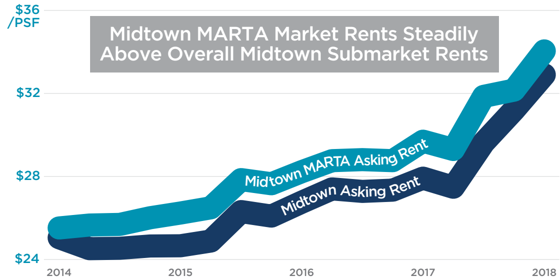
NCR HEADQUARTERS PHASE II
277,000 SF | 100% Leased
Cousins Properties | Nov 2018 Delivery

NORTHSIDE HOSPITAL MEDICAL OFFICE
168,622 SF | 98.24% Leased
Northside Hospital, Inc. | Jul 2018 Delivery

Submarket Spotlight: Midtown’s “MARTA Market”

$35.21 Midtown MARTA market Class A rents in 1Q18, **highest among submarkets served by MARTA**

1.8M SF **currently under construction** in Midtown MARTA market



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Multifamily Buildings Under Construction

ASCENT MIDTOWN
1400 W Peachtree | 239 Units
Greystar Real Estate Partners

HANOVER MIDTOWN
881 Peachtree St NE | 342 Units
The Hanover Company

LILLI MIDTOWN
693 Peachtree St NE | 147 Units
$2.47 Avg Asking Rent/SF | JPX Works, LLC

SPECTRUM ON SPRING
1270 Spring St NW | 259 Units
Pollack Shores Real Estate Group

HANOVER WEST PEACHTREE
1010 W Peachtree | 350 Units | $2.69 Avg Asking Rent/SF
The Hanover Company

VIREO
195 13th St | 310 Units
Lennar Multifamily Communites

ALEXAN 880
880 W Peachtree St | 356 Units
Crow Holdings Industrial

LOOKING FORWARD

As Atlanta continues to grow in terms of population, and with the demand for in-town living and alternatives to driving on the rise, the disparity between office and multifamily projects in terms of rents and vacancy rates will only grow wider. This is not to say that projects located outside the MARTA market can't be successful, but that a critical mass and momentum has been reached when it comes to how Atlantans can live and work. The city is shifting from "all cars, all the time" to a much more urban approach to transportation found in Chicago, Washington, D.C., San Francisco, and New York City.

About Cushman & Wakefield

Cushman & Wakefield is a leading global real estate services firm that delivers exceptional value by putting ideas into action for real estate occupiers and owners. Cushman & Wakefield is among the largest real estate services firms with 48,000 employees in approximately 400 offices and 70 countries. In 2017, the firm had revenue of $6.9 billion across core services of property, facilities and project management, leasing, capital markets, advisory and other services. To learn more, visit www.cushmanwakefield.com or follow @CushWake on Twitter.

MARTA Market Methodology

Source: CoStar Q1 2018 data, Cushman & Wakefield analysis. Office properties include for lease and owner occupied. Market-rate multifamily properties of any size were included while senior, corporate, student, military, and affordable properties were excluded.

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