



# DOWNTOWN ATLANTA REAL ESTATE MARKET ANALYSIS

FINAL

CENTRAL ATLANTA PROGRESS, INC. | ATLANTA DOWNTOWN IMPROVEMENT DISTRICT



Central Atlanta Progress  
Atlanta Downtown Improvement District

PRESENTED BY:  **Bleakly** Advisory Group

**KEY**  
advisors

FEBRUARY 2017

# INTRODUCTION

The **Downtown Atlanta Real Estate Market Analysis** provides an assessment of current trends and future real estate development potential for Downtown Atlanta.

This assignment was conducted in 2016 & 2017 for **Central Atlanta Progress** by Bleakly Advisory Group and its sub consultant, Key Advisors.

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# Executive Summary

# HIGHLIGHTS OF THE DOWNTOWN MARKET ANALYSIS

- ***Downtown is the “city” in the City of Atlanta***—Downtown is the region’s most urban environment with 26,000 residents, 150,000 employees and millions of visitors annually.
- ***Downtown is the core of a larger urban market area***—Downtown Atlanta is the core of a larger 170,000 person three-mile market area that encompasses all or some over 20 separate neighborhoods that ring the Downtown Core.
- ***Seven major trends are shaping the future of Downtown***—
  - Participation in the accelerating future growth of the city of Atlanta
  - Once in a generation development momentum in Downtown spurred by catalytic projects.
  - Georgia State University’s continuing metamorphosis into a major urban university
  - The emergence of Downtown as a hub for next generation businesses/start-ups and technology
  - The increasing dominance as the region’s premier tourism district
  - Opportunities to capitalize on the transit-rich infrastructure environment.
- ***The Downtown Core has the potential to see significant population and employment growth*** by capturing its fair share of accelerating city growth—
  - Over the next 15 years the Downtown Core has the potential to add over 15,000 residents
  - Over the next 15 years it can add 30,000 jobs to its current employment base.



# HIGHLIGHTS OF THE DOWNTOWN MARKET ANALYSIS

- Downtown will experience significant demand for additional residential, retail, office and hospitality development over the next 15 years— under either the **likely growth** or **aggressive growth** scenarios\*--

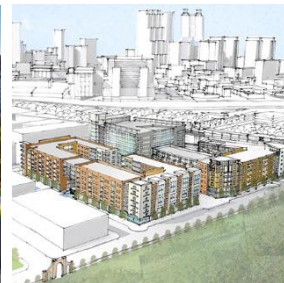
	New For Rent Residential (Units)	New For Sale Residential (Units)	Retail (Sq. Feet)	Office* (Sq. Feet)	New Hotel (Rooms)
<b><u>Likely/Growth Scenario</u></b>					
2016-2021	4,555	362	454,500	1,623,990	1,100
2021-2026	4,775	392	248,000	948,005	1,000
2026-2031	4,775	392	248,000	948,005	1,000
	<b>14,105</b>	<b>1,147</b>	<b>950,500</b>	<b>3,520,000</b>	<b>3,100</b>
<b><u>Aggressive Scenario</u></b>					
2016-2021	5,375	659	565,000	1,623,990	1,100
2021-2026	5,915	725	262,000	1,104,220	1,600
2026-2031	5,915	725	262,000	1,271,150	1,600
	<b>17,205</b>	<b>2,109</b>	<b>1,089,000</b>	<b>3,999,360</b>	<b>4,300</b>

- Residential demand for over 14,000 rental units
- Residential demand for over 1,000 owner-occupied units
- Demand for an additional 1 million SF of retail development
- Demand for an additional 3.5 million SF of office space.
- Additional demand sufficient for over 3,000 hotel rooms, or approximately 10-15 hotels.

\* Two growth scenarios were considered for Downtown. The likely growth scenario is based on Downtown's historic growth rates over the past decade projected forward. The aggressive growth scenario assumes over the next the City captures a higher percentage of regional growth and Downtown is a key beneficiary of that faster growth—this scenario is Downtown's "stretch goal" of it's future real estate opportunities.

# HIGHLIGHTS OF THE DOWNTOWN MARKET ANALYSIS

- Downtown is experiencing a once in a generation rate of growth with a development pipeline of over \$4.6 billion in new projects either under construction, approved or planned.
- The highlights include—
  - A redevelopment of Underground Atlanta and the Atlanta Civic Center
  - Over 7,500 new residential units
  - Nine new hotels with over 2,300 additional rooms
  - Mercedes-Benz stadium and related development
  - Other “tent pole” or catalytic projects that can stimulate further growth i.e., the Turner Field redevelopment, the Stitch, Post Centennial Apartments, etc.



This new development will provide another wave of catalytic projects similar to what Downtown experienced in the pre- and post Olympic period and will position Downtown well for additional growth projected for the next 15 years.

# HIGHLIGHTS OF THE DOWNTOWN MARKET ANALYSIS

An analysis of five prototype developments in Downtown yielded the following key observations.

## Residential



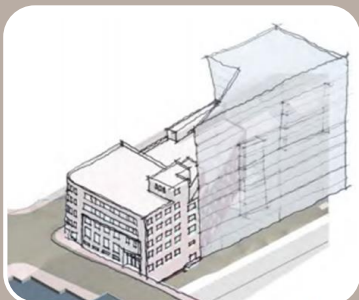
- Achievable rents in Downtown dictate a maximum of 5-story stick-built units over a two story platform.
- High land and development costs require public subsidy for financial feasibility.
- Moderate land costs outside the central Downtown Core, e.g. South Downtown, offer strong potential for additional residential development but financing is challenging due to a lack of existing support for higher market rents.
- Creating residential in emerging areas will depend on success of catalytic pipeline projects (Underground, Civic Center, Turner Field) to validate these submarkets, much like Olympic subsidies did for initial loft projects in the 1990s.

## Hotel



- Hotel development in Downtown has been strong due to several factors:
  - Achievable room rates support higher density construction, which lessens the impact of high land costs.
  - This is particularly true for select service hotels that have proliferated in Downtown, particularly in and around the Centennial Park District.
  - Full service hotels continue to be a difficult product to finance nationally and would likely require a public subsidy for financial viability in Downtown.

## Office



- The greatest hurdle to future office development in Downtown is achievable rent levels. The current top of the market is in the \$25 to \$28 PSF range, which is insufficient to support the very high cost of new construction (\$375 to \$425 PSF).
- Rent levels in the \$38 to \$42 PSF level would be necessary to support new construction—roughly 50% higher than current rents.
- Equally important is creating the right product. Ponce City Market's office rents of \$40+ PSF more than doubled former rent levels in its submarket.
- Downtown's highest future rents may come from a similar "Next Gen" office development.

# HIGHLIGHTS FROM THE DOWNTOWN MARKET STUDY



Downtown's development strategy should capitalize on its unique attributes and provide the option of reaching a higher level of growth and development-- as represented by the aggressive growth scenario-- by focusing on four central themes or objectives:

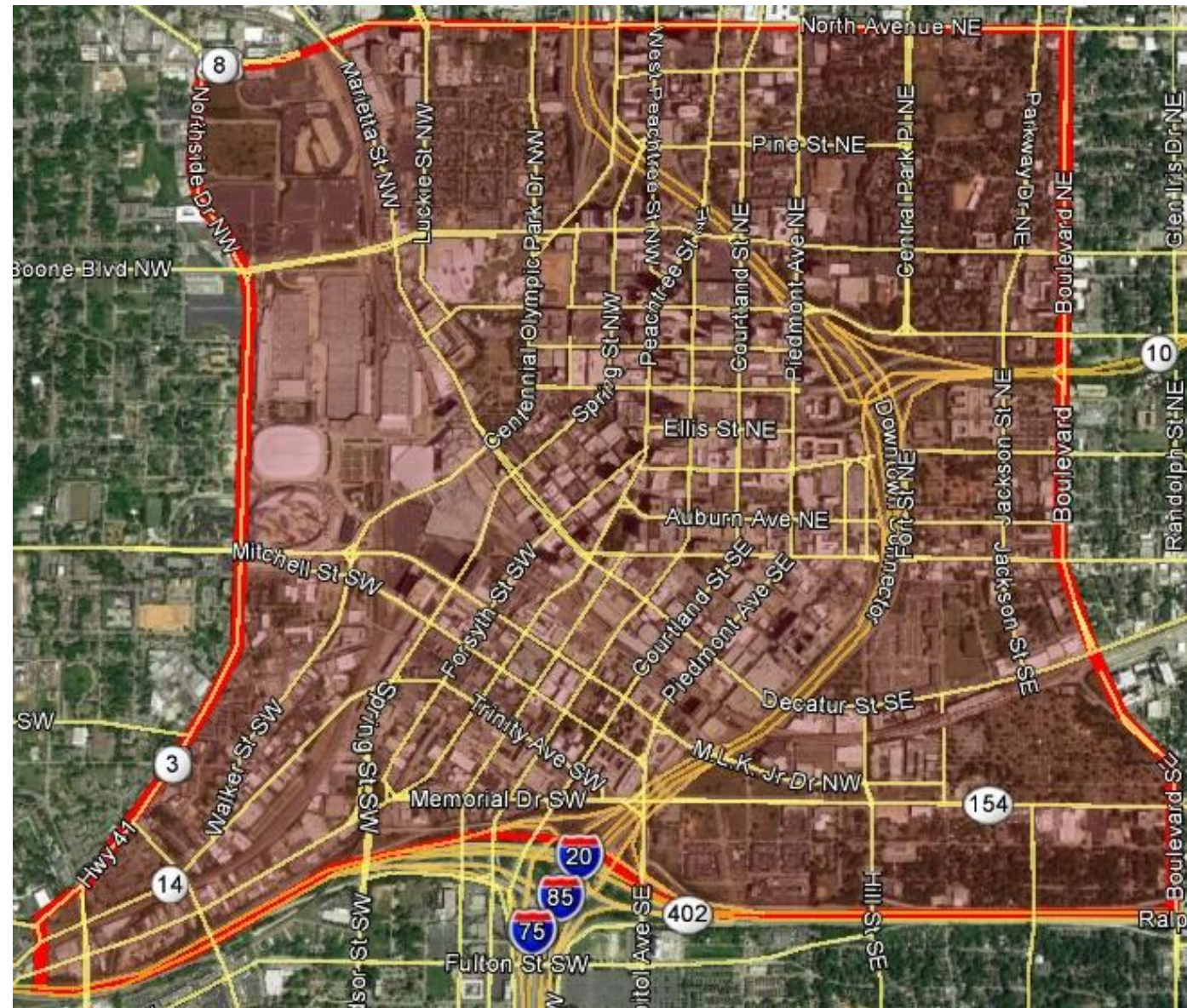
- Downtown as a place where more residents and students live
- Downtown as a place where its residents, surrounding neighbors and workers want to shop
- Downtown as a cutting edge office location, aligned with the new world of work
- Enhancing the tourist/visitor's experience in Downtown.




# Study/Market Area Description

## STUDY AREA

- The **Downtown Core** is the focus of this real estate market analysis and represents the principal geography under CAP influence.
- This area includes the historic economic center of the city of Atlanta and the metropolitan region.
- **Boundaries:**
  - North: North Avenue
  - South: I-20
  - East: Boulevard
  - West: Northside Drive

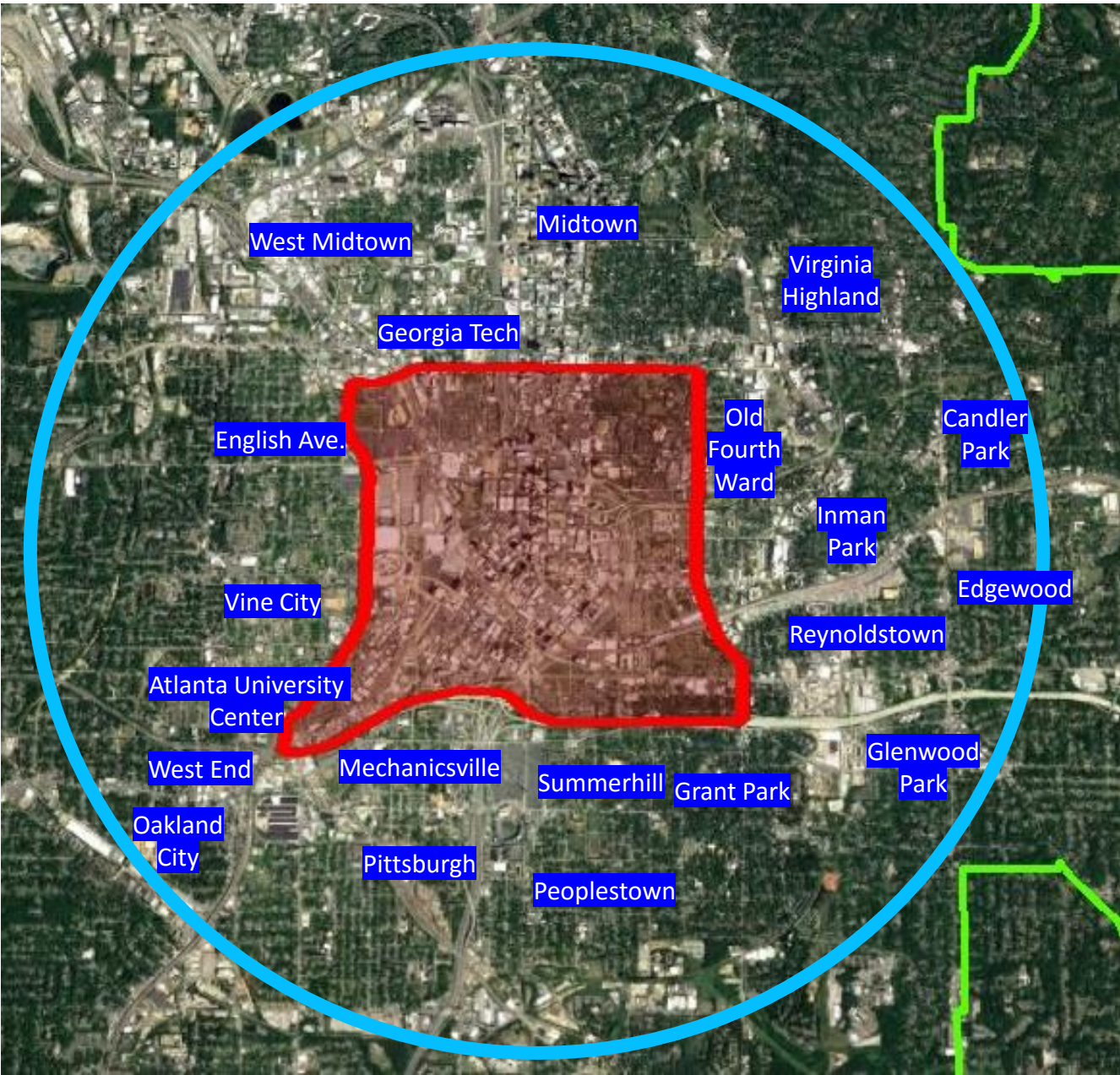
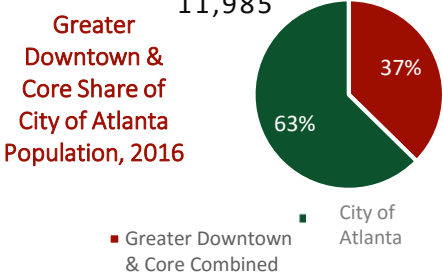


**Downtown Core  
Study Area** 



# AREA CONTEXT

- The Greater Downtown Atlanta area is used as a comparison for the Downtown Core study area. This area includes many redeveloped and redeveloping areas of Atlanta's urban core.
- **Greater Downtown & Core Combined**
  - 2016 (Est.) Population:
    - 169,748
  - 2016 (Est.) Households:
    - 78,052
- **Downtown Core Only**
  - 2016 Est. Population: 26,850
  - 2016 Est. Households: 11,985

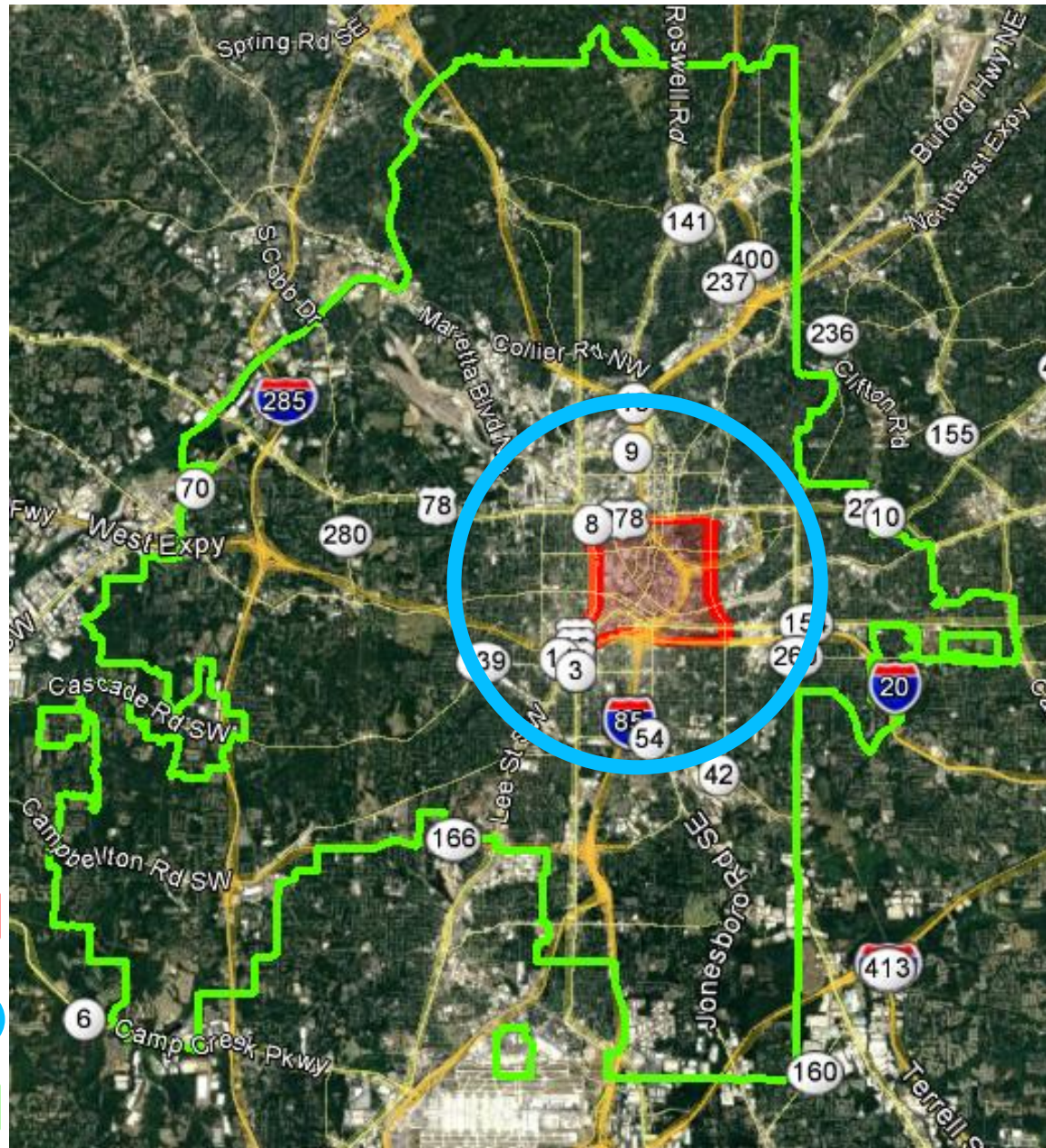




# AREA CONTEXT

- Informing the demand forecasts, the market analysis compares relevant real estate supply and demand conditions in the **Downtown Core** study area against the background of:
  - Greater Downtown—a larger 3 mile radius market area
  - The City of Atlanta
  - The Atlanta Metropolitan Area

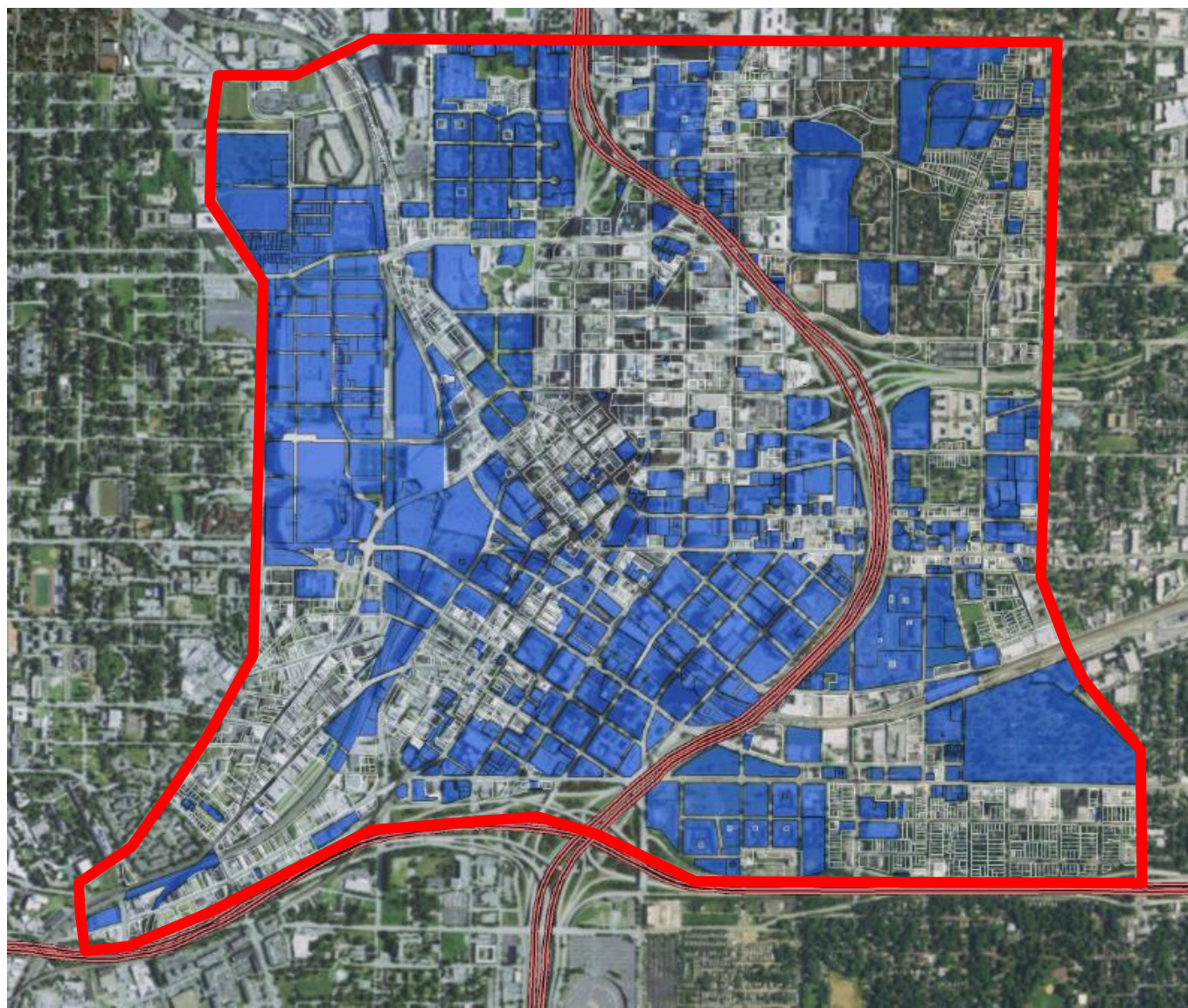
- Downtown Core Study Area** 
- Greater Downtown 3 Mile Market Area** 
- City of Atlanta** 





# PROPERTY TAX PARCEL ANALYSIS

- The Downtown Core is home to many tax exempt organizations, such as government and religious entities, in addition to the Georgia World Congress Center, major sports venues and Oakland Cemetery.
- While these types of entities provide stability for the area, they are exempt from paying property taxes on their land holdings.



Downtown Core Study Area



Tax Exempt Parcel

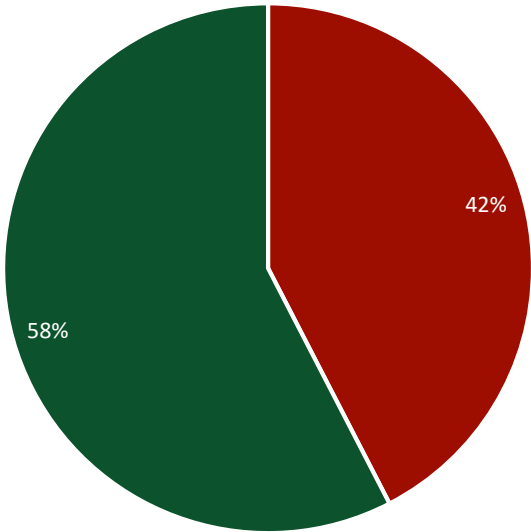


# PROPERTY TAX PARCEL ANALYSIS

- Although the tax exempt parcels Downtown pay no property tax, their appraised (market) value is over \$4 billion, or 42% of the total value of Downtown real estate – \$10.2 billion – as determined by the Fulton County Tax Assessor.
- The 8.5 square miles of the Downtown Core comprises only 6% of the city of Atlanta’s total 134 square miles, while the total \$10.2 billion of appraised tax value in the Downtown Core is 15% of the City’s total appraised tax value (\$66.5 billion).



Appraised Property Tax Value, Downtown Core, 2016



■ Exempt Property ■ Non-Exempt Property

	Appraised Tax Value
Exempt	\$4,317,724,500
Non-exempt	\$5,933,598,807
<b>Total</b>	<b>\$10,251,323,307</b>

Source: Bleakly Advisory Group based on data from Fulton County

# Major Trends Impacting Downtown Development

# SIX TRENDS SHAPING DOWNTOWN DEVELOPMENT

Six major trends will shape development in Downtown Atlanta over the coming decade:

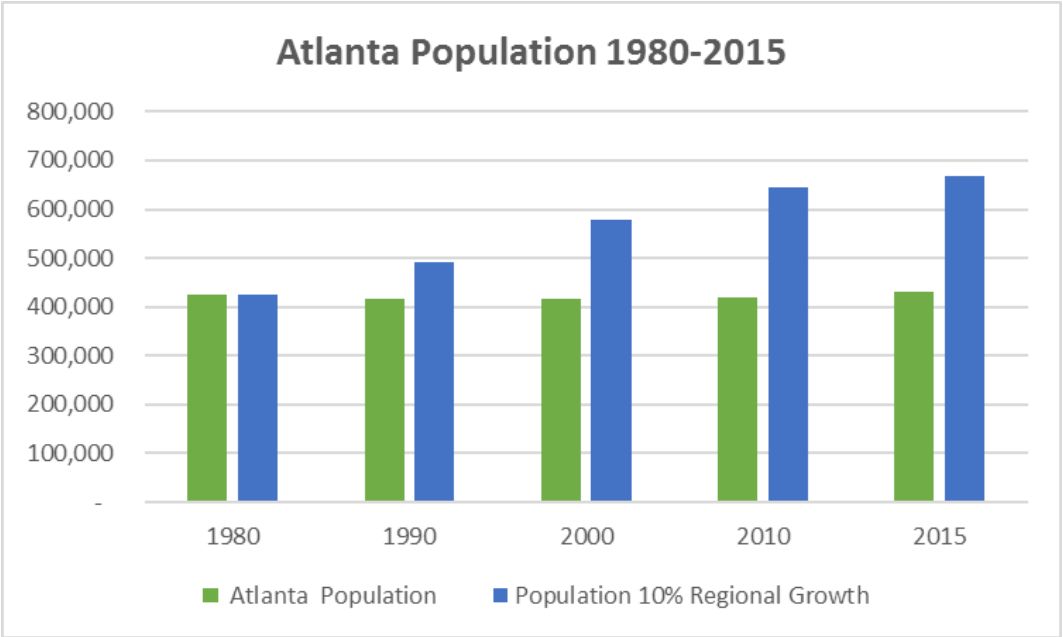
1. Acceleration in the growth of the city of Atlanta
2. Investment momentum in Downtown catalytic projects
3. Georgia State University's growth
4. Emergence as a start-up/technology/innovation hub
5. Dominance as the region's premier tourism district
6. Capitalizing on the transit-rich environment





# TREND #1: DOWNTOWN WILL BENEFIT FROM EFFORTS TO ACCELERATE THE GROWTH OF ATLANTA

- *Downtown has been negatively impacted by the lack of growth in the city over the past 35 years.*
  - From 1980 to 2015 the 10-county Atlanta region added 2.4 million net new residents, while the city of Atlanta added less than 7,000 residents — 3/10 of one percent of the region’s growth in 35 years.
- Atlanta represents 10% of the region’s population in 2015. Its “fair share” of growth should have been closer to 10% over the last 35 years.
- If it had captured its fair share of regional growth in the last 35 years at 10%, there would be 669,000 Atlantans living in the city today, rather than 431,700.

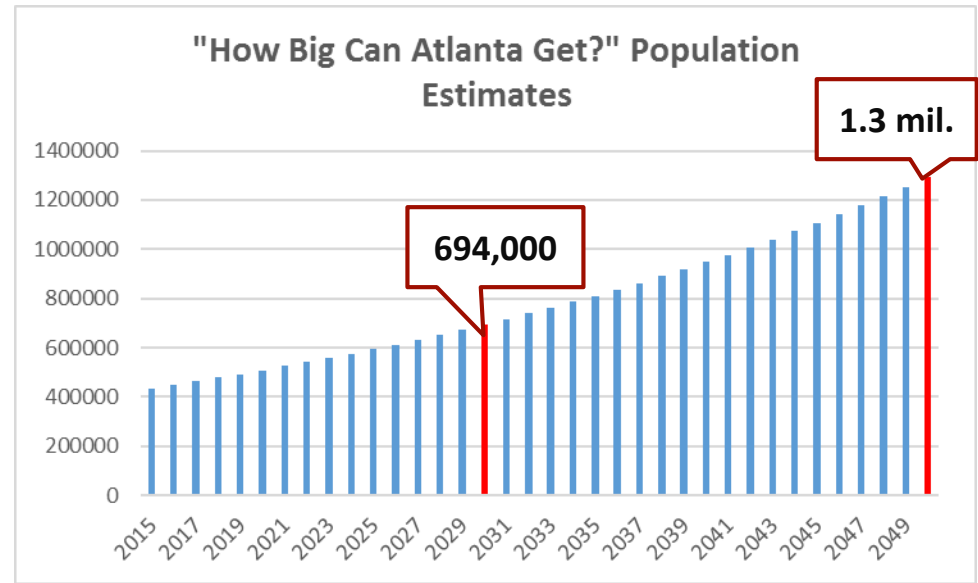


POPULATION CHANGE CITY OF ATLANTA, ATLANTA REGION 1980-2015						
	1980	1990	2000	2010	2015	% Change
Atlanta Population	424,992	415,200	416,474	420,003	431,700	2%
Hypothetical City Pop. @ 10% Fair Share of Growth	424,992	491,154	578,312	646,149	668,634	57%
ARC Atlanta Region	1,896,182	2,557,800	3,429,379	4,107,750	4,332,600	128%

Source: ARC/BAG

# TREND #1: ACCELERATION IN ATLANTA'S GROWTH

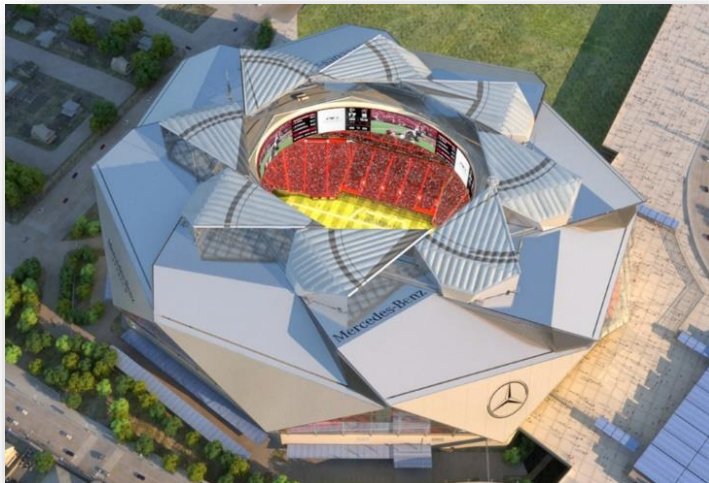
- The Atlanta City Design, sponsored by the Atlanta Department of Planning and Community Development, has been engaged in long-range, visionary planning for the future of the city to 2050. ***A major tenant of that planning is that the city needs to capture a much higher proportion of regional growth in the next 30+ years.***
- As part of their analysis, Dr. Chris Nelson of the University of Arizona, prepared a forecast that posits: **if Atlanta were to capture 15% of future regional growth it could have 694,000 residents by 2030 and 1.3 million by 2050.** While an impressive change from the past 35-year history, it seems achievable given that it would represent approximately 3.2% annual growth compounded.



*To position itself to capture a significant share of this future growth, Downtown Atlanta needs to find ways to greatly expand its residential housing options for students, millennials, empty nesters and those interested in living in the urban heart of the region—**What should be Downtown's share of the 270,000 new city residents by 2030?***

# TREND #2: ACCELERATING INVESTMENT MOMENTUM IN DOWNTOWN

- Downtown Atlanta has experienced a major period of growth during the past 10 years:
  - Over \$3.8 billion invested in Downtown projects.
- In the next five years Downtown Atlanta has an additional \$4.6 billion of projects, either under construction or in the development pipeline. This level of activity will change the face of Downtown in meaningful ways.
  - Downtown's challenge is to shape future growth so that it makes Downtown more vibrant, livable and walkable for residents, workers and visitors.

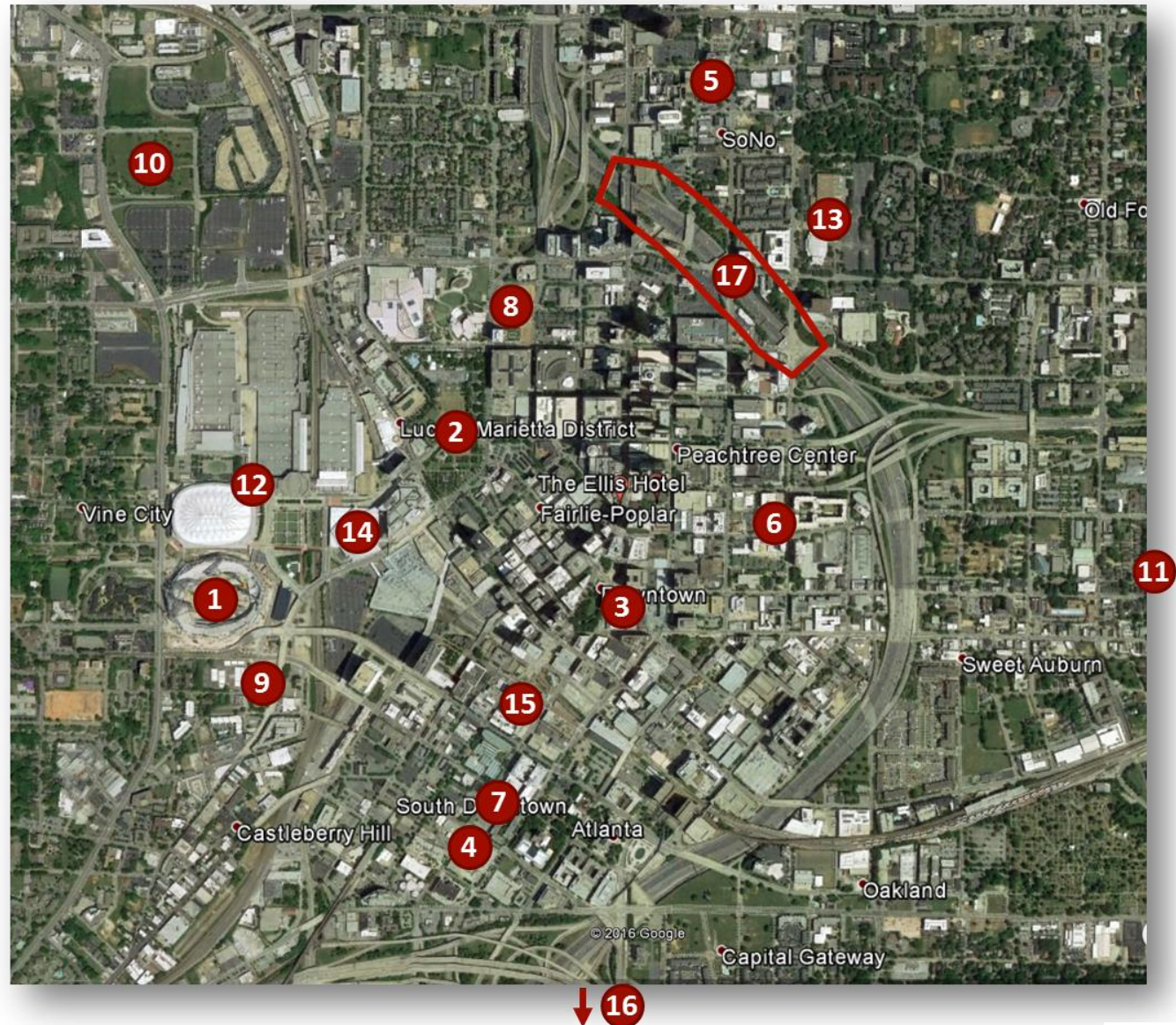




# TREND #2: ACCELERATING INVESTMENT MOMENTUM IN DOWNTOWN ATLANTA

A Sample of the Catalytic Projects under Construction or Planned

1. Mercedes-Benz Stadium
2. Centennial Olympic Park
3. GSU 25 Park Place and Annex
4. Kiser Loft Apartments
5. The Byron
6. 120 Piedmont Student Housing
7. Cambria Suites
8. Post Centennial
9. Castleberry Park/Hard Rock Hotel
10. Herndon Homes Redevelopment
11. StudioPlex Mixed Use/Hotel
12. GWCC Hotel
13. Civic Center Redevelopment
14. Philips Arena
15. Underground Atlanta
16. Turner Field Redevelopment
17. The Stitch 





# TREND #3: GEORGIA STATE UNIVERSITY'S ON-GOING TRANSFORMATION

- Georgia State University (GSU) has continued to grow in size, mission and economic impact on Downtown Atlanta.
- Its student population has grown from 23,600 in 2000 to over 32,000 at the Downtown campus—a growth of 36%, with total enrollment over 50,000 from the recent merger with Perimeter College.
  - Projected enrollment of 40,000 at the Downtown campus in the next decade.
- Importantly for Downtown, now more than 5,000 students are living on campus, with likely several thousand others in apartments and private student apartments in Downtown.
- GSU has an annual economic impact on the Atlanta region of \$1.792 billion annually, including direct and indirect and induced (multiplier) effects. It generates \$866 million in labor market impacts and supports over 14,900 jobs directly and indirectly in the region. (“The Economic Impact of the University System of Georgia Institutions on their Regional Economies in FY 2015” Selig Center for Economic Growth, April 2016)
- Total discretionary spending by students at the GSU campus puts \$173 million into the regional economy—major retail market potential for Downtown (Ibid).



# TREND #3: GEORGIA STATE UNIVERSITY—MAJOR CAPITAL INVESTMENTS IN DOWNTOWN

Georgia State University has recently completed or committed to over \$165 million in new capital projects in Downtown, in addition to its planned major campus expansion at Turner Field, which is located just outside the Downtown Core:

- Piedmont Central student housing — \$45 million
- 25 Park Place and Creative Industries Media Lab — \$30 million
- 55 Park Place renovation — 555,000 SF- \$30 million
- Classroom South addition — \$17 million
- GSU Parker H. Petit Science Center expansion — \$45 million
- GSU/CARTER Turner Field redevelopment — \$300+ million project to create a new athletic facilities for the Panthers, new student housing and a mix of other housing and retail.



# TREND #4: EMERGENCE OF DOWNTOWN AS A START-UP, TECH AND INNOVATION HUB

Downtown is emerging as a nexus in the world of “next gen” office space, start-ups and tech innovation. Three projects highlight this trend.



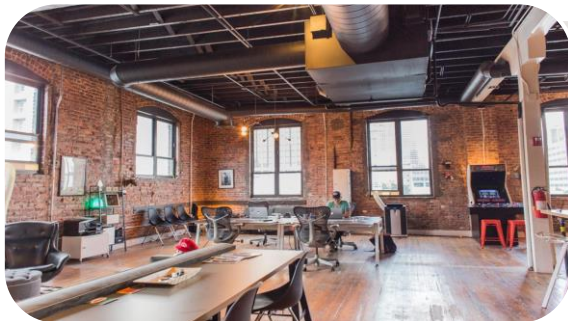
## FlatironCity

- The historic 47,700 SF Flatiron Building has morphed into FlatIronCity, as a next gen office location—office hoteling concepts, shared work space, etc.
- Home to ATDC, Microsoft Innovation Center, Women’s Entrepreneurship initiative (WEI)
- Ground floor food hall with coffee and restaurant space
- Developed by Lucror Resources, Arun Nijhawan



## Switchyards Downtown Club

- The Switchyards is 20,000 SF of innovative shared business facilities that allows office hoteling, and provides support services for innovative consumer-focused businesses locating in Downtown.
- Its newest feature is Switchyards Studio, which provides shared management, branding and product development to new start-ups in the Business to Consumer (B2C) industries.



## The M. Rich Center

- The creation of the M. Rich Center in the historic former Rich’s Department Store building in downtown has added 110,000 SF of creative office space.
- The Center offers suites and collaborative space for a community of new ventures to co-locate and share ideas and knowledge
- It is the home of the M. Rich Center for Creative Arts, Media and Technology, which is a institute for information sharing, and collaborative discussion with industry leaders.



# TREND #5: DOWNTOWN AS THE REGION'S DOMINANT TOURIST DESTINATION

- The Centennial Park District has emerged in the past 20 years as the dominant tourism and entertainment destination in the Atlanta region and also the state of Georgia.
- Combining a unique concentration of visitor attractions like the Georgia Aquarium, World of Coke, Center for Civil and Human Rights and College Football Hall of Fame, with professional sports, live music venues, and the Georgia World Congress Center, **it draws over 15.6 million visitors annually to its various attractions.**
- In addition to being the most iconic physical legacy of the 1996 Olympic Games, Centennial Park is the centerpiece of the tourism district and host to festivals, concerts and special events—it is Atlanta's front lawn.
- Tourism is driving the Downtown economy in tangible ways:
  - Since 2000 Downtown had added more than 1,900 hotel rooms, with another 2,100 in the pipeline.
  - Added over 700,000 occupied room nights since 2000.
  - More than \$518 million in tourist-related investment is in the development pipeline.

TOURISM ACTIVITIES IN DOWNTOWN, 2015	
<b>Attractions</b>	
Centennial Olympic Park	3,000,000
Georgia Aquarium	2,210,874
World of Coca-Cola	1,200,000
College Football Hall of Fame	250,000
Children's Museum of Atlanta	200,000
CNN Studio Tour	300,000
MLK Jr. National Historic Site	850,000
Other Downtown Attractions	650,000
	8,660,874
<b>Conventions</b>	
Georgia World Congress Center	952,200
Georgia Dome-Trade Shows/Events	120,900
America's Mart	400,000
	1,473,100
<b>Sporting Events</b>	
Atlanta Braves	2,043,000
Atlanta Falcons	562,900
Atlanta Hawks	713,900
Atlanta Dream	105,000
Georgia Dome Spectator Sports	503,600
Other Downtown Sporting Events	59,000
	3,987,400
<b>Concerts and Shows</b>	
Philips Arena	602,000
Georgia Dome Concerts	172,000
Other Downtown Venues	300,000
	1,074,000
<b>Special Events</b>	
Graduations	90,000
Parades	160,000
Festivals	200,000
	450,000
<b>Total Attendance</b>	<b>15,645,374</b>

Source: Venues, CAP, Fulton Development Authority. BAG



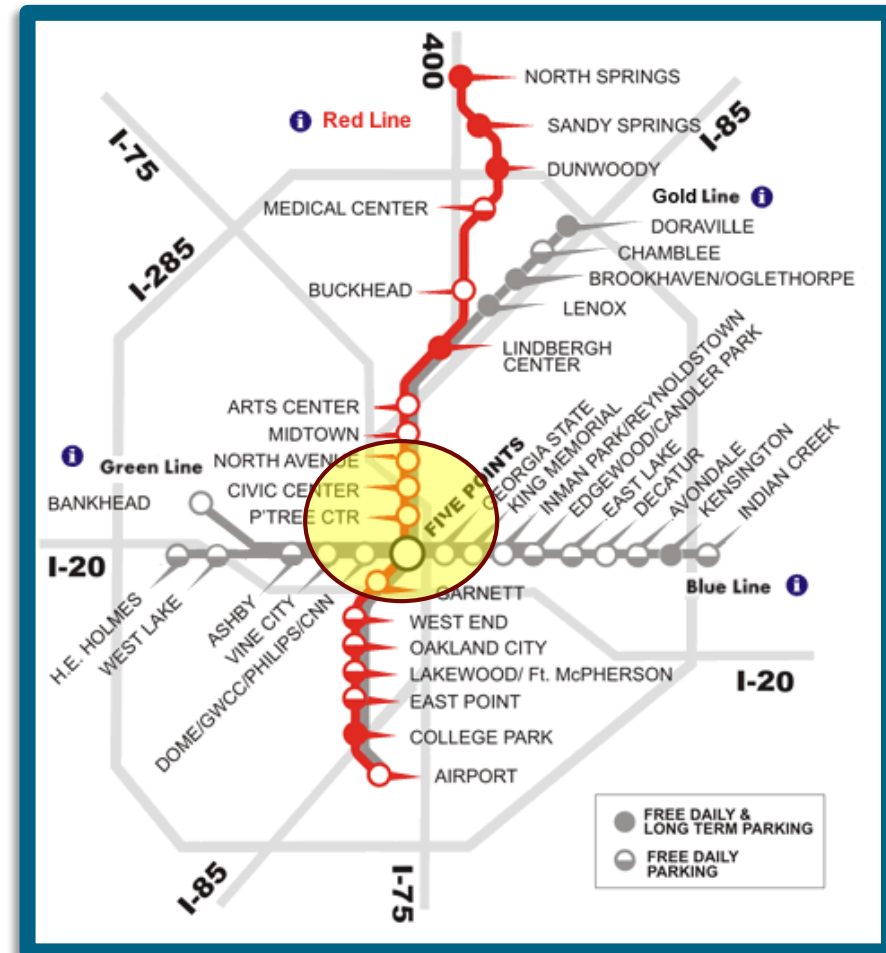
# TREND #5: DOWNTOWN AS THE REGION'S DOMINANT TOURISM DESTINATION

- Downtown's role as the anchor of tourism in the region generates substantial economic impacts not just for Downtown by the Atlanta region and the state of Georgia as well. Some key facts:
- Metro Atlanta is the top tourist market among the nine tourist submarkets in the State with 45.9 million person visits, accounting for 49.1% of all visits in Georgia.
- 65.3% of the visits to the metro area were from visitors from outside Georgia—thus the Atlanta metro area is drawing visits from throughout the Southeast.
- The average regional visitor spent \$134.90 per day on transportation, food, lodging, shopping, and entertainment.
- *The 15.7 million Downtown visitors spend over \$2.1 billion in the regional economy.*  
(Source: Georgia Dept. of Tourism/D.K. Shifflet)



# TREND #6: DOWNTOWN IS ALREADY A TRANSIT-RICH ENVIRONMENT

- Downtown Atlanta is the most transit-rich environment in the region. It offers transit riders options to connect to areas throughout the region.
- MARTA has 9 of its 38 rail stations in Downtown. Within these stations 26% of all MARTA system station entries and exits occur—the highest concentration of ridership in the MARTA system.
- 17 MARTA bus routes originate in Downtown.
- The regional express bus system, GRTA Xpress, serves commuters on 21 routes from suburban counties into the Downtown area.
- The Atlanta Streetcar runs all of its route in Downtown between Centennial Olympic Park and the MLK National Park site.
- Downtown is also the hub for long haul bus service by Greyhound and Mega Bus.
- In no other area of the region can residents, employers or visitors find more transit.



*The seven Downtown MARTA rail stations highlighted in yellow*

# SIX FACTORS IMPEDING DOWNTOWN'S ABILITY TO ACHIEVE ITS POTENTIAL

In discussions with a wide cross section of stakeholders and groups interested in the future well-being of Downtown a number of issues were frequently mentioned by the participants as impeding Downtown's ability to achieve its maximum future potential, including:

1. The reality of the economics of surface parking lots as a very lucrative land banking strategy
2. The disconnect between many owner's land value expectations and Downtown market realities
3. The linkage between homelessness, pan-handling and the perceived lack of safety in the public realm
4. The need for more residents living Downtown and their positive effect on street life and retailing
5. Lack of an appealing street-level public realm
6. Increased competition from other urban districts in the region

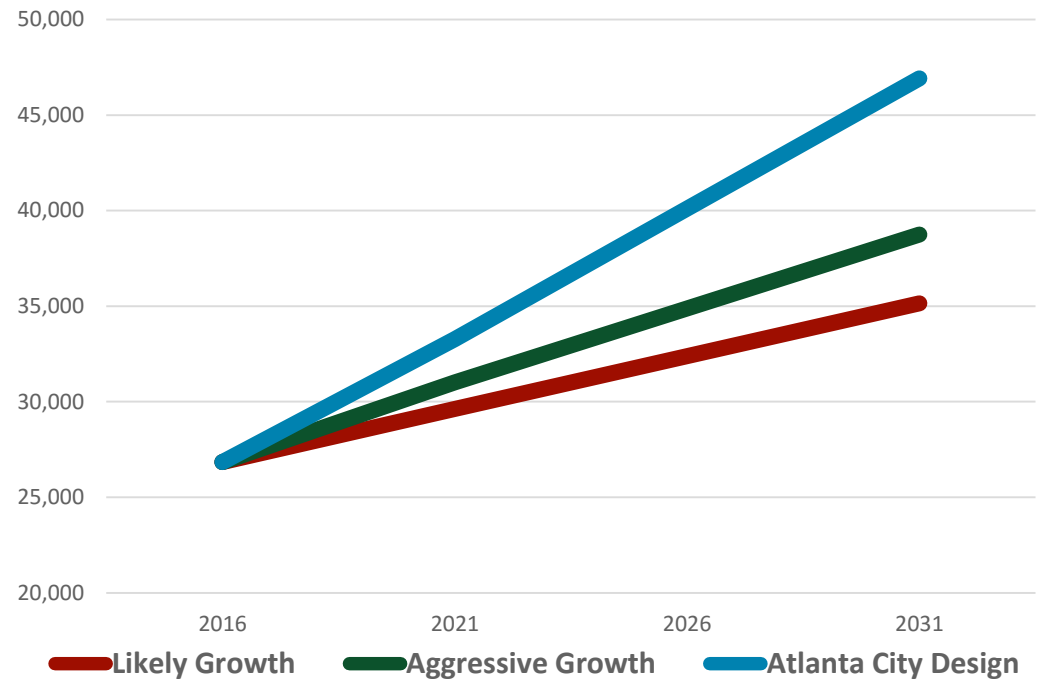
# Future Real Estate Demand Potential



# POPULATION FORECAST

- The “Likely Growth” forecast for the Downtown Core calls for **growth of 8,300 residents by 2031**, based on historic Atlanta growth trends over the past 15 years documented in the US Census, future growth trends, and on planned/proposed residential unit additions.
- The “Aggressive Growth” forecast assumes Downtown captures a growing share of the Atlanta region’s growth through continuing improvement to the urban environment.
- Using the Atlanta Regional Commission’s (ARC) growth projections as a baseline, the Atlanta City Design Opportunity assumes that the city of Atlanta will grow to 1.3 million residents by 2050 and that Downtown will capture 1% of the population growth, as determined by Atlanta City Studio and Dr. Arthur C. Nelson.

Downtown Atlanta Population Forecast



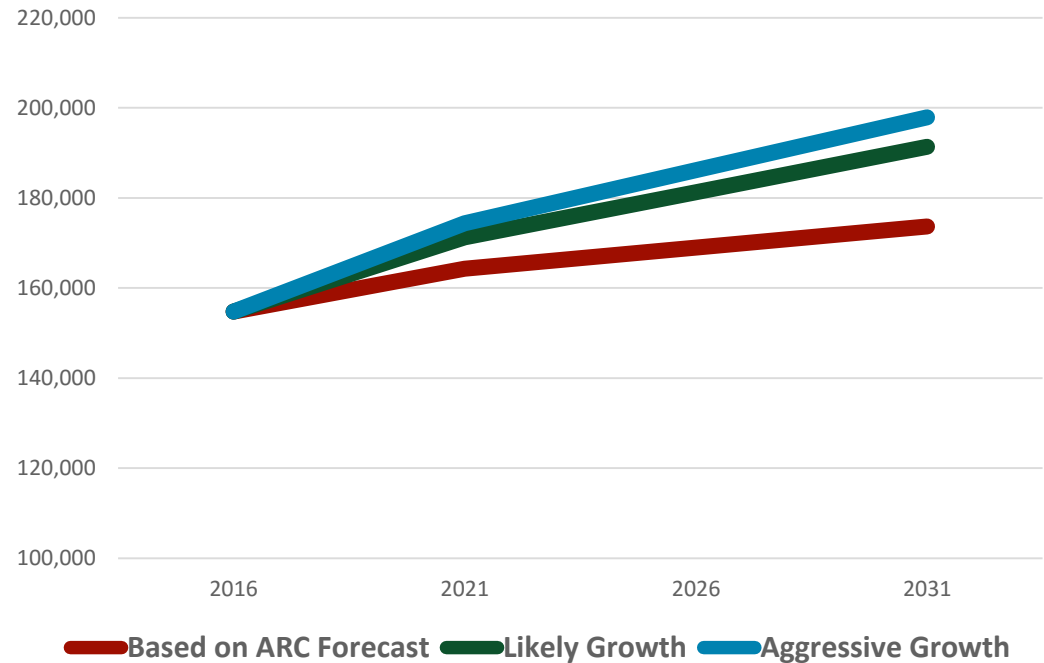
Population Estimate / Forecast	2016	2021	2026	2031	Avg. Annual Growth	
Likely Growth	26,850	29,618	32,386	35,154	554	2.1%
Aggressive Growth	26,850	31,012	34,883	38,754	794	3.0%
Atlanta City Design Opportunity	26,850	33,276	40,095	46,914	1,338	5.0%

- The “Likely” and “Aggressive” forecasts were developed by Bleakly Advisory Group (BAG) using historic and expected demographic and economic trends in data from the Atlanta Regional Commission, the U.S. Census and Nielsen.

# EMPLOYMENT FORECAST

- The employment forecasts for Downtown Atlanta (shown at right) use projections developed by the Atlanta Regional Commission as the baseline, or status quo, opportunity.
  - As reflected in this forecast, Downtown Atlanta has, over the past 15 years, captured a declining share of the region's employment.
- The "Likely Growth" forecast assumes Downtown maintains its current share (5%) of the Atlanta region's employment over the next 15 years.
- The "Aggressive Growth" forecast assumes that, because of an improving urban environment, Downtown reverses the current trend and increases its fair share of Atlanta employment.

Downtown Atlanta Employment Forecast



Employment Estimate / Forecast	2016	2021	2026	2031	Avg. Annual Growth	
Based on ARC Forecast	154,767	164,286	168,989	173,693	1,262	0.8%
Likely Growth	154,767	171,270	181,304	191,337	2,438	1.6%
Aggressive Growth	154,767	174,397	186,152	197,907	2,876	1.9%

- The "Likely" and "Aggressive" forecasts were developed by Bleakly Advisory Group (BAG) using historic and expected demographic and economic trends in data from the Atlanta Regional Commission, the U.S. Census and Nielsen.

# DEVELOPMENT FORECAST BY LAND USE TYPE

- As part of the **Downtown Atlanta Real Estate Market Analysis**, Bleakly Advisory Group and Key Advisors prepared 15-year development potential forecasts for the key land use types in Downtown Atlanta:
  - Residential
  - Retail
  - Office
  - Hotel
- Each real estate development potential forecast utilizes population and employment projections for growth in Downtown Atlanta under various assumptions, including:
  - Baseline forecasts based on Downtown's recent market history and demonstrated capture of its fair share of the Atlanta region's population and/or employment growth.
  - More aggressive capture of regional growth over the 15-year period.
  - A “stretch goal” based on the “strategic opportunity” for accelerated Downtown growth as outlined by Dr. Arthur C. Nelson for the Atlanta City Design, a project of the City of Atlanta Department of Planning and Community Development.





# DEVELOPMENT FORECAST BY LAND USE TYPE

- The 15-year real estate development potential forecasts by land use types are built upon a robust analysis of real estate supply and demand trends in the Atlanta region, the city of Atlanta and Downtown Atlanta.
- This assessment is summarized in the accompanying Baseline Analysis document and includes the following:
  - An assessment of demographic and economic trends that have driven, and will drive, demand in the Downtown real estate market over the next 15 years, including:
    - Population and household growth
    - Employment growth
    - Household characteristics
  - An assessment of the real estate supply/existing inventory in terms of total square feet by land use type, occupancy, absorption trends, rental rates, sales prices, etc.

# FUTURE REAL ESTATE DEMAND

## SUMMARY

- The Downtown Atlanta Core's future real estate demand potential by land use is shown below. These totals represent future real estate absorption potential.
- These forecast estimates are based on analyzing historic and future supply and demand conditions and do not take into account other factors that impact the likelihood of development such as zoning, development costs, local appetite for growth, unknowable national/international economic trends, etc.
- Details regarding the analyses that led to these conclusions can be found in the balance of this report.

	New For Rent Residential (Units)	New For Sale Residential (Units)	Retail (Sq. Feet)	Office* (Sq. Feet)	New Hotel (Rooms)
<b><u>Likely/Growth Scenario</u></b>					
2016-2021	4,555	362	454,500	1,623,990	1,100
2021-2026	4,775	392	248,000	948,005	1,000
2026-2031	4,775	392	248,000	948,005	1,000
	<b>14,105</b>	<b>1,147</b>	<b>950,500</b>	<b>3,520,000</b>	<b>3,100</b>
<b><u>Aggressive Scenario</u></b>					
2016-2021	5,375	659	565,000	1,623,990	1,100
2021-2026	5,915	725	262,000	1,104,220	1,600
2026-2031	5,915	725	262,000	1,271,150	1,600
	<b>17,205</b>	<b>2,109</b>	<b>1,089,000</b>	<b>3,999,360</b>	<b>4,300</b>

\*Potential Office demand growth shown is for "Growth Scenario," which would reverse historic trend of stagnant Downtown office employment growth.

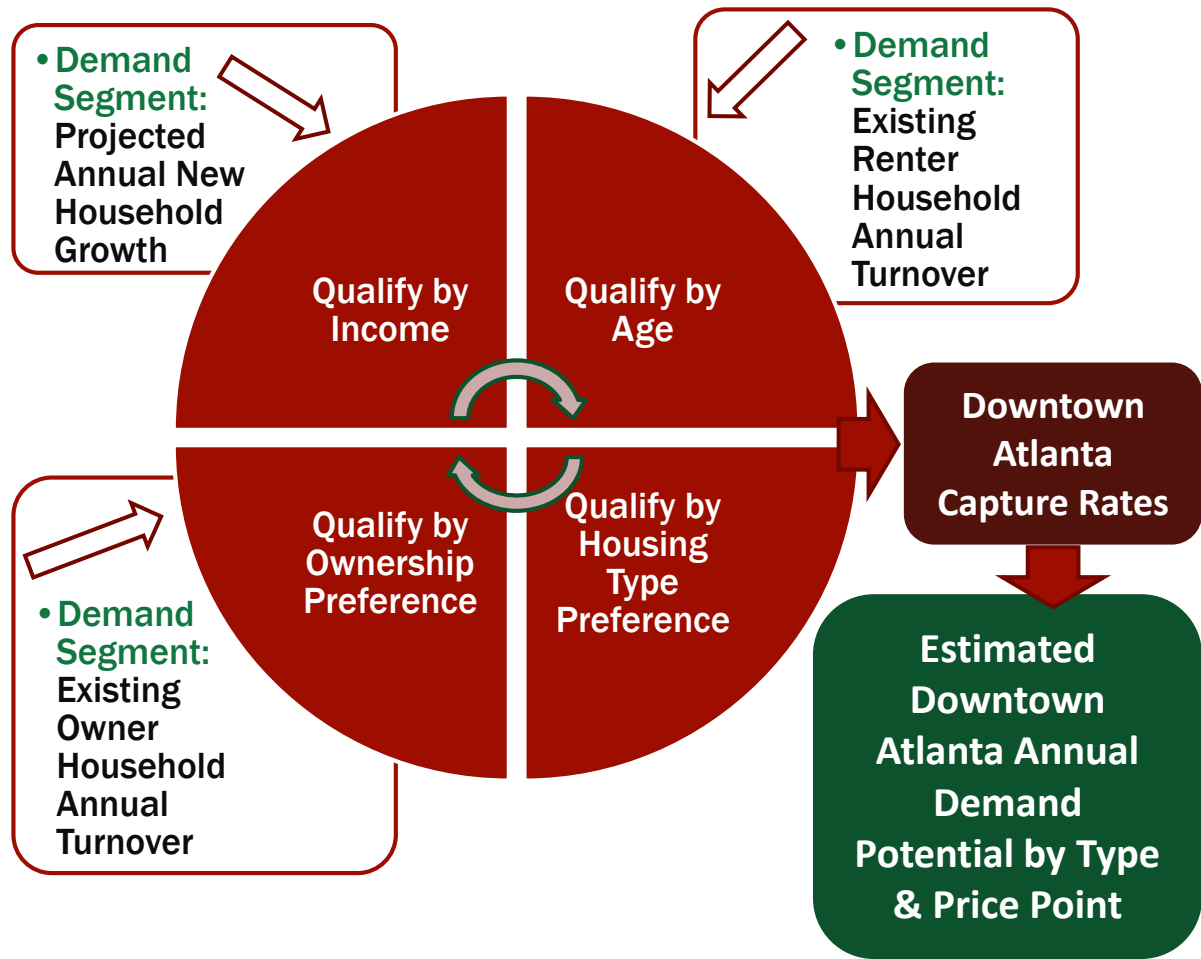
Source: Bleakly  
Advisory Group

# FUTURE REAL ESTATE DEMAND

## RESIDENTIAL

- Housing demand originates from **three consumer buyer segments**: new households moving to the Downtown Core, current owner households in turnover and current renter households in turnover.
- As diagrammed at right, this analysis qualified the three segments for the city of Atlanta by income levels, tenure, annual turnover, preference to buy/rent new, and preference to buy/rent detached/attached homes.
- To estimate future housing demand in Downtown Atlanta, the analysis assumed an approximately 10% capture rate of city of Atlanta demand, depending on tenure and income, based on historic and expected patterns.

Housing Demand Analysis, Primary Market Area: City of Atlanta

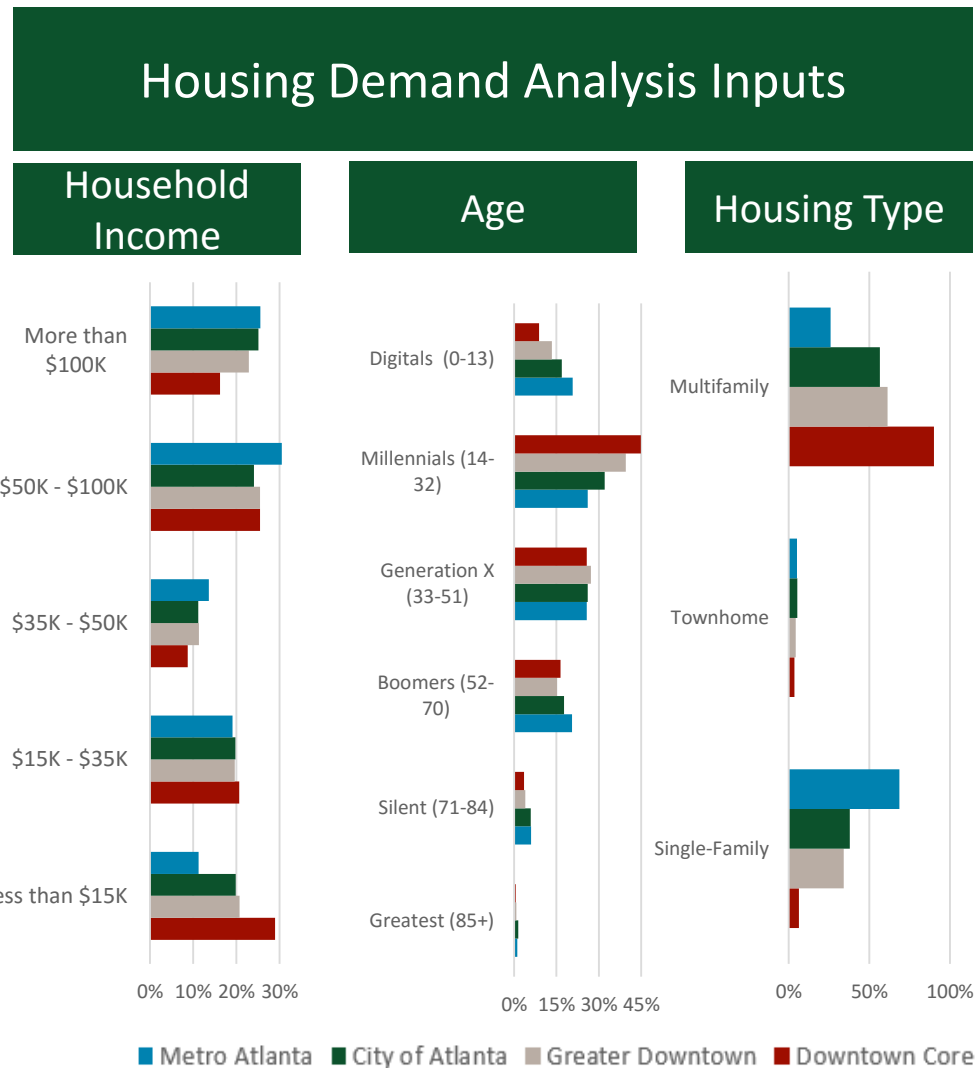




# FUTURE REAL ESTATE DEMAND

## RESIDENTIAL

- Current Downtown population and household trends were applied to the forecast future growth projections and modified to account for expected market changes to determine demand potential in the Downtown Core for for-sale and rental housing products.
- The Downtown Core typically attracts:
  - households with more moderate incomes than the Greater Downtown area
  - younger residents, often students/young professionals, who chose to live in multifamily buildings in an historic urban environment.
- Future demand estimates are segmented by housing affordability for households in three categories:
  - Affordable – Incomes <\$35K
  - Mid-Market – Incomes \$35K-\$75K (Rental) or \$90K (For-sale)
  - Upper-Market – Incomes >\$90K



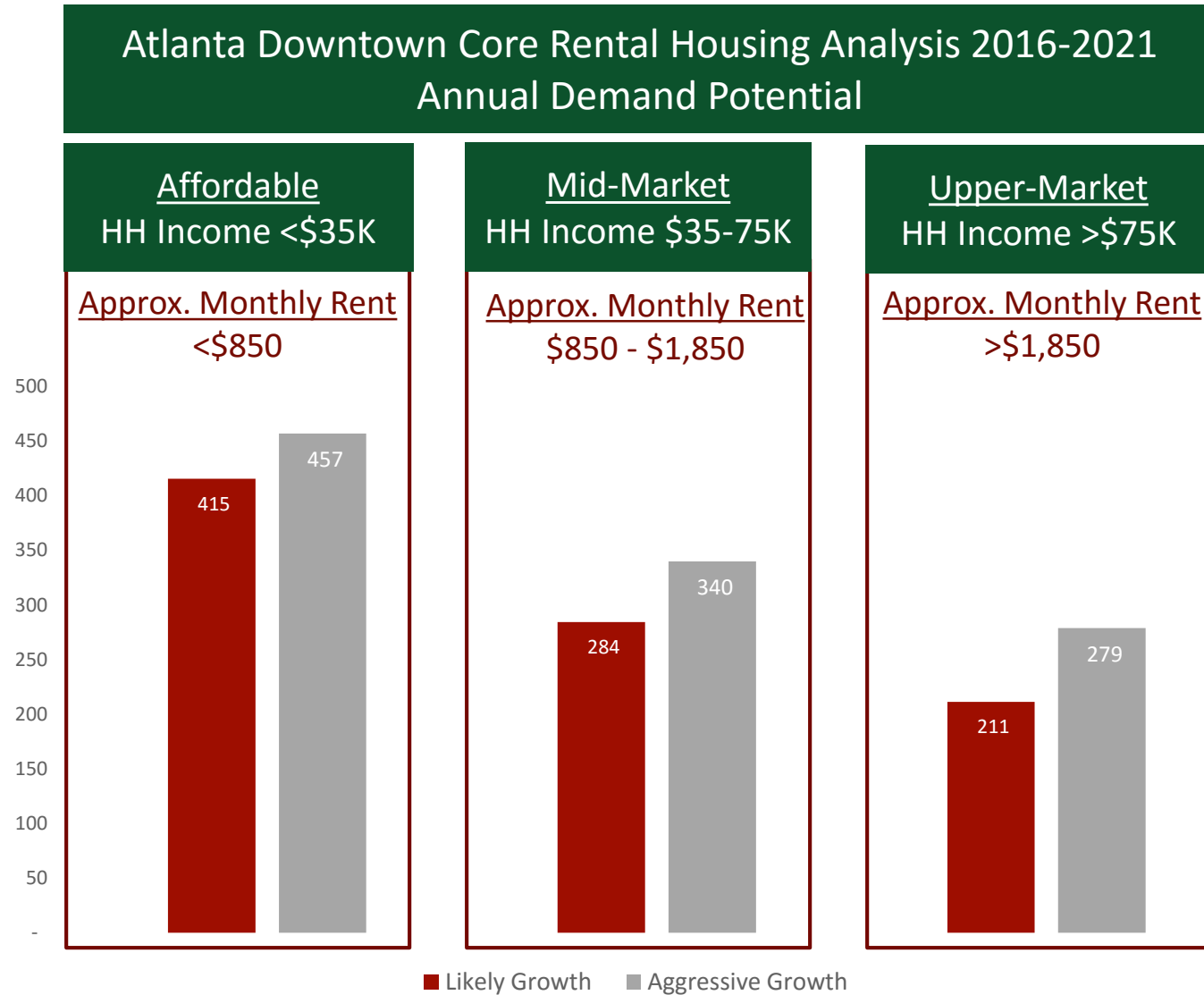
Note: For additional details on this data please see the Baseline Analysis  
Source: Bleakly Advisory Group based on data from Nielsen

# FUTURE REAL ESTATE DEMAND

## RENTAL RESIDENTIAL

- Apartment development in Downtown Atlanta has the potential to lease up approximately 911 units annually in the “Likely” scenario, with approximately half in the affordable cohort, and up to 1,075 annually in the “Aggressive” scenario.

- This demand potential does not include on-campus dormitory student housing or other group quarter housing.

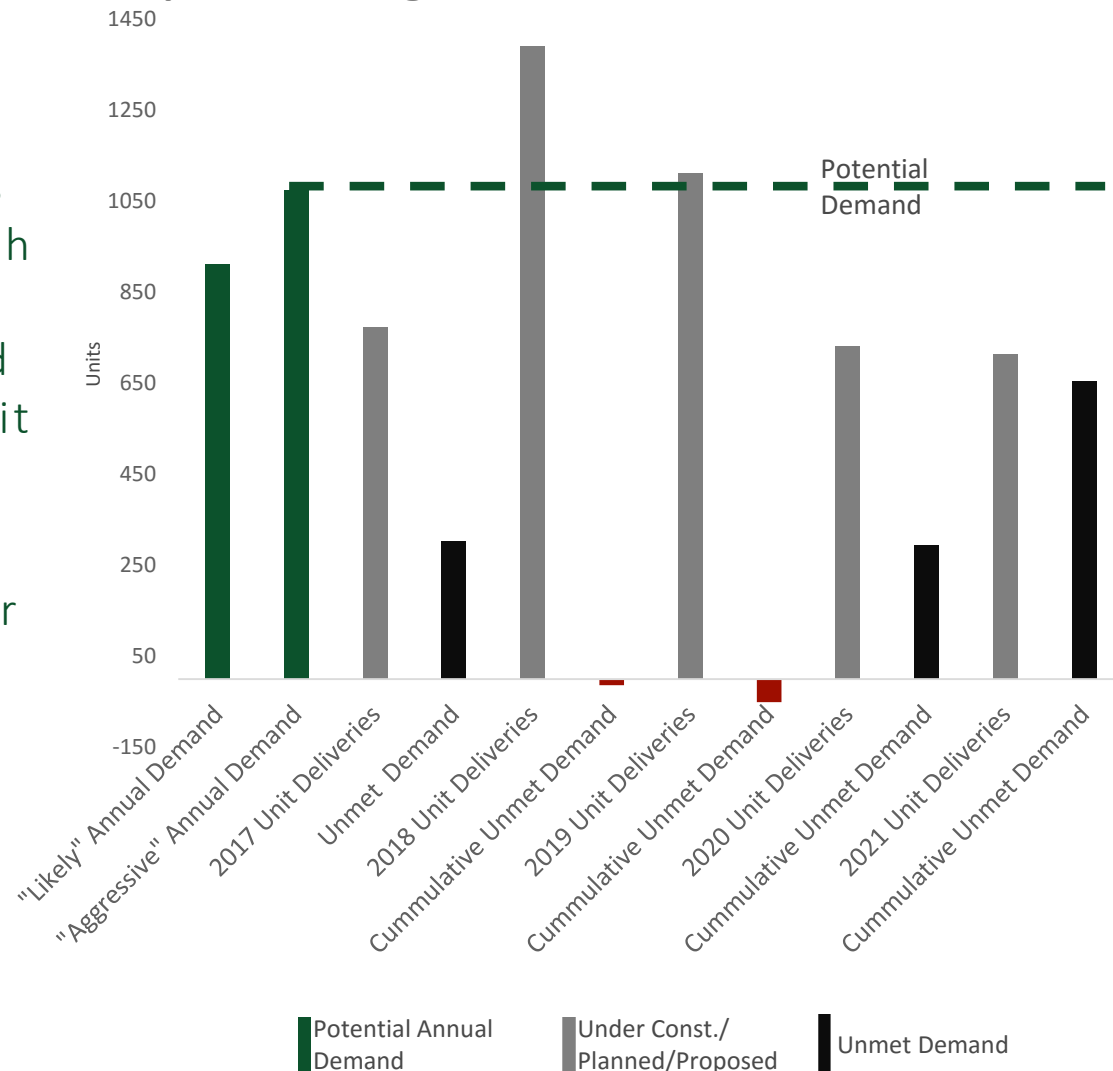


# FUTURE REAL ESTATE DEMAND

## RENTAL RESIDENTIAL

- As shown at right, potential demand for apartment units in Downtown Atlanta through 2021 exceeds the currently under construction, planned and proposed apartment unit deliveries through 2021.
- Potential exists for an additional 650 units to enter the pipeline and deliver by 2021.

Apartment Demand Potential / Future Unit Delivery  
Comparison through 2021, Downtown Core

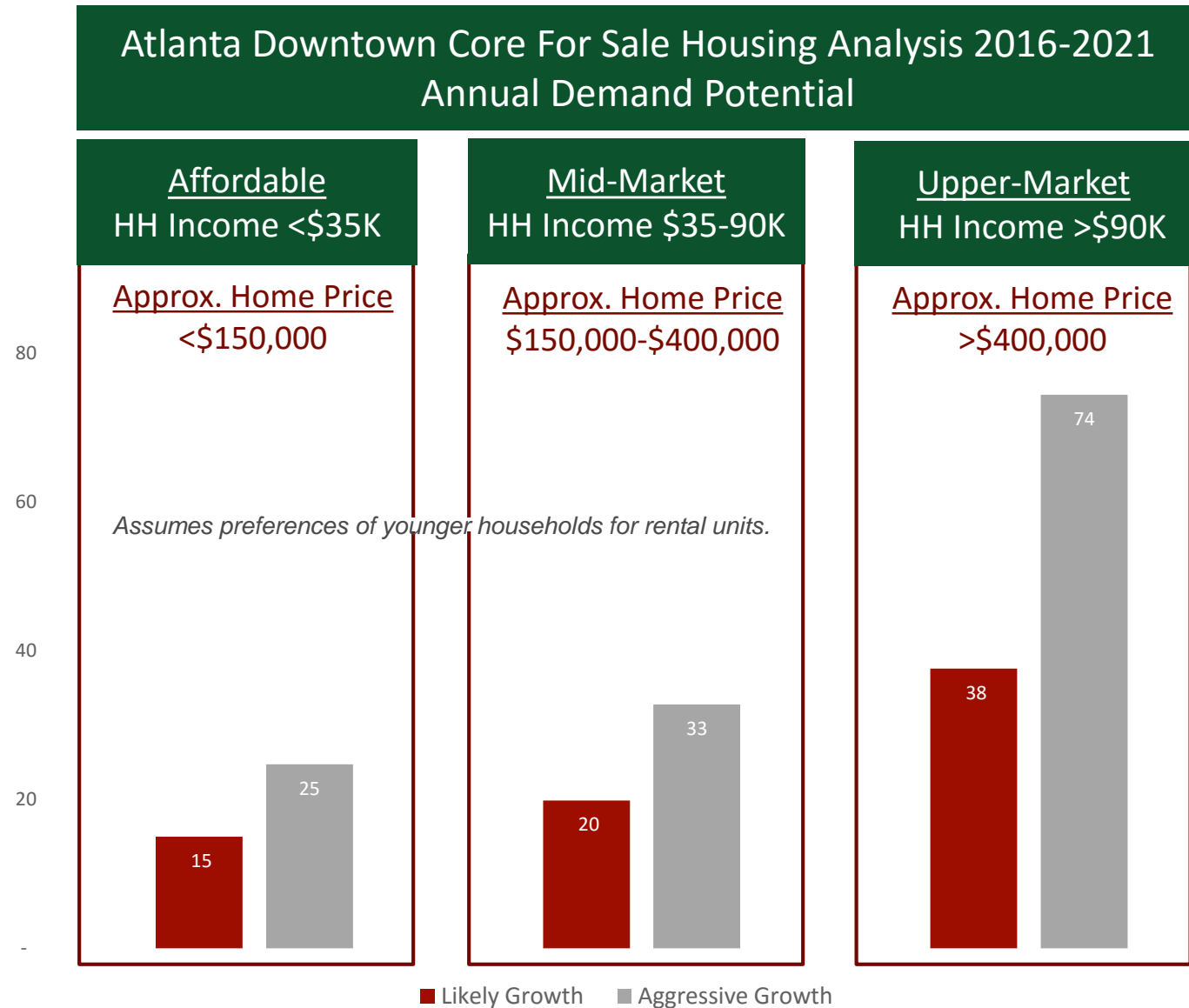




# FUTURE REAL ESTATE DEMAND

## FOR SALE RESIDENTIAL

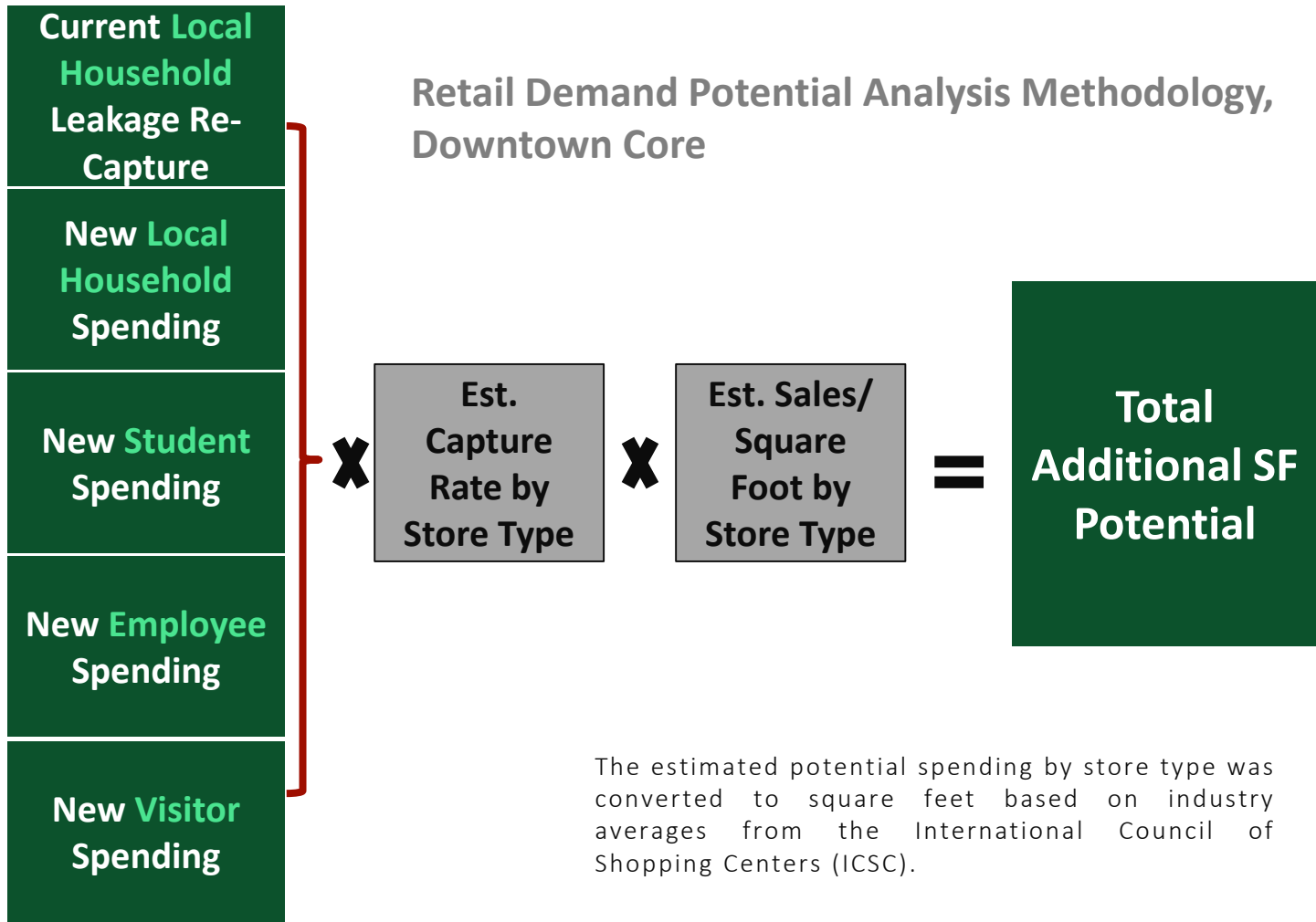
- Downtown Atlanta has the potential for approximately 70-75 unit sales annually in the “Likely” scenario and 130-135 annually in the “Aggressive” scenario.
- This demand is limited to attached housing units – townhomes and condominiums.
  - Given the Downtown Core’s land use patterns condominiums will attract most of this demand.



# FUTURE REAL ESTATE DEMAND

## RETAIL

- To estimate future retail square feet demand potential in Downtown Atlanta, new spending by various market segments was estimated in the context of potential capture rates for future local retail sales.



# FUTURE REAL ESTATE DEMAND

## RETAIL SPENDING PATTERNS

■ Current retail options in Downtown Atlanta are supported by a variety of consumer market segments:

- Residents
- Students
- Visitors
- Employees

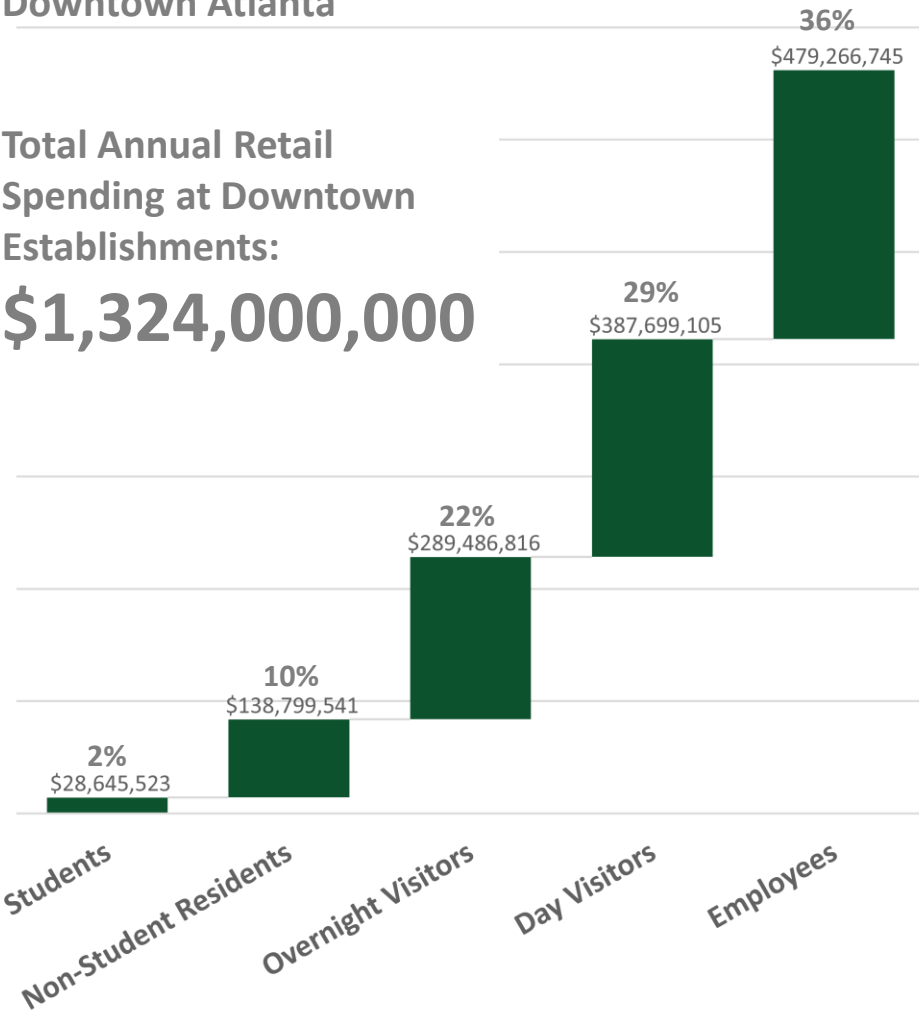


- Visitors, both day and overnight, account for over half of the retail spending in Downtown Atlanta.
- The 150,000+ Downtown employees account for over one-third of the current spending in the area.

### Estimated Current Consumer Spending Distribution, Downtown Atlanta

Total Annual Retail Spending at Downtown Establishments:

**\$1,324,000,000**



Downtown Atlanta  
Retail Consumer  
Market Segments:

Students  
Non-Student Residents  
Overnight Visitors  
Day Visitors  
Employees

Source: Bleakly Advisory Group based on data from Nielsen, ICSC, U. of Georgia Selig Center for Economic Growth, Georgia State, Georgia World Congress Center



# FUTURE REAL ESTATE DEMAND

## CURRENT RETAIL SPENDING PATTERNS - SUPPLY

- The top store types for spending in Downtown:

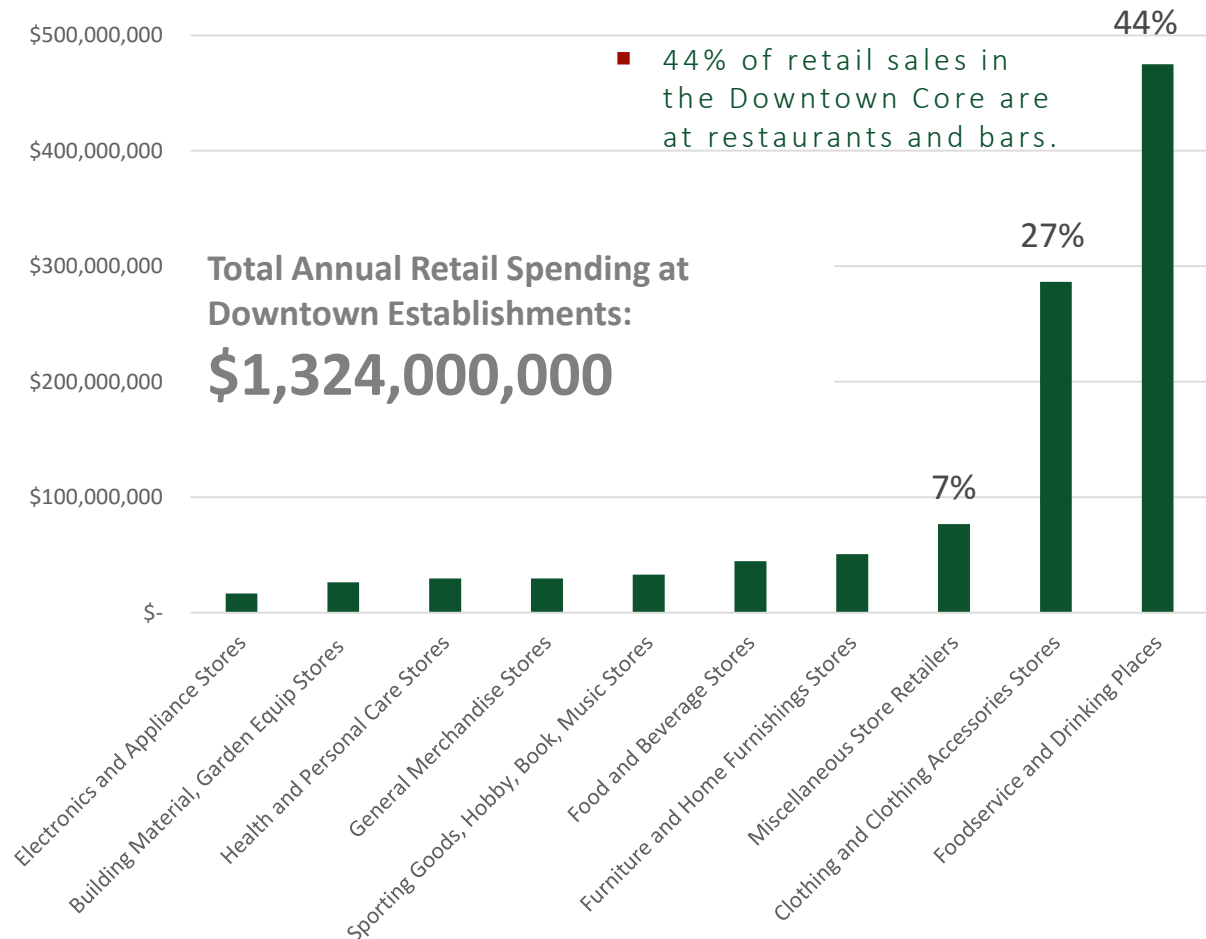
1. Food and Drinking Places (Restaurants and Bars)
2. Clothing and Clothing Accessory Stores
3. Miscellaneous Store Retailers

- Establishments in this sector include stores with unique characteristics like florists, used merchandise stores, and pet supply stores as well as other store retailers.

- Current retail market metrics (CoStar):

	Downtown Core	City of Atlanta
Existing SF	3,467,044	34,842,305
Occupancy	92.7%	94.1%
Avg. \$/SF	\$18.42	\$17.72

### Annual Retail Spending at Downtown Establishments by Store Type, 2016



Source: Bleakly Advisory Group  
based on data from Nielsen

# FUTURE REAL ESTATE DEMAND

## RESIDENT RETAIL SPENDING PATTERNS - DEMAND

- The top store types for Downtown resident spending:

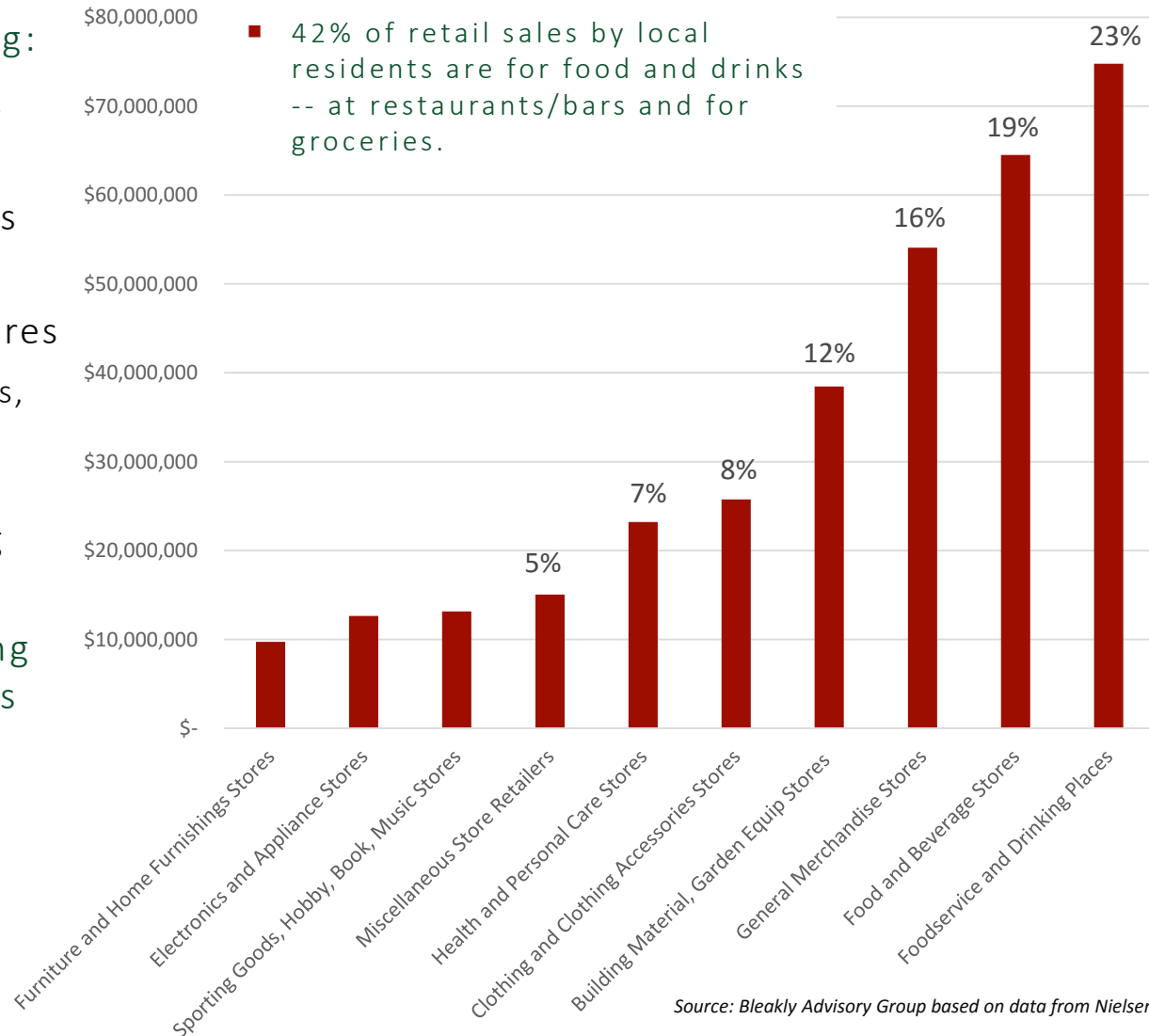
1. Food and Drinking Places (Restaurants and Bars)
2. Food and Beverage Stores (Grocery)
3. General Merchandise Stores

- Includes department stores, warehouse clubs and supercenters.

- Includes resident spending outside of Downtown.

- Downtown resident spending data shown at right includes expenditures by residents living in local households, i.e., excludes spending by those living in on-campus dorms and other group quarters.

### Annual Retail Spending by Downtown Residents, 2016



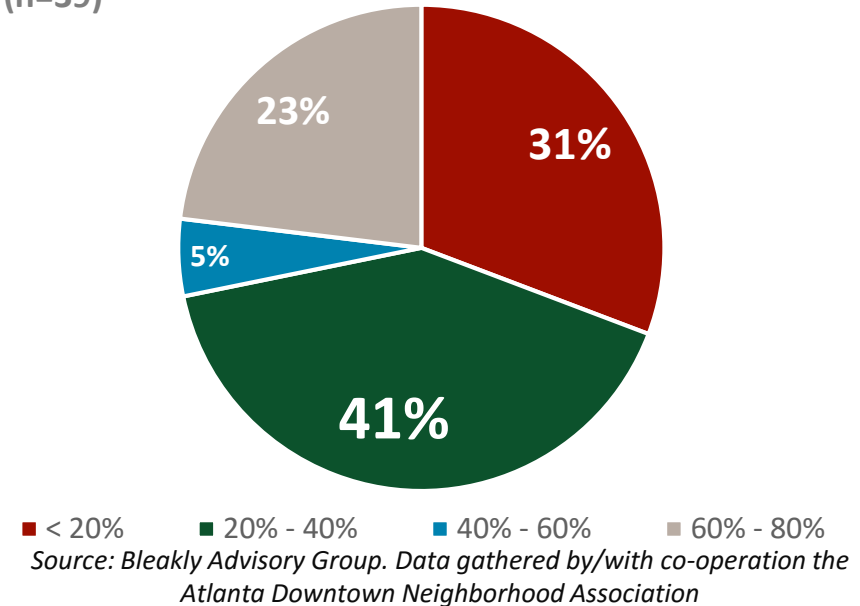
Source: Bleakly Advisory Group based on data from Nielsen

# FUTURE REAL ESTATE DEMAND

## RETAIL SPENDING PATTERNS - DEMAND

- Overall, on average, based on an online survey, comments and focus group responses, BAG estimates that current Downtown households spend 35%-40% of their total household expenditures in Downtown establishments.
- Downtown residents report the need to leave Downtown for grocery and hardware stores for basic household goods.
- Residents also report that their spending in local Downtown restaurants often/usually occurs in different restaurants than those that cater to Downtown visitors.

**Spending Snapshot: What percentage of Downtown residents' household expenditures occur in Downtown? (n=39)**



### ■ Downtown Atlanta Core

- 2016 Estimated Population\*: 26,850
- 2016 Estimated Households: 11,985
- Millennials (age 14-32): 45%
- Median Household Income: \$35,670
  - 41% earn more than \$50K

Source: Bleakly Advisory Group based on data from Nielsen

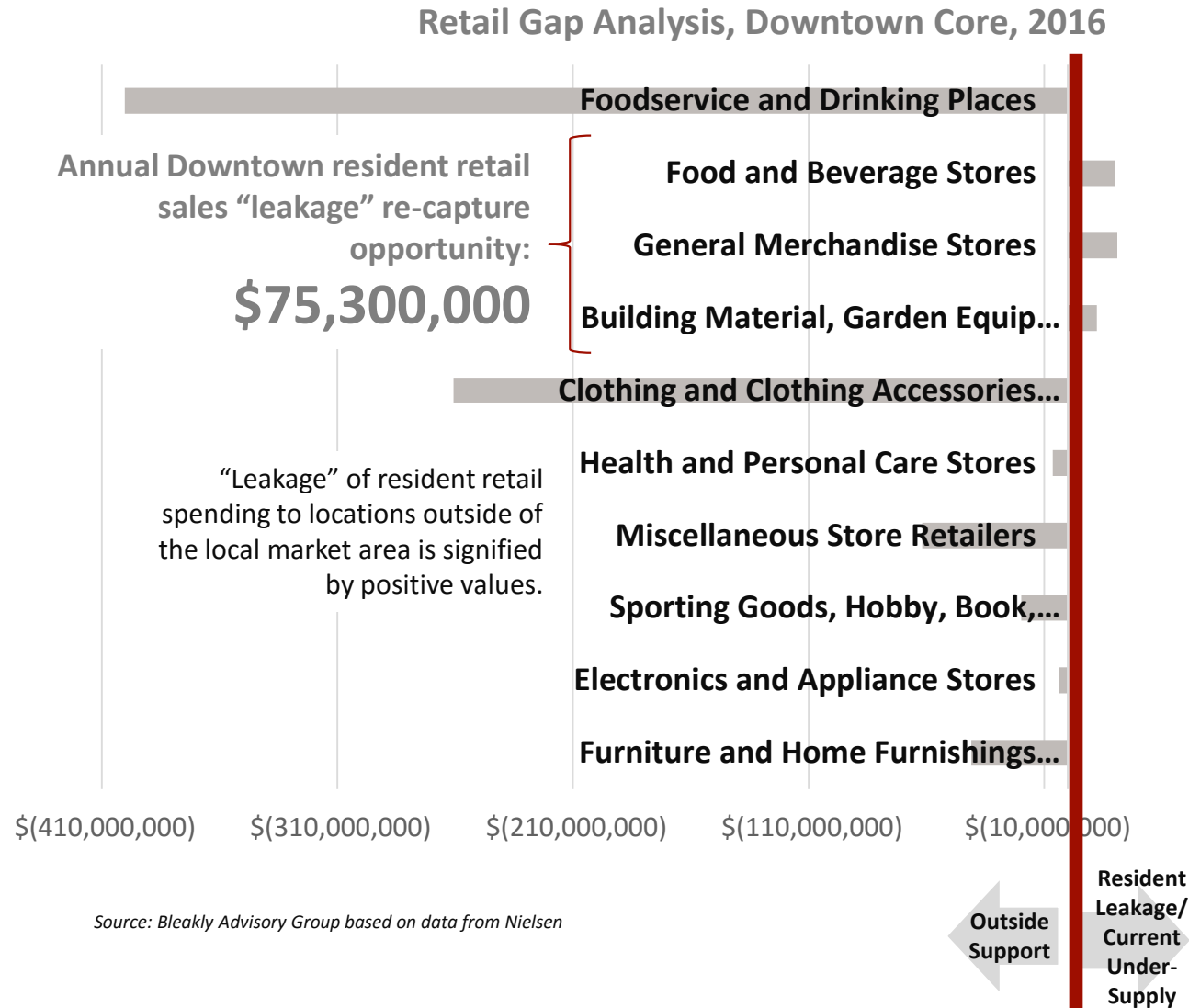
\*includes approx. 8,600 Downtown residents in group quarters (5,252+/- GSU students)



# FUTURE REAL ESTATE DEMAND

## RETAIL SPENDING PATTERNS: TOTAL SPENDING VS. RESIDENT SPENDING

- Three of ten non-automotive store types exhibit resident spending leakage outside of Downtown.
- The fact that total Downtown retail spending exceeds resident demand for most store types highlights that Downtown is a regional retail destination with much of the current retail offerings supported by spending from non-local households – particularly daytime employees and outside visitors.



# FUTURE REAL ESTATE DEMAND

## RETAIL

- Based on current spending estimates and future growth assumptions for the key Downtown retail market segments, the potential exists for 455,000 additional square feet of retail in the Downtown Core.
- In order to realize this demand potential, high-quality retail options must be added Downtown, along with continuing improvements in the urban retail environment in the area.

Retail Demand Growth Potential Summary, Downtown Core, 2016- 2021

Downtown Demand Segments	Estimates				
Downtown Core 2016 HH: 11,776	Current Downtown Core Leakage Re-Capture	\$75.3 M	Capture Rate by Store Type	Sales/Square Foot by Store Type	86,260 SF
Greater Downtown 2016 HH: 66,067	Current Greater Downtown Leakage Re-Capture	\$584.1 M			26,220 SF
Downtown Core New HH Growth (2021): 2,468	Downtown Core New HH Spending	\$52.5 M			63,500 SF
Greater Downtown New HH Growth (2021): 5,503	Greater Downtown New HH Spending	\$98.9 M			10,240 SF
Ga. State New Student Growth (2021): 4,000	New Student Spending	\$21.6 M			36,315 SF
Downtown Core New Job Growth (2021): 9,518	New Employee Spending	\$42.7 M			87,160 SF
Overnight Visitor New Growth (2021): 408,950 Room Nights	New Overnight Visitor Spending	\$16.3 M			81,580 SF
Visitor New Growth (2021)	New Day Visitor Spending	\$39.1 M			76,600 SF

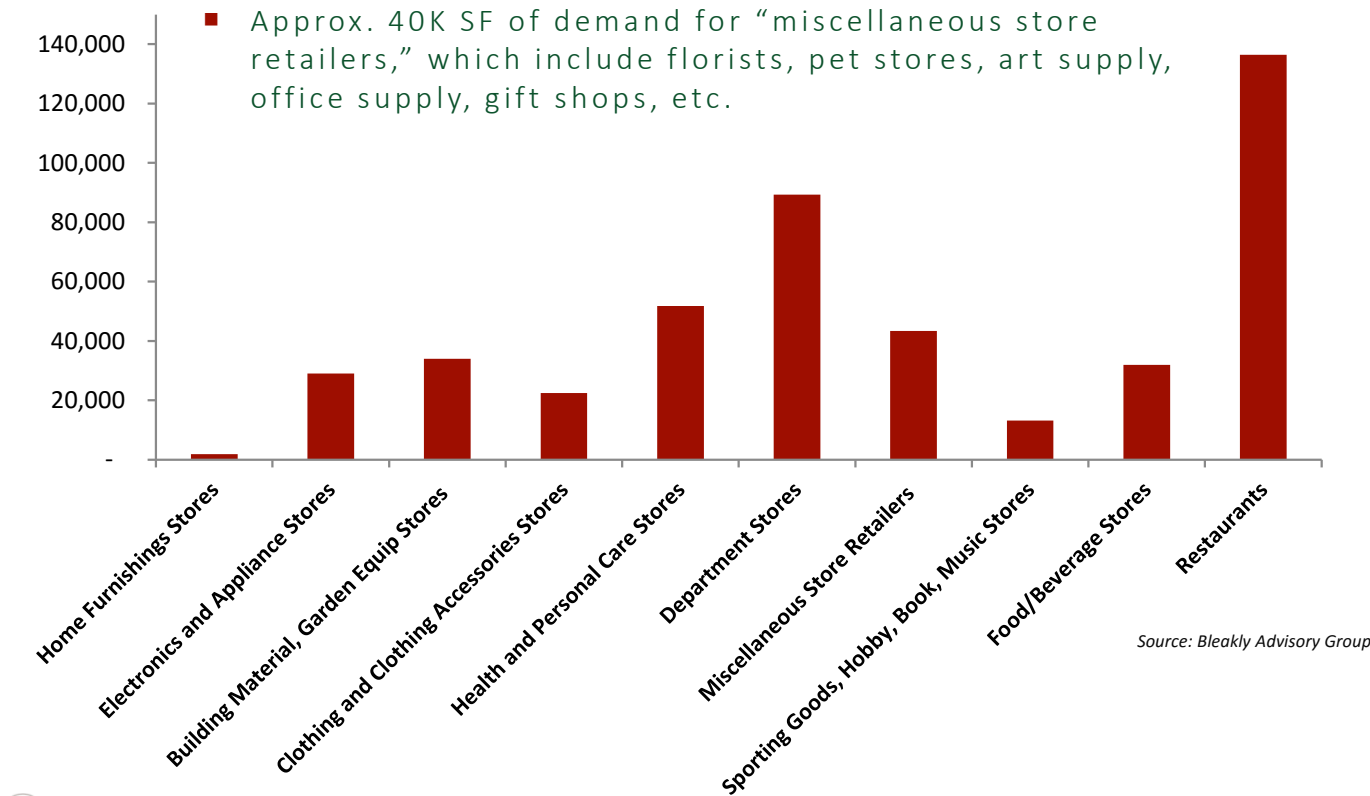
Source: Bleakly Advisory Group based on local interviews and surveys and data from Nielsen, ICSC, U. of Georgia Selig Center for Economic Growth, Georgia State, Georgia World Congress Center

Total Retail Demand Growth Potential (All Store Types 2021): 454,500 SF

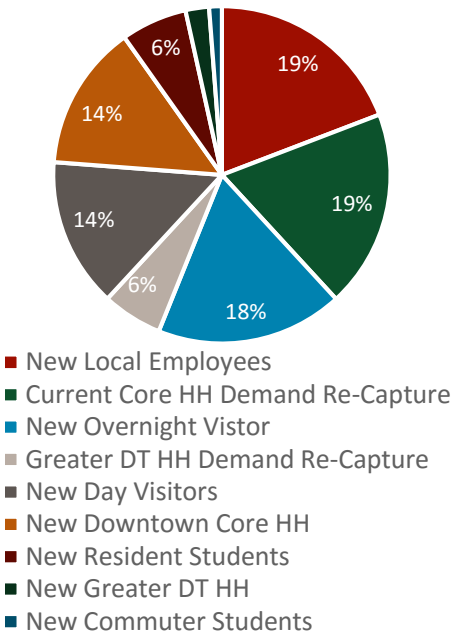
# FUTURE REAL ESTATE DEMAND

## RETAIL

- As shown below, restaurants and food stores account for over one-third of the total five-year retail demand growth potential in the Downtown Core, pointing to the opportunity to expand food-related retail development in the Study Area.
  - Opportunity exists for one smaller-footprint (30K +/- SF) grocery store Downtown.
- Demand exists for up to approximately 90K SF of department store space Downtown. This retail segment includes national big box chains. Currently few locally-owned models exist in this segment.



Retail Demand Growth  
Potential Support by Segment,  
Downtown Core, 2016- 2021



Based on growth forecasts by demand segment, three key sources—New employees, recapture of downtown household demand, and new overnight visitors--will be the leading sectors driving additional retail demand in the Downtown Core.

# FUTURE REAL ESTATE DEMAND

## RETAIL

### Retail Demand Growth Potential Summary, Downtown Core, 2016- 2031

#### “Likely Opportunity” Summary

- New Retail Demand Potential

2016-2021:  
454,500 SF

■ 2021-2026:  
248,000 SF

■ 2026-2031:  
248,000 SF

**TOTAL 15-YEAR NEW DEMAND  
POTENTIAL OPPORTUNITY:**  
950,000 SF

#### “Aggressive Opportunity” Summary

- New Retail Demand Potential

2016-2021:  
565,000 SF

■ 2021-2026:  
262,000 SF

■ 2026-2031:  
262,000 SF

**TOTAL 15-YEAR NEW DEMAND  
POTENTIAL OPPORTUNITY:**  
1,090,000 SF

*Source: Bleakly Advisory Group*

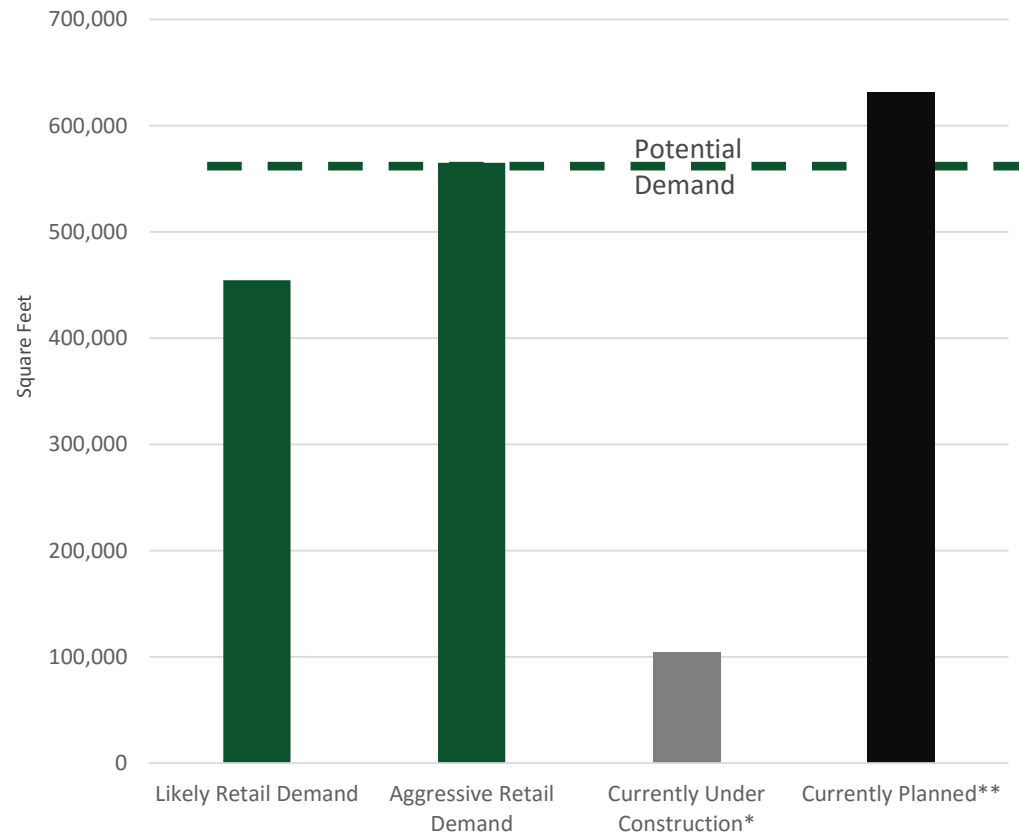


# FUTURE REAL ESTATE DEMAND

## RETAIL

- As shown at right, potential future retail additions in Downtown Atlanta through 2021 exceeds the aggressive demand potential estimated in this study.
- However, the largest retail project under construction – Larkin on Memorial – is at the southeast edge of the Study Area and will likely draw support from demand segments not included in this analysis.
- Similarly, the future redevelopment at Underground Atlanta will need to draw support from additional market segments in order to find success.

**Retail Demand Potential / Future Square Feet Comparison through 2021, Downtown Core**



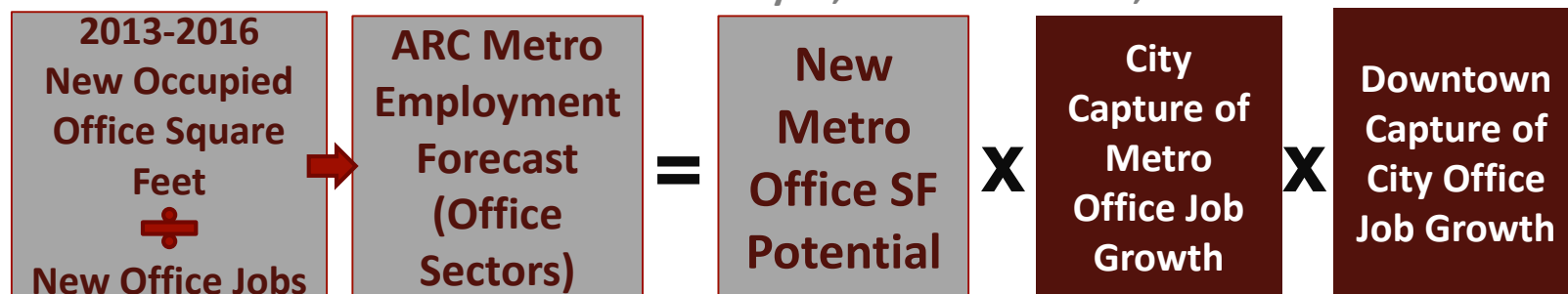
\* Includes Larkin on Memorial project: 63,000 SF at edge of Downtown Core. Will likely draw demand from outside of this Study Area

\*\* Includes 300,000 SF at Underground Atlanta

# FUTURE REAL ESTATE DEMAND

## OFFICE DEMAND POTENTIAL

### Office Demand Potential Analysis, Downtown Core, 2016-2031



### Total Downtown Core Office Demand Potential

- The future office space potential forecasts for Downtown Atlanta use metro employment projections developed by the Atlanta Regional Commission for job sectors\* most associated with driving office demand.
- The “Likely” forecast assumes Downtown maintains its current share of the Atlanta’s office employment over the next 15 years in a growing regional market.
- The “Aggressive Opportunity” forecast assumes that, because of an improving urban environment, Downtown reverses the current trend and moderately increases its share of Atlanta employment.
- Forecast includes only for-rent, not owner-occupied, space.



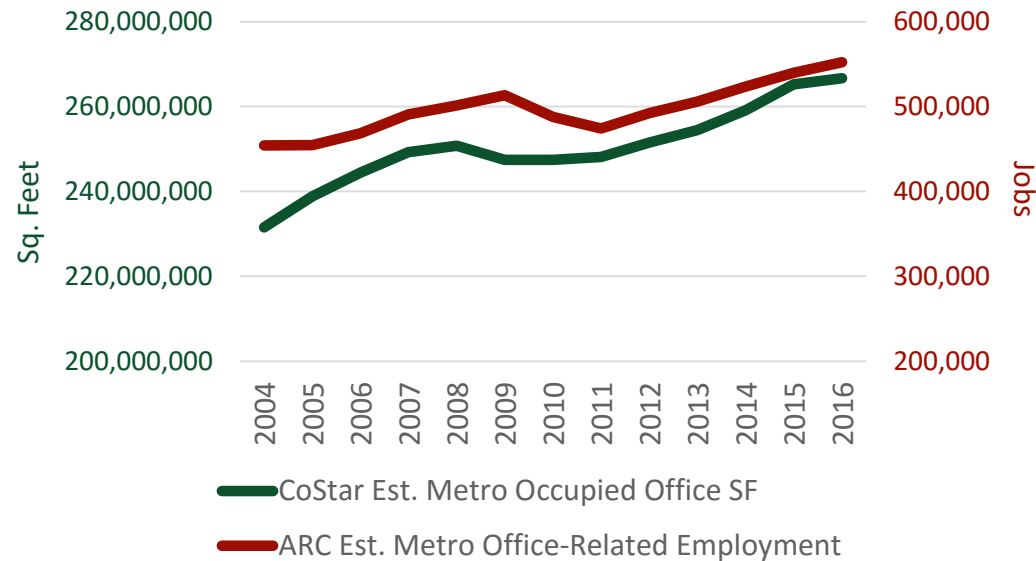
\* Finance and Insurance; Real Estate and Rental and Leasing; Professional, Scientific, and Technical Services

# FUTURE REAL ESTATE DEMAND

## OFFICE TRENDS

- Occupied office square feet in Atlanta is correlated to growth in employment sectors\* that typically occupy office space.
- Office space trends over the past decade have shown a decline in square feet per employee, as firms seek to maximize the efficiency of their space from 300-350 SF before the Recession to 260 SF today.
- Key Assumption:  
Growth in office-related employment sectors, particularly Real Estate & Professional, Science & Tech Services, will continue to drive office space demand in metro Atlanta through 2031.
- However, as firms continue to seek less space per worker, structural market changes to potential demand growth should be monitored.

**Metro Atlanta Occupied Office Square Feet & Office-Related Employment**



**Post Recession Avg. Newly Occupied  
Office SF Per New Office Job\*:**

**260**

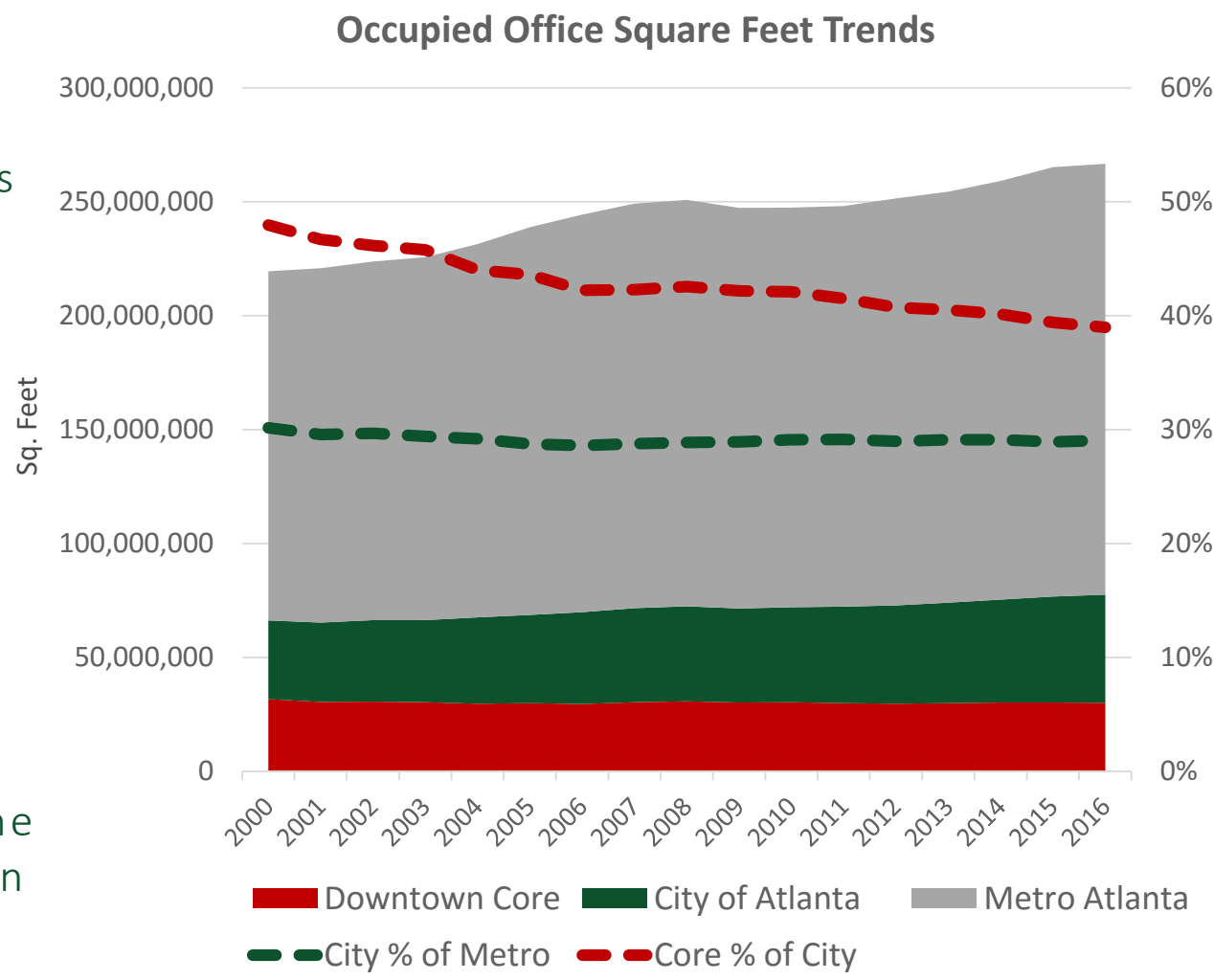
2015-2030 Forecast % Growth	
ARC Est. Metro Office-Related Employment	
Finance and Insurance	18%
Real Estate and Rental and Leasing	27%
Professional, Scientific, and Technical Services	25%
<b>Total Employment Growth in Office-Related Sectors</b>	<b>23%</b>

\* Finance and Insurance; Real Estate and Rental and Leasing; Professional, Scientific, and Technical Services

# FUTURE REAL ESTATE DEMAND

## OFFICE TRENDS

- Downtown Atlanta's declining share of the region's employment has corresponded, over the past 15 years, with a similar decrease in its share of office space.
- The City of Atlanta's growth in its share of metro Atlanta occupied office space has been flat.
- Actual occupied square feet of office space in the Downtown Core has been effectively stable at 30,000,000 SF for the past 15 years.



Source: Bleakly Advisory Group based on data from CoStar



# FUTURE REAL ESTATE DEMAND

## OFFICE DEMAND POTENTIAL

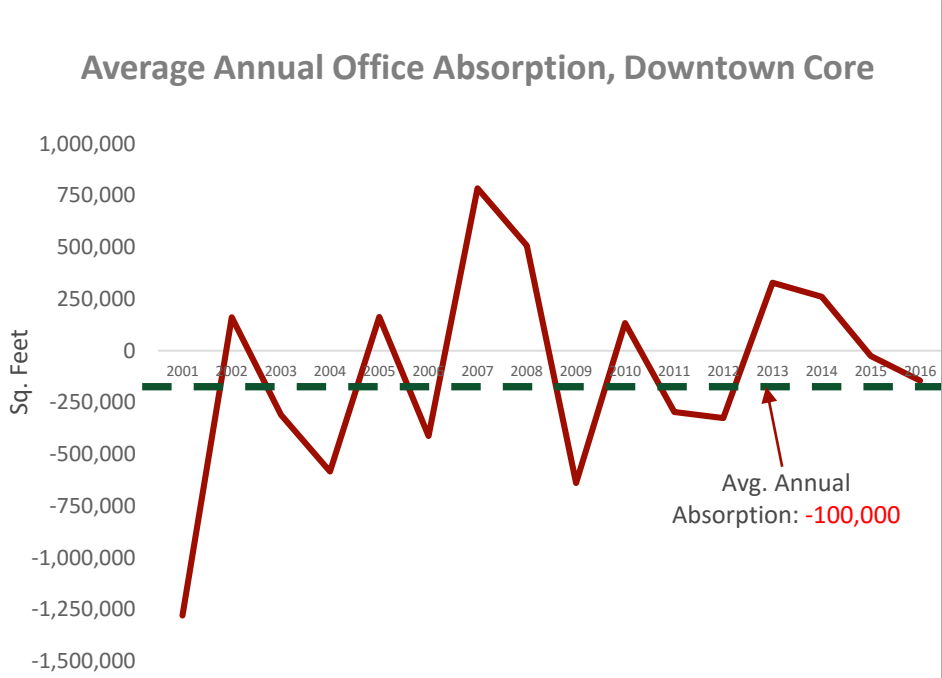
- In a “Growth Scenario” Downtown Atlanta potential demand could grow by over 3 million square feet over the next 15 years in the Downtown Core. Following current trends, the rate of Downtown growth in this scenario still lags the region and city overall, but the addition of new space could reverse the decade-long trend of no net new space absorbed Downtown.
- In an “Aggressive Scenario,” in which Downtown Atlanta grows its current share of the city’s office space demand, and with the city also increasing its share of regional demand, potential demand for office space in the Downtown Core could grow by nearly 4 million square feet over the next 15 years.

	Atlanta Region Avg. Annual SF Demand	City % Capture of Metro	2017-2031 City of Atlanta Avg. Annual SF Demand	Potential DT Core % Capture of City	2017-2031 5-Year Demand Downtown Core Annual SF Demand	Potential Total (Rounded)
<b>Growth Scenario</b>						
2016-2021	2,876,252	29%	836,164	36%	226,939	1,134,696
2021-2026	1,679,016	29%	488,112	33%	207,945	1,039,726
2026-2031	1,679,016	29%	488,112	30%	188,951	944,756
	<b>6,234,284</b>		<b>1,812,388</b>		<b>623,835</b>	<b>3,119,177</b>
<b>Aggressive Scenario</b>						
2016-2021	2,876,252	29%	836,164	36%	226,939	1,134,696
2021-2026	1,679,016	30%	503,705	39%	253,790	1,268,948
2026-2031	1,679,016	31%	520,495	42%	282,503	1,412,517
	<b>6,234,284</b>		<b>1,860,364</b>		<b>763,232</b>	<b>3,816,160</b>

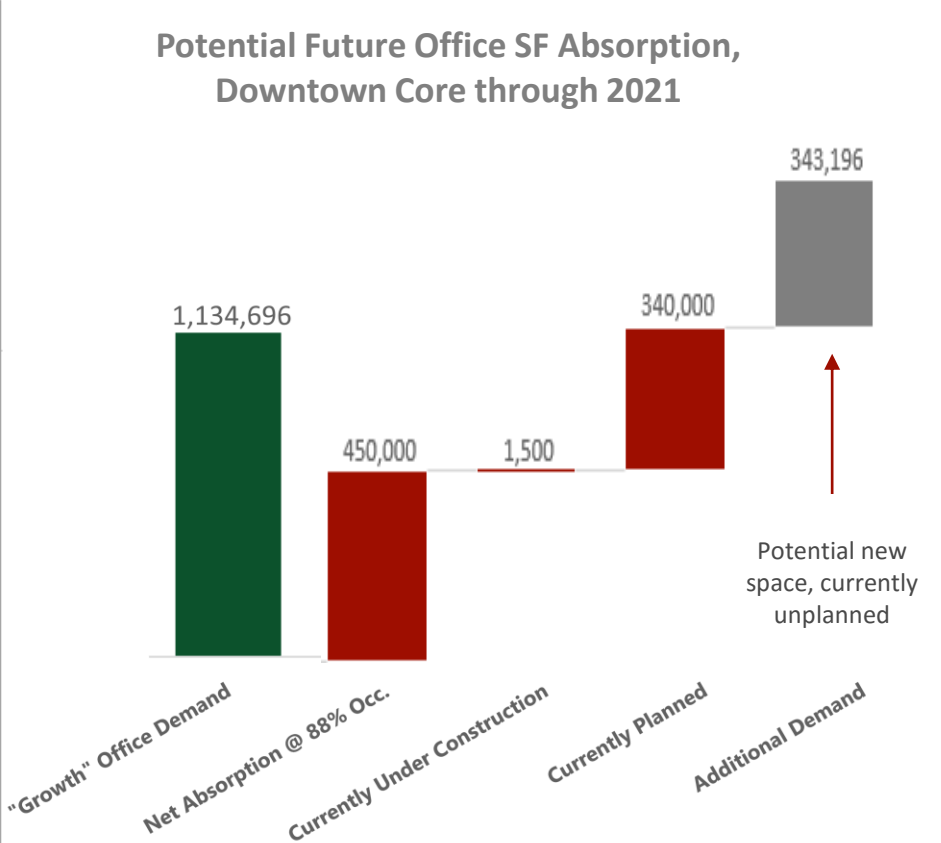
Source:  
Bleakly  
Advisory  
Group

# FUTURE REAL ESTATE DEMAND

## OFFICE DEMAND POTENTIAL



- Downtown Core office absorption history is uneven, often with annual fluctuations between positive and negative absorption.



- Accounting for absorption of current space to increase Downtown occupancy to 88% (currently 86%), and successful absorption of planned and proposed space, an additional 340,000 SF of space could be demanded through 2021.

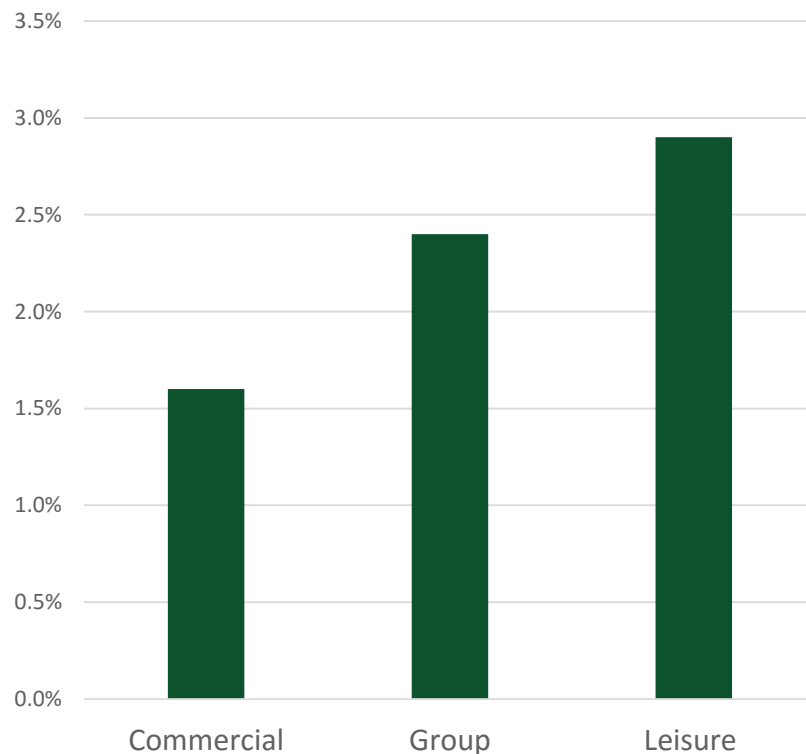
# FUTURE REAL ESTATE DEMAND

## HOSPITALITY DEMAND POTENTIAL

### ■ Hospitality Development Forecast

- The “Likely Scenario” Forecast of future room demand for the 15-year period:
  - Commercial/Transient (business traveler) demand is anticipated to grow at 1.6% annually on average.
  - Group (convention and meeting) demand is anticipated to grow at 2.4% annually on average.
  - Leisure Transient (tourist/visitor) demand is anticipated to grow at 2.9% annually on average.
- The new Mercedes-Benz Stadium, Underground repositioning, Philips Arena renovation, recently opened museums, and Centennial Olympic Park renovation and expansion all bode well for strong visitor demand growth.
- Group demand is somewhat limited by availability of prime dates at the major convention facilities, however the retrofitting of GWCC and the addition of the 800-room convention hotel with meeting space should allow for the capture of significant additional group demand.
- Commercial Transient demand has the least growth potential primarily due to limited office developments and the strong competitive activity in Midtown and Buckhead.

**Hospitality Demand Growth by Segment,  
Annual Growth, 2016-2031**



Source: Key Advisors

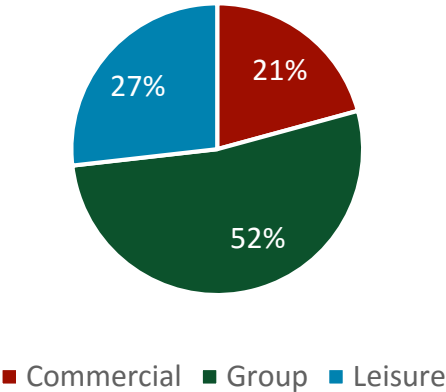
# FUTURE REAL ESTATE DEMAND

## HOSPITALITY DEMAND POTENTIAL

- **Hospitality Development “Likely Scenario” Forecast**
  - Growth in occupied rooms is anticipated to increase approximately 763,900 over the next ten years, or 76,400 room nights per year on average.
  - Over 50% of forecast room demand growth is expected to come from growth in the Group segment (convention and meetings).
  - The market grew by 536,200 room nights between 2006 and 2016, or 53,600 room nights per year on average.
  - Growth for the past two years has been approximately 130,000 room nights per year and 140,000 room nights in 2016.

Forecast Room Demand Growth by Segment  
Likely Scenario  
2016-2026

Segment	Demand Growth: Occupied Rooms
Commercial	158,600
Group	400,600
Leisure	204,700
<b>TOTAL</b>	<b>763,900</b>



Source: STR/Key Advisors, Inc.



# FUTURE REAL ESTATE DEMAND

## HOSPITALITY DEMAND POTENTIAL

### ■ Hospitality Development “Likely Scenario” Forecast

- Current expected supply growth represents the 2,150 rooms identified and an additional potential 1,000 rooms in future projects that are unidentified (opening 2022-2026).
- ADR growth historically has been 0.9%. With occupancy levels in the high 60% and low 70% range, future growth in ADR should be stronger.

### Estimated Market Occupancy, Downtown Core, 2016- 2026

	Rooms Available	Occupied Rooms	Occupancy	ADR	RevPAR
2016	4,210,640	3,034,400	72%	\$153	\$110
2017	4,237,285	3,070,100	72%	\$156	\$113
2018	4,547,900	3,184,300	70%	\$158	111
2019	4,704,850	3,268,800	69%	\$160	\$111
2020	4,996,850	3,369,200	67%	\$163	\$110
2021	4,996,850	3,443,400	69%	\$165	\$114
2022	5,069,850	3,508,500	69%	\$168	\$116
2023	5,142,850	3,579,300	70%	\$170	\$118
2024	5,215,850	3,651,200	70%	\$173	\$121
2025	5,288,850	3,724,200	70%	\$175	\$123
2026	5,361,850	3,798,300	71%	\$178	\$126
Annual Growth	2.4%	2.3%		1.5%	1.3%

ADR = Average Daily Rate  
RevPAR = Revenue per Available Room

Source: STR/Key Advisors, Inc.

# FUTURE REAL ESTATE DEMAND

## HOSPITALITY DEMAND POTENTIAL

### ■ Hospitality Development Forecast – “Aggressive Scenario”

- Assuming Downtown experiences increased office inventory and absorption, Commercial Transient growth is anticipated to increase to 2.7% annually (CAGR).
  - Stronger increases in Group and Leisure demand growth are also anticipated, 3.3% and 4.0% annually, respectively.
    - This assumes significant continued improvement in the visitor “package” including added restaurants, entertainment, and retail options.
  - Room supply is also assumed to increase with an potential 2,100 rooms above those in the current pipeline, given strong demand levels.
  - Hotel development will likely occur outside of the traditional hotel district as other areas of the Downtown Core continue to be enhanced.
  - ADR growth is anticipated to increase by 2% per year due to strong occupancy levels and highly competitive destination package.



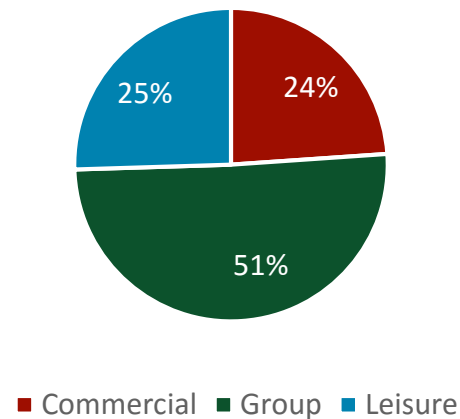
# FUTURE REAL ESTATE DEMAND

## HOSPITALITY DEMAND POTENTIAL

- **Hospitality Development Forecast – “Aggressive Scenario”**
  - Growth in occupied rooms is anticipated to increase approximately 1,144,000 over the next 10 years, or 114,400 room nights per year on average.
  - The market grew by 536,200 room nights between 2006 and 2016, or 53,600 room nights per year on average.
  - Growth for the past two years has been approximately 130,000 room nights per year and 140,000 room nights in 2016.

**Forecast Room Demand Growth by Segment  
Aggressive Scenario  
2016-2026**

Segment	Demand Growth: Occupied Rooms
Commercial	273,500
Group	578,900
Leisure	291,600
<b>TOTAL</b>	<b>1,144,000</b>



Source: STR/Key Advisors, Inc.

# FUTURE REAL ESTATE DEMAND

## HOSPITALITY DEMAND POTENTIAL

### ■ Hospitality Development Forecast – “Aggressive Scenario”

#### ■ Necessary to achieve Aggressive Scenario:

- Additional chef-driven restaurant options in the Downtown Core
- Downtown employment base growth brings more corporate travelers Downtown
- Downtown continues to capture growing share of leisure travelers

	Rooms Available	Occupied Rooms	Occupancy	ADR	RevPAR
2016	4,210,640	3,034,400	72%	\$153	\$110
2017	4,237,285	3,070,100	72%	\$156	\$113
2018	4,547,900	3,193,500	70%	\$158	\$112
2019	4,777,850	3,324,000	70%	\$160	\$113
2020	5,142,850	3,470,800	67%	\$163	\$112
2021	5,215,850	3,592,900	69%	\$165	\$117
2022	5,325,350	3,702,800	70%	\$168	\$120
2023	5,434,850	3,817,700	70%	\$170	\$124
2024	5,544,350	3,935,200	71%	\$173	\$127
2025	5,653,850	4,055,400	72%	\$175	\$131
2026	5,763,350	4,178,400	72%	\$178	\$135
Annual Growth	3.2%	3.3%		2.0%	2.1%

ADR = Average Daily Rate  
RevPAR = Revenue per Available Room

Source: STR/Key Advisors, Inc.



# Demographic/Economic/Real Estate Baseline Analysis

# BASELINE ANALYSIS SUMMARY CONCLUSIONS

## Demographics

- Population growth rate in the Downtown Core since 2000 has exceeded that of the city as a whole, contributing to a growing vibrancy in Downtown Atlanta.
- Typically, Downtown Core residents are younger than city of Atlanta residents overall, attracting Millennials and Gen Xers with higher than average incomes.
- The Downtown Core is home to smaller childless households often commuting to and from work without a car.

## Employment

- With 152,500 jobs Downtown Atlanta is the region's top employment district in terms of total jobs.
- The number of jobs Downtown has declined over the past decade, with approximately half of the job losses in the Public Administration/ Government sector.
- 28% of all jobs in the city of Atlanta are in the Downtown Core.
- Over half (57%) of all employees within the Downtown Core earn more than \$40,000 annually, which is a slightly higher percentage than the city overall.

# BASELINE ANALYSIS SUMMARY CONCLUSIONS

## Housing

- Nearly three-fourths (73%) of Downtown Core households are renters, a higher rate than Greater Downtown, the city of Atlanta or metro Atlanta
  - 90% of Downtown Core residents live in multifamily homes.
- The variation of the population and household profile between the Downtown Core and surrounding Greater Downtown is partly attributable to the variation in housing stock. The Greater Downtown area is home to a far greater share of single-family homes.
- The 21<sup>st</sup> century residential unit additions in the Downtown Core highlight the district's re-emergence as a preferred location for Atlanta students and households seeking urban living.
- The Downtown Atlanta Core multifamily unit count is expected to grow at a greater rate over the next five years than it grew in the last five years.
- The Downtown Core could add at least 2,800 people to the current estimated population, representing over 10% growth in the next five years.

# BASELINE ANALYSIS SUMMARY CONCLUSIONS

## Commercial Real Estate

- The Downtown Core's share of Atlanta's retail and office space has declined from 2000 to current, with office space declining most significantly, from 47% to 40% of the city overall.
  - Through the decades, many historic Downtown office buildings have transitioned to other uses including hotel and residential.
- This shift reflects the changes in Downtown over the past decade from a commercial-focused district in the late 20th century to a more wide-ranging mixed use urban district.

## Hospitality

- The Downtown hotel market has shown continuous growth since 2000.
- Occupancy and room rate growth Downtown is very strong relative to Atlanta and the U.S. as a whole.
- There are over 2,000 additional rooms planned in the Downtown Core development pipeline. This would add nearly 20% to the current room supply of 11,500.

# Demographic Assessment

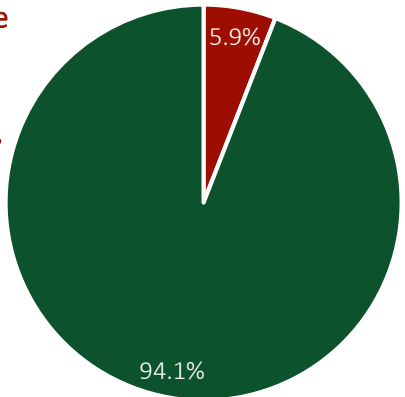


# POPULATION & HOUSEHOLDS

## ■ Downtown Atlanta Core

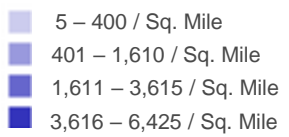
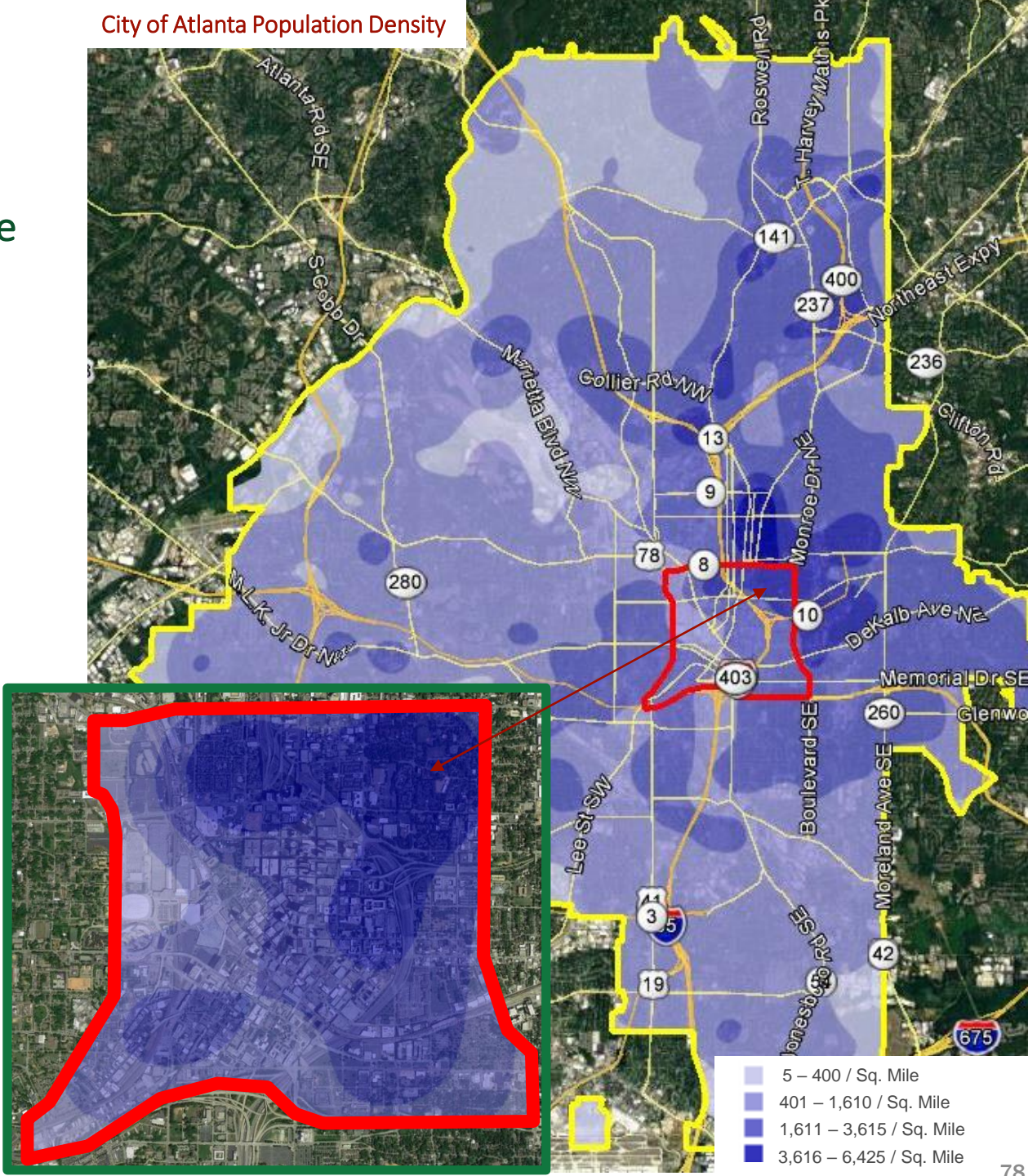
- 2016 Estimated Population:
  - 26,850
- 2016 Estimated Households:
  - 11,985

Downtown Core's Share of City of Atlanta Population, 2016



■ Downtown Study Area   ■ City of Atlanta

City of Atlanta Population Density



# DOWNTOWN ATLANTA RESIDENTS

**26,850 people live  
Downtown**

**Including:  
18,250 Downtown  
residents (68%) in 11,985  
households**

**8,600 residents (32%) in  
group quarters**



Residents by Unit Size, Nielsen Inc. 2016, US Census 2010

# ATLANTA DOWNTOWN CORE HOUSEHOLDS

**89% of households are 1 or 2 person households**

**11% of households have 3 or more people**

**88% of households are childless**

**Millennials represent 45% of Downtown's population**

**27% of Downtown residents own their home**

**86% live in multifamily buildings**

Based on data  
from Nielsen  
Inc. 2016, US  
Census 2010

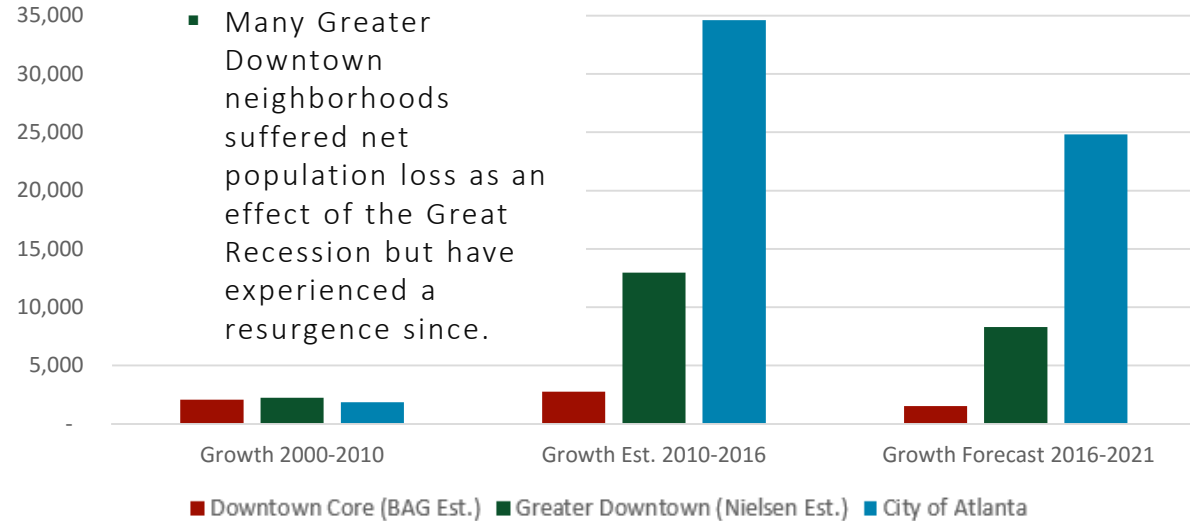




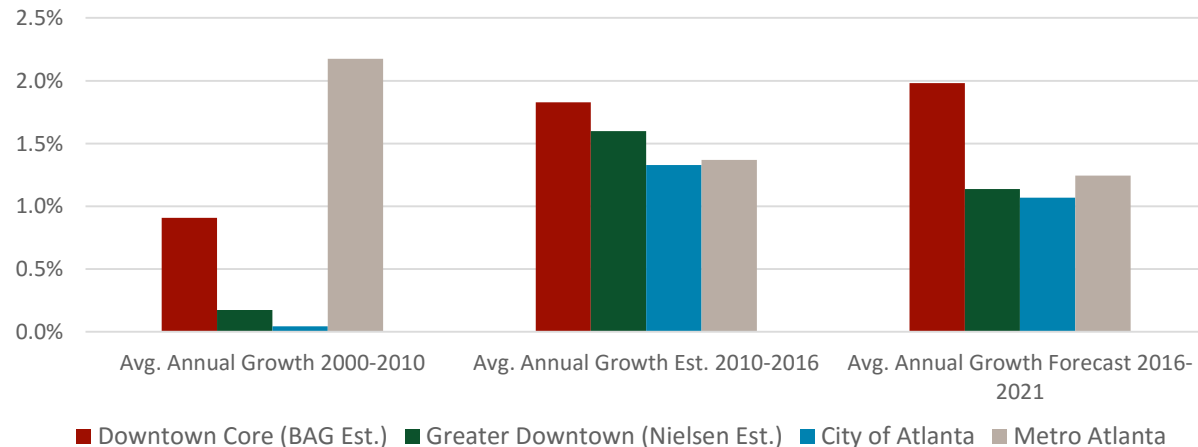
# POPULATION GROWTH

- The Downtown Core's population experienced modest growth from 2000 to 2010, while the city of Atlanta experienced nearly no net growth.
- Growth picked up in the 2010-2016 period, particularly for the city as a whole and Greater Downtown (which excludes the Downtown Core).
- As detailed elsewhere in this market analysis, forecasts call for the Downtown Core to add an average of 550 new residents annually (2%) through 2021.
  - This rate of growth will exceed the rates for the larger local area and the region as a whole.

Historic and Projected Net Population Growth, 2000-2021



Historic and Projected Annual Population Growth Rate, 2000-2021

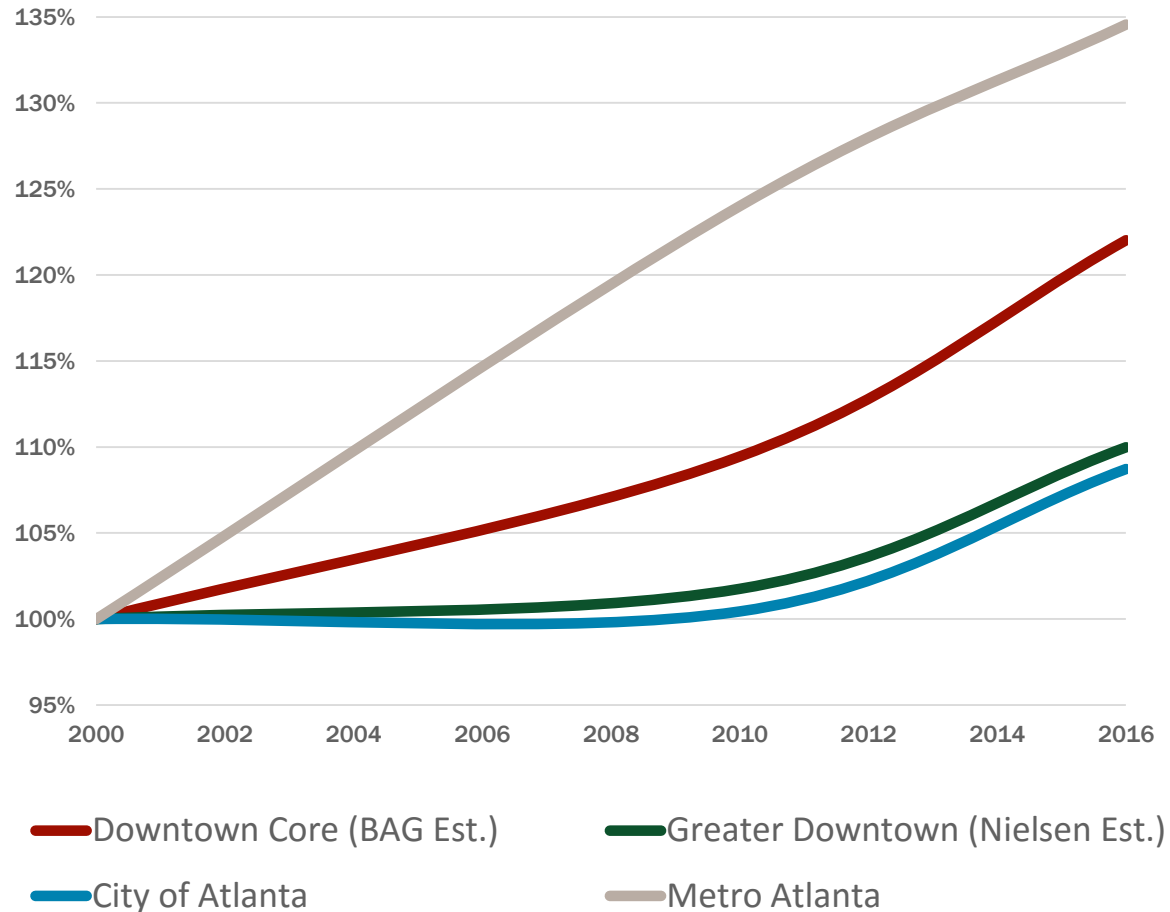


Source: Bleakly Advisory Group based on data from Nielsen

# POPULATION GROWTH

- Driven by new student housing as well as new market rate apartments, the Downtown Core's population has grown at a greater relative rate than has surrounding Greater Downtown and the city of Atlanta, but lags the growth in the metro area overall.

Historic and Projected Relative Annual Population Growth, 2000-2021



*Historical growth normalized at 100% in 2000 to measure relative growth.*

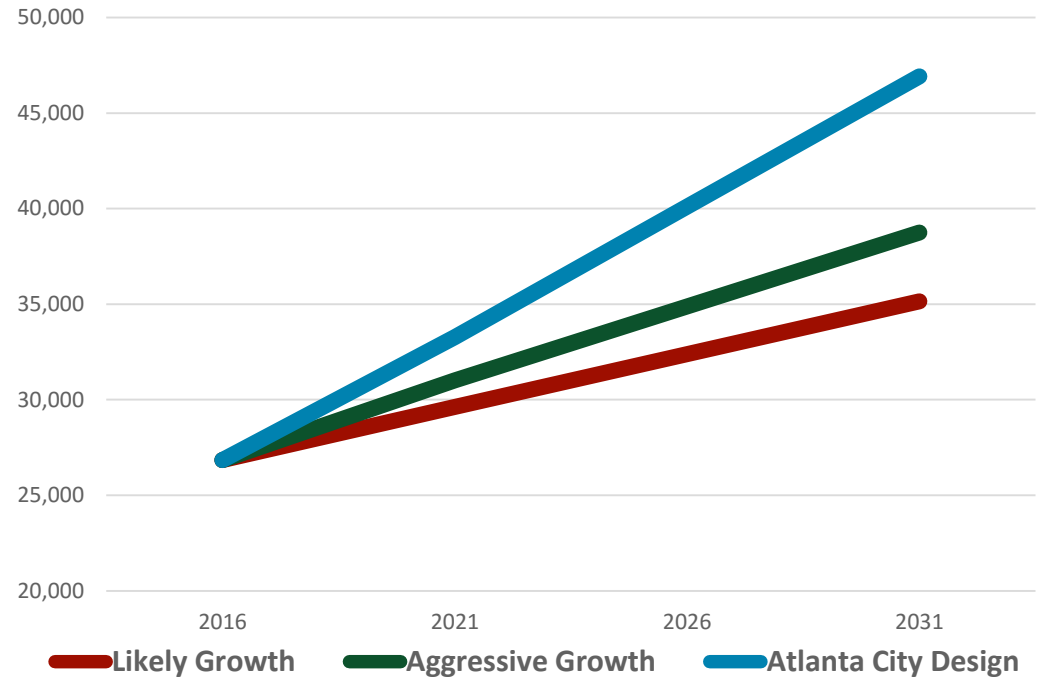
*Source: Bleakly Advisory Group based on data from Nielsen*



# POPULATION FORECAST

- The “Likely Growth” forecast for the Downtown Core calls for **growth of 8,300 residents by 2031**, based on historic Atlanta growth trends over the past 15 years documented in the US Census, future growth trends, and on planned/proposed residential unit additions.
- The “Aggressive Growth” forecast assumes Downtown captures a growing share of the Atlanta region’s growth through continuing improvement to the urban environment.
- Using the Atlanta Regional Commission’s (ARC) growth projections as a baseline, the Atlanta City Design Opportunity assumes that the city of Atlanta will grow to 1.3 million residents by 2050 and that Downtown will capture 1% of the population growth, as determined by Atlanta City Studio and Dr. Arthur C. Nelson.

Downtown Atlanta Population Forecast



Population Estimate / Forecast	2016	2021	2026	2031	Avg. Annual Growth	
Likely Growth	26,850	29,618	32,386	35,154	554	2.1%
Aggressive Growth	26,850	31,012	34,883	38,754	794	3.0%
Atlanta City Design Opportunity	26,850	33,276	40,095	46,914	1,338	5.0%

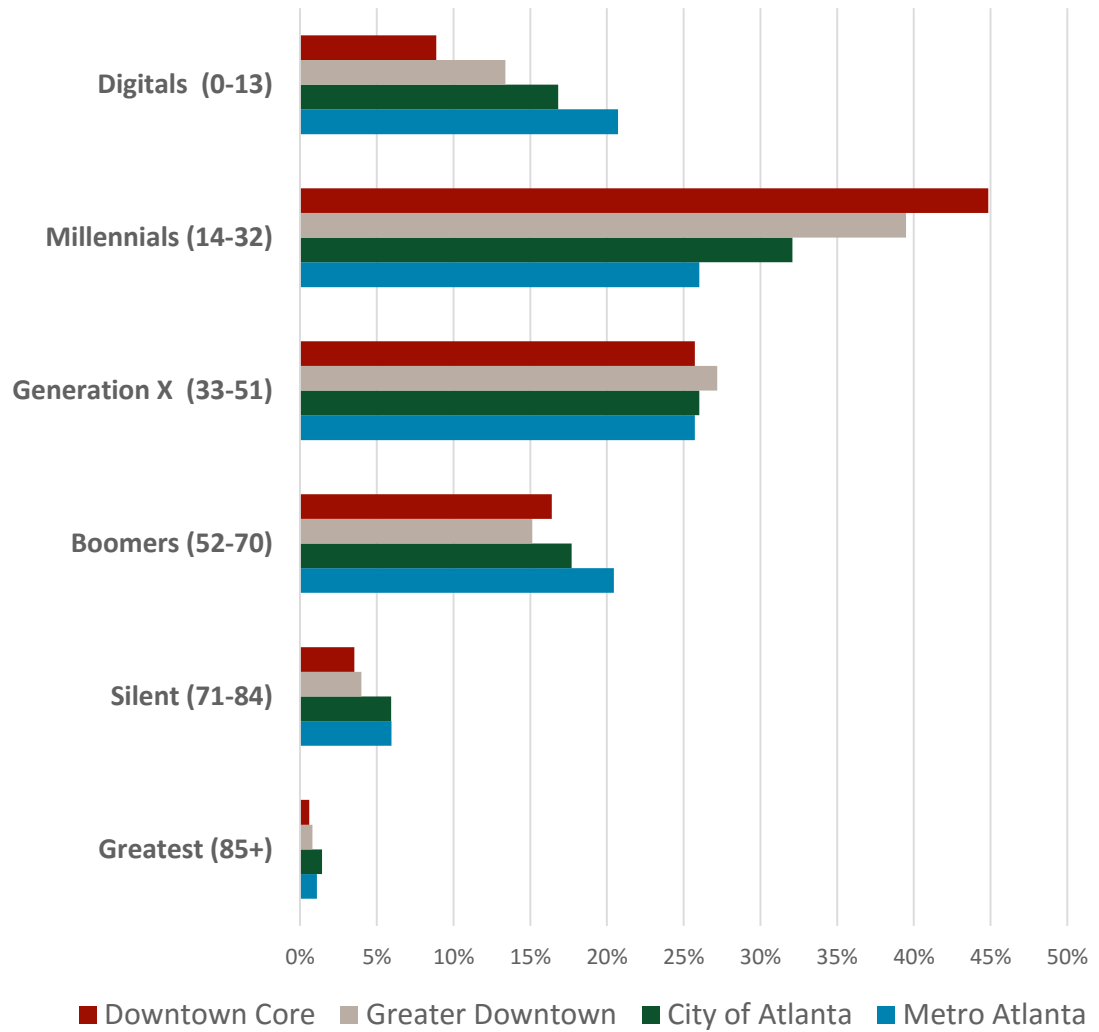
- The “Likely” and “Aggressive” forecasts were developed by Bleakly Advisory Group (BAG) using historic and expected demographic and economic trends in data from the Atlanta Regional Commission, the U.S. Census and Nielsen.

# HOUSEHOLD CHARACTERISTICS:

## AGE DISTRIBUTION

- Millennials (born 1984-2002, age 14-32) account for a dominant portion of the Downtown Core market (45%).
- These younger residents more often seek out authentically urban walkable locales for home and work.
- Downtown appears to offer a true urban lifestyle attractive to young urbanites.
- Greater Downtown, with more single-family housing options tends to attract an older populace with a greater share of children.

Households by Age, 2016

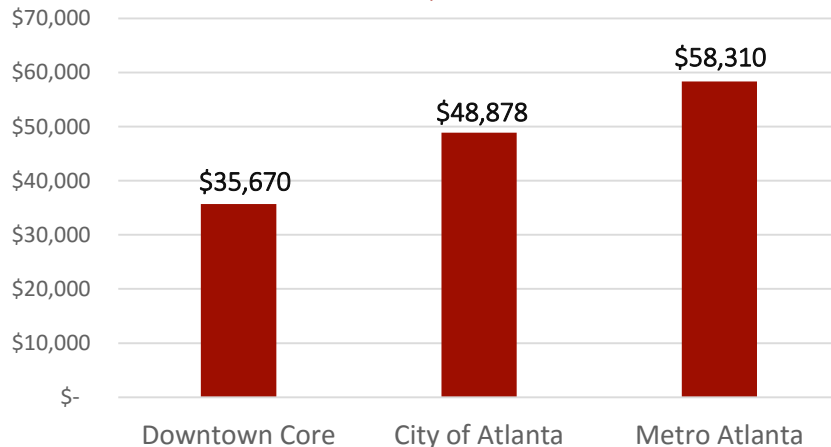


Source: Bleakly Advisory Group based on data from Nielsen

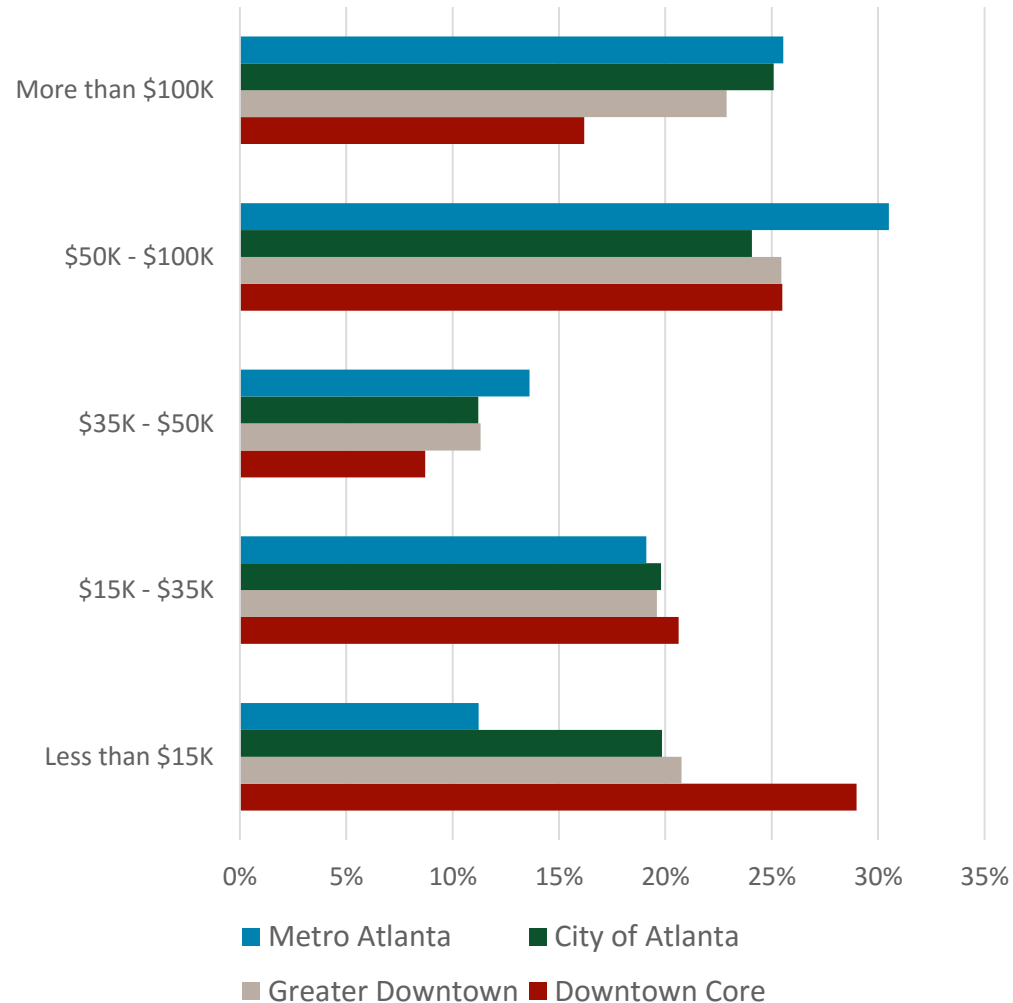
# HOUSEHOLD CHARACTERISTICS: INCOME

- On average, Downtown Core households tend to have lower incomes than the rest of the city.
  - Half of Downtown Core households earn less than \$35,000 annually compared to 40% in Greater Downtown, citywide and 30% in metro Atlanta.  
(Income figures do not include residents in group quarters).
- Downtown Core “dumbbell” income distribution
  - 50% earn less than \$35K
  - 41% earn more than \$50K

Est. Median Household Income, 2016



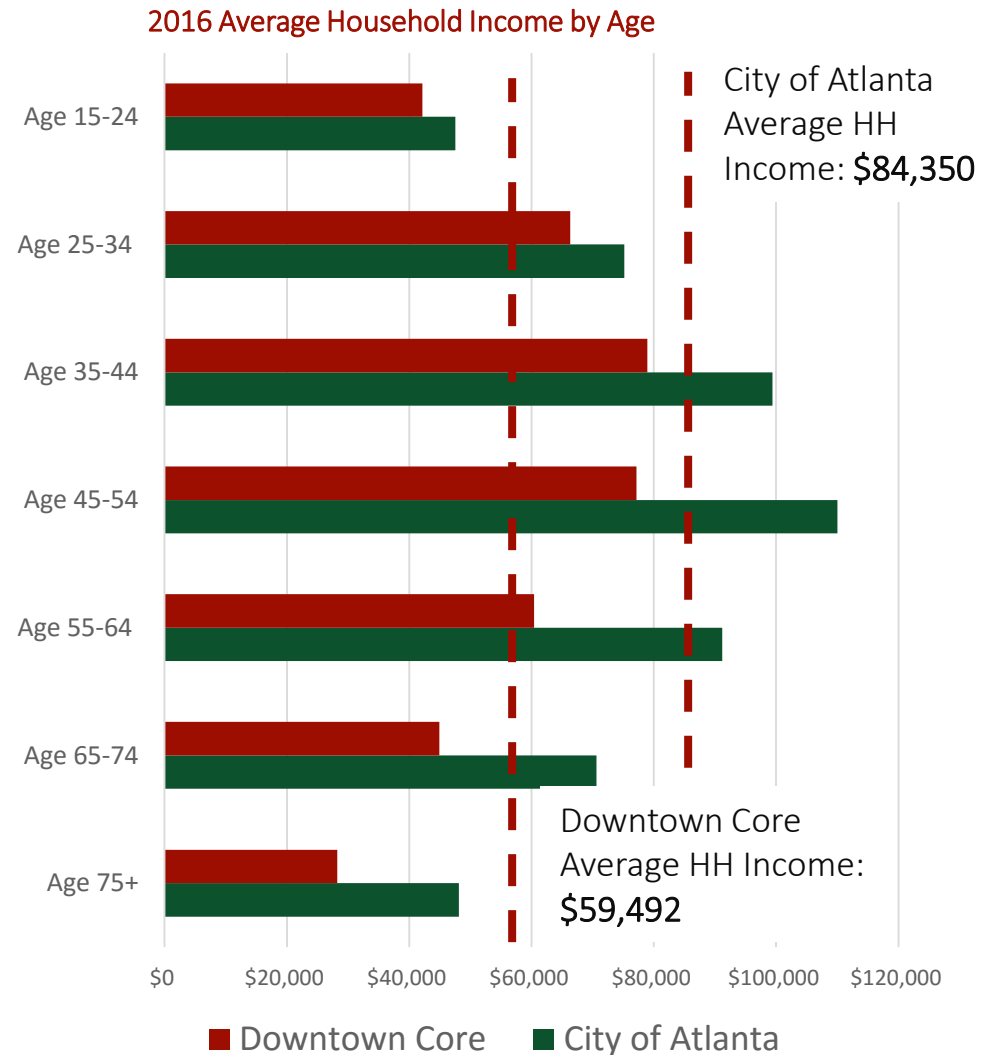
Households by Income, 2016



Source: Bleakly Advisory Group based on data from Nielsen

# HOUSEHOLD CHARACTERISTICS: AGE & INCOME

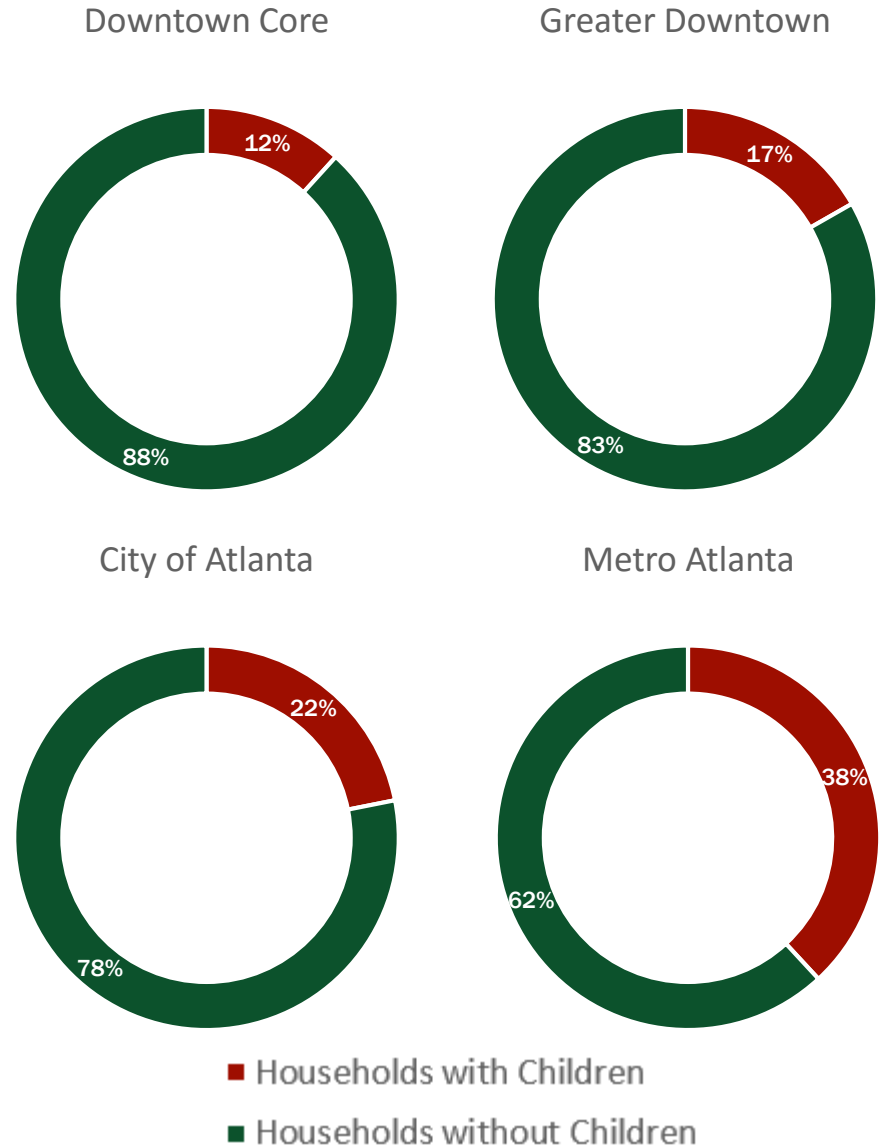
- Downtown is attracting Millennials and Gen Xers with higher than average incomes.
- Whereas households age 45-54 have the highest average household income in Atlanta, those age 35-44 in the Downtown Core are the cohort with the highest average incomes (\$78,921).



Based on data from ESRI, provided by Atlanta Regional Commission & Nielsen

# HOUSEHOLD CHARACTERISTICS: PRESENCE OF CHILDREN

- Approximately one in eight households in the Downtown Core have children present, according to Nielsen.
- Households in the city of Atlanta overall are nearly twice as likely to have children as households in the Downtown Core.
- The absence of large numbers of children in Downtown Core households is likely a function of its higher-density housing options and strong appeal to Millennials, who are typically late to form family households.



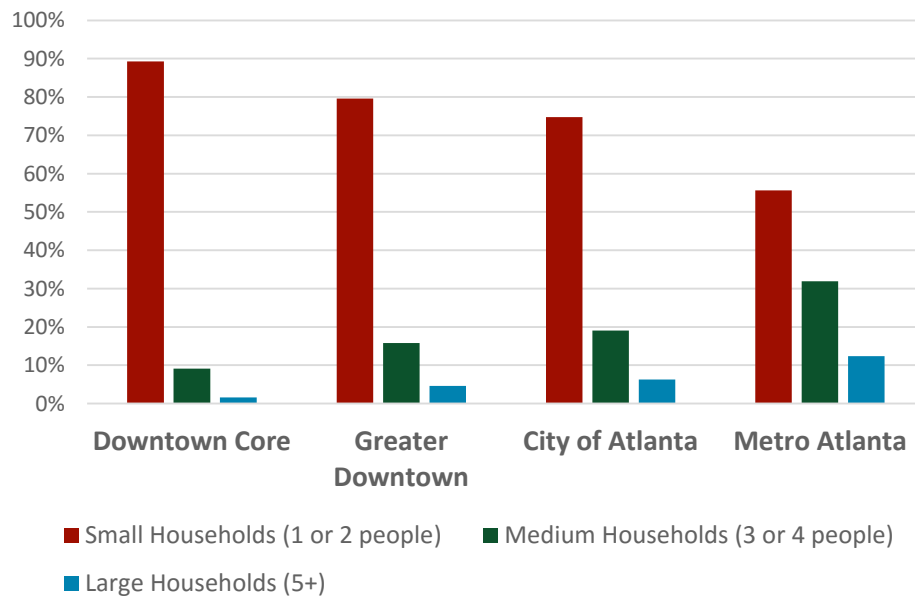
Source: Bleakly Advisory Group based on data from Nielsen



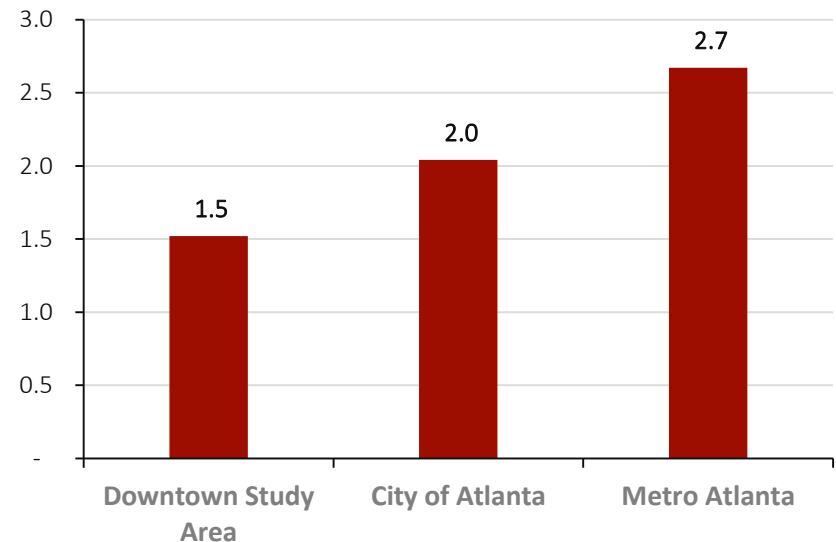
# HOUSEHOLD CHARACTERISTICS: SIZE

- Households in the Downtown Core tend to be small, one or two person households.
  - Small households account for 89% of the core compared to 80% of the Greater Downtown area.
- This difference in the proportion of small households is also seen in the Downtown Core's significantly lower average household size of 1.5 persons per household compared to 2.0 citywide and 2.7 throughout the metro.

Households by Size, 2016



Average Household Size, 2016

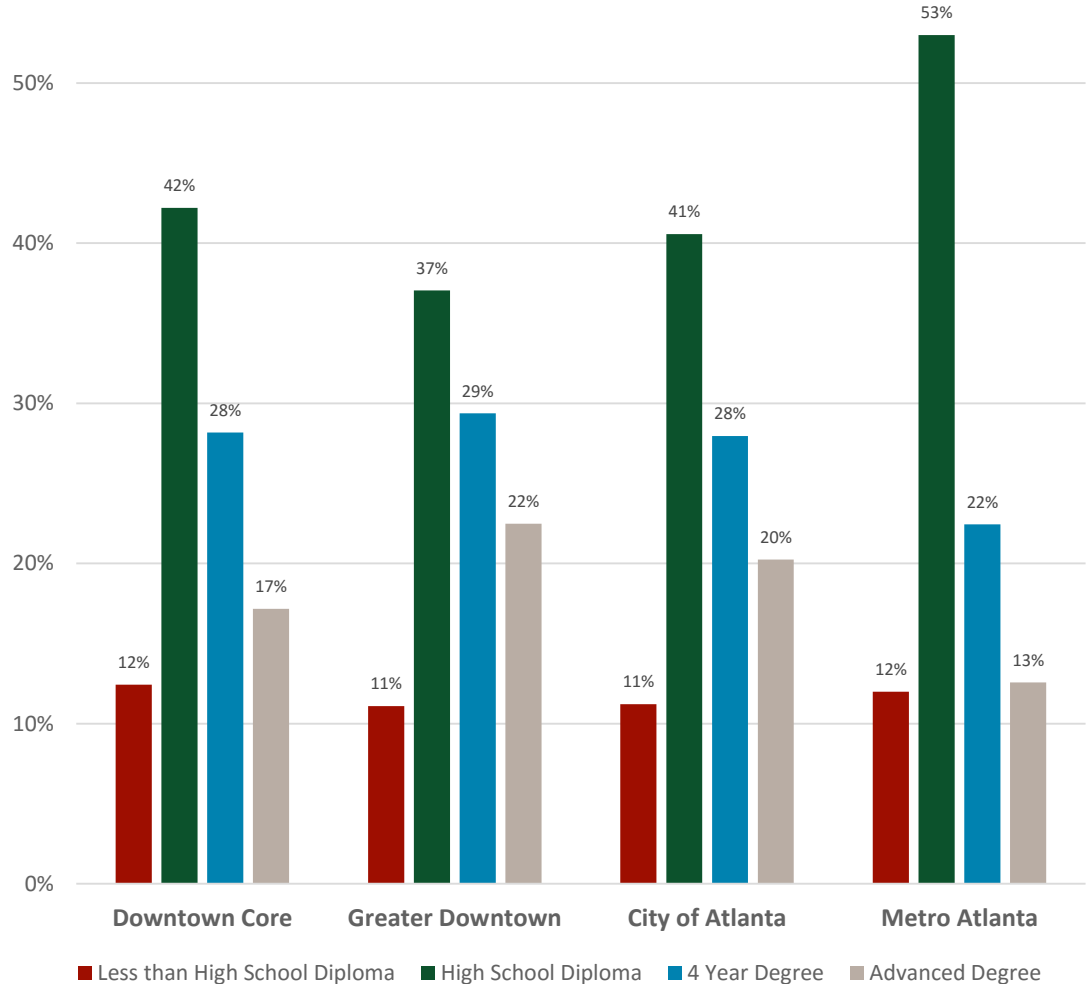


Source: Bleakly Advisory Group based on data from Nielsen

# POPULATION AND HOUSEHOLDS: EDUCATIONAL ATTAINMENT

- Whereas in the city of Atlanta as a whole 48% of the population has a college degree or higher educational attainment, in the Downtown Core 45% have a college degree or higher. Over half (51%) of Greater Downtown residents have a college degree or higher.
- The higher earning power of a college degree correlates to higher incomes in the overall metro area.

2016 Educational Attainment

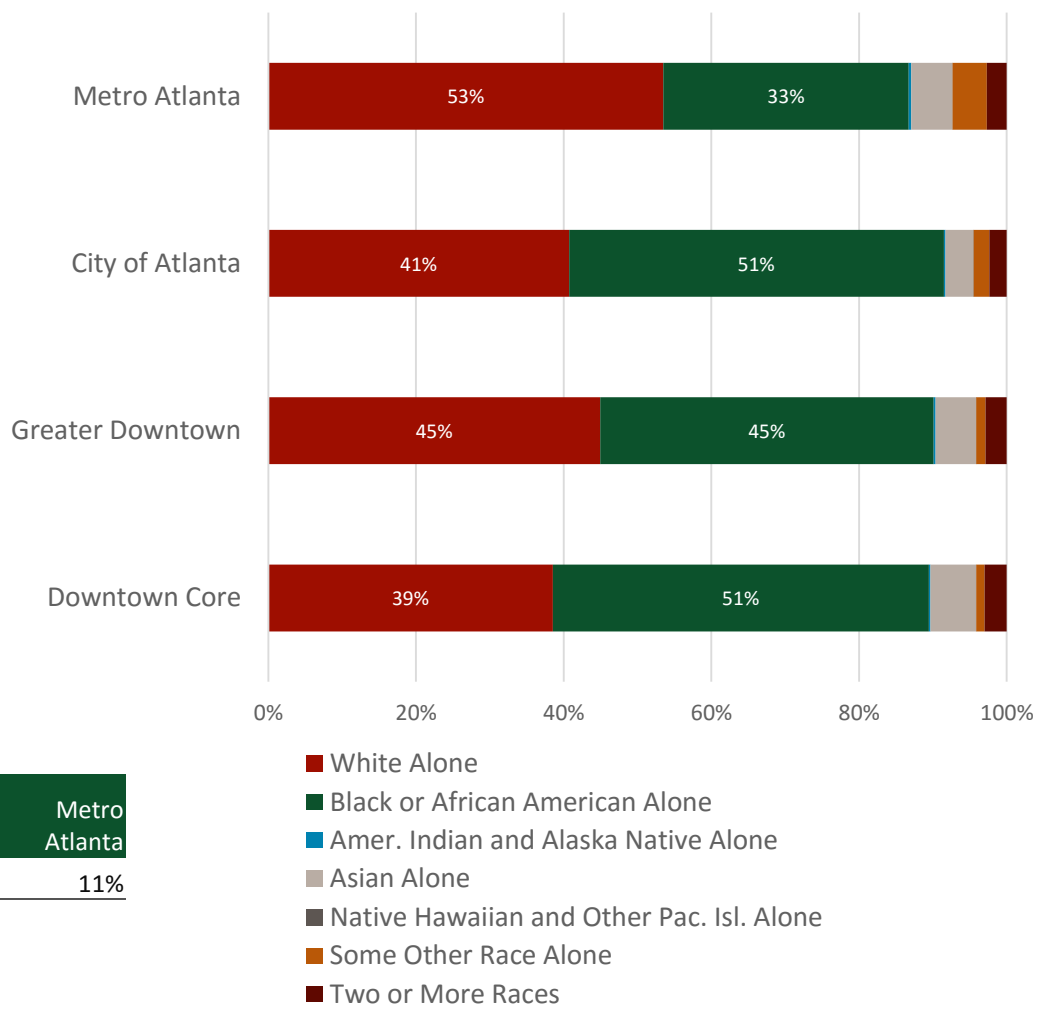


Source: Bleakly Advisory Group  
based on data from Nielsen

# POPULATION AND HOUSEHOLDS: RACE AND ETHNICITY

- 39% of Downtown Core residents classify as “white alone” compared to 41% of Atlanta residents overall.
- Downtown has a similar distribution of Hispanic/Latino residents as the city of Atlanta overall.

2016 Est. Population by Single-Classification Race



2016 Est. Pop. By Single Race Class	Downtown Core	Greater Downtown	City of Atlanta	Metro Atlanta
Hispanic or Latino:	4%	4%	5%	11%

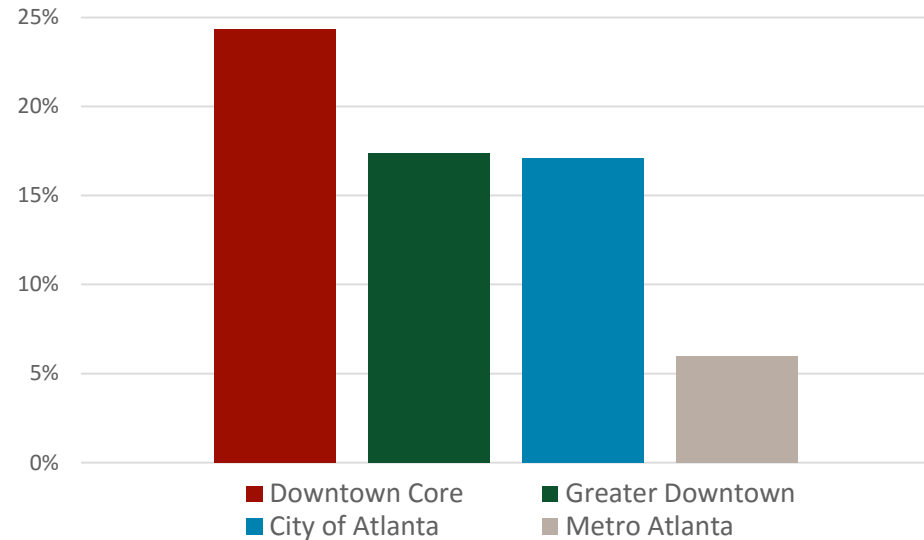
Source: Bleakly Advisory Group based on data from Nielsen

# DOWNTOWN POPULATION: COMMUTING

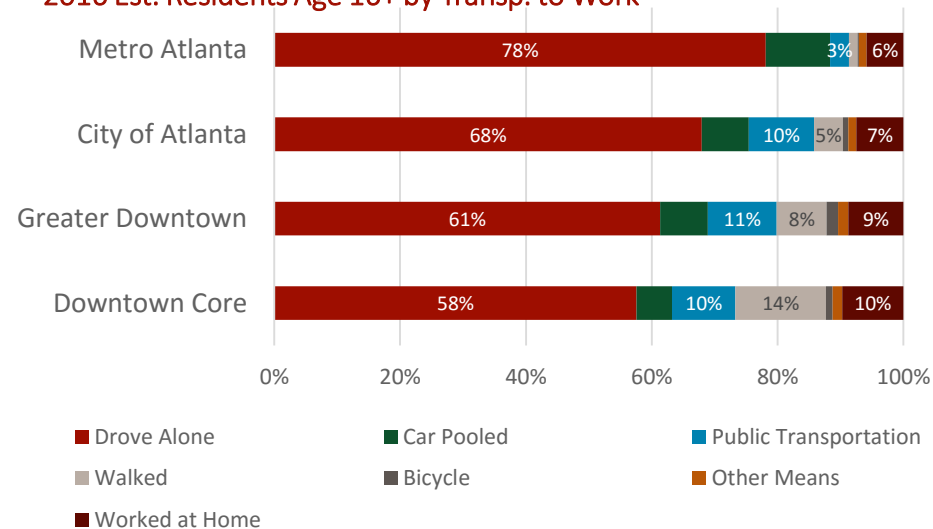
- Downtown residents have urban commuting patterns.
  - While the majority of all Atlantans drive alone to work, Downtown residents are less likely to do so than those in the other sections of the city.
- Nearly one-quarter (24%) of Downtown Core residents walk or take public transit to work.



2016 Est. Share of Households: Do Not Own a Vehicle



2016 Est. Residents Age 16+ by Transp. to Work



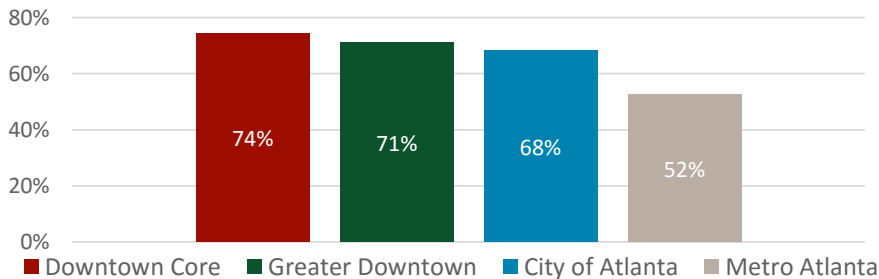
Source: Bleakly Advisory Group based on data from Nielsen

# DOWNTOWN POPULATION: COMMUTING

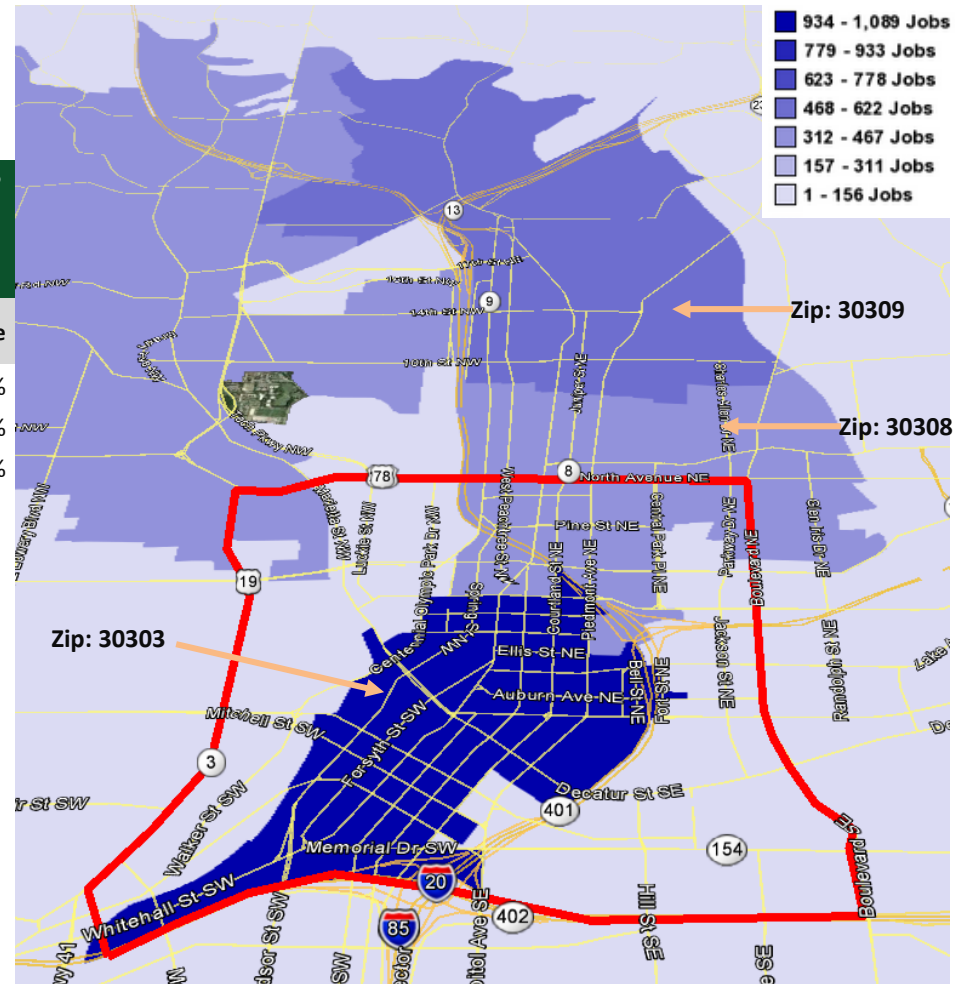
- Downtown Core residents' ability to commute by non-automotive modes (bike, walk or transit) contributes to overall shorter commutes afforded by the location.

Zip Code	Count	Share
30303	1,089	12%
30309	501	6%
30308	414	5%

Residents Commute Less than 30 Minutes



ZIP Code Density: Downtown Core Residents Employment Location



Source: Bleakly Advisory Group based on data from US Census as of 2014



# DOWNTOWN ATLANTA INCOMES & SPENDING

## ■ Downtown Core Median Household Income:

**\$35,670**

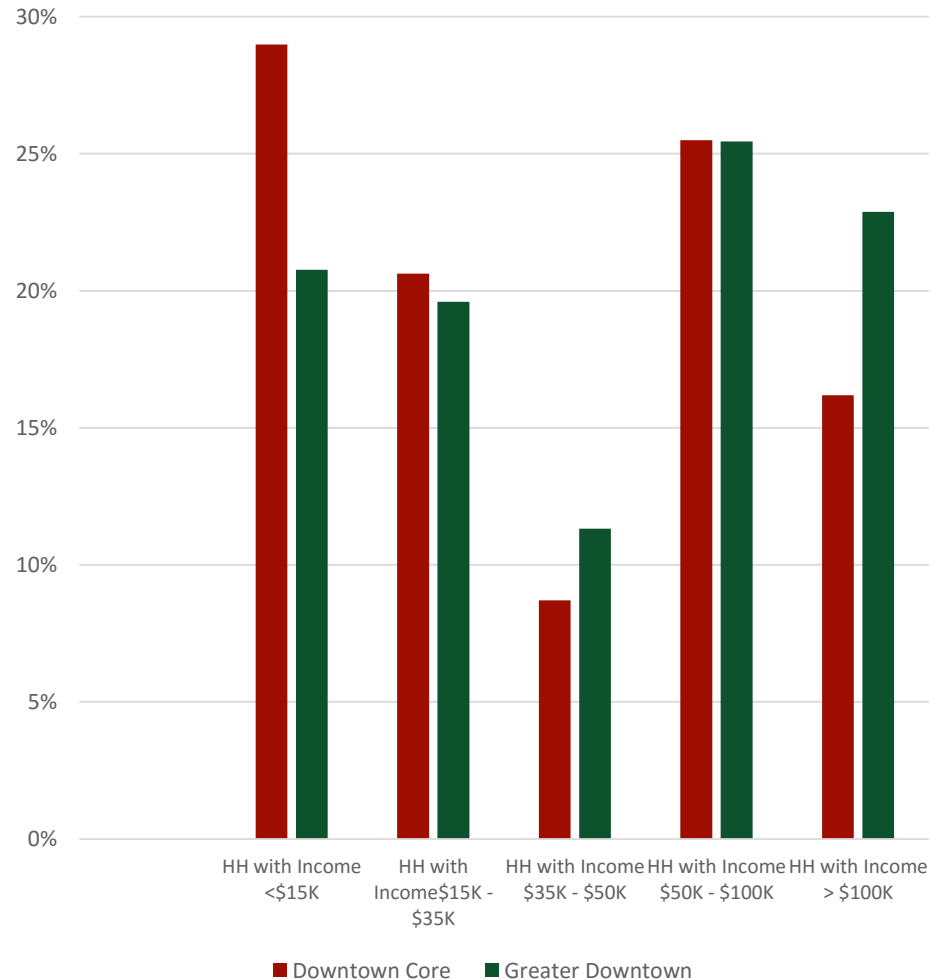
- 81% of the city average
- 40% of Downtown residents do not participate in the labor force, including many students.

Nearly 5,000 households, 42% of the total, have incomes of \$50,000 and greater, a key target demographic.

Downtown has an estimated 5,000 students living in dorms who, combined, average **\$38 million in annual discretionary spending** (\$7,500/student).

Downtown residents spend **\$516 million in annual retail purchases** (Enough to support 2 million SF of retail space – or approximately 14 big box stores).

Households by Income, 2016

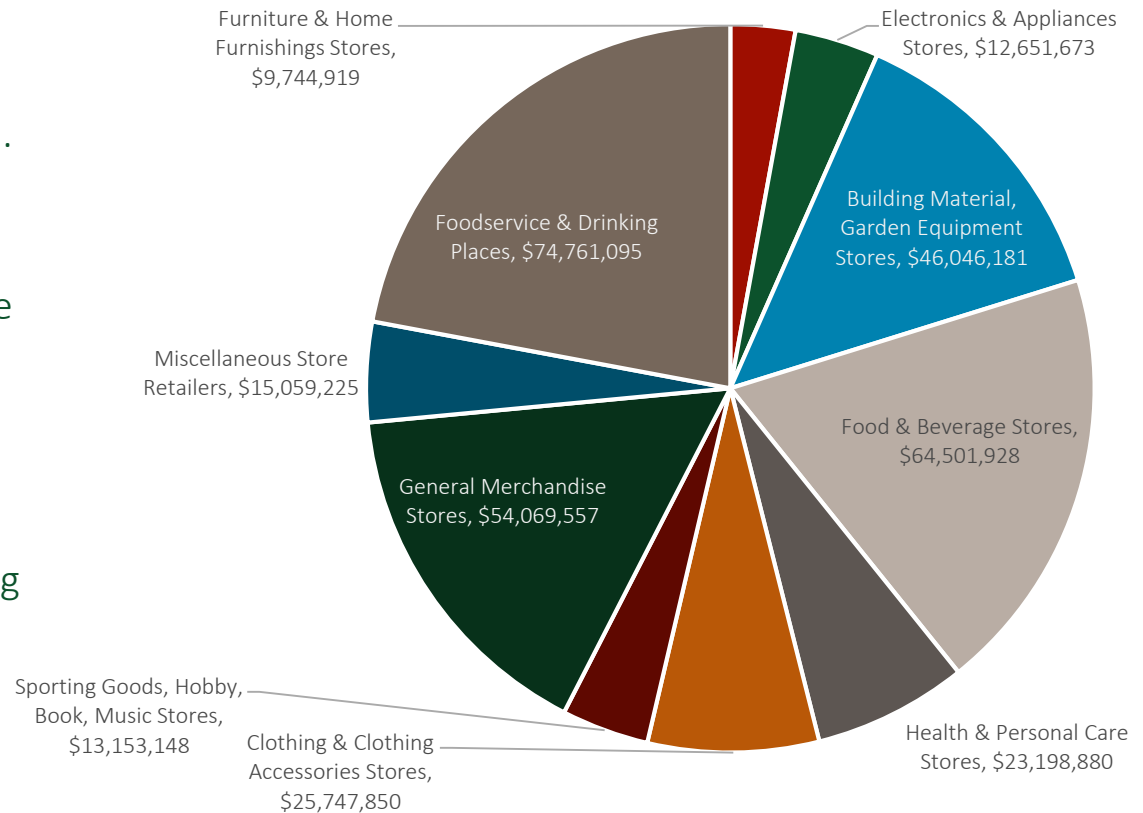


*Based on data from Nielsen Inc. 2016, US Census, Refuel Agency*

# DOWNTOWN POPULATION: RETAIL SPENDING

- 23% of Downtown resident spending occurs in restaurants and bars (food service and drinking places), the most of any non-automotive store type.
- 19% of Downtown resident spending occurs in grocery stores (food and beverage), the second most of any non-automotive store type.
- Downtown resident spending data shown at right includes expenditures by residents living in local households, i.e., excludes spending by those living in on-campus dorms and other group quarters.

Est. Annual Spending by Non-Automotive Store Type, Downtown Core Residents

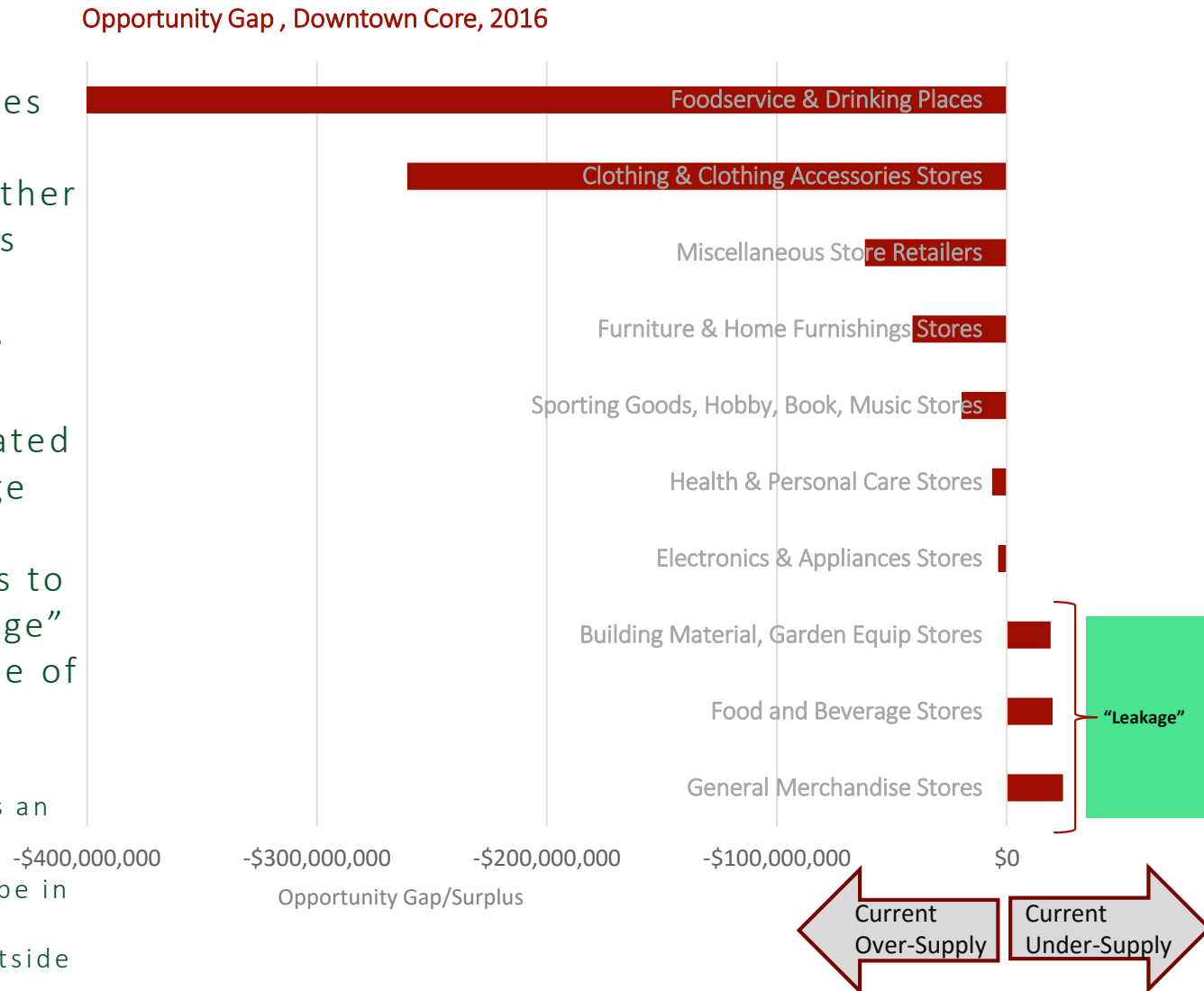


Includes resident spending outside of Downtown.

Source: Bleakly Advisory Group based on data from Nielsen, Inc.

# DOWNTOWN POPULATION: RETAIL OPPORTUNITY GAP

- Downtown restaurants (foodservice & drinking places) and clothing stores are largely supported by spending from sources other than Downtown residents (such as employees, tourists, conventioners, etc.).
- The lack of centrally-located quality food and beverage (grocery) and general merchandise stores leads to resident spending “leakage” to other locations outside of the Downtown Core.
- The difference between retail demand and supply represents an opportunity gap.
- The positive values by store type in the area signifies “leakage” of retail spending to locations outside of the local market area.

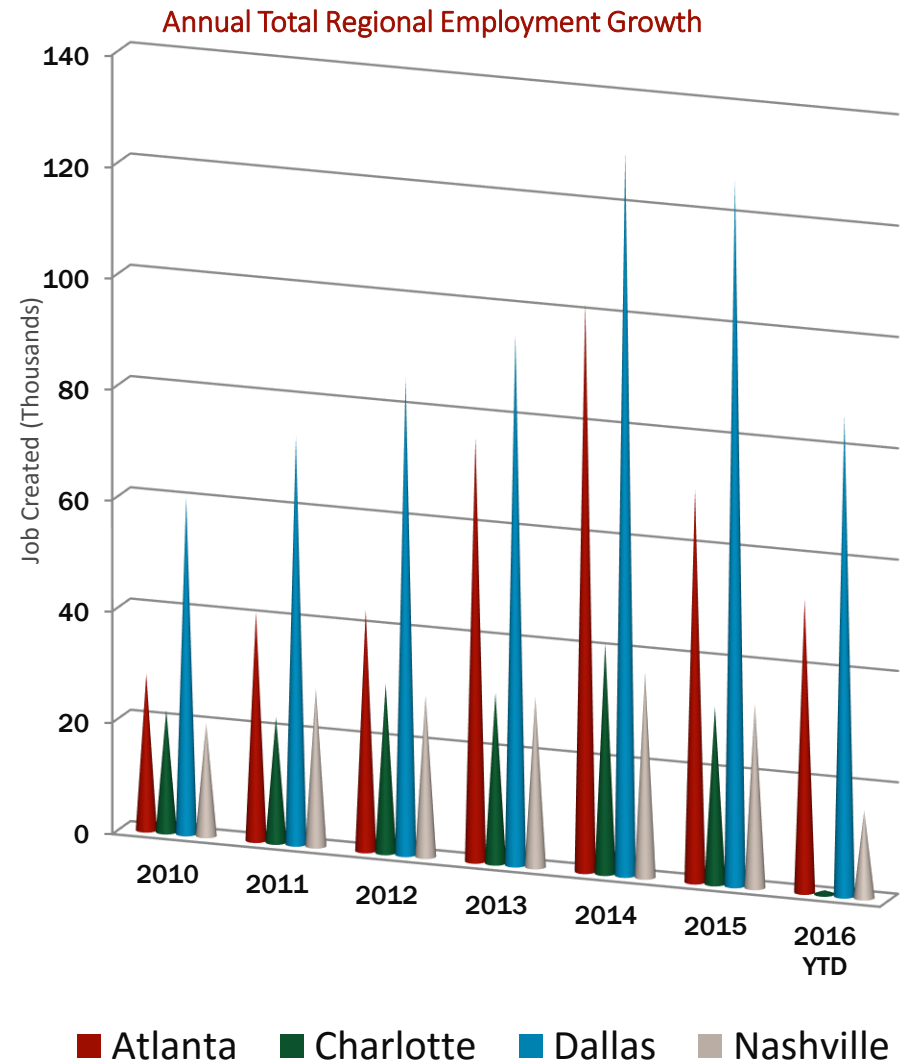


Source: Bleakly Advisory Group based on data from Nielsen, Inc.

# Economic Assessment

# REGIONAL EMPLOYMENT ASSESSMENT


- Since 2010 the Atlanta region has created a total of over 413,000 jobs.
- While this total is somewhat less than the 658,000 created in Dallas over the same period, it is far greater than the amount of jobs created in regionally competitive metro areas of Charlotte (179,000) and Nashville (193,000).
- Total Employees:
  - Atlanta: 2.7 million
  - Charlotte: 1.1 million
  - Dallas: 3.5 million
  - Nashville: 945,000



Based on data from BLS

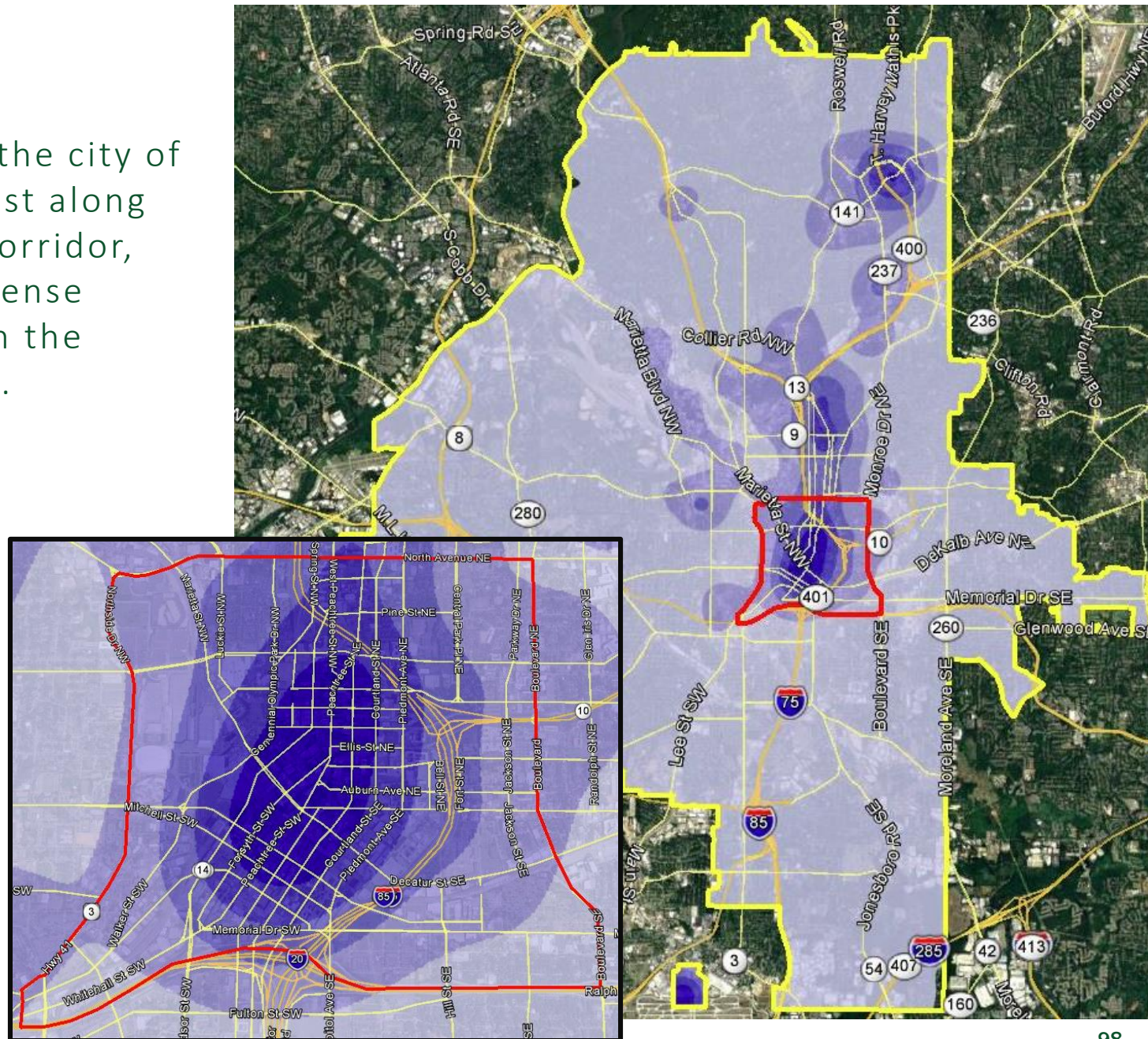


# EMPLOYMENT

- Employment in the city of Atlanta is densest along the Peachtree corridor, with the most dense concentration in the Downtown Core.
  - The jobs in the Downtown Core are 28% of the city's total jobs, the greatest concentration of employment in the Atlanta region.
- 

*Based on data from U.S. Census*

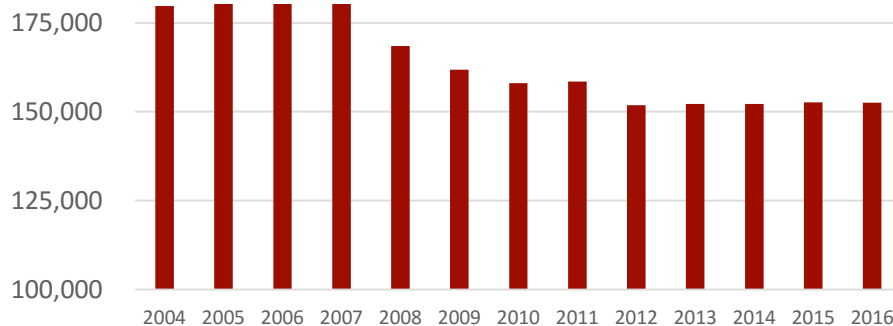
## City of Atlanta Employment Density



# EMPLOYMENT IN DOWNTOWN ATLANTA

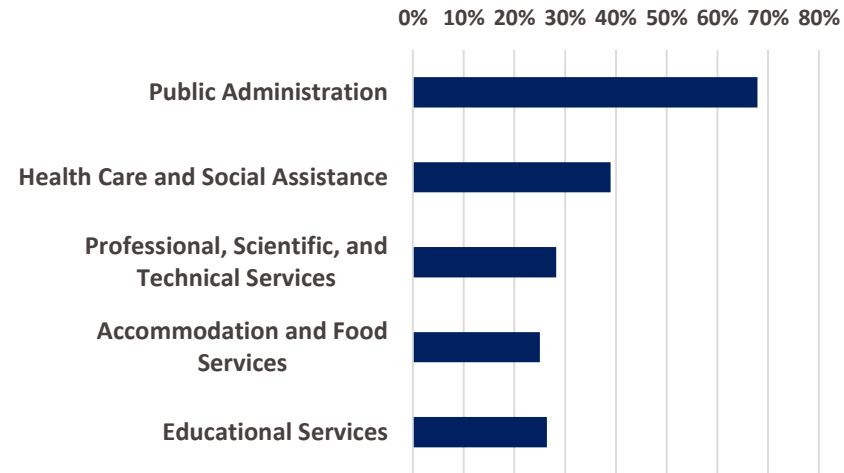
- Downtown Atlanta is the region's top employment district in terms of total jobs
- Downtown Atlanta is home to 154,767 jobs\*
- The number of jobs Downtown declined from 179,750 in 2004
  - Approximately half of these job loses occurred in the Public Administration/Government sector
- 28% of all jobs in the city of Atlanta are Downtown
- 60% of Downtown jobs pay more than \$40,000/yr
- Downtown has 9.8 jobs for every household
- Nearly ¼ of Downtown jobs are in Public Administration/Government

Downtown Atlanta Jobs 2004-2016\*

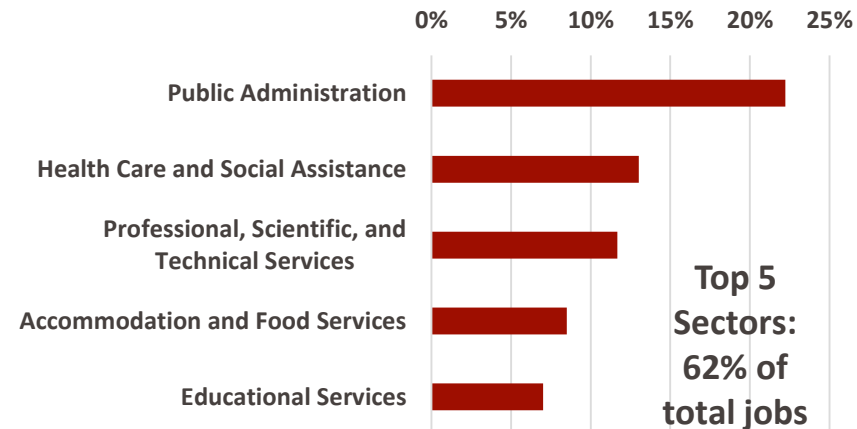


\* Estimate based on Atlanta Regional Commission and US Census data

Share of Atlanta's jobs that are located Downtown



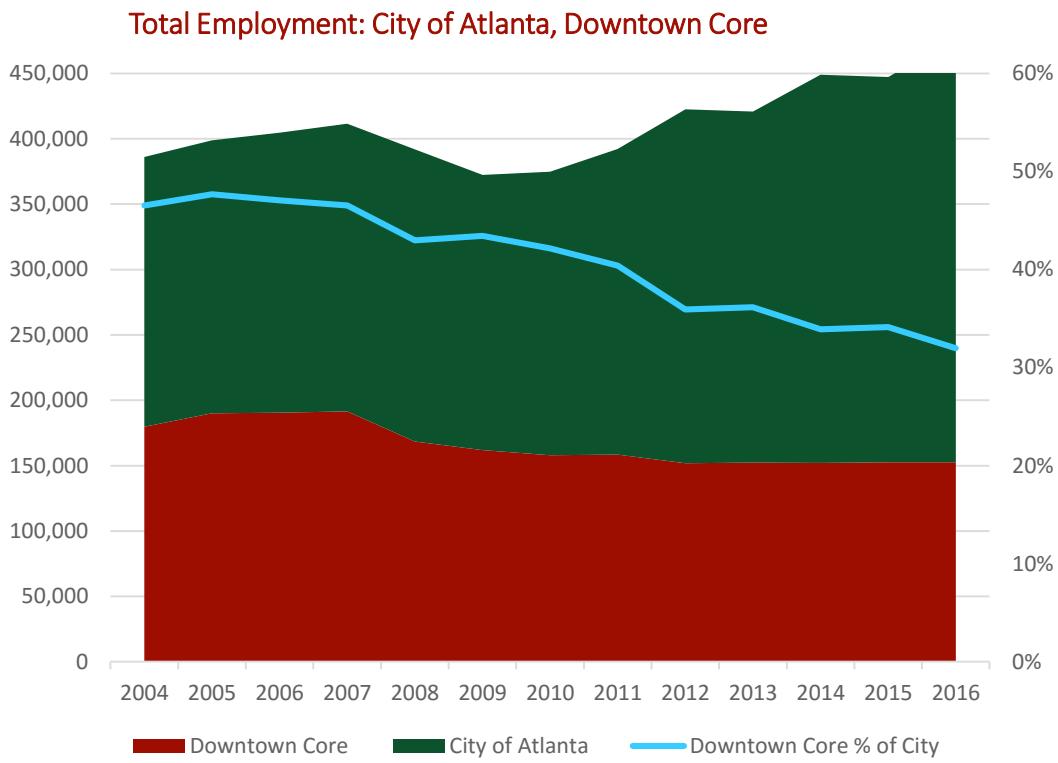
Top 5 Downtown Job Sectors



Based on US Census data

# EMPLOYMENT ASSESSMENT

- The share of the city's total employment in Downtown Atlanta has decreased over the past decade.
- The largest percentage decreases have been in the Transportation, Public Administration and Information sectors.



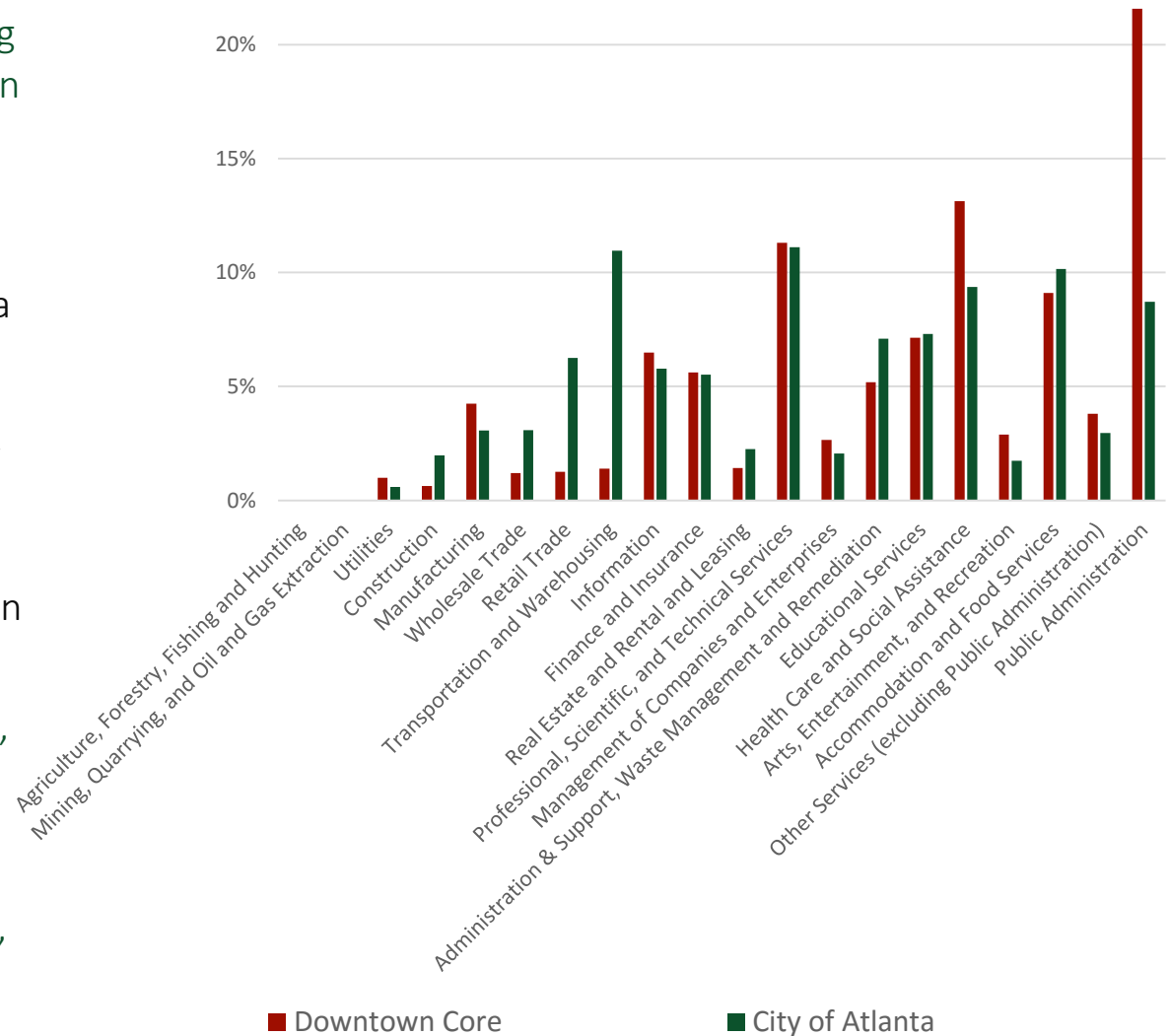
Downtown Core Employment	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
% of City	47%	48%	47%	47%	43%	43%	42%	40%	36%	36%	34%	34%	32%

Source: Bleakly Advisory Group estimates for the Downtown Core, as defined in this report, based on data from US Census and ARC

# DOWNTOWN CORE EMPLOYMENT ASSESSMENT

- While the Downtown Core's employment is diverse among sectors, Public Administration (22%) is the largest sector, followed by Health Care and Social Assistance (13%).
  - Downtown's dominance as a location for Public Admin. employment is clear. While that sector makes up nearly one in four Downtown Core jobs, Public Admin. jobs are fewer than one in ten jobs in the city overall.
- The high-paying Professional, Scientific, and Technical Services sector is the third largest employment sector (11%) in the Downtown Core, a similar share to the city overall.

Employment by Sector, Downtown Core and City of Atlanta



Based on data from US Census as of 2014



# DOWNTOWN CORE EMPLOYMENT ASSESSMENT

## Top Ten Non-Government Employers, Downtown Atlanta, 2014

- Downtown Atlanta is home to some of the region's top employers, including Fortune 100 companies, hospitals and important national and international media organizations.

Employer	Address	Number of Downtown Employees
Coca-Cola Co.	1 Coca Cola Plz NW	5,000
Grady Health System/Memorial Hospital	80 Jesse Hill Jr Dr SE	3,600
Georgia State University	33 Gilmer St SE	3,500
Turner Broadcasting System Inc.	1 Cnn Ctr NW	3,000
Emory University Hospital Midtown	550 Peachtree St NE	2,672
Georgia-Pacific	133 Peachtree St NE	2,500
Deloitte	191 Peachtree St NE	2,200
Georgia Power	241 Ralph McGill Blvd	2,000
Atlanta Medical Center	303 Parkway	1,400
CNN News Group	1 Cnn Ctr NW	1,200

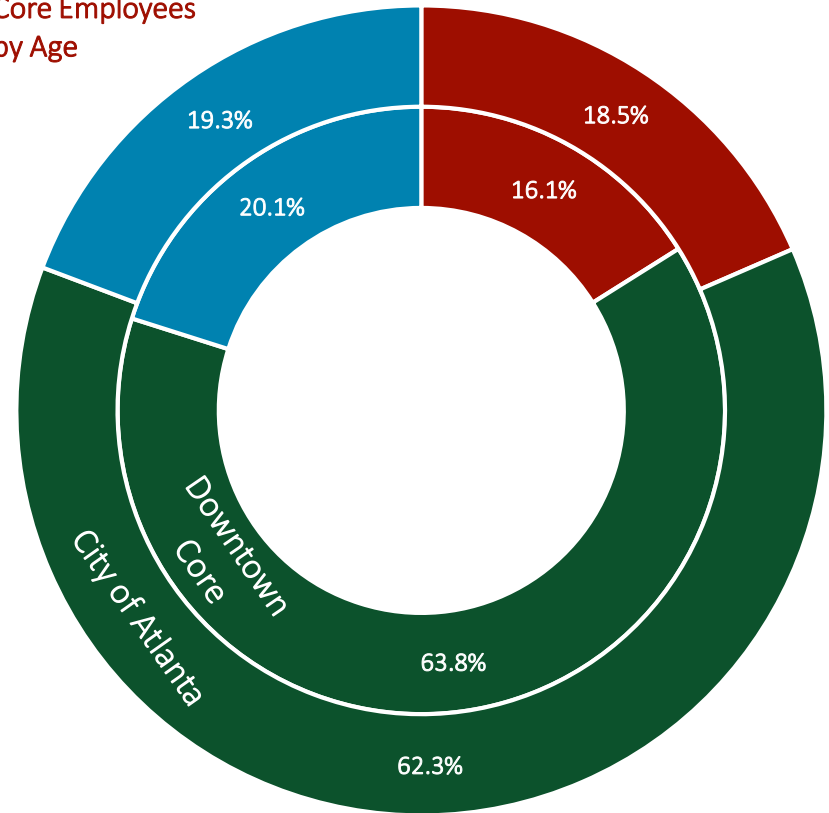


Source: Central Atlanta Progress

# DOWNTOWN EMPLOYEES: JOBS BY WORKER AGE

- Similar to the city overall, nearly two-thirds (64%) of Downtown workers are age 30-54.
  - Workers in this age cohort tend to be in their prime wage-earning years and help to support the retail environment Downtown with purchases before, during and after their work day.
- Typically, the most common jobs for workers under the age of 30 are largely concentrated in lower-wage occupations. 20% of employees Downtown are under 30.

Downtown  
Core Employees  
by Age



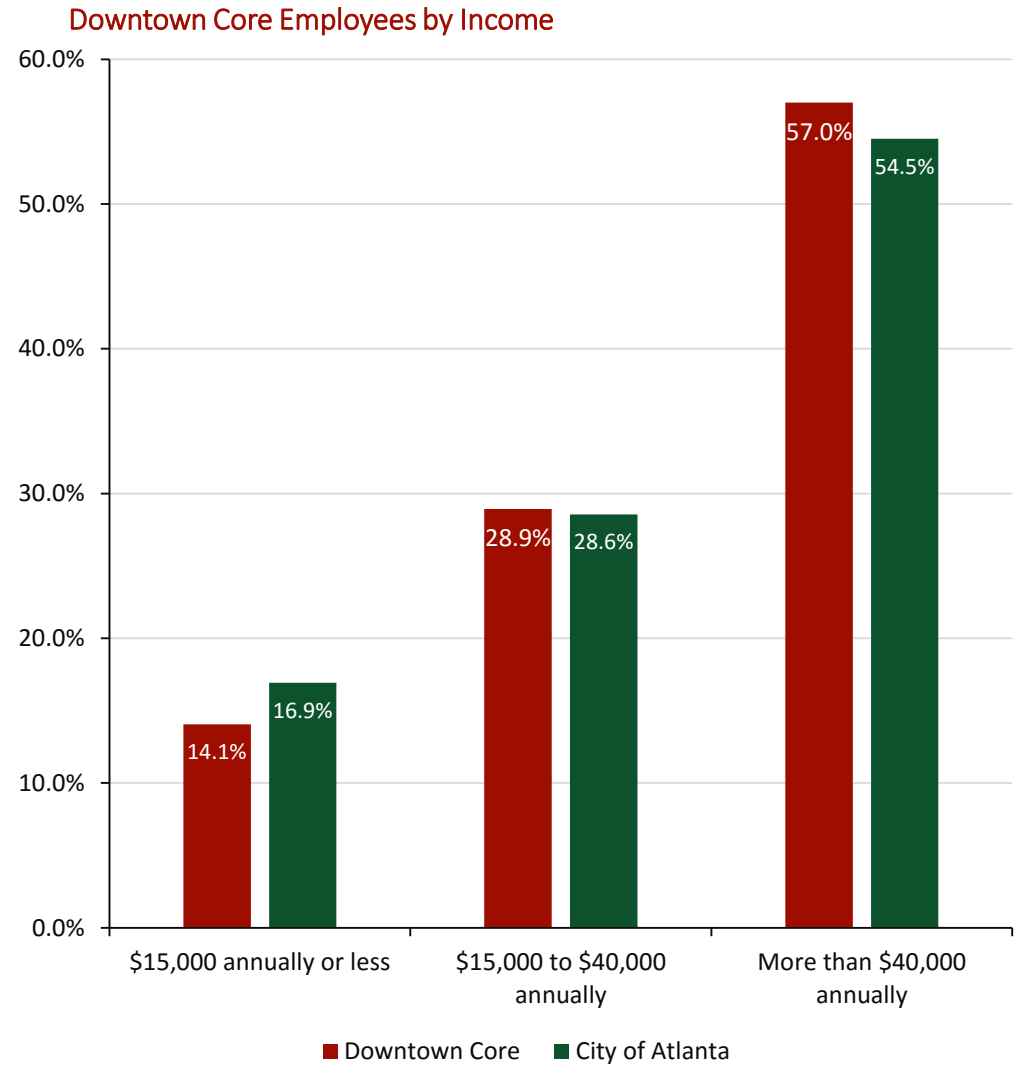
■ Age 29 or younger ■ Age 30 to 54 ■ Age 55 or older

Source: Bleakly Advisory Group based on data from U.S. Census as of 2014



# DOWNTOWN EMPLOYEES: JOBS BY EARNINGS

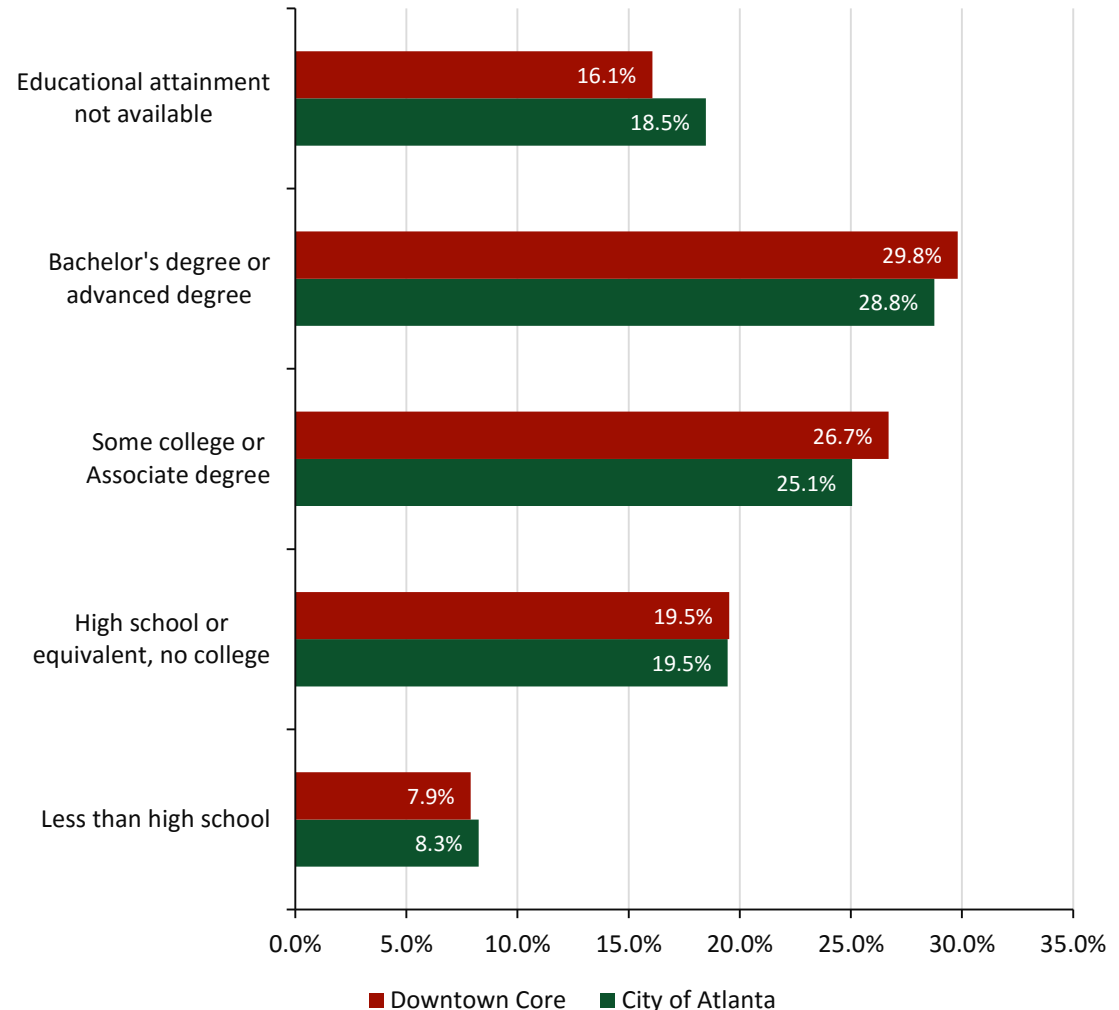
- Over half (57%) of all employees within the Downtown Core earn more than \$40,000 annually, which is slightly higher than in the city overall.



Source: Bleakly Advisory Group based on data from U.S. Census as of 2014

# DOWNTOWN EMPLOYEES: JOBS BY EDUCATIONAL ATTAINMENT

- Nearly a third (30%) of the employees that work in the Downtown Core hold a bachelor's or advanced degree. These workers typically earn a higher income than those without a degree.
- Coupled with those workers that attended some college, over half of all Downtown Core workers have attained an education beyond high school.

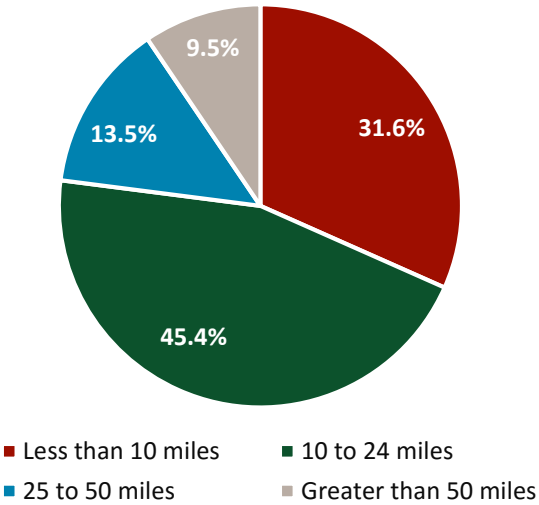


Source: Bleakly Advisory Group based on data from U.S. Census as of 2014

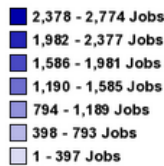
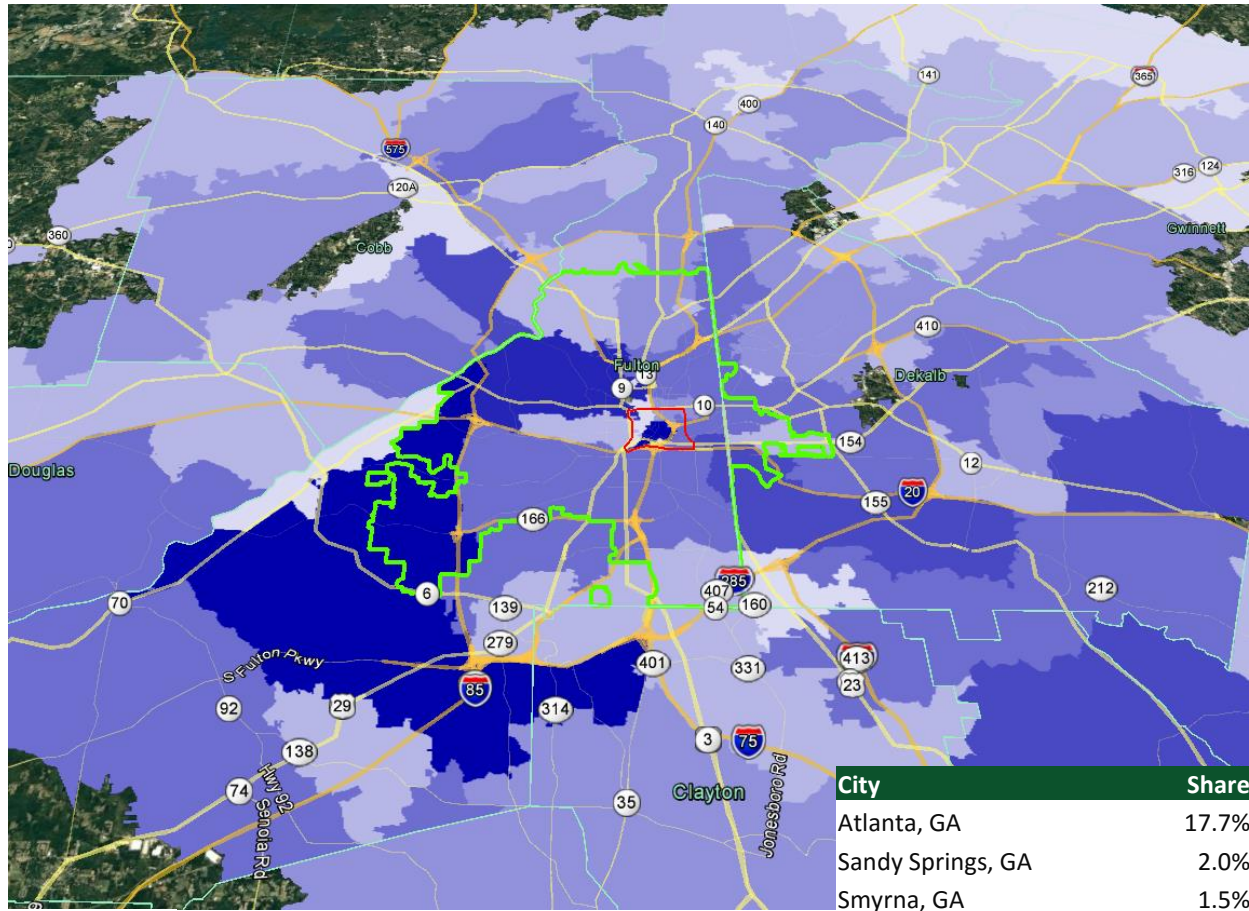
# DOWNTOWN EMPLOYEES: COMMUTING

- The highest concentration of Downtown Core employees live west of Downtown in the zip codes adjacent to I-285.

Distance Traveled Home From Work



ZIP Code Density: Downtown Core Employees Home Location



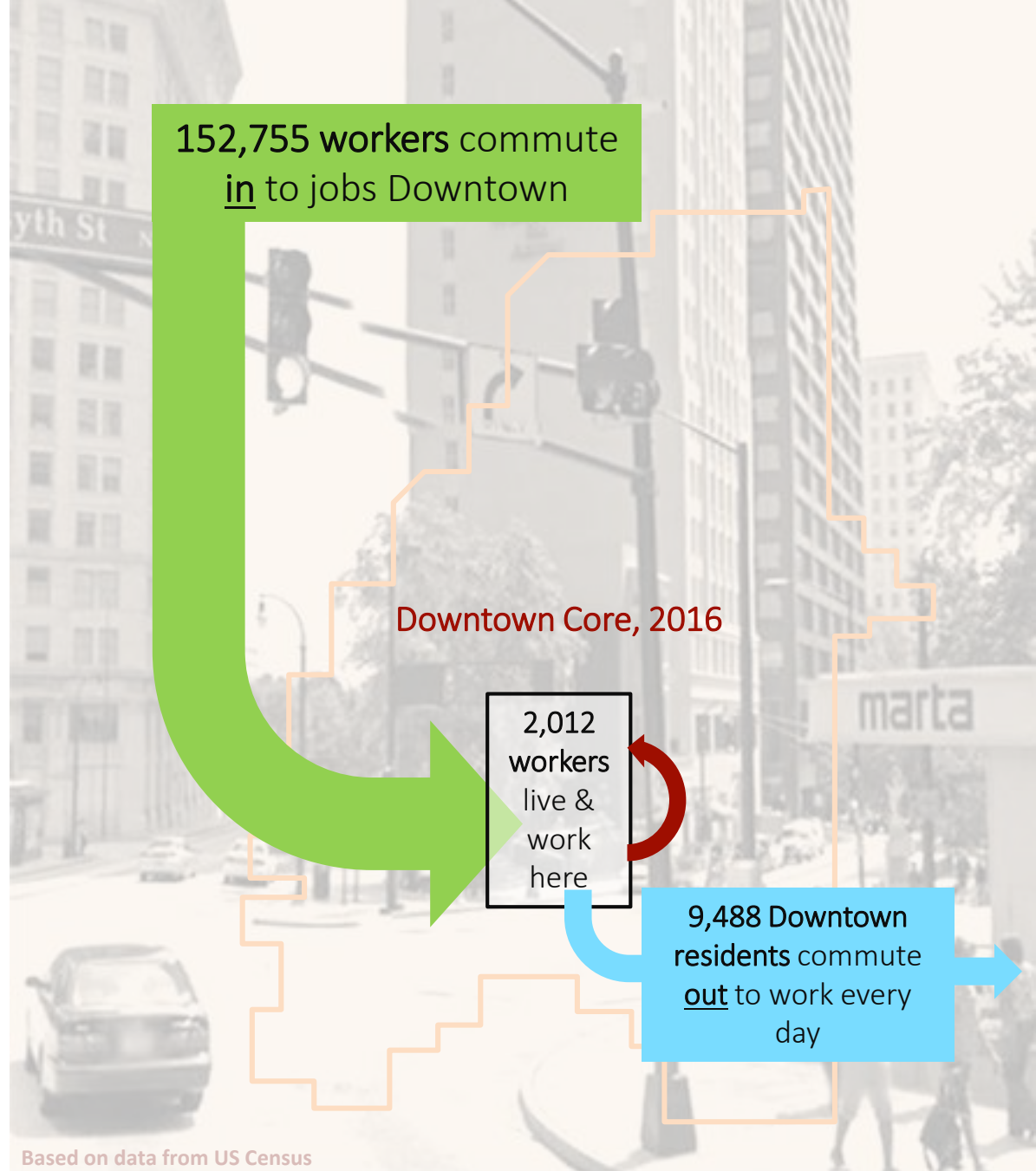
Top 10 Locations: Cities Workers Live

City	Share
Atlanta, GA	17.7%
Sandy Springs, GA	2.0%
Smyrna, GA	1.5%
Brookhaven, GA	1.3%
Roswell, GA	1.2%
East Point, GA	1.1%
Dunwoody, GA	1.0%
Mableton, GA	1.0%
Johns Creek, GA	1.0%
Decatur, GA	0.9%

Source: Bleakly Advisory Group based on data from U.S. Census as of 2014

# DOWNTOWN EMPLOYEES

- 99% of Downtown Atlanta workers commute in and represent a strong potential market for future downtown housing. If offered a compelling residential option, these workers may seek to live closer to work.
- Only 1.3% of Downtown employees live and work Downtown.

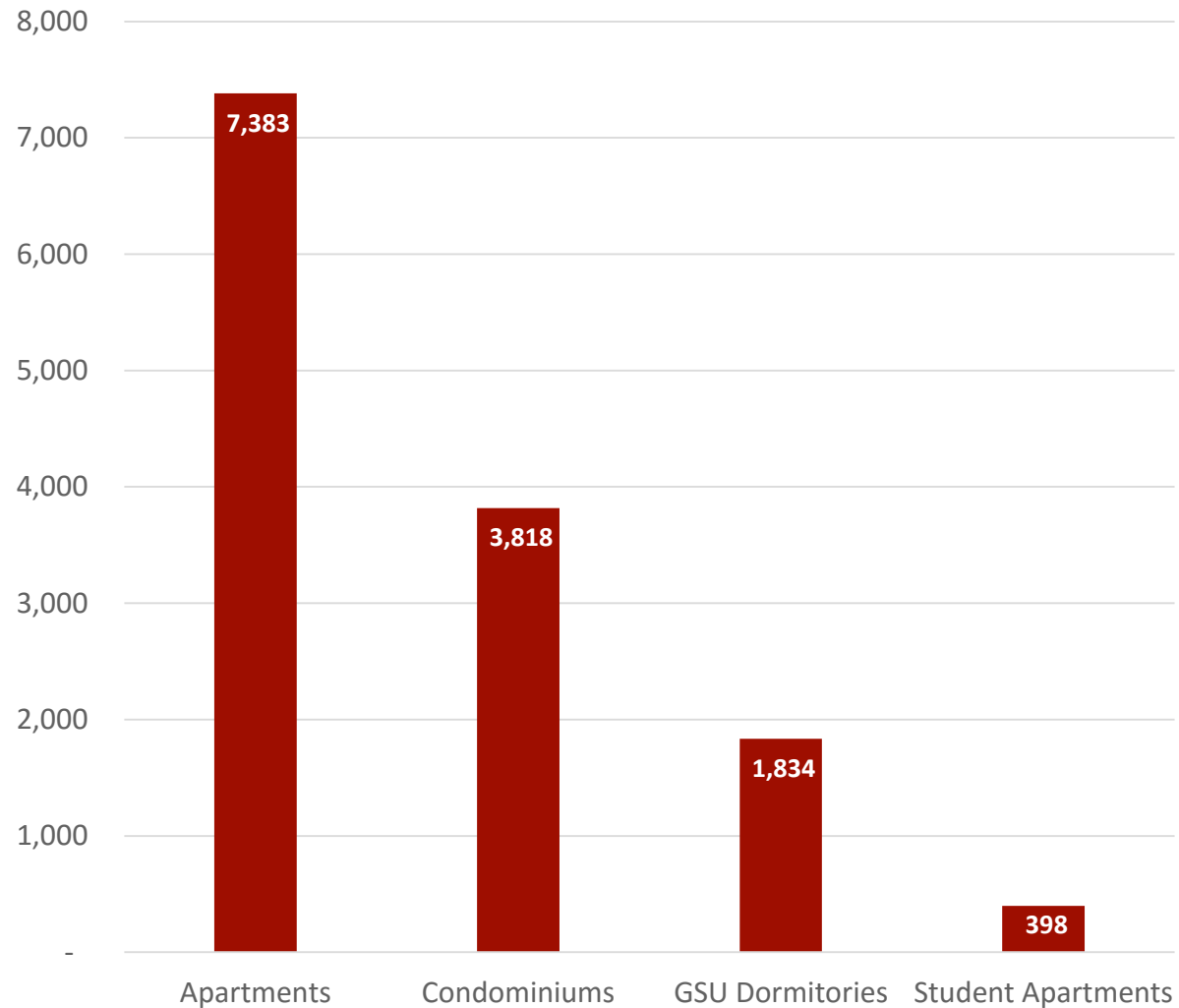


# Housing Assessment



# DOWNTOWN HOUSING INVENTORY

- In the Downtown Core are there are approximately 13,430 multifamily residential units, of which:
  - 55% rental apartments
  - 28% condominiums
  - 14% Georgia State U. dormitories
  - 3% privately owned student apartments.



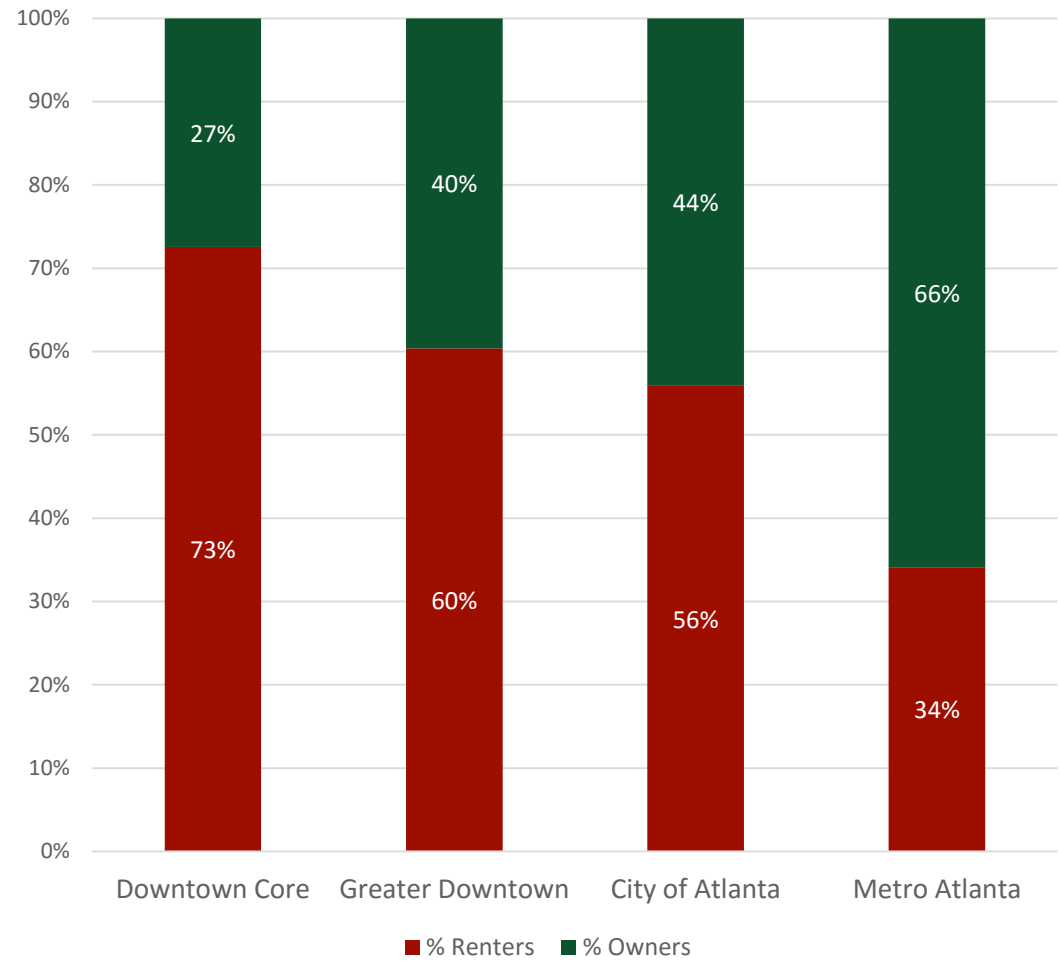
Source: BAG based on data from CoStar, US Census and primary research

# HOUSING TENURE

- Nearly three-fourths (73%) of the Downtown Core's households are renters, a significantly higher rate than the city of Atlanta overall or metro Atlanta.



Distribution of Existing Housing by Tenure, 2016

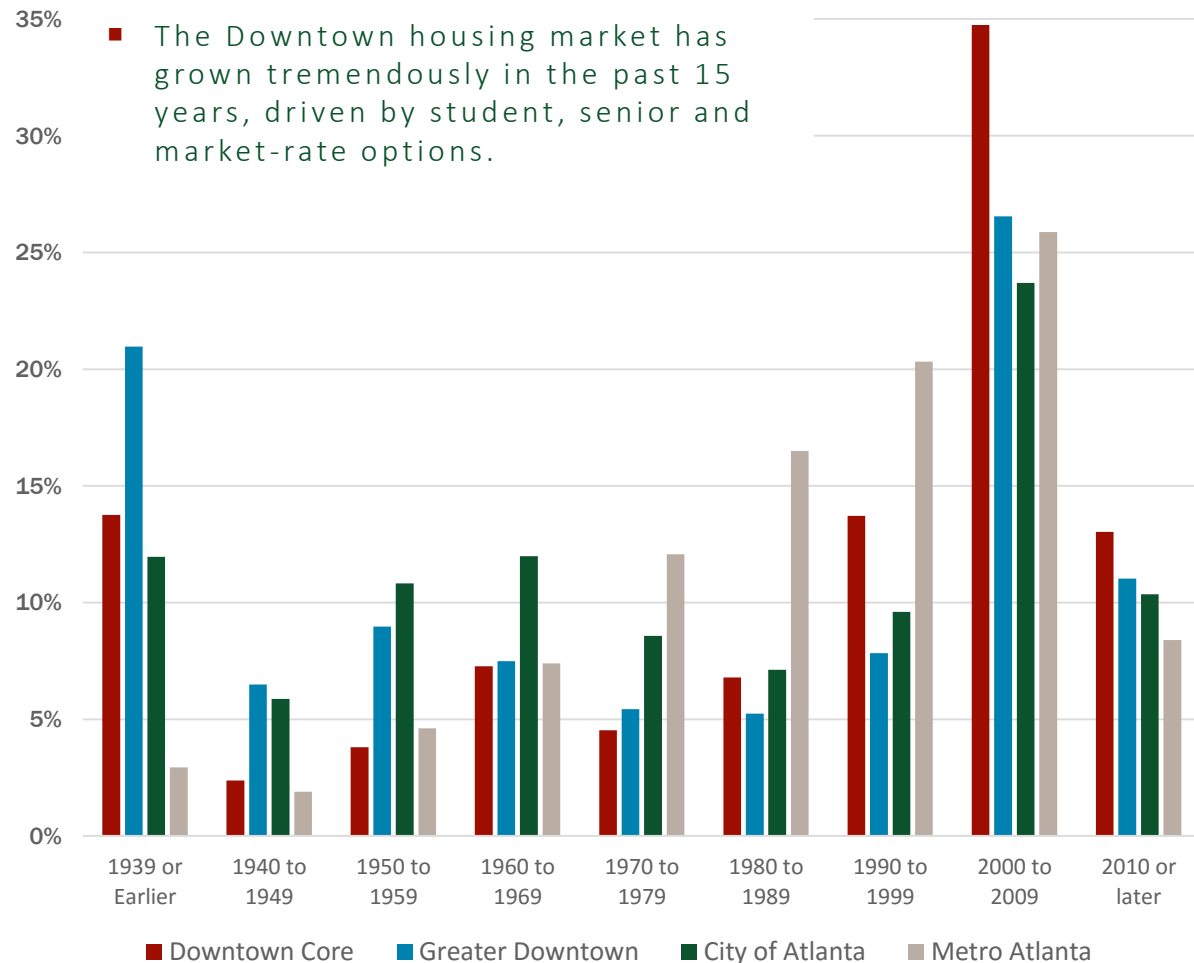


Source: Nielsen, Inc.

# AGE OF HOUSING

- 48% of Study Area housing units were built since 2000 compared to 34% in the city of Atlanta and the metro area overall.
- The 21<sup>st</sup> century residential unit additions in the Downtown Core highlight the district's re-emergence as a preferred location for Atlanta students and households.

Distribution of Housing by Year Built, 2016

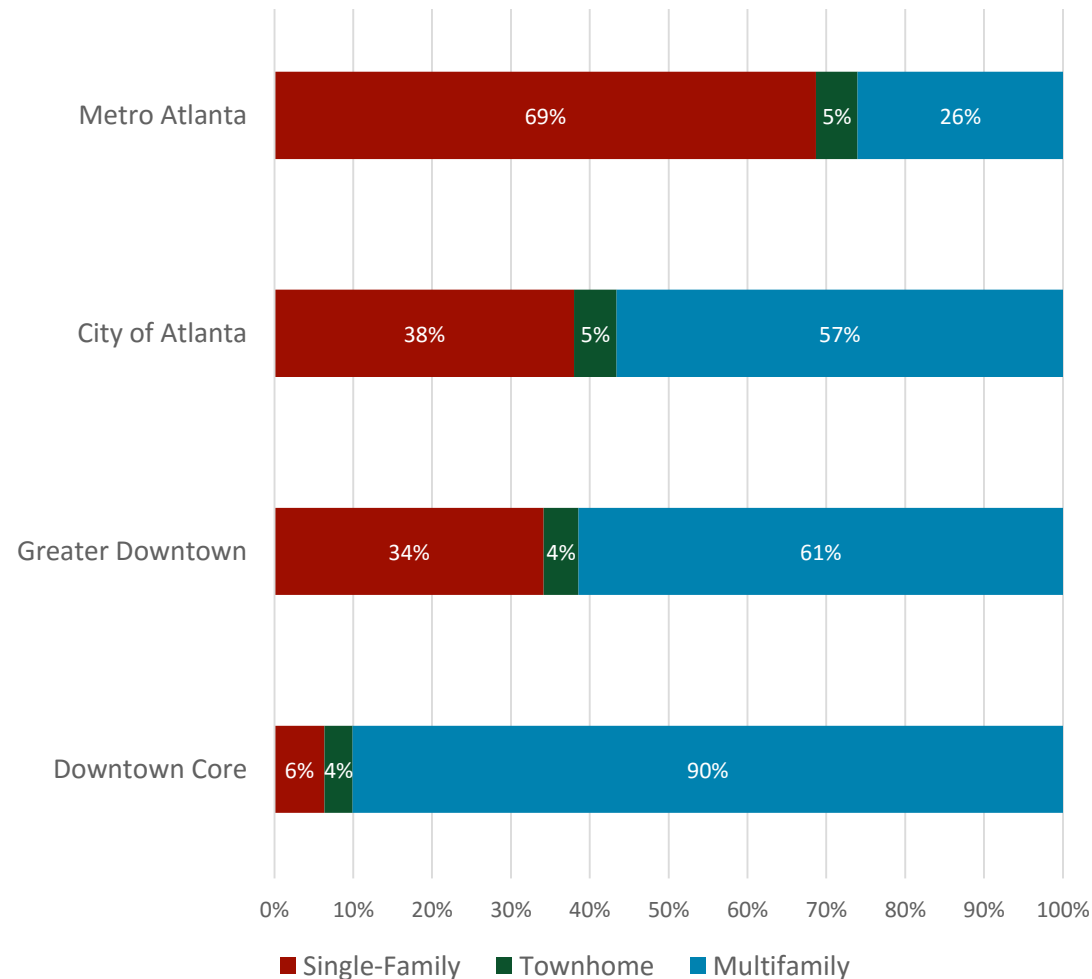


Source: Nielsen, Inc.

# HOUSING TYPE

- The variation of the population and household profile between the Downtown Core and surrounding Greater Downtown is partly attributable to the variation in housing stock.
- Multifamily units (2+ units per structure) are prevalent and a growing portion of the Greater Downtown housing market, comprising 90% of all units in the Downtown Core.

Distribution of Housing by Type, 2016

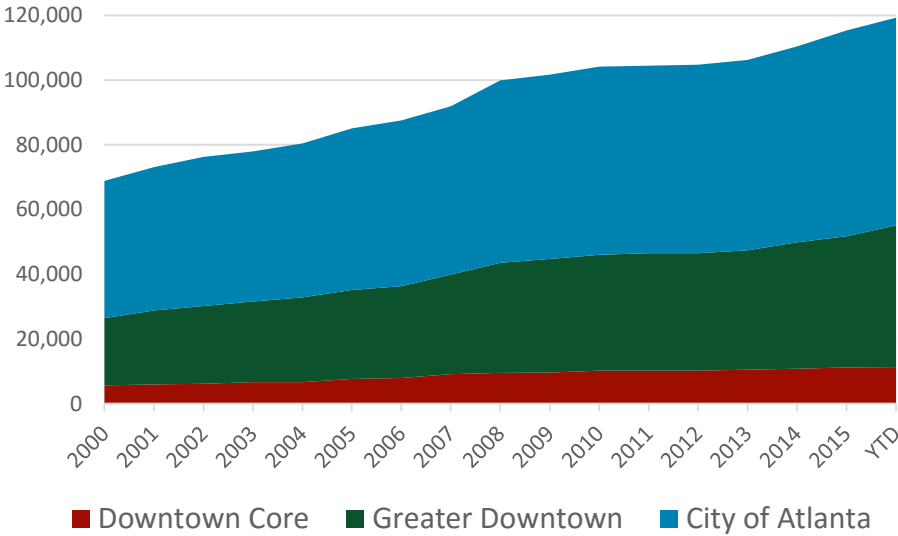


Source: Nielsen, Inc.

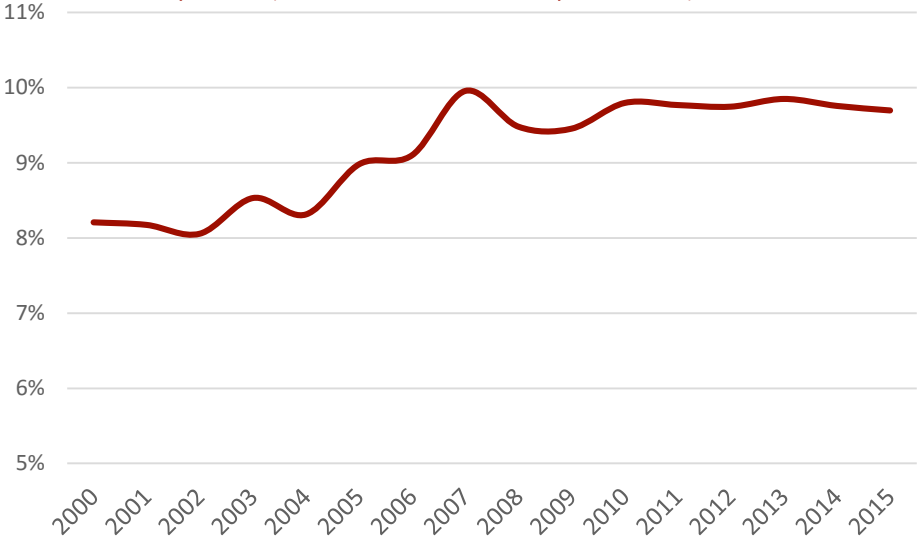
# MULTIFAMILY MARKET

- The past 15 years has seen a dramatic increase in multifamily housing in the city of Atlanta, including Downtown.
- Since 2000 the number of multifamily units has doubled in the Downtown Core, increasing its overall share of the city's multifamily stock.
- Greater Downtown (which includes most of Midtown) has increased its multifamily stock by 108%.

Total Multifamily Units (includes condos and apartments)



Downtown Core Share of City of Atlanta Multifamily Units (includes condos and apartments)



Based on Data from CoStar, as of 3Q 2016

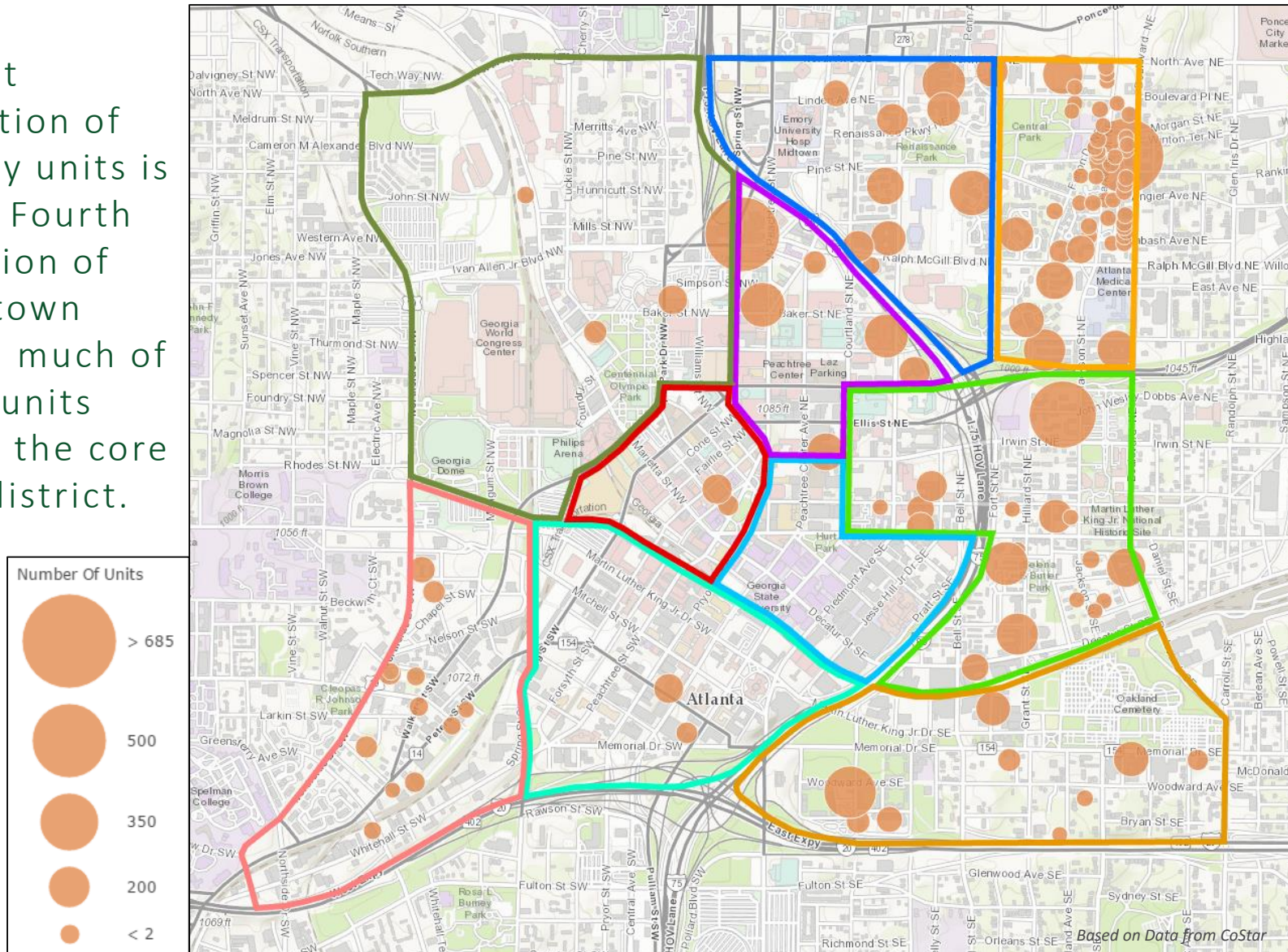
## Multifamily Rental Apartments

	Downtown Core	Greater Downtown	City of Atlanta
Existing Units	11,320	55,060	119,232
Occupancy	93.8%	92.3%	92.3%
Avg. SF/Unit	908	902	929
Avg. Rent/Unit	\$1,178	\$1,273	\$1,199
Avg. Rent/SF	\$1.34	\$1.45	\$1.31



# DOWNTOWN CORE MULTIFAMILY MARKET

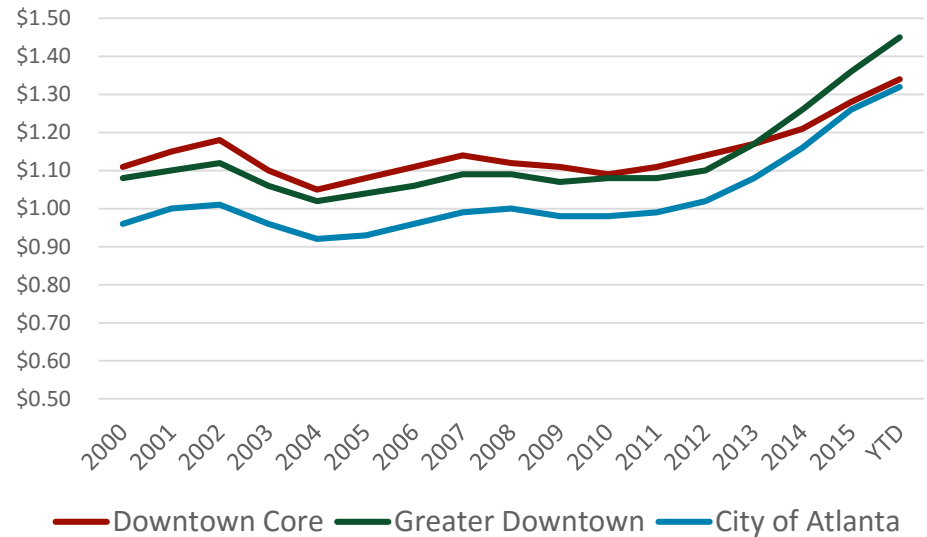
- The largest concentration of multifamily units is in the Old Fourth Ward portion of the Downtown Core, with much of the other units outside of the core business district.



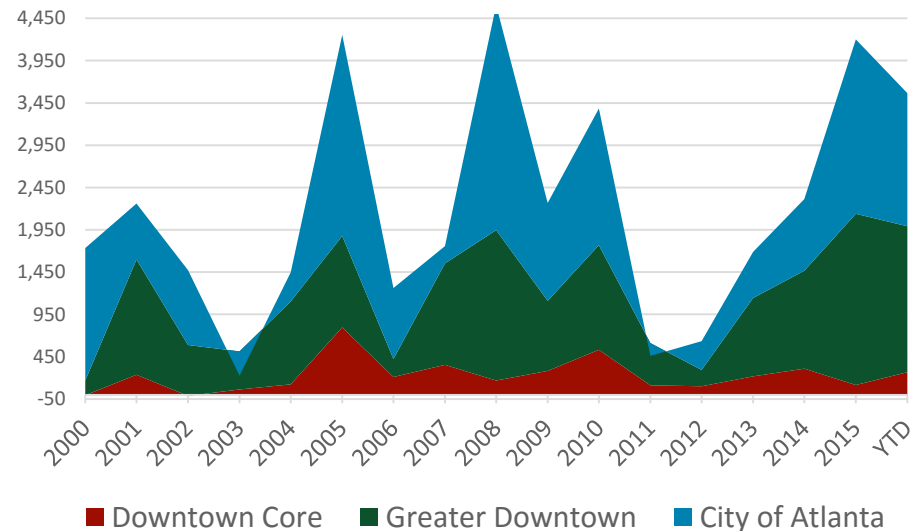
# MULTIFAMILY MARKET

- While rental apartment supply in the Downtown area has increased since the end of the recession, average rent levels have also increased, pointing to healthy demand.
- The growing demand for multifamily housing in the Downtown Core, and throughout the city, has allowed for the additional units to be successfully absorbed into the marketplace.
- Multifamily unit absorption (condo and apartments), city-wide and in Greater Downtown, is at levels similar to the pre-recession peak.

Average Apartment Rent per Square Foot, 2000-2016



Multifamily Annual Net Absorption (includes condos and apartments)

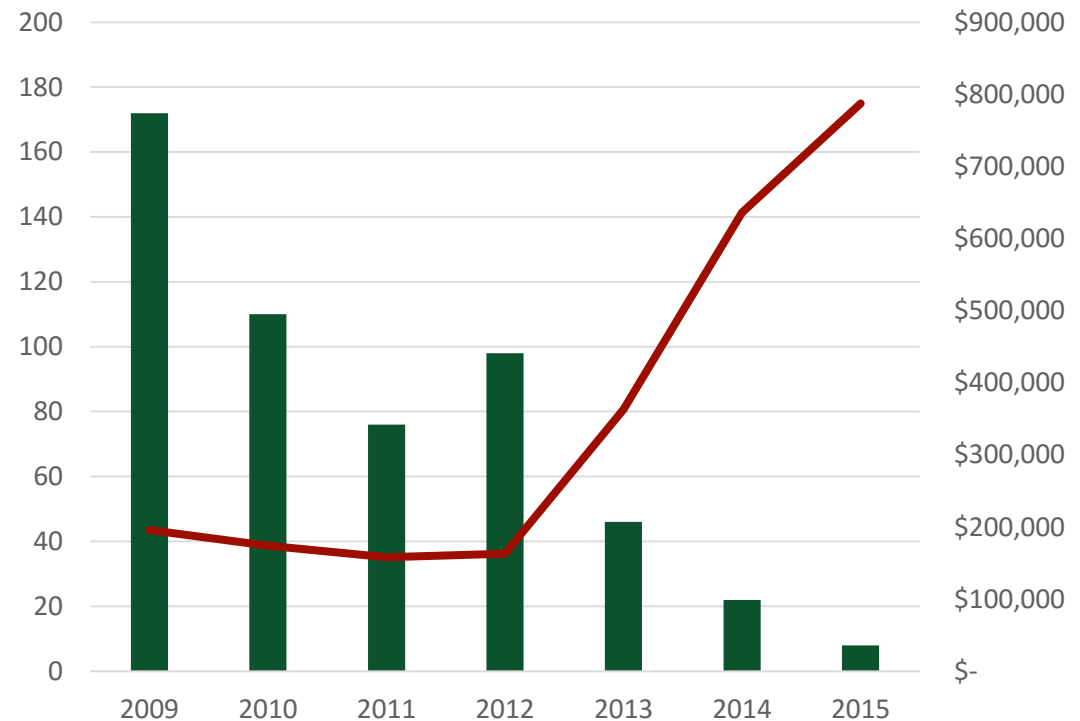


Based on Data from CoStar

# NEW HOME SALES: CONDOMINIUMS

- As the larger intown Atlanta residential market shifted focus from for-sale condominium development in the pre-recession era, to rental apartment development in the post-recession era, new construction condominium sales have decreased dramatically.
- Fewer than 10 sales of new construction units were recorded in 2015.
- New Downtown Core condo sales from 2013-to-present took place in developments that were built prior to 2012. The units sold most recently were generally the highest-priced units that hadn't sold in the original sales period.

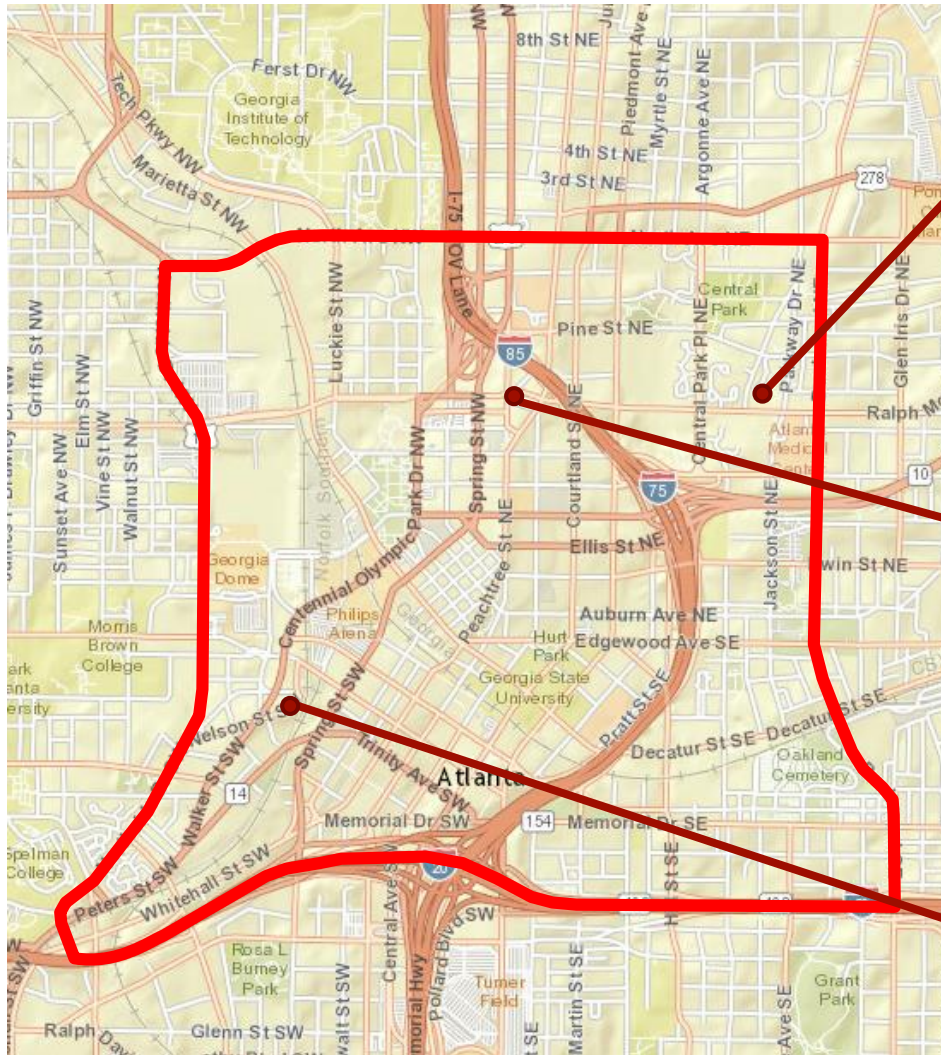
New Construction Condominium Sales, Downtown Core



Based on Data from SmartREData



# SELECT NEW CONDOMINIUM PROJECTS 2009-2015



**Central City Condominiums**  
Units Sold: 48 (2009-2012)  
Peak Annual Sales: 21 (2009)  
Average Sale Price: \$141,055

**Twelve Centennial Park**  
Units Sold: 201 (2009-2012)  
Peak Annual Sales: 79 (2009)  
Average Sale Price: \$175,760



**Castleberry Point Lofts**  
Units Sold: 91 (2009-2013)  
Peak Annual Sales: 32 (2012)  
Average Sale Price: \$164,670

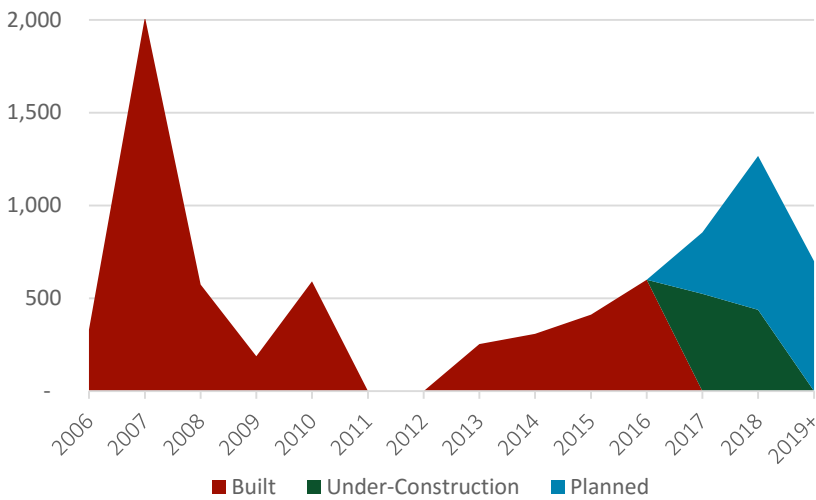
# RESIDENTIAL MOMENTUM

- The Downtown Atlanta Core multifamily unit count is expected to grow at a greater rate over the next five years than it grew in the last five years.
- Assuming that:
  - all units under construction successfully deliver and are occupied at 95%
  - 80% of the planned units in the pipeline deliver and are occupied at 95%
  - each new occupied unit is a market-rate rental (non-student housing) as planned and is home to an average of 1.2 persons

the Downtown Core could add 2,800 people to the current estimated population, representing over 10% growth in the next five years.

Future Resident Growth 2016+	
Multi-family Growth 2010-2016	2,167
Under Construction @ 95% Occ.	915
Planned Growth @ 80% Built, 95% Occ.	1,414
Future Unit Additions	2,328
Potential Future Pop. Growth	2,794

Downtown Core: Multifamily Delivery Pipeline

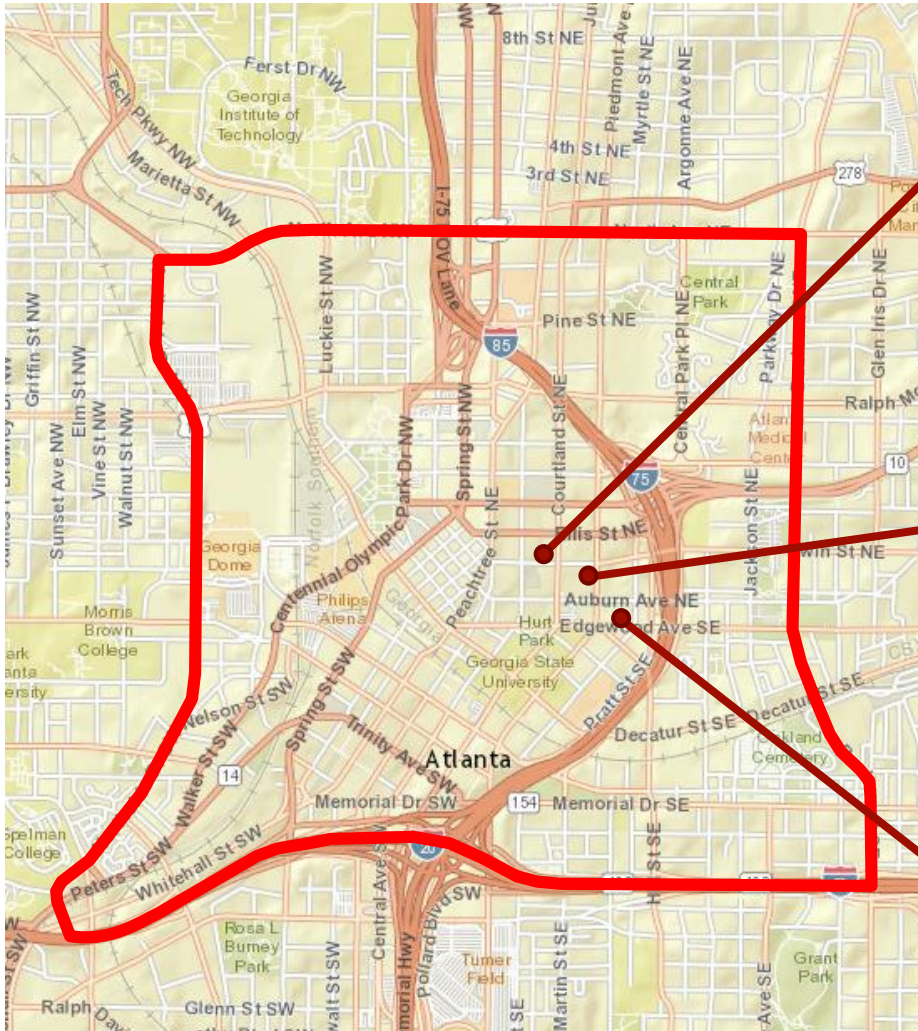


	Units Built	Under-Construction	Planned
2006	331		
2007	2,014	← 40 % student dorm housing	
2008	574	← 45 % student dorm housing	
2009	188		
2010	592		
2011	-		
2012	-		
2013	254		
2014	309		
2015	412		
2016	600	← 65 % student dorm housing	
2017		525	331
2018		438	829
2019+			700
Total	5,274	963	1,860
Avg. Annual	479	321	

Based on data from CoStar



# RECENT STUDENT HOUSING ADDITIONS (2013-PRESENT)



**One12 Courtland**  
Privately Owned Student  
Apartment Building  
# of Units: 254

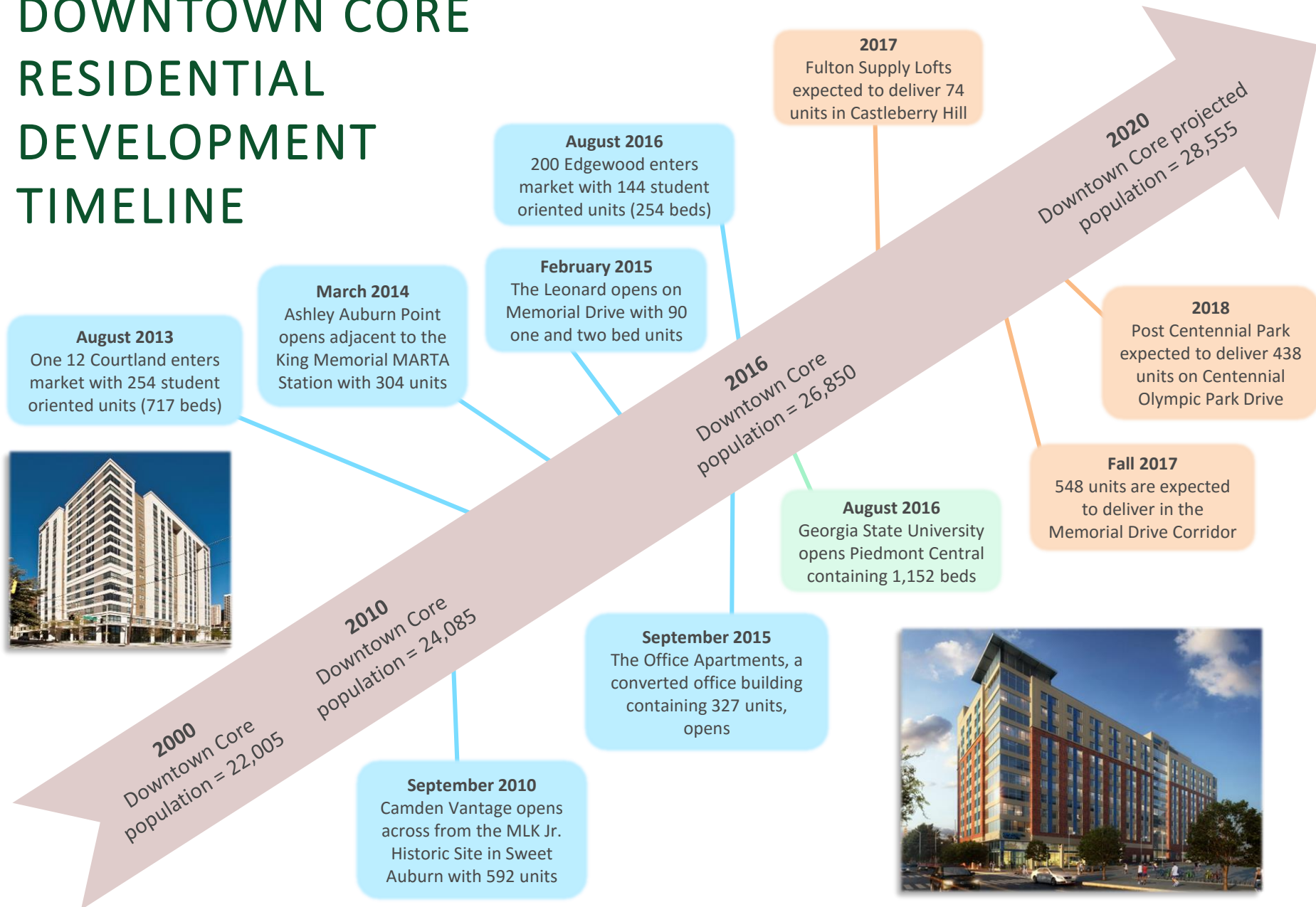
**Piedmont Central Dorm**  
GSU Student Dormitory  
# of Units: 376



**200 Edgewood**  
Privately Owned Student  
Apartment Building  
# of Units: 144



# DOWNTOWN CORE RESIDENTIAL DEVELOPMENT TIMELINE

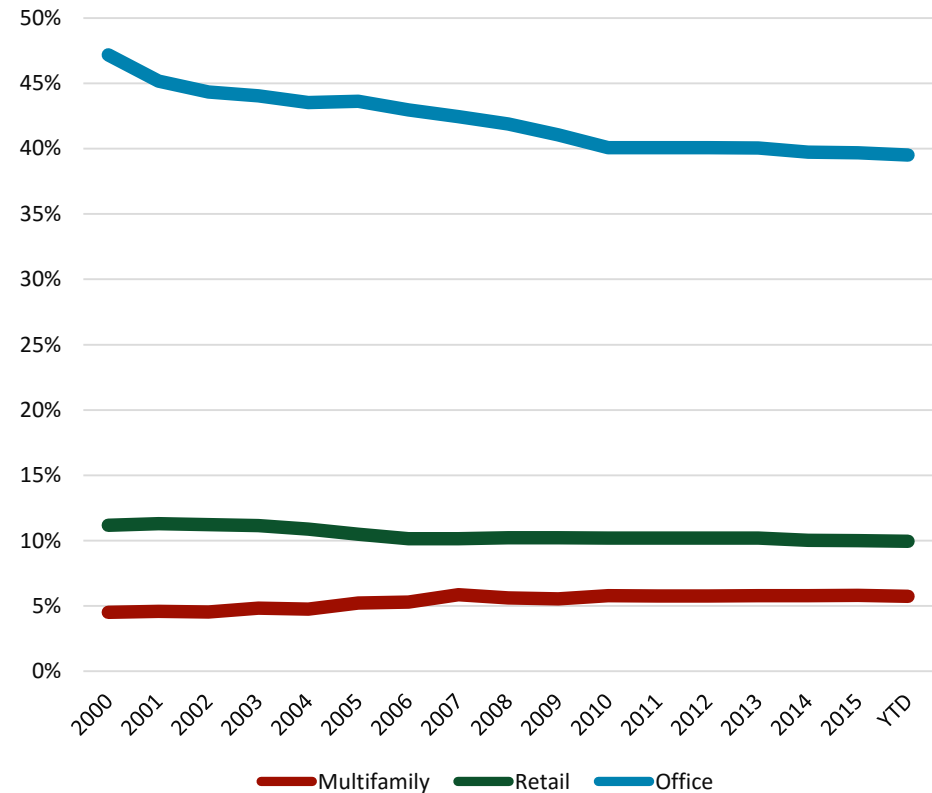


# Commercial Real Estate Assessment

# COMMERCIAL REAL ESTATE OVERVIEW

- While the Downtown Core has increased its share of Atlanta's multifamily housing, retail and office space has declined from 2000 to current, with office space declining most significantly, from 47% to 40%.
- This shift reflects the changes in Downtown from a commercial-focused district in the late 20<sup>th</sup> century to a more wide-ranging mixed use urban district over the past decade.
- Many historic Downtown office buildings have transitioned to other uses including hotel and residential.

Downtown Core Share of City of Atlanta  
Commercial Real Estate



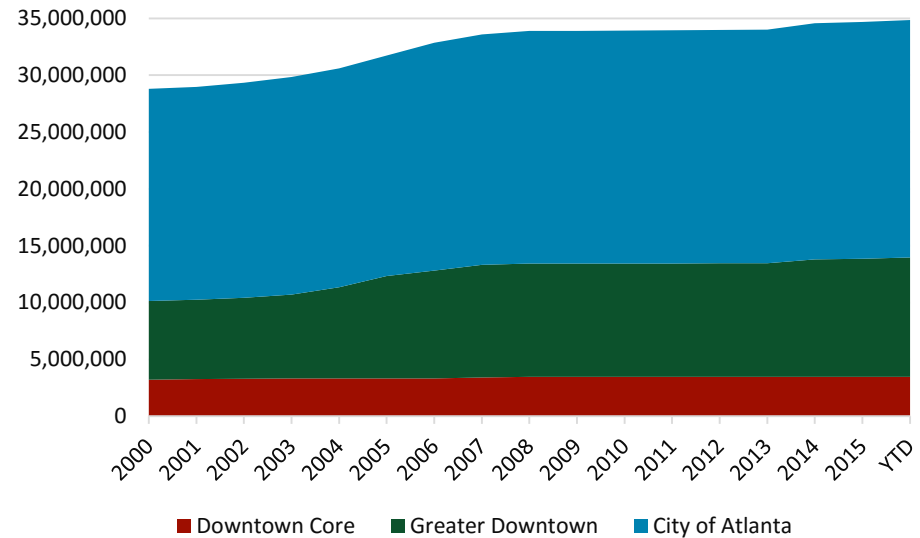
Based on Data from CoStar

# RETAIL MARKET

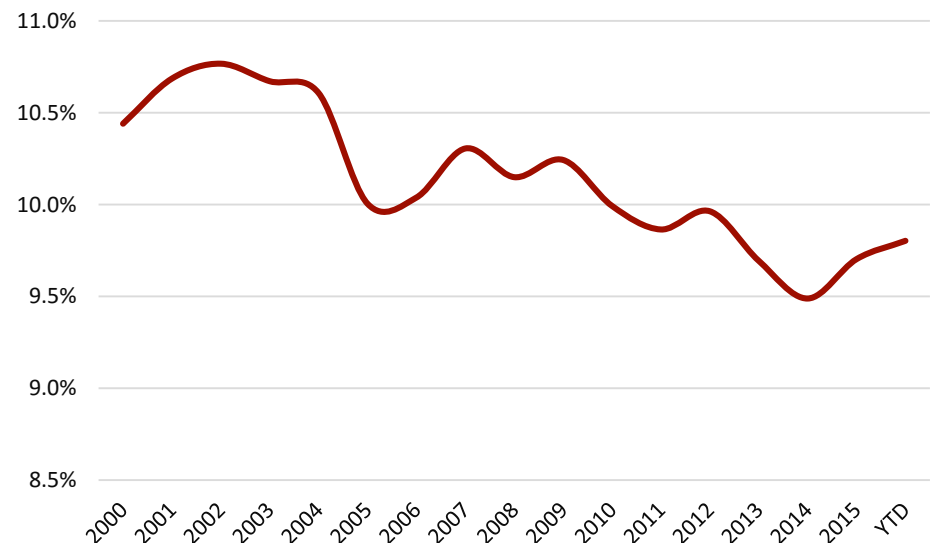
- The Downtown Core's decreasing share of citywide retail space points to the trend of new retail space being developed outside the Downtown Core in new mixed use environments, many of which are in the Greater Downtown area – such as Atlantic Station and Ponce City Market.
- In addition to the decreasing share of the city's overall retail square footage, the 3.5 million square feet of retail space in the Downtown Core underperforms the Greater Downtown area in terms of overall occupancy and asking rents.

3Q 2016	Downtown Core	Greater Downtown	City of Atlanta
Existing SF	3,467,044	13,981,178	34,842,305
Occupancy	92.7%	95.2%	94.1%
Avg. \$/SF	\$18.42	\$20.76	\$17.72

Total Square Feet, Retail



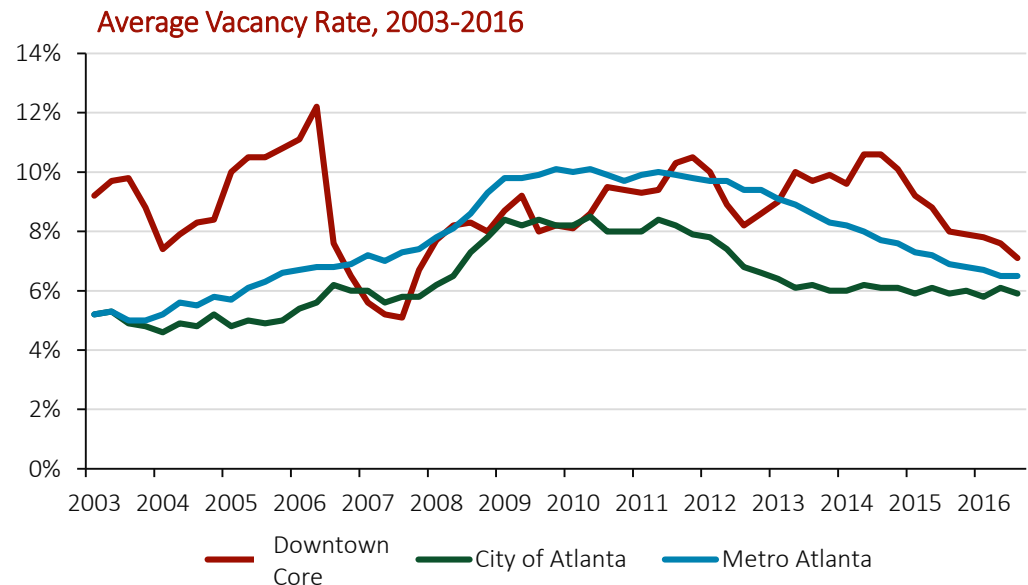
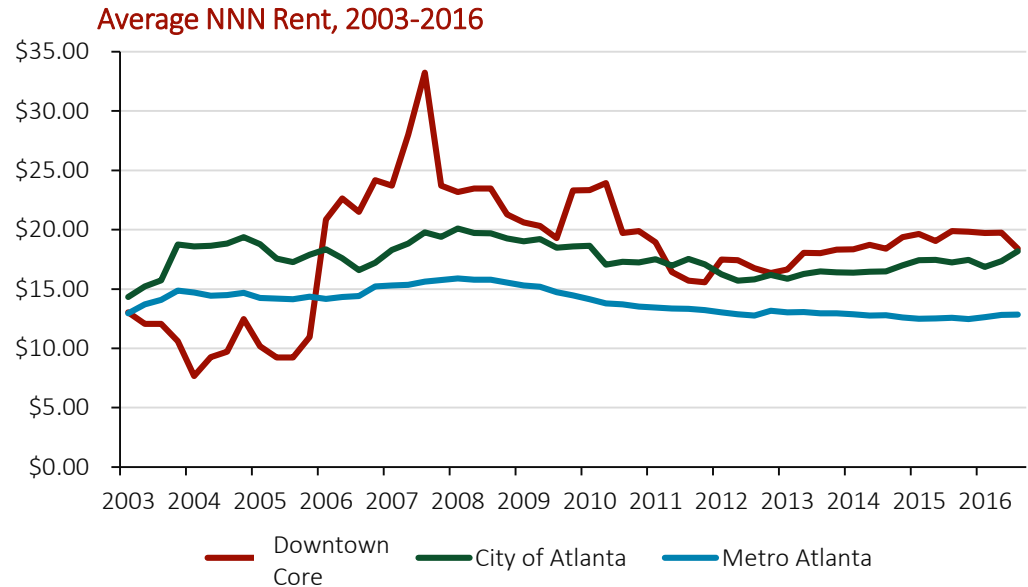
Downtown Core Share of City of Atlanta Occupied Retail Square Feet



Based on Data from CoStar as of 3Q 2016

# RETAIL MARKET

- The Downtown Core contains nearly 3.5 million SF of retail space accounting for 5.6% of total Atlanta retail space (9.8% of occupied space).
- Since 2011 Downtown Core rents have remained similar to those citywide (approx. \$18/SF).
- Average vacancy rate in the Downtown Core (7.1%) has remained above the citywide rate (5.9%) over the past five years

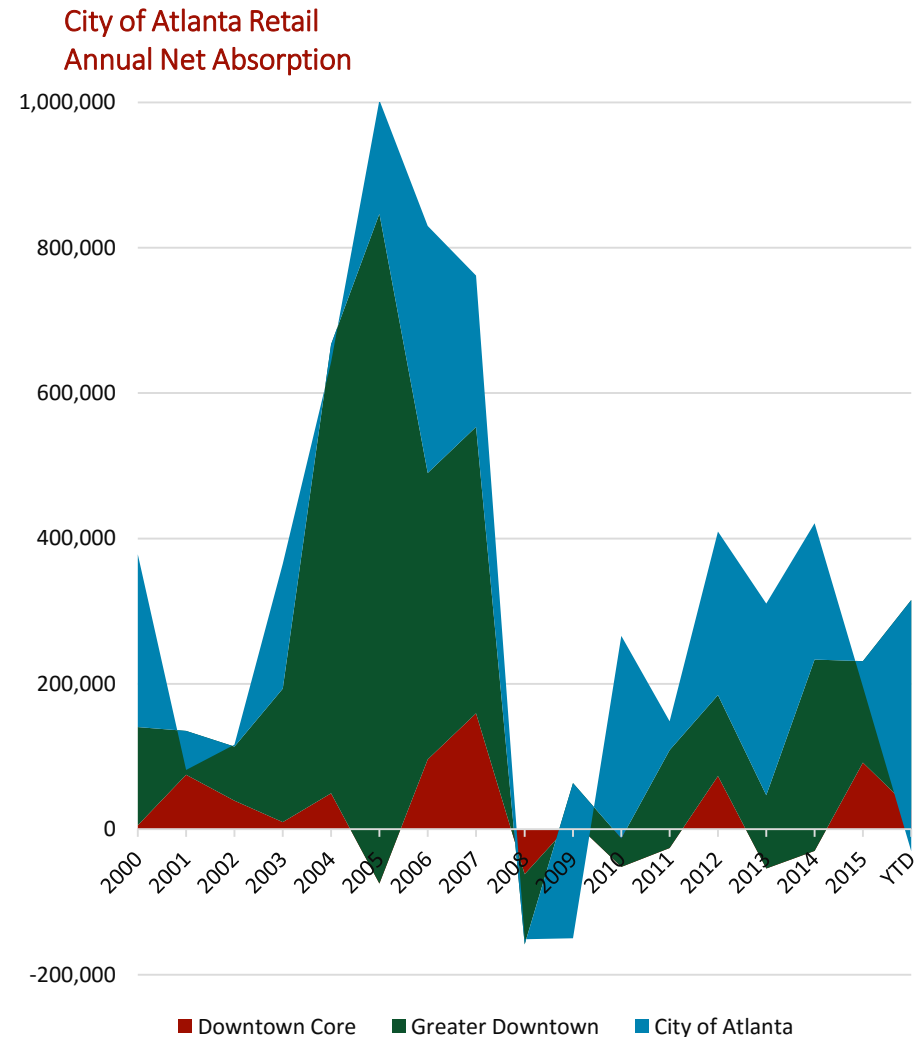


Based on Data from CoStar



# RETAIL MARKET

- The Downtown Core has experienced positive absorption in two of the last six years.
- Greater Downtown accounted for a majority of the city's retail absorption in the years in which large amounts of new space was added – 2004-05 (Atlantic Station) and 2014-15 (Ponce City Market).
- This success in absorbing new space in Greater Downtown points to the potential success for new large future mixed use projects with retail components in the Downtown Core.

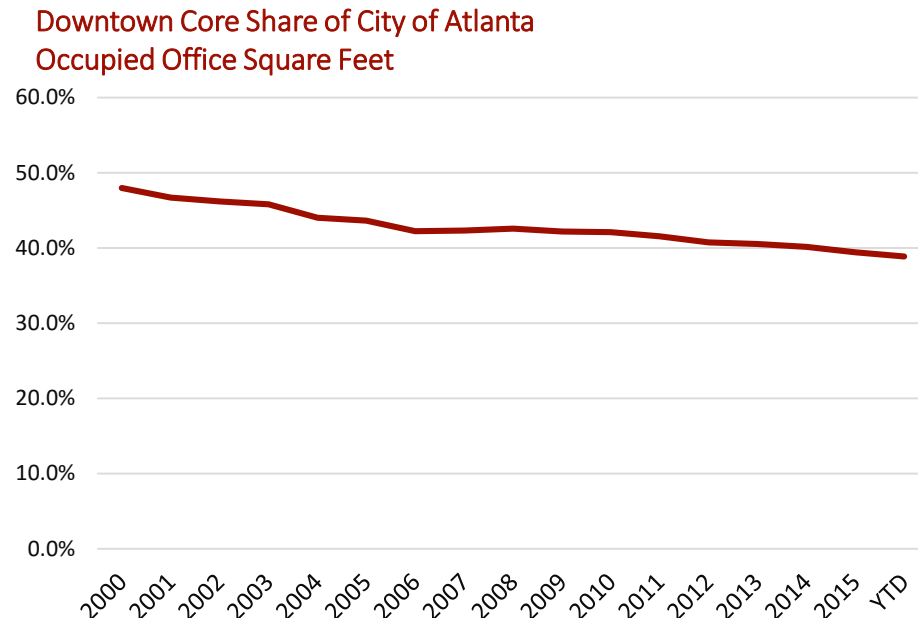
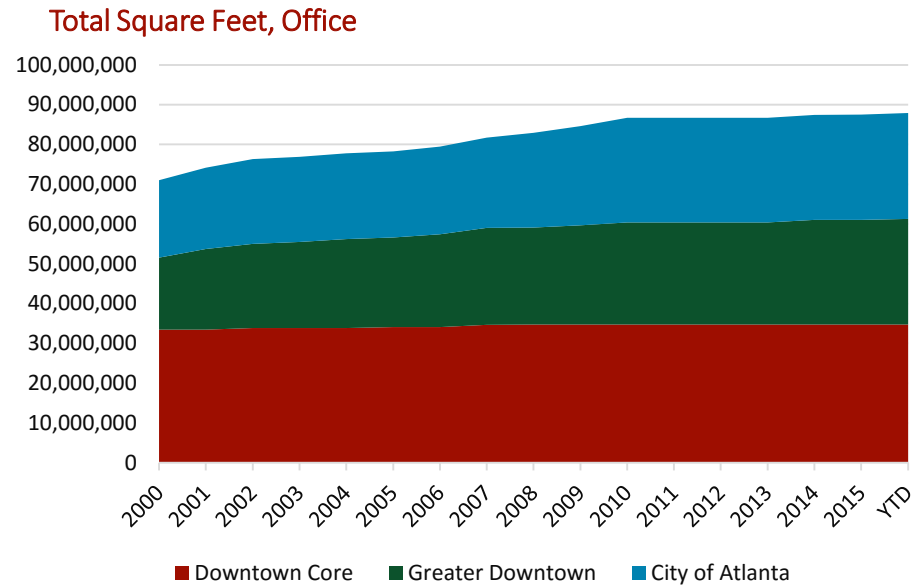


Based on Data from CoStar

# OFFICE MARKET

- The Downtown Core office market has decreased as a share of the city's overall office square footage as office space demand has shifted from the core to the Midtown and Buckhead markets.
- The 34.7 million square feet of space in the Downtown Core office market currently asks \$21.70/SF on average, lower than the city and surrounding Greater Downtown area.

3Q 2016	Downtown Core	Greater Downtown	City of Atlanta
Existing SF	34,738,810	61,266,200	87,911,105
Occupancy	86.7%	87.7%	88.2%
Avg. \$/SF	\$21.70	\$23.20	\$24.86

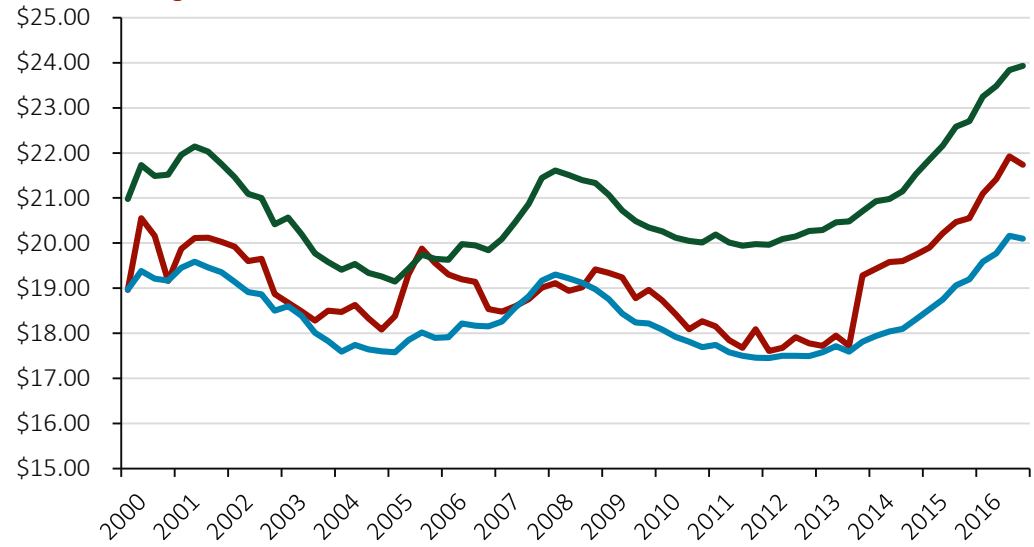


Based on Data from CoStar as of 3Q 2016

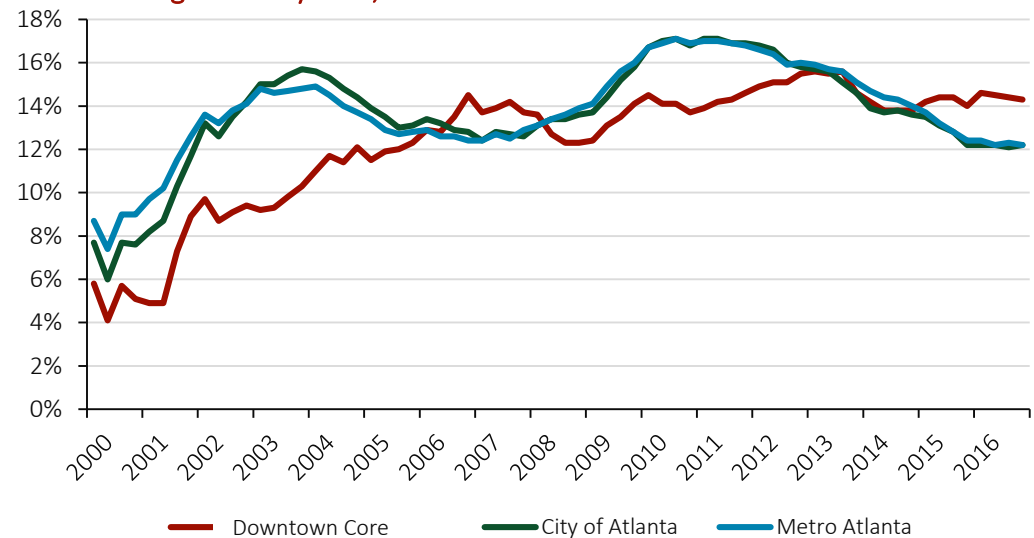
# OFFICE MARKET

- Average office rents in the Downtown Core have consistently been lower than the city as a whole since 2000.
- Downtown Core average vacancies have fallen, along with those in the city overall, over the past five years.

Average Office Rent, 2000-2016



Average Vacancy Rate, 2000-2016

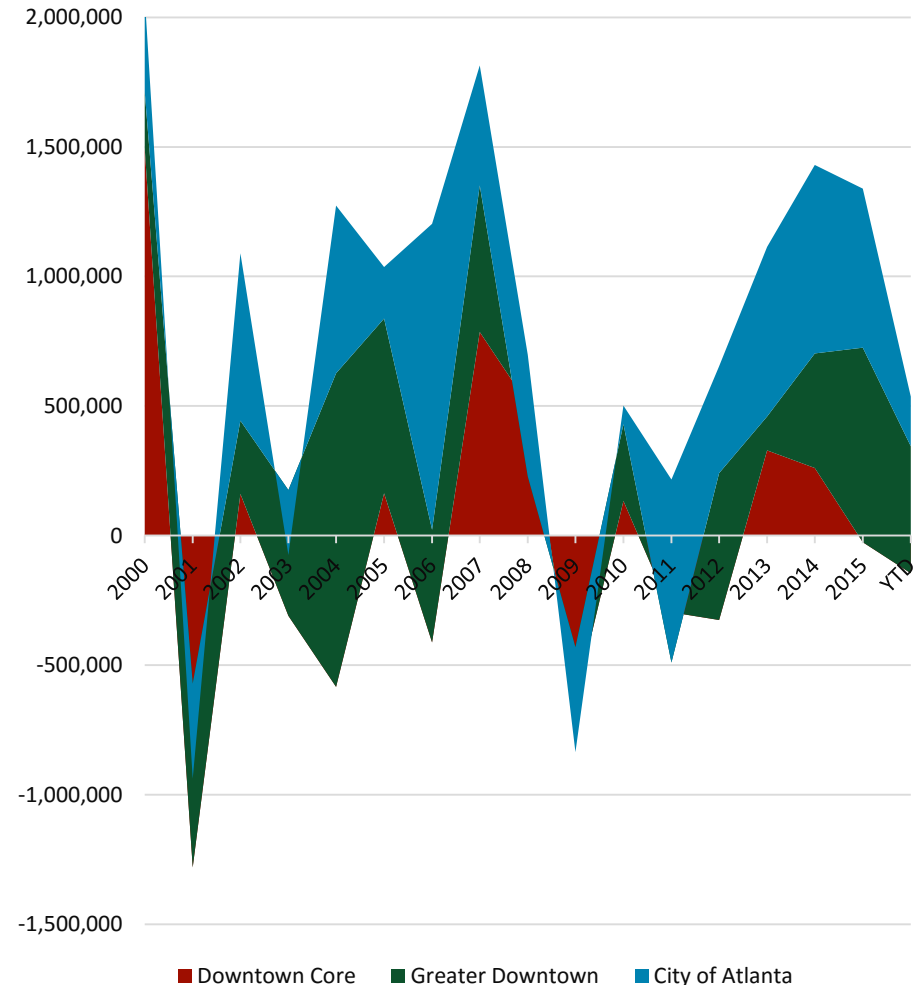


Based on Data from CoStar

# OFFICE MARKET

- The Downtown Core accounted for nearly half of the city's office absorption as recently as 2007, while Greater Downtown (which includes most of Midtown) has accounted for half of the city's absorption over the past three years.

City of Atlanta Office  
Annual Net Absorption



Based on Data from CoStar

# Hospitality Market Assessment



# DOWNTOWN ATLANTA HOSPITALITY MARKET

- The Downtown hotel market has shown continuous growth since 2000, **adding nearly one million occupied room nights.**
- Growth in occupied room nights outpaced growth in supply allowing occupancy levels to improve with the exception of the downturns experienced around the recessions in 2001 and 2008.
- Overall the Downtown hospitality market is very strong relative to Atlanta and the U.S. as a whole.



# DOWNTOWN HOTEL ROOMS INVENTORY

- A total of 32 hotels are located in the Downtown Core.
- The average age of the Downtown hotels is 26 years.
  - Nine hotels are more than 40 years of age.
- Size of Downtown hotels range from 66 rooms to 1,663 rooms, with an average of 330 rooms.
  - The average size is skewed by five large convention hotels (over 1,000 rooms).
- The majority of hotels have a national brand, five operating independently.
- The vast majority of hotels are classified Upper Upscale (67%) and Upscale (17%). Four percent are economy/midscale, six percent are Upper Upscale, and 7% are Luxury.

Hotel Supply Additions 2010-2016, Downtown Atlanta Core

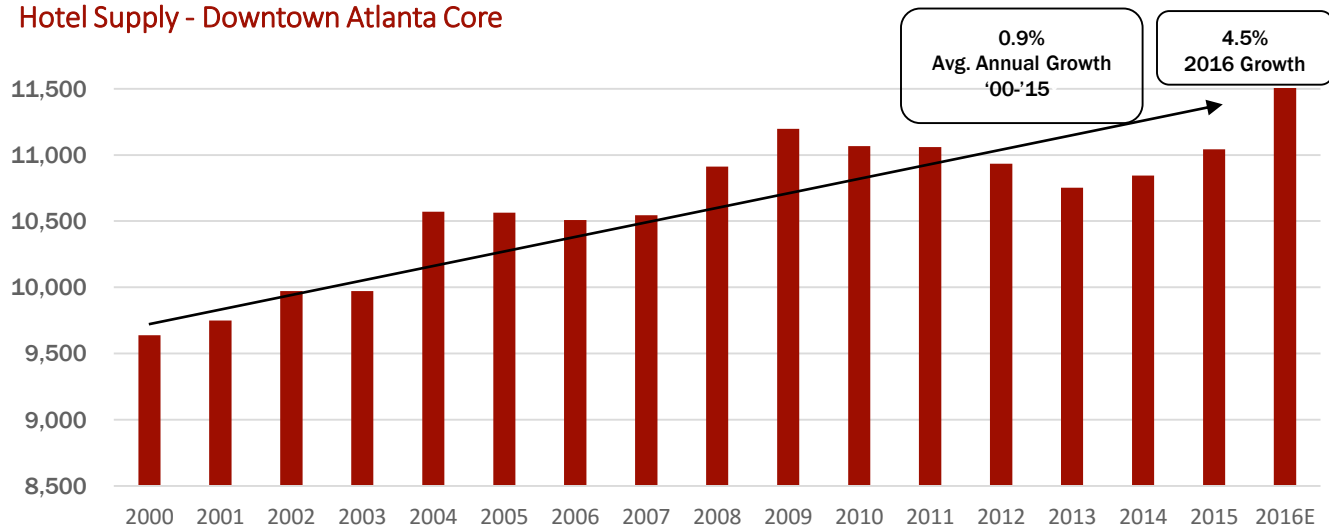
Hotel Property	Rooms
Courtyard Downtown	150
Home2 Suites Downtown	128
Hotel Indigo Downtown	206
Hyatt House Downtown	150
Fairfield Inn Downtown	156
<b>TOTAL</b>	<b>790</b>

- There are approximately 2,150 rooms planned in the Downtown Core that have been announced or under construction.

# DOWNTOWN HOTEL ROOMS INVENTORY

- Total rooms supply in 2000 stood at 9,638 rooms. In 2016, rooms inventory reached approximately 11,540 rooms.
- This growth has occurred while overall occupancies are also rising.
- The average annual growth rate for supply (2000 – 2015) was 0.9% in Downtown compared to the national average of 1.2%.
  - In 2016, Downtown has experienced 4.5 % growth in supply.
- There are over 2,000 rooms planned in the Downtown Core that are under construction or have been publicly announced, including:
  - Spring Hill Suites, 2017, 146 rooms
  - Homewood Suites/Canopy, 2018, 279 rooms
  - Hard Rock Hotel, 2018, 220 rooms
  - Curio @ Candler Building, 2018, 265 rooms
  - Cambria Suites, 2018, 124 rooms
  - Convention Center Hotel, 2020, 800 rooms

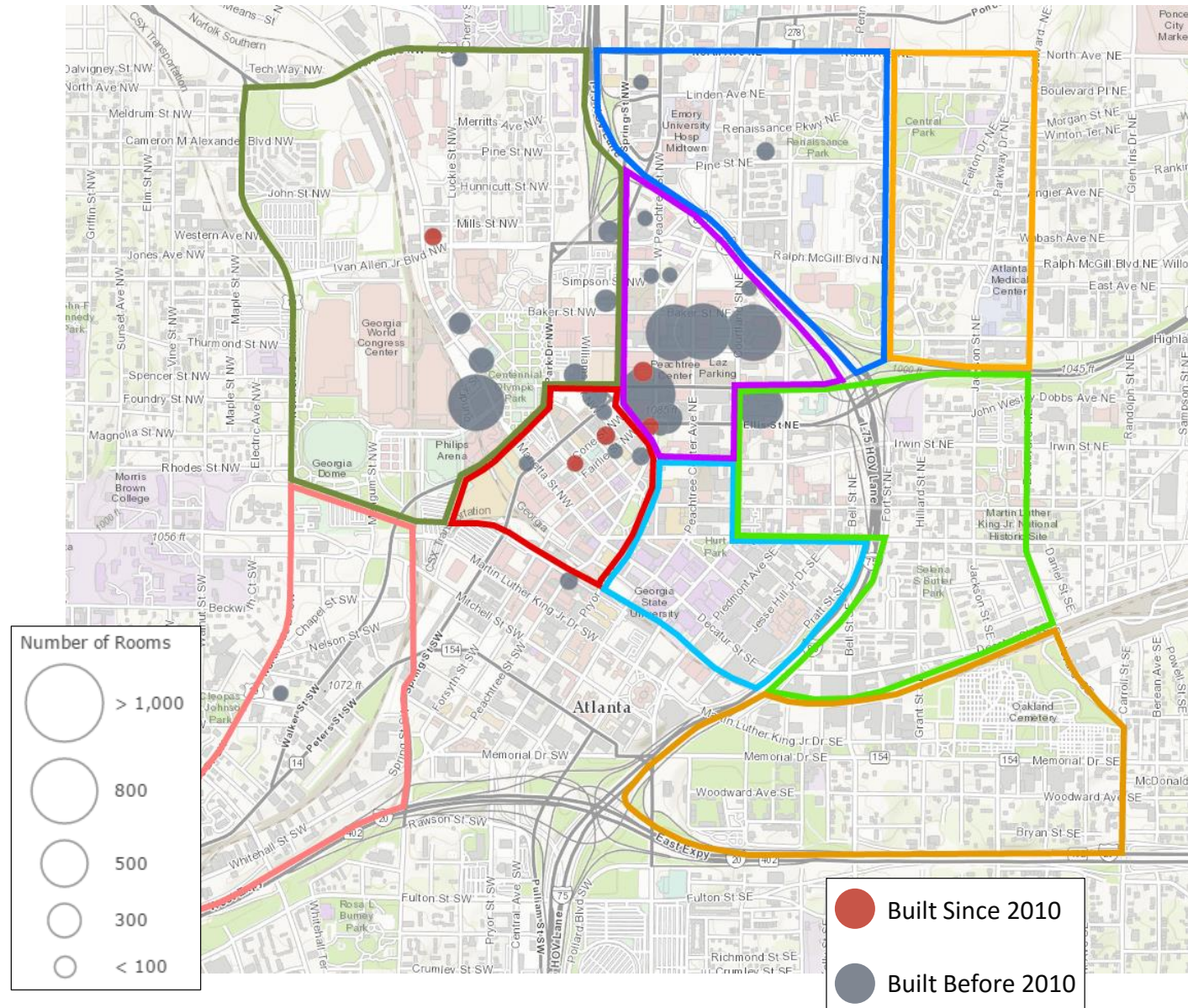
Hotel Supply - Downtown Atlanta Core



Source: STR

# DOWNTOWN HOTEL ROOMS INVENTORY

- While the majority of Downtown hotel rooms are located in the hotel district north of Edgewood and east of Peachtree, the Fairlie-Poplar and Centennial Park districts have also emerged as locations for Downtown hotels.





# DOWNTOWN ATLANTA HOSPITALITY MARKET

- Since 2014 Downtown's hotel market performance has improved tremendously while adding nearly 700 rooms.
- The Average Daily Rate (ADR) for Downtown hotels has grown from \$133 to \$153 a night on average since 2009.
- Occupancy has increased from 54% in 2009 to 72% currently.
- Overall, the occupancy rate estimated for 2016 is 72% with an ADR of \$153.



Source: STR

# DOWNTOWN HOSPITALITY METRICS

- Downtown Hotel Market consists of approximately 50 percent transient demand and 50 percent group demand.
- Transient demand is comprised of commercial and leisure travelers. Commercial visitors generally travel during the week while leisure guests travel on weekends or summer periods.
- Group demand primarily consists of conventions, large events, and trade activity. Hotels also book in-house groups and social events that are not part of the city-wide activity hosted Downtown. Conventions can include large corporate meetings as well as international, national, and regional trade associations.

## Georgia World Congress Center, 2015

	Events	Attendance
Major Trade Shows & Conventions	47	423,904
Public/Consumer Shows	12	207,291
Meetings, Corporate Events, & Others	159	321,051
<b>Total</b>	<b>218</b>	<b>952,246</b>

## Georgia Dome, 2015

	Events	Attendance
Falcon Games	9	539,803
Concerts	4	172,046
Georgia State Games	6	45,018
Spectator Sports	15	503,588
General Meetings	36	120,909
<b>Total</b>	<b>70</b>	<b>1,381,364</b>

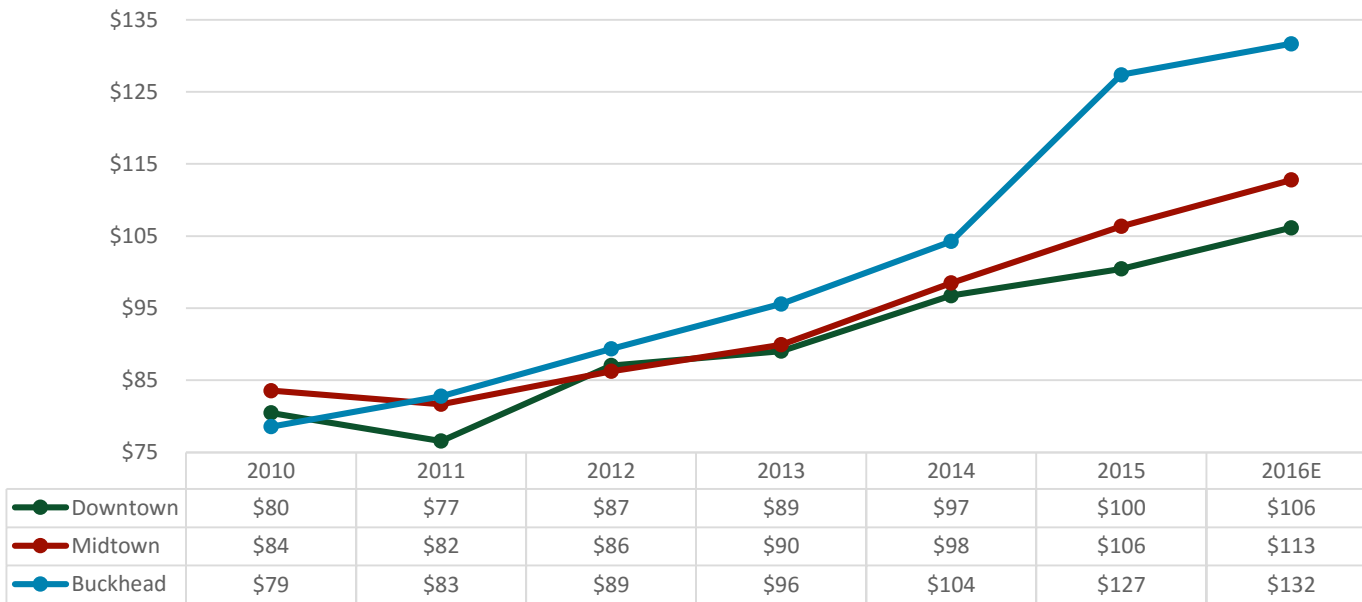
- *AmericasMart*, a collection of specialized merchandise markets targeting the national and regional design industries, brings retail buyers to events throughout the year. In addition, Atlanta is also host for several large sporting events (SEC finals, Peach Bowl, etc.) and entertainment that bring visitors to the city.



# HOSPITALITY METRICS – DOWNTOWN COMPARISON

- The Downtown hotel market has historically underperformed Buckhead in terms of RevPAR (Revenue per average room). More recently, Midtown has outperformed Downtown.

RevPAR Comparison

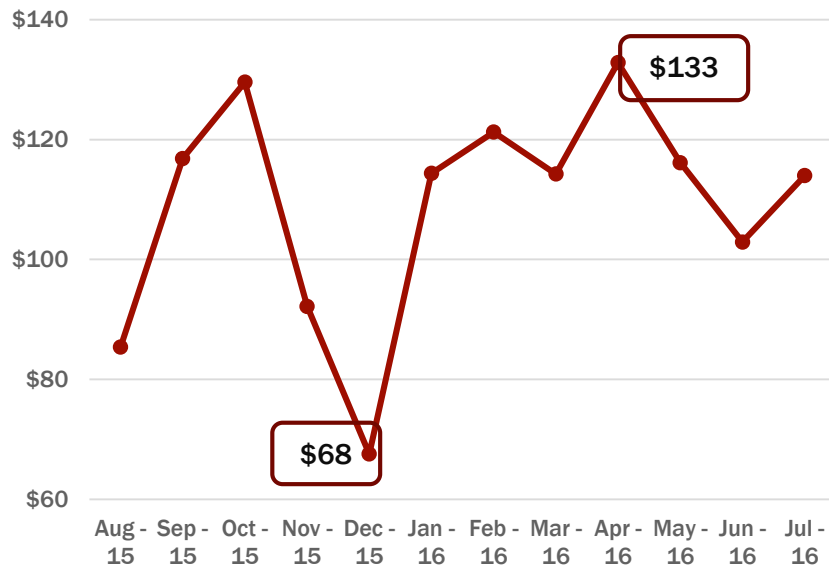


Source: STR, 2016 through July

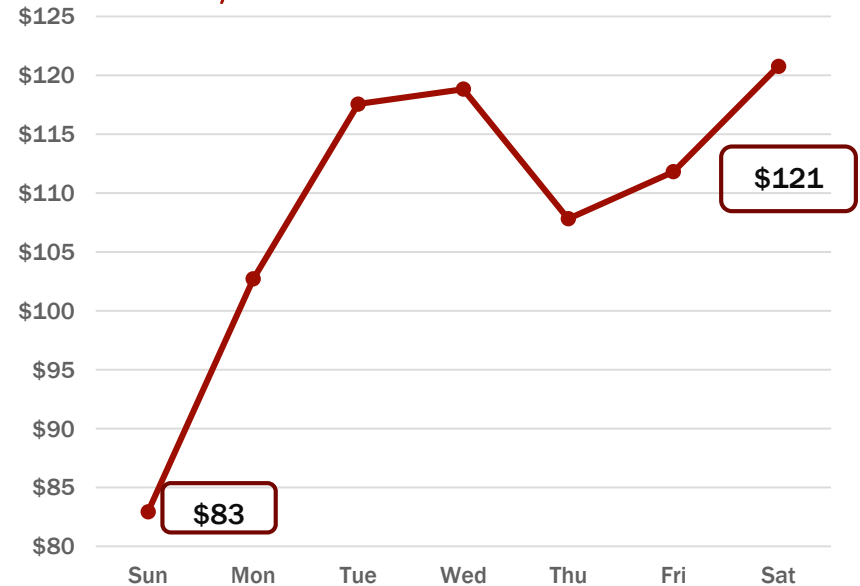
# HOSPITALITY METRICS – SEASONALITY

- Downtown experiences fairly consistent performance throughout the year, with the exception of a August, November, and December. December is the slowest month (RevPAR) and April is the strongest month of the year.
- During the week, Sunday is the slowest day while Saturday is the strongest (RevPAR).

Downtown Monthly RevPAR



Downtown Weekly RevPAR



Source: STR, 2016 through July

- ▶ Bleakly Advisory Group, Inc. is an Atlanta, Georgia based market and economic consulting firm
  - ▶ Founded in 2001
  - ▶ Six member professional team
- ▶ Our practices covers six areas in both public and private sectors:
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  - ▶ Real Estate Economics
  - ▶ Development Consulting
  - ▶ Financial Analysis
  - ▶ Incentives & Public Finance
  - ▶ TOD and Redevelopment



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- **Accuracy of Report:** Every reasonable effort has been made to ensure that the data developed in this assignment reflects the most accurate and timely information possible and is believed to be reliable. This consulting assignment is based on estimates, assumptions and other information developed by Bleakly Advisory Group (“BAG”) from its independent research efforts, general industry knowledge and consultations with the client for this assignment and its representatives. No responsibility is assumed for inaccuracies in reporting by the client, its agents or representatives or any other data source used in preparing or presenting this study. The research and reports is based on information that is current as of the date of the report. BAG assumes no responsibility to update the information after the date of the report. The research may contain prospective financial information, estimates or opinions that represent our view of reasonable expectations at a particular point in time, but such information, estimates or opinions are not offered as assurances that a particular outcome will occur. Actual results achieved during the period covered by our prospective analysis may vary from those described on our research and report and variations may be material. Therefore, no warranty or representation is made by BAG that any of the projected values or results contained in the work product from this assignment will actually be achieved.
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