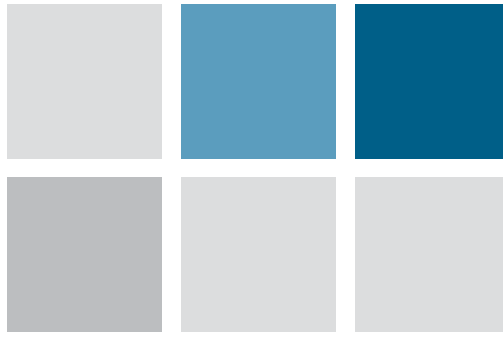


# NAI BRANNEN GODDARD

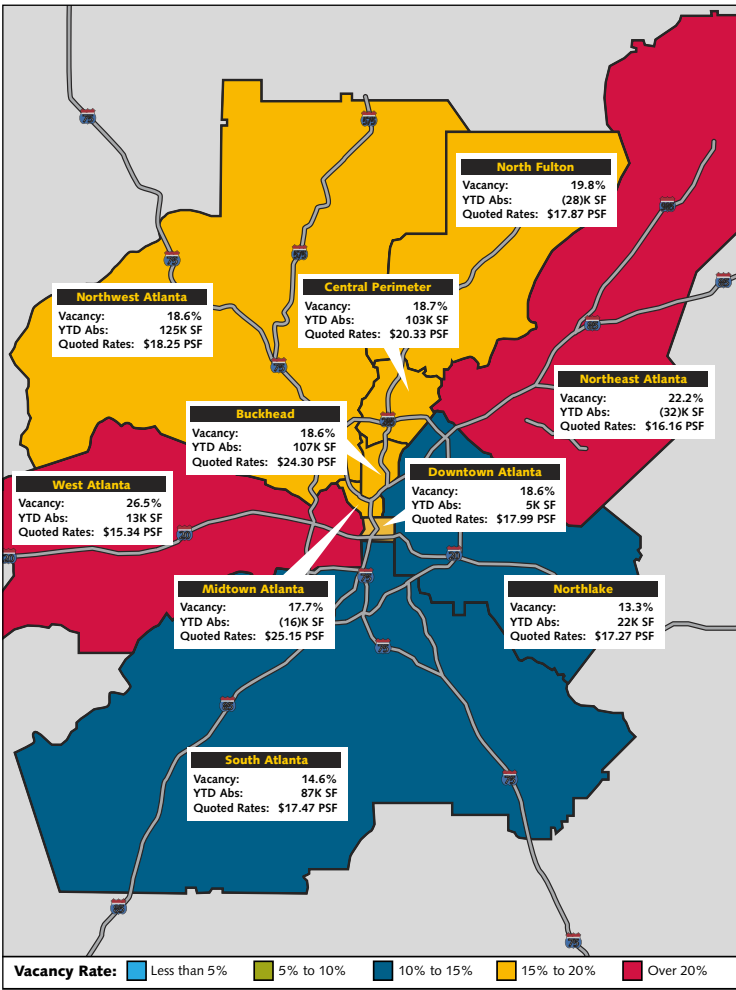
Atlanta Office Report | First Quarter 2013





1Q'13

# ATLANTA OFFICE MARKET



## MARKET OVERVIEW

The Atlanta Office market ended the first quarter 2013 with a vacancy rate of 18.4%. This rate represents a decrease from the previous quarter rate of 18.6%. This decrease occurred in a quarter where Atlanta saw 385,967 SF in positive net absorption and 53,000 SF (2 buildings), deliver to the market. Quoted rental rates ended the quarter at \$19.21 PSF, down from the last quarter rate of \$19.51 PSF. Currently there is over 1.2 million SF of office product under construction in Metro Atlanta.

## ECONOMIC OVERVIEW

The sprint in growth at the start of the year has turned into a slouch, and gains will remain subpar until late in the year,

### UNEMPLOYMENT RATE MAR 2013

National	7.6%
Georgia	8.4%
Atlanta MSA	7.6%

according to economists. A sense of uncertainty stemming from higher taxes, ongoing budget uncertainties and questions about the impact of forced government spending cuts is making businesses and consumers cautious. But, there are sound reasons to expect momentum to rebuild by fall, when improving consumer spending and business investment, along with increased construction activity and a better housing market, will add some punch to expansion.

The healthcare, education, telecommunications/call center, entertainment and supply chain/distribution industries continue to grow for Atlanta, as our business climate, location to major transportation hubs, technology, quality of life and highly educated talent pool remain favorable for corporate relocations.

## LEASING HIGHLIGHTS

Select Markets by Vacancy Rate (YTD)

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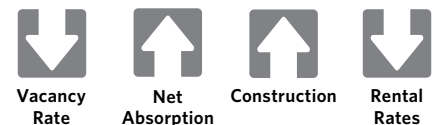
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## MARKET INDICATORS



**VACANCY**

The overall vacancy rate at the end of the first quarter 2013 is 18.4%, down slightly from the previous quarter when it was 18.6%. The current rate represents over 38 million square feet of vacant office space throughout the Metro Atlanta Office market, a 5.85% decrease from this time last year. The current amount of vacant sublease space is 1.5 million square feet.

**NET ABSORPTION**

At the close of the quarter, an overall net absorption of 385,967 SF was reported, a significant increase over the previous quarter and an increase from this time last year. The recorded net absorption for the current quarter by class follows: Class A: 317,869 SF, Class B: 30,545 SF and Class C: 37,553 SF (All categories positive.)

Leasing activity was over 2 million square feet for the quarter, down slightly from the previous quarter.

**YTD NET ABSORPTIONS BY BUILDING TYPE**

» CLASS A	317,869 SF
» CLASS B	30,545 SF
» CLASS C	37,553 SF
» YTD	<b>385,967 SF</b>

**CONSTRUCTION ACTIVITY**

At the close of the quarter, the Atlanta Office market had 2 buildings, totaling 53,000 SF, in new construction deliveries. This compares to 543,337 SF in deliveries last quarter and 83,500 SF this time last year.

Currently there is 1,233,007 SF of new office projects under construction (9 buildings), a significant increase from this same time last year.

The largest project currently underway is Ponce City Market, a 450,000 SF building located in Midtown scheduled for completion in early next year (reposition/renovation.)

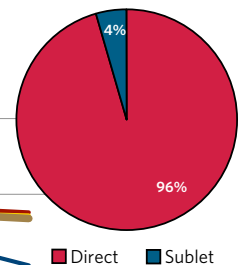
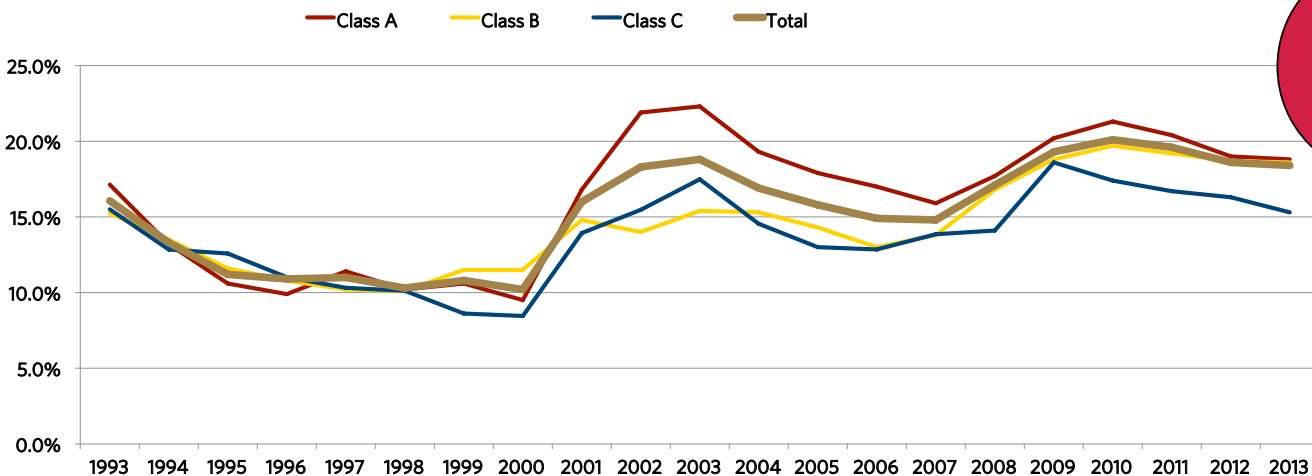
**QUOTED RENTAL RATES**

The current overall quoted Atlanta Office rental rate of \$19.21 PSF represented a \$0.30 PSF decrease in rental rates from the end of the previous quarter, when rents were \$19.51 PSF.

The Class A rental rates are reported at \$22.12 PSF with the highest rate reported in the Midtown submarket at \$27.39 with Buckhead rates closely following at \$26.00 PSF.

Class B sector ended the quarter with quoted rental rates of \$16.06 PSF, which is \$0.30 lower than last quarter and slightly lower than this time last year.

**VACANCY RATES BY CLASS**



## MARKET HIGHLIGHTS

### Significant First Quarter 2013 Lease Transactions (New & Renewal)

Building	Submarket	Square Feet	Tenant Name
900 Towne Lake Parkway	Cherokee County	100,816	Northside Hospital
1775 W Oak Commons Court	East Cobb	79,854	MiMedx
Concourse Coporate Center Five	Cental Perimeter	50,994	Willis Insurance Services
Mansell Overlook 500	North Fulton	28,619	N/A
Royal Centre One	North Fulton	26,636	N/A

### Significant First Quarter 2013 Construction Deliveries

Building	Submarket	Square Feet	Class
2061 Peachtree Road	Buckhead	47,500	A

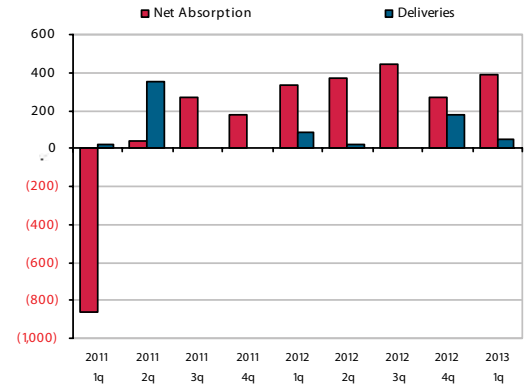
### Significant First Quarter 2013 Properties Under Construction

Building	Submarket	Square Feet	Delivery
Ponce City Market	Midtown Atlanta	450,000	1Q 2014
Porsche Cars NA Facility	South Atlanta	200,000	2Q2014
Northside Cherokee Medical	Northwest Atlanta	100,786	3Q2013
1725 Breckinridge Plaza	Northeast Atlanta	60,000	3Q2013

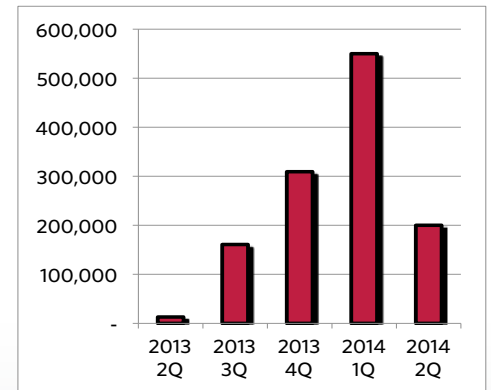
### All Construction Activity (Markets Ranked by Under Construction Square Footage)

Market	Under Construction Inventory				Available SF
	# Bldgs	Total RBA	Preleased SF	Preleased %	
Midtown Atlanta	1	450,000	0	0.0%	450,000
Northlake	2	302,971	302,971	100.0%	0
South Atlanta	1	200,000	200,000	100.0%	0
Northwest Atlanta	3	120,036	117,436	97.8%	2,600
Buckhead	1	100,000	100,000	100.0%	0
Northeast Atlanta	1	60,000	60,000	100.0%	0
North Fulton	0	0	0	0.0%	0
Central Perimeter	0	0	0	0.0%	0
Downtown Atlanta	0	0	0	0.0%	0
West Atlanta	0	0	0	0.0%	0
<b>Totals</b>	<b>9</b>	<b>1,233,007</b>	<b>780,407</b>	<b>63.3%</b>	<b>452,600</b>

## ABSORPTION & DELIVERIES

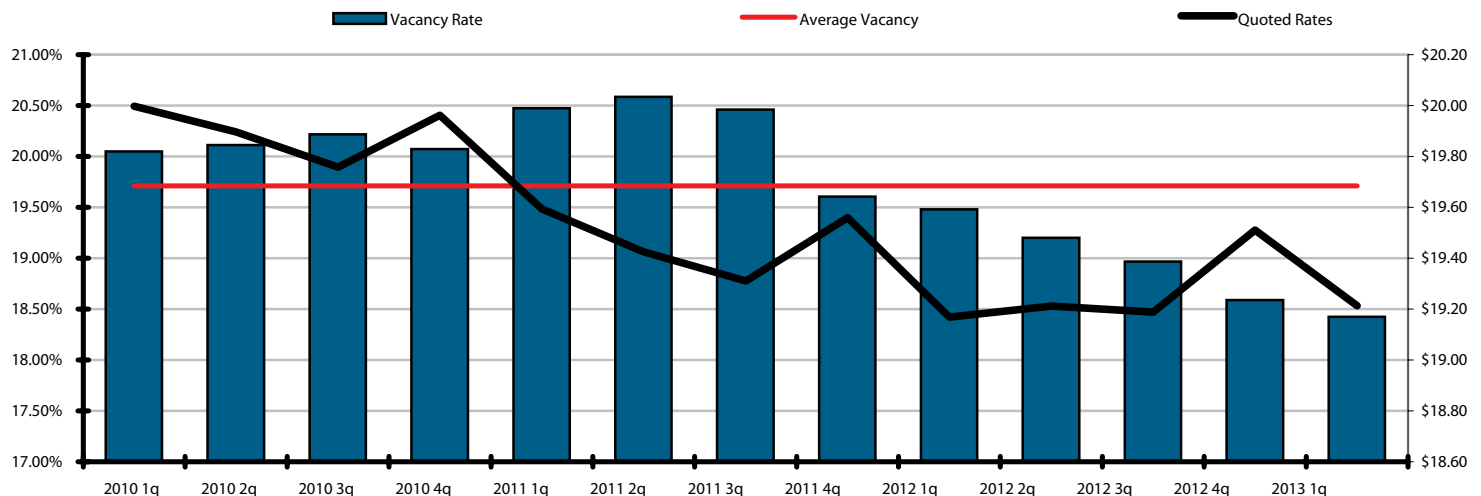


## FUTURE DELIVERIES



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## OVERALL VACANCY & QUOTED RATES



# TOTAL ATLANTA OFFICE MARKET STATISTICS

FIRST QUARTER 2013

Market	Existing Inventory		Vacancy				YTD Net Absorption	YTD Deliveries	Under Const SF	Quoted Rates
	# Bldgs	Total RBA	Direct SF	Sublease SF	Total SF	Vac%				
Buckhead	123	21,063,231	3,713,264	200,135	3,913,399	18.6%	106,657	47,500	100,000	\$24.30
Central Perimeter	268	29,372,546	5,211,513	279,269	5,490,782	18.7%	103,096	0	0	\$20.42
Downtown Atlanta	158	26,071,172	4,568,058	287,066	4,855,124	18.6%	4,890	0	0	\$17.99
Midtown Atlanta	135	20,206,779	3,378,551	191,872	3,570,423	17.7%	(15,773)	0	450,000	\$25.15
North Fulton	340	24,230,182	4,607,974	177,798	4,785,772	19.8%	(28,093)	0	0	\$17.87
Northeast Atlanta	468	21,889,183	4,763,574	101,890	4,865,464	22.2%	(32,143)	0	60,000	\$16.16
Northlake	391	19,198,391	2,488,027	68,005	2,556,032	13.3%	22,244	0	290,000	\$17.23
Northwest Atlanta	465	31,525,124	5,647,098	202,658	5,849,756	18.6%	124,719	0	117,436	\$18.25
South Atlanta	307	12,862,240	1,800,106	81,642	1,881,748	14.6%	87,100	0	0	\$17.47
West Atlanta	67	3,227,552	854,260	462	854,722	26.5%	13,270	0	0	\$15.34
<b>TOTALS</b>	<b>2,722</b>	<b>209,646,400</b>	<b>37,032,425</b>	<b>1,590,797</b>	<b>38,623,222</b>	<b>18.4%</b>	<b>385,967</b>	<b>47,500</b>	<b>1,017,436</b>	<b>\$19.21</b>

## CLASS "A" STATISTICS

Market	Existing Inventory		Vacancy				YTD Net Absorption	YTD Deliveries	Under Const SF	Quoted Rates
	# Bldgs	Total RBA	Direct SF	Sublease SF	Total SF	Vac%				
Buckhead	49	15,326,458	2,732,876	166,298	2,899,174	18.9%	72,468	47,500	100,000	\$26.00
Central Perimeter	77	20,155,225	2,978,810	192,179	3,170,989	15.7%	(25,199)	0	0	\$22.42
Downtown Atlanta	26	13,822,484	3,017,533	284,856	3,302,389	23.9%	19,226	0	0	\$19.16
Midtown Atlanta	33	14,362,060	2,542,746	136,524	2,679,270	18.7%	(10,177)	0	450,000	\$27.39
North Fulton	101	14,250,448	2,836,651	57,519	2,894,170	20.3%	35,658	0	0	\$19.86
Northeast Atlanta	63	6,582,713	1,499,650	52,413	1,552,063	23.6%	(29,314)	0	60,000	\$19.48
Northlake	22	2,959,378	396,025	22,546	418,571	14.1%	32,362	0	290,000	\$20.17
Northwest Atlanta	74	15,415,379	2,146,153	127,032	2,273,185	14.7%	178,576	0	100,786	\$21.57
South Atlanta	22	1,470,243	369,800	31,170	400,970	27.3%	44,269	0	0	\$20.43
West Atlanta	1	71,500	0	0	0	0.0%	0	0	0	\$0.00
<b>TOTALS</b>	<b>468</b>	<b>104,415,888</b>	<b>18,520,244</b>	<b>1,070,537</b>	<b>19,590,781</b>	<b>18.8%</b>	<b>317,869</b>	<b>47,500</b>	<b>0</b>	<b>\$22.12</b>

## CLASS "B" STATISTICS

Market	Existing Inventory		Vacancy				YTD Net Absorption	YTD Deliveries	Under Const SF	Quoted Rates
	# Bldgs	Total RBA	Direct SF	Sublease SF	Total SF	Vac%				
Buckhead	51	5,172,220	928,923	33,637	962,560	18.6%	37,290	0	0	\$19.39
Central Perimeter	140	8,035,768	1,886,870	87,090	1,973,960	24.6%	112,682	0	0	\$17.96
Downtown Atlanta	77	9,343,571	1,221,389	1,310	1,222,699	13.1%	2,438	0	0	\$15.20
Midtown Atlanta	81	5,223,018	808,288	43,924	852,212	16.3%	(20,758)	0	0	\$17.73
North Fulton	213	9,257,055	1,706,327	120,279	1,826,606	19.7%	(62,540)	0	0	\$14.86
Northeast Atlanta	343	13,475,416	3,119,067	44,017	3,163,084	23.5%	(365)	0	0	\$14.48
Northlake	274	13,119,888	1,844,267	45,459	1,889,726	14.4%	(12,701)	0	0	\$17.32
Northwest Atlanta	322	13,873,810	3,286,241	75,626	3,361,867	24.2%	(53,784)	0	16,650	\$15.37
South Atlanta	207	9,169,482	963,344	50,472	1,013,816	11.1%	27,995	0	0	\$17.15
West Atlanta	43	1,496,467	159,314	0	159,314	10.6%	288	0	0	\$14.87
<b>TOTALS</b>	<b>1,751</b>	<b>88,166,695</b>	<b>15,924,030</b>	<b>501,814</b>	<b>16,425,844</b>	<b>18.6%</b>	<b>30,545</b>	<b>0</b>	<b>16,650</b>	<b>\$16.06</b>

## CLASS "C" STATISTICS

Market	Existing Inventory		Vacancy				YTD Net Absorption	YTD Deliveries	Under Const SF	Quoted Rates
	# Bldgs	Total RBA	Direct SF	Sublease SF	Total SF	Vac%				
Buckhead	23	564,553	51,465	200	51,665	9.2%	(3,101)	0	0	\$18.06
Central Perimeter	51	1,181,553	345,833	0	345,833	29.3%	15,613	0	0	\$12.91
Downtown Atlanta	55	2,905,117	329,136	900	330,036	11.4%	(16,774)	0	0	\$14.75
Midtown Atlanta	21	621,701	27,517	11,424	38,941	6.3%	15,162	0	0	\$14.84
North Fulton	26	722,679	64,996	0	64,996	9.0%	(1,211)	0	0	\$12.34
Northeast Atlanta	62	1,831,054	144,857	5,460	150,317	8.2%	(2,464)	0	0	\$14.60
Northlake	95	3,119,125	247,735	0	247,735	7.9%	2,583	0	0	\$13.22
Northwest Atlanta	69	2,235,935	214,704	0	214,704	9.6%	(73)	0	0	\$15.49
South Atlanta	78	2,222,515	466,962	0	466,962	21.0%	14,836	0	0	\$14.62
West Atlanta	23	1,659,585	694,946	462	695,408	41.9%	12,982	0	0	\$16.06
<b>TOTALS</b>	<b>503</b>	<b>17,063,817</b>	<b>2,588,151</b>	<b>18,446</b>	<b>2,606,597</b>	<b>15.3%</b>	<b>37,553</b>	<b>0</b>	<b>0</b>	<b>\$14.31</b>

Source: CoStar Group, Inc.