NAI Brannen Goddard

4Q'13

Atlanta Office
Market Report

MARKET SNAPSHOT

Market Overview

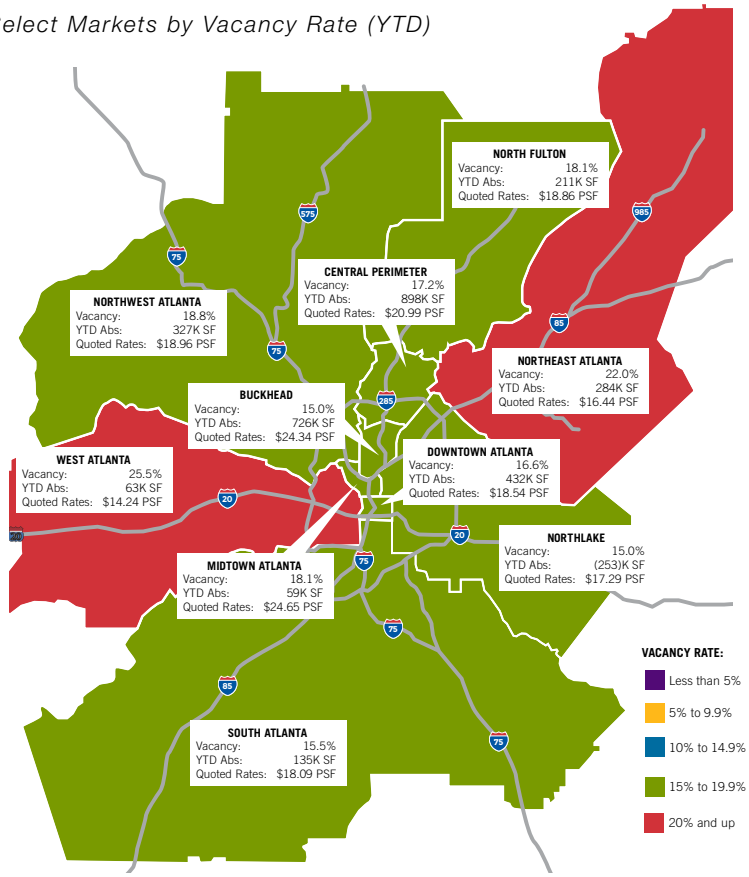
The Atlanta Office market ended the fourth quarter 2013 with a vacancy rate of 17.7%. This rate represents a decrease from the previous quarter rate of 18.2%. This decrease occurred in a quarter where Atlanta saw 1,175,006 SF in positive net absorption and 60,000 SF (1 building), delivered to the market. Quoted rental rates ended the quarter at $19.61 PSF, up from the last quarter rate of $19.37 PSF. Currently there is over 2 million SF of office product under construction in Metro Atlanta.

Economic Overview

The US economy's growth had a slow start in 2013, but strengthened towards the end of the year. GDP growth was slower than forecasted; however incoming economic data appears positive in relation to US trade, manufacturing and housing. Retail sales grew by 0.7% in the fourth quarter and housing starts were at a six-year high. Investors kept a keen eye on the Labor Department's monthly jobs data as the unemployment rate dropped to 7.0%. The Fed's promise to maintain a low interest rate was likely the leading factor in the increased equity market activity. Consumer confidence is below projection, but is forecasted to rebound as the job market recovers.

LEASING HIGHLIGHTS

Select Markets by Vacancy Rate (YTD)



Market Indicators

	Current	Change from last Qtr.	Change from last Yr.
Vacancy	17.7%	▼	▼
Net Absorption	1,175,006 SF	▲	▲
Construction	2,002,654 SF	▲	▲
Rental Rates	$19.61 PSF	▲	▲

Economic Indicators

	4Q'13	4Q'12
Atlanta Employment	2.53M	2.50M
Atlanta Unemployment	7.0%	8.1%
Georgia Unemployment	7.7%	8.7%
U.S. Unemployment	7.0%	6.7%

Information is deemed from reliable sources. No warranty is made as to its accuracy.

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FOURTH QUARTER 2013

Vacancy

The overall vacancy rate is down 0.5% from the previous quarter to 17.7% at the end of the fourth quarter 2013. The current rate represents over 37 million SF of vacant office space throughout the Metro Atlanta Office market, a -6% decrease from this time last year. The current amount of vacant sublease space is 1.3 million SF.

Net Absorption

At the close of the quarter, an overall net absorption of 1,175,006 SF was reported, an increase over the previous quarter and a significant increase from this time last year. The recorded net absorption for the current quarter by class follows: Class A: 887,059 SF, Class B: 200,091 SF and Class C: 87,856 SF.

Leasing activity was over 3.2 million square feet for the quarter, up from the previous quarter.

Construction Activity

At the close of the quarter, the Atlanta Office market had 1 building, totaling 60,000 SF, in new construction deliveries. This compares to 175,240 SF in deliveries last quarter and 568,799 SF this time last year.

Currently there is 2,002,654 SF of new office projects under construction (12 buildings), an increase from this same time last year. (See All Construction Activity chart showing that the majority are preleased.)

The largest projects currently underway are Ponce City Market, a 487,034 SF building located in Midtown scheduled for completion in the third quarter of this year (reposition/renovation) and Cox Communications, a 578,000 SF building in Central Perimeter scheduled for completion in the second quarter of 2015.

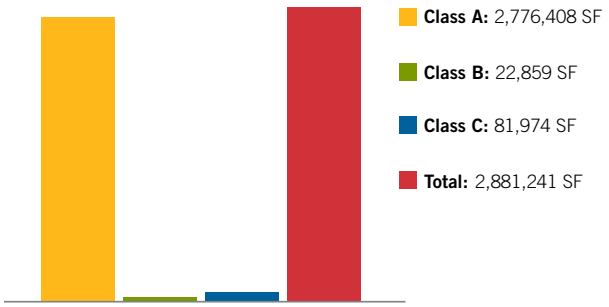
Quoted Rental Rates

The current overall quoted Atlanta Office rental rate of $19.61 PSF represented a $0.24 PSF decrease in rental rates from the end of the previous quarter, when rents were $19.37 PSF.

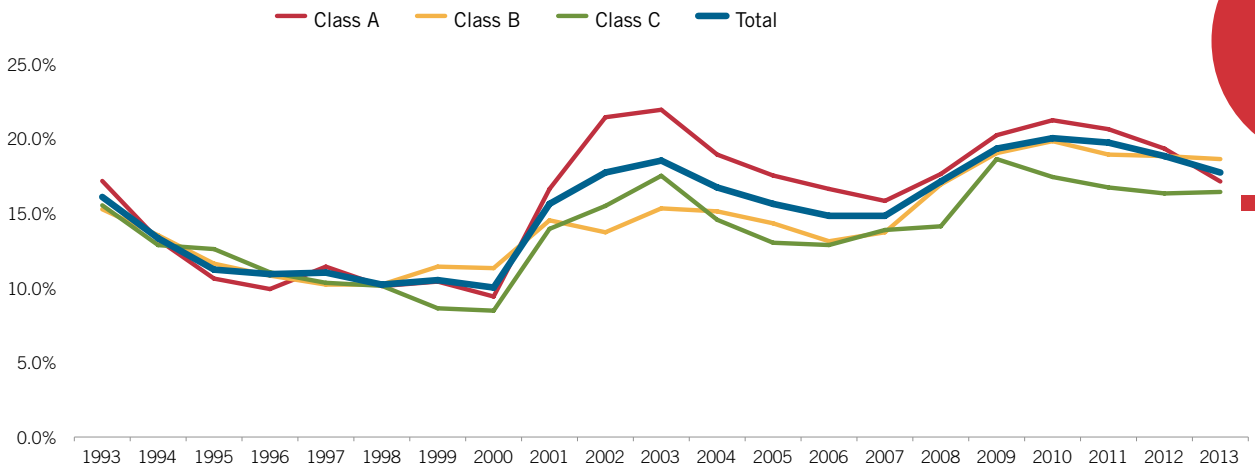
The Class A rental rates are reported at $22.30 PSF with the highest rate reported in the Midtown submarket at $26.19 with Buckhead rates closely following at $26.12 PSF.

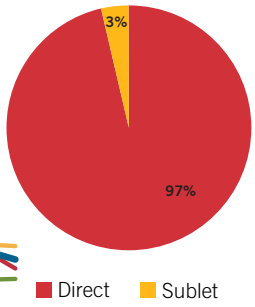
Class B sector ended the quarter with quoted rental rates of $16.76 PSF, which is $0.24 higher than last quarter and $0.27 higher than this time last year.

YTD NET ABSORPTIONS BY BUILDING TYPE



VACANCY RATES BY CLASS





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FOURTH QUARTER 2013

Market Highlights

Significant Fourth Quarter 2013 Lease Transactions (New and Renewal)			
Building	Submarket	Square Feet	Tenant Name
Johns Creek - State Farm	N Fulton/Forsyth County	476,692	State Farm Insurance
The Plaza	Upper Buckhead	157,687	RSUI Group, Inc.
Ponce City Market	Midtown/Pershing Point	115,000	MailChimp
Circle 75 Office Park - Bldg 1100	Cumberland/Galleria	52,976	Centene
One Alliance Center	Upper Buckhead	45,827	Novelis

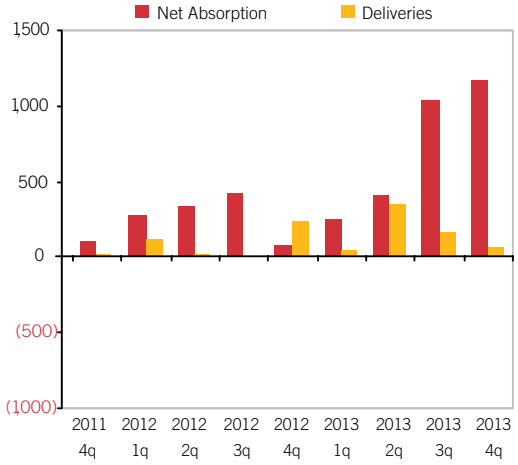
Significant Fourth Quarter 2013 Construction Deliveries			
Building	Submarket	Square Feet	Class
Henry Physician Center	South Atlanta	60,000	A

Significant Fourth Quarter 2013 Properties Under Construction			
Building	Submarket	Square Feet	Delivery
Cox Communications	Central Perimeter	578,000	2Q 2015
Ponce City Market	Midtown Atlanta	487,034	3Q 2014
4770 Buford Hwy	Northlake	290,000	1Q 2014
Porsche Cars North America	South Atlanta	200,000	2Q 2014
Buckhead Atlanta	Buckhead	125,000	1Q 2014

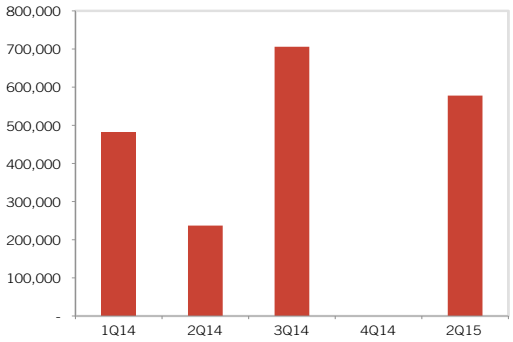
All Construction Activity (Markets Ranked by Under Construction Square Footage)

		Under Construction Inventory			
Market	# Bldgs	Total RBA	Preleased SF	Preleased %	Available SF
Central Perimeter	1	578,000	578,000	100.0%	0
Midtown Atlanta	1	487,034	370,146	76.0%	116,888
Northlake	3	333,000	318,880	95.8%	14,120
North Fulton	2	218,904	62,348	28.5%	156,556
South Atlanta	1	200,000	200,000	100.0%	0
Buckhead	2	162,000	112,500	69.4%	49,500
Northwest Atlanta	1	16,650	16,650	100.0%	0
West Atlanta	1	7,066	2,332	33.0%	4,734
Northeast Atlanta	0	0	0	0.0%	0
Downtown Atlanta	0	0	0	0.0%	0
Totals	12	2,002,654	1,660,856	82.9%	341,798

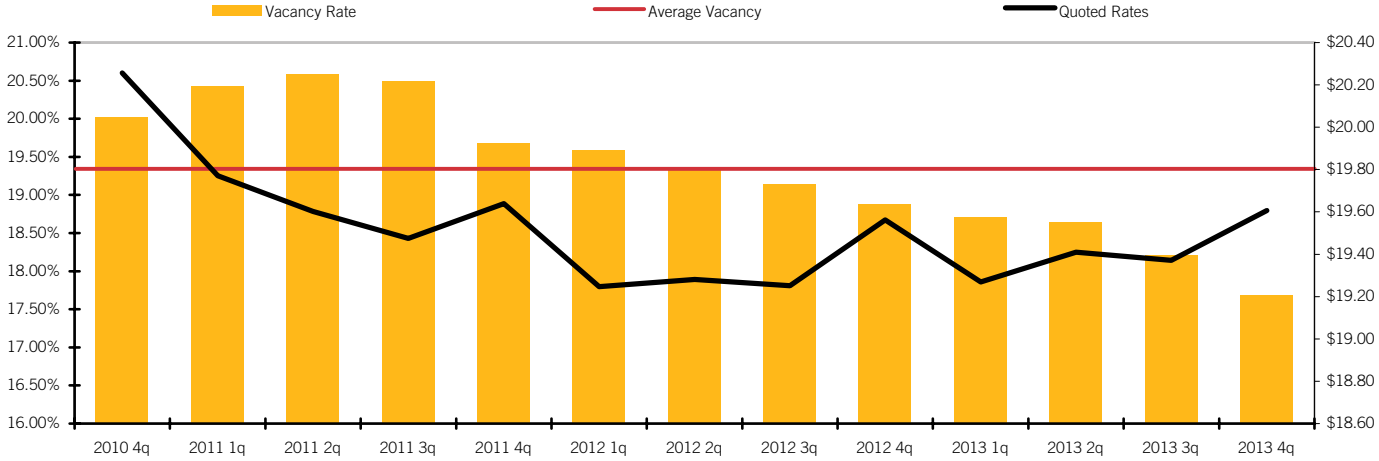
ABSORPTION & DELIVERIES



FUTURE DELIVERIES



OVERALL VACANCY & QUOTED RATES



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FOURTH QUARTER 2013

TOTAL ATLANTA OFFICE MARKET 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	115	20,577,388	2,983,171	98,058	3,081,229	15.0%	726,094	47,500	162,000	$24.34
Central Perimeter	259	29,272,155	4,783,395	259,613	5,043,008	17.2%	897,643	0	0	$20.99
Downtown Atlanta	158	26,429,990	4,296,660	98,711	4,395,371	16.6%	431,825	0	0	$18.54
Midtown Atlanta	138	20,326,534	3,538,101	148,676	3,686,777	18.1%	59,210	0	487,034	$24.65
North Fulton	341	24,587,608	4,347,720	111,932	4,459,652	18.1%	211,218	0	218,904	$18.86
Northeast Atlanta	473	22,323,993	4,831,294	78,467	4,909,761	22.0%	283,786	404,476	0	$16.44
Northlake	397	19,334,541	2,731,556	160,728	2,892,284	15.0%	(253,324)	0	328,000	$17.29
Northwest Atlanta	470	31,564,174	5,711,454	210,700	5,922,154	18.8%	327,037	100,000	16,650	$18.96
South Atlanta	306	12,945,818	1,925,921	85,568	2,011,489	15.5%	135,234	60,000	0	$18.09
West Atlanta	69	3,315,503	801,474	44,000	845,474	25.5%	62,518	0	0	$14.24
TOTALS	**2,726**	**210,677,704**	**35,950,746**	**1,296,453**	**37,247,199**	**17.7%**	**2,881,241**	**611,976**	**1,212,588**	**$19.61**

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	46	15,656,319	2,244,255	63,508	2,307,763	14.7%	658,152	47,500	125,000	$26.12
Central Perimeter	77	20,223,420	2,433,132	211,523	2,644,655	13.1%	771,509	0	0	$23.19
Downtown Atlanta	26	13,852,153	2,805,322	97,401	2,902,723	21.0%	416,216	0	0	$18.89
Midtown Atlanta	34	14,639,566	2,771,124	93,219	2,864,343	19.6%	(79,916)	0	487,034	$26.19
North Fulton	101	14,283,793	2,620,266	106,067	2,726,333	19.1%	226,990	0	218,904	$20.58
Northeast Atlanta	66	7,082,196	1,438,938	29,468	1,468,406	20.7%	426,384	404,476	0	$19.41
Northlake	25	3,512,544	396,471	113,937	510,408	14.5%	(38,069)	0	290,000	$19.36
Northwest Atlanta	74	15,155,915	2,229,344	63,453	2,292,797	15.1%	324,130	100,000	0	$22.01
South Atlanta	24	1,655,393	459,074	15,000	474,074	28.6%	71,012	60,000	0	$20.86
West Atlanta	1	71,500	0	0	0	0.0%	0	0	0	$0.00
TOTALS	**474**	**106,132,799**	**17,397,926**	**793,576**	**18,191,502**	**17.1%**	**2,776,408**	**611,976**	**1,120,938**	**$22.30**

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	46	4,355,393	669,562	34,550	704,112	16.2%	69,232	0	37,000	$19.10
Central Perimeter	134	7,918,530	2,034,128	48,090	2,082,218	26.3%	88,949	0	0	$18.72
Downtown Atlanta	74	9,076,869	812,738	1,310	814,048	9.0%	20,192	0	0	$18.36
Midtown Atlanta	81	5,004,689	729,103	44,033	773,136	15.4%	106,745	0	0	$17.72
North Fulton	213	9,580,055	1,677,884	5,865	1,683,749	17.6%	13,341	0	0	$15.67
Northeast Atlanta	343	13,492,759	3,271,904	48,999	3,320,903	24.6%	(173,299)	0	0	$15.00
Northlake	276	12,487,705	2,090,487	38,051	2,128,538	17.0%	(197,354)	0	38,000	$16.98
Northwest Atlanta	332	14,563,215	3,313,193	147,247	3,460,440	23.8%	(13,508)	0	16,650	$16.51
South Atlanta	204	9,027,719	997,192	66,821	1,064,013	11.8%	67,742	0	0	$18.45
West Atlanta	45	1,584,418	118,783	44,000	162,783	10.3%	40,819	0	0	$13.56
TOTALS	**1,748**	**87,091,352**	**15,714,974**	**478,966**	**16,193,940**	**18.6%**	**22,859**	**0**	**91,650**	**$16.76**

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	565,676	69,354	0	69,354	12.3%	(1,290)	0	0	$18.71
Central Perimeter	48	1,130,205	316,135	0	316,135	28.0%	37,185	0	0	$12.74
Downtown Atlanta	58	3,500,968	678,600	0	678,600	19.4%	(4,583)	0	0	$14.81
Midtown Atlanta	23	682,279	37,874	11,424	49,298	7.2%	32,381	0	0	$13.44
North Fulton	27	723,760	49,570	0	49,570	6.8%	(29,113)	0	0	$14.89
Northeast Atlanta	64	1,749,038	120,452	0	120,452	6.9%	30,701	0	0	$14.25
Northlake	96	3,334,292	244,598	8,740	253,338	7.6%	(17,901)	0	0	$14.68
Northwest Atlanta	64	1,845,044	168,917	0	168,917	9.2%	16,415	0	0	$13.97
South Atlanta	78	2,262,706	469,655	3,747	473,402	20.9%	(3,520)	0	0	$14.02
West Atlanta	23	1,659,585	682,691	0	682,691	41.1%	21,699	0	0	$16.80
TOTALS	**504**	**17,453,553**	**2,837,846**	**23,911**	**2,861,757**	**16.4%**	**81,974**	**0**	**0**	**$14.36**

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