2Q'14

Atlanta Office
Market Report

Market Overview

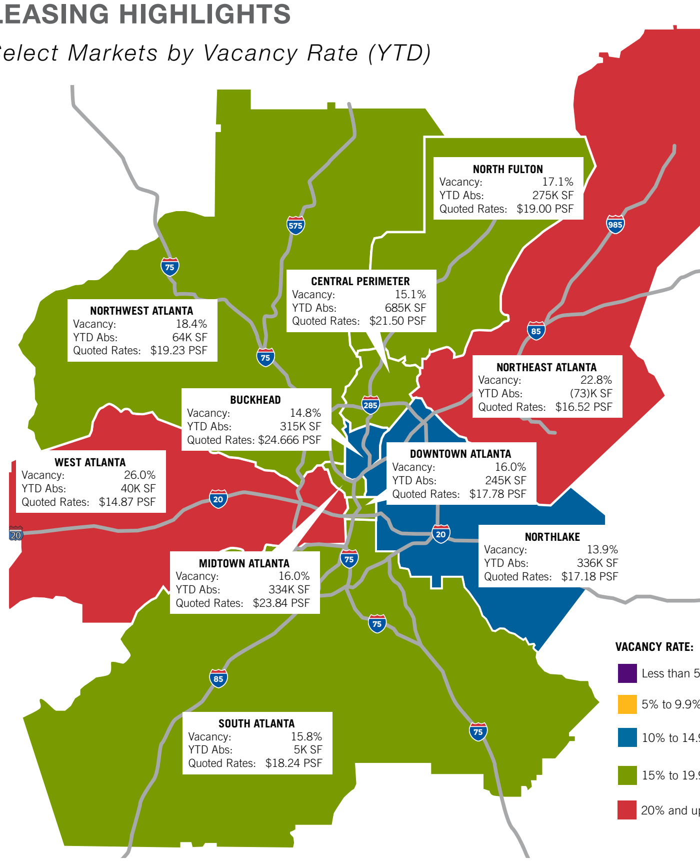
The Atlanta Office market ended the second quarter 2014 with a vacancy rate of 16.9%. This rate represents a decrease from the previous quarter rate of 17.3%. This improvement occurred in a quarter where Atlanta saw 903,140 SF in positive net absorption and 87,880 SF (3 buildings), delivered to the market. Quoted rental rates ended the quarter at $19.62 PSF, up from the last quarter rate of $19.42 PSF. Currently there is over 1.5 million SF of office product under construction in Metro Atlanta.

Economic Overview

US Economic growth has warmed with the weather this year as all signs point to a rebound in the second half. Consumer confidence jumped to the highest peak since mid-2007 in June. Consumer investment in durable goods has also gained momentum, while home and auto sales ramped up considerably. Households have boosted spending though retail sales saw a lackluster increase of only 0.3%, evidence that consumers still remain cautious. The labor market shows improvement as the national unemployment rate fell to 6.1%. That rate may fluctuate in the latter part of the year as hiring is expected to increase, enticing more people to return to the workforce. Business spending is also moderately increasing after sharp contraction in the first quarter.

LEASING HIGHLIGHTS

Select Markets by Vacancy Rate (YTD)



MARKET SNAPSHOT

Market Indicators

	2Q'14	Change from last Qtr.	Change from last Yr.
Vacancy	16.9%	▼	▼
Net Absorption	903,140 SF	▼	▲
Deliveries	87,880 SF	▼	▼
Rental Rates	$19.62 PSF	▲	▲

Economic Indicators

	2Q'14	2Q'13
Atlanta Employment	2.55M	2.51M
Atlanta Unemployment	7.3%	8.0%
Georgia Unemployment	7.5%	8.2%
U.S. Unemployment	6.1%	7.3%

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SECOND QUARTER 2014

Vacancy

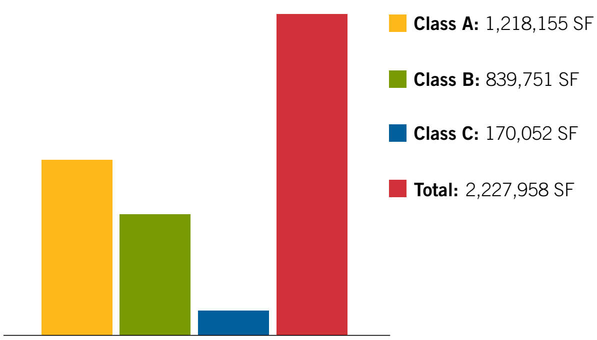
The overall vacancy rate is down 0.4% from the previous quarter to 16.9% at the end of the second quarter 2014. The current rate represents over 35 million SF of vacant office space throughout the Metro Atlanta Office market, a -9% decrease from this time last year. The current amount of vacant sublease space is 1.2 million SF, down from last quarter's sublease vacancy of 1.3 million SF.

Net Absorption

At the close of the quarter, an overall net absorption of 903,140 SF was reported, a decrease 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: 451,847 SF, Class B: 414,741 SF and Class C: 36,552 SF.

Leasing activity was over 2.2 million square feet for the quarter, down from the previous quarter.

YTD NET ABSORPTIONS BY BUILDING TYPE



Construction Activity

At the close of the quarter, the Atlanta Office market had 3 buildings, totaling 87,880 SF, in new construction deliveries. This compares to 401,818 SF in deliveries last quarter and 371,533 SF this time last year.

Currently there is 1,564,642 SF of new office projects under construction (9 buildings), an increase from this same time last year.

The largest projects currently underway are Ponce City Market, a 1,050,000 SF mixed-use facility in Midtown containing 450,000 SF of office space (77% pre-leased) scheduled for completion in the third quarter of this year (reposition/renovation) and Cox Communications, a 578,000 SF building (100% pre-leased) in Central Perimeter scheduled for completion in the second quarter of 2015.

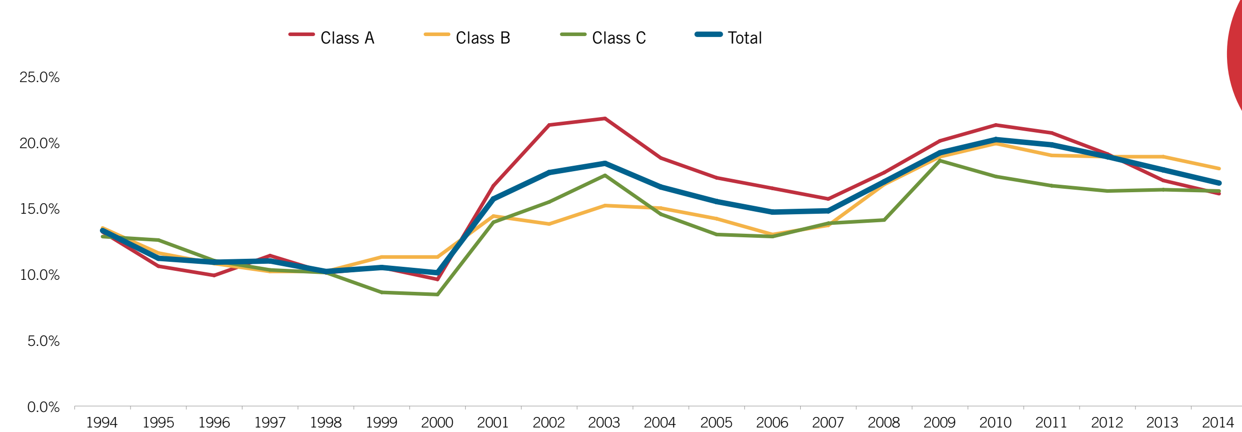
Quoted Rental Rates

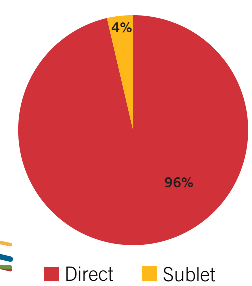
The current overall quoted Atlanta Office rental rate of $19.62 PSF represented a $0.20 PSF increase in rental rates from the end of the previous quarter, when rents were $19.42 PSF.

The Class A rental rates are reported at $22.47 PSF with the highest rate reported in the Midtown submarket at $26.06 with Buckhead rates closely following at $26.02 PSF.

Class B sector ended the quarter with quoted rental rates of $16.82 PSF, which is $0.20 higher than last quarter and $0.43 higher than this time last year.

VACANCY RATES BY CLASS





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SECOND QUARTER 2014

Market Highlights

Significant Second Quarter 2014 Lease Transactions (New and Renewal)

Building	Submarket	Square Feet	Tenant Name
1979 Lakeside Pky	Northlake/Lavista	88,000	AMEC PLC
Wildwood Center	Cumberland/Galleria	58,357	DS Services
400 Northpark	Central Perimeter	46,859	Altisource
5405 Windward Pky	N Fulton/Forsyth County	35,186	Andritz Hydro

Significant Second Quarter 2014 Construction Deliveries

Building	Submarket	Square Feet	Class
148 Bill Carruth Pky	West Atlanta	77,000	B
12220 Birmingham Hwy - Bldg B	North Fulton	5,600	B
Powder Springs Ventures Pk, #100	Northwest Atlanta	5,280	B

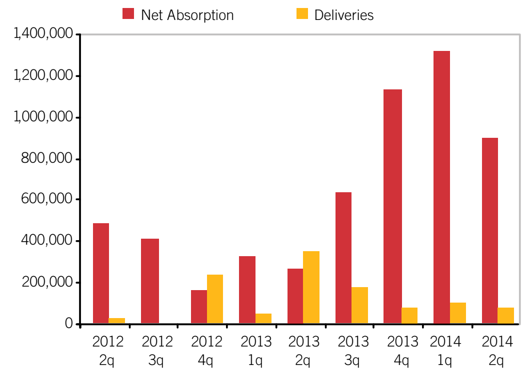
Significant Second Quarter 2014 Properties Under Construction

Building	Submarket	Square Feet	Delivery
Cox Communications	Central Perimeter	578,000	2Q 2015
Ponce City Market	Midtown Atlanta	487,034	3Q 2014
Porsche Cars North America	South Atlanta	200,000	3Q 2014
Buckhead Atlanta	Buckhead	125,000	3Q 2014

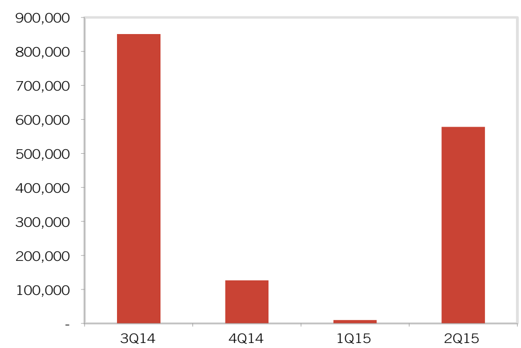
All Construction Activity (Markets Ranked by Under Construction Square Footage)

	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	375,016	77.0%	112,018
South Atlanta	1	200,000	200,000	100.0%	0
Buckhead	1	125,000	111,250	89.0%	13,750
North Fulton	2	109,958	109,958	100%	0
Northlake	1	38,000	28,880	76.0%	9,120
Northwest Atlanta	1	16,650	0	0.0%	16,650
Northeast Atlanta	1	10,000	0	0.0%	10,000
Downtown Atlanta	0	0	0	0.0%	0
West Atlanta	0	0	0	0.0%	0
Totals	9	1,554,652	1,403,104	90.3%	161,538

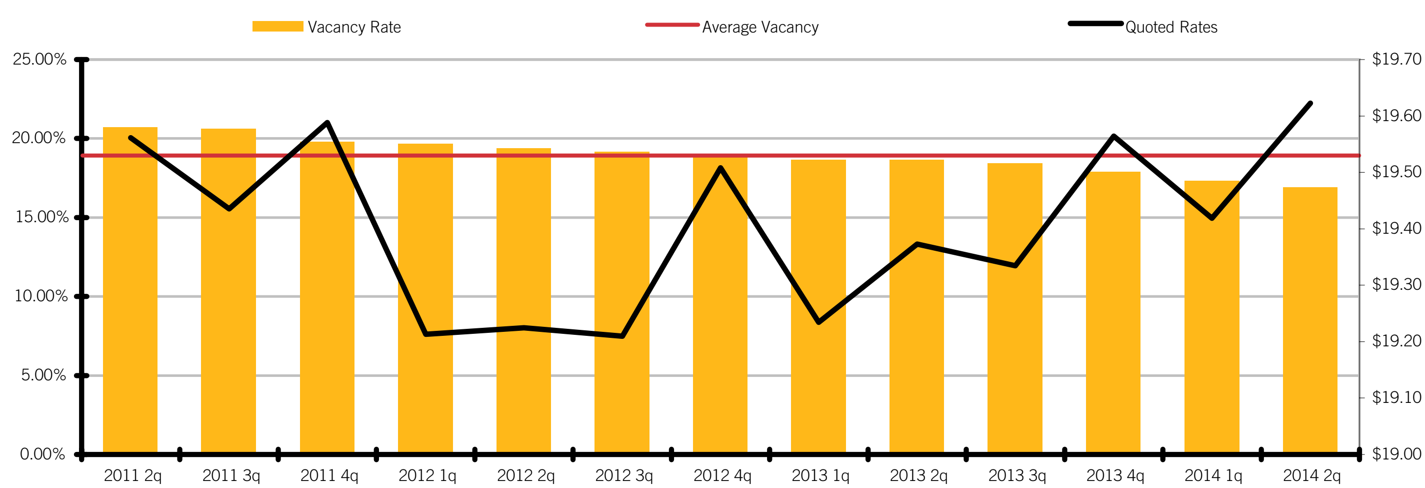
ABSORPTION & DELIVERIES



FUTURE DELIVERIES



OVERALL VACANCY & QUOTED RATES



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SECOND QUARTER 2014

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	116	20,409,040	2,919,713	103,743	3,023,456	14.8%	315,431	0	125,000	$24.66
Central Perimeter	255	29,139,309	4,119,792	266,715	4,386,507	15.1%	685,456	0	0	$21.50
Downtown Atlanta	157	26,394,858	4,109,572	103,356	4,212,928	16.0%	244,728	0	0	$17.78
Midtown Atlanta	135	20,421,073	3,176,979	80,930	3,257,909	16.0%	333,850	0	487,034	$23.84
North Fulton	344	24,692,028	4,090,582	123,677	4,214,259	17.1%	275,233	100,000	109,958	$19.00
Northeast Atlanta	470	22,198,674	4,961,955	99,041	5,060,996	22.8%	(73,042)	0	0	$16.52
Northlake	390	18,987,075	2,513,405	121,791	2,635,196	13.9%	335,680	0	38,000	$17.18
Northwest Atlanta	472	31,752,624	5,578,220	258,874	5,837,094	18.4%	64,436	0	16,650	$19.23
South Atlanta	306	12,960,306	1,956,040	88,701	2,044,741	15.8%	5,453	0	0	$18.24
West Atlanta	70	3,393,171	881,741	0	881,741	26.0%	40,733	77,000	0	$14.87
TOTALS	**2,715**	**210,348,158**	**34,307,999**	**1,246,828**	**35,554,827**	**16.9%**	**2,227,958**	**177,000**	**776,642**	**$19.62**

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	48	15,741,619	2,234,092	98,440	2,332,532	14.8%	229,093	0	125,000	$26.02
Central Perimeter	77	20,276,862	2,002,836	209,597	2,212,433	10.9%	461,946	0	0	$23.90
Downtown Atlanta	26	13,852,153	2,599,703	101,196	2,700,899	19.5%	178,588	0	0	$18.67
Midtown Atlanta	35	14,900,264	2,456,053	64,830	2,520,883	16.9%	260,241	0	487,034	$26.06
North Fulton	101	14,285,311	2,466,569	109,703	2,576,272	18.0%	174,386	100,000	109,958	$21.18
Northeast Atlanta	64	6,872,897	1,483,280	31,119	1,514,399	22.0%	(37,207)	0	0	$19.75
Northlake	24	3,267,152	260,411	105,843	366,254	11.2%	74,439	0	0	$19.53
Northwest Atlanta	73	15,300,594	2,299,941	98,153	2,398,094	15.7%	(155,170)	0	0	$22.49
South Atlanta	24	1,650,617	440,318	15,000	455,318	27.6%	31,839	0	0	$19.47
West Atlanta	1	71,500	0	0	0	0.0%	0	0	0	$0.00
TOTALS	**473**	**106,218,969**	**16,243,203**	**833,881**	**17,077,084**	**16.1%**	**1,218,155**	**100,000**	**721,992**	**$22.47**

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	4,117,505	596,387	5,303	601,690	14.6%	106,218	0	0	$19.70
Central Perimeter	130	7,732,242	1,840,863	57,118	1,897,981	24.5%	198,468	0	0	$18.96
Downtown Atlanta	72	8,945,737	765,267	2,160	767,427	8.6%	64,417	0	0	$18.55
Midtown Atlanta	79	4,903,199	694,016	16,100	710,116	14.5%	51,221	0	0	$18.39
North Fulton	215	9,655,957	1,570,038	13,974	1,584,012	16.4%	102,252	0	0	$15.53
Northeast Atlanta	339	13,517,288	3,338,109	67,922	3,406,031	25.2%	(40,371)	0	0	$15.03
Northlake	273	12,361,727	2,058,708	8,061	2,066,769	16.7%	111,370	0	38,000	$17.08
Northwest Atlanta	334	14,578,427	3,088,595	160,721	3,249,316	22.3%	235,273	0	16,650	$16.33
South Atlanta	205	9,064,983	1,047,521	69,954	1,117,475	12.3%	(27,090)	0	0	$18.91
West Atlanta	46	1,662,086	201,790	0	201,790	12.1%	37,993	77,000	0	$14.19
TOTALS	**1,739**	**86,539,151**	**15,201,294**	**401,313**	**15,602,607**	**18.0%**	**839,751**	**77,000**	**54,650**	**$16.82**

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	22	549,916	89,234	0	89,234	16.2%	(19,880)	0	0	$18.68
Central Perimeter	48	1,130,205	276,093	0	276,093	24.4%	25,042	0	0	$12.37
Downtown Atlanta	59	3,596,968	744,602	0	744,602	20.7%	1,723	0	0	$12.06
Midtown Atlanta	21	617,610	26,910	0	26,910	4.4%	22,388	0	0	$12.44
North Fulton	28	750,760	53,975	0	53,975	7.2%	(1,405)	0	0	$11.49
Northeast Atlanta	67	1,808,489	140,566	0	140,566	7.8%	4,536	0	0	$12.68
Northlake	93	3,358,196	194,286	7,887	202,173	6.0%	149,871	0	0	$12.83
Northwest Atlanta	65	1,873,603	189,684	0	189,684	10.1%	(15,667)	0	0	$14.16
South Atlanta	77	2,244,706	468,201	3,747	471,948	21.0%	704	0	0	$14.00
West Atlanta	23	1,659,585	679,951	0	679,951	41.0%	2,740	0	0	$17.10
TOTALS	**503**	**17,590,038**	**2,863,502**	**11,634**	**2,875,136**	**16.3%**	**170,052**	**0**	**0**	**$13.16**

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