NAI Brannen Goddard

4Q'14

Atlanta Office
Market Report

Market Overview

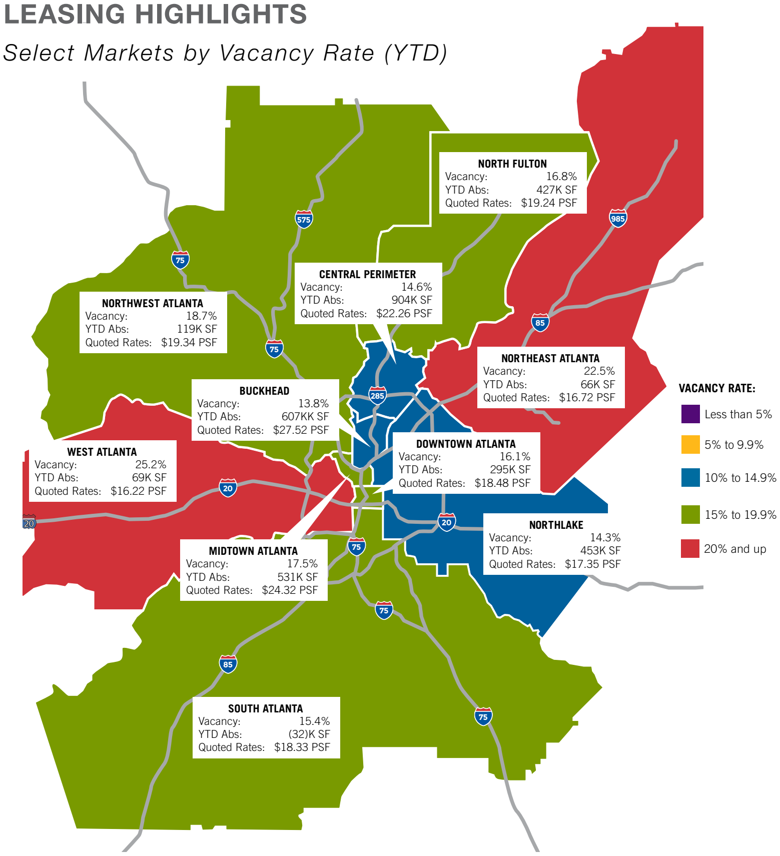
The Atlanta Office market ended the fourth quarter 2014 with a vacancy rate of 16.9%. This vacancy rate represents a decrease from the previous quarter of 17.3%. This decrease occurred in a quarter where Atlanta saw 930,993 SF in positive net absorption and 271,298 SF (4 buildings) delivered to the market. Quoted rental rates ended the quarter at $20.37 PSF, up from the last quarter rate of $19.85 PSF. Currently there is over 1.9 million SF of office product under construction in Metro Atlanta. This quarter saw substantial new construction driven by build-to-suit activity.

Economic Overview

The U.S. economy grew at an impressive rate in 2014 despite impact from the “polar vortex” during the first quarter. December saw 252,000 workers added to the workforce across all industries. In 2014, 2.5 million jobs were added to the workforce; the total number of job openings reached a 14-year high. GDP growth rang in at 2.3% for the year with more growth expected in 2015 as lower gas prices will leave more money in consumer’s pockets for goods and services. Business spending saw a 5% increase in 2014 and small business confidence hit its highest peak since 2006. Factories ended the year running at 77.2% of capacity which indicates a tipping point for expansion in order to meet demands. Inflation was under 1% mostly due to low gas prices, but deflation is not in the cards as the stronger economy is expected to boost inflation.

LEASING HIGHLIGHTS

Select Markets by Vacancy Rate (YTD)



MARKET SNAPSHOT

Market Indicators

	4Q’14	Change from last Qtr.	Change from last Yr.
Vacancy	16.9%	▼	▼
Net Absorption	930,993 SF	▲	▼
Deliveries	271,298 SF	▼	▲
Rental Rates	$20.37 PSF	▲	▲

Economic Indicators

	4Q'14	4Q'13
Atlanta Employment	2.55M	2.53M
Atlanta Unemployment	6.5%	7.0%
Georgia Unemployment	7.2%	7.6%
U.S. Unemployment	5.8%	7.0%

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

5555 Glenridge Connector, Suite 1100
Atlanta, GA 30342
404 812 4000
naibg.com

FOURTH QUARTER 2014

Vacancy

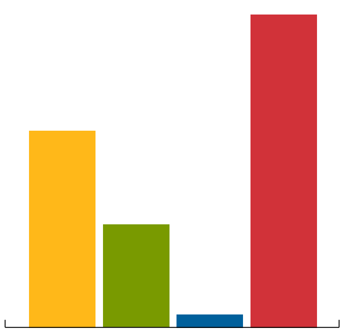
The overall vacancy rate at the end of the fourth quarter 2014 is 16.9%. The current rate represents over 35 million SF of vacant office space throughout the Metro Atlanta Office market, a -7% decrease from this time last year. The current amount of vacant sublease space is 1.43 million SF, down slightly from last quarter's sublease vacancy of 1.47 million SF.

Net Absorption

At the close of the quarter, an overall net absorption of 930,993 SF was reported, an increase over the previous quarter and a decrease from this time last year. The recorded net absorption for the current quarter by class follows: Class A: 635,314 SF, Class B: 333,615 SF and Class C: (37,936) SF.

Leasing activity was over 1.7 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 4 buildings, totaling 271,298 SF, in new construction deliveries. This compares to 727,122 SF in deliveries last quarter and 76,036 SF this time last year.

Currently there is 1,946,989 SF of new office projects under construction (8 buildings), a decrease from this same time last year.

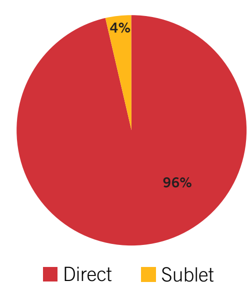
The largest projects currently underway are State Farm, a 585,000 SF building (100% pre-leased) in Central Perimeter scheduled for completion in the fourth quarter of 2016 and Cox Communications, a 578,000 SF building (100% pre-leased) in Central Perimeter scheduled for completion in the second quarter of 2015.

Quoted Rental Rates

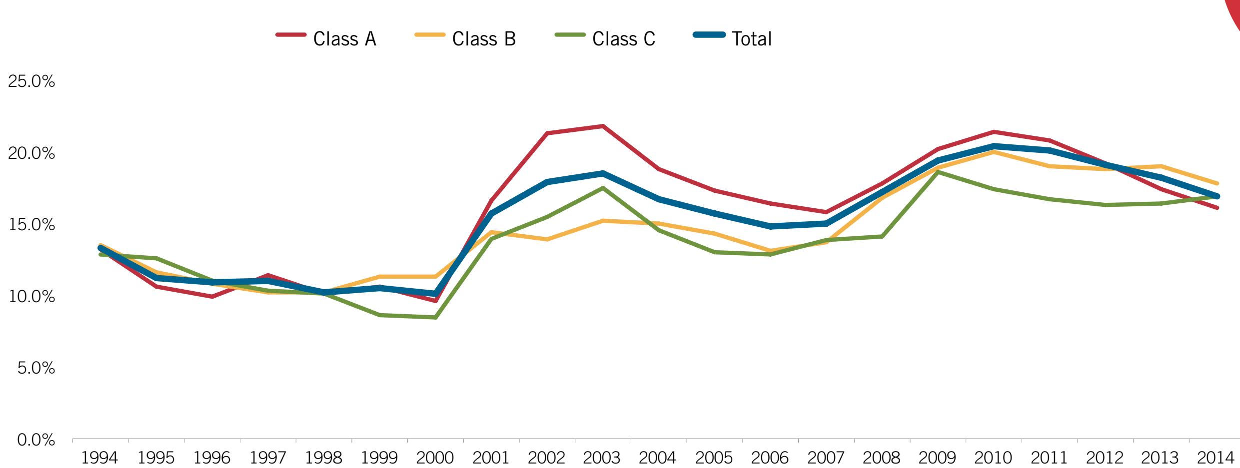
The current overall quoted Atlanta Office rental rate of $20.37 PSF represented a $0.52 PSF increase in rental rates from the end of the previous quarter, when rents were $19.85 PSF.

The Class A rental rates are reported at $23.72 PSF with the highest rate reported in the Buckhead submarket at $29.28 with Midtown rates closely following at $27.98 PSF.

Class B sector ended the quarter with quoted rental rates of $17.01 PSF, which is $0.52 higher than last quarter and $0.40 higher than this time last year.



VACANCY RATES BY CLASS



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FOURTH QUARTER 2014

Market Highlights

Significant Fourth Quarter 2014 Lease Transactions

Building	Submarket	Square Feet	Tenant Name
One Deerfield Centre	N Fulton/Forsyth County	53,902	Infor Global Solutions
Lakeside Commons II	Central Perimeter	50,340	Allconnect
Atlanta Plaza One	Upper Buckhead	47,236	N/A
Meadows III	N Fulton/Forsyth County	47,079	Benson Media

Significant Fourth Quarter 2014 Construction Deliveries

Building	Submarket	Square Feet	Class
Buckhead Atlanta	Buckhead	125,000	A
Avalon Bldg 5000 Office	North Fulton	56,846	A
Avalon Bldg 6000 Office	North Fulton	49,452	A

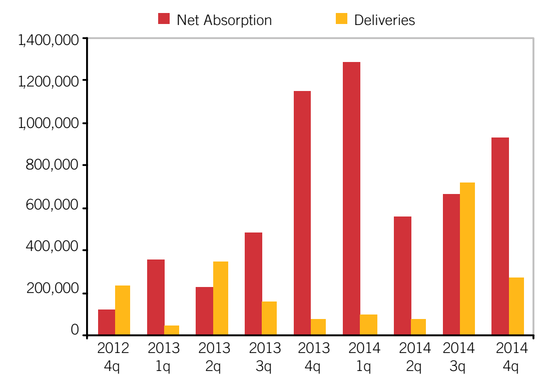
Significant Fourth Quarter 2014 Properties Under Construction

Building	Submarket	Square Feet	Delivery
State Farm	Central Perimeter	585,000	4Q 2016
Cox Communications	Central Perimeter	578,000	2Q 2015
Three Alliance	Buckhead	500,000	3Q 2016
Porsche Cars N. America Facility	South Atlanta	200,000	1Q 2015

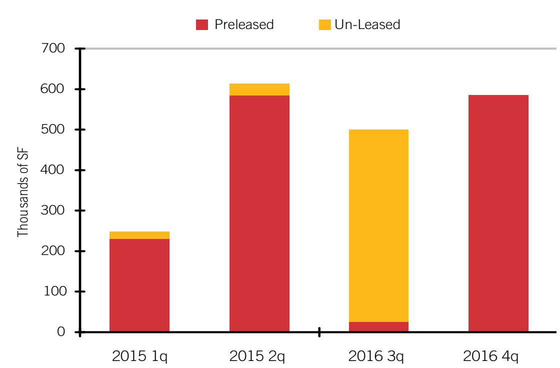
All Construction Activity (Markets Ranked by Under Construction Square Footage)

	Under Construction Inventory				
Market	# Bldgs	Total RBA	Preleased SF	Preleased %	Available SF
Central Perimeter	2	1,163,000	1,163,000	100.0%	0
Buckhead	1	500,000	25,000	5.0%	475,000
South Atlanta	1	200,000	200,000	100.0%	0
Northeast Atlanta	3	48,800	10,736	22.0%	38,064
Northlake	1	35,189	24,984	71.0%	10,205
Midtown Atlanta	0	0	0	0.0%	0
Northwest Atlanta	0	0	0	0.0%	0
West Atlanta	0	0	0	0.0%	0
North Fulton	0	0	0	0.0%	0
Downtown Atlanta	0	0	0	0.0%	0
Totals	8	1,946,989	1,423,720	73.1%	523,269

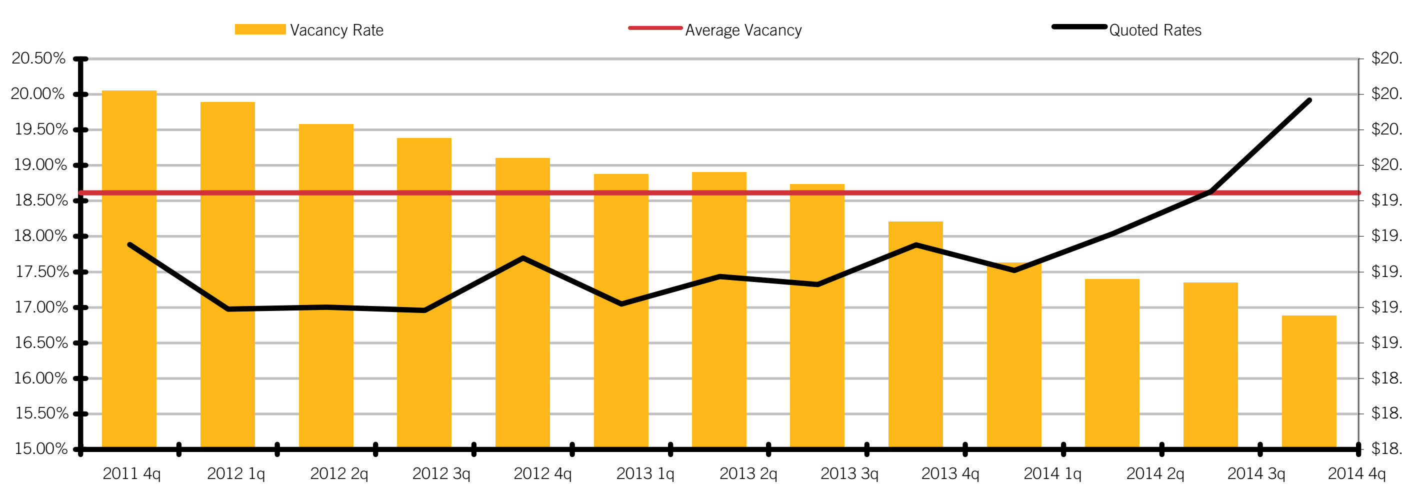
ABSORPTION & DELIVERIES



FUTURE DELIVERIES



OVERALL VACANCY & QUOTED RATES



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FOURTH 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	114	20,676,747	2,757,353	87,580	2,844,933	13.8%	607,286	125,000	500,000	$27.52
Central Perimeter	255	29,176,570	3,953,095	295,652	4,248,747	14.6%	904,472	0	585,000	$22.26
Downtown Atlanta	156	26,427,804	4,134,899	112,002	4,246,901	16.1%	294,627	0	0	$18.48
Midtown Atlanta	136	21,011,680	3,565,816	116,077	3,681,893	17.5%	530,885	557,122	0	$24.32
North Fulton	343	24,913,905	4,012,508	180,341	4,192,849	16.8%	427,396	206,298	0	$19.24
Northeast Atlanta	470	22,177,281	4,875,210	119,110	4,994,320	22.5%	65,659	0	30,000	$16.72
Northlake	388	18,687,283	2,501,044	167,945	2,668,989	14.3%	453,090	0	35,189	$17.35
Northwest Atlanta	474	31,943,572	5,639,252	321,546	5,960,798	18.7%	118,689	165,000	0	$19.34
South Atlanta	309	13,107,790	1,986,941	33,428	2,020,369	15.4%	(31,805)	40,000	0	$18.33
West Atlanta	70	3,393,171	853,868	0	853,868	25.2%	68,606	77,000	0	$16.22
TOTALS	**2,715**	**211,515,803**	**34,279,986**	**1,433,681**	**35,713,667**	**16.9%**	**3,438,905**	**1,170,420**	**1,150,189**	**$20.37**

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	50	16,137,250	2,210,298	80,941	2,291,239	14.2%	409,386	125,000	500,000	$29.28
Central Perimeter	78	20,399,256	2,039,670	228,563	2,268,233	11.1%	577,336	0	585,000	$25.16
Downtown Atlanta	26	13,852,153	2,574,914	108,432	2,683,346	19.4%	246,054	0	0	$19.33
Midtown Atlanta	37	15,566,912	2,815,966	115,116	2,931,082	18.8%	472,775	557,122	0	$26.22
North Fulton	102	14,329,093	2,416,814	113,431	2,530,245	17.7%	296,081	206,298	0	$21.40
Northeast Atlanta	64	6,873,569	1,381,277	42,433	1,423,710	20.7%	34,480	0	0	$20.05
Northlake	25	3,512,645	253,382	30,455	283,837	8.1%	286,571	0	0	$20.34
Northwest Atlanta	74	15,466,513	2,444,951	187,534	2,632,485	17.0%	(177,075)	165,000	0	$22.78
South Atlanta	24	1,722,905	341,555	23,614	365,169	21.2%	24,710	0	0	$19.66
West Atlanta	1	71,500	7,524	0	7,524	10.5%	(7,524)	0	0	$27.98
TOTALS	**481**	**107,931,796**	**16,486,351**	**930,519**	**17,416,870**	**16.1%**	**2,162,794**	**1,053,420**	**1,085,000**	**$23.72**

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	44	4,051,897	491,612	6,639	498,251	12.3%	183,989	0	0	$20.45
Central Perimeter	129	7,647,109	1,653,916	65,689	1,719,605	22.5%	286,910	0	0	$19.17
Downtown Atlanta	72	8,946,008	807,375	1,310	808,685	9.0%	95,692	0	0	$16.22
Midtown Atlanta	78	4,825,199	707,518	961	708,479	14.7%	74,028	0	0	$18.89
North Fulton	216	9,916,395	1,561,657	66,910	1,628,567	16.4%	121,164	0	0	$16.15
Northeast Atlanta	340	13,562,389	3,284,756	76,677	3,361,433	24.8%	51,840	0	30,000	$15.25
Northlake	270	12,287,954	2,073,011	129,603	2,202,614	17.9%	12,138	0	35,189	$17.15
Northwest Atlanta	336	14,619,456	3,035,834	134,012	3,169,846	21.7%	280,214	0	0	$16.50
South Atlanta	206	9,097,181	1,179,027	6,067	1,185,094	13.0%	(62,146)	40,000	0	$18.77
West Atlanta	46	1,662,086	151,213	0	151,213	9.1%	88,570	77,000	0	$15.55
TOTALS	**1,737**	**86,615,674**	**14,945,919**	**487,868**	**15,433,787**	**17.8%**	**1,132,399**	**117,000**	**65,189**	**$17.01**

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	20	487,600	55,443	0	55,443	11.4%	13,911	0	0	$18.71
Central Perimeter	48	1,130,205	259,509	1,400	260,909	23.1%	40,226	0	0	$12.46
Downtown Atlanta	58	3,629,643	752,610	2,260	754,870	20.8%	(47,119)	0	0	$16.87
Midtown Atlanta	21	619,569	42,332	0	42,332	6.8%	(15,918)	0	0	$13.84
North Fulton	25	668,417	34,037	0	34,037	5.1%	10,151	0	0	$14.53
Northeast Atlanta	66	1,741,323	209,177	0	209,177	12.0%	(20,661)	0	0	$10.97
Northlake	93	2,886,684	174,651	7,887	182,538	6.3%	154,381	0	0	$13.06
Northwest Atlanta	64	1,857,603	158,467	0	158,467	8.5%	15,550	0	0	$13.48
South Atlanta	79	2,287,704	466,359	3,747	470,106	20.5%	5,631	0	0	$15.24
West Atlanta	23	1,659,585	695,131	0	695,131	41.9%	(12,440)	0	0	$17.19
TOTALS	**497**	**16,968,333**	**2,847,716**	**15,294**	**2,863,010**	**16.9%**	**143,712**	**0**	**0**	**$14.18**