



PMRG
Market ATLANTA Glance

ATLANTA OFFICE
MARKET REPORT
THIRD QUARTER 2014



PMRG | PM Realty Group



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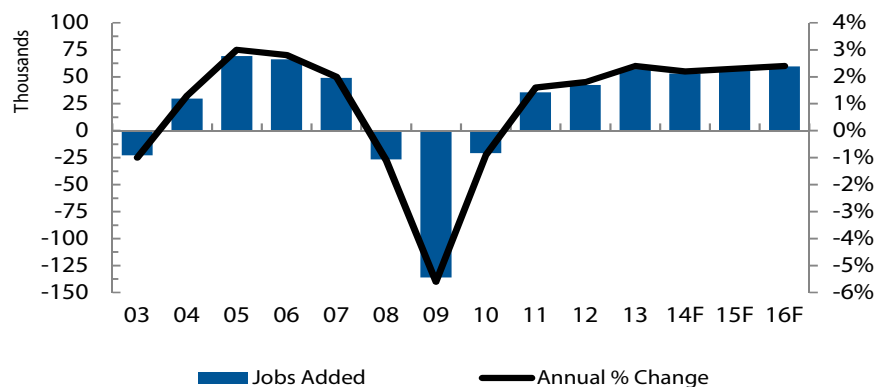
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ECONOMIC OVERVIEW

Approaching the final months of 2014, Atlanta's economy has shown signs of improvement with 51,400 new jobs during the last 12 months ending in August 2014 – representing a 2.1% annual increase. The majority of the industry sectors contributed to this growth, with particularly strong annual gains in the professional business services (+17,600 jobs); trade, transportation & utilities (+11,300 jobs); and leisure & hospitality (+8,500 jobs). Meanwhile, Atlanta's August unemployment rate has increased 10 basis points to 8.0% within the past 12 months, which likely reflects the return of job seekers to the workforce in anticipation of better employment opportunities. With Atlanta's current employment level only 7,700 jobs below its pre-recession peak recorded in December 2007, the area is on pace to recover all jobs lost during the 2008 to 2010 downturn by year's end.

The metro Atlanta area continues to attract relocation and expansion activity, with particularly strong growth in the healthcare, technology, and homebuilding sectors. Recent headquarter relocations and corporate expansions include State Farm Insurance, Carter's, Athenahealth, Airwatch, Ernst & Young, Infosys, PulteGroup, MedAssets and ExactTarget, which provides clear evidence of the area's increasing attractiveness to corporate users looking for a highly skilled and educated work force. Looking ahead, Atlanta's economic outlook appears even brighter as the Economic Forecasting Center at Georgia State University has predicted the metro area will create 55,600 jobs in 2015, followed by an addition of 59,400 jobs in 2016.

Employment Trends



Source: U.S. Bureau of Labor Statistics, Georgia State University

Employment Growth by Sector

	Current Reading	12-Months Prior Reading	Annual Change	HEALTH (Improving or Declining)
Mining	1.2	1.2	0.0%	▲
Construction	98.1	94.3	4.0%	▲
Manufacturing	154.2	149.3	3.3%	▲
Trade, Transportation & Utilities	549.5	538.2	2.1%	▲
Information	87.2	85.2	2.3%	▲
Financial Activities	161.5	157.9	2.3%	▲
Professional & Business Services	457.4	439.8	4.0%	▲
Education & Health Services	295.8	294.5	0.4%	▲
Leisure & Hospitality	261.4	252.9	3.4%	▲
Other Services	92.6	94.2	-1.7%	▼
Government	311.7	311.7	0.0%	▲

Source: U.S. Bureau of Labor Statistics, Employment Data as of August 2014.
All Employees, In Thousands, Data Not Seasonally Adjusted

OFFICE MARKET ASSESSMENT

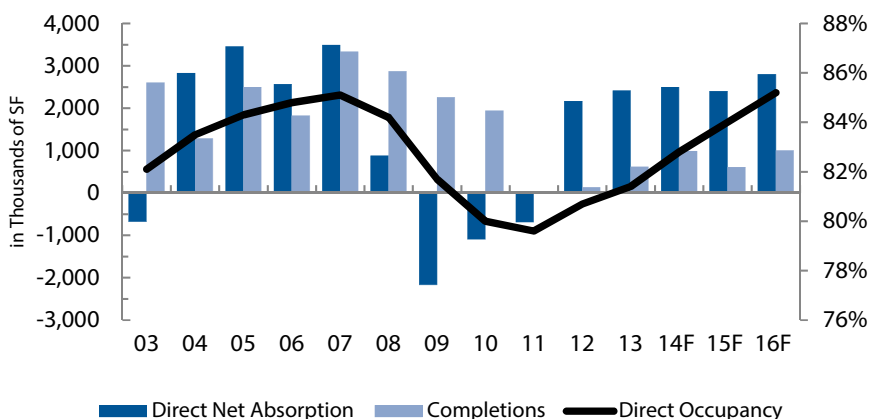
Atlanta office market continued a strong 2014 with 522,594 sq. ft. of direct net absorption during the third quarter, increasing the year-to-date total to more than 2.3 million sq. ft. This marks the 13th consecutive quarter with positive absorption, and the market is on track to record its greatest year of absorption since 2007. Class A product posted 447,513 sq. ft. of direct absorption during the quarter and has accounted for nearly 1.9 million sq. ft. of space absorbed within the past 12 months. As a result, Class A direct occupancy rates have increased 70 basis points to 83.6% over the prior 12 months. The Class B sector contributed to the quarterly gains with 61,779 sq. ft. of direct absorption, bringing the year-to-date total to 866,697 sq. ft. However Class B direct occupancy rates remained stagnant at 80.2% during the third quarter, but have improved 180 basis points since this time last year.

Several noteworthy leases have been signed in 2014, which will further boost absorption numbers in the coming quarters. The largest transaction year-to-date involved Fiserv securing a 376,351 sq. ft. lease at the Cobalt Center, which will include the relocation of about 2,000 employees from Peachtree Corners by August 2015. In addition, Halyard Health, currently known as Kimberly-Clark Health Care, recently inked a 174,000 sq. ft. lease at 5405 Windward Parkway in Alpharetta as the firm plans to relocate their headquarters from Roswell. Meanwhile, MedAssets Inc. expanded their footprint at North Point Center East to 107,000 sq. ft. during the third quarter. Also worth noting, Allstate leased 100,986 sq. ft. of direct space at The Towers at Wildwood Plaza, with expected occupancy early in 2015.

FORECAST

- A flight to quality trend will remain as tenants are more increasingly confident in securing long-term lease commitments, but the negotiating power will continue to further shift to the landlord's favor due to space availability constraints for well-located properties with strong amenities.
- This trend coupled with historically low speculative construction levels will help facilitate strong improvements in the Class A market, primarily within the Buckhead, Central Perimeter and Midtown submarkets.
- Future rent growth will primarily occur within the Class A sector as corporate users prefer more efficient, higher quality space in well-located areas with great infrastructure and amenities.

Office Market Trends



Atlanta Ranked 3rd Fastest Growing Metro:

The Atlanta metropolitan area was the third-fastest growing area in the nation between 2000 and 2010, behind Houston and Dallas. The Atlanta region's one million new residents in the 28-county area represented a growth rate of 24%, which is the largest population gain in the Southeast.

Home to 27 Fortune 1000 Companies:

Atlanta ranks third in the nation among cities with the highest concentration of Fortune 500 headquarters. Twenty-eight metro Atlanta headquartered companies placed among the Fortune 1,000, of which sixteen are among the Fortune 500.

Atlanta Ranked Least Costly Business Location:

Atlanta was ranked the least-costly location to do business in the United States among the 27 largest metro areas, according to a new study from audit, tax and advisory firm KPMG. The "2014 Competitive Alternatives" study measured 26 cost components in each market, including labor, taxes, real estate, and utilities, as they apply to 19 industries over a 10-year analysis horizon.

Market Trend Indicators

	Current Quarter	Change from Previous Quarter	Year	12-month Forecast
Direct Occupancy	82.4%	▲	▲	▲
Direct Net Absorption	522,594	▼	▲	▲
Under Construction	1,539,298	▲	▲	▲
Direct Asking Rents	\$20.18	▲	▲	▲



"Moderate job growth and limited development are expected to continue into 2015, which will lead to a tighter market for quality space and further rent growth in the most desirable submarkets", said Bill Weghorst, EVP, Managing Director, Southeast Division.

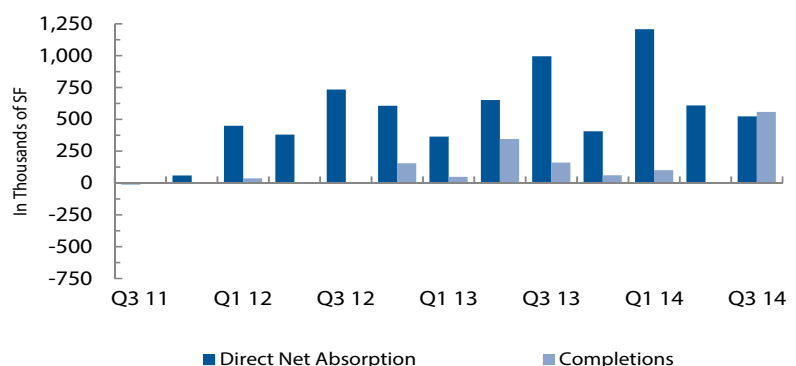
Submarket Occupancy Ranking

Rank	Submarket	Occ. Rate	Y-O-Y % Change
1	Buckhead	85.5%	1.2%
2	Central Perimeter	85.1%	2.2%
3	North Fulton	83.6%	1.8%
4	South Atlanta	83.3%	-2.2%
5	Downtown	82.3%	2.0%
6	Northwest	81.6%	0.4%
7	Midtown	80.5%	-0.5%
8	Northeast	76.2%	0.3%

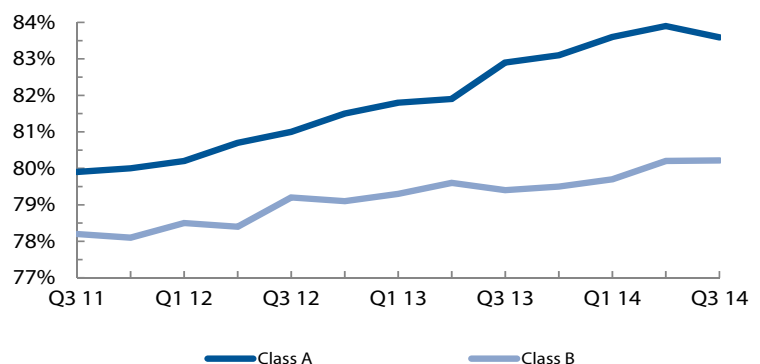
NET ABSORPTION & VACANCY

- Northeast Atlanta posted 184,389 sq. ft. of direct net absorption during the quarter, with the Class A market accounting for 131,687 sq. ft. of the quarterly demand. Recent tenant move-ins included ClearLeap taking 50,000 sq. ft. at 3100 Breckinridge and National Vision moving into 56,000 sq. ft. of Class B space at Satellite Place.
- Central Perimeter recorded 99,095 sq. ft. of direct absorption, increasing the year-to-date total to 688,624 sq. ft. The largest occupancy gains included Altisource, Inc. taking 48,368 sq. ft. at 400 Northpark and Noble Systems Corporation occupying 33,895 sq. ft. at Ashwood Office Park.
- Buckhead also contributed to the quarterly absorption gains with 87,593 sq. ft. absorbed during the quarter, increasing its 2014 absorption total to 397,102 sq. ft. The Class B sector led the way with 1795 Peachtree St and the recently renovated 225 Otley Dr each taking in 34,000 sq. ft. of new tenants.
- Midtown Atlanta displayed 59,684 sq. ft. of absorption growth during the quarter, bringing the year-to-date total to 415,512 sq. ft. The largest quarterly gains involved move-ins by Athenahealth (75,680 sq. ft.), Earth Link (64,910 sq. ft.) and Streamline Healthcare (24,372 sq. ft.), but much of those gains were off-set by Earth Link's move-out at Pershing Point Plaza.
- South Atlanta witnessed 49,283 sq. ft. of negative absorption, which decreased its 2014 absorption total to negative 32,050 sq. ft. The Class B sector lost 60,864 sq. ft. of tenants during the quarter, largely attributed to Georgia Department of Natural Resources moving out of 46,181 sq. ft. at Highwoods Center at Tradeport.
- Downtown Atlanta also contributed with 24,351 sq. ft. of direct absorption during the quarter, and has 291,077 sq. ft. of occupancy gains year-to-date. The majority of the quarterly gains occurred in 260 Peachtree, which was able to backfill three of its floors with nearly 36,000 sq. ft. of new tenants.

Direct Net Absorption vs. Completions



Direct Occupancy Rates



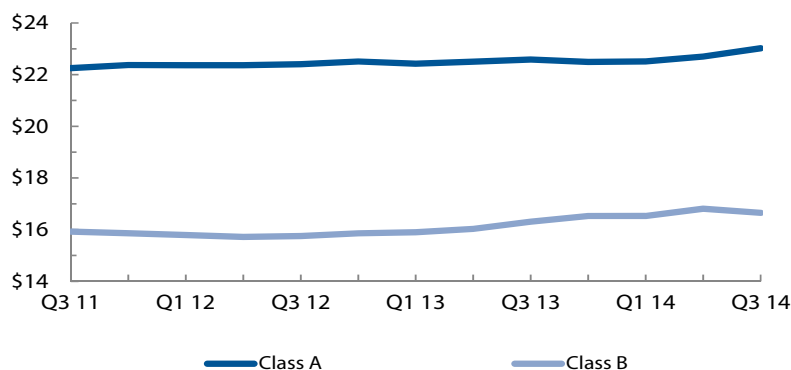
RENTAL RATES & LEASING ACTIVITY

- Class A asking rents rose by \$0.32 to \$23.02 per sq. ft. (gross) during the quarter and have increased by 1.9% or \$0.44 within the past 12 months. Class A asking rents remain 6.2% or \$1.53 per sq. ft. below their cyclical peak recorded mid-2008.
- Class B asking rents fell \$0.16 to \$16.65 per sq. ft. during the quarter but have still moved up 2.1% or \$0.34 per sq. ft. within the past 12 months. Class B rents remain 5.9% or \$1.04 per sq. ft. below the market's peak recorded at year-end 2008.
- Tenants still hold bargaining power in some submarkets but the tide is changing as landlords are offering fewer concessions, and rental rates have been trending upwards in the most desired submarkets.
- Strong demand has depleted the supply of large contiguous space options, causing Class A asking rents to climb in all 8 submarkets. Most notably, landlords in Central Perimeter have raised Class A rents by 9.3% to \$25.19 per sq. ft. within the past year.
- Flight to quality will remain an on-going trend as the competitive leasing environment has encouraged tenants in Class B and lower-tier Class A properties to take advantage of attractive deals in discounted, higher quality buildings.
- As a result of the flight to quality trend, landlords will continue to offer aggressive incentives for second and third generational product in submarkets with high vacancy rates, but these large space options will gradually diminish as leasing activity remains strong.
- Class A leasing velocity has declined from the swift pace experienced in 2013, as large quality space options have become limited. The trailing four-quarter volume of Class A direct space leased totaled 8.1 million sq. ft., which is 10% below the 5-year historical average. However, Class B product has benefitted with 4.1 million sq. ft. leased within the past 12 months, 10.5% above its 5-year historical average.

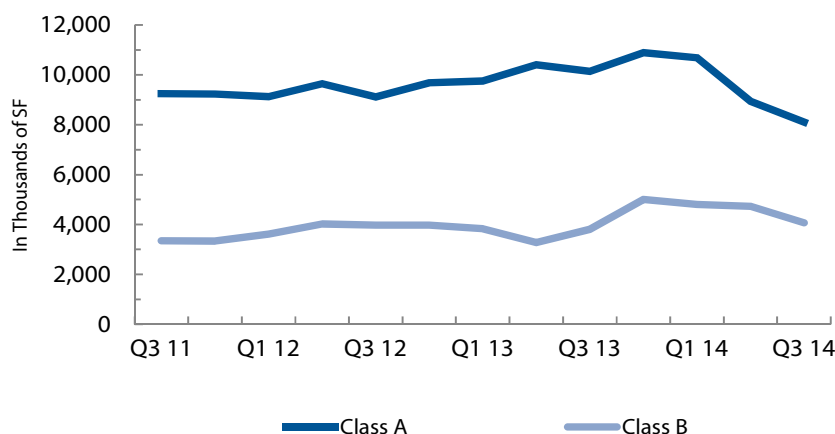


"Atlanta's office market fundamentals will continue to steadily improve into 2015, with Central Perimeter, Buckhead and the northern suburbs remaining the submarkets to watch as corporations look to relocate or consolidate space," said Chip Roach, EVP, Atlanta Market Leader.

Rental Rates
(\$/SF/Yr. Full Service)



Direct Leasing Activity
Rolling 12-Months



Submarket Rental Rate Ranking

Rank	Submarket	Rental Rate	Y-O-Y % Change
1	Buckhead	\$25.55	3.5%
2	Midtown	\$24.08	-5.2%
3	Central Perimeter	\$22.06	4.9%
4	Northwest	\$19.46	2.3%
5	North Fulton	\$19.22	3.1%
6	Downtown	\$18.23	0.3%
7	South Atlanta	\$16.94	8.5%
8	Northeast	\$16.58	1.5%



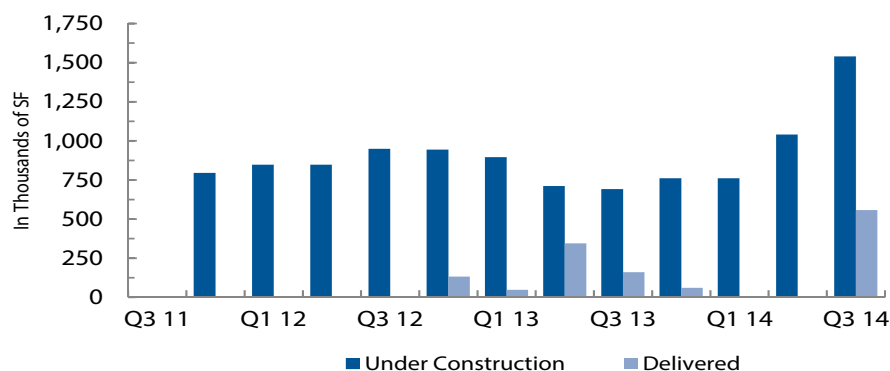
NOTABLE LEASING ACTIVITY

- PMRG recently secured a 22,520 sq. ft. lease at 999 Peachtree in Midtown for Meunier, Carlin and Curfman.
- Twitter Inc. is looking for around 20,000 sq. ft. of office space in Midtown that will accommodate over 100 employees.
- AMEC's Power & Process Americas business committed to expand their lease at Lakeside Center. The 111,919 sq. ft. lease will include a 14,282 sq. ft. expansion onto the third floor.
- Fidelity Information Services – who fully occupies 3150 Holcomb Bridge Rd. – has been scouting Peachtree Corners and other submarkets for 100,000 sq. ft.
- DS Waters leased 58,357 sq. ft. at 2300 Wildwood as the firm is being forced to relocate due to recent purchase of 5660 New Northside by Intercontinental Exchange.
- Dixon Hughes Goodman, LLP signed a 51,066 sq. ft. lease at One Ninety One Peachtree Tower in Downtown, with early 2015 commencement.
- Altisource Solutions secured a 46,859 sq. ft. lease at 400 Northpark in Central Perimeter, with occupancy expected by October 2014.
- Engle Martin & Associates recently secured a 39,719 sq. ft. lease at Glenridge Highlands II in Central Perimeter, with occupancy expected early in 2015.
- Andritz Hydro signed a 35,186 sq. ft. lease at 5405 Windward Pky, with plans to occupy space in 2015.
- Jacobs Engineering signed a 32,594 sq. ft. lease at Millennium in Midtown, with expected occupancy early in 2015.
- Regus secured a 26,002 sq. ft. lease at One Alliance Center in Buckhead, with move-in by year-end.
- Vulcan Materials recently signed a 21,202 sq. ft. lease in the Perimeter Place building, where it will occupy an entire floor.

CONSTRUCTION

- The office construction pipeline remains well below its 10-year historical average of 2.3 million sq. ft., with 761,298 sq. ft. of office space underway (excluding owner/user development). This is down from its cyclical peak of 6.1 million sq. ft. underway in 2007.
- During the third quarter, Tishman Speyer broke ground on Three Alliance Center, a 500,000 sq. ft. speculative office tower in Buckhead. This marks the first speculative office project since before the Great Recession, and indicates landlords' bullish outlook on Atlanta's office leasing market. Delivery is scheduled for mid-to-late 2016.
- The first phase of Ponce City Market delivered during the third quarter, which included roughly 560,000 sq. ft. of office space and 330,000 sq. ft. of retail space. The next phase of the project will include loft-style condos and multi-family residences.
- OliverMcMillan will complete a billion dollar mixed-use project in Buckhead by year-end. Dubbed Buckhead Atlanta, the project will contain 125,000 sq. ft. of boutique office space, 300,000 sq. ft. of upscale retail and 370 luxury high-rise apartment units.
- Pope & Land has been selected to develop 630,000 sq. ft. of Class A office space that will be a part of The Atlanta Braves 74-acre, \$400 million mixed-use project. The project will feature a hotel, retail space and residences as well as office space to complement the team's \$622 million stadium in Cobb County.
- Central Perimeter is the likely next location for new office development as large blocks of space have become scarce largely due to State Farm, but the insurance giant's looming 2.2 million sq. ft. campus have kept developers more restrained than in previous cycles even with the submarket's Class A direct occupancy rate at 88.9%.
- Other developers that could move forward with a new office tower include Ackerman & Co at its Abernathy 400 site, Manulife's 18-acre mixed-use site next to Ashford Green office building which calls for a 250,000 sq. ft. office building, and Hines Interests' 100 Northpark—a site off Abernathy Rd that could accommodate 1.5 million sq. ft. of office.
- Hines and North American Properties have also announced plans to build an eight to 10-story office building at Avalon, the \$600 million Alpharetta mixed-use project at Georgia 400 and Old Milton Parkway. This would mark the first speculative building in North Fulton in almost seven years.

Construction Pipeline



SIGNIFICANT PROJECTS UNDER CONSTRUCTION

PROJECT NAME	SIZE (SF)	SUBMARKET	MAJOR TENANT	% PRE-LEASED	DEVELOPER	TARGET COMPLETION
*Cox Communications - 6205 Peachtree Dunwoody	578,000	Central Perimeter	Cox Enterprises	100%	Holder Construction Group	2Q 2015
Three Alliance Center - 3550 Lenox Rd NE	500,000	Buckhead	N/A	5%	Tishman Speyer	3Q 2016
*Porsche Cars North America Facility - 1 Porsche Dr	200,000	South Atlanta	Porsche, Inc.	100%	Whiting-Turner Contracting Co	4Q 2014
Buckhead Atlanta - 3035 Peachtree	125,000	Buckhead	Spanx; Engel & Völkers	90%	Oliver McMillan	4Q 2014
Avalon Lofts - Bldg 5000 - 2660 Old Milton Pky	56,846	North Fulton	Wakefield Beasley	82%	North American Properties	4Q 2014
Avalon Lofts - Bldg 6000 - 2660 Old Milton Pky	49,452	North Fulton	Ashton Woods	27%	North American Properties	4Q 2014
2008 Lawrenceville Suwanee Rd	30,000	Northeast	N/A	0%	N/A	1Q 2015

* Owner-occupied (excluded from competitive statistics)

SUBMARKET STATISTICS

Submarkets	Total Inventory SF	TOTAL SPACE AVAILABLE		Direct Occupancy	DIRECT NET ABSORPTION		CONSTRUCTION		ASKING RENT	
		Direct	Sublease		Current Qtr.	Year To Date	Completions Current Qtr	Under Construction	Class A	Class B
Buckhead	19,899,840	3,306,438	304,530	85.5%	87,593	397,102	-	625,000	\$27.12	\$20.08
Midtown	18,770,310	3,475,974	258,383	80.5%	59,684	415,512	557,122	-	\$26.28	\$18.28
Downtown	21,462,493	4,600,793	328,629	82.3%	24,351	291,077	-	-	\$18.80	\$16.06
Central Perimeter	26,054,628	4,542,389	398,287	85.1%	99,095	688,624	-	-	\$25.19	\$18.82
Northwest	28,598,090	6,201,347	645,165	81.6%	12,010	98,268	-	-	\$23.00	\$16.37
North Fulton	22,664,137	3,834,894	434,778	83.6%	104,755	283,836	-	106,298	\$21.47	\$15.69
Northeast	18,084,595	4,971,720	212,653	76.2%	184,389	196,086	-	30,000	\$20.03	\$14.87
South Atlanta	8,396,224	1,587,765	72,957	83.3%	(49,283)	(32,050)	-	-	\$18.68	\$17.89
Totals	163,930,317	32,521,320	2,655,382	82.4%	522,594	2,338,455	557,122	761,298	\$23.02	\$16.65

Property Types	Total Inventory SF	Direct Available	Sublease Available	Direct Occupancy	Current Qtr.	Year To Date	Completions Current Qtr	Under Construction	Asking Rent	Y-O-Y Change
Class A	98,765,885	17,646,793	2,054,283	83.6%	447,513	1,447,014	557,122	731,298	\$23.02	1.9%
Class B	57,770,826	13,440,341	601,099	80.2%	61,779	866,697	-	30,000	\$16.65	2.1%
Class C	7,393,606	1,434,186	0	82.7%	13,302	24,744	-	-	\$13.20	2.4%
Totals	163,930,317	32,521,320	2,655,382	82.4%	522,594	2,338,455	557,122	761,298	\$20.18	2.1%

METHODOLOGY

Total Inventory: The total inventory includes all single and multi-tenant leased office buildings with at least 20,000 square feet of gross rentable square footage.

Total Space Available: Available space currently being marketed which is either physically vacant or occupied.

Direct Space: Space that is being offered for lease directly from the landlord or owner of a building. Under construction space is not included in space available figures.

Sublease Space: Space that has been leased by a tenant and is being offered for lease back to the market by the tenant with the lease obligation.

Direct Occupancy Rate: Direct space physically occupied divided by the total rentable inventory.

Direct Net Absorption: The net change in occupied direct space over a given period of time.

Under Construction: Office buildings which have commenced construction as evidenced by site excavation or foundation work.

Direct Asking Rents: The quoted full-service asking rent for available space expressed in dollars per square foot.



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ABOUT PMRG

Headquartered in Houston, Texas, PM Realty Group (PMRG) is one of the nation's leading real estate companies focusing on comprehensive property services, development and acquisitions. With a strategic presence in 30 markets, PMRG provides the highest quality services to its clients and investors. PMRG's clients and investors include large financial institutions, advisors and high net worth individuals. By capitalizing on the team's experience and expertise, PMRG has the ability to undertake large and challenging management, leasing, development and acquisition projects.

PMRG's portfolio, including projects managed for third parties, includes commercial office buildings, mixed-use centers, corporate headquarters, industrial buildings, medical facilities, high-rise multifamily buildings and re-appropriated military facilities.

Our goal is to generate exceptional returns for our clients and investors by focusing on real estate fundamentals. For additional information, visit www.pmrgr.com.