



PMRG
Market ATA Glance

ATLANTA INDUSTRIAL
MARKET REPORT
FOURTH QUARTER 2014

PMRG | PM Realty Group



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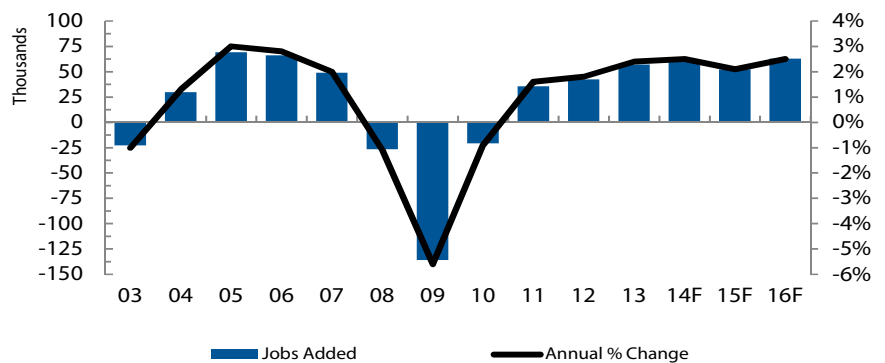
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ECONOMIC OVERVIEW

Atlanta's economy has shown signs of improvement with 59,600 new jobs created during the last 12 months ending in November 2014 – representing a 2.4% annual increase. The majority of the industry sectors contributed to this growth, with particularly strong annual gains in the trade, transportation & utilities (+18,600 jobs); professional & business services (+16,200 jobs); and leisure & hospitality (+8,500 jobs). Meanwhile, Atlanta's November unemployment rate decreased 50 basis points to 6.5% within the past 12 months, which reflects the return of job seekers to the workforce in anticipation of better employment opportunities. As of November not only has Atlanta fully recovered all jobs lost during the 2008 to 2010 downturn, it surpassed its pre-recession peak recorded in December 2007 by 28,100 jobs.

In light of recent expansions by Home Depot, Walmart, Toyota Industries Corp, Mitsubishi and Kubota Tractor Corp, the metro Atlanta area continues to attract relocation and expansion activity with notably strong growth in the healthcare, technology, and homebuilding sectors. Atlanta's favorable geographic position, in the heart of the rapidly growing Southeast, along with its enviable infrastructure of highways and rail lines have helped make it one of the nation's largest distribution hubs. Growth in recent years has been fueled largely by surging traffic through the Port of Savannah, which is now the nation's fourth largest container port. 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 52,200 jobs in 2015, followed by an addition of 62,800 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	99.2	96.3	3.0%	▲
Manufacturing	154.1	150.8	2.2%	▲
Trade, Transportation & Utilities	573.8	549.6	4.4%	▲
Information	85.9	85.2	0.8%	▲
Financial Activities	163.9	158.2	3.6%	▲
Professional & Business Services	455.5	442.2	3.0%	▲
Education & Health Services	302.1	299.8	0.8%	▲
Leisure & Hospitality	256.9	249.8	2.8%	▲
Other Services	92.3	93.8	-1.6%	▼
Government	321.5	319.9	0.5%	▲

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

INDUSTRIAL MARKET ASSESSMENT

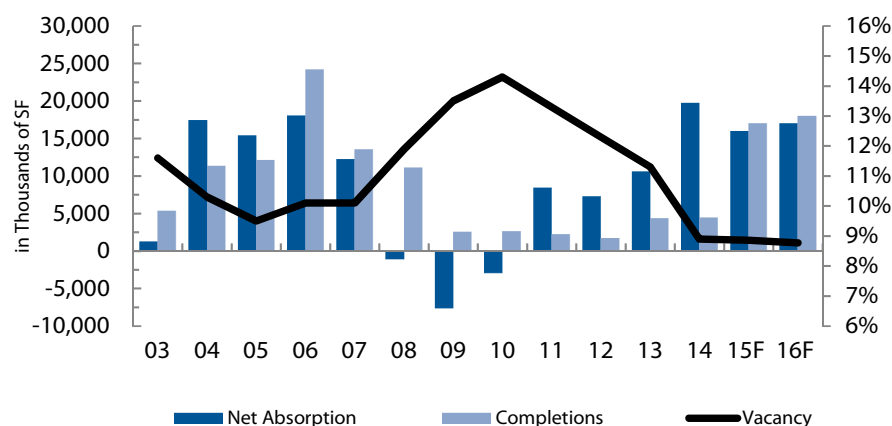
Atlanta's industrial market continued to expand, absorbing 8.5 million sq. ft. of space during the final quarter of 2014. Due to a resurgence in its diverse industrial base, gains in international trade and investment, a remarkable increase in e-commerce and an upswing in the economy, the industrial market had its most successful year since 2000 with a net 19.7 million sq. ft. of absorption. After 14 consecutive quarters of positive absorption, the vacancy rate has plummeted to 8.9%, 260 basis points lower than the level recorded at year-end 2013. Accounting for nearly 97.5% of the quarterly demand, the warehouse/distribution sector was responsible for approximately 8.2 million sq. ft. of absorption growth, increasing the yearly total to 19.0 million sq. ft. In addition, the flex property sector experienced its eighth consecutive quarterly gain totaling 215,347 sq. ft., increasing its 2014 absorption total to 758,097 sq. ft.

Demand for large blocks of space dramatically increased while supply across the market has glaringly diminished. This has energized Atlanta's build-to-suit development activity throughout 2014. Also because of the lack of available modern projects and large blocks of space, 19 additional projects broke ground during the fourth quarter – 11 of which began construction on a 100 percent speculative basis. The largest projects to break ground during the quarter were Kroger's distribution center in South Atlanta (two million sq. ft.), Walmart's e-commerce distribution center in the Fulton District (1.2 million sq. ft.), TPA Group's speculative facility in South Atlanta (1.1 million sq. ft.), and Ridgeline Property Group's Braselton Commerce Center in the Northeast submarket (1.1 million sq. ft.). South Atlanta saw three significant projects deliver during the quarter: a 1.0 million sq. ft. build-to-suit for Proctor & Gamble, a 560,000 sq. ft. build-to-suit for Menlo Logistics, and Niagara Bottling, LLC's 450,000 distribution center. Among the largest transactions completed during the fourth quarter were Walmart committing to their e-commerce distribution center in the Fulton district, Goodyear renewing their 570,586 sq. ft. lease at 201 King Mill Ct, and DSC Logistics inking a deal for 378,000 sq. ft. in McClure Industrial Park, commencing in April 2015. Also, Global Group signed a lease and moved into 203,850 sq. ft. at Morrow Industrial Park.

FORECAST

- With the combination of Atlanta's intermodal access, port access, international airport, skilled labor, affordable housing and the state's low 6 percent corporate income tax rate, Atlanta will continue to attract new businesses and create job growth.
- In the year ahead, Atlanta's industrial market is well positioned to gain further momentum with a wave of speculative construction coming online to accommodate large space users in expansion mode.

Industrial 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 28 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
Vacancy Rate	8.9%	▼	▼	▼
Annual Net Absorption	19,727,902	▲	▲	▲
Under Construction	17,503,768	▲	▲	▲
Overall Asking Rents	\$3.67	▲	▲	▲



"The Atlanta industrial market's rapid recovery has reduced the overall vacancy rate 580 basis points below its recessionary peak", said Bob Tardy, Senior Vice President of PMRG's Industrial Leasing team.

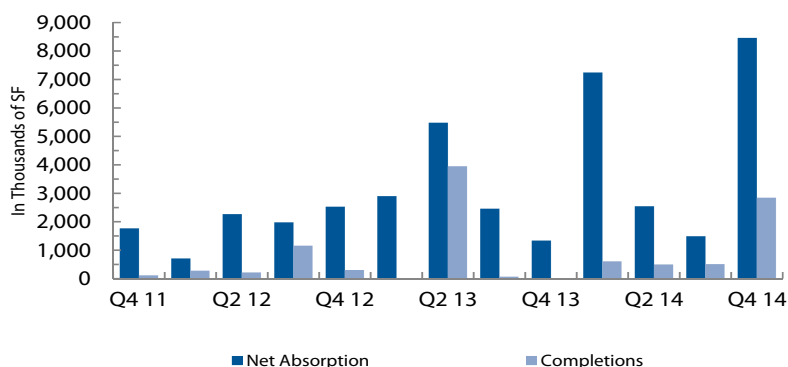
Submarket Vacancy Ranking

Rank	Submarket	Vacancy Rate	Y-O-Y % Change
1	Chattahoochee	5.1%	0.3%
2	Northwest	7.2%	-2.4%
3	Northeast	7.8%	-2.9%
4	Snapfinger / I-20 East	8.5%	-2.3%
5	Stone Mountain	9.0%	-2.1%
6	I-20 W / Fulton District	9.4%	-1.2%
7	I-20 W / Douglasville	10.0%	-7.0%
8	North Central	10.3%	-0.7%
9	South	10.8%	-2.4%
10	Central Atlanta	10.9%	-1.3%

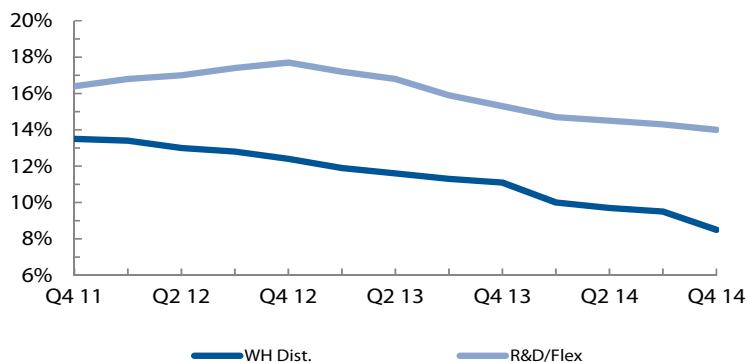
NET ABSORPTION & VACANCY

- South Atlanta led the submarkets during the quarter with 3,534,212 sq. ft. of net absorption to complete 2014 with 6.2 million sq. ft. absorbed and pushing its vacancy rate down to 10.8%. The most notable quarterly move-ins involved Menlo Logistics occupying 560,625 sq. ft. at Majestic Airport Center III, H.H. Gregg taking 402,500 sq. ft. at 2429 Old Anvil Block Rd, and Global Group seizing 203,850 sq. ft. in Morrow Industrial Park.
- Northeast Atlanta absorbed 1,967,839 sq. ft. during the quarter to increase its yearly absorption count to nearly 5.4 million sq. ft. and decreasing its vacancy rate to 7.8%. Quarterly move-ins by Hitachi Koki USA (544,838 sq. ft. at Braselton Distribution Center One), Mizuno USA, Inc. (420,570 sq. ft. at Braselton Business Park), and Haso, Inc. (102,128 sq. ft. at 2850 Colonnades Ct) highlighted the submarket's tenant movement.
- I-20/Douglasville completed its sixth consecutive quarter of positive gains to finish 2014 with a net 3.1 million sq. ft. of gains and decreasing vacancy to an even 10%—its lowest mark since third quarter 2005. Keurig Green Mountain's move to 585,000 sq. ft. at Terminus West Business Park and ResMed's move to 466,857 sq. ft. in Riverside Business Center were the most notable quarterly move-ins.
- Northwest Atlanta finished the fourth quarter with 977,278 sq. ft. absorbed to increase its annual absorption count to 1,796,549 sq. ft. Northwest Atlanta decreased its vacancy rate 12 out of the prior 13 quarters to end 2014 at 7.2%.
- Snapfinger/I-20 East, which has witnessed positive quarterly absorption each quarter since 4Q 2012, experienced a net loss of 130,641 sq. ft. during the quarter. However the submarket still absorbed 1.5 million sq. ft. during the year to end 2014 with a vacancy rate of 8.5%.

Net Absorption vs. Completions



Vacancy Rates



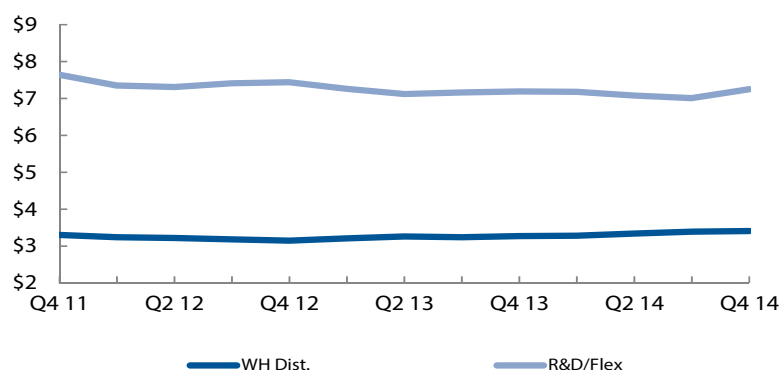
RENTAL RATES & LEASING ACTIVITY

- Warehouse/distribution asking rents increased by \$0.02 to \$3.41 NNN per square foot during the fourth quarter and have improved \$0.26 since their cyclical low at year-end 2012. Warehouse/distribution asking rents remain 4.5% or \$0.16 below their cyclical peak recorded in 3Q 2008.
- Asking rents in flex properties have increased \$0.24 to \$7.25 NNN per square foot during the quarter after sinking to a cyclical-low during the prior quarter. Flex asking rents remain 21.3% or \$1.96 below their peak recorded in mid-2008.
- The leasing market appears to be favoring landlords as all of the submarkets experienced rent growth during 2014. Although landlords are still offering generous incentives for second and third generation product in submarkets with high vacancy rates, concessions have begun to ease as large space options recede.
- The warehouse/distribution sector accounted for the majority of the annual rent growth due to the strong demand, with the largest annual increases taking place in Chattahoochee (17.0%), I-20 W/Douglasville (15.1%), North Central (13.8%), and Central Atlanta (11.4%).
- The amount of total space available has declined by 37% or 46 million sq. ft. since reaching its record high of 124.4 million sq. ft. at mid-year 2010. Sublease space has dropped by 66% to 3.2 million sq. ft. since its cyclical high of 9.6 million sq. ft. recorded during the third of 2010.
- Atlanta's industrial market has remained active with over 32.7 million sq. ft. leased within the past 12 months. Some of the largest lease transactions signed during the quarter included Goodyear's lease renewal for 570,586 sq. ft. at 201 King Mill Ct, Global Group signing a deal for 203,850 sq. ft. in Morrow Industrial Park, and Best Buy renewing their lease for 96,000 sq. ft. at 225 Horizon Drive.

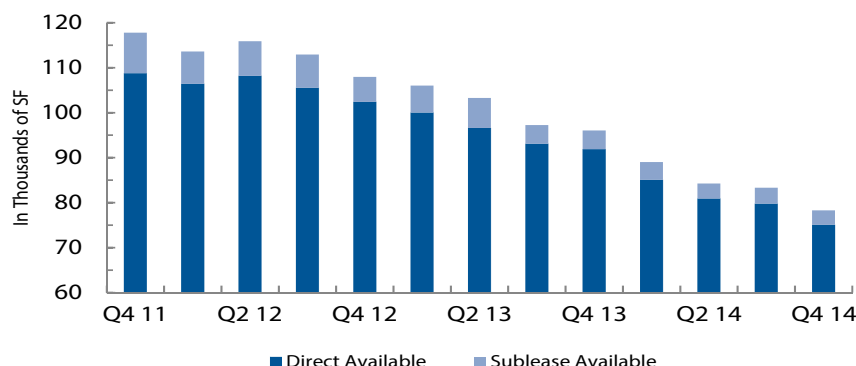


"Significant absorption in the face of historically low supply have led to fewer concessions, fewer quality space options and a moderate increase in rental rates," said Bill Weghorst, EVP and Managing Director of PMRG's Southeast Division.

Rental Rates
(\$/SF/Yr. NNN)



Industrial Space Available



Submarket Rental Rate Ranking

Rank	Submarket	Rental Rate	Y-O-Y % Change
1	North Central	\$7.41	10.1%
2	Chattahoochee	\$5.51	18.0%
3	Northwest	\$4.77	6.2%
4	Central Atlanta	\$4.88	9.4%
5	Northeast	\$4.08	1.5%
6	Stone Mountain	\$3.65	6.1%
7	Snapfinger / I-20 East	\$3.40	11.8%
8	I-20 W / Douglasville	\$3.46	16.1%
9	South	\$2.92	1.0%
10	I-20 W / Fulton District	\$3.09	10.4%



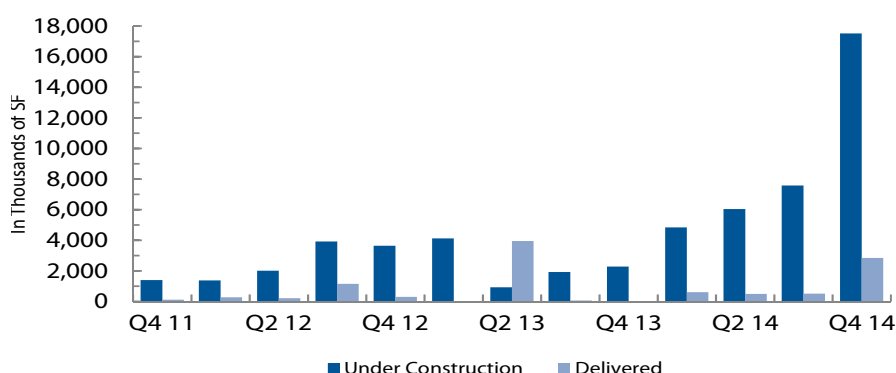
RECENT ANNOUNCEMENTS

- Pope & Land has filed plans for “a mega industrial project” in Coweta County. The plans describe the project as more than 1,000-acre heavy and light industrial complex that will include more than 8 million sq. ft. of manufacturing, R&D, training facilities, warehouses and office space. Timing and phasing of the project have not been announced.
- Daimler AG, a division of Mercedes-Benz USA, is searching for land to build a manufacturing plant for its Sprinter commercial van, which would bring more than 1,000 jobs to the market. Mercedes also has recently announced plans to move its headquarters from New Jersey to Atlanta during summer 2015 – adding another 1,000 jobs and a \$100 million investment to the market.
- Beaulieu, a Belgium-based flooring manufacturer, broke ground during the fourth quarter on their 500,000 sq. ft. facility in Cartersville. Completion of the facility is scheduled for summer 2015.
- Ridgeline Property Group announced plans to build McDonough Commerce Center, a speculative 714,560 sq. ft. warehouse/distribution project in Henry County, slated for mid-to-late 2015 delivery.
- Under Armour has recently drawn up plans for their new hub at Fort Gillem – a redeveloped former U.S. Army base – that will entail two buildings covering over 1 million sq. ft.
- Maurice Sporting Goods may develop 300,000 sq. ft. in McDonough. They are currently in a company-owned, 178,000 sq. ft. facility at 1325 Georgia 155 in McDonough, but a build-to-suit could double its size. They are also looking at existing buildings.
- United Arab Shipping Co. is planning on putting its headquarters in Peachtree Corners for their customer service, accounting/finance, and logistics operations. This will create 160 jobs, and place the Middle Eastern shipping company near the state's ports in Savannah and Brunswick and the Hartsfield-Jackson International Airport.

CONSTRUCTION

- The industrial construction pipeline - which surpassed its 10-year historical average of 6.9 million sq. ft. earlier in 2014 - has skyrocketed to 17.5 million sq. ft. of industrial product under construction across the metro area, with nearly 53% of this product being speculative. In spite of the enormous increase over the previous quarter, product under construction is still below its peak of 20.7 million sq. ft. at the end of 2005.
- The South Atlanta submarket accounts for 28.0% (4.9 million sq. ft.) of the industrial space underway which includes Kroger's 2 million sq. ft. distribution center on Hood Ave and TPA Group's 1.1 million sq. ft. speculative project on 212 Bohannon Rd.
- Majestic Realty Company has broken ground on two buildings in Union City, one of which is a 1.2 million sq. ft. build-to-suit for Walmart's e-commerce distribution center, and the other is moving forward on a speculative basis.
- Ridgeline Property Group is also moving forward on speculative product with their 1.1 million sq. ft. Braselton Commerce Center in the northern suburbs of Atlanta. This project will help fill the void of large Class A space above 500,000 sq. ft.
- Surya Carpets and c2 Partners LLC have begun construction on a 1 million sq. ft. \$30 million facility in Cartersville where the India-based textile manufacturer will relocate and consolidate its corporate office and distribution facilities.
- Also joining the speculative development frenzy is TPA Group with their 1.1 million sq. ft. Fairburn Logistics Center in South Fulton County and 613,440 sq. ft. Broadway Distribution Center in Braselton. Both of these developments are scheduled to deliver late-2015.
- Oakmont Industrial has also broken ground during the quarter on a speculative industrial property. Skyline/20 West, a 600,000 sq. ft. property will feature 36-foot clear heights, cross-dock loading, and concrete truck courts, which is slated for a mid-2015 delivery.

Construction Pipeline



SIGNIFICANT PROJECTS UNDER CONSTRUCTION

PROJECT NAME	SIZE (SF)	SUBMARKET	MAJOR TENANT	% PRE-LEASED	DEVELOPER	TARGET COMPLETION
Future Kroger Distribution Center	2,000,000	South Atlanta	The Kroger Company	100%	Weeks-Robinson	3Q 2015
S Fulton Pky@Stonewall Tell Rd-Bldg 1	1,200,000	Fulton	Walmart	100%	Majestic Realty Co.	2Q 2015
212 Bohannon Rd	1,129,750	South Atlanta	N/A	0%	TPA Group	4Q 2015
Braselton Commerce Center	1,074,596	Northeast	N/A	0%	Ridgeline Property Group	2Q 2015
Surya Carpets	1,036,000	Northwest	Surya	100%	c2 Partners	3Q 2015
S Fulton Pky@Stonewall Tell Rd-Bldg 2	1,000,000	Fulton	N/A	0%	Majestic Realty Co.	3Q 2015
Baxter Plant	1,000,000	Snapfinger / I-20 East	Baxter International Inc.	100%	Turner Construction Co.	1Q 2018
350 Logistics Center Pky - Building B	839,712	Northeast	N/A	0%	IDI Gazeley	1Q 2015
TJX Industries - Raco Pky	826,972	Northeast	TJX Industries	100%	IDI Gazeley	1Q 2015
King Mill Rd	752,590	South Atlanta	N/A	0%	Panattoni Development	2Q 2015
DCT River West Distribution Ctr	733,000	I-20 W / Douglasville	N/A	0%	DCT Industrial Trust	1Q 2015
McMaster-Carr Dist Ctr -	700,000	I-20 W / Douglasville	McMaster-Carr	100%	Holder Construction Co.	1Q 2015

SUBMARKET STATISTICS

Submarkets	Total Inventory SF		Overall Vacancy %	Overall Availability %	TOTAL NET ABSORPTION		CONSTRUCTION		ASKING RENT	
					Current Qtr.	Rolling 12-Month	Completions Current Qtr	Under Construction	WH/Dist	Flex
Central Atlanta	15,212,304	1,655,144	10.9%	15.3%	-65,064	199,731	-	-	\$4.59	\$10.76
Chattahoochee	20,645,892	1,050,086	5.1%	8.2%	-55,424	-53,471	-	-	\$5.16	\$8.18
I-20 W / Douglasville	44,562,487	4,477,588	10.0%	14.2%	1,557,929	3,131,225	-	2,655,252	\$3.36	\$5.50
I-20 W / Fulton District	50,036,752	4,694,352	9.4%	14.9%	814,932	625,264	-	2,200,000	\$3.02	\$5.50
North Central	29,029,680	2,989,058	10.3%	12.4%	-148,990	266,246	-	-	\$5.52	\$9.15
Northeast	184,854,826	14,344,472	7.8%	10.4%	1,967,839	5,397,494	826,972	5,217,704	\$3.85	\$6.39
Northwest	67,599,979	4,856,823	7.2%	9.7%	977,278	1,796,549	-	1,536,000	\$4.27	\$7.64
Snapfinger / I-20 East	45,358,094	3,840,613	8.5%	11.6%	-130,641	1,508,490	-	1,000,000	\$3.20	\$7.21
South	159,992,006	17,286,519	10.8%	14.1%	3,534,212	6,224,394	2,012,415	4,894,812	\$2.86	\$6.84
Stone Mountain	27,320,783	2,445,854	9.0%	11.9%	4,566	631,980	-	-	\$3.27	\$8.30
Totals	644,612,803	57,640,509	8.9%	12.1%	8,456,637	19,727,902	2,839,387	17,503,768	\$3.41	\$7.25

Property Types	Total Inventory SF		Overall Vacancy %	Overall Availability %	Current Qtr.	Rolling 12-Month	Completions Current Qtr	Under Construction	Asking Rent	Y-O-Y Change
	Vacant SF									
Warehouse/Dist	587,497,025	49,669,223	8.5%	11.6%	8,241,290	18,969,805	2,839,387	17,503,768	\$3.41	4.3%
Flex	57,115,778	7,971,286	14.0%	17.3%	215,347	758,097	-	-	\$7.25	0.8%
Totals	644,612,803	57,640,509	8.9%	12.1%	8,456,637	19,727,902	2,839,387	17,503,768	\$3.67	4.3%

METHODOLOGY

Total Inventory: The total inventory includes all multi-tenant, single tenant and owner-occupied industrial buildings with at least 10,000 square feet.

Vacant and Availability: The vacancy rate is the amount of vacant space divided by the total inventory, which includes vacant direct and sublease space. The availability rate is the amount of space available (either physically vacant or occupied) divided by the total inventory. Under construction space is not included in vacancy or availability figures.

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

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

Asking Rents: The quoted asking rent for direct available space is expressed in triple net (NNN) per square foot per year. Industrial rents are expressed as triple net where all costs including, but not limited to, real estate taxes, insurance and common area maintenance are assumed by the tenant on a pro rata basis.

Industrial Classification: Industrial buildings are categorized as warehouse/distribution and flex based on physical characteristics such as office build-out percentage, clear height, typical bay depth, and type of loading docks.



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ABOUT PMRG

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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.

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