

A composite image featuring the Atlanta skyline at night in the upper half and a long-exposure photograph of a highway interchange with light trails in the lower half. The skyline includes prominent buildings like the Westin and Equitable, and the Georgia State Capitol dome. The highway shows streaks of light from moving vehicles.

# PMRG

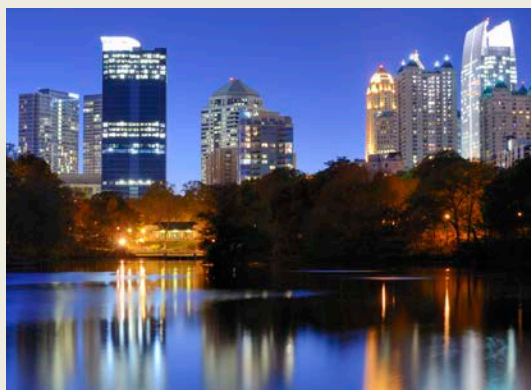
Market ATLANTA Glance

## ATLANTA OFFICE MARKET REPORT

SECOND QUARTER 2015

**PMRG** | PM Realty Group





## TABLE OF CONTENTS

Economic Overview.....	2
Office Market Assessment.....	3
Net Absorption & Vacancy.....	4
Rental Rates & Leasing Activity.....	5
Construction.....	6
Submarket Statistics & Methodology.....	7
Our Team.....	8

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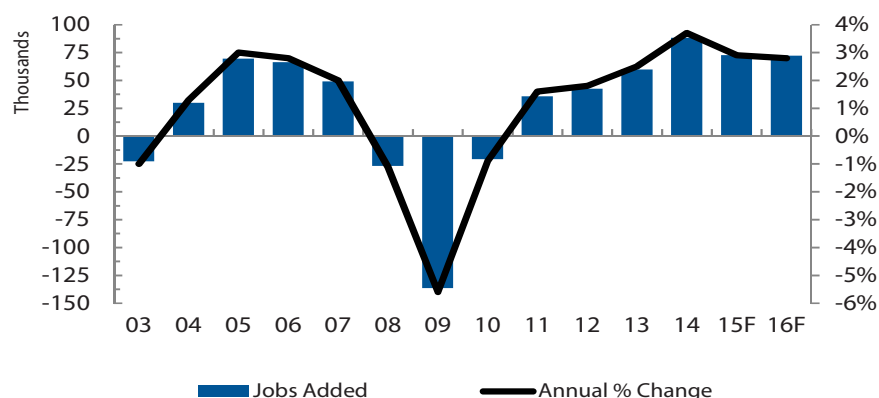
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## ECONOMIC OVERVIEW

Atlanta's economy is firing on all cylinders with 76,600 new jobs created during the last 12 months ending in May 2015, which represents a 3.2% annual increase. Most notably, Atlanta currently has the second highest employment growth among large U.S. metros and is advancing at a faster pace than 2.2% national employment growth rate. The industry sectors largely contributing the strong annual employment gains were in professional & business services (+20,100 jobs), trade, transportation & utilities (+19,400 jobs), leisure & hospitality (+17,500 jobs), and education & health services (+9,800 jobs). Meanwhile, the metro area's unemployment rate stood at 5.9% in May, down 100 basis points compared to 12 months ago.

The metro Atlanta area continues to attract relocation and expansion activity, with particularly strong growth in the high-tech professional services and healthcare sectors. A number of planned expansions and relocations by large firms attest to the strength of Atlanta's tech and corporate cluster. Recent headquarter corporate relocations and local expansions include Mercedes-Benz USA, Kaiser Permanente, Comcast, Sage Software, N3, Varian Medical Systems and Veritiv, 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 bright as the metro area is forecasted to create 72,500 jobs in 2015, followed by an addition of 72,000 jobs in 2016, according to Moody's Analytics.

## 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 & Logging	1.3	1.4	-7.7%	Declining
Construction	106.1	100.0	6.1%	Improving
Manufacturing	153.6	152.3	0.9%	Improving
Trade, Transportation & Utilities	569.5	550.1	3.5%	Improving
Information	88.3	89.4	-1.2%	Declining
Financial Activities	164.7	159.0	3.6%	Improving
Professional & Business Services	479.6	459.5	4.4%	Improving
Education & Health Services	317.1	307.3	3.2%	Improving
Leisure & Hospitality	281.2	263.7	6.6%	Improving
Other Services	94.2	94.8	-0.6%	Declining
Government	327.6	326.1	0.5%	Improving

Source: U.S. Bureau of Labor Statistics, Employment Data as of May 2015.  
All Employees, In Thousands, Data Not Seasonally Adjusted

### OFFICE MARKET ASSESSMENT

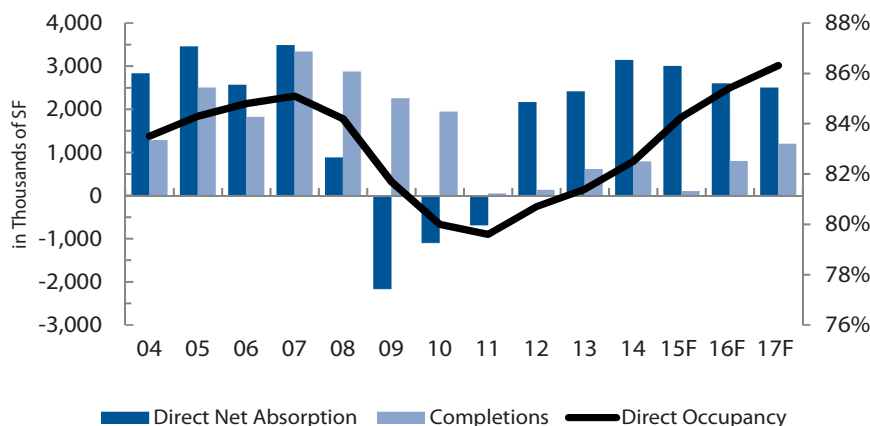
Atlanta's office market fundamentals have remarkably improved with just over 9.3 million sq. ft. of occupancy gains recorded since the end of the Great Recession. Strong employment growth continued to fuel office leasing demand citywide with nearly 1.2 million sq. ft. of direct occupancy gains during the second quarter, bringing the year-to-date total to just over 1.6 million sq. ft. Class A product accounted for the bulk of the quarterly demand with 894,162 sq. ft. of direct absorption growth, increasing the year-to-date total to nearly 1.4 million sq. ft. As a result of the solid demand, Class A direct occupancy rates have considerably improved by 210 basis points to 85.5% over the prior 12 months to match their highest level since year-end 2007. The Class B market also contributed with 248,137 sq. ft. of direct absorption growth during the second quarter, pushing the year-to-date total into positive territory with 215,263 sq. ft. absorbed during the first-half of 2015. Consequently, Class B direct occupancy levels have moved up 80 basis points to 81.0% within the past 12 months.

With the local economy expanding at a swift pace, Atlanta's office leasing market continues to benefit from corporate relocations and expansions. Most recently, Kaiser Permanente inked a 157,000 sq. ft. lease at Midtown's Pershing Pointe for their new information technology hub that will create 900 high-tech jobs and have an economic impact in excess of \$360M by 2019. Comcast Corp. has also secured a deal to anchor a new nine-story office tower at SunTrust Park, where it will locate its Central Division headquarters and house about 1,000 employees. In addition, Mercedes-Benz USA announced plans earlier this year to move its U.S. headquarters from Montvale, New Jersey to Atlanta, with plans to invest about \$100 million into a build-to-suit project totaling roughly 250,000 sq. ft.

### FORECAST

- A flight to quality trend coupled with historically low speculative construction levels will further shift the negotiating power to the landlord's favor, especially within well-located properties with greater infrastructure and amenities.
- As a result of the tightening Class A office market, larger users needing immediate space will be forced to consider Class B space options.
- With no deliveries on the immediate horizon, occupancy and rental rates are projected to continue to increase over the next 12 to 18 months.

Office Market Trends



#### Atlanta Ranks 2nd in Job Growth:

Among the 12 largest metropolitan markets in the country, Atlanta has the second-fastest rate of job growth trailing only Dallas-Fort Worth-Arlington, which saw a 3.4% annual increase.

#### 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
Direct Occupancy	83.5%	▲	▲	▲
Trailing 12 mos. Direct Net Absorption	2,937,186	▲	▲	▲
Under Construction	572,000	▲	▼	▲
Direct Asking Rents	\$21.14	▲	▲	▲



"Strong job growth and limited development are expected to continue in 2015, leading to tight market conditions and higher rents for high quality space in the most desirable submarkets", said Bill Weghorst, EVP, Managing Director, Southeast Division.

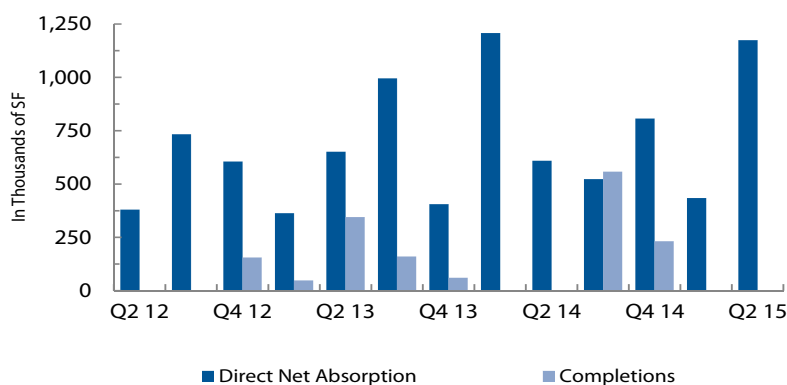
### Submarket Occupancy Ranking

Rank	Submarket	Occ. Rate	Y-O-Y % Change
1	Buckhead	87.9%	2.2%
2	Central Perimeter	85.9%	1.4%
3	South Atlanta	85.0%	1.3%
4	North Fulton	84.7%	1.9%
5	Midtown	84.0%	0.9%
6	Northwest	83.0%	1.0%
7	Downtown	80.6%	-1.0%
8	Northeast	76.8%	1.9%

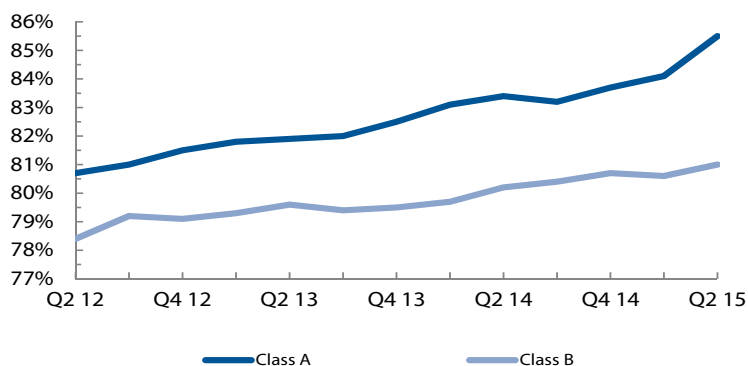
## NET ABSORPTION & VACANCY

- Northeast Atlanta recorded the largest direct absorption gain with 233,442 sq. ft. The bulk of the gains occurred in the Class A sector with 206,556 sq. ft., which was largely attributed to Comcast moving into 87,776 sq. ft. at Corners Office Park and Liberty Mutual occupying 59,579 sq. ft. at Suwanee Gateway One.
- North Fulton posted 213,793 sq. ft. of direct absorption, bringing the mid-year total to 313,634 sq. ft. The Class A sector accounted for the majority of the gain, compliments of Halyard Heath moving into 187,791 sq. ft. at 5405 Windward Pkwy.
- Northwest Atlanta recorded 205,699 sq. ft. of direct absorption during the quarter, pushing the mid-year total to 329,014 sq. ft. The submarket witnessed a flurry of activity between the 10,000 to 25,000 sq. ft. mark, which included recent move-ins by Gas South (27,008 sq. ft.), MOL Investments (25,879 sq. ft.) and MiMedx (25,600 sq. ft.).
- Buckhead featured 181,876 sq. ft. of direct absorption during the quarter, with the largest gain resulting from Spanx moving into 111,815 sq. ft. at Buckhead Atlanta in their relocation from 3344 Peachtree. Other move-ins involved Sharecare's 24,456 sq. ft. in The Capital Building, JP Morgan Chase's 23,676 sq. ft. at Monarch Tower and SunTrust Robinson Humphrey's 21,759 sq. ft. at Atlanta Financial Center.
- Central Perimeter rebounded from a temperate quarter with 175,020 sq. ft. of direct net absorption, pushing the year-to-date total to 189,984 sq. ft. The largest gains included Veritiv Corporation taking down 68,315 sq. ft. at Northpark Town Center and Intercontinental Hotels Group expanding by 42,754 sq. ft. at Three Ravinia Drive.
- Midtown Atlanta experienced 121,891 sq. ft. of positive direct absorption, bringing the year-to-date total to 360,143 sq. ft. The Class A sector recorded 110,161 sq. ft. of direct absorption growth, largely due to Norfolk Southern Corp. occupying 81,075 sq. ft. at 400 Colony Square and Invesco taking down 25,381 sq. ft. at Two Peachtree Pointe.

Direct Net Absorption vs. Completions

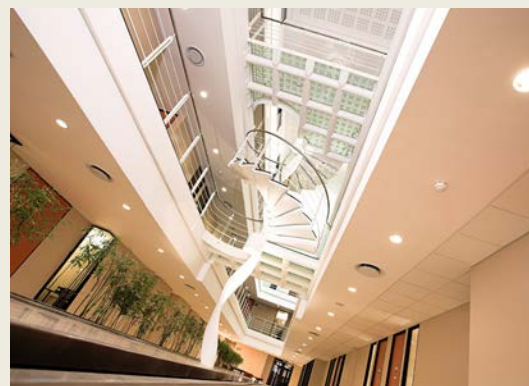


Direct Occupancy Rates



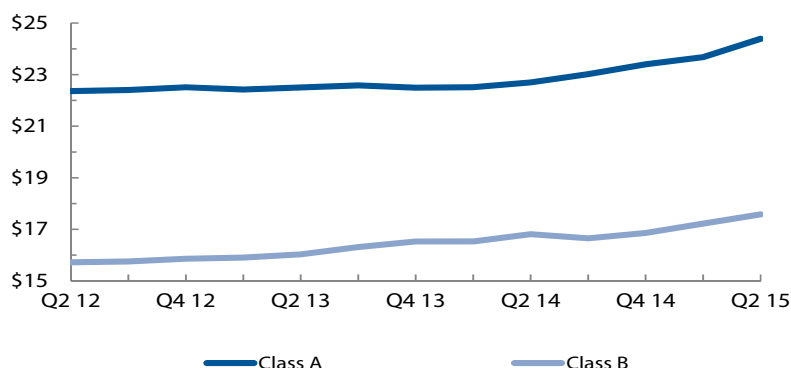
### RENTAL RATES & LEASING ACTIVITY

- Citywide Class A full-service gross asking rents rose by \$0.71 to \$24.39 per square foot during the quarter and have jumped by 7.4% or \$1.69 within the past 12 months. Class A asking rents are currently at their highest level in six years, which only remains 0.7% below their cyclical peak in mid-2008.
- Class B asking rents increased by \$0.36 to \$17.58 per square foot during the quarter and have moved up 4.6% or \$0.77 per square foot within the past 12 months. Class B rents only remain 0.6% below the sector's peak recorded at year-end 2008.
- Strong demand has depleted the supply of large contiguous space options, causing Class A asking rents to climb across all submarkets. Most notably, landlords in the Buckhead and Central Perimeter have raised Class A rents by 14.2% and 8.1% within the past 12 months, respectively.
- As steady economic growth has pushed occupancy rates higher, landlords in the most desired submarkets continue to gain negotiation leverage with fewer concessions being offered, and rental rates trending upwards.
- As a result of the supply-demand imbalance, landlords of existing product have much more leverage to raise rents. With a modest amount of new construction underway, this means that rental rates have grown organically, as opposed to new inventory artificially pushing average rents up as experienced in prior cycles.
- The transition to efficient and collaborative space has resulted in the size of parking requirements increasing with 6 spaces per 1,000 sq. ft. becoming more standard. If the trend of smaller work space prevails, landlords could be left with space that is either unleaseable or left as common space for additional building amenities.
- Leasing velocity has demonstrated signs of slowing down as large space options in the most desirable submarkets have become limited.

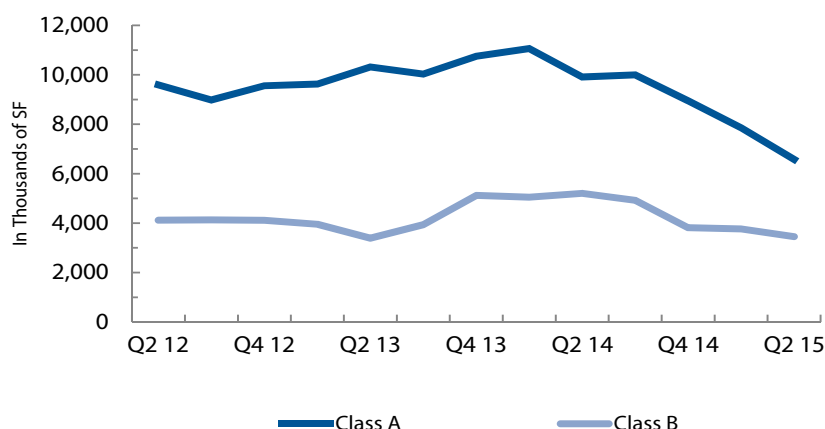


"Atlanta's office market fundamentals will continue to steadily improve in 2015, with Central Perimeter, Buckhead and the northern suburbs remaining the submarkets to watch as corporations look to relocate or consolidate space," said Chip Roach, EVP, Atlanta Market Leader.

**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	\$27.26	10.2%
2	Midtown	\$24.90	2.9%
3	Central Perimeter	\$23.65	8.0%
4	Northwest	\$20.47	5.5%
5	North Fulton	\$19.94	3.2%
6	Downtown	\$19.92	11.6%
7	South Atlanta	\$17.38	3.6%
8	Northeast	\$16.58	0.2%





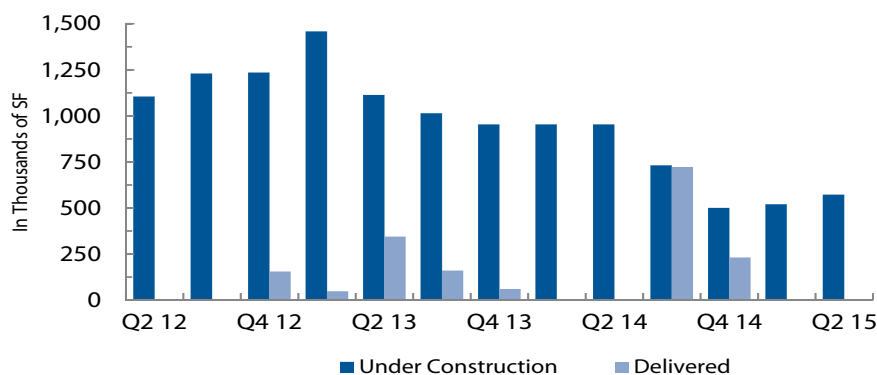
## NOTABLE LEASING ACTIVITY

- Coca-Cola Co. has announced plans to relocate 500 employees from 2500 Windy Ridge to downtown, which will leave the 322,612 sq. ft. Class A office building empty in Cumberland/Galleria.
- Kaiser Permanente signed a 157,000 sq. ft. lease at Midtown's Pershing Pointe for their new innovation and information technology hub, with plans to occupy by early 2016.
- Genuine Parts has announced plans to build a 150,000 sq. ft. headquarters building on Wildwood Parkway in Cobb County.
- Mercedes-Benz USA recently secured a five-year 89,288 sq. ft. lease at Sterling Pointe II, with occupancy taking place in 3Q15.
- Rent Path has leased 74,776 sq. ft. at Atlanta Plaza in Buckhead. The real estate digital media company plans to relocate from Peachtree Corners in 3Q15.
- Focus Brands leased 63,049 sq. ft. at MidCity Plaza in Central Perimeter, with plans to occupy in 3Q15.
- OPTUM signed a 57,933 sq. ft. lease renewal at Peachtree Dunwoody Pavilion in Central Perimeter.
- Aaron's secured a 52,943 sq. ft. lease renewal at Chastain Center in the Northwest submarket.
- Varian Medical Systems secured a 47,684 sq. ft. lease at The Forum at West Places in Buckhead, with plans to occupy space by year-end 2015.
- Holland & Knight leased 44,971 sq. ft. in Regions Plaza, with occupancy expected by year-end 2015.
- SAP leased 43,741 sq. ft. at One Alliance Center, with expected occupancy in 3Q15.
- Cigna Corporation signed a 30,031 sq. ft. renewal at Two Securities Centre in Buckhead.
- CareerBuilder inked a 58,000 sq. ft. lease at 3445 Peachtree in Buckhead, with 27,997 sq. ft. being occupied this year and the remainder in 2016.
- Parson's Group leased 26,496 sq. ft. at Royal Peachtree Corners in the Northeast submarket.

## CONSTRUCTION

- 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 located in Cobb County. Comcast Corp. has secured a pre-lease commitment estimated to be roughly 250,000 sq. ft. to anchor the new office tower.
- Cousins Properties plans to develop a new midtown campus for technology giant NCR, which could break ground early in 2016. The first phase could include 300,000 to 400,000 sq. ft. of office space, which would become part of Georgia Tech's Technology Square.
- Portman Properties has been selected to develop Tech Square, a \$300 million mixed-use development at 700 Spring Street. The project will add up to 750,000 sq. ft. of new development to Tech Square, including a new 600,000 sq. ft. office building anchored by Georgia Tech, and a High Performance Computing Center.
- Mercedes-Benz USA plans to invest about \$100 million into a roughly 250,000 sq. ft. build-to-suit project in Sandy Springs, which is expected to be completed in 2017.
- Highwoods Properties and JV partner Seven Oaks Properties plan to soon break ground on Riverwood 200, a 300,000 sq. ft. office building. The project has already pre-leased 118,500 sq. ft., which includes CPA firm Bennett Thrasher with 62,500 sq. ft. and Holder Construction with 56,000 sq. ft.
- Piedmont Realty Trust plans to develop Glenridge Highlands III, a 300,000 sq. ft. office project in Sandy Springs. AON is rumored to be in negotiations to lease half the building.
- Hines has announced plans to break ground on Northpark 100, the first speculative office tower in the Central Perimeter since 2008.
- Other developers with office projects on the drawing board include Ackerman & Co at its Abernathy 400 site; Hines Interests' Northpark 700, a 26-story office tower in Sandy Springs (at Mount Vernon Highway and Abernathy Rd), Crown Holding's "Ethos", a transit oriented development adjacent to State Farm's Park Center; and "Perimeter Summit" (at Lake Hearn) by GE Pension Trust and Seven Oaks Co., who have an available site in their master planned development. All four potential projects will likely require substantial preleasing to begin construction.

### Construction Pipeline



### SIGNIFICANT PROJECTS UNDER CONSTRUCTION

PROJECT NAME	SIZE (SF)	SUBMARKET	MAJOR TENANT	% PRE-LEASED	DEVELOPER	TARGET COMPLETION
State Farm - 236 Perimeter Center Pky NE *	585,000	Central Perimeter	State Farm	100%	KDC RE Development	4Q 2016
Three Alliance Center - 3550 Lenox Rd NE	500,000	Buckhead	N/A	0%	Tishman Speyer	3Q 2016
Genuine Parts Phase II - 4205 Wildwood Pky*	150,000	Northwest	Genuine Parts	100%	Cousins Properties	3Q 2016
Georgia Proton Treatment Center - 615 Peachtree*	107,000	Midtown	Georgia Proton Treatment	100%	Signet Development	1Q 2016
Ariana Office Building	52,000	N Fulton	Ariana Home Furnishings	50%	Ariana Home Furnishings	3Q 2015
Smyrna Heights Pavilion - 1155 Concord Rd SE	20,000	Northwest	N/A	0%	SK Commercial Realty LLC	4Q 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	20,386,279	2,616,142	239,513	87.9%	181,876	230,070	-	500,000	\$29.79	\$22.22
Midtown	18,816,685	2,772,747	476,632	84.0%	121,891	360,143	-	-	\$27.53	\$19.02
Downtown	22,193,551	4,963,661	402,073	80.6%	(42,460)	(148,274)	-	-	\$21.55	\$17.58
Central Perimeter	26,443,935	4,548,284	696,617	85.9%	175,020	189,984	-	-	\$26.42	\$20.87
Northwest	28,964,365	6,158,918	679,825	83.0%	205,699	329,014	-	20,000	\$24.04	\$16.99
North Fulton	22,810,708	3,783,058	414,248	84.7%	213,793	313,634	-	52,000	\$22.61	\$16.33
Northeast	18,064,652	4,980,052	322,761	76.8%	231,075	233,442	-	-	\$20.17	\$14.95
South Atlanta	8,634,368	1,609,418	102,698	85.0%	87,079	99,993	-	-	\$18.90	\$17.77
Totals	166,314,543	31,432,280	3,334,367	83.5%	1,173,973	1,608,006	0	572,000	\$24.39	\$17.58

Property Types	Total Inventory SF	TOTAL SPACE AVAILABLE		Direct Occupancy	DIRECT NET ABSORPTION		CONSTRUCTION		ASKING RENT	
		Direct Available	Sublease Available		Current Qtr.	Year-to-Date	Completions Current Qtr	Under Construction	Asking Rent	Y-O-Y Change
Class A	99,274,958	16,461,856	2,618,866	85.5%	894,162	1,372,113	-	500,000	\$24.39	7.4%
Class B	59,308,873	13,053,980	715,501	81.0%	248,137	215,263	-	72,000	\$17.58	4.6%
Class C	7,730,712	1,916,444	0	77.6%	31,674	20,630	-	-	\$12.56	1.7%
Totals	166,314,543	31,432,280	3,334,367	83.5%	1,173,973	1,608,006	0	572,000	\$21.14	5.5%

### 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.

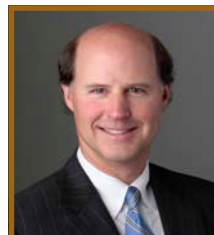
**Direct Asking Rents:** The quoted full-service asking rent for available space expressed in dollars per square foot.



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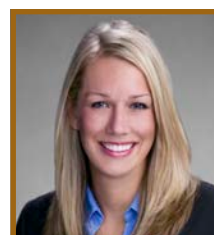
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## ABOUT PMRG

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](http://www.pmrgr.com).