



PMRG
Market ATA Glance

ATLANTA OFFICE
MARKET REPORT
FIRST QUARTER 2015

PMRG | PM Realty Group

PROPERTY SERVICES | DEVELOPMENT | INVESTMENT



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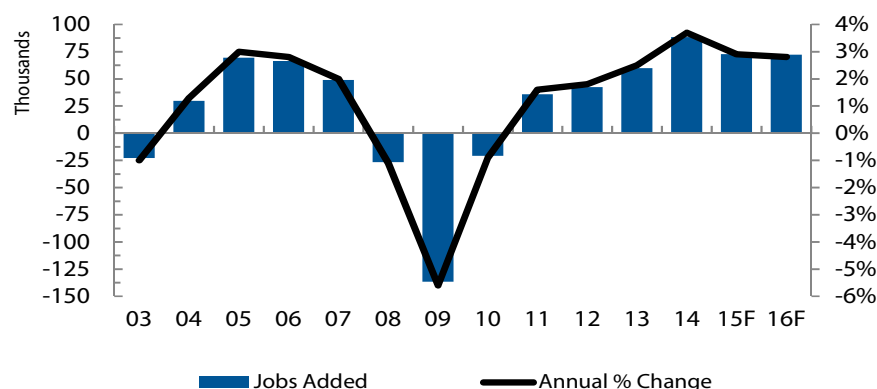
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ECONOMIC OVERVIEW

Atlanta's economic expansion has accelerated into high gear with 110,900 new jobs created during the last 12 months ending in February 2015, which represents a 4.6% annual increase. Most notably, this was the largest year-over-year job growth for any month since June 1999. The industry sectors largely contributing the strong annual employment gains were in professional & business services (+24,200 jobs), trade, transportation & utilities (+24,100 jobs), leisure & hospitality (+18,200 jobs), and education & health services (+15,600 jobs). As a result, metro Atlanta's unemployment rate for February was 6.1%, down 100 basis points compared to 12 months ago. As of February, total payroll employment has surpassed its pre-recession peak recorded in December 2007 by 56,500 jobs.

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 to Atlanta by large firms attest to the strength of Atlanta's tech and corporate cluster. Recent headquarter corporate relocations and local expansions include State Farm Insurance, Mercedes-Benz, WorldPay, AT&T, Comcast, Google, Fiserv, Novellis, and Pulte Group, 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	1.3	1.3	0.0%	▲
Construction	103.4	95.7	8.0%	▲
Manufacturing	153.6	149.8	2.5%	▲
Trade, Transportation & Utilities	563.3	539.2	4.5%	▲
Information	88.4	87.9	0.6%	▲
Financial Activities	163.5	156.6	4.4%	▲
Professional & Business Services	467.3	443.1	5.5%	▲
Education & Health Services	316.5	300.9	5.2%	▲
Leisure & Hospitality	259.8	241.6	7.5%	▲
Other Services	95.6	92.3	3.6%	▲
Government	328.3	321.7	2.1%	▲

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

OFFICE MARKET ASSESSMENT

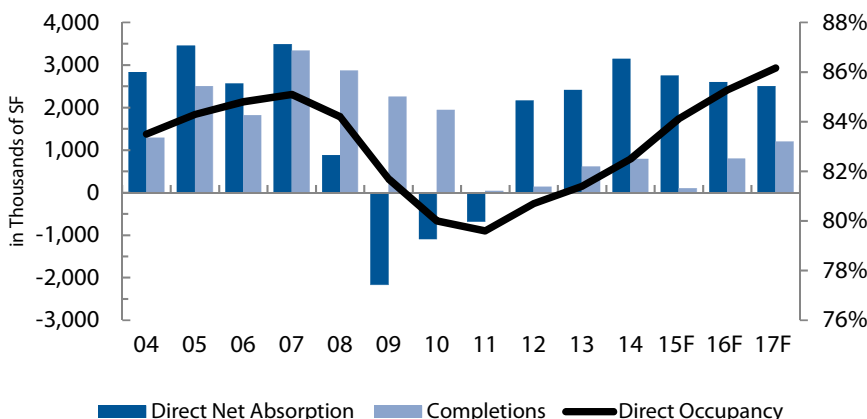
Atlanta's office market fundamentals continue to steadily improve with its 15th consecutive quarter of positive absorption, recording just over 8.2 million sq. ft. of occupancy gains since the end of the Great Recession. Solid employment growth, particularly in the technology and healthcare sectors, continued to drive office leasing demand citywide with 434,033 sq. ft. of direct occupancy gains during the first quarter, bringing the trailing 12-month direct absorption total to nearly 2.4 million sq. ft. Class A product accounted for the bulk of the quarterly demand with 477,951 sq. ft. of direct absorption growth, and has impressively accounted for nearly 1.9 million sq. ft. of space absorbed within the past 12 months. As a result of the solid demand, Class A direct occupancy rates have improved by 100 basis points to 84.0% over the prior 12 months to match their highest level since 1Q 2009. Although the Class B market experienced a modest occupancy loss of 32,874 sq. ft. during the quarter, the property sector has recorded 482,151 sq. ft. of occupancy gains within the trailing 12 months. Consequently, Class B direct occupancy levels have moved up 90 basis points to 80.6% within the past 12 months.

With the local economy expanding at a brisk pace, Atlanta's office market will continue to benefit from corporate relocations and expansions. Most recently, Comcast Corp. inked 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 has announced plans 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 over 200,000 sq. ft. The luxury automaker also signed an 89,288 sq. ft. lease at Sterling Pointe II, while awaiting the delivery of their new headquarters.

FORECAST

- A flight to quality trend will remain as tenants are 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 greater 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 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	82.6%	▲	▲	▲
Trailing 12 mos. Direct Net Absorption	2,371,916	▼	▼	▲
Under Construction	520,000	▲	▼	▲
Direct Asking Rents	\$20.62	▲	▲	▲



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

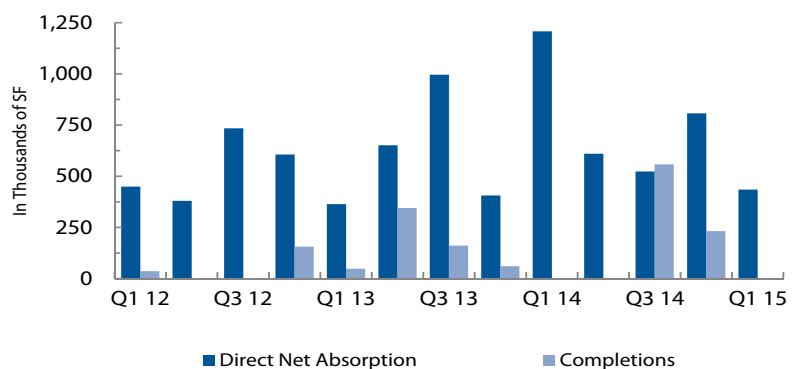
Submarket Occupancy Ranking

Rank	Submarket	Occ. Rate	Y-O-Y % Change
1	Buckhead	86.8%	2.0%
2	Central Perimeter	85.0%	1.3%
3	South Atlanta	84.0%	-1.4%
4	North Fulton	83.7%	1.6%
5	Midtown	83.2%	1.2%
6	Northwest	82.0%	-0.4%
7	Downtown	80.2%	-1.0%
8	Northeast	75.2%	1.3%

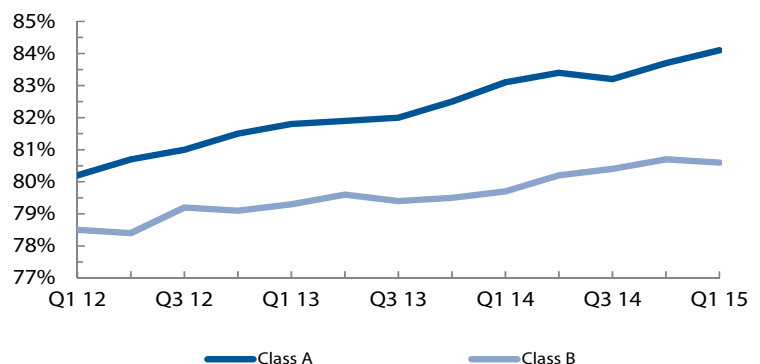
NET ABSORPTION & VACANCY

- Midtown Atlanta recorded the largest quarterly absorption gains with 238,252 sq. ft., bringing the trailing 12-month total to 808,514 sq. ft. The Class A sector absorbed 267,054 sq. ft. as MailChimp and Cardlyics moved into a combined 192,483 sq. ft. at Ponce City Market. Other noteworthy move-ins involved GA Tech occupying 24,829 sq. ft. at 171 17th Street and Meunier Carlin & Curfman taking down 22,250 sq. ft. at 999 Peachtree Street.
- Northwest Atlanta recorded 123,315 sq. ft. of direct absorption during the quarter. This growth was largely attributed to DS Waters expanding by approximately 62,751 sq. ft. at Wildwood Center and Aaron's taking down 52,943 sq. ft. of Class B space at Chastain Center. Meanwhile, Allstate relocated into 100,986 sq. ft. at The Towers at Wildwood Plaza but left behind 114,186 sq. ft. at Interstate North Office Park.
- North Fulton recorded 99,841 sq. ft. of direct absorption, bringing the trailing 12-month total to 397,403 sq. ft. The Class A sector accounted for the majority of the quarterly demand with 163,287 sq. ft. absorbed. The largest move-ins involved JDA Software (40,796 sq. ft.), Andritz Hydro (40,178 sq. ft.), Market Source (26,779 sq. ft.) and Ernst & Young (23,432 sq. ft.) The Class B sector witnessed 63,446 sq. ft. of occupancy losses due to JDA Software leaving behind 80,314 sq. ft. at Brookside Office Park.
- Buckhead posted modest gains totaling 48,194 sq. ft. during the quarter, but has recorded 692,468 sq. ft. of occupancy gains within the trailing 12-months. The largest move-in involved Salesforce taking 47,236 sq. ft. of Class A space at Atlanta Plaza One.
- Central Perimeter had a temperate quarter only absorbing 14,964 sq. ft., which comes on the heels of recording 432,807 sq. ft. of absorption in 2014. The modest performance was largely due to recent vacancies totaling just over 59,000 sq. ft. at One Glenlake. However, several move-ins by Cox Enterprises, Vulcan Materials, Covius, GSA and Verizon Telematics helped to counter the submarket's occupancy losses.

Direct Net Absorption vs. Completions



Direct Occupancy Rates



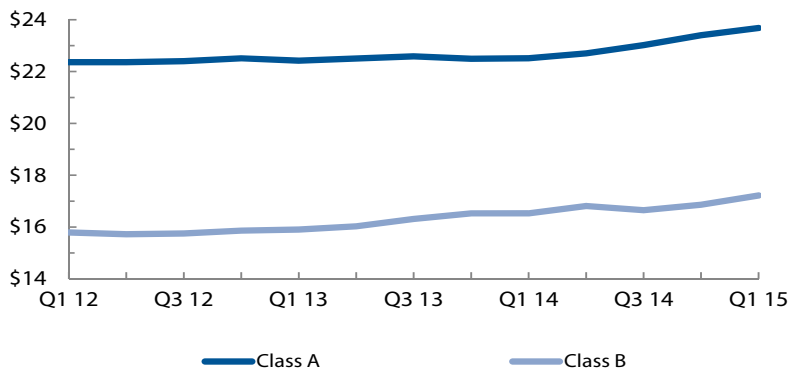
RENTAL RATES & LEASING ACTIVITY

- Citywide Class A asking rents rose by \$0.28 to \$23.68 per sq. ft. (gross) during the quarter and have jumped by 5.2% or \$1.17 within the past 12 months. Class A asking rents are currently at their highest level in five years but remain 3.5% or \$0.87 below their cyclical peak recorded in mid-2008.
- Class B asking rents increased by \$0.36 to \$17.22 per sq. ft. during the quarter and have moved up 4.2% or \$0.69 within the past 12 months. Class B rents remain 2.7% or \$0.47 per sq. ft. 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 9.0% and 8.4% 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.
- 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.
- There are still opportunities for tenants to capitalize on attractive lease terms with incentives and concessions in submarkets with high vacancy rates, but these large space options will gradually diminish as leasing activity is expected to remain strong.
- Leasing velocity has demonstrated signs of slowing down as large space options have become limited. The trailing four-quarter volume of Class A direct space leased totaled 7.0 million sq. ft., which is 12.0% below the market's 10-year historical average.

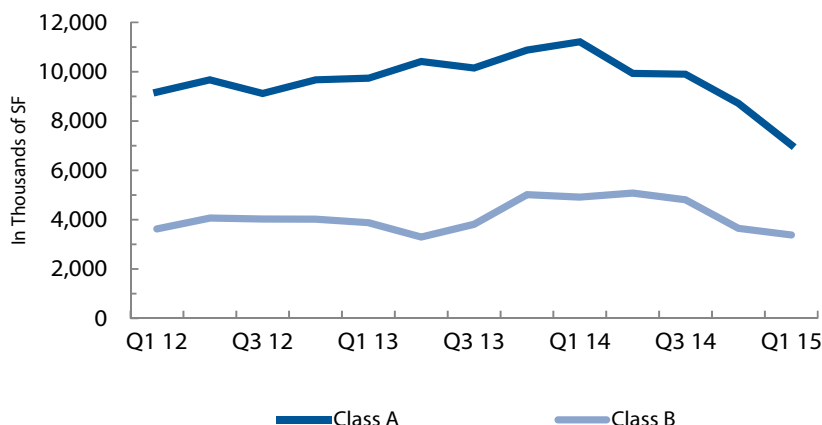


"Atlanta's office market fundamentals will continue to steadily improve in 2015, with Central Perimeter, Buckhead and the northern suburbs remaining the submarkets to watch as corporations look to relocate or consolidate space," said Chip Roach, EVP, Atlanta Market Leader.

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	\$26.72	9.0%
2	Midtown	\$24.59	-1.4%
3	Central Perimeter	\$23.46	8.4%
4	Northwest	\$19.90	3.1%
5	North Fulton	\$19.65	4.2%
6	Downtown	\$17.90	2.0%
7	South Atlanta	\$17.52	5.0%
8	Northeast	\$16.64	1.3%



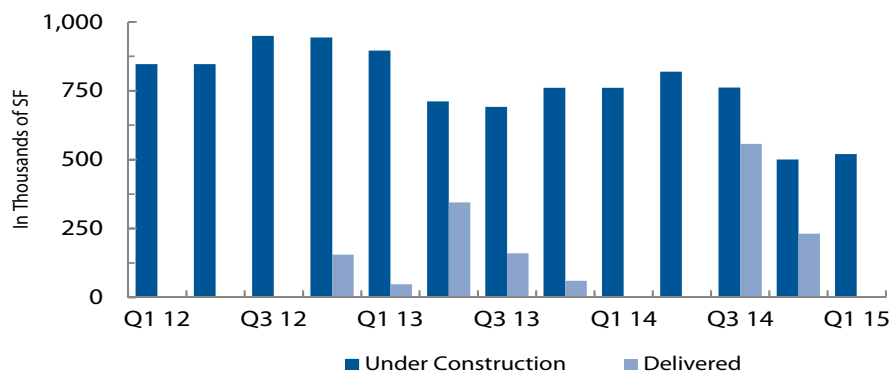
NOTABLE LEASING ACTIVITY

- Comcast Corp. recently secured a pre-lease commitment estimated to be roughly over 250,000 sq. ft. to anchor the new office tower at SunTrust Park. This would in essence be a consolidation of various offices in the Cumberland/Galleria area, and possibly even an expansion of additional space that could add new jobs to the market.
- Mercedes-Benz USA recently announced decision to relocate their headquarters to Atlanta from New Jersey and has secured a five-year lease to occupy 89,288 sq. ft. lease at Sterling Pointe II. This is expected to be a temporary move until construction of the luxury automaker's new headquarters is completed.
- Rent Path has agreed to lease 74,776 sq. ft. at Atlanta Plaza in Buckhead. The real estate digital media company plans to relocate from Peachtree Corners during the second quarter.
- Veritiv Corp. plans to relocate its new headquarters to Sandy Springs, bringing up to 200 jobs over the next year. Veritiv has leased 68,315 sq. ft. at Northpark 400, with move-in expected in 2Q15.
- Focus Brands leased 63,049 sq. ft. at MidCity Plaza, with plans to move into their space by third quarter.
- Oracle – a software maker occupying 70,000 sq. ft. at Northpark Town Center – plans to relocate into 50,000 sq. ft. at One Glenlake, backfilling sublease space left behind by Newell Rubbermaid.
- 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.
- Liberty Mutual leased 51,883 sq. ft. at Suwanee Gateway One in Northeast Atlanta, with occupancy expected during the second quarter.
- Holland & Knight leased 44,971 sq. ft. in Regions Plaza in Midtown, with plans to move into space by year-end 2015.

CONSTRUCTION

- The office construction pipeline remains well below its 10-year historical average of 2.2 million sq. ft., with 530,000 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 prior to the economic recession.
- The largest construction project underway is Tishman Speyer's Three Alliance Center, a 500,000 sq. ft. office tower in Buckhead, which marks the first speculative office project to break ground since the Great Recession, and demonstrates the landlords' bullish outlook on Atlanta's office leasing market.
- 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. The project will feature a hotel, retail space, residential units as well as office space to complement SunTrust Park – the team's \$622 million stadium. Comcast Corp. have recently secured a deal that would include the media and technology company as the lead anchor tenant for the new office tower at SunTrust Park.
- Mercedes-Benz USA has announced plans to invest about \$100 million into a build-to-suit project totaling over 200,000 sq. ft. on a 12-acre greenfield site located at the corner of Abernathy and Barfield Roads in Sandy Springs, which is expected to be completed in early 2018
- Central Perimeter is the likely next location for new office development as large contiguous 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 hovering near the 89% mark.
- Among the developers that could move forward with a new office tower 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 Pkwy NE	585,000	Central Perimeter	State Farm	100%	KDC RE Development & Investments	4Q 2016
Cox Communications* - 6205 Peachtree Dunwoody	578,000	Central Perimeter	Cox Enterprises	100%	Holder Construction Group, LLC	2Q 2015
Three Alliance Center - 3550 Lenox Rd NE	500,000	Buckhead	N/A	5%	Tishman Speyer	3Q 2016
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.	Trailing 12 months	Completions Current Qtr	Under Construction	Class A	Class B
Buckhead	20,313,660	2,864,365	214,659	86.8%	48,194	692,468	-	500,000	\$28.77	\$20.52
Midtown	18,723,430	3,119,915	512,433	83.2%	238,252	808,514	-	-	\$27.13	\$18.82
Downtown	21,870,953	5,103,904	365,763	80.2%	(105,814)	57,568	-	-	\$19.13	\$16.46
Central Perimeter	26,395,522	4,669,353	621,035	85.0%	14,964	301,746	-	-	\$26.26	\$20.30
Northwest	28,975,852	5,969,678	585,337	82.0%	123,315	(29,473)	-	20,000	\$23.38	\$16.85
North Fulton	22,830,803	4,004,902	377,362	83.7%	99,841	397,403	-	-	\$22.17	\$16.46
Northeast	17,833,944	4,967,454	321,240	75.2%	2,367	169,613	-	-	\$20.28	\$15.00
South Atlanta	8,606,858	1,574,626	84,697	84.0%	12,914	(25,923)	-	-	\$18.91	\$17.80
Totals	165,551,022	32,274,197	3,082,526	82.6%	434,033	2,371,916	0	520,000	\$23.68	\$17.22

Property Types	Total Inventory SF	TOTAL SPACE AVAILABLE		Direct Occupancy	DIRECT NET ABSORPTION		CONSTRUCTION		ASKING RENT	
		Direct Available	Sublease Available		Current Qtr.	Trailing 12 months	Completions Current Qtr	Under Construction	Asking Rent	Y-O-Y Change
Class A	99,608,560	17,132,946	2,428,702	84.1%	477,951	1,883,976	-	500,000	\$23.68	5.2%
Class B	58,319,760	13,276,928	653,016	80.6%	(32,874)	482,151	-	20,000	\$17.22	4.2%
Class C	7,622,702	1,864,323	808	77.2%	(11,044)	5,789	-	-	\$12.49	0.0%
Totals	165,551,022	32,274,197	3,082,526	82.6%	434,033	2,371,916	0	520,000	\$20.62	3.8%

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

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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.

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