

04 2014





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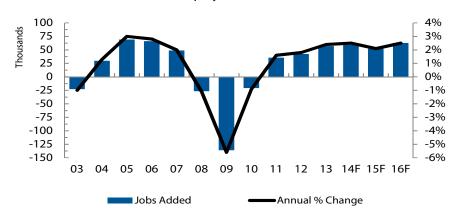


ECONOMIC OVERVIEW

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 industry sectors contributing to this growth, with particularly strong annual gains were in the trade, transportation & utilities (+18,600 jobs), professional & business services (+16,200 jobs), and leisure & hospitality (+8,500 jobs). During November, Atlanta's unemployment rate has 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 has surpassed its pre-recession peak recorded in December 2007 by 28,100 jobs.

The metro Atlanta area continues to attract relocation and expansion activity, with particularly strong growth in the technology sector. Recent headquarter relocations and corporate expansions include State Farm Insurance, Carter's, Athenahealth, Airwatch, Ernst & Young, Mercedes, Infosys, Pulte Group, MedAssets, Inc. 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 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

| | | | | HEALTH |
|-----------------------------------|---------|----------------------|--------|---------------|
| | Current | 12-Months | Annual | (Improving |
| | Reading | Prior Reading | Change | or Declining) |
| Mining | 1.2 | 1.2 | 0.0% | |
| Construction | 99.2 | 96.3 | 3.0% | |
| Manufacturing | 154.1 | 150.8 | 2.2% | A |
| 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

PMRG Marketar Glance

OFFICE MARKET ASSESSMENT

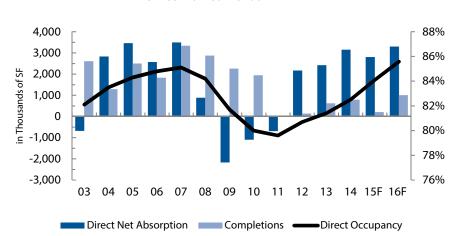
Atlanta office market finished a strong 2014 with 806,586 sq. ft. of direct net absorption during the fourth quarter, increasing the annual total to more than 3.1 million sq. ft. This marks the 14th consecutive quarter with positive absorption, and the highest annual gain witnessed since 2007. Class A product posted 658,019 sq. ft. of direct absorption during the quarter and has accounted for over 2.1 million sq. ft. of space absorbed within the past 12 months. As a result, Class A direct occupancy rates have increased 40 basis points to 84.0% over the prior 12 months. The Class B sector also contributed to the quarterly gains with 160,385 sq. ft. of direct absorption, bringing the yearly total to just over 1 million sq. ft. During the fourth quarter, Class B direct occupancy rates increased by 30 basis points to 80.5%, and have improved 100 basis points since year-end 2013. In terms of new supply, developers delivered just over 788,000 sq. ft.in 2014, with the most noteworthy projects being Jamestown Properties' Ponce City Market totaling 557,122 sq. ft. in Midtown and Oliver McMillan's Buckhead Atlanta with the addition of a 125,000 sq. ft. boutique office building.

Although leasing activity has exhibited signs of slowing down from its swift pace a year ago, there were several noteworthy leases signed in 2014, which will further boost absorption numbers in the coming quarters. The largest transaction this past year 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. In addition, 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 welllocated 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 fro Quarter | m Previous Year | 12-month Forecast |
|------------------------------|--------------------|-----------------------|--------------------|----------------------|
| Direct Occupancy | 82.5% | _ | _ | _ |
| Annual Direct Net Absorption | 3,145,041 | _ | | _ |
| Under Construction | 530,000 | • | • | _ |
| Direct Asking Rents | \$20.35 | _ | _ | _ |

3 A

PMRG PM Realty Group

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PMRG Market A Glance



"Moderate job growth and limited development are expected to continue in 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.

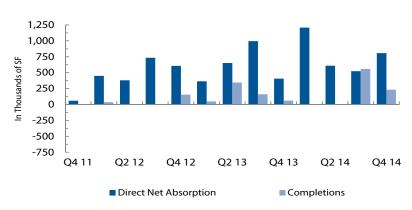
Submarket Occupancy Ranking

| | | Occ. | Y-O-Y % |
|------|-------------------|-------|---------|
| Rank | Submarket | Rate | Change |
| 1 | Buckhead | 86.5% | 1.1% |
| 2 | Central Perimeter | 85.4% | 2.4% |
| 3 | North Fulton | 83.4% | 1.9% |
| 4 | South Atlanta | 83.4% | -1.7% |
| 5 | Northwest | 81.9% | 0.3% |
| 6 | Midtown | 81.7% | 0.9% |
| 7 | Downtown | 81.5% | 0.3% |
| 8 | Northeast | 75.5% | 0.1% |

NET ABSORPTION & VACANCY

- Buckhead recorded the largest quarterly absorption gains with 355,941 sq. ft. during the quarter, increasing its 2014 absorption total to 753,043 sq. ft. The Class A sector led the way with Spanx moving into 112,500 sq. ft. at Buckhead Atlanta as well as Preferred Apartment Communities taking 68,860 sq. ft. at The Medici.
- Midtown Atlanta displayed 296,073 sq. ft. of absorption growth during the quarter, bringing the yearly total to 711,585 sq. ft. The largest quarterly gains involved moveins by Jamestown (63,671 sq. ft.), Fraizer & Deeter (50,000 sq. ft.), and Ionic Securities (24,247 sq. ft.).
- Central Perimeter recorded 62,066 sq. ft. of direct absorption, increasing the annual total to 750,690 sq. ft. The largest occupancy gains included Access International taking 26,194 sq. ft. at Three Ravinia and Berkley Insurance occupying 23,025 sq. ft. at Two Ravinia Drive.
- Downtown Atlanta also contributed with 56,245 sq. ft. of direct absorption during the quarter, and has recorded 347,322 sq. ft. of occupancy gains for the full year. The majority of the quarterly gains occurred in the Class A sector where three tenants moved into a total of 30,196 sq. ft. at 100 Peachtree St.
- South Atlanta witnessed 14,123 sq. ft. of direct absorption, but its 2014 absorption total remained in negative territory with 17,927 sq. ft. of losses. The Class B sector lost 19,987 sq. ft. of tenants during the quarter, largely attributed to the Georgia Department of Labor moving out of 32,544 sq. ft. at 2450 Mount Zion Parkway.
- Northeast Atlanta experienced 60,254 sq. ft. of negative direct net absorption during the quarter, with the Class A market accounting for 50,748 sq. ft. of the quarterly losses. This was largely due to BioLab, Inc. vacating 41,315 sq. ft. at Huntcrest III and American Express Travel Agency moving out of over 26,000 sq. ft. at Huntcrest I.

Direct Net Absorption vs. Completions



Direct Occupancy Rates

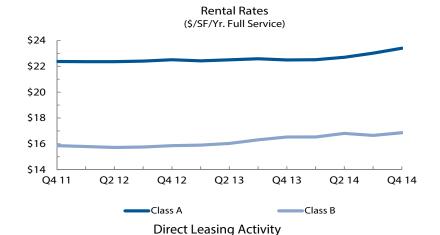


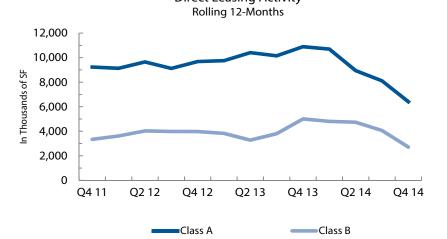
PMRG | PM Realty Group

PMRG Marketar Glance

RENTAL RATES & LEASING ACTIVITY

- Class A asking rents rose by \$0.38 to \$23.40 per square foot (gross) during the quarter
 and have increased by 4.1% or \$0.91 within the past 12 months. Class A asking rents
 currently remain 4.7% or \$1.15 per square foot below their cyclical peak recorded in
 mid-2008.
- Class B asking rents increased by \$0.21 to \$16.86 per square foot during the quarter and have moved up 2.0% or \$0.33 per square foot within the past 12 months. Class B rents remain 4.7% or \$0.83 per square foot 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 Central Perimeter and Midtown submarkets have raised Class A rents by 8.3% and 6.7% within the past 12 months, respectively.
- The modest upward pressure on rental rates in submarkets outside the urbancore suggests that tenants continue to hold some bargaining power. However, the pendulum is swinging back into the landlord's favor with fewer concessions offered, and rental rates trending upwards, especially in the most desired submarkets.
- However, 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 demonstrated signs of slowing down as large space options in the most desirable submarkets have become limited. At the end of the fourth quarter, the trailing four-quarter volume of Class A direct space leased totaled 6.4 million sq. ft., which is 18.6% below the market's 10-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.

Submarket Occupancy Ranking

| | | Occ. | Y-O-Y % |
|------|-------------------|-------|---------|
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| | | | |



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NOTABLE LEASING ACTIVITY

- Salesforce a software company currently taking two floors in Atlanta Plaza – plans to add over 300 jobs in Buckhead and is rumored to be expanding over 50,000 sq. ft. within its current building.
- Raymond James could be one of Three Alliance Center's anchor tenants. Although they are still in the early stages of the search process, the financial services firm is looking for up to 100,000 sq. ft. to consolidate their two Atlanta office locations.
- Automatic Data Processing, Inc., a payroll services company, renewed its 75,939 sq. ft. lease at their 2575 Westside Pkwy headquarters in North Fulton.
- Comcast is rumored to be relocating their Southeastern headquarters in Northeast Atlanta to 6200 Corners Parkway and will be expanding into 88,000 sq. ft. Their current lease expires in late 2015.
- World Pay announced plans to relocate their U.S. headquarters to Atlantic Station, where they will occupy 130,000 sq. ft. The payroll services company has 671 employees at their current location and plans to add 600 jobs over the next four years.
- Oracle a software maker currently occupying 70,000 sq. ft. at Northpark Town Center – is rumored to be taking 50,000 sq. ft. of sublease space from Newell Rubbermaid at One Glenlake.
- Veritiv Corp. plans to relocate its new headquarters to Sandy Springs, bringing up to 200 jobs to the region over the next year. Veritiv recently leased the top three floors of Northpark 400.
- Allconnect leased 50,340 sq. ft. at Lakeside Commons II, with occupancy by mid-year 2015.
- JDA Software leased 40,796 sq. ft. at 300 Colonial Center Pky in North Fulton.
- Rent Path has agreed to lease at least three floors at Atlanta Plaza in Buckhead. The real estate digital media company is relocating from Peachtree Corners.

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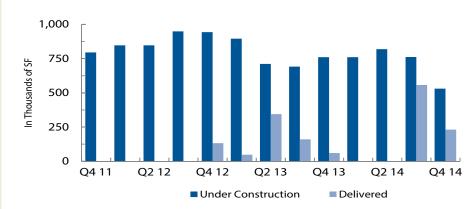


PMRG Marketar Glance

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.
- Tishman Speyer recently broke ground on Three Alliance Center, a 500,000 sq. ft. speculative office tower in Buckhead. This marks the first speculative office project prior to the Great Recession, and indicates landlords' bullish outlook on Atlanta's office leasing market. Delivery is scheduled for mid-to-late 2016.
- 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.
- 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 at 89.0%.
- 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.
- Mercedes-Benz USA recently announced their decision to relocate their headquarters
 to Atlanta from New Jersey. The German luxury automaker plans to invest about \$100
 million into a build-to-suit project totaling over 200,000 sq. ft. in Central Perimeter
 or Alpharetta with a 2017 anticipated delivery date. Mercedes plans to be taking
 temporary space this summer.

Construction Pipeline



SIGNIFICANT PROJECTS UNDER CONSTRUCTION

| | | | | % PRE- | | TARGET |
|---|-----------|-------------------|-----------------|--------|-----------------------------------|------------|
| PROJECT NAME | SIZE (SF) | SUBMARKET | MAJOR TENANT | LEASED | DEVELOPER | COMPLETION |
| State Farm* - 236 Perimeter Center Pky 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 Contruction Group, LLC | 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% | The Whiting-Turner Contracting Co | 4Q 2014 |
| 2008 Lawrenceville Suwanee Rd | 30,000 | Northeast | N/A | 0% | N/A | 2Q 2015 |

* Owner-occupied (excluded from competitive statistics)



SUBMARKET STATISTICS

| | | TOTAL SPACE | <u> AVAILABLE</u> | | DIRECT NET ABSORPTION | | CONSTRUCTION | | ASKING RENT | |
|-------------------|-----------------------|---------------------|-----------------------|---------------------|-----------------------|--------------|----------------------------|-----------------------|----------------|-----------------|
| Submarkets | Total Inventory SF | Direct | Sublease | Direct Occupancy | Current Qtr. | Year To Date | Completions Current Qtr | Under Construction | Class A | Class B |
| Buckhead | 20,358,134 | 3,045,841 | 216,473 | 86.5% | 355,941 | 753,043 | 125,000 | 500,000 | \$27.81 | \$20.46 |
| Midtown | 18,723,430 | 3,026,756 | 512,244 | 81.7% | 296,073 | 711,585 | - | - | \$27.20 | \$18.85 |
| Downtown | 21,946,000 | 4,897,486 | 303,759 | 81.5% | 56,245 | 347,322 | - | - | \$18.82 | \$16.44 |
| Central Perimeter | 26,012,310 | 4,580,835 | 432,807 | 85.4% | 62,066 | 750,690 | - | - | \$25.78 | \$19.23 |
| Northwest | 28,538,090 | 6,063,982 | 586,873 | 81.8% | (520) | 97,748 | - | - | \$23.05 | \$16.56 |
| North Fulton | 22,803,621 | 3,989,137 | 516,515 | 83.3% | 82,912 | 366,748 | 106,298 | - | \$21.79 | \$16.06 |
| Northeast | 18,010,911 | 4,931,820 | 306,072 | 75.5% | (60,254) | 135,832 | - | 30,000 | \$20.20 | \$14.82 |
| South Atlanta | 8,396,571 | 1,612,669 | 84,811 | 83.4% | 14,123 | (17,927) | - | - | \$18.64 | \$17.82 |
| Totals | 164,789,067 | 32,148,526 | 2,959,554 | 82.5% | 806,586 | 3,145,041 | 231,298 | 530,000 | \$23.40 | \$16.86 |
| | | TOTAL SPACE | E AVAILABLE | | DIRECT NET ABSORPTION | | CONSTRUCTION | | ASKING RENT | |
| 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 | 99,190,179 | 17,165,826 | 2,218,983 | 84.0% | 658,019 | 2,105,033 | 231,298 | 500,000 | \$23.40 | 4.0% |
| Class B | 57,996,981 | 13,241,188 | 738,363 | 80.5% | 160,385 | 1,027,082 | 0 | 30,000 | \$16.86 | 2.0% |
| Class C | 7,601,907 | 1,741,512 | 2,208 | 78.7% | (11,818) | 12,926 | 0 | - | \$12.77 | 1.5% |
| Totals | 164,789,067 | 32,148,526 | 2,959,554 | 82.5% | 806,586 | 3,145,041 | 231,298 | 530,000 | \$20.35 | 2.9% |

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.pmrg.com.