

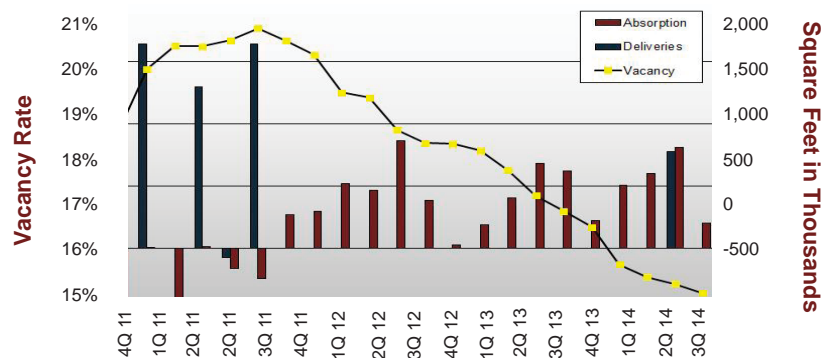
# MARKET REPORT

## ATLANTA OFFICE MARKET SNAPSHOT

Total Square Feet:	135,349,066	↑
Vacant Square Feet:	22,036,106	↓
Percent Occupied:	83.72%	↑
Absorption for Quarter:	202,243	↓
Absorption Year-to-Date:	202,243	↓
Average Rental Rates:	\$21.87	↑
Space Delivered YTD:	0	—
Class "A" Avg. Rental Rate:	\$24.60	↑

\* Change from 1Q 2014

## METRO ATLANTA OFFICE MARKET SUMMARY



The Atlanta Office Market has experienced sixteen consecutive quarters of positive absorption.

The first quarter 2015 posted positive net absorption of 202,243 square feet, our 16th consecutive quarter of positive absorption. As a result of this continued absorption, the vacancy rate fell to 16.28 percent, down 0.85 percentage points from first quarter 2014 and 2.29 percentage points from first quarter 2013. This continuing decline in the vacancy rate is a sign of optimism for a recovering Atlanta office market, as the vacancy rate is at its lowest since the third quarter of 2008.

The leading office submarket in absorption this quarter was Buckhead/Lenox, followed by Midtown, NE Expressway-North, GA 400-North, and the I-75 Corridor. The Suburban submarkets recorded positive absorption for the first quarter 2015 of 55,171 square feet, versus 147,261 square feet absorption for the Urban Corridor. The Urban Corridor also has a significantly higher average rental rate than the Suburban submarkets, at \$24.38 per square foot compared to \$20.25 per square foot. The Urban submarket with the highest occupancy rate is Buckhead/Lenox, which raised its occupancy rate from 85.75 percent for the first quarter of 2014 to 87.15 percent in first quarter 2015. Continued positive absorption of 111,092 square feet for the Midtown submarket has led to an increase in the occupancy rate of 3.49 percentage points since the first quarter of 2014, with current occupancy at 84.28% and an average rental rate of \$25.56. The Downtown submarket continues to be the most affordable with an average rental rate of \$20.72. The Downtown submarket also has the most square footage available in the Urban Corridor, with 3,434,327 square feet currently vacant.

For the first quarter 2015, the five largest submarkets of existing square footage are I-285/GA-400 at 22,705,938 square feet; I-75/I-285 at 18,587,264 square feet; Downtown at 16,338,416 square feet; GA-400 North at 15,945,261 square feet; and Midtown at 15,475,997 square feet. These submarkets are also the five leading submarkets in space availability, which are as follows: Downtown with 3,434,327 square feet; I-75/I-285 with 3,210,431 square feet; I-285/GA-400 with 3,036,787 square feet; Midtown with 2,433,185 square feet; and GA-400 North with 2,248,325 square feet.

As a direct result of increasing occupancy and an improving economy, average quoted rental rates increased this quarter to \$21.87, up 37 cents from first quarter 2014. Class A rental rates increased 31 cents from first quarter 2014, from \$24.29 in first quarter 2014 to a current price of \$24.60. As expected, the Urban Corridor submarkets demand over a four dollar per square foot premium over the suburban submarkets, with rates at \$24.38 per square foot in the Urban Corridor versus \$20.25 per square foot in the suburban submarkets. The leading submarkets for average quoted rental rates are Buckhead/Lenox at \$28.27, Midtown at \$25.56, I-75 Corridor at \$23.57, I-285/GA-400 at \$23.29, and Downtown at \$21.11.

The Atlanta office market occupancy rate improved 15 basis points this quarter from 83.57 percent to 83.72 percent, the highest occupancy rate since third quarter 2008. The leading submarkets in terms of occupancy are NE Expressway – South at 91.84 percent, Decatur at 90.62 percent, Buckhead/Lenox at 87.15 percent, I-75 Corridor at 86.83 percent, and I-285/GA-400 at 86.63 percent. The greatest improvement this quarter was in Class A space, which rose 97 percentage points for an overall occupancy rate of 86.99 percent.

### Infrastructure

Currently there are several infrastructural developments recently completed or in progress that will help the connectivity and transportation needs of Metro Atlanta as we continue to grow. Opened to the public on April 2nd, 2014, the GA-400/I-85 Interchange, which won the 2012 Real Estate Catalyst Award, connects I-85 Southbound to GA-400 Northbound and GA-400 Southbound to I-85 Northbound with two single-lane interchange ramps. The diverging diamond interchange at I-85 and Jimmy Carter Boulevard opened on March 29th, and though construction continues on the center median and pedestrian facilities while crews finalize the signals, interchange lighting, and pavement markings, the project is expected to be substantially complete in summer 2015. The Atlanta Streetcar, which is the first operating streetcar in Atlanta since 1949, opened in late 2014. The City recently announced there will be no charge to ride the Streetcar for the remainder of 2015. The 2.7 mile track features twelve stops that connect the Martin Luther King Center to the CNN Center and Centennial Olympic Park. Other improvements that are under construction or in the planning stages include: the toll road development along I-75 and I-575, the planned reconfiguration of the I-285/GA-400 interchange, the deepening of the Savannah harbor, improvements to the world's busiest airport Hartsfield Jackson Airport, and the continuing progress and development of the Atlanta Beltline.

Two substantial projects are expected to deliver in second quarter 2015: Cox Communications'



### TOP FIVE RANKING SUBMARKETS

#### Net Absorption - 1st Quarter 2015

Buckhead/Lenox	128,805
Midtown	111,092
NE Expressway-North	92,819
GA-400 North	70,312
I-75 Corridor	62,148

#### Total Existing Square Feet

I-285/GA-400	22,705,938
I-75/I-285	18,587,264
Downtown	16,338,416
GA-400 North	15,945,261
Midtown	15,475,997

#### Submarket Occupancy Rate

NE Expressway-South	91.84%
Decatur	90.62%
Buckhead/Lenox	87.15%
I-75 Corridor	86.83%
I-285/GA-400	86.63%

#### Average Quoted Rental Rate

Buckhead/Lenox	\$28.27
Midtown	\$25.56
I-75 Corridor	\$23.57
I-285/GA-400	\$23.29
Downtown	\$21.11

#### Average Quoted Class "A" Rental Rate

I-75 Corridor	\$32.00
Buckhead/Lenox	\$30.26
Midtown	\$27.64
I-285/GA-400	\$25.22
Decatur	\$23.57

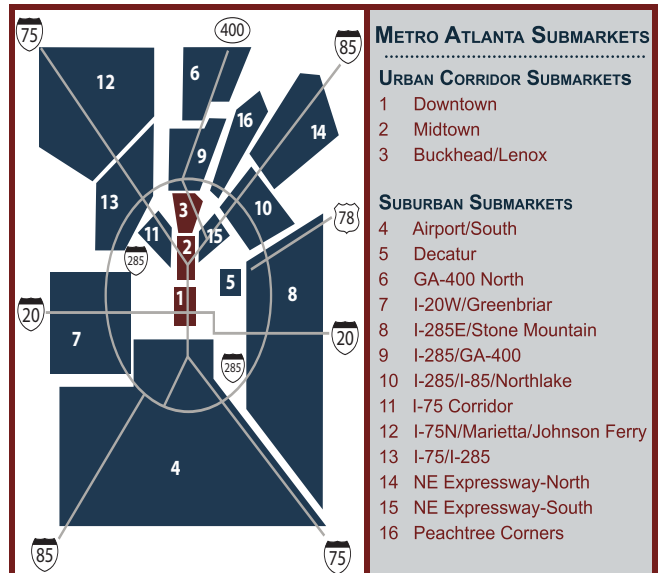
new 578,000 square foot facility off Peachtree-Dunwoody Road in the Central Perimeter Submarket and the 200,000 square foot Porsche Cars North America Headquarters in Hapeville. In addition, Georgia Tech has announced plans to expand Midtown's Technology Square with a 750,000 square foot mixed-used development, including a 600,000 square foot office building anchored by Georgia Tech and a High Performance Computing Center. Additional office properties currently being proposed include a 390,000 square foot Class A building at Two Overton Park; a 385,000 square foot Class A building proposed at Riverwood 200; a 400,000 square foot Class A building proposed at 4004 Perimeter Summit; and a 270,000 square foot high-rise office tower adjacent to the new Braves stadium, SunTrust Park.

#### Outlook

Corporate relocations continue to drive growth in metro Atlanta. NCR Corp. is moving its corporate headquarters to Technology Square, which will bring close to 4,000 jobs to Midtown. Mercedes Benz USA also announced plans to move to metro Atlanta during first quarter 2015. The metro area continues to be a hotbed for corporate relocations, substantiating Atlanta's position as a great place for conducting business. Atlanta has the lowest relative business cost among the nation's top 10 largest metro areas. Affordable housing, convenient transportation, a favorable climate, a low cost of living, favorable taxes, and a diverse, well-educated work force are among Atlanta's advantages. Additionally, the Urban Corridor continues to be an attractive option for technology and entrepreneurial businesses. A real estate investor has proposed turning the 40,000 square foot Flat Iron building in Downtown into a startup hub and other technological companies such as MailChimp, athenahealth, and WorldPay have recently moved to the Urban Corridor in order to be close to in-town tech and sales talent.

There will also be a number of future mixed use Atlanta developments that will include an office component, as Atlanta is bringing to market numerous land opportunities for development, to include: Fort McPherson a 488 acre development; the Atlanta Civic Center a 15.01 acre project; the 12 acre Underground Atlanta site; the 55 acre Turner Field Complex, which will be available as the Braves are relocating to Cobb County in 2017; and the 167 acre General Motors redevelopment in Doraville, which was recently sold to a redevelopment team that includes the Atlanta-based Integral Group, Macauley+Schmit, and Houston-based financial partner CAMS.

Although the Atlanta office market has lagged behind other major cities in this recovery to date, Atlanta's economy is finally growing and starting to catch up. In addition to rising rental rates, first quarter 2015 also had some notable building sales transactions, including the sale of the office building at One Buckhead Plaza for \$157,000,000 (\$340/sf.) We expect these sales transactions to continue to rise in price. Overall, we expect the trend of positive year-to-date absorption, decreasing vacancy rates, and rising rental rates to continue positively for the remainder of the year, as all indications point to these trends continuing as the economy is improving, unemployment is dropping, new construction for office is minimal, businesses are beginning to expand, low interest rates are continuing, and gasoline prices remain low.



#### OFFICE TOTALS BY SUBMARKET

SUBMARKET	TOTAL SF	VACANT SF	OCCUPANCY RATE	CURRENT ABSORPTION	YTD ABSORPTION	AVERAGE RENT RATE
<b>Urban</b>						
Downtown	16,338,416	3,434,327	78.44%	(92,636)	(92,636)	\$20.72
Midtown	15,475,997	2,433,185	84.28%	111,092	111,092	\$25.79
Buckhead/Lenox	15,352,667	1,972,465	87.15%	128,805	128,805	\$27.41
<b>Urban Totals</b>	<b>47,167,080</b>	<b>7,839,977</b>	<b>83.38%</b>	<b>147,261</b>	<b>147,261</b>	<b>\$24.38</b>
<b>Suburban</b>						
Airport/South	3,046,939	799,889	73.75%	7,109	7,109	\$16.49
Decatur	1,154,049	108,307	90.62%	(6,375)	(6,375)	\$19.56
GA-400 North	15,945,261	2,248,325	85.90%	70,312	70,312	\$20.05
I-20W/Greenbriar	313,609	93,662	70.13%	2,315	2,315	\$13.08
I-285/GA-400	22,705,938	3,036,787	86.63%	(25,044)	(25,044)	\$23.29
I-285/I-85/Northlake	4,298,545	900,589	79.05%	(25,485)	(25,485)	\$16.81
I-285E/Stone Mountain	271,007	82,699	69.48%	0	0	\$12.29
I-75 Corridor	1,127,333	148,493	86.83%	62,148	62,148	\$23.57
I-75/I-285	18,587,264	3,210,431	82.73%	(90,963)	(90,963)	\$20.95
I-75N/Marietta/Johnson Ferry	3,158,977	504,008	84.05%	52,581	52,581	\$19.27
NE Expressway - North	4,934,213	1,072,993	78.25%	92,819	92,819	\$17.98
NE Expressway - South	4,677,125	381,673	91.84%	(12,349)	(12,349)	\$18.60
Peachtree Corners	7,961,726	1,608,273	79.80%	(71,897)	(71,897)	\$16.53
<b>Suburban Totals</b>	<b>88,181,986</b>	<b>14,196,129</b>	<b>83.90%</b>	<b>55,171</b>	<b>55,171</b>	<b>\$20.25</b>
<b>Total with Averages</b>	<b>135,349,066</b>	<b>22,036,106</b>	<b>83.72%</b>	<b>202,432</b>	<b>202,432</b>	<b>\$21.87</b>

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*Richard Bowers & Company has been providing self generated and proprietary office market data since 1989*



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