

MARKETBEAT OFFICE SNAPSHOT



ATLANTA, GA

A Cushman & Wakefield Research Publication

Q1 2014



ECONOMIC OVERVIEW

Although the Atlanta economy has seen a great deal of momentum over the past 12-18 months the pace slowed at the start of the year. The Bureau of Labor Statistics reported that unemployment in the Atlanta metro area ended the month of February at 6.9% as Atlanta lost approximately 13,300 non-farm jobs during the first two months of the year. The office using sector lost 10,800 jobs over the same period, falling 1.6% since December.

OFFICE MARKET HAS STRONG START

Atlanta's office market fundamentals continued to tighten through the first quarter of 2014. The market posted 816,300 square feet (sf) of positive absorption during the first quarter driving the overall vacancy rate down to 19% as of the end of March. This is the lowest vacancy rate the Atlanta market has seen since the second quarter of 2009.

In terms of rent, Atlanta began to see hints of rent growth during the first quarter, as overall average asking rents increased 0.6% since 2013 year-end. The average overall asking rent for the Atlanta market ended the first quarter at \$20.94 psf. Many landlords have begun to push rents, particularly for class A building in high-demand submarkets such as Buckhead and Central Perimeter. Overall class A asking rents increased 1.6 percent year-to-date to an average of \$24.07 psf.

The pace of leasing activity for the overall Atlanta office market totaled 2.3 million square feet during the first quarter, up 11.2% compared to the pace of activity reported one year ago. The largest new lease transactions for the year included Fiserv's 380,000-sf lease at Cobalt Center in the Georgia 400 submarket, CH2M Hill's 97,000-sf lease at 6600 Peachtree Dunwoody Road in the Central Perimeter submarket and, and Earthlink's 65,000-sf lease at The Proscenium in the Midtown submarket.

Investment sales activity in the Atlanta market totaled 2.0 million square feet during the first three months of the year, down 36% compared to activity reported during the same period in 2013. Unlike previous quarters, there were no single investment sales transactions exceeding \$50 million. As for development activity, construction for Atlanta's three current office projects; Buckhead Atlanta, Ponce City Market in Midtown and Avalon in Alpharetta are all well underway. All three projects are expected to deliver during the third quarter of 2014.

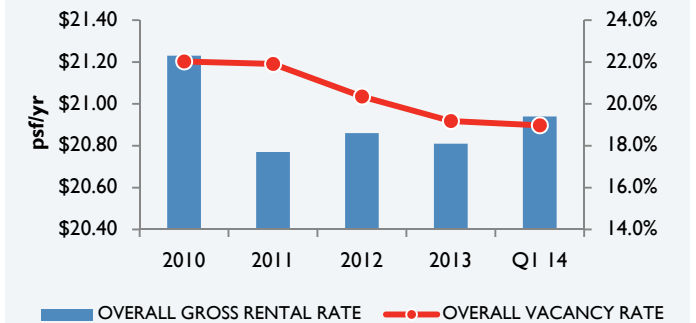
OUTLOOK

Atlanta's office market is expected to gain momentum throughout the remainder of 2014. Despite first quarter job losses, employment in the office-using sector is expected to pickup and will continue to drive overall vacancy downward as steady leasing activity momentum continues. Average overall asking rents, particularly in the class A sector should begin to see more consistent growth as the market continues to tighten.

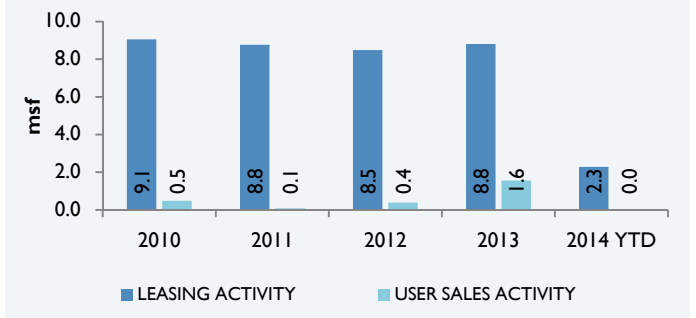
STATS ON THE GO

	Q1 2013	Q1 2014	Y-O-Y CHANGE	12 MONTH FORECAST
Overall Vacancy	20.2%	19.0%	-1.2pp	▼
Overall Asking Rents (psf/yr)	\$20.91	\$20.94	+0.1%	↕
YTD Leasing Activity (sf)	2,052,396	2,281,779	+11.2%	▲

OVERALL RENTAL VS. VACANCY RATES



OVERALL OCCUPIER ACTIVITY



ATLANTA, GA

SUBMARKET	INVENTORY	OVERALL VACANCY RATE	DIRECT VACANCY RATE	YTD LEASING ACTIVITY	UNDER CONSTRUCTION	YTD CONSTRUCTION COMPLETIONS	YTD DIRECT NET ABSORPTION	YTD OVERALL NET ABSORPTION	OVERALL WTD. AVG ALL CLASSES GROSS RENTAL RATE*	DIRECT WTD. AVG. CLASS A GROSS RENTAL RATE*
Downtown	15,840,087	25.1%	24.9%	69,930	0	0	131,333	129,896	\$21.06	\$22.39
Midtown	16,532,170	19.9%	19.1%	255,930	450,000	0	118,628	72,423	\$27.68	\$30.00
Buckhead	16,478,745	16.4%	16.2%	203,943	0	0	64,281	77,508	\$26.23	\$27.56
CBD	48,851,002	20.4%	20.0%	529,803	450,000	0	314,242	279,827	\$24.70	\$26.48
Central Perimeter	22,801,240	15.9%	15.5%	361,340	0	0	204,111	244,730	\$20.99	\$23.47
Georgia 400	17,745,737	19.9%	19.7%	657,046	111,174	0	51,430	62,120	\$18.83	\$20.52
I-75 Northside Drive	1,624,143	22.9%	20.1%	25,507	0	0	12,091	10,265	\$23.97	\$28.46
NW/Cumberland/Galleria	17,883,155	18.1%	17.4%	332,211	0	0	103,020	103,020	\$18.76	\$22.66
GA 120/Johnson Ferry Rd	232,533	4.8%	4.8%	0	0	0	-1,436	-1,436	\$15.18	N/A
I-75 North/Marietta	2,891,017	13.7%	13.6%	20,782	0	0	12,922	12,922	\$18.05	\$20.73
NORTHWEST SUBTOTAL	22,630,848	17.7%	17.0%	378,500	0	0	126,597	124,771	\$19.16	\$23.21
I-85/I-285/NE Atlanta	6,737,208	12.5%	11.9%	105,595	0	0	103,272	103,272	\$17.63	\$20.00
I-85 NE/Gwinnett Co./I-985	6,648,318	25.4%	25.4%	103,727	0	0	42,687	42,687	\$17.12	\$20.42
Peachtree Corners	6,296,252	20.5%	20.5%	70,918	0	0	-20,243	-20,243	\$15.71	\$17.85
NORTHEAST SUBTOTAL	19,681,778	19.4%	19.2%	280,240	0	0	125,716	125,716	\$16.76	\$19.82
Decatur	1,321,458	8.4%	7.3%	9,100	0	0	-3,695	-3,695	\$19.00	\$25.50
Northlake/Stone Mountain	2,892,271	24.3%	19.1%	18,075	0	0	-20,474	-20,474	\$17.24	\$19.75
NORTHLAKE/DECATUR SUBTOTAL	4,213,729	19.3%	15.4%	27,175	0	0	-24,169	-24,169	\$17.48	\$20.89
I-20 West	484,049	19.3%	19.3%	0	0	0	0	0	\$12.94	\$0.00
Airport/South Atlanta	3,054,429	19.5%	19.5%	47,675	0	0	3,310	3,310	\$16.26	\$18.60
SOUTH SUBTOTAL	3,538,478	19.5%	19.5%	47,675	0	0	3,310	3,310	\$15.81	\$18.60
NON-CBD	90,611,810	18.2%	17.7%	1,751,976	111,174	0	486,995	536,478	\$18.70	\$21.81
TOTALS	139,462,812	19.0%	18.5%	2,281,779	561,174	0	801,237	816,305	\$20.94	\$24.10

* RENTAL RATES REFLECT ASKING \$PSF/YEAR

MARKET HIGHLIGHTS

SIGNIFICANT Q1 2014 LEASE TRANSACTIONS	SUBMARKET	TENANT	BUILDING CLASS	SQUARE FEET
12525 Cingular Way	Georgia 400	Fiserv	A	380,343
6600 Peachtree Dunwoody Road	Central Perimeter	CH2M Hill Companies	B	97,468
1170 Peachtree Street	Midtown	EarthLink	A	65,000
SIGNIFICANT Q1 2014 SALE TRANSACTIONS	SUBMARKET	BUYER	PURCHASE PRICE / \$PSF	SQUARE FEET
Northlake Office Park (6-building portfolio)	Northlake/Stone Mountain	Boxer F2, LP	\$20,473,000 / \$41	497,795
945 East Paces Ferry Road	Buckhead	Lone Star Funds	\$62,000,000 / \$157	394,000
4-building portfolio sale	Peachtree Corners	Glenfield Capital	\$23,800,000 / \$92	257,994
SIGNIFICANT Q1 2014 CONSTRUCTION COMPLETIONS	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET (% LEASED)
N/A				
SIGNIFICANT PROJECTS UNDER CONSTRUCTION	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET (% LEASED)
Ponce City Market	Midtown	MailChimp	Q3 2014	450,000
Avalon	Georgia 400	Wakefield Beasley & Associates	Q3 2014	111,174
Buckhead Atlanta	Buckhead	SPANX	Q3 2014	100,000

* RENEWAL - NOT INCLUDED IN LEASING ACTIVITY STATISTICS