VIEWPOINT

2016 ATLANTA, GA OFFICE MARKET REPORT

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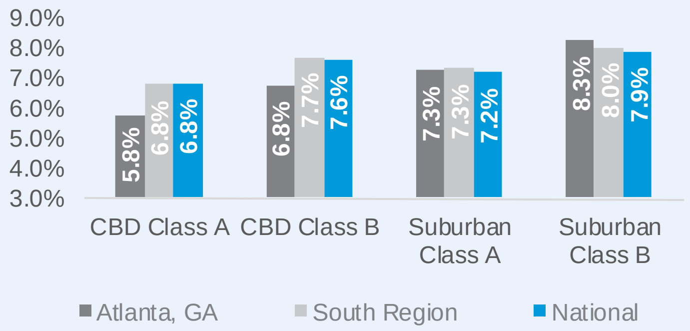
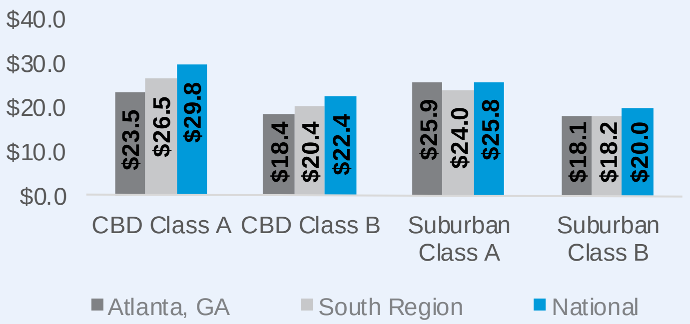
Market Rate Indicators (Y/Y)

Categories	CBD Class A	Suburban Class A
Going In Cap Rate (%)	▼	▼
Asking Rent ($/SF)	▲	▲
Vacancy Rate (%)	▼	▲

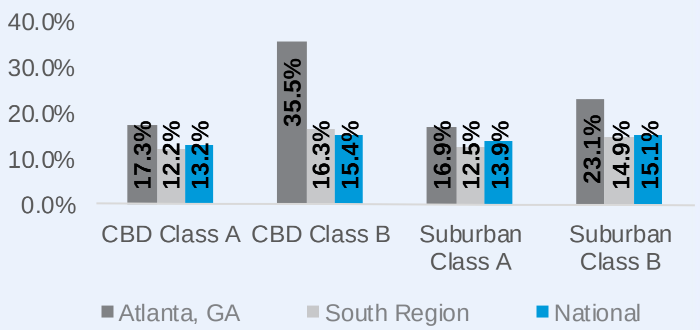
Going In Cap Rate Comparisons (%)



Asking Rents ($/SF)



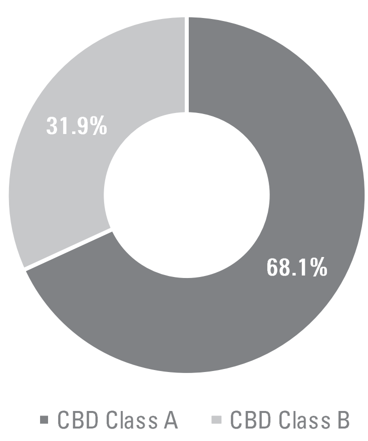
Vacancy Rates (%)



Atlanta, GA Office Market Overview

Atlanta's employment is almost 2.6 million with an increase over the last year of 70,000 new jobs. State Farm Insurance and Mercedes-Benz are constructing corporate campuses in the Central Perimeter submarket. A major mixed-use development is underway at the former General Motors plant in Doraville. The technology industry is growing as several companies have recently leased office space in Midtown. Tourism continues to be a major impact on Atlanta and the state of Georgia. The movie industry is burgeoning and Atlanta is becoming the "Hollywood of the South". Housing construction levels are improving though well below the precession levels. In the office market, Class A properties are outperforming lower tier properties, particularly in Buckhead and Midtown. Many firms desire in town locations to lure Millennial employees and campuses near MARTA transit. However, the Atlanta CBD continues to have the highest vacancy level of all submarkets for Class B space. Suburban vacancy rates have remained stable over the last year. Tenants are continuing to "trade up" from lower tier properties to higher quality office space. Reis indicates there is approximately 1.0M SF under construction in Buckhead and the State Farm Campus. However, generally developers are not developing large speculative office buildings. Overall, market rents have increased about 2% over the last year. Most commonly, landlords are focused on offering fewer concessions to booster higher effective rents. However, significant rental increases are occurring in the high demand submarkets with Class A properties. Offices buildings in Buckhead and the Central Perimeter have increased their asking rents above $30.00 PSF. The higher rents in the most popular submarkets have resulted in moderate demand in Downtown. Central Perimeter, Buckhead, and Midtown should continue experiencing strong demand over the next few years and Downtown will continue to lag the more popular submarkets.

Distribution of Total Inventory



16,213,000 SF
CBD Office Inventory

N/A - 12 Mo. Proj.
Construction/Inventory

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Change In Value Next 12 Months

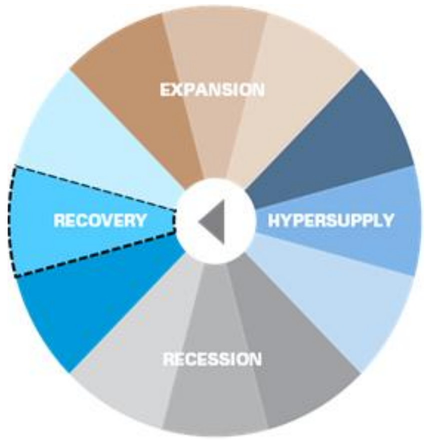
+ 2% - 3.9%
CBD Class A

+ 2% - 3.9%
Suburban Class A

+ 2% - 3.9%
CBD Class B

+ 2% - 3.9%
Suburban Class B

Market Cycle: Recovery Stage 2



- Decreasing Vacancy Rates
- Low New Construction
- Low/Moderate Employment Growth
- Moderate Absorption
- Neg/Low Rental Rate Growth

Forecasts

Atlanta, GA 12 Month Office Forecasts

Categories	CBD Class A	CBD Class B	Suburban Class A	Suburban Class B
Going-In Cap Rates	Increase 1-24 bps	Increase 1-24 bps	Increase 1-24 bps	Increase 1-24 bps
Discount Rate	Increase 1-24 bps	Increase 1-24 bps	Increase 1-24 bps	Increase 1-24 bps
Reversion Rate	Increase 1-24 bps	Increase 1-24 bps	Increase 1-24 bps	Increase 1-24 bps
Construction (SF)	-		1,000,000	
Years to Balance	4	5	4	4

Atlanta, GA 36 Month Office Forecasts

Categories	CBD Class A	CBD Class B	Suburban Class A	Suburban Class B
Market Rent Change	Increase 5% - 7.9%	Increase 5% - 7.9%	Increase 5% - 7.9%	Increase 5% - 7.9%
Expense Rate Change	Increase 8%+	Increase 8%+	Increase 8%+	Increase 8%+
Change in Value	Increase 2% - 3.9%	Increase 2% - 3.9%	Increase 2% - 3.9%	Increase 2% - 3.9%
Annual Absorption (SF)	300,000	90,000	1,600,000	700,000

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