Market Review & Outlook

Review: Rents Continue to Rise

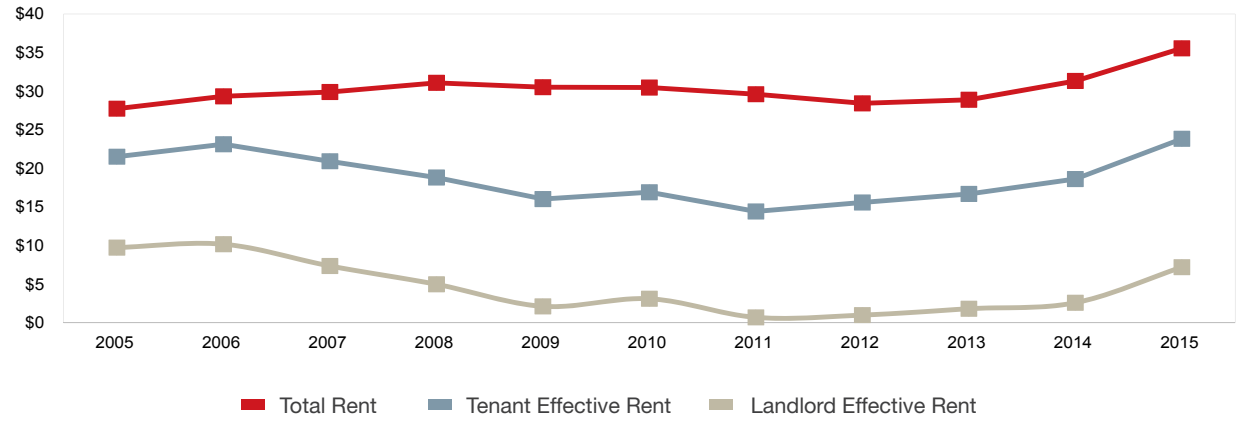
Office-using employment increased by 3.5% in the Atlanta region in 2015. The Urban Core – Downtown, Midtown and Buckhead – registered 1.6 msf in Class A leasing. Buckhead has a very limited number of premium blocks of quality space remaining and development activity is still restrained, giving landlords the leverage to boost rents. Meanwhile, Midtown's emergence as a tech hub gained more momentum.

	2015	% Change
Net Rent	$22.02	22.3
Operating Expenses	7.95	1.5
Real Estate Taxes	4.10	2.5
Tenant Electricity	1.50	0.0
Total Rent^	35.57	13.5
Amortized Concessions	-11.73	-7.6
Tenant Effective Rent	**23.84**	**27.9**
Landlord Effective Rent	**7.22**	**175.7**

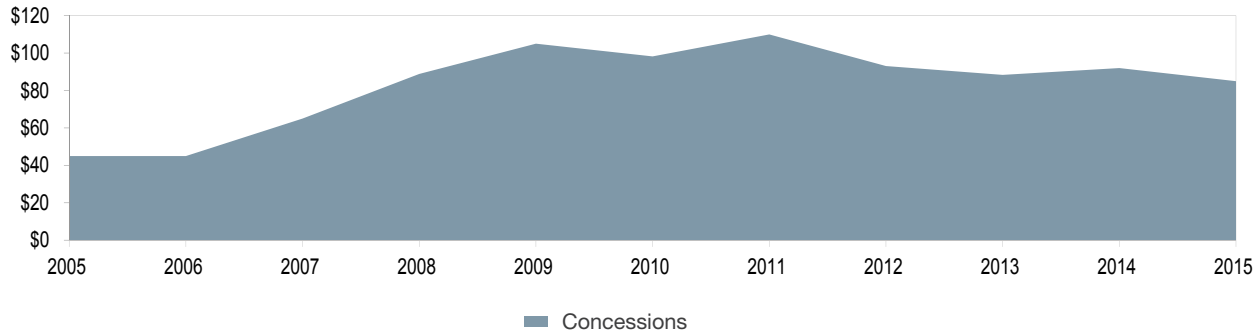
Outlook: Rents to Push Higher

Tenant effective rent is poised to record another year of double-digit growth in 2016, pushing it well above its prior peak attained in 2006. Expansion from out-of-market businesses coupled with growth among local companies will propel activity.

Rent Trends



	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	Average Annual Change 2014-2015	2010-2015	2005-2015
Total Rent	$27.74	$29.35	$29.90	$31.09	$30.53	$30.48	$29.62	$28.44	$28.90	$31.33	$35.57	13.5%	3.1%	2.5%
Tenant Effective Rent	$21.53	$23.14	$20.93	$18.83	$16.04	$16.93	$14.44	$15.60	$16.70	$18.63	$23.84	27.9%	7.1%	1.0%
Landlord Effective Rent	$9.76	$10.19	$7.37	$5.01	$2.15	$3.13	$0.72	$1.01	$1.84	$2.62	$7.22	175.7%	18.2%	-3.0%

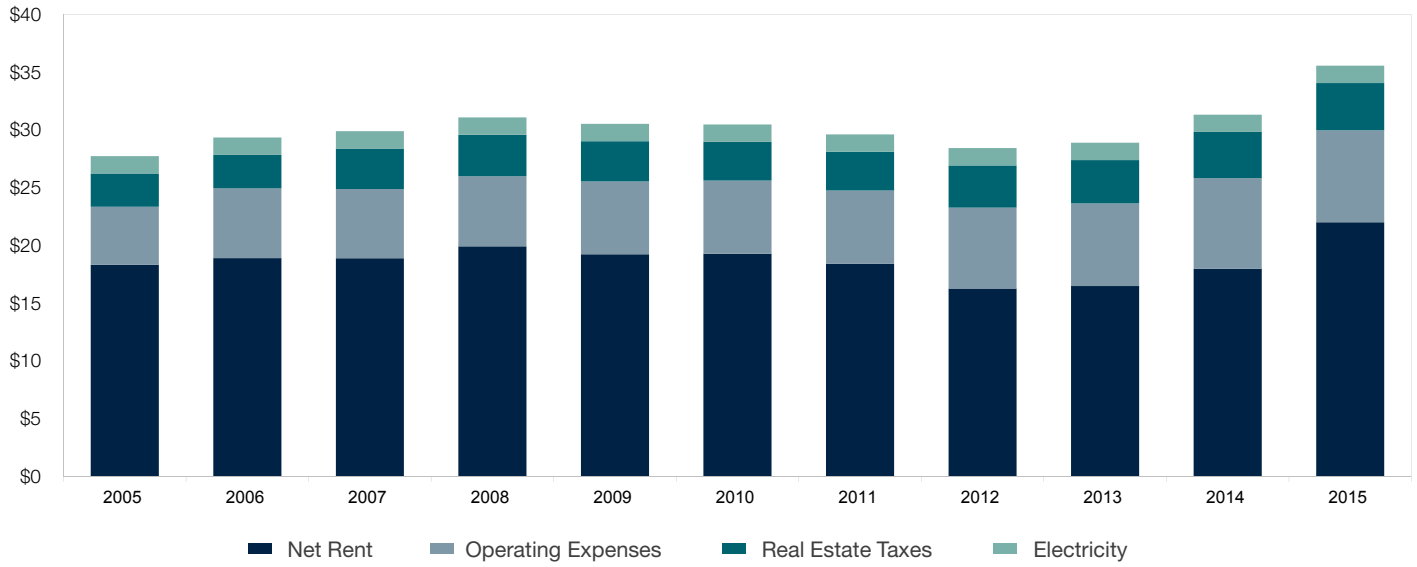


	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	Average Annual Change 2014-2015	2010-2015	2005-2015
Concessions	$45.00	$45.00	$65.00	$88.86	$105.00	$98.21	$110.00	$93.07	$88.38	$92.00	$85.00	-7.6%	-2.8%	6.6%
Concessions/Rent Ratio*	22.4%	21.2%	30.0%	39.4%	47.5%	44.5%	51.2%	45.2%	42.2%	40.5%	33.0%	-7.5		

* Equals amortized concessions as a percentage of total rent.

^All numbers in the Atlanta CBD report are based on larger long-term direct leases signed in higher-caliber Class A properties located in the Downtown, Midtown and Buckhead submarkets during 2015.

Total rent rose for the third straight year, increasing by 13.5% from $31.33 to $35.57. Net rent jumped by 22.3% from $18.00 to $22.02. Operating expenses (+1.5%) rose once again and real estate taxes (+2.5%) increased across all submarkets. Landlords made modest reductions to concession packages, but relative to total rent, the value of concessions fell. Tenant effective rent increased by 27.9% to $23.84. Landlord effective rent spiked from $2.62 to $7.22 – a 175.7% jump – but remained well under the pre-recession peak of $10.19 attained in 2006.



												Average Annual Change		
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2014-2015	2010-2015	2005-2015
Net Rent	$18.33	$18.91	$18.90	$19.93	$19.25	$19.29	$18.43	$16.28	$16.50	$18.00	$22.02	22.3%	2.7%	1.9%
Operating Expenses	$5.03	$6.04	$6.00	$6.07	$6.30	$6.34	$6.34	$7.00	$7.15	$7.83	$7.95	1.5%	4.6%	4.7%
Real Estate Taxes	$2.88	$2.90	$3.50	$3.59	$3.48	$3.35	$3.35	$3.66	$3.75	$4.00	$4.10	2.5%	4.1%	3.6%
Electricity	$1.50	$1.50	$1.50	$1.50	$1.50	$1.50	$1.50	$1.50	$1.50	$1.50	$1.50	0.0%	0.0%	0.0%
Total Rent	**$27.74**	**$29.35**	**$29.90**	**$31.09**	**$30.53**	**$30.48**	**$29.62**	**$28.44**	**$28.90**	**$31.33**	**$35.57**	**13.5%**	**3.1%**	**2.5%**

Lease Terms/Concessions

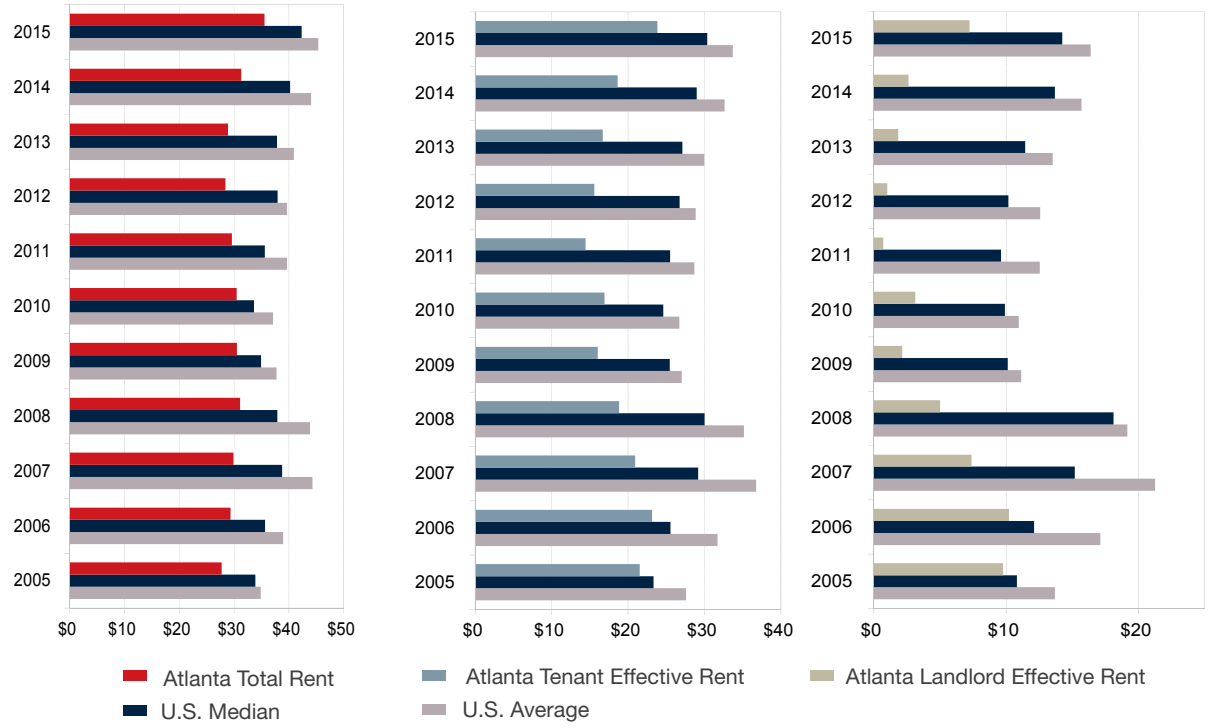
Review: Modest Decline in Concessions
Landlords in premium Class A properties reduced the value of concession packages in 2015. Free rent periods fell slightly. Although energy costs and rents in Atlanta remain very low relative to most East Coast markets, build-out and parking costs are rising.

Leases Under 50,000 sf	
Average Term:	5-10 years
Free Rent:	5-10 months
Tenant Improvements:	$45.00-$60.00/sf

Leases Over 50,000 sf	
Average Term:	5-10 years
Free Rent:	6-12 months
Tenant Improvements:	$60.00-$70.00/sf

Outlook: Slight Decrease in Concessions Ahead
Tenants negotiating leases in Buckhead can expect reduced flexibility and additional reductions in free rent and tenant improvements next year. Owners achieving 90% occupancy have started removing options such as cancellation rights or expansion options. Downtown and Midtown will still present companies with more options than Buckhead or the Central Perimeter.

Local & U.S. Historical Rent Trends



Total Rent^

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Atlanta	$27.74	$29.35	$29.90	$31.09	$30.53	$30.48	$29.62	$28.44	$28.90	$31.33	$35.57
U.S Median	$33.88	$35.66	$38.79	$37.92	$34.95	$33.63	$35.65	$37.93	$37.85	$40.24	$42.32
U.S Average	$34.87	$38.96	$44.33	$43.88	$37.75	$37.11	$39.68	$39.70	$40.92	$44.07	$45.38

Tenant Effective Rent

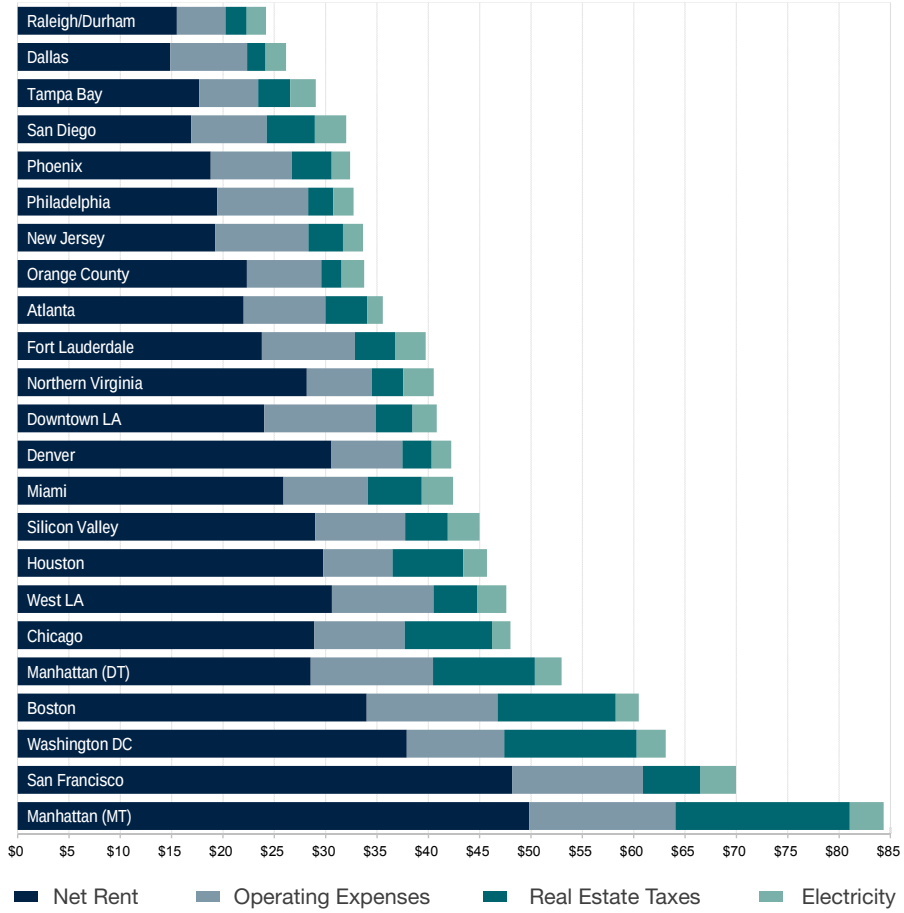
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Atlanta	$21.53	$23.14	$20.93	$18.83	$16.04	$16.93	$14.44	$15.60	$16.70	$18.63	$23.84
U.S Median	$23.34	$25.55	$29.18	$30.01	$25.45	$24.61	$25.51	$26.75	$27.11	$28.99	$30.36
U.S Average	$27.60	$31.70	$36.76	$35.16	$27.02	$26.72	$28.68	$28.85	$29.98	$32.63	$33.70

Landlord Effective Rent

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Atlanta	$9.76	$10.19	$7.37	$5.01	$2.15	$3.13	$0.72	$1.01	$1.84	$2.62	$7.22
U.S Median	$10.80	$12.11	$15.19	$18.10	$10.12	$9.90	$9.60	$10.16	$11.44	$13.69	$14.23
U.S Average	$13.68	$17.11	$21.24	$19.15	$11.13	$10.94	$12.54	$12.57	$13.51	$15.68	$16.39

^ All rents are unweighted. See National SERI for weighted averages.

Rent Components



Since 1995, the Savills Effective Rent Index (SERI) has been providing the real estate industry's only comprehensive, in-depth study of effective rental rate trends for prime Class A office properties in the nation's major Central Business Districts (CBDs) and selected suburban markets. Using actual completed transaction data as its source, the SERI report offers "real world" numbers that reflect negotiated terms, including lease concessions and operating expense information. All numbers in the Atlanta CBD report are based on larger long-term direct leases signed in higher-caliber Class A properties located in the Downtown, Midtown and Buckhead submarkets during 2015.

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Glossary

Concessions: Includes the tenant improvement allowance plus the value of the rental rate abatement. Amortized concessions are amortized over the average market lease term, using beginning-of-period payments.

Landlord Effective Rent: An estimate of rent received from a tenant less related expenses.

Net Rent: The gross rental rate exclusive of the tenant's proportionate share of real estate taxes, operating expenses and tenant electricity.

Operating Expenses: Includes (1) heating, ventilation and air conditioning (HVAC); (2) maintenance; (3) common area utilities and electricity; (4) cleaning; and (5) all other non-capital costs associated with the operation of a building.

Real Estate Taxes: Local real estate taxes exclusive of special assessments and other one-time charges.

Tenant Effective Rent: An estimate of the actual cost of occupancy for the tenant. The calculation is the total rent minus amortized lease concessions.

Tenant Electricity: Payments made by the tenant, whether to the landlord or public utility, or by the landlord as a general building expense, for the electrical power utilized within a tenant's premises, exclusive of building HVAC.

Total Rent: The sum of the four rental rate components: net rent, operating expenses, real estate taxes and electricity.

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