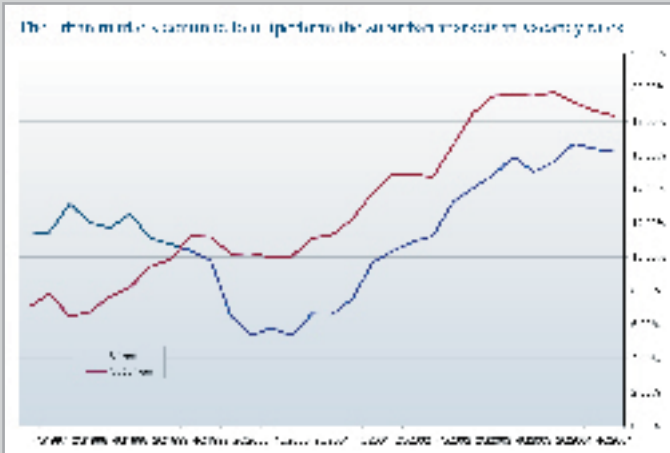


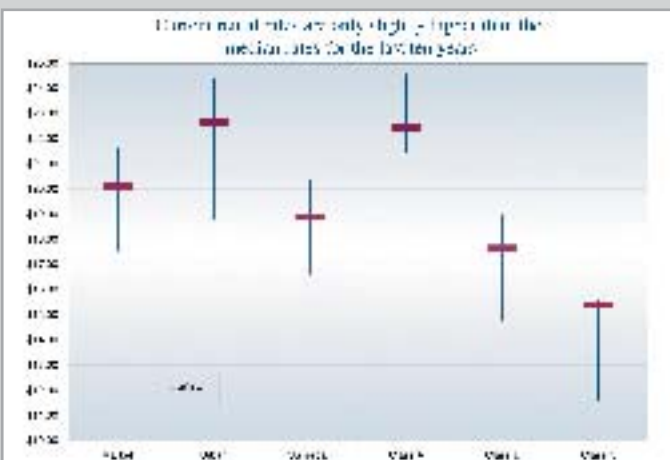
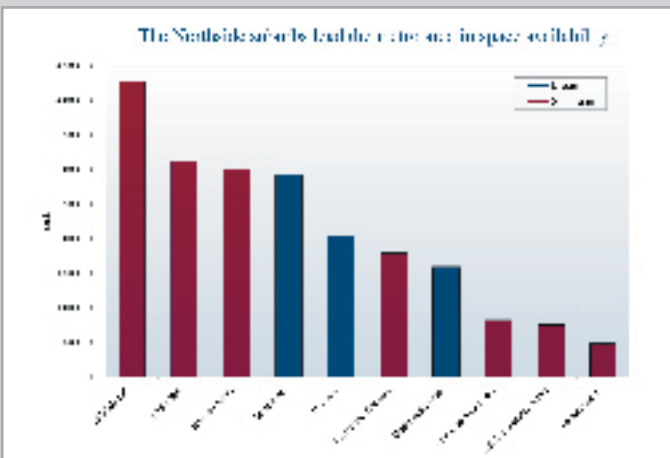
THE BOWERS DIGEST

Metro Atlanta Office Market Analysis

Vol. 16, No. 1



“We expect 2005 to be a significantly improved year with as much as two million square feet of positive absorption.”



Real Estate Trends
Year-End 2004

We are beginning our nineteenth year tracking the Atlanta office market, which has grown during that period from 75,526,833 square feet to 125,853,608 square feet, and now totals more than 800 office buildings and office parks. Our latest numbers reflect the ongoing improvement in the Atlanta market with 246,254 square feet of positive absorption in 2004's fourth quarter, resulting in a positive 781,222 square feet for the year—the first year of positive absorption since 2001.

The average rental rate moved down slightly from \$20.15 per square foot in the third quarter to \$20.11 at year-end 2004, continuing the trend from year-end 2003, when the average rental rate was \$20.44 per square foot, a \$0.33 per square foot decrease over the past year.

Although the urban corridor is still significantly higher in occupancy (83.8 percent) and average rental rate (\$22.66 per square foot) compared to the suburbs at 81.7 percent and \$18.90 per square foot, respectively, the suburbs outperformed the urban markets by far in 2004. The suburbs recorded 822,774 square feet of positive absorption as compared to 41,552 square feet of negative absorption in the urban submarkets. The negative urban absorption was largely attributable to several large users reducing space or relocating from the Central Business District.

The leading submarkets in absorption for 2004 were the Midtown submarket at 547,849 square feet, followed by I-285/GA-400 at 532,258 square feet and the I-75/I-285 submarket at 255,188 square feet.

Although positive absorption has not improved to the robust levels of the late 1990s, vacant square footage has been reduced from a high of 23,116,322 square feet in the second quarter of 2004 to 22,213,041 square feet at year-end 2004, a reduction of 903,281 square feet, or nearly four percent.

Space Availability. The leading submarkets in space availability have not changed from year-end 2003. The I-285/GA-400 submarket has by far the most at 4,265,089 square feet, followed by the I-75/I-285 submarket at 3,128,831 square feet and the GA-400 North submarket at 3,006,583 square feet.

Only four deliveries are scheduled for 2005: two buildings in the suburbs at Sugarloaf totaling 140,000 square feet and two urban buildings: Two Buckhead Plaza containing 160,000 square feet and 30 Allen Plaza containing 260,000 square feet. The total of 560,000 square feet for 2005 is about the same as that delivered in 2004. The demolition and redevelopment of low-rise office space and older office buildings for retail, hotel or residential use is another factor that is decreasing square footage availability.

Infrastructure. Recently the Atlanta Regional Commis-

sion announced the Mobility 2030 Regional Transportation Plan, which includes \$74.4 billion of scheduled improvements. The plan allocates a significant amount of these funds to maintenance and operation of existing systems and limits needed development of new roads and mass transit. Unfortunately, the plan is not expected to improve accessibility or travel times with the projected growth of metropolitan Atlanta to eight million people over the next 25 years, making Atlanta the fourth largest metropolitan center in the U.S. after New York, Chicago and Los Angeles.

Discussions continue about a regional transportation agency overseeing and coordinating public transportation for MARTA and various outlying counties, including rapid rail transit and streetcars/trolleys along Peachtree Street from Downtown to Buckhead. We believe that the most significant transportation improvement opportunity for metropolitan Atlanta's economic development, as well as that of outlying communities, would be the implementation of commuter rail.

Currently, the Macon passenger rail line from Lovejoy to

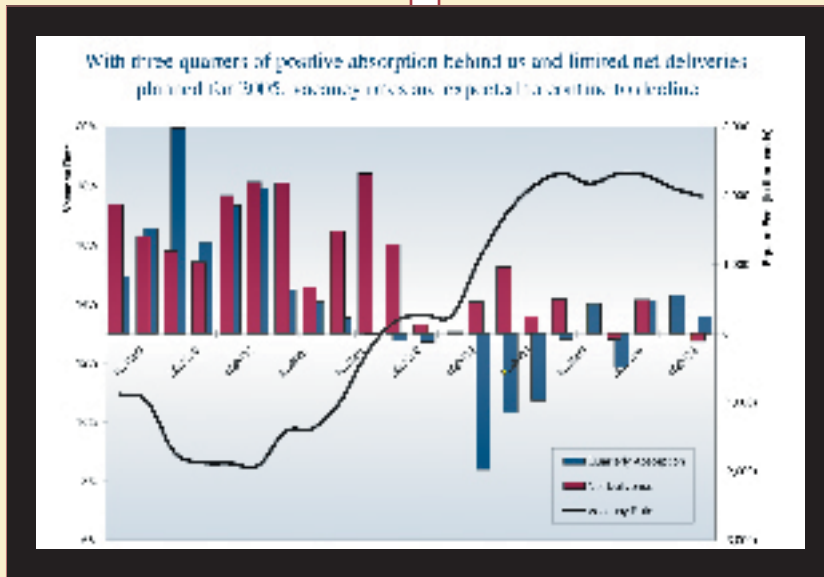
Downtown has been funded and is expected to be operational by the third quarter of 2006. This line (one of six) is expected to significantly alter transportation from southeast metropolitan Atlanta to our Central Business District. Other rail lines include a northeast line through Marietta and north, a western line that would eventually tie into Birmingham, a northeast line running through Athens to Charlotte, and a southwest line to Columbus. The implementation of this passenger rail program would significantly reduce auto-

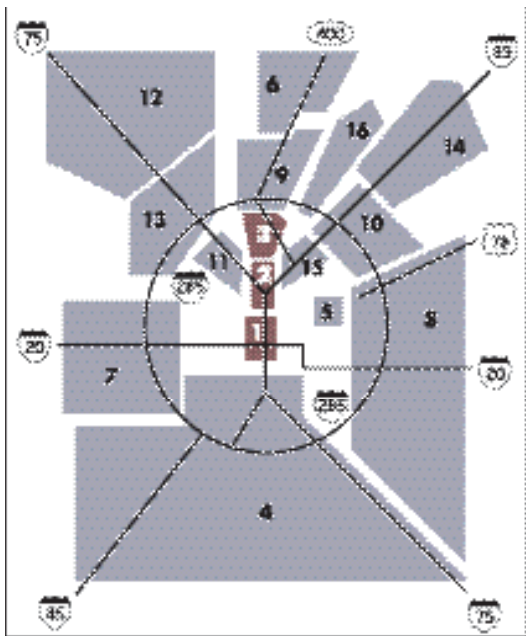
mobile transportation, as numerous commuters would prefer the ability to read a newspaper, have a cup of coffee, and organize their day versus driving to work.

Outlook. We continue to believe a number of submarkets, particularly those in the urban corridor, will offer greater growth opportunities than the suburban markets, particularly with the proposed new developments in Buckhead and planned additional office developments in Downtown and Midtown.

With an improving economy, several potential relocations to Atlanta, and steady job growth, we expect 2005 to be a significantly improved year with as much as two million square feet of positive absorption, a number still far below that of several years in the late 1990s and 2000. The office market will continue to be a buyers' market through 2005, but occupancy is expected to increase to approximately 85 percent, with a number of submarkets conceivably approaching 90 percent by year-end, creating greater equilibrium in the marketplace.

Richard E. Bowers





Urban Corridor Sub-Markets

1. Downtown
2. Midtown
3. Buckhead/Lenox

Suburban Sub-Markets

4. Airport/South
5. Decatur
6. GA-400 North
7. I-20W/Greenbriar
8. I-285E/Stone Mountain
9. I-285/GA-400
10. I-285/I-85/Northlake
11. I-75 Corridor
12. I-75N/Marietta/Johnson Ferry
13. I-75/I-285
14. NE Expressway-North
15. NE Expressway-South
16. Peachtree Corners

THE ATLANTA OFFICE MARKET

	<u>Dec. 31, 2004</u>	<u>Dec. 31, 2003</u>
Year to Date Absorption	781,222	(1,760,971)
4th Quarter's Absorption	246,254	378,432
Total Existing Square Feet	125,853,608	125,731,061
Total Available Square Feet	22,213,041	22,751,825
Percent Of Total Space Vacant	17.7%	18.1%
Average Quoted Rental Rate	\$20.11	\$20.36
Space Delivered YTD - Square Feet (Does not include net losses)	562,378	1,702,956

Atlanta's Top Ranking Submarkets

Net Absorption 2004:

Midtown	547,849
I-285/GA-400	532,258
I-75/I-285	255,188
NE Expressway-North	152,562
Buckhead/Lenox	96,136

Total Available Square Feet:

I-285/GA-400	4,265,089
I-75/I-285	3,128,831
GA-400 North	3,006,583
Downtown	2,927,162
Midtown	2,051,373

Total Existing Square Feet:

I-285/GA-400	22,123,859
I-75/I-285	18,973,582
Downtown	16,634,456
GA-400 North	14,274,912
Midtown	12,465,534

Sub-market Occupancy Rate:

I-285E/Stone Mountain	94.5%
Decatur	90.7%
NE Expressway-South	90.0%
Buckhead/Lenox	86.1%
I-75N/Marietta/Johnson Fy.	85.3%

Average Quoted Rental Rate:

Buckhead/Lenox	\$24.50
Midtown	\$23.34
Downtown	\$20.88
I-75 Corridor	\$20.55
I-285/GA-400	\$20.39

Space Delivered 2004 - Sq Ft:

Midtown	514,314
NE Expressway-North	48,064

The Bowers Digest was prepared by the Research Department & Assistants of Richard Bowers & Company. The numerical data summarized herein were obtained directly from the owners and managers of the buildings included in the Richard Bowers & Company database. Richard Bowers & Company takes no responsibility for the accuracy of the information provided by others. Additional copies are available at \$25.00 each. Copyright © 2005 by Richard Bowers & Company, Atlanta, Georgia. All rights reserved.

Atlanta Market Trends By Quarter

Quarter	Total Sq. Ft.	Vacant Sq. Ft.	Vacancy Rate	Delivered Qtr.	Delivered YTD	Net Absorption			Average Rental Rate
						4 Qtrs. Cumulative	Year To Date	Quarter	
4Q2004	125,853,608	22,213,041	17.65%	(109,922)	300,360	781,222	781,222	246,254	\$20.11
3Q2004	125,963,530	22,569,217	17.92%	0	410,282	962,467	534,968	547,105	\$20.15
2Q2004	125,963,530	23,116,322	18.35%	492,223	410,282	329,234	(12,137)	471,048	\$20.24
1Q2004	125,471,307	23,095,147	18.41%	(81,941)	(81,941)	(1,110,740)	(483,185)	(483,185)	\$20.40
4Q2003	125,553,248	22,693,903	18.08%	0	1,702,956	(1,763,631)	(1,763,631)	427,499	\$20.44
3Q2003	125,553,248	23,121,402	18.42%	495,000	1,702,956	(4,167,035)	(2,191,130)	(86,128)	\$20.54
2Q2003	125,058,248	22,540,274	18.02%	239,956	1,207,956	(4,057,448)	(2,105,002)	(968,926)	\$20.60
1Q2003	124,818,292	21,331,392	17.09%	968,000	968,000	(3,208,844)	(1,136,076)	(1,136,076)	\$20.84
4Q2002	123,850,292	19,227,316	15.52%	460,324	1,879,393	(2,179,970)	(2,179,970)	(1,975,905)	\$21.06
3Q2002	123,389,968	16,791,087	13.61%	0	1,419,069	(211,899)	(204,065)	23,459	\$21.30
2Q2002	123,389,968	16,814,546	13.63%	132,864	1,419,069	(8,260)	(227,524)	(120,322)	\$21.51
1Q2002	123,257,104	16,561,360	13.44%	1,286,205	1,286,205	572,701	(107,202)	(107,202)	\$21.52
4Q2001	121,970,899	15,167,953	12.44%	2,322,172	6,660,169	1,317,417	1,317,417	(7,834)	\$21.55
3Q2001	119,648,727	12,837,947	10.73%	1,480,953	4,337,997	3,434,181	1,325,251	227,098	\$21.57
2Q2001	118,167,774	11,584,092	9.80%	666,274	2,857,044	5,067,080	1,098,153	460,639	\$21.59
1Q2001	117,501,500	11,378,457	9.68%	2,190,770	2,190,770	5,926,730	637,514	637,514	\$21.56
4Q2000	115,310,730	9,825,201	8.52%	2,196,938	6,442,480	8,273,751	8,273,751	2,108,930	\$21.41
3Q2000	113,113,792	9,737,193	8.61%	2,003,227	4,245,542	7,696,328	6,164,821	1,859,997	\$21.30
2Q2000	111,110,565	9,593,963	8.63%	1,040,332	2,242,315	6,670,097	4,304,824	1,320,289	\$20.97
1Q2000	110,070,233	9,873,920	8.97%	1,201,983	1,201,983	6,393,527	2,984,535	2,984,535	\$20.90
4Q1999	108,868,250	11,656,472	10.71%	1,418,341	5,696,704	4,042,523	4,042,523	1,531,507	\$20.76
3Q1999	107,449,909	11,769,638	10.95%	1,873,793	4,278,363	3,433,768	2,511,016	833,766	\$20.70
2Q1999	105,576,116	10,729,611	10.16%	1,351,556	2,404,570	3,616,539	1,677,250	1,043,719	\$20.58
1Q1999	104,224,560	10,421,774	10.00%	1,053,014	1,053,014	4,188,433	633,531	633,531	\$20.57
4Q1998	103,171,546	10,002,291	9.69%	1,739,944	5,912,441	4,788,914	4,788,914	922,752	\$20.45
3Q1998	101,431,602	9,185,099	9.06%	1,622,909	4,172,497	4,344,801	3,866,162	1,016,537	\$20.30
2Q1998	99,808,693	8,578,727	8.60%	1,499,131	2,549,588	4,838,832	2,849,625	1,615,613	\$20.17
1Q1998	98,309,562	8,695,209	8.84%	1,050,457	1,050,457	4,154,926	1,234,012	1,234,012	\$19.99
4Q1997	97,259,105	8,878,764	9.13%	1,101,704	4,767,548	3,787,617	3,787,617	478,639	\$19.94
3Q1997	96,157,401	8,255,699	8.59%	1,757,468	3,665,844	3,371,933	3,308,978	1,510,568	\$19.81



The Urban Corridor

The urban corridor, which consists of the Downtown, Midtown, and Buckhead/Lenox submarkets, continues to outperform the overall market in terms of both the percent of total space occupied and average quoted rental rates.

Urban occupancy rates have declined from 94.6 percent in 2000 to 83.8 percent overall, with Class A and B occupancy rates declining to 83.8 percent and 80.8 percent, respectively. As a result of the positive absorption seen throughout 2004, the Midtown submarket's occupancy rate is now at 83.5 percent, up from 81.4 percent at mid-year 2004. In addition, the Buckhead/Lenox submarket's ended 2004 at 86.1 percent overall, only slightly higher than year-end 2003's at 85.2 percent. As a result of several major corporate move-outs, downtown occupancy rates decreased from 86.6 percent at year-end 2003 to 82.4 percent at year-end 2004. With few major urban office deliveries scheduled for 2005, we expect that urban occupancy rates will continue to outperform the overall market.

The urban corridor includes many of the city's primary Class A and "Trophy" high-rise projects, including Atlantic Station's 171 17th Street, the Alliance Center, Cyntergy One, Millennium at Midtown, Atlantic Center Plaza, and Proscenium all of which came on line in the past three years. The presence of these newer, premium projects has kept average quoted rental rates several dollars above the overall market, despite a lower-than-expected growth in occupancy rates.

The Urban Corridor - Continued

While rental rates are higher on average than in the suburbs, at the current rate of \$22.66 per square foot they have declined by \$1.67 per square foot since 2001 but are above the historical average for all years prior to 2000. Average rates for Class A and B properties, \$25.02 and \$19.63 per square foot, respectively, have experienced similar near and long-term trends.

For users in need of large blocks of contiguous space, the urban corridor provides the greatest number of alternatives. Some sixteen projects can accommodate users with requirements in excess of 100,000 square feet. Downtown and Midtown each have several alternatives, many in the most prestigious Class A towers in the city. One Georgia Center, 55 Park Place, and Inforum, all located in Downtown, have over 120,000 square feet of contiguous space available. Additionally, several major tenant move-outs are planned throughout 2005 which will add to the available inventory of large contiguous space.

Downtown's Centennial Hill will benefit from Southern Company's new headquarters, a fourteen-story, 260,000 square foot project scheduled for completion at year-end 2005 and the commitment of accounting firm Ernst & Young for an adjacent 14-story, 350,000 square foot office tower. Including these two buildings, the Georgia Aquarium delivering in late 2005, the World of Coca-Cola expected to open in 2006, an 1,100-unit condominium project, and a 100-room hotel and ancillary retail scheduled to break ground in 2005, approximately \$800 million in new development and infrastructure improvements are currently under construction or are projected to take place through year-end 2006. All this activity bodes well for Downtown's success, affording this submarket an excellent long-range outlook.

Speculative Buildings Under Construction

Downtown

30 Allen Plaza (Southern Company Center) ~ 260,000 SF
 Delivery 12/2005 ~ 14 Floors ~ 50%/130,000 SF Pre-leased
 Rate \$25.50/SF ~ 130,000 SF Available

Midtown

1180 Peachtree (Symphony Tower) ~ 665,000 SF
 Delivery 3/2006 ~ 41 Floors ~ 64%/425,600 SF Pre-leased
 Rate TBD ~ 239,400 SF Available

Buckhead/Lenox

Two Buckhead Plaza ~ 160,000 SF
 Delivery 6/2005 ~ 7 Floors ~ 0%/0 SF Pre-leased
 Rate \$26.00/SF ~ 160,000 SF Available

Urban Total

1,085,000 SF

NE Expressway-North

Business Park at Sugarloaf VI ~ 72,000 SF
 Delivery 2005 ~ 3 Floors ~ 100%/72,000 SF Pre-leased
 Rate \$20.50/SF

Business Park at Sugarloaf VII ~ 68,000 SF
 Delivery 2005 ~ 1 Floors ~ 35%/23,800 SF Pre-leased
 Rate \$20.50/SF ~ 44,200 SF Available

Suburban Total

140,000 SF

Total Under Construction

1,225,000 SF

Total to be Finished this Year

560,000 SF

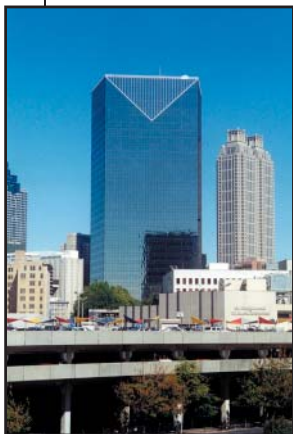
“The office market will continue to be a buyers’ market through 2005, but occupancy is expected to increase to approximately 85 percent...”

Office Space by Building Classification

	Total Sq. Ft.	Vacant Sq. Ft.	Vacancy Rate	Net Absorption		Average Rental Rate
				4 Qtrs. Cumulative	4th Quarter	
Urban Corridor						
Class “A”	23,847,253	3,182,249	13.34%	299,753	65,298	\$25.02
Class “B”	14,050,973	2,956,465	21.04%	(350,578)	8,198	\$19.63
Class “C”	<u>2,655,361</u>	<u>434,211</u>	<u>16.35%</u>	<u>9,273</u>	<u>(407)</u>	<u>\$17.53</u>
Total	40,553,587	6,572,925	16.21%	(41,552)	73,089	\$22.66
Suburban						
Class “A”	44,997,107	8,001,166	17.78%	1,109,479	200,241	\$21.11
Class “B”	33,410,142	6,180,980	18.50%	(130,384)	20,695	\$16.82
Class “C”	<u>6,892,772</u>	<u>1,457,970</u>	<u>21.15%</u>	<u>(156,321)</u>	<u>(47,771)</u>	<u>\$14.58</u>
Total	85,300,021	15,640,116	18.34%	822,774	173,165	\$18.90
Total Market						
Class “A”	68,844,360	11,183,415	16.24%	1,409,232	265,539	\$22.46
Class “B”	47,461,115	9,137,445	19.25%	(480,962)	28,893	\$17.65
Class “C”	<u>9,548,133</u>	<u>1,892,181</u>	<u>19.82%</u>	<u>(147,048)</u>	<u>(48,178)</u>	<u>\$15.40</u>
Total	125,853,608	22,213,041	17.65%	781,222	246,254	\$20.11



Atlanta Office Market: Comparison by Submarkets



Urban

Downtown
Midtown
Buckhead/Lenox

Urban Totals

Suburban

Airport/South
Decatur
GA-400 North
I-20W/Greenbriar

I-285/GA-400
I-285/I-85/Northlake
I-285E/Stone Mtn.
I-75 Corridor

I-75/I-285
I-75N/Marietta/J.Ferry
NE Expressway-North
NE Expressway-South
Peachtree Corners

Suburban Totals

Total With Averages

Total Market

	Total Sq. Ft.	Vacant Sq. Ft.	Occupancy Rate	Absorption This Qtr	Absorption YTD	Average Rental Rate
Downtown	16,634,456	2,927,162	82.40% ↓	(65,395)	(685,537) ↓	\$20.88 ↓
Midtown	12,465,534	2,051,373	83.54% ↑	6,698	547,849 ↑	\$23.34 ↓
Buckhead/Lenox	<u>11,453,597</u>	<u>1,594,390</u>	<u>86.08%</u> ↑	<u>131,786</u>	<u>96,136</u> ↑	<u>\$24.50</u> ↓
Urban Totals	<u>40,553,587</u>	<u>6,572,925</u>	<u>83.79%</u> ↓	<u>73,089</u>	<u>(41,552)</u> ↑	<u>\$22.66</u> ↓
Airport/South	2,607,337	480,013	81.59% ↑	(14,370)	71,650 ↑	\$15.54 ↓
Decatur	1,093,973	101,848	90.69% ↓	1,107	(69,192) ↓	\$19.15 ↑
GA-400 North	14,274,912	3,006,583	78.94% ↑	(8,933)	39,935 ↑	\$18.90 ↓
I-20W/Greenbriar	321,053	97,970	69.48% ↓	591	(30,066) ↓	\$13.00 ↑
I-285/GA-400	22,123,859	4,265,089	80.72% ↑	54,491	532,258 ↑	\$20.39 ↓
I-285/I-85/Northlake	4,517,699	823,140	81.78% ↓	6,288	(11,984) ↑	\$16.60 ↑
I-285E/Stone Mtn.	411,251	22,536	94.52% ↓	(4,700)	(7,885) ↓	\$12.59 ↓
I-75 Corridor	1,127,333	262,742	76.69% ↓	32,855	(74,694) ↓	\$20.55 ↑
I-75/I-285	18,973,582	3,128,831	83.51% ↑	(30,492)	255,188 ↑	\$20.08 ↑
I-75N/Marietta/J.Ferry	2,939,478	431,919	85.31% ↑	(27,233)	88,969 ↓	\$18.72 ↑
NE Expressway-North	4,200,528	753,475	82.06% ↑	38,389	152,562 ↓	\$17.82 ↑
NE Expressway-South	4,732,558	474,262	89.98% ↑	92,433	2,261 ↑	\$17.68 ↓
Peachtree Corners	<u>7,976,458</u>	<u>1,791,708</u>	<u>77.54%</u> ↓	<u>32,739</u>	<u>(126,228)</u> ↓	<u>\$16.04</u> ↓
Suburban Totals	<u>85,300,021</u>	<u>15,640,116</u>	<u>81.66%</u> ↑	<u>173,165</u>	<u>822,774</u> ↑	<u>\$18.90</u> ↓
Total With Averages	<u>125,853,608</u>	<u>22,213,041</u>	<u>82.35%</u> ↑	<u>246,254</u>	<u>781,222</u> ↑	<u>\$20.11</u> ↓

Change from Year-End 2003: ↑ Increase ↓ Decrease

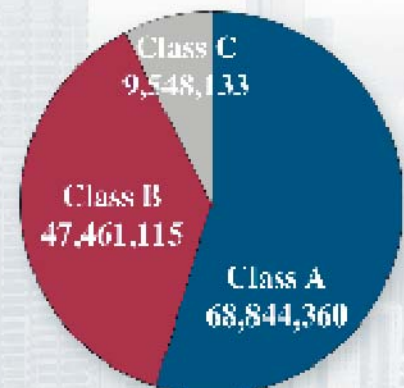
The Suburban Market

The suburban office market, made up of 13 outlying submarkets, totals more than 85 million square feet, with 15.6 million square feet available to lease on a direct basis. Three primary submarkets, I-75/I-285, I-285/GA-400 and GA-400 North, account for 55.4 million square feet and have a total of 10.4 million square feet vacant. Of the total vacant space in the suburban markets, 8.0 million square feet is available in Class A properties, with the majority of the balance in Class B properties. This balance among submarkets and Classes is expected to remain consistent for the next several years.

The three largest northern suburban submarkets offer ample opportunities for large users. At least ten buildings have contiguous available space of 100,000 square feet or more, and four have contiguous spaces of 150,000 feet or more, all in Class A buildings. In the I-285/GA-400 submarket, Concourse IV has 150,000 square feet, Northpark Town Center's Building 500 has 175,000 square feet, and Ravinia III has 168,000 square feet. In the I-75/I-285 submarket, Wildwood's 2300 building has 175,000 square feet contiguous. The GA-400 North submarket, where the buildings tend to be smaller, has a number of contiguous spaces of 50,000 feet or more, again mostly in Class A buildings.

As a result of this large inventory of space available in these outlying submarkets, landlords have been very aggressive in leasing space. At year-

Class A Total Space Dominates Atlanta's Office Market



Class A			Class B			Class C		
Vacant Sq. Ft.	Occupancy Rate	Average Rental Rate	Vacant Sq. Ft.	Occupancy Rate	Average Rental Rate	Vacant Sq. Ft.	Occupancy Rate	Average Rental Rate
1,256,263	85.24%	\$22.82	1,472,221	78.19%	\$19.05	198,678	85.53%	\$17.86
1,252,383	84.65%	\$26.22	569,131	83.06%	\$18.30	229,859	75.74%	\$16.41
<u>673,603</u>	<u>90.62%</u>	<u>\$26.25</u>	<u>915,113</u>	<u>76.77%</u>	<u>\$21.76</u>	<u>5,674</u>	<u>98.31%</u>	<u>\$19.34</u>
<u>3,182,249</u>	<u>86.66%</u>	<u>\$25.02</u>	<u>2,956,465</u>	<u>78.96%</u>	<u>\$19.63</u>	<u>434,211</u>	<u>83.65%</u>	<u>\$17.53</u>
20,632	95.97%	\$19.18	146,631	86.49%	\$15.48	312,750	69.06%	\$13.76
8,451	97.99%	\$21.32	93,397	86.15%	\$17.80	0	n/a	n/a
1,805,926	82.32%	\$19.91	1,190,657	70.55%	\$16.36	10,000	50.00%	\$16.00
0	n/a	n/a	6,360	88.00%	\$23.00	91,610	65.82%	\$11.02
3,115,470	77.85%	\$22.05	835,301	87.58%	\$18.03	314,318	76.36%	\$14.74
172,528	66.97%	\$18.70	448,519	80.07%	\$16.87	202,093	88.42%	\$15.63
0	n/a	n/a	2,349	99.17%	\$12.93	20,187	84.30%	\$11.86
12,720	94.00%	\$29.00	250,022	70.24%	\$18.74	0	100.00%	\$17.00
1,703,789	86.02%	\$21.95	1,300,471	78.54%	\$16.98	124,571	82.85%	\$14.72
218,600	84.98%	\$20.72	105,742	90.53%	\$17.08	107,577	70.76%	\$15.79
399,938	85.18%	\$19.29	349,400	76.22%	\$15.10	4,137	87.00%	\$18.00
105,071	77.85%	\$21.52	345,576	90.73%	\$17.50	23,615	95.54%	\$15.53
<u>438,041</u>	<u>80.39%</u>	<u>\$18.72</u>	<u>1,106,555</u>	<u>78.23%</u>	<u>\$15.30</u>	<u>247,112</u>	<u>62.52%</u>	<u>\$12.67</u>
<u>8,001,166</u>	<u>82.22%</u>	<u>\$21.11</u>	<u>6,180,980</u>	<u>81.50%</u>	<u>\$16.82</u>	<u>1,457,970</u>	<u>78.85%</u>	<u>\$14.58</u>
<u>11,183,415</u>	<u>83.76%</u>	<u>\$22.46</u>	<u>9,137,445</u>	<u>80.75%</u>	<u>\$17.65</u>	<u>1,892,181</u>	<u>80.18%</u>	<u>\$15.40</u>

“...we expect that urban occupancy rates will continue to outperform the overall market”

Suburban Market - Continued

end, the suburbs' recorded 822,774 square feet of positive absorption, with the I-285/GA-400 submarket accounting for 532,258 square feet of the total annual absorption. Class A suburban office space totaled 1,109,479 square feet of positive absorption, however this was offset by Class B and Class C space at 130,384 and 156,321 square feet of negative absorption.

This past quarter two suburban developments have experienced a situation that has occurred in urban markets. Dunwoody Park at Peachford, an 82,000 square foot office complex, was demolished for redevelopment as a multi-family condominium project as well as 302 Perimeter Center North, a 114,386 square foot office building.

As the northern perimeter area develops at a higher density, the potential highest-and-best use of undeveloped land changes. Existing lower-end office buildings and parks are being redeveloped into new urban multi-use centers, and as a result, the inventory of office space has been reduced resulting in a higher occupancy rate for existing space.

Among the smaller suburban submarkets, an interesting trend has developed in the far northeastern quadrant. During the late 1990s, both Peachtree Corners and its next-door neighbor, NE Expressway-North, experienced strong growth, each adding about 3 million square feet of space. During that same period both submarkets consistently recorded healthy positive absorption, filling new space almost as fast as it delivered. Beginning in 2001, however, the NE Expressway-North submarket began to outpace Peachtree Corners, recording 1.1 million square feet of positive absorption in 2001 through 2004, while Peachtree Corners suffered nearly 200,000 square feet of negative absorption in the same period. The result leaves Peachtree Corners with almost 1.8 million square feet of available space (1.1 million of which is Class B), while NE Expressway North has only 753,000 available, split about evenly between Classes A and B.



Annual Absorption and Vacancy Rate by Sub-Market

	Year-End 2000		Year-End 2001		Year-End 2002		Year-End 2003		Year-End 2004	
	Annual Absorption	Vacancy Rate	Annual Absorption	Vacancy Rate	Annual Absorption	Vacancy Rate	Annual Absorption	Vacancy Rate	Annual Absorption	Vacancy Rate
Urban										
Downtown	1,097,076	6.96%	(190,393)	8.13%	(284,455)	11.83%	(274,504)	13.48%	(685,537)	17.60%
Midtown	551,957	4.03%	397,054	14.78%	(266,036)	17.60%	385,372	17.45%	547,849	16.46%
Buckhead/Lenox	498,356	4.16%	226,930	6.66%	(489,757)	10.93%	(438,193)	14.76%	96,136	13.92%
Urban Totals	2,147,389	5.36%	433,591	9.64%	(1,040,248)	13.25%	(327,325)	15.03%	(41,552)	16.21%
Suburban										
Airport/South	(15,672)	23.23%	104,278	22.34%	100,447	18.49%	(69,521)	21.16%	71,650	18.41%
Decatur	67,199	3.38%	(16,334)	4.87%	(10,819)	5.86%	31,484	2.99%	(69,192)	9.31%
GA-400 North	2,127,480	11.33%	1,075,207	19.58%	111,139	18.93%	(8,884)	21.34%	39,935	21.06%
I-20W/Greenbriar	33,347	13.59%	(16,215)	18.64%	(1,943)	19.24%	(6,118)	21.15%	(30,066)	30.52%
I-285/GA-400	1,499,157	8.56%	(794,825)	12.24%	(985,313)	16.81%	(617,800)	22.52%	532,258	19.28%
I-285/I-85/Northlake	(56,157)	11.23%	15,772	10.88%	13,079	10.59%	(332,806)	17.96%	(11,984)	18.22%
I-285E/Stone Mountain	22,099	4.37%	(15,938)	8.24%	5,830	6.82%	13,410	3.56%	(7,885)	5.48%
I-75 Corridor	193,557	9.16%	(2,080)	9.34%	(100,025)	18.22%	17,325	16.68%	(74,694)	23.31%
I-75/I-285	926,964	6.50%	(248,599)	9.76%	(168,058)	14.44%	(664,004)	17.93%	255,188	16.49%
I-75N/Marietta/Johnson Fy	194,580	11.71%	331,660	8.90%	(262,792)	19.42%	90,161	17.72%	88,969	14.69%
NE Expressway-North	546,868	25.49%	493,829	24.34%	125,913	28.58%	328,754	20.66%	152,562	17.94%
NE Expressway-South	187,679	4.24%	(61,839)	5.30%	40,856	6.99%	(145,503)	10.07%	2,261	10.02%
Peachtree Corners	399,261	13.19%	18,910	19.31%	(8,036)	19.97%	(72,804)	20.88%	(126,228)	22.46%
Suburban Totals	6,126,362	10.01%	883,826	13.76%	(1,139,722)	16.60%	(1,436,306)	19.50%	822,774	18.34%
Total With Averages	8,273,751	8.52%	1,317,417	12.44%	(2,179,970)	15.52%	(1,763,631)	18.08%	781,222	17.65%

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