

MARKET REPORT

"Favorable office absorption is expected to continue...with the fourth quarter projected to be the leading quarter of 2006"

- RICHARD BOWERS, SIOR

The third quarter of 2006 proved to be another strong quarter for the Atlanta office market—in fact it was the leading quarter this year in absorption with 516,566 square feet. The overall market vacancy rate moved down from 17.15 percent to 17.09 percent, and average rental rates for all submarkets and all classes of space rose from \$20.31 per square foot to \$20.36 per square foot.

The leading submarkets in third quarter absorption were GA 400-North at 333,430 square feet, followed by Buckhead/Lenox at 321,199 square feet, and the I-285/GA 400 submarket at 313,056 square feet. Year-to-date, the leading submarkets in absorption were Midtown at 674,641 square feet, GA 400-North at 381,747 square feet, Peachtree Corners at 366,123 square feet, Buckhead/Lenox at 365,414 square feet, and the I-285/GA400 submarket at 272,309 square feet.

The urban corridor has continued to outperform the suburban submarkets with 775,441 square feet of absorption year to date as compared to the suburbs' 189,156 square feet. Occupancy rates are also higher along the urban corridor at 83.71 percent as compared to the suburbs at 82.52 percent, with average urban rental rates significantly higher at \$22.99 per square foot as compared to the suburbs at \$19.07.

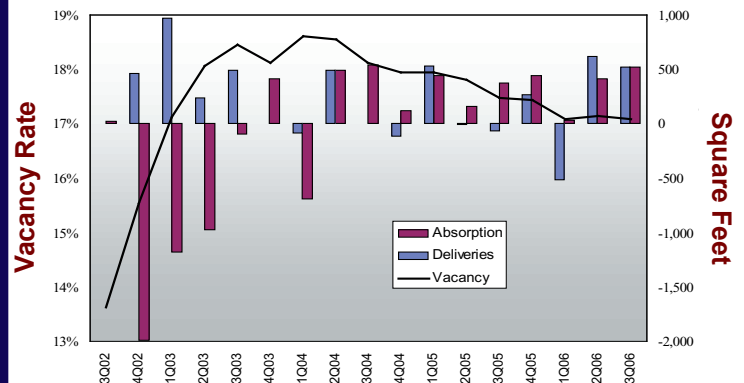
Four new buildings delivered in the third quarter of 2006 totaling 529,749 square feet (all smaller Class A buildings), including one in Buckhead and three suburban buildings. Unlike the first and second quarters, no buildings were taken off the market for conversion to residential or hotel use, or for new development. For all of 2006, our projected deliveries total 1,793,244 square feet, including four buildings totaling 333,472 square feet coming on stream in the fourth quarter. Deliveries for 2006 will be the greatest square footage brought online since 2001. Notwithstanding, 2006 absorption should exceed 2006 scheduled deliveries.

With Atlanta's favorable economy, population, and job growth, favorable office absorption is expected to continue for the remainder of 2006, with the fourth quarter projected to be the leading quarter for the year. Unfortunately, Atlanta has not experienced the robust office absorption thus far in 2006 that is occurring in New York, Washington D.C., Boston, and several other major metropolitan centers. Nonetheless, we expect the Atlanta market to continue improving into 2007 with limited new deliveries and additional buildings being removed from the market. Continued improvement should occur despite nearly 3 million square feet of scheduled 2007 deliveries in 13 buildings, many with significant

OFFICE MARKET SNAPSHOT

Total Square Feet:	128,121,207
Vacant Square Feet:	21,895,181
Percent Occupied:	82.91%
Absorption for Quarter:	516,566
Average Rental Rates:	\$20.36
Space Delivered YTD*:	1,459,772
Class "A" Avg. Rental Rate:	\$22.57
* Excludes Net Losses	

METRO ATLANTA OFFICE MARKET SUMMARY 3RD QUARTER 2006



ATLANTA'S TOP FIVE RANKING SUBMARKETS

Net Absorption 3rd Quarter 2006:

GA-400 North	333,430
Buckhead/Lenox	321,199
I-285/GA-400	313,056
Peachtree Corners	141,529
Midtown	98,598

Total Available Square Feet:

Downtown	3,608,577
I-75/I-285	3,514,899
I-285/GA-400	3,234,474
GA-400 North	2,804,200
Midtown	1,698,689

Total Existing Square Feet:

I-285/GA-400	22,067,434
I-75/I-285	18,539,971
Downtown	16,946,069
GA-400 North	15,116,390
Midtown	13,048,780

Submarket Occupancy Rate:

Decatur	89.14%
Buckhead/Lenox	87.15%
Midtown	86.98%
NE Expressway-South	86.27%
I-285/GA-400	85.34%

Average Quoted Rental Rate:

Buckhead/Lenox	\$25.04
Midtown	\$23.74
Downtown	\$20.94
I-285/GA-400	\$20.70
I-75/I-285	\$20.39

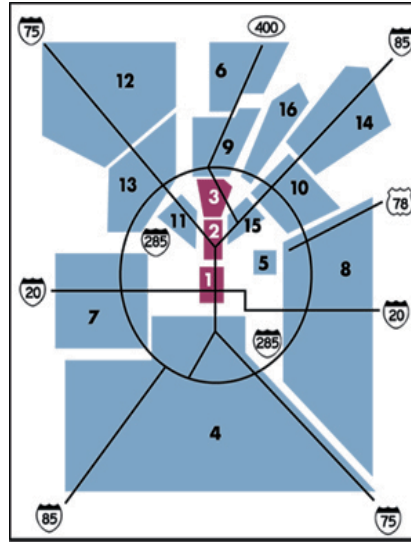
3rd Quarter 2006 SF Deliveries:

Two Buckhead Plaza	167,364
Milton Park 200	153,704
StoneBridge I	150,000
3120 Stonecrest Blvd	54,681

pre-leasing. The majority of this 2007 development will be along the urban corridor in six office towers totaling 2,186,023 square feet.

Concessions, above-standard improvements, and favorable rates are still available in most of the major submarkets for creditworthy tenants who require medium to large blocks of space and are willing to sign long-term leases. Nonetheless, concessions are starting to tighten and some of the more successful high-profile submarkets are increasing rental rates and decreasing tenant improvements and free rent. Owner/user opportunities are still desirable, even with sales prices increasing due to the favorable outlook on real estate investment and low interest rates. Decreases in concessions, free rent, tenant improvement allowances, and vacancy rates all are expected to continue in 2007.

METRO ATLANTA SUBMARKETS



URBAN CORRIDOR SUBMARKETS

- 1 Downtown
- 2 Midtown
- 3 Buckhead / Lenox

SUBURBAN SUBMARKETS

- 4 Airport / South
- 5 Decatur
- 6 GA-400 North
- 7 I-20W/Greenbriar
- 8 I-285 E / 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

OFFICE TOTALS BY SUBMARKET

	Total Sq. Ft.	Vacant Sq. Ft.	Occupancy Rate	Absorption This Qtr.	Absorption Year to Date	Avg. Rent Rate
Urban						
Downtown	16,946,069	3,608,577	78.71%	(220,391)	(264,614)	\$20.94
Midtown	13,048,780	1,698,689	86.98%	98,598	674,641	\$23.74
Buckhead/Lenox	12,219,020	1,570,500	87.15%	321,199	365,414	\$25.04
Urban Totals	42,213,869	6,877,766	83.71%	199,406	775,441	\$22.99
Suburban						
Airport/South	2,735,300	483,180	82.34%	53,574	25,273	\$16.06
Decatur	1,079,165	117,192	89.14%	(22,751)	(12,069)	\$19.51
GA-400 North	15,116,390	2,804,200	81.45%	333,430	381,747	\$18.78
I-20W/Greenbriar	321,053	47,073	85.34%	43,226	35,456	\$13.12
I-285/GA-400	22,067,434	3,234,474	85.34%	313,056	272,309	\$20.70
I-285/I-85/Northlake	4,510,401	936,935	79.23%	(77,731)	(162,484)	\$16.89
I-285E/Stone Mtn	465,932	74,487	84.01%	10,907	350	\$13.49
I-75 Corridor	1,127,333	342,018	69.66%	(79,166)	(126,947)	\$19.98
I-75/I-285	18,539,971	3,514,899	81.04%	(389,781)	(632,527)	\$20.39
I-75N/Marietta/Johnson F	2,939,478	464,537	84.20%	12,449	6,419	\$18.34
NE Expressway-North	4,310,581	979,356	77.28%	(26,466)	25,340	\$17.81
NE Expressway-South	4,732,558	649,610	86.27%	4,884	10,166	\$17.87
Peachtree Corners	7,961,742	1,369,454	82.80%	141,529	366,123	\$16.26
Suburban Totals	85,907,338	15,017,415	82.52%	317,160	189,156	\$19.07
Total/Wgt. Averages	128,121,207	21,895,181	82.91%	516,566	964,597	\$20.36



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