

MARKET REPORT

“Calendar year 2007 will clearly have the highest absorption so far this decade ...” - RICHARD BOWERS, SIOR

The Atlanta office market recovery continues at an escalated pace with 1,869,757 square feet of positive absorption in 2007's third quarter—the highest amount of absorption since the fourth quarter of 2000. In addition, the year-to-date net absorption of 3,420,176 square feet for 2007 is already higher than any entire calendar year since 2000. Calendar year 2007 will clearly have the highest absorption so far this decade. After six years of negative absorption, Downtown is the leading submarket in absorption year-to-date by a wide margin. Note: Some of the numbers received from landlords reflect recent firm commitments for existing spaces that are not yet occupied.

Overall average rental rates increased to \$21.08 per square foot in the third quarter from \$21.00 second quarter 2007. The overall occupancy rate increased dramatically from 83.86 percent to 84.98 percent. The suburban submarkets are ahead of the urban corridor in year-to-date absorption with 1,936,307 square feet as compared to urban absorption of 1,483,868 square feet for the same period. The suburban submarkets have also moved slightly ahead of the urban corridor in occupancy at 85.09 percent compared to 84.75 percent. This situation has reversed itself since year-end 2006 when the urban corridor led the suburbs in occupancy percentage. The reversal is due not only to increased suburban absorption but also to a much higher amount of urban corridor deliveries than the suburbs. Nevertheless, average rental rates for all classes of space are significantly higher along the urban corridor at \$23.75 per square foot compared to the suburbs at \$19.73.

Space Delivered: Deliveries in the third quarter included six new buildings totaling 581,985 square feet, the most significant of which was 201 17th St. in Atlantic Station, delivering 349,000 square feet. The other five buildings were all small suburban buildings, each less than 100,000 square feet. One building was removed from the market, the Carnegie Building in Downtown containing 79,000 square feet, which is being converted to an Indigo Hotel.

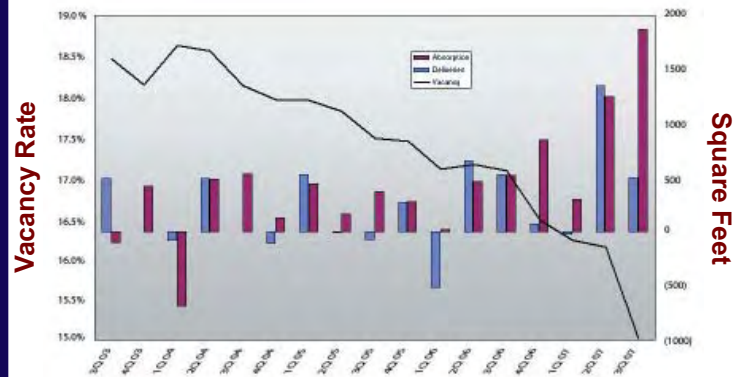
Space Availability: Even with the dramatic market improvements, excellent space opportunities are still available for large, credit-worthy tenants desiring long-term leases, even though concessions are decreasing and rental rates are moving upward. The five largest submarkets in space availability are the I-75/I-285 submarket at 3,125,741 square feet, Downtown at 2,961,725 square feet, I-285/GA-400 at 2,693,659 square feet, Midtown at 2,114,128 square feet, and GA-400 North at 2,064,227 square feet. (These are also the five largest Atlanta submarkets.) Average rental rates for all classes of space are also reflective of the largest submarkets with Buckhead/Lenox (sixth largest) at \$25.60, Midtown at \$25.42, I-285/GA-400 at \$22.11, Downtown at \$21.04, and the I-75/I-285 submarket at \$20.77 per square foot.

Infrastructure: Briefly, the Peachtree St. viaduct at Marietta St. has opened. Significant notoriety has been given to the Williams Street reduction from three lanes to one between 10th Street

OFFICE MARKET SNAPSHOT

Total Square Feet:	130,031,366
Vacant Square Feet:	19,534,112
Percent Occupied:	84.98%
Absorption for Quarter:	1,869,757
Average Rental Rates:	\$21.08
Space Delivered YTD*:	2,035,796
Class "A" Avg. Rental Rate:	\$23.42
* Excludes Net Losses	

METRO ATLANTA OFFICE MARKET SUMMARY 3RD QUARTER 2007



ATLANTA'S TOP FIVE RANKING SUBMARKETS

Net Absorption 3rd Quarter 2007:

Downtown	591,386
I-285/GA-400	387,307
I-75/I-285	212,932
GA-400 North	195,489
Peachtree Corners	165,691

Total Available Square Feet:

I-75/I-285	3,125,741
Downtown	2,961,725
I-285/GA-400	2,693,659
Midtown	2,114,128
GA-400 North	2,064,227

Total Existing Square Feet:

I-285/GA-400	22,055,673
I-75/I-285	18,584,466
Downtown	17,231,079
GA-400 North	15,011,196
Midtown	13,713,498

Submarket Occupancy Rate:

I-75 Corridor	91.65%
NE Expressway-South	89.50%
I-285E/Stone Mountain	89.08%
I-285/GA-400	87.78%
Buckhead/Lenox	87.52%

Average Quoted Rental Rate:

Buckhead/Lenox	\$25.60
Midtown	\$25.42
I-285/GA-400	\$22.11
Downtown	\$21.04
I-75/I-285	\$20.77

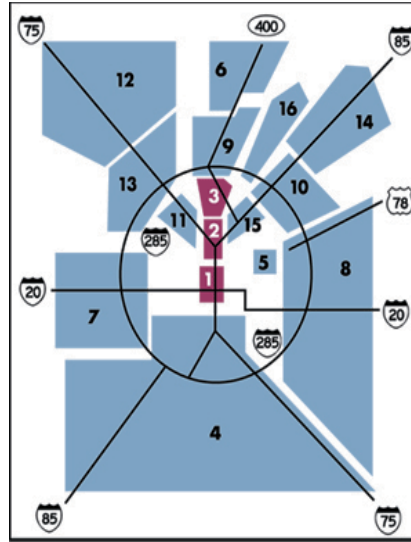
3rd Quarter 2007 SF Deliveries:

Midtown	349,000
Airport/South	88,415
I-75/I-285	55,000
Peachtree Corners	52,000
NE Expressway-North	37,570

and 16th Street, related to the reconstruction of the 14th Street Bridge over the Downtown Connector. Two lanes will remain in disrepair for three years. In addition, the 14th Street Bridge itself is scheduled to close in the fall of 2008 and remain closed through the summer of 2010.

Outlook: Again, year-to-date absorption through the third quarter has already exceeded our mid-year projections for all of 2007, and our outlook for the office market continues to be quite favorable. With nearly 530,000 square feet of deliveries scheduled for the fourth quarter of 2007, only seven percent of which is committed, we expect that average rental rates will increase to approximately \$21.25 per square foot with occupancy moving above 85 percent. With continued strong Downtown activity, the possibility exists that Downtown absorption will exceed 1,000,000 square feet for 2007, an amount that has not been achieved by any submarket since 2001. With a little over 2,000,000 square feet of deliveries scheduled for 2008, the market should maintain equilibrium and increase occupancy with a number of submarkets moving to full occupancy levels at or near 90 percent.

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

	<u>Total Sq. Ft.</u>	<u>Vacant Sq. Ft.</u>	<u>Occupancy Rate</u>	<u>Absorption This Qtr.</u>	<u>Absorption Year to Date</u>	<u>Avg. Rent Rate</u>
Urban						
Downtown	17,231,079	2,961,725	82.81%	591,386	863,830	\$21.04
Midtown	13,713,498	2,114,128	84.58%	84,063	151,747	\$25.42
Buckhead/Lenox	12,798,170	1,596,691	87.52%	84,297	468,290	\$25.60
Urban Totals	43,742,747	6,672,544	84.75%	759,746	1,483,867	\$23.75
Suburban						
Airport/South	2,897,322	517,954	82.12%	67,285	137,500	\$16.21
Decatur	1,079,165	155,725	85.57%	(35,726)	(26,443)	\$20.15
GA-400 North	15,011,196	2,064,227	86.25%	195,489	366,201	\$19.25
I-20W/Greenbriar	321,053	54,332	83.08%	(3,180)	(8,483)	\$13.66
I-285/GA-400	22,050,673	2,693,659	87.78%	387,307	605,475	\$22.11
I-285/I-85/Northlake	4,480,184	784,210	82.50%	27,674	91,420	\$17.29
I-285E/Stone Mtn	465,932	50,861	89.08%	16,404	29,267	\$13.43
I-75 Corridor	1,127,333	94,162	91.65%	60,637	150,322	\$20.61
I-75/I-285	18,639,466	3,125,741	83.23%	212,932	273,295	\$20.77
I-75N/Marietta/Johnson F	3,042,873	421,569	86.15%	(1,238)	38,443	\$18.79
NE Expressway-North	4,501,115	1,102,006	75.52%	11,923	124,018	\$18.39
NE Expressway-South	4,663,151	489,402	89.50%	4,813	20,070	\$18.36
Peachtree Corners	8,009,156	1,307,720	83.67%	165,691	135,222	\$16.63
Suburban Totals	86,288,619	12,861,568	85.09%	1,110,011	1,936,307	\$19.73
Total/Wgt. Averages	130,031,366	19,534,112	84.98%	1,869,757	3,420,174	\$21.08



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