

MARKET REPORT

“...Atlanta’s ongoing urban renaissance and public transportation have clearly favored the urban corridor.” - RICHARD BOWERS, SIOR

Our third quarter Atlanta office market numbers reflect slight improvement over mid-year 2008, with a meager positive absorption of only 38,287 square feet, the tenth consecutive quarter of positive absorption. Average rental rates decreased slightly from \$21.69 per square foot to \$21.65 per square foot.

The urban corridor clearly outperformed the suburbs in 2008’s third quarter with 220,721 square feet of positive absorption as compared with the suburbs’ 182,434 square feet of negative absorption. Rental rates along the urban corridor are still \$4.00 a square foot higher than the suburbs at an average rate of \$24.32 versus \$20.31 for the suburbs. The urban corridor is also at a higher occupancy rate at 85.15 percent versus the suburbs at 84.57 percent.

With a dismal economy, Atlanta is fortunate that developers are not delivering a lot of new space, and in fact, no new deliveries occurred in the third quarter of 2008. For the remainder of the year we only have three smaller buildings delivering, all in the suburbs, totaling 378,557 square feet: Stonebridge III in the GA-400 North submarket; Suwanee Gateway I in the NE Expressway-North submarket; and the DaVinci building in Peachtree Corners.

The five leading submarkets in third quarter absorption were Midtown at 168,675 square feet, Airport /South, NE expressway-South, Downtown, and the I-75 Corridor, the latter four all with less than 100,000 square feet of positive absorption. The five leading submarkets in year-to-date absorption are the I-285/GA-400 submarket at 307,807 square feet, the Midtown submarket at 227,078 square feet, the NE expressway-North submarket at 223,182 square feet, Buckhead/Lenox at 175,717 square feet, and Downtown at 159,693 square feet.

Sublease space has also increased to approximately 2,640,000 square feet from 2,184,000 square feet at the beginning of 2008, which is not a good sign for the economy, the office market, or future absorption. Fortunately, this amount of sublease space is only approximately half of the amount of sublease space that existed in 2002, when the sublease market contained nearly 5,300,000 square feet.

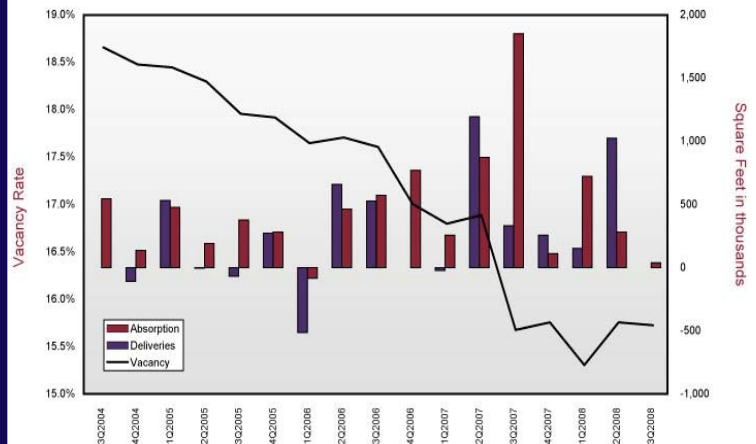
The economy and the financial markets are obviously having a tremendous impact on leasing activity and absorption. We hope Congress can agree to a fair and effective bailout of the financial markets and make the necessary changes in accounting for market-to-market valuations. Gasoline price increases and to a lesser extent, food price increases, have also had adverse effects on the overall Atlanta office market, while boosting those submarkets that offer transportation alternatives; Atlanta’s ongoing urban renaissance and public transportation have clearly favored the urban corridor.

There is also a groundswell in interest in having alternative public transportation serving Atlanta to offset our commuting difficulties, particularly with gasoline prices at \$4.00 a gallon, and the current hurricane-related difficulties in obtaining gasoline. It appears that the Griffin-to-Atlanta commuter rail line will move forward since

OFFICE MARKET SNAPSHOT

Total Square Feet:	131,378,125
Vacant Square Feet:	20,021,175
Percent Occupied:	84.76%
Absorption for Quarter:	38,287
Average Rental Rates:	\$21.65
Space Delivered YTD*:	1,222,852
Class “A” Avg. Rental Rate:	\$24.20
* Excludes Net Losses	

Metro Atlanta Office Market Summary 3rd Quarter 2008



ATLANTA’S TOP FIVE RANKING SUBMARKETS

Net Absorption 3rd Quarter 2008:

Midtown	168,675
Airport/South	80,363
NE Expressway-South	53,509
Downtown	37,833
I-75 Corridor	34,405

Total Available Square Feet:

I-75/I-285	3,441,193
I-285/GA-400	2,997,489
Downtown	2,817,791
GA-400 North	2,251,014
Buckhead/Lenox	1,937,047

Total Existing Square Feet:

I-285/GA-400	22,335,626
I-75/I-285	18,857,310
Downtown	16,899,337
GA-400 North	15,448,001
Midtown	13,666,498

Submarket Occupancy Rate:

I-75 Corridor	96.95%
Decatur	91.80%
NE Expressway-South	89.73%
I-285E/Stone Mountain	88.72%
Midtown	87.12%

Average Quoted Rental Rate:

Midtown	\$26.12
Buckhead/Lenox	\$25.87
I-285/GA-400	\$23.13
I-75 Corridor	\$22.26
Downtown	\$21.64

Net Deliveries YTD:

(No new deliveries in 3rd Quarter 2008)

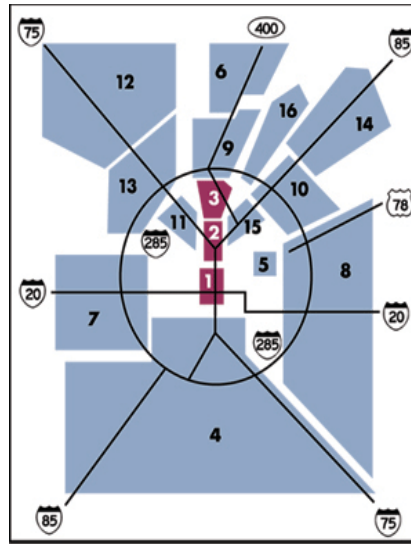
Buckhead/Lenox	496,921
I-285/GA-400	354,953
I-75/I-285	152,000
Airport/South	98,978
I-75N/Marietta/JF	75,000

federal funding has been provided, including development of the Downtown multi-modal station.

Our outlook for the year has clearly been reduced because of the economic downturn, which will result in significantly lower absorption in 2008 than the 2.5 million square feet we originally predicted. With a strong fourth quarter, there is the possibility that 500,000 additional square feet of positive absorption will occur, resulting in 1,500,000 square feet positive absorption for calendar year 2008 and overall occupancy will be at 85.2 percent by year-end.

With an improved economy, 2009 should be a more favorable year in absorption, particularly with 2,256,330 square feet of deliveries, as compared to calendar year 2008, with projected deliveries of 1,601,409 square feet. Through pent up demand, the fact that Atlanta is the fastest growing city in population in the country, and the number of out of town office users considering the city from a standpoint of economics, climate, and the world's busiest airport, the market should continue to tighten with some modest increases in rental rates as well.

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	16,899,337	2,817,791	83.33%	37,833	159,693	\$21.64
Midtown	13,666,498	1,760,426	87.12%	168,675	227,078	\$26.12
Buckhead/Lenox	13,295,091	1,937,047	85.43%	14,213	175,717	\$25.87
Urban Totals	43,860,926	6,515,264	85.15%	220,721	562,488	\$24.32
Suburban						
Airport/South	3,059,300	714,523	76.64%	80,363	(5,451)	\$16.69
Decatur	1,141,165	93,562	91.80%	15,698	113,321	\$20.67
GA-400 North	15,448,001	2,251,014	85.43%	(130,576)	(175,500)	\$19.74
I-20W/Greenbriar	321,053	96,878	69.82%	(18,440)	(42,546)	\$14.51
I-285/GA-400	22,335,626	2,997,489	86.58%	(101,656)	307,807	\$23.13
I-285/I-85/Northlake	4,480,184	691,606	84.56%	4,137	134,381	\$17.70
I-285E/Stone Mtn	403,932	45,578	88.72%	(5,084)	(57,957)	\$13.50
I-75 Corridor	1,127,333	34,355	96.95%	34,405	59,807	\$22.26
I-75/I-285	18,857,310	3,441,193	81.75%	(56,030)	(65,393)	\$21.30
I-75N/Marietta/Johnson F	3,169,873	436,918	86.22%	23,697	91,274	\$18.86
NE Expressway-North	4,501,115	798,632	82.26%	30,554	223,182	\$18.36
NE Expressway-South	4,663,151	478,721	89.73%	53,509	5,793	\$18.48
Peachtree Corners	8,009,156	1,425,442	82.20%	(113,011)	(109,076)	\$17.08
Suburban Totals	87,517,199	13,505,911	84.57%	(182,434)	479,642	\$20.31
Total/Wgt. Averages	131,378,125	20,021,175	84.76%	38,287	1,042,130	\$21.65



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