

# MARKET REPORT

“...current economic struggles have obviously created a favorable situation for users requiring office space.” - RICHARD BOWERS, SIOR

Our first quarter 2009 office numbers reflect the current dismal economic conditions with 408,368 square feet of negative absorption, following negative absorption of 577,834 square feet for the fourth quarter of 2008. The only submarket with over 100,000 square feet of positive absorption was Buckhead/Lenox at 137,282 square feet. Two submarkets recorded more than 100,000 square feet of negative absorption: I-285/GA-400 at 259,678 square feet and NE Expressway-North at 111,590 square feet. Only five of our sixteen submarkets experienced positive absorption.

Total square footage availability increased to 22,055,730 square feet from fourth quarter 2008's 21,595,362 square feet, and occupancy levels decreased from 83.63 percent to 83.29 percent. Rental rates also decreased slightly, from \$21.66 per square foot to \$21.53 per square foot. The urban corridor remained fairly stable with a slight positive increase in occupancy, rising from 83.92 percent to 83.96 percent and average quoted rental rates falling slightly from \$24.42 to \$24.14. Again, Buckhead/Lenox recorded excellent absorption while Downtown and Midtown both posted negative absorption. Downtown's negative absorption was due primarily to the expiration of Wachovia's 400,000 square foot lease at 191 Peachtree, although a significant amount of that space has been re-leased.

### Space Availability

The five leading submarkets in square footage availability, which are also Atlanta's five largest submarkets (although not in the same order) are I-75/I-285 at 3,562,711 square feet, I-285/GA-400 at 3,330,830 square feet, Downtown at 2,991,268 square feet, GA-400 North at 2,572,236 square feet, and Midtown at 2,153,844 square feet.

Only one property delivered this quarter—Commerce Point in the Airport South submarket containing 52,000 square feet. For the remainder of the year, only five more buildings are scheduled for delivery: Gateway Center in the Airport /South submarket containing 129,000 square feet and four office towers along the urban corridor (one in Midtown and three in Buckhead/Lenox) for a grand total of 2,133,124 square feet. The sublease office market availability currently totals approximately 3,493,000 square feet and is an additional source of competition for building owners.

### Infrastructure

On the infrastructure front, there is little to report. Work on the Downtown Connector and the 14th Street Bridge is continuing and should be completed by May 2010. Discussions about the economic stimulus funding suggest that the widening of Johnson Ferry from Cobb County into Sandy Springs may begin in the second quarter of 2009. The Hartsfield-Jackson Airport International Terminal is still under negotiations regarding both cost and design. MARTA is currently facing operating deficit issues, and its board is discussing service reductions unless a greater percentage of its funding can be used for operations versus capital improvements. The commuter rail status appears to be positive. However, the funding mechanism for commuter rail is stalled because of the Georgia legislature's inability to agree on either a statewide sales tax or the ability for neighboring counties to unite and create a regional SPLOST (Special Local Option Sales Tax). Such a SPLOST would primarily serve metro Atlanta, which is in dire need of additional commuter capacity. The existing commuter rail lines serving metro Atlanta would be an ideal solution for increased infrastructure capacity.

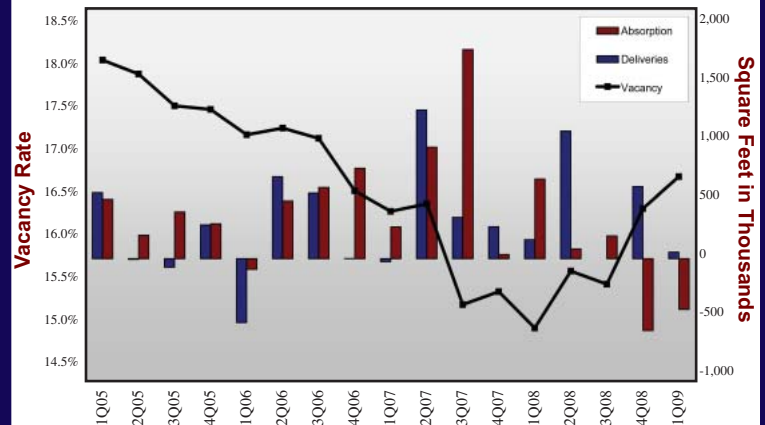
### Market Conditions

The current economic struggles have obviously created a favorable situation for users requiring office space. Free rent, lower effective rental rates, and higher tenant improvements are all being negotiated in most locations in this difficult economic environment. Nevertheless, many users would be delighted to exchange increased prosperity for somewhat higher rental rates if possible. There is also additional concern that

### OFFICE MARKET SNAPSHOT

Total Square Feet:	132,011,643
Vacant Square Feet:	22,055,730
Percent Occupied:	83.29%
Absorption for Quarter:	(408,368)
Average Rental Rates:	\$21.53
Space Delivered YTD*:	52,000
Class "A" Avg. Rental Rate:	\$23.94
* Excludes Net Losses	

### METRO ATLANTA OFFICE MARKET SUMMARY 1ST QUARTER 2009



### ATLANTA'S TOP FIVE RANKING SUBMARKETS

#### Net Absorption 1st Quarter 2009:

Buckhead/Lenox	137,282
GA-400 North	32,864
NE Expressway - South	21,390
I-75N/Marietta/JF	13,090
I-20W/Greenbriar	5,477

#### Total Available Square Feet:

I-75/I-285	3,562,711
I-285/GA-400	3,330,830
Downtown	2,991,268
GA-400 North	2,572,236
Midtown	2,153,844

#### Total Existing Square Feet:

I-285/GA-400	22,338,381
I-75/I-285	18,857,310
Downtown	16,899,337
GA-400 North	15,806,617
Midtown	13,666,498

#### Submarket Occupancy Rate:

I-75 Corridor	95.48%
NE Expressway-South	88.70%
Decatur	85.90%
Buckhead/Lenox	85.77%
I-285/GA-400	85.09%

#### Average Quoted Rental Rate:

Buckhead/Lenox	\$26.15
Midtown	\$24.86
I-285/GA-400	\$22.96
I-75 Corridor	\$22.21
Downtown	\$21.98

#### 1st Quarter 2009 SF Deliveries:

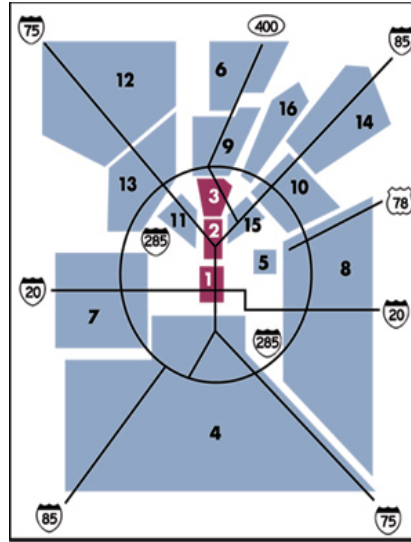
Airport / South	52,000
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more square footage will be brought to the market with companies continuing to cut back and/or go out of business. On a positive note, Atlanta's population increased by 100,000 people last year, so with an improving economy, some pent-up demand should arise for workers in office buildings.

Lack of liquidity is perhaps the major problem for our economy. Eliminating mark-to-market accounting (or fair value accounting), which has been discussed and permitted in some cases, would be a great solution for freeing billions of dollars in capital and encouraging banks to lend. I personally believe there is little or no value with mark-to-market accounting, and freeing up liquidity would allow the banks to earn money on their assets. The private sector, which deserves to receive loans (and therefore, liquidity) from government-chartered banks, would be able to function, prosper, and grow.

Although we would like to be optimistic for the latter part of this year, the economy over the last eighteen months has been devastated: the stock markets are down 50 percent from their highs, inflation is at its lowest level ever recorded at 1/10 of one percent, and unemployment is higher than any time since 1983. Georgia's unemployment is at 9.3 percent at this writing—higher than the national average. While economic stimulus funds may provide some short-term relief, we firmly believe that liquidity for businesses must be provided where companies can grow and expand and provide jobs for many of the employees who have been laid off. Eliminating mark-to-market accounting will go a long way toward achieving these objectives.

## 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>
<b><u>Urban</u></b>						
Downtown	16,899,337	2,991,268	82.30%	(82,715)	(82,715)	\$21.98
Midtown	13,666,498	2,153,844	84.24%	(37,395)	(37,395)	\$24.86
Buckhead/Lenox	13,295,091	1,891,903	85.77%	137,282	137,282	\$26.15
<b><u>Urban Totals</u></b>	<b>43,860,926</b>	<b>7,037,015</b>	<b>83.96%</b>	<b>17,172</b>	<b>17,172</b>	<b>\$24.14</b>
<b><u>Suburban</u></b>						
Airport/South	3,111,300	669,135	78.49%	(156)	(156)	\$16.75
Decatur	1,141,165	160,919	85.90%	(20,946)	(20,946)	\$20.11
GA-400 North	15,806,617	2,572,236	83.73%	32,864	32,864	\$19.84
I-20W/Greenbriar	321,053	91,401	71.53%	5,477	5,477	\$14.39
I-285/GA-400	22,338,381	3,330,830	85.09%	(259,678)	(259,678)	\$22.96
I-285/I-85/Northlake	4,480,184	677,571	84.88%	(44,947)	(44,947)	\$17.63
I-285E/Stone Mtn	403,932	62,203	84.60%	(21,000)	(21,000)	\$13.50
I-75 Corridor	1,127,333	51,003	95.48%	(13,128)	(13,128)	\$22.21
I-75/I-285	18,857,310	3,562,711	81.11%	(13,027)	(13,027)	\$21.13
I-75N/Marietta/Johnson F	3,169,873	493,138	84.44%	13,090	13,090	\$18.92
NE Expressway-North	4,644,115	1,156,324	75.10%	(111,590)	(111,590)	\$18.40
NE Expressway-South	4,663,151	526,818	88.70%	21,390	21,390	\$18.52
Peachtree Corners	8,086,303	1,664,426	79.42%	(13,889)	(13,889)	\$16.97
<b><u>Suburban Totals</u></b>	<b>88,150,717</b>	<b>15,018,715</b>	<b>82.96%</b>	<b>(425,540)</b>	<b>(425,540)</b>	<b>\$20.23</b>
<b><u>Total/Wgt. Averages</u></b>	<b>132,011,643</b>	<b>22,055,730</b>	<b>83.29%</b>	<b>(408,368)</b>	<b>(408,368)</b>	<b>\$21.53</b>



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260 PEACHTREE STREET • SUITE 2400 • ATLANTA, GEORGIA 30303 • PHONE: 404-816-1600 • FAX: 404-880-0077