

MARKET REPORT

"2011 should yield significant positive absorption and occupancy levels are expected to increase..."

- Richard Bowers, SIOR

Atlanta's third quarter office market numbers reflect 297,530 square feet of positive absorption, the highest quarterly absorption since the first quarter of 2008. Year-to-date absorption of 324,935 square feet will in all likelihood ensure positive absorption for 2011 and the first significant year of absorption since 2007, when positive absorption was 2,738,242 square feet (we had marginal absorption in 2008 of 60,188 square feet). With no new deliveries and the possibility of several office buildings being converted to alternative uses, we expect the Atlanta office occupancy rate to increase to more than 80 percent by year-end 2011.

The leading office market in absorption was Buckhead/Lenox by a wide margin, followed by GA 40-North, Airport/South, Downtown, and NE Expressway-North. The urban corridor also recorded significant positive absorption year-to-date totaling 489,324 square feet, versus 164,389 square feet of negative absorption for the suburban submarkets. The urban corridor also has a significantly higher average rental rate (over \$4.00 per square foot on average) at \$23.56 for the urban corridor versus \$19.47 for the suburbs. Of the urban corridor submarkets, Downtown continues to have the highest occupancy rate at 80.48 percent. For the largest suburban submarkets, the GA 400-North submarket leads the way at 84.78 percent followed by the I-75 / I-285 submarket at 81.06 percent. Considering all suburban submarkets, NE Expressway-South leads both the urban and suburban submarkets at 90.61 percent occupancy.

The five leading submarkets in space availability include the two largest submarkets and the three urban submarkets with I-285/GA-400 at 4,817,929 square feet, I-75/I-285 at 3,572,003 square feet, Midtown at 3,570,559 square feet, Buckhead/Lenox at 3,472,442 square feet and Downtown with 3,289,063 square feet. The submarkets with negative absorption this quarter were Midtown at 22,573 square feet, I-285/GA-400 at 115,464 square feet, I-75 / I-285 at 12,916 square feet and Peachtree Corners with 3,158 square feet.

Infrastructure

A number of major improvements are taking place or are being discussed, including the streetcar line from the Martin Luther King Center to the CNN Center, Georgia Dome and Phillips Arena, with Federal funding providing \$7.6 million. Another positive ruling for infrastructure is the favorable court decision allowing Metro Atlanta and Georgia the ongoing right to utilize Lake Lanier for water resources. This court reversal is a huge plus for Atlanta; however, additional water sources, such as reservoirs, and conservation will still be a requirement. The half diamond interchange at Hammond Drive and GA-400 has also provided welcome relief for our largest speculative submarket and is providing excellent needed congestion relief.

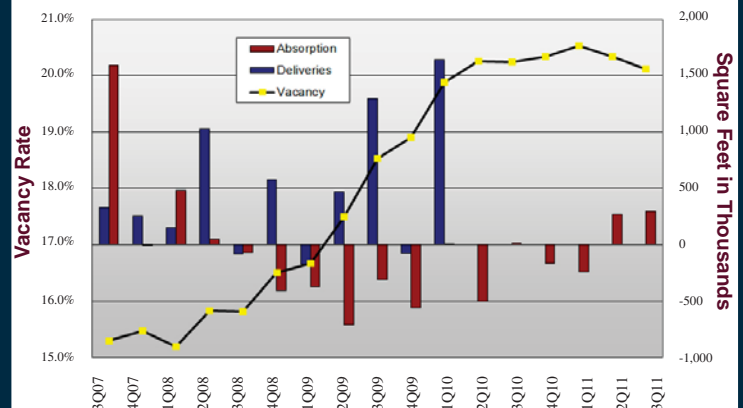
Georgia's Transportation Investment Act of 2010 (TIA 2010) provides the legal framework by which local regions within the state can implement a 1 percent sales tax to fund predefined infrastructure projects. The Final Investment List of projects was recently approved by the full Roundtable, a body composed of local political leaders. Voters will have their say via referendum as to whether or not to implement the tax within their particular region. Projects represented include upgrades to MARTA, various State and Interstate road improvements and additions to rail, bus, air and bike services. The total expected budget for this multimodal package exceeds \$7 Billion and is composed of TIA, Federal and Local funding commitments.

Perhaps the most significant infrastructural project underway is the Hartsfield-Jackson International Airport expansion, with a scheduled completion in 2012, of the Maynard H. Jackson International Terminal. The expansion will add more than one

OFFICE MARKET SNAPSHOT

Total Square Feet:	135,402,440
Vacant Square Feet:	27,224,130
Percent Occupied:	79.89%
Absorption for Quarter:	297,530
Average Rental Rates:	\$20.89
Space Delivered YTD*:	0
Class "A" Avg. Rental Rate:	\$23.43
* Excludes Net Losses	

METRO ATLANTA OFFICE MARKET SUMMARY 3RD QUARTER 2011



ATLANTA'S TOP FIVE RANKING SUBMARKETS

Net Absorption 3rd Quarter 2011:

Buckhead/Lenox	279,928
GA-400 North	56,821
Airport/South	36,503
Downtown	24,683
NE Expressway-North	14,024

Total Available Square Feet:

I-285/GA-400	4,817,929
I-75/I-285	3,572,003
Midtown	3,570,559
Buckhead/Lenox	3,472,442
Downtown	3,289,063

Total Existing Square Feet:

I-285/GA-400	22,565,443
I-75/I-285	18,857,310
Downtown	16,845,572
GA-400 North	15,787,617
Buckhead/Lenox	15,273,538

Submarket Occupancy Rate:

NE Expressway-South	90.61%
I-75 Corridor	87.35%
I-285E/Stone Mtn	87.12%
I-285/I-85/Northlake	85.24%
GA-400 North	84.78%

Average Quoted Rental Rate:

Midtown	\$25.20
Buckhead/Lenox	\$25.20
I-285/GA-400	\$21.79
I-75 Corridor	\$21.28
Downtown	\$20.61

Average Quoted Class "A" Rental Rate:

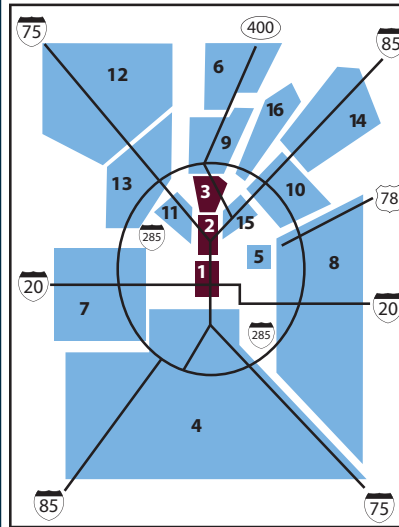
I-75 Corridor	\$30.00
Midtown	\$27.68
Buckhead/Lenox	\$27.68
I-285/GA-400	\$23.36
Downtown	\$22.71

million square feet for the new concourse, 6,000 additional parking spaces, and a new expressway interchange at I-75 and Central Avenue for international flights. Domestic flights will continue to be served from I-85 at Camp Creek Parkway. Hartsfield-Jackson International Airport, already the world's busiest, is expected to become even busier with increased international flights, expanded air cargo, and additional domestic flights with the acquisition of AirTran by Southwest Airlines. There are also preliminary discussions on the possible sixth runway at Hartsfield-Jackson International Airport.

Outlook

Calendar 2011 should be a significant year for positive absorption, particularly with no new deliveries. Occupancy levels should rise above 80 percent with additional absorption and the possibility of several buildings being taken from the market for alternative uses. Notwithstanding, we expect average rental rates to continue at roughly the level they are currently and the office market to remain a competitive opportunity for space users. We hope with government decisions to assist the private sector, increase liquidity, and improve economic growth a better real estate market with higher occupancies, greater employment and lowering of our deficit spending will occur.

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	16,845,572	3,289,063	80.48%	24,683	(153,210)	\$20.61
Midtown	14,981,031	3,570,559	76.17%	(22,573)	(47,302)	\$25.20
Buckhead/Lenox	<u>15,273,538</u>	<u>3,472,442</u>	<u>77.26%</u>	<u>279,928</u>	<u>689,836</u>	<u>\$25.20</u>
Urban Totals	<u>47,100,141</u>	<u>10,332,064</u>	<u>78.06%</u>	<u>282,038</u>	<u>489,324</u>	<u>\$23.56</u>
Suburban						
Airport/South	3,239,696	824,427	74.55%	(36,503)	14,145	\$16.39
Decatur	1,142,709	206,439	81.93%	8,200	15,381	\$19.85
GA-400 North	15,787,617	2,402,714	84.78%	56,821	321,664	\$19.25
I-20W/Greenbriar	321,053	105,850	67.03%	0	(2,044)	\$13.01
I-285/GA-400	22,565,443	4,817,929	78.65%	(115,464)	(661,872)	\$21.79
I-285/I-85/Northlake	4,259,720	628,820	85.24%	11,858	12,891	\$17.26
I-285E/Stone Mtn	320,920	41,338	87.12%	0	0	\$13.69
I-75 Corridor	1,127,333	142,590	87.35%	5,302	6,289	\$21.28
I-75/I-285	18,857,310	3,572,003	81.06%	(19,916)	99,328	\$20.02
I-75N/Marietta/Johnson F	3,169,873	713,859	77.48%	8,556	(44,321)	\$18.50
NE Expressway-North	4,760,932	1,226,995	74.23%	14,024	(274)	\$18.11
NE Expressway-South	4,663,151	437,978	90.61%	5,766	22,001	\$18.40
Peachtree Corners	<u>8,086,542</u>	<u>1,771,124</u>	<u>78.10%</u>	<u>(3,158)</u>	<u>52,423</u>	<u>\$16.56</u>
Suburban Totals	<u>88,302,299</u>	<u>16,892,066</u>	<u>80.87%</u>	<u>15,492</u>	<u>(164,389)</u>	<u>\$19.47</u>
Total/Wgt. Averages	<u>135,402,440</u>	<u>27,224,130</u>	<u>79.89%</u>	<u>297,530</u>	<u>324,935</u>	<u>\$20.89</u>



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