

MARKET REPORT

“...with two major deliveries, the Buckhead/Lenox submarket has displaced Midtown as the fifth largest submarket in square footage...”
- Richard Bowers, SIOR

Due to the struggling economy, the third quarter of 2009 was another dismal one for the Atlanta office market with nearly 59,000 square feet of negative absorption. This is the fourth consecutive quarter of negative absorption and the second longest period of negative absorption since Richard Bowers & Co. started tracking the Atlanta office market quarterly in 1987. However, the rate of decline has slowed considerably: the previous three quarters each showed negative absorption in excess of 300,000 square feet.

Year-to-date 2009 absorption is a negative 746,455 square feet, as compared to third quarter 2008's positive absorption of 717,774 square feet. The leading submarkets in absorption this quarter are the I-75/I-285 submarket with 116,123 square feet, followed by Midtown at 81,664 square feet and the Northeast Expressway-North submarket at 73,027 square feet. Nine of the sixteen submarkets recorded negative absorption this quarter, but most of the negative postings were relatively small.

The urban submarkets continue to outperform the suburbs with 126,432 square feet of positive absorption year-to-date, versus the suburbs at 872,887 square feet of negative absorption for the same period. With 1,058,051 square feet delivered in the Buckhead/Lenox submarket, the urban corridor now has a lower occupancy rate at 80.87 percent compared to the suburbs, which have had very little new development, at 82.38 percent. The urban corridor continues to record significantly higher average rental rates at \$24.58 per square foot versus the suburbs' \$20.06 per square foot. Urban occupancy over the last year has decreased from 83.59 percent to 80.87 percent. Overall available space has also increased from the third quarter of 2008 at 20,673,141 square feet to 24,269,802 square feet in the third quarter of 2009.

This quarter metro Atlanta delivered 1,295,143 square feet in four buildings: 564,850 square feet at Terminus 200 and 493,201 square feet at Two Alliance Center in Buckhead; Gateway Center containing 128,396 square feet in the Airport/South submarket; and One Sugarloaf Centre containing 108,696 square feet in the Northeast Expressway-North submarket. With two major deliveries, the Buckhead/Lenox submarket has displaced Midtown as the fifth largest submarket in square footage at 14,353,142 square feet. Of the 1,058,051 square feet delivered in Buckhead/Lenox, only 57,598 square feet is under lease, boosting that submarket to third place in available square footage.

Due to the weak economy, only three buildings are currently under construction—all of which will deliver in 2010: two in Buckhead, 3630 Peachtree Road containing 441,384 square feet and Phipps Tower containing 486,917 square feet, and 12th and Midtown delivering 719,003 square feet totaling 1,647,304 square feet. With existing space availability and unless there is significant preleasing, it is doubtful the Atlanta office market will commence construction on any new space until possibly 2012 or even later, depending on how the economy performs.

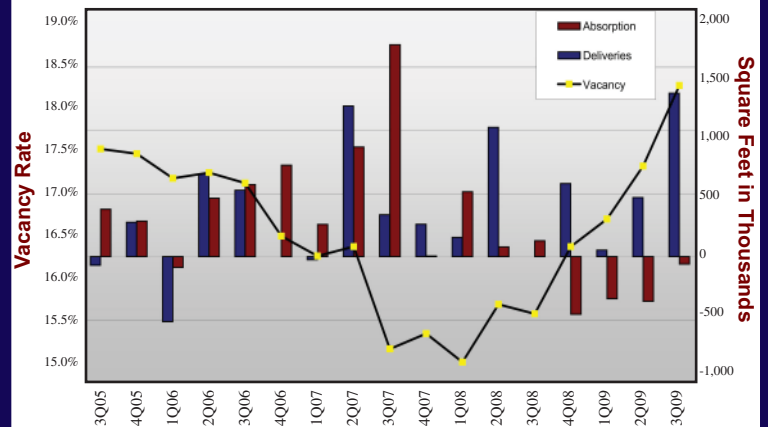
Infrastructural improvements include ongoing improvements in Midtown with the opening of the 14th Street Bridge and work continuing on the Midtown access roads, as well as the off-ramp on 17th Street. All of these should dramatically improve Midtown's accessibility. Delta and Hartsfield-Jackson International Airport have finally reached an agreement, and the new International Concourse is continuing forward as planned. In addition, the new car rental facilities at the airport—interconnected by a tram system—are being completed and are scheduled to open in November 2009.

Commuter, passenger, and high-speed rail are all being more strongly considered and supported than in the past. Commuter rail is the answer for Metropolitan Atlanta's traffic congestion, ongoing growth, reduction in sprawl, and air quality that are sorely needed as an alternative to the automobile. Commuter rail will revitalize many of the outlying suburban communities, creating world-class commuter cities and reconnecting the metro Atlanta region. Water is apparently going to be a future problem for Atlanta, but

OFFICE MARKET SNAPSHOT

Total Square Feet:	133,823,274
Vacant Square Feet:	24,269,802
Percent Occupied:	81.86%
Absorption for Quarter:	(58,523)
Average Rental Rates:	\$21.60
Space Delivered YTD*:	1,888,461
Class "A" Avg. Rental Rate:	\$24.12
* Excludes Net Losses	

METRO ATLANTA OFFICE MARKET SUMMARY 3RD QUARTER 2009



ATLANTA'S TOP FIVE RANKING SUBMARKETS

Net Absorption 3rd Quarter 2009:

I-75/I-285	116,123
Midtown	81,664
NE Expressway - North	73,027
I-285/I-85/Northlake	30,006
Peachtree Corners	19,976

Total Available Square Feet:

I-285/GA-400	3,648,290
I-75/I-285	3,368,484
Buckhead/Lenox	3,204,540
Downtown	2,932,503
GA-400 North	2,560,490

Total Existing Square Feet:

I-285/GA-400	22,265,336
I-75/I-285	18,857,310
Downtown	16,899,337
GA-400 North	15,806,617
Buckhead/Lenox	14,353,142

Submarket Occupancy Rate:

I-75 Corridor	94.78%
I-285/E/Stone Mtn	88.61%
NE Expressway-South	87.31%
Decatur	85.90%
I-285/I-85/Northlake	85.77%

Average Quoted Rental Rate:

Midtown	\$26.38
Buckhead/Lenox	\$26.05
I-285/GA-400	\$22.57
I-75 Corridor	\$22.00
Downtown	\$21.81

3rd Quarter 2009 SF Deliveries:

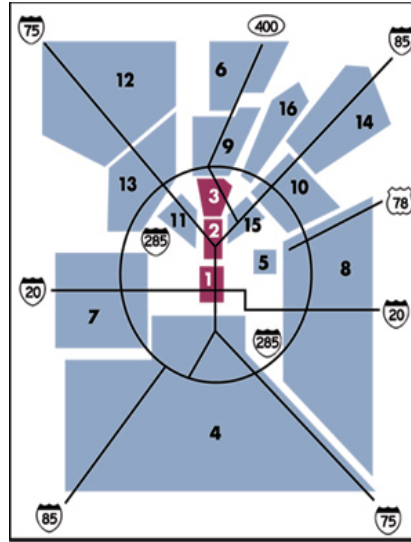
Buckhead/Lenox	1,058,051
Airport South	128,396
NE Expressway-North	108,696

we believe this tri-state conflict will be resolved. Fortunately, no water problem exists today after our five year drought has seemingly ended.

Despite the current weak economy and negative absorption, the outlook for Atlanta's office market is positive. Economic development activity is brisk, according to the Metro Atlanta Chamber of Commerce, Georgia Power Company, and the Georgia Department of Industry and Trade. In fact, a number of companies are considering Atlanta positively, due to its airport, climate, attractiveness, cost of living, and educated workforce. NCR recently announced its decision to move their corporate headquarters to Atlanta, which is a huge positive.

But for the 50,000 office workers who have lost their jobs in the last two to three years, the Atlanta office market would very likely be in excess of 90 percent occupancy. For the decade of the nineties, 30 million square feet of office space was delivered, and the metro Atlanta region grew by approximately one million people, driving the office market from 82 percent to 90 percent occupancy. In this decade however, approximately 24 million more square feet have been delivered--a 20 percent decrease in development. Meanwhile, the Atlanta metro area grew by approximately 1.5 million people, with occupancy decreasing from approximately 90 percent to approximately 82 percent. Once the economy improves and hiring resumes, the office market should rebound sharply--particularly with little or no new development for several years.

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	16,899,337	2,962,503	82.47%	(28,049)	(132,233)	\$21.81
Midtown	14,256,031	2,537,362	82.20%	81,664	237,434	\$26.38
Buckhead/Lenox	14,353,142	3,204,540	77.67%	(60,734)	21,231	\$26.05
Urban Totals	45,508,510	8,704,405	80.87%	(7,119)	126,432	\$24.58
Suburban						
Airport/South	3,239,696	852,949	73.67%	(65,882)	(55,574)	\$16.92
Decatur	1,141,165	160,893	85.90%	(6,195)	(20,920)	\$19.95
GA-400 North	15,806,617	2,560,490	83.80%	(54,890)	(9,577)	\$19.68
I-20W/Greenbriar	321,053	80,077	75.06%	7,205	16,801	\$13.98
I-285/GA-400	22,265,336	3,648,290	83.61%	(40,385)	(510,411)	\$22.57
I-285/I-85/Northlake	4,480,184	637,751	85.77%	30,006	(5,127)	\$17.57
I-285E/Stone Mtn	403,932	46,003	88.61%	0	(4,800)	\$13.53
I-75 Corridor	1,127,333	58,893	94.78%	(7,530)	(21,018)	\$22.00
I-75/I-285	18,857,310	3,368,484	82.14%	116,123	18,200	\$21.04
I-75N/Marietta/Johnson F	3,169,873	613,873	80.63%	(80,996)	(107,645)	\$18.91
NE Expressway-North	4,752,811	1,174,302	75.29%	73,027	(14,272)	\$18.29
NE Expressway-South	4,663,151	591,681	87.31%	(41,863)	(43,473)	\$18.48
Peachtree Corners	8,086,303	1,771,711	78.09%	19,976	(115,071)	\$16.98
Suburban Totals	88,314,764	15,565,397	82.38%	(51,404)	(872,887)	\$20.06
Total/Wgt. Averages	133,823,274	24,269,802	81.86%	(58,523)	(746,455)	\$21.60



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