

Richard Bowers & Co: 2Q 2009 Atlanta Office Market Report

Midtown lone bright spot in second quarter for Atlanta CRE markets

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Atlanta (July X, 2009)—During the second quarter of 2009, the Atlanta office market continued to struggle with negative absorption of 337,690 square feet.

While nine of the sixteen submarkets tracked by Richard Bowers & Co. posted positive net absorption, those gains could not keep pace with major net losses. Midtown led the submarkets showing positive absorption by a wide margin with 133,477 square feet, due largely to the delivery of Atlantic Station's 271 17th Street at 40 percent leased. Buckhead/Lenox, which posted negative absorption of 50,317 square feet, maintained the highest average rental rate at \$25.92 per square foot, off 23 cents from the first quarter. Downtown posted positive absorption of 20,817 square feet, adding to the urban corridor's positive results for the quarter.

Collectively, all suburban submarkets experienced negative absorption of 441,667 square feet. for the quarter.

Vacancy rates for the entire Atlanta market pushed up more than half a point to 17.25 percent while average quoted rental rates showed a nominal dip of 4 cents to \$21.51 per square foot. Compared to the second quarter of 2008, vacancy rates have climbed 1.53 percentage points over the past 12 months while average quoted rental rates have fallen by 19 cents per square foot, or just under one percent, in the same period.

“It is fortunate that the only new delivery for the year has been 541,318 square feet at 271 17th Street in Midtown,” said Richard Bowers, president and CEO of Richard Bowers & Co. “However, four deliveries totaling 1,623,327 square feet, scheduled for the final two quarters of 2009 may push vacancy rates near or above 18 percent by year's end.”

The I-285/GA-400 submarket fared worst for the second consecutive quarter with negative absorption of 279,348 square feet. The submarket also leads all in existing square feet by a huge margin with 22,265,336. Peachtree Corners and I-75/I-285 also struggled with negative absorption of 111,257 and 64,914 square feet, respectively. Eleven of the sixteen submarkets have experienced negative net absorption so far this year.

The entire summary is available online at www.richardbowers.com.

In the long term, Bowers considers Atlanta's outlook extremely positive.

"In the 1990s, occupancy levels went up from approximately 82 percent to 90 percent with 30 million square feet of deliveries and a metro population increase of approximately one million people," Bowers said. "For this decade, occupancy levels have gone from approximately 90 percent to 82.5 percent with 24 million square feet of deliveries, a 20 percent decrease in deliveries from the 1990s despite a population increase of 1.5 million, an approximately 50 percent increase over the previous decade."

In addition to the positive demographics mentioned above, Atlanta is still a major city for office requirements due to realistic real estate costs, a superb airport, a quality labor force, and a reasonable cost of living. There are a number of significant space requirements arising from other cities, including NCR's recent decision to relocate its corporate headquarters from Dayton, OH to Atlanta.

With the city of Atlanta continuing to lead the metro area in population growth, Bowers expects the urban corridor to continue to fare favorably, particularly with in-migration from a number of major users who desire a more central location for hiring, closer proximity to the airport, public transportation, and a pedestrian-oriented environment.

"Assuming improvements in overall economic conditions, a decrease in unemployment to approximately 5%, which existed in 2007, and increased growth since Atlanta is one of the fastest growing cities in the country, occupancy levels should increase to over 90 percent in the near term," Bowers said. "New construction deliveries, except for some smaller outlying developments or build-to-suits, will probably not take place until sometime in 2013 or 2014. But for 9/11 and the worst economy that we have experienced since the Great Depression, the metro Atlanta office market should be in the 91 to 92 percent occupancy range."

About Richard Bowers & Co:

Established in 1980 and headquartered in its flagship property of 260 Peachtree Street in Atlanta, Richard Bowers & Co. is the largest independently owned commercial real estate firm in Metro Atlanta.

A member of TCN Worldwide—a national affiliation of real estate firms—the company represents clients and owners in office, retail, and industrial sales and leasing, land and investment sales, financial services, development, relocation services, interior design and construction management, and property management. Clients include numerous FORTUNE 500 corporations, regional and national headquarters, professional firms and major institutions. In 2007, the company completed 323 property sales and leasing requirements totaling 2,673,134 million square feet of space.

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RICHARD BOWERS & CO.
QUARTERLY OFFICE REPORT

07/02/09

Categ: Urban/Suburban
 Market Analysis Summary
 2nd Quarter 2009

The Atlanta Office Market

	<u>2nd Quarter 2009</u>	<u>2nd Quarter 2008</u>
Year to Date Absorption	(706,287)	709,005
2nd Quarter's Absorption	(337,690)	78,096
Total Existing Square Feet	132,479,916	131,380,880
Total Available Square Feet	22,846,649	20,651,910
Percent Of Total Space Vacant	17.25%	15.72%
Average Quoted Rental Rate	\$21.51	\$21.70
Space Delivered YTD - Square Feet (Does not include net losses)	541,318	1,070,852

Atlanta's Top Five Ranking Submarkets

Net Absorption 2nd Quarter 2009

Midtown	133,477
NE Expressway - North	24,291
Downtown	20,817
I-285E/Stone Mtn	16,200
Airport/South	10,464

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
Midtown	14,207,816

Average Quoted Rental Rate

Buckhead/Lenox	\$25.92
Midtown	\$25.38
I-285/GA-400	\$22.78
I-75 Corridor	\$22.18
Downtown	\$21.98

Total Available Square Feet:

I-285/GA-400	3,607,905
I-75/I-285	3,439,625
Downtown	2,906,496
GA-400 North	2,566,394
Midtown	2,561,685

Submarket Occupancy Rate

I-75 Corridor	95.44%
I-285E/Stone Mtn	88.61%
NE Expressway - South	88.21%
Decatur	86.44%
I-285/I-85/Northlake	85.10%

Space Delivered 2nd Quarter 2009 - Sq Ft

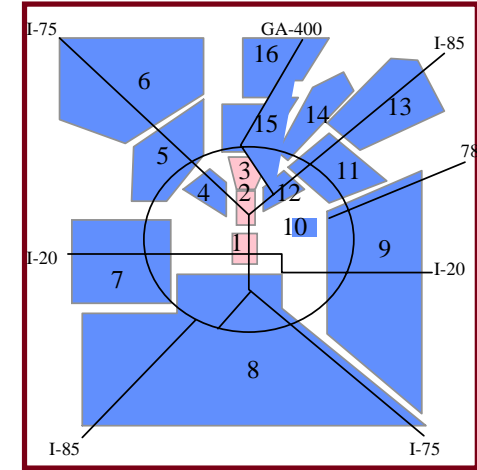
Midtown	541,318
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Atlanta Office Market: Comparison by Submarkets

Totals By Submarket

	2nd Quarter 2009					
	Total Sq. Ft.	Vacant Sq. Ft.	Occupancy Rate	Absorption This Qtr	Absorption YTD	Avg. Rent Rate
Urban						
Downtown	16,899,337	2,906,496	82.80%	20,817	(76,226)	\$21.98
Midtown	14,207,816	2,561,685	81.97%	133,477	96,082	\$25.38
Buckhead/Lenox	13,295,091	2,085,755	84.31%	(50,317)	81,965	\$25.92
Urban Totals	44,402,244	7,553,936	82.99%	103,977	101,821	\$24.25
Suburban						
Airport/South	3,111,300	658,671	78.83%	10,464	10,308	\$16.72
Decatur	1,141,165	154,698	86.44%	6,221	(14,725)	\$19.88
GA-400 North	15,806,617	2,566,394	83.76%	5,842	38,706	\$19.79
I-20W/Greenbriar	321,053	87,282	72.81%	4,119	9,596	\$14.02
I-285/GA-400	22,265,336	3,607,905	83.80%	(279,348)	(470,026)	\$22.78
I-285/I-85/Northlake	4,480,184	667,757	85.10%	9,814	(35,133)	\$17.59
I-285E/Stone Mtn	403,932	46,003	88.61%	16,200	(4,800)	\$13.50
I-75 Corridor	1,127,333	51,363	95.44%	(360)	(13,488)	\$22.18
I-75/I-285	18,857,310	3,439,625	81.76%	(64,914)	(77,941)	\$20.99
I-75N/Marietta/JF	3,169,873	532,877	83.19%	(39,739)	(26,649)	\$18.94
NE Expressway-North	4,644,115	1,138,633	75.48%	24,291	(87,299)	\$18.22
NE Expressway-South	4,663,151	549,818	88.21%	(23,000)	(1,610)	\$18.52
Peachtree Corners	8,086,303	1,791,687	77.84%	(111,257)	(135,047)	\$16.96
Suburban Totals	88,077,672	15,292,713	82.64%	(441,667)	(808,108)	\$20.12
Total/W. Averages	132,479,916	22,846,649	82.75%	(337,690)	(706,287)	\$21.51

Area Map



Area Boundaries

- | | |
|---------------------------------|-------------------------|
| 1. Downtown | 13. NE Expressway-North |
| 2. Midtown | 14. Peachtree Corners |
| 3. Buckhead/Lenox | 15. I-285/GA-400 |
| 4. I-75 Corridor | 16. GA-400 North |
| 5. I-75/I-285 | |
| 6. I-75N/Marietta/Johnson Ferry | |
| 7. I-20 W/Greenbriar | |
| 8. Airport/South | |
| 9. I-285 E/Stone Mountain | |
| 10. Decatur | |
| 11. I-285/I-85/Northlake | |
| 12. NE Expressway-South | |

Comparison by Sub-Market, continued

	Class "A"				Class "B"				Class "C"			
	Total Sq. Ft.	Vacant Sq. Ft.	Occupancy Rate	Average Rental Rate	Total Sq. Ft.	Vacant Sq. Ft.	Occupancy Rate	Average Rental Rate	Total Sq. Ft.	Vacant Sq. Ft.	Occupancy Rate	Average Rental Rate
Urban Corridor												
Downtown	9,168,016	1,478,852	83.87%	\$23.99	6,687,357	1,302,573	80.52%	\$19.99	1,043,964	125,071	88.02%	\$17.11
Midtown	10,219,278	1,970,505	80.72%	\$27.84	3,217,018	397,272	87.65%	\$19.73	771,520	193,908	74.87%	\$16.48
Buckhead/Lenox	<u>8,499,088</u>	<u>1,204,910</u>	<u>85.82%</u>	<u>\$27.97</u>	<u>4,546,070</u>	<u>875,266</u>	<u>80.75%</u>	<u>\$22.46</u>	<u>249,933</u>	<u>5,579</u>	<u>97.77%</u>	<u>\$19.05</u>
Urban Totals/Averages	<u>27,886,382</u>	<u>4,654,267</u>	<u>83.31%</u>	<u>\$26.61</u>	<u>14,450,445</u>	<u>2,575,111</u>	<u>82.18%</u>	<u>\$20.71</u>	<u>2,065,417</u>	<u>324,558</u>	<u>84.29%</u>	<u>\$17.11</u>
Suburban												
Airport/South	809,469	186,068	77.01%	\$20.22	1,240,448	154,205	87.57%	\$16.30	1,061,383	318,398	70.00%	\$14.53
Decatur	405,038	62,865	84.48%	\$21.39	736,127	91,833	87.52%	\$19.04	0	0	n/a	n/a
GA-400 North	11,837,180	1,866,941	84.23%	\$21.00	3,949,437	689,453	82.54%	\$16.16	20,000	10,000	50.00%	\$16.50
I-20W/Greenbriar	0	0	n/a	n/a	53,000	12,720	76.00%	\$23.25	268,053	74,562	72.18%	\$12.20
I-285/GA-400	14,900,654	2,393,329	83.94%	\$24.33	6,204,847	880,329	85.81%	\$20.49	1,159,835	334,247	71.18%	\$15.10
I-285/I-85/Northlake	522,357	71,436	86.32%	\$19.84	2,247,830	394,014	82.47%	\$17.75	1,709,997	202,307	88.17%	\$16.68
I-285E/Stone Mtn	54,681	25,153	54.00%	\$21.05	220,668	0	100.00%	\$12.46	128,583	20,850	83.78%	\$12.08
I-75 Corridor	212,000	4,240	98.00%	\$30.00	840,033	26,792	96.81%	\$20.43	75,300	20,331	73.00%	\$19.69
I-75/I-285	12,460,332	1,839,223	85.24%	\$22.80	5,714,717	1,399,482	75.51%	\$17.74	682,261	200,920	70.55%	\$15.06
I-75N/Marietta/JF	1,558,599	233,780	85.00%	\$20.75	1,243,356	226,916	81.75%	\$17.58	367,918	72,181	80.38%	\$15.87
NE Expressway-North	3,012,722	832,671	72.36%	\$19.58	1,599,569	305,962	80.87%	\$15.69	31,824	0	100.00%	\$17.00
NE Expressway-South	474,436	23,116	95.13%	\$22.04	3,728,385	500,477	86.58%	\$18.43	460,330	26,225	94.30%	\$15.59
Peachtree Corners	<u>2,362,790</u>	<u>431,973</u>	<u>81.72%</u>	<u>\$20.13</u>	<u>5,091,185</u>	<u>1,105,381</u>	<u>78.29%</u>	<u>\$16.02</u>	<u>632,328</u>	<u>254,333</u>	<u>59.78%</u>	<u>\$12.67</u>
Suburban Totals/Averages	<u>48,610,258</u>	<u>7,970,795</u>	<u>83.60%</u>	<u>\$22.37</u>	<u>32,869,602</u>	<u>5,787,564</u>	<u>82.39%</u>	<u>\$17.79</u>	<u>6,597,812</u>	<u>1,534,354</u>	<u>76.74%</u>	<u>\$15.15</u>
Totals & Averages	<u>76,496,640</u>	<u>12,625,062</u>	<u>83.50%</u>	<u>\$23.92</u>	<u>47,320,047</u>	<u>8,362,675</u>	<u>82.33%</u>	<u>\$18.68</u>	<u>8,663,229</u>	<u>1,858,912</u>	<u>78.54%</u>	<u>\$15.61</u>