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Q4 2009 Atlanta Office Market Report

Atlanta office market sees its fifth consecutive quarter of negative absorption

ATLANTA (January 7, 2010)—Q4 2009 Summary—Closing numbers for the office market's first decade of this century were not favorable with 1,170,120 square feet of negative absorption for 2009 and 400,456 square feet of negative absorption for the fourth quarter. Due to space deliveries of 1,888,461 square feet and the negative absorption in 2009, vacant space increased from year-end 2008 at 16.44 percent vacant to 18.41 percent vacant at year-end 2009. Average rental rates also have declined somewhat, despite the fact that a number of new and expensive buildings were brought into the market. Average rental rates decreased from the fourth quarter of 2008 at \$21.69 to \$21.47 per square foot at year-end 2009.

The urban corridor continued to outperform the suburbs in 2009 with only 8,649 square feet of negative absorption, compared to the suburbs at 1,161,471 square feet of negative absorption. The urban corridor currently stands at 80.58 percent occupied, compared to 82.11 percent in the suburbs, primarily due to the tremendous amount of unabsorbed new development along the urban corridor. For calendar year 2009, the urban corridor delivered 1,599,369 square feet in three locations, as compared to the suburbs which also delivered three buildings totaling only 289,092 square feet.

Downtown, which has not had any new deliveries since 2007, currently has the highest occupancy rate along the urban corridor at 82.25 percent and also the lowest average rental rate of the urban submarkets at \$21.92 per square foot, as compared to Midtown at \$25.93 per square foot and Buckhead at \$26.06 per square foot. The urban corridor commands much higher average rental rates at \$24.48 per square foot, compared to the suburbs at \$19.91 per square foot.

The outlook for 2010 and going forward is optimistic for Atlanta, still one of the fastest growing cities in the country. Only three new buildings are under construction in metro Atlanta, all along the urban corridor: 3630 Peachtree Road, Phipps Tower, and 12th and Midtown, which all deliver in 2010 and total 1,647,304 square feet. We do not expect new office development in Atlanta for at least the next five years unless there is a major pre-leased build-to-suit, and even this requirement could be difficult to finance.

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. The company has completed more than 10,000 property sales.

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RICHARD BOWERS & CO.
QUARTERLY OFFICE REPORT

01/07/10

Categ: Urban/Suburban
 Market Analysis Summary
 4th Quarter 2009

The Atlanta Office Market

	<u>4th Quarter 2009</u>	<u>4th Quarter 2008</u>
Year to Date Absorption	(1,170,120)	199,495
4th Quarter's Absorption	(400,456)	(435,267)
Total Existing Square Feet	133,682,366	131,924,846
Total Available Square Feet	24,614,811	21,687,171
Percent Of Total Space Vacant	18.41%	16.44%
Average Quoted Rental Rate	\$21.47	\$21.69
Space Delivered YTD - Square Feet (Does not include net losses)	1,888,461	1,801,615

Atlanta's Top Five Ranking Submarkets

Net Absorption 4th Quarter 2009

GA-400 North	67,546
I-75/I-285	49,561
NE Expressway - South	46,665
Decatur	6,777
I-285/I-85/Northlake	996

Total Existing Square Feet:

I-285/GA-400	22,207,440
I-75/I-285	18,857,310
Downtown	16,899,337
GA-400 North	15,806,617
Buckhead/Lenox	14,353,142

Average Quoted Rental Rate:

Buckhead/Lenox	\$26.06
Midtown	\$25.93
I-285/GA-400	\$22.31
I-75 Corridor	\$22.00
Downtown	\$21.92

Total Available Square Feet:

I-285/GA-400	3,836,920
I-75/I-285	3,318,923
Buckhead/Lenox	3,250,170
Downtown	3,000,277
Midtown	2,589,039

Submarket Occupancy Rate:

I-75 Corridor	94.78%
NE Expressway - South	88.31%
Decatur	86.49%
I-285/I-85/Northlake	86.25%
I-285E/Stone Mountain	84.93%

Space Delivered Year-to-Date

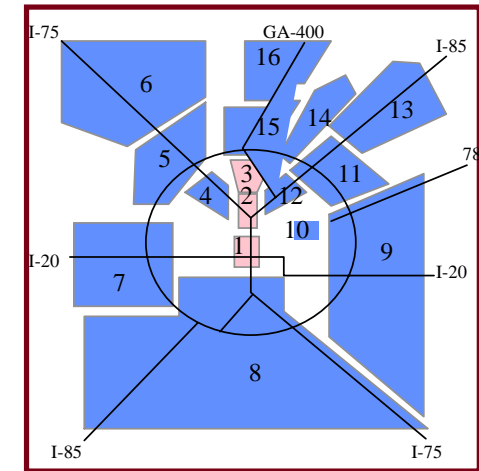
Airport South	180,396
Buckhead/Lenox	1,058,051
Midtown	541,318
NE Expressway - North	108,696

Atlanta Office Market: Comparison by Submarkets

Totals By Submarket

	4th Quarter 2009					
	<u>Total Sq. Ft.</u>	<u>Vacant Sq. Ft.</u>	<u>Occupancy Rate</u>	<u>Absorption This Qtr</u>	<u>Absorption YTD</u>	<u>Avg. Rent Rate</u>
<u>Urban</u>						
Downtown	16,899,337	3,000,277	82.25%	(37,774)	(170,007)	\$21.92
Midtown	14,256,031	2,589,039	81.84%	(51,677)	185,757	\$25.93
Buckhead/Lenox	<u>14,353,142</u>	<u>3,250,170</u>	<u>77.36%</u>	<u>(45,630)</u>	<u>(24,399)</u>	<u>\$26.06</u>
Urban Totals	<u>45,508,510</u>	<u>8,839,486</u>	<u>80.58%</u>	<u>(135,081)</u>	<u>(8,649)</u>	<u>\$24.48</u>
<u>Suburban</u>						
Airport/South	3,239,696	954,775	70.53%	(93,461)	(157,400)	\$16.94
Decatur	1,141,165	154,116	86.49%	6,777	(14,143)	\$19.80
GA-400 North	15,806,617	2,505,864	84.15%	67,546	45,049	\$19.58
I-20W/Greenbriar	321,053	85,377	73.41%	(5,300)	11,501	\$14.06
I-285/GA-400	22,207,440	3,836,920	82.72%	(246,526)	(756,937)	\$22.31
I-285/I-85/Northlake	4,480,184	615,995	86.25%	996	(4,131)	\$17.33
I-285E/Stone Mtn	320,920	48,353	84.93%	(2,350)	(7,150)	\$13.76
I-75 Corridor	1,127,333	58,893	94.78%	0	(21,018)	\$22.00
I-75/I-285	18,857,310	3,318,923	82.40%	49,561	67,761	\$20.75
I-75N/Marietta/JF	3,169,873	669,087	78.89%	(55,214)	(162,859)	\$18.79
NE Expressway-North	4,752,811	1,198,679	74.78%	(24,377)	(38,649)	\$18.39
NE Expressway-South	4,663,151	545,016	88.31%	46,665	3,192	\$18.48
Peachtree Corners	<u>8,086,303</u>	<u>1,783,327</u>	<u>77.95%</u>	<u>(9,692)</u>	<u>(126,687)</u>	<u>\$16.98</u>
Suburban Totals	<u>88,173,856</u>	<u>15,775,325</u>	<u>82.11%</u>	<u>(265,375)</u>	<u>(1,161,471)</u>	<u>\$19.91</u>
Total/W. Averages	<u>133,682,366</u>	<u>24,614,811</u>	<u>81.59%</u>	<u>(400,456)</u>	<u>(1,170,120)</u>	<u>\$21.47</u>

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	1,555,410	83.03%	\$24.16	6,687,357	1,299,101	80.57%	\$19.66	1,043,964	145,766	86.04%	\$16.74
Midtown	10,219,278	1,944,117	80.98%	\$28.64	3,381,853	531,297	84.29%	\$19.62	654,900	113,625	82.65%	\$16.24
Buckhead/Lenox	<u>9,557,139</u>	<u>2,340,146</u>	<u>75.51%</u>	<u>\$28.10</u>	<u>4,546,070</u>	<u>906,987</u>	<u>80.05%</u>	<u>\$22.20</u>	<u>249,933</u>	<u>3,037</u>	<u>98.78%</u>	<u>\$18.63</u>
Urban Totals/Averages	<u>28,944,433</u>	<u>5,839,673</u>	<u>79.82%</u>	<u>\$27.04</u>	<u>14,615,280</u>	<u>2,737,385</u>	<u>81.27%</u>	<u>\$20.44</u>	<u>1,948,797</u>	<u>262,428</u>	<u>86.53%</u>	<u>\$16.81</u>
Suburban												
Airport/South	937,865	347,733	62.92%	\$20.50	1,240,448	204,317	83.53%	\$16.20	1,061,383	402,725	62.06%	\$14.65
Decatur	405,038	46,511	88.52%	\$21.60	736,127	107,605	85.38%	\$18.81	0	0	n/a	n/a
GA-400 North	11,837,180	1,768,128	85.06%	\$20.79	3,949,437	731,536	81.48%	\$15.95	20,000	6,200	69.00%	\$16.50
I-20W/Greenbriar	0	0	n/a	n/a	53,000	9,540	82.00%	\$23.50	268,053	75,837	71.71%	\$12.20
I-285/GA-400	14,900,654	2,507,160	83.17%	\$23.85	6,146,951	949,678	84.55%	\$20.04	1,159,835	380,082	67.23%	\$14.52
I-285/I-85/Northlake	522,357	71,436	86.32%	\$19.84	2,247,830	292,750	86.98%	\$17.75	1,709,997	251,809	85.27%	\$16.02
I-285E/Stone Mtn	54,681	25,153	54.00%	\$21.25	137,656	0	100.00%	\$12.36	128,583	23,200	81.96%	\$12.08
I-75 Corridor	212,000	4,240	98.00%	\$30.00	840,033	26,792	96.81%	\$20.43	75,300	27,861	63.00%	\$17.00
I-75/I-285	12,460,332	1,747,384	85.98%	\$22.63	5,714,717	1,361,894	76.17%	\$17.35	682,261	209,645	69.27%	\$14.84
I-75N/Marietta/JF	1,558,599	343,463	77.96%	\$20.60	1,243,356	256,243	79.39%	\$17.40	367,918	69,381	81.14%	\$15.87
NE Expressway-North	3,121,418	858,732	72.49%	\$19.78	1,599,569	339,947	78.75%	\$15.71	31,824	0	100.00%	\$17.00
NE Expressway-South	474,436	23,116	95.13%	\$21.70	3,728,385	495,675	86.71%	\$18.43	460,330	26,225	94.30%	\$15.59
Peachtree Corners	<u>2,362,790</u>	<u>385,444</u>	<u>83.69%</u>	<u>\$20.10</u>	<u>5,091,185</u>	<u>1,124,649</u>	<u>77.91%</u>	<u>\$16.07</u>	<u>632,328</u>	<u>273,234</u>	<u>56.79%</u>	<u>\$12.67</u>
Suburban Totals/Averages	<u>48,847,350</u>	<u>8,128,500</u>	<u>83.36%</u>	<u>\$22.13</u>	<u>32,728,694</u>	<u>5,900,626</u>	<u>81.97%</u>	<u>\$17.62</u>	<u>6,597,812</u>	<u>1,746,199</u>	<u>73.53%</u>	<u>\$14.84</u>
Totals & Averages	<u>77,791,783</u>	<u>13,968,173</u>	<u>82.04%</u>	<u>\$23.96</u>	<u>47,343,974</u>	<u>8,638,011</u>	<u>81.75%</u>	<u>\$18.49</u>	<u>8,546,609</u>	<u>2,008,627</u>	<u>76.50%</u>	<u>\$15.29</u>