

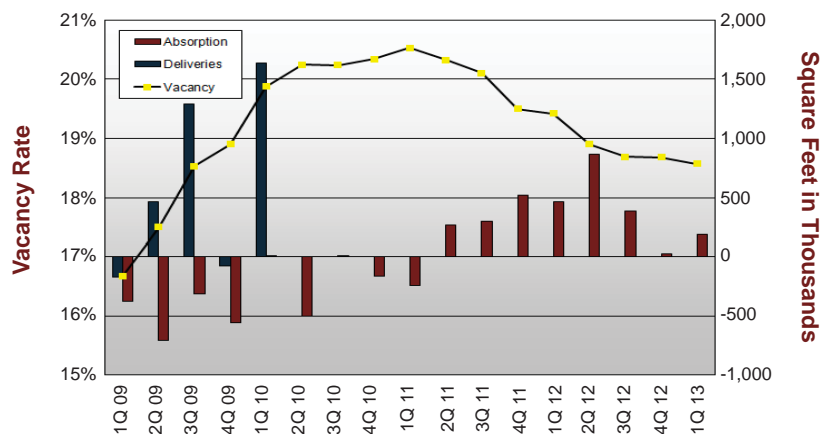
# MARKET REPORT

## ATLANTA OFFICE MARKET SNAPSHOT

|                             |             |   |
|-----------------------------|-------------|---|
| Total Square Feet:          | 135,256,002 | ↓ |
| Vacant Square Feet:         | 25,117,138  | ↓ |
| Percent Occupied:           | 81.43%      | ↑ |
| Absorption for Quarter:     | 190,349     | ↓ |
| Absorption Year-to-Date:    | 190,349     | ↓ |
| Average Rental Rates:       | \$21.14     | ↑ |
| Space Delivered YTD:        | 0           | — |
| Class "A" Avg. Rental Rate: | \$23.72     | ↑ |

\* Change from 1Q 2012

## METRO ATLANTA OFFICE MARKET SUMMARY



### First quarter 2013 experienced the highest occupancy rate since third quarter 2009

Atlanta's first quarter 2013 office market experienced 190,349 square feet of net absorption, reflecting eight consecutive quarters of positive gains. Due to the on-going trend of positive absorption, as well as no new deliveries within the last two years, the occupancy rate has improved from 79.47 percent to 81.43 percent during that span. The five leading submarkets in first quarter absorption are I-285/GA-400 with 63,649 square feet; GA-400 North with 49,065 square feet; Buckhead/Lenox with 45,520 square feet; I-75/I-285 with 42,195 square feet and NE Expressway – North with 36,838 square feet. The suburban market outperformed the Urban Corridor this quarter with 100,397 square feet of positive absorption in relation to 89,952 square feet for the Urban Corridor. However, the Urban Corridor's four quarter cumulative total is significantly higher with 1,302,539 square feet of positive absorption compared to the suburbs at 163,769 square feet. Notwithstanding, the suburban occupancy rate at 81.63 percent remains slightly higher than that of the Urban Corridor's, which is currently 81.05 percent.

The leading submarkets in space availability are I-285/GA-400 at 3,899,342 square feet; Downtown at 3,691,231 square feet; I-75/I-285 at 3,410,831 square feet; Midtown at 2,915,500 square feet and GA-400 North at 2,663,258 square feet. These submarkets are also five of the leading six largest submarkets for existing square footage which include; I-285/GA-400 with 22,523,802 square feet; I-75/I-285 with 18,949,100 square feet; Downtown with 17,017,339 square feet; GA-400 North with 15,827,828 square feet; Buckhead/Lenox with 15,246,515 square feet and Midtown with 14,922,573 square feet. With the only new office delivery being the Primerica 344,476 square foot build-to-suit which delivered in early second quarter 2013, these existing totals aren't expected to change materially in the next year.

The Atlanta office market occupancy rate improved 11 basis points this quarter from 81.32 percent to 81.43 percent, the highest occupancy rate since third quarter 2009. The leading submarkets in terms of occupancy are Decatur at 90.24 percent; NE Expressway – South at 88.10 percent; Buckhead/Lenox at 84.70 percent; GA-400 North at 83.17 percent and I-285/GA-400 at 82.69 percent. Class A and B occupancy rates increased to 83.91 percent and 78.24 percent, respectively, however Class C rates declined this quarter to 76.41 percent.

As a direct result of the increasing occupancy and an improving economy, average quoted rental rates for all classes increased this quarter to \$21.14, up 53 cents from first quarter 2012. Class A rental rates reflected the largest gain this quarter, increasing from \$23.60 in fourth quarter 2012 to a current price of \$23.72. The leading submarkets for average quoted rental rates are Midtown at \$26.10; Buckhead/Lenox at \$25.73; I-285/GA-400 at \$21.93; I-75 Corridor at \$21.87 and Downtown at \$20.73.

### Infrastructure

There are several infrastructural improvements in progress that will help Metro Atlanta's continued growth and transportation needs. The winner of the 2012 Real Estate Catalyst Award was the GA-400/I-85 Interchange, scheduled for completion at the end of this year. This interchange will provide connector ramps from GA-400 Southbound to I-85 Northbound and from I-85 Southbound to GA-400 Northbound, significantly improving traffic on surface streets in the area. Gwinnett County has also approved the construction of the County's second diverging diamond interchange at I-85 and Jimmy Carter Boulevard. The first diverging diamond project, located at I-85 and Pleasant Hill, will be completed by the end of 2013. An additional project, albeit still in the beginning stages, is the Northwest Corridor Reversible Lane Project. The project would build two reversible lanes next to I-75 from the I-285 interchange up to I-575. From that point, one additional reversible lane would extend from both I-575 to Sixes Road and from I-75 to Hickory Grove Road. Traffic would be adjusted to flow South during morning rush hours and North during the evening traffic hours.

The Atlanta Streetcar, located in our Central Business District, will connect the Martin Luther King Center to CNN Center. Expected to be up and running by late 2013, the 2.6 mile circulator track will feature twelve stops and improve connectivity between existing modes of transportation in the



### TOP FIVE RANKING SUBMARKETS

#### Net Absorption - 1st Quarter 2013

|                     |        |
|---------------------|--------|
| I-285/GA-400        | 63,649 |
| GA-400 North        | 49,065 |
| Buckhead/Lenox      | 45,520 |
| I-75/I-285          | 42,195 |
| NE Expressway-North | 36,838 |

#### Total Existing Square Feet

|                |            |
|----------------|------------|
| I-285/GA-400   | 22,523,802 |
| I-75/I-285     | 18,949,100 |
| Downtown       | 17,017,339 |
| GA-400 North   | 15,827,828 |
| Buckhead/Lenox | 15,246,515 |

#### Submarket Occupancy Rate

|                     |        |
|---------------------|--------|
| Decatur             | 90.24% |
| NE Expressway-South | 88.10% |
| Buckhead/Lenox      | 84.70% |
| GA-400 North        | 83.17% |
| I-285/GA-400        | 82.69% |

#### Average Quoted Rental Rate

|                |         |
|----------------|---------|
| Midtown        | \$26.10 |
| Buckhead/Lenox | \$25.73 |
| I-285/GA-400   | \$21.93 |
| I-75 Corridor  | \$21.87 |
| Downtown       | \$20.73 |

#### Average Quoted Class "A" Rental Rate

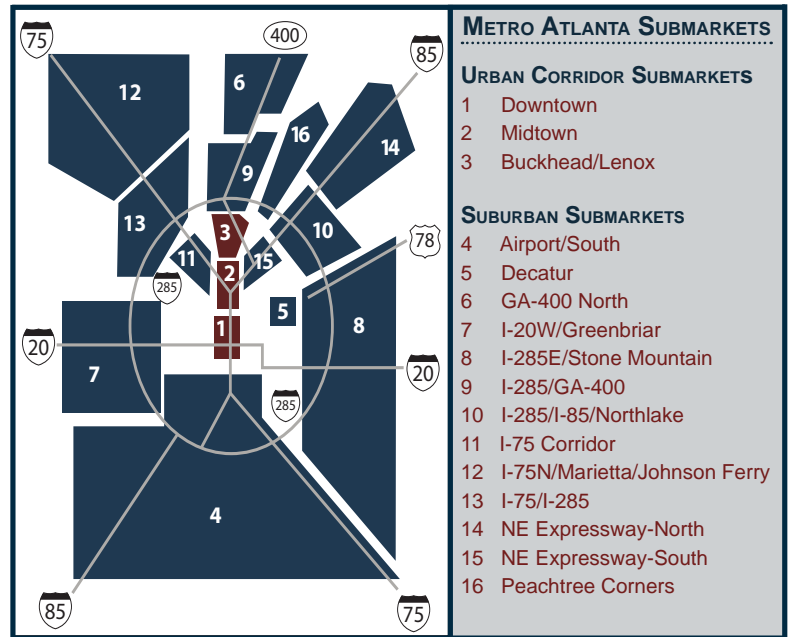
|                |         |
|----------------|---------|
| I-75 Corridor  | \$30.00 |
| Midtown        | \$28.81 |
| Buckhead/Lenox | \$27.94 |
| I-285/GA-400   | \$23.51 |
| Downtown       | \$22.73 |

Downtown submarket. Another development that has spurred intown growth is the Atlanta Beltline. A 2.25 mile pedestrian and bicycle path called Eastside Trail opened in 2012, connecting Inman Park and Piedmont Park. Groundbreaking for an additional 4.5 mile trail, Southwest Connector Trail, took place in January and the Edgewood Avenue Bridge Replacement Project began construction this April. Once the bridge is replaced, which is scheduled for April 2014, work will proceed on extending the Eastside Trail south to DeKalb Avenue. Already new residential, retail and other business developments are being attracted to the area along the Beltline. When completed the Beltline will be a great stimulus and infrastructural improvement to the Downtown and Midtown submarkets.

## Outlook

The Atlanta economy continues to show signs of recovery. Projected population growth due to a desirable living destination for young professionals, a favorable climate, a low cost of living, quality housing, excellent educational opportunities, great nightlife, entertainment and numerous athletic events and many other reasons, along with increasing job growth, will position Atlanta to succeed and in fact outperform many other major metropolitan areas over the next several years.

With business owners more optimistic, companies are beginning to expand and new start-up firms are entering the market. We expect the Atlanta office market to build on the positive absorption from the previous eight quarters and produce an even better year for 2013. Although the Atlanta office market will continue to be a buyer's market, we anticipate rental rates to rise modestly, concessions to decrease and the market to shift over towards equilibrium between tenants and property owners over the next twelve to eighteen months.



## OFFICE TOTALS BY SUBMARKET

| SUBMARKET                    | TOTAL SF           | VACANT SF         | OCCUPANCY RATE | CURRENT ABSORPTION | YTD ABSORPTION | AVERAGE RENT RATE |
|------------------------------|--------------------|-------------------|----------------|--------------------|----------------|-------------------|
| <b>Urban</b>                 |                    |                   |                |                    |                |                   |
| Downtown                     | 17,017,339         | 3,691,231         | 78.31%         | 8,510              | 8,510          | \$20.73           |
| Midtown                      | 14,922,573         | 2,915,500         | 80.46%         | 35,922             | 35,922         | \$26.10           |
| Buckhead/Lenox               | 15,246,515         | 2,333,095         | 84.70%         | 45,520             | 45,520         | \$25.73           |
| <b>Urban Totals</b>          | <b>47,186,427</b>  | <b>8,939,826</b>  | <b>81.05%</b>  | <b>89,952</b>      | <b>89,952</b>  | <b>\$24.04</b>    |
| <b>Suburban</b>              |                    |                   |                |                    |                |                   |
| Airport/South                | 3,077,435          | 789,369           | 74.35%         | 1,571              | 1,571          | \$16.43           |
| Decatur                      | 1,154,049          | 112,658           | 90.24%         | 8,174              | 8,174          | \$19.97           |
| GA-400 North                 | 15,827,828         | 2,663,258         | 83.17%         | 49,065             | 49,065         | \$19.18           |
| I-20W/Greenbriar             | 313,599            | 89,617            | 71.42%         | (4,566)            | (4,566)        | \$14.01           |
| I-285/GA-400                 | 22,523,802         | 3,899,342         | 82.69%         | 63,649             | 63,649         | \$21.93           |
| I-285/I-85/Northlake         | 4,282,723          | 805,867           | 81.18%         | 7,712              | 7,712          | \$17.41           |
| I-285E/Stone Mountain        | 271,007            | 48,943            | 81.94%         | (3,280)            | (3,280)        | \$13.77           |
| I-75 Corridor                | 1,127,333          | 210,904           | 81.29%         | 14,358             | 14,358         | \$21.87           |
| I-75/I-285                   | 18,949,100         | 3,410,831         | 82.00%         | 42,195             | 42,195         | \$20.32           |
| I-75N/Marietta/Johnson Ferry | 3,131,100          | 643,799           | 79.44%         | 15,053             | 15,053         | \$18.71           |
| NE Expressway - North        | 4,775,580          | 1,317,670         | 72.41%         | 36,838             | 36,838         | \$17.95           |
| NE Expressway - South        | 4,677,125          | 556,776           | 88.10%         | (100,672)          | (100,672)      | \$18.18           |
| Peachtree Corners            | 7,958,894          | 1,628,278         | 79.54%         | (29,700)           | (29,700)       | \$16.62           |
| <b>Suburban Totals</b>       | <b>88,069,575</b>  | <b>16,177,312</b> | <b>81.63%</b>  | <b>100,397</b>     | <b>100,397</b> | <b>\$19.59</b>    |
| <b>Total with Averages</b>   | <b>135,256,002</b> | <b>25,117,138</b> | <b>81.43%</b>  | <b>190,349</b>     | <b>190,349</b> | <b>\$21.14</b>    |

## About Richard Bowers & Co.

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