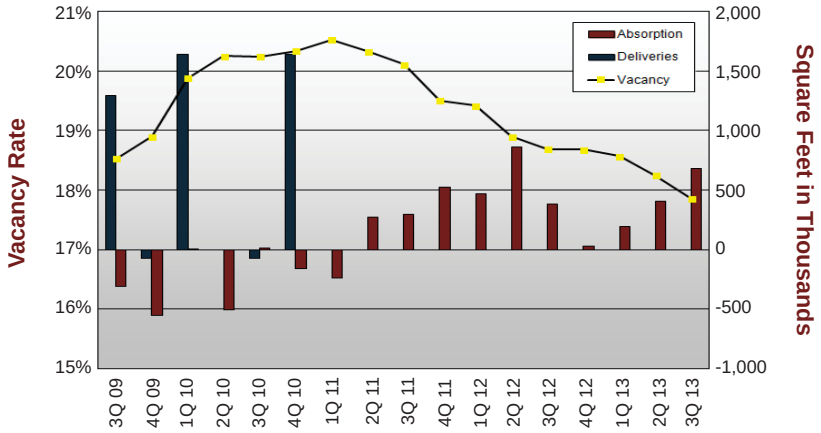
MARKET REPORT

Atlanta Office Market Snapshot

Total Square Feet:	135,391,218	↓
Vacant Square Feet:	24,164,309	↓
Percent Occupied:	82.15%	↑
Absorption for Quarter:	683,692	↑
Absorption Year-to-Date:	1,278,394	↓
Average Rental Rates:	$21.35	↑
Space Delivered YTD:	0	—
Class "A" Avg. Rental Rate:	$23.97	↑

* Change from 3Q 2012

Metro Atlanta Office Market Summary



The Atlanta Office Market has experienced ten consecutive quarters of positive absorption

Atlanta's third quarter office market reported 683,692 square feet of positive net absorption, bringing the vacancy rate down to 17.85 percent for the first time since second quarter 2009. Perhaps even more noteworthy, is the fact this quarter marks the tenth consecutive quarter of positive absorption for the Atlanta office market, which has lowered the vacancy rate 251 basis points in this two and a half year span. All indications point to these trends continuing as the economy is improving, unemployment is dropping, new construction for office is minimal and businesses are beginning to expand.

The majority of activity this quarter and even year-to-date has been along the spine of the Atlanta market, starting in Buckhead, running North to Central Perimeter and up into North Fulton along the GA-400 Corridor. The five leading submarkets in third quarter absorption are I-285/GA-400 with 391,149 square feet; Buckhead/Lenox with 112,105 square feet; GA-400 North with 97,671 square feet; Downtown with 31,530 square feet and Peachtree Corners with 28,581 square feet. The suburban submarkets have once again outperformed the Urban Corridor this quarter with 549,742 square feet of positive absorption versus 133,950 square feet for the Urban Corridor. This is a trend that has been developing all year, as year-to-date, the suburban submarkets have significantly greater absorption figures at 994,925 square feet compared to 283, 469 square feet of absorption for Buckhead, Downtown and Midtown.

With the absence of any new speculative office space delivering in 2013, the five largest submarkets of existing square footage have stayed the same this quarter and include I-285/GA-400 at 22,696,938 square feet; I-75/I-285 at 18,952,692 square feet; Downtown at 17,017,339 square feet; GA-400 North at 15,832,457 square feet and Buckhead/Lenox at 15,204,451 square feet. These submarkets are also four of the five leading submarkets in space availability which are; Downtown with 3,628,647 square feet; I-285/GA-400 with 3,625,321 square feet; I-75/I-285 with 3,378,915 square feet; Midtown with 2,897,222 square feet and GA-400 North with 2,516,073 square feet.

The Atlanta office market occupancy rate improved 40 basis points this quarter from 81.75 percent to 82.15 percent, the highest occupancy rate since 2009. The leading submarkets in terms of occupancy are Decatur at 91.50 percent; NE Expressway – South at 88.70 percent; Buckhead/Lenox at 85.71 percent; GA-400 North at 84.11 percent and I-285/GA-400 at 84.03 percent. The greatest improvement this quarter was in Class A space, which rose 0.52 percentage points for an overall occupancy rate of 84.80 percent.

Due to the on-going trend of positive absorption we have experienced over the past two and a half years, the average quoted rental rate has increased another 11 cents this quarter and currently stands at $21.35 per square foot. As expected, the Urban Corridor submarkets demand almost a four and a half dollar premium over the suburban submarkets, with rates at $24.25 per square foot versus $19.80 per square foot. The top five submarkets for average quoted rental rates are Buckhead/Lenox at $26.32; Midtown at $26.11; I-285/GA-400 at $22.46; I-75 Corridor at $21.50 and Downtown at $20.75 per square foot.

Infrastructure

Currently there are several infrastructural developments in progress that will help the connectivity and transportation needs of Metro Atlanta as we continue to grow. Two of these projects are set to open in the early part of 2014. The GA-400/I-85 Interchange, which won the 2012 Real Estate Catalyst Award, connects I-85 Southbound to GA-400 Northbound and GA-400 Southbound to I-85 Northbound with two single-lane interchange ramps and is expected to open January 2014. The other development opening in the second quarter of 2014 is the Atlanta Streetcar which will be the first operating streetcar in Atlanta since 1949. The 2.7 mile track will feature twelve stops and connect the Martin Luther King Center to CNN Center.

Top Five Ranking Submarkets

Net Absorption - 3rd Quarter 2013

I-285/GA-400	391,149
Buckhead/Lenox	112,105
GA-400 North	97,671
Downtown	31,530
Peachtree Corners	28,581

Total Existing Square Feet

I-285/GA-400	22,696,938
I-75/I-285	18,952,692
Downtown	17,017,339
GA-400 North	15,832,457
Buckhead/Lenox	15,204,451

Submarket Occupancy Rate

Decatur	91.50%
NE Expressway-South	88.70%
Buckhead/Lenox	85.71%
GA-400 North	84.11%
I-285/GA-400	84.03%

Average Quoted Rental Rate

Buckhead/Lenox	$26.32
Midtown	$26.11
I-285/GA-400	$22.46
I-75 Corridor	$21.50
Downtown	$20.75

Average Quoted Class "A" Rental Rate

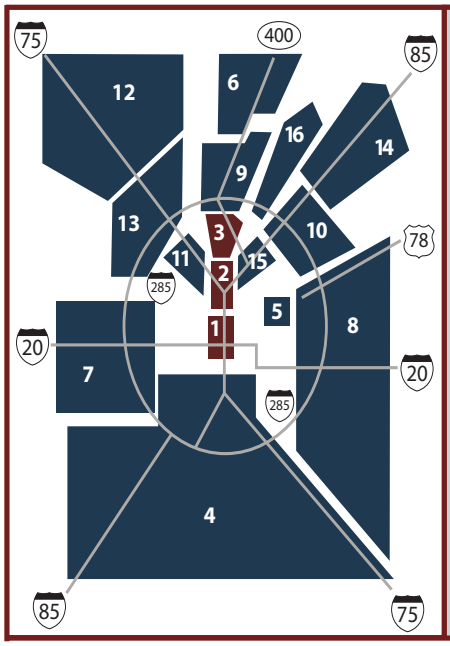
Midtown	$28.78
Buckhead/Lenox	$28.47
I-75 Corridor	$28.00
I-285/GA-400	$24.26
I-75/I-285	$22.89

Other improvements that are under construction or in the planning stages include; the toll road development along I-75 and I-575, the diverging diamond interchange at I-85 and Jimmy Carter Boulevard, the planned reconfiguration of the I-285/GA-400 interchange, the removal of toll booths on GA-400, the deepening of the Savannah harbor and the continuing progress and development of the Atlanta Beltline.

Outlook

Without the completion of any new speculative office buildings since 2010, the Atlanta office market vacancy rates are continuing to decline and it's becoming more difficult to find large blocks of space. The only two developments planned to deliver in 2014 are Ponce City Market and Buckhead Atlanta, both of which are already substantially leased. Although there has been recent talk, any additional office developments would be several years away from completion. This bodes well for the continuation of rising rental rates which have increased each of the past seven quarters and rising occupancy.

Although the Atlanta office market has lagged behind other major cities in this recovery, Atlanta's economy is finally growing and starting to catch up. We have seen leasing activity pick up over the last few quarters as well as corporate relocations and expansions such as State Farm and Pulte Homes continue throughout the city. We fully expect more company expansions and business relocations in the coming months and years as Atlanta provides a great place to do business, affordable housing, convenient transportation, a favorable climate, a low cost of living, favorable taxes and a diverse, well-educated talent pool.



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-285E/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

SUBMARKET	TOTAL SF	VACANT SF	OCCUPANCY RATE	CURRENT ABSORPTION	YTD ABSORPTION	AVERAGE RENT RATE
Urban						
Downtown	17,017,339	3,628,647	78.68%	31,530	71,094	$20.75
Midtown	14,917,496	2,897,222	80.58%	(9,685)	49,123	$26.11
Buckhead/Lenox	15,204,451	2,173,299	85.71%	112,105	163,252	$26.32
Urban Totals	**47,139,286**	**8,699,168**	**81.55%**	**133,950**	**283,469**	**$24.25**
Suburban						
Airport/South	3,077,435	786,908	74.43%	(9,050)	4,032	$16.49
Decatur	1,154,049	98,080	91.50%	11,613	22,752	$20.36
GA-400 North	15,832,457	2,516,073	84.11%	97,671	200,879	$19.31
I-20W/Greenbriar	313,599	92,369	70.55%	9,730	(7,318)	$14.21
I-285/GA-400	22,696,938	3,625,321	84.03%	391,149	510,806	$22.46
I-285/I-85/Northlake	4,282,723	824,421	80.75%	(13,059)	(10,842)	$17.29
I-285E/Stone Mountain	271,007	68,643	74.67%	(7,500)	(22,980)	$13.59
I-75 Corridor	1,127,333	208,645	81.49%	2,259	16,617	$21.50
I-75/I-285	18,952,692	3,378,915	82.17%	15,904	77,703	$20.45
I-75N/Marietta/Johnson Ferry	3,131,100	601,565	80.79%	22,674	57,287	$18.83
NE Expressway - North	4,776,580	1,211,839	74.63%	3,584	143,669	$17.86
NE Expressway - South	4,677,125	528,332	88.70%	(3,814)	(72,228)	$18.42
Peachtree Corners	7,958,894	1,524,030	80.85%	28,581	74,548	$16.76
Suburban Totals	**88,251,932**	**15,465,141**	**82.48%**	**549,742**	**994,925**	**$19.80**
Total with Averages	**135,391,218**	**24,164,309**	**82.15%**	**683,692**	**1,278,394**	**$21.35**

About Richard Bowers & Co.

Richard Bowers & Co. is Atlanta's premier, local commercial real estate firm. Established in 1980, we currently engage in leasing and sales of office, industrial, retail, land and investment properties and have completed over 10,000 requirements and over 80,000,000 square feet of space leased or sold since our inception. Over the years we have continued growth by adding affiliate companies to satisfy diverse real estate needs for our clients. Our full-service approach offers a single-source solution encompassing property and facility management; design and relocation services; development and construction management; and financial services.

Richard Bowers & Company has been providing self generated and proprietary office market data since 1989

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