

## **Richard Bowers & Co: Q1 2008 Atlanta office market report**

*Absorption rates nearly double compared to Q1 2007; quoted rental rates up \$.55*

### **Q1 2008 summary**

Atlanta (April 9, 2008) – The 2008 calendar year started strong for the Atlanta office market, posting positive absorption of 376,152 square feet, nearly double the 190,362 from Q1 2007. Urban submarkets absorbed 161,209 square feet, led by Midtown with 129,031 followed by downtown with 53,791. Buckhead suffered negative absorption of 21,613 square feet. Suburban submarkets had positive absorption of 214,943 square feet; 125,756 square feet in the I-285/GA-400 submarket, 113,656 in Decatur, and 105,569 in the Georgia 400 North submarkets.

Average rental rates across all Atlanta submarkets increased modestly from \$21.15 in the fourth quarter of 2007 to \$21.43 in the first quarter of 2008, supporting previous predictions by Richard Bowers & Co., that rental rates should increase by as much as \$1 per square foot over 2008. The average rental rate for the urban corridor is \$24.05 per square foot compared to the suburbs at \$20.11 per square foot, nearly a \$4.00 per square foot differential.

With no new deliveries of commercial office space in the quarter, vacancy rates decreased slightly from 15.33 percent in Q4 2007 to 15.04 percent in Q1 2008. However, five new Buckhead office towers under construction total 2,465,771 square feet and will be delivered over the next three years: Sovereign in 2008 with 496,921 square feet; Terminus 200 in 2009 with 564,850 square feet; Two Alliance Center in 2009 with 493,000 square feet; 3630 Peachtree in 2009 with 425,000 square feet; and Phipps Tower in 2010 with 486,000 square feet. Because of all the new office and other commercial and residential development, traffic congestion will certainly become more pronounced in Buckhead due to the small number of major roads and limited expressway accessibility.

Existing office buildings afford excellent values and concessions compared to new office towers, many of which are priced at or above \$30.00 per rentable square foot. Notwithstanding, new buildings also offer concessions and excellent tenant improvement allowances. Because of higher gasoline prices and longer commutes, a number of major companies are also considering locations that offer public transportation, favoring the urban corridor and particularly Downtown,

a submarket with excellent values and lower rental rates than the other urban submarkets, Midtown and Buckhead.

The outlook for the remainder of the year is moderately optimistic, despite some space being returned to the market by AT&T and others, a number of tenants who have reduced space or gone out of business, and additional subleasing availability. Atlanta is still the second-fastest growing U.S. city in terms of population, with the world's busiest airport, and it will continue to perform relatively well, particularly with limited new deliveries and with several out-of-town users considering Atlanta for major relocations.

***About Richard Bowers & Co:***

*Founded in 1980, Richard Bowers & Co. is Atlanta's premier local commercial real estate firm. The firm engages in leasing and sales of office, industrial, retail, land and investment properties. Online at [www.richardbowers.com](http://www.richardbowers.com).*

**RICHARD BOWERS & CO.**  
**QUARTERLY OFFICE REPORT**

04/04/08

Categ: Urban/Suburban  
 Market Analysis Summary  
 1st Quarter 2008

**The Atlanta Office Market**

	<u>1st Quarter 2008</u>	<u>1st Quarter 2007</u>
Year to Date Absorption	376,152	190,362
1st Quarter's Absorption	376,152	190,362
Total Existing Square Feet	130,046,429	128,105,358
Total Available Square Feet	19,565,208	20,842,050
Percent Of Total Space Vacant	15.04%	16.27%
Average Quoted Rental Rate	\$21.43	\$20.88
Space Delivered YTD - Square Feet (Does not include net losses)	0	100,788

**Atlanta's Top Five Ranking Submarkets**

Net Absorption 2008

Midtown	129,031
I-285/GA-400	125,756
Decatur	113,656
GA-400 North	105,569
Downtown	53,791

Total Existing Square Feet:

I-285/GA-400	21,980,673
I-75/I-285	18,639,466
Downtown	17,059,337
GA-400 North	15,153,001
Midtown	13,713,498

Average Quoted Rental Rate

Buckhead/Lenox	\$26.33
Midtown	\$25.44
I-285/GA-400	\$22.69
Downtown	\$21.23
I-75/I-285	\$21.19

Total Available Square Feet:

I-75/I-285	3,155,107
Downtown	2,945,718
I-285/GA-400	2,848,508
Midtown	2,066,274
GA-400 North	1,838,390

Submarket Occupancy Rate

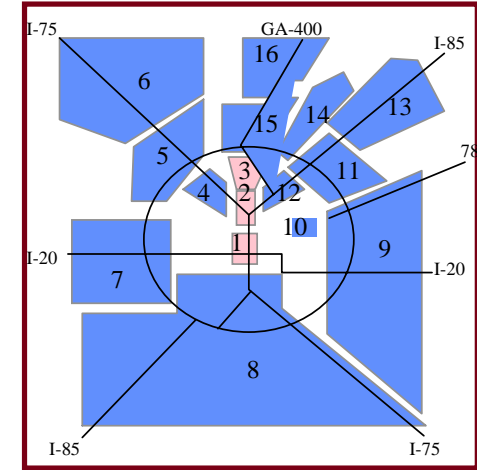
I-75 Corridor	93.43%
Decatur	91.83%
I-285/I-85/Northlake	91.31%
NE Expressway - South	88.52%
GA-400 North	87.87%

# Atlanta Office Market: Comparison by Submarkets

## Totals By Submarket

	1st Quarter 2008					
	Total Sq. Ft.	Vacant Sq. Ft.	Occupancy Rate	Absorption This Qtr	Absorption YTD	Avg. Rent Rate
<b>Urban</b>						
Downtown	17,059,337	2,945,718	82.73%	53,791	53,791	\$21.23
Midtown	13,713,498	2,066,274	84.93%	129,031	129,031	\$25.44
Buckhead/Lenox	12,798,170	1,637,458	87.21%	(21,613)	(21,613)	\$26.33
<b>Urban Totals</b>	<b>43,571,005</b>	<b>6,649,450</b>	<b>84.74%</b>	<b>161,209</b>	<b>161,209</b>	<b>\$24.05</b>
<b>Suburban</b>						
Airport/South	2,960,322	644,882	78.22%	(47,528)	(47,528)	\$16.49
Decatur	1,141,165	93,226	91.83%	113,656	113,656	\$20.24
GA-400 North	15,153,001	1,838,390	87.87%	105,569	105,569	\$19.47
I-20W/Greenbriar	321,053	53,827	83.23%	505	505	\$14.31
I-285/GA-400	21,980,673	2,848,508	87.04%	125,756	125,756	\$22.69
I-285/I-85/Northlake	4,480,184	835,862	81.34%	(9,876)	(9,876)	\$17.63
I-285E/Stone Mtn	403,932	35,118	91.31%	(58,038)	(58,038)	\$13.61
I-75 Corridor	1,127,333	74,062	93.43%	20,100	20,100	\$22.23
I-75/I-285	18,639,466	3,155,107	83.07%	6,847	6,847	\$21.19
I-75N/Marietta/JF	3,094,873	482,589	84.41%	(29,397)	(29,397)	\$18.83
NE Expressway-North	4,501,115	1,014,170	77.47%	26,486	26,486	\$18.44
NE Expressway-South	4,663,151	535,098	88.52%	(50,584)	(50,584)	\$18.45
Peachtree Corners	8,009,156	1,304,919	83.71%	11,447	11,447	\$17.13
<b>Suburban Totals</b>	<b>86,475,424</b>	<b>12,915,758</b>	<b>85.06%</b>	<b>214,943</b>	<b>214,943</b>	<b>\$20.11</b>
<b>Total/W. Averages</b>	<b>130,046,429</b>	<b>19,565,208</b>	<b>84.96%</b>	<b>376,152</b>	<b>376,152</b>	<b>\$21.43</b>

## 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
<b>Urban Corridor</b>												
Downtown	9,168,016	1,493,503	83.71%	\$22.62	6,687,357	1,320,531	80.25%	\$19.96	1,203,964	131,684	89.06%	\$17.71
Midtown	9,677,960	1,595,885	83.51%	\$27.90	3,217,018	292,172	90.92%	\$20.24	818,520	178,217	78.23%	\$16.85
Buckhead/Lenox	<u>8,002,167</u>	<u>960,676</u>	<u>87.99%</u>	<u>\$28.42</u>	<u>4,546,070</u>	<u>657,158</u>	<u>85.54%</u>	<u>\$23.06</u>	<u>249,933</u>	<u>19,624</u>	<u>92.15%</u>	<u>\$19.05</u>
Urban Totals/Averages	<b><u>26,848,143</u></b>	<b><u>4,050,064</u></b>	<b><u>84.91%</u></b>	<b><u>\$26.25</u></b>	<b><u>14,450,445</u></b>	<b><u>2,269,861</u></b>	<b><u>84.29%</u></b>	<b><u>\$21.00</u></b>	<b><u>2,272,417</u></b>	<b><u>329,525</u></b>	<b><u>85.50%</u></b>	<b><u>\$17.55</u></b>
<b>Suburban</b>												
Airport/South	757,469	219,525	71.02%	\$19.83	1,141,470	86,368	92.43%	\$15.99	1,061,383	338,989	68.06%	\$14.66
Decatur	405,038	31,857	92.13%	\$23.14	736,127	61,369	91.66%	\$18.65	0	0	n/a	n/a
GA-400 North	11,183,564	1,256,086	88.77%	\$20.48	3,949,437	577,304	85.38%	\$16.61	20,000	5,000	75.00%	\$17.00
I-20W/Greenbriar	0	0	n/a	n/a	53,000	8,480	84.00%	\$23.25	268,053	45,347	83.08%	\$12.54
I-285/GA-400	14,545,701	1,707,721	88.26%	\$24.48	6,202,092	791,336	87.24%	\$19.98	1,232,880	349,451	71.66%	\$15.34
I-285/I-85/Northlake	522,357	104,486	80.00%	\$19.84	2,247,830	466,532	79.25%	\$17.58	1,709,997	264,844	84.51%	\$17.00
I-285E/Stone Mtn	54,681	25,153	54.00%	\$20.80	220,668	5,265	97.61%	\$12.72	128,583	4,700	96.34%	\$12.08
I-75 Corridor	212,000	0	100.00%	\$30.00	840,033	65,779	92.17%	\$20.49	75,300	8,283	89.00%	\$19.69
I-75/I-285	12,308,332	1,956,923	84.10%	\$23.11	5,648,873	1,036,684	81.65%	\$17.74	682,261	161,500	76.33%	\$15.04
I-75N/Marietta/JF	1,558,599	211,779	86.41%	\$20.65	1,168,356	206,982	82.28%	\$17.57	367,918	63,828	82.65%	\$15.09
NE Expressway-North	2,869,722	638,971	77.73%	\$19.99	1,599,569	372,017	76.74%	\$15.69	31,824	3,182	90.00%	\$17.00
NE Expressway-South	474,436	27,319	94.24%	\$21.81	3,728,385	481,554	87.08%	\$18.38	460,330	26,225	94.30%	\$15.59
Peachtree Corners	<u>2,285,643</u>	<u>189,956</u>	<u>91.69%</u>	<u>\$19.89</u>	<u>5,091,185</u>	<u>883,812</u>	<u>82.64%</u>	<u>\$16.39</u>	<u>632,328</u>	<u>231,151</u>	<u>63.44%</u>	<u>\$13.12</u>
Suburban Totals/Averages	<b><u>47,177,542</u></b>	<b><u>6,369,776</u></b>	<b><u>86.50%</u></b>	<b><u>\$22.41</u></b>	<b><u>32,627,025</u></b>	<b><u>5,043,482</u></b>	<b><u>84.54%</u></b>	<b><u>\$17.78</u></b>	<b><u>6,670,857</u></b>	<b><u>1,502,500</u></b>	<b><u>77.48%</u></b>	<b><u>\$15.31</u></b>
Totals & Averages	<b><u>74,025,685</u></b>	<b><u>10,419,840</u></b>	<b><u>85.92%</u></b>	<b><u>\$23.80</u></b>	<b><u>47,077,470</u></b>	<b><u>7,313,343</u></b>	<b><u>84.47%</u></b>	<b><u>\$18.77</u></b>	<b><u>8,943,274</u></b>	<b><u>1,832,025</u></b>	<b><u>79.52%</u></b>	<b><u>\$15.88</u></b>