# Richard Bowers & Co: 4Q 2008 and Year-End Atlanta Office Market Report

***Despite poor fourth quarter across Atlanta, absorption stays positive for the year; Downtown leads positive absorption in urban corridor while suburban submarkets struggle***

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Atlanta (December X, 2008) **- Q4 2008 summary -** During the fourth quarter of 2008, the Atlanta office market struggled with negative absorption of 411,917 square feet - the first quarter of negative absorption in the market since the first quarter of 2006.

Despite Midtown's negative absorption of 177,786 square feet, the urban corridor (Downtown, Midtown and Buckhead/Lenox) outperformed the suburban submarkets by a wide margin with positive absorption of 42,508 square feet led by the Downtown submarket at a positive 125,256 square feet for the quarter. Suburban submarkets experienced negative net absorption of 454,425 square feet.

With Downtown leading the way, only five other submarkets showed positive absorption for the quarter, including Airport/South (97,544 square feet), Buckhead/Lenox (95,038 square feet), and the I-285/I-85/Northlake (58,982 square feet), and I-285/GA 400 Corridors (50,896 square feet).

Rental rates in the Urban Corridor are $4.13 per square foot higher than the suburbs at average rates of $24.42 and $20.29, respectively (a $.12 increase for the urban corridor during the quarter). The urban corridor also continues to enjoy higher occupancy rates than the suburbs at 83.93 percent, compared to the suburbs at 83.57 percent. Average rental rates throughout Atlanta remained essentially flat from the third quarter to the fourth at $21.64 per square foot to $21.66 per square foot, respectively. Space availability, free rent concessions and tenant improvement allowances continue to provide excellent opportunities for users, particularly in submarkets with the highest vacancy rates.

The entire summary is available online at
http://www.richardbowers.com/Press_Releases/2008/Press_Release_2008_4Q.pdf

**2008 year-end summary -** Despite the poor fourth quarter results and bleak economic news, 2008 still had positive absorption of 391,277 square feet, though that number is down more than 2.4 million square feet from the 2.864 million absorbed in 2007.

For 2008, the urban corridor significantly outperformed the suburbs: 308,940 square feet of positive absorption in the urban corridor; 82,337 square feet in the suburbs. Downtown showed the greatest positive absorption for the urban corridor by more than 350,000 square feet at a total of 374,640 for the year, second in the Atlanta market only to the I-285/GA 400 submarket's 376,863 square feet. The I-285/I-85/Northlake submarket absorbed 193,363 square feet, followed by the NE Expressway-North submarket at 120,080 square feet. At number five was the Airport/South submarket at 92,093 square feet.

Over the past year, vacancy rates have edged up nearly a full percentage point from 15.48 percent in Q4 2007 to 16.31 percent for Q4 2008. Average quoted rental rates have increased from $21.15 to $21.66 over the same time period. While the effects of the global economic slowdown contributed in part to an increase in vacancy rates despite relatively few deliveries in 2008 (a slowdown we did not foresee one year ago), average rental rates have indeed increased, though not by as large a margin as anticipated.

**2009 outlook -** "We are guardedly optimistic that 2009 will bring improvements in the economy, improvements in infrastructure, and an improved office market, particularly with limited new deliveries and some pent-up demand," said Richard Bowers, president and CEO of Richard Bowers & Co. "During the first decade of this century, Atlanta has continued to grow dramatically and continues to be among the fastest-growing large metro areas in the country and the number one city for young college professionals. However, the office market has only averaged 1,332,500 square feet of positive absorption per year thus far this decade, in comparison to the decade of the nineties, when the average annual absorption was 3,278,883 square feet. Next year will see limited new deliveries including just over two million square feet in the urban corridor, and 181,000 square feet in the suburbs, all on the south side. We believe 2009 will be a significant improvement over 2008 with the urban corridor continuing to perform well, a modest rise in rental rates and vacancy rates decreasing to below 15 percent."

***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.

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## QUARTERLY OFFICE REPORT

Categ: Urban/Suburban
Market Analysis Summary

4th Quarter 2008

### The Atlanta Office Market

| | 4th Quarter 2008 | 4th Quarter 2007 |
|---|---|---|
| Year to Date Absorption | 391,277 | 2,864,017 |
| 4th Quarter's Absorption | (411,917) | 34,927 |
| Total Existing Square Feet | 131,956,888 | 130,202,273 |
| Total Available Square Feet | 21,520,511 | 20,157,173 |
| Percent Of Total Space Vacant | 16.31% | 15.48% |
| Average Quoted Rental Rate | $21.66 | $21.15 |
| Space Delivered YTD - Square Feet (Does not include net losses) | 1,801,615 | 2,292,601 |

### Atlanta's Top Five Ranking Submarkets

Net Absorption 4th Quarter 2008

| | |
|---|---|
| Downtown | 125,256 |
| Airport/South | 97,544 |
| Buckhead/Lenox | 95,038 |
| I-285/I-85/Northlake | 58,982 |
| I-285/GA-400 | 50,896 |

Total Available Square Feet:

| | |
|---|---|
| I-75/I-285 | 3,549,684 |
| I-285/GA-400 | 2,940,013 |
| Downtown | 2,837,948 |
| GA-400 North | 2,668,197 |
| Midtown | 2,116,449 |

Total Existing Square Feet:

| | |
|---|---|
| I-285/GA-400 | 22,335,626 |
| I-75/I-285 | 18,857,310 |
| Downtown | 16,899,337 |
| GA-400 North | 15,806,617 |
| Midtown | 13,666,498 |

Submarket Occupancy Rate:

| | |
|---|---|
| I-75 Corridor | 96.64% |
| I-285E/Stone Mtn | 89.80% |
| NE Expressway - South | 88.24% |
| Decatur | 87.73% |
| I-285/GA-400 | 86.84% |

Average Quoted Rental Rate:

| | |
|---|---|
| Midtown | $26.21 |
| Buckhead/Lenox | $26.02 |
| I-285/GA-400 | $23.05 |
| I-75 Corridor | $22.21 |
| Downtown | $21.70 |

Space Delivered 4th Quarter 2008 - Sq Ft

| | |
|---|---|
| GA-400 North | 358,616 |
| NE Expressway - North | 143,000 |
| Peachtree Corners | 77,147 |

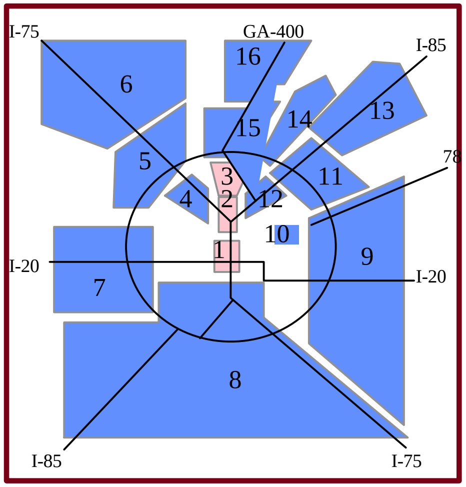
# Atlanta Office Market: Comparison by Submarkets

**Totals By Submarket**

**4th Quarter 2008**

| | Total Sq. Ft. | Vacant Sq. Ft. | Occupancy Rate | Absorption This Qtr | Absorption YTD | Avg. Rent Rate |
|---|---|---|---|---|---|---|
| **Urban** | | | | | | |
| Downtown | 16,899,337 | 2,837,948 | 83.21% | 125,256 | 374,640 | $21.70 |
| Midtown | 13,666,498 | 2,116,449 | 84.51% | (177,786) | (83,945) | $26.21 |
| Buckhead/Lenox | 13,295,091 | 2,094,519 | 84.25% | 95,038 | 18,245 | $26.02 |
| **Urban Totals** | **43,860,926** | **7,048,916** | **83.93%** | **42,508** | **308,940** | **$24.42** |
| **Suburban** | | | | | | |
| Airport/South | 3,059,300 | 616,979 | 79.83% | 97,544 | 92,093 | $16.71 |
| Decatur | 1,141,165 | 139,973 | 87.73% | (35,371) | 66,910 | $20.77 |
| GA-400 North | 15,806,617 | 2,668,197 | 83.12% | (90,567) | (234,067) | $19.82 |
| I-20W/Greenbriar | 321,053 | 96,878 | 69.82% | 0 | (42,546) | $14.51 |
| I-285/GA-400 | 22,335,626 | 2,940,013 | 86.84% | 50,896 | 376,863 | $23.05 |
| I-285/I-85/Northlake | 4,480,184 | 632,624 | 85.88% | 58,982 | 193,363 | $17.63 |
| I-285E/Stone Mtn | 403,932 | 41,203 | 89.80% | 4,375 | (53,582) | $13.50 |
| I-75 Corridor | 1,127,333 | 37,875 | 96.64% | (3,520) | 56,287 | $22.21 |
| I-75/I-285 | 18,857,310 | 3,549,684 | 81.18% | (130,455) | (195,848) | $21.26 |
| I-75N/Marietta/JF | 3,169,873 | 506,228 | 84.03% | (69,310) | 21,964 | $18.89 |
| NE Expressway-North | 4,644,115 | 1,044,734 | 77.50% | (103,102) | 120,080 | $18.43 |
| NE Expressway-South | 4,663,151 | 548,208 | 88.24% | (69,487) | (63,694) | $18.64 |
| Peachtree Corners | 8,086,303 | 1,648,999 | 79.61% | (164,410) | (255,486) | $16.94 |
| **Suburban Totals** | **88,095,962** | **14,471,595** | **83.57%** | **(454,425)** | **82,337** | **$20.29** |
| **Total/W. Averages** | **131,956,888** | **21,520,511** | **83.69%** | **(411,917)** | **391,277** | **$21.66** |

## Area Map




## Area Boundaries

1. Downtown
2. Midtown
3. Buckhead/Lenox
4. I-75 Corridor
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
13. NE Expressway-North
14. Peachtree Corners
15. I-285/GA-400
16. GA-400 North

## **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 | 1,381,026 | 84.94% | $23.62 | 6,687,357 | 1,334,442 | 80.05% | $19.78 | 1,043,964 | 122,480 | 88.27% | $17.20 |
| Midtown | 9,677,960 | 1,569,405 | 83.78% | $28.87 | 3,217,018 | 360,490 | 88.79% | $20.40 | 771,520 | 186,554 | 75.82% | $17.09 |
| Buckhead/Lenox | 8,499,088 | 1,357,502 | 84.03% | $28.60 | 4,546,070 | 718,418 | 84.20% | $21.59 | 249,933 | 18,599 | 92.56% | $19.05 |
| Urban Totals/Averages | **27,345,064** | **4,307,933** | **84.25%** | **$27.03** | **14,450,445** | **2,413,350** | **83.30%** | **$20.49** | **2,065,417** | **327,633** | **84.14%** | **$17.38** |
| **Suburban** | | | | | | | | | | | | |
| Airport/South | 757,469 | 151,239 | 80.03% | $20.11 | 1,240,448 | 144,241 | 88.37% | $16.48 | 1,061,383 | 321,499 | 69.71% | $14.55 |
| Decatur | 405,038 | 62,865 | 84.48% | $23.14 | 736,127 | 77,108 | 89.53% | $19.47 | 0 | 0 | n/a | n/a |
| GA-400 North | 11,837,180 | 2,060,519 | 82.59% | $21.00 | 3,949,437 | 597,678 | 84.87% | $16.27 | 20,000 | 10,000 | 50.00% | $17.00 |
| I-20W/Greenbriar | 0 | 0 | n/a | n/a | 53,000 | 12,720 | 76.00% | $23.25 | 268,053 | 84,158 | 68.60% | $12.78 |
| I-285/GA-400 | 14,900,654 | 1,730,878 | 88.38% | $24.75 | 6,202,092 | 827,365 | 86.66% | $20.51 | 1,232,880 | 381,770 | 69.03% | $15.27 |
| I-285/I-85/Northlake | 522,357 | 59,775 | 88.56% | $19.84 | 2,247,830 | 377,426 | 83.21% | $17.73 | 1,709,997 | 195,423 | 88.57% | $16.82 |
| I-285E/Stone Mtn | 54,681 | 25,153 | 54.00% | $21.05 | 220,668 | 0 | 100.00% | $12.46 | 128,583 | 16,050 | 87.52% | $12.08 |
| I-75 Corridor | 212,000 | 4,240 | 98.00% | $30.00 | 840,033 | 25,352 | 96.98% | $20.47 | 75,300 | 8,283 | 89.00% | $19.69 |
| I-75/I-285 | 12,460,332 | 1,967,841 | 84.21% | $23.15 | 5,714,717 | 1,375,309 | 75.93% | $17.82 | 682,261 | 206,534 | 69.73% | $15.69 |
| I-75N/Marietta/JF | 1,558,599 | 215,809 | 86.15% | $20.67 | 1,243,356 | 221,455 | 82.19% | $17.57 | 367,918 | 68,964 | 81.26% | $15.79 |
| NE Expressway-North | 3,012,722 | 777,349 | 74.20% | $19.95 | 1,599,569 | 267,385 | 83.28% | $15.60 | 31,824 | 0 | 100.00% | $17.00 |
| NE Expressway-South | 474,436 | 25,217 | 94.68% | $22.04 | 3,728,385 | 496,766 | 86.68% | $18.58 | 460,330 | 26,225 | 94.30% | $15.59 |
| Peachtree Corners | 2,362,790 | 366,282 | 84.50% | $20.27 | 5,091,185 | 1,030,804 | 79.75% | $15.87 | 632,328 | 251,913 | 60.16% | $13.12 |
| Suburban Totals/Averages | **48,558,258** | **7,447,167** | **84.66%** | **$22.63** | **32,866,847** | **5,453,609** | **83.41%** | **$17.83** | **6,670,857** | **1,570,819** | **76.45%** | **$15.34** |
| Totals & Averages | **75,903,322** | **11,755,100** | **84.51%** | **$24.22** | **47,317,292** | **7,866,959** | **83.37%** | **$18.64** | **8,736,274** | **1,898,452** | **78.27%** | **$15.83** |