

MarketWatch: Atlanta Office

METRO MARKET TRENDS
FIRST QUARTER 2009



Office Market at a Glance

Total Size:	192.7 MSF
Vacancy Rate:	17.0%
Average Rent:	\$20.66 PSF
2008 YTD Absorption:	14,725 SF
Under Construction:	3.9 MSF

MARKET OVERVIEW

With a current population of more than 5.1 million throughout the 28-county region, Atlanta is the 8th largest Metropolitan Statistical Area ("MSA") in the United States.

Long recognized as the economic engine of the Southeast, Atlanta today is known throughout the world as a dynamic business center, consistently outpacing comparable cities in nearly all key economic indicators. Ranked behind only New York and Houston for the number of Fortune 500 headquarters, Atlanta is also a location of choice for mid-sized companies and entrepreneurial start-ups.

Factors contributing to the city's success include superior air, rail, and highway transportation; a pro-business environment; an educated workforce; a diverse economy; a lower-than-average cost of doing business and living compared to other major cities; and an enviable quality of life.

Every time you sip a Coca-Cola, send a package via UPS, spend the night at Holiday Inn, board a Delta Air Lines plane, buy paint at Home Depot, get your credit rating checked by Equifax, dry your hands with a Brawny paper towel, or watch the news as it happens on CNN on your Philips television, you're doing business with Atlanta.

MARKET ANALYSIS

Economic Conditions

- In February, Georgia State University significantly revised their job loss estimates:
 - Atlanta is expected to lose 92,200 jobs in 2009 (more than double earlier projections)
 - For 2010, the recovery is expected to be under way and the city will only lose 9,800 jobs
 - By 2011, GSU expects a rebounding economy to create 34,000 new Atlanta jobs
- While the next 12 months will remain "bleak" there are signs the economy has hit bottom and could begin to recover during the latter part of this year

Leasing Activity

- With the economy now officially in recession, many companies are hesitant to make decisions on real estate, capital expenditures, or hiring
- Taking a "wait and see" approach, many tenants with upcoming lease expirations are opting to extend for another year
- However, the current tenant-friendly market conditions are spurring some to renegotiate leases or relocate and generate significant savings

Vacancy and Absorption

- The overall vacancy rate has only increased slightly over the past few quarters, but is expected to spike over the next 12 to 18 months as new buildings come on line
- As companies continue to lay off workers, the amount of sublease space increases:
 - There is currently about 3.4 MSF of sublease space available throughout metro Atlanta, and the bulk of it (79%) is in Class A buildings
 - Because sublease space is offered at a discount, it negatively impacts landlords' ability to fill direct vacancies

Rental Rates and Concessions

- Asking rental rates have dropped in every office submarket except Downtown
- Tenants with solid credit willing to make a long-term commitment are being given more than one month of free rent for each year of lease term, enhanced improvement allowances, moving allowances, and more

Development

- More space is now under construction than at any point since 2001, and all of the new buildings were begun before the economy plummeted
- Approximately 3.9 MSF of space is now being built throughout Atlanta:
 - The majority of new projects (82%) are located in Buckhead and Midtown
 - Only a very small percentage of the new space has been preleased

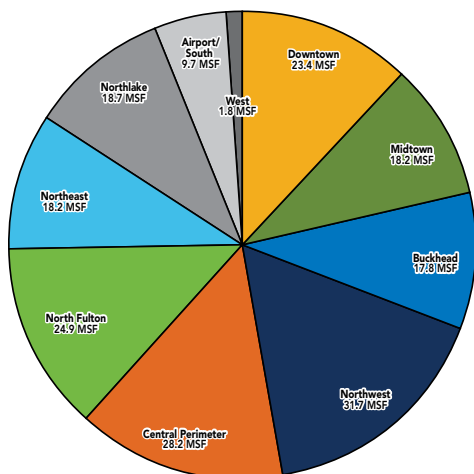
Investment Sales

- The number of properties in foreclosure has increased significantly over the first three months of 2009
- More foreclosures are expected over the remainder of the year, as this is a sign the market has bottomed out and allows prices to be readjusted to the new reality

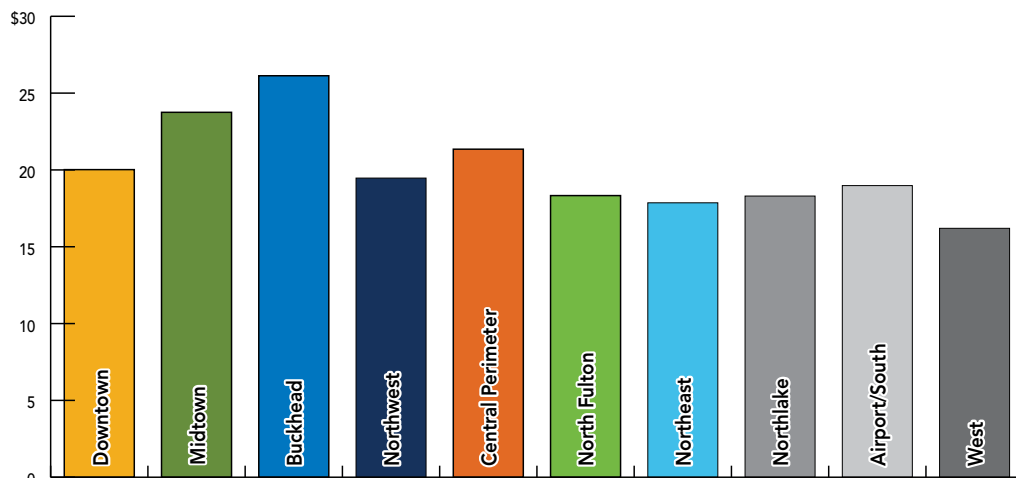
CURRENT MARKET STATISTICS — FIRST QUARTER 2009

Office Submarket	Existing Space	Direct Vacancy	Sublease Space	Overall Availability	Year-to-Date Absorption	Space Under Construction	Average Rent PSF
Downtown Class A	23,435,253 13,455,418	15.9% 19.5%	294,601 281,845	17.1% 21.6%	47,765 24,520	-0- -0-	\$20.02 \$20.85
Midtown Class A	18,183,883 13,007,356	13.4% 14.9%	466,806 461,621	16.0% 18.4%	39,610 17,613	1,253,277 1,253,277	\$23.75 \$24.58
Buckhead Class A	17,768,557 12,337,364	13.5% 14.1%	332,673 307,527	15.4% 16.6%	-18,194 15,401	1,980,731 1,980,731	\$26.13 \$26.95
Central Perimeter Class A	28,249,982 19,132,267	16.0% 15.3%	610,856 562,440	18.1% 18.2%	-238,052 -147,916	-0- -0-	\$21.35 \$22.56
North Fulton Class A	24,879,348 13,753,962	15.5% 14.3%	614,195 461,594	18.0% 17.6%	-50,234 48,386	117,350 100,000	\$18.33 \$20.27
Northeast Class A	18,189,868 6,010,357	18.9% 19.7%	315,694 125,662	20.6% 21.8%	-34,088 10,126	108,700 108,700	\$17.86 \$20.07
Northlake Class A	18,747,857 1,792,464	10.1% 11.0%	69,444 23,738	10.5% 12.3%	80,946 -4,322	62,400 -0-	\$18.30 \$21.10
Northwest Class A	31,719,174 15,161,333	16.2% 13.4%	603,396 437,217	18.1% 16.3%	66,382 93,814	90,934 34,060	\$19.47 \$21.91
Airport / South Class A	9,721,315 973,277	17.5% 37.2%	68,189 54,936	18.2% 42.9%	84,487 28,402	329,388 314,388	\$18.98 \$23.59
West Class A	1,796,774 71,500	15.4% 7.8%	7,161 5,580	15.8% 7.8%	36,103 10	-0- -0-	\$16.20 \$25.34
OVERALL ATLANTA Class A	192,692,011 95,695,298	15.3% 15.6%	3,383,015 2,716,580	17.0% 18.5%	14,725 86,034	3,942,780 3,791,156	\$20.66 \$22.93

Submarket Size Comparison



Submarket Average Asking Rental Rate Comparison



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