

# MarketView Atlanta Office

## Quick Stats

	Current	Change from last	
		Yr.	Qtr.
Vacancy	19.4%	↑	↑
Lease Rates	\$20.86	↑	↓
Net Absorption*	(0.55M)	↓	↓
Construction	4.22 MSF	↓	↓

\* The arrows are trend indicators during the specified time period and do not represent a positive or negative value. (e.g., absorption could be negative, but still represent a positive trend during a specified period.)

## Hot Topics

- Absorption negative, lowest point in six years
- Vacancies grow on weakened demand
- Construction is a growing concern in the core urban submarkets
- Rental rates fall for the second straight quarter.
- Cap rates have begun to grow during the past two quarters.

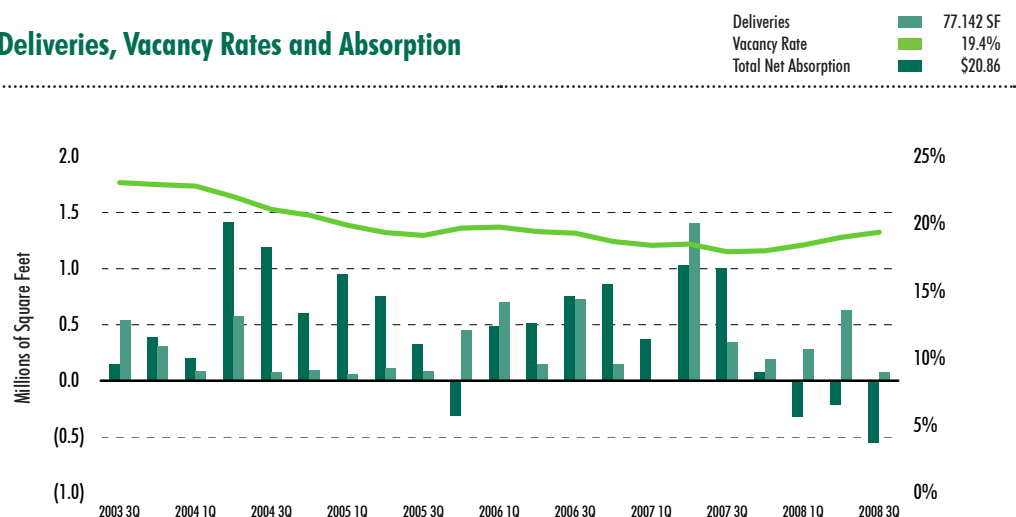
The metro Atlanta office market continued its slump in the third quarter, posting a third consecutive period of occupancy losses and deteriorating fundamentals. While the nation's economy has undoubtedly had a substantial impact on Atlanta's property markets in the form of weakened demand and eroded confidence, the lack of local job creation has stifled leasing activity. This has, in turn, reduced the need for space and turned corporate approaches away from expansion.

This was very apparent in the third quarter as four of Atlanta's five core submarkets realized net occupancy losses of at least 150,000 square feet year-to-date. Only the Downtown submarket posted positive absorption followed by Peachtree Corners and a host of smaller suburban submarkets. Core submarkets along the spine of the market north of Downtown, including Midtown, Buckhead, Central Perimeter and North Fulton, combined to lose almost 640,000 square feet of occupied space in the third quarter alone.

Within these core submarkets, current construction is equally concerning. Each of the aforementioned submarkets, excluding Central Perimeter and Downtown, has at least 350,000 square feet under construction, adding even more pressure on demand. While leasing activity in the urban submarkets has begun to grow since a setback in the first quarter, the majority of it has occurred Downtown. The other submarkets have posted flat growth or 20-30 percent declines.

In the coming months, we can expect to see the impact of the recent bankruptcies and acquisitions, most notably the Wachovia deal. The timeframe of the credit markets' return to stability will be important to the Atlanta office market's relative health. That said, the next few quarters could see flat to reduced growth as markets stabilize and credit slowly becomes more available.

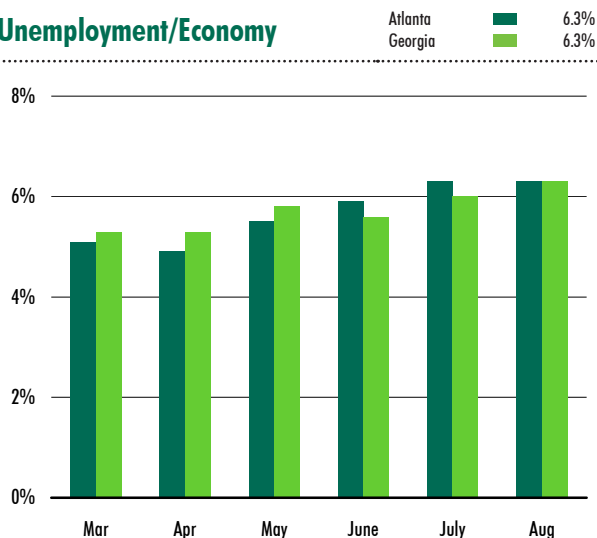
## Deliveries, Vacancy Rates and Absorption



## Market Statistics

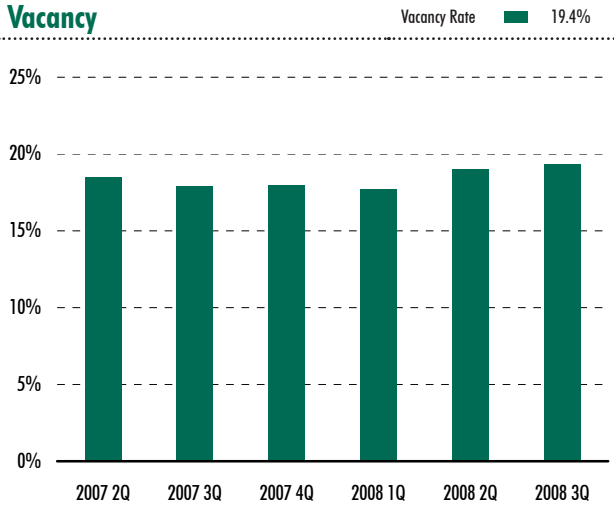
Market	Rentable Area SF	Vacancy Rate %	Sublease	YTD Net Absorption SF	Under Construction SF	Average Asking Lease Rate - \$ SF/YR
Downtown	17,965,732	18.5	246,939	506,164	-	\$20.10
Midtown	13,004,699	20.4	262,335	(367,521)	1,319,274	\$24.11
Buckhead	13,067,349	19.5	222,647	(166,143)	1,985,329	\$26.58
Midtown West	771,033	14.0	28,380	(9,884)	264,000	\$19.77
Northwest	17,855,838	20.9	430,989	31,813	-	\$20.38
I-75/Marietta	2,195,916	16.3	25,264	(30,518)	-	\$18.17
Central Perimeter	21,605,892	17.0	471,427	(410,044)	-	\$22.16
North Fulton	15,288,419	21.0	260,728	(627,613)	358,616	\$18.04
I-85/Northeast	7,439,553	20.1	286,376	95,230	143,000	\$17.56
Peachtree Corners	5,136,595	22.8	182,615	126,342	-	\$17.40
Northlake/Decatur	8,614,319	14.6	63,924	(114,466)	-	\$18.52
Airport South Atlanta	2,923,617	29.5	20,428	(84,044)	84,000	\$18.04
I-20 West	274,052	8.8	6,740	(11,786)	-	\$20.73
East Atlanta	479,555	19.1	-	(17,518)	-	\$18.29
East Cobb/ Johnson Ferry	207,654	14.8	-	38,163	-	\$16.85
SUBURBAN	82,021,410	19.4	1,748,491	(1,004,441)	660,616	\$19.61
URBAN	44,808,813	19.3	760,301	(37,384)	3,568,603	\$23.15
OVERALL ATLANTA	126,830,223	19.4	2,508,792	(1,041,825)	4,229,219	\$20.86

## Unemployment/Economy



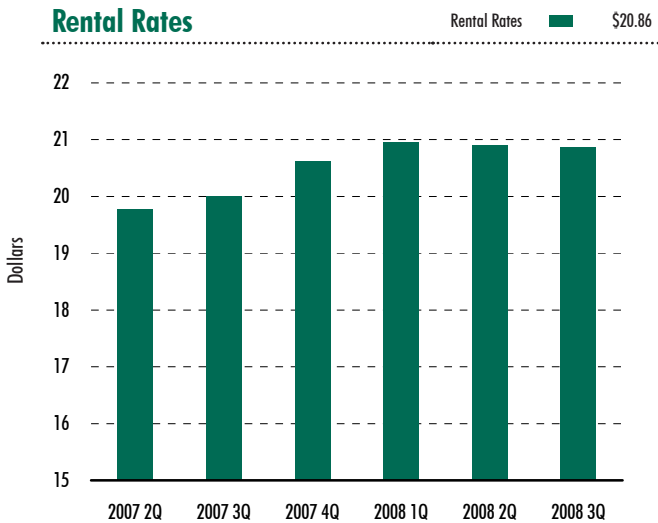
As Wall Street looks to the Federal government to solve its problems, the nation's economy continues to be mired in a state of dysfunction and uncertainty. The dollar continues to gain strength, posting some of its largest gains during the final days of the third quarter. Analysts believe this strengthening can continue, especially since the bailout passed. Total construction spending was flat in August but showed a slight rise in residential projects. While this is often a strong sign for employment, locally, unemployment is at 6.3 percent, a relatively high mark that hovered in the mid 4.0 percent range for most of the last few years. The state's level is the same and this elevated rate is expected to persist into 2009.

### Vacancy



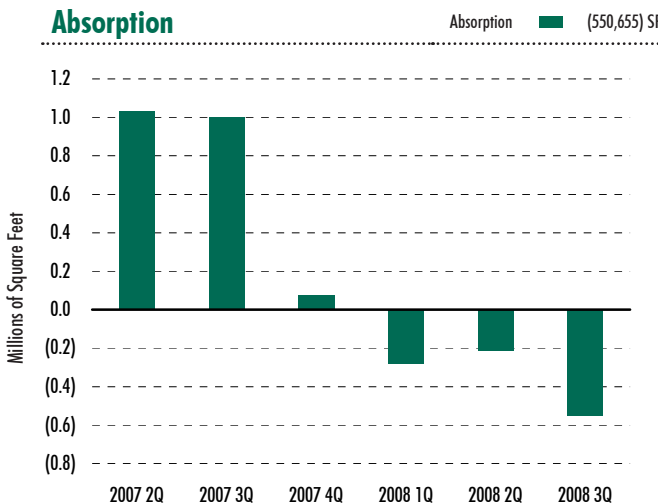
Metro Atlanta vacancies grew almost two percent in the third quarter, finishing at a two and a half year high of 19.4 percent. As leasing activity has picked up, the vast majority of activity has come in the form of renewals and repositioning versus expansion or new demand. This is most apparent in the suburban submarkets, where leasing activity has grown 7.3 percent and vacancies have grown 4.2 percent. Of the core office submarkets, North Fulton has the highest percentage of vacant space at 21 percent, while Downtown now has less than 18.5 percent of its space empty. The Northwest and Central Perimeter submarkets have the most vacant square footage at roughly 3.7 million square feet, composing almost half of the suburban submarkets' empty product.

### Rental Rates



As demand has softened during the last nine months, so has rental rate growth. That growth was flat this quarter, slipping \$.03 to \$20.86 per rentable square foot. Rates grew between the end of 2007 and the end of the first quarter, just as they had in previous quarters. However, as the economy lost traction and demand slowed, lease rates began to do the same, falling \$0.13 between the first and second quarters. While the most recent trend has slowed, there are still several fundamentals that indicate rental rate depreciation could continue. Rates should remain fairly steady with slight erosion during the coming quarters as new space with higher asking rates comes online but demand remains soft.

### Absorption



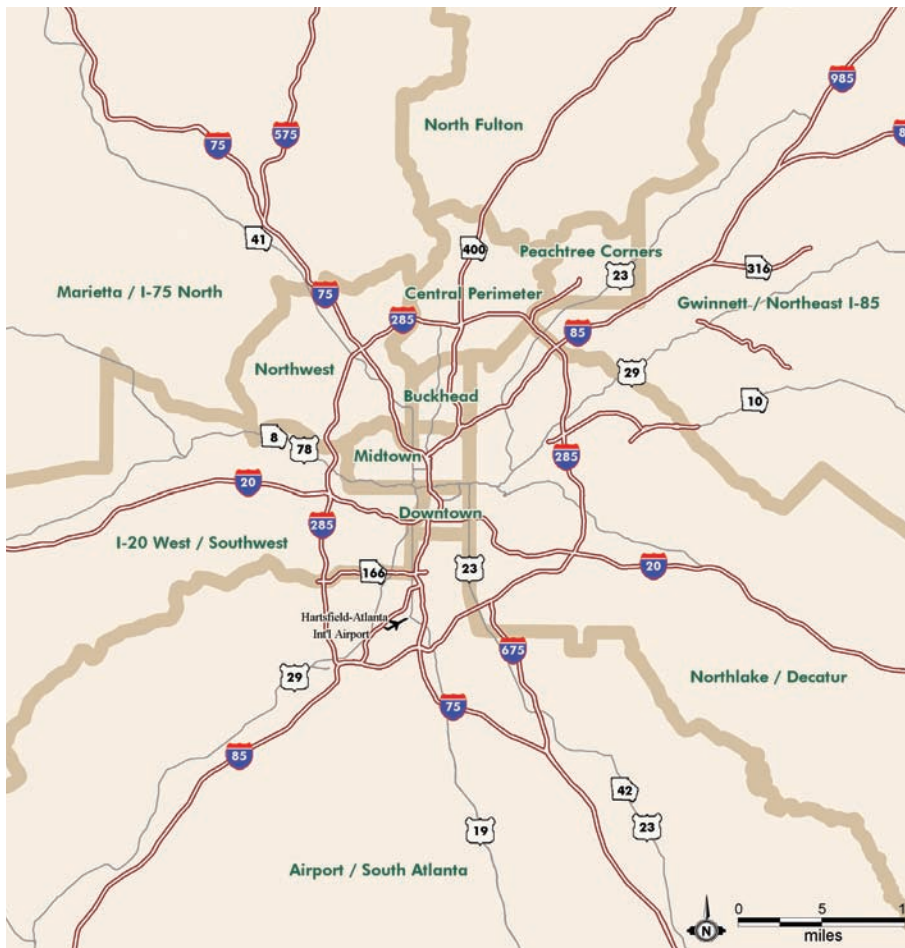
Because of so much uncertainty in today's economy, Atlanta's companies have been unable to aggressively take new space, resigned to the fact that it's difficult to expand when consumption has been receding. This is why we see a litany of renewals and repositions instead of any substantial demand growth. The third quarter saw net absorption dip to (550,655) square feet, the third consecutive period of occupancy losses. The urban submarkets fared well in the third quarter, totaling more than 200,000 square feet of occupancy gains, mostly in the Downtown submarket which posted 193,265 square feet of gains. The suburban submarkets offset those gains with 753,456 square feet of losses. The most notable of these occurred in the Central Perimeter and North Fulton submarkets, which recorded roughly 264,000 and 384,000 square feet of negative absorption, respectively.

Top Lease Transactions

Tenant	Address	Size (SF)
BCD Travel	6 Concourse Pkwy	81,417
Red Prarie Corp.	3905 Brookside Pkwy	80,313
Switch & Data	180 Peachtree St.	79,201
Broadcom Corp.	4385 Rivergreen Pkwy	57,600
CarMax	3330 Chastain Meadows Pkwy	43,822

\*Sublease

Submarket Map



Average Asking Lease Rate

Rate determined by multiplying the asking net lease rate for each building by its available space, summing the products, then dividing by the sum of the available space with net leases for all buildings in the summary.

Net Leases

Includes all lease types whereby the tenant pays an agreed rent plus most, or all, of the operating expenses and taxes for the property, including utilities, insurance and/or maintenance expenses.

Market Coverage

Includes all competitive office buildings 10,000 square feet and greater in size.

Net Absorption

The change in occupied square feet from one period to the next.

Net Rentable Area

The gross building square footage minus the elevator core, flues, pipe shafts, vertical ducts, balconies and stairwell areas.

Occupied Area (Square Feet)

Building area not considered vacant.

Under Construction

Buildings which have begun construction as evidenced by site excavation or foundation work.

Available Area (Square Feet)

Available building area which is either physically vacant or occupied.

Availability Rate

Available square feet divided by the net rentable area.

Vacant Area (Square Feet)

Existing building area which is physically vacant or immediately available.

Vacancy Rate

Vacant building feet divided by the net rentable area.

Normalization

Due to a reclassification of the market, the base, number and square footage of buildings of previous quarters have been adjusted to match the current base. Availability and vacancy figures for those buildings have been adjusted in previous quarters.

For more information regarding the MarketView, please contact:

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