

MarketView Atlanta Retail

Quick Stats

	Current	Change from last	
		Yr.	Qtr.
Vacancy	9.96%	↑	↑
Lease Rates	\$15.57	↑	↑
Net Absorption*	(0.36M)	↓	↓
Construction	2.87 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 is negative for the second straight quarter.
- Vacancies continue to rise on weakened demand.
- Construction is focused on suburban areas, but many large urban projects are in the making.
- Rental rates are slightly up from the past quarter.
- Cap rates have turned upward.

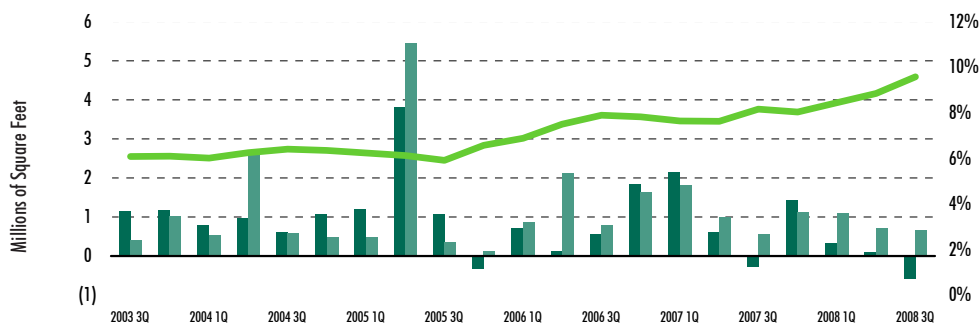
The long-term prospects for the Atlanta retail market remain bright, despite the slowdown in the economy. Atlanta is generally less affected by economic slowdowns because of continued population growth and a lower cost of living with respect to other major cities. Additionally, many planned large projects such as the Streets of Buckhead and the Midtown Mile could make Atlanta one of the most unique and diverse retail centers in the country.

The past year has seen a bit of a slowdown and the near term prospects aren't nearly as bright as the long term, proving Atlanta is not completely immune to the recessionary conditions experienced by the national economy. The first three quarters of 2008 have seen a steady rise in the unemployment rate for both the city of Atlanta and the state of Georgia as a whole.

The main focus for most retail firms will be to survive the upcoming holiday season, which many predict will be hit hard from the effects of the current economic conditions. Consumer concerns continue to be focused on future job prospects, income gains and high food and fuel costs, which have kept consumer confidence at very low levels. The low level of confidence is an indicator that does not bode well for the retail sector if steps are not taken to alleviate consumer's concerns and increase confidence in the economy. In tough times, loans are even more important to retailers as they rely on credit markets for short term loans to pay their vendors and long term loans to grow their businesses. This makes the timeframe of the credit market's return to stability even more important than usual to the health of the retail sector.

Deliveries, Vacancy Rates and Absorption

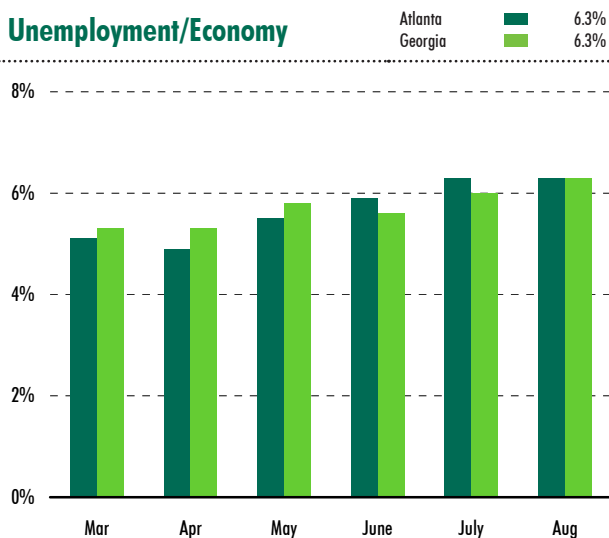
Deliveries 656,074 SF
 Vacancy Rate 9.96%
 Total Net Absorption (366,312)



Market Statistics

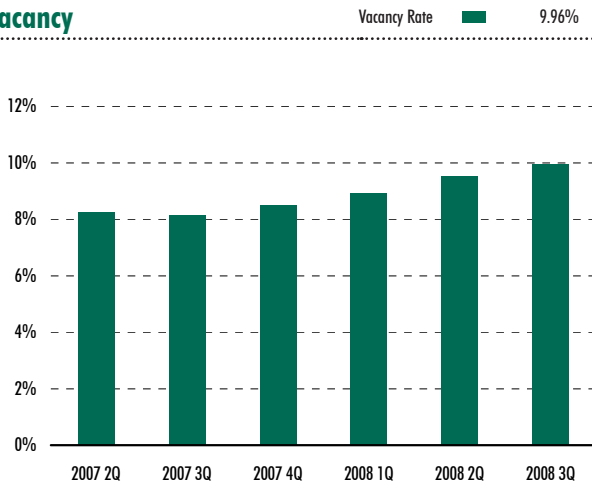
Market	Rentable Area SF	Vacancy Rate %	Sublease	YTD Net Absorption SF	Under Construction SF	Average Asking Lease Rate -\$ SF/YR
Buckhead	7,972,709	5.7	-	(51,834)	48,065	\$23.57
Midtown	4,227,400	9.3	-	(95,534)	-	\$19.16
Central Perimeter	7,461,453	7.3	278	(89,812)	-	\$19.60
Coweta	3,414,188	10.3	-	(145,942)	-	\$11.57
DeKalb	14,402,922	8.2	44,831	(132,430)	114,000	\$13.78
GA 400	18,752,805	10.4	26,783	130,074	245,492	\$18.35
Gwinnett	36,395,933	11.9	247,658	203,667	697,032	\$16.67
NE Atlanta	5,940,981	11.1	90,466	284,223	588,129	\$12.97
North Cobb	23,334,840	8.5	43,063	39,889	1,005,721	\$15.89
South Atlanta	19,142,185	11.3	130,635	(160,680)	72,119	\$11.16
South Cobb	11,847,262	11.1	54,658	(136,130)	34,350	\$13.61
South Metro	17,767,493	9.4	153,808	(60,001)	32,392	\$15.64
West Metro	12,615,553	10.1	114,760	(138,443)	37,755	\$11.84
OVERALL ATLANTA	183,275,724	10.0	906,940	(352,953)	2,875,055	\$15.57

Unemployment/Economy



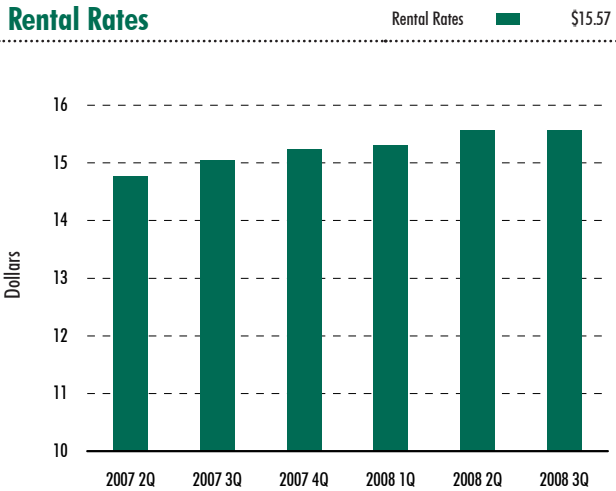
As Wall Street looks to the Federal government to solve its problems, the nation's economy continues to be mired in a state of dysfunction and uncertainty. The dollar continues to gain strength, posting some of its largest gains during the final days of the third quarter. Analysts believe this strengthening 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



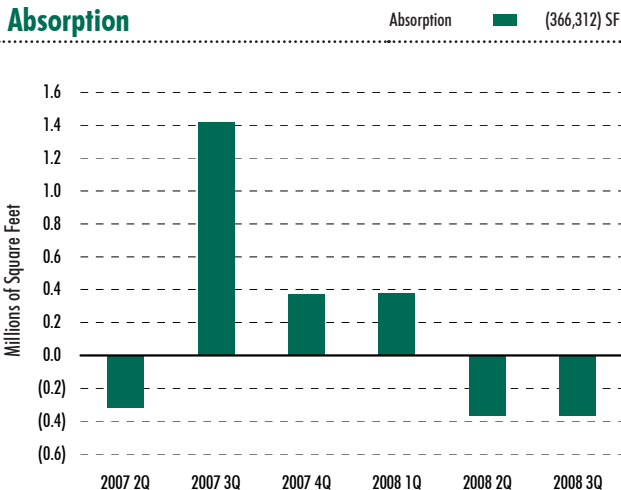
In addition to weak demand, inventory has increased, forcing vacancy rates to rise in the metro Atlanta area. Although construction activity has started to taper off in response to the weakened demand, suburban areas still have higher vacancy rates as the majority of new product is focused in these outlying areas. Overall, the entire metro Atlanta area saw a 4.9 percent increase in vacancy compared to second quarter. Looking toward the future, there are still a number of major projects in the works that are set to deliver in Atlanta in the coming years, including the previously mentioned Streets of Buckhead and the Midtown Mile. By the time these projects actually deliver, the economy should have recovered and demand should be able to support inventory.

Rental Rates



Lease rates increased just \$0.01 per square foot from the second quarter to \$15.57 per square foot as rates start to show the delayed effects of increased supply and decreased demand. However, the Buckhead and Midtown rates were hit fairly hard as they decreased by 3.0 percent and 12.5 percent, respectively, from the second quarter. In these submarkets, high end product is being passed over by tenants who prefer to stay put or look for less expensive space during the economic downturn. The near future should see rates continue to taper or even decrease as landlords have to deal with lower retail sales projections, high levels of existing vacant supply and new development. These factors will force landlords to lower rates and offer more concessions.

Absorption



With the uncertainty in the economy and the decrease in discretionary spending, demand has been very weak. Many retailers are content with existing space as they are hesitant or unable to expand. The fundamental supply and demand factors, combined with the rise in metro Atlanta unemployment to 6.3 percent, have taken a toll on retail sales and pushed absorption to (366,312) square feet for the third quarter, nearly equaling the second quarter figure of (365,017) square feet. Outside of Buckhead, Northeast Atlanta and GA 400, every submarket posted net absorption losses and even the net gains in Buckhead were nearly flat. Overall, the suburban and urban submarkets experienced a relatively similar level of losses as a percentage of total space.

MarketView Atlanta Retail

Top Lease Transactions

Tenant	Address	Size (SF)
The Sports Authority	6690 Roswell Rd	50,000
Planet Fitness	1575 Lawrenceville Hwy, Lawrenceville	23,211
Gold's Gym	720 N. Main St, Cedartown	19,600
Davita Dialysis	9503 Highway 5, Douglasville	13,086
PETCO	2078-2186 Henderson Mill Rd	12,931

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.

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