

Market Report

OFFICE | SECOND QUARTER | 2009

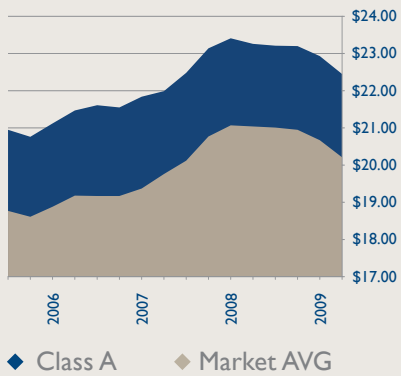


MARKET INDICATORS

	Q2 2009	NEXT QTR
VACANCY	↑	↑
NET ABSORPTION	↓	↑
CONSTRUCTION	↓	↓
RENTAL RATE	↓	↓
CAP RATES	↑	↑

UPDATE

ATLANTA RENTAL RATES
OVERALL MARKET & CLASS A (PER SF)



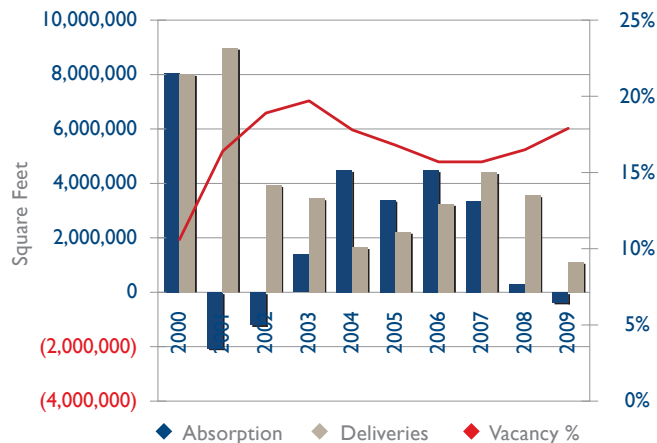
2Q 2009: Worst Quarter for Atlanta's Office Market in Seven Years

Whereas Atlanta's first quarter office market activity was lackluster, second quarter proved to be much livelier. Unfortunately though, the majority of activity was in the form of tenants vacating their offices, resulting in the worst quarter for Atlanta's office market since 2002. A net total of almost 400,000 SF of office space was put back on the market in second quarter as consolidations, downsizing and bankruptcies were the major themes over the past three months. At the top of the list was Federated Department Stores (Macy's) which vacated 181,000 SF, downsizing its regional headquarters in Atlanta by approximately 80% and moving the lost jobs to New York. Other notable move-outs in second quarter include Bank of America vacating 140,001 SF of Class B space at 2059 Northlake Pkwy., Deloitte & Touche leaving 108,000 SF at Peachtree Center for upgraded space elsewhere Downtown and Georgia Pacific vacating 90,000 SF at 55 Park Place, which was mostly a consolidation of its presence Downtown. The quarterly result of space added through both negative absorption and 885,000 SF of new deliveries is a 0.7% increase in the overall office vacancy rate from first quarter, amounting to 1.6 million sq. ft. added in the three month period. Since this time last year, Atlanta's office vacancy has risen 1.6%, or 3.5 million sq. ft.

As it appears, recovery for Atlanta's office market will have to wait a bit longer. The circumstances surrounding increasing vacancies, as experienced in second quarter, will continue affecting absorption levels in the city. With the Metro Atlanta unemployment rate continuing to rise (up to 10.7% as of June 2009), office vacancies are expected to mount. Not until a peak in unemployment is achieved will the office market fully recover. One additional hurdle the city will be forced to overcome in the next year will be the addition of 3 million square feet of new office space. The Buckhead submarket will be hardest hit by this added space, though the impact will be felt metrowide. In recent months, however, a bit of good news has occurred as a couple of deals with a combined total of 190,000 SF were recently signed at two of the newer buildings coming online next quarter; boosting the optimism those buildings will fill up in a more reasonable amount of time. Nevertheless, the short-term outlook for Atlanta's office market is bleak. Vacancy is expected to rise through the end of the year, and overall absorption will remain negative. In addition, aggressive Landlords will continue to depress office rental rates throughout Atlanta as they strive to do whatever

possible to attract the major players currently scouting the market. It is without a doubt a tenant's market. The problem is finding enough tenant demand to fill the 5 million square feet of office space vacated since the beginning of the economic downturn.

ABSORPTION, DELIVERIES AND VACANCY RATES



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DEFINITIONS

Absorption (Net)-The net change in occupied space over a given period of time, calculated by summing all the positive changes in occupancy and subtracting all the negative changes in occupancy.

Vacancy Rate-A percentage of the total amount of physically vacant space divided by the total amount of existing inventory.

Vacant Space-Space that is not currently occupied by a tenant, regardless of any lease obligation on the space.

Sublease Space-Space that has been leased by a tenant and is being offered for lease back to the market by the tenant with the lease obligation.

Deliveries-Buildings that complete construction during a specified period of time. A certificate of occupancy must have been issued for the property for it to be considered delivered.

Leasing Activity-The volume of square footage that is committed to and signed for under a lease obligation for a specific building or market in a given period of time. It includes direct leases, subleases and renewals of existing leases. It also includes any pre-leasing activity for buildings under construction or planned.

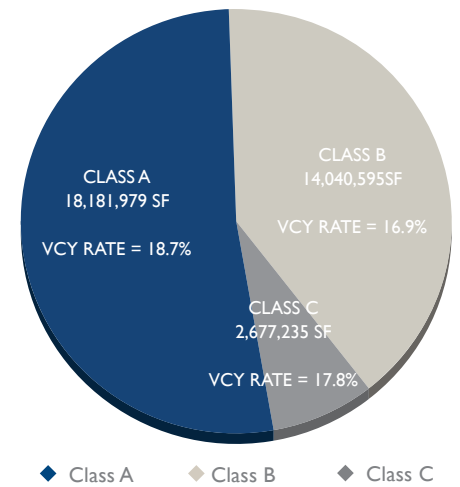
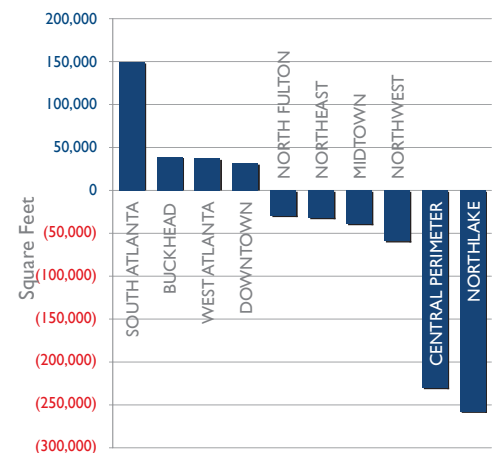
Build-to-Suit-A term describing property that was developed specifically for a certain tenant to occupy. Can be either leased or owned by the tenant.

Vacancy & Availability

- Office vacancy increased for the seventh straight quarter. Second quarter's increase was due to a number of factors including new deliveries totaling 884,934 SF, an increase in sublease space and more companies moving out of space rather than into.
- In the past year, the office vacancy rate in Atlanta has increased 1.6%. This amounts to a total of 3.5 million square feet. Since the beginning of the recession, tenants have vacated just over 5 million square feet of office.
- Sublease space increased yet again, however, the added availabilities were mostly isolated to the Central Perimeter submarket where the amount grew by 154,000 SF from first quarter.

Absorption & Demand

- Atlanta experienced its worst quarterly absorption in seven years. Move-ins by larger users such as the Nuclear Regulatory Commission [102,436 SF] and the Federal Aviation Administration [99,992 SF] were few and far between to match the amount of space vacated in the three month period.
- Deloitte & Touche's expansion of 124,000 SF at 191 Peachtree was actually the largest space filled in second quarter. The caveat is it vacated 108,000 SF at Peachtree Center, which resulted in net absorption of only 16,000 SF.
- Office space demand remained subdued over the past three months; though deals out in the market appear to be more active.

SECOND QUARTER 2009
AVAILABLE SPACE BY PRODUCT TYPESECOND QUARTER 2009
NET ABSORPTION BY SUBMARKET

UPDATE

RECENT TRANSACTIONS IN THE MARKET

SALES ACTIVITY

PROPERTY	SUBMARKET	SALES DATE	SALE PRICE	SIZE SQ. FT.	SALES PRICE/SQ. FT.	TYPE
Pershing Park Plaza	Midtown	6/30/2009	\$32,650,000	159,103	\$205	Class A Investment
Equitable Bldg.-100 Peachtree	Downtown	6/2/2009	\$29,500,000	614,642	\$48	Class A Foreclosure
2200 Lake Blvd.	Buckhead	6/30/2009	\$5,600,000	35,000	\$160	Class B Owner/User
1950 Spectrum Cir.	Northwest Atlanta	6/17/2009	\$5,100,000	187,471	\$27	Class B Investment

LEASING ACTIVITY

PROPERTY	SUBMARKET	TENANT	LANDLORD	SIZE SQ. FT.	TYPE
Peachtree Ctr.-Marquis II	Downtown	SunTrust	America's Capital Prtnrs.	252,833	Class A Lease
Two Alliance Center	Buckhead	Marsh & McLennan	Tishman Speyer	140,000	Class A Lease
One Deerfield Centre	North Fulton	Philips Electronics	Hines	109,697	Class A Lease
Peachtree Ctr.-Marquis II	Downtown	Parker Hudson Rainer Dobbs	America's Capital Prtnrs.	55,000	Class A Renewal

UPDATE
MARKET COMPARISONS

EXISTING PROPERTIES

ABSORPTION

DELIVERIES

U/C RENT

CLASS	BLDG	TOTAL SF	DIRECT VCY SF	DIRECT VCY %	SUB VCY SF	SUB VCY %	TOTAL VCY SF	VCY CURR %	VCY PRIOR %	NET ABSORP CURR SF	NET ABSORP YTD SF	NEW SUPPLY CURR SF	NEW SUPPLY YTD SF	UNDER CONSTR SF	AVG RENT RATE
URBAN															
DOWNTOWN															
A	25	13,455,418	2,371,239	17.6%	483,212	3.6%	2,854,451	21.2%	21.5%	40,904	22,074	-	-	-	\$20.77
B	46	7,122,433	863,099	12.4%	15,526	0.2%	898,625	12.6%	12.3%	(19,479)	(12,624)	-	-	-	\$18.62
C	57	2,746,332	455,752	16.6%	-	-	455,752	16.6%	17.0%	10,196	12,729	-	-	-	\$14.21
Total	128	23,324,183	3,710,090	15.9%	498,738	2.1%	4,208,828	18.0%	18.2%	31,621	22,179	-	-	-	\$19.89
MIDTOWN															
A	31	13,555,895	2,402,027	17.7%	443,557	3.3%	2,845,584	21.0%	18.3%	71,917	90,446	541,318	541,318	719,003	\$23.41
B	74	4,538,411	530,467	11.7%	39,579	0.9%	570,046	12.6%	10.2%	(106,136)	(87,113)	-	-	-	\$18.41
C	24	653,576	70,199	10.7%	8,179	1.3%	78,378	12.0%	11.3%	(4,677)	(4,973)	-	-	-	\$15.34
Total	129	18,747,882	3,002,693	16.0%	491,315	2.6%	3,494,008	18.6%	16.0%	(38,896)	(1,640)	541,318	541,318	719,003	\$22.51
BUCKHEAD															
A	44	12,337,364	1,763,613	14.3%	236,938	1.9%	2,000,551	16.2%	16.6%	49,761	54,720	-	-	1,980,731	\$26.68
B	42	4,515,469	612,067	13.6%	29,909	0.7%	641,976	14.2%	14.2%	(2,206)	(35,136)	-	-	-	\$19.93
C	27	933,244	63,884	6.8%	-	-	63,884	6.8%	6.0%	(8,258)	(8,923)	-	-	-	\$20.59
Total	113	17,786,077	2,439,564	13.7%	266,847	1.5%	2,706,411	15.2%	15.4%	39,297	10,661	-	-	1,980,731	\$25.69
URBAN TOTAL															
A	100	39,348,677	6,536,879	16.6%	1,163,707	3.0%	7,700,586	19.6%	18.9%	162,582	167,240	541,318	541,318	2,699,734	\$23.62
B	162	16,176,313	2,025,633	12.5%	85,014	0.5%	2,110,647	13.0%	12.3%	(127,821)	(134,873)	-	-	-	\$18.99
C	108	4,333,152	589,835	13.6%	8,179	0.2%	598,014	13.8%	13.7%	(2,739)	(1,167)	-	-	-	\$16.71
Total	370	59,858,142	9,152,347	15.3%	1,256,900	2.1%	10,409,247	17.4%	16.7%	32,022	31,200	541,318	541,318	2,699,734	\$22.70
SUBURBAN															
CENTRAL PERIMETER															
A	77	19,220,950	3,008,091	15.7%	501,209	2.6%	3,509,300	18.3%	18.5%	45,602	(89,884)	-	-	-	\$22.07
B	129	7,734,479	1,336,412	17.3%	221,438	2.9%	1,557,850	20.1%	16.8%	(260,497)	(253,171)	-	-	-	\$18.62
C	59	1,474,492	374,990	25.4%	-	-	374,990	25.4%	24.4%	(14,982)	(53,611)	-	-	-	\$13.28
Total	265	28,429,921	4,719,493	16.6%	722,647	2.5%	5,442,140	19.1%	18.3%	(229,877)	(396,666)	-	-	-	\$20.80
NORTH FULTON															
A	99	13,868,305	2,060,998	14.9%	388,749	2.8%	2,449,747	17.7%	16.7%	(48,618)	123,659	100,000	100,000	-	\$19.92
B	210	10,131,887	1,869,107	18.4%	154,245	1.5%	2,023,352	20.0%	20.2%	23,671	(142,290)	-	24,000	35,350	\$16.38
C	26	757,311	31,243	4.1%	-	-	31,243	4.1%	3.5%	(4,400)	(3,018)	-	-	-	\$16.65
Total	335	24,757,503	3,961,348	16.0%	542,994	2.2%	4,504,342	18.2%	17.7%	(29,347)	(21,649)	100,000	124,000	35,350	\$18.25
NORTHWEST ATLANTA															
A	69	15,161,333	2,150,781	14.2%	438,583	2.9%	2,589,364	17.1%	16.7%	(52,370)	(44,619)	-	57,942	109,060	\$21.49
B	302	14,897,970	2,968,211	19.9%	148,059	1.0%	3,116,270	20.9%	20.5%	(25,276)	(108,175)	40,224	63,724	34,650	\$17.43
C	53	1,739,354	195,140	11.2%	-	-	195,140	11.2%	12.3%	18,695	28,961	-	-	-	\$14.74
Total	424	31,798,657	5,314,132	16.7%	586,642	1.8%	5,900,774	18.6%	18.3%	(58,951)	(123,833)	40,224	121,666	143,710	\$19.20
NORTHEAST ATLANTA															
A	59	6,386,226	1,142,110	17.9%	150,662	2.4%	1,292,772	20.2%	19.6%	(38,979)	41,144	-	-	108,700	\$20.05
B	280	11,265,686	2,177,858	19.3%	132,955	1.2%	2,310,813	20.5%	20.6%	9,911	(30,399)	-	-	-	\$16.34
C	32	764,912	94,762	12.4%	-	-	94,762	12.4%	12.0%	(2,845)	(233)	-	-	-	\$14.31
Total	371	18,416,824	3,414,730	18.5%	283,617	1.5%	3,698,347	20.1%	19.9%	(31,913)	10,512	-	-	108,700	\$17.69
NORTHLAKE															
A	14	1,792,854	190,312	10.6%	20,138	1.1%	210,450	11.7%	12.3%	10,186	5,864	-	-	-	\$20.36
B	280	14,328,934	1,671,730	11.7%	59,737	0.4%	1,731,467	12.1%	10.2%	(212,395)	(151,390)	62,400	102,800	17,839	\$17.72
C	91	3,062,539	383,678	12.5%	-	-	383,678	12.5%	10.7%	(55,296)	(57,514)	-	-	-	\$16.01
Total	385	19,184,327	2,245,720	11.7%	79,875	0.4%	2,325,595	12.1%	10.5%	(257,505)	(203,040)	62,400	102,800	17,839	\$17.77
SOUTH ATLANTA															
A	18	1,146,428	371,448	32.4%	52,732	4.6%	424,180	37.0%	43.4%	144,692	199,637	125,992	209,951	188,396	\$23.35
B	173	7,448,126	1,029,926	13.8%	14,580	0.2%	1,044,506	14.0%	13.9%	5,651	51,899	15,000	15,000	-	\$17.88
C	45	1,403,661	322,591	23.0%	3,150	0.2%	325,741	23.2%	23.1%	(848)	8,999	-	-	-	\$13.71
Total	236	9,998,215	1,723,965	17.2%	70,462	0.7%	1,794,427	17.9%	18.3%	149,495	260,535	140,992	224,951	188,396	\$18.89
WEST ATLANTA															
A	1	71,500	5,580	7.8%	-	-	5,580	7.8%	7.8%	-	10	-	-	-	\$25.34
B	29	1,228,593	138,529	11.3%	7,161	0.6%	145,690	11.9%	14.1%	27,564	59,366	-	-	-	\$19.29
C	18	1,472,551	673,667	45.7%	-	-	673,667	45.7%	46.4%	9,649	14,840	-	-	-	\$13.17
Total	48	2,772,644	817,776	29.5%	7,161	0.3%	824,937	29.8%	31.1%	37,213	74,216	-	-	-	\$16.21
SUBURBAN TOTAL															
A	337	57,647,596	8,929,320	15.5%	1,552,073	2.7%	10,481,393	18.2%	18.0%	60,513	235,811	225,992	367,893	406,156	\$21.21
B	1,403	67,035,675	11,191,773	16.7%	738,175	1.7%	11,929,948	17.8%	17.0%	(431,371)	(574,160)	117,624	205,524	87,839	\$17.67
C	324	10,674,820	2,076,071	19.4%	3,150	1.9%	2,079,221	19.5%	19.0%	(50,027)	(61,576)	-	-	-	\$14.55
Total	2,064	135,358,091	22,197,164	16.4%	2,293,398	1.7%	24,490,562	18.1%	17.6%	(420,885)	(399,925)	343,616	573,417	493,995	\$18.40
ATLANTA MARKET GRAND TOTAL															
A	437	96,996,273	15,466,199	15.9%	2,715,780	2.8%	18,181,979	18.7%	18.3%	223,095	403,051	767,310	909,211	3,105,890	\$22.45
B	1,565	83,211,988	13,217,406	15.9%	823,189	1.0%	14,040,595	16.9%	16.1%	(559,192)	(709,033)	117,624	205,524	87,839	\$17.49
C	432	15,007,972	2,665,906	17.8%	11,329	0.1%	2,677,235	17.8%	17.8%	(52,766)	(62,743)	-	-	-	\$14.51
Total	2,434	195,216,233	31,349,511	16.1%	3,550,298	1.8%	34,899,809	17.9%	17.3%	(388,863)	(368,725)	884,934	1,114,735	3,193,729	\$20.21

QUARTERLY COMPARISON AND TOTALS

Q2-09	2,434	195,216,233	31,349,511	16.1%	3,550,298	1.8%	34,899,809	17.9%	17.2%	(388,863)	(368,725)	884,934	1,114,735	3,193,729	\$20.21
Q1-09	2,426	194,331,299	30,005,055	15.4%	3,339,589	1.7%	33,344,644	17.2%	17.0%	20,138	20,138	229,801	229,801	3,949,824	\$20.67
Q4-08	2,416	194,101,498	29,749,516	15.3%	3,277,073	1.7%	33,026,589	17.0%	16.5%	78,022	298,652	1,187,434	3,564,788	4,137,625	\$20.95
Q3-08	2,400	192,914,064	28,878,863	15.0%	3,038,314	1.6%	31,917,177	16.5%	16.3%	(71,637)	220,630	429,399	2,377,354	5,173,163	\$21.01
Q2-08	2,395	192,484,665	28,609,356	14.9%	2,806,785	1.5%	31,416,141	16.3%	16.0%	590,426	292,267	1,478,160	1,947,955	5,387,862	\$21.04

NOTE: STATISTICAL SET INCLUDES OFFICE PROPERTIES 15,000 SF AND UP, EXCLUDING SINGLE-TENANT OWNER-OCCUPIED. WHILE CoSTAR ATTEMPTS TO PROVIDE THE MOST ACCURATE DATA AT THE END OF EVERY QUARTER, REVISIONS ARE MADE THROUGHOUT THE YEAR ACCOUNTING FOR DISCREPANCIES IN PAST REPORTING.

SOURCE: CoSTAR PROPERTY

Construction

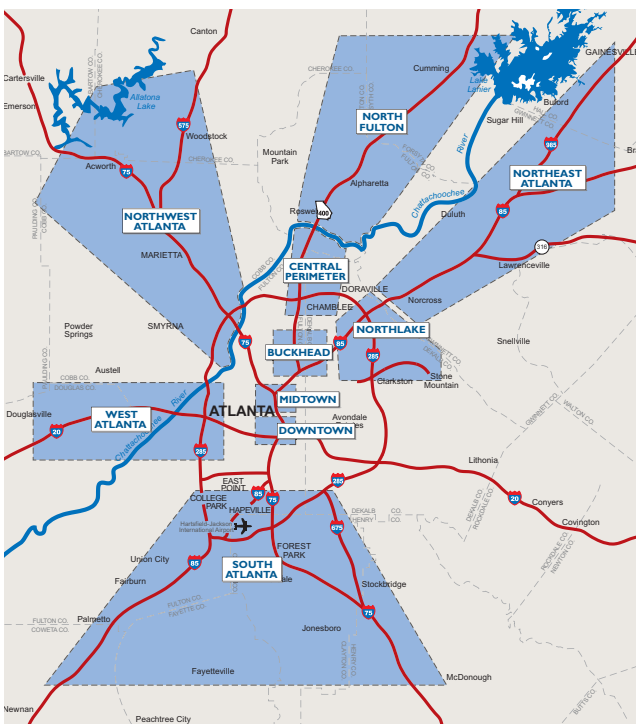
- The amount of office space under construction fell as a result of 884,934 SF delivering in second quarter. The most notable delivery was 271 17th Street in Midtown, the third office tower at Atlantic Station.
- Anticipation is mounting for third quarter when 1.8 million square feet of office space is expected to deliver.

Rental Rates

- Buckhead and Midtown have seen the largest drops in their average rental rates over the past year. The downwards trend is daunting to developers currently building high-priced trophy towers.
- Concessions for leasing office space are averaging a month and a half free rent per year of term and \$27/sf in TI allowance.

CONSTRUCTION ACTIVITY (100,000 SF+)

PROPERTY	SUBMARKET	SIZE (SF)	DELIVERY DATE
1) 1075 Peachtree	Midtown	719,003	January 2010
2) Terminus 200	Buckhead	564,945	August 2009
3) Two Alliance Center	Buckhead	493,201	July 2009
4) Phipps Tower	Buckhead	486,000	March 2010
5) 3630 Peachtree	Buckhead	436,585	July 2009
6) Gateway Center I	South Atlanta	128,396	August 2009
7) One Sugarloaf Centre	Northeast Atlanta	108,700	September 2009



OFFICE SUBMARKETS

The Atlanta Office market consists of nine office submarkets. They include the urban submarkets of Downtown, Midtown and Buckhead, and the suburban submarkets of Central Perimeter, North Fulton, Northwest Atlanta, Northlake, Northeast Atlanta, Northlake, South Atlanta and West Atlanta. The major interstates in the region include: I-75, I-85, I-285, I-575, I-985, I-675 and I-20. Georgia 400 and US 316 play important roles to Atlanta's transportation system as well.



294 OFFICES IN 61 COUNTRIES
ON 6 CONTINENTS

USA 94
Canada 22
Latin America 17
Asia Pacific 64
EMEA 97

\$48.1 billion in annual transaction volume

1.1 billion square feet under management

12,749 Professionals

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