

# Atlanta, Georgia

Tenant's Guide ■ North American Markets ■ Second Quarter 2010

## Overview

Metro Atlanta's unemployment rate continued its climb to 9.9% at the end of the second quarter, with more than 262,500 unemployed workers. The State of Georgia's unemployment rate stood at 10.2%, higher than the national average of 9.7%. It is the 32nd month that Georgia's rate has exceeded the national unemployment rate.

With little job growth, Atlanta experienced negative net absorption of more than 150,000 SF year-to-date, with overall vacancy rates continuing to top 20%. While the widespread layoffs that affected Atlanta's financial, retail, and housing employers have slowed, and speculative office construction has stopped, new job creation that is needed for an economic recovery is not on the horizon.

## Market Trends

- The overall Metro Atlanta market experienced negative absorption for the second quarter, but certain submarkets fared better, with Central Perimeter, Downtown, and Cumberland/Galleria recording positive net absorption.
- Rental rates in the Metro Atlanta market continue to decline across both class A and B office space, with vacancy rates at 20% in most submarkets and as high as 24% in Buckhead.
- For the first time in many years, there is no speculative office space under construction in Atlanta.
- Nationwide, the delinquency rate for commercial real estate loans has risen to more than eight percent, compared to 2.7% a year earlier. With more than 226 CMBS loans in special servicing, Metro Atlanta has more troubled loans than any other U.S. city.

## Tenant's Perspective

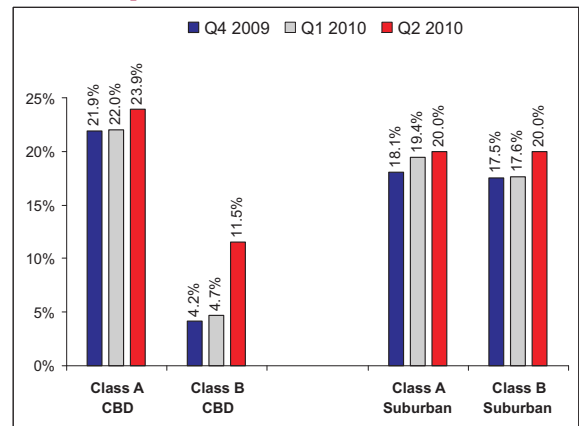
Atlanta continues to be a tenant's market, with landlords increasingly offering reduced rental rates, as well as other concessions like free parking, increased tenant improvement allowances, and free rent. CresaPartners advisors monitor the concessions offered by various landlords and research the leasing activity in buildings to provide clients with strategies that facilitate reduction of rental expenses.

In the past, landlords normally requested that tenants provide their financial statements during lease negotiations. Now, with more landlords defaulting on building loans, tenants need to fully understand the financial condition of landlords to insure that tenant improvement allowances will be funded and that routine maintenance and services will continue in the future. CresaPartners advisors keep an eye on the debt and financial performance of building owners to make sure that our tenants are protected.

## Major Transactions

Tenant/Buyer	Size	Type	Lease/Sale
Greenberg Traurig	110,329	Office	Lease
GE Digital Energy	106,638	Office	Lease
Novelis, Inc.	100,178	Office	Lease
Seyfarth Shaw	83,000	Office	Lease
Hawkins & Parnell	71,000	Office	Lease
Wells Fargo Insurance	57,704	Office	Lease
BellSouth Telecom (AT&T Inc)	56,000	Office	Lease
Northwestern Mutual	50,000	Office	Lease
Sony Ericsson	48,907	Office	Lease
SAIA	44,932	Office	Lease

## Vacancy Rate



## Average Rental Rates

CBD	Q4 2009	Q1 2010	Q2 2010
Class A Office	\$20.01	\$20.00	\$19.39
Class B Office	\$16.08	\$16.24	\$15.80

Suburban	Q4 2009	Q1 2010	Q2 2010
Class A Office	\$22.21	\$22.04	\$20.41
Class B Office	\$16.88	\$16.67	\$15.92

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