

LEAD STORY

ATLANTA ENDED ITS DOWNER YEAR STILL IN THE BLACK IN TERMS OF OFFICE ABSORPTION

That's the good news.

The question mark, of course, comes in deciphering the tea leaves for 2009. The prevailing sentiment among most professionals is office landlords will have a tough year in 2009. Activity is way down across the board. Tenants are taking longer to make real estate and capital decisions. Requests by corporate executives to expand space is nearly non-existent in an environment that is economically toxic for most businesses.

absorption last year. From 2005 to 2007, the average gross amount of space absorbed per quarter was 4.4 million square feet, which netted about 873,000 square feet in positive absorption per quarter during that same period. By the time 2008 limped in, gross absorption dropped slightly to 3.7 million square feet per quarter, but net absorption tanked to 85,800 square feet per quarter.

There are two reasons for this. First, as Ackerman & Co. warned last year, sublease is

of 3.3 million square feet of office space in the metro area – with only half leased up upon delivery. While all eyes are focused on Buckhead and the five new offices only one of those towers has actually delivered. The other four – encompassing some 2 million square feet of space – will enter the market officially this and next year.

As for this year though, a list of smaller office projects have entered the fray during this year, including nearly 1 million square feet of new office in North



Atlanta ended the year in positive territory. In a year that bounced around, metro office properties saw 343,200 square feet of positive absorption, 167,100 square feet in the fourth quarter alone.

What's interesting to note is how gross absorption disconnected from net

taking a toll among metro landlords. As the economy turned, many companies have been dumping unused space onto the market. In 2008, an average of towers on the rise there, 217,000 square feet of sublease office space became available per quarter, according to CoStar Group Inc.

The second effect is the delivery

Fulton County, 450,000 square feet in the Northwest/Cumberland/Galleria area and another 450,000 square feet in Central Perimeter.

In the end, all signs are pointing to a very weak 2009 for landlords – weakness though that can offer tenants very aggressive lease deals at choice properties.

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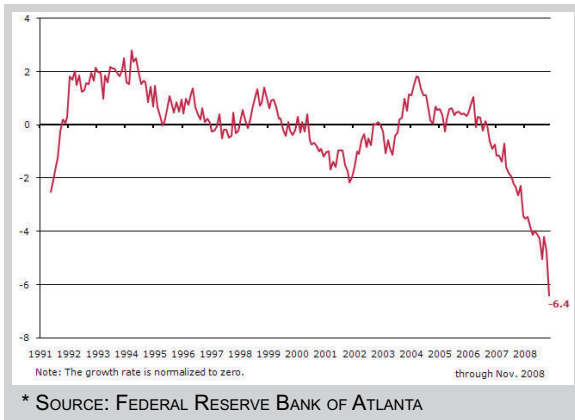
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ATLANTA ECONOMIC STATISTICS

- Aggregate Quarterly Personal Income in Georgia fell last year for the first time since the 1960's, according to the Bureau of Economic Statistics. Total personal income in the state fell \$2.5 billion between the second and third quarters of 2008, from \$332.6 billion to \$330.1 billion. But it may not be for the reasons you'd expect. Income derived from work continued to rise during that period, from \$262.2 billion to \$262.8 billion. The decline in income in the third quarter came after a second quarter of 2008 spike created from the last Bush stimulus package. According to BEA officials, that created an artificial spike that was destined to burn off and show a modest loss in personal aggregate income.
- Georgia's tax revenues are on a precipitous decline, according to the department of revenue. Net revenues collected in January were \$1.57 billion, down 14.3% from January of 2008. In December, revenues declined nearly 9% year-over-year, from \$1.49 billion to \$1.63 billion.
- The D6 Factor – a Federal Reserve Bank of Atlanta measure of economic conditions and trend estimate developed by the Fed focused on the 6th District that involves Georgia -- declined from -4.7 percent in October (on a year-over-year basis) to -6.4 percent in November, according to the Atlanta Fed. The decline is the largest on record, eclipsing the previous record drop that occurred in December 2007 (the start of the current U.S. recession), the Fed stated.



- Car and truck sales weakened throughout last year. Registration of new vehicles in Georgia and the rest of the Fed's sixth district plummeted 27.6% in October 2008 compared to October 2007, surpassing the national drop of 24.4%. Georgia and Florida tallied the sharpest declines in new sales, and vehicle sales groups reported tightening credit and rising unemployment as reasons for the drop.
- The Metro Chamber of Commerce reported that it helped to recruit 54 new companies to the area, producing 5,500 new jobs last year, a 10% increase from 2007. Some of those companies include the headquarters of Travelport in Cobb County with 400 jobs; the headquarters for Hoffman with 400 jobs; the corporate headquarters for DocuSys in Atlanta with 300 jobs; the North American operations consolidation for Berlin Atlantic Capital with 150 jobs in Fulton County; and the expansion and customer service headquarters for NCR in Fayette and Gwinnett counties with 900 jobs.

ACKERMAN OPENS INDUSTRIAL GATEWAY

Ackerman & Co. has made headway into Atlanta's industrial market.

The firm purchased Gateway Distribution, a two-building 410,000-square-foot distribution warehouse facility on Fulton Industrial Boulevard near the intersection of Fulton Industrial and Camp Creek Parkway. Ackerman Gateway LLC – a private investment group formed to purchase the property and managed by Ackerman & Co. – bought Gateway for \$6 million from a fund managed by ING Clarion.

Chris Riley, Brian Budnick and Frank Fallon with CB Richard Ellis Group Inc. in Atlanta brokered the transaction. Kate Sharp, Vice President, and Mike Martin, Senior Vice President, both with Ackerman, have been named to lease the property.

Gateway Distribution is 50 percent leased to Carolina Logistics Services and is directly served on the property by a CSX rail line.

“From an investment and ownership perspective, the industrial market, in our view, demonstrates real upside potential, particularly at current valuations. Ackerman is expected to penetrate this market further in the coming quarters,” said Kris Miller, President of Ackerman & Co.

Gateway also is a potential value-add investment by Ackerman, especially for a property directly served by a major railroad, Miller said.

This purchase represents a major transition for the full-service Atlanta-based commercial real estate company, which is one of the metro area's largest landlords, with 4 million square feet of office property owned.



INDUSTRIAL MARKET WEAKENS FURTHER BUT NEW DEVELOPMENT DRAW-BACK SHOULD HELP STRENGTHEN LANDLORDS

A dramatic fissure in Atlanta's industrial real estate market, coupled with unprecedented economic weakness, led to tremendous absorption losses last year for metro area warehouses and distribution centers.

But developers have been quick to plug up the development pipeline, which could bode well for existing landlords seeking to stabilize properties in the future.

Historically, Atlanta's industrial market has been a high-flyer. From 2005 to 2007, the market had absorbed some 3 million square feet of space. That, coupled with an abundance of capital available to real estate developers, prompted developers to build more than three times that amount of space during the same period.

This was a formula that rapidly turned absorption figures to the red. Last year alone, the market tallied 3 million square feet in negative net absorption -- 2.3 million in the last quarter alone, according to CoStar Group Inc.

But the deteriorating conditions have been matched by a pull-back in development. During the heady development period from 2005 to 2007, Atlanta developers added an average of 9.8 million square feet per quarter. Last year, that average dropped dramatically to 2.7 million square feet per quarter, with 872,000 square feet under construction in the last quarter alone.

Development is nearly nonexistent so far in 2009. Costar shows eight properties under construction, totaling 307,700 square feet -- 200,000 square feet of which is concentrated in Highwoods River Point IV.

FOR MORE INFORMATION ON SOME OF OUR FEATURED PROPERTIES, CHECK OUT:

WWW.9000CENTRALPARK.COM
WWW.JOHNSONSQUARE.NET
WWW.PERIMETERTOWNCENTER.NET
WWW.POWERSPOINTE.COM



CLIENT	PROPERTY	TYPE	SIZE	AGENT
LB Grey & Associates, LLC	Industrial	Sale	6,500 sf	Adam Butler/Kate Sharp
Nexant Inc.	Office	Lease	2,033 sf	Adam Butler/Ted Schwartz
Imal, Inc.	Industrial	Sale	4,200 sf	Angela Averett
Planet Motor Cards, LLC	Retail	Lease	2,400 sf	Angela Averett
All-Pro Flooring, Inc.	Industrial	Lease	2,400 sf	Brian Merman
DDS Staffing Resources, Inc.	Office	Renewal	5,220 sf	Bryant Cornett
Integral Properties	Land	Sale	0.09 ac	Bryant Cornett
Patient Satisfaction Plus, LLC	Office	Renewal	2,777 sf	Bryant Cornett/Josh Gregory
QOS, Inc.	Retail	Lease	3,001 sf	Chitra Subbarayan, CCIM
Renal CarePartners of Hapeville GA, LLC	Office	Lease	6,293 sf	Chitra Subbarayan, CCIM
Scholar's Academy	Office	Lease	15,000 sf	Chitra Subbarayan, CCIM
The Open Mind Center	Retail	Lease	6,200 sf	Chitra Subbarayan, CCIM
Psychological Resources	Office	Renewal	1,114 sf	Duke Doubleday
ESPN	Office	Lease	2,924 ac	Frank Farrell
PNC Bank NA	Office	Renewal	17,990 sf	Frank Farrell
Railsolve	Office	Renewal	6,410 sf	Frank Farrell
Symcor, Inc.	Office	Renewal	5,978 sf	Frank Farrell
John Oliver F. Briggs	Office	Renewal	1,199 sf	Frank Farrell/Ryan Goldstein, CCIM
Cbeyond Communications, LLC	Office	Renewal	3,323 sf	Gwen Wegman
Moore Stephens Tiller	Office	Renewal	4,995 sf	Gwen Wegman
Brand Licensing Team	Office	Lease	3,939 sf	Gwen Wegman/Frank Farrell
Gwinnett Daily Post	Industrial	Renewal	7,866 sf	Harris Tessler
Stephen C. Drilling	Industrial	Lease	7,800 sf	Howard Gleiter
Box & Wrap, LLC	Industrial	Lease	5,218 sf	Jason Powell
Georgia Humanities Council	Office	Renewal	2,848 sf	Jason Powell
Bekaert Corporation	Office	Renewal	15,204 sf	Jimmy Stevens
Simcraft Corporation	Industrial	Lease	6,000 sf	Jimmy Stevens
Embry-Riddle Aeronautical University, Inc.	Office	Lease	9,000 sf	Jimmy Stevens
United Community Banks	Office	Renewal	4,306 sf	Jimmy Stevens
Alaven Pharmaceutical, LLC	Office	Lease	21,194 sf	Jimmy Stevens/David Ellis
Supply Chain Imports, LLC	Industrial	Lease	12,800 sf	Jimmy Stevens/David Ellis
Flexible Solutions, Inc	Industrial	Lease	17,200 sf	Josh Gregory
Lock Doctor, Inc	Industrial	Lease	5,000 sf	Josh Gregory
Party City of Atlanta, Inc	Industrial	Renewal	13,918 sf	Josh Gregory
DeKalb Academy of Technology & The Environment, Inc.	Office	Lease	39,000 sf	Josh Gregory/Brian Merman
Giant Impact	Office	Sublease	8,000 sf	Matt Isenberg/Harris Tessler
Mosely Enterprises	Flex	Lease	9,724 sf	Mike Myrick, CCIM, Ginny King, CCIM, David Ellis
Five Star Plus, LLC	Industrial	Lease	14,600 sf	Mike Myrick, CCIM, Ginny King, CCIM, Hunter Carpenter
Consortium For Global Education	Office	Renewal	2,721 sf	Natalia Shvenke
Italian Auto Parts	Industrial	Lease	3,000 sf	Nathalie Besharat
Expert Personnel	Retail	Renewal	1,867 sf	Neil Steakley
Atlanta Oncology	Office	Sale	11,876 sf	Ryan Goldstein, CCIM
Recovery Specialists, Inc	Office	Lease	3,050 sf	Ryan Goldstein, CCIM
Prum	Office	Lease	4,923 sf	Ryan Goldstein, CCIM/John Postell, CCIM
Roswell 223, LLC	Office	Sale	14,918 sf	Ted Schwartz
VCG, LLC	Office	Renewal	11,219 sf	Ted Schwartz/Adam Butler
Ron Schaffman	Office	Sale	1,317 sf	Ted Schwartz/Matt Isenberg
Maverick Recruiters	Office	Lease	1,882 sf	Thomas Jackson

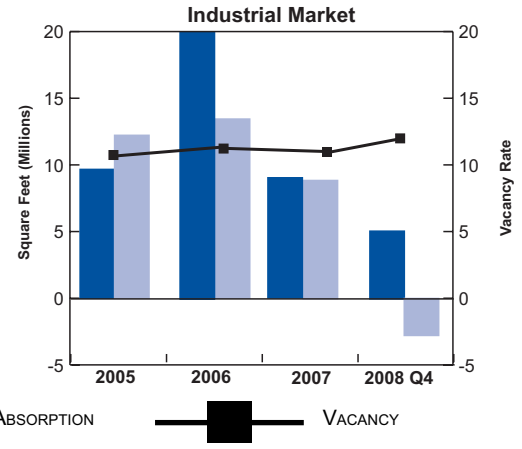
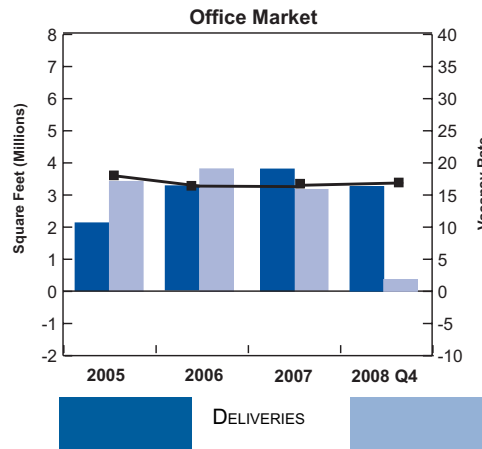
OFFICE MARKET

Total Inventory	190,732,242
Vacant Direct	28,981,854
Vacant Sublease	3,166,944
Total Vacancy Rate	16.9%
YTD Net Absorption	343,226
YTD Deliveries	3,316,813
Under Construction	4,194,100

INDUSTRIAL MARKET

Total Inventory	557,981,480
Vacant Direct	64,457,931
Vacant Sublease	2,832,551
Total Vacancy Rate	12.1%
YTD Net Absorption	(2,960,710)
YTD Deliveries	5,073,500
Under Construction	867,172

* SOURCE: CoSTAR GROUP
YEAR END 2008



An Atlanta specialist with a strong presence in the national marketplace, Ackerman & Co. is a full-service commercial real estate company dedicated to finding the right solutions to help grow your business. Headquartered in Atlanta since 1967, our expertise in four primary disciplines – brokerage, development, management and investment – enables us to quickly and effectively respond to our clients and create value through innovative real estate solutions. Through our membership in the CORE Network (www.corenetwork.org) and our national relationships, we also provide corporate services and advise our clients on solutions in other markets nationwide. For more information, please contact us at 770.913.3900 or visit www.ackermanco.net

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