



ANDERSON BAUMAN TOURTELLOT VOS

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Atlanta Commercial Real Estate: Five More Years to Recovery?

New Report Explores Effects of White House Mandate to Reduce Government Real Estate Costs

(Atlanta, GA) –The Atlanta office market freefall has slowed despite the fact that the office space vacancy rate for Atlanta’s metropolitan area is at 20.28%, a 20-year high. Hope of recovery for this market rests on one thing: jobs creation. However, there is a dark cloud hovering overhead that could significantly impact the Atlanta region’s ability to recover in the short term.

In May, the White House mandated reduction of real estate-related costs to the government across the country, and legislation has been introduced that would liquidate certain owned assets and consolidate or renegotiate leased assets.

The U.S. government owns or leases at least 8 million square feet of office space in the Atlanta region. With about 2.2 million square feet in leases expiring from 2011 through 2015, and the potential for the government to sell the owned property and lease it back at or below market rates, this legislation could have a significant impact on Atlanta’s office real estate market.

Excluding government-controlled space in the Washington, D.C. region, the state of Georgia contains the fifth largest amount of government real estate of the 56 states and territories. The impact of the governmental mandate to Georgia, and the Atlanta region, will be one of the highest in the country. The Atlanta “domino” could be one of the first, and the hardest, to fall.

These realities have been detailed in the just-published report, **Cloud on the Horizon: Government Debt Reduction and the Atlanta Commercial Real Estate Market**. Compiled by Anderson Bauman Tourtellot Vos, a leading turnaround management firm, the report is based on research conducted over the past two months.

According to John Connor, Principal of Anderson Bauman Tourtellot Vos, the government should sell a significant portion, if not all, of its owned portfolio to reduce costs and generate revenue. In addition, he said, the government should consolidate leases that are expiring in the next few years and consolidate the space that is leased into fewer buildings. The weak lease market makes it an opportune time to negotiate for office space.

“The government cannot continue to do business as usual and will be forced to take substantial measures to reduce debt, increase revenue, and cut costs,” said Connor. “If the government reduces its footprint in metro Atlanta by 25% over the next three years, it will take 1.2 million square feet of occupied space from the market. Any way you spin it, this will exert downward pressure on lease rates and further depress sale prices, likely pushing back recovery for up to five more years.”

The report can be downloaded at <http://abtv.com/commercialrealestatereport0711.pdf>.

For more information about this report, contact John Connor at 678-580-1180 or jconnor@abtv.com.

Anderson Bauman Tourtellot Vos, with offices in Greensboro, Charlotte, Atlanta, Jacksonville and Richmond, provides turnaround consulting, interim executive management, planning, fraud investigation and bankruptcy and liquidation services. www.abtv.com. 336-275-9110.

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