COUSINS PROPERTIES INC
Form 10-K
February 26, 2008

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UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-K

þ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)**
OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2007

or

o **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)**
OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to

Commission file number 0-3576

COUSINS PROPERTIES INCORPORATED
(Exact name of registrant as specified in its charter)

Georgia *(State or other jurisdiction of incorporation or organization)*	**58-0869052** *(I.R.S. Employer Identification No.)*
191 Peachtree Street NE, Suite 3600, Atlanta, Georgia *(Address of principal executive offices)*	**30303-1740** *(Zip Code)*

(404) 407-1000
(Registrant s telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	**Name of Exchange on Which Registered**
Common Stock ($1 par value)	New York Stock Exchange
7.75% Series A Cumulative Redeemable Preferred Stock ($1 par value)	New York Stock Exchange
7.50% Series B Cumulative Redeemable Preferred Stock ($1 par value)	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:
None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes þ No o

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes o No þ

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes þ No o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer þ	Accelerated filer o	Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No þ

As of June 30, 2007, the aggregate market value of the common stock of Cousins Properties Incorporated held by non-affiliates was $1,458,252,661 based on the closing sales price as reported on the New York Stock Exchange. As of February 20, 2008, 51,279,158 shares of common stock were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant s proxy statement for the annual stockholders meeting to be held on May 6, 2008 are incorporated by reference into Part III of this Form 10-K.

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FORWARD-LOOKING STATEMENTS

Certain matters contained in this report are forward-looking statements within the meaning of the federal securities laws and are subject to uncertainties and risks. These include, but are not limited to, general and local economic conditions, local real estate conditions (including the overall condition of the residential markets), the activity of others developing competitive projects, the risks associated with development projects (such as delay, cost overruns and leasing/sales risk of new properties), the cyclical nature of the real estate industry, the financial condition of existing tenants, interest rates, the Company s ability to obtain favorable financing or zoning, environmental matters, the effects of terrorism, the ability of the Company to close properties under contract and other risks detailed from time to time in the Company s filings with the Securities and Exchange Commission, including the risks identified in Part I, Item 1A of this report on Form 10-K. The words believes, expects, anticipates, estimates and similar expressions are intended to identify forward-looking statements. Although the Company believes that its plans, intentions and expectations reflected in any forward-looking statements are reasonable, the Company can give no assurance that such plans, intentions or expectations will be achieved. Such forward-looking statements are based on current expectations and speak as of the date of such statements. The Company undertakes no obligation to publicly update or revise any forward-looking statement, whether as a result of future events, new information or otherwise.

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PART I

Item 1. Business

Corporate Profile

Cousins Properties Incorporated (the Registrant or Cousins) is a Georgia corporation, which, since 1987, has elected to be taxed as a real estate investment trust (REIT). Cousins Real Estate Corporation and its subsidiaries (CREC) is a taxable entity wholly-owned by the Registrant and is consolidated with the Registrant. CREC owns, develops, and manages its own real estate portfolio and performs certain real estate related services for other parties. The Registrant and CREC combined are hereafter referred to as the Company. The Company has been a public company since 1962, and its common stock trades on the New York Stock Exchange under the symbol CUZ.

The Company s strategy is to produce strong stockholder returns by creating value through the acquisition, development and redevelopment of high quality, well-located office, multi-family, retail, industrial, and residential properties. The Company has developed substantially all of the income producing real estate assets it owns and operates. A key element in the Company s strategy is to actively manage its portfolio of investment properties and, at the appropriate times, to engage in timely and strategic dispositions either by sale or through contributions to ventures in which the Company retains an ownership interest. These transactions seek to maximize the value of the assets the Company has created, generate capital for additional development properties and return a portion of the value created to stockholders.

Unless otherwise indicated, the notes referenced in the discussion below are the Notes to Consolidated Financial Statements included in this Annual Report on Form 10-K on pages F-7 through F-45.

The Company conducts its business through four divisions: Office/Multi-Family, Retail, Industrial and Land. For a description and list of the Company s properties, see the Item 2 tables in the report herein. The following is a summary of the strategy and 2007 activity in each of its operating divisions:

Business Description and Significant Changes in 2007

Office/Multi-Family Division

The strategy of the Office/Multi-Family Division is to create value through (1) the development and asset management of Class A office projects with particular focus in Atlanta, Austin, Dallas, Charlotte, and Birmingham; (2) the development and sale of multi-family projects in urban locations in the Southeastern United States targeted to buyers with generally higher income and less sensitivity to interest rates; and (3) the management and leasing of office properties owned by third parties. In addition to traditional office/multi-family projects, the Office/Multi-Family Division is engaged in the development of mixed use projects that contain multiple product types in communities where individuals live, work and seek entertainment.

As of December 31, 2007, the Office/Multi-Family Division owned directly or through joint ventures 19 operating office properties totaling 4.9 million rentable square feet, and eight projects under active development or redevelopment, five of which are office buildings and three of which are multi-family projects.

Significant activity within the Office/Multi-Family Division in 2007 was as follows:

Increased percentage leased of Terminus 100, a 656,000 square foot office building which opened in April 2007, from 64% at December 31, 2006 to 93% at December 31, 2007.

Substantially completed construction of 50 Biscayne, a condominium project in Miami, Florida, and closed the sales of 280 units in the fourth quarter of 2007.

Executed a 284,000 square foot lease with the Georgia Department of Transportation at One Georgia Center.

Sold 3301 Windy Ridge Parkway, a 107,000 square office building in suburban Atlanta, Georgia for a gain of approximately $9.9 million.

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Began construction of 10 Terminus Place, a 32-story, 137-unit condominium tower in Atlanta, Georgia.

Began construction of Terminus 200, a 565,000 square foot office building in Atlanta, Georgia, which was contributed to a joint venture with an affiliate of Prudential Real Estate Investors (Prudential) in December 2007.

Through a joint venture, began construction of Glenmore Garden Villas, a 71-unit townhome project in Charlotte, North Carolina.

Increased percentage leased of 191 Peachtree Tower from 60% at December 31, 2006 to 75% at December 31, 2007.

Retail Division

The strategy of the Retail Division is to create value through the development and management of retail shopping centers, including Avenue® concept lifestyle centers and power centers. The Retail Division focuses its efforts in demographically favorable markets in the Sunbelt with a particular emphasis on Georgia, Tennessee, the Carolinas, Texas, Northern Virginia and Florida. In addition, the Retail Division is partnering with other divisions for mixed-use developments such as the Terminus project in the Buckhead district of Atlanta.

As of December 31, 2007, the Company owned directly or through joint ventures eleven operating retail properties totaling 3.2 million rentable square feet and had three projects and one expansion under active development, the Company s share of which totaled 1.6 million square feet.

Significant activity within the Retail Division in 2007 was as follows:

Commenced operations of Phases I and II of The Avenue Murfreesboro, an open-air retail center in suburban Nashville, Tennessee, which is anticipated to be 810,000 square feet upon completion.

Commenced construction of The Avenue Forsyth, a 527,000 square foot open-air retail center in suburban Atlanta.

Commenced construction of Tiffany Springs MarketCenter, a 585,000 square foot power center in Kansas City, Missouri, of which the Company owns 247,000 square feet.

Sold five ground leased outparcels at its North Point property for $10.1 million.

Sold 41 acres of land adjacent to The Avenue Carriage Crossing in metropolitan Memphis, Tennessee for $11.7 million.

Received an additional contribution in 2007 of approximately $20 million related to the 2006 formation of the retail venture with Prudential.

Industrial Division

The strategy of the Industrial Division is to create value through the development of institutional quality warehouse and distribution properties. The Industrial Division initially focused its efforts on the metropolitan Atlanta area. In 2006, it expanded into the Dallas market with a joint venture partner. Over time, the Industrial Division expects to expand beyond the Atlanta and Dallas market areas to North Carolina and Florida.

As of December 31, 2007, the Company owned through joint ventures one operating industrial property built in two phases totaling 796,000 rentable square feet and two projects under active development totaling 1.2 million square feet.

Significant activity within the Industrial Division in 2007 was as follows:

Commenced operations at the first building at Lakeside Ranch Business Park, a 749,000 square foot building partially leased to HD Supply.

Acquired a 47-acre industrial tract in Lancaster, Texas with a joint venture partner for a future potential industrial development.

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Sold 18 acres of land at Jefferson Mill Business Park.

Selected as a member of the master developer team for the Ft. Gillem redevelopment project in suburban Atlanta, Georgia.

Land Division

The strategy of the Land Division is to create value through the acquisition and entitlement of land, as well as the development and sale of residential lots. In addition, the Land Division acquires and sells certain undeveloped tracts of land to third parties that are generally adjacent to or a part of its residential lot developments. The Land Division conducts a large portion of its business through partnerships, mainly with Forestar Realty Inc. (formerly a subsidiary of Temple-Inland). This alliance has allowed the Company to share in the capital invested in individual projects and to share resources and expertise in the development and sale of residential lots and land tracts.

As of December 31, 2007, the Company had 24 residential communities under development or held for future development owned directly or through joint ventures in which 10,496 lots remain to be developed and/or sold. In addition, the Company or its joint ventures had approximately 9,000 acres of undeveloped land, which could be utilized for development or sold.

Significant activity within the Land Division in 2007 was as follows:

Commenced lot sales at Blalock Lakes, a 3,000-acre residential community in Coweta County, Georgia, which includes private hunting, equestrian, fishing, swim and tennis facilities in a controlled access community.

Sold 486 residential lots, either directly or through joint ventures.

Sold 148 acres of land tracts, either directly or through joint ventures.

Financing Activities

The Company s financing strategy is to provide capital to fund its development activities while maintaining a relatively conservative debt level and managing the Company s size to make the value created from its development activities more accretive to its common stockholders. Historically, the Company has accomplished this strategy by raising capital through bank lines of credit, construction and permanent loans secured by its properties, sale of mature assets, contribution of assets into joint ventures, and the issuance of preferred stock.

During 2007, the Company had the following financing activities:

Recast the credit facility, resulting in $100 million in additional capacity, a reduction in the interest rate spread over LIBOR and additional flexibility in certain financial covenants.

Closed a $100 million unsecured term facility.

Entered into an interest rate swap agreement to fix the underlying LIBOR rate in the term facility at 5.01%.

Terminated and paid in full the $100 million construction facility.

Closed a $136 million mortgage note payable, secured by The American Cancer Society Center (The ACS Center,   formerly the Inforum).

Closed a $180 million mortgage note payable, secured by Terminus 100.

Closed an $83 million mortgage note payable, secured by San Jose MarketCenter.

Closed a $138 million construction loan for construction of the Terminus 200 office building owned by the newly formed Prudential venture.

Refinanced and increased to $25 million the mortgage note payable for the 100 and 200 North Point Center East office buildings.

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Environmental Matters

The Company s business operations are subject to various federal, state and local environmental laws and regulations governing land, water and wetlands resources. Among these are certain laws and regulations under which an owner or operator of real estate could become liable for the costs of removal or remediation of certain hazardous or toxic substances present on or in such property. Such laws often impose liability without regard to whether the owner knew of, or was responsible for, the presence of such hazardous or toxic substances. The presence of such substances, or the failure to properly remediate such substances, may subject the owner to substantial liability and may adversely affect the owner s ability to develop the property or to borrow using such real estate as collateral. The Company typically manages this potential liability through performance of Phase I Environmental Site Assessments and, as necessary, Phase II environmental sampling, on properties it acquires or develops, although no assurance can be given that environmental liabilities do not exist, that the reports revealed all environmental liabilities or that no prior owner created any material environmental condition not known to the Company. The Company has also sought to avail itself of legal and regulatory protections offered by federal and state authorities to prospective purchasers of property. Where applicable studies have resulted in the determination that remediation was required by applicable law, the necessary remediation is typically incorporated into the development activity of the relevant property. Compliance with other applicable environmental laws and regulations is similarly incorporated into the redevelopment plans for the property. The Company is not aware of any environmental liability that the Company s management believes would have a material adverse effect on the Company s business, assets or results of operations.

Certain environmental laws impose liability on a previous owner of property to the extent that hazardous or toxic substances were present during the prior ownership period. A transfer of the property does not necessarily relieve an owner of such liability. Thus, although the Company is not aware of any such situation, the Company may be liable in respect to properties previously sold.

The Company believes that it and its properties are in compliance in all material respects with all applicable federal, state and local laws, ordinances and regulations governing the environment.

Competition

The Company offers a range of real estate products, most of which are located in developed markets that include other real estate products of the same type. The Company competes with other real estate owners with similar properties located in its markets, and distinguishes itself to tenants/buyers primarily on the basis of location, rental rates/sales prices, services provided, reputation and the design and condition of the facilities. The Company also competes with other real estate companies, financial institutions, pension funds, partnerships, individual investors and others when attempting to acquire and develop properties.

Executive Offices; Employees

The Registrant s executive offices are located at 191 Peachtree Street, Suite 3600, Atlanta, Georgia 30303-1740. At December 31, 2007, the Company employed 470 people.

Available Information

The Company makes available free of charge on the Investor Relations page of its Web site, www.cousinsproperties.com, its filed and furnished reports on Forms 10-K, 10-Q and 8-K, and all amendments thereto, as soon as reasonably practicable after the reports are filed with or furnished to the Securities and Exchange Commission (the SEC).

The Company s Corporate Governance Guidelines, Director Independence Standards, Code of Business Conduct and Ethics, and the Charters of the Audit Committee and the Compensation, Succession, Nominating and Governance Committee of the Board of Directors are also available on the Investor Relations page of the Company s Web site. The information contained on the Company s Web site is not incorporated herein by reference.

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Copies of these documents (without exhibits, when applicable) are also available free of charge upon request to the Company at 191 Peachtree Street, Suite 3600, Atlanta, Georgia 30303-1740, Attention: Investor Relations. Investor Relations may also be reached by telephone at (404) 407-1000 or by facsimile at (404) 407-1002.

In addition, the SEC maintains an internet Web site that contains reports, proxy and information statements, and other information regarding issuers, including the Company, that file electronically with the SEC at www.sec.gov.

Item 1A. Risk Factors

Set forth below are the risks we believe investors should consider carefully in evaluating an investment in the securities of Cousins Properties Incorporated.

General Real Estate Operating Risks

Our ownership of commercial real estate involves a number of risks, including general economic and market risks, leasing risk, uninsured losses and condemnation costs, environmental issues, joint venture structure risk and regional concentration of properties, the effects of which could adversely affect our business.

General economic and market risks. Our assets may not generate income sufficient to pay our expenses, service debt or maintain our properties, and, as a result, our results of operations may be adversely affected and we may need to reduce or eliminate our dividend in future periods. Several factors may adversely affect the economic performance and value of our properties. These factors include, among other things:

- changes in the national, regional and local economic climate;
- local conditions such as an oversupply of properties or a reduction in demand for properties;
- the attractiveness of our properties to tenants or buyers;
- competition from other available properties;
- changes in market rental rates; and
- the need to periodically repair, renovate and re-lease space.

Our performance also depends on our ability to collect rent from tenants and to pay for adequate maintenance, insurance and other operating costs (including real estate taxes), which could increase over time. Also, the expenses of owning and operating a property are not necessarily reduced when circumstances such as market factors and competition cause a reduction in income from the property. If a property is mortgaged and we are unable to meet the mortgage payments, the lender could foreclose on the mortgage and take title to the property. In addition, interest rate levels, the availability of financing, changes in laws and governmental regulations (including those governing usage, zoning and taxes) and financial distress or bankruptcies of tenants may adversely affect our financial condition.

Leasing risk. Our operating revenues are dependent upon entering into leases with and collecting rents from tenants. National, regional and local economic conditions may adversely impact tenants and potential tenants in the various marketplaces in which projects are located and, accordingly, could affect their ability to pay rents and possibly to occupy their space. Tenants sometimes experience bankruptcies and, pursuant to the various bankruptcy laws, leases may be rejected and thereby terminated. When leases expire or are terminated, replacement tenants may or may not be available upon acceptable terms and conditions. In addition, our cash flows and results of operations could be adversely impacted if existing leases expire or are terminated and, at such time, market rental rates are lower than the previous contractual rental rates. Also, our cash flow and results of operations could be adversely impacted by co-tenancy requirements in certain of our leases with retail tenants. A co-tenancy provision may condition the tenant s obligation to open, the amount of rent payable or the tenant s obligation to continue occupancy on the presence of another tenant in the project or on minimum occupancy levels in the project. In certain situations, a tenant could have the right to terminate a lease early if a co-tenancy condition remains unsatisfied. As a result, our results from operations and our ability to pay dividends would be adversely affected if a significant

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number of our tenants fail to pay their rent due to bankruptcy, weakened financial condition, failure to satisfy co-tenancy provisions or otherwise.

Uninsured losses and condemnation costs. Accidents, earthquakes, terrorism incidents and other losses at our properties could materially adversely affect our operating results. Casualties may occur that significantly damage an operating property, and insurance proceeds may be materially less than the total loss incurred by us. Although we maintain casualty insurance under policies we believe to be adequate and appropriate, some types of losses, such as lease and other contract claims, generally are not insured. Certain types of insurance may not be available or may be available on terms that could result in large uninsured losses. We own property in California and other locations where property is potentially subject to damage from earthquakes, as well as other natural catastrophes. We also own property that could be subject to loss due to terrorism incidents. The earthquake insurance and terrorism insurance markets, in particular, tend to be volatile and the availability and pricing of insurance to cover losses from earthquakes and terrorism incidents may be unfavorable from time to time. In addition, earthquakes and terrorism incidents could result in a significant loss that is uninsured due to the high level of deductibles or damage in excess of levels of coverage. Property ownership also involves potential liability to third parties for such matters as personal injuries occurring on the property. Such losses may not be fully insured. In addition to uninsured losses, various government authorities may condemn all or parts of operating properties. Such condemnations could adversely affect the viability of such projects.

Environmental issues. Environmental issues that arise at our properties could have an adverse effect on our financial condition and results of operations. Federal, state and local laws and regulations relating to the protection of the environment may require a current or previous owner or operator of real estate to investigate and clean up hazardous or toxic substances or petroleum product releases at a property. If determined to be liable, the owner or operator may have to pay a governmental entity or third parties for property damage and for investigation and clean-up costs incurred by such parties in connection with the contamination, or perform such investigation and clean-up itself. Although certain legal protections may be available to prospective purchasers of property, these laws typically impose clean-up responsibility and liability without regard to whether the owner or operator knew of or caused the presence of the regulated substances. Even if more than one person may have been responsible for the release of regulated substances at the property, each person covered by the environmental laws may be held responsible for all of the clean-up costs incurred. In addition, third parties may sue the owner or operator of a site for damages and costs resulting from regulated substances emanating from that site. We are not currently aware of any environmental liabilities at locations that we believe could have a material adverse effect on our business, assets, financial condition or results of operations. Unidentified environmental liabilities could arise, however, and could have an adverse effect on our financial condition and results of operations.

Joint venture structure risks. Our venture partners have rights to take some actions over which we have no control, or the right to withhold approval of actions that we propose, either of which could adversely affect our interests in the related joint ventures and in some cases our overall financial condition or results of operations. We have interests in a number of joint ventures (including partnerships and limited liability companies) and may in the future conduct our business through such structures. These structures involve participation by other parties whose interests and rights may not be the same as ours. For example, a venture partner might have economic and/or other business interests or goals which are unlike or incompatible with our business interests or goals and those venture partners may be in a position to take action contrary to our interests, including maintaining our REIT status. In addition, such venture partners may become bankrupt and such proceedings could have an adverse impact on the operation of the partnership or joint venture. Furthermore, the success of a project may be dependent upon the expertise, business judgment, diligence and effectiveness of our venture partners in matters that are outside our control. Thus, the involvement of venture partners could adversely impact the development, operation and ownership of the underlying properties, including any disposition of such underlying properties.

Regional concentration of properties. Currently, a large percentage of our properties are located in metropolitan Atlanta, Georgia. In the future, there may continue to be significant concentrations in metropolitan Atlanta, Georgia and/or other markets. If there is deterioration in any market in which we have significant holdings, our interests could be adversely affected, including, without limitation, loss in value of properties, decreased cash flows and inability to make or maintain distributions to stockholders.

Compliance or failure to comply with the Americans with Disabilities Act or other safety regulations and requirements could result in substantial costs.

The Americans with Disabilities Act generally requires that certain public buildings be made accessible to disabled persons. Noncompliance could result in the imposition of fines by the federal government or the award of damages to private litigants. If, under the Americans with Disabilities Act, we are required to make substantial alterations and capital expenditures in one or more of our properties, including the removal of access barriers, it could adversely affect our financial condition and results of operations, as well as the amount of cash available for distribution to our stockholders.

Our properties are also subject to various federal, state and local regulatory requirements, such as state and local fire and life safety requirements. If we fail to comply with these requirements, we could incur fines or private damage awards. We do not know whether existing requirements will change or whether compliance with future requirements will require significant unanticipated expenditures that will affect our cash flow and results of operations.

Real Estate Development Risks

We face risks associated with the development of real estate, such as delay, cost overruns and the possibility that we are unable to lease a portion of the space that we build, which could adversely affect our results.

We generally undertake more commercial development activity relative to our size than most other public real estate companies. Development activities contain certain inherent risks. Although we seek to minimize risks from commercial development through various management controls and procedures, development risks cannot be eliminated. Some of the key factors affecting development of commercial property are as follows:

The availability of sufficient development opportunities. Absence of sufficient development opportunities could result in our experiencing slower growth in earnings and cash flows. Development opportunities are dependent upon a wide variety of factors. From time to time, availability of these opportunities can be volatile as a result of, among other things, economic conditions and product supply/demand characteristics in a particular market.

Abandoned predevelopment costs. The development process inherently requires that a large number of opportunities be pursued with only a few being developed and constructed. We may incur significant costs for predevelopment activity for projects that are abandoned that directly affect our results of operations. We have procedures and controls in place that are intended to minimize this risk, but it is likely that there will be predevelopment costs charged to expense on an ongoing basis.

Project costs. Construction and leasing of a project involves a variety of costs that cannot always be identified at the beginning of a project. Costs may arise that have not been anticipated or actual costs may exceed estimated costs. These additional costs can be significant and could adversely impact our return on a project and the expected results of operations upon completion of the project. Also, construction costs vary over time based upon many factors, including the demand for building materials. We attempt to mitigate the risk of unanticipated increases in construction costs on our development projects through guaranteed maximum price contracts and pre-ordering of certain materials, but we may be adversely affected by increased construction costs on our current and future projects.

Leasing risk. The success of a commercial real estate development project is dependent upon, among other factors, entering into leases with acceptable terms within a predefined lease-up period or selling units or lots at acceptable prices within an estimated period. Although our policy is to achieve pre-leasing/pre-sales goals (which vary by market, product type and circumstances) before committing to a project, it is likely only some percentage of the space in a project will be leased or sold at the time we commit to the project. If the space is not leased or sold on schedule and upon the expected terms and conditions, our returns, future earnings and results of operations from the project could be adversely impacted. Whether or not tenants are willing to enter into leases on the terms and conditions we project and on the timetable we expect, and whether sales will occur at the prices we anticipate and in the time period we plan, will depend upon a large variety of factors, many of which are outside our control. These factors may include:

- general business conditions in the economy or in the tenants or prospective tenants industries;
- supply and demand conditions for space in the marketplace; and
- level of competition in the marketplace.

Governmental approvals. All necessary zoning, land-use, building, occupancy and other required governmental permits and authorization may not be obtained or may not be obtained on a timely basis resulting in possible delays, decreased profitability and increased management time and attention.

Financing Risks

If interest rates or other market conditions for obtaining capital become unfavorable, we may be unable to raise capital needed to build our developments on a timely basis, or we may be forced to borrow money at higher interest rates or under adverse terms, which could adversely affect returns on our development projects, our cash flows and results of operations.

We finance our development projects through one or more of the following: our credit facility, bank term loans, permanent mortgages, proceeds from the sale of assets, secured and unsecured construction facilities, and joint venture equity. In addition, we have raised capital through the issuance of perpetual preferred stock to supplement our capital needs. Each of these sources may be constrained from time to time because of market conditions, and interest rates may be unfavorable at any given point in time. These sources of capital, and the risks associated with each, include the following:

Credit facilities. Terms and conditions available in the marketplace for credit facilities vary over time. We can provide no assurance that the amount we need from our credit facility will be available at any given time, or at all, or that the rates and fees charged by the lenders will be acceptable to us. We incur interest under our credit facility at a variable rate. Variable rate debt creates higher debt service requirements if market interest rates increase, which would adversely affect our cash flow and results of operations. Our credit facility contains customary restrictions, requirements and other limitations on our ability to incur indebtedness, including restrictions on total debt outstanding, restrictions on secured debt outstanding, requirements to maintain minimum debt service coverage ratios and minimum ratios of unencumbered assets to unsecured debt. Our continued ability to borrow under our credit facility is subject to compliance with our financial and other covenants. In addition, our failure to comply with such covenants could cause a default, and we may then be required to repay such debt with capital from other sources. Under those circumstances, other sources of capital may not be available to us or may be available only on unattractive terms.

Mortgage financing. The availability of financing in the mortgage markets varies from time to time depending on various conditions, including the willingness of mortgage lenders to lend at any given point in time. Interest rates may also be volatile, and we may from time to time elect not to proceed with mortgage financing due to unfavorable interest rates. This could adversely affect our ability to finance development activities. In addition, if a property is mortgaged to secure payment of indebtedness and we are unable to make the mortgage payments, the lender may foreclose, resulting in loss of income and asset value.

Property sales. Real estate markets tend to experience market cycles. Because of such cycles the potential terms and conditions of sales, including prices, may be unfavorable for extended periods of time. In addition, our status as a REIT limits our ability to sell properties and this may affect our ability to liquidate an investment without adversely affecting returns to our stockholders. These restrictions reduce our ability to respond to changes in the performance of our investments and could adversely affect our financial condition and results of operations. This could impair our ability to raise capital through property sales in order to fund our development projects or other cash needs. In addition, mortgage financing on a property may impose a prepayment penalty in the event the financing is prepaid, which may decrease the proceeds from a sale or refinancing or make the sale or refinancing impractical.

Construction facilities. Construction facilities generally relate to specific assets under construction and fund costs above an initial equity amount deemed acceptable to the lender. Terms and conditions of construction facilities vary, but they generally carry a term of two to five years, charge interest at variable rates and require the lender to be satisfied with the nature and amount of construction costs prior to funding. While construction lending is generally competitive and offered by many financial institutions, there may be times when these facilities are not available or are only available upon unfavorable terms which could have an adverse effect on our ability to fund development projects or on our ability to achieve the returns we expect.

Joint ventures. Joint ventures, including partnerships or limited liability companies, tend to be complex arrangements, and there are only a limited number of parties willing to undertake such investment structures. There is no guarantee that we will be able to undertake these ventures at the times we need capital.

Preferred stock. The availability of preferred stock at favorable terms and conditions is dependent upon a number of factors including the general condition of the economy, the overall interest rate environment, the condition of the capital markets and the demand for this product by potential holders of the securities. We can provide no assurance that conditions will be favorable for future issuances of perpetual preferred stock (or other equity securities) when we need the capital, which could have an adverse effect on our ability to fund development projects.

Although we believe that in most economic and market environments we will be able to obtain necessary capital for our operations from the foregoing financing activities, we can make no assurances that the capital we need will be available when we need it. If we cannot obtain capital when we need it, we may not be able to develop and construct all the projects we could otherwise develop, which could result in a reduction in our future earnings and cash flows. Lack of financing could also result in an inability to repay maturing debt, which could result in defaults and, potentially, loss of properties, as well as an inability to pay dividends to stockholders. Unfavorable interest rates could adversely impact both the cost of our projects (through capitalized interest) and our current earnings and cash flows.

Covenants contained in our credit facility and mortgages could restrict or hinder our operational flexibility, which could adversely affect our results of operations.

Our credit facility imposes financial and operating covenants on us. These covenants may be modified from time to time, but covenants of this type typically include restrictions and limitations on our ability to incur debt and certain forms of equity capital, as well as limitations on the amount of our unsecured debt, limitations on payments to stockholders, and limitations on the amount of development and joint venture activity in which we may engage. These covenants may limit our flexibility in making business decisions. If we fail to meet those covenants, our ability to borrow may be impaired, which could potentially make it more difficult to fund our capital and operating needs. Additionally, some of our properties are subject to mortgages. These mortgages contain customary negative covenants, including limitations on our ability, without the lender s prior consent, to further mortgage that property, to modify existing leases or to sell that property. Compliance with these covenants could harm our operational flexibility and financial condition.

Risks Associated with Multi-Family Projects

Any failure to timely sell the multi-family units developed by our Office/Multi-Family Division or an increase in development costs could adversely affect our results of operations.

Our Office/Multi-Family Division develops for-sale multi-family residential projects currently in urban markets. Multi-family unit sales can be highly cyclical and can be affected by interest rates and local issues. Once a project is undertaken, we can provide no assurance that we will be able to sell the units in a timely manner which could result in significantly increased carrying costs and erosion or elimination of profit with respect to any project.

In addition, actual construction and development costs of the multi-family residential projects can exceed estimates for various reasons. As these projects are normally multi-year projects, the market demand for multi-family residences may change between commencement of a project and its completion. Any estimates of sales and

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profits may differ substantially from our actual sales and profits and, as a result, our results of operations may differ substantially from any estimates.

Any failure to receive cash corresponding to previously recognized revenues could adversely affect our future results of operations.

In accordance with accounting principles generally accepted in the United States, we recognize revenues and profits from sales of certain multi-family residential units under the percentage of completion method during the course of construction. Under the percentage of completion method, revenue is recorded when, among other factors, (1) construction is beyond a preliminary stage, (2) the buyer is committed to the extent of being unable to require a full refund, except for nondelivery of the residence, (3) a substantial percentage of units are under non-cancelable contracts, (4) collection of the sales price is reasonably assured and (5) costs can be reasonably estimated. Significant judgment is required in assessing the ultimate collectibility of the sales price and our judgment could change due to various contingencies, such as delayed construction and buyer defaults. As a result, we may be required to adjust revenue previously recognized, thereby adversely affecting results of operations.

Risks Associated with our Land Division

Any failure to timely sell the lots developed by our Land Division could adversely affect our results of operations.

Our Land Division develops residential subdivisions, primarily in metropolitan Atlanta, Georgia. Our Land Division also participates in joint ventures that develop or plan to develop subdivisions in metropolitan Atlanta, as well as Texas, Florida and other states. This division also from time to time supervises sales of unimproved properties owned or controlled by us. Residential lot sales can be highly cyclical and can be affected by interest rates and local issues, including the availability of jobs, transportation and the quality of public schools. Once a development is undertaken, no assurances can be given that we will be able to sell the various developed lots in a timely manner. Failure to sell such lots in a timely manner could result in significantly increased carrying costs and erosion or elimination of profit with respect to any development.

In addition, actual construction and development costs with respect to subdivisions can exceed estimates for various reasons, including unknown site conditions. The timing of subdivision lot sales and unimproved property sales are, by their nature, difficult to predict with any precision. Additionally, some of our residential properties are multi-year projects, and market conditions may change between the time we decide to develop a property and the time that all or some of the lots or tracts may be ready for sale. Similarly, we often hold undeveloped land for long periods of time prior to sale. Any changes in market conditions between the time we acquire land and the time we sell land could cause the Company s estimates of proceeds and related profits from such sales to be lower or result in an impairment charge. Estimates of sales and profits may differ substantially from actual sales and profits and as a result, our results of operations may differ substantially from these estimates.

Any failure to timely sell or lease non-income producing land could adversely affect our results of operations.

We maintain significant holdings of non-income producing land in the form of land tracts and outparcels. Our strategy with respect to these parcels of land include (1) developing the land at a future date as a retail, office, industrial or mixed-use income producing property or developing it for single-family or multi-family residential uses; (2) ground leasing the land to third parties; and (3) in certain circumstances, selling the parcels to third parties. Before we develop, lease or sell these land parcels, we incur carrying costs, including interest and property tax expense.

If we are unable to sell this land or convert it into income producing property in a timely manner, our results of operations and liquidity could be adversely affected.

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Risks Associated with our Third Party Management Business

Our third party business may experience volatility based on a number of factors, including termination of contracts, which could adversely affect our results of operations.

We engage in third party development, leasing, property management, asset management and property services to unrelated property owners. Contracts for such services are generally short-term in nature and permit termination without extensive notice. Fees from such activities can be volatile due to unexpected terminations of such contracts. Extensive unexpected terminations could materially adversely affect our results of operations. Further, the timing of the generation of new contracts for services is difficult to predict.

General Business Risks

We may not adequately or accurately assess new opportunities, which could adversely impact our results of operations.

Our estimates and expectations with respect to new lines of business and opportunities may differ substantially from actual results, and any losses from these endeavors could materially adversely affect our results of operations. We conduct business in an entrepreneurial manner. We seek opportunities in various sectors of real estate and in various geographical areas and from time to time undertake new opportunities, including new lines of business. Not all opportunities or lines of business prove to be profitable. We expect from time to time that some of our business ventures may have to be terminated because they do not meet our profit expectations. Termination of these ventures may result in the write off of certain related assets and/or the termination of personnel, which would adversely impact results of operations.

We are dependent upon key personnel, the loss of any of whom could adversely impair our ability to execute our business.

One of our objectives is to develop and maintain a strong management group at all levels. At any given time we could lose the services of key executives and other employees. None of our key executives or other employees are subject to employment contracts. Further, we do not carry key person insurance on any of our executive officers or other key employees. The loss of services of any of our key employees could have an adverse impact upon our results of operations, financial condition and our ability to execute our business strategy.

Our restated and amended articles of incorporation contain limitations on ownership of our stock, which may prevent a change in control that might otherwise be in the best interests of our stockholders.

Our restated and amended articles of incorporation impose limitations on the ownership of our stock. In general, except for certain individuals who owned stock at the time of adoption of these limitations, no individual or entity may own more than 3.9% of the value of our outstanding stock. The ownership limitation may have the effect of delaying, inhibiting or preventing a transaction or a change in control that might involve a premium price for our stock or otherwise be in the best interest of our stockholders.

Federal Income Tax Risks

Any failure to continue to qualify as a real estate investment trust for federal income tax purposes could have a material adverse impact on us and our stockholders.

We intend to operate in a manner to qualify as a REIT for federal income tax purposes. Qualification as a REIT involves the application of highly technical and complex provisions of the Internal Revenue Code (the Code), for which there are only limited judicial or administrative interpretations. Certain facts and circumstances not entirely within our control may affect our ability to qualify as a REIT. In addition, we can provide no assurance that legislation, new regulations, administrative interpretations or court decisions will not adversely affect our qualification as a REIT or the federal income tax consequences of our REIT status.

If we were to fail to qualify as a REIT, we would not be allowed a deduction for distributions to stockholders in computing our taxable income. In this case, we would be subject to federal income tax (including any applicable alternative minimum tax) on our taxable income at regular corporate rates. Unless entitled to relief under certain Code provisions, we also would be disqualified from operating as a REIT for the four taxable years following the year during which qualification was lost. As a result, the cash available for distribution to our stockholders would be reduced for each of the years involved. Although we currently intend to operate in a manner designed to qualify as a REIT, it is possible that future economic, market, legal, tax or other considerations may cause us to revoke the REIT election.

In order to qualify as a REIT, under current law, we generally are required each taxable year to distribute to our stockholders at least 90% of our net taxable income (excluding any net capital gain). To the extent that we do not distribute all of our net capital gain or distribute at least 90%, but less than 100%, of our other taxable income, we are subject to tax on the undistributed amounts at regular corporate rates. In addition, we are subject to a 4% nondeductible excise tax to the extent that distributions paid by us during the calendar year are less than the sum of the following:

85% of our ordinary income;

95% of our net capital gain income for that year, and

100% of our undistributed taxable income (including any net capital gains) from prior years.

We intend to make distributions to our stockholders to comply with the 90% distribution requirement, to avoid corporate-level tax on undistributed taxable income and to avoid the nondeductible excise tax. Differences in timing between taxable income and cash available for distribution could require us to borrow funds to meet the 90% distribution requirement, to avoid corporate-level tax on undistributed taxable income and to avoid the nondeductible excise tax. Satisfying the distribution requirements may also make it more difficult to fund new development projects.

Certain property transfers may be characterized as prohibited transactions, resulting in a tax on any gain attributable to the transaction.

From time to time, we may transfer or otherwise dispose of some of our properties. Under the Code, any gain resulting from transfers or dispositions, from other than our taxable REIT subsidiary, deemed to be prohibited transactions would be subject to a 100% tax on any gain associated with the transaction. Prohibited transactions generally include sales of assets that constitute inventory or other property held for sale to customers in the ordinary course of business. Since we acquire properties primarily for investment purposes, we do not believe that our occasional transfers or disposals of property are deemed to be prohibited transactions. However, whether property is held for investment purposes is a question of fact that depends on all the facts and circumstances surrounding the particular transaction. The Internal Revenue Service may contend that certain transfers or disposals of properties by us are prohibited transactions. While we believe that the Internal Revenue Service would not prevail in any such dispute, if the Internal Revenue Service were to argue successfully that a transfer or disposition of property constituted a prohibited transaction, we would be required to pay a tax equal to 100% of any gain allocable to us from the prohibited transaction. In addition, income from a prohibited transaction might adversely affect our ability to satisfy the income tests for qualification as a REIT for federal income tax purposes.

Disclosure Controls and Internal Control over Financial Reporting Risks

Our business could be adversely impacted if we have deficiencies in our disclosure controls and procedures or internal control over financial reporting.

The design and effectiveness of our disclosure controls and procedures and internal control over financial reporting may not prevent all errors, misstatements or misrepresentations. While management will continue to review the effectiveness of our disclosure controls and procedures and internal control over financial reporting, there can be no guarantee that our internal control over financial reporting will be effective in accomplishing all control objectives at all times. Deficiencies, including any material weakness, in our internal control over financial reporting which may occur in the future could result in misstatements of our results of operations, restatements of our financial statements, a decline in our stock price, or otherwise materially adversely affect our business, reputation, results of operations, financial condition or liquidity.

Item 1B. Unresolved Staff Comments

Not applicable.

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Item 2. Properties

The following tables set forth certain information relating to significant operating properties in which the Company has an ownership interest. Information presented in Note 5 to the Consolidated Financial Statements provides additional information related to the Company s joint ventures. All information presented is as of December 31, 2007. Dollars are stated in thousands.

Table of Major Operating Office, Retail and Industrial Properties

ear opment pleted or uired	Venture Partner	Company s Ownership Interest	Square Feet and Acres	Percentage Leased as of December 31, 2007	Average 2007 Economic Occupancy (1)	Major Tenants (Lease Expiration/Options Expiration)	Major Tenants Rentable Sq. Feet	Cost and Cost Less Depreciation and Amortization (2)	Del Balar
006	N/A	100%	1,219,000	75%	60%	Wachovia Bank (2008/2023)(3)	375,489	$ 168,460	$
			2 Acres(3)			Deloitte & Touche (2008/2018)(3)	123,766	$ 151,459	
						Cousins Properties (2017/2022)	65,006		
999	N/A	100%	993,000	100%	93%	American Cancer Society (2022/2032)	275,198	$ 93,678	$ 136,0
			4 Acres(4)			AT&T (2009)	138,893	$ 49,037	
						Georgia Lottery Corp. (2013)	127,827		
						Co Space Services, LLC (2020/2025)	120,298		
						US South (2011/2016)	70,201		
						Turner Broadcasting (2011/2016)	57,827		
						Sapient Corporation (2009)	57,689		
007	N/A	100%	656,000	93%	32%	CB Richard Ellis (2017/2022)	94,736	$ 164,334	$ 180,0

			4 Acres			Citigroup (2018/2028)	71,188	$ 161,443	
						Wachovia Bank (2017/2027)	47,368		
						Bain & Company (2019/2029)	46,412		
000	N/A	100%	203,000	100%	99%	Bombardier Aerospace Corp. (2013/2018)	97,740	$ 30,095	$ 17,8
			15 Acres					$ 20,592	
						Liberty Mutual (2011/2021)	28,124		
						NetHawk Acquisition Corp. (2009)	16,968		
998	Daniel Realty	100%(5)	196,000	97%	82%	Synovus Mortgage (2014/2019)	28,932	$ 19,713	$ 8,7
	Company		12 Acres			Southern Care (2013/2018)	13,768	$ 14,568	
						Dent & Baker (2017)	11,331		
						Daxco (2009/2014)(6)	18,721		
000	Daniel Realty Company	100%(5)	123,000	100%	96%	Southern Communications Services (7) (2010/2016)	41,961	$ 19,206	$ 12,9
			10 Acres					$ 14,106	
						O2 Ideas, Inc. (2014/2024)	25,465		
983	N/A	100%(8)	188,000	0%	0%	N/A	N/A	$ 17,342	$
			13 Acres					$ 9,803	

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Year Development Completed or Acquired	Venture Partner	Company s Ownership Interest	Square Feet and Acres	Percentage Leased as of December 31, 2007	Average 2007 Economic Occupancy (1)	Major Tenants (Lease Expiration/Options Expiration)	Major Tenants Rentable Sq. Feet	Cost and Cost Less Depreciation and Amortization (2)	D Bal
1999	N/A	100%	160,000 3 Acres	100%	100%	Northside Hospital(7) (2013/2023)(9) Scottish Rite Medical Center, Inc. (2013/2018)(9) Georgia Reproductive(2017/2027) Children Orthopedics(2009/2014)	70,669 31,676 13,622 12,721	$ 26,300 $ 16,588	$ 23,1
1995	N/A	100%	128,000 7 Acres	91%	91%	Schweitzer-Mauduit International, Inc.(2012) Med Assets HSCA, Inc.(2014/2019) Golden Peanut Co.(2017)	32,655 21,914 18,104	$ 12,810 $ 8,955	$ 25,(
1996	N/A	100%	130,000 9 Acres	100%	97%	Med Assets HSCA, Inc.(2014/2019) Nokia(2008) Morgan Stanley (2011) B2B Workforce, Inc. (2008/2013)	67,015 22,409 15,709 14,171	$ 11,723 $ 9,197	
1998	N/A	100%	130,000 9 Acres	78%	75%	Merrill Lynch (2014/2024) Wells Fargo Bank NA (2009/2012) Phillip Morris (2013)	35,949 22,438 16,087	$ 13,492 $ 8,018	$ 28,8
2000	N/A	100%	152,000	92%	89%	Kids II, Inc. (2016/2026)	51,059	$ 17,614	(

			10 Acres			Regus Business Centre (2011/2016)	22,422	$ 11,669	
						Ace Mortgage (2008/2011)	11,433		
						Robert W. Baird (2011/2016)	11,074		
2004	N/A	100%	114,000	68%	72%	THD At-Home Services (2008)	24,259	$ 11,595	$
			7 Acres					$ 9,823	
2006	N/A	100%	102,000	84%	78%	City of Sandy Springs (2011)	32,800	$ 12,288	$
			9 acres					$ 11,653	
1999	N/A	100%	51,000	100%	100%	AtheroGenics (2009/2019)	50,821	$ 7,655	$
			4 Acres					$ 2,981	

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ent ed d	Venture Partner	Company s Ownership Interest	Square Feet and Acres	Percentage Leased as of December 31, 2007	Average 2007 Economic Occupancy (1)	Major Tenants (Lease Expiration/Options Expiration)	Major Tenants Rentable Sq. Feet	Cost and Cost Less Depreciati and Amortizati (2)
	N/A	100%	51,000 5 Acres	100%	100%	Inhibitex (2015/2025)	50,933	$ 6,634 $ 5,668
	N/A	100%	265,000 1acre	N/A	N/A	N/A	N/A	$ 17,554 $ 17,324
	Prudential(7)	88.5%	378,000 3 Acres	100%	42%	Georgia Department of Transportation (2018) Roman Catholic Archdiocese(2009) Hamilton, Westby, Marshall (2012/2017)	283,948 13,699 11,070	$ 43,836 $ 35,890
	Bank of America(7)	50%	1,065,000 8 Acres	100%	100%	Bank of America(7)(2016/2035)	1,065,000	$ 211,536 $ 169,436
	Emory University	50%	358,000 (12)	98%	99%	Emory University (2017/2047) Resurgens (2014/2019) Atlanta Gastroenterology(2012)	153,889 26,581 17,375	$ 52,945 $ 38,187
	Coca-Cola(7)	50%	260,000 5 Acres	94%	88%	AGL Services Co. (2013/2028)	226,779	$ 40,328 $ 23,277
	Prudential(7)	11.5%	69,000	100%	100%	Novant Health, Inc. (2012/2017)	49,916	$ 8,654

1 Acre(13)	$	4,932

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Lease Expirations Office

As of December 31, 2007, the Company s office portfolio included 19 commercial office buildings, excluding all properties currently under development, held for redevelopment and buildings in the lease-up stage. The weighted average remaining lease term of these office buildings was approximately seven years as of December 31, 2007. Most of the major tenant leases in these buildings provide for pass through of operating expenses and contractual rents which escalate over time. The leases expire as follows:

	2009	2010	2011	2012	2013	2014	2015	2016	201 Ther
9	410,266	166,730	431,139	171,287	509,323	247,582	628,501	70,767	75
6%	11%	5%	12%	5%	14%	7%	17%	2%	
9	$ 6,267	$ 2,633	$ 5,936	$ 2,904	$ 9,255	$ 5,369	$ 11,967	$ 1,069	$ 1
4	$ 15.28	$ 15.79	$ 13.77	$ 16.95	$ 18.17	$ 21.69	$ 19.04	$ 15.10	$
9	376,672	148,104	395,857	110,321	373,860	242,679	64,305	65,908	44
8%	16%	6%	16%	5%	15%	10%	3%	3%	
4	$ 5,768	$ 2,342	$ 5,454	$ 1,765	$ 6,713	$ 5,258	$ 1,470	$ 998	$
3	$ 15.31	$ 15.81	$ 13.78	$ 16.00	$ 17.96	$ 21.66	$ 22.86	$ 15.14	$
2	51,114	28,733	56,221	142,589	266,419	9,805	1,115,268	6,098	40
1%	2%	1%	3%	7%	13%	1%	53%	0%	
2	$ 855	$ 499	$ 817	$ 2,757	$ 5,033	$ 223	$ 20,820	$ 80	$

0	$	16.72	$	17.38	$	14.54	$	19.34	$	18.89	$	22.78	$	18.67	$	13.12	$

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Description and Location	Year Development Completed or Acquired	Venture Partner	Company s Ownership Interest	Square Feet and Acres	Percentage Leased as of December 31, 2007	2007 Average Economic Occupancy(1)	Major Tenants (Lease Expiration/Options Expiration)	Major Tenants Rentable Sq. Feet	Cost and Cost Less Depreciation and Amortization	Debt Balance(2)	Debt Maturity and Interest Rate

Retail Centers