

The Long and Winding Road

The distribution market in the 12 county metro Atlanta region saw improvement again in the third quarter of 2010. Activity increased by 1.5 million square feet. At 9,956,610 square feet, activity has not been this high since third quarter of 2008. Net absorption of -1,301,882 square feet, though still negative, took a half million square foot step in the right direction. But what we see beyond just this current quarter tells more of the story.

The National Bureau of Economic Research announced in September, 2010 that the recession ended in June, 2009. The delay in making the call is understandable and judicious – time is needed to be sure positive indicators are not just blips on the radar screen. The total picture needs to be observed from a higher altitude.

Using the June, 2009 ending date, we have just completed the fifth quarter “post-recession”. When looking at the numbers from the four rolling quarters view, we have seen improvement in each of those quarters – improvement in both total activity and net absorption. Additionally, and more importantly, the third quarter 2009 totals appear to be the trough numbers.

4 Quarters Ending	3Q09	4Q09	1Q10	2Q10	3Q10
Activity	32,096,259	33,093,363	33,342,673	35,338,632	36,863,337
Net Absorption	-19,452,102	-15,643,302	-15,038,182	-10,721,070	-6,802,797

Keeping this four rolling quarter perspective for individual submarkets, the outlook is positive as well. Three submarkets, the Georgia 400 Corridor, South Fulton County and the I-75 North Corridor, land in positive net absorption. With the exception of the City of Atlanta, south of I-20 submarket, no other submarket has fallen into this category since the second quarter of 2009.

Okay, there are still plenty of negative numbers sitting in the net absorption column, but let’s admit it – they aren’t as negative. We all know the hole dug during “The Great Recession” is deep and we are at the beginning of the long and winding road to recovery. What we need to remember is that the journey of a thousand miles begins with a single step. My hope is that we have taken that first step.

Charles B. King, Jr., SIOR
CEO

Total Market

	Total Inventory	Net Absorption	Total Available	% Available	Total Activity	# of Deals	Avg SF Per Deal
Distribution	512,961,633	-1,301,882	108,190,443	21.1%	9,956,610	556	17,908
Service Center	23,456,820	-167,414	6,572,888	28.0%	625,767	148	4,228

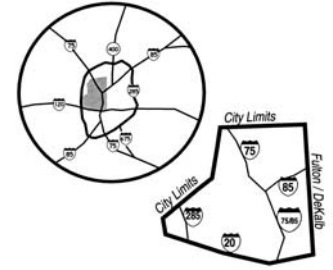
	Total Inventory	Market Share	Total Available	% Available	Total Activity	# of Deals
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Market Maps

AREA 10

Distribution	25,207,332	4.9%	5,674,456	22.5%	299,188	34
Service Center	765,257	3.3%	303,356	39.6%	7,994	2

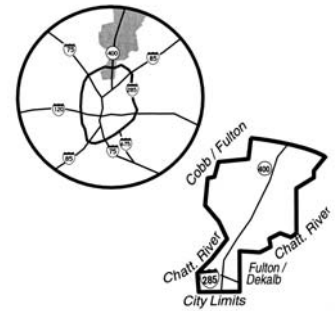
A slight increase in activity did nothing to improve the distribution market in the north side of Atlanta. Activity of 299,188 square feet fell to net absorption of -225,368 square feet. This, coupled with the repurposing of some existing inventory, sent the availability rate up six tenths of a percent to 22.5 percent. The service center sector of Area 10 took the same path. Reduced activity of 7,994 square feet was more than eaten away by departures resulting in net absorption of -12,815 square feet. The availability rate, now at 39.6 percent, went up over one percent.



AREA 15

Distribution	24,211,445	4.7%	4,386,254	18.1%	454,393	66
Service Center	3,455,738	14.7%	864,418	25.0%	85,316	20

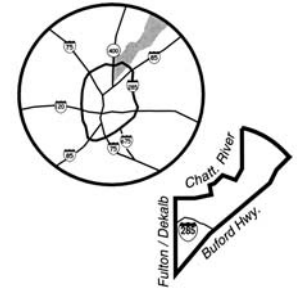
The Georgia 400 Corridor distribution market experienced a 30 percent drop in activity for the third quarter of 2010. This drop sent net absorption back to the negative side, falling to -128,612 square feet. The availability rate increased to 18.1 percent. The service center sector in Area 15 told a different story. Activity saw a 25 percent increase and allowed net absorption to post in positive territory. The 29,941 square feet of net absorption erased 1.3 percent from the availability rate leaving it at an even 25 percent.



AREA 20

Distribution	36,351,100	7.1%	7,593,937	20.9%	1,223,308	68
Service Center	3,778,962	16.1%	998,708	26.4%	86,498	17

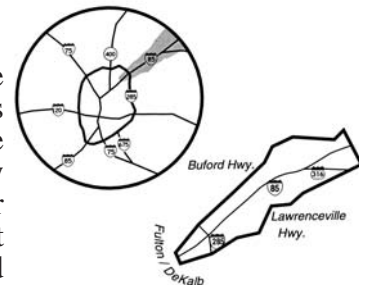
Activity has not been this high in the Gwinnett/North Fulton Counties distribution market since the fourth quarter of 2007. Up more than 200 percent from second quarter, the activity of 1,223,308 square feet allowed a level of net absorption not seen in this submarket since fourth quarter of 2000. The 541,559 square feet of net absorption dropped the availability rate to 20.9 percent, just barely under the metro average of 21.1 percent. The same cannot be said for Area 20's service center sector. Activity dipped slightly to 86,729 square feet, but it opened the door to lower negative net absorption. Down to -65,421 square feet, this level of negative net absorption sent the availability rate to 26.4 percent.



AREA 25

Distribution	93,778,596	18.3%	17,433,192	18.6%	2,220,217	124
Service Center	4,996,803	21.3%	1,698,437	34.0%	139,781	42

Area 25 was busy booking deals in the third quarter of 2010. The 2,220,217 square feet of activity in this submarket topped the list for production this quarter. What's even better is that, for the first time in seven quarters, net absorption hit positive numbers. The 233,111 square feet of net absorption dropped the availability rate by two tenths of a percent to 18.6 percent. Although activity in the I-85 North Corridor service center sector held steady at 139,781 square feet, net absorption was the deepest seen in this submarket since 1999. The net absorption of -118,788 square feet added over two percent to the availability rate, now at 34 percent.



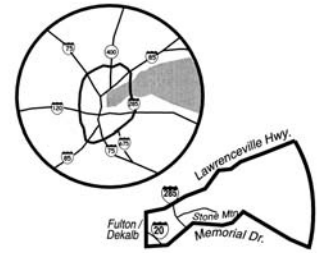
	Total Inventory	Market Share	Total Available	% Available	Total Activity	# of Deals
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Market Maps

AREA 30

Distribution	26,954,911	5.3%	5,440,035	20.2%	316,729	20
Service Center	1,668,024	7.1%	383,238	23.0%	26,440	8

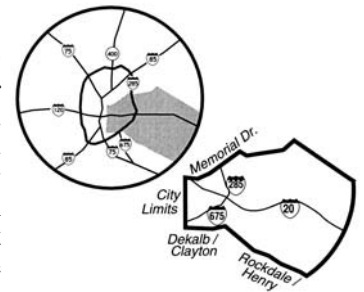
The Stone Mountain Corridor faltered in the third quarter of 2010. Activity was down to 316,729 square feet, the lowest seen in this distribution sector in seven quarters. Combine that with tenant turnover and net absorption had nowhere to go but down. Net absorption of -302,316 square feet added another eight tenths of a percent to the availability rate of 20.2 percent. Activity in the service center sector of Area 30 came in at 26,440 square feet, but more tenants than usual gave their space back to the market. Net absorption took a sharp drop to -34,676 square feet forcing the availability rate to 23 percent.



AREA 40

Distribution	40,586,103	7.9%	7,209,919	17.8%	180,549	25
Service Center	480,456	2.0%	100,160	20.8%	21,500	3

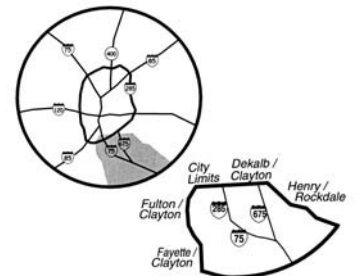
It was an about face in Area 40 in the third quarter of 2010. Activity of 180,549 was less than 25 percent of the second quarter accomplishment. This lackluster performance sent net absorption back below the line to -385,142 square feet. The availability rate saw the impact of this defeat and increased to 17.8 percent. The service center sector of the I-20 East Corridor had a different experience. Activity remained level and fewer tenants made a change. Net absorption marked a second quarter on the topside at 15,500 square feet. This small step in a small submarket meant a big change in the availability rate – more than three percent fell off the rate leaving it at 20.8 percent.



AREA 50

Distribution	69,104,448	13.5%	16,260,104	23.5%	2,214,899	59
Service Center	1,046,714	4.5%	351,043	33.5%	22,628	6

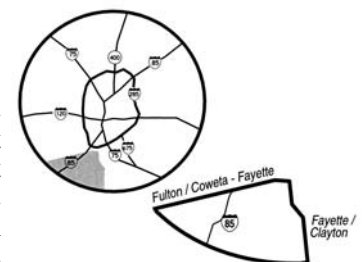
Talk about a reversal of fortunes. After two consecutive quarters of negative one million plus in net absorption, the distribution sector in Area 50 topped the list with 1,010,779 square feet of net absorption. The activity of 2,214,899 square feet was up almost one million square feet from second quarter level. Close to one and a half percent was shaved off the availability rate leaving it at 23.5 percent. The service center sector of the Airport, Clayton/Henry Counties submarket saw improvement, but on a much smaller scale. The 22,628 square feet of activity was only a modest improvement, but enough to keep the net absorption at -17,624 square feet - below the line, but not as low as the previous four quarters. The availability rate also increased slightly to 33.5 percent.



AREA 55

Distribution	20,421,211	4.0%	3,244,984	15.9%	125,357	17
Service Center	204,314	0.9%	81,559	39.9%	0	0

Activity of 125,357 square feet in Fayette/Coweta Counties was low man on the totem pole among the submarkets in the distribution sector. However, it was almost enough to land them at break-even. Net absorption fell to a mere -142 square feet and left the availability rate unchanged at 15.9 percent. Despite not inking a single deal during the second quarter, the service center sector of Area 55 managed to hold net absorption at -2,016 square feet. The availability rate in this smallest of service center submarkets, however, saw a one percent increase to 39.9 percent – the highest among its peers.



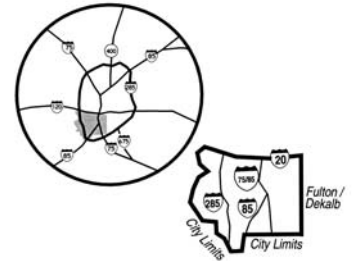
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Market Maps

AREA 60

Distribution	24,824,968	4.8%	6,170,201	24.9%	278,233	11
Service Center	244,575	1.0%	71,578	29.3%	4,923	1

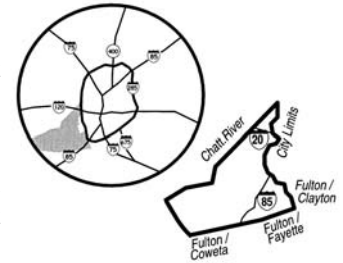
The distribution sector on the south side of Atlanta took a big hit in the third quarter of 2010. Activity was not the culprit. Activity held at 278,233 square feet, but space poured back on the market leaving net absorption at -756,236 square feet. Up more than two and a half percent, the availability rate now rests at 24.9 percent. The service center sector of Area 60 managed to keep the momentum despite a significant drop in activity. The 4,923 square feet leased was unrivaled by tenant departures and 100 percent of the activity hit net absorption. Submarkets with small market share fare well when net absorption falls on the positive side; now at 29.3 percent, the availability rate improved by more than two and a half percent.



AREA 70

Distribution	73,452,944	14.3%	19,962,445	27.2%	880,155	36
Service Center	275,714	1.2%	45,600	16.5%	12,853	1

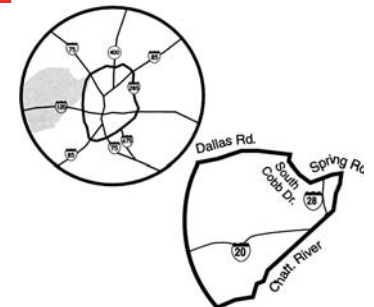
Area 70 went back to the dark side in the third quarter. After barely staying positive last quarter, net absorption fell to -611,565 square feet. Tenant instability, along with activity being down to 880,155 square feet, was enough to push the net absorption back below the line. Of course, the availability rate took a hit as well and retained the title of highest availability at 27.2 percent. The service center sector of this South Fulton County submarket made the most of its diminished activity. All tenants remained status quo and all 12,853 square feet of activity transferred to net absorption. With an inventory of only 275,714 square feet, this small amount of positive net absorption knocked almost six percent off the availability rate. At 16.5 percent, this submarket lays claim to the lowest availability rate among its service center peers.



AREA 80

Distribution	44,459,951	8.7%	8,712,687	19.6%	1,031,247	29
Service Center	1,665,307	7.1%	524,895	31.5%	45,433	11

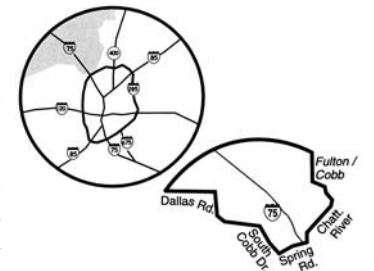
The Cobb/Douglas Counties distribution sector proved it takes more than activity to be successful. The 240 percent increase in activity to 1,031,247 square feet was blasted away by departures ending with a whopping -605,709 square feet of net absorption. While still below the metro average of 21.1 percent, the percentage available increased 1.2 percent to 19.6 percent. The service center sector of Area 80 did not benefit from an increase in activity either. Eleven deals totaling 45,433 square feet resulted in net absorption of -11,543 square feet. At 31.5 percent available, this submarket has room for improvement.



AREA 85

Distribution	33,608,624	6.6%	6,102,229	18.2%	732,335	67
Service Center	4,874,956	20.8%	1,149,896	23.6%	172,401	37

The distribution sector along the I-75 North Corridor reverted to negative numbers in the third quarter. Although activity of 732,335 square feet was on par for this submarket, tenants returning space to the market sent net absorption back down to -72,241 square feet. Fortunately, the availability rate was unaffected and remained at 18.2 percent. The service center sector of Area 85 took home the blue ribbon for highest net absorption in the third quarter. An increase in activity to 172,401 square feet, along with tenant retention, pushed net absorption to 32,252 square feet. This shaved off six tenths of a percent from the availability rate, coming in at 23.6 percent.



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