

Back in Black

As we have been predicting, the Atlanta industrial market finally put together positive net absorption. The net absorption recorded during the past four quarters totaled 1,177,746 square feet. The last time a four rolling quarter period recorded positive net absorption was over four years ago during the first quarter of 2008. Also of note, the positive net absorption for the second quarter of 2012 came in at 3,568,445 total square feet - the highest in the past five years.

Activity also showed improvement. For the four quarters ending second quarter 2012, leases and user sales totaled 43,459,265 total square feet - the highest activity has been since that same first quarter of 2008. In the second quarter of 2012 alone, activity totaled 14,417,271 square feet - again, the highest in the past five years. We were fortunate enough to count in this activity a few deals that made the difference. Carter's Distribution Center finalized their lease for 1,061,273 square feet, Owens Corning settled their deal for 1,044,288 square feet, Georgia Pacific is moving forward on their build-to-suit for 900,640 square feet and Kuehne + Nagel is gearing up for their build-to-suit for 211,000 square feet. These four deals alone account for over 3.2 million to the total activity recorded for the quarter – and, for the most part, make up the positive net absorption earned in the second quarter of 2012.

The number of transactions grew as well. The industrial market recorded 734 transactions in each of the first and second quarters of 2012. You would have to go back four and one half years to find that many transactions completed in a single quarter.

With the volume of deals increasing, the total square footage of transactions increasing and the positive net absorption back in black, we actually saw the availability rate drop below the 20 percent level. At 19.7 percent, this is the lowest we have seen the availability rate in three years.

Furthermore, new construction numbers rose. Over the past four quarters, we have recorded over three million square feet of new construction. Of this three million square feet, approximately 73 percent was attributed to build-to-suit projects with the remaining 27 percent allocated to speculative construction which, until this quarter, had been dormant. Spec construction came to life largely due to IDI offering up a 653,484 square foot project in Lithia Springs.

All of this is welcome news. As we all know, however, the Atlanta industrial market has seen its share of ups and downs lately. With all of the uncertainty in the economy . . . the unemployment numbers still too high, the housing market still in a slump, the European union still struggling to revive itself and, to top it off, the uncertainty that always accompanies a national election . . . there is no way to predict if the roller coaster ride is over yet. We hope that we are headed for good times, but only time will tell if we are truly back in black.

Sim F. Doughtie, CCIM, SIOR, MCR
President

Total Market

	Total Inventory	Net Absorption	Total Available	% Available	Total Activity	# of Deals	Avg SF Per Deal
Distribution	612,439,608	3,568,445	120,754,805	19.7%	14,417,271	734	16,642
Service Center	25,491,730	122,459	6,963,790	27.3%	597,170	138	4,327

Second Quarter 2012

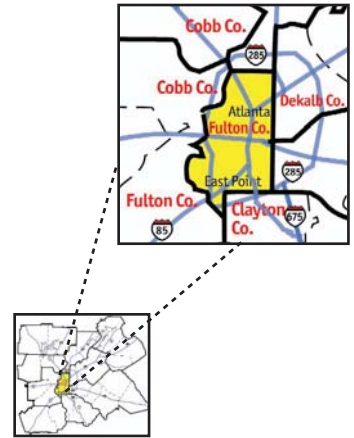
	Total Inventory	Market Share	Total Available	% Available	Total Activity	# of Deals
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Market Maps

CITY OF ATLANTA

Distribution	50,539,651	8.3%	12,494,905	24.7%	735,340	65
Service Center	859,201	3.4%	254,785	29.7%	16,035	2

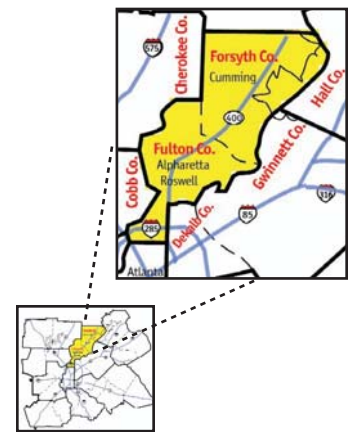
The distribution sector in the City of Atlanta region continued its downward spiral. Activity dropped to 735,340 square feet. This decrease in activity, coupled with tenant turnover, resulted in net absorption falling to -506,112 square feet. The availability rate took a hit as well and rose to 24.7 percent. On the other hand, the service center sector of this region kept the forward pace. Activity slipped to 16,035 square feet, but net absorption remained positive at 14,187 square feet. The availability rate remains above the metro average at 29.7 percent.



GA 400

Distribution	24,907,606	4.1%	4,102,513	16.5%	536,023	63
Service Center	3,471,425	13.6%	974,918	28.1%	92,519	30

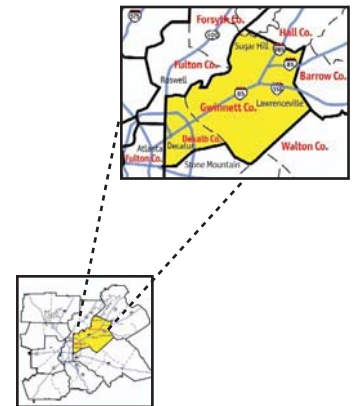
It was another step backward for the distribution sector of the GA 400 region. Activity dipped slightly to 536,023 square feet, but it was tenant turmoil that pushed the net absorption down to -98,329 square feet. Fortunately, the availability rate increased only one-tenth of a percent to 16.5 percent. The numbers told a different story for the service center sector in this region. Activity increased to 92,519 square feet. Net absorption erased all the damage done last quarter coming in at 11,118 square feet and dropping the availability rate down to 28.1 percent.



I-85 NORTHEAST

Distribution	159,653,886	26.1%	28,822,903	18.1%	2,250,072	218
Service Center	10,407,718	40.8%	3,046,785	29.3%	286,626	59

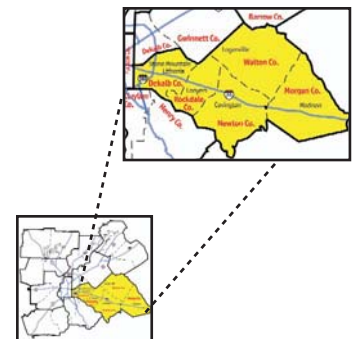
There was improvement in the I-85 Northeast distribution sector, but not enough to call it a success. Activity saw a slight decrease, coming in at 2,250,072 square feet. While still below the break-even mark net absorption of -364,071 square feet was an improvement over last quarter. In such a large submarket that amount of negative net absorption had no effect on the availability rate as it remained 18.1 percent. The service center sector, however, turned a corner during the second quarter. The activity of 286,626 square feet was the highest among the service center sectors. Additionally, enough tenants remained status quo to post positive net absorption of 22,817 square feet. This resulted in a slight improvement in the availability rate, now at 29.3 percent.



I-20 EAST

Distribution	50,784,941	8.3%	10,656,497	21.0%	590,838	46
Service Center	952,671	3.7%	210,748	22.1%	42,871	3

Despite a decrease in activity, the distribution sector of the I-20 East region posted positive net absorption for the first time in four quarters. Activity of 590,838 square feet was enough to offset tenant modifications and allow net absorption of 106,154 square feet. This small amount of positive net absorption shaved a few tenths of a percent off the availability rate, now at 21.0 percent. The service center sector of this region took great leaps forward in the second quarter of 2012. Activity was up to 42,871 square feet – a four year high – and net absorption posted at 28,133 square feet – a new benchmark for this region. The availability rate dropped three percent to 22.1 percent.



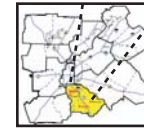
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Market Maps

AIRPORT/I-75 SOUTH

Distribution	70,913,548	11.6%	16,596,668	23.4%	2,026,934	53
Service Center	1,021,892	4.0%	388,892	38.1%	8,280	3

After five consecutive quarters of negative net absorption, the distribution sector of the Airport/I-75 South region posted positive in a big way. Activity came in at 2,026,934 square feet and almost half of that, or 1,000,110 square feet, flipped to positive net absorption. The availability rate dropped by more than one percent now down to 23.4 percent. There was also success, albeit minimal, in the service center sector. Activity remained low at 8,280 square feet, but net absorption managed to hit in positive territory. The net absorption of 4,393 square feet erased a bit from the availability rate, however, at 38.1 percent it remains the highest of the service center sectors.



I-85 SOUTHWEST

Distribution	21,089,577	3.4%	2,736,070	13.0%	230,631	19
Service Center	204,314	0.8%	68,950	33.7%	2,400	1

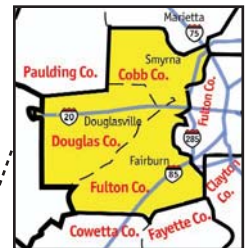
The distribution sector of the I-85 Southwest region pulled up the rear in the activity category in the second quarter of 2012. Surprisingly, the 230,631 square feet of activity was enough to allow net absorption to stay in positive numbers. The 74,623 square feet of net absorption dropped the availability rate down to 13.0 percent, the lowest rate among the distribution sectors. The service center sector in this region also came in last place for activity. With only 2,400 square feet of activity, net absorption fell to tenants opting for change and went on record at -3,000 square feet. The availability rate posted at 33.7 percent.



I-20 WEST/FULTON INDUSTRIAL

Distribution	119,392,930	19.5%	26,396,611	22.1%	4,004,686	94
Service Center	1,893,395	7.4%	397,343	21.0%	53,015	8

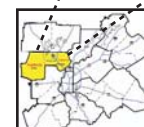
It was a stellar quarter for the distribution sector of the I-20 West/Fulton Industrial region. Activity soared to 4,004,686 square feet – far exceeding the performance of its peers. Tenant stability allowed 1,517,011 of this activity to post as positive net absorption. More than a half a percent fell off the availability rate, closing the quarter at 22.1 percent. The service center sector saw similar results. Activity was up to 53,015 square feet, but it was net absorption that was worthy of note. The 35,430 square feet accumulated this quarter in this region was top of the service center heap. This success pushed the availability rate down to 21.0 percent – the lowest rate seen among the service center sectors.



I-75 NORTH /PAULDING COUNTY

Distribution	37,579,826	6.1%	5,824,211	15.5%	1,087,003	76
Service Center	5,116,479	20.1%	1,129,966	22.1%	49,398	16

The distribution sector of the I-75 North/Paulding County region saw a bump in activity during the second quarter. It's been over three years since activity hit as high as the 1,087,003 square feet seen this quarter. Even better news is that net absorption finished on the positive side at 335,222 square feet. The availability rate also benefited and dropped to 15.5 percent. The same cannot be said for the service center sector of this region. Activity came in at half that seen last quarter and the 49,398 square feet inked lost ground to tenant turnover. The resulting -1,597 of net absorption, however, left the availability rate untouched at 22.1 percent.



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

Distribution	26,114,328	4.3%	4,541,143	17.4%	883,395	35
Service Center	543,943	2.1%	160,559	29.5%	25,038	7

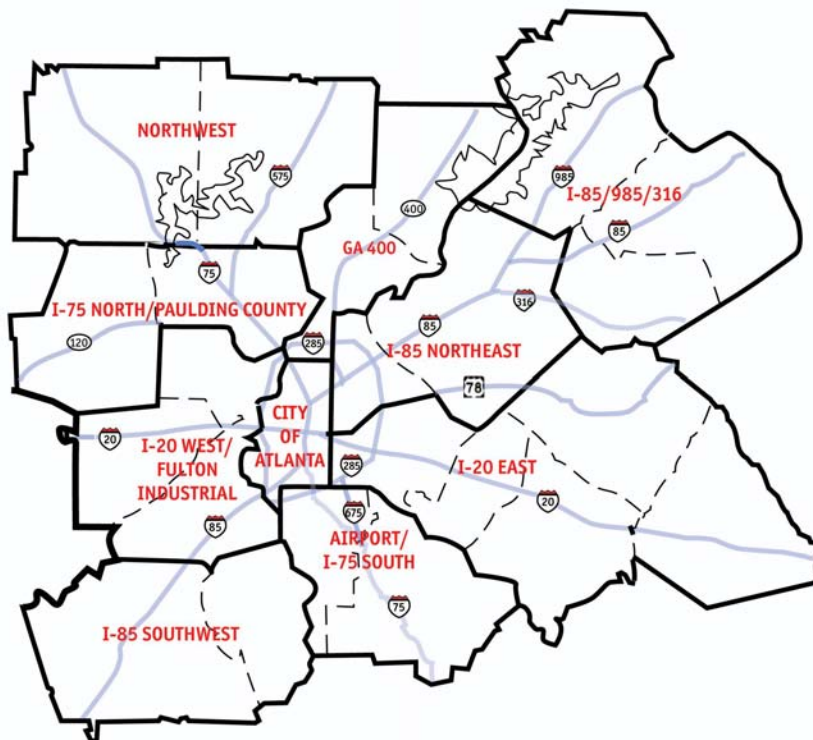
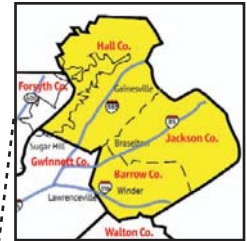
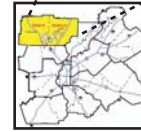
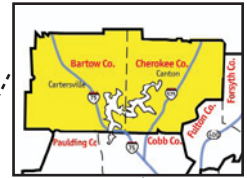
Success came to the distribution sector of the Northwest region this quarter. Activity of 883,395 square feet – a new high mark for this region – allowed net absorption to mark a new high as well at 575,946 square feet. The availability rate dropped all the way down to 17.4 percent. The service center sector in this region stood its ground by posting a third quarter of positive net absorption. Activity remained steady at 25,038 square feet and net absorption took a tiny step up to 14,390 square feet. The availability rate followed suit and dropped slightly to 29.5 percent.

I-85/316/985

Distribution	51,463,315	8.4%	8,583,284	16.7%	2,072,349	65
Service Center	1,020,692	4.0%	330,844	32.4%	20,988	9

There was a tremendous boost in activity in the distribution sector of the I-85/316/985 region. Up to 2,072,349 square feet, this activity was strong enough for net absorption to experience a boost as well. The 927,891 of net absorption lowered the availability rate to 16.7 percent. On the other hand, the service center sector was not so fortunate. Activity came in at 20,988 square feet - well below half that of last quarter. To make matters worse, net absorption fell back to negative numbers and at -3,412 square feet it was the lowest net absorption seen among its peers. The availability rate, however, took advantage of an adjustment to inventory and dropped slightly to 32.4 percent.

Market Maps



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