

Action Accelerates Activity

As we embark on a new year, King Industrial Realty introduces a new format for our Point of View. In 1988, when we began tracking the industrial market, our records held an inventory of 200 million square feet in the metro Atlanta area. As time progressed, not only did the square footage of that inventory grow, but the geographic area holding that inventory continued to stretch beyond the boundaries of our original 12 counties.

Beginning with this issue of the Point of View, our reporting has expanded to include 20 counties and over 600 million square feet. With this expansion, new regions have been created which are detailed on the map on page four. We feel confident that the addition of these outlying counties will provide you a broader and more accurate picture of the Atlanta industrial market.

This quarter, in particular, shows the effect the addition of these geographic areas has on the overall picture for the industrial market. The sublease offering of the 1.3 million square foot Solo Cup space in Walton County accounts for the large majority of the negative net absorption recorded in this first quarter of 2011. While it would be nice to take this factor out of the equation, the broader picture is more complete when all aspects are brought into play.

With net absorption still in negative territory at -1,484,869 square feet, it's hard to say we are climbing out of the trench dug over the past four years. However, there are a few positive indicators we want to keep our eyes on. The first quarter 2011 activity of 12,082,742 square feet represents a 46 percent increase over the previous quarter and is the highest level seen since the third quarter of 2008. We are interpreting this as a sign tenants are moving off the fence and making decisions that they may have been postponing in the past.

We have also noticed that lease terms are beginning to increase. In the first quarter of 2011, 25 percent of new leases executed in the King Industrial Realty offices were for a term of five years and longer. This percentage is up from 11 percent during the first quarter of 2009 and up from 12 percent in the first quarter of 2010. Additionally, we saw a 25 percent increase in the number of new leases executed in the first quarter of 2011 as compared to the same period last year. Again, an indication that tenants are taking action and locking in on favorable market conditions.

Although we did not expect to see positive net absorption in the first quarter of 2011, we are optimistic that within the next quarter or two we will begin to see a shift to positive net absorption.

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	602,835,477	-1,484,869	127,584,356	21.2%	12,082,742	710	17,018
Service Center	25,913,146	-280,716	7,770,990	30.0%	612,156	147	4,164

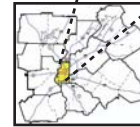
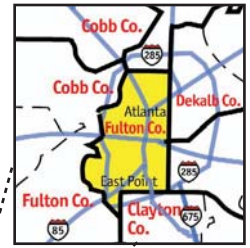
	Total Inventory	Market Share	Total Available	% Available	Total Activity	# of Deals
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Market Maps

CITY OF ATLANTA

Distribution	49,861,087	8.3%	11,732,127	23.5%	690,866	46
Service Center	1,009,832	3.9%	409,005	40.5%	0	0

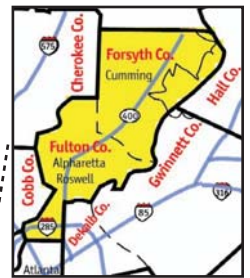
The distribution sector in the City of Atlanta backtracked in the first quarter of 2011. Activity dropped to 690,866 square feet allowing net absorption to fall into negative territory again. The -357,096 square feet of net absorption pushed the availability rate back up to 23.5 percent. The service center sector took an even larger step in the wrong direction. With no activity reported, net absorption fell to -24,137 square feet and availability rose almost two percent to 40.5 percent.



GA 400

Distribution	24,676,997	4.1%	4,597,603	18.6%	537,508	67
Service Center	3,496,278	13.5%	1,007,426	28.8%	134,688	23

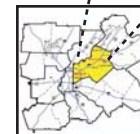
The distribution sector of GA 400 came oh, so close to start the new year. Activity was up to 537,508 square feet, but that was not quite enough to push net absorption into positive numbers. The net absorption of -2,949 square feet, along with the addition of existing occupied inventory, shifted the availability rate to 18.6 percent. The service center sector, however, fell to a different fate. Activity was up dramatically to 134,688 square feet, but net absorption fell to -128,748 square feet adding more than 3.5 percent to the availability rate now at 28.8 percent.



I-85 NORTHEAST

Distribution	157,526,165	26.1%	29,406,184	18.7%	3,788,701	248
Service Center	10,549,458	40.7%	3,109,472	29.5%	251,535	73

The I-85 Northeast distribution sector took top honors in the activity category. Logging 3,788,701 square feet sent net absorption to a two year high of 520,863 square feet. The availability rate also benefited from this performance and dropped to 18.7 percent. The service center sector saw improvement as well. Activity inched up to 251,535 square feet which brought home the blue ribbon for service center regions. Net absorption of only -12,700 square feet kept the availability rate from changing from the 29.5 percent seen at the close of 2010.



I-20 EAST

Distribution	49,907,419	8.3%	11,155,586	22.4%	569,306	46
Service Center	956,383	3.7%	269,531	28.2%	16,089	7

The 569,306 square feet of activity in the I-20 East distribution sector was no match for space given back to the market in the first quarter of 2011. The offering up of a 1.3 million square foot sublease sent net absorption plummeting to -1,623,069 square feet. More than three percent was added to the availability rate now at 22.4 percent. The service center sector achieved better results. Activity was up slightly to 16,089 square feet. Additionally, fewer tenants than last quarter found reason to make changes and net absorption improved to -15,000 square feet. The availability rate remained 28.2 percent.



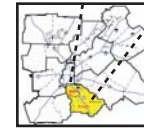
	Total Inventory	Market Share	Total Available	% Available	Total Activity	# of Deals
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Market Maps

AIRPORT/I-75 SOUTH

Distribution	69,557,083	11.5%	16,749,554	24.1%	1,121,544	57
Service Center	1,054,492	4.1%	365,395	34.7%	37,741	6

Activity in the Airport/I-75 South distribution sector held steady at 1,121,544 square feet. Unfortunately, tenant stability ran amok. Net absorption went back below the line to -669,968 square feet and sent the availability rate up to 24.1 percent. The service center sector managed to almost triple activity to 37,741 square feet, however, this increase was not enough to spell success. Net absorption of -5,212 square feet pushed the availability rate up to 34.7 percent.



I-85 SOUTHWEST

Distribution	20,636,000	3.4%	3,351,307	16.2%	214,531	26
Service Center	204,314	0.8%	80,606	39.5	7,050	3

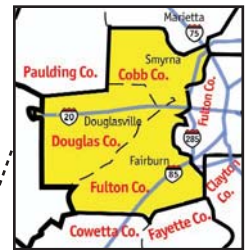
The smallest of the distribution sectors, I-85 Southwest brought up the rear in activity with 214,531 square feet. Despite this activity being a decrease over last quarter, net absorption saw a slight improvement to -34,892 square feet. The availability rate in this region remains in first place at 16.2 percent. The miniscule service center sector faltered in the first quarter of 2011. The 7,050 square feet of activity succumbed to tenant unrest and resulted in net absorption of -6,750 square feet. The availability rate nudged up to 39.5 percent.



I-20 WEST/FULTON INDUSTRIAL

Distribution	118,075,690	19.6%	28,088,934	19.6%	3,462,643	82
Service Center	1,973,471	7.6%	612,944	31.1%	27,011	9

And the winner is . . . The distribution sector of the I-20 West/Fulton Industrial region left its competitors in the dust. Activity of 3,462,643 square feet rocketed net absorption to 1,174,824 square feet – more than double its closest rival. This achievement sent the availability rate down one percent to 23.8 percent. The service center sector, however, had mixed results to start the year. Activity was down to 27,011 square feet, but net absorption came in at a more favorable level. The net absorption of -18,627 square feet added only four-tenths of a percent to the availability rate of 31.1 percent.



I-75 NORTH /PAULDING COUNTY

Distribution	36,718,284	6.1%	6,937,090	18.9%	526,197	55
Service Center	5,114,300	19.7%	1,303,726	25.5%	99,647	18

The distribution sector of the I-75 North/Paulding county region fell short in the first quarter of 2011. Although activity took a small step up to 526,197 square feet, net absorption dropped to -296,264 square feet. This tacked on an additional half percent to the availability rate closing at 18.9 percent. The service center sector took a turn in the right direction. Activity of 99,647 square feet was put to good use. Enough tenants remained unchanged to keep net absorption at -17,642 square feet ... a definite improvement over last quarter. The availability rate rose to 25.5 percent, but remains unsurpassed among its peers.



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

Distribution	24,924,695	4.1%	5,466,276	21.9%	718,738	28
Service Center	524,626	2.0%	191,288	36.5%	15,443	3

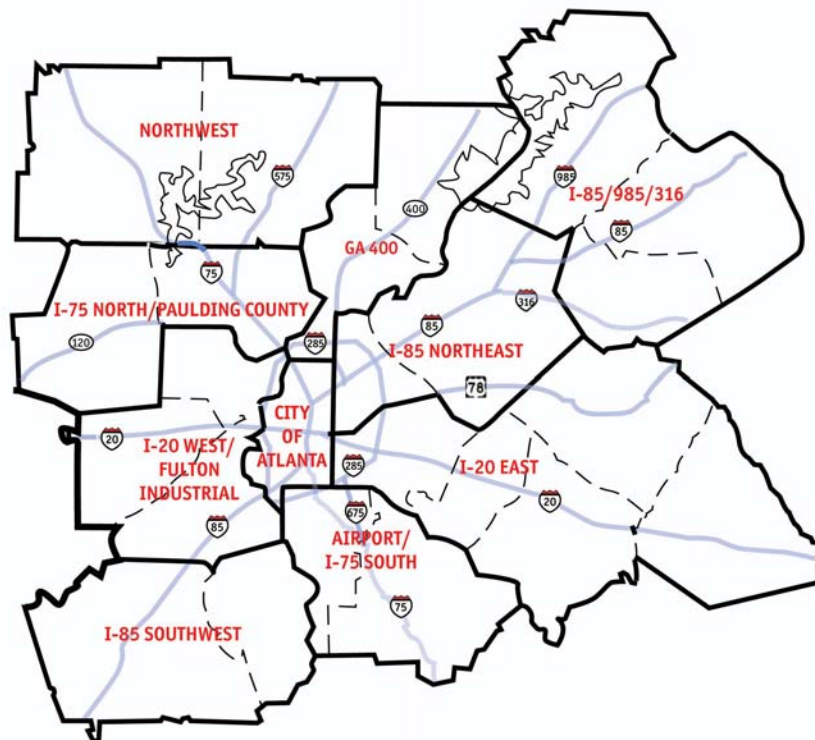
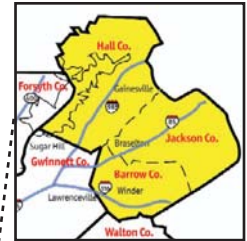
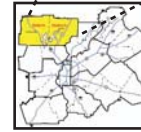
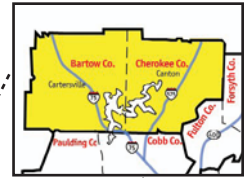
Holding only 4.1 percent of the market, the Northwest distribution sector played with the big boys this quarter. Landing fourth in activity with 718,738 square feet, put them third in net absorption at 20,318 square feet. The availability rate inched down to 21.9 percent. The same cannot be said for the service center sector. Activity fell to 15,443 square feet driving net absorption down to -6,630 square feet. This combination pushed the availability rate up to 36.5 percent.

I-85/316/985

Distribution	50,952,057	8.5%	10,099,695	19.8%	452,708	55
Service Center	1,029,992	4.0%	421,597	40.9%	22,952	5

The distribution sector of the I-85/985/316 region saw a fourth consecutive quarter of diminished activity. The 452,708 square feet leased this quarter was far outweighed by tenant departures. Net absorption came in at -216,636 square feet and increased the availability rate to 19.8 percent. Conditions were no better in the service center sector. Activity fell to 22,952 square feet. This lack of production sent net absorption back below the line to -45,270 square feet and drove the availability rate up to 40.9 percent.

Market Maps



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Note: The information is based in whole or in part on data supplied by King Industrial Consulting Services, Inc. All rights reserved. Information deemed reliable, but not guaranteed.