

## Are We There Yet?

Are we there yet? What a great question! The statistics for 2012 in the Atlanta industrial market were the best we have seen since 2007. Does this mean we have really turned the corner on the extended down market we have been experiencing and that we are headed for bluer skies and even better industrial market numbers in 2013? That's a forecast no one knows with certainty.

I would not have been surprised if activity for the fourth quarter had dropped. Typically industrial activity decreases 20 to 30 percent during a quarter when national elections are held. Surprisingly, this was not the case. The fourth quarter activity was a robust 10.2 million square feet allowing the total industrial activity for 2012 to reach 45.8 million square feet. The speculation is that the fourth quarter was so strong due to owners selling their industrial buildings prior to the end of the year in order to take advantage of the lower capital gains rate before it increased in 2013.

Additionally, I would not have been shocked if net absorption had experienced a downturn. This did not happen either. The Atlanta industrial market recorded 2.5 million square feet of positive net absorption in the fourth quarter. That success pushed the past four quarter's net absorption to 5.1 million square feet of positive net absorption. You have to go back to 2007 to see better annual positive net absorption numbers.

Furthermore, all that positive net absorption helped the availability rate drop to 19.0 percent – down from 20.4 percent a year ago. The availability rate at the onset of the downturn in December 2007 sat at 15.5 percent and climbed to a peak of 21.2 percent at the close of the first quarter of 2011. While we are nowhere near the pre-recession level, this is certainly a good sign that we are moving in the right direction.

Thankfully, the presidential election is finally behind us, but there is still a very high level of uncertainty that permeates any and all conversations when the subject turns to the economic forecast. We have all been told that there will be higher taxes, higher health care expenses and higher regulatory costs to run a business. The problem is no one seems to know for sure how these new developments will actually affect us or what they will do to our bottom line.

At this point it's anybody's guess as to what 2013 holds for the Atlanta industrial market, however, the strong activity seen in the fourth quarter of 2012 appears to be continuing into the first quarter of 2013. Are we there yet? We're getting ready to find out. Stay tuned!

Sim F. Doughtie, CCIM, SIOR, MCR, SLCR  
President

### Total Market

	Total Inventory	Net Absorption	Total Available	% Available	Total Activity	# of Deals	Avg SF Per Deal
Distribution	615,993,889	2,530,586	116,737,117	19.0%	10,266,776	680	15,098
Service Center	25,553,709	218,069	6,424,625	25.1%	728,627	173	4,212

Fourth Quarter 2012

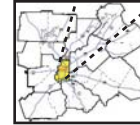
	Total Inventory	Market Share	Total Available	% Available	Total Activity	# of Deals
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Market Maps

### CITY OF ATLANTA

Distribution	51,237,191	8.3%	12,804,967	25.0%	540,194	43
Service Center	865,001	3.4%	247,462	28.6%	17,619	4

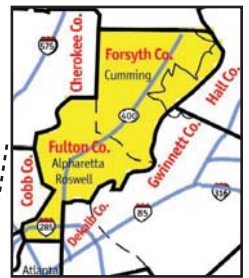
Activity held steady at 540,194 square feet in the distribution sector of the City of Atlanta region. Unfortunately, it was not enough to stop a sixth quarter of negative net absorption. On a bright note, the -109,806 square feet posted was the best seen in those six quarters. The availability rate closed the year at 25.0 percent. The fourth quarter told a different story in the service center sector. After sitting the third quarter out, activity came in at 17,619 square feet and net absorption returned to the positive side with 11,819 square feet. The availability rate fell to 28.6 percent.



### GA 400

Distribution	24,968,642	4.1%	3,703,919	14.8%	730,170	92
Service Center	3,501,940	13.7%	823,375	23.5%	131,953	26

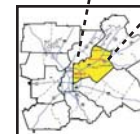
The distribution sector of the GA 400 region got a new lease on life to close the year. Activity hit 730,170 square feet – the highest since 2009 – and net absorption posted positive for the first time in four quarters. The 283,330 square feet of net absorption dropped the availability rate to 14.8 percent. The service center sector saw success in the fourth quarter as well. Activity was up to 131,953 square feet. Although net absorption was down from the previous quarter, the 28,211 square feet recorded allowed the availability rate to drop to 23.5 percent.



### I-85 NORTHEAST

Distribution	160,106,382	26.0%	27,571,929	17.2%	2,952,506	211
Service Center	10,402,754	40.7%	2,861,166	27.5%	362,896	94

The I-85 Northeast distribution sector faltered, but managed to avoid too much disappointment. Activity came in at a respectable 2,952,506 square feet. Regrettably, net absorption fell back to negative numbers, but only to -5,138 square feet. The availability rate closed at 17.2 percent. The service center sector closed out the year with a bang. While activity saw a thirty percent increase to 362,896 square feet, net absorption tripled to 102,499 square feet. The availability rate took full advantage of this success and dropped to 27.5 percent.



### I-20 EAST

Distribution	50,826,808	8.3%	9,903,606	19.5%	488,343	44
Service Center	974,123	3.8%	197,915	20.3%	60,221	3

The distribution sector of the I-20 East region continued its march forward. Activity kept pace at 488,343 square feet. Net absorption, however, took a giant step forward to 284,502 square feet. The availability rate dipped slightly to 19.5 percent. Meanwhile, it was an about-face for the service center sector. Activity increased a bit to 60,221 square feet. It was net absorption, however, that did a U-turn. The 19,976 square feet posted dropped the availability rate to 20.3 percent.



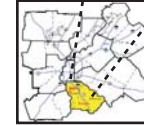
	Total Inventory	Market Share	Total Available	% Available	Total Activity	# of Deals
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**Market Maps**

### AIRPORT/I-75 SOUTH

Distribution	71,077,550	11.5%	16,481,028	23.2%	1,002,793	44
Service Center	1,033,892	4.0%	333,669	32.3%	0	0

The Airport distribution sector bounced back in the closing quarter of 2012. Activity increased slightly to 1,002,793 square feet. More importantly, net absorption rose above the break-even point to 110,625 square feet. The availability rate shaved a bit off and posted at 23.2 percent. The service center sector sat this quarter out when it came to activity. With no deals reported, the small amount of space returned to the market resulted in net absorption of -1,200 square feet. The availability rate closed the quarter at 32.3 percent.



### I-85 SOUTHWEST

Distribution	20,858,787	3.4%	2,481,858	11.9%	204,900	29
Service Center	204,314	0.8%	71,482	35.0%	23,782	10

The distribution sector of the I-85 Southwest region broke a winning streak in the fourth quarter of 2012. Activity of 204,900 square feet was not enough to keep net absorption on the positive side. Coming in at -70,327 square feet, this return to negative net absorption took the availability rate up to 11.9 percent. Despite a surge in activity, the service center sector still fell short in the fourth quarter of 2012. Activity of 23,782 square feet was a new record for this tiny region, but tenant instability erased that achievement. Net absorption fell to -82 square feet, leaving the availability rate at 35.0 percent.



### I-20 WEST/FULTON INDUSTRIAL

Distribution	120,171,810	19.5%	24,980,452	20.8%	2,752,411	82
Service Center	1,908,395	7.5%	365,555	19.2%	39,700	10

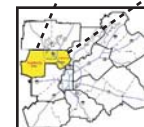
The I-20 West distribution sector was the clear winner in the fourth quarter of 2012. Activity reached 2,752,411 square feet, but it was net absorption that deserved applause. The 1,800,183 square feet accomplished is the highest seen in this region since 2007. The availability rate took advantage of this success and fell to 20.8 percent. Triumph prevailed in the service center sector as well. Activity came in at 39,700 square feet. Low tenant turnover allowed net absorption to post at 23,300 square feet dropping the availability rate to 19.2 percent.



### I-75 NORTH /PAULDING COUNTY

Distribution	37,567,126	6.1%	5,483,661	14.6%	596,380	66
Service Center	5,123,579	20.1%	1,081,168	21.1%	82,139	19

The distribution sector of the I-75 North region came close in the closing quarter of 2012. Activity took a small step down to 596,380 square feet. Although an improvement, net absorption stayed below the line for a second quarter at -9,062 square feet. The availability rate closed at 14.6 percent. Activity fell dramatically in the service center sector. Fortunately, the 82,139 square feet inked was enough to boost net absorption to 28,780 square feet. The availability rate fell slightly to 21.1 percent.



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

Distribution	26,464,487	4.3%	3,975,401	15.0%	465,547	23
Service Center	543,943	2.1%	148,693	27.3%	3,567	3

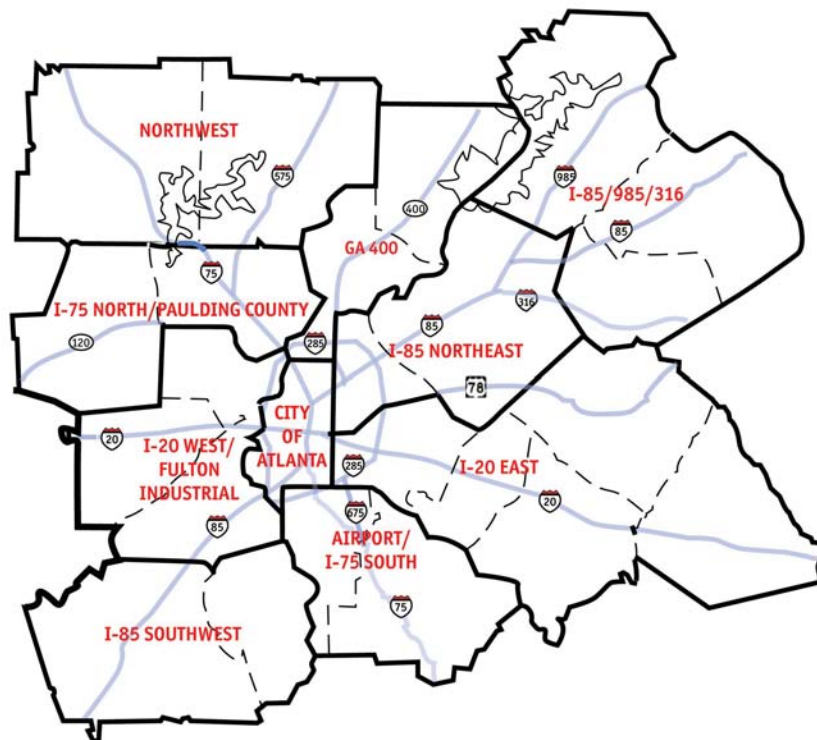
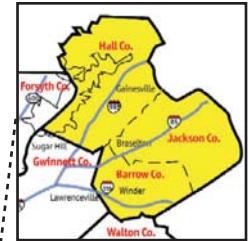
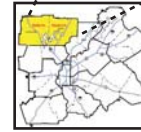
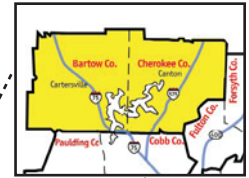
The Northwest distribution sector slowed down the pace, but still pushed forward. Activity dropped to 465,547 square feet. It was enough, however, to allow for a third quarter of positive net absorption. Though not as high as the previous two quarters, the net absorption of 122,377 square feet knocked a half percent off the availability rate, closing at 15.0 percent. The service center sector remained status quo. The 3,567 square feet of activity was matched by space returned to the market and net absorption went on the books at an even zero. The availability rate remained 27.3 percent.

**I-85/316/985**

Distribution	52,715,106	8.6%	9,350,296	17.7%	533,532	46
Service Center	995,768	3.9%	294,140	29.5%	6,750	4

Activity plummeted in the distribution sector of the I-85/316/985 region. The 533,532 collected was less than a third of that seen last quarter. It was, however, more than enough to send net absorption climbing back to positive territory. The 123,902 square feet of net absorption pushed the availability rate down to 17.7 percent. The service center sector managed to post a second quarter of success. Despite a sharp drop in activity, the 6,750 square feet produced held up enough to allow net absorption of 4,766 square feet. The availability rate closed out the year at 29.5 percent.

**Market Maps**



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