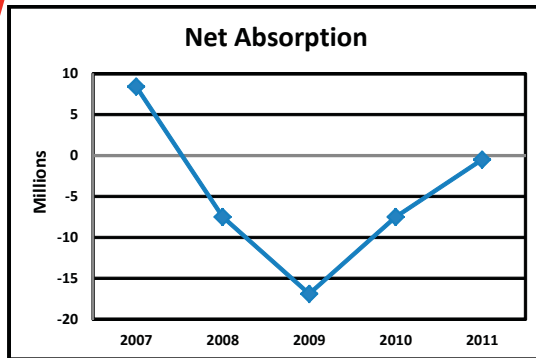


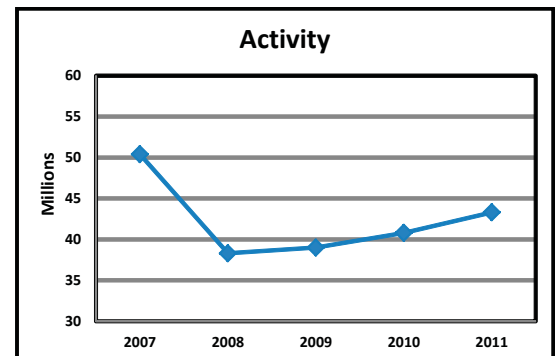
## Baby Steps

The Atlanta industrial real estate market took another step - albeit a baby step - forward in the march toward recovery in the fourth quarter of 2011. The 233,336 square feet of positive net absorption reported for the fourth quarter ended a year of uneven results with two quarters of positive net absorption and two quarters of negative net absorption. The end result of this imbalance was a year-end total of 477,944 square feet of negative net absorption.



Using the December 2007 recession start date, let's examine some data. At the close of 2008, one year into the recession, we experienced 7.5 million square feet of negative net absorption - a 15 million square foot drop from the 8.4 million positive net absorption reported for year-end 2007. This was followed by a plummet to almost 17 million square feet of negative net absorption at the close of 2009. In 2010 we somewhat recovered closing the year with 7.5 million square feet of negative net absorption. Now another year down the road, the close of 2011 saw a dramatic advancement to only 477,944 square feet of negative net absorption. While we are still experiencing negative net absorption, it's quite an improvement and we are definitely moving in the right direction.

After a disappointing third quarter showing only 8.6 million square feet of activity, the fourth quarter level jumped back up to over 10.6 million square feet. With the addition of the activity of the first two quarters, we find that the industrial market in Atlanta actually had a very good year with over 43 million square feet of activity in 2011. What's even better is the improvement in activity as compared to the years since the onset of the recession. In 2008, we saw only 38.3 million - a drop of over 12 million from 2007. Then up to 39.0 million in 2009 and up again to 40.8 million in 2010. Now at the close of 2011, we saw an even larger jump in activity to 43.3 million.



The amount of available industrial distribution space peaked during the first quarter of 2011 with over 127 million square feet or 21.2% up for offering. With little or no new speculative construction over the past several years and the continuing improvement in net absorption, the availability rate is finally beginning to decrease as evident by the 20.4% recorded at the close of 2011.

We should see continuing progress in both net absorption and activity in 2012; however, the outcome of a few issues will affect how fast and how far that improvement goes. Hopefully, the European Union will soon solve their debt crisis problems allowing U. S. exports to that part of the world to increase. The Supreme Court will hear arguments regarding the Health Care debate in March and will hand down their decision sometime in June giving more clarification to employers' liability for health care costs. As with most national elections, the comfort level of investors and corporate CEOs will remain in flux until the November elections are behind us. All of these events cause uncertainty in the economy; thus leading firms to sit on the sidelines (and hold on to their cash) waiting to see what happens.

Once we put all of these events behind us, I believe that 2012 will be a year where the Atlanta industrial market experiences robust activity and a return to positive net absorption. Let's all hope I'm right!

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	607,320,450	233,336	123,742,068	20.4%	10,674,105	673	15,860
Service Center	25,865,871	65,561	7,207,636	27.9%	708,316	156	4,540

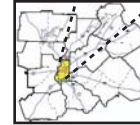
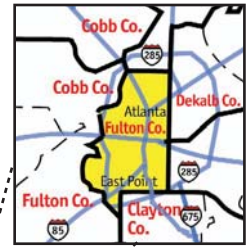
	Total Inventory	Market Share	Total Available	% Available	Total Activity	# of Deals
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Market Maps

### CITY OF ATLANTA

Distribution	50,067,210	8.2%	12,179,265	24.3%	649,225	46
Service Center	1,002,492	3.9%	364,676	36.4%	22,166	8

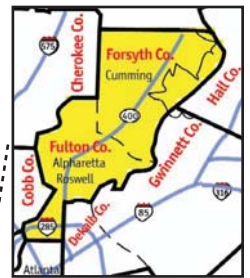
Activity in the distribution sector of the City of Atlanta region took a small step up in the fourth quarter. The 649,225 square feet generated during the quarter was enough to post improvement in net absorption, however, not enough to allow positive numbers to be recorded. The net absorption of -165,144 square feet added just one-tenth of a percent to the availability rate, now at 24.3 percent. The service center sector, on the other hand, saw achievement. Even though the activity of 22,166 square feet was slightly lower than seen last quarter, net absorption came in at 13,369 square feet – the third consecutive quarter in positive numbers. This repeat success took another 1.3 percent off the availability rate; unfortunately at 36.4 percent, this region retains the highest availability rate among service center sectors.



### GA 400

Distribution	24,724,442	4.1%	4,194,025	17.0%	449,653	79
Service Center	3,491,765	13.5%	990,858	28.4%	96,254	20

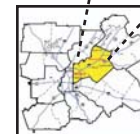
The Georgia 400 distribution sector made a strong showing to close out the year. While the activity of 449,653 square feet was only a bit of an improvement, the net absorption of 92,526 square feet was four times that seen last quarter. This accomplishment knocked more than half a percent off the availability rate, closing at 17.0 percent. The service center sector of this region saw twice as much in the activity category this quarter than last by recording 96,254 square feet. Even better, net absorption returned to positive territory with 11,188 square feet. As a result, the availability rate dropped to 28.4 percent.



### I-85 NORTHEAST

Distribution	158,683,824	26.1%	27,847,315	17.5%	3,166,128	180
Service Center	10,495,897	40.6%	3,009,766	28.7%	204,524	51

To no one's surprise, the largest of the regions, I-85 Northeast, took top tier in activity among the distribution sectors. The 3,166,128 square feet was near double the activity seen among the other regions in the fourth quarter. The down-side of this feat was the erosion of this activity by tenant turmoil. Net absorption came in at only 255,166 square feet. Positive net absorption, nonetheless, took the availability rate down to 17.5 percent. Again, the largest of the service center sectors, this region came in first with activity of 204,524 square feet. Tenant unrest took over and net absorption fell to -28,611 square feet. Another four-tenths of a percent was added to the availability rate, now at 28.7 percent.



### I-20 EAST

Distribution	50,408,660	8.3%	10,922,456	21.7%	562,464	55
Service Center	953,433	3.7%	243,131	25.5%	20,950	5

The distribution sector of the I-20 East region gained ground when it came to activity. Unfortunately, the 562,464 square feet of activity was destroyed by tenant unrest and net absorption came in at -227,115 square feet – far below third quarter's results. The availability rate naturally rose and now rests at 21.7 percent. The tiny service center sector of this region made progress in the fourth quarter. Activity of 20,950 square feet lost some ground to that same tenant unrest, but managed to stay in positive territory. The net absorption of 8,700 square feet lowered the availability rate to 25.5 percent.



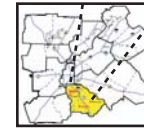
	Total Inventory	Market Share	Total Available	% Available	Total Activity	# of Deals
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**Market Maps**

### AIRPORT/I-75 SOUTH

<b>Distribution</b>	<b>69,817,163</b>	<b>11.5%</b>	<b>17,808,255</b>	<b>25.5%</b>	<b>769,076</b>	<b>58</b>
<b>Service Center</b>	<b>1,053,092</b>	<b>4.1%</b>	<b>372,303</b>	<b>35.4%</b>	<b>20,158</b>	<b>4</b>

The Airport/I-75 South distribution sector closed 2011 with a full year of negative net absorption. The fourth quarter activity of 769,076 square feet was a slight improvement, but net absorption for the quarter was the lowest seen for the year. The net absorption of -798,945 square feet pushed the year-end total net absorption to over -2.5 million square feet. This region now holds the highest availability rate of 25.5 percent. The service center sector followed suit in the fourth quarter. Activity was down to 20,158 square feet and net absorption fell to -30,958 square feet – the lowest seen in this region in over a year. The availability rate added three percent raising it to 35.4 percent.



### I-85 SOUTHWEST

<b>Distribution</b>	<b>20,877,784</b>	<b>3.4%</b>	<b>3,029,626</b>	<b>14.5%</b>	<b>705,800</b>	<b>36</b>
<b>Service Center</b>	<b>204,314</b>	<b>0.8%</b>	<b>71,350</b>	<b>34.9%</b>	<b>7,931</b>	<b>1</b>

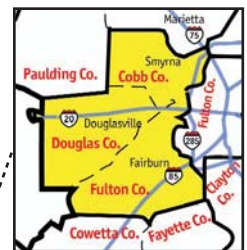
It's been more than three years since the I-85 Southwest distribution sector was this productive. Activity came in at 705,800 square feet, but it was net absorption that was the star. The 527,199 square feet of net absorption cut almost a full percent off the availability rate. This region's year-end availability rate of 14.5 percent is the best among the distribution sectors. The service center sector broke even in the closing quarter. The activity of 7,931 square feet was offset completely leaving net absorption at zero. The availability rate remained 34.9 percent.



### I-20 WEST/FULTON INDUSTRIAL

<b>Distribution</b>	<b>118,356,127</b>	<b>19.5%</b>	<b>27,110,701</b>	<b>22.9%</b>	<b>1,796,080</b>	<b>83</b>
<b>Service Center</b>	<b>1,958,681</b>	<b>7.6%</b>	<b>441,379</b>	<b>22.5%</b>	<b>118,005</b>	<b>14</b>

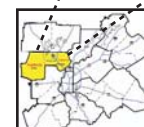
The I-20 West distribution sector made headway of sorts in the fourth quarter. Activity was up a bit to 1,796,080 square feet. The real progress, however, was seen in net absorption. While still in the red, the -280,612 square feet was a tremendous improvement over third quarter. The availability rate went on the books at 22.9 percent. The service center sector of this region led the pack in the fourth quarter. With activity up to 118,005 square feet, net absorption beat all other regions for service center net absorption. The 81,189 square feet achieved lifted the availability rate to 22.5 percent – another first place for this region.



### I-75 NORTH /PAULDING COUNTY

<b>Distribution</b>	<b>37,200,418</b>	<b>6.1%</b>	<b>5,856,639</b>	<b>15.7%</b>	<b>624,980</b>	<b>62</b>
<b>Service Center</b>	<b>5,133,979</b>	<b>19.8%</b>	<b>1,184,666</b>	<b>23.1%</b>	<b>154,230</b>	<b>34</b>

Activity faltered in the distribution sector of the I-75 North/Paulding County region in the fourth quarter. Even though it was down to 624,980 square feet, it was enough to keep net absorption above ground. The 11,686 square feet of net absorption reported left this region with an availability rate of 15.7 percent. The service center sector back-tracked to end the year. Activity of 154,230 square feet was not the culprit. It was tenant turnover that allowed net absorption to fall to -43,203 square feet. This fall from grace pushed the availability rate back up to 23.1 percent.



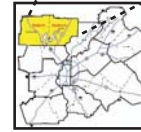
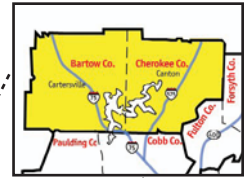
	Total Inventory	Market Share	Total Available	% Available	Total Activity	# of Deals
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### NORTHWEST

Distribution	26,007,860	4.3%	5,135,750	19.7%	725,441	35
Service Center	537,726	2.1%	185,191	34.4%	13,690	6

It was an exceptional quarter for the Northwest region's distribution sector. Activity came in at 725,441 square feet. An even better development is the fact that net absorption shot up to 277,589 square feet. A full percent fell off the availability rate which ended the quarter at 19.7 percent. The service center sector saw similar success in net absorption despite a dip in activity. Tenant stability allowed the majority of the 13,690 square feet of activity to convert to positive net absorption. The subsequent 11,690 square feet of net absorption shaved almost two percent off the availability rate, now at 34.4 percent.

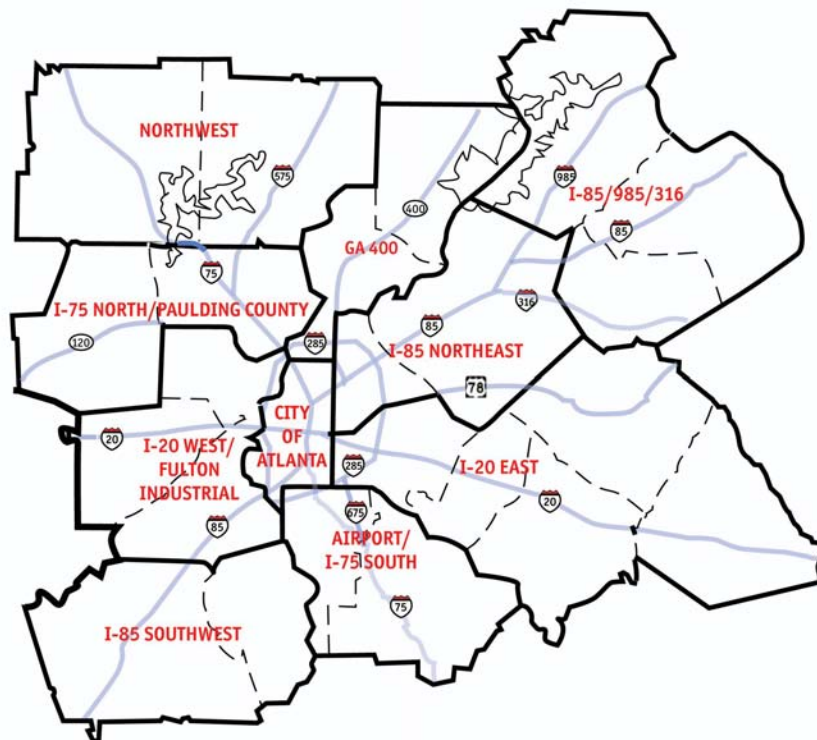
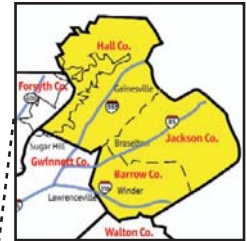
### Market Maps



### I-85/316/985

Distribution	51,176,962	8.4%	9,658,036	18.9%	1,225,258	39
Service Center	1,034,492	4.0%	344,316	33.3%	50,408	13

Activity doubled in the fourth quarter for the distribution sector of the I-85/985/316 region. Adding to that good news, almost half of this 1,225,258 square feet in activity crossed over to net absorption. The 540,986 square feet of net absorption took the availability rate down to 18.9 percent. The service center sector also ended the year with a bang. Activity stepped up to 50,408 square feet and net absorption posted at 42,197 square feet – the highest seen in this region since the first quarter of 2009. The availability rate dropped to 33.3 percent - the lowest seen since the second quarter of 2009.



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