

The Journey of a Thousand Miles . . .

. . . begins with a single step and the second quarter of 2011 is showing signs that the Atlanta industrial market may have made that first step toward recovery.

After 10 consecutive quarters of negative net absorption, the second quarter of 2011 broke free with 1,707,652 square feet of **positive** net absorption. In recent quarters, we have been observing some trends that were pointing toward a return to positive net absorption - most notably higher levels of activity.

Activity in the second quarter of 2011 was further evidence we are on the road to recovery. Activity remained steady at 731 deals totaling 11,927,253 square feet. Combine this with the first quarter's level of 12,082,742 square feet and we are looking at just over 24 million square feet at mid-year. If we are able to continue at this pace, year-end activity would finish at 48 million - a level not seen since 2007.

There are two factors that are predominantly responsible for this uptick in activity. First, some larger companies are continuing to consolidate from two or three locations to one larger facility. Czarnowski Exhibit Service is a perfect example of this consolidation. They returned three locations totaling 434,000 square feet to the market, but took one space for 568,000 square feet off the market. This one consolidation resulted in positive net absorption of 134,000 square feet.

The second factor we are seeing is the smaller firms and "mom-and-pop" shops getting off the sidelines and into the game. Unlike some of their competitors, they have survived this latest economic downturn and are looking to pick up the customers those competitors controlled. To properly service these new customers, however, they need to expand their business operations. Publisher Services, Inc. is an example of this type of expansion. During the second quarter of 2011, this company added 40 percent to its foothold in the Norcross area.

No one can predict if these trends will continue and we have many miles to go before we pull ourselves out of the lows we have experienced over the last three years. But, unless we experience some unforeseen major world event, we believe the Atlanta industrial market has taken the first step in that journey.

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	604,058,947	1,707,652	124,456,882	20.6%	11,927,253	731	16,316
Service Center	25,917,937	255,939	7,532,667	29.1%	759,140	172	4,414

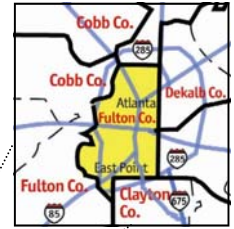
Total Inventory Market Share Total Available % Available Total Activity # of Deals

Market Maps

CITY OF ATLANTA

Distribution	49,891,830	8.3%	11,573,006	23.2%	1,200,111	62
Service Center	1,002,492	3.9%	396,945	39.6%	18,300	1

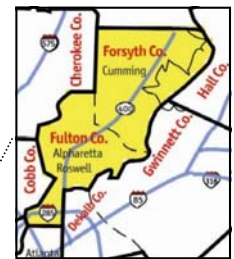
The distribution sector of the City of Atlanta region found its footing in the second quarter. Activity of 1,200,111 was double that seen in the first quarter. Additionally, enough tenants stayed in place to allow net absorption to post at 110,815 square feet. The availability rate moved in the right direction and landed at 23.2 percent. The service center sector in this region made similar progress. After inking no new deals during the first quarter, one deal for 18,300 square feet hit the books in the second quarter. The resulting net absorption of 12,720 square feet marks the first trip to positive territory since second quarter of 2010. Although the availability rate of 39.6 percent is an improvement, it remains the highest among the service center sectors.



GA 400

Distribution	24,705,931	4.1%	4,326,731	17.5%	605,744	106
Service Center	3,496,278	13.5%	980,583	28.0%	105,629	25

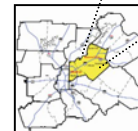
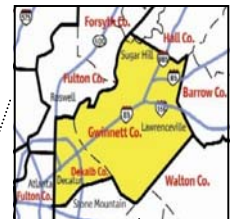
The GA 400 distribution sector crossed over to positive territory for the first time in four quarters. Activity of 605,744 square feet was strong enough to push net absorption to 208,261 square feet. This success knocked more than a full percent off the availability rate, now at 17.5 percent. The service center sector had a small dip in activity, but managed to far surpass last quarter's dismal performance. Net absorption came in at 58,048 square feet and dropped the availability rate to 28.0 percent.



I-85 NORTHEAST

Distribution	158,041,757	26.2%	28,420,628	18.0%	3,498,971	206
Service Center	10,545,487	40.7%	3,108,055	29.5%	282,105	71

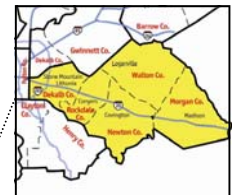
The largest of the distribution sectors, I-85 Northeast lead the pack in activity with 206 deals totaling 3,498,971 square feet. Even better news, the net absorption of 964,539 square feet not only won top honors, but marked the fourth consecutive quarter this region has seen positive net absorption. The availability rate dropped to 18.0 percent, well below the metro average of 20.6 percent. Additionally, two build-to-suit projects for 221,000 square feet sprung up in this region. Activity in the service center sector took a small step up to 282,105 square feet, but more importantly, this region stepped into positive numbers after five consecutive quarters of negative net absorption. The 17,190 square feet, however, was not enough to alter the availability rate as it remained 29.5 percent.



I-20 EAST

Distribution	50,133,811	8.3%	10,743,130	21.4%	814,605	44
Service Center	956,383	3.7%	264,781	27.7%	18,000	3

What a difference a quarter makes. . . After the disastrous -1.6 million in net absorption last quarter, the I-20 East distribution sector got some relief in the second quarter. Activity jumped up to 814,605 square feet and half of that remained in the net absorption column. The 412,437 square feet of positive net absorption whittled a full percent off the availability rate, now at 21.4 percent. The service center sector made progress as well. The 18,000 square feet of activity was put to good use and 8,750 square feet converted to positive net absorption. This accomplishment shaved half a percent off the availability rate which ended the quarter at 27.7 percent.



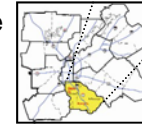
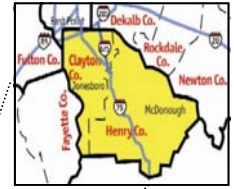
	Total Inventory	Market Share	Total Available	% Available	Total Activity	# of Deals
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Market Maps

AIRPORT/I-75 SOUTH

Distribution	69,636,760	11.5%	16,861,873	24.2%	928,119	50
Service Center	1,053,092	4.1%	353,344	33.6%	15,400	5

The distribution sector of the Airport/I-75 South region continued down the wrong path in the second quarter. Activity faltered to 928,119 square feet. Add tenant unrest to that figure and net absorption fell to -751,179 square feet. However, an adjustment to existing space kept the impact on the availability rate to a minimum and the quarter closed at 24.2 percent. The service center sector fared much better. Despite only 15,400 square feet in activity – half that seen last quarter – net absorption was positive after six consecutive quarters of negative numbers. The net absorption of 9,032 square feet lowered the availability rate to 33.6 percent.



I-85 SOUTHWEST

Distribution	20,687,459	3.4%	3,497,228	16.9%	92,384	16
Service Center	204,314	0.8%	73,366	35.9%	7,240	1

Being the smallest of the distribution sectors, it comes as no big surprise that activity in the I-85 Southwest region came in last place at 92,384 square feet. At half the level seen last quarter this poor performance resulted in net absorption dropping lower than seen in two years. The -157,524 square feet in negative net absorption sent the availability rate up seven tenths of a percent to 16.9 percent. The service center sector, on the other hand, did things right in the second quarter. The one deal inked for 7,240 square feet transferred directly to net absorption. Also the smallest of the service center sectors, this small amount of positive net absorption took over three and a half percent off the availability rate lowering it to 35.9 percent.



I-20 WEST/FULTON INDUSTRIAL

Distribution	118,102,734	19.6%	26,740,151	22.6%	2,711,930	83
Service Center	1,983,691	7.7%	596,367	30.1%	71,592	13

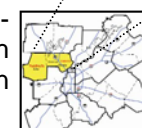
Although well below last quarter's total, activity in the distribution sector of the I-20 West/Fulton Industrial region made a strong showing with 2,711,930 square feet. Net absorption posted positive for a second consecutive quarter, coming in at 828,334 square feet. The availability rate followed suit and decreased to 22.6 percent. One build-to-suit for 61,000 square feet was added to the distribution inventory during the quarter. The service center sector, however, faltered during the second quarter. Activity of 71,592 square feet – the highest in almost three years – fell victim to tenant turmoil. Net absorption dropped to -4,403 square feet. The availability rate now rests at 30.1 percent.



I-75 NORTH/PAULDING COUNTY

Distribution	36,749,877	6.1%	6,518,277	17.7%	941,827	83
Service Center	5,120,982	19.8%	1,186,807	23.2%	129,697	24

The I-75 North/Paulding County distribution sector took a giant step up in the activity department. Eighty-three deals resulted in activity of 941,827 square feet. Even better news is the resulting net absorption. At 296,680 square feet, this is the first time in four quarters that net absorption has been above the break even mark. The availability rate took advantage of the gain and dropped more than one percent to 17.7 percent. The service center sector in this region took the blue ribbon in net absorption this quarter. Activity of 129,697 square feet held up to tenant fluctuations allowing net absorption to reach 108,296 square feet. The availability rate of 23.2 percent retains the title of lowest rate in the service center arena.



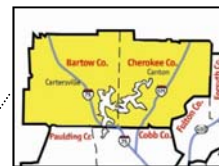
Total Inventory Market Share Total Available % Available Total Activity # of Deals

Market Maps

NORTHWEST

Distribution	25,001,471	4.1%	5,413,181	21.7%	380,875	26
Service Center	525,226	2.0%	188,327	35.9%	9,920	3

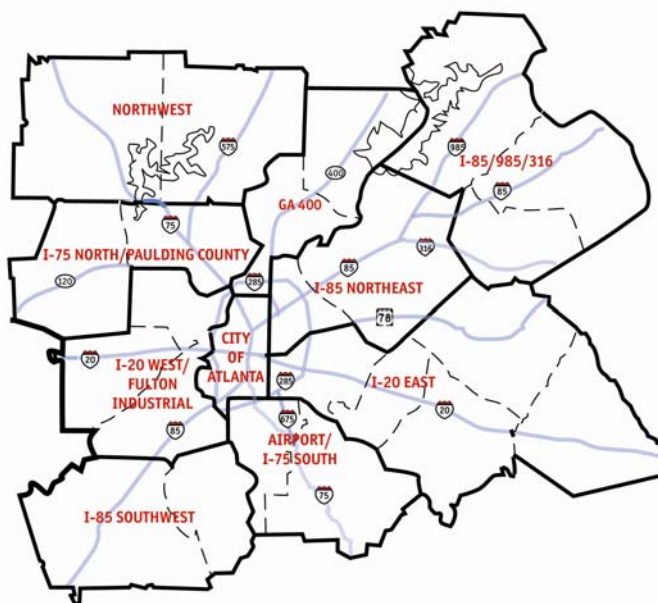
Activity dipped, but net absorption rose in the distribution sector of the Northwest region. At 380,875 square feet, activity came in at near half of that seen in the first quarter. Thanks to more tenants remaining status quo, however, net absorption rose to 87,818 square feet – more than four times that witnessed last quarter. The availability rate benefited and dropped to 21.7 percent. The service center sector eked out positive net absorption as well. Activity fell to 9,920 square feet, but net absorption managed to break free of negative territory and come in at 1,561 square feet. Holding a mere two percent of the market share, this small amount of positive performance shaved six tenths of a percent off the availability rate leaving it at 35.9 percent.



I-85/316/985

Distribution	51,107,317	8.5%	10,362,677	20.3%	752,687	55
Service Center	1,029,992	4.0%	384,092	37.3%	101,257	26

The distribution sector of the I-85/985/316 region posted a fourth consecutive quarter of negative net absorption. Activity shot up to 752,687 square feet, but too many tenants opted out of their space and net absorption fell to -292,529 square feet. A half percent was added to the availability rate pushing it to 20.3 percent. The service center sector managed to erase all the damage done during the first quarter. Activity soared to 101,257 square feet. This uptick cleared the way for net absorption to hit positive numbers at 37,505 square feet. The availability rate took advantage of this victory and wiped away over three percent, closing the quarter at 37.3 percent.



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