

Movin' On Up!

After enduring four years in a row of negative net absorption in the Atlanta industrial market, it's nice to see things moving in the right direction. King Industrial Realty has just recorded the fifth consecutive quarter of positive net absorption. Over the past four quarters, Atlanta recorded a total of over nine million square feet of positive net absorption. This most recent quarter, second quarter of 2013, accounted for more than half that total, or just over 5.1 million square feet. Good news to say the least!

Activity during this same time period remained robust. Activity for the second quarter of 2013 alone was over 13.7 million square feet. The total activity for the past four quarters topped 46.6 million square feet . . . also good news!

Another point of interest during the second quarter of 2013 is the total number of deals recorded. The Atlanta industrial market reached a record 852 deals completed in a single quarter. That puts the four quarter total at 3,048 transactions - while not a new record for transactions over a four quarter period, it was certainly a move forward!

Also of note, only 2.2 percent of those 852 deals were transactions larger than 100,000 square feet. Deals under 20,000 square feet accounted for 83.1 percent of the transactions. During the second quarter of 2012 those under 20,000 square feet deals represented 80.5 percent. Historically, the "mom and pop" deals have driven the Atlanta industrial market. The rise in these smaller transactions is hopefully on the rebound as well.

High deal volume generating strong activity coupled with positive net absorption clearly had a positive impact on the amount of space currently available. The percentage of space available for sale or for lease just a year ago in the second quarter, 2012 was 19.7 percent. At the close of second quarter 2013, that percentage was down to 17.6 percent - quite a drop! It's an even larger drop when compared to the 20.6 percent recorded in the second quarter of 2011.

Over the past four quarters, 3.2 million square feet of new construction came to life in the Atlanta industrial market with a paltry 11 percent, or 366,400 square feet, of that classified as speculative construction. While we do not predict a huge upswing in new speculative construction, we do expect there will be a few announcements similar to the Majestic Realty announcement of plans for a 560,000 square foot warehouse on the southside. The build-to-suit market, however, will continue to be strong due to the lack of adequate new space available. When firms look to relocate or expand in the Atlanta region and do not find exactly what they are searching for in the way of new, LEED certified/green space, they will hire a contractor to build it for them. Currently only 4.8 percent of the available space has never been occupied, so the build-to-suit trend we have been experiencing will continue.

After living in a down industrial market for four long years, it is a pleasure to be able to report things are movin' on up. Let's hope the future continues to bear good news!

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	619,189,726	5,103,116	109,047,520	17.6%	13,702,765	852	16,083
Service Center	25,444,423	-213,855	6,498,520	25.5%	598,845	148	4,046

Second Quarter 2013

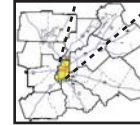
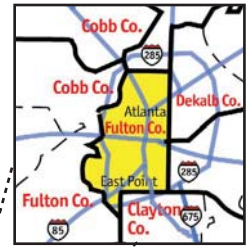
	Total Inventory	Market Share	Total Available	% Available	Total Activity	# of Deals
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Market Maps

CITY OF ATLANTA

Distribution	51,390,163	8.3%	12,023,847	23.4%	689,443	68
Service Center	881,695	3.5%	283,354	32.1%	9,227	2

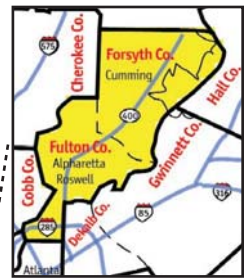
For the first time in two years, the distribution sector of the City of Atlanta region landed on the positive side of the line. Activity dropped sharply coming in at 689,443 square feet. Thanks to fewer tenants departing this mature market, almost half that activity remained on the books as positive net absorption. This 309,677 square feet of net absorption dropped the availability rate to 23.4 percent – the highest among the distribution sectors. The service center sector, however, posted a second quarter of negative net absorption. Activity was not to blame. The 9,227 square feet produced was erased and net absorption fell to -10,507 square feet. The availability rate rose to 32.1 percent to close the second quarter of 2013.



GA 400

Distribution	25,008,575	4.0%	3,371,535	13.5%	681,959	89
Service Center	3,463,624	13.6%	854,361	24.7%	49,114	17

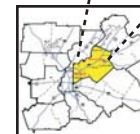
The distribution sector of the GA 400 region bounced back in the second quarter of 2013. Activity rose to 681,959 square feet. More important was the return to positive net absorption of 270,750 square feet. This success erased more than a full percent off the availability rate closing the quarter at 13.5 percent. The service center sector experienced the opposite outcome. Activity fell to 49,114 square feet allowing net absorption to fall back below the line. The net absorption of -66,553 square feet added almost two percent to the availability rate which closed out at 24.7 percent.



I-85 NORTHEAST

Distribution	160,405,415	25.9%	25,248,127	15.7%	3,334,417	236
Service Center	10,382,322	40.8%	3,002,658	28.9%	239,534	76

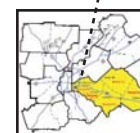
The I-85 Northeast distribution sector hit a home run when it came to activity. The 3,334,417 square feet of deals accumulated led all distribution sectors in the activity category. Net absorption of 574,582 square feet allowed the availability rate to fall to 15.7 percent. The service center sector was not quite as fortunate. Although the 239,534 square feet of activity out-performed its service center peers, net absorption brought up the rear for a second consecutive quarter recording -106,087 square feet. The availability rate took a hit as well, rising to 28.9 percent.



I-20 EAST

Distribution	51,818,360	8.4%	9,025,987	17.4%	619,995	56
Service Center	985,343	3.9%	195,028	19.8%	37,788	8

The distribution sector of the I-20 East region stayed in negative territory in the second quarter of 2013. Activity came in at 619,995 square feet. Unfortunately, net absorption posted at -50,140 square feet. The availability rate caught a break and fell to 17.4 percent thanks to a sublessor's decision to remain in their space. The service center sector fared no better. Despite an increase in activity to 37,788 square feet, net absorption fell back to negative territory at -7,983 square feet. The availability rate of 19.8 percent remains the lowest among the service center sectors.



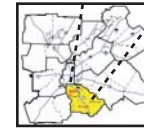
	Total Inventory	Market Share	Total Available	% Available	Total Activity	# of Deals
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Market Maps

AIRPORT/I-75 SOUTH

Distribution	72,438,566	11.7%	15,302,547	21.1%	3,321,385	66
Service Center	983,220	3.9%	278,665	28.3%	17,829	4

The Airport/I-75 South distribution sector won the golden ticket in the second quarter. Activity soared to 3,321,385 square feet, but the better news was reported in this region's net absorption. Pulling in at first place, the net absorption of 2,791,295 square feet erased over two percent off the availability rate dropping it to 21.1 percent. The service center sector didn't have the same success. Activity fell to 17,829 square feet allowing net absorption to dip to -6,371 square feet. Due to an adjustment in inventory, however, the availability rate dropped to 28.3 percent.



I-85 SOUTHWEST

Distribution	20,964,681	3.4%	2,273,358	10.8%	579,963	63
Service Center	204,314	0.8%	66,982	32.8%	0	0

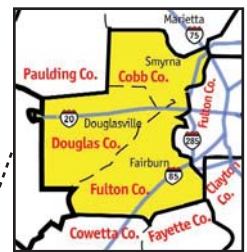
It was an extraordinary quarter for the small I-85 Southwest distribution sector. Activity climbed to 579,963 square feet – the highest in this region in a year and a half. Better yet, net absorption ascended to 315,846 square feet – again the highest in that same year and a half period. This success chopped the availability rate down to 10.8 percent, the lowest by far among the distribution sectors. The service center sector sat the second quarter of 2013 out. With all tenants remaining in place and no deals reported, the availability rate remained at 32.8 percent and remained the highest among the service center sectors.



I-20 WEST/FULTON INDUSTRIAL

Distribution	120,198,193	19.4%	22,891,128	19.0%	2,477,998	85
Service Center	1,875,155	7.4%	374,450	20.0%	15,213	5

The I-20 West/Fulton Industrial distribution sector can call the second quarter of 2013 a success. Activity took a step up to 2,477,998 square feet, but net absorption took a bigger step. Double that seen last quarter, the 1,098,411 square feet of net absorption shaved a full percent off the availability rate closing the second quarter of 2013 at 19.0 percent. It was the flip side of the coin for the service center sector. Activity took a nose dive coming in at 15,213 square feet. Worse news was the return to negative net absorption. The -24,060 square feet recorded pushed the availability rate back up to 20.0 percent.



I-75 NORTH /PAULDING COUNTY

Distribution	37,696,964	6.1%	5,793,322	15.4%	811,633	103
Service Center	5,123,439	20.1%	1,052,087	20.5%	201,474	25

The distribution sector of the I-75 North/Paulding County region broke a losing streak in the second quarter of 2013. Activity jumped up slightly to 811,633 square feet. The reversal came with net absorption posting positive for the first time in four quarters. The 56,795 square feet of net absorption whittled the availability rate down a bit to 15.4 percent. The service center sector managed positive net absorption by the smallest of margins. Activity of 201,474 square feet was the highest seen in this region in several years. Tenant unrest, however, devoured that accomplishment leaving only 2,190 square feet to post as net absorption. The availability rate moved to 20.5 percent.



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

Distribution	26,465,948	4.3%	4,080,285	15.4%	736,465	48
Service Center	545,543	2.1%	151,139	27.7%	3,566	4

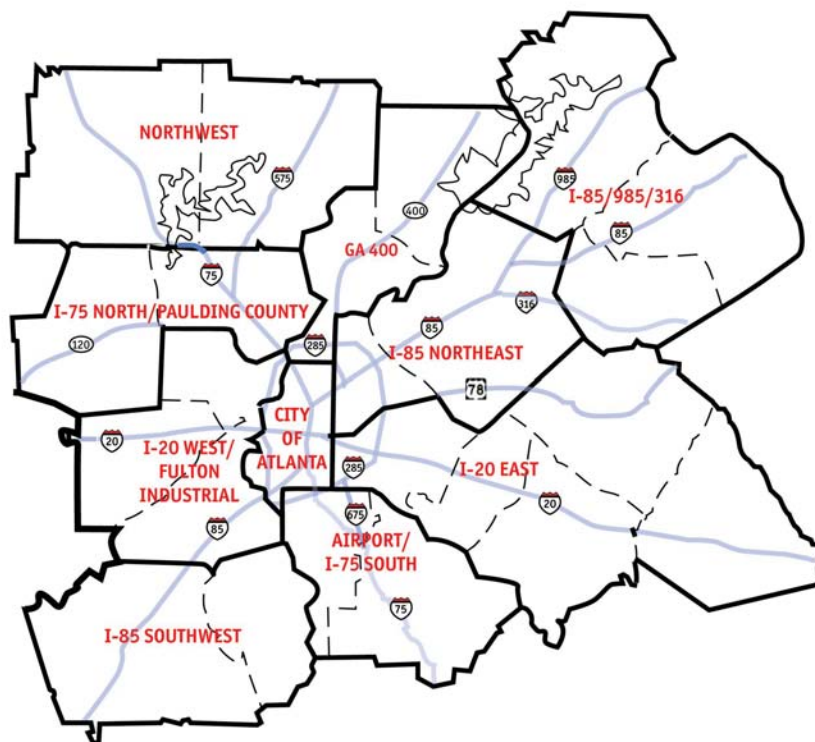
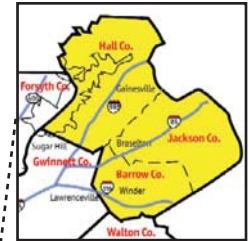
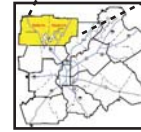
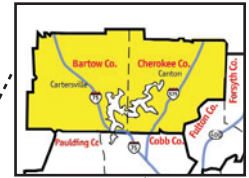
The Northwest distribution sector returned to the dark side in the second quarter of 2013. Activity of 736,465 square feet was not the culprit. Tenant turnover wasted that increase in activity dropping net absorption to -87,218 square feet. This marks the first time in negative territory since the first quarter of 2012. The availability rate took a hit as well and rose to 15.4 percent. The service center sector experienced a similar fate. Activity came in at 3,566 square feet. Net absorption of -4,084 square feet marks the first quarter of negative results since the third quarter of 2011. The availability rate rose to 27.7 percent.

I-85/316/985

Distribution	52,802,861	8.5%	9,037,384	17.1%	449,507	38
Service Center	999,768	3.9%	239,796	24.0%	25,100	7

The distribution sector of the I-85/316/985 region lost momentum in the second quarter of 2013. Activity of 449,507 square feet was half that seen last quarter. To make matters worse, net absorption returned to negative numbers. The -176,882 square feet of net absorption recorded in this region was the lowest seen among the distribution sectors and pushed the availability rate in this region up to 17.1 percent. The service center sector, on the other hand, posted the highest net absorption among its peers. Despite reduced activity of 25,100 square feet, net absorption topped the list at 9,600 square feet. The availability rate improved and went on the books at 24.0 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.