Point of View

King Industrial Realty, Inc.

This, Too, Shall Pass

Unfortunately, the problems that engulfed the Atlanta industrial market in 2008 have spilled over into the first quarter of 2009. The Atlanta industrial market continues to struggle with a lack of demand and tenant turnover continues to erode its tenant base. Likewise, new business ventures remain scarce and landlords are facing an increasingly difficult leasing environment.

During the first quarter, widespread tenant turnover, along with diminished leasing activity, caused eleven out of twelve metro Atlanta submarkets to post negative net absorption. The 8,593,127 square feet of activity Atlanta managed to generate was washed away by a torrent of outflows, resulting in -3,898,734 square feet of negative net absorption. In a historical milestone, the Atlanta industrial market recorded -10,063,236 square feet of negative net absorption over the last four quarters.

In the first quarter of 2009, the Fulton Industrial district and Peachtree Industrial corridor bore the brunt of this downswing combining for -1,625,428 square feet of negative net absorption. Likewise, the I-85 North distribution market continued to struggle with tenant turnover. This submarket churned out 1,981,916 square feet of activity; however, this productivity was overshadowed by outflows, resulting in -249,135 square feet of negative net absorption.

Consequently, Atlanta's availability rate moved upward six tenths of a percent to 18 percent in the first quarter, matching its highest point since the second quarter of 2005. Furthermore, the uncertain financial environment has caused developers to shelve spec construction projects and focus on build-to-suit development. Over the last year, 65 percent of the new construction projects launched in metro Atlanta have been build-to-suit.

The market's surplus of available space has created tremendous opportunities for tenants looking to negotiate leases and lease renewals with favorable terms, which bring much needed cost reductions. Yet in contrast, landlords are feeling the pinch with deals and credit tenants in short supply. It is also important to note that a significant portion of the leasing activity over the last year can be attributed to lateral movement by companies downsizing and consolidating operations as opposed to new business ventures.

It was a difficult first quarter for the Atlanta industrial market. A sharp decline in consumer spending, along with the banking crisis, stymied business growth and caused many businesses to fail. Nevertheless, Atlanta will weather this storm as it has done in the past and emerge stronger and healthier from this challenging time.

Stephen C. Ratchford, SIOR
Senior Vice President

Total Market

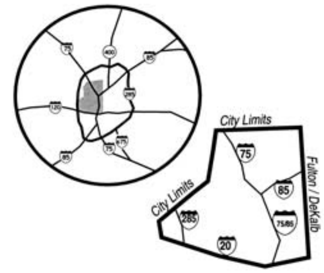
	Total Inventory	Net Absorption	Total Available	% Available	Total Activity	# of Deals	Avg SF Per Deal
Distribution	505,768,707	-3,898,734	91,131,690	18.0%	8,593,127	585	14,689
Service Center	22,291,146	-384,269	5,834,957	26.2%	582,882	136	4,286

CORFAC International

AREA 10

	Total Inventory	Market Share	Total Available	% Available	Total Activity	# of Deals
Distribution	**25,886,880**	**5.1%**	**4,749,521**	**18.3%**	**458,882**	**44**
Service Center	**814,651**	**3.7%**	**279,869**	**34.4%**	**0**	**0**

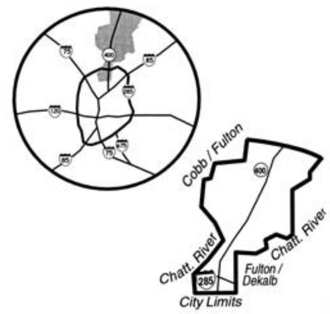
Market Maps



The Chattahoochee Industrial District continued to dig a hole in the first quarter of 2009. Although the distribution market's activity of 458,882 slightly edged out the activity from last quarter, an exodus of tenants resulted in net absorption of –578,563 square feet, more than double its level last quarter. Unfortunately, the service center market followed suit. With no activity produced during the quarter, tenant departure resulted in –19,288 square feet of negative net absorption.

AREA 15

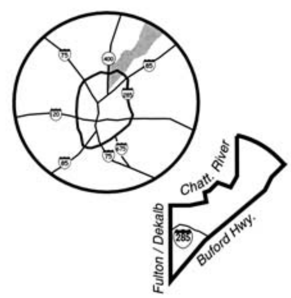
	Total Inventory	Market Share	Total Available	% Available	Total Activity	# of Deals
Distribution	**23,327,586**	**4.6%**	**3,699,041**	**15.9%**	**511,203**	**70**
Service Center	**3,166,127**	**14.2%**	**785,041**	**24.8%**	**94,908**	**15**



Activity dropped sharply in the 400 North distribution market during the first quarter; fortunately, so did outflow. Even after posting negative net absorption of –23,220 square feet, the availability rate increased only four tenths of a percent to 15.9%. The service center market erased the progress it made last quarter. A decrease in activity, coupled with an increase in tenant turnover, were responsible for the -16,530 square of negative net absorption recorded this quarter.

AREA 20

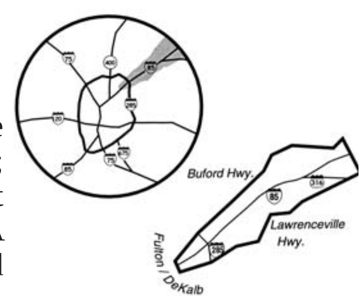
	Total Inventory	Market Share	Total Available	% Available	Total Activity	# of Deals
Distribution	**36,413,439**	**7.2%**	**6,289,959**	**17.3%**	**614,995**	**69**
Service Center	**3,618,716**	**16.2%**	**841,040**	**23.2%**	**180,386**	**38**



The downward spiral continued in the distribution market in Area 20. Net absorption of –775,574 square feet was the result of an increase in tenant withdrawal. This backward slide increased the availability rate to 17.3% - its highest level since the close of 2004. Although the service center market in Area 20 led the pack in activity, tenant desertion played a bigger role in its outcome. Net absorption of –25,570 square feet increased the availability rate by six tenths of a percent to 23.2%

AREA 25

	Total Inventory	Market Share	Total Available	% Available	Total Activity	# of Deals
Distribution	**93,596,663**	**18.5%**	**15,031,059**	**16.1%**	**1,981,916**	**109**
Service Center	**4,872,622**	**21.9%**	**1,525,017**	**31.3%**	**91,886**	**27**

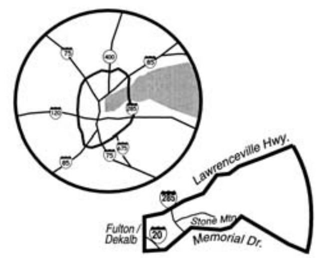


The I-85 North distribution market managed to increase its activity to kick off the New Year. That upswing was not able to completely erase the tenant migration; consequently, Area 25 concluded the quarter with –249,135 square feet of negative net absorption. The service center market in Area 25 fared no better in the first quarter. A decrease in activity led to –42,914 square feet of negative net absorption and pushed the availability rate up to 31.3%.

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

AREA 30

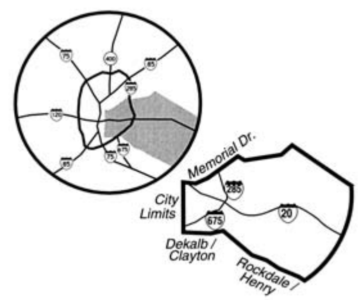
Distribution	**26,599,767**	**5.3%**	**4,384,999**	**16.5%**	**458,432**	**35**
Service Center	**1,572,230**	**7.1%**	**304,369**	**19.4%**	**27,532**	**10**



Departing tenants were double that of arrivals in the Stone Mountain distribution market, marking another quarter of negative net absorption. This –531,275 square feet pushed the availability rate up a full two percent for a close of 16.5%. The service center market here, however, carries the lowest availability rate in Metro Atlanta. Area 30 managed to hold on to most of its tenant base and posted a modest –1,223 square feet in negative net absorption.

AREA 40

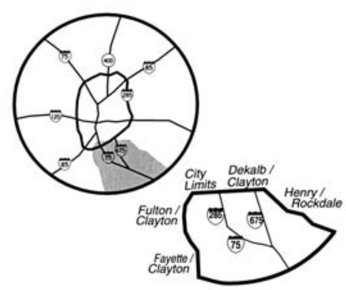
Distribution	**40,125,390**	**7.9%**	**6,008,859**	**15.0%**	**509,514**	**49**
Service Center	**412,244**	**1.8%**	**84,540**	**20.5%**	**10,000**	**2**



Although the –146,487 square feet of negative net absorption was a notable improvement over last quarter, the I-20 East distribution market still managed to register its eighth consecutive quarter of negative net absorption. Despite this streak of negative performance, the availability rate in Area 40 remains 15.0%, a full three percentage below the metro average. The service center market, however, managed to tread water and recorded a minimal –1,200 square feet of negative net absorption.

AREA 50

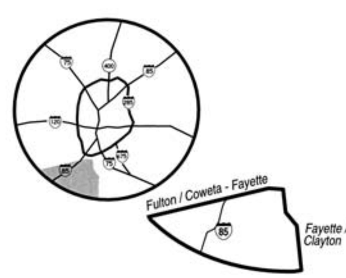
Distribution	**67,292,491**	**13.3%**	**13,858,180**	**20.6%**	**435,733**	**41**
Service Center	**937,793**	**4.2%**	**205,112**	**21.9%**	**14,511**	**3**



The Airport distribution market could not keep the momentum going and dropped back into negative territory in the first quarter. A significant decrease in activity was the culprit and –179,692 square feet of negative net absorption was put on the books. Activity also plunged in the service center market in Area 50. The meager 14,511 square feet it added to its tenant base was offset by losses, ending in –1,907 square feet of negative net absorption.

AREA 55

Distribution	**20,853,949**	**4.1%**	**2,418,429**	**11.6%**	**571,961**	**24**
Service Center	**129,461**	**0.6%**	**44,016**	**34.0%**	**9,703**	**3**

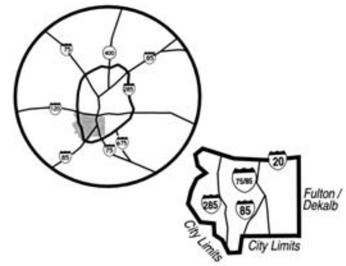


Area 55 was the unrivaled champion for the first quarter of 2009. The Fayette/ Coweta County distribution market not only doubled its activity, it was also able to limit tenant retreat. This feat allowed Area 55 to earn the honor of being the only distribution market to close the quarter in positive territory with 378,279 square feet in net absorption. The service center market also ended the quarter on a positive note with 9,703 square feet of net absorption.

AREA 60

	Total Inventory	Market Share	Total Available	% Available	Total Activity	# of Deals
Distribution	24,277,928	4.8%	5,617,693	23.1%	201,722	7
Service Center	211,589	0.9%	69,995	33.1%	19,846	2

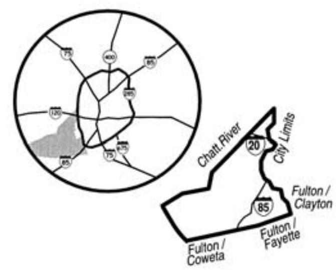
Market Maps



The South Atlanta distribution market remained unable to gain any momentum. Sluggish activity led to the fifth consecutive quarter of negative net absorption pushing Area 60's availability rate to 23.1% - more than five percent above the metro average of 18.0%. The service center market, however, led the pack on the positive track. Maintaining its meager tenant base allowed its entire 19,846 square feet of activity to convert to positive net absorption.

AREA 70

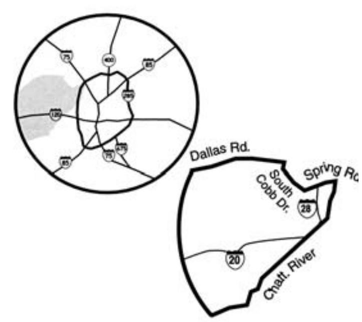
	Total Inventory	Market Share	Total Available	% Available	Total Activity	# of Deals
Distribution	70,102,696	13.9%	16,186,346	23.1%	1,536,950	46
Service Center	269,864	1.2%	104,326	38.7%	2,200	1



The South Fulton County distribution market earned the title of biggest loser to start the year. Despite more than double the activity from last quarter, Area 70's net absorption landed at a whopping –849,854 square feet. This backward slide bumped its availability rate to 23.1%, a tie for first place. The service center market in Area 70 carries an equally dubious title – highest percentage available. Its net absorption of –16,200 square feet pushed the availability rate to a hefty 38.7%.

AREA 80

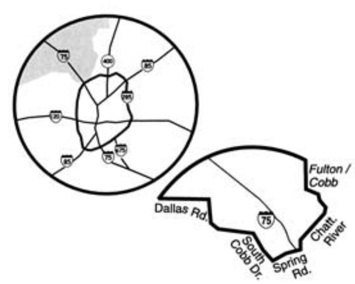
	Total Inventory	Market Share	Total Available	% Available	Total Activity	# of Deals
Distribution	44,162,703	8.7%	7,513,164	17.0%	704,902	33
Service Center	1,591,633	7.1%	447,250	28.1%	24,855	7



Area 80 succumbed to tenant turnover again this quarter. The 704,902 square feet of activity could not withstand the erosion to its tenant base and –326,725 square feet of negative net absorption was the result. The service center market's situation was no better. Tenant exodus was three-fold the activity, leaving –54,391 square feet of negative net absorption in its wake.

AREA 85

	Total Inventory	Market Share	Total Available	% Available	Total Activity	# of Deals
Distribution	33,129,215	6.6%	5,374,440	16.2%	606,917	58
Service Center	4,694,216	21.1%	1,144,382	24.4%	107,055	28



Diminished activity was the cause of the demise of I-75 North's distribution market. The availability rate in Area 85 escalated to 16.2% as a result of –514,004 square feet of negative net absorption. The service center market's fate was no better. The –226,995 square feet of negative net absorption established Area 85 at the bottom of the totem pole for service center performance.

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