Point of View

KING Industrial Realty, Inc.

A Force to be Reckoned With

The good news is that 48 percent of U.S. metro areas are on the rebound. According to the Adversity Index compiled by msnbc.com and Moody's economy.com, 183 of the 384 metro areas tracked in the US have begun to recover from the current recession. The bad news is that Atlanta was not among that fortunate group.

The activity and net absorption results for this first quarter of 2010 can't dispute those findings. After a better than expected end to 2009, the Atlanta industrial market lost momentum in the first quarter. Activity slipped to 8,842,437 square feet – down slightly from the fourth quarter 2009 performance, but not as low as the previous quarters in 2009. Deals are definitely being made. In fact, more deals were inked in this first quarter than in the closing quarter of 2009. Proof positive that tenants are coming and going – the "going" side is out-pacing the "coming" side. Net absorption of –3,293,614 square feet was the end result in the distribution sector for the first quarter 2010.

At –1,290,075 square feet, the Henry/Clayton county submarket, unfortunately, led all other submarkets in this negative net absorption. Activity in this Airport submarket dropped below one million square feet. In addition, the level of space given back to the market in this area for the quarter hasn't been this high since the second quarter 2008. Only three submarkets started the year in positive numbers for net absorption. The South Fulton County and Cobb/Douglas Counties submarkets got to the positive side thanks to the Clorox (1,145,378 sf) and Colgate (744,331 sf) deals.

Fortunately, new construction continues to be dominated by build-to-suit projects. Over the past four quarters, only 2.1 percent of ground broken has been for spec construction. Despite this meager addition to inventory, the availability rate in the Metro industrial market inched up for a sixth consecutive quarter and now rests at 20.9 percent.

While all this news clouds the skies, April showers bring May flowers. Recent economic indicators are showing signs of a better forecast. March saw a surge in retail sales . . . February posted a slight gain in exports . . . 162,000 jobs were added to the economy (17,000 included in manufacturing) . . . the Dow Jones industrial average is hovering at the 11,000 mark . . . during the fourth quarter of 2009, the overall economy as measured by the gross domestic product grew at an annual rate of 5.9 percent with forecasts expecting the growth to remain about three percent for 2010.

The Adversity Index also puts Atlanta on the list of metro areas next to rebound. And why not? In the 2009 Forbes magazine rankings, Atlanta placed in the top 10 for "Cities with the Most Fortune 500 Headquarters", "Cities with the Most Global 500 Headquarters", "Best Places for Business and Careers", "America's Most Wired Cities" and "Best Cities for Singles". The A-T-L has been, and always will be, a force to be reckoned with. There are deals to be made. Go get 'em and add to the upside of a market poised for a comeback.

Sim F. Doughtie, CCIM, SIOR, MCR
President

Total Market

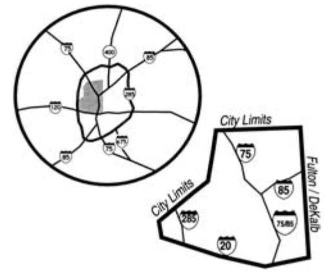
	Total Inventory	Net Absorption	Total Available	% Available	Total Activity	# of Deals	Avg SF Per Deal
Distribution	**510,029,280**	**-3,293,614**	**106,564,316**	**20.9%**	**8,842,437**	**523**	**16,907**
Service Center	**23,260,615**	**-183,022**	**6,333,962**	**27.2%**	**555,343**	**132**	**4,207**

CORFAC International

AREA 10

	Total Inventory	Market Share	Total Available	% Available	Total Activity	# of Deals
Distribution	**25,342,254**	**5.0%**	**5,338,182**	**21.1%**	**422,594**	**40**
Service Center	**760,061**	**3.3%**	**302,841**	**39.8%**	**11,973**	**4**

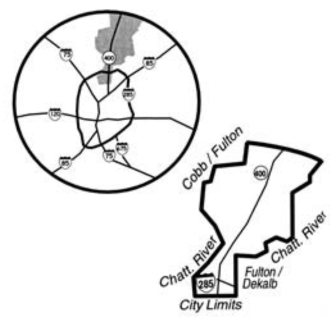
Market Maps



Activity in Area 10's distribution market hasn't been this high since the first quarter of 2008. Inking 40 deals totaling 422,594 square feet allowed net absorption to inch up slightly. While still negative, net absorption of –149,453 square feet is the best the north side of Atlanta has seen in two years. Availability rose by four tenths of a percent to 21.1 percent. The service center market, however, stepped further into the hole this quarter. Despite a twofold increase in activity, net absorption dropped to –32,223 square feet. This decline added 4.1 percent to the availability rate, generating a new leader of the pack at 39.8 percent.

AREA 15

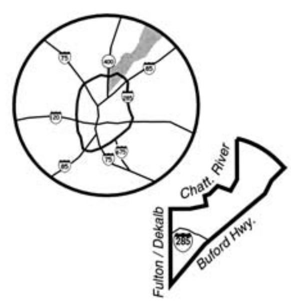
Distribution	**24,028,882**	**4.7%**	**4,683,505**	**19.5%**	**514,932**	**81**
Service Center	**3,419,323**	**14.7%**	**898,088**	**26.3%**	**98,565**	**24**



The distribution sector of the GA 400 Corridor returned to old habits to start the year. After breaking a five-quarter negative cycle in the fourth quarter of 2009, net absorption fell back down to –422,051 square feet. Although activity dropped, it was double the space returned to the market that derailed Area 15. Availability felt the impact and rose to 19.5 percent. The service center market was able to increase activity a bit, but not enough to post a third quarter in positive territory. Net absorption came in at –18,309 square feet.

AREA 20

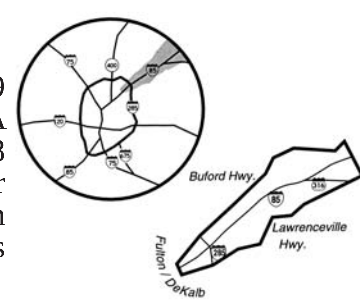
Distribution	**36,291,770**	**7.1%**	**7,434,146**	**20.5%**	**696,393**	**67**
Service Center	**3,755,121**	**16.1%**	**897,751**	**23.9%**	**57,868**	**13**



Area 20 had record net absorption in the distribution sector for the quarter; unfortunately, it was record negative net absorption. This –827,427 square foot step backward, forced the availability rate to rise 1.9 percent to 20.5 percent. This quarter is the first time this submarket has topped the 20 percent mark. The service center sector in Gwinnett/North Fulton Counties took a hit as well. Activity of 57,868 square feet has not been this low in five years. That, combined with continued tenant exodus, resulted in net absorption of –67,167 square feet and a rise in the availability rate to 23.9 percent.

AREA 25

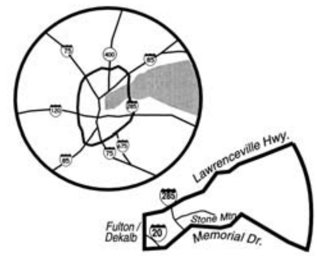
Distribution	**93,657,755**	**18.4%**	**17,575,380**	**18.8%**	**1,231,648**	**81**
Service Center	**4,970,418**	**21.4%**	**1,558,693**	**31.4%**	**118,489**	**37**



The I-85 North Corridor's distribution market duplicated its fourth quarter 2009 performance. Net absorption remained below the line at –645,161 square feet. A sixth consecutive quarter of negative net absorption put the availability rate at 18.8 percent – up an additional six tenths of a percent. Area 25 led all service center sectors in net absorption. Although not quite as high as last quarter, net absorption of 15,986 square feet was enough to top the list. Availability dropped slightly in this submarket stopping at 31.4 percent.

AREA 30

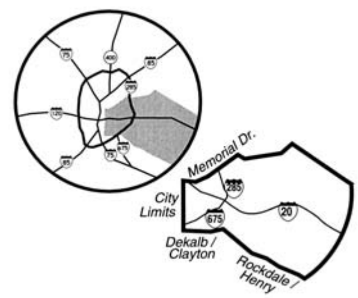
	Total Inventory	Market Share	Total Available	% Available	Total Activity	# of Deals	Market Maps
Distribution	**26,798,682**	**5.3%**	**4,957,783**	**18.5%**	**361,563**	**41**	
Service Center	**1,630,924**	**7.0%**	**339,410**	**20.8%**	**30,626**	**14**	



An increase in activity to 361,563 square feet was out-paced by tenants opting to give up space in the distribution sector of Area 30. Net absorption of –321,991 square feet was even deeper than last quarter's results. The availability rate of 18.5 percent is more than one percent above the close of 2009. The Stone Mountain Corridor service center sector was victim to the same fate. Tenant departures out weighed the activity of 30,626 square feet and in a big way. Net absorption dipped further south than seen in two years. The –29,405 square feet of net absorption posted sent the availability rate up 1.7 percent to 20.8 percent.

AREA 40

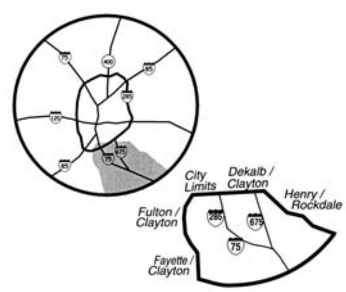
Distribution	**40,486,899**	**7.9%**	**7,463,137**	**18.4%**	**351,079**	**34**
Service Center	**480,316**	**2.1%**	**128,180**	**26.7%**	**0**	**0**



Based on the past two year's history, net absorption of –139,113 square feet doesn't seem too bad for Area 40's distribution sector. Activity of 351,079 square feet was weaker than normal, but more tenants stayed in place. A slight increase in the availability rate ended at 18.4 percent. The service center sector in the I-20 East Corridor went a second quarter without adding a single new tenant. This, inevitably, led to net absorption in negative digits. At least the –17,600 square feet of net absorption was not as low as last quarter, but even a small dip in a small submarket can have a big effect on the availability rate. Up three percent, the rate in this submarket hit 26.7 percent.

AREA 50

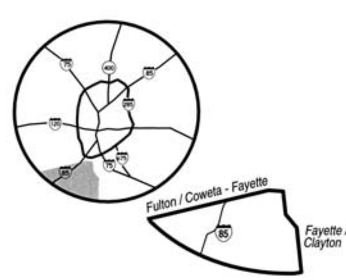
Distribution	**68,410,387**	**13.4%**	**16,467,657**	**24.1%**	**807,799**	**33**
Service Center	**1,021,524**	**4.4%**	**301,569**	**29.5%**	**51,683**	**5**



It was a combination of less than average activity and more than normal space put up for grabs that sabotaged Area 50. Net absorption of –1,290,075 in the distribution sector ranked lowest in net absorption in the Metro area. Up to 24.1 percent, only one other submarket has an availability rate this high. The service center sector had some good news. Unlike last quarter, deals were actually made this quarter. The bad news is that the activity of 51,683 square feet could not offset space put back on the market and net absorption plummeted to –51,387 square feet. With an availability rate of 29.5 percent, almost a third of the inventory in this submarket is available.

AREA 55

Distribution	**20,401,272**	**4.0%**	**3,223,167**	**15.8%**	**318,620**	**28**
Service Center	**188,074**	**0.8%**	**74,119**	**39.4%**	**0**	**0**



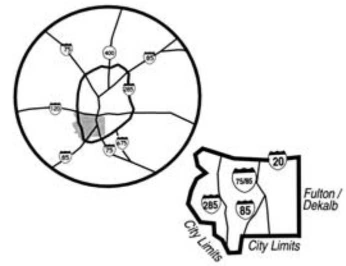
The Fayette/Coweta Counties submarket showed improvement across the board in the first quarter of 2010. Activity in the distribution sector was up to 318,620 square feet – the highest level in four quarters. This uptick allowed net absorption to hit in the positive numbers for the first time in four quarters. With 93,413 square feet of positive net absorption, the availability rate of 15.8 percent was an improvement as well. The service center sector in Area 55 just closed its fourth quarter with no new deals signed. While there's not much positive about that fact, at least it held on to all of its tenants. An adjustment to existing inventory allowed the availability rate to improve and this submarket no longer claims the highest availability rate for service center submarkets.

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

Market Maps

AREA 60

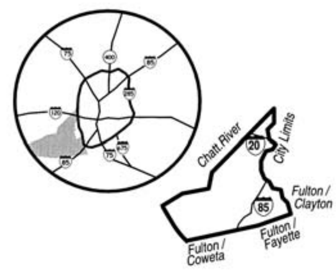
Distribution	**24,511,908**	**4.8%**	**5,230,208**	**21.3%**	**140,740**	**2**
Service Center	**244,575**	**1.1%**	**77,971**	**31.9%**	**5,750**	**1**



Area 60 went back to the dark side. After two stellar quarters, distribution activity crashed. The two deals for 140,740 square feet were not enough to hold net absorption above the break-even mark. Luckily, space given up was below normal keeping negative net absorption from going below –91,363 square feet. The availability rate rose to 21.3 percent. The service center sector saw the flip side of this scenario. Activity of 5,750 square feet produced positive net absorption of 3,550 square feet. This performance pushed the availability rate, down to 31.9 percent

AREA 70

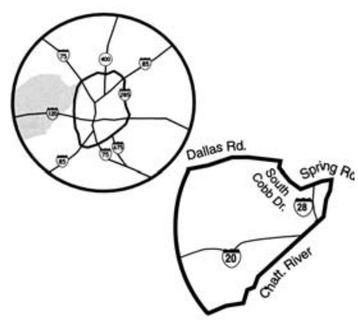
Distribution	**72,427,367**	**14.2%**	**19,637,290**	**27.1%**	**2,235,274**	**32**
Service Center	**275,714**	**1.2%**	**69,046**	**25.0%**	**8,000**	**2**



The South Fulton County distribution sector landed in positive territory thanks to landing a massive build-to-suit project. This single deal accounted for more than half of the 2,235,274 square feet of activity. The net absorption of 192,975 would have been a completely different story, if not for this deal. Build-to-suit activity, however, doesn't always help the availability rate; it inched up to 27.1 percent. The service center sector made the most of its 8,000 square feet of activity; in fact, 100 percent of that activity converted to positive net absorption. This feat drove the availability rate down to 25.0 percent – the best seen in this submarket since second quarter 2008.

AREA 80

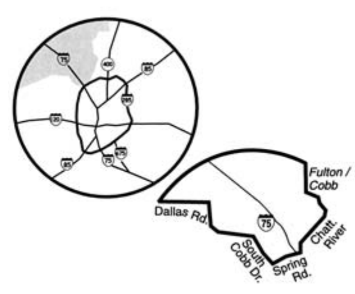
Distribution	**44,294,670**	**8.7%**	**8,166,240**	**18.4%**	**1,166,783**	**20**
Service Center	**1,677,067**	**7.2%**	**512,081**	**30.5%**	**9,843**	**4**



And the distribution submarket winner is… Cobb/Douglas Counties! Thanks in large part to a sizeable lease, Area 80 posted the highest net absorption at 399,885 square feet. This passage to the positive side breaks a six-quarter streak of negative numbers. The availability rate was able to benefit from this accomplishment as well and shaved almost two percent off the last quarter total to arrive at 18.4 percent. The service center sector in this submarket was not able to match its counterpart in good fortune. With only 9,843 square feet of activity, net absorption fell back to –3,084 square feet.

AREA 85

Distribution	**33,377,434**	**6.5%**	**6,387,621**	**19.1%**	**595,012**	**64**
Service Center	**4,837,498**	**20.8%**	**1,174,213**	**24.3%**	**162,546**	**28**



Area 85 continued on the perilous path it has been on for eight consecutive quarters now. Activity of 595,012 square feet was washed away by departures and net absorption came in at –93,253 square feet. Fortunately, due to an adjustment in occupied space, the availability rate improved modestly to 19.1 percent. The service center sector in the I-75 North Corridor managed to stay on the right side of the line. Of the 162,546 square feet of activity, a saving grace of 8,617 square feet translated to positive net absorption. The availability rate took advantage of this success and fell to 24.3 percent.

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