

Have We Hit Bottom?

After a rocky start to the year, the news for the Atlanta Industrial market went from bad to worse during the second quarter of 2008. Leasing activity continued to diminish on the heels of rising fuel prices and decreased consumer spending. Companies, feeling the pinch from these economic pressures, continue to consolidate, postpone real estate decisions or close up shop.

Despite these difficult market conditions, the Atlanta Industrial market managed to generate 8,950,206 square feet of activity in the second quarter, compliments of 594 deals averaging 15,068 square feet per transaction. However, this still marks its lowest level of output over the last three and half years and, unfortunately, it coincided with a surge in tenant turnover resulting in -2,280,054 square feet of negative net absorption.

On the upside, the I-20 West and Peachtree City distribution markets rebounded from a slow start to the year by recording 672,370 square feet and 279,939 square feet of positive net absorption respectively. Tenant retention was the secret behind the success of these submarkets during the second quarter, evident by their ability to convert 62 percent of their combined leasing activity into positive net absorption.

In contrast, the Airport distribution market and Fulton Industrial district both suffered from a slowdown in big box leasing. The number of deals in the Airport distribution market dropped from 44 transactions last quarter to 27 this quarter, while the average deal size in the Fulton Industrial district plummeted from 46,264 square feet last quarter to 20,909 square feet this quarter.

Nevertheless, the current economic climate has created some new opportunities. Investment dollars are pouring in from overseas in response to the weakening dollar and sale leasebacks are becoming increasingly prevalent as companies search for ways to free up capital and reduce costs. In addition, the surplus of available sublease space has created short term leasing opportunities for many companies looking to achieve greater flexibility during these uncertain times.

The question now is whether the worst is over. It was an abysmal second quarter, but it is important to keep in mind that the Atlanta Industrial market has an inventory of over 500 million square feet and, in the grand scheme of things, -2 million square feet of negative net absorption represents only a fraction of a percent of Atlanta's tenant base.

Michael Irving
Sales Associate

Total Market

	Total Inventory	Net Absorption	Total Available	% Available	Total Activity	# of Deals	Avg SF Per Deal
Distribution	502,565,830	-2,280,054	82,381,561	16.4%	8,950,206	594	15,068
Service Center	21,217,649	-151,420	5,119,502	24.1%	637,038	146	4,363

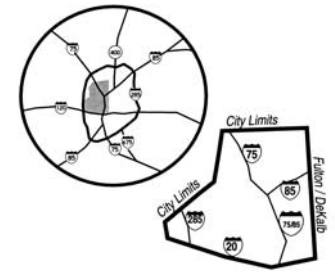
	Total Inventory	Market Share	Total Available	% Available	Total Activity	# of Deals
--	-----------------	--------------	-----------------	-------------	----------------	------------

Market Maps

AREA 10

Distribution	26,512,922	5.3%	3,725,279	14.1%	437,717	28
Service Center	810,699	3.8%	210,337	25.9%	0	0

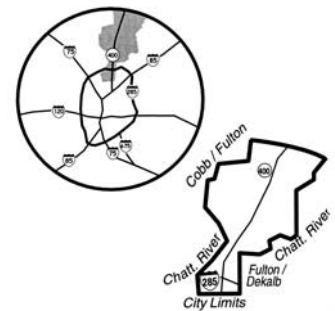
The Chattahoochee distribution market got back on track in the second quarter by recording 437,717 square feet of activity. This upswing in demand, along with manageable outflows, enabled Area 10 to record 61,948 square feet of positive net absorption and lower its availability rate half a percent to 14.1 percent. In contrast, Area 10's service center market did not ink a single deal during the second quarter and, as a result, it recorded -7,093 square feet of negative net absorption.



AREA 15

Distribution	22,910,717	4.6%	3,297,616	14.4%	435,692	59
Service Center	3,124,009	14.7%	736,156	23.6%	62,976	14

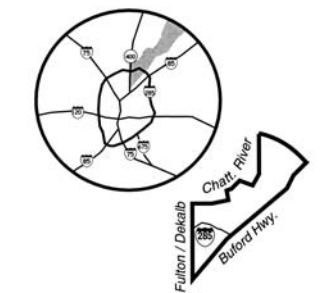
Despite a significant drop in activity compared to last quarter, Area 15 managed to squeeze 9,247 square feet of positive net absorption out of the 435,692 square feet of leasing activity it produced during the second quarter. Meanwhile, Area 15's service center market was much more efficient in its pursuit of new tenants, converting 36 percent of its output during the second quarter into positive net absorption.



AREA 20

Distribution	38,251,527	7.6%	5,209,769	13.6%	920,658	78
Service Center	3,506,413	16.5%	831,617	23.7%	114,938	26

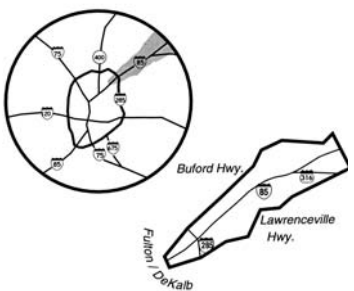
The Peachtree Industrial distribution market struggled with tenant turnover during the second quarter. Area 20 produced 920,658 square feet of activity in the second quarter. Yet, this boost in demand was offset by a surge in outflows resulting in -297,608 square feet of negative net absorption. Likewise, an increase in leasing activity in Area 20's service center market was erased by an increase in outflows, resulting in -127,267 square feet of negative net absorption.



AREA 25

Distribution	92,583,931	18.4%	13,298,789	14.4%	1,855,460	126
Service Center	4,548,855	21.4%	1,456,419	32.0%	131,478	30

After a dismal start to the year, the I-85 North distribution market rebounded with 196,142 square feet of positive net absorption in the second quarter. This turnaround was the result of 126 transactions totaling 1,855,460 square feet of activity. This represents the highest volume of leasing activity among metro Atlanta submarkets in the second quarter. In the meantime, Area 25's service center market was not as blessed as it continued to falter during the second quarter, posting -37,806 square feet of negative net absorption.



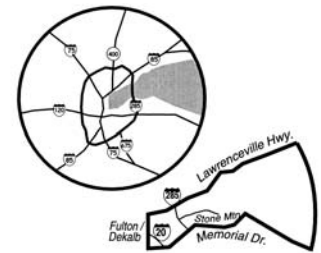
	Total Inventory	Market Share	Total Available	% Available	Total Activity	# of Deals
--	-----------------	--------------	-----------------	-------------	----------------	------------

Market Maps

AREA 30

Distribution	26,304,582	5.2%	3,580,246	13.6%	440,677	37
Service Center	1,443,379	6.8%	288,072	20.0%	40,938	17

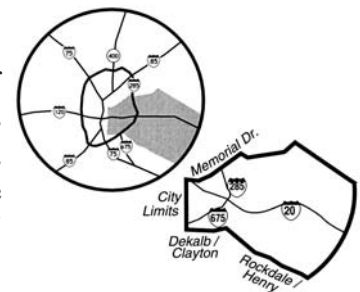
Tenant turnover continued to plague the Stone Mountain Industrial district during the second quarter. This submarket recorded -684,342 square feet of negative net absorption, which when combined with last quarter's losses, equals -1,090,497 square feet of negative net absorption for the first half of 2008. Meanwhile, Area 30's service center market offered a ray of hope, albeit a small one, by recording 3,039 square feet of positive net absorption thanks to a slight increase in leasing activity.



AREA 40

Distribution	40,257,877	8.0%	5,725,878	14.2%	599,621	58
Service Center	400,937	1.9%	66,375	16.6%	32,158	8

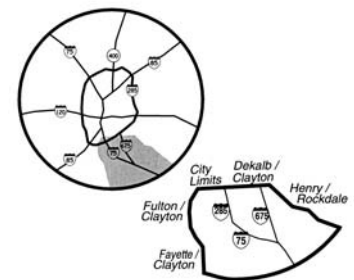
The I-20 East distribution market was unable to find a foothold in the second quarter of 2008. Despite a 41 percent jump in leasing activity compared to last quarter, outflows resulted in Area 40 posting -160,371 square feet of negative net absorption, marking its fifth consecutive quarter in the red. Conversely, Area 40's small service center market was the epitome of efficiency during the second quarter, converting 75 percent of the 32,158 square feet of activity it produced into positive net absorption.



AREA 50

Distribution	65,778,985	13.1%	14,580,415	22.2%	534,702	27
Service Center	841,129	4.0%	167,246	19.9%	25,628	7

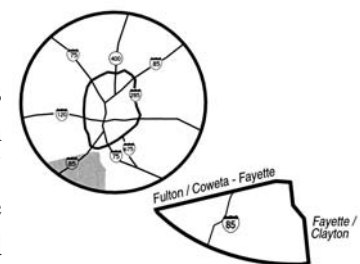
It was an abysmal second quarter for the Airport distribution market. A precipitous drop in demand resulted in -1,184,535 square feet of negative net absorption and gave Area 50 the dubious distinction of having the worst production among metro Atlanta submarkets in the second quarter. Fortunately, Area 50's service center market fared much better during the second quarter, transforming 25,628 square feet of activity into 14,412 square feet of positive net absorption.



AREA 55

Distribution	19,727,677	3.9%	2,594,124	13.1%	502,172	26
Service Center	58,655	0.3%	7,503	12.8%	4,650	2

The Peachtree City distribution market had a productive second quarter. This submarket churned out 26 deals totaling 502,172 square feet of activity, which translated into 279,939 square feet of positive net absorption. As a result, Area 55 lowered its availability rate five tenths of a percent to 13.1 percent, making it the lowest among metro Atlanta submarkets. In the meantime, outflows barely nipped inflows in Peachtree City's service market, resulting in negative net absorption for the first time in nearly two years.



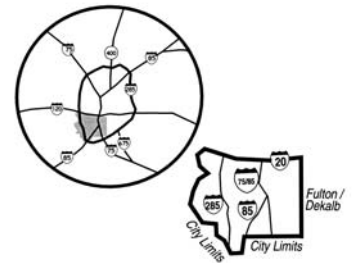
	Total Inventory	Market Share	Total Available	% Available	Total Activity	# of Deals
--	-----------------	--------------	-----------------	-------------	----------------	------------

Market Maps

AREA 60

Distribution	24,332,244	4.8%	4,625,472	19.0%	637,662	21
Service Center	179,324	0.8%	71,345	39.8%	43,848	5

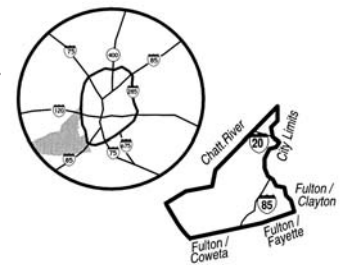
Area 60 more than doubled its volume of leasing activity compared to last quarter; however, this productivity was erased by a tidal wave of outflows resulting in -67,794 square feet of negative net absorption. On the flipside, Area 60's service center tenant base remained intact, enabling it to take advantage of an upswing in activity and post 11,737 square feet of positive net absorption during the second quarter.



AREA 70

Distribution	70,018,922	13.9%	15,486,787	22.1%	919,995	44
Service Center	254,464	1.2%	49,907	19.6%	7,500	2

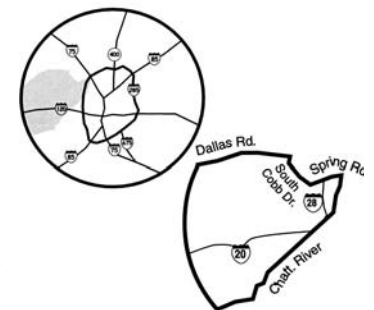
The Fulton Industrial market experienced a reversal of fortune in the second quarter of 2008. After a roaring start to the year, tenant turnover and diminished activity resulted in Area 70 posting -1,070,663 square feet of negative net absorption. This setback can be attributed primarily to a decline in big box deals in this submarket. Likewise, Area 70's service center market lost ground in the second quarter, posting -14,407 square feet of negative net absorption.



AREA 80

Distribution	43,292,625	8.6%	5,801,072	13.4%	1,040,274	28
Service Center	1,490,609	7.0%	357,378	24.0%	67,368	11

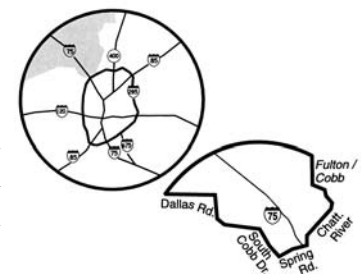
Area 80 was one of only two submarkets that posted positive net absorption in both its distribution and service center markets during the second quarter. In its distribution sector, Area 80 generated 1,040,274 square feet of activity and converted 672,370 square feet of this output into positive net absorption. Thanks to a surge in leasing activity, Area 80's service center market recorded 49,466 square feet of positive net absorption.



AREA 85

Distribution	32,593,821	6.5%	4,456,114	13.7%	625,576	62
Service Center	4,559,179	21.5%	877,147	19.2%	105,556	24

During the second quarter of 2008, the I-75 North distribution market was unable to build upon its success of last quarter. A slight downturn in activity, along with an increase in outflows, resulted in -34,387 square feet of negative net absorption and caused Area 85's availability rate to climb one percent to 13.7 percent. In correlation with this dip in activity, Area 85's service market was unable to offset outflows, resulting in -89,459 square feet of negative net absorption during the second quarter.



CORFAC INTERNATIONAL
1920 Monroe Drive, NE
Atlanta, Georgia 30324
404.942.2000

www.kingrealty.net



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.