

## TICK TOCK

The Atlanta distribution market now sits with 21 percent of its 512 million square foot inventory available for lease or for sale. Since the official onset of this latest recession in December of 2007, 30 million square feet have been added to the availability column. The current 107 million square feet available represents a 38% increase over the available square footage before the recession began.

Take into consideration that spec construction accounts for a mere three million square feet of that shift in availability and we're looking at 27 million square feet returned to the market in the 10 quarter period since the recession began. The slow down in spec construction has reduced the percentage of new space to only eight percent – significantly down from the 19.4 percent seen at the end of 2007.

It's also interesting to note that approximately 10 percent of all available space is on the market as a sublease opportunity. We are likely to see rates being held artificially low as long as this level of sublease space remains on the market.

Although, in a statement released in April, the National Bureau of Economic Research agreed that most economic indicators had turned up, they thought it premature to announce an end to the recession. Our analysis of the Atlanta industrial market also shows signs of hope as the downward trend appears to be slowing.

In looking at the 10 quarters endured during this recession, net absorption has averaged -2,833,792 square feet. Second quarter 2010 net absorption came in at -1,829,349 square feet; negative, but better than the average we have seen. Activity held steady at 8,575,662 square feet this quarter; right in line with the 8,892,958 square foot average during this recession. With activity holding and net absorption improving, it is a sign that the upheaval in tenant stability may be subsiding.

The trends appear to show a beginning of the end of this difficult cycle. Historically, the industrial real estate market recovers 18 months after the end of a recession. The bottom line is that tenants and buyers continue to have many opportunities . . . but the clock is ticking.

Stephen C. Ratchford, SIOR, CCIM  
Senior Vice President

### Total Market

	Total Inventory	Net Absorption	Total Available	% Available	Total Activity	# of Deals	Avg SF Per Deal
Distribution	512,582,783	-1,829,349	107,578,092	21.0%	8,575,662	629	13,634
Service Center	23,325,081	-72,057	6,410,300	27.5%	543,479	145	3,748

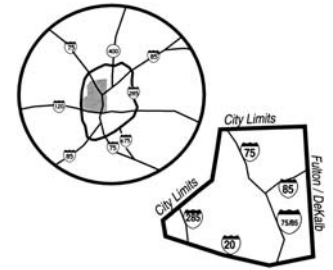
	Total Inventory	Market Share	Total Available	% Available	Total Activity	# of Deals
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Market Maps

### AREA 10

Distribution	25,269,557	4.9%	5,534,177	21.9%	240,748	30
Service Center	765,245	3.3%	294,041	38.4%	8,800	4

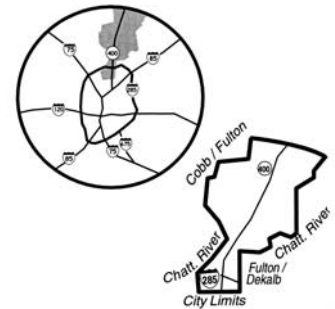
Activity fell in the north side of Atlanta distribution sector during the second quarter. The 240,748 square feet this area managed to lease was no match for tenants choosing to make other arrangements. Net absorption came in at -168,565 square feet and pushed the availability rate to 21.9 percent. With all service center sector tenants remaining status quo, Area 10's activity of 8,800 square feet went directly to net absorption and allowed a slight uptick in the availability rate, now at 38.4 percent.



### AREA 15

Distribution	24,102,293	4.7%	4,281,976	17.8%	648,915	81
Service Center	3,414,025	14.6%	896,302	26.3%	67,282	14

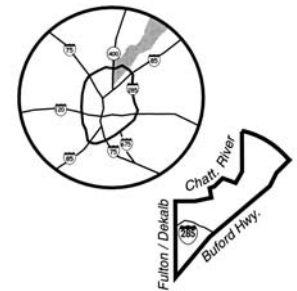
The distribution sector in Area 15 did an about-face in the second quarter. The 81 deals secured this quarter resulted in net absorption hitting 354,815 square feet and lowered the availability rate to 17.8 percent - a 1.7 percent improvement. Likewise, the GA 400 Corridor service center sector saw improvement as well. By keeping tenant departures in check, activity of 67,282 square feet resulted in net absorption of -3,952 square feet, better than first quarter's performance. This small amount of negative net absorption allowed the availability rate to remain unchanged at 26.3 percent.



### AREA 20

Distribution	36,374,645	7.1%	8,281,722	22.8%	571,860	69
Service Center	3,773,757	16.2%	931,078	24.7%	97,785	26

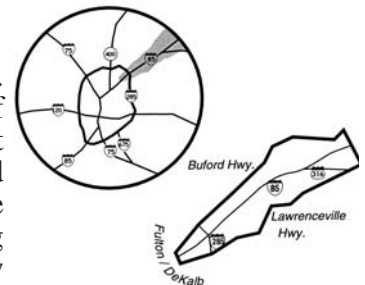
The Area 20 distribution sector recorded a second quarter of dismal performance. Activity remained sluggish at 571,860 square feet and tenants continued to give space back to the market. Net absorption of -801,674 mirrored the first quarter and pushed the availability rate up further to 22.8 percent. The service center sector took a different path in this Gwinnett/North Fulton County submarket. Activity increased to 97,785 square feet and allowed net absorption to stay above the low seen last quarter. The net absorption of -27,522 square feet, however, pushed the availability rate to 24.7 percent.



### AREA 25

Distribution	93,775,960	18.3%	17,647,827	18.8%	1,711,653	17
Service Center	4,970,418	21.3%	1,580,831	31.8%	131,616	35

Activity in the I-85 North Corridor took a healthy jump during the second quarter. Unfortunately, even this increase in activity could not withstand the number of tenants choosing to find new accommodations. Net absorption remained deep at -444,125 square feet; however, the addition of existing occupied inventory allowed the availability rate to hold at 18.8 percent. With 131,616 square feet of activity, the service center sector of Area 25 holds bragging rights for the highest activity among its peers. On the flip side, however, net absorption of -34,478 square feet put it low man on the totem pole this quarter. This small amount of negative net absorption pushed the availability rate up only four tenths of a percent to 31.8 percent.



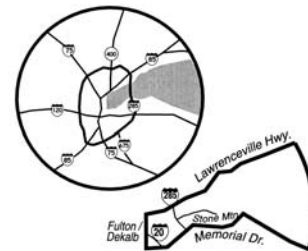
	Total Inventory	Market Share	Total Available	% Available	Total Activity	# of Deals
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Market Maps

### AREA 30

Distribution	26,859,261	5.2%	5,092,141	19.0%	527,319	40
Service Center	1,642,924	7.0%	347,462	21.1%	20,694	8

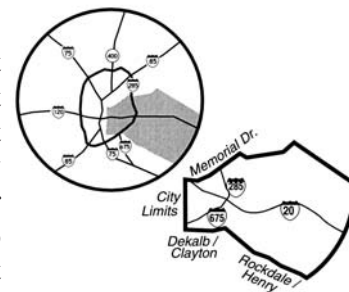
The Stone Mountain Corridor distribution sector saw a 45 percent increase in activity during the second quarter. The 527,319 square feet of activity kept net absorption from falling as deep as last quarter's level. The net absorption of -140,809 square feet pushed the availability rate up half a percent to 19 percent. Area 30's service center sector came oh, so close. Despite reduced activity, net absorption of -52 square feet can barely be called negative. Even though it was enough to nudge availability up to 21.1 percent, this submarket's availability rate remains the lowest in the service center market.



### AREA 40

Distribution	40,542,167	7.9%	6,908,343	17.0%	809,451	30
Service Center	480,316	2.1%	115,520	24.1%	21,260	3

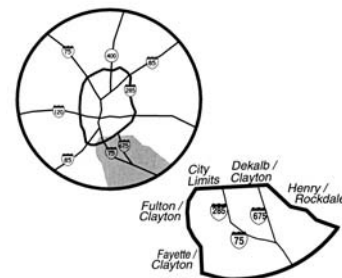
It's been four years since the I-20 East Corridor saw this level of activity and almost that long since it has seen positive net absorption. Activity of 809,451 square feet was more than double that seen in the first quarter and, combined with low tenant turnover, net absorption went on the books at 538,317 square feet. The availability rate responded positively as well and came in at 17 percent. The service center sector in Area 40 also saw major improvement. After two consecutive quarters with no activity, leases totaling 21,260 square feet put the net absorption at 4,500 square feet and shaved in excess of two percent off the availability rate of 24.1 percent.



### AREA 50

Distribution	69,195,488	13.5%	17,224,575	24.9%	1,290,721	74
Service Center	1,038,834	4.5%	338,891	32.6%	17,297	8

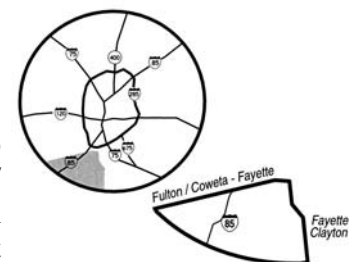
The Clayton/Henry Counties distribution sector brought up the rear for a second consecutive quarter. Activity of 1,290,721 square feet was more than erased by an over abundance of space given back to the market, resulting in net absorption of -1,027,001 square feet. The availability rate took another step up to 24.9 percent. Activity fell sharply to 17,297 square feet in the service center sector of Area 50. Fortunately, tenants returning space to the market fell as well keeping net absorption above the low mark seen last quarter. Net absorption of -34,386 square feet sent the availability rate to 32.6 percent.



### AREA 55

Distribution	20,411,756	4.0%	3,242,042	15.9%	160,358	21
Service Center	204,314	0.9%	79,543	38.9%	10,816	5

Activity faltered in Area 55 in the second quarter. Falling to 160,358 square feet, this level of activity came in last place among the distribution sector submarkets. Net absorption of -16,963, however, allowed only a small increase in availability to 15.9 percent - still the lowest rate in the distribution sector. The miniscule Fayette/Coweta Counties service center sector broke a four-quarter streak and actually inked a few deals in the second quarter. Tenants offering their space back to the market more than matched the 10,816 square feet of activity and net absorption came in at -5,424 square feet. This was enough of a dip to push the availability rate to dead last at 38.9 percent.



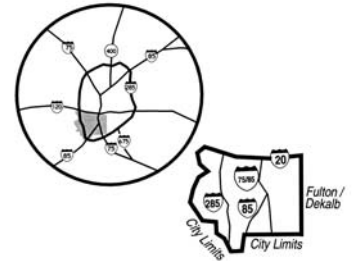
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Market Maps

### AREA 60

Distribution	24,655,870	4.8%	5,499,455	22.3%	226,339	15
Service Center	246,036	1.1%	77,962	31.7%	11,318	2

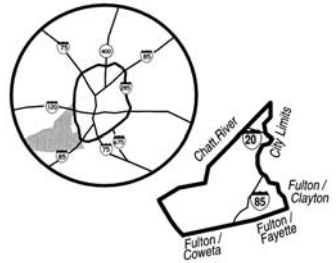
It has been two years since the distribution sector of the south side of Atlanta saw this much space given up in one quarter. The activity of 226,339 square feet, though an increase from last quarter, could not stand up to departures and net absorption plummeted to -390,634 square feet. This amount of negative net absorption sent the availability rate up a full percent to 22.3 percent. Area 60's service center sector landed on the positive side by the skin of its teeth. Net absorption of 9 square feet was all that was left of the 11,318 square feet of activity after tenant departures took their toll. There was minimal effect to the availability rate as it inched up to 31.7 percent.



### AREA 70

Distribution	73,477,342	14.3%	19,595,593	26.7%	1,091,220	49
Service Center	275,714	1.2%	61,829	22.4%	13,207	5

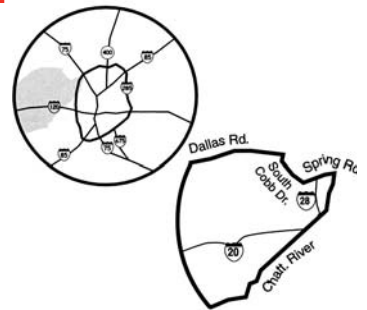
It has been a year and a half since activity was this low in South Fulton County's distribution sector. With only 1,091,220 square feet of activity, it was fortunate that fewer tenants than normal made a change. This combination kept net absorption barely above the line at 1,545 square feet. With the addition of one build-to-suit project, the availability rate was favorably impacted and decreased to 26.7 percent. An increase in activity was responsible for the positive results in Area 70's service center sector. Of the 13,207 square feet of activity, 9,207 square feet hit the net absorption line. In a smaller submarket, this had an obvious impact on the availability rate and dropped it over two and a half percent to 22.4 percent.



### AREA 80

Distribution	44,392,465	8.7%	8,173,172	18.4%	432,327	27
Service Center	1,665,067	7.1%	513,352	30.8%	30,202	9

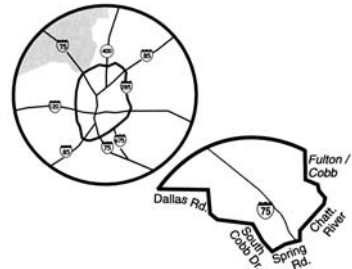
After first quarter's leap in activity, things returned to average in the Cobb/Douglas Counties distribution sector. Activity came in at 432,327 square feet and just enough tenants stayed quiet to produce 12,908 square feet of net absorption. The availability rate remained unchanged at 18.4 percent. The service center sector of Area 80 increased activity to 30,202 square feet, but did not see the same improvement in net absorption. The -3,201 square feet of net absorption bumped the availability rate up to 30.8 percent.



### AREA 85

Distribution	33,525,979	6.5%	6,097,069	18.2%	864,751	76
Service Center	4,848,431	20.8%	1,173,479	24.2%	113,202	26

After eight consecutive quarters of negative net absorption, Area 85 finally broke free. Activity increased to 864,751 square feet and fewer tenants saw a need to change. The outcome of 252,837 square feet of positive net absorption knocked almost a full percent off the availability rate, now at 18.2 percent. The service center sector of the I-75 North Corridor submarket stayed on track in the second quarter. A dip in activity to 113,202 square feet didn't stop this submarket from posting a third consecutive quarter of positive net absorption. The 14,442 square feet of net absorption helped mark a slight improvement in the availability rate, now at 24.2 percent.



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