

## When will the recovery begin?

It has been a record-breaking year for the Atlanta Industrial market; however, no awards will be given out to celebrate these milestones. On the heels of a disastrous second quarter, the Atlanta Industrial market continued its freefall in the third quarter posting net absorption of -5,220,155 square feet.

As a result, Atlanta now has over 100 million square feet of available space and an availability rate of 20.2 percent. Consequently, with the exception of a couple of build-to-suit projects totaling 213,548 square feet, new construction has ground to a halt.

So, how did we get here? When you delve into the numbers this quarter, one of the most staggering points is that, of the 766 spaces put back on the market, less than five percent was in excess of 75,000 square feet. Thus, Atlanta's downfall can be attributed to an overwhelming number of small to midsize companies continuing to downsize or turn out the lights.

The most notable exception to this fact fell in Area 70. The South Fulton County submarket took second place in activity by closing 1,488,241 square feet of deals, but ended dead last with net absorption of -1,742,641 square feet. A large part of this swing was due to Unilever offering in excess of 1 million square feet of space back to the market this quarter.

We did, however, spot a few silver linings during the third quarter. Activity increased by 28 percent compared to last quarter – still below the historical average, but an increase over last quarter nonetheless. Additionally, three submarkets landed in positive net absorption as compared to all submarkets in negative territory last quarter. Southside Atlanta, the Stone Mountain Corridor and the Clayton/Henry Counties submarkets posted positive net absorption of 365,598 square feet, 297,113 square feet and 50,757 square feet respectively. Area 30 converted 47 percent of its activity into positive net absorption and Area 60 upped the ante by converting 65 percent of its output into positive net absorption.

Statistically, it is difficult to find a great deal to be optimistic about in the third quarter. Moderate activity, coupled with downsizing and/or closings, has resulted in four consecutive quarters of negative net absorption. Yet deals are still being signed. Atlanta inked 563 contracts in the third quarter of 2009. Virtually the same number of deals (543) done in the second quarter 2006 resulted in 2,235,431 square feet of positive net absorption. Proof that, if Atlanta can rein in tenant turnover and continue to generate moderate activity, the recovery process can begin.

William D. Johnston, SIOR  
Senior Vice President

### Total Market

	Total Inventory	Net Absorption	Total Available	% Available	Total Activity	# of Deals	Avg SF Per Deal
Distribution	506,775,222	-5,220,155	102,183,340	20.2%	8,431,905	563	14,977
Service Center	22,662,462	-56,664	6,237,195	27.5%	733,927	168	4,369

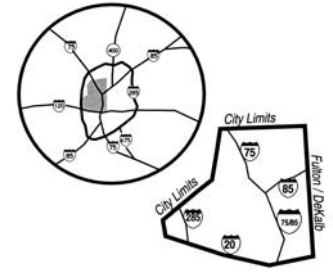
	Total Inventory	Market Share	Total Available	% Available	Total Activity	# of Deals
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Market Maps

### AREA 10

Distribution	25,497,240	5.0%	4,979,353	19.5%	302,055	35
Service Center	744,691	3.3%	255,180	34.3%	30,021	5

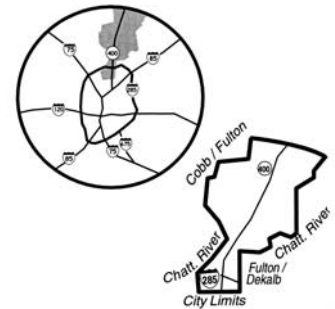
The City of Atlanta North of I-20 continues to crumble as bits of inventory are torn down or converted to more trendy venues. An increase in activity could not offset those tenants vacating the remaining inventory in this downtown submarket leaving the distribution sector in Area 10 recording net absorption of -217,312 square feet. The service center sector also landed below the line, but by the slimmest of margins, locking in at net absorption of -1,674 square feet.



### AREA 15

Distribution	23,709,764	4.7%	4,771,347	20.1%	456,388	88
Service Center	3,275,948	14.5%	880,411	26.9%	141,283	22

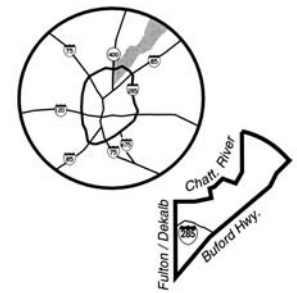
The GA 400 Corridor distribution sector got half the formula right in the third quarter. Activity came in at 456,388 – up 72% from second quarter – unfortunately, this upswing was outpaced by space given back to the market. Net absorption came in at -499,443. The service center sector, however, made vast improvements over last quarter. Despite fewer deals, activity in square feet increased by 50 percent, which catapulted Area 15 to first place in net absorption at 23,760 square feet.



### AREA 20

Distribution	36,290,589	7.2%	6,864,187	18.9%	739,212	68
Service Center	3,677,139	16.2%	921,673	25.1%	81,491	16

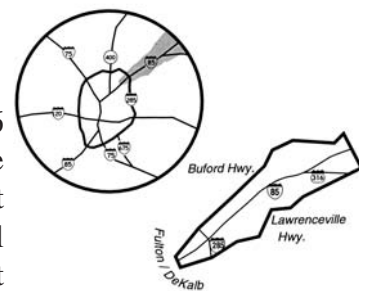
Area 20 fell in the middle of the pack in the third quarter. The distribution sector and the service sector both saw moderate improvement in activity. The availability rate inched lower again, but at a slower pace. Net absorption, though still on the wrong side of the road, came in as an improvement – the third consecutive quarter of improvement for the distribution sector.



### AREA 25

Distribution	93,629,279	18.5%	16,565,186	17.7%	1,535,526	108
Service Center	4,958,232	21.9%	1,620,823	32.7%	196,766	53

The distribution sector in the I-85 North Corridor came in a winner at 1,535,526 square feet when it came to activity. Unfortunately, the same cannot be said for the net absorption race. The third quarter marks Area 25's worst performance at net absorption of -1,188,491 square feet. This setback sent the availability rate up a full percentage point to 17.7 percent. The service center sector claimed last place in net absorption for the Metro Atlanta market. Activity was up, but departing tenants took net absorption to -54,603 square feet.



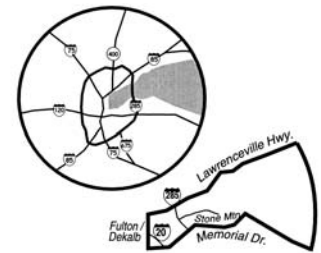
	Total Inventory	Market Share	Total Available	% Available	Total Activity	# of Deals
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Market Maps

### AREA 30

<b>Distribution</b>	<b>26,731,962</b>	<b>5.3%</b>	<b>4,418,476</b>	<b>16.5%</b>	<b>622,588</b>	<b>36</b>
<b>Service Center</b>	<b>1,588,650</b>	<b>7.0%</b>	<b>289,910</b>	<b>18.2%</b>	<b>49,674</b>	<b>15</b>

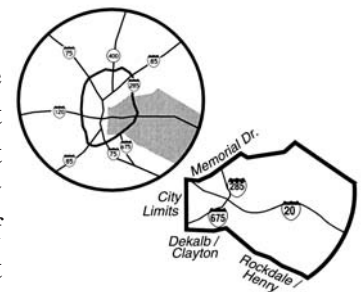
The Stone Mountain Corridor did everything right this quarter. Both the distribution and service sectors saw significant swings in activity and average deal size. After three consecutive quarters in the red, both also landed in positive territory for net absorption. In turn, the availability rate in the distribution sector went down to 16.5 percent and to 18.2 percent for the service center sector. The distribution sector was also one of only three submarkets to record new construction with a 30,000 square foot build-to-suit.



### AREA 40

<b>Distribution</b>	<b>40,420,910</b>	<b>8.0%</b>	<b>7,127,016</b>	<b>17.6%</b>	<b>535,087</b>	<b>45</b>
<b>Service Center</b>	<b>428,426</b>	<b>1.9%</b>	<b>63,870</b>	<b>14.9%</b>	<b>18,765</b>	<b>4</b>

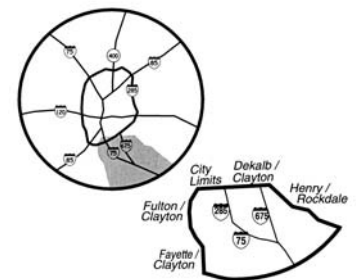
The distribution sector in Area 40 continued its losing streak for the 10th consecutive quarter. Activity remained on par, but once again, tenants abandoned the I-20 East Corridor. Net absorption landed at -497,538 square feet – the lowest level of net absorption in two years. The service center sector continued its good fortune by recording its second quarter of positive net absorption. The 18,765 square feet of net absorption allowed the availability rate to decrease to 14.9 percent – the lowest availability rate for all service center submarkets.



### AREA 50

<b>Distribution</b>	<b>67,569,220</b>	<b>13.3%</b>	<b>14,984,953</b>	<b>22.2%</b>	<b>1,013,062</b>	<b>47</b>
<b>Service Center</b>	<b>946,241</b>	<b>4.2%</b>	<b>220,323</b>	<b>23.3%</b>	<b>14,750</b>	<b>4</b>

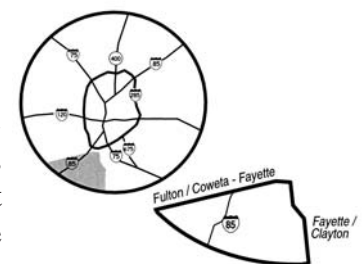
What a difference a quarter makes! The distribution market in the Clayton/Henry Counties submarket went from -619,072 square feet last quarter to 50,757 square feet of net absorption this quarter. Surprisingly, activity was virtually the same; luckily many more tenants remained in place. The service center sector also took a giant step forward. Again, virtually the same amount of activity had a vastly different outcome. Net absorption went from -16,213 square feet last quarter to 7,314 square feet this quarter.



### AREA 55

<b>Distribution</b>	<b>20,744,376</b>	<b>4.1%</b>	<b>3,271,860</b>	<b>15.8%</b>	<b>27,952</b>	<b>8</b>
<b>Service Center</b>	<b>129,461</b>	<b>0.6%</b>	<b>51,519</b>	<b>39.8%</b>	<b>0</b>	<b>0</b>

Fayette/Coweta Counties submarket had a difficult time finding deals this quarter. At 27,952 square feet, activity was at a five year low. With few tenants coming in, it was beneficial that not as many tenants made their way out as last quarter or net absorption would have been far worse than the -105,778 square feet posted. The service center sector in Area 55 sat this quarter out – no one took space and no one gave up space.



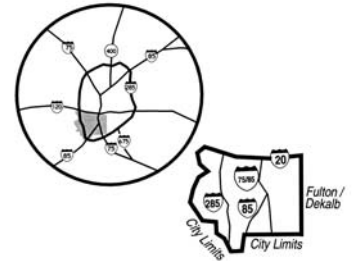
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Market Maps

### AREA 60

Distribution	24,286,444	4.8%	5,532,937	22.8%	560,105	12
Service Center	226,495	1.0%	78,101	34.5%	0	0

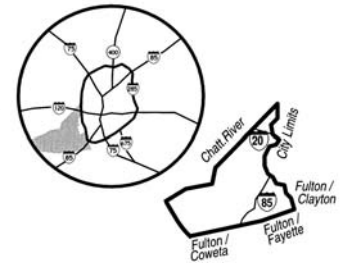
The distribution sector in the Southside Atlanta submarket did an about-face in the third quarter. The move from net absorption of -335,637 square feet last quarter to 365,598 square feet this quarter was all about activity. Activity skyrocketed in Area 60 to 560,105 square feet – 10 fold the achievement of last quarter. This success shaved off 1.6 percent from the availability rate, which now sits at 22.8 percent. The service center sector could not entice a single new tenant to join the ranks, but one user found reason to vacate leaving net absorption to be posted at -5,856 square feet.



### AREA 70

Distribution	70,114,952	13.8%	18,671,399	26.6%	1,488,241	46
Service Center	272,714	1.2%	71,246	26.1%	19,780	4

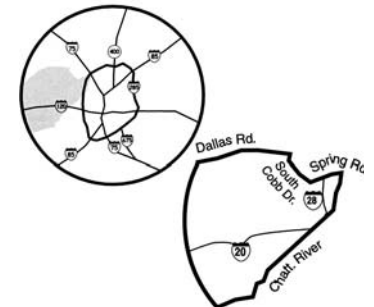
It was not lack of trying that derailed South Fulton County in the third quarter. Activity was a very respectable 1,488,241 square feet. Despite this activity, net absorption came in at an astonishing -1,742,641 square feet – more than twice the level seen last quarter. One space given back to the market for more than one million square feet went a long way toward pushing net absorption to this point. The service center sector, on the other hand, fared better than most with 19,780 square feet of net absorption.



### AREA 80

Distribution	44,619,534	8.8%	8,711,448	19.5%	680,034	25
Service Center	1,642,273	7.2%	518,326	31.6%	27,942	8

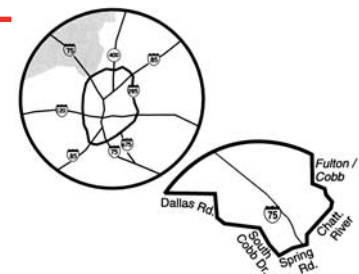
The Cobb/Douglas Counties submarket was another victim of tenant departure in the third quarter. Activity was up 70 percent, yet net absorption dipped 65 percent in the opposite direction ending at -717,879 square feet. Area 80's one build-to-suit project for 183,548 square feet took the lion's share of new construction this quarter. The service center sector saw different results from their increase in activity. A much smaller increase in activity resulted in a decrease in negative net absorption. Though still on the negative side of the fence, net absorption of -28,659 square feet was a better showing than last quarter.



### AREA 85

Distribution	33,160,952	6.5%	6,285,178	19.0%	471,655	45
Service Center	4,772,192	21.1%	1,265,813	26.5%	153,445	37

Activity in the I-75 North Corridor held steady from last quarter to this quarter. However, there was almost a 150 percent increase in square footage returning to the market. This combination led to an even deeper drop in net absorption, up to -697,722 square feet. This, of course, caused a leap in the availability rate, now at 19.0 percent. The service center sector wove a slightly better pattern. Activity increased, but departures held steady – the resulting picture was net absorption of only -31,894, a prettier picture than last quarter.



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