Point of View

KING Industrial Realty, Inc.

The Road Back…

In the midst of this financial tempest, the Atlanta Industrial market demonstrated its resiliency and offered us a glimmer of hope in the third quarter. The key behind this turnaround was an upswing in leasing activity, bolstered by a few large build-to-suit projects on the south side, enabling Atlanta to record positive net absorption for the first time this year.

After an arduous couple of quarters, Atlanta signed 703 deals totaling 11,753,675 square feet of activity in the third quarter. This resurgence represented a 31 percent increase in leasing activity compared to last quarter. It also provided the impetus for Atlanta to overcome tenant turnover and add 302,304 square feet of positive net absorption to its tenant base.

Meanwhile, in conjunction with this output, a dramatic slowdown in new spec construction kept Atlanta's availability rate constant at 16.4 percent. Out of the 2,266,783 square feet in new construction projects launched during the third quarter, 85 percent can be attributed to build-to-suit projects for Whirlpool in Henry County and "Project Surge" in Coweta County.

Along with these notable deals, several other exciting redevelopment projects are on the horizon. Earlier this year, Jacoby Development purchased the former Ford plant in Hapeville and several developers are currently vying for the opportunity to redevelop the former GM plant in Doraville. These projects will help reshape Atlanta and showcase the importance of having an innovative real estate vision for the future.

On a different note, Commonwealth Southeast, LLC announced its intention to build the first LEED certified industrial building in Atlanta this quarter. The 440,000 square foot project will be located up the I-85 North corridor in Braselton and reflects developers increasing interest in energy efficiency and sustainability, while providing a way to distinguish themselves from the competition.

Going forward, we will be facing many economic hurdles and the credit crunch is a genuine problem. However, by embracing these challenges and creating innovative solutions, the Atlanta Industrial market can rise above these obstacles to build a better future.

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	**505,336,505**	**302,304**	**82,681,015**	**16.4%**	**11,753,675**	**703**	**16,719**
Service Center	**21,745,543**	**-59,506**	**5,280,408**	**24.3%**	**895,442**	**185**	**4,840**

CORFAC International

Third Quarter 2008

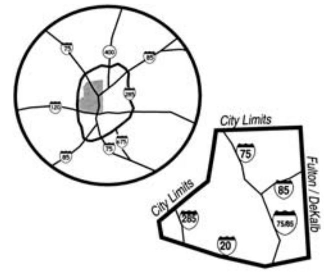
	Total Inventory	Market Share	Total Available	% Available	Total Activity	# of Deals

Market Maps

AREA 10

Distribution	**26,026,430**	**5.2%**	**3,957,613**	**15.2%**	**304,774**	**34**
Service Center	**823,805**	**3.8%**	**270,826**	**32.9%**	**9,346**	**3**

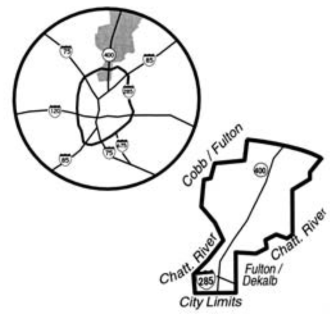
The average size deal in the Chattahoochee distribution market dropped from 15,633 square feet last quarter to 8,964 square feet this quarter. This decrease in activity hampered Area 10's ability to counter outflows and, as a result, it posted -169,356 square feet of negative net absorption. In the meantime, a surge in tenant turnover derailed Area 10's service center market, resulting in -56,562 square feet of negative net absorption during the third quarter.



AREA 15

Distribution	**23,143,240**	**4.6%**	**3,447,169**	**14.9%**	**1,001,783**	**137**
Service Center	**3,142,513**	**14.5%**	**780,984**	**24.9%**	**124,675**	**25**

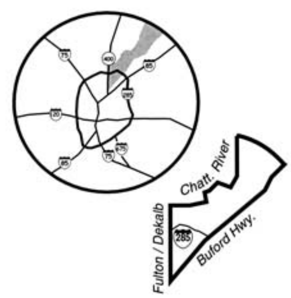
It was a volatile third quarter for the 400 North distribution market. Area 15 inked 137 deals totaling 1,001,783 square feet of activity; astonishingly, this remarkable output was erased by a flood of outflows resulting in -68,936 square feet of negative net absorption. Unfortunately, Area 15's service center market experienced a similar fate recording -58,621 square feet of negative net absorption, despite more than doubling its level of output from last quarter.



AREA 20

Distribution	**38,288,399**	**7.6%**	**5,182,982**	**13.5%**	**855,895**	**72**
Service Center	**3,554,199**	**16.3%**	**789,806**	**22.2%**	**244,432**	**32**

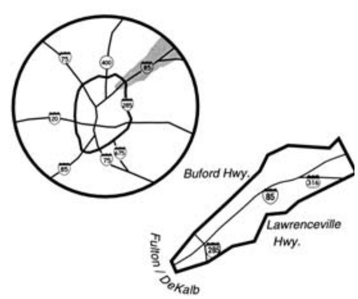
Tenant turnover continued to hinder Area 20 in the third quarter. This submarket produced 855,895 square feet of activity, but for the second consecutive quarter tenant instability caused Area 20 to post -39,265 square feet of negative net absorption. On the bright side, Area 20's service center market got back on track by recording 85,881 square feet of positive net absorption, compliments of 244,432 square feet of leasing activity.



AREA 25

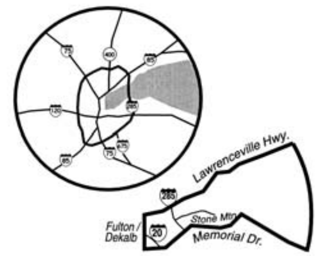
Distribution	**92,755,581**	**18.4%**	**13,002,884**	**14.0%**	**2,431,794**	**126**
Service Center	**4,731,808**	**21.8%**	**1,410,709**	**29.8%**	**251,669**	**65**

The I-85 North distribution market led all metro Atlanta submarkets with 2,431,794 square feet of activity during the third quarter. This impressive output translated into 184,557 square feet of positive net absorption and lowered Area 25's availability rate four tenths of a percent to 14 percent. Likewise, Area 25's service center market had the distinction of recording the highest level of output among metro Atlanta service center markets during the third quarter, resulting in 79,338 square feet of positive net absorption.



AREA 30

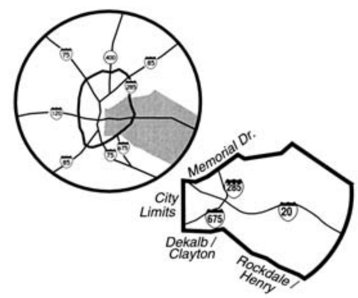
	Total Inventory	Market Share	Total Available	% Available	Total Activity	# of Deals
Distribution	**26,572,074**	**5.3%**	**3,199,803**	**12.0%**	**744,805**	**37**
Service Center	**1,517,449**	**7.0%**	**294,169**	**19.4%**	**52,325**	**19**



A resurgence in leasing activity combined with tenant stability, enabled Area 30 to bounce back from a disappointing start to 2008. This submarket generated 744,805 square feet of activity in the third quarter and was able to transform 387,948 square feet of this productivity into positive net absorption. Meanwhile, in conjunction with this success, Area 30's service center market was able to record positive net absorption for the second consecutive quarter.

AREA 40

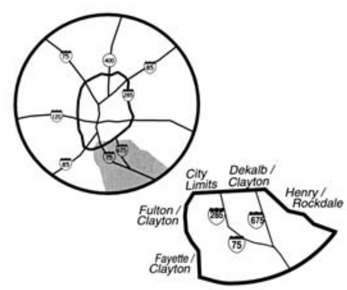
	Total Inventory	Market Share	Total Available	% Available	Total Activity	# of Deals
Distribution	**40,036,070**	**7.9%**	**5,681,572**	**14.2%**	**473,610**	**57**
Service Center	**400,934**	**1.8%**	**69,902**	**17.4%**	**1,845**	**1**



Area 40's distribution market continued to falter in the third quarter. The 473,610 square feet of activity this submarket produced was insufficient to offset outflows and, consequently, it posted -136,703 square feet of negative net absorption for the sixth consecutive quarter. In addition, a shortage of activity was responsible for the demise of Area 40's service center market, resulting in -7,527 square feet of negative net absorption during the third quarter.

AREA 50

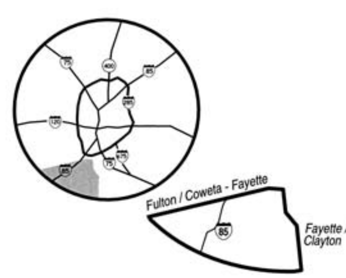
	Total Inventory	Market Share	Total Available	% Available	Total Activity	# of Deals
Distribution	**67,327,387**	**13.3%**	**13,869,176**	**20.6%**	**2,204,653**	**54**
Service Center	**887,413**	**4.1%**	**223,850**	**25.2%**	**0**	**0**



What a difference a quarter makes. After a disastrous second quarter, Area 50 rebounded with 2,204,653 square feet of activity in the third quarter, compliments of a massive build to suit project for Whirlpool totaling 1.5 million square feet. This single transaction reversed Area 50's fortunes and resulted in this submarket posting 1,095,513 square feet of positive net absorption. On the flipside, leasing activity dried up in Area 50's small service center market during the third quarter - backpedaling to the tune of -31,276 square feet of negative net absorption.

AREA 55

	Total Inventory	Market Share	Total Available	% Available	Total Activity	# of Deals
Distribution	**20,257,177**	**4.0%**	**2,326,000**	**11.5%**	**875,025**	**17**
Service Center	**58,655**	**0.3%**	**7,503**	**12.8%**	**0**	**0**



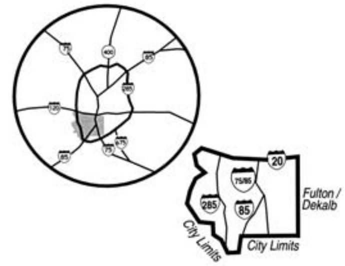
The Peachtree City distribution market was the epitome of efficiency during the third quarter. This submarket churned out 875,025 square feet of activity and converted 90 percent of this output into positive net absorption, making Area 55's availability rate of 11.5 percent the lowest among metro Atlanta submarkets. In contrast, Area 55's service center market was dormant during the third quarter with no activity to report.

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

Market Maps

AREA 60

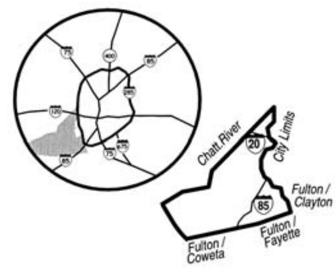
	Total Inventory	Market Share	Total Available	% Available	Total Activity	# of Deals
Distribution	**24,293,922**	**4.8%**	**5,012,502**	**20.6%**	**105,896**	**8**
Service Center	**207,989**	**1.0%**	**91,164**	**43.8%**	**0**	**0**



A precipitous drop in activity was the culprit behind Area 60's collapse in the third quarter. This submarket produced a mere 105,896 square feet of activity, marking its lowest level of output in the last two years. Thus, Area 60 was unable to replenish its tenant base and, as a result, posted -354,332 square feet of negative net absorption. Similarly, Area 60's service center market suffered from a lack of activity causing it to post -19,819 square feet of negative net absorption during the third quarter.

AREA 70

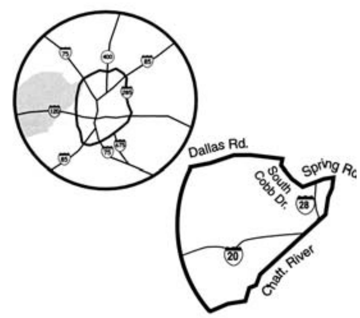
	Total Inventory	Market Share	Total Available	% Available	Total Activity	# of Deals
Distribution	**70,068,995**	**13.9%**	**15,040,896**	**21.5%**	**1,685,206**	**56**
Service Center	**261,464**	**1.2%**	**73,948**	**28.3%**	**6,800**	**2**



The Fulton Industrial district picked itself up off the canvas in the third quarter by signing 56 deals totaling 1,685,206 square feet of activity. This upswing in demand resulted in 363,819 square feet of positive net absorption and lowered Area 70's availability rate six tenths of a percent to 21.5 percent. Meanwhile, Area 70's service center market produced only 6,800 square feet of activity in the third quarter and posted negative net absorption for the third consecutive quarter.

AREA 80

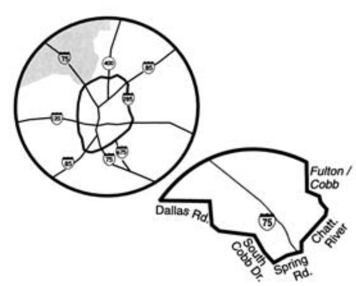
	Total Inventory	Market Share	Total Available	% Available	Total Activity	# of Deals
Distribution	**43,774,603**	**8.7%**	**7,222,833**	**16.5%**	**318,848**	**27**
Service Center	**1,531,214**	**7.0%**	**362,288**	**23.7%**	**86,452**	**10**



It was an abysmal third quarter for Area 80's distribution market. After a strong second quarter, activity in this submarket dwindled and outflows picked up steam resulting in -1,387,084 square feet of negative net absorption. This uncharacteristic downturn marked the worst single quarter in Area 80 since King began tracking the market twenty years ago. On an upbeat note, Area 80's service center market was able to record positive net absorption thanks to an increase in demand.

AREA 85

	Total Inventory	Market Share	Total Available	% Available	Total Activity	# of Deals
Distribution	**32,792,627**	**6.5%**	**4,737,585**	**14.4%**	**751,386**	**78**
Service Center	**4,628,100**	**21.3%**	**905,259**	**19.6%**	**117,898**	**28**



The I-75 North distribution failed to find its rhythm in the third quarter. Despite an increase in activity, this submarket backtracked to the tune of -375,241 square feet of negative net absorption because of a surge in outflows. Nevertheless, Area 85's availability rate of 14.4 percent is still well below the metro Atlanta average of 16.4 percent. In the meantime, Area 85's service center market was hindered by outflows, triggering -30,532 square feet of negative net absorption during the third quarter.

SIOR Individual Members

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