

## Good Riddance

The curtain crashed down on the Atlanta Industrial market in the fourth quarter, bringing to an end a tumultuous 2008. A combination of overwhelming tenant turnover and sluggish leasing activity led to unprecedented negative net absorption and further fueled economic uncertainty to finish the year.

After an encouraging third quarter, Atlanta's market fundamentals appeared to be heading in the right direction. However, a surge in tenant turnover during the fourth quarter erased this progression and resulted in -4,186,752 square feet of negative net absorption. This downturn represents the worst single quarter for absorption since King Industrial Realty began tracking the Atlanta Industrial market more than 25 years ago.

History demonstrates that tenant turnover, rather than lack of activity, is primarily responsible for Atlanta's problems. Atlanta recorded 8,491,524 square feet of activity this quarter. In comparison, during the fourth quarter of 2004, it recorded virtually the same activity of 8,360,221 square feet. However, in contrast to 2008, the Atlanta Industrial market in 2004 was able to convert a remarkable 3,301,992 square feet of this productivity into positive net absorption, the difference being tenant retention.

Ten out of the 12 metro Atlanta submarkets recorded negative net absorption in the fourth quarter. In particular, the I-85 North distribution market concluded the year on an erratic note. On the one hand, it led all metro Atlanta submarkets with 1,861,232 square feet of activity in the fourth quarter; yet on the other hand, it was inundated with tenant turnover causing it to post -855,274 square feet of negative net absorption. The exceptions to the rule were the Airport submarket, which managed to record 344,851 square feet of positive net absorption and the Peachtree City submarket, with a modest 3,473 square feet of positive net absorption.

Meanwhile, in conjunction with this turmoil, Atlanta's availability rate jumped one percent to 17.4 percent in the fourth quarter. Currently, first generation space comprises only 15 percent of the available space in metro Atlanta, while two years ago it accounted for 25.2 percent of the available space - evidence that developers are cautious about breaking ground on new spec construction projects at this time. In fact, 53.5 percent of the new construction projects launched in metro Atlanta over the last year were build-to-suit projects.

It has been a difficult year for the Atlanta Industrial market and it is uncertain what the future may hold. Hopefully though, the dramatic reductions in energy prices and low interest rates will stimulate the economy and help us get back on track in 2009.

Wilson Covington  
Senior Vice President

### Total Market

	Total Inventory	Net Absorption	Total Available	% Available	Total Activity	# of Deals	Avg SF Per Deal
Distribution	504,334,406	-4,186,752	87,651,598	17.4%	8,491,524	623	13,630
Service Center	21,938,406	27,931	5,327,873	24.3%	694,127	138	5,030

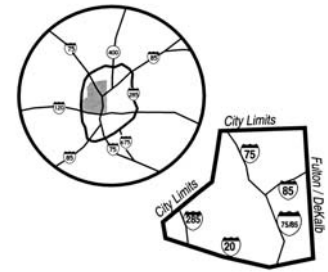
	<b>Total Inventory</b>	<b>Market Share</b>	<b>Total Available</b>	<b>% Available</b>	<b>Total Activity</b>	<b># of Deals</b>
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**Market Maps**

### AREA 10

<b>Distribution</b>	<b>25,927,266</b>	<b>5.1%</b>	<b>4,210,236</b>	<b>16.2%</b>	<b>436,912</b>	<b>44</b>
<b>Service Center</b>	<b>814,609</b>	<b>3.7%</b>	<b>260,581</b>	<b>32.0%</b>	<b>25,898</b>	<b>4</b>

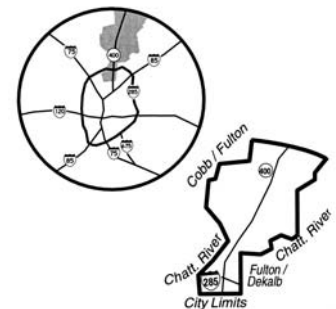
The Chattahoochee Industrial distribution market finished 2008 on a sour note. The 436,912 square feet of activity this submarket generated was no match for outflows and, as a result, it posted -269,775 square feet of negative net absorption in the fourth quarter. Area 10's service center market endured a similar fate. Despite an upswing in leasing activity, outflows nipped inflows by the slimmest of margins causing this submarket to post negative net absorption for the fourth consecutive quarter.



### AREA 15

<b>Distribution</b>	<b>23,264,490</b>	<b>4.6%</b>	<b>3,617,292</b>	<b>15.5%</b>	<b>930,751</b>	<b>104</b>
<b>Service Center</b>	<b>3,155,467</b>	<b>14.4%</b>	<b>763,822</b>	<b>24.2%</b>	<b>121,545</b>	<b>23</b>

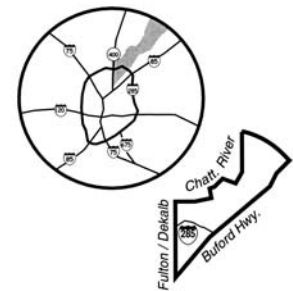
The 400 North distribution market continued to falter in the fourth quarter. Tenant turnover once again overshadowed solid leasing activity resulting in -147,980 square feet of negative net absorption. On the bright side, Area 15's service center market finished the year on an upswing by recording 24,265 square feet of positive net absorption thanks to 121,545 square feet of leasing activity.



### AREA 20

<b>Distribution</b>	<b>36,346,248</b>	<b>7.2%</b>	<b>5,775,910</b>	<b>15.9%</b>	<b>538,968</b>	<b>61</b>
<b>Service Center</b>	<b>3,577,379</b>	<b>16.3%</b>	<b>809,385</b>	<b>22.6%</b>	<b>126,119</b>	<b>21</b>

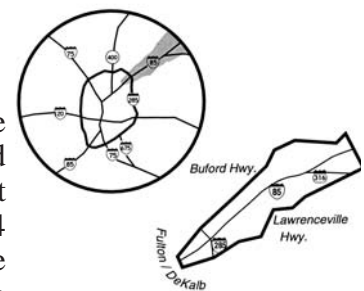
A 37 percent drop in activity compared to last quarter derailed Area 20's distribution market during the fourth quarter. As a result, this submarket backtracked to the tune of -597,868 square feet of negative net absorption, marking its most significant setback in the last four and a half years. On the otherhand, Area 20's service center market built upon the success of last quarter by posting 49,308 square feet of positive net absorption to close out the year.



### AREA 25

<b>Distribution</b>	<b>93,139,844</b>	<b>18.5%</b>	<b>14,385,298</b>	<b>15.4%</b>	<b>1,861,232</b>	<b>127</b>
<b>Service Center</b>	<b>4,778,957</b>	<b>21.8%</b>	<b>1,458,584</b>	<b>30.5%</b>	<b>126,998</b>	<b>39</b>

The progress that the I-85 North distribution market experienced over the last couple of quarters was erased by a disastrous fourth quarter. Tenant instability, coupled with a downturn in leasing activity, triggered -855,274 square feet of negative net absorption in Area 25 and caused its availability rate to jump 1.4 percent to 15.4 percent. Likewise, on the heels of a decline in leasing activity, Area 25's service center market tumbled in the fourth quarter resulting in -42,926 square feet of negative net absorption.



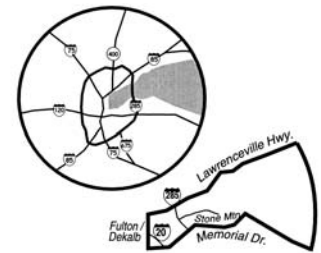
	Total Inventory	Market Share	Total Available	% Available	Total Activity	# of Deals
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Market Maps

### AREA 30

<b>Distribution</b>	<b>26,623,501</b>	<b>5.3%</b>	<b>3,855,284</b>	<b>14.5%</b>	<b>252,236</b>	<b>34</b>
<b>Service Center</b>	<b>1,562,790</b>	<b>7.1%</b>	<b>300,526</b>	<b>19.2%</b>	<b>18,209</b>	<b>7</b>

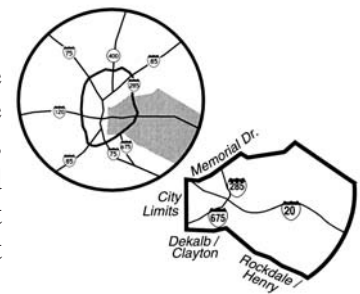
After an encouraging third quarter, activity fell off a cliff in the Stone Mountain distribution market during the fourth quarter. The 252,236 square feet this submarket leased represents its lowest level of output over the last six years and caused Area 30 to record -617,367 square feet of negative net absorption. It was a similar story for Area 30's service center market. A significant drop in activity left this submarket defenseless against outflows and, as result, it posted -507 square feet of negative net absorption.



### AREA 40

<b>Distribution</b>	<b>40,070,698</b>	<b>7.9%</b>	<b>5,887,935</b>	<b>14.7%</b>	<b>455,890</b>	<b>55</b>
<b>Service Center</b>	<b>400,244</b>	<b>1.8%</b>	<b>77,340</b>	<b>19.3%</b>	<b>1,872</b>	<b>1</b>

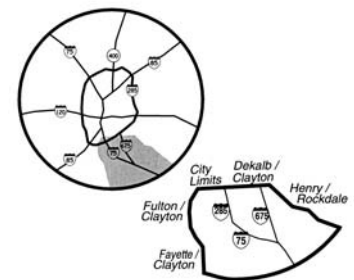
Area 40 recorded negative net absorption for the seventh consecutive quarter to close out 2008. This submarket's tenant base has continually dwindled over the last couple of years due to an inability to generate sufficient activity to counter outflows. This weakness is evident by the -351,053 square feet of negative net absorption it posted during the fourth quarter. Following this same trend, Area 40's service center market backpedaled in the fourth quarter to the tune of -7,438 square feet of negative net absorption.



### AREA 50

<b>Distribution</b>	<b>67,267,101</b>	<b>13.3%</b>	<b>13,824,804</b>	<b>20.6%</b>	<b>1,411,328</b>	<b>50</b>
<b>Service Center</b>	<b>898,813</b>	<b>4.1%</b>	<b>190,565</b>	<b>21.2%</b>	<b>79,319</b>	<b>10</b>

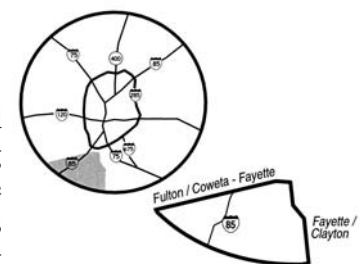
The Airport distribution market was one of the few bright spots among metro Atlanta distribution markets in the fourth quarter. This submarket churned out 1,411,328 square feet of activity and was able to convert 344,851 square feet of this output into positive net absorption. Furthermore, thanks to a surge in leasing activity, this success spilled over into Area 50's small service center market resulting in 33,285 square feet of positive net absorption.



### AREA 55

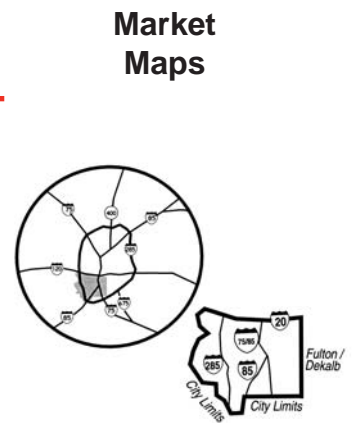
<b>Distribution</b>	<b>20,400,403</b>	<b>4.0%</b>	<b>2,394,937</b>	<b>11.7%</b>	<b>261,286</b>	<b>24</b>
<b>Service Center</b>	<b>58,655</b>	<b>0.3%</b>	<b>11,719</b>	<b>20.0%</b>	<b>0</b>	<b>0</b>

Despite a precipitous drop in activity, the Peachtree City distribution market managed to eke out 3,473 square feet of positive net absorption in the fourth quarter by limiting outflows. This demonstrates why Area 55's availability rate of 11.7 percent is the lowest among metro Atlanta submarkets. Unfortunately, the inability of Area 55's service center market to ink a single deal in fourth quarter prevented it from emulating this success.



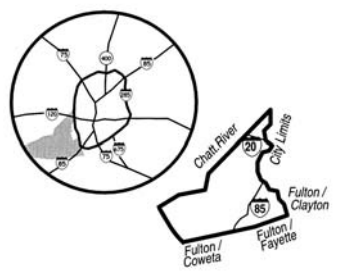
	Total Inventory	Market Share	Total Available	% Available	Total Activity	# of Deals
<b>AREA 60</b>						
Distribution	24,236,133	4.8%	5,527,533	22.8%	42,637	6
Service Center	207,989	0.9%	82,241	39.5%	8,923	2

A lack of activity crippled Area 60's ability to counter outflows in the fourth quarter. Consequently, this submarket posted -531,896 square feet of negative net absorption to conclude the year - marking the fourth consecutive quarter it has posted negative net absorption. In contrast, Area 60's minute service center market was the hallmark of efficiency in the fourth quarter converting 100 percent of the 8,923 square feet of activity it produced into positive net absorption.



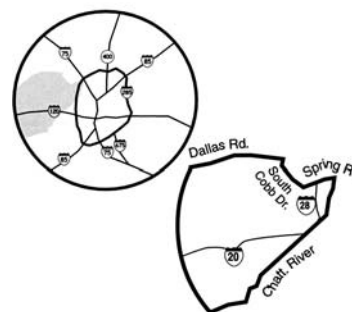
<b>AREA 70</b>						
Distribution	70,129,209	13.9%	15,794,546	22.5%	651,979	25
Service Center	261,464	1.2%	82,026	31.4%	17,088	2

The Fulton Industrial district was hammered by outflows in the fourth quarter. Leasing activity plummeted to its lowest point since the first quarter of 2001 causing Area 70 to record -879,469 square feet of negative net absorption. In addition, Area 70's service center market was encumbered by outflows resulting in -8,078 square feet of negative net absorption.



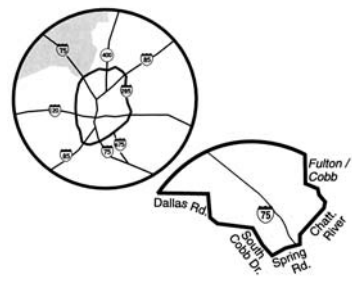
<b>AREA 80</b>						
Distribution	43,829,008	8.7%	7,489,040	17.1%	531,947	21
Service Center	1,559,139	7.1%	384,751	24.7%	35,939	6

After bottoming out last quarter, demand in Area 80 increased during the fourth quarter. However, this upswing was still insufficient to offset outflows and, as a result, this submarket closed out the year by recording -152,623 square feet of negative net absorption. Likewise, tenant turnover hampered Area 80's service center market in the fourth quarter resulting in -22,463 square feet of negative net absorption.



<b>AREA 85</b>						
Distribution	33,100,505	6.6%	4,888,783	14.8%	1,116,358	72
Service Center	4,662,900	21.3%	906,333	19.4%	132,217	23

Even though Area 85 recorded 1,116,358 square feet of activity during the fourth quarter, this submarket was unable to stem the tide of outflows that have plagued it since the second quarter of 2008. Thus, Area 85 posted -131,771 square feet of negative net absorption and its availability rate rose four tenths of a percent to 14.8 percent. Meanwhile, in conjunction with this downturn, Area 85's large service center market stumbled down the stretch posting -1,967 square feet of negative net absorption in the fourth quarter.



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