King Industrial Realty, Inc.

Point of View

False Start or Starting Block?

There were clearly no winners in 2009. Net absorption broke negative records, activity faltered and availability topped the 20 percent mark. At the close of the fourth quarter, however, it appears market conditions may be improving and the weather may be clearing for the 2010 season.

While net absorption in the fourth quarter remained negative, at –377,952 square feet it was a vast improvement over the previous four quarters. Of the 12 metro Atlanta submarkets, four closed the quarter with positive net absorption. The Fulton Industrial District was the clear winner for the fourth quarter, thanks to a massive build-to-suit for Kraft Foods. Net absorption in this submarket reached 942,095 square feet – a clear reversal of its third quarter performance of -1.7 million in net absorption. After recording a second consecutive quarter of positive net absorption, Area 60 (city of Atlanta South of I-20) even posted positive net absorption for the year.

Activity hit new lows during the first part of 2009, but in the closing quarter of the year, it bested the previous four quarters coming in at 9,488,628 square feet. What's more, of the 497 deals reported, only 18 were in excess of 100,000 square feet. The I-85 North corridor, the beneficiary of six of those large deals, outpaced all other metro submarkets with 1,843,189 square feet of activity.

The vacancy rate climbed for four consecutive quarters, finally breaking the 20 percent level in the third quarter stopping at 20.2 percent. Although the fourth quarter saw an increase to 20.3 percent, that increase was a meager one-tenth of a percent – far less than the one percent average increase seen the four previous quarters. Spec construction wasn't a contender in 2009; a whopping 79.5 percent of the 2.5 million square feet added to inventory in 2009 was build-to-suit.

In comparison to the rest of 2009, the fourth quarter seemed to gain momentum. An improvement in net absorption, a modest increase in activity and stabilization of the availability rate are all indications of a comeback. The question now . . . was the fourth quarter a false start or are we on the starting block? We're hoping for the latter and pacing ourselves for the marathon ahead. Here's to a New Year and a new playing field.

Sim F. Doughtie, CCIM, SIOR, MCR
President

Total Market

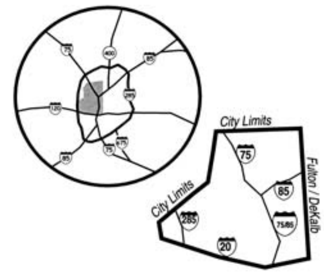
	Total Inventory	Net Absorption	Total Available	% Available	Total Activity	# of Deals	Avg SF Per Deal
Distribution	509,065,277	-377,952	103,273,454	20.3%	9,488,628	497	19,092
Service Center	22,892,729	-53,492	6,222,216	27.2%	549,675	125	4,397

CORFAC International

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

AREA 10

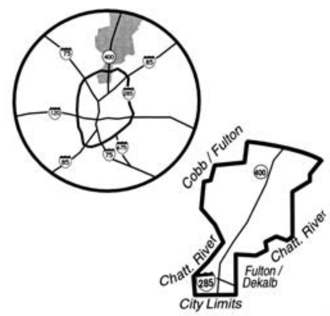
Distribution	**25,396,092**	**5.0%**	**5,262,697**	**20.7%**	**136,830**	**14**
Service Center	**754,561**	**3.3%**	**269,079**	**35.7%**	**5,450**	**2**



A sixth quarter of negative net absorption fell on the distribution sector in Area 10 to end the year. This net absorption of –174,982 square feet was, however, an improvement over the previous three quarters. Lack of activity was more of a culprit this quarter in this North Atlanta submarket. With only 136,830 square feet of deals done, the moderate amount of space returned to the market could not be countered and availability rose to 20.7 percent. The service center sector saw the same conditions; the two small deals it was able to secure were no match for departing tenants and –13,599 square feet of net absorption was recorded.

AREA 15

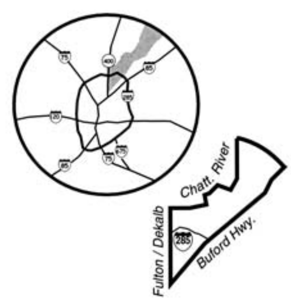
Distribution	**23,800,280**	**4.7%**	**4,339,588**	**18.2%**	**851,718**	**86**
Service Center	**3,308,193**	**14.5%**	**872,343**	**26.4%**	**72,670**	**17**



The wind shifted over the GA 400 corridor during the fourth quarter. After spending five quarters under stormy skies, the clouds broke and positive net absorption was recorded. This 394,514 square feet of net absorption not only broke the negative trend, it is the highest net absorption seen in Area 15 in four years. The availability rate also benefited from this upward trend and fell back to 18.2 percent. Activity in the service center sector took a nosedive in the fourth quarter; fortunately, however, departures in the tenant base were low enough to allow positive net absorption of 4,588 square feet. The availability rate remained steady at 26.4 percent.

AREA 20

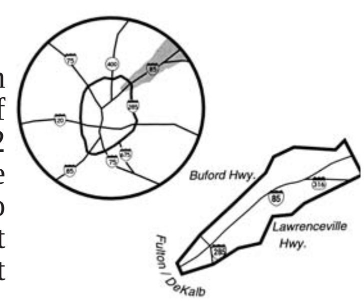
Distribution	**36,391,961**	**7.1%**	**6,765,926**	**18.6%**	**844,902**	**48**
Service Center	**3,622,139**	**15.8%**	**843,675**	**23.3%**	**77,198**	**19**



Area 20 squeezed out positive net absorption to finish the year. A flood of departing tenants, not lack of activity, was responsible for the previous six quarters of negative conditions. An ebb in those departures allowed net absorption to land at 93,769 square feet and percentage available to slip to 18.6 percent. Similar circumstances in Gwinnett/North Fulton Counties service center sector pushed net absorption to the positive side. Net absorption of 9,686 square feet also drove the availability rate down almost two percent to 23.3 percent.

AREA 25

Distribution	**93,767,511**	**18.4%**	**17,049,694**	**18.2%**	**1,843,189**	**81**
Service Center	**4,964,518**	**21.7%**	**1,583,903**	**31.9%**	**157,526**	**40**

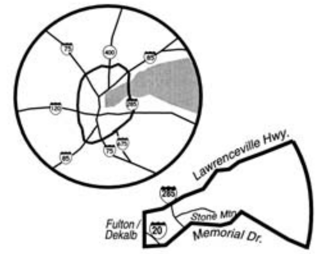


Conditions in the I-85 North Corridor were diverse to say the least. The distribution sector won out in activity with 1,843,189 square feet. Due to a down pouring of departures, however, Area 25 rotated to loser in net absorption coming in at –615,422 square feet. Inching up to 18.2 percent, the availability rate still remains under the metro average. The service center sector in Area 25 broke through to bluer skies to end the year. Net absorption of 26,445 square feet marks the first time this submarket has seen the positive side since the third quarter of 2008. Although headed in the right direction, the availability rate remains well above the metro average at 31.9 percent.

AREA 30

	Total Inventory	Market Share	Total Available	% Available	Total Activity	# of Deals
Distribution	**26,788,789**	**5.3%**	**4,647,773**	**17.3%**	**336,878**	**27**
Service Center	**1,600,692**	**7.0%**	**305,005**	**19.1%**	**26,359**	**9**

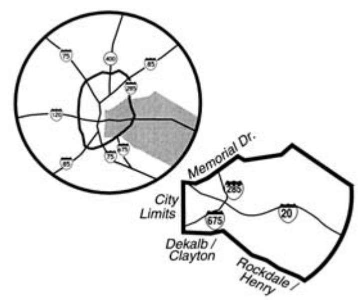
Market Maps



Activity in the Stone Mountain Corridor distribution sector came in at 336,878 square feet. For the past two years, when activity dips below half a million, net absorption falls to the negative side. Fourth quarter 2009 was no exception, –230,232 in net absorption continued this dismal course. This trend sent the availability rate back up to 17.3 percent to end the year. The climate was no different in the service center sector of Area 30 where activity was down and outflows held steady. Net absorption came in at –3,095 square feet and pushed the availability rate up almost a full percentage point to 19.1 percent.

AREA 40

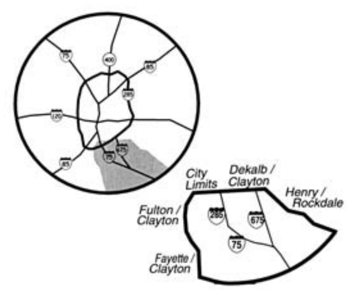
	Total Inventory	Market Share	Total Available	% Available	Total Activity	# of Deals
Distribution	**40,475,199**	**8.0%**	**7,323,418**	**18.1%**	**472,172**	**30**
Service Center	**466,716**	**2.0%**	**110,580**	**23.7%**	**0**	**0**



The current remained the same in Area 40. The distribution sector of the I-20 East Corridor held on to a negative front for yet another quarter. Net absorption of –382,250 square feet is the eleventh consecutive quarter of negative absorption in this submarket and the availability rate rose to 18.1 percent. The service center sector was not even on the radar screen for the fourth quarter of 2009. With no activity seen at all, net absorption drifted to –42,210 square feet and the availability rate climbed to 23.7 percent.

AREA 50

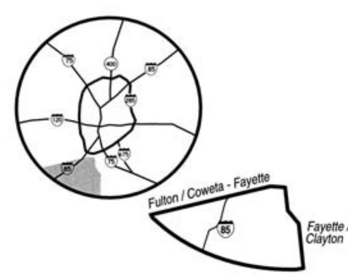
	Total Inventory	Market Share	Total Available	% Available	Total Activity	# of Deals
Distribution	**68,312,974**	**13.4%**	**15,258,014**	**22.3%**	**1,144,353**	**45**
Service Center	**1,017,313**	**4.4%**	**262,974**	**25.8%**	**0**	**0**



Net absorption flipped back below the surface in the Clayton/Henry Counties submarket to end 2009. Activity held steady, but the accumulation of space given back to the market dropped the net absorption to –442,276 square feet. The impact on the availability rate was minimal and increased a mere tenth of a percent to 20.3 percent. The service center sector of Area 50 went into a deep freeze in the fourth quarter. A total lack of activity sent net absorption spiraling to –42,651 square feet and pushed the availability rate up to 23.7 percent – the highest ever recorded in this submarket.

AREA 55

	Total Inventory	Market Share	Total Available	% Available	Total Activity	# of Deals
Distribution	**20,799,381**	**4.1%**	**3,377,395**	**16.2%**	**147,737**	**15**
Service Center	**174,783**	**0.8%**	**74,119**	**42.4%**	**0**	**0**

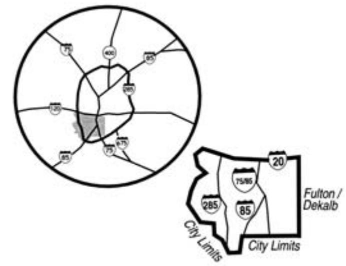


Although an improvement over last quarter, the Fayette/Coweta Counties distribution sector couldn't seem to rustle up activity to offset the continual flow of tenants returning space to the market. Net absorption fell to –106,835 square feet and availability inched up to 16.2 percent. The fate of the service center sector was not any brighter. Activity in Area 55 was frozen in the fourth quarter and net absorption hit the books at –22,600 square feet. The availability rate in this submarket surged and now rests at 42.4 percent.

AREA 60

	Total Inventory	Market Share	Total Available	% Available	Total Activity	# of Deals
Distribution	24,506,113	4.8%	5,147,755	21.0%	630,858	11
Service Center	243,625	1.1%	82,771	34.0%	9,180	2

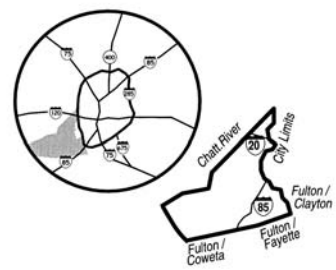
Market Maps



The distribution sector of Area 60 continued its march in the right direction by recording 398,432 square feet of net absorption. This positive posting allowed the availability rate to melt a little further to 21.0 percent. The atmosphere in the service center sector, however, remained overcast. This Southside Atlanta submarket did manage to find two deals to end the year; however, this activity was not sufficient to hold net absorption above ground. With –4,670 square feet of net absorption, the availability rate remains above the metro average at 34.0 percent.

AREA 70

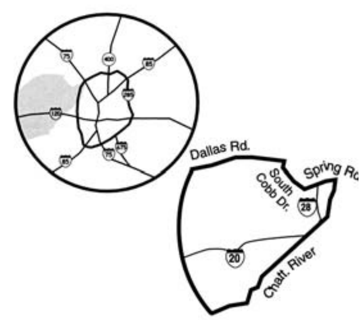
	Total Inventory	Market Share	Total Available	% Available	Total Activity	# of Deals
Distribution	71,259,808	14.0%	18,775,355	26.3%	1,650,184	25
Service Center	275,714	1.2%	77,046	27.9%	3,000	1



The South Fulton County distribution market needed a change in their patterns and let's hope the fourth quarter gave them this new outlook. After a gloomy third quarter, net absorption soared to 942,095 square feet. Without the two large build-to suits totaling 1.1 million, the story would have been different. This uptick shaved three tenths of a percent off the availability rate, which now stands at 26.3 percent – still well above average for the metro area. The small service center sector in Area 70 saw little activity and went just south of the line with –2,800 square feet in net absorption and the availability rate rose slightly to 27.9 percent.

AREA 80

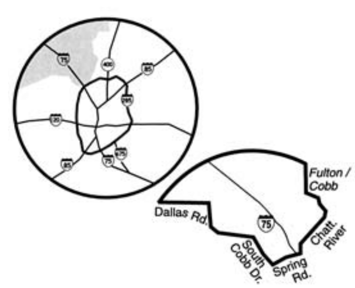
	Total Inventory	Market Share	Total Available	% Available	Total Activity	# of Deals
Distribution	44,358,797	8.7%	8,914,440	20.1%	530,643	34
Service Center	1,653,913	7.2%	513,497	31.0%	22,923	6



Activity slowed in the distribution sector of Cobb/Douglas Counties this quarter. Fortunately, available space also held back. The resulting –217,535 square feet of net absorption, though not the best of outcomes, was not as low as the previous three quarters. In line with the negative net absorption came an increase in the availability rate. Now at 20.1 percent, it is closing in on the metro average of 20.3 percent. The service center sector of Area 80 managed to break through to positive net absorption for the first time in over a year. Net absorption of 11,729 square feet allowed the availability rate to sneak up to an even 31 percent to close the year.

AREA 85

	Total Inventory	Market Share	Total Available	% Available	Total Activity	# of Deals
Distribution	33,208,372	6.5%	6,411,399	19.3%	899,164	81
Service Center	4,810,562	21.0%	1,227,224	25.5%	175,369	29



The distribution sector of Area 85 came oh, so close. Activity took a huge leap and more tenants held tight, but positive net absorption eluded this I-75 Corridor submarket once again with net absorption of –39,530 square feet. The availability rate increased only three tenths of a percent ending at 19.3 percent. The service center sector in this submarket saw a change of seasons in the fourth quarter. After six quarters frozen in negative territory, net absorption sprung to life and closed at 25,685 square feet. This reversal lowered the availability rate a full point to 25.5 percent.

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