MarketView
Atlanta Industrial

Quick Stats

	Current	Change from last Yr.	Change from last Qtr.
Vacancy	11.9%	↑	↑
Lease Rates	$3.91	↑	↓
Net Absorption*	(2.44M)	↓	↓
Construction	3.41 MSF	↓	↓

* The arrows are trend indicators during the specified time period and do not represent a positive or negative value. (e.g., absorption could be negative, but still represent a positive trend during a specified period.)

Hot Topics

- Absorption is negative for first time in five years.
- Rental rates fall slightly after reaching seven-year high.
- Vacancy increases for the fourth consecutive quarter.
- New construction remains slow, less than half the level of early 2007.

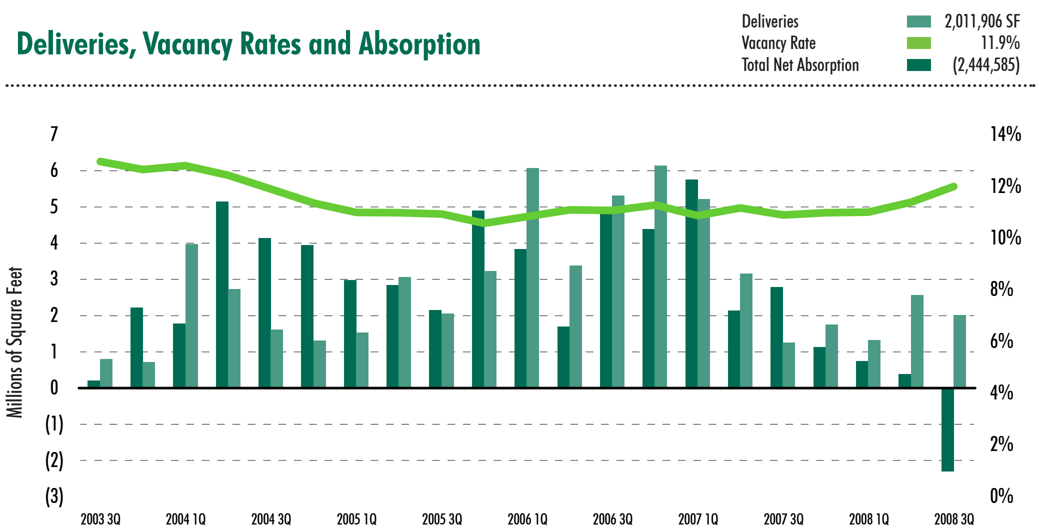
Metro Atlanta's industrial demand came to a sharp halt in the third quarter of 2008. The slowdown in the nation's economy has been a burden on Atlanta's industrial market during the past nine months. In the third quarter it finally took its toll, leaving negative absorption, increased vacancies and reduced rental rates.

None of the sectors fared particularly well, and three of the five sectors posted occupancy losses. This news is hardly unexpected. Industrial tenants and thereby landlords, have been preparing for the economy to effect them once high gas prices and a slump in consumer demand finally became too much to bear. Like other sectors, the response has been to reposition and find cost savings instead of expanding. Because of this, we've seen a substantial increase in space leased, however, it has been in the form of renewals and consolidations with no net occupancy growth.

The market didn't perform well by sector or submarket. Only two submarkets posted net occupancy gains in the third quarter, those being the Northeast and Stone Mountain. Outside of those, the market realized slightly more than 2.8 million square feet of negative absorption. Each sector, with the exception of the distribution properties, posted disappointing returns. Most notably, the general industrial and warehouse sectors saw vacancy rates spike.

Until current economic trends reverse the market is well suited to absorb a correction as space under construction remains muted and a lack of available financing keeps more product from entering the pipeline. This should serve to keep the market as stable as possible until consumer markets are stabilized.

Deliveries, Vacancy Rates and Absorption



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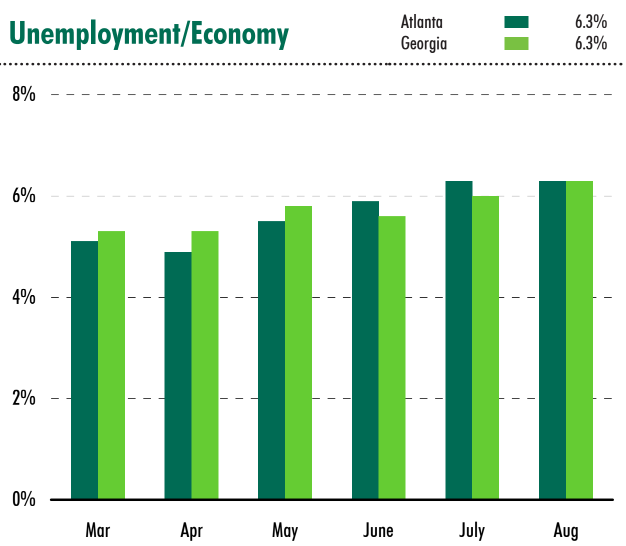
Market Statistics

Market	Rentable Area SF	Vacancy Rate %	Sublease	YTD Net Absorption SF	Under Construction SF	Average Asking Lease Rate -$ SF/YR
Central Atlanta	17,145,689	5.8	35,000	(80,812)	-	$7.02
Chattahoochee Industrial	21,286,075	5.6	17,987	(201,287)	-	$4.03
Northwest/I-575	53,315,036	9.6	186,496	(148,927)	1,338,219	$5.07
North Central/Ga 400 Corridor	21,378,571	11.4	175,190	(490,588)	319,715	$5.10
Northeast/I-85	162,237,886	12.1	659,794	870,399	915,099	$4.31
Stone Mountain	24,579,483	8.8	180,023	(478,654)	-	$4.92
Airport/South Atlanta	140,281,802	14.6	876,373	335,810	16,000	$3.06
Fulton Industrial/SW Atlanta	87,597,796	13.1	560,190	(866,975)	775,881	$2.77
Snapfinger	30,571,300	11.0	71,600	(264,574)	45,234	$3.49
Bulk Warehouse	317,555,074	12.8	1,707,574	(2,471,129)	2,669,829	$3.25
Business Distribution	123,046,528	13.8	809,341	1,783,841	628,138	$3.86
Manufacturing	73,097,688	4.1	29,018	147,358	-	$3.38
Flex	33,851,253	13.4	157,130	(345,976)	-	$8.77
General Industrial	10,843,095	17.2	59,590	(439,702)	112,181	$6.38
OVERALL ATLANTA	**558,393,638**	**11.9**	**2,762,653**	**(1,325,608)**	**3,410,148**	**$3.91**

Unemployment/Economy



As Wall Street looks to the Federal government to solve its problems, the nation's economy continues to be mired in a state of dysfunction and uncertainty. The dollar continues to gain strength, posting some of its largest gains during the final days of the third quarter. Analysts believe this strengthening can continue, especially since the bailout passed. Total construction spending was flat in August but showed a slight rise in residential projects. While this is often a strong sign for employment, locally, unemployment is at 6.3percent, a relatively high mark that hovered in the mid 4.0 percent range for most of the last few years. The state's level is the same and this elevated rate is expected to persist into 2009.

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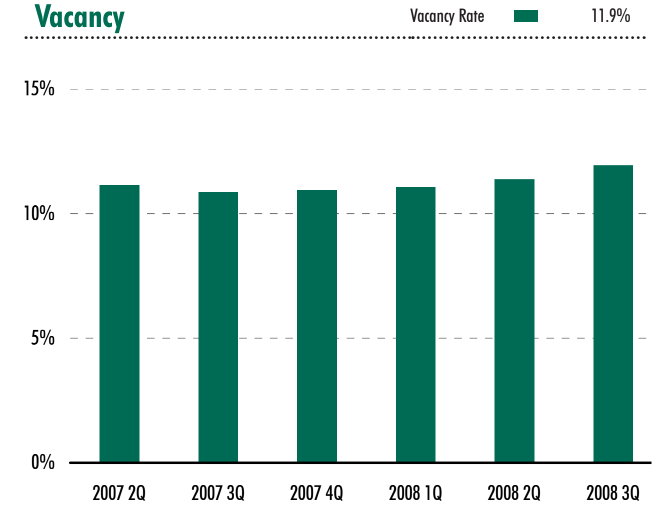
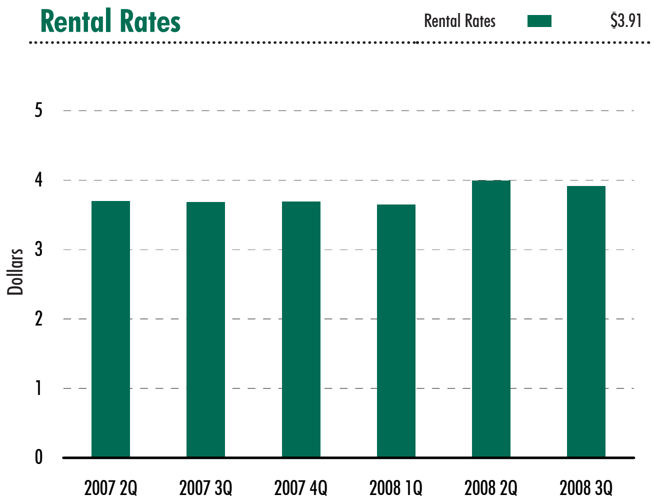
Vacancy



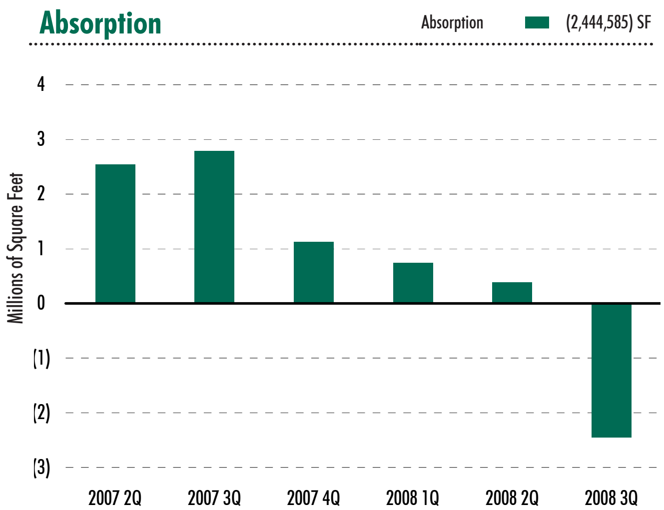
Vacancy rates continue to grow in the Atlanta market, averaging a 0.5 percentage point increase each quarter since January. All but two submarkets realized increased vacant square-footage in the third quarter and the two that didn't saw minimal declines. The Snapfinger and Chattahoochee submarkets each saw 20 percent plus growth in vacant inventory, leaving the metro area as a whole with 5.0 percent more empty space. Each of the sectors, with the exception of manufacturing and distribution, saw significant increases in their vacancy rates. Warehouse rates jumped more than a percentage point while flex rates moved up half of a point. General industrial properties recorded the largest growth at 2.8 percentage points. Vacancies could grow during the coming quarters as the economy works through a correction but the lack of excessive space under construction should keep fundamentals in line.

Rental Rates



Rental rates for metro Atlanta's industrial product fell $.08 in the third quarter to finish at $3.91 per rentable square foot. This comes on the heels of a $.34 increase from the first to second quarters and continues a volatile trend as rental rates ebbed and flowed in the past 18 months. All but the Stone Mountain and Chattahoochee submarkets recorded declines in rental rates, however, each of those submarkets has also posted negative occupancy growth this year. Each sector except flex properties also realized lower rental rates. General industrial properties saw the largest drop in rates falling $.72 per rentable square foot to $6.38 just as they saw the largest increase in vacancies. Moving in conjunction with vacant space, rental rates will probably follow their recent roller coaster trend of increase and decline.

Absorption



Metro Atlanta's industrial absorption fell in the third quarter to levels not witnessed since third quarter 2000, when it fell to 3,080,700. The past quarter saw occupancy losses top 2.4 million square feet and total 1.3 million square feet year-to-date. As companies look to cut costs and maximize their real estate assets, we see more renewals and repositioning. Aggregately that means significant leasing activity with little to no net absorption growth. The majority of submarkets saw this type of inverse activity, with strong leasing and negative absorption. No individual submarket performed particularly well in the past quarter but the majority of losses can be attributed to the warehouse sector which posted 2.4 million square feet of negative absorption while the other sectors offset each other.

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Top Lease Transactions

Tenant	Address	Size (SF)
Kellogg Co	Majestic Airport Center 2	547,550
JVC	New Manchester Distribution Center – 3	542,491
Computer Sciences Corp.	Atlanta Airport Distribution Center I	453,587
Lund International	Hamilton Mill Business Center – Bldg D	214,715
Atlanta Bonded Warehouse Corp	7060 Cobb Distribution Center	182,031

Submarket Map

Average Asking Lease Rate
Rate determined by multiplying the asking net lease rate for each building by its available space, summing the products, then dividing by the sum of the available space with net leases for all buildings in the summary.

Net Leases
Includes all lease types whereby the tenant pays an agreed rent plus most, or all, of the operating expenses and taxes for the property, including utilities, insurance and/or maintenance expenses.

Market Coverage
Includes all competitive office buildings 10,000 square feet and greater in size.

Net Absorption
The change in occupied square feet from one period to the next.

Net Rentable Area
The gross building square footage minus the elevator core, flues, pipe shafts, vertical ducts, balconies and stairwell areas.

Occupied Area (Square Feet)
Building area not considered vacant.

Under Construction
Buildings which have begun construction as evidenced by site excavation or foundation work.

Available Area (Square Feet)
Available building area which is either physically vacant or occupied.

Availability Rate
Available square feet divided by the net rentable area.

Vacant Area (Square Feet)
Existing building area which is physically vacant or immediately available.

Vacancy Rate
Vacant building feet divided by the net rentable area.

Normalization
Due to a reclassification of the market, the base, number and square footage of buildings of previous quarters have been adjusted to match the current base. Availability and vacancy figures for those buildings have been adjusted in previous quarters.

For more information regarding the MarketView, please contact:

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