

Market Report

INDUSTRIAL | FIRST QUARTER | 2009

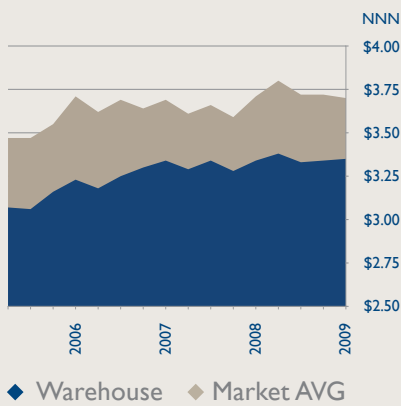


MARKET INDICATORS

	Q1 2009	NEXT QTR
VACANCY	↑	↑
NET ABSORPTION	↑	↔
CONSTRUCTION	↓	↓
RENTAL RATE	↓	↓
CAP RATES	↑	↔

UPDATE

ATLANTA RENTAL RATES
OVERALL MARKET & WAREHOUSE (PER SF)



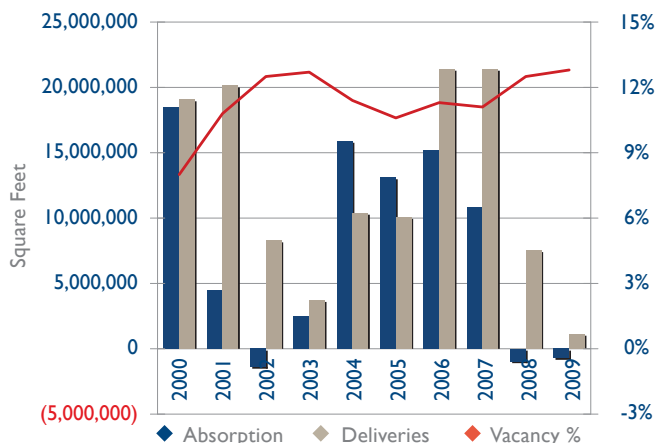
Atlanta's Industrial Market Recovery Remains Sidelined

First quarter results indicate a further weakened industrial market for Atlanta due to the economic recession plaguing the nation. For the second consecutive quarter, Atlanta's industrial market saw a number of tenants vacate their spaces. This resulted in a negative quarter of absorption totaling (698,585) SF. Though down from last quarter's loss of 1.8 million square feet, this marks a continued trend of space put back on the market as a result of the housing industry bust here. Suppliers, manufacturers and warehouse of products closely tied to Atlanta's rampant housing boom of a few years ago continue to experience tough times as they face an over-supplied market with very limited financial resources available to keep afloat. The smallest firms have been hit hardest by this and are the result of the added industrial space in the market. Were it not for first quarter move-ins by larger companies such as JVC, D&H Distributing and Phillips Van Heusen, Atlanta's industrial market could have easily matched last quarter's negative absorption. It is no secret the industrial vacancy rate in Atlanta has increased yet again because of the continued loss of tenants. The first quarter ended at 12.8% overall, totaling over 73 million square feet available. This figure is up 0.3% (1.7 million sq. ft.) from last quarter and up 1.6% (9.6 million sq. ft.) from this time last year. Following this fifth consecutive quarterly increase, Atlanta's industrial vacancy rate has returned to 2003 levels which marked the highest vacancy rate following the previous recession. Unfortunately, vacancy has yet to reach its pinnacle this time around.

Although a small number of new deals managed to get signed in the first quarter, the majority of leasing activity taking place in Atlanta's industrial market is in the form of renewals; some of which have resulted in a downsizing in space occupied. Demand for industrial space in Atlanta has taken a backseat to the economy. A number of prospects are actively looking; however, none of them appear to be in any hurry to sign on the dotted line. Examples include Kraft Foods seeking an 800,000 SF build-to-suit in South Atlanta, Miller Zell seeking up to 500,000 SF in the I-20 West/Fulton Industrial submarket and Thermo Fisher Scientific looking for 350,000 SF in Northeast Atlanta. The wait-and-see approach is the main factor driving the somber outlook to the industrial market in Atlanta. For the near term, more space is expected to be given back by industrial tenants who are unable to continue operations because of the economy. A more optimistic outlook reveals a flurry of activity occurring in the latter half of the year by prospects currently on the sideline waiting

for the recovery to begin. Regardless of the timing, when leasing demand returns, food industry and logistics companies will be the ones leading the turnaround for Atlanta's industrial market.

ABSORPTION, DELIVERIES AND VACANCY RATES



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DEFINITIONS

Absorption (Net)-The net change in occupied space over a given period of time, calculated by summing all the positive changes in occupancy and subtracting all the negative changes in occupancy.

Vacancy Rate-A percentage of the total amount of physically vacant space divided by the total amount of existing inventory.

Bulk Warehouse-A type of building designed to be used for bulk storage of materials, distribution or heavy manufacturing. Typically has a small amount of office space, ceiling heights of 24' and bay depths of over 190'.

Shallow-Bay Distribution-A type of building designed to be used for the distribution of materials or as a medium-sized manufacturing facility. Typically has 10%-30% of office, ceiling heights of 18'-24' and bay depths of 120'-190'.

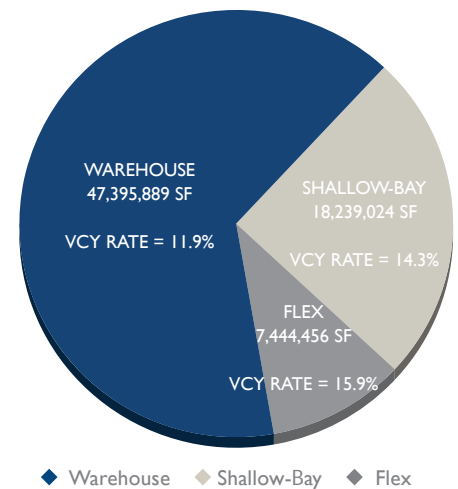
Flex-A type of building designed to be versatile, which may be used in combination with office, R&D, quasi-retail sales and industrial warehouse and distribution uses. Typically has at least 50% office and ceiling heights under 18'.

Leasing Activity-The volume of square footage that is committed to and signed for under a lease obligation for a specific building or market in a given period of time. It includes direct leases, subleases and renewals of existing leases. It also includes any pre-leasing activity for buildings under construction or planned.

Deliveries-Buildings that complete construction during a specified period of time.

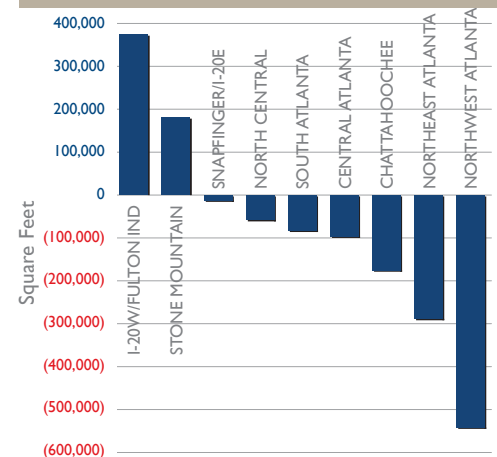
Vacancy & Availability

- Atlanta industrial vacancy continues to trend upwards. Since this time last year, over 9.6 million square feet of vacant industrial space has been added to the market. Northwest Atlanta has experienced the majority of the increase with 3.1 million square feet added in the past year.
- The vacancy rate for Atlanta's industrial market has reached 2003 levels which dates back to the highest rate following the last economic recession. Today's rate has yet to peak and will likely climb to 13% before the recovery begins.
- The 73 million square feet of available industrial space in Atlanta represents the largest amount ever recorded in the market.

FIRST QUARTER 2009
AVAILABLE SPACE BY PRODUCT TYPE

Absorption & Leasing Activity

- Industrial absorption was slightly better than last quarter's loss; however, Atlanta still saw more tenants move out of their spaces. This quarter's (698,585) SF loss is the third in four quarters. Over 2.5 million square feet of space has been given back in this period of time.
- Large move-ins by JVC for 542,491 SF in I-20 West/Fulton Industrial and D&H Distributing for 458,000 SF in South Atlanta helped lessen the overall loss of space in first quarter.
- Atlanta will likely finish the year with a net loss in industrial absorption. A number of tenant prospects, though, could play a substantial role to jumpstarting leasing activity by year's end.

FIRST QUARTER 2009
NET ABSORPTION BY SUBMARKET

UPDATE

RECENT TRANSACTIONS IN THE MARKET

SALES ACTIVITY

PROPERTY ADDRESS	SUBMARKET	SALES DATE	SALE PRICE	SIZE SQ. FT.	SALES PRICE/SQ. FT.	TYPE
Interstate South-Bldg. 4	South Atlanta Ind	11/19/2008	\$22,000,000	676,000	\$32.54	Distribution Investment
185 Coweta Ind. Pky.	South Atlanta Ind	2/11/2009	\$17,245,407	458,000	\$37.65	Distribution BTS Sale
4600-4680 Lewis Rd.	Stone Mountain Ind	12/12/2008	\$6,750,000	216,799	\$31.13	Distribution Port. Inv.
Town Park Bldg. 1 & 2	Northwest Atlanta Ind	1/22/2009	\$6,700,000	121,384	\$55.20	Distribution Investment

LEASING ACTIVITY

PROPERTY	SUBMARKET	TENANT	LANDLORD	SIZE SQ. FT.	TYPE
Westgate Center-110	I-20 West/Fulton Ind	Tyco Healthcare	ProLogis	610,000	Renewal
420 Lee Industrial Blvd.	I-20 West/Fulton Ind	Phillips Van Heusen	STAG Capital	561,600	Renewal & Expansion
Southcreek DC IV	South Atlanta Ind	Smuckers	Dividend Capital	556,800	Direct Lease
SouthPark-5395	South Atlanta Ind	Peachtree Logistics	AEW/UTC Southpark	277,500	Direct Lease

UPDATE
MARKET COMPARISONS
EXISTING PROPERTIES**ABSORPTION****DELIVERIES****U/C****RENT**

PROP TYPE	BLDG	TOTAL SF	DIRECT VCY %	SUB VCY %	TOTAL VCY SF	VCY CURR %	VCY PRIOR %	NET ABSORP CURR SF	NET ABSORP YTD SF	NEW SUPPLY CURR SF	NEW SUPPLY YTD SF	UNDER CONSTR SF	AVG RENT PER SF (NNN)
CENTRAL ATLANTA IND.													
Flex	55	2,372,505	7.7%	-	182,844	7.7%	8.2%	10,716	10,716	-	-	-	\$7.70
Shallow-Bay	63	2,878,128	9.2%	-	263,710	9.2%	9.0%	(6,000)	(6,000)	-	-	-	\$3.82
Warehouse	156	11,828,646	5.4%	-	641,839	5.4%	4.6%	(101,130)	(101,130)	-	-	-	\$6.34
Total	274	17,079,279	6.4%	-	1,088,393	6.4%	5.8%	(96,414)	(96,414)	-	-	-	\$6.01
CHATTAHOOCHEE IND.													
Flex	77	3,573,178	21.3%	-	761,062	21.3%	20.7%	(21,887)	(21,887)	-	-	-	\$7.04
Shallow-Bay	35	1,429,835	6.0%	2.4%	119,696	8.4%	4.6%	(53,696)	(53,696)	-	-	-	\$5.48
Warehouse	307	16,970,392	5.3%	0.1%	903,561	5.3%	4.7%	(99,734)	(99,734)	-	-	-	\$4.63
Total	419	21,973,405	7.9%	0.2%	1,784,319	8.1%	7.3%	(175,317)	(175,317)	-	-	-	\$4.86
I-20 W / FULTON IND.													
Flex	49	2,386,784	10.9%	-	259,414	10.9%	10.3%	(13,345)	(13,345)	-	-	-	\$6.20
Shallow-Bay	286	21,294,615	12.8%	0.7%	2,878,278	13.5%	16.9%	712,126	712,126	-	-	-	\$2.69
Warehouse	538	65,111,997	12.4%	0.3%	8,271,333	12.7%	12.2%	(324,100)	(324,100)	-	-	-	\$2.60
Total	873	88,793,396	12.4%	0.4%	11,409,025	12.8%	13.3%	374,681	374,681	-	-	-	\$2.67
NORTH CENTRAL ATLANTA IND.													
Flex	145	7,361,073	16.1%	0.4%	1,214,754	16.5%	14.7%	(129,405)	(129,405)	-	-	-	\$9.12
Shallow-Bay	115	5,882,422	9.5%	0.2%	571,720	9.7%	9.7%	(1,938)	(1,938)	-	-	-	\$5.33
Warehouse	200	10,419,941	10.0%	1.5%	1,192,272	11.4%	11.8%	73,311	73,311	43,200	43,200	-	\$4.08
Total	460	23,663,436	11.8%	0.8%	2,978,746	12.6%	12.2%	(58,032)	(58,032)	43,200	43,200	-	\$6.60
NORTHEAST ATLANTA IND.													
Flex	384	15,146,821	18.2%	1.1%	2,918,613	19.3%	18.9%	(62,964)	(62,964)	-	-	-	\$8.49
Shallow-Bay	600	41,465,195	17.6%	0.3%	7,431,731	17.9%	18.4%	202,368	202,368	-	-	-	\$3.71
Warehouse	1,049	111,181,937	8.8%	0.7%	10,478,144	9.4%	9.0%	(427,861)	(427,861)	18,581	18,581	-	\$3.76
Total	2,033	167,793,953	11.8%	0.6%	20,828,488	12.4%	12.2%	(288,457)	(288,457)	18,581	18,581	-	\$4.18
NORTHWEST ATLANTA IND.													
Flex	178	7,807,839	13.9%	0.8%	1,150,072	14.7%	14.7%	(3,886)	(3,886)	-	-	-	\$9.16
Shallow-Bay	226	12,455,181	6.1%	0.4%	808,255	6.5%	6.5%	7,130	7,130	-	-	-	\$5.15
Warehouse	494	34,849,748	15.5%	0.1%	5,443,627	15.6%	12.6%	(544,666)	(544,666)	573,783	573,783	20,000	\$4.16
Total	898	55,112,768	13.2%	0.3%	7,401,954	13.4%	11.5%	(541,422)	(541,422)	573,783	573,783	20,000	\$5.01
SNAPPINGER / I-20 EAST IND.													
Flex	52	1,824,547	20.3%	-	370,103	20.3%	20.1%	(3,860)	(3,860)	-	-	-	\$8.63
Shallow-Bay	105	6,224,840	9.6%	-	597,678	9.6%	10.1%	32,579	32,579	-	-	-	\$2.62
Warehouse	257	23,846,461	11.5%	0.1%	2,770,011	11.6%	11.4%	(41,094)	(41,094)	-	-	-	\$3.59
Total	414	31,895,848	11.7%	0.1%	3,737,792	11.7%	11.7%	(12,375)	(12,375)	-	-	-	\$3.52
SOUTH ATLANTA IND.													
Flex	101	3,254,862	7.1%	-	231,249	7.1%	5.3%	(59,694)	(59,694)	-	-	-	\$9.21
Shallow-Bay	274	26,921,875	15.8%	0.7%	4,458,616	16.6%	16.8%	454,837	454,837	458,000	458,000	-	\$3.23
Warehouse	773	110,038,303	14.6%	0.6%	16,781,492	15.3%	14.8%	(477,813)	(477,813)	50,000	50,000	42,000	\$3.03
Total	1,148	140,215,040	14.7%	0.6%	21,471,357	15.3%	14.9%	(82,670)	(82,670)	508,000	508,000	42,000	\$3.10
STONE MOUNTAIN IND.													
Flex	91	3,011,134	11.2%	0.6%	356,345	11.8%	11.0%	(24,814)	(24,814)	-	-	-	\$7.95
Shallow-Bay	181	8,566,364	12.8%	0.2%	1,109,340	12.9%	12.9%	(1,330)	(1,330)	-	-	-	\$4.84
Warehouse	205	14,603,140	6.1%	0.2%	913,610	6.3%	7.7%	207,565	207,565	-	-	-	\$4.24
Total	477	26,180,638	8.9%	0.2%	2,379,295	9.1%	9.8%	181,421	181,421	-	-	-	\$5.16
ATLANTA MARKET GRAND TOTAL													
Flex	1,132	46,738,743	15.3%	0.6%	7,444,456	15.9%	15.3%	(309,139)	(309,139)	-	-	-	\$8.73
Shallow-Bay	1,885	127,118,455	13.9%	0.5%	18,239,024	14.3%	15.1%	1,346,076	1,346,076	458,000	458,000	-	\$3.59
Warehouse	3,979	398,850,565	11.4%	0.5%	47,395,889	11.9%	11.3%	(1,735,522)	(1,735,522)	685,564	685,564	62,000	\$3.35
Total	6,996	572,707,763	12.3%	0.5%	73,079,369	12.8%	12.5%	(698,585)	(698,585)	1,143,564	1,143,564	62,000	\$3.70

QUARTERLY COMPARISON AND TOTALS

Q	BLDG	TOTAL SF	DIRECT VCY %	SUB VCY %	TOTAL VCY SF	VCY CURR %	VCY PRIOR %	NET ABSORP CURR SF	NET ABSORP YTD SF	NEW SUPPLY CURR SF	NEW SUPPLY YTD SF	UNDER CONSTR SF	AVG RENT PER SF (NNN)
q1-09	6,996	572,707,763	12.3%	0.5%	73,079,369	12.8%	12.5%	(698,585)	(698,585)	1,143,564	1,143,564	62,000	\$3.70
q4-08	6,984	571,499,510	12.0%	0.5%	71,237,220	12.5%	11.8%	(1,829,993)	(952,279)	2,266,742	7,541,640	1,205,564	\$3.72
q3-08	6,965	569,216,768	11.3%	0.5%	67,140,485	11.8%	11.6%	405,292	877,714	1,654,246	5,274,898	3,448,106	\$3.72
q2-08	6,954	567,507,522	11.2%	0.5%	65,891,531	11.6%	11.2%	(375,279)	472,422	2,084,925	3,620,652	4,599,483	\$3.80
q1-08	6,941	565,217,057	10.8%	0.4%	63,431,327	11.2%	11.1%	847,701	847,701	1,535,727	1,535,727	5,457,915	\$3.71

NOTE: STATISTICAL SET INCLUDES ALL INDUSTRIAL PROPERTIES 15,000 SF AND UP.
 WHILE CoSTAR ATTEMPTS TO PROVIDE THE MOST ACCURATE DATA AT THE END OF EVERY QUARTER,
 REVISIONS ARE MADE THROUGHOUT THE YEAR ACCOUNTING FOR DISCREPANCIES IN PAST REPORTING.

SOURCE: CoSTAR PROPERTY

