LAVISTA ASSOCIATES, INC.
Commercial and Industrial, Realtors®

INDUSTRIAL MARKET UPDATE

ATLANTA INDUSTRIAL MARKET :: YEAR END 2009

MARKET INDICATORS

INVENTORY	**562,585,946 SF**	
OVERALL VACANCY	**13.0%**	↑
NET ABSORPTION	**(1,359,843 SF)**	↑
UNDER CONSTRUCTION	**18,750 SF**	↓
COMPLETIONS	**0 SF**	↓
LEASING ACTIVITY	**4,145,300 SF**	↑

Market Highlights

While the close of 2009 brought little improvement to the Atlanta industrial marketplace, it offered positive indications for stabilization. The net negative absorption of (1,325,810) SF for the second half of the year was less than one-half of the losses incurred in the first six months of this year (2,816,775 SF). The market will benefit from the lack of new product deliveries (42,000 SF - 2nd half 2009) and virtually no projects under construction. These positive signs, however, must be tempered by the reality that the metropolitan industrial market ended the year with a vacancy rate of 13.0%, up a full percentage point from year end 2008. With over 72 million square feet vacant, all product sectors will continue to see decreasing effective rental rates.

Lavista Associates, Inc. projects leasing activity to show some improvement in 2010 with larger transactions leading the way. Significant 2009 leases include Smuckers taking 556,000 SF at 1525 Oakley Industrial, Phillips Van Heusen contracting for 421,000 SF at 420 Lee Industrial Boulevard and the GSA leasing 406,000 SF at Airport Distribution Center II. As Kraft Foods and Colgate Palmolive identify facilities this year, the significant lease trend should continue. Smaller tenants will be challenged again in 2010 to obtain financing to expand their operations which will slow absorption for users seeking less than 100,000 SF. Nonetheless, those smaller companies looking to purchase industrial buildings as owner-occupants are finding favorable pricing and terms as commercial lenders look to make conservative loans.

The greatest activity drop over the past twelve months has been in the sales arena, where the majority of the ninety plus transactions were to users and represent roughly one-half the number for 2008. Only the return of liquidity to the market and improvements to financing vehicles will allow a positive correction to occur in the investment sales sector. We are beginning to see the pricing gap between buyers and sellers narrow to the point that projects increased activity in 2010; although the debt markets, in part, will dictate velocity.

METRO ATLANTA REPRESENTATIVE SALES ACTIVITY

INVESTMENT SALES

2331 Mellon Court — **282,000 SF** — **$ 29.50/SF (WH)**
Purchased by NL Ventures on 10/16/09

5600 Bucknell Drive — **68,000 SF** — **$ 20.59/SF (WH)**
Purchased by Reisman Properties on 12/01/09

5116-5128 S Royal Atlanta Drive — **38,000 SF** — **$28.95/SF (D)**
Purchased by Cabot Properties, Inc. on 12/22/09

OWNER/USER SALES

800 Progress Center Avenue — **51,200 SF** — **$ 32.23/SF (WH)**
Purchased by Commercial Cabinetry GA, LLC on 07/21/09

3910 Lakefield Drive — **114,412 SF** — **$25.00/SF (WH)**
Purchased by SoFo Foods on 09/28/09

1649 International Court — **125,000 SF** — **$ 22.00/SF (WH)**
Purchased by NDMS, LLC on 08/27/09

KEY METRO ATLANTA SUBMARKETS

NORTHEAST

CATEGORY	CURRENT QTR	PREVIOUS TIME PERIODS		CHANGE
Vacant SF	17,459,579	Mid-Year 2009	17,801,743	- 1.92%
		12 months ago	16,252,090	+ 7.43%
SF Under Construction	0	Mid-Year 2009	0	0
		12 months ago	349,000	(349,000)
Leasing Activity	1,035,089	Mid-Year 2009	1,050,284	(15,195)
		12 months ago	1,203,715	(168,626)
Absorption Activity	130,302	Mid-Year 2009	(1,068,001)	1,198,303
		12 months ago	(229,818)	360,120
SF Delivered	0	Mid-Year 2009	0	349,000
		12 months ago	282,243	66,757

- Total net absorption for the fourth quarter of 2009 was reported at negative (1,630,020) SF.
- Boasting a total of 171,576,409 SF, the Northeast Atlanta Industrial submarket is home to the most total RBA of any industrial market in Atlanta, yet at year-end 2009 it maintained a vacancy rate almost 1.5% less than the average for the overall Atlanta industrial market.

ACTIVITY: McKesson Medical Surgical leased 200,000 SF of space at 1005 Satellite Boulevard in Shawnee Ridge.

Trader Joe's leased 159,759 SF at 2935 Shawnee Industrial Way in Shawnee Ridge.

Alpha Technologies renewed 148,439 SF of space at 1075 Satellite Boulevard in Shawnee Ridge.

NORTH CENTRAL

CATEGORY	CURRENT QTR	PREVIOUS TIME PERIODS		CHANGE
Vacant SF	3,238,899	Mid-Year 2009	3,279,719	- 1.24%
		12 months ago	3,048,446	+ 6.25%
SF Under Construction	0	Mid-Year 2009	0	0
		12 months ago	0	0
Leasing Activity	213,724	Mid-Year 2009	76,379	137,345
		12 months ago	258,654	-44,930
Absorption Activity	(211)	Mid-Year 2009	(150,351)	150,140
		12 months ago	(46,001)	45,790
SF Delivered	0	Mid-Year 2009	0	0
		12 months ago	344,155	(344,155)

- The average quoted rental rate for available industrial space was $4.10/SF at year-end 2009, representing a 2.8% decrease from the end of the third quarter 2009.
- The North Central submarket was the only major Atlanta industrial submarket to have a building delivered in the fourth quarter of 2009. It added 10,000 SF to what is Atlanta's third smallest industrial submarket, pushing the total to 28,457,257 SF.

ACTIVITY: Sofo Foods leased 114,412 SF at 3910 Lakefield Drive.

FedEx renewed 89,697 SF of space at 1525 Morrison Parkway.

ICX Tactical Platforms leased 50,746 SF at Shiloh 400 Business Center.

NORTHWEST

CATEGORY	CURRENT QTR	PREVIOUS TIME PERIODS		CHANGE
Vacant SF	7,977,944	Mid-Year 2009	8,135,250	- 1.93%
		12 months ago	6,158,489	+ 29.54%
SF Under Construction	18,750	Mid-Year 2009	18,750	0
		12 months ago	573,783	(555,033)
Leasing Activity	303,041	Mid-Year 2009	327,071	(24,030)
		12 months ago	407,676	(104,635)
Absorption Activity	644,933	Mid-Year 2009	(647,113)	1,292,046
		12 months ago	(828,011)	1,472,944
SF Delivered	0	Mid-Year 2009	0	0
		12 months ago	570,688	(570,688)

- The 1% drop in vacancy in the Northwest submarket from the end of the third quarter 2009 to the end of the fourth quarter 2009 was the largest decrease in vacancy of any Atlanta Industrial submarket.
- 629,100 SF of industrial space was delivered over the course of 2009, making the Northwest the submarket with the most industrial development activity.

ACTIVITY: Enforcer Products leased 120,000 SF at 574 Joe Frank Harris Parkway SE.

Aquafil USA leased 119,657 SF of space at 415 Industrial Park Road NE in Seaboard Industrial Park.

Applied Thermoplastic Resources leased 105,000 SF at 420 South Erwin Street.

KEY METRO ATLANTA SUBMARKETS

- Total vacancy in the I-20 East submarket has doubled from the first quarter of 2006 to the fourth quarter of 2009.
- Snapfinger/I-20 East had the second smallest amount of flex space vacancy of any Atlanta Industrial submarket at the end of 2009.

ACTIVITY: Plaid Enterprises, Inc. sold its 282,000 SF building at 2331 Mellon Court to AIC Ventures, LP.

DiversiTech leased 97,050 SF at 1665 Dogwood Drive in Conyers.

SNAPFINGER / I-20 EAST

CATEGORY	CURRENT QTR	PREVIOUS TIME PERIODS		CHANGE
Vacant SF	4,273,665	Mid-Year 2009	4,070,905	+ 4.98%
		12 months ago	3,761,993	+13.60%
SF Under Construction	0	Mid-Year 2009	0	0
		12 months ago	0	0
Leasing Activity	200,622	Mid-Year 2009	163,770	36,852
		12 months ago	128,714	71,908
Absorption Activity	(212,578)	Mid-Year 2009	(296,988)	84,410
		12 months ago	(107,637)	(104,941)
SF Delivered	0	Mid-Year 2009	0	0
		12 months ago	105,234	(105,234)

SOUTH ATLANTA

CATEGORY	CURRENT QTR	PREVIOUS TIME PERIODS		CHANGE
Vacant SF	20,416,537	Mid-Year 2009	19,830,973	+ 2.95%
		12 months ago	20,522,959	- 0.52%
SF Under Construction	0	Mid-Year 2009	42,000	(42,000)
		12 months ago	550,000	(550,000)
Leasing Activity	1,066,736	Mid-Year 2009	584,640	482,096
		12 months ago	139,290	927,446
Absorption Activity	(1,197,853)	Mid-Year 2009	741,831	(1,939,684)
		12 months ago	(1,099,526)	(98,327)
SF Delivered	0	Mid-Year 2009	0	0
		12 months ago	16,000	(16,000)

- The South Atlanta submarket had the lowest average quoted rental rate ($3.12/SF) of any Atlanta submarket at the end of the fourth quarter 2009- it was over $3.00 less than the North Central market, which ended 2009 with the highest average rental rate of $6.57/SF.
- This submarket had the least amount of vacancy increase of any submarket over the course of 2009.

ACTIVITY: US Government leased 406,989 SF of space at Airport Distribution Center II.

Deere & Company leased 402,000 SF at Westridge Distribution Center.

Viega leased 255,070 SF at Greenwood Industrial, Building 400.

PRODUCT TYPES

FLEX BUILDING (F): A type of building designed to be versatile, which may be used in combination with office (corporate headquarters), research and development, quasi-retail sales, and including but not limited to industrial, warehouse, and distribution uses.

SHALLOW-BAY DISTRIBUTION BUILDING (D): A type of building designed to be used for the distribution of materials or as a medium-sized light manufacturing facility. A typical shallow-bay distribution building will have 10% to 30% of its rentable area made up of office space, ceiling heights anywhere from 18 to 24 feet, bay depths of 120 to 190 feet, and could have both dock-high and drive-in loading doors.

BULK WAREHOUSE BUILDING (WH): A type of building designed to be used for bulk storage of materials, distribution, or heavy manufacturing. A typical bulk warehouse building will have a small amount of office space (typically less than 10%), ceiling heights of 24 feet and higher, bay depths of over 190 feet and have dock-high loading doors. Rail service and trailer parking may be offered as well.

LAVISTA ASSOCIATES, INC. REPRESENTATIVE INDUSTRIAL TRANSACTIONS

LEASE TRANSACTIONS:

- Representing the Landlord, Tom Cooksey brokered a 15-year new lease with Jered, LLC for a 66,735 SF single-tenant industrial building in Brunswick, Georgia.
- Art Murray brokered a deal on behalf of Airon Supply Company, Inc. who extended their 30,000 SF industrial lease at 3230 Airport Highway in Birmingham, Alabama.
- Representing the Tenant, Art Murray negotiated a new lease for Polycycle Solutions, LLC who will occupy 50,000 SF at 555 Walt Sanders Memorial Drive in Newnan.
- Will Grogan represented the Tenant, International Arts in the procurement of 15,705 SF of industrial showroom space at 5952 Peachtree Industrial Boulevard in Norcross.

SALES TRANSACTIONS:

- Scott Clayton represented the Seller in the disposition of the 6,600 SF industrial building at 4708 South Old Peachtree Road in Norcross.
- Jeff Cape and John Cape represented the Purchaser, Garden Extensions, LLC in the acquisition of an industrial facility at 3045 Jones Mill Road in Norcross.

Sources include: CoStar Industrial Report: Year End 2009 & Lavista Associates, Inc.

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