LAVISTA ASSOCIATES, INC.
Commercial and Industrial, Realtors®

INDUSTRIAL MARKET UPDATE

ATLANTA INDUSTRIAL MARKET :: MID-YEAR 2011

MARKET INDICATORS

INVENTORY	569,972,362 SF	
OVERALL VACANCY	14.0%	↓
NET ABSORPTION	1,483,070 SF	↑
UNDER CONSTRUCTION	713,756 SF	↑
DELIVERIES	1,150,000 SF	↑
LEASING ACTIVITY	3,361,488 SF	↑

Market Highlights

For the first time in several years, optimism takes stage when looking at the Metropolitan Atlanta Industrial Market. With almost 1.5 million square feet absorbed through mid-year, it appears we can expect a positive 2011. While several occupier giants such as Clorox and Unitex gave back space, leases with Electrolux (600,000 SF), CEVA Logistics (400,000 SF) and Czarnowski Display (570,000 SF) helped push momentum forward. Only 700,000 square feet of new product is under construction currently, the smallest amount in eight years. This statistic is very important to the general recovery of our industrial market.

We have made numerous references to the importance of users executing leases/contracts under 100,000 square feet in previous market reports. These transactions remain the backbone of our marketplace and all indications show this activity to increase into 2012. It appears small business activity and some job growth are returning, which represents the biggest component of overall market condition improvement.

The industrial investment sales arena is seeing increased activity with both single building and portfolio transactions occurring. Particular sales of note include 6100 Atlantic Boulevard (User Sale of $7,000,000.00), 600 Hartman Industrial Court (Investment Sale of $22,222,222.00), Young Industrial Portfolio (Investment Sale of $28,000,000.00) and 235 Hog Mountain Road (Investment Sale of $22,000,000.00). While industrial investors actively look to place money, users have become very active in acquiring industrial facilities because of distressed pricing. We project this trend to continue into the coming year.

METRO ATLANTA REPRESENTATIVE SALES ACTIVITY

INVESTMENT SALES

Young Industrial Portfolio	**726,394 SF**	**$38.55/SF**	**(D)**
Purchased by Meritex Enterprises, Inc. on 01/03/11			
235 Hog Mountain Road	**459,134SF**	**$47.42/SF**	**(WH)**
Purchased by LaSalle Investment Management on 02/04/11			
3710 Atlanta Industrial Boulevard	**443,800 SF**	**$28.65/SF**	**(WH)**
Purchased by Industrial Income Trust on 04/28/11			

OWNER/USER SALES

6100 Atlantic Boulevard	**196,900 SF**	**$35.55/SF**	**(D)**
Purchased by Hyundai Construction Company on 06/14/11			
3851 Lakefield Court	**60,000 SF**	**$45.00/SF**	**(D)**
Purchased by Amelia Bay Beverages on 04/28/11			
1700 Hurricane Shoals Road	**20,460 SF**	**$41.44/SF**	**(F)**
Purchased by Natmi Trucking on 04/14/11			

* *Figures reflected throughout this report for* **ABSORPTION** *and* **DELIVERIES** *are cumulative for mid-year and year end as appropriate.*

KEY METRO ATLANTA SUBMARKETS

NORTHEAST

CATEGORY	CURRENT QTR	PREVIOUS TIME PERIODS		CHANGE
VACANT SF	19,622,272	Year End 2010	20,208,553	-2.90%
		Mid-Year 2010	19,578,790	+2.22%
SF UNDER CONSTRUCTION	204,250	Year End 2010	0	204,250
		Mid-Year 2010	0	204,250
LEASING ACTIVITY	748,877	Year End 2010	1,024,559	(275,682)
		Mid-Year 2010	913,035	(164,158)
ABSORPTION	586,281	Year End 2010	(629,763)	1,216,044
		Mid-Year 2010	(1,479,831)	2,066,112
DELIVERIES	0	Year End 2010	0	0
		Mid-Year 2010	0	0

- Continuing a positive trend, Atlanta's largest industrial submarket reported Mid-Year's second largest absorption with 586,281 SF.
- Accordingly, this submarket's vacancy rate dropped from 13.5% to 13.1% over the past six (6) months.
- The submarket's Flex market is clearly underperforming versus the Distribution and Bulk product types, in large part due to competition from office projects.

ACTIVITY: CMD Services, Inc. executed a 67,000 SF lease at Shawnee Ridge; Innotrac Corporation expanded into 180,000 SF at Progress Distribution Center; and Aldi completed their relocation into 482,000 SF at 1597 Dry Pond Road.

NORTH CENTRAL

- This submarket saw little leasing activity for the first six (6) months of 2011 with just 67,375 SF of absorption.
- As found in other submarkets, North Central's Flex product continues to struggle with a 84,359 SF in negative absorption and 18.4% vacancy rate.
- Only 100,500 SF of new construction was reported with no deliveries since the end of 2008.

ACTIVITY: CSA America committed to 29,000 SF at 6215 Shiloh Crossing in Alpharetta; Excide Battery relocated to 8186 Industrial Place, taking 19,000 SF; and Algae Energy leased just over 18,000 SF at 2460 Industrial Park Boulevard.

CATEGORY	CURRENT QTR	PREVIOUS TIME PERIODS		CHANGE
VACANT SF	3,026,860	Year End 2010	3,094,235	-2.18%
		Mid-Year 2010	3,320,894	-8.85%
SF UNDER CONSTRUCTION	100,500	Year End 2010	0	100,500
		Mid-Year 2010	0	100,500
LEASING ACTIVITY	118,756	Year End 2010	267,643	(148,887)
		Mid-Year 2010	168,268	(49,512)
ABSORPTION	67,375	Year End 2010	226,659	(159,284)
		Mid-Year 2010	12,778	54,597
DELIVERIES	0	Year End 2010	0	0
		Mid-Year 2010	0	0

NORTHWEST

CATEGORY	CURRENT QTR	PREVIOUS TIME PERIODS		CHANGE
VACANT SF	8,857,866	Year End 2010	8,896,234	-0.43%
		Mid-Year 2010	9,017,254	-1.77%
SF UNDER CONSTRUCTION	0	Year End 2010	0	0
		Mid-Year 2010	18,750	(18,750)
LEASING ACTIVITY	237,844	Year End 2010	224,398	13,446
		Mid-Year 2010	646,758	(408,914)
ABSORPTION	38,368	Year End 2010	139,770	(101,402)
		Mid-Year 2010	(227,108)	265,476
DELIVERIES	0	Year End 2010	18,750	(18,750)
		Mid-Year 2010	0	0

- Leasing activity in this submarket has dropped significantly with just 38,368 SF of absorption through Mid-Year.
- The vacancy rate has remained unchanged at 15.3% for the past three (3) quarters, one of Atlanta's highest.
- The submarket's Flex and Distribution product has recently outperformed the Bulk projects.

ACTIVITY: Godfrey Hirst USA has relocated into 101,000 SF at 7629 Highway 140 in Adairsville; Chrysler Corporation committed to 18,000 SF at Chastain Meadows 400; and joining them will be Hyundai who has occupied 30,000 SF in the same building.

KEY METRO ATLANTA SUBMARKETS

SNAPFINGER / I-20 EAST

CATEGORY	CURRENT QTR	PREVIOUS TIME PERIODS		CHANGE
Vacant SF	5,297,991	Year End 2010	5,148,724	+2.90%
		Mid-Year 2010	4,534,333	+16.84%
SF Under Construction	0	Year End 2010	0	0
		Mid-Year 2010	0	0
Leasing Activity	109,961	Year End 2010	48,153	61,808
		Mid-Year 2010	34,100	75,861
Absorption	(149,267)	Year End 2010	(614,391)	465,124
		Mid-Year 2010	1,288,187	(1,437,454)
Deliveries	0	Year End 2010	0	0
		Mid-Year 2010	1,508,765	(1,508,765)

- The disturbing trends continue for this submarket which recorded negative absorption for twelve (12) of the past fourteen (14) quarters.
- The vacancy rate increased to 12.7% at Mid-Year.
- Leasing activity has been slow, but recent transactions may signal improvements in the near future.

ACTIVITY: Corrugated Supplies Company executed a 444,000 SF lease at Rockdale Logistics Center; Noss Company committed to 10,000 SF at 1044 Culpepper Drive; and Atlanta Electrical Distributors relocated into 24,000 SF at 700 Sigman Road.

SOUTH ATLANTA

CATEGORY	CURRENT QTR	PREVIOUS TIME PERIODS		CHANGE
Vacant SF	21,979,851	Year End 2010	22,614,995	-2.81%
		Mid-Year 2010	21,680,520	+1.38%
SF Under Construction	409,006	Year End 2010	1,559,006	(1,150,000)
		Mid-Year 2010	2,539,006	(2,130,000)
Leasing Activity	902,703	Year End 2010	671,103	231,600
		Mid-Year 2010	449,520	453,183
Absorption	1,785,144	Year End 2010	45,525	1,739,619
		Mid-Year 2010	(920,457)	2,705,601
Deliveries	1,150,000	Year End 2010	980,000	170,000
		Mid-Year 2010	200,000	950,000

- Atlanta's second largest industrial submarket absorbed an impressive 1,785,144 SF during the past two (2) quarters.
- The regions undisputed "big box" leader recorded over 2,000,000 SF of net absorption in the Bulk area.
- Submarket improvement benefits from little new product construction.

ACTIVITY: DriveMedical executed a 455,000 SF lease at 4131 South Meadow Parkway; Electrolux committed to 600,000 SF at 7780 Spence Road; and Visual Pak will relocate to 4005 Haworth Drive, occupying 100,000 SF.

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.

* *Figures reflected throughout this report for* **ABSORPTION** *and* **DELIVERIES** *are cumulative for mid-year and year end as appropriate.*

LAVISTA ASSOCIATES, INC. REPRESENTATIVE INDUSTRIAL TRANSACTIONS

LEASE TRANSACTIONS:

- **Art Murray** represented Airon Supply, Inc. in leasing 22,800 SF with Butler Properties, LLC in Huntsville.
- US Kids Golf, LLC, represented by **Don Perry**, renewed their 50,480 SF lease at Northwoods Business Park in Norcross with High Street Equity.
- **Bobby Mayson** represented the Landlord, Ashley Capital, in leasing 444,000 SF at Rockdale Logistics Center in Conyers to Corrugated Supplies Company.
- Representing the Tenant, HMF Express, LLC, **Will Grogan** negotiated a 15,000 SF lease at 4410 Bankers Industrial Drive in Atlanta.

SALES TRANSACTIONS:

- **Scott Clayton**, representing Lummus Supply Company, sold a 20,000 SF industrial facility at 811 Atlanta Road in Cumming.
- **Will Grogan** brokered the sale of a 16,800 SF industrial building at 1350 Capital Circle in Lawrenceville.
- Representing IMAAC Properties, LP, **Art Murray** closed the sale of a 83,204 SF industrial facility in Pendergrass.
- **David Pope** represented State Bank & Trust Company in the sale of two free-standing flex buildings at 2330 & 2378 Sammy Circle in Loganville.

Sources include: CoStar Industrial Report: Mid-Year 2011 & Lavista Associates, Inc.

Lavista Associates, Inc.
3105 Northwoods Place
Norcross, Georgia 30071
770.448.6400
www.lavista.com

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