



Atlanta Industrial: Remarkable Start in 2007

By Charles B. King, Jr.

The Atlanta industrial market has shown no signs of slowing down so far in 2007. After an impressive fourth quarter 2006, it seemed that leasing activity may have peaked, but instead Atlanta continued to raise the bar in the first quarter by recording a remarkable 14.74 million square feet of activity.

This extraordinary achievement was the result of 835 deals averaging 17,635 square feet per transaction. This activity, offset by moderate tenant turnover, enabled Atlanta to record 3.78 million square feet of positive net absorption. A major source behind this robust growth in activity was a surge in build-to-suit (BTS) construction. In the first quarter, the Atlanta industrial market inked 15 BTS deals totaling a whopping 1.2 million square feet. Two BTS deals of note are Google's 500,000 square feet at Riverside Parkway in Lithia Springs and Southwire's 399,500 square feet at Trade Center Court in Villa Rica.

Other significant leases that contributed to this absorption include APL Logistics (330,900 square feet) on Douglas Hills Road in Lithia Springs; Shippers Warehouse (306,252 square feet) on South Main Street in Jonesboro; and Service First Logistics (215,800 square feet) on Fulton Industrial Boulevard in Atlanta.

Furthermore, despite breaking ground

on 1.09 million square feet of new spec construction in the first quarter, the Atlanta industrial market was able to shave 8 tenths of a percent off its availability rate, dropping it to 16.2 percent — its lowest point in more than 5 years.

After an impressive fourth quarter 2006, it seemed that leasing activity may have peaked, but instead Atlanta continued to raise the bar in the first quarter by recording a remarkable 14.74 million square feet of activity.

Notably, the majority of this growth took place along the I-20 west corridor rather than in traditional submarkets such as I-85 north corridor, the Airport and Fulton Industrial. In the first quarter, this region accounted for 1.8 million square feet of positive net absorption and accounted for more than 60 percent of the aggregate new construction in metro Atlanta during this time frame. With land becoming more scarce in the metro Atlanta area, the I-20 west corridor offers the closest available land to downtown Atlanta. Douglas County also offers very aggressive tax

incentive programs for new construction. This submarket is currently sitting on a total of 2.8 million square feet of available first generation spaces of 50,000 square feet and above. Numerous developers are responsible for this abundance of space, including First Industrial, Seefried Properties, IDI, Carter and Associates, and Opus South. The job market in the section of the metro area is strong as well, even drawing from across the Alabama border.

In the first quarter, 29 percent of the space leased in Atlanta was to users under 20,000 square feet and 36 percent was leased to users over 100,000 square feet. This expansion at both extremes illustrates the diversity and strength of the Atlanta industrial market and is indicative of balanced growth.

Meanwhile, this mix of big box deals merged with rapid growth among small entrepreneurial users demonstrates what the Atlanta industrial market is capable of when it is firing on all cylinders and bodes well for the future. This universal demand should continue to spark leasing activity and should enable Atlanta to extend its streak of 15 consecutive quarters of positive net absorption for many quarters to come.

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ATLANTA INDUSTRIAL — TOTAL MARKET FIRST QUARTER 2007

	Total Inventory	Net Absorption	Total Available	% Available	Total Activity	# of Deals	Avg SF Per Deal
Distribution	489,130,743	3,775,260	79,000,614	16.2%	14,740,047	835	17,653
Service Center	19,954,626	264,924	4,453,970	22.3%	943,909	172	5,488

Source: King Realty, Inc.