Industrial Market Trends Atlanta

Grubb & Ellis Research

Fourth Quarter 2007

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Property Solutions Worldwide

Solid Activity With Increased Need For Strategic Distribution Locations

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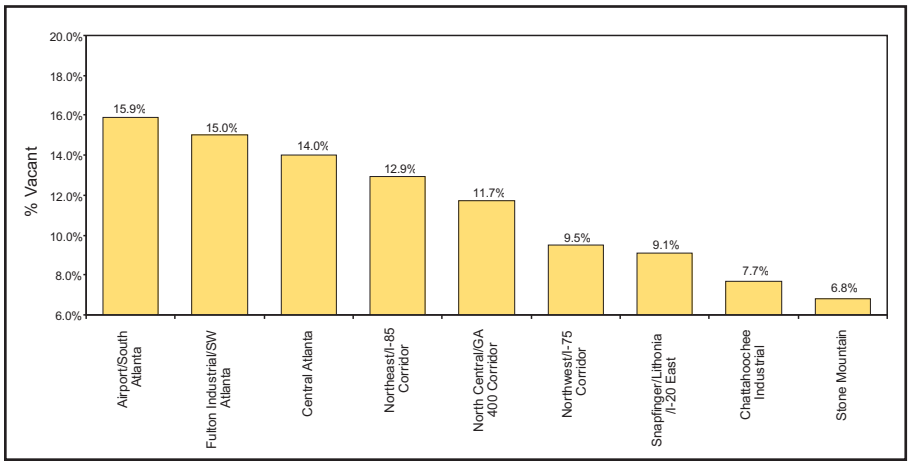
Executive Summary

The Atlanta industrial market remains steady due to increased distribution requirements. With rising fuel costs, companies are forming strategic alliances and establishing additional distribution points and regional locations to offset the sharp increases in transportation and shipping expenditures. The housing crunch has impacted the overall industrial market as related industries have tucked in their horns and are expected to hold off on growth through mid-2009.

Development Highlights

Offshore production and importing of consumer products have not declined and local distribution warehouses remain full as trade between Asia and the East Coast grows at an explosive rate. The increasing need for large distribution facilities is driving developers to build-to-suit from South Atlanta down to Savannah. As a port of entry, Savannah is a key economic location for Atlanta and in coming years an additional port will be developed on the Georgia-South Carolina border.



Vacancy Rate by Submarket*

** All Product Types*

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One of the largest planned build-to-suit industrial projects in Atlanta recently broke ground - the new Whirlpool 1.5-million-square-foot distribution center in Henry County. With a $70 million estimated cost of land and buildings, the complex will consist of two 750,000 square-foot warehouses built on 87 acres. Panattoni Development, along with Majestic Realty have landed the contract to build the facility for Whirlpool, among several other locations in the U.S. They estimate facility completion by second quarter 2009. Fourth quarter's other significant development news is the Forest Park/Fort Gillem Local Redevelopment Authority's plan for a 1,200 mixed-use redevelopment project to include 8.2 million square-feet of warehouse/distribution and light manufacturing space. As part of the U.S. Defense Department's plan to realign and close military bases, the Fort Gillem project was awarded to the team of Atlanta-based Cousins Properties, Incorporated (NYSE: CUZ), LNR Property Corporation's Commercial Property Group and The Benham Companies.

Leasing Activity

A steady stream of lease deals finalized 2007 with most notable activity in South Atlanta and the Northeast/I-85 corridor. The Airport/South Atlanta submarket was still the leader in deals signed as Kimberly-Clark leased 1.6 million square feet at Southport Logistics Center. At Majestic Airport Center, American Building Supply leased 330,000 square feet and Network Global Logistics leased 205,000 square feet. Preferred Freezer Services leased 200,000 square feet at 518 Forest Parkway. In the Northeast/I-85 submarket, Embarq Logistics leased 400,000 square feet at Shawnee Ridge; Biz Chair leased 327,734 square feet at Oakcliff 85; Mizuno USA leased 301,320 square feet at Hamilton Mill Business Center; and Flow-Right leased 94,814 square feet at 4205 Newpoint Parkway. In the I-20 East Submarket, Chemtura Corporation leased 100,000 square feet at 1715 Dogwood Drive and 100,800 square feet was leased at Stone Mountain Industrial Park. In the I-20 West/Fulton Industrial submarket, Southwire leased 212,940 square feet at Villa Rica Industrial Park; Clean Cut Fabricators leased 81,714 square feet at Westpark; Customized Distribution, LLC leased 107,320 square feet at 605 Selig Drive; and Dade Paper Company leased 119,786 square feet at Hartman Business Center.

Sales

Fourth quarter remained a buyer's market with sales activity relatively robust for user and investment purchases.

Northeast/I-85 Corridor

WP Carey bought the 255,000-square-foot warehouse at 2900 Rolling Pin Lane for $23,650,000 (approximately $93 per square foot) from Schwan's Food Company.

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1770 Satellite, LLC bought the 498,000-square-foot distribution building at Buford Distribution Center for $19,820,423 (approximately $40 per square foot) from DCT Buford 100, LLC.

Airport/South Atlanta

US Industrial REIT II bought the 1,298,700-square-foot warehouse at Southport Logistics Center for $22,525,000 (approximately $17 per square foot) from Greenwood Industrial Park, Inc.

Weingarten Nostat, Inc. bought a 234,000-square-foot distribution building at SouthPark for $9,250,000 (approximately $40 per square foot) from McDonald Southpark Associates I, LLC.

A local investor bought the 269,000-square-foot manufacturing building at 611 Highway 74 for $6 million (approximately $22 per square foot) from TDK Electronics Corp.

Central Atlanta

Cabot Properties, Inc. bought three flex buildings, totaling 170,000 square-feet, at Perimeter West for $8.5 million (approximately $50 per square foot) from Oakmont Perimeter West, LLC.

Chattahoochee Industrial

Franco Defoor Properties bought a 67,182 square-foot warehouse assemblage at 824 and 842 Memorial Drive for $6,190,000 (approximately $92 per square foot) from Habif Properties.

Fulton Industrial

Weingarten Nostat, Inc. bought the154,464-square-foot warehouse at 125 Westlake Parkway for $7.6 million (approximately $49 per square foot) from McDonald Development Company.

Forecast

Construction, manufacturing and supply companies have expansion and growth plans on hold as they feel the sting from the housing and mortgage industry conditions. Warehouse/Distribution leasing activity and vacancy remain steady and no decline is expected as big-box retailers continue to look to Atlanta as their Southeast logistics hub. Landlords are still quite flexible with lease rates, free rent, tenant improvement allowances and concessions, providing competitive options for tenants seeking growth and expansion. Liberal lease terms are expected to continue through mid-2008 but are not expected to last long-term as new construction slows down and vacancy tightens.

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Industrial Market Snapshot Atlanta Fourth Quarter 2007

By Submarket (All Property Types)	Total (1) SF	Vacant (2) SF	Vacant %	Net Absorption Current Qtr	Under Const. (3) SF	Asking Rent (4) WH/Dist	Asking Rent (4) R&D/Flex
Airport/South Atlanta	87,436,598	13,904,370	15.9%	1,275,718	1,155,824	$2.90	$5.78
Central Atlanta	13,787,132	1,930,231	14.0%	51,137	-	$3.43	$8.95
Chattahoochee Industrial	20,469,160	1,582,800	7.7%	247,919	-	$5.66	$6.26
Fulton Industrial/SW Atlanta	82,138,757	12,349,438	15.0%	(513,938)	946,500	$3.05	$4.57
North Central/GA 400 Corridor	17,077,053	2,001,034	11.7%	65,266	23,500	$6.94	$8.51
Northeast/I-85 Corridor	130,995,322	16,845,474	12.9%	(199,060)	907,531	$4.29	$7.80
Northwest/I-75 Corridor	40,504,065	3,852,524	9.5%	139,713	658,980	$5.00	$9.45
Snapfinger/Lithonia/I-20 East	23,083,814	2,111,290	9.1%	67,750	150,000	$4.00	$5.09
Stone Mountain	23,459,475	1,599,220	6.8%	(78,016)	-	$4.45	$6.90
Suburban Total	**438,951,376**	**56,176,381**	**12.8%**	**1,056,489**	**3,842,335**	**$3.62**	**$7.59**
Totals	**438,951,376**	**56,176,381**	**12.8%**	**1,056,489**	**3,842,335**	**$3.62**	**$7.59**

By Property Type (All Submarkets)						Asking Rent
R&D/Flex	53,130,450	7,928,224	14.9%	273,429	24,000	$7.59
Warehouse/Distribution	385,820,926	48,248,157	12.5%	783,060	3,818,335	$3.62
Totals	**438,951,376**	**56,176,381**	**12.8%**	**1,056,489**	**3,842,335**	**$4.26**

(1) Inventory includes multi-tenant, single-tenant and owner-occupied buildings with at least 10,000 sq. ft.

(2) Vacant space includes both vacant direct and vacant sublease space.

(3) Space under construction includes speculative and build-to-suit for lease projects and owner-built projects.

(4) Asking rates are per square foot per year, triple net. Rates for each building are weighted by the amount of available space within the building.

***Grubb & Ellis statistics are audited annually and may result in revisions to previously reported quarterly and final year-end figures*

Industrial Market Terms and Definitions

Inventory: Industrial Inventory includes all multi-tenant, single tenant and owner-occupied buildings at least 10,000 square feet.
Construction Type: Speculative ("spec") construction is designed to attract tenants likely to be in the market when the project is leasing. Build-to-suit construction is designed for a specific tenant.

Industrial Product Types: Industrial buildings are categorized as warehouse/distribution, general industrial, R&D/flex and incubator based on their physical characteristics including percent office build-out, clear height, typical bay depth, typical suite size, type of loading and typical uses.

Vacancy and Availability: The vacancy rate is the amount of physically vacant space divided by the inventory. The availability rate is the amount of space available for lease divided by the inventory.

Asking Rent: The dollar amount asked by landlords for available space expressed in dollars per square foot per year in most parts of the country and dollars per square foot per month in areas of California and selected other markets. Industrial rents are expressed as triple net where all costs including, but not limited to, real estate taxes, insurance and common area maintenance are borne by the tenant on a pro rata basis.

Average Weighted Asking Rent: An average market rent where the asking rent for each building in the market is weighted by the amount of available space in the building.

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