

SOUTHPORT Newsletter 4th Quarter 2011



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With the gradual return of economic growth, including higher levels of manufacturing and consumer spending, the vacancy rate for U.S. warehouses continued to decline at the end of 2011 as the property sector was buoyed by its strongest quarter for net absorption since late 2008.

Also, as economic headwinds subside, the commercial real estate lending business for U.S. banks has hit an inflection point. For the first time in five years, a majority of banks are finally talking about their ability to grow their loan portfolios.

INDUSTRIAL MARKET SECTOR

The **U.S. Industrial Market** ended the fourth quarter 2011 with a vacancy rate of 9.5%. The vacancy rate was down over the previous quarter, with net absorption totaling positive 44,110,591 square feet in the fourth quarter.

The Industrial vacancy rate in the **Atlanta Market** area decreased to 12.9% at the end of the fourth quarter 2011. The vacancy rate was 13.3% at the end of the third quarter 2011, 13.9% at the end of the second quarter 2011, and 13.9% at the end of the first quarter 2011.

Net absorption for the overall **Atlanta Industrial Market** was positive 2,654,603 square feet in the fourth quarter 2011. That compares to positive 3,761,610 square feet in the third quarter 2011, positive 133,791 square feet in the second quarter 2011, and positive 2,305,880 square feet in the first quarter 2011.

Average Rental rates ended the fourth quarter at \$3.86, in increase over the previous quarter. A total of two buildings delivered to the market in the quarter totaling 114,769 square feet, with 77,126 square feet still under construction at the end of the quarter.

Atlanta Industrial sales figures rose during the third quarter 2011 in terms of dollar volume compared to the second quarter of 2011.

In the third quarter, 53 industrial transactions closed with a total volume of \$232,767,078. The 53 buildings totaled 6,023,877 square feet and the average price per square foot equated to \$38.64 per square foot.

OFFICE MARKET SECTOR

The office vacancy rate in the **Atlanta Market** area decreased to 16.7% at the end of the fourth quarter

2011. The decrease was primarily due to the removal of Ponce City Market (in Midtown) from the office inventory at the start of the conversion of the property. The vacancy rate was 17.5% at the end of the third quarter 2011, 17.6% at the end of the second quarter 2011, and 17.6% at the end of the first quarter 2011.

Net absorption for the overall **Atlanta Office Market** was positive 619,887 square feet in the fourth quarter 2011. That compares to positive 416,136 square feet in the third quarter 2011, negative (36,712) square feet in the second quarter 2011, and negative (262,216) square feet in the first quarter 2011.

Average Rental rates ended the fourth quarter at \$18.67, an increase over the previous quarter.

Atlanta Office sales figures fell during the third quarter 2011 in terms of dollar volume compared to the second quarter of 2011. In the third quarter, 23 office transactions closed with a total volume of \$267,117,638. The 23 buildings totaled 4,435,482 square feet and the average price per square foot equated to \$60.22 per square foot.

RETAIL MARKET SECTOR

Atlanta's Retail vacancy rate decreased in the fourth quarter 2011, ended the quarter at 10.1%. Over the past four quarters, the market has seen an overall increase in the vacancy rate, with the rate going from 9.8% in the first quarter 2011, to 10.1% at the end of the second quarter 2011, 10.2% at the end of the third quarter 2011, to 10.1% in the current quarter.

Retail net absorption was moderate in **Atlanta** fourth quarter 2011, with positive 763,450 square feet absorbed in the quarter. In third quarter 2011, net absorption was negative (353,320) square feet, while in second quarter 2011, absorption came in at negative (654,716) square feet. In first quarter 2011, positive 717,799 square feet was absorbed in the market.

Quoted rental rates decreased from third quarter 2011 levels, ending at \$13.23 per square foot per year.

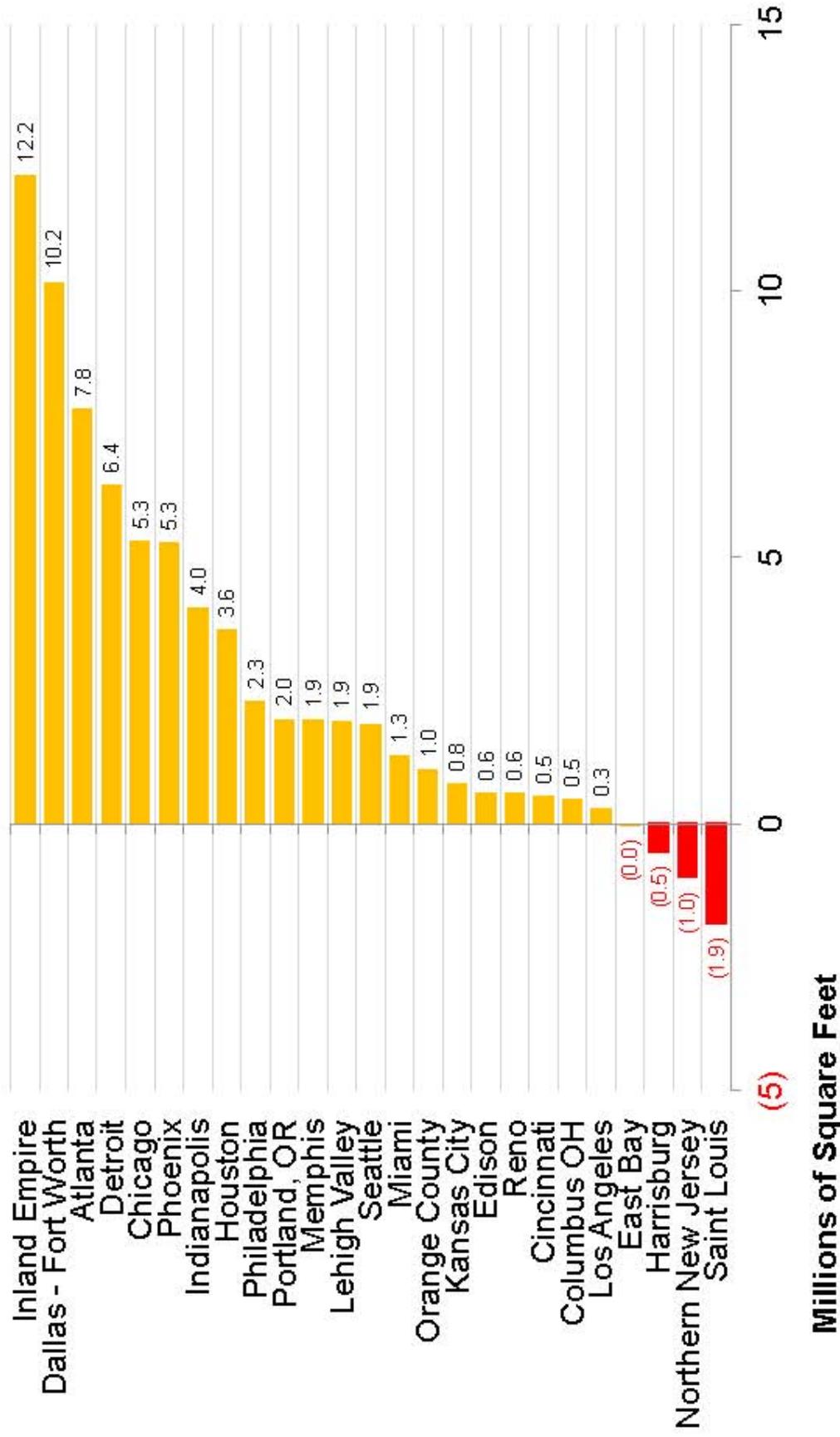
In the third quarter, 45 retail transactions closed with a total volume of \$295,563,135. The 45 buildings totaled 3,545,031 square feet and the average price per square foot equated to \$83.37 per square foot.

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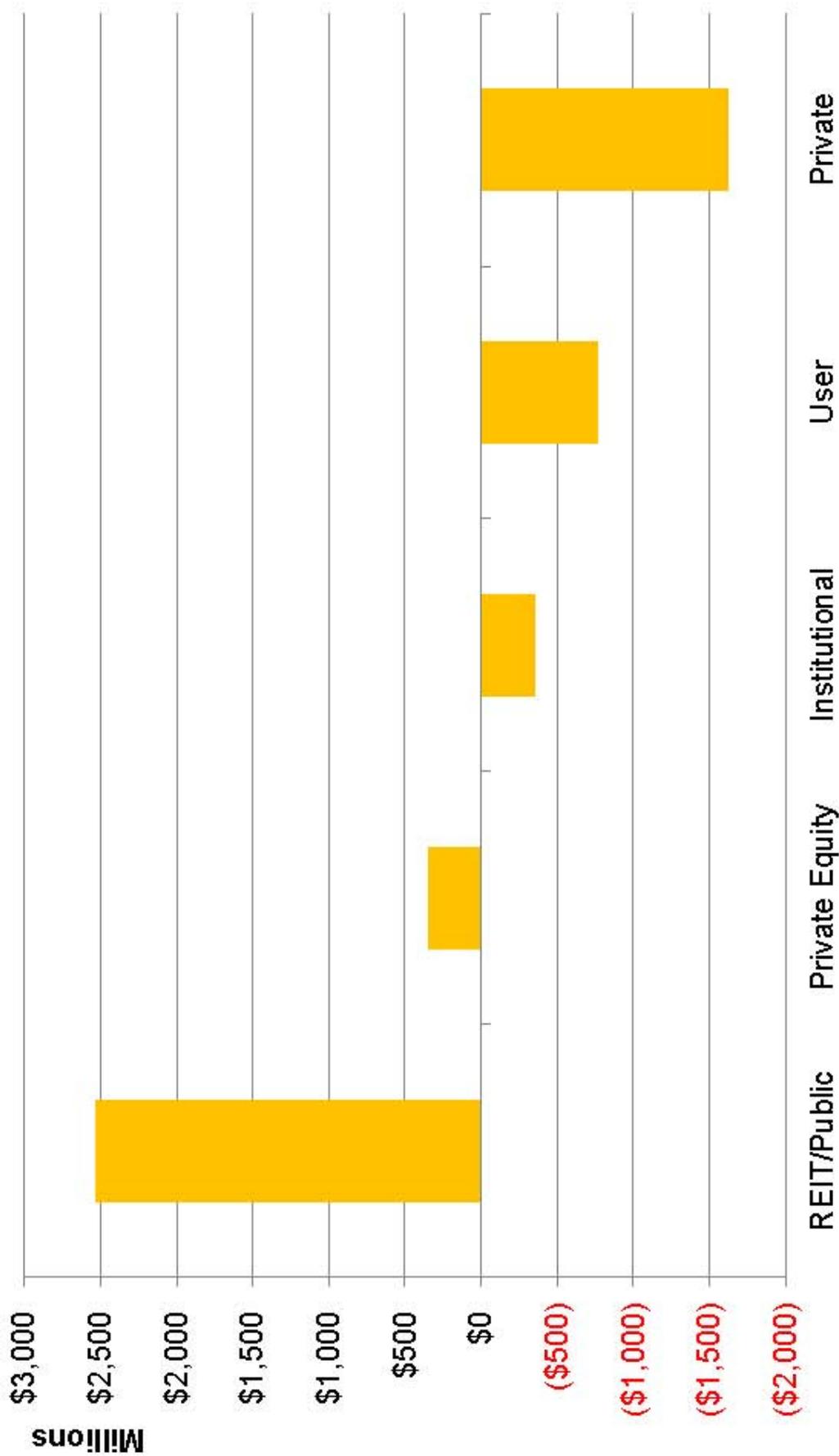
Source: CoStar Property

Charlie Hood

2011 Net Absorption



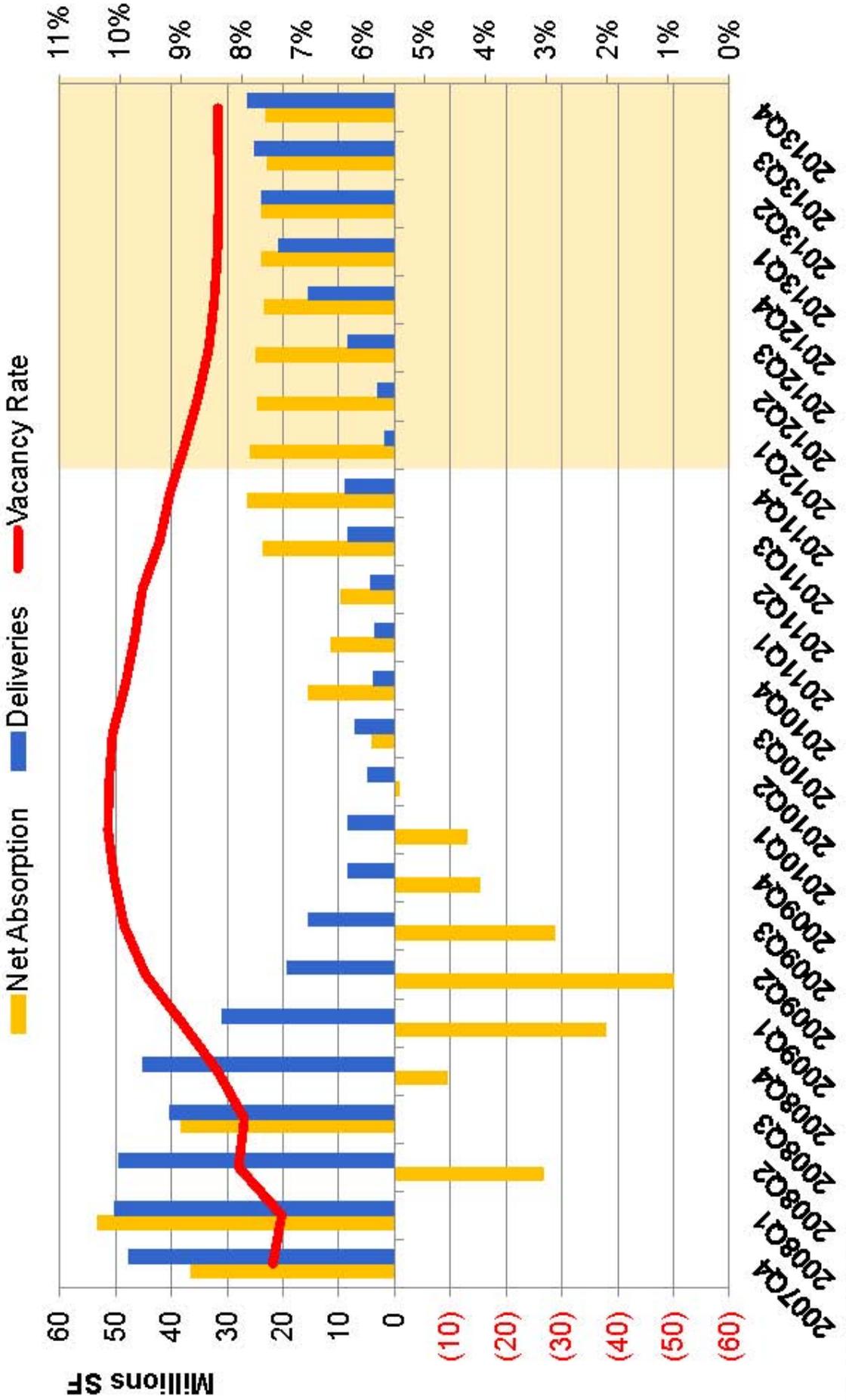
2011 Net Industrial Buying



Source: CoStar Group, Inc.



Vacancy Forecast



Source: CoStar Group



YTD Sales Volume in Major Markets

