

ATLANTA INDUSTRIAL MARKET

FIRST QUARTER 2016

Vacancy up slightly as market absorbs new product

Strong demand brings 11% year-over-year rent growth

ECONOMY

Job growth continues at a moderate pace

Atlanta enjoyed robust economic growth in 2015, and another healthy performance is projected for 2016 by most economists. Dr. Rajeev Dhawan of Georgia State University's Economic Forecasting Center predicted in February that Atlanta will continue to see moderate job growth through 2018. Dhawan said that in spite of global headwinds the domestic economy remains healthy, with local job growth seen in sectors like trade, hospitality, education, and healthcare. Manufacturing growth slowed in 2015, as the strong dollar put upward pressure on international purchases. Still, unlike other parts of the country, lower oil prices are proving to be an advantage for metro Atlanta.

Moody's Analytics forecasts job gains in metro Atlanta to outpace the nationwide average over the next several years due to the city's strong demographics, low cost of doing business, and diverse range of industries.

VACANCY

Vacancy up slightly from Q4's record low

After peaking above 15% in 2010, Atlanta's industrial market experienced a steady decline in vacancy. As of Q1 2016, Atlanta's industrial vacancy rate is 7.7%, up slightly from Q4's 7.5% - which was the lowest level since 2000. Vacancy is lowest in the Chattahoochee, Snapfinger, and Northwest submarkets, but every submarket reports vacancy below 10%.

ABSORPTION

Healthy demand continues into 2016

Atlanta's industrial market absorbed more than 21 million SF in 2014, the highest level of annual absorption on record, followed by another 13.4 million SF in 2015. Absorption in Q1 2016 was nearly 3.9 million SF, the strongest single-quarter performance in a year. This indicates another very healthy year for industrial demand in Atlanta. Among Atlanta's submarkets, the South Atlanta and Northeast submarkets saw the strongest quarterly demand.

FORECAST

Rent growth will continue, as will construction

As demand has increased, Atlanta's industrial market has experienced a steep rise in asking rents, rising to an average of \$3.75 PSF in Q1, the highest in 15 years. New development is also present in most submarkets, particularly in South Atlanta and the Northeast. About 32% of new space under construction is pre-leased, reflecting confidence that demand will remain strong. Throughout the year, we expect to see vacancy to decline gradually as the market absorbs substantial levels of new product.

QUARTERLY SNAPSHOT

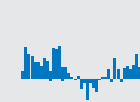
VACANCY



7.7%

Up slightly from Q4, which was a 15-year low

ABSORPTION



3.9 Million SF

Up from Q4, continuing a pattern of strong demand

RENTAL RATE



\$3.75 PSF

Rents are up 11% year-over-year

UNDER CONSTRUCTION



14.9 Million SF

Spec construction remains strong

AVERAGE SALE PRICE



\$47 PSF

Up slightly from last quarter

JOB GROWTH



3.0%

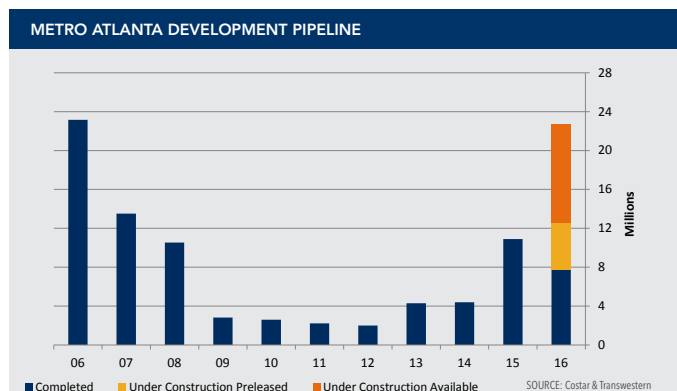
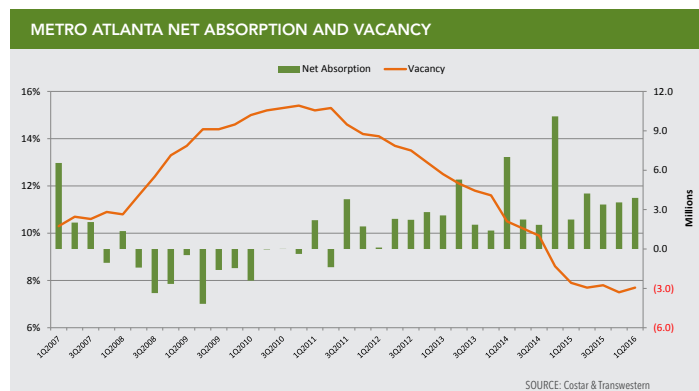
Projected Atlanta MSA job growth in 2016

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FIRST QUARTER 2016

Metro Atlanta Industrial Market Indicators

SUBMARKET	INVENTORY	DIRECT VACANT	SUBLEASE SF	TOTAL SF VACANCY	OVERALL VACANCY	CURRENT NET ABSORPTION	UNDER CONSTRUCTION	RENTAL RATE PSF
Central Atlanta	12,707,084	1,165,728	0	1,165,728	9.2%	-39,484		\$5.21
Chattahoochee	17,839,188	598,745	22,000	620,745	3.5%	-97,316		\$4.83
I-20 West / Douglasville	45,539,812	3,688,049	32,394	3,720,443	8.2%	368,607	1,520,686	\$3.50
I-20 West / Fulton Industrial	49,969,977	3,349,643	35,284	3,384,927	6.8%	164,259	1,042,000	\$3.55
North Central Atlanta	21,112,392	1,295,435	81,704	1,377,139	6.5%	139,179	163,120	\$5.52
Northeast Atlanta	169,914,618	11,763,993	377,508	12,141,501	7.1%	104,353	3,992,001	\$4.04
Northwest Atlanta	63,076,651	4,208,885	154,420	4,363,305	6.9%	1,149,995	1,563,162	\$4.34
Snapfinger / I-20 East	44,158,301	2,309,675	75,000	2,384,675	5.4%	220,650	1,000,000	\$3.55
South Atlanta	161,148,546	14,498,264	1,451,942	15,950,206	9.9%	1,888,223	5,609,544	\$3.28
Stone Mountain	23,875,304	1,859,120	23,280	1,882,400	7.9%	-11,065		\$3.40
Totals	609,341,873	44,737,537	2,253,532	46,991,069	7.7%	3,887,401	14,890,513	\$3.75



Transaction Highlights

Notable Industrial Lease Deals

Completed between 1/1/2016 and 3/31/16

TENANT	PROPERTY NAME	LEASE (SF)	COMMENTS
Williams-Sonoma	Braselton Commerce Center	1,074,596	New lease
Distribution Cooperative	1131-1325 Highway 155	402,304	New lease
Global Transportation Services	Southfield Logistics Center	373,900	Renewal

Notable Industrial Building Sales

Completed between 1/1/2016 and 3/31/16

PROPERTY NAME	RBA	PRICE	PRICE PSF	COMMENTS
Fairburn Logistics Center	1,129,750	\$77.2 million	\$68	Fully occupied by Google; Acquired by Deutsche Bank AG
Oakbrook North	709,695 (11 buildings)	\$36.7 million	\$52	74% occupied; Acquired by Rothenberg Rosenfield
6500 Tradewater Parkway	454,300	\$32.6 million	\$72	User sale; Acquired by AmeriCold

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METHODOLOGY

The information in this report is the result of a compilation of information on industrial properties located in the Atlanta metropolitan area. This reports includes single-tenant, multi-tenant and owner-user industrial properties 10,000 SF and larger, excluding those properties owned and occupied by a government agency.



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