

ATLANTA INDUSTRIAL MARKET

FIRST QUARTER 2017

Construction rises to meet record-high demand

Asking rents hit new 15-year peak

ECONOMY

Slower job growth in 2017, but Atlanta will still outperform the nation

Atlanta enjoyed a healthy economy in 2016 and most economists project that Atlanta will continue to outperform the nation in 2017, even with a slight slowdown in growth. A variety of development projects (apartments, office buildings, stadiums, warehouses, etc.) has kept construction jobs and equipment in demand in recent years, but many of these will be completed in 2017, with few large projects likely to begin right away.

Moody's Analytics predicts that the Atlanta MSA will continue to outpace the national economy in 2017 with a 3.7% rise in gross metro product. Moody's forecasts that over the long term, "strengthening demographics, including a large and resourceful workforce pool, combined with a friendly tax policy, will attract new businesses and residents."

VACANCY

Declining vacancy reflects strong demand

As of Q1 2017, Atlanta's industrial vacancy rate is 7.5%, down from the previous quarter and among the lowest rates seen in the Atlanta market. This is particularly impressive given that the market saw 3.9 million SF of new deliveries in Q1, with only about 30% of that space leased at quarter's end. Still, demand is strong for quality product and much of that space is likely to be leased soon. Vacancy is lowest in submarkets where construction has been limited, but nearly every submarket reports vacancy at or below 8%.

ABSORPTION

Atlanta begins 2017 on track for a record year

Atlanta's industrial market absorbed more than 15.6 million SF in 2016, above the previous year's level. In Q1 2017 Atlanta absorbed another 5.6 million SF, putting the market on a path to outperform the previous year's demand. In fact, this is the highest level of single-quarter absorption seen here since 2014. South Atlanta saw the strongest demand in Q1, but I-20 West also saw unusually high absorption.

FORECAST

Rising rents, strong construction activity

Strong demand and construction activity have pushed asking rents upward, and Q1's average of \$3.87 PSF is the highest reported here in 15 years. New development is on pace to exceed 2016's level, which was the highest seen in the past decade. With the bulk of construction in South Atlanta and the Northeast, demand will have to remain strong to keep vacancy low. Still, about 39% of all space under construction is already pre-leased, reflecting confidence that Atlanta's historic run of demand will continue throughout the year. We expect to see declining vacancy and rising rents during 2017 as the market delivers and then absorbs substantial levels of new product.

QUARTERLY SNAPSHOT

VACANCY

**7.5%**

Down from Q4 due to high demand

ABSORPTION

**5.6 Million SF**

Strongest quarterly demand in more than two years

RENTAL RATE

**\$3.87 PSF**

Rents continue rising in nearly every submarket

UNDER CONSTRUCTION

**18.9 Million SF**

On track to exceed 2016's cycle-high level

AVERAGE SALE PRICE

**\$56 PSF**

Up 2% from previous quarter

JOB GROWTH

**3.6%**

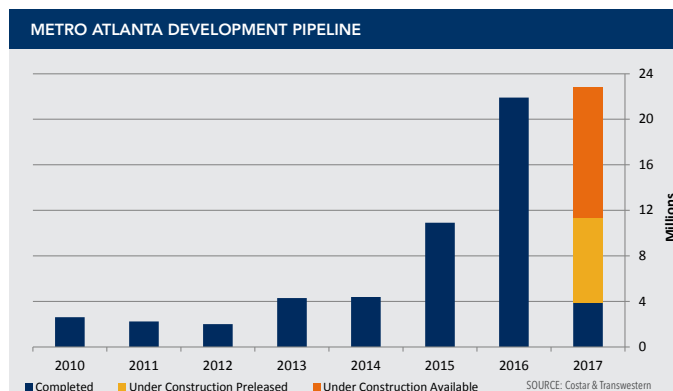
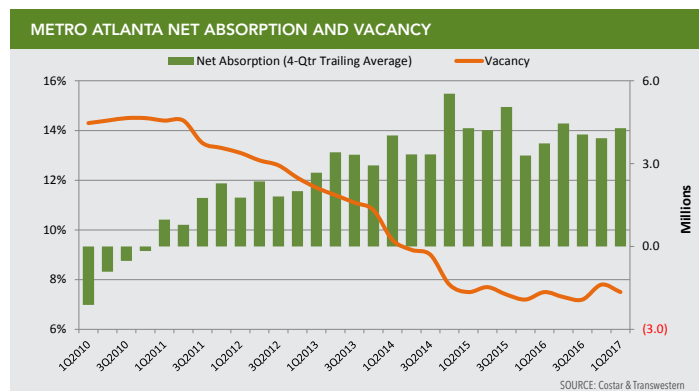
Projected for 2017

ATLANTA INDUSTRIAL MARKET

FIRST QUARTER 2017

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	12,341,031	914,432	0	914,432	7.4%	58,880		\$7.75
Chattahoochee	17,472,470	798,916	22,000	820,916	4.7%	198,301		\$5.88
I-20 West / Douglasville	47,537,995	3,498,944	49,634	3,548,578	7.5%	1,547,489	1,412,875	\$3.50
I-20 West / Fulton Industrial	48,902,967	1,915,184	28,167	1,943,351	4.0%	133,745		\$3.78
North Central Atlanta	21,657,938	1,123,983	14,200	1,138,183	5.3%	54,589	98,297	\$5.67
Northeast Atlanta	175,746,880	13,233,370	906,140	14,139,510	8.0%	66,540	6,498,769	\$4.28
Northwest Atlanta	65,130,532	3,483,873	343,170	3,827,043	5.9%	247,087		\$4.23
Snapfinger / I-20 East	44,118,771	1,664,895	0	1,664,895	3.8%	-435,907	1,480,000	\$3.69
South Atlanta	171,602,245	16,286,768	1,207,503	17,494,271	10.2%	3,707,099	9,411,038	\$3.35
Stone Mountain	23,976,744	1,493,957	0	1,493,957	6.2%	-1,251		\$3.56
Totals	628,487,573	44,414,322	2,570,814	46,985,136	7.5%	5,576,572	18,900,979	\$3.87



Transaction Highlights

Notable Industrial Lease Deals

Completed between 1/1/17 and 3/31/17

TENANT	PROPERTY NAME	LEASE (SF)	COMMENTS
Amazon	Jefferson Mill Business Park	822,257	New Lease
Mars	Skyline/20 West	604,852	New Lease
Kuehne + Nagel	Gillem Logistics Center	406,625	New Lease

Notable Industrial Building Sales

Completed between 1/1/17 and 3/31/17

PROPERTY NAME	RBA	PRICE	PRICE PSF	COMMENTS
Fairburn Logistics Center Bldg. 200	495,625	\$26 million	\$52	Vacant; Acquired by RREEF
Cherokee 75 Corporate Park	304,000	\$23.1 million	\$76	Fully leased to two tenants; Acquired by Cabot Properties
Bluegrass Lakes Place	119,926	\$7.6 million	\$63	Acquired by owner-user Sports Warehouse

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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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