

# ATLANTA INDUSTRIAL MARKET

SECOND QUARTER 2016

## Strong demand puts 2016 on pace for a record year Construction and rents hit new high points

### ECONOMY

#### Moderate job growth expected through 2016 and into next year

Atlanta enjoyed robust economic growth in 2015, and 2016 is projected by most economists to offer another healthy performance. Dr. Rajeev Dhawan of Georgia State University's Economic Forecasting Center predicted in May that Atlanta job growth will continue to see declining unemployment and moderate job growth through 2018. A variety of construction projects in every sector (apartments, hotels, office, stadiums, warehouses, etc.) will keep construction jobs and equipment in demand for the next several years. In addition, Atlanta saw a 46% increase in housing permits in the first quarter of 2016, driven by large increases in multifamily construction.

Moody's forecasts that Atlanta's economy "will be a top performer in the South and nationally" in 2016. Job gains in metro Atlanta will continue to outpace the nationwide average due to the city's strong demographics, low cost of doing business, and diverse range of industries.

### VACANCY

#### Vacancy reaches a new record low

Atlanta's industrial market has experienced a steady decline in vacancy since peaking above 15% in 2010. As of Q2 2016, Atlanta's industrial vacancy rate is 7.3%, which is the lowest level reported in Atlanta since 2000. Vacancy is lowest in the Chattahoochee, Snapfinger, and Fulton Industrial submarkets, but every submarket reports vacancy below 10%.

### ABSORPTION

#### Demand grows stronger in first half of 2016

Atlanta's industrial market absorbed nearly 21 million SF in 2014, the highest level of annual absorption on record, and this was followed by another 13 million SF of new demand in 2015. Absorption in Q2 2016 was nearly 6.6 million SF, the strongest single-quarter performance in nearly two years. This very strong first half of 2016 puts Atlanta on pace to match 2014's level by year's end. Among Atlanta's submarkets, the Northwest and Northeast submarkets saw the strongest quarterly demand, while South Atlanta has seen the most demand for the year to date.

### FORECAST

#### Rents will keep rising, while construction continues to expand

As demand has increased, Atlanta's industrial market has experienced a steep rise in asking rents, rising to \$3.79 PSF in Q2, the highest average in 15 years. New development is also increasing in most submarkets, particularly in South Atlanta and the Northeast. About 30% of new space under construction is pre-leased, reflecting confidence that demand will remain strong. Throughout the remainder of the year we expect to see vacancy continue to decline gradually, even as the market absorbs substantial levels of new product for the first time in years.

### QUARTERLY SNAPSHOT

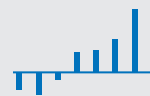
#### VACANCY



**7.3%**

Down to a new 15-year low

#### ABSORPTION



**6.6 Million SF**

Up from Q1 to its highest point since 2014

#### RENTAL RATE



**\$3.79 PSF**

Rents have risen for 14 consecutive quarters

#### UNDER CONSTRUCTION



**16.7 Million SF**

Spec construction remains strong

#### AVERAGE SALE PRICE



**\$53 PSF**

Up 12% from previous quarter

#### JOB GROWTH



**3.1%**

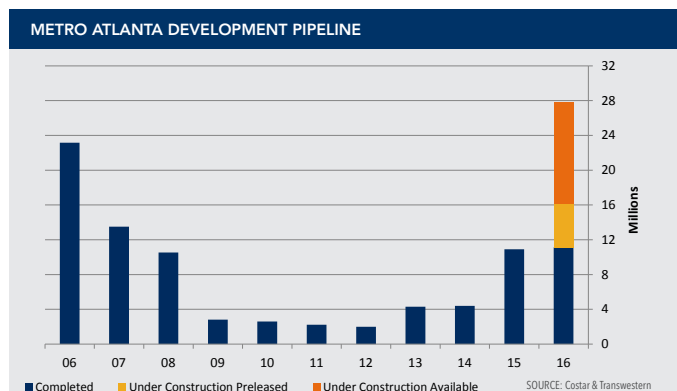
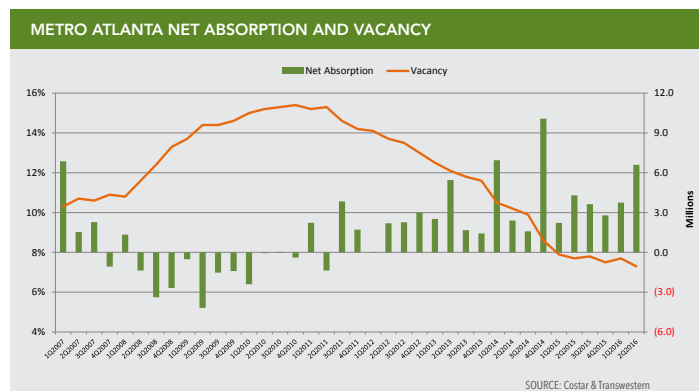
Projected Atlanta MSA job growth in 2016

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SECOND QUARTER 2016

## Metro Atlanta Industrial Market Indicators

SUBMARKET	INVENTORY	DIRECT VACANT	SUBLEASE SF	TOTAL SF VACANCY	OVERALL VACANCY	CURRENT NET ABSORPTION	YTD NEW ABSORPTION	UNDER CONSTRUCTION	RENTAL RATE PSF
Central Atlanta	12,620,846	1,234,776	0	1,234,776	9.8%	-108,500	-146,284		\$5.56
Chattahoochee	17,804,115	630,617	22,000	652,617	3.7%	-47,972	-145,288	55,801	\$4.86
I-20 West / Douglasville	46,016,934	3,676,955	32,394	3,709,349	8.1%	353,780	344,587	1,558,013	\$3.39
I-20 West / Fulton Industrial	48,774,040	2,383,547	131,006	2,514,553	5.2%	780,808	779,418		\$3.60
North Central Atlanta	21,357,203	1,548,646	91,904	1,640,550	7.7%	55,865	198,165	191,981	\$5.41
Northeast Atlanta	169,686,460	10,288,656	937,849	11,226,505	6.6%	1,303,638	1,598,762	6,956,058	\$4.12
Northwest Atlanta	64,241,385	3,967,126	192,495	4,159,621	6.5%	1,457,051	2,622,614	446,050	\$4.39
Snapfinger / I-20 East	44,493,501	2,259,539	75,000	2,334,539	5.2%	-26,189	252,766	1,000,000	\$3.60
South Atlanta	165,395,668	13,989,737	1,620,051	15,609,788	9.4%	2,629,213	4,600,891	6,468,363	\$3.36
Stone Mountain	23,868,716	1,534,780	26,275	1,561,055	6.5%	201,266	245,030	75,000	\$3.42
Totals	614,258,868	41,514,379	3,128,974	44,643,353	7.3%	6,598,960	10,350,661	16,751,266	\$3.79



## Transaction Highlights

### Notable Industrial Lease Deals

Completed between 4/1/2016 and 6/30/16

TENANT	PROPERTY NAME	LEASE (SF)	COMMENTS
Wayfair	King Mill Distribution Park	846,496	New lease
Hubbell Inc.	Jefferson Distribution Center	623,328	New lease
Amazon	Broadway Distribution Center	613,440	New lease

### Notable Industrial Building Sales

Completed between 4/1/2016 and 6/30/16

PROPERTY NAME	RBA	PRICE	PRICE PSF	COMMENTS
Riverside Business Center	653,484	\$40.6 million	\$62	Fully occupied; Acquired by Clarion Partners
Westlake	311,500	\$10.25 million	\$33	User sale; Acquired by Miller Zell
Satellite North Dist. Center	144,184	\$9.5 million	\$66	54% occupied new building; Acquired by Clarion Partners

### CONTACT

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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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