

ATLANTA INDUSTRIAL MARKET

SECOND QUARTER 2017

Very strong demand leads to decade-high construction levels

Asking rents reach 15-year peak

ECONOMY

Slower job growth in 2017, but Atlanta still outperforms the nation

Atlanta ranked fourth among all metro areas in population growth in 2016, according to Census Bureau estimates, and the job market is on a solid footing. Construction, professional and financial services, healthcare, and hospitality are leading job growth and the metro area is enjoying healthy wage growth as well. In 2017, job growth is projected to slow a bit from the previous year but remain well ahead of national averages.

New warehouses supporting both online and traditional retail are being built all over metro Atlanta. Following UPS' decision to build a new distribution center, Home Depot, FedEx, Samsung, and Dollar General are also planning large centers. Such projects continue to enhance the area's reputation as a logistics hub.

VACANCY

Vacancy continues to decline

As of Q2 2017, Atlanta's industrial vacancy rate is 7.1%, down from the previous quarter and among the lowest rates seen in the Atlanta market. This is particularly impressive given that the market has already seen 8.3 million SF of new deliveries in the first half of the year, with about 45% of that space leased at this time. Still, demand is strong for quality product and much of the remaining space is likely to be leased soon. Vacancy is lowest in submarkets where construction has been limited, but nearly every submarket reports vacancy below 8%.

ABSORPTION

Atlanta demand is on track for a record year

Atlanta's industrial market absorbed nearly 15.9 million SF in 2016, above the previous year's level. In the first half of 2017 Atlanta has already absorbed 11.7 million SF, putting the market on a path to outperform 2014's record of 22 million SF. In a sign of the market's consistent strength, Atlanta absorbed close to 6.0 million SF in each of the past two quarters. These are the highest single-quarter figures seen here since 2014. South Atlanta saw the strongest demand in the first half of 2017, and is also home to the highest levels of new product under construction.

FORECAST

Strong demand will continue to drive construction activity

Strong demand and construction activity have pushed asking rents upward, and Q2's average of \$3.91 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 need to remain strong to keep vacancy low, and all indications for that are positive. In addition, sales of new industrial properties are very strong, reflecting confidence that Atlanta's historically strong demand will continue for some time. We expect to see declining vacancy and rising rents during the remainder of 2017 as the market delivers and then absorbs substantial levels of new product.

QUARTERLY SNAPSHOT

VACANCY



7.1%

Down from Q1 due to strong demand

ABSORPTION



5.9 Million SF

Strongest quarterly demand in more than two years

RENTAL RATE



\$3.91 PSF

Rents up 3.2% in past 12 months

UNDER CONSTRUCTION



19.9 Million SF

More than at any time since 2005

AVERAGE SALE PRICE



\$51 PSF

Up 2% from previous 12-month period

JOB GROWTH



2.7%

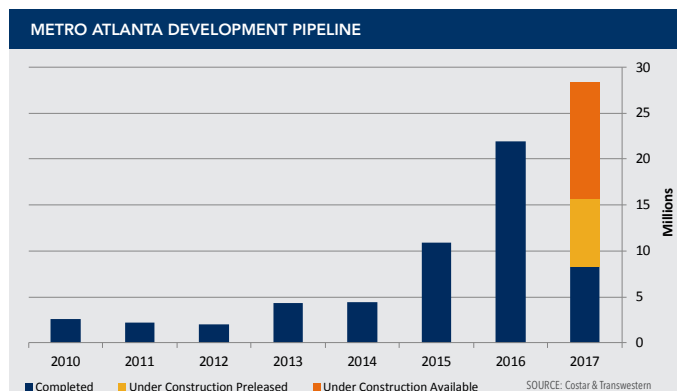
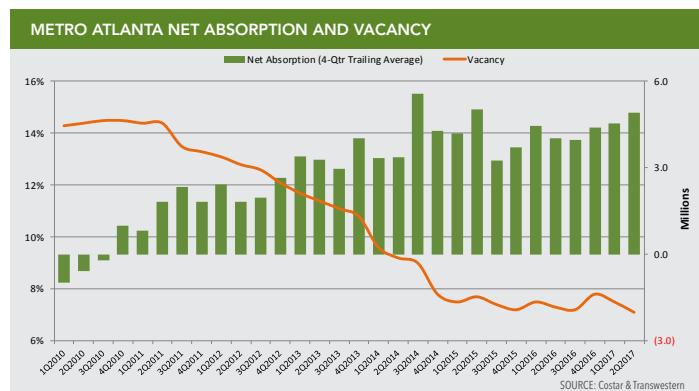
Annual growth in 2017 projected to again outpace the U.S. average

ATLANTA INDUSTRIAL MARKET

SECOND QUARTER 2017

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 | 12,292,443 | 833,906 | 0 | 833,906 | 6.8% | 58,198 | 127,078 | | \$8.07 |
| Chattahoochee | 17,192,233 | 570,294 | 22,000 | 592,294 | 3.4% | 28,910 | 36,961 | | \$5.73 |
| I-20 West / Douglasville | 48,660,468 | 4,225,528 | 3,134 | 4,228,662 | 8.7% | 424,971 | 1,974,460 | 1,063,917 | \$3.45 |
| I-20 West / Fulton Industrial | 48,857,055 | 1,636,611 | 160,803 | 1,797,414 | 3.7% | 48,952 | 223,371 | 1,200,000 | \$3.76 |
| North Central Atlanta | 21,788,588 | 751,335 | 58,000 | 809,335 | 3.7% | 365,812 | 403,077 | 159,297 | \$6.18 |
| Northeast Atlanta | 176,950,950 | 13,846,515 | 683,257 | 14,529,772 | 8.2% | 777,530 | 963,215 | 4,728,929 | \$4.26 |
| Northwest Atlanta | 66,262,704 | 3,521,896 | 271,028 | 3,792,924 | 5.7% | 754,980 | 1,163,169 | 414,150 | \$4.54 |
| Snapfinger / I-20 East | 44,128,085 | 1,564,435 | 140,000 | 1,704,435 | 3.9% | -99,540 | -535,447 | 1,480,000 | \$3.42 |
| South Atlanta | 172,901,547 | 14,503,301 | 396,264 | 14,899,565 | 8.6% | 3,583,702 | 7,577,681 | 10,934,799 | \$3.33 |
| Stone Mountain | 24,031,851 | 1,695,461 | 13,740 | 1,709,201 | 7.1% | 3,352 | -212,495 | | \$3.78 |
| Totals | 633,065,924 | 43,149,282 | 1,748,226 | 44,897,508 | 7.1% | 5,946,867 | 11,721,070 | 19,981,092 | \$3.91 |



Transaction Highlights

Notable Industrial Lease Deals

Completed between 4/1/17 and 6/30/17

| TENANT | PROPERTY NAME | LEASE (SF) | COMMENTS |
|---------------|------------------------------|------------|-----------|
| Owens Corning | 8095 McLarin Road | 1,044,288 | Renewal |
| Lindt | Lambert Farms Logistics Park | 1,004,400 | New Lease |
| Uline | Braselton Logistics Center | 1,000,821 | New Lease |

Notable Industrial Building Sales

Completed between 4/1/17 and 6/30/17

| PROPERTY NAME | RBA | PRICE | PRICE PSF | COMMENTS |
|-------------------------|---|----------------|-----------|--|
| High Street Portfolio | 6 million SF nationally (more than 2 million SF in Atlanta) | \$402 million | \$67 | Portfolio was 97% leased; Acquired by Blackstone |
| Skyview Business Center | 225,000 | \$14.8 million | \$66 | Fully leased to Z Gallerie; Acquired by Duke |
| Owens Corning | 1,044,288 | \$54.7 million | \$52 | Fully leased; Acquired by Clarion |

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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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