

ATLANTA INDUSTRIAL MARKET

THIRD QUARTER 2016

Asking rents and space under construction hit new cycle highs

Demand slowed in the summer, but 2016 is still on pace for a record year

ECONOMY

Forecast for 2017 is cautiously optimistic

Atlanta has enjoyed healthy economic growth to date in 2016, and most economists project the same or better for 2017. Dr. Rajeev Dhawan of Georgia State University's Economic Forecasting Center predicted in August that Atlanta will continue to see 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 continues to see an increase in housing permits in 2016, driven by large increases in multifamily construction in Cobb and Fulton counties.

Moody's forecasts that the Atlanta MSA will outpace the national economy in 2016 with a 3.8% rise in gross metro product. Job gains in metro Atlanta will continue to outpace the nationwide average due to the presence of multiple growth engines, low cost of doing business, and strong demographics.

VACANCY

Vacancy remains near historic lows

Atlanta's industrial market has experienced a steady decline in vacancy since peaking above 14% in 2010. As of Q3 2016, Atlanta's industrial vacancy rate is 7.5%, unchanged from Q2 but among the lowest rates reported in Atlanta since 2000. Vacancy is lowest in the Fulton Industrial, Snapfinger, and Chattahoochee submarkets, but nearly every submarket reports vacancy below 10%.

ABSORPTION

Demand on track for another record year

Atlanta's industrial market absorbed nearly 21 million SF in 2014, the highest level of annual absorption on record; this was followed by another 13 million SF of new demand in 2015. Absorption in the first nine months of 2016 indicates another strong year in the making, with more than 12 million SF absorbed to date. Demand in Q3 was nearly 2.9 million SF, down from the previous quarter's very strong performance but still in line with historical averages. The Northeast submarket saw the strongest quarterly demand, while South Atlanta has seen the most demand for the year to date.

FORECAST

Construction activity keeps rising to meet user demand

As demand has increased, Atlanta's industrial market has experienced a steep rise in asking rents, rising to \$3.79 PSF, the highest average in 15 years. New development is also increasing in most submarkets, particularly in the Northeast and South Atlanta. About 25% of new space under construction is pre-leased, reflecting confidence that demand will remain strong. Throughout the remainder of the year and into 2017, we expect to see vacancy continue to decline gradually, even as the market absorbs substantial levels of new product.

QUARTERLY SNAPSHOT

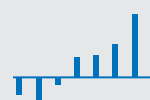
VACANCY



7.5%

Unchanged from Q2

ABSORPTION



2.9 Million SF

Keeps 2016 on track to exceed last year's demand

RENTAL RATE



\$3.79 PSF

Rents up in nearly every submarket

UNDER CONSTRUCTION



18.4 Million SF

Spec construction remains strong

AVERAGE SALE PRICE



\$50 PSF

Up 6% from previous period

JOB GROWTH



3.1%

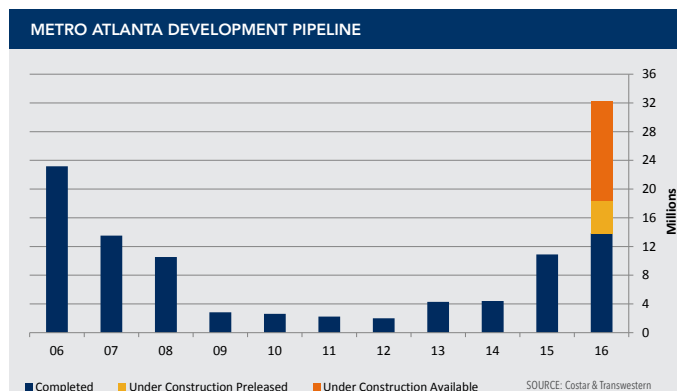
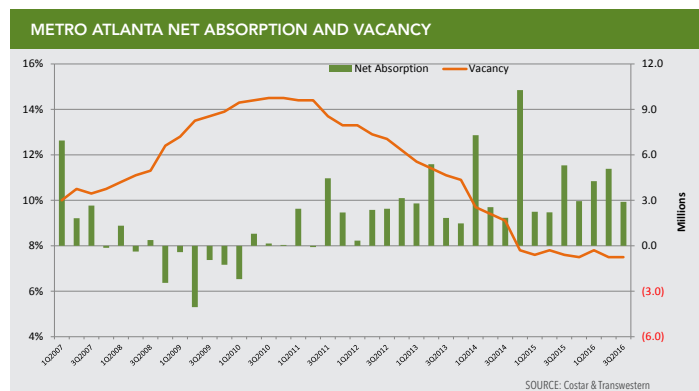
Projected Atlanta MSA job growth in 2016

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THIRD 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	12,424,744	1,430,364	0	1,430,364	11.5%	-167,614	-453,576		\$6.00
Chattahoochee	17,675,247	835,276	46,172	881,448	5.0%	-224,087	-371,315	55,801	\$4.94
I-20 West / Douglasville	46,982,474	4,299,604	32,394	4,331,998	9.2%	188,866	593,813	1,926,143	\$3.44
I-20 West / Fulton Industrial	48,918,966	1,873,852	79,655	1,953,507	4.0%	393,541	1,193,653		\$3.64
North Central Atlanta	21,367,846	1,342,197	91,904	1,434,101	6.7%	137,747	349,372	193,541	\$5.56
Northeast Atlanta	170,559,841	10,172,364	1,171,878	11,344,242	6.7%	1,247,445	2,549,200	7,651,500	\$4.17
Northwest Atlanta	64,384,050	4,342,362	224,260	4,566,622	7.1%	98,954	2,275,259	472,550	\$4.10
Snapfinger / I-20 East	44,311,091	1,853,092	75,000	1,928,092	4.4%	443,839	633,213	1,000,000	\$3.59
South Atlanta	166,662,158	15,285,771	1,657,407	16,943,178	10.2%	749,957	5,190,318	6,996,150	\$3.37
Stone Mountain	23,903,996	1,504,804	22,355	1,527,159	6.4%	27,796	273,126	75,000	\$3.45
Totals	617,190,413	42,939,686	3,401,025	46,340,711	7.5%	2,896,444	12,233,063	18,370,685	\$3.79



Transaction Highlights

Notable Industrial Lease Deals

Completed between 7/1/16 and 9/30/16

TENANT	PROPERTY NAME	LEASE (SF)	COMMENTS
Variety Wholesalers	Shenandoah Industrial Park	1,400,000	New lease
Tony Burch	Lambert Farms Logistics Park	752,590	New lease
Scott's Miracle Gro	McDonough Commerce Center	714,560	New lease

Notable Industrial Building Sales

Completed between 7/1/16 and 9/30/16

PROPERTY NAME	RBA	PRICE	PRICE PSF	COMMENTS
Shenandoah Industrial Park	1,917,084	\$25 million	\$13	70% occupied; Acquired by LRC Properties
Southfield Logistics Center	799,200	\$25 million	\$31	Fully leased; Acquired by STAG Ind. Mgmt.
Braselton 85 Distribution Center	440,165	\$23.2 million	\$53	Fully leased; Acquired by Cabot Properties

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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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