

ATLANTA INDUSTRIAL MARKET

FOURTH QUARTER 2016

Demand remains high for industrial space Asking rents hit 15-year peak

ECONOMY

Slower job growth forecast for 2017

Atlanta enjoyed healthy economic growth in 2016, but Dr. Rajeev Dhawan of Georgia State University predicts that Atlanta will see a slowdown in job growth in 2017 followed by accelerated growth in 2018. Additionally, a variety of development projects (apartments, hotels, office, stadiums, warehouses, etc.) has kept construction jobs and equipment in demand in recent years, but many of the largest projects will be completed in 2017, with fewer projects likely to begin right away.

Moody's Analytics predicts that Atlanta will continue to outpace the national economy in 2017 and 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

Vacancy ticks upward as new space comes to market

As of Q4 2016, Atlanta's industrial vacancy rate is 8.1%, which represents a small uptick from Q3 due to the delivery of more than 8 million SF of new product. Nearly half of that new space is in South Atlanta, leading that submarket's vacancy rate to bump upward to 11.4% as of year-end. This is likely to be a short-term phenomenon as demand remains strong. Vacancy is lowest in submarkets where construction has been limited, but nearly every submarket reports vacancy below 10%.

ABSORPTION

Another near-record year for demand

Atlanta's industrial market absorbed more than 15 million SF in 2016, above the previous year's level. Demand has been strong throughout the decade, with 2014 providing the highest absorption on record in Atlanta. Demand in 2016 was strongest in the first half of the year, with Q4's absorption of 2.1 million SF below the previous quarter's level of demand but still well in line with historical averages. The Northeast submarket saw the strongest quarterly demand, while South Atlanta enjoyed the most demand for the year.

FORECAST

Rising rents, strong construction activity

With such strong demand Atlanta's industrial market has experienced a steep rise in asking rents, rising to \$3.84 PSF, the highest average in 15 years. New development is ongoing in most submarkets, with the bulk of construction in South Atlanta and the Northeast. About 32% of all new space under construction is pre-leased, reflecting confidence that demand will remain strong in 2017. In the new year we expect to see vacancy return to a declining trend as the market absorbs substantial levels of new product.

QUARTERLY SNAPSHOT

VACANCY



8.1%

Up from Q3 due to substantial deliveries

ABSORPTION



2.1 Million SF

Annual demand in 2016 exceeded previous year

RENTAL RATE



\$3.84 PSF

Rents up in nearly every submarket

UNDER CONSTRUCTION



13.5 Million SF

Spec construction remains strong

AVERAGE SALE PRICE



\$52 PSF

Up from previous quarter

JOB GROWTH



4.0%

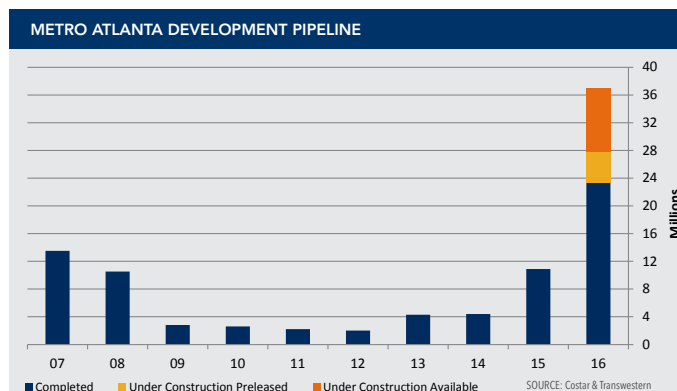
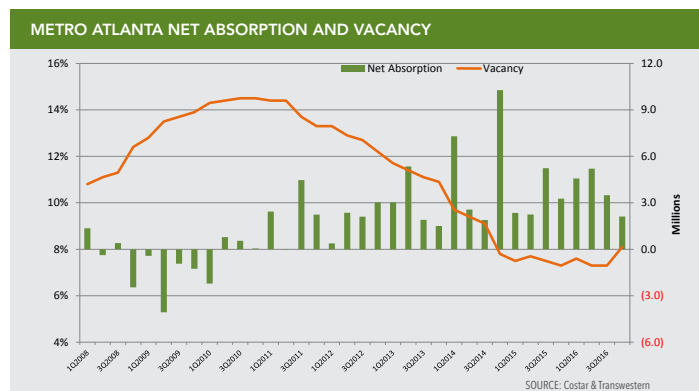
Stronger than projected for the past 12 months

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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	12,350,185	1,280,312	0	1,280,312	10.4%	-37,200	-438,076		\$6.43
Chattahoochee	17,385,648	922,922	22,000	944,922	5.4%	-22,638	-701,789	55,801	\$5.23
I-20 West / Douglasville	47,404,827	5,041,990	32,394	5,074,384	10.7%	-473,205	120,608	1,862,875	\$3.44
I-20 West / Fulton Industrial	48,860,706	2,106,739	31,372	2,138,111	4.4%	4,111	933,091		\$3.78
North Central Atlanta	21,692,566	1,208,591	11,200	1,219,791	5.6%	339,826	681,922	147,278	\$5.76
Northeast Atlanta	174,796,308	12,245,168	1,163,750	13,408,918	7.7%	1,262,503	4,330,989	3,684,637	\$4.29
Northwest Atlanta	64,582,437	4,257,827	183,955	4,441,782	6.9%	106,739	2,555,969	268,500	\$4.06
Snapfinger / I-20 East	44,455,141	1,105,668	75,000	1,180,668	2.7%	243,666	1,176,636	1,000,000	\$3.52
South Atlanta	170,224,668	18,403,058	1,038,331	19,441,389	11.4%	616,141	6,380,635	6,455,844	\$3.41
Stone Mountain	23,963,602	1,490,123	12,995	1,503,118	6.3%	75,703	343,441	0	\$3.53
Totals	625,716,088	48,062,398	2,570,997	50,633,395	8.1%	2,115,646	15,383,426	13,474,935	\$3.84



Transaction Highlights

Notable Industrial Lease Deals

Completed between 10/1/16 and 12/31/16

TENANT	PROPERTY NAME	LEASE (SF)	COMMENTS
Armada Warehouse Solutions	3707 N. Commerce Drive (<i>Under Construction</i>)	447,606	New Lease
Distribution Cooperative	1131-1325 Highway 155	402,304	New Lease
DHL	Fairburn 85 Distribution Center	192,780	New Lease

Notable Industrial Building Sales

Completed between 10/1/16 and 12/31/16

PROPERTY NAME	RBA	PRICE	PRICE PSF	COMMENTS
Braselton Commerce Center (<i>Part of Portfolio Sale</i>)	1,074,596	\$88.6 million	\$82	Fully leased to Williams-Sonoma; Acquired by GLP
McDonough Commerce Center	714,560	\$43.5 million	\$61	Fully leased to Scotts; Acquired by American Realty Advisors
Satellite Logistics Center Bldg. 100	264,550	\$21 million	\$80	Fully leased to Ricoh; 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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