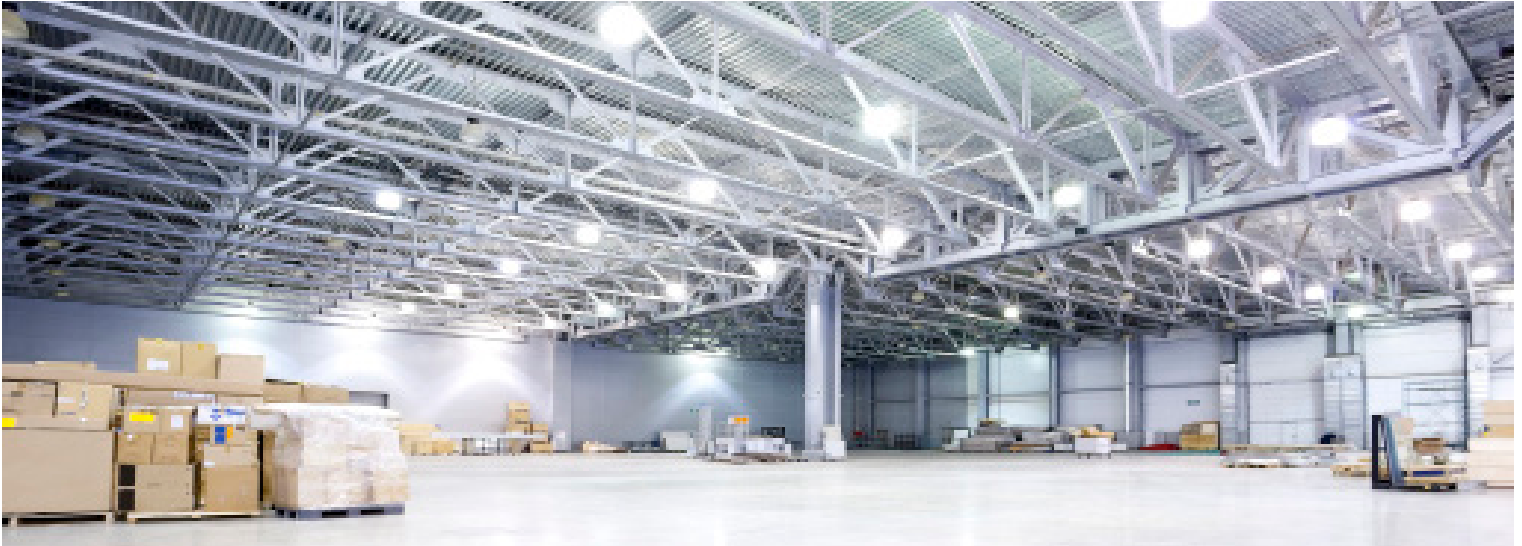


# Atlanta



## Market Facts

**6.2%**

Total market vacancy down 50 bps year-over-year

**6.1%**

Warehouse vacancy down 30 bps year-over-year

**17.4 MSF**

SF under construction in the first quarter with 27% preleased

**\$4.35 PSF**

Average asking rental rates up 3.3% year-over-year

## Market Overview

The Atlanta industrial market has begun 2018 on a stable note. Record leasing activity has allowed absorption to remain strong, therefore keeping the vacancy rate steady. While there has not been much change in the vacancy due to large amounts of new space entering the inventory, asking rental rates continue their upward momentum.

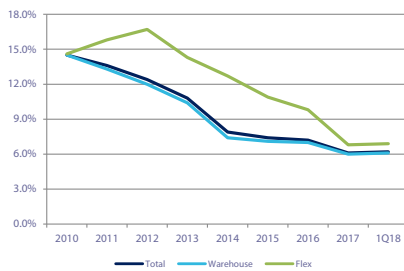
### Vacancy and Absorption

The Atlanta industrial market recorded 3.6 million square feet (msf) of positive net absorption during the first quarter of the year, the lowest quarterly total since 2016. This is due in large part to new construction buildings delivering without any tenants occupying space. The largest occupancy in the first quarter was ASOS, absorbing 1,039,570 sf in a new building at Majestic Airport Center IV in the Airport/North Clayton submarket. The I-75 South submarket saw

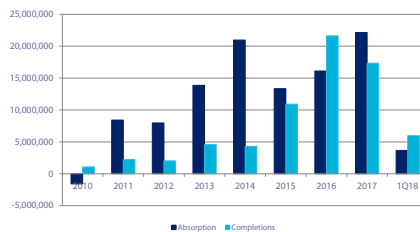
the largest amount of positive absorption during the quarter, recording 1.7 msf. The majority of this was Lindt occupying 1.0 msf at Lambert Farms Logistics Park. After seeing a significant drop in the vacancy at the end of 2017, the first quarter vacancy rate remained nearly unchanged at 6.2%. While it's a 50 basis point (bps) decline year-over-year, the trend of unoccupied new construction buildings adding vacant space to the inventory continued. The warehouse market ended the first quarter with a 6.1% vacancy rate, which was a 30 bps decline from the same period in 2017. The flex market saw a large vacancy decline, dropping 290 bps year-over-year to 6.9%. Metro Atlanta's flex market has not seen a similar increase in construction activity as the warehouse market so the vacancy rate is expected to continue its downward trend in the flex category.

Vacancy rates remain stable as a large amount of new inventory entered the market, which is driving asking rental rates upward as new construction properties demand higher rates

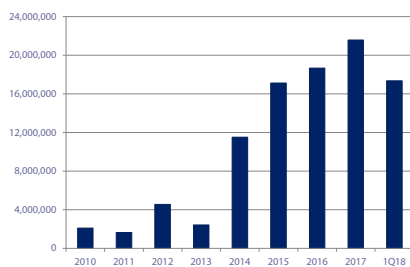
### Vacancy Trends



### Absorption vs. Completions



### SF Under Construction



### Leasing Activity

Leasing activity saw a significant increase in the first quarter of 2018, outpacing 2017 by 17.3%. The Atlanta industrial market recorded 8.9 msf of leasing activity in the first quarter, the largest quarterly amount since the fourth quarter of 2016. The Northeast submarket saw the most activity, recording 2.3 msf of signed leases. The largest lease signed in the first quarter was Saddle Creek at 590 Coweta Industrial Park for 1.2 msf in the I-85 South submarket. This building is currently under construction and will deliver fully occupied in the second quarter of 2018. HD Supply signed the second largest lease of the quarter, 1.0 msf at an under construction building on Anvil Block Road in the Airport/ North Clayton submarket.

### New Construction

The pace of construction activity saw a small decline in the first quarter. Currently there is 17.4 msf under construction, but only 27% of the space is preleased. The market saw 6.0 msf of new space enter the market in the first three months of 2018. This was the largest quarterly total of new inventory since a record amount in 2016. Leasing activity in these new construction properties has been slow, as 4.4 msf of the 6.0 msf delivered was vacant. The pipeline of industrial tenants in the market does remain strong so there is the potential for an increase in leasing newly constructed properties.

### Rental Rates

Industrial average asking rental rates in Metro Atlanta saw a positive increase at the beginning of 2018. The average asking rate ended the first quarter at \$4.35 NNN per square foot (psf),

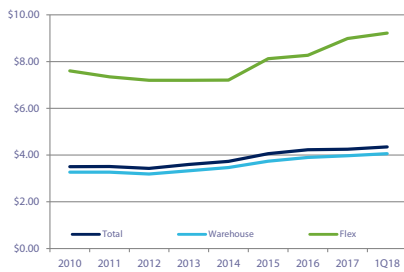
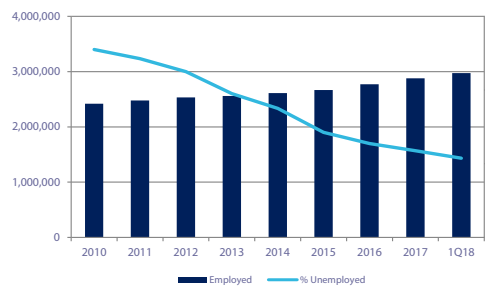
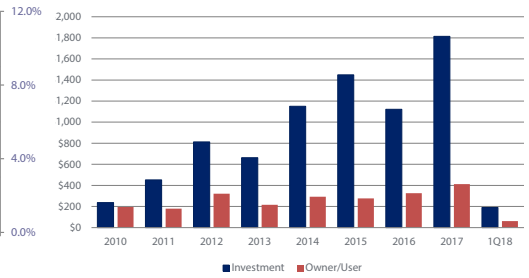
up 3.3% year-over-year. The average warehouse rate rose by 3.8% to \$4.06 NNN psf in the same period. This is the first time average warehouse rates have surpassed \$4.00 NNN psf. Flex average asking rental rates saw another surge in growth, up 6.0% year-over-year, ending the quarter at \$9.22 NNN psf. Like warehouse rents, this is the first time flex average rents have surpassed \$9.00 NNN psf.

### Investment Sales

The Atlanta industrial market saw a decrease in sales activity in the first three months of the year after a strong 2017. In the first quarter of 2018 approximately \$191 million in investment sales were recorded, well below the \$366 million in the first quarter of 2017. The largest single property sale during the quarter was Invesco acquiring 1665 Broadmoor Boulevard, a 492,000 sf warehouse, from Panattoni Development Company for \$28.6 million.

### Outlook

The Atlanta industrial market should remain in the landlord's favor during 2018, even with an anticipated increase in vacancy. Job growth, especially in the e-commerce sector, in Atlanta continues to be strong and is one of the driving forces behind high levels of leasing activity. According to the Bureau of Labor Statistics, employment in the Atlanta Metro grew by more than 45,000 jobs between March 2017 and March 2018. The pace of leasing activity in the Atlanta industrial market will be the driving force behind a limited vacancy rate increase, rising rental rates, and continued investor interest in the market throughout 2018.

Average Asking Rental Rate  
(psf/year/NNN)Metro Atlanta Employment  
(March of each year)Industrial Sales  
(in millions)

## Select 2018 Lease Transactions

Tenant	Property	Type	Submarket	SF
Saddle Creek	590 Coweta Industrial Park	Prelease	I-85 South	1,208,301
HD Supply	Anvil Block Road	New Lease	Airport/North Clayton	1,017,627
Undisclosed	250 Declaration Dr	New Lease	I-75 South	759,300
Bluelinx Corporation	200 Hosea Rd	Renewal	Northeast	585,637
Undisclosed	16126 Alcovy Rd	New Lease	Snapfinger/I-20 E	302,602
Federal Express	4400 International Pky	New Lease	Airport/North Clayton	292,000
XPO Logistics	1791 Mount Zion Rd	New Lease	Airport/North Clayton	254,358
Millennium Mats	2780 Horizon Ridge Ct	New Lease	Northeast	222,643

## Select 2018 Sale Transactions

Property	Submarket	Buyer	Total SF	Sale Price	Price/SF
4400 International Pky	Airport/North Clayton	Realterm US, inc	292,000	\$32,250,000	\$110
1665 Broadmoor Blvd	Northeast	Invesco	492,048	\$28,550,000	\$58
200 Hosea Rd	Northeast	Brennan Investment Group	585,637	\$22,000,000	\$48
Atlanta West - 2 Buildings	Fulton Industrial	Graham Commercial Properties	411,000	\$17,100,000	\$42

## Select Construction Projects

Property	Submarket	Projected Completion	Total SF	% Preleased	Major Tenant
590 Coweta Industrial Park*	I-85 South	Second Quarter 2018	1,208,301	100%	Saddle Creek
Fulton Industrial Blvd*	Fulton Industrial	Second Quarter 2018	1,200,000	100%	UPS
King Mill Rd - Building B	I-75 South	First Quarter 2019	1,104,320	0%	N/A
Northeast 85 Logistics Center	Northeast	Fourth Quarter 2018	1,053,360	0%	N/A
Valentine 85 Logistics Center	Northeast	Second Quarter 2018	1,021,000	0%	N/A
Anvil Block Road*	Airport/North Clayton	Second Quarter 2018	1,017,627	100%	HD Supply
Bridgeport Boulevard	I-85 South	Fourth Quarter 2018	1,002,150	0%	N/A

\*Single-tenant leased property

## Market By The Numbers

BY SUBMARKET	Inventory	VACANCY			NET ABSORPTION		SF Under	AVERAGE ASKING RENT		
		Total	W/D	Flex	1Q18	YTD	Construction	Total	W/D	Flex
Airport/North Clayton	94,594,813	7.4%	7.5%	5.1%	1,008,121	1,008,121	3,675,268	\$3.71	\$3.66	\$10.63
I-85 South	20,677,470	2.6%	2.6%	3.4%	21,757	21,757	3,510,171	\$3.58	\$3.48	\$10.14
I-75 South	60,257,937	11.9%	12.1%	2.1%	1,676,805	1,676,805	1,944,320	\$3.18	\$3.18	N/A
<b>South Atlanta Total</b>	<b>175,530,220</b>	<b>8.4%</b>	<b>8.5%</b>	<b>3.0%</b>	<b>2,706,683</b>	<b>2,706,683</b>	<b>9,129,759</b>	<b>\$3.51</b>	<b>\$3.46</b>	<b>\$11.59</b>
Central Atlanta	7,536,468	6.1%	7.4%	1.0%	(23,310)	(23,310)	80,000	\$9.19	\$8.41	\$18.40
Chattahoochee	16,473,018	3.5%	3.8%	2.4%	(235,470)	(235,470)	24,740	\$7.89	\$7.26	\$16.78
Fulton Industrial	49,573,548	3.5%	3.5%	2.6%	71,276	71,276	1,363,512	\$4.15	\$4.05	\$8.52
I-20 W/Douglasville	47,672,867	8.3%	8.7%	1.1%	334,961	334,961	1,687,283	\$4.08	\$3.97	\$8.04
North Central	30,141,819	4.4%	3.4%	7.0%	96,912	96,912	0	\$7.55	\$6.02	\$9.77
Northeast	187,483,610	6.4%	6.1%	9.4%	197,253	197,253	4,466,337	\$4.65	\$4.34	\$9.05
Northwest	73,029,348	3.4%	3.1%	5.6%	572,322	572,322	360,500	\$5.17	\$4.68	\$9.41
Snapfinger/I-20 East	38,682,714	3.1%	2.9%	6.7%	(183,887)	(183,887)	51,000	\$4.34	\$3.83	\$6.98
Stone Mountain	26,278,485	6.8%	5.7%	15.2%	111,168	111,168	189,690	\$4.70	\$3.96	\$7.28
<b>Total Market</b>	<b>652,402,097</b>	<b>6.2%</b>	<b>6.1%</b>	<b>6.9%</b>	<b>3,647,908</b>	<b>3,647,908</b>	<b>17,352,821</b>	<b>\$4.35</b>	<b>\$4.06</b>	<b>\$9.22</b>

BY PRODUCT TYPE	Inventory	Vacancy	1Q Absorption	YTD Absorption	SF Under Construction	Sublease SF
Warehouse/Distribution	598,811,963	6.1%	3,441,992	3,441,992	17,224,821	1,488,785
Flex	53,590,134	6.9%	205,916	205,916	128,000	87,310
<b>Total Market</b>	<b>652,402,097</b>	<b>6.2%</b>	<b>3,647,908</b>	<b>3,647,908</b>	<b>17,352,821</b>	<b>1,576,095</b>

Avison Young Atlanta currently tracks industrial buildings that are 10,000 square feet or greater, and built since 1960.



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