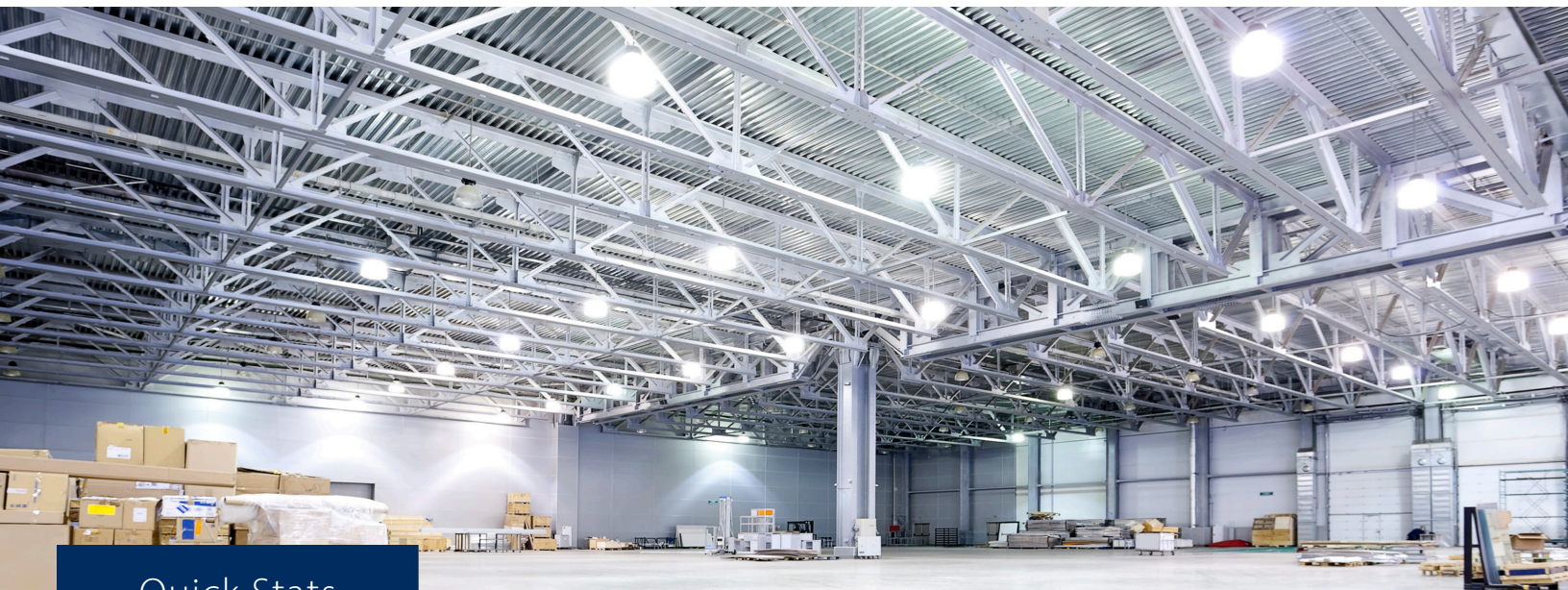


Atlanta



Quick Stats

5.6%

Total market vacancy down 70 bps
year-over-year

5.6%

Warehouse vacancy down 70 bps
year-over-year

20.2 MSF

SF under construction in the first
quarter with 20.2% preleased

\$4.74 PSF

Average asking rental rates up 4.9%
year-over-year

Market Overview

After a slow start to 2019, the Atlanta industrial market picked up momentum in the second quarter. Absorption activity increased significantly from the first three months of the year, while construction activity and leasing activity remain strong. As companies continue to announce large projects, expect the upward trend in industrial activity to stay its course.

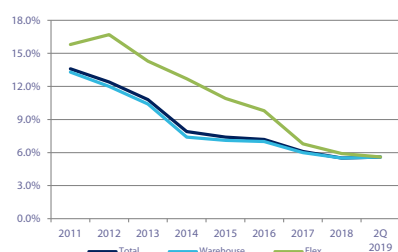
Vacancy and Absorption

After a slow start in the beginning of the year, the Atlanta industrial market picked up momentum during the second quarter. The market recorded 4.4 million square feet (msf) of positive absorption in the second quarter, for a year-to-date total of 5.7 msf. Although this is the 32nd consecutive quarter of positive absorption, it still is not the longest streak of positive absorption which occurred during the second quarter of 1991 to the third quarter of 1999. The largest move-in during the second quarter was GE Appliances, absorbing 1.1msf

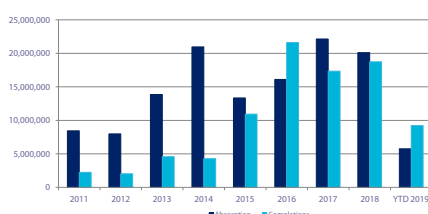
at their new build-to-suit project in the Northeast submarket. This move-in brought the submarket to the top of the absorption list with 2.6 msf occupied, and was the only submarket to absorb over 1.0 msf. The overall Metro Atlanta vacancy rate decreased by 70 basis points (bps) year-over-year to finish the second quarter at 5.6%. The warehouse market ended the quarter with a 5.6% vacancy rate as well, and also was a 70 bps decline from the same period in 2018. The flex market vacancy rate continued its downward trend, dropping 130 bps year-over-year to 5.6%. The flex market should continue to see a decrease in vacancy as speculative construction remains at a minimum. While there was some speculation at the beginning of the year that the vacancy rate could increase due to a significant amount of vacant inventory entering the market, that thought is beginning to fade. The higher absorption recorded in the quarter, as well as strong leasing activity, should lead the market to stay on its positive track through the rest of 2019.

Leasing activity should see in an uptick during the second half of 2019 as numerous companies have announced new locations in Metro Atlanta

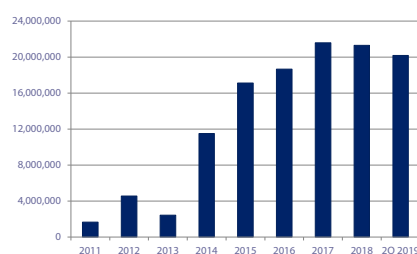
Vacancy Trends



Absorption vs. Completions



SF Under Construction



Leasing Activity

Leasing activity in the second quarter of 2019 returned to early 2018 levels. The market recorded 7.9 msf of new leases, up 53% from the activity seen at the same time in 2018. This brings the mid-year total to 13.9 msf. The I-20W/Douglasville submarket saw the most activity, recording 2.0 msf of signed leases. The largest lease signed in the second quarter was Stitch Fix at RiverWest Distribution Center for 925,800 sf in the I-20W/Douglasville submarket. Leasing activity is anticipated to continue its growth as numerous new facilities, such as Chick-fil-A's new distribution center in the Northwest, have been announced over the last three months. Kroger, Amazon and Goodyear are also in talks to open large facilities throughout the metro area that would bring thousands of new jobs to the market.

New Construction

The Atlanta industrial market currently has 20.2 msf under construction, almost the same amount that was under way this time last year. Out of the 20.2 msf, only 20.2% of the space is preleased. While this number is low, it is much higher than the 9.6% preleased amount the market saw during the third quarter of 2018. The market saw 4.8 msf of new space come online in the second quarter of 2019 for a year-to-date total of 9.2 msf. This is 9.2% more space than was delivered by this time in 2018. The market expects an additional 13.8 msf to deliver during the last six months of 2019 which leaves room for leasing activity in new construction projects to increase substantially over that time period.

Rental Rates

Industrial average asking rental rates in Metro Atlanta continue to see upward movement. The average asking rate ended the second quarter at \$4.74 NNN per square foot (psf), up 4.9% year-over-year. The average warehouse rate rose by 4.0% to \$4.43 NNN psf in the same period. Flex average asking rental rates recorded a significant increase, up 9.0% year-over-year, ending the quarter at \$9.95 NNN psf. This surge was driven by the Chattahoochee submarket which saw rates increase 96% year-over-year. This is primarily due to older generation industrial space being transformed into flex and creative office space.

Investment Sales

The Atlanta industrial market recorded \$545 million in investment sales during the second quarter of 2019. This gives the market a mid-year total of \$1.1 billion. The largest sale of the quarter was Blackstone Real Estate Income Trust purchasing a portfolio of properties from Ackerman & Co. for \$202 million. This portfolio totalled 3.8 msf and all the properties are located in the Stone Mountain submarket.

Outlook

Job growth continued its upward trend in Metro Atlanta during the second quarter. According to the Bureau of Labor Statistics, employment in the Atlanta Metro area grew by more than 52,000 jobs between May 2018 and May 2019. This is a growth rate of 1.9%, well ahead of the 1.6% growth the US is currently experiencing. As new jobs are announced, the Atlanta industrial market will continue its positive momentum.



Underway

Currently the Atlanta industrial market has 20.2 million square feet of new space under construction.



Delivered

During the last 12 months the Atlanta industrial market has seen 19.5 million square feet enter the inventory.



Rank

Atlanta is third in the U.S. for industrial space under construction behind Dallas at 31.9 msf and Inland Empire at 25.7 msf.

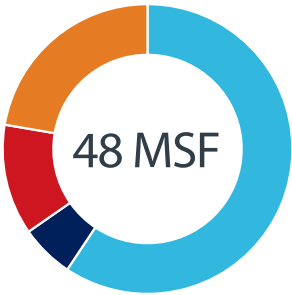
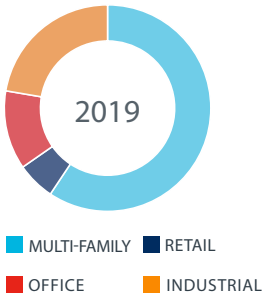


Spec Developments

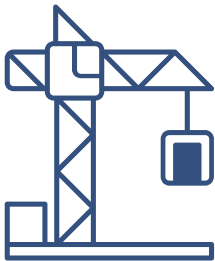
Spec development continues to capture the majority of Atlanta's industrial construction activity. Atlanta currently has 17.3 million square feet of spec space underway and is 7.0% preleased. This trend is expected to continue as developers are taking advantage of an active market.

13.8 MILLION SQUARE FEET

to be delivered in 2019, with 1.3 msf preleased



2Q 2018	2Q 2019
36.2%	50.3%
1.7%	1.2%
6.1%	6.5%
56.0%	42.0%



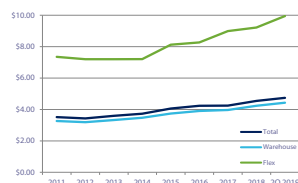
Construction Update

Metro Atlanta industrial construction remains very active, and near record amounts of space underway. Should this pace of activity continue, and leasing activity does not increase, it could lead to a rise in the vacancy rate.

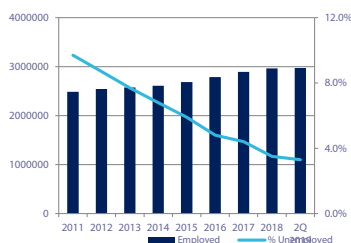
Build-to-Suit Developments

Build-to-suit developments have seen a slight decrease over recent years, but in 2019 has seen an increase in activity. Metro Atlanta currently has 2.9 million square feet of build-to-suit product underway.

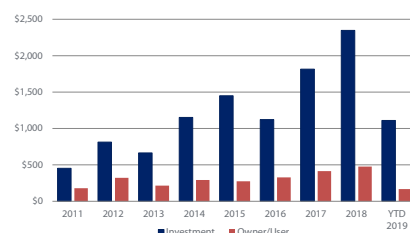
Average Asking Rental Rate (psf/year/NNN)



Metro Atlanta Employment (May of each year)



Industrial Sales (in millions)



Select 2Q 2019 Lease Transactions

Tenant	Property	Type	Submarket	SF
Stitch Fix	801 Factory Shoals Rd	New Lease	I-20W/Douglasville	925,800
US Elogistics Service Corporation	240 The Bluffs	New Lease	I-20W/Douglasville	498,480
SP Richards Company	440 Interstate West	New Lease	I-20W/Douglasville	460,687
Broadrange Logistics	105 Kendall Park Ln	New Lease	Fulton Ind	408,600
CEVA Logistics	140 Greenwood Industrial Pkwy	New Lease	I-75 South	400,000
Gourmet Foods International	3370 Panthersville Rd	New Lease	Snapfinger/I-20E	320,080
Caterpillar Inc	5350 Hunter Rd	Renewal	Airport/North Clayton	320,000
Pactiv Corporation	1776 Liberty Dr	Renewal	Snapfinger/I-20E	300,000

Select 2Q 2019 Sale Transactions

Property	Submarket	Buyer	Total SF	Sale Price	Price/SF
Stone Mountain Industrial Park	Stone Mountain	Blackstone Real Estate Income Trust	3,782,720	\$202,000,000	\$53
Lanier Cold Storage Portfolio	Northeast	Americold Realty Trust	428,759	\$82,000,000	\$191
Satellite North & Braselton 85	Northeast	James Campbell Company	593,789	\$44,200,000	\$74
830 GA-42	I-75 South	LRC Properties	972,350	\$26,000,000	\$27

Select Construction Projects

Property	Submarket	Projected Completion	Total SF	% Preleased	Major Tenant
Chattahoochee Logistics Center	Fulton Ind	Third Quarter 2020	1,128,400	0%	N/A
2160 Anvil Block - Building 900	Airport/North Clayton	Fourth Quarter 2019	1,043,418	0%	N/A
700 Palmetto Logistics Pky	Airport/North Clayton	First Quarter 2020	1,041,600	0%	N/A
3150 Highway 42	I-75 South	Third Quarter 2019	1,011,907	0%	N/A
94 Logistics Ln	Northeast	Third Quarter 2019	1,003,386	0%	N/A
280 Bridgeport Blvd	I-85 South	Fourth Quarter 2019	1,002,150	0%	N/A
Shire Pkwy*	Snapfinger/I-20E	First Quarter 2020	970,000	100%	Facebook

*Single-tenant leased property

Trends to Watch

Look for these three key trends to continue throughout 2019 in the Atlanta industrial market.



Vacancy

Possible increase as new construction enters the inventory vacant.



Rental Rates

Will continue to rise as new construction costs push rates up.



Construction

Could break record for amount of space under construction in 2019.

Market By The Numbers

BY SUBMARKET	Inventory	VACANCY			NET ABSORPTION		SF Under	AVERAGE ASKING RENT		
		Total	W/D	Flex	2Q19	YTD	Construction	Total	W/D	Flex
Airport/North Clayton	97,831,683	5.7%	5.7%	7.0%	192,762	372,953	5,780,076	\$3.85	\$3.80	\$7.69
I-85 South	23,792,733	6.3%	6.5%	3.0%	135,899	149,923	1,002,150	\$4.35	\$4.07	\$8.90
I-75 South	62,329,792	10.8%	11.1%	0.7%	570,244	1,193,864	2,287,095	\$3.50	\$3.50	\$4.75
South Atlanta Total	183,954,208	7.5%	7.6%	3.8%	898,905	1,716,740	9,069,321	\$3.72	\$3.68	\$7.99
Central Atlanta	7,773,120	8.3%	10.1%	1.3%	(14,780)	23,278	-	\$13.47	\$13.07	\$19.18
Chattahoochee	16,414,549	4.4%	4.7%	3.0%	(404)	(21,598)	-	\$10.22	\$7.61	\$18.75
Fulton Industrial	50,965,948	2.5%	2.6%	1.7%	35,381	(209,053)	1,128,400	\$5.12	\$5.08	\$8.75
I-20 W/Douglasville	51,623,251	5.3%	5.3%	3.4%	139,096	387,563	1,626,239	\$4.08	\$4.06	\$6.79
North Central	29,573,757	3.7%	3.4%	4.5%	47,193	114,275	195,548	\$7.47	\$6.43	\$10.90
Northeast	196,879,550	6.6%	6.4%	8.0%	2,597,949	3,201,519	5,149,746	\$4.66	\$4.34	\$9.01
Northwest	75,503,590	3.4%	3.1%	5.2%	410,972	303,404	1,059,763	\$5.95	\$5.36	\$11.37
Snapfinger/I-20 East	39,009,014	2.5%	2.3%	5.6%	96,449	52,212	1,605,665	\$5.14	\$4.40	\$6.86
Stone Mountain	26,560,747	3.8%	3.4%	6.3%	178,634	178,381	351,700	\$6.50	\$6.28	\$7.28
Total Market	678,257,734	5.6%	5.6%	5.6%	4,389,395	5,746,721	20,186,382	\$4.74	\$4.43	\$9.95

BY PRODUCT TYPE	Inventory	Vacancy	2Q Absorption	YTD Absorption	SF Under Construction	Sublease SF
Warehouse/Distribution	625,411,743	5.6%	4,121,965	5,392,587	18,996,912	769,729
Flex	52,845,991	5.6%	267,430	354,134	1,189,470	71,547
Total Market	678,257,734	5.6%	4,389,395	5,746,721	20,186,382	841,276

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



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