

Atlanta



Market Facts

5.7%

Total market vacancy down 80 bps
year-over-year

5.6%

Warehouse vacancy down 80 bps
year-over-year

23.5 MSF

SF under construction in the second
quarter with 9.6% preleased

\$4.52 PSF

Average asking rental rates up 7.6%
year-over-year

Market Overview

Construction activity continues to be the main topic of conversation regarding the Metro Atlanta industrial market. While the pace of new projects delivering has slowed, the amount of space under construction, which will deliver over the next two years, has reached a new record high at 23.5 million square feet (msf). Average asking rental rates are also seeing an upward trend, which makes this a landlord's market.

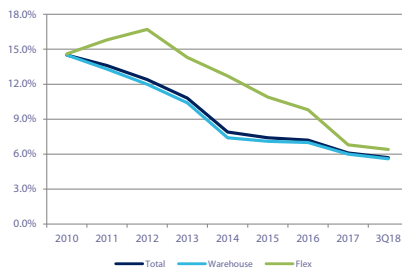
Vacancy and Absorption

The Atlanta industrial market recorded 7.1 msf of positive net absorption during the third quarter of the year, the highest quarterly total since the fourth quarter of 2014. This brings the year-to-date total to 14.4 msf, slightly behind the pace of absorption at this time in 2017. The largest occupancy in the third quarter was Saddle Creek, absorbing 1.2 msf at Southwest 85 Logistic Center in

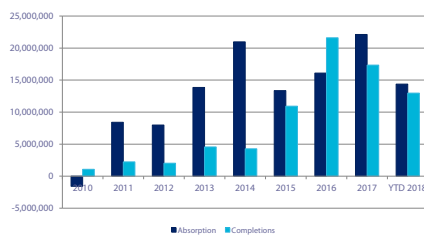
the I-85 South submarket. The I-20W/ Douglasville submarket saw the largest amount of positive absorption during the quarter, recording 1.7 msf. Due to the large amount of positive absorption, the vacancy rate decreased by 80 basis points (bps) during the third quarter to 5.7%. This is the first time the Atlanta industrial market has had an overall vacancy rate below 6.0%. The warehouse market ended the third quarter with a 5.6% vacancy rate, which was also an 80 bps decline from the same period in 2017 and the first time warehouse overall rates registered below 6.0%. The flex market vacancy rate continued its downward trend, dropping 150 bps year-over-year to 6.4%. Although concern remains regarding the delivery of newly constructed vacant space, if the market continues with this pace of absorption then the Atlanta industrial market vacancy rate should remain stable.

A record amount of new construction, coupled with a low amount of preleasing activity could cause the vacancy rate to increase at the end of 2018.

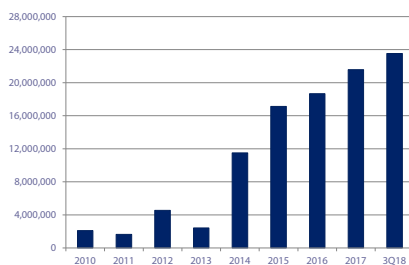
Vacancy Trends



Absorption vs. Completions



SF Under Construction



Leasing Activity

Similar to the upward swing of absorption activity, leasing activity also saw a jump during the third quarter. The market recorded 8.1 msf of new leases, which brings the year-to-date total to 22.2 msf. The Northeast submarket saw the most activity, recording 3.2 msf of signed leases. The largest lease signed in the third quarter was Medical Depot at 500 Palmetto Logistics for 1.0 msf in the Airport/North Clayton submarket. The Atlanta industrial market saw a shift from e-commerce companies recently dominating leasing activity back to more traditional industrial tenants, specifically manufacturers such as Mobis and DiversiTech. E-commerce will continue to play a vital role in the Atlanta industrial market, as Amazon continues to expand their presence, but the diversity of tenants may begin to spread throughout the market.

New Construction

The Atlanta industrial market has a record amount of new space underway as there is currently 23.5 msf under construction. The downside is only 9.6% of that is preleased. The market saw 4.5 msf of new space come online in the third quarter, for a year-to-date total of 13.0 msf. Leasing activity has picked up in recently delivered properties with 57% of the 13.0 msf leased. During the fourth quarter of 2018, there is the potential for 8.1 msf of vacant space to enter the market. Therefore, if preleasing activity in under construction properties does not increase, this could lead to an increase in the vacancy rate.

Rental Rates

Industrial average asking rental rates in Metro Atlanta continue to see upward

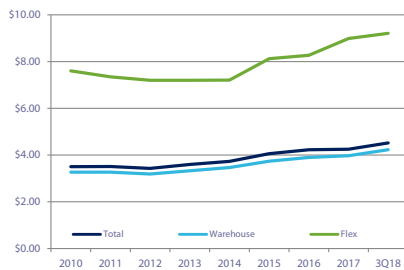
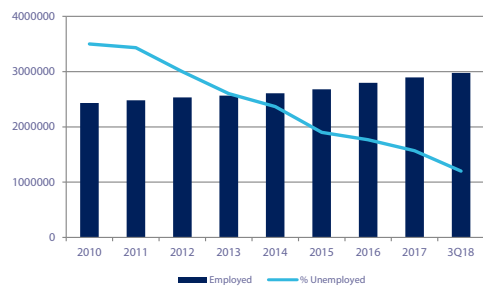
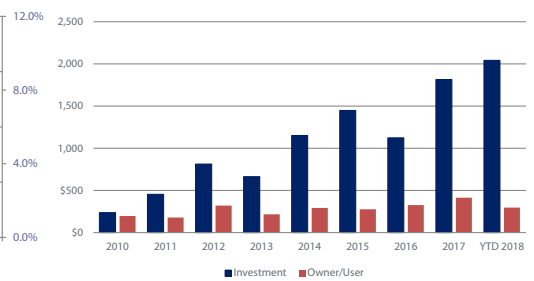
movement. The average asking rate ended the third quarter at \$4.52 NNN per square foot (psf), up 7.6% year-over-year. The average warehouse rate rose by 7.6% as well to \$4.23 NNN psf in the same period. Flex average asking rental rates grew at a slower pace, up 3.5% year-over-year, ending the quarter at \$9.21 NNN psf. Rents are expected to continue to rise as older generation space becomes obsolete and is replaced by new, more expensive space.

Investment Sales

The Atlanta industrial market saw a surge in investment sales activity during the third quarter of 2018, doubling the dollar amount recorded in the second quarter. The market recorded \$1.1 billion in investment sales, for a year-to-date total of \$2.6 billion. The largest sale of the quarter was CBRE Global Investors acquiring 375 and 405 King Mill Road, a two building portfolio of 2.3 msf, from Panattoni for \$156.1 million.

Outlook

Job growth in Atlanta remains 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 53,700 jobs between August 2017 and August 2018. This is a growth rate of 2.0%, well ahead of the 1.6% growth the US is currently experiencing. The pace of leasing activity in under construction projects throughout 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 through the end of 2018.

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

Select 3Q 2018 Lease Transactions

Tenant	Property	Type	Submarket	SF
Medical Depot	500 Palmetto Logistics	New Lease	Airport/North Clayton	1,054,500
DiversiTech	1665 Broadmoor Boulevard	New Lease	Northeast	492,048
Mobis	545 Logistics Center Parkway	New Lease	Northeast	477,662
Amazon	235 Hog Mountain Road	Sublease	Northeast	459,134
Third Party Logistics	4475 S Fulton Parkway	New Lease	Airport/North Clayton	390,000
GFA Logistics	150 Greenwood Industrial Parkway	New Lease	I-75 South	306,070
Undisclosed	3625 Royal South Parkway	New Lease	Airport/North Clayton	304,320
Fleet Pride	Indian Trail Road	New Lease	Stone Mountain	257,498

Select 3Q 2018 Sale Transactions

Property	Submarket	Buyer	Total SF	Sale Price	Price/SF
375 & 405 King Mill Road	I-75 South	CBRE Global Investors	2,307,790	\$156,100,000	\$68
650 Braselton Parkway	Northeast	Monmouth Real Estate Investment	925,800	\$61,113,365	\$65
155 Braselton Parkway	Northeast	Cabot Properties	432,000	\$22,900,000	\$53
2165 Northmont Parkway	Northeast	Graham Commercial Properties	185,745	\$12,500,000	\$67

Select Construction Projects

Property	Submarket	Projected Completion	Total SF	% Preleased	Major Tenant
Southern Gateway - Building B	I-75 South	First Quarter 2019	1,104,320	0%	N/A
Braselton 53 Commerce Center	Northeast	First Quarter 2019	1,081,280	0%	N/A
Northeast 85 Logistics Center	Northeast	Fourth Quarter 2018	1,053,360	0%	N/A
2160 Anvil Block	Airport/North Clayton	Third Quarter 2019	1,042,730	0%	N/A
980 Douglas Hill Road	I-20W/Douglasville	First Quarter 2020	1,026,000	0%	N/A
Anvil Block Road*	Airport/North Clayton	Fourth Quarter 2018	1,017,627	100%	HD Supply
3150 Highway 42	I-75 South	Second Quarter 2019	1,012,440	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	3Q18	YTD	Construction	Total	W/D	Flex
Airport/North Clayton	95,552,786	6.1%	6.1%	4.4%	719,424	2,209,362	5,581,947	\$3.80	\$3.77	\$7.38
I-85 South	22,021,130	1.9%	1.9%	2.7%	1,223,562	1,275,529	2,488,628	\$4.09	\$3.84	\$9.70
I-75 South	60,282,354	10.8%	11.0%	2.1%	343,976	3,763,238	2,956,760	\$3.30	\$3.30	\$4.75
South Atlanta Total	177,856,270	7.2%	7.3%	3.2%	2,286,962	7,248,129	11,027,335	\$3.62	\$3.59	\$7.92
Central Atlanta	7,742,124	6.7%	8.0%	1.5%	(29,008)	(45,811)	94,000	\$10.65	\$9.80	\$18.33
Chattahoochee	16,340,164	4.5%	4.8%	3.2%	(37,092)	(337,892)	-	\$8.46	\$7.57	\$13.60
Fulton Industrial	50,772,540	3.0%	3.0%	2.5%	1,499,946	1,507,579	163,512	\$4.51	\$4.46	\$9.07
I-20 W/Douglasville	49,629,602	8.1%	8.4%	2.4%	1,715,836	2,501,030	3,560,291	\$3.89	\$3.79	\$8.15
North Central	29,866,398	4.7%	3.7%	7.1%	35,024	1,105	197,978	\$7.23	\$5.91	\$9.62
Northeast	189,334,452	6.1%	5.8%	8.5%	1,290,451	2,467,365	6,993,403	\$4.74	\$4.42	\$9.09
Northwest	73,382,127	3.4%	2.9%	6.9%	(32,286)	580,044	1,444,580	\$5.38	\$4.87	\$10.04
Snapfinger/I-20 East	38,701,793	3.0%	2.9%	5.2%	(218,427)	(131,125)	51,000	\$4.37	\$3.92	\$6.87
Stone Mountain	26,415,492	5.3%	5.1%	7.0%	599,725	577,384	-	\$5.25	\$4.76	\$6.78
Total Market	660,040,962	5.7%	5.6%	6.4%	7,111,131	14,367,808	23,532,099	\$4.52	\$4.23	\$9.21

BY PRODUCT TYPE	Inventory	Vacancy	3Q Absorption	YTD Absorption	SF Under Construction	Sublease SF
Warehouse/Distribution	607,196,259	5.6%	6,915,158	13,861,068	23,377,099	1,020,173
Flex	52,844,703	6.4%	195,973	506,740	155,000	71,477
Total Market	660,040,962	5.7%	7,111,131	14,367,808	23,532,099	1,091,650

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



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