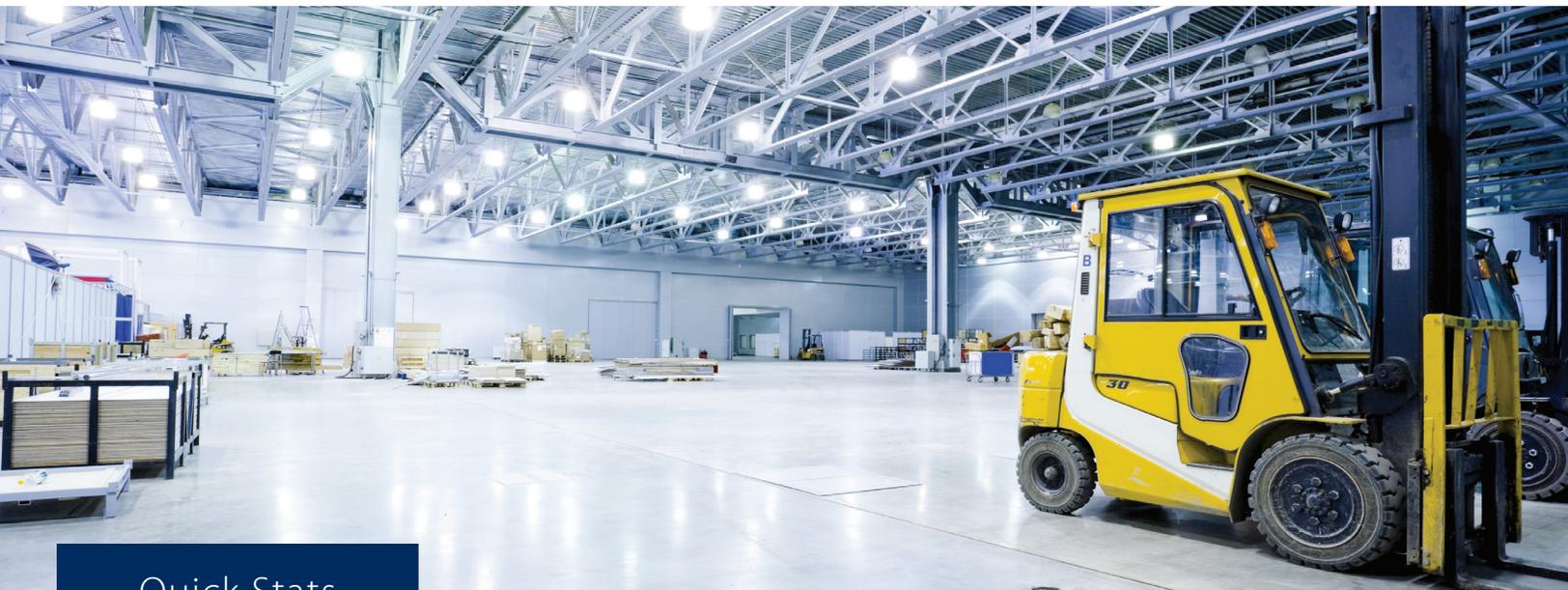


Atlanta



Quick Stats

6.0%

Total market vacancy up 50 bps
year-over-year

6.0%

Warehouse vacancy up 50 bps
year-over-year

21.2 MSF

SF under construction in the fourth
quarter with 33.4% preleased

\$4.69 PSF

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

Market Overview

The Atlanta industrial market continued its momentum into the fourth quarter of 2019. Absorption and leasing activity remained strong, however new vacant space entering the inventory had a negative impact on the vacancy rate. Rental rates continue to rise, but at a slower pace than previously seen. Should preleasing activity in new construction projects increase, the market will stabilize in 2020.

Vacancy and Absorption

The Atlanta industrial market recorded its 34th consecutive quarter of positive absorption in the fourth quarter of 2019. The market saw 4.8 million square feet (msf) absorbed in the quarter, for a year-to-date total of 17.0 msf. While this is significant activity, 2019 is still behind the pace that was seen at this time in 2018. The Northeast submarket recorded the most absorption for the quarter with 1.7 msf, however, the largest move-in during the fourth quarter was Post Brands, absorbing 703,000 square

feet (sf) at First Park Fairburn in the Airport/ North Clayton submarket. This brought the Airport/North Clayton submarket to a fourth quarter total of 1.0 msf absorbed. Even with the strong absorption, the Atlanta industrial market recorded its second year-over-year vacancy increase at the end of 2019. The overall vacancy rate increased by 50 basis points (bps) year-over-year to finish the fourth quarter at 6.0%. This increase was due to 6.1 msf of new space entering the market, of which 5.3 msf was vacant. The warehouse market ended the quarter with a 6.0% vacancy rate as well, which was a 50 bps increase from the same period in 2018. The flex market vacancy rate continued its downward trend, dropping 40 bps year-over-year to 5.5%. The flex market should continue to see a decrease in vacancy as speculative construction remains at a minimum. Should the trend of low preleasing activity in new warehouse construction projects continue, then the overall vacancy rate will continue to rise.

Leasing activity in new construction projects needs to increase so the Atlanta market does not see a third consecutive year-over-year increase in vacancy

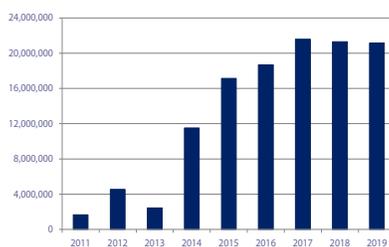
Vacancy Trends



Absorption vs. Completions



SF Under Construction



Leasing Activity

Leasing activity in the fourth quarter of 2019 was the strongest since the fourth quarter of 2016. The market recorded 9.6 msf of new leases, bringing the year-to-date total to 29.8 msf. The Northeast submarket saw the most activity, recording 3.1 msf of signed leases. The largest lease signed in the fourth quarter was Goodyear Tire and Rubber Company at a 1.5-msf new construction project in the I-85 South submarket. The project is anticipated to break ground in the first quarter of 2020 and be completed by the first quarter of 2021. As companies such as Amazon and Home Depot continue to expand in the Atlanta market, the hope is they will look at the numerous speculative construction projects currently underway to help increase preleasing activity.

New Construction

The Atlanta industrial market currently has 21.2 msf under construction, which is on pace with the amount underway at the end of 2018. Out of the 21.2 msf 33.4% of the space is preleased, which is the highest preleasing activity seen since the second quarter of 2018. This increase is largely due to Amazon starting construction on a 2.8 msf fulfillment center that they will fully occupy. The market saw 6.1 msf of new space come online in the fourth quarter of 2019 for a year-to-date total of 21.7 msf. This is the largest yearly total of new inventory entering the market since 2006. As developers continue to announce large new construction projects, more landlords are starting to divide the space in their buildings to attract smaller tenants and lease up the property before it is completed.

Rental Rates

Industrial average asking rental rates in metro Atlanta continue to see upward movement. The average asking rate ended the fourth quarter at \$4.69 NNN per square foot (psf), up 3.3% year-over-year. This is a slightly slower pace than seen earlier in 2019 and in 2018. The average warehouse rate rose by 2.6% to \$4.38 NNN psf in the same period. Flex average asking rental rates recorded a significant increase, up 8.5% year-over-year, ending the quarter at \$10.21 NNN psf. This surge was driven by the Stone Mountain submarket which saw rates increase 18% year-over-year. The increase is primarily due to older generation industrial space being transformed into creative, and more expensive, flex space.

Investment Sales

The Atlanta industrial market recorded \$550 million in investment sales during the fourth quarter of 2019 for a year-to-date total of \$2.4 billion. This yearly total is 3.2% higher than what was sold in 2018. The largest individual sale of the quarter was Property Reserve, Inc purchasing the 1.0-msf Northeast 85 Logistics Center from Core5 Industrial Partners for \$46.1 million.

Outlook

Job growth remained strong in metro Atlanta during the fourth quarter. According to the Bureau of Labor Statistics, employment in the Atlanta metro area grew by more than 62,000 jobs between November 2018 and November 2019. This is a growth rate of 2.2%, well ahead of the 1.5% growth the U.S. is currently experiencing. Should the Atlanta industrial market gain some of these jobs, it could help lower the vacancy rate in 2020.



Underway

Currently the Atlanta industrial market has 21.2 million square feet of new space under construction.



Delivered

During the last 12 months the Atlanta industrial market has seen 21.7 million square feet enter the inventory.



Rank

Atlanta is third in the U.S. for industrial space under construction behind Dallas at 30.4 msf and Inland Empire at 23.9 msf.

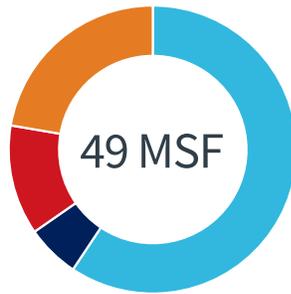
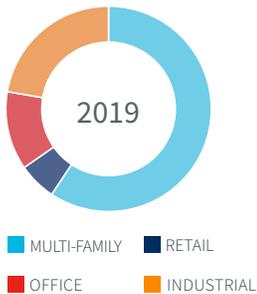


Spec Developments

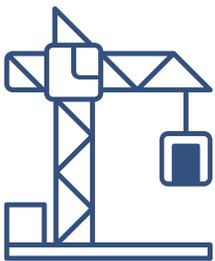
Spec development continues to capture the majority of Atlanta's industrial construction activity. Atlanta currently has 14.7 million square feet of spec space underway and is 4.0% preleased. This trend is expected to continue as developers are taking advantage of an active market.

9.9 MILLION SQUARE FEET

to be delivered in the first 3 months of 2020, with 16% of the space preleased



	4Q 2018	4Q 2019
Multi-Family	36.8%	45.9%
Retail	0.6%	1.1%
Office	7.7%	9.8%
Industrial	55.0%	43.2%



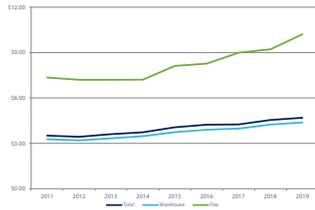
Construction Update

Metro Atlanta industrial construction remains very active with 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.

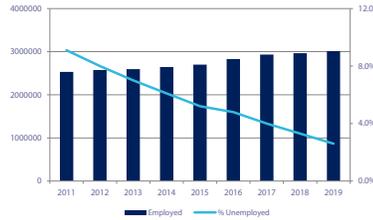
Build-to-Suit Developments

Build-to-suit developments have seen a slight decrease over recent years, but in 2019 have seen an increase in activity. Metro Atlanta currently has 6.5 million square feet of build-to-suit product underway.

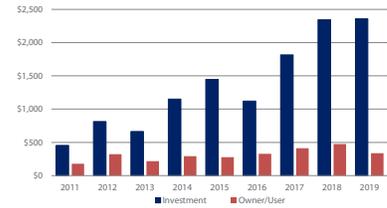
Average Asking Rental Rate (psf/year/NNN)



Metro Atlanta Employment (November of each year)



Industrial Sales (in millions)



Select 4Q 2019 Lease Transactions

Tenant	Property	Type	Submarket	SF
Goodyear Tire and Rubber Company	139 Orchard Business Parkway	Prelease	I-85 South	1,514,040
Mars	7875 White Road	Renewal	I-20W/Douglasville	604,852
US Cabinet Depot	1950 N Norcross Tucker Road	New Lease	Northeast	500,000
Fulfillment Services Inc	885 Douglas Hill Road	New Lease	I-20W/Douglasville	486,852
Masonite	4005 Newpoint Place	Renewal	Northeast	310,498
I-800-Flowers	5155 Welcome All Road	New Lease	Airport/North Clayton	273,064
Thredup Inc	580 Horizon Drive	Prelease	Northeast	269,682
Royal Metal Products Inc	100 Royal Way	Renewal	I-20W/Douglasville	261,000

Select 4Q 2019 Sale Transactions

Property	Submarket	Buyer	Total SF	Sale Price	Price/SF
Gwinnett Park Portfolio	Northeast	TPG Global LLC	957,055	\$69,332,537	\$72
885 Douglas Hill Road Portfolio	I-20W/Douglasville	Black Creek Group	694,852	\$51,763,636	\$75
105 King Mill & 220 Greenwood	I-75 South	James Campbell Company LLC	757,890	\$47,100,000	\$62
429 Toy Wright Road	Northeast	Property Reserve, Inc	1,053,360	\$46,052,196	\$44

Select Construction Projects

Property	Submarket	Projected Completion	Total SF	% Preleased	Major Tenant
Amazon Fulfillment Center*	Stone Mountain	Second Quarter 2021	2,800,000	100%	Amazon
Chattahoochee Logistics Center	Fulton Ind	Third Quarter 2020	1,128,400	0%	N/A
700 Palmetto Logistics Parkway	Airport/North Clayton	First Quarter 2020	1,041,600	0%	N/A
Jefferson Logistics Center	Northeast	First Quarter 2020	1,015,074	0%	N/A
3150 Highway 42	I-75 South	First Quarter 2020	1,011,907	0%	N/A
5705 Campbellton Fairburn Road	Airport/North Clayton	Second Quarter 2020	1,007,412	0%	N/A
1522 Steve Reynolds Industrial Parkway	Northeast	Third Quarter 2021	1,000,000	100%	SK Innovation

*Single-tenant leased property

Trends to Watch

Look for these three key trends to continue throughout 2020 in the Atlanta industrial market.



Vacancy

Will continue to increase as preleasing in new construction buildings remains low.



Rental Rates

Will continue to rise as new construction costs push rates up, but at a slower pace than 2019.



Construction

Will remain near record high amounts for space underway.

Market By The Numbers

BY SUBMARKET	Inventory	VACANCY			NET ABSORPTION		SF Under	AVERAGE ASKING RENT		
		Total	W/D	Flex	4Q19	YTD	Construction	Total	W/D	Flex
Airport/North Clayton	100,886,865	6.6%	6.6%	5.5%	1,048,511	4,024,346	6,617,886	\$3.87	\$3.83	\$8.71
I-85 South	25,049,127	10.2%	10.5%	5.7%	233,039	328,987	20,000	\$4.85	\$4.43	\$9.04
I-75 South	63,864,978	12.6%	12.9%	1.2%	893,347	3,362,390	1,496,998	\$3.47	\$3.47	\$4.98
South Atlanta Total	189,800,970	9.1%	9.2%	4.2%	2,174,897	7,715,723	8,134,884	\$3.72	\$3.68	\$8.37
Central Atlanta	7,529,798	5.7%	6.5%	2.5%	141,957	153,196	-	\$11.61	\$11.34	\$15.83
Chattahoochee	16,526,364	5.3%	5.7%	3.4%	(62,662)	(149,679)	250,000	\$9.22	\$7.60	\$16.45
Fulton Industrial	51,152,048	2.2%	2.2%	2.9%	(261,388)	(677,734)	1,128,400	\$4.28	\$4.08	\$7.80
I-20 W/Douglasville	52,824,030	4.6%	4.7%	2.2%	641,568	3,514,530	562,350	\$4.05	\$4.04	\$7.04
North Central	30,237,969	2.6%	2.0%	4.3%	87,617	290,836	436,203	\$7.64	\$6.62	\$11.53
Northeast	199,897,982	6.8%	6.7%	7.4%	1,697,726	4,977,709	5,276,087	\$4.76	\$4.43	\$9.73
Northwest	76,267,004	4.1%	3.8%	5.6%	94,214	638,279	696,540	\$5.97	\$5.30	\$12.05
Snapfinger/I-20 East	39,806,047	2.4%	2.1%	5.9%	137,265	205,374	1,706,465	\$4.99	\$4.44	\$5.94
Stone Mountain	26,513,494	3.3%	2.9%	5.9%	128,586	363,270	2,964,000	\$6.56	\$6.09	\$7.91
Total Market	690,555,706	6.0%	6.0%	5.5%	4,779,780	17,031,504	21,154,929	\$4.69	\$4.38	\$10.21

BY PRODUCT TYPE	Inventory	Vacancy	4Q Absorption	YTD Absorption	SF Under Construction	Sublease SF
Warehouse/Distribution	638,019,756	6.0%	4,796,370	16,797,376	19,723,429	1,129,755
Flex	52,535,950	5.5%	(16,590)	234,128	1,431,500	122,622
Total Market	690,555,706	6.0%	4,779,780	17,031,504	21,154,929	1,252,377

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



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