

# Atlanta



## Market Facts

**6.7%**

Total market vacancy down 70 bps  
year-over-year

**6.4%**

Warehouse vacancy down 70 bps  
year-over-year

**18.1 MSF**

SF under construction in the first  
quarter with 36% preleased

**\$4.21 PSF**

Average asking rental rates up 1.9%  
year-over-year

## Market Overview

The first three months of 2017 saw the industrial market in Metro Atlanta continue to tighten. The market recorded its highest quarterly absorption since 2014 and rental rates continue to rise. New construction continues to offer much needed relief from the lack of existing large blocks of space.

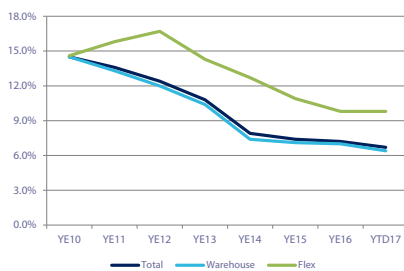
### Vacancy and Absorption

The Atlanta industrial market recorded 6.3-msf of positive absorption during the first three months of the year, the highest quarterly amount since the fourth quarter of 2014. This is 37% higher than the pace of absorption activity 12 months ago. The largest occupancy in the first quarter was Wayfair, absorbing 846,496 sf at 130 Distribution Drive in the I-75 South submarket. Due to the significant amount of positive absorption recorded, the vacancy rate ended the first quarter at 6.7%, a 70 bps decline

from this time in 2016. This is the lowest quarterly vacancy rate reported since the third quarter of 1999. The warehouse market vacancy rate is still in line with the overall market vacancy rate at 6.4%. This is also a 70 bps decrease from the first quarter of 2016. Fortunately for the Atlanta industrial market, absorption has outpaced new construction deliveries and has allowed the vacancy rate to continue its decline. This is partially due to many of the new buildings under construction, such as Google's 808,000-sf project at 300 Riverside Parkway, to deliver fully occupied. The market saw a total of 5.3-msf of new inventory in the first quarter, with 39% of it already pre-leased. However, as more speculative projects come online should the demand for large blocks of space decline, Atlanta could see a rise in the vacancy rate later in 2017 and into 2018.

As new product enters the market at record levels, Metro Atlanta may see a rise in the vacancy rate for the first time since 2009.

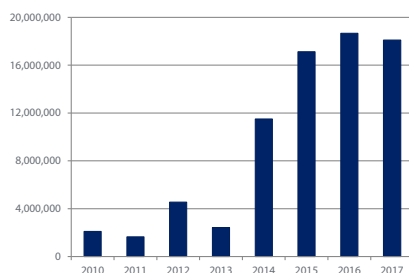
### Vacancy Trends



### Absorption vs. Completions



### SF Under Construction



### Leasing Activity

After strong leasing activity in 2016, which led to record absorption in the first quarter of 2017, the pace of activity has begun to slow. The Atlanta industrial market recorded 7.7-msf of leasing activity in the first quarter, down 27% compared to the pace of activity year-over-year. The Northeast submarket recorded 3.4-msf of leasing activity, almost half of the Metro Atlanta total. The largest lease signed in the first quarter was Uline's 1.0-msf at 705 Braselton Industrial Boulevard, a building currently under construction with an estimated second quarter 2017 delivery date. Amazon leased 822,000-sf at 0 Hog Mountain Road and continues to build a significant presence in Metro Atlanta, driving the growth of the e-commerce market.

### New Construction

Construction activity continues to be at record levels in Metro Atlanta. Currently there is 18.1-msf under construction, with 36% of it pre-leased. Speculative projects make up the majority of Atlanta's industrial construction activity with 14.1 msf underway. The market could see 20.7 msf of product enter the inventory in 2017, as 5.3 msf delivered in the first quarter alone. This is slightly behind the total amount of newly added inventory in 2016 which finished the year at 21.6 msf.

### Rental Rates

Average asking rental rates in Metro Atlanta continued to rise in the first quarter of 2017. The average asking rate ended the first three months of the year at \$4.21 NNN psf, up 1.9% year-over-year. The average warehouse rate rose by 3.4% to \$3.93 NNN psf in the same period. Since 2013, rents

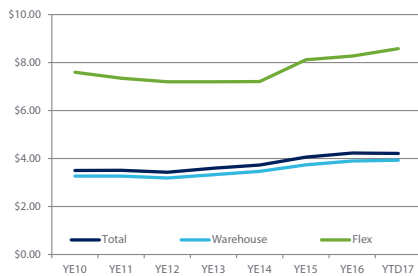
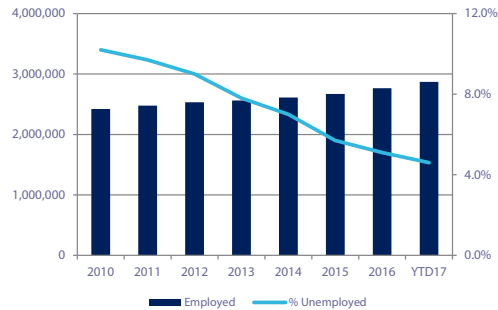
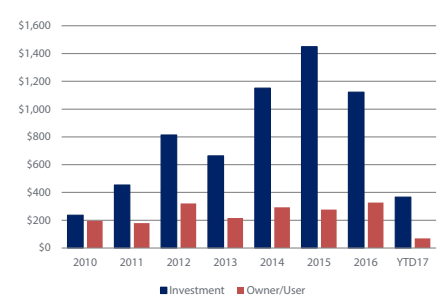
have risen 24%, an increase which is unprecedented in the Atlanta market. New speculative development is currently asking some of the highest rents, the market should expect a continued upward movement in asking rental rates.

### Investment Sales

After a record 2015 and strong 2016 in investment sales, the Atlanta market continues to be a top destination for investors. In the first quarter of 2017 over \$366 million in sales were recorded. This is 55% higher than what was recorded for all of 2010. The largest sale in the quarter was Pure Industrial Real Estate Trust acquiring 201 Greenwood Court, an 800,000 sf warehouse building, from TIAA-CREF for \$39.5M. The property is 100% occupied by Exel for the next five years. As more product becomes fully leased by long term tenants, we expect investment sales to rise.

### Outlook

The Atlanta industrial market should remain in the landlord's favor through 2017 even if vacancy increases slightly as new product enters the market. Job growth in Atlanta continues to be strong and is one of the driving forces behind the record levels of new construction. According to the Bureau of Labor Statistics, employment in the Atlanta Metro grew by 105,000 jobs between March 2016 and March 2017. Rental rates are expected to continue to rise as existing inventory levels tighten and new construction commands higher rates. Overall, the Atlanta industrial market will continue to be one of the best performing markets in the Southeast and will remain attractive to investors throughout 2017.

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

## Select Lease Transactions

Tenant	Property	Type	Submarket	SF
Uline	705 Braselton Industrial Blvd	New Lease	Northeast	1,000,821
Amazon	0 Hog Mountain Road	New Lease	Northeast	822,257
Mars	7875 White Road	New Lease	I-20W/Douglasville	604,852
Kuehne + Nagel Inc	2160 Anvil Block Road	New Lease	Airport/North Clayton	406,625
Atlanta Bonded Warehouse	2750 Barrett Lakes	New Lease	Northwest	368,931
Fed Ex	Braselton Parkway	New Lease	Northeast	368,000
XPO Logistics	7310 Oakley Industrial	New Lease	Airport/North Clayton	316,680
Ernie Green Industries	7900 Troon Circle	New Lease	I-20W/Douglasville	160,000
Google	797 Douglas Hill Rd	New Lease	I-20W/Douglasville	154,327

## Select Sale Transactions

Property	Submarket	Buyer	Total SF	Sale Price	Price/SF
201 Greenwood Ct	I-75 South	Pure Industrial Real Estate Trust	800,000	\$39,500,000	\$49
Southlake Distribution Portfolio	Airport/North Clayton	High Street Realty	807,631	\$31,450,000	\$39
Perimeter East Industrial Park Portfolio	I-20E/Snapfinger	Sealy Realty Co.	775,339	\$30,055,000	\$39
2000 Logistics Center Dr	Airport/North Clayton	RREEF America REIT II Corp. CC	495,625	\$26,000,000	\$52

## Select Construction Projects

Property	Submarket	Projected Completion	Total SF	% Preleased	Major Tenant
Anvil Block Road	Airport/North Clayton	First Quarter 2018	1,471,260	31%	Undisclosed
120 Jackson Road*	I-75 South	Third Quarter 2017	1,200,000	100%	Dollar General
7705 Roosevelt Highway	Airport/North Clayton	Fourth Quarter 2017	1,054,500	0%	N/A
Valentine 85 Logistics Center	Northeast	First Quarter 2018	1,021,000	0%	N/A
705 Braselton Industrial Blvd*	Northeast	Third Quarter 2017	1,000,821	100%	Uline
Highway 155 S*	I-75 South	Fourth Quarter 2017	1,000,000	100%	Home Depot
545 Logistics Center Pky	Northeast	Second Quarter 2017	924,840	0%	N/A
3120 Anvil Block Rd	I-75 South	Third Quarter 2017	797,580	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	1Q17	YTD	Construction	Total	W/D	Flex
Airport/North Clayton	90,750,133	8.4%	8.4%	10.6%	1,680,436	1,680,436	4,242,107	\$3.65	\$3.60	\$8.08
I-85 South	19,534,517	3.6%	3.8%	1.5%	263,353	263,353	100,000	\$3.37	\$3.34	\$8.00
I-75 South	51,111,054	8.9%	9.1%	4.5%	1,875,518	1,875,518	5,068,931	\$3.20	\$3.15	\$7.74
<b>South Atlanta Total</b>	<b>161,395,704</b>	<b>8.0%</b>	<b>13.0%</b>	<b>14.5%</b>	<b>3,819,307</b>	<b>3,819,307</b>	<b>9,411,038</b>	<b>\$3.44</b>	<b>\$3.41</b>	<b>\$7.94</b>
Central Atlanta	7,050,398	6.1%	7.0%	0.3%	62,647	62,647	80,000	\$8.85	\$8.85	-
Chattahoochee	15,817,247	4.4%	4.9%	2.2%	284,571	284,571	117,906	\$6.88	\$5.88	\$13.71
I-20 W/Douglasville	44,199,014	4.4%	4.4%	4.1%	2,249,643	2,249,643	1,412,875	\$3.61	\$3.55	\$5.64
Fulton Industrial	48,565,409	3.3%	3.2%	6.0%	184,872	184,872	-	\$3.87	\$3.80	\$5.50
North Central	27,904,000	6.2%	5.3%	8.5%	(102,996)	(102,996)	98,297	\$7.03	\$5.67	\$9.67
Northeast	178,857,059	8.0%	7.4%	13.9%	(116,342)	(116,342)	5,637,469	\$4.69	\$4.32	\$8.92
Northwest	69,464,356	5.9%	5.5%	8.6%	320,778	320,778	861,300	\$4.83	\$4.25	\$8.90
Snapfinger/I-20 East	36,736,746	4.5%	4.1%	10.4%	(441,869)	(441,869)	480,000	\$3.99	\$3.77	\$6.10
Stone Mountain	25,890,375	7.6%	6.4%	16.1%	32,511	32,511	-	\$4.13	\$3.53	\$7.15
<b>Total Market</b>	<b>615,880,308</b>	<b>6.7%</b>	<b>6.4%</b>	<b>9.8%</b>	<b>6,293,122</b>	<b>6,293,122</b>	<b>18,098,885</b>	<b>\$4.21</b>	<b>\$3.94</b>	<b>\$8.58</b>

BY PRODUCT TYPE	Inventory	Vacancy	1Q Absorption	YTD Absorption	SF Under Construction	Sublease SF
Warehouse/Distribution	563,613,644	6.4%	5,573,480	5,573,480	17,900,979	2,334,482
Flex	52,266,664	9.8%	733,142	733,142	197,906	79,524
<b>Total Market</b>	<b>615,880,308</b>	<b>6.7%</b>	<b>6,293,122</b>	<b>6,293,122</b>	<b>18,098,885</b>	<b>2,414,006</b>

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