

Atlanta



Market Facts

6.7%

Total market vacancy down 20 bps
year-over-year

6.5%

Warehouse vacancy down 10 bps
year-over-year

18.7 MSF

SF under construction in the second
quarter with 34% preleased

\$4.23 PSF

Average asking rental rates up 2.4%
year-over-year

Market Overview

The second quarter of 2017 saw the industrial market in Metro Atlanta continue its positive growth pattern. The market recorded significantly high positive absorption and rental rates continue to rise. New construction continues to offer much needed relief from the lack of existing large blocks of space.

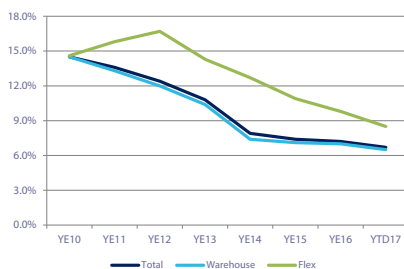
Vacancy and Absorption

The Atlanta industrial market recorded 5.9-msf of positive absorption during the second quarter of the year, bringing the year-to-date total to 12.2-msf. That is 21% higher than the pace of absorption activity 12 months ago. This also is the largest mid-year absorption total recorded in Metro Atlanta's industrial market history. The largest occupancy in the first quarter was Variety Wholesalers, absorbing 1.4-msf at 60 Herring Road in the I-85 South submarket. Due to the

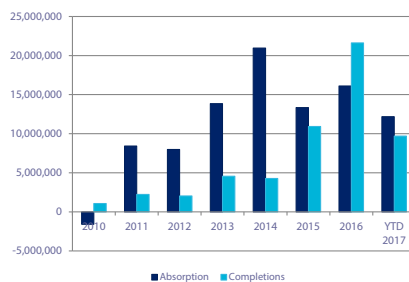
large amount of positive absorption recorded, the vacancy rate ended the second quarter at 6.7%, a 20 bps decline from this time in 2016. The decline was not as significant due to new projects entering the market with low occupancy rates. This trend could continue into the second half of 2017 as 11.3-msf of space is projected to enter the market, and is 36% preleased. The warehouse market vacancy rate is still in line with the overall market vacancy rate at 6.5%. This is a 10 bps decrease from the second quarter of 2016. As there is a lack of new construction in the flex product type, that sector recorded a historical low vacancy rate of 8.5%, down 150 bps year-over-year. As new industrial job announcements are released, such as Amazon's 1,000 new jobs at their 850,000 sf property in the Northeast submarket, leasing activity should continue at a steady pace.

If leasing activity keeps up with the pace of new inventory entering the market, the vacancy rate should remain stable.

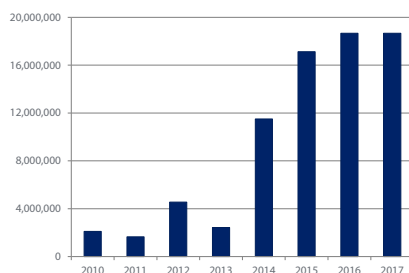
Vacancy Trends



Absorption vs. Completions



SF Under Construction



Leasing Activity

Leasing activity saw a slight uptick in the second quarter of 2017, but is still behind the pace of activity at this time in 2016. The Atlanta industrial market recorded 7.9-msf of leasing activity in the second quarter, bringing the year-to-date total to 15.6-msf. The Northeast submarket recorded 2.8-msf of leasing activity, giving the submarket a total of 6.2-msf year-to-date. The largest lease signed in the second quarter was Owens Corning's 1.0-msf renewal at 8095 McClair Road. Lindt signed a new lease of 1.0-msf at Lambert Farms Logistics Park, a 1.5-msf project that broke ground in the second quarter of 2017 after the lease was signed. If leasing activity continues at its current pace, it should keep pace with new inventory entering the market.

New Construction

Construction activity continues to be at record levels in Metro Atlanta. Currently there is 18.7-msf under construction, with 34% of it preleased. Speculative projects make up the majority of Atlanta's industrial construction activity with 14.1-msf underway. During the second quarter the market saw 4.4-msf of new space delivered, combined with the 5.3-msf at the beginning of the year the industrial market has 9.7-msf of new inventory.

Rental Rates

Industrial average asking rental rates in Metro Atlanta continued to rise in the second quarter of 2017. The average asking rate ended the quarter at \$4.23 NNN psf, up 2.4% year-over-year. The average warehouse rate rose by 2.9% to \$3.95 NNN psf in the same period. After years of minimal growth

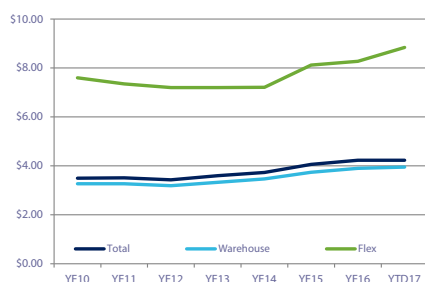
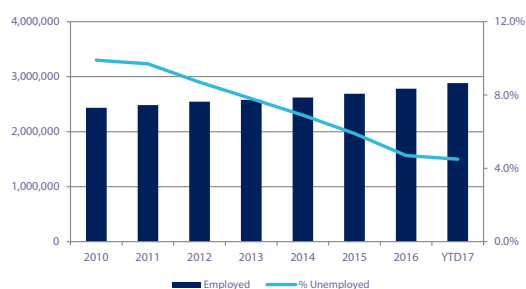
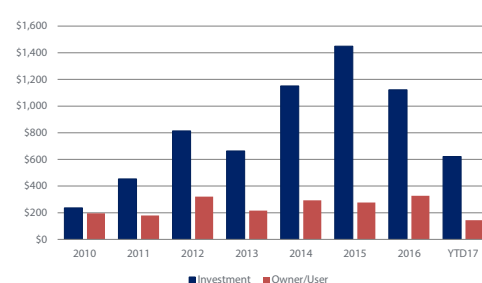
in asking rental rates, there has been an 18.5% increase in rates since 2013. New speculative development is a large factor in rent growth as these projects are commanding the highest rates in the Atlanta market, therefore pushing existing property rates higher to keep up with the demand.

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 second quarter of 2017 over \$313 million in sales were recorded, ending the first half of the year at \$806 million. If the market continues to see this kind of interest we could match the record of \$1.6 billion in sales set in 2015. The largest sale during the quarter was Clarion Partners acquiring 8095 McClair Road, a 1.0-msf warehouse building, from USAA Real Estate for \$54.75 million. The property is 100% occupied by Owens Corning for the next five years.

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 79,000 jobs between May 2016 and May 2017. Rental rates should 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
(May of each year)Industrial Sales
(in millions)

Select Lease Transactions

Tenant	Property	Type	Submarket	SF
Owens Corning	8095 McLarin Rd	Renewal	Airport/North Clayton	1,044,288
Lindt	King Mill Rd	New Lease	I-75 South	1,004,400
Kubota	435 Henry D. Robinson Blvd	New Lease	Northeast	398,485
All South Warehouse	5165 Kennedy Rd	Renewal	Airport/North Clayton	297,000
Undisclosed	570 Horizon Dr	New Lease	Northeast	264,550
Elite Foam	60 Herring Rd	New Lease	I-85 South	257,000
Kichler Lighting	900 Highway 124	Renewal	Northeast	247,704
DHL	2500 Sullivan	Renewal	Airport/North Clayton	219,870
JFG International	3101 McCall Blvd	New Lease	Northeast	140,000

Select Sale Transactions

Property	Submarket	Buyer	Total SF	Sale Price	Price/SF
8095 McLarin Road	Airport/North Clayton	Clarion Partners	1,044,288	\$54,750,000	\$52
5000 Bohannon Rd	Airport/North Clayton	TA Realty	873,800	\$62,000,000	\$71
130 Distribution Dr	I-75 South	American Realty Advisors	846,496	\$47,975,000	\$57
237 Greenwood Industrial	I-75 South	Exeter Property Group	455,000	\$14,700,053	\$32

Select Construction Projects

Property	Submarket	Projected Completion	Total SF	% Preleased	Major Tenant
King Mill Road	I-75 South	First Quarter 2018	1,555,200	65%	Lindt
Fulton Industrial Blvd*	Fulton Industrial	Second Quarter 2018	1,200,000	100%	UPS
120 Jackson Road*	I-75 South	Third Quarter 2017	1,200,000	100%	Dollar General
500 Palmetto Logistics Pky	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
Anvil Block Road	Airport/North Clayton	First Quarter 2018	1,017,404	0%	N/A
700 Price Dr	I-75 South	First Quarter 2018	1,000,993	0%	N/A
Highway 155 S*	I-75 South	Fourth Quarter 2017	1,000,000	100%	Home Depot

*Single-tenant leased property

Market By The Numbers

BY SUBMARKET	Inventory	VACANCY			NET ABSORPTION		SF Under	AVERAGE ASKING RENT		
		Total	W/D	Flex	2Q17	YTD	Construction	Total	W/D	Flex
Airport/North Clayton	90,944,788	8.2%	8.1%	11.8%	1,851,848	3,532,284	3,722,226	\$3.61	\$3.56	\$8.56
I-85 South	19,556,467	3.5%	3.6%	1.7%	1,449,039	1,712,392	200,000	\$3.37	\$3.23	\$9.53
I-75 South	51,721,623	10.5%	10.8%	1.5%	415,434	2,290,952	7,012,573	\$3.21	\$3.16	\$9.60
South Atlanta Total	162,222,878	8.4%	8.5%	5.8%	3,716,321	7,535,628	10,934,799	\$3.44	\$3.39	\$9.00
Central Atlanta	7,000,116	6.9%	7.9%	0.3%	(33,827)	28,820	100,000	\$9.58	\$9.24	\$14.88
Chattahoochee	15,835,593	3.5%	3.8%	2.3%	37,285	321,856	117,906	\$7.18	\$5.73	\$16.03
I-20 W/Douglasville	45,173,950	7.4%	7.7%	3.1%	439,824	2,689,467	1,063,917	\$3.61	\$3.48	\$5.68
Fulton Industrial	48,587,349	3.4%	3.4%	3.5%	32,788	217,660	1,200,000	\$3.83	\$3.79	\$5.23
North Central	27,980,725	5.3%	3.9%	8.8%	375,380	272,384	159,297	\$7.46	\$6.15	\$9.77
Northeast	180,647,255	6.9%	6.4%	11.3%	684,594	568,252	4,203,273	\$4.63	\$4.30	\$8.96
Northwest	70,759,310	5.7%	5.5%	7.7%	765,521	1,086,299	414,150	\$5.00	\$4.54	\$8.99
Snapfinger/I-20 East	36,748,060	4.8%	4.7%	6.7%	(99,540)	(541,409)	480,000	\$3.76	\$3.46	\$6.10
Stone Mountain	25,921,226	8.0%	6.8%	16.2%	(24,652)	7,859	-	\$4.39	\$3.74	\$7.09
Total Market	620,876,462	6.7%	6.5%	8.5%	5,893,694	12,186,816	18,673,342	\$4.23	\$3.95	\$8.84

BY PRODUCT TYPE	Inventory	Vacancy	2Q Absorption	YTD Absorption	SF Under Construction	Sublease SF
Warehouse/Distribution	568,737,309	6.5%	5,788,903	11,362,383	18,455,436	1,681,466
Flex	52,139,153	8.5%	104,791	837,933	217,906	126,988
Total Market	620,876,462	6.7%	5,893,694	12,186,816	18,673,342	1,808,454



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