INDUSTRIAL CAPITAL MARKETS
SOUTHEAST SNAPSHOT

March 2018

Southeast Industrial Poised for Continued Growth

Rapid population and economic growth, along with solid infrastructure and business friendly cities continue to drive expansion in the Southeast industrial region. From the world's busiest airport in Atlanta, to the Port of Charleston and throughout south Florida, the region is experiencing considerable leasing, construction, and capital markets demand.

The Southeast is attractive to businesses as well as employees, due to its warm climates, affordable cities, and the transformation occurring in many downtown environments. This, coupled with the surge in e-commerce demand, correlates to a positive outlook for warehouse and distribution facilities, and the logistics channels that support them.

The Southeast industrial outlook should continue to fuel capital market sales in 2018, following a robust 2017, where sales totaled $2.79 billion in Atlanta and $1.92 billion in Miami, for example.

Most Active Markets for Industrial Sales

City	2016	2017
Atlanta	1.78 B	2.79 B
Miami	2.23 B	1.92 B
Charlotte	541 M	946 M
Nashville	497 M	713 M
Charleston	304 M	115 M

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MARKETS AT A GLANCE **SOUTHEAST**

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NOTABLE SALES

In the Atlanta market, Mapletree Investments JV purchased the Peachtree Data Center in Atlanta for $138 million in December of 2017. The 357,441-sf building was part of a 14-building portfolio. In September of 2017, Lexington Realty Trust purchased a 3.2 msf, three-property industrial portfolio. The REIT paid a total of $200 million for a 1.5 msf warehouse and light assembly facility in the Nashville market leased to Nissan North America; a 1.1 msf distribution center between Nashville and Memphis, in Jackson, TN, leased to Kellogg's Sales Company; and a 615,600-sf distribution center in the Memphis market.

CAPITAL FLOW

The industrial sector is attracting a variety of investors. In 2017, they included from: Private investors (42%), Institutions (21%), REITS (15%), Foreign Investors (15%), and other sources. Canada continues to lead in foreign capital invested in this region, with $616 million in 2017, followed by Singapore, with $326 million.

SOURCE:
Avison Young Research and Real Capital Analytics

ATLANTA

Looks for continued investment sales growth in 2018. The market should remain in the landlord's favor, even with an expected increase in vacancy. Job growth, especially in the e-commerce sector, remains strong and is one of the key drivers of the record absorption. The pace of leasing activity will be the driving force behind strong fundamentals, including rising rental rates, and continued investor interest throughout 2018.

MIAMI

Significant activity in Miami is attracting institutional investors, logistics operators and e-commerce companies. Due to this tremendous growth, Miami is now on par with many top U.S. markets such as LA, New York, Chicago, Atlanta and North Carolina in overall vacancy and total net absorption. There was more than 3 MSF of industrial space absorbed in 2017, driven largely by a boost in last-mile space.

CHARLOTTE

The industrial market is poised for another strong performance in 2018. A wave of construction completions in the first half of the year will likely push vacancy higher, but tenant demand remains strong, and the market should continue to favor landlords. Rent growth should continue, with conditions attracting both investors and developers to the region.

NASHVILLE

The market saw a record setting 6.0 msf of new industrial space delivered in 2017. The Lowe's Fulfillment Center in the North submarket was by far the most significant delivery, adding more than 1.0 msf of space. The facility is Lowe's first direct-to-consumer fulfillment center, bringing over 600 jobs and $100 million in capital investment to Tennessee.

CHARLESTON

Speculative building was busy in 2017, with over 1.5 msf under construction at the end of Q4, excluding the more than 4 msf underway between Volvo and Mercedes Benz Vans. Among the investment sales completed in Q4 were Leeds Industrial Park, a 1,057,000-sf multi-tenant and multi-building manufacturing facility, which sold for $42 million and a new 122,000-sf FedEx facility, which sold for $21.8 million.