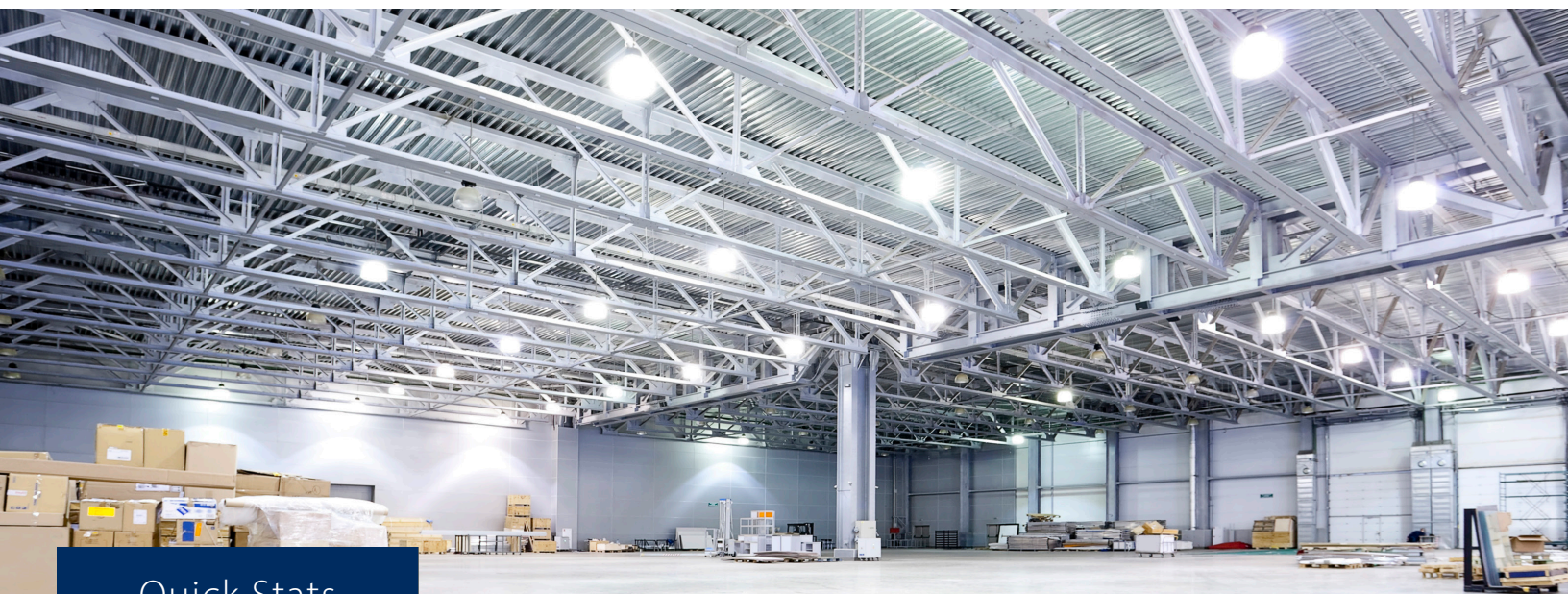


# Atlanta



## Quick Stats

**5.6%**

Total market vacancy down 60 bps  
year-over-year

**5.5%**

Warehouse vacancy down 60 bps  
year-over-year

**23.1 MSF**

SF under construction in the first  
quarter with 17.6% preleased

**\$4.62 PSF**

Average asking rental rates up 4.5%  
year-over-year

## Market Overview

The metro Atlanta industrial market started 2019 off on a positive note. While the total amount of positive absorption was lower than previous quarters, the vacancy rate remained stable. Construction activity saw an uptick during the quarter and rental rates continued to climb as landlords have the upper hand due to limited existing available space in the market.

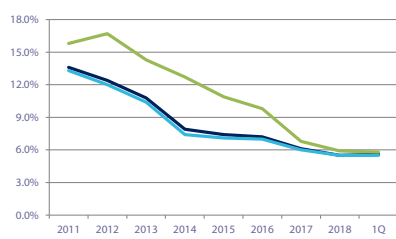
### Vacancy and Absorption

The Atlanta industrial market recorded its 31st consecutive quarter of positive absorption during the first three months of 2019 ending at 1.4 million square feet (msf). This is the second longest streak of positive absorption since the second quarter of 1991 to the third quarter of 1999. While this number is lower than past quarters, there were some significant occupancies recorded. The largest move-in during the first quarter was Blue Buffalo, absorbing 408,000 square feet (sf) at Westridge Logistics Center in the I-75 South submarket, which led the Atlanta

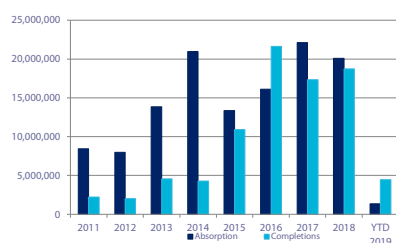
market in absorption activity. The Northeast submarket was not far behind in positive net gains as FCS Automotive International occupied 203,000 sf at Northbrook. The overall Metro Atlanta vacancy rate decreased by 60 basis points (bps) year-over-year to finish the first quarter at 5.6%. The warehouse market ended the quarter with a 5.5% vacancy rate, which also was a 60 bps decline from the same period in 2018. The flex market vacancy rate continued its downward trend, dropping 110 bps year-over-year to 5.8%. The Central and North Central flex submarkets have been the dominating force behind the significant decrease in vacancy. As long as absorption activity continues to outpace the amount of newly constructed vacant space entering the market, the overall vacancy rate should see a downward trend. While leasing activity overall is strong in the Atlanta market, new construction leasing activity has not reached a level to ensure the vacancy rate does not increase in future quarters.

Leasing activity in new construction projects needs to increase in order for the overall market vacancy rate to continue its downward trend

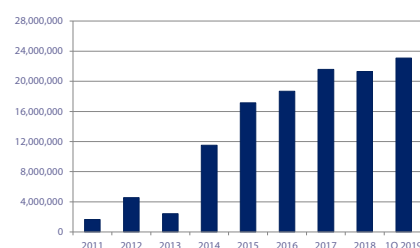
### Vacancy Trends



### Absorption vs. Completions



### SF Under Construction



### Leasing Activity

Leasing activity in the first quarter of 2019 remained strong. The market recorded 6.0 msf of new leases, up 13.7% from the activity seen at the end of 2018. The Airport/North Clayton submarket saw the most activity, recording 2.6 msf of signed leases. The largest lease signed in the first quarter was PVH Corp at Shugart Farms for 982,777 sf in the Airport/North Clayton submarket. Logistics companies such as XPO, Transouth and LeSaint dominated the top 20 leases for the quarter, where in the past e-commerce was the driving force in leasing activity for the Atlanta market. As these traditional industrial tenants look in the market, they will be able to have their choice of either newly constructed space, or less expensive second generation space for those that may not need all the amenities that newer buildings provide.

### New Construction

The Atlanta industrial market currently has 23.1 msf under construction, close to the record amount of 23.5 msf seen in the third quarter of 2018. Out of the 23.1 msf, only 17.6% of the space is preleased. The market saw 4.4 msf of new space come online in the first quarter, slightly behind the average pace of deliveries over the last 12 months. Leasing activity reached an all time low in these properties as only 7.7% of the space was leased at the time of delivery. As 20.0 msf of the 23.1 msf underway has an estimated completion date of 2019, the market will need to see a significant increase in leasing activity so that these projects don't adversely affect the vacancy rate.

### Rental Rates

Industrial average asking rental rates in

Metro Atlanta continue to see upward movement. The average asking rate ended the first quarter at \$4.62 NNN per square foot (psf), up 4.5% year-over-year. The average warehouse rate rose by 6.1% to \$4.33 NNN psf in the same period. Flex average asking rental rates grew at a slower pace, up 1.5% year-over-year, ending the quarter at \$9.36 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 recorded \$526 million in investment sales during the first quarter of 2019. This is up 53.4% from the pace of activity during the first three months of 2018. The largest sale of the quarter was GLL Real Estate Partners purchasing Southwest 85 Logistics Center from Core5 Industrial Partners for \$79.4 million. This 1.2 msf property was 100% leased at the time of the sale to Saddle Creek with a 10 year lease in place.

### Outlook

Job growth continued its upward trend in Metro Atlanta during the first quarter. According to the Bureau of Labor Statistics, employment in the Atlanta Metro area grew by more than 60,000 jobs between March 2018 and March 2019. This is a growth rate of 2.2%, significantly ahead of the 1.7% growth the US is currently experiencing. The pace of leasing activity in under construction projects throughout the Atlanta industrial market will be the determining factor behind the vacancy rate remaining stable and rental rates continuing their upward trend in 2019.



Underway

Currently the Atlanta industrial market has 23.1 million square feet of new space under construction.



Delivered

During the last 12 months the Atlanta industrial market has seen 17.2 million square feet enter the inventory.



Rank

Atlanta is third in the U.S. for industrial space under construction behind Dallas at 31.1 msf and Inland Empire at 23.6 msf.

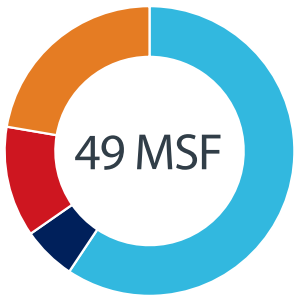
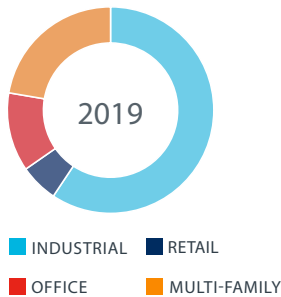


Spec Developments

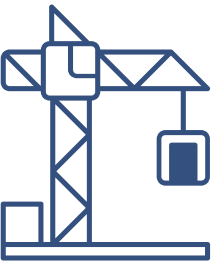
Spec development continues to capture the majority of Atlanta's industrial construction activity. Atlanta currently has 20.6 million square feet of spec space underway and is 7.3% preleased. This trend is expected to continue as developers are taking advantage of an active market.

20.0 MILLION SQUARE FEET

to be delivered in 2019, with 3.6 msf preleased



| 1Q 2018 | 1Q 2019 |
|---------|---------|
| 56.9%   | 46.7%   |
| 0.9%    | 0.8%    |
| 7.2%    | 6.2%    |
| 35.0%   | 46.2%   |



Construction Update

Metro Atlanta industrial construction remains very active, and 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.

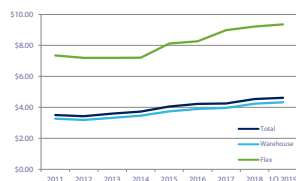


Build-to-Suit Developments

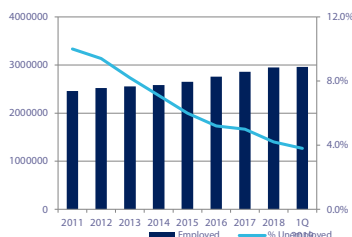
Build-to-suit developments have seen a slight decrease over recent years due to the surge in speculative development offering tenants what they need. Metro Atlanta currently has 2.5 million square feet of build-to-suit product underway.



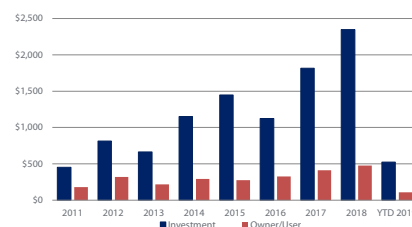
### Average Asking Rental Rate (psf/year/NNN)



### Metro Atlanta Employment (February of each year)



### Industrial Sales (in millions)



### Select 1Q 2019 Lease Transactions

| Tenant              | Property                | Type      | Submarket             | SF      |
|---------------------|-------------------------|-----------|-----------------------|---------|
| PVH Corp            | 8500 Tatum Rd           | New Lease | Airport/North Clayton | 982,777 |
| Trane US, Inc       | 4286 E Southmeadow Pky  | New Lease | Airport/North Clayton | 400,125 |
| XPO Logistics       | 5345 Old Dixie Hwy      | Renewal   | Airport/North Clayton | 373,900 |
| Undisclosed         | 4505 N Commerce Dr      | New Lease | Airport/North Clayton | 336,960 |
| Undisclosed         | 200 Interstate South Dr | New Lease | I-75 South            | 296,640 |
| Transouth Logistics | 1001 Cherry Dr          | Renewal   | Northeast             | 287,286 |
| Sugar Foods         | 875 Maxham Rd           | New Lease | I-20 W/Douglasville   | 247,000 |
| Anixter             | 6525 Best Friend Rd     | Renewal   | Northeast             | 153,572 |

### Select 1Q 2019 Sale Transactions

| Property                     | Submarket             | Buyer                    | Total SF  | Sale Price   | Price/SF |
|------------------------------|-----------------------|--------------------------|-----------|--------------|----------|
| 590 Coweta Industrial Park   | I-85 South            | GLL Real Estate Partners | 1,208,301 | \$79,350,000 | \$66     |
| 21660 Anvil Block Rd         | Airport/North Clayton | TA Realty                | 848,421   | \$57,000,000 | \$67     |
| 1015 Collinsworth Rd         | I-85 South            | MCB Real Estate          | 1,000,200 | \$50,750,000 | \$51     |
| 117 Valentine Industrial Pky | Northeast             | Hillwood                 | 1,021,440 | \$44,943,360 | \$44     |

### Select Construction Projects

| Property                      | Submarket             | Projected Completion | Total SF  | % Preleased | Major Tenant       |
|-------------------------------|-----------------------|----------------------|-----------|-------------|--------------------|
| 700 Palmetto Logistics Pky    | Airport/North Clayton | Fourth Quarter 2019  | 1,310,400 | 0%          | N/A                |
| Southern Gateway - Building B | I-75 South            | Second Quarter 2019  | 1,104,320 | 0%          | N/A                |
| Commerce 85 Logistics Park*   | Northeast             | Second Quarter 2019  | 1,099,880 | 100%        | Haier GE Appliance |
| 2160 Anvil Block Rd           | Airport/North Clayton | Fourth Quarter 2019  | 1,043,418 | 0%          | N/A                |
| 980 Douglas Hill Road         | I-20W/Douglasville    | First Quarter 2020   | 1,026,000 | 0%          | N/A                |
| 3150 Highway 42               | I-75 South            | Third Quarter 2019   | 1,011,907 | 0%          | N/A                |
| 94 Logistics Lane             | Northeast             | Third Quarter 2019   | 1,003,386 | 0%          | N/A                |

\*Single-tenant leased property

### Trends to Watch

Look for these three key trends to continue throughout 2019 in the Atlanta industrial market.



#### Vacancy

Possible increase as new construction enters the inventory vacant.



#### Rental Rates

Will continue to rise as new construction costs push rates up.



#### Construction

Could break record for amount of space under construction in 2019.

## Market By The Numbers

| BY SUBMARKET               | Inventory          | VACANCY     |             |             | NET ABSORPTION   |                  | SF Under          | AVERAGE ASKING RENT |               |               |
|----------------------------|--------------------|-------------|-------------|-------------|------------------|------------------|-------------------|---------------------|---------------|---------------|
|                            |                    | Total       | W/D         | Flex        | 1Q19             | YTD              | Construction      | Total               | W/D           | Flex          |
| Airport/North Clayton      | 98,227,169         | 5.4%        | 5.4%        | 6.5%        | 180,191          | 180,191          | 4,752,621         | \$3.85              | \$3.82        | \$7.76        |
| I-85 South                 | 23,494,578         | 6.9%        | 7.1%        | 3.0%        | 14,024           | 14,024           | 1,127,908         | \$4.47              | \$4.24        | \$9.02        |
| I-75 South                 | 60,556,883         | 8.6%        | 8.8%        | 0.7%        | 623,620          | 623,620          | 4,231,415         | \$3.37              | \$3.51        | \$4.75        |
| <b>South Atlanta Total</b> | <b>182,278,630</b> | <b>6.6%</b> | <b>6.7%</b> | <b>3.6%</b> | <b>817,835</b>   | <b>817,835</b>   | <b>10,111,944</b> | <b>\$3.75</b>       | <b>\$3.72</b> | <b>\$8.11</b> |
| Central Atlanta            | 7,893,645          | 8.4%        | 10.2%       | 1.2%        | 38,058           | 38,058           | -                 | \$11.73             | \$9.73        | \$22.81       |
| Chattahoochee              | 16,520,442         | 4.2%        | 4.3%        | 3.8%        | (21,194)         | (21,194)         | -                 | \$9.86              | \$7.51        | \$17.30       |
| Fulton Industrial          | 51,016,744         | 2.4%        | 2.4%        | 1.2%        | (244,434)        | (244,434)        | -                 | \$4.69              | \$4.66        | \$8.75        |
| I-20 W/Douglasville        | 50,768,131         | 8.1%        | 8.3%        | 4.8%        | 248,467          | 248,467          | 2,702,153         | \$4.04              | \$4.00        | \$6.79        |
| North Central              | 29,652,632         | 3.8%        | 3.4%        | 4.8%        | 67,082           | 67,082           | 183,578           | \$7.93              | \$6.58        | \$10.96       |
| Northeast                  | 194,852,674        | 6.9%        | 6.8%        | 8.5%        | 603,570          | 603,570          | 6,207,389         | \$4.67              | \$4.42        | \$8.09        |
| Northwest                  | 74,829,025         | 2.4%        | 2.1%        | 5.0%        | (107,568)        | (107,568)        | 1,612,140         | \$5.65              | \$5.21        | \$9.96        |
| Snapfinger/I-20 East       | 38,678,825         | 3.1%        | 3.0%        | 5.4%        | (44,237)         | (44,237)         | 1,925,225         | \$4.42              | \$3.88        | \$6.76        |
| Stone Mountain             | 26,513,258         | 3.6%        | 3.2%        | 6.4%        | (253)            | (253)            | 351,700           | \$6.06              | \$5.61        | \$7.40        |
| <b>Total Market</b>        | <b>673,004,006</b> | <b>5.6%</b> | <b>5.5%</b> | <b>5.8%</b> | <b>1,357,326</b> | <b>1,357,326</b> | <b>23,094,129</b> | <b>\$4.62</b>       | <b>\$4.33</b> | <b>\$9.36</b> |

| BY PRODUCT TYPE        | Inventory          | Vacancy     | 1Q Absorption    | YTD Absorption   | SF Under Construction | Sublease SF    |
|------------------------|--------------------|-------------|------------------|------------------|-----------------------|----------------|
| Warehouse/Distribution | 619,849,999        | 5.5%        | 1,270,622        | 1,270,622        | 23,094,129            | 661,169        |
| Flex                   | 53,154,007         | 5.8%        | 86,704           | 86,704           | -                     | 87,080         |
| <b>Total Market</b>    | <b>673,004,006</b> | <b>5.6%</b> | <b>1,357,326</b> | <b>1,357,326</b> | <b>23,094,129</b>     | <b>748,249</b> |

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



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