

# Atlanta



## Market Facts

**6.3%**

Total market vacancy down 40 bps  
year-over-year

**6.3%**

Warehouse vacancy down 20 bps  
year-over-year

**20.2 MSF**

SF under construction in the second  
quarter with 28% preleased

**\$4.52 PSF**

Average asking rental rates up 6.9%  
year-over-year

## Market Overview

Construction activity continues to be the main topic of conversation regarding the Metro Atlanta industrial market. While the pace of new projects delivering has slowed, the amount of space under construction has once again risen above 20 million square feet (msf). Average asking rental rates are also seeing an upward trend, which makes this a landlord's market.

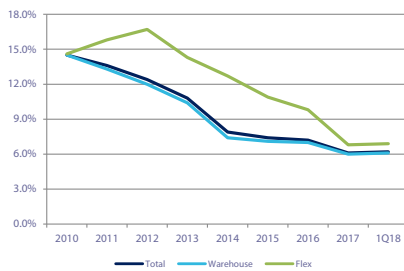
### Vacancy and Absorption

The Atlanta industrial market recorded 3.6 msf of positive net absorption during the second quarter of the year, bringing the year-to-date total to 7.3 msf. While this pace is slower than this time in 2017, the second half of 2018 should see an increase in absorption due to the strong leasing activity over the last 12 months. One of the largest occupancies in the second quarter was S&S Activewear, absorbing 505,000 square feet (sf) at

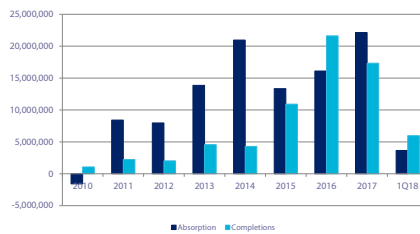
Midland Logistics Center in the I-75 South submarket. This submarket also saw the largest amount of positive absorption during the quarter, recording 1.7 msf. The vacancy rate remained stable during the second quarter at 6.3%, a 40 basis point (bps) decline year-over-year. This is welcome news as the trend of unoccupied new construction buildings adding vacant space to the inventory continues. The warehouse market ended the second quarter with a 6.3% vacancy rate, which was a 20 bps decline from the same period in 2017. The flex market saw another large vacancy decline, similar to what it witnessed in the first quarter, dropping 160 bps year-over-year to 6.9%. Metro Atlanta's flex market has not seen a similar increase in construction activity as the warehouse market so the vacancy rate is expected to continue its downward trend in the flex category.

Vacancy rates remain stable as a large amount of new inventory entered the market, which is driving asking rental rates upward as new construction properties demand higher rates

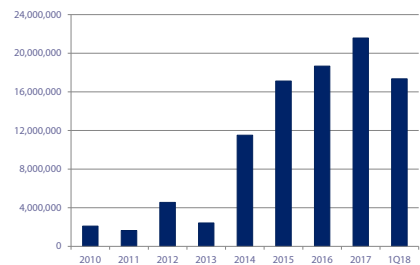
### Vacancy Trends



### Absorption vs. Completions



### SF Under Construction



### Leasing Activity

After a strong first quarter of leasing activity, the market continued its momentum with 5.2 msf of new leased space. This brings the year-to-date total to 14.1 msf. The Northeast submarket saw the most activity, recording 1.4 msf of signed leases. The largest lease signed in the second quarter was XPO Logistics at 237 Greenwood Industrial for 455,000 sf in the I-75 South submarket. The Atlanta industrial market continues to see increased interest from e-commerce companies such as Amazon, S&S Activewear, ASOS and most recently Five Below. These companies are being drawn to the large amount of new construction projects in the market, which will allow them to tailor their space to fit their requirements, instead of leasing second generation space which would require significant time and buildout.

### New Construction

The pace of construction activity saw an uptick in the second quarter. Currently there are 20.2 msf under construction, but only 28% of the space is preleased. The market saw 2.5 msf of new space come online in the second quarter, for a year-to-date total of 8.4 msf. Leasing activity in these new construction properties has been slow, as 72% of the 8.4 msf delivered was vacant. The pipeline of industrial tenants in the market does remain strong, so there is the potential for an increase in leasing newly constructed properties.

### Rental Rates

Industrial average asking rental rates in Metro Atlanta recorded another quarter of upward movement. The average asking rate ended the second

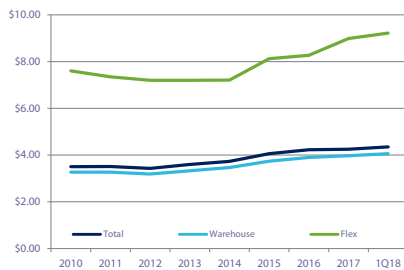
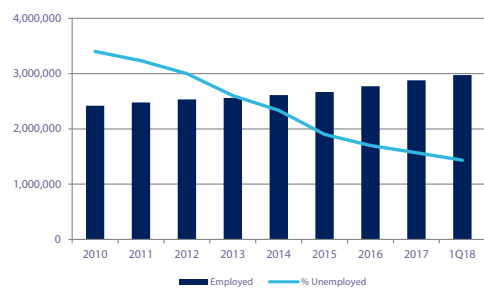
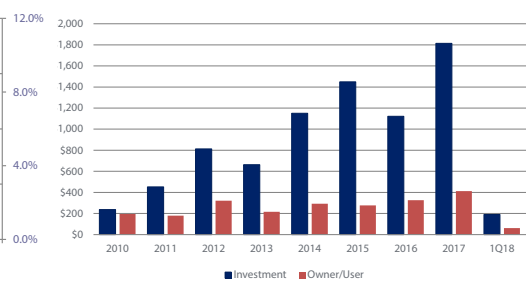
quarter at \$4.52 NNN per square foot (psf), up 6.9% year-over-year. This is the first time overall rates have surpassed the \$4.50 psf mark. The average warehouse rate rose by 7.1% to \$4.21 NNN psf in the same period. Flex average asking rental rates grew at a slower pace, up 3.6% year-over-year, ending the quarter at \$9.14 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 saw a surge in sales activity during the second quarter of 2018, after a slow start to the year. The market recorded \$578 million in investment sales, for a year-to-date total of \$912 million. One of the largest single property sales during the quarter was Cabot Properties acquiring 3495 Highway 92, a 312,500 sf new construction property, from Core5 Industrial for \$20.16 million.

### Outlook

The Atlanta industrial market should remain in the landlord's favor during 2018, even with an anticipated large amount of new space coming on the market. Job growth in Atlanta continues to be strong and is one of the driving forces behind high levels of leasing activity. According to the Bureau of Labor Statistics, employment in the Atlanta Metro grew by more than 44,000 jobs between May 2017 and May 2018. The pace of leasing activity in the Atlanta industrial market will be the driving force behind a limited vacancy rate increase, rising rental rates, and continued investor interest in the market throughout 2018.

Average Asking Rental Rate  
(psf/year/NNN)Metro Atlanta Employment  
(May of each year)Industrial Sales  
(in millions)

## Select 2Q 2018 Lease Transactions

Tenant	Property	Type	Submarket	SF
XPO Logistics	237 Greenwood Industrial Ct	New Lease	I-75 South	455,000
Atlanta Bonded Warehouse	3495 Highway 92	New Lease	Northwest	312,500
Lean Supply	5025 Fayetteville Rd	New Lease	Airport/North Clayton	279,776
Undisclosed	1780 Westgate Pky	New Lease	Fulton Industrial	246,400
Ainsworth Pet	5395 Oakley Industrial Blvd	Sublease	Airport/North Clayton	150,866
APL Logistics	1000 Westlake Pky	Renewal	Fulton Industrial	128,000
Carroll's	1775 Hillcrest Rd	New Lease	Northeast	124,555
Dart	1385 Valentine Industrial Pky	New Lease	Northeast	120,000

## Select 2Q 2018 Sale Transactions

Property	Submarket	Buyer	Total SF	Sale Price	Price/SF
1255 & 1265 Terminus Dr		Exeter Property Group	729,400	\$30,450,000	\$42
3495 Highway 92	Northwest	Cabot Properties	312,500	\$20,160,000	\$65
1075 Satellite Blvd	Northeast	Crystal Investment	249,000	\$16,500,000	\$66
3075 Chastain Meadows Pky	Northwest	Exeter Property Group	130,800	\$9,000,000	\$69

## Select Construction Projects

Property	Submarket	Projected Completion	Total SF	% Preleased	Major Tenant
Southwest 85 Logistic Center*	I-85 South	Third Quarter 2018	1,208,301	100%	Saddle Creek
UPS Distribution Facility*	Fulton Industrial	Third Quarter 2018	1,200,000	100%	UPS
Southern Gateway - Building B	I-75 South	First Quarter 2019	1,104,320	0%	N/A
Braselton 53 Commerce Center	Northeast	First Quarter 2019	1,081,280	0%	N/A
Northeast 85 Logistics Center	Northeast	Fourth Quarter 2018	1,053,360	0%	N/A
Anvil Block Road*	Airport/North Clayton	Second Quarter 2018	1,017,627	100%	HD Supply
Palmetto Logistics Center	I-85 South	Fourth Quarter 2018	1,000,200	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	2Q18	YTD	Construction	Total	W/D	Flex
Airport/North Clayton	95,333,002	8.1%	8.2%	3.1%	481,817	1,489,938	3,810,587	\$3.79	\$3.66	\$11.55
I-85 South	20,640,750	2.6%	2.4%	5.3%	30,210	51,967	2,508,021	\$4.12	\$3.71	\$9.70
I-75 South	60,274,937	9.9%	10.1%	1.7%	1,742,457	3,419,262	1,944,320	\$3.28	\$3.28	N/A
<b>South Atlanta Total</b>	<b>176,248,689</b>	<b>8.1%</b>	<b>8.5%</b>	<b>3.0%</b>	<b>2,254,484</b>	<b>4,961,167</b>	<b>8,262,928</b>	<b>\$3.61</b>	<b>\$3.59</b>	<b>\$10.58</b>
Central Atlanta	7,802,682	7.5%	9.0%	1.0%	6,507	(16,803)	94,000	\$9.11	\$8.33	\$18.27
Chattahoochee	16,376,469	4.1%	4.4%	3.0%	(65,330)	(300,800)	24,740	\$7.79	\$7.16	\$13.61
Fulton Industrial	49,572,516	3.1%	3.1%	2.6%	-63,643	7,633	1,363,512	\$4.46	\$4.38	\$8.99
I-20 W/Douglasville	48,535,671	9.3%	9.9%	1.4%	450,233	785,194	2,722,038	\$3.86	\$3.76	\$8.08
North Central	30,050,103	4.6%	3.4%	7.8%	(130,831)	(33,919)	86,660	\$7.35	\$6.00	\$9.80
Northeast	188,778,929	6.9%	6.7%	9.5%	979,661	1,176,914	5,963,094	\$4.83	\$4.46	\$8.75
Northwest	73,409,137	3.5%	3.2%	5.8%	40,008	612,330	1,403,750	\$5.31	\$4.79	\$9.69
Snapfinger/I-20 East	38,662,497	2.8%	2.6%	6.3%	271,189	87,302	51,000	\$4.42	\$3.94	\$6.84
Stone Mountain	26,228,112	7.4%	6.6%	13.0%	(133,509)	(22,341)	189,690	\$4.44	\$3.96	\$6.88
<b>Total Market</b>	<b>655,664,805</b>	<b>6.3%</b>	<b>6.3%</b>	<b>6.9%</b>	<b>3,608,769</b>	<b>7,256,677</b>	<b>20,161,412</b>	<b>\$4.52</b>	<b>\$4.21</b>	<b>\$9.14</b>

BY PRODUCT TYPE	Inventory	Vacancy	2Q Absorption	YTD Absorption	SF Under Construction	Sublease SF
Warehouse/Distribution	602,280,068	6.3%	3,503,918	6,945,910	20,067,412	1,751,661
Flex	53,384,737	6.9%	104,851	310,767	94,000	56,616
<b>Total Market</b>	<b>655,664,805</b>	<b>6.3%</b>	<b>3,608,769</b>	<b>7,256,677</b>	<b>20,161,412</b>	<b>1,808,277</b>

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



For more information, please contact:

Sara Barnes  
 Research Manager  
 770.916.6125  
 sara.barnes@avisonyoung.com

avisonyoung.com