

MARKETBEAT

Atlanta

Industrial Q3 2017



ATLANTA INDUSTRIAL

Economic Indicators

	Q3 16	Q3 17	12-Month Forecast
Atlanta Employment	2.6M	2.7M	▲
Atlanta Unemployment	5.1%	4.5%	▼
U.S. Unemployment	4.9%	4.4%	▼

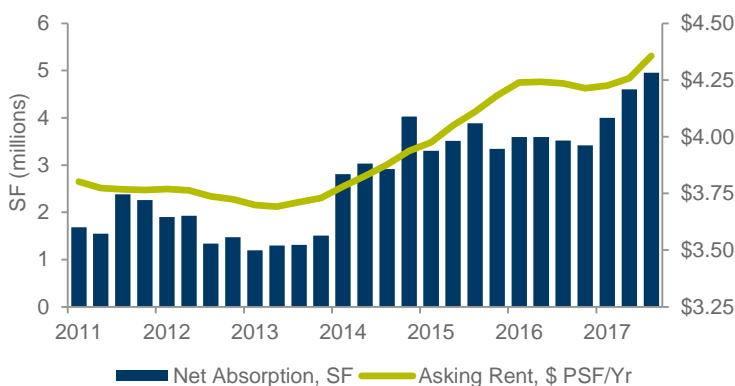
Market Indicators (Overall, All Classes)

	Q3 16	Q3 17	12-Month Forecast
Vacancy	8.6%	7.8%	▼
Net Absorption (sf)	2.2M	3.6M	▲
Under Construction (sf)	18.8M	14.8M	▼
Average Asking Rent*	\$4.17	\$4.54	▲

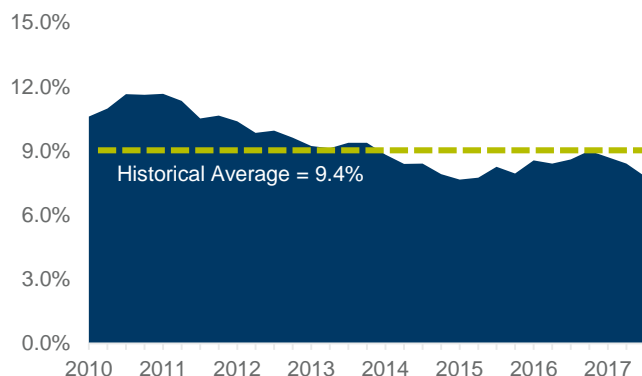
*Rental rates reflect net asking \$psf/year

Overall Net Absorption/Overall Asking Rent

4-QTR TRAILING AVERAGE



Overall Vacancy



Economy

The Atlanta metropolitan area continued the momentum of healthy job growth. The Atlanta metropolitan area (metro Atlanta) has added net 74,000 non-farm jobs year-over-year since the third quarter of 2016. The unemployment rate dropped 50 basis points to 4.5 percent from 5.1 percent a year ago.

Market Overview

Third quarter statistics revealed that Atlanta has already experienced the most industrial net absorption ever recorded in a year. The Atlanta industrial market is experiencing a record-breaking 2017 with 16.3 million square feet of occupancy gains year-to-date. This breaks the previous record annual total of 16.1 million square feet of absorption set in 2014. With fourth quarter still remaining, the industrial market is expected to shatter 2014's absorption record by millions of square feet. The Northeast submarket is leading the way with 3.3 million square feet of year-to-date absorption, followed closely by the Airport/South Atlanta submarket with 3.2 million square feet of absorption. The largest move-ins this year are Variety Wholesalers' move into 1.4 million square feet at the Shenandoah Industrial Park and Home Depot's move into its 1 million-square-foot fulfillment center in Locust Grove, GA. Due to the record amount of occupancy gains so far this year, the vacancy rate has decreased 80 basis points year-over-year to 7.8%. This is evidence that demand and absorption is keeping pace with the record amount of new completions.

Construction completions are also approaching a new all-time high. Speculative completions so far this year total 12.1 million square feet, while build-to-suit completions total 3.0 million square feet. This brings the overall construction completion total to 15.1 million square feet for the first three quarters of 2017. With 14.8 million square feet still under construction, Atlanta is on pace to surpass last year's delivery record of 17.5 million square feet.

Leasing activity remained strong in the third quarter of 2017 with 6.4 million square feet of leases signed. This brings the year-to-date total for 2017 to 18.4 million square feet. The Northeast dominated leasing activity with 6.3 million square feet of leases signed in the first nine months of the year, followed by the I-20/Fulton Industrial submarket with 3.8 million square feet of leases signed.

Overall asking rents jumped from \$4.17 per square foot (psf) during Q3 2016 to \$4.54 psf in the third quarter of 2017, an increase of 8.9% year-over-year. This marks the highest industrial overall asking rental rate since the fourth quarter of 2001, when asking rates reached \$4.69 per square foot. Investment sales also made a strong showing in the first nine months of 2017 with over 16 million square feet of industrial product trading hands.

ATLANTA HAS ALREADY EXPERIENCED THE MOST OVERALL NET ABSORPTION EVER RECORDED IN A YEAR.

Outlook

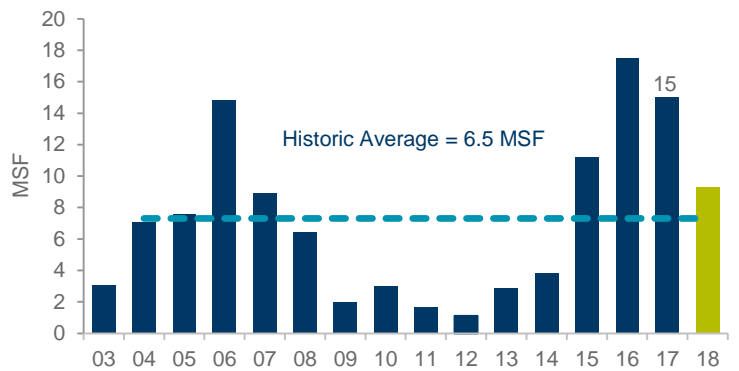
Atlanta is poised for another banner year in 2017. We expect vacancy levels to remain healthy despite the large amount of new deliveries. Strong market fundamentals coupled with increasing demand for big-box space make Atlanta one of the top markets in the nation for industrial real estate. Current indicators such as record absorption and strong leasing activity suggest that the Atlanta industrial market will remain active and consistent to close out 2017.

Industrial Highlights

- The Atlanta industrial market is experiencing a record-breaking 2017 with 16.3 million square feet of occupancy gains year-to-date. This breaks the previous record of 16.1 million square feet of absorption set in 2014.
- Construction completions are approaching a new all-time high with 15.1 million square feet of new space delivered so far this year. With 14.8 million square feet still under construction, Atlanta is on pace to surpass last year's delivery record of 17.5 million square feet.
- Due to the record amount of occupancy gains so far this year, the vacancy rate has decreased 80 basis points year-over-year to 7.8%.
- Overall asking rents jumped from \$4.17 per square foot (psf) during Q3 2016 to \$4.54 psf in the third quarter of 2017, an increase of 8.9% year-over-year. This marks the highest industrial overall asking rental rate since the fourth quarter of 2001 when asking rates reached \$4.69 per square foot.

New Supply

2016 NEW SUPPLY REACHED AN ALL-TIME HIGH WITH 17.5 MSF DELIVERED



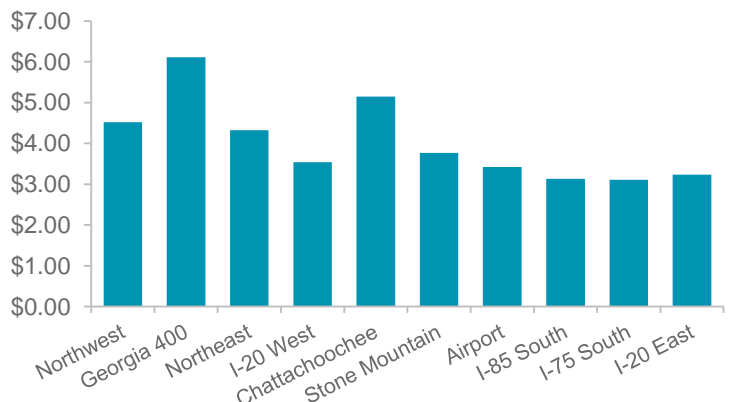
Occupied vs. Vacant Space Comparison

NORTHEAST HAS LARGEST INVENTORY OF VACANT SPACE



Warehouse/Distribution Asking Rents by Submarket (NNN)

GEORGIA 400 HAS HIGHEST RENT IN THE MARKET



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SUBMARKET	INVENTORY (SF)	YTD LEASING ACTIVITY (SF)	OVERALL VACANCY RATE	YTD OVERALL NET ABSORPTION (SF)	UNDER CNSTR (SF)	OVERALL WEIGHTED AVG. NET RENT (HT)	OVERALL WEIGHTED AVG. NET RENT (MF)	OVERALL WEIGHTED AVG. NET RENT (OS)	OVERALL WEIGHTED AVG. NET RENT (WH)
Northwest Atlanta	45,215,423	1,373,432	5.6%	1,379,062	386,500	\$0.00	\$0.00	\$11.36	\$4.52
Georgia 400 Corridor	23,945,400	409,349	5.5%	67,240	98,397	\$10.94	\$5.50	\$12.48	\$6.11
Northeast Atlanta	158,922,653	6,311,327	8.7%	3,338,703	2,056,496	\$13.47	\$8.50	\$8.78	\$4.32
I-20 West/Fulton Industrial	88,573,412	3,750,455	9.3%	2,615,691	1,914,027	\$0.00	\$2.50	\$12.12	\$3.54
Chattahoochee/CBD	35,296,465	300,077	3.3%	-35,681	80,000	\$6.00	\$7.50	\$14.96	\$5.15
Stone Mountain/Tucker	25,850,117	339,470	6.2%	-64,424	0	\$0.00	\$4.24	\$3.04	\$3.77
Airport/South Atlanta	83,267,927	2,762,504	8.5%	3,288,551	2,304,620	\$0.00	\$3.75	\$9.91	\$3.42
I-85 South	31,107,539	813,000	2.1%	2,502,530	2,330,820	\$0.00	\$0.00	\$0.00	\$3.13
I-75 South	44,658,151	1,740,251	15.1%	2,716,505	4,114,029	\$0.00	\$2.85	\$0.00	\$3.11
SOUTH SUBTOTAL	159,033,617	5,315,755	9.1%	8,507,586	8,749,469	\$0.00	\$3.24	\$9.91	\$3.26
I-20 East/Snapfinger/Rockdale	29,413,318	559,379	3.1%	504,475	1,480,000	\$0.00	\$0.00	\$8.00	\$3.23
ATLANTA TOTALS	566,250,405	18,359,244	7.8%	16,312,652	14,764,889	\$8.96	\$4.17	\$9.47	\$3.82

*Rental rates reflect asking \$psf/year

FLEX = Flex Space HT = High Tech/Flex MF = Manufacturing OS = Office Service/Flex W/D = Warehouse/Distribution

Key Lease Transactions Q3 2017

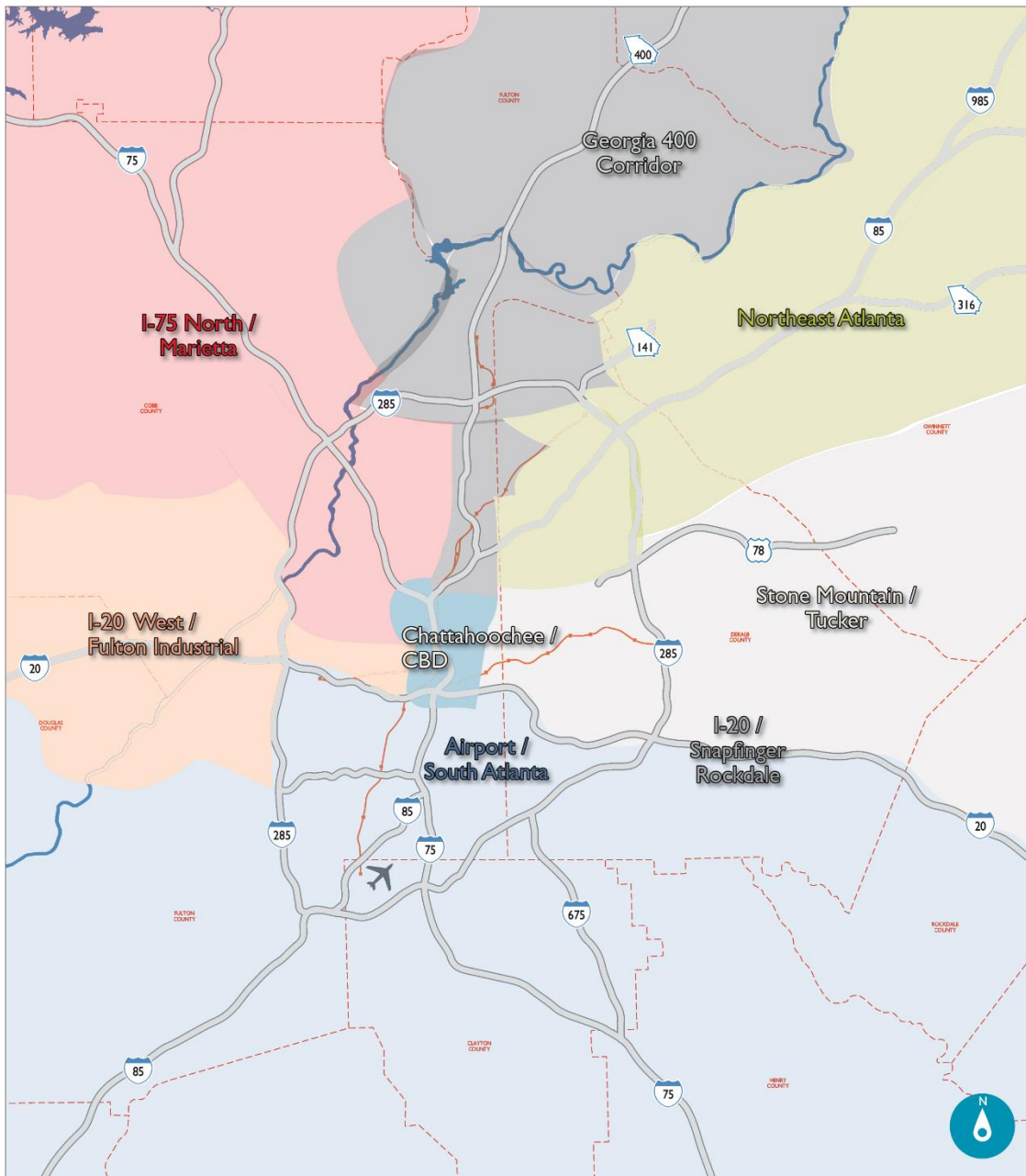
PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
S. Fulton Pkwy & Stonewall Tell Rd.	1,039,570	ASOS	New Lease	Airport/South Atlanta
Hartman III / 600 Hartman Industrial Court	525,627	Keystone Automotive Operations	New Lease	I-20 West
3475 International Park Drive	409,214	Blackhall Studios	New Lease	I-20 East
Medline / 1500 Medline Place	295,800	Travel Pro	New Lease	I-75 South

Key Sales Transactions Q3 2017

PROPERTY	SF	SELLER/BUYER	PRICE / \$PSF	SUBMARKET
490 Westridge Parkway	900,640	Georgia Pacific Corporation / Lexington Realty Trust	\$66,700,000 / \$74.06	I-75 South
Colony Portfolio	839,858	Colony Northstar / AEW Capital Management	\$58,500,000 / \$69.65	Multiple
2160 Anvil Block Road	848,421	Robinson Weeks Partners/Barings Real Estate LLC	\$46,150,000/ \$54.49	Airport/South Atlanta
7980 Spence Road	317,520	Trammell Crow Company/GLP US Management LLC	\$21,150,000/ \$66.61	Airport/South Atlanta

INDUSTRIAL SUBMARKETS

ATLANTA



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About Cushman & Wakefield

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