

# MARKETBEAT

# Atlanta

## Industrial Q4 2017



### ATLANTA INDUSTRIAL

#### Economic Indicators

	Q4 16	Q4 17	12-Month Forecast
Atlanta Employment	2.7M	2.8M	▲
Atlanta Unemployment	5.1%	4.1%	▼
U.S. Unemployment	4.7%	4.1%	▼

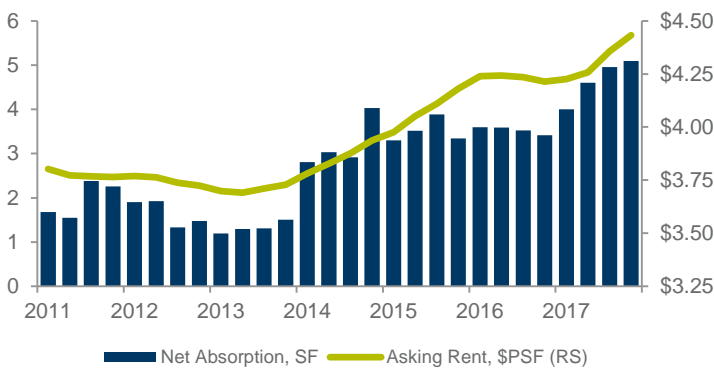
#### Market Indicators (Overall, All Classes)

	Q4 16	Q4 17	12-Month Forecast
Vacancy	9.0%	7.7%	▼
Net Absorption (sf)	3.5M	4.1M	▲
Under Construction (sf)	14.8M	16.4M	▼
Average Asking Rent*	\$4.20	\$4.47	▲

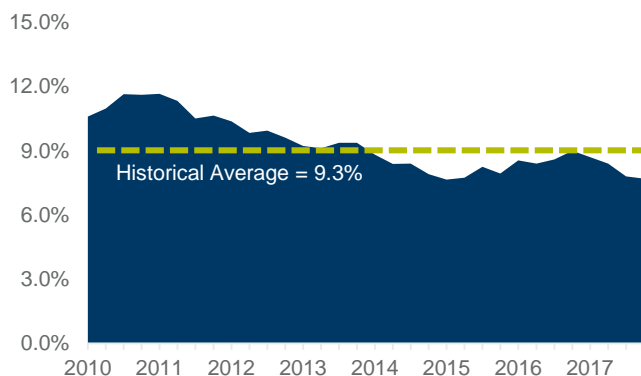
\*Rental rates reflect net asking \$psf/year

#### Overall Net Absorption/Overall Asking Rent

##### 4-QTR TRAILING AVERAGE



#### Overall Vacancy



### Economy

The Atlanta economy outperformed the nation on multiple fronts in 2017, including job and wage growth. Metro Atlanta total employment increased 2.0% year-over-year (YoY), gaining 65,800 net jobs (compared to 1.4% YoY nationwide). Wage growth in Atlanta was 2.4% YoY, and Atlanta's unemployment rate fell from 5.1% in 2016 to 4.1% in 2017.

### Market Overview

The 2017 Atlanta industrial market had its strongest year, by far, of the 21<sup>st</sup> century. Since the first quarter of 2015, 63 million square feet (msf) of industrial inventory has delivered or is currently under construction. Construction completions in 2017 reached an all-time high, with 17.6 msf of new space delivered. The past two years are the first consecutive years on record with annual deliveries over 15 msf, and 2018 is slated to deliver over 15.0 msf.

Leasing activity and absorption are keeping pace with the record amount of new completions. Over 23.0 msf of leases were signed in 2017, which is the highest total since 2006. 2017 leasing activity surpassed 2016 by 5.2%, and the fourth quarter's leasing activity was 4.7 msf.

For 2017, the Atlanta industrial market posted overall positive absorption of 20.4 msf. This annual absorption shattered expectations and exceeded the previous all-time record by 26.7% (16.1 msf set in 2014). The Northeast Atlanta submarket held a commanding lead in absorption for 2017, with 6.1 msf for the year. One-third of Atlanta's 2017 industrial absorption occurred in the this submarket.

In the fourth quarter of 2017, overall absorption exceeded 4.0 msf, with seven of 10 submarkets showing positive absorption. Northeast Atlanta dominated the quarter, with 2.8 msf, or 68% of the quarter's positive net absorption. Overall asking rents for the Atlanta market were nearly unchanged from the third quarter and ended 2017 up 6.4% YoY (\$4.47 per square foot (psf)).

With record-breaking occupancy gains, the vacancy rate has decreased 130 basis points (bps) YoY to 7.7%. Despite record warehouse/distribution construction deliveries in 2017, warehouse/distribution vacancy fell for the fifth consecutive quarter to 7.7%, a 230 bps decline YoY.



The market added 14.2 msf of speculative construction completions in 2017, and speculative warehouse/distribution construction completions exceeded 1.0 msf for the 11<sup>th</sup> consecutive quarter (2.1 msf in the fourth quarter of 2017). Build-to-suit completions totaled 3.5 msf, or 19.6% of 2017 construction completions, up from 12.4% of completions in 2016. In 2017, investor sales surpassed 20 msf for the fourth consecutive year. The 21.3 msf of 2017 investor sales included 4.7 msf of sales in the fourth quarter.

**IN 2017 ATLANTA EXPERIENCED THE MOST OVERALL NET ABSORPTION EVER RECORDED AND THE LOWEST VACANCY RATE SINCE 2001.**

**Outlook**

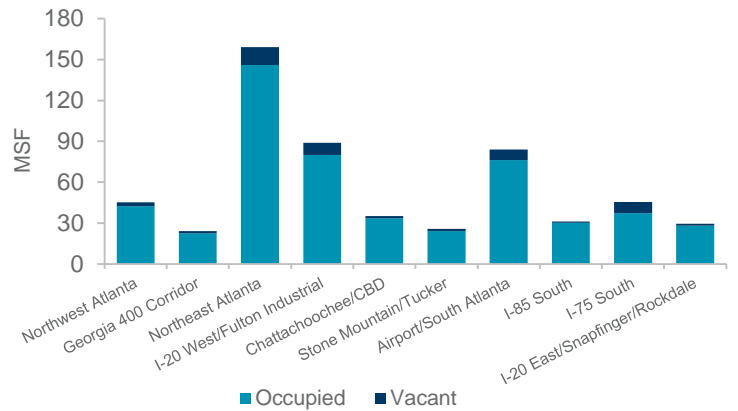
In the fourth quarter of 2014, the industrial vacancy rate was 7.9%. Over the three years that followed, the market added 50 msf of construction completions, yet 7.7% vacancy rate in the fourth quarter of 2017 is the lowest overall vacancy rate in the Atlanta industrial market since 2001. A growing economy makes this possible. Georgia's GDP growth rate YoY has exceeded 2.3% for four consecutive years, and the state is forecasted to grow by an additional 3.2% in 2018. Georgia is also expected to add over 100,000 people via in-migration, while unemployment is predicted to fall and wages are expected to continue their rise. These economic factors point to continued expansion of Georgia's construction, manufacturing, and transportation/logistics industries, which are the backbone of Atlanta's industrial real estate market.

**Industrial Highlights**

- Companies are relocating to, or are maintaining a significant presence in, the Atlanta market because of the area's steady population and job growth along with strong growth in the general economy and eCommerce.
- Strategic transportation infrastructure projects also support the long-term health of the Atlanta industrial real estate market. The Port of Savannah handled a record 3.5 million container shipments in 2017 and has ambitious expansion plans in coming years.
- These projects, together with many significant interstate road projects planned and underway around Georgia, only serve to widen Atlanta's lead as the top industrial market in the southeast region.

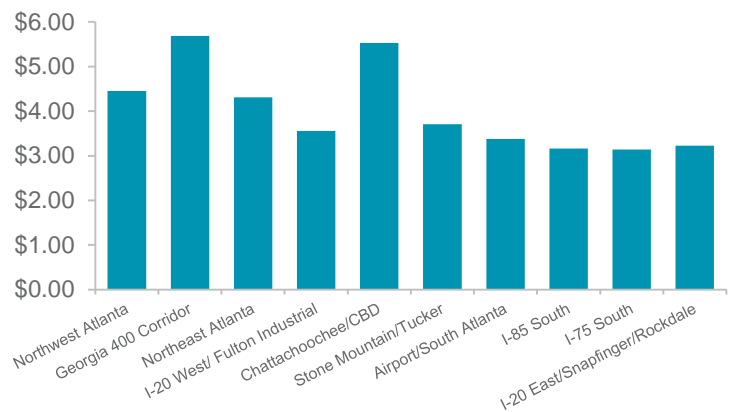
**Occupied vs. Vacant Space Comparison**

NORTHEAST ATLANTA HAS LARGEST INVENTORY OF VACANT SPACE



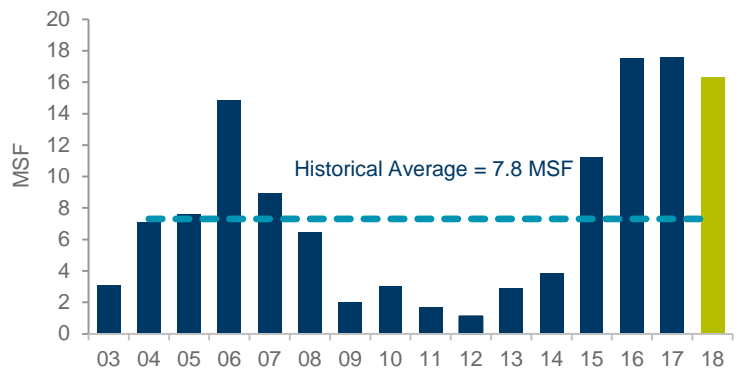
**Warehouse/Distribution Asking Rents by Submarket (NNN)**

GEORGIA 400 HAS HIGHEST RENT IN THE MARKET



**New Supply**

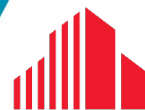
2017 NEW SUPPLY REACHED AN ALL-TIME HIGH WITH 17.6 MSF DELIVERED



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# CUSHMAN & WAKEFIELD

SUBMARKET	INVENTORY (SF)	YTD LEASING ACTIVITY (SF)	YTD TOTAL SALES ACTIVITY (SF)	OVERALL VACANCY RATE	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	45,339,993	2,022,416	997,583	5.6%	1,782,257	312,500	\$0.00	\$0.00	\$11.36	\$4.45
Georgia 400 Corridor	24,043,797	644,065	230,727	6.3%	35,514	0	\$10.58	\$5.50	\$12.48	\$5.69
Northeast Atlanta	159,099,067	7,013,884	5,064,216	7.8%	6,117,071	1,804,756	\$13.47	\$8.50	\$8.70	\$4.31
I-20 West/Fulton Industrial	88,804,292	4,134,089	5,764,698	9.5%	2,853,159	2,283,962	\$0.00	\$2.50	\$12.12	\$3.56
Chattahoochee/CBD	35,221,465	353,647	637,000	3.1%	26,628	80,000	\$6.00	\$7.50	\$6.10	\$5.53
Stone Mountain/Tucker	25,850,117	482,694	1,174,891	6.2%	-77,596	0	\$0.00	\$4.24	\$3.04	\$3.71
Airport/South Atlanta	84,040,806	3,865,748	3,583,627	8.8%	3,471,635	3,566,705	\$0.00	\$3.75	\$9.88	\$3.38
I-85 South	31,207,539	813,000	1,244,728	2.5%	2,477,331	3,532,490	\$0.00	\$0.00	\$0.00	\$3.16
I-75 South	45,418,407	3,187,685	4,141,992	15.9%	3,083,534	3,353,773	\$0.00	\$2.85	\$0.00	\$3.14
<b>SOUTH SUBTOTAL</b>	<b>160,666,752</b>	<b>7,866,433</b>	<b>8,970,347</b>	<b>9.6%</b>	<b>9,032,500</b>	<b>10,452,968</b>	<b>\$0.00</b>	<b>\$2.66</b>	<b>\$9.88</b>	<b>\$3.25</b>
I-20 East/Snapfinger/Rockdale	29,413,318	574,429	965,038	3.1%	631,813	1,480,000	\$0.00	\$0.00	\$8.00	\$3.23
<b>ATLANTA TOTALS</b>	<b>568,438,801</b>	<b>23,091,657</b>	<b>23,804,500</b>	<b>7.7%</b>	<b>20,401,346</b>	<b>16,414,186</b>	<b>\$8.77</b>	<b>\$4.17</b>	<b>\$9.27</b>	<b>\$3.80</b>

\*Rental rates reflect asking \$psf/year HT = High Tech MF = Manufacturing OS = Office Service W/D = Warehouse/Distribution

### Key Lease Transactions Q4 2017

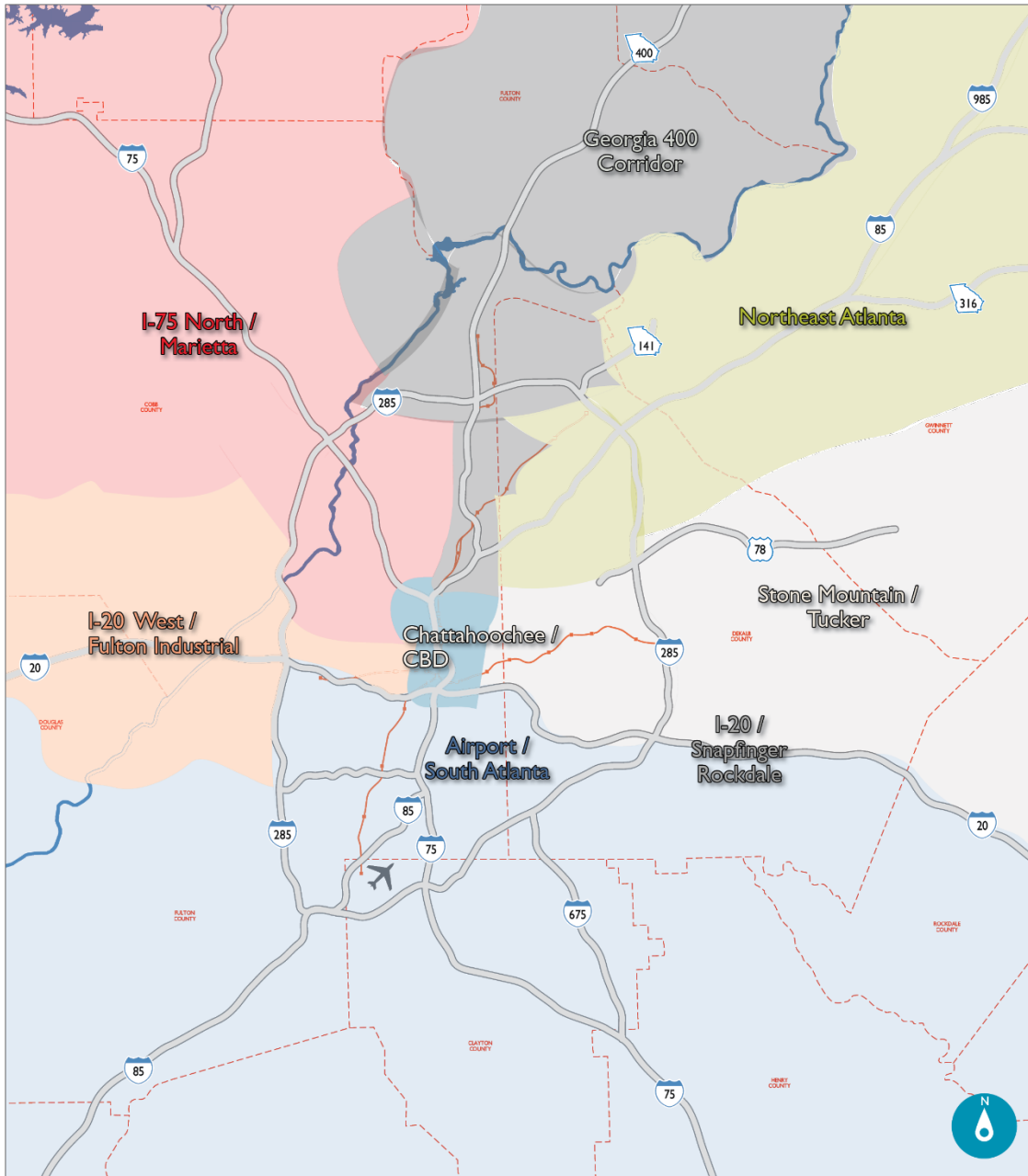
PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
225 Midland Ct	505,807	S&S Activewear	New Lease	I-75 South / Henry County
301 Eagles Landing Parkway	505,000	The William Carter Company	Renewal	I-75 South / Henry County
3201 Centre Parkway	404,700	CEVA Logistics, LLC	Renewal	Airport / South Atlanta
6180 Buffington Rd	362,800	Future Forwarding	New Lease	Airport / South Atlanta

### Key Sales Transactions Q4 2017

PROPERTY	SF	SELLER / BUYER	PRICE / \$PSF	SUBMARKET
440 Interstate West Parkway	781,440	Core5 Industrial Partners / WPT Capital Advisors, LLC	\$43,000,000 / \$55	I-20 West / Fulton Industrial
150 Distribution Drive	760,256	Trammell Crow Company / Pure Industrial Real Estate Trust	\$36,500,000 / \$48	I-75 South / Henry County
9250 South Main Street	499,960	Clarion Partners / Blackstone Real Estate Income Trust	\$19,745,000 / \$39	I-75 South / Henry County
905 Memorial Drive	375,000	Leggett & Pratt, Inc. / Fuqua Development	\$29,750,000 / \$79	Chattahoochee / CBD

## INDUSTRIAL SUBMARKETS

### ATLANTA



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#### About Cushman & Wakefield

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