

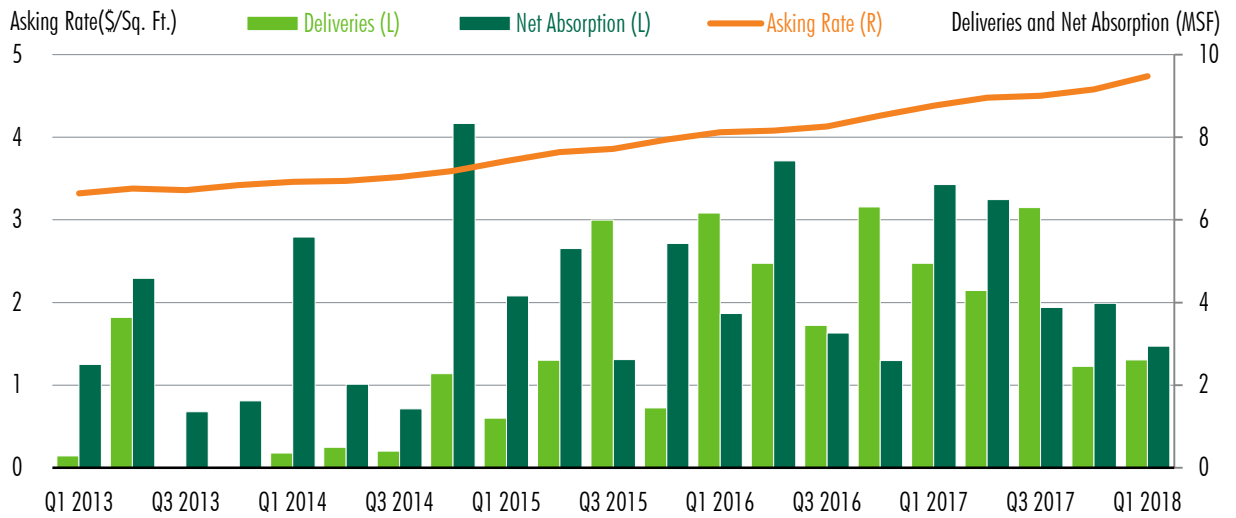
Atlanta Industrial and Logistics, Q1 2018

Developer confidence, weather delays push construction to record levels

▼ Vacancy Rate 6.8%
▲ Lease Rate \$4.74 PSF
▲ Y-o-Y Rent Growth 8.2%
▼ Net Absorption 2.9 MSF
▲ Construction 19.4 MSF
▲ Deliveries 2.6 MSF

*Arrows indicate change from previous quarter.

Figure 1: Deliveries and Net Absorption vs. Asking Rate



Source: CBRE Research, Q1 2018.

AVERAGE ASKING RENT MOVES TOWARDS \$5.00

Atlanta's industrial market experienced nearly 3 million sq. ft. of net absorption during the first quarter. This follows the record-setting 2017 total of over 21 million square feet. A pair of big moves highlighted the quarter with ASOS, a global fashion retailer, and Lindt Chocolate combining to occupy more than two million sq. ft. in the Airport/South Atlanta submarket. Additionally, Sunbelt Marketing occupied over 560,000 sq. ft. in the Fulton Industrial/Southwest Atlanta submarket. Overall vacancy did decrease from 7.3% in Q4 to 6.8% (50 bps) thanks to the robust absorption.

As a direct result of increased absorption numbers, rental rates have risen 8.2% year-over-year and 27.8% overall over the last three years to \$4.74 per sq. ft. on a triple net basis, near record levels. To put this in perspective, Atlanta's industrial market saw rents decrease over 14% during the recession from 2008 to 2012. Over 19.4 million sq. ft. of speculative space is currently under construction and will deliver soon, likely pushing asking rates and vacancy rates higher.

IS ATLANTA’S INDUSTRIAL MARKET AT RISK OF OVERBUILDING?

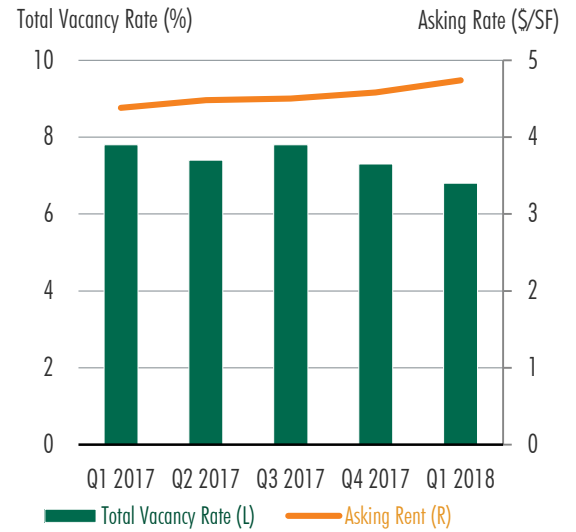
Sustained levels of new construction (measured quarterly) have remained at or above 12 million square feet for the last three years, bringing into question whether demand will be enough to meet massive new supply entering the market. Recent history suggests industrial fundamentals have never been better suited to accommodate new product, as the market posted a record year in 2017 in terms of demand with over 21.2 million sq. ft. of net absorption in 2017, leading all U.S. markets. Moreover, a broader analysis of the last three-year period reveals a balanced market, as evidenced by 58 million sq. ft. of net occupancy gains versus a total of 55 million sq. ft. of newly delivered space.

Big box leases -- approximately 1 million sq. ft. or greater -- have been a major factor during this expansion cycle, having claimed 17.3 million sq. ft. of the total net occupancy gains. While recent strong performance and tenant prospecting activity suggests this big-box demand will remain robust, the trend will be tested as new product is introduced to the market in the coming quarters, highlighted by eight speculative buildings of at least 1 million sq. ft. which are currently under construction.

ROUGH WEATHER PUSHES CONSTRUCTION AMOUNT TO RECORD LEVEL

During the first quarter, 2.6 million sq. ft. was delivered in five buildings. While large amounts of new completions were expected this quarter, a significant amount of rain delayed most projects and will most likely make Q2 2018 a very active quarter for development. The delayed deliveries have pushed the total amount of space under construction at one time to a record level, over 19.4 million sq. ft. of which, about 30% has been leased.

Figure 2: Vacancy and Asking Rate



Source: CBRE Research, Q1 2018.

Figure 3: Key Leasing Transactions

Tenant	Location	Size (sq. ft.)	Submarket	Transaction Type
Saddle Creek Logistics	590 Coweta Industrial Pkwy.	1,208,301	Airport/South Atlanta	New Lease
HD Supply	Gillem Logistics Center	1,017,627	Airport/South Atlanta	New Lease
Newell Brands	4475 South Fulton Pkwy.	744,900	Airport/South Atlanta	Renewal
Dade Paper	440 Interstate West Pkwy.	319,888	Fulton Ind/SW Atl.	New Lease
Confidential	16126 Alcovy Rd.	302,062	Snapfinger	New Lease

Source: CBRE Research, Q1 2018.

INDUSTRIAL ABSORPTION

Atlanta posted 2.9 million sq. ft. of absorption in Q1. This follows just over 21.2 million sq. ft. of absorption during 2017, which was a record for annual absorption. The Airport/South Atlanta submarket led the metro with almost 2.7 million sq. ft. absorbed during the first quarter. The Northwest/I-575 submarket posted the second greatest amount of absorption with almost 500,000 million sq. ft.

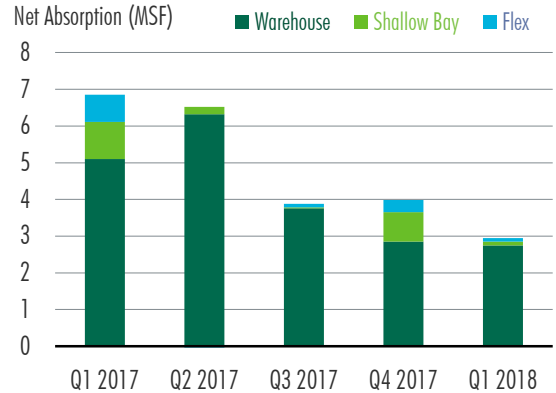
INDUSTRIAL RENTAL RATES

The overall average asking rental rate for the Atlanta market increased \$0.16 per sq. ft. over the prior quarter to \$4.74 per sq. ft. in Q1 2018. Flex product saw a mild increase of \$0.02 per sq. ft. during the quarter to \$8.83 per sq. ft. Warehouse also saw an increase, rising \$0.10 to \$4.10 per sq. ft., and Shallow Bay increased \$0.11 per sq. ft. It is likely that the market will continue to see rising rates over the near term.

INDUSTRIAL VACANCY RATES

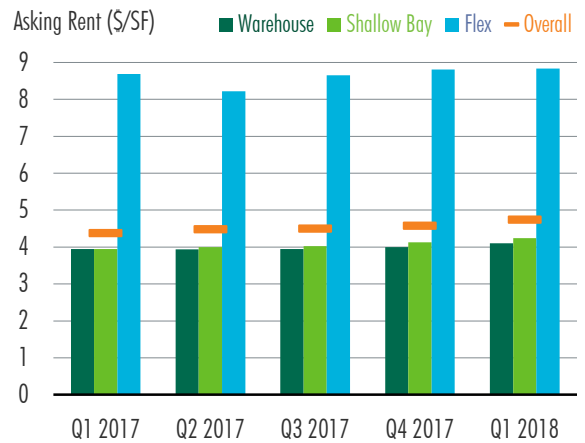
Vacancy rates decreased across the board during the first quarter. Overall industrial vacancy decreased 50 basis points (bps) in Q1 2018, to a rate of 6.8%. Shallow Bay product decreased 70 bps in Q1 2018 to 5.4%, while Warehouse decreased 40 bps, reaching 7.1%. Flex space experienced a decrease of 10 bps, reaching 8.8% during the first quarter.

Figure 4: Quarterly Net Absorption



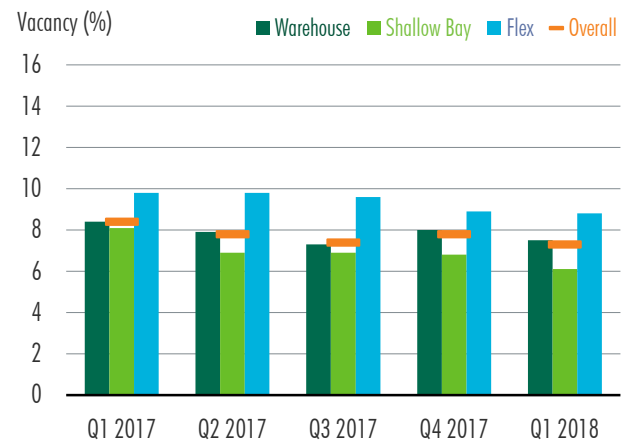
Source: CBRE Research, Q1 2018.

Figure 5: Rental Rates by Property Type



Source: CBRE Research, Q1 2018.

Figure 6: Vacancy by Property Type



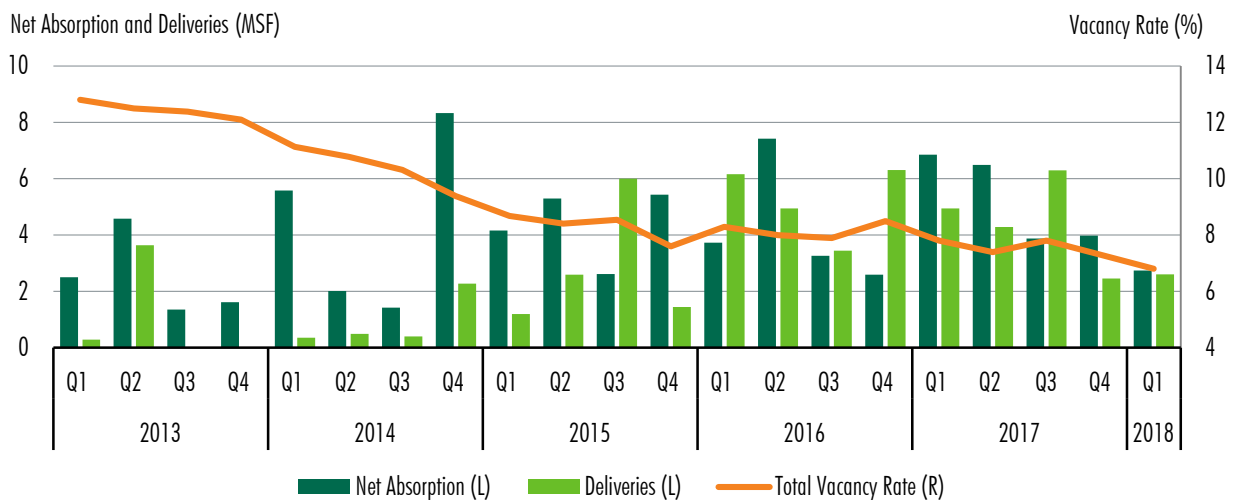
Source: CBRE Research, Q1 2018.

Figure 7: Market Statistics

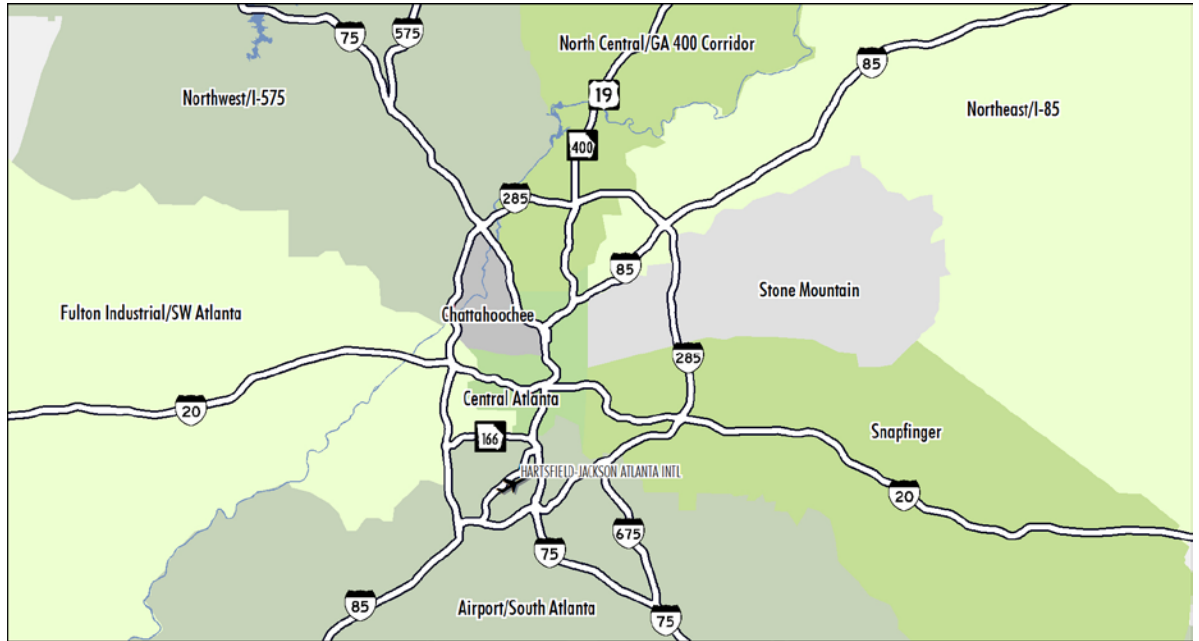
Submarket	Market Rentable Area (sq. ft.)	Vacancy Rate (%)	Avail. Rate (%)	Q1 2018 Net Absorption (sq. ft.)	YTD Net Absorption (sq. ft.)	Under Construction (sq. ft.)	Q1 2018 Deliveries (sq. ft.)	Avg. NNN Asking Lease Rate (\$/sq. ft./yr)
Central Atlanta	9,546,221	5.8	12.3	(25,522)	(25,522)	0	0	8.89
Chattahoochee Ind	18,166,229	4.7	6.0	(414,901)	(414,901)	0	0	8.00
Northwest/I-575	59,567,998	4.5	6.3	478,537	478,537	328,250	0	5.75
N. Central/Ga 400	23,837,887	6.0	8.0	111,762	111,762	0	0	7.13
Northeast/I-85	174,771,673	7.0	8.5	4,498	4,498	3,985,306	129,920	4.88
Stone Mountain	24,288,797	6.6	9.8	83,431	83,431	0	0	4.65
Airport/S. Atlanta	162,085,935	8.3	9.2	2,685,797	2,685,797	10,503,455	2,000,993	4.00
Fulton Ind/Sw Atl.	89,983,283	6.6	8.4	322,652	322,652	3,600,732	0	4.12
Snapfinger	31,781,102	5.4	5.8	(311,987)	(311,987)	1,000,000	480,000	4.23
Warehouse	427,275,137	7.1	8.6	2,744,751	2,744,751	19,417,733	2,610,913	4.10
Shallow Bay	127,255,346	5.4	6.6	104,165	104,165	0	0	4.24
Flex	39,438,642	8.8	10.7	94,485	94,485	0	0	8.83
Totals	593,969,125	6.8	8.3	2,943,401	2,943,401	19,417,733	2,610,913	4.74

Source: CBRE Research, Q1 2018.

Figure 8: Quarterly Net Absorption and Deliveries vs. Vacancy Rate



Source: CBRE Research, Q1 2018.


CONTACTS

David P. Lanier
Senior Managing Director / Atlanta
 +1 404 504 7906
 david.lanier@cbre.com

McCall King
Senior Research Analyst / Atlanta
 +1 404 812 5012
 mccall.king@cbre.com

Toby Jorgensen
Senior Research Analyst / Atlanta
 +1 404 504 7926
 toby.jorgensen@cbre.com

Orin Whittaker
Research Coordinator / Atlanta
 +1 404 812 5076
 orin.whittaker@cbre.com

Alston Lanier
Researcher / Atlanta
 +1 404 923 1256
 alston.lanier@cbre.com

CBRE OFFICES

Atlanta Office
 3280 Peachtree Road NE, Suite 1400
 Atlanta, Georgia 30305

To learn more about CBRE Research,
 or to access additional research reports,
 please visit the Global Research Gateway at
www.cbre.com/researchgateway.