

ATLANTA INDUSTRIAL

Economic Indicators

	Q3 17	Q3 18	12-Month Forecast
Atlanta Employment	2.7M	2.8M	▲
Atlanta Unemployment	4.3%	3.7%	▼
U.S. Unemployment	4.4%	3.9%	▼

Numbers above are quarterly averages

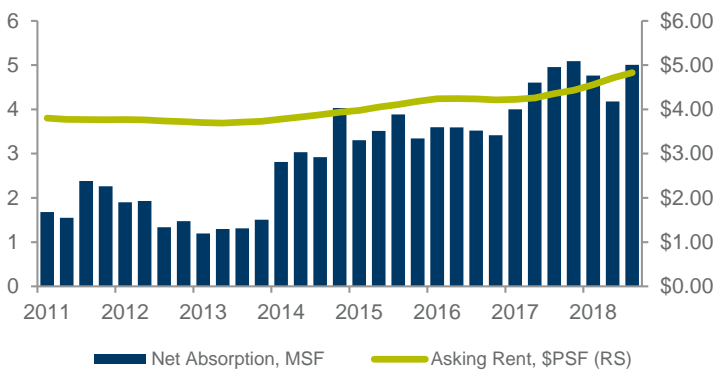
Market Indicators (Overall, All Classes)

	Q3 17	Q3 18	12-Month Forecast
Vacancy	7.8%	7.9%	▼
Net Absorption (sf)	3.6M	7.0M	▲
Under Construction (sf)	14.7M	16.8M	▼
Average Asking Rent*	\$4.54	\$5.04	▲

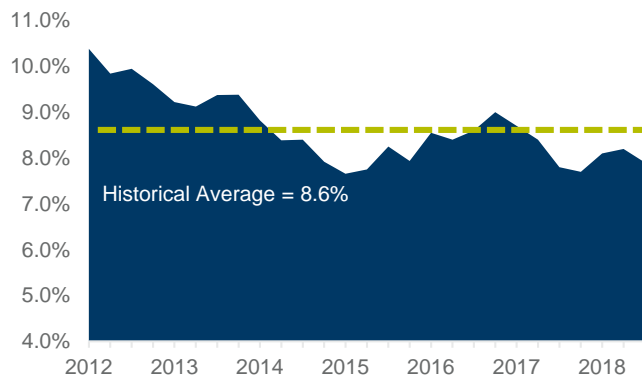
*Rental rates reflect net asking \$psf/year

Overall Net Absorption/Overall Asking Rent

4-QTR TRAILING AVERAGE



Overall Vacancy



Economy

The Atlanta economy continued to expand through the third quarter of 2018 and gained 52,050 jobs year-over-year (YoY), up 1.9% compared to 1.1% YoY nationwide. Atlanta's unemployment rate fell from 4.3% in the third quarter of 2017 to 3.7% in the third quarter of 2018. The 60-basis-point (bps) improvement in Atlanta's unemployment rate over the past year surpassed that of the nation, which stood at 3.9% as of preliminary third quarter data.

The Transportation & Warehousing industry is Atlanta's largest employer, with almost 250,000 jobs, and has seen 25% job growth since 2012. Manufacturing and Construction are key drivers of the Atlanta economy, and their growth has only accelerated in 2018. The performance of these industries has led to the strongest run of success the Atlanta industrial real estate market has seen in the 21st Century, and the market's record-breaking run showed no signs of slowing in the third quarter of 2018.

Market Overview

Almost 13.7 million square feet (msf) of new warehouse/distribution construction has delivered year-to-date (YTD) in 2018. 4.5 msf of space was delivered in the third quarter, and those deliveries were 86.0% pre-leased, which is considerably higher than previous construction deliveries in recent quarters. Speculative industrial space under construction decreased 3.9% in the third quarter to 13.9 msf, and build-to suit construction dropped slightly to 2.9 msf. However, speculative construction has remained above the average for this cycle (12.4 msf/quarter) in five of the past six quarters.

Overall vacancy decreased 30 bps to 7.9% in the third quarter but is up only 10 bps YoY despite 17.2 msf of construction deliveries in the intervening four quarters. The third quarter of 2018 was Atlanta's 19th consecutive quarter of vacancy under 9.0%, with 61.9 msf of new construction deliveries through the same 19-quarter period. The pace of leasing activity continues at record levels, with trailing four-quarter total leasing activity exceeding 20.0 msf for the ninth consecutive quarter. The 6.4 msf of leases signed in the third quarter resulted in a trailing four-quarter total of 28.2 msf, and the 23.5 msf of leasing activity YTD is 23.2% higher than the first three quarters of 2017.



Direct net asking rents in the third quarter averaged \$5.06 per square foot (psf), which is the highest direct rental rate since Q2 2001. Overall rents averaged \$5.04 psf, rising 1.6% quarter-over-quarter and growing 11.0% YoY. While warehouse/distribution rents rose 0.5% to \$4.21 psf, high technology rents fell to \$9.56 psf and manufacturing rents rose to \$3.98 psf. The small transaction volume in high tech and manufacturing has caused volatile spikes and drops in rents quarter-over-quarter, but the long-term trend for rents in all asset classes is rising at an accelerating rate.

The Atlanta industrial market posted overall positive absorption of 6.9 msf in the third quarter, up significantly from the second quarter's 3.9 msf and over 6.5 msf for the first time on record. The trailing four-quarter average of 5.0 msf/quarter was 19.8% higher than the second quarter. Over 45% of the third quarter's absorption was located in the I-20 W/Fulton Industrial submarket, which is largely due to the delivery of the 1.1 msf UPS Distribution Center at 1100 Fulton Industrial Boulevard.

8.5 MSF OF WAREHOUSE/DISTRIBUTION DELIVERIES ARE EXPECTED IN THE FOURTH QUARTER OF 2018, WHICH WILL MAKE 2018 THE THIRD CONSECUTIVE YEAR WITH RECORD-BREAKING DELIVERIES.

Outlook

We expect leasing activity and occupancy will maintain their consistent strength through the end of 2018, as economic growth and industrial job creation continue without pause. 2018 is on track to achieve the highest rents, construction deliveries, and absorption for the Atlanta industrial market in the 21st Century. The current economic cycle has transformed Atlanta into a top-tier industrial real estate market in the United States.

Industrial Highlights

- With 15.9 msf, 2018's year-to-date absorption is within striking distance of the all-time high, only 2.3% lower YTD than 2017's record year.
- Through three quarters, 2018's 23.5 msf of leasing activity already exceeds the annual totals for every year since 2006.
- At 3.2 msf delivered, 2018 has delivered more build-to-suit projects than all but two years (2015, 2002) and should set a record after the fourth quarter.

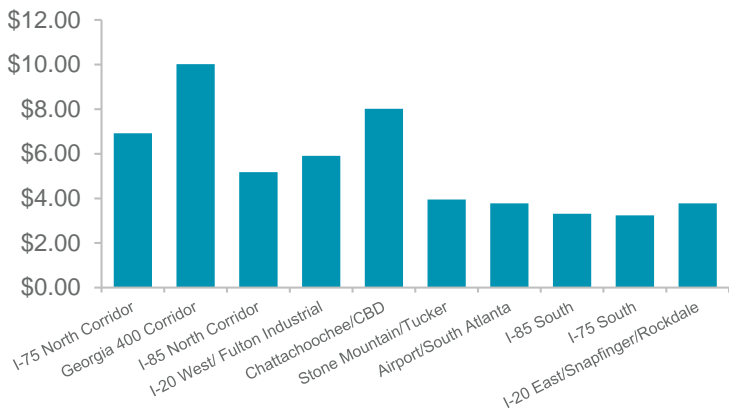
Occupied vs. Vacant Space Comparison

NORTHEAST ATLANTA HAS LARGEST INVENTORY OF VACANT SPACE



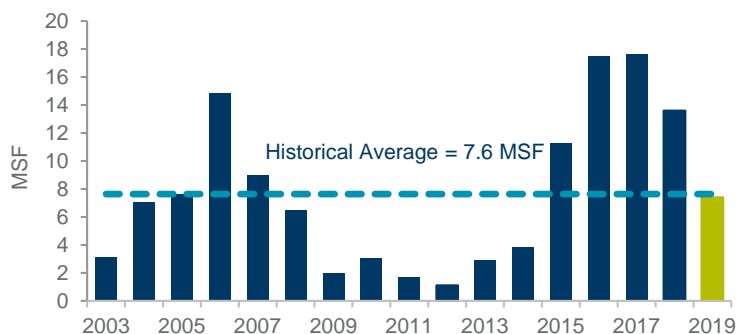
Warehouse/Distribution Asking Rents by Submarket (NNN)

GEORGIA 400 HAS HIGHEST RENT IN THE MARKET



New Supply

2019 ALREADY NEARING THE HISTORICAL AVERAGE



MARKETBEAT

Atlanta

Industrial Q3 2018



SUBMARKET	INVENTORY (SF)	YTD LEASING ACTIVITY (SF)*	YTD TOTAL SALES 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	63,916,347	1,654,344	571,933	6.3%	407,872	769,460	\$6.17	\$3.45	\$11.44	\$5.17
Georgia 400 Corridor	20,924,061	505,365	125,000	7.6%	195,015	0	\$11.06	\$0.00	\$12.39	\$7.22
Northeast Atlanta	160,995,202	5,453,865	1,417,601	8.5%	2,496,213	4,880,242	\$13.47	\$3.95	\$9.06	\$4.37
I-20 West/Fulton Industrial	87,520,078	3,107,906	856,909	7.9%	3,811,856	1,424,925	\$0.00	\$0.00	\$7.85	\$5.85
Chattahoochee/CBD	30,457,244	226,807	156,399	4.3%	-233,516	80,000	\$0.00	\$0.00	\$11.09	\$6.42
Stone Mountain/Tucker	24,649,477	551,463	0	6.1%	481,379	0	\$0.00	\$4.50	\$0.00	\$3.94
Airport/South Atlanta	74,368,410	4,543,132	1,331,412	8.3%	1,925,403	3,369,255	\$0.00	\$0.00	\$8.77	\$3.62
I-85 South	47,925,642	2,735,015	152,000	4.6%	2,300,499	3,684,647	\$0.00	\$5.11	\$0.00	\$3.14
I-75 South	53,565,443	2,832,032	3,488,122	14.8%	4,831,117	2,572,627	\$0.00	\$0.00	\$0.00	\$3.24
SOUTH SUBTOTAL	175,859,495	5,646,002	4,971,534	9.3%	9,057,019	9,626,529	\$0.00	\$2.69	\$8.77	\$3.37
I-20 East/Snappinger/Rockdale	38,022,560	1,006,202	0	5.3%	-275,509	51,000	\$0.00	\$0.00	\$8.00	\$3.47
ATLANTA TOTALS	602,344,464	22,616,131	8,099,376	7.9%	15,940,329	16,832,156	\$9.56	\$3.98	\$10.35	\$4.21

*Leasing Activity does not include renewals

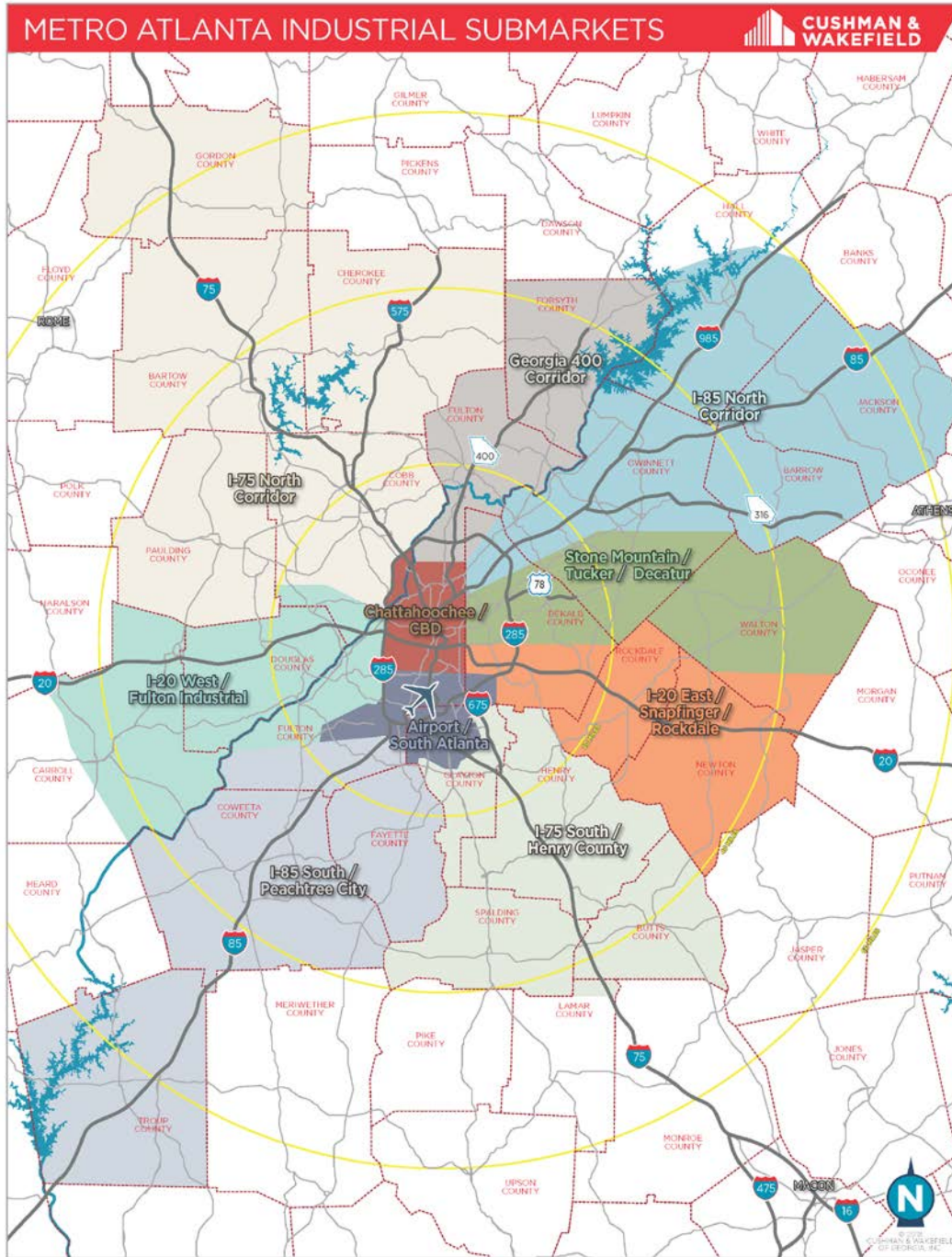
**Rental rates reflect asking \$psf/year HT = High Tech MF = Manufacturing OS = Office Service/Flex WH = Warehouse/Distribution

Key Lease Transactions Q3 2018

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
500 Palmetto Logistics Pky	1,054,500	Medical Depot, Inc.	New Lease	I-85 South /Peachtree City
545 Logistics Center Pky	477,662	Mobis	New Lease	I-85 North Corridor
235 Hog Mountain Road	459,134	Amazon	New Lease	I-75 South/Henry County
2160 Anvil Block Road	441,760	Packaging Wholesalers	New Lease	I-75 North Corridor

Key Sales Transactions Q3 2018

PROPERTY	SF	SELLER / BUYER	PRICE / \$PSF	SUBMARKET
405 & 375 King Mill Road	2,307,790	MetLife & Panattoni / CBRE Global Investors	\$156,000,000 / \$68	I-75 South/Henry County
Westgate and Palisades Portfolio	905,852	Ackerman / TA Realty	\$12,800,000 / \$47	I-20 West/Fulton Industrial
225 Midland Court	698,544	Scannell Properties / TA Realty	\$42,050,000 / \$60	I-75 South/Henry County
155 Braselton Parkway	432,000	Huntington Industrial / Cabot Properties	\$22,900,000 / \$53	I-85 North Corridor



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