

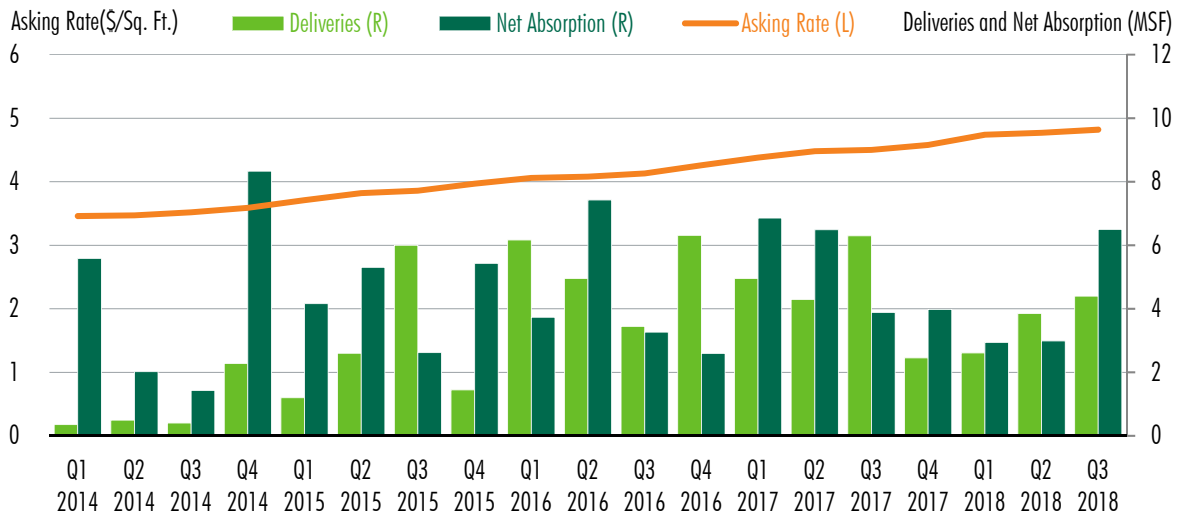
Atlanta Industrial & Logistics, Q3 2018

Strong quarter brings vacancy to historic low

▼ Vacancy Rate 6.2%
▲ Lease Rate \$4.82 PSF
▲ Y-o-Y Rent Growth 7.1%
▲ Net Absorption 6.5 MSF
▲ Construction 18.8 MSF
▲ Deliveries 4.4 MSF

*Arrows indicate change from previous quarter.

Figure 1: Deliveries and Net Absorption vs. Asking Rate



Source: CBRE Research, Q3 2018.

During the third quarter, about 6.5 million sq. ft. of industrial space was absorbed, the most since the first quarter of 2017. Two major occupancies totalling 2.4 million sq. ft. were the big contributors. The flurry of activity during the quarter decreased the vacancy rate to 6.2%, the lowest in almost 20 years, even with the market delivering 4.4 million sq. ft. of new industrial space.

Saddle Creek Logistics, which provides supply chain services for manufacturers, retailers and e-commerce companies, occupied the 1.2 million sq. ft. Southwest 85 Logistics Center in the Airport/South Atlanta submarket.

Saddle Creek Logistics will use the giant industrial facility to provide distribution services for a top home improvement retailer's locations throughout the Southeast.

UPS occupied its second-largest distribution site in the U.S., a 1.2 million sq. ft. logistics center on a 341-acre parcel in the Fulton Industrial submarket. UPS has held a number of job fairs this year to help hire between 2,500 and 3,000 workers for new hub. Additionally, Amazon occupied a 460,000 sq. ft. warehouse in the Northeast/I-85 submarket. Amazon plans to use the facility as a sortation center.

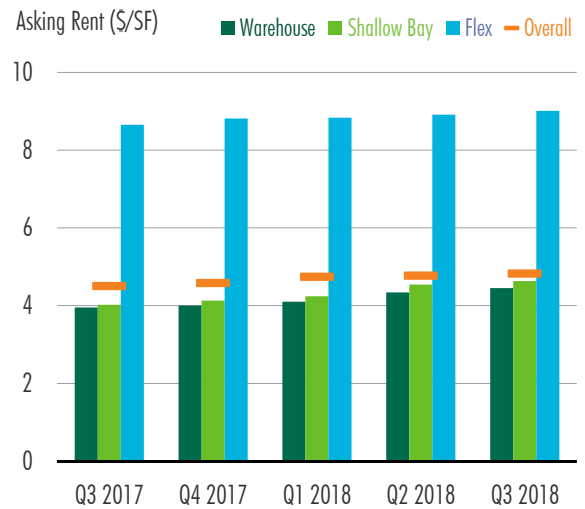
LABOR AVAILABILITY IS A CHALLENGE

Demand for transportation and warehousing labor is accelerating, making adequate labor supplies a top concern for logistics companies. According to a CBRE report, rapid growth of e-commerce is expected to create demand for an additional 452,000 warehouse and distribution workers nationally over the next couple years. That projected demand exceeds the industry’s job growth since 2013 of 180,300 new positions a year, an acceleration that reflects the growing volume of e-commerce sales.

In Atlanta, the transportation and warehousing industry has grown rapidly since mid-2014 when the sector employment increased by 6,100. Since that time, average annual employment growth in the transportation and warehousing industry is nearly 5%, and has continued to increase throughout 2018. From the start of 2013 though 2017, sector employment grew by 28.1%, well the national average of 12.8%. However, the industry’s employment growth may be expected to accelerate further. Users not only need to contend with an increasingly tight labor market, but dwindling vacancy as well. In Atlanta, net absorption has topped 95 million sq. ft. since 2013, and almost 70 million sq. ft. of new industrial space has delivered.

Although supply chain employment is growing, the labor supply has been tightening as the nation closes in on full employment. Continued recruitment of workers from other industries as well as retainment of the current employees will be crucial. However, the rising wages are increasing costs for operators and may force them to find savings by reshaping inventory levels or optimizing their transportation network. Increased automation to offset the rising labor costs might be a long-term solution, however the up-front costs will likely be expensive.

Figure 2: Rental Rates by Property Type



Source: CBRE Research, Q3 2018.

Figure 3: Key Year-to-Date 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
Medical Depot Inc.	Palmetto Logistics Park	1,054,500	Airport/South Atlanta	New Lease
HD Supply	Gillem Logistics Center	1,017,627	Airport/South Atlanta	New Lease
Kellogg Sales Company	5390 Hunter Road	903,145	Airport/South Atlanta	Renewal
Newell Brands	4475 South Fulton Pkwy.	744,900	Airport/South Atlanta	Renewal

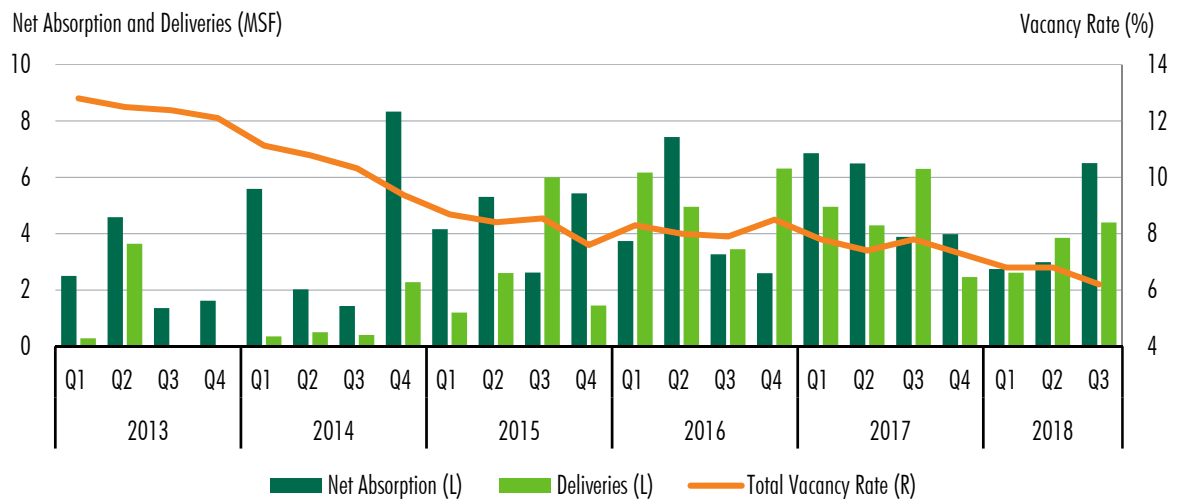
Source: CBRE Research, Q3 2018.

Figure 7: Market Statistics

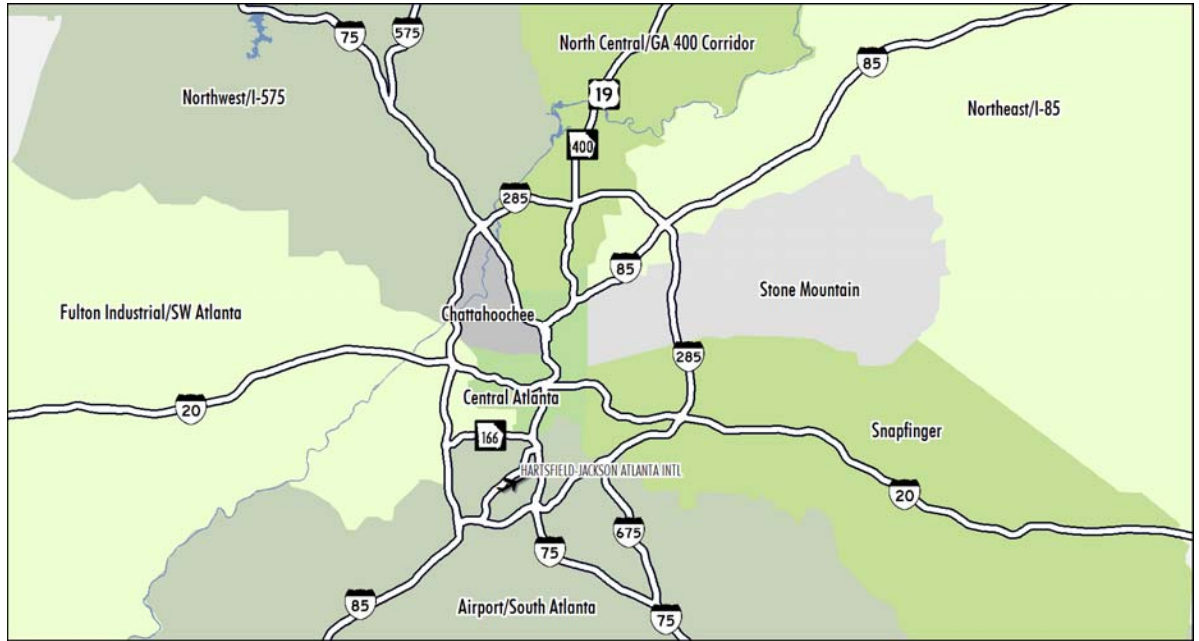
Submarket	Market Rentable Area (sq. ft.)	Vacancy Rate (%)	Avail. Rate (%)	Q3 2018 Net Absorption (sq. ft.)	YTD Net Absorption (sq. ft.)	Under Construction (sq. ft.)	Q3 2018 Deliveries (sq. ft.)	Avg. NNN Asking Lease Rate (\$/sq. ft./yr)
Central Atlanta	9,476,170	7.7	14.2	(55,332)	(189,356)	0	0	9.10
Chattahoochee Ind	17,706,514	4.1	9.6	(117,276)	(461,762)	0	0	8.45
Northwest/I-575	59,687,034	5.0	6.2	3,231	392,285	328,250	0	5.95
N. Central/Ga 400	23,863,502	5.9	8.0	28,767	173,890	0	183,578	7.41
Northeast/I-85	174,834,285	5.8	6.7	1,573,210	1,933,917	4,936,986	0	5.03
Stone Mountain	24,180,607	5.3	7.7	335,653	314,180	189,690	0	4.92
Airport/S. Atlanta	165,864,033	8.2	10.0	2,002,218	7,090,478	10,026,773	2,079,247	4.34
Fulton Ind/Sw Atl.	91,928,423	5.3	6.4	2,947,925	3,458,669	1,818,032	2,316,800	4.35
Snapfinger	31,790,474	4.3	4.6	(218,427)	(281,573)	1,320,000	0	4.42
Warehouse	432,670,464	6.4	7.7	5,710,389	10,991,401	18,430,041	4,121,509	4.45
Shallow Bay	127,319,069	4.8	6.9	563,828	919,577	373,268	274,538	4.63
Flex	39,341,509	8.1	10.7	225,752	519,750	0	0	9.01
Totals	599,331,042	6.2	7.7	6,499,969	12,430,728	18,803,309	4,396,047	4.82

Source: CBRE Research, Q3 2018.

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



Source: CBRE Research, Q3 2018.


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