

ATLANTA INDUSTRIAL

Economic Indicators

	Q4 17	Q4 18	12-Month Forecast
Atlanta Employment	2.7M	2.8M	▲
Atlanta Unemployment	4.3%	3.4%	▼
U.S. Unemployment	4.1%	3.7%	▼

Numbers above are quarterly averages

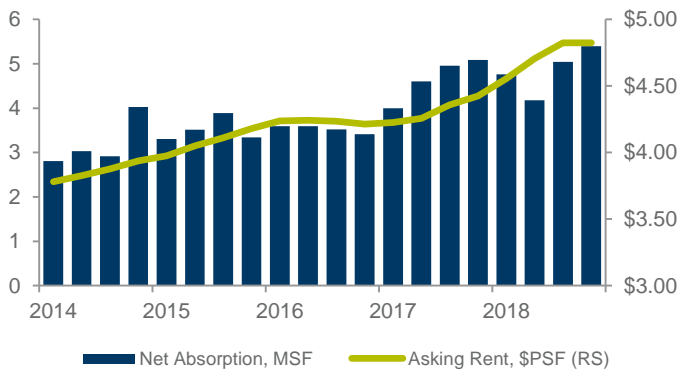
Market Indicators (Overall, All Classes)

	Q4 17	Q4 18	12-Month Forecast
Vacancy	7.7%	7.7%	▼
Net Absorption (sf)	3.5M	5.5M	▲
Under Construction (sf)	16.4M	10.3M	▼
Average Asking Rent*	\$4.47	\$4.47	▲

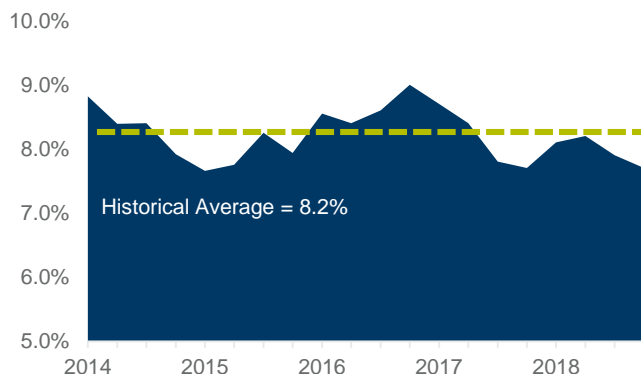
*Rental rates reflect net asking \$psf/year

Overall Net Absorption/Overall Asking Rent

4-QTR TRAILING AVERAGE



Overall Vacancy



Economy

The Atlanta economy continued to expand through the fourth quarter of 2018 and gained 59,800 jobs, up 2.2% year-over-year (YOY) compared to 1.1% nationwide. Atlanta’s unemployment rate fell below the national average in 2018, dropping from 4.3% in the fourth quarter of 2017 to 3.4% in the fourth quarter of 2018. The national unemployment rate was 3.7% as of preliminary fourth-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 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 continued in 2018.

Market Overview

The 2018 Atlanta industrial market experienced another record-breaking year. Construction completions in 2018 reached an all-time high, with over 18.0 million square feet (msf) of new space delivered. This marks the first time the Atlanta industrial market has posted three consecutive years with annual deliveries over 17 msf.

Leasing activity and absorption are keeping pace with the record amount of new completions. Over 28.8 msf of leases were signed in 2018, which is the highest total since 2005. 2018 leasing activity surpassed 2017 by 24.8%, and the fourth quarter’s leasing activity was 4.9 msf. Total sales reached 20.7 msf in 2018 which marked the seventh consecutive year with 20 msf or more of annual sales.

For 2018, the Atlanta industrial market posted overall positive absorption of 21.6 msf. This annual absorption exceeded expectations and surpassed last year’s record of 20.1 msf. The I-75 South submarket held a commanding lead in absorption for 2018, with 5.9 msf for the year, 30% higher than the second-highest, I-20 West/Fulton Industrial (4.6 msf).

With record-breaking occupancy gains and construction completions, the vacancy rate was unchanged YOY at 7.7%. The fourth quarter of 2018 was Atlanta’s 20th consecutive quarter of vacancy at or below 9.0%, while 68.2 msf of new construction delivered through the same 20-quarter period.

Despite record warehouse/distribution deliveries in 2018, warehouse/distribution vacancy fell for the third consecutive quarter to 8.0%, a slight 10 basis point (bps) decline YOY. Direct net asking rents in the third quarter averaged \$4.49 per square foot (psf), essentially unchanged YOY from \$4.50 psf in 2017. Overall rents remained steady YOY, with a \$4.47 psf average rental rate to close out 2018.

Outlook

The current economic cycle has transformed Atlanta into a top-tier industrial real estate market in the United States. Atlanta continues to draw in major expansions that are distributed among different submarkets, demonstrating a healthy diversification in growth. The boom of eCommerce and the film industry in Georgia has also increased demand for new and larger industrial space. These factors point to continued expansion of Georgia’s construction, manufacturing, and transportation industries, which are the backbone of Atlanta’s industrial real estate market.

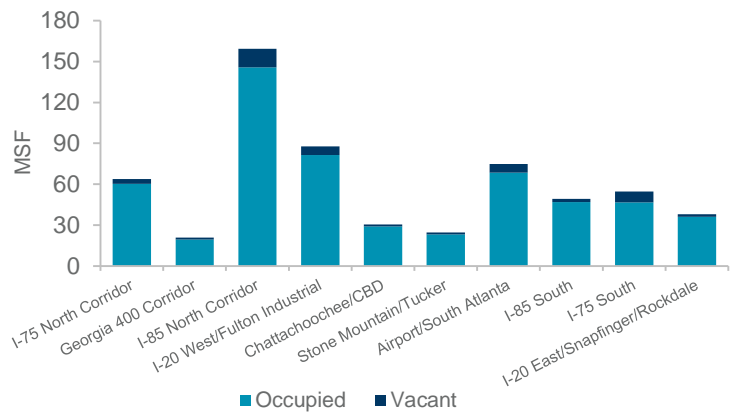
OVERALL INDUSTRIAL RENTS REMAIN UNCHANGED YEAR-OVER-YEAR AMID RECORD CONSTRUCTION DELIVERIES OF 18.0 MSF.

Industrial Highlights

- Overall Industrial absorption for 2018 (21.6 msf) was the highest ever recorded, breaking 2017’s record by 1.1 msf.
- Over 28.8 msf of leases were signed in 2018, which is the highest total since 2005.
- Atlanta’s industrial vacancy rate (7.7% in Q4 2018) is within 70 bps of the lowest vacancy on record.

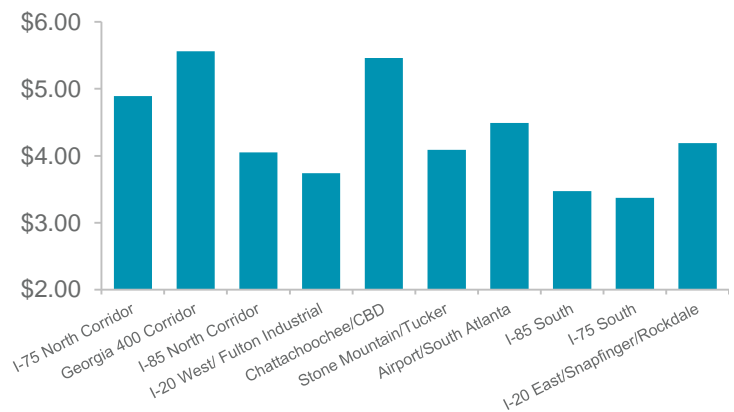
Occupied vs. Vacant Space Comparison

I-85 NORTH CORRIDOR HAS LARGEST INVENTORY OF VACANT SPACE



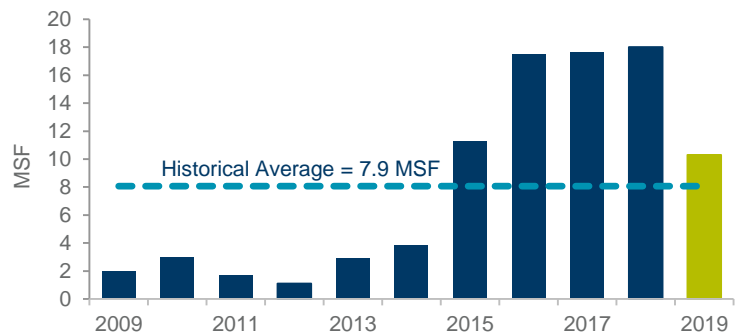
Warehouse/Distribution Asking Rents by Submarket (NNN)

GEORGIA 400 CORRIDOR HAS HIGHEST RENT IN THE MARKET



New Supply

2018 NEW SUPPLY REACHED A RECORD HIGH WITH 18.0 MSF DELIVERED



MARKETBEAT

Atlanta

Industrial Q4 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)**
I-75 North Corridor	63,812,347	1,908,629	740,821	5.7%	760,012	647,000	\$0.00	\$3.45	\$11.33	\$4.89
Georgia 400 Corridor	20,827,661	597,713	125,000	7.4%	253,430	0	\$11.06	\$0.00	\$12.67	\$5.56
I-85 North Corridor	159,364,088	6,968,428	3,832,794	8.6%	4,350,875	2,298,640	\$13.01	\$8.91	\$9.11	\$4.05
I-20 West/Fulton Industrial	87,683,590	4,185,061	856,909	7.3%	4,556,603	1,261,413	\$0.00	\$0.00	\$7.85	\$3.74
Chattahoochee/CBD	30,457,244	255,655	156,399	4.8%	-360,678	80,000	\$0.00	\$0.00	\$13.97	\$5.46
Stone Mountain/Tucker	24,649,477	674,580	0	5.7%	622,316	0	\$0.00	\$4.50	\$0.00	\$4.07
Airport/South Atlanta	74,720,152	5,056,911	1,331,412	8.4%	2,179,884	701,687	\$0.00	\$0.00	\$8.77	\$4.48
I-85 South	49,207,939	3,584,145	2,069,084	4.8%	3,440,217	2,344,375	\$0.00	\$5.11	\$0.00	\$3.47
I-75 South	54,583,070	4,535,654	3,668,622	14.4%	5,932,084	2,987,050	\$0.00	\$0.00	\$0.00	\$3.36
SOUTH SUBTOTAL	178,511,161	7,695,129	7,069,118	9.2%	11,552,185	6,033,112	\$0.00	\$2.69	\$8.77	\$3.80
I-20 East/Snapfinger/Rockdale	38,073,560	1,054,862	0	5.1%	-152,369	0	\$0.00	\$0.00	\$8.00	\$4.19
ATLANTA TOTALS	603,379,128	28,821,638	20,693,186	7.7%	21,582,374	10,320,165	\$12.10	\$4.92	\$10.58	\$3.94

*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 Q4 2018

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
1090 Broadway Avenue	807,990	Havertys	Renewal	I-85 North Corridor
4955 Oakley Industrial Boulevard	705,000	Post Brands	New Lease	I-85 South/Peachtree City
159 Westridge Parkway	408,195	Blue Buffalo	New Lease	I-75 South/Henry County
7225 Goodson Road	370,000	Interface Americas	Renewal	I-85 South/Peachtree City
425 Hartman Road	354,620	Outre	New Lease	I-20 West/Fulton Industrial

Key Sales Transactions Q4 2018

PROPERTY	SF	SELLER / BUYER	PRICE / \$PSF	SUBMARKET
95 Innovation Way	1,917,084	LRC Properties / Agellan Commercial REIT	\$53,000,000 / \$28	I-85 South/Peachtree City
Horizon Drive Portfolio	1,127,658	Taylor & Mathis / Clarion Partners	\$102,550,000 / \$91	I-85 North Corridor
705 Braselton Industrial Boulevard	1,000,821	Ackerman / Uline	\$70,222,100 / \$70	I-85 North Corridor
1001 Cherry Drive	455,602	Mayfield Properties / Novaya Real Estate	\$16,320,000 / \$36	I-85 North Corridor

