

2019 MARKET REPORT

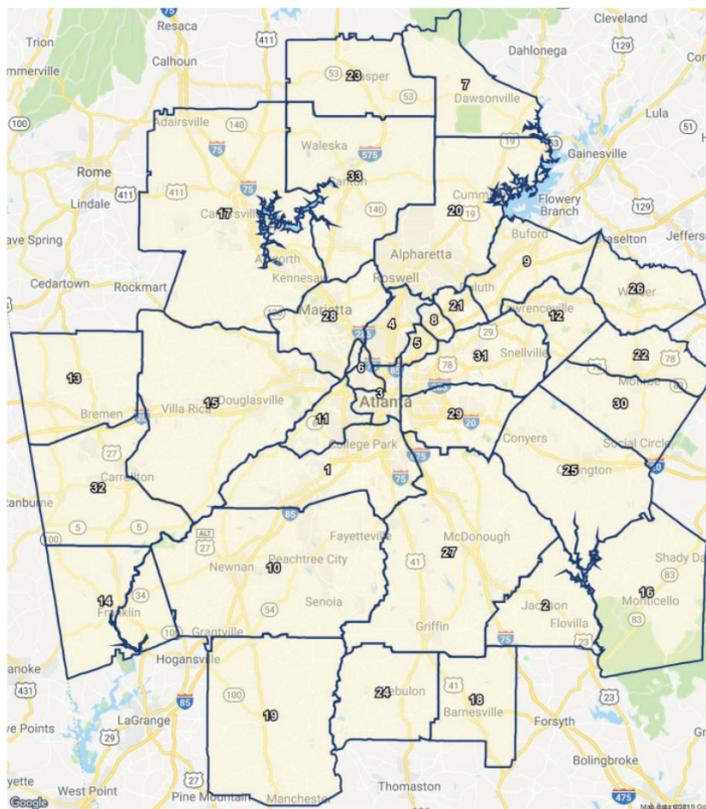
Atlanta, GA | Industrial Market

OVERVIEW

THE ATLANTA economy has been expanding along with the rest of the country during the past few years. During the fourth quarter of 2018, Atlanta gained 59,800 jobs, approximately 2.2% per year – the national average was only 1.1% during this time period. Atlanta also showed improvement regarding unemployment; Atlanta finished Q4 2018 at 3.4% compared to 4.3% the year before. The national unemployment rate was 3.7% during the fourth quarter.

The Atlanta industrial market has continued to rise and looks to surge well into 2019. Atlanta benefits from being a national

distribution hub and part of a growing metro area. Atlanta is dominated by the logistics industry which accounts for nearly 80% of all building supply. Atlanta is intersected by two major freeways, I-20 & I-85. Many of the industrial buildings are found along or near I-85.



- 1 Airport/North Clayton
- 2 Butts County
- 3 Central Atlanta
- 4 Central Perimeter
- 5 Chamblee
- 6 Chattahoochee
- 7 Dawson County
- 8 Doraville
- 9 Duluth/Suwanee/Buford
- 10 Fayette/Coweta County
- 11 Fulton District
- 12 GA-316/Lawrenceville
- 13 Haralson County
- 14 Heard County
- 15 I-20 W/Douglasville
- 16 Jasper County
- 17 Kennesaw/Acworth
- 18 Lamar County
- 19 Meriwether County
- 20 N Fulton/Forsyth County
- 21 Norcross
- 22 North Walton County
- 23 Pickens County
- 24 Pike County
- 25 Rockdale/Newton County
- 26 S Barrow
- 27 S Clayton/Henry County
- 28 SE Cobb County/Marietta
- 29 Snapfinger
- 30 South Walton County
- 31 Stone Mountain
- 32 W Carroll County
- 33 Woodstock/Canton

MARKET REVIEW

2019 is expected to hit a cyclical high in terms of new construction with over 18 million square feet of deliveries incoming. Overall vacancy has fallen and hit a historical low at the end of 2018. Atlanta is in a pro-landlord market where rents are continually being pushed upwards while vacancy falls. Atlanta has kept up with the influx of new construction with a very strong level of demand. The overall Atlanta Industrial Market is currently at a vacancy rate of 6.5%

The Atlanta industrial market experienced a record year of absorption in 2018. Over 16 million square feet was leased in 2018, including 4.9 million square feet in Q4. This represents a year over year increase of 24.8%. In 2018, overall absorption in the Atlanta Industrial Market also exceeded expectations. The 2018 calendar year finished with positive net absorption of 21.6 million square feet compared to 20.1 million square feet in 2017.

Continuing the growth trend, Atlanta should experience another high in terms of product delivery. There is already 19 million square feet under construction in Q1 2019. Nearly 90% of this construction is speculative, but local brokers are not worried about the product sitting as they are predicting a continued demand for space. There are plans for six different 1,000,000 square foot industrial buildings to be completed by the end of 2019 according to Costar:

Under Construction (2019)					
Developer	Address	City	Submarket	SF	Estimated Completion
Hardie Real Estate Group, LLC	700 Palmetto Logistics Pky	Palmetto	Airport/North Clayton	1,310,400	Dec-19
PNK S2 LLC	King Mill Rd - Southern Gateway	McDonough	S Clayton/Henry Cnty	1,104,320	Apr-19
Robinson Weeks Partners	2160 Anvil Block Rd	Forest Park	Airport/North Clayton	1,043,418	Nov-19
Prologis	980 Douglas Hill Rd	Lithia Springs	I-20 W/Douglasville	1,026,000	Jan-20
Scannell Properties	3150 Highway 42	Locust Grove	S Clayton/Henry Cnty	1,011,907	Aug-19
CRG	280 Bridgeport Blvd	Newnan	Fayette/Coweta Cnty	1,002,150	Jun-19

The largest transactions of 2018 are included in the following table:

Key Industrial Lease Transactions (2018)				
Tenant	Address	City	Submarket	SF
Medical Depot	500 Palmetto Logistics Pky	Fairburn	Airport/North Clayton	1,054,500
Haverty Furniture	1090 Broadway Ave	Braselton	Braselton/W Jackson	807,990
Post Brands	4955 Oakley Industrial Blvd	Fairburn	Airport/North Clayton	705,000
Office Depot	2500 Mill Center Pkwy	Buford	Duluth/Suwanee/Buford	550,000
Diversitech	1595 Heraeus Blvd	Buford	Duluth/Suwanee/Buford	492,048
Mobis	545 Logistics Center Pkwy	Jefferson	E Jackson	477,662
Amazon	235 Hog Mountain Rd	Jefferson	E Jackson	459,134
Average				649,476

Atlanta has seen continuous rent growth since 2010 and is in the top five of major industrial markets for rent growth. The average asking rent for warehouse/distribution buildings in Atlanta is \$5.22/SF. The upward trend of rental rates is expected to continue due to increased demand for e-commerce facilities. Since construction levels remain high, it's expected to continue to drive higher industrial rent.

One factor that has become more commonplace among new industrial construction is clear height. In 2012, the average clear height was only 32 feet. This has been increasing about one foot per year and the average clear height for buildings delivered in 2018 is 35'6".

CONTACT: DAMON TASEFF, SIOR
dtaseff@allegrorealty.com
216.965.0630

ETHAN HARRISON
eharrison@allegrorealty.com
216.331.7181