

**Total Inventory**  
634,654,085

**Overall Vacancy** ↓  
6.4%

**Net Absorption\*** ↓  
7,251,853

**Under Construction** ↓  
11,107,074

**Total Deliveries\*** ↓  
6,678,052

**Leasing Activity\*** ↑  
13,243,797

## MARKET HIGHLIGHTS

Metropolitan Atlanta's industrial market finished 2017 in grand fashion absorbing 7.2 Million SF since Mid-Year 2017. Bulk industrial leases primarily in the Northeast and South Atlanta submarkets helped drive the regional vacancy rate to 6.4%, a near record low mark despite inventory deliveries this year of almost 15 million SF. We project Atlanta to lead the country in net absorption levels for 2017. Material lease transactions by Amazon (822,000 SF), Kubota (618,000 SF) and Lindt (1,000,000 SF) assisted in offsetting the new construction. Despite the specter of an additional twelve million SF currently under development, and our recent prediction of market imbalance, don't bet against continued tenant demand in an emerging e-commerce economy and the Southeastern United States logistics center.

Construction pricing continues to rise, and to date, rental rates have risen proportionally, although we see signs of topping out for larger bulk projects. Multi-tenant projects under 300,000 SF have seen rental increases over the past five years average 6% annually, closer to 8% on less than 15,000 SF spaces. These income improvements have justified development and have resulted in disposition pricing at times at or above reproduction costs – a sure sign we are at the top of the market cycle.

Evidencing this position, note the following industrial property trades during the last two quarters of 2017: Mason Mill Distribution 200 (\$91.02/SF), 305 Satellite Boulevard (\$114.26/SF) and 1950 Vaughn Road (\$94.26). These investment sales, while unique, demonstrate sales prices and cap rates unheard of previously. Rising occupancy and replacement costs are driving lease tenants to purchase existing buildings to house their companies. Our research found 176 such warehouse and flex acquisitions over 10,000 SF across Metropolitan Atlanta last year. Considering construction pricing will not drop in the future, these owner/users have decided to mitigate facility operating costs going forward.



## METRO ATLANTA REPRESENTATIVE SALES ACTIVITY

### INVESTMENT SALES

490 Westridge Parkway <i>Purchased by Lexington Realty on 08/01/17</i>	900,640 SF	\$74.06/SF
Mason Mill Distribution 200 <i>Purchased by JLL Income Trust on 12/20/17</i>	340,580 SF	\$91.02/SF
7980 Spence Road <i>Purchased by GLP US Management on 09/12/17</i>	317,520 SF	\$66.61/SF

### OWNER/USER SALES

3055 Shawnee Industrial Way <i>Purchased by TechData Corporation on 10/25/17</i>	207,000 SF	\$44.23/SF
850 Raco Drive <i>Purchased by Ampco Distribution on 10/05/17</i>	101,640 SF	\$54.14/SF
4600 Frontage Road <i>Purchased by Aladdin Metal on 11/10/17</i>	103,829 SF	\$33.02/SF

# ATLANTA INDUSTRIAL MARKET

## KEY METRO ATLANTA SUBMARKETS

YEAR END 2017

- Metropolitan Atlanta's flagship industrial submarket absorbed a remarkable 2,338,337 SF since Mid-Year.
- This record setting six month period reduced Northeast Atlanta's vacancy rate over 100 basis points to 5.6%.
- With less than 600,000 SF currently under construction, look for development and rental rates to rise in 2018.

**ACTIVITY:** Integrated Supply Network leased 227,000 SF at 1750 Satellite Boulevard; Shake-N-Go Fashion occupied 264,000 SF at Horizon Pointe 200; Overon Group purchased 225,000 SF at 4600 Northeast Expressway.

## NORTHEAST

	CURRENT	PREVIOUS TIME PERIODS		CHANGE
VACANT SF	9,041,471	Mid-Year '17	10,963,280	-17.53%
		Year End '16	10,342,335	-12.58%
SF UNDER CONSTRUCTION	537,496	Mid-Year '17	588,412	(50,916)
		Year End '16	2,142,374	(1,604,878)
LEASING ACTIVITY	2,861,094	Mid-Year '17	4,400,610	(1,539,516)
		Year End '16	4,230,624	(1,369,530)
ABSORPTION SF	2,338,337	Mid-Year '17	933,017	+1,405,320
		Year End '16	1,825,276	+513,061
DELIVERIES	431,572	Mid-Year '17	1,553,962	(1,122,390)
		Year End '16	3,391,964	(2,960,392)

## NORTH CENTRAL

	CURRENT	PREVIOUS TIME PERIODS		CHANGE
VACANT SF	1,503,036	Mid-Year '17	1,417,697	+6.02%
		Year End '16	1,768,718	-15.02%
SF UNDER CONSTRUCTION	0	Mid-Year '17	98,297	(98,297)
		Year End '16	147,278	(147,278)
LEASING ACTIVITY	471,349	Mid-Year '17	508,422	(37,073)
		Year End '16	802,391	(331,042)
ABSORPTION SF	12,958	Mid-Year '17	400,002	(387,044)
		Year End '16	350,789	(337,831)
DELIVERIES	98,297	Mid-Year '17	48,981	+49,316
		Year End '16	119,560	(21,263)

- The North Central industrial submarket produced little leasing activity with just 12,958 SF of absorption over the past two quarters.
- Accordingly, there was little movement on the submarket vacancy front which stands at 5.5%.
- With Ridgeland Commons II delivering, we do not project any more new speculative development in 2018.

**ACTIVITY:** Sharp Corporation leased 36,000 SF at Bluegrass Valley II; Seng LED committed to 42,000 SF at 155 Bluegrass Valley Parkway; MDSI relocated into 24,000 SF at Meadows Pointe.

- This submarket performed similarly to previous periods, posting 882,606 SF of absorption during the past six months.
- Northwest Atlanta's vacancy dropped to 4.8%, the lowest in close to a decade.
- Take note of the larger transactions in far North Cobb, Cherokee and Bartow counties where available land exists.

**ACTIVITY:** UPS occupied 99,000 SF at 120 Shiloh Road; Packard leased 154,000 SF at 2700 Barrett Lakes Boulevard; Elanders committed to 123,000 SF at Walton Green Commerce Center.

## NORTHWEST

	CURRENT	PREVIOUS TIME PERIODS		CHANGE
VACANT SF	3,278,035	Mid-Year '17	4,086,641	-19.79%
		Year End '16	4,342,701	-24.52%
SF UNDER CONSTRUCTION	0	Mid-Year '17	74,000	(74,000)
		Year End '16	1,054,550	(1,054,550)
LEASING ACTIVITY	1,348,889	Mid-Year '17	1,751,234	(402,345)
		Year End '16	2,295,661	(946,772)
ABSORPTION SF	882,606	Mid-Year '17	1,236,610	(354,004)
		Year End '16	758,169	+124,437
DELIVERIES	74,000	Mid-Year '17	980,550	(906,550)
		Year End '16	204,050	(130,050)

# ATLANTA INDUSTRIAL MARKET

## KEY METRO ATLANTA SUBMARKETS

YEAR END 2017

### I-20 WEST/FULTON INDUSTRIAL

	CURRENT	PREVIOUS TIME PERIODS	CHANGE
VACANT SF	7,060,636	Mid-Year '17	5,748,759 +22.82%
		Year End '16	6,767,100 +4.34%
SF UNDER CONSTRUCTION	1,862,832	Mid-Year '17	2,829,827 (966,995)
		Year End '16	2,674,427 (811,595)
LEASING ACTIVITY	1,188,595	Mid-Year '17	3,146,380 (1,957,785)
		Year End '16	5,292,524 (4,103,929)
ABSORPTION SF	(181,370)	Mid-Year '17	2,562,261 (2,743,631)
		Year End '16	442,203 (623,573)
DELIVERIES	1,130,507	Mid-Year '17	1,543,920 (413,413)
		Year End '16	1,108,013 +22,494

- The strong start to 2017 did not continue as the submarket registered negative 181,370 SF absorption over the final two quarters.
- Significant inventory deliveries have pushed I-20 West's vacancy rate over 100 basis points to 7.1%.
- With 1.86 Million SF set to deliver in 2018, measurable leasing momentum will be required to improve submarket fundamentals.

**ACTIVITY:** Sunbelt Marketing occupied 562,000 SF at 420 Lee Industrial Boulevard; Core5 Industrial sold 781,000 SF at 440 Interstate West Parkway; HNI Corporation moved into 150,000 SF at 4975 Powder Springs/Dallas Road.

- Our region's "big box" submarket finished 2017 with 2,443,332 SF absorbed since Mid-Year.
- However the addition of 4.8 Million SF of inventory during the same two quarters raised the vacancy rate to 9.2%.
- South Atlanta led the market in large sales including Shugart Farms (873,000 SF), Gillem Logistics (848,000 SF) and 201 Greenwood (800,000 SF).

**ACTIVITY:** Home Depot occupied it's 1,000,000 SF facility on Hwy 155 in Locust Grove; Armada moved into 448,000 SF at Camp Creek Business Park; Travel Pro leased 296,000 SF at 1500 Medline Place.

### SOUTH ATLANTA

	CURRENT	PREVIOUS TIME PERIODS	CHANGE
VACANT SF	16,233,810	Mid-Year '17	13,893,372 +16.85%
		Year End '16	18,329,396 -11.43%
SF UNDER CONSTRUCTION	7,122,006	Mid-Year '17	8,047,666 (925,660)
		Year End '16	8,439,730 (1,317,724)
LEASING ACTIVITY	6,302,404	Mid-Year '17	4,160,794 +2,141,610
		Year End '16	11,091,729 (4,789,325)
ABSORPTION SF	2,443,332	Mid-Year '17	8,118,413 (5,675,081)
		Year End '16	1,829,462 +613,870
DELIVERIES	4,805,770	Mid-Year '17	3,713,549 +1,092,221
		Year End '16	3,386,550 +1,419,220

## PRODUCT TYPES

**FLEX BUILDING (F):** A type of building designed to be versatile, which may be used in combination with office (corporate headquarters), research and development, quasi-retail sales, and including but not limited to industrial, warehouse, and distribution uses.

**SHALLOW-BAY DISTRIBUTION BUILDING (D):** A type of building designed to be used for the distribution of materials or as a medium-sized light manufacturing facility. A typical shallow-bay distribution building will have 10% to 30% of its rentable area made up of office space, ceiling heights anywhere from 18 to 24 feet, bay depths of 120 to 190 feet, and could have both dock-high and drive-in loading doors.

**BULK WAREHOUSE BUILDING (WH):** A type of building designed to be used for bulk storage of materials, distribution, or heavy manufacturing. A typical bulk warehouse building will have a small amount of office space (typically less than 10%), ceiling heights of 24 feet and higher, bay depths of over 190 feet and have dock-high loading doors. Rail service and trailer parking may be offered as well.

# ATLANTA INDUSTRIAL MARKET

KEY METRO ATLANTA SUBMARKETS

YEAR END 2017



## LAVISTA ASSOCIATES, INC. REPRESENTATIVE INDUSTRIAL TRANSACTIONS

### SALE TRANSACTIONS

**Art Murray** represented the Seller, Lockheed Martin, in the disposition of 765,000 SF on 52 acres in Marietta.

Representing the Seller, Bionew International, **Will Grogan** brokered the sale of 36,000 SF at 3600 Swiftwater Drive in Suwanee.

**Ed O'Connor** and **Scott Horowitz** facilitated the sale of 12 acres to Becknell Industrial for future development on River Green Parkway in Duluth.

Representing Decatur Properties, **Kevin Walsh** and **Rush Bradley** brokered the sale of a 26,000 SF facility at 180 Shamrock Industrial Boulevard in Tyrone.

### LEASE TRANSACTIONS

**Bobby Mayson** represented Custom Cooler in their 127,000 SF lease transaction with First Industrial Realty at 1005 Sigman Road in Conyers.

Representing the Tenant, J&K2 Ltd, **Ryan Blackburn** brokered a 38,000 SF lease with MDH Partners at 5715 Oakbrook Parkway in Norcross.

**Scott Horowitz** represented Mattress Firm in renewing their 97,000 SF facility at 1075 Northfield Court in Roswell.

On behalf of the Landlord, MacFarlan Capital, **Charlie Fiveash** facilitated a 23,000 SF lease at 485 Atlanta South Parkway in College Park.

Sources include: CoStar Office  
Market Report: Year-End 2017  
& Lavista Associates, Inc.

No warranty or representation, expressed or implied, is made as to the accuracy of information contained herein. In consideration of the within information, all parties agree to rely solely on their right, and assume the duty to independently obtain and analyze all information.

**Lavista Associates, Inc.**  
3475 Piedmont Road, NE | Suite 1150  
Atlanta, Georgia 30305  
770.448.6400  
[www.lavista.com](http://www.lavista.com)



**45**  
YEARS  
1972 - 2017

01.26.18