

HOTLANTA

The Atlanta industrial market has been sizzling the past few years and the heat wave continued in the second quarter of 2016. Atlanta just posted its 17th consecutive quarter of positive net absorption. Additionally, the second quarter saw an increase over first quarter results in activity, positive net absorption AND new construction.

During that same 17 quarter period, the overall availability rate dropped almost seven percent down to 13.0 percent. The last time we saw a rate this low was the third quarter of 1996 – 20 years ago. This drop in availability is even hotter news when you consider that during that four plus year period, almost 26.5 million square feet of spec construction was added to the mix.

Activity in the Atlanta industrial market rose from 13.5 million square feet during the first quarter to 15.3 million square feet in the second quarter. This surge in activity helped contribute to a four quarter total of 56.4 million square feet of leased and sold industrial space.

Positive net absorption increased as well. Net absorption jumped from almost 3.1 million square feet during the first quarter to over 4.6 million square feet in the second quarter. The four quarter total was over 14.8 million square feet of positive net absorption.

Additionally, the consistently strong performances in activity and net absorption continue to drive new construction. New construction increased from a first quarter figure of 4.7 million square feet to 6.3 million square feet during the second quarter of 2016. This led to a four quarter new construction total of almost 16 million square feet with approximately 73 percent of that being speculative construction.

The continuation of compressed capitalization rates has led to cap rates remaining in the 5.0 – 6.0 percent range, allowing the investment market to continue its powerful run. This climate has also contributed to the surge in new construction. As developers lease up their spec buildings, investors are buying them at all-time high prices. Developers are then scurrying to build even more spec product in the hopes of delivering in time to take advantage of the current red-hot leasing and investment markets.

In recent discussions with developers, economic development professionals and local and state officials, we have been told that the activity and interest in Atlanta from prospects is as strong as it has even been. Furthermore, they expect to share more announcements in the near future of signed projects and the job growth that comes with those companies setting up shop in Atlanta.

With a glaring decrease in availability, a sweltering increase in inventory, sizzling hot activity and scorching positive net absorption . . . **HotLanta** is the place to be!

Sim F. Doughtie, CCIM, SIOR, MCR, SLCR
President

Total Market

	Total Inventory	Net Absorption	Total Available	% Available	Total Activity	# of Deals	Avg SF Per Deal
Distribution	651,459,993	4,675,053	84,823,920	13.0%	15,343,380	682	22,498
Service Center	25,067,524	50,278	5,329,042	21.3%	644,330	167	3,858

Second Quarter 2016

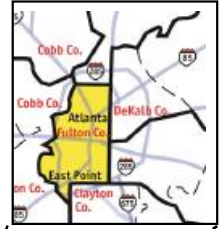
	Total Inventory	Market Share	Total Available	% Available	Total Activity	# of Deals
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Market Maps

CITY OF ATLANTA

Distribution	50,607,466	7.8%	6,317,102	12.5%	1,349,080	55
Service Center	883,783	3.5%	147,776	16.7%	65,354	15

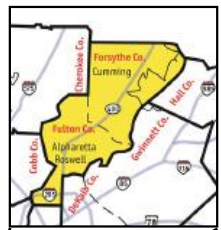
The distribution sector of the City of Atlanta region posted a three-peat in the second quarter of 2016. Activity doubled from first quarter coming in at 1,349,080 square feet. This stellar performance allowed a third quarter of positive net absorption. The 598,481 square feet of positive net absorption erased more than one percent from the availability rate, now at 12.5 percent. The first-generation space in this region is thanks to the rebirth of an existing site. The service center sector also finished the quarter in the win column. Activity was up to 65,354 square feet. It was net absorption that was the true winner coming in at double that seen in the first quarter. The 31,528 square feet recorded slashed the availability rate down to 16.7 percent.



GA 400

Distribution	26,861,330	4.1%	2,584,021	9.6%	395,146	56
Service Center	3,525,019	14.1%	687,408	19.5%	116,167	30

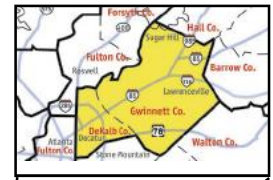
The GA 400 distribution sector saw improvement in the second quarter of 2016. Although activity was down to 395,146 square feet, net absorption returned to positive territory at 11,690 square feet. The availability rate dropped slightly to 9.6 percent. A small amount of existing first-generation space was taken by tenants leaving 347,069 square feet of new space as new construction skipped this region for a third quarter. The service center sector saw the flip side of the coin. Activity of 116,167 square feet was not to blame; the down side was net absorption falling back below the line to -17,477 square feet. This, in turn, pushed the availability rate up to 19.5 percent.



I-85 NORTHEAST

Distribution	166,150,953	25.5%	18,028,799	10.9%	3,798,898	226
Service Center	10,332,264	41.2%	2,468,306	23.9%	176,267	46

The distribution sector of the I-85 Northeast region recovered in the second quarter of 2016. Activity rose slightly and won the blue ribbon with 3,798,898 square feet. Net absorption also beat the pack posting a total of 1,576,942 square feet. The availability rate responded and fell to 10.9 percent. A total of 1,343,740 square feet of construction hit this region; 1,154,740 of spec and 189,000 build-to-suit. Consequently, first-generation space now sits at just over three million square feet. Despite recording the highest activity among its peers, the service center sector lost ground this quarter. Activity of 176,267 square feet was overcome by tenant departures and net absorption fell to -7,267 square feet. The availability rate escaped harm and closed at 23.9 percent.



I-20 EAST

Distribution	53,966,920	8.3%	4,562,163	8.5%	1,115,516	40
Service Center	932,245	3.7%	165,188	17.7%	21,816	6

The I-20 East distribution sector held steady in the second quarter of 2016. Activity of 1,115,516 square feet paved the way for net absorption to go on record at 451,981 square feet. The availability rate dropped to 8.5 percent – remaining the lowest availability rate among the distribution sectors. No new construction was recorded and first-generation space fell to 28,800 square feet. The service center sector saw improvement this quarter. Activity rose to 21,816 square feet. This accomplishment led to a return of positive net absorption. The 3,366 square feet was enough to drop the availability rate down four-tenths of a percent to 17.7 percent.



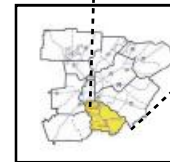
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Market Maps

AIRPORT/I-75 SOUTH

Distribution	81,042,617	12.4%	14,971,172	18.5%	3,503,258	70
Service Center	1,034,365	4.1%	316,048	30.6%	20,847	5

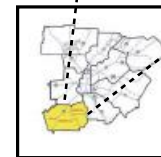
The distribution sector of the Airport/I-75 South region should count its lucky stars. Activity came in at 3,503,258 square feet with 1,242,000 square feet of that compliments of three build-to-suit projects. Tenant unrest reduced that activity to 982,209 square feet of net absorption. Another tenth of a percent fell off the availability rate; unfortunately, the resulting 18.5 percent remains the high among the distribution sectors. With all of the new construction being build-to-suit, existing first-generation space actually fell slightly to 4,120,271 square feet. The service center sector was not as blessed. Activity was down to 20,847 square feet. That dip in activity ushered in negative net absorption. The -33,631 square feet recorded pushed the availability rate up to 30.6 percent.



I-85 SOUTHWEST

Distribution	21,827,216	3.4%	3,072,158	14.1%	144,675	14
Service Center	215,063	0.9%	28,250	13.1%	2,400	1

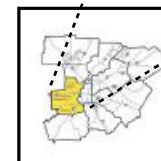
The I-85 Southwest region's distribution sector brought up the rear in the activity category in the second quarter of 2016. What's worse is that the 144,675 square feet of activity was not strong enough to post a second quarter of positive net absorption. The -31,011 square feet of net absorption pushed the availability rate up to 14.1 percent. New construction avoided this region once again and existing first-generation space remained unchanged at 29,000 square feet. One deal was all the service center sector could snag this quarter. Fortunately, all tenants remained in place allowing that 2,400 square foot deal to transfer intact to net absorption. The availability rate stayed in step and fell to 13.1 percent.



I-20 WEST/FULTON INDUSTRIAL

Distribution	136,274,657	20.9%	20,085,821	14.7%	1,674,477	83
Service Center	1,804,764	7.2%	304,220	16.9%	45,070	12

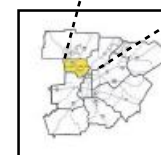
The distribution sector of the I-20 West/Fulton Industrial region broke a fourteen quarter record in the second quarter of 2016. Activity dropped to 1,674,477 square feet opening the door for that record breaker. After a good long run, net absorption fell back below the line to -629,795 square feet. This defeat added a half percent to the availability rate pushing it up to 14.7 percent. One spec project for 493,870 square feet was added to inventory making first-generation space 5,431,026 square feet. The service center sector slowed down, but stayed on the right track. Activity dropped to 45,070 square feet and net absorption fell to 6,502 square feet. The availability rate closed the quarter at 16.9 percent.



I-75 NORTH

Distribution	35,961,854	5.5%	4,310,446	12.0%	814,562	70
Service Center	4,986,005	19.9%	914,184	18.3%	131,521	30

The distribution sector of the I-75 North region strung together a second successful quarter. Activity posted at 814,562 square feet and net absorption jumped up to 144,533 square feet. This coup allowed the availability rate to drop to 12.0 percent. New construction passed on this region in the second quarter of 2016 and available first-generation space fell to 64,944 square feet. The service center sector can claim a win as well. Activity went on the books at 131,521 square feet. Better news, however, was that net absorption topped its peers at 37,117 square feet. The availability rate also scored dropping to 18.3 percent.



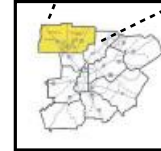
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Market Maps

NORTHWEST

Distribution	30,817,537	4.7%	3,486,445	11.3%	1,392,521	21
Service Center	576,112	2.3%	159,674	27.7%	4,800	1

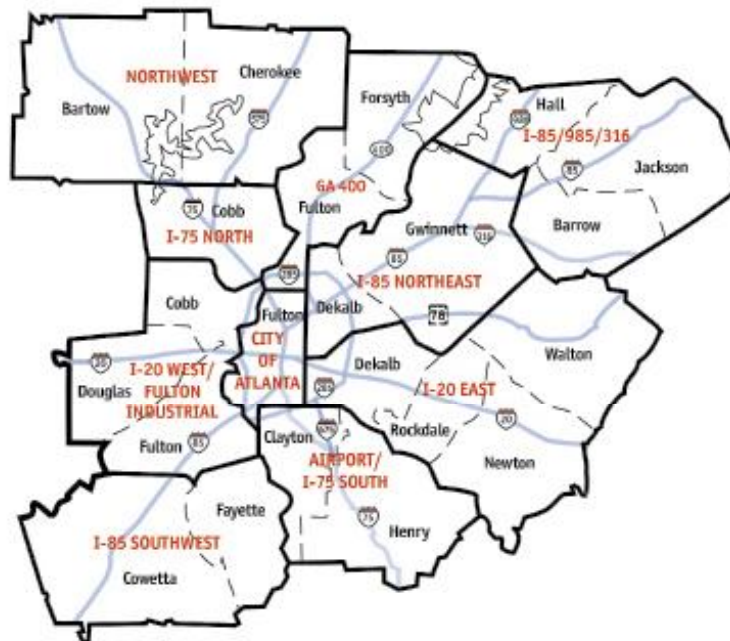
The Northwest distribution sector had double the pleasure in the second quarter of 2016. Activity doubled over first quarter rising to 1,392,521 square feet. Better yet, net absorption doubled as well, posting at 989,306 square feet. The availability rate did not get to take full advantage of this success and fell only four tenths of a percent to 11.3 percent. New construction of 987,685 square feet was responsible for this double-cross. The same cannot be said for the service center sector. Activity plunged to 4,800 square feet and net absorption took the dive as well, falling to -7,250 square feet. This loss pushed the availability rate up to 27.7 percent.



I-85/316/985

Distribution	47,949,443	7.4%	7,405,793	15.4%	1,155,247	47
Service Center	777,904	3.1%	137,988	17.7%	60,088	21

The distribution sector of the I-85/316/985 region closed the quarter with mixed results. Activity went on the books at 1,155,247 square feet. Tenant turnover whittled that number down to 580,717 square feet of net absorption. It was the new construction of 1,241,376 square feet that put a little damper on things. With 1,082,826 square feet coming out of the ground as spec, the availability rate increased to 15.4 percent. It was nothing but victory for the service center sector. Activity soared to 60,088 square feet and net absorption reached a level not seen here since 2009. The 34,990 square feet of net absorption took 4.5 percent off the availability rate, dropping it to 17.7 percent.



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