

**Sim Doughtie on Atlanta's I-85 Corridor Industrial Market
Special to SOUTHEAST REAL ESTATE BUSINESS
October 14, 2016**

Over the past two or three years the Atlanta Industrial market has been extremely hot after struggling to come back from the previous recession caused by the capital markets' melt-down. During this period of time Atlanta has been setting records for activity, positive net absorption and new construction. The I-85 corridor and the northeast quadrant of the Atlanta industrial market has been a leader in this astounding growth.

The Atlanta industrial market as a whole currently contains 656 million square feet of distribution space. During the past four (4) quarters, activity was 57.7 million square feet with eleven (11) quarters in a row above 53 million square feet. This is significant, because the previous high water marks for activity had been 49 million in 2000 and 50 million in 2007.

Absorption during that same time period came in at 17.5 million square feet of positive net absorption with eleven (11) consecutive quarters above 15 million square feet. Atlanta has experienced eighteen (18) quarters in a row of positive net absorption (this followed four years in a row of negative net absorption!)

New construction for the last four (4) quarters was 15.1 million square feet with 81% spec construction and 19% built to suit. The Atlanta market has been so strong that over the past three (3) years, we have seen 46 million square feet of new construction, and with the record breaking numbers for activity and positive net absorption during that same time period, we saw the availability rate actually drop from a high of 17.2% down to 12.5% (the lowest it has been in 21 years!).

The reason for all of the activity, positive net absorption and new construction is really two-fold. First, Atlanta was late coming out of the last recession and there was very little new construction for a 5-6 year period which led to a lack of supply for state of the art high-tech industrial buildings. The last three years saw unprecedented demand for, not only distribution space, but also for e-commerce space, which did not even exist before.

The I-85 corridor and the northeast quadrant accounted for a lot of the activity, absorption and new construction during this time frame, and this target area continues to enjoy new announcements regarding future projects for the area.

I-85 Corridor Industrial Market

Currently, the I-85/Northeast Corridor of the Atlanta industrial market has 215 million square feet of distribution space, which is approximately one third of the entire Atlanta industrial market. We are showing the amount of available space in the region to be 25.5 million square feet which is approximately 11.9% of the available space in the city.

Activity over the past four (4) quarters equaled 17.7 million square feet which was 31% of the total activity for Atlanta. The activity in this sub-market led to 4.5 million square feet of positive net absorption which was 26% of the total for Atlanta. The robust activity and positive net absorption led to an increase in new construction which had 6.2 million square feet of new construction, and it was 41%

of all of the recorded new construction for the Atlanta area. Most, or 93% of the new construction total in the northeast market, was speculative development.

Some of the notable deals or larger transactions in the I-85 submarket included the following;

In Buford, Georgia, Panattoni leased 461,700 square feet to Best Buy, and 414,960 square feet to Office Depot/Office Max. Taylor Mathis leased 362,026 square feet to Susannah's Kitchen, 340,580 square feet to AmeriSourceBergen, and 264,550 square feet to Ricoh Electronics. DCT leased 548,484 square feet to Turnils Kensington.

In Braselton, TPA leased 613,440 to Amazon, and Ridgeline leased 1,074,596 to Williams-Sonoma, and in Jefferson, IDI leased 839,172 square feet to Hubbell, and Prologis leased 714,965 square feet to Reckitt Benckiser. And although not new construction, Cabot Properties leased 506,240 square feet to Petco, and Exeter leased 772,800 square feet to Sears Logistics Group.

Some of the new speculative construction projects currently available in the submarket include the following;

In Buford, Panattoni built 492,048 square feet at the Buford Logistics Center, DCT built 548,484 square feet in the North Satellite Business Center, and Liberty Property Trust built 234,722 square feet in the Liberty Business Center. In Suwanee, Taylor & Mathis built 264,550 square feet in Horizon Pointe.

In Jefferson, Clarion Partners has a new project with two new buildings of 250,569 square feet and 822,257 square feet, IDI has two new buildings of 839,172 square feet and 924,840 square feet, and Pattillo has just completed a 458,640-square-foot building.

The largest building currently under construction (1,000,480 square feet) in this target area is in Braselton, and it is being built by Ackerman and Yates Construction with a 40-foot clear-ceiling height (36' has been the norm for the new e-commerce facilities).

Another phenomenon that we are starting to see, as the construction of new projects gets farther and farther out the I-85 corridor, is the re-development of existing properties/facilities as in the 365,640-square-foot project at 301 McCall Drive located at the juncture of I-85 and I-285.

Just to put an exclamation point on the decision by all of these developers to start new construction projects in the northeast market, FedEx just announced a new project for their company to be built in the Braselton area (Duke Realty's Park 85) with a proposed 1,000,000-square-foot facility to handle on-line internet sales for e-commerce. Could it be that the recent decision by Amazon to take over 600,000 square feet in the Braselton area had an impact on the decision by Federal Express? We think so!

The I-85 corridor and northeast industrial market has always been the driver and a leader in the Atlanta industrial market for activity, positive net absorption and new construction, and we do not see that trend ending anytime soon.

Sim F. Doughtie, SIOR, CCIM, MCR, SLCR
President
King Industrial Realty / CORFAC International
Atlanta, GA