

MARKET REPORT

INDUSTRIAL
Atlanta Metro Area

IPA
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PROPERTY
ADVISORS

2H/19

High-End Properties Maintain Pace of Construction; Ports And Airports Driving Industrial Growth

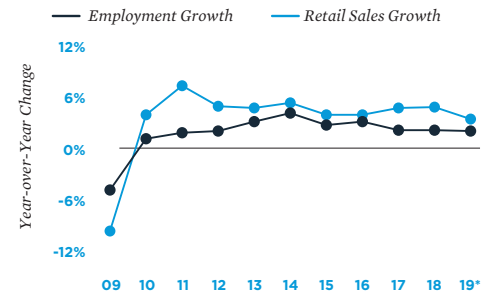
Investors will find value in Atlanta as companies create new corporate headquarters and manufacturing facilities. Industrial properties continue to perform well in the metro, as it serves as a unique hub for Southeastern states. The Port of Savannah functions as one of Atlanta's major industrial drivers as its cargo shipment from European markets often distributes from the metro north and south on both I-87 and I-75 and east/west on I-20. Various flagships like XPO Logistics, Chewy and Amazon have either signed or renewed leases on their warehouse and distribution space. Manufacturing facilities have also come into focus as companies like GE and Hyundai-Mobis expand in the region, triggering third-party vendors to locate nearby. Hartsfield-Jackson International Airport remains a magnet for developers, as the majority of Class A distribution centers underway in the metro are in the airport's immediate area. Class B properties under construction are spread out across the metro, notably a cluster of distribution and logistics centers situated in the western outskirts of Atlanta toward Lithia Springs.

Velocity increases, while cap rates move slightly. Transactions for industrial assets across all classes have remained elevated over the past 12 months ending in June. The overall velocity increased 21 percent from the previous annual period. The price per square foot in the Atlanta metro increased 11 percent over the past year, ending at \$90 as cap rates have compressed slightly with a 50-basis-point movement down to mid-7 percent range for Class B and C. Yet, first-year yields for the few Class A properties that changed hands over the past 24 months had no movement, resting in the mid-7 percent. A large volume of sales can be found in Norcross, on par with the city of Atlanta due to a large national portfolio sale that drove up the price per square foot in the area by 20 percent. Sales of highly amenitized assets drove up the price per square foot of manufacturing facilities 57 percent over the past year, through transaction velocity was lower the most recent 12 months.

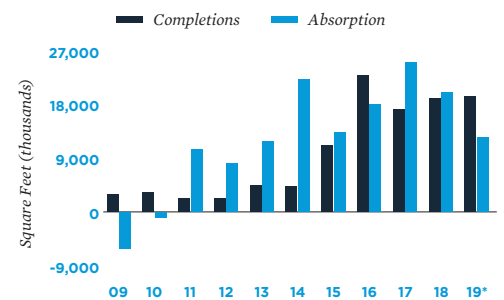
2019 Market Forecast

- Employment** up 2.0%
Job growth in Atlanta remains steady, closing out the year with 55,000 jobs added to payrolls, slightly lower than last year's 57,800.
- Construction** 19.4 million sq. ft
New industrial development in the area has been a rising trend. New construction finished this year will be 3 percent higher than the previous year.
- Vacancy** up 80 bps
As construction remains stout, vacancy will tick up to 6.7 percent year over year, departing from two years of successive vacancy declines.
- Rent** up 6.7%
The average asking rent will rise to \$4.79 per square foot. While lower than last year's growth rate, it is the highest dollar amount per square foot recorded since 2007 in the Atlanta metro.
- Investment**
While high-end fulfillment centers and warehouses are dominating the construction arena, smaller industrial properties continue to lease up as space is limited.

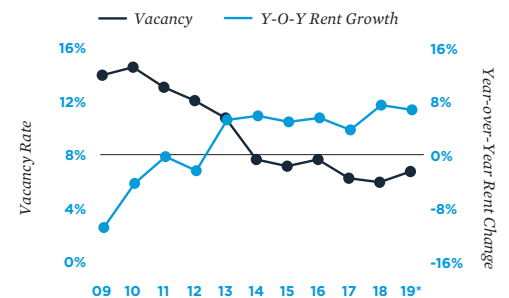
Employment vs. Retail Sales Trends



Industrial Completions



Asking Rent and Vacancy Trends



* Forecast

Sources: CoStar Group, Inc.; City of Atlanta; Georgia Ports Authority; Real Capital Analytics; Moody's Analytics

For information on national industrial trends, contact:

Alan L. Pontius Senior Vice President | IPA National Office and Industrial Properties

Tel: (415) 963-3070 | apontius@ipausa.com

John Chang Senior Vice President | Research Services

Tel: (602) 707-9700 | jchang@ipausa.com

Metro-level employment, vacancy and asking rents are year-end figures and are based on the most up-to-date information available as of September 2019. Average prices and cap rates are a function of the age, class and geographic area of the properties trading and therefore may not be representative of the market as a whole. Sales data includes transactions valued at \$1,000,000 and greater unless otherwise noted. Forecasts for employment and industrial data are made during the third quarter and represent estimates of future performance. No representation, warranty or guarantee, express or implied may be made as to the accuracy or reliability of the information contained herein. This is not intended to be a forecast of future events and this is not a guaranty regarding a future event. This is not intended to provide specific investment advice and should not be considered as investment advice.