

## NO COLLAPSE HERE!

Atlanta's industrial market has had the pedal to the metal on a record setting pace for the past three years. We have been predicting that a strong market would continue and the first quarter 2017 numbers backed up those predictions.

Activity for the first quarter of 2017 set a record for activity in a single quarter with almost 18.3 million square feet of deals. This achievement helped raise a new record for activity of over 63.8 million square feet for the last four quarters...wow!

Setting records for activity usually bodes well for absorption and this past quarter was no exception. The Atlanta distribution market assembled another record during the first quarter of 2017 regarding positive net absorption. Over 8.1 million square feet produced another four-quarter record with almost 24 million square feet of positive net absorption. Atlanta has now manufactured 20 quarters in a row of positive net absorption.

This record setting activity and positive net absorption set the framework for progress in the availability rate. The availability rate, in just the past year, has dropped from 13.3 percent down to 11.3 percent - the lowest availability rate we have seen since King Industrial Realty began reporting on the industrial market in 1988. Of the 75.6+ million square feet currently available in the Atlanta marketplace, only 24 percent of that is actually new, never occupied space, leaving the 76 percent balance catalogued as used or previously occupied space.

Although this quarter did not see record setting new construction, it was extremely strong with thirty new projects. New construction during the first quarter was over 5.3 million square feet which forged a four-quarter total of almost 16.9 million square feet for new construction. This 16.9 million square feet breaks down to 5.2 million square feet of build-to-suit and 11.7 million square feet of speculative projects. Amazing that with that amount of spec construction hitting the market the availability rate still managed to drop two percent!

Although the business service center sector is only four percent of the Atlanta industrial marketplace, it continued its overall improvement as well. Activity and positive net absorption remained stable for the first quarter of 2017. The availability rate fell to 18.2 percent from the previous quarter where it stood at 19.8 percent. At this time last year the rate was 21.4 percent - knocking 3.2 percent off the rate is definite progress in the right direction.

Another factor that has allowed this market segment to recover is that we have not seen any significant new construction in the business service center market over the past seven years. Only one percent of available space in this sector is classified as new.

Definitely no collapse here, unless you count a major section of the I-85 expressway that fell on March 30th. Thanks to Atlanta's terrific first-responders, this catastrophe resulted in no injuries or fatalities and we are all grateful for that! Not to worry; a little gridlock won't put a damper on the Atlanta industrial market any time soon!

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	669,145,325	8,143,709	75,659,258	11.3%	18,271,551	788	23,187
Service Center	25,401,073	299,978	4,630,366	18.2%	876,528	197	4,449

First Quarter 2017

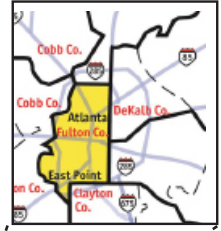
	Total Inventory	Market Share	Total Available	% Available	Total Activity	# of Deals
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**Market Maps**

**CITY OF ATLANTA**

<b>Distribution</b>	50,607,423	7.6%	6,045,685	11.9%	844,167	53
<b>Service Center</b>	894,919	3.5%	130,660	14.6%	33,394	4

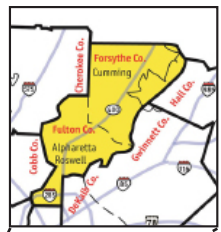
Though not a success, the distribution sector of the City of Atlanta region improved in the first quarter of 2017. Activity came in at 844,167 square feet, but it was not enough for net absorption to record on the positive side and -40,475 square feet went on the books. Due to attrition of downtown industrial product, the availability rate improved a bit, closing the quarter at 11.9 percent – a tad over the metro average of 11.3 percent. The service center of this sector was back on track this quarter. Activity posted at 33,394 square feet and 25,094 square feet of that activity moved to net absorption. However, the availability rate was the big winner, as it fell to 14.6%, a 3 percent drop from last quarter and the lowest seen in this sector since 2002.



**GA 400**

<b>Distribution</b>	27,820,632	4.2%	2,235,057	8.0%	991,786	91
<b>Service Center</b>	3,667,433	14.4%	561,753	15.3%	76,399	28

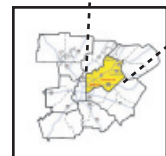
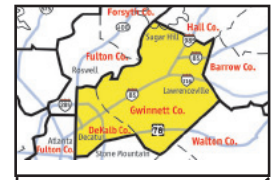
The GA 400 distribution sector assembled a profitable first quarter. Activity was up to 991,786 square feet and net absorption took advantage of that increase. Coming in at 236,317 square feet, that net absorption pushed the availability rate down to 8.0 percent – well below the metro average of 11.3 percent. A total of 151,160 square feet of new construction materialized this quarter. The service center continued to step up during the first quarter of 2017 with 76,399 square feet of activity. Even better news is the improvement to new absorption and the availability rate. Net absorption rose to 11,602 allowing the availability rate to drop to 15.3 percent, almost three percent lower than the 18.2 percent metro average.



**I-85 NORTHEAST**

<b>Distribution</b>	167,211,571	25.0%	17,572,993	10.5%	3,242,261	250
<b>Service Center</b>	10,423,979	41.0%	2,116,648	20.3%	496,053	114

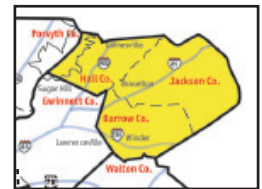
The I-85 Northeast distribution sector had a mediocre showing in the first quarter of 2017 despite racking up the second highest activity of 3,242,261 square feet. Instead of leading the way to strong net absorption it struggled due to tenant departures and recorded only 327,914 square feet. Due to 3 build-to-suits totaling 231,602 square feet, the availability rate was not able to take full advantage of that positive absorption either and only erased one-tenth of a percent, closing at 10.5 percent. The service center sector gave a stellar performance this quarter, scoring the highest activity and net absorption of all service centers. Activity came in higher than seen in almost ten years with 496,053 square feet, and net absorption set the same record with 172,939 square feet. The availability rate followed suit and fell two percent to 20.3 percent.



**I-85/316/985**

<b>Distribution</b>	50,682,471	7.6%	8,072,538	15.9%	1,415,048	27
<b>Service Center</b>	786,304	3.1%	113,779	14.5%	29,031	10

It was another lively quarter for the I-85/316/985 Distribution sector. Thanks to the 822,257 square foot Amazon deal, activity jumped up to 1,415,000 square feet. While net absorption took a hit, it still posted 436,495 square feet. This sector was busy breaking ground for new construction projects, totaling 965,000 square feet. The 617,000 square feet of new spec construction projects stimulated the availability rate to rise to 15.9 percent. The service center slowed down this quarter but still managed a solid performance. Activity was down to 29,031 square feet, and net absorption was down to 8,543 square feet, but still delivered positive results. The availability rate dropped to 14.5 percent, almost four percent below the metro average.



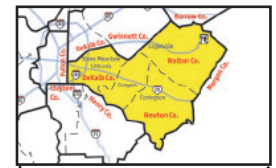
	Total Inventory	Market Share	Total Available	% Available	Total Activity	# of Deals
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**Market Maps**

### I-20 EAST

<b>Distribution</b>	<b>54,905,998</b>	<b>8.2%</b>	<b>3,706,601</b>	<b>6.8%</b>	<b>821,380</b>	<b>66</b>
<b>Service Center</b>	<b>932,245</b>	<b>3.7%</b>	<b>119,538</b>	<b>12.8%</b>	<b>12,000</b>	<b>2</b>

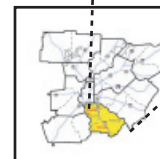
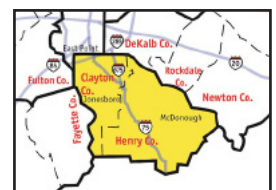
The distribution sector of the I-20 East region ended the first quarter of 2017 with mixed results. Although a bit lower than normal, activity of 821,380 square feet and net absorption of 173,282 showed progress. The downside comes with the availability rate increasing to 6.8 percent – compliments of a 490,000 square foot spec project. An increase, but well below the metro average of 11.3 percent. The service center barely managed to stay on track this quarter. Activity was down, posting 12,000 square feet and only 3,600 square feet posted to net absorption. However, the availability rate fell slightly to 12.8 percent, keeping the title of the lowest availability rate of all service center sectors.



### AIRPORT/I-75 SOUTH

<b>Distribution</b>	<b>85,558,385</b>	<b>12.8%</b>	<b>15,058,649</b>	<b>17.6%</b>	<b>1,686,974</b>	<b>74</b>
<b>Service Center</b>	<b>1,033,875</b>	<b>4.1%</b>	<b>295,261</b>	<b>28.6%</b>	<b>9,287</b>	<b>2</b>

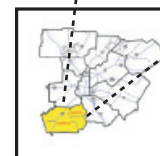
The Airport/I-75 South distribution sector racked up another quarter on the right side. Activity of 1,686,974 square feet ushered in net absorption of 796,330 square feet. Falling prey to the same demon as I-20 East, the availability rate increased to 17.6 percent as a result of 1,557,836 square feet of new spec construction added to inventory. This region's rate continues to be the highest among its peers and well above the metro average. This service center sector was not so lucky. Activity fell to a mere 9,287 square feet. While net absorption improved over last quarter, it still fell short and posted a -2,647 square feet. The availability rate of 28.6 percent is 10 percent higher than the metro average and remains the highest of all service sectors.



### I-85 SOUTHWEST

<b>Distribution</b>	<b>22,058,038</b>	<b>3.3%</b>	<b>1,327,464</b>	<b>6.0%</b>	<b>350,600</b>	<b>13</b>
<b>Service Center</b>	<b>215,063</b>	<b>0.8%</b>	<b>36,050</b>	<b>16.8%</b>	<b>2,400</b>	<b>1</b>

The I-85 Southwest distribution sector improved in the first quarter of 2017. Activity came in at 350,600 square feet. Enough tenants remained status quo to allow net absorption to post at 204,076 square feet. This tiny region's availability rate remains the lowest of all regions at 6.0 percent – close to half the metro average of 11.3 percent. It was a dismal quarter for the smallest service center sector. Inking only one deal for 2,400 square feet landed activity at rock bottom of all other sectors. Consequently, net absorption slid back to the negative side by 4,800 square feet. The availability rate felt the same shock wave, and jumped up over two percent to 16.8 percent, but remains well below the metro average of 18.2 percent.



### I-20 WEST/FULTON INDUSTRIAL

<b>Distribution</b>	<b>139,374,326</b>	<b>20.8%</b>	<b>14,583,087</b>	<b>10.5%</b>	<b>6,538,883</b>	<b>107</b>
<b>Service Center</b>	<b>1,884,728</b>	<b>7.4%</b>	<b>406,277</b>	<b>21.6%</b>	<b>24,566</b>	<b>5</b>

The distribution sector of the I-20 West/Fulton Industrial region blew the doors off the competition. Activity set a new record for this region with 6,538,883 square feet. Better yet was net absorption of 4,746,222 square feet. Even the 1,165,840 square feet of new construction didn't stop the availability rate from dropping to 10.5 percent – now below the metro average of 11.3 percent. The service center tried to dig itself out of last quarter's hole with 24,566 square feet of activity. However, tenant turmoil left net absorption still in the red with a negative 8,764 square feet – the lowest of all service sectors. Consequently, the availability rate rose slightly to 21.6 percent.



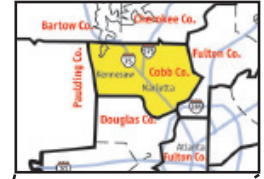
	Total Inventory	Market Share	Total Available	% Available	Total Activity	# of Deals
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**Market Maps**

### I-75 NORTH

<b>Distribution</b>	36,245,966	5.4%	3,312,794	9.1%	1,222,060	70
<b>Service Center</b>	4,986,415	19.6%	711,749	14.3%	167,728	25

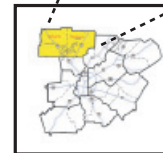
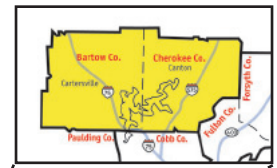
The I-75 North distribution sector started 2017 off with a bang! Activity of 1,222,060 square feet was almost double from last quarter. Net absorption made the loudest noise with 753,613 square feet, the highest heard in this sector since 2002. The availability rate chimed in and fell to 9.1 percent, a 2.2 percent drop from last quarter and below the metro average. Construction was quiet for the quarter. The service center sector has been on a winning streak for four consecutive quarters. Activity came in strong with 167,728 square feet and over half of that (83,252 square feet) moved to the positive side of net absorption. This contributed to over one and a half percent being blasted off of the availability rate, now at 14.3 percent.



### NORTHWEST

<b>Distribution</b>	34,680,515	5.2%	3,744,390	10.8%	1,158,392	37
<b>Service Center</b>	576,112	2.3%	138,651	24.1%	25,670	6

A home run went in the books for the Northwest Distribution sector during the first quarter of 2017. Activity got to first base with 1,068,551 square feet, then net absorption ran all the way to third base with 509,935 square feet. The availability rate got held up at third, but at 10.8% it is still below the metro average. New construction brought it on home with 744,100 square feet of build-to-suit projects. The service center sector made it a double header and knocked activity and net absorption out of the park. Activity almost tripled from last quarter and came in at 25,670 square feet. Net absorption managed to keep over half in play with 11,170 square feet, knocking the availability rate down to 24.1 percent.



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