

KEEP ON TRUCKIN'

The United States unemployment rate hit a 17-year low of 4.1 percent. Prolonged economic growth, coupled with 185,000 and 250,000 jobs added in November and December respectively, suggests the unemployment rate will keep us rolling on down the road in 2018. Likewise, Georgia's unemployment rate saw steady improvement each month of 2017 and currently reflects a 10-year low of 4.3 percent.

Manufacturing in the U.S. has been expanding for the past 16 months with the month of December showing the highest level of expansion since January 2004. The Institute for Supply Management reported that the manufacturing index steered its way to 59.7 percent in December; additionally, the manufacturing index averaged 57.6 percent in 2017 - the highest year-end average in 13 years.

The global economy has turned around from the capital markets collapse of 2008-2009 and is now trucking along. For example, in the Eurozone unemployment rate has fallen to 8.7 percent - the lowest it has been in almost nine years. Likewise, the Eurozone's economy is the strongest it has been in nearly seven years.

It's no secret the Atlanta industrial market has had the pedal to the metal setting records for activity, positive net absorption and new construction over the past several years - we have reported on it time and time again!

Distribution space in the Atlanta industrial market continued to make tracks in the fourth quarter of 2017 allowing the availability rate to drop to 11.2 percent from the 11.9 percent at the close of 2016. Activity remained tireless with 58.3 million square feet leased or sold during 2017, that's 16 consecutive quarters above 53 million square feet for a four-quarter period. Net absorption also kept pace with over 21.1 million square feet of positive net absorption in 2017, that's four consecutive quarters above 21 million square feet.

Although new construction activity during the fourth quarter of 2017 fell to just above 2 million square feet, the four-quarter total was 22.1 million square feet (74 percent spec and 26 percent build-to-suit). That represents the second highest annual total ever logged for new construction.

The Atlanta market for business service space has also covered ground over the past several years with the availability rate dropping from 23 percent in the fourth quarter of 2014 to 15 percent in the fourth quarter of 2017. With 669 total transactions completed in 2017, activity was over 3 million square feet with almost 1.1 million square feet of positive net absorption.

Over the long haul, our road map remains the same. We predict continued success in the Atlanta industrial market driven by vigorous activity, lasting positive net absorption, additional new construction, and an investment market with ongoing cap rate compression and record setting sale prices. *Let's keep on truckin'.*

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	686,965,489	3,992,201	77,143,670	11.2%	11,374,145	569	19,990
Service Center	25,619,757	321,891	3,854,801	15.0%	714,733	157	4,552

Fourth Quarter 2017

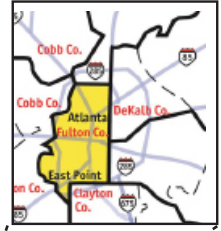
	Total Inventory	Market Share	Total Available	% Available	Total Activity	# of Deals
--	-----------------	--------------	-----------------	-------------	----------------	------------

Market Maps

CITY OF ATLANTA

Distribution	50,604,622	7.4%	6,383,506	12.6%	699,809	33
Service Center	959,671	3.7%	116,426	12.1%	8,000	2

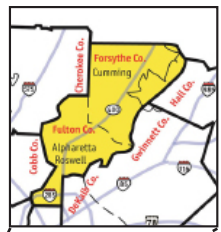
The City of Atlanta distribution sector just keeps spinning its wheels. Activity of 699,809 square feet was annihilated by tenant exodus. A fifth quarter of negative net absorption went on the books; worse yet, at -686,678 square feet, it was the most unpleasant of the five. A full percentage point was added to availability closing at 12.6 percent – almost one and a half percent above the metro average of 11.2 percent. The service center sector saw the same results on a smaller scale. Activity was only 8,000 square feet, leaving ample room for another quarter of negative net absorption. The -4,513 square feet recorded was also the low among the service center sectors. The addition of existing inventory, however, allowed a slight improvement to the availability rate, closing at 12.1 percent.



GA 400

Distribution	27,912,670	4.1%	2,071,836	7.4%	448,744	64
Service Center	3,699,667	14.4%	536,894	14.5%	86,055	15

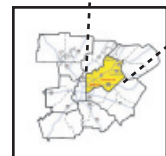
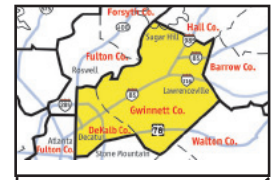
The distribution sector of the GA 400 region stalled in the closing quarter of 2017. Activity held steady at 448,744 square feet, but enough tenants took a different route and net absorption fell below the break-even mark. The -73,815 square feet recorded had minimal impact on the availability rate. At 7.4 percent, it remains well below the metro average of 11.2 percent. One build-to-suit for 42,249 square feet was added to inventory during the quarter. The service center sector could not get it into gear either. Activity of 86,055 square feet was a bit above par, but tenant departures erased all that activity plus some and net absorption fell to -4,330 square feet. The availability rate benefited from a tenant's decision to stay in place, closing the quarter at 14.5 percent.



I-85 NORTHEAST

Distribution	168,146,182	24.5%	16,158,353	9.6%	2,703,697	179
Service Center	10,415,320	40.7%	1,668,719	16.0%	397,839	90

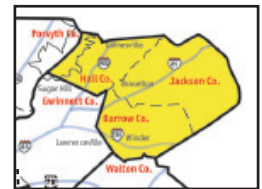
The powertrain I-85 Northeast region's distribution sector was the prizewinner in activity for the fourth quarter of 2017. Unfortunately, activity of 2,703,697 square feet deteriorated to net absorption of only 546,605 square feet. Fortunately, however, the addition of 607,548 square feet of spec construction did not undermine the availability rate. It closed the quarter at 9.6 percent and remains below the metro average of 11.2 percent. The service center sector ran on all cylinders to close the year. Activity of 397,839 square feet and net absorption of 233,327 square feet led the convoy to the delivery. The availability rate fell over two percent to 16.0 percent – better, but still above the metro average of 15.0 percent.



I-85/316/985

Distribution	54,593,232	7.9%	8,966,585	16.4%	864,579	22
Service Center	786,304	3.1%	103,166	13.1%	5,159	3

The distribution sector of this region just keeps rolling down the road. Activity posted at 864,579 square feet. Enough tenants remained in place for net absorption to come in at 787,995 square feet. New construction of 906,562 square feet, however, held the availability rate unchanged at 16.4 percent - more than five percent above the metro average of 11.2 percent. This elevated availability rate is, at least in part, due to over seven million square feet of spec construction added over the past three years. The service center sector took a different road. Activity was spare at 5,159 square feet. This meager performance left a path to negative net absorption and it fell to -1,624 square feet. The availability rate increased to 13.1 percent – fortunately below the metro average of 15.0 percent.



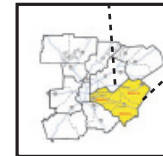
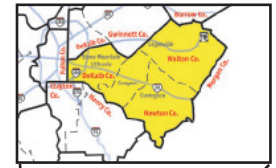
	Total Inventory	Market Share	Total Available	% Available	Total Activity	# of Deals
--	-----------------	--------------	-----------------	-------------	----------------	------------

Market Maps

I-20 EAST

Distribution	54,937,509	8.0%	3,646,465	6.6%	338,638	40
Service Center	946,438	3.7%	64,174	6.8%	37,500	3

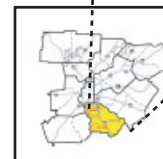
It was a dismal fourth quarter of 2017 for the distribution sector of the I-20 East region. Activity backtracked to 338,638 square feet. More disheartening was net absorption falling to -155,521 square feet – the lowest seen in this region since the close of 2011. The availability rate took only a small hit and closed at 6.6% - well below the metro average of 11.2 percent and lowest among the distribution sectors. The service center sector's journey was much more scenic. Activity flew up to 37,500 square feet and net absorption rose to 15,500 square feet. Best of all, this small region holds the lowest availability rate among the service center sectors at 6.8 percent – less than half that of the metro average of 15.0 percent.



AIRPORT/I-75 SOUTH

Distribution	89,861,533	13.1%	15,378,560	17.1%	2,174,876	68
Service Center	1,015,878	4.0%	225,826	22.2%	40,887	7

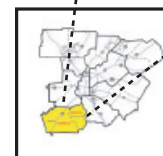
The Airport/I-75 South distribution sector was up to speed to close 2017. Activity came in at 2,174,876 square feet. Even better was surpassing its peers in net absorption coming in at 1,479,017 square feet. The 188,500-square foot spec project added to inventory in the quarter, combined with the seven million square feet of spec added over the past three years, has impacted the availability rate in this region. Despite dropping to 17.1 percent, the availability rate remains the high among the distribution sectors and well above the metro average of 11.2 percent. The service center sector held its own. Activity came in at 40,887 square feet with net absorption posting at 39,687 square feet. The availability rate responded and fell to 22.2 percent – 7.2 percent above the metro average of 15.0 percent.



I-85 SOUTHWEST

Distribution	24,510,398	3.6%	3,438,600	14.0%	15,650	4
Service Center	315,063	1.2%	138,450	43.9%	1,500	1

The distribution sector of the I-85 Southwest region managed to scrape together a measly four deals for 15,650 square feet – the low among the distribution sectors. Add tenant turmoil to the mix and net absorption fell to -64,980 square feet. Fortunately, the effect on the availability rate was minimal, closing the quarter up two-tenths of a percent to 14.0 percent. The situation in the service center sector was even worse. One deal for 1,500 square feet went on the books, but that was matched by a tenant leaving. The resulting zero net absorption left the availability rate intact at 43.9 percent – without a doubt the high among its peers and almost three times the metro average of 15.0 percent.



I-20 WEST/FULTON INDUSTRIAL

Distribution	145,149,478	21.1%	15,441,425	10.6%	2,162,492	67
Service Center	1,901,128	7.4%	349,284	18.4%	44,604	12

Activity of 2,162,492 square feet was on the low side for the distribution sector of the I-20 West/Fulton Industrial region. It was enough, however, to post a sixth quarter of positive net absorption. The 951,458 square feet absorbed dropped the availability rate to 10.6 percent. One build-to-suit for 247,500 square feet and one 40,000 square foot spec project were added to inventory. Available first-generation space now sits at 6,000,570 square feet - the highest volume of all the regions. The service center sector showed comparable results. Activity came in at 44,604 square feet and net absorption finished the quarter at 20,904 square feet. This feat trimmed a bit off the availability rate leaving it at 18.4 percent.



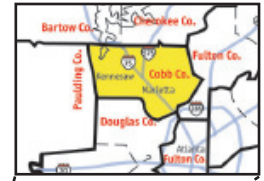
Total Inventory Market Share Total Available % Available Total Activity # of Deals

Market Maps

I-75 NORTH

Distribution	36,316,890	5.3%	2,569,045	7.1%	1,159,004	66
Service Center	5,004,176	19.5%	529,148	10.6%	60,048	17

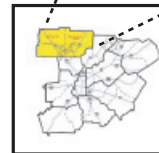
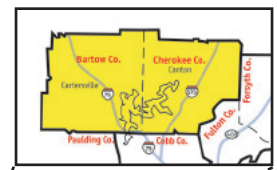
The I-75 North distribution sector had a full tank in the fourth quarter of 2017. Activity was up to 1,159,004 square feet. Appropriately, net absorption flew to 620,278 square feet. The availability rate took full advantage of this performance and dropped to 7.1 percent – more that four percent below the metro average of 11.2 percent. The service center sector made headway as well. Activity was down to 60,048 square feet, but net absorption posted positive for a seventh quarter. The 12,557 square feet absorbed dropped the availability rate to 10.6 percent – 4.4 percent below the metro average of 15.0 percent.



NORTHWEST

Distribution	34,932,975	5.1%	3,089,295	8.8%	806,656	26
Service Center	576,112	2.2%	122,714	21.3%	33,141	7

The distribution sector of the Northwest region rolled forward in the closing quarter of 2017. Activity was up slightly to 806,656 square feet, but it was net absorption that took off. The 587,842 square feet recorded was the best seen in the region since mid-2016. This accomplishment whittled the availability rate down to 8.8 percent – almost two and a half percent below the metro average of 11.2 percent. The service center sector held its own with an increase in activity to 33,141 square feet. Net absorption increased as well, closing at 10,383 square feet. Although down almost two percent, the 21.3 percent availability rate in this region has miles to go before it matches the metro average of 15.0 percent.



King Industrial Realty, Inc.

1920 Monroe Drive, NE
Atlanta, Georgia 30324
404.942.2000

www.kingindustrial.com



Note: The information is based in whole or in part on data supplied by King Industrial Consulting Services, Inc. All rights reserved. Information deemed reliable, but not guaranteed.