

JEEPERS CREEPERS!

The spell cast in the third quarter of 2016 left the Atlanta Industrial market with a bag full of treats. The wicked hot performance seen in the past three years lived on. Tenants and purchasers continued to gobble up industrial space at a record pace handing out the 18th consecutive quarter of positive net absorption.

During this last four quarter period, 15 million square feet of new construction sprang to life with eighty-one percent of that being spec construction – a switch from the heavy build-to-suit construction we have seen over the past few years in the industrial market. Peeping into the past three years, the Atlanta industrial market has added over 46 million total square feet of new construction. The hair-raising part is that, during those same three years, the availability rate dropped to 12.5 percent – down from a chilling 17.2 percent.

Some of the more recent spec buildings have been leased by Wayfair (846,496 sq. ft. built by Trammel Crow), Tory Burch (752,590 sq. ft. built by Panattoni Development Company), and Scotts Miracle Gro (714,560 sq. ft. built by Ridgeline Property Group), just to scare up a few. We believe that the Atlanta industrial market has good momentum and that it will continue its magical run through Halloween and into next year.

Activity over the last four quarters also continued its reaping with over 57.6 million square feet gathered. Measuring on a rolling four quarter basis, we have seen eleven consecutive quarters of activity above 53 million square feet. There is no doubt that this frightfully strong activity is directly related to the advance in e-commerce sales as more and more consumers go on-line to purchase their eye of newt and toe of frog. This hauntingly high level of activity has led to eighteen quarters in a row of positive net absorption. The past four quarters alone revealed positive net absorption of almost 17.5 million square feet.

The only cautionary note here is that over the past few months, lenders have begun requiring more equity from developers for spec construction (probably due to the Dodd-Frank Bill). This tightening has led to developers digging up equity partners in order to meet the new higher equity threshold requirements from the banks.

Jeepers creepers, for the last few years there's been no tricks, just treats for the Atlanta industrial market and we don't see a ghost of a chance of that changing 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	656,065,598	5,487,951	82,285,860	12.5%	14,939,062	707	21,130
Service Center	25,107,104	230,913	5,009,655	20.0%	832,933	208	4,004

Third Quarter 2016

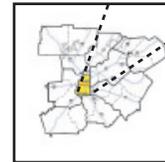
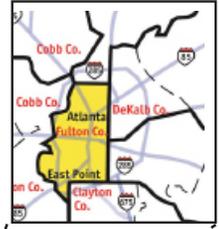
	Total Inventory	Market Share	Total Available	% Available	Total Activity	# of Deals
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Market Maps

CITY OF ATLANTA

Distribution	50,502,842	7.7%	6,013,860	11.9%	1,151,173	41
Service Center	894,769	3.6%	144,384	16.1%	44,991	9

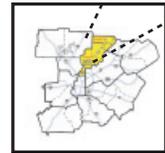
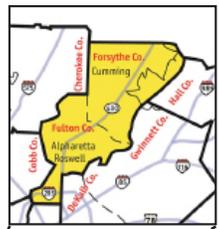
The City of Atlanta region's distribution sector carved out a fourth successful quarter. Activity remained spirited at 1,151,173 square feet. Enough tenants stayed in place to nail down net absorption of 274,353 square feet. The availability rate shrunk six-tenths of a percent to 11.9 percent. Success in the service center sector was less of a thrill. Activity posted at 44,991 square feet, but tenants were scared away leaving only 3,392 square feet of net absorption.



GA 400

Distribution	27,060,171	4.1%	2,257,110	8.3%	865,243	92
Service Center	3,482,433	13.9%	590,484	17.0%	55,845	16

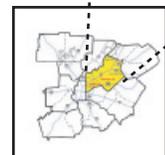
The distribution sector of the GA 400 region strung together a second quarter above ground. Compliments of 865,243 square feet of activity and tenant stability, net absorption hit a new high for this region going on the books at 459,714 square feet. The availability rate took full advantage of this coup and dropped more than one percentage to 8.3 percent. The service center sector rose from the dead in the third quarter of 2016. Although activity was down to 55,845 square feet, net absorption came out of the shadows posting at 27,006 square feet. The availability rate took a monster step down to 17.0 percent.



I-85 NORTHEAST

Distribution	166,432,151	25.4%	17,867,309	10.7%	3,352,755	212
Service Center	10,392,644	41.4%	2,377,398	22.9%	356,885	109

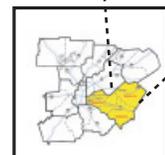
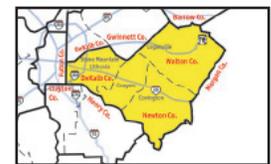
Activity in the I-85 Northeast region's distribution sector held its own against tenant desertion. The 3,352,755 square feet of activity may have been the high among its peers, but it was eaten away at by restless tenants. Net absorption was reduced to 251,764 square feet. This low level of net absorption, coupled with 18,250 square feet of spec construction, kept the availability rate from falling more than two-tenths of a percent to 10.7 percent. The service center sector made no bones about it and came in on top for activity and net absorption. Activity rose to 356,885 square feet steering the way to net absorption of 84,561 square feet. A full percent vanished from the availability rate, closing the quarter at 22.9 percent.



I-20 EAST

Distribution	54,177,097	8.3%	3,793,808	7.0%	917,102	51
Service Center	932,245	3.7%	139,038	14.9%	30,443	6

There was nothing magical about the I-20 East distribution sector this quarter. It kept activity up at 917,102 square feet and held a grip on most of its tenants. Net absorption of 599,835 square feet slashed the availability rate by 1.5 percent, pushing it down to 7.0 percent. The service center sector saw wicked good results. Activity rose to 30,443 square feet and net absorption flew to 26,150 square feet. This gain took a bite out of the availability rate dropping it almost three percent to 14.9 percent.



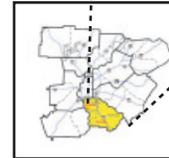
	Total Inventory	Market Share	Total Available	% Available	Total Activity	# of Deals
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Market Maps

AIRPORT/I-75 SOUTH

Distribution	82,002,638	12.5%	15,813,271	19.3%	1,879,905	72
Service Center	1,036,165	4.1%	288,432	27.8%	37,237	6

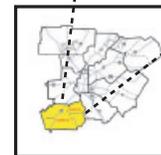
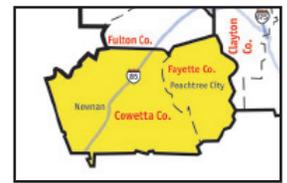
Yikes, the distribution sector of the Airport/I-75 South region saw gruesome results in the third quarter of 2016. Activity fell to 1,879,905 square feet, but tenant departures proved deadly. After seven quarters on solid ground, net absorption of -138,583 square feet took the availability rate up to 19.3 percent. One spec project for 611,520 square feet was added to inventory during the quarter. The service center sector cast a different spell. Activity rose to 37,237 square feet unearthing net absorption of 28,738 square feet. Although the availability rate improved to 27.8 percent, it remains the high among the service center sectors.



I-85 SOUTHWEST

Distribution	21,875,216	3.3%	1,396,602	6.4%	1,597,954	24
Service Center	215,063	0.9%	32,750	15.2%	0	0

It was a killer of a quarter for the distribution sector of the I-85 Southwest region. Activity in this tiny region was a monstrous 1,597,954 square feet. An even better treat was the 1,493,956 square feet of net absorption which erased almost eight percent from the availability rate. At 6.4 percent, this region holds the lowest availability rate among the distribution sectors. The service center sector couldn't scare up a single deal in the third quarter of 2016. Unfortunately, a few tenants moved on and net absorption fell to -4,500 square feet. The availability rate floated up more than two percent to 15.2 percent.



I-20 WEST/FULTON INDUSTRIAL

Distribution	138,071,436	21.0%	19,991,052	14.5%	2,727,578	80
Service Center	1,804,764	7.2%	317,567	17.6%	59,034	10

The distribution sector of the I-20 West/Fulton Industrial region came back to life in the third quarter of 2016. Activity bumped up to 2,727,578 square feet opening the door for a resurrection of positive net absorption. The 1,470,065 square feet of net absorption was offset by 1,781,108 square feet of spec construction allowing only a slight dip in the availability rate to 14.5 percent. The service center sector was haunted by bad fortune this quarter. Activity of 59,034 square feet was not the hobgoblin; tenants took flight pushing net absorption below ground to -17,347 square feet. The availability rate got caught up in the bloodshed and rose to 17.6 percent.



I-75 NORTH

Distribution	36,112,008	5.5%	4,309,410	11.9%	566,850	61
Service Center	4,986,005	19.9%	825,026	16.5%	222,412	47

The I-75 North distribution sector crept forward in the third quarter of 2016. Activity was down a bit to 566,850 square feet. Enough tenants fled the region to leave only 73,025 square feet of net absorption. The addition of 44,800 square feet of spec construction, combined with this decline in net absorption, allowed only one-tenth of a percent to vanish from the availability rate. The quarter closed at 11.9 percent. The service center sector made a frightfully good showing. Activity soared to 222,412 square feet setting the stage for net absorption of 76,827 square feet. The availability rate drifted down to 16.5 percent.



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

NORTHWEST

Distribution	30,897,055	4.7%	3,176,526	10.3%	936,434	45
Service Center	576,112	2.3%	156,654	27.2%	7,020	2

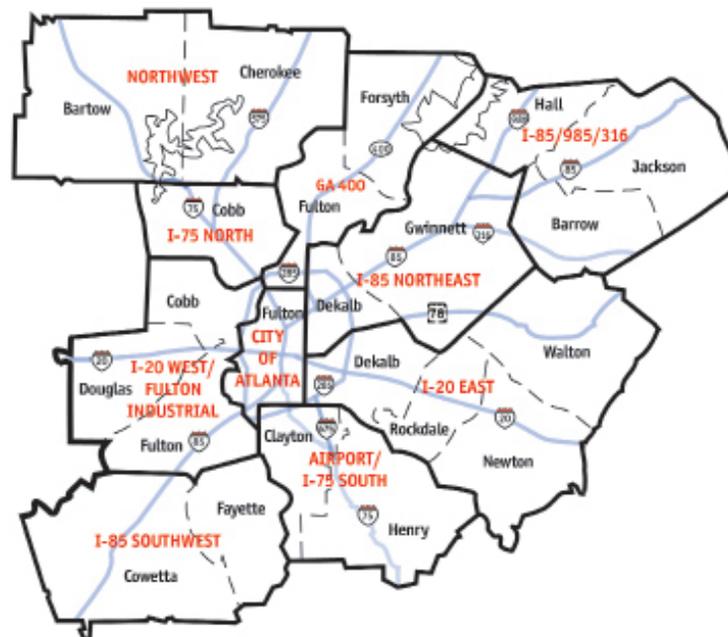
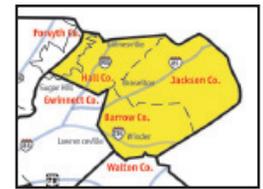
Although not as lofty as last quarter, activity in the distribution sector of the Northwest region remained elevated at 936,434 square feet. Net absorption, however, descended to 324,618 square feet. The availability rate crawled down one percent to 10.3 percent. New construction of 16,200 square feet materialized in this region during the quarter. The service center sector cut it close to the bone nabbing only 7,020 square feet in activity. Fortunately, only a few tenants fled and net absorption remained positive at 3,020 square feet. Half a percent was chopped off the availability rate dropping it to 27.2 percent.



I-85/316/985

Distribution	48,934,984	7.5%	7,666,912	15.7%	944,068	29
Service Center	786,904	3.1%	137,922	17.5%	19,066	3

It was a mixed bag of treats for the I-85/316/985 region's distribution sector. Activity of 944,204 square feet was devilishly close to last quarter and net absorption took a step up to 679,204 square feet. The trick was played on the availability rate. Despite positive net absorption, the availability rate increased three-tenths of a percent to 15.7 percent all at the hands of 944,068 square feet of new spec construction. It was frighteningly close in the service center sector of this region. Activity was knocked down to 19,066 square feet. Add the disappearance of several tenants to that low level of activity and net absorption fell to 3,066 square feet. The availability rate lost two-tenths of a percent, closing the quarter at 17.5 percent.



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