

We're Ready For A Three-Peat!

The fourth quarter 2015 witnessed the 15th quarter in a row of positive net absorption with over 4.2 million square feet of space absorbed. This single quarter accomplishment contributed to a 2015 total of over 15.7 million square feet of positive net absorption, which follows the 2014 total of over 21.8 million square feet absorbed.

New industrial construction slowed a bit in the closing quarter of 2015, falling to just under 1.5 million square feet. Despite this drop, the 2015 total still topped over 16.2 million square feet (55 percent was spec development and 45 percent was build-to-suit projects). This annual total follows the 2014 total of over 15.9 million square feet (57 percent was spec development and 43 percent was build-to-suit projects).

For the last two years, the Atlanta industrial market broke record after record. In fact, the industrial market's performance broke records in activity, net absorption and new construction 12 times during 2014 and 2015. It set new benchmarks in both single quarter achievements and four quarter accomplishments.

What impact has the combination of prolonged positive net absorption and the return of new spec construction had on the amount of available industrial space in the metro area? While we absorbed record-breaking amounts of space during the last two years; we also added over 18.1 million square feet of spec construction – aka available space. At the onset of these two historic years, the percentage of available industrial space was 16.4 percent and two years later we closed the fourth quarter of 2015 at 13.4 percent. Quite an accomplishment when you remember the 18.1 million square feet delivered to the market in that same time frame. As an added bonus, you would have to go back 19 years to the fourth quarter of 1996 (the year that the City of Atlanta hosted the Olympics!) to find a lower availability rate.

The Atlanta industrial market continues to show positive signs with developers building to meet the pent up demand for distribution and e-commerce space. Banks are lending with favorable terms and low interest rates for new construction. The investment market continues to be strong and cap rates compressed with an over-abundance of buyers (foreign and domestic) in the marketplace seeking to place money. The unemployment rate in Atlanta continues to drop and is now five percent. Additionally, the housing market continues to improve. All harbingers of continued success.

Unfortunately, there are several factors that have the potential to disrupt this surge in the Atlanta industrial market - the 2016 Presidential election looming this fall, problems in the Middle East (war and fleeing refugees) and the slowing growth in the Chinese market – just to name just a few. For the time being, however, we are predicting that demand for industrial space in Atlanta will continue to be strong and this demand will lead to additional activity, further positive net absorption and more new construction during 2016. Who doesn't love a three-peat!

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	642,249,067	4,242,735	85,951,307	13.4%	13,865,240	704	19,695
Service Center	25,067,094	-117,793	5,600,009	22.3%	746,201	186	4,012

Fourth Quarter 2015

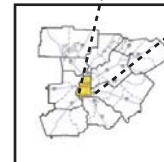
	Total Inventory	Market Share	Total Available	% Available	Total Activity	# of Deals
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Market Maps

CITY OF ATLANTA

Distribution	50,706,505	7.9%	7,129,830	14.14%	841,075	46
Service Center	896,103	3.6%	203,076	22.7%	1,515	1

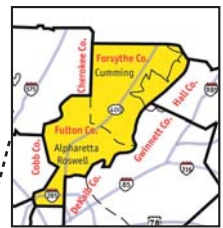
The distribution sector of the City of Atlanta region rebounded in the closing quarter of 2015. Although activity was sluggish at 841,075 square feet, 364,013 square feet crossed over to positive net absorption. The availability rate dropped to 14.1 percent - coming a bit closer to the metro average of 13.4 percent. The service center sector managed to scrape together one deal for 1,515 square feet. This was more than erased by tenant turmoil and net absorption fell to -34,415 square feet. The availability rate took a giant step forward to 22.7 percent – now above the metro average of 22.3 percent.



GA 400

Distribution	26,824,601	4.2%	2,652,677	9.9%	746,184	83
Service Center	3,510,391	14.0%	702,476	20.0%	138,838	24

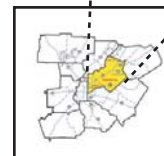
Thanks to an up-tick in activity, the distribution sector of the GA 400 region scored a second quarter of success. The large majority of the 746,184 square feet of activity was eaten away by tenant turn-over, leaving only 136,137 square feet of net absorption. Fortunately, it was enough to drop the percentage available to 9.9 percent – well below the metro average of 13.4 percent and the low among the distribution sectors. The service center sector came back to life in a big way. Activity skyrocketed to 138,838 square feet and net absorption followed the upward trend. The resulting 81,337 square feet is the highest recorded among its peers and a level not seen in this region since the beginning of 2007. The availability rate fell to 20.0 percent – now below the metro average of 22.3 percent.



I-85 NORTHEAST

Distribution	163,774,888	25.5%	17,585,211	10.7%	3,206,334	228
Service Center	10,343,922	41.3%	2,617,988	25.3%	245,809	73

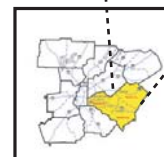
The I-85 Northeast region's distribution sector took another step forward in the fourth quarter of 2015. Activity came in at 3,206,334 but tenant treason forced net absorption to post at 650,611. Despite the addition of five spec projects totaling 285,774 square feet and one build-to-suit project going up at 52,600 square foot, the availability rate fell to 10.7 percent – below the metro average of 13.4 percent. It was a dismal conclusion to 2015 for the service center sector. Activity of 245,809 square feet – the high among its peers - was not to blame. Tenant upheaval pushed net absorption down to -164,433 square feet – the low among its peers. The availability rate reacted as would be predicted and rose to 25.3 percent – three percent above the metro average of 22.3 percent.



I-20 EAST

Distribution	53,725,751	8.4%	5,527,333	10.3%	1,185,983	71
Service Center	932,245	3.7%	160,024	17.2%	18,930	5

It was a ninth quarter of positive net absorption in the distribution sector of the I-20 East region. Activity came in at 1,185,983 square feet, but net absorption only managed to post at 120,886 square feet – not as high as seen recently, but above the break-even mark all the same. The percentage available fell to 10.3 – more than three percent below the metro average of 13.4. The service center sector dug the hole a little deeper this quarter. Activity came in at 18,930 square feet. Net absorption was the disappointment, falling to -21,350 square feet. This poor performance added almost two percent to the availability rate, closing at 17.2 percent – the low among its peers and more than five percent below the metro average of 22.3 percent.



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

AIRPORT/I-75 SOUTH

Distribution	80,052,029	12.5%	15,304,757	19.1%	2,383,505	54
Service Center	1,037,499	4.1%	306,231	29.5%	26,684	6

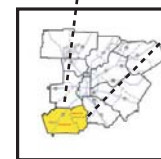
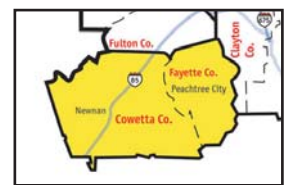
Fourth quarter 2015 activity of 2,383,505 square feet in the Airport region's distribution sector was double that seen in the previous quarter and it paid off. Enough tenants remained status quo for net absorption to quadruple to 822,491 square feet. The addition of a 1,069,200 square foot spec project puts this region's available first-generation space at 27.5 percent – the high among the distribution sectors. The availability rate saw only a slight decrease to 19.1 percent and remains the high among its peers. The service center sector had a better than average quarter. Activity of 26,684 square feet allowed net absorption to come in at 18,504 square feet. The availability rate dropped to 29.5 percent; unfortunately, a tie for highest among the service center sectors and way above the metro average of 22.3 percent.



I-85 SOUTHWEST

Distribution	21,802,902	3.4%	3,488,332	16.0%	172,445	17
Service Center	223,063	0.9%	41,650	18.7%	0	0

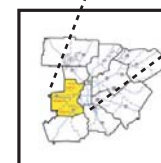
It was another step backward for the I-85 Southwest distribution sector in the closing quarter of 2015. To start with, activity was down to 172,445 square feet opening the door to net absorption posting negative for the third consecutive quarter. With net absorption coming in at -144,487 square feet, the availability rate increased to 16.0 percent – above the metro average of 13.4 percent. With no deals to report, the service center sector was set for disaster. Net absorption went to negative territory for the first time in over two years. The -15,800 recorded pushed the availability rate up to 18.7 percent – up over seven percent, but remaining well below the metro average of 22.3 percent.



I-20 WEST/FULTON INDUSTRIAL

Distribution	134,144,875	20.9%	18,651,412	13.9%	4,132,612	77
Service Center	1,793,922	7.2%	325,535	18.1%	51,483	10

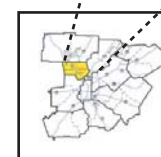
“Wow” is about all you can say for the I-20 West distribution sector. Activity in this region led the pack with 4,132,612 square feet. The wow-factor comes tied to the net absorption of 2,932,223 square feet – more the 2.1 million above its closest competitor. With no new construction to report in the fourth quarter of 2015, the availability rate took full advantage of that net absorption and dropped more than two percent to 13.9 percent – within throwing distance of the metro average of 13.4 percent. The service center sector can claim success as well, albeit on a much smaller scale. Activity was up to 51,483 square feet. Enough tenants remained in place to allow for 22,079 square feet in net absorption. The availability rate fell to 18.1 percent – well below the metro average of 22.3 percent.



I-75 NORTH

Distribution	35,907,222	5.6%	4,772,097	13.3%	774,912	87
Service Center	4,986,133	19.9%	911,152	18.3%	241,609	59

It just keeps getting worse in the distribution sector of the I-75 North region. Activity for the fourth quarter of 2015 dipped to 774,912 square feet. Worse is that net absorption pulled up the rear with -496,274 square feet. The availability rate had no choice but to increase to 13.3 percent – barely below the metro average of 13.4 percent. Activity in the service center sector was up to 241,609 square feet, but most of that was wasted on tenant departures. Net absorption went on the books at only 15,485 square feet. The availability rate remained below the metro average of 22.3 percent, closing the year at 18.3 percent.



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

Distribution	29,666,526	4.6%	3,852,754	13.0%	156,600	13
Service Center	565,912	2.3%	166,746	29.5%	0	0

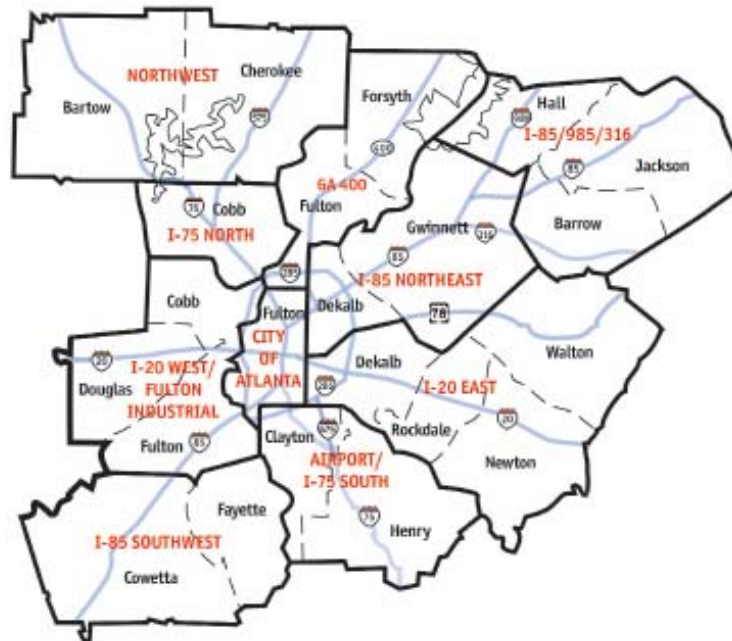
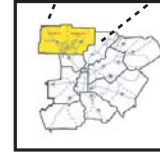
The Northwest region's distribution sector fell back below the line in the final quarter of 2015. Activity dropped to 156,600 square feet. Tenant departures took their toll and net absorption fell to -122,317 square feet. The availability rate took a half-step up to 13.0 percent – coming in less than half a percent below the metro average of 13.4 percent. One 30,000 square foot build-to-suit and one 9,600 square foot spec project came to life in this region this quarter. The service center sector could not avoid negative net absorption. Not one deal was inked while one tenant departed. The -1,500 square feet of net absorption left the availability rate at 29.5 percent – not even close to the metro average of 22.3 percent.

I-85/316/985

Distribution	45,643,768	7.1%	6,986,904	15.3%	265,590	28
Service Center	777,904	3.1%	165,131	21.2%	21,333	8

The distribution sector of the I-85/316/985 region could not quite make the mark in the fourth quarter of 2015. Activity of 265,590 square feet was half that seen last quarter and too many tenants opted for departure. Fortunately, the resulting net absorption of -20,548 plus the 12,500 square foot spec project left the availability rate intact at 15.3 percent – unfortunately, almost two percent above the metro average of 13.4 percent. Activity was up dramatically in the service center sector, but to no avail. The 21,333 square feet of deals could not stand up to tenant turbulence and net absorption fell to -17,700 square feet. The availability rate rose to 21.2 percent, but managed to stay below the metro average of 22.3 percent.

Market Maps



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