

NO TRICKS . . . ALL TREATS!

As we approach All Hallows' Eve . . . **FEAR NOT** . . . the Atlanta industrial market is continuing its wicked sweet performance!

The distribution sector of the Atlanta industrial market kept the spirit alive in the realm of activity, absorption and new construction during the third quarter of 2018. The availability rate has crept down from 12.0 percent in the first quarter to 11.5 percent in the second quarter to 11.3 percent at the close of the third quarter.

Activity floated up from 12.6 million square feet in the second quarter to 15.7 million square feet in the third quarter. This fang-tastic increase in activity helped boost the past four-quarter total to over 53.6 million square feet. That is 19 consecutive quarters where the four-quarter total has exceeded 53 million square feet!

Net absorption increased as well from 3.9 million square feet in the second quarter to a boo-tiful 6.5 million square feet in the third quarter. This uptick in positive net absorption led to the four-quarter total of 16.4 million square feet. That is 26 quarters in a row of positive net absorption for the Atlanta industrial market!

New construction took a spook-tacular increase from 3.1 million square feet in the second quarter to over 7 million square feet in the third quarter. This frightfully good gain allowed the four-quarter total to creep up to 20.3 million square feet. A beastly 84 percent of this new construction was built by developers on a speculative basis. This spine-chilling level of construction is likely to continue in order to keep up with the monster appetite of the distribution market and the upsurge in demand for e-commerce fulfillment centers.

As mentioned in our last Point Of View, there is an overabundance of domestic and foreign investors out there bidding against each other. This hocus pocus is driving purchase prices for fully leased buildings higher and higher and keeping capitalization rates compressed. This feeding frenzy is continuing. Additionally, over the past several months we have seen investors purchasing empty buildings. Investors are paying a premium for these empty buildings (less, however, than for a fully leased building) and the developers are receiving a premium for an empty building (less than for a fully leased building but without the lease up risk). Make no bones about it, this trend will continue.

The service center sector filled its bag with treats as well. Activity clawed its way from 487,734 square feet in the second quarter to 779,038 square feet in the third quarter. This dragged the total activity up to over 2.7 million square feet for the past four quarters. This feat cast a spell leading to positive net absorption of 409,478 square feet for the past four quarters. With spirited activity and net absorption, the availability rate continued its descent from 14.4 percent in the second quarter to 14.2 percent in the third quarter. When you consider the availability rate was 20 percent just two years ago, this is a thrilling development.

This Halloween, it's no tricks, all treats!

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	707,175,104	6,512,888	80,015,100	11.3%	15,762,677	736	21,417
Service Center	25,821,031	12,484	3,663,467	14.2%	779,038	160	4,869

Third Quarter 2018

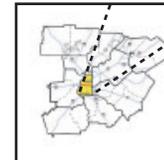
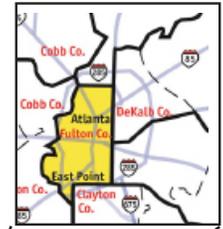
	Total Inventory	Market Share	Total Available	% Available	Total Activity	# of Deals
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Market Maps

CITY OF ATLANTA

Distribution	50,065,479	7.1%	5,694,264	11.4%	814,775	42
Service Center	963,435	3.7%	164,533	17.1%	29,524	9

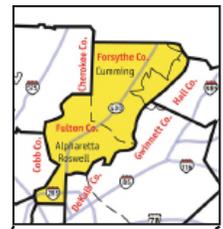
The distribution sector of the City of Atlanta region came back to life in the third quarter of 2018. Activity increased to 814,775 square feet. After being below ground in the second quarter, net absorption posted at 163,925 square feet. This win pushed the availability rate down to 11.4 percent, just a tick mark away from the metro average of 11.3 percent. The service center sector wore a different mask. Activity was up a bit to 29,524 square feet, but net absorption went further underground, sinking to -47,096 square feet. This debacle pushed the availability rate up to 17.1 percent – almost three percent above the metro average of 14.2 percent.



GA 400

Distribution	28,575,960	4.0%	1,966,137	6.9%	668,532	84
Service Center	3,887,517	15.1%	464,834	12.0%	89,697	22

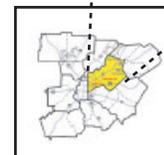
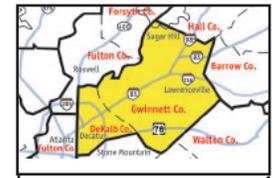
The GA 400 distribution sector experienced a resurrection in the third quarter of 2018. Activity flew to 668,532 square feet allowing positive net absorption of 130,902 square feet. A bit of new construction was added to inventory, but the 34,872 square feet added didn't stop the availability rate from falling. It closed the quarter at 6.9 percent. The service center sector mixed the right potion as well. Activity was up to 89,697 square feet. Net absorption rose to 49,653 square feet – the high among its peers. A full percentage point was gnawed off the availability rate, closing at 12.0 percent.



I-85 NORTHEAST

Distribution	170,293,201	24.1%	15,023,495	8.8%	4,142,132	236
Service Center	10,383,274	40.2%	1,618,103	15.6%	391,147	70

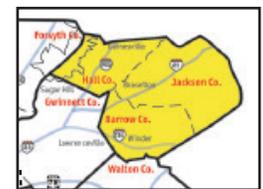
The distribution sector of the I-85 Northeast region cast a good spell this quarter. Activity rose to 4,142,132 square feet. That top of the pack performance carved out net absorption of 1,609,162 square feet. Even better was a reduction in the availability rate. Down to 8.8 percent, it is below the metro average of 11.3 percent. Spec construction of 613,520 square feet materialized in this region during the quarter. Activity in the service center sector also landed top of the stack this quarter. Unfortunately, most of the 391,147 square feet inked was eaten away by tenants creeping away and net absorption ended up at only 19,741 square feet. The availability rate dropped to 15.6 percent, a bit above the metro average of 14.2 percent.



I-85/316/985

Distribution	58,700,407	8.3%	11,122,833	18.9%	1,528,994	25
Service Center	808,654	3.1%	111,007	13.7%	12,251	4

It was mostly sweets and treats in the I-85/316/985 region. Activity doubled to 1,528,994 square feet. Net absorption doubled as well, rising to 1,280,137 square feet. New spec construction of 1,945,791 square feet crawled out of the ground, however, and put a damper on the availability rate. The rate pushed up slightly to 18.9 percent - the high among its peers. The service center sector “eeked” out a win. Activity faltered, falling to 12,251 square feet. By the skin of its teeth, net absorption landed in positive territory. The skimpy 1,851 square feet recorded dropped the availability rate to 13.7 percent – now below the metro average of 14.2 percent.



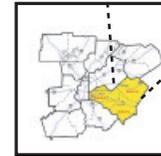
	Total Inventory	Market Share	Total Available	% Available	Total Activity	# of Deals
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Market Maps

I-20 EAST

Distribution	55,449,873	7.8%	2,731,697	4.9%	1,068,956	51
Service Center	943,438	3.7%	62,859	6.7%	34,890	6

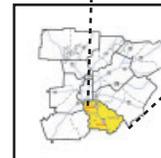
Activity in the I-20 East region soared in the third quarter of 2018. Coming in at 1,068,956 square feet, net absorption was able to win out as well. The 561,705 square feet of net absorption recorded brought the availability rate down to 4.9 percent – the low among its peers and less than half the metro average of 11.3 percent. New construction was invisible in this region during the quarter. The service center sector sneaked in a win as well. Activity of 34,890 square feet led the way to net absorption of 24,142 square feet. The availability rate lowered to 6.7 percent.



AIRPORT/I-75 SOUTH

Distribution	93,948,474	13.3%	16,881,738	18.0%	1,885,225	46
Service Center	1,021,758	4.0%	254,776	24.9%	0	0

The Airport/I-75 South distribution sector held steady with activity of 1,885,225 square feet. Enough tenants remained in place for net absorption to post at 682,278 square feet. The availability rate dropped to 18.0 percent – while still above the metro average of 11.3 percent, it is no longer the worst of the bunch. One 20,000 square foot build-to-suit appeared during the quarter. The service center sector didn't have a ghost of a chance. With not one deal inked during the quarter, tenant departures buried net absorption. The -7,388 square feet recorded pushed the availability rate up to 24.9 percent – the high for service center sectors.



I-85 SOUTHWEST

Distribution	24,919,800	3.5%	2,142,674	8.6%	376,430	25
Service Center	315,063	1.2%	4,500	1.4%	36,650	9

The distribution sector of the I-85 Southwest region kept the spirit alive in the third quarter of 2018. Activity inched up to 376,430 square feet, but it was net absorption that was devilishly delicious. Net absorption of 245,209 whacked half a percent off the availability rate, closing at 8.6 percent. Two build-to-suit projects totaling 125,000 square feet popped up during the quarter. The service center sector scared up a win as well. Activity drifted up to 36,650 square feet. Even more eek-citing is net absorption posting at 29,450 bumping the availability rate down to 1.4 percent or a measly 4,500 square feet.



I-20 WEST/FULTON INDUSTRIAL

Distribution	152,376,734	21.5%	19,290,894	12.7%	4,109,691	125
Service Center	1,878,715	7.3%	302,849	16.1%	45,019	9

The I-20 West/Fulton Industrial distribution sector made one hauntingly good showing this quarter. Activity was a spectacular 4,109,691 square feet, but the real thrill was in the net absorption. The 1,871,927 square feet of net absorption led the pack. One semi-sweet treat came in the form of new construction – the 3.4 million square feet of spec construction added to inventory pushed the availability rate up to 12.7 percent. Over 50 percent of the available space in this region is now first-generation space. The tale continued in the service center sector. Activity went up a notch to 45,019 square feet. The resulting 23,577 of net absorption pushed the availability rate down to 16.1 percent.



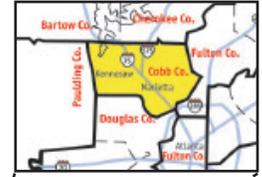
	Total Inventory	Market Share	Total Available	% Available	Total Activity	# of Deals
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Market Maps

I-75 NORTH

Distribution	36,716,815	5.2%	2,455,555	6.7%	586,333	64
Service Center	5,040,095	19.5%	583,078	11.6%	139,860	31

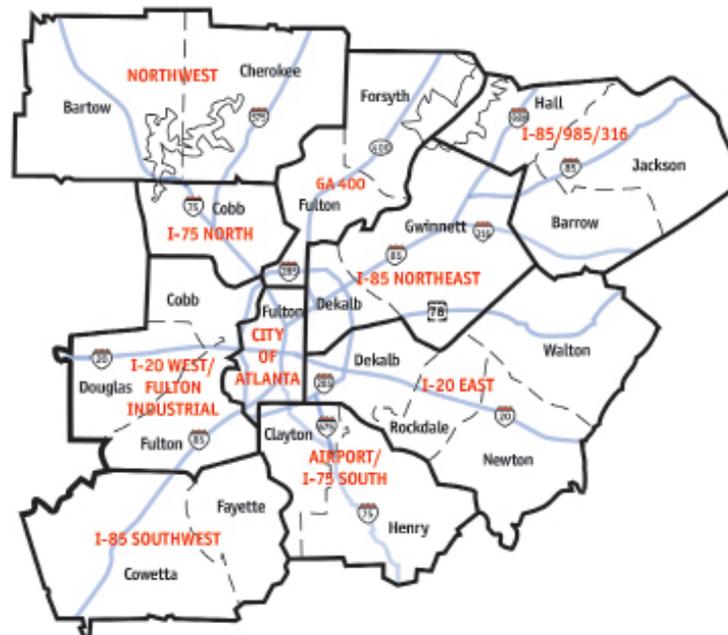
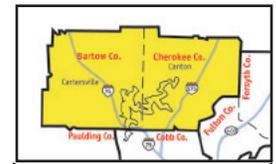
The distribution sector of the I-75 North made the most of their morsels. Activity was below par at 586,333 square feet, but it was enough to scare up positive net absorption of 54,356 square feet. The availability rate sunk to 6.7 percent – well below the metro average of 11.3 percent. It was double, double toil and trouble for the service center sector. Activity of 139,860 square feet was not the villain. Excessive tenant turnover sent net absorption deeper in the hole. The -81,446 square feet recorded elevated the availability rate to 11.6 percent.



NORTHWEST

Distribution	36,128,361	5.1%	2,705,813	7.5%	581,609	38
Service Center	579,082	2.2%	96,928	16.7%	0	0

The Northwest region's distribution sector went underground in the third quarter of 2018. Activity fell sharply to 581,609 square feet and net absorption went to the dark side as well. Net absorption came in at -86,713 square feet and pushed the availability rate up to 7.5 percent. One 10,000 square foot build-to-suit was added to inventory. It was dead as a doornail in the service center sector. No deals, no tenant exits and an availability rate of 16.7 percent.



King Industrial Realty, Inc.

1920 Monroe Drive, NE
Atlanta, Georgia 30324
404.942.2000

www.kingindustrial.com



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