

Q4 2015 ATLANTA INDUSTRIAL MARKET REPORT

3,794,445 SF

Q4 NET ABSORPTION ↑

Q3 3,269,729 SF

7.7 %

Q4 VACANCY ↓

Q3 8.3%

4,538,845 SF

LEASING ACTIVITY ↑

15,740,267 SF

UNDER CONSTRUCTION ↓

7,430,112 SF

NEW SUPPLY DELIVERED ↑

\$4.24 SF

AVERAGE ASKING RENT (PER YR.) ↑

\$42.00

AVERAGE SALES PER SF ↑

\$1.21 B

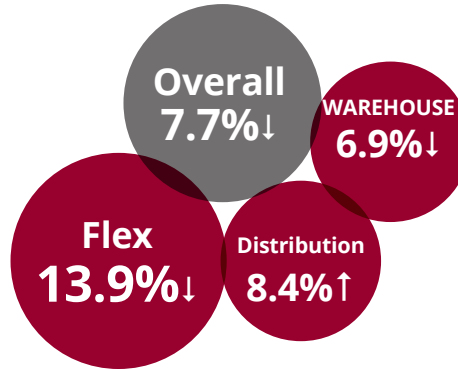
313 SALES TRANSACTIONS ↑

MARKET HIGHLIGHTS

The fall monsoons slowed new deliveries as the industrial market activity outpaced supply. The late October and early November downpours caused almost 5 million square feet (MSF) of under construction projects to be pushed into Q1 2016 deliveries. As a result, the Metro Atlanta vacancy rate dropped 60 basis points to **7.7%** in the final quarter of 2015, the lowest vacancy rate Atlanta has seen since 2000. There was **3,794,445** square feet SF of net absorption, up from 3.3 MSF last quarter. Development activity, although delayed, continues to be active ending Q4 with **17.1 MSF** under construction and almost **7.5 MSF** delivered to the market. With asking rental rates rising, coupled with limited land sites and declining quality inventory, the Industrial growth cycle remains strong with little signs of waning for 2016.

Of the 27 largest under construction buildings in Metro Atlanta, 70% are spec developments leaving 30% as build-to-suit projects. The three largest spec developments are located in the South and

OVERALL VACANCY RATES



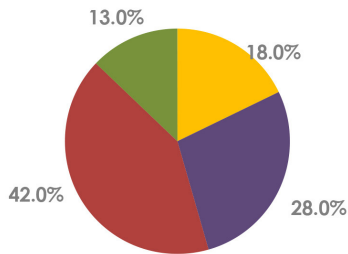
Northeast Atlanta submarkets: Valentine 85 Logistics Center (NE) (1.87 MSF); Fairburn Logistics Center (SA) (1.13 MSF); and Braselton Commerce Center (NE) (1.07 MSF). The three largest build-to-suit developments are all over 1 MSF and are located in the Northwest, South and I-20 E submarkets: Surya Carpets (NW) (1.04 MSF); Medline (SA) (1.3 MSF) and Baxter Plant (I-20) (1 MSF).

Fourth quarter lease activity ended with a strong **4.54 MSF**. E-commerce, logistics operators and large corporations are driving the desire for buildings that have modern features like 32'+ clear height, ESFR fire suppression and surplus trailer parking. Smaller local tenants however, are seeing limited options for existing spaces. Some tenants are turning to what would be considered by today's new construction standards as functionally obsolescent buildings because of the need to be in a specific area or near customers.

Rental rates overall have climbed to **\$4.24** per square foot (PSF) and, due to lack of supply, should continue to rise. Rental concessions have dropped to less than 1 month free per year and tenant improvement allowances have also dropped back to cover paint and carpet in most transactions for second generation space. In the flex sector, the average asking rent grew to \$8.37 PSF. In the warehouse sector, overall market rents have grown modestly, closing Q4 at \$3.76 PSF. The largest lease transaction of the quarter was signed by Exel Logistics: 987,840 SF new transaction of warehouse space located at 625 Shannon Mall in the South Atlanta/I-85 South Submarket.

Investment sales volume was close to an all-time high for the fourth quarter at **\$1.21B** and averaged **\$42 PSF**. The five largest transactions in the quarter all involved portfolio sales collectively totally more than 150 different buildings. Several local owners, Pattillo Industrial Real Estate, RACO Management, Dexter Companies and Mimms Enterprises, all sold multiple buildings. By far, the largest transaction was the Abu Dhabi Investment Authority purchase of 30 area buildings in the Exeter Property Group Portfolio. The transaction volume for this 9.28 MSF portfolio was \$450 million with an average price of \$48.48 PSF.

BUYER TYPE Q4 2015 sales



■ Private ■ REIT ■ Institutional ■ User

LARGEST PROJECTS UNDER CONSTRUCTION

as of Q4 2015

Project Location	Building SF	Tenant	Delivery	Project Location	Building SF	Tenant	Delivery
Valentine Industrial Pkwy	1,874,880	Spec	Q3-16	1000 Shannon Mall Blvd	987,840	Spec	Q1-16
212 Bohannon Rd	1,129,750	Spec	Q1-16	Anvil Block Rd - Bldg 200	847,500	Spec	Q1-16
11510 Lewis Braselton Blvd	1,074,596	Spec	Q1-16	130 Distribution Dr	846,496	Spec	Q1-16
MAC IV-Building 2	1,042,000	Spec	Q1-16	I-75 & Highway 155	714,560	Spec	Q1-16
1095 Cass White Rd	1,036,000	Surya Carpets	Q1-16	Fort Gillem	700,000	ES3	Q1-16
Shugart Farms Lake Pkwy	1,000,928	Smuckers	Q1-16	6990 Highway 140	700,000	Shaw Industries	Q1-16
505 Baxter Pky	1,000,000	Baxter Plant	Q1-18	4909 N Commerce Dr	614,880	Spec	Q1-16

ECONOMIC INDICATORS

as of Q4 2015

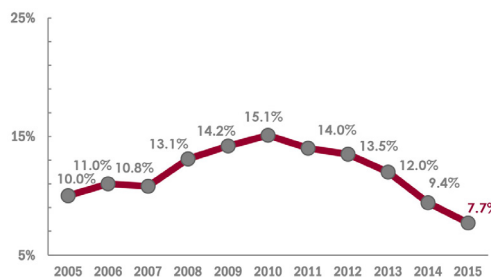
Unemployment
 U.S. Down to 5.0%
 Georgia Down to 5.6%
 Atlanta Metro Down to 5.0%

U.S. Consumer Price Index (CPI) Down 0.2%
 Gross Domestic Product (GDP) Up 2.0%

Source: Bureau of Labor Statistics, Georgia State University Economic Forecasting Center, Bureau of Economic Analysis

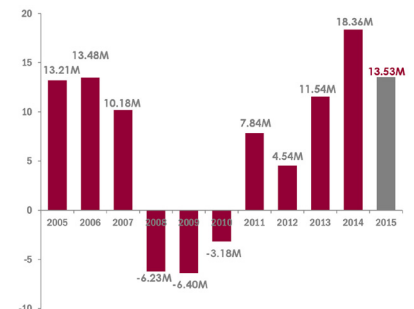
VACANCY

percentage, 2005-2015



ABSORPTION

in SF, 2005-2015



INDUSTRIAL SUBMARKET DATA

Submarkets	Total Inventory	Vacancy Total SF	Vacancy Q4 15	NET Absorption YTD Total	Under Construction	Building Completions YTD Total	Asking Rent
Northwest							
Warehouse	42,532,710	2,157,906	5.1%	79,270	1,172,888	-	\$4.57
Distribution	10,983,991	776,437	7.1%	(80,453)	-	-	-
Flex	7,693,442	835,367	10.9%	89,542	-	-	\$8.50
Total	61,347,039	3,931,416	6.4%	(53,947)	3,080,200	-	\$5.26
North Central							
Warehouse	13,533,163	1,039,268	7.7%	162,497	240,171	-	\$6.08
Distribution	5,036,638	265,285	5.3%	(45,416)	102,720	-	-
Flex	7,563,039	1,095,329	14.5%	310,673	-	-	\$9.91
Total	26,132,840	2,399,882	9.2%	427,754	342,891	-	\$7.91
Northeast							
Warehouse	111,104,133	4,944,436	4.5%	3,403,281	1,253,748	1,053,068	\$4.24
Distribution	27,494,656	2,070,327	7.5%	307,527	270,865	-	-
Flex	15,688,578	2,541,223	16.2%	166,841	-	-	\$7.82
Total	154,287,367	9,555,986	6.2%	3,877,649	1,524,613	1,053,068	\$4.83
St. Mountain/Snapfinger							
Warehouse	25,257,833	886,732	4.6%	699,958	1,175,000	-	\$3.54
Distribution	7,175,901	469,799	6.4%	35,070	-	-	-
Flex	2,399,685	377,578	15.2%	39,166	-	-	\$7.63
Total	34,833,417	2,412,526	7.5%	756,659	1,175,000	-	\$3.87
South Atlanta							
Warehouse	126,947,906	10,878,550	8.6%	2,781,222	8,154,535	375,760	\$3.15
Distribution	25,006,229	3,443,109	13.8%	(149,852)	700,000	1,668,352	-
Flex	4,246,966	493,251	11.6%	34,956	-	-	\$7.05
Total	156,201,101	14,814,910	9.5%	2,666,326	8,854,535	2,044,112	\$3.27
I-20 West/Fulton Ind							
Warehouse	76,224,760	6,835,085	9.0%	3,564,122	763,028	3,632,932	\$3.31
Distribution	16,028,402	1,060,604	6.6%	877,767	-	700,000	-
Flex	3,243,238	228,793	7.1%	121,411	-	-	\$6.55
Total	95,496,400	8,124,482	8.5%	4,563,300	763,028	4,332,932	\$3.38
Chattahoochee/Central Atl							
Warehouse	12,813,621	801,461	7.0%	239,320	-	-	\$4.93
Distribution	1,557,714	7,350	0.4%	4,104	-	-	-
Flex	2,649,487	391,366	12.1%	22,437	-	-	\$11.72
Total	17,020,822	1,200,177	8.3%	265,861	-	-	\$5.56
Total Submarkets							
Warehouse	446,622,477	30,750,172	6.9%	11,726,643	14,666,682	5,061,760	\$3.76
Distribution	102,017,147	8,570,061	8.4%	952,851	1,073,585	2,368,352	-
Flex	48,533,640	6,731,845	13.9%	846,630	-	-	\$8.37
Total	597,173,264	46,052,078	7.7%	13,526,124	15,740,267	7,430,112	\$4.24

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manufacturing and warehouse properties in the Atlanta Metropolitan Area.

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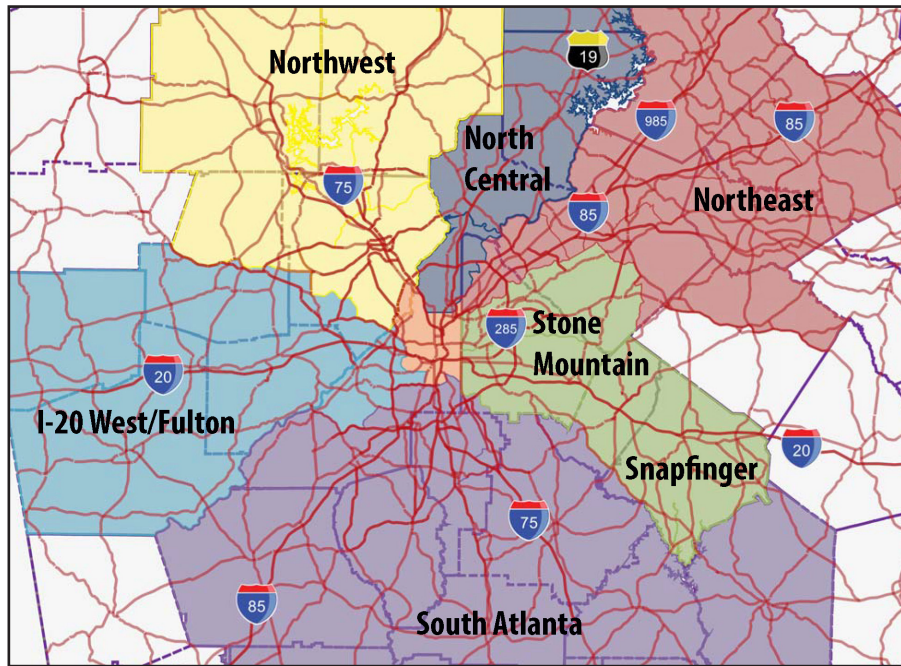
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ATLANTA INDUSTRIAL SUBMARKETS



Q4 2015 TOP LEASES

Property Name	Address	Submarket	Tenant Name	SF	Lease Type
Union Station Business Center	625 Shannon Mall	South Atlanta	Exel Logistics	987,840	New
Buford Logistics Center II	2 Broadmoor Blvd.	Northeast	Best Buy	461,700	New
Oakmont/85 South	7225 Goodson Rd.	South Atlanta	Interface	370,000	New
1039 Northpoint Pkwy.	1039 Northpoint Pkwy.	Northwest	Brothers Global	214,932	Renewal
245 Southfield Pkwy	245 Southfield Pkwy	South Atlanta	Airlink Express	137,400	New

Q4 2015 TOP SALES

Property Address	Buyer	Seller	Sales Price	SF	PSF
Atlanta Area Properties (30 Bldg)	Abu Dhabi Investment Authority	Exeter Property Group	\$450,200,000	9,286,117	\$48.48
Stone Mountain Ind. Park (69 Bldg)	Investcorp Group	Pattillo Industrial Real Estate	\$135,000,000	4,117,302	\$32.79
Gwinnett 316 (16 bldgs)	Hillwood Properties	RACO Management	\$102,575,001	2,273,655	\$45.11
Gwinnett Corporate Ctr. (17 bldgs)	Westmount Realty Capital	Dexter Companies	\$83,200,000	1,188,022	\$70.03
Mimms Portfolio (17 Bldgs)	Stream Realty	Mimms Enterprises	\$81,000,000	2,180,057	\$37.15

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