

# Atlanta Industrial Market

## Another Quarter of Robust Demand Pushed Vacancy To All-Time Low

Warehouse-distribution space needs remained strong throughout the region, with another 6.2 million square feet of positive net absorption recorded during the third quarter of 2021. More than 22.6 million square feet of industrial inventory was absorbed through the first three quarters of the year, as the market was on track to surpass the 23.3 million square feet record set in 2020. The industrial sectors' rise to the top of the commercial markets translated into a 220-basis-point drop in vacancy to 5.0% from this time last year, the lowest vacancy rate recorded in the market's history. Space continued to be leased quickly, while developers and landlords hold the cards during negotiations.

The overall average asking rate ticked upward to \$5.32/SF, a modest increase of 4.1% from the rate recorded this time last year but was still below the \$5.36/SF peak recorded at the close of 2018. This can be attributed to the addition of lower-cost second-tier available industrial space having more of an impact on weighted averages, as newer, high-end buildings get leased up prior to being delivered to the market. Warehouse/distribution space rose to a new high at \$4.71/SF, a slight increase from the \$4.56/SF rate recorded at the close of third-quarter 2020.

### Current Conditions

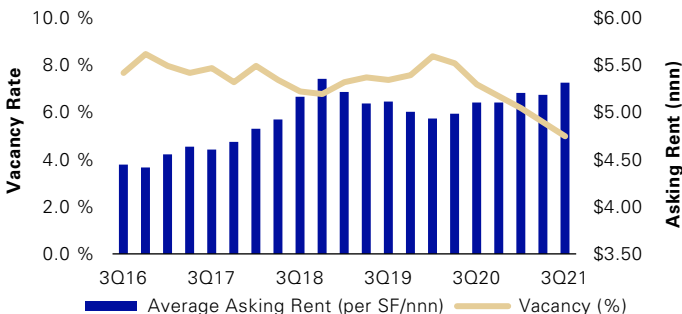
- Atlanta's industrial market is on track to surpass the record-breaking demand growth seen last year, with 97.0% of the 23.3 million square feet of net absorption already achieved.
- Overall vacant space hit a new record low for the region.
- Robust demand continued throughout the region.
- Nine buildings totaling approximately 2.3 million square feet were completed during the third quarter, with another 64 buildings for a combined total of 22.6 million square feet still underway.
- Average asking rates continued their steady climb upward.

### Market Summary

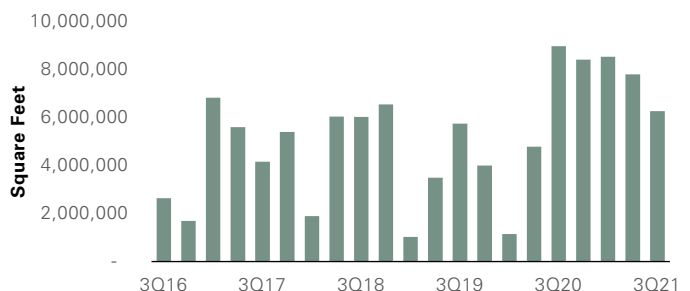
	Current Quarter	Prior Quarter	Year Ago Period	12-Month Forecast
Total Inventory (SF)	653.4M	650.9M	635.9M	↑
Vacancy Rate	5.0%	5.6%	7.2%	→
Quarterly Net Absorption (SF)	6.3M	7.8M	9.0M	↓
Average Asking Rent/SF (NNN)	\$5.32	\$5.19	\$5.11	→
Under Construction (SF)	22.6M	24.9M	21.2M	↓

### Market Analysis

#### ASKING RENT AND VACANCY RATE



#### NET ABSORPTION



## RESEARCH 3Q 2021

Some of the large move-ins included Big Lots into 485,000 square feet, while Expeditors International occupied 365,500 square feet in the Airport/South Atlanta submarket. Mobis Parts America moved into 447,000 square feet in the Northeast/I-85 Corridor, while XPO Logistics moved into 364,000 square feet in the Fulton Industrial/I2-0 W submarket.

### Leasing & Sales Activity

There were 349 deals totaling 14.0 million square feet of lease activity during third-quarter 2021. This was slightly down from the 16.7 million square feet of transactions seen during the previous quarter. More than 42.5 million square feet of leases were signed through the first three quarters of 2021, as the warehouse/distribution segment dominated with 34.4 million square feet. General industrial space trailed with over 5.5 million square feet, while R&D/flex space recorded 2.6 million square feet of transactions.

Sales activity improved from the 6.9 million square feet sold during the previous quarter, with 59 sales totaling approximately 11.0 million square feet during third-quarter 2021. Year-to-date activity totaled 29.9 million square feet, for a combined total of \$2.6 billion at the close of third quarter with an average sales price of \$87/SF. The increase of lower-tier industrial sales

weighed the average price down as investors hold onto higher-end new inventory. The average sale prices of well-leased and newer industrial properties ranged from \$130/SF on the low end up to \$303/SF.

### Over 12.6 Million Square Feet of New Inventory Completed in 2021

The amount of space in the construction pipeline dipped for the first time after three consecutive quarters of growth, to reach 22.6 million square feet at the end of third-quarter 2021. Over 42.0% of the space in 64 buildings has already been pre-leased, equating to approximately 10.0 million square feet of absorbed space as these buildings will be delivered through 2022. New construction has been seeing quicker-than-average lease-ups over the past couple of years and should have limited impacts to increases in the market's overall vacancy.

### Market Outlook

Atlanta's industrial market is a global leader with its major labor force, access to East Coast ports and interstates which connect much of the Southeast and Midwest and developable land. Projections for continued growth in the market will likely continue through 2022, as ecommerce and increased online retail sales drive the current logistics and distribution boom.

### Select Lease Transactions

Tenant	Submarket	Building	Type	Square Feet
Ace Hardware	Northeast/I-85 Corridor	Jefferson Mill Business Park	New	1,117,800
CJ Logistics America	Airport/South Atlanta	700 Price Rd	New	1,000,993
Mobis Parts America LLC	Northeast/I-85 Corridor	545 Logistics Center Pkwy	Expansion	924,820
Goodman Manufacturing	Northeast/I-85 Corridor	940 Possum Creek Rd	New	749,739
The Scotts Company LLC	Airport/South Atlanta	2085 Avalon Pkwy	Renewal	714,560
Shopify	Airport/South Atlanta	Bridgeport-Bridgeport Blvd	New	562,650

### Select Sale Transactions

Property	Submarket	Sale Price	Square Feet	Price/SF
PNK Park Southern Gateway B	Airport/South Atlanta	\$103,000,000	1,104,320	\$93
Palmetto Logistics Ctr	Airport/South Atlanta	\$102,000,000	1,000,200	\$102
Atlanta SE Food Dist Facility	Airport/South Atlanta	\$134,000,000	977,608	\$137
Braselton Point Logistics Ctr	Northeast/I-85 Corridor	\$46,500,000	462,000	\$101
FedEx Ground Bld-6265 Atlantic Blvd	Chamblee/Doraville/Norcross	\$95,500,000	315,176	\$303

Submarket Statistics								
	Total Inventory (SF)	Under Construction (SF)	Total Vacancy Rate	Qtr Absorption (SF)	YTD Absorption (SF)	Warehouse/Distribution Asking Rent (Price/SF)	R&D/Flex Asking Rent (Price/SF)	Overall Asking Rent (Price/SF)
Airport/South Atlanta	190,489,521	9,510,400	6.6 %	1,935,416	10,908,680	\$3.62	\$7.17	\$3.69
Carrollton/I-20W	5,639,716	0	0.0 %	0	40,000	\$1.81	N/A	\$1.81
Central Atlanta	12,172,434	0	8.4 %	179,258	210,124	\$12.05	\$10.89	\$9.97
Chamblee/Doraville/Norcross	65,661,687	0	4.5 %	776,018	878,390	\$5.96	\$8.45	\$6.78
Chattahoochee Industrial	14,514,789	0	6.3 %	-21,765	596,198	\$11.96	\$16.29	\$12.89
Fulton Industrial/I-20 W	96,840,276	1,953,878	2.7 %	914,722	2,591,649	\$3.68	\$4.29	\$3.80
North Central/GA-400 Corridor	23,252,091	527,625	5.7 %	101,642	92,258	\$9.09	\$12.60	\$10.20
Northeast/I-85 Corridor	118,062,824	2,895,246	5.2 %	1,126,105	3,951,915	\$5.00	\$11.57	\$6.18
Northwest/I-75 Corridor	62,459,513	5,410,652	4.3 %	720,884	2,622,363	\$5.55	\$9.76	\$6.38
Snapfinger/I-20E	37,116,340	3,902,593	4.4 %	235,860	168,044	\$4.56	\$5.66	\$4.34
Stone Mountain	27,171,299	96,000	3.3 %	309,052	564,329	\$4.82	\$7.04	\$5.16
<b>Atlanta Market</b>	<b>653,380,490</b>	<b>24,296,394</b>	<b>5.0 %</b>	<b>6,277,192</b>	<b>22,623,950</b>	<b>\$4.71</b>	<b>\$9.22</b>	<b>\$5.32</b>

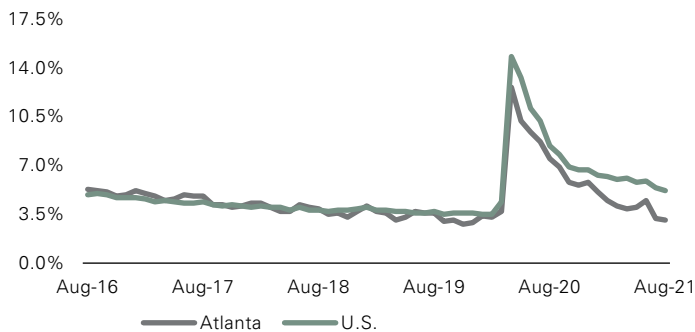
Submarket Statistics by Subtype						
	Total Inventory (SF)	Under Construction (SF)	Total Vacancy Rate	Qtr Absorption (SF)	YTD Absorption (SF)	Total Asking Rent (Price/SF)
General Industrial	95,840,689	2,297,015	6.2%	1,201,156	5,764,182	\$4.54
R&D/Flex	55,262,243	2,732,000	5.6%	473,844	1,184,682	\$9.22
Warehouse/Distribution	502,277,558	19,267,379	4.7%	4,602,192	15,675,086	\$4.71
<b>Atlanta Market</b>	<b>653,380,490</b>	<b>24,296,394</b>	<b>5.0 %</b>	<b>6,277,192</b>	<b>22,623,950</b>	<b>\$5.32</b>

### Economic Conditions

Atlanta’s unemployment rate was 3.1% as of August 2021, 210 basis points lower than the 5.2% rate in the U.S. It was 440 basis points lower from the same period one year ago and has dropped significantly from the 12.6% peak recorded in April of 2020. Atlanta’s employment levels have recovered to the pre-pandemic low recorded during the first quarter of 2019. The region gained 124,600 jobs in the 12-months ending in August 2021. Professional and Business service jobs saw the largest improvement with 38,900 jobs added from this time last year. The leisure and hospitality sector came in second, totaling more than 28,000 new jobs, while the education and health segment rounded out the top three with 19,700 jobs gained from one year ago. All key industries but one saw jobs added with the government sector showing the only decrease with 5,400 jobs lost.

### Unemployment Rate

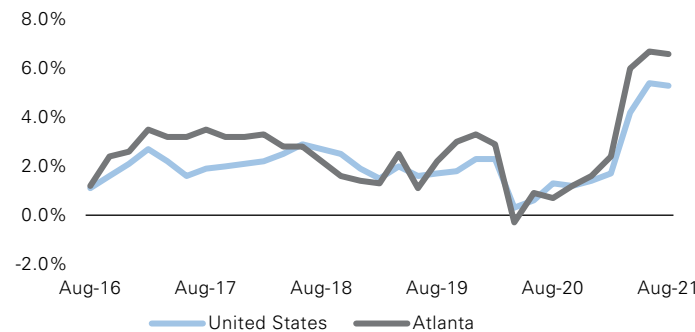
NOT SEASONALLY ADJUSTED



Source: U.S. Bureau of Labor Statistics, July 2021.

### Consumer Price Index (CPI)

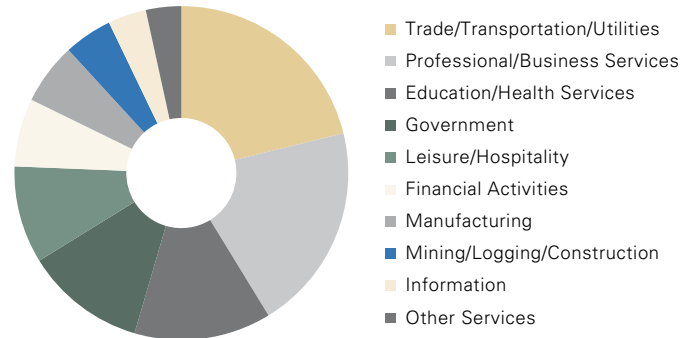
ALL ITEMS, 12-MONTH % CHANGE  
NOT SEASONALLY ADJUSTED



Source: U.S. Bureau of Labor Statistics, July 2021.

### Employment by Industry

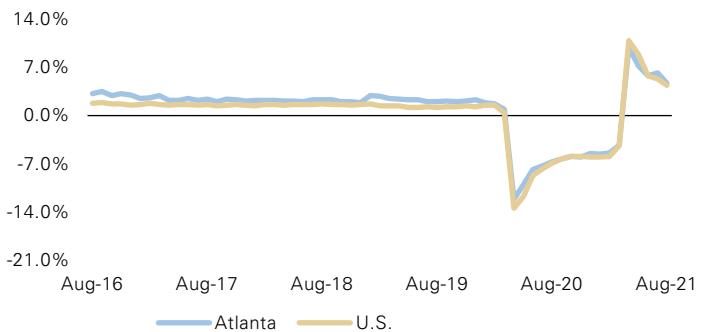
ATLANTA, August 2021



Source: U.S. Bureau of Labor Statistics, July 2021.

### Payroll Employment

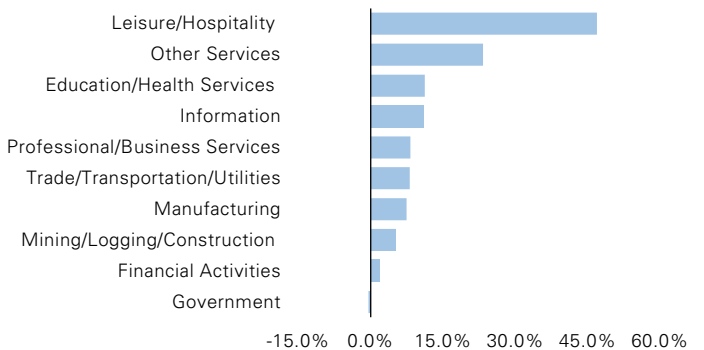
TOTAL NONFARM, NOT SEASONALLY ADJUSTED, 12-MONTH % CHANGE



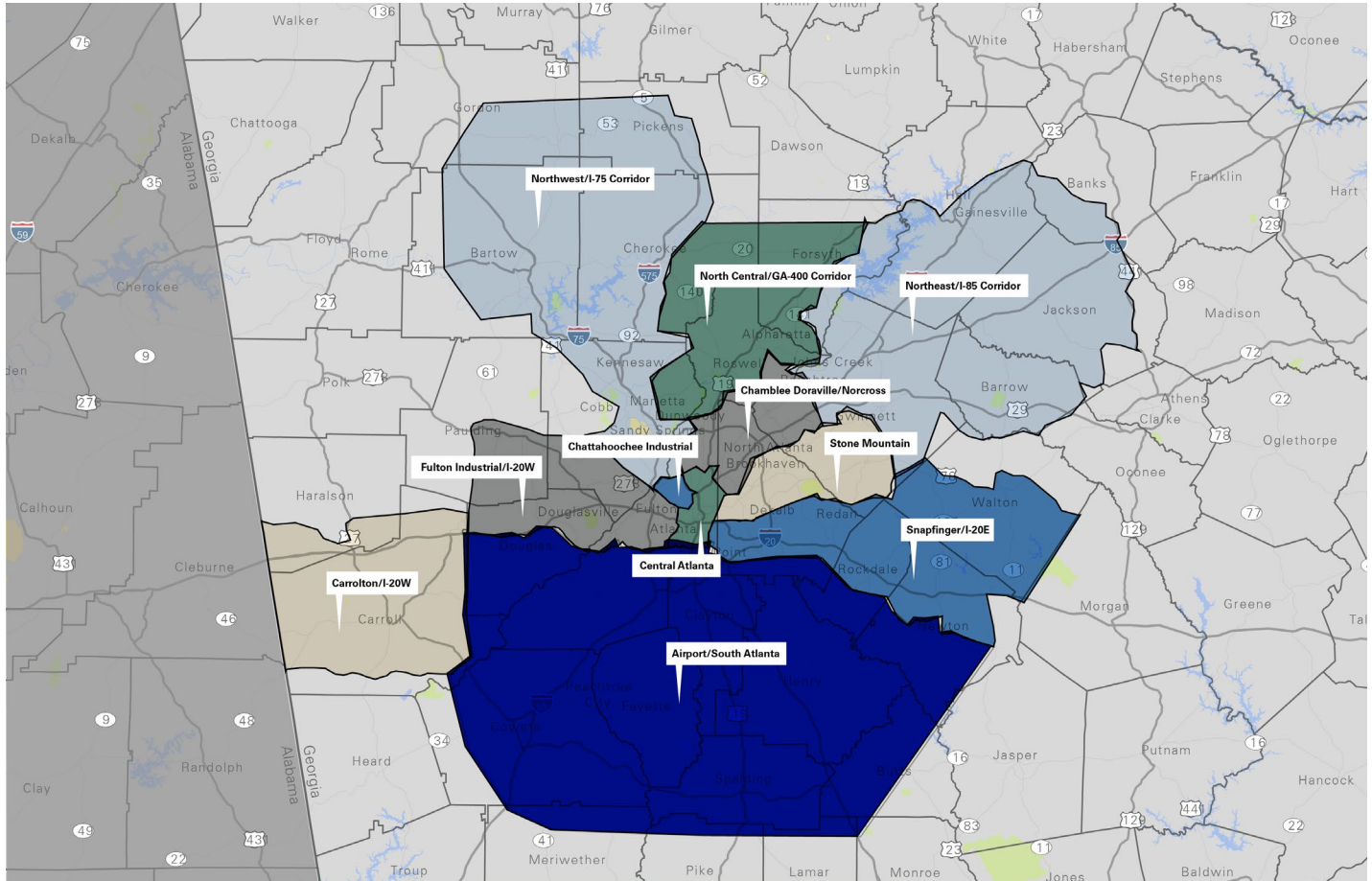
Source: U.S. Bureau of Labor Statistics, July 2021.

### Employment Growth by Industry

ATLANTA, August 2021, 12-MONTH % CHANGE  
NOT SEASONALLY ADJUSTED



Source: U.S. Bureau of Labor Statistics, July 2021.



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