

# Atlanta Industrial Market

## Strong End to 2020 Driven by Increased Demand for Warehouse/Distribution Space

The end of 2020 was a high note for the Atlanta industrial market, which saw continued expansion of fundamentals as demand from e-commerce and logistics companies skyrocketed due to the pandemic. Amazon continued its expansion efforts in Atlanta, opening its new multistory distribution center. This represented the region’s first multistory warehouse and one of only a few around the country.

### Demand Outpaces New Supply to Drop Vacancy

The second-highest quarterly demand in more than 10 years drove the 50-basis-point drop in vacancy from last quarter to 6.8%. This was also 70 basis points lower than the vacancy one year ago. This was the first time the vacancy rate fell below 7.0% in two years. The strong tenant demand over the past couple of years has been instrumental in balancing the significant construction boom since 2016.

The 2020 annual net absorption reached 22.2 million square feet as the fourth-quarter total of 7.8 million square feet reflected the second-half recovery in the region. The slow first half of the year was believed to be a result of the initial pause in activity due to

### Current Conditions

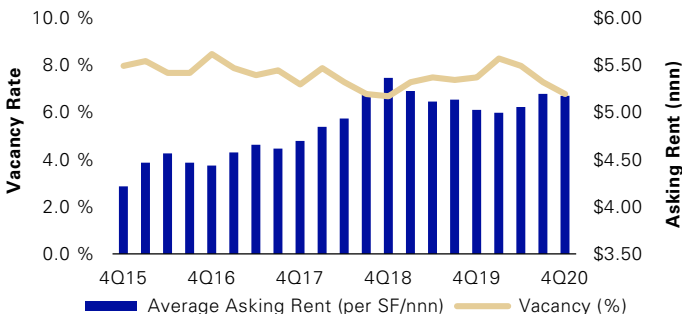
- Warehouse/distribution demand drives strong fourth-quarter fundamentals.
- The region’s first multistory warehouse, built for Amazon, opened in early December.
- The vacancy rate fell below 7.0% for the first time in two years.
- The average asking rental rate in the region fell 0.4% over the quarter to \$5.18/SF.

### Market Summary

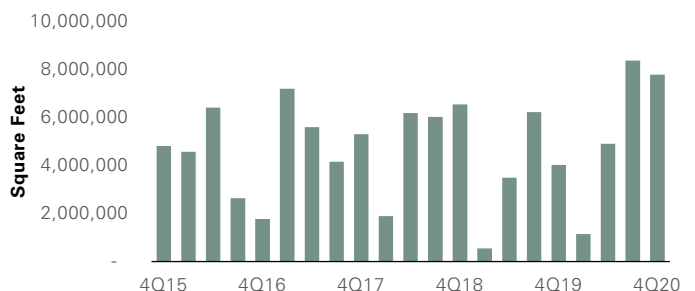
	Current Quarter	Prior Quarter	Year Ago Period	12-Month Forecast
Total Inventory (SF)	642.6 M	637.4 M	623.6 M	↑
Vacancy Rate	6.8%	7.3%	7.5%	→
Quarterly Net Absorption (SF)	7.8 M	8.3 M	4.0 M	↑
Average Asking Rent/SF (NNN)	\$5.18	\$5.20	\$5.03	←
Under Construction (SF)	19.7 M	21.1 M	19.1 M	↓

### Market Analysis

#### ASKING RENT AND VACANCY RATE



#### NET ABSORPTION



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the pandemic. Half of the quarterly total was attributed to the completion of Amazon's new 2.8-million-square-foot distribution center in Stone Mountain.

The average asking rental rate in the region fell 0.4% over the quarter to \$5.18/SF. However, the fourth-quarter rate was 3.0% above the average at the end of 2019. The drop in the overall rate was a result of the 0.5% and 0.4% rate drops in the general industrial and warehouse/distribution sectors, respectively. The R&D/flex average rate, however, increased by 1.3% over the quarter.

### New Development Continues Throughout Region

During the fourth quarter of 2020, more than 5.1 million square feet of new space in nine buildings was completed. All but one of these properties was warehouse/distribution, with the new multistory Amazon distribution center in Stone Mountain as the largest property at 2.8 million square feet. In 2020, more than 19.1 million square feet was built with 54.0% of the space pre-leased at time of completion. This was just below the 20.4 million square feet construction last year, but above the 18.9 million square feet built in 2018. Over the past three years, the demand in Atlanta resulted in more than 58.3 million square feet

constructed. There are four R&D/flex buildings under construction, with three of these data centers. Facebook is building more than 2.4 million square feet of data center space in the market.

As of the year's end, 51 buildings totaling 19.7 million square feet were under construction with 38.8% of the space pre-leased. Almost 40% of the total is in the Airport/South Atlanta submarket, with an additional 20.2% under way in the Northwest/I-75 Corridor. More than two-thirds of the space under development is warehouse/distribution space, further cementing the product as the region's largest category of industrial space.

### Market Outlook

Demand for warehouse/distribution space is anticipated to remain at high levels into the first half of 2021. Many of the dynamic shifts in consumer shopping behaviors in the retail industry over the last year are expected to become permanent, which will be positive news for the warehousing sector. Atlanta remains a top location for logistics and e-commerce companies due to its proximity to the Georgia ports and various interstates.

### Select Lease Transactions

Tenant	Submarket	Building	Type	Square Feet
Kimberly-Clark	Airport/South Atlanta	340 Westridge Pky	Renewal	1,298,700
Nestlé USA	Airport/South Atlanta	1 Nestle Ct	Renewal	782,565
Electrolux Appliances	Airport/South Atlanta	7780 Spence Rd	Renewal	599,652
Sunland Logistics Solution	Airport/South Atlanta	405 King Mill Rd	New	550,800
LG Hausys America	Northwest/I-75 Corridor	200 International Pky	New	512,358
Masterbrand Cabinets	Northeast/I-85 Corridor	120 Midway Rd	New	503,984

### Select Sale Transactions

Property	Submarket	Sale Price	Square Feet	Price/SF
GCP Portfolio	Multiple	\$128,300,000	1,974,346	\$65
3150 GA-42	Airport/South Atlanta	\$96,700,000	657,518	\$147
HSLP Portfolio	Multiple	\$64,600,000	1,356,866	\$48
Nuveen Portfolio	Multiple	\$46,400,000	677,786	\$68
120 Interstate N Pky SE	Northwest/I-75 Corridor	\$38,500,000	275,800	\$140
4600 Northeast Expressway	Chamblee/Doraville/Norcross	\$23,400,000	208,835	\$112

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	183,520,024	7,878,273	9.0 %	2,726,563	9,392,182	\$3.46	\$5.80	\$3.54
Carrollton/I-20W	5,639,716	-	0.7 %	-	-40,000	\$1.81	-	\$2.61
Central Atlanta	12,637,494	-	9.7 %	-25,440	-146,557	\$11.42	\$11.03	\$9.93
Chamblee/Doraville/Norcross	66,021,519	-	5.6 %	143,465	-151,157	\$5.73	\$8.24	\$6.63
Chattahoochee Industrial	14,731,363	250,000	7.7 %	-119,138	-183,471	\$9.05	\$14.13	\$10.51
Fulton Industrial/I-20 W	94,052,737	2,793,315	3.3 %	-49,049	3,715,455	\$3.43	\$4.28	\$3.56
North Central/GA-400 Corridor	23,268,836	-	6.8 %	138,426	-29,886	\$8.33	\$12.38	\$10.00
Northeast/I-85 Corridor	116,424,161	1,528,769	7.6 %	2,230,405	5,543,290	\$4.25	\$11.38	\$4.80
Northwest/I-75 Corridor	61,376,852	3,981,611	6.9 %	-131,570	414,163	\$5.44	\$9.71	\$6.44
Snapfinger/I-20E	37,353,073	3,208,846	4.5 %	147,427	601,281	\$4.54	\$6.15	\$3.54
Stone Mountain	27,579,860	96,000	5.3 %	2,734,612	3,122,309	\$4.77	\$6.41	\$5.05
<b>Atlanta Market</b>	<b>642,605,635</b>	<b>19,736,814</b>	<b>6.8 %</b>	<b>7,795,701</b>	<b>22,237,609</b>	<b>\$4.54</b>	<b>\$9.03</b>	<b>\$5.18</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	94,836,283	4,029,813	9.2%	922,535	3,740,983	\$4.38
R&D/Flex	55,459,721	2,882,000	7.0%	259,963	425,918	\$9.03
Warehouse/Distribution	492,309,631	12,825,001	6.3%	6,613,203	18,070,708	\$4.11
<b>Atlanta Market</b>	<b>642,605,635</b>	<b>19,736,814</b>	<b>6.8 %</b>	<b>7,795,701</b>	<b>22,237,609</b>	<b>\$5.18</b>

### Economic Conditions

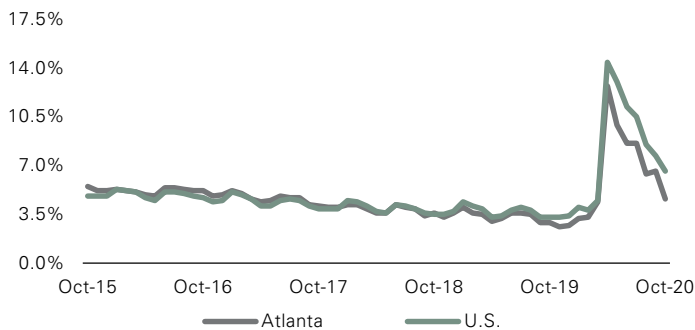
Atlanta’s economy has slowly started to rebound from the effects from the pandemic, making gains from the lows reached in April. Employment levels are still far off from where they were last year at the same point and the unemployment rate is double that from October 2019.

After losing 300,000 jobs in April, Atlanta has seen 239,000 jobs recovered between May and October 2020. Employment is still 90,000 jobs fewer than one year ago. The leisure/hospitality sector lost 117,000 jobs in April (one-third of the market’s total) and has gained back 97,000 jobs.

Atlanta’s unemployment rate was 4.6% as of October; while almost two-thirds lower than the 12.7% rate in April, it is still 170 basis points higher than October 2019.

### Unemployment Rate

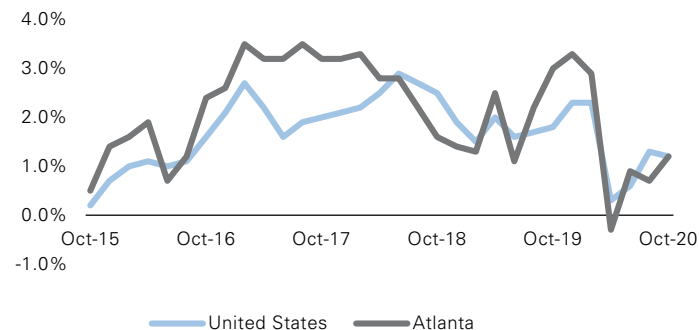
NOT SEASONALLY ADJUSTED



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

### Consumer Price Index (CPI)

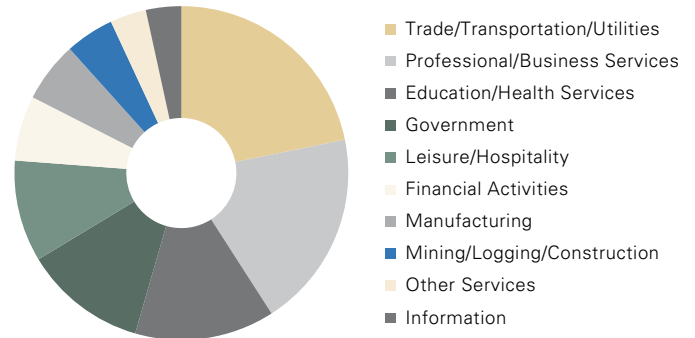
ALL ITEMS, 12-MONTH % CHANGE  
NOT SEASONALLY ADJUSTED



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

### Employment by Industry

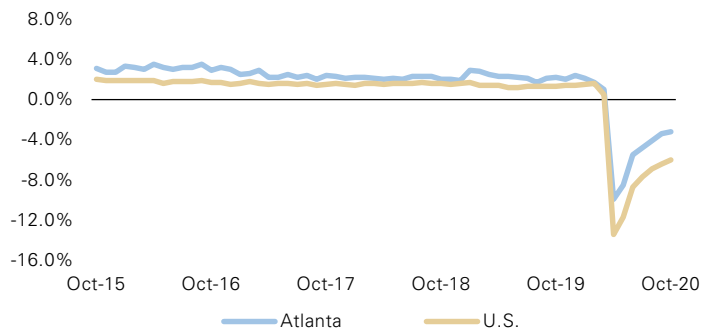
ATLANTA, OCTOBER 2020



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

### Payroll Employment

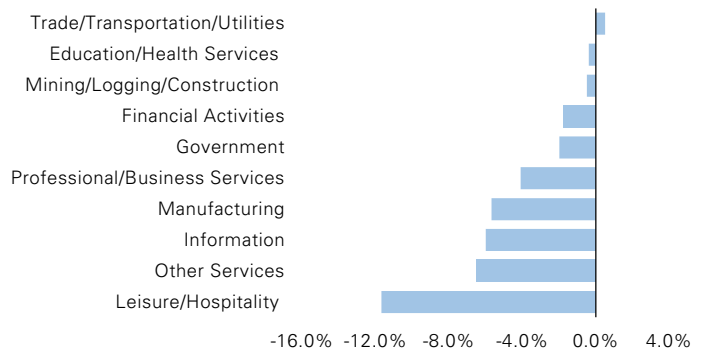
TOTAL NONFARM, NOT SEASONALLY ADJUSTED,  
12-MONTH % CHANGE



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

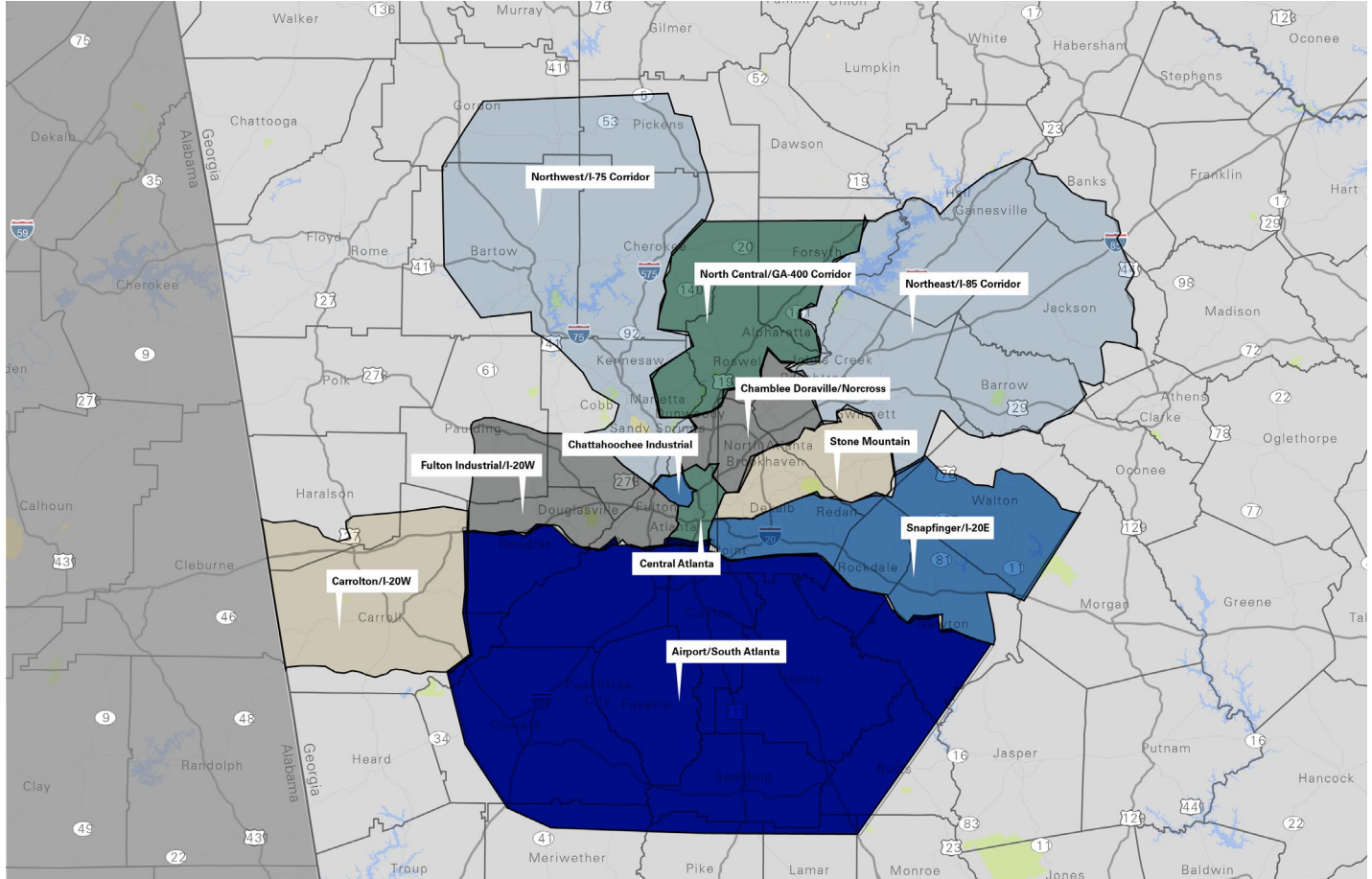
### Employment Growth by Industry

ATLANTA, OCTOBER 2020, 12-MONTH % CHANGE  
NOT SEASONALLY ADJUSTED



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

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