

MARKETBEAT ATLANTA

Industrial Q4 2019



YoY
Chg

12-Mo.
Forecast

7.2%

Vacancy Rate



18.7 MSF

YTD Net Absorption, SF



\$4.58

Asking Rent, PSF



Overall, Net Asking Rent

ECONOMIC INDICATORS Q4 2019

YoY
Chg

12-Mo.
Forecast

2.9M

Atlanta
Employment



3.2%

Atlanta
Unemployment Rate



3.6%

U.S.
Unemployment Rate



Source: BLS

ECONOMY: Robust eCommerce Sales & Strong Port Activity Fuel Economy

As a preliminary deal helped to ease some of the tensions over the U.S.-China trade war, cargo volume remained healthy at the Port of Savannah, the busiest U.S. container exporter on the East Coast. The 2019 annual Twenty-Foot Equivalent Unit (TEU) throughput at the Port of Savannah was up 5.9% over one year prior with an average of 385,300 TEUs per month. Similarly, trade totals for Hartsfield-Jackson Atlanta International Airport rose over the past year, climbing 8.2% since 2018, while the nation's total trade decreased 1.5% over the same period.

National consumer confidence failed to improve in late 2019. Despite this, retail sales improved modestly on a quarterly basis. U.S. eCommerce sales totaled \$154.5 billion for the quarter, accounting for a record high of 11.2% of total retail sales. Online sales have increased 16.9% over the past year and continued to fuel the Atlanta industrial market's need for distribution centers and last-mile delivery facilities.

The strong demand for next-day and same-day delivery in Metro Atlanta continued to impact the industrial sector. Industries key to industrial real estate growth—trade, transportation, and utilities and manufacturing—each experienced a 1.4% employment increase over the past year, growing by 8,400 jobs and 2,400 jobs respectively.

SUPPLY AND DEMAND: Vacancy Trends Downward, Leasing Breaks Records

The Metro Atlanta industrial market remained red hot in 2019. The overall vacancy rate continued its downward trend, dipping to 7.2%. Since 2016, vacancy has declined by 190 basis points (bps). A lack of new development when compared to other submarkets yielded the lowest rates in Stone Mountain/Tucker/Decatur, Georgia 400, and I-20 East/Snapfinger/Rockdale. Meanwhile, a bulk of large vacancies and speculative project completions have prevented the alleviation of I-75 South's high vacancy rate.

Atlanta experienced its highest annual leasing total in history in 2019, with more than 31.5 million square feet (msf) of new leases signed throughout the year. Nearly 8.9 msf of new transactions were signed in fourth quarter 2019 alone. Distribution and big-box deals continued to drive demand, as the 2019 total included 71 new leases of 100,000 sf or greater, eight of which were larger than 500,000 sf. The most substantial activity was recorded in I-20 West and I-85 North, which saw 7.3 msf and 6.0 msf of new deals respectively and together accounted for 42.4% of Metro Atlanta's total.

As a result of consistent demand, new occupancies outpaced new supply, yielding more than 18.7 msf of positive net absorption. This marked the third consecutive year in which Metro Atlanta recorded more than 18.0 msf of gains.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



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PRICING: Rent Increases Persist

The direct average net asking rental rate rose 2.4% over one year to \$4.60 per square foot (psf). The increase was more pronounced among the warehouse/distribution (W/D) inventory, where the average rent climbed 3.0% YOY to \$4.07 psf. As large blocks of modern, high-quality, speculative space that demand high rates completed construction and leased up in varying parts of the region throughout the year, the average rent fluctuated modestly, influenced by these sizeable new availabilities. Four submarkets surpassed the \$5.00-psf mark for available W/D product: GA 400, Chattahoochee/CBD, I-75 North Corridor, and Airport/South Atlanta.

CONSTRUCTION PIPELINE: All-Time High

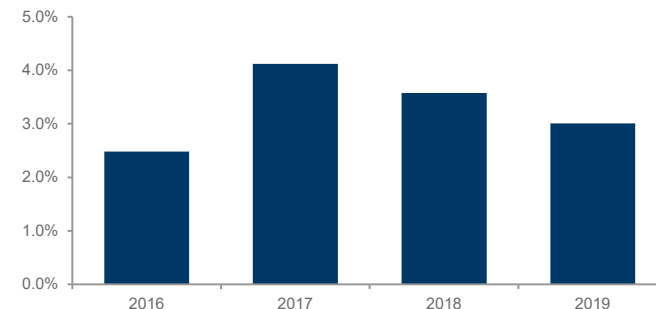
A record-breaking number of construction projects were completed in 2019. Nearly 19.6 msf of new product was added to the Metro Atlanta industrial inventory, one-third of which was contained within the I-85 North Corridor. While build-to-suit (BTS) activity remained consistent, occupiers in need of becoming operational in a building within nine to 12 months continued to fuel speculative development. Construction projects of all sizes were plentiful. Notably, seven buildings 1.0 msf or greater were completed, five of which were built on a speculative basis. In total, speculative construction comprised 76.3% of the new product delivered in 2019. Pre-leasing activity remained steady, as more than 34.5% of the square footage completed throughout the year already had a tenant in place upon completion.

An additional 18.6 msf of product is currently under construction and the bulk of these projects lie within the I-85 North and I-75 South submarkets. Five large-scale facilities greater than 1.0 msf are underway, accounting for 37.6% of the total square footage currently being built. Meanwhile, mid-sized developments are gaining traction as 8.4 msf of space is under construction in facilities 100,000 sf to 500,000 sf, up from only 6.1 msf built in this size range in 2019. Of the total product currently under development, 4.2 msf are BTS sites, while 14.4 msf are being built on a speculative basis.

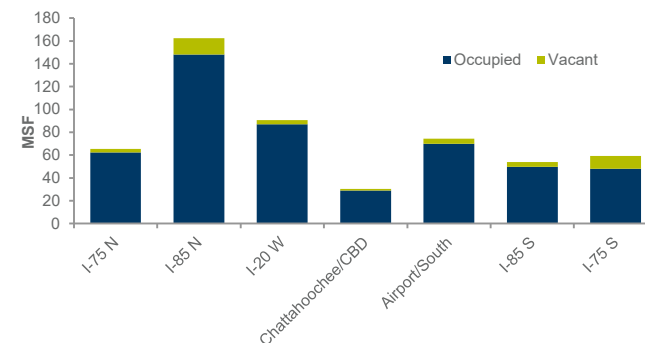
Outlook

- As more high-quality, modern warehouse spaces deliver on a speculative basis, expect asking rental rates to continue to climb over the next year.
- The warehouse/distribution pipeline remains robust with 18.6 msf of product currently under construction. These new developments should continue to meet the strong demand for modern, high-quality warehouse space throughout 2020.
- While the outcome of the trade war is yet to be seen, Metro Atlanta remains poised for continued strong performance due to its status as a critical distribution hub and the economic center of the Southeast.

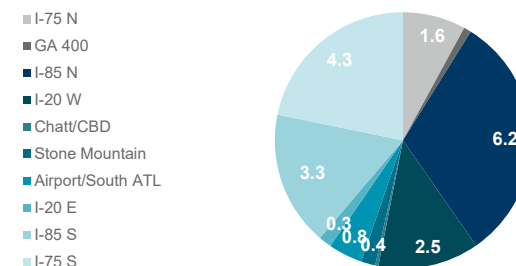
INDUSTRIAL NET ABSORPTION AS % OF INVENTORY



SELECT SUBMARKET COMPARISON



2019 CONSTRUCTION DELIVERIES



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MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	OVERALL VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	UNDER CNSTR (SF)	CONSTR COMPLETIONS (SF)	OVERALL WEIGHTED AVG NET RENT (MF)	OVERALL WEIGHTED AVG NET RENT (OS)	OVERALL WEIGHTED AVG NET RENT (W/D)
I-75 North Corridor	65,293,871	2,922,330	4.5%	234,113	1,288,609	426,040	1,553,856	N/A	\$11.29	\$5.50
Georgia 400 Corridor	20,824,239	799,976	3.8%	160,206	599,445	409,575	183,578	N/A	\$13.91	\$8.35
I-85 North Corridor	162,312,932	14,207,083	8.8%	1,881,769	5,792,612	3,453,454	6,154,478	\$7.00	\$9.01	\$4.13
I-20 West/Fulton Industrial	90,681,168	3,695,945	4.1%	907,744	4,165,638	1,916,286	2,496,569	N/A	\$9.21	\$3.72
Chattahoochee/CBD	30,359,684	1,237,765	4.1%	46,270	-111,283	0	80,000	N/A	\$19.31	\$6.82
Stone Mountain/Tucker	28,514,119	514,214	1.8%	203,456	941,108	2,800,000	351,700	\$4.50	N/A	\$4.69
Airport/South Atlanta	74,339,664	4,364,516	5.9%	857,085	1,857,206	4,792,572	842,535	\$3.75	\$9.59	\$5.27
I-20 East/Snapfinger/Rockdale	37,172,464	1,403,434	3.8%	-11,440	451,015	903,025	320,000	N/A	\$8.24	\$3.91
I-85 South/Peachtree City	53,995,718	4,181,989	7.7%	740,451	2,777,637	2,001,517	3,325,889	\$5.25	N/A	\$3.68
I-75 South/Henry County	59,192,677	11,268,381	19.0%	-541,593	957,785	1,866,268	4,262,926	N/A	N/A	\$3.36
ATLANTA TOTALS	622,686,536	44,595,633	7.2%	4,478,061	18,719,772	18,568,737	19,571,531	\$4.45	\$11.37	\$4.06

*Rental rates reflect weighted net asking \$psf/year

MF = Manufacturing OS = Office Service/Flex W/D = Warehouse/Distribution

KEY LEASE TRANSACTIONS Q4 2019

PROPERTY	SUBMARKET	TENANT	SF	TYPE
Prologis Orchard Hills, Bldg. 100	I-85 South/Peachtree City	Goodyear	1,192,440	Build-to-Suit
Gardner Logistics Park, Bldg. 2	I-75 South/Henry County	Confidential Tenant	657,600	New Lease
Gillem Logistics Center, Bldg. 900	I-75 South/Henry County	XPO Logistics	600,000	New Lease

*Renewals not included in leasing statistics

KEY CONSTRUCTION COMPLETIONS 2019

PROPERTY	SUBMARKET	MAJOR TENANT	SF	CONSTRUCTION TYPE	OWNER/DEVELOPER
Southern Gateway at Lambert Farms	I-75 South/Henry County	N/A	1,104,320	Speculative	PNK Group
Haier GE Appliance, Steve Reynolds Industrial Parkway	I-85 North	Haier GE Appliance	1,099,880	Build-to-Suit	Ridgeline Property Group

KEY PROJECTS UNDER CONSTRUCTION

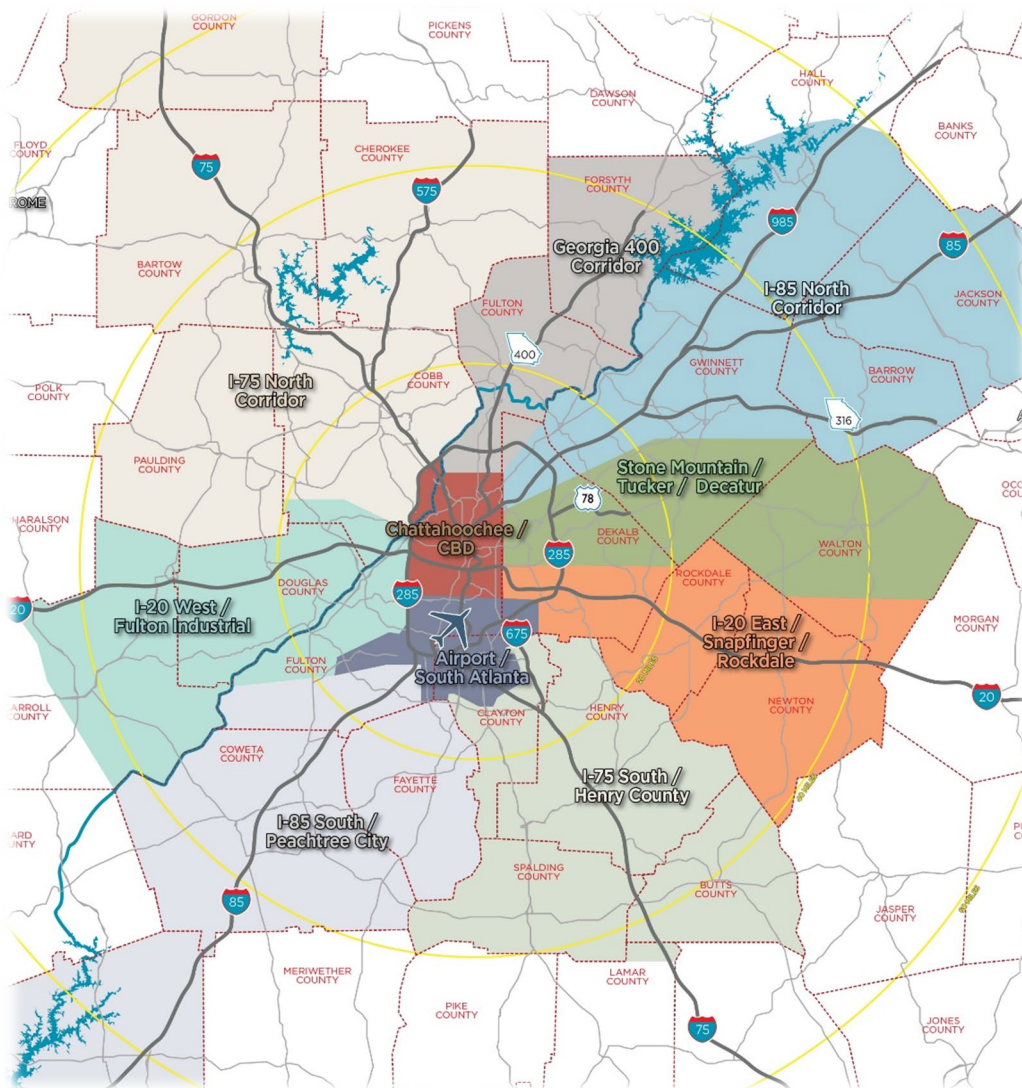
PROPERTY	SUBMARKET	MAJOR TENANT	SF	CONSTRUCTION TYPE	OWNER/DEVELOPER
2100-2200 W Park Place Blvd.	Stone Mountain/Tucker	Amazon	2,800,000	Build-to-Suit	Seefried Properties
Chattahoochee Logistics Center	I-20 West/Fulton County	N/A	1,128,400	Speculative	Taylor & Mathis
Palmetto Logistics Park, Bldg. 2	I-85 South/Peachtree City	N/A	1,041,600	Speculative	Hardie Real Estate Group

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