

# MARKETBEAT ATLANTA



## Industrial Q3 2020

	YoY Chg	12-Mo. Forecast
<b>7.2%</b> Vacancy Rate	▲	▲
<b>12.1 M</b> YTD Net Absorption, SF	▲	■
<b>\$4.61</b> Asking Rent, PSF	▼	■

*Overall, Net Asking Rent*

### ECONOMIC INDICATORS Q3 2020

	YoY Chg	12-Mo. Forecast
<b>2.7M</b> Atlanta Employment	▼	▲
<b>7.1%</b> Atlanta Unemployment Rate	▲	▲
<b>8.8%</b> U.S. Unemployment Rate	▲	▼

Source: BLS

### ECONOMY

After surging to a peak of 11.4% in May, Atlanta's unemployment rate dropped 540 basis points (bps) to 6.0% in August, remaining below the national average of 8.8%. Atlanta's highly diversified economy, comparatively low cost of living and cost of doing business, and central location as a distribution hub of the Southeast place the Metro in a strong position to weather the economic turbulence of 2020, though a projected increase in the size of the labor force is expected to cause the unemployment rate to jump in the short term.

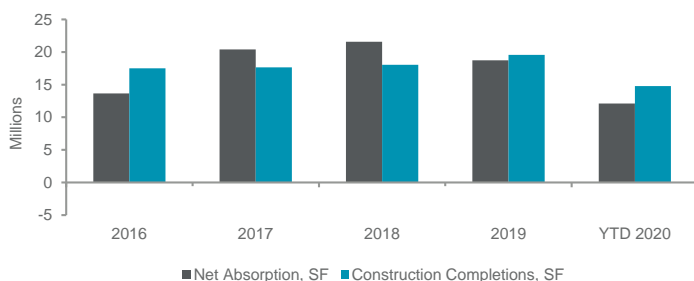
Though retail trade was down, e-commerce sales across the U.S. increased 44.4% from the same period of 2019, and e-commerce's share of total retail sales skyrocketed to 16.1% as the pandemic forced dramatic changes in shopping habits. The Port of Savannah moved more containers over its docks and rail yards during Q3 than at any other point in the last 75 years, recording 442,000 TEUs (twenty-foot equivalent unit) handled. Despite the disruption of COVID-19, record volumes were recorded in both August and September, representing over 5% growth year-over-year (YOY).

### DEMAND

The Metro Atlanta industrial market continued to post robust leasing activity during Q3, recording over 8.0 million square feet (msf) of new warehouse/distribution (W/D) leases for the third consecutive quarter despite COVID-19 triggering a slowdown in nearly all other market segments. Through the third quarter, the Metro already exceeded the five-year average annual leasing activity by 20.5%. Overall year-to-date (YTD) new leasing totaled 29.3 msf, a 29.8% increase over the same time period in 2019. The market should easily surpass the 2019 total by the close of the fourth quarter, yielding the most robust leasing activity on historical record.

Third quarter demand was driven by a large supply of new product, as 60.0% of leasing activity in buildings 100,000 sf or larger occurred within buildings which delivered since the start of 2019 or are still in development. Though third-party logistics and e-commerce firms comprised a combined 39.5% of total leasing volume in 2020 YTD, demand was well-distributed among tenants in a variety of industries. The retail/wholesale and manufacturing sectors each posted strong figures, while food and beverage companies also recorded a rise in deal volume. Atlanta recorded nearly 3.1 msf of positive net absorption during the third quarter, a quarter-over-quarter (QOQ) increase of 1.5%, bringing YTD absorption to 12.1 msf. Airport/South Atlanta posted the strongest quarterly absorption gains, largely driven by four tenants taking occupancy of spaces 100,000 sf or larger. In addition, the I-75 South and I-85 South Corridors each recorded over 500,000 sf of positive net absorption.

### SPACE DEMAND / DELIVERIES



### OVERALL VACANCY & ASKING RENT



### RENTAL RATES

The direct average net asking rental rate rose 2.9% QOQ to \$4.57 per square foot (psf). During the same period, the W/D inventory recorded a 2.7% increase in rents to \$4.15 psf, the highest average rent in the Metro's history. For the second consecutive quarter, I-20 West experienced the steepest increase in W/D rents, climbing to \$4.44 psf, a 6.2% increase QOQ. W/D product in the I-75 North Corridor surpassed the \$6.00-psf mark for the first time, joining GA 400 and Chattahoochee/CBD as one of the priciest submarkets in Atlanta.

### SUPPLY

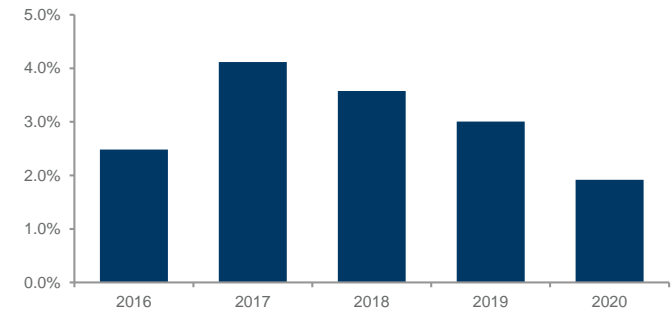
A robust 4.0 msf of new industrial product delivered during third quarter, 76% of which was concentrated in two submarkets alone: I-85 North and Airport/South Atlanta. The quarter's largest delivery and only big-box completion was Jefferson Logistics Center in the I-85 North Corridor. Atlanta remained one of the top U.S. markets for newly built supply, behind only Dallas, Houston, and Inland Empire with nearly 14.8 msf delivered YTD. Demand from occupiers in need of becoming operational in a building within nine to 12 months continued to fuel development in the Metro, as speculative construction comprised 88% of new inventory in 2020. With 31 newly delivered buildings 500,000 sf or less, the bulk of new inventory was concentrated in small to mid-size developments. This trend is on pace to continue through the coming quarters, as land constraints and heightened demand for mid-sized space drove the average building size down 29% YOY to 380,000 sf among the 16.4 msf currently under construction.

Despite an influx of new supply, Atlanta's overall vacancy rate remained low at 7.2%, while direct vacancy dropped 30 basis points (bps) YOY to 6.6%. Industrial sublease vacancies registered another quarter of steady growth during the third quarter, though the sublease rate remains low at only 0.5%. The sublease share of total vacant space in Metro Atlanta jumped to 7.4% in the third quarter – a 420 bps increase YOY—as the prolonged impact of COVID-19 affects various industries and subsequent business decisions.

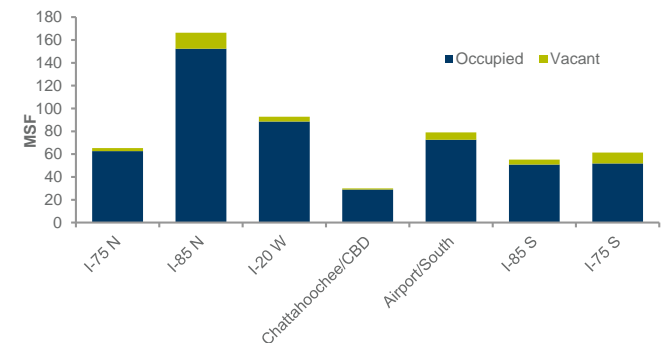
### OUTLOOK

- COVID-19's impact on shifting consumer preference toward e-commerce will continue to bode well for Atlanta's industrial market, strengthening demand for high-quality W/D space and further enhancing Atlanta's proximity to the Port of Savannah and the population of the Southeast as a crucial asset.
- The increased demand for e-commerce operations may have an impact on labor trends, with a potential shift from retail to warehouse on the horizon.
- Over 5.3 msf of speculative inventory set to deliver before year's end could cause a spike in vacancy rates across Metro Atlanta. However, this influx should be mitigated by the growing demand for W/D space.

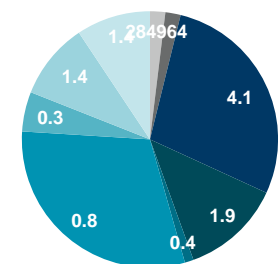
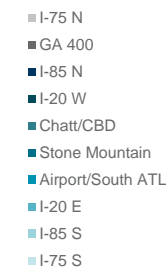
### INDUSTRIAL NET ABSORPTION AS % OF INVENTORY



### SELECT SUBMARKET COMPARISON



### 2020 YTD CONSTRUCTION DELIVERIES



# MARKETBEAT ATLANTA

## Industrial Q3 2020



### 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	65,358,627	2,664,129	4.1%	286,653	757,693	2,518,235	284,964	\$4.34	\$12.33	\$6.26
Georgia 400 Corridor	20,946,364	862,276	4.1%	156,469	127,209	201,342	284,333	N/A	\$14.62	\$8.27
I-85 North Corridor	166,361,334	13,986,660	8.4%	82,778	3,951,135	1,469,283	4,133,839	\$7.50	\$9.01	\$4.20
I-20 West/Fulton Industrial	92,820,117	4,225,620	4.6%	61,917	1,554,334	1,753,909	1,867,636	N/A	\$5.52	\$4.41
Chattahoochee/CBD	29,996,556	947,241	3.2%	(84,226)	(100,676)	0	0	N/A	\$17.59	\$7.45
Stone Mountain/Tucker	28,130,855	880,749	3.1%	(137,567)	(164,698)	2,960,946	164,000	N/A	\$6.45	\$3.81
Airport/South Atlanta	79,050,291	6,444,726	8.2%	989,714	2,527,154	2,477,799	4,488,679	\$5.15	\$9.73	\$4.29
I-20 East/Snapfinger/Rockdale	37,908,870	1,571,269	4.1%	203,330	266,525	1,350,000	739,025	N/A	\$6.95	\$4.82
I-85 South/Peachtree City	55,234,624	4,363,994	7.9%	500,329	968,801	1,480,934	1,425,957	N/A	N/A	\$3.58
I-75 South/Henry County	61,393,676	9,624,778	15.7%	972,350	2,229,484	2,152,121	1,381,710	\$5.75	N/A	\$3.43
<b>ATLANTA TOTALS</b>	<b>637,201,314</b>	<b>45,571,442</b>	<b>7.2%</b>	<b>3,031,747</b>	<b>12,116,961</b>	<b>16,364,569</b>	<b>14,770,143</b>	<b>\$5.14</b>	<b>\$11.27</b>	<b>\$4.22</b>

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

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

### KEY LEASE TRANSACTIONS Q3 2020

PROPERTY	SUBMARKET	TENANT	SF	TYPE
Northeast 85 Logistics Center	I-85 N Corridor	Amazon.com	1,053,360	New Lease
Gardner Logistics Park	I-75 South/Henry County	Radial	760,608	New Lease
Southern Gateway at Lambert Farms	I-75 South/Henry County	Purple Innovations	519,680	New Lease

\*Renewals not included in leasing statistics

### KEY CONSTRUCTION COMPLETIONS Q3 2020

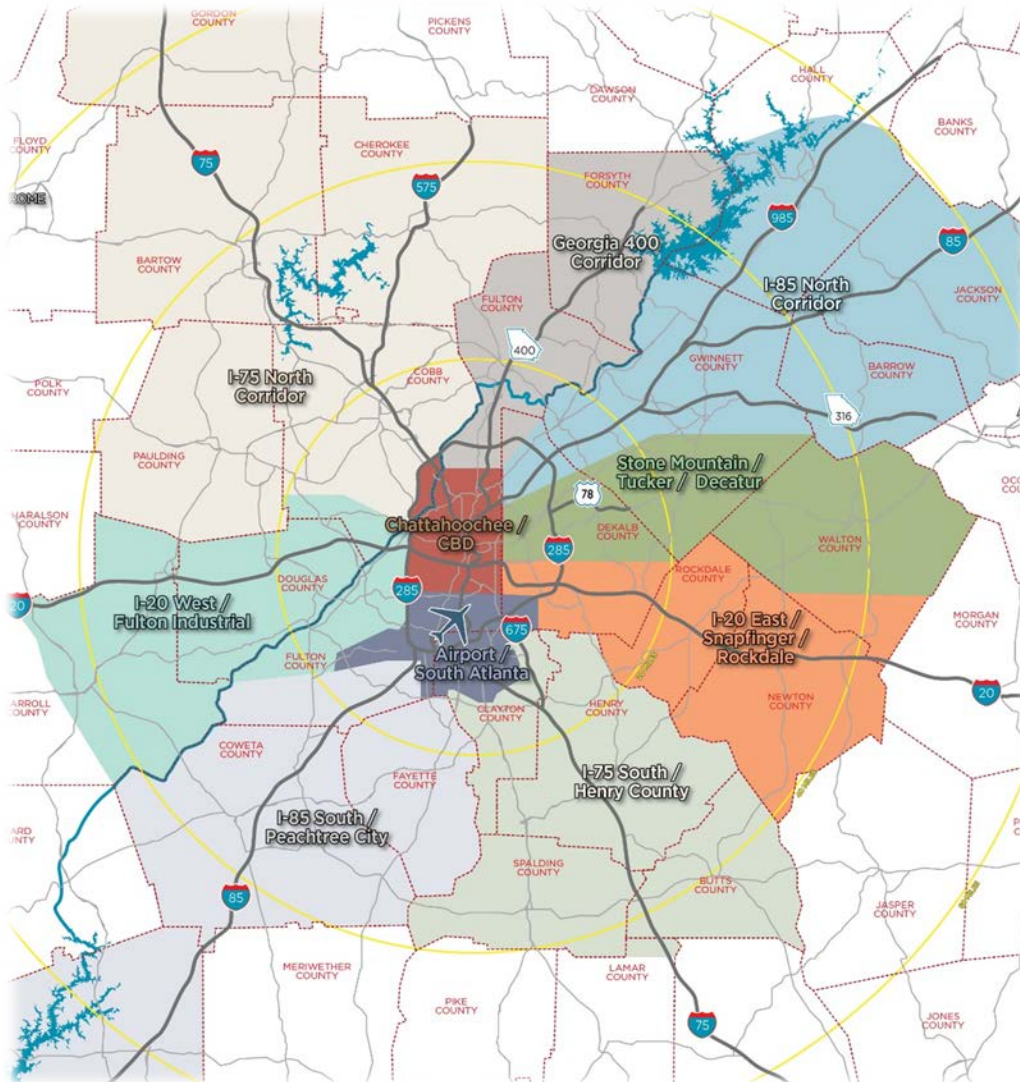
PROPERTY	SUBMARKET	MAJOR TENANT	SF	CONSTRUCTION TYPE	OWNER/DEVELOPER
Jefferson Logistics Center	I-85 North Corridor	N/A	1,015,000	Speculative	Panattoni Development Company
Parkway West Commerce Center	Airport/South Atlanta	Mondelez	570,988	Speculative	Hillwood Development Corporation

### KEY PROJECTS UNDER CONSTRUCTION

PROPERTY	SUBMARKET	MAJOR TENANT	SF	CONSTRUCTION TYPE	OWNER/DEVELOPER
2100-2200 W Park Place Blvd.	Stone Mountain/Tucker	Amazon.com	2,800,000	Build-to-Suit	Seefried Properties
Majestic Airport Center V	Airport/South Atlanta	N/A	1,150,000	Speculative	Majestic Realty Co.
Northwest 75 Logistics Center, Bldg. B	I-75 North Corridor	N/A	1,108,990	Speculative	IDI Logistics



### INDUSTRIAL SUBMARKETS



#### Christa DiLalo

Director, Southeast

Tel: +1 404 853 5231

[christa.dilalo@cushwake.com](mailto:christa.dilalo@cushwake.com)

#### Riley McMullan

Associate Director

Tel: +1 404 853 5295

[riley.walker@cushwake.com](mailto:riley.walker@cushwake.com)

#### Brandon LaBord

Senior Analyst

Tel: +1 404 853 5245

[brandon.labord@cushwake.com](mailto:brandon.labord@cushwake.com)

#### Leah Hays

Analyst

Tel: +1 404 682 3464

[leah.hays@cushwake.com](mailto:leah.hays@cushwake.com)

#### A CUSHMAN & WAKEFIELD RESEARCH PUBLICATION

Cushman & Wakefield (NYSE: CWK) is a leading global real estate services firm that delivers exceptional value for real estate occupiers and owners. Cushman & Wakefield is among the largest real estate services firms with approximately 53,000 employees in 400 offices and 60 countries. In 2019, the firm had revenue of \$8.8 billion across core services of property, facilities and project management, leasing, capital markets, valuation and other services. To learn more, visit [www.cushmanwakefield.com](http://www.cushmanwakefield.com) or follow @CushWake on Twitter.

©2020 Cushman & Wakefield. All rights reserved. The information contained within this report is gathered from multiple sources believed to be reliable. The information may contain errors or omissions and is presented without any warranty or representations as to its accuracy.