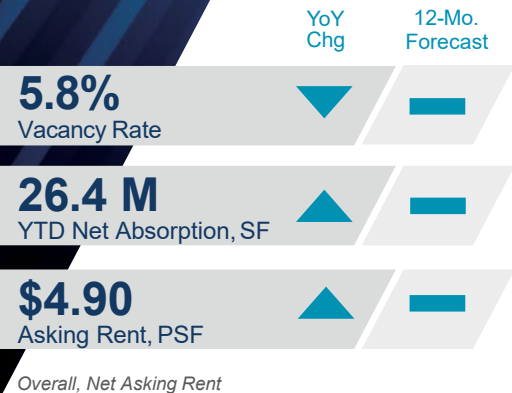


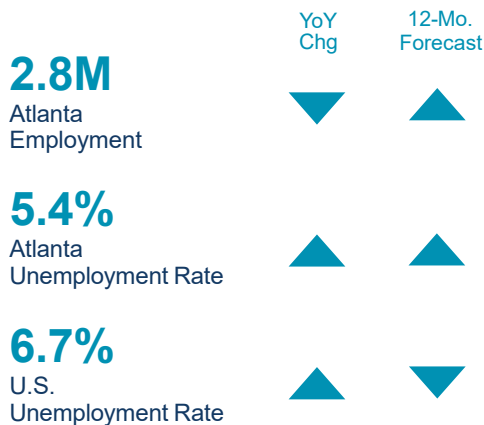
# MARKETBEAT ATLANTA



## Industrial Q4 2020



### ECONOMIC INDICATORS Q4 2020



Source: BLS

### ECONOMY

Industrial-related economic indicators have demonstrated resilience to the COVID-19 pandemic on both the national and local levels through the end of 2020. Quarterly e-commerce sales totaled \$209.5B, 36.7% higher than one year prior. In total, online sales accounted for 14.3% of all quarterly retail sales. The direct impact of this consumer demand on the Georgia economy was evident in the rising need to transport cargo: the Port of Savannah recorded 464,805 TEUs in November, the highest monthly throughput in history and 28.1% higher than the same period in 2019.

As the global situation regarding COVID-19 remains fluid, the Atlanta economy has made significant progress toward recovery. After peaking in April at 12.7%, the unemployment rate dropped to 5.4% in Q4 2020, well below the U.S. rate. Although most industry sectors experienced significant net job losses, transportation and warehousing employment opportunities rose to meet demand for shifting consumer spending habits. Trade, Transportation, & Utilities (+1.6%) and Construction (+1.0%) were the only industry sectors to record year-over-year (YOY) employment growth in Metro Atlanta. More than 52,400 TT&U jobs were added since the low in April.

### DEMAND

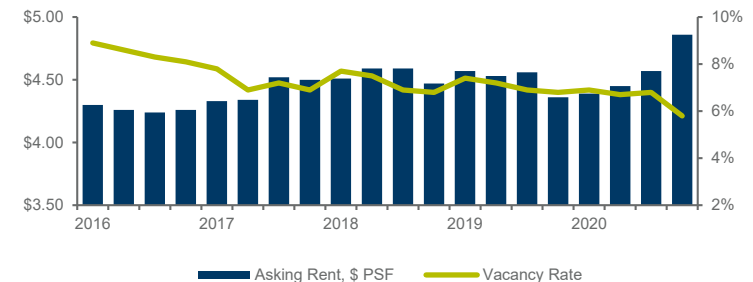
Record-breaking overall annual new industrial leasing activity totaled 39.3 million square feet (msf) in 2020 in spite of the global pandemic, surpassing the previous high-water mark of 2019 by 9.0%. Each of the first three quarters of the year achieved a new historical high and more than 8.5 msf were signed in Q4—the sixth consecutive quarter to reach this total. Ten firms 300,000 square feet (sf) or larger signed new transactions during Q4. However, despite the headlines garnered by big-box transactions, smaller tenants comprised a substantial share of industrial demand. Over the past two years, the average lease size was only 61,500 sf. The record-breaking volume of tenants preparing to move into new space positions Metro Atlanta for significant absorption gains in 2021 when these companies take occupancy.

At 12.7 msf, more absorption gains were recorded in Atlanta in Q4 alone than in any entire year prior to 2016. During the fourth quarter, 25 companies moved into spaces 100,000 sf or greater, including four firms over 750,000 sf. The strong performance of the final quarter drove the 2020 total to 26.5 msf of positive net absorption, the highest annual total in the country. One e-commerce firm alone occupied an additional 8.6 msf across Atlanta throughout the year, though companies within a diverse set of industries contributed to the substantial net absorption gains.

### SPACE DEMAND / DELIVERIES



### OVERALL VACANCY & ASKING RENT



### RENTAL RATES

The direct average net asking rental rate climbed to \$4.86 per square foot (psf)—6.4% quarter-over-quarter (QOQ) and 11.6% YOY. During the same period, the warehouse/distribution (W/D) inventory recorded a 13.8% YOY increase in rents to \$4.43 psf, the highest average rate in the metro's history. The average rent in I-75 North, Georgia 400 Corridor, and Chattahoochee/CBD submarkets were the priciest in Atlanta, each exceeding \$6.75 psf. The absence of large-block vacancies drove these figures, as higher rents were commanded for smaller spaces with more robust build-out which comprise much of these submarkets' vacant product.

### SUPPLY

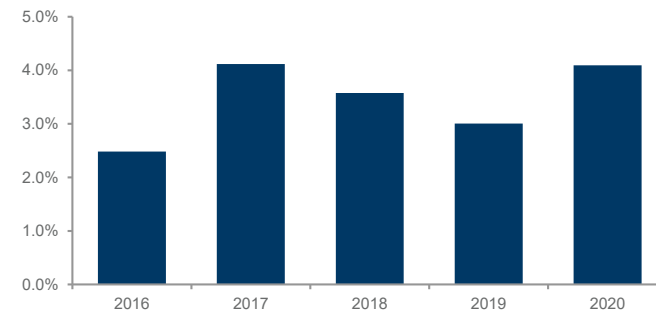
After modestly and steadily improving over the past five years, vacancy in Metro Atlanta decreased more steeply in Q4. The total market's overall vacancy rate dropped 100 basis points (bps) during the fourth quarter to 5.8%, the lowest ever recorded in Metro Atlanta. The most dramatic improvement was recorded in I-75 South/Henry County, where vacancy fell 609 bps YOY to 11.3% as multiple tenants occupied spaces they had leased in prior quarters (including Ferrero Rocher, Tory Burch, Lowe's, and North Coast Logistics). I-85 South vacancy also decreased substantially, falling 368 bps to 3.5% and making it one of the tightest submarkets in the metro. Despite a burgeoning construction pipeline, space options have become increasingly limited. For users seeking 500,000 sf, only nine options are currently available for immediate occupancy.

Construction deliveries reached new heights—more than 6.5 msf of W/D space was delivered during Q4, bringing the annual total to 21.4 msf of new product delivered throughout 2020. The desirability of modern space was evident as 67.5% was either pre-leased or built-to-suit. A rise in demand for mid-sized spaces, coupled with increasing land constraints and construction costs, caused the average size of new facilities to decrease. In 2020, the average new project was 395,000 sf. Development is currently underway on an additional 13.6 msf of industrial product with an average building size of 368,000 sf.

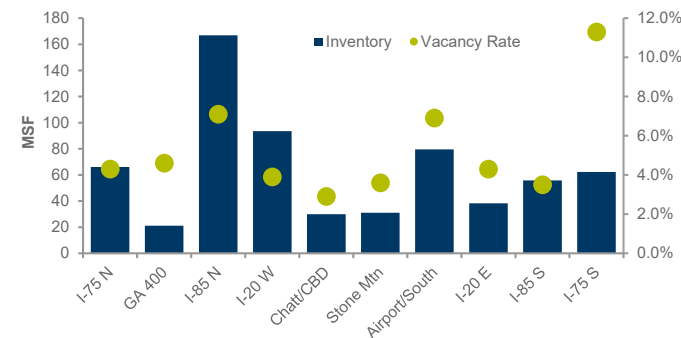
### OUTLOOK

- Atlanta outperformed every other industrial market in the nation in 2020, recording the highest annual total net absorption figure in the U.S. The metro's central location as a distribution hub of the Southeast, its highly diversified economy, and its comparatively low cost of living and doing business will continue to drive strong interest in the region.
- A rise in transaction volume among mid-sized spaces is expected in 2021, fueled by both an uptick in touring activity by warehouse users in the 100,000 - 300,000 sf range and a decrease of available large-block options. While 17 firms signed transactions for 500,000 sf or more throughout 2020, only seven vacancies of this size remain.
- 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.

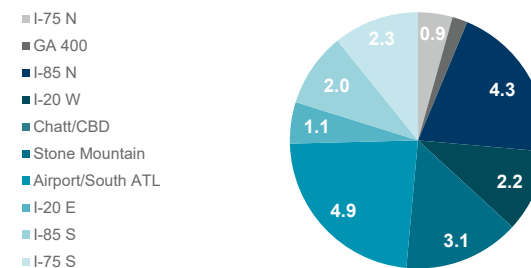
### INDUSTRIAL NET ABSORPTION AS % OF INVENTORY



### SUBMARKET COMPARISON



### 2020 YTD CONSTRUCTION DELIVERIES (MSF)



# MARKETBEAT ATLANTA



## Industrial Q4 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           | 66,060,829         | 2,835,339           | 4.3%                 | 658,984                                 | 1,283,548                       | 2,332,185         | 932,224                 | \$5.00                             | \$13.18                            | \$6.84                              |
| Georgia 400 Corridor          | 21,168,006         | 975,479             | 4.6%                 | 15,184                                  | 133,689                         | 76,100            | 409,575                 | N/A                                | \$14.89                            | \$7.67                              |
| I-85 North Corridor           | 166,888,927        | 11,790,737          | 7.1%                 | 2,308,063                               | 6,078,826                       | 1,578,829         | 4,297,483               | \$7.50                             | \$9.01                             | \$4.64                              |
| I-20 West/Fulton Industrial   | 93,502,710         | 3,630,329           | 3.9%                 | 912,587                                 | 2,218,705                       | 1,482,034         | 2,225,911               | N/A                                | \$5.21                             | \$4.55                              |
| Chattahoochee/CBD             | 29,918,556         | 861,370             | 2.9%                 | 17,080                                  | -59,729                         | 0                 | 0                       | \$7.25                             | \$19.00                            | \$7.73                              |
| Stone Mountain/Tucker         | 31,091,801         | 1,106,153           | 3.6%                 | 2,723,969                               | 2,570,844                       | 0                 | 3,124,946               | \$5.00                             | \$6.45                             | \$4.52                              |
| Airport/South Atlanta         | 79,597,446         | 5,498,655           | 6.9%                 | 867,928                                 | 3,954,603                       | 2,087,546         | 4,943,622               | N/A                                | \$8.77                             | \$4.38                              |
| I-20 East/Snapfinger/Rockdale | 38,288,870         | 1,648,240           | 4.3%                 | 294,468                                 | 560,993                         | 3,084,676         | 1,119,025               | N/A                                | N/A                                | \$4.66                              |
| I-85 South/Peachtree City     | 55,807,948         | 1,962,768           | 3.5%                 | 1,696,204                               | 3,943,351                       | 1,311,258         | 1,999,281               | \$3.65                             | N/A                                | \$3.71                              |
| I-75 South/Henry County       | 62,320,216         | 7,051,252           | 11.3%                | 3,212,483                               | 5,697,428                       | 1,651,829         | 2,308,250               | \$5.75                             | N/A                                | \$3.55                              |
| <b>ATLANTA TOTALS</b>         | <b>644,645,309</b> | <b>37,360,322</b>   | <b>5.8%</b>          | <b>12,706,950</b>                       | <b>26,382,258</b>               | <b>13,604,457</b> | <b>21,360,317</b>       | <b>\$4.41</b>                      | <b>\$11.82</b>                     | <b>\$4.42</b>                       |

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

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

### KEY LEASE TRANSACTIONS Q4 2020

| PROPERTY   | SUBMARKET               | TENANT               | SF        | LEASE TYPE* |
|--|-------------------------|----------------------|-----------|-------------|
| SouthPort Logistics Center                                     | I-75 South/Henry County | Kimberly-Clark       | 1,298,700 | Renewal     |
| 1 Nestle Court   | I-75 South/Henry County | Nestle USA           | 784,000   | Renewal     |
| Hamilton Mill Business Center                                  | I-85 North Corridor     | Global Equipment Co. | 647,219   | Renewal     |
| Lambert Farms Logistics Park Bldg. B1, 405 King Mill Road      | I-75 South/Henry County | Sunland Logistics    | 550,800   | New Lease   |
| Georgia North Logistics Center Bldg. 2, 100 International Pkwy | I-75 North Corridor     | LG Hausys            | 512,358   | New Lease   |
| Prologis Commerce Center, 120 Midway Road                      | I-75 South/Henry County | Masterbrand Cabinets | 503,984   | New Lease   |

\*Renewals not included in leasing statistics

### KEY CONSTRUCTION COMPLETIONS Q4 2020

| PROPERTY                        | SUBMARKET                     | MAJOR TENANT | SF        | CONSTRUCTION TYPE | OWNER/DEVELOPER                                |
|---------------------------------|-------------------------------|--------------|-----------|-------------------|--|
| 2100-2200 W Park Place Blvd.    | Stone Mountain/Tucker/Decatur | Amazon       | 2,800,000 | Build-to-Suit     | Seefried Properties                            |
| Gardner Logistics Park – Bldg 2 | I-75 South/Henry County       | Confidential | 657,600   | Build-to-Suit     | Monmouth Real Estate Investment Group/Scannell |

### KEY PROJECTS UNDER CONSTRUCTION

| PROPERTY  | SUBMARKET             | MAJOR TENANT | SF        | CONSTRUCTION TYPE | OWNER/DEVELOPER       |
|---|-----------------------|--------------|-----------|-------------------|-----------------------|
| 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         |
| Shugart Farms, 1625 Oakley Industrial Boulevard | I-85 South Corridor   | N/A          | 907,610   | Speculative       | Red Rock Developments |

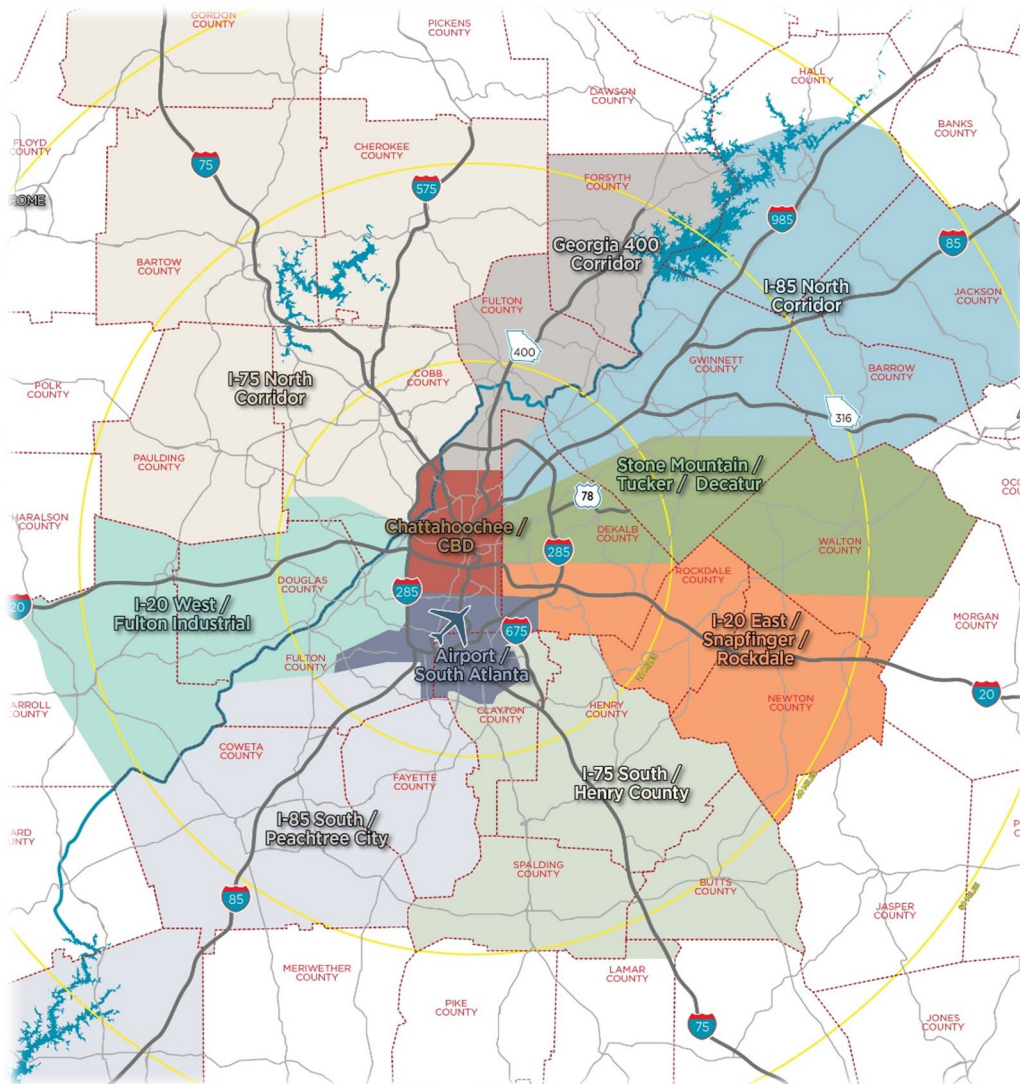


# MARKETBEAT ATLANTA

Industrial Q4 2020



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