

MARKETBEAT ATLANTA



Industrial Q1 2021

	YoY Chg	12-Mo. Forecast
5.2% Vacancy Rate	▼	▬
8.7 M YTD Net Absorption, SF	▲	▲
\$5.14 Asking Rent, PSF	▲	▲

Overall, Net Asking Rent

ECONOMIC INDICATORS Q1 2021

	YoY Chg	12-Mo. Forecast
2.7M Atlanta Employment	▼	▲
5.0% Atlanta Unemployment Rate	▲	▲
6.0% U.S. Unemployment Rate	▲	▼

Source: BLS

ECONOMY

COVID-19 caused a seismic shift in consumer behavior over the past year, and e-commerce sales are at an all-time high. U.S. online sales through year-end 2020 totaled \$788 billion, an increase of 32.1% from the previous year. E-commerce sales accounted for 14% of total retail sales for 2020, prompting a surge in demand for warehouse space by both retailers and logistics firms.

Atlanta's unemployment rate fell to 4.5% in February 2021, dropping below the 5% mark for the first time since the onset of the pandemic. Though the quarter's average unemployment rate rests at 5.0%, unemployment in the metro averaged 100 basis points (bps) lower than the U.S. rate. A multitude of large corporate relocations and job announcements indicate that momentum is shifting towards economic recovery. Many companies announced plans to establish operations in Atlanta during Q1. Freshly Inc. and Feit Electric plan to open distribution centers in the Metro, while GCP Applied Technologies selected Atlanta for its global headquarters.

SUPPLY

As robust construction activity persists in Metro Atlanta, new product continues to experience healthy levels of pre-leasing. Construction completed on fourteen projects throughout the first quarter, with only 35% of the new-delivered space left vacant. As demand for quality space has yet to see a slowdown, developers continue to build at a feverish pace with 14.3 million square feet (msf) of industrial product currently under construction, the majority of which is being built on a speculative basis.

Despite an influx of new supply, occupancy achieved a new historical high. Metro Atlanta's overall vacancy rate continued to decline, falling to 5.2% in Q1 2021, a 60-basis-point (bps) decrease quarter-over-quarter (QOQ) and a new record-low for the market. The I-85 South submarket boasts the lowest vacancy rate with merely 2.8% of the current inventory vacant. While every major submarket recorded vacancy improvement in Q1, I-85 North experienced the most pronounced drop, falling 110 bps QOQ.

As direct space options became increasingly scarce, the sublease share of total vacant space in Metro Atlanta jumped to 9.0% – a 300 bps increase year-over-year (YOY). Despite this, the sublease vacancy rate remains low at only 0.5% as warehouse-using industries fared well through the pandemic. With a record-shattering year for leasing activity in the Atlanta market in 2020, the direct vacancy rate dipped 180 bps YOY causing a sharp increase in the sublease share of total vacancies.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



RENTAL RATES

As vacancy rates declined to all-time lows, landlords pushed asking rents higher in most market segments. Atlanta's direct average net asking rental rate continued to surge, hitting a record-high of \$5.09 per square foot (psf), an increase of 11.4% since the start of 2019. Meanwhile the direct asking rental rate for warehouse/distribution inventory ended the first quarter at \$4.47 psf, the highest average on record and a 13.7% jump YOY. On the submarket level, nearly all Atlanta industrial submarkets recorded positive YOY rent growth. This is largely due to inventory constraints and low vacancy levels. Considered a top U.S. market for both demand and supply, Atlanta is poised to see strong rent growth throughout 2021.

DEMAND

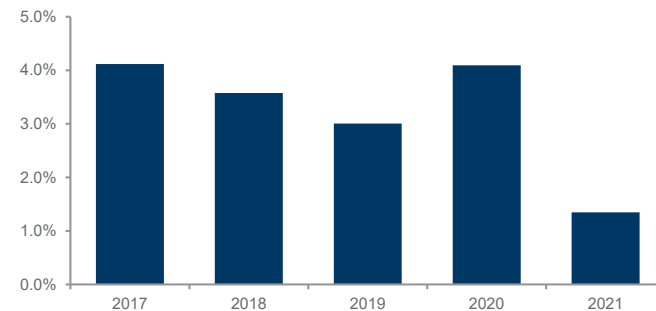
Quarterly new leasing activity in Metro Atlanta remained robust to start the year, exceeding 8.5 msf of transactions for the seventh consecutive quarter. The largest transaction of Q1 occurred at Prologis Orchard Hills – Building 100, where Kellogg's signed for a 1.2-msf build-to-suit facility. The project is expected to deliver by February of 2022. The record-breaking volume of tenants preparing to move into new space positions Metro Atlanta for significant absorption gains later in 2021 when these users take occupancy.

Increased demand for e-commerce distribution continues to support industrial expansion. Atlanta recorded more than 8.7 msf of net absorption gains during Q1, a 46% increase over Q1 2020, bolstered by the move-ins of five users occupying over 500,000 sf. The I-85 North Corridor posted the strongest submarket quarterly absorption figures, largely driven by eleven tenants moving into spaces 100,000 sf of greater, including Comptree's 589,680 sf move-in at 1380 Jesse Cronic Road.

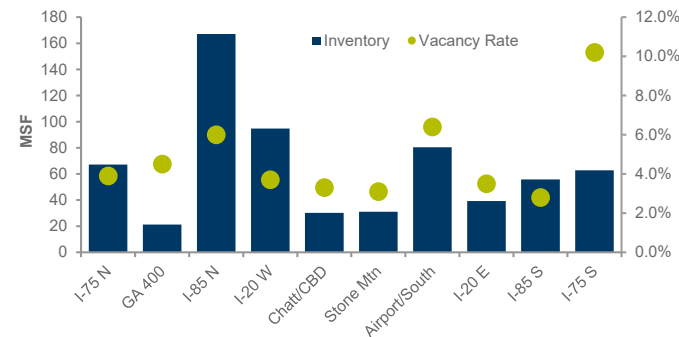
OUTLOOK

- Atlanta remained a top-performing industrial market in Q1 2021, ranking number one in the nation for quarterly net absorption gains. 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.
- Asking rents are expected to continue rising throughout 2021, driven not just by significant demand but by a surge in construction supply pricing as well. A shortage of steel and other construction supplies including roof joists and decking have significantly increased lead times for developers and will drive a steeper increase in asking rental rates in the coming quarters.
- As a result, pre-leasing activity among speculative facilities already underway is expected to rise further still as these existing shells become increasingly valuable in the face of difficulty obtaining materials for new construction.

INDUSTRIAL NET ABSORPTION AS % OF INVENTORY



SUBMARKET COMPARISON



2021 YTD CONSTRUCTION DELIVERIES (MSF)



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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	67,200,954	2,612,212	3.9%	1,356,356	1,356,356	3,310,350	950,040	\$5.00	\$13.00	\$6.98
Georgia 400 Corridor	21,244,106	960,106	4.5%	31,168	31,168	0	76,100	N/A	\$14.75	\$7.64
I-85 North Corridor	167,113,012	10,104,739	6.0%	2,337,956	2,337,956	1,689,734	222,330	N/A	\$8.70	\$4.73
I-20 West/Fulton Industrial	94,775,330	3,519,477	3.7%	1,284,060	1,284,060	655,391	1,272,620	N/A	\$5.84	\$4.45
Chattahoochee/CBD	30,136,068	984,711	3.3%	-25,615	-25,615	0	0	\$7.25	\$26.59	\$7.45
Stone Mountain/Tucker	31,091,801	970,199	3.1%	50,354	50,354	0	0	\$5.00	\$6.45	\$4.84
Airport/South Atlanta	80,429,662	5,112,151	6.4%	1,172,402	1,172,402	2,157,874	832,216	N/A	\$8.76	\$4.37
I-20 East/Snapfinger/Rockdale	39,258,870	1,376,696	3.5%	1,017,595	1,017,595	2,269,116	970,000	N/A	N/A	\$4.69
I-85 South/Peachtree City	55,807,948	1,561,557	2.8%	475,200	475,200	3,040,204	0	\$3.65	N/A	\$4.34
I-75 South/Henry County	62,805,307	6,400,358	10.2%	1,048,460	1,048,460	1,166,738	485,091	\$5.75	N/A	\$3.51
ATLANTA TOTALS	649,863,058	33,602,206	5.2%	8,747,936	8,747,936	14,289,407	4,808,397	\$4.35	\$13.23	\$4.48

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

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

KEY LEASE TRANSACTIONS Q1 2021

PROPERTY	SUBMARKET	TENANT	SF	LEASE TYPE*
Prologis Orchard Hills – Bldg. 100	I-85 South/Peachtree City	Kellogg's	1,192,440	New Lease: BTS
1380 Jesse Cronic Road	I-85 North Corridor	Comptree	589,680	New Lease
Airport Logistics Center, 4900 Stonewall tell Road	Airport/South Atlanta	PAC Worldwide	498,192	New Lease
Palmetto Logistics Center, 1015 Collinsworth Road	I-85 South/Peachtree City	SBS Transportation	483,200	New Lease
Gillem Logistics Center – Bldg. 900, 2160 Anvil Block Road	I-75 South/Henry County	Cope Services	369,600	New Lease
Oakmont 85 North, 3020 Gravel Springs Road	I-85 North Corridor	Wheel Pros, LLC	333,235	New Lease: Pre-lease

*Renewals not included in leasing statistics

KEY CONSTRUCTION COMPLETIONS Q1 2021

PROPERTY	SUBMARKET	MAJOR TENANT	SF	CONSTRUCTION TYPE	OWNER/DEVELOPER
1000 Logistics Way	Airport/South Atlanta	Home Depot	663,520	Build-to-Suit	Duke Realty
Greenwood Industrial Park, Bldg. 5	I-75 South/Henry County	SPEC	485,091	Speculative	Clarion Partners
Bartow Commerce Center, Bldg. II	I-75 North Corridor	SPEC	396,000	Speculative	PCCP

KEY PROJECTS UNDER CONSTRUCTION

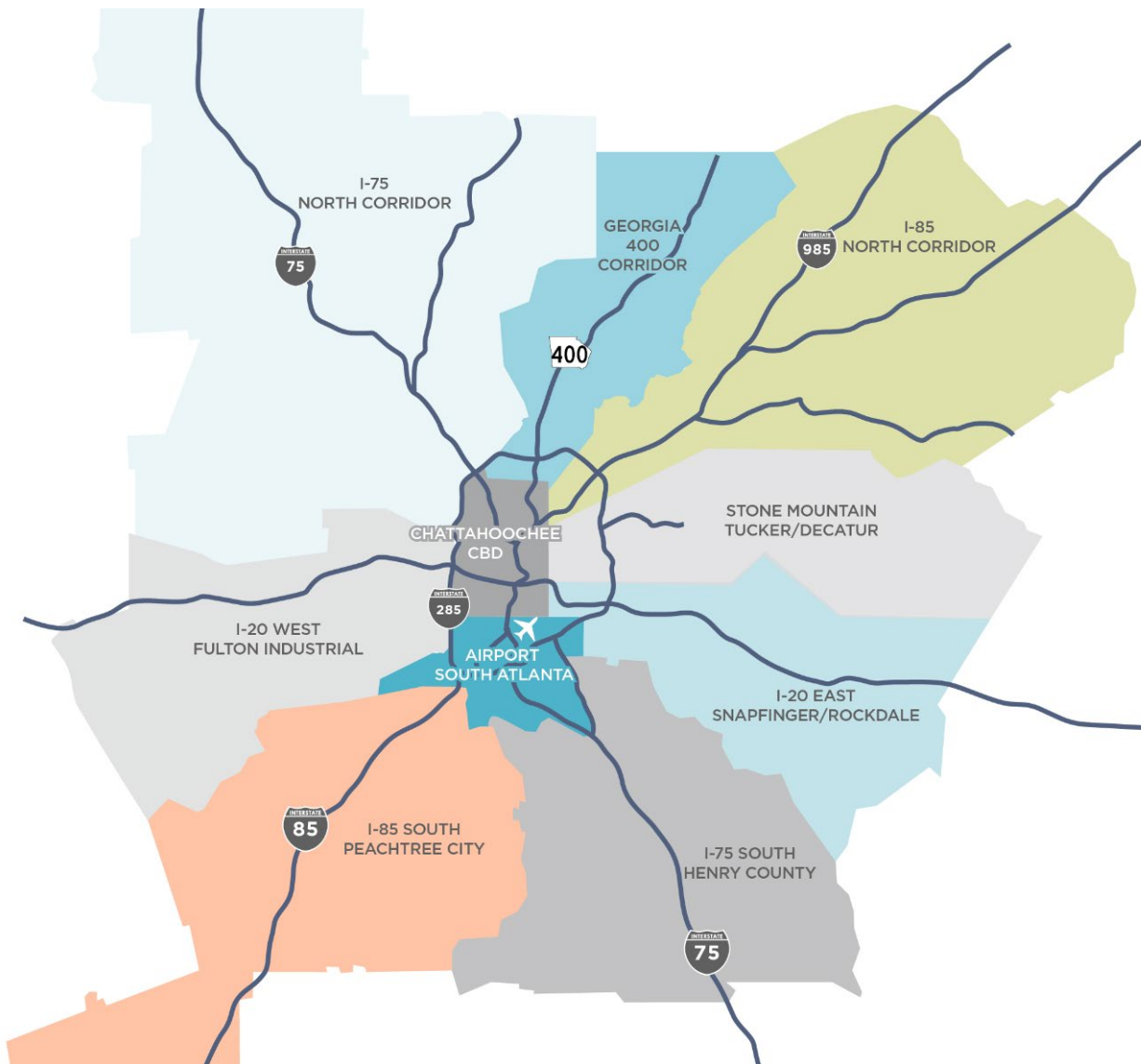
PROPERTY	SUBMARKET	MAJOR TENANT	SF	CONSTRUCTION TYPE	OWNER/DEVELOPER
Prologis Orchard Hills – Bldg. 200	I-85 South Corridor	Goodyear	1,514,040	Build-to-Suit	Prologis Logistics Services
Majestic Airport Center V	Airport/South Atlanta	N/A	1,150,000	Speculative	Majestic Realty Co
1250 Cassville Road	I-75 North Corridor	N/A	1,108,990	Speculative	IDI Logistics

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