

MARKETBEAT ATLANTA



Industrial Q1 2022

	YoY Chg	12-Mo. Forecast
3.2% Vacancy Rate	▼	▼
7.0M YTD Net Absorption, SF	▼	▬
\$6.71 Asking Rent, PSF	▲	▲

Overall, Net Asking Rent

ECONOMIC INDICATORS Q1 2022

	YoY Chg	12-Mo. Forecast
2.9M Atlanta Employment	▲	▲
3.1% Atlanta Unemployment Rate	▼	▬
3.6% U.S. Unemployment Rate	▼	▼

Source: BLS

ECONOMY

The Atlanta economic recovery accelerated in February with unemployment down 130 basis points (bps) annually to 3.2%. During the same period, non-farm payroll growth climbed 6.3%. The uptick was powered by a 5.9% annual increase in trade, transportation, and utilities sector employment, a byproduct of the Atlanta area's ever-growing warehouse/distribution (W/D) industry. Robust consumer spending, strong population growth, minimal geographic constraints, and access to Hartsfield-Jackson International Airport contributed to historic demand for industrial space despite ongoing labor shortages and supply chain constraints. Moreover, the region's proximity to the Port of Savannah, where container volume surged nearly 18% annually in February, has buoyed local appeal to industrial users. While growth in manufacturing has paled in comparison to the warehouse/distribution market, that was not the case in February when factories boosted hiring by 5.7% on an annual basis. The increase propelled local manufacturing to 173.7k jobs, up from 164.4k a year earlier. The industrial sector is poised to remain a linchpin for economic growth as online retail sales are expected to have another banner year.

DEMAND

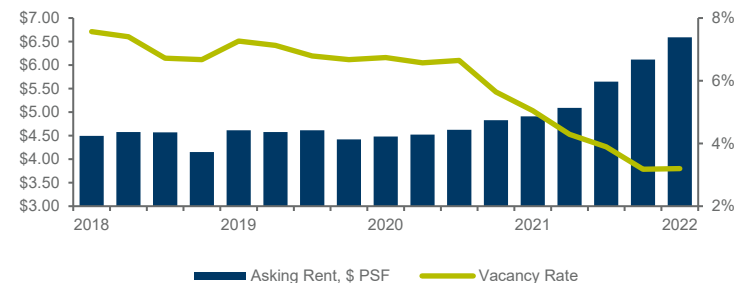
Demand remained robust during the first quarter of 2022, as Metro Atlanta's industrial market recorded 9.1 million-square-foot (msf) of new demand. Though this represents a 22.4% decrease over Q1 2021's total, leasing activity was limited only by a lack of available product across an increasingly tight market. Tenants are hungry for new supply, illustrated by the fact that 44% of first-quarter leasing activity occurred in newly-delivered or still-under-construction assets. I-85 North housed the highest share of first-quarter leasing activity with 2.3 msf of transactions inked, 25.8% of the Metro Atlanta total. Nevertheless, demand was spread throughout the market, with five submarkets posting more than 1.1 msf of leasing activity throughout the quarter. With only two deals larger than 500,000 sf signed – Home Depot in I-75 South (1.1 msf) and Allen Distribution in Airport/South Atlanta (634,900 sf) – small and mid-sized deals comprised the bulk of new demand during Q1. Of all deals signed across Metro Atlanta during the first quarter, 79.8% were for spaces smaller than 100,000 sf.

Metro Atlanta continued its reign as one of the nation's top markets for occupancy gains, posting nearly 7.0 msf of positive net absorption during Q1, behind only Dallas (8.5 msf) and Chicago (7.5 msf). This marks the sixth consecutive quarter that net absorption exceeded 5.0 msf. First-quarter net absorption gains were bolstered by sixteen tenants taking occupancy of spaces larger than 100,000 sf, three of which moved into spaces 1.0 msf or more. Three submarkets – I-85 North, Airport/South Atlanta, and I-85 South – posted more than 1.4 msf of absorption gains each, and collectively accounted for 82.1% of the market's positive net absorption recorded during Q1.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & DIRECT ASKING RENT



SUPPLY

In an effort to keep up with unabated tenant demand, developers continued expanding Atlanta's industrial pipeline, as 45.8 msf of space was under construction at the end of Q1, including 35.4 msf of speculative W/D product. This robust pipeline marks the highest volume in market history, and the second-highest total in the nation behind Dallas-Fort Worth. Meanwhile, nearly 7.8 msf of new product delivered across the market during the first quarter of 2022, 87.2% of which was W/D space. Of the ten largest developments currently under construction across Metro Atlanta, four are situated in the I-85 North Corridor, the future home of the new \$2.6 billion SK Electric Battery plant. Despite some major headwinds facing new construction, including escalating construction costs, soaring land prices, infrastructure-related roadblocks, and supply chain disruptions, Atlanta is expected to remain one of the top industrial markets in the nation this year for new construction, fueled by the demand for new big-box facilities. Nearly 40.4 msf of industrial space is expected to be added to Atlanta's inventory throughout the remainder of 2022, 28.7% of which has been pre-leased. Though delays in the availability of construction materials will continue to postpone deliveries, the construction pipeline will help fill the supply gap in a highly in-demand market.

Even as industrial development swelled, historic rates of net absorption drove the overall vacancy rate downward to a scant 3.2%, a 180-bps drop year-over-year (YOY). Three of Atlanta's ten industrial submarkets recorded sub-2.0% vacancy: I-20-West (1.9%), I-20 East (1.3%), and I-85 South, which is the market's tightest with just 1.2% of inventory vacant. While still home to the highest concentration of vacant space in the Metro, the I-75 South Corridor experienced the most pronounced vacancy improvement, plunging 350-bps YOY to 5.9%.

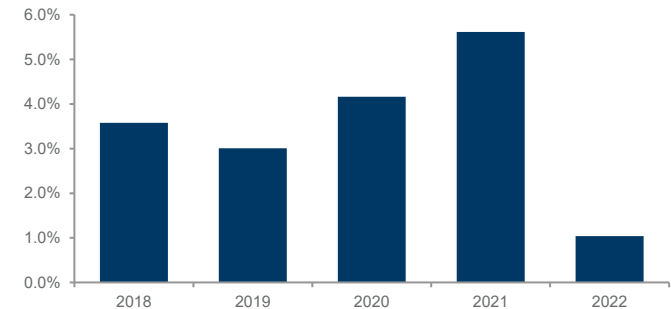
RENTAL RATES

In what is now a familiar refrain, Metro Atlanta's direct average asking rent hit another record high during Q1, soaring 7.7% quarter-over-quarter (QOQ) to \$6.59 per square foot (psf). This represents an astonishing 34.2% YOY increase. Asking rents for W/D space rose in tandem, jumping to \$5.21 psf, a 20.9% increase YOY. For the first time in market history, every submarket in Atlanta demands more than \$4.00 psf for W/D space, with seven of ten submarkets exceeding the \$5.00-psf mark. Quarterly rent growth was steepest in I-20 East as the W/D direct average asking rent climbed 23.1% QOQ to \$6.33 psf. The submarket joins Georgia 400 (\$10.21 psf) and Chattahoochee/CBD (\$7.70 psf) as the priciest in Metro Atlanta for W/D inventory.

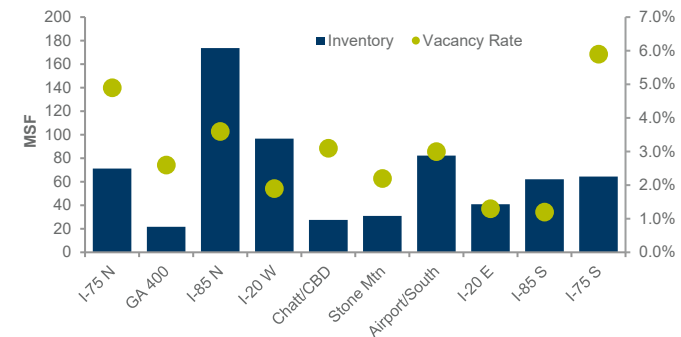
OUTLOOK

- Asking rents will continue to climb throughout the course of the year and beyond. Despite significant rent increases, Atlanta will remain a bargain play for tenants with a national scope who are used to the high price tags demanded by other top-tier industrial markets.
- Construction delays will push some of 2022's exorbitant expected delivery total back to 2023 as developers are forced to endure extended wait times for steel, roofing materials, and other construction supplies.
- Preleasing activity will accelerate drastically in buildings under construction once walls are tilted.

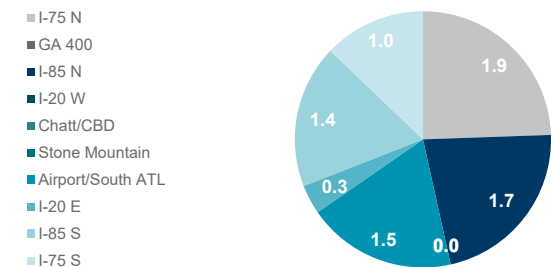
INDUSTRIAL NET ABSORPTION AS % OF INVENTORY



SUBMARKET COMPARISON



2022 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	71,253,861	3,492,307	4.9%	353,362	353,362	6,325,509	1,904,493	N/A	\$12.83	\$5.39
Georgia 400 Corridor	21,662,328	571,776	2.6%	167,899	167,899	731,572	0	N/A	\$14.17	\$10.21
I-85 North Corridor	173,767,715	6,170,884	3.6%	2,427,257	2,427,257	17,074,676	1,720,688	N/A	\$8.48	\$4.98
I-20 West/Fulton Industrial	96,635,639	1,865,333	1.9%	648,780	648,780	6,540,275	0	N/A	\$6.40	\$5.06
Chattahoochee/CBD	27,602,698	857,324	3.1%	33,781	33,781	30,934	0	\$7.25	\$20.59	\$7.70
Stone Mountain/Tucker	31,024,156	693,017	2.2%	-56,302	-56,302	96,000	0	\$5.50	\$17.23	\$5.54
Airport/South Atlanta	82,283,043	2,460,589	3.0%	1,873,514	1,873,514	2,031,513	1,467,520	N/A	\$10.48	\$4.37
I-20 East/Snapfinger/Rockdale	40,845,199	536,127	1.3%	332,829	332,829	3,182,952	288,477	N/A	N/A	\$6.33
I-85 South/Peachtree City	62,177,531	757,531	1.2%	1,431,173	1,431,173	4,684,057	1,408,262	N/A	N/A	\$5.43
I-75 South/Henry County	64,440,229	3,814,001	5.9%	-227,891	-227,891	5,015,411	1,001,700	\$5.75	N/A	\$4.05
ATLANTA TOTALS	671,692,399	21,218,889	3.2%	6,984,402	6,984,402	45,788,779	7,791,140	\$6.04	\$13.61	\$5.20

*Rental rates reflect weighted net asking \$psf/year, **Figure not reflective of U.S. MarketBeat

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

KEY LEASE TRANSACTIONS Q1 2022

PROPERTY	SUBMARKET	TENANT	SF	LEASE TYPE*
McLarin Distribution Center, 8095 McLarin Road	I-85 South/Peachtree City	Owens Corning	1,044,228	Renewal
Greenwood 75 Logistics Park, 315 Greenwood Place	I-75 South/Henry County	Home Depot	1,001,700	New Lease – 1 st Generation
Majestic Airport Center II, Bldg. 5, 4475 South Fulton Pkwy	Airport/South Atlanta	Allen Distribution	634,900	New Lease – 2 nd Generation
Georgia North Industrial Park, Bldg. 4, 400 International Pkwy	I-75 North Corridor	Duluth Trading Co.	498,144	New Lease – Pre-Lease
Falcon Parkway Logistics Center, Bldg. 100, 4020 Falcon Pkwy	I-85 North Corridor	GXO (for Spanx)	445,568	New Lease – 1 st Generation
Southfield Logistics Center, 5345 Old Dixie Road	Airport/South Atlanta	Wocon	373,900	New Lease – 2 nd Generation

*Renewals not included in leasing statistics

KEY CONSTRUCTION COMPLETIONS Q1 2022

PROPERTY	SUBMARKET	MAJOR TENANT	SF	CONSTRUCTION TYPE	OWNER/DEVELOPER
Prologis Orchard Hills, Bldg. 100, 139 Orchard Business Pkwy	I-85 South/Peachtree City	Kellogg's	1,192,440	Build-to-Suit	Prologis Logistics Services
Majestic Airport Center V, 5115 Stonewall Tell Road	Airport/South Atlanta	Amazon	1,150,000	Speculative	Majestic Realty
Greenwood 75 Logistics Park, 315 Greenwood Place	I-75 South/Henry County	Home Depot	1,001,700	Speculative	USAA Real Estate

KEY PROJECTS UNDER CONSTRUCTION

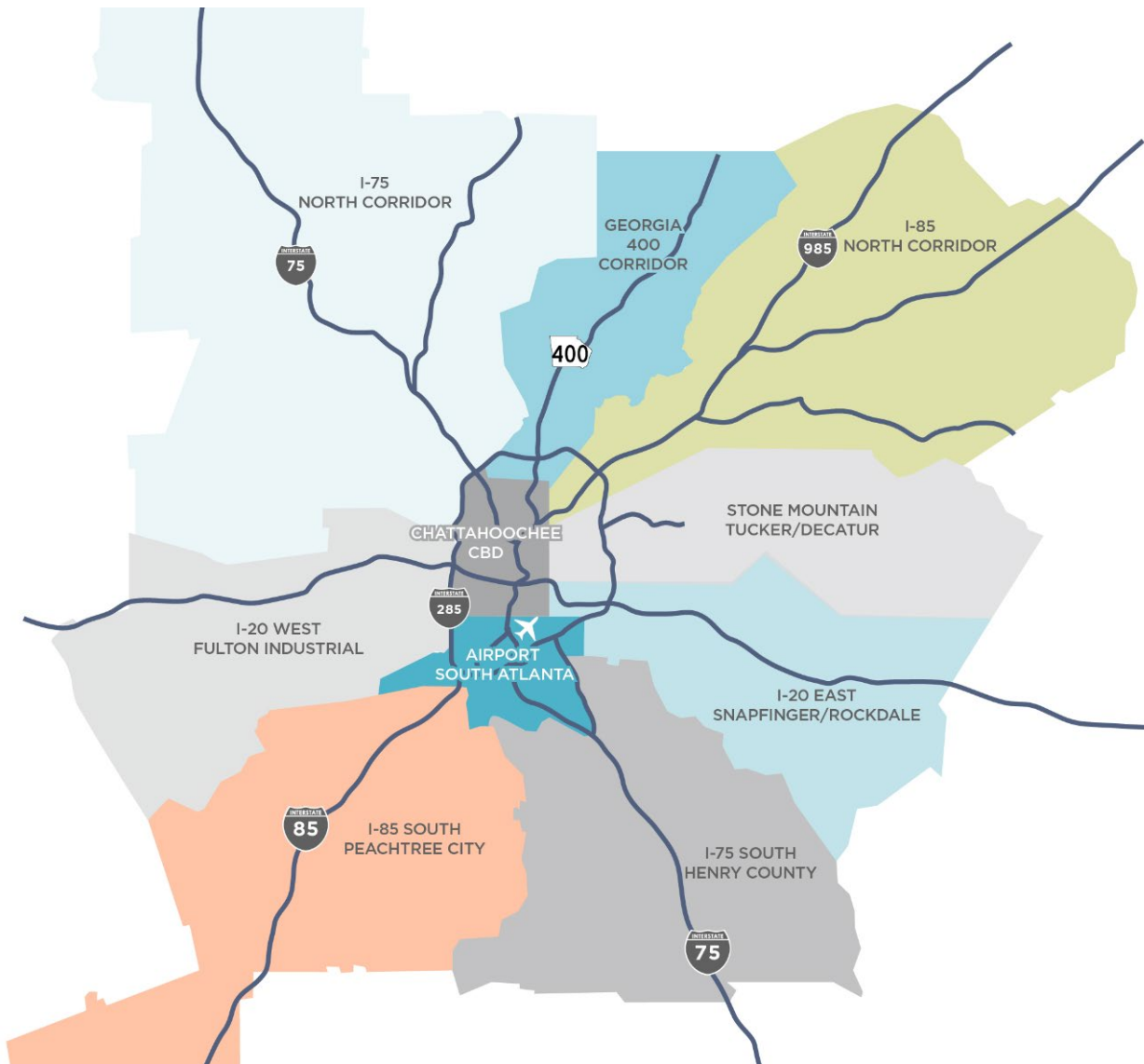
PROPERTY	SUBMARKET	MAJOR TENANT	SF	CONSTRUCTION TYPE	OWNER/DEVELOPER
Northeast 85 Logistics Center, Bldg. 2, 421 Toy Wright Rd.	I-85 North Corridor	N/A	1,174,768	Speculative	Core5 Industrial Partners
Jefferson Mill Business Park, Bldg. H, 1231 Hog Mountain Rd.	I-85 North Corridor	Ace Hardware	1,117,800	Speculative	Trammell Crow Company
RiverWest Distribution Center III, 980 Douglas Hill Rd.	I-20 West/Fulton Industrial	N/A	1,111,040	Speculative	Prologis

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