

A photograph of a warehouse worker in a blue hard hat and a high-visibility yellow vest pushing a pallet jack through a long aisle. The aisle is lined with tall blue metal shelving units filled with cardboard boxes. The floor is a light-colored concrete. The lighting is bright and even.

AVISON
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Atlanta industrial insight report

Q3 2021

AVANT
by AVISON YOUNG



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U.S. and Atlanta industrial drivers

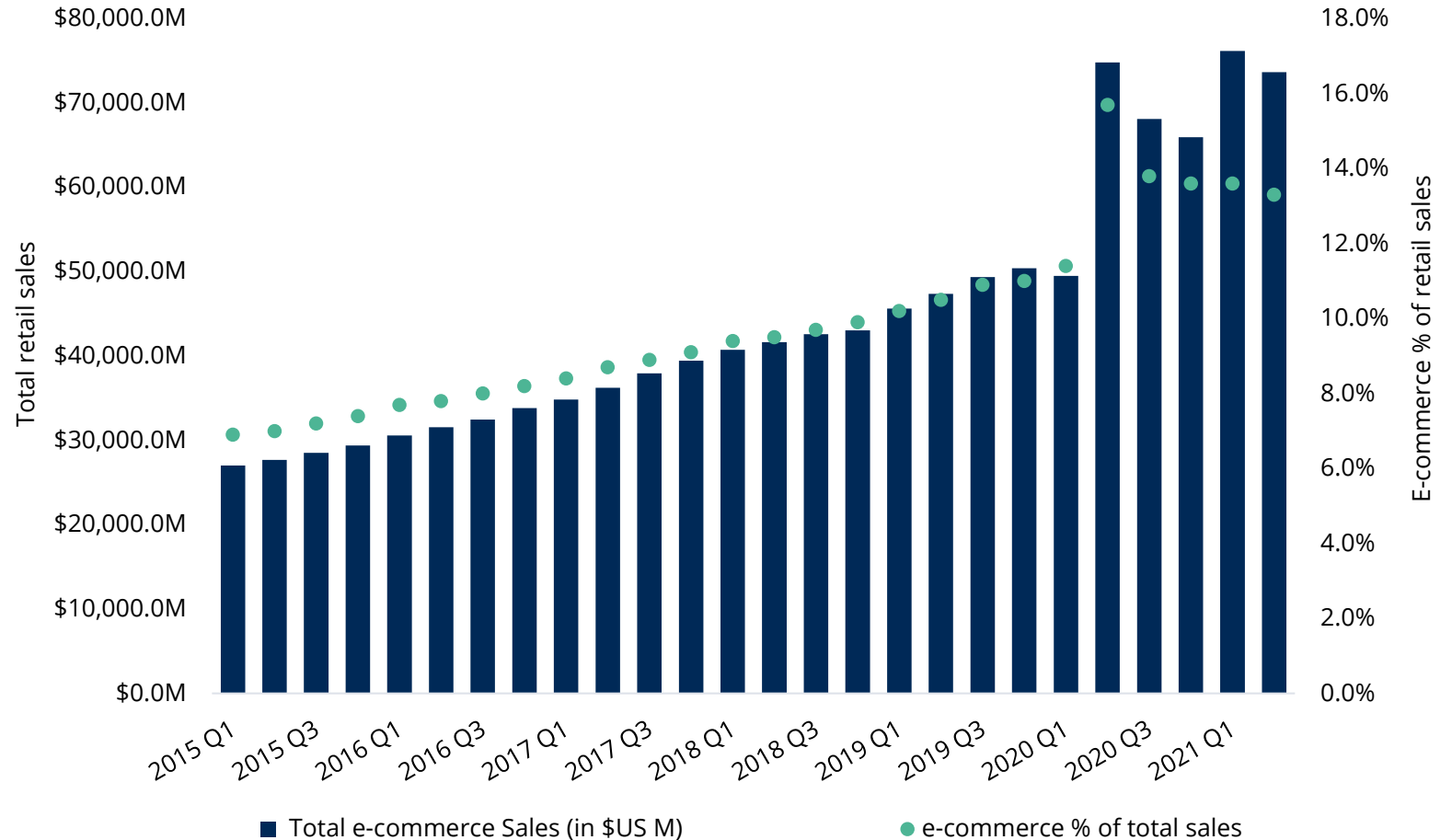
ATLANTA INDUSTRIAL INSIGHT REPORT
Q3 2021

U.S. total retail and e-commerce sales

13.3%

E-commerce share of overall retail sales in Q2 2021

Demand for e-commerce surged during the initial shock of lockdowns, driving industrial demand to record levels. As the economy begins to reopen, the rate of e-commerce growth is nearly double pre-COVID levels, suggesting accelerated e-commerce demand is sustainable.



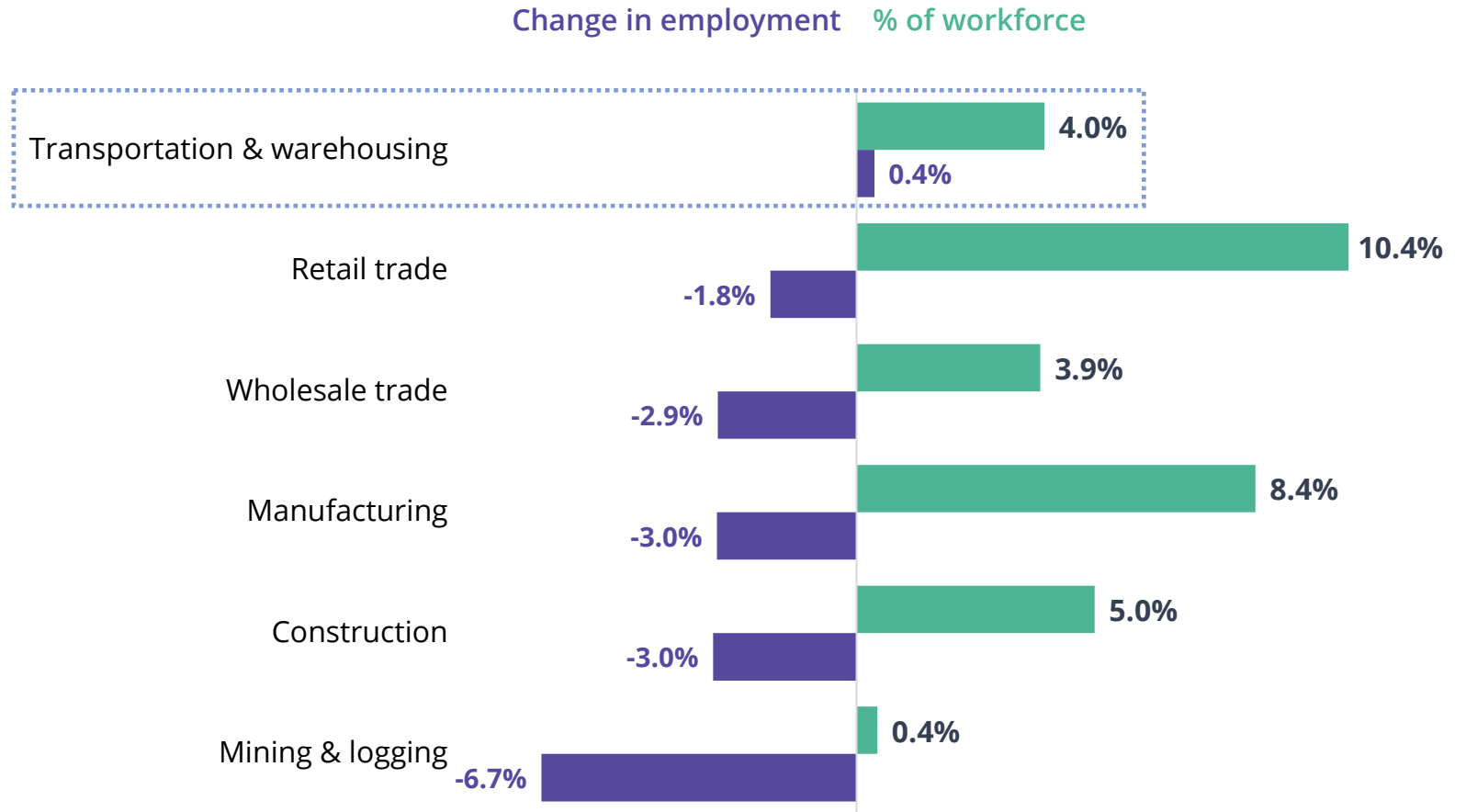
Source: Federal Reserve Bank of St. Louis
*Most recent update August 17, 2021

Industrial sector job gains and losses

+0.4%

Change in transportation and warehousing employment, February 2020 to July 2021

The transportation and warehousing employment sector has been resilient throughout the pandemic. Manufacturing, construction and wholesale trade comprise similar proportions of total U.S. employment but have contracted since February 2020.



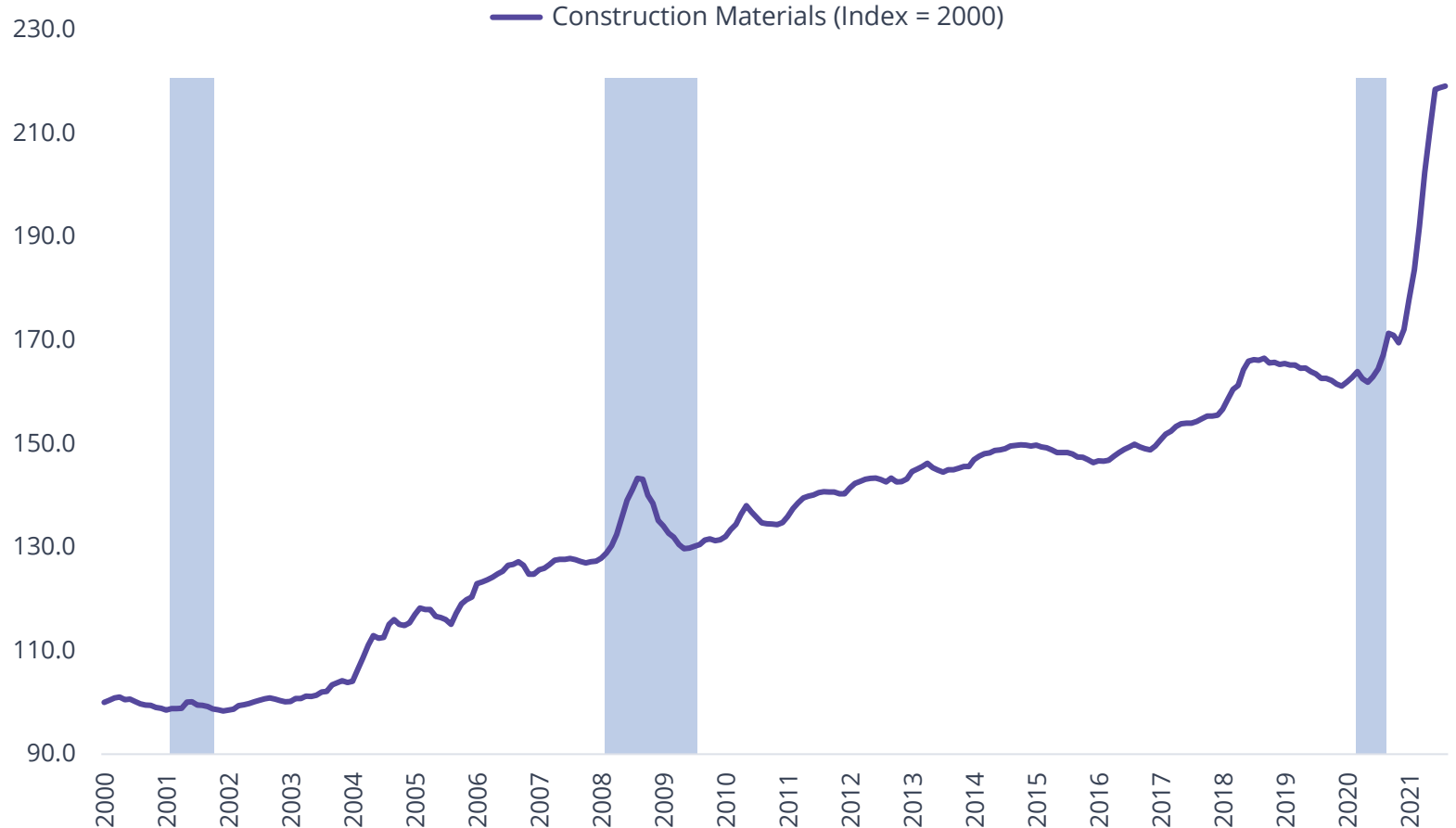
Note: Seasonally adjusted data.
Source: Bureau of Labor Statistics

Cost of construction materials

+35.3%

Construction Material Index cost from year-end 2020 to August 2021

Construction material costs have surged to start 2021, applying upward pressure on industrial pro forma rents. However, recent activity in August and September suggest that pricing is poised to moderate to 2020 levels in the coming months.



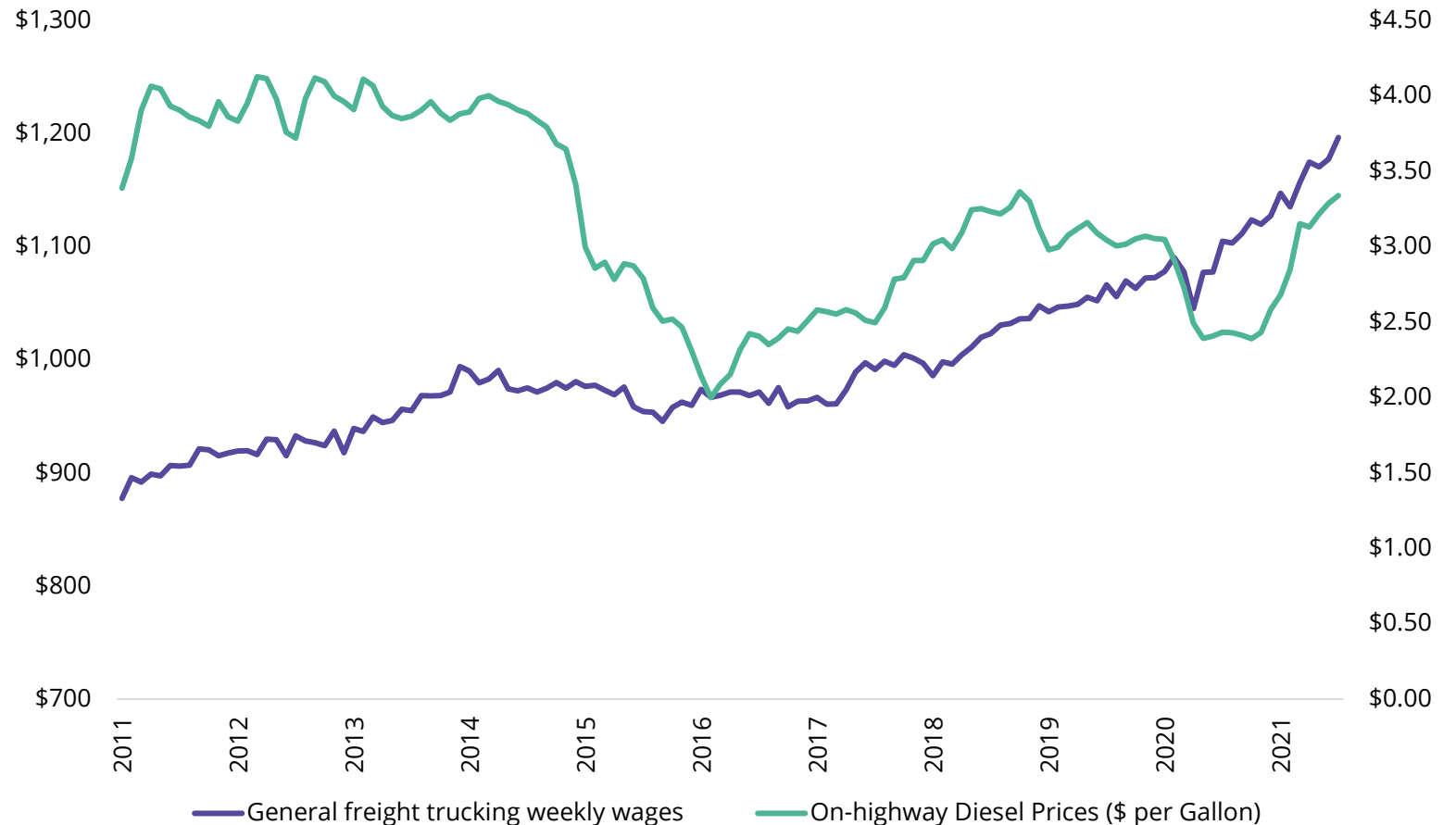
Note: Index is 100% in year 2000
Source: Bureau of Labor Statistics

Fuel costs and freight trucking driver wages

+39.8%

**Diesel prices since
May 2020**

Rising diesel fuel prices and wage rates, for short- and long-haul trucking, are exacerbating pressures on shipping costs for companies that may have also faced international supply chain disruptions.



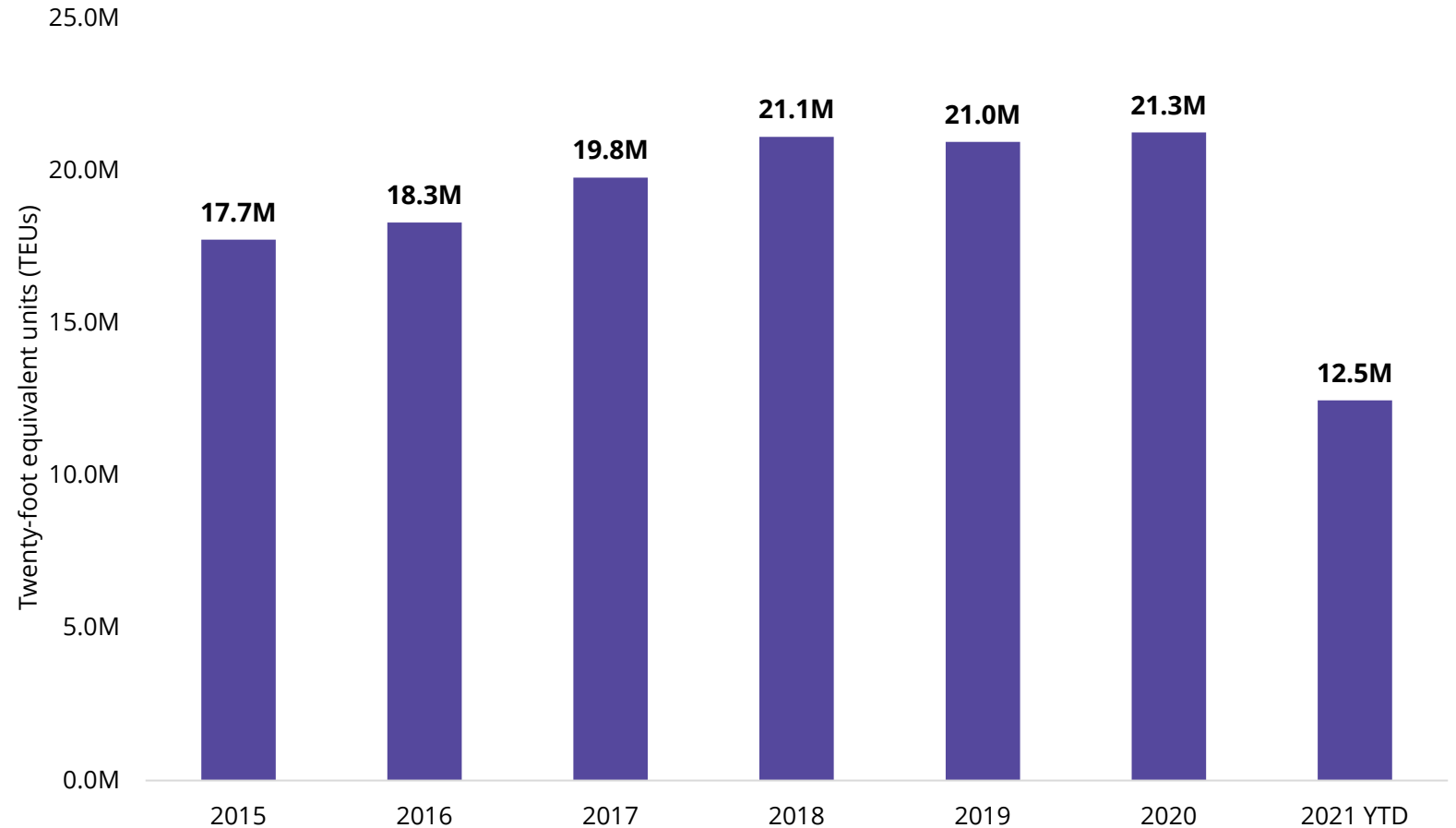
Source: Bureau of Labor Statistics, U.S. Energy Information Administration, AVANT by Avison Young

Loaded import container volumes

+24.0%

**Change in cargo volumes,
H1 2020 vs. H1 2021**

Through June, loaded imports at major U.S. seaports are up significantly over the same period last year. While activity in 2020 was impacted by the pandemic, freight flows this year have been marred by supply chain disruptions at ports.



Note: Includes Los Angeles, Long Beach, New York / New Jersey, Savannah, Virginia, Houston, Charleston, Oakland, Seattle / Tacoma, Miami, Baltimore, Jacksonville ports.
Source: Individual port authority websites



Atlanta market fundamentals

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Key industrial takeaways



Economic conditions

- Reopening efforts and an increase in vaccination rates have allowed the metro Atlanta unemployment rate to rebound from a high of 12.6 percent down to **3.1 percent**.
- A driving force behind this was the industrial sector as companies needed to expand their storage capacities to fulfill online purchase demand, although some areas are still seeing a shortage in available labor.
- Local employment in Transportation, warehousing & utilities rose by **2.8 percent** year-over-year as of August, followed by the manufacturing industry at **2.7 percent**.



Port activity

- The Savannah port contributes significantly to Atlanta's industrial market. Cargo volume at the port is up **27 percent** from where it was in August of 2020 and **19.5 percent** from August of 2019.
- There have been **3.7 million TEU's** coming through the port through August of 2021, which is almost **84 percent** of the total volume seen in all of 2020.



Industrial demand

- Overall leasing activity has been sustained throughout the pandemic, currently up **21.7 percent** through the third quarter of 2021 compared to the activity seen during the same time in 2020.
- The market has seen **42.3 msf** leased thus far in 2021, only 3 msf shy of the total amount of activity in 2020.
- Due to the strong demand seen during 2021, Atlanta's positive absorption continues to grow and is currently at **27 msf** year-to-date.

Key industrial takeaways



Industrial supply

- As national, regional and local logistics and e-commerce businesses continue to expand throughout the market, developers are working to meet demand. Through three quarters, there were **59 properties** totaling **14.0 msf** delivered to the market.
- Currently there is **37.7 msf** underway, which is the largest amount of space under construction during one quarter ever recorded.
- The overall vacancy rate for the Atlanta industrial market hit a record low of **2.5 percent** during the third quarter of 2021.



Pricing trends

- Asking rents have increased by **13.0 percent** since the third quarter of 2020 and have continued a steady upward trajectory since 2013.
- Ending the third quarter at **\$5.46 psf nnn** caused the market to set another record for highest quarterly asking rental rate in the Atlanta industrial market.



Capital markets

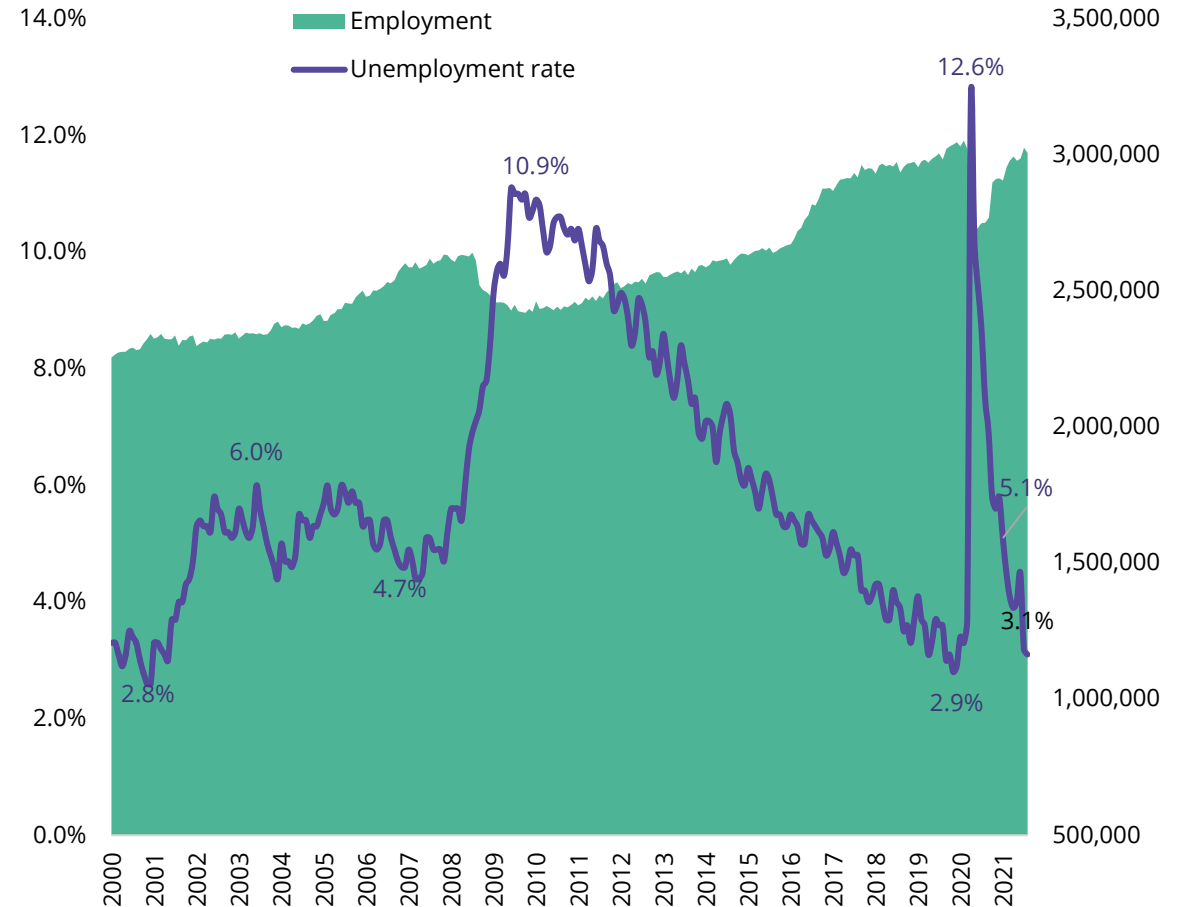
- Atlanta industrial investment activity surged to **\$5.7B since 2020** as investors are attracted to the sector fundamentals largely benefited from the COVID environment.
- Through the third quarter of 2021 the market has seen **\$2.8 billion** in sales already, up **72.8 percent**, when compared to activity during the same time in 2020.

Employment and unemployment

3.1%

Atlanta unemployment rate as of August 2021, nearing pre-pandemic levels

Historically tightened labor market conditions at the end of 2019 were halted by the pandemic with nearly 450,000 job losses between February and April 2020. However, with Georgia being one of the first states to reopen, metro Atlanta has seen a job growth rate of 15.5% since April 2020.



Note: Not seasonally adjusted data. Metropolitan statistical area.
Source: Bureau of Labor Statistics

Industrial job gains and losses

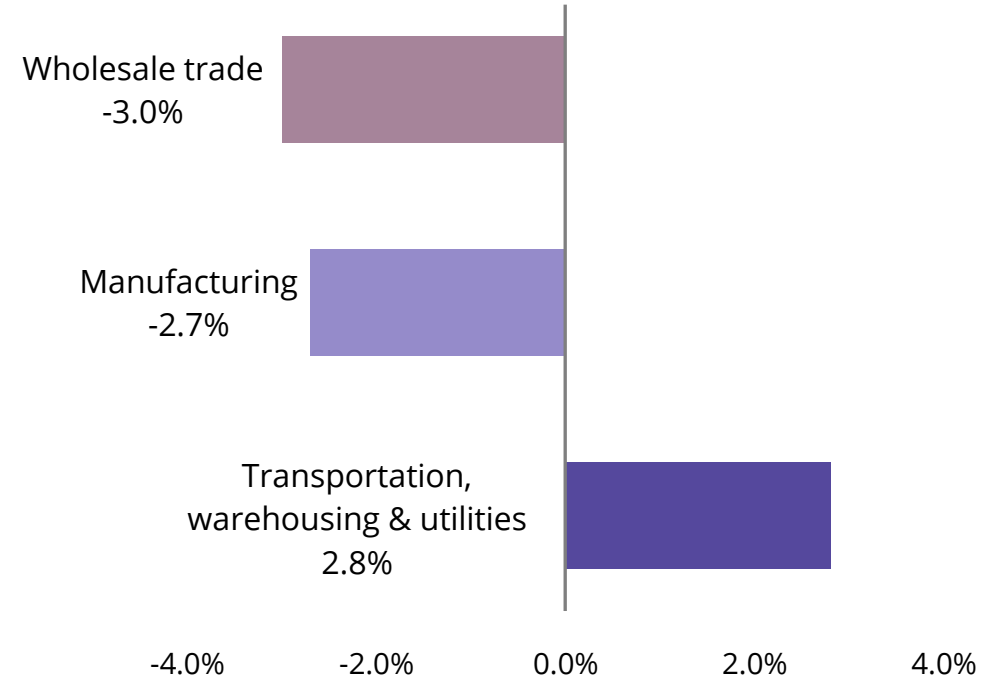
-0.9%

Change in industrial-centric employment during the pandemic

The Atlanta metro area lost 0.9% of industrial employment since the pandemic began, as evidenced by a sharp decline in jobs early in 2020. However, this was led by the wholesale trade industry as retailers were forced to temporarily close their stores and did not need their normal amount of product.

Total change in Atlanta MSA* job gains/losses

February 2020 to July 2021



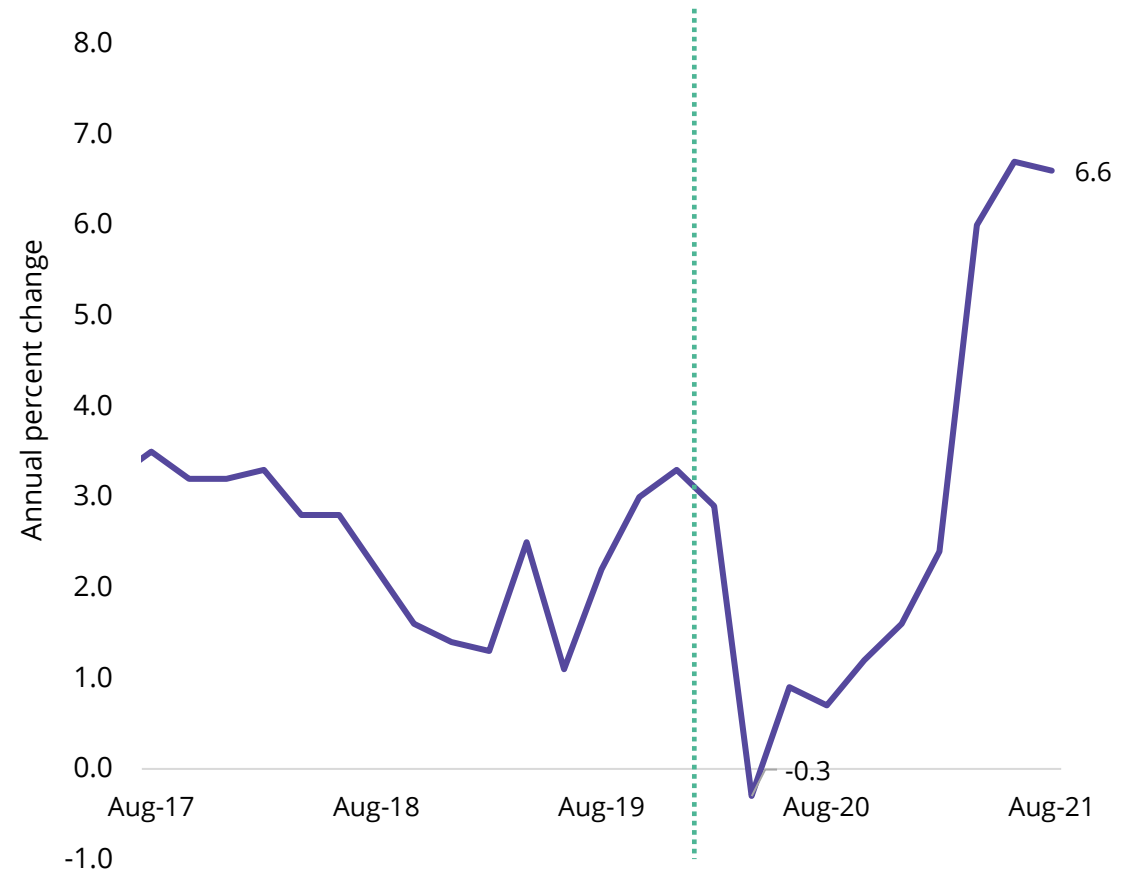
Note: Not seasonally adjusted data. Metropolitan statistical area.
Source: Bureau of Labor Statistics

Inflation rates

+6.6%

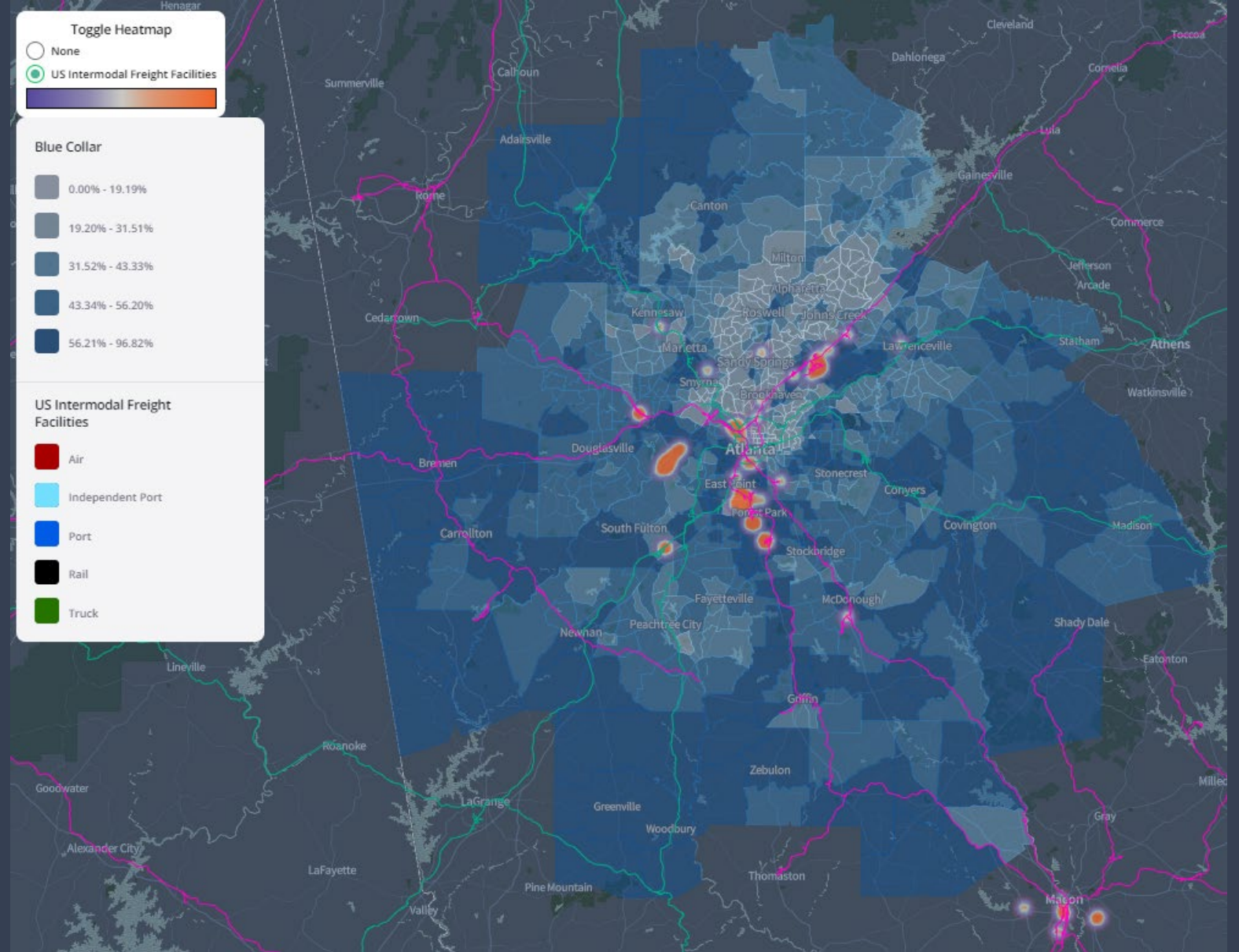
Year-over-year change in Consumer Price Index for Atlanta, all items

Atlanta-area consumer prices have been increasing sharply as the local economy has reopened. The Atlanta food index increased by 1.3% for the 12 months ending in August, though CPI less food & energy increased 5.8% in the same time frame. Several indexes contributed to the increase, most notably shelter at 5.8%. The new and used motor vehicles index advanced 18.7%.



Note: Not seasonally adjusted data. Metropolitan statistical area.
Reported bi-monthly
Source: Bureau of Labor Statistics

Freight rail & intermodal facilities



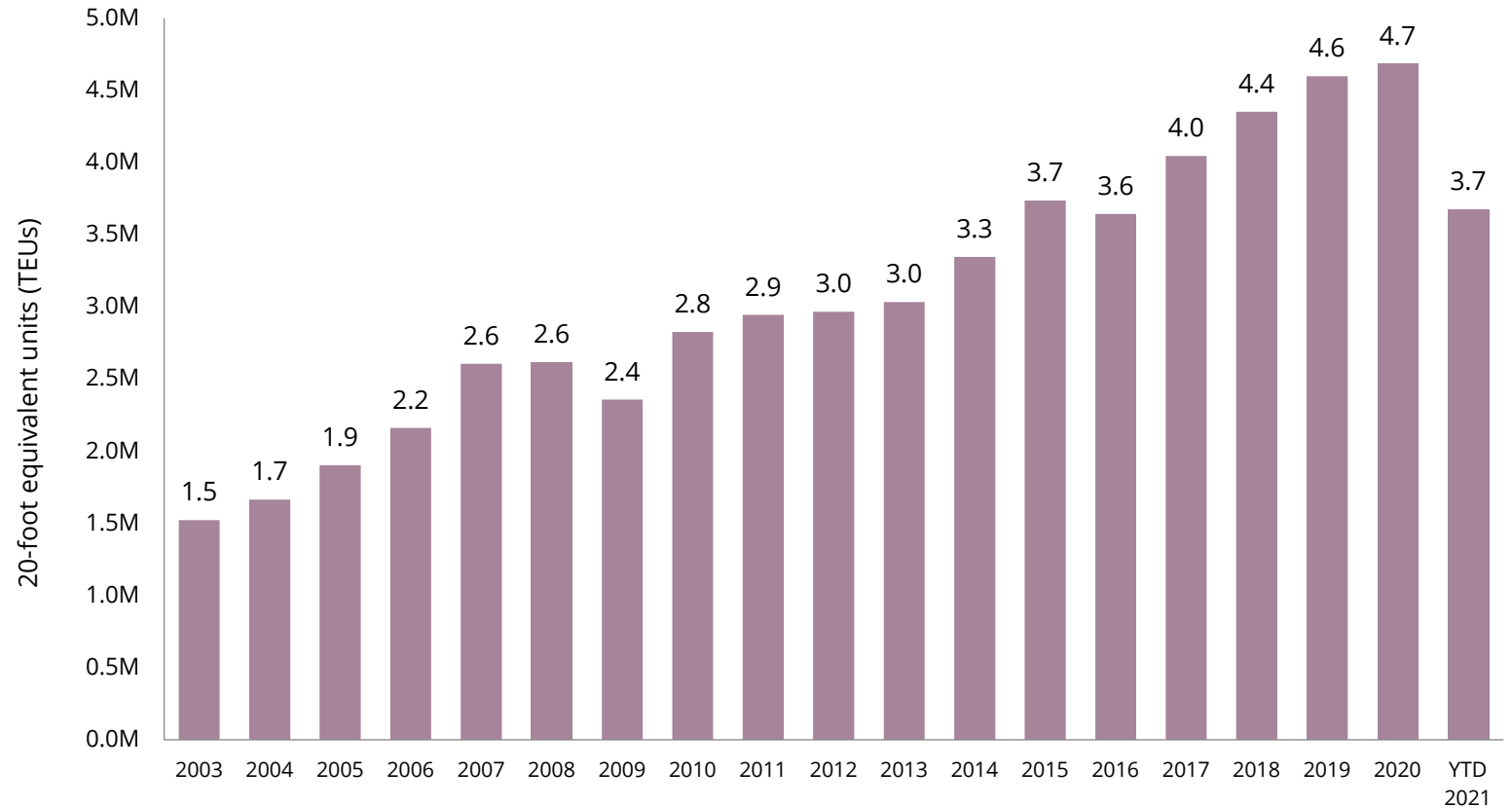
Source: AVANT by Avison Young, ESRI
Intermodal facilities are clustered around seaport submarkets and major throughout corridors, with Class I rail lines providing connectivity throughout the country

Port of Savannah cargo volume

27.0%

Savannah cargo volume is up from same time in 2020

Savannah’s cargo volume is up 27.0% through August 2021 compared to the same time in 2020. This trend is anticipated to continue as the Savannah Harbor Expansion Project, that is currently underway, is 62% completed and will take the channel depth from 42 feet to 47 feet. This will allow larger vessels to access the port.



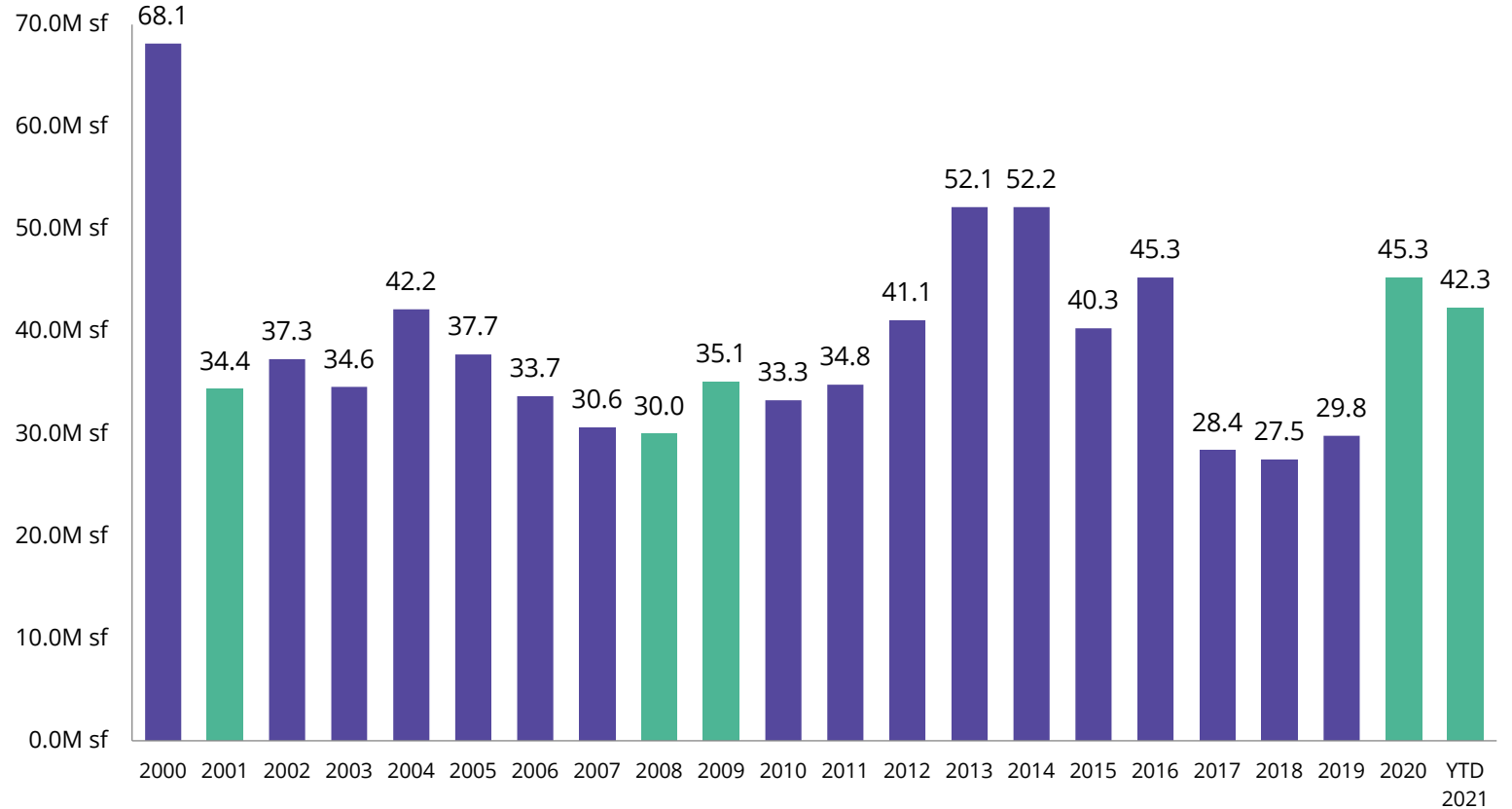
Source: Port of Savannah

Industrial leasing activity

+21.7%

Activity up through the third quarter of 2021 compared to 2020

Leasing has not let up during the pandemic with activity through three quarters of 2021 outpacing the total activity seen in 2017, 2018 and 2019. Activity is anticipated to exceed 2020 levels and continue into 2022.



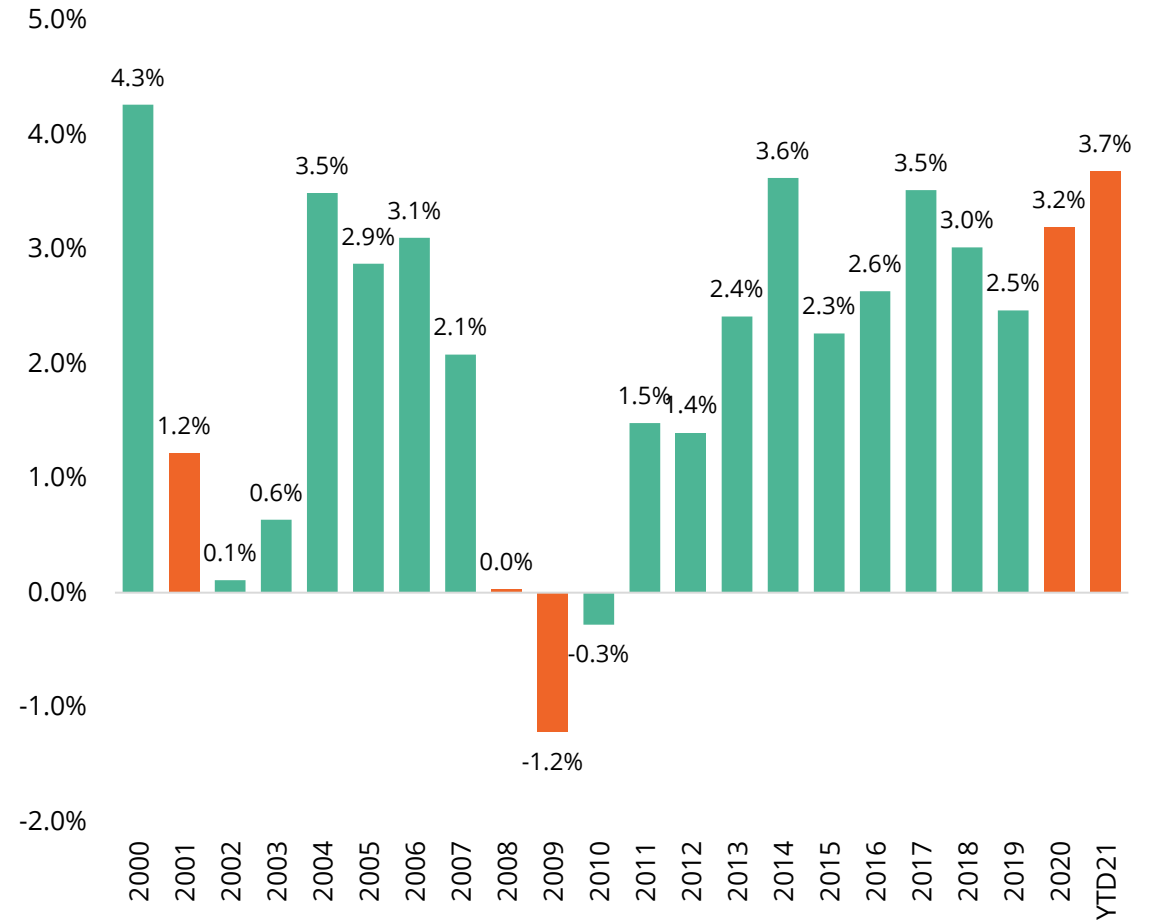
Note: Absorption is measured as the year-over-year change in occupied square feet. Green bar represents recession years.
Source: CoStar

Industrial net absorption

3.7%

Net absorption as a percentage of inventory, through third quarter 2021

Absorption through the third quarter, 27.0 msf, has surpassed the total amount recorded for 2020. The market remains active as tenants ranging from e-commerce, grocers and retailers look to expand their footprint in metro Atlanta as they realized during the pandemic that they did not have enough storage space to support the just-in-time delivery model.



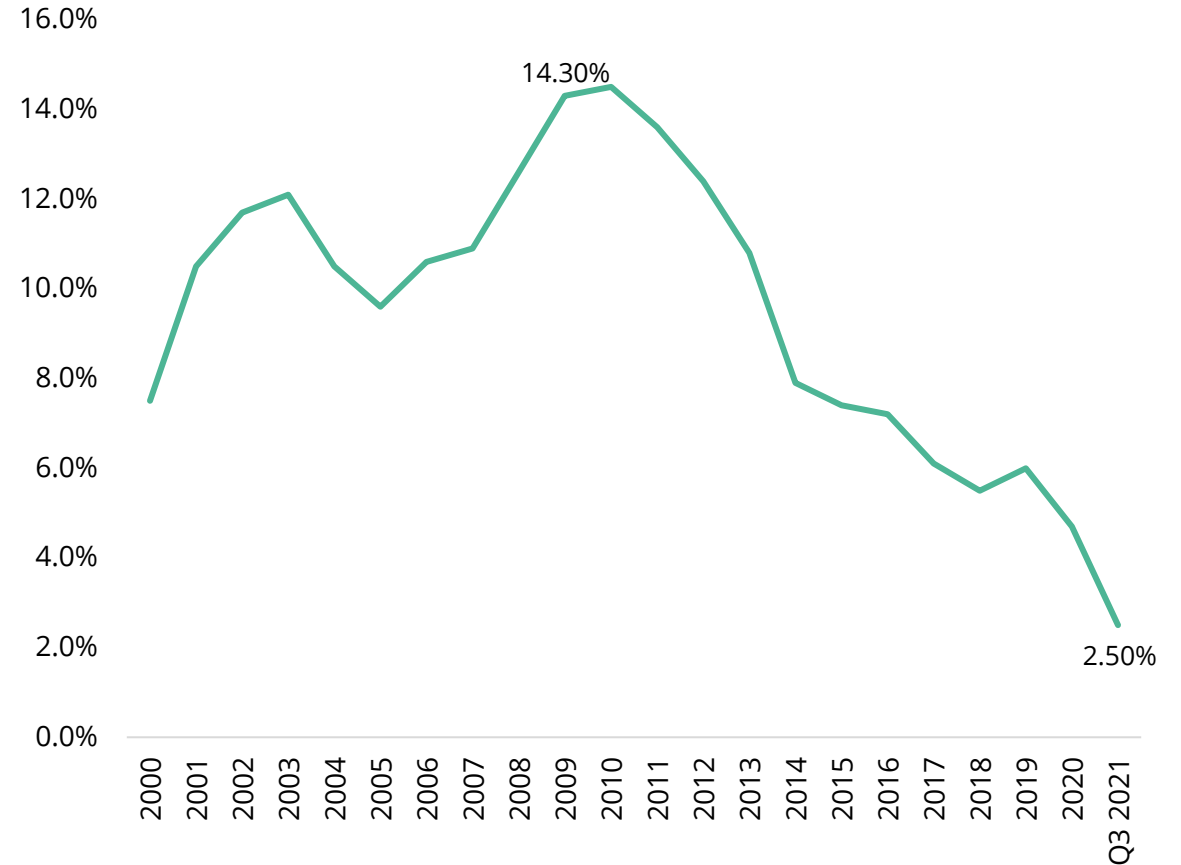
Note: Absorption is measured as the year-over-year change in occupied square feet. Orange bar represents recession years.
Source: CoStar

Industrial vacancy rate

2.5%

Record low vacancy as of Q3 2021

The Q3 2021 total vacancy rate reached an all time low, dipping below 3.0%, for the first time ever recorded. Due to the increased demand, developers cannot deliver new product fast enough and the market is not showing any signs of over-building at this time.



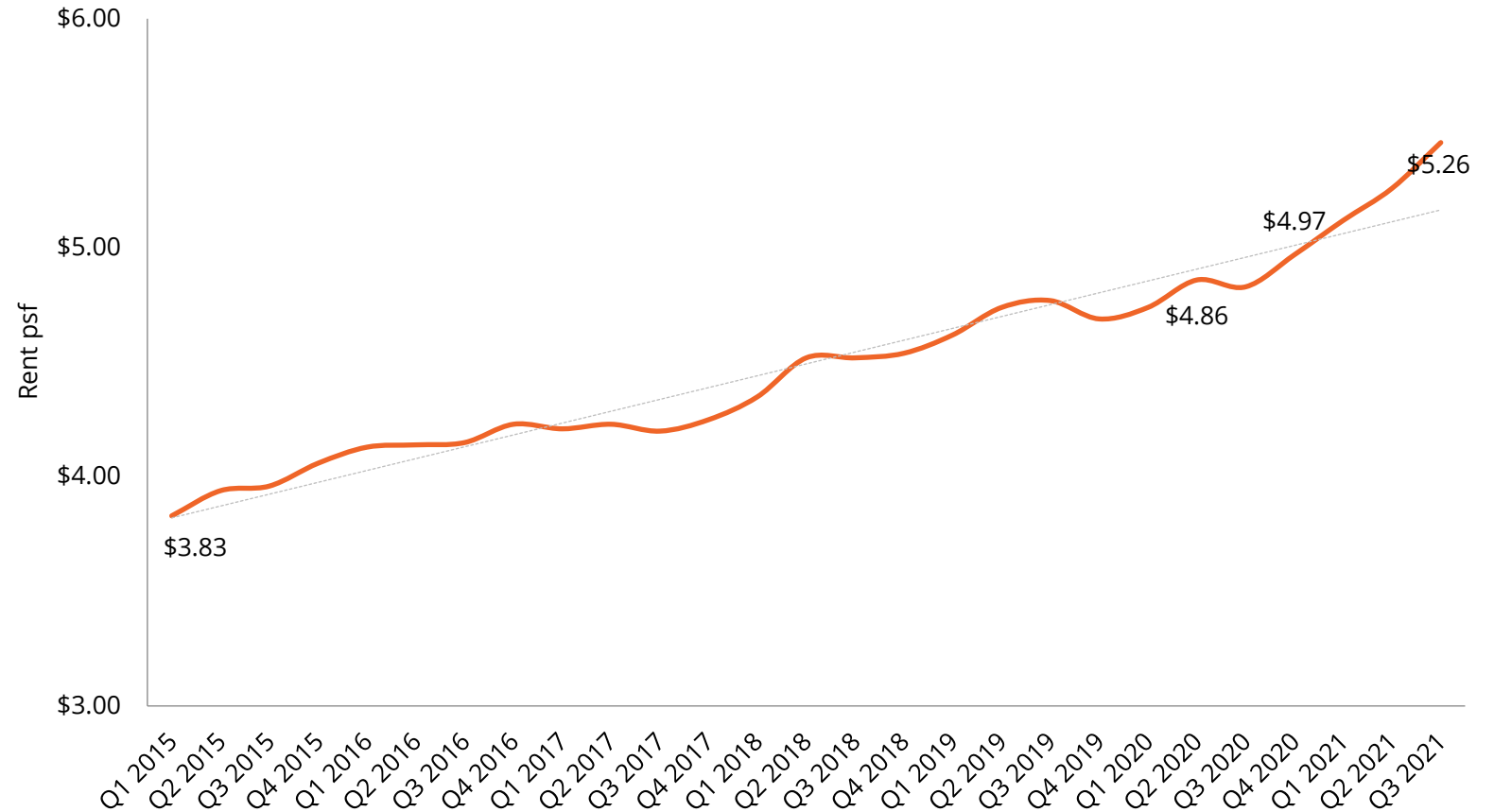
Source: CoStar

Asking rents

+ 13.0%

**Increase in asking rents
since 3Q 2020**

Asking rents continued their upward trend during the third quarter, reaching a record high \$5.46 psf, and have increased by 42.6% over the last six years.



Source: CoStar

Big-box demand drives construction

108 properties

under construction

37.7 msf

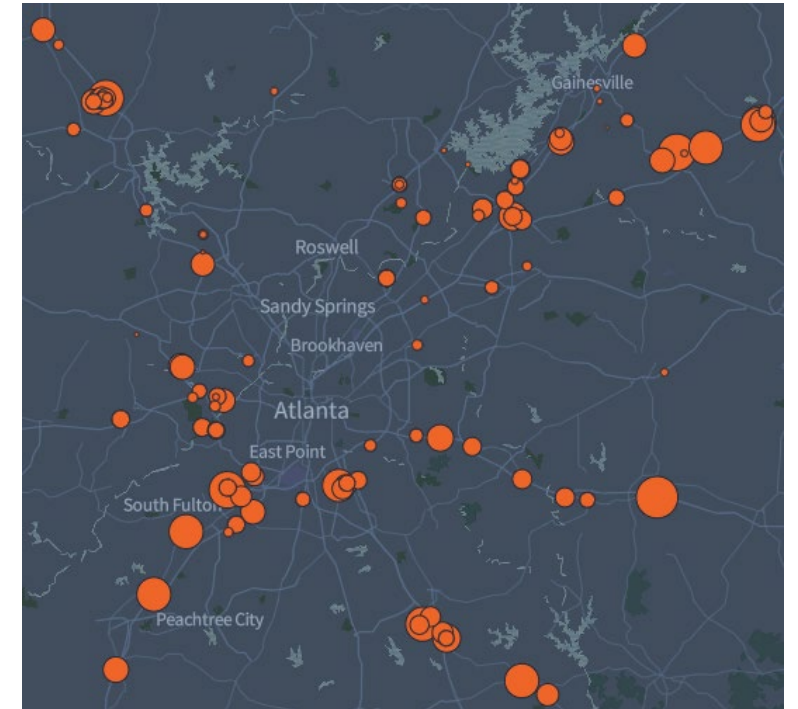
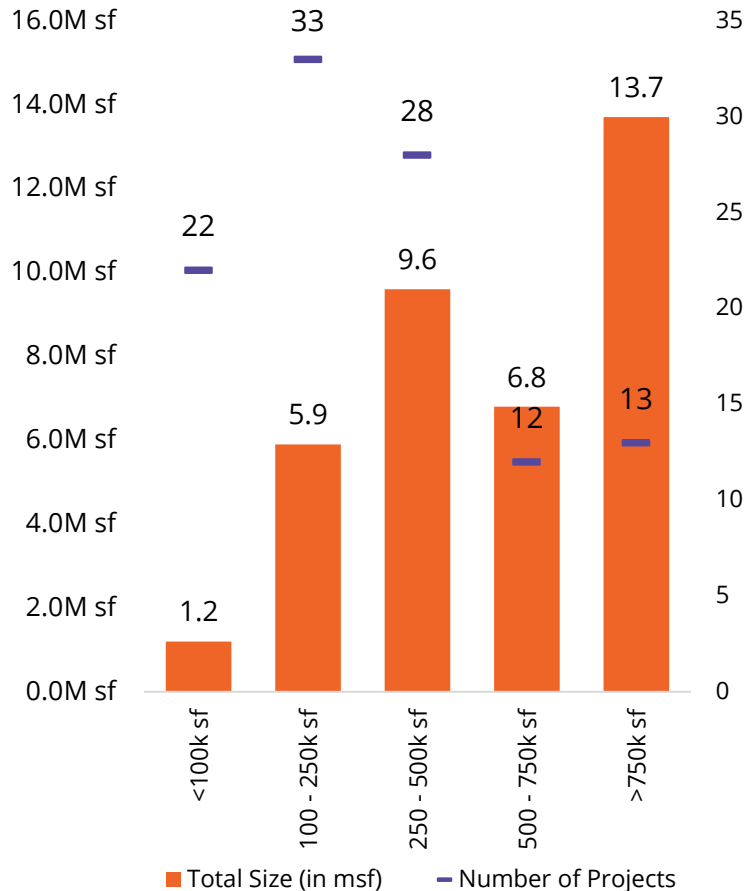
under construction

5.1%

share of industrial
inventory

345,000

average size of a new
construction building



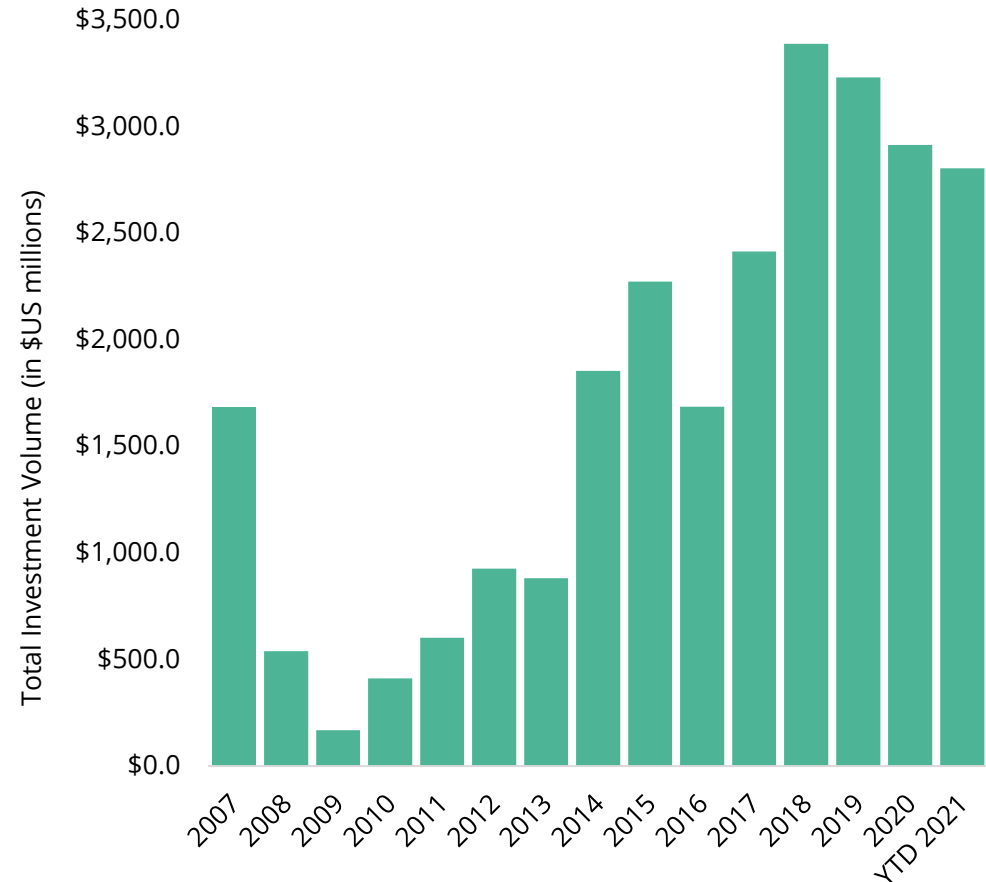
Source: AVANT by Avison Young

Investment dollar volume

\$5.7B

**Industrial dollar volume,
2020 to Q3 2021**

Industrial investment sales activity in metro Atlanta has been strong since 2018. As market conditions continue to tighten, investors are drawn to well performing assets, especially those with long term leases in place. Through the third quarter of 2021 the market has seen \$2.8 billion in sales already, up 72.8%, when compared to activity during the same time in 2020.



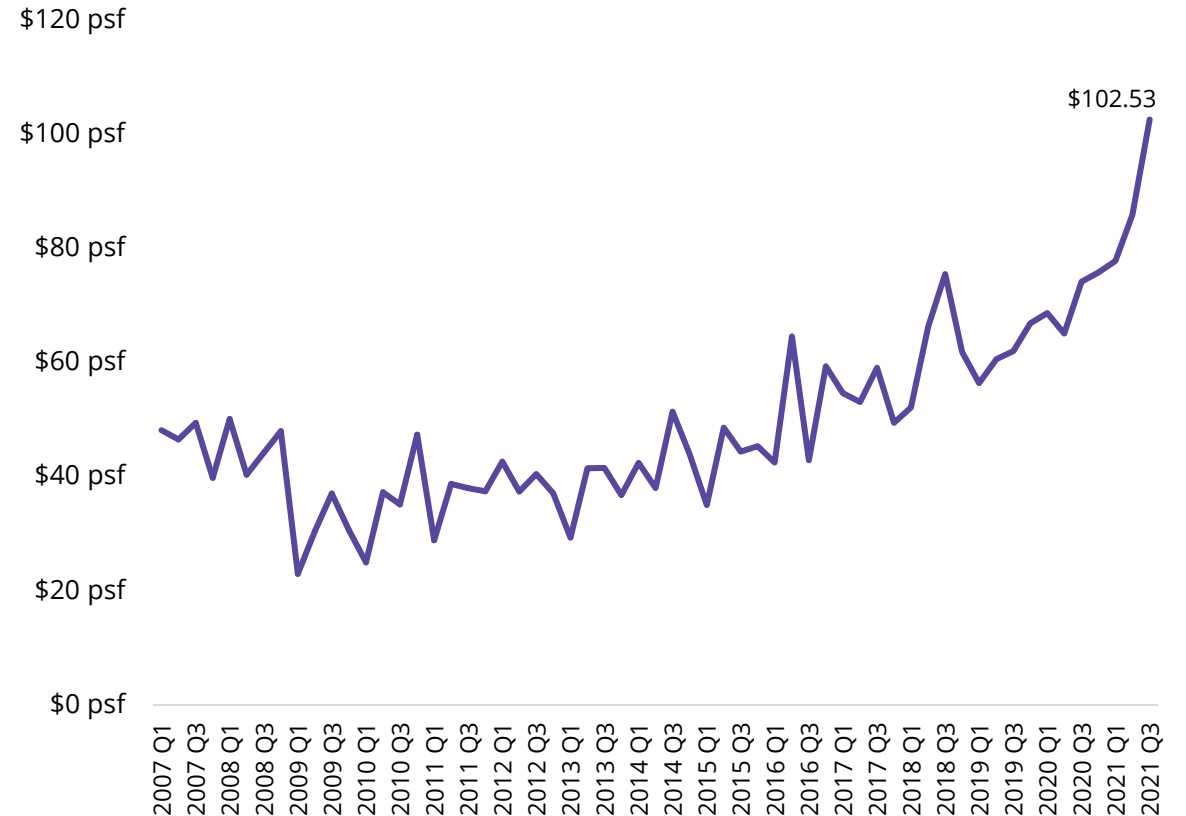
Source: RCA, CoStar

Industrial asset pricing

+38.3%

Atlanta industrial pricing, Q3 2020 to Q3 2021

Pricing for Atlanta industrial assets has continued to elevate since 2013, reaching an all time high in Q3 2021 at \$102.53 psf. One of the trends driving this increase is investors purchasing new construction projects that have either delivered or are about to deliver and are fully leased.



Source: AVANT by Avison Young
RCA

Looking forward



Here's what we can expect

- **There is significant demand** for industrial space between 20,000 and 50,000 sf in metro Atlanta and only **3.0 percent** of that space is vacant. This could lead developers to start producing smaller speculative buildings to meet this need in the market.
- **The industrial market** will remain a landlords' market as the vacancy rate continues its downward trend. Asking rental rates will continue to increase and concession packages will remain tight.
- **Industrial leasing demand has significantly increased** due to the pandemic. While e-commerce companies were the initial driving factor, the market is now seeing a shift as retailers and grocers have realized that lean inventories can cost them sales.
- Solid leasing fundamentals have driven investment interest to industrial. **E-commerce penetration** has only reinforced the need for new and different types of last-mile facilities near Atlanta consumers.



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Get in touch

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