



AVISON
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Atlanta industrial insight report

Q2 2021

AVANT
by AVISON YOUNG



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U.S. industrial drivers

ATLANTA INDUSTRIAL INSIGHT REPORT
Q2 2021

U.S. total retail and e-commerce sales

15.7%

E-commerce share of overall retail sales in Q1 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

Property type job gains and losses

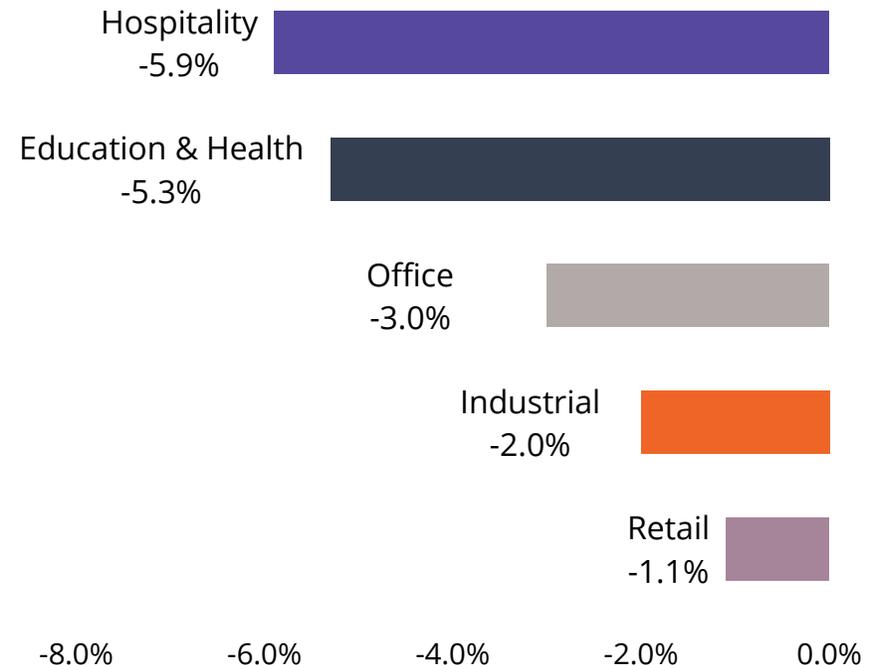
-2.9%

Change in total industrial employment during the pandemic

Post-COVID industrial job losses have been mild compared with other segments of the labor market, underscoring the industry's comparative strength as cities and economies reopen.

[VIEW DASHBOARD](#)

Total change in U.S. job gains/(losses)
February 2020 to May 2021



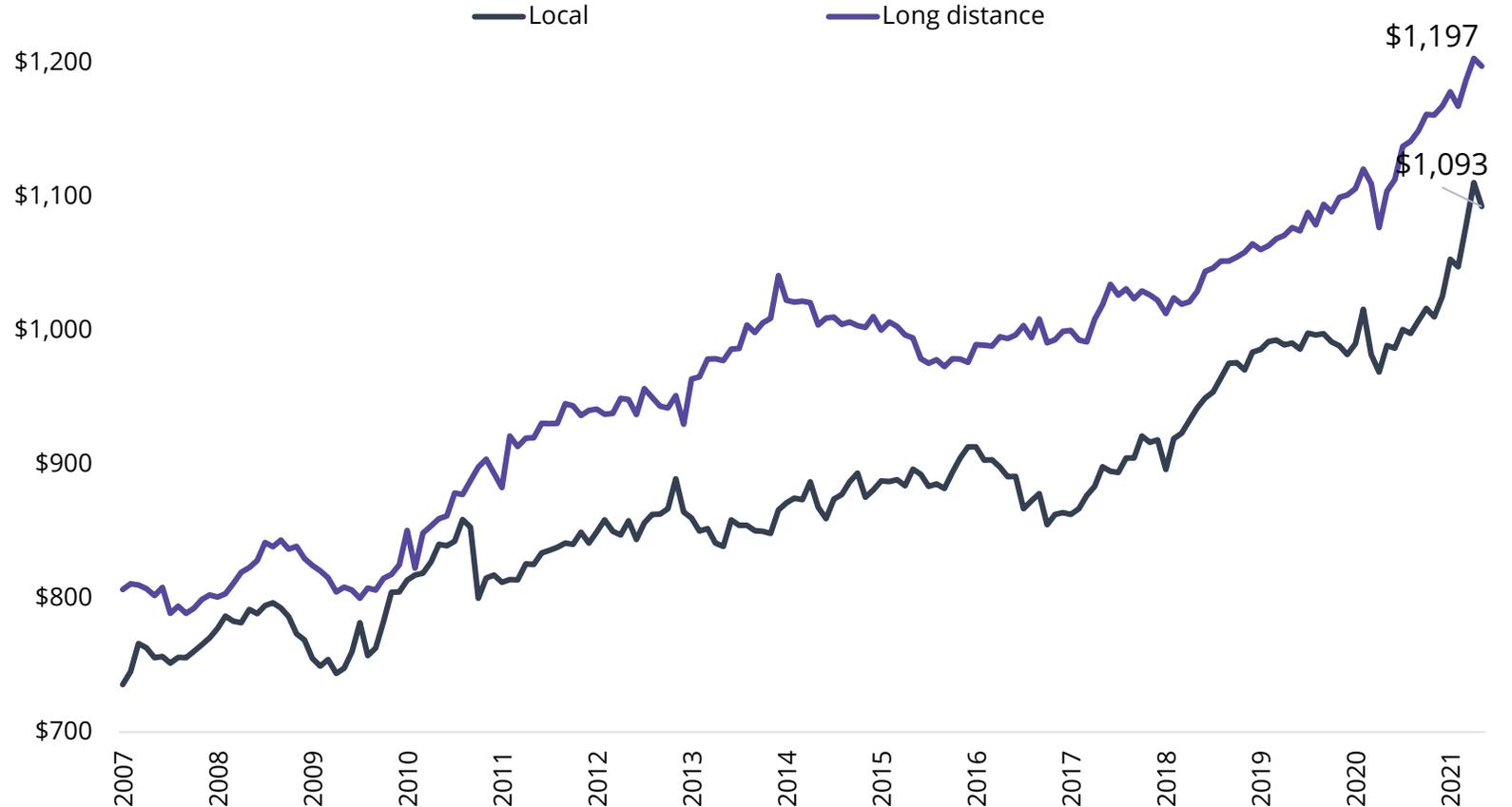
Note: Not seasonally adjusted data.
Source: Bureau of Labor Statistics

Weekly earnings for U.S. trucking employees

+ 10.5%

Annual change in local trucking weekly earnings, 2007 to 2021

As employers compete to fill vacant positions, wage pressure for trucking has accelerated sharply over the past 15 months. Initially focused on long-distance truckers in the early stages of the pandemic, the trend has increasingly spread to local trucking.



Source: Bureau of Labor Statistics

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 **3.9 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 **6.7%** year-over-year as of May, followed by the manufacturing industry at **6.5%**.



Port activity

- The Savannah port contributes significantly to Atlanta's industrial market. Cargo volume at the port is up **30.8 percent** from where it was in May of 2020 and **21.3 percent** from May of 2019.
- There have been **2.3 million TEU's** to come through the port through May of 2021, which is almost 50 percent of the total volume seen in all of 2020.



Industrial demand

- Overall leasing activity has been sustained throughout the pandemic, currently up **21.0 percent** in the first half of 2021 compared to the activity seen during the same time in 2020.
- The market has seen **27.5 msf** leased thus far in 2021, the strongest first six months of a year since 2013.
- Due to the strong demand seen at the end of 2020 and the first three months of 2021, Atlanta set an absorption record during the first half of 2021 recording **20.8 msf** of net gains.

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. During the first half of 2021, there were **42 properties** totaling **10.8 msf** delivered to the market.
- Currently there is **31.6 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 **3.4 percent** during the second quarter of 2021.



Pricing trends

- Asking rents have increased by **11.0 percent** since March of 2020 and have continued a steady upward trajectory since 2013.
- Ending the second quarter at **\$5.26 psf** caused the market to set another record for highest quarterly asking rental rate in the Atlanta industrial market.



Capital markets

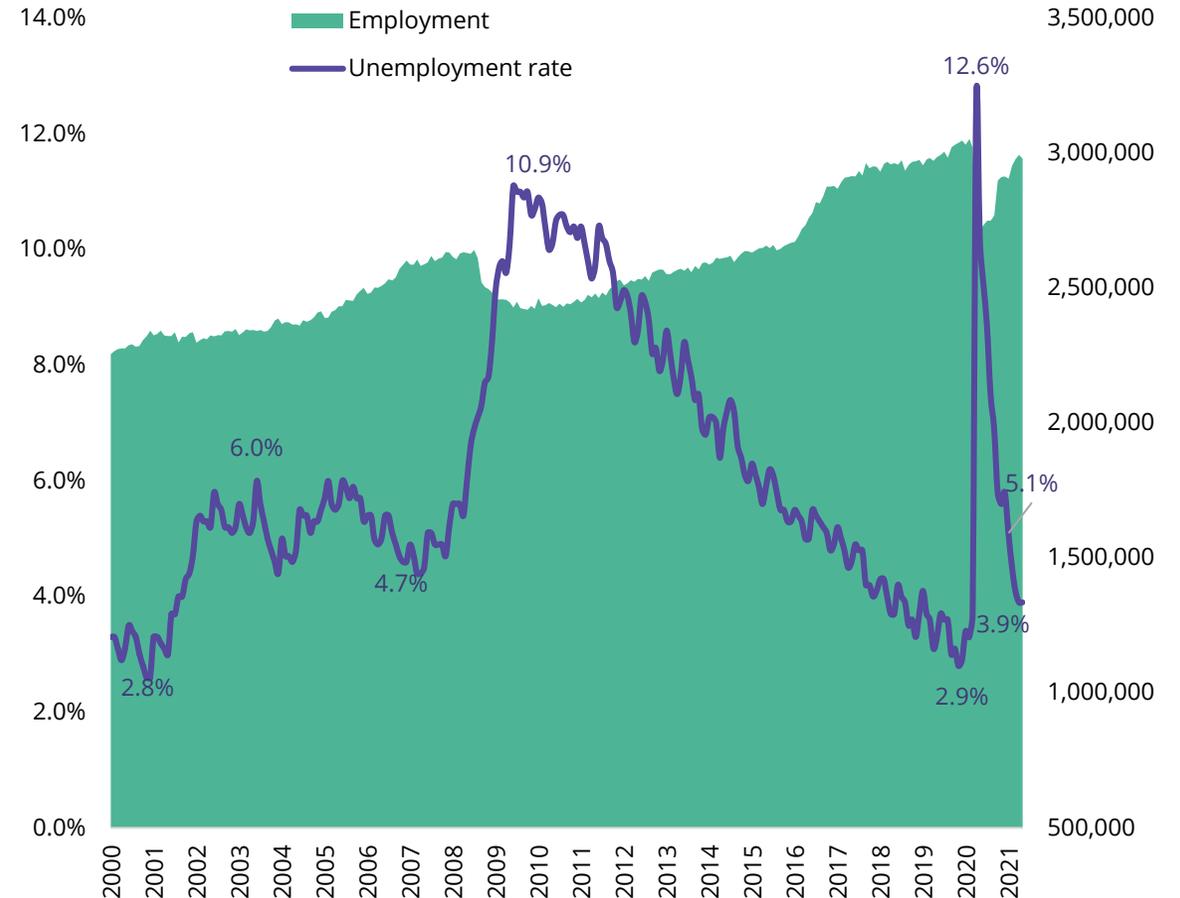
- Atlanta Industrial investment activity surges to **\$4.5B since 2020** as investors are attracted to the sector fundamentals largely benefited from the COVID environment.
- Through the first half of 2021 the market has seen **\$1.6 billion** in sales already, up **35 percent**, when compared to activity in the first half of 2020.

Employment and unemployment

3.9%

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

Before the pandemic, unemployment was at historical lows. Due to Georgia being one of the first states to reopen, the economy has added back over 375,000 jobs since April of last year, which is 90% of the total jobs lost since the beginning of the pandemic.



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

Property type job gains and losses

-4.2%

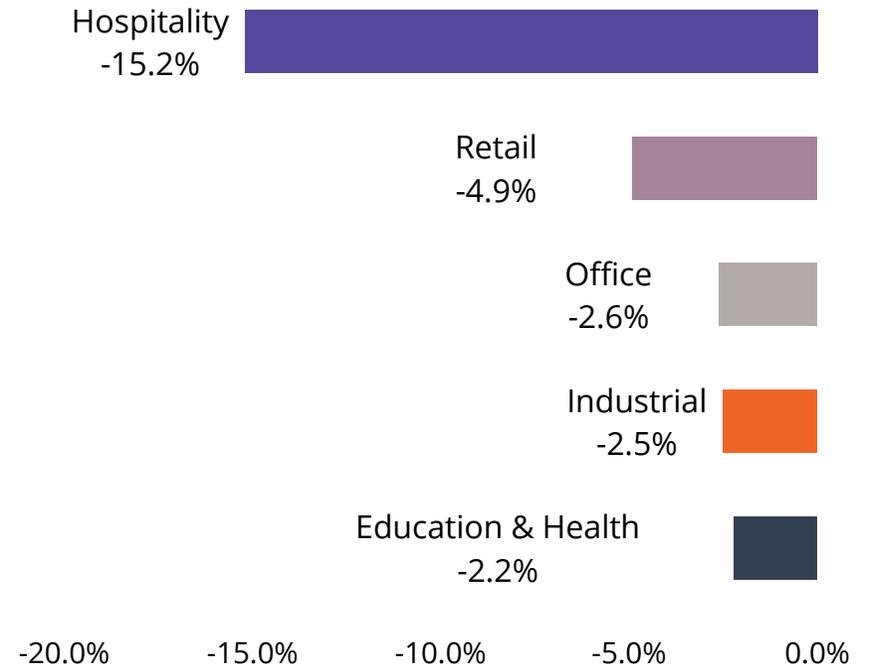
Change in total employment during the pandemic

The Atlanta metro area lost 5.5% of its total labor force since the pandemic began, though industrial losses were comparatively subdued. Industrial job gains in recent months demonstrate that a recovery is likely in that sector, however some areas of the metro are still seeing a labor shortage, so a full recovery could be delayed.

[VIEW DASHBOARD](#)

Total change in Atlanta MSA* job gains/(losses)

February 2020 to May 2021



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

Industrial job gains and losses

-2.5%

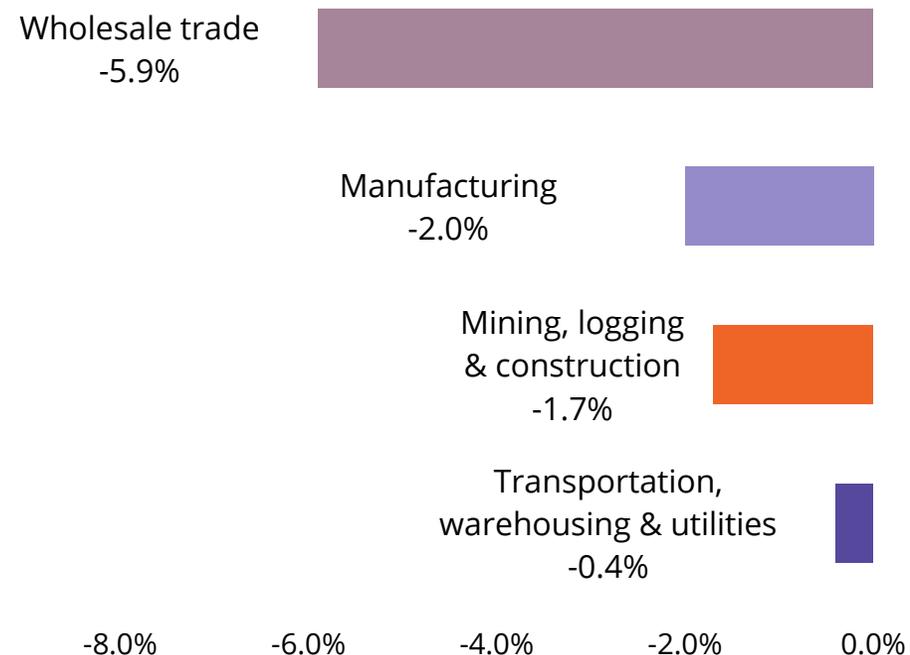
Change in industrial-centric employment during the pandemic

The Atlanta metro area lost 2.5% 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.

[VIEW DASHBOARD](#)

Total change in Atlanta MSA* job gains/(losses)

February 2020 to May 2021



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

Blue-collar workforce concentration

Source: AVANT by Avison Young, ESRI

Blue Collar concentration based upon where labor resides, thus illustrating where companies can access this valuable labor resource.

Large pockets of blue-collar workforce are found throughout Atlanta's largest Industrial submarkets

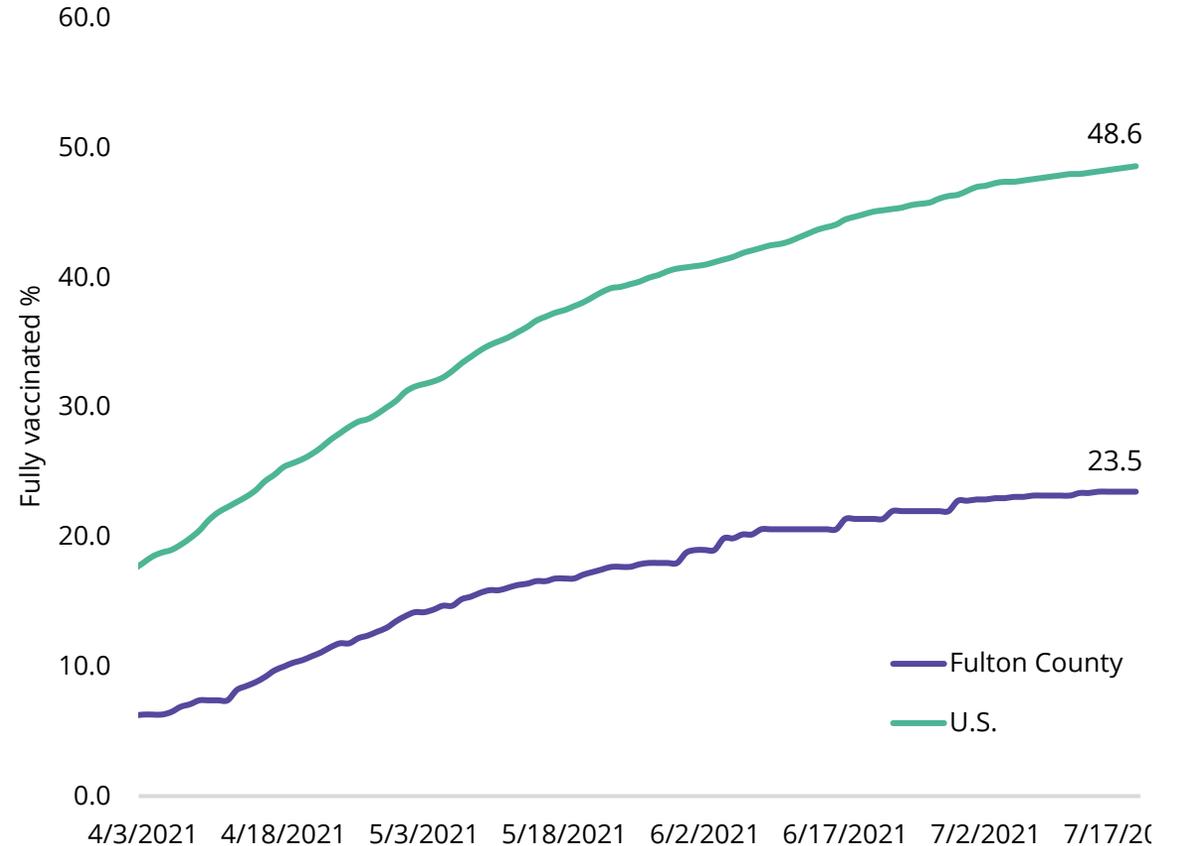


Vaccination rates

45.0%

Share of total Fulton County population that is fully vaccinated

Only 23.5% of Atlantans were vaccinated within their residing county, leaving 21.5% to seek their vaccinations outside of their county during peak demand.



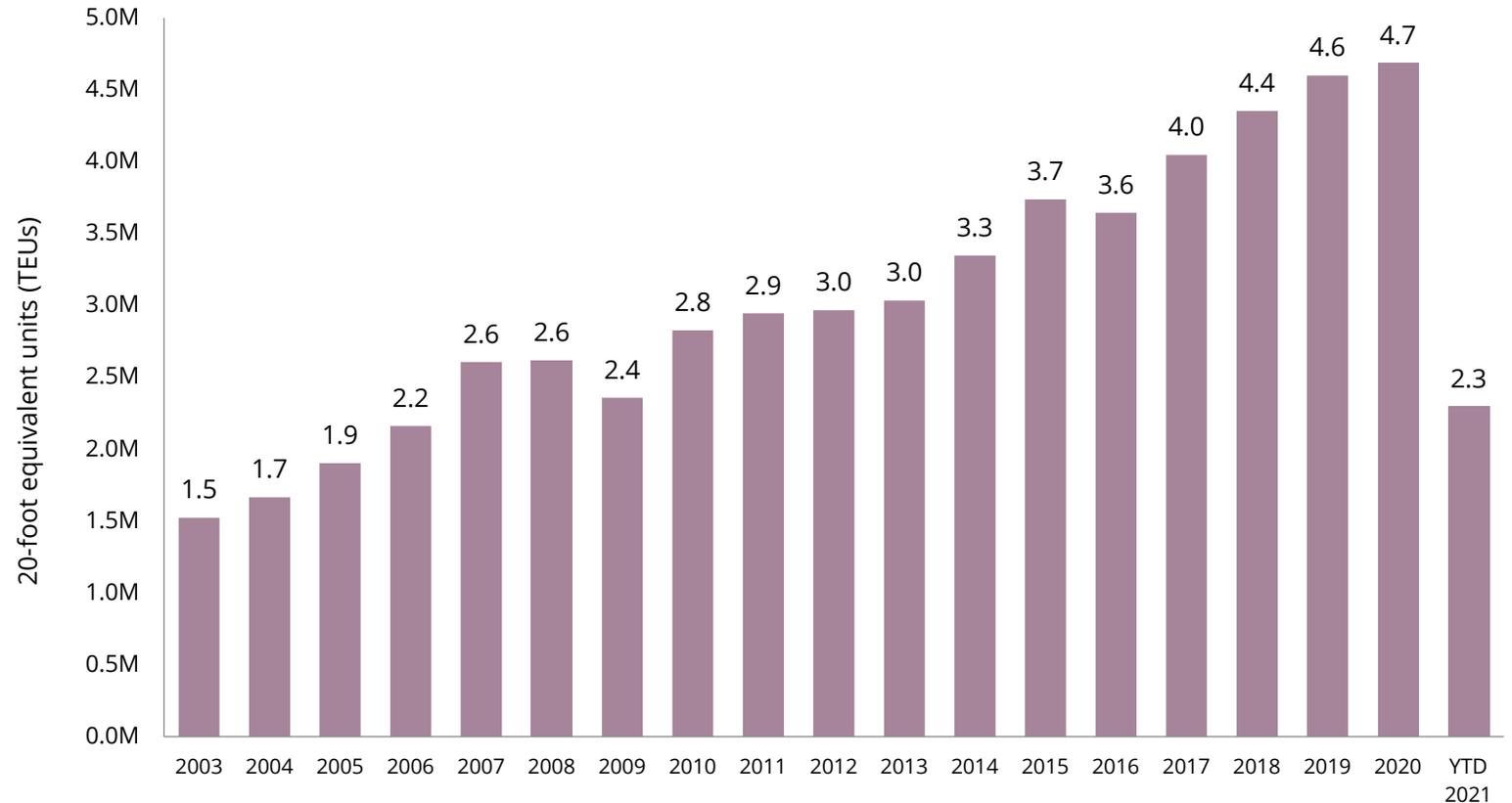
Source: CDC

Port of Savannah cargo volume

30.8%

Savannah cargo volume is up from same time in 2020

Savannah’s cargo volume is up 30.8% through May 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.



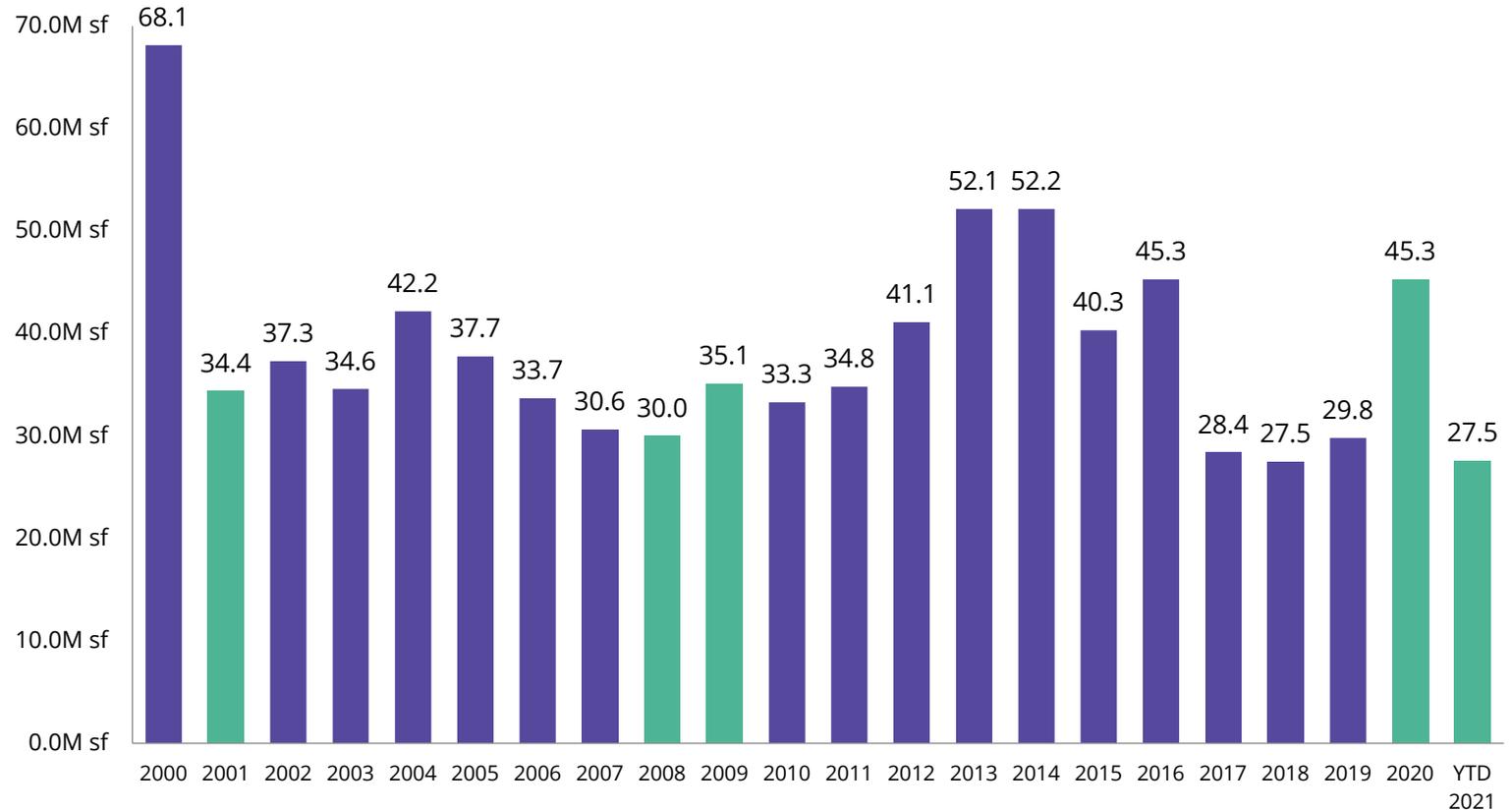
Source: Port of Savannah

Industrial leasing activity

+21.0%

2021 first half activity up compared to first half of 2020

Leasing has not let up during the pandemic with activity in the first half of 2021 almost outpacing the total activity seen in 2017, 2018 and 2019. Activity is anticipated to be near 2020 levels if not exceed it.



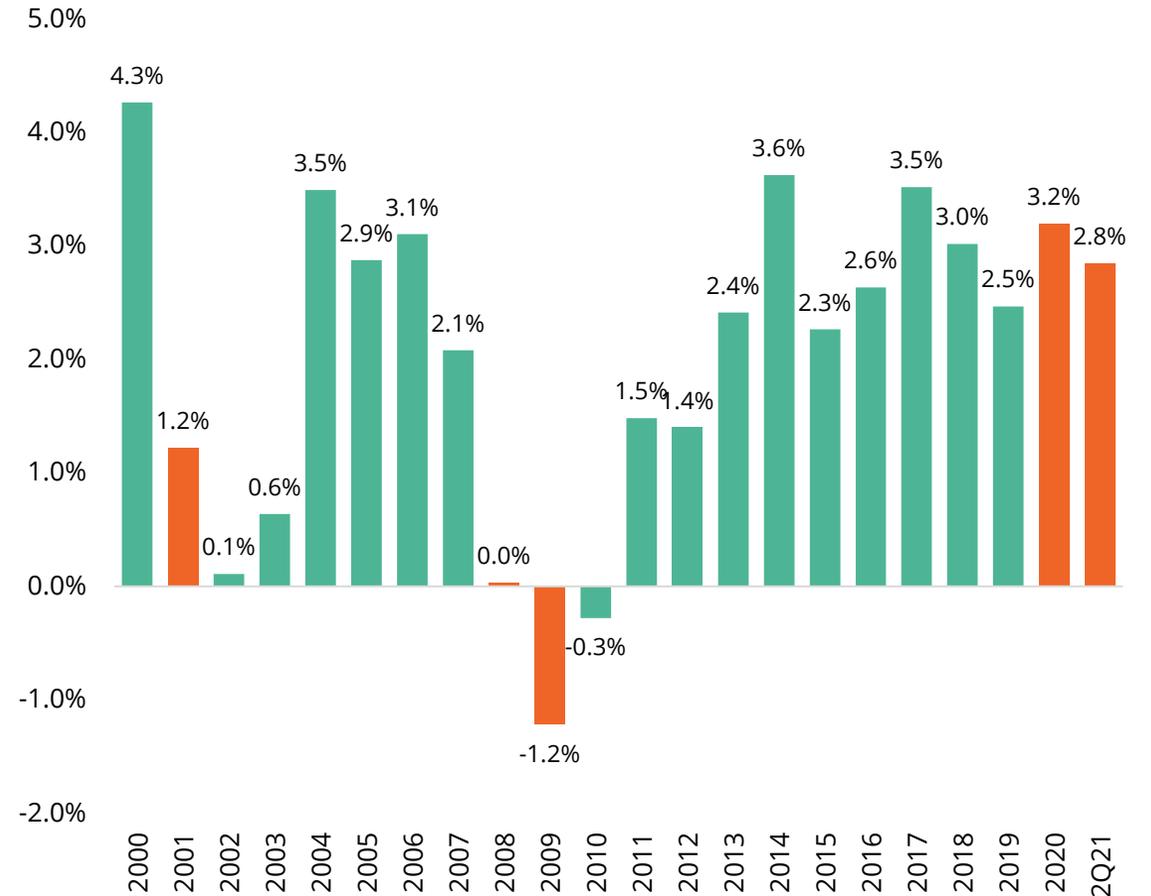
Note: Absorption is measured as the year-over-year change in occupied square feet. Green bar represents recession years.
Source: CoStar

Industrial net absorption

2.8%

Net absorption as a percentage of inventory, first half of 2021

Absorption through mid-year, 20.8 msf, has almost reached 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.



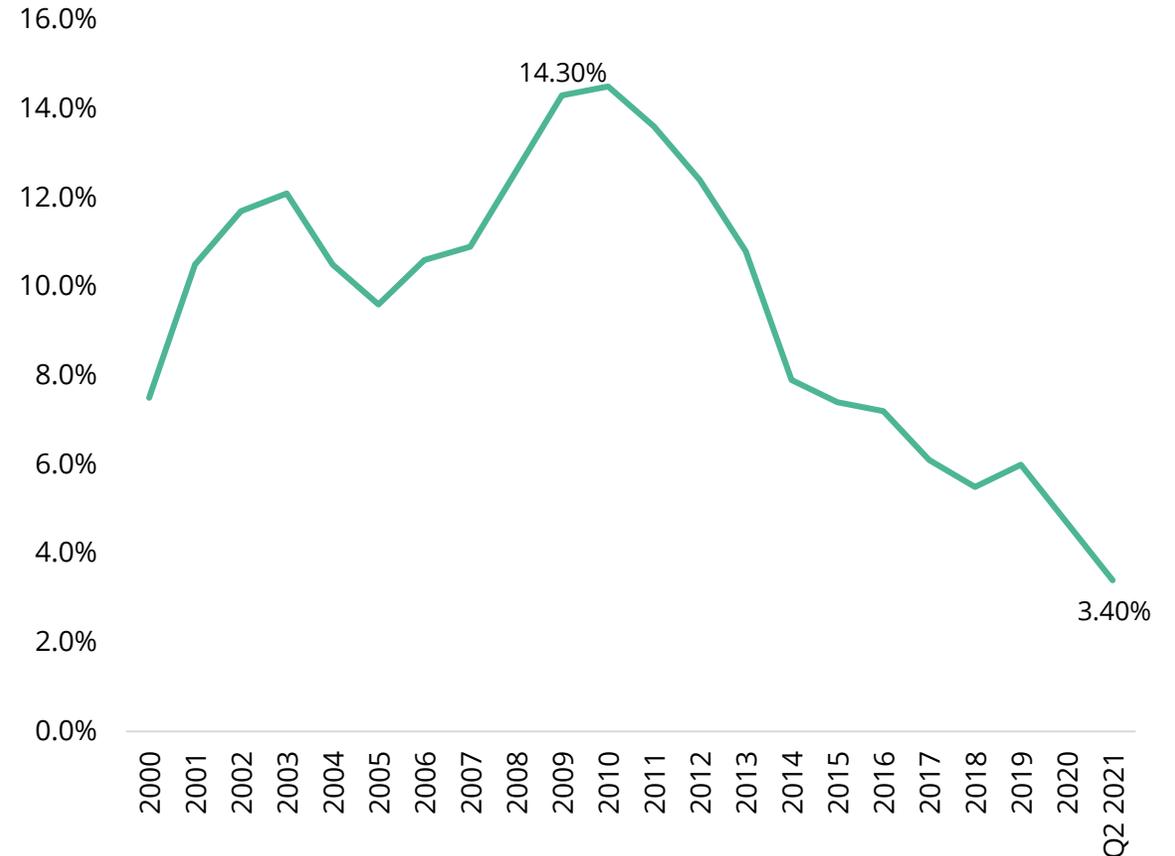
Note: Absorption is measured as the year-over-year change in occupied square feet. Orange bar represents recession years.
Source: CoStar

Industrial vacancy rate

3.4%

Record low vacancy as of Q2 2021

The Q2 2021 total vacancy rate reached an all time low, dipping below 4.0%, 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.



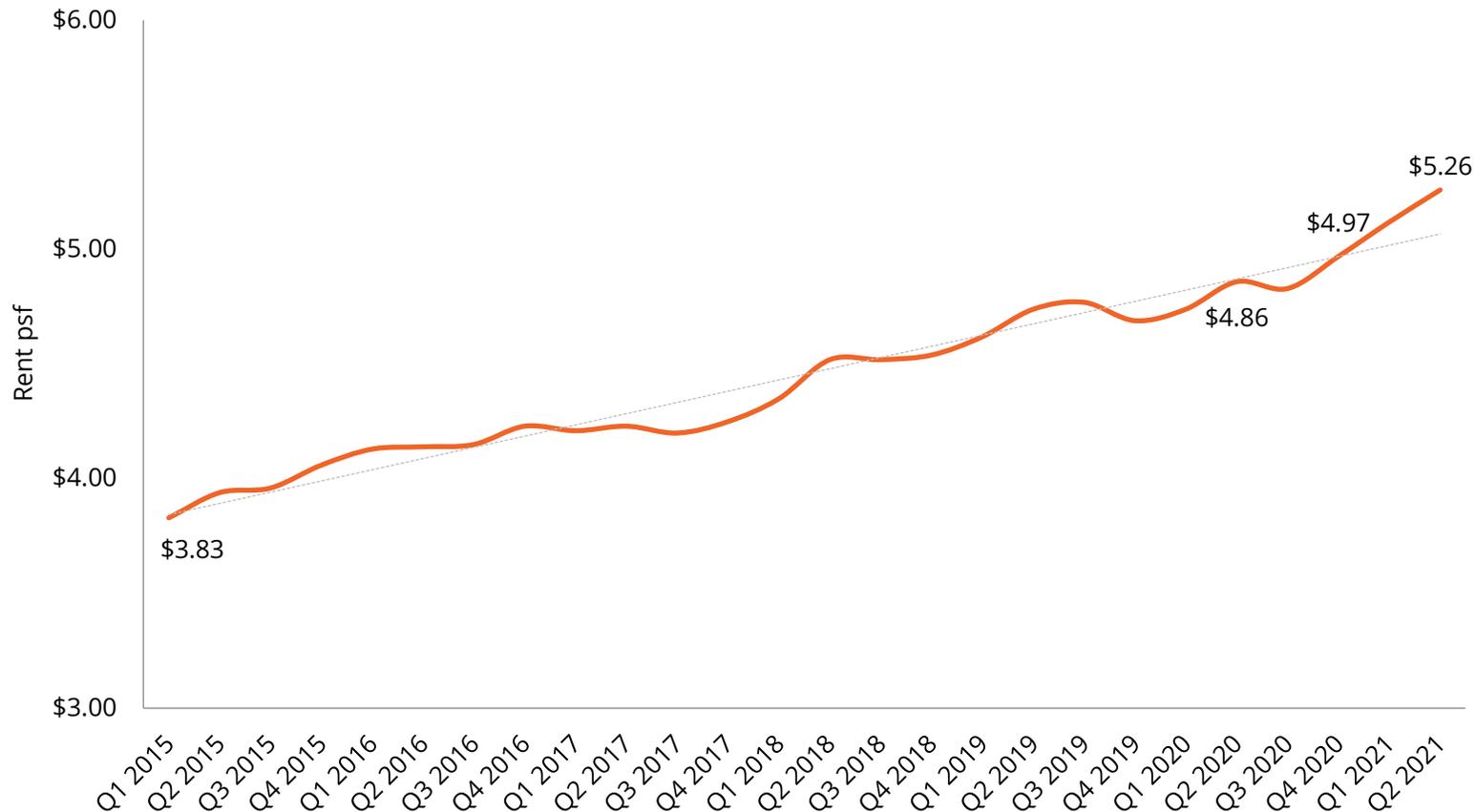
Source: CoStar

Asking rents

+8.2%

Increase in asking rents since 2Q 2020

Asking rents continued their upper trend during the second quarter, reaching a record high \$5.26 psf, and have increased by 37.3% over the last six years.



Source: CoStar

Big-box demand drives construction

95 properties

under construction

31.6 msf

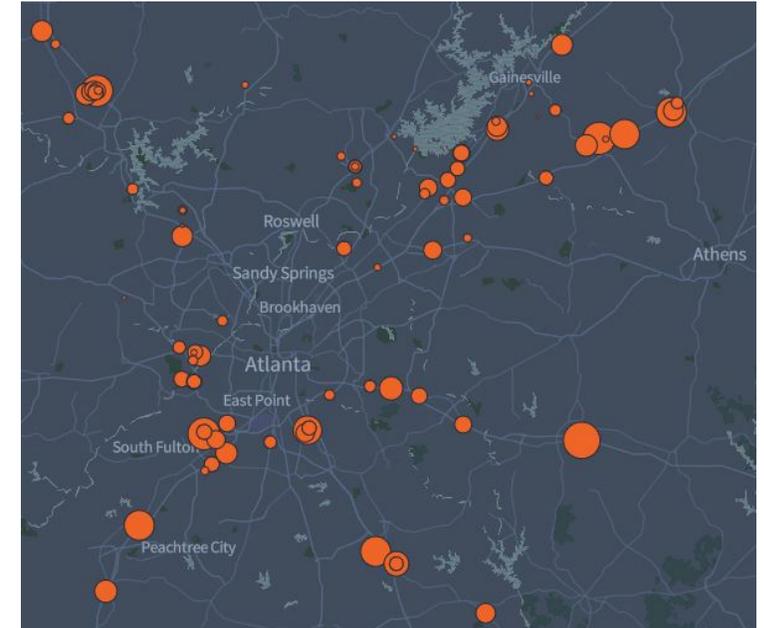
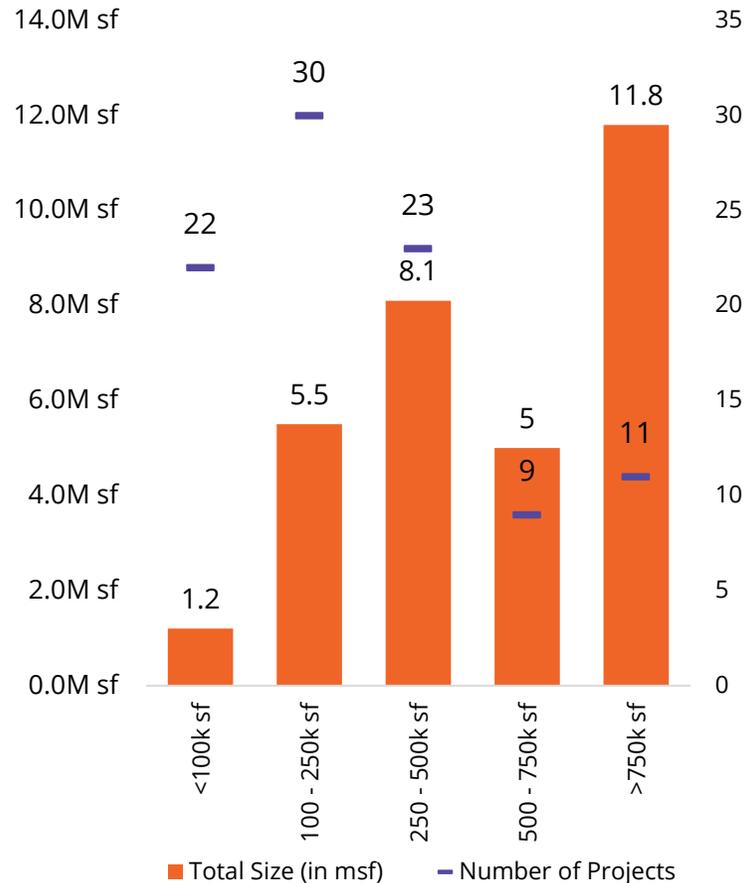
under construction

4.6%

share of industrial
inventory

332,000

average size of a new
construction building



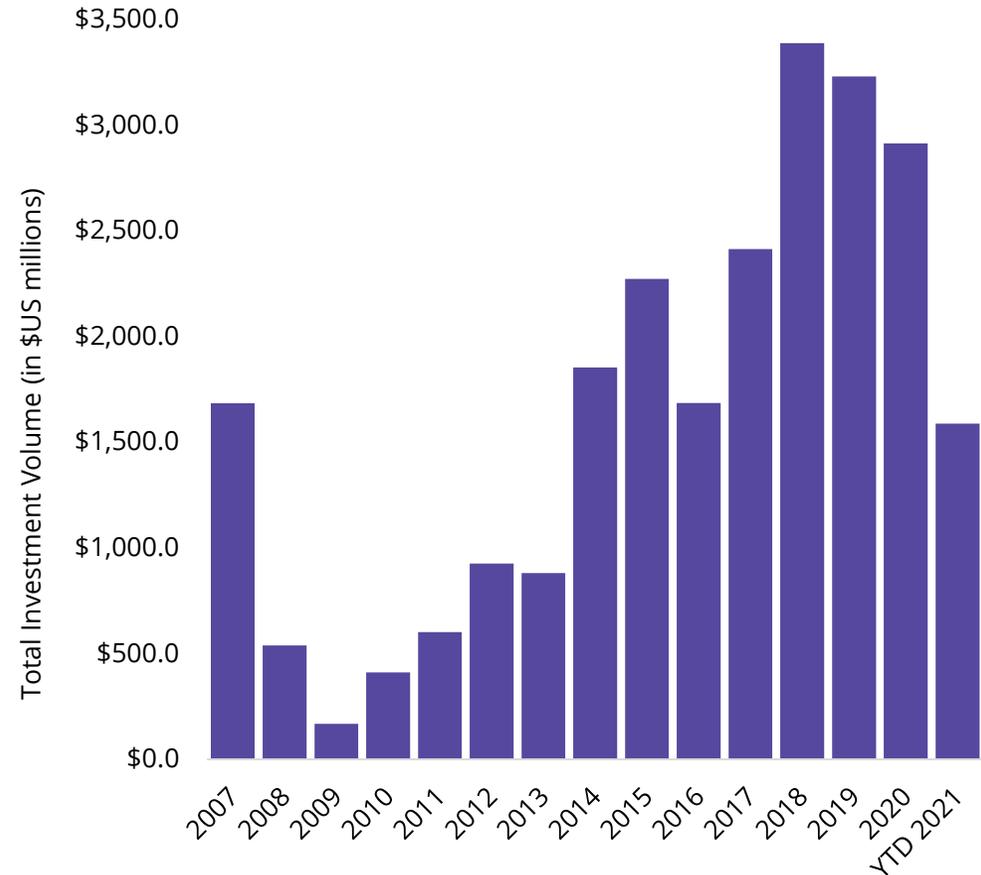
Source: AVANT by Avison Young

Investment dollar volume

\$4.5B

Industrial dollar volume, 2020 to Q2 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 first half of 2021 the market has seen \$1.6 billion in sales already, up 35%, when compared to activity in the first half of 2020.



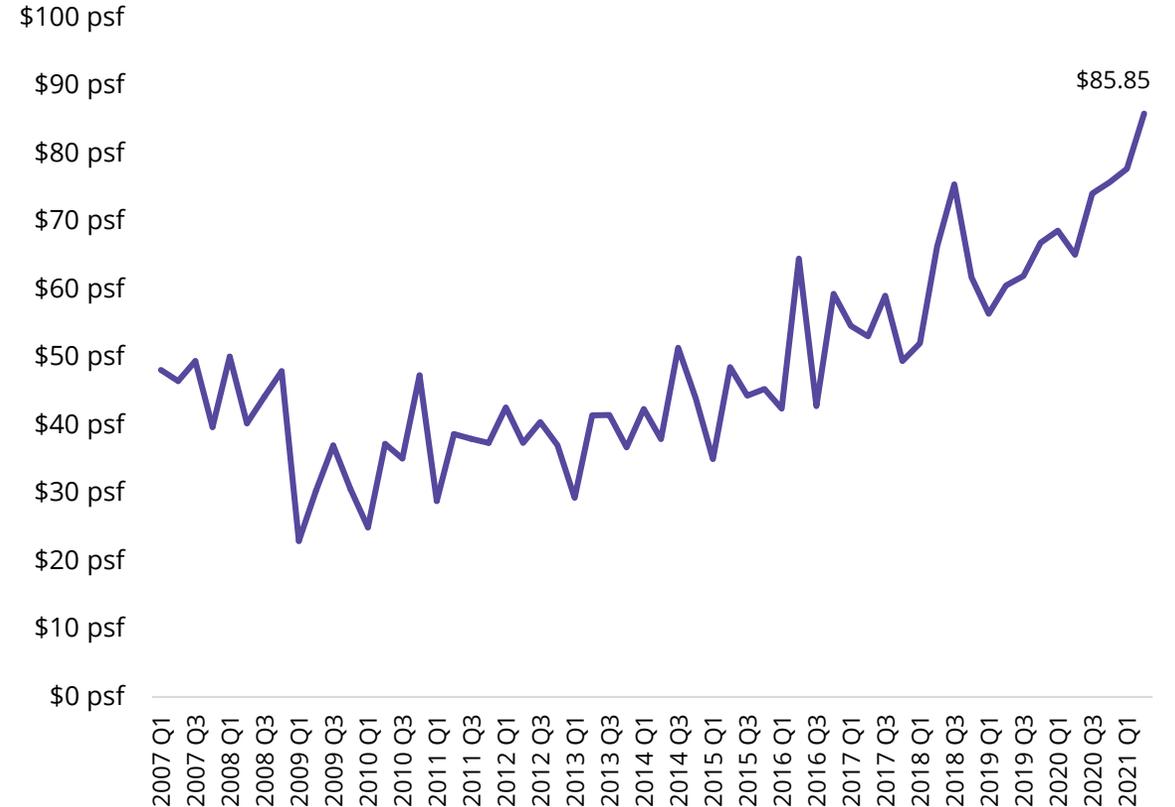
Source: RCA, CoStar

Industrial asset pricing

+31.9%

Atlanta industrial pricing, Q2 2020 to Q2 2021

Pricing for Atlanta industrial assets has continued to elevate since 2013, reaching an all time high in Q2 2021 at \$85.85 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



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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