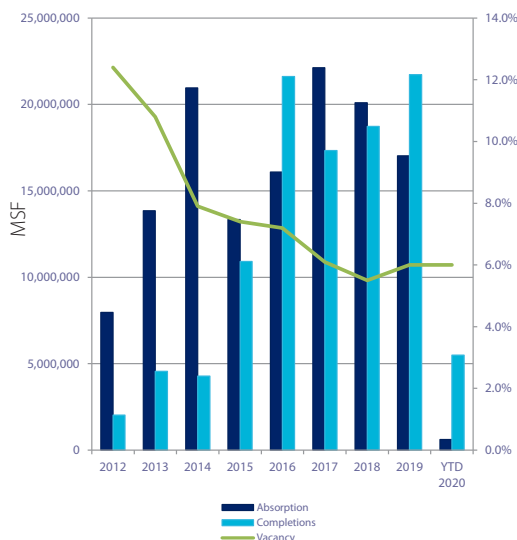




### Market Snapshot

	1Q19	1Q20
Inventory	673 msf	697.3 msf
Vacancy	5.6%	6.0%
YTD Net Absorption	1.4 msf	611,222 sf
YTD Deliveries	4.4 msf	5.5 msf
Under Construction	23.1 msf	22.7 msf
Avg. Asking Rents	\$4.62 psf	\$4.74 psf
Unemployment	3.8%	3.3%

### Absorption, Deliveries & Vacancy



***Although the Atlanta industrial market recorded strong activity during the first quarter of 2020, it must brace for what economists are predicting will be an upcoming global recession due to the financial headwind effects that widespread closures in response to COVID-19 are creating throughout the nation and globe.***

Metro Atlanta's average asking rental rates continued to rise during the first quarter of 2020, although at a slower pace than previously seen. The overall average asking rate ended the quarter at \$4.74 per square foot (psf) NNN, up 2.6% year-over-year. Average warehouse rates rose at a slower pace of 2.3% to \$4.44 psf. Flex average rates increased at a significantly faster pace of 11.8% to finish the quarter at \$10.22 psf.

The Atlanta industrial market recorded one of the lowest quarters of positive absorption in the first three months of 2020 since 2017, absorbing 611,222 square feet. This was partially caused by a large amount of negative sublease absorption, -716,690 sf, which is the largest amount seen since 2015. Leasing activity remained strong at 10.4 msf, which is the highest quarterly total since the end of 2016. E-commerce companies continue to lease large amounts of space to meet

the demands of their consumers who are currently under a shelter in place order and are ordering their essential items online instead of purchasing them in a store.

Industrial vacancy saw its third consecutive increase during the first quarter, ending at 6.0%, up 40 basis points (bps) year-over-year. Warehouse vacancy finished the quarter up 50 bps year-over-year reaching 6.0%, while flex vacancy saw the smallest increase of 30 bps ending at 6.1%. As vacant new construction buildings enter the inventory, and absorption levels do not increase, it is expected that vacancy rates will continue to rise.

At the end of the first quarter, the Atlanta industrial market had 22.7 million square feet (msf) under construction, of which 42% of the space is preleased. The market recorded 5.5 msf of new space entering the inventory in the first three months of the year and 2.3 msf of that space was leased at the time of delivery. Currently the market anticipates 16.7 msf to deliver in 2020, however, this number could change significantly if developers put a hold on construction, specifically speculative projects, due to the COVID-19 pandemic.

40 bps

Increase YOY vacancy

2.6%

YOY rent growth

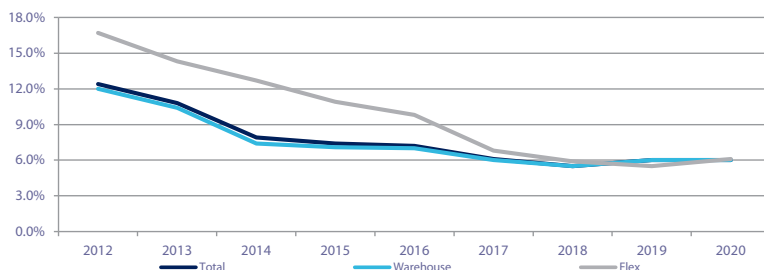
22.7 msf

under construction

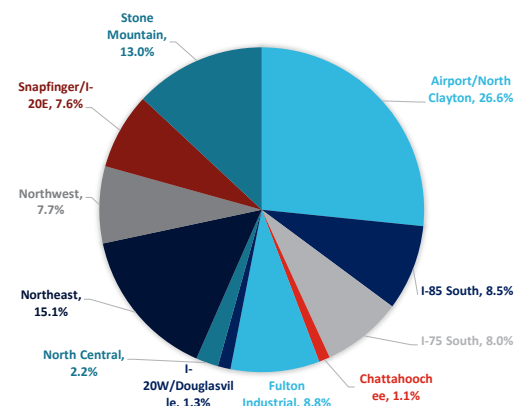
## Market Highlights

- Amazon continues to expand in the metro Atlanta area, signing three large leases in the first quarter. All three leases were signed at new construction projects, 1.0-msf at 280 Bridgeport Boulevard, 815,563-sf at 5000 Lanier Islands Parkway and 301,946-sf at 920 Logistics Parkway. This puts their total Atlanta footprint at approximately 9.0 msf.
- XPO Logistics expanded its Atlanta presence with a 673,818 sf new lease at 2160 Anvil Block Road. This will be their 15th location and they anticipate opening it in the summer of 2020.
- The Atlanta Community Food Bank moved into their newly completed 345,000 sf build-to-suit project during the first quarter after being at their previous location since the 1980s. Their new site sits on 64 acres and allowed them to upgrade their fleet of delivery trucks as well as modernize their equipment and technology. They sold their previous site to Tom Barrow Company for \$11.4 million.
- The largest new project to break ground during the first quarter was Goodyear Tire and Rubber Company's new distribution center. They signed the 1.5 msf lease in the fourth quarter of 2019 and plan to open the I-85 South facility in the first quarter of 2021.
- Investment sales activity in metro Atlanta saw a slight uptick in activity from the same period in 2019 as investors spent \$630 million during the first quarter of 2020. The average price per square foot (psf) in the first three months of the year was \$68, which is up 30% from 2019.
- In the largest sale, Black Creek Group sold part of their Atlanta industrial portfolio to Prologis for approximately \$227 million. This portion of the portfolio was made up of 28 different industrial buildings throughout metro Atlanta totaling 4.5 msf.

## Vacancy by Property Type



## Under Construction





Underway

Currently the Atlanta industrial market has 22.7 million square feet of new space under construction.



Delivered

During the last 12 months the Atlanta industrial market has seen 22.8 million square feet enter the inventory.



Rank

Atlanta is second in the U.S. for industrial space under construction behind Dallas at 36.4 msf.

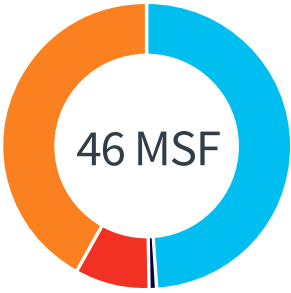
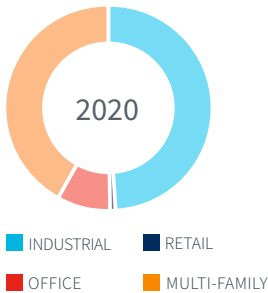


Spec Developments

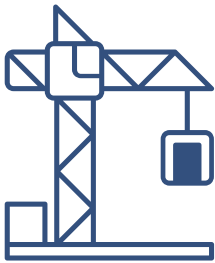
Spec development continues to capture the majority of Atlanta's industrial construction activity. Atlanta currently has 14.1 million square feet of spec space underway and is 7.0% preleased. This trend is expected to continue as developers are taking advantage of an active market.

8.2 MILLION SQUARE FEET

to be delivered in the next 3 months of 2020, with 29% of the space preleased



	1Q 2019	1Q 2020
Industrial	44.4%	49.0%
Retail	0.8%	0.8%
Office	5.9%	8.4%
Multi-Family	48.9%	41.8%



Construction Update

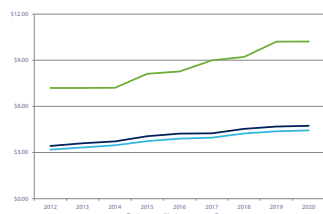
Metro Atlanta industrial construction remains very active with near record amounts of space underway. Should this pace of activity continue, and leasing activity does not increase, it could lead to a rise in the vacancy rate.

Build-to-Suit Developments

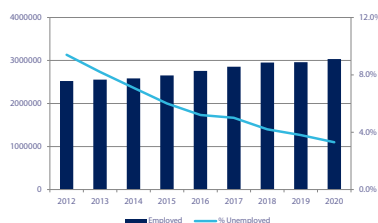
Build-to-suit developments continued to see an increase in activity during the first quarter of 2020. Metro Atlanta currently has 8.6 million square feet of build-to-suit product underway.



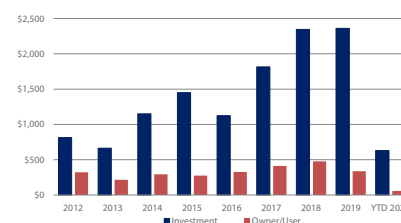
### Average Asking Rental Rate (psf/year/NNN)



### Metro Atlanta Employment (February of each year)



### Industrial Sales (in millions)



### Select 1Q 2020 Lease Transactions

Tenant	Property	Type	Submarket	SF
Amazon	280 Bridgeport Boulevard	New Lease	I-85 South	1,002,150
Amazon	5000 Lanier Islands Parkway	Prelease	Northeast	815,563
XPO Logistics	2160 Anvil Block Road	New Lease	Airport/North Clayton	673,818
Mondelez International	0 South Fulton Parkway @ Highway 92	Prelease	Airport/North Clayton	570,988
SBS Transportation	1015 Collinsworth Road	New Lease	I-85 South	517,500
Georgia Pacific	2000 Logistics Center Drive	New Lease	Airport/North Clayton	495,625
Ta Chen International, Inc	580 Horizon Drive	New Lease	Northeast	419,625
Amazon	920 Logistics Parkway	Prelease	Northeast	301,946

### Select 1Q 2020 Sale Transactions

Property	Submarket	Buyer	Total SF	Sale Price	Price/SF
Black Creek Portfolio	Metro Atlanta	Prologis	4,490,747	\$227,271,761	\$50
Blackstone Portfolio	Metro Atlanta	WPT Industrial Real Estate Investment Trust	2,536,462	\$155,129,428	\$57
Marietta Portfolio	Northwest	The Arden Group Inc	483,666	\$37,286,925	\$77
Monarch Realty Portfolio	Stone Mountain & I-20W	TPG Global LLC	514,591	\$36,819,444	\$77

### Select Construction Projects

Property	Submarket	Projected Completion	Total SF	% Preleased	Major Tenant
Amazon Fulfillment Center*	Stone Mountain	Second Quarter 2021	2,800,000	100%	Amazon
139 Orchard Business Parkway*	I-85 South	First Quarter 2021	1,514,040	100%	Goodyear Tire
Chattahoochee Logistics Center	Fulton Ind	Second Quarter 2020	1,128,400	0%	N/A
Jefferson Logistics Center	Northeast	Second Quarter 2020	1,015,074	0%	N/A
3150 Highway 42	I-75 South	Second Quarter 2020	1,011,907	0%	N/A
5705 Campbellton Fairburn Road	Airport/North Clayton	Third Quarter 2020	1,007,412	0%	N/A
1522 Steve Reynolds Industrial Boulevard*	Northeast	Third Quarter 2021	1,000,000	100%	SK Innovation Battery

\*Single-tenant leased property

### Trends to Watch

Look for these three key trends to continue throughout 2020 in the Atlanta industrial market.



#### Vacancy

Will continue to increase as preleasing in new construction buildings remains low.



#### Rental Rates

Will continue to rise as new construction costs push rates up, but at a slower pace than 2019.



#### Construction

Will remain near record high amounts for space underway.

## Market By The Numbers

BY SUBMARKET	Inventory	VACANCY			NET ABSORPTION		SF Under	AVERAGE ASKING RENT		
		Total	W/D	Flex	1Q19	YTD	Construction	Total	W/D	Flex
Airport/North Clayton	103,777,340	7.2%	7.3%	2.3%	189,143	189,143	6,048,229	\$3.87	\$3.97	\$9.43
I-85 South	25,099,443	4.3%	4.2%	6.1%	(20,841)	(20,841)	1,937,688	\$4.86	\$4.26	\$9.01
I-75 South	63,925,763	13.3%	13.5%	3.1%	(560,649)	(560,649)	1,816,621	\$3.50	\$3.49	\$4.33
<b>South Atlanta Total</b>	<b>192,802,546</b>	<b>8.8%</b>	<b>9.0%</b>	<b>3.6%</b>	<b>(392,347)</b>	<b>(392,347)</b>	<b>9,802,538</b>	<b>\$4.02</b>	<b>\$3.71</b>	<b>\$7.95</b>
Central Atlanta	7,491,199	8.0%	9.3%	2.5%	10,850	10,850	-	\$11.93	\$11.35	\$17.74
Chattahoochee	16,600,022	4.9%	5.4%	2.8%	58,730	58,730	250,000	\$9.14	\$7.50	\$15.99
Fulton Industrial	51,089,564	1.6%	1.5%	5.0%	188,567	188,567	2,010,470	\$4.18	\$3.99	\$8.80
I-20 W/Douglasville	53,625,519	5.3%	5.4%	2.3%	119,056	119,056	286,875	\$4.13	\$4.13	\$5.58
North Central	30,336,686	3.4%	2.6%	5.4%	(59,943)	(59,943)	507,703	\$7.88	\$6.74	\$11.40
Northeast	202,026,275	6.7%	6.6%	8.3%	452,795	452,795	3,427,446	\$4.84	\$4.53	\$9.47
Northwest	76,761,487	4.1%	3.7%	6.7%	(112,264)	(112,264)	1,740,009	\$5.71	\$5.20	\$12.13
Snapfinger/I-20 East	40,022,419	2.8%	2.6%	5.5%	186,565	186,565	1,734,240	\$4.77	\$4.68	\$5.69
Stone Mountain	26,541,110	3.9%	3.5%	6.5%	159,213	159,213	2,964,000	\$6.16	\$5.72	\$7.94
<b>Total Market</b>	<b>697,296,827</b>	<b>6.0%</b>	<b>6.0%</b>	<b>6.1%</b>	<b>611,222</b>	<b>611,222</b>	<b>22,723,281</b>	<b>\$4.74</b>	<b>\$4.44</b>	<b>\$10.22</b>

BY PRODUCT TYPE	Inventory	Vacancy	1Q Absorption	YTD Absorption	SF Under Construction	Sublease SF
Warehouse/Distribution	644,688,039	6.0%	781,012	781,012	21,430,281	1,412,581
Flex	52,608,788	6.1%	(169,790)	(169,790)	1,293,000	186,309
<b>Total Market</b>	<b>697,296,827</b>	<b>6.0%</b>	<b>611,222</b>	<b>611,222</b>	<b>22,723,281</b>	<b>1,598,890</b>

Avison Young Atlanta currently tracks industrial buildings that are 10,000 square feet or greater, and built since 1960.



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