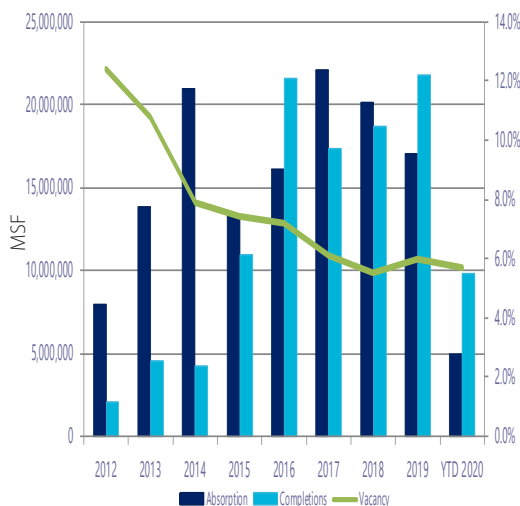




Market Snapshot

	2Q19	2Q20
Inventory	678.3 msf	705.1 msf
Vacancy	5.6%	5.7%
YTD Net Absorption	5.7 msf	4.9 sf
YTD Deliveries	9.2 msf	9.7 msf
Under Construction	20.2 msf	21.3 msf
Avg. Asking Rents	\$4.74 psf	\$4.86 psf
Unemployment	3.2%	10.3%

Absorption, Deliveries & Vacancy



Although the Atlanta industrial market recorded strong activity during the first half 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 second quarter of 2020, although at a slower pace than previously seen. The overall average asking rate ended the quarter at \$4.86 per square foot (psf) NNN, up 2.5% year-over-year. Average warehouse rates rose at a slightly higher pace of 2.7% to \$4.53 psf. Flex average rates increased at a significantly faster pace of 10.4% to finish the quarter at \$10.60 psf.

After a slow start in the first quarter of 2020, Atlanta's industrial absorption activity increased in the second quarter. The market recorded 4.3 million square feet (msf) of positive absorption, bringing the year-to-date total to 4.9 msf. Leasing activity remained strong seeing the largest quarterly total of new leases since 2016. There were 12.3 msf of new leases signed in the second quarter for a first-half total of 22.8 msf.

E-commerce companies remain the largest tenants in the market as consumers are still doing a large portion of their shopping online as the public health emergency remains in place.

Industrial vacancy saw its fourth consecutive increase during the second quarter, ending at 5.7%, up 10 basis points (bps) year-over-year. Warehouse vacancy was stable during the quarter at 5.6%, while flex vacancy saw the largest increase of 60 bps ending at 6.2%. Leasing activity in new construction buildings picked up during the second quarter which should lead the vacancy rate to decline in the second half of 2020.

At the end of the second quarter, the Atlanta industrial market had 21.3 million square feet (msf) under construction, of which 49% of the space is preleased. The market recorded 4.3 msf of new space entering the inventory during the quarter for a year-to-date total of 9.7 msf, of which 56% of the space is leased. Currently the market anticipates an additional 12.7 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.

10 bps

Increase YOY vacancy

2.5%

YOY rent growth

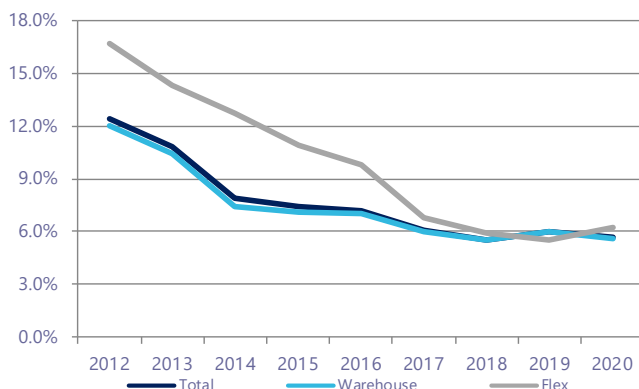
21.3 msf

under construction

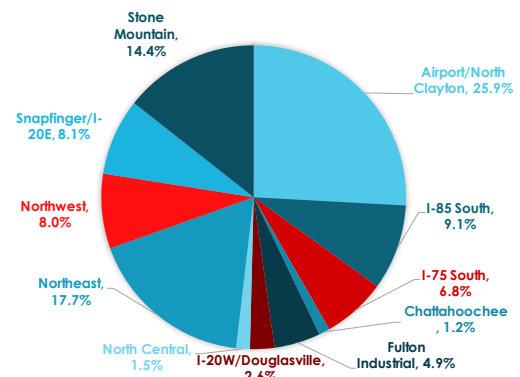
Market Highlights

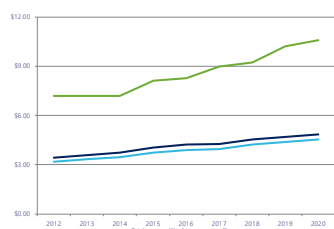
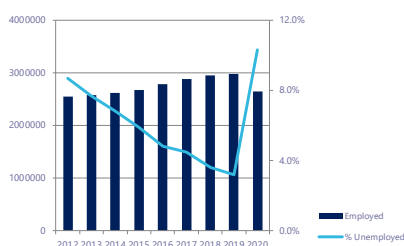
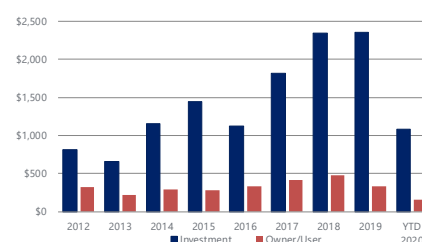
- Amazon continues to expand in the metro Atlanta area, signing three large leases in the second quarter, for a total of six new leases in 2020. The three leases were each over 1.0 msf for a total of 3.2 msf and were signed at 7055 Campbellton Road, 429 Toy Wright Road and 5705 Campbellton Fairburn Road. These three deals bring Amazon's metro Atlanta presence to 12.2 msf.
- Walmart is following in Amazon's footsteps and leased over 1.0 msf in the second quarter. They were able to sign their lease and move into their new space at 117 Valentine Industrial Parkway during the quarter. This is the largest industrial location they have opened in the Atlanta area since their 1.2 msf facility in 2015.
- The largest new project to break ground during the second quarter was Kroger's new delivery service center at Gillem Logistics Center. They signed the 375,000 sf lease in the third quarter of 2019 and plan to open the new facility in the third quarter of 2021.
- Investment sales activity in metro Atlanta saw a significant decrease as investors spent \$317 million during the second quarter of 2020. This is down 54% from the activity seen during the second quarter of 2019. Year-to-date the Atlanta industrial market recorded \$991 million, down 25% from the \$1.3 billion sold in the first-half of 2019. Investors are continuing to look for assets that are high performing and will boost their portfolios, but most have put any new purchases on hold until they see how the pandemic will further affect the commercial real estate market.
- In the largest sale of the quarter, Black Creek Group purchased Clayton Commerce Center from American Realty Advisors for \$60.7 million. This 798,000-sf distribution building was built in 2018 and is occupied by FedEx Ground on a long term lease.

Vacancy by Property Type



Under Construction



Average Asking Rental Rate
(psf/year/NNN)Metro Atlanta Employment
(May of each year)Industrial Sales
(in millions)

Select 2Q 2020 Lease Transactions

Tenant	Property	Type	Submarket	SF
Amazon	7055 Campbellton Road	New Lease	Fulton Industrial	1,128,400
Amazon	429 Toy Wright Road	New Lease	Northeast	1,053,360
Walmart	117 Valentine Industrial Parkway	New Lease	Northeast	1,021,440
Amazon	5705 Campbellton Fairburn Road	Prelease	Airport/North Clayton	1,007,412
Ferrero	875 Highway 42 S	New Lease	I-75 South	728,000
Ken's Food, Inc	210 Interstate South Drive	New Lease	I-75 South	428,160
C.H. Robinson	7056 Goodson Road	New Lease	I-85 South	384,357
Nouhaus	4131 Southmead Parkway West	New Lease	Airport/North Clayton	355,200

Select 2Q 2020 Sale Transactions

Property	Submarket	Buyer	Total SF	Sale Price	Price/SF
Clayton Commerce Center	I-75 South	Black Creek Group	797,580	\$60,700,000	\$76
127 Liberty Industrial Parkway	I-75 South	James Campbell Company	851,349	\$53,500,000	\$63
Northpoint Portfolio	Northwest	High Street Equity Advisors	661,228	\$49,850,000	\$75
Creekside Distribution Center	Airport/North Clayton	Summit Real Estate Group	538,500	\$33,500,000	\$62

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
Jefferson Logistics Center	Northeast	Third Quarter 2020	1,015,074	0%	N/A
5705 Campbellton Fairburn Road*	Airport/North Clayton	Third Quarter 2020	1,007,412	100%	Amazon
1522 Steve Reynolds Industrial Boulevard*	Northeast	Third Quarter 2021	1,000,000	100%	SK Innovation Battery
503 Shire Parkway*	Snapfinger/I-20 East	Third Quarter 2020	970,000	100%	Facebook
Shugart Farms	Airport/North Clayton	Fourth Quarter 2020	907,610	0%	N/A

*Single-tenant leased property

Trends to Watch

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



Vacancy

Should begin to stabilize as preleasing activity in new construction buildings increases.



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	2Q20	YTD	Construction	Total	W/D	Flex
Airport/North Clayton	104,729,136	7.3%	7.4%	3.5%	(244,329)	(55,186)	5,505,077	\$4.01	\$3.95	\$8.73
I-85 South	25,002,015	4.1%	4.0%	6.7%	569,750	548,909	1,937,688	\$6.86	\$5.88	\$9.01
I-75 South	64,792,175	11.8%	12.0%	2.9%	521,498	(39,151)	1,439,144	\$3.50	\$3.49	\$4.33
South Atlanta Total	194,523,326	8.4%	8.5%	4.2%	846,919	454,572	8,881,909	\$3.75	\$3.70	\$7.83
Central Atlanta	7,495,629	9.2%	11.0%	1.6%	(82,352)	(71,502)	-	\$9.75	\$9.10	\$16.81
Chattahoochee	16,848,842	4.8%	5.1%	3.3%	(32,639)	26,091	250,000	\$10.59	\$8.05	\$18.05
Fulton Industrial	52,176,588	1.5%	1.4%	4.8%	1,588,000	1,776,567	1,044,070	\$4.13	\$3.95	\$9.36
I-20 W/Douglasville	54,717,895	5.0%	5.1%	2.2%	482,049	601,105	549,925	\$4.29	\$4.29	\$6.14
North Central	31,169,579	4.7%	4.4%	5.3%	(171,212)	(231,155)	312,592	\$8.34	\$7.12	\$11.35
Northeast	204,497,792	5.8%	5.5%	8.1%	980,619	1,433,414	3,762,938	\$4.96	\$4.69	\$9.37
Northwest	76,939,702	4.2%	3.8%	7.3%	264,987	152,723	1,693,347	\$5.88	\$5.26	\$12.56
Snapfinger/I-20 East	40,007,089	2.9%	2.8%	5.0%	311,829	498,394	1,734,240	\$4.94	\$4.77	\$6.58
Stone Mountain	26,701,274	3.8%	3.4%	6.6%	143,489	302,702	3,056,946	\$6.09	\$5.65	\$8.10
Total Market	705,077,716	5.7%	5.6%	6.2%	4,331,689	4,942,911	21,285,967	\$4.86	\$4.53	\$10.60

BY PRODUCT TYPE	Inventory	Vacancy	2Q Absorption	YTD Absorption	SF Under Construction	Sublease SF
Warehouse/Distribution	652,632,439	5.6%	4,518,202	5,299,214	19,763,467	1,399,622
Flex	52,445,277	6.2%	(186,513)	(356,303)	1,522,500	181,022
Total Market	705,077,716	5.7%	4,331,689	4,942,911	21,285,967	1,580,644

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



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