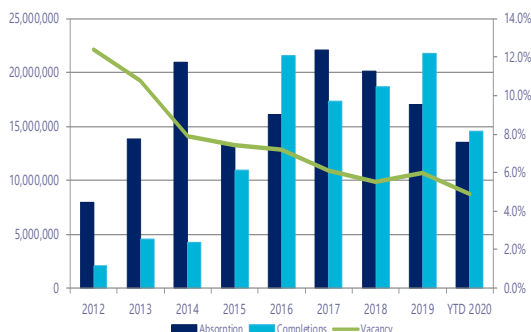




Market Snapshot

	3Q19	3Q20
Inventory	686.4 msf	710.1 msf
Vacancy	6.0%	4.9%
YTD Net Absorption	12.3 msf	13.5 sf
YTD Deliveries	15.6 msf	14.6 msf
Under Construction	19.9 msf	26.8 msf
Avg. Asking Rents	\$4.77 psf	\$4.83 psf
Unemployment	3.5%	6.3%

Absorption, Deliveries & Vacancy



The Atlanta industrial market remained strong in the third quarter of 2020, driven by E-commerce tenants who have benefitted from COVID-19 changes in shopping behavior. However, those same changes have caused widespread business closures, leading economists to believe a global recession could happen.

Metro Atlanta's average asking rental rates continued to rise during the third quarter of 2020, although at a slower pace than previously seen. The overall average asking rate ended the quarter at \$4.83 per square foot (psf) NNN, up 1.3% year-over-year. Average warehouse rates rose at a slightly lower pace of 0.7% to \$4.51 psf. Flex average rates increased at a significantly faster pace of 7.0% to finish the quarter at \$10.60 psf.

Atlanta's industrial market continued its positive momentum in the third quarter. The market recorded 8.6 million square feet (msf) of positive absorption, bringing the year-to-date total to 13.5 msf. This is the largest quarterly total since the fourth quarter of 2014. Leasing activity remained strong seeing 12.0 msf of new leases signed. This brings the year-to-date total to 34.7 msf, which is the most leasing activity seen at this point in

the year since 2016. 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 benefited from the surge in absorption during the third quarter, ending at 4.9%, down 110 basis points (bps) year-over-year. This is the first time that the overall vacancy rate has ever been below 5.0%. Warehouse vacancy saw the same decrease to 4.9%, while flex vacancy saw a minimal increase of 10 bps ending at 5.8%.

At the end of the third quarter, the Atlanta industrial market had 26.8 million square feet (msf) under construction, of which 48% of the space is preleased. This is the largest amount of space underway in one quarter the market has ever seen. The market saw 4.8 msf of new space entering the inventory during the quarter, of which 40% is leased, for a year-to-date total of 14.6 msf. Currently the market anticipates an additional 8.0 msf to deliver by the end of 2020, however, this number could change significantly if developers put a hold on construction, specifically speculative projects, due to the COVID-19 pandemic.

110 bps

Decrease YOY vacancy

1.3%

YOY rent growth

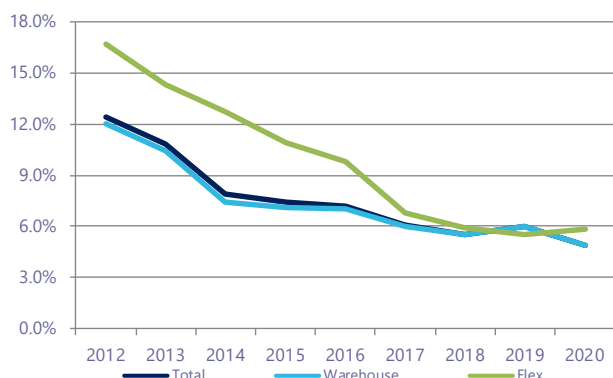
26.8 msf

under construction

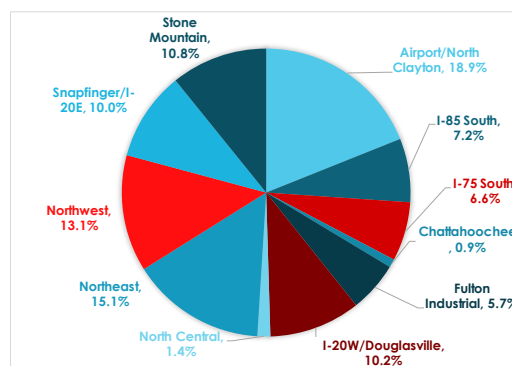
Market Highlights

- Amazon continues to expand in the metro Atlanta area, signing a 500,000-sf lease in the third quarter, for a total of seven new leases in 2020. The property they selected is a newly delivered building at 4905 Derrick Road in the Airport/North Clayton submarket. They are scheduled to move in during the first quarter of 2021.
- The largest lease of the quarter was Radial's 760,000-sf deal at Gardner Logistics Park. The building was completed in the second quarter of 2020 and totals 1.0 msf. Radial is an e-commerce and operations company and this is a significant increase in their Atlanta presence compared to their previous space.
- The largest new project to break ground during the third quarter was the second phase of Facebook's data center campus. This building will be 1.5 msf and will be ready by the fourth quarter of 2022. They are scheduled to move into their almost 1.0-msf facility at the beginning of 2021.
- Investment sales activity in metro Atlanta saw another decrease during the third quarter as \$527 million traded. This is down 53% from the activity seen during the third quarter of 2019. Year-to-date the Atlanta industrial market recorded \$1.6 billion, down 35% from the \$2.5 billion sold during the same time in 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 one of the largest sales of the quarter, Exeter Property Group purchased Walnut Fork Distribution Center from Oak Street Real Estate Capital for approximately \$44 million. This 811,000-sf distribution building is leased by Bed, Bath & Beyond on a long-term lease.

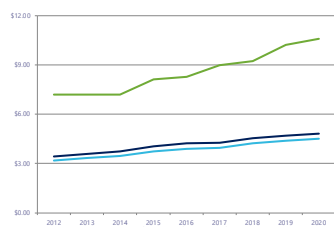
Vacancy by Property Type



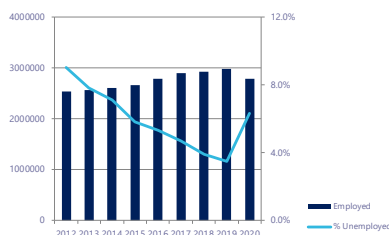
Under Construction



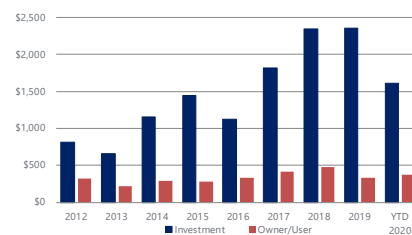
Average Asking Rental Rate (psf/year/NNN)



Metro Atlanta Employment (August of each year)



Industrial Sales (in millions)



Select 3Q 2020 Lease Transactions

Tenant	Property	Type	Submarket	SF
Radial	3150 Highway 42	New Lease	I-75 South	760,608
Home Depot	2182 Coffee Road	New Lease	Snapfinger/I-20 East	615,000
Purple Innovation	1325 Highway 42 South	New Lease	I-75 South	519,680
Amazon	4905 Derrick Road	New Lease	Airport/North Clayton	500,000
Factory Direct Wholesale	200 Thomas Parkway	New Lease	Northeast	458,640
Broadrange Logistics	5300 Kennedy Road	New Lease	Airport/North Clayton	425,300

Select 3Q 2020 Sale Transactions

Property	Submarket	Buyer	Total SF	Sale Price	Price/SF
Gwinnett Commons	Northeast	CIP Real Estate Property Services	964,987	\$96,222,959	\$101
Factory Shoals Distribution Centers I & II, Shannon 85, PIB Logistics Center	Multiple	PGIM, Inc	1,165,223	\$87,800,000	\$76
Walnut Fork Distribution	Northeast	Exeter Property Group	811,000	\$43,931,000	\$54
Perimeter East Industrial Park	Snapfinger/I-20 East	The Blackstone Group	455,259	\$33,650,000	\$74

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
503 Shire Parkway*	Snapfinger/I-20 East	Fourth Quarter 2022	1,500,000	100%	Facebook
Majestic Airport Center V	Airport/North Clayton	First Quarter 2021	1,150,000	0%	N/A
RiverWest Distribution Center Phase III	I-20 W/Douglasville	Second Quarter 2021	1,111,040	0%	N/A
1250 Cassville White Road	Northwest	Third Quarter 2021	1,108,990	0%	N/A
1522 Steve Reynolds Industrial Boulevard*	Northeast	First Quarter 2023	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 decrease as tenants move into the large spaces they leased in 2Q20 and 3Q20



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	3Q20	YTD	Construction	Total	W/D	Flex
Airport/North Clayton	106,445,170	5.5%	5.6%	3.3%	3,993,819	3,938,633	5,076,677	\$4.15	\$4.08	\$8.77
I-85 South	24,966,084	4.1%	4.2%	2.7%	856,108	1,405,017	1,917,688	\$7.39	\$6.35	\$9.01
I-75 South	65,122,410	8.4%	8.6%	0.9%	873,405	834,254	1,777,121	\$3.50	\$3.50	\$4.12
South Atlanta Total	196,533,664	6.3%	6.4%	2.4%	5,723,332	6,177,904	8,771,486	\$3.77	\$3.72	\$7.88
Central Atlanta	7,295,573	10.1%	12.2%	1.5%	(233,144)	(304,646)	-	\$10.27	\$9.50	\$17.04
Chattahoochee	16,607,019	4.9%	5.4%	3.2%	6,445	32,536	250,000	\$10.82	\$8.06	\$18.66
Fulton Industrial	52,103,129	1.1%	1.1%	2.3%	71,991	1,848,558	1,517,984	\$4.02	\$3.81	\$9.45
I-20 W/Douglasville	55,005,404	3.3%	3.3%	1.9%	890,754	1,491,859	2,743,846	\$4.14	\$4.14	\$8.40
North Central	31,123,231	4.3%	4.1%	4.8%	52,910	(178,245)	388,392	\$8.41	\$7.45	\$11.30
Northeast	206,060,519	5.7%	5.5%	7.5%	1,859,247	3,292,661	4,049,237	\$4.86	\$4.60	\$9.32
Northwest	77,892,888	3.8%	3.4%	7.4%	122,962	275,685	3,515,667	\$5.83	\$5.28	\$12.26
Snapfinger/I-20 East	40,573,181	3.6%	3.6%	4.0%	79,135	577,529	2,686,000	\$4.87	\$4.68	\$6.58
Stone Mountain	26,896,833	5.0%	4.4%	9.0%	(15,342)	287,360	2,896,000	\$5.95	\$5.33	\$8.28
Total Market	710,091,441	4.9%	4.9%	5.8%	8,558,290	13,501,201	26,818,612	\$4.83	\$4.51	\$10.60

BY PRODUCT TYPE	Inventory	Vacancy	3Q Absorption	YTD Absorption	SF Under Construction	Available Sublease
Warehouse/Distribution	658,045,209	4.9%	8,430,093	13,729,307	23,831,112	3,937,935
Flex	52,046,232	5.8%	128,197	(228,106)	2,987,500	256,107
Total Market	710,091,441	4.9%	8,558,290	13,501,201	26,818,612	4,194,042

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



Sara Barnes
Research Manager
770.916.6125
sara.barnes@avisonyoung.com

avisonyoung.com

