

MARKET REPORT

INDUSTRIAL
Atlanta Metro Area

IPA
INSTITUTIONAL
PROPERTY
ADVISORS

2Q/21

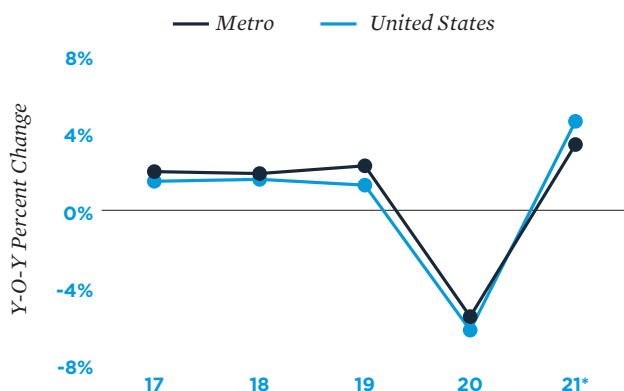
Atlanta Industrial a Bright Spot Due to Position as One of Nation's Most Important Distribution Hubs

Reliance on logistics compensates for challenges elsewhere.

Although job losses were significant after shutdowns last year, the ongoing need for warehousing space both within metro Atlanta and throughout the Southeast provides a crutch for the economy. The market's vast rail and intermodal network serves as the primary hub for the Port of Savannah, which recorded a 4 percent rise in TEUs last year. The demand for workers within this industry has pushed overall payrolls in wholesale trade to within 1,000 positions of the pre-pandemic level. In the coming months, vaccinations will open up additional jobs in the market, supporting tenant demand for warehousing and distribution space that services local businesses.

Completions highlight local commercial real estate. Despite elevated construction, industrial space is highly sought after. Last year, net absorption outpaced development by 100,000 square feet, whereas space users are projected to occupy 4.1 million more square feet than is added to supply in 2021. Six leases greater than 400,000 square feet were signed in the first quarter alone, including a 1.2 million-square-foot commitment from Kellogg's in Newnan and 500,000 square feet from PAC Worldwide in College Park. Additional absorption comes from last-mile distribution centers that are particularly important in large metros such as Atlanta. The demand for state-of-the-art industrial space will apply upward pressure on occupancy and rents this year.

Employment Trends



* Forecast

Sources: BLS; CoStar Group, Inc.

Industrial 2021 Outlook



**93,000
JOBS**

will be created

EMPLOYMENT:

A 3.4 percent rise in payrolls this year will substantially cut into the 5.5 percent decline recorded in 2020. During this year's opening quarter, employers added 24,700 positions, including 7,100 spots in the trade, transportation and utilities sector.



**20,900,000
SQ. FT.**

will be completed

CONSTRUCTION:

Development slows modestly this year from the 21.1 million square feet brought online in 2020. A 3.0 percent increase in supply is anticipated, much of it speculative. Five projects, each over 970,000 square feet in size, are slated for delivery in 2021.



**70
BASIS POINT**

decreases in vacancy

VACANCY:

Despite the rise in speculative development, leasing demand remains strong in the market, which will support a dip in the metrowide vacancy rate to 5.4 percent. Last year, the rate compressed 20 basis points.



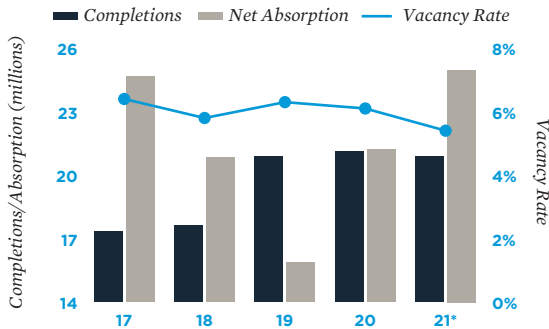
**5.2%
INCREASE**

in asking rent

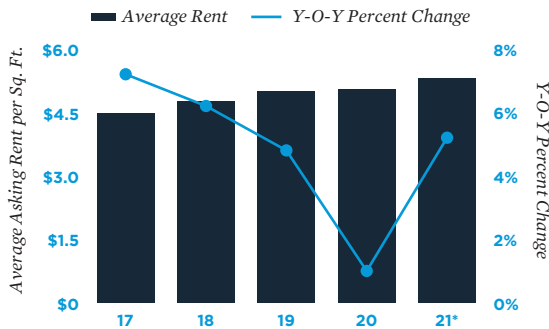
RENT:

The increase in availability of high-quality space and tightening vacancy result in a rise in the average asking rent to \$5.30 per square foot this year. In 2020, the average asking rent advanced 1.0 percent.

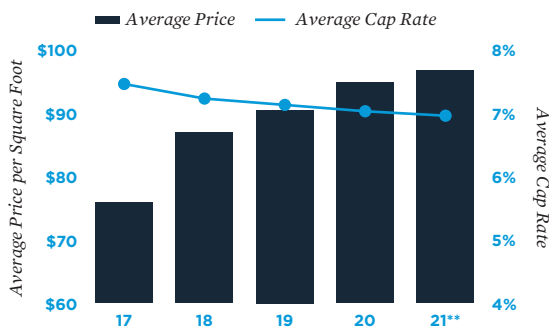
Supply and Demand



Rent Trends



Sales Trends



* Forecast ** Through 1Q
Sources: CoStar Group, Inc.; Real Capital Analytics

IPA Industrial

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1Q21 – 12-Month Period



CONSTRUCTION

20,775,000 square feet completed

- Builders increased industrial stock by 3.0 percent last year. An additional 23.1 million square feet of space is underway across the metro.
- Speculative development remains prevalent in Atlanta, as just 35 percent of the space coming out of the ground has commitments. The Kennesaw and Acworth areas have 5.8 million square feet underway.



VACANCY

160 basis point decrease in vacancy Y-O-Y

- The marketwide vacancy rate decreased to 5.5 percent over the past 12 months, including a 60-basis-point decline in the first quarter when a net of nearly 10 million square feet was occupied.
- Approximately 75 percent of the absorption in the first quarter transpired in South Atlanta, where vacancy fell 180 basis points.



RENT

2.6% increase in the average asking rent Y-O-Y

- At the end of the first quarter, the average asking rent for available space was \$5.10 per square foot. The annual increase in marketed rent can be attributed to higher demand and new speculative space.
- The second largest submarket by inventory, Northeast Atlanta, posted a 10.3 percent rise in the average asking rent to \$6.08 per square foot.

Investment Highlights

- Velocity slipped approximately 13 percent between 2020 and 2019 as the pandemic hampered investors' ability to execute deals despite improving fundamentals. The pace of activity through the first four months of this year points toward activity returning or surpassing the 2019 level.
- The average price increased 6 percent year over year to \$97 per square foot during the 12-month period ending in March. Buyers did retrench in response to uncertainty surrounding the health crisis. Distribution centers traded were 15 percent smaller last year while warehouse transactions recorded a 14 percent decline in average size. Both property types, which make up the bulk of industrial deals, have seen an increase in average size in 2021 as investors assume greater risk.
- Improving property performance supported a 10-basis-point decline in the average cap rate to 7.0 percent. First-year returns could remain attractive, though areas with elevated completions could temporarily disrupt pricing agreement.