MARKET REPORT

Industrial

Atlanta Metro Area

IPA INSTITUTIONAL PROPERTY ADVISORS

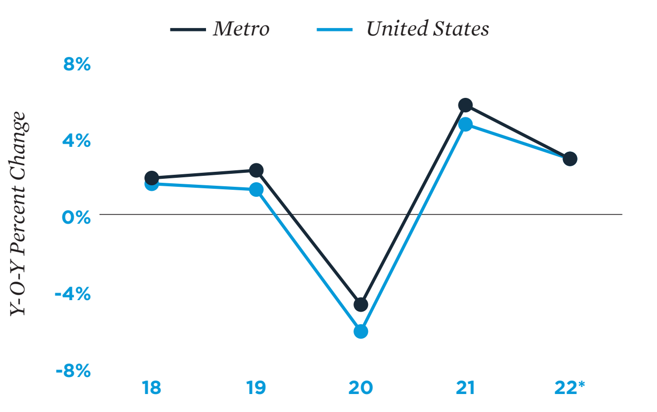
Midyear 2022

Incoming Inventory Tests Industrial Demand; Distributors Invest in High-Tech Warehouses

Supply growth outpaces immediate demand. In the fourth quarter of last year, a net of 16.5 million square feet was absorbed across Greater Atlanta, marking the highest three-month total observed in any U.S. metro in 2021. A bevy of commitments for floor plans exceeding 100,000 square feet in the coming months indicates hearty absorption is expected to continue through the end of this year. However, the 30 million square feet scheduled for 2022 completion will be the highest annual total reported in the metro yet, and the fifth highest in any market nationwide since at least 1996. Additionally, roughly 70 percent of the active pipeline was unaccounted for as of June. Much of this available space should find tenants before finalization, but this year's acute supply injection will still translate to the first year-end increase in vacancy since 2019.

Metro evolves into an epicenter of industrial innovation. A friendly business climate and Atlanta's geographic position between other high-growth metros have made the region a natural target for firms testing innovative logistics strategies. Yamaha Motor Company recently broke ground on a highly-automated facility intended to dramatically reduce the response time for orders from its dealerships. Other multi-million dollar investments by Procter & Gamble and Korean manufacturer TYM indicate that the metro will gain an ample selection of cutting-edge industrial space in the near term.

Employment Trends



* Forecast

Sources: BLS; CoStar Group, Inc.

Industrial 2022 Outlook

85,000 JOBS
will be created

EMPLOYMENT:

While the 2.9 percent unemployment rate entering June was below previous cyclical lows, high in-migration will support rapid hiring during the remainder of 2022. The metro's job count expands 2.9 percent this year, matching the national rate of growth.

30,000,000 SQ. FT.
will be completed

CONSTRUCTION:

Several projects exceeding 1 million square feet will contribute to a historical supply wave this year. Additionally, developers are still targeting North Clayton County, due to its proximity to Hartsfield-Jackson International Airport.

40 BASIS POINT
increase in vacancy

VACANCY:

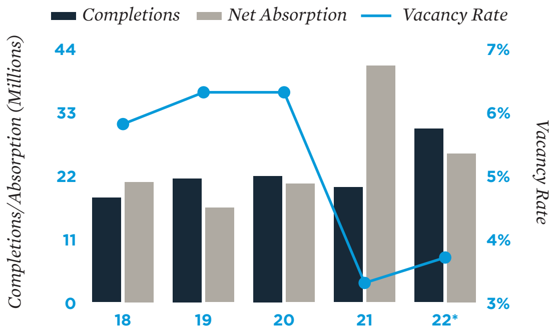
Rapid supply growth will put some upward pressure on vacancy this year, though potent industrial demand will prevent a sizable rise in availability. The year-end rate of 3.7 percent is still well below historical norms.

9.4% INCREASE
in asking rent

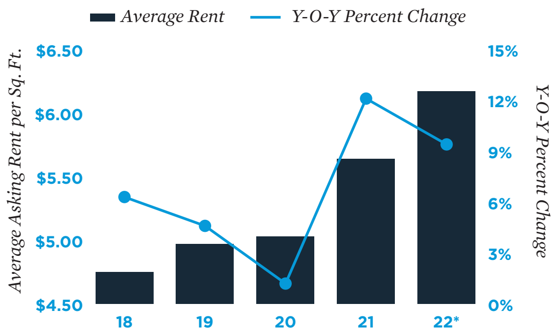
RENT:

Sub-4 percent availability should stimulate another year of historically strong rent growth. After climbing 12.1 percent in 2021, the mean marketed rate is expected to reach $6.17 per square foot by year-end.

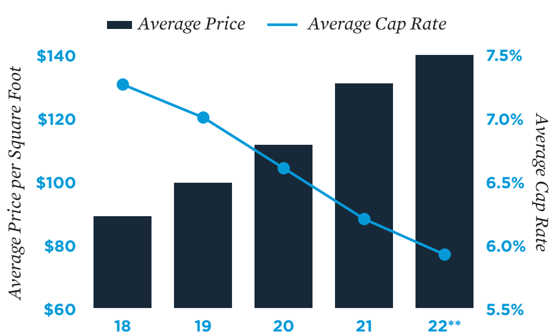
Supply and Demand



Rent Trends



Sales Trends



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

IPA Industrial:
Al Pontius
Senior Vice President, Director
Tel: (415) 963-3000 | apontius@ipausa.com

For information on national industrial trends, contact:
John Chang
Senior Vice President, Director | Research & Advisory Services
Tel: (602) 707-9700 | jchang@ipausa.com

Price: $250

1Q 2022 - 12-Month Period

CONSTRUCTION

21,310,000 sq. ft. completed

- The pace of development remained elevated over the annual period ended in March, as completions trailed the prior span by just 200,000 square feet.
- Developers were most active in the Hartsfield-Jackson International Airport submarket and adjacent areas of Clayton County, where over 6 million square feet were finalized during the 2021 calendar year.

VACANCY

170 basis point decrease in vacancy Y-O-Y

- A net of 33 million square feet was absorbed during the trailing yearlong period, bringing vacancy down to 3.8 percent.
- All submarkets with inventories exceeding 50 million square feet reported sub-5 percent vacancy entering April. The lowest rate was 1.8 percent, recorded in the I-20 W-Fulton District.

RENT

15.6% increase in the average asking rent Y-O-Y

- Marketed rents increased at the fastest pace in multiple decades over the trailing year ended in March, reaching an average of $5.86 per square foot.
- Of Atlanta's 13 submarkets, five posted rent increases exceeding 20 percent. Snapfinger-I-20 East led the metro, with the average asking rent here advancing 36.1 percent, after suffering sharp declines in 2020.

Investment Highlights

- Solid fundamentals drew investors to the metro over the past year ending this first quarter, with trading velocity during this span eclipsing the 2019 level by roughly 30 percent. Frenetic bidding drove a 20 percent pricing gain, pushing the average price per square foot up to $140 at the end of March. Buyers are pursuing more opportunities near Hartsfield-Jackson International Airport and nearby zones, as increased cargo volumes at the airport are motivating logistics firms to seek additional space here.
- Atlanta's strategic location between multiple high-growth Sunbelt metros has drawn the attention of buyers seeking warehouse and distribution facilities across the country and even further afield. While out-of-state investors own just over half of Atlanta's existing industrial assets by dollar volume, they comprised nearly 80 percent of the sales volume observed in recent months. Additionally, private equity buyers played a greater role in transactions during this period than in prior years.
- Competitive buyer behavior also compressed the metro's average cap rate by 60 basis points, the second largest among major markets nationwide. The average yield across the 12 months preceding April was 5.9 percent, 110 basis points below its position at the onset of the health crisis.