

# Atlanta



## Quick Stats

**4.1%**

Overall vacancy down 190 basis points year-over-year

**11.2 MSF**

Year-to-date absorption for the market in 2021

**28.2 MSF**

SF under construction the first quarter with 43% preleased

**\$5.12 psf**

Average asking rate up 8.0% in the last 12 months

**12.1 MSF**

Amount of new space leased year-to-date

The Atlanta industrial market set numerous records at the end of 2020, and that momentum has carried into 2021. E-commerce continues to be a driving force, construction activity is at an all time high and rental rate growth is showing no sign of slowing down.

Metro Atlanta's average asking rental rates continued to rise during the first quarter of 2021, breaking the \$5 mark for the first time in market history. The overall average asking rate ended the quarter at \$5.12 per square foot (psf) NNN, up 8.0% year-over-year. Average warehouse rates rose at a slightly slower pace of 6.0% to \$4.74 psf. Flex average rates increased 8.4% to finish the quarter at \$11.15 psf. As significant amounts of new industrial product enter the market, at a higher price than existing product, rental rates will continue to increase.

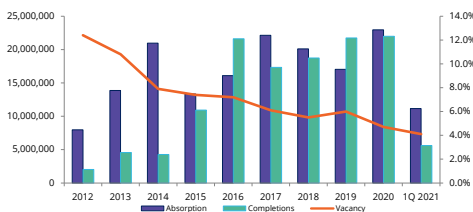
Atlanta's industrial market recorded its largest quarterly total of positive absorption ever during the first three months of the year, seeing 11.2 million square feet (msf) of net gains. This was due to companies such as Goodyear who moved into their new 1.5 msf build-to-suit project in the I-85 South submarket and Zinus moving into 972,000 sf in the I-75 South submarket. Leasing activity remained strong seeing

12.1 msf of new leases signed. This is the largest first quarter total the market has seen since 2014. E-commerce companies remain the largest tenants in the market as consumers are still doing a large portion of their shopping online until vaccines are widely available to the public and retail stores begin to reopen.

Industrial vacancy benefited from the surge in absorption during the first quarter, ending at 4.1%, down 190 basis points (bps) year-over-year. This is the lowest vacancy rate the market has ever recorded. Warehouse vacancy saw a decrease of 200 bps to 4.0%, while flex vacancy saw a slight decrease in rates, 70 bps, to end the quarter at 5.4%. As long as leasing activity keeps up with the pace of new deliveries then it is expected that the vacancy rate will continue its downward trend during 2021.

At the end of the first quarter the Atlanta industrial market had the largest amount of space ever recorded underway, 28.2 msf, of which 43% of the space is preleased. The market saw only 5.6 msf of new space enter the inventory during the quarter, as numerous projects were delayed due to weather or supply issues brought on by the pandemic. It is anticipated that 2021 will see the most new inventory the market has ever recorded if projects remain on track.

## Absorption, Completions & Vacancies

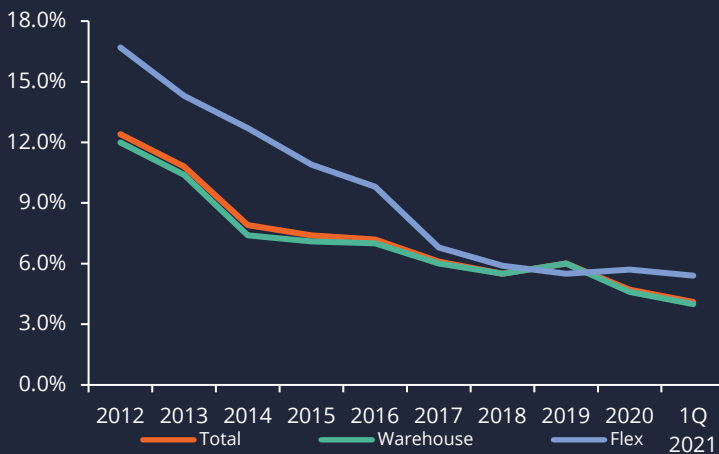




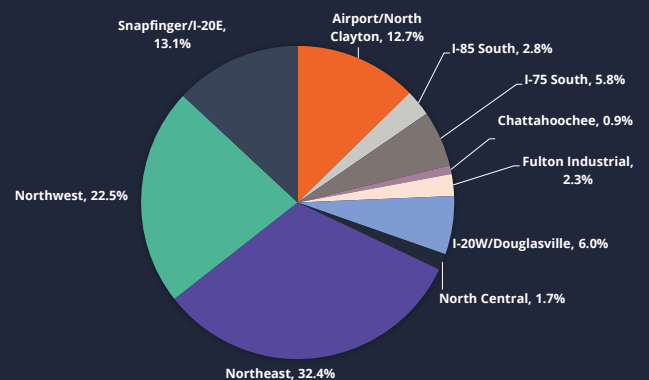
## Market Highlights

- The largest lease of the quarter was Kellogg's signing for 1.3 msf at 139 Orchard Business Parkway. This is a proposed property that will begin construction in the coming months with an anticipated move in date of first quarter 2022. It is the second building in a park where Goodyear just opened a new facility.
- While Amazon did not sign any new leases in metro Atlanta this quarter, numerous retailers took the reins to keep e-commerce going strong. Aosom, Accent Decor, and Comptree are just a few that signed between 250,000 and 600,000 sf each.
- The largest speculative new project to break ground during the first quarter was 421 Toy Wright Road in the Northeast submarket. The building is 1.2 msf and is fully available. It is scheduled to deliver in the second quarter of 2022.
- Investment sales activity in metro Atlanta saw a significant increase during the first quarter, up 20.8% from the first quarter of 2020, as \$761 million traded. There were a few large portfolio sales that helped drive activity, but majority were individual building sales. Warehouse/distribution facilities were the most common, but there has been increased demand for flex properties. This is being driven by the better yields that flex deals typically offer, which is often 200 bps or more than warehouse/distribution properties. Flex properties that are currently on the market are seeing a record number of offers which is translating into record price per square foot sales.
- In the largest sale of the quarter, The Blackstone Group purchased a 10 building portfolio from Majestic Realty Company and Northwestern Mutual Life Insurance Company for approximately \$225.2 million. This 2.3 msf portfolio is comprised of buildings in the Northwest and Airport/North Clayton submarkets and were all fully leased at the time of the sale.

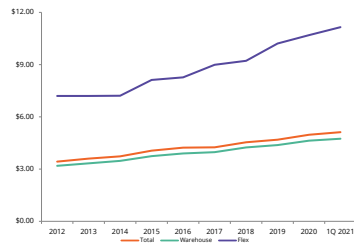
## Vacancy by Property Type



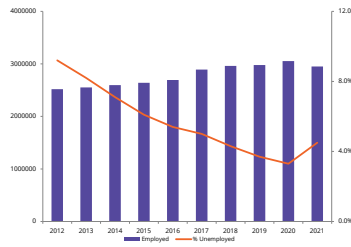
## Under Construction



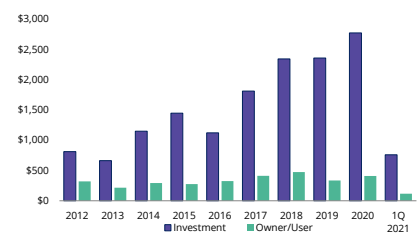
## Average Asking Rental Rate (psf/year/NNN)



## Metro Atlanta Employment (February of each year)



## Industrial Sales (in millions)



## Select 1Q 2021 Lease Transactions

Tenant	Property	Type	Submarket	SF
Kellogg's	139 Orchard Business Parkway	Prelease	I-85 South	1,396,640
Comptree, Inc	1380 Jesse Cronic Road	New Lease	Northeast	589,680
PAC Worldwide	4900 Stonewall Tell Road	New Lease	Airport/North Clayton	499,500
SBS Transportation	1015 Collinsworth Road	Renewal	I-85 South	482,700
PFLUG Packaging	200 Riverpoint Road	New Lease	Northwest	401,774
Cope Services	2160 Anvil Block Road	New Lease	Airport/North Clayton	369,600

## Select 1Q 2021 Sale Transactions

Property	Submarket	Buyer	Total SF	Sale Price	Price/SF
Majestic Portfolio	Northwest & Airport/North Clayton	The Blackstone Group	2,345,353	\$225,200,000	\$110
5705 Campbellton Fairburn Road	Airport/North Clayton	Preylock Holdings	1,007,412	\$92,915,519	\$92
3090 Highway 42	I-75 South	Granite REIT Holdings	1,011,907	\$68,900,000	\$68
Northwest Business Center	Northwest	The Arden Group	299,270	\$39,950,000	\$133

## Select Construction Projects

Property	Submarket	Projected Completion	Total SF	% Preleased	Major Tenant
503 Shire Parkway*	Snapfinger/I-20 East	Fourth Quarter 2022	1,500,000	100%	Facebook
421 Toy Wright Road	Northeast	Second Quarter 2022	1,174,796	0%	N/A
Majestic Airport Center V	Airport/North Clayton	Second Quarter 2021	1,150,000	0%	N/A
1250 Cassville White Road	Northwest	Third Quarter 2021	1,108,990	0%	N/A
Greenwood 75	I-75 South	Fourth Quarter 2021	1,001,700	0%	N/A
1522 Steve Reynolds Industrial Blvd*	Northeast	Third Quarter 2022	1,000,000	100%	SK Innovation Battery
1522 Steve Reynolds Industrial Blvd*	Northeast	Third Quarter 2021	1,000,000	100%	SK Innovation Battery

## Trends to watch

Look for these three key trends during 2021 in the Atlanta industrial market.



### Vacancy

Will continue to decrease as tenants move into the large spaces they leased in 4Q20 and 1Q21



### Rental Rates

Will continue to rise as new construction costs push rates up



### 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	1Q21	YTD	Construction	Total	W/D	Flex
Airport/North Clayton	109,139,740	3.8%	3.8%	3.3%	1,970,865	1,970,865	3,569,319	\$4.55	\$4.46	\$8.86
I-75 South	67,287,023	8.5%	8.7%	0.0%	3,881,342	3,881,342	1,632,560	\$3.61	\$3.60	\$4.28
I-85 South	27,135,775	2.5%	2.6%	0.7%	1,614,133	1,614,133	777,650	\$4.88	\$4.74	\$7.77
<b>South Atlanta Total</b>	<b>203,562,538</b>	<b>5.2%</b>	<b>5.3%</b>	<b>1.5%</b>	<b>7,466,340</b>	<b>7,466,340</b>	<b>5,979,529</b>	<b>\$3.94</b>	<b>\$3.90</b>	<b>\$7.17</b>
Central Atlanta	7,299,984	8.6%	9.9%	3.4%	108,225	108,225	-	\$9.41	\$8.99	\$15.83
Chattahoochee	16,602,040	4.5%	4.7%	3.9%	141,331	141,331	250,000	\$10.82	\$7.92	\$18.37
Fulton Industrial	52,981,281	2.3%	2.3%	0.2%	(67,459)	(67,459)	635,914	\$4.22	\$3.99	\$9.33
I-20 W/Douglasville	56,246,745	2.7%	2.8%	1.1%	1,309,362	1,309,362	1,700,785	\$4.74	\$4.65	\$10.45
North Central	32,112,987	3.2%	2.6%	4.7%	(20,731)	(20,731)	473,075	\$8.42	\$6.69	\$11.44
Northeast	206,735,187	4.5%	4.2%	7.7%	1,119,276	1,119,276	9,136,029	\$5.09	\$4.77	\$10.04
Northwest	78,985,645	3.3%	2.8%	7.0%	712,109	712,109	6,347,371	\$5.75	\$5.29	\$12.11
Snapfinger/I-20 East	40,948,576	3.5%	3.5%	2.9%	346,194	346,194	3,688,286	\$4.96	\$4.86	\$12.38
Stone Mountain	29,785,250	3.3%	3.0%	6.2%	36,329	36,329	-	\$6.47	\$5.82	\$9.01
<b>Total Market</b>	<b>725,260,233</b>	<b>4.1%</b>	<b>4.0%</b>	<b>5.4%</b>	<b>11,150,976</b>	<b>11,150,976</b>	<b>28,210,989</b>	<b>\$5.12</b>	<b>\$4.74</b>	<b>\$11.15</b>

BY PRODUCT TYPE	Inventory	Vacancy	1Q Absorption	YTD Absorption	SF Under Construction	Available Sublease
Warehouse/Distribution	672,088,250	4.0%	10,951,003	10,951,003	25,047,389	3,170,952
Flex	53,171,983	5.4%	199,973	199,973	3,163,600	402,811
<b>Total Market</b>	<b>725,260,233</b>	<b>4.1%</b>	<b>11,150,976</b>	<b>11,150,976</b>	<b>28,210,989</b>	<b>3,573,763</b>

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

Get more  
market  
information

**Sara Barnes**  
Research Manager  
☎ +1 770 916 6125  
✉ sara.barnes@avisonyoung.com

Avison Young - Atlanta  
30 Ivan Allen Jr Boulevard NW  
Suite 900  
Atlanta, GA 30308

**AVISON  
YOUNG**