



Amazon Leads Atlanta to 3rd Largest Quarter in History

Key Takeaways

- Atlanta's industrial market absorbed its third highest quarterly amount of space ever in its history at 8.4 million square feet in Q3.
- Amazon alone accounted for just over 35% of total net absorption this quarter; the majority of this space being occupied in South Atlanta.
- In fact, the submarket dominated, absorbing more space than all of Atlanta's other industrial submarkets combined. Q3's occupancy gains have pushed South Atlanta's vacancy rate back below 10% for the first time since the end of last year.
- At 6.5%, the overall vacancy rate for Atlanta industrial is back to where it was at the end of 2019.
- Deliveries totaled just under 4.8 million square feet this quarter. At just over 1-million square feet each, Jefferson Logistics Center and Crossroads Business Center were the largest buildings to come online.
- In spite of tremendous occupancy gains, the average rental rate for industrial space in Atlanta declined; even bulk rents were steady yet again this quarter.
- It is smooth sailing through the end of the year for Atlanta industrial as the market shows no signs of slowing for some time.

Atlanta Industrial Market

The third quarter proved to be one of Atlanta's strongest periods of industrial absorption as a net total of 8.4 million square feet of space was occupied; the third highest quarterly amount absorbed in the market's history. The largest e-commerce company in the world was a significant contributor to this feat. On the heels of its large transactions signed in the previous quarter, Amazon took occupancy of the majority of these warehouses in the third quarter, accounting for 35% of total net absorption in the Atlanta market. South Atlanta benefitted the most from this as Q3

Market Indicators

Relative to prior period

	ATL Q3 2020	ATL Q4 2020*
VACANCY	↓	-
NET ABSORPTION	+	+
CONSTRUCTION	↑	↓
RENTAL RATE	↓	-
CAP RATES	-	↓

*Projected

Summary Statistics

Atlanta Industrial Market

	ATL Market	ATL Warehouse	ATL Flex & Manufacturing
Vacancy Rate	6.5%	6.9%	4.7%
Change From Q2 2020	-0.6%	-0.6%	-
Year-Over-Year Change	0.1%	0.1%	0.5%
Absorption YTD (Millions Square Feet)	13.4	13.9	-0.5
Construction Deliveries YTD (Millions Square Feet)	14.6	14.2	0.4
Under Construction (Millions Square Feet)	26.8	20.3	6.5

Asking Rents

Per Square Foot Per Year (NNN)

Average Quoted	\$4.83	\$4.57	Mfg. \$4.01 Flex \$10.80
Change From Q2 2020	-1.0%	0.4%	Mfg. -13.6% Flex 0.8%
Year-Over-Year Change	2.1%	2.5%	Mfg. -5.6% Flex 8.8%

Atlanta Industrial Market (continued)

occupancy gains here were more than all other submarkets combined. While companies such as Ferrero and Broadrange Logistics moved into large blocks in the I-75 South/Henry County area, most of the occupancy gains in South Atlanta took place in Airport/I-85 South. In addition to Amazon's occupancies, new locations and expansions by Mondelez Global, Nouhas, Nestle Purina, and Delta helped this area achieve its highest quarterly absorption ever.

For the first time in over a year, Atlanta's industrial vacancy rate declined from the previous quarter. At 6.5% it is back to where it was at the end of last year. Warehouse vacancy decreased the most in Atlanta's Big Three submarkets, however, South Atlanta experienced the largest drop

at 270 basis points (2.7%); a result of the aforementioned occupancy gains in the submarket. Absorption levels in Q3 outpaced the amount of industrial space delivered which helped contribute to the decrease in market vacancy. Still, new inventory added to the market remained elevated at 4.8 million square feet. This brings the year-to-date total of deliveries to 14.6 million square feet. Most notable as it relates to development activity, however, is the record amount of product currently under construction in Atlanta. At just under 27 million square feet, the market is at its highest level of construction activity ever. In the third quarter alone, almost 10 million square feet of industrial space broke ground. With so much product being built, this could be a factor to why bulk rental rates have plateaued this year. Overall, the Atlanta industrial market experienced its first average rental rate decrease in eight years.

UPDATE - Recent Transactions in the Market

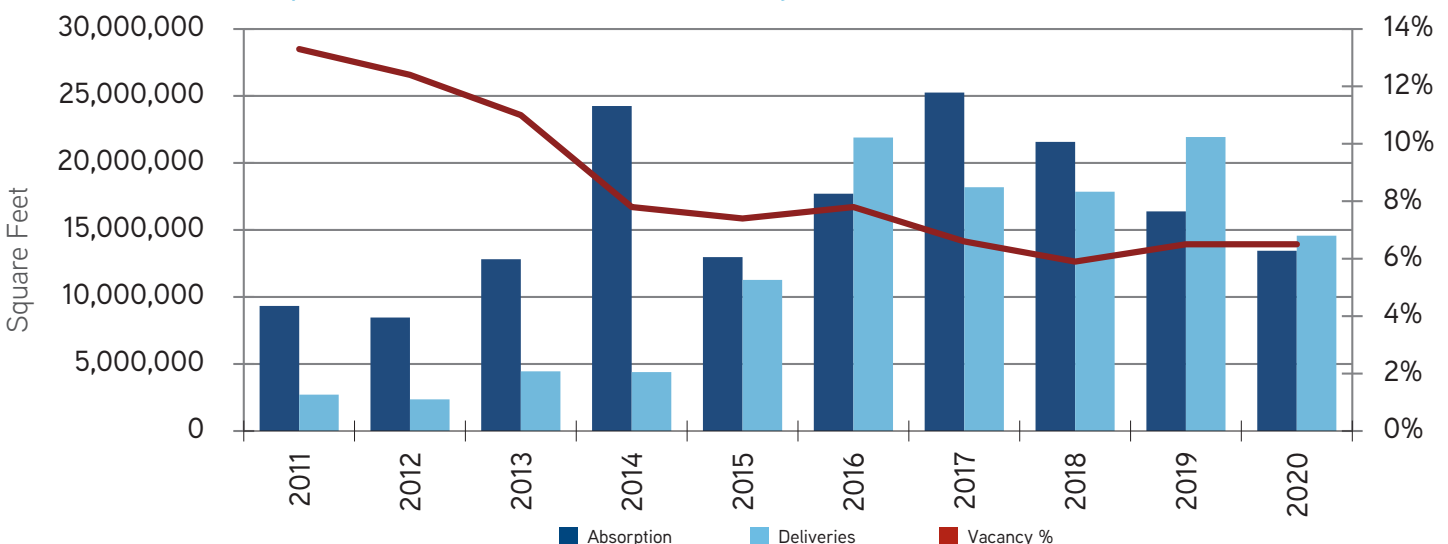
Notable Leasing Activity

TENANT	PROPERTY	SUBMARKET	LANDLORD	SIZE (SF)	TYPE
Radial Logistics	Gardner Logistics Park	South Atlanta Ind	Scannell Properties	760,608	Warehouse Lease
Global Equipment Co.	2505 Mill Center Pkwy. - M	Northeast Atlanta Ind	TIAA	647,228	Warehouse Renewal
Home Depot	2182 Coffee Road	Snapfinger/I-20 East	Trammell Crow Co.	615,000	Build-To-Suit
Purple Innovation	Southern Gateway - B	South Atlanta Ind	PNK Group	519,680	Distribution Lease
CJ Logistics	230 Greenwood Industrial	South Atlanta Ind	James Campbell Co.	504,000	Warehouse Renewal

Notable Sales Activity

PROPERTY	SUBMARKET	SALES DATE	SALE PRICE	SIZE (SF)	PRICE / SF	BUYER
Clayton Commerce Ctr.	South Atlanta Ind	6/29/2020	\$59,289,000	797,580	\$74.34	Black Creek Group
860 John B. Brooks Rd.	Northeast Atlanta Ind	8/11/2020	\$43,931,000	811,000	\$54.17	Exeter Property Group
830 GA-42	South Atlanta Ind	8/20/2020	\$42,338,700	972,350	\$43.54	Zinus, Inc.
7705 Staples Drive	I-20 West/Fulton Ind	9/16/2020	\$41,000,000	644,040	\$63.66	Bang Energy
PIB Logistics Center	Northeast Atlanta Ind	7/29/2020	\$30,500,000	442,000	\$69	PGIM, Inc.

Historical Absorption, Deliveries and Vacancy Rates



Vacancy & Availability

- Atlanta's industrial vacancy rate is back below 7% and has returned to the same level as the end of last year.
- Bulk warehouse vacancy decreased the most of any other product type, declining 200 basis points (2%) quarter-over-quarter. It is now at its lowest rate since the end of 2018.
- Given its robust occupancy gains in Q3, South Atlanta witnessed the sharpest drop in vacant space compared to all other industrial submarkets. I-20 West/Fulton Industrial's vacancy rate has been most impressive though, finishing the quarter at the lowest rate in the market (3.2%).
- Although Q2 experienced an increase in sublease space, this was not the case in the third quarter. A significant amount of current space available is in recently delivered buildings and those under construction.
- Atlanta is expected to see its industrial vacancy rate finish the year close to its current level given the Q4 outlook.

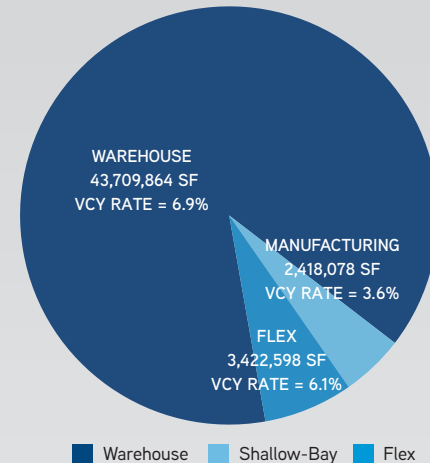
Absorption & Leasing Activity

- Industrial absorption topped 8.4 million square feet in Q3 which represents the third highest quarterly amount ever in Atlanta's history.
- Amazon was a significant contributor to the positive activity this quarter; however, Atlanta saw occupancy gains come from existing companies expanding their industrial footprint, and also a number of other companies opening their first locations in the market.
- Achieving its highest quarterly amount ever, South Atlanta led all other submarkets in space absorbed.
- Despite no new transactions by Amazon (believe it or not), Q3's leasing activity was solid. More deals transacted this quarter than any other since 2017.
- Preliminarily, the outlook for Q4 shows occupancy gains topping this quarter, as incredible as that may seem. Atlanta could see annual absorption of 20 million sq. ft. yet again.

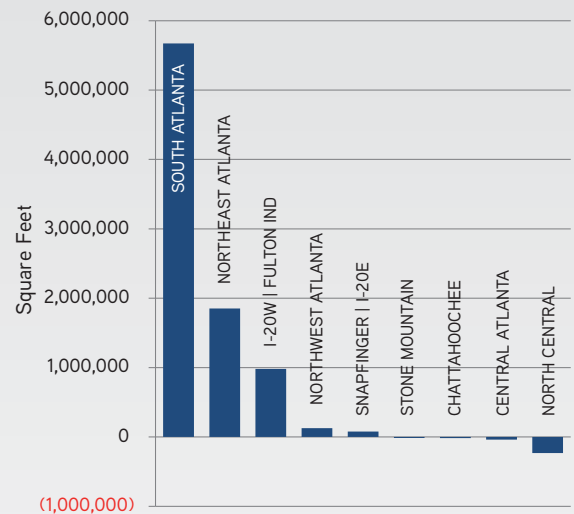
Rental Rates

- Although the Atlanta market is seeing continued positive activity, the average industrial rent decreased for the first time in eight years.
- Given supply and demand fundamentals, the reason for rents leveling off could be due to the record construction activity taking place.
- Most of Atlanta's submarkets saw warehouse rents decline during the quarter. South Atlanta and Snapfinger/I-20 East were the only major submarkets to see their average warehouse rates increase.
- Circumstances surrounding the direction of Atlanta's industrial rents will be closely followed over the coming quarters. Oversupply could be the reason for rents flattening; however, industrial demand still remains high.

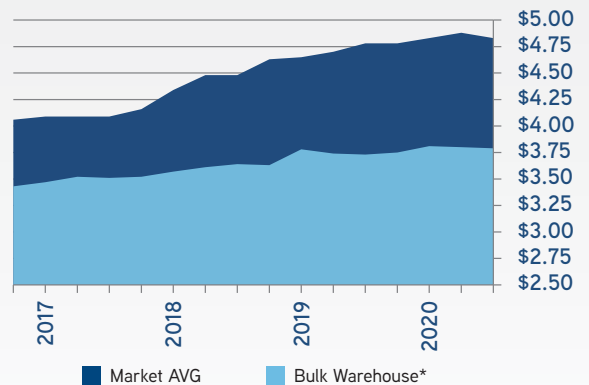
Q3 2020 | Vacant Space By Type



Q3 2020 | Net Absorption By Submarket



Q3 2020 | Atlanta Rental Rates Overall Market & Bulk Warehouse* (per sq. ft.)



*Bulk warehouse defined as warehouse space in excess of 200,000 SF with dock loading and minimum ceiling heights of 28 ft.

Sources: CoStar Property, Colliers Research

Construction

- › Industrial construction is on fire in Atlanta. Almost 10 million square feet of space broke ground in Q3; the most to ever occur in one quarter.
- › The amount of development taking place in the market is unprecedented. At 27 million square feet, never has Atlanta seen so much industrial product under construction.

Sales Activity

- › Investment activity picked up in the third quarter with just over \$500M transacted. User sales were also abundant totaling \$213M in Q3; Zinus and Bang Energy were two notable purchases.
- › As market fundamentals remain favorable, sales activity is expected to continue to pick up through the end of the year, which is usually busiest.

DEFINITIONS

Absorption (Net)-The net change in occupied space over a given period of time, calculated by summing all the positive changes in occupancy and subtracting all the negative changes in occupancy.

Vacancy Rate-A percentage of the total amount of physically vacant space divided by the total amount of existing inventory.

Bulk Warehouse-A type of building designed to be used for bulk storage or materials, distribution or heavy manufacturing. Typically has a small amount of office space, ceiling heights of 24' and bay depths of over 190'.

Shallow-Bay Distribution-A type of building designed to be used for the distribution of materials or as a medium-sized manufacturing facility. Typically has 10%-30% of office, ceiling heights of 18'-24' and bay depths of 120'-190'.

Flex-A type of building designed to be versatile, which may be used in combination with office, R&D, quasi-retail sales and industrial warehouse and distribution uses. Typically has at least 50% office and ceiling heights under 18'.

Leasing Activity-The volume of square footage that is committed to and signed for under a lease obligation for a specific building or market in a given period of time. It includes direct leases, subleases and renewals of existing leases. It also includes any pre-leasing activity for buildings under construction or planned.

Build-To-Suit-A term describing property that was developed specifically for a certain tenant to occupy. Can be either leased or owned by tenant.

Construction Activity (400,000 SF+)

PROPERTY	SUBMARKET	SIZE (SF)	DELIVERY DATE
Amazon-2100 W Park Blvd.	Stone Mountain Ind	2,800,000	Fourth Quarter 2020
Goodyear-139 Orchard Hills Pky	South Atlanta Ind	1,514,040	First Quarter 2021
Facebook Data Ctr.-Phase 2	Snapfinger/I-20E Ind	1,500,000	Fourth Quarter 2022
Majestic Airport Center V	South Atlanta Ind	1,150,000	Second Quarter 2021
RiverWest Distribution Ctr-III	I-20 West/Fulton Ind	1,111,040	Second Quarter 2021
Northwest 75 LC - Bldg. B	Northwest Atlanta Ind	1,108,990	Third Quarter 2021
SK Innovation - Phase I	Northeast Atlanta Ind	1,000,000	Third Quarter 2021
SK Innovation - Phase II	Northeast Atlanta Ind	1,000,000	First Quarter 2023
Facebook Data Ctr.-Shire Pkwy.	Snapfinger/I-20E Ind	970,000	First Quarter 2021
Shugart Farms-Oakley Ind.	South Atlanta Ind	907,610	Fourth Quarter 2020
Home Depot-1000 Logistics	South Atlanta Ind	664,000	First Quarter 2021
Home Depot-Gardner LP	South Atlanta Ind	657,600	Fourth Quarter 2020
85 South Commerce Ctr.	South Atlanta Ind	573,324	Fourth Quarter 2020
Intermodal Logistics Center	I-20 West/Fulton Ind	529,761	Second Quarter 2021
Airport Logistics Center	South Atlanta Ind	499,500	Fourth Quarter 2020
Greenwood 500	South Atlanta Ind	485,091	Fourth Quarter 2020
200 Riverpoint Rd - Bldg. 2	Northwest Atlanta Ind	401,774	Fourth Quarter 2020

Outlook

Despite the pandemic, Atlanta industrial continues to fire on all cylinders. In some ways COVID-19 has breathed new life into the market's aging expansion. The metrics show this: the third highest quarterly absorption in history, record construction activity, and continued strength in leasing. Though months now from Georgia having reopened its economy, e-commerce activity remains unwavering both locally and nationally, and continues to be a significant contributor to industrial space demand in Atlanta. E-commerce related and logistics company occupancies accounted for over half of the space absorbed this quarter. Because of the ongoing dynamics shaping consumer demand, companies have had to expand their distribution channels more rapidly than previously intended. As a regional hub with no barriers of entry, Atlanta continues to benefit from this. Third quarter industrial absorption, though dominated by one company, is proof. Looking ahead, the outlook for the final quarter of the year shows another period of strong occupancy gains, possibly leading to another year of 20 million square feet of space absorbed. There is some concern as to how long this momentum can continue, but for now, there appears to be no slowing the forces shaping Atlanta's industrial market.

Atlanta Industrial Market Update

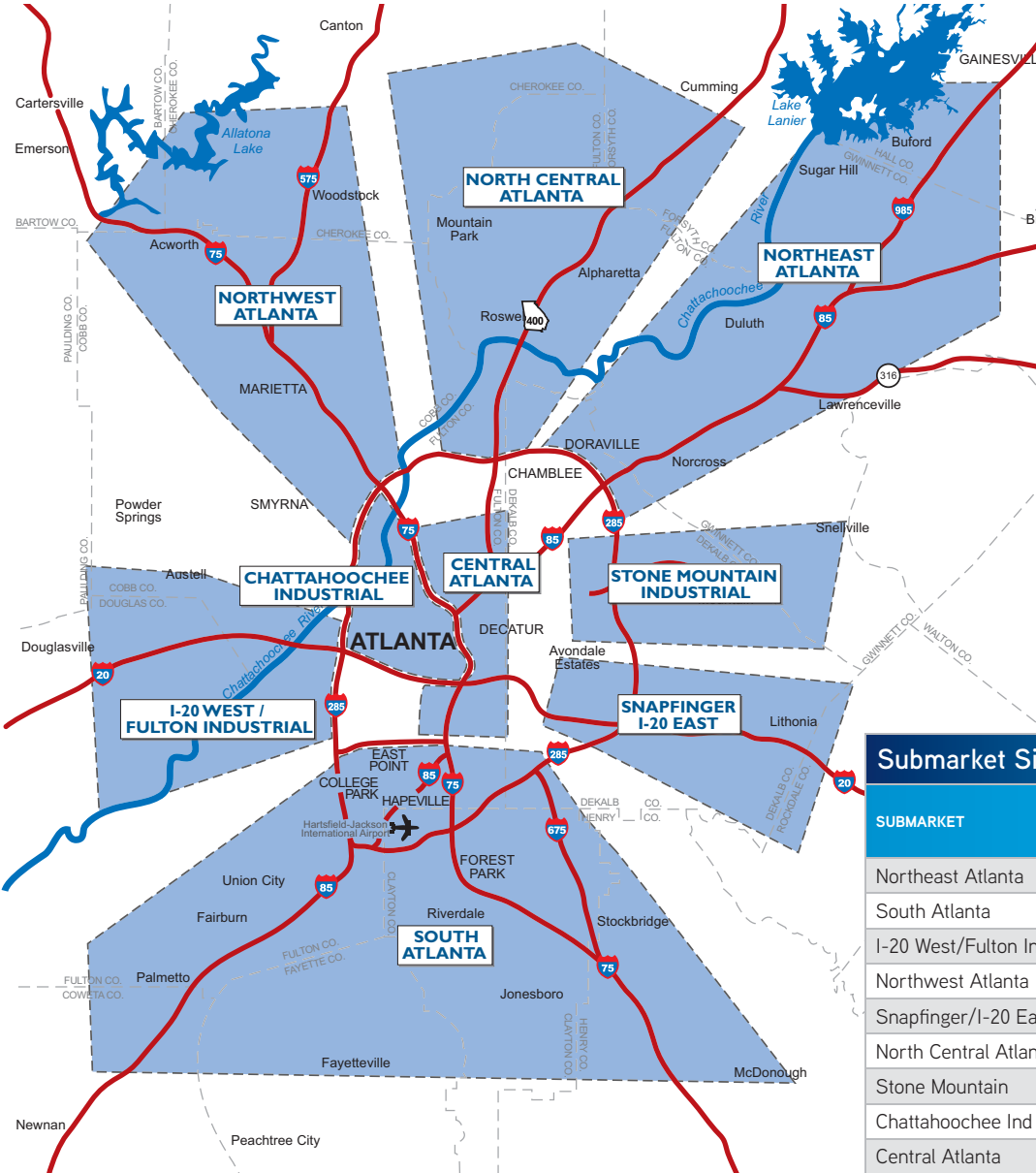
Existing Properties		Vacancy				Absorption		Deliveries		U/C	Rent		
CLASS	BLDGS	EXISTING INVENTORY (SF)	DIRECT VCY %	SUBLET VCY %	TOTAL VACANCY (SF)	VCY CURR QTR %	VCY PRIOR QTR %	NET ABSORP CURR (SF)	NET ABSORP YTD (SF)	NEW SUPPLY CURR (SF)	NEW SUPPLY YTD (SF)	UNDER CONSTR (SF)	AVG RENT RATE
CENTRAL ATLANTA IND.													
Flex	84	2,505,632	3.6%	0.1%	92,668	3.7%	3.3%	(9,065)	(3,480)	-	-	-	\$18.34
Manufacturing	14	1,521,580	7.6%	-	115,000	7.6%	7.6%	-	-	-	-	-	\$5.50
Warehouse	248	9,461,177	9.9%	0.1%	953,182	10.1%	7.7%	(223,709)	(309,972)	-	-	-	\$8.90
Total	346	13,488,389	8.5%	0.1%	1,160,850	8.6%	6.9%	(232,774)	(313,452)	-	-	-	\$10.35
CHATTAHOOCHEE IND.													
Flex	96	3,824,556	3.3%	0.4%	140,689	3.7%	4.1%	16,271	(21,975)	-	-	250,000	\$18.66
Manufacturing	17	1,683,414	1.2%	-	20,474	1.2%	0.0%	(20,474)	(20,474)	-	-	-	\$8.60
Warehouse	345	14,940,261	7.5%	0.4%	1,171,380	7.8%	7.8%	(11,599)	1,648	-	-	-	\$8.35
Total	458	20,448,231	6.2%	0.4%	1,332,543	6.5%	6.4%	(15,802)	(40,801)	-	-	250,000	\$10.60
I-20 W / FULTON IND.													
Flex	110	3,409,645	2.4%	0.4%	95,120	2.8%	3.7%	29,564	148,808	-	175,000	162,000	\$9.37
Manufacturing	61	6,409,425	2.4%	-	153,837	2.4%	2.4%	-	(36,800)	-	-	-	\$4.85
Warehouse	1,129	103,604,920	3.0%	0.3%	3,415,856	3.3%	4.0%	950,932	3,100,191	231,400	1,859,000	4,099,830	\$4.06
Total	1,300	113,423,990	3.0%	0.3%	3,664,813	3.2%	3.9%	980,496	3,212,199	231,400	2,034,000	4,261,830	\$4.12
NORTH CENTRAL ATLANTA IND.													
Flex	241	8,508,825	5.1%	0.1%	438,604	5.2%	6.0%	73,807	(59,373)	-	-	40,000	\$11.30
Manufacturing	32	3,045,429	7.2%	-	217,773	7.2%	5.6%	(47,000)	(44,500)	-	138,373	-	\$7.15
Warehouse	542	20,028,260	4.7%	0.1%	952,831	4.8%	4.4%	(65,043)	(164,818)	14,000	230,138	291,342	\$7.47
Total	815	31,582,514	5.0%	0.1%	1,609,208	5.1%	4.9%	(38,236)	(268,691)	14,000	368,511	331,342	\$8.41
NORTHEAST ATLANTA IND.													
Flex	626	17,654,628	7.0%	0.3%	1,287,367	7.3%	7.7%	71,575	(104,914)	-	-	20,000	\$9.31
Manufacturing	141	15,174,000	1.2%	-	184,379	1.2%	1.3%	6,256	6,256	-	-	2,363,480	\$5.52
Warehouse	2,353	183,414,650	7.5%	0.3%	14,445,213	7.9%	8.0%	1,773,256	3,467,711	1,620,175	3,996,145	1,665,757	\$4.55
Total	3,120	216,243,278	7.0%	0.3%	15,916,959	7.4%	7.5%	1,851,087	3,369,053	1,620,175	3,996,145	4,049,237	\$4.85
NORTHWEST ATLANTA IND.													
Flex	301	8,847,120	7.7%	0.8%	745,740	8.4%	7.5%	(53,021)	(216,131)	30,000	30,000	45,500	\$12.26
Manufacturing	94	10,363,972	2.1%	-	222,806	2.1%	1.8%	(37,500)	(97,500)	-	-	418,000	\$4.54
Warehouse	1,215	60,049,232	4.4%	0.3%	2,819,624	4.7%	4.6%	216,983	559,916	274,643	597,143	3,052,167	\$5.50
Total	1,610	79,260,324	4.5%	0.3%	3,788,170	4.8%	4.6%	126,462	246,285	304,643	627,143	3,515,667	\$5.85
SNAPFINGER / I-20 EAST IND.													
Flex	113	3,211,044	5.2%	-	168,402	5.2%	5.8%	17,231	40,056	-	-	2,470,000	\$6.58
Manufacturing	57	8,399,712	5.6%	-	467,000	5.6%	5.6%	-	13,345	-	-	-	\$2.50
Warehouse	539	37,244,848	3.3%	0.7%	1,485,514	4.0%	2.7%	60,394	496,618	548,240	736,465	216,000	\$4.68
Total	709	48,855,604	3.8%	0.5%	2,120,916	4.3%	3.4%	77,625	550,019	548,240	736,465	2,686,000	\$4.01
SOUTH ATLANTA IND.													
Flex	220	5,025,848	2.2%	-	112,773	2.2%	3.3%	53,243	46,756	-	-	-	\$7.81
Manufacturing	146	18,478,561	5.1%	0.2%	979,683	5.3%	5.3%	4,400	(51,280)	-	-	-	\$2.95
Warehouse	1,528	183,340,892	9.2%	0.3%	17,310,663	9.4%	11.6%	5,615,396	6,401,401	1,918,023	6,488,779	8,771,486	\$3.90
Total	1,894	206,845,301	8.7%	0.2%	18,403,119	8.9%	10.8%	5,673,039	6,396,877	1,918,023	6,488,779	8,771,486	\$3.83
STONE MOUNTAIN IND.													
Flex	130	3,565,680	9.0%	0.5%	341,235	9.6%	7.6%	(68,587)	(53,509)	-	-	-	\$8.28
Manufacturing	38	2,542,624	2.2%	-	57,126	2.2%	0.0%	(57,126)	(35,526)	-	-	-	\$5.00
Warehouse	457	21,842,339	4.6%	0.7%	1,155,601	5.3%	5.1%	110,371	383,729	160,943	324,943	2,896,000	\$5.38
Total	625	27,950,643	4.9%	0.6%	1,553,962	5.6%	5.0%	(15,342)	294,694	160,943	324,943	2,896,000	\$5.95
ATLANTA MARKET GRAND TOTAL													
Flex	1,921	56,552,978	5.7%	0.3%	3,422,598	6.1%	6.2%	131,018	(223,762)	30,000	205,000	2,987,500	\$10.80
Manufacturing	600	67,618,717	3.5%	0.0%	2,418,078	3.6%	3.4%	(151,444)	(266,479)	-	138,373	2,781,480	\$4.01
Warehouse	8,356	633,926,579	6.6%	0.3%	43,709,864	6.9%	7.5%	8,426,981	13,936,424	4,767,424	14,232,613	20,992,582	\$4.57
Total	10,877	758,098,274	6.2%	0.3%	49,550,540	6.5%	7.1%	8,406,555	13,446,183	4,797,424	14,575,986	26,761,562	\$4.83

Quarterly Comparisons and Totals													
Q3-20	10,877	758,098,274	6.2%	0.3%	49,550,540	6.5%	7.1%	8,406,555	13,446,183	4,797,424	14,575,986	26,761,562	\$4.83
Q2-20	10,856	753,300,850	6.7%	0.3%	53,159,671	7.1%	7.1%	4,663,531	5,039,628	4,280,047	9,778,562	22,367,678	\$4.88
Q1-20	10,839	749,020,803	6.9%	0.3%	53,543,155	7.1%	6.5%	376,097	376,097	5,498,515	5,498,515	23,485,331	\$4.83
Q4-19	10,816	743,522,288	6.3%	0.2%	48,420,737	6.5%	6.4%	4,679,520	16,380,894	6,181,431	21,934,019	21,780,725	\$4.78
Q3-19	10,794	737,340,857	6.2%	0.2%	46,918,826	6.4%	6.6%	6,178,309	11,701,374	5,040,685	15,752,588	21,634,064	\$4.78

NOTE: STATISTICAL SET INCLUDES ALL INDUSTRIAL PROPERTIES 10,000 SF AND UP, EXCLUDING HEAVY MANUFACTURING PROPERTIES. WHILE CoSTAR ATTEMPTS TO PROVIDE THE MOST ACCURATE DATA AT THE END OF EVERY QUARTER, REVISIONS ARE MADE THROUGHOUT THE YEAR ACCOUNTING FOR DISCREPANCIES IN PAST REPORTING.

SOURCES: CoSTAR PROPERTY, COLLIERS RESEARCH

Atlanta Industrial Submarkets



INDUSTRIAL SUBMARKETS

The Atlanta industrial market consists of nine submarkets. They include Central Atlanta, Chattahoochee Industrial, I-20 West/Fulton Industrial, North Central Atlanta, Northeast Atlanta, Northwest Atlanta, Snapfinger/I-20 East, South Atlanta and Stone Mountain Industrial. The major interstates in the region include: I-75, I-85, I-285, I-575, I-985, I-675 and I-20. Georgia 400 and US 316 also play important roles to Atlanta's transportation system.

Submarket Size & Occupancy		
SUBMARKET	SIZE	OCCUPANCY %
Northeast Atlanta	216.2 msf	92.6%
South Atlanta	206.8 msf	91.1%
I-20 West/Fulton Ind	113.4 msf	96.8%
Northwest Atlanta	79.3 msf	95.2%
Snapfinger/I-20 East	48.9 msf	95.7%
North Central Atlanta	31.6 msf	94.9%
Stone Mountain	28.0 msf	94.4%
Chattahoochee Ind	20.4 msf	93.5%
Central Atlanta	13.5 msf	91.4%

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