

2020 North America Industrial Big Box

Review & Outlook

CBRE RESEARCH



CBRE

Atlanta



Atlanta is the gateway to the Southeast, with excellent logistics infrastructure that allows distributors to easily reach consumers at affordable rates compared with other major Tier 1 markets. Atlanta's quality and depth of labor, along with its pro-business climate, creates a very compelling value proposition for distributors."

– Tony Kepano, Vice Chairman





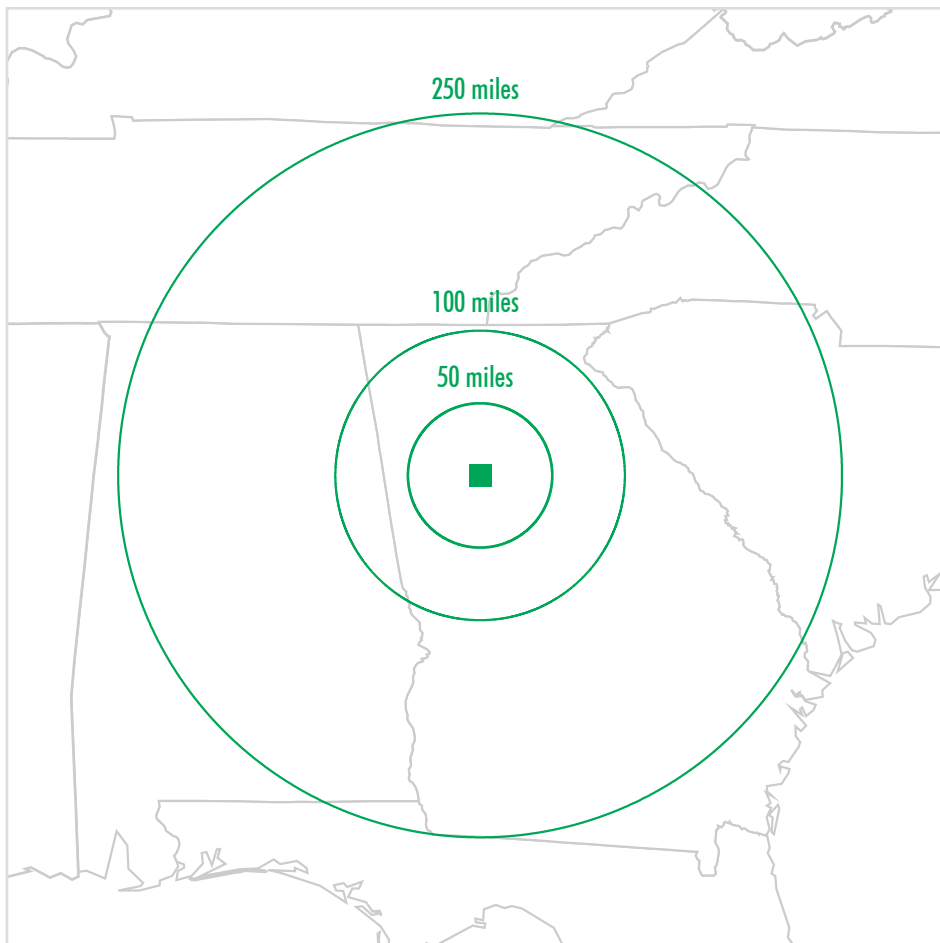
Atlanta

Demographics

Atlanta is the major population center of the Southeast and one of the fastest growing MSAs in the country. More than 6 million people live within 50 miles of the market core. This is expected to grow by 7.3% over the next five years. Nearly 30 million people live within 250 miles of the market core, 23.1% of whom are in the 18-to-34 age group.

According to [CBRE Labor Analytics](#), the Atlanta MSA has 123,993 warehouse workers—a workforce that is expected to grow by 16% by 2030. The average wage for non-supervisory warehouse workers is \$13.49 per hour, 4.1% lower than the national average.

Figure 1: Atlanta Population Analysis



Distance from Downtown Atlanta	2020 Total Population	5 Year Growth
50 miles	6,146,779	7.3%
100 miles	9,036,533	5.9%
250 miles	29,308,529	5.0%

Source: CBRE Location Intelligence.

Figure 2: Atlanta Warehouse & Storage Labor Fundamentals



Source: CBRE Labor Analytics.

*Median Wage (1 year experience); Non-Supervisory Warehouse Workers (forklift, warehouse workers).

Location Incentives

Over the past five years, there have been 47 economic incentives deals totaling more than \$82 million at an average of \$3,097 per new job in the Atlanta metropolitan area, according to Wavteq.

According to [CBRE's Location Incentives Group](#), among the top incentive programs offered in metro Atlanta is the Regional Economic Business Assistance (REBA) program, which is a discretionary cash grant used to enhance Georgia's competitiveness in attracting economic development projects. REBA is considered a "deal-closing" grant in that it incentivizes companies to consider Georgia over other states or countries for their location or

expansion. REBA funds may be used for any fixed-asset costs, including infrastructure, construction, real estate and personal property.

Another incentive program available in metro Atlanta is the Job Tax Credit, which awards businesses for creating net new full-time jobs. These credits can be applied toward a company's corporate income tax liability or reduce the company's payroll withholding requirements. To qualify, companies must be engaged in headquarters or R&D operations, or one of the following industries: manufacturing, warehousing/distribution/logistics, software development, contact centers, data centers, telecommunications and financial technology.

Figure 3: Atlanta Top Incentive Programs

Program	Description
Job Tax Credit	Up to \$3,500 in annual tax savings per job up to five years; \$500 bonus for Joint Development Authority; \$1,250 bonus for increase in imports or exports through a Georgia port by 10%
Investment Tax Credit	Tax credit equal to 1-9% of qualified capital investment
Quality Jobs Tax Credit	Tax credit (refundable) of \$2,500 up to \$5,000 per new job, depending on payroll threshold of the county, per year, up to 5 years
Georgia Quick Start Program	Customized job training services
REBA Grant	Discretionary cash grant program
Property Tax Abatements	Discretionary abatement of real estate taxes and personal property taxes
Mega Project Tax Credit	Tax credit of \$5,250 per job, per year for the first five years of each qualifying job that is created during a specified number of years

Source: CBRE Location Incentives Group.

Note: The extent, if any, of state and local offerings depends on location and scope of the operation.

Atlanta

Logistics Driver

From port to rail to air to road, Atlanta offers a plethora of logistics options. With service from CSX Transportation, Norfolk Southern and nearly two dozen short-line railroad companies, Atlanta has the most extensive rail system in the Southeast and serves as the region's largest intermodal hub. Interstate highways connect to 80% of the U.S. population within a two-day truck drive.

[Atlanta Hartsfield-Jackson International Airport](#) continues to see year-over-year gains in cargo volume. And Georgia's seaports serve as magnets

for international trade and investment. As the westernmost container port on the U.S. East Coast, the [Port of Savannah](#) enjoys a significant geographical advantage in reaching inland markets. Opened in 2018, the [Appalachian Regional Port](#) also is a gateway to North American markets. A network of major interstates, including north-south corridors I-95 and I-75 and east-west routes I-16, I-20 and I-85, means key cities and manufacturing points throughout the Southeast and Midwest can be reached within a one- to two-day drive.

Capital Markets



Atlanta posted a robust year of investment transactions. Pre-COVID cap rates were in the mid-4% range and trended to the +/- 4.20% range at the end of 2020. Cap rates should continue to compress across all classes and risk profiles and be either 4% or sub-4% for the next big core offering. Additionally, there is ample value-add capital pursuing existing buildings with vacancy or forward take-outs for speculative shell buildings.”

– Chris Riley, Vice Chairman

Figure 4: Cap Rate Comparison

	Class A	Class B
2020	4.20% - 4.75%	5.75% - 6.25%
2019	4.50% - 5.00%	5.25% - 6.00%

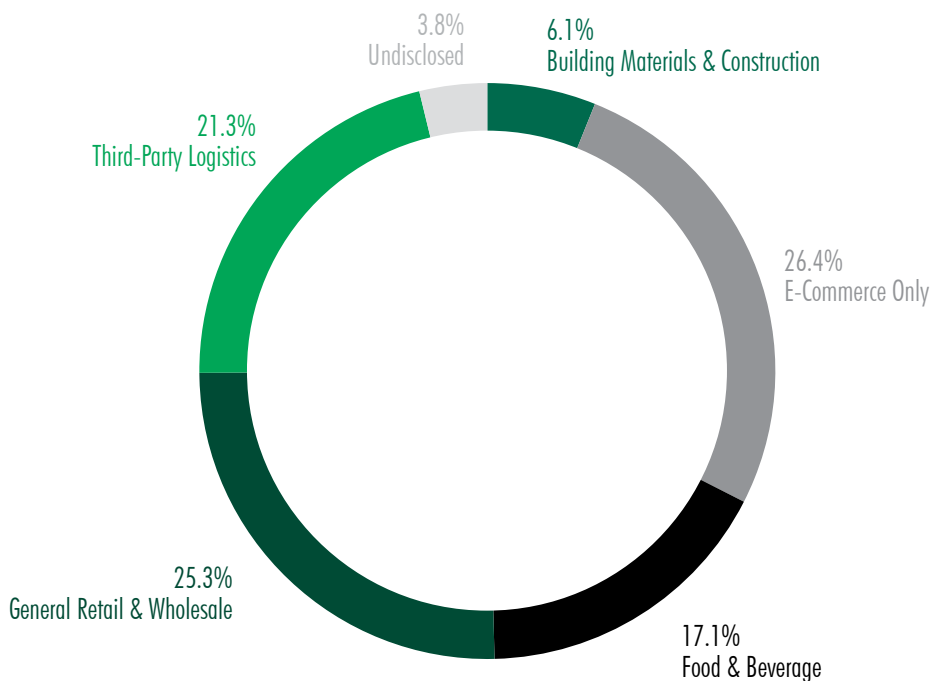
Source: CBRE Research.

Supply & Demand

With 310 million sq. ft. of total inventory, Atlanta is one of the five largest big-box industrial markets in North America. Transaction volume totaled 30.6 million sq. ft. last year, 39% higher than in 2019. Atlanta was one of the most active markets for mega big-box transactions, signing 13 of the nation's top 100 deals in 2020. Overall net absorption increased to 15.5 million sq. ft last year, lowering the direct vacancy rate by 70 basis points (bps) to 7.0%.

E-commerce companies remain the major driver of demand, accounting for 26.4% of all transactions last year. Developers remain bullish on Atlanta and completed 11.4 million sq. ft in 2020, slightly higher than the 10.1 million sq. ft. in 2019. The under-construction total increased to 18.5 million sq. ft., with nearly 34% of it preleased. Robust preleasing activity will lower the chance of oversupply in 2021 and keep taking rents on the rise, most likely averaging more than \$4 per sq. ft. by year-end.

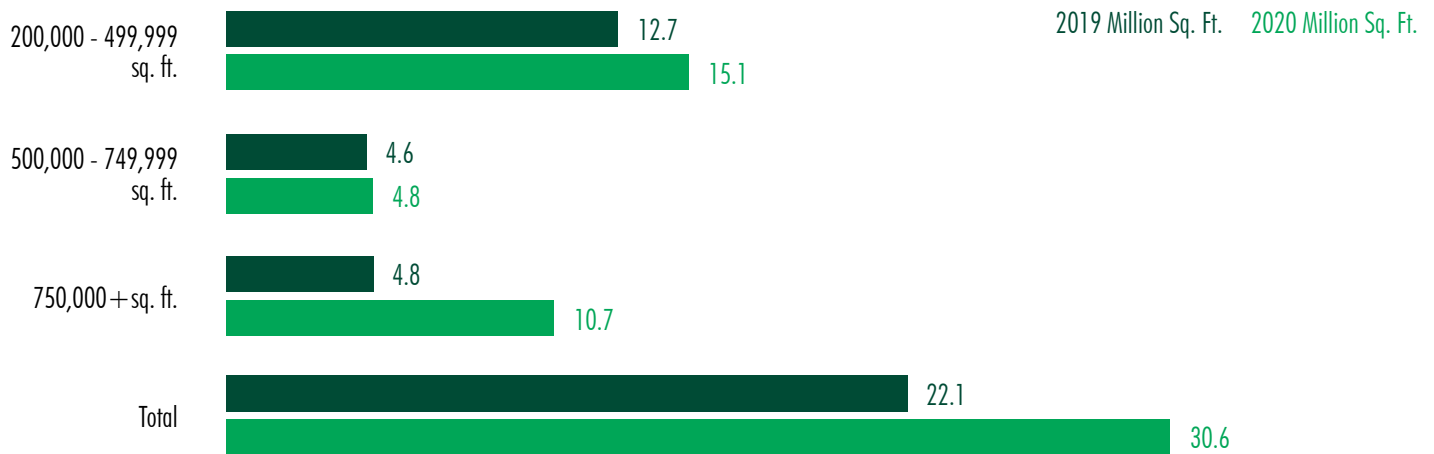
Figure 5: 2020 Occupier Transaction Market Share



Source: CBRE Research.

Atlanta

Figure 6: Transaction Volume



Note: Includes new leases, renewals, and user sales transactions 200,000 sq. ft. and above.
Source: CBRE Research.

Figure 7: Big Box Year-Over-Year Data Comparison

2020						
	# of Existing Buildings	Existing Inventory SF	Direct Vacancy Rate	Overall Net Absorption	Construction Completions	First Year NNN Taking Rent psf/yr
200,000-499,999 SF	560	166,209,043	6.4%	6,078,128	3,357,265	\$3.92
500,000-749,999 SF	90	54,648,573	3.1%	2,724,781	1,728,588	\$3.75
750,000+ SF	81	89,210,735	10.6%	6,735,604	6,364,115	\$3.66
Total	731	310,068,351	7.0%	15,538,513	11,449,968	\$3.91
2019						
	# of Existing Buildings	Existing Inventory SF	Direct Vacancy Rate	Overall Net Absorption	Construction Completions	First Year NNN Taking Rent psf/yr
200,000-499,999 SF	540	159,844,928	6.6%	4,488,670	3,657,948	\$3.80
500,000-749,999 SF	87	52,919,985	5.3%	2,934,120	2,767,555	\$3.70
750,000+ SF	76	82,221,416	11.4%	2,976,173	3,657,948	\$3.53
Total	703	294,986,329	7.7%	10,398,963	10,083,451	\$3.63

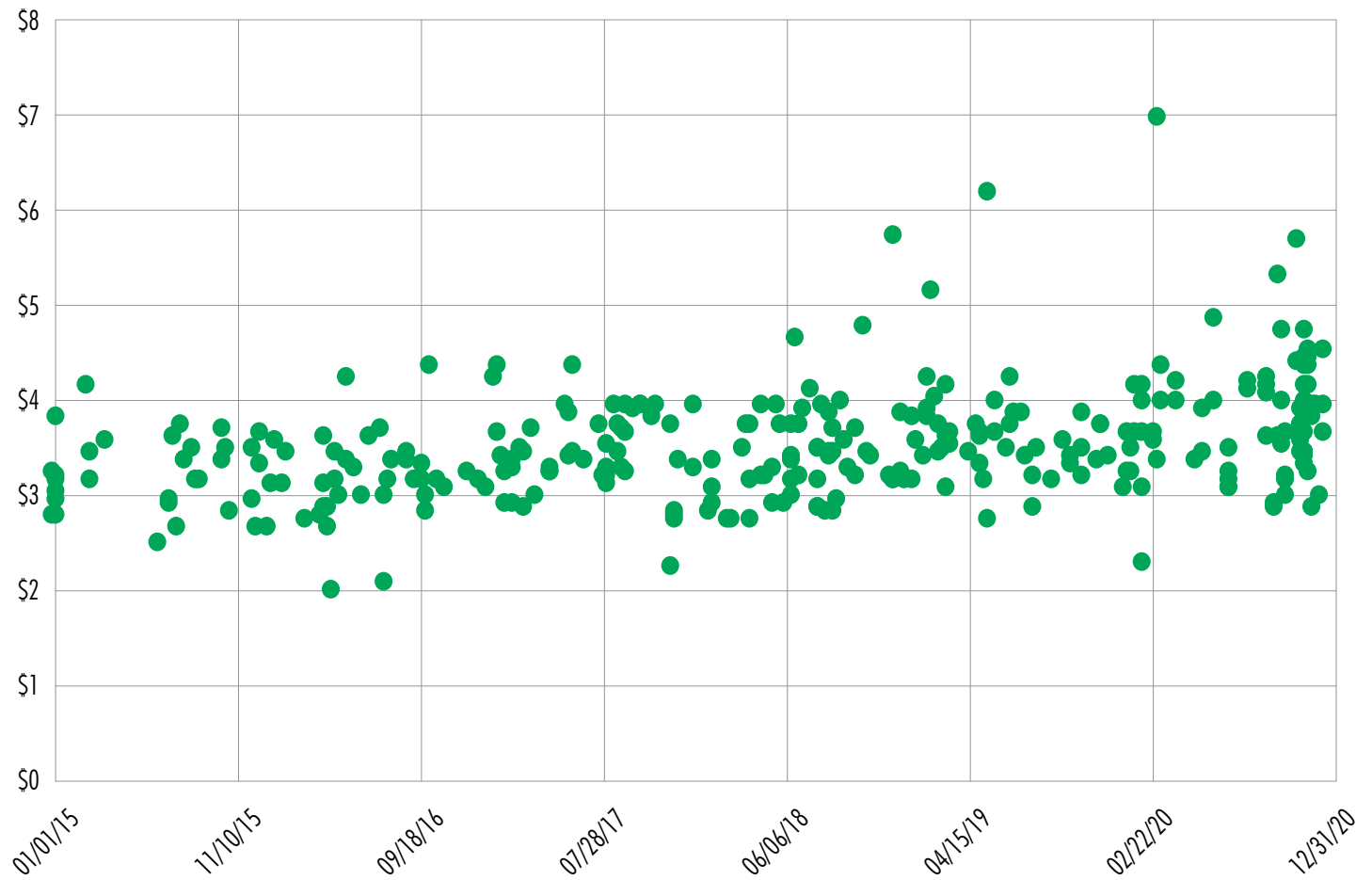
Source: CBRE Research.

Figure 8: Under Construction & Percentage Released

	2020 Under Construction Sq. Ft.	% Released
200,000-499,999 sq. ft.	7,763,868	32.4%
500,000-749,999 sq. ft.	2,996,437	77.8%
750,000+ sq. ft.	7,748,392	18.0%
Total	18,508,697	33.7%

Source: CBRE Research.

Figure 9: First Year Taking Rents (psf/yr)



Note: Includes first year taking rents for leases 200,000 sq. ft. and above.
Source: CBRE Research.

Contacts

James Breeze

*Senior Director Research
Head of Industrial & Logistics
Research, Global*
+1 602 735 1939
james.breeze@cbre.com

Matthew Walaszek

*Director of Research
Industrial & Logistics Research,
Global*
+1 312 297 7686
matthew.walaszek@cbre.com

John Morris

*Executive Managing Director,
Americas Industrial & Logistics and
Retail Leader*
+1 630 573 7000
john.morris1@cbre.com

Richard Barkham, Ph.D.

*Global Chief Economist &
Head of Americas Research*
+1 617 912 5215
richard.barkham@cbre.com
@RichardJBarkham

Spencer Levy

*Chairman Americas Research &
Senior Economic Advisor*
+1 617 912 5236
spencer.levy@cbre.com
@SpencerGLevy

Contributors

Susan Kitzmiller

Divisional Research Director
+1 513 369 1355
susan.kitzmiller@cbre.com

Kristin Sexton

*Senior Managing Director,
Consulting Practice*
+1 602 735 5247
kristin.sexton@cbre.com

Tyler Heard

GIS Specialist 2
+1 602 627 7539
tyler.heard@cbre.com

John Lenio

*Executive Vice President,
Economist*
+1 602 735 5514
john.lenio@cbre.com

Marc Meehan

Director, Canada Research
+1 647 943 4205
marc.meehan@cbre.com

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