

MARKETBEAT ATLANTA

Industrial Q3 2022



YoY
Chg

12-Mo.
Forecast

2.9%

Vacancy Rate



22.9M

YTD Net Absorption, SF



\$7.14

Asking Rent, PSF



Overall, Net Asking Rent

ECONOMIC INDICATORS Q3 2022

YoY
Chg

12-Mo.
Forecast

3.0M

Atlanta
Employment



2.7%

Atlanta
Unemployment Rate



3.5%

U.S.
Unemployment Rate



Source: BLS

ECONOMY: GPA Surpassing Record Highs

Atlanta's industrial sector continues to surge as the market remains attractive with a 3.4-million-person labor force and higher industrial wages than that of the U.S. average. Annual job growth in the trade, transportation, and utilities sector and the manufacturing sector expanded by 5.8% and 3.5%, respectively.

Georgia Ports Authority continued to drive opportunity and growth throughout the state, fueling regional demand in Metro Atlanta. Consistently surpassing record highs, the Port of Savannah registered 575,513 twenty-foot equivalent container units (TEUs) in August, an increase of 18.5% from the same month last year. The August throughput pushed the port to record the fastest timespan within a fiscal year to hit one million TEUs.

DEMAND: Tenant Demand Remains Widespread Across the Metro

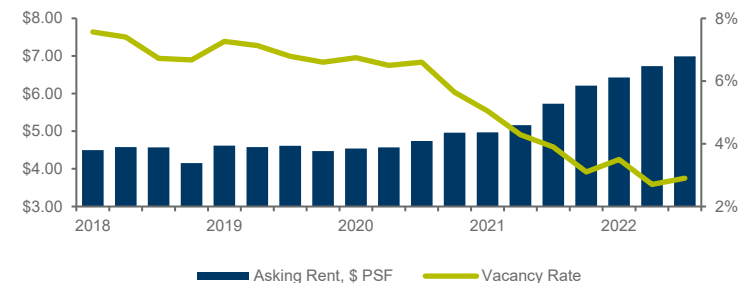
While leasing activity dropped slightly for the first time in several quarters, activity remained robust during the third quarter as Metro Atlanta's industrial market recorded 7.9 million square feet (msf) of new demand, lifting the year-to-date (YTD) total to 31.7 msf. Though demand did not reach the heights of prior quarters, representing a 38.9% decrease from Q2's total, leasing remained widespread throughout the metro across varying tenant industries with 3PLs, manufacturers, and retailer/wholesalers comprising the top three. Three submarkets exceeded 1.0 msf of new quarterly leasing: I-75 South (2.4 msf), I-85 North (1.9 msf), and I-85 South (1.0 msf). Small- to mid-size deals accounted for the bulk of new demand for the quarter, with only four leases signed above 500,000 square feet (sf); 79.8% of quarterly leasing activity were deals less than 100,000 sf.

Metro Atlanta reached 4.5 msf of net absorption during the third quarter, bringing the YTD total to 22.9 msf. Occupancy gains were bolstered by 16 tenants moving into spaces 100,000 sf and larger. I-75 South and I-75 North led the metro in absorption gains, with Home Depot and SK Innovation occupying 1.0 msf each.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & DIRECT ASKING RENT



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SUPPLY: New Deliveries Begin to Alleviate Supply Shortages

Overall vacancy ticked up slightly from last quarter, increasing modestly to 2.9% in Q3. Still, vacancy hovers below the 3% mark, a historic low, and below the U.S. national average of 3.2%. The I-75 South and Stone Mountain/Tucker/Decatur submarkets boasted the lowest vacancy rates of 1.8% and 1.9%, respectively. I-85 North, the largest submarket with more than 178 msf of inventory, secured a vacancy rate of just 3.3%, near its historic low.

The industrial pipeline reached 48.1 msf under construction, an impressive figure for Atlanta. Of the total pipeline, nearly 18.2 msf is slated to deliver through the remainder of the year, providing much-needed additional opportunities for tenants seeking space across the metro. Ongoing material delays have prolonged the typical construction timeline from nine months to 15 months, dependent upon when landlords can access critical materials such as roofing and concrete. The largest speculative construction project currently underway, Gardner Logistics Park-Phase III, was home to Atlanta's largest lease of Q3. The 1.5-msf spec development is now 69.0% pre-leased to an undisclosed tenant. Busch Commerce Center, slated to deliver in Q2 of next year, boasts 1.2 msf of space in the I-75 North submarket. As of Q3, the I-85 North Corridor claimed the largest amount of industrial space under construction at 16.4 msf.

More than 5.7 msf of industrial product delivered during Q3, driving the YTD total to 21.5 msf. However, 11 buildings were delivered without pre-leasing in Q3, an uptick from the previous quarter. This change is partly driven by the relatively high volume of large tenant requirements in Q2 compared to Q3, including USPS and Dollar General each inking 1.0-msf deals within new product last quarter. In total, more than 71.0% of the speculative space delivered in 2022 YTD has already been leased. While leasing activity has decreased this quarter, the YTD total remains strong with 31.7 msf of deals signed as five submarkets exceeded 4.0 msf of leasing.

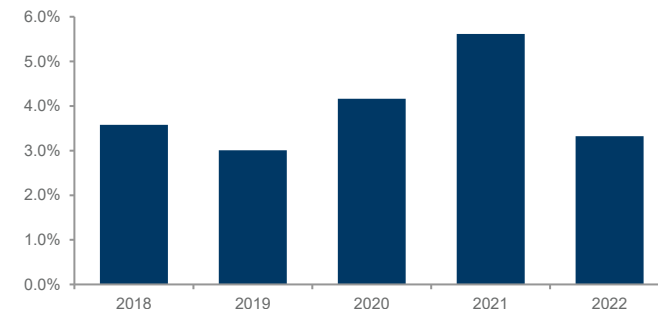
RENTAL RATES: Unparalleled Growth Continues

Atlanta's direct average asking rental rate rose to \$6.99 per square foot (psf) for all industrial product, reaching a new record high for the 11th consecutive quarter. Rising at an accelerated rate of 22.0% year-over-year (YOY) in Q3, all ten submarkets in the metro now average more than \$5.40 psf. Airport/South Atlanta holds the most affordable rates at \$5.46 psf. W/D specific rental rates spiked to \$6.02 psf, an increase of 32.9% YOY.

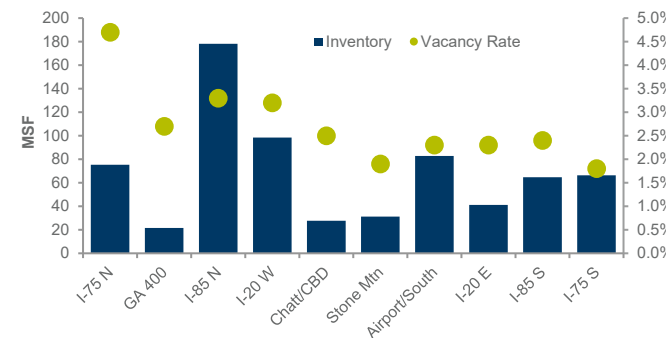
OUTLOOK

- Ongoing supply chain issues lengthen delivery timelines and recent changes in the debt market are making construction financing more difficult to obtain. Deliveries are projected to stabilize in late-2023.
- Rents continue to escalate at unprecedented rates as tight labor conditions persist. The evolution of this dynamic will play out in more suburban locations that have been historically more resistant to rental rate increases.
- Atlanta's large population and access to transportation infrastructure like ports, rail, and major interstates will further solidify its international appeal as a top-tier industrial market.

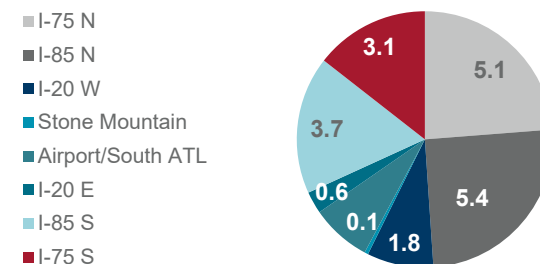
INDUSTRIAL NET ABSORPTION AS % OF INVENTORY



SUBMARKET COMPARISON



2022 YTD CONSTRUCTION DELIVERIES (MSF)



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MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	OVERALL VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	UNDER CNSTR (SF)	CONSTR COMPLETIONS (SF)	OVERALL WEIGHTED AVG NET RENT (MF)	OVERALL WEIGHTED AVG NET RENT (OS)	OVERALL WEIGHTED AVG NET RENT (W/D)
I-75 North Corridor	75,275,050	3,549,773	4.7%	1,256,892	4,485,860	8,210,543	5,072,954	N/A	\$12.84	\$5.73
Georgia 400 Corridor	21,600,532	583,915	2.7%	-39,165	143,360	731,572	0	N/A	\$13.93	\$9.03
I-85 North Corridor	178,192,590	5,842,930	3.3%	800,548	6,578,736	16,348,478	5,380,028	N/A	\$8.23	\$5.64
I-20 West/Fulton Industrial	98,495,237	3,125,478	3.2%	-327,260	1,185,535	6,750,173	1,846,950	N/A	\$7.77	\$6.85
Chattahoochee/CBD	27,724,412	679,819	2.5%	180,309	257,725	0	30,934	\$7.25	\$31.62	\$9.17
Stone Mountain/Tucker	31,181,363	579,454	1.9%	-94,187	49,486	0	96,000	\$5.50	\$17.78	\$6.30
Airport/South Atlanta	82,861,409	1,906,152	2.3%	493,169	2,510,234	3,368,463	1,628,820	N/A	\$10.61	\$5.29
I-20 East/Snapfinger/Rockdale	41,156,122	942,987	2.3%	27,603	244,585	3,250,338	594,357	N/A	N/A	\$5.75
I-85 South/Peachtree City	64,973,890	1,573,663	2.4%	-131,041	2,934,595	3,432,618	3,727,816	N/A	N/A	\$6.43
I-75 South/Henry County	66,284,830	1,183,080	1.8%	2,325,666	4,462,384	5,978,674	3,113,804	N/A	N/A	\$6.49
ATLANTA TOTALS	687,745,435	19,967,251	2.9%	4,492,534	22,852,500	48,070,859	21,491,663	\$6.35	\$15.38	\$6.08

*Rental rates reflect weighted net asking \$psf/year

MF = Manufacturing, OS = Office Service/Flex, W/D = Warehouse/Distribution

KEY LEASE TRANSACTIONS Q3 2022

PROPERTY	SUBMARKET	TENANT	SF	LEASE TYPE*
Gardner Logistics Phase III, 381 Davis Lake Road	I-75 South/Henry County	Confidential	1,003,954	Pre-Lease
500 Business Center Drive	I-75 South/Henry County	Dollar General	710,451	New Lease
Palmetto Logistics Center, 7965 Bowen Road	I-85 South/Peachtree City	Syncreon Technology	686,038	New Lease
Bright Star Logistics Center, 7660 Wood Road	I-20 West/Fulton Industrial	Unis, LLC	500,400	New Lease
Camp Creek 3201, 3201 Centre Parkway	Airport/South Atlanta	CEVA Freight, LLC	404,700	Renewal
2529 Old Anvil Block Road	I-75 South/Henry County	Expeditors	402,500	Renewal

*Renewals not included in leasing statistics

KEY CONSTRUCTION COMPLETIONS Q3 2022

PROPERTY	SUBMARKET	MAJOR TENANT	SF	CONSTRUCTION TYPE	OWNER/DEVELOPER
SK Innovation Battery Plant Phase II, 1522 Steve Reynolds Pky	I-85 North Corridor	SK Battery	1,000,000	Build-To-Suit	SK Innovation Co.
4200 Falcon Pky	I-85 North Corridor	Makita	600,000	Build-To-Suit	Makita
Pendergrass Logistics Center, 480 Village Pky	I-85 North Corridor	GFA	532,980	Speculative	Seabrook Capital Partners

KEY PROJECTS UNDER CONSTRUCTION

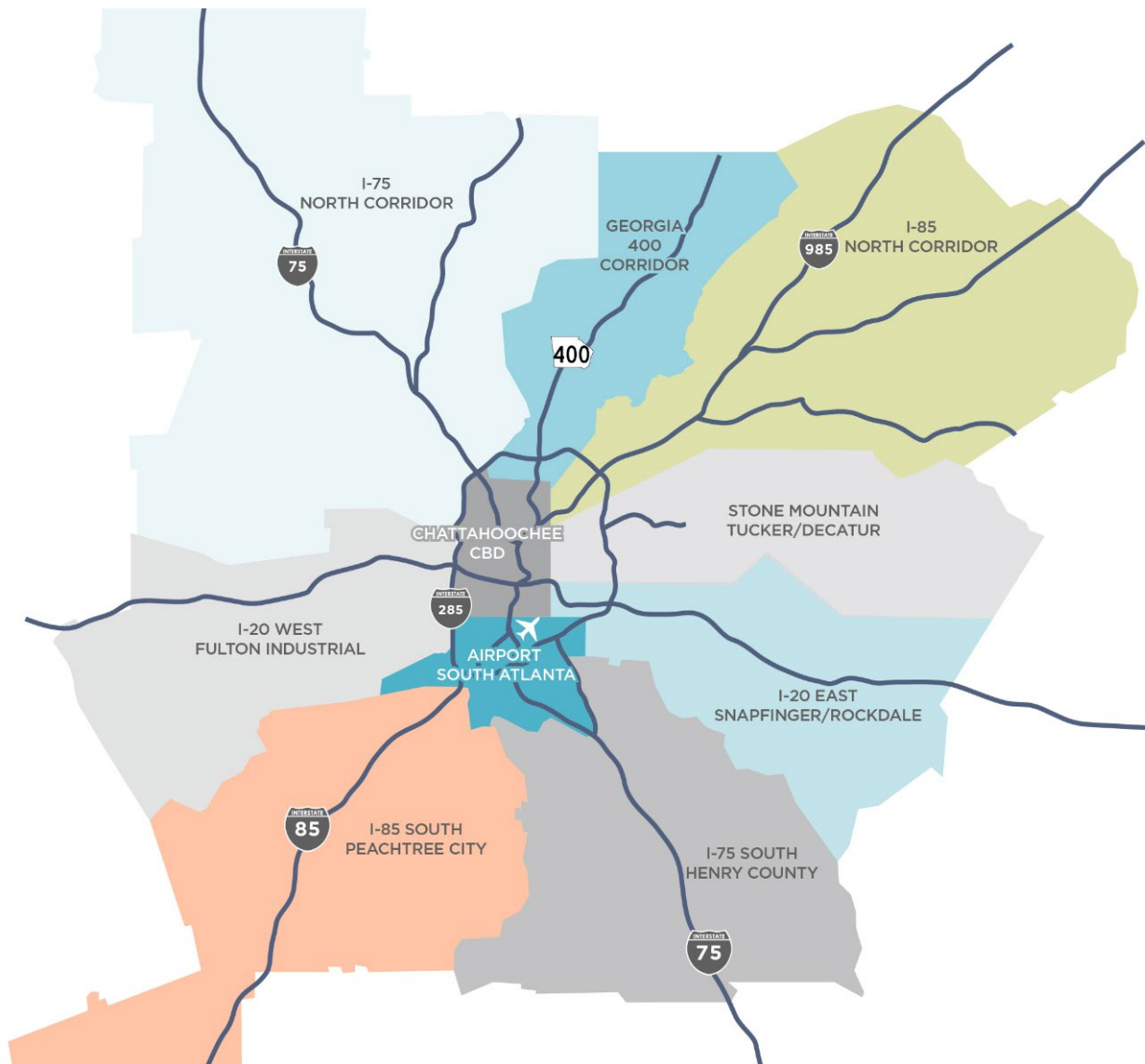
PROPERTY	SUBMARKET	MAJOR TENANT	SF	CONSTRUCTION TYPE	OWNER/DEVELOPER
Gardner Logistics Park Phase III, 381 Davis Lake Road	I-75 South/Henry County	Confidential	1,454,520	Speculative	Scannell Properties
Busch Commerce Center, Cass White Road	I-75 North Corridor	N/A	1,218,620	Speculative	CF Real Estate Investments
Northeast 85 Logistics Center Bldg 2, 421 Toy Wright Road	I-85 North Corridor	N/A	1,174,768	Speculative	Core 5 Industrial Partners

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