

MARKETBEAT ATLANTA



Industrial Q4 2022

	YoY Chg	12-Mo. Forecast
3.3% Vacancy Rate	▲	▲
29.4M YTD Net Absorption, SF	▼	—
\$7.14 Asking Rent, PSF	▲	▲
Overall, Net Asking Rent		

ECONOMIC INDICATORS Q4 2022

	YoY Chg	12-Mo. Forecast
3.0M Atlanta Employment	▲	▲
2.8% Atlanta Unemployment Rate	▼	▲
3.7% U.S. Unemployment Rate	▼	▲

Source: BLS

ECONOMY: Strong Industrial Hiring Persisted

Although efforts to combat inflation have sent ripple effects through the economy, the Atlanta job market boasted year-over-year (YOY) non-farm employment growth of 4.8% in November. Every sector registered positive payroll gains for the period, excluding construction (-0.7%). Atlanta's position as one of the largest and fastest growing industrial markets in the nation helped power hiring as the trade, transportation, and utilities sector expanded by 4.0% and manufacturing jobs increased 1.9%. Despite rent growth, Atlanta remained a lower-cost alternative for national and global warehouse/distribution (W/D) occupiers compared to other top-tier industrial markets. The metro serves as a vital logistics hub with distinct geographic advantages including access to major interstates, intermodal rail yards, an international airport, and the Port of Savannah. While economic headwinds such as rising interest rates and labor shortages are widespread, industrial real estate fundamentals remain strong as rents continue to rise amid tight vacancy.

SUPPLY: Another Year of Robust Deliveries with Ample Pre-Leasing

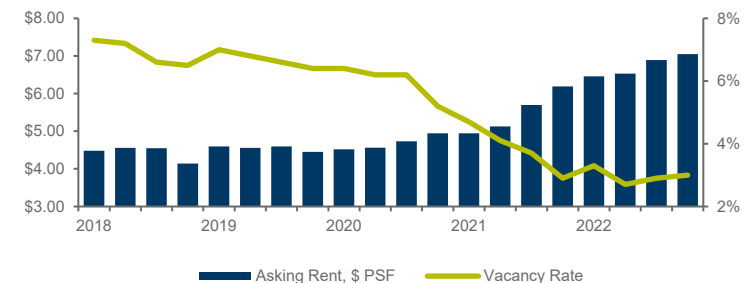
Despite delivering more new supply than all but one other major market in the nation throughout 2022, Atlanta's industrial market remained tight in Q4 even as the overall vacancy rate inched up to 3.3% from 3.1% during the previous quarter, mirroring the U.S. average. The direct vacancy rate, which excludes sublease opportunities, remained tight at only 3.0%. Five of the metro's 10 submarkets boasted overall vacancy below 3%, with the tightest being I-85 South at 1.3%. Concurrently, this submarket led the metro area in net occupancy gains during Q4, a linchpin behind the inventory scarcity. The Airport/South Atlanta submarket recorded the steepest vacancy decrease, down 70 basis points YOY to 2.5% as multiple pre-leased construction projects were completed, increasing the occupied inventory. Even with an ample pipeline of projects yet to be delivered across Atlanta, overall vacancy is expected to yield only modest increases in upcoming quarters, remaining near historic lows.

Even as economic headwinds influenced developers' decisions to break ground on new projects and supply chain bottlenecks extended timelines, construction completions for the year were robust. In 2022, nearly 31.1 million square feet (msf) of new construction delivered across Atlanta in 2022—the metro's largest annual volume of new supply on record. By the end of the year, an astonishing 73.5% of this product was already leased or owned by a user. Construction starts were tempered in the second half of 2022, but the development pipeline remained substantial with nearly 39.2 msf of industrial product underway, almost 93% of which was W/D product. Building deliveries in the 150,000 - 299,999-sf range were the most plentiful in 2022, a trend which will continue into 2023 as 47 properties in this size segment are slated to deliver throughout the coming year. More than 31.3 msf of new supply is expected to be completed in the first half of 2023, followed by a more modest 7.2 msf slated for completion in the second half of the year.

SPACE DEMAND / DELIVERIES



DIRECT VACANCY & DIRECT ASKING RENT



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DEMAND: Atlanta Led Nation in Absorption

Even as the U.S. industrial market showed signs of cooling in recent months following several years of frenetic expansion, tenant activity remained strong in Atlanta. The region's fourth quarter leasing total of 8.1 msf represented a 4.3% increase from the previous quarter. Four new leases of 400,000 sf or greater were signed in Q4, propelling the metro's annual total to 40.1 msf. Three submarkets boasted leasing totals in excess of 6.0 msf in 2022, including I-85 North (9.3 msf), I-75 South (7.0 msf), and I-20 West (6.6 msf).

Industrial demand was robust across tenant types. Of the 228 total new leases and renewals signed at or above 50,000 sf in 2022, 3PL providers accounted for 27.4%, followed by manufacturers at 26% and retailers/wholesalers at 18.6%. Small- to mid-size deals accounted for the bulk of new demand for the year as 82.0% of annual leases signed were deals less than 100,000 sf. However, 18 deals were executed for spaces greater than 500,000 sf, all but four of which were concentrated in the southern half of Metro Atlanta. W/D users comprise the majority of Atlanta's industrial tenant base, but the region is also experiencing burgeoning demand for production space among electric vehicle manufacturers and parts suppliers.

Atlanta recorded 9.2 msf of absorption in Q4, more than any other market in the U.S. The Q4 performance drove up the annual total to 29.4 msf, still a 22.1% decrease from the metro's record-breaking absorption in 2021. Every submarket recorded growth throughout 2022, led by 9.5 msf in I-85 North. Three additional submarkets boasted more than 4.0 msf of annual absorption: I-85 South (4.7 msf), I-75 South (4.6 msf), and I-75 North (4.3 msf).

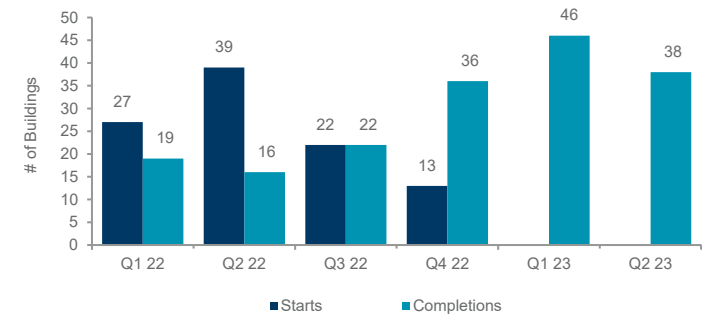
RENTAL RATES: Increases Continued

The direct average asking rental rate climbed 13.9% YOY to \$7.05 per square foot (psf) in Q4, the 12 consecutive quarter that rent has reached a new record high. While rates were on the rise, Atlanta holds steady as a cost-effective alternative to other metro areas. Similarly sized markets with port access such as the Inland Empire and Northern New Jersey command rates at a 91.2% and 79.8% premium over Atlanta, respectively. W/D product continued to power rental growth, increasing by 28.6% YOY to \$6.21 psf. All ten submarkets boasted average rents above \$5.60 psf, with Airport/South Atlanta offering the most affordable rates at \$5.69 psf. I-75 South/Henry County (58.6%) and I-85 South/Peachtree City (41.1%) captured the most substantial YOY rent increases. However, the wave of industrial deliveries slated for the first half of 2023 is expected to impact average rental rates, leading to more moderate total market rent growth in 2022.

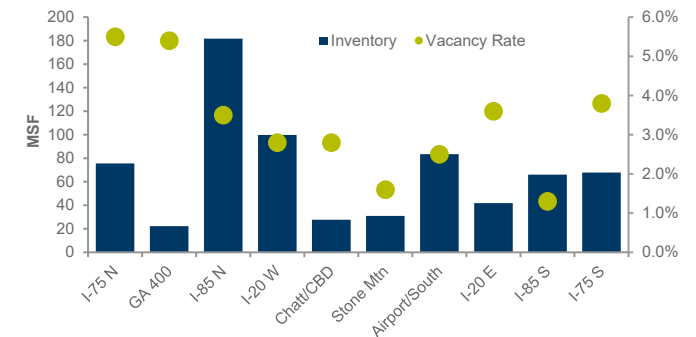
OUTLOOK

- Despite ongoing economic volatility, Atlanta is expected to remain among the nation's most active and competitive industrial markets during 2023, buoyed by strong tenant demand for W/D product
- While new construction starts slowed in recent quarters, expect a substantial amount of new industrial supply to deliver throughout 2023. The additional supply will likely cause an increase in vacancy rates in some submarkets, while in others a scarcity of inventory will persist as tenant demand remains heightened.
- Industrial rents will continue their upward trajectory in 2023, albeit at a more modest pace than recent years.

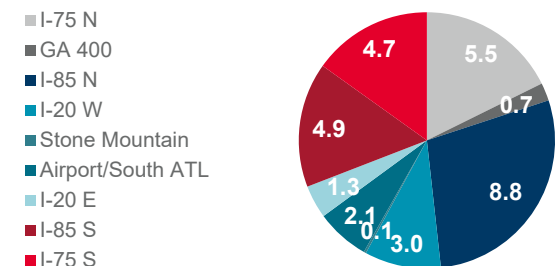
CONSTRUCTION GROUND-BREAKINGS & DELIVERIES



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	75,619,335	4,124,955	5.5%	326,634	4,319,193	9,678,024	414,843	N/A	\$12.92	\$6.30
Georgia 400 Corridor	22,247,604	1,193,683	5.4%	155,840	260,164	0	712,072	N/A	\$14.01	\$9.12
I-85 North Corridor	181,774,804	6,296,025	3.5%	2,778,697	9,469,909	11,331,567	3,114,250	\$12.00	\$10.66	\$5.63
I-20 West/Fulton Industrial	99,777,856	2,789,752	2.8%	1,173,463	2,587,863	5,140,768	1,148,080	N/A	\$7.86	\$6.54
Chattahoochee/CBD	27,762,423	781,072	2.8%	25,752	133,472	0	0	\$8.86	\$31.13	\$8.61
Stone Mountain/Tucker	31,012,263	481,948	1.6%	24,060	112,900	0	0	\$8.00	\$25.00	\$6.41
Airport/South Atlanta	83,483,697	2,121,877	2.5%	198,386	2,728,490	3,134,191	481,099	N/A	\$10.01	\$5.57
I-20 East/Snapfinger/Rockdale	41,814,768	1,510,283	3.6%	110,594	423,346	2,564,881	534,792	N/A	N/A	\$5.77
I-85 South/Peachtree City	66,096,202	841,653	1.3%	2,804,900	4,738,495	2,662,604	2,213,312	N/A	N/A	\$6.90
I-75 South/Henry County	67,851,755	2,581,137	3.8%	1,557,238	4,629,663	4,671,498	1,565,336	N/A	N/A	\$6.41
ATLANTA TOTALS	697,440,707	22,722,385	3.3%	9,155,564	29,403,495	39,183,533	10,183,784	\$8.94	\$15.39	\$6.22

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

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

KEY LEASE TRANSACTIONS Q4 2022

PROPERTY	SUBMARKET	TENANT	SF	LEASE TYPE*
980 Douglas Hill Road/RiverWest Distribution Center III	I-20 West/Fulton Industrial	Sam's Club	1,110,960	Pre-Lease
580 Raco Parkway/Jackson 85 Distribution Center	I-85 North Corridor	Home Depot	772,000	New Lease
480 Village Parkway/Pendergrass Logistics Center	I-85 North Corridor	GFA Total Logistics Solutions	532,980	New Lease
3781 Southside Industrial Court/Airport Distribution Center	Airport/South Atlanta	UPS Supply Chain Solutions	406,989	Renewal
2529 Old Anvil Block Road	I-75 South/Henry County	Expeditors International	402,500	Renewal
1 Anvil Block Road/Gillem Logistics Center, Bldg. 1100	I-75 South/Henry County	Landair Logistics Inc	401,242	New Lease

*Renewals not included in leasing statistics

KEY CONSTRUCTION COMPLETIONS Q4 2022

PROPERTY	SUBMARKET	MAJOR TENANT	SF	CONSTRUCTION TYPE	OWNER/DEVELOPER
1231 Hog Mountain Road/Jefferson Mill Business Park, Bldg. H	I-85 North Corridor	Ace Hardware	1,117,800	Built-to-Suit	Trammell Crow Company
668 Thomas Parkway/McClure 85 Logistics Center	I-85 North Corridor	N/A	1,027,000	Speculative	Pattillo Industrial Real Estate
1057 Coweta Industrial Parkway/Coweta Logistics Center	I-85 South/Peachtree City	Dollar General	1,001,000	Speculative	Crow Holdings Industrial

KEY PROJECTS UNDER CONSTRUCTION

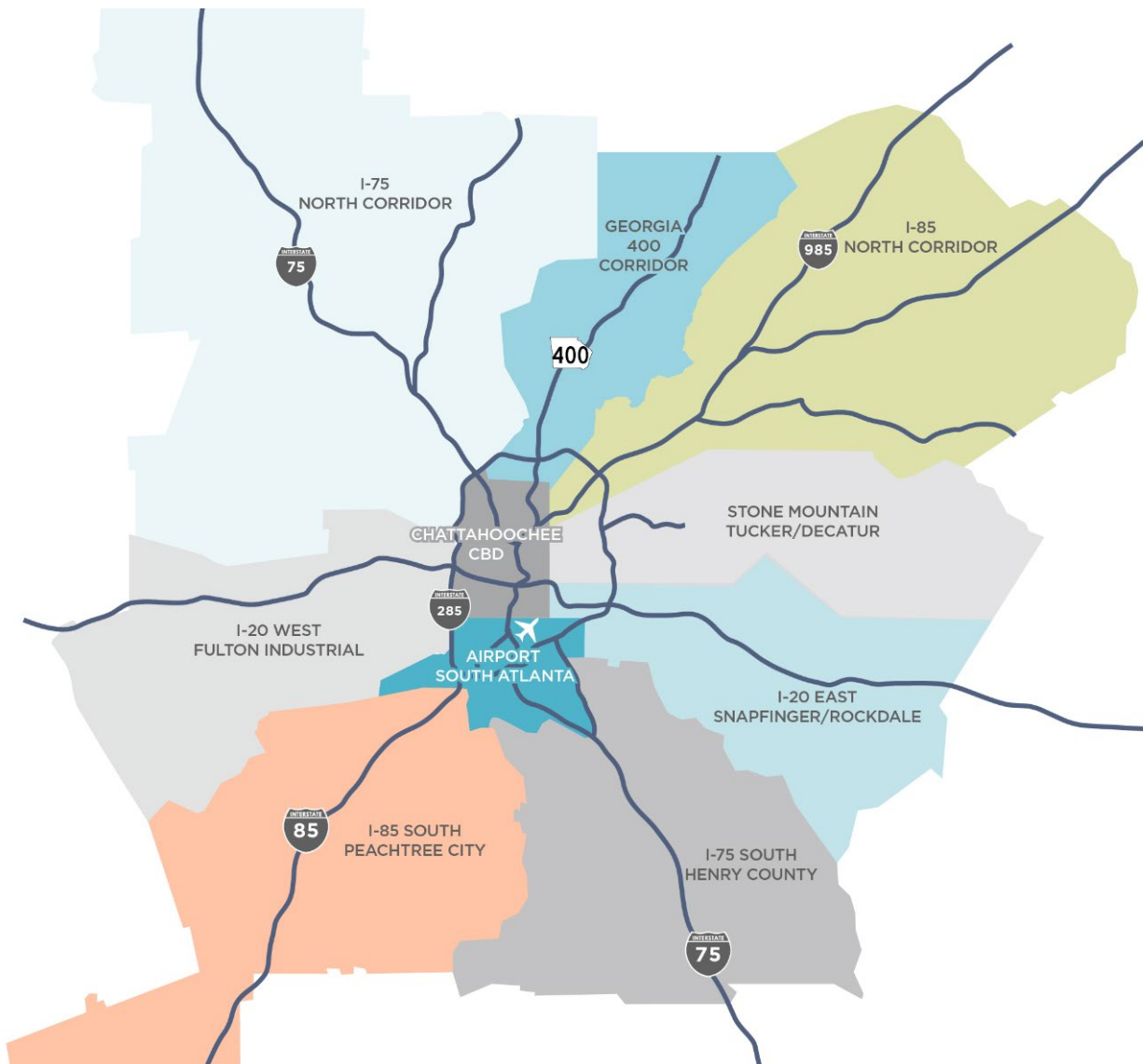
PROPERTY	SUBMARKET	MAJOR TENANT	SF	CONSTRUCTION TYPE	OWNER/DEVELOPER
381 Davis Lake Road/Gardner Logistics Park, Phase III	I-75 South/Henry County	Confidential	1,454,520	Speculative	Scannell Properties
Cass White Road/Busch Commerce Center	I-75 North Corridor	N/A	1,218,620	Speculative	MDH Partners
421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

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