

# MARKETBEAT ATLANTA

## Industrial Q2 2023



YoY  
Chg

12-Mo.  
Forecast

**4.7%**  
Overall Vacancy Rate



**2.9M**  
YTD Net Absorption, SF



**\$7.17**  
Asking Rent, PSF



Overall, Net Asking Rent

### ECONOMIC INDICATORS Q2 2023

YoY  
Chg

12-Mo.  
Forecast

**3.1M**  
Atlanta  
Employment



**3.0%**  
Atlanta  
Unemployment Rate



**3.6%**  
U.S.  
Unemployment Rate



Source: BLS

### ECONOMY: Robust Regional Demand Fueled Economy

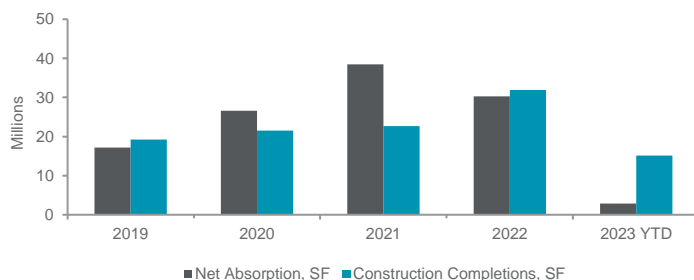
Metro Atlanta's ever-growing labor force, accessibility, and business friendly environment continued to fuel industrial demand in Q2. Though the unemployment rate inched up to 3.0%, annual job growth in the construction, and mining and lodging sectors expanded by 4.4% and 5.6%, respectively. Despite economic uncertainty and supply chain constraints, manufacturers and suppliers alike are still drawn to the metro and the Southeast as an influx of projects related to electric vehicles, batteries, and hydrogen power have launched across the state of Georgia. To boost regional demand, the Georgia Ports Authority is expanding its network to increase rail capacity throughout the state to the Port of Savannah. With construction scheduled to begin on the terminal early next year, a new inland container port is set to be completed by 2026 in Northeast Georgia.

### DEMAND: Quarterly Leasing Stabilized

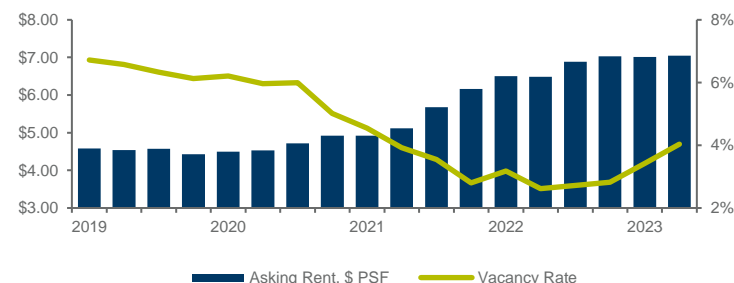
Increased industrial demand throughout the pandemic led to unprecedented tenant activity and Atlanta is now adjusting to occupiers' new supply chain and logistics strategies. As a byproduct of a healthy slowdown in demand and right-sizing of tenants, quarterly activity reached 6.6 million square feet (msf) of new leasing in the second quarter. Despite the decrease compared to prior years—which averaged more than 10.0 msf per quarter—leasing increased 2.6% since Q1. Atlanta remained the fourth strongest metro in the U.S. for new leasing in the second quarter, only behind Dallas, Inland Empire, and Chicago. Additionally, renewal activity increased substantially as 3.9 msf of space was renewed by existing tenants across the metro, a 41.4% acceleration from Q1.

I-75 North boasted the largest share of second-quarter leasing activity with 2.0 msf of new deals signed, 30.6% of the metro total. Nevertheless, demand was spread throughout Atlanta with five submarkets reaching more than 500,000 square feet (sf) of leasing activity. Large-sized transactions propelled the leasing total upwards, as two logistics firms secured facilities greater than 500,000 sf each—Broadrange Logistics (691,667 sf) and LX Pantos America, Inc. (569,006 sf). Still, smaller requirements continued to dominate the count. The market remained stable as Atlanta recorded 1.1 msf of positive direct absorption in Q2, driving the annual total to 6.0 msf. Overall absorption declined significantly to -802,187 sf in the second quarter, as several large-size tenants released their spaces to the sublease market.

### SPACE DEMAND / DELIVERIES



### DIRECT VACANCY & DIRECT ASKING RENT



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### SUPPLY: Vacancy Remained Below Historical Averages

Since the onset of the COVID-19 pandemic, Atlanta's industrial market has grown at an unprecedented pace. Over 88.6 msf of inventory has been added to the metro with an additional 32.4 msf still underway—marking the third largest pipeline in the nation. In this year alone, the metro has added 15.2 msf of new product with nearly 47.6% already preleased. During the second quarter, however, Atlanta's industrial market began to normalize after years of record-breaking activity. In the first half of the year, the metro recorded the largest increase in vacancy since 2019. Despite a 60-basis-point (bp) increase from Q1, direct vacancy remained well below the historical average at 4.0% and is expected to remain stable as future development slows. As demand for space softens across the metro, developers have begun to halt planned projects. As a result, Atlanta recorded zero construction starts for the first time in recent history. Stone Mountain/Decatur and I-85 South maintained the lowest vacancy rates in the metro at 1.5% and 2.0% respectively, while I-75 North offered the most options with a 6.3% rate.

The sublease market increased in the second quarter as several sizeable tenants relinquished their spaces with remaining term on the lease. The sublease share of total vacant space rose to 14.4%, reaching a new high for the metro. I-20 West documented the largest sublease vacancy uptick of 110 bps as multiple large retailers vacated their facilities.

### RENTAL RATES: Pronounced Long-Term Growth

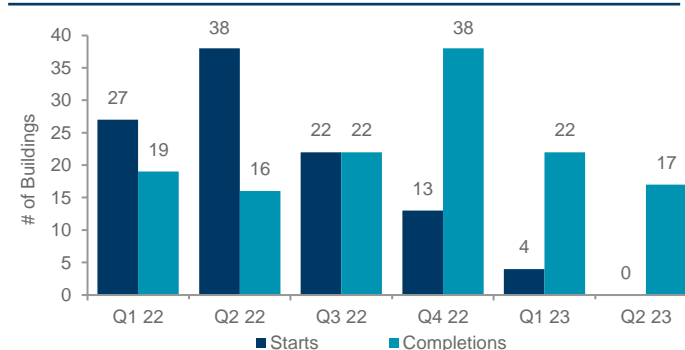
Direct asking rental rate growth steadied across the metro, reaching \$7.05 per square foot (psf). This represented a new historical high despite a minimal quarterly change. Annual growth is more pronounced as direct rents have increased by 8.6% year-over-year. Rents within warehouse/distribution product have increased 22.5% annually to \$6.48 psf, driven by a wave of new supply in Airport/South Atlanta (41.6%) and I-75 South (37.8%). The introduction of lower priced sublease spaces and direct premium vacancies drove the gap between sublease and direct asking rates to dwindle over the last quarter, to a mere \$0.80 delta.

Negotiating beyond the starting rental rate has become commonplace for landlords and prospective tenants and has resulted in creative funding measures. With high construction costs, larger tenant improvement allowances have become attractive for tenants to upfit their space. In exchange, landlords are seeking longer lease terms.

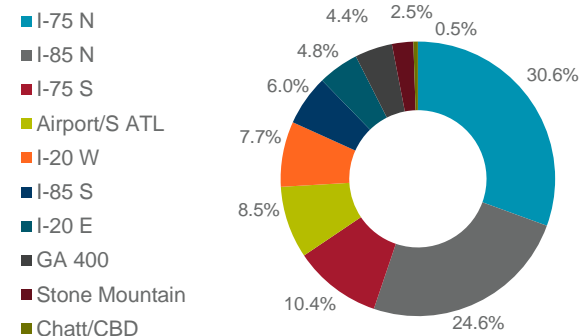
### OUTLOOK

- Though demand has normalized compared to the past few years, Atlanta's industrial market fundamentals remain healthy with a historically low vacancy rate and high rental rates. The geographic position and rising population secure Atlanta as the economic center of the Southeast.
- As construction tapers, limited availability of space will cause vacancy to stabilize.
- High construction costs will motivate tenants to require larger tenant improvement allowances to upfit their space and, in exchange, landlords will seek longer term leases.
- The volume of leasing activity during the first half of the year positions Atlanta for absorption gains during the remainder of 2023.

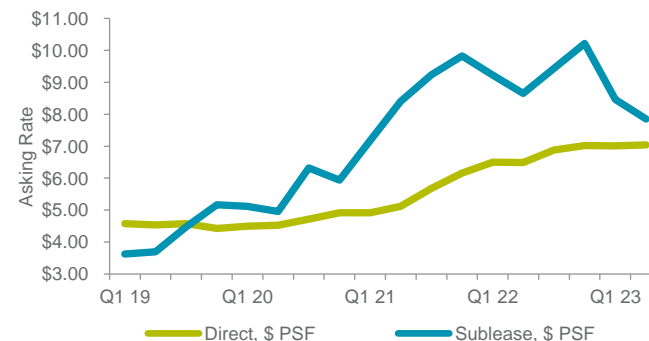
### CONSTRUCTION GROUND-BREAKINGS & DELIVERIES



### Q2 2023 NEW LEASING BY SUBMARKET (\$F)



### DIRECT & SUBLEASE ASKING RENTS



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### MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	OVERALL VACANT (SF)	OVERALL VACANCY RATE	YTD DIRECT 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*	104,488,997	7,771,877	7.4%	1,295,158	805,651	9,809,606	1,265,542	\$5.83	\$12.46	\$5.93
Georgia 400 Corridor	21,936,548	1,170,073	5.3%	33,438	23,633	233,000	0	N/A	\$13.88	\$9.17
I-85 North Corridor	184,909,819	7,160,171	3.9%	2,363,026	2,079,849	8,803,065	1,447,392	N/A	\$10.71	\$6.08
I-20 West/Fulton Industrial	104,195,891	6,904,847	6.6%	851,500	-278,786	1,541,915	1,667,160	\$5.73	\$7.50	\$7.37
Chattahoochee/CBD	27,723,015	796,185	2.9%	1,109	-62,593	0	0	\$8.86	\$30.52	\$10.22
Stone Mountain/Tucker	31,053,132	496,187	1.6%	-39,466	-64,330	0	0	N/A	\$25.00	\$6.28
Airport/South Atlanta	84,653,762	2,735,279	3.2%	683,426	308,582	1,266,662	0	N/A	\$11.59	\$6.79
I-20 East/Snapfinger/Rockdale	42,021,618	1,727,100	4.1%	-67,578	-7,170	3,629,236	210,552	N/A	N/A	\$5.83
I-85 South/Peachtree City	67,670,064	1,403,176	2.1%	122,446	66,084	2,788,600	627,607	N/A	N/A	\$6.99
I-75 South/Henry County	69,939,780	4,600,106	6.6%	764,343	5,043	4,361,612	331,471	N/A	N/A	\$6.67
<b>ATLANTA TOTALS</b>	<b>738,592,626</b>	<b>34,765,001</b>	<b>4.7%</b>	<b>6,007,402</b>	<b>2,875,963</b>	<b>32,433,696</b>	<b>5,549,724</b>	<b>\$7.78</b>	<b>\$15.05</b>	<b>\$6.60</b>

\*Inventory expanded in Q2 2023 to Tennessee border to incorporate Catoosa, Whitfield, and Murray Counties.

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

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

### KEY LEASE TRANSACTIONS Q2 2023

PROPERTY	SUBMARKET	TENANT	SF	LEASE TYPE*
7634 Adairsville Road Northwest/International Commerce Center	I-75 North Corridor	Broadrange Logistics	691,667	New Lease
493 Westridge Parkway/Interstate South Parkway I, Bldg 4	I-75 South/Henry County	Carlstar Group	676,000	Renewal
3464 Old Dixie Hwy/Green Point Business Center, Bldg 4	I-75 North Corridor	LX Pantos America, Inc.	569,006	Pre-Lease
3312 North Berkeley Lake Road/Gwinnett Regional Distribution Center	I-85 North Corridor	Broder Bros Co	320,530	Renewal
601 Logistics Parkway	I-75 South/Henry County	Yongsan Automotive USA, Inc.	306,035	New Lease
2500 SouthPoint Drive, Bldg B	Airport/South Atlanta	Sanofi	297,000	Renewal

\*Renewals not included in leasing statistics

### KEY CONSTRUCTION COMPLETIONS Q2 2023

PROPERTY	SUBMARKET	MAJOR TENANT	SF	CONSTRUCTION TYPE	OWNER/DEVELOPER
500 Valentine Industrial Parkway/Valentine 85 Logistics Center	I-85 North Corridor	N/A	800,590	Speculative	USAA
3945 Fairburn Road/Riverview Logistics Park	I-20 West/Fulton Industrial	N/A	798,000	Speculative	Panattoni Development Company, Inc.
3464 Old Dixie Highway/Green Point Business Park, Bldg 5	I-75 North Corridor	Samsung SDS/Hanwha Q Cells	603,166	Speculative	Dossche Holdings

### KEY PROJECTS UNDER CONSTRUCTION

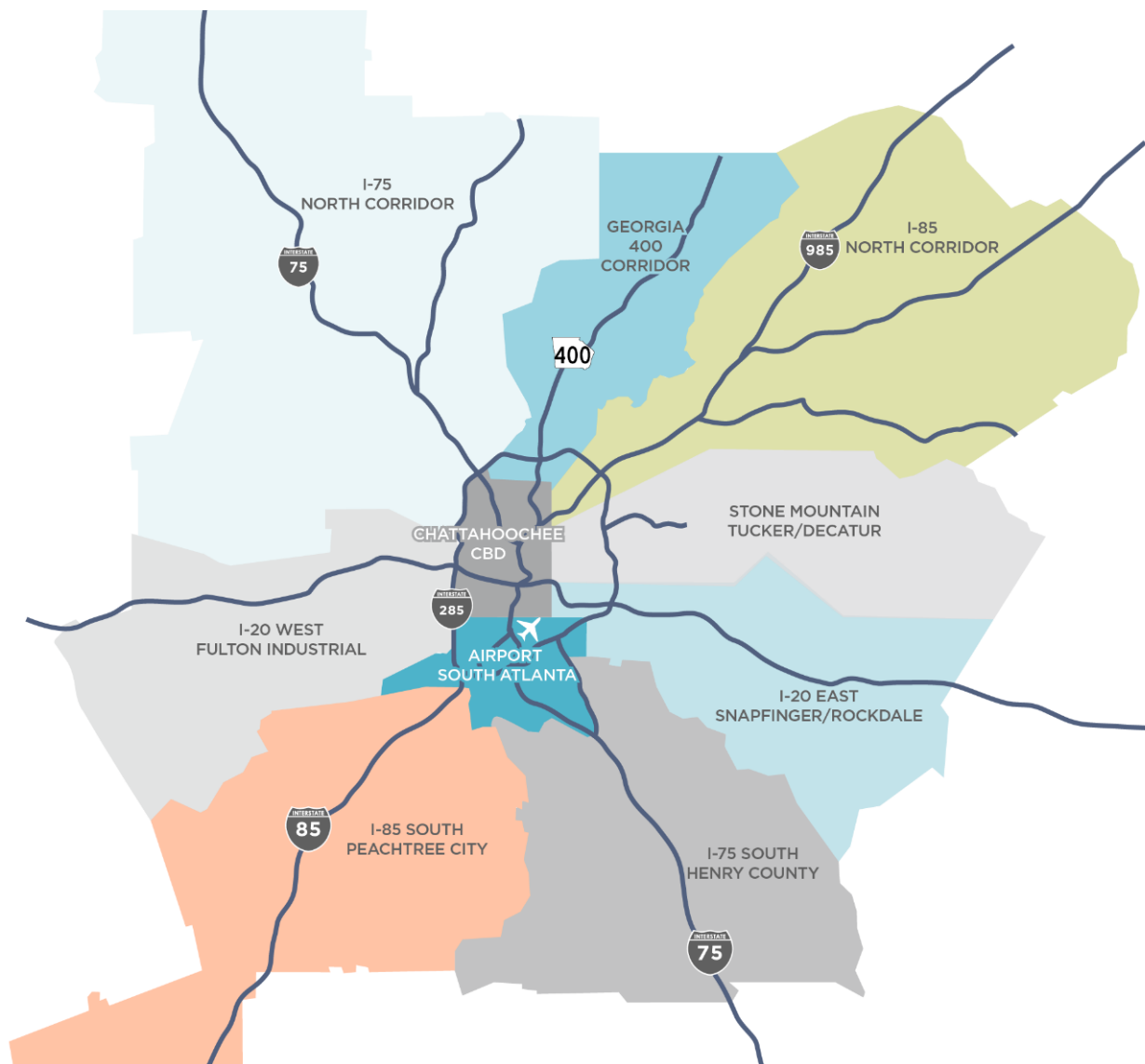
PROPERTY	SUBMARKET	MAJOR TENANT	SF	CONSTRUCTION TYPE	OWNER/DEVELOPER
Cass White Road/Busch Commerce Center	I-75 North Corridor	N/A	1,218,620	Speculative	MDH Partners
421 Toy Wright Road/Northeast 85 Logistics Center, Bldg. 2	I-85 North Corridor	N/A	1,174,768	Speculative	Core 5 Industrial Partners
300 International Parkway/Georgia North Industrial Park, Bldg. 3	I-75 North Corridor	N/A	1,000,600	Speculative	Ashley Capital

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\*Though not depicted, the I-75 North Corridor extends north to the Tennessee border.