

MARKETBEAT ATLANTA

Industrial Q3 2023



YoY
Chg

12-Mo.
Forecast

5.5%

Overall Vacancy Rate



6.7M

YTD Net Absorption, SF



\$7.11

Asking Rent, PSF



Overall, Net Asking Rent

ECONOMIC INDICATORS Q3 2023

YoY
Chg

12-Mo.
Forecast

3.1M

Atlanta
Employment



3.2%

Atlanta
Unemployment Rate



3.7%

U.S.
Unemployment Rate



Source: BLS

ECONOMY: Georgia Claimed #1 State For Doing Business For 10th Year

As Georgia received accolades for the tenth consecutive year as the number one state for doing business, Atlanta's job market boasted year-over-year non-farm employment growth of 1.8%. Atlanta's position as one of the largest and fastest growing industrial markets in the nation was secured as construction sector jobs expanded by 5.3%.

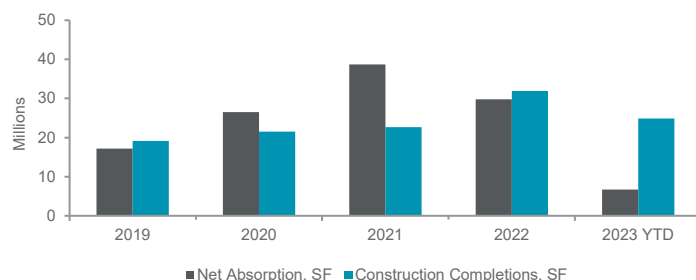
In August, the Mason Mega Rail Terminal handled 21.6% of all containers at the Port of Savannah, an increased capacity of 7.0% from the same month last year. As rail volume continues to expand throughout the state, direct connectivity will spur industrial demand, shorten the supply chain, and lessen impacts of traditional transport. While Georgia Ports Authority continues to drive opportunity throughout the region, Atlanta's appeal will solidify as a primary industrial market and hub for economic growth.

DEMAND: Net Occupancy Grew Amidst Leasing Dip

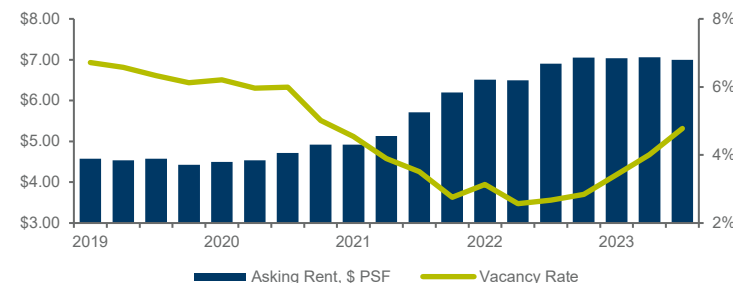
Following years of unparalleled industrial growth, demand in Atlanta continued to normalize with the rest of the nation. Despite a dip to 4.4 msf in the third quarter, Atlanta still reached higher leasing figures than 91.6% of markets across the U.S. Small tenant requirements continued to lead transactions across the metro with the help of notable manufacturer and retailer/wholesaler occupiers—Dollar General (485,091 sf sublease) and SE Toyota (453,600 sf pre-lease). Tenants illustrated interest in new supply as 46.7% of third quarter leasing occurred in newly delivered or currently under construction assets. Still, demand was distributed across the market with I-85 North and I-75 North dominating with a combined 56.7% of Atlanta's total, though five out of 10 submarkets inked over 500,000 sf each. Additionally, as tenants reconsidered their logistics strategies during economic uncertainty, firms such as Coloplast Manufacturing and Canopy Home and Garden found opportunity in short-term subleases. As a byproduct, sublease activity reached a historic high in the third quarter, representing 1.3 msf of total leasing.

While transaction volume declined since the previous quarter, Atlanta's Q3 occupancies outpaced new supply, yielding 2.6 msf of positive net absorption and driving the year-to-date (YTD) total to more than 6.7 msf of occupancy gains. Largely driven by I-75 South and I-75 North, quarterly absorption gains were bolstered by 14 tenants occupying spaces larger than 100,000 sf, one of which moved into a space greater than 1.0 msf.

SPACE DEMAND / DELIVERIES



DIRECT VACANCY & DIRECT ASKING RENT



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SUPPLY: Vacancy Remained Below Historic Average Among Ample Deliveries

Atlanta's inventory continued to grow as 9.6 msf of new industrial product was added to the market in the third quarter. With 24.9 msf, Atlanta reached a historic nine-month total for new deliveries which propelled it to third in the U.S. for new construction this year. However, as demand declined across the metro, only 15.2% of the new product was preleased. Regardless, the pipeline remains vast with an additional 24.7 msf currently underway. Of the 79 developments, 62 are slated for delivery by the end of the year and will add 16.6 msf to the inventory. As developers continue to face ongoing challenges among economic uncertainty, escalated construction costs, and supply chain disruptors, construction starts have dwindled throughout the year. The diminished starts will cause a lull in deliveries next year, allowing time for new builds to lease up before the next wave of deliveries.

Prior to the COVID-19 pandemic, Atlanta's historic average direct vacancy rate—which excludes subleases—was 8.7%. Despite an 80-basis point (bp) increase caused by an influx of deliveries this quarter, direct vacancy of 4.8% still remained well below historic numbers. Some submarkets even registered a decline in vacancy among a surge of deliveries. While I-75 South added 2.0 msf in Q3, it ended the quarter with a direct vacancy rate of 4.3%, an 80 bp drop.

RENTAL RATES: W/D Pricing Continued Long-Term Growth

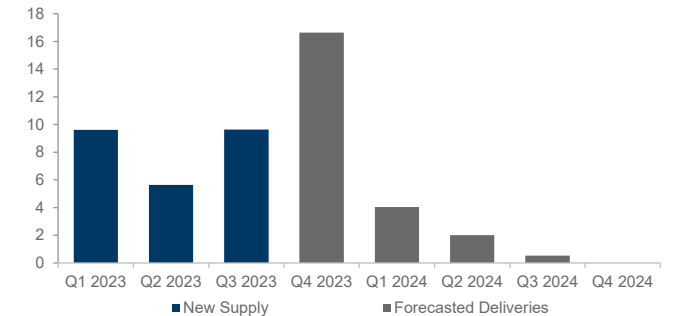
The direct average asking rate remained steady in the third quarter, decreasing by a mere \$0.07 to \$6.99 per square foot (psf). The change was more pronounced among warehouse/distribution (W/D) product, where the average rent totaled \$6.62 psf, a 12.7% increase since the same time last year. All 10 submarkets now command W/D rates of more than \$5.80 psf. I-20 East recorded the steepest quarterly growth as the W/D rent climbed 15.7%, while I-75 North remained the most affordable submarket at \$5.85 psf.

While asking rates are guided by landlords, negotiating beyond the stated asking rent is now a common refrain. Creative measures with annual rent escalations, tenant improvement allowances, and rental abatement will continue to play a role for tenants seeking space.

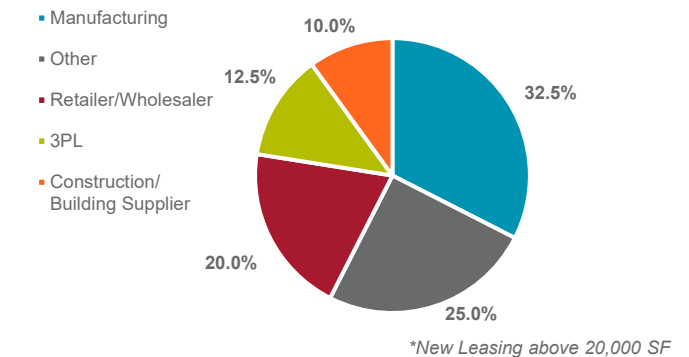
OUTLOOK

- As demand normalized after several years of unprecedented activity, Atlanta's industrial sector remains in line with the healthy fundamentals of the pre-pandemic market. The historically low vacancy rate, high rental rates, geographic positioning, and business friendly environment will continue to secure Atlanta as an industrial hub of the Southeast.
- Leasing trends, particularly in I-75 North and I-85 North, proved continued interest in Atlanta regardless of macroeconomic concerns.
- The volume of leasing activity in 2023 positions Atlanta for further absorption gains in the coming quarters.
- While the pipeline remains vast, deliveries can be expected to taper over the coming quarters as developers experience delays among the ongoing construction disruptors. In parallel, vacancy is expected to increase temporarily until the new builds lease up.

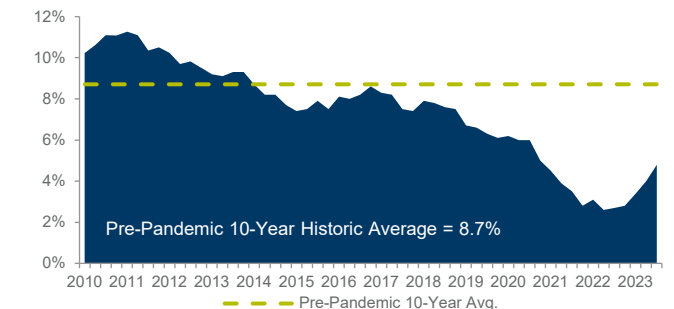
NEW SUPPLY (MSF)



Q3 2023 NEW LEASING* BY INDUSTRY (# OF TRANSACTIONS)



DIRECT VACANCY



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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)	Q3 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	108,756,716	10,864,119	10.0%	2,485,887	1,895,650	5,984,725	4,192,241	\$5.45	\$13.18	\$6.38
Georgia 400 Corridor	21,936,548	1,135,599	5.2%	53,412	58,107	233,000	0	N/A	\$14.03	\$11.09
I-85 North Corridor	186,792,794	9,099,232	4.9%	2,478,339	2,312,203	9,201,735	1,528,874	N/A	\$10.59	\$6.52
I-20 West/Fulton Industrial	104,915,640	7,359,692	7.0%	803,304	-367,281	922,920	618,995	\$5.73	\$7.57	\$7.47
Chattahoochee/CBD	27,723,015	789,482	2.8%	19,884	-55,890	0	0	\$8.85	\$30.26	\$17.02
Stone Mountain/Tucker	31,053,132	510,977	1.6%	8,941	-79,120	0	0	N/A	\$25.00	\$7.64
Airport/South Atlanta	84,933,856	3,363,213	4.0%	265,796	-107,373	986,978	279,684	N/A	\$11.55	\$6.84
I-20 East/Snapfinger/Rockdale	42,022,288	1,392,629	3.3%	216,732	327,301	3,758,402	0	N/A	N/A	\$6.69
I-85 South/Peachtree City	68,703,142	2,119,033	3.1%	408,046	383,305	1,261,048	1,033,078	N/A	N/A	\$7.11
I-75 South/Henry County	71,920,861	4,208,991	5.9%	3,190,747	2,377,239	2,380,531	1,981,081	N/A	N/A	\$6.81
ATLANTA TOTALS	748,757,992	40,842,967	5.5%	9,931,088	6,744,141	24,729,339	9,633,953	\$7.64	\$15.35	\$7.11

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

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

KEY LEASE TRANSACTIONS Q3 2023

PROPERTY	SUBMARKET	TENANT	SF	LEASE TYPE*
Jackson 85 Distribution Center/350 Raco Parkway	I-85 North Corridor	Walgreens	745,200	Renewal & Expansion
Greenwood Industrial Park/165 Greenwood Industrial Parkway, Bldg. 500	I-75 South/Henry County	Dollar General	485,091	Sublease
Norcross Logistics Center/6455 Best Friend Road	I-85 North Corridor	SE Toyota	453,600	Pre-Lease
Southpark/5400 Oakley Industrial Boulevard	I-85 South/Peachtree City	McKenney's	285,600	New Lease
Hurricane Shoals Logistics Center/1300 Hurricane Shoals Road	I-85 North Corridor	FieldCore Service Solutions (GE)	237,431	New Lease
6070 Fulton Industrial Boulevard	I-20 West/Fulton Industrial	Miller Zell	227,600	Sublease

*Renewal sf not included in leasing statistics

KEY CONSTRUCTION COMPLETIONS Q3 2023

PROPERTY	SUBMARKET	MAJOR TENANT	SF	CONSTRUCTION TYPE	OWNER/DEVELOPER
Busch Commerce Center/Cass White Road	I-75 North Corridor	N/A	1,218,620	Speculative	MDH Partners
Gardner Logistics Park, Phase III/381 Davis Lake Road	I-75 South/Henry County	Confidential	1,003,954	Speculative	Scannell Properties
Clayton 75 Logistics Center/2464 Mt. Zion Road	I-75 North Corridor	N/A	793,187	Speculative	Reliant Real Estate Partners

KEY PROJECTS UNDER CONSTRUCTION

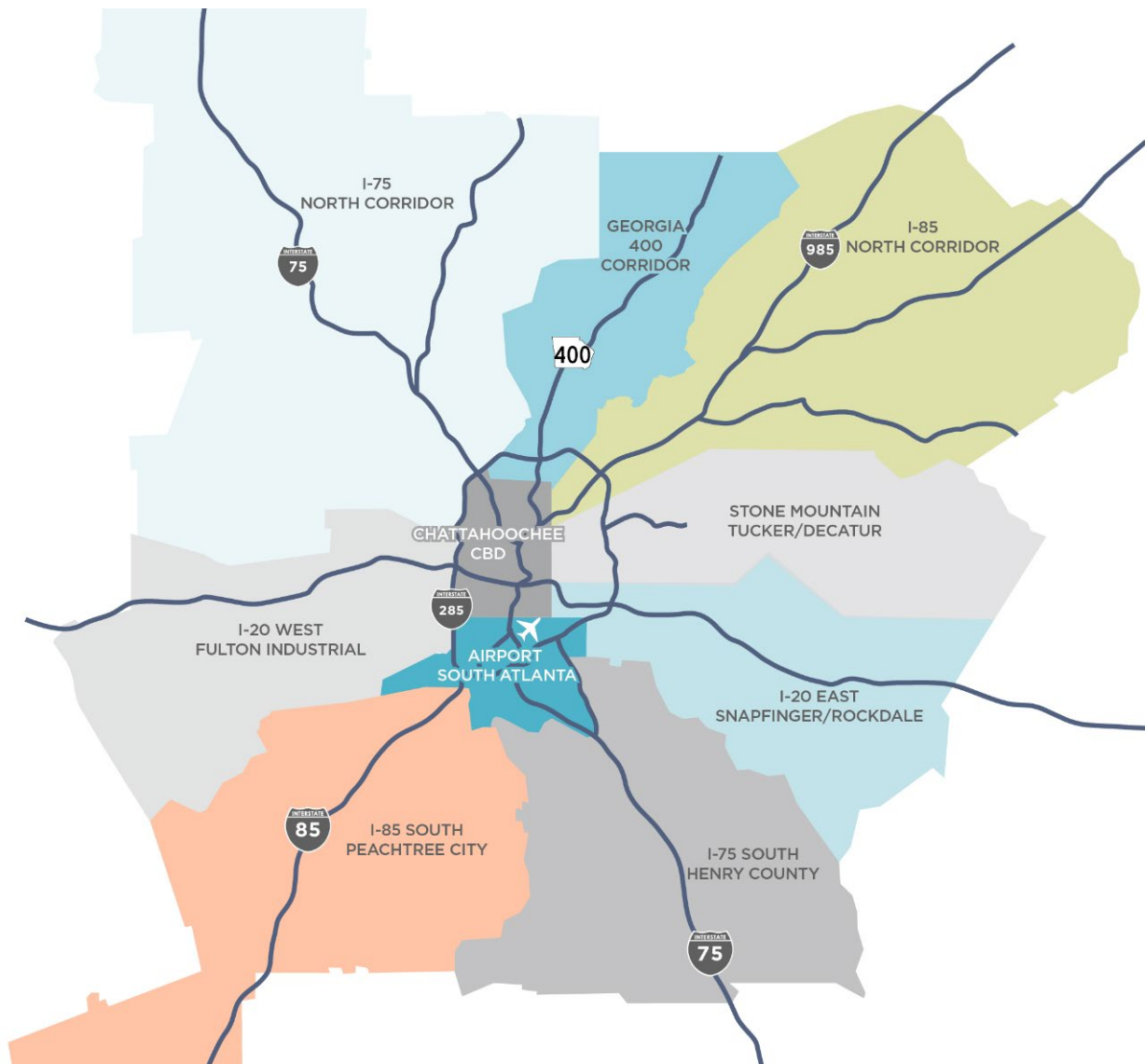
PROPERTY	SUBMARKET	MAJOR TENANT	SF	CONSTRUCTION TYPE	OWNER/DEVELOPER
Northeast 85 Logistics Center, Bldg. 2/421 Toy Wright Road	I-85 North Corridor	N/A	1,174,768	Speculative	Core 5 Industrial Partners
Gravel Springs Logistics Center/2630 Gravel Springs Road	I-85 North Corridor	N/A	1,001,424	Speculative	IDI Logistics
Georgia North Industrial Park, Bldg. 3/300 International Parkway	I-75 North Corridor	N/A	1,000,600	Speculative	Ashley Capital

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INDUSTRIAL SUBMARKETS



Audrey Giguere

Research Manager

Tel: +1 470 344 1434

audrey.giguere@cushwake.com

Alex Kaplan

Senior Analyst

Tel: +1 678 530 7776

Alex.kaplan@cushwake.com

Maija Sunnarborg

Analyst

Tel: +1 404 853 5335

maija.sunnarborg@cushwake.com

Christa DiLalo

Director, Southeast

Tel: +1 404 853 5231

christa.dilalo@cushwake.com

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