

MARKETBEAT ATLANTA



Industrial Q4 2023

	YoY Chg	12-Mo. Forecast
6.4% Overall Vacancy Rate	▲	▲
6.9M YTD Net Absorption, SF	▼	▲
\$6.91 Asking Rent, PSF	▼	▲
<i>Overall, Net Asking Rent</i>		

ECONOMIC INDICATORS Q4 2023

	YoY Chg	12-Mo. Forecast
3.1M Atlanta Employment	▲	▲
3.5% Atlanta Unemployment Rate	▲	▲
3.7% U.S. Unemployment Rate	▲	▲

Source: BLS

ECONOMY: Fundamentals Persisted with Regional Demand

Metro Atlanta's job market boasted year-over-year (YOY) non-farm employment growth of 3.3% in November. The construction job sector expanded by 3.3% YOY as the strong industrial pipeline continued to spur development. Atlanta's position with distinct geographic advantages including access to Hartsfield-Jackson International Airport, intermodal rail yards, and the Port of Savannah continued to attract new industries and business. For example, Qcells, a global solar panel manufacturer with operations in the I-75 North submarket, committed to an eight-year strategic deal with Microsoft to supply 12 gigawatts of solar modules from Atlanta. The announcement follows their recent expansion which is slated to create 510 additional jobs. Their fully integrated factory remained underway in Cartersville. Atlanta's standing as a lower-cost alternative for occupiers compared to other top-tier industrial markets will help secure the metro with healthy industrial real estate fundamentals.

DEMAND: Atlanta Ranked Top Nine for New Leasing Despite Softening

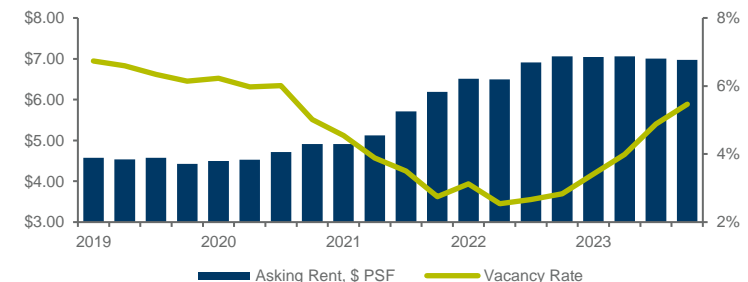
Atlanta's industrial market continued to recalibrate throughout 2023. Though tenant demand was unable to keep pace with the prior five years, averaging 41.6 msf annually, Atlanta rounded out the year with 22.8 million square feet (msf) of new leasing activity. Despite new deal volume softening in the fourth quarter to 4.2 msf, a 16.2% decrease quarter-over-quarter (QOQ), the quarterly total ranked among the nine highest nationwide. I-85 North secured the bulk of new tenants for the second consecutive quarter, boasting 38.0% of activity. Still, I-75 South, I-75 North, and I-20 West trailed behind with more than 500,000 square feet (sf) of activity each. Demand was widespread across tenant types though manufacturing and retailer/wholesaler firms—Yita (472,767 sf), Realtruck (416,355 sf), and McKesson Medical-Surgical (349,440 sf)—fueled activity as they each committed to facilities greater than 300,000 sf. Although mid-sized transactions accelerated in Q4 as nine deals occurred over 150,000 sf, compared to the seven in Q3, large leases were absent throughout the quarter. In prior years, transactions over 500,000 sf boosted leasing totals across the metro, while in Q4 smaller requirements under 50,000 sf continued to dominate. Additionally, several established occupiers—Wayfair (846,496 sf) and Czarnowski (569,674 sf)—reinstated their interest in the market as renewal activity accelerated 58.4% since Q3.

In alignment with the U.S., Atlanta recorded a decrease in net absorption from Q3. Still, 11 tenants occupied spaces larger than 100,000 sf, registering 341,423 sf of positive gains, driving the annual total to 6.9 msf. Of the 100,000 sf and greater occupancy gains throughout the year, 75.0% occurred in new builds—buildings delivered since 2022. Six out of the 10 submarkets logged positive annual absorption, led by 2.7 msf in I-75 North. Direct absorption, which excludes sublease activity, registered stronger growth throughout the year with 10.7 msf of occupancy gains.

SPACE DEMAND / DELIVERIES



DIRECT VACANCY & DIRECT ASKING RENT



SUPPLY: Deliveries Remained Strong Amid Slowed Groundbreakings

Atlanta's industrial inventory continued to grow throughout the year despite supply chain bottlenecks and extended construction timelines, with nearly 31.2 msf of new product delivered. By the end of the year, only 32.2% of the new inventory was secured by a user. In 2023, buildings in the 150,000 – 299,999-sf range were the most prevalent in new construction and will continue into 2024 as this size segment accounts for the majority of slated deliveries. Developers practiced caution and decelerated on planned projects in Q4, making it the second quarter in 2023 with zero construction starts, following Q2. Still, 21.4 msf remains underway, marking the fifth largest pipeline across the nation. Set to introduce 68 buildings to market, completions are anticipated to be concentrated in the first half of 2024 as delayed deliveries become resolved. With only 34.0% of the pipeline pre-leased, vacancy is expected to rise as the new supply delivers throughout 2024.

The softening of tenant demand and heightened construction deliveries have introduced vacancies across the metro, mirroring the U.S. average. The direct vacancy rate, which excludes sublease opportunities, ticked up 60 basis points (bps) from Q3. At 5.5%, Atlanta's vacancy remained below the historical average despite the wave of new supply. Two submarkets even recorded a decline in vacancy, as Georgia 400 dropped 50 bps to 3.9% and I-85 South fell 10 bps to 3.0% in Q4.

RENTAL RATES: W/D Pricing Growth Outpaced Overall Product

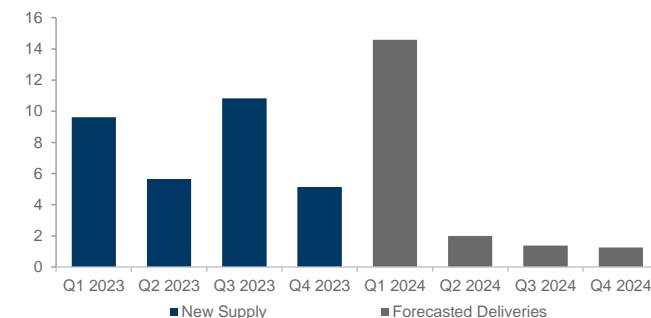
Atlanta's industrial rental rates held steady with little movement in Q4. Though asking rates vary based on location throughout the metro and size of the available space, the direct average rental rate dipped by a mere 0.5% to \$6.97 per square foot (psf). The introduction of lower-priced vacancies in Stone Mountain/Decatur (-23.3%) and I-75 South (-16.1%) caused the rate to fall below the \$7-mark for the first time in five quarters. Annual rent growth was pronounced within warehouse/distribution product, registering a 5.0% uptick to a new historical high of \$6.57 psf.

Negotiating power was on the rise as landlords and prospective tenants navigate beyond the asking rate. Tenant improvement allowances, rental abatement, and other concessions continued to play a role in transacting across the metro.

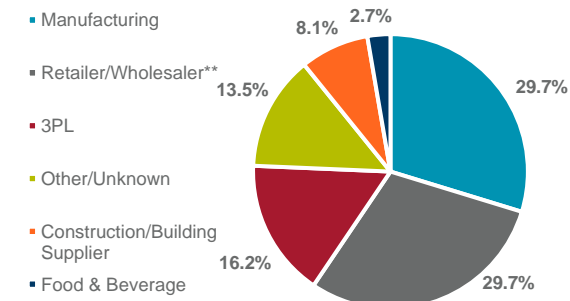
OUTLOOK

- Recent manufacturing and electric vehicle announcements across the region will further solidify Atlanta's appeal with its ease of access to transportation infrastructure.
- With the recent drop off in construction starts, expect a continued slowdown as developers face concerns amid softened tenant demand and supply chain bottlenecks.
- The current pipeline will deliver an influx of new product in early 2024 and subsequently taper off in future quarters. The added supply will likely put temporary upward pressure on vacancy rates and place rental rates on an upward trajectory.

NEW SUPPLY (MSF)



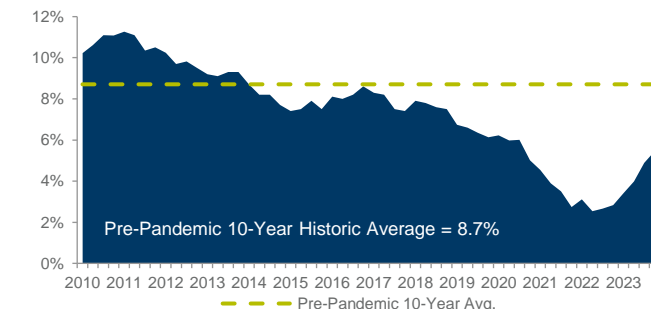
Q4 2023 NEW LEASING* BY INDUSTRY (# OF TRANSACTIONS)



*New Leasing above 20,000 SF

**Retailer/Wholesaler includes e-commerce

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)	Q4 CNSTR 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	111,884,951	14,378,420	12.9%	3,170,788	2,706,276	2,859,210	2,124,915	\$5.13	\$12.86	\$6.00
Georgia 400 Corridor	22,069,548	972,897	4.4%	318,737	343,740	100,000	133,000	N/A	\$13.80	\$9.38
I-85 North Corridor	188,771,735	10,711,374	5.7%	2,752,437	2,587,811	8,193,100	1,959,625	N/A	\$10.77	\$6.52
I-20 West/Fulton Industrial	105,213,847	7,692,073	7.3%	862,745	-434,754	1,465,699	310,000	\$5.73	\$6.96	\$7.44
Chattahoochee/CBD	27,762,195	813,740	2.9%	3,127	-80,148	0	0	\$8.85	\$29.83	\$10.13
Stone Mountain/Tucker	30,977,017	795,356	2.6%	-211,810	-363,499	0	0	N/A	\$25.00	\$5.53
Airport/South Atlanta	85,312,990	3,865,341	4.5%	117,544	-218,456	540,378	220,127	N/A	\$11.72	\$6.53
I-20 East/Snapfinger/Rockdale	40,405,323	1,438,633	3.6%	170,728	281,297	3,761,076	0	N/A	N/A	\$6.16
I-85 South/Peachtree City	69,089,268	2,063,340	3.0%	653,720	628,979	2,274,363	237,885	N/A	N/A	\$7.27
I-75 South/Henry County	72,078,232	5,271,178	7.3%	2,911,731	1,472,423	2,223,160	157,371	N/A	N/A	\$5.44
ATLANTA TOTALS	753,565,106	48,002,352	6.4%	10,749,747	6,923,669	21,416,986	5,142,923	\$7.55	\$15.18	\$6.50

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

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

KEY LEASE TRANSACTIONS Q4 2023

PROPERTY	SUBMARKET	TENANT	SF	LEASE TYPE*
King Mill Distribution Park/130 Distribution Drive	I-75 South/Henry County	Wayfair	846,496	Renewal*
Hartman V/7545 Hartman Industrial Way	I-20 West/Fulton Industrial	Czarnowski	569,674	Renewal*
Gillem Logistics Center, Bldg. 1100/200 Metcalf Road Extension	I-75 South/Henry County	Yita, LLC	472,767	New Lease
Valentine 85 Logistics Center/500 Valentine Industrial Parkway	I-85 North Corridor	Realtruck, Inc.	416,355	New Lease
Prologis Buford Distribution Center/810 Thompson Mill Road	I-85 North Corridor	McKesson Medical-Surgical	349,440	New Lease
200 Interstate South, Phase I, Bldg. 2A/200 Interstate South Drive	I-75 South/Henry County	Pepperidge Farm, Inc.	296,218	Renewal*

*Renewal sf not included in leasing statistics

KEY CONSTRUCTION COMPLETIONS Q4 2023

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
Grove 75 Logistics Center/962 Union Grove Road	I-75 North Corridor	N/A	738,720	Speculative	Seefried Properties, Inc.
20 West Intermodal/4795 Innovative Way	I-75 North Corridor	N/A	346,938	Speculative	Native Development Group

KEY PROJECTS UNDER CONSTRUCTION

PROPERTY	SUBMARKET	MAJOR TENANT	SF	CONSTRUCTION TYPE	OWNER/DEVELOPER
The Cubes at Bridgeport, Bldg. D/Bridgeport Boulevard	I-85 South/Peachtree City	N/A	1,201,200	Speculative	Clayco Inc.
Gravel Springs Logistics Center/2630 Gravel Springs Road	I-85 North Corridor	N/A	1,001,424	Speculative	IDI Logistics
Commerce Logistics Center, Bldg. 1/Nunn Road	I-85 North Corridor	N/A	937,440	Speculative	Ridgeline Property Group

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