



Atlanta industrial market report

Q4 2023

**AVISON
YOUNG**

Atlanta industrial market trends

64%

Leasing activity increases in smaller space

Although the demand for more industrial space in Atlanta has remained consistent, more tenants in the market are now in search of smaller square footages compared to previous years. Deals signed for spaces less than 50k sf account for 64% of leasing activity in 2023. Atlanta experienced an influx of development deliveries the last couple of years, totaling over 32.7 msf in 2022 alone. Much of this has been absorbed by tenants with larger square footage needs. This has left smaller tenants without viable options and are now consistently searching and more active in the market.

11.2 msf

Available sublease space continues to increase

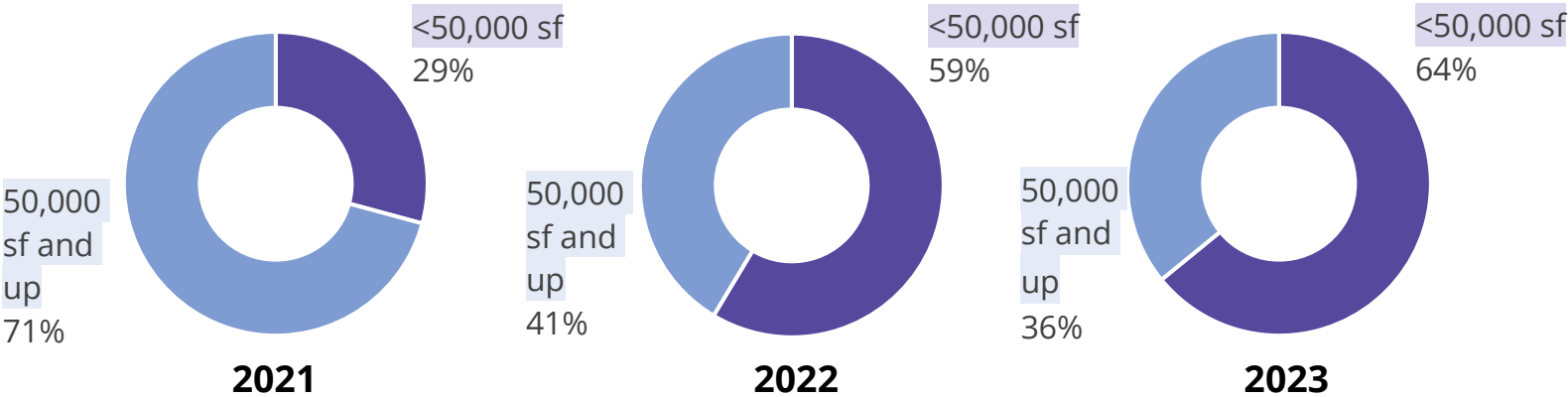
The fourth quarter ended with more than 11.2 msf of available sublease space, up 110% year-over-year. However, only 0.8% of that available space is truly vacant. A few of the larger sublease spaces in the market could be companies that are reevaluating their supply chain design due to economic uncertainty and decrease in product demand. They have since marketed the space to optimize their footprint or until they are ready to expand. Sublease space is seen as desirable for occupiers, as it can provide shorter terms and lower cost alternatives for tenants.

\$8.65

Rental rates continue to escalate on renewals

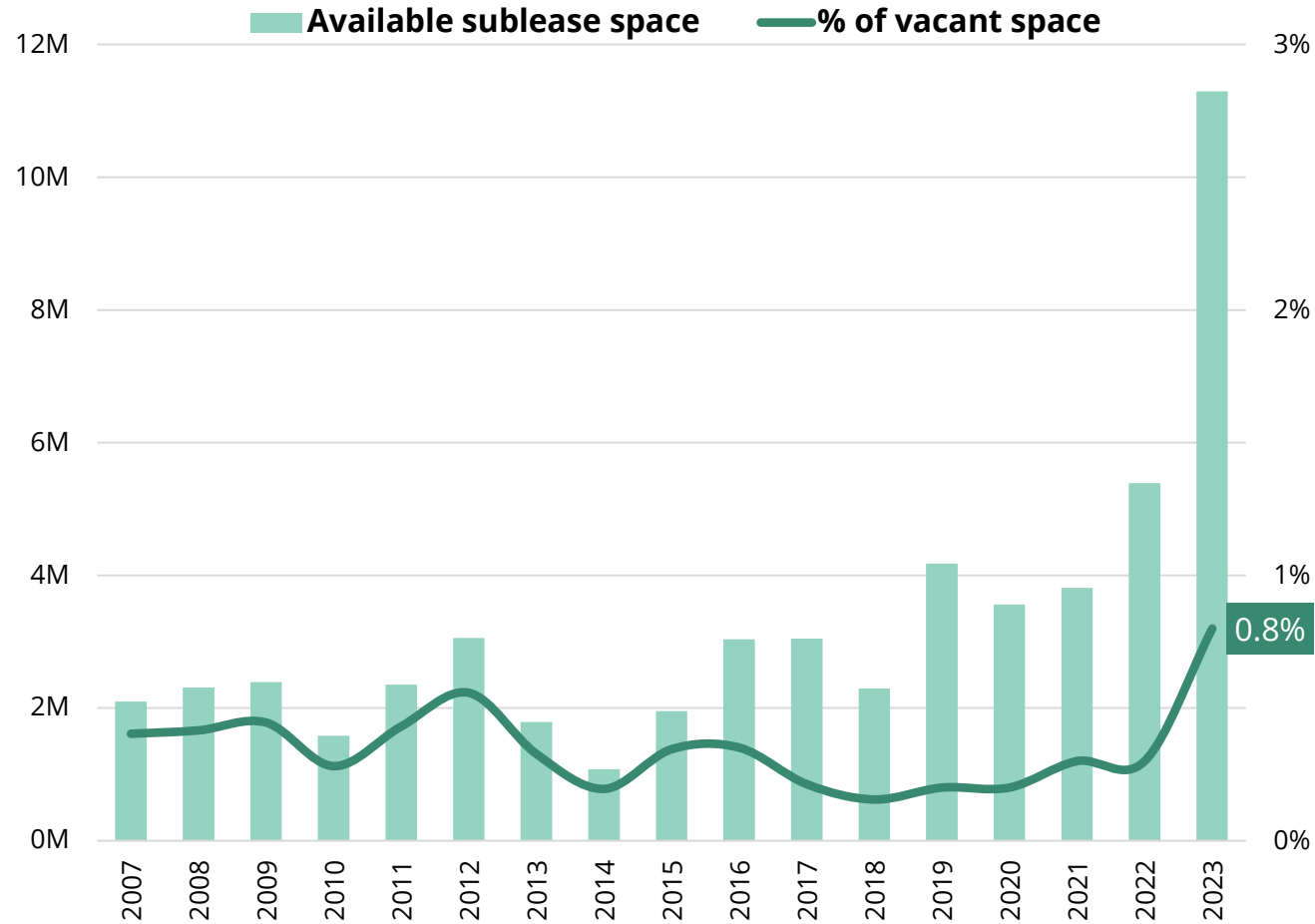
As activity remains steady in the market, Atlanta is seeing an increase in rental rates for lease renewals. Despite elevated sublease availability, total available space remains limited keeping landlords in the driver's seat which has caused rental rates on new leases to continue to climb. Landlords are also now able to negotiate with their tenants to bump up rates when it comes time for renewal to remain competitive with market prices.

Leasing activity increases in smaller space



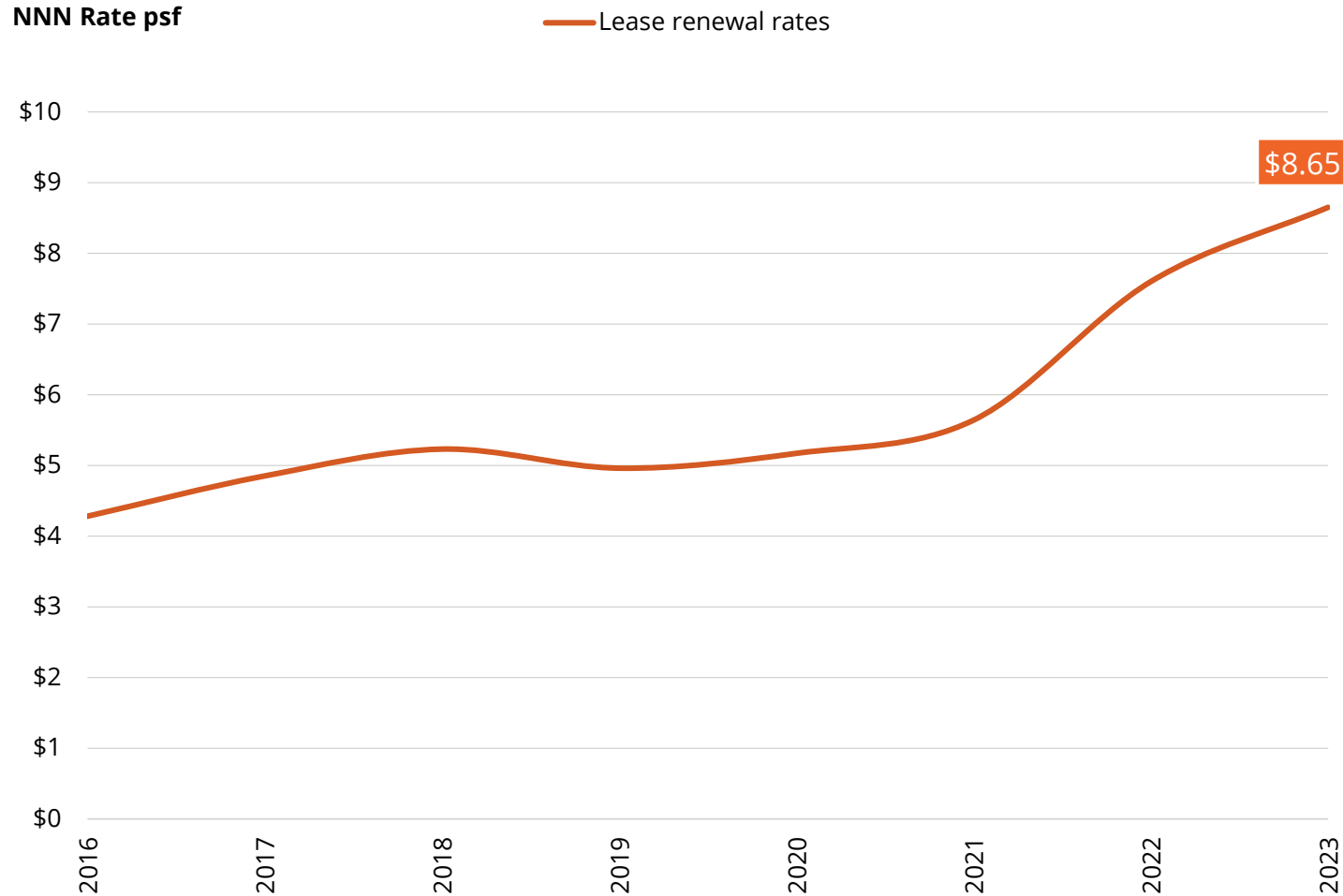
Leasing activity for space less than 50,000 sf continues to increase when compared to the number of leases signed during the same time in 2021.

Available sublease space continues to increase



Over 11.2 msf of sublease space is available, up 110% year-over-year.

Rental rates continue to escalate on renewals



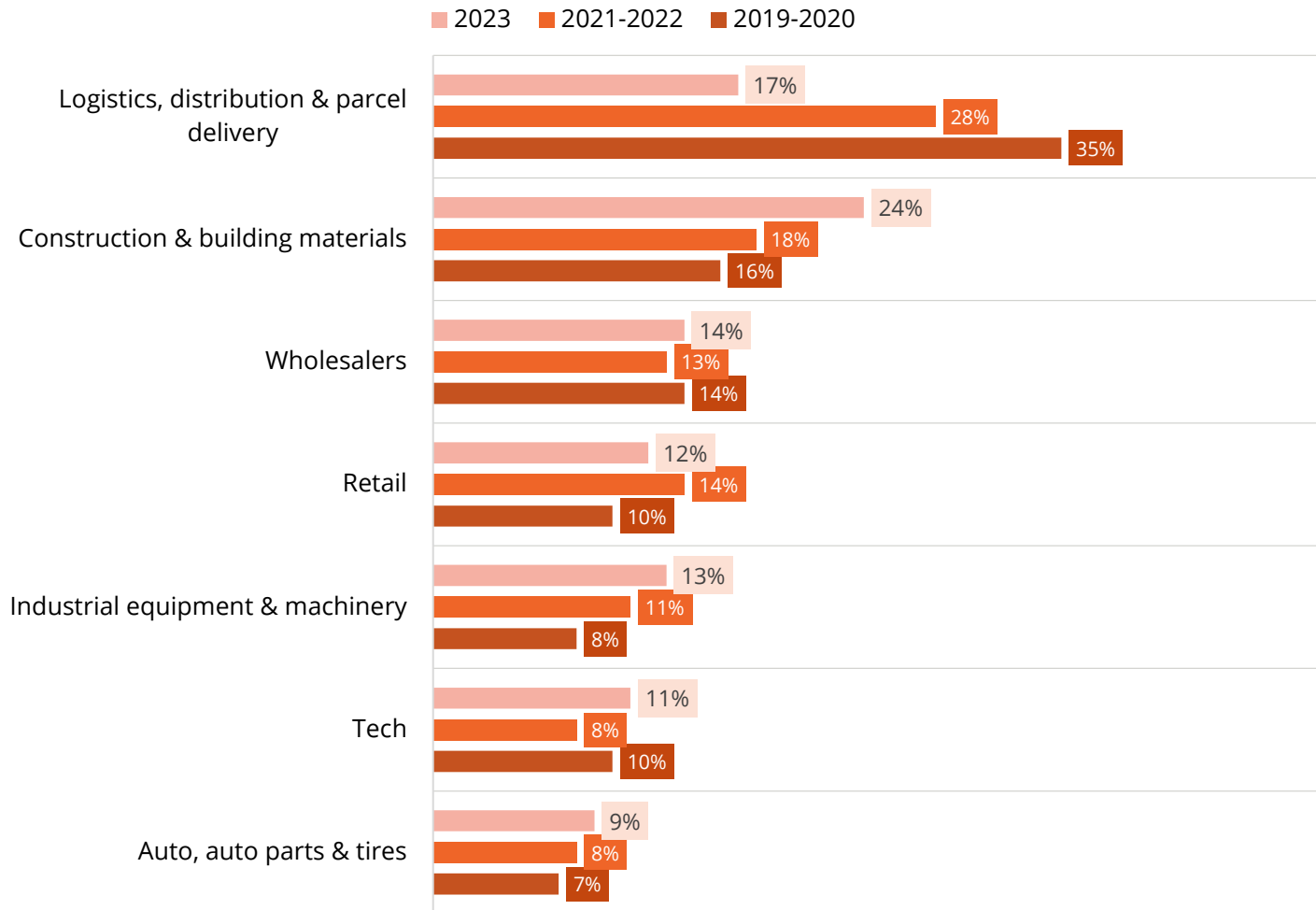
Landlords continue to hold steady on pricing even for tenant renewals. Average asking renewal rates are up 13.8% year-over-year.

Atlanta industrial market insights

Let's examine more prevailing industrial trends



Leasing activity by industry sector

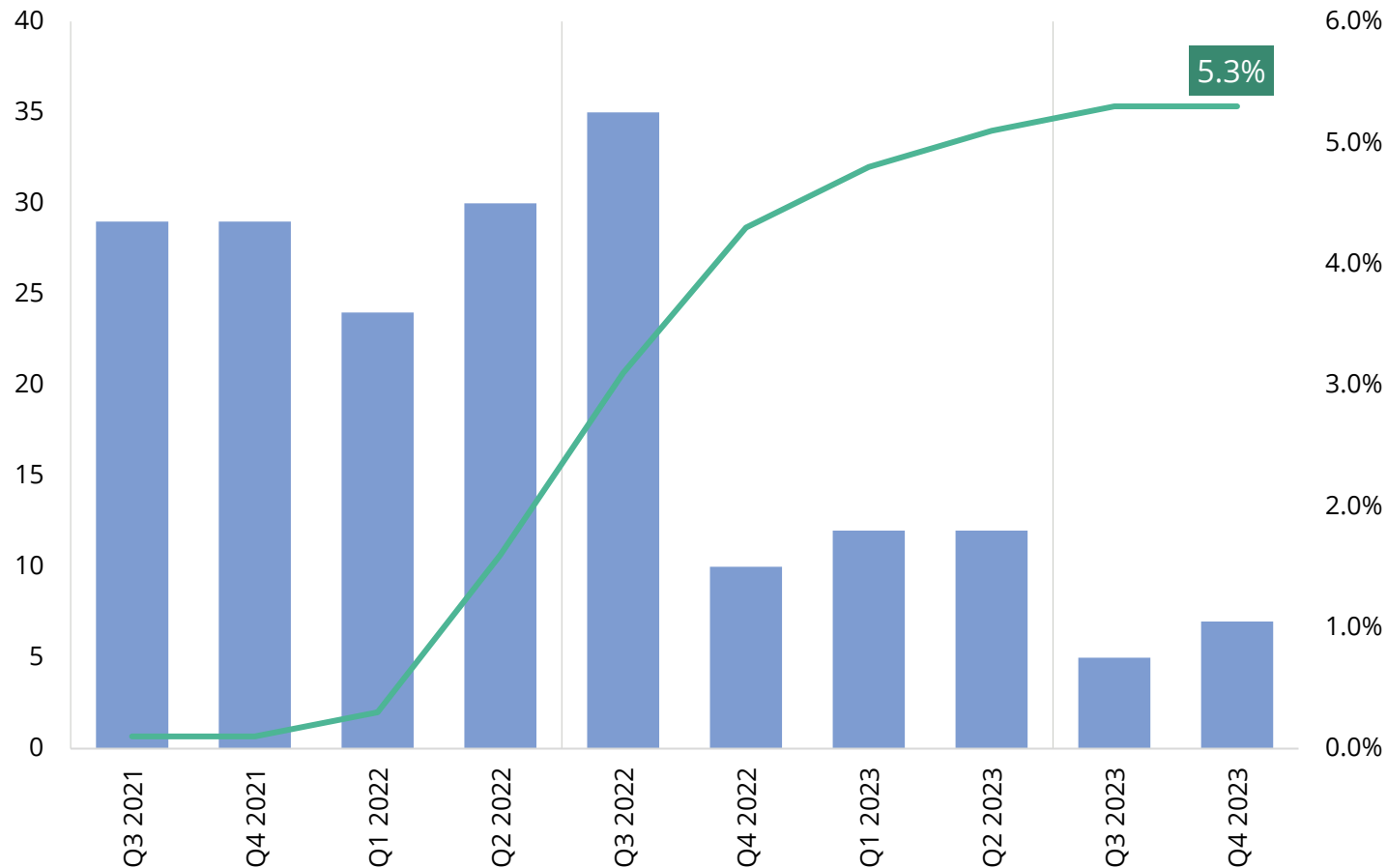


Construction and building material tenants account for 24% of 2023 leasing volume, followed by distribution-related tenants with a 17% share.

Federal funds rates vs industrial starts

Industrial starts

Federal Funds Effective Rate

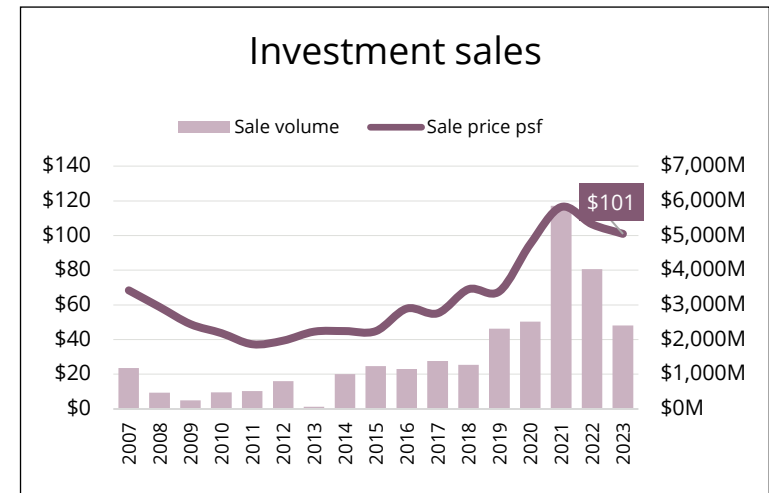
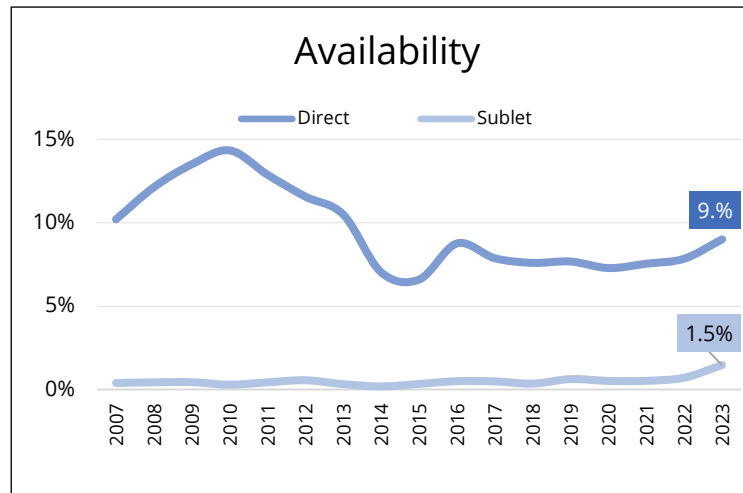
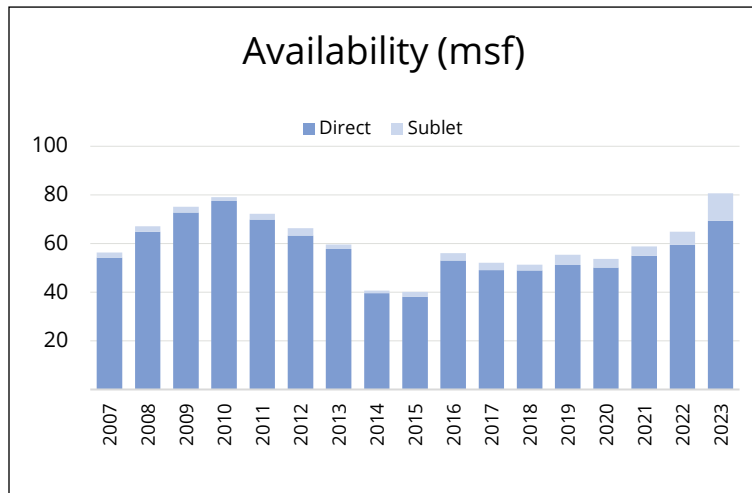
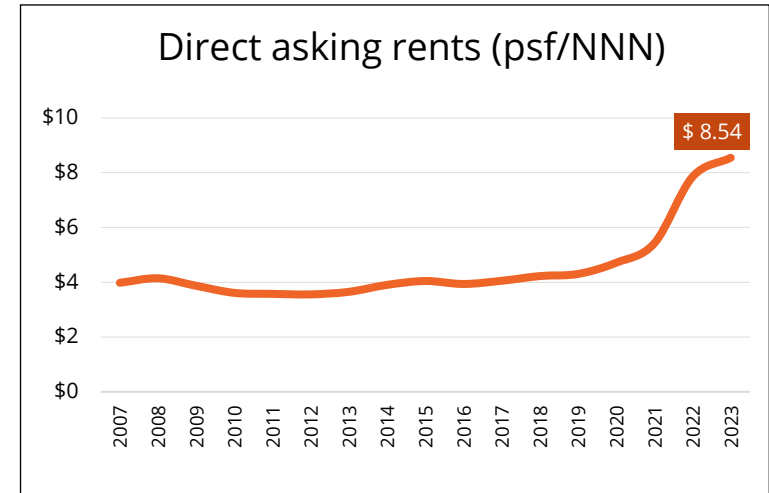
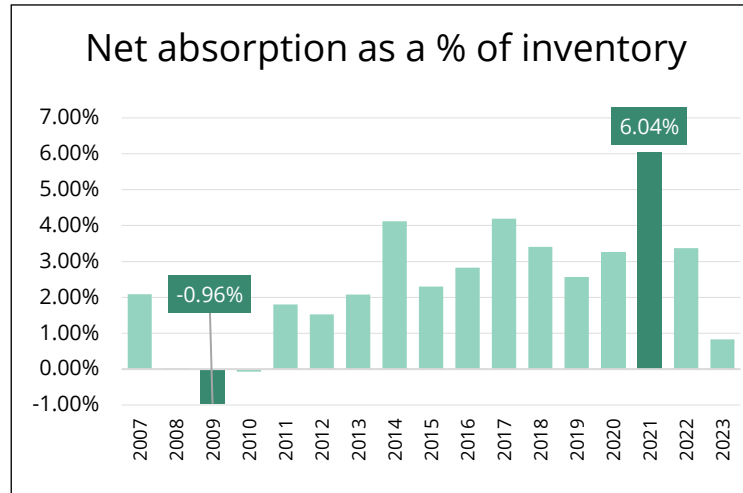
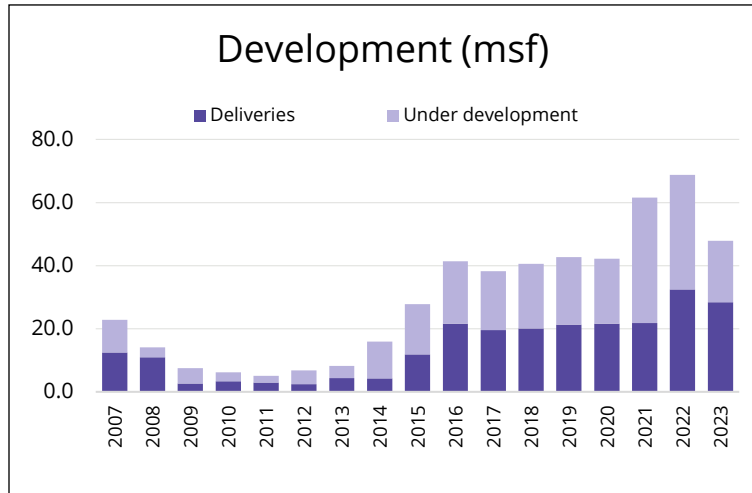


Historical change in interest rates correlates with industrial starts in Atlanta. Developers are less inclined to break ground on new projects due to rise in costs.

Appendix



Atlanta industrial market indicators



Atlanta industrial market activity

Recent leasing activity

Tenant	Address	Submarket	Sign date	Size (sf)	Transaction type	Lease type
Wayfair	130 Distribution Dr	I-75 South	10/20/2023	846,496	Renewal	Direct
Yita	200 Metcalf Rd	Airport/ North Clayton	10/13/2023	472,767	New	Direct
RealTruck	500 Valentine Industrial Pky	Northeast	10/19/2023	416,255	New	Direct

Recent sales activity

Buyer	Address	Sale date	Building size (sf)	Sale price	Sale price psf	Seller
KKR	Cass-White Logistics Center (3 property portfolio)	11/6/2023	1,215,146	\$116.1M	\$95.59	Reliant Real Estate Partners
ARKA Properties Group	3611 Jonesboro Rd SE	10/12/2023	171,183	\$25.0M	\$146.00	Grind Capital Group
Unimat Commercial	400 Princeton Blvd	12/18/2023	292,000	\$16.3M	\$56.00	Dixie Group

Top projects under development

Address	Submarket	Delivery date	Building size sf	% Preleased	Developer
Bridgeport Blvd –Bridgeport Building D	I-75 South	July 2024	1,201,200	0%	CRG
2630 Gravel Springs Rd	Northeast	March 2024	1,001,424	0%	IDI Logistics
950 Logistics Pky	I-75 South	February 2024	1,800,000	100%	Havenwood Realty

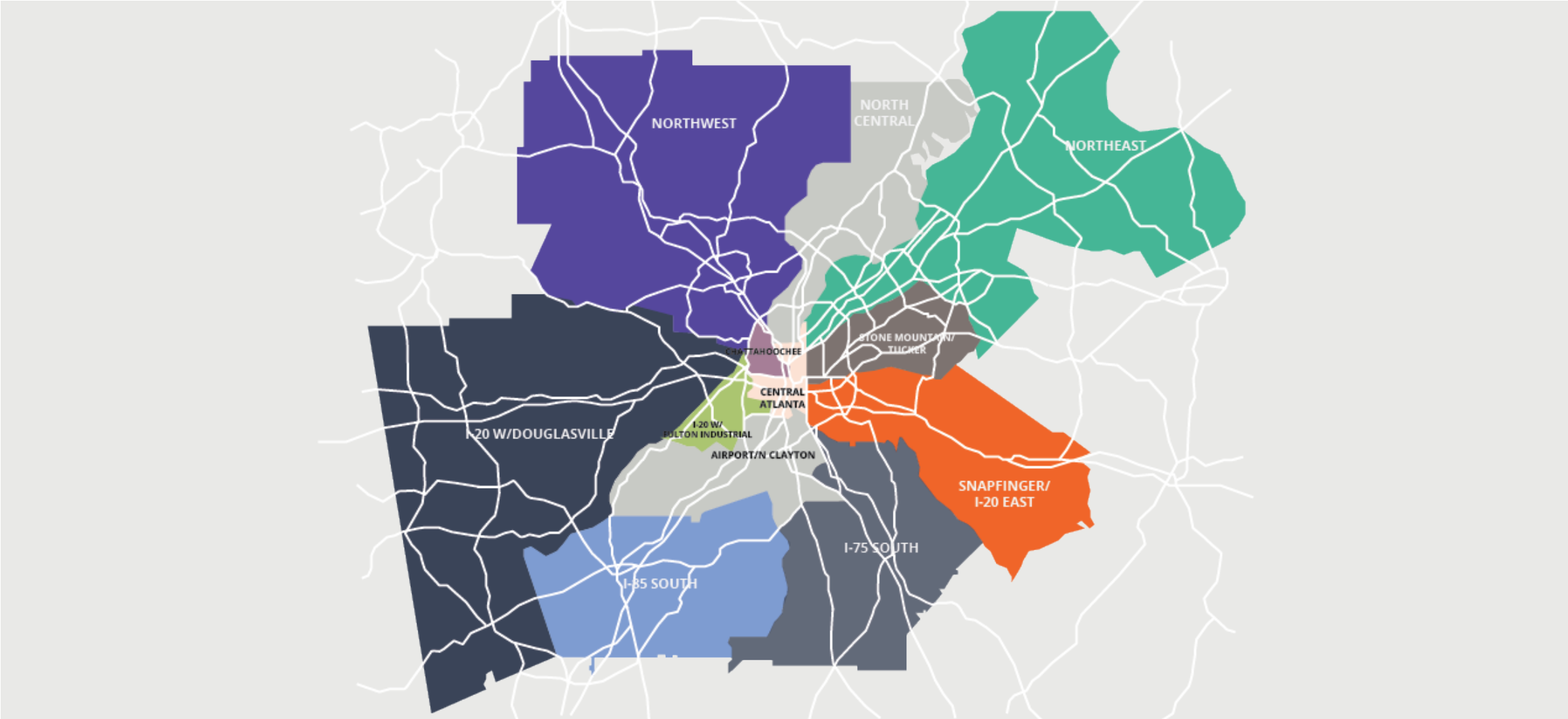
Atlanta industrial market stats

	Existing inventory sf	Deliveries sf (YTD)	Under development sf	Direct vacancy	Sublet vacancy	Total vacancy	Net absorption sf (YTD)	Net absorption % of inventory (YTD)	Annual direct asking rent psf NNN
Airport/North Clayton	121,571,696	3,736,998	1,963,004	8.2%	1.4%	6.4%	532,604	0.4%	\$7.97
I-75 South	73,618,120	3,199,816	4,502,360	7.9%	2.9%	6.7%	1,609,470	2.2%	\$7.41
I-85 South	27,843,862	310,375	2,008,996	14.1%	0.1%	2.4%	412,551	1.5%	\$7.30
South Atlanta Total	223,033,678	7,247,189	8,474,360	4.9%	1.1%	6.0%	2,554,625	1.1%	\$7.56
Central Atlanta	6,818,394	0	0	8.0%	0.0%	8.0%	-242,900	-3.6%	\$11.26
Chattahoochee	13,350,440	0	0	6.9%	1.1%	8.0%	-415,614	-3.1%	\$12.41
Fulton Industrial	53,295,312	0	0	5.1%	0.8%	5.9%	-94,667	-0.2%	\$7.30
I-20W/Douglasville	62,206,287	3,552,388	1,735,875	5.9%	0.3%	6.2%	1,049,297	1.7%	\$6.33
North Central	21,775,107	284,926	105,000	3.2%	0.0%	3.2%	412,172	1.9%	\$12.94
Northeast	216,966,982	8,248,593	6,343,233	7.0%	0.4%	7.3%	1,774,477	0.8%	\$7.91
Northwest	79,907,341	6,520,579	1,733,588	9.5%	2.1%	11.6%	1,259,873	1.6%	\$9.49
Snapfinger/I-20 East	48,402,963	2,484,570	1,132,014	7.6%	0.0%	7.6%	555,870	1.2%	\$7.07
Stone Mountain	24,947,368	0	0	4.1%	0.8%	4.1%	-655,701	-2.6%	\$8.53
Market total	750,703,872	28,388,245	19,524,070	6.2%	0.8%	7.0%	6,197,432	0.8%	\$8.54

Atlanta industrial market stats by property subtype

	Existing inventory sf	Deliveries sf (YTD)	Under development sf	Direct vacancy	Sublet vacancy	Total vacancy	Net absorption sf (YTD)	Net absorption % of inventory (YTD)	Annual direct asking rent psf NNN
Distribution	325,601,985	16,312,547	11,944,764	6.9%	0.9%	7.8%	4,053,325	1.2%	\$9.28
General Warehouse	345,368,949	12,025,698	7,079,306	6.2%	0.9%	7.1%	2,564,567	0.7%	\$8.56
Manufacturing	79,732,938	0	500,000	3.3%	0.0%	3.3%	(420,460)	(0.5%)	\$6.20
Market total	750,703,872	28,338,245	19,524,070	46,706,482	0.8%	7.0%	174,837	0.8%	\$8.54

Atlanta submarket map



Industrial insights glossary of terms

Demand

- **Leasing activity:** total square footage of relocations, renewals, expansions and subleases expressed when the leases are signed, not when tenants take physical occupancy of the space
- **Absorption:** period-over-period change in occupied square footage

Supply

- **Direct vacancy rate:** space operated by landlords that is ready for immediate occupancy
- **Sublease vacancy rate:** space operated by sublandlords that is ready for immediate occupancy
- **Total vacancy rate:** sum of direct vacancy rate and sublease vacancy rate
- **Availability rate:** space that is vacant plus space that will become vacant over an indefinite time horizon, including spaces that are occupied by vacating tenants and under-construction properties

Industrial rents and concessions

- **Triple net rents:** tenant is responsible for paying rent, utilities, taxes, operating expenses and common area maintenance
- **Asking rents:** pricing guidance provided by landlords to tenants for available space expressed as triple net (NNN)
- **Base rents:** fair market value of market-level lease pricing based on representative executed leases, expressed as triple net (NNN)
- **Free rent period:** months of free rent that are typically provided upfront by landlords to tenants as a concession to offset the total cost of a lease and/or the construction timeline of an industrial suite
- **Tenant improvement allowance:** an allowance expressed in dollars per square foot provided from landlords to tenants to offset build-out, engineering, space planning and related permit costs
- **Net effective rent:** base rents discounted by the dollar values of tenant improvement allowance and free rent concessions expressed as full service (FS)

Property subtypes

- **Distribution:** properties used primarily to ship good with higher proportions of dock doors and taller clear heights
- **General Warehouse:** properties used to store goods and materials
- **Manufacturing:** properties where goods are produced and assembled with heavier power and stronger floor loads for equipment

Capital markets

- **Investment volume:** industrial sales dollars expressed when the transactions close and based on inventory thresholds; partial-interest sale dollar amounts are not grossed-up to reflect the 100% value of the sale
- **Asset pricing:** unweighted average per-square-foot asset pricing of market-level closed sales
- **Cap rate:** net operating income divided by sale price; this measurement of market-level investment returns is calculated as an unweighted average based on closed investment sales

For more market insights and
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