



Atlanta industrial market report

Q1 2024

AVISON
YOUNG

Atlanta industrial market trends

87%

Leasing activity increases in smaller space

Although the demand for more industrial space in Atlanta has remained consistent, smaller availabilities are in high demand. Deals signed for spaces less than 50k sf accounted for 87% of leasing activity during first quarter.

Much of the newer inventory that has delivered within the last few years was developed for tenants with larger square footage needs in mind. This has left smaller tenants without viable options and could lead to a shift in the size of new development projects.

17.4 msf

Development pipeline continues to cool

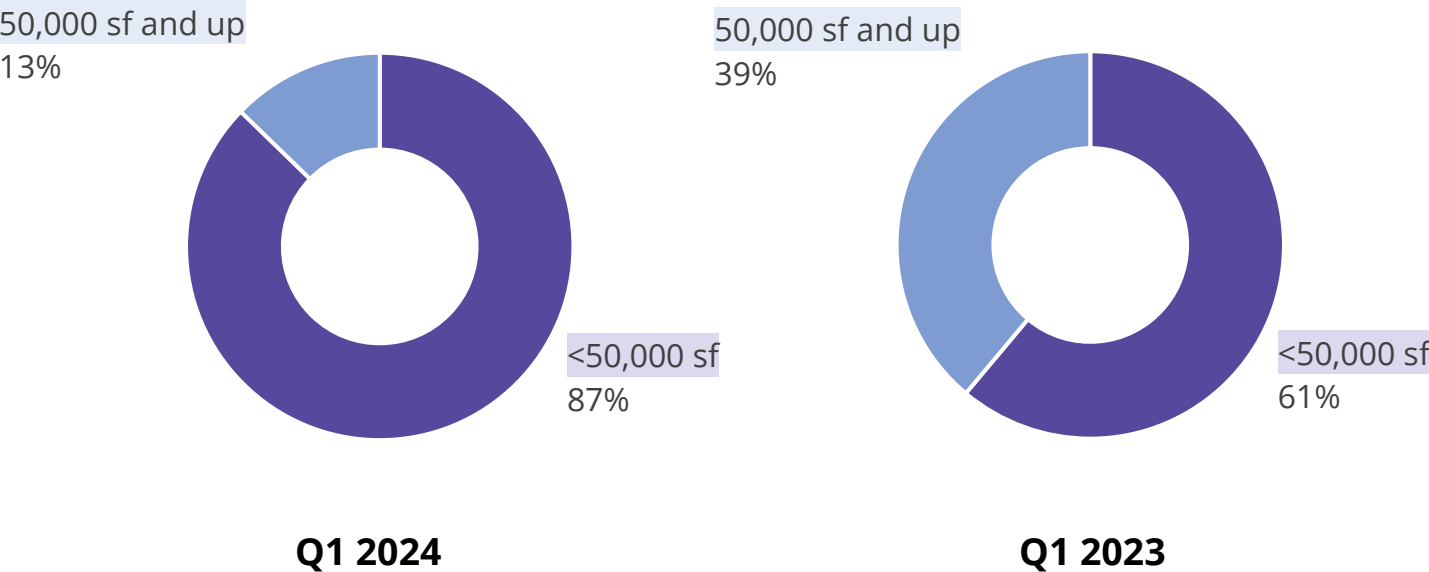
Industrial deliveries surged in 2022, keeping pace with the surge in e-commerce, and is now adjusting to meet long-term demand. Construction activity is cooling, with just 265k sf breaking ground in Q1 2024, a 99% decrease since the 2021 peak that boasted over 40 msf in construction starts. However, this decline signals a healthier market in the long run, as many deliveries were large-scale projects, and vacancy rates are currently highest in buildings over 750k sf.

7.7%

Vacancy rate escalates as new product outpaces demand

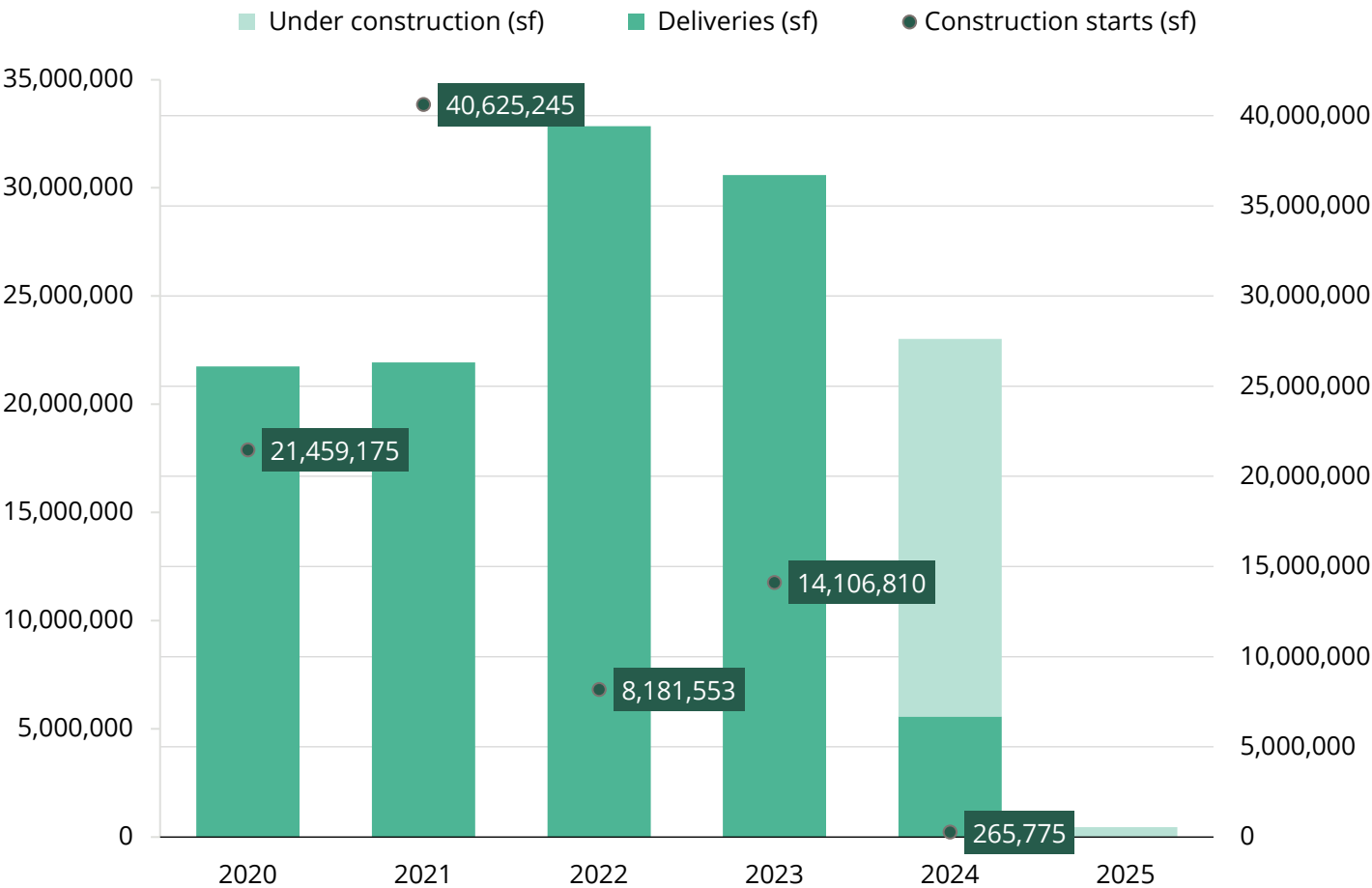
Atlanta experienced an influx of development deliveries the last couple of years, totaling over 32.8 msf in 2022 alone. While activity has slowed, 17 msf of new product is projected to deliver throughout the remainder of 2024 and vacancy rates continue to climb. Much of this increase is coming from direct space listed on the market. Sublease space has already shown a slight decrease quarter-over-quarter though due to Amazon taking a previously listed, new 1.1 msf building off the market with plans to now occupy.

Leasing activity increases in smaller space



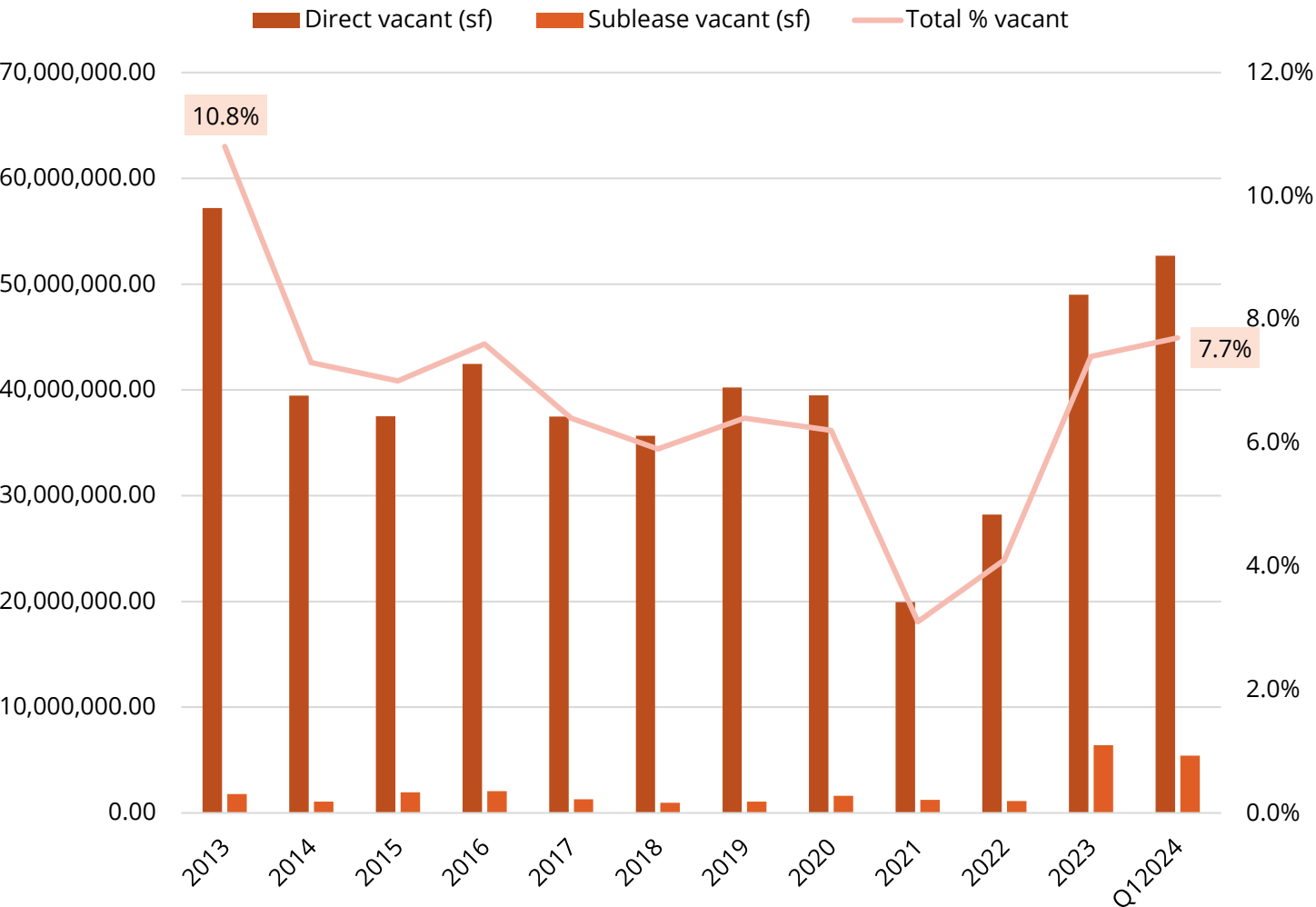
Leasing activity for space less than 50,000 sf is up nearly 43% when compared to the number of leases signed during the same time in 2023. The demand for smaller spaces is affecting rental rates as well as concessions as landlords have the upper hand and tenants are having to compete for available inventory.

Development pipeline continues to cool



So far 265k sf has broken ground in 2024. The pace of new construction is continuing to slow, giving the opportunity for occupancy to catch up with the delivery of new inventory.

Vacancy rate escalates as new product outpaces demand



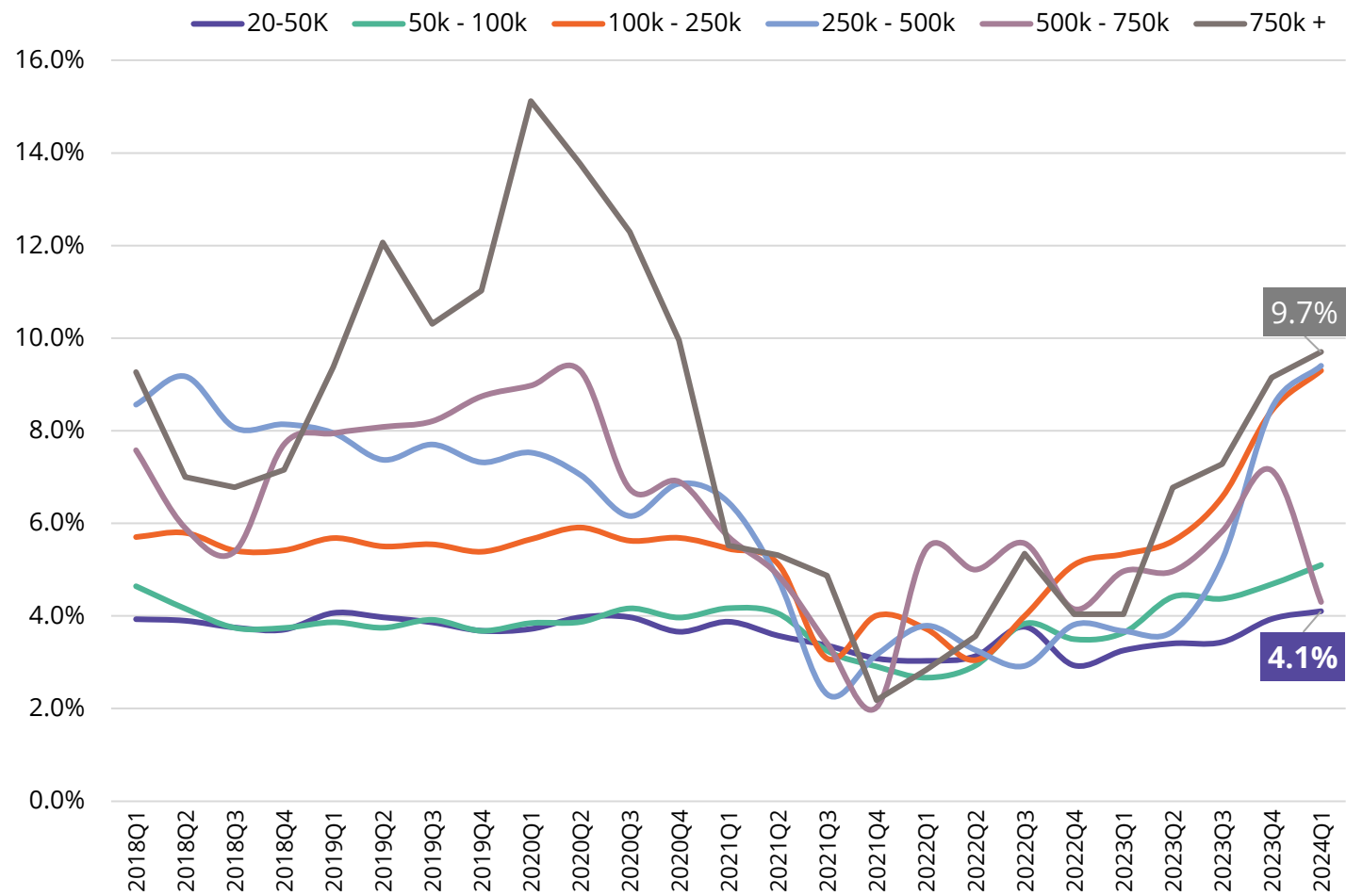
Although occupier demand remains robust, total vacancy has increased 4.1% since 2023. The vacancy rate is the highest that it has been in the Atlanta market since 2013.

Atlanta industrial market insights

Let's examine more
prevailing industrial trends

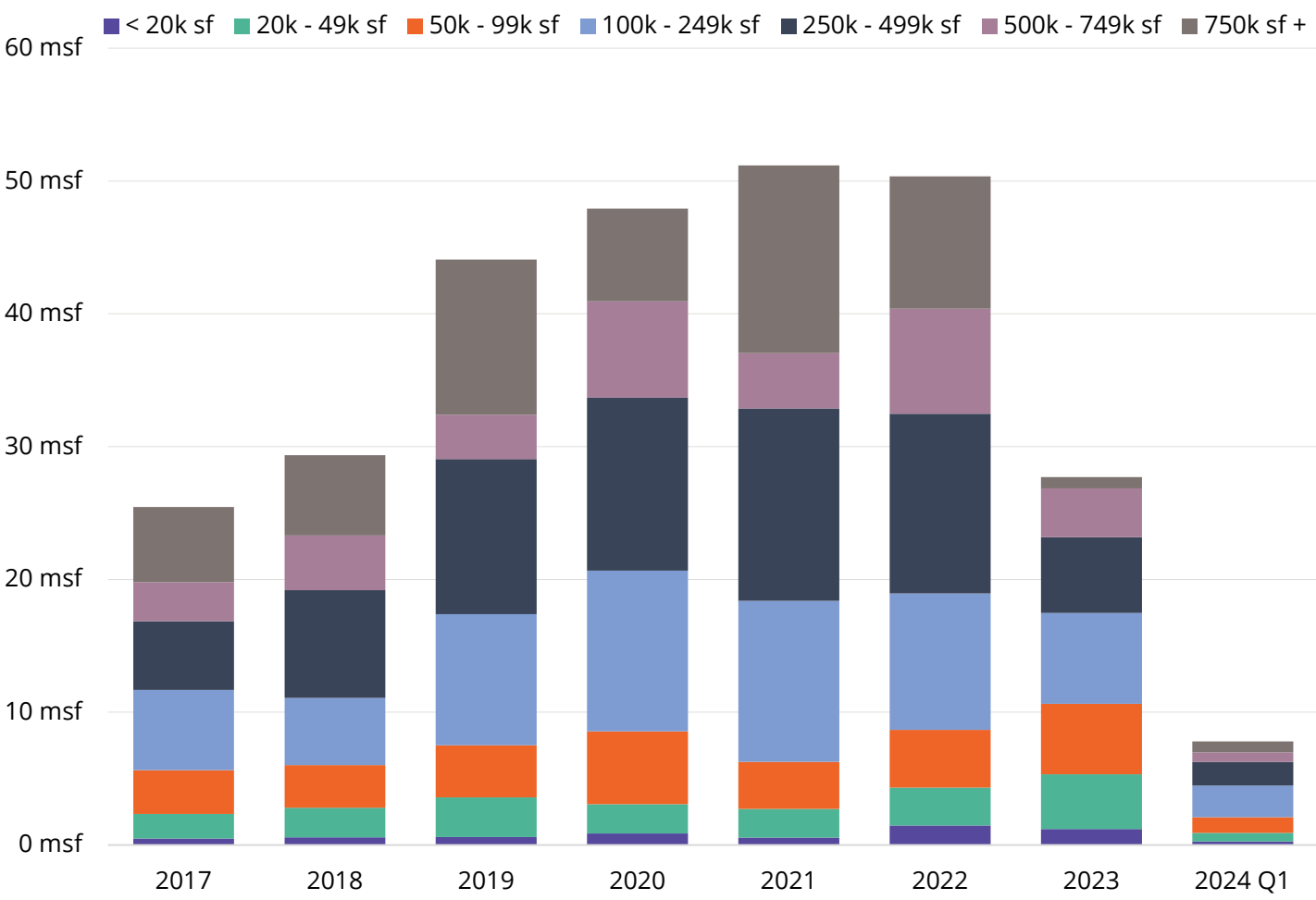


Total vacancy rate by building size



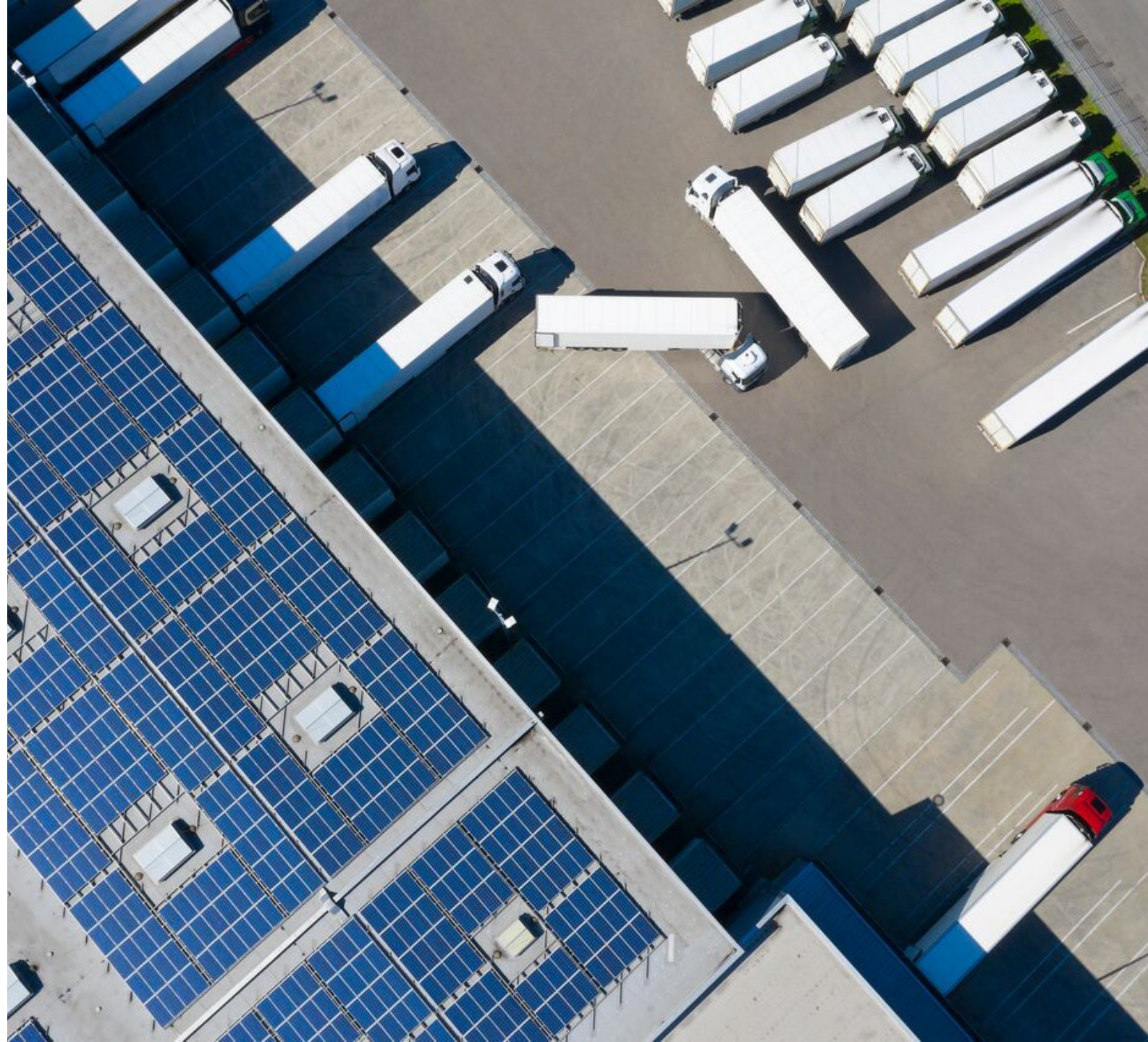
Vacancy rates are highest in buildings over 750k sf at 9.7% and lowest in smaller buildings with 20k to 50k sf at 4.1%. Buildings less than 50k sf accounted for 87% of deals signed during first quarter.

Leasing volume by deal size

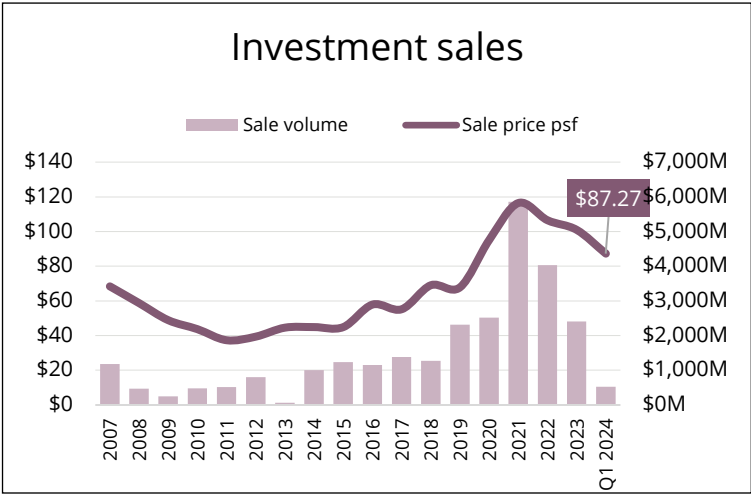
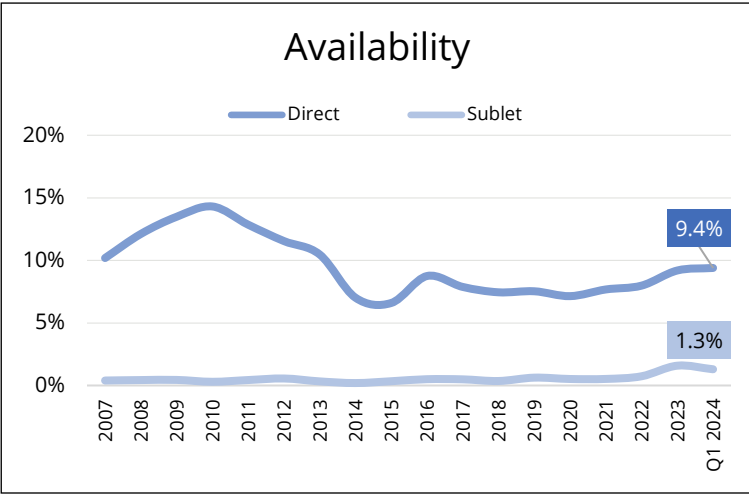
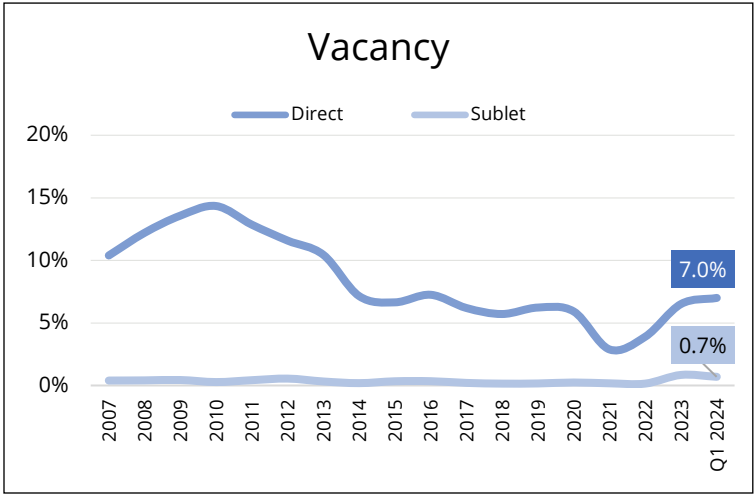
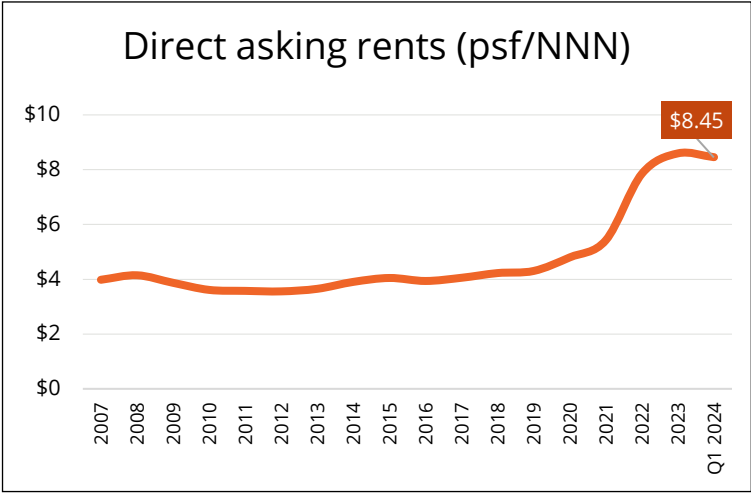
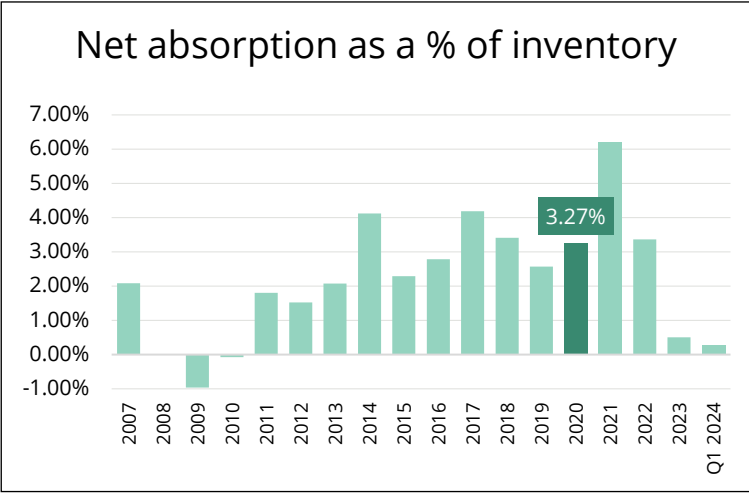
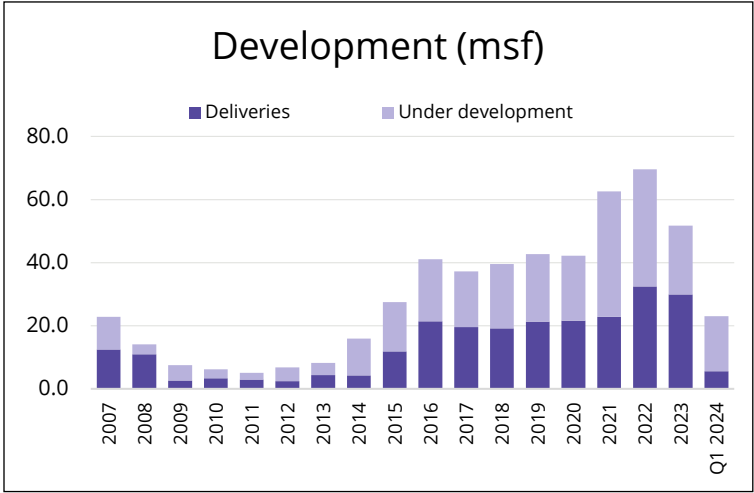


When looking at the total square footage of deals signed, spaces within the 100k-249k sf range accounted for over 30% of leasing activity recorded during first quarter.

Appendix



Atlanta industrial market indicators



Atlanta industrial market activity

Recent leasing activity

Tenant	Address	Submarket	Sign date	Size (sf)	Transaction type	Lease type
Hanwha Q CELLS	Cass White Rd- Busch Commerce Center	Northwest	1/26/2024	834,971	New	Direct
Devgiri	2464 Mt Zion Rd	I-75 South	1/16/2024	705,833	New	Sublease
GXO Logistics	3060 S Park Blvd	I-75 South	1/20/2024	498,258	Renewal	Direct

Recent sales activity

Buyer	Address	Sale date	Building size (sf)	Sale price	Sale price psf	Seller
Nestle Purina	5005 Terminus Dr & 5025 Fayetteville Rd (2 property portfolio)	1/17/2024	879,690	\$108.3M	\$123.15	GE, Clarion Partners
Costco	5390 Hunter Rd	3/27/2024	907,000	\$87.9M	\$97.00	Morgan Stanley
Longpoint Realty Partners	195 Sawmill Dr	3/7/2024	327,825	\$39.3M	\$120.00	TPA Group

Top projects under development

Address	Submarket	Delivery date	Building size sf	% Preleased	Developer
1075 Lower Woolsey Road	I-75 South	June 2024	1,392,166	100%	PDC
1305 Hwy 42 South- Building A	I-75 South	October 2024	1,219,826	0%	PNK Group
Bridgeport Blvd –Bridgeport Building D	I-75 South	May 2024	1,201,200	0%	CRG

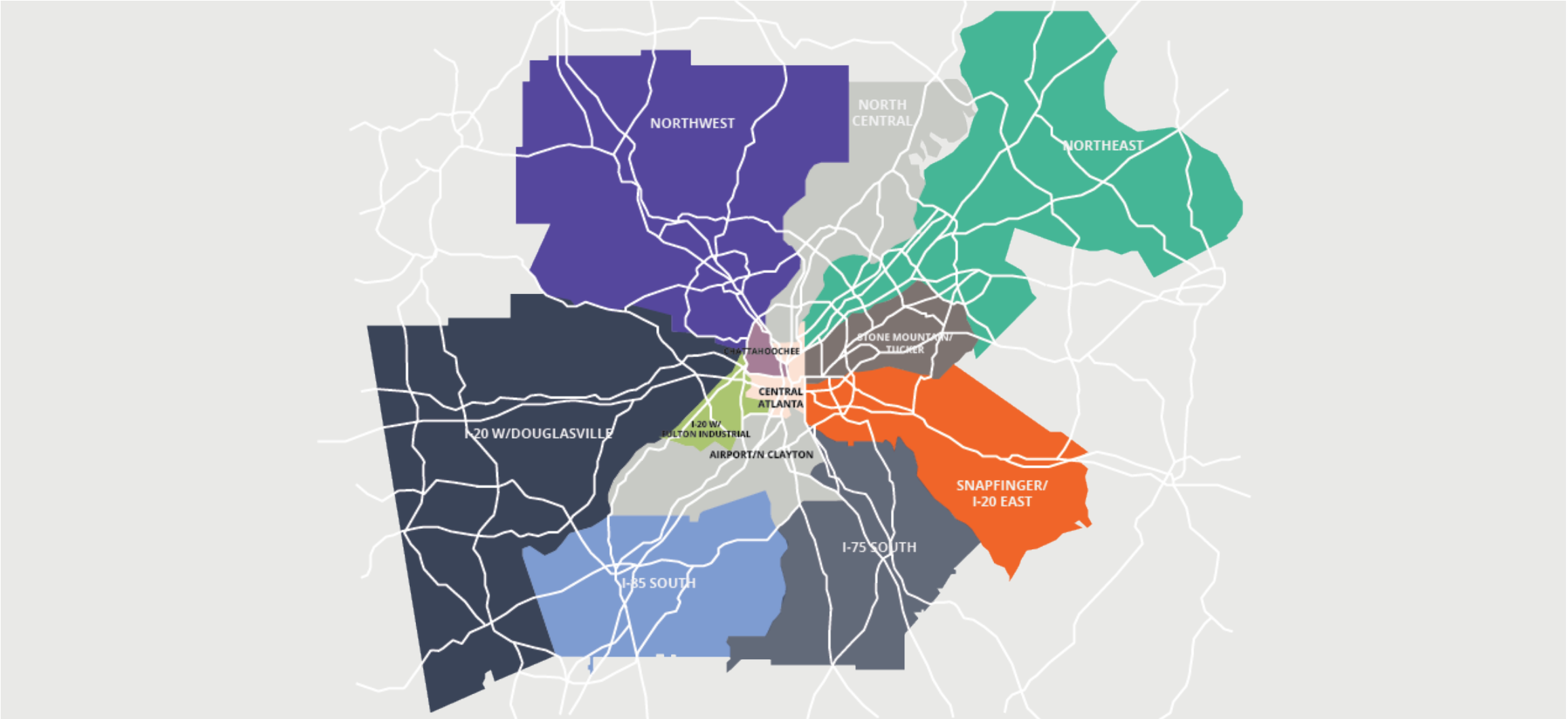
Atlanta industrial market stats

	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	121,979,693	207,684	1,535,912	6.0%	1.1%	7.1%	(138,782)	(0.1%)	\$7.70
I-75 South	76,845,213	1,800,000	4,589,352	4.7%	1.6%	6.3%	3,028,640	3.9%	\$7.26
I-85 South	28,081,747	237,885	1,771,111	3.8%	0.1%	3.9%	(194,051)	(0.7%)	\$10.43
South Atlanta Total	226,906,653	2,245,569	7,895,656	5.3%	1.1%	6.4%	2,695,807	1.9%	\$8.46
Central Atlanta	6,665,082	0	0	8.1%	0.0%	8.1%	8,800	0.1%	\$9.98
Chattahoochee	13,302,526	0	0	6.7%	1.0%	7.7%	40,350	0.3%	\$9.91
Fulton Industrial	53,297,401	0	0	5.1%	1.5%	6.6%	(234,752)	(0.4%)	\$6.96
I-20W/Douglasville	63,139,242	716,399	1,585,555	7.6%	1.1%	8.7%	(455,022)	(0.7%)	\$7.22
North Central	21,505,659	0	105,000	4.5%	0.0%	4.6%	(219,360)	(1.0%)	\$12.35
Northeast	219,109,780	1,780,098	5,480,831	8.0%	0.4%	8.5%	(163,401)	(0.7%)	\$8.23
Northwest	80,672,285	201,263	948,950	10.6%	0.6%	11.2%	(107,314)	(0.1%)	\$10.24
Snapfinger/I-20 East	48,118,008	632,014	1,425,000	7.9%	0.1%	8.0%	531,751	1.1%	\$6.86
Stone Mountain	24,947,368	0	0	3.4%	0.3%	3.7%	85,406	0.3%	\$10.44
Market total	757,664,004	5,575,343	17,440,992	7.0%	0.7%	7.7%	2,182,265	0.3%	\$8.45

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	329,548,185	3,335,706	10,671,175	7.4%	1.1%	8.6%	1,439,990	0.4%	\$9.60
General Warehouse	348,382,884	2,239,637	6,269,817	7.2%	0.6%	7.9%	849,845	0.2%	\$8.29
Manufacturing	79,732,935	0	500,000	3.6%	0.0%	3.6%	(107,570)	(0.1%)	\$6.26
Market total	757,664,004	5,575,343	17,440,992	7.0%	0.7%	7.7%	2,182,265	0.3%	\$8.45

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 goods 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
information visit **avisonyoung.com**

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