

Atlanta Industrial 2024 Midyear Report

Atlanta Industrial | 2024 Midyear Report

Market Report

Market Fundamentals Remain Healthy, with Rates still Near Record Highs

Executive Summary

Mid-Year In Review

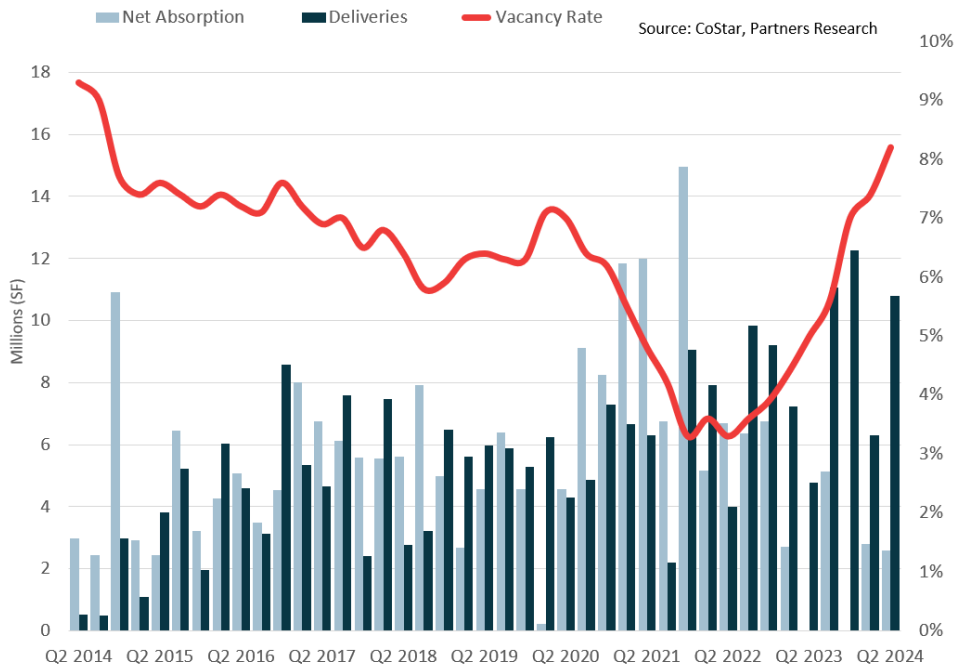
By the end of Q2 2024, the overall vacancy rate in the Atlanta Industrial market rose 80 basis points over the past quarter, from 7.4% to 8.2%. Net absorption was 2.6 million sq. ft. for the quarter, bringing the year-to-date net absorption to a healthy 5.4 million sq. ft. Net absorption has held steady through the first half of 2024, with over 5.4 million sq. ft. recorded so far this year. Market fundamentals remain healthy with Warehouse/Distribution properties still achieving all-time asking rates, while Flex and Manufacturing properties have seen some recent pull-back from a demand and rental rate perspective. New construction deliveries and the construction pipeline, which both have been elevated, are rapidly moving back toward the more historic norm.

Atlanta Economic Update

The latest unemployment rate for the Atlanta metro area is 3.9% as of July 2024. This is slightly higher than the previous month but lower than the national average and the long-term average for the area. Atlanta's job market has more than recovered from job losses during the pandemic. There are now 6% more jobs in the Atlanta area than there were in February 2020. Strong job growth has come from office-using sectors such as finance, professional services, and the technology sector.

Flat consumer spending and increasing automation have begun to put a dent in the industrial-using sectors, though employment here remains well above pre-pandemic levels. Hiring by firms like Amazon, Home Depot, HelloFresh, Freshly, Purple Mattress, and Goodyear, among others, has helped boost blue-collar job growth. Since late 2022, however, a few high-profile layoff announcements have highlighted weakness in the homebuilding sector as well as a broader move to automated technology in warehousing operations. American Building Supply closed a 600,000 sq. ft. distribution center,

Supply & Demand



Atlanta Industrial Market Indicators Mid-Year 2024

	CURRENT Q2 2024	PRIOR QUARTER Q1 2024		PRIOR YEAR Q2 2023	
Vacant Total	8.2%	7.4%	▲	5.0%	▲
Vacant Direct	7.5%	6.7%	▲	4.5%	▲
Available Total	10.9%	10.3%	▲	8.2%	▲
Available Direct	9.7%	9.1%	▲	7.2%	▲
Net Absorption (SF)	2,574,092	2,799,752	▲	-429,374	▲
Leasing Activity (SF)	8,794,023	8,366,043	▲	6,992,284	▲
Construction (SF)	20,676,626	28,840,801	▼	42,079,140	▼
Deliveries (SF)	10,792,295	6,308,773	▲	4,760,414	▲
Avg Asking Rent (Gross)	\$9.25	\$9.15	▲	\$9.35	▼
Inventory (SF)	899,242,609	886,288,695	▲	856,634,497	▲

and Walmart announced it would slash 1,500 workers as it automated much of the work at its 1.2 million-sq.-ft. fulfillment center near Hartsfield Jackson Airport. Longer term, Atlanta boasts lower living and business costs than most large East and West Coast metros, and this competitive advantage should continue to boost population and job growth for the foreseeable future.

Market Overview

Leasing Up 26% Year-Over-Year

Quarterly leasing velocity—comprised of new leases and renewals—stood at 8.8 million sq. ft.—up an impressive 26% from 7 million sq. ft. in Q2 2023. Year-to-date, leasing activity is at 17.2 million sq. ft., compared to the prior year-to-date figure of 16.9 million sq. ft. Notable recent leasing activity includes Hanwha Q Cells leasing 834,971 sq. ft. at Busch Commerce Center, Fulfillment Strategies International subleasing 364,200 sq. ft. at West Fulton Commerce Park, and FRM leasing 225,609 sq. ft. at Gravel 85 Distribution Center.

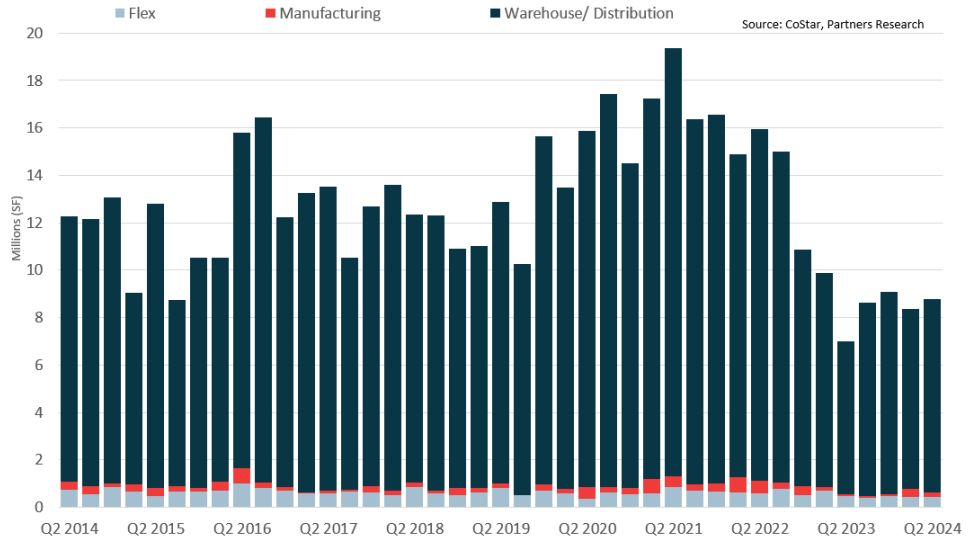
Positive Net Absorption Despite Slowing Demand

Net absorption—move-ins minus move-outs—is at 5.4 million sq. ft. for the first half of 2024, this is significantly higher than the first half of 2023, when 2.3 million sq. ft. was absorbed. Demand for space in 2024 so far has been completely concentrated in more traditional Warehouse/Distribution space, both Flex and Manufacturing properties recorded negative absorption of 248,525 sq. ft. and 207,443 sq. ft., respectively. Notable move-ins for the first half of 2024 include Devgiri subleasing 705,833 sq. ft. at Clayton 75 Logistics Center, Samsung SDS taking 273,576 sq. ft. at Cassville 75 Distribution Center, and Pratt Industries taking 240,000 sq. ft. at the Twin Creeks Business Center.

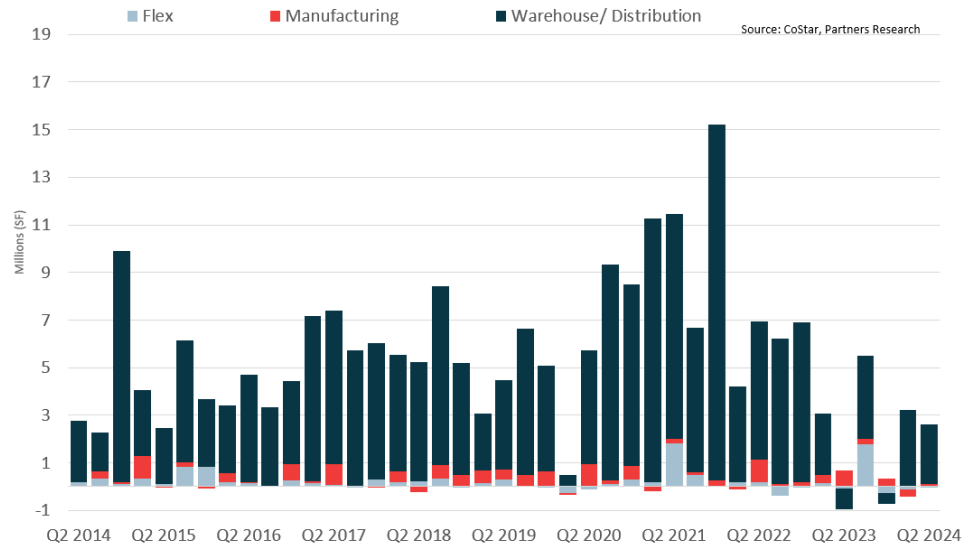
Vacancy Rate Increases to 8.2%

The overall vacancy rate in Atlanta's industrial market is at 8.2%. Like most major industrial markets across the country, a robust pipeline of new construction over the past two years has moved the overall market from a landlord market to more neutral conditions (8% to 10% vacancy). Quarter over quarter, the vacancy rate increased 80 basis points from 7.4%. Year over year, the vacancy rate increased 320 basis points from 5.0%. Flex, Manufacturing, and Warehouse/Distribution space had vacancy rates of 5.4%, 3.6%, and 8.9%, respectively. As new deliveries continue to outpace demand, the overall vacancy rate is forecasted to increase in the later half of 2024.

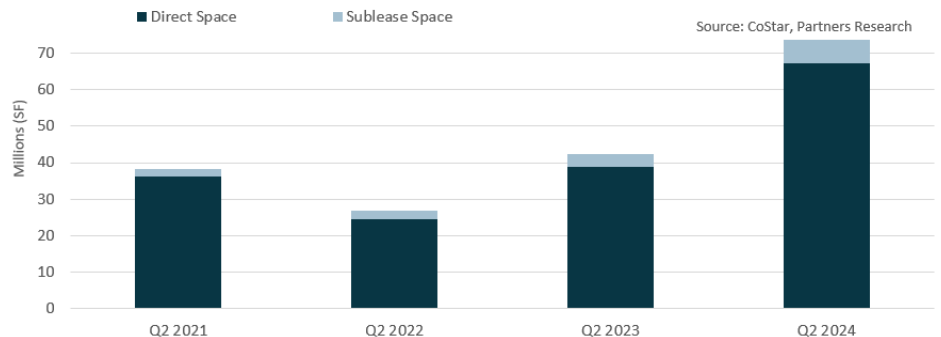
Leasing



Net Absorption



Vacancy | YOY



Construction Pipeline Tappers Off

New deliveries for first half of 2024 far outpaced net absorption with a little over 17 million sq. ft. completed versus the 5.4 million sq. ft. absorbed for the same period. Still the under-construction pipeline has been trending down from all-time highs of over 50 million sq. ft. reached in mid-2022. The current under construction pipeline stands at 20.7 million sq. ft., this is about 5 million sq. ft. below the 10-year historic norm for the Atlanta industrial market.

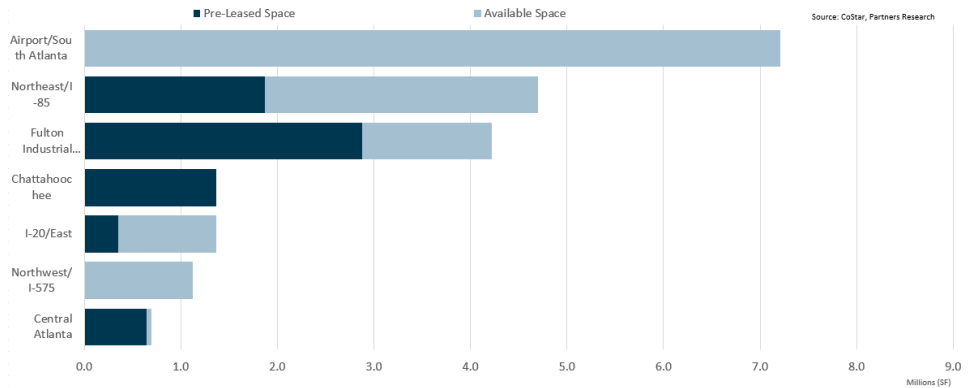
Investment Sales Trends

Over the past year, 569 industrial properties were sold in the Atlanta industrial market with an average transaction price of \$114 and an average cap rate of 6.8%. Notable sales transactions in 2024 so far include Costco purchasing 5390 Hunter Rd, a 907,000-sq.-ft. distribution property it occupies, GLP Capital Partners acquired the subject 846,496-sq.-ft. industrial building within the King Mill Distribution Park from American Realty Advisors for \$77,500,000 or \$92 per sq. ft. The property was fully occupied by Wayfair affiliate Castlegate Logistics who had recently renewed their lease in October 2023. Also, the Welcome Group acquired the 691,667-sq.-ft. International Commerce Center for \$66,250,000 or \$96 per sq. ft. The property was developed in 2023 and 100% leased to BroadRange Logistics, though the tenant is currently marketing a sublease of 200,000 sq. ft.

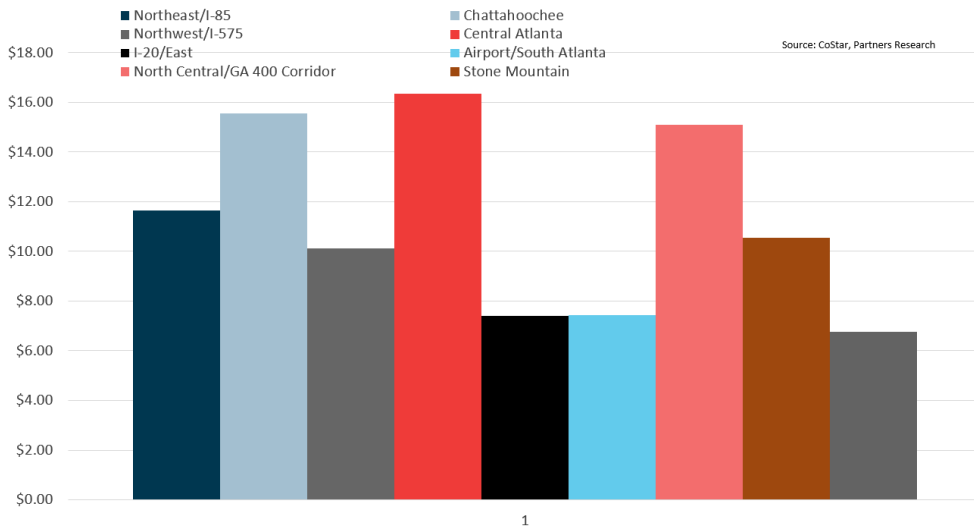
Record-High Warehouse/ Distribution Rental Rates

The average monthly rental rate (NNN) for Atlanta's industrial market is \$9.25 per sq. ft. This is a slight increase over the past quarter (1.1%) but remains slightly below the \$9.35 per sq. ft. rate recorded in Q2 2023. Warehouse/Distribution rates have remained at record highs, while the small decrease in overall rates was largely due to a decrease in Flex properties over the past year.

Q2 2024 Construction



Overall Average Asking NNN Rents



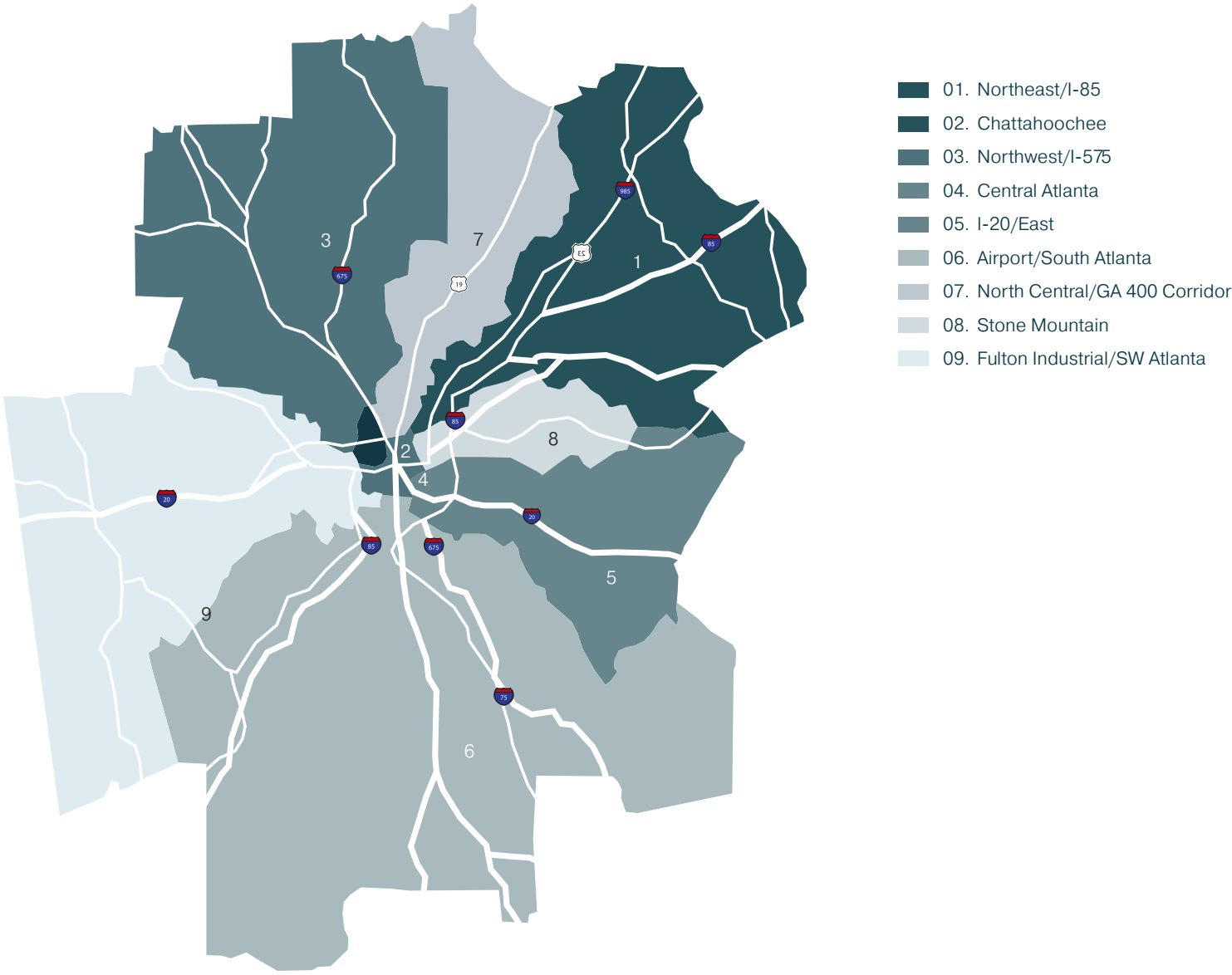
Market Overview

Submarket Stats

Submarket Statistics	Inventory (SF)	Total Vacancy (%)	Total Availability (%)	Q2 2024 Total Net Absorption (SF)	YTD Total Net Absorption (SF)	Q2 2024 Deliveries (SF)	Under Construction (SF)	Total Avg Asking Rent (\$/SF/MO/NNN)
Atlanta Market Total	899,242,609	8.20%	10.90%	2,574,092	5,373,844	10,792,295	20,676,626	9.25
Flex	61,834,197	5.40%	8.30%	-37,363	-248,525	74,112	481,348	15.36
Manufacturing	80,971,089	3.60%	3.60%	118,854	-207,443	172,000	1,305,000	5.34
Warehouse/Distribution	756,437,323	8.90%	10.60%	2,492,601	5,244,237	10,546,183	18,890,278	8.38
Northeast/I-85	253,203,040	5.20%	6.90%	-646,280	-381,694	2,842,544	4,695,633	11.65
Flex	18,351,822	7.20%	9.30%	-72,717	-196,187	74,112	0	13.60
Manufacturing	20,937,320	6.00%	6.00%	11,730	11,730	0	455,000	9.95
Warehouse/Distribution	213,913,898	9.40%	11.10%	-585,293	-197,237	2,768,432	4,240,633	8.24
Chattahoochee	19,379,677	6.40%	6.50%	-3,860	-7,297	0	1,370,863	15.56
Flex	4,266,565	4.20%	5.00%	3,705	4,861	0	0	18.49
Manufacturing	1,556,154	6.20%	9.10%	-11,949	7,654	0	0	12.95
Warehouse/Distribution	13,556,958	7.10%	7.10%	4,384	-19,812	0	1,370,863	14.60
Northwest/I-575	104,279,114	10.30%	11.80%	389,476	1,326,533	295,770	1,121,149	10.12
Flex	9,252,702	3.60%	3.60%	85,547	121,299	0	28,126	13.97
Manufacturing	12,152,948	1.90%	1.90%	64,600	-51,900	0	500,000	9.78
Warehouse/Distribution	82,873,464	12.20%	13.80%	239,329	1,257,134	295,770	593,023	8.90
Central Atlanta	12,010,045	9.60%	12.10%	-30,994	-299,777	0	0	16.35
Flex	2,702,009	3.50%	19.20%	-27,498	-38,656	0	0	25.60
Manufacturing	907,713	14.20%	14.20%	-4,073	-828	0	0	23.28
Warehouse/Distribution	8,400,323	11.10%	11.10%	577	-260,293	0	0	12.07
I-20/East	60,575,427	7.10%	8.60%	1,331,431	2,068,628	1,467,351	1,363,902	7.41
Flex	5,472,468	2.70%	6.20%	-55,823	-64,456	0	0	12.69
Manufacturing	10,055,573	0.00%	0.10%	41,370	41,370	0	350000	-
Warehouse/Distribution	45,047,386	9.20%	10.70%	1,345,884	2,091,714	1,467,351	1,013,902	7.21
Airport/South Atlanta	253,058,049	8.20%	13.80%	2,132,421	3,738,876	6,186,630	7,212,868	7.43
Flex	5,703,891	4.90%	5.00%	-14,012	-28,370	0	0	13.08
Manufacturing	20,087,159	4.20%	4.90%	14,656	14,656	172000	0	3.46
Warehouse/Distribution	227,266,999	8.60%	14.80%	2,131,777	3,752,590	6,014,630	7,212,868	7.82
North Central/GA 400 Corridor	34,422,837	5.00%	6.20%	26,801	-277,538	0	694,422	15.09
Flex	8,785,769	8.10%	11.60%	64,917	-51,094	0	453,222	16.77
Manufacturing	3,435,364	0.00%	0.00%	2,520	2,520	0	0	-
Warehouse/Distribution	22,201,704	4.60%	5.00%	-40,636	-228,964	0	241,200	12.61
Stone Mountain	30,518,061	4.50%	5.10%	-233,488	-195,767	0	0	10.54
Flex	3,442,263	4.60%	7.30%	-6,072	-8,214	0	0	12.98
Manufacturing	2,421,248	1.00%	1.00%	0	-5,310	0	0	12.80
Warehouse/Distribution	24,654,550	4.90%	4.90%	-227,416	-182,243	0	0	10.07
Fulton Industrial/SW Atlanta	131,796,359	7.30%	9.90%	-391,415	-598,120	0	4,217,789	6.75
Flex	3,856,708	2.60%	3.00%	-15,410	25,763	0	0	12.05
Manufacturing	9,417,610	3.10%	3.10%	0	-227,335	0	0	6.00
Warehouse/Distribution	118,522,041	7.80%	10.80%	-376,005	-396,548	0	4,217,789	6.64

Market Overview

Atlanta Industrial Submarkets



Steve Triolet

SVP of Research and Market Forecasting

tel 214 223 4008

steve.triolet@partnersrealestate.com

partners

ATLANTA
+ 404 595 0500
999 Peachtree Rd, Suite 850
Atlanta, GA 30309

PARTNERSREALESTATE.COM