

Atlanta

Development drives activity while commodity space remains tight

- Annual absorption continued to outpace pre-pandemic levels, seeing over 6.9 million s.f. more move-ins than 2016-2020 average of 18.8 million s.f.
- The largest volume of annual deliveries on record was in 2022, totaling 29.1 million s.f., 73% of which was speculative development.
- Availability and vacancy rates are staggeringly low marketwide and is especially pronounced in commodity inventory (built before 2020) with a 3.4% availability rate and 2.2% vacancy rate.

Atlanta's development pipeline drove activity in an otherwise constricted market, with vacancy and availability trending at record lows. The market achieved the largest volume of annual deliveries on record and has a historic volume of supply under construction. Despite this, overall vacancy is up only 10 basis points from last quarter and up 20 basis points from Q4 2021.

Availability was slightly boosted in Q4 by this year's volume of groundbreakings – 37.6 million s.f. of spec groundbreakings, 18.6% of which broke ground in the fourth quarter alone – but that is a story for new construction only. Availability in commodity buildings (built pre-2020) is remarkably low. Because of this, users continued to have a hard time finding immediate occupancy and were left with limited options in an extremely competitive market.

The increase in groundbreakings did help alleviate some market tension, as Q4 saw a boost in deals sized 200,000 s.f. to 400,000 s.f. Availability in this size segment peaked in Q3 2022, making room for deals to be done in Q4. Additionally, and possibly due to new supply, deals had a higher lease size this year, averaging 135,829 s.f., compared to the last few years average of 120,000 s.f. Nearly 50.0 million s.f. of deals were signed this year, 39.2 million s.f. of which were new deals and 27.4 million s.f. of which were large-block deals. Even in such a constricted market, large-block moves continued to dominate. Q4 alone saw 12 large-block move-ins, totaling 7.4 million s.f., marking the biggest large-block deal volume of the year.

Outlook

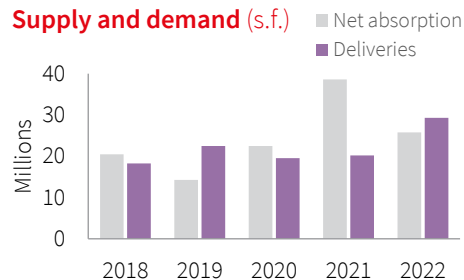
Though Atlanta achieved its largest volume of annual deliveries in 2022, several new buildings expected for Q4 2022 were pushed to early 2023. While the healthy development pipeline will help mitigate market constraint, pain pressures of finding immediate occupancy or having multiple options are likely to continue. Tenant demand is not slowing, and if anything, the market is getting more competitive with 8.0 million s.f. of new deals set to commence in 2023 – over 70% of these deals are in buildings just or yet to be delivered.

Fundamentals

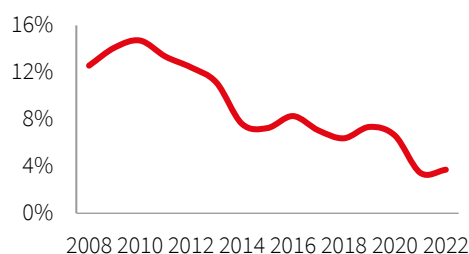
Forecast

2022 net absorption	25,772,250 s.f. ►
Under construction	45,501,457 s.f. ▼
Total vacancy	3.7% ▲
Sublease vacancy	1,549,980 s.f. ▲
Direct asking rent	\$5.60 p.s.f. ▲
Sublease asking rent	\$5.70 p.s.f. ▲
Concessions	Rising ▲

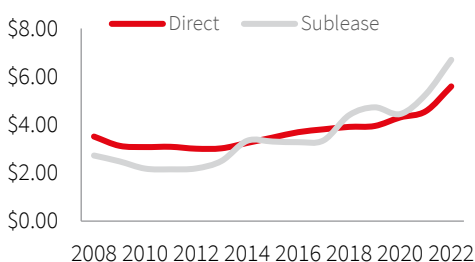
Supply and demand (s.f.)



Total vacancy (%)



Average asking rent (\$ p.s.f.)



Industrial Statistics

	Inventory (s.f.)	Quarterly total net absorption (s.f.)	YTD total net absorption (s.f.)	YTD total net absorption (% of stock)	Total vacancy (%)	Total availability (%)	Average total asking rent (\$ p.s.f.)	Quarterly Completions (s.f.)	YTD Completions (s.f.)	Under construction (s.f.)
Atlanta total										
Warehouse & Distribution	578,303,957	7,872,053	24,039,266	4.2%	3.7%	10.4%	\$5.71	7,916,601	26,435,328	45,668,462
Manufacturing	69,340,296	-75,572	2,331,559	3.4%	2.4%	2.4%	\$4.07	0	2,637,295	730,000
Overall Total	647,644,253	7,796,481	26,370,825	4.1%	3.6%	9.5%	\$5.65	7,916,601	29,072,623	46,398,462
Airport/South I-85 Ind										
Warehouse & Distribution	123,932,943	3,586,255	8,502,851	6.9%	3.0%	8.4%	\$6.20	1,834,861	8,336,890	6,502,056
Manufacturing	12,246,691	13,840	89,592	0.7%	3.7%	5.2%	\$3.56	0	47,000	0
Overall Total	136,179,634	3,600,095	8,592,443	6.3%	3.0%	8.1%	\$5.42	1,834,861	8,383,890	6,502,056
I-20 East Ind										
Warehouse & Distribution	54,138,055	240,870	1,402,943	2.6%	3.4%	8.0%	\$6.08	317,232	1,412,600	2,587,061
Manufacturing	10,807,442	5,160	-4,440	0.0%	0.3%	0.8%	\$7.53	0	0	0
Overall Total	64,945,497	246,030	1,398,503	2.1%	2.9%	6.9%	\$6.10	317,232	1,412,600	2,587,061
I-20 West Ind										
Warehouse & Distribution	96,784,494	760,777	2,083,713	2.2%	2.6%	9.0%	\$5.14	751,780	2,459,947	5,706,265
Manufacturing	6,518,274	34,000	90,295	1.4%	0.6%	0.0%	\$0.00	0	90,295	300,000
Overall Total	103,302,768	794,777	2,174,008	2.1%	2.5%	8.5%	\$5.14	751,780	2,550,242	6,006,265
North Central Ind										
Warehouse & Distribution	14,001,598	132,534	404,852	2.9%	4.9%	5.5%	\$8.77	546,055	546,055	30,000
Manufacturing	1,709,017	0	0	0.0%	2.8%	0.0%	\$0.00	0	0	0
Overall Total	15,710,615	132,534	404,852	2.6%	4.7%	4.9%	\$8.77	546,055	546,055	30,000
Northeast Ind										
Warehouse & Distribution	165,550,541	1,964,631	4,873,125	2.9%	4.7%	10.8%	\$5.98	3,466,402	6,146,668	15,283,985
Manufacturing	18,788,499	4,204	2,506,542	13.3%	4.0%	1.1%	\$0.00	0	2,500,000	430,000
Overall Total	184,339,040	1,968,835	7,379,667	4.0%	4.6%	9.9%	\$5.98	3,466,402	8,646,668	15,713,985
Northwest Ind										
Warehouse & Distribution	52,512,151	318,244	4,430,342	8.4%	5.8%	21.2%	\$5.19	415,843	4,820,469	9,653,617
Manufacturing	10,377,011	0	11,356	0.1%	0.6%	1.1%	\$5.25	0	0	0
Overall Total	62,889,162	318,244	4,441,698	7.1%	5.0%	18.3%	\$5.19	415,843	4,820,469	9,653,617
South I-75 Ind										
Warehouse & Distribution	59,379,410	828,754	2,144,111	3.6%	2.9%	8.8%	\$5.04	584,428	2,712,699	5,905,478
Manufacturing	6,486,332	-126,700	-81,700	-1.3%	2.0%	5.8%	\$6.00	0	0	0
Overall Total	65,865,742	702,054	2,062,411	3.1%	2.8%	8.5%	\$5.08	584,428	2,712,699	5,905,478
Central Atlanta Ind										
Warehouse & Distribution	3,193,569	-5,600	1,029	0.0%	0.3%	2.3%	\$6.50	0	0	0
Manufacturing	609,149	0	-400,000	-65.7%	0.0%	0.0%	\$0.00	0	0	0
Overall Total	3,802,718	-5,600	-398,971	-10.5%	0.2%	2.0%	\$6.50	0	0	0
Chattahoochee Ind										
Warehouse & Distribution	8,811,196	45,588	196,300	2.2%	3.8%	5.9%	\$7.84	0	0	0
Manufacturing	1,797,881	-6,076	119,914	6.7%	7.8%	13.2%	\$0.00	0	0	0
Overall Total	10,609,077	39,512	316,214	3.0%	4.4%	7.2%	\$7.84	0	0	0