Atlanta's industrial demand remains stagnant due to lack of bulk tenant activity

▲ 8.6%	▼ (235K)	▼ 4.9M	▲ 4.3M	▼ 10.0M	▶ $7.21
Direct Vacancy Rate	SF Net Absorption	SF Under Construction	SF Delivered	SF Leasing Activity	Avg NNN Lease Rate

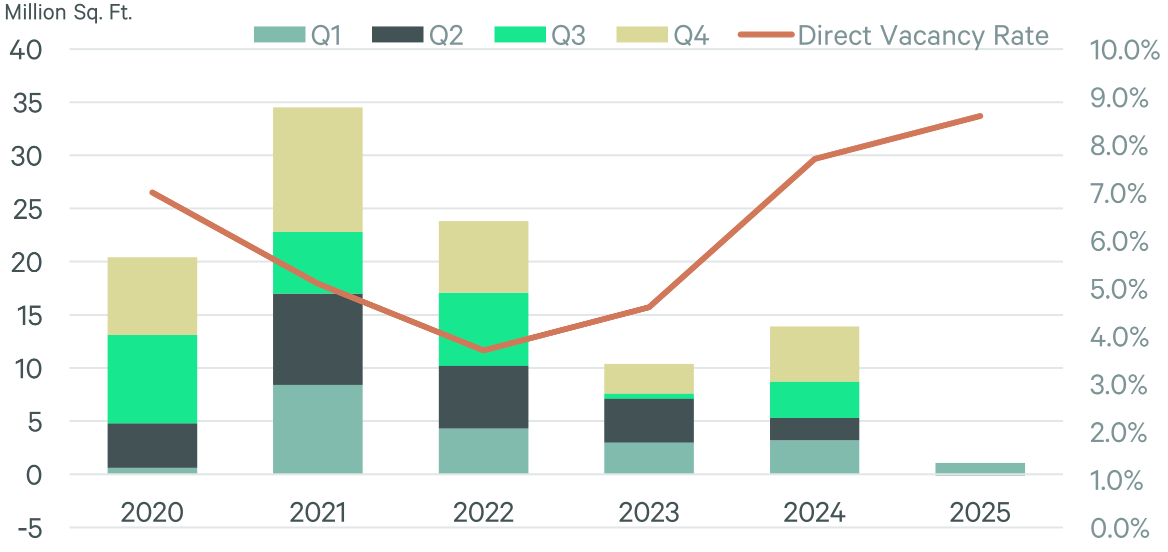
Note: Arrows indicate change from previous quarter.

Key Takeaways

- Leasing fell to 10.0M sq. ft., with no deals over 500K sq. ft., signaling a decline in large-user demand.
- The direct vacancy rate rose to 8.6% due to vacant bulk deliveries and major move-outs.
- Net absorption turned negative for the first time since 2011, driven by move-outs and subdue leasing.
- The construction pipeline shrank to 4.9-million sq. ft., its lowest level since 2014.
- At $7.21 per sq. ft., the asking rental rate remained flat QoQ.

The Atlanta industrial market remained largely stagnant through the first half of 2025, with Q2 marking a notable slowdown in activity. Leasing volume fell to 10.0-million sq. ft., the lowest since Q2 2023. This decline was driven by a complete absence of new deals exceeding 500K sq. ft. in existing buildings. This lack of large-scale leasing, combined with significant move-outs, resulted in the market's first quarter of negative net absorption since 2011. These trends pushed the direct vacancy rate to 8.6%, an 11-year high. This slowdown in bulk leasing stems from many occupiers having already secured the space they need in recent years, leading to a drop in current demand. Rental rates held steady at $7.21 per sq. ft. Meanwhile, the construction pipeline contracted to 4.9-million sq. ft., its lowest point since 2014. Heightened political uncertainty also contributed to market caution. In summary, market activity is expected to remain subdued until confidence and demand for large spaces return.

FIGURE 1: Quarterly Net Absorption and Direct Vacancy Rate



Source: CBRE Research, Q2 2025

Market Overview

The Atlanta Industrial Market has always been attractive from both fiscal and geographic perspectives. The Southeast is one of the hottest industrial regions in the country, and a vigorous highway network allows for easy access to and from Atlanta. Furthermore, both CSX and Norfolk Southern maintain a stout rail presence in the market, further bolstering regional and national distribution capabilities. The Port of Savannah, the fastest growing and third busiest in the country, lies a mere 240 miles to the southeast. North of Atlanta, the Georgia Ports Authority also operates the Appalachian Regional Port, which can offset hundreds of truck miles via direct rail access to and from the Garden City Terminal in Savannah. The planned 104-acre Northeast Georgia Inland Port will decrease truck delivery times by roughly seven hours once it is completed. Construction is expected to break ground within the next year. In addition to a sophisticated rail and highway system, Atlanta also boasts the busiest airport in the world in Hartsfield-Jackson International Airport, making national and global trade easily accessible. Atlanta, like the rest of Georgia, is extremely business friendly. Surrounding counties offer businesses in the Atlanta metro numerous tax incentives. These incentives include a Job Tax Credit of $1,750 per new job created, a Port Tax Credit for qualified increases in shipments through a Georgia Port, a Freeport Exemption which exempts qualified inventory stored in warehouses from state and local taxes of up to 100%, and tax exemptions for qualified manufacturers and distribution centers to name only a few. Moreover, the Atlanta market contains multiple Federal and State Opportunity Zones, which offer tax exemptions of up to $3,500.

Survey Criteria

Includes all classes of competitive warehouse/distribution, shallow bay, and flex space 10,000 sq. ft. and greater in Barrow, Bartow, Carrol, Cherokee, Clayton, Cobb, Coweta, Dawson, DeKalb, Douglas, Fayette, Forsyth, Fulton, Gordon*, Gwinnett, Hall, Haralson, Heard, Henry, Jackson, Newton, Rockdale, and Walton counties. Buildings under construction are evidenced by site excavation or foundation work. Excludes self-storage, specialized manufacturing, data centers, and industrial outdoor storage.

*Note: As of Q1 2025, our methodology for collecting data has changed. In previous quarters, we considered space absorbed as soon as a company physically occupied space. A new lease will factor into net absorption as soon as the lease is signed and confirmed. To reflect these changes, we have also gone back the past year and changed those numbers proactively. Special circumstances may occur where methodology adjustments have been made which may impact current quarter data.

FIGURE 2: Market Statistics

Submarket	Market Rentable Area (sq. ft)	Direct Vacancy Rate %	Q2 2025 Net Absorption (sq. ft.)	YTD 25 Net Absorption (sq. ft.)	Under Construction (sq. ft.)	Q2 2025 Deliveries (sq. ft.)	Avg. NNN Lease Rate ($/sq. ft./Yr)
ATLANTA	**760,545,504**	**8.6**	**(234,890)**	**839,035**	**4,882,586**	**4,299,683**	**$7.21**
WAREHOUSE/ DISTRIBUTION	632,900,989	9.2	47,686	1,797,832	4,882,586	4,299,683	$7.05
SHALLOW BAY	88,693,350	5.8	(158,662)	(783,084)	-	-	$8.20
FLEX	38,951,165	5.1	(123,863)	(175,713)	-	-	$11.76
Central Atlanta	7,144,537	6.5	(26,052)	(20,384)	626,176	-	$12.31
Chattahoochee	15,169,480	4.2	(30,171)	497,837	-	-	$9.22
Northwest/I-75	83,774,730	11.1	105,827	506,060	633,000	308,880	$7.69
N Central/GA 400	25,849,424	5.1	(18,708)	59,231	344,342	225,060	$12.54
Northeast/I-85	215,350,854	7.9	1,663,721	1,474,572	1,005,811	1,020,603	$7.53
Stone Mountain	27,866,369	4.6	99,160	29,228	-	-	$8.93
Airport	85,818,526	7.4	33,749	(208,707)	214,170	733,526	$6.90
Southeast/I-75	79,699,061	13.3	(374,654)	(504,409)	1,044,887	450,024	$6.13
Southwest/I-85	64,829,781	9.7	(1,494,069)	(901,761)	667,350	-	$6.75
I-20 East	44,402,733	10.7	(414,201)	(134,769)	-	1,166,850	$7.45
I-20 West	110,639,809	6.8	220,559	42,137	346,850	394,740	$6.85

Source: CBRE Research, Q2 2025

Net Absorption and Leasing Highlights

Q2 2025 marked a notably soft quarter for the Atlanta industrial market, with negative net absorption of (235K) sq. ft. This decline stemmed from a lack of large-scale leasing and significant move-outs, especially from older facilities. **The impact was most significant in buildings constructed before 2010, which saw negative absorption of (1.85)-million sq. ft. In contrast, newer buildings (built in 2010 or later) experienced positive absorption of 1.6-million sq. ft.** Leasing volume fell to 10-million sq. ft., the lowest level since Q2 2023, with no new deals exceeding 500K sq. ft. in existing buildings. This absence of large transactions significantly impacted overall market performance. Tenant sentiment remains cautious amid ongoing uncertainty surrounding trade policies and broader economic conditions. This has led to prolonged decision-making cycles and delayed commitments, with bulk occupiers showing the greatest reluctance to engage. A return to more normalized net absorption levels will likely hinge on the reactivation of these larger tenants. As users gain greater clarity and confidence in the economic and policy landscape, leasing activity is expected to rebound.

Vacancy & Availability

The Atlanta industrial market recorded a vacancy rate of 8.6% in Q2 2025, marking the highest level since 2014.This rise was largely driven by significant move-outs and vacant deliveries in the 500K sq. ft. and above segment, which saw a 110 bps increase in vacancy QoQ. Availability also climbed, reaching 11.9%. This rise reflects a broader slowdown in leasing activity, particularly within the bulk segment. Notably, spaces over 500K sq. ft. now account for 40% of total vacancy, underscoring the outsized impact of this segment. Elevated vacancy levels are anticipated to persist until demand in the bulk market recovers. **However, modern industrial product (buildings built in 2010 or later) continues to outperform. Its vacancy rate is just 4.8%, significantly lower than the 17.0% for pre-2010 buildings.** This demonstrates tenant preference for newer, more efficient space. Looking ahead, limited new construction and anticipated leasing gains suggest the vacancy rate will begin to gradually decline early next year.

FIGURE 5: Warehouse/Distribution Sublease Availability

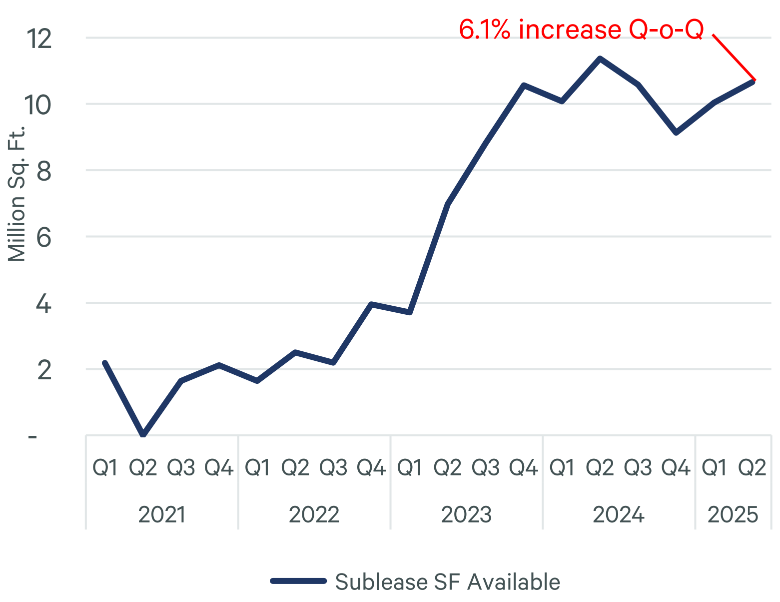
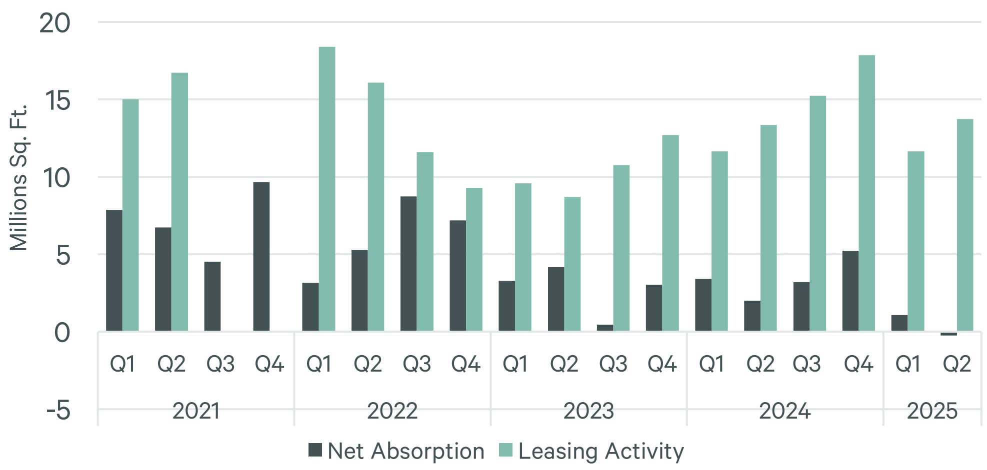


FIGURE 4: Warehouse/Distribution Net Absorption & Overall Market Leasing Activity



Source: CBRE Research, Q2 2025

FIGURE 3: Key Leasing Transactions

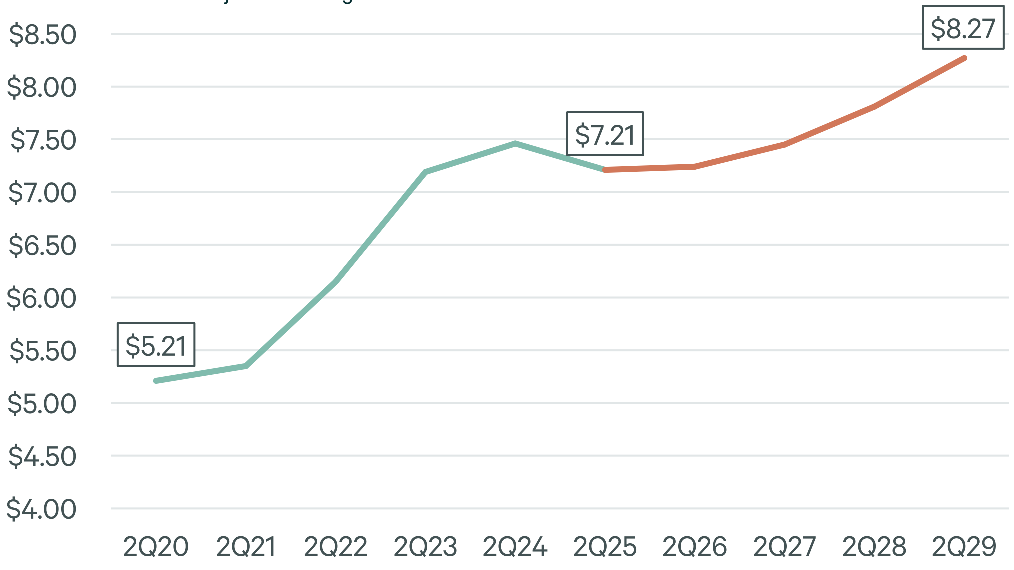
Tenant	Location	Size (sq. ft.)	Submarket	Transaction Type
Confidential	Confidential	933,656	Southeast/I-75	New Lease
Confidential	Confidential	469,309	Southeast/I-75	Renewal
Cardinal Health	McClure Industrial Park – Bldg. 10 Jefferson GA	378,733	Northeast/I-85	Renewal
E.D.A. International	Buford North Commerce Center Buford, GA	320,603	Northeast/I-85	New Lease
Royal Canin USA	White Oak Logistics Center – Bldg. 200 Austell, GA	318,279	I-20 West	New Lease

Source: CBRE Research, Q2 2025

Industrial Rental Rates

The average asking rental rate held steady at $7.21 per sq. ft. in Q2 2025. However, this stability masks diverging trends across building sizes and locations. Buildings within the 300K sq. ft. and under size range show resilience, with landlords maintaining pricing power, and in some cases, realizing modest rent increases. Conversely, bulk warehouse rates, particularly for second-generation product in outlying areas are softening or remaining flat. Tenant behavior has shifted in response to broader economic uncertainty and rising vacancy. The urgency once characterizing leasing decisions has diminished, with occupiers taking a more measured approach. Many are reevaluating space needs, consolidating footprints, and negotiating more aggressively. As a result, landlords are offering enhanced concessions, including free rent and tenant improvement (TI) allowances. While asking rates have largely held firm, continued softness in demand may place downward pressure on pricing in select submarkets. The outlook for rental growth will depend on the pace of absorption, particularly in the bulk segment, and the return of large-scale tenant activity. As the market recalibrates, landlords may need to balance rate expectations with evolving tenant priorities to maintain occupancy and preserve asset performance.

FIGURE 6: Historic & Projected Average NNN Rental Rates



Source: CBRE Research, Q2 2025

FIGURE 7: Notable Q2 2025 Industrial Sales

Location	Submarket	Buyer	Seller	Size (sq. ft.)	Sale Price	Price/Sq. Ft.
20 West Intermodal	I-20 West	Centerpoint Properties	Native Development/ Crow Holding Capital	347,013	$53.7M	$155
Shawnee Ridge	Northeast/I-85	INDUS Realty	James Campbell Co.	355,973	$44.5M	$125
Allen Creek Logistics Center	Northeast/I-85	Panattoni	Capstone Asset Management	356,400	$36.9M	$104
Thurman Tanner Logistics – Bldg. B	Northeast/I-85	Stonelake Capital Partners	Hines	267,564	$35.8M	$134

* Denotes Part of Multi-Property Sale

Source: CBRE Research, Q2 2025

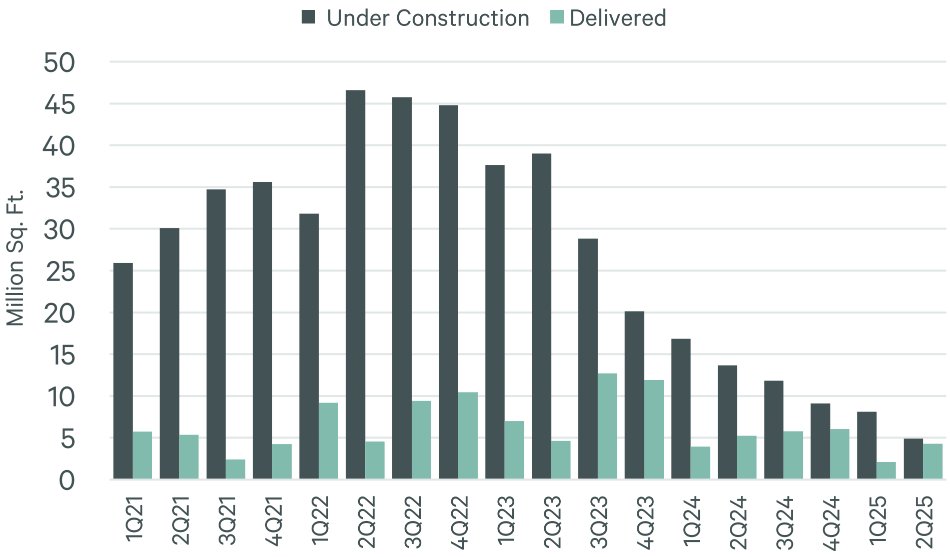
Capital Markets

Atlanta's industrial capital markets saw a modest pullback in Q2 2025, with total investment volume declining 11.1% QoQ to $647.1M. The largest deal of the quarter was a North Atlanta light industrial portfolio sale from Blackstone to Taurus/Investcorp. Implementation of tariffs at the beginning of the quarter fueled a brief slowdown in transaction volume. However, volumes have increased to pre-Liberation Day levels and foreign capital has nearly fully re-entered the market. Investors have become increasingly selective, prioritizing assets offering strong credit tenancy, prime locations, and higher-quality construction. Deals meeting these criteria continue to outperform, while others face resistance. Underwriting assumptions are being recalibrated across the board, with vacancy rates and market leasing fundamentals under increased scrutiny. The debt markets remain liquid with end-of-quarter spreads as competitive as they have been all year. Consequently, capital markets activity is expected to increase across the risk spectrum in the back half of the year despite a slight pullback in Q2.

Construction & Deliveries

As of Q2 2025, Atlanta's industrial construction pipeline has contracted sharply, falling to just under 4.9-million sq. ft., the lowest level since 2014. This is a sharp drop from 17.3-million sq. ft. under construction a year ago, which included 12 buildings over 500K sq. ft. Today, only two buildings over 500K sq. ft. remain under construction. Additionally, just 690K sq. ft. of new construction began this quarter, signaling a strategic shift by developers towards the smaller sector. This adjustment reflects current market dynamics, where leasing activity and rent growth are strongest in the sub-300K sq. ft. segment. As a result, the average size of new starts declined 46.8% YoY to 173K sq. ft. Despite the slowdown in starts, the market delivered 4.3-million sq. ft. in Q2. However, the impact on vacancy was limited, as 46.8% of those deliveries were pre-leased, helping to absorb new supply. Looking ahead, development activity is expected to remain measured, with a continued focus on build-to-suit and smaller speculative projects aligned with tenant demand and current leasing velocity.

FIGURE 8: Under Construction & Deliveries



Source: CBRE Research, Q2 2025

FIGURE 9: Year-To-Date Construction Starts & Deliveries

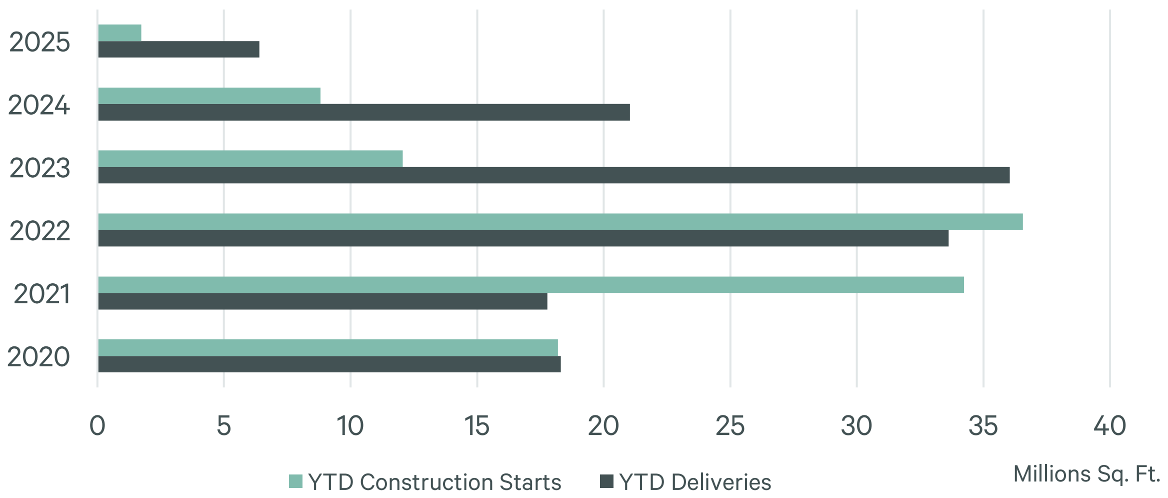
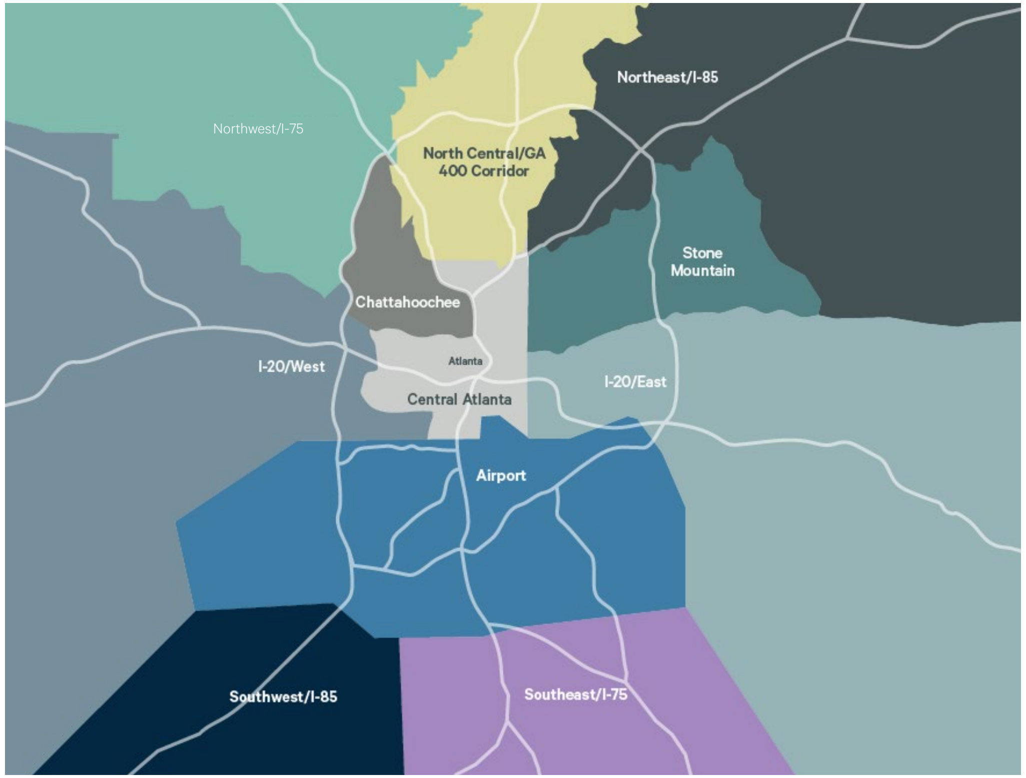


FIGURE 9: Top Deliveries in Quarter

Property Name	Submarket	Building Size (sq. ft.)	Construction Completion	Developer
PNK Park Social Circle – Loggins – 100	I-20 East	1,013,902	June 2025	PNK Holdings
Kubota Headquarters	Northeast/I-85	700,000	June 2025	-
Gillem Logistics Center – Bldg. 600	Airport	571,517	April 2025	Robinson Weeks
Buford North Commerce Center	Northeast/I-85	320,603	May 2025	Clarion Partners
LogistCenter at Monroe Crossing	Northwest/I-75	308,880	June 2025	Dermody Properties
916 Infra-Metals Way	I-20 West	270,000	June 2025	Cameron Property Co.

Source: CBRE Research, Q2 2025

Market Area Overview



Definitions

Available Sq. Ft.: Space in a building ready for occupancy within six months; can be occupied or vacant.

Availability Rate: Total available sq. ft. divided by the total building area.

Big-Box: An industrial property totaling 200,000 sq. ft. or greater.

Capitalization Rates: Also known as "cap rates"; a measure used to estimate rates of return on commercial real-estate properties.

Clear Height: The usable height in a building to which an occupier can store its goods on racking. Clear height is measured below any ceiling obstructions such as lights or sprinklers.

Deliveries: Completion of required construction for a building.

Distribution/Logistics: An industrial property subtype of warehouse/storage designed to accommodate the efficient movement of goods. Distribution space is at least 100,000 sq. ft., office area less than 10%, and clear heights 30 ft. and higher.

Flex Space: An industrial property subtype built to allow flexibility of alternative uses. Flex space contains at least 25% office area, high curb appeal, and high parking ratios.

Leasing Activity: Square footage committed to and signed under a lease obligation for a space in a given period.

Net Absorption: The change in physically occupied square feet from one period to the next period.

Net Net Net (NNN) Lease Rate: Rent excludes "net" costs (real property taxes, building insurance, and major maintenance) typically included in a Gross Lease Rate.

Occupied Sq. Ft.: Building area not considered vacant.

Shallow Bay: An industrial property subtype with bay depth of 120 to 200 feet with typical clear heights between 18 and 24 feet.

Total Rentable Area: The total rentable floor area square feet of the building.

Vacant Sq. Ft.: Existing space not occupied by a tenant. Vacant space can be available or not available.

Vacancy Rate: Total vacant sq. ft. divided by the total building area.

Warehouse/Storage: An industrial property subtype designed for the warehousing and storage of materials, goods and merchandise. Office area is less than 15% of the space, clear heights of at least 18 ft.

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