Atlanta’s industrial market achieves third-highest leasing activity amid rising vacancy rate

▲ 8.4%	▲ 5.2M	▼ 9.1M	▲ 6.1M	▲ 16.9M	▼ $7.32
Direct Vacancy Rate	SF Net Absorption	SF Under Construction	SF Delivered	SF Leasing Activity	Avg NNN Lease Rate

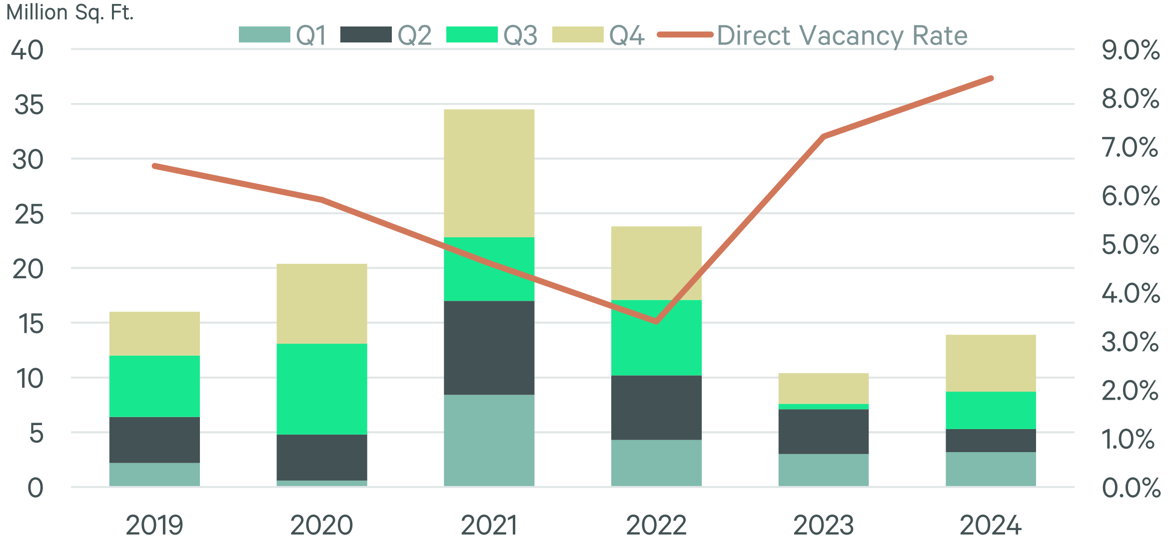
Note: Arrows indicate change from previous quarter.

Key Takeaways

- In 2024, leasing activity reached 56.4-million sq. ft., marking the third-highest level ever recorded in the Atlanta industrial market.
- The annual net absorption increased by 26.4% YoY, reaching 13.9-million sq. ft.
- The direct vacancy rate climbed to 8.4%, the highest level since 2015.
- The market saw 21.0-million sq. ft. delivered in 2024, the lowest level of construction completions since 2021.
- The asking rental rate declined slightly QoQ to $7.32 and remained flat when compared YoY.

Throughout 2024, demand metrics surged, particularly in the second half of the year. In Q4 2024, leasing activity reached 16.9-million sq. ft., while the market absorbed nearly 5.2-million sq. ft. However, the asking rental rate declined slightly QoQ to $7.32, marking the first QoQ decrease since Q1 2013. This shift indicates a more favorable landscape for tenants, supported by the direct vacancy rate of 8.4%, the highest since 2015, and 4.2-million sq. ft. of unoccupied speculative deliveries. Furthermore, as the construction pipeline has reached a decade-low of 9.1-million sq. ft. with no pre-leased spec buildings, the market is anticipated to remain tenant-friendly in the near term, offering prospects in the market greater options and opportunities in 2025.

FIGURE 1: Quarterly Net Absorption and Direct Vacancy Rate



Source: CBRE Research, Q4 2024

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 2024, our methodology for collecting data has changed. In previous quarters, we considered space absorbed as soon as a company physically occupied space. Starting this quarter, 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 %	Q4 2024 Net Absorption (sq. ft.)	YTD 24 Net Absorption (sq. ft.)	Under Construction (sq. ft.)	Q4 2024 Deliveries (sq. ft.)	Avg. NNN Lease Rate ($/sq. ft./Yr)
ATLANTA	**753,593,354**	**8.4**	**5,191,070**	**13,931,564**	**9,124,275**	**6,064,925**	**$7.32**
WAREHOUSE/ DISTRIBUTION	626,218,036	9.1	5,269,852	15,075,677	9,124,275	6,064,925	$6.72
SHALLOW BAY	88,432,450	5.4	(200,834)	(1,197,907)	-	-	$7.09
FLEX	38,942,868	5.1	122,052	53,794	-	-	$11.25
Central Atlanta	7,129,348	7.8	(41,030)	(130,747)	-	-	$10.40
Chattahoochee	14,933,989	5.6	(6,928)	(319,288)	220,863	-	$9.94
Northwest/I-75	82,982,511	12.4	1,520,352	5,292,147	1,104,300	224,248	$6.76
N Central/GA 400	25,534,412	4.1	66,610	(91,618)	381,169	-	$9.10
Northeast/I-85	214,148,946	9.4	2,194,340	3,835,305	1,709,209	1,144,379	$7.30
Stone Mountain	27,996,533	4.1	(184,553)	(517,536)	-	-	$6.50
Airport	85,044,174	6.4	(141,572)	(627,075)	733,526	-	$7.49
Southeast/I-75	78,723,932	10.5	(206,355)	4,375,742	1,853,945	3,097,738	$6.89
Southwest/I-85	64,581,152	7.6	989,565	284,581	170,000	1,231,200	$7.36
I-20 East	42,661,135	7.9	311,466	1,508,461	1,729,595	-	$6.46
I-20 West	109,857,222	6.7	689,175	321,592	1,221,668	367,360	$6.57

Source: CBRE Research, Q4 2024

Net Absorption and Leasing Highlights

In 2024, the Atlanta industrial market recorded its third-highest annual leasing activity ever at 56.4-million sq. ft. While 2023 saw no deals over one million sq. ft., 2024 experienced three such deals, two of which were new leases. Notably, in Q4 2024, Living Spaces signed a lease for 1,001,424 sq. ft. at the Gravel Springs Logistics Center in the Northeast/I-85 submarket, which continued to lead in leasing activity for the year. The I-20 West submarket, however, experienced the greatest YoY increase, soaring by 156.9% to 7.8-million sq. ft. of new leases this year. Its strategic location near the city and major interstates has fueled this growth. For the year, the market absorbed 13.9-million sq. ft., the highest since 2022. The Northwest/I-75 submarket absorbed the most space in 2024, totaling 5.3-million sq. ft., as tenants sought to occupy much of the first-generation space built in the area over recent years. Additionally, the fourth quarter continued to prove the shift toward newer buildings is evident with 5.8-million sq. ft. of positive absorption in structures built since 2000. Older buildings witnessed negative absorption of 618,000 sq. ft. Heading into 2025, demand is expected to continue this flight-to-quality trend.

Vacancy & Availability

At the end of 2024, the direct vacancy rate rose to 8.4%, the highest level since 2015. A significant contributor to this increase is the 4.2-million sq. ft. of unoccupied speculative deliveries recorded in the fourth quarter. Additionally, the flight-to-quality trend is prompting tenants to move out of buildings constructed before 2000, further exacerbating vacancy. As new big-box leases signed during the pandemic approach the end of their contracts, the market may see several renewals of big-box space in 2025. Alternatively, it could face negative absorption if firms reassess their space needs, especially as businesses evaluate whether they require as much space now as they did during the pandemic when supply chain challenges drove many to lease additional space. This trend could lead to further increases in vacancy rates in 2025 and 2026. On a positive note, sublease available space continued to decline, reaching 9.1-million sq. ft., the lowest level since Q2 2023.

FIGURE 5: Warehouse/Distribution Sublease Availability

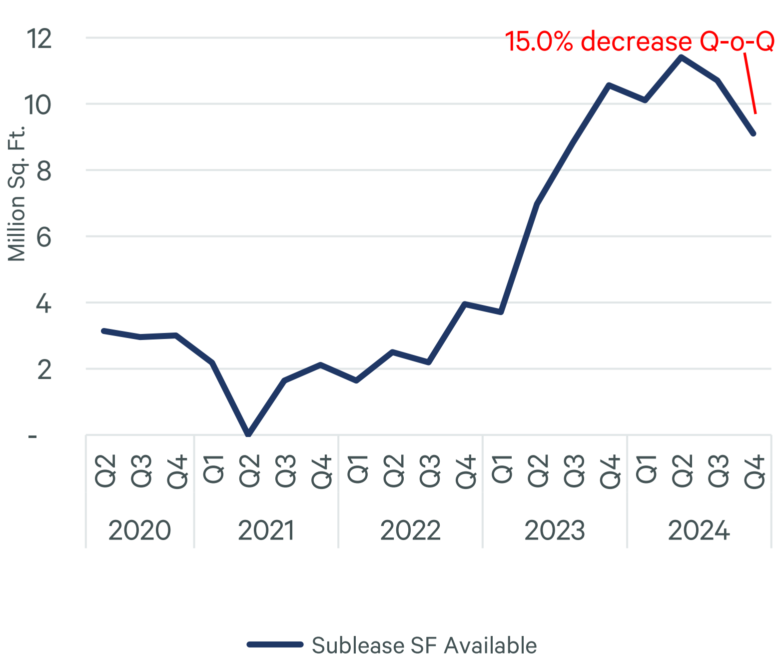
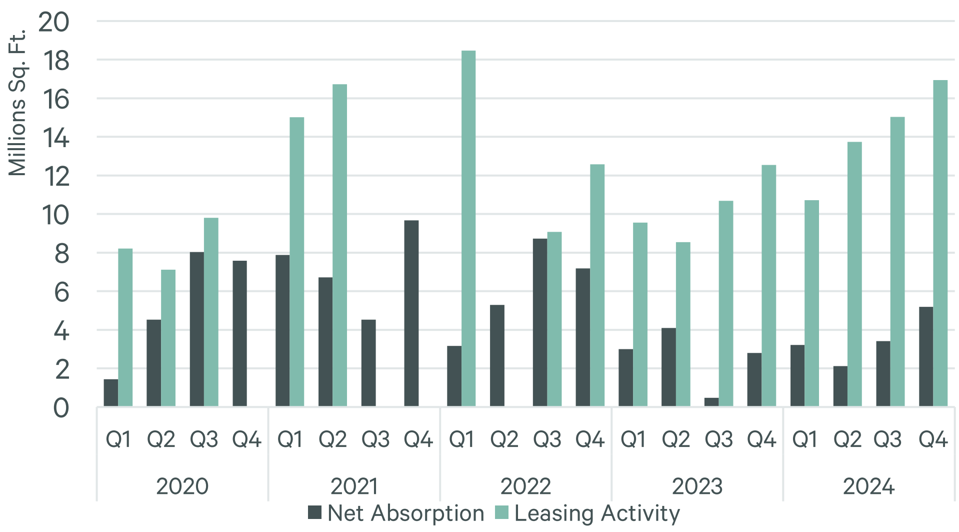


FIGURE 4: Warehouse/Distribution Net Absorption & Overall Market Leasing Activity



Source: CBRE Research, Q4 2024

FIGURE 3: Key Leasing Transactions

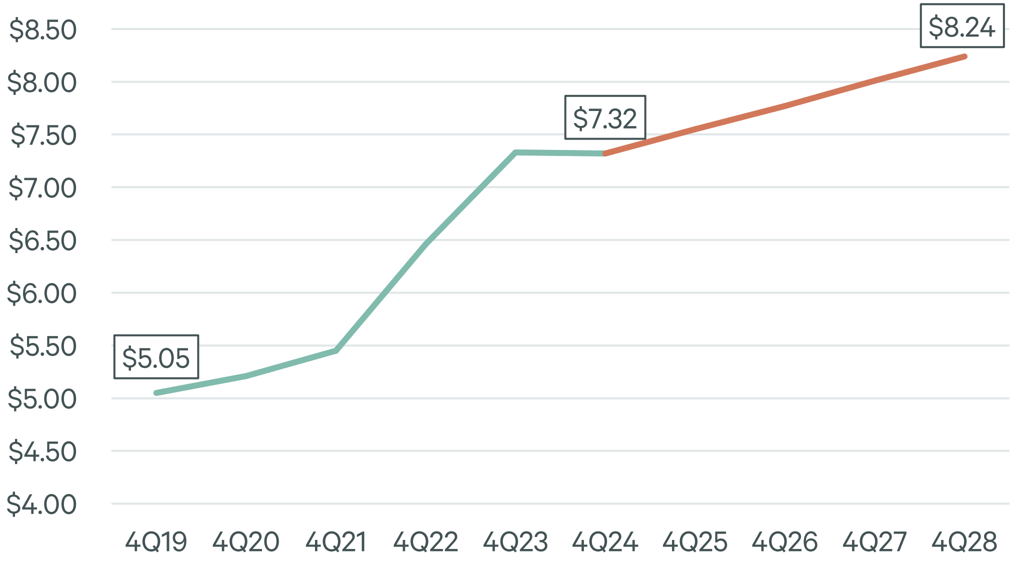
Tenant	Location	Size (sq. ft.)	Submarket	Transaction Type
Living Spaces	Gravel Spring Logistics Center Buford, GA	1,001,424	Northeast/I-85	New Lease
Duracell	Shugart Farms Lake Park Industrial Fairburn, GA	873,600	Southwest/I-85	Renewal
Mars Wrigley	7875 White Rd Austell, GA	604,852	I-20 West	Renewal
Inline Plastics Corp.	100 Constitution Dr McDonough, GA	430,000	Southeast/I-75	Renewal
Ball	Georgia North Industrial Park – Bldg. 3 Adairsville, GA	418,192	Northwest/I-75	New Lease

Source: CBRE Research, Q4 2024

Industrial Rental Rates

The Atlanta industrial market experienced its first quarterly decline in asking rents since Q1 2013, with a slight decrease QoQ to $7.32. While infill rents remain stable and even show increases in certain areas, bulk rents have largely held steady. Landlords have begun offering more concessions, such as free rent and additional tenant improvements (TI), and in some sizes and submarkets, they are willing to implement increases of less than 4%. This shift indicates a more tenant-friendly market compared to the earlier part of the decade, particularly during the pandemic when low vacancy rates allowed landlords to command higher rents without much negotiation. Now, with the vacancy rate at its highest level in over a decade, tenants have more options and bargaining power. Looking ahead, it is anticipated infill and Class A rents may continue to rise, while rents for larger single-tenant and bulk spaces are likely to remain flat. Furthermore, the narrowing cost gap between first-generation and second-generation spaces may further enhance tenants' interests in newer, quality spaces. Overall, these dynamics suggest a transition in the market favoring tenants.

FIGURE 6: Historic & Projected Average NNN Rental Rates



Source: CBRE Research, Q4 2024

FIGURE 7: Notable Q4 2024 Industrial Sales

Location	Submarket	Buyer	Seller	Size (sq. ft.)	Sale Price	Price/Sq. Ft.
1000 Site Pkwy	Southeast/I-75	Tishman	Panattoni	1,393,538	Conf	Conf
8095 McLarin Rd	Southwest/I-85	EQT Exeter	FHR Capital	1,044,288	$90M	$86
River Point Industrial Park*	Northwest/I-75	EastGroup Properties	Ares	778,843	$87.6M	$112
Declaration Logistics Center II & III*	Southeast/I-75	Sterling Investors	Crow Holdings Industrial	542,031	$70.1M	$129

* Denotes Part of Multi-Property Sale

Source: CBRE Research, Q4 2024

Capital Markets

In 2024, the Atlanta industrial capital markets experienced a resurgence, with a YoY increase volume of 23.8%, reaching just over $4 billion in total sales. The fourth quarter furthered this growth, with a sales volume of $1.2 billion, a 96.1% increase compared to Q4 2023. Notable transactions for the quarter include Tishman Speyer's acquisition of the Target build-to-suit in Hampton from Panattoni, Exeter's acquisition of 8095 McLarin Rd from FHR Capital, and EastGroup's acquisition of River Point Industrial Park from ARES. This surge in activity highlights the strong demand and investor confidence in the Atlanta industrial sector.

Construction & Deliveries

In 2024, the Atlanta industrial market experienced a slowdown when compared to the historic development activity of 2023. Deliveries totaled 21.0-million sq. ft., marking the lowest level since 2021. The once-robust development pipeline, spurred by the activity of 2021 and 2022, has dwindled. Construction activity is now at a decade-low of 9.1-million sq. ft. In Q4, only 655,862 sq. ft. broke ground. Developers have reset their expectations from the previous lucrative cycle, which favored bulk warehouse. Despite this slowdown, developers are still evaluating land sites and positioning for future construction, with some merchant developers closing on land sites by the end of the year. Although land sites remain challenging to acquire, increased activity and rising rates in certain submarkets may signal a potential return to development in 2025.

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

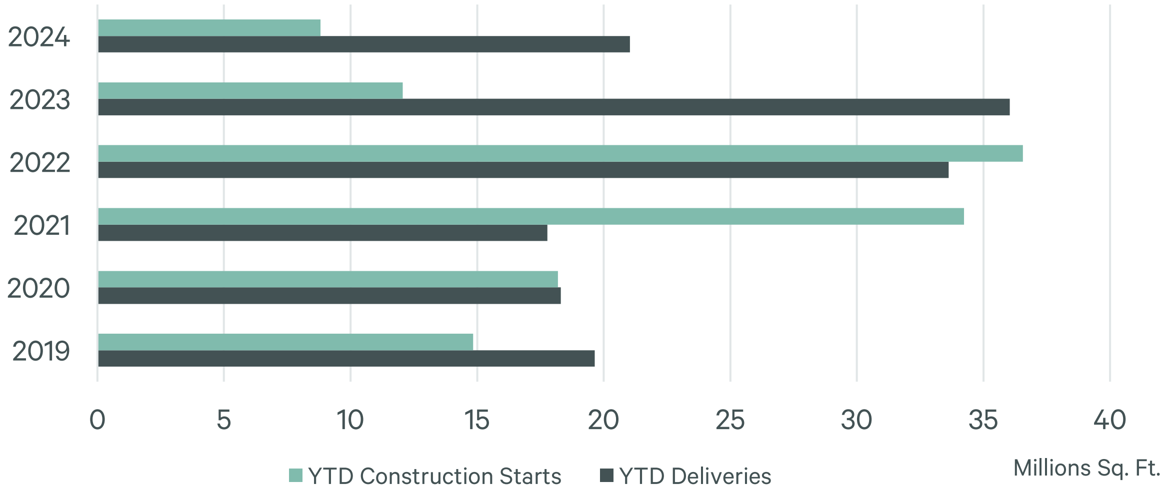
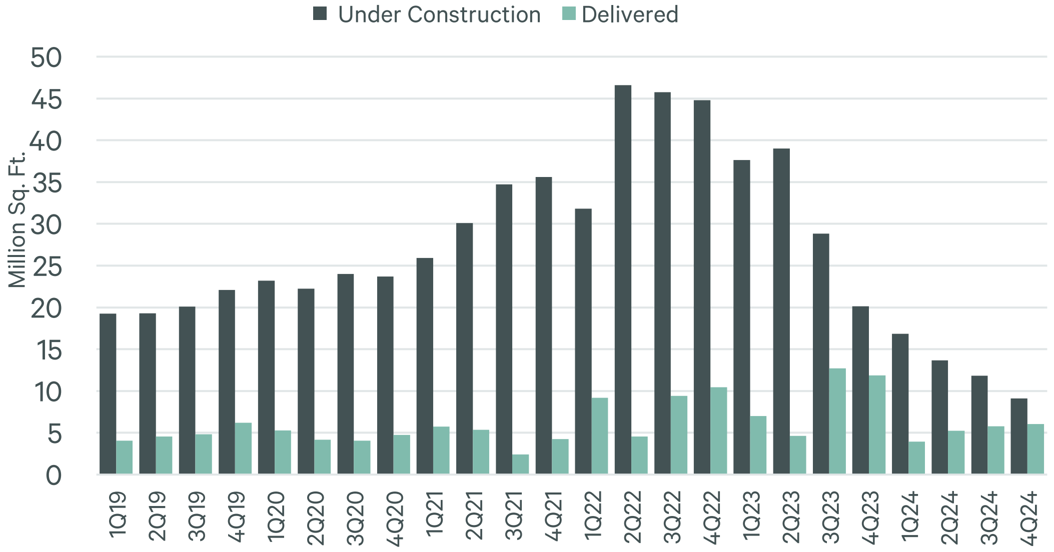


FIGURE 8: Under Construction & Deliveries



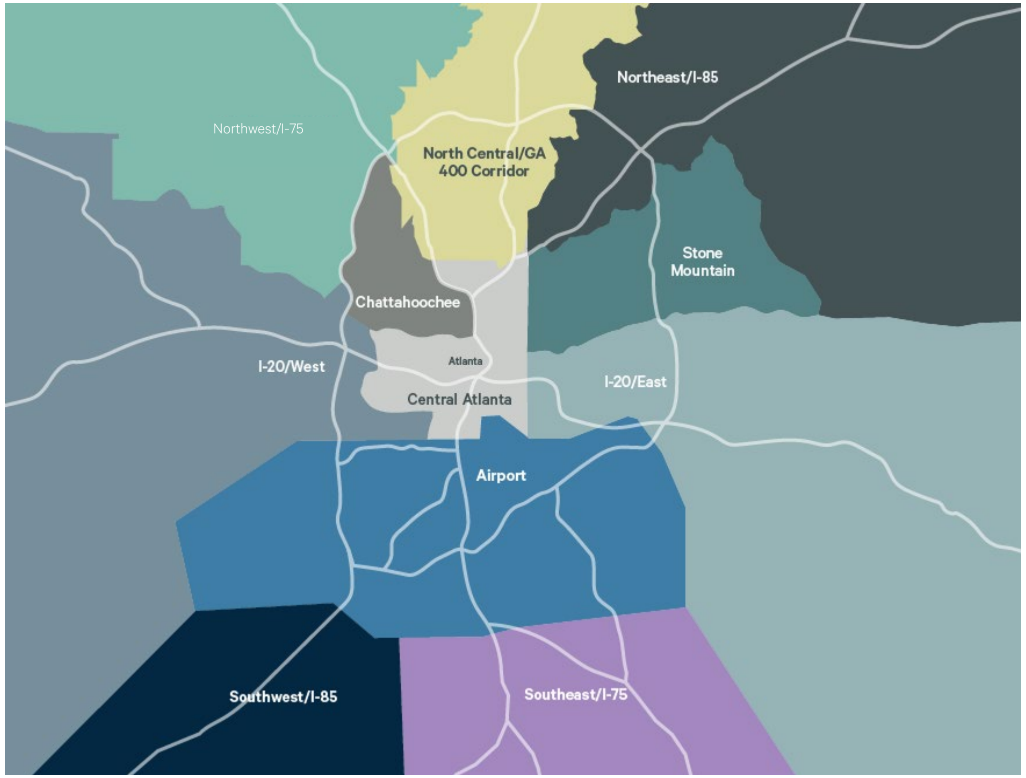
Source: CBRE Research, Q4 2024

FIGURE 9: Top Deliveries in Quarter

Property Name	Submarket	Building Size (sq. ft.)	Construction Completion	Developer
PMK Park Southern Gateway – Bldg. A	Southeast/I-75	1,207,538	November 2024	PNK Holdings LLC
The Cubes Bridgeport – Bldg. D	Southwest/I-85	1,201,200	October 2024	CRG
River Park E-Commerce Center – Bldg. 10	Southeast/I-75	825,000	November 2024	ICM Asset Management
Renewal by Andersen BTS	Southeast/I-75	638,000	December 2024	CRG
McDonough 75 Logistics Center	Southeast/I-75	427,200	October 2024	Alliance Industrial Co.
Silver Comet Industrial Park – Bldg. A	I-20 West	367,360	October 2024	Goldenrod Capital Partners

Source: CBRE Research, Q4 2024

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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