

Southeast Industrial Market Fundamentals



February 2025

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LEASING ACTIVITY

Year-End 2024 Industrial Market Rankings

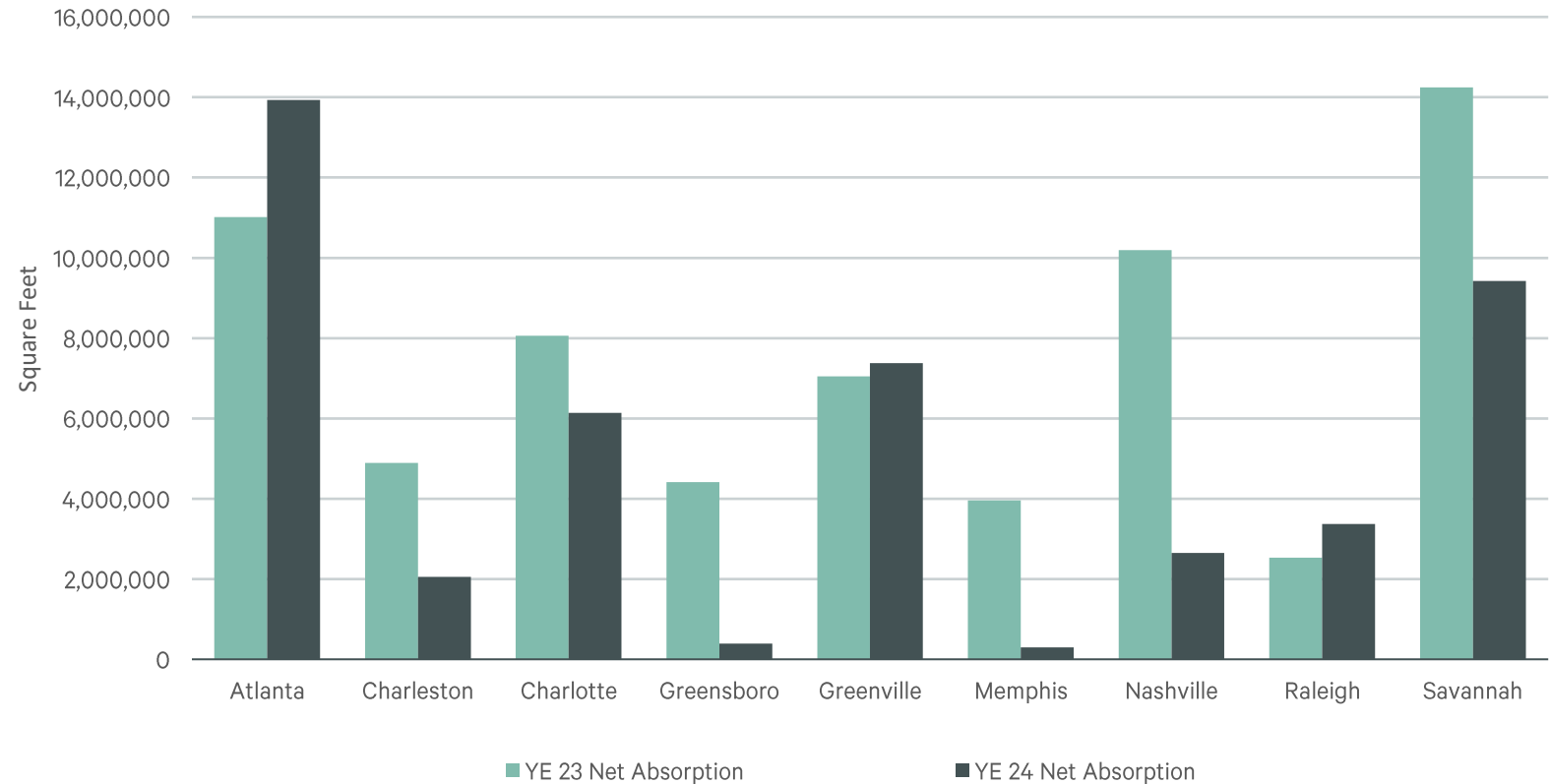
- The four markets with the lowest vacancy rates in the southeast delivered the least amount of square footage in 2024.
- Georgia markets (Atlanta and Savannah) continue to lead the southeast in net absorption, recording 23.3 million square feet between the two markets.

Net Absorption (Existing Inventory)			Construction Deliveries YTD			Vacancy Rate		
Ranking	Market	MSF	Ranking	Market	MSF	Ranking	Market	%
1	Atlanta (754M)	13.9	1	Atlanta	21.0	1	Nashville	3.1%
2	Savannah (147M)	9.4	2	Charlotte	16.9	2	Raleigh-Durham	6.0%
3	Greenville (242M)	7.4	3	Savannah	13.9	3	Memphis	6.4%
4	Charlotte (304M)	6.1	4	Charleston	8.9	4	Greensboro	7.3%
5	Raleigh-Durham (107M)	3.4	5	Greenville	8.6	5	Charlotte	8.8%
6	Nashville (221M)	2.6	6	Raleigh-Durham	4.0	6	Greenville	8.8%
7	Charleston (91M)	2.1	7	Nashville	2.7	7	Atlanta	9.2%
8	Greensboro (128M)	0.3	8	Greensboro	1.5	8	Savannah	10.1%
9	Memphis (305M)	0.3	9	Memphis	0.0	9	Charleston	12.2%
Total	Southeast (2,298)	45.5	Average	Southeast	77.5	Average	Southeast	8.0%

Source: CBRE Research Year-End 2024

Absorption Trends Downward

- Absorption moderated across most markets in 2024 totalling 45.6M square feet, down 31.2% from the 2023 total of 66.4M square feet.
- Atlanta, Greenville, and Raleigh were the only markets which experienced greater levels of absorption in 2024 compared to 2023.
- Memphis, Greensboro and Nashville experienced the greatest moderation in absorption in 2024.

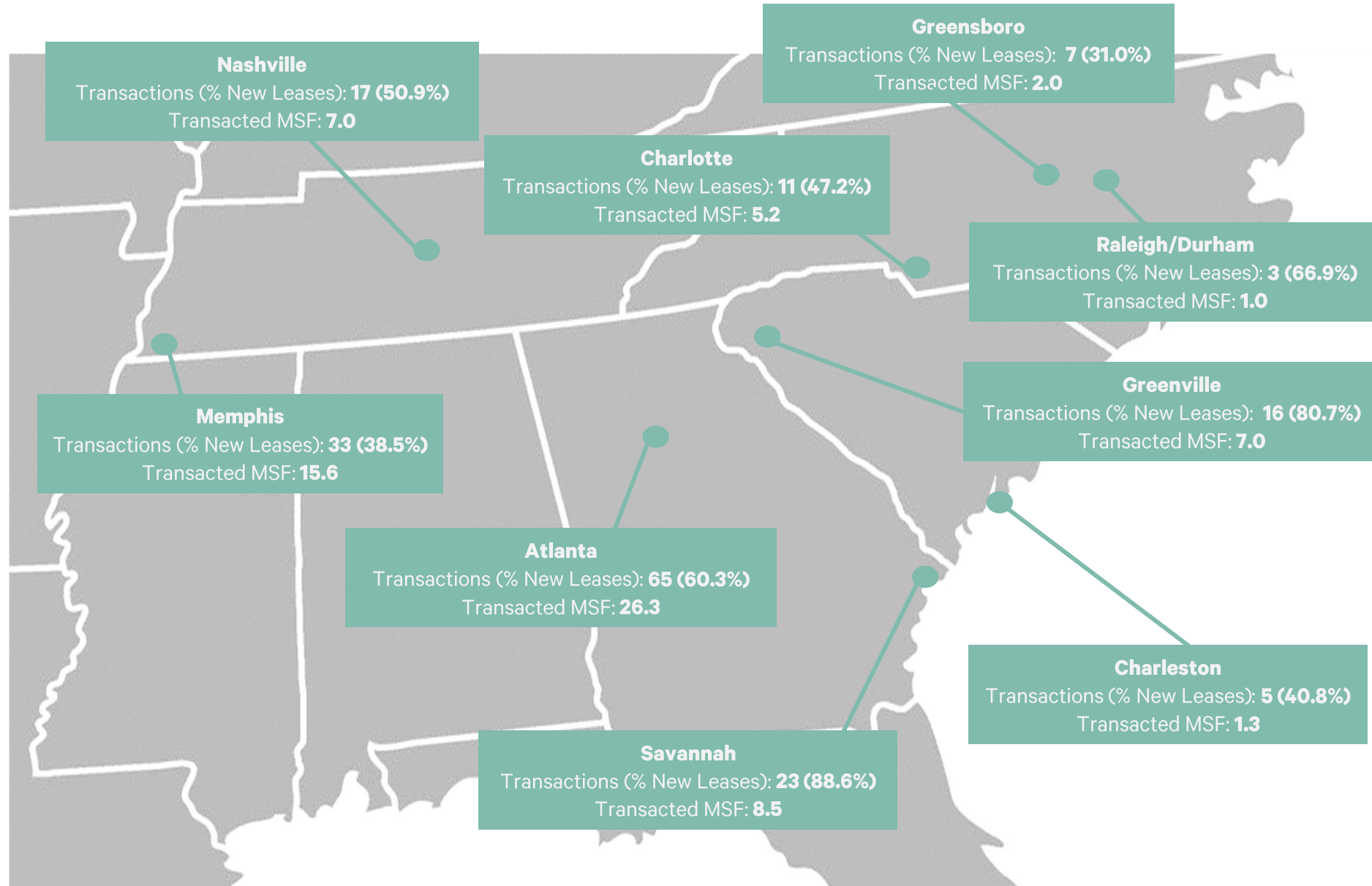


* Compares Jan-Dec 23 vs Jan-Dec 24.

Source: CBRE Research Year-End 2024

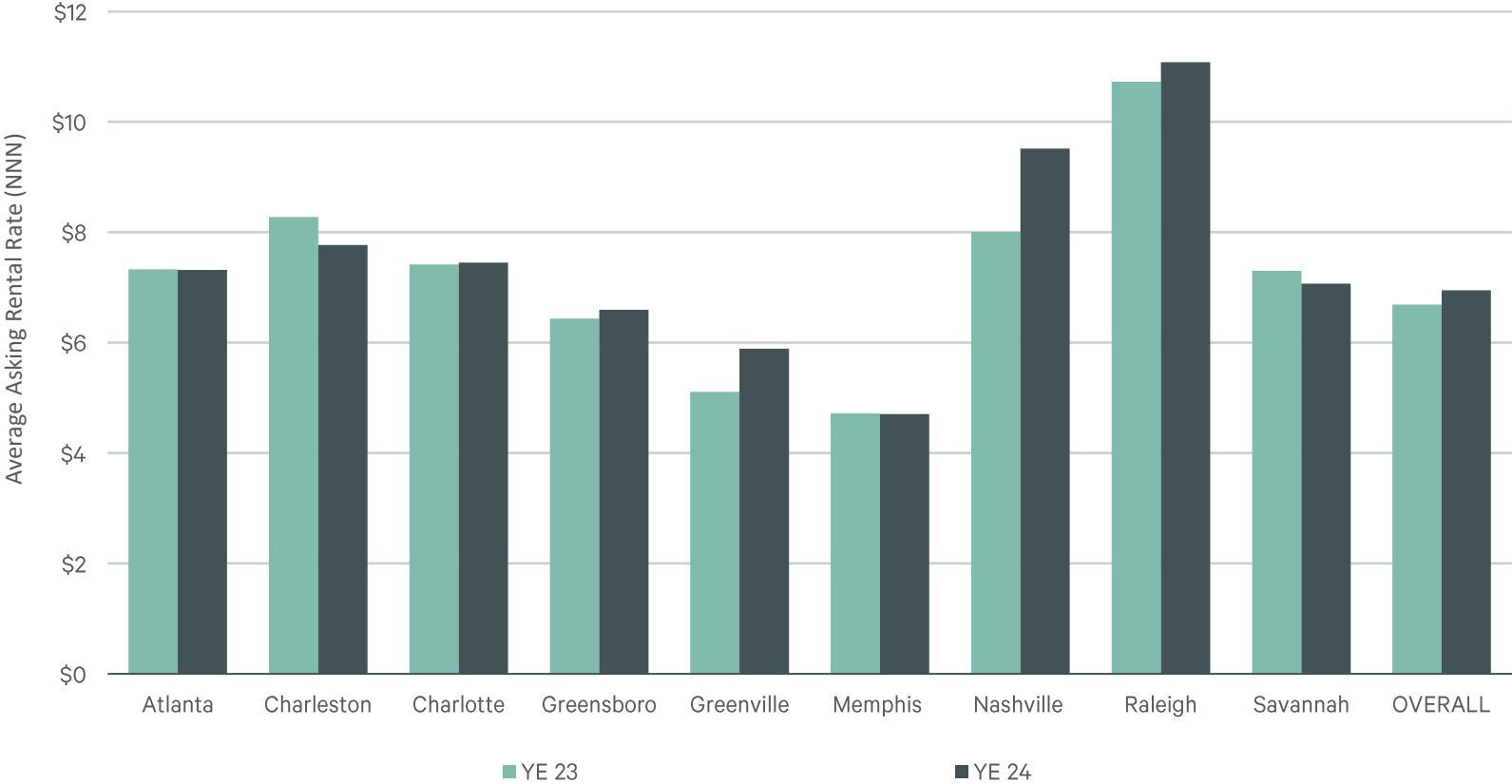
Year-to-Date Big-Box Leasing Activity (200k+ SF)

- The Southeast's bulk leasing activity totaled 73.9M square feet in 2024, across 180 leases. The first half of the year saw a higher pace of leasing compared to the back half of the year.
- Of the leased square footage, renewals accounted for 41.9%, which is expected to remain elevated as 5-year leases signed during the pandemic reach expiration in 2025.



Average Asking Rental Rate

- The Southeast average asking rental rate growth slowed, increasing 380 basis-points Y-o-Y to \$6.99/NNN per square foot.
- Most markets remained level Y-o-Y, apart from Nashville and Greenville growing by 18.9% and 15.3%, respectively.
- Charleston and Savannah were the only markets that recorded Y-o-Y decreases in average asking rental rates.



Source: CBRE Research, Year-End 2024

Supply and Demand Ratio Appears Balanced in Second Half of 2024

- The gap between construction deliveries and absorption has compressed following four quarters (Q3-23 – Q2-24) of greater disparity between new supply entering the market and tenant demand to fill the space.
- With more availabilities remaining on the market longer, the average asking rental rate has levelled off Y-o-Y.



Source: CBRE Research, Year-End 2024

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CONSTRUCTION

Under Construction Pipeline Compressing

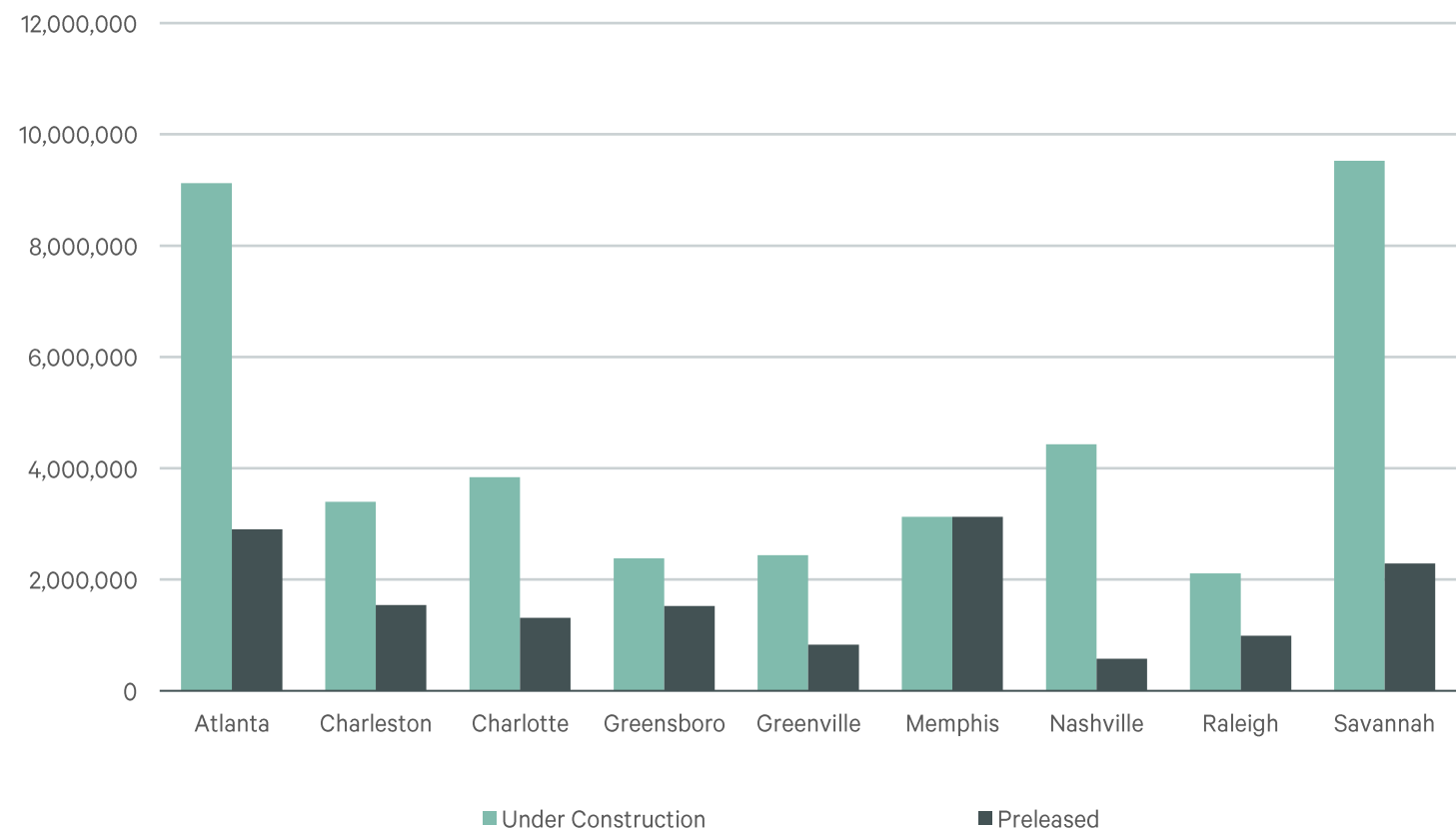
- The Southeast industrial construction pipeline continued to shrink in the second half of 2024.
- As the construction pipeline has compressed, existing availability will begin come off the market given anticipated demand. This could lead to a supply crunch in the next year or two given the limited ground-breaking activity.



Source: CBRE Research, Year-End 2024

Pre-leasing Ticks Up Slightly to Close Out 2024

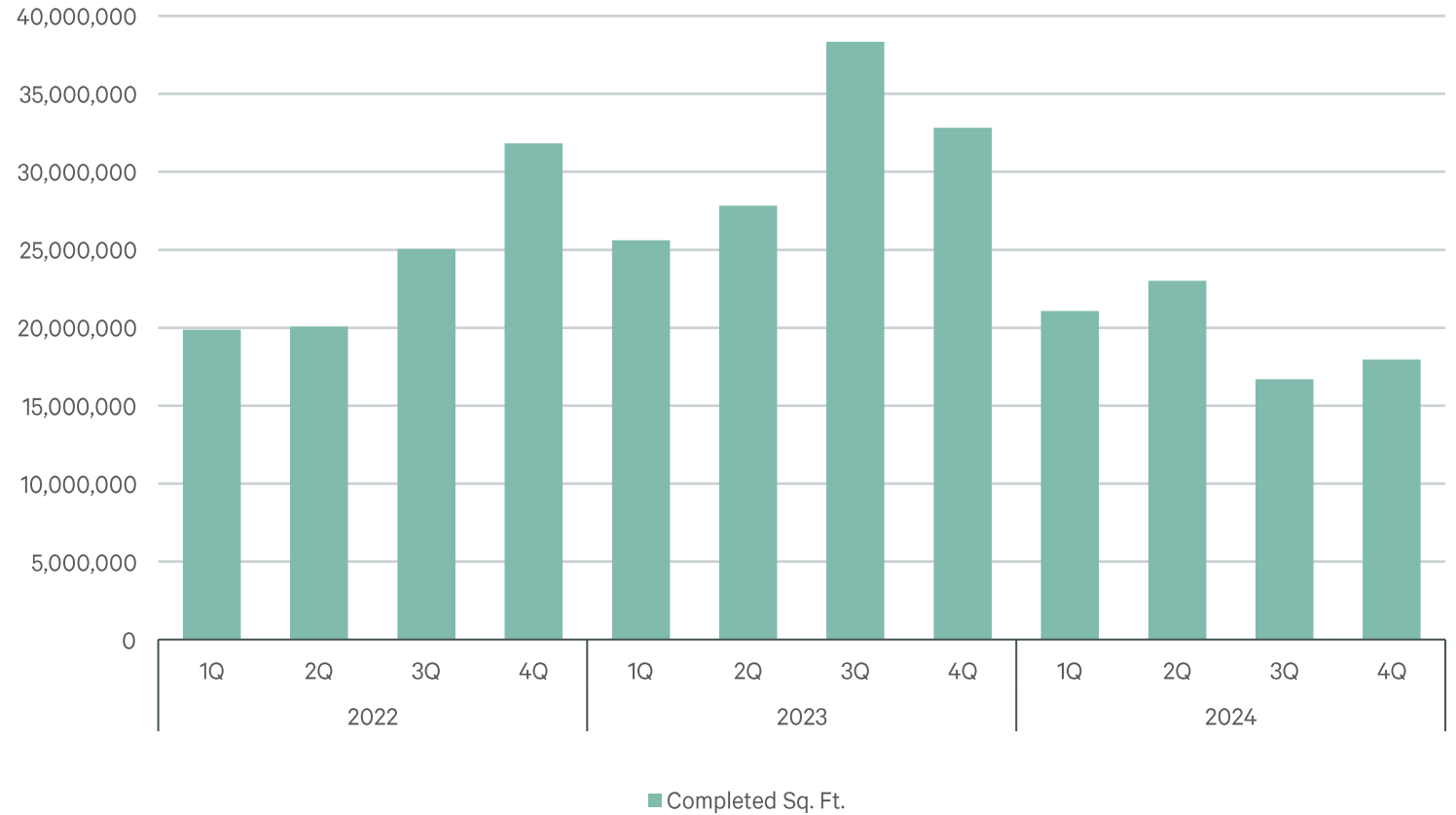
- Savannah is the market with the most amount of space under construction; however, the preleased square feet accounts for only 24.0% of total under construction, paving a path for more first-generation vacancies in 2025.
- The North Carolina markets have a healthy level of preleasing with roughly half of the under-construction pipeline preleased.



Source: CBRE Research, Year-End 2024

Construction Deliveries Moderate Throughout 2024

- Construction deliveries continued to moderate in the second half of 2024, as ground-breakings trended downward. This is a result of first-generation space accounting for the largest amount of square footage on the market.
- The Southeast markets delivered 218.4M square feet of new inventory in 2024, with only 73.7M square feet preleased. As a result, 144.7M square feet of vacancies were added to the market in 2024.



Source: CBRE Research, Year-End 2024

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VACANCY TRENDS

Vacancy Rate by Size Segment

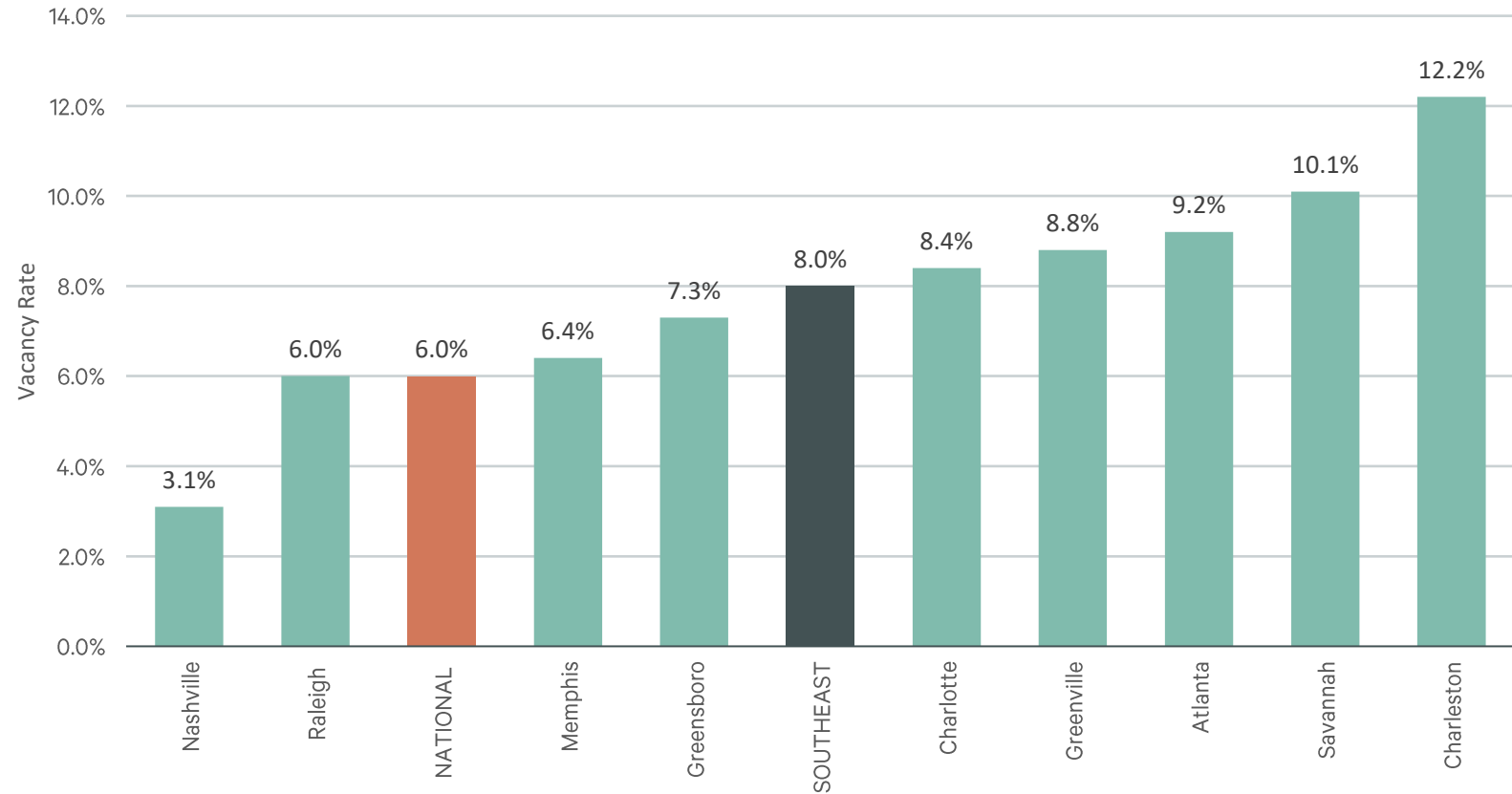
- The overall vacancy rate for the Southeast trended upward Y-o-Y, by 160-basis points.
- The 1,200K+ size segment experienced the greatest overall increase, largely attributed to vacant speculative deliveries outpacing absorption.
- All size segments experienced an increase in vacancy; however, properties under 100,000 square feet were affected the least.



Source: CBRE Research, Year-End 2024

Vacancy Rate by Market

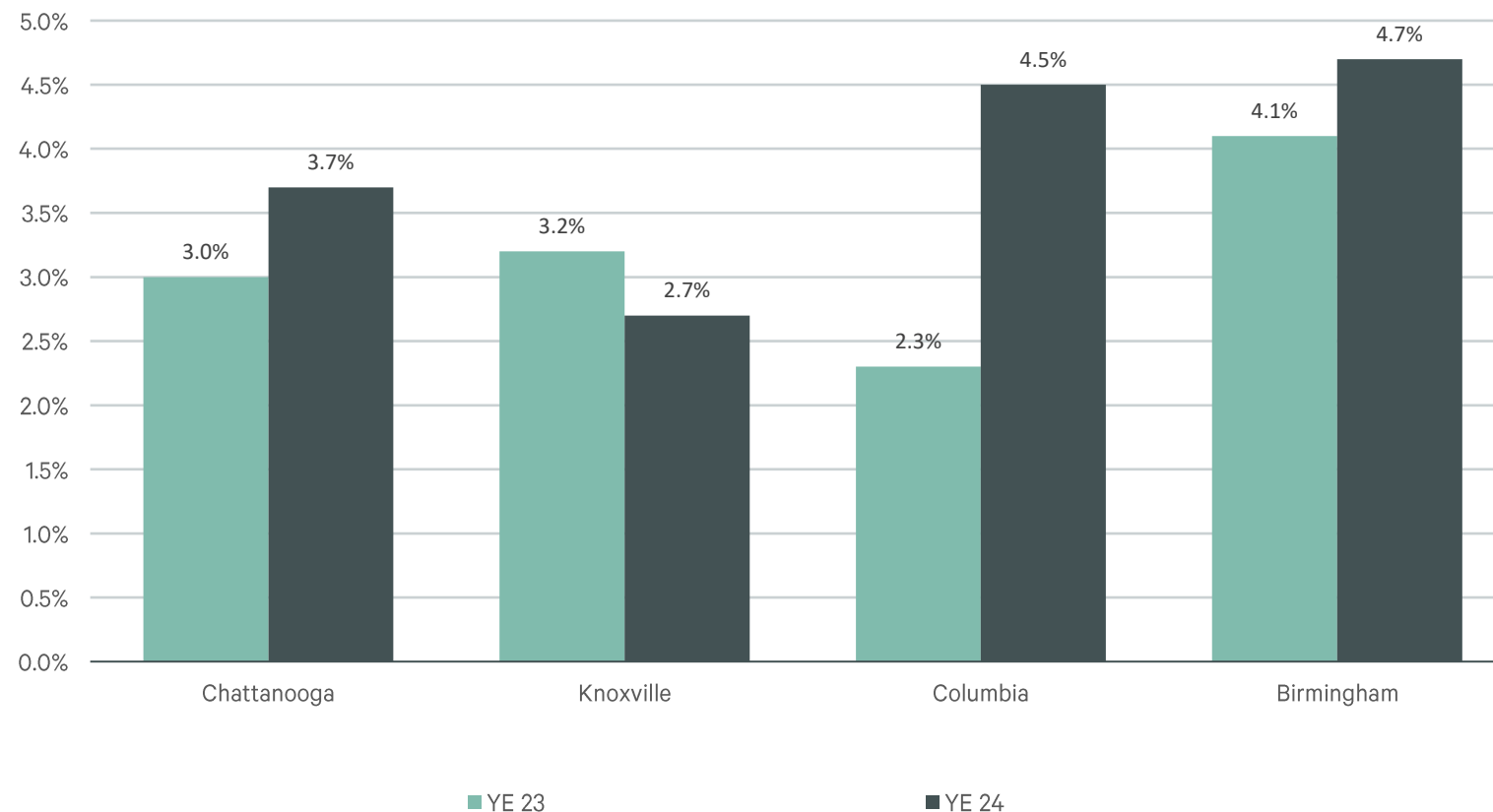
- Nashville was the only market that experienced a Y-o-Y decrease in its vacancy rate.
- Charleston and Charlotte experienced the greatest uptick in vacancy, up 820 basis points and 340 basis points, respectively.
- The vacancy rate could stabilize in 2025, given the majority of first-generation space has delivered over the past couple of years.



Source: CBRE Research, Year-End 2024

Vacancy Rate by Secondary Market

- The secondary industrial markets' vacancy rate remain low, with Knoxville's overall rate decreasing Y-o-Y.
- Columbia had the largest increase in overall vacancy from end of year; however, the vacancy rate remains well below the national average of 6.0%.



Source: CBRE Research, Year-End 2024

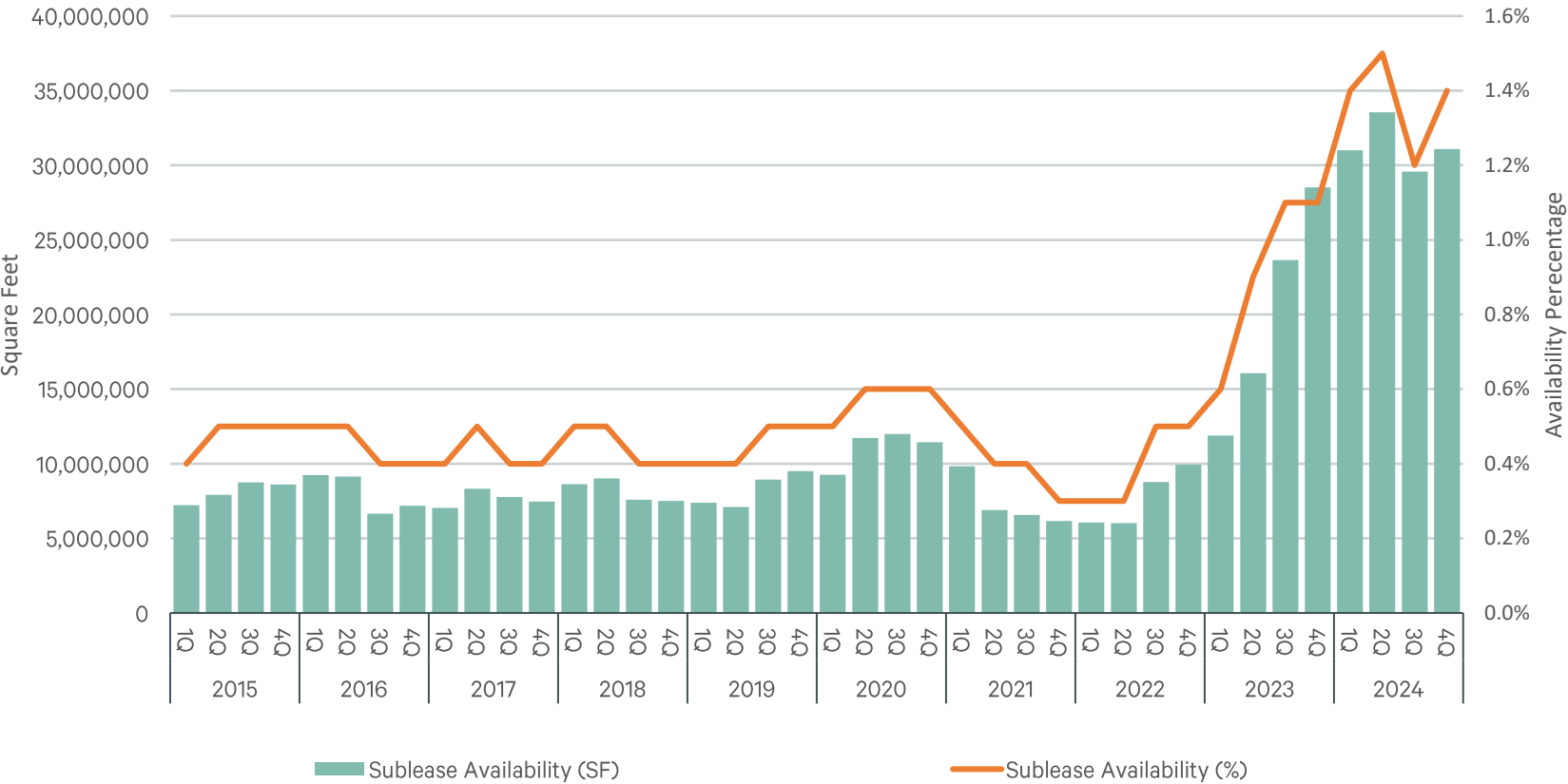
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SUBLEASE TRENDS

Available Sublease Space at Record High

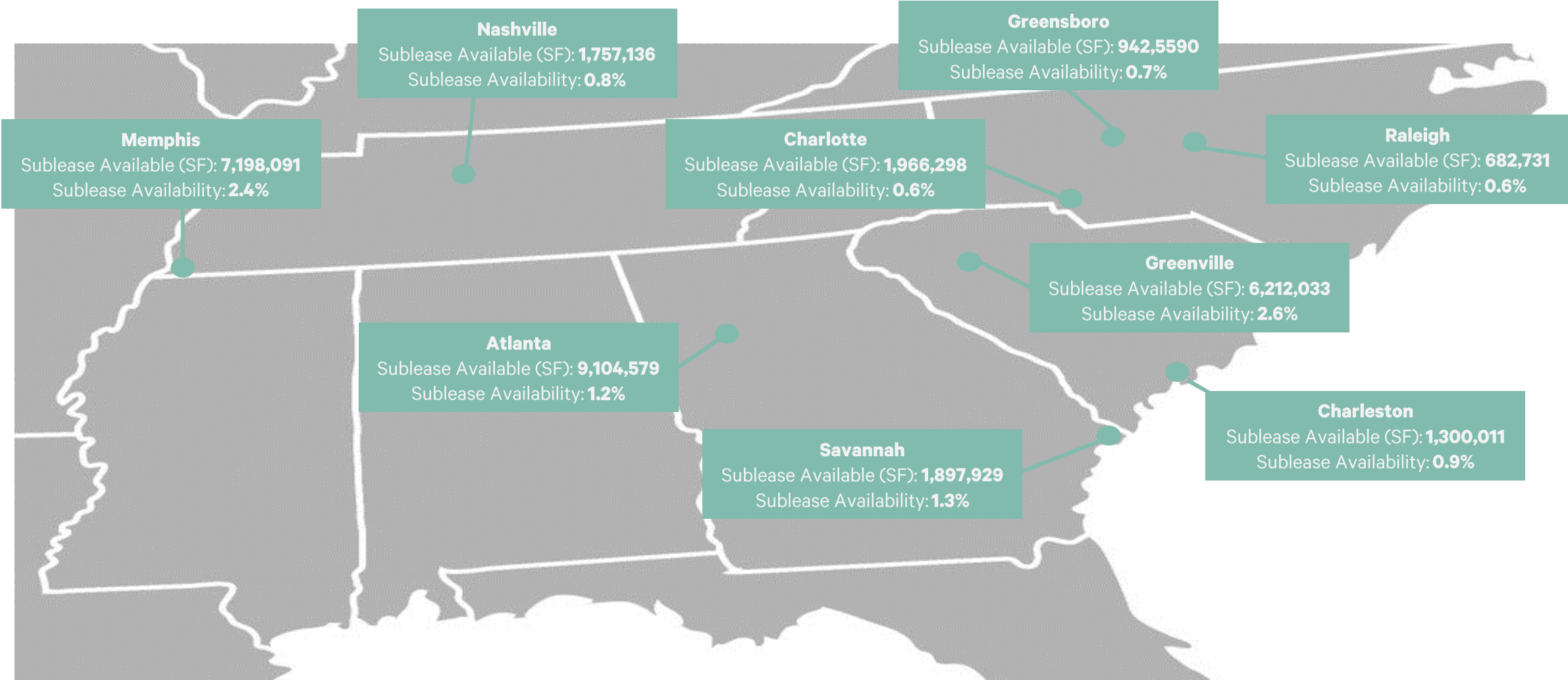
- Sublease availability accounts for 1.4% of the total inventory, down by 10 bps from midyear 2024.
- Sublease availability decreased from all time highs at midyear, but it ticked upward slightly in the fourth quarter.
- The increased sublease availability varies largely by market, with most new availabilities coming online in a few key markets.

Southeast Sublease Space Analysis > 10,000 sq. ft.



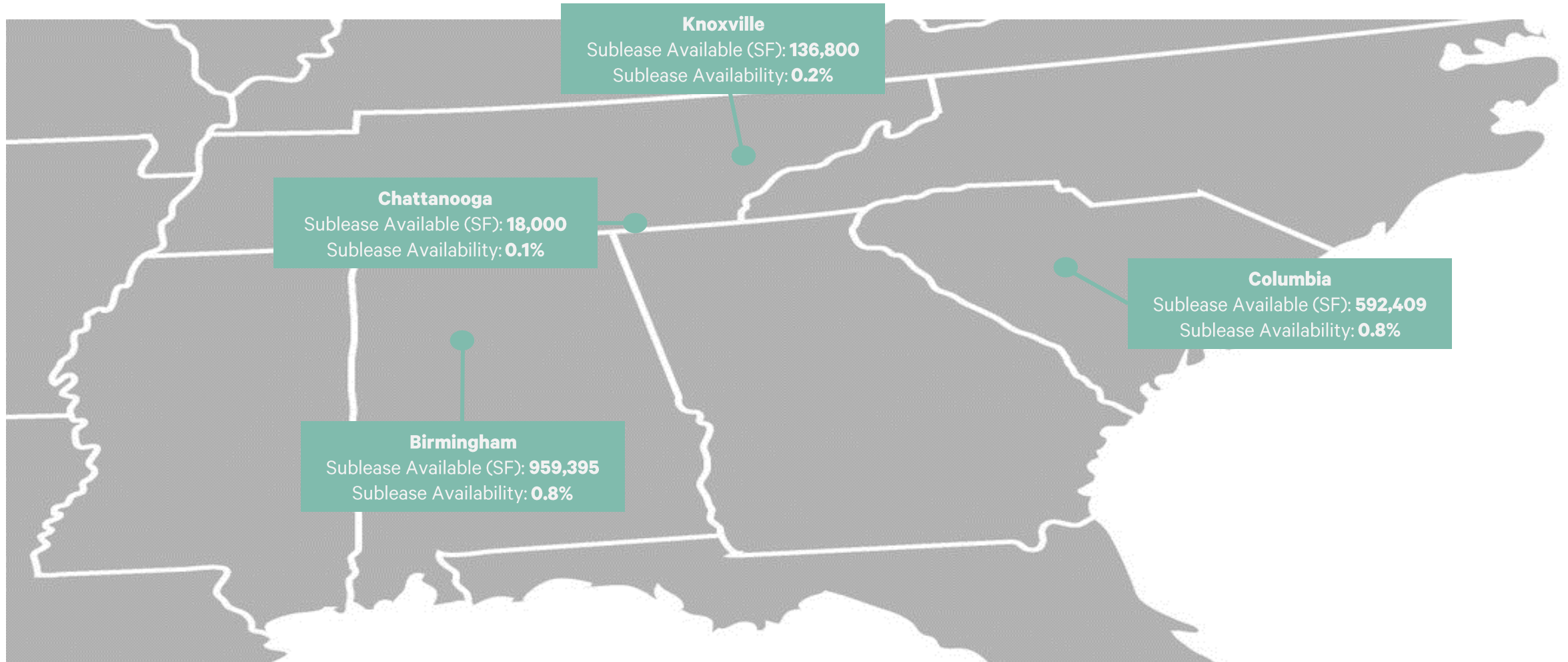
Source: CBRE Research, Year-End 2024

SUBLEASE TRENDS



Source: CBRE Research, Year-End 2024

SUBLEASE TRENDS



Source: CBRE Research, Year-End 2024

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OUTLOOK

2025 Outlook

- **Leasing Activity:** Renewal activity will be robust as landlords focus on re-signing the first wave of COVID lease expirations.
- **Net Absorption Positive:** Southeast absorption will continue moderating, down slightly from 2024; however, absorption trends will vary largely by market.
- **Completions to Moderate:** Deliveries will continue to moderate in 2025, with deliveries being roughly half of 2024's rate.
- **Ground-breakings Reduce Significantly:** The construction pipeline reduced throughout 2024. With plenty of first-generation availabilities on the market, the construction pipeline could remain subdued throughout 2025.
- **Flight-to-Quality Continues:** Relocations out of older facilities will keep this vacancies higher in this product type. However, existing availabilities in first-generation space should begin to fall.
- **Taking Rents Decline 5-8%:** Rental rates will continue its downward trend as early renewals and subleases lower first year base rents.

Trends to Watch

- **On-shoring:** Supply chain disruptions will lead to more onshoring of manufacturing, which will favor states in the Southeast due to their pro-business climate and qualified workforce.
- **Data Centers:** The accelerated evolution of the Digital Age is leading more opportunities for data center investors. Demand will come from cloud providers, social media, and 5G infrastructure. Continued investment in this product will impact industrial markets by shrinking the number of available sites for future construction.
- **Location Optimization:** The Southeast's infrastructure and labor market provide some of the best location optimization for all industrial tenants.
- **Cold Storage:** Population growth and changing demographics are underlying demand drivers for cold storage. The subset has had little vacancy, helping support developers' decision to begin building speculatively.

For Additional Trends:

[U.S. Industrial Slide Deck](#)

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