

1Q25

Atlanta Industrial Market Overview

NEWMARK

Market Observations

Economy

- The market’s unemployment rate increased by 27 basis points year over year to 3.5% at the end of February 2025 but is 62 basis points lower than the national average of 4.1%.
- Job growth was up 0.6% year over year, the second slowest pace of growth since early 2021.
- Five of the 10 sectors reported employment growth, with the education and health sector leading job gains at 4.9% over the past 12 months.
- Industrial-using job growth softened, with both the trade/transportation/utilities and manufacturing sectors reporting year-over-year declines of 1.0%. Meanwhile, mining and construction reported employment contraction of 0.4% year over year.

Major Transactions

- Southwire inked the quarter’s biggest deal, signing up for nearly 1.2 MSF in the Carrollton/I-20W submarket. The lease allows the company to consolidate operations from three nearby facilities.
- The quarter’s top five lease transactions included two renewals and three new deals, one of which was an expansion within an existing facility.
- The top five deals took place in four different submarkets, reflecting geographic diversity in demand.
- As of the end of the first quarter of 2025, preleasing of under-construction assets was 41.3%.

Leasing Market Fundamentals

- Net absorption in the first quarter of 2025 declined by 13.7% quarter over quarter to 1.1 MSF.
- New supply dropped significantly, declining by 89.1% quarter over quarter to close at 906,751 SF in deliveries. Despite demand outpacing supply by 235,609 SF, the vacancy rate remained unchanged quarter over quarter at 8.8%, reflecting the scale of the 68.8 MSF of vacant space.
- Industrial average asking rents increased by 1.0% quarter over quarter to close at \$7.00/SF, an all-time high. The increase also represented a 4.2% increase on a year-over-year basis.
- The construction pipeline edged up by 16.4% quarter over quarter to 9.9 MSF, reversing a trend of six consecutive quarterly declines, but still only representing 1.3% of total inventory.

Outlook

- Despite an uptick in the first quarter, the Atlanta industrial market will likely see a decrease of supply in the near term, as well as decreasing new starts due to an ongoing challenging financing environment for new construction.
- Vacancy rates can be expected to stabilize in the near to medium term as net absorption continues to be more aligned closely with a delivery pipeline that is smaller than in recent years.
- Asking rents will likely see modest increases in the near term as the market absorbs new deliveries and works through elevated subleases availabilities.

1. Economy
2. Leasing Market Fundamentals

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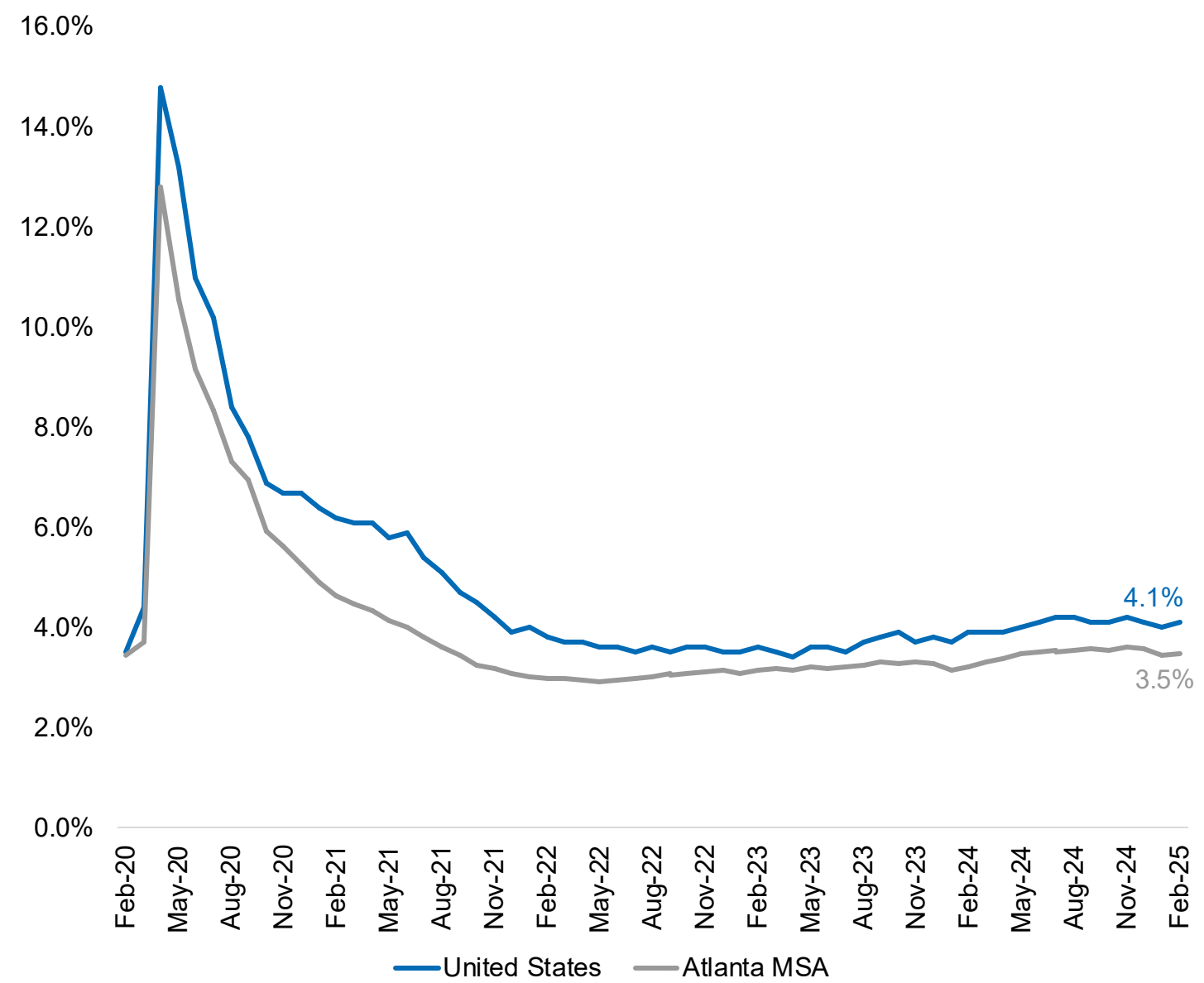
Economy



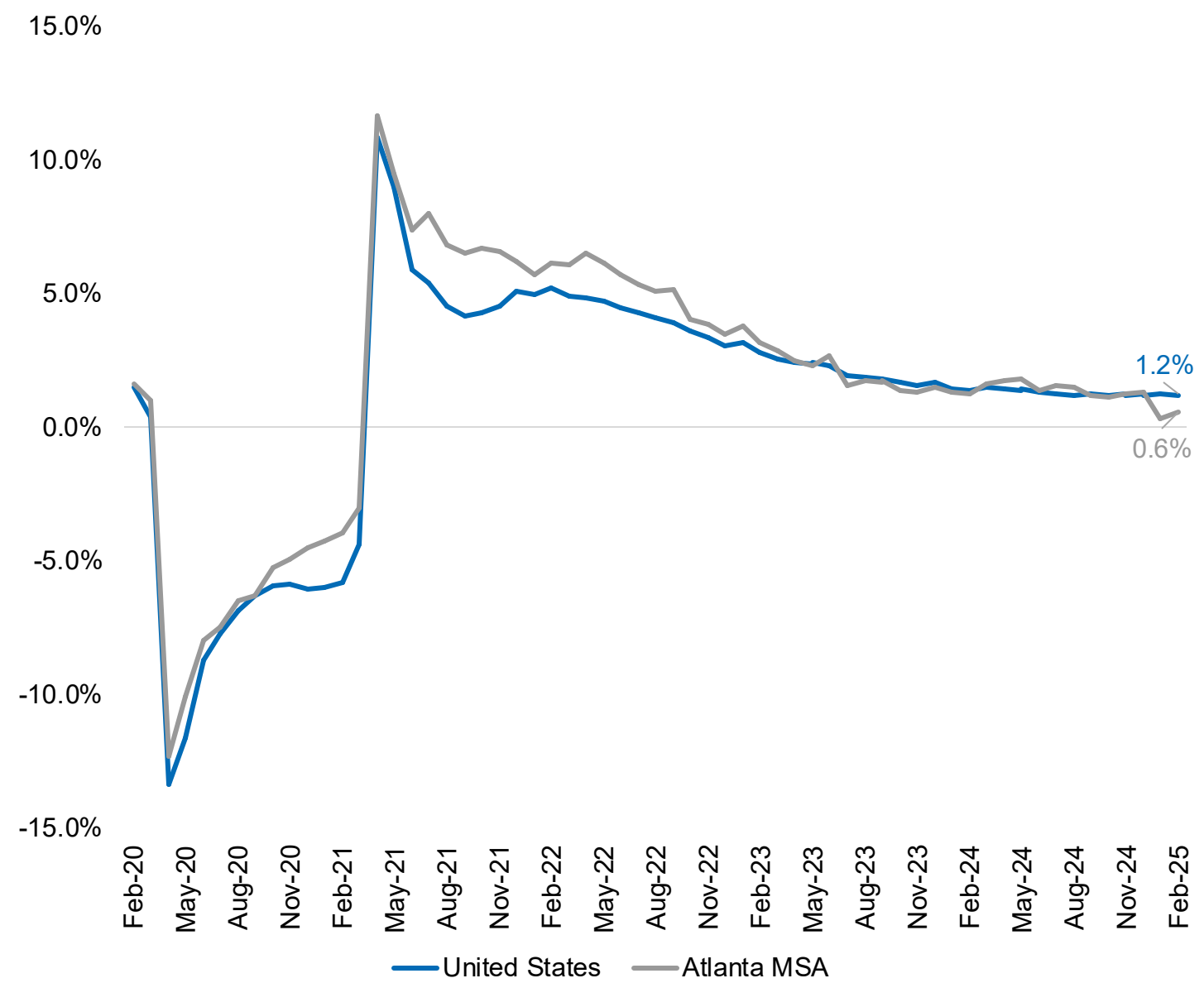
Atlanta Unemployment Below National Average, While Employment Growth Slows

The Atlanta market has generally reported lower unemployment rates compared with the national average. Despite a slower national economy, the metro’s unemployment rate closed the first quarter of 2025 at 3.5%, remaining below the national rate by 62 basis points. The current unemployment rate reflects an increase of 27 basis points year over year and a 13-basis-point increase quarter over quarter. The market’s year-over-year employment growth rate slowed by 65 basis points to 0.6% in February 2025, representing the second straight quarter with year-over-year growth below 1.0%, a pattern last observed in March 2021 when yearly growth was negative.

Unemployment Rate, Seasonally Adjusted



Nonfarm Payroll Employment, Seasonally Adjusted, 12-Month % Change

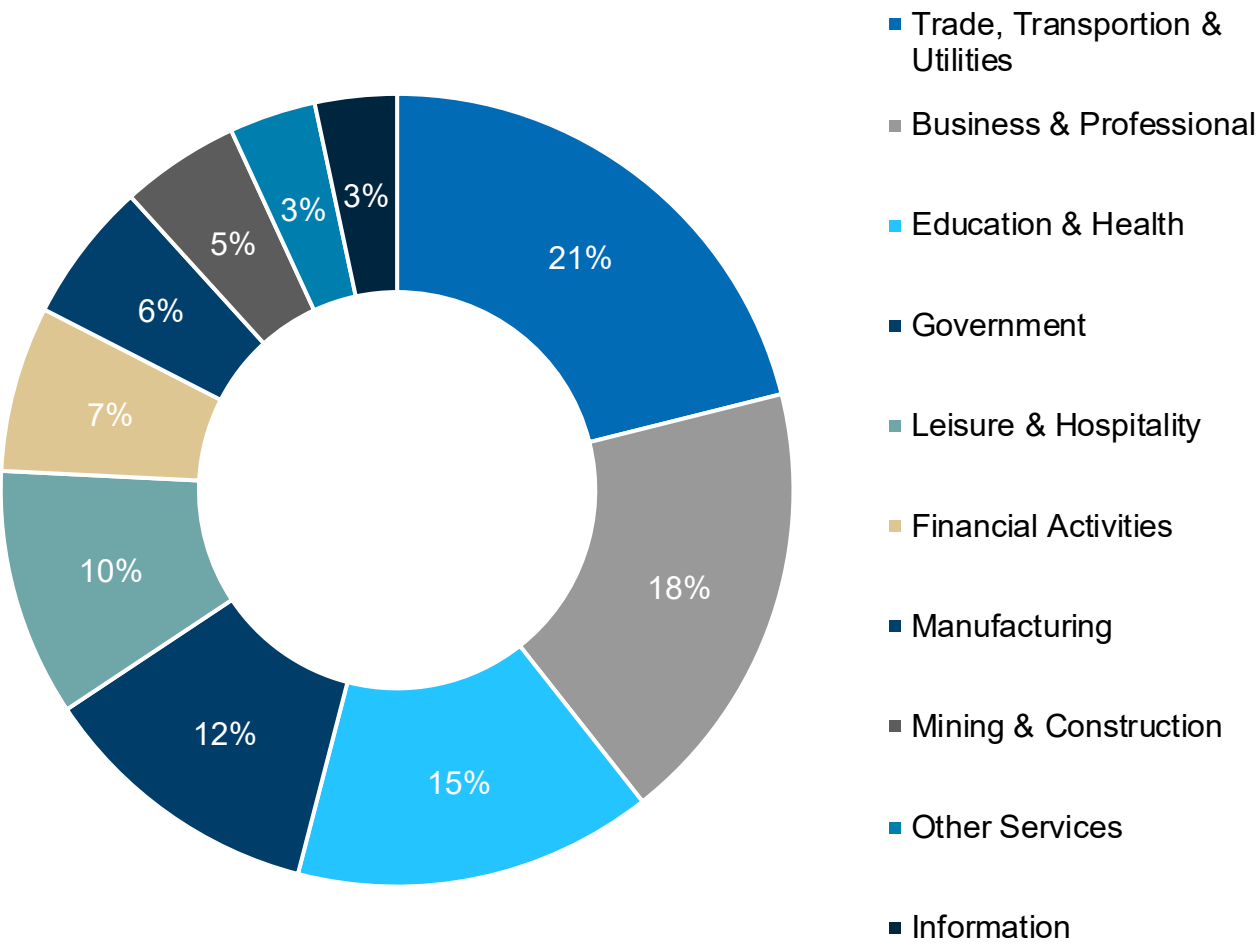


Source: U.S. Bureau of Labor Statistics, Atlanta MSA

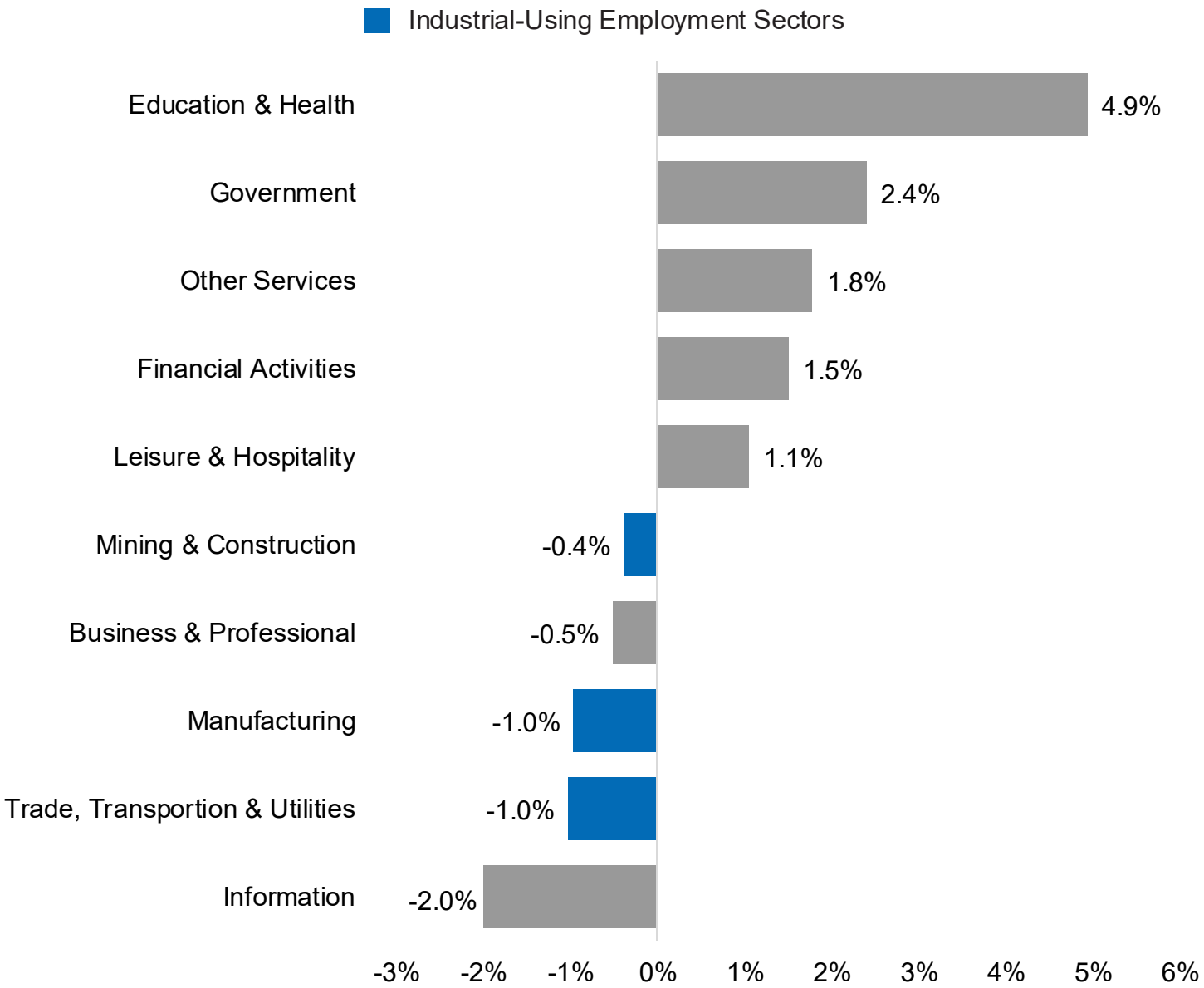
Overall Employment Expands, but All Industrial-Using Sectors Contract

The Atlanta market has a high industry diversity with the top two industries accounting for only 39.4% of the market’s industry employment share. The industrial-using employment’s trade/transportation/utilities sector is the largest industry sector in the metro at 21.1%. While overall employment expanded year over year, all three industrial-using sectors contracted. Mining and construction declined by 0.4% year over year, while the manufacturing and trade/transportation/utilities sectors both posted 1.0% job losses.

Employment by Industry, February 2025



Employment Growth by Industry, 12-Month % Change, February 2025

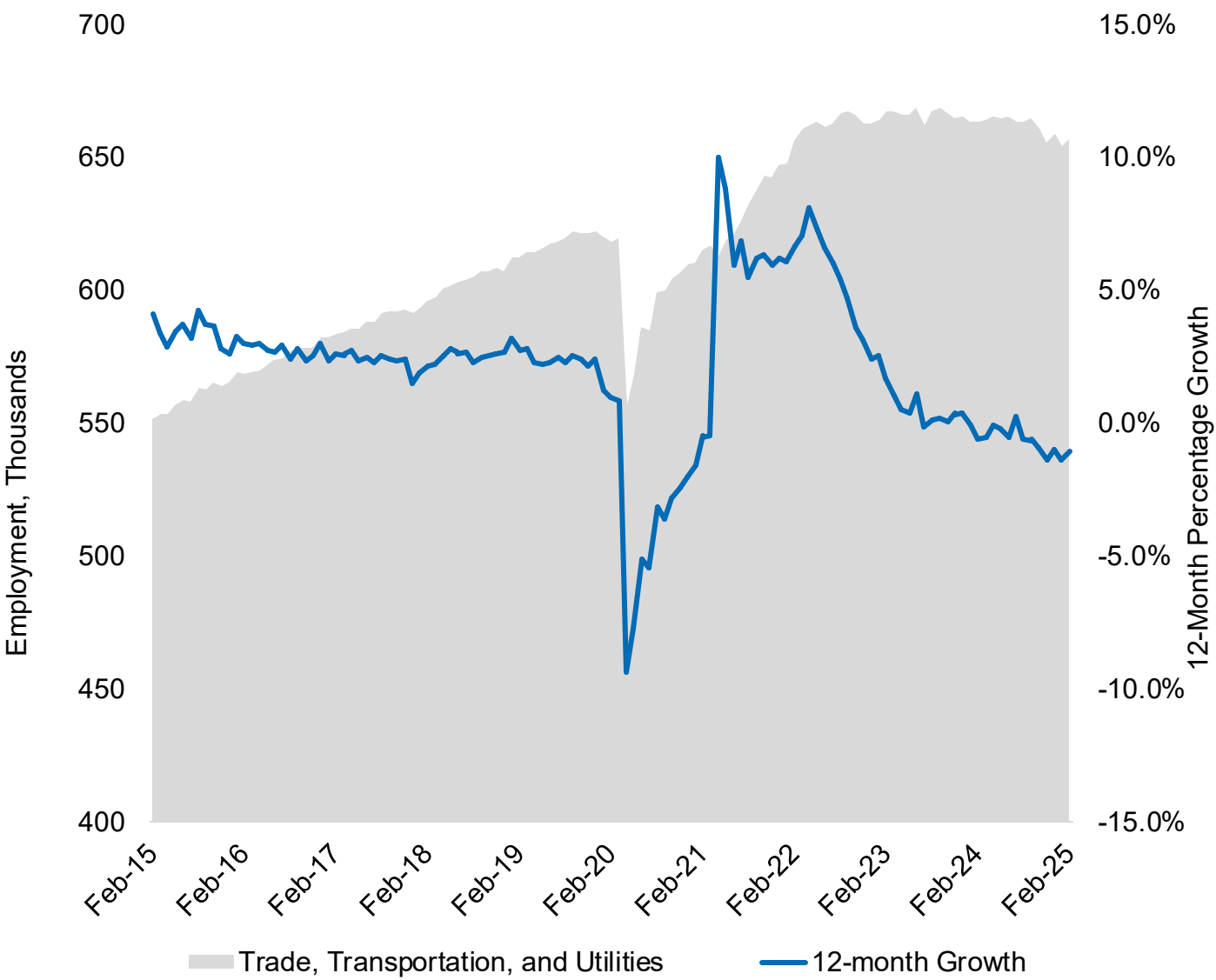


Source: U.S. Bureau of Labor Statistics, Atlanta MSA

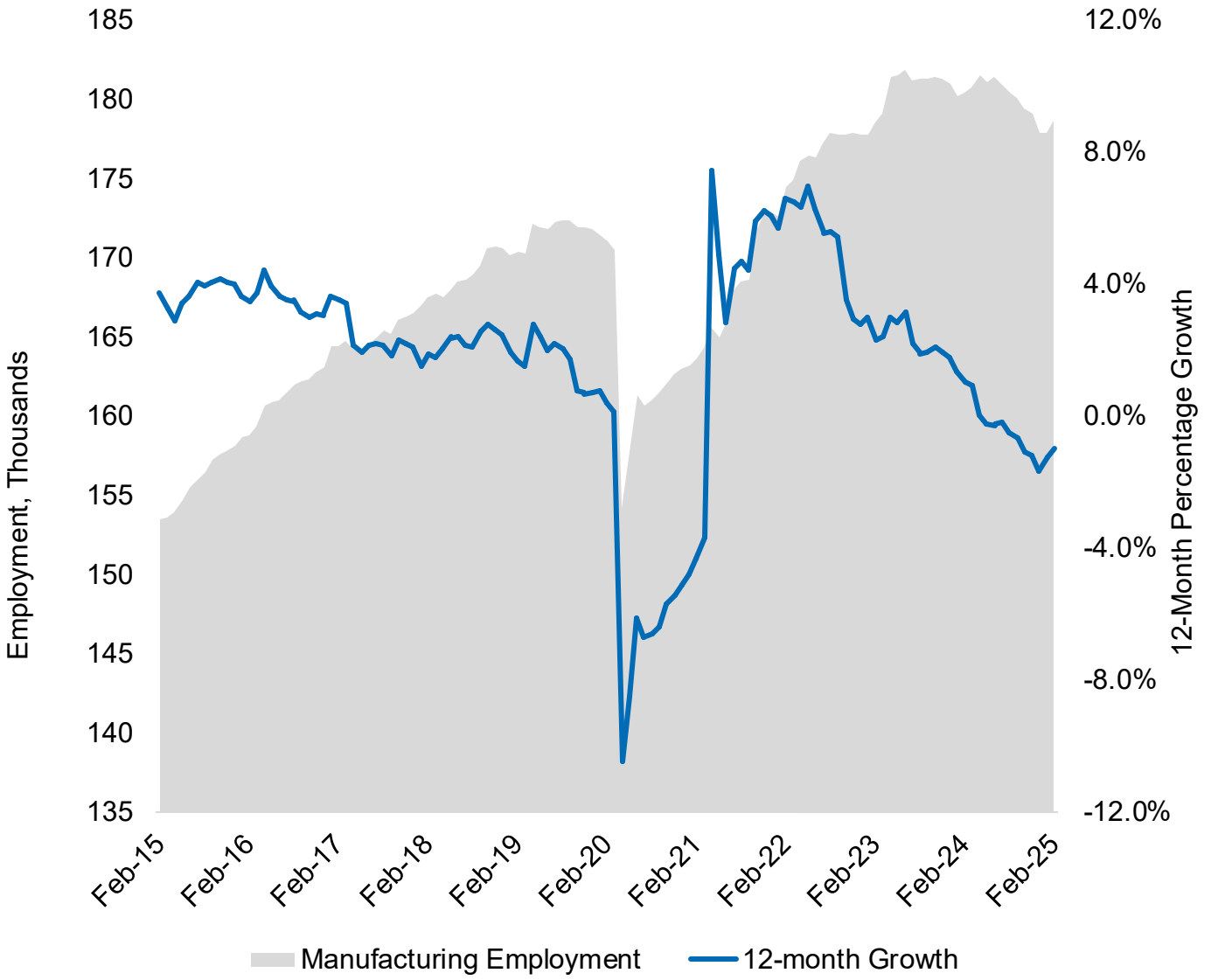
Industrial Employment Softens

The trade/transportation/utilities sector declined by 1.0% year over year, ending at 656,970 employees in February 2025. However, the sector’s job contraction represents just a 1.8% decline from the all-time high of 668,980 jobs reported in June 2023. Meanwhile, manufacturing employment decreased by 1.0% year over year to 178,730 workers in February 2025, reporting a slight 1.7% decline from the June 2023 peak. Despite the declines, industrial employment levels are still elevated by historical standards.

Total Employment and 12-Month Growth Rate, Trade/Transportation/Utilities



Total Employment and 12-Month Growth Rate, Manufacturing



Source: U.S. Bureau of Labor Statistics, Atlanta MSA

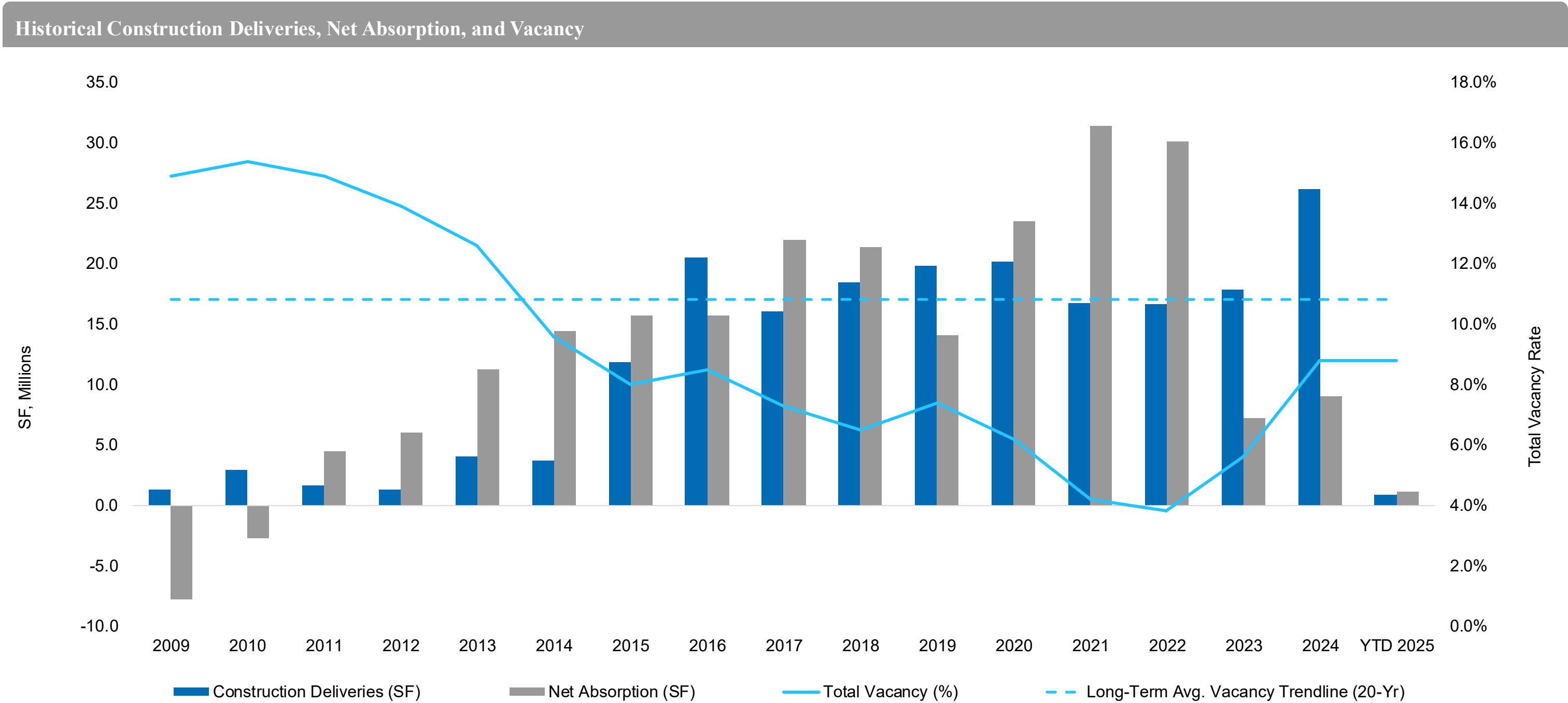
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Leasing Market Fundamentals



First, Albeit Modest, Demand Surplus Since 2022

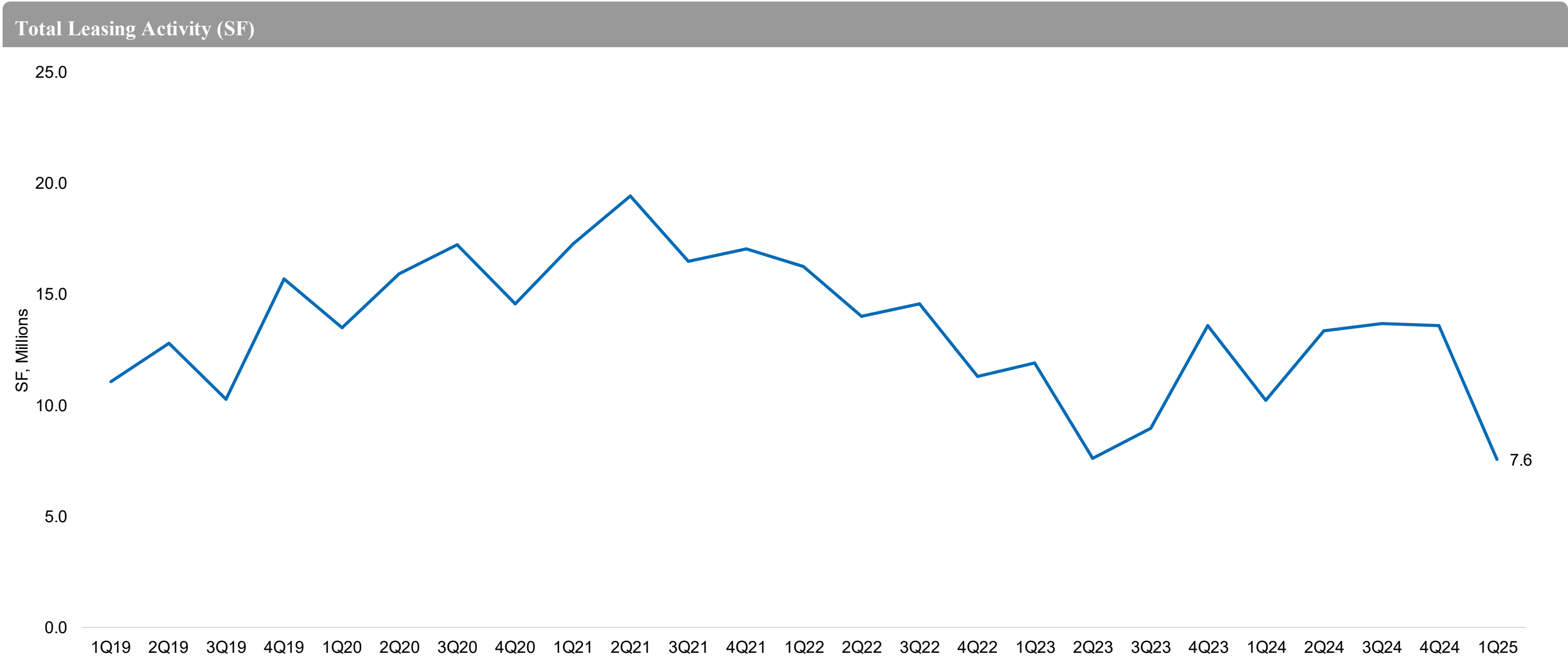
At the end of the first quarter of 2025, demand outpaced supply on a quarterly basis for the first time since the fourth quarter of 2022. Net absorption was 1.1 MSF, exceeding the 906,751 SF of deliveries during the same period. However, the difference of 235,609 SF was not material enough to impact the market’s 68.8 MSF of vacant space. As a result, the vacancy rate was unchanged quarter over quarter at 8.8%. It is worth noting that the first quarter’s supply was significantly below both the all-time high of 10.8 MSF reported in the second quarter of 2024 and the quarterly average of 3.1 MSF reported from 2009 to 2024.



Source: Newmark Research, CoStar

Industrial Leasing Declines, Remains Below Post-Pandemic Quarterly Average

In the first quarter of 2025, leasing activity declined 44.2% quarter over quarter to 7.6 MSF, the lowest quarterly total reported in recent years. The first quarter's total was also 34.7% below the average quarterly leasing volume of 11.6 MSF recorded from 2023 to 2024. Despite subdued activity, overall demand remains positive, with continued tenant interest in newer, high-quality logistics space. However, economic uncertainty and higher borrowing costs appear to be dampening large-scale leasing decisions early in the year.



Source: Newmark Research, CoStar

Class A Warehouse Leasing Declines More Sharply than Total Market Activity

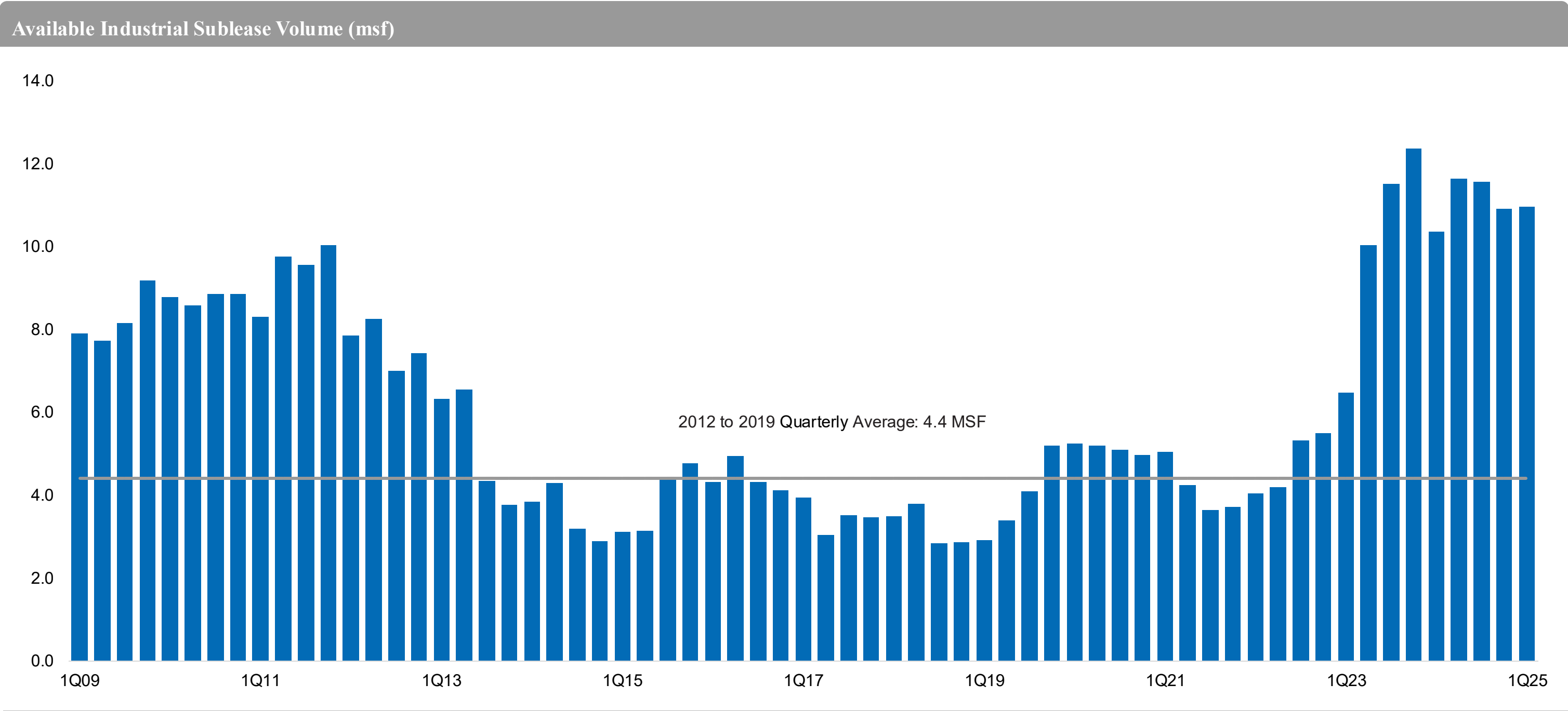
Leasing activity for Class A warehouse space totaled 3.2 MSF in the first quarter of 2025, declining by 64.4% quarter over quarter and 40.4% year over year. Class A leasing accounted for 42.1% of total activity, a significant decrease compared to the 52.4% reported in the first quarter of 2024, indicating that demand for Class A space cooled more sharply than in the broader market.



Source: Newmark Research, CoStar

Sublease Availability Remains Largely Unchanged in the First Quarter of 2025

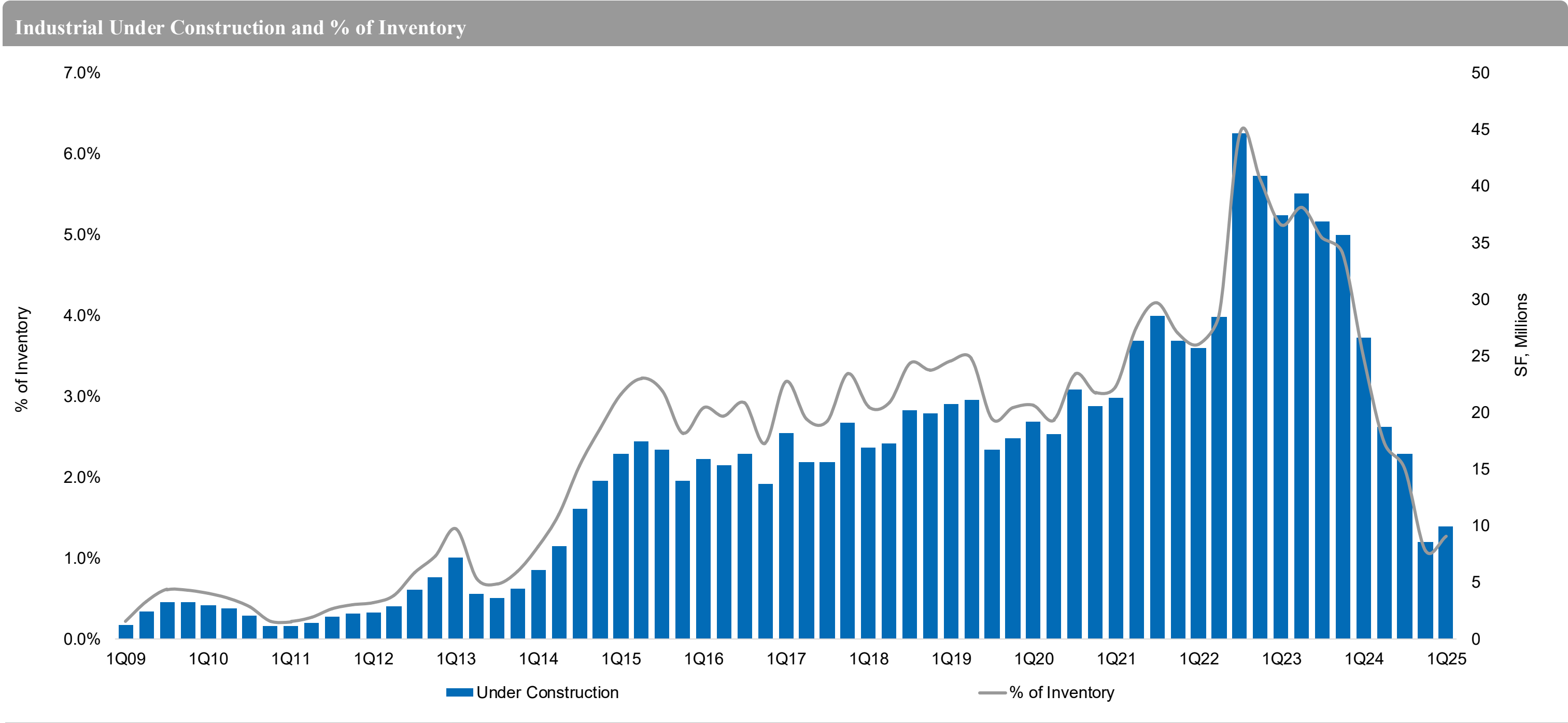
Sublease availability remained largely unchanged in the first quarter of 2025, ticking up slightly by 0.5% quarter over quarter to 11.0 MSF. While volume continues to trend well above the long-term average, it has declined by 11.3% since peaking in the fourth quarter of 2023. Elevated interest rates and softer consumer demand have prompted many occupiers to consolidate operations and optimize distribution networks, often resulting in users placing underutilized warehouse space up for sublease.



Source: Newmark Research, CoStar

Pipeline Activity Reverses Course, Breaking Multi-Quarter Downtrend

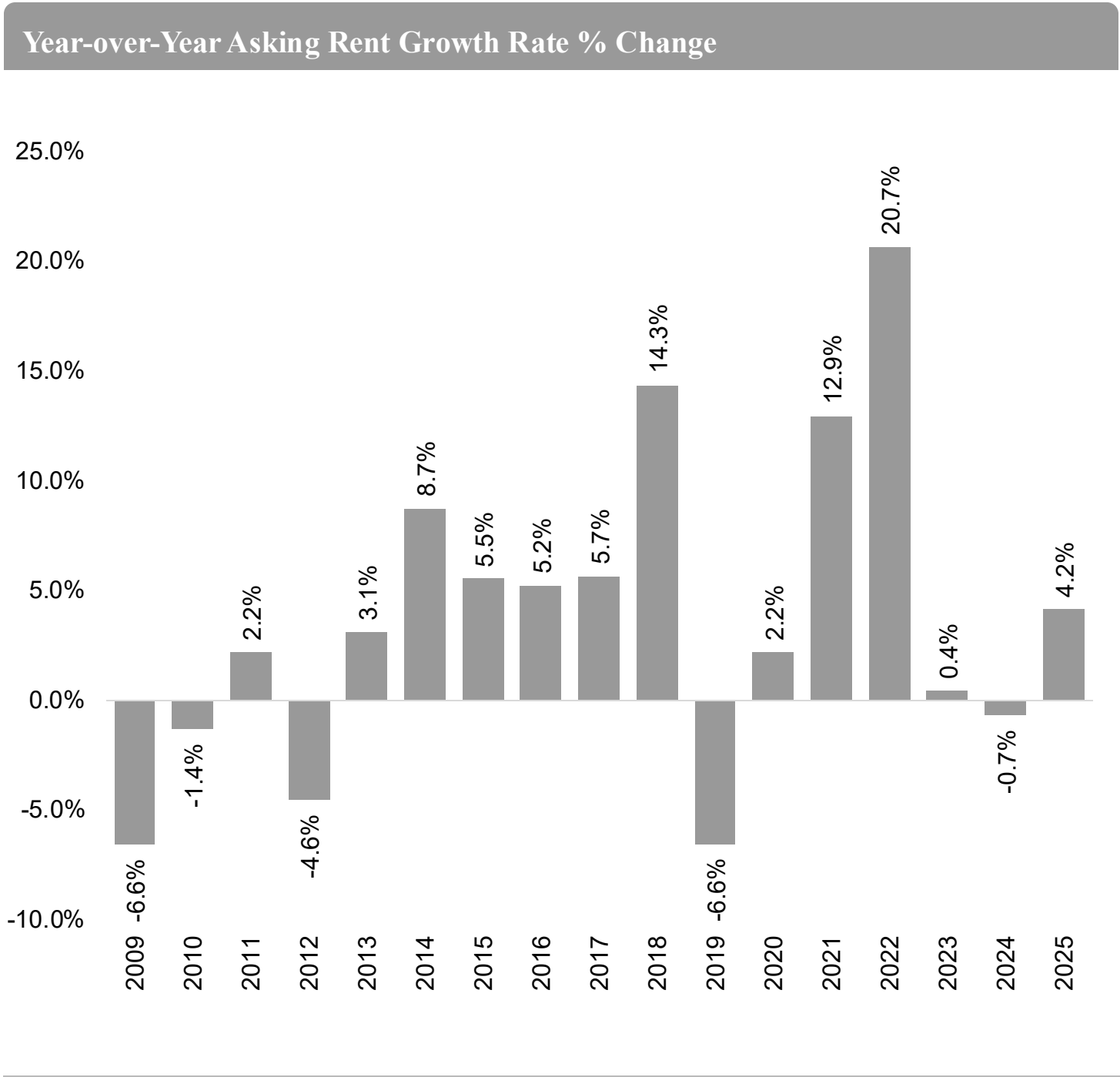
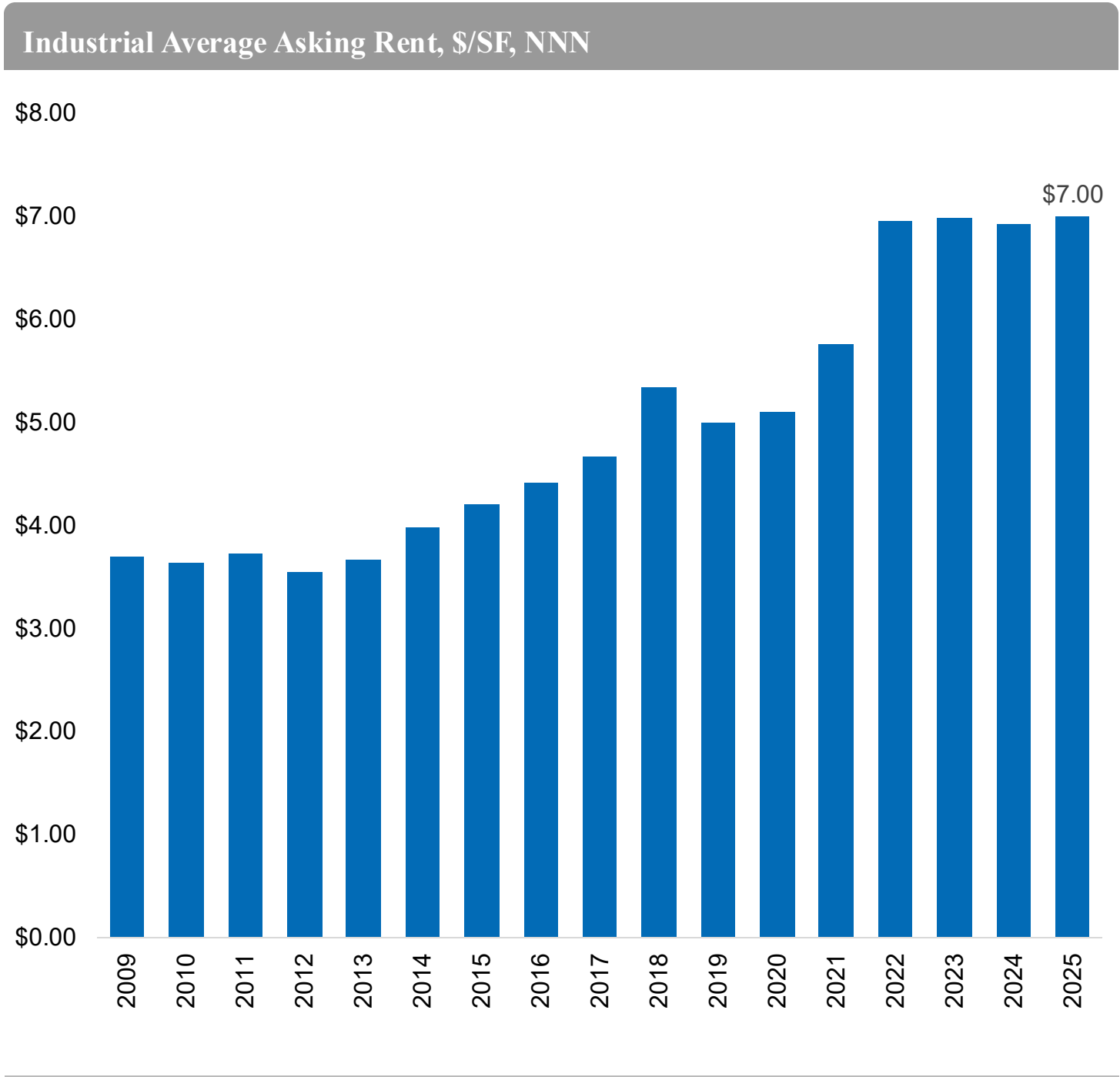
The construction pipeline experienced a slight increase in the first quarter of 2025, rising by 16.4% quarter over quarter to 9.9 MSF. This uptick, though modest, marks a reversal of six consecutive quarterly declines. The pipeline remains at historically low levels, as developers are still navigating a cautious environment marked by high financing costs and economic uncertainty. Should demand strengthen, financing conditions improve and current trade uncertainty become more predictable, there may be potential for supply constraints to develop in the near future.



Source: Newmark Research, CoStar

Asking Rents Reach New High

Industrial asking rents rose slightly in the first quarter of 2025, increasing by 1.0% quarter over quarter to reach a new high of \$7.00/SF. Although this represents a 4.2% increase year over year, the pace of future rent growth is likely to remain modest, particularly if Class A leasing activity continues to soften and the market absorbs both new deliveries and elevated sublease availabilities.



Source: Newmark Research, CoStar

First Quarter Activity Mix of Renewals and New Deals

The quarter’s top five lease transactions included two renewals and three new deals, one of which was an expansion within an existing facility. The deals took place in four different submarkets, reflecting geographic diversity in demand. As of the end of the first quarter, 41.3% of space under construction was preleased.

Select Lease Transactions

Tenant	Building	Submarket	Type	Square Feet
Southwire <i>A maker of industrial cables and wires, Southwire’s lease will consolidate operations from three nearby facilities into a new build-to-suit scheduled to deliver in the third quarter of 2026. The deal also broke ground on Panattoni’s development, marking the largest new construction start year-to-date.</i>	I-20 & Waco Rd – Bremen Logistics Center	Carrollton/I-20W	Direct New	1,178,000
Carter’s <i>Atlanta-based Carter’s, the largest branded marketer of baby and children’s apparel, remains as a first-generation tenant, having occupied the building since at least 2002.</i>	301 Eagles Landing – Trade Center III	Airport/South Atlanta	Renewal	510,053
Variety Wholesalers <i>The privately held retailer, which operates more than 380 stores across the Southeast and Mid-Atlantic, expanded its footprint by leasing the remaining 484,787 SF in the 1.9 MSF facility.</i>	95 Innovation Way – Innovation Logistics Center	Airport/South Atlanta	Expansion	484,787
GXO Logistics <i>3PL firm GXO renewed its full-building lease, maintaining its presence across at least six distribution facilities in the Atlanta metro.</i>	2124 Skyview Dr – Westfork D4	Fulton Industrial/I-20W	Renewal	395,750
Staci Americas <i>The U.S. division of French-based Staci Group signed a full-building lease at Suwanee Logistics Center. The deals expands the 3PL operator’s existing Georgia footprint to three locations.</i>	195 Sawmill Dr – Suwanee Logistics Center	Northeast/I-85 Corridor	Direct New	327,825

Source: Newmark Research



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