
3Q24

Atlanta Industrial Market Overview

NEWMARK

Market Observations

Economy

- The market’s unemployment rate increased 29 basis points year over year to 3.4% at the end of August 2024, remaining 76 basis points lower than the national average of 4.2%.
- Job growth was up 1.4% year over year, modestly reversing a recent decline in the pace of job growth.
- Seven of the 10 sectors reported employment growth, with the leisure and hospitality sector leading job gains at 4.5% over the past 12 months.
- Industrial-using job growth showed continued resilience despite the trade/transportation/utilities sector declining 0.8% year over year to 659,000 employees. Manufacturing jobs however, increased 0.1% year over year to 182,160 employees, while mining and construction increased 2.2% to 149,780 employees over the same period.

Major Transactions

- Energy solutions company GE Energy Parts inked the quarter’s biggest deal, renewing their full-building lease for 660,000 SF in the Airport/South Atlanta submarket.
- The quarter's two largest leases were both renewals each over 500,000 SF followed by new leases that were both nearly 500,000 SF apiece. A sublease rounded out the quarters’ top five largest deals at 468,827 SF.
- Two of the top five deals signed were in the Airport/South Atlanta submarket, which is home to the metro's largest industrial inventory. The remaining three deals were in the Northeast/I-85 Corridor, the Northwest/I-75 Corridor and the Fulton Industrial/I-20W submarkets.
- As of the end of the third quarter of 2024, preleasing of under-construction assets was 35.1%.

Leasing Market Fundamentals

- The market realized 2.1 MSF of net absorption in the third quarter of 2024, reflecting a 77.5% increase from the previous quarter and a 442.0% increase year over year.
- Supply decreased dramatically in the third quarter of 2024, dropping 58.9% year over year to 2.0 MSF, marking an 82.1% decline from the previous quarter's all-time high of 11.0 MSF. Still, year-to-date supply outpaced demand, resulting in the vacancy rate increasing 260 basis points year over year to 8.0%.
- Overall rental rates were \$6.90/SF, increasing by 4.9% year over year, but are still 0.4% lower than the all-time high of \$6.93/SF in the fourth quarter of 2022.
- The construction pipeline trended downward for the fifth consecutive quarter to 17.5 MSF under construction in the third quarter of 2024, marking a 12.0% quarter-over-quarter decline and accounts for 2.3% of current inventory.

Outlook

- The Atlanta industrial market will likely see a continued decrease of supply in the near term, as well as decreasing new starts due to an ongoing challenging financing environment for new construction.
- Although a slowdown is expected in December, tenant activity increased for requirements ranging from 50,000 to 150,000 SF during this Fall.
- Vacancy rates can be expected to stabilize in the near to medium term as net absorption continues to be more aligned closely with deliveries.
- 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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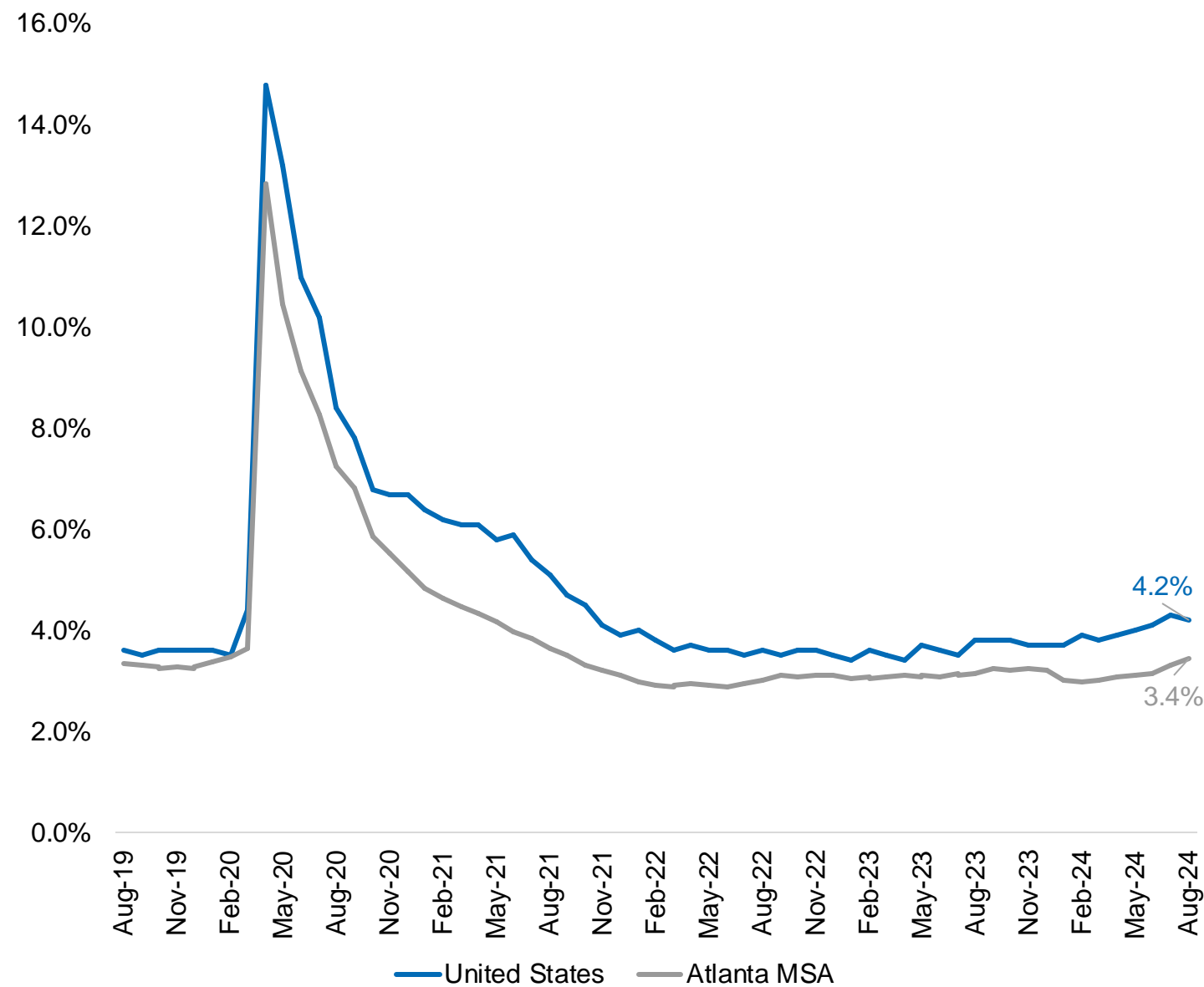
Economy



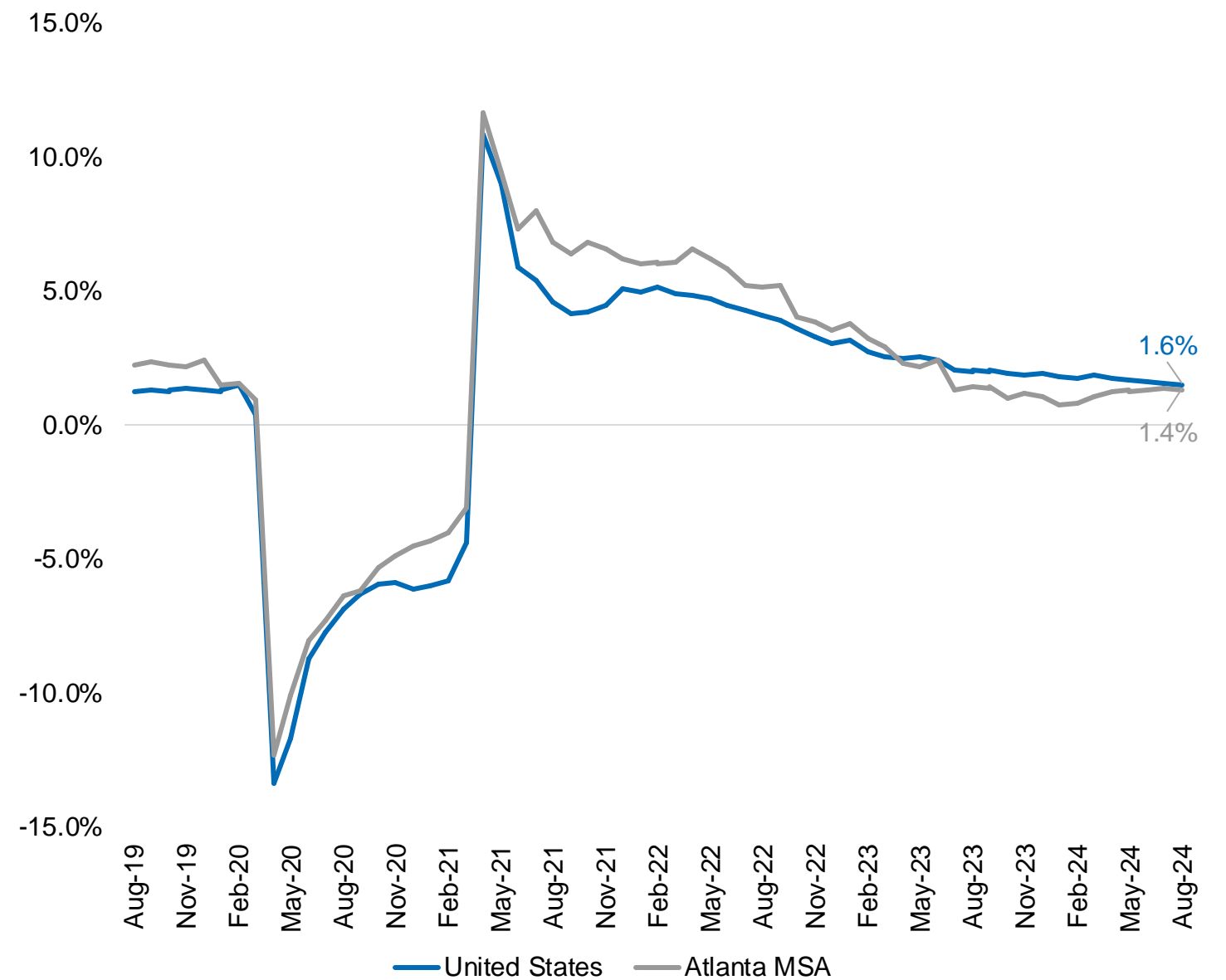
Metro Employment Trends

The Atlanta market has generally reported lower unemployment rates compared with the national average. Despite a slowing national economy, the metro's unemployment rate closed the third quarter of 2024 at 3.4%, continuing to remain below the national rate by 76 basis points. The market's year-over-year employment growth rate slowed by nine basis points to 1.4% in August 2024, although the August 2024 growth rate was an improvement compared to the seven-month average between January to July 2024 of 1.1%.

Unemployment Rate, Seasonally Adjusted



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

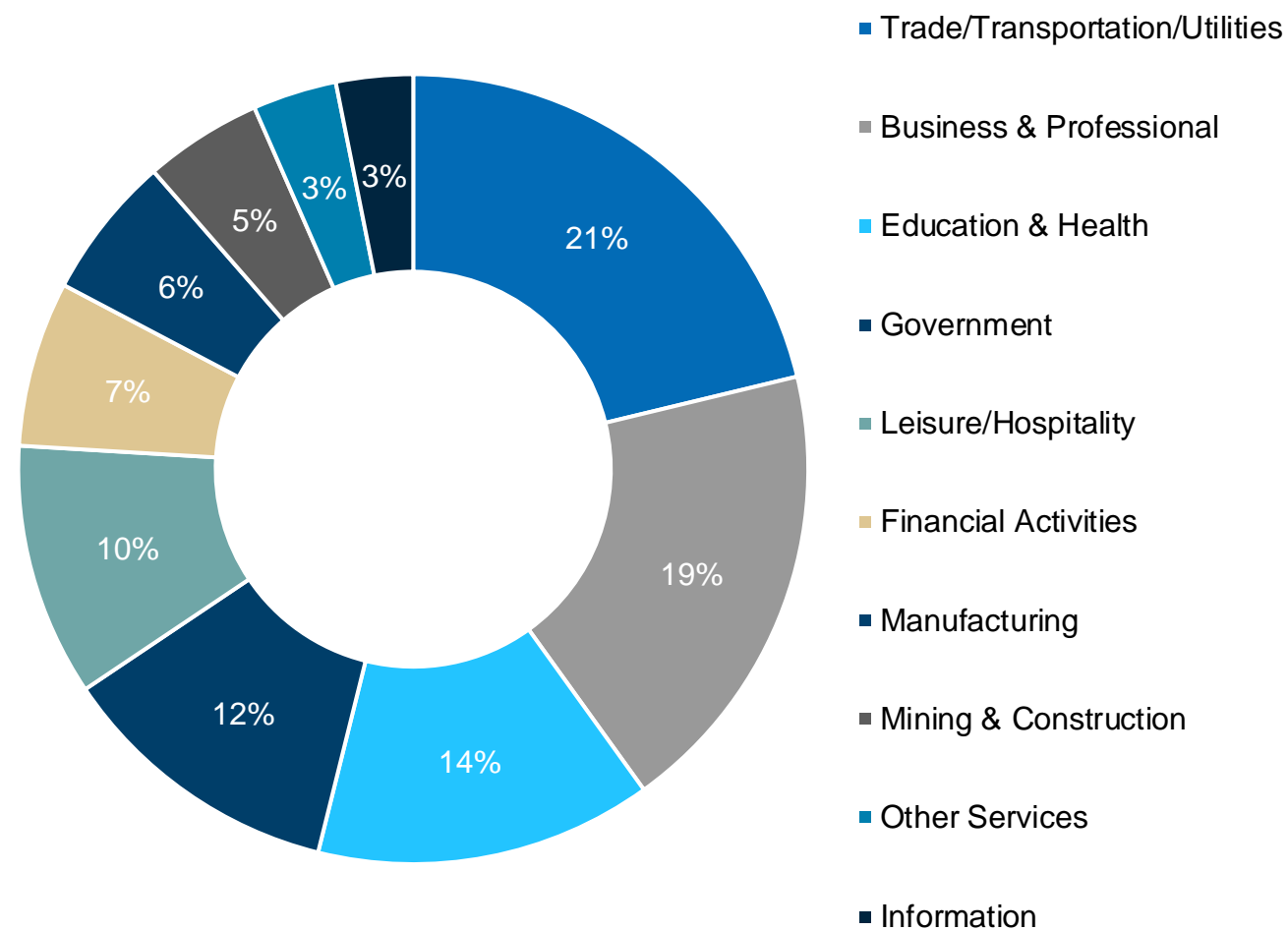


Source: U.S. Bureau of Labor Statistics, Atlanta MSA

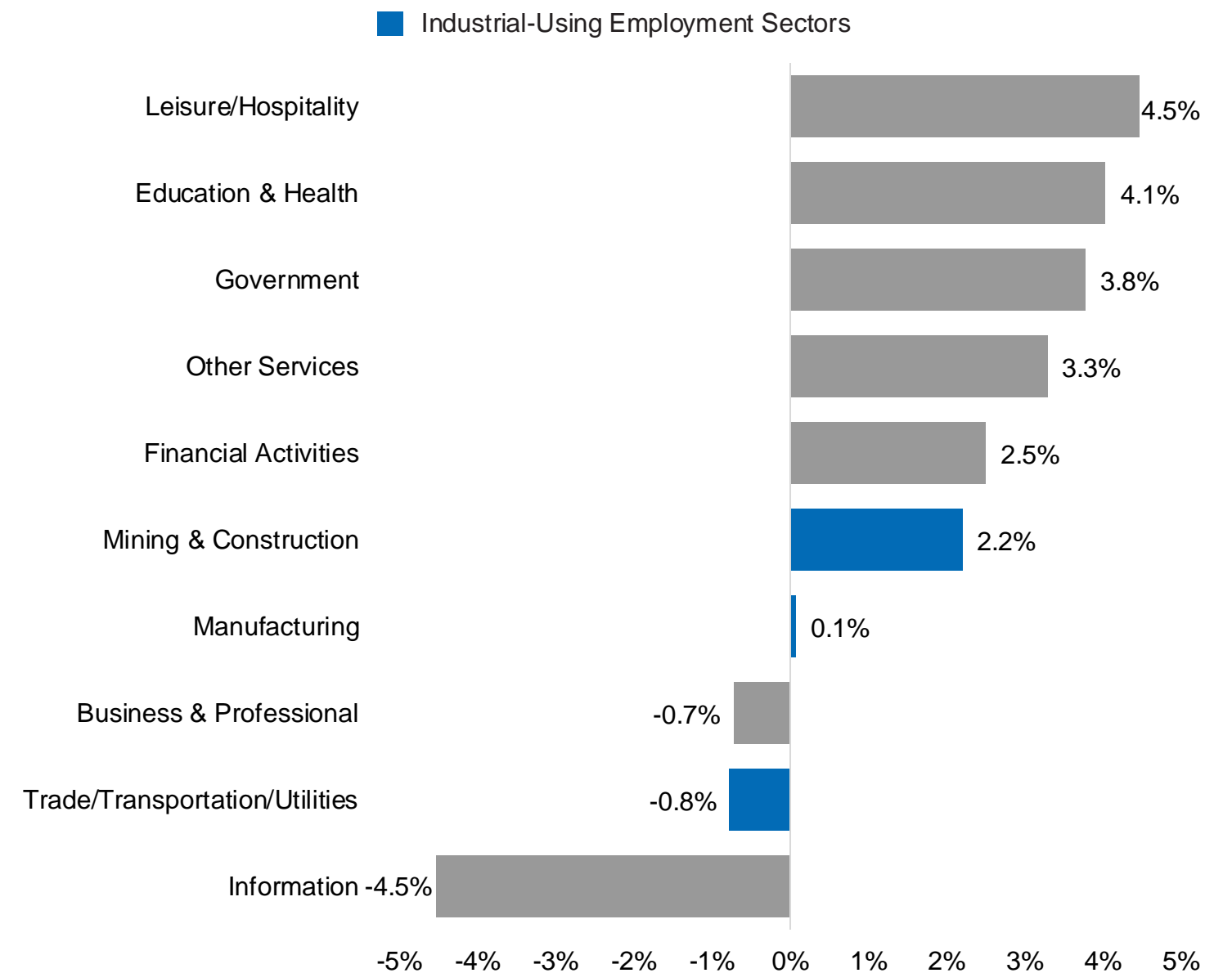
Employment Growth Largely Continues, Despite Declines in One Industrial-Using Sector

The Atlanta market has a high industry diversity, with the top two industries accounting for only 40.1% 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 21.2%. While most industries in the metro reported growth, three sectors reported contractions, including the industrial-using trade/transportation/utilities industry, which declined 0.8% year over year. The manufacturing and construction sectors grew by 0.1% and 2.2% year over year, respectively.

Employment by Industry, August 2024



Employment Growth by Industry, 12-Month % Change, August 2024

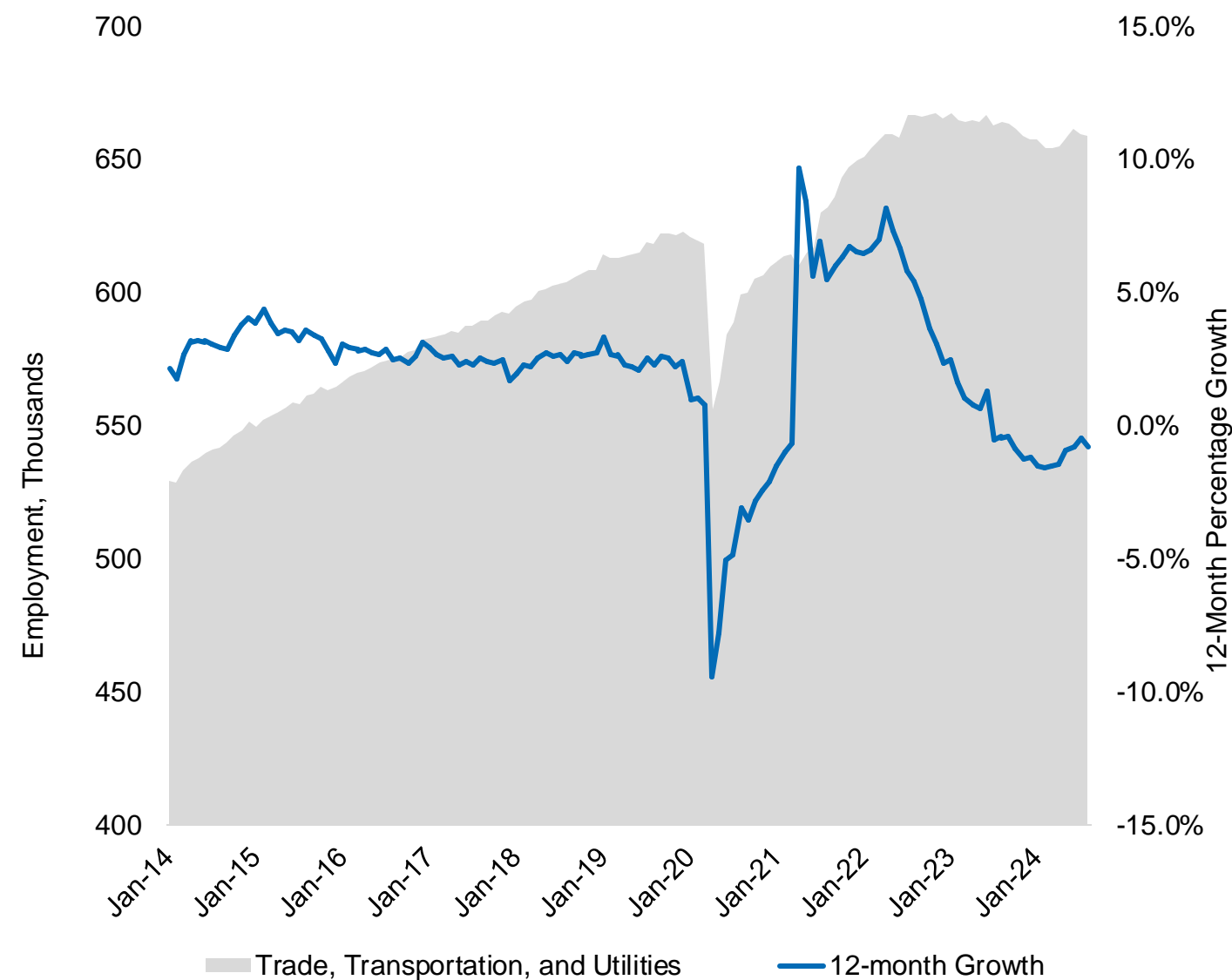


Source: U.S. Bureau of Labor Statistics, Atlanta MSA

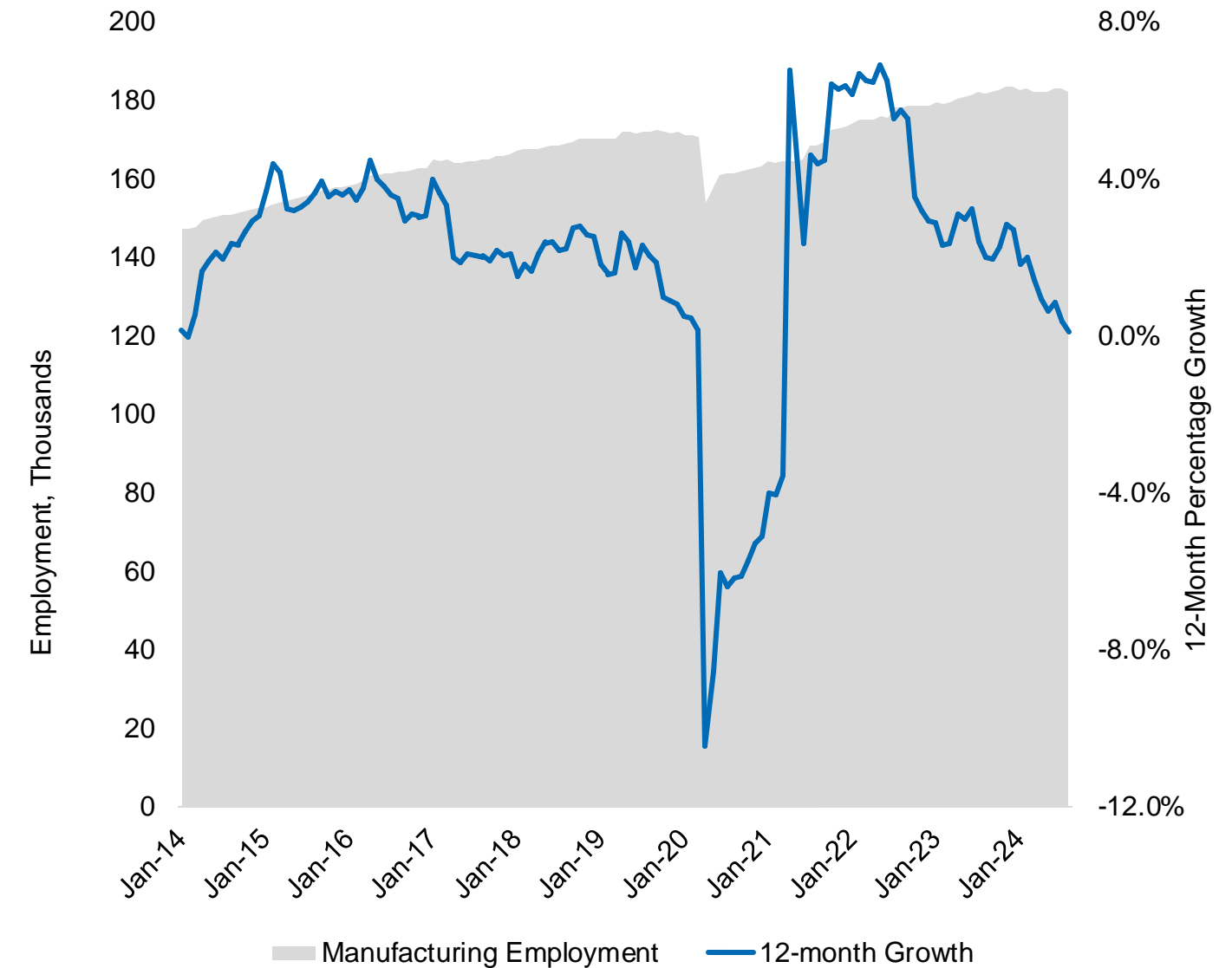
Industrial Employment Resilience Continues Despite Year Over Year Dip in One Sector

The trade/transportation/utilities sector's employment declined by 0.8% year over year, ending August 2024 at 659,000 employees. The sector's job growth decline is only 1.3% lower than the all-time high reported in January 2023. Manufacturing employment increased 0.1% year over year to 182,160 employees at the end of August 2024, reflecting an 0.8% decline from the November 2023 peak of 183,620 employees.

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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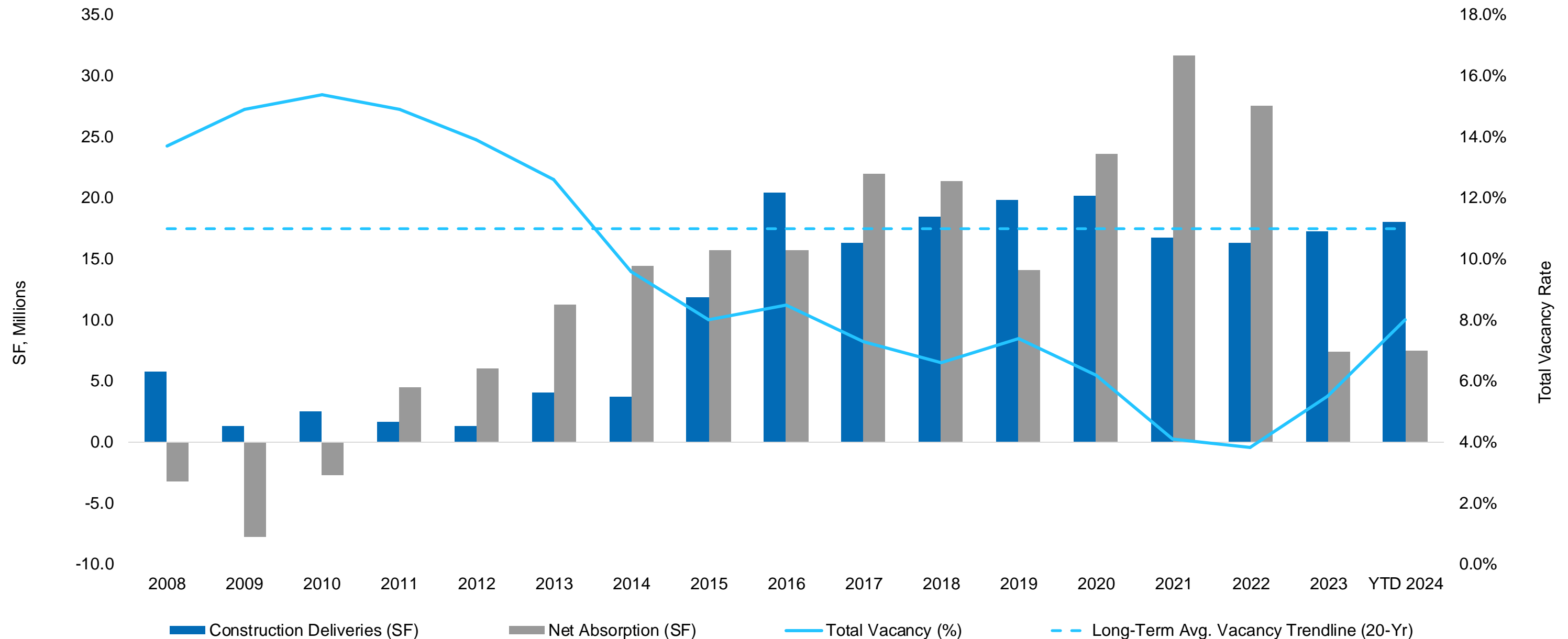
Leasing Market Fundamentals



Vacancy Rate Rises Amid Slowing Deliveries

Supply decreased dramatically in the third quarter of 2024, declining by 58.9% year over year to 2.0 MSF and registering an 82.1% decrease from the previous quarter's all-time high of 11.0 MSF. Despite reduced deliveries in the third quarter, the year-to-date total supply reached 18.1 MSF and outpaced year-to-date demand at 7.5 MSF. As a result, vacancy increased by 260 basis points year over year to 8.0%. Notably, the third quarter of 2024 reported 2.1 MSF in positive absorption, reflecting a 77.5% increase quarter over quarter and, more significantly, greater than all absorption in 2023.

Historical Construction Deliveries, Net Absorption, and Vacancy

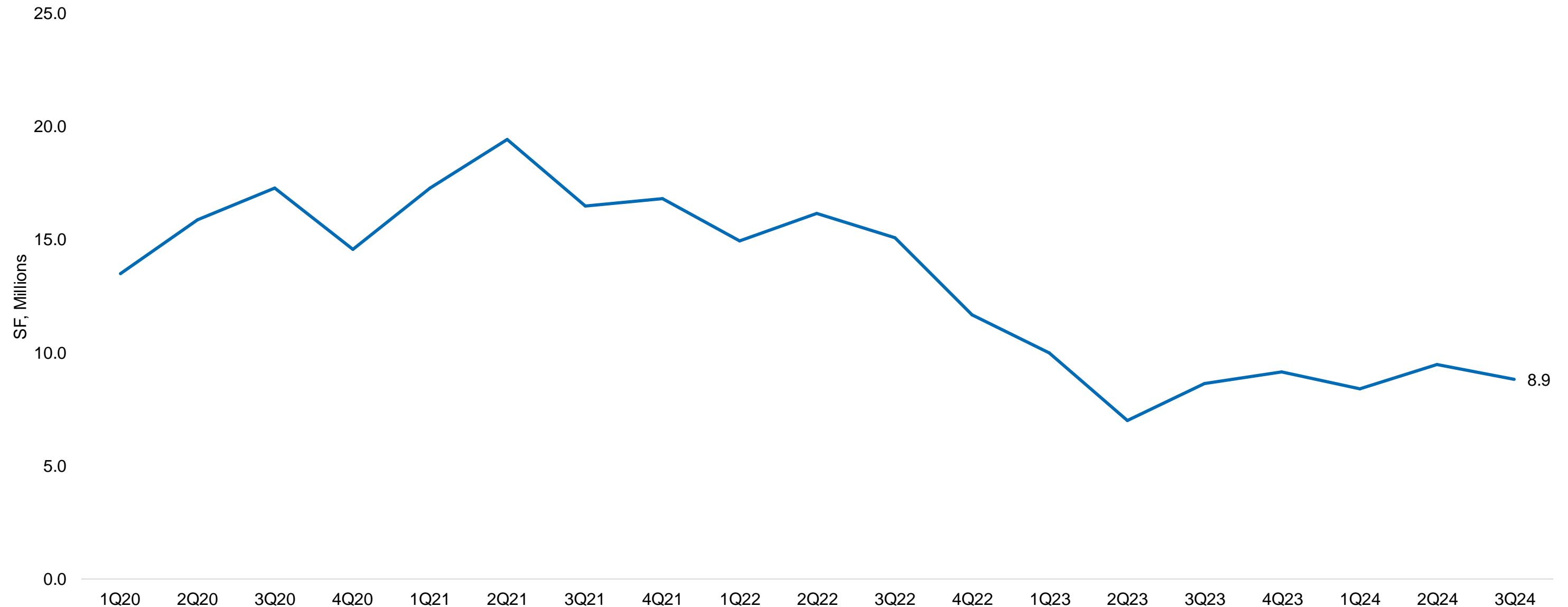


Source: Newmark Research, CoStar

Industrial Leasing Declines, Below 2020 to 2023 Quarterly Average

In the third quarter of 2024, leasing activity declined 6.9% quarter over quarter to 8.9 MSF. The volume was significantly lower than the 14.0 MSF quarterly average reported between 2020 to 2023 but is modestly up by 0.7% when compared to the average quarterly leasing volume of 8.8 MSF from 2023 through the first half of 2024. Despite ongoing national economic headwinds, including a slowing economy and still-elevated interest rates, demand continues to remain positive.

Total Leasing Activity (SF)

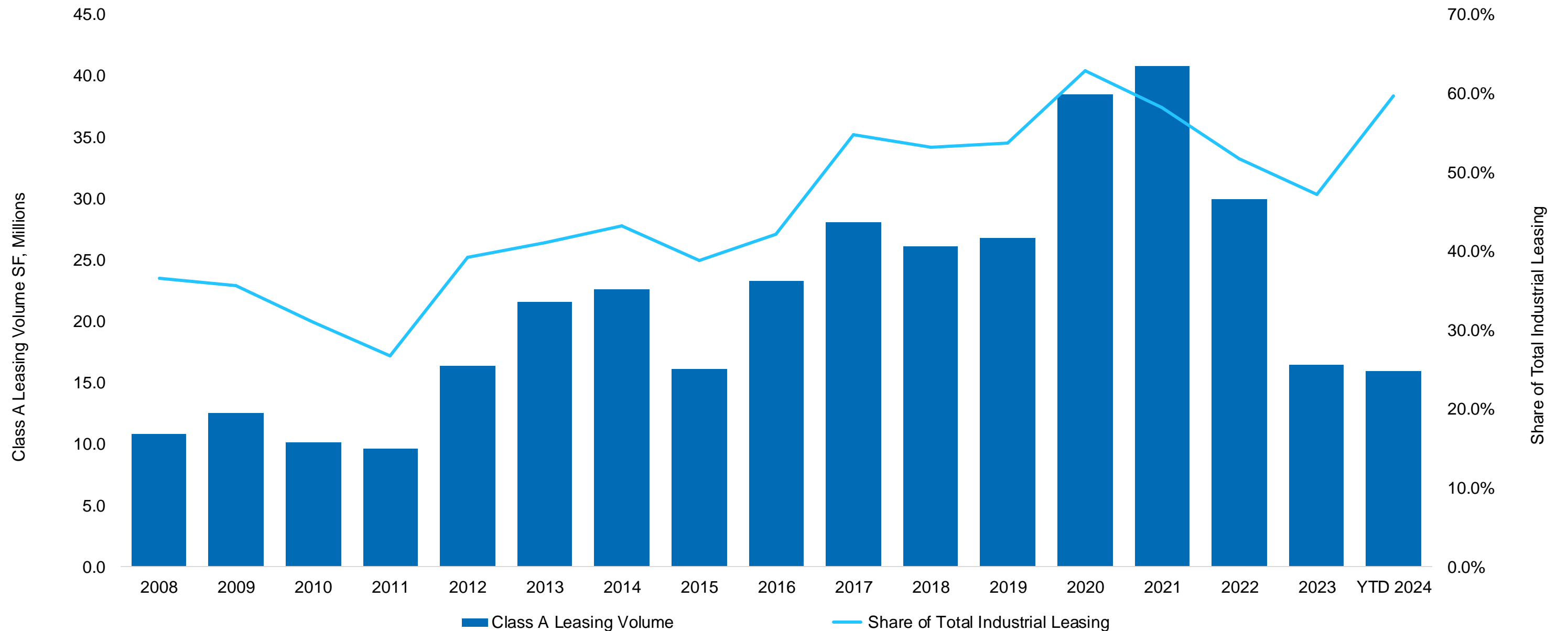


Source: Newmark Research, CoStar

Class A Warehouse Leasing Increases for Fifth Consecutive Quarter

Class A warehouse space leasing activity increased 6.7% quarter over quarter to end the third quarter of 2024 at 5.8 MSF, reflecting an increase for the fifth consecutive quarter. Leasing activity in the third quarter of 2024 reflected a reversal from the declining trend observed since the pandemic's peak, with the lowest point occurring in the second quarter of 2023. Class A warehouse leasing accounted for 59.7% of overall year-to-date activity in 2024.

Industrial Class A Leasing Volume and Percentage of Total Industrial Leasing Volume

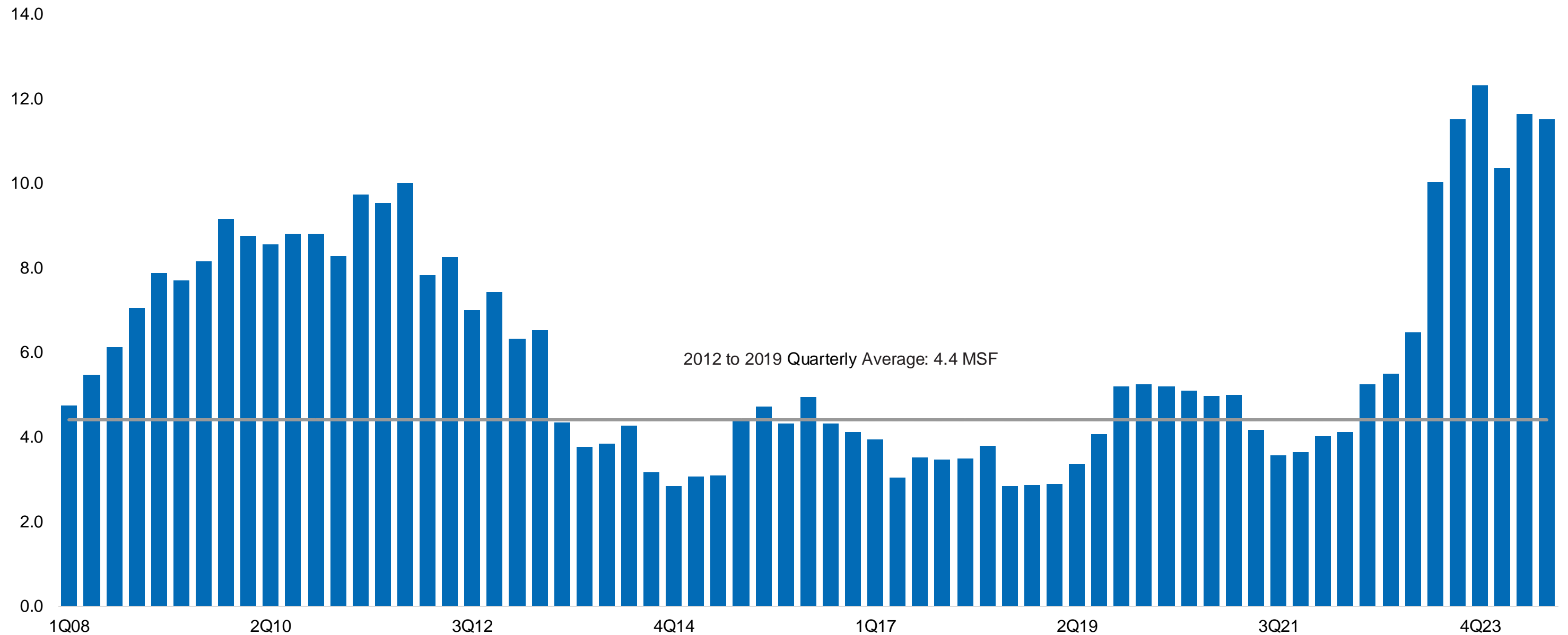


Source: Newmark Research, CoStar

Industrial Sublease Availabilities Ticks Down

Sublease availabilities decreased 1.1% quarter over quarter to end the third quarter of 2024 at 11.5 MSF. The first quarter of 2024 was the first time sublease volume declined following consecutive increases since the third of quarter of 2021, with the peak occurring in the fourth quarter of 2023. Sublease availability levels remain elevated, driven by higher interest rates and continued declining consumer demand, driving some firms to control costs via supply chain optimization and consolidation, which includes putting excess or underutilized space up for sublease.

Available Industrial Sublease Volume (msf)

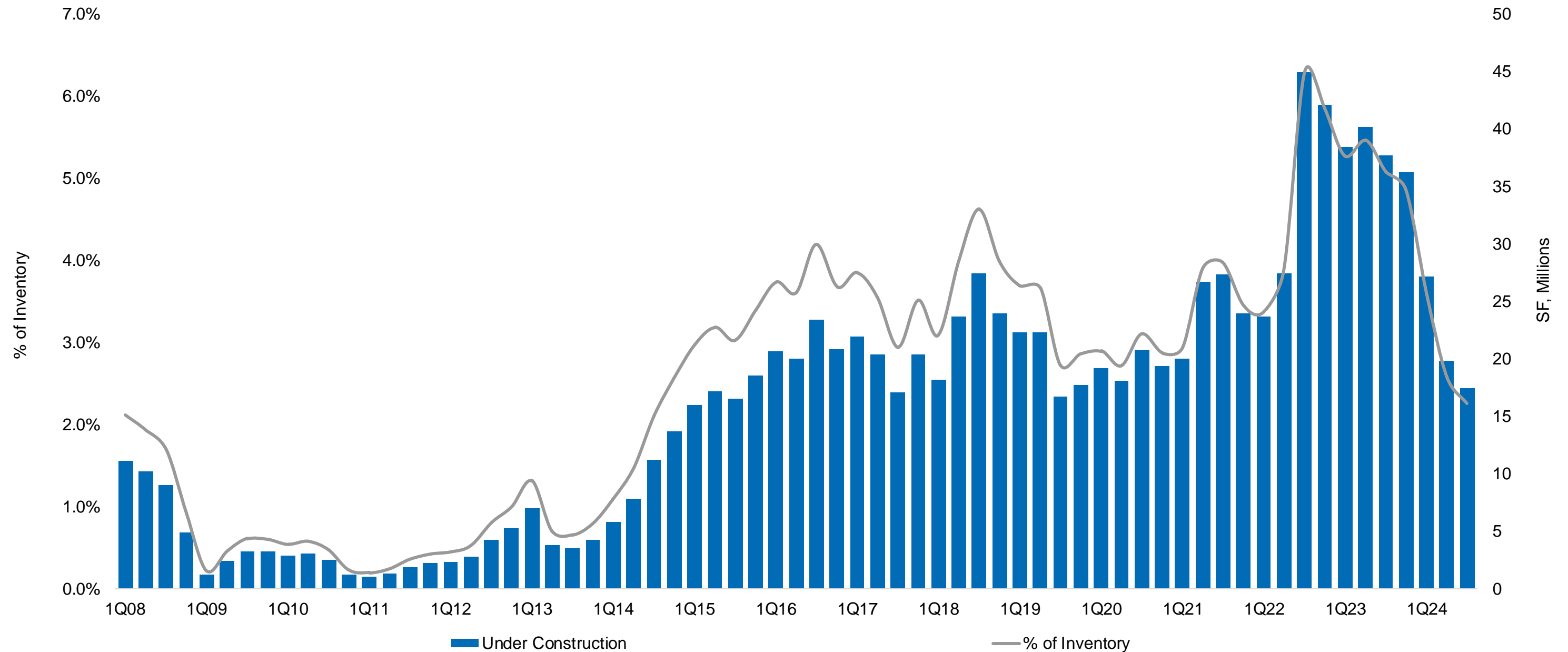


Source: Newmark Research, CoStar

Under Construction Pipeline's Pace of Decline Continues to Accelerate

The construction pipeline trended downward for the fifth consecutive quarter to 17.5 MSF, reflecting a 12.0% quarter-over-quarter decline. The previous quarter represented the largest quarterly decline of projects under construction in recent years. Many developers are pausing new development amid a slowing economy and what continues to remain a challenging financing environment for new construction. The general decrease in active development projects over recent quarters create a possibility for potential supply constraints as economic conditions improve in 2025.

Industrial Under Construction and % of Inventory

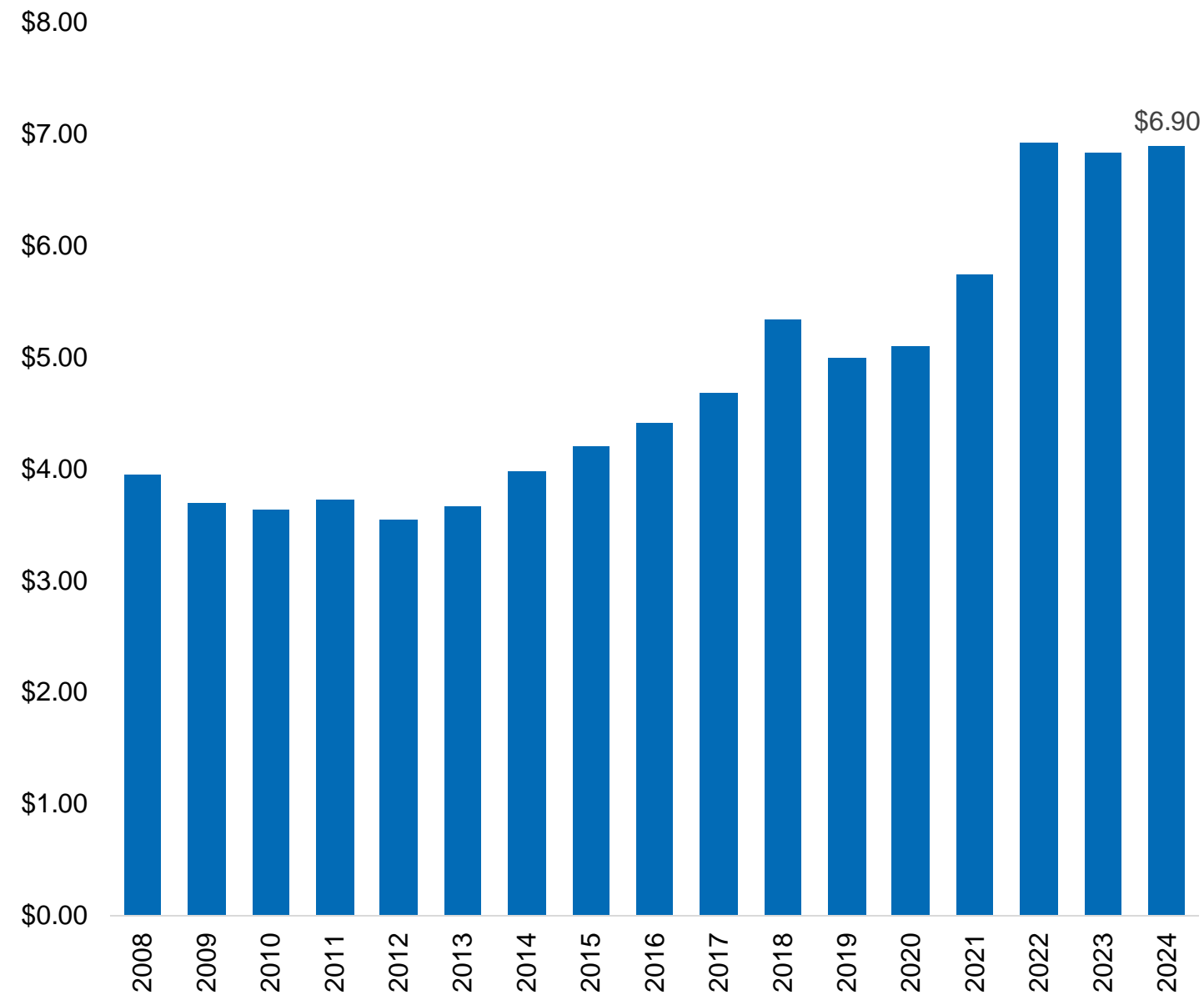


Source: Newmark Research, CoStar

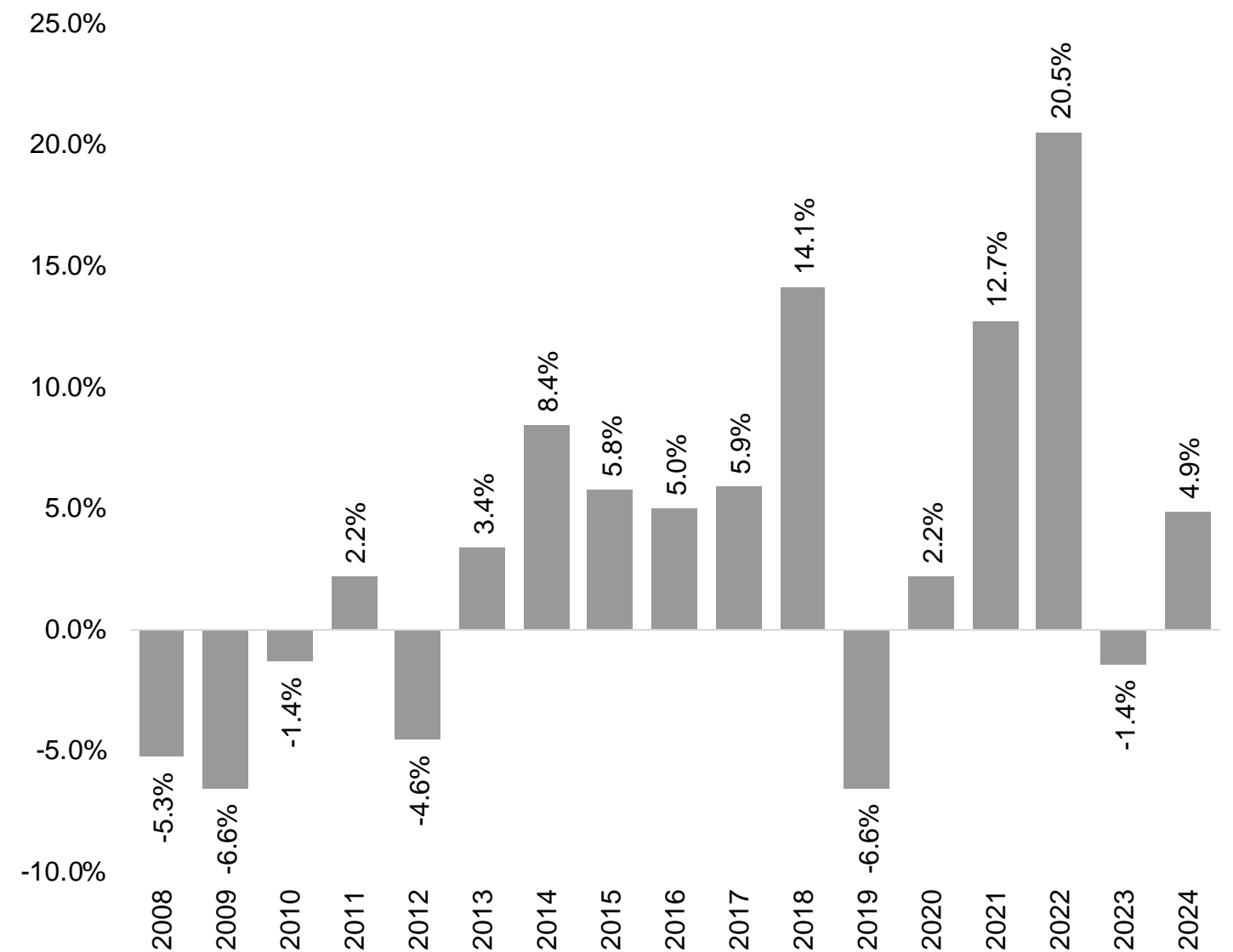
Asking Rents Increases Year Over Year, But Remain Below Peak Levels

Industrial average asking rents increased 4.9% year over year to \$6.90/SF in the third quarter of 2024. Despite the year over year increase, rents are still 0.4% lower than the all-time high of \$6.93/SF reported in the fourth quarter of 2022. The pace of rent growth is expected to increase modestly in the near term as the market absorbs new deliveries and works through elevated subleases availabilities.

Industrial Average Asking Rent, \$/SF, NNN



Year-over-Year Asking Rent Growth Rate % Change



Source: Newmark Research, CoStar

Third Quarter Activity Mix of Renewals and New Deals

The quarter's top five deals were split between two renewals, two new leases and one sublease. Two of the top five deals signed were in the Airport/South Atlanta submarket, which is the metro's largest for inventory. Currently, projects under construction are 35.1% preleased.

Select Lease Transactions

| Tenant | Building | Submarket | Type | Square Feet |
|---|--|-------------------------|------------|-------------|
| GE Energy Parts Inc. <i>GE Energy Parts, a global provider of energy solutions, has been a full-building tenant since the building's delivery in 2000.</i> | 4955 Mason Rd – Majestic Airport Center 2 | Airport/South Atlanta | Renewal | 660,000 |
| Petco Distribution Center <i>The pet care retailer renewed their full-building lease in a building they have occupied since 2008.</i> | 930 Highway 24 – Quad I | Northeast/I-85 Corridor | Renewal | 506,200 |
| Geodis <i>The company signed a new, full-building lease in a property completed in 2019 while occupying space in at least four other industrial properties in the Atlanta market. Geodis provides end-to-end supply chain management across the U.S. and around the world.</i> | 4900 Stonewall Tell Rd – Airport Logistics Center | Airport/South Atlanta | Direct New | 499,500 |
| Pactra <i>Pactra, a company that manufactures and distributes custom magnetic products, leased 62.7% of Cass-White Logistics Center. The company also executed a 447,753-SF lease on the entire Adairsville 75 Distribution Center in the previous quarter. That project delivered in the fourth quarter of 2023 and is within the same Northwest/I-75 Corridor submarket.</i> | Cass-White Logistics Center – Building 100 1343 Cassville White Rd NE | Northwest/I-75 Corridor | Direct New | 497,872 |
| E Fufill <i>The logistics company sublet the entire building that was originally going to be occupied by ASOS upon delivery in 2022.</i> | 545 Lake Careco Rd – Oakmont 20 West | Fulton Industrial/I-20W | Sublease | 468,827 |

Atlanta Industrial Submarket Overview



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