
4Q24

Atlanta Industrial Market Overview

NEWMARK

Market Observations

Economy

- The market’s unemployment rate increased 42 basis points year over year to 3.7% at the end of November 2024 but is 54 basis points lower than the national average of 4.2%.
- Job growth was up 0.5% year over year, the slowest pace of growth since early 2021.
- Six of the 10 sectors reported employment growth, with the leisure/hospitality and government sectors leading job gains at 3.5% for both sectors 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 1.5% and 2.3% respectively. Mining and construction employment growth in the meantime grew by 1.9% year over year.

Major Transactions

- Composite materials manufacturer Owens Corning inked the quarter’s biggest deal, renewing their full-building lease for 1.0 MSF in the Airport/South Atlanta submarket.
- The quarter's two largest leases were both over 1.0 MSF, with the third largest at 885,458 SF. The quarter’s top five deals were split between three renewals and two new leases.
- Three of the top five deals signed were in the Airport/South Atlanta submarket, which is home to the metro's largest industrial inventory. Northeast/I-85 Corridor and Northwest/I-75 Corridor submarkets meanwhile each had one deal apiece.
- As of the end of the fourth quarter of 2024, preleasing of under-construction assets was 42.6%.

Leasing Market Fundamentals

- Net absorption in the fourth quarter of 2024 nearly doubled quarter over quarter to 2.5 MSF.
- Supply surged significantly in the fourth quarter of 2024, more than tripling in square footage quarter over quarter to 7.5 MSF. The vacancy rate increased by 50 basis points quarter over quarter to 8.6% due to supply outpacing demand by nearly 5.0 MSF.
- Industrial average asking rents dipped 1.2% year over year to \$6.87/SF in the fourth quarter of 2024. Despite the year-over-year decrease, rents are only 1.6% lower than the historical high of \$6.98/SF reported in the previous quarter.
- The construction pipeline trended downwards for the sixth consecutive quarter to 10.6 MSF in the fourth quarter of 2024. This reflects a 38.9% quarter-over-quarter decline, the steepest percentage change in square footage under construction in recent years.

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.
- 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 remain flat or 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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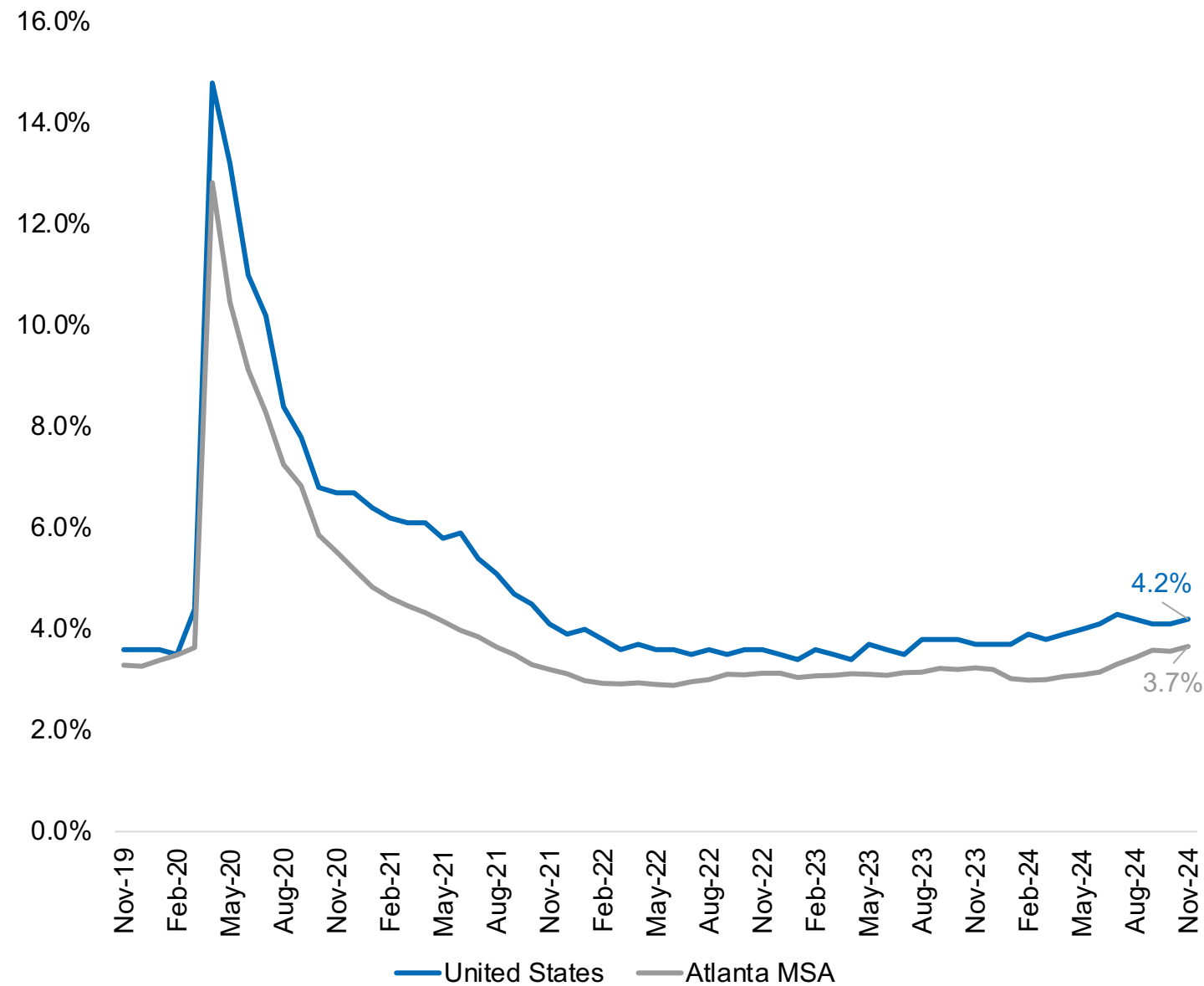
Economy



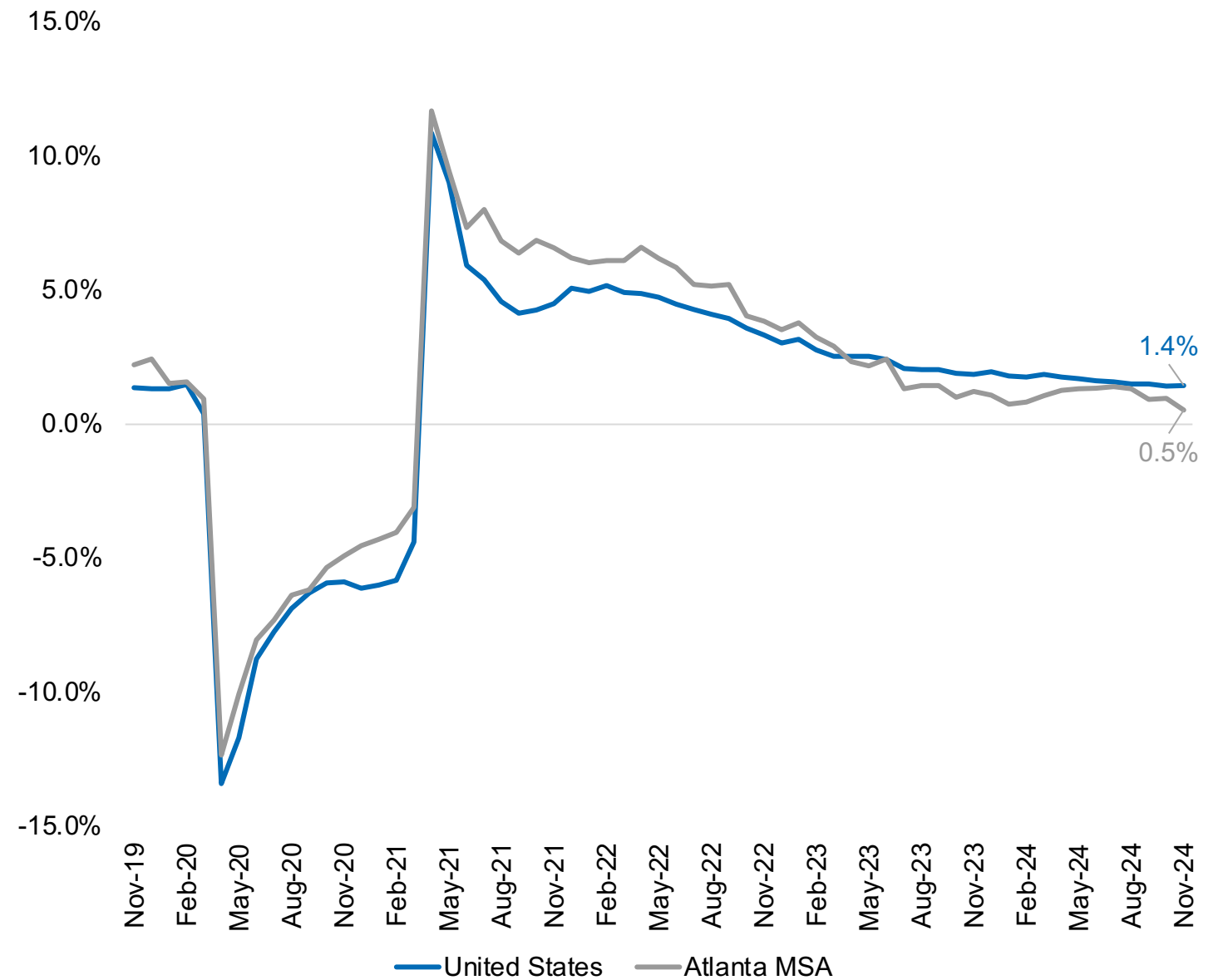
Metro Employment Trends

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 fourth quarter of 2024 at 3.7%, continuing to remain below the national rate by 54 basis points. The market's year-over-year employment growth rate slowed by 68 basis points to 0.5% in November 2024, the slowest year-over-year comparison since March 2021.

Unemployment Rate, Seasonally Adjusted



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



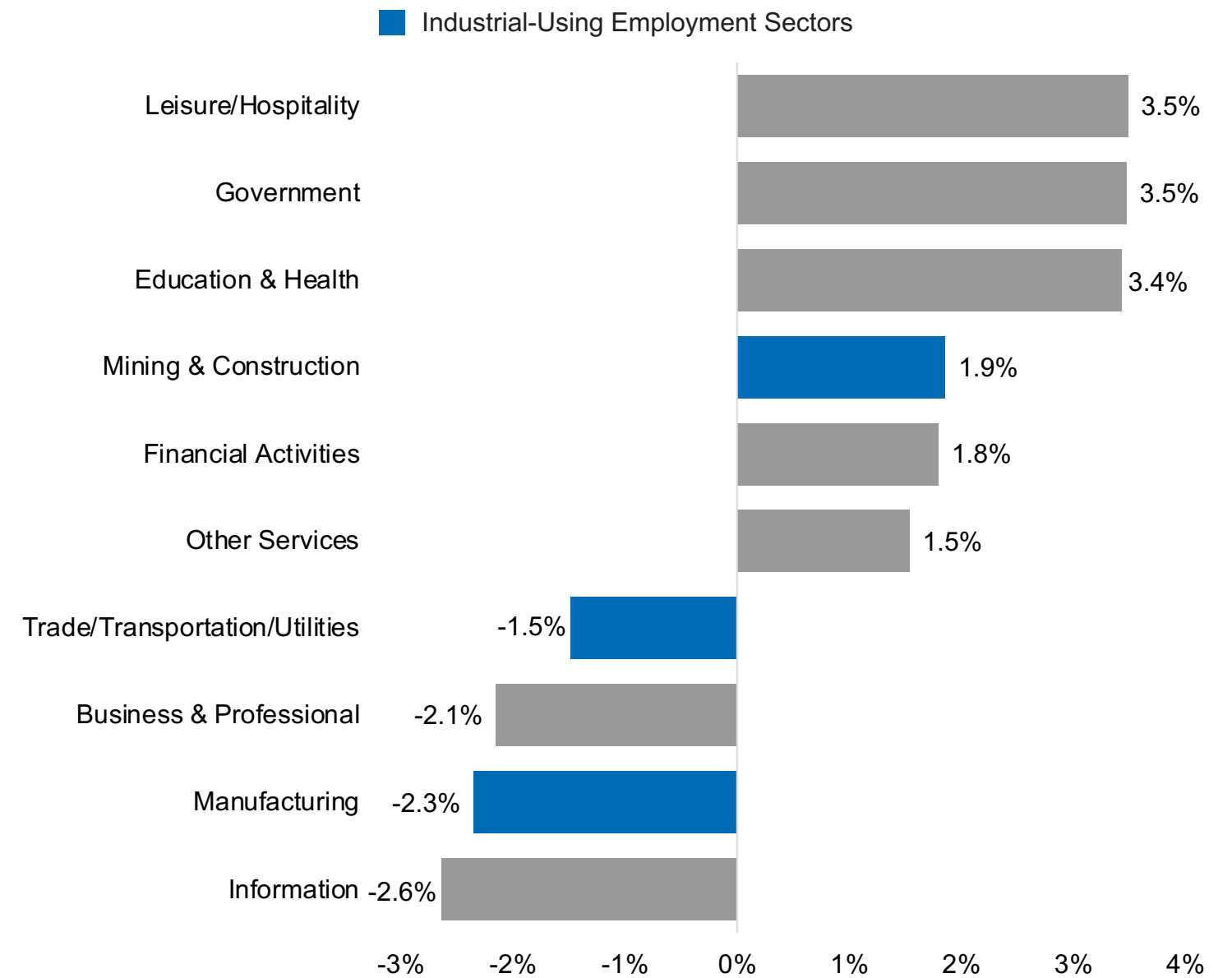
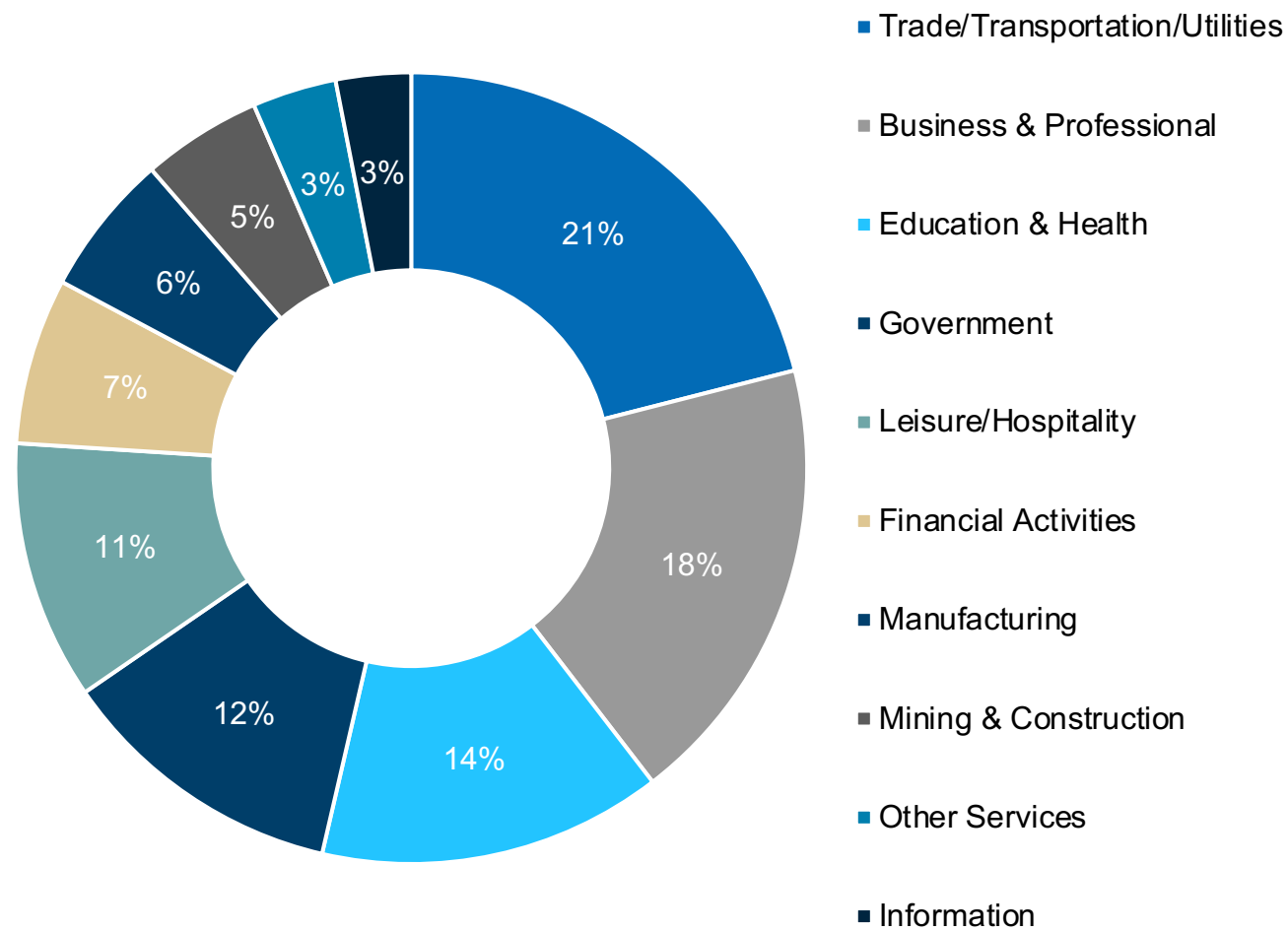
Source: U.S. Bureau of Labor Statistics, Atlanta MSA

Employment Growth Largely Continues, Despite Declines in Two Industrial-Using Sectors

The Atlanta market has a high industry diversity with the top two industries accounting for only 39.6% 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 21.0%. While most industries in the metro reported growth, four sectors reported contractions, including the industrial-using trade/transportation/utilities and manufacturing industries, which declined by 1.5% and 2.3% year over year, respectively. The mining and construction sector grew by 1.9% year over year.

Employment by Industry, November 2024

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

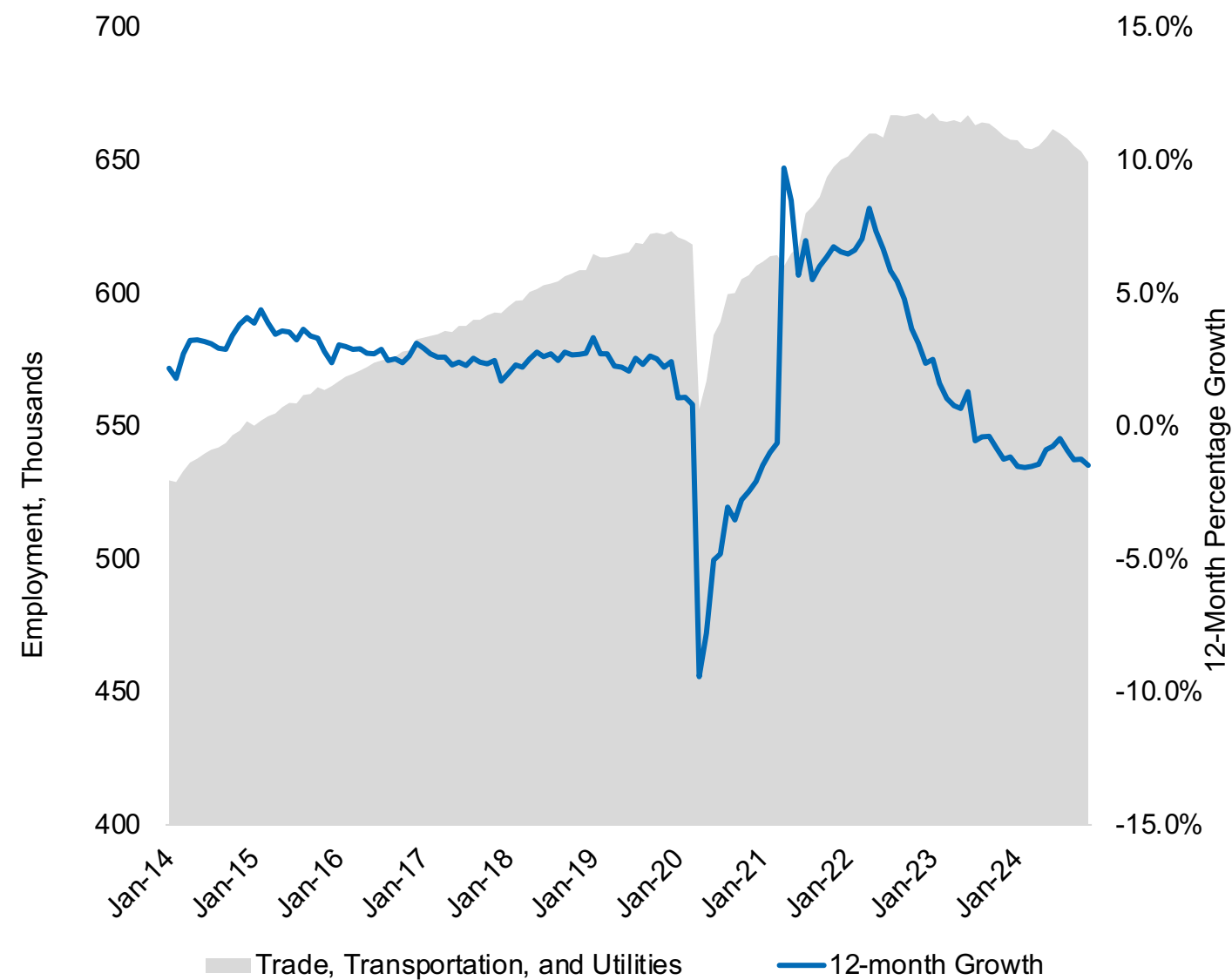


Source: U.S. Bureau of Labor Statistics, Atlanta MSA

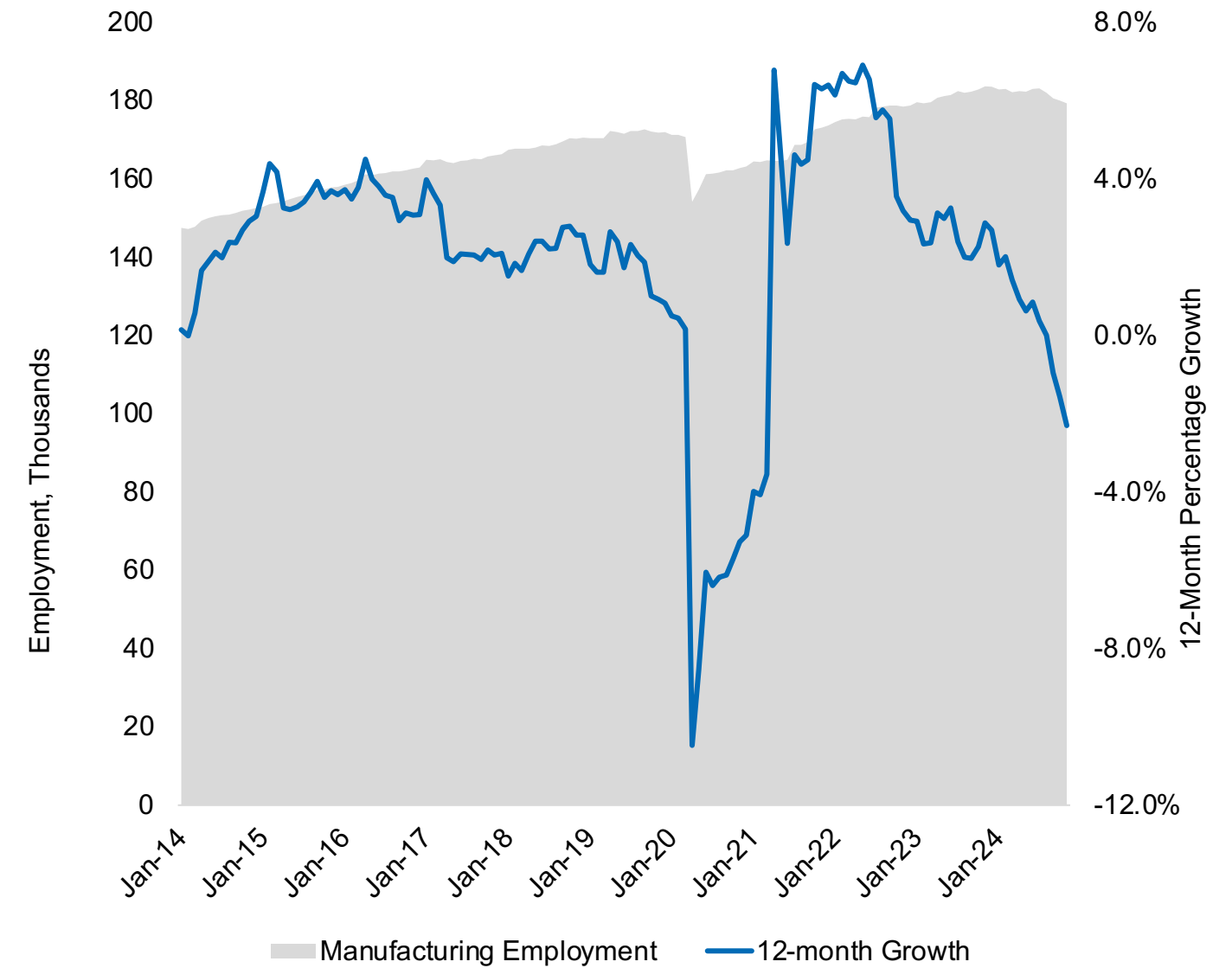
Industrial Employment Softens

The trade/transportation/utilities sector's employment declined by 1.5% year over year, ending at 649,270 employees in November 2024. The sector's job contraction represents a 2.7% decline from the all-time high of 667,550 jobs reported in January 2023. Over that same period manufacturing employment also decreased, declining by 2.3% year over year to 179,300 employees, also reflecting a 2.3% 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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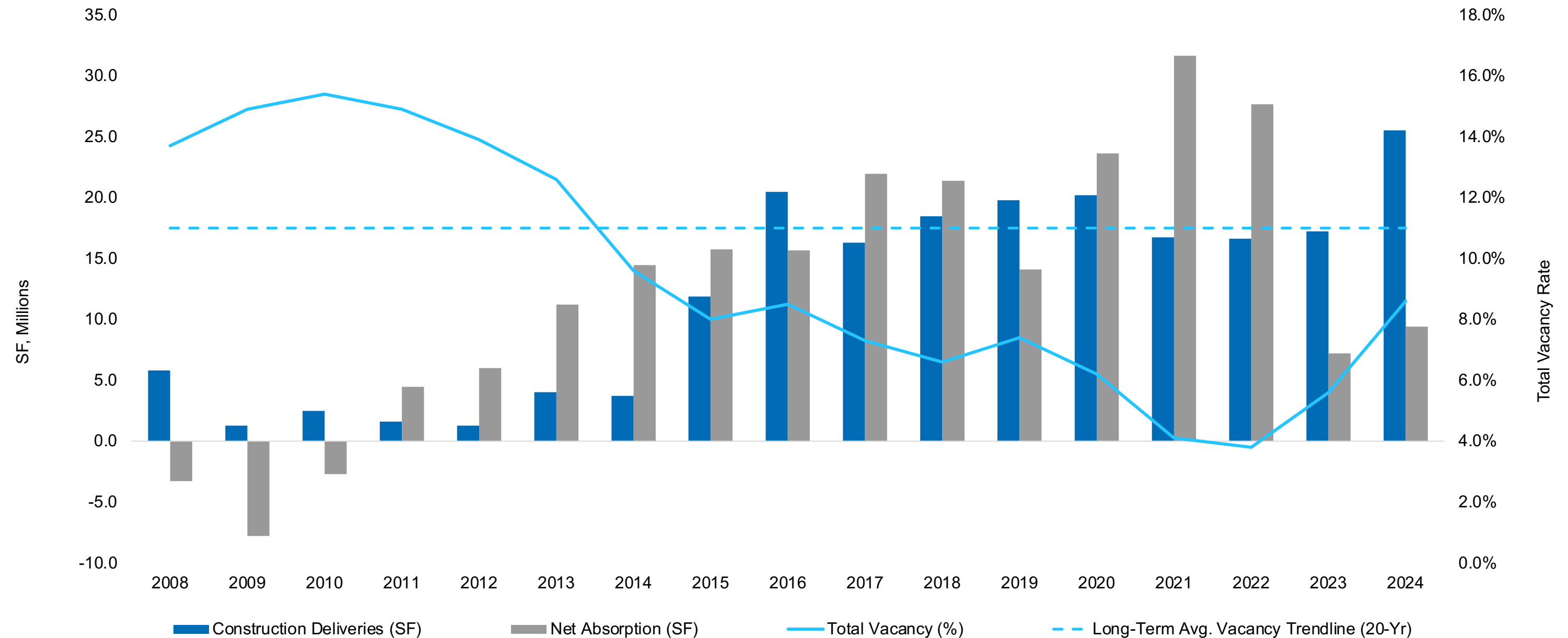
Leasing Market Fundamentals



Vacancy Rate Climbs as Supply Surpasses Demand Threefold

Supply surged significantly in the fourth quarter of 2024, more than tripling in square footage quarter over quarter to 7.5 MSF. However, supply still remains below the second quarter's all-time high deliveries of 11.0 MSF. Net absorption in the fourth quarter nearly doubled quarter over quarter to 2.5 MSF. The vacancy rate increased by 50 basis points quarter over quarter to 8.6% due to supply outpacing demand by nearly 5.0 MSF.

Historical Construction Deliveries, Net Absorption, and Vacancy

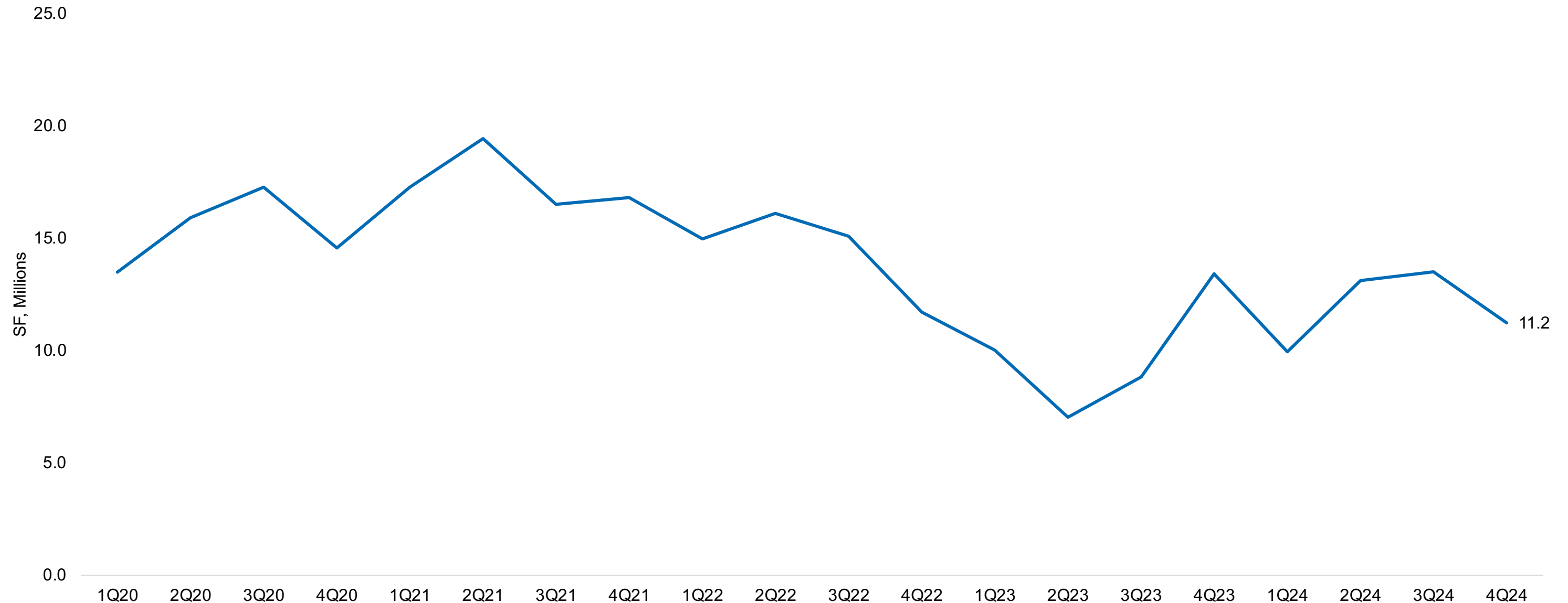


Source: Newmark Research, CoStar

Industrial Leasing Declines, Remains Below Post-Pandemic Quarterly Average

In the fourth quarter of 2024, leasing activity declined 16.8% quarter over quarter to 11.2 MSF. While the volume was lower than the 14.3 MSF quarterly average reported from 2020 to 2023, activity was up by 3.7% more recently when compared to the average quarterly leasing volume of 10.8 MSF from 2023 through the third quarter 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)

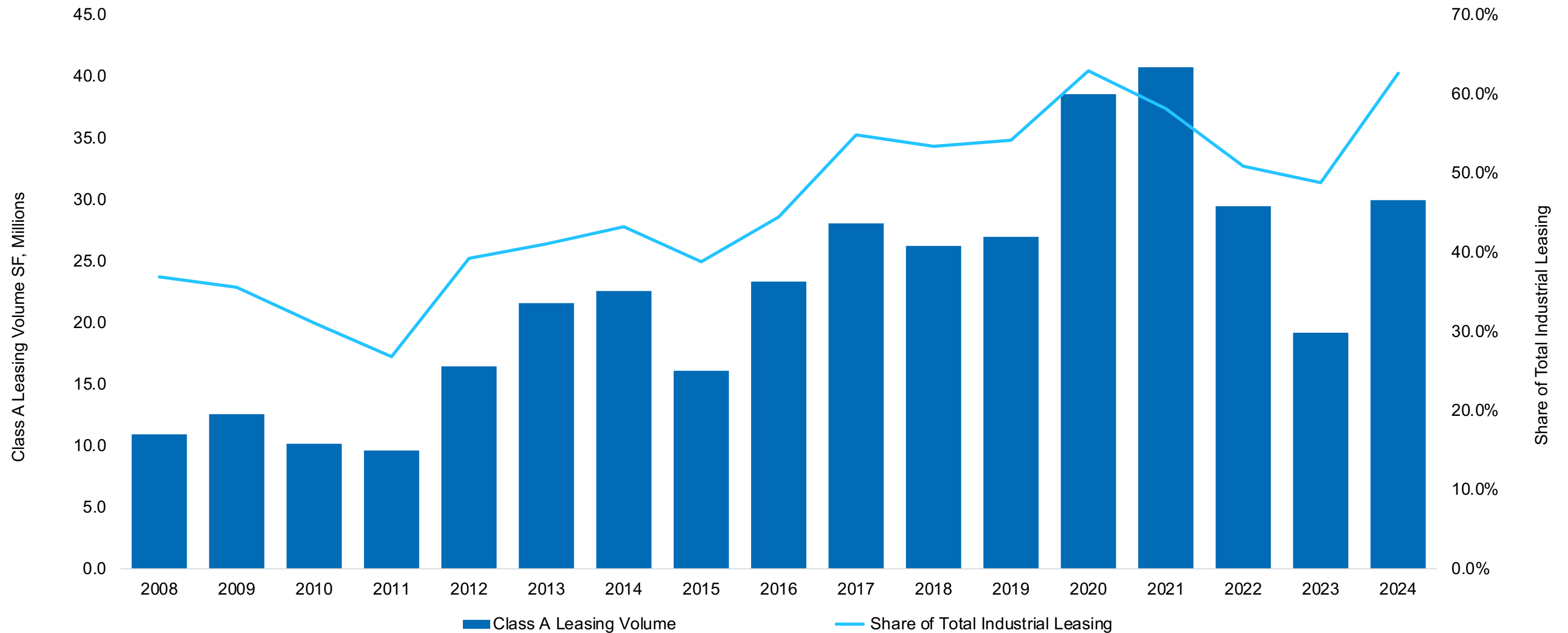


Source: Newmark Research, CoStar

Class A Warehouse Leasing Declines Quarterly, Annual Year-End Volume Outperforms

Leasing activity for Class A warehouse space declined by 23.8% quarter over quarter, closing the fourth quarter of 2024 at 7.3 MSF. Despite the quarterly decrease, annual 2024 Class A leasing volume was 56.1% higher than in 2023. As of year-end 2024, annual Class A leasing accounted for 62.6% of overall activity, just 30 basis points below the record-high Class A leasing share of 62.9% reported in 2020.

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

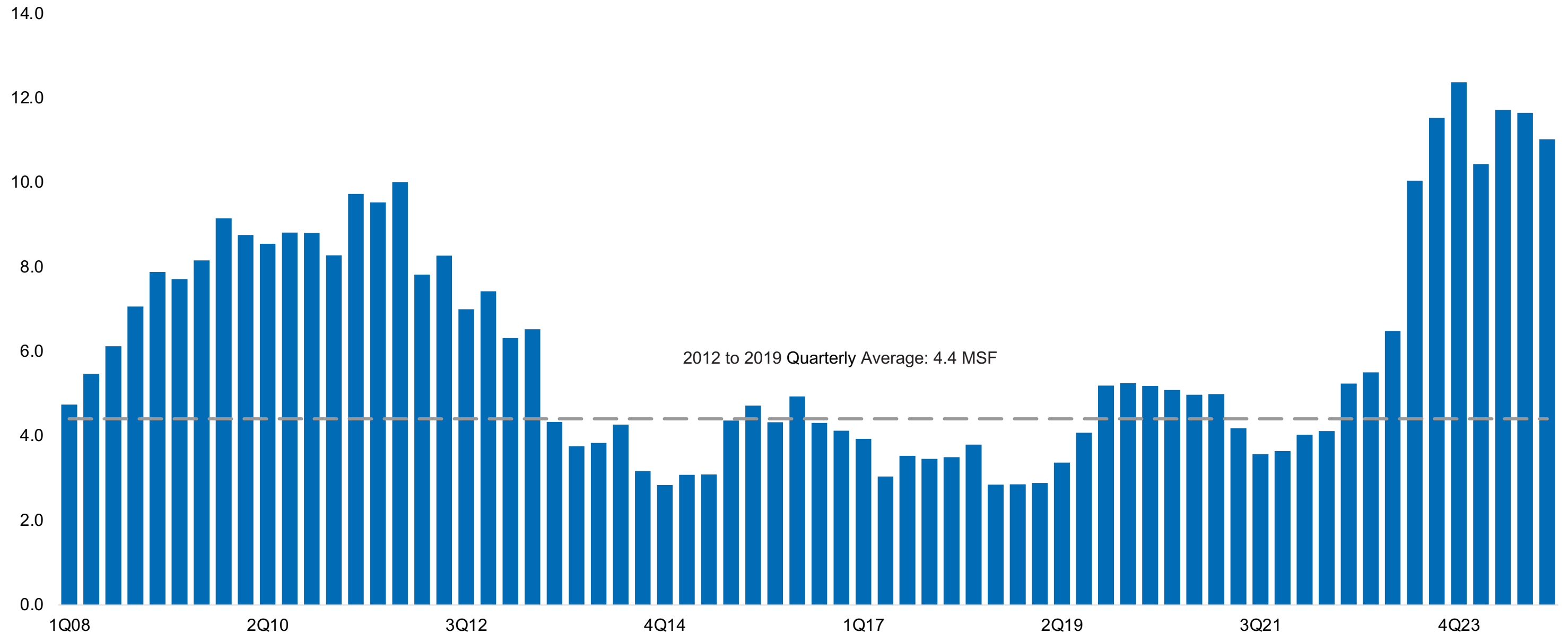


Source: Newmark Research, CoStar

Industrial Sublease Availabilities Declines

Sublease availability declined for the second consecutive quarter by 5.3% quarter over quarter, reaching 11.0 MSF at the end of the fourth quarter of 2024. Sublease volume continues to remain elevated but have decreased by 10.9% since the historical high in the fourth quarter of 2023. Higher interest rates and weaker consumer demand have driven some firms to control costs through supply chain optimization and consolidation, often leading to the subleasing of excess or underutilized space.

Available Industrial Sublease Volume (msf)

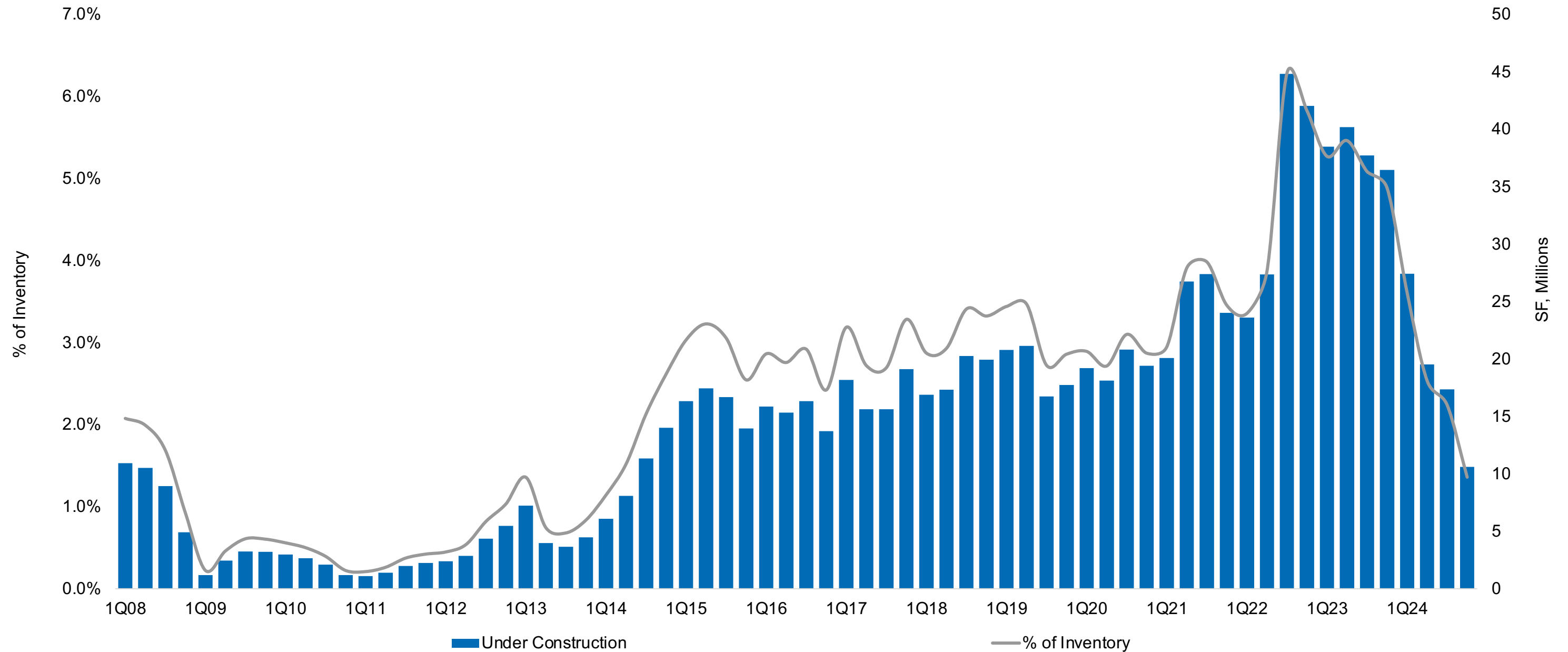


Source: Newmark Research, CoStar

Under Construction Pipeline's Pace of Decline Continues to Accelerate

The construction pipeline trended downwards for the sixth consecutive quarter, reaching 10.6 MSF in the fourth quarter of 2024. This reflects a 38.9% quarter-over-quarter decline, representing the steepest percentage change in square footage 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 starts. 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

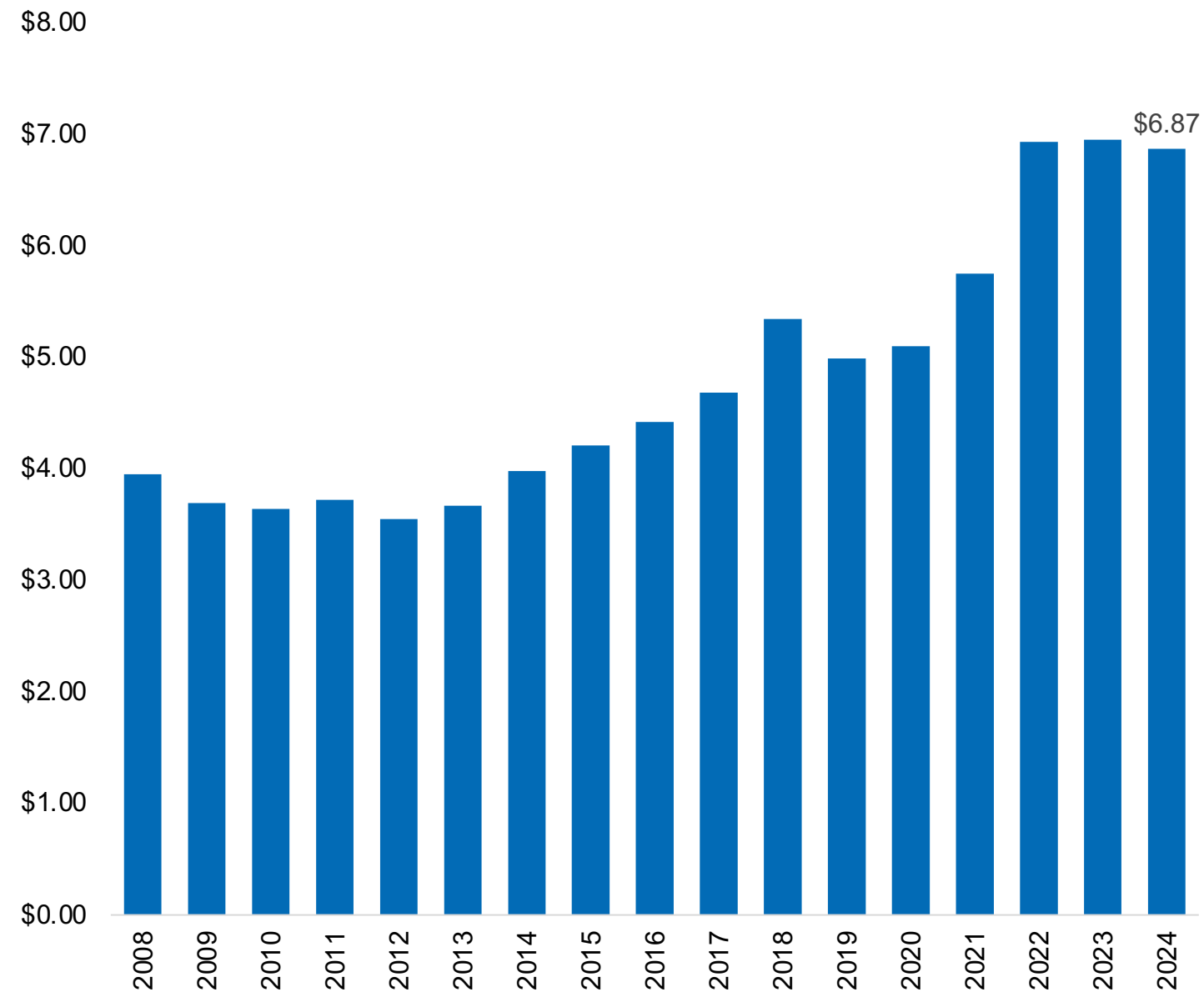


Source: Newmark Research, CoStar

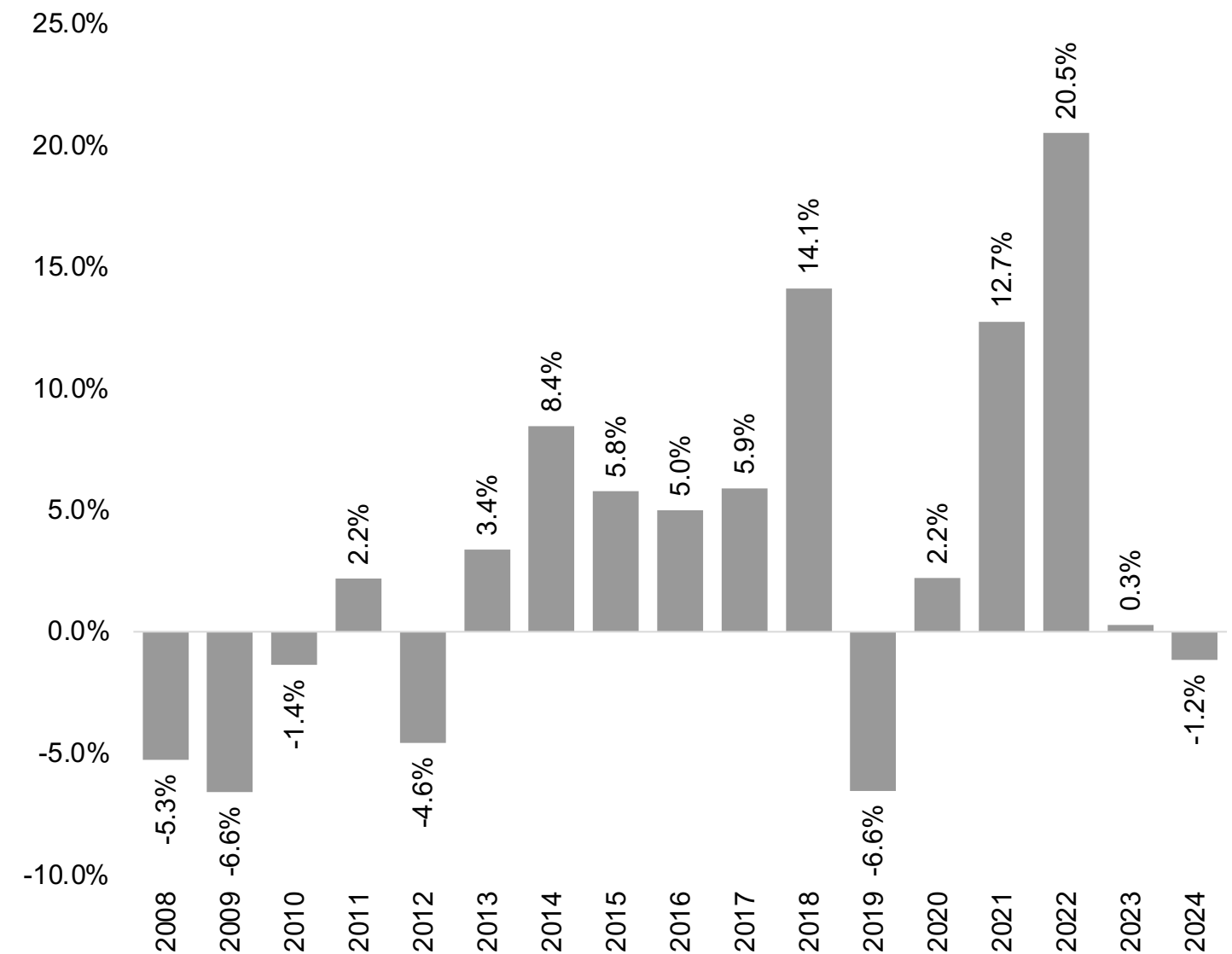
Asking Rents Dip Year Over Year

Industrial average asking rents dipped 1.2% year over year to \$6.87/SF in the fourth quarter of 2024. Despite the year-over-year decrease, rents are only 1.6% lower than the historical high of \$6.98/SF reported in the previous quarter. The pace of rent growth is expected to remain flat or 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

Fourth Quarter Activity Mix of Renewals and New Deals

The quarter's top five deals were split between three renewals and two new leases. Three 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 42.6% preleased.

Select Lease Transactions

Tenant	Building	Submarket	Type	Square Feet
Owens Corning <i>Composite materials manufacturer Owens Corning renewed their full-building lease. The company has occupied the property since 2012.</i>	8095 McLarin – Owens Corning	Airport/South Atlanta	Renewal	1,044,288
Living Spaces <i>Living Spaces is a home furniture retailer. The new lease is consistent with the California-based company's stated goal of expanding into a variety of markets across the U.S.</i>	2630 Gravel Spring Rd – Gravel Springs Logistics Center	Northeast/I-85 Corridor	Direct New	1,001,424
Duracell <i>The battery manufacturer occupies the full building and was the original tenant when it delivered in 2017.</i>	5000 Bohannon Rd	Airport/South Atlanta	Renewal	885,458
Inline Plastics Corp <i>Inline Plastics specializes in manufacturing food packaging. The company initially occupied 159,029 SF in their original 2009 lease and expanded in 2013.</i>	100 Constitution Drive	Airport/South Atlanta	Renewal	430,000
Tractor Supply Company <i>Tractor Supply is a retailer of farm supplies. The company will become the first-generation tenant for a building that delivered in 2023.</i>	632 Belwood Rd SE – Calhoun 75 Commerce Center	Northwest/I-75 Corridor	Direct New	404,500

Atlanta Industrial Submarket Overview



Please reach out to your
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Atlanta Industrial Submarket Map

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