

Atlanta Industrial Market

Industrial Rents Have Crossed a New Benchmark

The industrial segment is off to a roaring start this year with 7.8 million square feet in positive absorption. Although this was down from the 8.5 million square feet at the start of 2021, it still signifies another robust outlook for what's to come later in 2022. Warehouse/distribution space dominated space needs with 7.2 million square feet of net absorption, while the general industrial segment held the number-two space with over 502,000 square feet. R&D/flex saw modest positive absorption with the remainder and had significantly decreased from recent quarters. Despite the strong demand, overall vacancy ticked upward 10 basis points from the previous quarter and can be attributed to the increased supply from construction completions. The vacancy rate dropped 150 basis points from one year ago and below the 5.0% mark, an indicator of tight market conditions. Asking rents ticked upward, pushing above the \$6.00/SF mark for the first time in recorded history. All three property segments saw moderate increases, but general industrial space experienced the largest year-over-year gain of \$1.13/SF to \$5.45/SF from one year ago. R&D/flex space followed closely, increasing by \$0.96/SF, while warehouse/distribution space increased by \$0.71/SF from the \$5.31/SF rate recorded this time last year. Although record asking rents are being seen, Atlanta remained one of the more affordable major markets within the USA and Southeast region.

Current Conditions

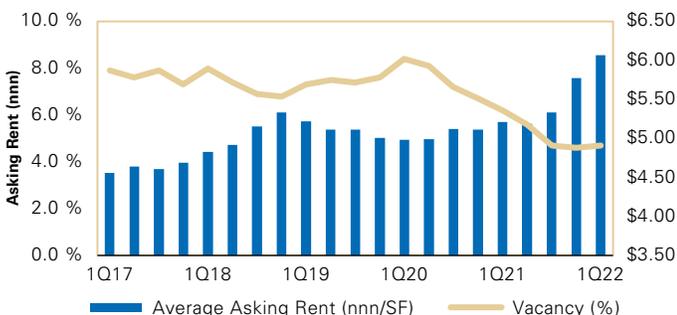
- Total occupied space in the industrial sector remained above the 95.0% mark, despite more than 3.8 million square feet of new inventory added during the first quarter of 2022.
- Available industrial space steadily decreased over the last two years after peaking at 10.1% in 2020, despite robust construction and the global pandemic.
- Year over year, the overall average rate increased more than 14% over the same period last year, as landlords continued to take advantage of increased demand and tight market conditions.
- Construction activity appeared to be slowing, dropping steadily over the previous three quarters.

Market Summary

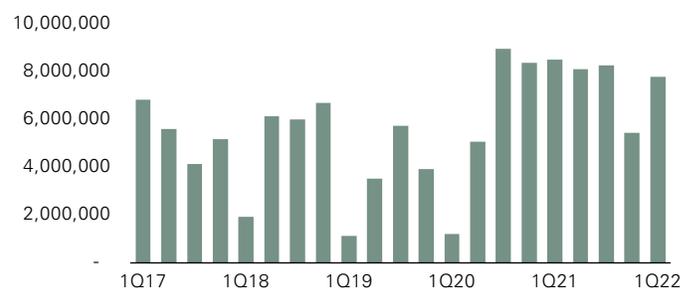
	Current Quarter	Prior Quarter	Year Ago Period	12-Month Forecast
Total Inventory (SF)	667.5M	659.4M	646.8M	↑
Vacancy Rate	4.7%	4.6%	6.2%	→
Quarterly Net Absorption (SF)	7.8M	5.5M	8.5M	↓
Average Asking Rent/SF	\$6.07	\$5.77	\$5.21	↑
Under Construction (SF)	15.4M	19.6M	20.9M	↑

Market Analysis

ASKING RENT AND VACANCY RATE



NET ABSORPTION



Leasing & Demand Activity

Healthy leasing activity continued this quarter featuring a handful of larger sized new deals signed along with prominent renewals as well. The South Atlanta Industrial submarket was much in demand as Owens Corning signed a renewal deal accounting for 1 million square feet and Allen Distribution closed on a new deal for 634,000 square feet. The new presence of Allen Distribution shines a new spotlight on the food and beverage industry while Owens Corning adds to the building supply industry as a leading industry segment. While the amount of total square footage continues to increase in Atlanta, the amount of available space is still on the decline, now totaling 32 million square feet and is the lowest level of available square footage on record.

Investment Sale Activity

Atlanta's industrial market saw 152 deals, totaling over 9.1 million square feet during the first quarter of 2022, starting transaction size in Atlanta off to an exceptional start in 2022. The top sales deal of the first quarter of 2022 was the distribution building at 139 Orchard Business Pkwy., Building 200 of Prologis Orchard Hills. The transaction closed in January and was 100% leased and occupied at the time of the sale. Sales volume for the quarter topped \$803.0 million, with an average sales price of \$125.63/SF. Warehouse/distribution space dominated sale transactions this quarter with an average sales price of \$141.93/SF.

Construction Pipeline

The amount of space added to the market was an estimated 3.8 million square feet, thanks to the completion of some select. Although this is a 34.0% decrease from the previous quarter, the city still has well over 15 million square feet under construction. Another 44 buildings are still currently in progress. More projects are likely to break ground throughout the year as developers remain bullish on speculative development. Most of the space underway remained warehouse/distribution with over 11.2 million square feet, while over 2.3 million square feet of general industrial and R&D/flex each made up the remainder of industrial development.

Market Outlook

The industrial market in Atlanta continues to be among the strongest in the United States. More prominent companies are making their way to Atlanta every year, extending the market's presence in the industry as a major hub in the Southeast. Atlanta is constantly making improvements to the area's infrastructure, and robust demand doesn't appear to be subsiding. Asking rents will likely continue to grow as more available speculative space is projected to come online. Atlanta's desirability as a Southeastern hub, combined with increased global supply chain demand, will continue the annual trend of strong market growth through the remainder of the year.

Select Lease Transactions

Tenant	Submarket	Building	Type	Square Feet
Allen Distribution	South Atlanta	4475 S. Fulton Pky	New	1,108,990
Clark Equipment Company	Central Atlanta	1850 Oak Lawn Ave	N/A	396,264
Sulzer Mixpac USA	I-985/Gainesville	5511 Rafe Ct	New	300,391
GITI Tire LTD.	Airport/South Atlanta	5010 Industrial Dr.	N/A	268,569
Battery Resources, Inc.	Snapfinger/I-20 East	9176 Industrial Dr.	N/A	154,041

Select Sale Transactions

Property	Submarket	Sale Price	Square Feet	Price/SF
139 Orchard Business Pky	Fayette/Coweta County	\$135,000,000	1,514,040	\$89.17
280 Bridgeport Blvd	Fayette/Coweta County	\$58,500,000	562,650	\$103.97
500 Business Center Dr	South Clayton	\$46,250,000	710,541	\$65.09
2016 Gees Mill Rd	Rockdale/Newton County	\$41,000,000	467,937	\$87.62
300 Eagles Landing Pky	South Clayton	\$36,683,950	434,837	\$84.36

Submarket Statistics								
	Total Inventory (SF)	Under Construction (SF)	Total Vacancy Rate	Quarter Absorption (SF)	YTD Absorption (SF)	Warehouse/Distribution Asking Rent (Price/SF)	R&D/Flex Asking Rent (Price/SF)	Overall Asking Rent (Price/SF)
Airport/South Atlanta	195,378,063	5,792,202	5.2 %	4,494,779	4,494,779	\$4.04	\$7.09	\$4.10
Carrollton/I-20W	5,639,716	0	0.0 %	0	0	\$1.81	0	\$1.81
Central Atlanta	12,149,271	0	10.9 %	-381,329	-381,329	\$12.71	\$9.80	\$12.64
Chamblee/Doraville/Norcross	65,626,730	0	3.2 %	566,724	566,724	\$6.13	\$8.72	\$7.44
Chattahoochee Industrial	14,622,649	0	7.5 %	-191,520	-191,520	\$12.32	\$17.53	\$13.04
Fulton Industrial/I-20 W	98,362,623	2,396,207	2.7 %	-115,421	-115,421	\$4.46	\$4.26	\$4.46
North Central/GA-400 Corridor	23,544,663	0	5.1 %	471,731	471,731	\$9.54	\$13.61	\$11.41
Northeast/I-85 Corridor	119,320,097	2,521,506	4.3 %	1,126,179	1,126,179	\$5.31	\$12.59	\$6.50
Northwest/I-75 Corridor	66,065,796	2,766,133	6.8 %	1,438,739	1,438,739	\$5.06	\$9.86	\$5.68
Snapfinger/I-20E	22,500	0	33.3 %	0	0	\$8.00	0	\$8.00
Stone Mountain	39,518,933	1,822,560	5.0 %	351,940	351,940	\$4.90	\$5.59	\$5.26
Atlanta Market	667,464,047	15,394,608	4.7 %	7,800,666	7,800,666	\$5.31	\$9.94	\$6.07

Submarket Statistics by Subtype						
	Total Inventory (SF)	Under Construction (SF)	Total Vacancy Rate	Qtr Absorption (SF)	YTD Absorption (SF)	Total Asking Rent (Price/SF)
General Industrial	96,709,790	2,335,877	4.9%	502,338	502,338	\$5.45
R&D/Flex	56,291,395	1,838,920	5.6%	120,652	120,652	\$9.94
Warehouse/Distribution	514,462,862	11,219,811	4.5%	7,177,676	7,177,676	\$5.31
Atlanta Market	667,464,047	15,394,608	4.7%	7,800,666	7,800,666	\$6.07

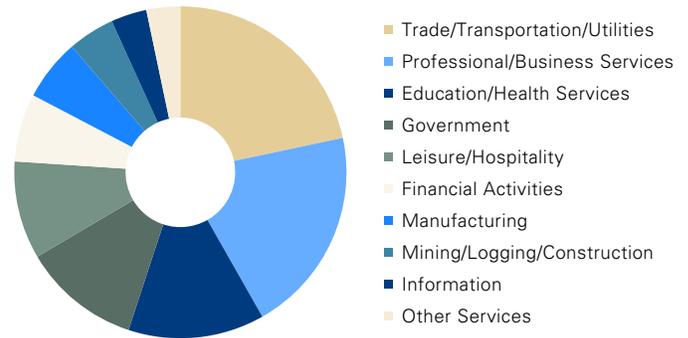
Economic Conditions

Atlanta’s unemployment rate was 3.2% as of February 2022, 60 basis points lower than the 3.8% rate in the U.S. It was 130 basis points lower from the same period one year ago, however is still above the 2.2% that Atlanta saw in November 2021, possibly due to the rise in Omnicron towards the end of the year and going into 2022. Atlanta’s workforce levels are still on the rise and improved as to the region gained jobs in the 12-months ending in November 2021. This was an increase of 15,000 jobs gained from the previous quarter.

Professional and Business service and trade/transportation/utilities jobs held on to the lead with the most improvement as more jobs were added from this time last year. All industries saw jobs added to the market with Other Services showing the smallest increase.

Employment by Industry

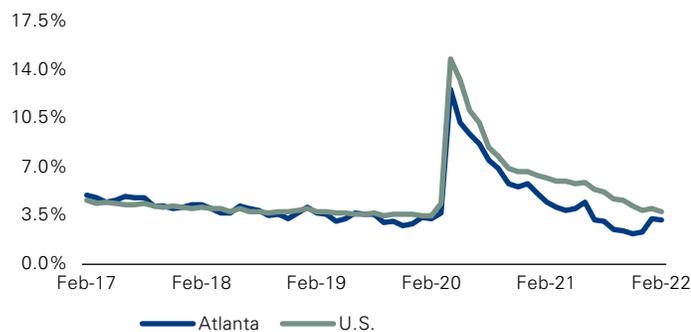
ATLANTA, February 2022



Source: U.S. Bureau of Labor Statistics, February 2022.

Unemployment Rate

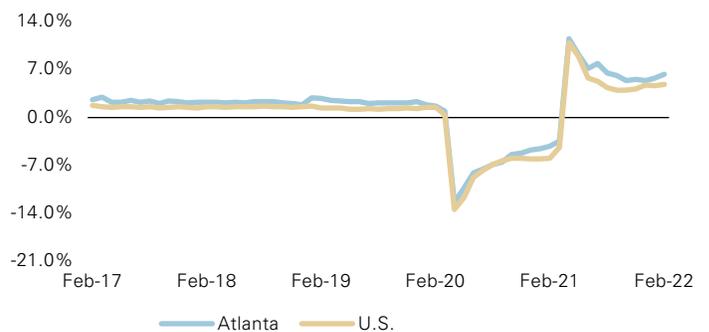
NOT SEASONALLY ADJUSTED



Source: U.S. Bureau of Labor Statistics, February 2022.

Payroll Employment

TOTAL NONFARM, NOT SEASONALLY ADJUSTED, 12-MONTH % CHANGE



Source: U.S. Bureau of Labor Statistics, February 2022.

Consumer Price Index (CPI)

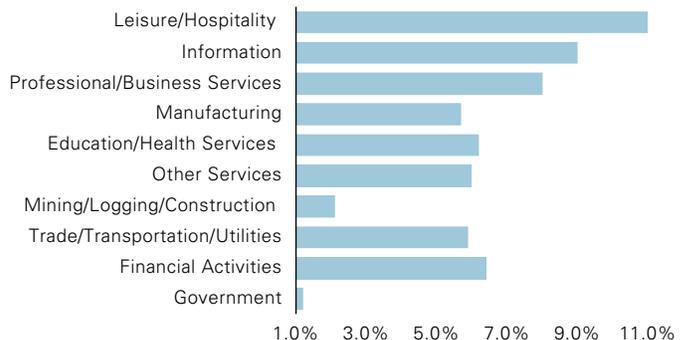
ALL ITEMS, 12-MONTH % CHANGE NOT SEASONALLY ADJUSTED



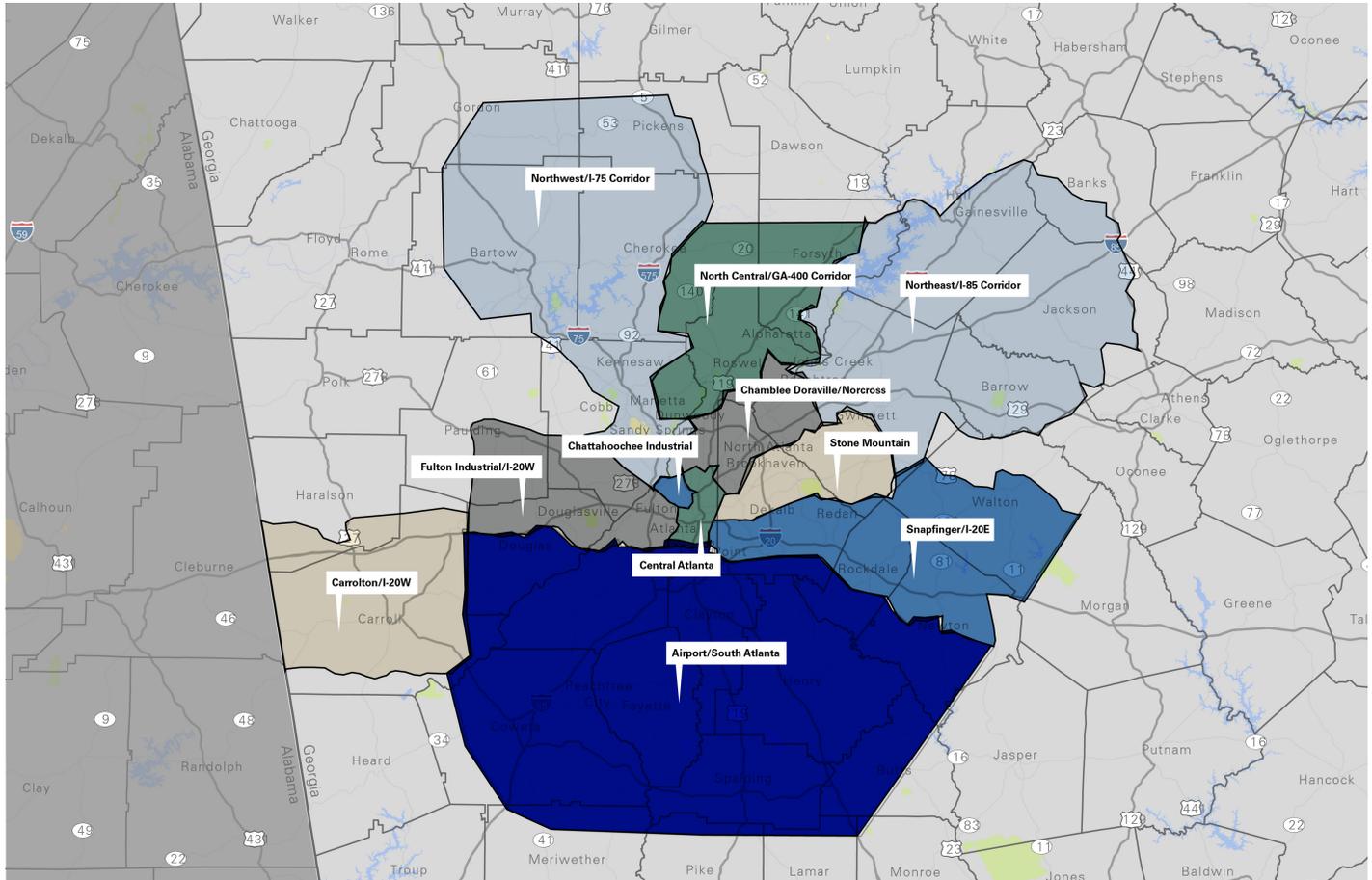
Source: U.S. Bureau of Labor Statistics, February 2022.

Employment Growth by Industry

ATLANTA, February 2022, 12-MONTH % CHANGE NOT SEASONALLY ADJUSTED



Source: U.S. Bureau of Labor Statistics, February 2022.



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