

Atlanta Industrial Market

Industrial Vacancy Ticks Downward

Atlanta's industrial market continued 2022 with another 5.1 million square feet in positive absorption. Warehouse/distribution assets were once again the most desirable type of property in terms of space needs with 4.7 million square feet of net absorption, while the general industrial segment held the number-two spot with over 546,000 square feet of gained space. R&D/flex properties saw a slight decrease, with 144,000 square feet in negative absorption. In a positive turnaround, overall vacancy ticked downward by 10 basis points from the previous quarter to 4.4% and can be attributed to increased supply from construction completions. The vacancy rate dropped 120 basis points from one year ago and is near the lowest vacancy Atlanta has seen in recent years. The overall asking average rental rate ticked upward, standing at \$6.28/SF as the second quarter of 2022 ended. All three property types saw respectable increases in rates, but general industrial space experienced the largest year-over-year gain of \$1.86/SF to \$6.55/SF. R&D/flex space followed with an increase of \$1.54/SF, while warehouse/distribution space increased by \$0.83/SF from the \$4.54/SF rate recorded this time last year. Rates are expected to grow among all property types but will remain competitive as Atlanta continues to bring new business to the metro.

Current Conditions

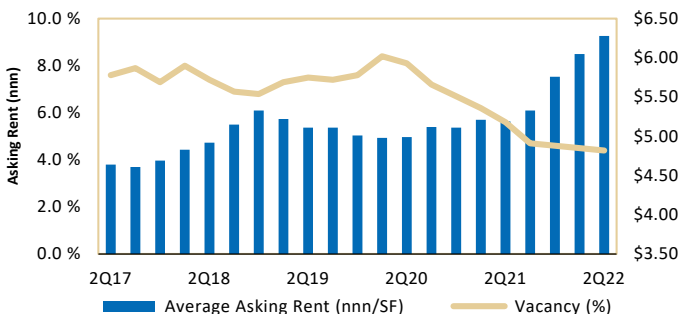
- Total occupied space in the industrial sector reached 95.8%, gradually increasing 10 basis points per quarter since 2020.
- Available industrial space decreased by another 30 basis points in the second quarter of 2022.
- Year over year, the overall average asking rental rate increased by 21.0%, as landlords continued to take advantage of increased demand and tight market conditions.
- Construction activity remained steady, only changing modestly from last quarter.

Market Summary

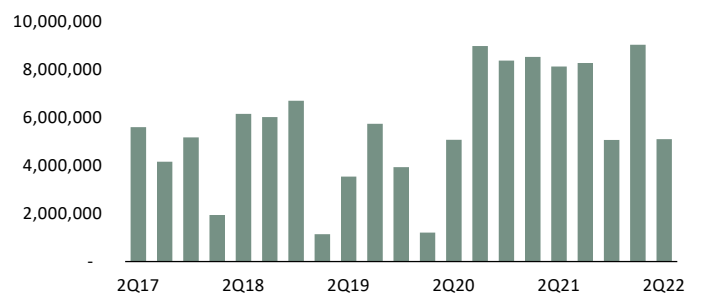
	Current Quarter	Prior Quarter	Year Ago Period	12-Month Forecast
Total Inventory (SF)	673.2M	667.5M	650.8M	↑
Vacancy Rate	4.4%	4.5%	5.6%	→
Quarterly Net Absorption (SF)	5.1M	9M	8.1M	↓
Average Asking Rent/SF	\$6.28	\$6.05	\$5.19	↑
Under Construction (SF)	15.8M	15.4M	26.7M	↑

Market Analysis

ASKING RENT AND VACANCY RATE



NET ABSORPTION



Leasing and Demand Activity

Healthy leasing activity continued this past quarter and featured a handful of larger-sized new deals along with some renewals. The South Atlanta submarket once again showed the most demand as the place where all the top deals took place. Although specifics are being kept under wraps regarding the new tenant, the new resident at 700 Palmetto Logistics Pkwy. will move in once the building completes construction later this year. While the amount of total square footage continued to increase in Atlanta, the amount of available space subsequently declined to 30.0 million square feet and was the lowest level of available square footage on record as the second quarter of 2022 ended.

Investment Sale Activity

Atlanta's industrial market saw 178 investment deals, totaling over 10.9 million square feet during the second quarter of 2022, an increase from the 9.1 million square feet transacted in the first quarter of 2022. The top deal of the second quarter of 2022 was the sale of the distribution building at 5220 Highway 138 Rd., the 85 South Commerce Center. The transaction closed in April and was 100% leased and occupied at the time of the sale. Sale volume for the quarter topped \$915 million, with an average building size of 61,000 square feet. Much of the activity that took place was in the Airport/South Atlanta submarket.

Construction Pipeline

The amount of space added to the market in the second quarter of 2022 was an estimated 2.7 million square feet, thanks to the completion of some select projects. Although this was down from the 3.8 million from the previous quarter, the market still had nearly 16.0 million square feet under construction; 42 buildings were listed as under construction as the quarter ended. More projects are likely to break ground throughout the year as developers remain bullish on speculative development. Most of the space underway was in the warehouse/distribution sector with over 9.8 million square feet, while over 828,000 square feet of general industrial was being built, along with 1.9 million square feet of R&D/flex space.

Market Outlook

The industrial market in Atlanta has always shown itself to be a notable industrial sector thanks to its labor force, developable land and level of opportunity. Atlanta is moving outward with the Airport submarket being desirable to many new companies, while being inviting to the ever-changing variety of industries. Asking rents will continue to grow as more Class A space is expected to become available. Atlanta, an important industrial hub in the Southeast United States, will continue its trend of strong market growth through the remainder of 2022.

Select Lease Transactions

Tenant	Submarket	Building	Type	Square Feet
Confidential	Airport/South Atlanta	700 Palmetto Logistics Pky	New	1,008,000
Confidential	Airport/South Atlanta	1 Anvil Block Rd	New	909,509
Conn's Appliances	Airport/South Atlanta	2464 Mt. Zion Rd	New	705,833
Quiet Logistics	Airport/South Atlanta	4950 Mason Rd	New	547,550
The Shippers Group	Airport/South Atlanta	9250 South Main St.	Renewal	499,960

Select Sale Transactions

Property	Submarket	Sale Price	Square Feet	Price/SF
5220 Highway 138 Rd.	Airport/South Atlanta	\$74,070,838	573,324	\$129.20
2110-2135 Lawrence Ave	Fulton Industrial/I-20W	\$38,850,000	254,100	\$152.89
800 Cassville White Rd SE	Northwest/I-75 Corridor	\$38,828,940	376,980	\$103.00
7450 Factory Shoals Rd	Northwest/I-75 Corridor	\$37,850,000	254,100	\$152.89
2800 Vista Ridge Dr.	Northeast/I-85 Corridor	\$31,500,000	252,092	\$147.96

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	198,632,790	3,345,475	6.1 %	1,054,868	5,873,138	\$4.01	\$7.21	\$4.34
Carrollton/I-20W	5,715,990	0	1.3 %	-65,000	-65,000	\$5.14	0	\$5.14
Central Atlanta	12,149,271	0	10.7 %	27,178	-354,151	\$14.72	\$16.55	\$14.33
Chamblee/Doraville/Norcross	65,627,230	0	3.0 %	32,979	730,645	\$6.29	\$9.10	\$7.68
Chattahoochee Industrial	14,622,649	0	7.3 %	24,951	-166,569	\$13.71	\$17.38	\$14.30
Fulton Industrial/I-20 W	98,552,023	3,252,847	2.5 %	196,856	406,416	\$4.64	\$8.80	\$4.82
North Central/GA-400 Corridor	23,544,663	120,000	3.8 %	132,340	776,471	\$9.88	\$14.64	\$12.10
Northeast/I-85 Corridor	120,405,230	3,233,053	2.5 %	1,996,685	3,291,863	\$5.02	\$12.74	\$6.70
Northwest/I-75 Corridor	67,236,267	2,765,488	6.1 %	1,497,898	2,949,461	\$5.26	\$9.82	\$5.75
Snapfinger/I-20E	22,500	1,157,333	33.3 %	0	0	0	0	0
Stone Mountain	39,518,933	1,822,560	5.2 %	-65,297	286,643	\$5.16	\$5.70	\$5.49
Atlanta Market	673,240,552	15,792,756	4.4 %	5,101,775	14,142,183	\$5.37	\$10.71	\$6.28

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	97,538,534	3,964,466	4.6%	546,071	1,050,616	\$6.55
R&D/Flex	56,220,877	1,958,920	5.5%	(144,871)	287,708	\$10.71
Warehouse/Distribution	519,481,141	9,869,370	4.2%	4,700,575	12,803,859	\$5.37
Atlanta Market	673,240,552	15,792,756	4.4 %	5,101,775	14,142,183	\$6.28

Economic Conditions

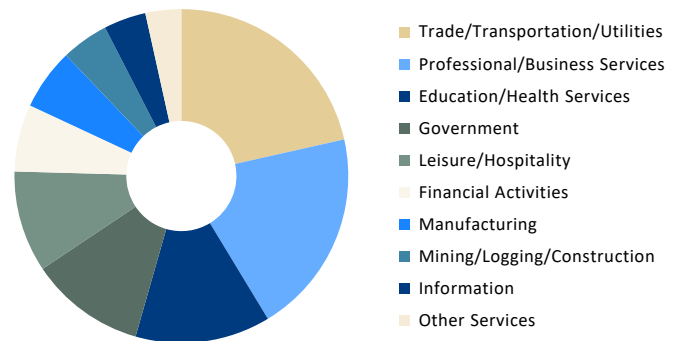
Atlanta's unemployment rate was 2.6% as of May 2022, 100 basis points lower than the 3.6% rate in the U.S. during the same time, and 20 basis points higher than the previous month. Despite being 140 basis points lower from the same period one year ago, Atlanta's unemployment rate was still above the 2.2% it recorded in November 2021.

The information sector had the largest employment growth as of May, rising almost 10% year over year, and overtaking leisure and hospitality from the previous quarter.

Professional and business services and trade/transportation/utilities employment held on to the lead with the most improvement in terms of jobs added from this time last year. All industries saw jobs added to the market this past quarter, with financial activities showing the smallest increase.

Employment by Industry

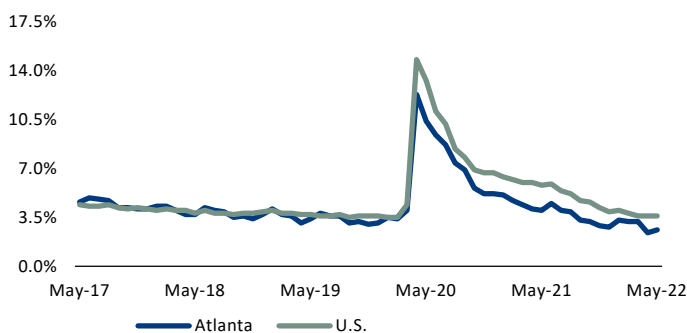
ATLANTA, May 2022



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

Unemployment Rate

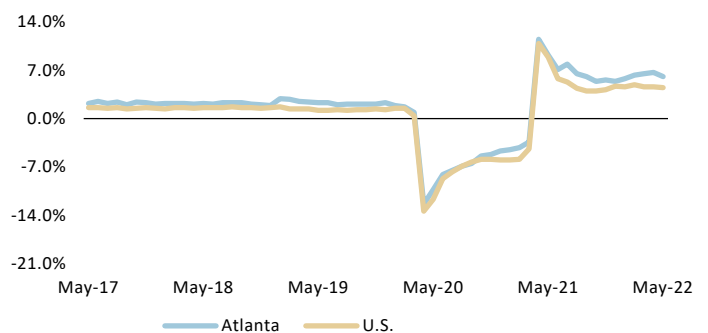
NOT SEASONALLY ADJUSTED



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

Payroll Employment

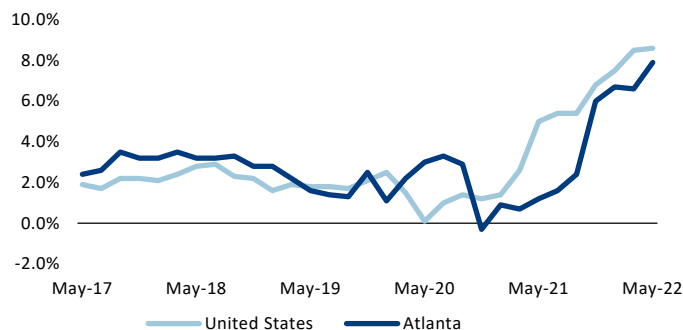
TOTAL NONFARM, NOT SEASONALLY ADJUSTED, 12-MONTH % CHANGE



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

Consumer Price Index (CPI)

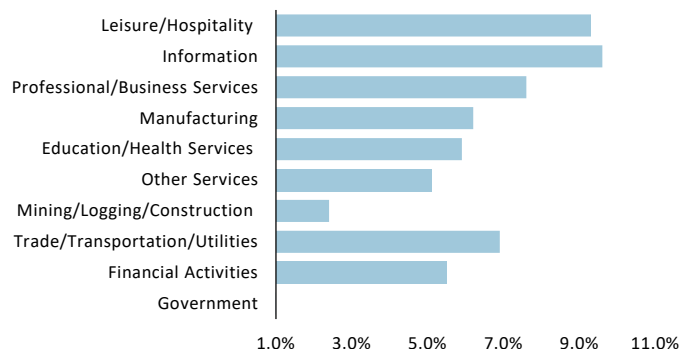
ALL ITEMS, 12-MONTH % CHANGE NOT SEASONALLY ADJUSTED



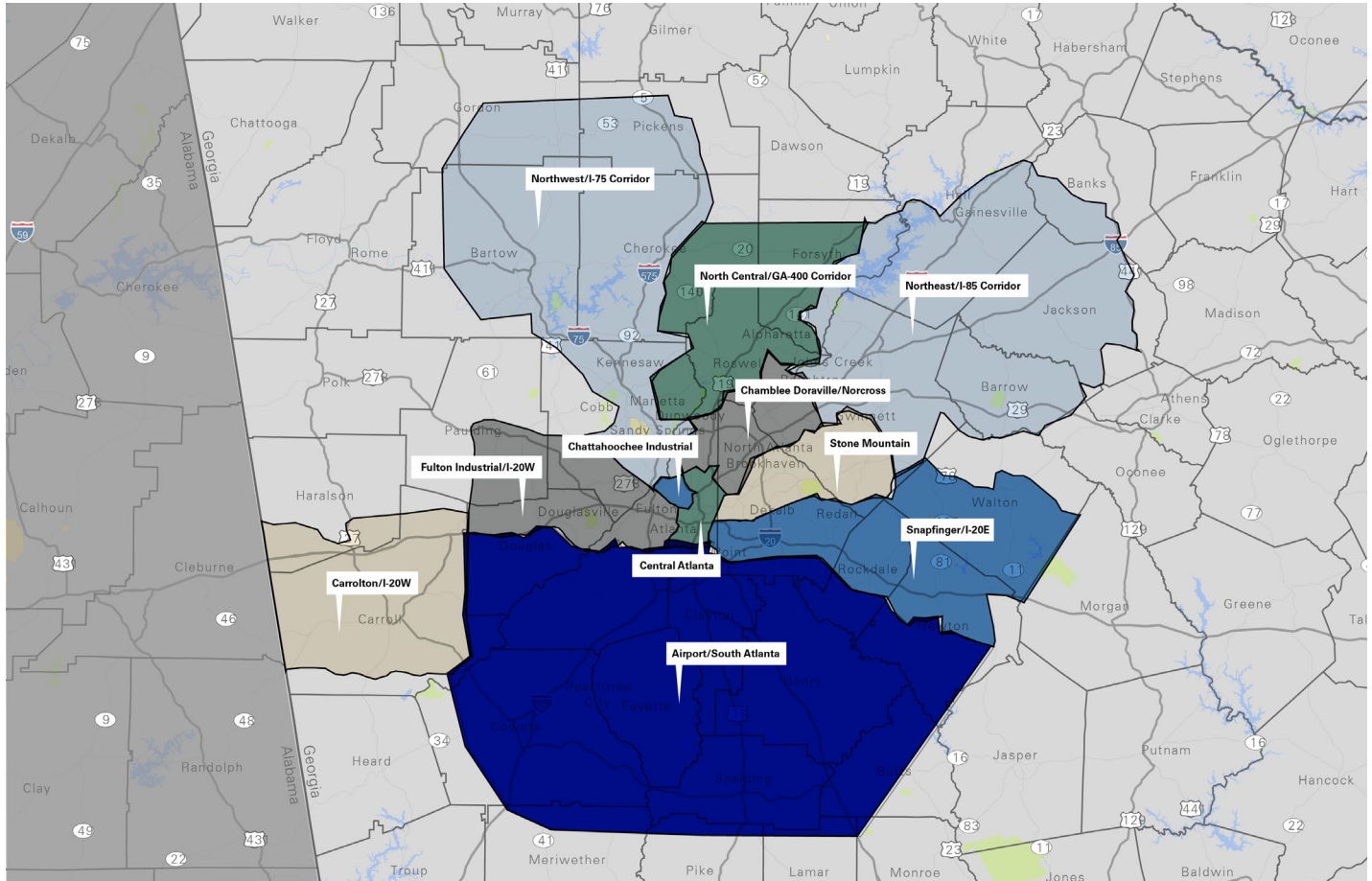
Source: U.S. Bureau of Labor Statistics, May 2022.

Employment Growth by Industry

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



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



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