

Atlanta

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Vacancy ticks up as the market continues to decompress

Atlanta's industrial market continues to soften in the second quarter of 2024. The vacancy rate has risen to 9.0%, up 350 basis points (bps) year over year. This increase is largely attributed to the significant new supply coming onto the market, which has outpaced demand. Despite the rising vacancy rate, rental rates have also increased. Asking rates rose 8.2%, from \$6.43 in Q2 2023 to \$6.96 in Q2 2024, reflecting higher construction costs and the availability of more premium space. As Atlanta's market continues to decompress and move towards pre-pandemic norms amid economic volatility, vacancy rates are likely to keep rising throughout 2024. Nonetheless, Atlanta is expected to maintain a strong foothold as an industrial cornerstone in the Southeast for the foreseeable future.

As absorption slows, tenants are presented with a wide array of options

Net absorption totaled just 0.3 million square feet (msf) in Q2 2024, a sharp decline from the 4.5 msf recorded in Q2 2023, indicating a significant slowdown in demand. The South Atlanta submarket recorded the largest decline in absorption, totaling negative 1.3 msf, fueled by large move-outs by Elite Comfort Solutions and Tory Burch. With so many move-outs, tenants are left with an abundance of options for potential spaces. The construction pipeline has also seen a reduction, with only 21.8 msf under construction compared to 29.6 msf last year. This slowdown in new developments will help stabilize the market in the long term, as the current oversupply situation begins to normalize.

Despite a slowdown in leasing, demand remains strong among Atlanta's key logistical corridors

The largest lease of Q2 took place in the I-20 West/Douglasville submarket, with GXO leasing 733,680 square feet at 2201 Thornton Road. Some of the largest leases of the quarter were renewals, highlighting tenant commitment to Atlanta's main logistical corridors. As we advance into 2024, Atlanta is expected to remain a key market in the Southeast, as it connects to several other major markets such as Tennessee and the Port of Savannah, the nation's fourth busiest port.

Key Statistics

	Q2 2023	Q2 2024	Y-0-Y
Inventory	668.8 msf	706.2 msf	+37.4 msf
Vacancy Rate	5.5%	9.0%	+350 bps
Asking Rental Rate	\$6.43	\$6.96	+8.2%
Net Absorption	4.5 msf	0.3 msf	-4.2 msf
Under Construction	29.6 msf	21.8 msf	-7.8 msf
Deliveries	8.7 msf	6.0 msf	-2.7 msf

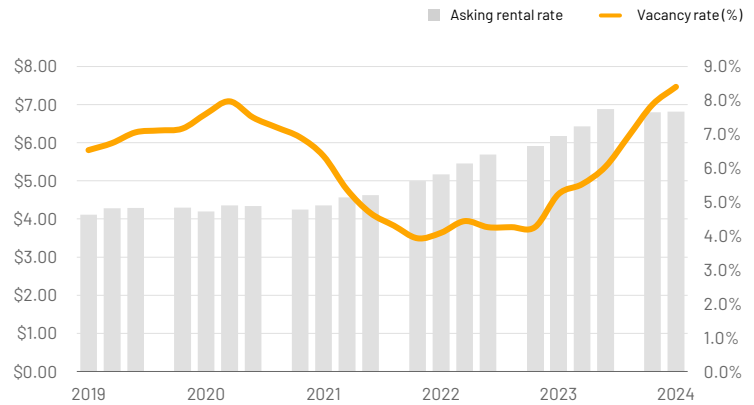
Outlook

01 Expect tenant-favorable market conditions to continue throughout 2024 due to rising vacancy and elevated new supply

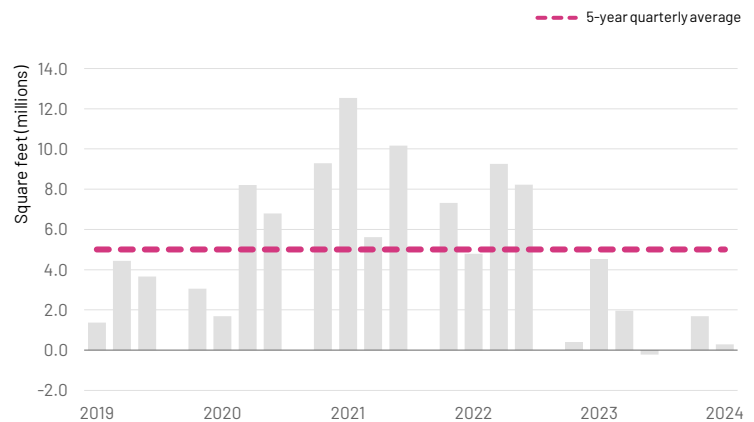
02 Potential interest rate cuts coupled with economic turbulence continue to impact the uncertainty in demand

03 Construction pipeline reduction signals potential market stabilization amid oversupply correction

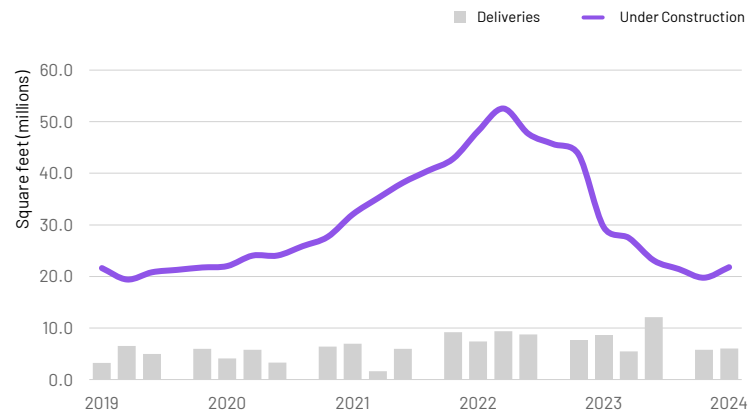
Asking Rent and Vacancy



Net Absorption



Deliveries and Under Construction



Outlook

Top Leases

Source: Savills Research

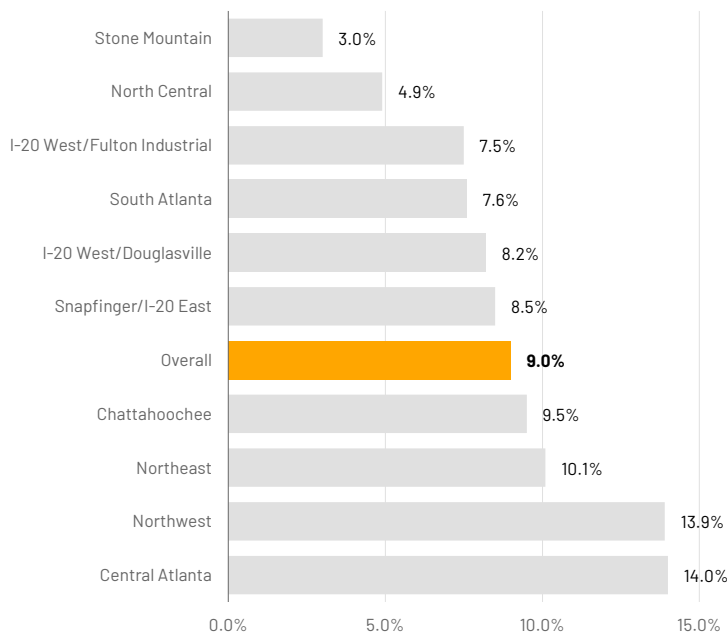
TENANT	SIZE (SF)	SUBMARKET	ADDRESS	TRANSACTION TYPE	INDUSTRY
GX0 (Google)	733,680	1-20 West/Douglasville	2201 Thornton Road	New Lease	Logistics & Distribution/3PLS
Mars Wrigley Confectionary	604,852	1-20 West/Douglasville	7875 White Road	Renewal	Food & Beverage
Mizuno USA, Inc.	520,570	Northeast	920 Highway 124	Renewal	Consumer Goods
Pactra	447,753	Northwest	200 Momeni Lane	New Lease	Logistics & Distribution/3PLS
Czarnowski Display Services	380,407	1-20 West/Fulton Industrial	3755 Atlanta Industrial Parkway	New Lease	Professional & Business Services

Top Sales

OWNER/BUYER	SIZE (SF)	SUBMARKET	ADDRESS	PRICE / \$/SF	SELLER
GLP Capital Partners	846,496	South Atlanta	130 Distribution Drive	\$77.5 M / \$92	American Realty Advisors
Welcome Group	691,667	Northwest	7634 Highway 140	\$66.3 M / \$96	PGIM, Inc.
EQT Exeter	523,541	Northwest	1181 Cassville White Road	\$47.1 M / \$90	Hines
BlusV II GA 3665 Atlanta Industria; Drive LLC	80,800	1-20 West/Fulton Industrial	3655 Atlanta Industrial Drive	\$43.6 M / \$539	Blackstone Inc.
TA Realty	354,620	1-20 West/Douglasville	425 Hartman Road	\$41.9 M / \$118	Morgan Stanley & Co. LLC

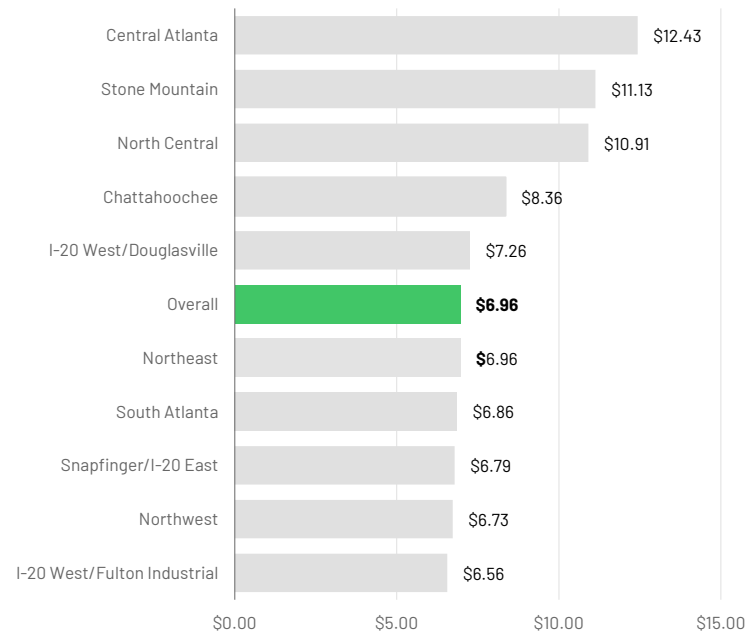
Vacancy Rate Comparison (%)

ATLANTA SUBMARKETS



Rental Rate Comparison (\$/sf)*

ATLANTA SUBMARKETS



Atlanta Q2 2024 - Industrial

*based on all classes of available inventory

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Unless otherwise noted, all rents quoted throughout this report are average asking net (NNN) rents per square foot. Statistics are calculated using both direct and sublease information. Current and historical availability and rent data are subject to change due to changes in inventory.

The information in this report is obtained from sources deemed reliable, but no representation is made as to the accuracy thereof. Unless otherwise noted, source for data is Savills Research.

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