

FIGURES | ATLANTA INDUSTRIAL | Q1 2025

Atlanta’s industrial vacancy decreases as spec construction and deliveries remain low



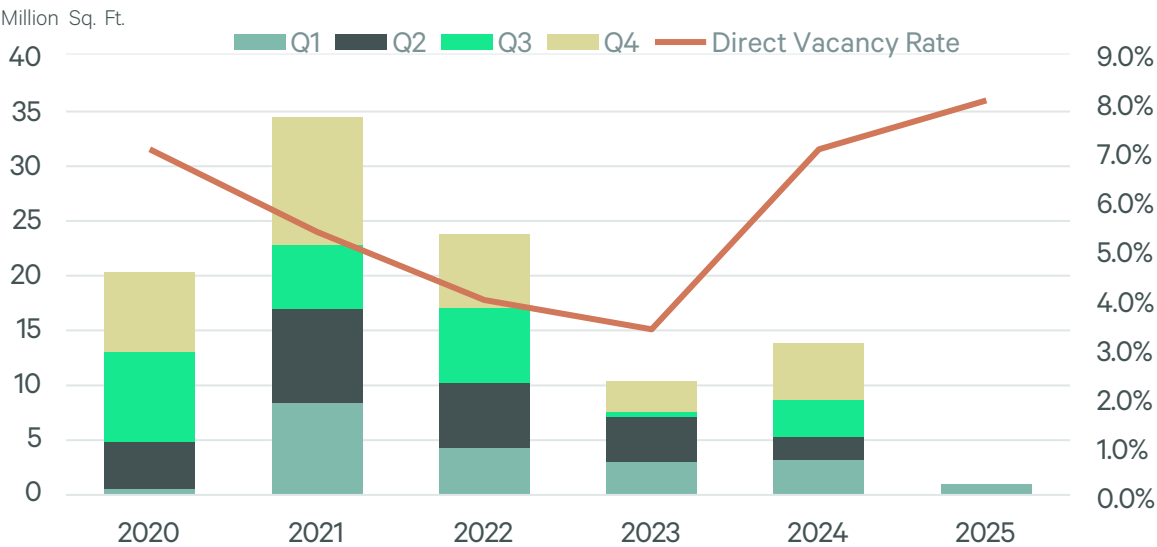
Note: Arrows indicate change from previous quarter.

Key Takeaways

- Due to a lack of deals over 500K SF, leasing activity declined to 10.8-million sq. ft., the lowest level since Q3 2023.
- This decline in leasing activity led to a reduction in net absorption, which fell to 940K sq. ft.
- The market saw 2.1-million sq. ft. delivered in Q1 2025, the lowest amount for a quarter since 2015.
- The direct vacancy rate to begin 2025 was 8.1%, a 40 bps decrease QoQ.
- At \$7.21 per sq. ft., the asking NNN rental rate declined for a second consecutive quarter for the first time since 2010.

In Q1 2025, the Atlanta industrial market experienced minimal activity for spaces over 500K SF, with no new leases in this size range. This inactivity led to a measured drop in net absorption. Political uncertainty surrounding tariffs caused occupiers to delay their decisions, contributing to inactive bulk leasing activity. Additionally, the average NNN rental rate declined for a second consecutive quarter to \$7.21, marking the first such decline since 2010. While tenants have enjoyed a more tenant-friendly market over the past 12 months, very limited new starts and deliveries, coupled with decreasing vacancy, are expected to lead to a tightening market toward the end of 2025.

FIGURE 1: Quarterly Net Absorption and Direct Vacancy Rate



Source: CBRE Research, Q1 2025

Market Overview

The Atlanta Industrial Market has always been attractive from both fiscal and geographic perspectives. The Southeast is one of the hottest industrial regions in the country, and a vigorous highway network allows for easy access to and from Atlanta. Furthermore, both CSX and Norfolk Southern maintain a stout rail presence in the market, further bolstering regional and national distribution capabilities. The Port of Savannah, the fastest growing and third busiest in the country, lies a mere 240 miles to the southeast. North of Atlanta, the Georgia Ports Authority also operates the Appalachian Regional Port, which can offset hundreds of truck miles via direct rail access to and from the Garden City Terminal in Savannah. The 104-acre Northeast Georgia Inland Port will decrease truck delivery times by roughly seven hours once it is completed. It is currently under construction and will come online in 2026. In addition to a sophisticated rail and highway system, Atlanta also boasts the busiest airport in the world in Hartsfield-Jackson International Airport, making national and global trade easily accessible. Atlanta, like the rest of Georgia, is extremely business friendly. Surrounding counties offer businesses in the Atlanta metro numerous tax incentives. These incentives include a Job Tax Credit of \$1,750 per new job created, a Port Tax Credit for qualified increases in shipments through a Georgia Port, a Freeport Exemption which exempts qualified inventory stored in warehouses from state and local taxes of up to 100%, and tax exemptions for qualified manufacturers and distribution centers to name only a few. Moreover, the Atlanta market contains multiple Federal and State Opportunity Zones, which offer tax exemptions of up to \$3,500.

Survey Criteria

Includes all classes of competitive warehouse/distribution, shallow bay, and flex space 10,000 sq. ft. and greater in Barrow, Bartow, Carrol, Cherokee, Clayton, Cobb, Coweta, Dawson, DeKalb, Douglas, Fayette, Forsyth, Fulton, Gordon*, Gwinnett, Hall, Haralson, Heard, Henry, Jackson, Newton, Rockdale, and Walton counties. Buildings under construction are evidenced by site excavation or foundation work. Excludes self-storage, specialized manufacturing, data centers, and industrial outdoor storage.

*Note: As of Q1 2024, our methodology for collecting data has changed. In previous quarters, we considered space absorbed as soon as a company physically occupied space. Now, a new lease will factor into net absorption as soon as the lease is signed and confirmed. To reflect these changes, we have also gone back the past year and changed those numbers proactively. Special circumstances may occur where methodology adjustments have been made which may impact current quarter data.

FIGURE 2: Market Statistics

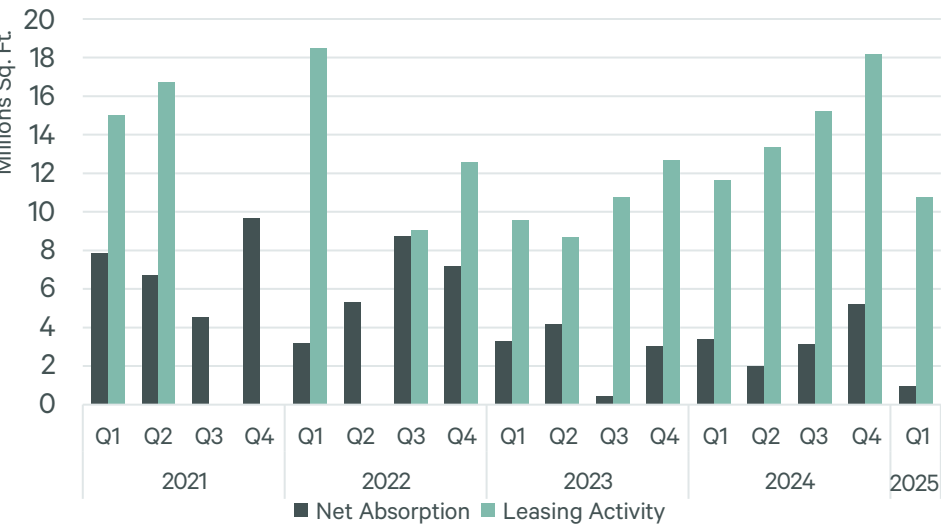
Submarket	Market Rentable Area (sq. ft.)	Direct Vacancy Rate %	Q1 2025 Net Absorption (sq. ft.)	YTD 25 Net Absorption (sq. ft.)	Under Construction (sq. ft.)	Q1 2025 Deliveries (sq. ft.)	Avg. NNN Lease Rate (\$/sq. ft./Yr)
ATLANTA	755,856,875	8.1	940,421	940,421	8,099,078	2,100,558	\$7.21
WAREHOUSE/ DISTRIBUTION	628,105,251	8.7	1,545,086	1,545,086	8,099,078	2,100,588	\$6.54
SHALLOW BAY	88,800,459	5.4	(599,542)	(599,542)	-	-	\$7.20
FLEX	38,951,165	4.6	(5,123)	(5,123)	-	-	\$11.00
Central Atlanta	7,144,537	5.8	5,668	5,668	626,176	-	\$10.33
Chattahoochee	15,169,480	3.8	528,008	528,008	-	220,863	\$9.96
Northwest/I-75	83,106,626	10.8	330,218	330,218	808,880	214,795	\$6.86
N Central/GA 400	25,625,804	4.6	69,439	69,439	570,260	90,869	\$9.20
Northeast/I-85	214,114,307	8.6	(40,957)	(40,957)	1,824,209	-	\$7.47
Stone Mountain	27,996,533	4.2	(82,270)	(82,270)	-	-	\$6.00
Airport	85,074,678	6.5	(240,429)	(240,429)	733,526	-	\$7.00
Southeast/I-75	79,225,763	12.2	(129,755)	(129,755)	1,353,725	500,220	\$6.65
Southwest/I-85	64,829,781	7.5	592,308	592,308	274,850	30,000	\$7.27
I-20 East	43,223,880	7.6	279,432	279,432	1,166,850	562,745	\$6.48
I-20 West	110,345,486	6.7	(371,241)	(371,241)	740,602	481,066	\$6.53

Source: CBRE Research, Q1 2025

Net Absorption and Leasing Highlights

Following a strong finish to 2024 in net absorption and leasing, the Atlanta industrial market experienced a slowdown at the start of 2025. Leasing activity decreased sharply to 10.8-million sq. ft., the lowest since 2015, leading to a significant decline in net absorption to 940K sq. ft., the lowest since Q3 2023. No new leases above 500K sq. ft. were signed, reflecting tenants' hesitancy to take down large spaces amid political and economic uncertainties. Consumer spending is expected to decrease, which could keep leasing activity for big box spaces inactive. However, there were some positive signs. The "Flight to Quality" trend continued, with approximately 2.2-million sq. ft. of positive absorption recorded in buildings built after 2014, while older buildings saw 1.2-million sq. ft. of negative absorption. Although overall tenant demand for spaces above 500K sq. ft. has been slow to recover, certain pockets of the market are seeing an uptick in larger requirements, showcasing the potential reactivation of the bulk market as 2025 evolves.

FIGURE 4: Warehouse/Distribution Net Absorption & Overall Market Leasing Activity



Source: CBRE Research, Q1 2025

Vacancy & Availability

The direct vacancy rate slightly declined QoQ to 8.1%, marking the first decline in vacancy since Q2 2022. Although leasing activity was substandard, approximately 40% of the deliveries in the first quarter were preleased, mostly built-to-suit (BTS). This preleasing helped mitigate the impact on the vacancy rate, preventing the negative effects seen in recent quarters when new deliveries were not preleased. A deeper analysis reveals the Northeast/I-85 submarket, particularly first-generation spec buildings of 800K sq. ft. and above, contributes significantly to the overall vacancy. Specifically, 11.2% of the vacant space in the Atlanta industrial market is located here. This indicates while the market shows signs of improvement, specific segments are facing more challenges. Despite these challenges, sublease availability declined by 1.7% YoY to 9.9-million sq. ft. As the limited development pipeline continues to dwindle, new spec space will not be coming online at the same rate as previous quarters, which is expected to drive the vacancy and availability rate to continue decreasing over time.

FIGURE 5: Warehouse/Distribution Sublease Availability

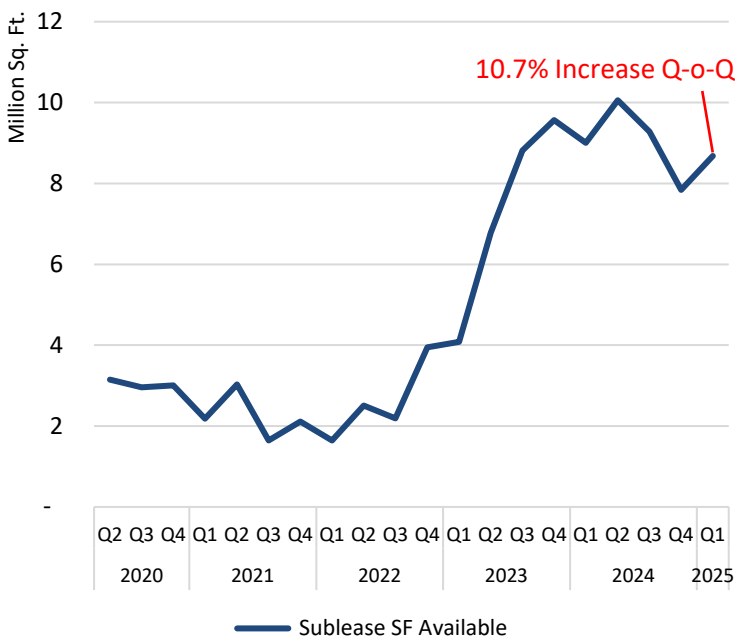


FIGURE 3: Key Leasing Transactions

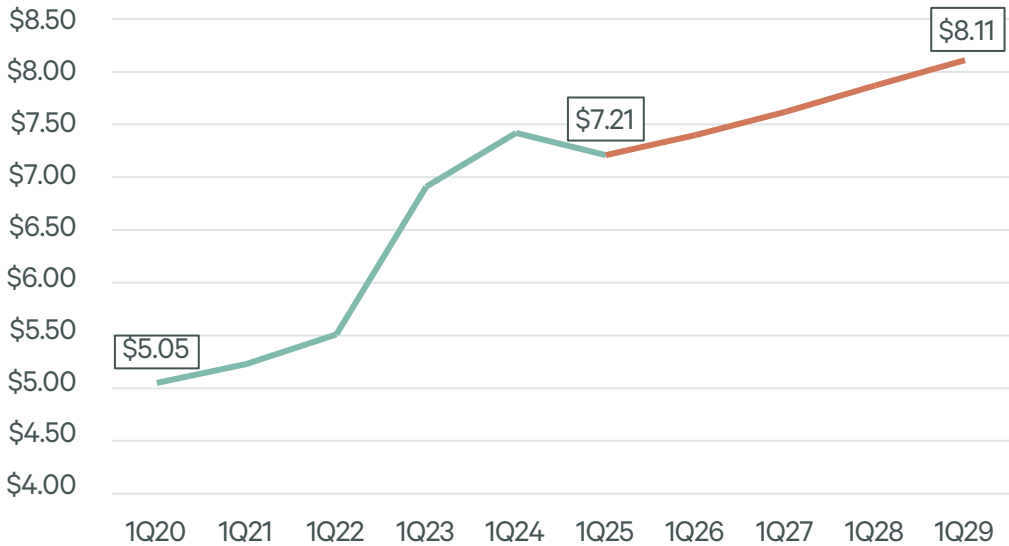
Tenant	Location	Size (sq. ft.)	Submarket	Transaction Type
The William Carter Co.	301 Eagles Landing Pkwy Stockbridge, GA	510,053	Southeast/I-75	Renewal
Confidential	Confidential	484,787	Southwest/I-85	Expansion
GXO Logistics	2124 Skyview Dr Lithia Springs, GA	395,750	I-20 West	Renewal
Staci Americas	Suwanee Logistics Center Suwanee, GA	327,825	Northeast/I-85	New Lease
Almo Corporation	7139 Southlake Pkwy Morrow, GA	293,288	Southeast/I-75	Renewal

Source: CBRE Research, Q1 2025

Industrial Rental Rates

The average NNN rental rate declined for a second consecutive quarter to \$7.21 per sq. ft., marking the first such decline since 2010. This decline is due to some landlords becoming more flexible in their pricing as the carrying costs of maintaining vacant buildings weigh on them. The “Flight to Quality” trend has also contributed, as tenants seek out newer, higher-quality buildings, resulting in older buildings hitting the market and putting downward pressure on rents. However, infill rates are holding steady due to the location advantages of these properties, which continue to attract tenants and drive demand for space. The segment under 400K sq. ft., particularly in close-in areas, remains healthy despite challenges in the larger market, as these areas offer a more stable and predictable environment for businesses. Looking ahead, very limited new starts and deliveries, coupled with decreasing vacancy, are expected to lead to a tightening market toward the end of 2025, driving the average NNN rent up again.

FIGURE 6: Historic & Projected Average NNN Rental Rates



Source: CBRE Research, Q1 2025

FIGURE 7: Notable Q1 2025 Industrial Sales

Location	Submarket	Buyer	Seller	Size (sq. ft.)	Sale Price	Price/Sq. Ft.
1000 Naturally Fresh Blvd	Airport	Lancaster Colony Corp.	Winland Foods	300,000	\$75M	\$250
Commerce 75*	Northwest/I-75	Bentall Green Oak	Hillwood Development Co.	680,247	\$74.5M	\$109
1865 McFarland Rd	North Central/GA 400 Corridor	NTT Data Corp.	United Parcel Service	181,616	\$50M	\$275
Barrow 316 Industrial Park*	Northeast/I-85	Ackerman & Co. and Baltisee	Sycamore Partners	359,307	\$30.6M	\$85

* Denotes Part of Multi-Property Sale

Source: CBRE Research, Q1 2025

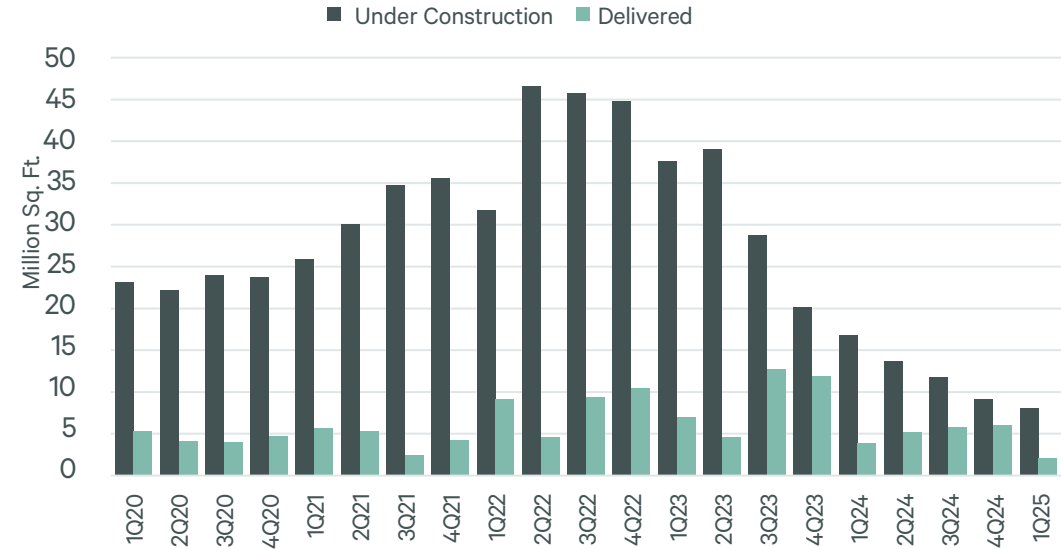
Capital Markets

The first quarter of 2025 started off the year strong, with total sales volume increasing 6.1% year-over-year to \$633.3 million. Notably, repeat buyers accounted for 62% of sales, indicating a high level of confidence in the market. Private equity firms were particularly active, making up 25% of all sales, while institutional investors, including pension funds and sovereign wealth funds, comprised 20% of buyers. Family offices and individual investors also played a significant role, accounting for 15% of sales. The debt market has seen increased liquidity and tightened spreads, with lenders such as LICOs, banks, and debt funds actively participating, which has helped investors navigate volatility in the treasury markets. The largest demand and deepest bid sheets have been for Value-Add and Core+ profile deals, while Core deals have continued to price well, albeit with thinner audiences, as many true Core buyers have been slowly reentering the market after satisfying their redemption requirements in 2024. Looking ahead to the remainder of 2025, we expect these Core funds to continue reentering the market, leading to an increase in transaction volume for Core deals.

Construction & Deliveries

The Atlanta industrial market saw a significant slowdown in new deliveries in Q1 2025, with just 2.1-million sq. ft. of new space coming online, the lowest amount for a quarter since 2015. The largest project to deliver was The Cubes at Locust Grove - Bldg. C, a 500,220 sq. ft. spec building in the Southeast/I-75. Just over 1.0-million sq. ft. broke ground during Q1 2025. The construction pipeline is at its lowest level since 2014, with 8.1-million sq. ft. of new space currently under development. This low pipeline suggests developers are becoming more cautious about new projects, partly due to the presence of several first-generation spec buildings sitting vacant in the market and the high barriers to entry, including land scarcity and entitlement issues. Furthermore, the recent implementation of new tariffs on imported materials could significantly impact development costs and timing, as many construction materials are sourced internationally. As a result, it is likely the market will experience a shortage of new space in the latter half of 2025 and early 2026, which could lead to increased demand for new projects.

FIGURE 8: Under Construction & Deliveries



Source: CBRE Research, Q1 2025

FIGURE 9: Year-To-Date Construction Starts & Deliveries

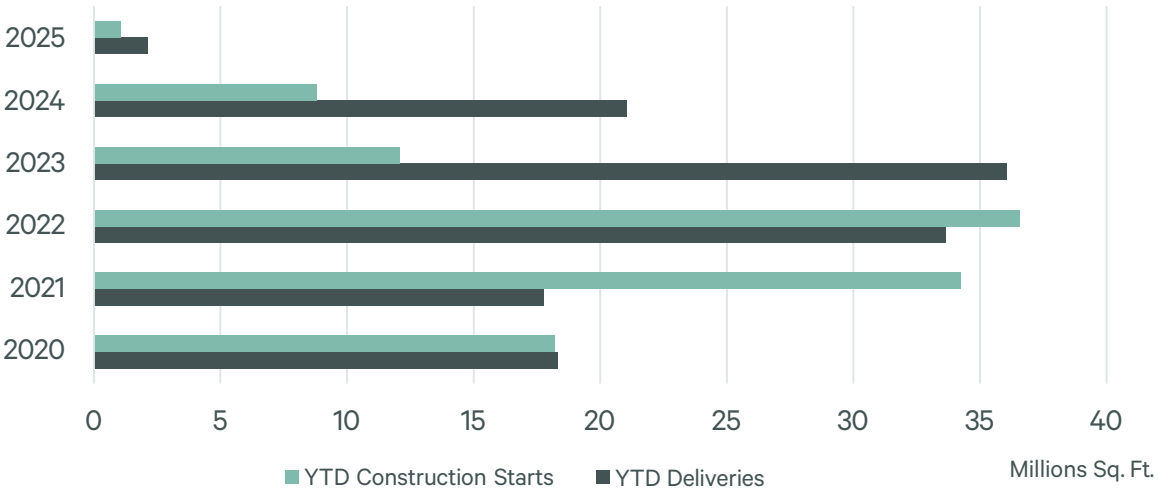
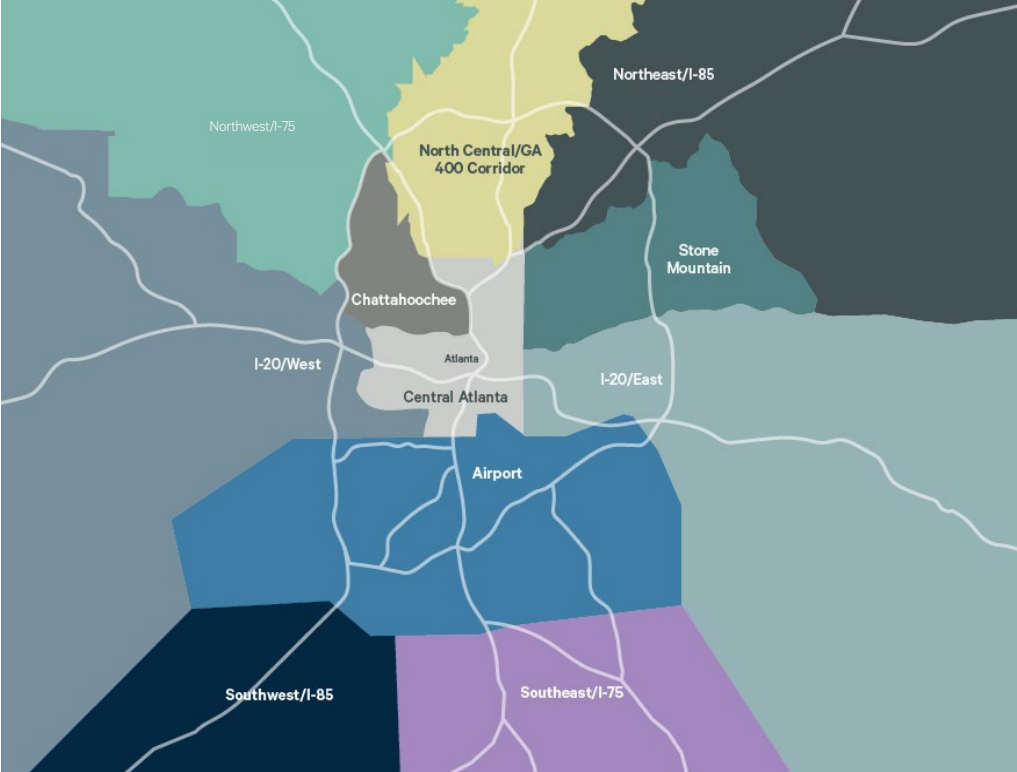


FIGURE 9: Top Deliveries in Quarter

Property Name	Submarket	Building Size (sq. ft.)	Construction Completion	Developer
The Cubes at Locust Grove – Bldg. C	Southeast/I-75	500,220	January 2025	CRG
Archer Aviation BTS	I-20 West	350,000	January 2025	-
Amazon Distribution Facility	Chattahoochee	220,863	January 2025	TPA Group
Chastain Crossing – Bldg. 200	Northwest/I-75	214,795	January 2025	Scannell Properties
Rockdale 20 East Business Center	I-20 East	212,745	January 2025	Alliance Industrial Company
LogistiCenter at Boggs – Bldg. 1	I-20 West	200,880	March 2025	Dermody Properties

Source: CBRE Research, Q1 2025

Market Area Overview



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Definitions

- Available Sq. Ft.:** Space in a building ready for occupancy within six months; can be occupied or vacant.
- Availability Rate:** Total available sq. ft. divided by the total building area.
- Big-Box:** An industrial property totaling 200,000 sq. ft. or greater.
- Capitalization Rates:** Also known as “cap rates”; a measure used to estimate rates of return on commercial real-estate properties.
- Clear Height:** The usable height in a building to which an occupier can store its goods on racking. Clear height is measured below any ceiling obstructions such as lights or sprinklers.
- Deliveries:** Completion of required construction for a building.
- Distribution/Logistics:** An industrial property subtype of warehouse/storage designed to accommodate the efficient movement of goods. Distribution space is at least 100,000 sq. ft., office area less than 10%, and clear heights 30 ft. and higher.
- Flex Space:** An industrial property subtype built to allow flexibility of alternative uses. Flex space contains at least 25% office area, high curb appeal, and high parking ratios.
- Leasing Activity:** Square footage committed to and signed under a lease obligation for a space in a given period.
- Net Absorption:** The change in physically occupied square feet from one period to the next period.
- Net Net Net (NNN) Lease Rate:** Rent excludes “net” costs (real property taxes, building insurance, and major maintenance) typically included in a Gross Lease Rate.
- Occupied Sq. Ft.:** Building area not considered vacant.
- Shallow Bay:** An industrial property subtype with bay depth of 120 to 200 feet with typical clear heights between 18 and 24 feet.
- Total Rentable Area:** The total rentable floor area square feet of the building.
- Vacant Sq. Ft.:** Existing space not occupied by a tenant. Vacant space can be available or not available.
- Vacancy Rate:** Total vacant sq. ft. divided by the total building area.
- Warehouse/Storage:** An industrial property subtype designed for the warehousing and storage of materials, goods and merchandise. Office area is less than 15% of the space, clear heights of at least 18 ft.

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