



ATLANTA

Real Estate Trends

Industrial Market

First Quarter 2023

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ATLANTA INDUSTRIAL MARKET

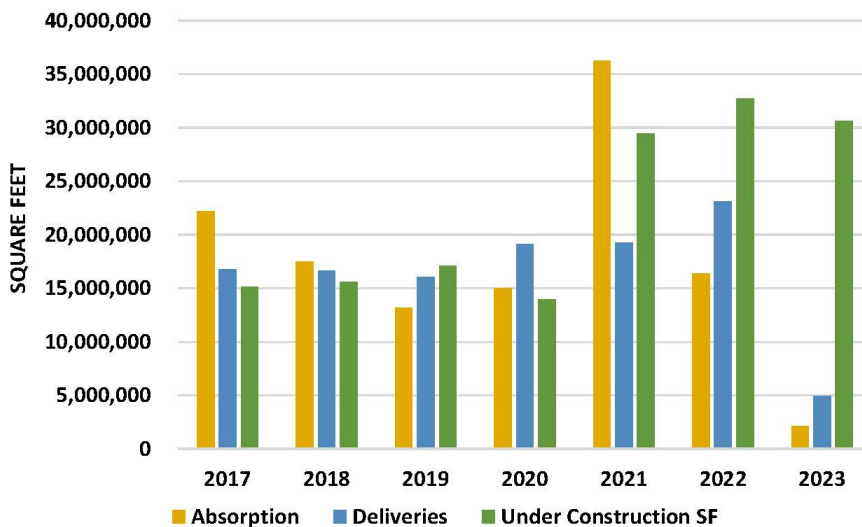
First Quarter 2023

QUICK SUMMARY:

- 806.5 million square feet
- Market vacancy rate: 4.0%
- Avg cap rate: 5.30%
- Quoted market rent: \$8.50/sf
- Avg sales price: \$81.10/sf

Absorption, Deliveries & Under Construction

SUPPLY AND DEMAND



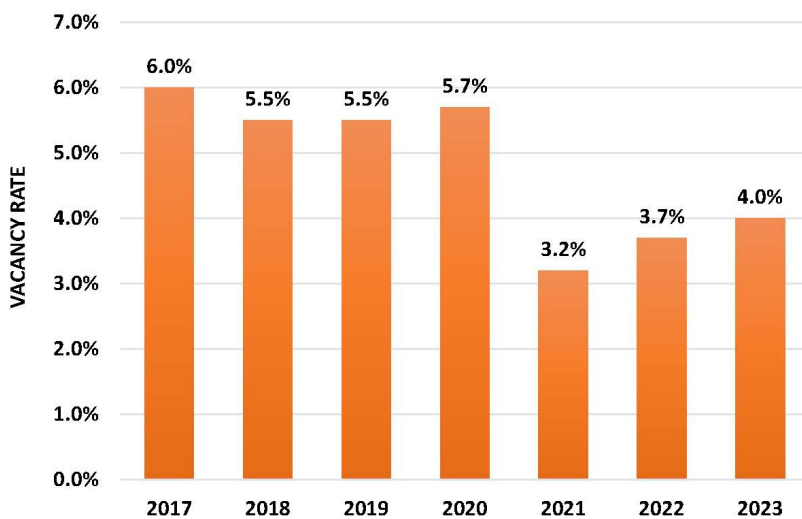
- Of concern - under construction has been very high since 2021 which appears to be in response to a seven year high in absorption in 2021. However, in 2022, absorption was back down to typical historic levels with no corresponding slow down in construction. Absorption is off significantly in Q1 2023.

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Vacancy Trends

VACANCY



- In spite of new construction and a pandemic, overall market vacancy held relatively level from 2017 to 2020 with a significant drop in 2021 to a seven year low. The uptick in 2022 and 2023 is a result of new deliveries paired with slowed absorption.

Rent Growth

RENT TRENDS

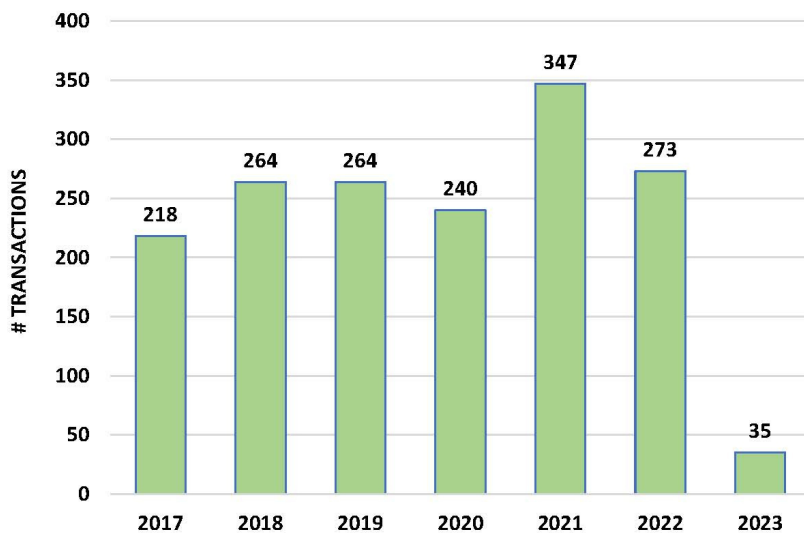


- As for rents, even in a pandemic and with significant new construction, rents have continued their upward trend reaching a seven year high in Q1 2023. Of note, the rate of increase has slowed significantly in the current quarter.



Transaction Volume

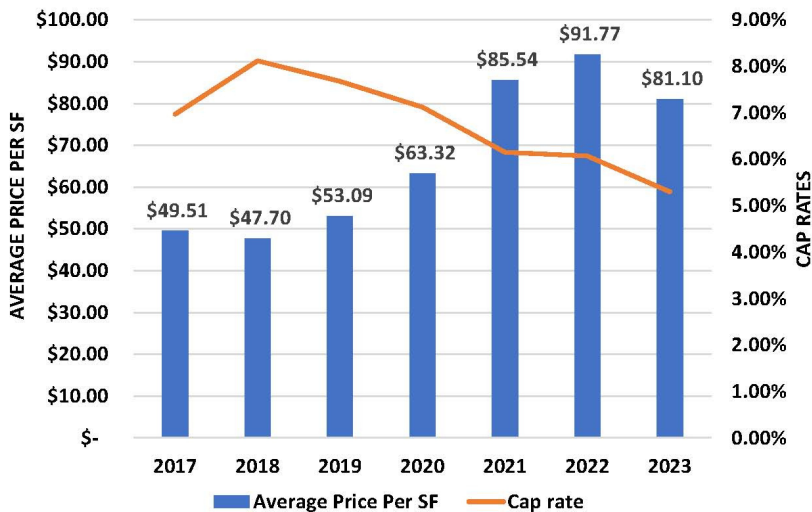
TRANSACTION HISTORY



- Sales in 2021 set a seven year high with 2022 normalizing and in line with 2018-2020. Again, the Q1 2023 numbers are a significant slow down with 35 sales as compared to Q1 2020 and Q1 2021 which each recorded 56 transactions.

Valuation History

AVERAGE SALES PRICE & CAP RATES



- Average sales price per square foot was at a seven year high at the end of 2022 with values pulling back 11.6% in Q1 2023. However, cap rates have decreased slightly in 2023 after flatening out in 2022.

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Summary by Quarter

Running 12 Quarters		2020			2021				2022				2023
		Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Supply	Supply SF	736.6M	740.9M	749.3M	756.1M	760.3M	764.4M	770.4M	780.1M	783.6M	790.2M	797.7M	806.5M
	Under Construction	17.2M	20.4M	17.3M	18.5M	21.0M	26.8M	28.3M	30.8M	38.6M	37.7M	33.7M	30.6M
	Deliveries**	3.0M	3.7M	6.6M	4.8M	3.1M	2.1M	7.8M	7.2M	4.6M	4.1M	6.6M	4.9M
	Demolitions**	-64k	-316k	-164k	-206k	-151k	-140k	-492k	-72k	-1.3M	-648k	-75k	-53k
	Net Absorption**	2.4M	6.6M	7.3M	9.5M	7.4M	4.4M	12.8M	532k	7.0M	4.2M	4.6M	2.1M
Sales	Transactions**	37	73	67	56	86	70	109	56	75	64	47	35
	Average Price Per SF	\$54.30	\$60.73	\$64.17	\$82.39	\$71.12	\$80.10	\$80.10	\$91.32	\$81.27	\$89.32	\$92.36	\$81.10
	Cap Rate	7.10%	7.10%	7.04%	7.69%	6.72%	6.48%	6.74%	N/A	6.09%	6.08%	6.38%	5.30%
Lease	Vacancy	6.3%	5.7%	5.5%	5.0%	4.2%	3.9%	3.2%	3.8%	3.1%	3.4%	3.6%	4.0%
	Market Rent	\$ 6.24	\$ 6.36	\$ 6.46	\$ 6.55	\$ 6.73	\$ 6.94	\$ 7.26	\$ 7.48	\$ 7.81	\$ 8.10	\$ 8.29	\$ 8.50

**Indicates a quarterly number

CONCLUSION:

The industrial market actually benefited from the COVID-19 crisis as retail demand shifted to delivery services across the spectrum of products. Thus, demand for warehouse space continued to increase as reflected in the strong rent and value growth in this market throughout 2022. Throughout the pandemic, the industrial market outperformed the other market segments. However, of concern, rising interest rates and the tightening credit markets are slowing the industrial market as absorption, values, sales volume and the growth rate of rents are down significantly in Q1 2023. Also, under construction remains high which is starting to show in rising vacancy rates. Thus, the market is showing the first real signs of weakness since Q3 2020.

Company Profile

Crossroads Appraisal Group is a respected commercial appraisal firm specializing in the valuation of commercial, industrial, multifamily and special use properties. We serve the greater Atlanta area with offices in Lawrenceville and Vinings. Please reach out to us if we can be of service to you as we would like the chance to meet your valuation needs.



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