



ATLANTA

Real Estate Trends Industrial Market

Third Quarter 2023

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ATLANTA INDUSTRIAL MARKET

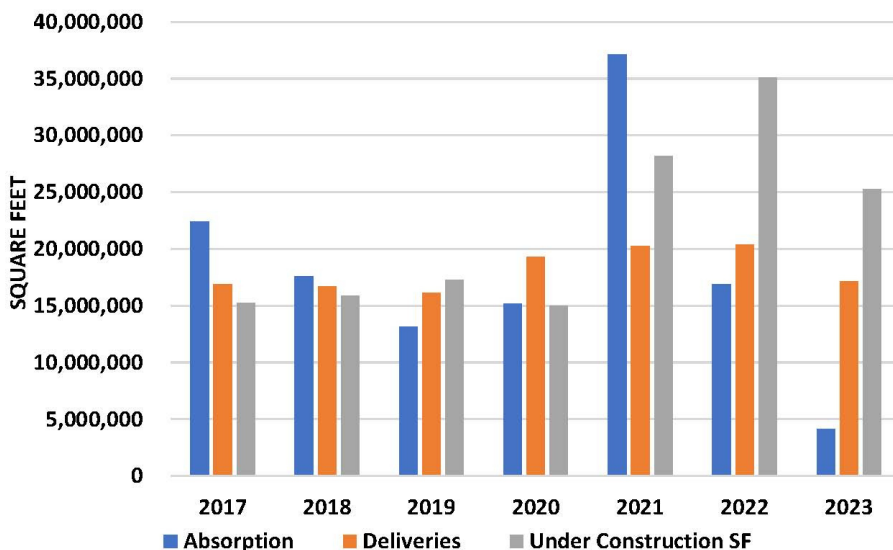
Third Quarter 2023

QUICK SUMMARY:

- 819.2 million square feet
- Market vacancy rate: 4.8%
- Avg cap rate: 7.09%
- Quoted market rent: \$8.89/sf
- Avg sales price: \$91.74/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 and is off significantly to date in 2023. In fact, the 2nd quarter 2023 recorded negative net absorption for the first time since well before the pandemic.

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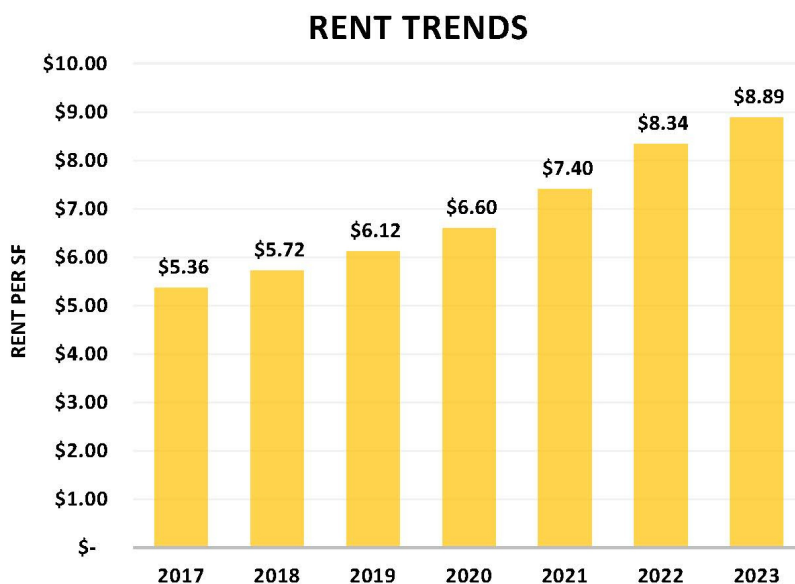
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Vacancy Trends



- 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



- As for rents, even through a pandemic and with significant new construction, rents have continued their upward trend reaching a seven year high in Q3 2023. Of note, the rate of increase has slowed in 2023.

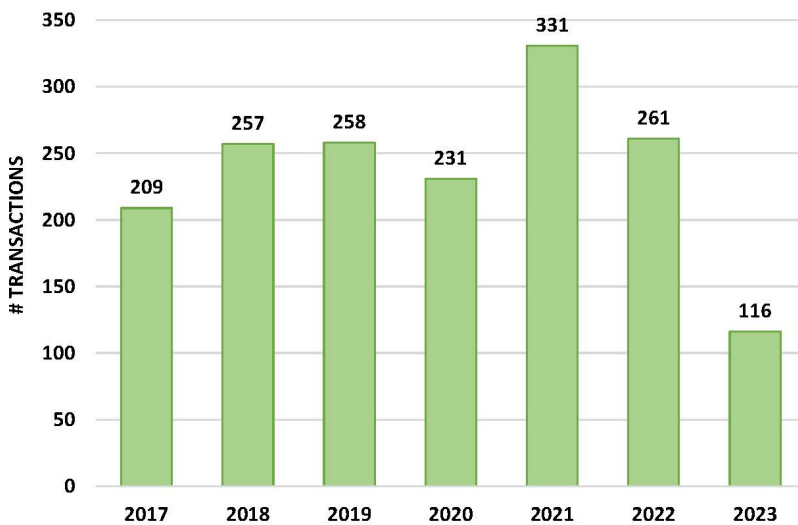


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Transaction Volume

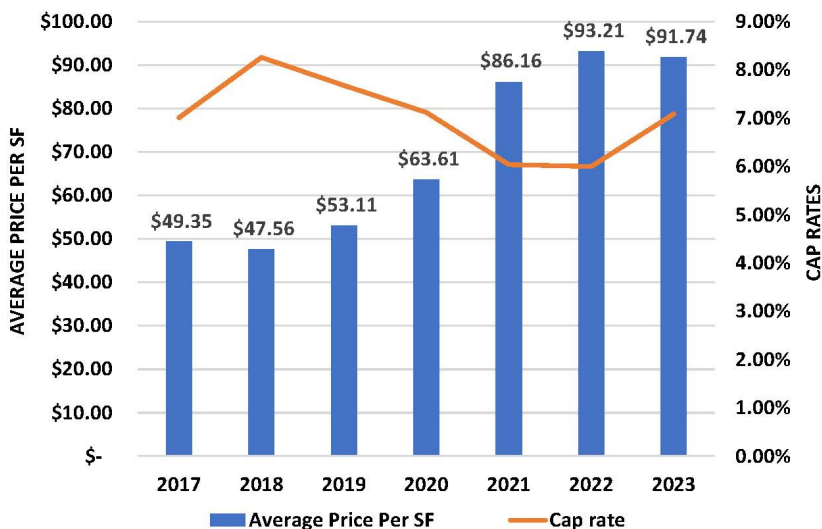
TRANSACTION HISTORY



- Sales in 2021 set a seven year high with 2022 normalizing and in line with 2018-2020. The Q3 2023 numbers are indicating a significant slow down with 116 sales, a pace of 155 for the year which would be a seven year low.

Valuation History

AVERAGE SALES PRICE & CAP RATES



- Average sales price per square foot reached a seven year high in 2022 and has pulled back 1.6% thru the first three quarters of 2023. Furthermore, cap rates are beginning to tick up.

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Summary by Quarter

		2020	2021	2022				2023		
		Q4	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Supply	Supply SF	749.3M	770.4M	780.1M	783.6M	790.2M	797.7M	806.5M	810.3M	819.2M
	Under Construct	17.3M	28.3M	30.8M	38.6M	37.7M	33.7M	30.6M	28.2M	25.3M
	Deliveries**	6.6M	7.8M	7.2M	4.6M	4.1M	6.6M	4.9M	4.3M	8.0M
	Demolitions**	-164k	-492k	-72k	-1.3M	-648k	-75k	-53k	0	-114k
	Net Absorption*	7.3M	12.8M	532k	7.0M	4.2M	4.6M	2.1M	-4M	2.4M
Sales	Transactions**	67	109	56	75	64	47	35	35	46
	Average Price Per Sq Ft	\$ 64.17	\$ 80.10	\$ 91.32	\$ 81.27	\$ 89.32	\$ 92.36	\$ 81.10	\$ 100.29	\$ 91.74
	Cap Rate	7.04%	6.74%	N/A	6.09%	6.08%	6.38%	5.30%	6.90%	7.09%
Lease	Vacancy	5.5%	3.2%	3.8%	3.1%	3.4%	3.6%	4.0%	4.5%	4.8%
	Market Rent	\$ 6.46	\$ 7.26	\$ 7.48	\$ 7.81	\$ 8.10	\$ 8.29	\$ 8.50	\$ 8.80	\$ 8.89

**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, sales volume and the rent growth rate are down significantly in the first three quarters of 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.



Lawrenceville Office

1755 North Brown Road
Suite #200-2046
Lawrenceville, Georgia 30043



Kennesaw Office

125 TownPark Drive
Suite 300
Kennesaw, Georgia 30144



Casey Lyon, MAI

President,
Crossroads Appraisal Group

Contact Info:
(404) 724-5110
Casey@CrossroadsAppraisalGroup.com



Kevin Lyon, MAI

Certified General Appraiser
Principal of Vinings Office

Contact Info:
(404) 382-9876
Kevin@CrossroadsAppraisalGroup.com

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