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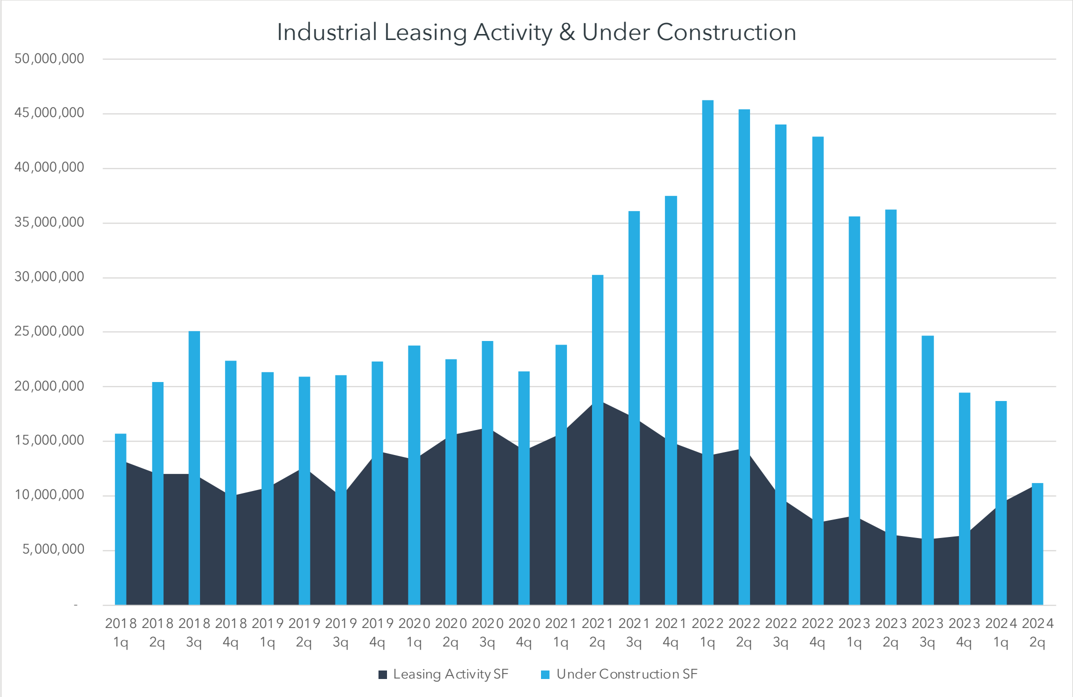
Industrial Vacancy Rises to 8.2% - but the Trend Will Reverse Soon

AUGUST 2024

An onslaught of new development activity has led to vacancy levels in Atlanta not seen in nearly a decade – but Lee & Associates predicts the trend will reverse course during the second half of 2025. The primary driver is a lack of new supply in the development pipeline. New construction levels fell by nearly 70% year-over-year, from 36 MSF to 11 MSF, and the number of proposed projects, and those breaking ground, is near a record low.

The path to today's 8.2% vacancy rate was somewhat predictable. Over the last 24 months alone, supply additions (68 MSF) were nearly triple the rate of tenant demand (23 MSF). While clearly an imbalance, this late-stage development cycle presents a unique opportunity to tenants in the form of broader space availability. With more spaces on the market for lease, landlords are more aggressively competing on deal economics to secure tenancy in their buildings.

But there's a small window for occupiers to take advantage of increased availability, primarily due to solid economic fundamentals and continued strong industrial market demand. Tenants absorbed more than 7.5 MSF of space during the first half of 2024 and Q2 leasing activity rose more than 18% quarter-over-quarter. Consequently, vacancy trendlines will begin to reverse course by mid-year 2025, possibly sooner, with sub-8.0% vacancy by this time next year.



CONTACT

DAN WAGNER
Chief Data Officer
dwagner@lee-associates.com
404.781.2121

KATE HUNT
Sr. Research Analyst
khunt@lee-associates.com
404.781.2124

LUCAS CARVALHO
Research Analyst
lcarvalho@lee-associates.com
404.781.2139