KBC INSIGHTS | INDUSTRIAL MARKET UPDATE

Atlanta

ECONOMY

- Artificial Intelligence (AI) remained the primary engine of economic growth in Q3 2026. Capital spending drove business investment higher, AI-related earnings supported equity valuations and consumer spending, and retail spending rebounded strongly in August.
- Metro Atlanta stands as a top-three data center market in the U.S., with a growing pipeline of hyperscale projects in the metropolitan area and further across the state into secondary markets such as Augusta and Savannah. Data center construction requires a mix of heavy electrical and plumbing components, other construction materials, and computer servers and racks. The suppliers and contractors handling this work have expanded their footprints, contributing to increased "AI-related" warehouse space demand in Q3. For every one gigawatt (GW) of new data center space, there are 2-3M SF of new corresponding warehouse requirements, per Green Street.
- Georgia continues to benefit from a rapidly growing automotive industry. Hyundai is actively expanding its manufacturing base with an announcement to invest nearly $560 million to build a third plant and upgrade the two existing plants at its campus in West Point. This follows its announced expansion at its Metaplant near Savannah to 500,000 vehicles annually, roughly 166% of its initial goal of 300,000. To help accomplish this growth, Hyundai invested in the development of humanoid robot workers, which are set to begin operation in 2028.
- Increased AI-related and government borrowing are among multiple factors influencing the direction of the 10-year Treasury rate. Both support demand for logistics space as they provide increased demand for goods – goods which need to be stored and distributed.

VACANCY

- Atlanta's Q3 2026 vacancy rate dipped 20 basis points to 7.6% quarter-over-quarter (QOQ), holding below the market's long-term average of 8.0% for a third straight quarter.
- Atlanta's vacancy rate reached a cyclical peak of 9.0% in Q2 2025 and has dropped significantly since that inflection point where supply and demand trends flipped. In the five quarters since Q2 2025, Atlanta has experienced 17.4 million square feet (M SF) of net absorption and only 12.2M SF of construction completions, driving the 140-basis-point drop.
- New deliveries of 4.7M SF slightly outpaced occupancy gains of 4.0M SF this quarter, yet vacancy fell because of strong leasing activity, since KBC tracks vacancy when space is both vacant and available. We expect vacancy to fall again in Q4 as construction completions slow and strong leasing turns into move-ins.
- Strong sublease leasing activity of nearly 1.8M SF in Q3 2026 resulted in a net decrease in the sublease availability rate, despite multiple new large blocks of sublease space being listed in Q3.

TRENDS: LOGISTICS PROPERTIES

	Q3 2025	Q3 2026	Chg YOY
Vacancy	8.5%	7.6%	▼
Net Asking Rents Non-Bulk (<400k SF)	$9.19	$9.29	▲
Net Asking Rents Bulk (>400k SF)	$6.47	$6.79	▲
Net Absorption, SF	3.3M	4.0M	▲
Under Construction, SF	9.7M	16.0M	▲
New Deliveries, SF	1.0M	4.7M	▲

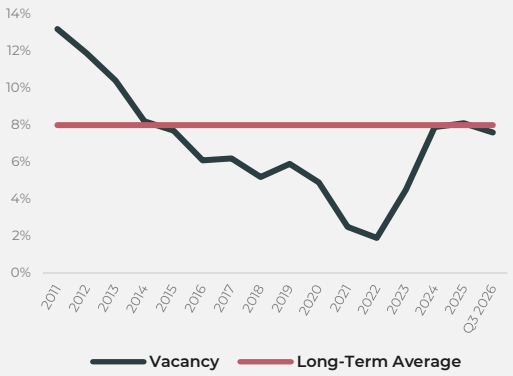
ECONOMIC INDICATORS

	Sept 25	Sept 26	Delta	
National Warehousing Employment (thousands)	1,853.4	1,831.8	-1.2%	▼

	2025	2026	Delta	
Atlanta Population	6.41M	6.48M	1.1%	▲

▶ Increases / Decreases YOY

VACANCY VS. LONG-TERM AVERAGE



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RENT

- Overall NNN asking rents rose 1.7% QOQ and 3.0% year-over-year (YOY) to a new cyclical and all-time high of $8.67 per square foot (/SF), edging past the previous peak of $8.60/SF set in Q3 2024.
- Atlanta's industrial market has tightened significantly since Q2 2025, falling 140 basis points from 9.0% at the cyclical peak to 7.6% this quarter. While a tight small-bay market drove rent growth last year, a rapidly tightening bulk market has largely contributed to rent increases since Q1 while small-bay rents have held steady.
- We expect asking rents to rise through the remainder of 2026 as vacancy remains below its long-term average and as tenants continue to compete for a shrinking pool of bulk spaces.
- Large industrial land sites are commanding historic-peak pricing as data center developers compete for industrial development sites. Continued land price increases will require developers to push rents higher to achieve the same returns.

NET ABSORPTION

- Q3 net absorption totaled 4.0M SF, rebounding from the small dip in Q2 after a historic quarter to start the year, bringing year-to-date (YTD) net absorption to 11.5M SF. Record-high Q3 leasing bodes well for Q4, when many tenants are set to move into their leased spaces.
- The I-75 North submarket experienced the strongest net absorption of Q3 2026 with over 1.6M SF and became the second-strongest YTD total behind the Airport submarket. Submarket absorption figures reflect the flight to quality trend, as vintage submarkets such as Stone Mountain and I-20 West / Fulton have experienced negative YTD net absorption.
- Hyperscalers are directly and indirectly fueling demand – Google leased 2.4M SF of bulk space in Q3 alone. Combined with providers of data center plumbing, electrical work, and other infrastructure, AI-related activity accounts for approximately 30% of Q3 leasing in SF.

VACANCY & ASKING RENT







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NET ABSORPTION CONT'D

- Renewals will be a major driver of leasing activity in the coming quarters, with several big box tenants approaching their lease expirations and facing major rent increases. The market's evolution since COVID has resulted in a near doubling in base rents for modern bulk warehouse space, creating a tough situation for tenants.
- If rents continue to increase, some budget-conscious tenants may ultimately be priced out of the Atlanta market and forced to consider relocating their operations to a cheaper market altogether, providing a potential headwind for future demand.

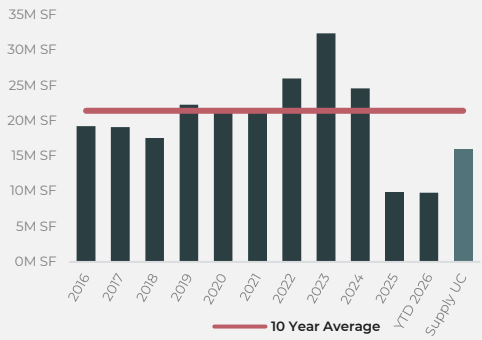
CONSTRUCTION

- Atlanta's development pipeline grew 6.5% QOQ to 16.0M SF as construction starts exceeded Q3 deliveries. The pipeline is up more than 60% YOY from 9.7M SF in Q3 2025.
- Developers have taken note of tightening market conditions for bulk warehouse space following increased demand and are moving dirt at multiple planned 1M SF sites set to pour pads and begin vertical construction in Q4, so we expect a large jump in the pipeline heading into the end of 2026.
- Developers have turned to redevelopment of 60+-year-old warehouse facilities and other outdated, underused sites, as vacant infill land has become expensive and typically features development challenges such as zoning and topography.

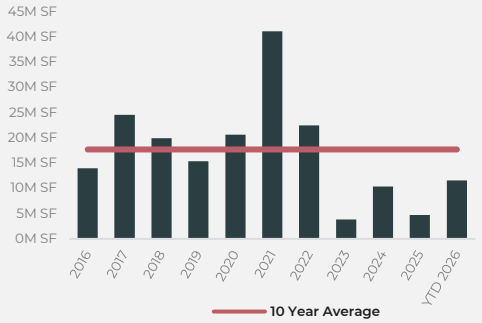
CAPITAL MARKETS

- Investment activity continues its momentum following a strong H1 2026 as market fundamentals steadily improve. Q3 featured a mix of owner-user activity and capital investment in assets with existing leases, both newly signed at high rates and those soon to expire which provide a high potential for mark-to-market NOI growth.
- Higher long-term rates raise both construction and financing costs, tightening the math on speculative development. If sustained, this may slow new starts into 2027, which would support occupancy and push rents higher for existing modern product.
- Construction financing remains available for well-located, pre-leased, and build-to-suit projects, while speculative development continues to face disciplined underwriting given elevated land and construction costs.
- Elevated interest rates have increased borrowing costs and placed upward pressure on cap rates, creating a pricing disconnect between buyers and sellers. This has led to more conservative underwriting and greater emphasis on strong tenant credit.

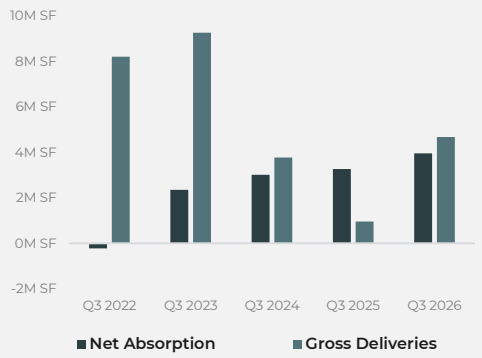
NEW SUPPLY



NET ABSORPTION



SUPPLY & DEMAND





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MARKET SUMMARY Q3 2026

Submarket Cluster	Total Inventory	Vacancy Rate	Availability Rate	Q3 2026 Total Net Absorption	2026 YTD Total Net Absorption	Q3 2026 New Leasing Activity	Under Construction	Q3 2026 Construction Completions	Overall Asking Net Rent
Airport	129,154,207	9.0%	13.8%	640,783	2,589,517	5,150,092	1,617,450	690,362	$8.48
Central Atlanta	8,770,346	9.6%	14.0%	(7,591)	(145,780)	72,200	351,230	-	$12.54
I-20 West / Douglasville	59,556,836	7.1%	13.8%	(12,878)	1,624,359	1,838,856	1,987,988	113,865	$8.78
I-20 West / Fulton District	51,076,485	6.6%	11.5%	498,550	(98,588)	1,677,236	85,000	4,980	$6.90
Chattahoochee	13,576,683	4.4%	6.1%	(98,410)	(151,271)	119,534	-	-	$11.32
I-20 East / Snapfinger	41,427,835	8.6%	13.3%	342,817	511,997	465,618	334,241	392,830	$7.73
North Central Atlanta	22,831,723	7.2%	13.1%	80,085	244,406	387,989	616,949	436,921	$13.22
I-85 North	218,823,467	6.6%	10.8%	1,355,608	2,470,529	6,863,018	3,901,465	1,760,193	$8.80
I-75 North	105,154,500	7.2%	10.6%	1,634,644	2,492,425	3,574,620	1,360,665	-	$8.66
I-85 South	37,012,060	7.7%	14.1%	(188,551)	859,142	298,420	2,176,537	268,203	$8.65
I-75 South	76,128,844	9.5%	21.1%	(31,886)	1,863,179	1,555,493	3,525,403	1,005,074	$7.45
Stone Mountain	24,760,750	8.0%	9.5%	(259,725)	(712,776)	234,041	-	-	$10.42
Atlanta Total	**788,273,736**	**7.6%**	**12.8%**	**3,953,446**	**11,547,139**	**22,237,117**	**15,956,928**	**4,672,428**	**$8.67**

Statistics reflect logistics buildings of all sizes. Data centers and manufacturing facilities are excluded from statistics.

SIGNIFICANT LEASE TRANSACTIONS Q3 2026

Property Address	Submarket	Tenant	Square Feet	Lease Type
4505 Derrick Industrial Parkway	Airport	Nike	1,039,574	Sublease
646 Parker Industrial Road	I-85 North	TikTok	1,017,900	New Lease
700 Price Drive	I-75 South	Google	1,000,993	New Lease
159 Commerce Logistics Drive	I-85 North	Google	937,440	New Lease
801 Factory Shoals Road	I-20 West / Douglasville	Stitch Fix	925,800	Renewal
100 Logistics Parkway NE	I-75 North	Genuine Parts Company	824,840	New Lease
580 Raco Parkway	I-85 North	Siemens	772,000	New Lease



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SIGNIFICANT SALES TRANSACTIONS Q3 2026

Property Name	Submarket	Buyer	Square Feet (Total)	Transaction Date
Compass 75 Commerce Center	I-75 South	Highline Warren	972,350	Sept 2026
Allatoona Business Center	I-75 North	Equus	569,132	Aug 2026
Smyrna Logistics Center	I-75 North	Stonelake Capital Partners	190,766	Aug 2026
Valentine 85	I-85 North	Marq Logistics	800,590	July 2026

For more information, please reach out to Hassan Mahmood or Bill Robertson

TOP PROJECTS UNDER CONSTRUCTION Q3 2026

Property Name	Submarket	Developer	Square Feet (Total)	Completion Date
Riverview Business Park – Building 300	I-85 North	Hillwood	1,073,200	Q2 2027
PNK Griffin – Building 2	I-75 South	PNK	1,028,831	Q1 2027
River Park – Building 9	I-75 South	Pacific Group	924,622	Q2 2027
Rockmart Logistics Center	I-20 West / Douglasville	Crow Holdings	424,305	Q1 2027
Prologis Intown Station – Building B	Central Atlanta	Prologis	351,230	Q4 2026

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