

Point of View

Q1 2022



**Metro Atlanta's #1 Industrial
Real Estate Expert**

Serving Metro Atlanta businesses since 1980.

Letter from the President

The Party Continues!

Being a long-time optimist, I predicted at the end of last quarter in the Point of View that the Atlanta industrial market would continue its impressive performance into 2022. AND...I was not wrong! We are still painting the town red! The Atlanta industrial market, as well as the industrial markets across our great country, remained vigorous and set new records for activity, positive net absorption and new construction once again. We have been enjoying an extraordinary and impressive run, and not just for this past year, but for the past eight years! Just when we thought that it could not get any better...it did!

Activity for the first quarter of 2022 was raving with an unparalleled 26.3 million square feet. That was 10.7 million square feet more than the previous quarter's record. The four-quarter total also soared to new heights for activity with over 87 million square feet, which surpassed the last record (set during the third quarter of 2021) by 4.8 million square feet!

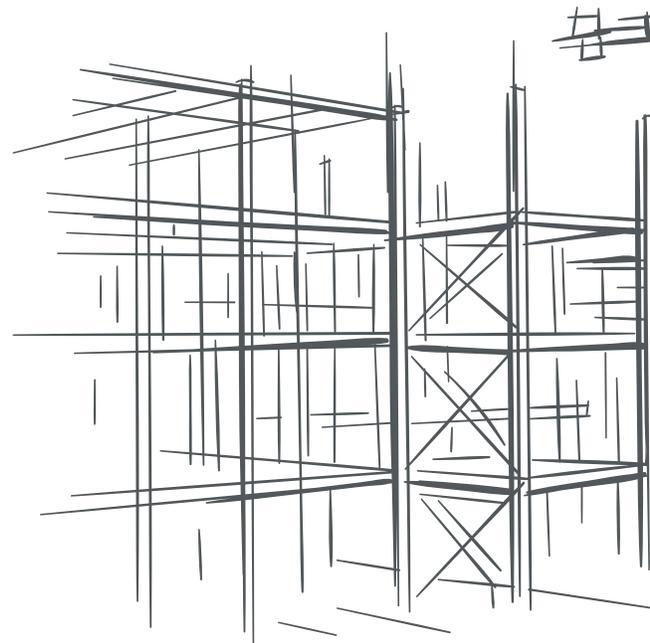
With activity setting new records, it was no surprise that the party continued with net absorption following suit. The positive net absorption numbers were remarkable with a total of 14.8 million square feet. This was a hefty 9.8 million square feet more than the previous record set during the fourth quarter of 2021. The four-quarter total of net absorption was second to none, with over 39 million square feet, which broke the prior quarter's record by 5.4 million square feet.

New construction did not set a new record for the first quarter of 2022, but came in strong with 13.5 million square feet, which was the second highest total ever recorded for a single quarter. It also beat the preceding quarter's numbers for new construction by 9.6 million square feet. The quarter's new construction set the scene for the four rolling quarters to produce an record breaking 44 million square feet. What a blast!

During the past four quarters, 78 percent of the new construction was for speculative projects (34.3 million square feet) and 22 percent was for build-to-suit projects (9.7 million square feet). Developers are dancing to keep up with the surging demand for new space. Unprecedented activity, net absorption and new construction caused the availability rate to drop from 10.5 % seen last quarter down to 9.9%...a new record low! For the first time in our history, the majority of all available space consists of new space (52 percent) with the balance (48 percent) being used space.

At this point, I think that it is important to remind everyone that during this eight yearlong soiree, the Atlanta industrial market has added over 188 million square feet of new construction, and during this time, the availability rate has actually declined from 14.2% down to 9.9%... proving that we are absorbing what we are building.

“We have been enjoying an extraordinary and impressive run, and not just for this past year, but for the past eight years!”



Letter from the President

The Party Continues!

During the last four quarters, there were 2,905 industrial transactions celebrated: 76 percent (2,199 deals) were 20,000 square feet or smaller, 18% (531 deals) were between 20,000-99,999 square feet, and 6 percent (175 deals) were over 100,000 square feet. These large deals accounted for 49.1 percent of the total square footage leased (42.7 million square feet). Of the 175 transactions, 20 were 500,000 square feet or larger, and 9 of those deals were 1,000,000 square feet or larger...as you can see, e-commerce continues to rage and influence the size of new construction and completed deals. Not to mention that all of this was accomplished with ever-increasing rental rates!

I believe that the Atlanta industrial market will continue to grow, even with all the disruptions currently affecting our industry. I am optimistic that we will continue to solve the disruptions in the global supply chain: manufacturers not having enough components to make the end products, a lack of an adequate labor force to produce the products, not enough truck drivers to transport the products to the port to be shipped, a deficient number of dock workers to load the containers onto the ships in a timely manner, and too many ships being stuck outside the American ports waiting to be unloaded.

Inflation and gas/energy prices are rapidly increasing, interest rates are rising, the pandemic persists, and the Russian invasion/war with Ukraine is escalating, along with the rumor of a strike for the West coast dock workers, all contribute to the uncertainty in the marketplace. Despite all this unpredictability, the shindig continues as demand remains strong in the industrial markets all across the US.

Lastly, if you haven't noticed...Spring is in the air and the party continues! It's Masters Week at Augusta, and the Atlanta Braves had their home opener where they raised the World Series Pennant that they won last year. I'm feeling optimistic, and I predict that the Atlanta industrial market will continue its impressive performance throughout 2022!

Go Braves!

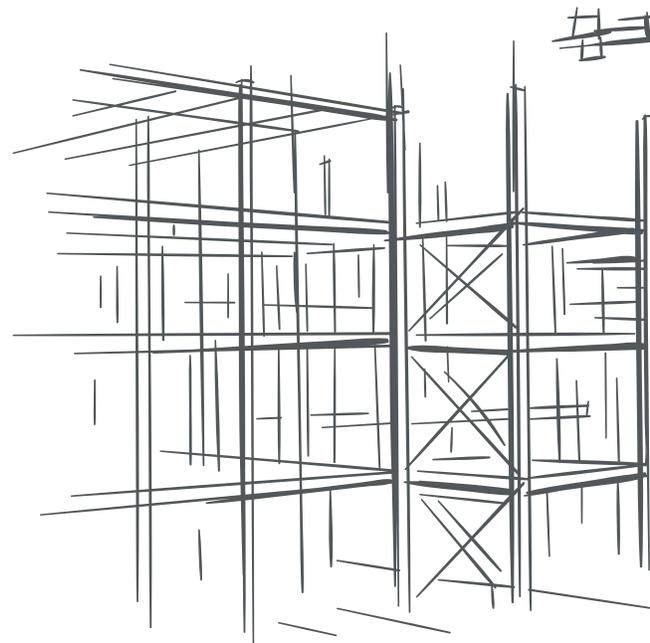
Sim F. Doughtie,
CCIM, SIOR, MCR, SLCR
President
sdoughtie@kingindustrial.com
404.942.2002



Click on this link to watch an interesting documentary regarding global supply chains...

Chain Reaction - Why Global Supply Chains May Never Be the Same - A WSJ Documentary

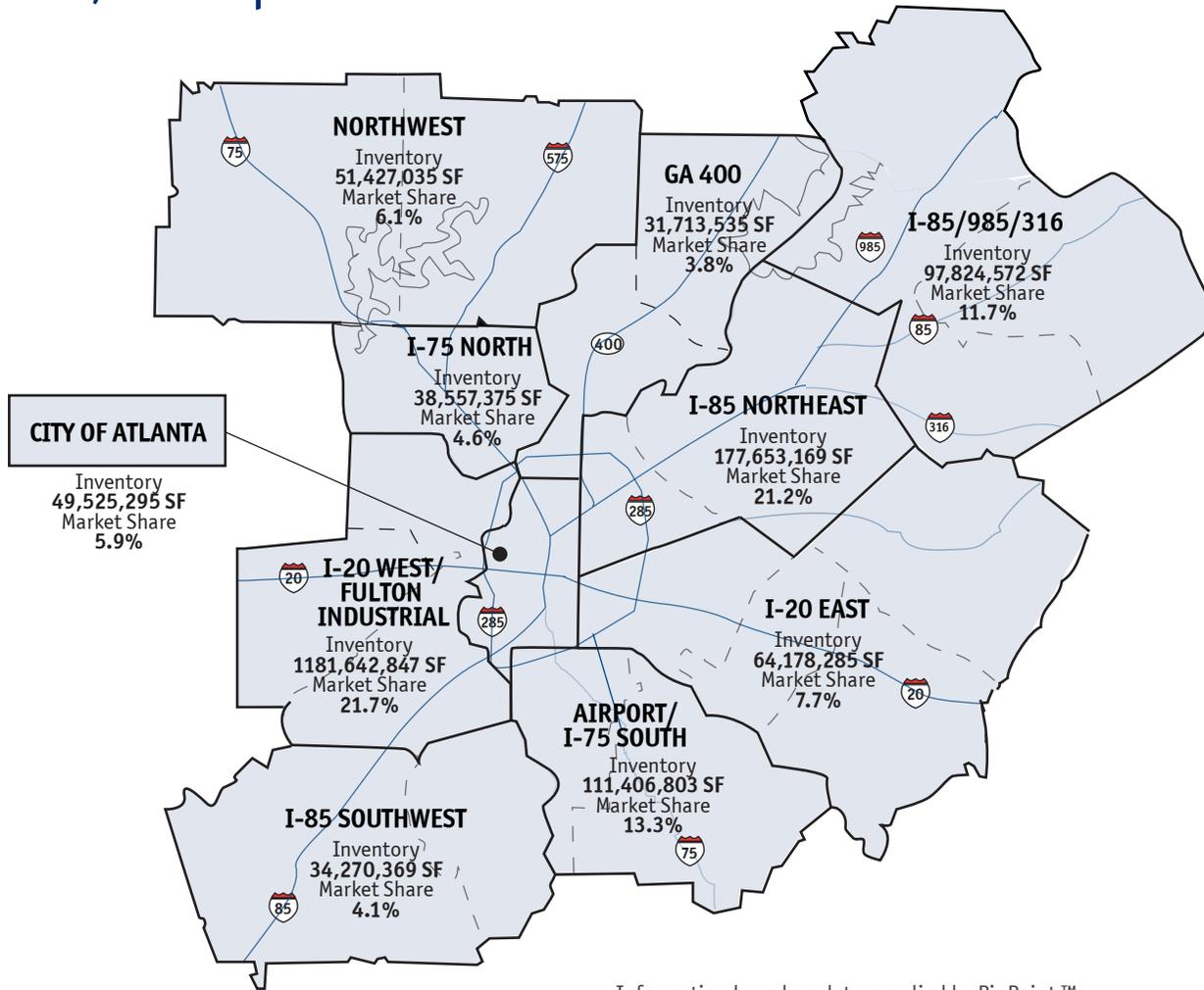
“For the first time in our history, the majority of all available space consists of new space (52 percent)...”



Distribution Market Inventory

Total Inventory

838,199,285 Square Feet



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Knowledge Through Experience

Since 1983, King Industrial Realty has tracked and reported on the Atlanta industrial market using our proprietary database, PinPoint™. We pride ourselves in remaining the only complete and independent source of industrial data in the Atlanta metro area.

New Construction

The Atlanta Market threw down new construction during the 1st quarter of 2022, setting a new record with 13,482,406 square feet coming out of the ground. With the market’s demand for space, it is notable that a larger number of smaller divisible projects are being built, with 21 projects under 100K square feet and an additional 26 projects between 100K-300K square feet. There were 10 new BTS projects started during the quarter, exploding BTS projects up to 27% of all new construction, huge compared to the 1% seen last quarter. The largest BTS project was the 1.5 million square foot expansion for Facebook/Meta Platforms in Social Circle.

Major Construction Projects

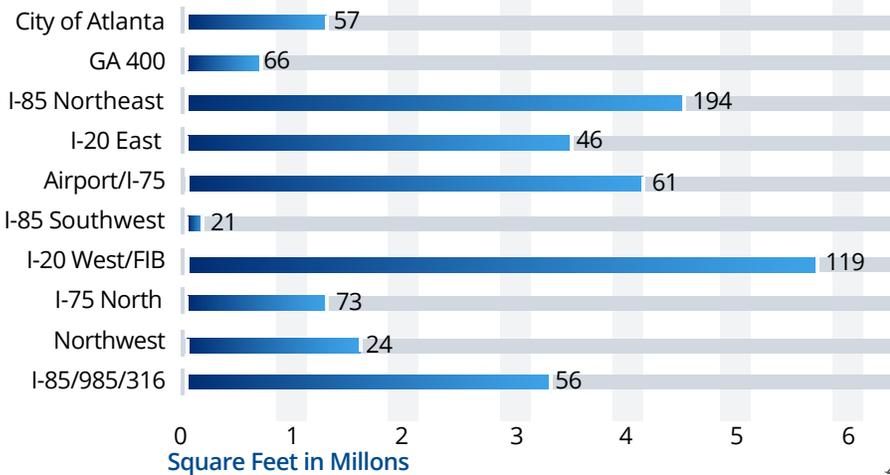
Location	Submarket	Sq. Feet	Type
Move Fast Way "Stanton Springs"	I-20 East	1,500,000 SF	Expansion for Facebook/Meta Platforms
Bridgeport Boulevard "The Cubes at Bridgeport"	I-85 Southwest	1,201,200 SF	Spec
Highway 41 "Gordon Logistics Center"	Northwest	1,038,520 SF	Spec
Iris Drive Logistics Parkway NE "Great Valley Commerce Center"	I-20 East	925,000 SF	BTS for Lidl USA
Davis Lake Road "Gardner Logistics Park – Phase II"	Airport/I-75 South	678,000 SF	BTS for Ryder

1st Quarter 2022
13,482,406 SF

9,591,442 SF
 from 4th Quarter 2021

Distribution Activity

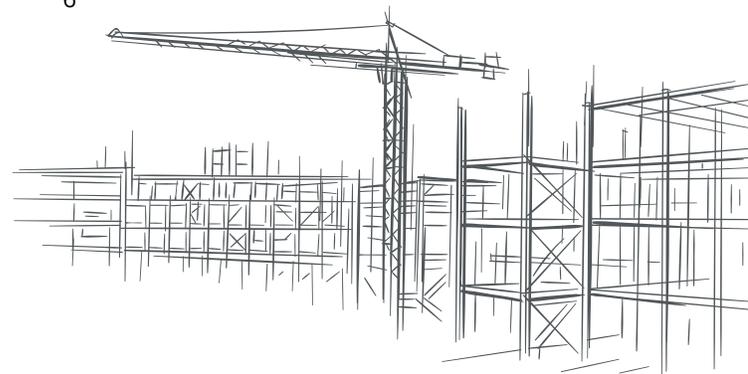
Number of Deals by Region



Total Activity
 1st Quarter 2022
26,301,678 SF

10,647,167 SF
 from 4th Quarter 2021

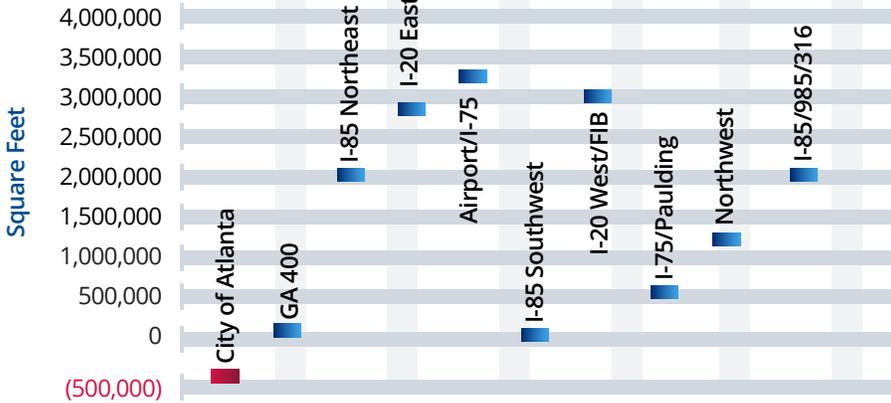
The race for space was booming and activity set another new record of 26.3 million square feet! Whoopee! Almost 15 million square feet of this quarter’s activity was seen in three regions: the I-20 West/Fulton Industrial region (5.9 million square feet), I-85 Northeast region (4.6 million square feet) and the Airport/I-75 region (4.3 million square feet). Except for the GA 400 region and the I-85 Southwest region, all other regions recorded well over 1 million square feet of activity.



Distribution Net Absorption

Not to be outdone, Atlanta’s Distribution market’s net absorption squashed the previous record made during the 3rd quarter of 2021 with 14.8 million square feet. The Airport/I-75 South region was the life of the party beating out all other regions with 3,252,120 square feet. Coming in a close second was the I-20 West/Fulton Industrial region with 2,922,679 square feet. Two other regions, I-20 East and I-85 Northeast posted over 2,000,000 square feet as well. Only the City of Atlanta region missed the party with absorption falling into negative territory.

Net Absorption by Region



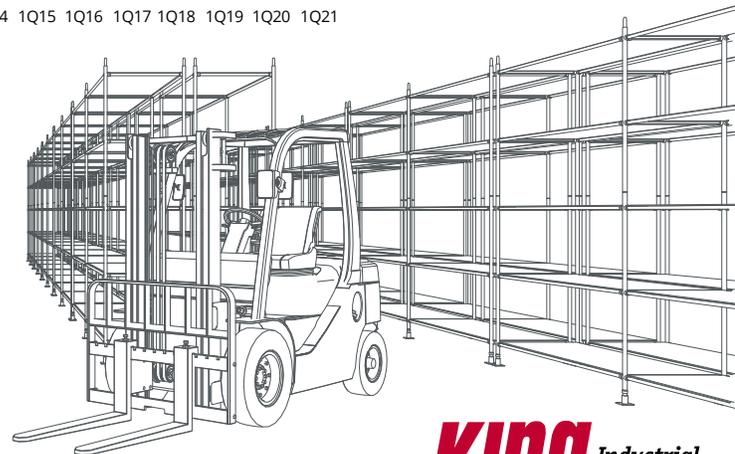
Net Absorption
 1st Quarter 2022
14,796,739 SF

9,591,442 SF
 from 4th Quarter 2021

Net Absorption (2001 - 2021)



Numbers represent four rolling quarters

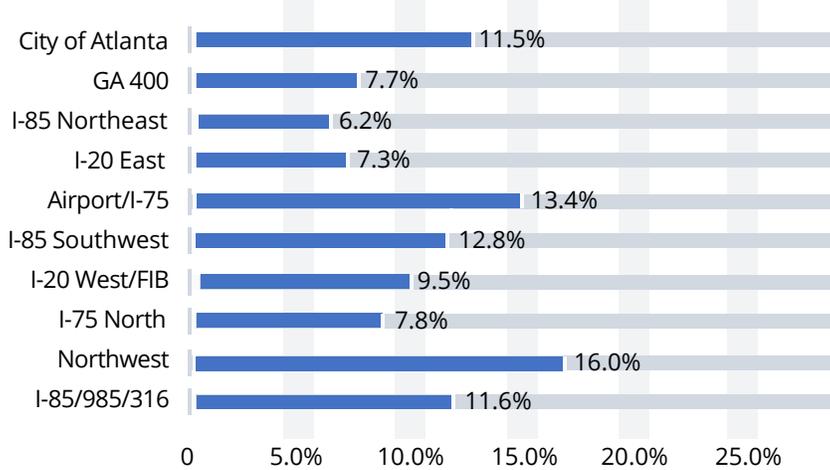


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Distribution Availability

Atlanta’s Industrial market availability rate fell 0.6 percent and now boasts a rate of 9.9 percent, reducing the available space to 82,962,997 square feet. This is the lowest ever recorded by King despite over 13 million square feet of new construction coming to the party. The I-85 East region, despite being the second largest region claimed the lowest availability rate of 7.3 percent. One of the smaller regions, the Northwest, took the last dance card with 16 percent, well over the metro average.

Percent Available by Region



Total Available SF

1st Quarter 2022

82,962,997 SF

Metro Availability

9.9%

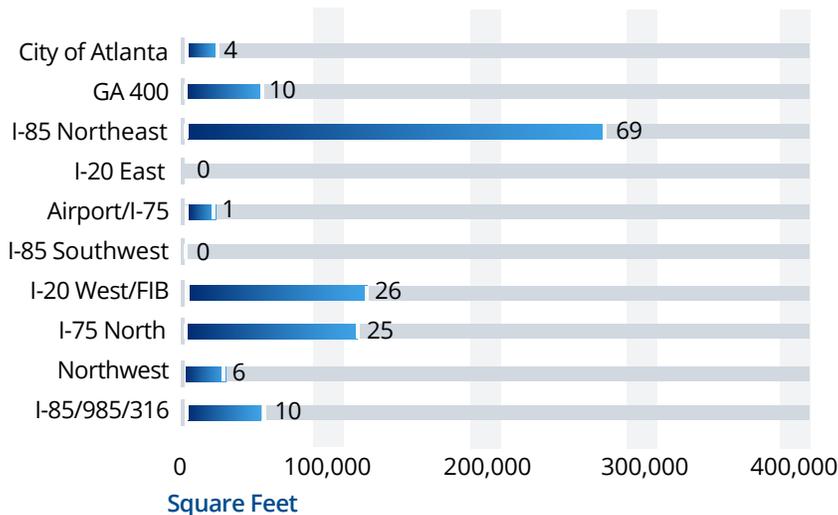


0.6%

from 4th Quarter 2021

Service Activity

Number of Deals by Region



Total Activity

1st Quarter 2022

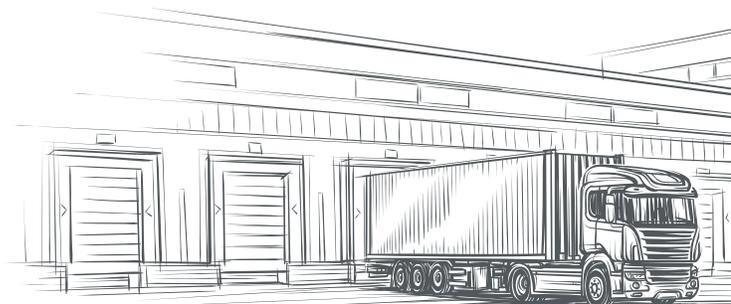
567,791 SF



360,838 SF

from 4th Quarter 2021

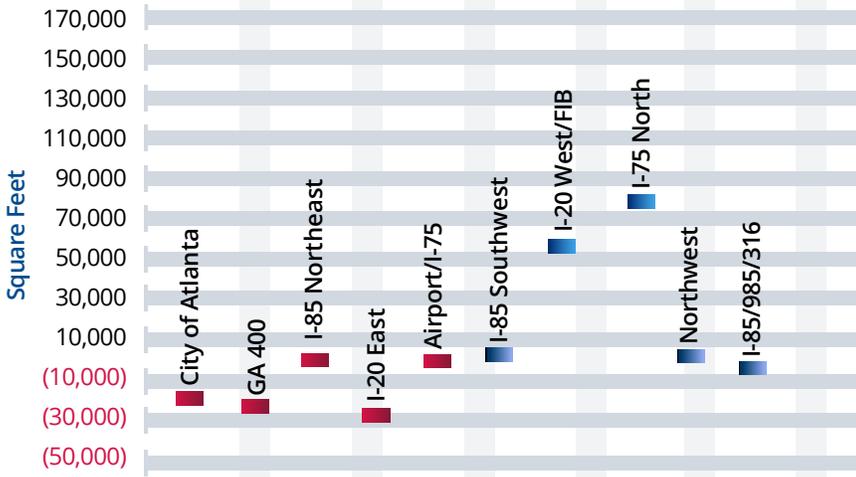
The Service Center Sector didn’t fare too well this quarter... activity was down to 567,791 square feet, almost half seen during the previous quarter. The four-quarter activity also fell to 2,977,349 square feet, which is status quo. The I-85 Northeast region’s activity also fell but remained in the lead with 231,866 square feet. The I-75 North region the I-20 West/Fulton Industrial region came in second and third respectively and both posted over 100,000 square feet of activity. The I-20 East and the I-85 Southwest regions didn’t show up to the party and failed to report any deals.



Service Net Absorption

Net absorption only managed to gather up 6,483 square feet in the Metro Atlanta service center sector during the quarter. This was way down from last quarter's 437,264 square feet. With the majority of regions falling into negative territory, it's lucky that the net absorption came in positive. Only three regions posted positive numbers: I-75 North (85,253 square feet), I-20 West/Fulton Industrial (54,764 square feet) & the Northwest (8,076 square feet). The I-20 East region went from bad to worse and ruined the whole shebang with negative 61,400 square feet. The GA 400 region did an about face and added fuel to the fire with a negative 44,962 square feet.

Net Absorption by Region



Net Absorption

1st Quarter 2022

6,483 SF

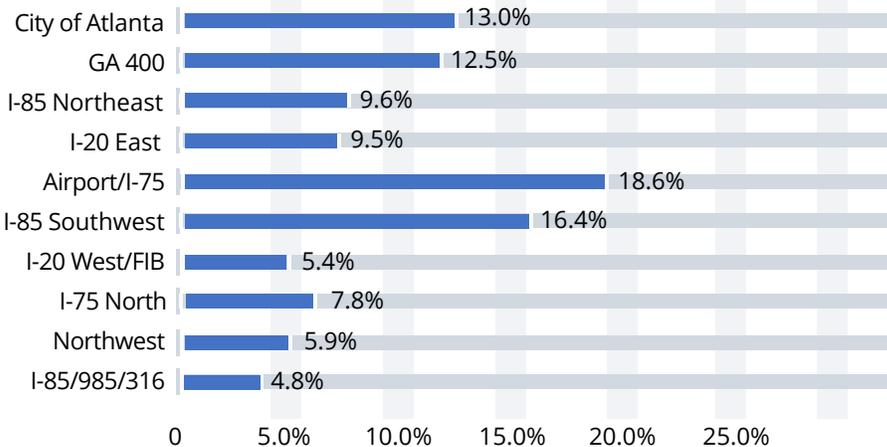


430,781 SF

from 4th Quarter 2021

Service Availability Rate

Percent Available by Region



Total Available SF

1st Quarter 2022

2,619,905 SF

Metro Availability

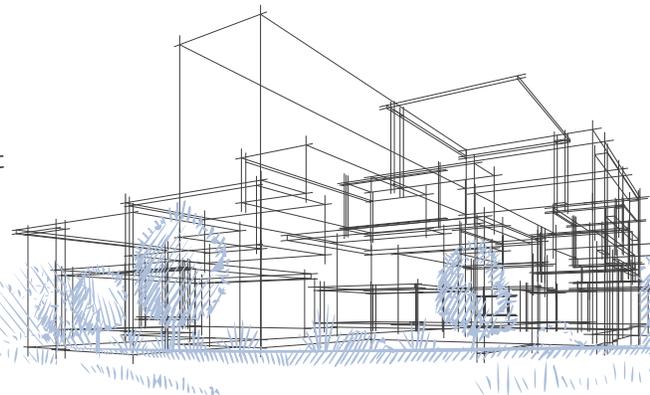
9.7%



0.2%

from 4th Quarter 2021

Metro Atlanta's service center sector's only attraction this quarter was availability. Despite the massive decreases in activity and net absorption, they numbers were just enough to reduce the available space in the service sector to 2,619,905 square feet, adjusting the average rate down 0.2 percent to 9.7 percent. The I-85/985/316 region boasted the lowest rate at 4.8 percent. Once again, the Airport/I-75 South region reported the highest rate at 18.6 percent, a full percentage point higher than last quarter due to an exit wave of tenants, and almost double the metro average.



Next Quarter coming soon...

Q2 2022



Call Us: **404.942.2000**

www.KingIndustrial.com

1920 Monroe Drive, NE

Atlanta, GA 30324