



KING INDUSTRIAL REALTY

POINT
OF VIEW

SECOND QUARTER 2020



King Industrial
Realty, Inc.

Industrial • Commercial • Investment



Second Quarter 2020

OH, WHAT A RELIEF IT IS!

Well, the second quarter Atlanta industrial market results are in. I predicted in the first quarter 2020 Point of View that the second quarter outcome would be significantly below par. Boy, was I wrong, and I couldn't be more relieved!

I can hardly be blamed for missing the mark when you consider everything that was going on at the time; the Corona Virus, the American economy shut down, citizens ordered to shelter in place, 40+ million jobs lost, civil unrest, etc.

What happened...why did the industrial market perk up and not take a turn for the worse?

Well, an interesting thing happened while the public was ordered to shelter in place. People either could not, or did not want to go out to buy food or anything else for that matter. So, they started ordering on-line at a feverish pace. As retail sales plummeted, internet sales skyrocketed to an all-time high for e-commerce orders.

The dramatic increase in on-line orders was therapeutic and led to more inventory/products coming through the vendors' supply chain pipelines. This boon prompted the need for more warehouse space to store everything before it landed on the consumer's doorstep. This was not just normal warehouse distribution space, it was also e-commerce space and just in time or last mile delivery space.

Here's what we saw in the second quarter of 2020. First, activity was over 15 million square feet. When added to the previous three quarters we're looking at over 57 million square feet of total activity for the four-quarter period.

Interestingly enough, as strong as activity was for the quarter, the total number of transactions was down significantly to only 468 deals – the lowest seen in years. This high volume of square feet leased with a smaller number of deals means the industrial market consummated larger deals. In fact, of the 57 million square feet of activity recorded in the past four quarters, a

OH, WHAT A RELIEF IT IS!

continued..

whopping 54% of that square footage was attributed to deals 100,000 square feet and above (110 deals). Of those 110 transactions, seven deals were over 500,000 square feet, two were over 750,000 square feet, and four deals were over 1 million square feet.

Some of the bigger players leasing these spaces were Goodyear Tire & Rubber (1,492,400 sf on Orchard Business Parkway), SK Battery America (1,200,000 sf on Steve Reynolds Industrial Parkway), Amazon (1,128,400 sf on Campbellton Road, 815,360 sf on Lanier Islands Parkway and 700,000 sf on West Park Place Boulevard), Mondelez Global (570,988 sf on Campbellton Fairburn Road) and Fr8Auctions (527,000 sf on Terminus Drive).

Second, positive net absorption for the second quarter was over 6.2 million square feet, an improvement from the first quarter level of over 4.5 million square feet. That puts our four-quarter total at over 15.3 million square feet.

Third, new construction came in at a little over 4.5 million for the second quarter, down from the first quarter total of over 6.4 million square feet. The four-quarter total was quite restorative at over 21.2 million square feet – 33% was build-to-suit and the remaining 67% was speculative construction.

The last clear indicator of the health of the Atlanta industrial market is the availability rate. Despite adding 3.6 million square feet of spec construction, the rate dropped from 11.7% in the first quarter to 11.2% in the second quarter.

With the unexpected increase in jobs gained picking up for May (+2.7 million), and for June (+4.8 million), plus the stock market's strong rebound, it appears we might just bounce back a little bit faster than any of the experts thought possible. Of course, there is a factor of uncertainty looming with the November presidential election . . . historically speaking, years that feature presidential elections usually generate some kind of slowdown. We will just have to wait and see if we are immune to this affliction in 2020.

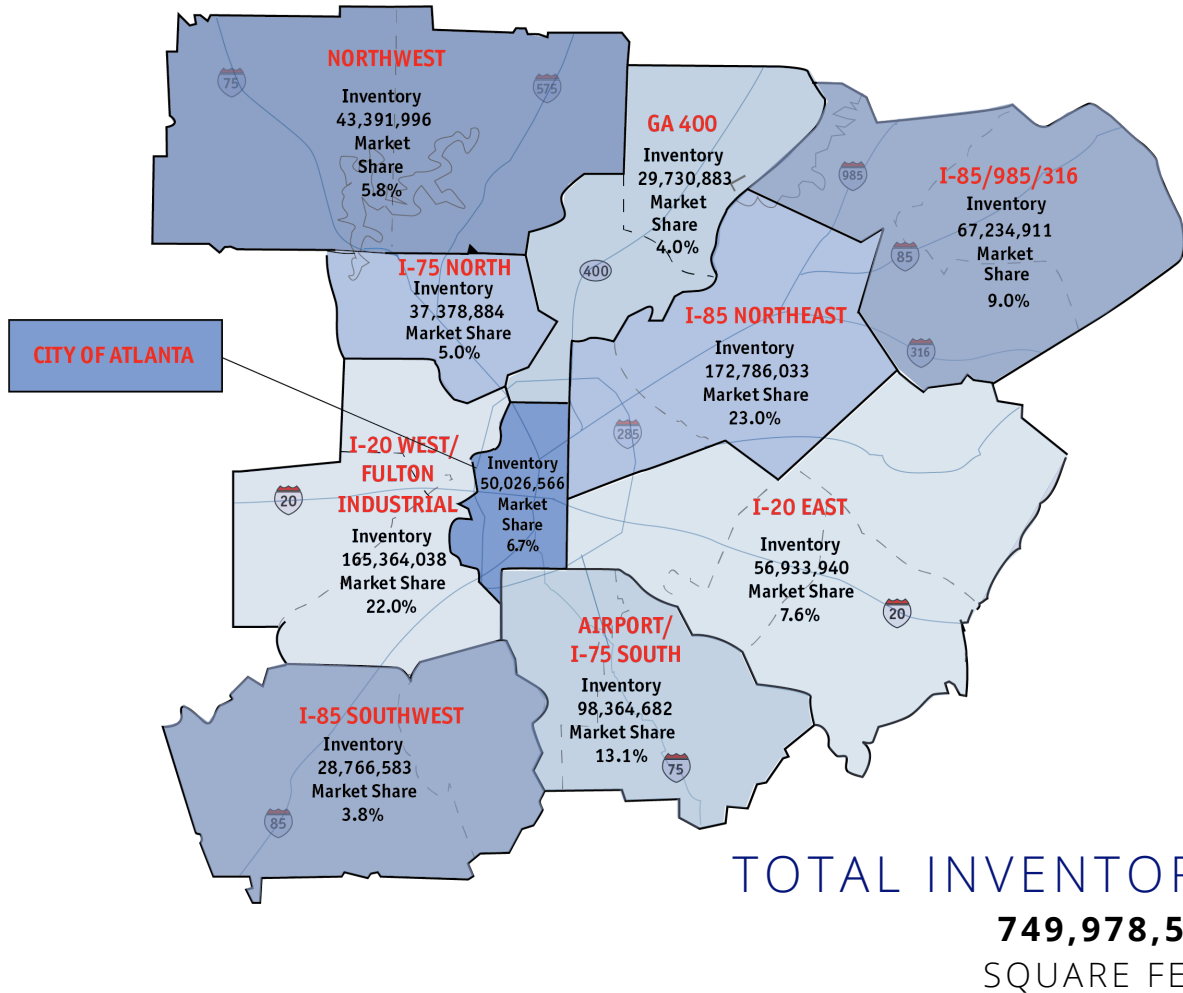
With the latest spikes in the reported cases of COVID-19, it is uncertain as to how or when we will have a full recovery of the economy, or if schools will be in session this Fall, or if we will even have college football (heaven forbid!). I do believe, however, that we will continue to recuperate and will see more positive job gains reported in the coming months. This will be especially true after July 31st when the additional \$600 federal government unemployment payment ends.

The next several weeks will be telling as we continue on the path toward remission and finding the remedy we need for regaining our economy and getting our lives back to "normal". Until then, keep your people safe and let's all continue to work toward a successful and safe regeneration of our economy!

Sim F. Doughtie, CCIM, SIOR, MCR, SLCR
President

POINT OF
VIEW 2Q20

DISTRIBUTION MARKET INVENTORY




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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.

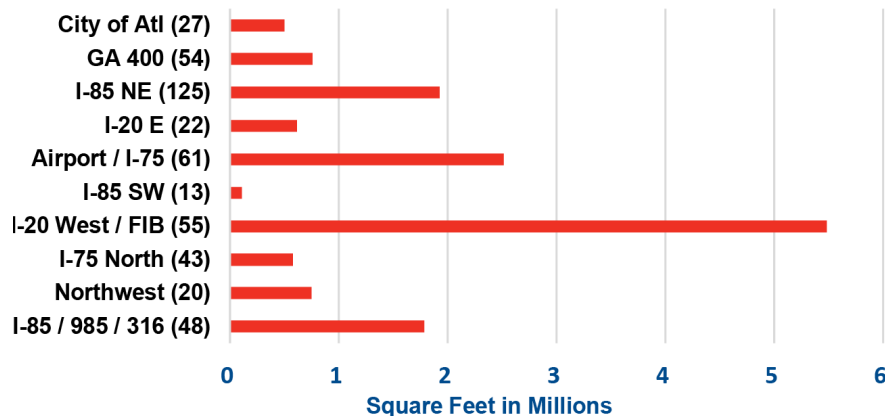
NEW CONSTRUCTION

New construction slipped a bit in the second quarter of 2020. The 4,504,748 square feet recorded was categorized as 20% build-to-suit and 80% speculative construction. Available first-generation space actually dropped to 34,760,791 square feet or 41.6% of all available space.

Location	Submarket	Square Feet	Type	2nd Quarter 2020 4,504,748SF
Cass White Rd	Northwest	1,107,960	Spec	 1,950,659 SF from 1st Quarter 2020
Roosevelt Hwy	I-20 West/Fulton Industrial	499,250	BTS	
Busch Dr	Northwest	396,000	Spec	
Riverside Pkwy	I-85 Northeast	367,060	Spec	
Cass White Rd	Northwest	311,660	Spec	


Distribution Activity

by Region (# Deals)



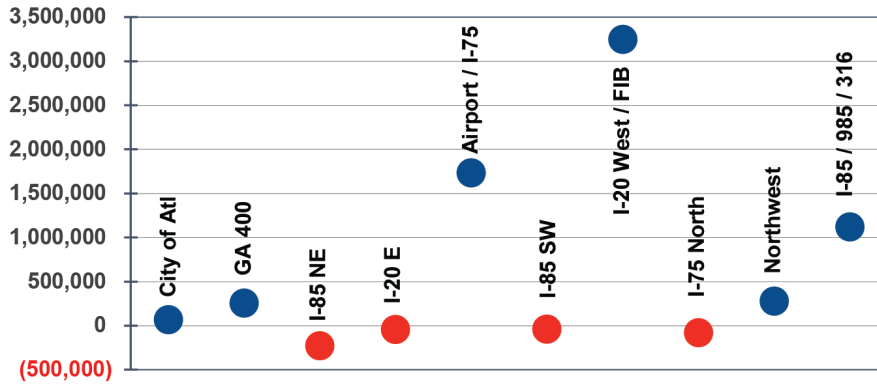
Activity in the distribution sector came in at 15,008,342 square feet in the second quarter of 2020. The I-20 West / Fulton Industrial region accounted for one-third of that activity or 5,479,690 square feet. The Airport / I-75 region followed with 2,513,733 square feet. The I-85 Northeast region, typically our top producer, came in third with 1,924,003 square feet.

Total Activity
2nd Quarter 2020
15,008,342 SF


 1,063,329 SF
 from 1st Quarter 2020



Distribution Net Absorption



Having the lion's share of activity was not the only success the I-20 West / Fulton Industrial region claimed in the second quarter. This region's net absorption of 3,244,523 square feet was responsible for half of the metro Atlanta net absorption of 6,284,427 square feet. The Airport / I-75 region and the I-85 / 985 / 316 region followed with 1,730,907 square feet and 1,118,133 square feet respectively. Surprisingly, the powerhouse I-85 Northeast region brought up the rear with -231,486 square feet.

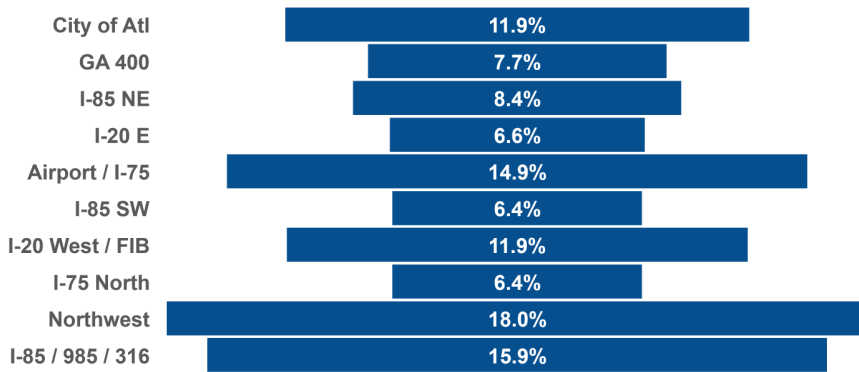
Net Absorption
2nd Quarter 2020
 6,284,427 SF

↑

1,775,969 SF
 from 1st Quarter 2020



Distribution % Available



The metro availability rate fell half a percent to 11.2%. The Northwest region now holds the highest percentage available at 18.0% with 67.3% of this space labeled first-generation. The I-85 / 985 / 316 region follows with 15.9% of its space available. The I-75 N and I-85 SW regions are tied for lowest availability at 6.4% available space in their inventory.

2nd Quarter 2020
 Total Available SF
 83,636,149

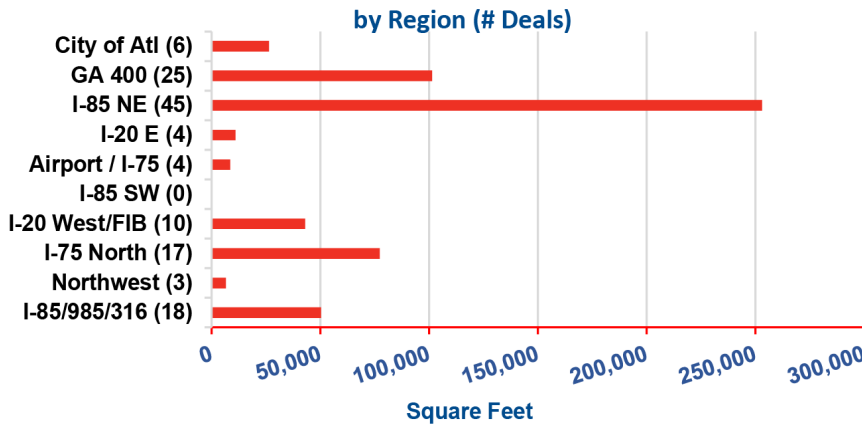
Metro Availability
 11.2%

↓

0.5%
 from 1st Quarter 2020

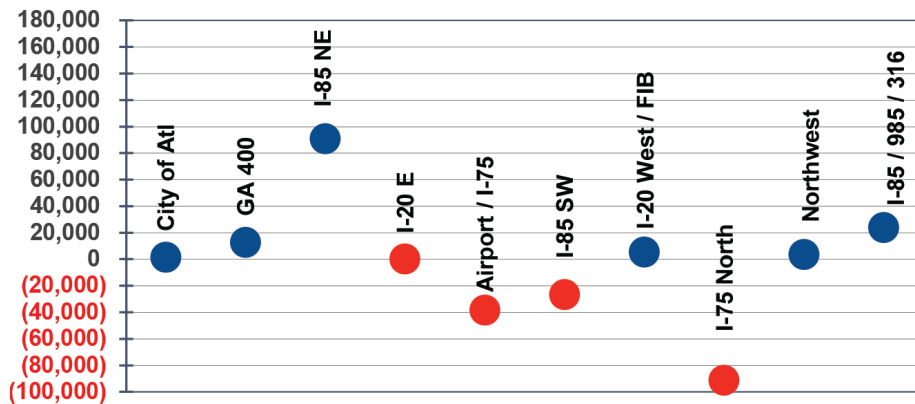


Service Activity



The I-85 NE service center sector was responsible again this quarter for almost half of the total 577,831 square feet of activity. Its 253,152 square feet was far ahead of its closest peer, the GA 400 region, with 101,443 square feet. The I-85 SW region sat this quarter out with no deals reported.

Service Net Absorption



The metro Atlanta service center net absorption fell to negative territory, dropping to -19,949 square feet. The I-85 NE service center sector recorded a respectable 90,740 square feet on the positive side, followed by its neighboring region, I-85 / 985 / 316, with 23,632 square feet. Rounding out the top three was the GA 400 region with 12,480 square feet. Four of the 10 regions reported negative net absorption for the quarter.

Total Activity
2nd Quarter 2020
577,831 SF



67,042 SF
from 1st Quarter 2020



2nd Quarter 2020

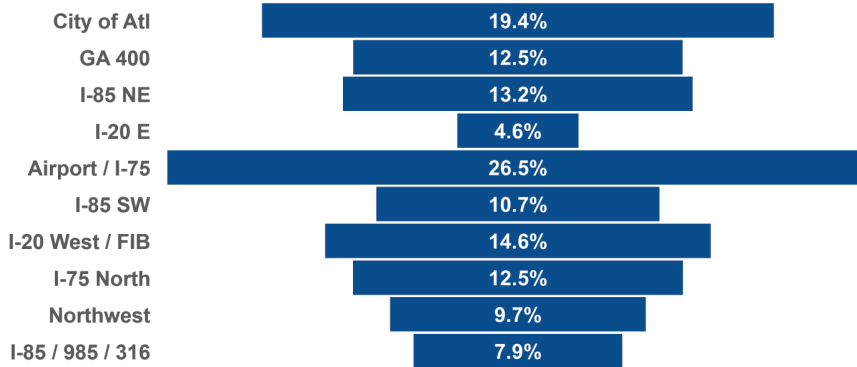
Net Absorption
-19,949 SF



41,592 SF
from 1st Quarter 2020



Service % Available



2nd Quarter 2020

Available SF

3,521,066 SF

Metro Availability

13.2%



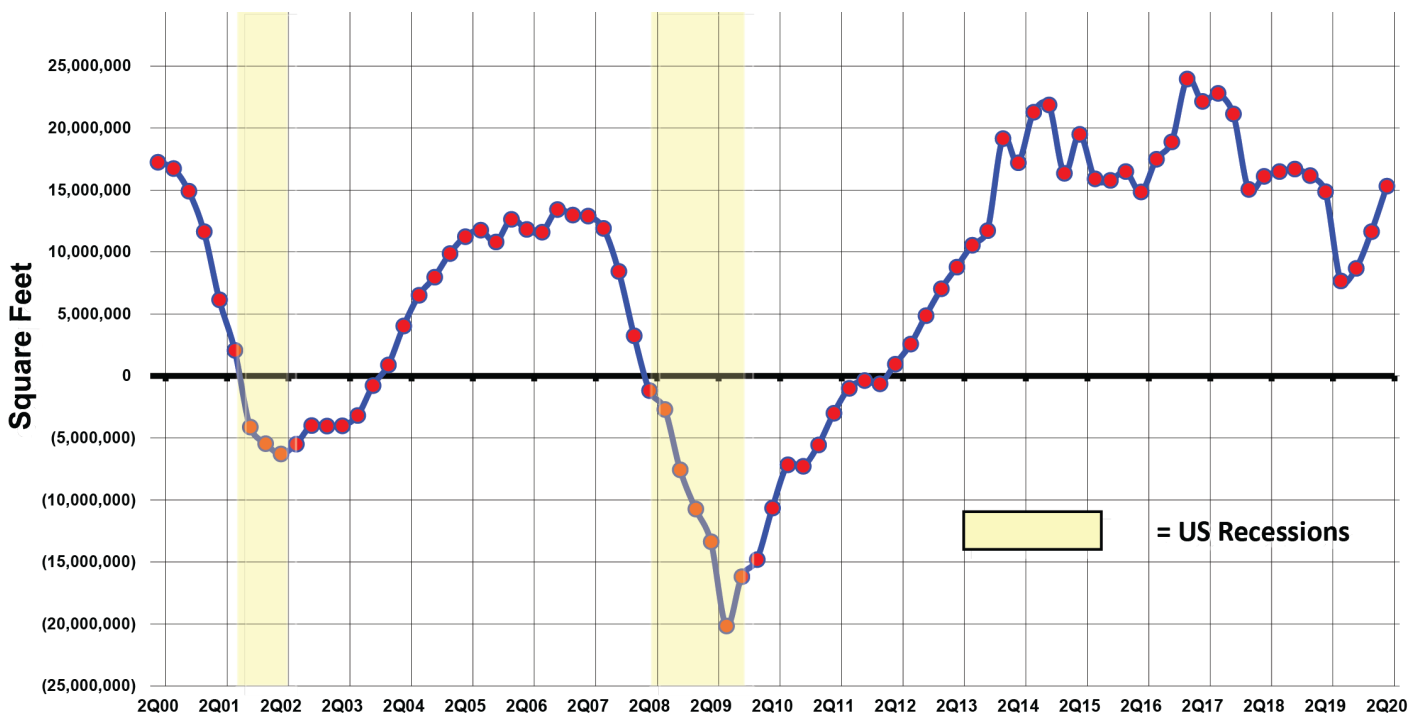
0.1%

from 1st Quarter 2020

The metro average percentage available ended the second quarter at 13.2%. The Airport / I-75 region, up to 26.5% retains the highest rate among the service center sectors with the City of Atlanta region next at 19.4%. The I-20 E region now holds the lowest availability rate at 4.6%.



NET ABSORPTION (2000-2020)



Numbers represent four rolling quarters.

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