



KING INDUSTRIAL REALTY

# POINT OF VIEW

---

THIRD QUARTER 2020

**CORFAC**  
International

**King** Industrial  
Realty, Inc.  
Industrial • Commercial • Investment



An aerial photograph of the Atlanta skyline, featuring the prominent Bank of America Tower. The foreground is filled with lush green trees and some residential houses, creating a 'point of view' from a distance.

*Second Quarter 2020*

## LET THE *GHOUL* TIMES ROLL!

---

At this time last year, we reported that, after 29 spooktacular quarters of positive net absorption, the Atlanta industrial market experienced dreadful negative net absorption of 684,431 square feet. I went to my research department and asked, "Is this a trick? It can't be correct." They said, "Unfortunately, we fell into a shallow grave this quarter." I said, "Don't etch that in stone yet!" I just could not believe it; I knew there were so many active transactions roaming around in the marketplace. I decided to call a few brokers to verify our information. What I found out from other local brokers was that many of the deals they were working on had not completely decomposed; they were just in purgatory waiting to materialize. This led me to declare this negative net absorption for the third quarter of 2019 was an apparition and that the market would rise again . . . which it has.

Activity for the third quarter of 2020 rose over 18.2 million square feet - second highest quarterly activity ever recorded. That gives us a total four-quarter activity of over 65.3 million square feet - THE highest activity ever recorded for a four-quarter period.

Net absorption in the third quarter of 2020 was over 8.7 million square feet - again THE highest positive net absorption for a single quarter ever recorded. Now add the previous three quarters for a four-quarter positive net absorption of 24.7 million square feet - AGAIN THE highest positive net absorption ever recorded for a four-quarter period. Atlanta has now recorded a beastly 33 out of 34 quarters of positive net absorption with only one quarter of negative net absorption in 8 ½ years!

New construction continued to cackle as well. During the third quarter of 2020 over 7.5 million square feet materialized out of the ground - the second highest ever in new construction for a quarter. When added to the past three quarters, new construction was a hair-raising 24.5 million square feet - second highest number ever recorded for four-quarters. Build-to-suit projects accounted for 35% of that construction with the remaining 65% dressed out as speculative construction.

# LET THE GHOUL TIMES ROLL!

*continued..*

Over the past six years, the BOOM in new construction spun a web of over 121.7 million square feet. During that same time frame, activity and positive net absorption were so strong that, despite that huge influx of new inventory, the availability rate actually dropped from 13.4% to 10.8% at the close of third quarter 2020 - a new low for the availability rate!

What accounts for this spell-binding activity in the Atlanta industrial market?

The first spell cast was the enchanting impact of e-commerce on the Atlanta industrial market. Add the government "stay-at-home" mandates due to the COVID 19 outbreak and the e-commerce market picked up even more steam. As consumers begged for more and faster treats delivered to their doorstep, demand for space floated even higher. In turn, developers built to meet the increased demand for space with higher ceilings (36'-40'), extra trailer parking, etc. Then these leased-up industrial buildings were sold to investors at sub 5% cap rates, and the magic was ready to start all over again.

The next incantation was due to increased demand, especially for e-commerce space, and the increase in the size of transactions. During the past four-quarter period, there were 129 deals completed that were a chilling 100,000 square feet or larger. The total square footage of those transactions was over 38.7 million square feet or 65.3% of the total square footage leased and sold in that period. The average size of those deals was 300,000 square feet. In addition, a spine-tingling 21 of those transactions were 500,000 square feet or above (12 deals over 500K, three deals over 750k, and six deals over one million square feet). We have never before witnessed this many transactions of this size in the Atlanta industrial market.

The Atlanta and U.S. economies are not as grim as they were earlier this year now that we are doing a better job managing the deadly COVID 19 cases. New jobs reported for the U.S. totaled 3.86 million for the third quarter. The U.S. unemployment rate fell to 7.9% - a shadow of the ghastly 14% reported in April. The unemployment rate in Atlanta fell below the national average down to 6.3% (Georgia is also down at 5.6%). While schools are beginning to re-open, they still have a long way to go. When they do fully open, more parents will be able to go back to work and we will see another positive impact on the unemployment rate. More importantly, the magic of football has returned...HOORAY!

Of course, we are all still waiting for the vaccine, and at that point, we will all get our lives back! I do not see the backside of this pandemic as a "New" normal - I hate that term! I see a return to "normal" and an even better one at that!

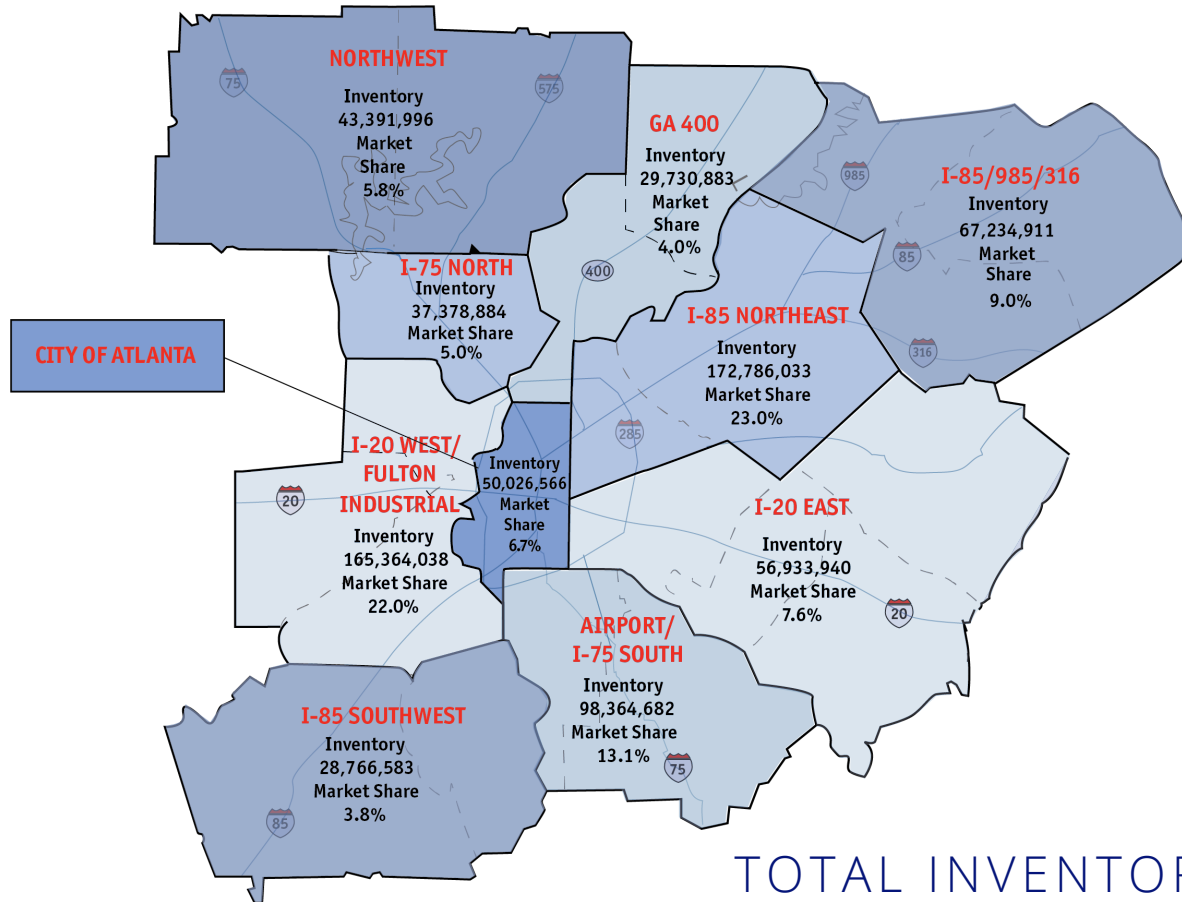
Until then, stay safe while trick or treating, and let's all continue to work on improving our economy for everyone! Happy Halloween!

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

POINT OF  
VIEW 3Q20



# DISTRIBUTION MARKET INVENTORY



## TOTAL INVENTORY

**758,203,898**  
SQUARE FEET

Information based on data supplied by PinPoint™.

All rights reserved. Information deemed reliable, but not guaranteed.


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.



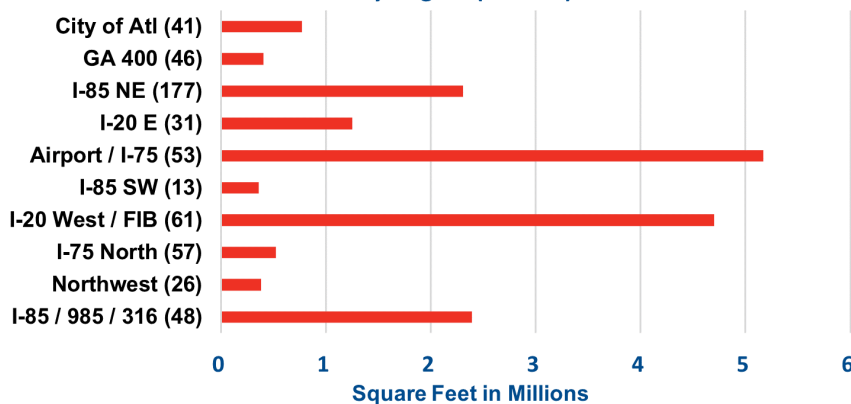
## NEW CONSTRUCTION

New construction rose by nearly 3 million square feet in the third quarter of 2020, setting a new record. The 7,502,134 square feet recorded was categorized as 35% build-to-suit and 65% speculative construction. Available first-generation space dropped slightly to 33,749,401 square feet or 41.1% of all available space.

Location	Submarket	Square Feet	Type	3rd Quarter 2020 7,502,134 SF
Stonewall Tell Rd	I-20 West/Fulton Industrial	1,150,000	Spec	
Anvil BLock Rd	Airport/I-75	1,043,418	Spec	
Highway 42	Airport/I-75	657,600	BTS	
Logistics Way	I-20 West/Fulton Industrial	650,000	BTS	
Coffee Road	I-20 East	615,000	BTS	
				2,997,389 SF from 2nd Quarter 2020

### Distribution Activity

by Region (# Deals)



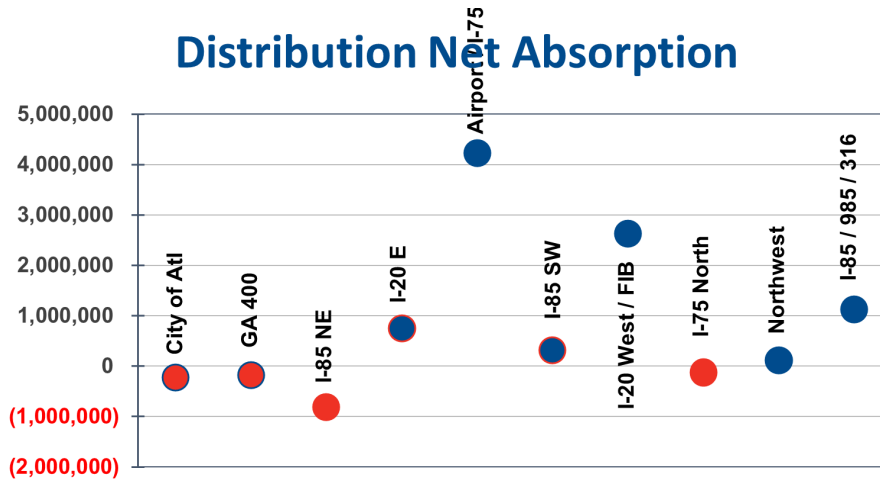
Activity in the distribution sector magically rose by 3 million square feet, reporting 18,254,761 square feet in the third quarter of 2020, the second highest activity recorded. The Airport / I-75 region and the I-20 West / Fulton Industrial region accounted for 54% of that activity with 5,169,092 and 4,701,006 square feet respectively. The I-85 / 985 / 316 region came in third with 2,392,828 square feet with the I-85 Northeast region, typically our top producer, coming in a close fourth at 2,307,482 square feet.

Total Activity  
3rd Quarter 2020  
18,254,761 SF

3,246,419 SF  
from 2nd Quarter 2020

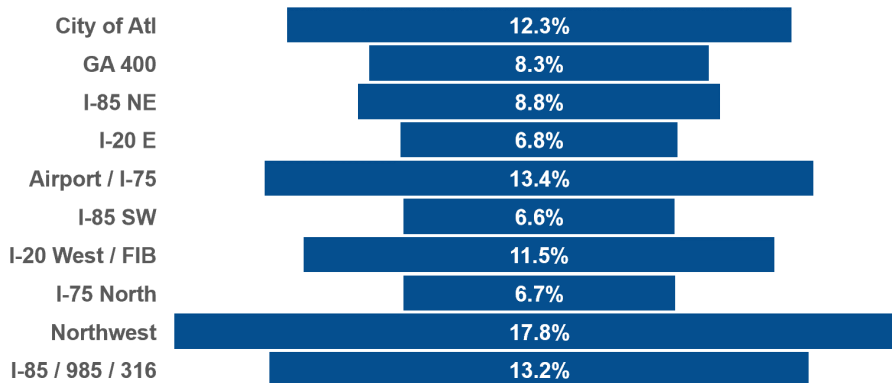


## Distribution Net Absorption



The Airport / I-75 region was rattling the chains during the third quarter. This region's net absorption of 4,227,172 square feet was responsible for almost half of the metro Atlanta's highest ever net absorption of 8,788,187 square feet. The I-20 West / Fulton Industrial region and the I-85 / 985 / 316 region came in strong with 2,626,468 square feet and 2,110,480 square feet respectively. For the second consecutive quarter, the powerhouse I-85 Northeast region came in with a ghastly last place rating at -817,935 square feet.

## Distribution % Available



The availability rate also climbed to the top of the heap this quarter, setting a new record. Despite all the new construction activity, the metro availability rate fell 0.4% to 10.8%, the lowest ever recorded by King. The Northwest region holds the highest percentage available at 17.8% with 68.9% of this space labeled first-generation. The Airport / I-75 has the second highest availability rate of 13.4% with 50.9% of this space labeled first-generation. The I-85 / 985 / 316 region follows with 13.2% of its space available. The I-85 SW regions has the lowest availability with 6.6% available space in their inventory.

Net Absorption  
3rd Quarter 2020  
8,788,187 SF



2,503,760 SF  
from 2nd Quarter 2020



3rd Quarter 2020  
Total Available SF  
81,911,563  
Metro Availability  
10.8%



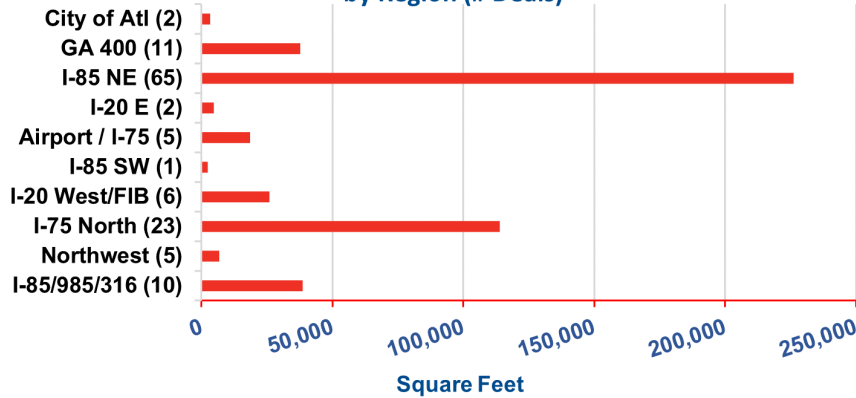
0.4%  
from 2nd Quarter 2020





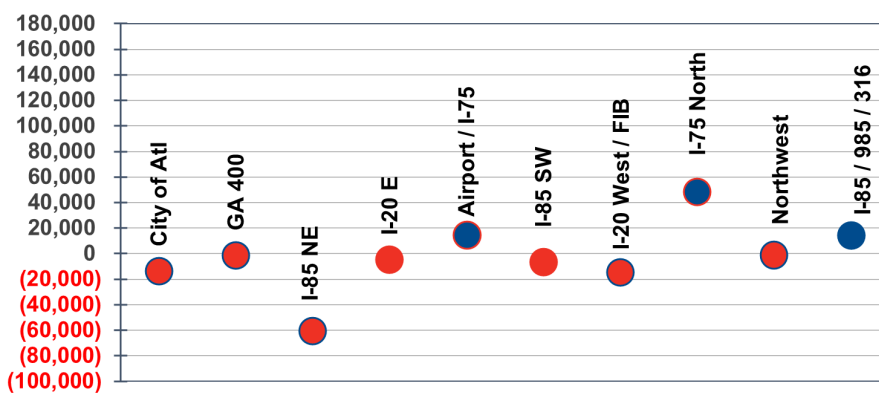
## Service Activity

by Region (# Deals)



The I-85 NE service center sector was glowing again this quarter with almost half of the total 478,089 square feet of activity. Its 226,156 square feet was double that of its closest peer, the I-75 / Paulding region, with 114,009 square feet. The I-85 SW region was dead last with 2,400 square feet for one deal.

## Service Net Absorption



The metro Atlanta service center net absorption remained six feet under this quarter. The net absorption went deeper in negative territory, buried down to -27,576 square feet. The I-75 / Paulding region outshined all the other regions with 47,872 of net absorption. The Airport/I-75 region managed to convert most of its activity into 14,479 sf of net absorption, followed by I-85 / 985 / 316, with 14,199 square feet. The I-85 NE service center sector went from a respectable 90,740 square feet last quarter into the bottom of the pit with -60,738 square feet this quarter. It was a horrifying sight with seven of the ten regions reporting negative net absorption for the quarter.

Total Activity  
3rd Quarter 2020  
478,089 SF



99,742 SF  
from 2nd Quarter 2020



3rd Quarter 2020

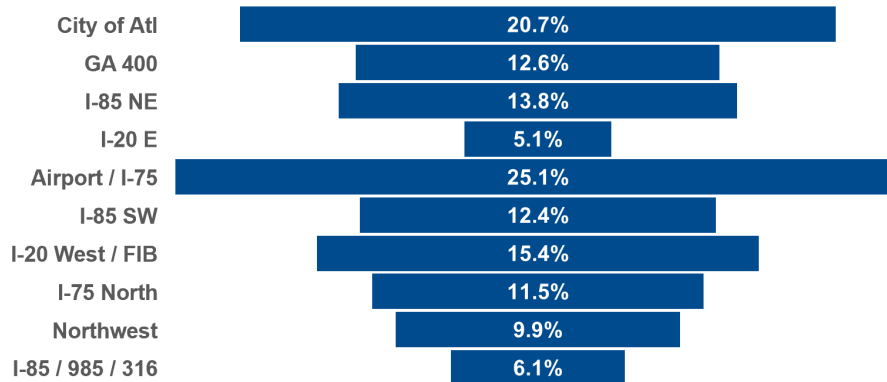
Net Absorption  
-27,576 SF



7,627 SF  
from 2nd Quarter 2020



## Service % Available



## 3rd Quarter 2020

Available SF

3,551,748 SF

Metro Availability

13.2%



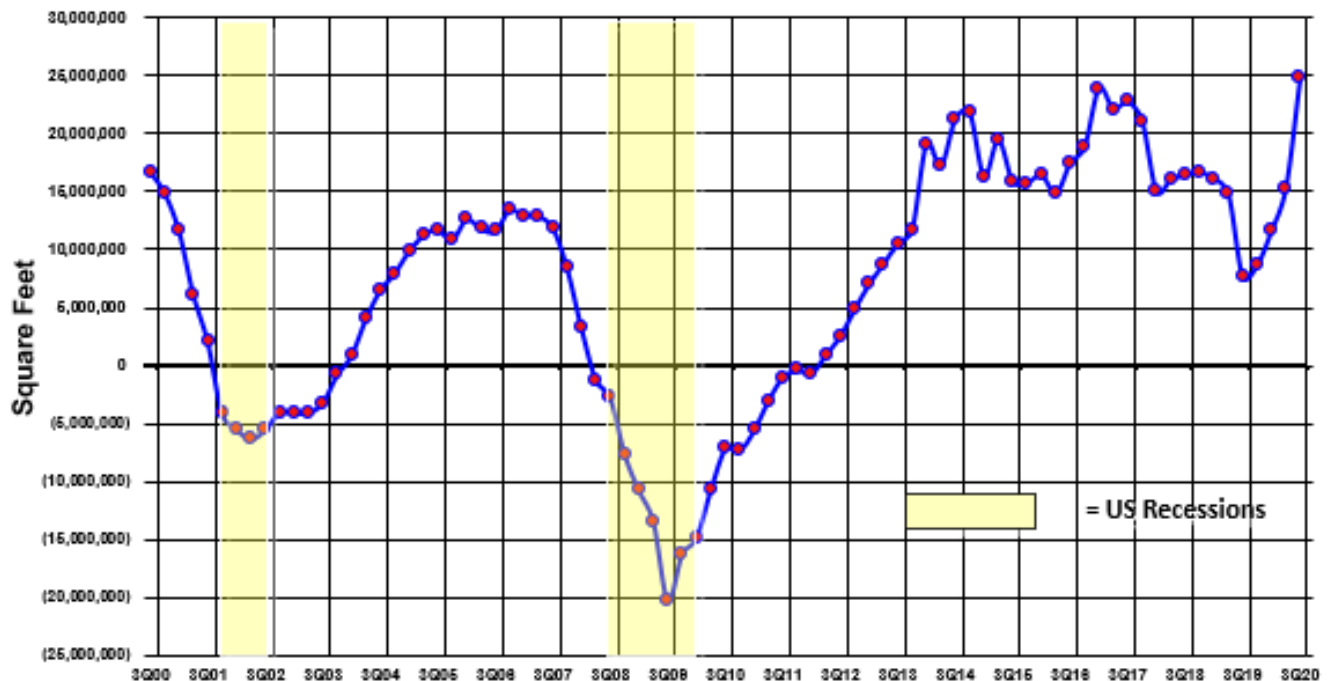
0.2%

from 2nd Quarter 2020

The metro average percentage available rose 0.2% and ended the third quarter at 13.4%. The Airport / I-75 region, fell 1.4% but still retains the highest rate among the service center sectors with 25.1%. The City of Atlanta region came dragging in close with 20.7%. The I-20 E region hung on to the lowest availability rate at 5.1%.



## DISTRIBUTION NET ABSORPTION (2000-2020)



Numbers represent four rolling quarters.

Property of King Industrial Realty, Inc. The information is for your personal and non-commercial use and may not be duplicated, modified, distributed or published without prior consent of King Industrial Realty, Inc.

Information based on data supplied by PinPoint™. All rights reserved. Information deemed reliable, but not guaranteed.