

Point of View

Q2 2021



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

Serving Metro Atlanta businesses since 1980.

Letter from the President

The Sky's the Limit

Last quarter, the Atlanta industrial market's activity, net absorption and new construction posted numbers that were the greatest of all time. During the second quarter of 2021, we found out that the sky's the limit as new record-breaking numbers soared again.

Activity took flight and set a new record with over 20.3 million square feet for leasing and sales activity, beating the previous record set during the first quarter of 20.1 million square feet. When these first quarter activity numbers are added to the activity numbers from the previous three quarters, the Atlanta industrial market set another record for a four-quarter period with an astounding 75.8+ million square feet of activity. This was a whopping 5.3 million square feet above last quarter's record.

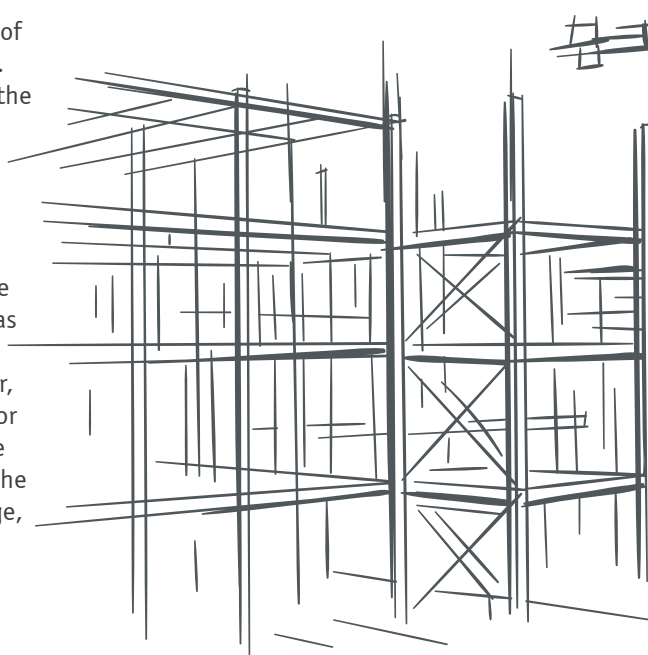
Both record setting numbers for activity created a deluge of positive net absorption for the Atlanta industrial market. During the second quarter, the positive net absorption numbers were the fifth highest ever recorded with 7.1 million square feet. Add that to the previous three quarters numbers and we chalked up another record with over 29.3 million square feet of positive net absorption for the past year – almost a million square feet over last quarter's record. Over the last nine years, we have now seen 35 out of 36 quarters of positive net absorption...quite a boundless streak!

With record setting numbers for both activity and positive net absorption, it is certainly no surprise that we also saw record numbers for new construction in the Atlanta industrial market. During the second quarter of 2021, Atlanta's new construction numbers went through the roof with over 12.2 million square feet. This was 1.2+ million square feet over the previous record set during the first quarter of 2021. This immense showing for the second quarter laid the groundwork for another record for new construction for a four-quarter period, as it skyrocketed to over 37+ million square feet ...WOW! That was a boundless 7.7+ million square feet of new construction over the previous record set.

To keep up with demand for industrial space, eighty percent (29.7 million square feet) of the 37+ million square feet of new construction was being built as speculative projects. The remaining 7.3 million square feet hit the market for built-to-suit ventures. During the past seven years, the Atlanta industrial market has built approximately 156 million square feet of new construction and during that same time the availability rate amazingly decreased four percent from 15.2 % down to 11.2 %. So far, the Atlanta industrial market has been absorbing all the new construction to date.

As previously reported in the Point of View the size of the transactions is growing in the Atlanta industrial market, and we do not see this trend abating anytime soon. There was an avalanche of deals (154) that were 100,000 square feet or larger over the last four quarters. While these transactions only accounted for 5.7% of all deals in this past year, the square footage associated with these deals was an amazing 44 million square feet or fifty-eight percent of total square feet leased or sold. The breakdown for these massive deals were as follows; 92 deals in the 100,000-249,999 square foot range, 37 deals in the 250,000-499,999 square foot range, 14 deals in the 500,000-749,999 square foot range, 6 deals in the 750,000-1,000,000 square feet range and 5 enormous deals that were 1,000,000 square feet or higher.

"...another record for new construction for a four-quarter period, as it skyrocketed to over 37+ million square feet... WOW!"



Letter from the President

The Sky's the Limit cont...

We continue to see good numbers on the jobs created and taken front, unemployment numbers keep decreasing (although the rates are still too high as the government continues to pay people to stay home rather than go back to work), and the U.S. manufacturing index numbers remain positive as well. So, what may be lurking in the shadows that could upset our applecart?

For starters, the unemployment numbers are still way too high, especially when compared to the pre-COVID-19 numbers. Consequently, businesses continue to struggle to find applicants for the available jobs in today's market. Plus, manufacturers are still having trouble acquiring enough components to make and ship their products, and the transportation and logistics people are still struggling with bottlenecks that continue to disrupt their supply chains around the globe. Worse yet, inflation is rearing its' ugly head (look at the price of a gallon of gas today compared to just a year ago...yikes!) The government has and continues to talk about implementing even more stimulus spending programs, which of course will increase our taxes. So, where does all of this lead us?

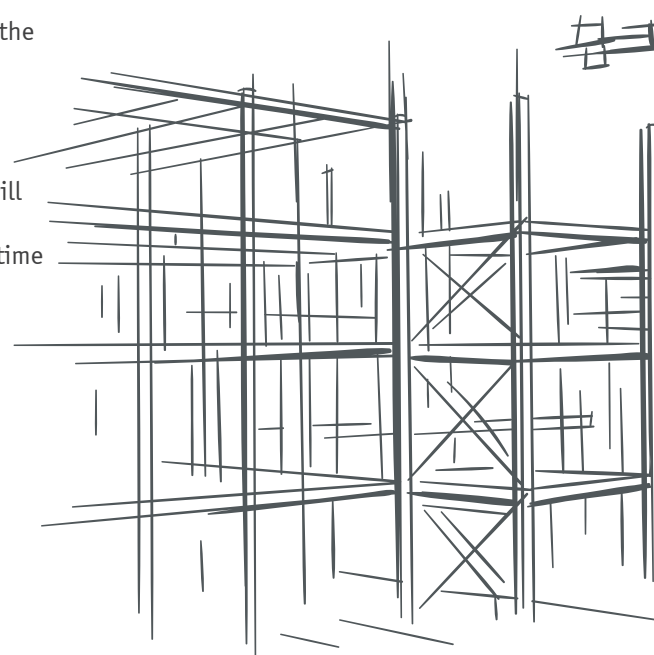
Greater uncertainty! Let us hope that we get clearer indications and clarity from our government and the markets soon, because otherwise, uncertainty typically leads to indecision and indecision leads to slow-downs in the marketplace.

What do the experts think? Well, according to the Economic Outlook, prepared by the well-respected (and highly sought-after Vistage speaker) Balentine CEO, Dr. Adrian Cronje stated that, "The most significant new development over the quarter was greater uncertainty about the course of future monetary policy." The Feds have flipped their position on keeping interest rates in check and admitted that they will have to increase interest rates sooner than expected, due to its inflation forecast... creating more uncertainty. Dr. Cronje also postulated that, "It is not inflation, but inflation expectations that matter." He continued that, "Once an inflationary psychology sets in and a self-reinforcing spiral in wage growth sets in, only much higher interest rates will put the genie back in the bottle again."

Whatever happens, I am happy and grateful to be working in Atlanta's industrial real estate sector, and I anticipate that we will continue to see the unemployment rate decline (hopefully down to 4.5% by year-end), kids back in school, and that the GDP will gain momentum. The second quarter of 2021 repeated first quarter's record setting accomplishments. I hope that we continue down the path of being the greatest of all time and keep reaching for the sky!

Sim F. Doughtie,
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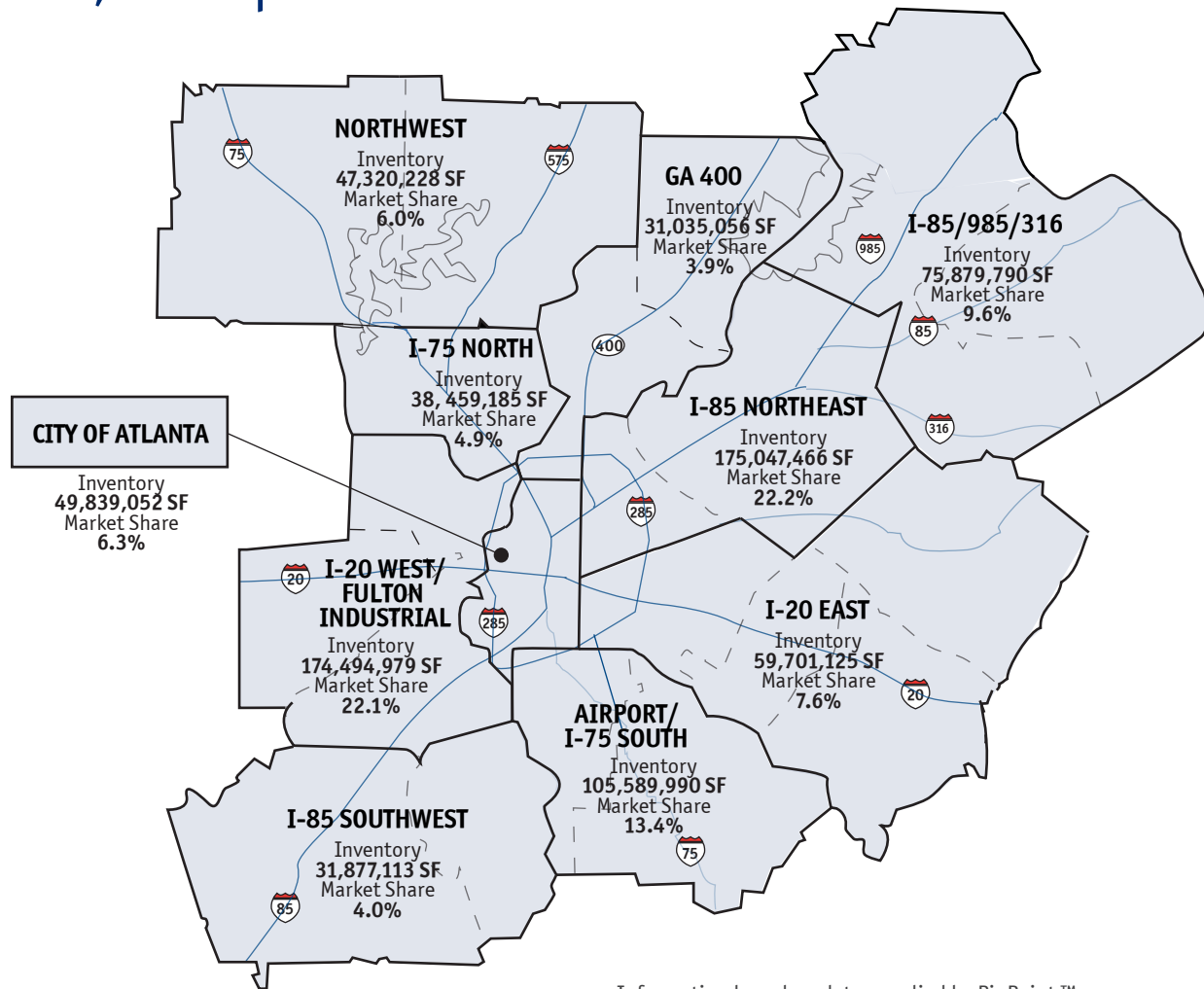
"The second quarter of 2021 repeated first quarter's record setting accomplishments... keep reaching for the sky!"



Distribution Market Inventory

Total Inventory

789,243,984 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

During the second quarter of 2021, the Distribution sector repeated its record-breaking new construction seen last quarter. In response to the high demand in the industrial market, construction projects totaled an astounding 12,260,499 square feet. There were 9 build-to-suit projects for 3,016,520 square feet, which represents 24.6% of all new construction. With all the new construction, first generation space increased to 40,117,309 square feet.

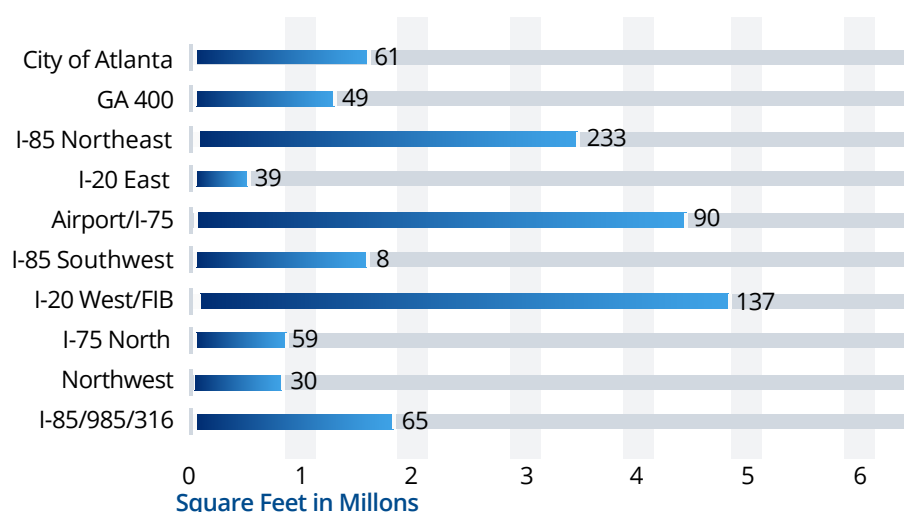
Location	Submarket	Square Feet	Type
Toy Wright Road	1-85/985/316	1,174,796	Spec
Douglas Hills Road	I-20 West / Fulton Industrial	1,111,040	Spec
Palmetto Logistics Parkway	I-20 West / Fulton Industrial	1,008,000	Spec
Orchard Business Parkway	I-85 Southwest	997,500	BTS
Metcalf Road Extension	Airport/I-75 South	909,509	Spec

2nd Quarter 2021
12,260,499 SF


1,270,701 SF
from 1st Quarter 2021

Distribution Activity

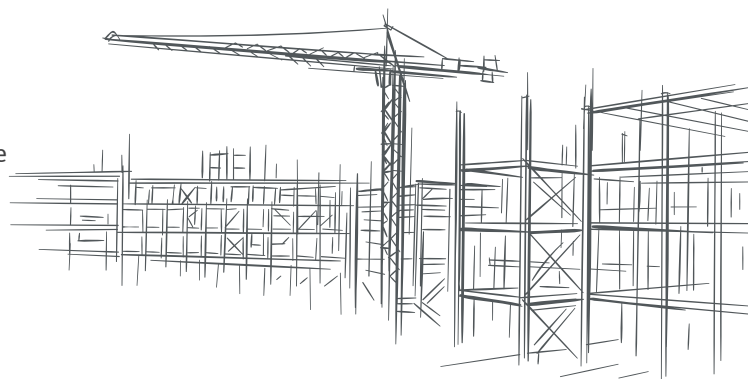
Number of Deals by Region



Total Activity
2nd Quarter 2021
20,372,201 SF


216,451 SF
from 1st Quarter 2021

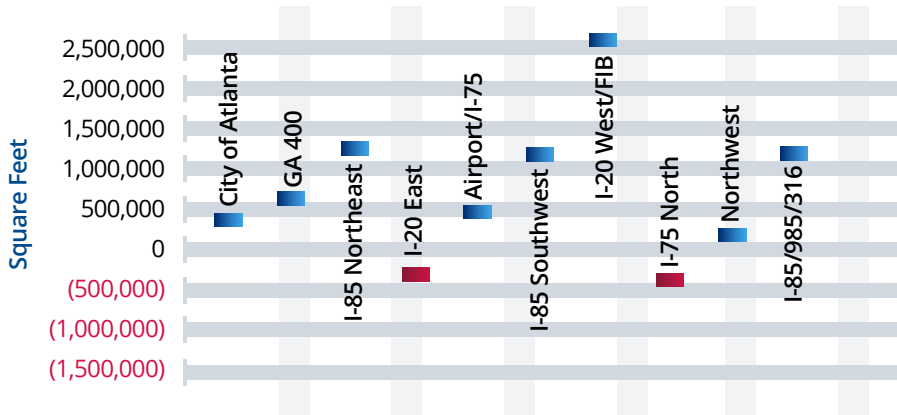
Not to be outdone, activity in the distribution sector skyrocketed and exceeded last quarter's record with 20,372,201 square feet in the second quarter of 2021. The powerhouse, I-20 West / Fulton Industrial region, shared success with the Airport / I-75 region and together they produced almost 46% of all activity, with 4,971,721 square feet and 4,388,028 square feet, respectively. The I-85 Northeast region held steady and posted in third place with 3,342,967 square feet of activity.



Distribution Net Absorption

The net absorption for Metro Atlanta's distribution sector did not set another record this quarter but had one of its strongest showings with 7,163,206 square feet. The I-20 West/FIB region took back the reins during the second quarter of 2021 and reported 2,528,661 square feet of net absorption. The I-85 Northeast region got back in the game in a big way posting the strongest net absorption since the 3rd quarter of 2018 – 1,254,017 square feet. Despite a significant decrease from last quarter, the I-85 / 985 / 316 region posted the third highest net absorption with 1,201,887 square feet.

Net Absorption by Region



Net Absorption

2nd Quarter 2021

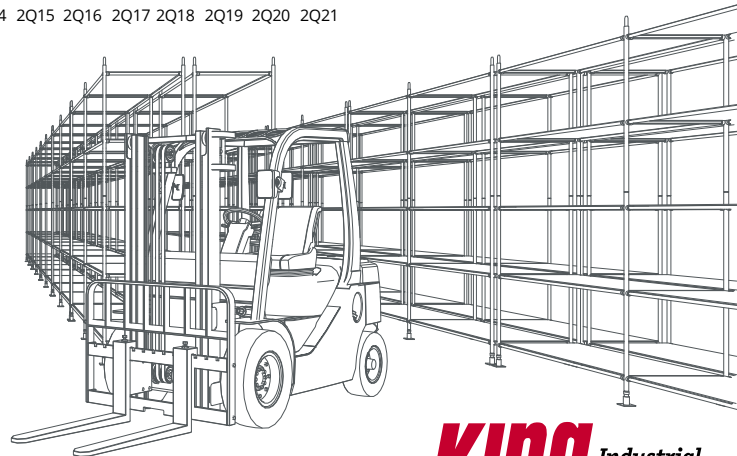
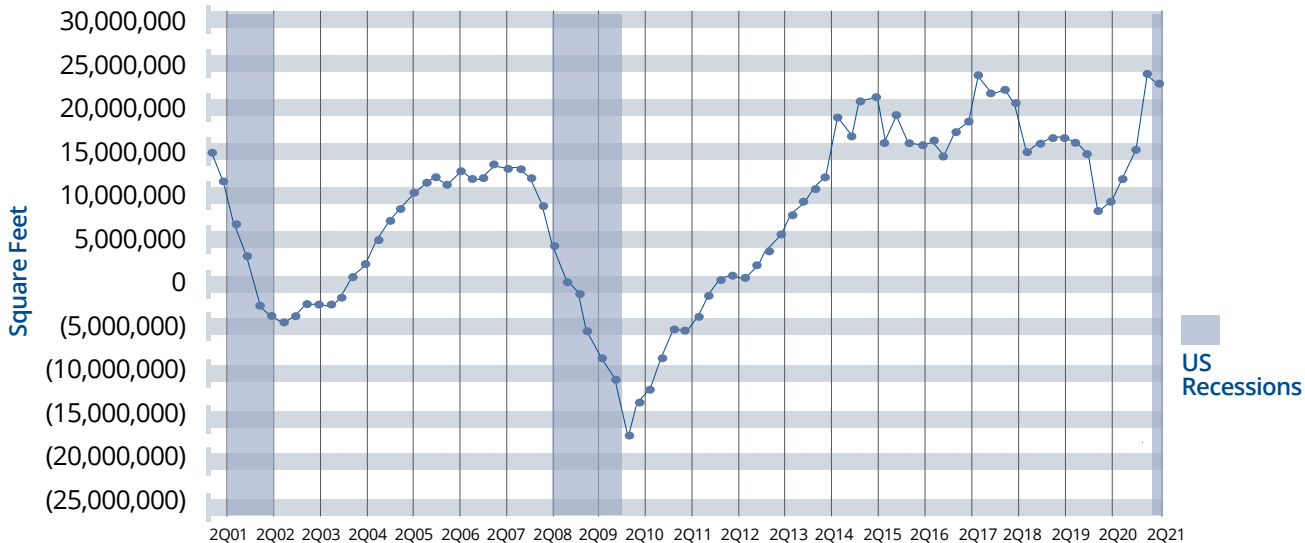
7,163,206 SF



2,169,577 SF

from 1st Quarter 2021

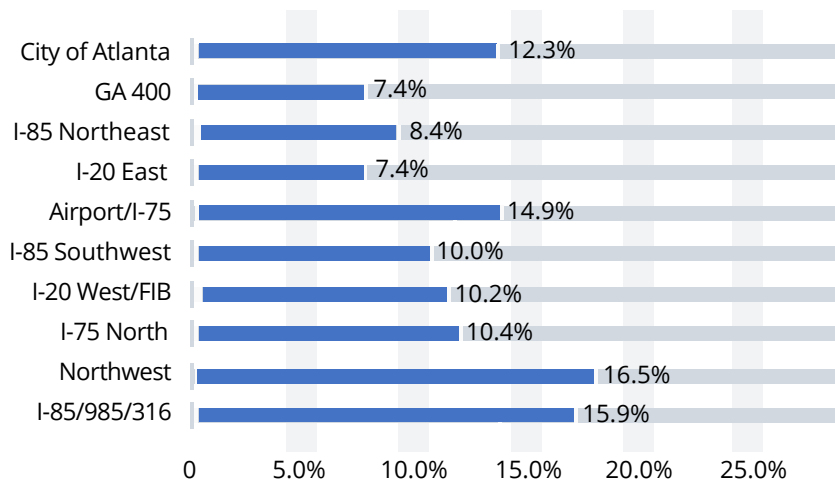
Net Absorption (2001 - 2021)



Distribution Availability

Available space increased 0.4 percent up to 11.2 percent, due to the record-breaking 12+ million square feet of construction this quarter. The Northwest region had the highest rate at 16.5% as activity has yet to keep up with all the new construction in the region. Two of the smaller regions, I-20 East and the Georgia 400, came in first place with the lowest rate at 7.4 percent of available space.

Percent Available by Region



Total Available SF

2nd Quarter 2021

88,253,200 SF

Metro Availability

11.2%

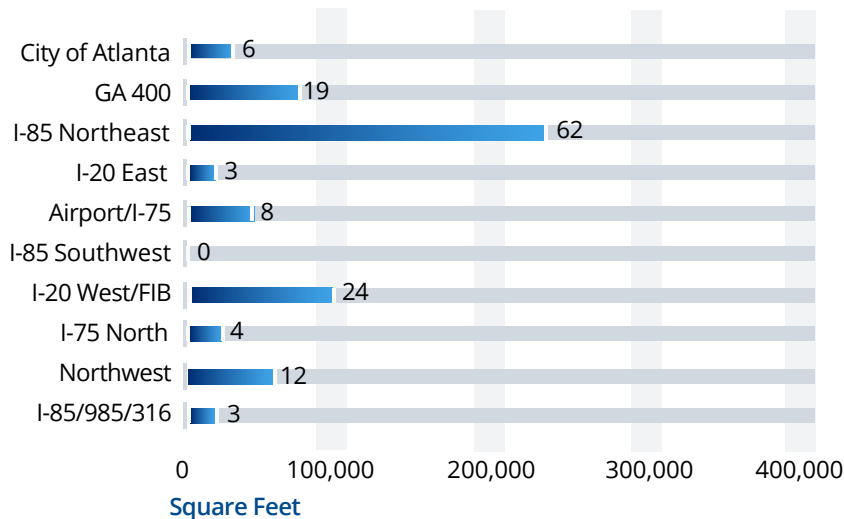


0.4%

from 1st Quarter 2021

Service Activity

Number of Deals by Region



Total Activity

2nd Quarter 2021

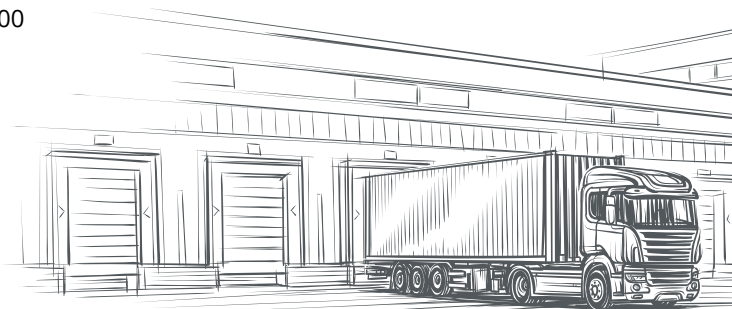
615,141 SF



44,309 SF

from 1st Quarter 2021

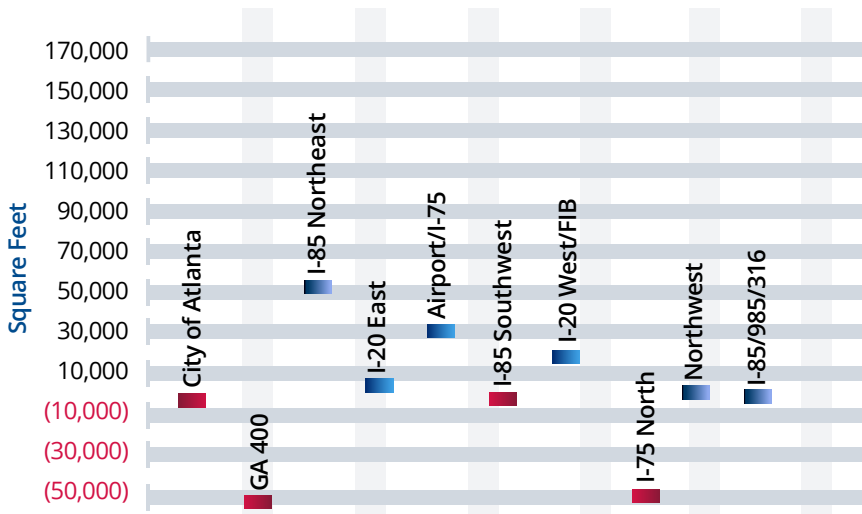
Activity in Metro Atlanta's service sector kept a steady pace this quarter, reporting 615,141 square feet. Once again, the I-85 Northeast region was the leader in activity with 206,403 square feet and booked almost half of all deals with 62 deals. The smallest region, I-85 Southwest did not enter the picture this quarter with no deals consummated.



Service Net Absorption

The Metro Atlanta service sector's net absorption did an about face during the second quarter of 2021 and fell into negative territory, recording -31,589 square feet. This resulted in four regions falling into negative net absorption with the Georgia 400 region and the I-75 North region being the worst offenders with -76,173 square feet and -61,300 square feet respectively. The I-85 Northeast region topped the charts with 55,477 square feet of net absorption – more than double from last quarter.

Net Absorption by Region



Net Absorption

1st Quarter 2021

-31,589 SF

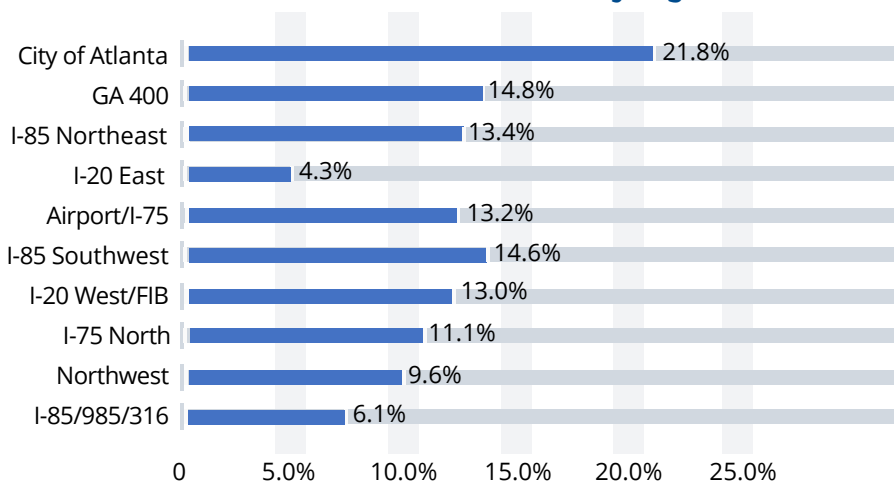


62,995 SF

from 1st Quarter 2021

Service Availability Rate

Percent Available by Region



Total Available SF

2nd Quarter 2021

3,420,006 SF

Metro Availability

12.8%



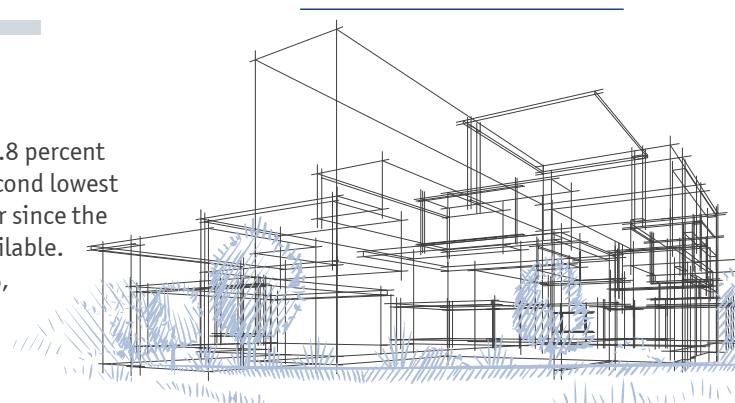
0.1%

from 1st Quarter 2021

The availability rate in the Metro Atlanta service sector rose 0.1 percent to 12.8 percent this quarter, due to the negative net absorption. However, this rate is the second lowest of the last 20 years. New construction has been absent from the service sector since the third quarter of 2019 as reflected by only 27,676 square feet of new space available. The small I-20 East region continued with the lowest availability rate of 4.3%, while the City of Atlanta kept the highest rate of 21.8 percent.

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Next Quarter coming soon...

Q3 2021 Will it be a three-peat???



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