

Point of View

Q4 2021



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

Serving Metro Atlanta businesses since 1980.

Letter from the President

Wow - What a Year!!!

The new records set by the Atlanta industrial market during 2021 was like watching the Braves hit a grand slam homerun during the World Series...Amazing! Activity, positive net absorption and new construction numbers proved to be extraordinary, making 2021 the greatest year of all time! Now, that is really saying something after the impressive run that the Atlanta industrial market has had over the past eight years!

While activity declined to 15.6 million square feet for the fourth quarter of 2021, after adding the three previous quarters, the Atlanta industrial market's activity for the calendar year was over 80.8 million square feet. This achievement broke the previous record set in 2020 (66.3 million square feet of activity) by 14.4 million square feet! Wow, what a year!

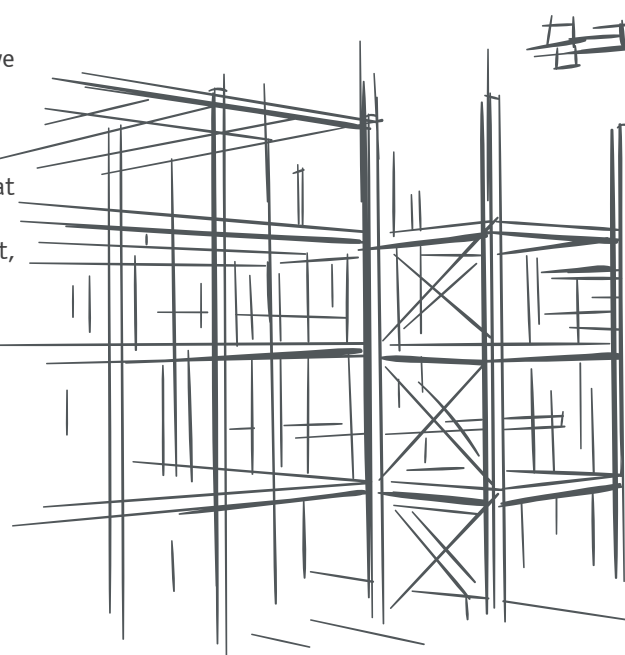
The net absorption numbers also decreased during the fourth quarter of 2021 (5 million square feet), but when looking at the total for the year, once again the Atlanta industrial market set another record with over 33.6 million total square feet. These numbers broke the previous record for positive net absorption for a calendar year (also set in 2020 – 23.6 million square feet) by 10 million square feet! Wow, what a year!

The numbers for new construction were also down for the fourth quarter of 2021 (3.9 million square feet), but that did not stop 2021 from setting a record for the year. The Atlanta industrial market broke ground on an astounding 41.5 million square feet of new construction projects. This shattered the previous record set in 2020 (24.7 million square feet) by 16.7 million square feet! Wow, what a year!

Just a note here: in 2020, seventy-five percent of the new construction was for speculative construction with twenty-five percent being for build-to-suit projects. In 2021, eighty-five percent was for spec construction (as developers try to keep up with the surging demand) with the balance of fifteen percent being build-to suit projects. Additionally, even with all the record new construction, it is significant that the availability rate declined from 10.7 percent at the end of 2020 down to 10.5 percent at the end of 2021. Once again, the Atlanta industrial market continues to absorb the record setting new construction that we have been experiencing.

As one of the top five regional industrial markets in the United States, the greater Metropolitan Atlanta area continues to consummate a vast variety in the size of deals that are being transacted. For instance, there were a total of 2,896 industrial transactions completed in 2021 with 2,228 of those deals (77 percent) being under 20,000 square feet, and the total square footage of those deals was only 15.1 million square feet. In comparison, there were 167 deals that were 100,000 square feet or higher (6 percent of all the deals), and the total for those transactions was 43.5 million square feet (54 percent of the total square feet of the deals done). It is no secret that the size of the deals being done has increased dramatically with 108 deals over 100,000 square feet, forty-four deals over 250,000 square feet, six deals over 500,000 square feet, two deals over 750,000 square feet, and eight deals 1,000,000 square feet or above. Amazing!

“The new records set by the Atlanta industrial market during 2021 was like watching the Braves hit a grand slam homerun during the World Series...Amazing!”



Letter from the President

Wow - What a Year!!!

The Atlanta industrial market has been extremely hot. The most often asked question is whether it will continue? The answer is...it depends. If it were strictly left up to supply and demand pressures in the industrial market (especially with e-commerce being such a driver in this regard), then the answer would be an easy yes. There are other issues that could definitely slow down our growth.

Shortages of components to manufacture (like steel or roofing systems) or items needed to make something (like an ingredient for cheesecake) have been and continue to be an issue. Due to these shortages, we will continue to see delays in shipping and receiving products. These two factors have also contributed to the cost of everything going up...inflation! Just a year or so ago, our nation was energy independent and an exporter of energy for the rest of the world...now we must import energy and the price of gas and oil has skyrocketed increasing the cost at the gas pump, and to the cost of transportation for everything from bread to anything you can imagine that you would purchase.

Supply chain issues and bottlenecks continue to be a problem as manufacturers battle the lack of readily available components. Additionally, the lack of an available labor force due to ongoing covid infections continues to adversely affect everything from port personnel to truck drivers to warehouse space.

Everyone is feverishly working to solve these problems... from purchasing their own ships, to on-shoring (USA) or near shoring (Mexico) to shorten the supply chain, to creating just in time inventory (closer to the consumer) and just in case inventory. The Georgia Ports Authority has been working overtime to solve the bottlenecks with the delay of ships outside the Port of Savannah by opening more land sites close to the port to store containers from the ships, plus they are opening intermodal land yards around the state of Georgia to store even more containers. It is working. There are less ships waiting to dock. Another long-term solution is that they are also working with the CSX and Norfolk Southern railroads to increase the current rail spurs at the port from four to sixteen.

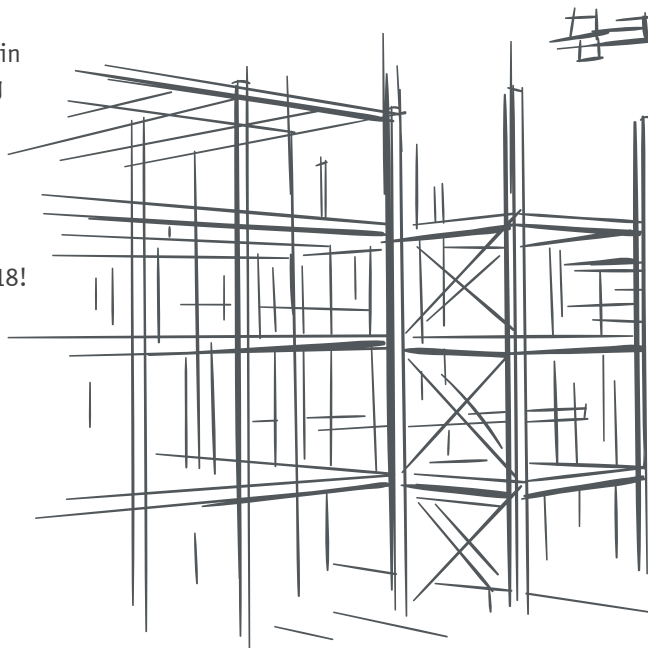
Lastly, we will have to see how the Federal Reserve's predictions to raise interest rates in 2022 two or three times will affect us. Hopefully, the US treasury will stop just printing money which also contributes to inflation. COVID is still a wild card, and a political football, but the federal government is leaning towards keeping business and schools open...everyone wins!

Speaking of winning... Congratulations to Kirby Smart and the Georgia Bulldogs for winning the National NCAA Football Championship over the Alabama Crimson Tide 33-18! What a year 2021 proved to be! I remain optimistic, so I am predicting that the Atlanta industrial market is going to continue its impressive performance into 2022.

Happy New Year!

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

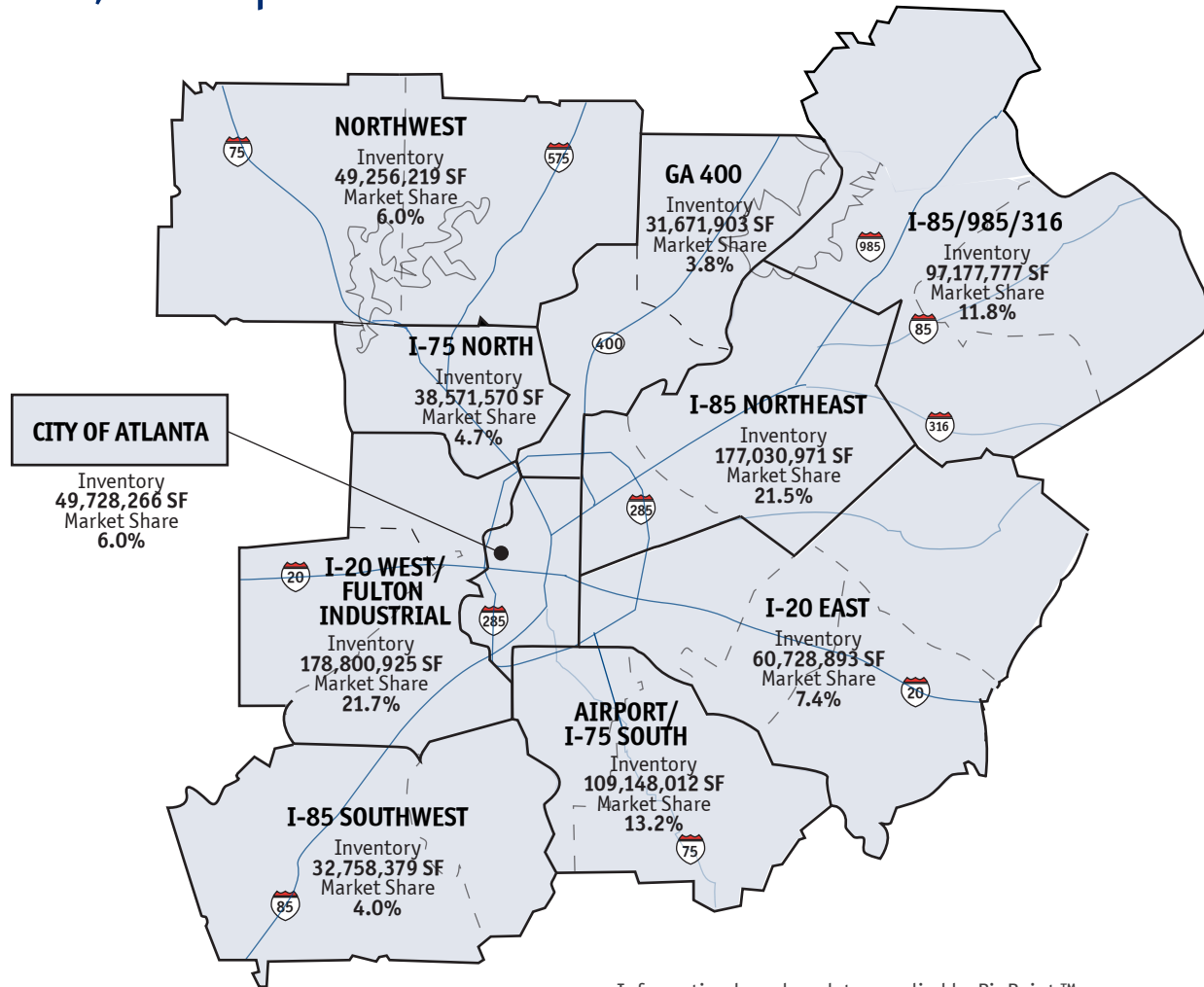
“Supply chain issues and bottlenecks continue to be a problem as manufacturers battle the lack of readily available components.”



Distribution Market Inventory

Total Inventory

824,872,915 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 for the 4th quarter of 2021 was 3,890,964 square feet, bringing the yearly total to an astounding 41.5 million square feet! Of all the available space in Atlanta's industrial market, a whopping 48 percent is new space, proving once again that demand is high, and construction will likely continue. Build-to-suit construction during the quarter consisted of four small projects for 53,600 square feet - just over 1 percent.

Location	Submarket	Sq. Feet	Type
King Mill Road			
Lambert Farms Logistics Center	Airport/I-75 South	564,600	Spec
International Parkway			
Georgia North Logistics Center	Northwest	498,144	Spec
Highway 124			
Braselton Crossroads	I-85 / I-985 / 316	461,522	3 Spec Buildings
Thurmon Tanner Parkway			
Thurmon Tanner Logistics	I-85 / I-985 / 316	447,120	Spec
Brown Road			
Gravel 85 Distribution Center	I-85 Northeast	330,558	Spec

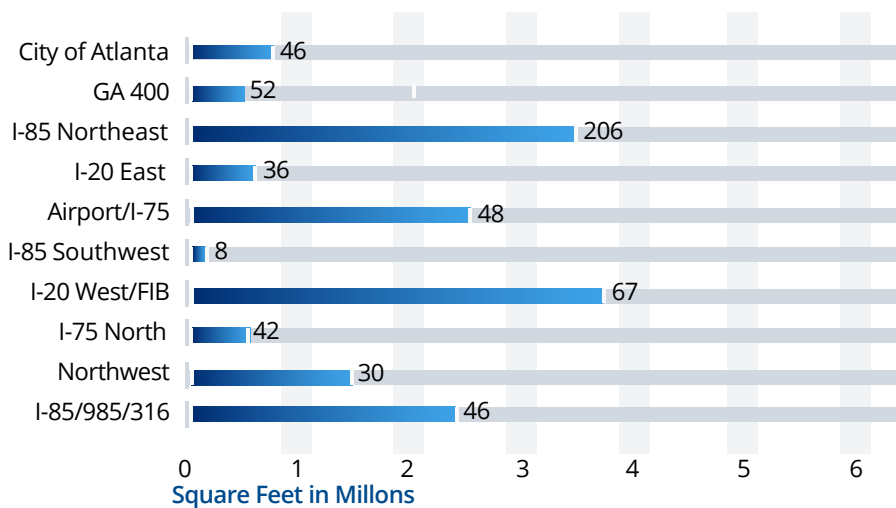
4th Quarter 2021

3,890,964 SF**10,470,877 SF**

from 3rd Quarter 2021

Distribution Activity

Number of Deals by Region



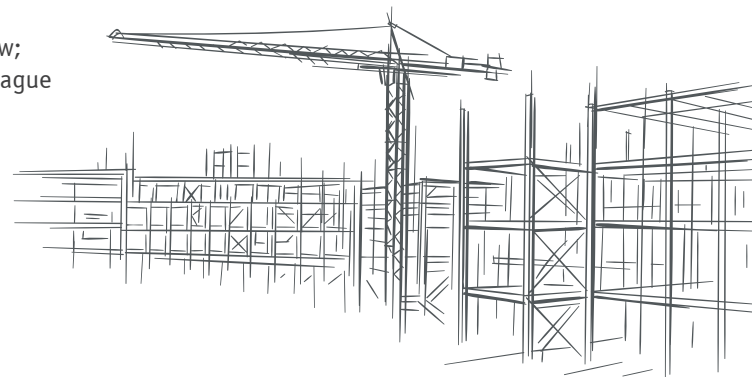
Total Activity

4th Quarter 2021

15,564,511 SF**9,017,119 SF**

from 3rd Quarter 2021

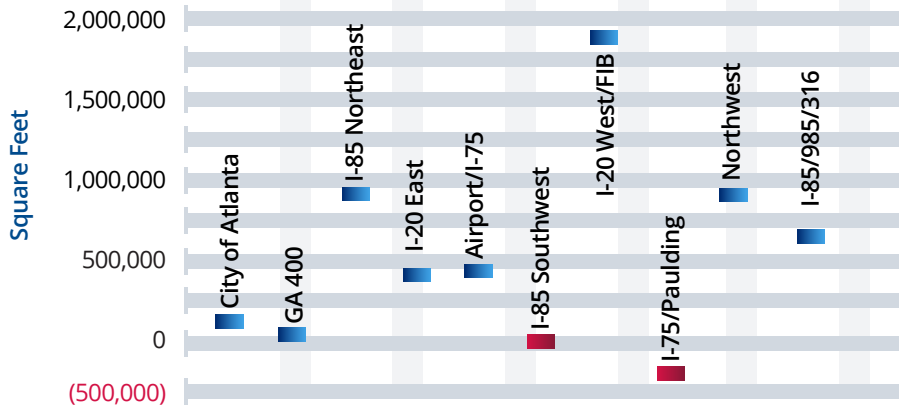
Keeping up with last quarter's astonishing activity was a tough act to follow; however, the 15.7 million square feet produced this quarter was a major-league accomplishment! When combined with the previous 3 quarters (each outperforming the previous), the activity for the Atlanta market during 2021 skyrocketed to over 80.9 million square feet! The I-85 Northeast region gave the powerhouse, I-20 West / Fulton Industrial region some competition this quarter as both produced over 3.3 million sf of activity - together they produced 44 percent of all activity. The Airport / I-75 and the I-85 / 985 / 316 regions also pulled some weight, both knocking it out of the park with over 2.3 million square feet of activity for the quarter.



Distribution Net Absorption

Net absorption for the fourth quarter of 2021 could not keep up the pace set last quarter, but the 5,017,701 square feet was enough to create another record for Atlanta's industrial market! Net absorption for 2021 exploded at 33.6 million square feet! The I-20 West/FIB region retook the lead this quarter with 1,828,302 square feet of net absorption. The closest competition was I-85 Northeast region with half as much at 968,128 square feet. Two of the smallest regions, I-75 North and I-85 Southwest, fell into negative territory this quarter, but not enough to tarnish the total net absorption.

Net Absorption by Region



Net Absorption

4th Quarter 2021

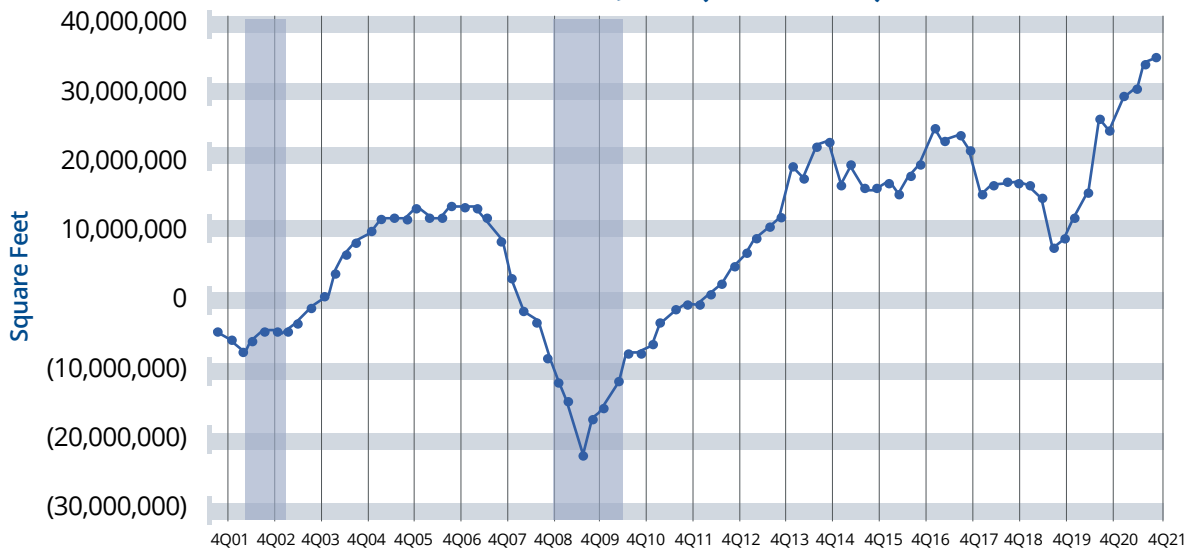
5,017,701 SF



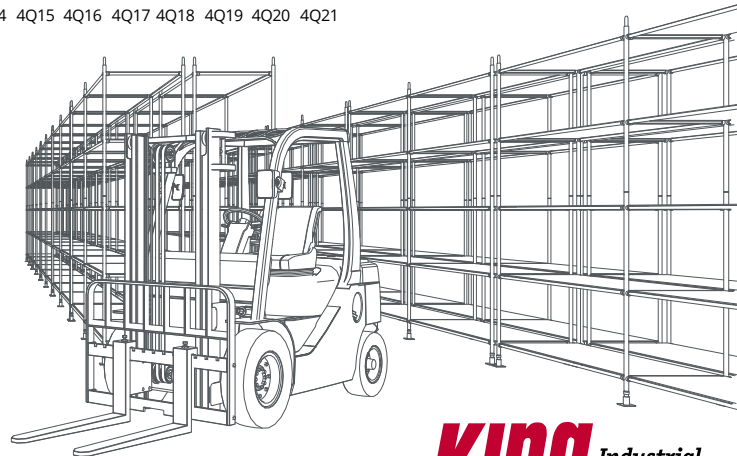
7,097,608 SF

from 3rd Quarter 2021

Net Absorption (2001 - 2021)



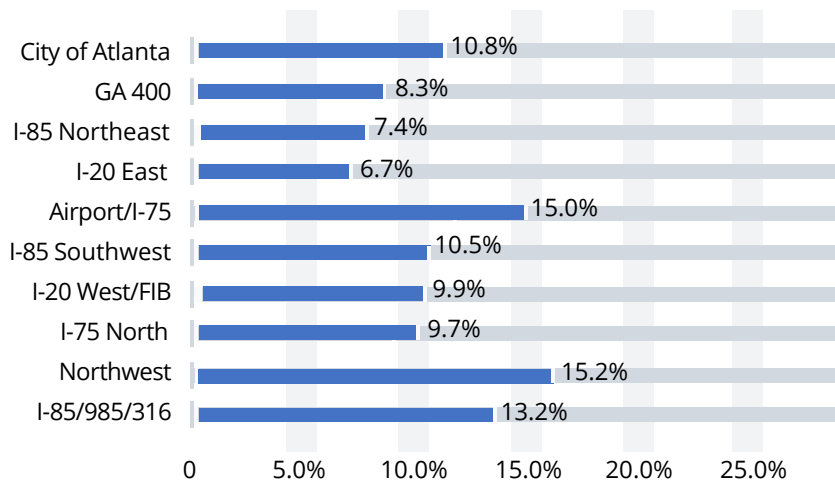
Numbers represent four rolling quarters



Distribution Availability

Despite almost four million square feet of new construction and a reduction in net absorption for the quarter, the availability rate fell 0.3 percent to 10.5 percent setting a record low for the Atlanta industrial market! The lowest rate of 6.7 percent was seen in the I-20 East region which has remained well below the market average for over six years. The highest rate of 15 percent was in the Airport / I-75 region, although it decreased 0.3 percent even with almost 6.5 million square feet of new construction added during 2021. The I-20 West region's rate fell almost a full percentage point as the net absorption in this region has more than kept up with the booming construction of almost 10 million square feet during 2021!

Percent Available by Region



Total Available SF

4th Quarter 2021

86,721,939 SF

Metro Availability

10.5%

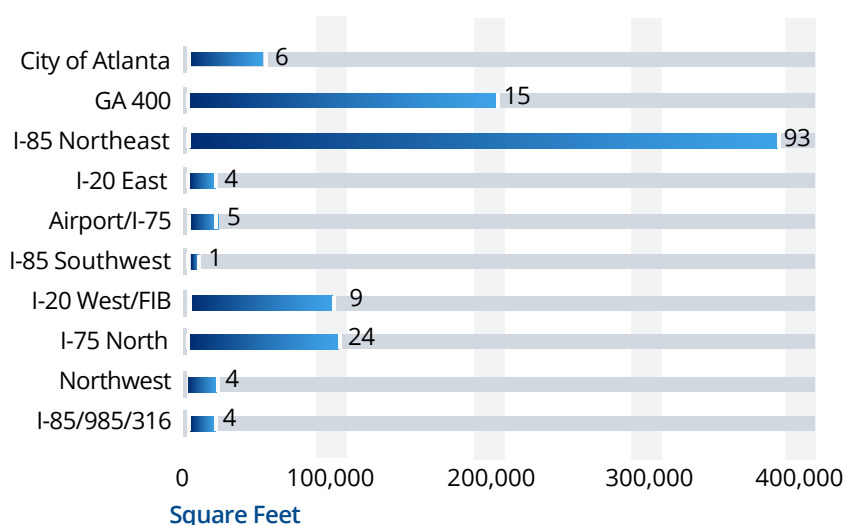


0.3%

from 3rd Quarter 2021

Service Activity

Number of Deals by Region



Total Activity

4th Quarter 2021

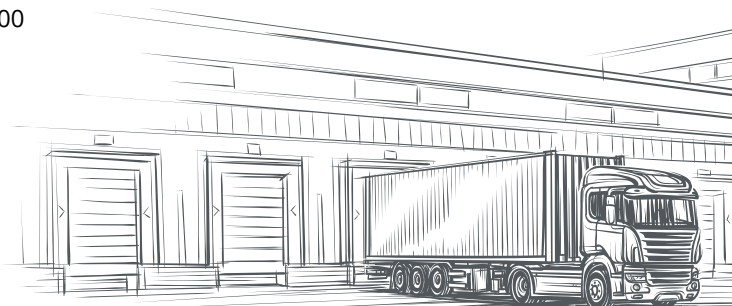
928,629 SF



62,841 SF

from 3rd Quarter 2021

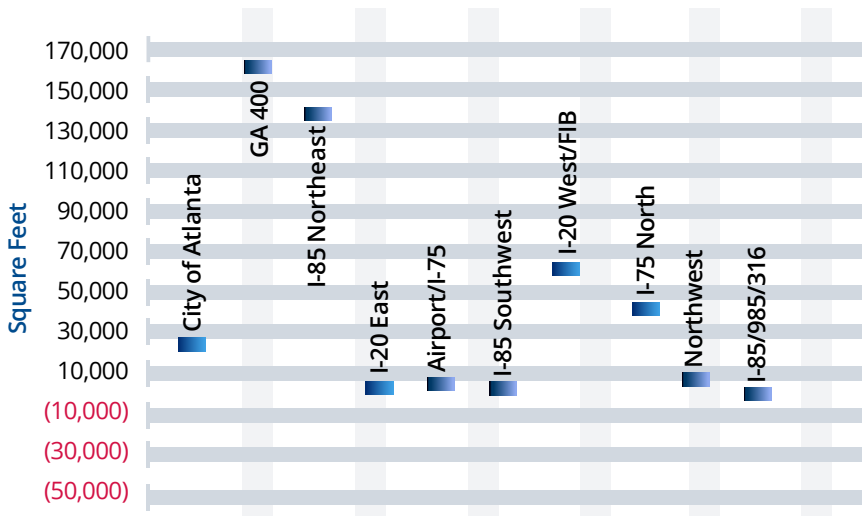
During 2021 an amazing 3,069,008 square feet of activity was recorded in Atlanta's Service Center sector and was the highest ever seen! The Service Center Sector's activity rose again during the fourth quarter with 928,629 square feet. The I-85 Northeast region led all its peers with 398,241 square feet of activity – 43% of all recorded activity during the quarter and the highest ever seen for a yearly total! The smallest region, I-85 Southwest, came in a dismal last place only inking one deal for 992 square feet.



Service Net Absorption

The Metro Atlanta service center sector's net absorption stayed on a roll during the 4th quarter of 2021, almost doubling last quarter's showing with 437,264 square feet. Once again 2021 rocked as this represents the highest quarterly net absorption recorded by King. Surprisingly, the GA 400 region pulled itself out of negative territory and posted the highest net absorption with 160,546 square feet – the highest quarter since 2007! The I-20 East region's activity was erased, and the net absorption posted was zero, the lowest of all regions.

Net Absorption by Region



Net Absorption

4th Quarter 2021

437,264 SF

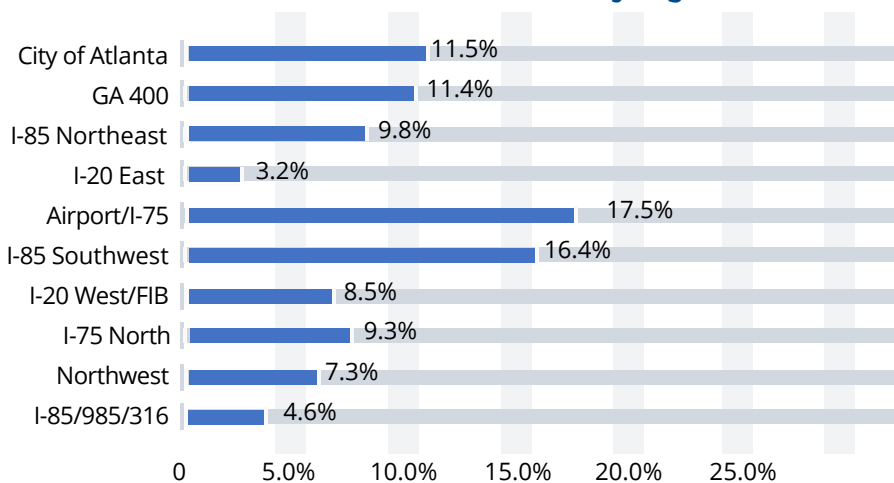


202,882 SF

from 3rd Quarter 2021

Service Availability Rate

Percent Available by Region



The availability rate in the Metro Atlanta service sector fell this quarter into single digits for the first time since 1998 - down to 9.9 percent. This 1.8 percent decrease was due to the record-breaking activity and net absorption along with the lack of new construction during the quarter. The largest region, I-85 Northeast, came in 9.8%. The Airport / I-75 South region, one of the smallest, had the highest rate with 17.5%, coming in 7.6 percent above the metro average. New space available remained status quo with 27,676 square feet.

Total Available SF

4th Quarter 2021

2,656,546 SF

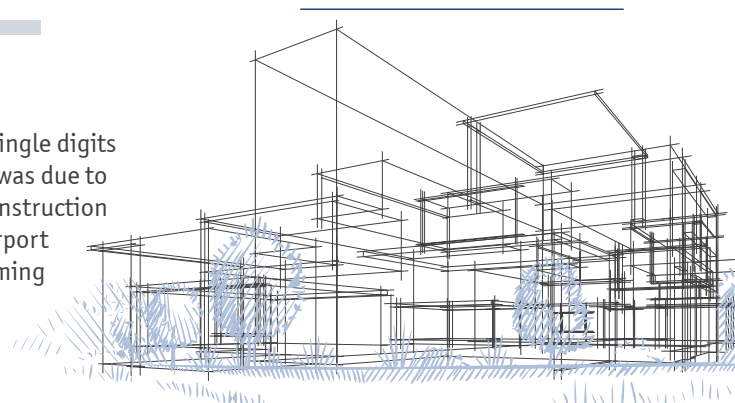
Metro Availability

9.9%



1.8%

from 3rd Quarter 2021



Next Quarter coming soon...

Q1 2022



Call Us: **404.942.2000**

www.KingIndustrial.com

1920 Monroe Drive, NE

Atlanta, GA 30324