

# Point of View

## Q2 2022



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

Serving Metro Atlanta businesses since 1980.

# Letter from the President

## Construction and Net Absorption Still Blooming

I hate to say, "I told you so!", but... In the previous two Point of View publications, I predicted that the Atlanta industrial market would continue its impressive run through the Spring and the balance of the year and so far, so good! After reviewing the second quarter numbers, I am incredibly happy to announce that construction and net absorption continued to blossom!

Activity for the second quarter of 2022 proliferated and recorded 20.1 million square feet. This cultivated over 86.7 million square feet for the four rolling quarters, just under last quarter's record of 87 million square feet. The thriving activity spilled over into net absorption, bringing in over 10.8 million square feet for the quarter - the third highest ever recorded. Since the first and second place records also took place during the last four quarters, it is no mystery that the 42.7 million square feet of absorption documented in this period was unprecedented!

Over the last four quarters, there were 2,730 industrial transactions completed, and 76 percent (2067) of the consummated deals were under 20,000 square feet. Conversely, six percent (174) were 100,000 square feet or higher, which was an astounding 60 percent of the total activity square footage. E-commerce continues to have a huge effect on the industrial market, as shown by the 11 deals that were 1,000,000 square feet plus, and I have been told that e-commerce sales will be 22 percent of all retail sales by the end of 2022...I would not be surprised.

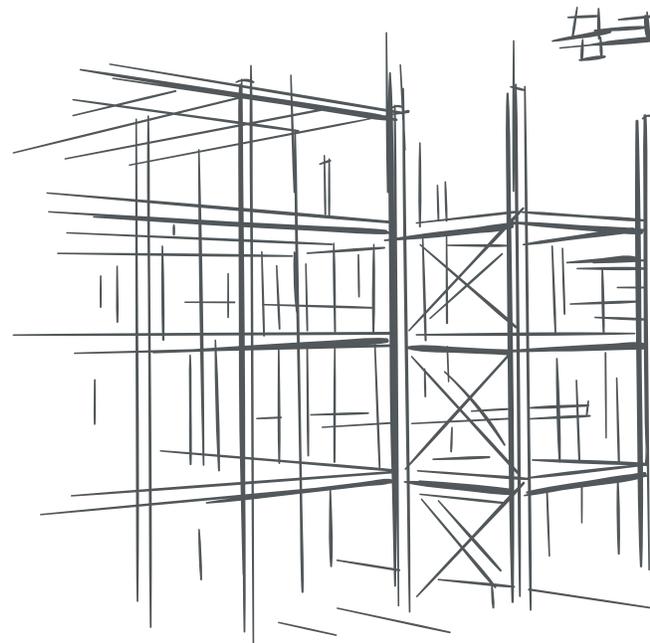
Just a note here... Amazon has announced that they will be slowing down on their new construction projects and will be subleasing some of their existing warehouse space. While others think that this might be an indicator of a slowdown, I think that it will be a good thing. Amazon has dominated the new construction materials market (steel, roofing, etc.), reportedly using 30 to 40 percent of the available materials to build new projects. They were willing to pay more for those components to complete their new projects, causing price increases. This also gave rise to a supply and demand issue, delaying materials being shipped to build warehouses. I believe that the rest of the world (users of industrial space not named Amazon) will benefit from this change.

New construction is not even close to drying up, in fact it is sprouting up all over the place! Over 11.4 million square feet began budding out in Atlanta during the quarter. This figure is the third highest produced during the past four quarters, which also boasted the first and second place records, so it comes as no surprise that the 43.2 million square feet that sprung up was also the third highest ever recorded during this same period! Build-to suit projects for the past four rolling quarters grew to a record high of just over ten million square feet. This makes up 23 percent of the new construction with speculative projects taking up 77 percent of the field. Developers have been and will continue to build to meet the surging demand for distribution space.

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**"42.7 million square feet of absorption...was unprecedented!"**

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# Letter from the President

## Construction and Net Absorption Still Blooming

Atlanta's industrial market's robust performance in activity, positive net absorption and new construction led to a new availability record low of 9.8 percent. It's interesting to note that over half of all available space is first generation. In the face of approximately 200 million square feet of new construction developing during the past eight years, the availability rate declined 4.4 percent. Amazing! There is no question that our market continues to soak up what is being built!

So, where are we now? Well, the global supply chain disruptions persist; manufacturers lacking adequate components or skilled labor to make their products and shipping delays due to a lack of labor to load the ships, unload the ships, and drive the delivery trucks. I am convinced that these issues will be solved. The more crucial issues now relate to the broad-based inflation we are currently experiencing (over 9 percent for the United States, and over 11 percent for the Atlanta area). Gas and energy prices are rapidly increasing, interest rates are on the rise, and the war in Ukraine is continuing. All costing the American consumer more money every time they buy anything. Through all this chaos and on-going uncertainty, the Atlanta industrial market continues to grow as demand is still strong.

I believe even more consumers will turn to online shopping for their products to be delivered directly to them. Therefore, I remain optimistic that the Atlanta Industrial Market will remain strong! Just to remind you...The Master's was great, the Atlanta Braves got off to a slow start, but they have come on like gang busters, and they now have the Mets in their sites (only a couple of games back!), the Memorial Day Weekend was great as we celebrated our fallen American heroes! Everything is in full bloom!

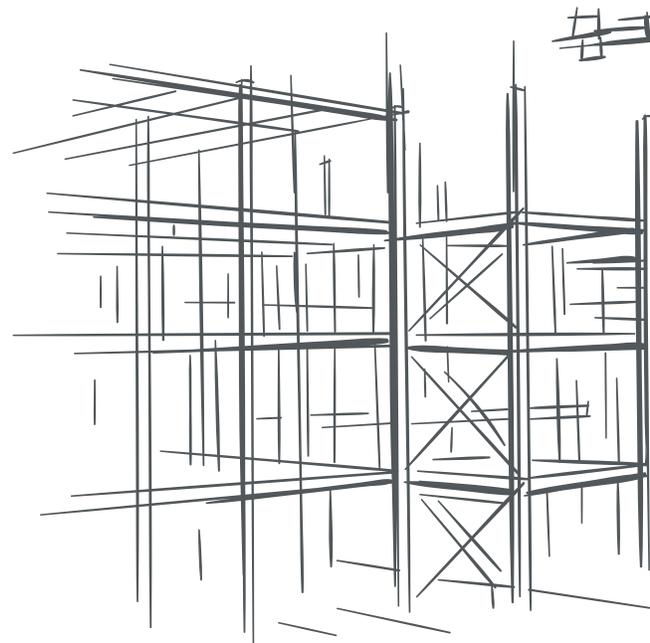
**Go Braves!**

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

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**“Through all this chaos...the Atlanta industrial market continues to grow”**

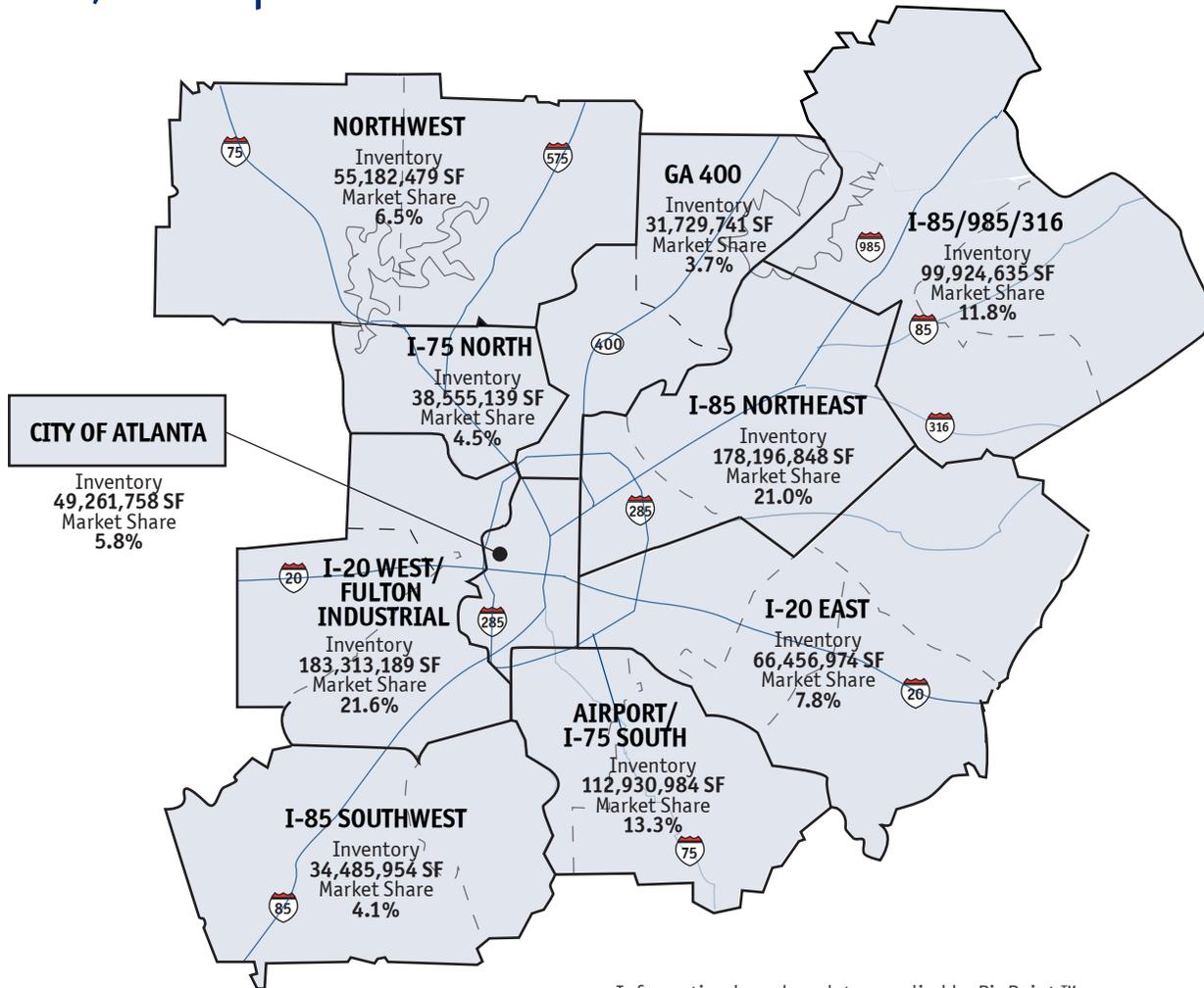
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# Distribution Market Inventory

Total Inventory

850,037,701 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 distribution market’s new construction remained vibrant during the 2nd quarter of 2022, with 11,473,746 square feet of projects breaking ground. Except for the City of Atlanta and I-75 North, all other regions reported at least one new construction project reflecting the continued demand for industrial space. Thirty percent of all the new construction is popping up in the Northwest region. There were 19 projects below 100,000 square feet, 23 projects between 100,000 and one million square feet and 4 projects that were over one million square feet. New build-to-suit projects were on the rise and the 9 buildings consisted of almost 30 percent of all construction germinated during the quarter. The largest build-to-suit project was the 1.3 million square footer for Target Corporation.

## Major Construction Projects

Location	Submarket	Sq. Feet	Type
<b>Woolsey Road</b> "Speedway Commerce Center"	Airport/I-75 South	1,300,000 SF	BTS for Target Corp.
<b>Cass White Road</b> "Busch Commerce Center"	Northwest	1,218,620 SF	Spec
<b>International Park Drive</b> "Atlanta International Park"	I-20 East	1,200,000 SF	BTS for Shadowbox Studios
<b>International Parkway</b> "GA North Logistics Center"	Northwest	1,010,000 SF	Spec
<b>Kubota Way</b> "Gateway Industrial Centre"	I-85/985/316	650,000	BTS for Kubota Industrial Equipment

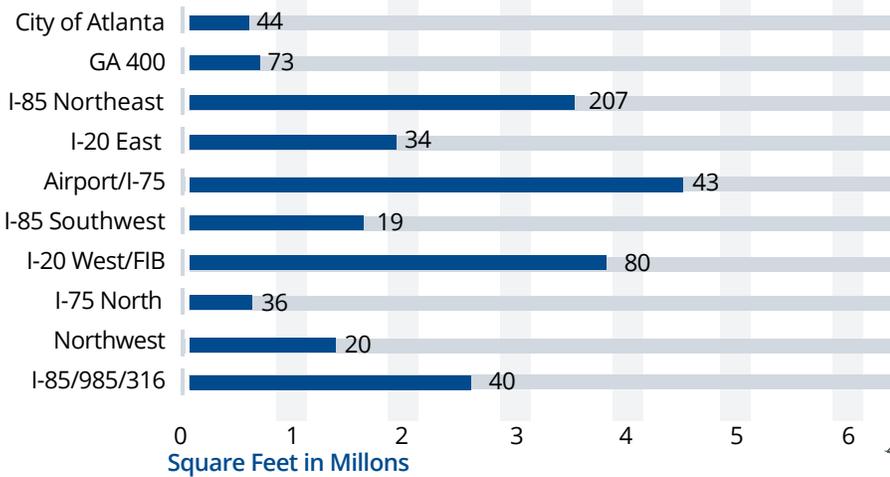
2nd Quarter 2022  
**11,473,746 SF**



**2,008,660 SF**  
From 1st Quarter 2022

# Distribution Activity

Number of Deals by Region



## Total Activity

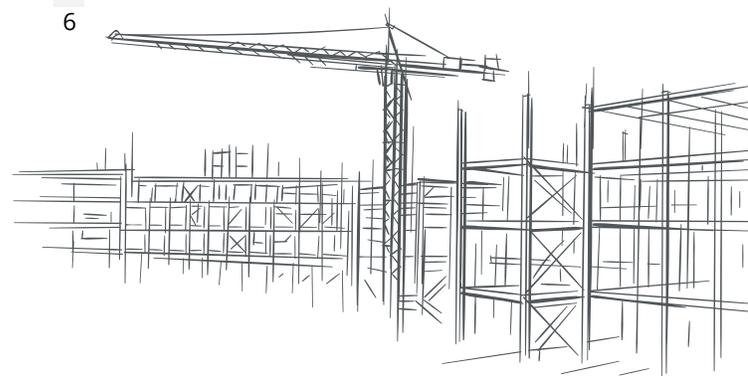
2nd Quarter 2022

**20,113,378 SF**



**6,188,300 SF**  
From 1st Quarter 2022

Activity was flourishing during the second quarter, with 20,113,378 square feet. Five of the last six quarters have produced phenomenal activity between 20 and 26 million square feet! Once again, over half of all the activity reported this quarter was in three regions: Airport/I-75 region (4.2 million square feet), I-20 West/Fulton Industrial region (3.6 million square feet), and I-85 Northeast region (3.2 million square feet). Four other regions racked up between one and three million square feet, leaving three of the smaller regions still performing with about 600,000 square feet... quite a feat for the quarter!

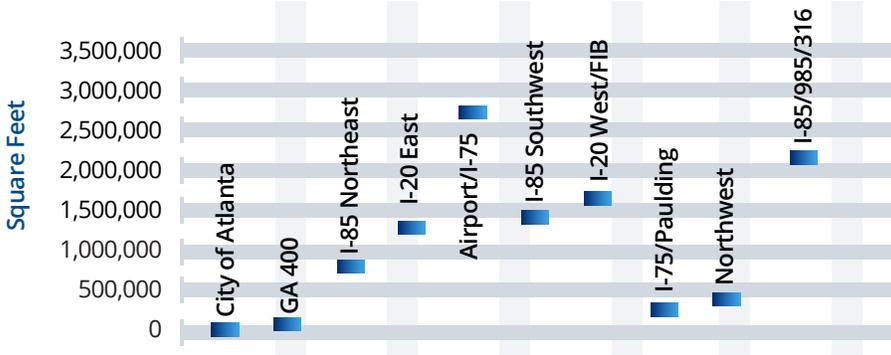


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# Distribution Net Absorption

The distribution market's net absorption recorded a burly 10,816,150 square feet during the 2nd quarter. Competing for the title of "powerhouse", the Airport/I-75 region not only led in activity but continued to lead all other regions this quarter in net absorption with 2,740,143 square feet. The I-85/985/316 region was next up with 2,137,433 square feet. I-20/Fulton Industrial region came in third with 1,667,882 square feet. Not too far behind, the I-85 Southwest region and the I-20 East region both posted over a million square feet with 1,437,255 and 1,218,613 square feet respectively. The City of Atlanta region managed to climb out of negative territory with 18,651 square feet.

Net Absorption by Region

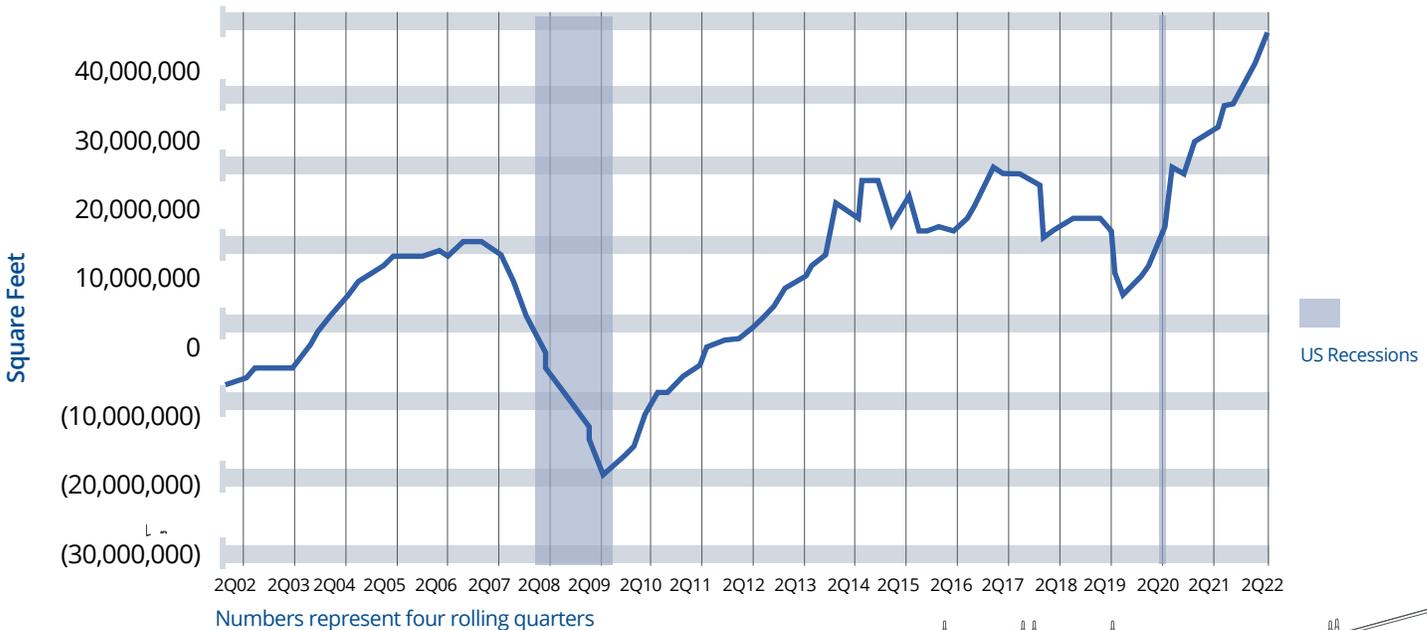


**Net Absorption**  
2nd Quarter 2022  
**10,816,150 SF**

↓

**3,980,589 SF**  
From 1st Quarter 2022

Net Absorption (2002 - 2022)

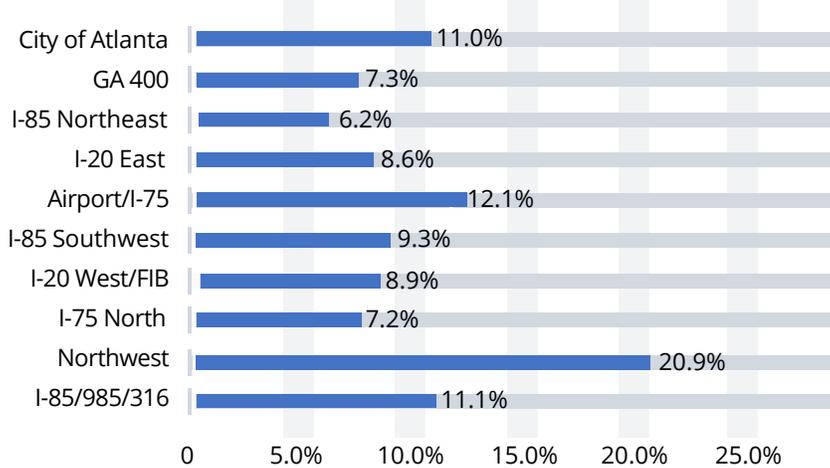


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# Distribution Availability

Atlanta’s distribution market available space only grew by 80,192 square feet to 83,043,189 square feet. This slight uptick was the result of the net absorption eating up almost all the 11,473,746 square feet of construction and over a million square feet of space coming off the market due to tenants deciding to stay in place. The availability rate fell 0.1 percent to 9.8 percent, the lowest ever recorded by King. The I-85 Northeast region once again led all regions with the lowest availability rate of 6.2 percent – 1.1 percent lower than last quarter. Six regions fell below the metro average, with the largest region, I-20 West/Fulton Industrial, reporting 8.9 percent. The Northwest region, with only 6.5 percent market share, remained in last place with the highest rate of 20.9 percent. This is a four percent increase over last quarter availability rate due to the 3,614,568 square feet of new construction with only 358,901 square feet of net absorption.

Percent Available by Region



## Total Available Sf

2nd Quarter 2022

**83,043,189 SF**

**9.8%**

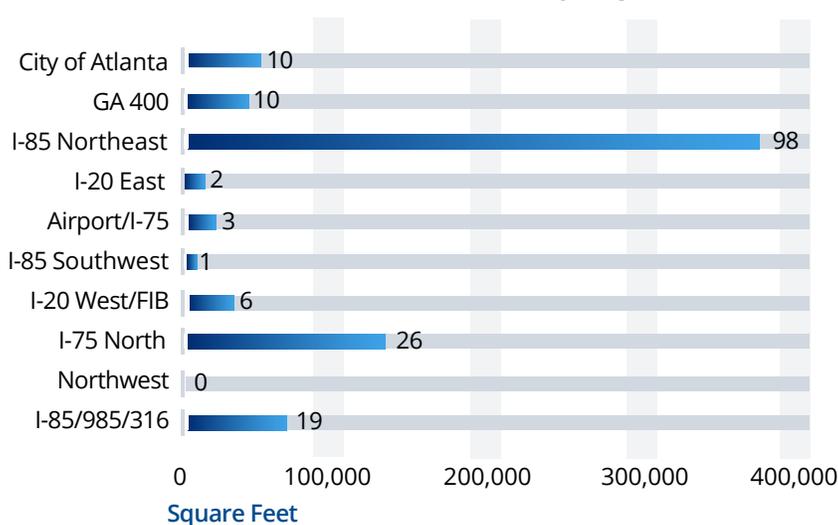


**0.1%**

From 1st Quarter 2022

# Service Activity

Number of Deals by Region



## Total Activity

2nd Quarter 2022

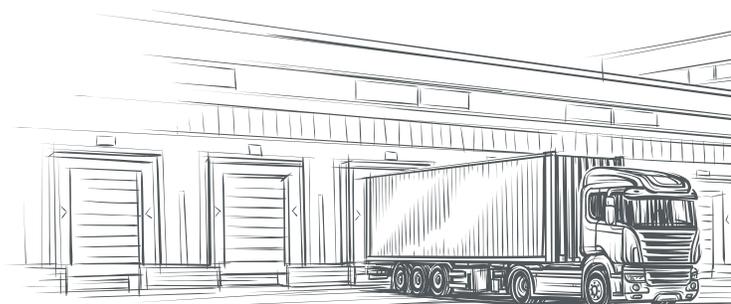
**750,570 SF**



**182,779 SF**

From 1st Quarter 2022

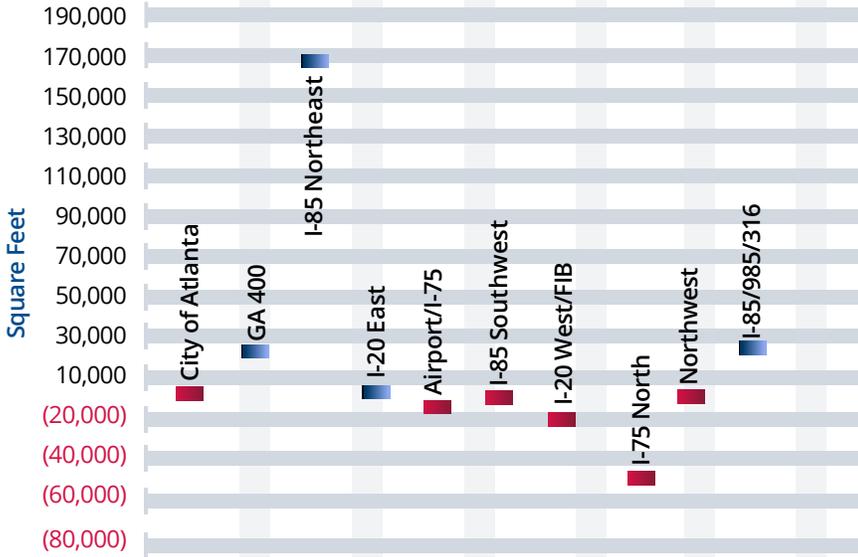
Atlanta’s service center sector got back on track this quarter... activity climbed up to 750,570 square feet, completing 175 deals for an average size of 4,289 square feet. The most active region, I-85 Northeast, contributed over half of all activity with 376,354 square feet. The I-75 North region came up with 147,533 square feet of activity. The I-85 Southwest region only managed to close one 2,400 square foot deal while the Northwest region couldn’t muster even one deal. The four-quarter activity was robust reporting to 3,112,778 square feet, which is highest seen since 2016.



# Service Net Absorption

Metro Atlanta’s service center sector managed to get net absorption back on track with a total of 113,012 square feet during the quarter. Despite this 94 percent increase from last quarter, six regions withered into negative territory. Last quarter’s top three regions did an about face and had the worst negative numbers: I-75 North with -53,248 square feet, I-20 West/Fulton Industrial with -20,700 square feet & the Northwest with -14,906 square feet. Only the I-85 Northeast region dug in deep and secured 169,620 square feet of net absorption, which was 78 percent of all positive absorption. This productivity had a huge impact on the overall net absorption for the quarter and the four rolling quarters, which increased to 791,141 square feet.

**Net Absorption by Region**



## Net Absorption

2nd Quarter 2022

**113,012 SF**

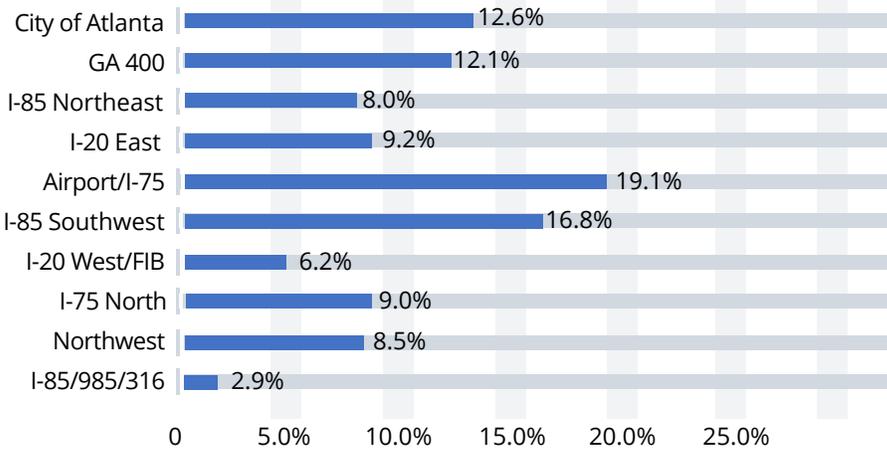


**106,529 SF**

From 1st Quarter 2022

# Service Availability Rate

**Percent Available by Region**



## Total Available Sf

2nd Quarter 2022

**2,519,143**

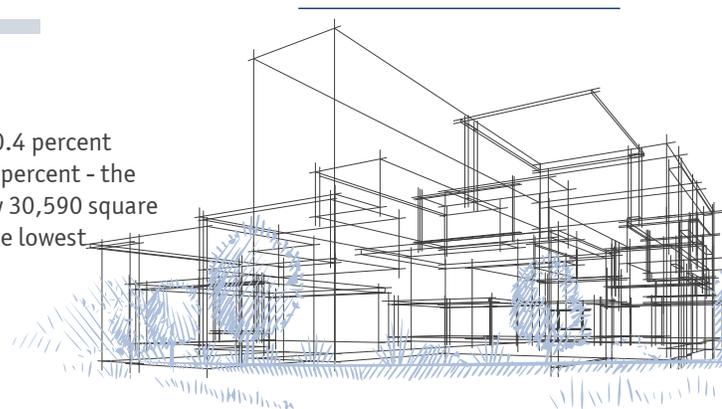
**9.3%**



**0.4 %**

From 1st Quarter 2022

The enhancements in activity and net absorption during the quarter led to a 0.4 percent reduction in the service center sector’s availability, which is now down to 9.3 percent - the lowest ever seen. Currently there is 2,519,143 square feet available with only 30,590 square feet of first-generation space. The I-85/985/316 region continues to have the lowest rate, declining almost 2 percent to 2.9 percent this quarter. Once again, the Airport/I-75 reported the highest rate, which reflected an increase at 19.1 percent, more than double the metro average. For the first time since 2019, there was one new 21,900 square foot construction project planted during the quarter.



# Next Quarter coming soon...

Q3 2022



Call Us: **404.942.2000**  
[www.KingIndustrial.com](http://www.KingIndustrial.com)  
1920 Monroe Drive, NE  
Atlanta, GA 30324