

# Point of View

## Q3 2022



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

Serving Metro Atlanta businesses since 1980.

# Letter from the President

## Don't Get Spooked!

Halloween is approaching! It's that eerie time of year when dreadful spirits emerge and cause havoc, and we are clearly dealing with some scary times ahead! What's so scary? Well... broad based inflation raging at forty-year highs, interest rates rising and more than doubling, prices escalating for everyday commodities (gas prices, food prices, etc.), and continuing supply chain delays and issues. Even more terrifying is the raging war in Ukraine (the breadbasket of Europe) and Saudi Arabia's announcement to reduce oil production by 2 million barrels per day. Lastly, the implications of the mid-term elections in November are hair-raising with Americans being tortured by the macabre campaigns. These disturbing issues lead to uncertainty, which typically creates an economic slow-down causing executives to reflect and delay decisions on their firm's future growth.

So, at this point, how has the Atlanta Industrial market reacted to these tumultuous and frightening issues? Well, it seems that Atlanta has been enchanted, a spell of protection has been cast! Always being in the top five on a national basis for industrial and distribution hubs, Atlanta has perpetuated its strong performance, keeping all the ghosts at bay.

After a little hocus pocus, the Atlanta industrial market produced an outstanding 21.6 million square feet (MSF) of activity – a 3rd place record, duplicated in the four rolling quarters with 83.6 MSF. This magic continued as net absorption put on a show winning the 4th place record of 10.7 MSF. The four rolling quarters ushered in a 2nd place record with 41.1 MSF. I predict that Atlanta will conjure up a new record for four rolling quarters of net absorption at the close of 2022! We shall see...

There was no trickery involved with the availability rate falling under the charm of strong activity and net absorption. Plummeting down from 9.8% to 9.3% the availability rate is now the lowest the Atlanta area has ever experienced. At this rate, the market can only scare up 80 MSF of space for any new deals with sixty percent being newly constructed space.

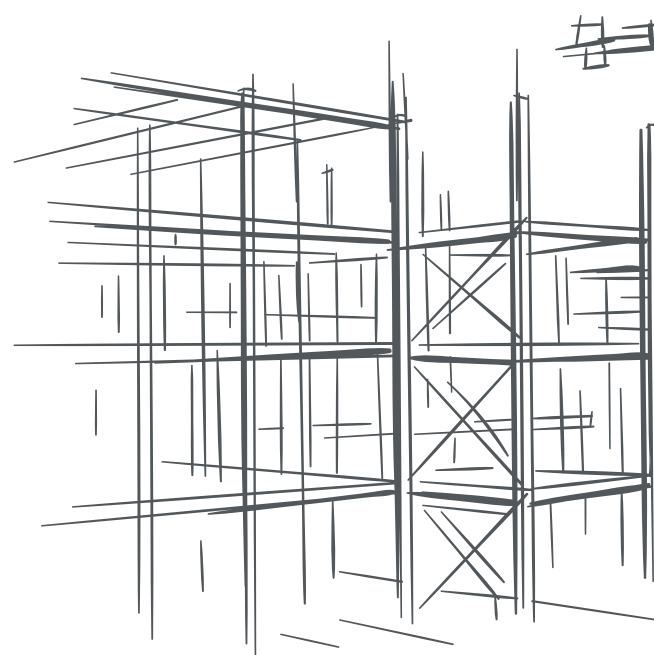
During the third quarter, new construction summoned up almost 11 million square feet – a 6th place record. Naturally, that bolstered the four rolling quarters number and the 39.5 MSF set a 5th place record. Eighty percent of the new buildings rising out of the ground are for speculative projects as developers try to keep up with the ongoing and unquenchable demand in the marketplace.

One note here...the impact of our robust activity, net absorption and availability rate has solidified the emerging trend towards a landlord's market, bringing market prices and rental rates to abnormal heights. Tenants are experiencing sticker shock when presented with the higher lease renewal rates. We recently had a renewal come up where the tenant and landlord had to hire appraisers to determine the actual renewal rental rate...we will see more of these occurrences in this current market.

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**"I predict that Atlanta will conjure up a new record for four rolling quarters of net absorption at the close of 2022!"**

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# Letter from the President

## Don't Get Spooked!

Due to the ongoing rise in interest rates, we are seeing another unusual trend for the investment market. With Interest rates higher than the asking capitalization rates, investors that employ debt to purchase investments are being put in a peculiar position with negative leverage. As a result, these investors will seek to re-trade the transaction for a higher cap rate and thus a lower price, or they will just cancel any investments deals currently under contract. Investors that use equity, and not debt, can still pursue these investment properties; however why would they buy a real estate deal with the associated risk, when they could invest their funds in safer securities? It is tricky to invest in the safer lower yield securities, while keeping up with the current higher inflation rates. These types of precarious and unreliable situations usually cause investors to stop or pause until the future becomes clearer.

At this point, it is undeniable that we are headed toward a recession (many have said that we are already in a recession with two quarters in a row of negative GDP). The question is, will it be a soft landing or a hard landing? Most of the people that I have talked with are leaning toward a short and shallow recession in 2023... a soft landing. However, some disturbing phenomenon could upset this prediction, such as the menacing war in Ukraine escalating and expanding, and gruesome gas prices spiraling out of control. It certainly would be a relief to be energy independent again! The current upward trend of inflation will continue if we do not take action to turn it around. It is vital that the US administration change its current gas and oil policy so we can get a handle on the broad-based inflation that American families are experiencing.

Halloween and uncertain times are lurking around the corner. It is a real treat that my firm and I live and work in Atlanta, because, so far, the industrial market has been impregnable through all the sinister vibes in the air. Let's hope that it stays that way!

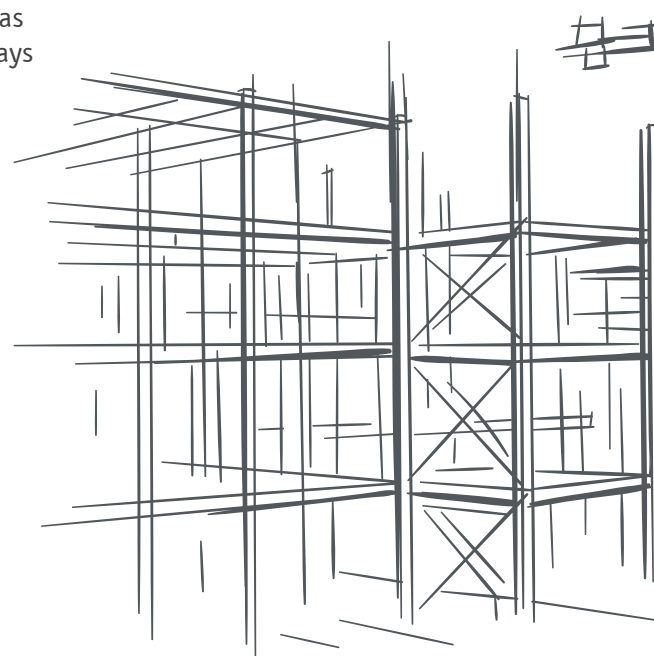
Happy Trick or Treating and don't get spooked!

**Sim F. Doughtie,**  
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President  
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“...uncertain times are  
lurking around the  
corner.”

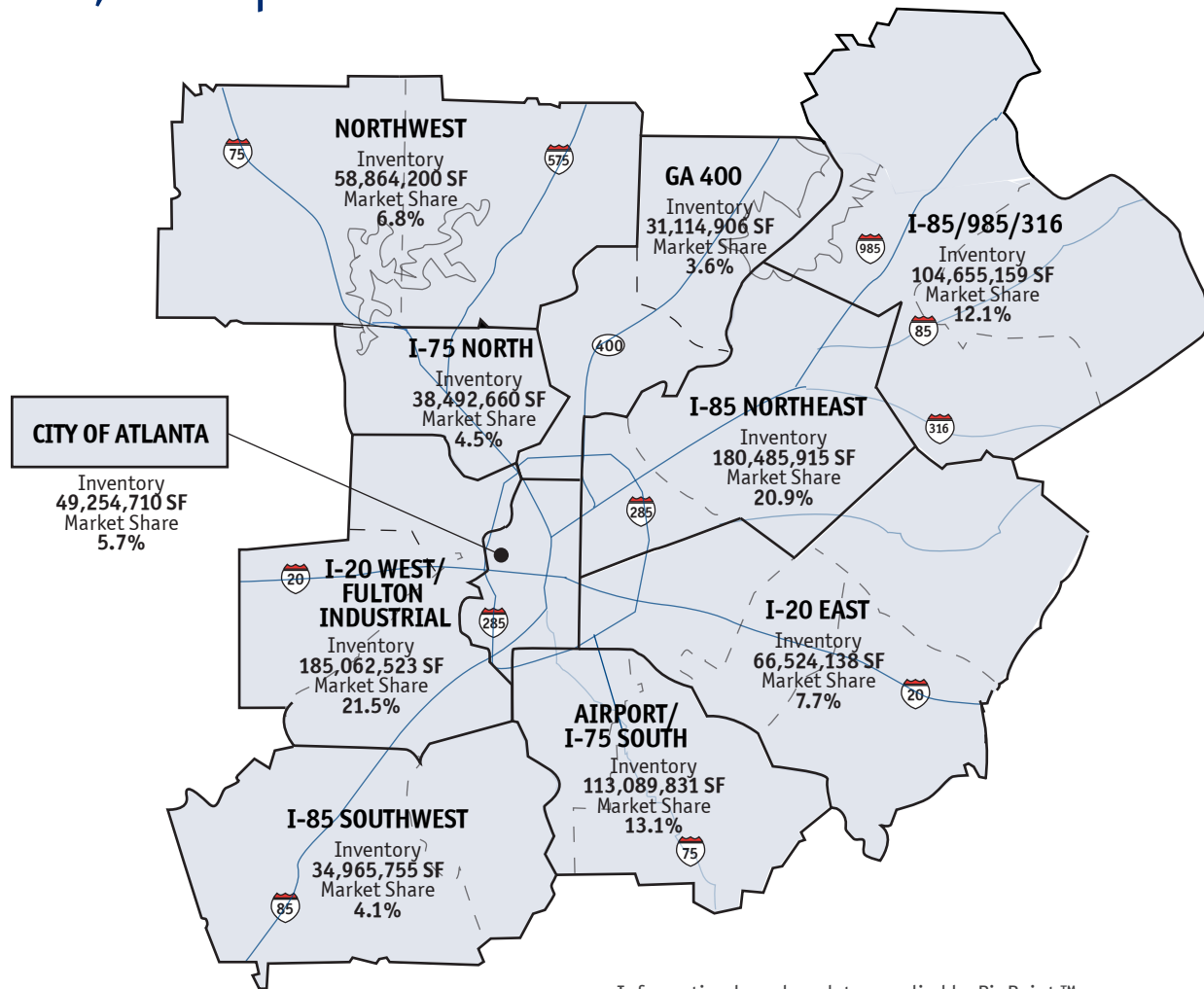
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# Distribution Market Inventory

Total Inventory

862,509,797 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 prevailed during the 3rd quarter of 2022, with 10,975,278 square feet rising out of the ground and spreading across all regions. Over sixty percent of this construction appeared in two of the outlying regions: the I-85/985/316 and Northwest regions with 4,149,035 and 2,787,386 square feet respectively. All told, there were fifty-one new projects with thirty-three buildings more than 100,000 square feet. There were five new BTS projects totaling 859,200 square feet with the most notable one being the half million square footer for Amazon.

## Major Construction Projects

Location	Submarket	Sq. Feet	Type
<b>Nunn Road</b> "Commerce Logistics Center"	I-85/985/316	937,440 SF	Spec
<b>Thompson Mill Road</b> "Thompson Mill Site"	I-85 Northeast	815,360 SF	Spec
<b>Cass White Road</b> "Cass-White Logistics Center"	Northwest	793,187 SF	Spec
<b>Bowen Road</b> "Roosevelt Logistics Center"	I-20 West/ Fulton Industrial	563,193 SF	Spec
<b>Buffington Road</b> "Majestic Airport Center III"	I-20 West/ Fulton Industrial	517,200 SF	BTS for Amazon

3rd Quarter 2022

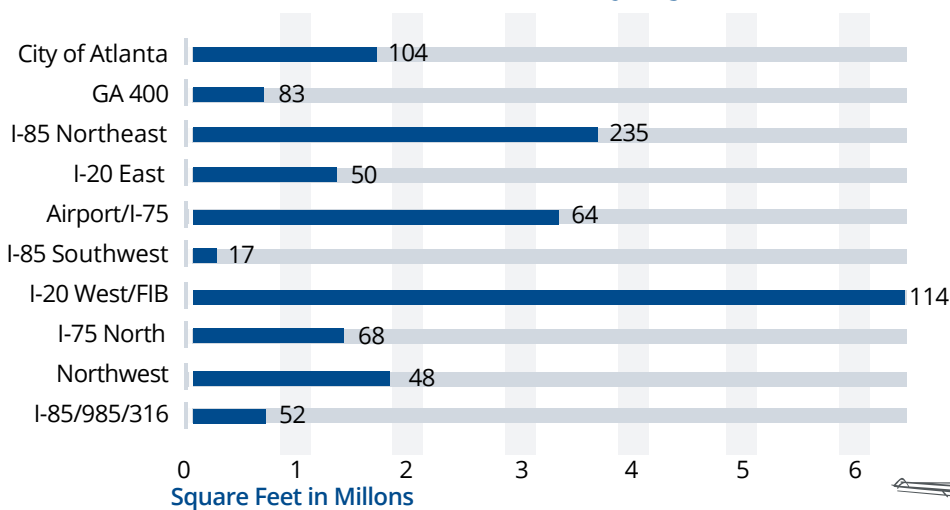
**10,975,278 SF**

**498,468 SF**

From 2nd Quarter 2022

# Distribution Activity

## Number of Deals by Region



## Total Activity

3rd Quarter 2022

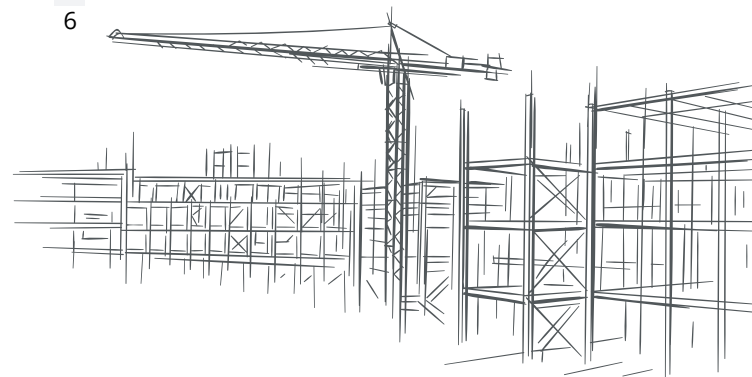
**21,588,712 SF**

**1,455,334 SF**

From 2nd Quarter 2022

Activity swelled up again this quarter, recording over 20 million square feet (MSF) for the sixth time in seven quarters! Eerily, the I-20 West/Fulton Industrial, the Airport/I-75 South and the I-85 Northeast regions beat their showing last quarter and accounted for nearly 64 percent of the 21,588,712 square feet for the quarter. It must be noted that the I-20 West Fulton Industrial region set an all-time record of 6,594,886 square feet...no other region is close to beating that performance! The I-85 Southwest region got haunted this quarter as activity fell over 1.4 MSF down to a ghostly 142,331 square feet, the lowest of all regions. One bad apple couldn't keep the four rolling quarters of activity from grabbing the third highest record of 83,658,279 square feet!

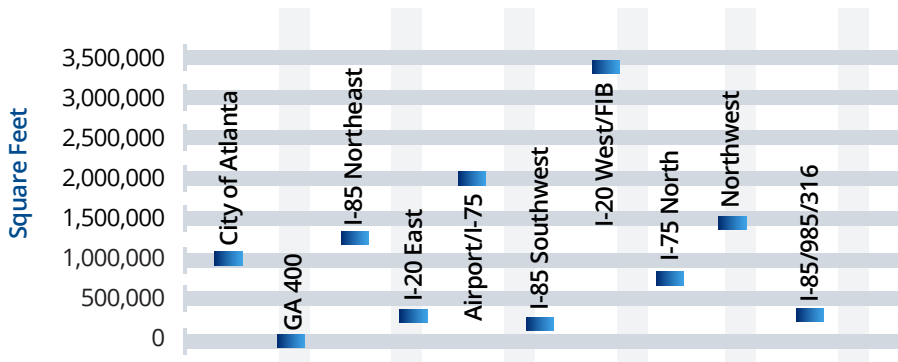
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# Distribution Net Absorption

The distribution market's net absorption was a spine chilling 10,761,706 square feet. The I-20 West/Fulton Industrial region grabbed that "powerhouse" crown back from the Airport/I-75 region this quarter, crushing activity and almost a third of the absorption with 3,299,048 square feet. However, this did not scare off the Airport/I-75 South market, as it brought home second place for both activity and net absorption of 2,030,935 square feet. It was uncanny how the I-85 Southwest region, with the lowest activity and net absorption managed to stay in positive territory with 97,081 square feet. The enchantment for net absorption during the four rolling quarters was recited and the 41,392,296 square feet was the second highest reported.

## Net Absorption by Region



## Net Absorption

3rd Quarter 2022

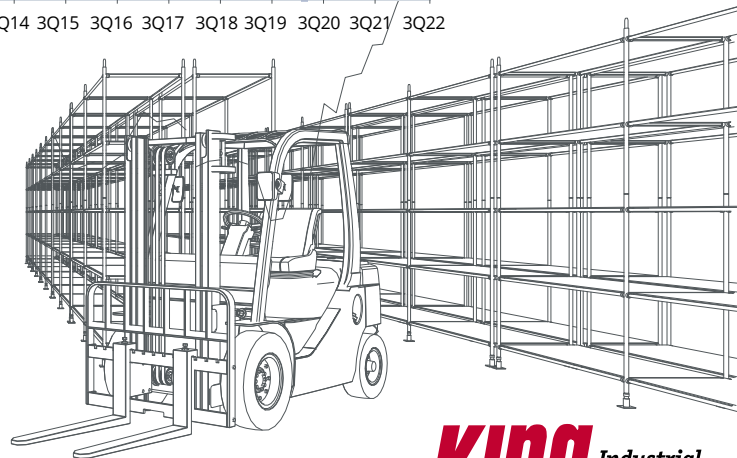
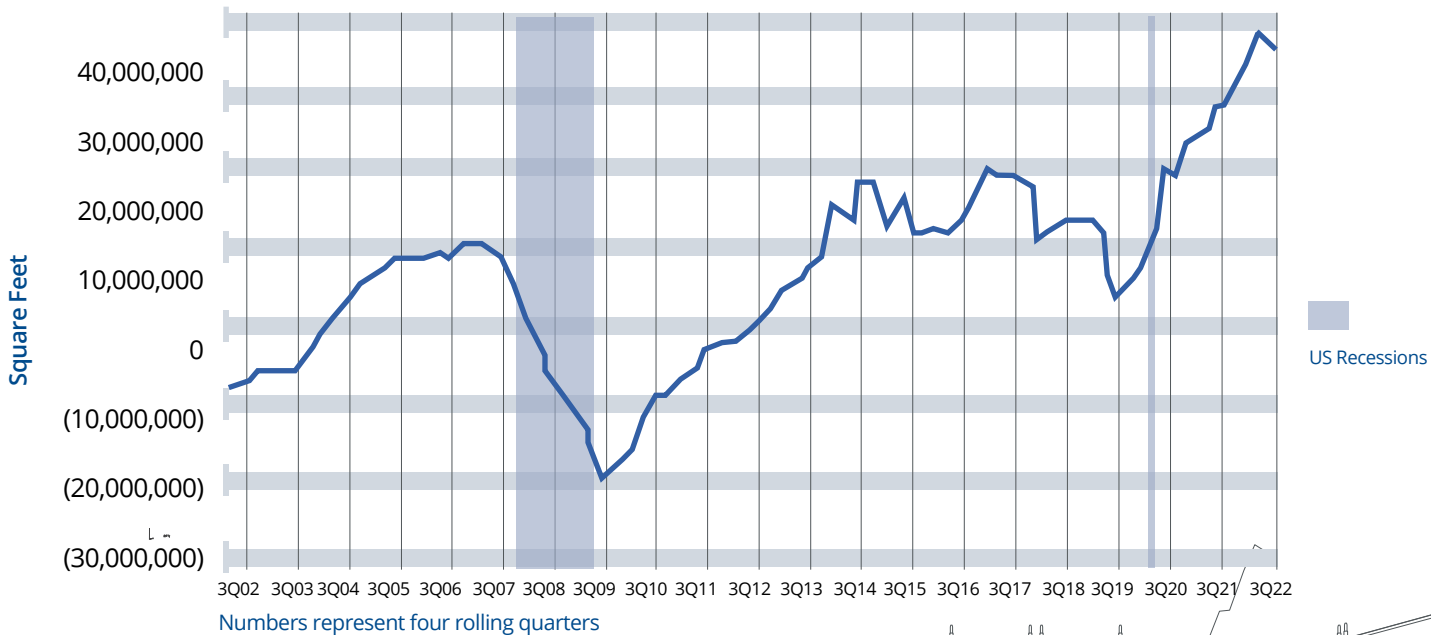
**10,761,706 SF**



**54,444 SF**

From 2nd Quarter 2022

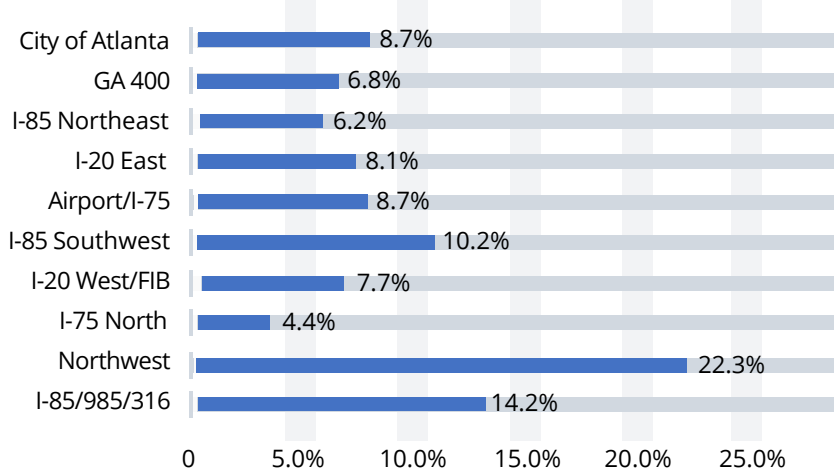
## Net Absorption (2002 - 2022)



# Distribution Availability

Over three and a half million square feet disappeared from the Atlanta distribution market's available space and the rate fell by 0.5 percent to a record low of 9.3 percent. This is not the result of witchcraft, but of formidable activity and absorption outnumbering the seemingly ceaseless new construction. The market is hot! While several of the smaller regions are reporting well below the metro average, it is interesting to note that the largest region, I-20 West/Fulton Industrial, is also below average with 7.7 percent despite almost 16 million square feet of new construction in the past two years. The Northwest region's availability rose even higher this quarter to 22.3 percent. This apparition rose from construction outpacing net absorption by five million square feet. The majority of all available space is first generation, totaling 48,061,850 square feet.

## Percent Available by Region



## Total Available SF

3rd Quarter 2022

**80,546,518 SF**

**9.3%**

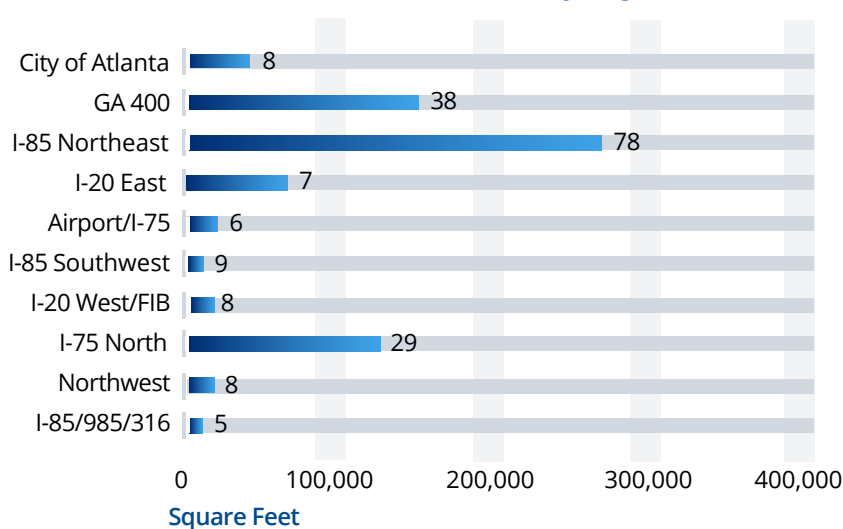


**0.5%**

From 2nd Quarter 2022

# Service Activity

## Number of Deals by Region



## Total Activity

3rd Quarter 2022

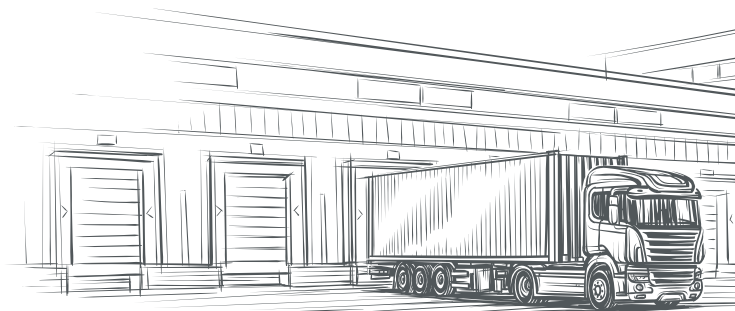
**768,300 SF**



**17,730 SF**

From 2nd Quarter 2022

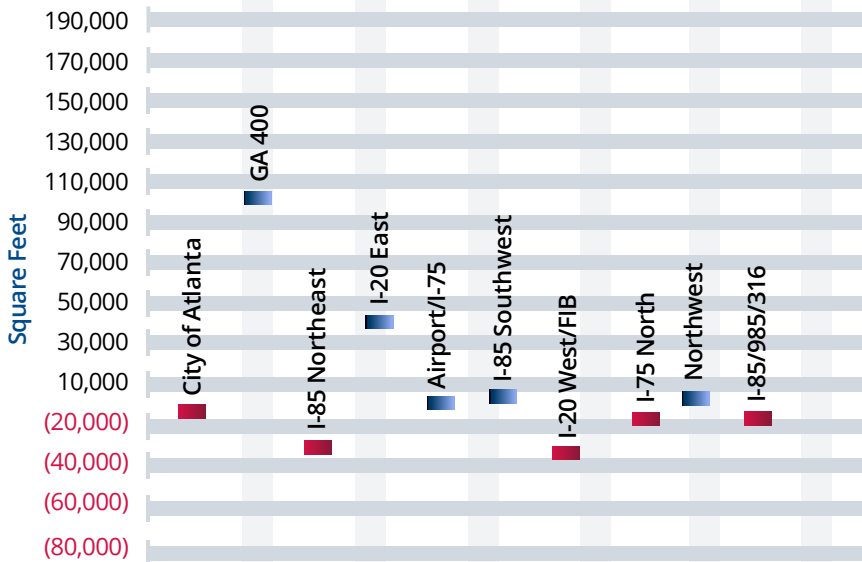
Atlanta's service center sector kept its momentum this quarter, reporting 768,300 square feet and completing 196 deals. The largest and most active region, I-85 Northeast, documented 261,602 square feet. The GA 400 region stepped up with 153,551 square feet. Third place went to the I-75 North region for summoning up 128,031 square feet. The goblins left the Northeast region this quarter as it got back in the game with 8 deals, outpacing the I-85/985/316 region that brought up the rear with only 10,062 square feet. Four rolling quarters of activity stayed on course with 3,015,290 square feet.



# Service Net Absorption

With half of service center's regions wallowing in negative net absorption this quarter, the sector managed to record a respectable 82,526 square feet of positive net absorption. The GA 400 region led the way with 105,019 square feet. I-75 North region flipped once again and went from the worst to second best, delivering 41,584 square feet. I-20 West/Fulton Industrial region got spooked again and fell even deeper into the pit, posting -35,945 square feet. The four rolling quarters of net absorption decreased to 639,285 square feet.

Net Absorption by Region



## Net Absorption

3rd Quarter 2022

**82,526 SF**

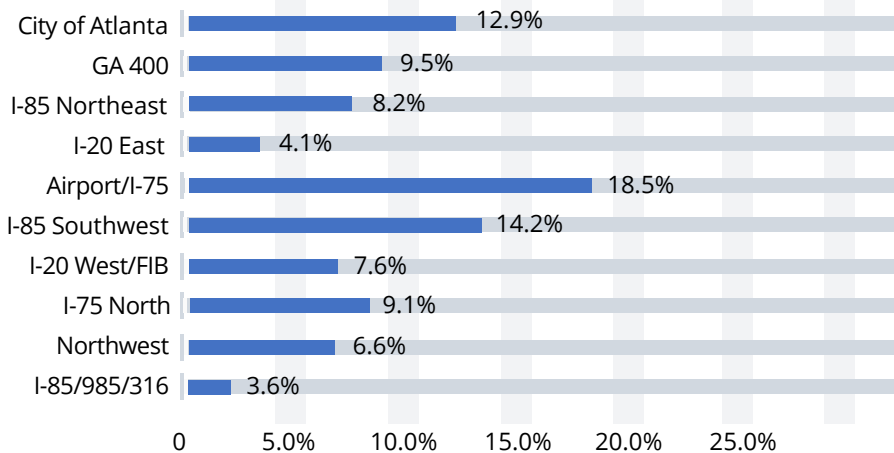


**30,486 SF**

From 2nd Quarter 2022

# Service Availability Rate

Percent Available by Region



The availability rate fell this quarter over 0.5 percent down to a record low of 8.8 percent, partially due to adjustments in inventory space. Currently there is 2,405,482 square feet available with less than one percent being new space. The I-85/985/316 region's rate increased, but it continues to have the lowest rate of 3.6 percent. The largest region, I-85 Northeast, is reporting just under the metro average with 8.2 percent. The Airport/I-75 South region still has the highest rate at 18.5 percent as it has struggled to accumulate even the smallest amount of positive net absorption on top of several quarters of negative numbers. New construction has ghosted Atlanta's service center sector.

## Total Available Sf

3rd Quarter 2022

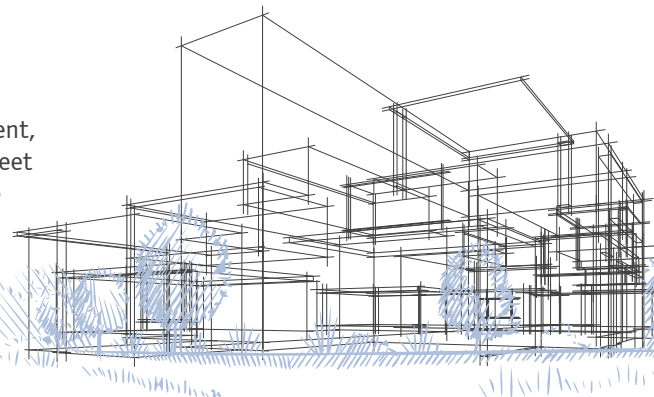
**2,405,482**

**8.8%**



**0.5 %**

From 2ndQuarter 2022





# Next Quarter coming soon...

**Q4 2022**



Call Us: **404.942.2000**

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