

# Point of View

## Q1 2024



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# Letter from the President

## Atlanta Market Continues to Slow Down

With another quarter in the books, we are seeing the Atlanta industrial market continue to tap the brakes and slow down...it is not shutting down...it is just continuing to slow down.

The biggest news from last quarter was that the market experienced negative net absorption for three out of four quarters and laid down -2.9 million square feet (MSF) for the year. Unfortunately, that trend continued this quarter with -487,801 square feet (SF) of net absorption. While we never like negative net absorption, it wasn't that bad of a number. Although the past four quarters reported just over 11.3 MSF of negative net absorption, only 4 percent of that was attributed to the first quarter of 2024. So, hopefully it's slowly moving in the right direction. Now, the really dramatic change showed up when we compared 11.3 MSF of negative absorption numbers to the year before when we saw that marvelous 32.5 MSF of positive net absorption! That represents a drop of over 43.7 MSF in absorption between the year-over-year numbers... talk about lagging behind!

We got conflicting information from the activity numbers during the first quarter of 2024, as they increased last quarter from 11.2 MSF up to over 13.2 MSF. That uptick in the quarterly activity was good to see, but it did little to change the fact that the year-over-year activity numbers were lackadaisical (46.2 MSF) when compared to the 75.4 MSF we saw the previous year... a 29 MSF decrease in just one year. However, the activity numbers only slowed down from being really great to pretty good.

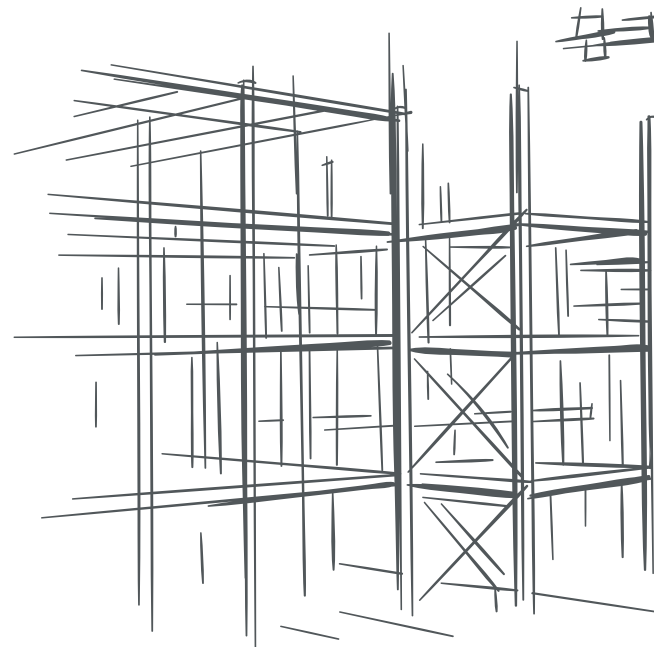
The new construction numbers were also sending mixed signals. During the first quarter, construction increased from 4.4 MSF (last quarter) to 6.3 MSF. That's good news until we consider the overall decline of new construction. The 16 MSF recorded over the past year barely held a candle to the 45.7 MSF the previous year. Construction spending has been lethargic all across the country and banks are not currently lending on speculative construction. This is concerning because typically 75 to 80 percent of all new construction in the Atlanta industrial market has been speculative. This will no doubt lead to more build-to-suit projects that lenders would love to fund.

With year over year new construction numbers plunging, activity numbers sliding down, and the negative net absorption dominating the marketplace, it is not a surprise that the availability rate increased from 10.5 percent a year ago up to 12.7 percent. It is also not a surprise that the sublease market has been elevated as well.

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"...the really dramatic change showed up when we compared 11.3 MSF of negative absorption numbers to...32.5 MSF of positive net absorption (the year before)...a drop of over 43.7 MSF"

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# Letter from the President

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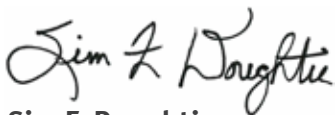
The second biggest news was that the big box market (500,000 SF and up) has been languishing. The Atlanta industrial market only consummated six big box transactions in the past four quarters for a total of 4 MSF and there were no million square foot deals. When we compare that to the previous year, the Atlanta industrial market signed 21 big box deals for a total of 20.9 MSF. Here's the math, ... the big box market did 15 less deals and had 16.9 MSF less activity than the previous year.

This slowdown has been seen across our nation, not just in Metro Atlanta. The overall industrial market is looking at lackadaisical activity, lagging or negative absorption, and lethargic new construction. This snail-paced market is highly affected by the rising interest rates, but industrial owners seeking to refinance will be just fine as the rental rates are on the up as well. Additionally, the Fed has been taking their own sweet time to lower interest rates and with inflation rising to 3.5 percent, it won't happen anytime soon.

On a more positive note, we are starting to see an upward trend in the manufacturing sector. During the last eight months of 2023, we saw every month register below 50 percent in the U.S. Manufacturing Index, meaning the sector was contracting and not growing. In the first quarter of 2024, we saw the manufacturing sector signaling an expansion and growth mode and registered 50.4 percent in January, 52.2 percent in February and 51.9% in March...that's definitely good news!

Lastly, the American consumer, who drives our nation's economy and contributes approximately 70 percent to our nation's yearly gross domestic product is dealing with a lot of uncertainty. The lingering inflation, high interest rates, open border crisis, collapsed bridge, two wars being waged and the upcoming presidential election are driving instability. Uncertainty makes people slow down when making decisions and the American consumer is no different. The same holds true for the real estate directors of the Fortune 500 companies, which was made apparent by the slowdown in big box deals.

So, 2023 was a slowdown year...2024 will continue to tap the brakes. However, I believe that 2025 will be the rebound year. It may seem like a long time away, but we're already in April so recovery will be here before we know it.

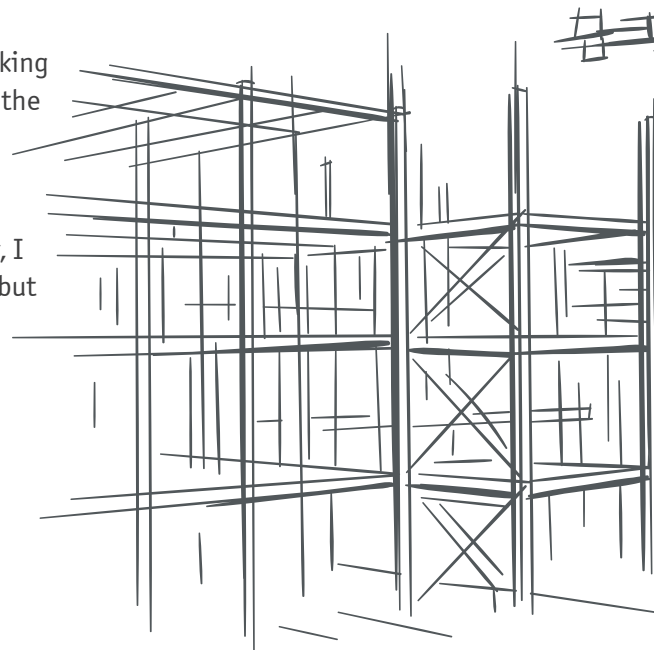


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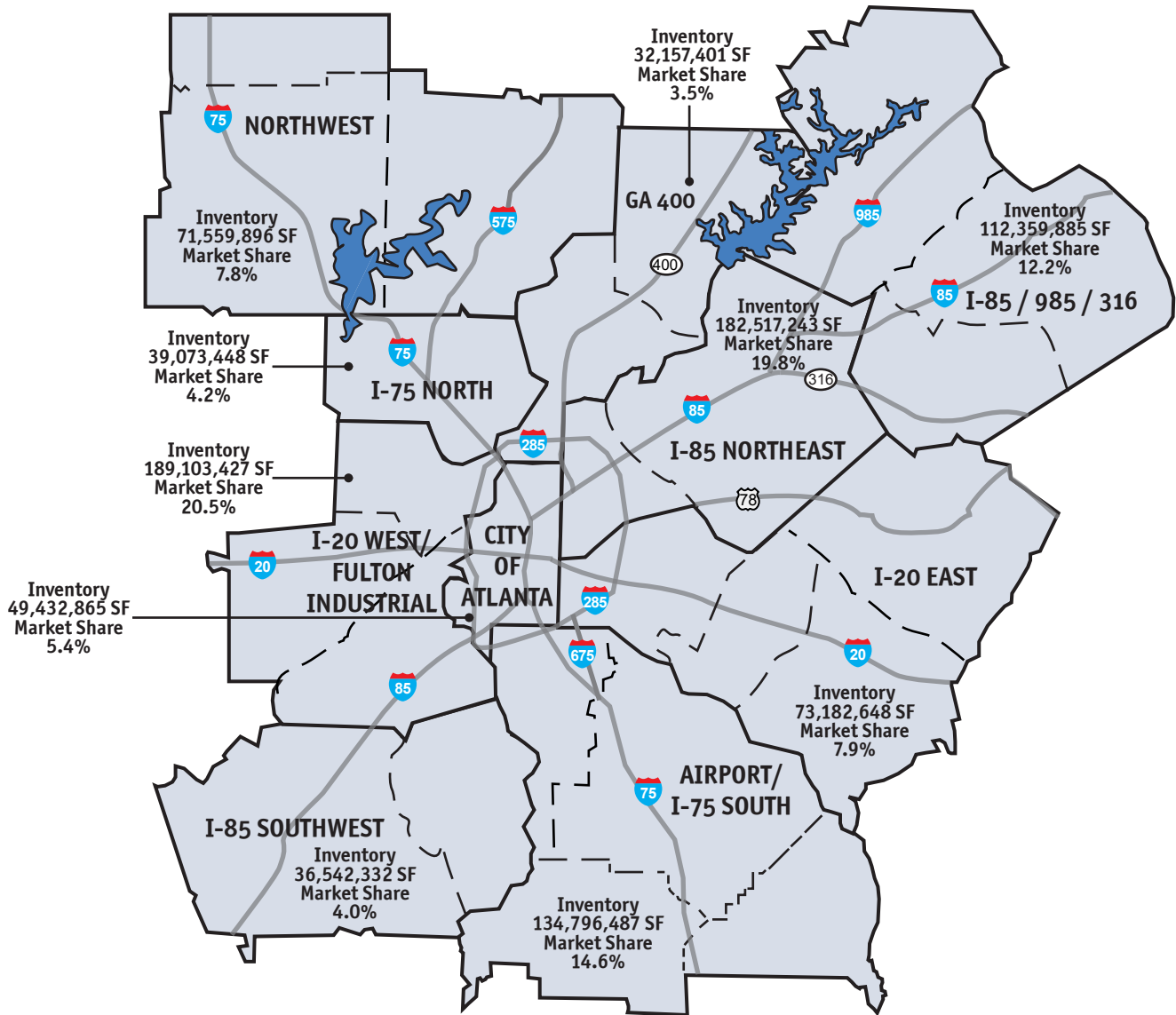
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# Distribution Market Inventory

Total Inventory

920,725,632 Square Feet



## Knowledge Through Experience

Since 1983, King Industrial Realty has tracked and reported on the Atlanta industrial market using our proprietary database, PinPoint™. We are well known for our complete and independent source of industrial data in the Atlanta metro area.

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# New Construction

The Atlanta distribution market’s new construction recorded 6.3 million square feet (MSF) – adding two new million square footers to the scene. Once again, the Airport / I-75 South region is home to the biggest project (1,219,826 SF) and 43 percent of all new construction. The largest of the 8 build-to-suit projects was 850,000 square feet (SF) in two buildings for Hanwha QCells up in Bartow County.

## Major Construction Projects

Location	Submarket	Sq. Feet	Type
Highway 42 South “Southern Gateway at Lambert Farms”	Airport / I-75 South	1,219,826 SF	Spec
East Hightower Trail “PNK Park Social Circle”	I-20 East	1,013,902 SF	Spec
Wallace Road “Prologis Commerce Center II”	Airport / I75 South	2 Buildings totaling 1,204,510 SF	Spec
Great Valley Parkway “Highlands 75”	Northwest	2 Buildings totaling 820,000 SF	BTS for Hanwha QCell
Highway 42 “Clayton Technology Center”	Airport / I-75 South	265,775 SF	Spec

## New Construction

1st Quarter 2024

**6,308,363 SF**

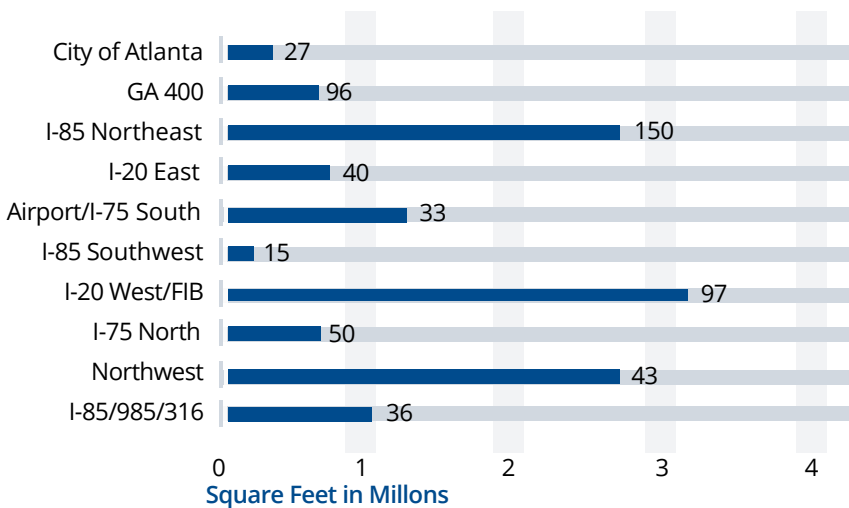


**1,948,764 SF**

From 4th Quarter 2023

# Distribution Activity

## Number of Deals by Region



## Total Activity

1st Quarter 2024

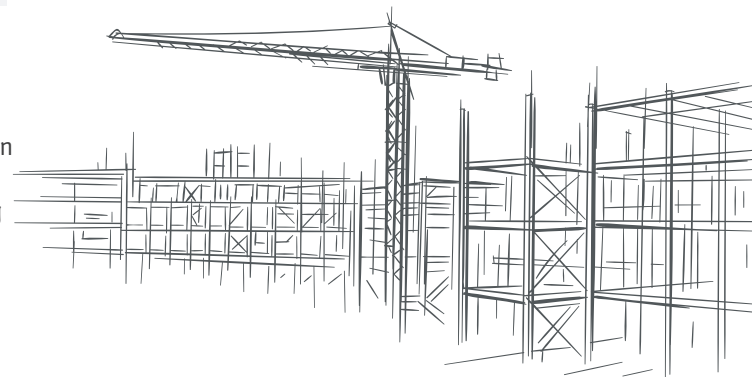
**13,231,511 SF**



**2,047,967 SF**

From 4th Quarter 2023

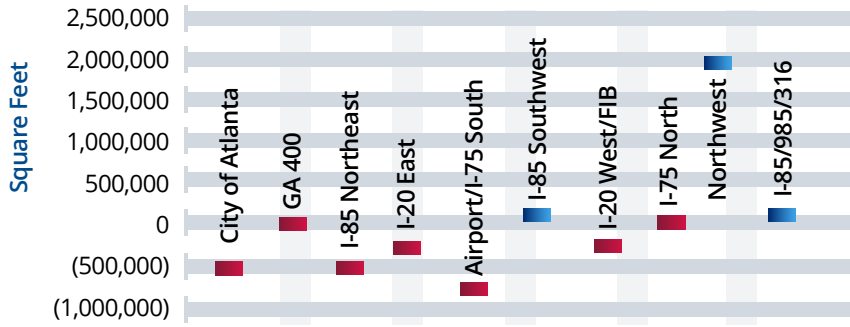
Activity in the Atlanta distribution market rose again for the second quarter in a row to over 13.2 MSF. Activity wasn’t the problem for the I-20 West / Fulton Industrial region, as it inked 97 deals for 3.1 MSF...it was all tenants vacating their space that was the issue. The I-85 Northeast region took second place with 2.7 MSF, followed ever so closely by the Northwest region with only a 5K SF difference. The City of Atlanta activity didn’t amount to much with only 261K SF of activity averaging less than 10K SF per deal.



# Distribution Net Absorption

The Atlanta distribution market's net absorption improved by 2.5 MSF, but negative absorption was seen for the fourth quarter in a row with -487,804 SF this quarter. The Northwest region saved the day posting 89 percent of all positive absorption with 1.7 MSF. The I-85 / 985 / 316 and the I-85 Southwest were next in line with 150K and 77K SF of positive net absorption. All other regions were plowed under and reported negative numbers with the Airport / I-75 going the deepest to -808K SF. Not a pretty sight at all.

Net Absorption by Region



## Net Absorption

1st Quarter 2024

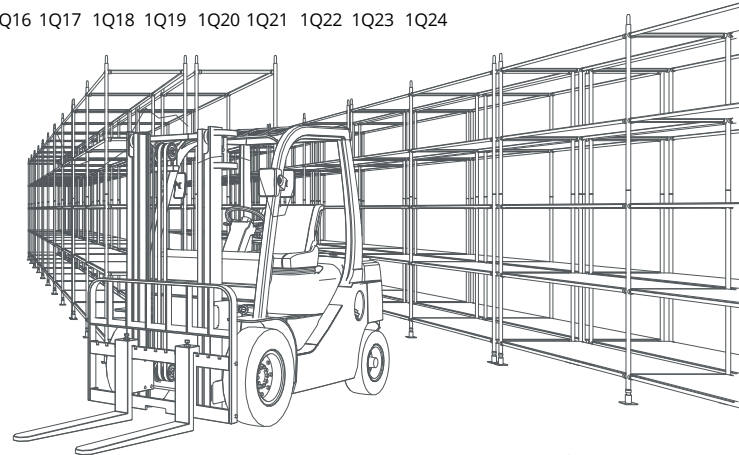
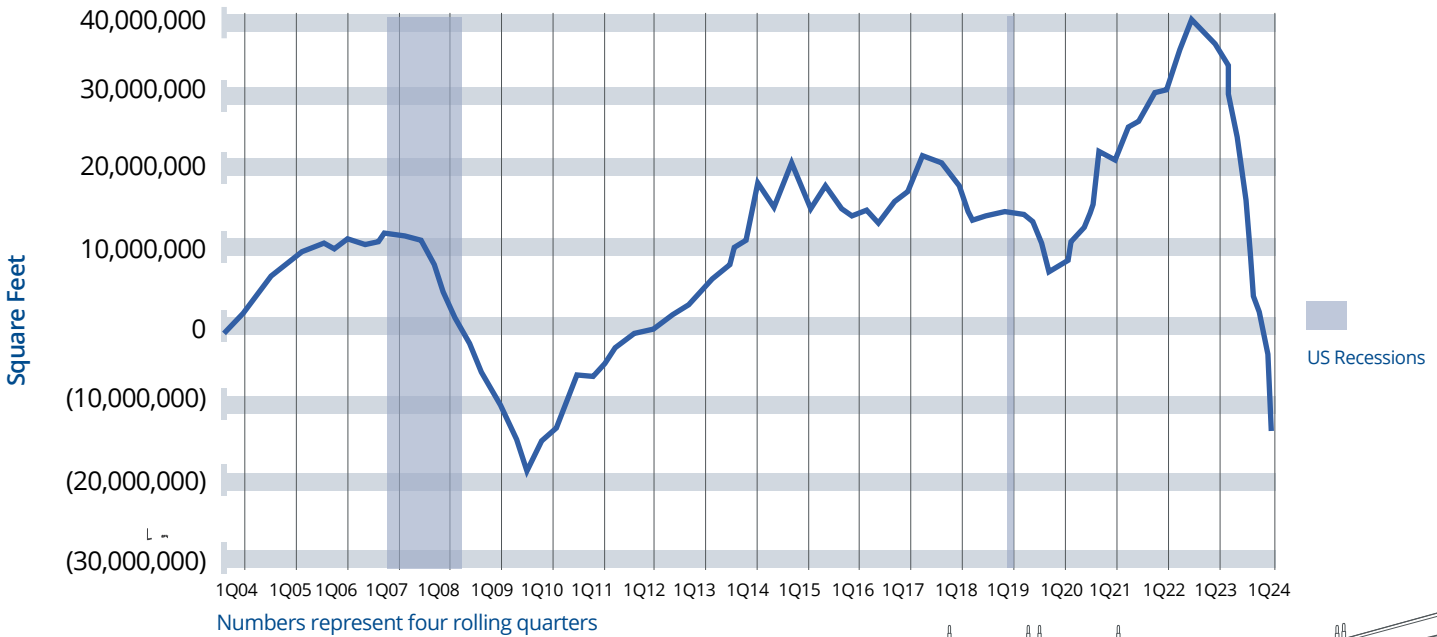
**-487,801 SF**



**-2,952,898 SF**

4th Quarter 2023

Net Absorption (2002 - 2024)

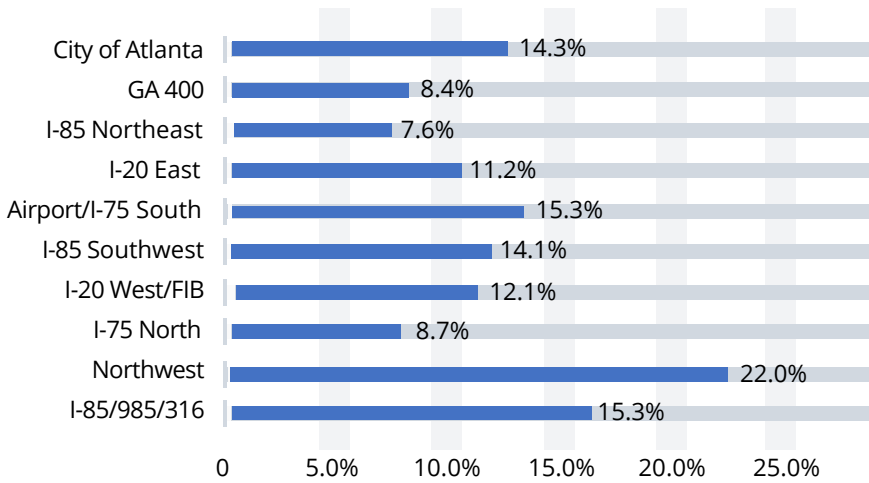


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# Distribution Availability

Availability in the Atlanta distribution center elevated to 12.7 percent, the highest we've seen in 8 years. Five of the ten regions are reporting above the metro average, with the highest going to the Northwest – coming in at 22 percent. The tightest market belongs to the I-85 Northeast region with a mere 7.6 percent of available space. The 755 of 779 spaces that came to market were well below 100K SF. Of the 23 spaces that were 100K SF and up, five are available as a sublease, which explains why sublease space went up to 13.2 percent. New space set a record high of 60.7 MSF for Atlanta.

Percent Available by Region



## Total Available

1st Quarter 2024

**116,712,756 SF**

**12.7%**

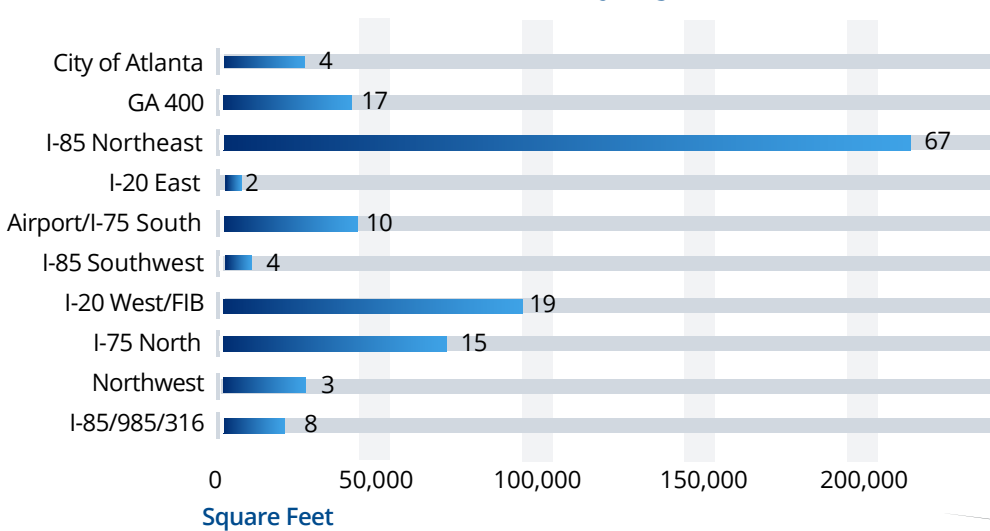


**0.5%**

From 4th Quarter 2023

# Service Activity

Number of Deals by Region



## Total Activity

1st Quarter 2024

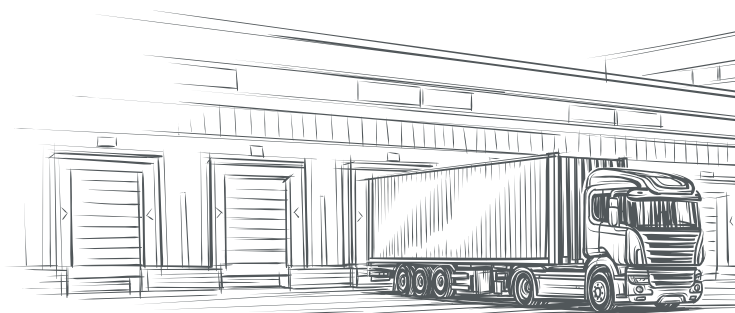
**572,581 SF**



**56,865 SF**

From 4th Quarter 2023

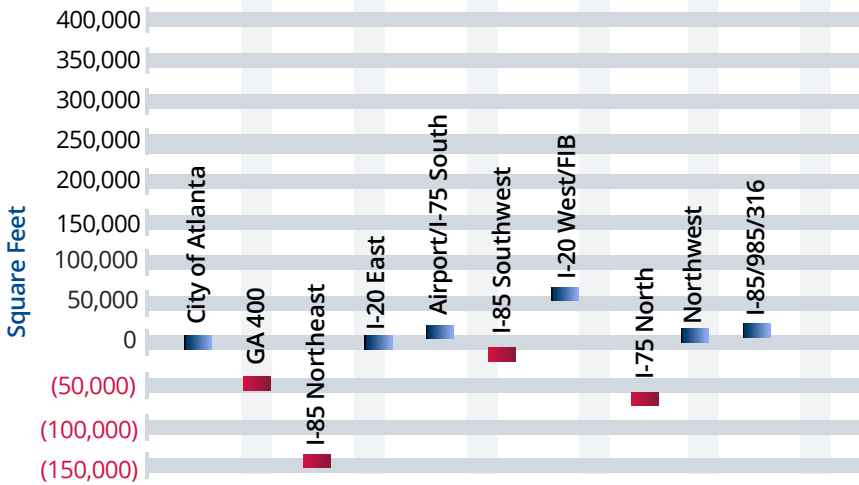
Activity in the Atlanta Metro service center sector slowed down to 572,581 SF this quarter, recording 149 deals with an average square foot of almost 4000 SF – not too shabby. The I-85 Northeast continued to lead the charge with 217,040 SF and 67 deals, while the I-20 West / Fulton Industrial region came in second with 101,077 SF. Together these represent half of last quarter's activity. After activity being nonexistent for the last three quarters, the I-85 Southwest region got some traction and completed four deals for 10,200 SF. All other regions reflected a slow pace for deals.



# Service Net Absorption

Net absorption was consumed by negativity this quarter and reported a -164,144 SF. This is due to the fact that 157 tenants moved out and that 27 of those left between 10K and 40K SF behind and there were only nine deals signed in that range. This was largely seen in the I-85 Northeast region with negative 129,073 SF. The I-75 North region was the only saving grace and reported 65,657 SF, representing almost 60 percent of all positive absorption.

Net Absorption by Region



## Net Absorption

1st Quarter 2024

**-164,144 SF**

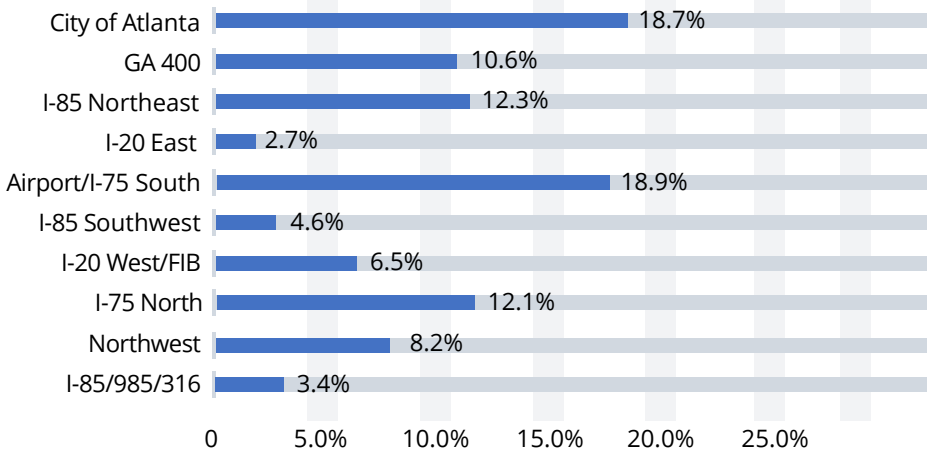


**134,496 SF**

From 4th Quarter 2023

# Service Availability Rate

Percent Available by Region



## Total Available SF

1st Quarter 2024

**3,106,667 SF**

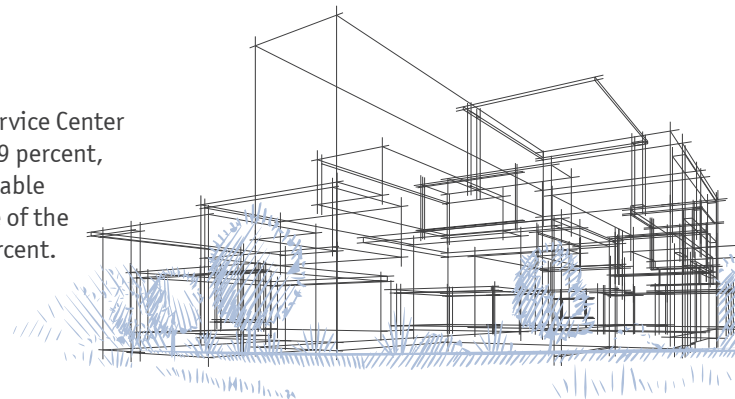
**11.1%**



**0.3%**

From 4th Quarter 2023

Since absorption was negative for the second consecutive quarter, Atlanta's Service Center sector's availability rate rose 0.8 percent to 11.1 percent. The highest rate, 18.9 percent, was in the Airport / I-75 South region with 230,754 SF. There was 1.3 MSF available in the I-85 Northeast region with the second highest rate at 12.3 percent. One of the smallest regions, I-20 East, had a measly 26,525 SF available – a rate of 2.7 percent.





# Next Quarter coming soon...

Q2 2024



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