

Point of View

Q4 2025



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Letter from the President

Atlanta's Industrial Market Shows Improvement!

At the end of the third quarter, we reported that the Atlanta industrial market's net absorption was improving while still being negative by 685,000 square feet (SF). This was certainly better than the negative 8.1 million square feet (MSF) from the previous two quarters. Even better, this quarter's absorption was positive with over 3.1 MSF! This move into positive territory was due to the pent-up demand that has been in the marketplace for quite some time. Some companies decided that they could not wait any longer and had to move forward. At this point, it's very hard to predict where we will go from here. Considering the year-over-year negative 5.6 MSF of net absorption, the first quarter of 2026 could very easily go either way. We are moving in the right direction, so we'll just have to wait and see.

Activity for the fourth quarter was steady with over 15.4 MSF, and when added to the previous three quarters activity was almost 53.4 MSF for 2025. Not bad, but it paled in comparison when considering the previous year's activity of over 60.5 MSF. So, what's happening here? It appears that we have had good activity, although those numbers are down from the previous year and at the same time we have had a lot of negative net absorption. How is all of this possible? Because companies have been downsizing.

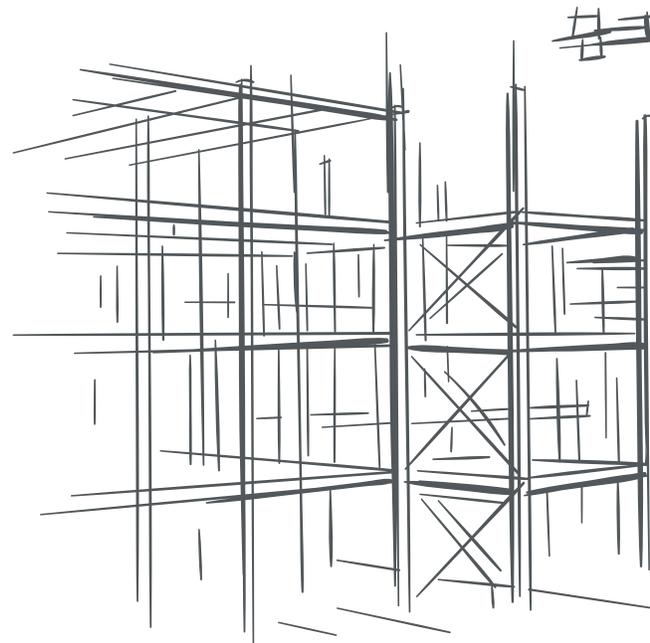
The rising inflation over the past four to five years has put upward pressure on the cost of goods and everything we buy. Likewise, the Atlanta industrial market rental rates have increased two to three times over that same time period. When tenants want to renew their lease, they are looking at a big increase. If a tenant had been paying \$40K for their annual rent, now it's going to be in the \$80-120K range per year to renew their lease. It's no wonder that we are seeing these firms look to cut costs by downsizing.

Something to keep an eye on is the decline in the number of deals. The deals went down from 655 during the third quarter to 559 in the fourth quarter, so 96 less deals quarter to quarter! This is certainly not a trend that we will want to see going forward, because less deals along with firms downsizing would not bode well for our industry.

The availability rate for industrial space in the Atlanta industrial market has now increased from 12.4% at the end of 2024 up to 13.6% at the end of 2025. So, the available industrial space is now over 128.6 MSF feet.

The new construction market has been compressed over the past couple of years, and year-over-year numbers are still down. However, we are starting to see some improvement in the quarterly numbers. The first quarter only saw 1.5 MSF of new construction, the second quarter increased to 3.8 MSF, the third quarter rose to 3.9 MSF and this quarter produced almost 4.2 MSF. While this trend is going in the right direction, we do not believe that there will be real improvement until the Federal Reserve lowers their restrictions on the banks regarding the amount of required reserves. Banks can still lend on build-to-suit projects, but their hands are pretty much tied when it comes to lending on spec development.

"...this quarter's absorption was positive with over 3.1 million square feet!"



Letter from the President

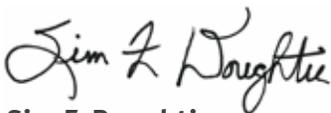
Atlanta's Industrial Market Shows Improvement!

Another issue has been the drastic decline in big box deals. There were only six deals in the 500,000 SF and above range this past year. Four of those were 1 MSF or above and there were another three deals completed above 495,000 SF, so we are seeing some progress in this area. In contrast, four years ago the Atlanta industrial market had twenty-four big box deals consummated in one year...quite a difference!

Since our last report, the U.S. Government shut down came to an end, and the Federal Reserve continued to lower the federal funds rate, which is now in the 3.50%-3.75% range. The stock market has been setting records and continues to do so. The GDP rose to a surprising 4.3%, and the unemployment rate was less than expected at 4.4%. All very positive changes.

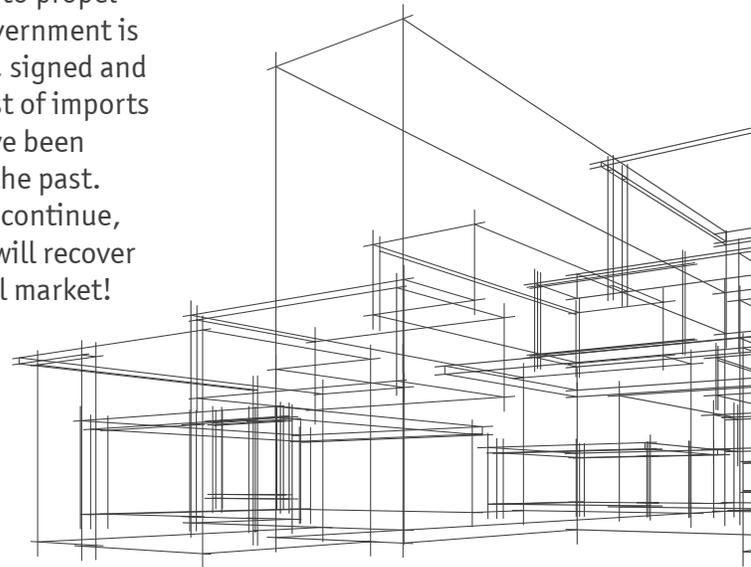
In contrast, the U.S. Manufacturing Index has been below 50%, which means contraction mode (currently at 47.9%), not expansion mode. In spite of the fact that inflation hovered in the 2.7% range, it's believed that the Fed made the last rate cut due to the weakness in the jobs market data in the private sector. That sector only averaged 22,000 jobs per month from September through November, but created over 100,000 jobs per month during the first quarter of 2025. Lastly, the residential housing market continued its struggles with higher construction costs. With almost no entry level homes being built, inventory remains limited - a problem that's being made worse by higher mortgage rates.

So, in this environment, what needs to happen that would help to propel our economy forward in 2026? The tariff deals that the U.S. Government is currently negotiating with other countries need to be finalized, signed and fully completed. Once that happens, everyone will know the cost of imports and exports, and the pent-up demand that the Fortune 500 have been experiencing over the last two to three years will be a thing of the past. The rebound of the energy and manufacturing sectors needs to continue, and this will take some time. In the end, consumer confidence will recover and the U.S. Economy will take off. Good news for the industrial market!



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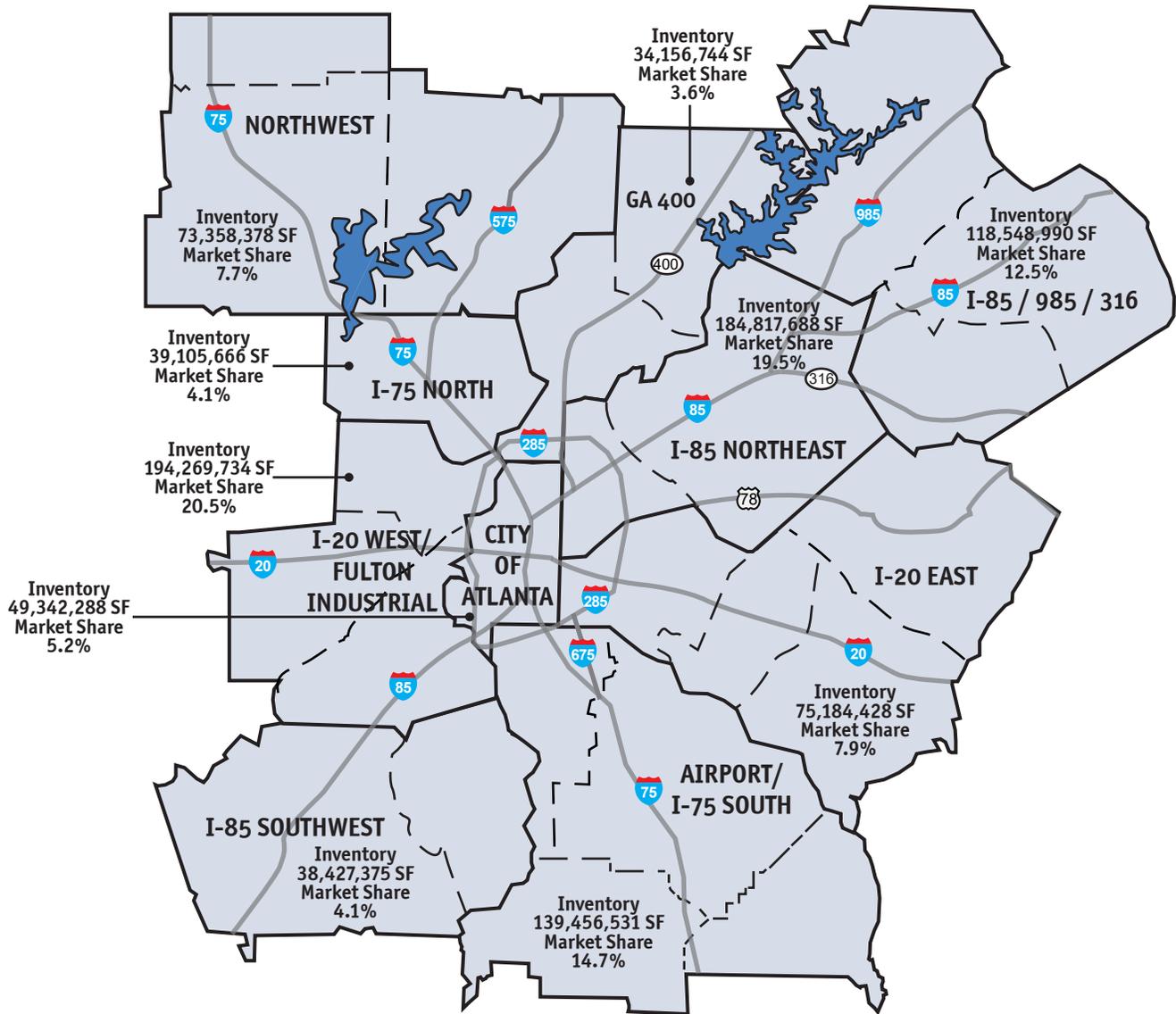
"...we are starting to see some improvement in the (new construction) quarterly numbers... this quarter produced almost 4.2 MSF."



Distribution Market Inventory

Total Inventory

946,667,822 Square Feet



Knowledge Through Experience

Since 1983, King Industrial Realty has tracked and reported on the Atlanta industrial market using our proprietary database, PinPoint™. PinPoint, combined with our agents' experience and market knowledge, is our client advantage.

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New Construction

New construction in Atlanta’s industrial market has slowly increased over the last four quarters up to 4.2 million square feet (MSF). Most of the new construction is going up in the I-85 / 985 / 316 region – five projects totaling 1.2 MSF. The I-20 West / Fulton Industrial region witnessed the largest project of 1.0 MSF. There were eight BTS projects totaling 1.1 MSF which represented 26% of all new construction for the quarter.

Major Construction Projects

Location	Submarket	Sq. Feet	Type
Williams Road "Microsoft Fairweather"	I-20 West / Fulton Industrial	1,000,000 SF	BTS for Microsoft Corp.
Friendship Road "Buford North Commerce Center – Bldg 200"	I-85 / 985 / 316	333,390 SF	Spec
Friendship Road "Buford North Commerce Center – Bldg 300"	I-85 / 985 / 316	317,814 SF	Spec
Amlajack Boulevard "Amlajack Logistics Center"	I-85 Southwest	316,897 SF	Spec
Lanier Islands Parkway "Logisticenter at Lanier"	I-85 / 985 / 316	252,720 SF	Spec

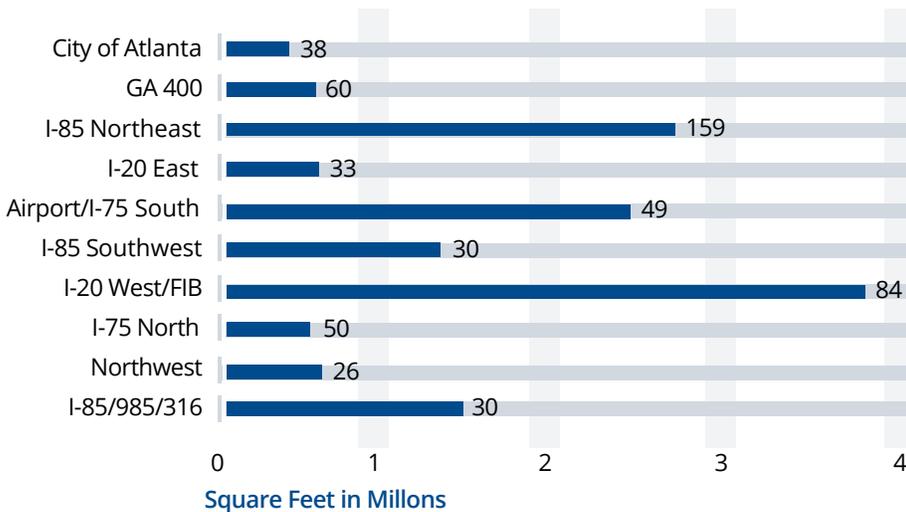
New Construction
4th Quarter 2025
4,184,494 SF



267,795 SF
From 3rd Quarter 2025

Distribution Activity

Number of Deals by Region

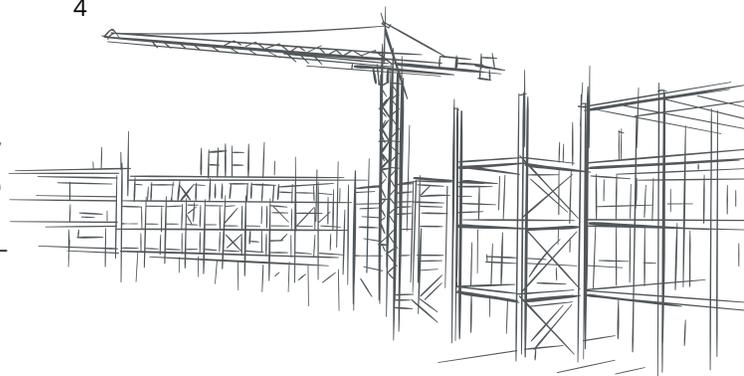


Total Activity
4th Quarter 2025
15,411,800 SF



420,632 SF
From 3rd Quarter 2025

The Distribution Sector’s activity experienced a slight decline this quarter, reporting 15.4 MSF with an average deal size of 27,570 SF. The I-20 West / Fulton Industrial region reported the highest activity with 3.7 MSF due to two deals in the MSF range for Google and Microsoft. The I-85 Northeast region came in next with 2.9 MSF of activity due to the high volume of deals (159) averaging 18,143 SF. The Airport / I-75 South region wasn’t far behind with 2.5 MSF. The I-85 Southwest region saw the largest deal done (1.2 MSF) for QTS Data Centers. Once again, the City of Atlanta had the least amount of activity with 459,994 SF.

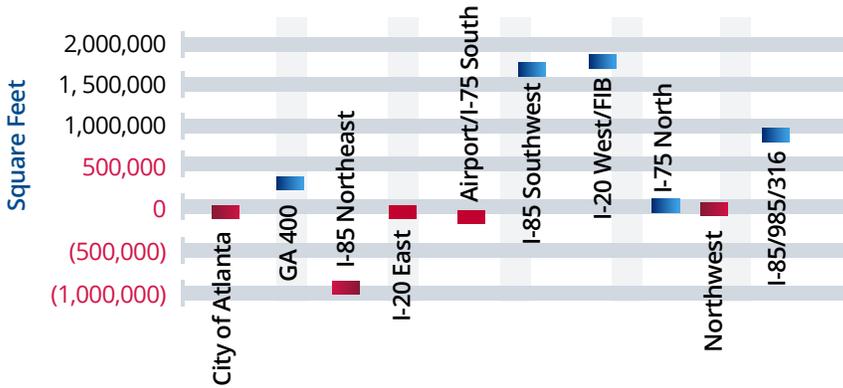


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Distribution Net Absorption

After three consecutive quarters of negative net absorption, the Atlanta industrial market rebounded with a positive 3.2 MSF – a 3.9 MSF upswing from last quarter! Vying closely for first place, the I-20 West / Fulton Industrial and the I-85 Southwest regions saved the day with 1.7 and 1.5 MSF respectively. Five regions fell into negative territory with the I-85 Northeast regions doing the most damage reporting a negative 812,620 SF, due to tenant turnover and downsizing.

Net Absorption by Region



Net Absorption

4th Quarter 2025

3,175,521 SF

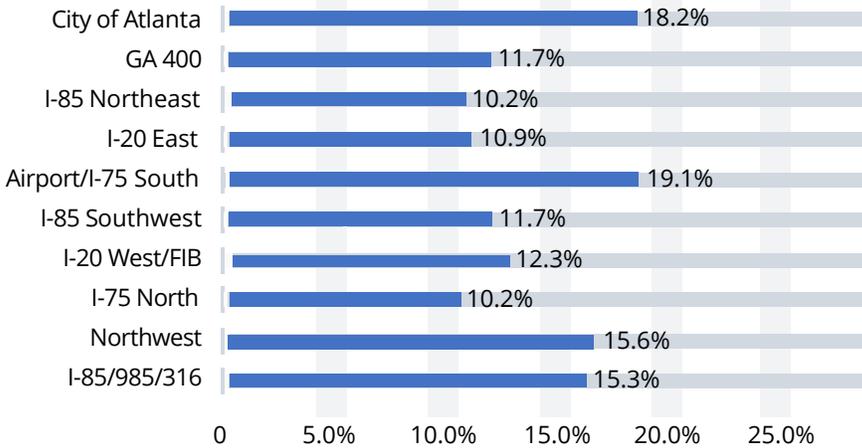


3,860,569 SF

From 3rd Quarter 2025

Distribution Availability

Percent Available by Region



Total Available SF

4th Quarter 2025

128,614,598 SF

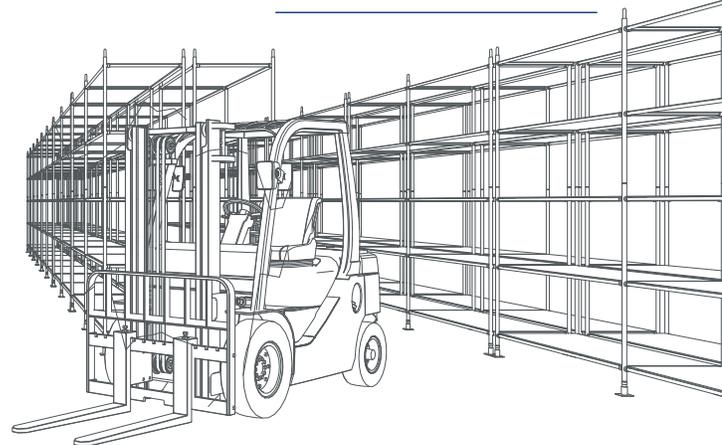
13.6%



0.2%

From 3rd Quarter 2025

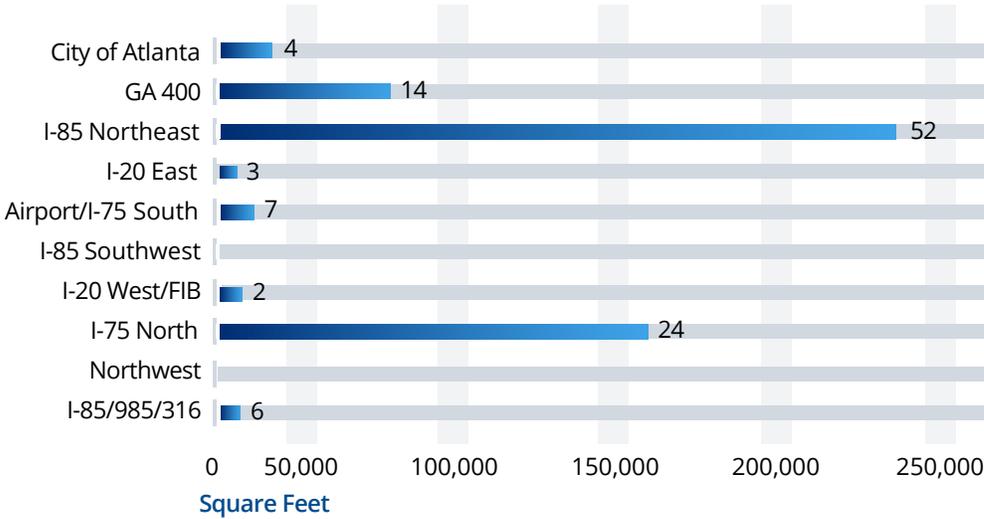
After three quarters of increased availability, the Atlanta Distribution Center's availability rate fell by 0.2%. The average rate is 13.6% leaving over 128.6 MSF on the market. The I-85 Northeast and the I-75 North regions both reported the lowest rate of 10.2%. Conversely, the highest rate was seen again in the Airport / I-75 region with 19.1%. Almost 2.0 MSF of new space was leased but that barely made a dent, leaving almost 43.5 MSF of new space available. Sublease space declined to 16.3 MSF – 12.5% of all available space. The I-20 West / Fulton Industrial region has the most sublease opportunities with over 5.0 MSF.



Service Activity

The Atlanta Metro Service Center saw another decrease in activity. The 576,560 SF reported represents 112 deals with an average of 5,148 SF. The top two regions were the I-85 Northeast and the I-75 North reporting 236,727 and 156,500 SF respectively. These two regions accounted for 68% of all activity. Unfortunately, the I-85 Southwest and the Northwest regions had no new deals signed during the quarter.

Number of Deals by Region



Total Activity

4th Quarter 2025

576,560 SF

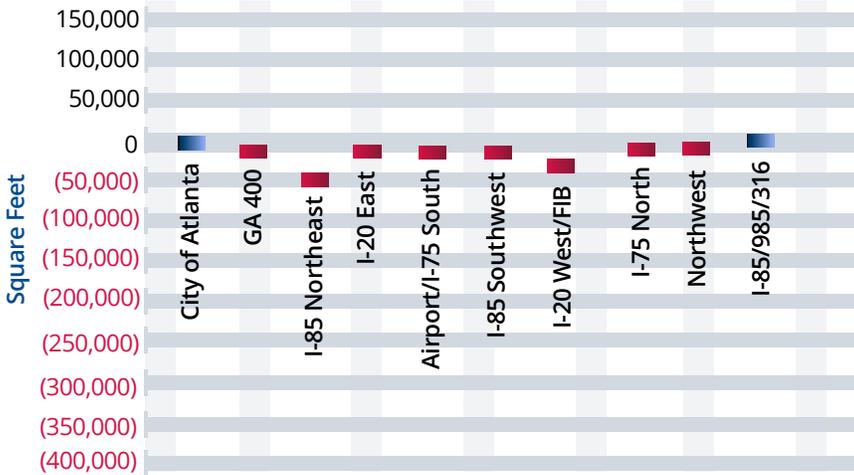


97,018 SF

From 3rd Quarter 2025

Service Net Absorption

Net Absorption by Region



Net Absorption

4th Quarter 2025

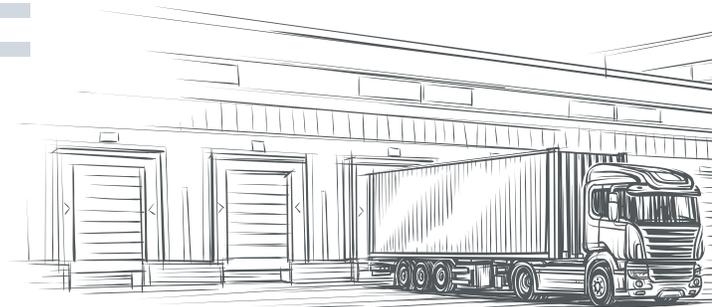
-117,892 SF



225,057 SF

From 3rd Quarter 2025

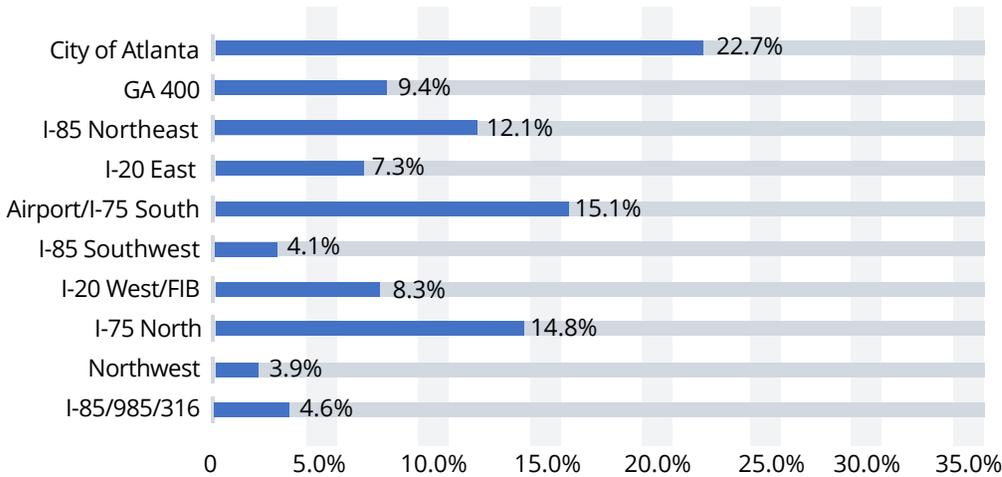
Net absorption did an about face in the Service Center this quarter and reported a negative 117,892 SF. There was a 30% decline in the number of deals during the quarter causing all but two areas to drop below the line into negative territory. Only the City of Atlanta and the I-85 / 985 / 316 regions were in the black with 7,386 and 5,632 SF respectively. Despite having the highest activity, the I-85 Northeast region had the worst absorption of -43,116 SF, due to a mass exodus of 160 tenants in 624,778 SF.



Service Availability Rate

The Service Center sector’s availability rate remained the same at 11.6% for the quarter. This lack of moment was due to making market adjustment for tenants who decided to renew. Six regions stayed well below the metro average and the I-85 Southwest region came in with the lowest rate of 4.1%. The City of Atlanta also repeated its seat at the top with 22.7%. Once again there was no new construction.

Percent Available by Region



Total Available SF

4th Quarter 2025

3,272,166 SF

11.6%

NO CHANGE

0.0%

From 3rd Quarter 2025



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