

Point of View

Q3 2024



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

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Letter from the President

The Market's Mixed Messages

King Industrial Realty reported on the negative net absorption in the Atlanta industrial market for the past five quarters. Now we can happily report that the market just recorded positive net absorption for the third quarter with 2,257,758 square feet (SF). Let's hope that this continues going forward. While this is certainly a positive sign for our market, the overall absorption numbers for the past four quarters remained negative at 3,144,344 SF. This was a vast improvement over the 11,263,787 negative SF reported earlier this year. Hopefully, absorption has turned the corner, and we will be heading for more positive quarters going forward from here...we shall see.

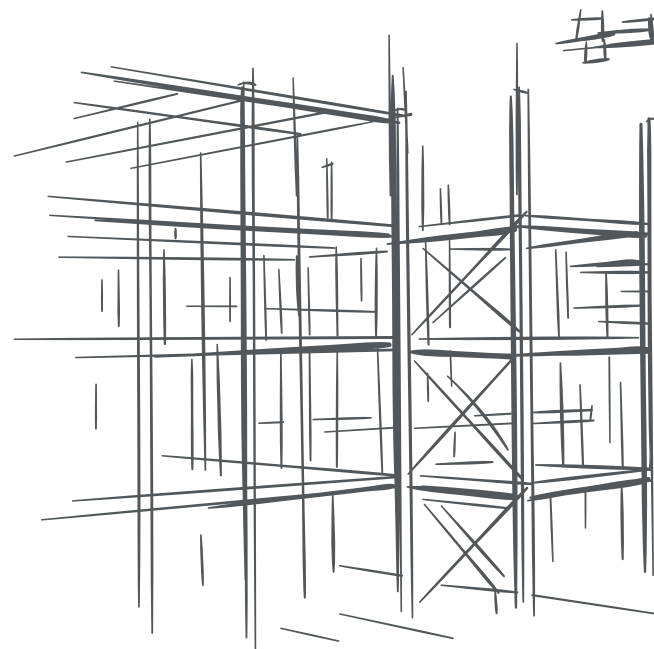
The positive absorption numbers reported for the third quarter caused the availability rate to decrease from 13.1% for the previous quarter down to 12.9%. This is a step in the right direction, but still higher than the 11.5% reported a year ago.

The activity numbers were a contradiction as well. There was 13.6 million SF of activity reported this quarter, which was down from the 14.4 million SF reported the previous quarter. However, the four rolling quarters activity numbers actually increased from 49.9 million SF to 52.4 million SF. This sounds good until compared with the rolling activity during 3Q23 that was 3 million SF higher. All this being said, the activity numbers for the Atlanta industrial market still remain solid.

The new construction numbers continued their downward trend with only 15 million SF reported over the past four quarters. A year ago, the new construction numbers were over 26.9 million SF, and the year before that it was over 41.2 million SF. During the third quarter, there were no build-to-suit projects announced, which we haven't seen since 2011! This decline in construction continued due to economic uncertainty – 20% higher inflation (compared to four years ago), downturn in consumer confidence, and a reduction in Fortune 500 expansions.

The Fortune 500 slowdown is evidenced by the drop-off in the big box deals. This past year we only reported eight transactions that were over 500,000 SF and none of those deals were in the 1 million SF range. A year ago, there were eleven deals reported that were over 500,000 SF, and six of those transactions were over 1 million SF. Currently, if a company needs to expand their operations, they are either waiting or taking smaller spaces until economic and market conditions improve. The herd mentality is risk adverse at the moment...I do not blame them.

“Hopefully absorption has turned the corner, and we will be heading for more positive quarters”



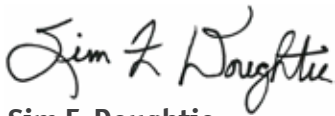
Letter from the President

The Market's Mixed Messages

When the presidential election is behind us, I believe the Fed will continue to lower interest rates next year, and that 2025 will be the year the market rebounds. In order to attack the cumulative inflation that we have experienced over the last 3-4 years, the U.S. government needs to ease regulations on the Energy Sector so they can unleash their expansion capabilities to be energy independent and an exporter of energy to the rest of world. When energy prices come down, transportation costs and everything else that we buy in the grocery stores follows suit.

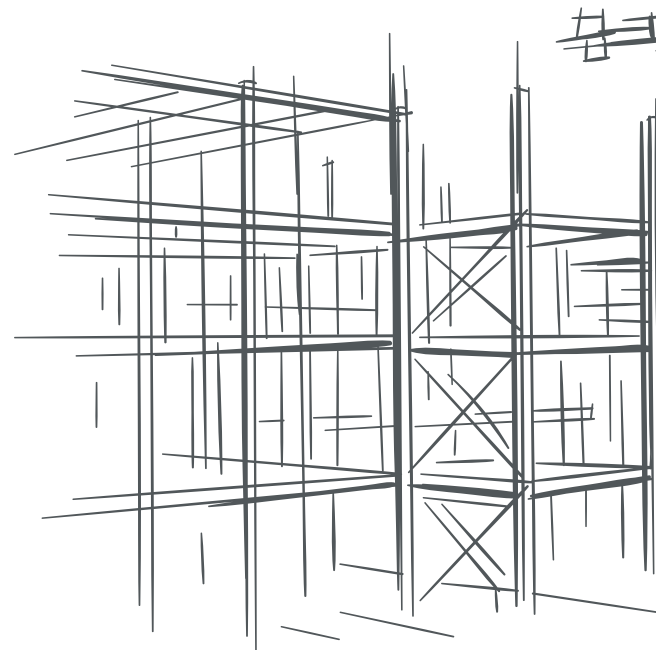
Lastly, if you remember from last quarter, Economist, Peter Linneman, previously predicted that the Fed would cut interest rates 3 times by the end of 2024, and they just cut rates by 0.50%. I'm still not sure if they will cut rates again this year or wait until 2025 to continue the reductions. We'll see if Dr. Linneman is correct or not...if he is, Willy Walker of Walker and Dunlop will have to kiss his feet/boots! I'm glad that I did not make that bet!

Despite the mixed messages coming from the market and all the confusion, the Atlanta market is consistently resilient. I do not know about you, but I am looking forward to 2025!



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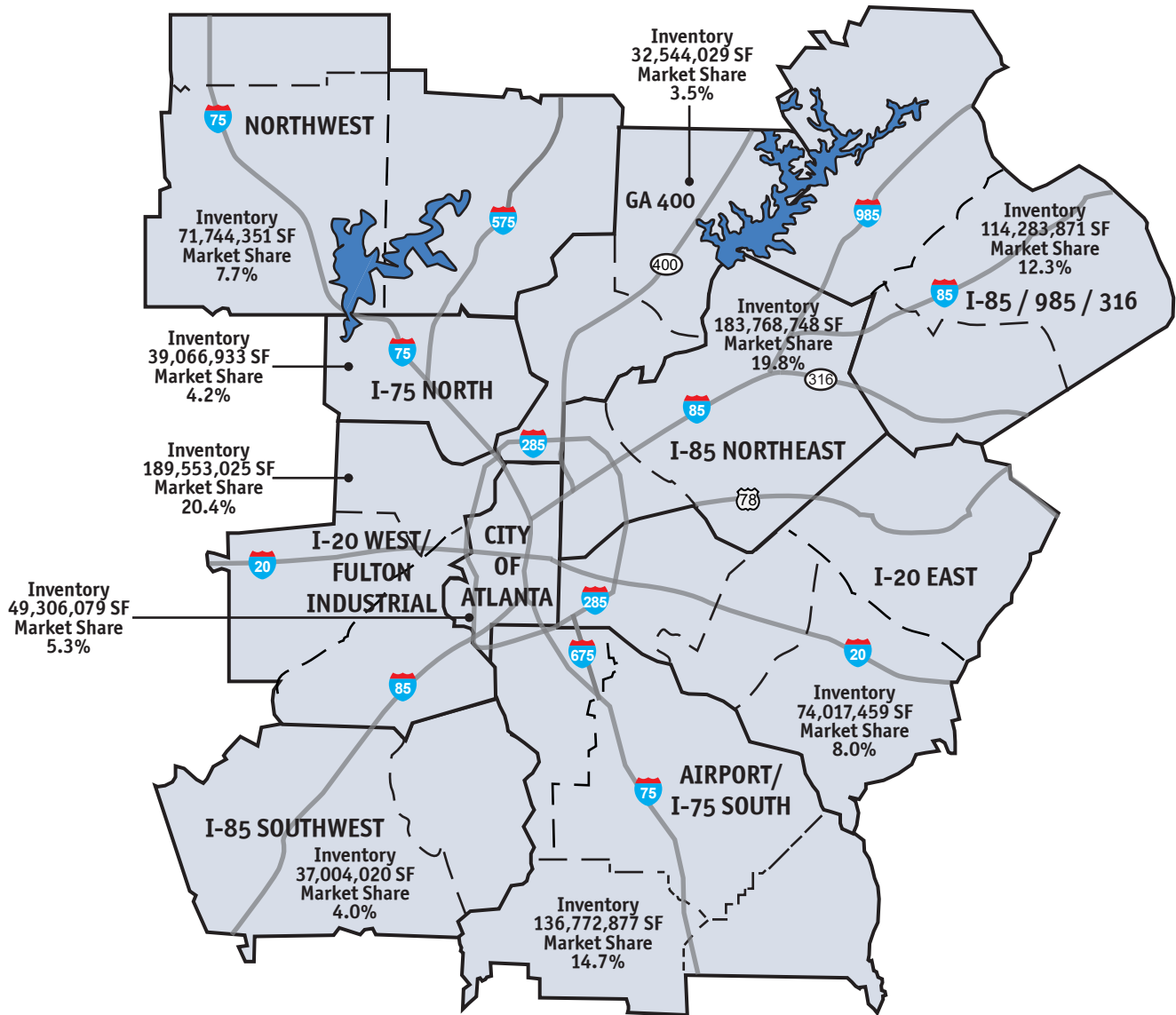
“Despite the mixed messages coming from the market...the Atlanta market is consistently resilient.”



Distribution Market Inventory

Total Inventory

928,061,392 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 Industrial market’s construction continued to decrease this quarter with only 15 new starts reported totaling 1,308,684 square feet (SF). Ten of those 15 new buildings were between 6,000 and 25,000 SF. The Airport / I-75 South region saw two of the largest projects begin in the Gillem Logistics Center located in Forest Park, with the largest being 571,517 SF. There were no new build-to-suit projects.

Major Construction Projects

Location	Submarket	Sq. Feet	Type
Anvil Block Road "Gillem Logistics Center"	Airport / I-75 South	571,517 SF	Spec
Whitewater Place "Southpark – Building B"	I-20 East / Fulton Industrial	206,016 SF	Spec
Anvil Block Road "Gillem Logistics Center"	Airport / I-75 South	162,009 SF	Spec
Forsyth Commerce Way "Forsyth Commerce Center"	GA 400	134,260 SF	Spec
Highway 74 South "Peachtree City Industrial Park"	I-85 Southwest	120,000 SF	Spec

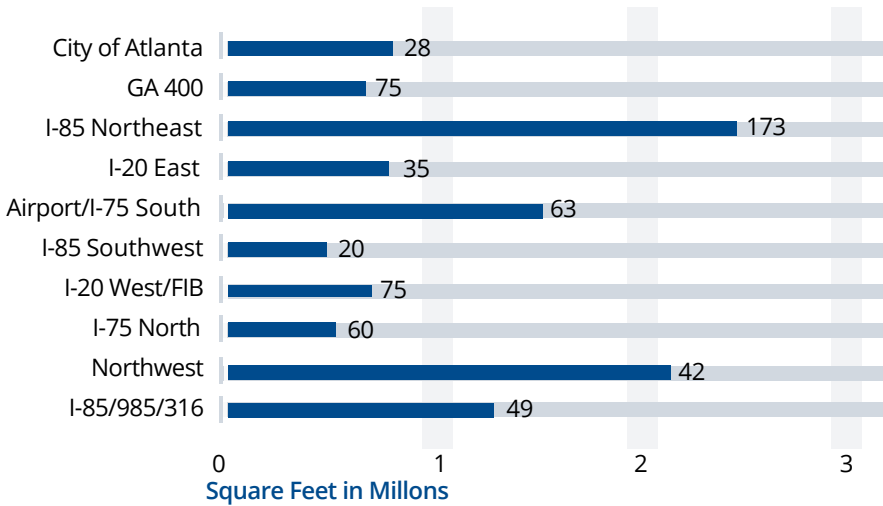
New Construction
3rd Quarter 2024
1,308,684 SF



1,799,589 SF
From 2nd Quarter 2024

Distribution Activity

Number of Deals by Region



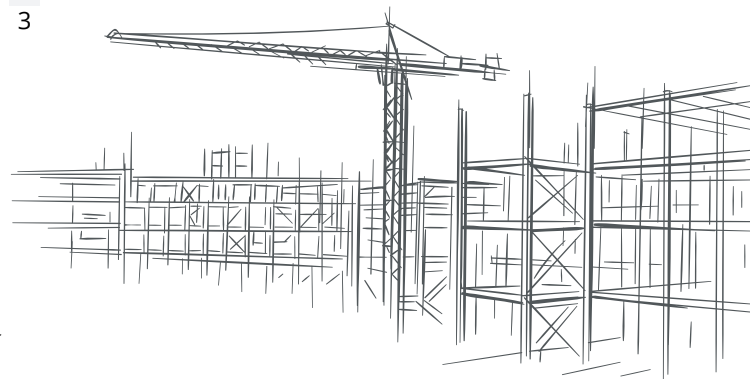
Total Activity
3rd Quarter 2024

13,663,588 SF



751,242 SF
From 2nd Quarter 2024

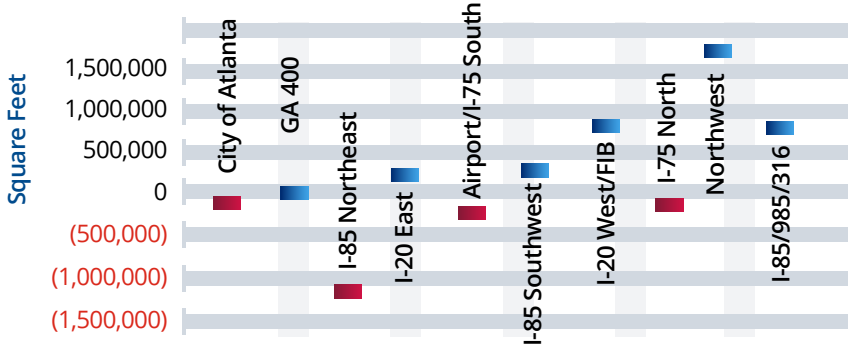
Activity stayed pretty steady this quarter with a slightly lower number of 13,663,588 SF consisting of 620 deals. The Northwest region saw two of the largest deals of the quarter, one of which was 500,000 SF for Hanwha QCell in White, GA. The I-20 West / Fulton took first place with almost 3 MSF of activity, improving slightly over last quarter’s 2.6 MSF. I-85 Northeast came in second with the same story, posting almost 2.5 MSF. The I-85 Southwest region came in last place again but improved almost tenfold from last quarter with 533,467 SF and 20 deals.



Distribution Net Absorption

The Atlanta Market pulled net absorption out of the hole and back into positive territory with 2,257,758 SF. The Northwest region rolled ahead of the pack posting 1,659,180 SF and three consecutive quarters in the black. Five other regions remained positive but couldn't hold a candle to the Northwest's volume. Of the four regions that fell below the line, the I-85 Northeast region couldn't overcome a mass exodus of 208 tenants and posted -1,114,535 SF.

Net Absorption by Region



Net Absorption

3rd Quarter 2024

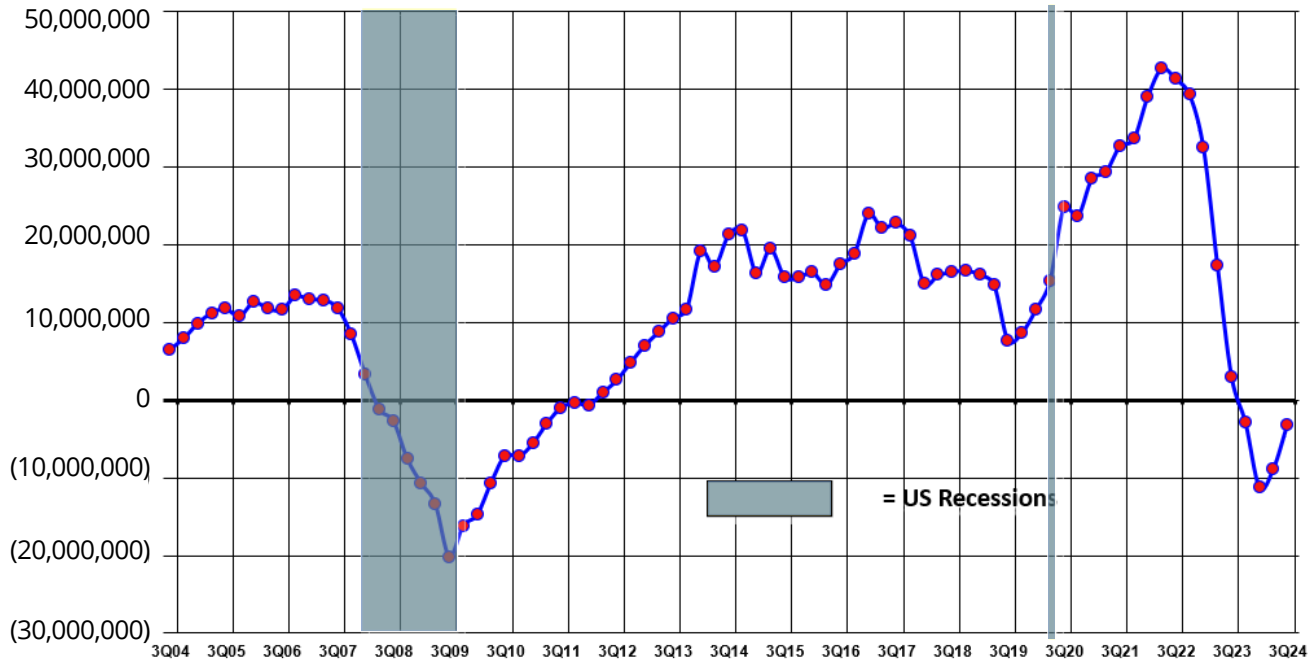
2,257,758 SF



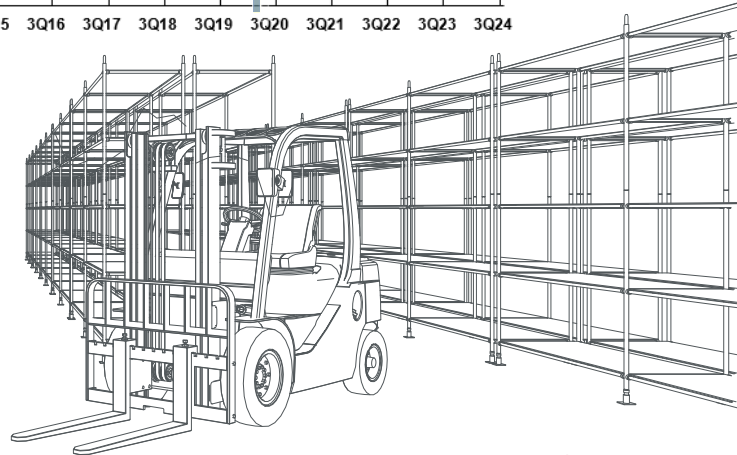
4,219,161 SF

From 2nd Quarter 2024

Net Absorption (2004 - 2024)



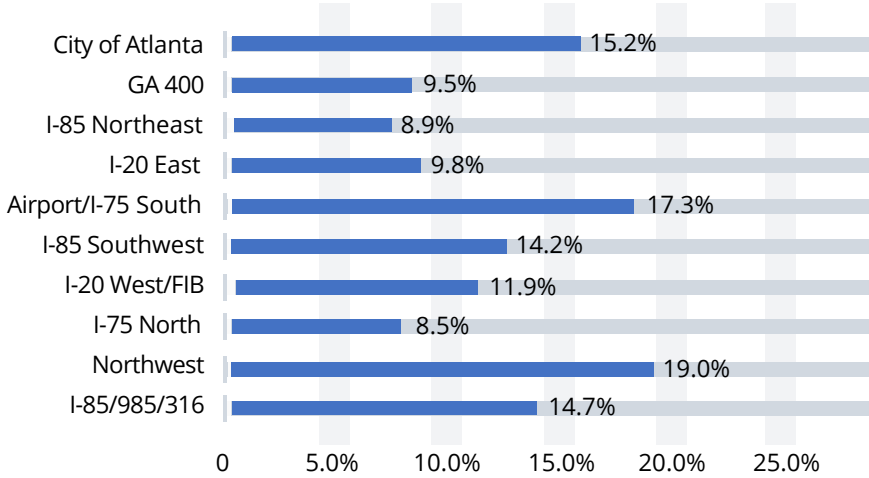
Numbers represent four rolling quarters



Distribution Availability

For the first time in the past two years, the Atlanta distribution center’s availability rate declined and reduced the available SF by a little over 2 MSF. The metro average now sits at 12.9 percent. The Northwest region’s strong net absorption brought the available rate down more than 2 percentage points to 19.0, still above the metro average but the lowest since 1Q22. The I-85 Northeast and the I-75 North regions are the tightest with 8.9 and 8.5 percent available respectively. Sublease space also declined by 0.5 percent down to 12.7 percent.

Percent Available by Region



Total Available

3rd Quarter 2024

119,475,104 SF

12.9%

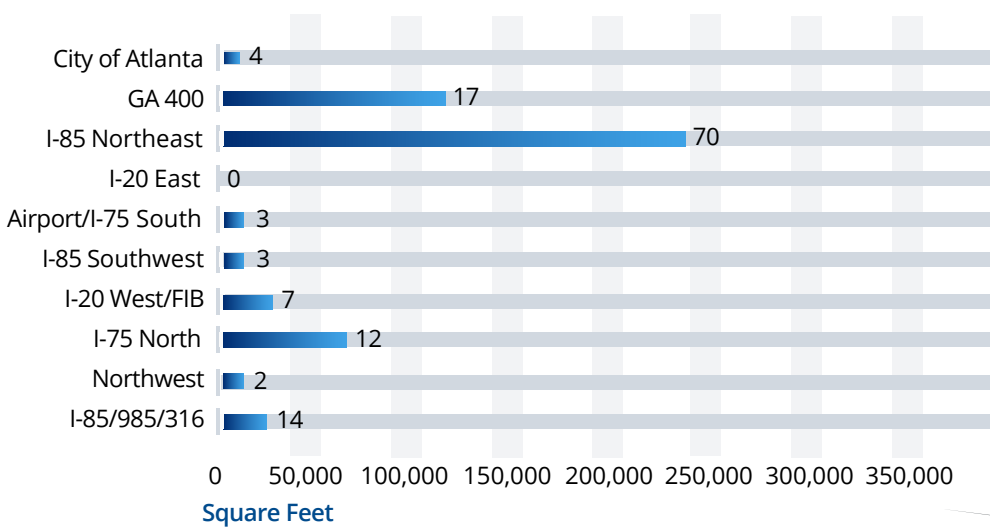


0.2%

From 2nd Quarter 2024

Service Activity

Number of Deals by Region



Total Activity

3rd Quarter 2024

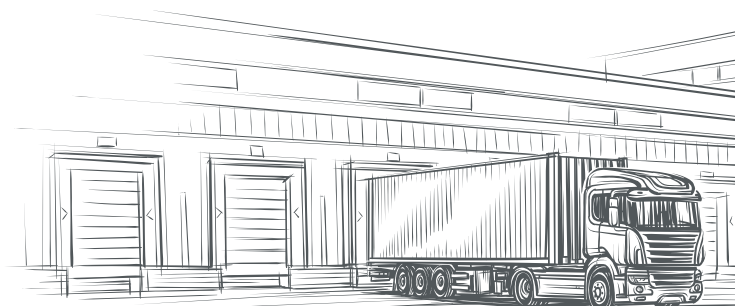
482,884 SF



292,503 SF

From 2nd Quarter 2024

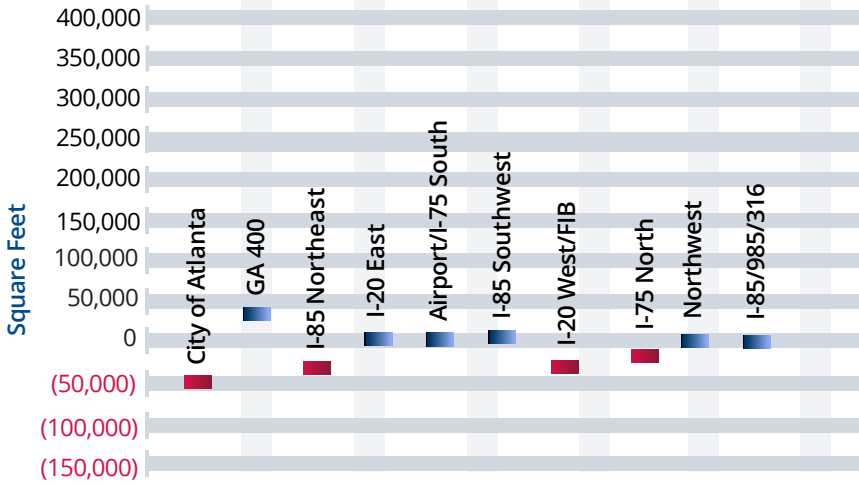
The Atlanta Metro Service Center sector’s activity fell 38 percent this quarter down to 482,844 SF, inking 132 deals. The largest region, I-85 Northeast, posted the highest activity and over half of all activity with 245,848 SF. The GA 400 region came in second with 75,750 SF and posted the largest deal of 21,129 SF in Roswell. The I-75 North region fell 65 percent & but still took third place with 58,760 SF. Activity in the I-20 East region was non-existent this quarter.



Service Net Absorption

The net absorption in the Atlanta Metro Service Center was negative but half as much seen last quarter with -72,174 SF – better but not so good. Half of all regions posted negative or zero net absorption, which proved to outweigh the paltry positive numbers in the other five regions. The I-85 Southwest region posted the highest of all regions, but that’s not much to brag about with only 8,174 SF. The City of Atlanta did the most damage with -45,512 SF and the largest region, I-85 Northeast, didn’t help matters either with -30,823.

Net Absorption by Region



Net Absorption

3rd Quarter 2024

-72,174 SF

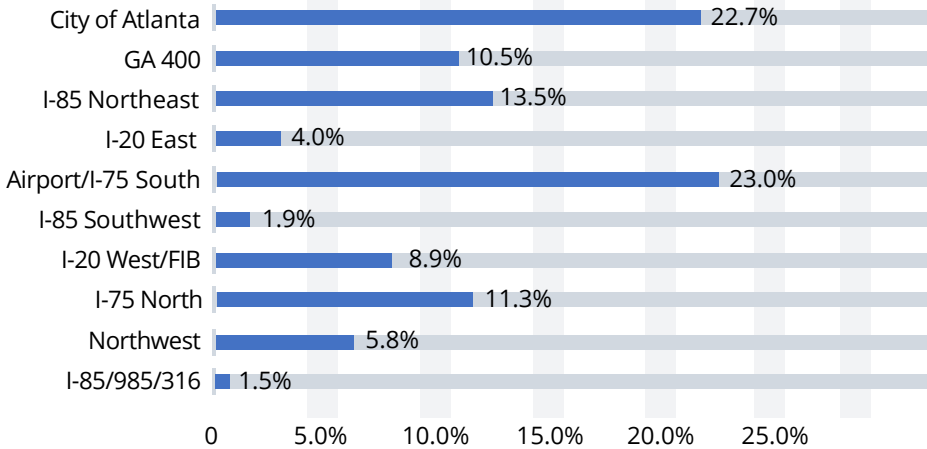


70,768 SF

From 2nd Quarter 2024

Service Availability Rate

Percent Available by Region



Total Available SF

3rd Quarter 2024

3,314,496 SF

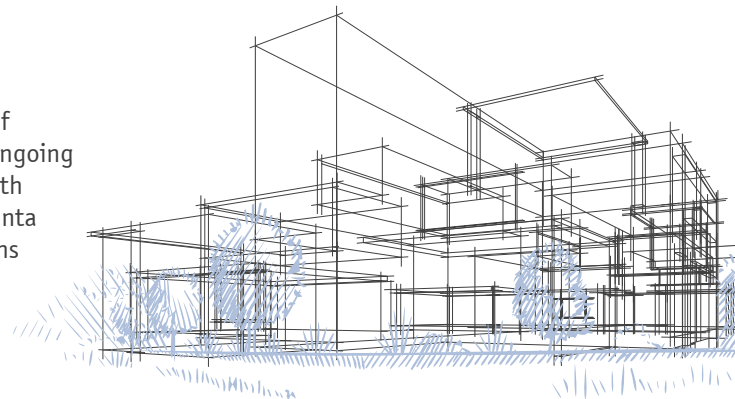
11.8%



0.2%

From 2nd Quarter 2024

The availability rate in the Service Center sector rose 0.2%, for a new average of 11.8% - a new high for the past three years. This rise is directly related to the ongoing negative net absorption seen in 7 of the last 8 quarters. The Airport / I-75 South region’s rate remains the highest of all regions with 23.0% with the City of Atlanta not far behind with 22.7%. These two regions have a marked impact as 7 regions remain well below the metro average.



Next Quarter coming soon...

Q4 2024



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