



## RENTAL RATES HIT OVERDRIVE IN I-85 CORRIDOR

Double-digit rent growth in I-85 industrial markets has helped the sector overcome macro-economic headwinds, but how long is the runway?

By John Nelson

Rental rates for the U.S. industrial sector have reached a new zenith. According to research from Cushman & Wakefield, the sector posted asking rents at \$8.70 per square foot as of third-quarter 2022. While the most expensive figure to date, the rate also marks a 22 percent year-over-year hike, which is the strongest annual increase ever recorded.

The top industrial markets in the Southeast have experienced similar rent growth, especially those along the I-85 corridor. For example, Richmond's asking industrial rents are up 24.2 percent year-over-year and Atlanta's rents are up 26 percent, according to data from JLL and King Industrial Inc./CORFAC International, respectively.

"Rental rates are continuing to climb, which is why the system still works today and why developers are still building product," says Warren Snowdon, SIOR, managing director and principal of Foundry Commercial's Charlotte office.



Victory Landing Logistics Center is a nearly 1 million-square-foot industrial park underway near Hartsfield-Jackson Atlanta International Airport.

Rental rates are a function of a multitude of factors, namely supply/demand in the market, replacement costs and landlords' return expectations.

Currently, sources say that demand for industrial real estate has generally remained robust, especially in high-growth markets in the Sun Belt. Cliff

Porter, SIOR, executive vice president of Porter Realty Co./CORFAC International, concurs but says that any pullback in tenant demand down the line could be detrimental to the sector given the inflationary pressures that landlords are facing.

According to the U.S. Bureau of Labor Statistics, the producer price index (PPI) for construction materials in September 2022 rose 6.2 percent year-over-year and by 43.5 percent from February 2020, the last month before the onset of the COVID-19 pandemic. Similarly, the PPI for iron and steel rose 23.4 percent since the pandemic, and the PPI for cement and concrete products increased by more than 66 percent.

"For most developments, concrete and steel comprise 70 percent of the construction budget," says Chris Skibinski, SIOR, principal and managing director of Avison Young's Charlotte office. "So if prices for those two

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## INDUSTRIAL, A TALE OF TWO MARKETS

Thus far demand has kept pace with deliveries, but if absorption wanes and capital markets remain in flux, the sector could be heading for distress for the first time in decades.

By Jeff Small of MDH Partners

Two contradictory storylines are playing out in the industrial sector today. On one hand, industrial real estate fundamentals remain at the most robust levels seen in its history. But on the other, macro-economic concerns spurred by inflation and rapidly increasing interest rates have cast shadows over capital mar-

kets. From the perspective of industrial leasing fundamentals, the market continues to match historic peaks. JLL's Q2 *Industrial Outlook* reports national vacancy rates of just 3.4 percent with rent growth surpassing 21 percent year-over-year. Across our portfolios in 30 markets nationwide, the

strength of tenant activity continues despite economic headwinds. Our occupancy exceeds 97 percent in over 30 million square feet; the few vacancies we get back from tenants do not stay vacant for long; and we cannot seem to find the ceiling on how high rents can go.

On the other hand, runaway infla-

tion not seen in 40 years has unsettled capital markets, with debt leading the negative sentiments. Several of the nation's largest banks have stopped all real estate lending through the end of the year. Those still lending have lowered leverage from 65 percent to

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# SOUTHEAST GROUNDBREAKERS

Advertising Section

## AHV Communities, Tennessee

AHV Communities (AHV), a build-for-rent single-family and attached home rental community developer, announced its official expansion of operations into the Southeast United States. The company has just opened a satellite office in metro Nashville, supporting the development of numerous soon-to-be-announced rental communities in the state of Tennessee and within additional Southeastern territories. AHV Communities has hired homebuilding expert **William Coles, Jr.** as regional president of the Southeast, overseeing the new office and regional operations in Nashville and Huntsville, Ala.



Coles



## Colliers, Florida

Colliers announced that **Laura Pace** has joined the firm as senior director based in South Florida. In her new role, Pace will work alongside Steven Wasserman and Erin Byers focusing on industrial services for the region while based in Miami's Brickell district. Before joining Colliers, Pace served as a senior leasing representative for Duke Realty. Prior to her role at Duke Realty, Laura was the director of leasing for Sunbeam Properties. Pace serves as secretary on the Executive Board of Directors for NAIOP and was named South Florida Member of the Year in 2020. She's also an active member of the Greater Fort Lauderdale Alliance, CIASF and CREW.



Pace



## Freddie Mac Multifamily, D.C.

Freddie Mac Multifamily announced two new underwriting vice presidents. **Caitlin Myhre** has been promoted to vice president, risk distribution and credit. **Adam Monti** has been promoted to vice president, conventional underwriting, overseeing underwriting and credit nationwide for conventional loans. Myhre started with Freddie Mac in 2010 and has held a number of roles in multifamily underwriting, and Monti first joined Freddie Mac in 2008 and rose through the ranks to be senior director of underwriting and credit for the Central region.



Myhre



Monti



## JLL, North Carolina

JLL announces the launch of a dedicated life sciences practice in the firm's Raleigh-Durham office to build upon the firm's capabilities and demonstrate its continued investment in the sector. The newly established focus will be led by executive vice president **Eric Forshee**, who brings over 13 years of industry experience and a focused perspective on life sciences to JLL. In this new role, Forshee will build on the office's existing life sciences efforts and provide expertise to clients looking to enter or expand in the market. He previously served as a senior vice president at Colliers, specializing in landlord representation of office and life sciences buildings.



Forshee



## Lee & Associates, Georgia

Lee & Associates has promoted **Patricia Rainone** (Donahue) to director. She transitioned into industrial real estate brokerage in April 2021 and has worked diligently since to earn this promotion. Rainone specializes in tenant advisory services including location consulting, site selection and build-to-suit coordination for tenants on a local and national basis. David Howard, president and CEO of Lee & Associates Atlanta, says "Patricia's hard work and efforts over the last few years have prepared her well to have a successful real estate career. She continues to set the bar on her professionalism and work ethic, along with constantly striving for excellence."



Rainone



## Maxis Advisors, Georgia

Maxis Advisors, a location analysis and incentives advisor, announced that **Brittany Young** has joined the company as managing director, based in the Atlanta office. Young most recently served as the chief operating officer of the Georgia Department of Economic Development, where she managed operations, implemented strategy and ensured continuity and mission across all divisions of the department, including Georgia's international representatives in 12 global markets. She has lent her expertise to notable recruitment projects such as Amazon, ASOS, Denikai America, Hyundai Motor Group and YKK AP. In 2018, Young was recognized as a top 50 economic developer in the U.S.



Young



## Peachtree Group, Georgia

Peachtree Group announced the appointment of **Natalie Robinson** as vice president of people and culture. She will report to Vivian Clarke, Peachtree's senior vice president of people and culture. Robinson joins Peachtree with over a decade of employee relations and engagement and performance management experience. Her responsibilities will include leading talent recruitment, development and retention, as well as advancing the organization's inclusion and diversity efforts. She will also find new ways to enhance the overall team member experience. Before joining Peachtree, Robinson was the human resource director of OS National.



Robinson



## Regions Bank/Sabal, Alabama

Regions Bank and subsidiary Sabal Capital Partners LLC, a diversified commercial real estate lender, announced the hiring of **Jason Scott** as managing director and head of conventional loan production for the companies. Scott will oversee multifamily conventional loan production and personnel for the Regions Bank Real Estate Capital Markets Group, which includes the Sabal Capital Partners lending business. Scott will lead sales activities of loan production managers who develop relationships with multifamily sponsors, owners and borrowers, as well as brokers and broker businesses. Scott was previously with Regions in the role of real estate director of originations.



Scott



## St. John Properties, North Carolina

St. John Properties Inc., a Baltimore-based commercial real estate development and management company, has entered the North Carolina market with the recent opening of a new regional office in Raleigh. **Dustin Atkielski**, who has worked for the company since 2013, will lead day-to-day operations of the new Raleigh office as regional partner, with responsibilities including site and property acquisition, development, construction, marketing and leasing and asset/property management activities. Atkielski most recently worked in the company's Wisconsin regional office where he oversaw all entitlement, development and building construction activities.



Atkielski



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