

# Market Report

First quarter 2020 has a lot of eyes on it as consumers are eager to see how Atlanta's office market will fare going into an election year and still riding a record long economic boom. COVID-19 was a wrench thrown into the equation that no one saw coming. Commercial real estate markets generally lag behind the stock market & consumer economy by 6-8 months. Social distancing and state-ordered "shelter-in-place" measures appear to be flattening the curve as expected. We remain positive that these measures to curtail the spread of COVID-19 and the typical 6-8 month lag time will return the city to normalcy before the CRE market is significantly impacted. COVID-19 has made many forget that Atlanta is still in an excellent economic position heading further into 2020. For example, according to the U.S. Census, Metro Atlanta's population has grown by over 730,000 residents from 2000-2019, the 4th largest growth for any metro in the country. Also a sign of a healthy CRE market, since Q1 2019 average asking rent jumped 4% - compared to a national average of 2.6%. Atlanta finished out at an average of \$26.24/SF for all-class and \$34.37/SF for class-A office product. Atlanta has an astonishing 6.4 million square feet under construction, 4.3 million of which is in Midtown and West Atlanta alone. Quarry Yards in West Atlanta and 760 Ralph McGill in Old Fourth Ward are prime examples of exciting mixed-use developments vitalizing areas that lacked office space inside the perimeter. Despite the recent slow-down from COVID-19, Atlanta still posted a healthy Q1 and we encourage everyone to remember that the world is not ending, it is just taking a break.

## Occupier's Perspective



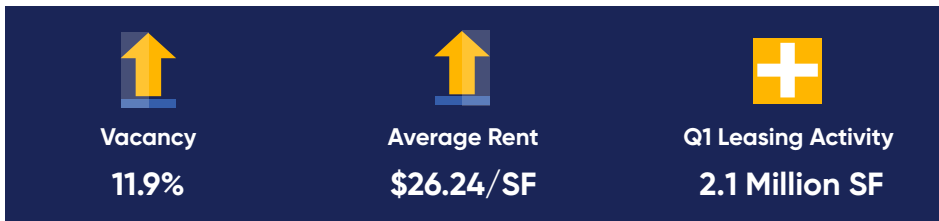
There was a small increase in overall office vacancy for Q1 2020. Finishing out at 11.9%, around a .5% increase from 6 months ago.



6.4 million square feet are under construction across the metro. Developers are praying for a speedy economic recovery to fill the roughly 45% of this space that is unleashed.



CBD Class A rent ended at \$38.14/SF this quarter. Class-A rent growth in Atlanta's business districts has well outpaced typical escalation and national rent growth statistics.



## Rental and Vacancy Rates

Direct Asking Rent (\$/SF)	Total Vacancy Rate	QoQ Change
\$38.14	CBD   Class A 14.1%	▲ 1.5%
\$28.22	CBD   Class B 6.6%	▲ 0.5%
\$35.16	CBD   Total 11.6%	▲ 0.8%
\$27.99	Suburban   Class A 14.2%	▲ 0.4%
\$20.57	Suburban   Class B 12.3%	▲ 0.5%
\$23.31	Suburban   Total 11.4%	▲ 0.2%
\$11.19	Industrial   Flex 5.2%	▲ 0.4%
\$4.99	Industrial   Warehouse 6.5%	▲ 0.3%
\$5.40	Industrial   Total 6.1%	▲ 0.2%

## Notable Transactions

Tenant	Building	Size (SF)	Type	Submarket
Macy's	383 17th Street	107,712	New Location	Midtown
Toyota Financial	11625 Rainwater Drive	56,642	New Location	North Fulton
Al-Falah Academy	1835 Shackleford Court	56,110	New Location	Norcross
Merchant ESolutions	1150 Sanctuary Parkway	53,917	New Location	North Fulton
Facebook	383 17th Street	35,904	New Location	Midtown

## Market Trends



Midtown's legacy mixed-use development "Atlantic Station" is earning much needed press as it nears on the completion of two new class-A office buildings totaling 520,000 SF and securing a full floor lease from Facebook for its recently delivered unique wood structured T3 building.

The Atlanta Beltline will have three new segments under construction in 2020. Since its inception in 2005, it has grown from a trendy urban development project to truly re-shape the city and attract massive projects like Ponce City Market and the proposed 760 Ralph McGill.

Co-working giant WeWork, as if the company was not having enough trouble, is being hit-hard by COVID-19. WeWork occupies 728,000 SF in some of Atlanta's most expensive buildings. Recent stock purchase pull-outs, C-Suite step downs, and company wide lay offs are not promising signs for this large occupier in Atlanta.