

Market Report

Q2 of 2020 was the most interesting and uncertain time in the majority of our lives. During this quarter, governments around the world took measures with policy to fight the spread of COVID-19, and these measures slowed the global economy to a crawl. Office buildings across the city are eerily vacant as the vast majority of office employees work from home. It is certainly not all gloom and doom, however. Landlord's report that 95% of office tenants still paid rent as it was due, and unemployment dropped from 14.3% to 11.1% from May to June. How much of that was due to federal PPP money? We will see. COVID-19 has also triggered somewhat of a remote-work awakening as companies were forced into the most extreme implementation of "WFH" and are coming to understand whether this model works for their business. Atlanta gained an additional 519,000 SF of sublease space this quarter (a 14% increase). Most real estate professionals are predicting an even larger increase in sublease space as companies decide that the COVID-19 changes are going to last longer in society than originally thought and PPP support ends. This could provide many businesses looking to reduce costs and/or footprint with an opportunity to lease high-quality office space at a significant discount. Q2 was undoubtedly highlighted by the announcement that Microsoft will occupy the entire 523,000 SF "Atlantic Yards" project at Atlantic Station. The new Microsoft campus will add 1,500 jobs and was highly motivated by its proximity to top talent from Georgia Tech and Georgia State. Microsoft comprised over one-third of metro Atlanta's 1.42 million SF of office leasing activity in Q2 (a 15% decrease from Q1). Atlanta still has a healthy and exciting 6.3 million SF of office space under construction that was able to operate relatively un-phased by COVID-19.

Occupier's Perspective



Vacancy rates have held relatively stable in recent years. Atlanta closed out at 11.9% this quarter, a .3% increase from Q1 2020.



3.6 million SF of Class A office is under construction in Midtown. Pre-leased tenants include Google, Invesco, Facebook, and Microsoft.



Recent deliveries have caused CBD Class A rent to jump significantly this quarter, ending at \$37.77/SF. Outer markets North Fulton, Cumberland, and Central Perimeter averaged \$30.70/SF by comparison.

Vacancy	Average Rent	Q2 Leasing Activity
12.0%	\$26.46/SF	2.27 Million SF

Rental and Vacancy Rates

Direct Asking Rent (\$/SF)	Total Vacancy Rate	QoQ Change
\$37.77	CBD Class A 14.9%	▲ 0.4%
\$26.31	CBD Class B 6.4%	▼ 0.2%
\$34.81	CBD Total 12.2%	▲ 0.6%
\$30.43	Suburban Class A 15.9%	▲ 1.0%
\$21.65	Suburban Class B 14.8%	▲ 0.5%
\$27.86	Suburban Total 15.5%	▲ 0.2%
\$11.50	Industrial Flex 5.2%	▲ 0.2%
\$4.99	Industrial Warehouse 6.5%	▲ 0.3%
\$6.01	Industrial Total 6.1%	▲ 0.2%

Notable Transactions

Tenant	Building	Size (SF)	Type	Submarket
Microsoft	Atlantic Yards	522,000	New Location	Midtown
Lease Plan USA	1165 Sanctuary Parkway	81,615	Renewal	North Fulton
Emory School of Nursing	250 E Ponce De Leon	69,232	New Location	Decatur
Lewis Brisbois	Bank of America Plaza	48,002	New Location	Downtown
OM Partners	Paces West	32,467	Renewal	Cumberland

Market Trends



Bank of America Plaza secured a 48,000 SF lease from law firm Lewis Brisbois Bisgaard & Smith. This lease in Atlanta's most iconic building continues the momentum that Downtown Atlanta needs to kick off construction on the highly anticipated mixed-use project "The Gulch."

Armour Yards' old industrial buildings are quickly getting snatched up and transformed into trendy loft-office space. Developers purchased 159 Armour Drive in June and are planning a 50,000 SF loft office called "The Elliot." An extension of the Atlanta Beltline is planned to pass through this area.

14th and Spring, by Greenstone Properties, has broken ground and is set to deliver August 2022. This 12 story "Class A+" tower has added more cranes to the already bustling Midtown skyline. We are excited to see what company is the first to jump on this trophy-class building in Atlanta's hottest submarket.