

Market Report

Q4 2020 signifies the end of a year most of us, unless you are in the mask, hand sanitizer, or political advertising business, are very ready to be over. With recent uprisers in COVID-19 cases this quarter, almost all offices are still implementing widespread work from home measures. A lack of employees in the office and an economic downturn has caused a recession level of office sublease space available in Atlanta.



A record 5.9M SF sublease space is available - a whopping 68% increase since April



Sublease Asking Rates have only decreased 6% from Q1

A large number of companies are willing to dissolve some office space but are not hurting bad enough to give it away for pennies on the dollar. Q4 posted 2.1 million SF of leasing activity, a 700k SF improvement from Q3. This was highlighted by Insight Global's new 91,000 SF headquarters at 1224 Hammond Drive and Papa Johns inking a deal for 61,000 SF at 3 Ballpark Avenue in The Battery Atlanta. The Atlanta Beltline has been and still will be a huge driver of development in the eastern and western fringes of the city. In the east, 760 Ralph McGill is officially under construction after the large lease agreement from Mailchimp. In the west, Microsoft purchased the "Quarry Yards" development site and has acquired 90 acres of land surrounding the project. Rumors are circulating that the company is planning an employee campus that could create 15,000 new jobs that would transform one of Atlanta's poorest areas. COVID-19 and a stressful election year has made some of us forget that Atlanta has landed large corporate relocations, has an extremely healthy construction pipeline, and is above the national average in its population growth, positioning the city for a healthy post-COVID recovery.

Occupier's Perspective



COVID has caused a slight uptick in vacancy rates that have remained stable throughout the years. Atlanta closed out at 12.6% this quarter, a 1% increase from 1 year ago.



7.2 million SF of office space is under construction in Atlanta. Atlanta is still poised as one of the most attractive construction markets in the country.



Class A rates dropped slightly this quarter. CBD Class A rates ended at \$37.65/SF, just a .5% decrease. Outer markets North Fulton, Cumberland, and Central Perimeters rates also dropped by .5% ending at \$30.52/SF. Far from the rent plummet many have expected.

 Vacancy 12.6%	 Average Rent \$27.78/SF	 Q4 Leasing Activity 2.1 Million SF 700K SF Improvement from Q3
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Rental and Vacancy Rates

Direct Asking Rent (\$/SF)	Total Vacancy Rate	QoQ Change
\$38.16	CBD Class A 22.9%	▲ 0.3%
\$27.15	CBD Class B 22.7%	▲ 1.5%
\$36.89	CBD Total 22.8%	▲ 0.8%
\$30.39	Suburban Class A 15.9%	▼ 0.6%
\$21.83	Suburban Class B 14.8%	▲ 0.3%
\$27.94	Suburban Total 15.5%	▲ 0.5%
\$11.98	Industrial Flex 5.2%	▲ 0.9%
\$6.46	Industrial Warehouse 5.6%	▲ 1.5%
\$6.80	Industrial Total 5.5%	▲ 1.0%

Notable Transactions

	Tenant	Building	Size (SF)	Type	Submarket
1	Insight Global	1224 Hammond Dr	91,647	New Location	Central Perimeter
2	Papa Johns	3 Ballpark Ave	61,187	New Location	Cumberland
3	Burns & McDonnell	4004 Summit Blvd	45,708	New Location	Central Perimeter
4	First Investors Financial	3065 Akers Mill Rd	38,731	New Location	Cumberland
5	GT Research Institute	1575 Northside Dr	33,492	Renewal	Midtown

Market Trends



Invesco secured a \$843,000 tax break in a split-vote from Invest Atlanta to incentivize the firm to remain headquartered in the city. Invesco is anchoring the Midtown Union development that just this quarter secured \$210 million in financing to kick off construction.

Drapac Capital Partners has started to solicit pre-leasing for a proposed tower in Downtown Atlanta at 50 Allen Plaza. The developer says the \$450 million tower will need 50% pre-leasing to warrant construction. It would be the first new high rise in Downtown Atlanta since 2007.

The Savannah College of Art and Design (SCAD) paid just over \$20 million for two towers adjacent to their Midtown campus. SCAD's purchases, recent expansions by Georgia Tech, and Georgia States presence within the city are all helping to boost Atlanta's already strong reputation as a city to draw top talent.