

Metro Atlanta Office

Q4 2020 ATLANTA MARKET REPORT

After A Fast Start To 2020, Metro Atlanta Finally Feels The Impact Of The Pandemic In Fourth Quarter

MARKET FUNDAMENTALS

	EoY Value	YoY Change	Trend
Avg Asking Rates	\$28.92	\$0.94	▲
Net Absorption	(459,132)	(1,593,272)	▼
Vacancy	14.9%	1.4%	▲
Leasing Activity	1,518,422	(2,198,356)	▼
Sublet Space	5,361,948	2,262,433	▲
Office-Using Jobs	802,200	(37,800)	▼
Under Const.	7,074,376	(870,316)	▼
Deliveries	355,514	(151,127)	▼

HIGHLIGHTS

Despite the economic uncertainty and the ongoing work-from-home trend, the Metro Atlanta market remains stable due to a healthy pipeline and consistent demand from large occupiers such as Microsoft, Google, Papa John's, and Deluxe Corporation. While average asking rates are slightly down QOQ, rates are up \$.94 YOY and have held relatively firm through the pandemic. Leasing activity for the fourth quarter was 1.5M SF, down significantly from last year. Vacancy increased 90bps over last quarter and 140bps over last year.

In 2020, the Atlanta Metro market delivered 3.3M SF of new office space and had an additional 33 buildings under construction totaling 7.1M SF. Of note, over 60% of the inventory under construction has been pre-leased, proving that demand in the market continues to exist in spite of the pandemic. Going forward, Atlanta's construction pipeline should remain strong, but in check with just over 4M SF set to deliver in 2021.

Notable projects under construction include Atlantic Yards (100% pre-leased), 1105 West Peachtree ST (100% pre-leased) and 760 Ralph McGill Blvd (63% pre-leased).

OUTLOOK

While the pandemic has continued to threaten much of the strong gains seen in early 2020, Atlanta has held up well relative to other major markets. The city benefits from being a diversified economy, which has proven stronger when weathering downturns. Only about one-third of Atlanta's employment base are high-risk industries such as tourism or hospitality. As proven by several recent large relocations, businesses will continue to need office space and Atlanta is well-positioned to capitalize on future growth with a healthy pipeline, an educated workforce and an affordable cost of living.

METRO ATLANTA STATS AT A GLANCE

	SF TOTAL	SF VACANT	4Q NET ABS	% OCC	ASKING	YoY Change		
						OCC	ABS	PSF
Buckhead	22,290,015	3,522,204	(124,554)	84.2%	\$36.78	(1.80%)	(260,061)	+\$0.45
Midtown	27,497,550	4,038,369	(754,811)	85.3%	\$40.23	(2.33%)	(831,570)	+\$0.27
North Fulton	29,906,147	4,666,071	(252,816)	84.4%	\$25.05	(2.16%)	(24,720)	+\$0.18
Downtown	31,860,829	3,758,040	(305,469)	88.2%	\$28.76	(1.53%)	(243,172)	(\$0.40)
Northeast	23,894,613	4,061,924	144,786	83.0%	\$20.54	0.35%	(106,848)	+\$0.86
Central Perimeter	32,824,070	6,179,505	(244,899)	81.2%	\$29.29	(1.76%)	(228,052)	+\$0.90
Northwest	33,601,506	5,041,138	(309,576)	85.0%	\$26.91	(1.48%)	(687,353)	+\$0.52

RENTAL RATES

Asking rates across metro Atlanta ended the year at \$28.92 per square foot (psf), a \$0.10 drop from 3Q's mark of \$29.02 psf. Overall market asking rents are holding, although landlords have become more generous with concessions as leasing activity remains slow and sublease availability continues to climb. Another quarter in the current market environment will continue to put even more pressure on landlords to lower asking rates.

AVAILABILITY

Overall availability in Metro Atlanta continues to rise as leasing activity remains slow, sublease inventory continues to grow, and projects continue to deliver across the city. Overall availability jumped to 20.7% (highest metric on record), an increase of 130 BPS from last quarter and a 390 BPS jump YOY. This trend is largely unsurprising given that quarterly leasing volume came in at just 1.5M SF, almost 2M SF below the 5-year average of 3.2M SF. The Metro Atlanta area recorded 460K square-feet of negative absorption for the year, with Midtown accounting for over -830K SF of the total due in large part to AT&T vacating nearly 800K SF at Tower Square. Despite this, Metro Atlanta still saw a handful of significant move-ins including Toyota Financial Services taking 57K SF at Northwinds V, Chick-fil-A taking 39K SF at 725 Ponce and Facebook taking 36K SF at T3 West Midtown, respectively. Additionally, several significant leases were signed in 2020 that will positively impact net absorption in 2021 such as Microsoft's 525K SF, Google's 400K SF, and Papa John's 60K SF.

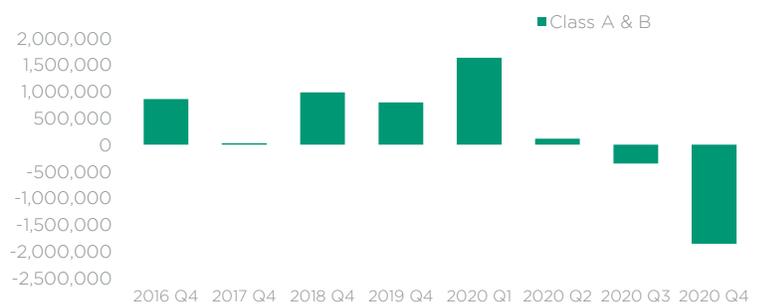
SUBLET INVENTORY

The Atlanta market ended the 2020 calendar year with over 5.3M SF of available sublet space, its highest total in more than 10 years. Since Q4 of 2019, Metro Atlanta has seen an 81.4% increase in sublet availability, the highest YOY percentage change in market history. However, as a percentage of inventory, sublease availability of 2.1% sits below Atlanta's all-time high of 2.4% in 2Q of 2009. While asking rates for direct space in Atlanta have held firm since the start of the pandemic, expect downward pressure on rents if sublease inventory continues to increase.

PSF RATES



NET ABSORPTION



VACANCY/SUBLET % OF INVENTORY



Disclaimer: Statistics are calculated using class A/B Office buildings totaling 15K+ SF in Metro Atlanta and relevant submarkets using CoStar Data as of 1/8/2021.

Source: CoStar

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