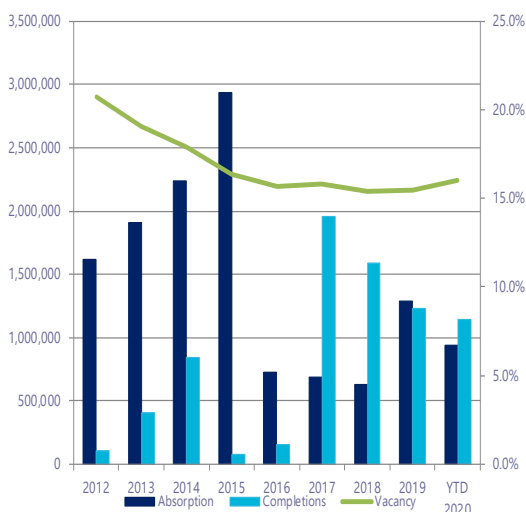




Market Snapshot

	2Q19	2Q20
Inventory	152.9 msf	155.2 msf
Vacancy	15.8%	16.0%
YTD Net Absorption	886,349 sf	941,966 sf
YTD Deliveries	1.3 msf	1.1 msf
Under Construction	3.1 msf	3.9 msf
Avg. Asking Rents	\$27.54 psf	\$29.29 psf
Unemployment	3.2%	10.3%

Absorption, Deliveries & Vacancy



Although the Atlanta office market recorded strong activity during the first half of 2020, it has begun to see some negative impact from COVID-19. There is still much uncertainty as economists are still predicting an upcoming global recession due to the financial headwind effects that widespread closures in response to COVID-19 are creating throughout the nation and globe.

Metro Atlanta's average asking rental rates continued to rise during the second quarter of 2020. The overall average asking rate ended the quarter at \$29.29 per square foot (psf) gross, up 6.4% year-over-year. While a slightly slower pace than previous quarters, it is still strong growth given the current economic conditions due to COVID-19. Average class A rates rose at a pace of 3.7% to a record high \$32.28 psf. Class B average rates increased 5.8% to finish the quarter at \$21.23 psf.

After a strong performance in the first three months of 2020, Atlanta's office market was able to remain positive in the second quarter. The market recorded positive net absorption of 86,988 square feet (sf), bringing the year-to-date total to 941,966 sf. Leasing activity saw 1.6 million square feet (msf) of new leases signed during

the quarter, for a year-to-date total of 3.3 msf. The high overall leasing number was due to a few significant deals, such as Microsoft signing over 500,000 sf at Atlantic Yards. The physical number of new deals signed in the second quarter saw a dramatic decrease of 47%, as many companies put these decisions on hold due to the uncertainty of future space needs due to the pandemic.

Office vacancy saw a slight increase, ending the second quarter at 16.0%, up 20 basis points (bps) year-over-year. Class A vacancy ended the quarter up 80 bps year-over-year reaching 15.7%, while class B vacancy recorded strong growth, down 100 bps to 17.2% in the same time period. The increase in vacancy was due to two new office buildings delivering more vacant space than the positive absorption the market recorded.

At the end of the second quarter, the Atlanta office market had 3.9 million square feet (msf) under construction, of which 50% of the space is preleased. The Midtown submarket makes up 3.1 msf of the total amount, with 1.3 msf alone located on the west side of Midtown. The market saw 100,000 sf of new space enter the inventory in the second quarter for a year-to-date total of 1.1 msf.

20 bps

Increase YOY vacancy

6.4%

YOY rent growth

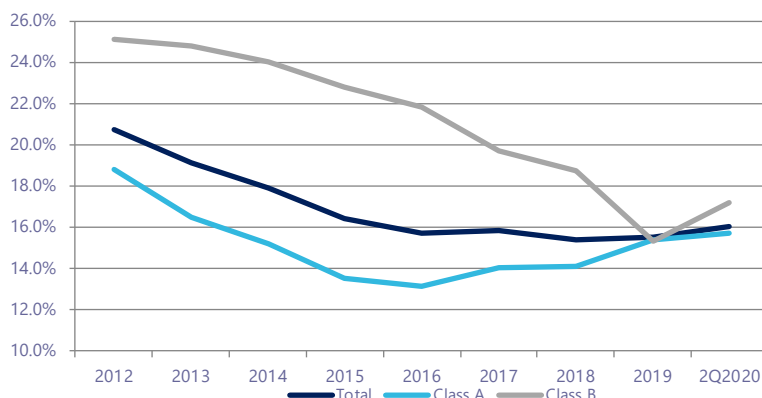
3.9 msf

under construction

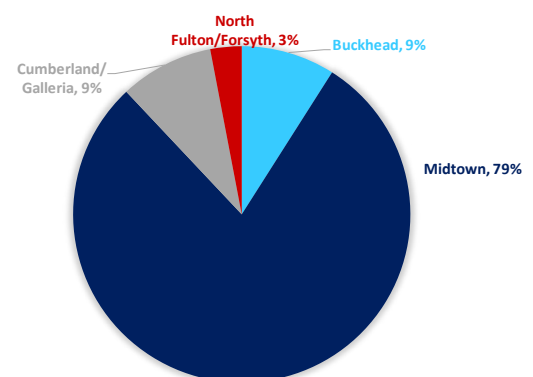
Market Highlights

- Microsoft announced they will open a \$75 million technology hub at Atlantic Yards located at Atlantic Station in the summer of 2021. They will occupy a total of 523,000 sf in two buildings and plan on housing 1,500 employees at this location. This is the largest single lease signed in Metro Atlanta since State Farm in 2017.
- Emory Healthcare has leased approximately 70,000 sf at 250 E Ponce in downtown Decatur. This new location will be an expansion of their nursing school and will occupy multiple floors in the building. It will hold the largest simulation center in Metro Atlanta and will include a mock hospital setting.
- Investment sales activity in metro Atlanta during the second quarter of 2020 saw a significant decrease due to COVID-19. While there has been some activity, most of the sales were initiated before the start of the pandemic. Investors spent \$146 million, which is down 86% from the pace of activity during the same period in 2019. Year-to-date the Atlanta office market has seen \$623 million of investment properties sold, down 56% compared to the first six months of 2019. Investors are continuing to look for assets that are high performing and will boost their portfolios, but most have put any new purchases on hold until they see how the pandemic will further affect the commercial real estate market.
- In the largest sale of the quarter, Invesco Advisers purchased One and Three Edison from TPA Group for \$74.2 million. The two properties total 216,000 sf and were almost 100% leased at the time of the sale. E-Trade occupies all of Three Edison which was built in 2018, while 3M and Owens and Minor occupy One Edison.
- Sublease space in metro Atlanta did see an increase in availability during the second quarter. Currently there is 3.6 msf of sublease space available, up 15.3% from the amount of space available in the second quarter of 2019. It is anticipated that this number will continue to rise as companies make decisions on whether to reduce their footprint or close their office completely.

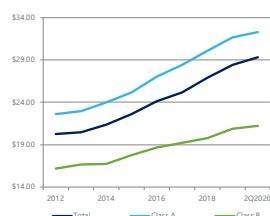
Vacancy by Property Type



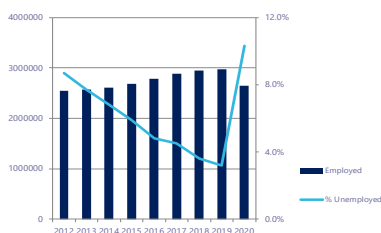
Under Construction



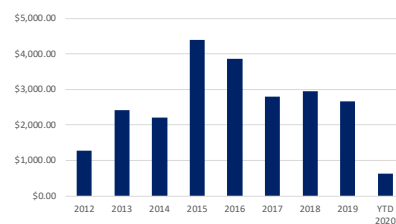
Average Asking Rental Rate (psf/year/FS)



Metro Atlanta Employment (May of each year)



Office Investment Sales (in millions)



Select 2Q 2020 Lease Transactions

Tenant	Property	Type	Submarket	SF
Microsoft	200 17th Street	Prelease	Midtown	366,970
Microsoft	170 17th Street	Prelease	Midtown	156,541
Lease Plan USA	1165 Sanctuary Parkway	Renewal	North Fulton/Forsyth	108,353
Emory School of Nursing	250 E Ponce de Leon Avenue	New Lease	Decatur/Stone Mountain	69,232
Lewis Brisbois	600 Peachtree Street	New Lease	Downtown	48,002
OM Partners USA Inc	2727 Paces Ferry Road	Renewal	Cumberland/Galleria	32,467
Nexidia	3565 Piedmont Road	Renewal	Buckhead	28,305
Deposco	400 Northridge Road	New Lease	Central Perimeter	24,141
TransUnion	1110 Sanctuary Parkway	New Lease	North Fulton/Forsyth	24,065

Select 2Q 2020 Sale Transactions

Property	Submarket	Buyer	Total SF	Sale Price	Price/SF
One and Three Edison	North Fulton/Forsyth	Invesco Advisers	215,982	\$74,200,000	\$344
The Hub at Peachtree Corners	Norcross/Peachtree Corners	Front Street Capital	196,864	\$30,900,000	\$157
Waterford Centre	Norcross/Peachtree Corners	Grubb Properties	86,000	\$11,133,000	\$129
5871 Glenridge	Central Perimeter	KQC Investors	64,682	\$10,750,000	\$166

Select Construction Projects

Property	Submarket	Projected Completion	Total SF	% Preleased	Asking Rate PSF
1105 West Peachtree	Midtown	Second Quarter 2021	664,184	40%	\$45.00-\$47.00 NNN
Midtown Union	Midtown	Third Quarter 2022	612,947	49%	\$45.00 NNN
Atlantic Yards South	Midtown	Third Quarter 2020	366,970	100%	N/A
One Phipps Plaza	Buckhead	Second Quarter 2021	340,000	0%	\$56.00 FS
3 Battery Ave	Cumberland/Galleria	Fourth Quarter 2020	332,486	56%	\$36.00 NNN
Anthem Technology Center*	Midtown	First Quarter 2021	310,000	100%	N/A
The Interlock	Midtown	Third Quarter 2020	290,000	63%	\$37.00 NNN

*Single-tenant leased property

Trends to Watch

Look for these three key trends to continue throughout 2020 in the Atlanta office market.



Leasing Activity

COVID-19 could slow down activity as some companies put major leasing decisions on hold.



Rental Rates

Should continue to increase, but at a slower pace.



Construction

Should remain tempered as developers wait for an anchor.

Market By The Numbers

BY SUBMARKET	Inventory	VACANCY			NET ABSORPTION		SF Under	AVERAGE ASKING RENT		
		Total	Class A	Class B	2Q20	YTD	Construction	Total	Class A	Class B
Buckhead	19,705,347	14.4%	15.0%	11.5%	(73,499)	(192,715)	340,000	\$37.12	\$38.21	\$27.74
Downtown	16,651,501	15.6%	17.9%	5.6%	8,788	(179,330)	-	\$28.99	\$29.23	\$27.62
Midtown	21,728,532	11.5%	12.0%	9.2%	(626)	682,571	3,081,239	\$40.86	\$41.63	\$26.18
Urban Total	58,085,380	13.7%	14.5%	8.7%	(65,337)	310,526	3,421,239	\$36.47	\$37.30	\$26.19
Airport/South Atlanta	4,602,991	20.6%	11.7%	24.4%	(15,034)	(16,484)	-	\$21.40	\$22.57	\$21.65
Central Perimeter	24,107,260	17.1%	18.0%	13.8%	187,450	482,759	-	\$28.29	\$29.78	\$22.31
Cumberland/Galleria	19,965,815	15.3%	14.7%	17.8%	145,828	82,769	371,240	\$27.50	\$29.77	\$21.86
Decatur/Stone Mountain	1,707,188	6.0%	7.2%	5.2%	40,746	37,549	-	\$25.98	\$28.38	\$21.27
Duluth/Suwanee/Buford	8,144,261	18.8%	16.0%	22.3%	51,868	23,475	-	\$21.08	\$22.64	\$18.66
I-20 East/Conyers	535,443	9.2%	-	9.5%	(20,243)	(24,111)	-	\$20.84	-	\$20.84
I-20 West/Douglasville	471,373	15.5%	-	14.2%	1,244	8,263	-	\$21.04	-	\$21.27
Norcross/Peachtree Corners	6,195,811	24.7%	27.1%	23.7%	(70,091)	(22,278)	-	\$19.92	\$21.74	\$18.16
North Fulton/Forsyth	19,616,274	16.9%	17.0%	16.8%	(38,184)	89,310	128,031	\$25.69	\$27.55	\$21.32
Northeast Atlanta	8,191,162	20.5%	16.1%	23.8%	(40,177)	64,525	-	\$22.26	\$24.87	\$21.45
Northwest Atlanta	3,529,921	14.4%	9.4%	18.1%	(91,082)	(94,337)	-	\$22.54	\$28.20	\$20.59
Suburban Total	97,067,499	17.4%	16.7%	19.2%	152,325	631,440	499,271	\$25.17	\$27.94	\$20.81
Total Market	155,152,879	16.0%	15.7%	17.2%	86,988	941,966	3,920,510	\$29.29	\$32.28	\$21.23

BY CLASS	Inventory	Vacancy	2Q Absorption	YTD Absorption	SF Under Construction	Sublease SF
Class A	106,377,118	15.7%	313,678	1,232,917	3,920,510	847,640
Class B	44,718,438	17.2%	(240,461)	(278,733)	-	374,228
Class C	4,057,323	11.9%	13,771	(12,218)	-	14,400
Total Market	155,152,879	16.0%	86,988	941,966	3,920,510	1,236,268

Avison Young Atlanta currently tracks Class A, B & C office buildings that are 20,000 square feet or greater, not owner occupied, not medical and not government.



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