

Forecast 2021



Atlanta, GA

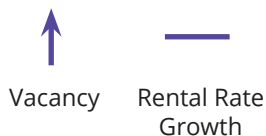
**AVISON
YOUNG**

Atlanta, GA



Executive Summary

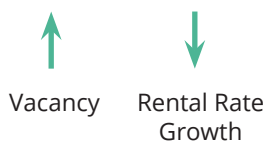
Office



Industrial



Retail



The Atlanta commercial real estate market has witnessed numerous impacts due to COVID-19, however, not all have been negative. The industrial market has seen strong leasing activity, and while the office market has recorded negative absorption, it has not been as high as previously anticipated. Metro Atlanta's unemployment rate has declined 800 basis points since the high in April of 12.7%, and it is anticipated that this downward trend will continue.

Atlanta's industrial market has been one of the bright spots of the pandemic. The third quarter saw the largest quarterly amount of positive absorption since 2014, and the lowest vacancy rate ever recorded. Prior to the pandemic there was concern that the market was starting to overbuild, but that has changed as e-commerce companies have flocked to the area. Amazon is leading the way by leasing 6.0 million square feet in 2020 alone. The market has also seen an

increase in retailers growing their online presence and taking advantage of Atlanta's proximity to major interstates, Hartsfield-Jackson International Airport and the Savannah port to strengthen their last-mile logistics operations. This trend is expected to roll into 2021 as consumers are enjoying the convenience of online shopping as they can receive groceries and other purchases within an hour or two of placing their order.

Although the Atlanta office market recorded strong activity during the first half of 2020, it has begun to see some effects of COVID-19. The third quarter marked the first time the market has seen negative absorption in two years, and the result of this was a vacancy increase of 130 basis points. While this is significant, it could have been higher if the amount of sublease space that has become available this year was vacant. Metro Atlanta has witnessed a 33% increase in available sublease space since 2019, and it is expected to grow as companies make decisions on the future of their office space.

“As new job announcements remain in the headlines, such as Boston Consulting Group adding 330 jobs in Atlanta, this has led Georgia to be named the Top State for Doing Business for the seventh year in a row. Due to the low cost of living, strong business incentives and a competitive labor environment Georgia continues to attract, and retain, global companies.”

Numerous companies have extended their work from home policy into 2021, and some indefinitely, therefore they need to decide to either keep their space, downsize to accommodate fewer employees returning to the office, or expand their space to meet social distancing guidelines.

Atlanta's retail market has been affected the most by COVID-19. Numerous national and local retailers continue to witness stress on their businesses, even though most have been allowed to reopen. There is still strong demand for mixed-use product in metro Atlanta, and grocers such as Publix and Lidl continue to expand throughout the metro. This has caused the market to see a slight uptick in new construction, so the hope is retail will begin to see a turnaround in 2021.

Investor activity has remained slow throughout 2020, especially in the third quarter. Cap rates have held steady though with no significant increase or decrease year-over-year, due in part to low interest rates. As industrial space is occupied by long term leases, investors have started to show more interest in the product. Office sales have begun to see an increase in activity as foreign investors begin to look for new opportunities in markets where the recession appears to be coming to an end. As metro Atlanta moves into 2021, with a vaccine on the horizon, the commercial real estate recovery should begin in earnest.

Trend watch



Workplace eXperience

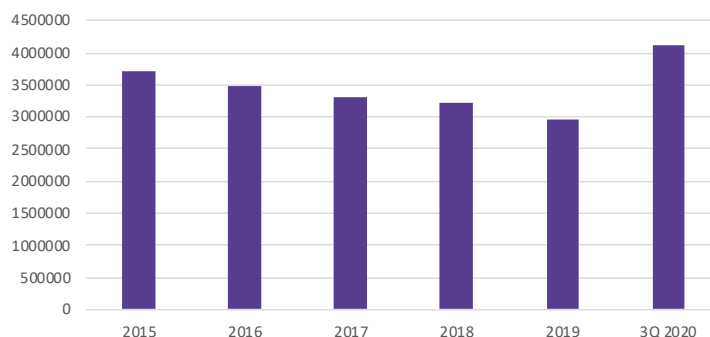
As companies begin to open their offices, they are not seeing as many employees return. How will employers incentivize coming into the workplace versus staying at home where employees see a benefit of not having long commute times and a better place to focus.



Hyperlocal

National and local retailers are still feeling the impact of COVID-19. Some traditional brick and mortar stores have moved to a stronger online presence to recoup their losses. This will push industrial developers to look at more populated areas to provide a solution for those struggling with last-mile logistics.

Available Sublease Space



Office Sublease Space

Source: Avison Young Research

Get more market information

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