Intelligent Investment

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U.S. Real Estate Market Outlook Midyear Review

REPORT

ATLANTA

CBRE RESEARCH
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Office Market Outlook

01

Flight-to-quality is concentrating demand in prime assets, with renewals and right-sizing driving activity in H2

Atlanta office leasing through mid-2026 is tracking on pace with 2025, with new leases and expansions accounting for roughly two-thirds of activity. Q2 new leasing and expansions peaked at 1.4M sq. ft., up 11.2% year-over-year, however most marquee requirements represent intra-Atlanta relocations rather than new-to-market demand. Flight-to-quality is pronounced: large blocks are tightening in Buckhead and suburban prime corridors, while Midtown, where prime vacancy sits near 26%, remains more tenant-favorable. Q2's positive net absorption is the clearest signal yet that underlying demand is re-emerging, with renewals and right-sizing expected to drive H2's activity. Atlanta is cited alongside Dallas and Boston as a meaningful contributor to the broader U.S. office recovery.

02

The construction pipeline has emptied, and conversions are reducing inventory, though sublease rollback to direct vacancy will temper the pace of improvement

Atlanta's overall vacancy rate has declined to 25.9% in Q2 2026; prime vacancy stands at 18.3%, down 500 bps year-over-year. Supply is shrinking on two fronts: nearly 5.3M sq. ft. has been announced, planned, or is underway for conversion or demolition in 2026, and the delivery of 1072 W. Peachtree in Q2 leaves no new construction in the pipeline. The counterweight to the improving vacancy picture is sublease space. As terms of subleases expire, approximately 2.8M sq. ft. in H2 could return to market as direct vacancy. The net result is a gradual decline, with CBRE estimating roughly 110 bps of vacancy improvement by year-end.

03

Buckhead is leading prime rent growth, while Midtown's elevated vacancy continues to limit broader market upside

Prime asking rents reached nearly $55/SF in Q2. Buckhead is the standout: prime rents rose 5.5% year-over-year, and vacancy in prime Buckhead buildings fell 560 bps over the last two years to 14%. Midtown's elevated vacancy and recently delivered speculative supply limit broader rent upside. The structural gap between mid-$50s market rents and the $75+/SF needed to justify new construction creates a meaningful runway for existing prime buildings as inventory tightens. Overall rent growth for 2026 is expected to align with the national average of approximately 3%.

Key Takeaways

For Owners & Investors

— Market conditions are turning more favorable for landlords in Buckhead and certain prime suburban corridors. Large-block availability has thinned in these areas and limited new construction removes a competitive headwind. Midtown owners face more nuanced conditions -- prime vacancy near 26% keeps the submarket tenant-favorable for now, though the concentration of large active requirements offers a near-term leasing catalyst. For investors, Atlanta office remains in price discovery, but improving demand signals, supply removal, and a maturing loan-maturity cycle are laying the groundwork for recovery. Non-performing and obsolete assets will continue to face pressure as lender-driven sales and conversions clear this product through the cycle.

For Occupiers

— Market conditions remain broadly favorable for tenants, at mid-year, but their negotiating leverage is narrowing in Buckhead and certain prime suburban corridors. Large tenants seeking prime space in these areas should engage early -- available blocks are diminishing and competition is beginning to build. Midtown remains more accommodating for large-block requirements, but this window is expected to narrow as several large active requirements finalize decisions. Tenants in the market for renewals should expect moderate rent increases and diminishing concessions in higher-performing assets.

Industrial Market Outlook

01

Industrial leasing is accelerating with new demand from big-box, 3PL, and manufacturing users, as lease expirations add renewal volume through H2

Atlanta industrial leasing through mid-2026 is running approximately 16% ahead of the prior year, with new demand now accounting for roughly 76% of volume — driven by big-box distribution, 3PL, and manufacturing users. While renewal activity is down year-over-year, nearly 15 million sq. ft. of lease expirations are anticipated in H2, supporting continued leasing volume through year-end. Flight-to-quality and owner-user acquisitions are actively removing bulk availability, tightening options in the most competitive product categories, consistent with the national trend and outlook for 2026.

02

Vacancy is rebalancing as new deliveries arrive, with the construction pipeline building momentum toward speculative and build-to-suit activity

Industrial vacancy rose to approximately 9.1% in Q2 2026, driven by an active development pipeline. While new industrial development is near an all-time low nationally, Atlanta's pipeline has recovered from its late-2025 bottom, rising approximately 65% year-over-year as returning big-box demand draws developers back to speculative and build-to-suit projects — a notable point of divergence from national trends. Construction starts are most concentrated in the 200,000–500,000 sq. ft. tier, with eight projects breaking ground this year. Vacancy is expected to hold in the high-8% to low-9% range through year-end, with sub-8% achievable on a direct basis as modern, well-located product tightens, while lower-tier product will likely see elevated vacancy as flight-to-quality continues.

03

Asking rents are at record levels, with effective rent growth expected to continue as owners balance occupancy and pricing through H2

Industrial asking rents are up approximately 8% year-over-year as of Q2 2026, roughly four times CBRE's projected national asking-rent growth of 2.1%. Owners continue to prioritize occupancy, maintaining face rents while leaning on concessions, meaning effective rent growth is more modest than asking-rate movements suggest. This approach is expected to continue through H2 as the market absorbs recent deliveries, with the strongest pricing power concentrated in modern bulk product. Tenants should anticipate rising operating expenses to be increasingly material to total deal economics. With demand exceeding initial forecasts, Atlanta's projected rent growth of 2.6% at the end of 2026 could surprise to the upside.

Key Takeaways

For Owners & Investors

— Atlanta industrial is on track for a strong 2026, with new leasing demand running well ahead of last year and vacancy rebalancing in a healthy range. Owners of modern, well-located product are best positioned to push rents and reduce concessions through H2 as bulk availability tightens. The pipeline's measured recovery signals growing confidence in sustained demand, with build-to-suit and mid-size-format projects leading the rebound. For investors, flight-to-quality demand, improving leasing velocity, and a disciplined supply pipeline make Atlanta industrial a compelling target.

For Occupiers

— Modern, high-clear bulk space is tightening faster than other product categories, and tenants requiring this type of space should move before late 2026 when options will narrow further. The broad market remains favorable for mid-size and older-product users, and H2 lease expirations should provide additional negotiating touchpoints for tenants approaching renewals. Occupiers should budget for rising operating expenses as these costs are increasingly significant to total deal economics and are often underweighted in initial underwriting.

Retail Market Outlook

01

Broad-based leasing demand is concentrated in high-traffic submarkets where available space is near historic lows

Tenant demand across Atlanta's retail market is active and broad-based. Grocery remains one of the market's most active expansion categories, with gourmet and traditional operators targeting underserved trade areas alongside aggressive growth in urban infill locations. QSR and outparcel demand, particularly from chicken and coffee concepts, is deep, but limited availability and growing municipal resistance to drive-thru configurations are pushing operators toward alternative formats. Restaurant franchises, wellness, and fitness tenants are among the most aggressively expanding categories and are expected to sustain leasing activity through year-end in Atlanta's highest-demand corridors.

02

Retail availability remains near historic lows with no meaningful new supply expected, as high construction and land costs suppress development while select suburban redevelopments advance

Atlanta's retail market remains exceptionally supply-constrained, with submarkets including Buckhead sitting near 1% vacancy. High construction and land costs continue to suppress new ground-up development, leaving supply additions largely limited to suburban redevelopment projects at former mall sites. The big-box landscape has shifted structurally toward fitness, entertainment, and children's entertainment concepts, and national credit tenants in these categories are competing actively for available space. Supply constraints show no near-term signs of easing, keeping landlords in high-demand corridors well-positioned through year-end.

03

Lifestyle centers are Atlanta's most sought-after retail format, though elevated new construction rents and high TIA packages carry long-term sustainability risk

Lifestyle centers are Atlanta's most desirable retail destination heading into H2, driven by years of re-tenanting and repositioning. Grocery-anchored centers maintain the market's lowest vacancy rates, though rent growth is moderating following a period of strong appreciation. New construction rents in the $50-$60 per sq. ft. range raise long-term sustainability questions, and high tenant improvement allowances have produced early lease failures at some projects. Prime submarket power centers remain near full occupancy. Strong demand and near-zero availability in top submarkets will sustain occupancy through H2, but landlords in higher-rent corridors should underwrite tenant health carefully. Through year end 2026, CBRE forecasts Atlanta’s overall retail asking rent to increase 2.8% year-over-year, consistent with the national projection.

Key Takeaways

For Owners & Investors

— Atlanta's supply-constrained retail market continues to support occupancy across well-located assets, and demand from grocery, QSR, and service-oriented tenants is expected to remain active through year-end. Rent growth has moderated in many submarkets and new construction economics carry meaningful default risk. Landlords should prioritize tenant creditworthiness and operator viability over headline rent. Lifestyle centers and grocery-anchored assets in strong corridors remain best positioned for continued performance and investor demand.

For Occupiers

— Available space in Atlanta's highest-demand submarkets is near historic lows, and tenants with near-term growth plans should move decisively rather than waiting for new supply that faces significant cost and feasibility headwinds. QSR and restaurant concepts navigating drive-thru restrictions should engage municipal planning processes early and build prototype flexibility into their real estate strategy. In submarkets where new construction rents appear elevated, tenants should negotiate carefully and underwrite deal structures with long-term sustainability in mind.

Multifamily Market Outlook

01

Steady population growth and positive migration are sustaining renter demand

Atlanta multifamily demand remains supported by steady population growth and positive net migration, positioning the metro among the top markets nationally for apartment absorption. Performance is diverging geographically: intown markets, including Buckhead and Midtown, have largely absorbed recent deliveries, while suburban submarkets continue to work through new supply. This intown stabilization is expected to support improving occupancy and moderating concessions in urban-core assets through H2, even as the broader metro continues to absorb one of the largest supply cycles in the country.

02

The construction pipeline has declined sharply from its peak, though supply-side challenges remain in suburban submarkets

Atlanta has ranked near the top nationally for apartment stock growth in recent years, but the development pipeline has contracted significantly, down approximately 60% from its 2023 peak. Remaining supply additions are concentrated in suburban submarkets, where new deliveries continue to pressure occupancy and sustain concession activity. Marketwide vacancy is expected to hold mostly flat through year-end, with occupancy stabilization anticipated around the start of 2027 as pipeline deliveries moderate. The concentration of remaining supply pressure in suburbs reinforces the performance bifurcation expected to persist through H2.

03

Rent growth is tracking ahead of prior forecasts, led by higher-quality assets, though concessions remain widespread as the market rebalances

Apartment rent growth in Atlanta is tracking at approximately 1.9%, stronger than prior forecasts, with gains concentrated in higher-quality 4- and 5-star assets. Operators continue to prioritize occupancy over pushing rents, and approximately half of Atlanta properties still offer concessions, though concession levels are beginning to stabilize. Elevated concessions persist in Buckhead, Midtown, and select suburban markets as the recent supply wave is absorbed. As the pipeline moderates, gradual concession burn-off and firming rents are expected to support improving performance through H2 2026 and into 2027. Based on its current trajectory, Atlanta's multifamily rent growth is expected to remain above previous forecasts for 2026, finishing the year close to 2%. CBRE forecasts this momentum to continue into 2027 with stronger growth of 2.5% annually.

Key Takeaways

For Owners & Investors

— Atlanta multifamily is approaching an inflection point: a 60% reduction in construction from peak, resilient population-driven demand, and rent growth ahead of prior forecasts all signal that the recovery trajectory is intact. Operators in intown submarkets are best positioned for near-term occupancy and rent gains, while suburban assets carry a longer path to stabilization. Owners should focus on concession reduction and pricing optimization in intown assets while managing costs carefully where concessions remain necessary. For investors, above-forecast rent growth, moderating supply, and top-tier absorption performance support a constructive outlook, particularly for higher-quality assets in urban-core and well-connected suburban locations.

For Occupiers

— Renters in suburban submarkets continue to benefit from landlord concessions as those markets work through elevated supply, with leverage expected to remain available through year-end. Urban-core renters in Buckhead and Midtown will find stabilizing conditions, with concessions beginning to taper as recent deliveries are absorbed. Those approaching renewals in higher-quality properties should expect moderate rent increases, as 4- and 5-star assets are leading rent recovery. Renters targeting urban-core locations should begin their search early, as competition for quality units is expected to build heading into 2027.

Capital Markets Outlook

01

Industrial and retail investment is accelerating as improving fundamentals draw broad institutional and private capital

Atlanta's industrial investment market has reached an inflection point, with H1 2026 transaction volume exceeding $2.3 billion, the strongest first half of the decade. Improving leasing fundamentals, larger deal sizes, and supportive debt markets are driving improved investor confidence. Institutional and private buyers are concentrating on modern, well-leased core logistics assets. Atlanta retail continues to attract core-quality capital in a supply-starved market, with investment expected to favor necessity-based and well-located assets through a stronger second half.

02

Atlanta office investment remains subdued, while multifamily activity is improving

Office investment activity has remained at historically low levels since 2023, with no stabilized property closing since August 2025. The only recent pricing reference points are core-plus transactions and lender-driven sales, and recent value-add acquisitions are underperforming lease-up assumptions, placing the previously anticipated 2027 recovery timeline at risk. For multifamily, improving but cautious conditions support a more positive direction: listing volume and debt liquidity are increasing, though higher interest rates and macroeconomic uncertainty are keeping pricing disciplined and deployment selective.

03

A significant wall of office loan maturities through 2027 will drive the next phase of distress-driven price discovery in Atlanta's office market

Against a backdrop of no stabilized price discovery since August 2025, $10.6 billion of office loans maturing through 2027 will force the next phase of distress-driven clearing in Atlanta's office market. The speed at which lenders, borrowers, and the broader investment community resolve these maturities, and whether a first stabilized trade emerges to anchor pricing, will determine whether the 2027 recovery timeline holds. Until that clarity emerges, capital will remain concentrated in the market's best-performing and most liquid sectors.

Key Takeaways

For Sellers

— Well-leased industrial and retail assets are best positioned for favorable execution -- deep buyer pools and broad lender support make this the preferred time to transact in these sectors. Stabilized multifamily assets are attracting growing interest as the market improves, though sellers should expect selective, disciplined buyers and measured execution timelines. Office sellers face the most challenging conditions: the absence of a stabilized price anchor limits competitive bidding, financing remains constrained for all but the best-positioned assets, and the accelerating loan maturity cycle through 2027 will continue to pressure values for underperforming properties.

For Buyers

— Industrial and retail remain Atlanta's most active sectors for acquisitions in 2026, with improving fundamentals and broad capital availability supporting competitive execution. Multifamily is moving in the right direction, listing volume and debt liquidity are building, but buyers should price in ongoing supply pressure in suburban markets and maintain disciplined underwriting given macro uncertainty. Office requires the most caution: with no stabilized trade since August 2025, price discovery remains incomplete, and distress-driven opportunities are likely to emerge as the loan maturity cycle accelerates.

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