

MARKETBEAT ATLANTA



Office Q4 2020

YoY Chg 12-Mo. Forecast

20.5%
Vacancy Rate ▲ ▲

-1.7M
Net Abs. YTD, SF ▲ ▼

\$27.96
Asking Rent, PSF ▲ —

(Overall, All Property Classes)

ECONOMIC INDICATORS Q4 2020

YoY Chg 12-Mo. Forecast

2.8M
Atlanta Employment ▼ ▲

5.4%
Atlanta Unemployment Rate ▲ ▲

6.7%
U.S. Unemployment Rate ▲ ▼

Source: BLS

ECONOMY

As the global situation regarding COVID-19 remains fluid, the Atlanta economy has made significant progress toward recovery. After peaking in April at 12.7%, the unemployment rate dropped to 5.4% in Q4 2020, well below the U.S. rate. Office-using employment, the strongest indicator of office real estate demand, also continued to outperform the national recovery. Since reaching its low point in Q2 2020, Metro Atlanta has regained 38,790 jobs—nearly 57% of those lost following the onset of COVID-19. Office-using employment in Atlanta is anticipated to return to 2019 levels by Q2 2022—three quarters faster than the U.S.

SUPPLY

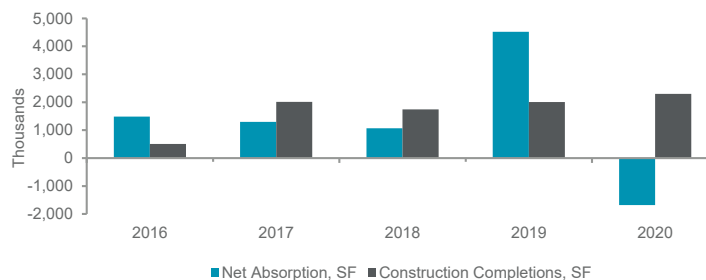
After reaching a cyclical low in late 2019, Metro Atlanta’s overall vacancy rate climbed steadily each quarter of 2020. Much of this gradual increase can be attributed to the influx of sublease space added to the marketplace throughout 2020 as a result of COVID-19’s impact on business operations. Notable sublease blocks placed online this year by firms including Synchrony (GA 400 Corridor), State Farm (GA 400 Corridor), and Macy’s (Midtown) greatly increased the ratio of sublease to direct space. In total, more than 1.9 million square feet (msf) of sublease space was added across Metro Atlanta during the year. At the close of Q4 2020, subleases accounted for 2.4% of the total market inventory.

Several long-expected, non-pandemic-related vacancies occurred in the fourth quarter, contributing to a steeper rise. Most notably, the balance of former AT&T space at Tower Square in Midtown added an additional 730,000 sf of direct space to the market as part of the corporation’s reorganization master plan. As a result, Metro Atlanta ended the fourth quarter with a 20.5% overall vacancy rate, an increase of 230 basis points (bps) year-over-year (YOY) and 130 bps quarter-over-quarter (QOQ). Sharper vacancy rises are on the horizon as multiple large move-outs remain planned for early 2021. In Buckhead, Rubenstein Partners’ renovated property at Uptown will hit the market in Q1 2021, adding 1.0 msf of Class A space to the list options for occupiers in the CBD.

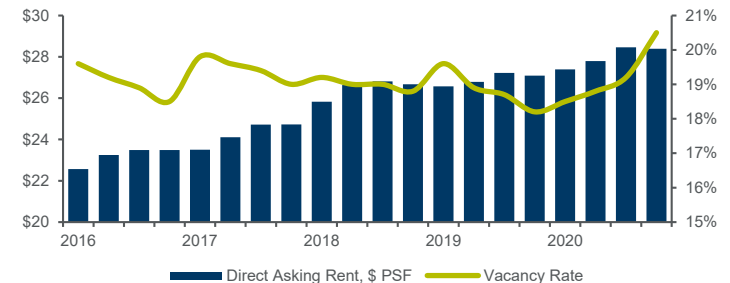
RENTAL RATES

The direct average asking rental rate held steady in Q4 despite increased concessions yielding a decline in effective rents. After several quarters of substantial growth, the average asking rate remained largely unchanged since Q3 at \$28.39 per square foot (psf)—a 4.8% YOY uptick. The delivery of high-quality speculative construction projects throughout the year contributed to the continued rise in rents in pockets of Metro Atlanta. Most notably, the Northwest market recorded the largest jump in overall gross asking rents—up 6.3% YOY to \$27.04 psf. In the coming quarters, asking rent growth can be expected to taper off as the office market shifts in occupiers’ favor.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & DIRECT ASKING RENT





DEMAND

COVID-19's influence demonstrated tempered demand totals as many firms continue to delay decision-making or re-evaluate physical space needs, resulting in the third consecutive quarter of dramatic slowdown in demand for new office space. Leasing activity saw a 45.7% decrease YOY, with only 802,928 sf leased across Metro Atlanta during Q4. While demand totals in the second and third quarters of 2020 were each bolstered by at least one large pre-leasing announcement in Midtown (Microsoft and Mailchimp respectively), only a handful of substantial new leases were inked in the fourth quarter, including Insight Global's expansion of 87,408 sf into the entirety of Twelve24 and Papa John's pre-lease of 60,000 sf at the Battery.

Fourth quarter demand was primarily concentrated outside the CBD, with 552,611 sf of leasing activity occurring in suburban submarkets compared to 250,317 sf in the CBD. The Central Perimeter submarket recorded the region's highest level of quarterly activity in metro Atlanta with 220,403 sf of leases signed. Central Perimeter and Northwest/Cumberland/Galleria were the only two submarkets in Metro Atlanta to record at least 100,000 sf each quarter of 2020.

CONSTRUCTION

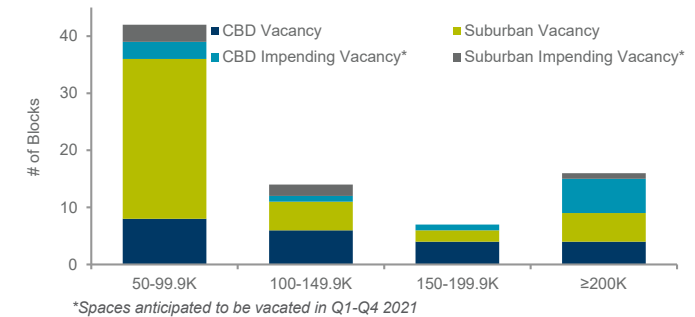
Deemed an essential business, construction continued mostly uninterrupted in Atlanta throughout 2020. The largest projects to deliver this year were both build-to-suit facilities for State Farm and Anthem, totaling just over 1.0 msf. Since the start of the year, 16 new construction or renovation projects delivered, totaling 2.5 msf. The appetite for first-generation space remained healthy, as 79% of new product was leased by the end of 2020. 8West, a 190,000-sf speculative building in West Midtown, and The Boundary renovation project where WeWork took 44,000 sf represented the only deliveries of Q4 2020.

Nearly 5.9 million square feet (msf) in the pipeline to be completed in Atlanta over the next 24 months. Four build-to-suit projects remain underway, as well as 15 speculative sites. With only 33% the active pipeline reported as vacant, projects continue to be delivered preleased as occupiers pursue a flight to first-generation space.

OUTLOOK

- Atlanta will continue to serve as a strong and viable option for corporate headquarters and hubs for firms evaluating their present locations. The Metro's deep talent pool, high-quality colleges and universities, low cost of living and doing business, and comparatively low density make the city attractive to national and global corporations.
- Heading into 2021, the rapid rental rate increases of the past several quarters will taper off. Rates will begin to shift in the favor of occupiers. Consequently, landlords will be increasingly attentive to tenants of all sizes, particularly those with good credit.
- With several sizable vacancies still on the horizon, the Metro Atlanta vacancy rate is expected to increase further throughout 2021. However, a healthy appetite for first-generation space will keep pre-leasing in the development pipeline strong.

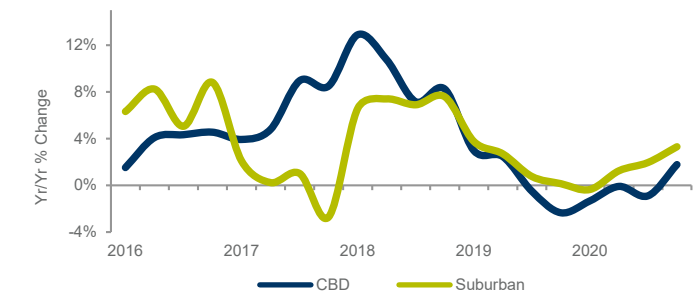
BLOCKS OF CONTIGUOUS SPACE



NEW SUPPLY



CLASS A ASKING RENT TREND



MARKET STATISTICS

| SUBMARKET | INVENTORY (SF) | SUBLET VACANT (SF) | DIRECT VACANT (SF) | OVERALL VACANCY RATE | CURRENT QTR OVERALL NET ABSORPTION | YTD OVERALL ABSORPTION (SF) | YTD LEASING ACTIVITY (SF) | UNDER CNSTR (SF) | OVERALL AVG ASKING RENT (ALL CLASSES)* | OVERALL AVG ASKING RENT (CLASS A)* |
|-----------------------|--------------------|--------------------|--------------------|----------------------|------------------------------------|-----------------------------|---------------------------|------------------|--|------------------------------------|
| Downtown | 15,446,830 | 222,096 | 3,188,434 | 22.1% | -274,502 | -646,796 | 285,063 | 108,400 | \$27.79 | \$28.71 |
| Midtown | 20,176,757 | 334,200 | 3,782,218 | 20.4% | -727,010 | -530,730 | 1,815,639 | 4,481,661 | \$35.61 | \$39.33 |
| Buckhead | 17,589,936 | 454,065 | 2,665,008 | 17.7% | -94,288 | -406,713 | 549,175 | 354,427 | \$35.30 | \$35.94 |
| Central Perimeter | 23,943,275 | 963,263 | 4,417,554 | 22.5% | -282,221 | 800,663 | 1,092,499 | 429,200 | \$28.23 | \$29.99 |
| Georgia 400 Corridor | 19,160,390 | 736,211 | 3,530,758 | 22.3% | -222,610 | -666,912 | 786,567 | 128,031 | \$25.25 | \$27.07 |
| Northwest Atlanta | 24,108,800 | 430,900 | 4,422,883 | 20.1% | -270,516 | -388,952 | 811,083 | 332,486 | \$27.04 | \$29.31 |
| Airport/South Atlanta | 3,735,566 | 135,148 | 534,445 | 17.9% | -54,140 | -118,640 | 112,436 | 37,610 | \$19.32 | \$20.23 |
| Northlake/Decatur | 4,395,109 | 49,518 | 1,168,804 | 27.7% | -2,953 | 209,323 | 260,847 | 0 | \$22.71 | \$26.27 |
| Northeast | 20,419,774 | 263,729 | 3,307,382 | 17.5% | 146,327 | -30,653 | 767,311 | 0 | \$20.69 | \$22.21 |
| ATLANTA TOTALS | 148,976,437 | 3,589,130 | 27,017,486 | 20.5% | -1,781,913 | -1,779,410 | 6,480,620 | 5,871,815 | \$27.96 | \$30.49 |

*Rental rates reflect full service asking

KEY LEASE TRANSACTIONS Q4 2020

| PROPERTY | SUBMARKET | TENANT | RSF | TYPE |
|-----------------------|-------------------|------------------------------------|--------|-----------|
| Twelve24 | Central Perimeter | Insight Global | 87,408 | Expansion |
| The Battery | Northwest | Papa John's | 60,000 | New Lease |
| 4004 Perimeter Summit | Central Perimeter | Burns & McDonnell | 45,708 | New Lease |
| RiverEdge Summit | Northwest | Truist Bank | 43,551 | Renewal |
| Cumberland Center I | Northwest | First Investors Financial Services | 38,731 | New Lease |

*Renewals not included in leasing statistics

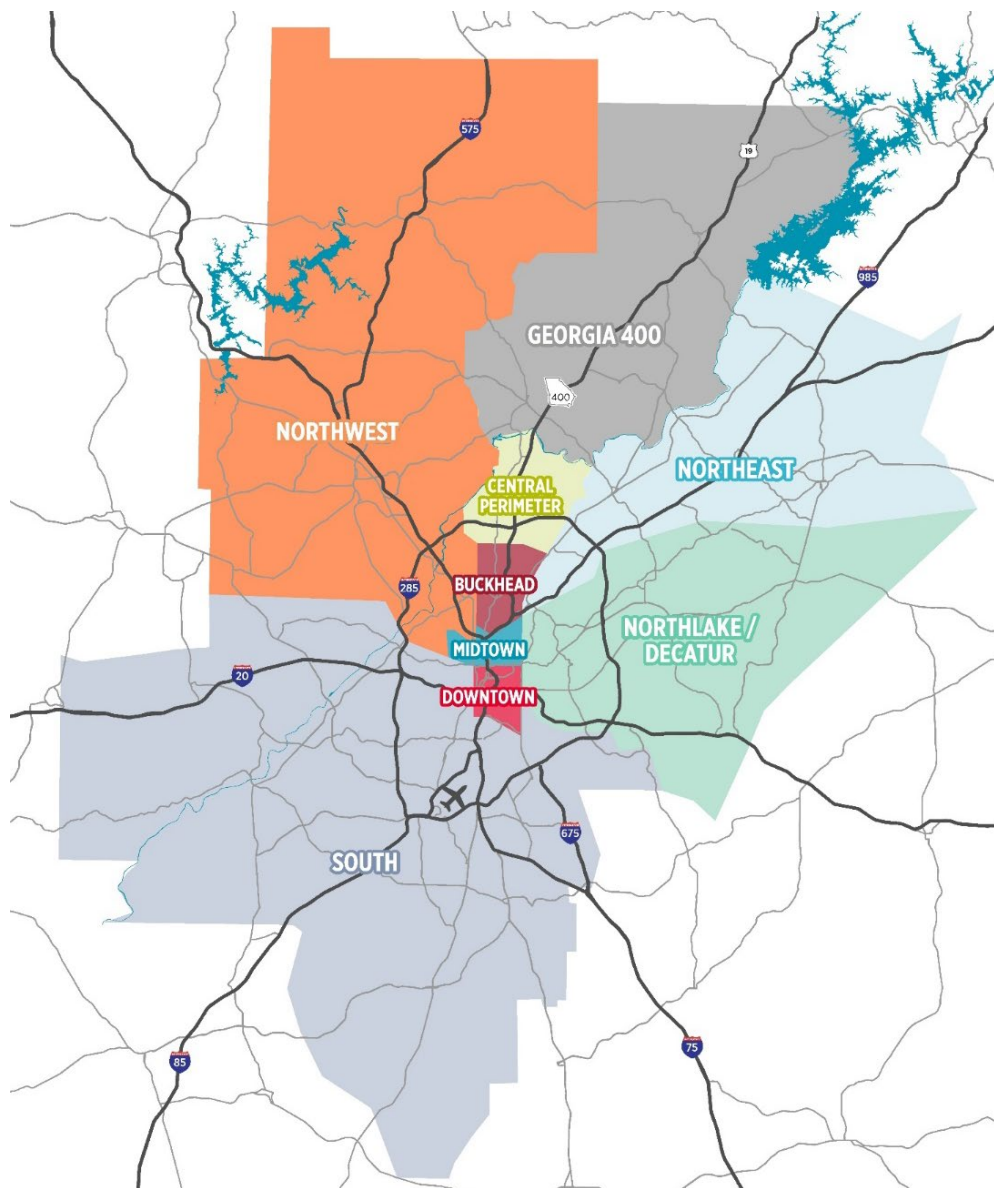
KEY SALES TRANSACTIONS Q4 2020

| PROPERTY | SUBMARKET | SELLER / BUYER | SF | PRICE/\$ PSF |
|----------------|-------------------|--|---------|---------------|
| 30 Allen Plaza | Downtown | Forward One Corporation / Menlo Equities | 265,853 | \$89.9M/\$320 |
| Pennant Rise | Northwest | Rubenstein Partners / Entertainment Studios, Inc. | 181,269 | \$28.0M/\$154 |
| Falls Pointe | Central Perimeter | Land Investment Partners / The City of Sandy Springs | 105,717 | \$11.0M/\$104 |

KEY CONSTRUCTION COMPLETIONS 2020

| PROPERTY | SUBMARKET | MAJOR TENANT | SF | OWNER / DEVELOPER |
|---------------------------|-------------------|----------------|---------|---|
| State Farm at Park Center | Central Perimeter | State Farm | 670,000 | KDC Real Estate Development & Investments |
| Anthem Technology Center | Midtown | Anthem | 352,000 | Portman Holdings |
| Twelve24 | Central Perimeter | Insight Global | 335,000 | Trammell Crow Company |

OFFICE SUBMARKETS



Christa DiLalo
 Director, Southeast
 Tel: +1 404 853 5231
christa.dilalo@cushwake.com

Riley McMullan
 Associate Director
 Tel: +1 404 853 5292
riley.walker@cushwake.com

Brandon LaBord
 Senior Analyst
 Tel: +1 404 853 5245
brandon.labord@cushwake.com

Leah Hays
 Analyst
 Tel: +1 404 682 3464
leah.hays@cushwake.com

**A CUSHMAN & WAKEFIELD
 RESEARCH PUBLICATION**

Cushman & Wakefield (NYSE: CWK) is a leading global real estate services firm that delivers exceptional value for real estate occupiers and owners. Cushman & Wakefield is among the largest real estate services firms with approximately 53,000 employees in 400 offices and 60 countries. In 2019, the firm had revenue of \$8.8 billion across core services of property, facilities and project management, leasing, capital markets, valuation and other services. To learn more, visit www.cushmanwakefield.com or follow @CushWake on Twitter.

©2021 Cushman & Wakefield. All rights reserved. The information contained within this report is gathered from multiple sources believed to be reliable. The information may contain errors or omissions and is presented without any warranty or representations as to its accuracy.