

# MARKETBEAT ATLANTA



Office Q1 2021

	YoY Chg	12-Mo. Forecast
<b>22.2%</b> Vacancy Rate	▲	▲
<b>-2.0M</b> Net Abs. YTD, SF	▲	▼
<b>\$28.59</b> Asking Rent, PSF	▲	▬

(Overall, All Property Classes)

## ECONOMIC INDICATORS Q1 2021

	YoY Chg	12-Mo. Forecast
<b>2.7M</b> Atlanta Employment	▼	▲
<b>5.2%</b> Atlanta Unemployment Rate	▲	▲
<b>6.0%</b> U.S. Unemployment Rate	▲	▼

Source: BLS

## ECONOMY

Atlanta's unemployment rate fell to 4.5% in February 2021, dropping below the 5% mark for the first time since the onset of the pandemic. Though the quarter's average unemployment rate rests at 5.2%, unemployment in the metro averaged 80 basis points (bps) lower than the U.S. rate. A rise in the number of people looking to reenter the workforce is expected in the immediate future and this increased labor participation rate will elevate the unemployment rate slightly once again. Still, a plethora of large corporate relocations and job announcements indicate that momentum is shifting towards economic recovery.

## SUPPLY

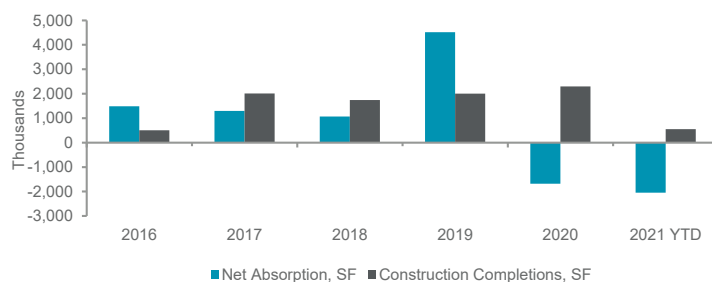
Since the onset of COVID-19 in 2020, vacancy in Metro Atlanta has climbed incrementally quarter-over-quarter (QOQ), pushing the Q1 overall vacancy rate to 22.2%. This represents an increase of 380 bps year-over-year (YOY), exactly on par with the U.S. vacancy increase. However, much of the first quarter's jump in vacancy was unrelated to the pandemic and can be attributed to AT&T's long-anticipated move-out at the newly reimagined Uptown development in Buckhead. This reorganization added 1.0 million square feet (msf) of space to the market, causing the submarket's overall vacancy to rise considerably by 620 bps QOQ to 23.9%.

During the first quarter 50 new subleases were added to the overall market, the majority of which are located in suburban submarkets. These additions pushed sublease vacancy up 2.9% QOQ to nearly 3.7 msf. The largest sublease added this quarter is in the Georgia 400 Corridor where Randstad USA added over 30,000 sf at Parkview I at Opus Woods.

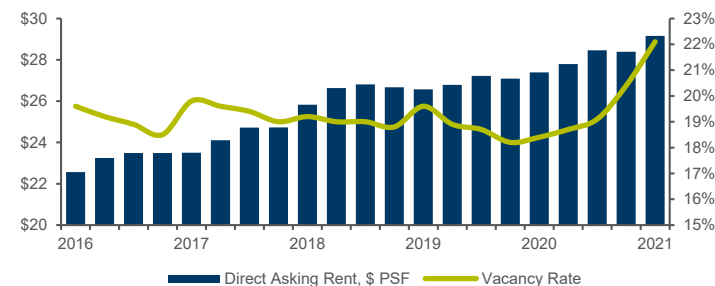
## DEMAND

Though new supply outpaced demand and drove net absorption into the red, leasing activity rose modestly in recent months. After decreasing for three consecutive quarters, Metro Atlanta recorded 1.1 msf of new leasing activity during Q1, a 33.9% increase QOQ, setting the stage for a post-COVID-19 return of office demand. New demand was primarily concentrated in suburban submarkets, which accounted for 80% of first quarter leasing activity. The quarter's largest and only lease over 100,000 sf was inked in the GA 400 Corridor where Global Payments leased 206,542 sf at 5995 Windward Parkway. In total, six leases of 50,000 sf or greater were signed during Q1. Though technology companies continued to flock to Atlanta, a wide variety of industries comprised the quarterly total.

## SPACE DEMAND / DELIVERIES



## OVERALL VACANCY & DIRECT ASKING RENT



## RENTAL RATES

Despite the increase in vacancy, Metro Atlanta's direct average asking rent hit its highest point in history during Q1, averaging \$29.16 per square foot (psf). Class A direct asking rates also hit new heights as the Buckhead submarket crossed over the \$40.00 psf mark for the first time on statistical record, bolstered by asking rates of \$37.50-\$39.50 psf for the newly-vacant Uptown. This consistent rent growth is largely due to the consistent flow of deliveries and renovations across the Metro, as well as the introduction of several high-quality second-generation vacancies to the market. Most notably this quarter, the Glenridge Centre (249,000 sf) renovation completed in January in Central Perimeter and is asking \$28.50 psf, while in Midtown, asking rent for 30,000 sf of creative loft office space at the newly-delivered Mill Marketplace redevelopment sits at \$45.00 psf.

However, the market has begun to shift in occupiers' favor. Starting rents have begun to decline following lease negotiations, and an increase in tenant concessions are yielding lower effective rents than were seen pre-pandemic despite the high asking rents in premier vacant spaces.

## CONSTRUCTION

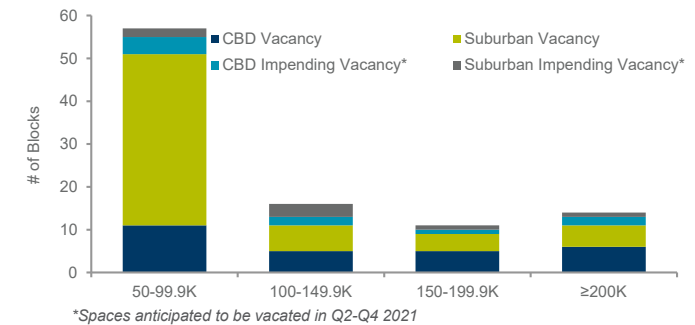
Metro Atlanta's pipeline of new office supply has remained at record levels in spite of the temporary slowdown in leasing demand. Since the start of 2021, three projects have delivered for a combined 553,511 sf. The largest are the Atlantic Yards North and South (524,000 sf) buildings which were pre-leased by Microsoft in Q2 2020 and are scheduled to take occupancy in Q4 2021. The firm also recently announced plans for a new corporate campus at the former Bellwood Quarry on Atlanta's Westside that will eventually host up to 15,000 workers.

There are currently 18 projects under construction across Metro Atlanta totaling 5.6 msf, 58% of which are slated for delivery by the end of 2021. In addition to build-to-suit locations for Norfolk Southern, Anthem, State Farm, and Jones Day, the remaining seven 2021 speculative buildings are 69% preleased, as users continue to demonstrate a healthy appetite for first-generation space.

## OUTLOOK

- Though leasing activity has remained stable throughout the suburbs, increased tour activity in Midtown, Buckhead, and Downtown indicate that a rise in CBD transaction volume is imminent.
- The stage was set during Q1 for the return of office demand later in 2021. A variety of corporations announced new large-scale commitments to Atlanta throughout the quarter including Microsoft, Airbnb, Adecco, and Minute Maid.
- The federal pandemic relief package and widespread vaccination accessibility should help spur the economy and drive the Metro Atlanta market towards economic recovery and a broader return to the office.

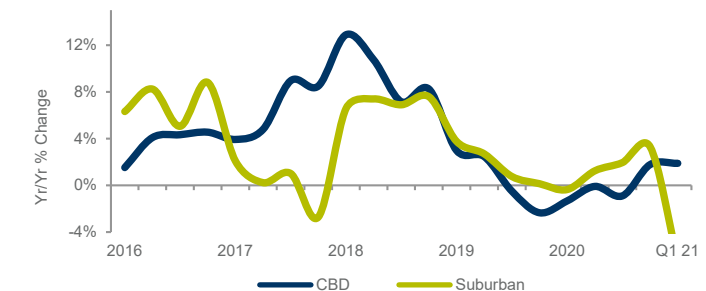
## BLOCKS OF CONTIGUOUS SPACE



## 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	192,565	3,295,935	22.6%	-77,744	-77,744	92,419	108,400	\$27.68	\$28.53
Midtown	20,934,072	273,512	4,466,043	22.6%	-94,905	-94,905	76,547	4,181,127	\$36.11	\$40.02
Buckhead	17,702,177	458,836	3,767,906	23.9%	-1,095,872	-1,095,872	47,065	365,257	\$36.43	\$37.03
Central Perimeter	24,248,097	776,039	5,223,514	24.7%	-440,146	-440,146	136,172	429,200	\$28.85	\$30.57
Georgia 400 Corridor	19,160,390	903,978	3,534,021	23.2%	-175,013	-175,013	321,128	188,031	\$25.06	\$26.80
Northwest Atlanta	24,108,800	556,370	4,328,184	20.3%	-51,419	-51,419	260,547	332,486	\$27.09	\$29.26
Airport/South Atlanta	3,735,566	129,803	540,809	18.0%	-5,362	-5,362	14,406	37,610	\$19.66	\$20.35
Northlake/Decatur	4,395,109	50,718	1,148,958	27.3%	-9,704	-9,704	12,687	0	\$22.77	\$26.06
Northeast	20,448,209	351,793	3,259,821	17.7%	-98,028	-98,028	113,565	0	\$20.74	\$22.34
<b>ATLANTA TOTALS</b>	<b>150,179,250</b>	<b>3,693,614</b>	<b>29,565,191</b>	<b>22.1%</b>	<b>-2,048,193</b>	<b>-2,048,193</b>	<b>1,074,536</b>	<b>5,642,111</b>	<b>\$28.59</b>	<b>\$31.16</b>

\*Rental rates reflect full service asking

## KEY LEASE TRANSACTIONS Q1 2021

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
5995 Windward Parkway	Georgia 400 Corridor	Global Payments	206,542	New Lease
1100 Circle 75 Parkway	Northwest Atlanta	Centene Management Company	94,221	Renewal
Chastain Meadows Office Park	Northwest Atlanta	Universal Tax Systems	87,556	Renewal
One Glenlake	Central Perimeter	ServiceMaster	53,440	New Lease
Peachtree Corners Corporate Centre	Northeast	Technicolor	53,188	New Lease

\*Renewals not included in leasing statistics

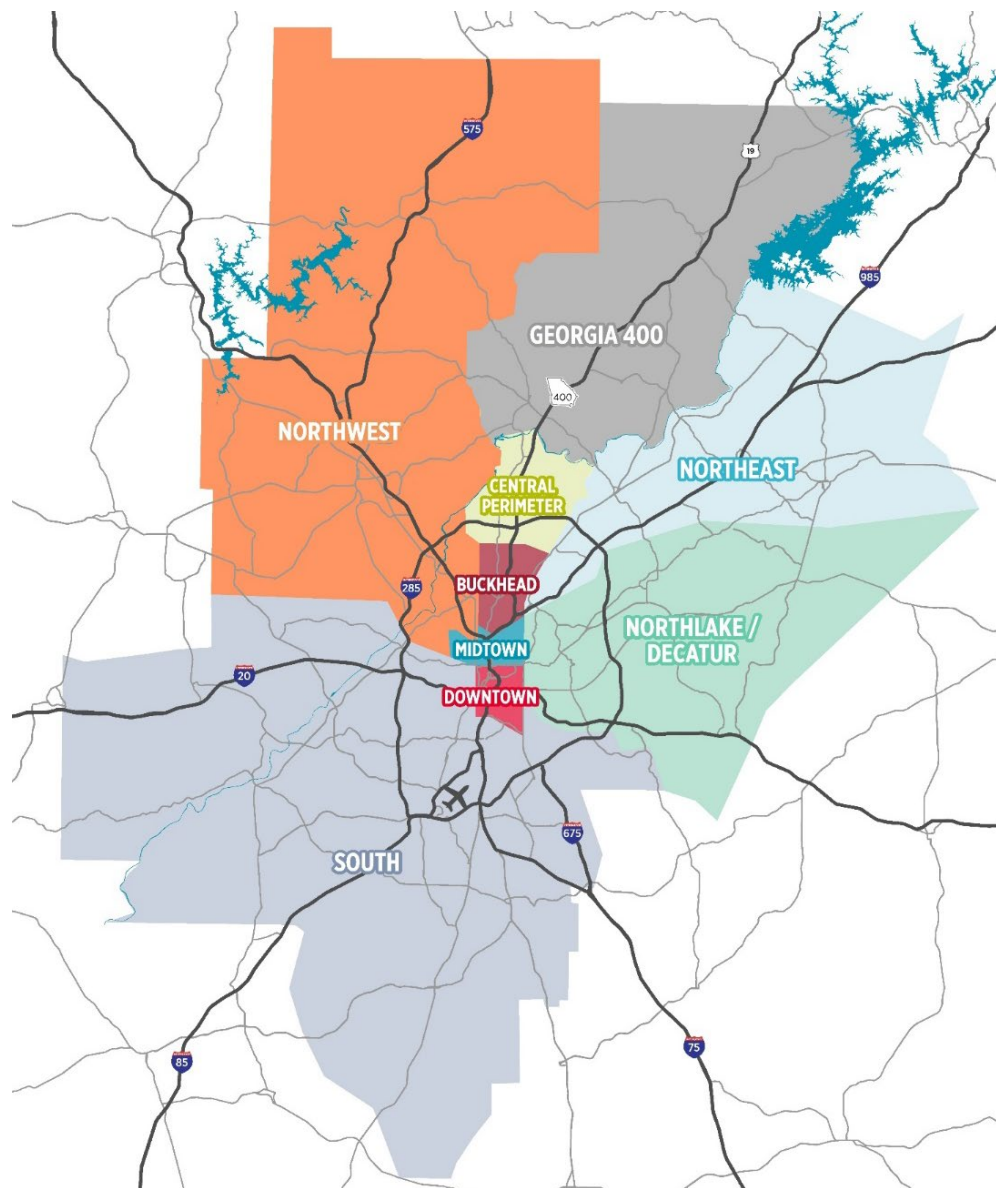
## KEY SALES TRANSACTIONS Q1 2021

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE/\$ PSF
Mansell Overlook Portfolio	Georgia 400 Corridor	The Brookdale Group / PPF Real Estate Group	496,935	\$142.3M/\$286
Stonebridge Portfolio	Georgia 400 Corridor	Rubenstein Partners / Starwood Capital Group	461,200	\$134.8M/\$292
5555 Windward Parkway	Georgia 400 Corridor	Hewlett Packard Enterprise / SW Value Partners Enterprises	215,550	\$56.0M/\$110

## KEY CONSTRUCTION COMPLETIONS 2021

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER / DEVELOPER
Atlantic Yards North / South	Midtown	Microsoft	523,511	Hines
Glenridge Centre	Central Perimeter	N/A	249,436	Crocker Partners
The Mill Marketplace	Midtown	N/A	30,000	Coro Realty

OFFICE SUBMARKETS



**Christa DiLalo**  
 Director, Southeast  
 Tel: +1 404 853 5231  
[christa.dilalo@cushwake.com](mailto:christa.dilalo@cushwake.com)

**Riley McMullan**  
 Associate Director  
 Tel: +1 404 853 5292  
[riley.walker@cushwake.com](mailto:riley.walker@cushwake.com)

**Brandon LaBord**  
 Senior Analyst  
 Tel: +1 404 853 5245  
[brandon.labord@cushwake.com](mailto:brandon.labord@cushwake.com)

**Leah Hays**  
 Analyst  
 Tel: +1 404 682 3464  
[leah.hays@cushwake.com](mailto: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 50,000 employees in 400 offices and 60 countries. In 2020, the firm had revenue of \$7.8 billion across core services of property, facilities and project management, leasing, capital markets, valuation and other services. To learn more, visit [www.cushmanwakefield.com](http://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.