

# MARKETBEAT ATLANTA

Office Q2 2021



YoY Chg 12-Mo. Forecast

**22.7%**  
Vacancy Rate



**-1.9M**  
Net Abs. YTD, SF



**\$29.06**  
Asking Rent, PSF



(Overall, All Property Classes)

## ECONOMIC INDICATORS Q2 2021

YoY Chg 12-Mo. Forecast

**2.7M**  
Atlanta  
Employment



**4.2%**  
Atlanta  
Unemployment Rate



**5.9%**  
U.S.  
Unemployment Rate



Source: BLS

## ECONOMY: Employment Continues to Strengthen

Atlanta began to rebound from the pandemic in earnest during Q2. The unemployment rate continued to decline, falling to 4.2% as the gap between the metro's and nation's rates widened further. More than 183,400 jobs were added to Atlanta's economy year-over-year (YOY), a 7.2% increase in employment level since Q2 2020. Office-using industries that recorded significant employment increases included Information (13.1%) and Professional and Business Services (7.4%).

## SUPPLY: Second-Generation Space and Construction Pipeline

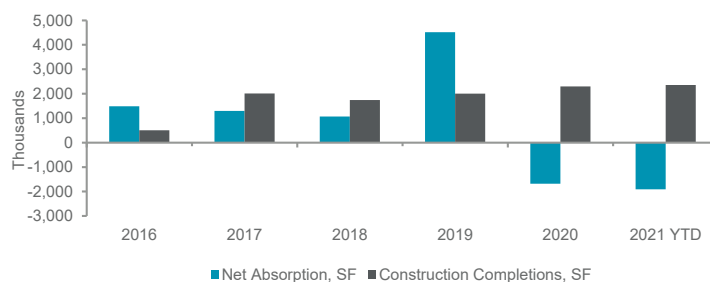
Vacancy continued to rise across Metro Atlanta throughout Q2 2021, albeit at a slower pace than the recent past. At 22.7%, the overall vacancy rate increased a modest 60 basis points quarter-over-quarter (QOQ), well below the previous quarter's increase of 210 basis points. Though most of the notable bulk space dispositions occurred in prior quarters, some sizable blocks of second-generation space were vacated during Q2 including space from Truist, Global Payments, and Jones Day.

The construction pipeline remains at a record high. In the first half of 2021, more new supply delivered in Atlanta than the average per total year over the past five years. Build-to-suit projects were completed in Q2 for State Farm, Anthem, and Jones Day, along with premier speculative product in Midtown (Star Metals – 230,000 sf and The Interlock – 201,000 sf), Georgia 400 Corridor (100 Kimball Place – 128,031 sf), and Northwest (The Battery, 3 Ballpark Ave – 332,486 sf). More than 62% of the 1.5-million square foot (msf) of new speculative product that delivered since the start of the year has already been leased. Construction remains underway on 12 projects totaling 4.2 msf. By the end of 2021, more than 3.9 msf will have delivered – the highest annual total in Metro Atlanta history.

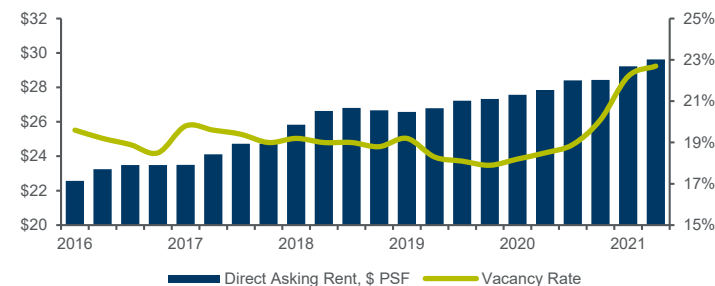
## DEMAND: Healthy Performance Across Submarkets

For the first time since the pandemic onset, Metro Atlanta recorded quarterly net occupancy gains with 549,875 sf of positive absorption in Q2. In addition to the aforementioned build-to-suit completions, 12 tenants 10,000 sf or larger occupied their new offices during the quarter. Leasing activity was widespread across most major submarkets. Significant quarter-over-quarter (QOQ) increases were recorded in Midtown and Buckhead, and together with Downtown, these CBD markets accounted for 44.7% of Metro Atlanta's quarterly demand. Activity among mid-sized tenants is on the rise, with 19 firms signing leases for 20,000 – 70,000 sf of space. A diverse tenant pool comprises this total as a variety of industries relocate to and expand in Atlanta, though technology-focused firms continued to be prominent. In 2021 year-to-date (YTD), nearly 2.3 msf of new leases have been recorded in total, 1.6 msf of which occurred in the suburbs. Six of the nine major submarkets recorded more than 250,000 sf of new activity YTD.

## SPACE DEMAND / DELIVERIES



## OVERALL VACANCY & DIRECT ASKING RENT





### RENTAL RATES: Still on the Rise

Due largely to the influx of high-quality new construction delivering to the market on a speculative basis, the direct average asking rental rate continued to rise, reaching a new historical high of \$29.62 per square foot (psf) in Q2. Midtown remains the priciest submarket in the metro with a direct Class A rate of \$42.09 psf, a reflection of the unique, highly-amenitized opportunities in West Midtown, East Midtown, and the Midtown core. Central Perimeter continues to boast the highest suburban rents, with a Class A direct average rate of \$31.13 psf.

However, in recent months the market has shifted 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.

### INVESTMENT SALES: Strengthened Performance

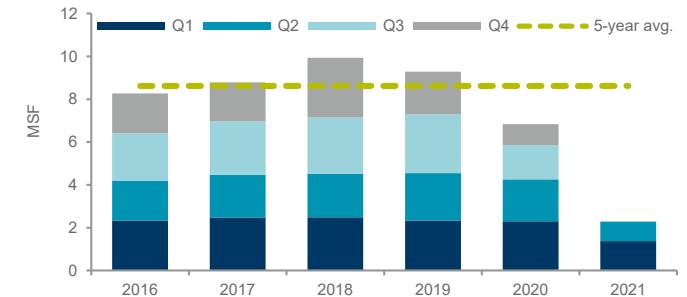
Metro Atlanta demonstrated significant capital markets strength during Q2 with more than 4.7 msf of office sales throughout the quarter. Quarterly volume totaled \$856.8M, a 448.7% year-over-year increase. Cross-border buyers comprised a larger share of 2021 YTD capital composition than past years, at nearly 30%. Activity was robust in both the urban core and in the suburbs, including two of the most expensive sales per square foot on record in Atlanta. In Midtown's Technology Square, Blackstone set a new high-water mark with its \$719-psf majority share purchase of Anthem Technology Center from Portman Holdings. Another key CBD purchase occurred in Buckhead where Ardent Co. bought Piedmont Center Buildings 5-8. Ardent, which now owns the full 14-building park, is exploring plans to redevelop the 2.2-msf complex into a mixed-use development. Though details are still forthcoming, WarnerMedia sold the 1.2-msf One CNN Center to a joint venture between CP Group and Rialto Capital Management. CNN executed a sale-leaseback on the formerly owner-occupied complex Downtown.

Central Perimeter also served as the home of a record-breaking investment transaction during Q2. Twelve24, the newly-delivered project housing Insight Global's headquarters, sold to Office Properties Income Trust for \$564 psf from Trammell Crow. Also of note, CP Group and Farallon Capital Management purchased One and Two Ravinia in Central Perimeter and One Overton Park in the neighboring Northwest submarket for \$219.5M from Franklin Street Properties, a publicly-traded REIT.

### OUTLOOK

- Touring activity has picked up significantly as the market begins its return to pre-pandemic employment levels. Multiple users, particularly financial and technology companies, are now in lease negotiations for large transactions, and the Metro Atlanta Chamber currently reports the most robust economic development pipeline in its history.

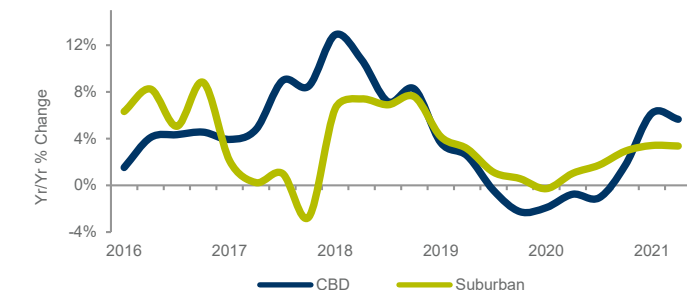
### DEMAND: NEW LEASING ACTIVITY



### SUPPLY: CONSTRUCTION DELIVERIES



### CLASS A ASKING RENT TREND



## MARKET STATISTICS

| SUBMARKET             | INVENTORY (SF)     | DIRECT VACANT (SF) | SUBLET 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         | 3,662,453          | 193,138            | 25.0%                | -344,470                           | -495,173                    | 134,665                   | 108,400          | \$27.65                                | \$28.39                            |
| Midtown               | 22,604,781         | 5,104,578          | 340,863            | 24.1%                | 261,336                            | 38,417                      | 326,164                   | 3,274,528        | \$37.84                                | \$41.67                            |
| Buckhead              | 17,702,177         | 3,721,339          | 478,269            | 23.7%                | 42,953                             | -1,075,849                  | 266,554                   | 365,257          | \$36.25                                | \$36.87                            |
| Central Perimeter     | 24,691,064         | 5,201,277          | 908,780            | 24.8%                | 299,772                            | -186,361                    | 335,284                   | 0                | \$28.80                                | \$30.51                            |
| Georgia 400 Corridor  | 19,191,521         | 3,723,007          | 898,028            | 24.1%                | -10,691                            | -238,251                    | 452,074                   | 410,997          | \$25.79                                | \$27.79                            |
| Northwest Atlanta     | 24,441,286         | 4,408,735          | 544,298            | 20.3%                | 279,217                            | 155,856                     | 419,761                   | 0                | \$27.56                                | \$29.84                            |
| Airport/South Atlanta | 3,773,176          | 519,177            | 134,146            | 17.3%                | 51,640                             | 47,767                      | 19,931                    | 0                | \$19.66                                | \$21.33                            |
| Northlake/Decatur     | 4,395,109          | 1,160,111          | 48,385             | 27.5%                | 3,331                              | -16,271                     | 32,771                    | 0                | \$22.80                                | \$25.71                            |
| Northeast             | 20,449,612         | 3,390,041          | 292,103            | 18.0%                | -33,213                            | -137,233                    | 293,744                   | 0                | \$20.83                                | \$22.24                            |
| <b>ATLANTA TOTALS</b> | <b>152,695,556</b> | <b>30,890,718</b>  | <b>3,838,010</b>   | <b>22.7%</b>         | <b>549,875</b>                     | <b>-1,907,098</b>           | <b>2,280,948</b>          | <b>4,159,182</b> | <b>\$29.06</b>                         | <b>\$31.68</b>                     |

\*Rental rates reflect full service asking

## KEY LEASE TRANSACTIONS Q2 2021

| PROPERTY                                    | SUBMARKET         | TENANT                         | RSF    | TYPE      |
|---|-------------------|--------------------------------|--------|-----------|
| Ponce City Market, 675 Ponce De Leon Ave NE | Midtown           | FanDuel                        | 66,971 | New       |
| South Terraces, 115 Perimeter Center Place  | Central Perimeter | Centene Management Company LLC | 51,652 | New       |
| Coda, 756 W Peachtree St                    | Midtown           | Autodesk                       | 41,329 | Expansion |
| The Pinnacle, 3455 Peachtree Rd.            | Buckhead          | Newmark & Company              | 36,819 | New       |
| The Summit, 5550 Peachtree Parkway          | Peachtree Corners | Soliant Health                 | 36,000 | Sublease  |

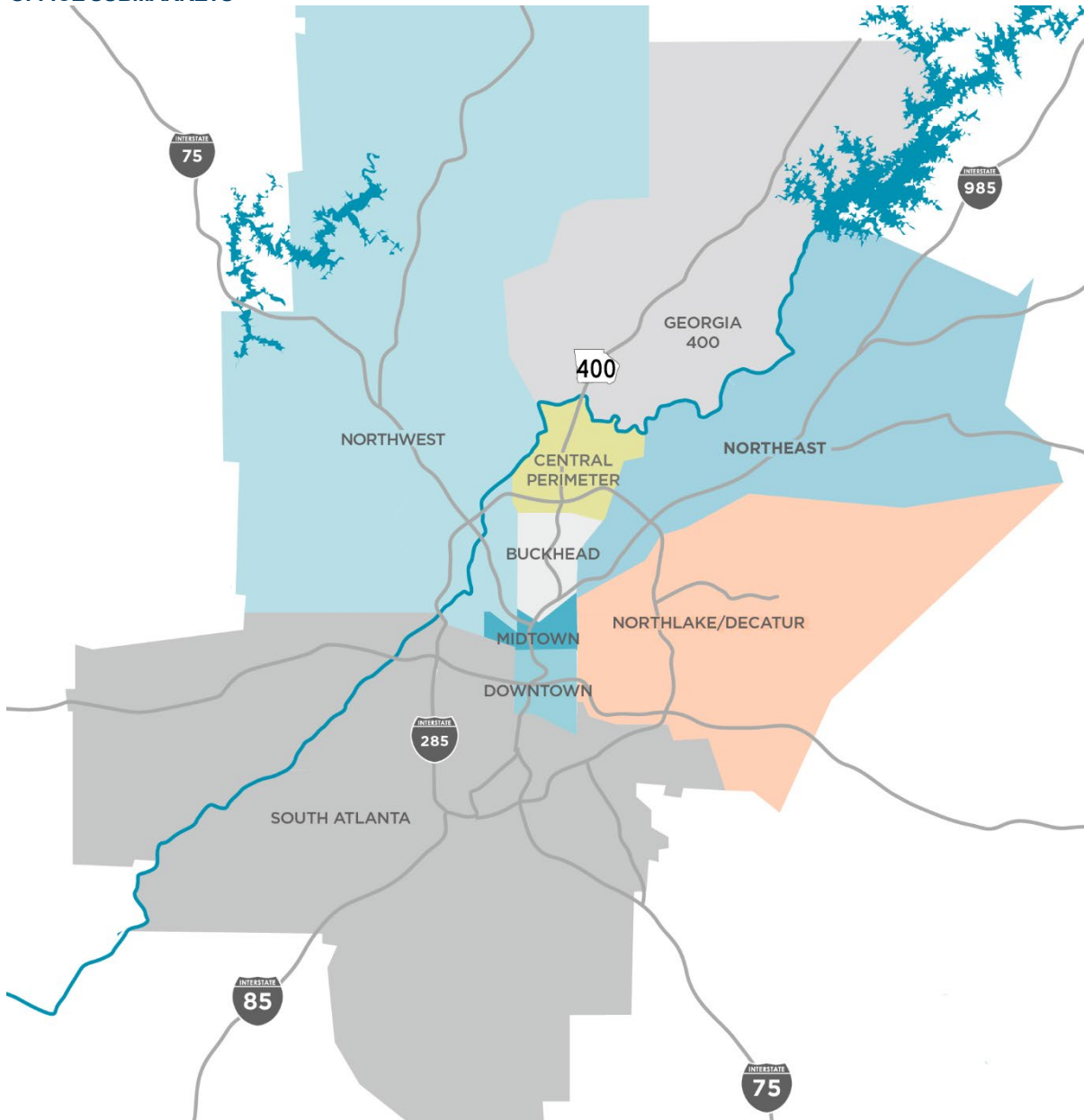
## KEY SALES TRANSACTIONS Q2 2021

| PROPERTY  | SUBMARKET                     | SELLER   BUYER   | SF        | PRICE   \$ PSF  |
|---|-------------------------------|--|-----------|-----------------|
| 740 W Peachtree Street NW                             | Midtown                       | Portman Holdings   Blackstone                          | 345,000   | \$248M   \$719  |
| Twelve24, 1224 Hammond Drive                          | Central Perimeter             | Trammell Crow   Office Properties Income Trust         | 345,917   | \$195M   \$564  |
| Piedmont Center 5-8                                   | Buckhead                      | Granite Properties   The Ardent Companies              | 516,256   | \$106M   \$205  |
| Portfolio: One Ravinia, Two Ravinia, One Overton Park | Central Perimeter   Northwest | Franklin Street Properties   CP Group/Farallon Capital | 1,216,000 | \$219.5   \$181 |

## KEY CONSTRUCTION COMPLETIONS Q2 2021

| PROPERTY                                   | SUBMARKET         | MAJOR TENANT                       | SF      | OWNER / DEVELOPER               |
|--|-------------------|------------------------------------|---------|---------------------------------|
| State Farm at Park Center, Phase III       | Central Perimeter | State Farm                         | 429,200 | Atlanta Office Investment       |
| The Battery, 3 Ballpark Ave                | Northwest         | ThyssenKrupp Elevator, Papa John's | 332,486 | Braves Development Co.          |
| 712 W Peachtree                            | Midtown           | Anthem                             | 310,000 | Portman Holdings                |
| Star Metals Offices, 1055 Howell Mill Road | Midtown           | Signature by Regus                 | 230,000 | The Allen Morris Co./Greenstone |
| The Interlock, 1115 Howell Mill Road       | Midtown           | Georgia Tech VentureLab, WeWork    | 201,000 | SJ Collins Enterprises          |

OFFICE SUBMARKETS



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