

MARKETBEAT ATLANTA



Office Q4 2021

	YoY Chg	12-Mo. Forecast
22.9% Vacancy Rate	▲	▼
-1.6M Net Abs. YTD, SF	▲	▲
\$29.54 Asking Rent, PSF	▲	▬

(Overall, All Property Classes)

ECONOMIC INDICATORS Q4 2021

	YoY Chg	12-Mo. Forecast
2.8M Atlanta Employment	▲	▲
2.9% Atlanta Unemployment Rate	▼	▬
4.2% U.S. Unemployment Rate	▼	▼

Source: BLS

ECONOMY: Employment Continues to Strengthen

Metro Atlanta's unemployment rate remains well below the U.S. average at 2.9%, a 300-basis-point (bps) improvement year-over-year (YOY). Impressively, the unemployment rate continued to plummet even amidst an increase in the labor participation rate and is expected to hold steady over the next 12 months. With more than 930,000 people in the region currently holding office jobs, the employment total has returned to pre-pandemic levels. A plethora of recent announcements from firms selecting Atlanta for HQ and hub placements bolstered the economic jobs forecast, with office-using jobs in the region expected to grow 2.5% over the coming year.

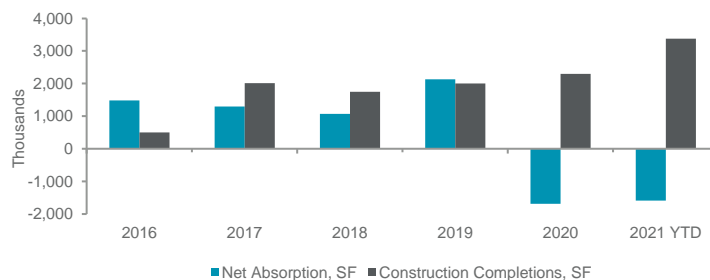
DEMAND: Healthy Performance Across Submarkets

Demand was robust during Q4 as Atlanta recorded more than 2.5 million square feet (msf) of new leasing activity, the highest leasing total in nine quarters, which bolstered the yearly total of new leases signed to nearly 7.4 msf. Though it falls short of the five-year leasing average, this represents a 5.1% increase over 2020's year-end total. Fourth quarter leasing activity comprised a disproportionate 34.1% of the Metro's annual total, as six new deals 100,000 sf or larger were inked, compared with just two signed throughout the first three quarters. Demand was primarily concentrated in suburban submarkets, which accounted for 62.3% of new quarterly leasing activity. Central Perimeter posted the highest quarterly total with nearly 835,000 sf of new leases signed, driven primarily by Carvana's sublease of a full building at State Farm's campus on Perimeter Center Parkway in what was also the market's largest transaction of the year. Six of Atlanta's nine major submarkets recorded more than 500,000 sf of leasing activity during 2021, with three submarkets – Central Perimeter, Midtown, and Northwest – each exceeding 1 msf of transactions inked, pointing toward a post-pandemic rebound in tenant demand.

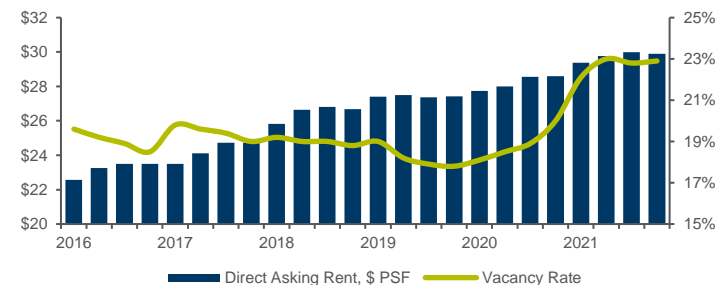
RENTAL RATES: A New Historical High

The direct average asking rent continued its upward climb, jumping to \$29.90 per square foot (psf), a 4.6% YOY uptick and a new historical high for Metro Atlanta. The most pronounced annual rent growth occurred in Midtown where the direct average asking rate rose 6.9% YOY to \$38.76 psf, as speculative space in newly constructed assets and highly-amenitized second generation space command a premium over the rest of the market. Both the CBD and suburban submarkets experienced substantial rent growth over the past two years, particularly for premium product, with Class A rents increasing 7.1% in the CBD and 5.7% in the suburbs.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & DIRECT ASKING RENT





SUPPLY: Quarterly Net Absorption in the Black

Metro Atlanta’s overall vacancy remained stable, climbing 10 bps quarter-over-quarter (QOQ) to 22.9%. Following a steep uptick in vacancy during 2020, vacancy increases were relatively modest throughout 2021, with overall vacancy ending the year just 80-basis points higher than where it began, far below the 190-bps increase seen during the same period last year. The region recorded nearly 48,000 sf of positive net absorption during Q4, marking the third consecutive quarter of net occupancy gains. During the fourth quarter alone, 26 users took occupancy of spaces 10,000 square feet (sf) or larger. The biggest driver of negative absorption was Norfolk Southern’s move-out of more than 155,000 sf in Midtown to occupy its new 750,000-sf build-to-suit facility in the same submarket, resulting in a net occupancy loss as its owner-occupied status excludes the building from C&W statistics. Nevertheless, Midtown ended the year with greater occupancy gains than any other submarket, recording nearly 204,000 sf of positive net absorption throughout 2021, followed by Northwest (138,000 sf) and Northeast (99,000 sf). In total, five of Atlanta’s nine major office submarkets posted yearly occupancy improvements.

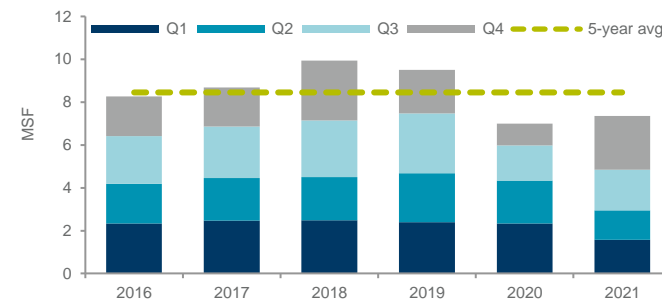
CONSTRUCTION: Continued Strong Performance

Atlanta recorded its highest annual total for construction completions in market history, with nearly 3.4 msf of new supply delivering during 2021. Occupiers’ preference for new, high-quality space continued, as 81% of the newly-delivered product has already been leased. Notable fourth quarter deliveries included a pair of 100,000-sf buildings: Colonial Pipeline’s build-to-suit facility in Georgia 400, and Buildings 400-500 at The Works in Midtown, which delivered 71% leased by MacDermid Graphic Solutions (45,000 sf) and The 3rd Spot (26,000 sf). Construction remains underway on nine projects totaling more than 2.6 msf, nearly all of which is concentrated in the urban core and being constructed on a speculative basis.

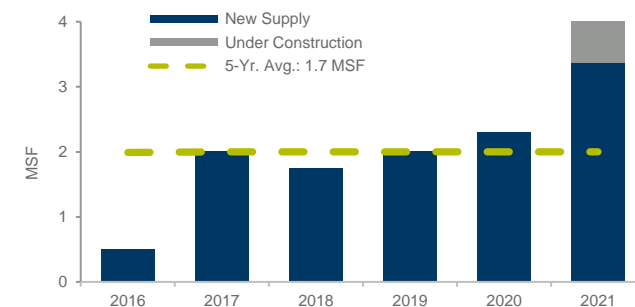
OUTLOOK

- While the emergence of COVID-19 variants have caused some companies to push back their return to office efforts, a steady stream of corporate relocation and expansion announcements bode well for the Metro’s future.
- Highly-amenitized and unique office spaces will become increasingly attractive to users in their efforts to lure employees back to the office.
- Healthy pre-leasing levels in under construction assets and multiple large leases signed during Q4 can be expected to drive the vacancy rate downward throughout 2022 as those users take occupancy.

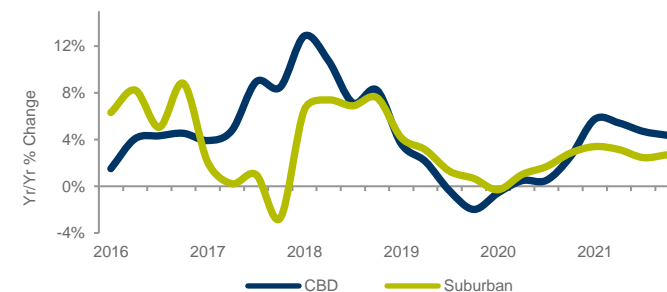
DEMAND: NEW LEASING ACTIVITY



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	15,516,733	3,696,671	196,327	25.1%	1,345	-512,359	393,937	140,452	\$27.57	\$28.31
Midtown	23,366,851	5,733,415	271,960	25.7%	-126,484	203,629	1,441,806	1,864,528	\$38.66	\$42.54
Buckhead	17,742,177	4,055,883	374,715	25.0%	47,706	-1,273,979	864,475	365,257	\$37.15	\$37.80
Central Perimeter	24,697,464	5,414,650	700,777	24.8%	102,626	-270,930	1,610,133	0	\$29.32	\$31.18
Georgia 400 Corridor	19,532,668	3,830,758	747,858	23.4%	20,936	47,975	979,191	250,997	\$26.42	\$27.86
Northwest Atlanta	24,386,548	4,463,015	431,665	20.1%	-15,522	137,886	1,188,310	0	\$27.67	\$29.98
Airport/South Atlanta	4,030,701	597,310	22,629	15.4%	6,583	61,935	59,755	0	\$20.01	\$20.96
Northlake/Decatur	4,363,108	1,196,131	49,404	28.6%	17,092	-83,718	115,500	0	\$23.17	\$25.08
Northeast	20,416,755	3,344,854	167,369	17.2%	-6,753	99,019	702,453	0	\$21.07	\$22.57
ATLANTA TOTALS	154,053,005	32,332,687	2,962,704	22.9%	47,529	-1,590,542	7,355,560	2,621,234	\$29.54	\$32.14

*Rental rates reflect full service asking

KEY LEASE TRANSACTIONS Q4 2021

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
State Farm at Park Center Phase I	Central Perimeter	Carvana	569,778	Sublease
Parkside at Lenox Park	Buckhead	AT&T	331,013	Renewal
Tower Square	Midtown	Center for Global Health Innovation	191,052	New Lease
Three Ravinia	Central Perimeter	Hapag-Lloyd	128,008	New Lease
Chastain Meadows Office Park	Northwest Atlanta	CarMax Auto Superstores, Inc.	110,225	Renewal/Expansion
Coda	Midtown	Cisco	109,567	New Lease

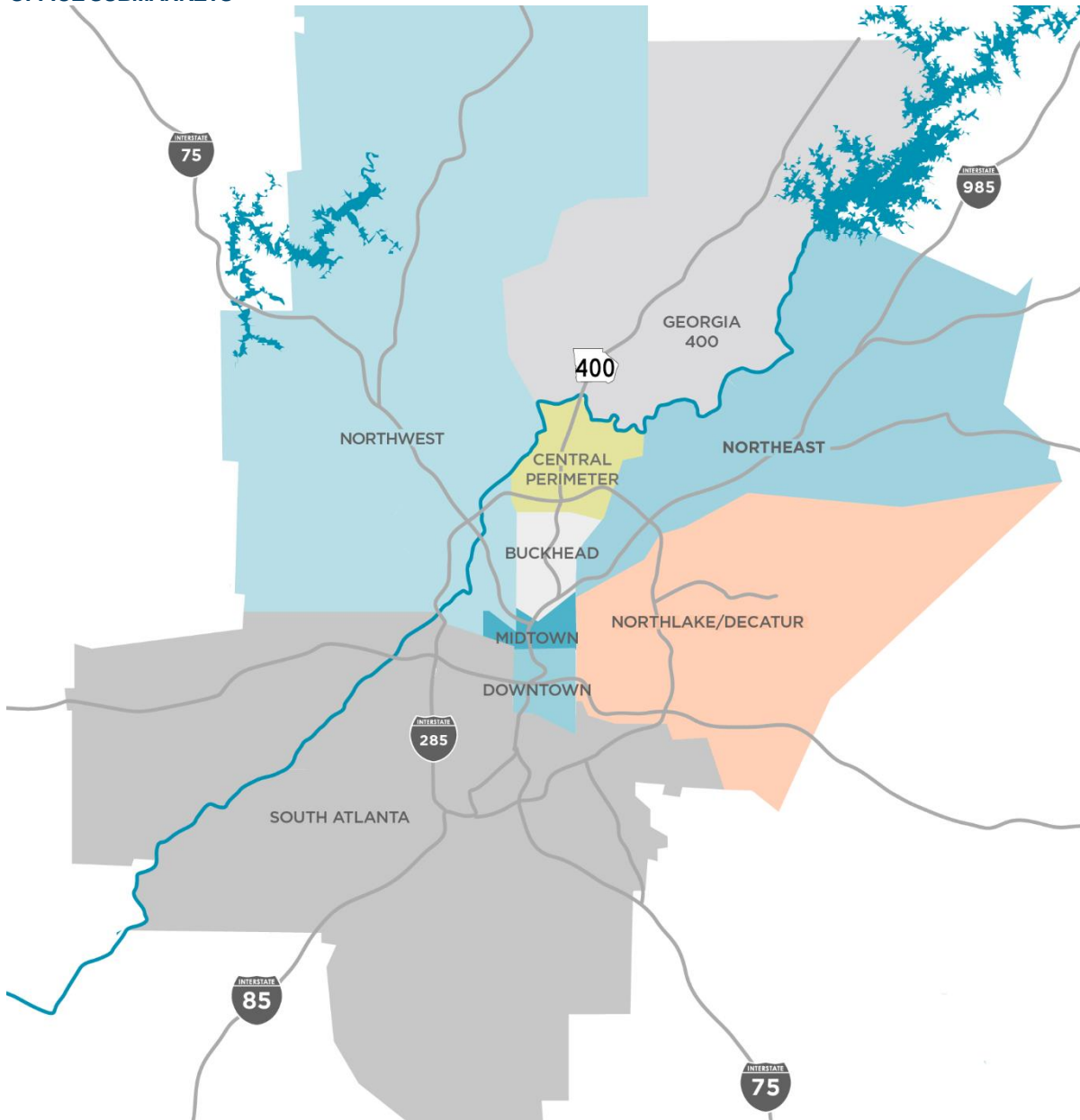
KEY SALES TRANSACTIONS Q4 2021

PROPERTY	SUBMARKET	SELLER BUYER	SF	PRICE \$ PSF
999 Peachtree Street	Midtown	Franklin Street Properties Corp. Piedmont Office Realty Trust	621,000	\$223.9M \$360
One West Court Square	Northlake/Decatur	Noro Management/Pope & Land Real Estate Asana Partners	159,825	\$45.1M \$282
Parkway at Avalon Portfolio	Georgia 400 Corridor	Velocis Admiral Capital Group	191,373	\$79.5M \$277
5405 Windward Parkway	Georgia 400 Corridor	Highwoods Properties Rubenstein Partners	246,000	\$48.0M \$195
Park at Windward Concourse	Georgia 400 Corridor	Icarus Alternative Investments Somerset Properties	201,603	\$37.5M \$185
Technology Park Portfolio	Northeast Atlanta	Banyan Street Capital Holder Properties/Edge Principal	197,833	\$36.0M \$182

KEY CONSTRUCTION COMPLETIONS Q4 2021

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER DEVELOPER
2350 Lakeview Parkway	Georgia 400 Corridor	Colonial Pipeline Company	100,000	TPA Group LLC
The Works – Bldgs. 400-500	Midtown	MacDermid Graphic Solutions, The 3 rd Spot	100,000	Selig Enterprises
Halcyon Building – Bldg. 1100	Georgia 400 Corridor	BBQGuys, Alimera Sciences	60,000	RocaPoint Partners

OFFICE SUBMARKETS



CHRISTA DILALO

Director, Southeast

Tel: +1 404 853 5231

christa.dilalo@cushwake.com

RILEY MCMULLAN

Associate Director

Tel: +1 404 853 5295

riley.walker@cushwake.com

SHAUNDI MCDANIEL

Analyst

Tel: +1 404 682 3464

shaundi.mcdaniel@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 or follow @CushWake on Twitter.

©2022 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.