

MARKETBEAT ATLANTA

Office Q2 2022



CUSHMAN &
WAKEFIELD

	YoY Chg	12-Mo. Forecast
22.3% Vacancy Rate	▼	▼
887,954 Net Abs. YTD, SF	▲	—
\$29.75 Asking Rent, PSF	▲	▲

(Overall, All Property Classes)

ECONOMIC INDICATORS Q2 2022

	YoY Chg	12-Mo. Forecast
3.0M Atlanta Employment	▲	▲
2.9% Atlanta Unemployment Rate	▼	▲
3.6% U.S. Unemployment Rate	▼	▼

Source: BLS

ECONOMY: Job Growth Strengthens

Metro Atlanta added 170,300 jobs year-over-year (YOY) in May, a robust 6.1% increase. The high-wage driven Information sector expanded at a region-wide best 9.6%, fueled by the proliferation of technology jobs in Midtown, while the Professional and Business Services sector boasted a 7.6% YOY jump. Despite ongoing economic vitality, headwinds such as high inflation, rising interest rates, and volatile markets threaten to impede economic growth. Nonetheless, Atlanta's economy has been shielded by its ability to attract a steady flow of corporate expansions across a diverse set of industries.

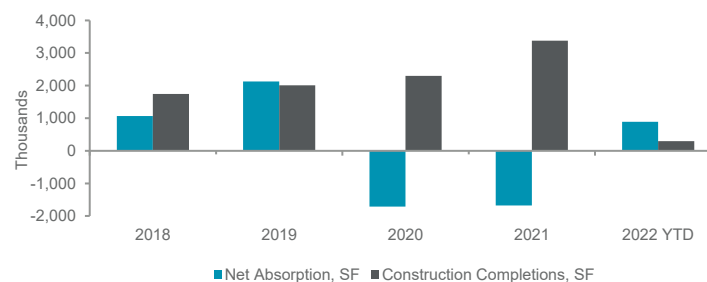
DEMAND: Suburban Submarkets Outperform CBD

Second quarter leasing activity totaled 2.1 million-square-foot (msf), bolstering Atlanta's mid-year leasing total to 4.1 msf, 36.4% higher than at the same point in 2021. New demand was primarily concentrated in suburban submarkets, which accounted for an enormous 73.6% of year-to-date (YTD) leasing activity across the Metro. Four submarkets have recorded more than 500,000 sf of leasing activity YTD, with Northwest leading the market at nearly 1.1 msf of new demand posted in 2022, a 37.1% increase over the next highest submarket. The suburbs were home to the market's five largest leases inked during Q2, three of which were executed in buildings that have not yet delivered in a testament to occupiers' continued flight to quality. Demand continued to be concentrated in small to mid-size availabilities, as the average deal size in Q2 was 12,444 sf. Nevertheless, 11 leases 50,000 sf or larger were inked across the Metro during Q2, up from just four recorded in Q1.

RENTAL RATES: Continued Growth Across Submarkets

The direct average asking rent in Metro Atlanta held steady quarter-over-quarter (QOQ), and at \$30.04 per square foot (psf) is 2.3% higher than at the same point one year ago. Annual rent growth was most pronounced in Northlake/Decatur as rents grew 3.9% during that time. Central Perimeter joined Midtown and Buckhead as the market's priciest and remained the only suburban submarket to exceed the \$30.00-psf mark. Asking rents for Class A space rose in tandem, climbing 2.4% YOY to \$32.76 psf. The gap between highly-amenitized Midtown and the rest of the market continued to widen, as Class A rents in the submarket now command an astounding 35.6% premium over the market average and 21.3% over the average CBD Class A asking rate. Much of this growth can be attributed to the high price commanded by new and innovative space options in West Midtown, though healthy leasing activity in the micro-market is likely to temper Midtown's explosive growth in coming quarters as that premium space is leased and comes off the market. Despite the growth in asking rents, an increase in tenant improvement costs over the past two years have caused a slight dip in net effective rents from pre-pandemic rates.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & DIRECT ASKING RENT





SUPPLY: National Leader in Absorption Gains

After remaining relatively steady for the past four quarters, Metro Atlanta's overall vacancy rate dropped 60 basis points (bps) QOQ to 22.3%, its lowest point since Q1 2021. Though still higher than the market average, the CBD recorded an even steeper decrease as vacancy plunged 120 bps during the same period to 23.8%. At the submarket level, occupancy improvements were most pronounced in Central Perimeter, down 100 bps QOQ, and in Midtown, where vacancy plummeted 300 bps YOY. Six of Metro Atlanta's nine major submarkets recorded a YOY drop in vacancy, and Airport/South Atlanta (16.6%) and Northeast Atlanta (17.2%) continued their reign as the market's tightest.

Occupancy gains were robust as nearly 788,000 sf of positive net absorption was recorded across Metro Atlanta, the third highest quarterly total in the nation. While primarily driven by Midtown's 497,000 sf of positive absorption, 29 users took occupancy of spaces 10,000 sf or larger across the Metro, 17 of which were situated in suburban submarkets. Midtown was home to the quarter's largest move-in as Google took occupancy of the remaining balance of its space at 1105 W Peachtree. Three submarkets – Midtown (674,000 sf), Central Perimeter (143,895 sf), and Georgia 400 (138,692) – have recorded more than 100,000 sf of net absorption gains YTD.

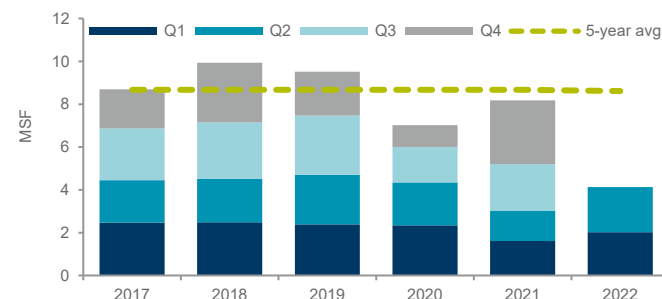
CONSTRUCTION: Office Development on the Rise in CBD

Metro Atlanta's office pipeline remains healthy with nearly 3.9 msf of new space underway across 21 buildings, all of which are being built on a speculative basis. More than 2.1 msf of new office space is slated to be delivered throughout the remainder of 2022, 39.1% of which has been pre-leased. Several groundbreakings occurred in the urban core during Q2: Spring Quarter (Portman Holdings – 520,000 sf), the Ponce City Market expansion (Jamestown – 113,000 sf), the final phase of Stockyards Atlanta at 926 Brady (Clarion Partners – 36,817 sf), and the Gravel Lot Building at Krog Street Market (Asana Partners – 33,318 sf). Meanwhile, construction continued on projects including Westside Paper, Midtown Union, and One Phipps Plaza. Substantial renovations remain underway at Campus 244 in Central Perimeter and Promenade Central in Midtown, which are 78.0% and 42.9% preleased, respectively.

OUTLOOK

- The extensive construction pipeline will provide prospective Atlanta tenants with ample opportunity to relocate into premier office spaces that will entice the workforce with desirable locations and amenities.
- While leasing activity is expected to remain strong among newly constructed or heavily renovated product, the disparity between this new supply and vintage properties will continue to widen.
- Despite national headwinds, Atlanta's office market is expected to improve in the coming months, with healthy leasing activity driving the vacancy rate downward throughout the second half of 2022 and into 2023 as these users take occupancy.

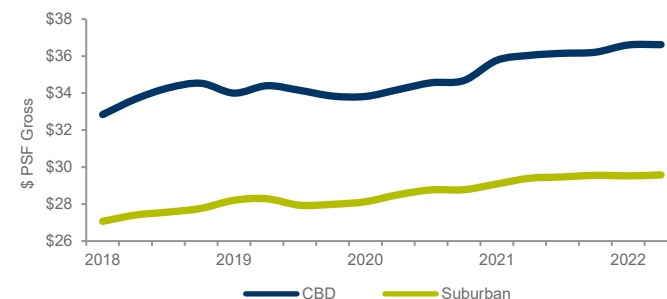
DEMAND: NEW LEASING ACTIVITY



SUPPLY: CONSTRUCTION DELIVERIES



ASKING RENTS: CLASS A AVERAGE RATES





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	15,536,733	3,768,299	175,218	25.4%	-54,519	-41,187	110,975	288,770	\$26.85	\$28.32
Midtown	22,981,262	4,687,569	249,925	21.5%	496,972	674,231	591,689	2,720,618	\$39.46	\$44.08
Buckhead	17,742,177	4,147,359	356,055	25.4%	-68,092	-72,019	386,151	530,257	\$37.15	\$37.80
Central Perimeter	24,737,522	5,411,089	454,409	23.7%	234,519	143,895	766,120	115,478	\$30.04	\$31.67
Georgia 400 Corridor	19,463,377	3,827,960	610,051	22.8%	-17,158	138,692	704,132	23,530	\$26.75	\$27.95
Northwest Atlanta	24,412,833	4,378,966	525,769	20.1%	48,880	-4,924	1,050,446	79,990	\$27.55	\$29.59
Airport/South Atlanta	4,122,006	674,575	9,792	16.6%	-23,315	-30,299	38,208	57,521	\$20.29	\$22.79
Northlake/Decatur	4,637,108	1,473,294	49,304	32.8%	-11,700	-11,049	64,237	0	\$23.96	\$27.11
Northeast	20,554,949	3,395,685	146,620	17.2%	120,624	90,614	418,034	35,500	\$21.06	\$22.76
ATLANTA TOTALS	154,187,967	31,764,796	2,577,143	22.3%	787,997	887,954	4,129,992	3,851,664	\$29.75	\$32.37

*Rental rates reflect full service asking

KEY LEASE TRANSACTIONS Q2 2022

PROPERTY	SUBMARKET	TENANT	RSF	LEASE TYPE
Windy Ridge Parkway SE	Northwest/Cumberland/Galleria	Truist Bank	250,000	Build-To-Suit
Campus 244	Central Perimeter	Transportation Insight	174,437	New Lease
Campus 244	Central Perimeter	Insight Global, LLC	133,796	New Lease
Regions Plaza	Midtown	Regions Bank	100,900	Renewal
5995 Windward Parkway	Georgia 400 Corridor	ADP	80,793	New Lease
Meridian Mark Plaza	Central Perimeter	Northside Hospital Inc.	54,585	Renewal

*Renewals not included in leasing activity total

KEY SALES TRANSACTIONS Q2 2022

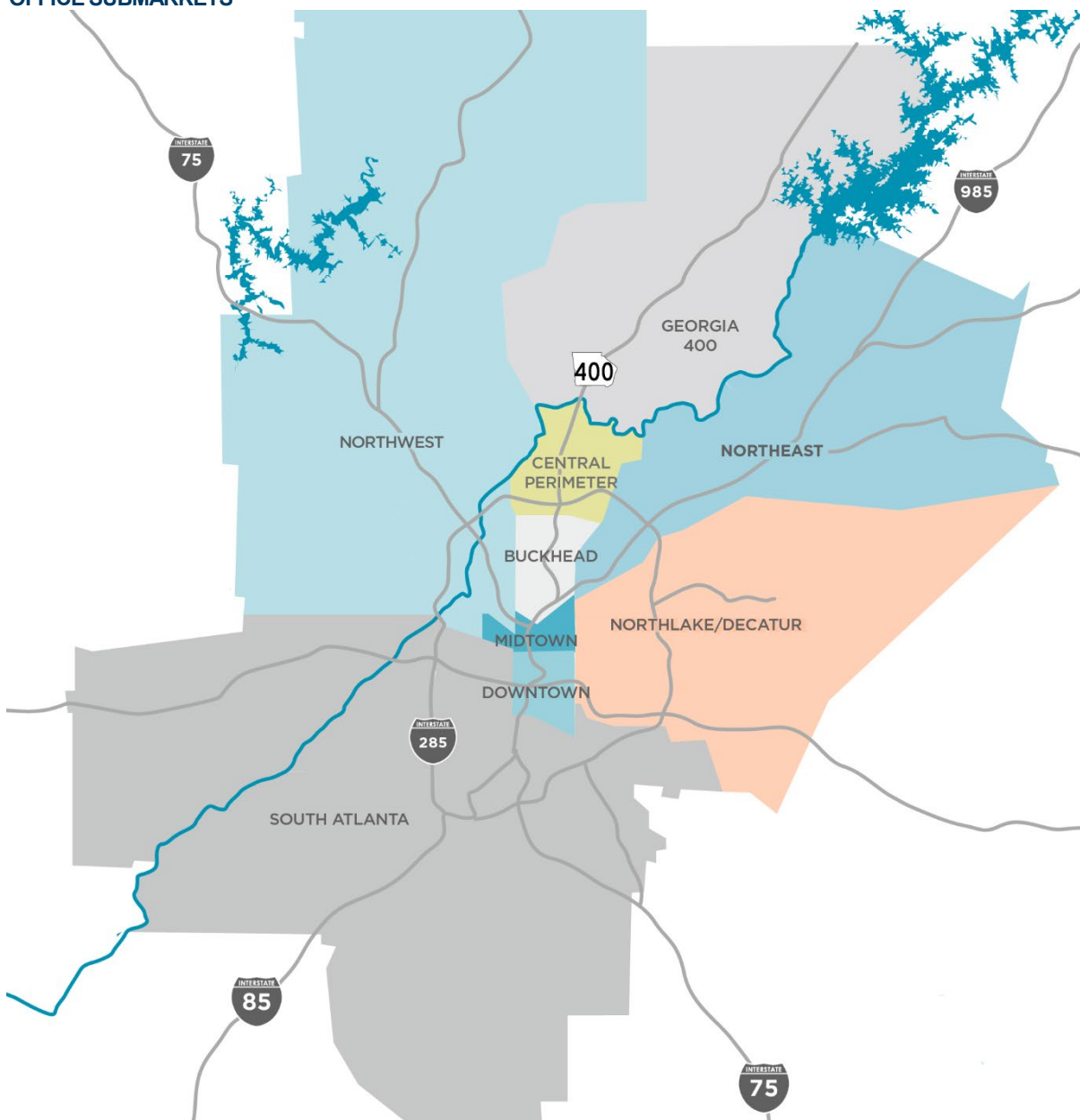
PROPERTY	SUBMARKET	SELLER BUYER	SF	PRICE \$ PSF
The Pinnacle	Buckhead	The Brookdale Group STRS Ohio CA Real Estate	430,124	Undisclosed
1025 Lenox Park	Buckhead	Bridge Investment Group The Simpson Organization	331,013	\$148.5M \$449
Ashwood 900	Central Perimeter	Starwood Capital Velocis	207,297	\$34.5M \$166
3600 Mansell Road	Georgia 400 Corridor	Ravinia Capital Group The Simpson Organization	126,140	\$19.7M \$156

KEY PROJECTS UNDER CONSTRUCTION

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER DEVELOPER
Midtown Union	Midtown	Invesco	588,000	MetLife Granite Properties
Spring Quarter	Midtown	N/A	520,000	Portman Holdings
Fourth Ward Project	Midtown	Mailchimp	475,000	New City



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