

MARKETBEAT ATLANTA

Office Q2 2024



YoY Chg 12-Mo. Forecast

25.0%

Vacancy Rate



-1.1 MSF

Net Absorption YTD, SF



\$31.88

Asking Rent, PSF



(Overall, All Property Classes)

ECONOMIC INDICATORS Q2 2024

YoY Chg 12-Mo. Forecast

3.1M

Atlanta Employment



3.1%

Atlanta Unemployment Rate



4.1%

U.S. Unemployment Rate



Source: BLS

ECONOMIC OVERVIEW: Hiring Remained Resilient Despite Economic Challenges

Metro Atlanta's economy remained healthy despite downshifting to a historically normal pace of growth. Total nonfarm employment increased by 1.1% year-over-year in May as local employers added 34,600 jobs. Gains were powered by a 4.4% uptick in government sector hiring, as well as increases of 3.6% in education and health services and 2.9% in financial activities. Continued job growth in wake of heightened interest rates underscores Atlanta's appeal to expanding companies seeking to take advantage of the metro's favorable taxes and extensive higher education network. The metro's economic strengths helped it secure the number one ranking on WalletHub's list of the best places to start a career, with the study citing Atlanta's robust household income growth and large pool of educated young professionals.

DEMAND: Leasing Accelerated Despite Fewer Deals

New office leasing increased by 43.9% quarter-over-quarter (QOQ) to 1.8 million square feet (msf) in Q2. The strong performance was largely driven by five significant lease transactions in Midtown, Buckhead, and Central Perimeter. Midtown's major deals—Atlanta Gas Light's 264,300-sf lease at Midtown Center II and Piedmont Healthcare's 164,221-sf lease at 271 17th Street—propelled Midtown's new leasing volume to 584,578 sf, a 197.8% increase QOQ, and the largest total in the metro. Both tenants will relocate from within the market after extended search periods. Neighboring Buckhead also registered leasing growth, powered by AT&T's move back to two spaces it had previously occupied at Lenox Park for a total of 205,761 sf. Overall, tenants committed to 371,817 sf of space in the submarket, up 91.8% from the previous quarter. Together, Buckhead and Midtown spurred 956,395 sf of new lease transactions in the urban core during Q2, eclipsing the suburban total of 855,362 sf. However, the count of CBD leases moderated to 44—compared to 83 in suburban Atlanta—as demand in the CBD was fueled by the four large transactions in Midtown and Buckhead.

New leasing in suburban Atlanta fell short of the prior quarter's total as office demand moderated in the Northeast and GA 400 submarkets. However, Northwest remained a bright spot for the non-CBD as the submarket recorded 261,266 sf of new leasing in Q2, up 33.4% QOQ. Quarterly leasing was even more pronounced in Central Perimeter, where transactions rose by 246.7% to 394,866 sf, buoyed by the 180,173-sf Newell Brands lease at Concourse Corporate Center Five. This marked the largest direct, new lease in the submarket since 2018.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & DIRECT ASKING RENT





SUPPLY: Net Absorption Weakened Despite Occupancy Growth in Most Submarkets

The overall vacancy rate increased by 30 basis points (bps) quarter-over-quarter to 25.0%. The percentage of vacant space in Midtown reached a new high of 31.7% as the area continued to gain new speculative deliveries with limited preleasing. Central Perimeter also eclipsed 30.0%. The submarket's large stock of aging buildings remained a catalyst for new sublease space, putting upward pressure on vacancy. However, quarterly vacancy increases were relegated to Central Perimeter and Midtown as every other submarket in the Atlanta Metro recorded either flat or declining vacancy compared to the prior quarter.

Similarly, Atlanta's 119,833-sf decline in net absorption during Q2 was not pervasive as occupancy loss was almost entirely concentrated in Midtown (-412,733 sf), where AT&T moved out of 282,009 sf at Midtown Center II and 225,850 sf at Tech Corner. However, every submarket outside of Midtown and Buckhead (-129 sf) registered net occupancy gains for the quarter, including Northeast Atlanta (+92,866 sf), GA 400 (+76,481 sf), and Central Perimeter (+53,479 sf). Occupiers' preference for new premier product was evident as net absorption in buildings built or renovated since 2010 totaled 327,407 sf. Four of the five largest move-ins of the quarter were in product built or renovated since 2020 with the largest being the 171,012-sf Transportation Insight occupancy at Campus 244 in Central Perimeter.

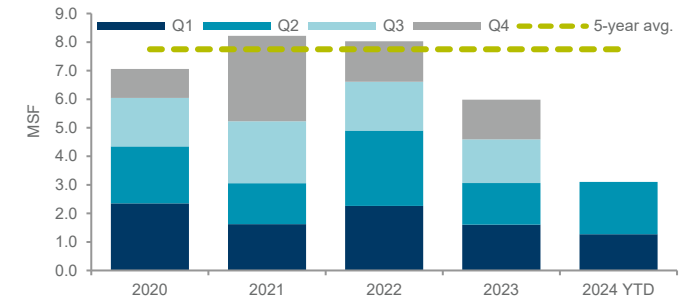
RENTAL RATES: Rent Growth Continued to Stabilize

Direct rental rates in the Atlanta Metro remained stable, increasing by 0.5% QOQ to \$32.30 per square foot (psf). Rate growth was most pronounced in Midtown, where new trophy product propelled the average rent up 1.8% to \$43.52 psf. Three buildings totaling 362,910 sf reached buildout in the submarket during Q2, all with asking rates exceeding \$52.00 psf. Central Perimeter direct rents edged up 0.5% to \$30.74 psf as three new or renovated buildings were added with rates well above the submarket average. Minimal rental growth was also recorded in Buckhead (+0.4%), GA 400 (+0.3%) and Northwest (+0.1%) as landlords remained reluctant to reduce rents, instead leaning heavily on concessions to induce tenant commitments.

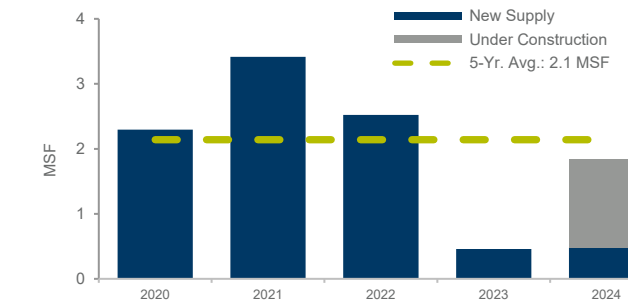
OUTLOOK

- Despite elevated interest rates and inflationary pressures, economic stability is expected to continue in the Atlanta market this year as hiring growth persists in prominent office-using sectors.
- The office construction pipeline is poised to moderate further in the coming quarters as developers exercise caution amid heightened office vacancy and a challenging financing market. However, strong occupier demand for new premier product bodes well for absorption within recent speculative deliveries.
- With an increasing number of companies announcing return-to-office mandates, office leasing is expected to remain stable during the second half of 2024.

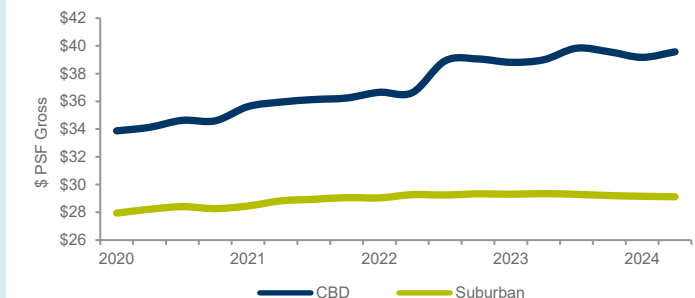
DEMAND: NEW LEASING ACTIVITY



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 CONSTRUCTION (SF)	OVERALL AVG ASKING RENT (ALL CLASSES)*	OVERALL AVG ASKING RENT (CLASS A)*
Downtown	16,756,362	4,722,846	98,330	28.8%	2,870	-780,768	66,318	0	\$29.06	\$29.70
Midtown	24,944,560	7,288,293	621,889	31.7%	-412,733	-329,372	780,877	1,017,560	\$43.73	\$48.65
Buckhead	18,235,862	4,857,589	252,208	28.0%	-129	25,019	565,687	0	\$38.59	\$39.30
Central Perimeter	25,093,368	5,976,653	1,656,922	30.4%	53,479	-68,640	508,758	0	\$29.37	\$30.72
Georgia 400 Corridor	20,009,230	4,140,193	538,751	23.4%	76,481	-61,991	321,829	98,249	\$27.41	\$28.04
Northwest Atlanta	24,337,041	4,061,184	654,286	19.4%	51,052	16,073	457,176	250,000	\$27.33	\$29.51
Airport/South Atlanta	4,244,942	497,743	1,952	11.8%	7,050	1,296	26,599	0	\$22.11	\$22.10
Northlake/Decatur	4,666,401	1,254,318	20,711	27.3%	9,231	-3,331	53,154	0	\$23.54	\$26.50
Northeast	20,188,741	2,799,231	141,860	14.6%	92,866	72,381	320,121	0	\$21.54	\$23.63
ATLANTA TOTALS	158,476,507	35,598,050	3,986,909	25.0%	-119,833	-1,129,333	3,100,519	1,365,809	\$31.88	\$34.40

*Rental rates reflect full service asking

NEW KEY LEASE TRANSACTIONS Q2 2024

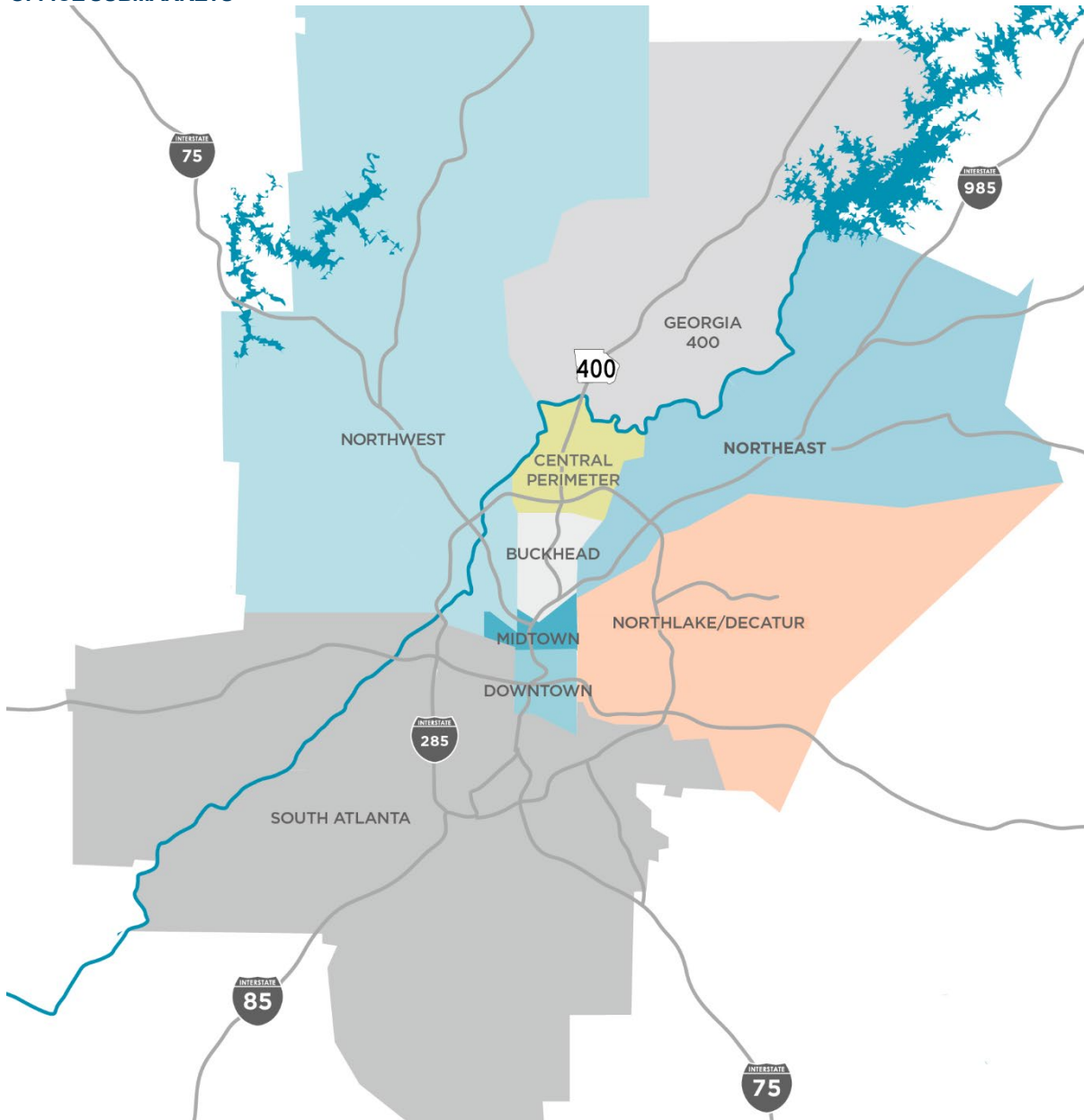
PROPERTY	SUBMARKET	TENANT	SF	LEASE TYPE
Atlanta Gas Light	Midtown	Atlanta Gas Light	264,300	New Lease
Newell Brands	Central Perimeter	Newell Brands	180,173	New Lease
Piedmont Healthcare	Midtown	Piedmont Healthcare	164,221	New Lease
AT&T	Buckhead	AT&T	103,229	New Lease
AT&T	Buckhead	AT&T	102,532	New Lease
GSA	Northwest	GSA	94,963	New Lease
Aon Service Corporation	Central Perimeter	Aon Service Corporation	50,243	Sublease

KEY PROJECTS UNDER CONSTRUCTION

PROPERTY	SUBMARKET	OFFICE SF	QUOTED ASKING RENT	OWNER DEVELOPER
1020 Spring	Midtown	520,000	\$50.00 - \$51.00 Net	Portman Holdings, LLC
900 SE Battery Ave	Northwest	250,000	N/A	Braves Development Company
1050 Brickworks	Midtown	210,491	\$58.00-\$59.00 Gross	Asana Partners/Sterling Bay
1072 West Peachtree Street	Midtown	200,000	\$57.50 Gross	Rockefeller Group
Southern Post	GA 400	98,294	\$37.00 Net	Armada Hoffer
Society Atlanta	Midtown	87,069	\$55.00-\$57.00 Gross	PMG



OFFICE SUBMARKETS



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