



# Atlanta Office Market

## Fundamentals Continued to Soften but Growth Expected Later in the Year

The COVID-19 pandemic continued to impact the office leasing market in Atlanta during the first quarter of 2021. Additional sublease space was added to the market as companies look at opportunities to save money. Several corporate consolidations and downsizings continued, headlined by AT&T's final move out of 930,000 square feet near the Lindbergh MARTA station as it completes its regional consolidation into Lenox Park in Buckhead.

Despite the negative metrics, market sentiment remains bullish for a speedy recovery once the vaccine is received by more adults and companies return to the office. Tour activity began to pick up in earnest toward the end of the quarter, especially as national announcements from Microsoft and Amazon committed to strong in-office commitments. Average asking rates have remained steady over the past year.

### Negative Absorption and Rising Vacancy

The region's vacancy rate jumped 190 basis points from last quarter to 21.1%, up 360 basis points from one year ago. This was a direct result of the 2.4 million square feet of space returned to the market. This was due to the previously mentioned

### Current Conditions

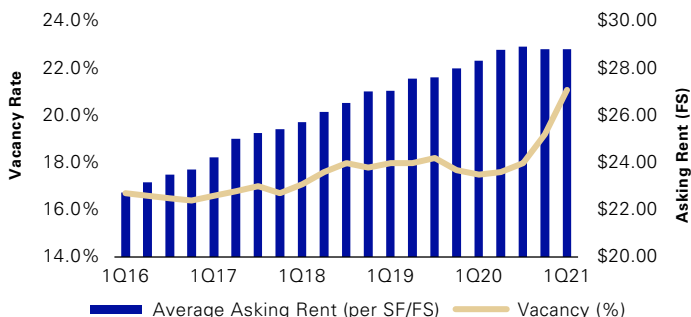
- Despite the negative metrics, market sentiment remains bullish for a speedy recovery once the vaccine is received by more adults and companies return to the office.
- The two Midtown towers at Atlantic Yards, combining for 523,000 square feet, were completed this quarter and will be occupied by Microsoft later this summer.
- One-third of the space under construction is in the Midtown submarket, while another quarter of the space is in the Northside Drive/I-75 submarket.

### Market Summary

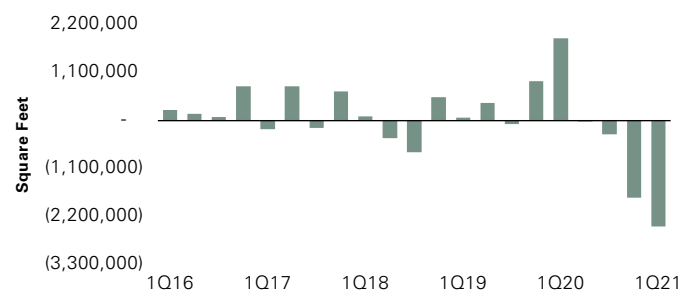
	Current Quarter	Prior Quarter	Year Ago Period	12-Month Forecast
Total Inventory (SF)	152.7 M	152.2 M	151.6 M	↑
Vacancy Rate	21.1%	19.2%	17.5%	→
Quarterly Net Absorption (SF)	-2.4 M	-1.8 M	1.9 M	↑
Average Asking Rent/SF (FS)	\$28.83	\$28.83	\$28.33	↓
Under Construction (SF)	5.8 M	5.5 M	4.5 M	↑

### Market Analysis

#### ASKING RENT AND VACANCY RATE



#### NET ABSORPTION



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AT&T consolidation, State Farm vacated 150,000 square feet in Central Perimeter, BB&T moved out of 87,000 square feet in Midtown and WeWork closed its 100,000-square-foot location in Downtown.

### Half a Million Square Feet Completed

Four buildings totaling 587,000 square feet were completed during first-quarter 2021. The two Midtown towers at Atlantic Yards, combining for 523,000 square feet, will be occupied by Microsoft later this summer. The other two properties, 190 Ottley Drive and 695 North Avenue Northeast, were industrial conversions of 30,000-square-foot buildings that are 100% available for lease.

### Construction Pipeline Over 5.0 Million Square Feet

With 5.8 million square feet under construction, the Atlanta market will be poised to add 3.7% to the region's inventory over the next 21 months. More than half of the pipeline is preleased, a good sign for the strength of the market.

One-third of the space under construction is in the Midtown submarket, while another 20.0% of the space is in the Northside Drive/I-75 submarket. There is 670,000 square feet under

construction in Downtown, the largest of which is 760 Ralph McGill Boulevard Northeast. This 475,000-square-foot building is 63.2% pre-leased by MailChimp and will be completed in the second half of 2022.

### Future Outlook

As the COVID-19 vaccine becomes more widespread, many companies are making plans for employees to return to the office on a full-time basis. While many will be incorporating a hybrid model of office occupancy, most firms still believe the office environment is the nexus for strong corporate culture. Office occupancy is forecasted to increase as the year progresses, along with an increase in leasing velocity that had fallen due to the pandemic.

Growth is expected over the next year as Microsoft, Google, Deluxe Corporation and ServiceMaster move into new Atlanta offices. These will occur in Midtown and Central Perimeter, putting downward pressure on the vacancy rate as they account for almost 900,000 square feet of new growth combined.

### Select Lease Transactions

Tenant	Submarket	Building	Type	Square Feet
Global Payments	North Fulton/Forsyth	5995 Windward Parkway	New	200,000
Centene Management Company	Cumberland/Galleria	1100 Circle 75 Parkway	Renewal	94,221
Universal Tax Systems	Marietta/Kennesaw	225 Chastain Meadows Court	Renewal	87,566
ServiceMaster	Central Perimeter	1 Glenlake Parkway NE	Sublease	53,440
Technicolor	Norcross/Peachtree Corners	4855 Peachtree Industrial Boulevard	New	53,188

### Select Sale Transactions

Property	Submarket	Sale Price	Square Feet	Price/SF
Stonebridge I, II & III	North Fulton/Forsyth	\$134,800,000	459,062	\$294
5555 Windward Parkway	North Fulton/Forsyth	\$56,000,000	506,411	\$111
11680 Great Oak Way	North Fulton/Forsyth	\$19,300,000	160,000	\$121
1000 Hurricane Shoals	I-85 Outside I-285/Gwinnett	\$9,300,000	97,901	\$95
4151 Memorial Dr	Decatur	\$4,300,000	61,626	\$70

Submarket Statistics								
	Total Inventory (SF)	Under Construction (SF)	Total Vacancy Rate	Qtr Absorption (SF)	YTD Absorption (SF)	Class A Asking Rent (Price/SF)	Class B Asking Rent (Price/SF)	Overall Asking Rent (Price/SF)
<b>CBD Total</b>	<b>36,778,817</b>	<b>2,725,350</b>	<b>21.0 %</b>	<b>-428,952</b>	<b>-428,952</b>	<b>\$33.79</b>	<b>\$31.46</b>	<b>\$33.09</b>
Downtown	15,557,386	671,360	21.0 %	-196,901	-196,901	\$28.48	\$27.46	\$28.34
Midtown	21,221,431	2,053,990	21.0 %	-232,051	-232,051	\$39.61	\$32.73	\$36.92
<b>Suburban Total</b>	<b>115,927,782</b>	<b>3,082,981</b>	<b>21.1 %</b>	<b>-1,992,919</b>	<b>-1,992,919</b>	<b>\$30.63</b>	<b>\$22.41</b>	<b>\$27.51</b>
Airport/South Atlanta	4,380,784	-	22.4 %	-28,729	-28,729	\$23.87	\$24.87	\$24.06
Buckhead	17,512,098	398,000	22.5 %	-1,001,417	-1,001,417	\$38.26	\$27.98	\$37.02
Central Perimeter	23,760,157	429,200	21.6 %	-447,528	-447,528	\$30.70	\$23.67	\$29.31
Cumberland/Galleria	21,026,395	335,561	20.3 %	-275,340	-275,340	\$29.16	\$22.30	\$26.83
Decatur	1,463,708	-	6.7 %	3,709	3,709	\$27.97	\$25.73	\$26.77
East Cobb	408,469	-	7.7 %	6,550	6,550	-	\$19.54	\$19.54
I-20 East/Conyers	636,153	-	6.7 %	1,428	1,428	\$22.50	\$19.47	\$19.96
I-20 West/Douglasville	388,637	-	1.8 %	-4,203	-4,203	-	\$18.00	\$18.00
Marietta/Kennesaw	2,888,029	-	22.1 %	-68,292	-68,292	\$29.02	\$23.27	\$26.14
NE I-85 Inside I-285	6,151,486	-	13.8 %	-20,693	-20,693	\$27.27	\$22.95	\$23.34
NE I-85 Outside I-285/ Gwinnett	7,241,310	-	25.3 %	-25,319	-25,319	\$22.10	\$20.98	\$21.47
Norcross/Peachtree Corners	6,039,268	-	24.1 %	-40,845	-40,845	\$21.44	\$18.49	\$19.86
North Fulton/Forsyth	19,178,786	234,031	20.3 %	-108,918	-108,918	\$27.30	\$20.71	\$25.05
Northlake/Stone Mountain	3,097,517	530,000	30.9 %	-6,482	-6,482	\$23.50	\$21.46	\$21.66
Northside Drive/I-75	1,754,985	1,156,189	18.6 %	23,160	23,160	\$37.19	\$33.24	\$33.72
<b>Atlanta Total</b>	<b>152,706,599</b>	<b>5,808,331</b>	<b>21.1 %</b>	<b>-2,421,871</b>	<b>-2,421,871</b>	<b>\$31.45</b>	<b>\$24.13</b>	<b>\$28.83</b>

### Economic Conditions

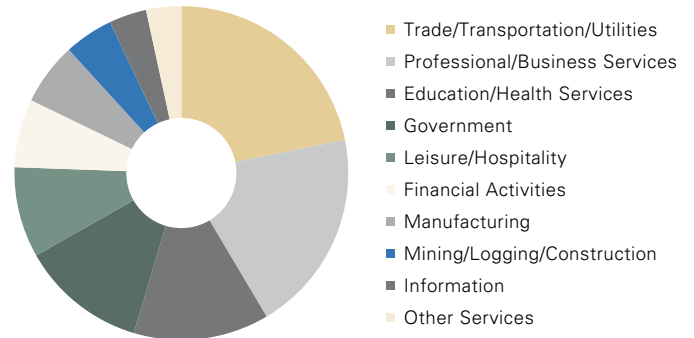
Atlanta’s employment levels are still well below where they were last year at the same point prior to the onset of the pandemic; however, recent announcements by Google, Gray Television, ServiceMaster, AirBnB and others to create new Atlanta locations will bring additional jobs to the region.

Atlanta lost 160,000 jobs between January 2020 and January 2021. However, the region ended 2020 with nine consecutive months of job gains. The 44,000 jobs lost in January reflect the terminated employment of seasonal workers.

Atlanta’s unemployment rate was 5.1% as of January 2021. While lower than the 6.8% rate in the U.S., it is still 190 basis points higher than January 2020. It also represented the third consecutive month over 5.0%.

### Employment by Industry

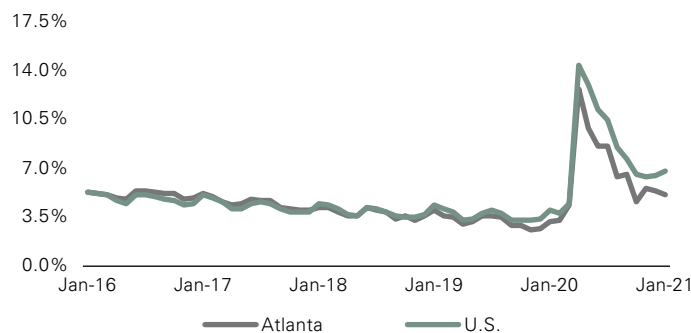
ATLANTA, JANUARY 2021



Source: U.S. Bureau of Labor Statistics, April 2021.

### Unemployment Rate

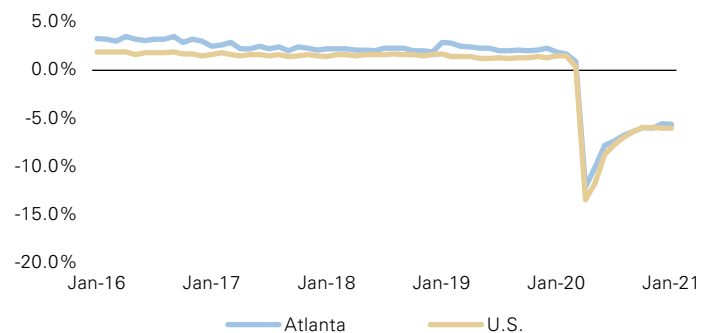
NOT SEASONALLY ADJUSTED



Source: U.S. Bureau of Labor Statistics, January 2021.

### Payroll Employment

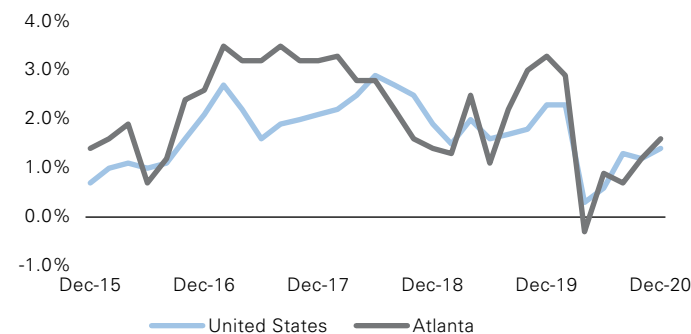
TOTAL NONFARM, NOT SEASONALLY ADJUSTED, 12-MONTH % CHANGE



Source: U.S. Bureau of Labor Statistics, January 2021.

### Consumer Price Index (CPI)

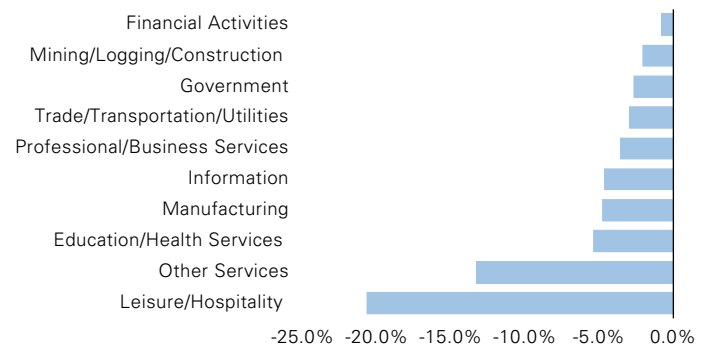
ALL ITEMS, 12-MONTH % CHANGE NOT SEASONALLY ADJUSTED



Source: U.S. Bureau of Labor Statistics, January 2021.

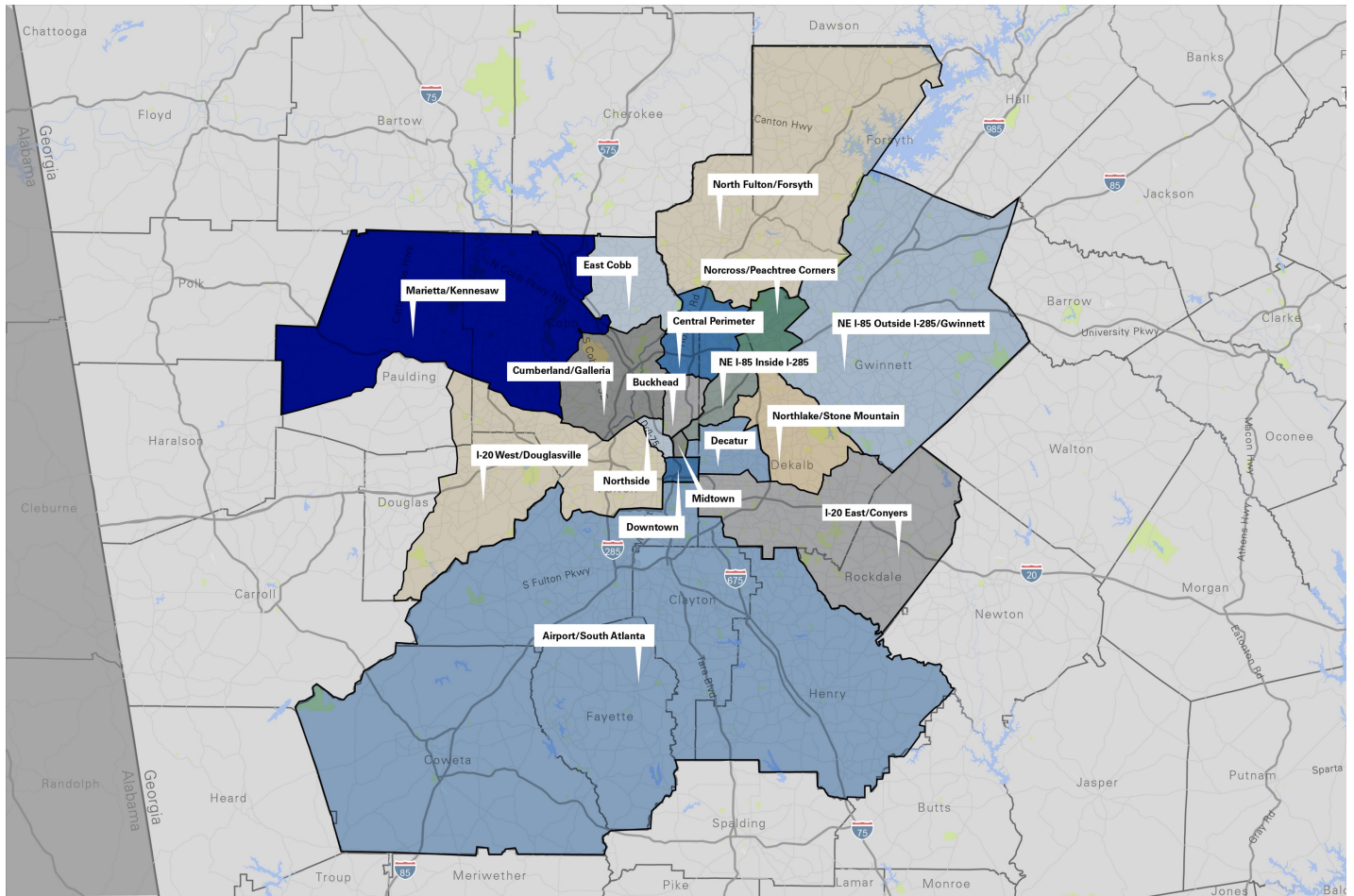
### Employment Growth by Industry

ATLANTA, JANUARY 2021, 12-MONTH % CHANGE NOT SEASONALLY ADJUSTED



Source: U.S. Bureau of Labor Statistics, April 2021.

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