



Atlanta Office Market

Corporate Consolidations Offset Modest Gains

Corporate consolidations continued to impact the Atlanta region's office market, as the newly vacated space and delivery of new construction pushed the overall vacancy rate up 220 basis points from last quarter to 22.3%. This is the highest the vacancy rate has been in almost 10 years. Meanwhile, the completion of new construction is putting upward pressure on asking rents as the overall average surpassed the \$29.00/SF threshold for the first time, to end the quarter at \$29.25/SF. This was a 1.4% increase from one year ago.

The merger of BB&T and SunTrust into Truist in 2019, and subsequent creation of its headquarters to Charlotte in 2020, resulted in 400,000 square feet being returned to the market this quarter. These moves offset the gains in the market due to Thyssenkrupp and Papa John's moving into their spaces at the newly completed 3 Ballpark Avenue in Cumberland/Galleria. The newest tower at The Battery at SunTrust Park now boasts two headquarters representing new growth for the market as Papa John's relocated from Kentucky and Thyssenkrupp's North American elevator business moved from Chicago.

Current Conditions

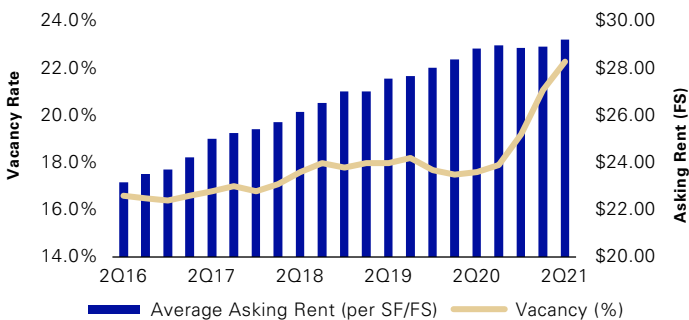
- The merger of BB&T and SunTrust into Truist, and subsequent relocation of its headquarters to Charlotte, resulted in 400,000 square feet being returned to the market.
- The completion of new construction is putting upward pressure on asking rents as the overall average surpassed the \$29.00/SF threshold for the first time.
- The 12 buildings completed in the first half of the year were 76.3% pre-leased, a substantial number towards limited spikes in vacancy.

Market Summary

	Current Quarter	Prior Quarter	Year Ago Period	12-Month Forecast
Total Inventory (SF)	154.7M	152.7M	151.6M	↑
Vacancy Rate	22.3%	21.1%	17.6%	→
Quarterly Net Absorption (SF)	-163,891	-2.6M	1.8M	↑
Average Asking Rent/SF (FS)	\$29.25	\$28.95	\$28.85	↑
Under Construction (SF)	4.0M	5.9M	4.8M	↓

Market Analysis

ASKING RENT AND VACANCY RATE



NET ABSORPTION



Absorption Recovers from Previous Six Months

The second quarter of 2021 experienced net absorption of negative 163,000 square feet, bringing the year-to-date total to negative 2.8 million square feet. This was the highest quarterly total in a year and much improved from than the 4.2 million square feet of negative absorption in the previous two quarters combined.

Almost 2.0 Million Square Feet Completed

In the second quarter, almost 2.0 million square feet was completed, bringing the year-to-date total to more than 2.5 million square feet of new space added in 2021. The 12 buildings completed in the first half of the year were 76.3% pre-leased, a substantial number towards limited spikes in vacancy.

Notable additions to the region's skyline this quarter included the new headquarters for Thyssenkrupp's North America division and Papa John's at 3 Ballpark Avenue in Cumberland/Galleria, Jones Day's new Atlanta office at 500 Colony Square in Midtown, Anthem BlueCross BlueShield's new tower in Midtown and State Farm's third and final 429,000-square-foot tower at its East Coast hub in Central Perimeter.

Limited New Additions to Construction Pipeline

The substantial amount of new deliveries in second-quarter 2021 combined with the limited additions to the pipeline resulted in the total under construction of 4.0 million square feet. This is the lowest amount of new construction in the region since second-quarter 2018.

The 16 buildings under development are 46.7% pre-leased. While the properties are spread throughout the market, 40.2% of the space is under way in Midtown. The newest building added to the pipeline was 1401 Hills Place Northwest in the Northside Drive/I-75 submarket, a 31,825-square-foot building being converted from industrial to office.

Future Outlook

Despite the downsizings from corporate consolidations that have impacted the region over the past 18 months, the outlook for the rest of the year is cautiously optimistic. Several tenant move-ins expected over the next 12 months will bring new growth to the market. More companies will be returning to the office during the third quarter, which should result in more clarity as to the extent of the pandemic's impact on real estate needs in the short and long term.

Select Lease Transactions

Tenant	Submarket	Building	Type	Square Feet
Confidential	Downtown	Bank of America Plaza	Renewal/Expansion	73,987
Centene Corporation	Central Perimeter	115 Perimeter Center Place	New	51,652
Confidential	Central Perimeter	1 Concourse Pkwy	Renewal	43,633
Confidential	Marietta/Kennesaw	1875 Greers Chapel Rd	New	42,296
Newmark	Buckhead	3455 Peachtree Rd NE	New	36,819

Select Sale Transactions

Property	Submarket	Sale Price	Square Feet	Price/SF
1 & 2 Ravinia, One Overton Park (Franklin Street Portfolio)	Multiple	\$219,500,000	1,179,121	\$186
740 W Peachtree St NW	Midtown	\$200,000,000	352,000	\$568
1134 Hammond Dr	Central Perimeter	\$195,000,000	334,000	\$584
Brookside I & II (Equus Portfolio)	North Fulton/Forsyth	\$41,100,000	266,797	\$154
Spalding Ridge	Norcross/Peachtree Corners	\$26,100,000	127,726	\$204

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)
CBD Total	37,636,126	2,245,939	23.6 %	-553,899	-1,048,649	\$34.32	\$31.23	\$33.45
Downtown	15,594,996	633,750	23.3 %	-319,000	-498,628	\$28.41	\$26.01	\$28.11
Midtown	22,041,130	1,612,189	23.7 %	-234,899	-550,021	\$40.03	\$32.76	\$37.39
Suburban Total	117,024,509	1,765,014	21.8 %	390,008	-1,724,919	\$31.02	\$22.47	\$27.89
Airport/South Atlanta	4,380,784	-	22.7 %	-23,490	-43,151	\$23.89	\$25.14	\$24.23
Buckhead	17,512,098	398,000	22.8 %	-59,419	-1,081,401	\$38.20	\$27.98	\$36.88
Central Perimeter	24,215,715	-	21.6 %	359,597	-87,931	\$30.73	\$23.79	\$29.36
Cumberland/Galleria	21,361,956	-	19.6 %	264,835	71,535	\$29.61	\$21.68	\$26.97
Decatur	1,463,708	-	6.5 %	2,305	6,014	\$30.61	\$26.03	\$28.99
East Cobb	408,469	-	8.1 %	-1,792	4,758	-	\$19.88	\$19.88
I-20 East/Conyers	636,153	-	7.5 %	-4,815	-3,387	\$22.50	\$19.31	\$19.84
I-20 West/Douglasville	158,639	-	0.0 %	-	2,827	-	-	-
Marietta/Kennesaw	2,888,029	-	21.7 %	11,209	-57,083	\$28.45	\$23.17	\$24.54
NE I-85 Inside I-285	6,152,104	-	14.8 %	-17,866	-81,342	\$26.61	\$23.38	\$23.72
NE I-85 Outside I-285/ Gwinnett	7,241,310	-	26.2 %	-7,255	-67,574	\$22.24	\$21.28	\$21.74
Norcross/Peachtree Corners	6,039,457	-	24.8 %	-43,823	-84,668	\$21.89	\$18.83	\$20.26
North Fulton/Forsyth	19,156,585	206,000	21.9 %	-126,396	-357,112	\$27.40	\$20.61	\$25.16
Northlake/Stone Mountain	3,097,517	530,000	33.5 %	-42,604	-49,086	\$23.50	\$21.59	\$21.78
Northside Drive/I-75	2,311,985	631,014	34.8 %	79,522	102,682	\$45.80	\$32.80	\$41.87
Atlanta Total	154,660,635	4,010,953	22.3 %	-163,891	-2,773,568	\$31.91	\$24.18	\$29.25

Economic Conditions

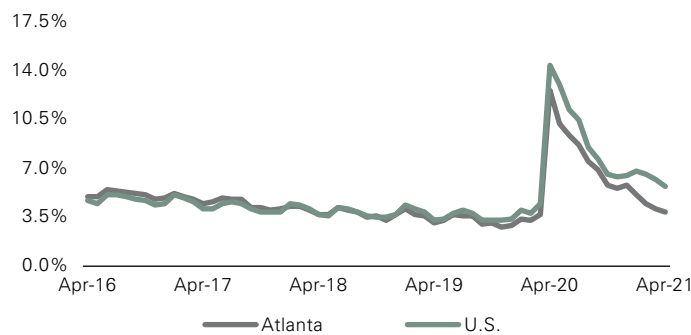
Atlanta’s unemployment rate was 3.9% as of April 2021, 160 basis points lower than the 5.7% rate in the U.S. It was 870 basis points lower than April 2020, the highest unemployment rate for the metro area during the pandemic.

Atlanta’s employment levels are rebounding post-pandemic; recent expansion announcements by Freshly and Soliant, in addition to new operations for FanDuel, Heliox and Semperit Industrial Products, will bring additional jobs to the region over the next 12 to 18 months.

Atlanta gained 246,900 jobs in the 12-months ending in April 2021. This was 120,000 jobs fewer than were lost in April 2020. The 3,200 jobs gained in April 2021 were the fewest one-month gains over the past year.

Unemployment Rate

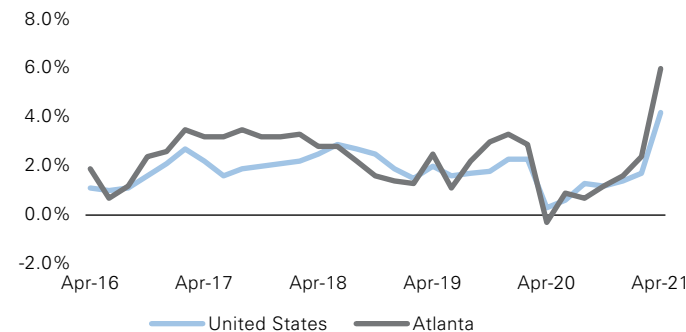
NOT SEASONALLY ADJUSTED



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

Consumer Price Index (CPI)

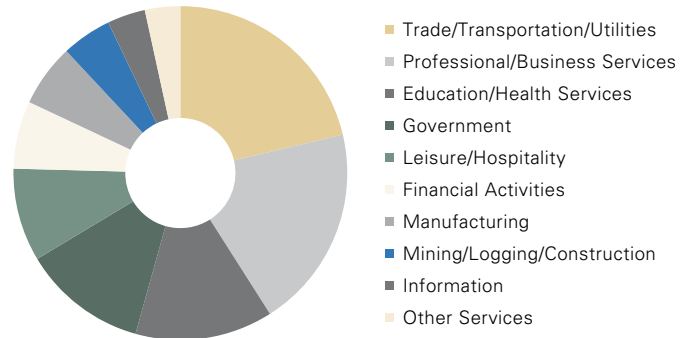
ALL ITEMS, 12-MONTH % CHANGE
NOT SEASONALLY ADJUSTED



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

Employment by Industry

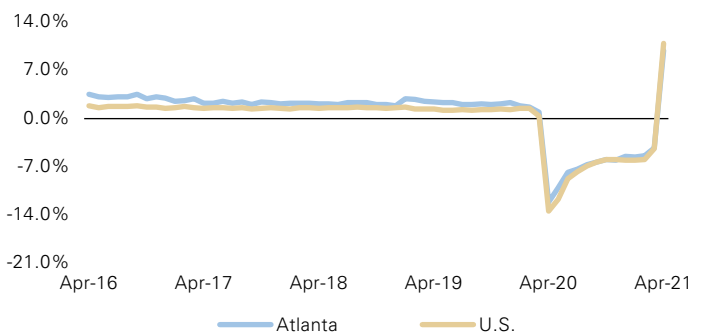
ATLANTA, APRIL 2021



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

Payroll Employment

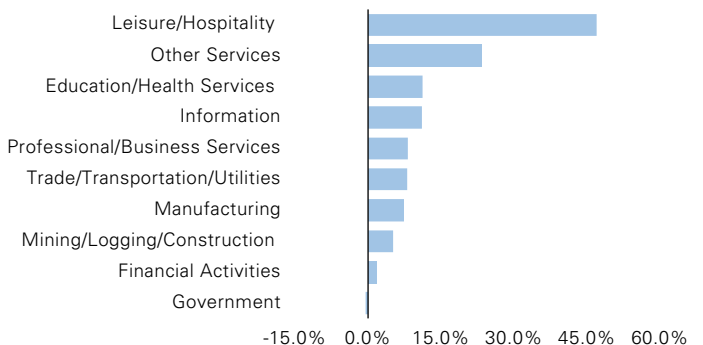
TOTAL NONFARM, NOT SEASONALLY ADJUSTED,
12-MONTH % CHANGE



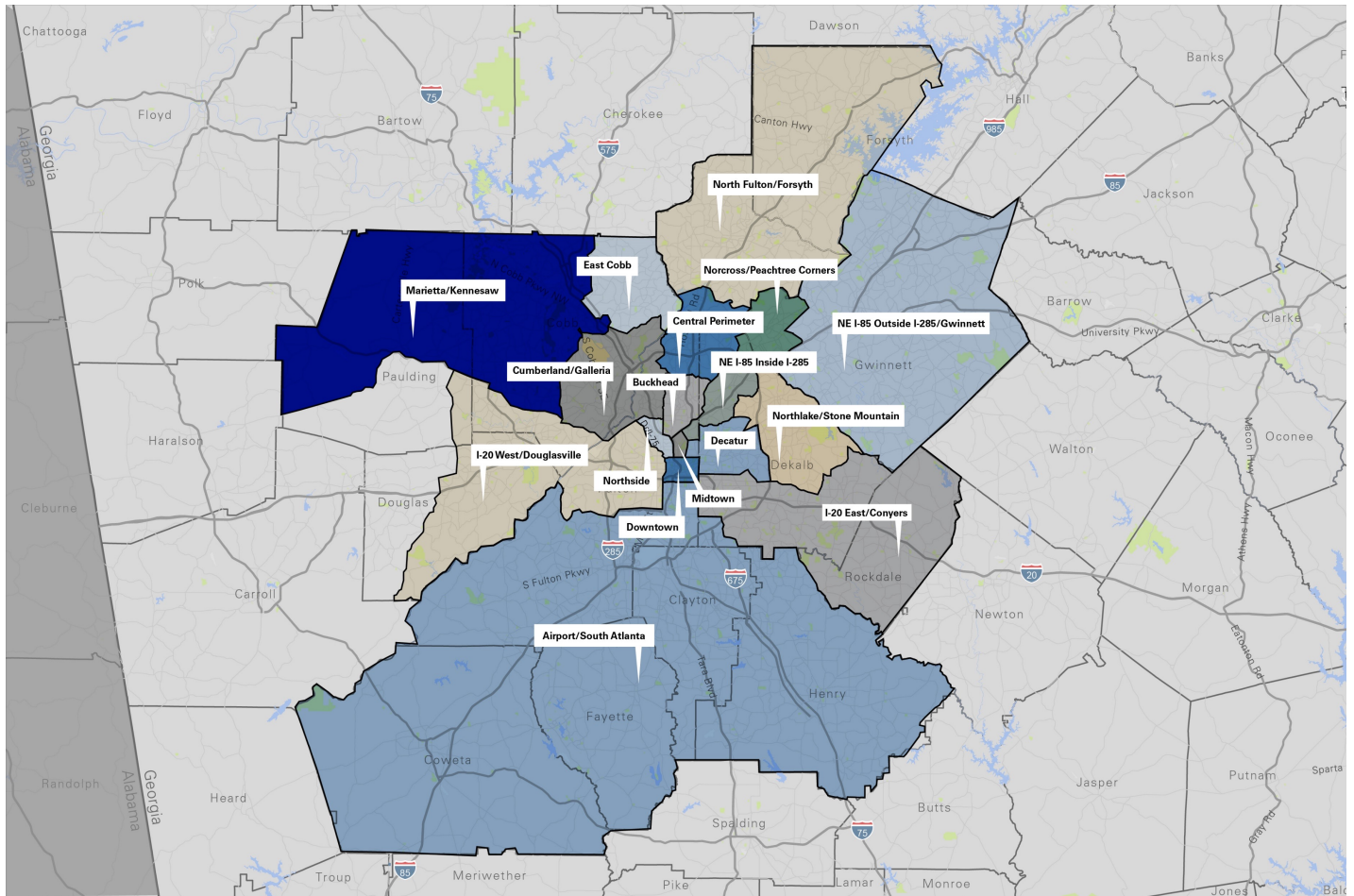
Source: U.S. Bureau of Labor Statistics, July 2021.

Employment Growth by Industry

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



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



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