



# Atlanta Office Market

## Atlanta Rates Are Climbing

Atlanta’s office market saw an improved performance from the previous quarter, with demand outpacing supply once again by nearly 145,000 square feet. However, the metro has been slowly giving up space over the last 12 months in the office market, as vacancy was 90 basis points higher from the second quarter of 2021. Increased supply, along with some additional space from construction completions and an increase in overall inventory, helped propel the uptick in vacancy. Class A assets recorded the strongest improvement, with 282,000 square feet of absorbed space. Class C properties remained level with a 1,500-square-foot positive absorption change.

Thoughts of an impending recession in the coming months have not stopped market conditions, as asking rental rates continued to increase and construction projects moved along. Class B properties saw a slight increase in rates, at approximately \$0.10/SF higher than last quarter, inching closer to the \$25.00/SF mark. The Class A segment saw a modest increase from the previous quarter in asking rents, as well as a \$0.39/SF increase over the last year.

### Current Conditions

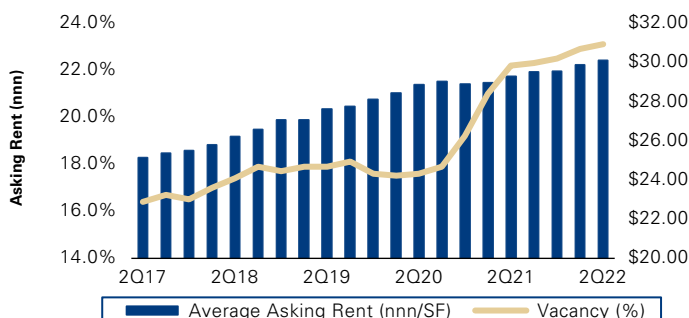
- The office sector saw respectable growth during the second quarter of 2022.
- Overall average asking rents continued to tick upward and eclipsed the \$30.00/SF mark during the second quarter of 2022.
- Prominent office deals included mostly new leases, with some select renewals.
- Construction is expected to ramp up in the coming months.

### Market Summary

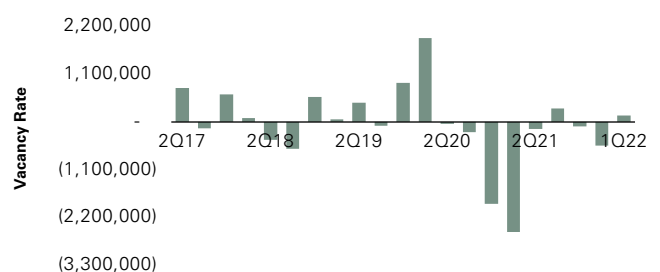
	Current Quarter	Prior Quarter	Year Ago Period	12-Month Forecast
Total Inventory (SF)	156.1M	155.6M	154.6M	↑
Vacancy Rate	23.1%	22.9%	22.2%	←
Quarterly Net Absorption (SF)	144,937	-544,522	-2.5M	↑
Average Asking Rent/SF	\$30.10	\$29.85	\$29.26	↑
Under Construction (SF)	2.5M	3.1M	4.1M	↓

### Market Analysis

ASKING RENT AND VACANCY RATE



NET ABSORPTION



### Leasing Activity

The second quarter of 2022 was very active, and featured more than 800 lease deals that were signed spanning the market. The top 10 deals of the quarter amounted to nearly 900,000 square feet alone. One of the more prominent lease transactions of the quarter was Goldman Sachs, who leased nearly 30,000 square feet at One Phipps Plaza and will take residence in November. Most of the top deals of the quarter were a mixture of new deals and some renewals. Most of those deals were new additions to the Cumberland/Galleria and Marietta/Kennesaw submarkets.

### Investment Sale Activity

In the second quarter of 2022, the top 10 investment transactions totaled over 1.6 million square feet and were a mixture of Class A and Class B office buildings. These sales alone totaled almost \$570 million and took place primarily in the North Fulton, Buckhead and Downtown submarkets. Two of the investment transactions were portfolio sales.

Twelve buildings were under construction as of the end of the second quarter of 2022, totaling 2.5 million square feet. This was a decrease from the previous quarter as three buildings delivered. Construction activity slowed from the 4.1 million square feet that was underway one year ago, signifying that developers are taking a more disciplined approach to breaking ground on new projects.

### Future Outlook

The outlook for the rest of 2022 looks bright, despite potential obstacles. Demand will improve across most of the submarkets, as asking rents will tick upward little by little. More high-profile companies will continue to relocate to Atlanta over the course of the next few quarters, occupying more space and bringing the city's economy closer to where it was pre-pandemic. Due to this, Atlanta's unemployment rate continued to drop, staying well below the national average. Having already established itself as a tech hub, an influx of job opportunities have come to the city, bringing new residents and cementing Atlanta as one of the top metro areas to seek business opportunities.

### Construction Pipeline

Select Lease Transactions				
Tenant	Submarket	Building	Type	Square Feet
Truist Bank	Cumberland/Galleria	Windy Ridge Pky	New	250,000
Insight Global, LLC	Central Perimeter	244 Perimeter Center Pky NE	New	133,796
ADP	North Fulton	5995 Windward Pky	New	80,793
Adtalem Global Education	Central Perimeter	1100 Altmore Ave	New	65,221
Boston Consulting Group	Midtown	1075 Peachtree St NE	Renewal	59,234

Select Sale Transactions				
Property	Submarket	Sales Price	Square Feet	Price/SF
3455 Peachtree Rd NE	Buckhead	\$220,000,000	430,124	\$511.48
1025 Lenox Park Blvd	Buckhead	\$148,500,000	331,013	\$448.62
5780 Peachtree Dunwoody Rd NE	Central Perimeter	\$55,467,461	119,455	\$464.34
1800 Northside Forsyth Dr	North Fulton/Forsyth	\$46,258,869	99,232	\$466.17
3600 Mansell Rd	North Fulton/Forsyth	\$19,719,255	126,140	\$156.33

Submarket Statistics								
	Total Inventory (SF)	Under Construction (SF)	Total Vacancy Rate	Quarter 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>38,199,889</b>	<b>1,458,386</b>	24.2 %	<b>87,667</b>	<b>-63,857</b>	<b>\$34.74</b>	<b>\$30.94</b>	<b>\$33.78</b>
Downtown	15,864,696	525,350	23.9 %	67,967	-77,524	\$28.96	\$24.19	\$28.36
Midtown	22,335,193	933,036	24.4 %	19,700	13,667	\$39.95	\$32.43	\$37.53
<b>Suburban Total</b>	<b>117,871,073</b>	<b>1,082,544</b>	22.8 %	<b>57,270</b>	<b>-335,728</b>	<b>\$31.49</b>	<b>\$23.45</b>	<b>\$28.94</b>
Airport/South Atlanta	4,380,784	0	19.6 %	-29,510	17,940	\$26.22	\$25.98	\$25.65
Buckhead	17,512,098	398,000	24.6 %	-169,439	-190,880	\$38.33	\$29.26	\$37.18
Central Perimeter	24,215,906	0	22.2 %	152,017	-22,149	\$32.02	\$24.79	\$30.95
Cumberland/Galleria	21,361,956	0	20.6 %	37,839	-55,724	\$30.01	\$23.30	\$27.90
Decatur	1,465,688	0	18.7 %	-112,689	-153,811	\$30.80	\$30.70	\$30.85
East Cobb	408,469	0	27.4 %	-81,788	-85,637	0	\$23.48	\$23.48
I-20 East/Conyers	636,153	0	5.2 %	6,122	11,982	\$22.50	\$19.79	\$20.39
I-20 West/Douglasville	158,639	0	0.0 %	0	0	0	0	0
Marietta/Kennesaw	2,888,743	0	26.3 %	-24,201	-65,687	\$28.99	\$23.99	\$25.71
NE I-85 Inside I-285	6,153,154	0	15.2 %	64,486	-2,818	\$25.71	\$23.40	\$24.03
NE I-85 Outside I-285/ Gwinnett	7,241,310	0	25.4 %	71,017	105,449	\$22.92	\$21.63	\$22.41
Norcross/Peachtree Corners	6,039,457	0	23.0 %	-105,989	-145,662	\$22.82	\$20.10	\$21.55
North Fulton/Forsyth	19,369,214	53,530	24.3 %	-101,440	-206,273	\$27.63	\$21.56	\$25.60
Northlake/Stone Mountain	3,627,517	0	35.2 %	221,185	248,917	\$25.61	\$21.11	\$22.93
Northside Drive/I-75	2,411,985	631,014	24.0 %	129,660	208,625	\$44.07	\$33.20	\$41.10
<b>Atlanta Total</b>	<b>156,070,962</b>	<b>2,540,930</b>	<b>23.1 %</b>	<b>144,937</b>	<b>-399,585</b>	<b>\$32.34</b>	<b>\$24.86</b>	<b>\$30.10</b>

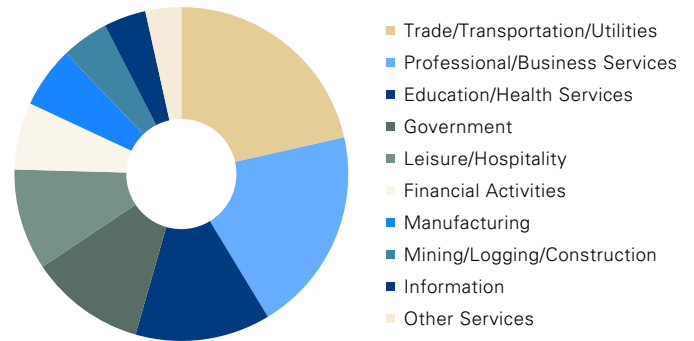
### Economic Conditions

Atlanta’s unemployment rate was 2.6% as of May 2022, 100 basis points lower than the 3.6% rate in the U.S. during the same time, and 20 basis points higher than the previous month. Despite being 140 basis points lower from the same period one year ago, Atlanta’s unemployment rate was still above the 2.2% it recorded in November 2021.

The information sector had the largest employment growth as of May, rising almost 10.0% year over year, and overtaking leisure and hospitality from the previous quarter. Professional and business services and trade/transportation/utilities employment held on to the lead, with the most improvement in terms of jobs added from this time last year. All industries saw jobs added to the market this past quarter, with financial activities showing the smallest increase.

### Employment by Industry

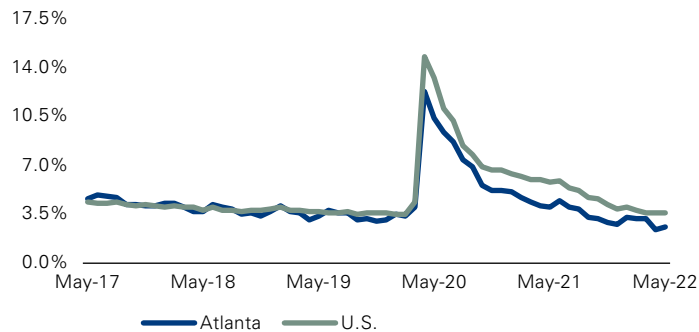
ATLANTA, May 2022



Source: U.S. Bureau of Labor Statistics, May 2022.

### Unemployment Rate

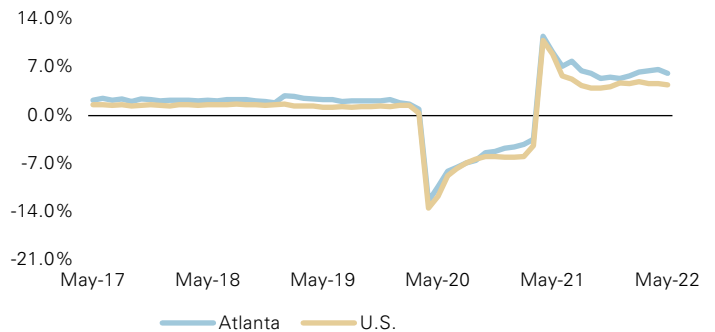
NOT SEASONALLY ADJUSTED



Source: U.S. Bureau of Labor Statistics, May 2022.

### Payroll Employment

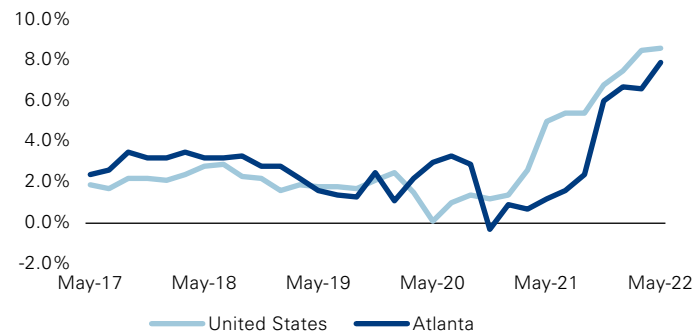
TOTAL NONFARM, NOT SEASONALLY ADJUSTED, 12-MONTH % CHANGE



Source: U.S. Bureau of Labor Statistics, May 2022.

### Consumer Price Index (CPI)

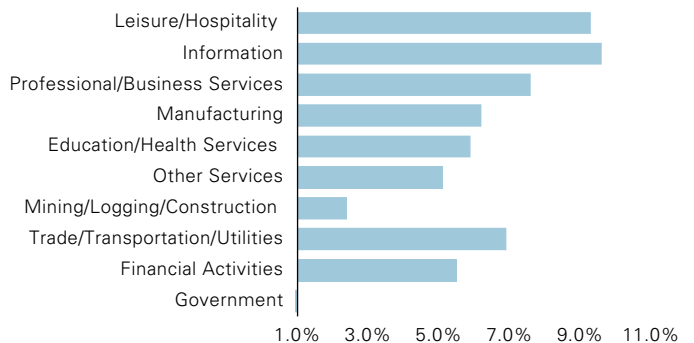
ALL ITEMS, 12-MONTH % CHANGE NOT SEASONALLY ADJUSTED



Source: U.S. Bureau of Labor Statistics, May 2022.

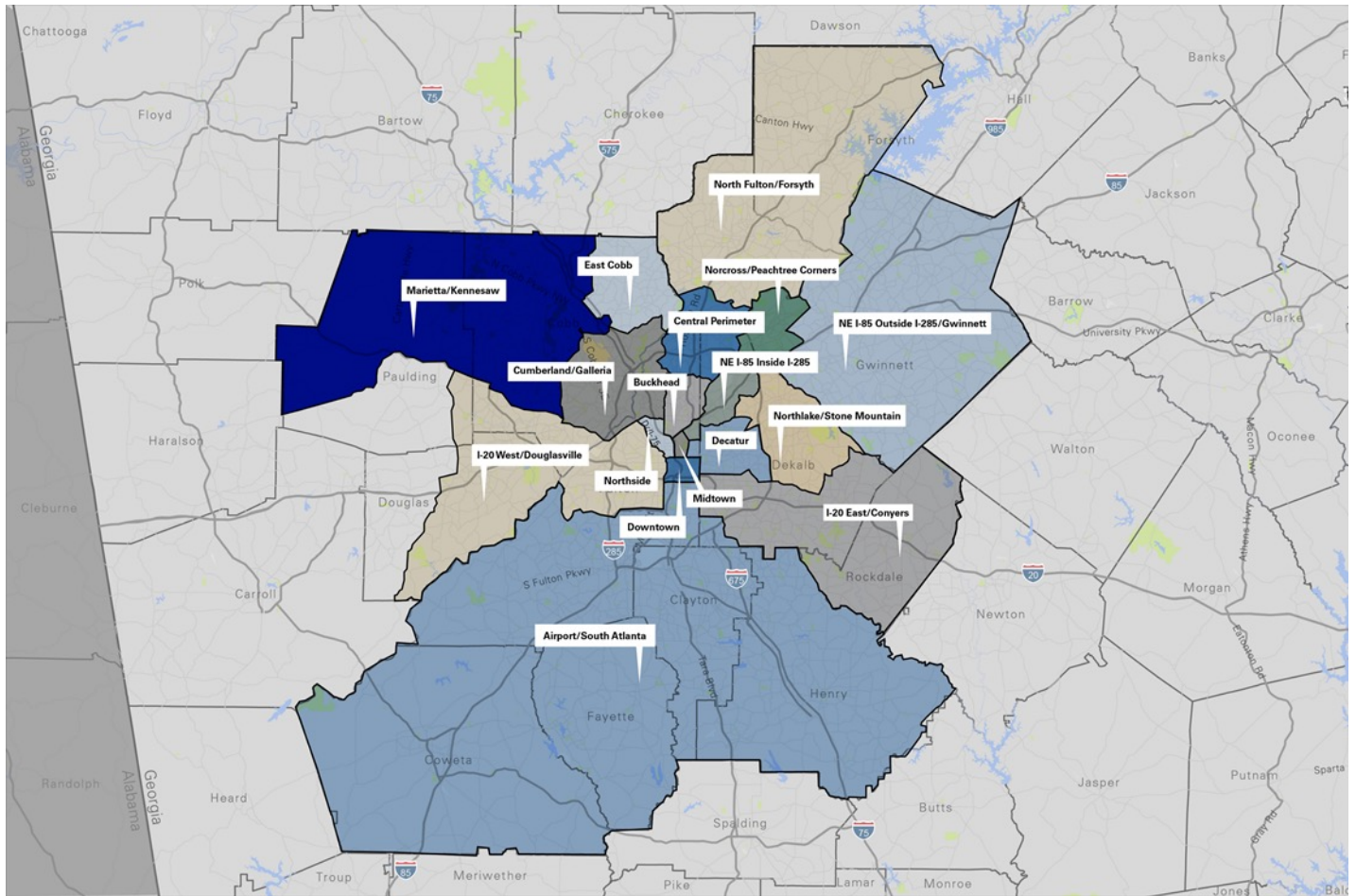
### Employment Growth by Industry

ATLANTA, May 2022, 12-MONTH % CHANGE NOT SEASONALLY ADJUSTED



Source: U.S. Bureau of Labor Statistics, May 2022.

**RESEARCH 2Q 2022**



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