



# Atlanta Office Market

## STABILIZATION APPEARS TO BE UNDERWAY

The region saw an increase in total rentable building area over the previous quarter, with four smaller office buildings totaling approximately 300,000 square feet. Demand outpaced supply for the second consecutive quarter with over 190,000 square feet of absorbed space. Total vacancy for the office sector remained level at 22.3%, due to the added vacancy from the construction completions. Market corrections from the pandemic have yet to impact asking rental rates, as averages continue to either remain stable or increase slightly. The overall asking rental rate average increased by \$0.05/SF from the previous quarter and \$0.67/SF from to \$29.55/SF one year ago. The Class A segment saw a slight correction from the previous quarter, as secondary available space has more of an impact on averages but still increased by \$0.44/SF from one year ago.

### Leasing Activity

Many of the top deals of the quarter were renewals and expansions, giving the indication that companies are returning to the office and space needs in Metro Atlanta are beginning to return to normal. CarMax signed a new deal, leasing over 100,000 square feet in the Marietta/Kennesaw submarket, with occupancy projected during the second quarter of 2022.

### Current Conditions

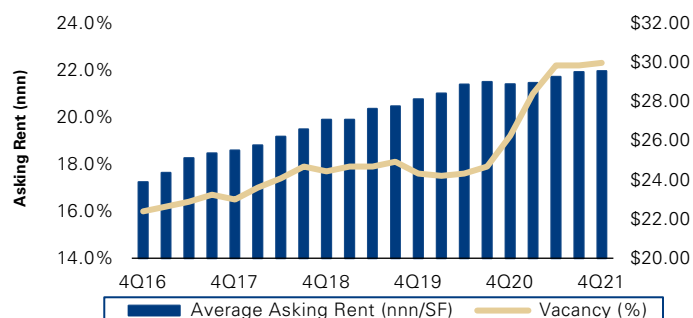
- The office sector saw growth during fourth quarter despite lingering impacts from the pandemic.
- Overall asking rents continued to tick upward for the fifth consecutive quarter.
- Renewals and downsizes continued to lead leasing activity with demand for space beginning to build momentum as new deals improved from this time last year.
- The market appears to be stabilizing as companies return to work.

### Market Summary

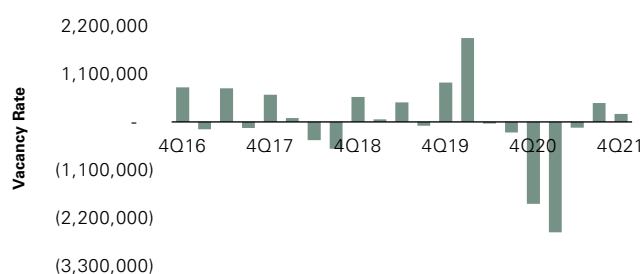
	Current Quarter	Prior Quarter	Year Ago Period	12-Month Forecast
Total Inventory (SF)	155.6M	155.3B	151.7B	↑
Vacancy Rate	22.3%	22.2%	16.0%	←
Quarterly Net Absorption (SF)	188,529	436,362	-1.9M	↑
Average Asking Rent/SF	\$29.55	\$29.50	\$28.88	↑
Under Construction (SF)	3.1M	3.4M	5.6M	↓

### Market Analysis

#### ASKING RENT AND VACANCY RATE



#### NET ABSORPTION



### Investment Sale Activity

In the fourth quarter of 2021, the top 10 investment transactions totaled over 1.6 million square feet sold and were predominantly Class A office buildings. These transactions mostly spanned across the Norcross/Peachtree Corners, North Fulton and Midtown submarkets. Overall, investment sales within the quarter were primarily Class B properties. There were also many portfolio sales that closed in areas such as Cobb County, Norcross/Peachtree Corners and North Fulton. The top investment sale of the quarter was 999 Peachtree in the Midtown submarket.

### Construction Pipeline

Four completions took place during the fourth quarter of 2021, totaling over 314,400 square feet, while construction stats remained nonexistent as developers hold off on building new speculative office facilities. Buildings under construction dipped to 3.1 million square feet from the previous quarter, with another 8.0 million square feet planned. These projects will likely remain in the proposed status as the market stabilizes and demand for

space rebounds after the past two years. Cooler temperatures have been an issue at the end of the year; however, numerous projects remain in the works, primarily in Downtown, Midtown, Central Perimeter and Northwest Atlanta submarkets. One building which is projected to break ground soon is 50 Ivan Allen Jr. Blvd. NE, coming to the Downtown submarket, and totals over 870,000 square feet.

### Future Outlook

The outlook for 2022 and beyond shows promise, as projects with healthy pre-leasing activity nearing completion over the next 12 months should bring continued demand growth to the market. Lower asking rents compared to other major markets across the US coupled with Atlanta's affordable cost of living continues to lure interest from companies outside of the state. This combined with the existing tenants returning to the workplace should continue the trend of stabilization for the office sector now that the pandemic storm appears to have passed. Barring any unforeseen circumstances, the climb to recovery should gain momentum.

#### Select Lease Transactions

Tenant	Submarket	Building	Type	Square Feet
Hapag-Lloyd America Inc.	N/A	3 Ravina Dr	New	127,115
Center for Global Health Innovation	Midtown	675 W Peachtree	New	117,430
Carmax	I-75 North/Marietta	225 Chastain Meadows Pky	New	110,225
Cisco Systems	Midtown	756 W Peachtree St	New	93,389
MiMedX Group	East Cobb	1775 W Oak Commons Ct	Extension	79,854

#### Select Sale Transactions

Property	Submarket	Sales Price	Square Feet	Price/SF
999 Peachtree	Midtown	\$223,900,000	621,946	\$360
1130 Powers Ferry Pl SE	Cumberland	\$49,738,000	73,000	\$681.34
5405 Windward Pky	North Fulton	\$48,000,000	248,446	\$193.20
11720 Amberpark Dr (Part of a Portfolio Sale)	North Fulton	\$39,756,448	144,404	\$275.31
50 Glenlake Pky NE	Central Perimeter	\$20,964,000	144,409	\$145.17

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>38,423,679</b>	<b>1,458,386</b>	<b>23.8 %</b>	<b>75,370</b>	<b>-525,049</b>	<b>\$34.17</b>	<b>\$30.84</b>	<b>\$33.23</b>
Downtown	15,703,396	525,350	23.6 %	29,748	-460,743	\$28.31	\$24.94	\$27.76
Midtown	22,720,283	933,036	23.9 %	45,622	-64,306	\$39.83	\$32.47	\$37.20
<b>Suburban Total</b>	<b>117,185,353</b>	<b>1,659,014</b>	<b>21.8 %</b>	<b>113,159</b>	<b>-1,512,493</b>	<b>\$31.36</b>	<b>\$22.95</b>	<b>\$28.39</b>
Airport/South Atlanta	4,380,784	0	20.0 %	74,255	53,603	\$26.26	\$25.52	\$25.04
Buckhead	17,512,098	398,000	23.3 %	86,936	-1,157,372	\$38.20	\$28.40	\$37.01
Central Perimeter	24,161,755	0	21.2 %	84,079	7,929	\$31.42	\$24.13	\$30.11
Cumberland/Galleria	21,361,956	0	19.9 %	-88,463	-1,926	\$29.82	\$22.36	\$27.39
Decatur	1,465,688	0	8.2 %	-29,154	-17,441	\$30.60	\$31.01	\$30.84
East Cobb	408,469	0	6.4 %	1,347	11,758	N/A	\$23.01	\$23.01
I-20 East/Conyers	636,153	0	7.1 %	1,621	-1,076	\$22.50	\$19.57	\$20.07
I-20 West/Douglasville	158,639	0	0.0 %	0	2,827	N/A	N/A	N/A
Marietta/Kennesaw	2,888,224	0	23.3 %	16,276	-101,798	\$28.84	\$23.87	\$25.36
NE I-85 Inside I-285	6,152,104	0	15.2 %	-17,696	-104,671	\$26.20	\$23.22	\$23.61
NE I-85 Outside I-285/ Gwinnett	7,241,310	0	26.8 %	-23,358	-114,818	\$22.16	\$20.80	\$21.53
Norcross/Peachtree Corners	6,039,457	0	20.6 %	174,280	156,935	\$21.77	\$19.17	\$20.67
North Fulton/Forsyth	19,369,214	0	23.2 %	-271,175	-457,125	\$27.63	\$21.20	\$25.33
Northlake/Stone Mountain	3,097,517	530,000	32.2 %	12,083	-8,858	\$23.50	\$21.88	\$22.04
Northside Drive/I-75	2,311,985	731,014	29.7 %	92,128	219,540	\$45.67	\$32.22	\$41.54
<b>Atlanta Total</b>	<b>155,609,032</b>	<b>3,117,400</b>	<b>22.3 %</b>	<b>188,529</b>	<b>-2,037,542</b>	<b>\$32.11</b>	<b>\$24.47</b>	<b>\$29.55</b>

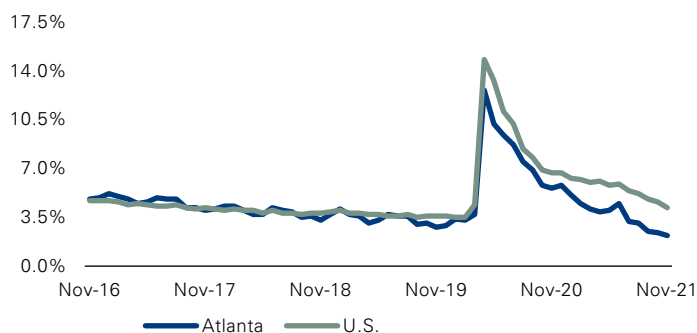
## Economic Conditions

Atlanta's unemployment rate was 2.2% as of November 2021, 200 basis points lower than the 4.2% rate in the U.S. It was 340 basis points lower from the same period one year ago and has dropped below the 2.8 previous low recorded in November of 2019 prior to the pandemic. Atlanta's employment levels have recovered and improved as the region gained 139,800 jobs in the 12-months ending in November 2021. This was an increase of 15,000 jobs gained from the previous quarter.

Professional and Business service jobs held on to the lead with the most improvement as 40,600 jobs were added from this time last year. The leisure and hospitality sector remained in second, totaling more than 24,800 new jobs, while the education and health segment rounded out the top three with 19,700 jobs gained from one year ago. All industries but saw jobs added with the financial sector showing the smallest increase of 3,200 jobs added.

## Unemployment Rate

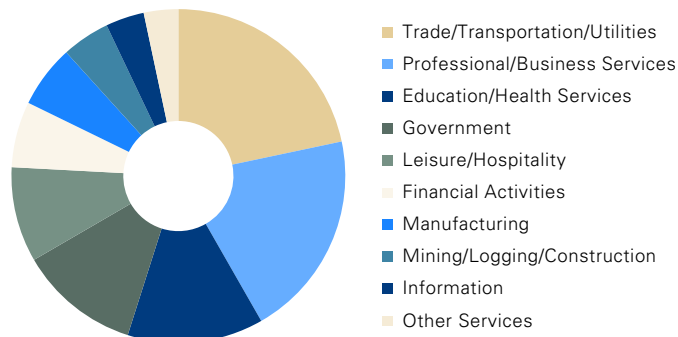
NOT SEASONALLY ADJUSTED



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

## Employment by Industry

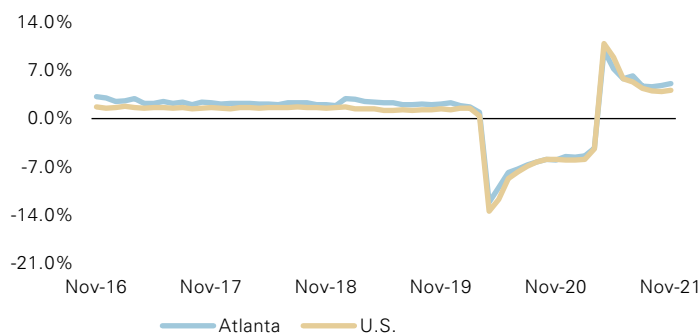
ATLANTA, November 2021



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

## Payroll Employment

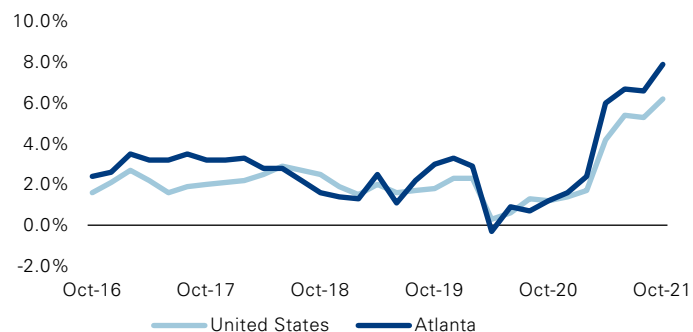
TOTAL NONFARM, NOT SEASONALLY ADJUSTED, 12-MONTH % CHANGE



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

## Consumer Price Index (CPI)

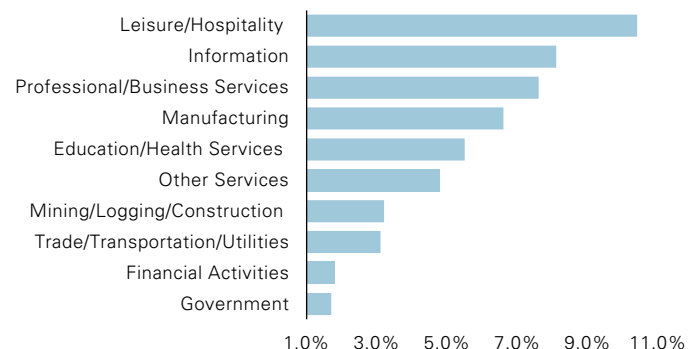
ALL ITEMS, 12-MONTH % CHANGE  
NOT SEASONALLY ADJUSTED



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

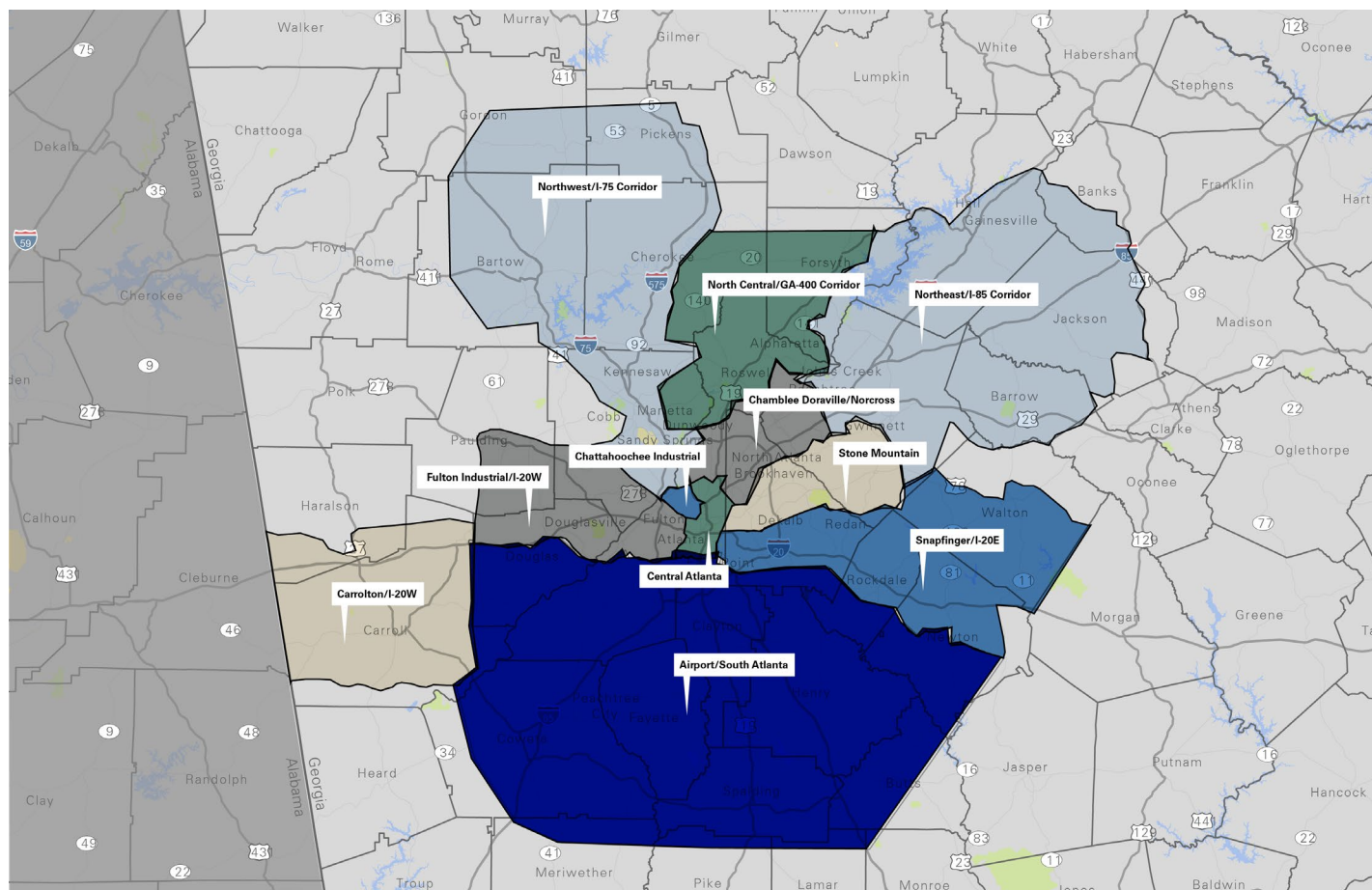
## Employment Growth by Industry

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



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

## RESEARCH 4Q 2021



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