

ATLANTA OFFICE MARKET

Q4 2023

TRENDLINES

	Q4 2023	Q4 2022	ONE-YEAR TREND	FIVE-YEAR AVERAGE	12-MONTH FORECAST
UNEMPLOYMENT RATE	3.3	2.7	↑	3.9	↑
NET ABSORPTION (THOUSANDS SF)	(505.5)	87.0	↓	(52.3)	↓
OVERALL VACANCY RATE	24.1%	21.5%	↑	19.6%	↑
OVERALL VACANT SF (MSF)	41.5	36.9	↑	32.8	↑
UNDER CONSTRUCTION (MSF)	2.1	2.5	↓	3.9	↓
ASKING RENT, FULL SERVICE (PSF)	\$32.01	\$31.17	↑	\$29.92	↓
SALES VOLUME (MILLIONS)	\$71	\$785	↓	\$671.8	↑

Source: Bureau of Labor Statistics, CoStar, Real Capital Analytics, Transwestern

ATLANTA OFFICE MARKET SEES WORST ABSORPTION YEAR ON RECORD

The embattled Atlanta office market took another step back in Q4 of 2023, with negative absorption of 505,490 SF. The Central Perimeter submarket, behind two Cox Automotive moveouts totaling a combined 595,538 SF, made up the majority of the large vacancies in Q4. On the year, Atlanta lost over 3.2 million SF of space, the worst absorption year in the market's history.

In Q4 2023, Atlanta's overall vacancy rate increased 20 basis points to 24.1%, while the Class A overall rate saw an even larger rise, increasing 70 basis points to 27.9%. Asking rents saw a small increase of \$0.30 in Q4 of 2023. There was no change to the construction pipeline in Q4, but there are several major deliveries slated for the first half of 2024.

Atlanta has seen a increase in the amount of space available for sublease over the past three years, with 4.9% of all Atlanta office inventory currently available for sublease, almost double the national average. Sublease availabilities have more than tripled across the market since the end of 2019, with over 8.5MSF currently on the market. These availabilities are most prevalent in suburban submarkets such as Central Perimeter, which has 9.8% of its inventory available.



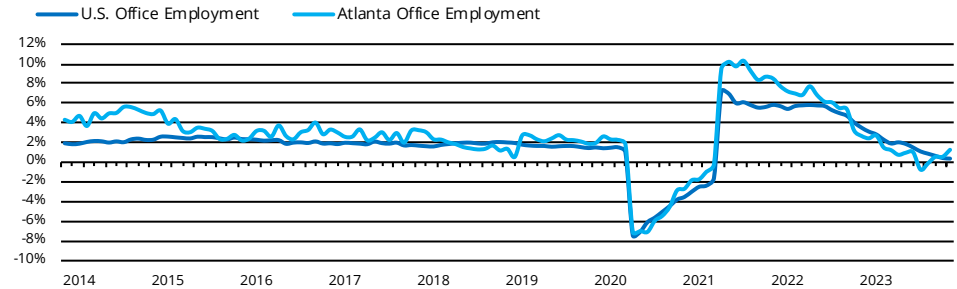
ECONOMY

Atlanta Adding Office Jobs to Close 2023

- Over the 12 months ending in November of 2023, the Atlanta metro area has added 76,500 nonfarm jobs. Within office-using jobs, Atlanta has gained 11,600 jobs in the last year, reversing a decline the market saw in mid-2023. Much of this office-using job growth was seen in October and November of 2023, where Atlanta added 14,900 office-using jobs in just two months.
- Both the Atlanta and national office-using year-over-year jobs growth has been steadily decreasing for the past two years, with Atlanta seeing a small reversal near the end of 2023. Q4 of 2023 saw 1.3% year-over-year office-using jobs growth, still a significant decline compared to November of 2022, which had 2.7% growth for the year prior. The national data is much the same, with 0.4% year-over-year growth as of November 2023, and 3.5% growth from the period prior.
- Atlanta’s unemployment rate was 3.1% in August, solidly below the national rate of 3.7%.
- Atlanta continues to benefit from a diverse and well-educated workforce with no one industry dominating the economy.
- Jobs in Atlanta have increased by 8.0% since 2017, outpacing the national growth rate of 3.8% by 4.2%. Atlanta is expected to continue this growth in the coming years, led by production from top industries such as Transportation and Warehousing, Professional Services, and Health Care.
- The Atlanta metro area is expected to increase its population by 4.8% between now and 2027, adding around 296,000 people. Since 2017 the metro area has grown by 345,000 people, a 5.9% increase.

Population and Job Projections from Lightcast

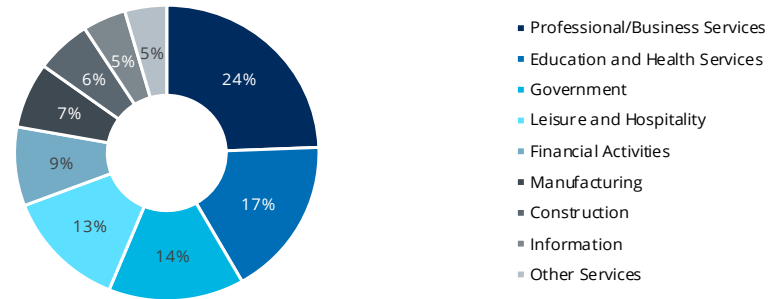
Y-O-Y CHANGE IN OFFICE JOBS



Source: Bureau of Labor Statistics, Transwestern

SHARE OF EMPLOYEES BY INDUSTRY

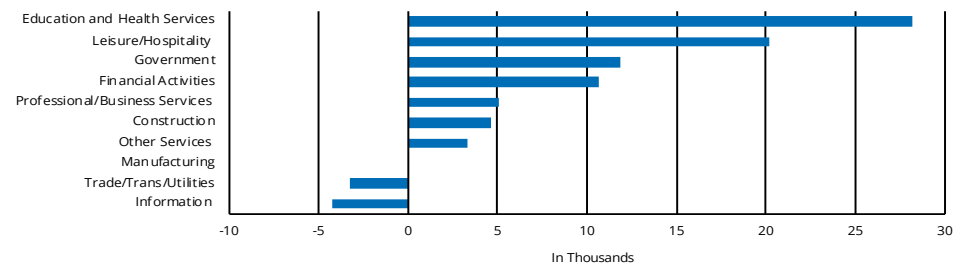
Atlanta | November 2023



Source: Bureau of Labor Statistics, Transwestern

Y-O-Y CHANGE IN JOBS BY INDUSTRY

Atlanta | November 2023



Source: Bureau of Labor Statistics, Transwestern

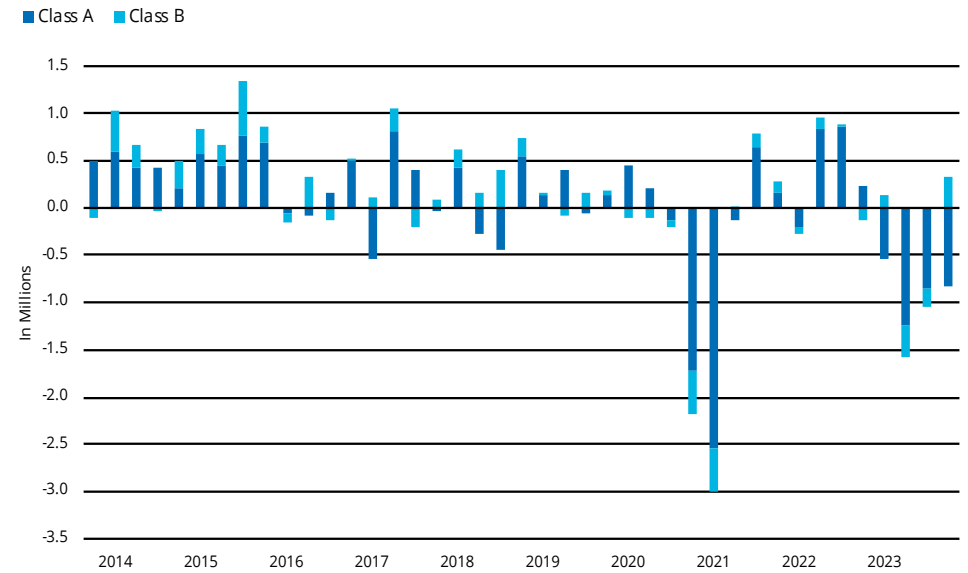


NET ABSORPTION

Fourth-Consecutive Negative Absorption Quarter for Atlanta

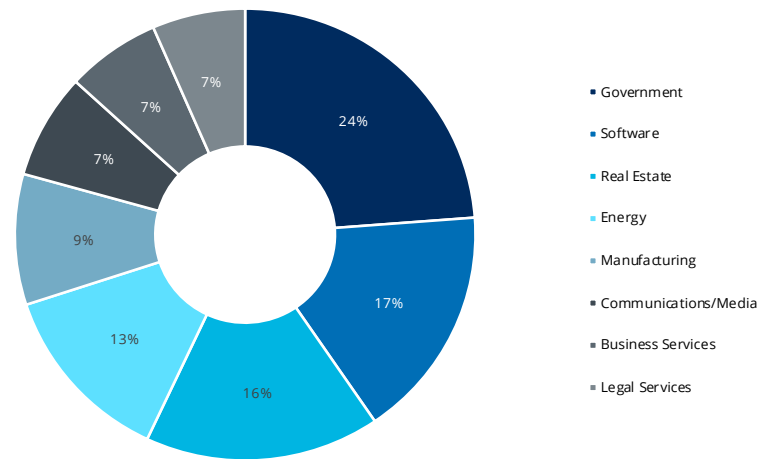
- The Atlanta office market saw negative absorption of 505,490 SF in Q4 of 2023, the fourth-straight negative quarter for the market. For 2023, Atlanta suffered negative absorption of 3,294,022 SF, the worst absorption year on record in the market's history.
- Class A properties suffered the largest losses, with negative absorption of 832,676 SF, while Class B properties saw some solid gains, with positive absorption of 327,186 SF in Q4.
- Central Perimeter suffered the heaviest losses of the quarter, with negative absorption of 474,573 SF, making up the majority of the overall market's losses. This negative absorption can be attributed directly to two large move-outs by Cox Automotive. Cox vacated 390,906 SF at 3003 Summit Blvd, and left 204,632 SF at 6325 Peachtree Dunwoody Rd. This poor Q4 brought Central Perimeter's 2023 absorption to a loss of over 1.2 million SF, the worst year on record for the suburban submarket.
- North Fulton, Kennesaw/Town Center, and Northeast Atlanta all posted positive absorption between 90,000 SF and 150,000 SF, while losses in Buckhead, Midtown, and Downtown were contained to under 200,000 SF. In total, five submarkets saw gains while six suffered losses in Q4.
- On the year, the only two submarkets to finish with positive absorption were South Atlanta and West Atlanta, two small peripheral submarkets. Central Perimeter saw negative absorption of over 1.2 million SF, and was followed by Buckhead (-853,770), Downtown (-534,329), and North Fulton (-306,273). Midtown, the best performing submarket for much of this cycle, posted its first negative year since 2020.

NET ABSORPTION BY CLASS



Source: CoStar, Transwestern

SHARE OF LEASING ACTIVITY BY INDUSTRY Q4 2023



Source: CoStar, Transwestern

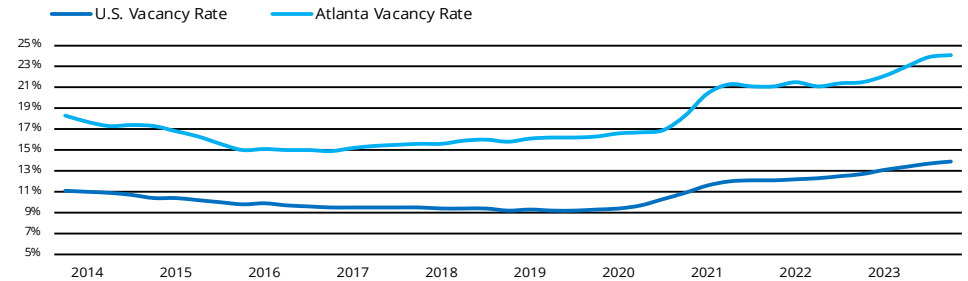


VACANCY

Atlanta's Vacancy Rising for Sixth Consecutive Quarter

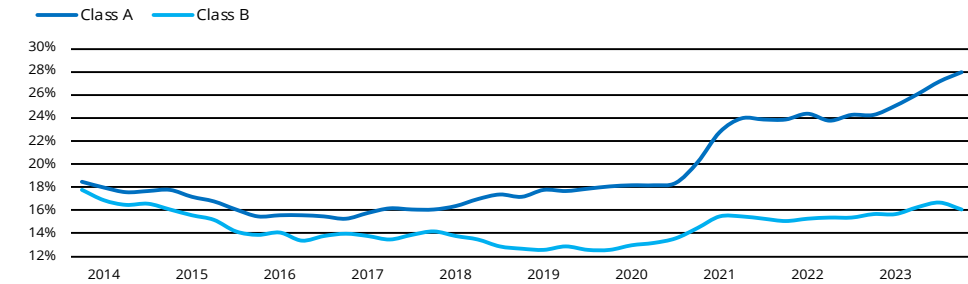
- Atlanta's overall vacancy rate rose 20 basis points in Q4 2023 to 24.1%. Class A overall vacancy rose 70 basis points from 27.2% to 27.9%, while the Class B overall vacancy rate fell 60 basis points from 16.7% to 16.1%.
- The 20 basis point rise in Q4 of 2023 comes on the heels of 90 basis point increases in both Q2 and Q3 of 2023. On the year, Atlanta's office market saw an overall vacancy rate increase of 260 basis points. This is similar to the 200 and 270 basis point rises the market saw in 2020 and 2021 respectively.
- The market's direct vacancy rate sits at 22.2% across all property classes, while the Class A direct rate is at 25.8%.
- The amount of available sublease space in Atlanta has been the headline story of the year, with over 8.5 million SF of space on the sublease market. While this figure has increased by over 1.3 million SF in 2023, the amount of available sublease space decreased in Q4 2023 by 200,000 SF after hitting a high-water mark of 8.7 million SF in Q3 of 2023. Suburban submarkets such as Central Perimeter, North Fulton, and Cumberland/Galleria have seen the largest increases in sublease space and sublease vacancies.

OVERALL VACANCY RATE



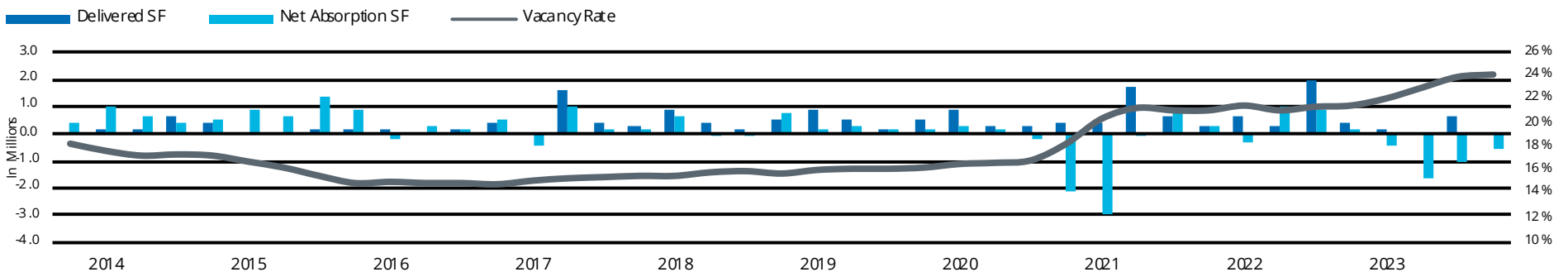
Source: CoStar, Transwestern

OVERALL ATLANTA VACANCY RATE BY CLASS



Source: CoStar, Transwestern

DELIVERY IMPACT ON KEY INDICATORS



Source: CoStar, Transwestern

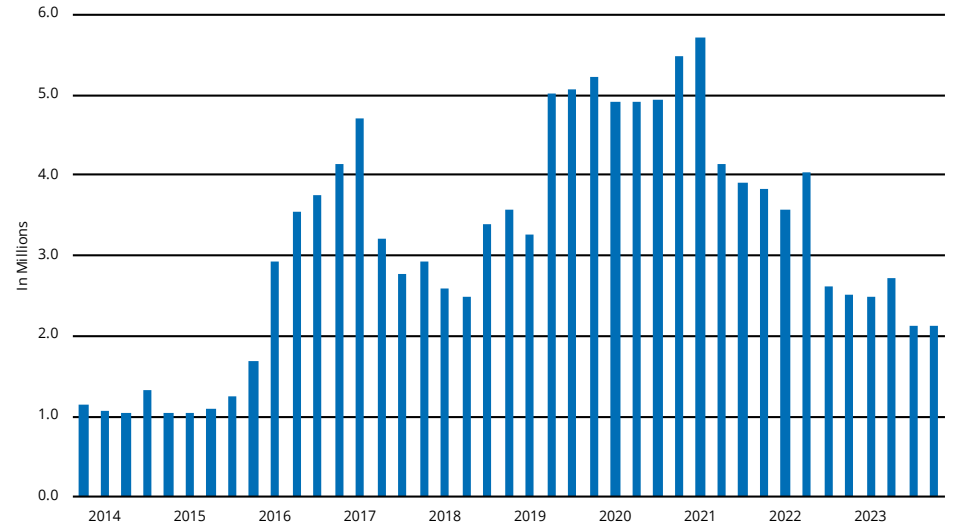


CONSTRUCTION

No Change to Construction Pipeline in Q4

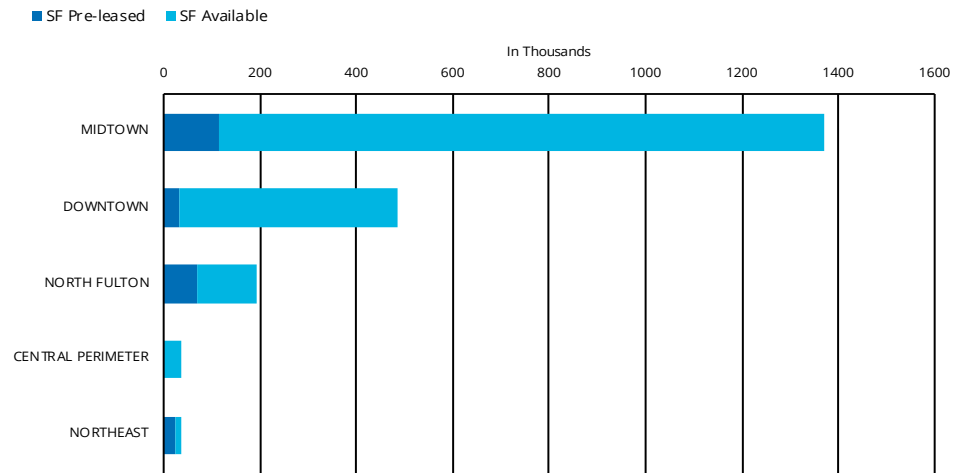
- After four deliveries totaling 601,817 SF in Q3 2023, there were no groundbreakings or deliveries in Q4. There are currently 13 buildings totaling just over 2.1 million SF under construction in the Atlanta office market. This is the least amount of space underway in Atlanta since 2015, and expected to go lower, with several major deliveries in the first half of 2024, and few anticipated groundbreakings.
- Q1 of 2024 is set to see two major projects deliver: 765 Echo and Southern Post. 765 Echo is located in the Echo Street West development in the West Midtown submarket. Developed by Lincoln Property Company, the 274,974 SF building is currently 0% pre-leased. Southern Post is a two-building development in the North Fulton submarket totaling a combined 104,233 SF. Located in downtown Roswell, the creative office project is unique to the submarket, and has already secured a lease with construction firm CA South.
- Over 60% of the space currently underway is located in the Midtown submarket. The most recent project in Midtown to break ground was at 1072 W Peachtree St where Rockefeller Group is building a 60-story tower, 8 floors of which (224,000 SF) will be office space.
- Approximately 12% of current under construction space in Atlanta is pre-leased.

UNDER CONSTRUCTION



Source: CoStar, Transwestern

UNDER CONSTRUCTION BY SUBMARKET



Source: CoStar, Transwestern

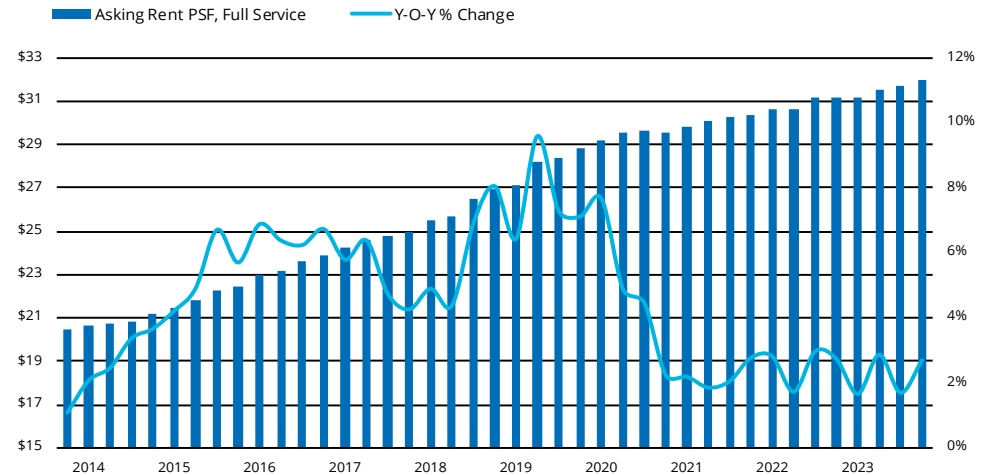


RENTAL RATES

Asking Rents See Small Q4 Rise

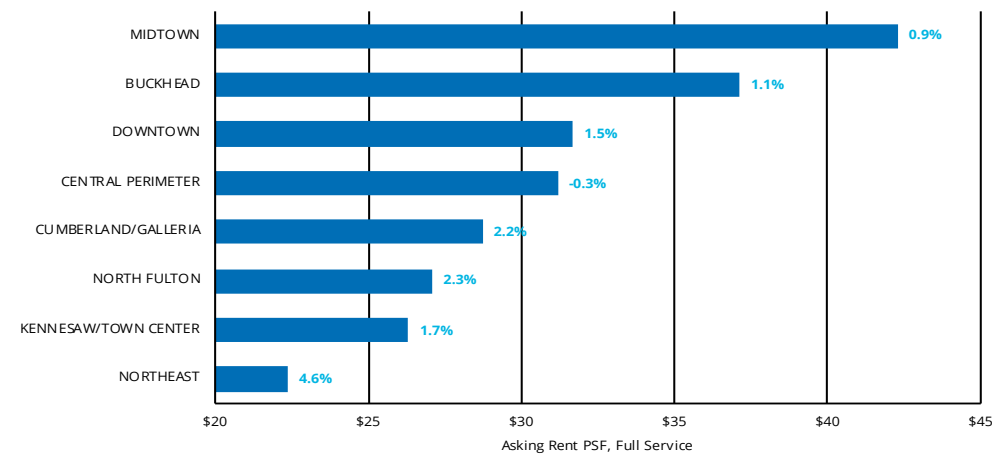
- Atlanta’s average asking rental rate rose \$0.30 during the fourth quarter of 2023 to an average of \$32.01 PSF. This was a 0.9% increase from Q3 and is a 2.7% rise across 2023.
- Rising rents goes largely against market sentiment, where landlords are feeling pressure to keep rates competitive to get deals done. These asking rents do not reflect the increased tenant improvement allowances and abated rent that landlords have had to concede to attract tenants and push deals across the finish line. The majority of rate increases have been in select suburban submarkets, while rates in in-town Atlanta have remained stagnant, and even fallen in embattled submarkets such as Central Perimeter.
- Northeast Atlanta, and Cumberland/Galleria have seen year-over-year rental rate increases of 4.6%, and 2.2% respectively. Rates have risen in these submarkets despite negative year-to-date absorption.
- Trends in the rest of Atlanta are more understandable considering the increased amounts of space being marketed: Downtown, Midtown, and Buckhead have seen rates remain relatively stagnant over the past year, while Central Perimeter has seen a \$0.10 drop across all property classes in 2023.
- Q4 2023 asking rents were highest in Midtown and Buckhead at \$42.28 and \$37.13, respectively. Midtown’s Class A asking rate was \$42.94 and Buckhead’s was at \$38.40.

ASKING RENT



Source: CoStar, Transwestern

ASKING RENTS BY SUBMARKET AND Y-O-Y GROWTH



Source: CoStar, Transwestern

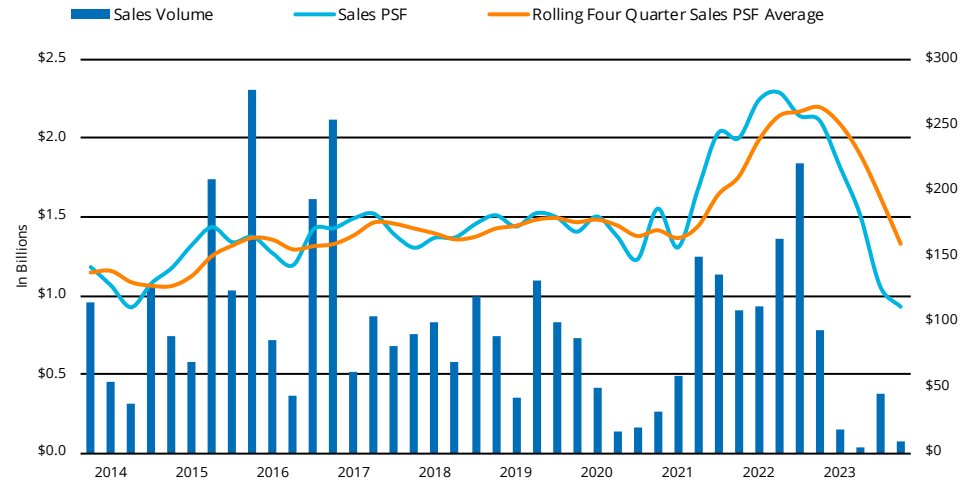


SALES

Slow Q4 as Office Market Is Still in a Period of Price Discovery

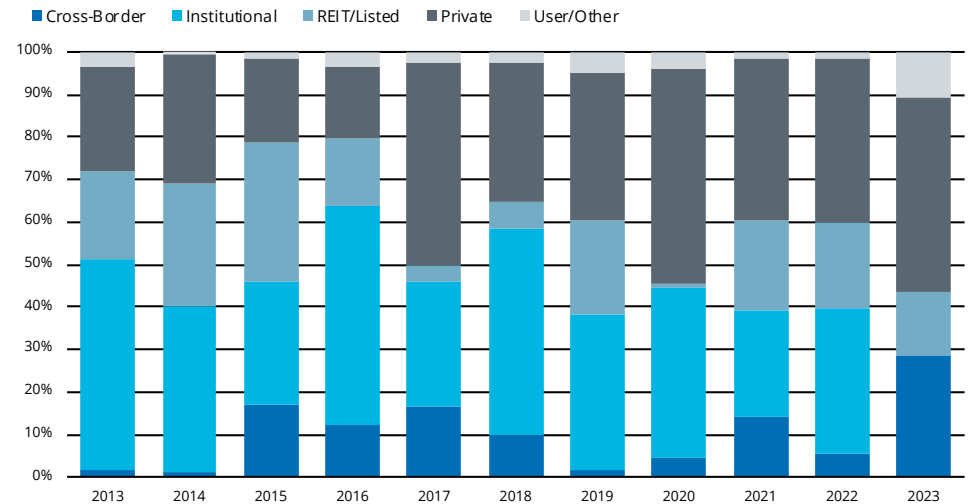
- Q4 2023 saw \$71 million in Atlanta office investment sales. This slow Q4 brings the total sales for 2023 to \$642 million, quite a step down from the \$4.9 billion transacted in 2022. Q3 had the most sales with \$376 million transacting.
- The highlight sale from Q4 2023 was at 100 Edgewood in the Downtown submarket. The Board of Regents of the University System of Georgia purchased the 306,000 SF Class B office building from Atlantic Companies on December 21 for \$33,967,575, or \$111/SF.
- The two biggest 2023 sales were at the Interlock in the Midtown submarket, and 3 Ravinia in Central Perimeter. Interlock traded for \$215 million in May, while 3 Ravinia was purchased by Estein USA for \$175 million in August.
- The office investment sales market is still in a period of price discovery, with elevated interest rates stifling activity across the office sector. With cap rates climbing and valuations declining, alongside debt maturities that are set to occur in 2024, opportunistic buyers will soon be able to purchase quality assets for considerable discounts.

SALES VOLUME



Source: Real Capital Analytics, Transwestern

BUYER CAPITAL COMPOSITION



Source: Real Capital Analytics, Transwestern



NOTABLE LEASES

TENANT	PROPERTY	SUBMARKET	TYPE	SF LEASED
UNITED STATES GSA	2233 Lake Park Dr	Cumberland/Galleria	New Lease	94,610
GE VERONA	Galleria 600	Cumberland/Galleria	New Lease	77,163
ONETRUST	Fourth Ward Tower 2	Downtown	New Lease	73,500
MURATA ELECTRONICS NORTH AMERICA	100 City View	Cumberland/Galleria	New Lease	50,171
TRIMONT REAL ESTATE ADVISORS	Two Alliance Center	Buckhead	New Lease	50,000
SOCIAL SECURITY ADMINISTRATION	Marquis One	Downtown	Renewal	31,775

= Transwestern deal

NOTABLE SALES

PROPERTY	SUBMARKET	SALES PRICE	BUILDING SF	PRICE PSF	BUYER	SELLER
THREE RAVINIA	Central Perimeter	\$175,000,000	816,748	\$214	Estein USA	Blackstone
100 EDGEWOOD	Downtown	\$33,967,575	306,000	\$111	University System of GA	Atlantic Companies
COBB CORPORATE CENTER	Kennesaw/Town Center	\$25,400,000	195,609	\$130	Westmount Realty Capital	TerraCap Management
30,35,190,192 TECHNOLOGY PKY	Northeast	\$23,975,000	247,208	\$97	SF Partners	TerraCap Management
CAMP CREEK 1500	South Atlanta	\$15,959,776	97,969	\$162	Easterly Government Properties	Hight Knox Properties
PARKVIEW ONE	North Fulton	\$8,500,000	166,994	\$51	David Weissmann	Macfarlan Capital Partners



MARKET INDICATORS

All Space | Fourth Quarter 2023

SUBMARKET	INVENTORY SF	DIRECT VACANT SF	DIRECT VACANCY RATE	SUBLEASE VACANT SF	OVERALL VACANCY RATE	UNDER CONSTRUCTION SF	NET ABSORPTION SF	YTD NET ABSORPTION SF	ASKING RENT PSF, FULL SERVICE
BUCKHEAD	21,446,683	5,596,150	26.1%	247,528	27.2%	0	(182,437)	(853,770)	\$37.13
MIDTOWN	26,131,396	5,898,874	22.6%	471,555	24.4%	1,371,437	(79,442)	(296,072)	\$42.28
DOWNTOWN	19,200,980	4,484,523	23.4%	165,365	24.2%	487,258	(55,595)	(534,329)	\$31.69
CENTRAL PERIMETER	24,499,398	5,839,703	23.8%	1,193,302	28.7%	35,656	(474,573)	(1,266,588)	\$31.18
NORTH FULTON	21,518,546	5,113,874	23.8%	570,857	26.4%	192,733	149,495	(306,273)	\$27.09
CUMBERLAND/GALLERIA	20,553,363	3,864,356	18.8%	481,128	21.1%	0	21,994	(111,593)	\$28.73
KENNESAW/TOWN CENTER	4,382,238	814,866	18.6%	183,726	22.8%	0	93,570	(18,142)	\$26.32
NORTHLAKE	11,661,641	2,673,433	22.9%	36,580	23.2%	0	(57,306)	(24,735)	\$25.24
NORTHEAST	14,779,498	2,612,010	17.7%	162,658	18.8%	35,580	92,226	(53,354)	\$22.37
SOUTH ATLANTA	6,243,230	516,363	8.3%	11,380	8.5%	0	(20,349)	80,358	\$22.14
WEST ATLANTA	1,508,172	578,196	38.3%	20,000	39.7%	0	6,927	90,476	\$34.25
TOTAL	171,925,145	37,992,348	22.1%	3,544,079	24.1%	2,122,664	(505,490)	(3,294,022)	\$32.01



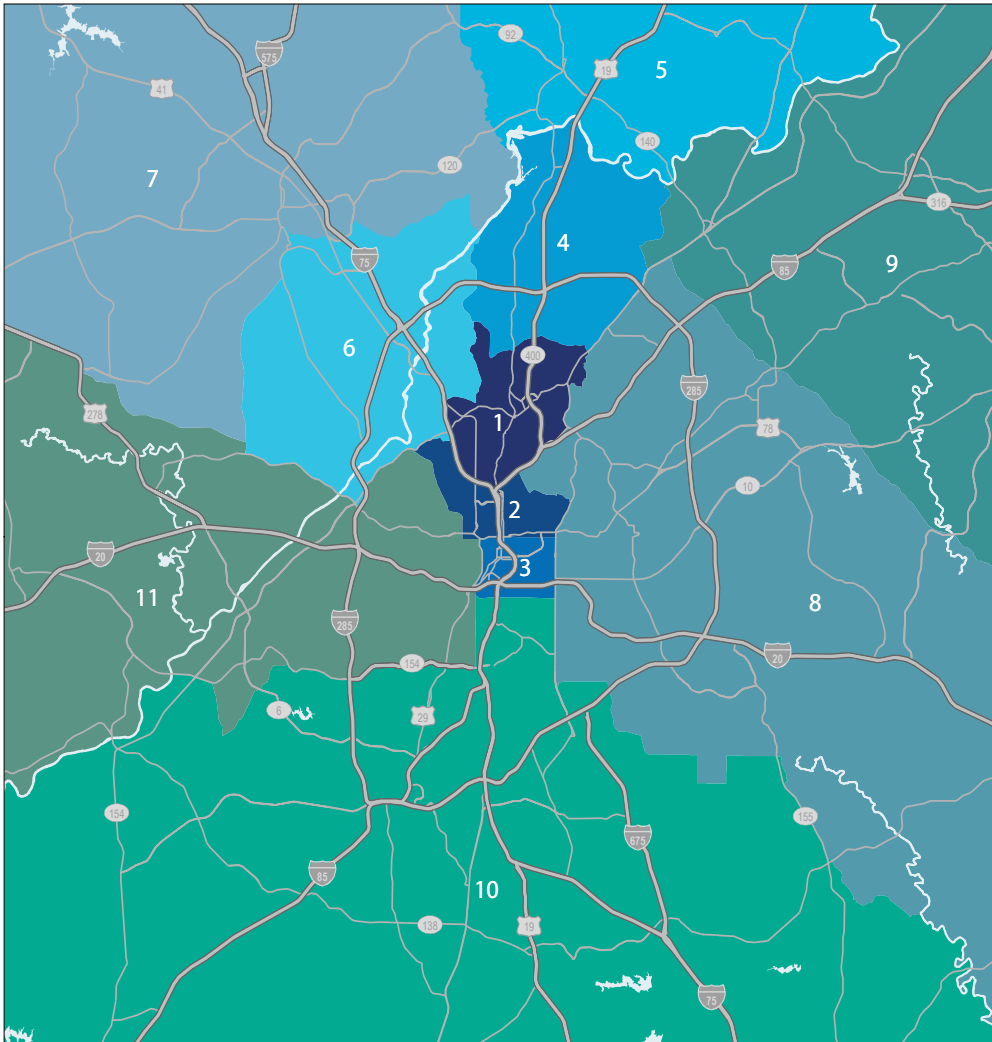
MARKET INDICATORS

Class A | Fourth Quarter 2023

SUBMARKET	INVENTORY SF	DIRECT VACANT SF	DIRECT VACANCY RATE	SUBLEASE VACANT SF	OVERALL VACANCY RATE	UNDER CONSTRUCTION SF	NET ABSORPTION SF	YTD NET ABSORPTION SF	ASKING RENT PSF, FULL SERVICE
BUCKHEAD	18,066,840	4,972,531	27.5%	240,864	28.9%	0	(180,030)	(789,483)	\$38.40
MIDTOWN	23,327,782	5,630,532	24.1%	406,853	25.9%	1,371,437	(82,065)	(310,120)	\$42.94
DOWNTOWN	14,251,107	4,004,667	28.1%	159,484	29.2%	487,258	(79,634)	(531,672)	\$31.91
CENTRAL PERIMETER	20,102,674	5,292,266	26.3%	1,079,858	31.7%	35,656	(484,243)	(1,124,355)	\$31.80
NORTH FULTON	13,978,839	3,932,790	28.1%	365,836	30.8%	104,233	75,553	(294,122)	\$28.28
CUMBERLAND/GALLERIA	13,310,527	2,827,503	21.2%	352,319	23.9%	0	(216,062)	(340,337)	\$30.68
KENNESAW/TOWN CENTER	1,304,790	246,218	18.9%	46,805	22.5%	0	20,005	(27,177)	\$28.75
NORTHLAKE	4,429,962	1,108,445	25.0%	9,384	25.2%	0	(13,522)	53,389	\$26.66
NORTHEAST	6,694,019	1,548,696	23.1%	46,933	23.8%	35,580	85,454	128,729	\$23.47
SOUTH ATLANTA	1,065,489	115,698	10.9%	9,428	11.7%	0	41,868	42,353	\$24.82
WEST ATLANTA	396,294	290,819	73.4%	0	73.4%	0	0	(17,434)	\$39.36
TOTAL	116,928,323	29,970,165	25.6%	2,717,764	28.0%	2,034,164	(832,676)	(3,210,229)	\$33.78

Class B | Fourth Quarter 2023

SUBMARKET	INVENTORY SF	DIRECT VACANT SF	DIRECT VACANCY RATE	SUBLEASE VACANT SF	OVERALL VACANCY RATE	UNDER CONSTRUCTION SF	NET ABSORPTION SF	YTD NET ABSORPTION SF	ASKING RENT PSF, FULL SERVICE
BUCKHEAD	3,379,843	623,619	18.5%	6,664	18.6%	0	(2,407)	(64,287)	\$29.15
MIDTOWN	2,803,614	268,342	9.6%	64,702	11.9%	0	2,623	14,048	\$27.18
DOWNTOWN	4,949,873	479,856	9.7%	5,881	9.8%	0	24,039	(2,657)	\$25.93
CENTRAL PERIMETER	4,396,724	547,437	12.5%	113,444	15.0%	0	9,670	(142,233)	\$24.17
NORTH FULTON	7,539,707	1,181,084	15.7%	205,021	18.4%	88,500	73,942	(12,151)	\$22.66
CUMBERLAND/GALLERIA	7,242,836	1,036,853	14.3%	128,809	16.1%	0	238,056	228,744	\$23.21
KENNESAW/TOWN CENTER	3,077,448	568,648	18.5%	136,921	22.9%	0	73,565	9,035	\$24.97
NORTHLAKE	7,231,679	1,564,988	21.6%	27,196	22.0%	0	(43,784)	(78,124)	\$24.07
NORTHEAST	8,085,479	1,063,314	13.2%	115,725	14.6%	0	6,772	(182,083)	\$20.87
SOUTH ATLANTA	5,177,741	400,665	7.7%	1,952	7.8%	0	(62,217)	38,005	\$20.99
WEST ATLANTA	1,111,878	287,377	25.8%	20,000	27.6%	0	6,927	107,910	\$29.64
TOTAL	54,996,822	8,022,183	14.6%	826,315	16.1%	88,500	327,186	(83,793)	\$23.91



Atlanta Office Submarkets

- 1 Buckhead
- 2 Midtown
- 3 Downtown
- 4 Central Perimeter
- 5 North Fulton
- 6 Cumberland/Galleria
- 7 Kennesaw/Town Center
- 8 Northlake/Decatur
- 9 Northeast
- 10 South Atlanta
- 11 West Atlanta

RESEARCH METHODOLOGY

The information in this report is the result of a compilation of information on key for lease office properties located in the Atlanta metropolitan area. We compile our quarterly statistics based on a defined inventory of Class A and B office buildings of 20,000 SF or more in size and excluding all medical, government, owner-occupied and office condo buildings.

FOR MORE INFORMATION

Spencer Papciak

Director of Research
 spencer.papciak@transwestern.com
 404 842 6585

ABOUT TRANSWESTERN

The privately held Transwestern companies have been delivering a higher level of personalized service and innovative real estate solutions since 1978. An integrated approach formed from fresh ideas drives value for clients across commercial real estate services, development, investment management and opportunistic programs for high-net-worth investors. The firm operates through 30+ U.S. offices and global alliances with BNP Paribas Real Estate and Devencore. Learn more at transwestern.com and [@Transwestern](https://twitter.com/Transwestern).