



TRANSWESTERN

ATLANTA OFFICE MARKET Q1 2024

TRENDLINES

	Q1 2024	Q1 2023	ONE-YEAR TREND	FIVE-YEAR AVERAGE	12-MONTH FORECAST
UNEMPLOYMENT RATE	2.9	3.0	↓	3.9	↑
NET ABSORPTION (THOUSANDS SF)	(303.2)	(420.6)	↓	(84.1)	↓
OVERALL VACANCY RATE	25.2%	22.7%	↑	20.5%	↑
OVERALL VACANT SF (MSF)	43.5	39.1	↑	34.5	↑
UNDER CONSTRUCTION (MSF)	2.0	2.5	↓	3.8	↓
ASKING RENT, FULL SERVICE (PSF)	\$32.00	\$31.33	↑	\$30.26	↓
SALES VOLUME (MILLIONS)	\$195	\$156	↓	\$652.0	↑

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

ATLANTA OFFICE MARKET SEES SLOW START TO 2024

After the worst absorption year on record in 2023, the embattled Atlanta office market posted another negative quarter to start of 2024 with negative absorption of 303,157 SF across Class A and B properties. Over the last four quarters Atlanta has lost over 3.4 million SF of space, one of the worst stretches in the market’s history.

In Q1 2024, Atlanta’s overall vacancy rate increased 40 basis points to 25.2%, while the Class A overall rate held steady, increasing just 10 basis points to 28.9%. Asking rents saw a small decrease of \$0.03 in Q1 of 2024. There were two deliveries totaling 290,000 SF in Q1 with more slated for the rest of 2024. With no groundbreakings so far in 2024, this marks the least amount of SF under construction in Atlanta since 2015.

Atlanta has seen a rapid increase in the amount of space available for sublease over the past three years, with 4.7% of all Atlanta office inventory currently on the sublease market, almost double the national average. While sublease availabilities have tripled across the market since the end of 2019, Atlanta has seen a decrease in sublease space of over 500,000 SF since Q3 of 2023. Unfortunately, this has more to do with leases rolling and converting to direct vacant space than subleases being signed.

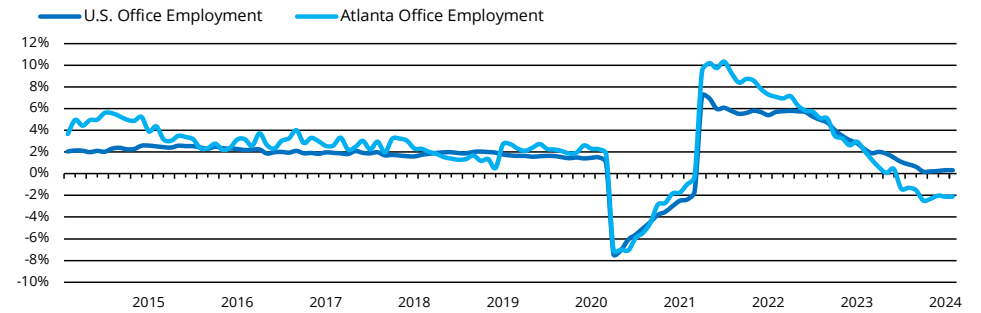


ECONOMY

Atlanta Adding Jobs but Losing Office Jobs

- Over the 12 months ending in February of 2024, the Atlanta metro area has added 30,100 nonfarm jobs. Within office-using jobs however, Atlanta has lost 19,100 jobs in the last year. The majority of this decline comes from the Information jobs sector, which is down 17.3% year-over-year. The other two sectors that make up the office-using jobs category are Financial Activities and Professional and Business Services, which have seen a 2.4% gain and 1.2% loss in jobs respectively over the same period.
- Atlanta had outpaced the national office using jobs numbers over the past few years as year-over-year growth gradually slowed until this recent reversal. Atlanta has seen a 2.1% loss in office-using jobs since February of 2023, while nationally the U.S. has seen a 0.3% gain in that period. This reversal seems quick compared to recent updates, but it is thanks to the downward revision of local data from mid-2023.
- Atlanta’s unemployment rate was 3.0% in February, solidly below the national rate of 3.8%.
- Atlanta continues to benefit from a diverse and well-educated workforce with no one industry dominating the economy.
- Jobs in Atlanta have increased by 7.4% since 2018, outpacing the national growth rate of 3.6% by 3.8%. Atlanta is expected to continue this growth in the coming years, led by production from top industries such as Transportation and Warehousing, Education, and Health Care.
- The Atlanta metro area is expected to increase its population by 4.7% between now and 2028, adding around 292,000 people. Since 2018 the metro area has grown by 332,000 people, a 5.6% increase.

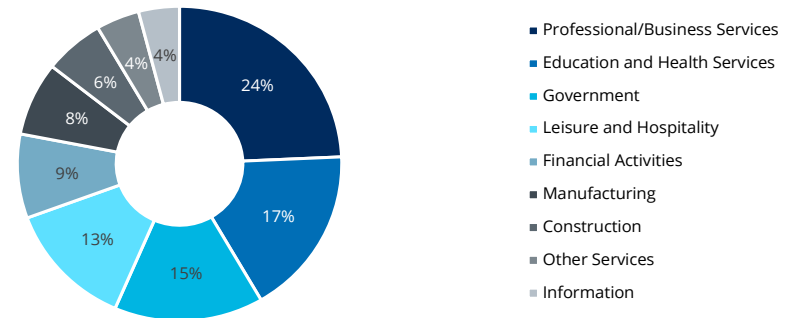
Y-O-Y CHANGE IN OFFICE JOBS



Source: Bureau of Labor Statistics, Transwestern

SHARE OF EMPLOYEES BY INDUSTRY

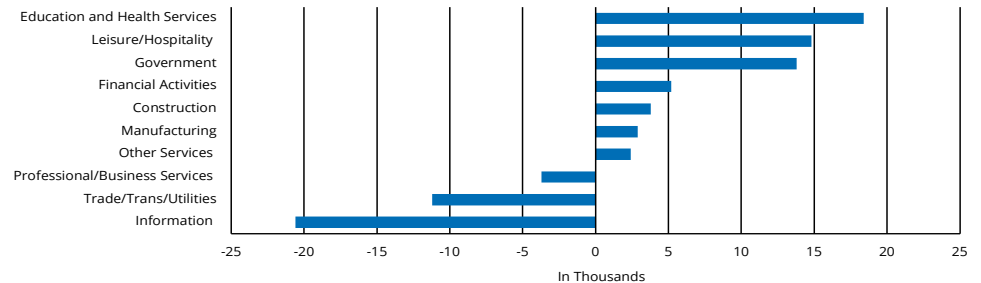
Atlanta | February 2024



Source: Bureau of Labor Statistics, Transwestern

Y-O-Y CHANGE IN JOBS BY INDUSTRY

Atlanta | February 2024



Source: Bureau of Labor Statistics, Transwestern

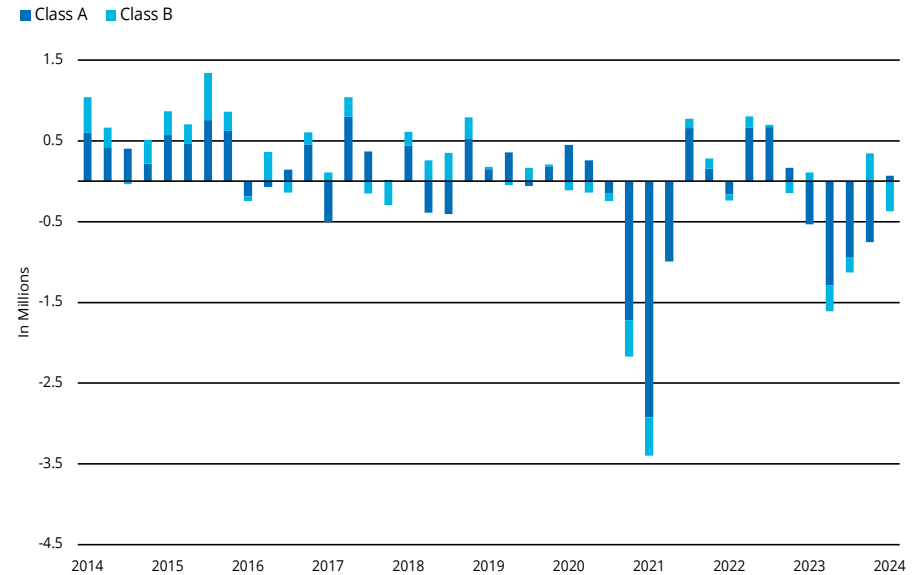


NET ABSORPTION

Negative Start to 2024 for Atlanta Office Absorption

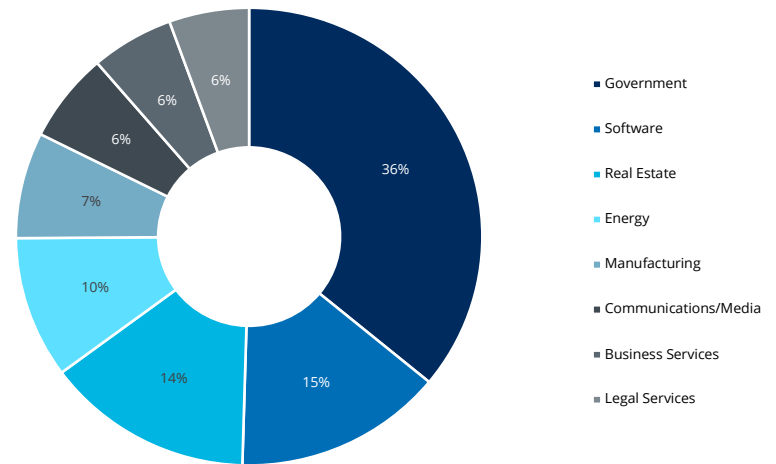
- The Atlanta office market saw negative absorption of 303,157 SF in Q1 of 2024, the fifth-straight negative quarter for the market. Over the last four quarters Atlanta has suffered negative absorption of 3,450,488 SF.
- Class A properties saw gains in Q1, with positive absorption of 70,371 SF. This was not enough to offset the poor Class B performance to start the year, which saw negative absorption of 373,528 SF.
- Midtown suffered the heaviest losses of the quarter, with negative absorption of 413,491 SF. This was the worst quarter for Midtown since Q1 of 2021, a submarket that has mostly been a bright spot over the past three years compared to the overall market performance. After positive absorption across both 2021 and 2022, Midtown has seen negative absorption of 789,488 SF over the past four quarters.
- Downtown and Central Perimeter led the way in Q1 2024 with positive absorption of 248,134 SF and 94,477 SF respectively. In total, five submarkets say gains while six suffered losses in Q1.
- Over the past four quarters four submarkets have had positive absorption: Downtown, Kennesaw/Town Center, South Atlanta, and West Atlanta. The latter two are small peripheral submarkets that don't have much affect on the overall market's numbers. Downtown (+69,584 SF) and Kennesaw/Town Center (+38,459 SF) are Atlanta's best performing submarkets year-over-year.

NET ABSORPTION BY CLASS



Source: CoStar, Transwestern

SHARE OF LEASING ACTIVITY BY INDUSTRY Q1 2024



Source: CoStar, Transwestern

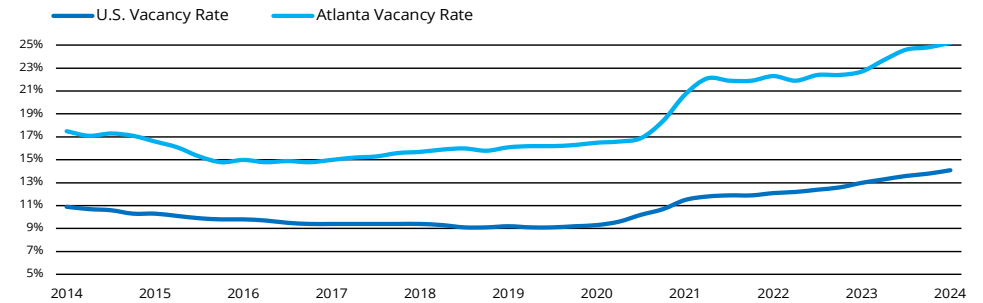


VACANCY

Atlanta's Vacancy Rises for Seventh Consecutive Quarter

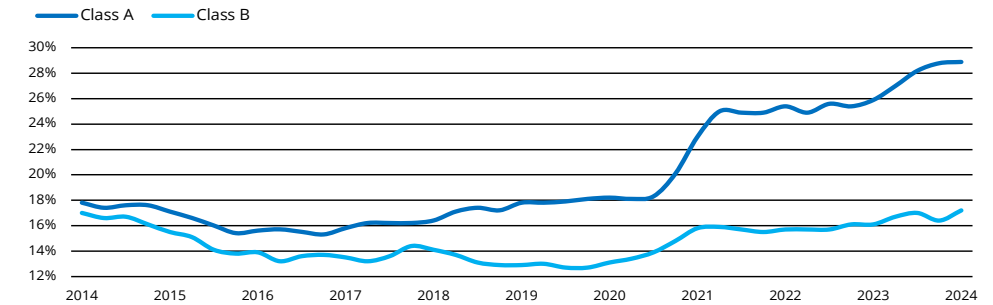
- Atlanta's overall vacancy rate rose 40 basis points in Q1 2024 to 25.2%. The Class A overall vacancy rose just 10 basis points from 28.8% to 28.9%, while the Class B overall vacancy rate rose 80 basis points from 16.4% to 17.2%.
- Atlanta's overall vacancy rate has risen 250 basis points since Q1 of 2023, a much larger increase than the 12 months prior, which saw just a 40 basis point rise in vacancy rate from Q1 2022 (22.3%) to Q1 2023 (22.7%).
- The market's direct vacancy rate sits at 23.2% across all property classes, while the Class A direct rate is at 26.7%.
- The amount of available sublease space in Atlanta has been the headline story for the last two years, with over 8.2 million SF of space on the sublease market. While this figure has increased year-over-year, the amount of available sublease space decreased in by over 500,000 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



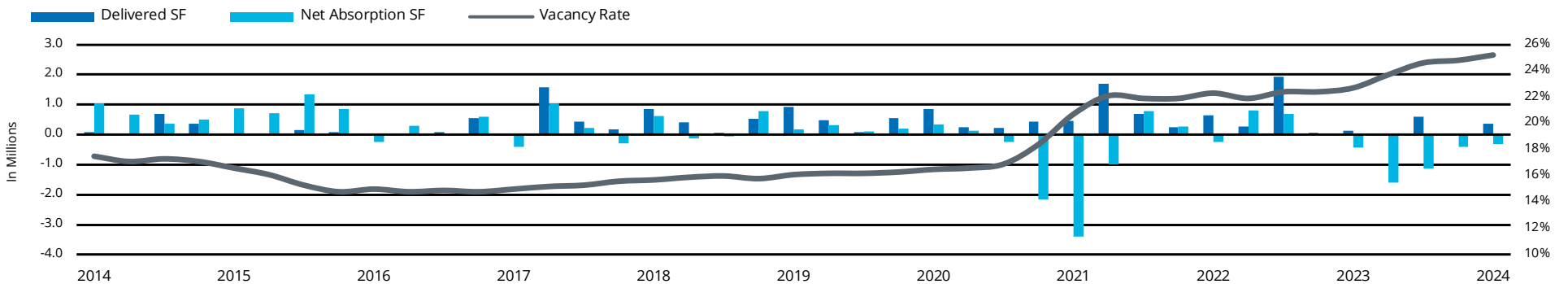
Source: CoStar, Transwestern

OVERALL ATLANTA VACANCY RATE BY CLASS



Source: CoStar, Transwestern

DELIVERY IMPACT ON KEY INDICATORS



Source: CoStar, Transwestern

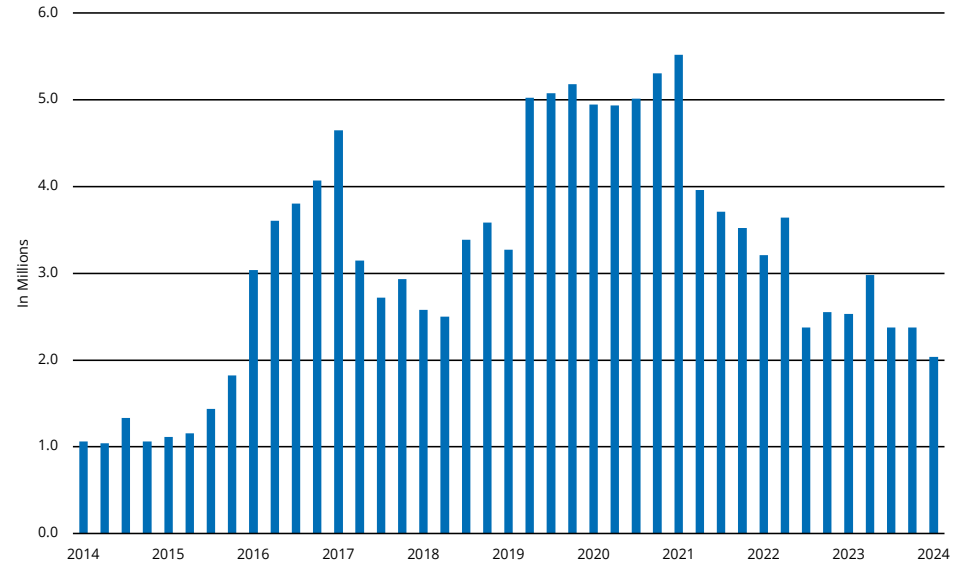


CONSTRUCTION

Two Buildings at Echo Street Deliver, No Groundbreakings in Q1

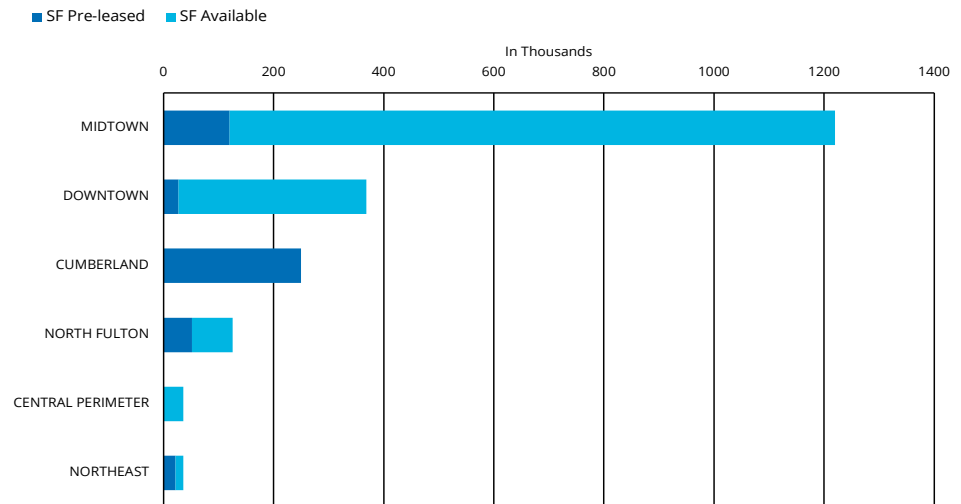
- Two separate buildings at Lincoln Property Company's Echo Street West development in West Midtown delivered in Q1 2024. 745 Echo (21,273 SF) and 765 Echo (274,974 SF) both delivered vacant to a submarket that has seen leasing struggles within its new product.
- The 295K sf of new deliveries comes on the heels of 0 SF delivered in Q4 of 2023, but 600k SF delivered in Q3. There are currently 12 buildings totaling just over 2 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 to come in 2024 and few anticipated groundbreakings.
- Southern Post, a two-building development in the North Fulton submarket totaling a combined 104,233 SF, is slated for a Q2 2024 delivery. Located in downtown Roswell, the creative office project is unique to the submarket, and is already approximately 60% pre-leased, having secured leases with Vestis and CA South.
- 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 15% of current under construction space in Atlanta is pre-leased.

UNDER CONSTRUCTION



Source: CoStar, Transwestern

UNDER CONSTRUCTION BY SUBMARKET



Source: CoStar, Transwestern

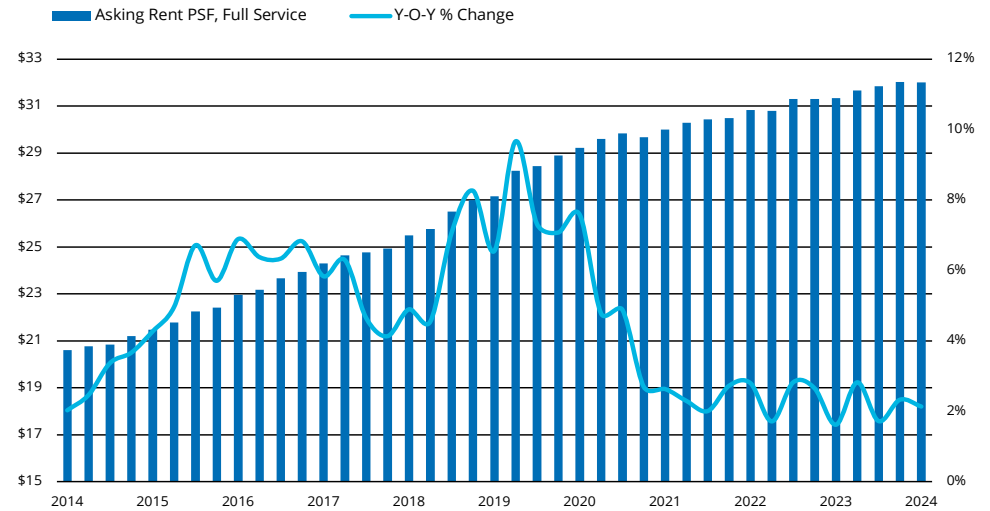


RENTAL RATES

Asking Rents See Slight Decline in Q1

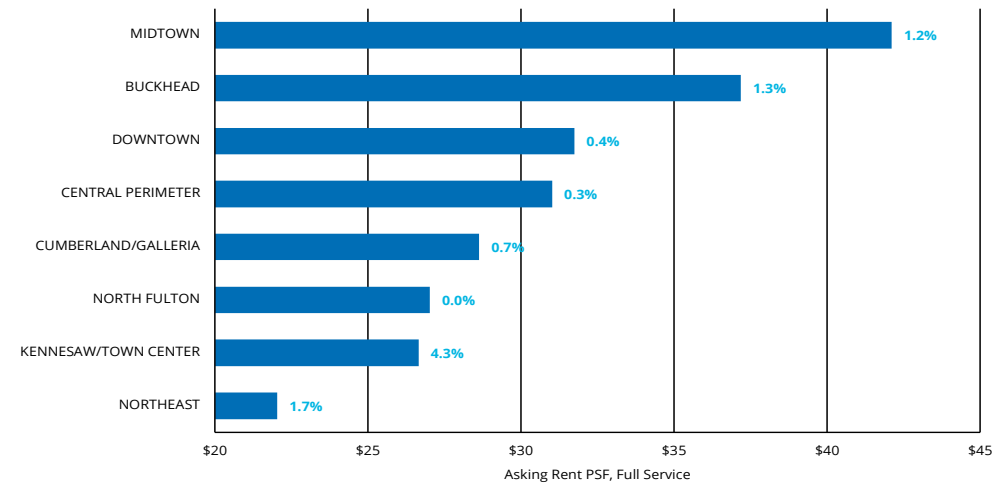
- Atlanta’s average asking rental rate fell \$0.03 during the first quarter of 2024 to an average of \$32.00 PSF. This was a 0.1% fall from Q4 and a 2.1% rise year-over-year.
- Even with the small decrease in Q1 2024, the trend in rental rates goes largely against market sentiment, where landlords are 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. In-town submarkets have seen small increases over the past year, while rates have stagnated and begun to fall in embattled suburban submarkets such as North Fulton and Central Perimeter.
- Kennesaw/Town Center and Northeast Atlanta have seen year-over-year rental rate increases of 4.3%, and 1.7% respectively, the biggest risers across the Atlanta market.
- Q1 2024 asking rents were highest in Midtown and Buckhead at \$42.11 and \$37.18, respectively. Midtown’s Class A asking rate was \$42.82 and Buckhead’s was at \$38.42.

ASKING RENT



Source: CoStar, Transwestern

ASKING RENTS BY SUBMARKET AND Y-O-Y GROWTH



Source: CoStar, Transwestern

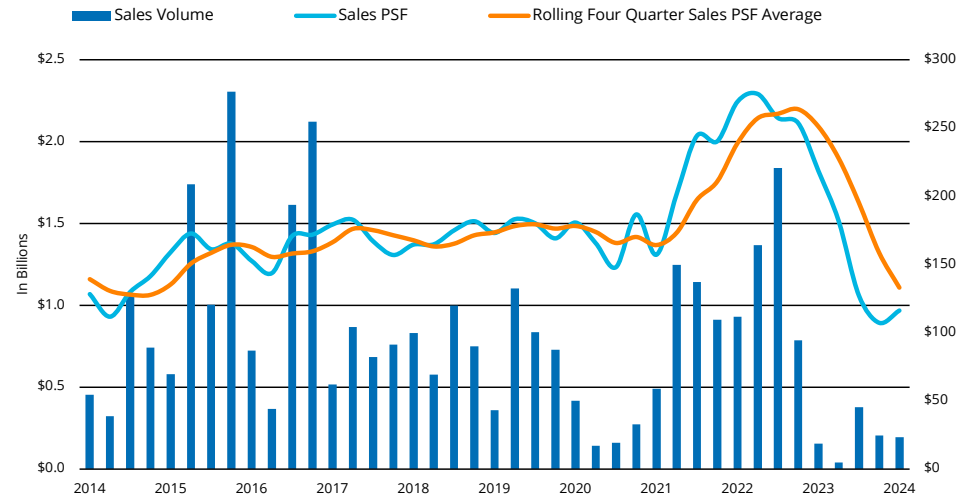


SALES

Slow Q1 for Atlanta, Owner-User Sales on the Rise

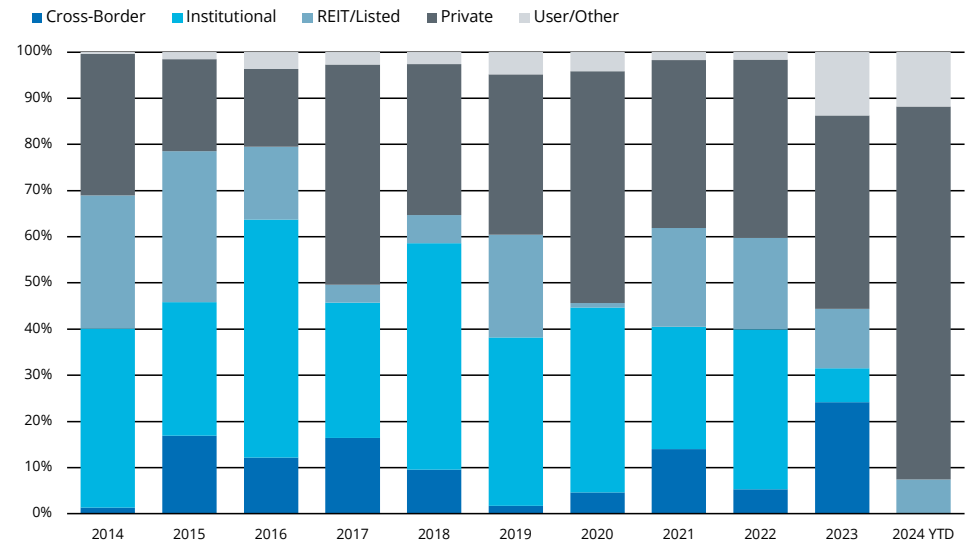
- Q1 2024 saw \$194 million in Atlanta office investment sales. Atlanta finished 2023 with \$755 million in sales, quite a step down from the \$4.9 billion transacted in 2022.
- One of the highlights from Q1 2024 was the sale of 200 Barrett Summit at 1990 Vaughn Rd in the Kennesaw/Town Center submarket. An owner-user sale, Ser Familia acquired the 80,250 SF building from Lincoln Property Company for \$126 PSF. Lincoln purchased the building as a part of a 3 property portfolio in 2022 for \$60 PSF. While not the largest deal, this continues a trend of companies looking to acquire their own property as an owner-user.
- The two biggest sales in Atlanta over the last 12 months were at the Interlock in the Midtown submarket, and 3 Ravinia in Central Perimeter. Interlock traded for \$215 million in May 2023, while 3 Ravinia was purchased by Estein USA for \$175 million in August 2023.
- 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
GEORGIA DEPARTMENT OF REVENUE	2500 Century Center	Northlake	New Lease	118,084
WORKDAY	3350 Peachtree	Buckhead	Renewal	111,576
POND & COMPANY	3500 Parkway Lane	Northeast	Renewal	101,891
VESTIS CORPORATION	Southern Post	North Fulton	New Lease	45,091
ASSURANCE AMERICA	Galleria 100	Cumberland	New Lease	24,974
CARDLYTICS	Ponce City Market	Midtown	New Lease	16,787

= Transwestern deal

NOTABLE SALES

PROPERTY	SUBMARKET	SALES PRICE	BUILDING SF	PRICE PSF	BUYER	SELLER
100 EDGEWOOD	Downtown	\$33,967,575	306,000	\$111	University System of GA	Atlantic Companies
6405 SUGARLOAF PKY	Northeast	\$23,500,000	142,919	\$164	JMS Family Holdings	Georgia Baptist Mission Board
1455 LINCOLN PKY E	Central Perimeter	\$14,550,000	186,846	\$78	Innova Solutions	Parmenter Realty Partners
200 BARRETT SUMMIT	Kennesaw/Town Center	\$10,000,000	80,250	\$125	Ser Familia	Lincoln Property Company
PARKVIEW ONE	North Fulton	\$8,500,000	166,994	\$51	David Weissmann	Macfarlan Capital Partners
LAKEWOOD II	Cumberland	\$8,100,000	122,797	\$66	HC Government Realty Trust	Noro Management



MARKET INDICATORS

All Space | Q1 2024

SUBMARKET	INVENTORY SF	DIRECT VACANT SF	DIRECT VACANCY RATE	SUBLEASE VACANT SF	OVERALL VACANCY RATE	UNDER CONSTRUCTION SF	NET ABSORPTION SF	YOY NET ABSORPTION SF	ASKING RENT PSF, FULL SERVICE
BUCKHEAD	21,446,682	5,613,148	26.2%	294,971	27.5%	0	469	(969,052)	\$37.18
MIDTOWN	26,379,651	6,906,971	26.2%	499,358	28.1%	1,220,186	(413,491)		\$42.11
DOWNTOWN	19,617,557	4,974,988	25.4%	165,639	26.2%	368,258	248,134	69,584	\$31.74
CENTRAL PERIMETER	25,058,906	6,258,781	25.0%	1,163,170	29.6%	35,656	94,477	(942,904)	\$31.01
NORTH FULTON	21,638,312	5,353,680	24.7%	604,100	27.5%	125,233	(169,890)	(593,294)	\$27.02
CUMBERLAND/GALLERIA	20,564,713	3,987,328	19.4%	320,610	20.9%	250,000	37,546	(91,350)	\$28.63
KENNESAW/TOWN CENTER	4,161,400	711,252	17.1%	162,034	21.0%	0	28,607	38,459	\$26.65
NORTHLAKE	11,673,686	2,721,286	23.3%	33,902	23.6%	0	(23,255)	(59,452)	\$25.54
NORTHEAST	14,808,249	2,716,923	18.3%	117,386	19.1%	35,580	(87,052)	(175,570)	\$22.03
SOUTH ATLANTA	6,221,474	534,719	8.6%	11,380	8.8%	0	(18,356)	27,839	\$22.65
WEST ATLANTA	1,298,612	338,464	26.1%	20,000	27.6%	0	(346)	34,740	\$33.94
TOTAL	172,869,242	40,117,540	23.2%	3,392,550	25.2%	2,034,913	(303,157)	(2,661,000)	\$32.00



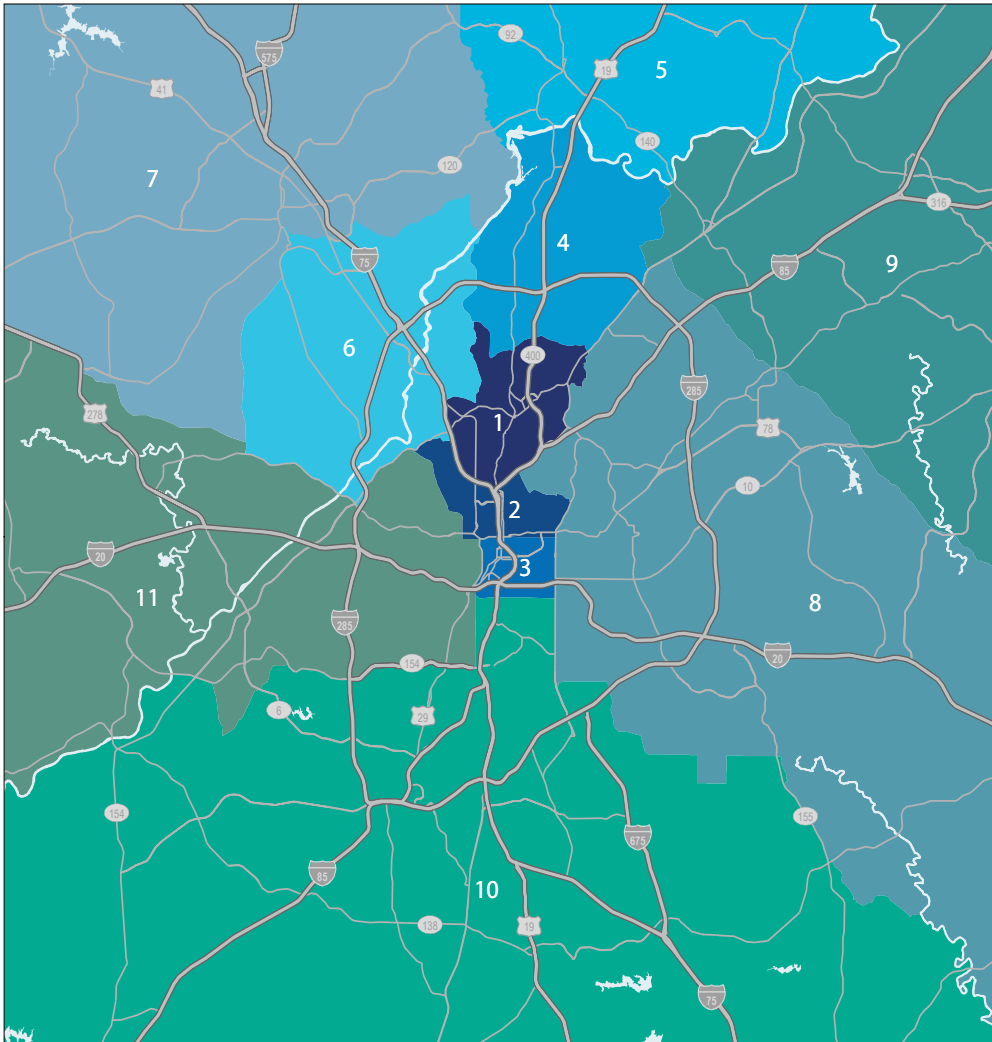
MARKET INDICATORS

Class A | Q1 2024

SUBMARKET	INVENTORY SF	DIRECT VACANT SF	DIRECT VACANCY RATE	SUBLEASE VACANT SF	OVERALL VACANCY RATE	UNDER CONSTRUCTION SF	NET ABSORPTION SF	YOY NET ABSORPTION SF	ASKING RENT PSF, FULL SERVICE
BUCKHEAD	17,846,823	4,971,637	27.9%	277,433	29.4%	0	29,235	(858,130)	\$38.42
MIDTOWN	23,473,404	6,560,682	27.9%	436,123	29.8%	1,220,186	(341,220)	(644,265)	\$42.82
DOWNTOWN	14,236,122	4,143,905	29.1%	154,442	30.2%	368,258	264,976	120,139	\$31.86
CENTRAL PERIMETER	21,096,980	5,825,105	27.6%	1,067,782	32.7%	35,656	90,005	(867,596)	\$31.62
NORTH FULTON	14,319,292	4,083,904	28.5%	378,699	31.2%	104,233	(132,551)	(544,848)	\$28.23
CUMBERLAND/GALLERIA	13,321,877	2,850,060	21.4%	172,151	22.7%	250,000	157,611	(181,415)	\$30.31
KENNESAW/TOWN CENTER	1,327,761	242,700	18.3%	46,805	21.8%	0	3,518	(27,026)	\$28.75
NORTHLAKE	4,461,482	1,230,249	27.6%	15,793	27.9%	0	(100,349)	(61,680)	\$26.77
NORTHEAST	6,646,477	1,448,126	21.8%	56,277	22.6%	35,580	72,583	78,433	\$23.45
SOUTH ATLANTA	969,733	50,795	5.2%	9,428	6.2%	0	27,322	60,763	\$24.60
WEST ATLANTA	137,434	32,718	23.8%	0	23.8%	0	(759)	16,816	\$38.98
TOTAL	117,837,385	31,439,881	26.7%	2,614,933	28.9%	2,013,913	70,371	(2,908,809)	\$33.77

Class B | Q1 2024

SUBMARKET	INVENTORY SF	DIRECT VACANT SF	DIRECT VACANCY RATE	SUBLEASE VACANT SF	OVERALL VACANCY RATE	UNDER CONSTRUCTION SF	NET ABSORPTION SF	YOY NET ABSORPTION SF	ASKING RENT PSF, FULL SERVICE
BUCKHEAD	3,599,859	641,511	17.8%	17,538	18.3%	0	(28,766)	(110,922)	\$29.60
MIDTOWN	2,906,247	346,289	11.9%	63,235	14.1%	0	(72,271)	(145,223)	\$26.76
DOWNTOWN	5,381,435	831,083	15.4%	11,197	15.7%	0	(16,842)	(50,555)	\$29.02
CENTRAL PERIMETER	3,961,926	433,676	10.9%	95,388	13.4%	0	4,472	(75,308)	\$23.00
NORTH FULTON	7,319,020	1,269,776	17.3%	225,401	20.4%	21,000	(37,339)	(48,446)	\$22.55
CUMBERLAND/GALLERIA	7,242,836	1,137,268	15.7%	148,459	17.8%	0	(120,065)	90,065	\$23.48
KENNESAW/TOWN CENTER	2,833,639	468,552	16.5%	115,229	20.6%	0	25,089	65,485	\$25.07
NORTHLAKE	7,212,204	1,491,037	20.7%	18,109	20.9%	0	77,094	2,228	\$24.56
NORTHEAST	8,161,772	1,268,797	15.5%	61,109	16.3%	0	(159,635)	(254,003)	\$20.40
SOUTH ATLANTA	5,251,741	483,924	9.2%	1,952	9.3%	0	(45,678)	(32,924)	\$22.28
WEST ATLANTA	1,161,178	305,746	26.3%	20,000	28.1%	0	413	17,924	\$30.05
TOTAL	55,031,857	8,677,659	15.8%	777,617	17.2%	21,000	(373,528)	(541,679)	\$23.94



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 INFORMATION

SPENCER PAPCIAK

Director of Research - Southeast
 spencer.papciak@transwestern.com
 404.842.6585