



ATLANTA OFFICE MARKET

Q2 2024

TRENDLINES

	Q2 2024	Q2 2023	ONE-YEAR TREND	FIVE-YEAR AVERAGE	12-MONTH FORECAST
UNEMPLOYMENT RATE	3.1	3.1	↔	3.8	↑
NET ABSORPTION (THOUSANDS SF)	(217.5)	(1804.7)	↓	(94.8)	↓
OVERALL VACANCY RATE	26.0%	23.9%	↑	21.1%	↑
OVERALL VACANT SF (MSF)	45.0	41.0	↑	35.6	↑
UNDER CONSTRUCTION (MSF)	1.6	3.0	↓	3.8	↓
ASKING RENT, FULL SERVICE (PSF)	\$32.01	\$31.67	↑	\$30.48	↓
SALES VOLUME (MILLIONS)	\$219	\$40	↑	\$644.6	↑

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

SLOW 2024 CONTINUES FOR ATLANTA WITH NEGATIVE Q2

After the worst absorption year on record in 2023, the Atlanta office market has gotten off to a slow start to 2024. Q2 continued the slide, seeing negative absorption of 217,451 SF across Class A and B properties. Since the start of 2023 Atlanta has lost over 4.8 million SF of space, one of the worst stretches in the market's history.

In Q2 2024, Atlanta's overall vacancy rate increased 30 basis points to 26.0%, with the Class A vacancy rate rising 50 basis points from 29.2% to 29.7%. Asking rents saw a small increase of \$0.02 in Q2 of 2024. Three buildings delivered totaling 508,641 SF in Q2 with more anticipated deliveries in the second half of 2024. With no groundbreakings so far in 2024, this marks the least amount of SF under construction in Atlanta since 2015.

The amount of space available for sublease has continued to rise, despite some deals getting done, and other subleases rolling and converting to direct vacant space. Atlanta has added a further 500,000 SF to the sublease market in 2024, moving the total availabilities to 4.9% of all existing Class A and B inventory—over 8.5 million SF.

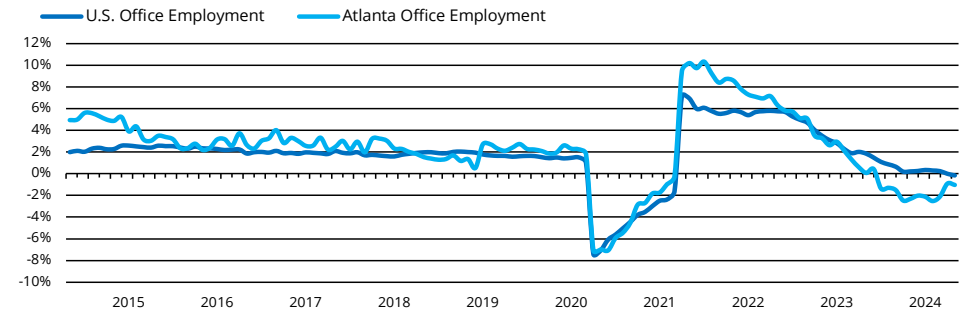


ECONOMY

Atlanta, U.S. Losing Office-Using Jobs

- Over the 12 months ending in May of 2024, the Atlanta metro area has added 37,000 nonfarm jobs. Within office-using jobs however, Atlanta has lost 9,800 jobs in the last year. The majority of this decline comes from the Information jobs sector, which is down 10.3% 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 2.8% gain and 0.4% 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 1.0% loss in office-using jobs since May of 2023, while nationally the U.S. has seen a 0.2% loss 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 3.4% in May, below the national rate of 4.1%.
- Atlanta continues to benefit from a diverse and well-educated workforce with no one industry dominating the economy.
- Jobs in Atlanta have increased by 7.9% since 2018, outpacing the national growth rate of 4.3% by 3.6%. 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 5.3% between now and 2028, adding around 335,000 people. Since 2018 the metro area has grown by 346,000 people, a 5.8% increase.

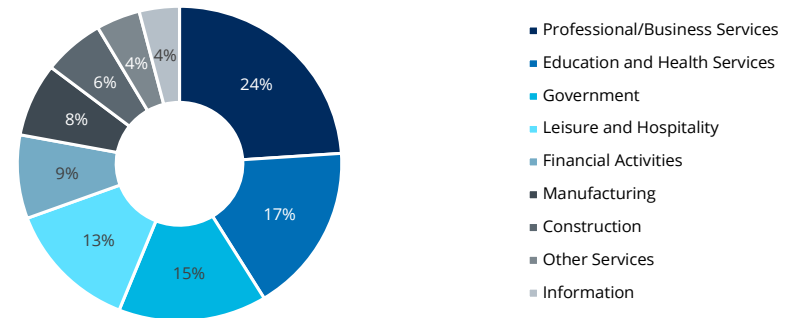
Y-O-Y CHANGE IN OFFICE JOBS



Source: Bureau of Labor Statistics, Transwestern

SHARE OF EMPLOYEES BY INDUSTRY

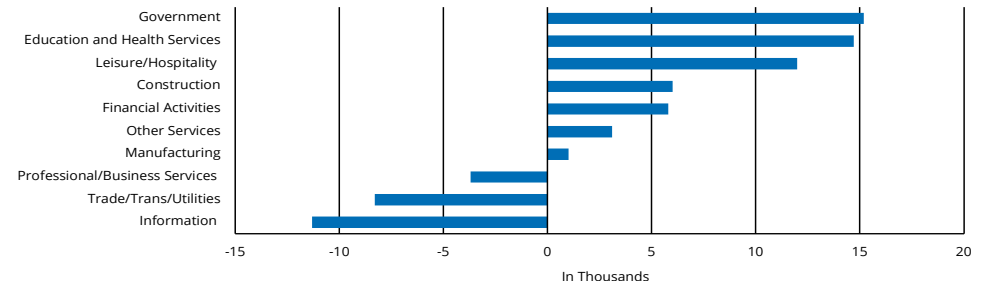
Atlanta | MAY 2024



Source: Bureau of Labor Statistics, Transwestern

Y-O-Y CHANGE IN JOBS BY INDUSTRY

Atlanta | MAY 2024



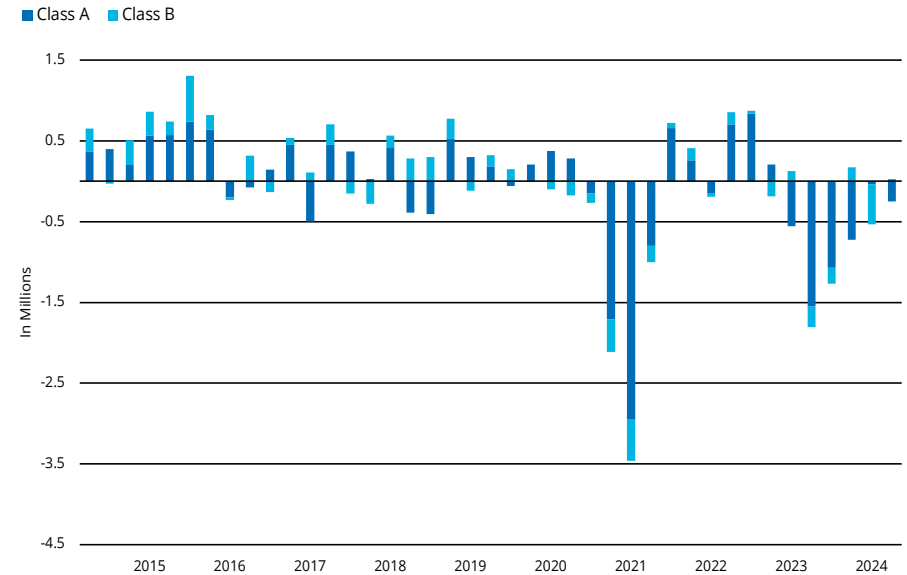


NET ABSORPTION

2024 Continues on Downward Trend for Atlanta Office Absorption

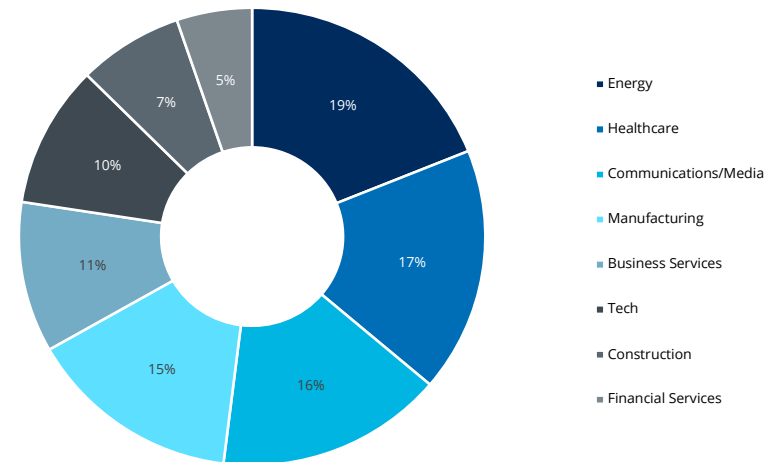
- The Atlanta office market saw negative absorption of 217,451 SF in Q2 of 2024, the sixth-straight negative quarter for the market. Year-to-date, Atlanta has suffered negative absorption of 753,457 SF.
- Class A properties saw losses in Q2, with negative absorption of 282,572 SF. Class B space was slightly positive in Q2 after a bad Q1, gaining 31,050 SF.
- For the second-consecutive quarter Midtown suffered the heaviest losses across the market, with negative absorption of 232,611 SF in Q2 2024. Year-to-date the submarket has lost 702,457 SF, the worst two quarter stretch for Midtown since Q4 2020-Q1 2021. AT&T was once again the culprit of a big move out, vacating 225,850 SF at 754 Peachtree St.
- Kennesaw/Town Center and Northeast led the way in Q2 2024 with positive absorption of 72,494 SF and 61,830 SF respectively. In total, six submarkets saw gains while five suffered losses in Q2.
- Over the past four quarters year-over-year only two submarkets have had positive absorption: Kennesaw/Town Center and West Atlanta. The latter is a peripheral submarket that doesn't have much effect on the overall market's numbers, while Kennesaw/Town Center is on the smaller side as well. With 4.1 million SF of inventory, the suburban submarket has seen positive absorption of 155,855 SF year-over-year.

NET ABSORPTION BY CLASS



Source: CoStar, Transwestern

SHARE OF LEASING ACTIVITY BY INDUSTRY Q2 2024



Source: CoStar, Transwestern

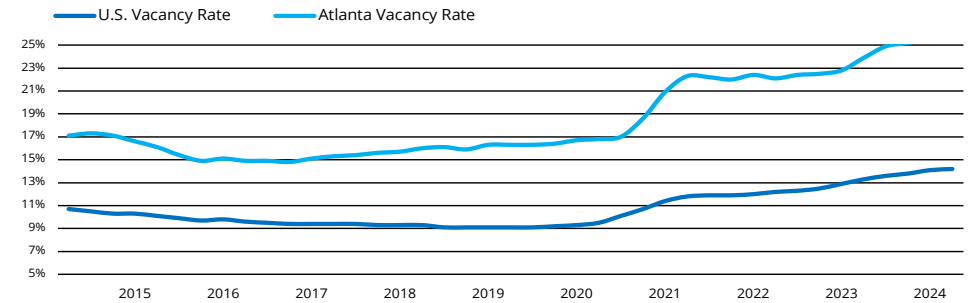


VACANCY

Atlanta's Vacancy Rises for Eighth Consecutive Quarter

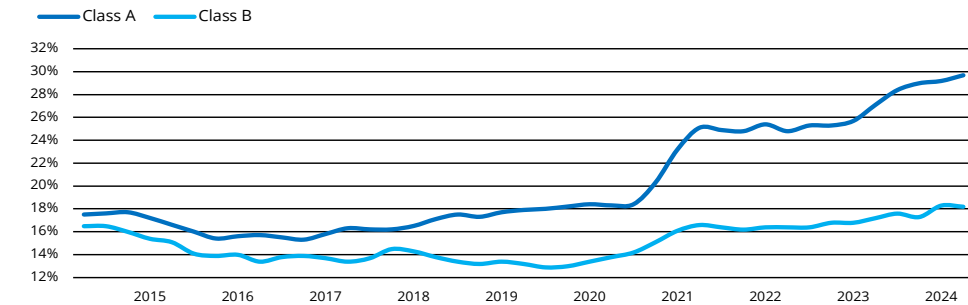
- Atlanta's overall vacancy rate rose 30 basis points in Q2 2024 to 26.0%. The Class A overall vacancy jumped 50 basis points from 29.2% to 29.7%, while the Class B overall vacancy rate fell slightly from 18.3% to 18.2%.
- Atlanta's six-consecutive quarters of negative absorption have not helped the market's vacancy rate, but another factor has been the delivery of vacant space. Thus far in 2024, five buildings totaling 851,115 SF have delivered at a combined 90.7% vacant. This is a continuing problem for Atlanta: since the start of 2023, 11 buildings totaling over 1.6 million square feet have delivered and are still 74.3% vacant.
- The market's direct vacancy rate sits at 24.0% across all property classes, while the Class A direct rate is at 27.4%.
- The amount of available sublease space in Atlanta has been the headline story for the last two years, with over 8.5 million SF of space on the sublease market. 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



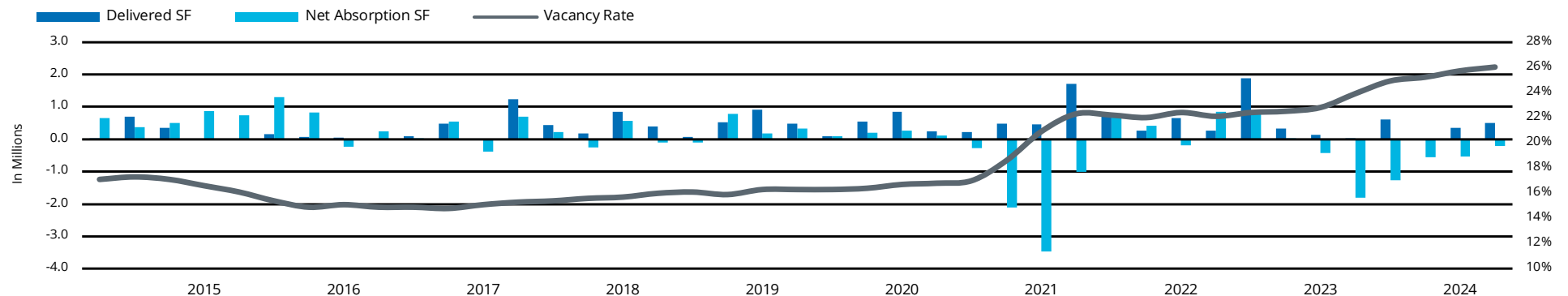
Source: CoStar, Transwestern

OVERALL ATLANTA VACANCY RATE BY CLASS



Source: CoStar, Transwestern

DELIVERY IMPACT ON KEY INDICATORS



Source: CoStar, Transwestern

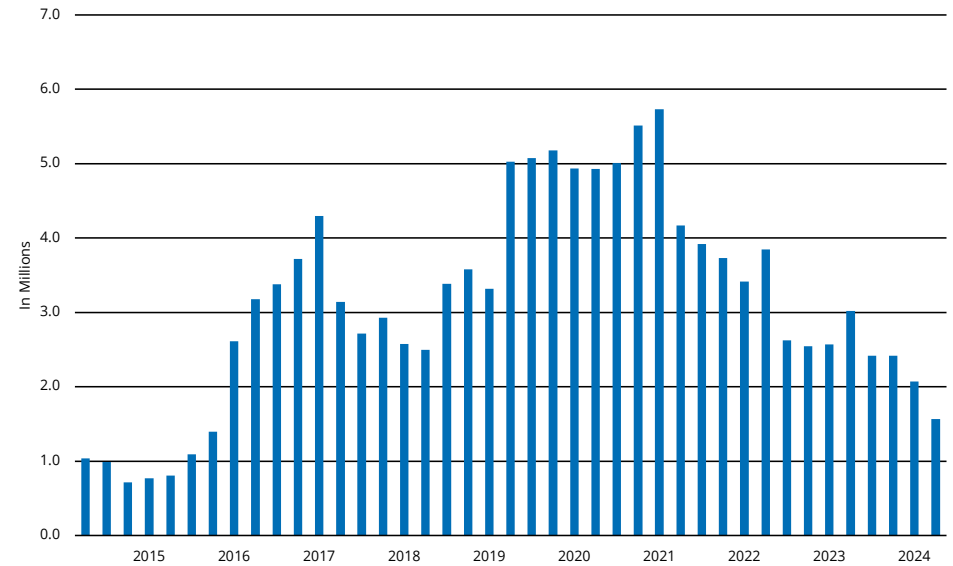


CONSTRUCTION

Three Buildings Deliver in Q2, More on the Horizon

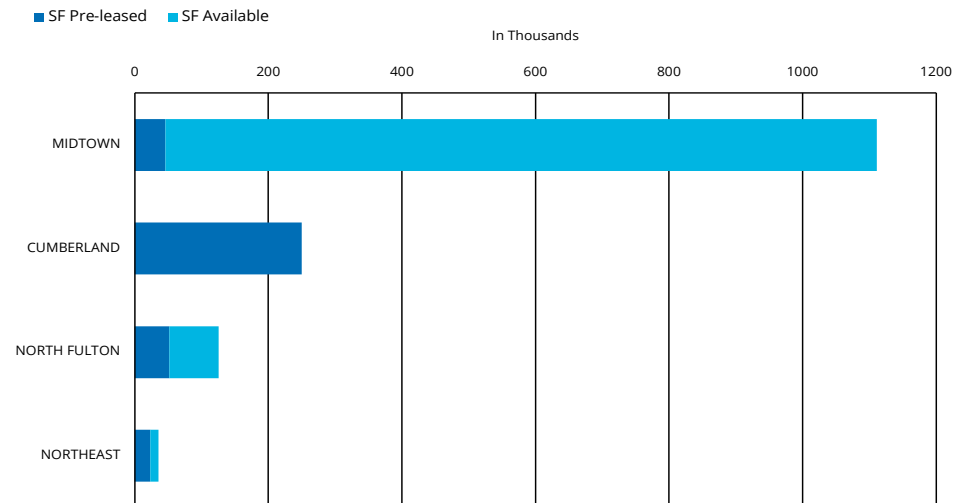
- Three buildings delivered in Q2 of 2024: High Street Loft Office 1A, Science Square Labs, and 619 Ponce de Leon Ave. High Street Loft Office 1A is the 35,656 SF office component of GID's High Street mixed-use project in Central Perimeter. Science Square Labs is a 368,258 SF office/life science building in Downtown developed by the Trammell Crow Company and connected to Georgia Tech. Finally, 619 Ponce is the newest office component of Ponce City Market in Midtown on the Eastside BeltLine Trail. This 4 story, 104,727 SF building developed by Jamestown is already 71% leased.
- The 508k SF of new deliveries come on the heels of a further 342k SF delivered in Q1 of 2024, bringing the total space under construction in the Atlanta market to 1.56 million SF across 10 buildings. This is the least amount of space underway in Atlanta since 2015, and is expected to go lower, with Southern Post, 1050 Brickworks, and 1570 McFarland Pky all expected to deliver in Q3 of 2024.
- 73% 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 24% of current under construction space in Atlanta is pre-leased.

UNDER CONSTRUCTION



Source: CoStar, Transwestern

UNDER CONSTRUCTION BY SUBMARKET



Source: CoStar, Transwestern

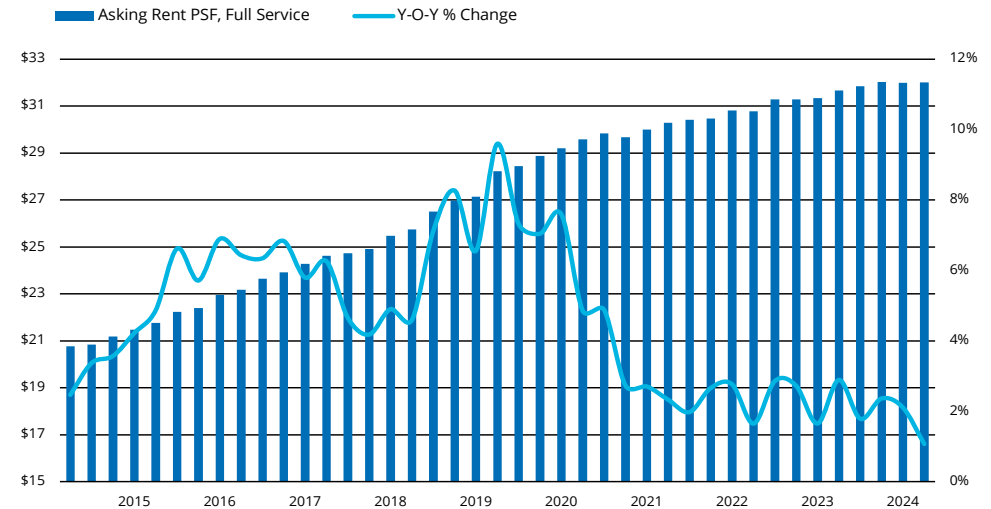


RENTAL RATES

Asking Rents Flat in 2024

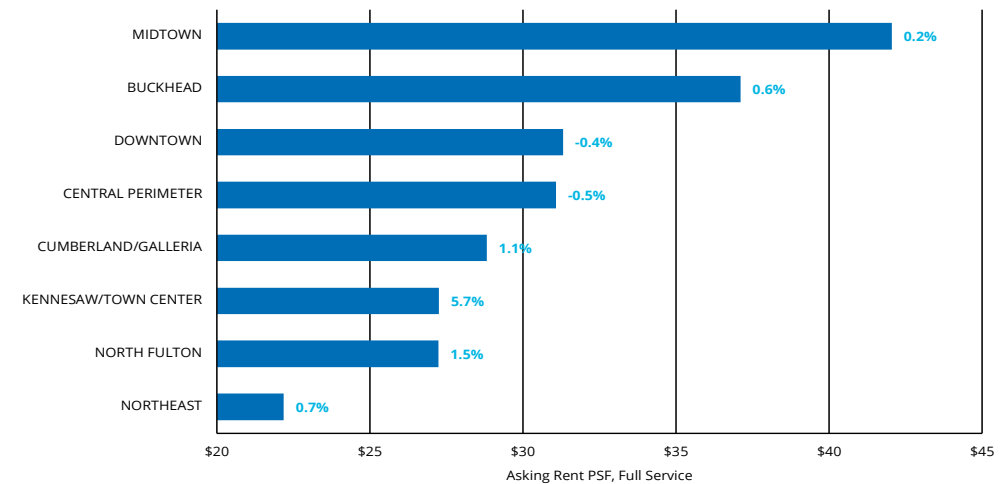
- Atlanta's average asking rental rate rose \$0.02 during the second quarter of 2024 to an average of \$32.01 PSF. This represents a 0.1% fall from Q4 of 2023 and a 1.1% rise year-over-year.
- Throughout the Atlanta market landlords are feeling pressure to keep rates competitive to get deals done. These asking rents do not reflect the increased tenant improvement allowances and abated rent that many landlords have had to concede in the last year to attract tenants and push deals across the finish line. In-town submarkets have seen small increases year-over-year, while rates have stagnated and begun to fall in embattled suburban submarkets such as North Fulton and Central Perimeter.
- Kennesaw/Town Center has seen a year-over-year rental rate increase of 5.7% from \$25.79 to \$27.25, by far the biggest riser across the Atlanta market.
- Q2 2024 asking rents were highest in Midtown and Buckhead at \$42.04 and \$37.10, respectively. Midtown's Class A asking rate was \$42.75 and Buckhead's was at \$38.24.

ASKING RENT



Source: CoStar, Transwestern

ASKING RENTS BY SUBMARKET AND Y-O-Y GROWTH



Source: CoStar, Transwestern

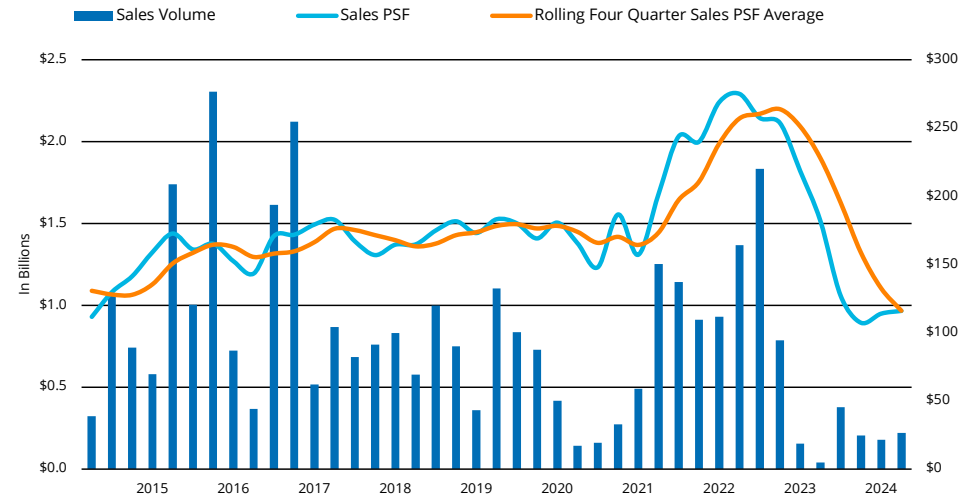


SALES

Sales Picking Up in Atlanta

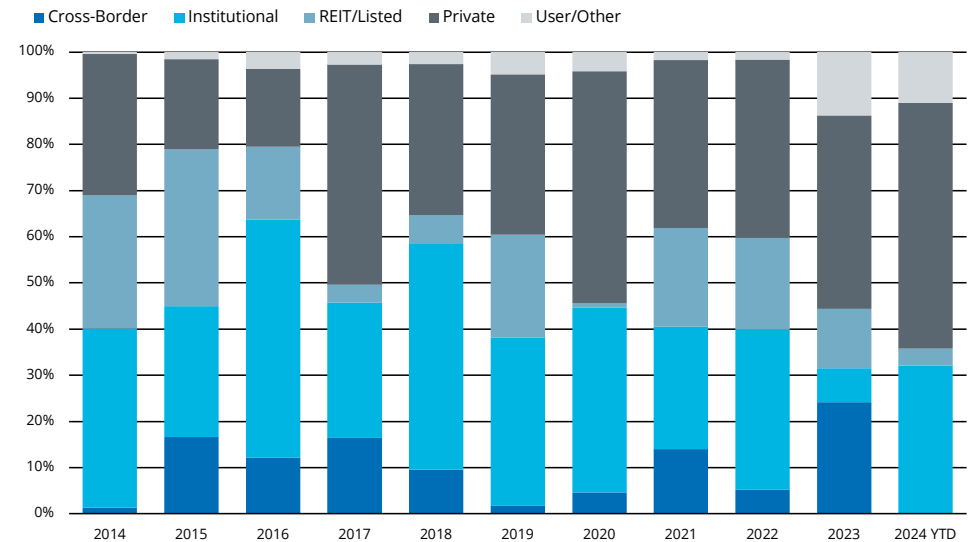
- Q2 2024 saw \$219 million in Atlanta office investment sales. Over the past four quarters Atlanta has averaged \$244 million in office sales per quarter, an improvement over the lack of activity in early 2023.
- Buyers and sellers are beginning to find some pricing benchmarks in Atlanta as investment sales activity picked up some momentum in Q2 of 2024. While many transactions still are involving distressed properties, Q2 saw the sale of some stabilized well-leased assets.
- Two of the recent highlight transactions were the sales of Kimball Place and Ameris Center. Kimball Place, located near the Avalon development in the North Fulton submarket, was built in 2021. It was purchased by Crescent Real Estate for \$49,500,000, or \$386/SF. The property was 89% leased at the time of sale. Ameris Center is a two-building portfolio in the Buckhead submarket totaling 534,867 SF. It was purchased by B Group Capital Management for \$81,000,000, or \$151/SF. Ameris Center was a combined 74% leased at the time of sale.
- There were several more notable transactions in Q2, including two deals in North Fulton where Synovus was the seller. Woodward Pointe 200 (\$9,000,000, \$68/SF) and Deerfield Point (\$13,000,000, \$64/SF) were purchased by CorDx and McKinley Homes respectively.

SALES VOLUME



Source: Real Capital Analytics, Transwestern

BUYER CAPITAL COMPOSITION



Source: Real Capital Analytics, Transwestern



NOTABLE LEASES

TENANT	PROPERTY	SUBMARKET	TYPE	SF LEASED
SOUTHERN COMPANY	Midtown Center II	Midtown	New Lease	264,000
NEWELL BRANDS	5 Concourse Pky	Central Perimeter	New Lease	180,000
PIEDMONT HEALTHCARE	271 17th St	Midtown	New Lease	164,221
POND & COMPANY	3500 Parkway Lane	Northeast	Renewal	101,891
AON	3 Ravinia	Central Perimeter	Sublease	50,243
HAVERTYS FURNITURE	Centrum at Glenridge	Central Perimeter	Renewal	46,590

= Transwestern deal

NOTABLE SALES

PROPERTY	SUBMARKET	SALES PRICE	BUILDING SF	PRICE PSF	BUYER	SELLER
DUNWOODY PARK	Central Perimeter	\$26,200,000	232,885	\$113	Third & Urban	Dunwoody Holdings
CENTRUM AT GLENRIDGE	Central Perimeter	\$23,500,000	186,360	\$126	Camco Investment Group	Blackmount Real Estate Partners
DEERFIELD POINT	North Fulton	\$13,000,000	204,377	\$64	McKinley Homes	Synovus Financial
THE DUPREE BUILDING	Cumberland	\$12,000,000	138,433	\$87	GreenSky LLC	Bridge Commercial Real Estate
WINDWARD POINTE 200	North Fulton	\$9,000,000	131,732	\$68	CorDx	Synovus Financial



MARKET INDICATORS

All Space | Q2 2024

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	21,165,233	5,624,364	26.6%	252,731	27.8%	0	40,156	18,044	\$37.10
MIDTOWN	26,534,054	7,504,818	28.3%	444,366	30.0%	1,110,849	(232,611)	(702,457)	\$42.04
DOWNTOWN	20,453,250	5,399,531	26.4%	218,176	27.5%	0	(102,006)	146,128	\$31.30
CENTRAL PERIMETER	24,634,989	6,303,800	25.6%	1,336,100	31.0%	0	(58,201)	36,276	\$31.07
NORTH FULTON	21,504,198	5,267,806	24.5%	645,238	27.5%	125,233	14,691	(148,696)	\$27.23
CUMBERLAND/GALLERIA	20,391,504	4,021,326	19.7%	329,993	21.3%	250,000	2,367	25,233	\$28.81
KENNESAW/TOWN CENTER	4,140,080	671,455	16.2%	141,690	19.6%	0	72,494	81,033	\$27.25
NORTHLAKE	11,628,334	2,801,639	24.1%	37,181	24.4%	0	(6,224)	(106,887)	\$25.40
NORTHEAST	14,760,418	2,665,449	18.1%	130,366	18.9%	35,580	61,830	(73,482)	\$22.18
SOUTH ATLANTA	6,177,976	626,043	10.1%	9,268	10.3%	0	(23,072)	(41,428)	\$22.97
WEST ATLANTA	1,522,974	579,021	38.0%	20,000	39.3%	0	13,125	12,779	\$39.52
TOTAL	172,913,010	41,465,252	24.0%	3,565,109	26.0%	1,521,662	(217,451)	(753,457)	\$32.01



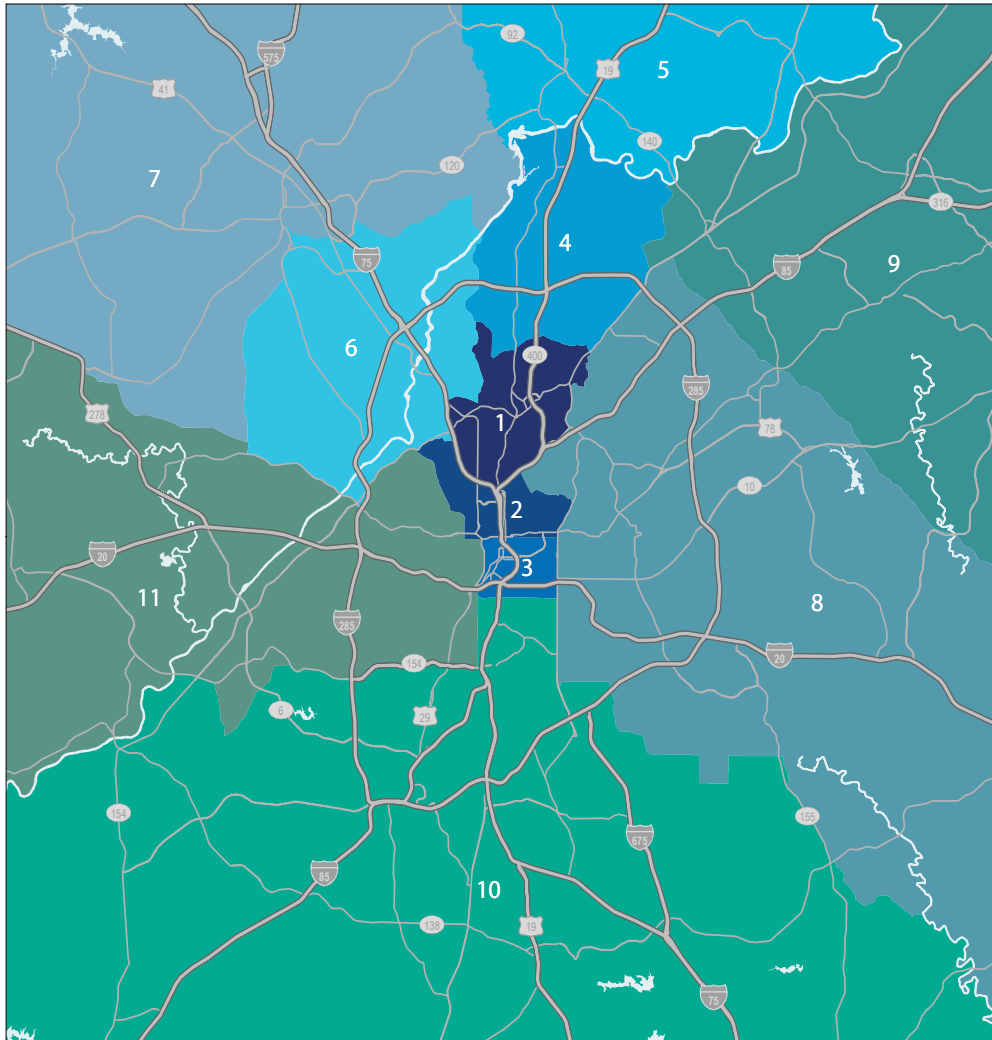
MARKET INDICATORS

Class A | Q2 2024

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	17,941,557	5,123,098	28.6%	244,528	29.9%	0	70,090	66,743	\$38.24
MIDTOWN	23,628,020	7,152,198	30.3%	390,457	31.9%	1,110,849	(235,606)	(633,181)	\$42.75
DOWNTOWN	14,799,521	4,287,716	29.0%	218,176	30.4%	0	(109,722)	140,291	\$31.40
CENTRAL PERIMETER	20,380,924	5,597,403	27.5%	1,240,712	33.6%	0	(63,469)	26,536	\$31.79
NORTH FULTON	14,359,609	4,053,551	28.2%	412,903	31.1%	104,233	55,768	(76,783)	\$28.27
CUMBERLAND/GALLERIA	12,809,740	2,789,614	21.8%	152,705	23.0%	250,000	(47,996)	109,073	\$30.80
KENNESAW/TOWN CENTER	1,327,604	237,224	17.9%	26,461	19.9%	0	25,820	29,338	\$30.20
NORTHLAKE	4,374,803	1,233,162	28.2%	15,793	28.5%	0	(2,913)	(103,262)	\$26.67
NORTHEAST	6,648,767	1,376,468	20.7%	69,422	21.7%	0	53,414	125,997	\$23.53
SOUTH ATLANTA	878,105	41,819	4.8%	2,800	5.1%	0	(4,468)	22,854	\$26.59
WEST ATLANTA	396,294	275,819	69.6%	0	69.6%	0	10,581	9,822	\$42.69
TOTAL	117,544,944	32,168,072	27.4%	2,773,957	29.7%	1,465,082	(248,501)	(282,572)	\$33.90

Class B | Q2 2024

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	3,223,676	501,266	15.5%	8,203	15.8%	0	(29,934)	(48,699)	\$28.30
MIDTOWN	2,906,034	352,620	12.1%	53,909	14.0%	0	2,995	(69,276)	\$26.66
DOWNTOWN	5,653,729	1,111,815	19.7%	0	19.7%	0	7,716	5,837	\$29.07
CENTRAL PERIMETER	4,254,065	706,397	16.6%	95,388	18.8%	0	5,268	9,740	\$25.28
NORTH FULTON	7,144,589	1,214,255	17.0%	232,335	20.2%	21,000	(41,077)	(71,913)	\$24.08
CUMBERLAND/GALLERIA	7,581,764	1,231,712	16.2%	177,288	18.6%	0	50,363	(83,840)	\$24.68
KENNESAW/TOWN CENTER	2,812,476	434,231	15.4%	115,229	19.5%	43,367	46,674	51,695	\$25.44
NORTHLAKE	7,253,531	1,568,477	21.6%	21,388	21.9%	0	(3,311)	(3,625)	\$24.41
NORTHEAST	8,111,651	1,288,981	15.9%	60,944	16.6%	35,580	8,416	(199,479)	\$20.63
SOUTH ATLANTA	5,299,871	584,224	11.0%	6,468	11.1%	0	(18,604)	(64,282)	\$22.44
WEST ATLANTA	1,126,680	303,202	26.9%	20,000	28.7%	0	2,544	2,957	\$31.54
TOTAL	55,368,066	9,297,180	16.8%	791,152	18.2%	99,947	31,050	(470,885)	\$24.43



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

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