



TRANSWESTERN

ATLANTA OFFICE MARKET Q3 2024

TRENDLINES

	Q3 2024	Q3 2023	ONE-YEAR TREND	FIVE-YEAR AVERAGE	12-MONTH FORECAST
UNEMPLOYMENT RATE	3.9	3.4	↑	3.9	↑
NET ABSORPTION (THOUSANDS SF)	(963.9)	(1369.1)	↓	(112.8)	↓
OVERALL VACANCY RATE	24.5%	22.9%	↑	20.0%	↑
OVERALL VACANT SF (MSF)	43.0	39.8	↑	34.3	↑
UNDER CONSTRUCTION (MSF)	1.5	2.5	↓	3.6	↓
ASKING RENT, FULL SERVICE (PSF)	\$31.77	\$31.91	↓	\$30.70	↓
SALES VOLUME (MILLIONS)	\$213	\$376	↓	\$607.4	↑

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

ROUGH YEAR FOR ATLANTA CONTINUES WITH A BIG Q3 MOVE-OUT

After the worst absorption year on record in 2023, the Atlanta office market has continued to slip through the first three quarters of 2024. Q3 of 2024 saw negative absorption of 963,916 SF, bringing the year-to-date losses to over 2.1 MSF across Class A and B properties. Since the start of 2023 Atlanta has seen negative absorption of over 6.1 MSF, with vacancy rates rising 3.6% in that period.

CNN's vacating of their Downtown Atlanta CNN Center, a 750,931 SF move-out, is the headline story of Q3. This move has caused the vacancy rate in Downtown Atlanta and among Class B properties to skyrocket. Across the entire market, Atlanta's direct vacancy rate increased 60 basis points from 23.9% to 24.5%. Average asking rents saw their first year-over-year decline in over a decade, falling \$0.27 in Q3 alone.

The amount of space available for sublease saw its first significant drop since 2018, with almost 700,000 SF falling off the sublease market. This was a combination of leasing and space converting back to vacant, but it brings the amount of inventory available for sublease to 4.5%, down from a high of 5.0% a year ago.

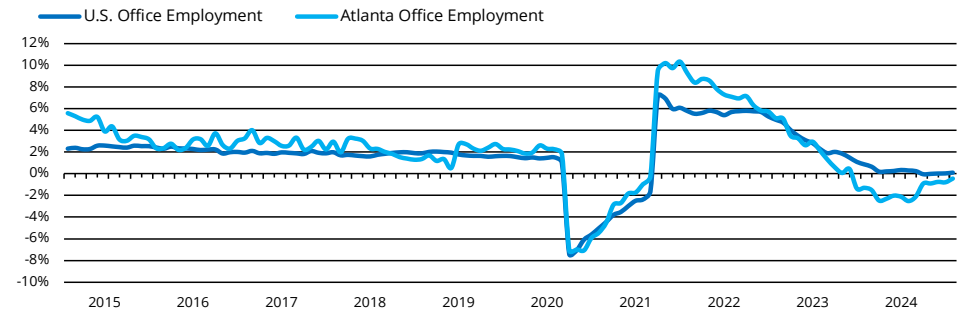


ECONOMY

Atlanta Losing Office-Using Jobs

- Over the 12 months ending in August of 2024, the Atlanta metro area has added 41,100 nonfarm jobs. Within office-using jobs however, Atlanta has lost 3,900 jobs in the last year. The majority of this decline comes from the Information jobs sector, which is down 4.6% 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 2.5% gain and 0.7% 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 both locally and nationally until this recent reversal. Atlanta has seen year-over-year decline since July of 2023, while the U.S. has yet to turn negative in office-using jobs, currently sitting at 0.1% year-over-year growth.
- Atlanta's unemployment rate was 4.0% in August, just slightly below the national rate of 4.1%.
- 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.

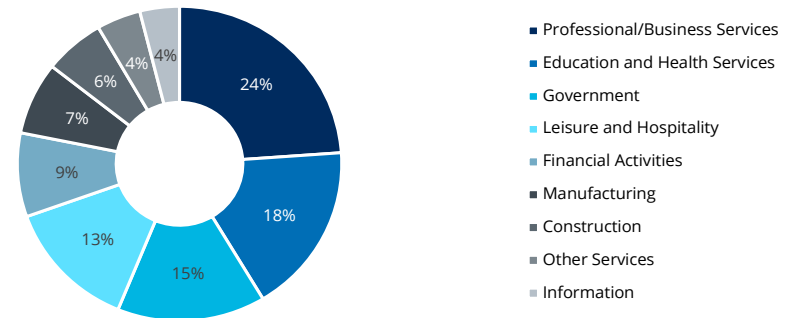
Y-O-Y CHANGE IN OFFICE JOBS



Source: Bureau of Labor Statistics, Transwestern

SHARE OF EMPLOYEES BY INDUSTRY

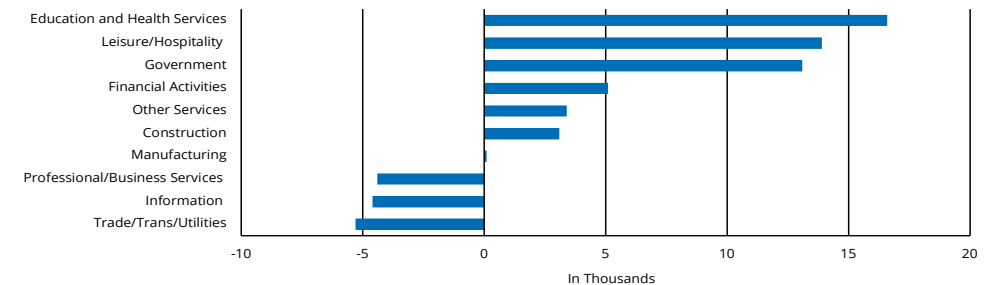
Atlanta | AUGUST 2024



Source: Bureau of Labor Statistics, Transwestern

Y-O-Y CHANGE IN JOBS BY INDUSTRY

Atlanta | AUGUST 2024



Source: Bureau of Labor Statistics, Transwestern

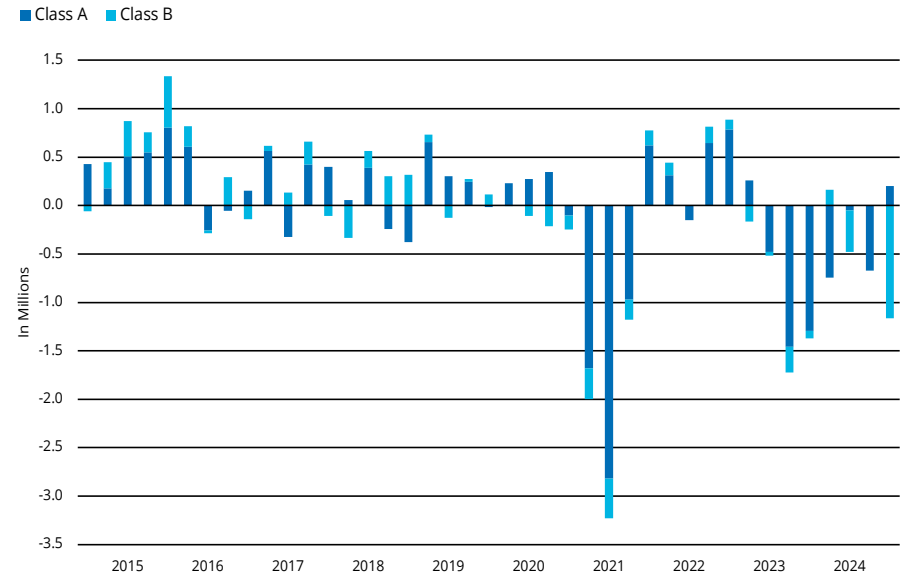


NET ABSORPTION

CNN Move-Out Leads Negative Quarter for Atlanta, Downtown

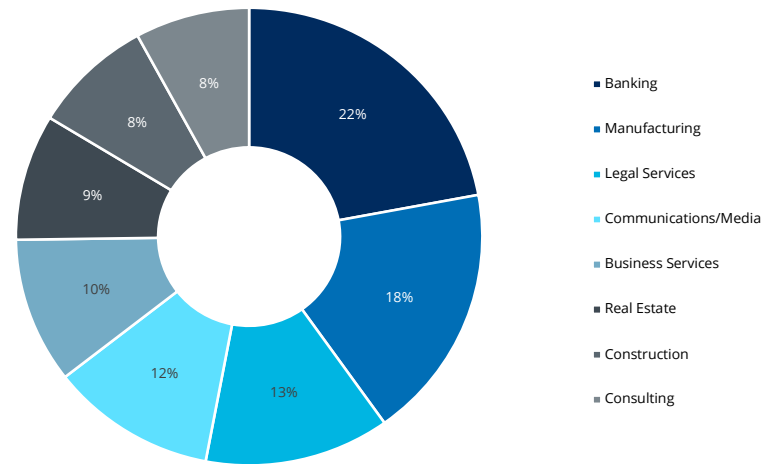
- The Atlanta office market saw negative absorption of 963,916 SF in Q3 of 2024, the seventh-consecutive negative quarter for the market. Year-to-date, Atlanta has suffered negative absorption of 2,111,361 SF.
- Class A properties saw gains in Q3, with positive absorption of 201,361 SF. Atlanta’s Class B space was the cause of the poor quarter, with negative absorption of 1,165,227 SF—the worst quarter on record for the market’s B product.
- CNN was the main culprit of the massively negative quarter for Downtown Atlanta and Class B properties across the market. The Atlanta-founded news network vacated 750,931 SF across the North and South Towers of the CNN Center. Warner Bros. Discovery, the owner of CNN, has consolidated the network’s operations between its existing Midtown Techwood property, and offices in New York. This move-out accounts for 36% of the negative absorption year-to-date for Atlanta.
- Northeast Atlanta and Kennesaw/Town Center were the two major submarkets to see positive absorption in Q3 2024, adding 79,689 SF and 47,089 SF respectively. In total, three submarkets saw gains while eight suffered losses in Q3.

NET ABSORPTION BY CLASS



Source: CoStar, Transwestern

SHARE OF LEASING ACTIVITY BY INDUSTRY Q3 2024



Source: CoStar, Transwestern

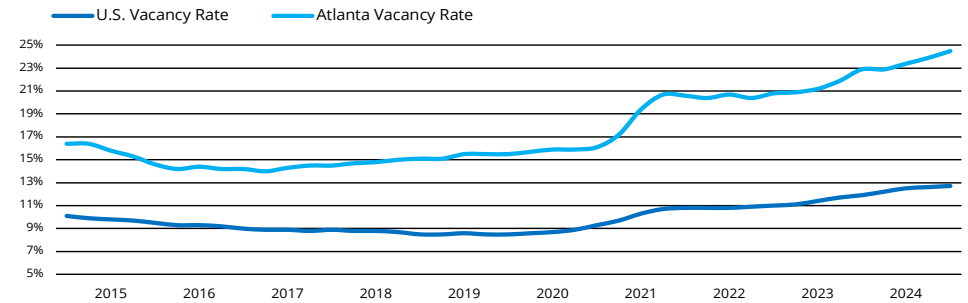


VACANCY

Atlanta's Vacancy Rises for Ninth Consecutive Quarter

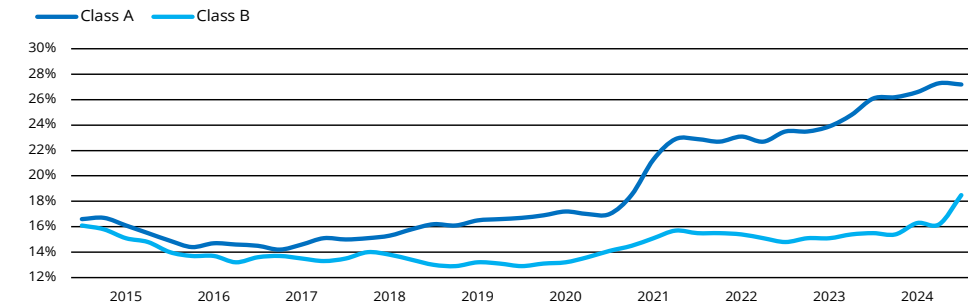
- Atlanta's direct vacancy rate rose 60 basis points in Q3 2024 to 24.5%. The Class A direct vacancy fell 10 basis points from 27.3% to 27.2%, while the Class B direct vacancy rate accounted for the market's overall increase, rising from 16.2% to 18.5%.
- Atlanta's seven-consecutive quarters of negative absorption have not helped the market's vacancy rate, but another major factor has been the addition of vacant space to the market in the form of new construction. Since the start of 2023, 12 buildings totaling over 1.7 million square feet have delivered. These buildings have a current combined vacancy rate of 75.3%: over 1.1 million square feet of space unleased.
- The amount of available sublease space in Atlanta has been one of the headline stories for the last two years, with over 7.9 million SF of space currently on the sublease market. The percent of inventory available for sublease fell in Q3 2024 from 4.9% to 4.5%, nearly a 600,000 SF difference. While some of this change was due to subleases rolling and converting to direct vacant space, several large subleases were signed in Q3, such as Cargill taking 82,000 SF at 864 Spring Street.

OVERALL VACANCY RATE



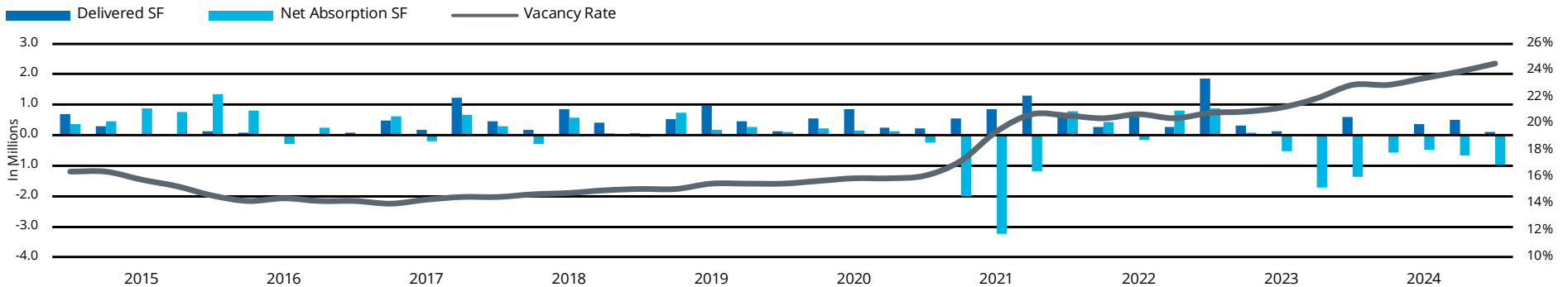
Source: CoStar, Transwestern

OVERALL ATLANTA VACANCY RATE BY CLASS



Source: CoStar, Transwestern

DELIVERY IMPACT ON KEY INDICATORS



Source: CoStar, Transwestern

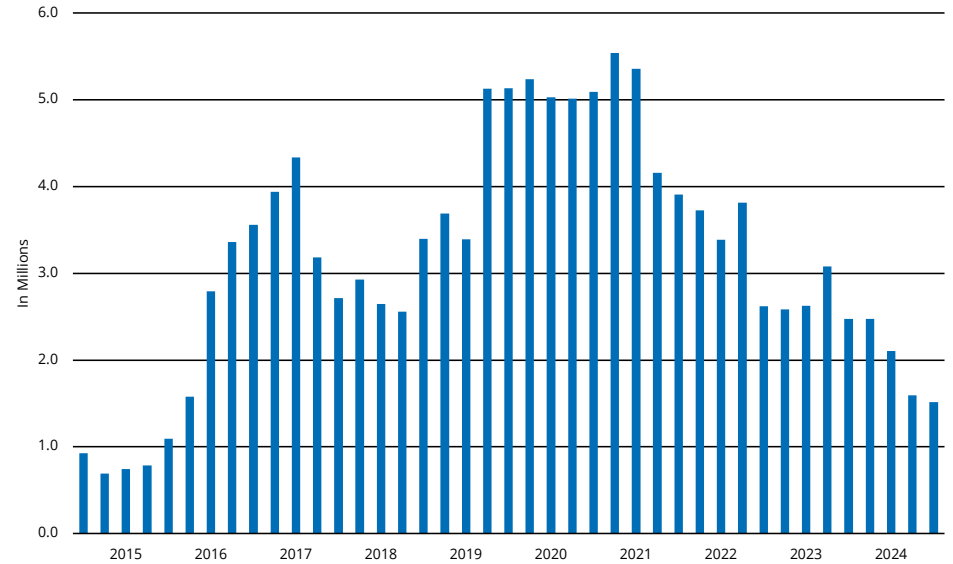


CONSTRUCTION

Southern Post Delivers, Pipeline Continues to Shrink

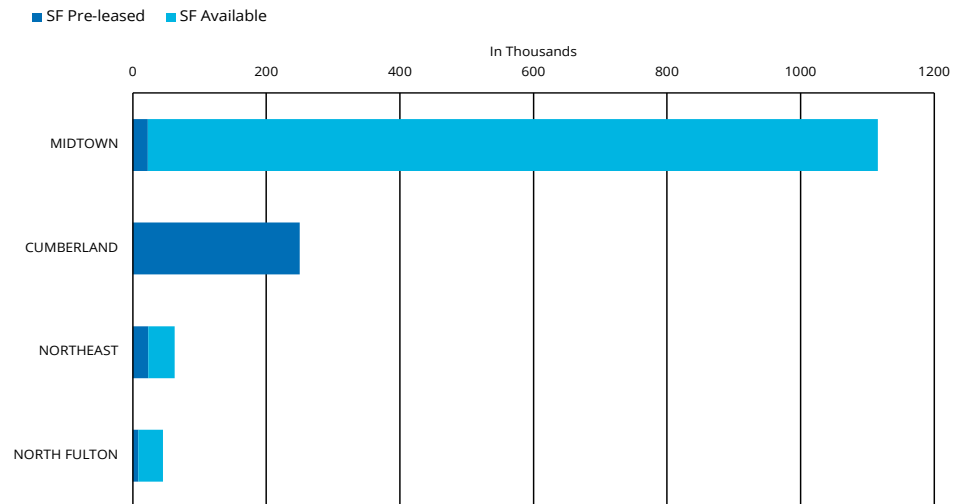
- Atlanta’s construction pipeline was relatively quiet, with Southern Post buildings 1 and 2 as the only deliveries across the market in Q3 2024. One groundbreaking took place, and two more deliveries are slated for Q4.
- Southern Post is a two-building development in downtown Roswell within the North Fulton submarket totaling 104,233 SF. The buildings delivered 60% pre-leased, with major leases signed by Vestis and CA South. Spec office product has struggled with pre-leasing over the last year, so this is a win for owner Armada Hoffler, with many similar projects across Atlanta delivering with no leases signed.
- 1050 Brickworks in West Midtown and 1570 McFarland Pky at Halcyon in North Fulton are both slated for Q4 2024 deliveries. 1050 Brickworks is a 14 story, 230,000 SF development that features ground-level retail, and has done no office pre-leasing. The lone groundbreaking was a 26,812 SF building at 458 Northolt Pky in Northeast Atlanta. These changes bring the total space under construction in the Atlanta market to 1.47 million SF across 9 buildings, the least amount of space underway since 2015.
- 76% of the space currently underway in Atlanta 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 21% of the current under construction space in Atlanta is pre-leased.

UNDER CONSTRUCTION



Source: CoStar, Transwestern

UNDER CONSTRUCTION BY SUBMARKET



Source: CoStar, Transwestern

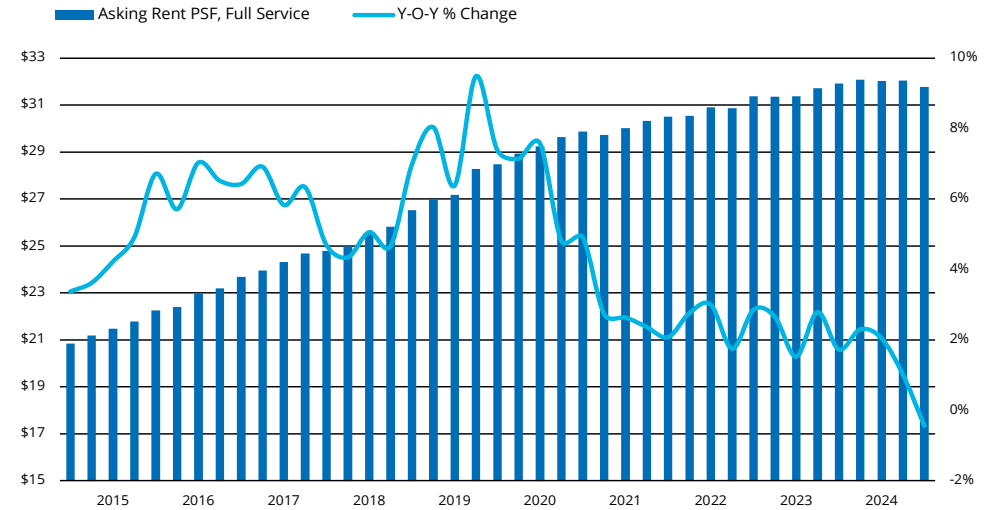


RENTAL RATES

Asking Rents Trending Down

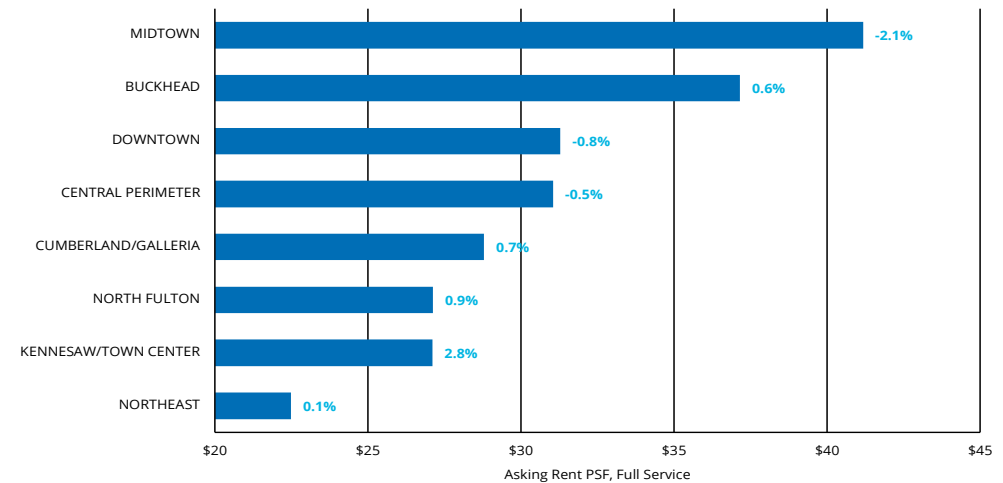
- Atlanta's average asking rental rate fell \$0.27 during the third quarter of 2024 to an average of \$31.77 PSF. This represents a 0.4% fall year-over-year, the first such decline for the overall Atlanta office market in over a decade.
- A decline in asking rents is certainly headline news but is generally a trailing indicator of what tenants have felt regarding net effective rents for several quarters. Throughout the Atlanta market, landlords have felt pressure to get deals done, and in turn have increased concessions. Abated rent and increased tenant improvement allowances have driven down net effective rents as landlords have tried to push deals across the finish line. This has been most apparent in embattled suburban submarkets such as North Fulton and Central Perimeter.
- Kennesaw/Town Center has seen a year-over-year rental rate increase of 2.8% from \$26.36 to \$27.10, the biggest riser across the Atlanta market.
- Q3 2024 asking rents were highest in Midtown and Buckhead at \$41.17 and \$37.15 respectively. Midtown's Class A asking rate was \$41.88 and Buckhead's was at \$37.95.

ASKING RENT



Source: CoStar, Transwestern

ASKING RENTS BY SUBMARKET AND Y-O-Y GROWTH



Source: CoStar, Transwestern

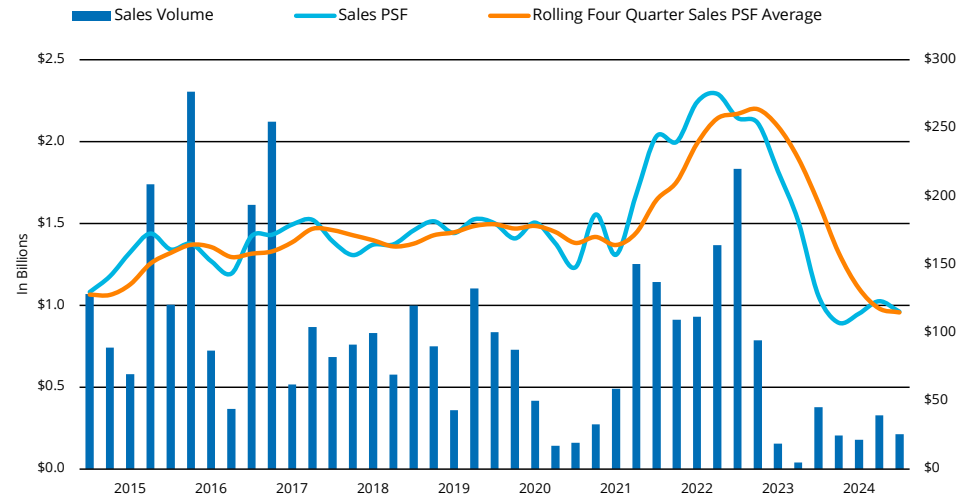


SALES

The Proscenium Trades as Sales Activity Picks Up in Atlanta

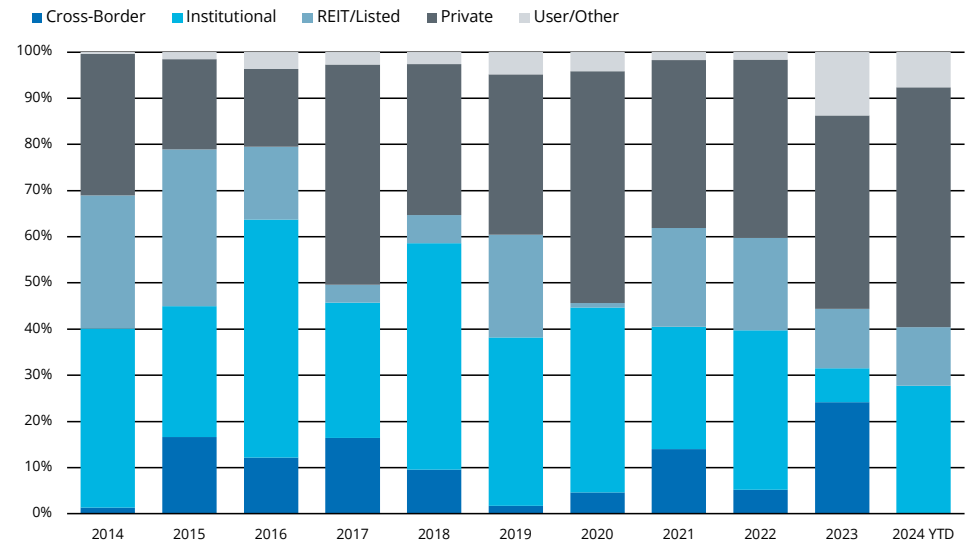
- Q3 2024 saw \$213 million in Atlanta office investment sales. Over the past four quarters Atlanta has averaged \$230 million in office sales per quarter, an improvement from the lack of activity in early 2023.
- The highlight sale this quarter was the acquisition of The Proscenium at 1170 Peachtree St by Town Lane and Cousins Properties for \$83.25 million (\$159.16/sf). The 523,071 SF Class A tower was 74% occupied at the time of sale. The seller Manulife Investment Management purchased the property for \$118 million in December of 2023. This was the largest sale in Midtown since The Interlock traded in May of 2023.
- Buyers and sellers are beginning to find some pricing benchmarks in Atlanta as investment sales activity is gradually picking up some momentum. While many transactions still involve distressed properties, the last two quarters have seen the sales of some stabilized well-leased assets as well.
- Owner-user sales have increased, particularly in suburban submarkets. McKinley Homes purchased Deerfield Point in North Fulton for \$13,000,000, or \$64/SF. Emory University also purchased 12 Executive Park in the Northlake submarket for \$135/SF.
- Forestar, a subsidiary of homebuilder D.R. Horton, acquired 3585 Engineering Dr in Peachtree Corners for \$7.5 million (\$73/SF). The group plans to demolish the building and build 75 upscale townhomes on the 9.3-acre site.

SALES VOLUME



Source: Real Capital Analytics, Transwestern

BUYER CAPITAL COMPOSITION



Source: Real Capital Analytics, Transwestern



NOTABLE LEASES

TENANT	PROPERTY	SUBMARKET	TYPE	SF LEASED
MORRIS, MANNING & MARTIN	Two Alliance	Buckhead	New Lease	104,440
TRUIST	303 Peachtree Center Ave	Downtown	New Lease	104,100
CARGILL	864 Spring Street	Midtown	Sublease	82,000
SITEONE LANDSCAPE SUPPLY	Mansell Overlook 300	North Fulton	New Lease	55,869
SOMPO	Lake View I	North Fulton	New Lease	46,386
OSAIC	Wildwood Center	Cumberland/Galleria	New Lease	43,294

Source: CoStar, Transwestern

NOTABLE SALES

PROPERTY	SUBMARKET	SALES PRICE	BUILDING SF	PRICE PSF	BUYER	SELLER
THE PROSCENIUM	Midtown	\$83,250,000	523,071	\$159	Town Lane, Cousins Properties	Manulife
12 EXECUTIVE PARK DR NE	Northlake	\$17,610,320	129,825	\$135	Emory University	Office Properties Income Trust
DEERFIELD POINT	North Fulton	\$13,000,000	204,377	\$64	McKinley Homes	Synovus Financial
4550 NORTH POINT PKY	North Fulton	\$8,486,750	127,271	\$67	IRAS Group	EQT Exeter
3585 ENGINEERING DR	Northeast	\$7,500,000	102,138	\$73	Forestar	The Dilweg Companies

Source: CoStar, Real Capital Analytics, Transwestern



MARKET INDICATORS

All Space | Q3 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	20,997,556	5,650,491	26.9%	98,713	27.4%	0	(814)	2,601	\$37.15
MIDTOWN	27,459,508	7,833,739	28.5%	453,799	30.0%	1,115,849	(56,717)	(1,014,568)	\$41.17
DOWNTOWN	20,006,587	6,134,420	30.7%	186,643	31.6%	0	(690,804)	(557,228)	\$31.28
CENTRAL PERIMETER	24,727,839	6,225,509	25.2%	1,388,430	30.8%	0	(132,166)	(49,874)	\$31.04
NORTH FULTON	21,797,087	5,649,461	25.9%	599,605	28.7%	45,000	(133,344)	(439,023)	\$27.12
CUMBERLAND/GALLERIA	21,108,231	4,258,558	20.2%	306,967	21.6%	250,000	(20,945)	4,288	\$28.79
KENNESAW/TOWN CENTER	4,282,084	647,866	15.1%	124,505	15.1%	0	47,089	117,893	\$27.10
NORTHLAKE	11,530,208	2,745,771	23.8%	28,050	24.1%	0	(380)	(107,267)	\$25.77
NORTHEAST	15,109,471	2,469,637	16.3%	80,673	16.9%	62,392	79,689	(17,938)	\$22.48
SOUTH ATLANTA	6,405,518	696,442	10.9%	9,268	11.0%	0	(58,072)	(65,803)	\$23.45
WEST ATLANTA	1,717,814	666,267	38.8%	20,000	40.0%	0	2,548	15,558	\$39.51
TOTAL	175,141,903	42,978,161	24.5%	3,296,653	26.4%	1,473,241	(963,916)	(2,111,361)	\$31.77

Source: CoStar, Transwestern



MARKET INDICATORS

Class A | Q3 2024

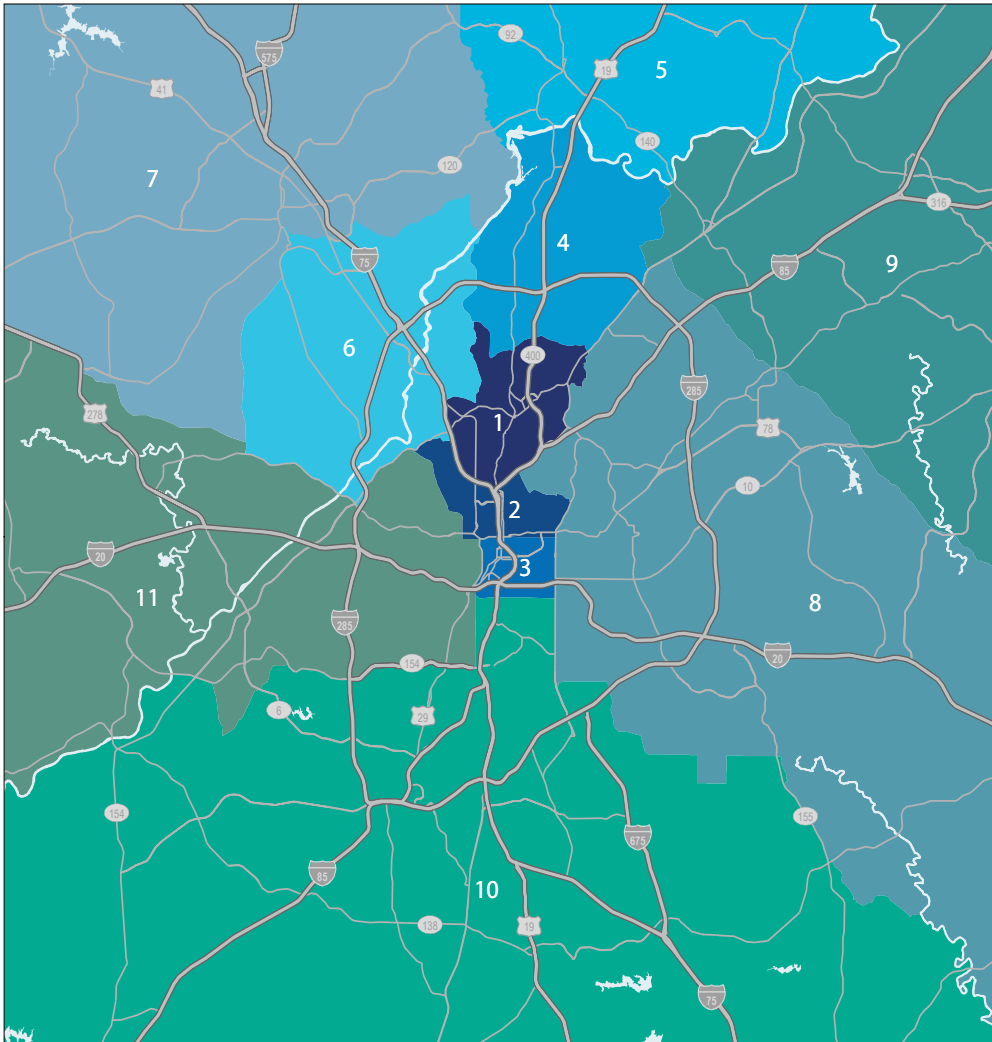
SUBMARKET	INVENTORY SF	DIRECT VACANT SF	DIRECT VACANCY RATE	SUBLEASE VACANT SF	OVERALL VACANCY RATE	UNDER CONSTRUCTION SF	NET ABSORPTION SF	YTD NET ABSORPTION SF	ASKING RENT PSF, FULL SERVICE
BUCKHEAD	18,313,396	5,248,237	28.7%	91,513	29.2%	0	811	48,060	\$37.95
MIDTOWN	24,649,579	7,482,793	30.4%	396,972	32.0%	1,115,849	(48,488)	(938,003)	\$41.88
DOWNTOWN	14,877,156	4,255,074	28.6%	181,329	29.8%	0	103,772	249,492	\$31.52
CENTRAL PERIMETER	20,202,779	5,343,094	26.4%	1,293,452	32.8%	0	36,710	114,968	\$31.98
NORTH FULTON	14,709,442	4,313,540	29.3%	376,073	31.9%	0	2,177	(192,342)	\$27.96
CUMBERLAND/GALLERIA	14,179,551	3,111,777	21.9%	161,354	23.1%	250,000	1,741	48,454	\$30.36
KENNESAW/TOWN CENTER	1,453,773	267,928	18.4%	13,653	19.4%	0	40,676	60,090	\$30.39
NORTHLAKE	4,326,559	1,097,838	25.4%	14,985	25.7%	0	(20,864)	(130,781)	\$27.30
NORTHEAST	6,820,012	1,312,390	19.2%	39,078	19.8%	0	60,414	161,677	\$24.15
SOUTH ATLANTA	1,026,606	80,051	7.8%	2,800	8.1%	0	24,412	52,462	\$25.72
WEST ATLANTA	951,587	559,607	58.8%	20,000	60.9%	0	0	10,074	\$41.19
TOTAL	121,510,440	33,072,329	27.2%	2,591,209	29.4%	1,365,849	201,361	(515,849)	\$33.49

Source: CoStar, Transwestern

Class B | Q3 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	2,684,160	402,254	15.0%	7,200	15.3%	0	(1,625)	(45,459)	\$27.83
MIDTOWN	2,809,929	350,946	12.5%	56,827	14.5%	0	(8,229)	(76,565)	\$28.61
DOWNTOWN	5,129,431	1,879,346	36.6%	5,314	36.7%	0	(794,576)	(806,720)	\$23.77
CENTRAL PERIMETER	4,525,060	882,415	19.5%	94,978	21.6%	0	(168,876)	(164,842)	\$25.65
NORTH FULTON	7,087,645	1,335,921	18.8%	223,532	22.0%	45,000	(135,521)	(246,681)	\$24.75
CUMBERLAND/GALLERIA	6,928,680	1,146,781	16.6%	145,613	18.7%	0	(22,686)	(44,166)	\$23.46
KENNESAW/TOWN CENTER	2,828,311	379,938	13.4%	110,852	17.4%	0	6,413	57,803	\$24.34
NORTHLAKE	7,203,649	1,647,933	22.9%	13,065	23.1%	0	20,484	23,514	\$24.73
NORTHEAST	8,289,459	1,157,247	14.0%	41,595	14.5%	62,392	19,275	(179,615)	\$20.35
SOUTH ATLANTA	5,378,912	616,391	11.5%	6,468	11.6%	0	(82,484)	(118,265)	\$22.39
WEST ATLANTA	766,227	106,660	13.9%	0	13.9%	0	2,548	5,484	\$31.68
TOTAL	53,631,463	9,905,832	18.5%	705,444	19.8%	107,392	(1,165,277)	(1,595,512)	\$24.28

Source: CoStar, Transwestern



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