

LEE & ASSOCIATES ATLANTA

# OFFICE MARKET REPORT Q3 2021

**1,171,830 SF**

Q3 Net Absorption ↑  
Q2 -74,838 SF

**18.3 %**

Q3 Vacancy ↓  
Q2 18.6%

**3,266,486 SF**

Q3 Leasing Activity ↑  
Q1 2,062,175 SF

**4,494,366 SF**

Q3 Under Construction ↓  
Q2 4,598,383 SF

**757,347 SF**

Q3 New Supply Delivered ↓  
Q2 1,589,522 SF

**\$29.12 PSF**

Q3 Average Asking Rent Per Yr. ↑  
Q2 \$28.98 PSF

**\$244 PSF**

Q3 Average Sales ↑  
Q2 \$232 PSF

**\$1,142,045,640**

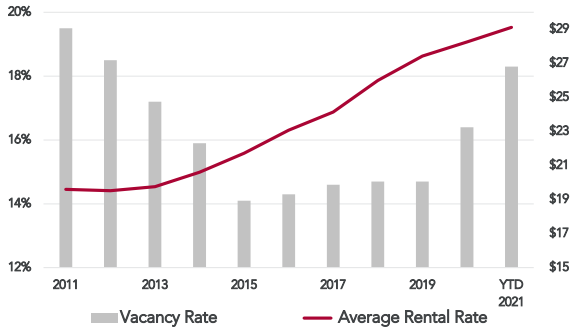
Q3 61 Sales Transactions ↑  
Q2 \$466,480,528

OVERALL RENTAL RATES Q3 2021

\$29.12 ↑ Overall  
 \$32.01 ↑ Class A  
 \$22.05 ↑ Class B  
 \$19.09 ↑ Class C

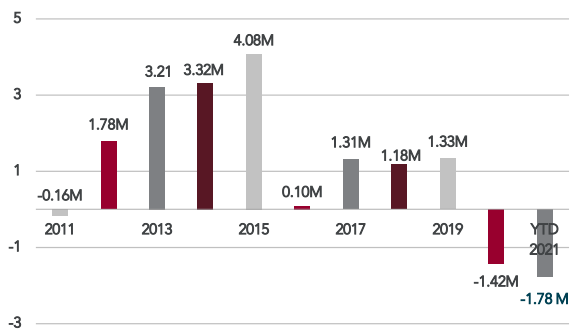
VACANCY & RENTAL RATE

percentage, 2011 - 2021



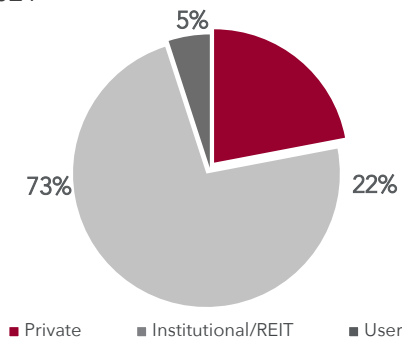
ABSORPTION

in SF, 2011 - 2021



BUYER TYPE

Q3 2021



MARKET OVERVIEW

Atlanta's Office Market is starting to gain traction compared to other national office markets. Atlanta continues to land large office tenants such as Microsoft, Cisco, Visa, Papa John's, and FanDuel to develop national and regional headquarters. While effects of the pandemic are still felt throughout the market, the large leases signed by large multi-national companies show the growing tech and financial hub that Atlanta is becoming. Overall absorption improved significantly compared to Q2 of 2021 (1.17 MSF vs. -74 KSF). The most significant gains came in Class A space in Midtown that showed a Microsoft and Anthem move in, up 909,615 SF. Buckhead is having a horrible year with net absorption topping -1.17 MSF year to date, causing the vacancy rate to rise over 20.6%. So far, the suburban markets are faring better with only a loss year to date of -556 KSF in tenants occupied space, while the CBD has had a -1.22 MSF of lost tenants. There is still a good amount of construction (4.4 MSF) within the market, with Midtown leading the way (1.7 MSF). Rental rates continue to creep up, adding another .15 cents (\$29.12) this quarter over Q2 and up \$1.69 (6.1%) since the end of 2019. Class A space has been up \$2.06 (3.4%) over the same period.

**ABSORPTION** The flight to quality continues; Class A space had 767 KSF (65.5%) of total absorption in Q3. Most of this occurred in Midtown, with several large move-ins in the tech sector.

**VACANCY** Overall vacancy rate dropped 30 basis points to 18.3%, Class A dropped 20 basis points to 21.9%, and Class B dropped 30 basis points to 15.0%. Several large move-ins over the coming quarters could decrease the vacancy rates much further 1105 West Peachtree should see Smith Gambrell and Google fill the entire building (679,153 SF) by the end of Q1 2022.

**RENTAL RATES** Average asking rates for Class A have now climbed over \$32. They first reached \$31 at the end of 2019. Class B rates now top \$22, having first hit \$21 in Q3 of 2019. At the same time, vacancy is running high that has not caused Landlords to pull back on rent increases.

**DEVELOPMENT/CONSTRUCTION** 1105 WP and Norfolk Southern HQ were the most significant buildings to deliver in Q3. Because Norfolk Southern is owner-occupied, it does not go into our statics, but we will see a negative absorption in Midtown as they move out of their old space. There will be about 530 KSF of additional buildings completed in 2021, and most will be in the suburbs. So Atlanta will end 2021 with just over 4 MSF added to the market, which is the most square footage built in Atlanta in almost 20 years.

**LEASING ACTIVITY** The most vigorous activity this year was 3.26 MSF in Q3 compared to 2.06 MSF in Q2 and 2.46 MSF in Q1. This bodes well for a strong end of 2021 and an excellent start to 2022.

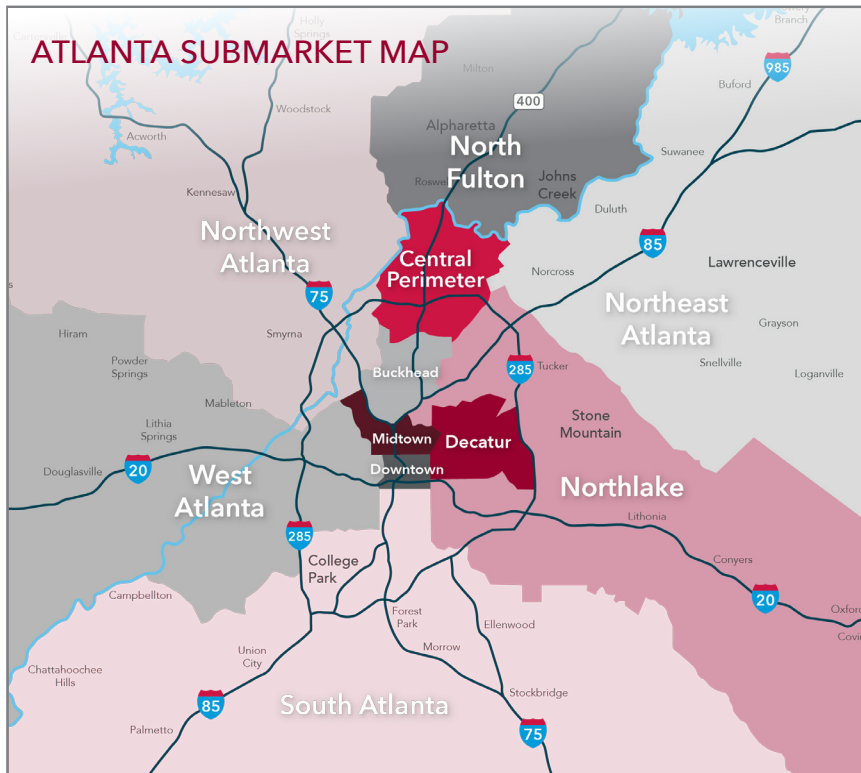
LARGEST PROJECTS UNDER CONSTRUCTION as of Q3 2021

Building Name	Building Address	SF	Preleased	Delivery
Midtown Union	1331 Spring St NW	612,947		Q3 2022
The Offices at	4800 Briarcliff Rd NE	530,000		Q1 2022
760 Ralph McGill	760 Ralph McGill Blvd	475,000		Q4 2022
One Phipps Plaza	1 Phipps Plaza	365,263		Q3 2022
14th & Spring	14th and Spring St NW	320,089		Q2 2022

## OFFICE SUBMARKET DATA

Office Submarkets	Total Inventory	Vacancy Total SF	Vacancy %	Net Absorption 2021	Deliveries 2021	Under Construction	Asking Rent PSF
Buckhead	22,502,132	4,642,737	20.6%	(1,179,757)	40,000	498,263	\$36.48
Central Perimeter	31,255,380	7,036,273	22.5%	(337,807)	429,200	0	\$29.11
Downtown	27,615,314	4,880,400	17.7%	(545,268)	30,000	649,945	\$29.23
Midtown	28,234,518	5,841,154	20.7%	501,040	2,318,849	1,719,035	\$40.37
North Fulton	28,197,794	4,804,452	17.0%	53,615	120,744	345,500	\$24.90
Northeast Atlanta	21,618,370	4,069,135	18.8%	130,110	17,616	279,472	\$20.47
Northlake	18,941,860	2,998,248	15.8%	(236,980)	0	530,000	\$23.33
Northwest Atlanta	34,771,032	5,799,181	16.7%	(286,809)	365,461	36,000	\$26.07
South Atlanta	14,267,184	1,670,965	11.7%	231,718	138,000	51,000	\$21.33
West Atlanta	3,509,845	700,095	19.9%	(91,343)	37,610	385,151	\$23.46
<b>Total</b>	<b>233,478,361</b>	<b>42,671,024</b>	<b>18.3%</b>	<b>(1,780,523)</b>	<b>3,497,480</b>	<b>4,494,366</b>	<b>\$29.12</b>

Office Submarkets	Total Inventory	Vacancy Total SF	Vacancy %	Net Absorption 2021	Deliveries 2021	Under Construction	Asking Rent PSF
Class A	127,318,416	27,876,032	21.9%	(1,412,225)	3,387,354	4,008,074	\$32.01
Class B	91,236,116	13,703,251	15.0%	(354,799)	110,126	486,292	\$22.05
Class C	14,923,829	1,091,741	7.3%	(13,499)	0	0	\$19.09
<b>Total</b>	<b>233,478,361</b>	<b>42,671,024</b>	<b>18.3%</b>	<b>(1,780,523)</b>	<b>3,497,480</b>	<b>4,494,366</b>	<b>\$29.12</b>



## METRO ATLANTA FACTS & FIGURES

- #1 Most Traveled Airport in the World  
Atlanta is within a 2-hour flight of 80% of the US population
- #1 Georgia is the #1 State for Doing Business Seventh Year in a Row
- #1 Top Moving Destination for the Eighth Consecutive Year
- #1 Metro Area Technology Hub

The information and details contained herein have been obtained from third-party sources believed to be reliable; however, Lee & Associates Atlanta has not independently verified its accuracy. Lee & Associates Atlanta makes no representations, guarantees, or express or implied warranties of any kind regarding the accuracy or completeness of the information and details provided herein, including but not limited to the implied warranty of suitability and fitness for a particular purpose. Interested parties should perform their own due diligence regarding the accuracy of the information. The information provided herein, including any sale or lease terms, is being provided subject to errors, omissions, changes of price or conditions, prior sale or lease, and withdrawal without notice.

Third-party data sources: CoStar Group, Inc., Real Capital Analytics, and Georgia State Economic Forecasting Center.

The Lee & Associates Atlanta Industrial Market Report compiles market data by using a third-party database for the proprietary analysis of building sizes of 15,000 SF and larger in the Atlanta Metropolitan Area.

© Copyright 2021 Lee & Associates Atlanta. All rights reserved.

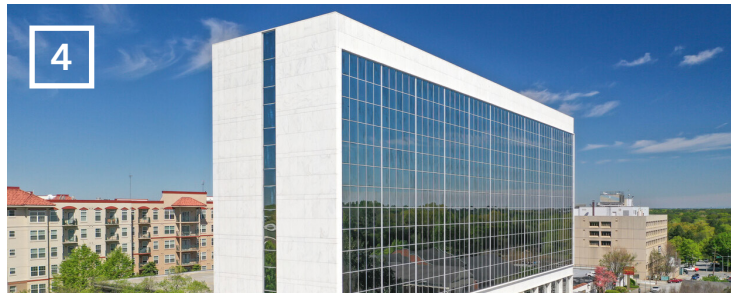
Market report analysis by: Willie Candler, Research Associate  
Market report created by: Bentley Logue, Graphic Designer

Q3 2021 TOP LEASES - SIGNED

Address	Submarket	Tenant Name	Landlord Name	SF	Lease Type
1200 Peachtree St NE	Midtown	Visa Inc.	Cousins Property	122,760	New
1 Phipps Plaza	Buckhead	Novelis	Simon Property Group, Inc.	95,742	New
171 17th St NW	Midtown	Arnall Golden Gregory LLP	Prime US REIT	90,000	Renewal
5405 Metric Pl	Norcross	Intuitive Surgical	Glenfield Capital	54,080	Direct
2002 Summit Blvd	Central Perimeter	Aprio	State Street Global Advisors	52,184	Direct
695 North Ave NE	Downtown	Undisclosed	Coro Realty Advisors, LLC	20,819	New

Q3 2021 TOP SALES \* PORTFOLIO SALES

Property Name	Submarket	Buyer	Seller	Class	SF	Sales / PSF
1 * 250 Williams St NW	Downtown	Mapletree US	Sila Realty Trust	A	1,589,465	\$106M/\$205.32
2 1375 Peachtree St NE	Midtown	FullG Capital	The Dilweg Companies	B	409,579	\$73.1M/\$178.60
3 725 Ponce de Leon	Midtown	Cousins Properties	J.P. Morgan Asset Mng / New City	A	370,931	\$300.2M/\$809.31
4 * 250 E Ponce de Leon	Decatur	The University Financing	The Dilweg Companies	A	145,000	\$19.1M/\$132.84
5 11450 Technology Cir	N Fulton	Quickrete Holdings, Inc	Land Investment Partners LLC	B	144,647	\$10.7M/\$73.97



**STAY  
CONNECTED**

Follow Lee & Associates  
Atlanta on social media!

