

LEE & ASSOCIATES ATLANTA

OFFICE MARKET REPORT Q4 2021

418,376 SF

Q4 Net Absorption ↓
Q3 886,734 SF

18.5 %

Q4 Vacancy ↑
Q3 18.3%

4,494,177 SF

Q4 Under Construction ↓
Q3 4,494,366 SF

496,000 SF

Q4 New Supply Delivered ↓
Q3 679,153 SF

\$29.12 PSF

Q4 Average Asking Rent Per Yr. ↔
Q3 \$29.12 PSF

\$190 PSF

Q4 Average Sales ↑
Q3 \$233 PSF

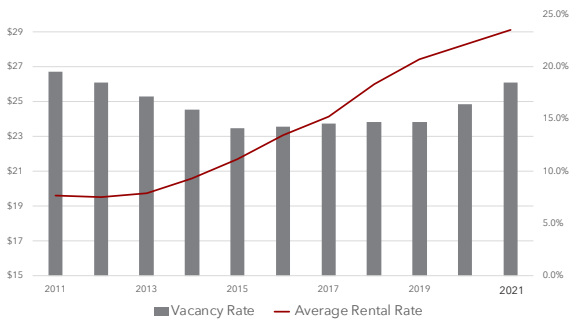
\$254,764,364

Q4 61 Sales Transactions ↑
Q3 \$152,232,167

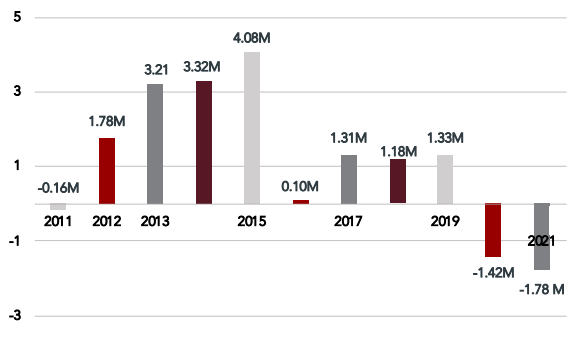
OVERALL RENTAL RATES Q4 2021

\$29.12 ↑ Overall
 \$32.02 ↑ Class A
 \$24.11 ↑ Class B
 \$22.24 ↑ Class C

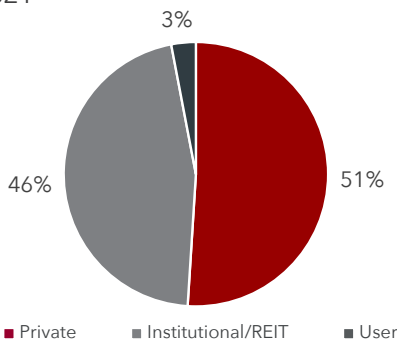
VACANCY & RENTAL RATE percentage, 2011 - 2021



ABSORPTION in SF, 2011 - 2021



BUYER TYPE Q4 2021



MARKET OVERVIEW

Atlanta’s Office Market has been dealing with the effects of the coronavirus pandemic over the past several quarters. Despite landing major tenants like Microsoft, Carvana, and Hapag-Lloyd, overall leasing activity hasn’t crossed pre-pandemic levels. Uncertainty surrounding the pandemic has affected tenants’ abilities to maintain or increase their physical footprints, which will continue to weigh this sector down until leasing returns to pre-pandemic levels. Rent growth has slowed down across the city. It has remained stagnant for the past quarter, stemming from 18% vacancy across all submarkets, due to a few large moveouts and saturation of sublease availability. Investors have been drawn to the bargain in terms of yields and pricing compared to gateway office markets, pushing sales up from the previous quarter to \$254 million, 67% up from last quarter. Sales in Q4 ended 2021 with a sales volume of over \$2 billion. This marks the strongest year since 2016, which along with the lack of distressed sales, indicates a confident return to Atlanta Office from a capital markets perspective. Atlanta’s recently delivered and under construction are facing a challenging leasing environment, which has slowed down the speculative construction pipeline to 4.5 million SF from the nearly 8 million SF at the start of 2021.

ABSORPTION Trailing 12-month absorption was negative (1,771,714 SF), which is a significant improvement from year over year when absorption was negative (3,964,681 SF). The bulk of the absorption came from technology firms in Midtown.

VACANCY The rate went up 20 basis points to 18.5% this quarter. The metro feels the effects of significant moveouts by AT&T, SunTrust, and Blue Cross Blue Shield. Furthermore, firms are looking to a more remote and hybrid work model, which is driving down office demand in the near term.

RENTAL RATES Rental rates have remained steady for Class A buildings during the last quarter at \$32.02. Since the onset of the pandemic, well-capitalized landlords haven’t seen the need to reduce rent given vacancies are at their highest levels. Buckhead has been contending with a glut of backfill space and hasn’t seen the same level of leasing velocity as Midtown.

DEVELOPMENT/CONSTRUCTION Atlanta’s under construction pipeline has slowed down and remained constant over the last 90 days. Currently, about 70% of the under-construction space remains unleased. Newly delivered projects such as 8 West, Star Metals, and the Interlock still have large blocks of space available for lease, despite being in otherwise tight markets. The continuing effects of the pandemic are hurting developer sentiments, as the leasing environment remains challenging.

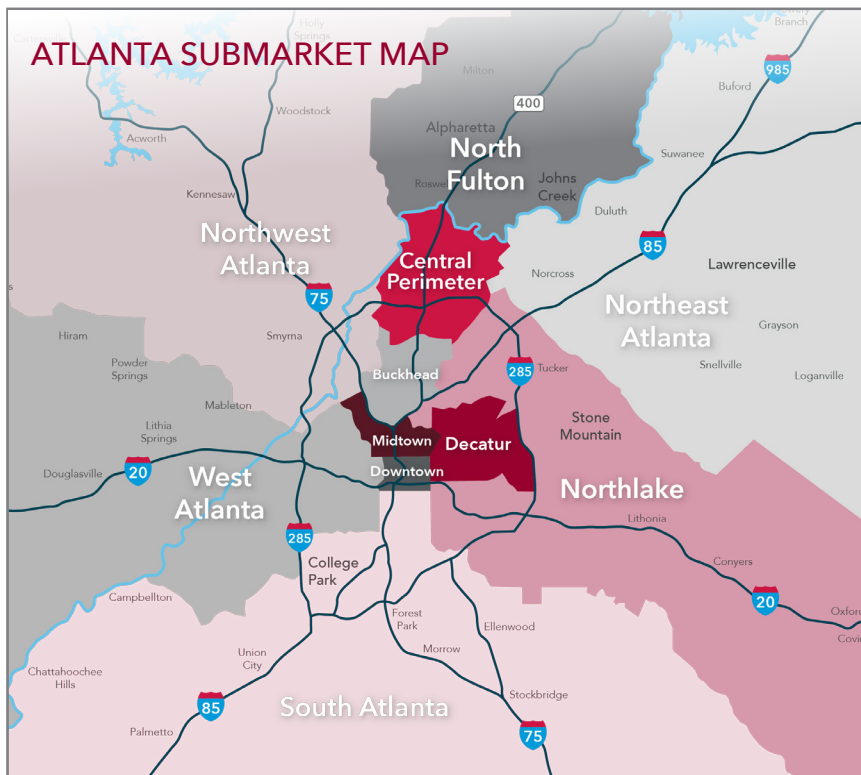
LARGEST PROJECTS UNDER CONSTRUCTION as of Q4 2021

Building Name	Building Address	SF	Preleased	Delivery
Midtown Union	1331 Spring St NW	612,947	49%	Q3 2022
The Offices at Northlake	4800 Briarcliff Rd NE	530,000	44%	Q1 2022
760 Ralph McGill	760 Ralph McGill Blvd NE	475,000	68%	Q4 2022
One Phipps Plaza	1 Phipps Plaza	388,063	29%	Q3 2022
14th & Spring	14th and Spring St NW	320,089	0%	Q2 2022

OFFICE SUBMARKET DATA

Office Submarkets	Total Inventory	Vacancy Total SF	Vacancy %	Net Absorption 2021	Deliveries 2021	Under Construction	Asking Rent PSF
Buckhead	22,474,712	4,580,365	20.4%	(1,072,081)	40,000	498,263	\$36.48
Central Perimeter	31,081,017	7,045,400	22.7%	(238,375)	429,200	89,010	\$29.11
Downtown	28,600,566	4,931,731	17.2%	(552,317)	87,000	693,427	\$29.23
Midtown	28,350,554	6,049,143	21.3%	391,158	2,418,849	1,699,025	\$40.37
North Fulton	28,091,759	5,570,511	19.8%	(251,951)	552,284	147,500	\$24.90
Northeast Atlanta	24,204,163	4,202,441	17.4%	239,262	17,616	233,913	\$20.47
Northlake	19,023,574	2,988,742	15.7%	(227,474)	17,000	530,000	\$23.33
Northwest Atlanta	34,384,337	5,668,068	16.5%	(209,785)	401,461	43,367	\$26.07
South Atlanta	14,270,877	1,655,309	11.6%	247,374	138,000	117,000	\$21.33
West Atlanta	3,676,493	704,327	19.2%	(97,525)	37,610	442,672	\$23.46
Total	234,158,052	43,396,037	18.5%	(1,771,714)	4,139,020	4,494,177	\$29.12

Office Submarkets	Total Inventory	Vacancy Total SF	Vacancy %	Net Absorption 2021	Deliveries 2021	Under Construction	Asking Rent PSF
Class A	128,020,782	28,380,036	22.2%	(1,424,707)	3,832,894	3,654,997	\$32.02
Class B	91,401,033	14,025,057	15.3%	(355,802)	306,126	839,180	\$24.11
Class C	14,736,237	990,944	6.7%	8,795	-	-	\$22.24
Total	234,158,052	43,396,037	18.5%	(1,771,714)	4,139,020	4,494,177	\$29.12



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 2022 Lee & Associates Atlanta. All rights reserved.
Market report analysis by: Grayson Bluhm, Research Associate
Market report created by: Bentley Logue, Graphic Designer

Q4 2021 TOP LEASES - SIGNED

Address	Submarket	Tenant Name	Landlord Name	SF	Lease Type
236 Perimeter Center Pky NE	Central Perimeter	Carvana	State Farm	569,778	Sublease
2180 Lake Boulevard	Buckhead	AT&T	Bridge Commercial	435,000	Renewal
675 W. Peachtree St.	Midtown Atlanta	The Center for Global Health Innovation	Transwestern Real Estate Services	193,285	New
3 Ravinia Dr. / Ravinia III	Central Perimeter	Hapag-Lloyd	Glenfield Capital	127,115	New
225 Chastain Meadows Ct NW	Northwest Atlanta	Carmax Business Services	State Street Global Advisors	110,225	New

Q4 2021 TOP SALES * PORTFOLIO SALES

Property Name	Submarket	Buyer	Seller	SF	Sales / PSF
1 999 Peachtree St NE	Midtown	Piedmont Office Realty Trust, Inc.	Franklin Street Properties Corp.	621,946	\$224M/\$360.00
2 3525 Piedmont Rd NE	Buckhead	The Ardent Companies	Granite Properties, Inc.	516,256	\$106M/\$205.32
3 5555 Windward Pky W	N Fulton	Southwest Value Partners Enterprises	Hewlett Packard Enterprise	507,000	\$56M/\$110.45
4 *1 CNN Center Plz NW	Downtown	Crocker Partners, LLC	WarnerMedia	458,659	\$56.7M/\$123.52
5 1500-1600 Riveredge Pky NW	Northwest	Acme Equities, LLC	Ares Real Estate Mng. Holdings LLC	457,131	\$90.3M/\$197.43



**STAY
CONNECTED**

Follow Lee & Associates
Atlanta on social media!

