



Atlanta office market report

Q4 2023

**AVISON
YOUNG**

Atlanta office market trends

41%

Lease renewals are more prominent in the suburban markets

This year, suburban submarkets were seen as an enticing option for tenants active in the market. 2023 was the first year since 2019 that the suburban markets in Atlanta experienced more lease renewals compared to urban submarkets. This trend seems to correlate with rental rate increases. Companies are hesitant to make changes and feel more comfortable staying at their current locations to lock-in a lower rate rather than relocating to upgrade their space.

11%

Faster time to lease on spec suites vs. other office listings

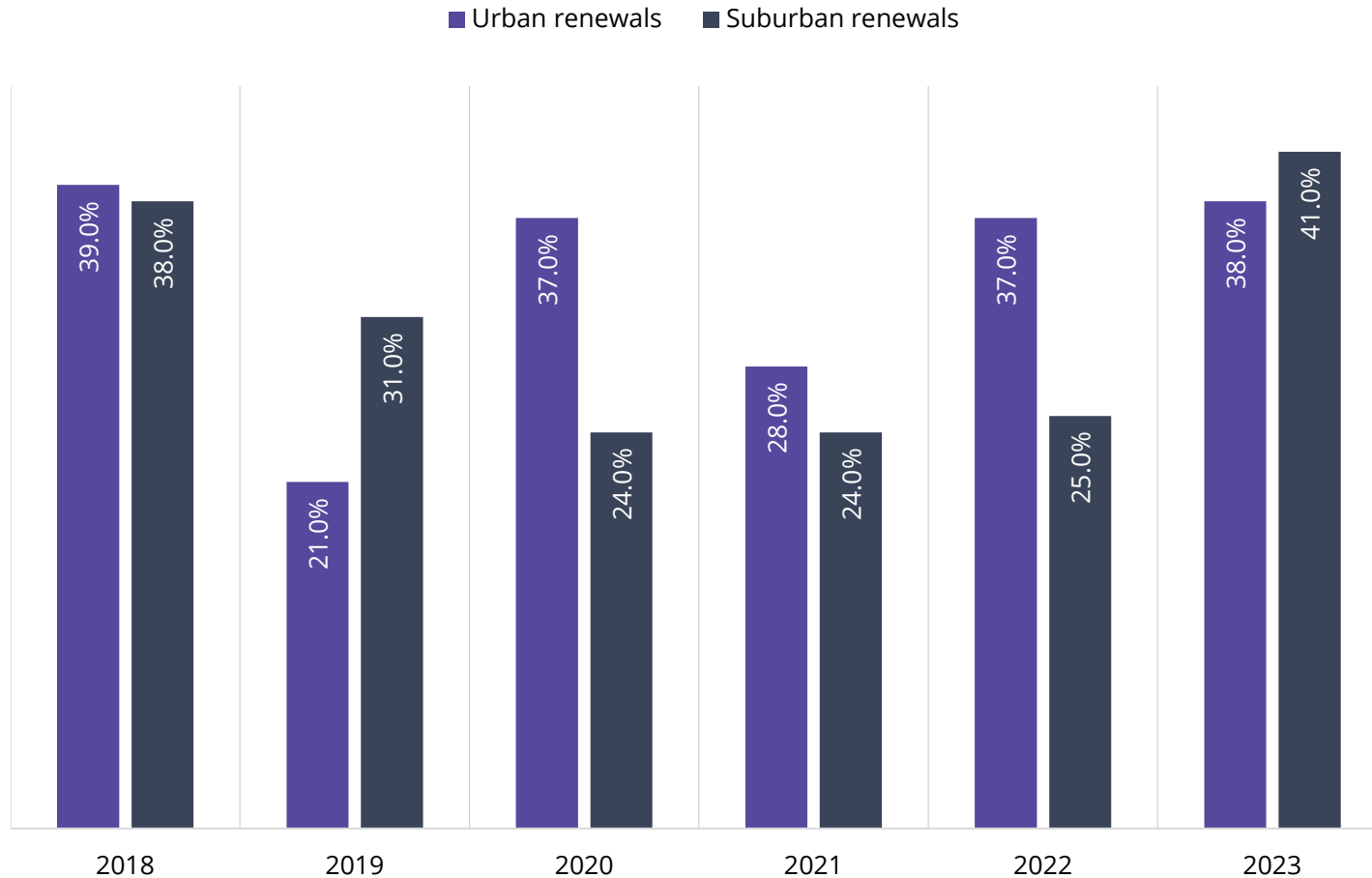
Spec suites are important for quick leasing as time wins deals, and they typically have a much quicker lease-up time than second generation space as they are more marketable and move-in ready. As of the end of the fourth quarter, spec suites are leasing at an 11% faster rate compared to other office listings. Spec suites also benefit tenants by providing an expeditious move-in option in a period when rising costs of buildout and longer permitting times may hinder their office search.

\$1.3B

61 CMBS loans are set to expire in 2024

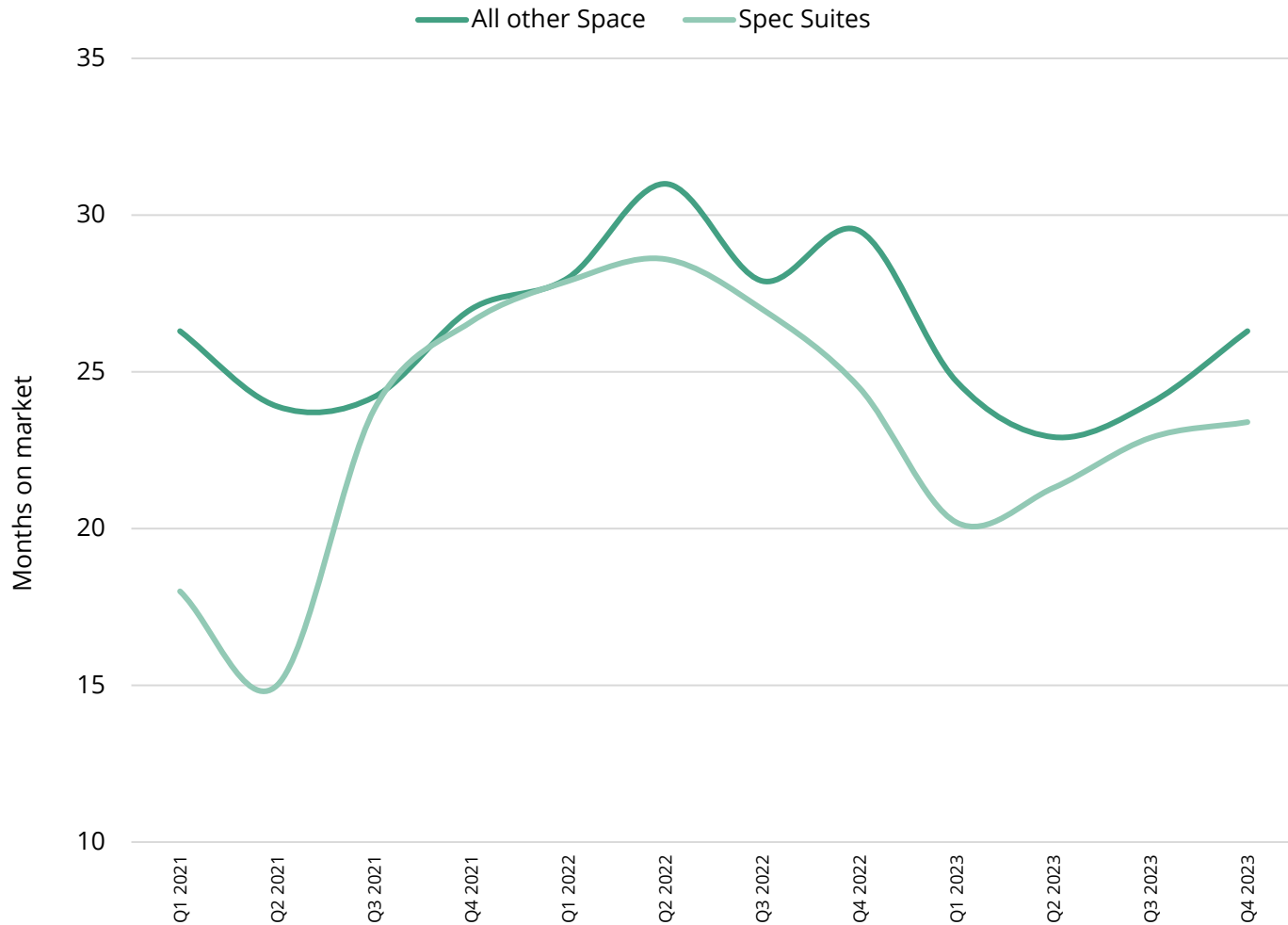
Across the Atlanta market, there are 139 office CMBS loans set to expire between 2024 and 2025 with a total balance exceeding \$3 billion. Investors will have to make a choice whether to relinquish their properties or maintain their office assets within their investment portfolios. Some borrowers will seek extensions if they are committed to the property. Other owners will not be willing to put more money into a building due to a variety of factors including vacancy rate, strength of the market, and availability.

Lease renewals are more prominent in the suburban markets



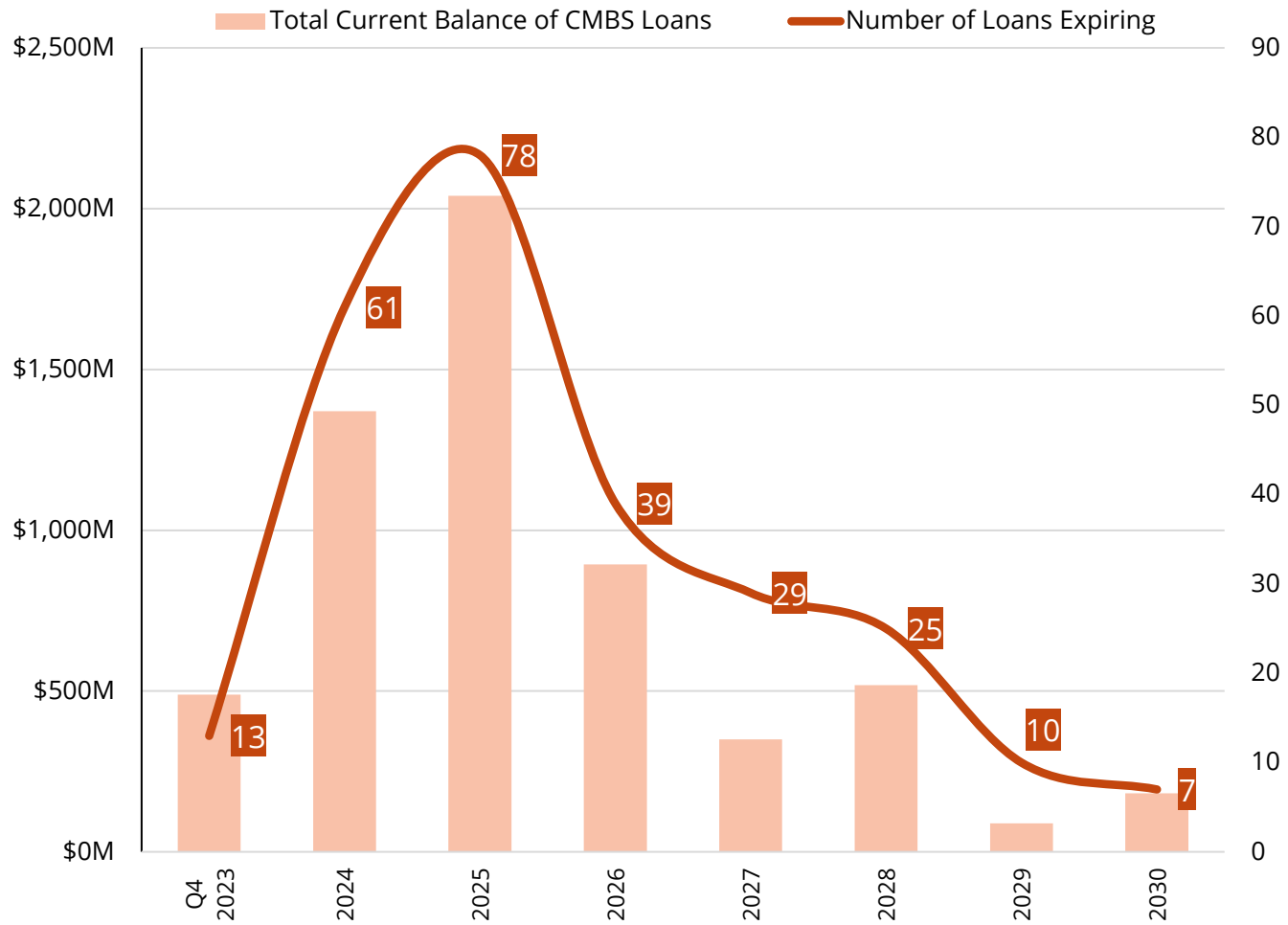
While urban renewals historically outpace suburban, lease renewals accounted for 41% of leasing activity within the suburban submarkets in 2023.

Faster time to lease on spec suites vs. other office listings



As of year end, spec suites leased 11% faster than traditional office offerings, which allows landlords flexibility as it relates to cost, and tenants flexibility as it relates to term.

61 CMBS loans are set to expire in 2024



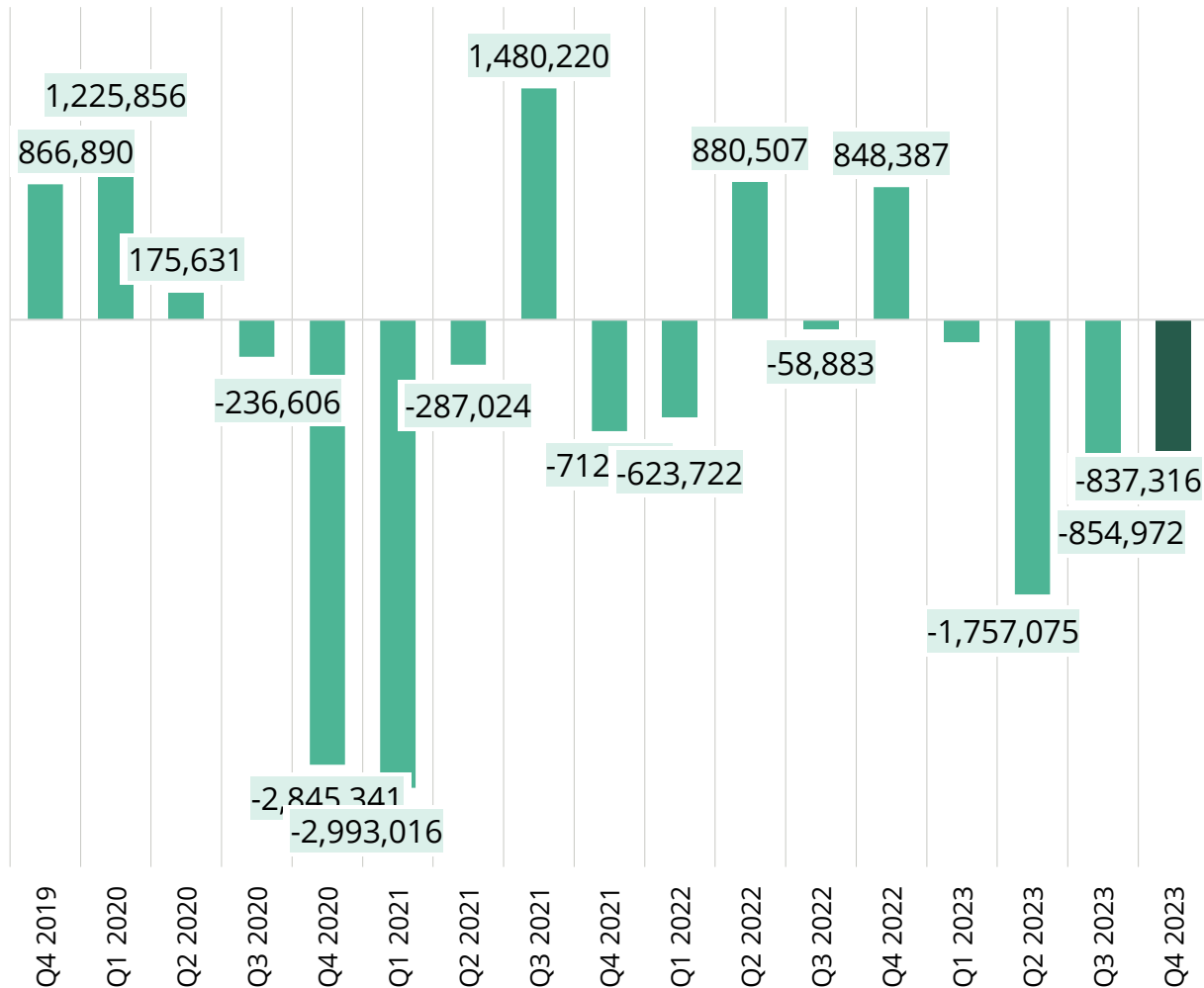
Across the Atlanta market, 13 office CMBS loans were set to expire during fourth quarter, the total balance of these loans exceeded \$488 million dollars.

Atlanta office market insights

Let's examine more
prevailing office trends

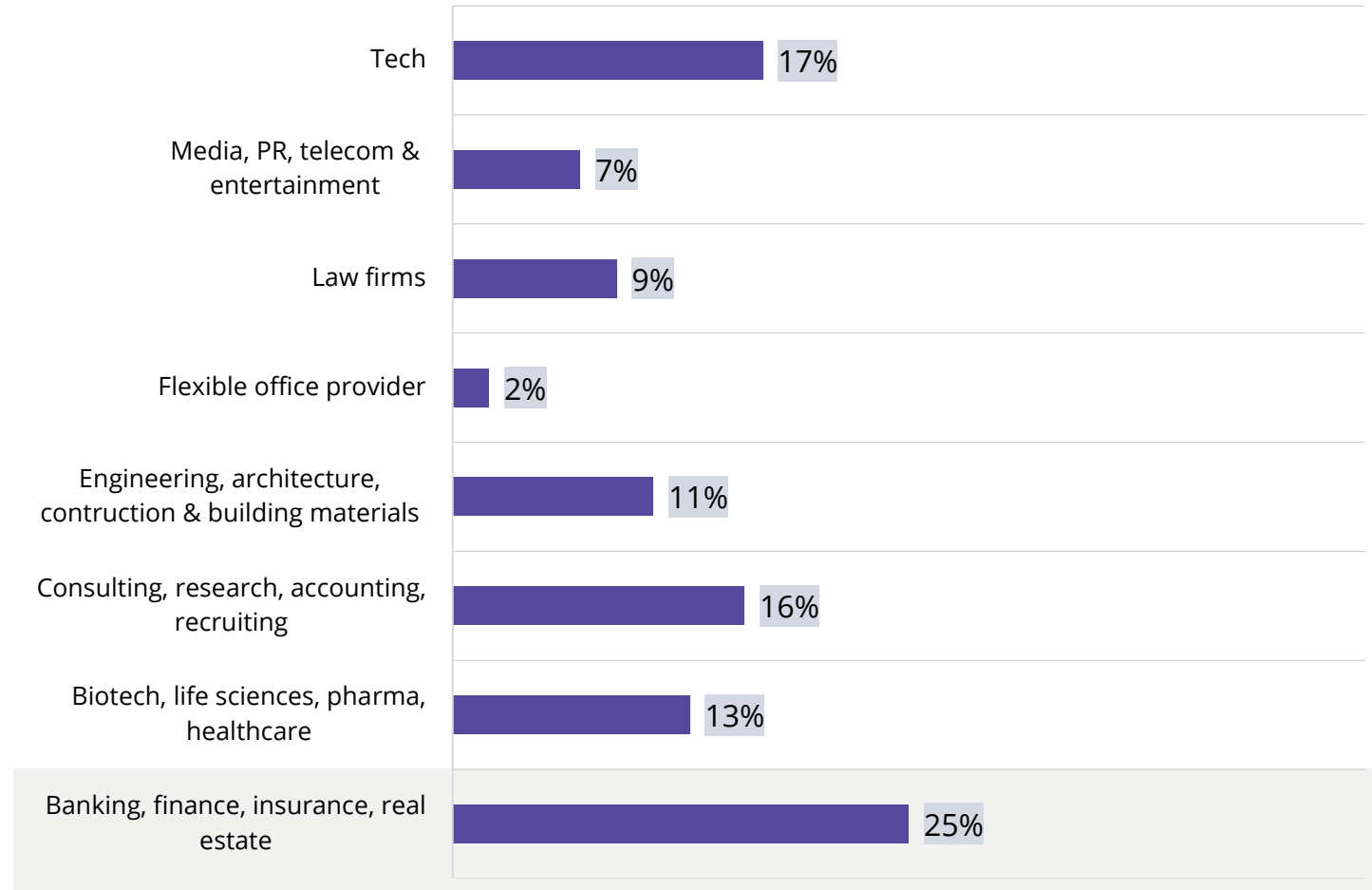


Net absorption by quarter



Over 830k sf of negative absorption occurred in Q4 2023. Large move-outs included Cox Automotive and Hyundai accounting for more than -690k sf of absorption combined.

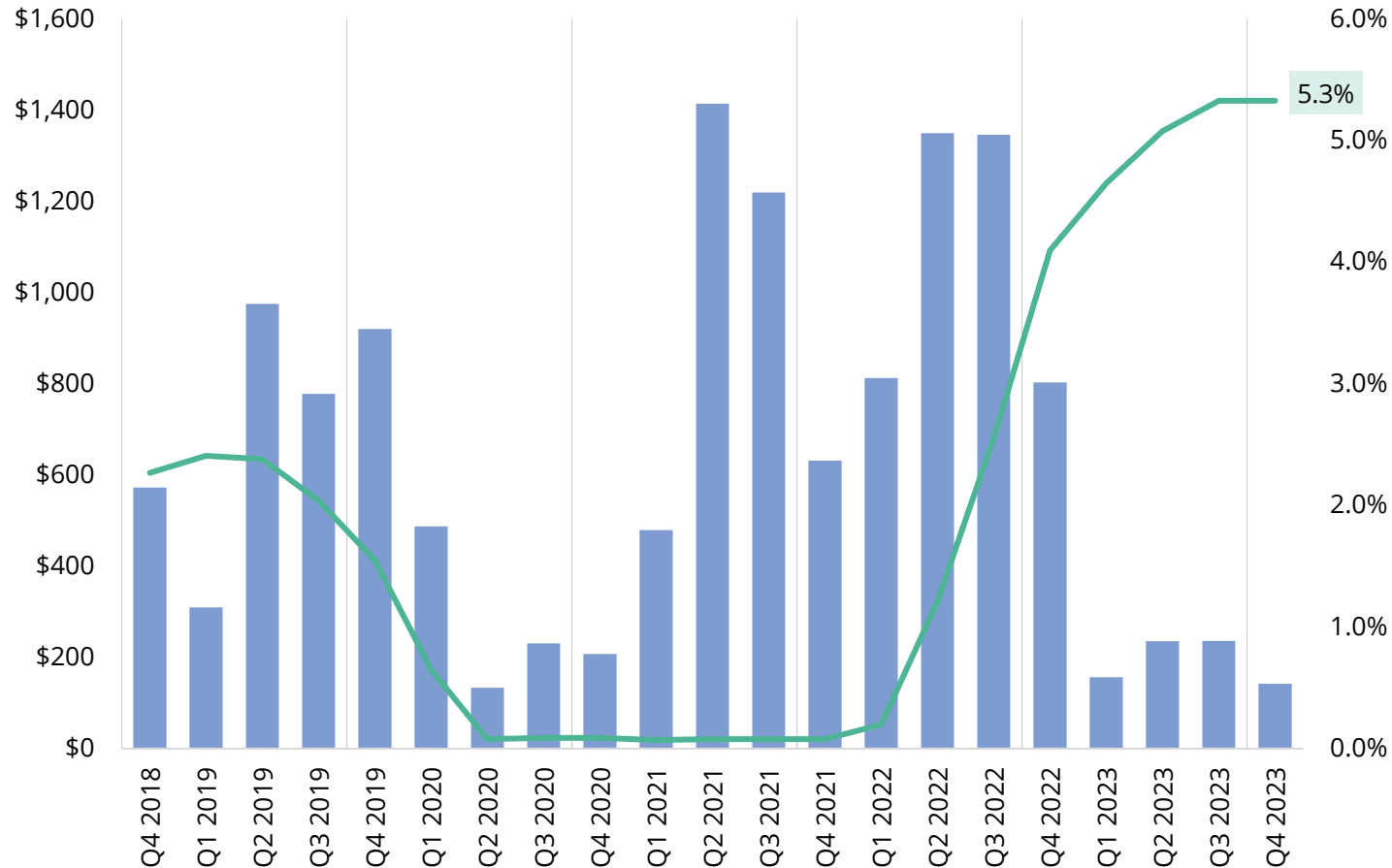
The banking, finance, insurance, & real estate sector dominated 2023 leasing



As the Atlanta market has seen numerous tenant renewals and expansions in 2023, the year ended with banking, finance, insurance, & real estate driving overall leasing activity.

Politics, Economy and Interest rates will shape how 2024 evolves for the office market

Atlanta Office Investment Sales



Federal Funds Effective Rate

Interest rates peaked within the last 5 years during 2023 at 5.3%, causing a 90% decrease in investment sales volume when compared to 2021 where rates hit a low at 0.07%.

Office development pipeline

15 properties

under construction

2.2 msf

under construction

1.3%

share of office inventory

19.3%

pre-leasing in place



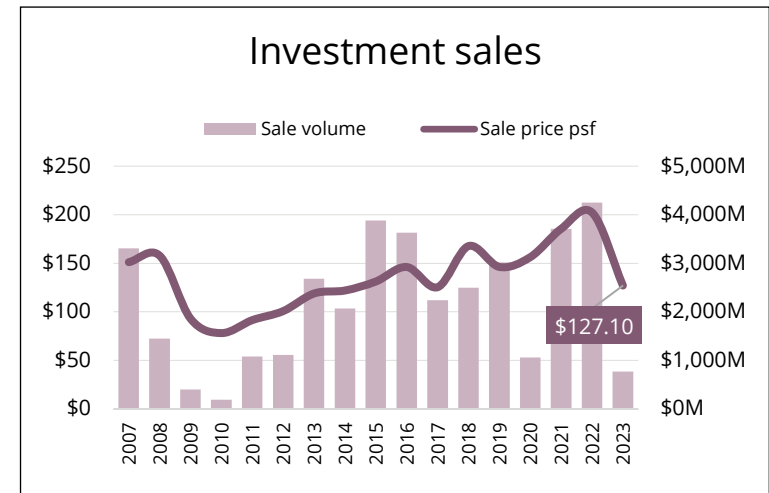
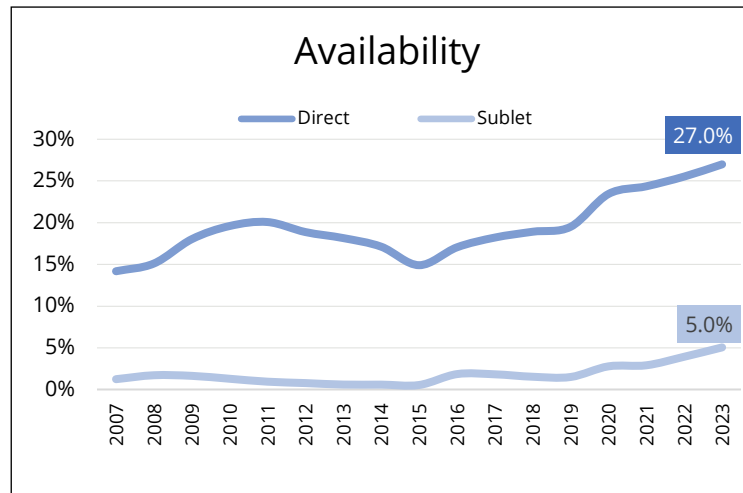
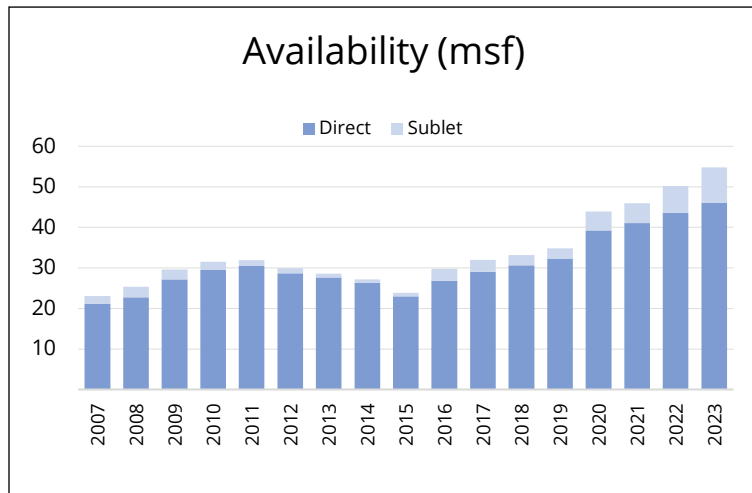
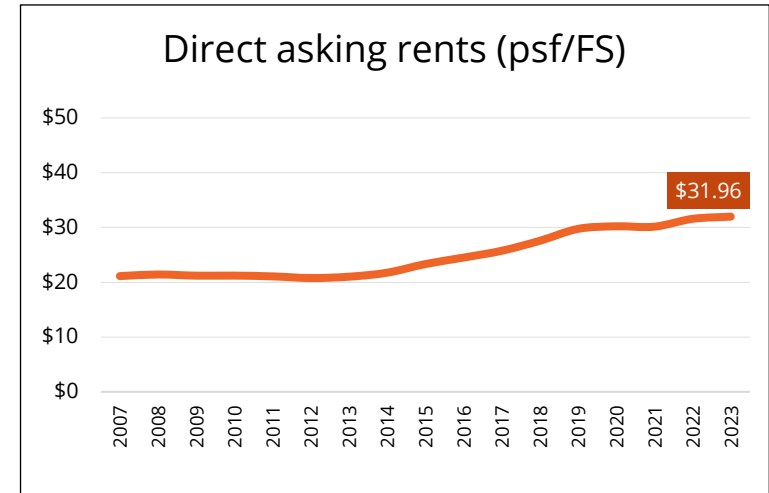
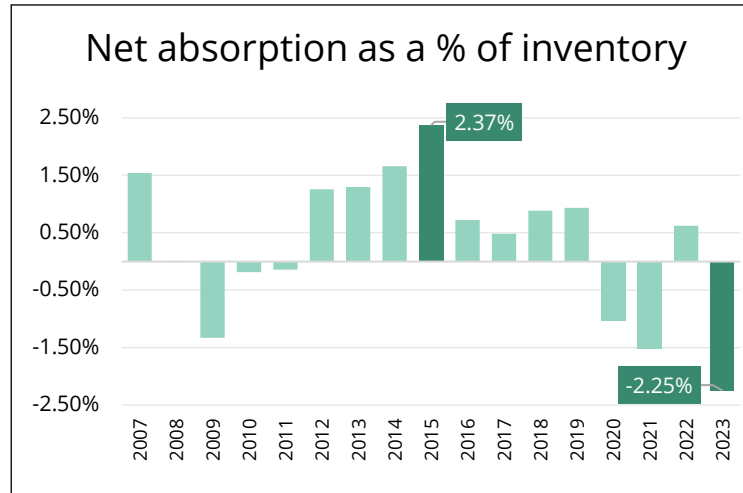
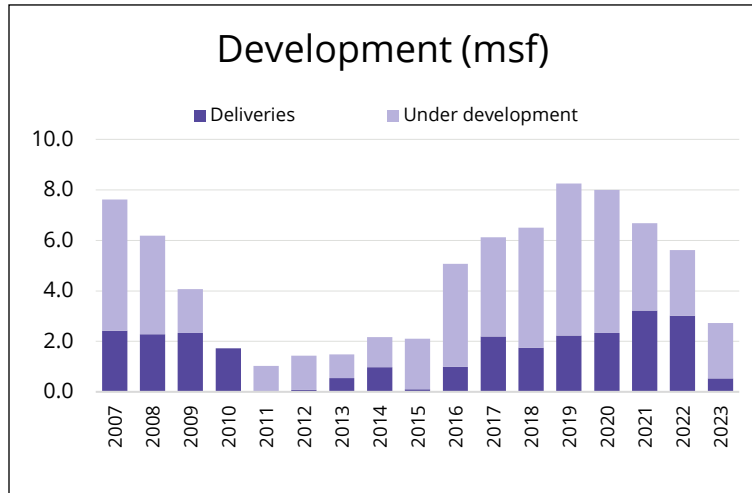
Northside Dr NW & Cameron M Alexander Blvd NW Source: whatnowatlanta.com



Appendix



Atlanta office market indicators



Atlanta office market activity

Recent leasing activity

Tenant	Address	Submarket	Sign date	Size (sf)	Transaction type	Lease type
GE Capital	600 Galleria Pky SE	Cumberland/Galleria	10/9/2023	77,163	New	Direct
OneTrust	505 North Angier Ave NE	Downtown	12/15/2023	73,533	New	Direct
Ricoh	2405 Commerce Ave	Duluth/Suwanee/Buford	10/1/2023	52,505	New	Direct

Recent sales activity

Buyer	Address	Sale date	Building size (sf)	Sale price	Sale price psf	Seller
Greenleaf Capital Partners	1979 Lakeside Pky	10/27/2023	200,479	\$40.0M	\$200.00	Onward Investors
Insignia	*6600 Peachtree Dunwoody Rd NE (5 building portfolio)	12/28/2023	666,274	\$34.5M	\$51.78	Bridge Investment Group
Easterly Government Properties	1500 Centre Pky	10/5/2023	95,286	\$16.9M	\$167.00	Hight Knox Properties

Top projects under development

Address	Submarket	Delivery date	Building size sf	% Preleased	Developer
1020 Spring St	Midtown	2025	538,126	0%	Portman Holdings
Northside Dr NW & Cameron M Alexander Blvd NW	Downtown	2024	364,871	10.2%	Vlp 4 LLC
765 Echo St NW	Midtown	2024	274,974	6.7%	Lincoln Property Company

*Indicates loan sale, not a true market sale

Atlanta office market stats

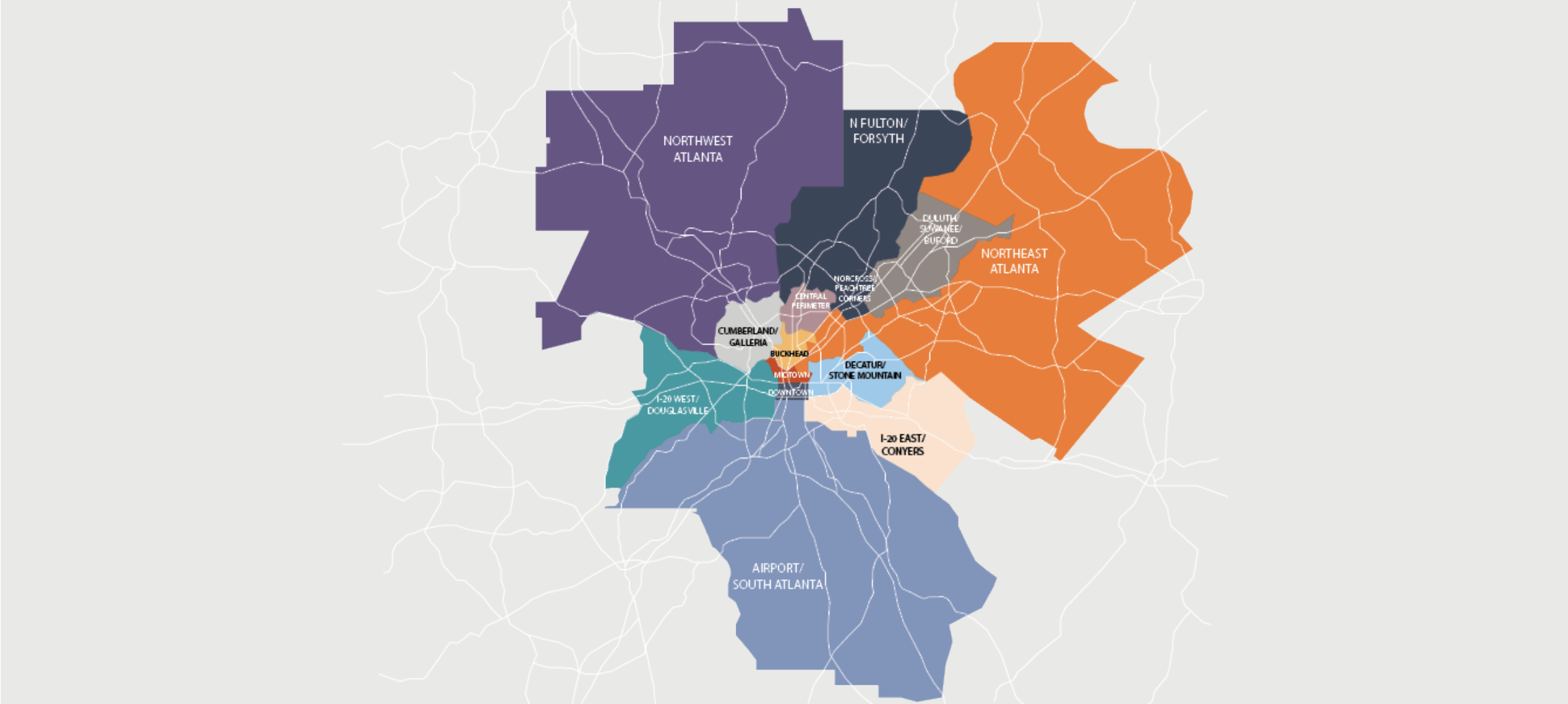
	Existing inventory sf	Deliveries sf (YTD)	Under development sf	Direct availability	Sublet availability	Total availability	Net absorption sf (YTD)	Net absorption % of inventory (YTD)	Annual direct asking rent psf FS
Buckhead	20,635,216	187,751	0	32.3%	3.0%	35.3%	(776,910)	(3.8%)	\$38.02
Downtown	18,608,179	135,000	364,871	28.3%	2.8%	31.2%	(355,959)	(1.9%)	\$30.87
Midtown	25,003,887	212,090	1,516,406	31.2%	5.0%	36.3%	(233,601)	(0.9%)	\$43.37
Urban total	64,247,282	534,841	1,881,277	31.7%	3.8%	35.5%	(1,366,470)	(2.1%)	\$37.42
Airport/South Atlanta	5,738,982	0	30,149	17.2%	0.8%	17.9%	67,477	1.2%	\$23.28
Central Perimeter	26,467,259	0	100,905	28.9%	9.2%	37.9%	(1,357,410)	(5.1%)	\$31.14
Cumberland/Galleria	21,316,503	0	0	20.0%	6.1%	25.7%	(217,838)	(1.0%)	\$28.63
Decatur/Stone Mountain	1,870,059	0	0	14.7%	1.3%	16.0%	7,955	0.4%	\$27.94
Duluth/Suwanee/Buford	7,658,231	0	35,580	18.8%	2.7%	21.0%	(71,230)	(0.9%)	\$23.03
Norcross/Peachtree Corners	6,581,184	0	0	25.7%	3.8%	27.5%	(257,957)	(3.9%)	\$22.26
North Fulton/Forsyth	20,947,442	0	143,767	28.6%	6.2%	34.7%	(336,318)	(1.6%)	\$27.20
Northeast Atlanta	9,784,121	0	0	23.9%	1.8%	25.7%	(104,791)	(1.0%)	\$25.15
Northwest Atlanta	4,088,828	0	0	25.5%	8.7%	32.3%	(152,014)	(3.7%)	\$27.21
Suburban total	104,452,609	0	310,401	24.6%	5.9%	30.1%	(2,422,126)	(2.3%)	\$26.20
Market total	168,699,891	534,841	2,191,678	27.3%	5.1%	32.2%	(3,788,596)	(2.2%)	\$31.96

Atlanta office market stats by class

	Existing inventory sf	Deliveries sf (YTD)	Under development sf	Direct availability	Sublet availability	Total availability	Net absorption sf (YTD)	Net absorption % of inventory (YTD)	Annual direct asking rent psf FS
Trophy	12,768,871	0	0	23.4%	4.6%	28.1%	(65,509)	(0.5%)	\$44.47
Class A	103,334,337	534,841	2,152,144	31.0%	5.6%	36.5%	(3,073,943)	(3.0%)	\$33.22
Class B	48,600,297	0	39,534	21.3%	4.4%	25.3%	(609,261)	(1.3%)	\$24.52
Class C	3,996,386	0	0	15.4%	0.2%	15.6%	(39,883)	(1.0%)	\$20.51
Market total	168,699,891	534,841	2,191,678	27.3%	5.1%	32.1%	(3,788,596)	(2.2%)	\$31.96



Atlanta submarket map



Office insights glossary of terms

Demand

- **Leasing activity:** total square footage of relocations, renewals, expansions and subleases expressed when the leases are signed, not when tenants take physical occupancy of the space
- **Absorption:** period-over-period change in occupied square footage

Supply

- **Direct vacancy rate:** space operated by landlords that is ready for immediate occupancy
- **Sublease vacancy rate:** space operated by sublandlords that is ready for immediate occupancy
- **Total vacancy rate:** sum of direct vacancy rate and sublease vacancy rate
- **Availability rate:** space that is vacant plus space that will become vacant over an indefinite time horizon, including spaces that are occupied by vacating tenants and under-construction properties

Office rents and concessions

- **Asking rents:** pricing guidance provided by landlords to tenants for available space expressed as full service (FS)
- **Base rents:** fair market value of market-level lease pricing based on representative executed leases, expressed as full service (FS)
- **Free rent period:** months of free rent that are typically provided upfront by landlords to tenants as a concession to offset the total cost of a lease and/or the construction timeline of an office suite
- **Tenant improvement allowance:** an allowance expressed in dollars per square foot provided from landlords to tenants to offset build-out, engineering, space planning and related permit costs
- **Net effective rent:** base rents discounted by the dollar values of tenant improvement allowance and free rent concessions expressed as full service (FS)

Capital markets

- **Investment volume:** office sales dollars expressed when the transactions close and based on inventory thresholds; partial-interest sale dollar amounts are not grossed-up to reflect the 100% value of the sale
- **Asset pricing:** unweighted average per-square-foot asset pricing of market-level closed sales
- **Cap rate:** net operating income divided by sale price; this measurement of market-level investment returns is calculated as an unweighted average based on closed investment sales

For more market insights and
information visit **avisonyoung.com**

Haley Leek

Market Intelligence Analyst
haley.leek@avisonyoung.com

Sara Barnes

Manager, Market Intelligence
Southeast Region
sara.barnes@avisonyoung.com

Brad Sinclair

Managing Director
brad.sinclair@avisonyoung.com