

# Atlanta

## Quick Stats

**20.1%**

Overall vacancy up 480 basis points year-over-year

**-2.9 MSF**

Year-to-date absorption for the market in 2021

**5.4 MSF**

SF under construction the first quarter with 41% preleased

**\$32.28 psf**

Average class A asking rate up 1.2% in the last 12 months

**1.9 MSF**

Amount of new space leased year-to-date

As the Atlanta office market began to recover in the first quarter of 2021, it did see the pace of rental rate growth slow. However, rates were still up 2.1% year-over-year ending the quarter at \$29.53 per square foot (psf) gross. Average class A rates rose at a minimal pace of 1.2% to \$32.28 psf and class B average rates increased 1.0% to finish the quarter at \$21.25 psf. Rental rates are anticipated to remain steady over the next couple of quarters as the market begins to return to pre-pandemic activity. Concessions, such as free rent, tenant improvement allowance, etc., are increasing and landlords are being more flexible in how it can be used.

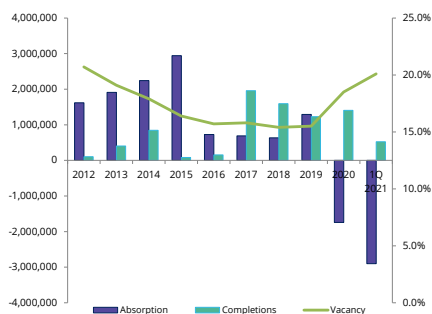
The Atlanta market recorded its third consecutive quarter of negative absorption during the first three months of 2021 with negative 2.9 million square feet (msf). While the amount of space entering the market is significant, not all of it was due to COVID-19. AT&T finished their move out of their Lindbergh location of 932,000 sf, and Truist began their consolidation by leaving 79,000 sf at 271 17th Street. Even though this is the largest negative quarterly total ever seen, the market should begin to see positive absorption by the summer of 2021 when Microsoft, Google and other tenants begin to occupy their new spaces.

Office vacancy saw a significant increase at the beginning of the year, finishing at 20.1%, up 480 basis points (bps) year-over-year. Class A vacancy ended the quarter up 590 bps year-over-year reaching 21.0%, while class B vacancy saw a smaller increase of 260 bps to 18.5% in the same period.

Leasing activity saw 1.9 msf of new leases signed during the quarter, which is up 11.4% from the same time in 2020. This indicates that companies are beginning to feel confident again in making decisions on leasing new space. A good portion of the space that was leased was sublease space that recently came on the market. This has allowed tenants the opportunity to be in locations they may not normally have chosen based on the quoted asking rental rate for direct space.

At the end of the first quarter, the Atlanta office market had 5.4 msf under construction, of which 41% of the space is preleased. The majority of construction activity remains in the Midtown submarket with 3.1 msf underway. The market saw a minimal amount of new inventory in the first quarter with Microsoft's two buildings at Atlantic Station delivering.

## Absorption, Completions & Vacancies

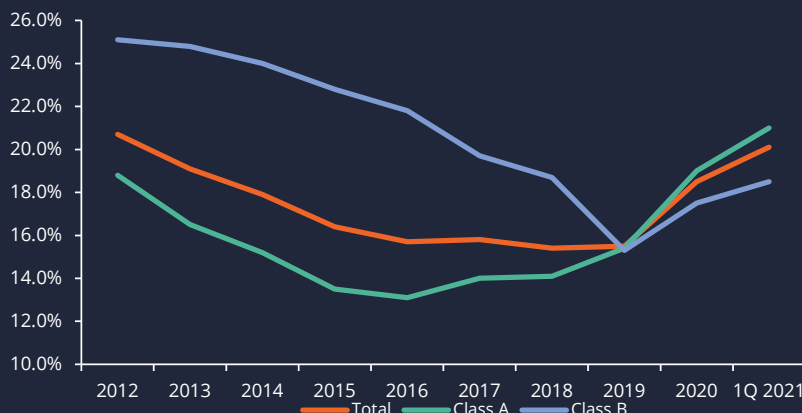




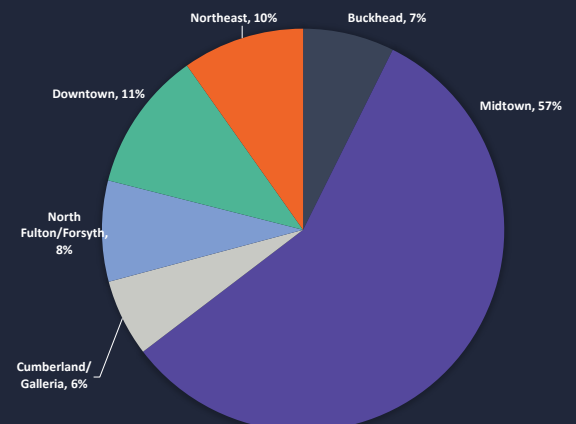
### Market Highlights

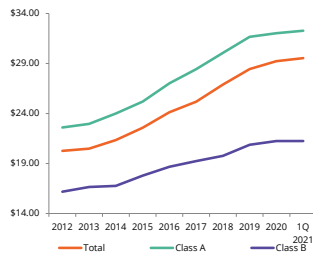
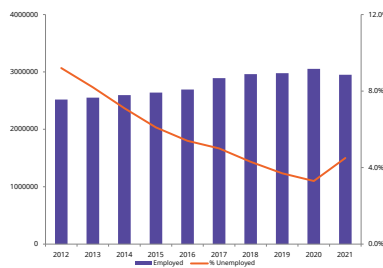
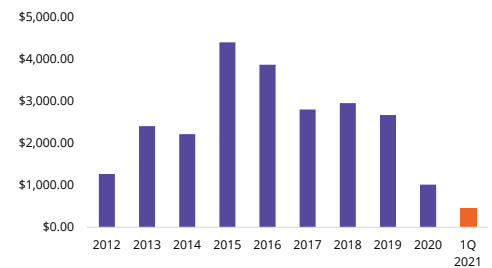
- Google announced they will be expanding into an additional 400,000 sf at their new location in Midtown. This is part of their plan to invest more than \$7 billion in its offices and data centers and create at least 10,000 new full-time roles in New York, Chicago, Washington D.C. and Atlanta by 2025.
- Global Payments is moving into 200,000 sf in Alpharetta which will be a consolidation of multiple office locations in the north Atlanta suburbs. They will be keeping their headquarters at Three Alliance for the time being. This move comes two years after Global Payments merged with Total System Services Inc.
- Investment sales activity in metro Atlanta saw a slight increase during the first quarter, but activity is still down from a year ago. Investors spent \$433 million, which is down 10.4% from the pace of activity during the same period in 2020. At the end of 2020 investors began to show more interest in the Atlanta market and in the first quarter there were numerous suburban building park sales which helped to increase activity.
- The largest sale of the quarter was PPF Real Estate purchasing the Mansell Overlook office park from The Brookdale Group for \$142.25 million. The 673,000 sf portfolio is located in the North Fulton/Forsyth submarket and was approximately 90% leased at the time of the sale. The largest individual building sale was 5555 Windward Parkway. Southwest Value Partners Enterprises purchased the 507,000 sf building from Hewlett Packard Enterprises for \$56 million.
- The Atlanta market continued to see sublease space become available during the first three months of 2021, but not at the quick pace seen in 2020. The market currently has 5.1 msf of sublease space available, which is up 58% from the first quarter of 2020, however, only 2.2 msf is vacant. While this increase in space is significant, it is minor compared to Austin which is up 233%, Charlotte at 193% and San Francisco has seen a 173% increase since the beginning of 2020.

### Vacancy by Property Type



### Under Construction



Average Asking Rental Rate  
(psf/year/FS)Metro Atlanta Employment  
(November of each year)Office Investment Sales  
(in millions)

## Select 1Q 2021 Lease Transactions

Tenant	Property	Type	Submarket	SF
Google	1105 W Peachtree Street	Prelease	Midtown	396,761
Global Payments	5995 Windward Parkway	New Lease	North Fulton/Forsyth	206,542
ServiceMaster	1 Glenlake Parkway	Sublease	Central Perimeter	53,440
John Marshall Law School	245 Peachtree Center Avenue	New Lease	Downtown	46,478
Soliant Health	5550 Peachtree Parkway	Sublease	Northeast	36,000
New Benevis, Inc	210 Interstate N Parkway	Sublease	Cumberland/Galleria	30,202
Builders Insurance Group	2859 Paces Ferry Road	New Lease	Cumberland/Galleria	26,337
ABB Inc	2018 Powers Ferry Road	New Lease	Cumberland/Galleria	25,353

## Select 1Q 2021 Sale Transactions

Property	Submarket	Buyer	Total SF	Sale Price	Price/SF
Mansell Overlook 100-500	North Fulton/Forsyth	PPF Real Estate I, Inc	672,559	\$142,250,001	\$212
Stonebridge I-III	North Fulton/Forsyth	Starwood Capital Group	461,200	\$134,749,999	\$292
5555 Windward Parkway	North Fulton/Forsyth	Southwest Value Partners Enterprises	507,000	\$56,000,000	\$110
107 Charles W. Grant Parkway	Airport/South Atlanta	Boyd Watterson Asset Management	99,992	\$25,000,000	\$307

## Select Construction Projects

Property	Submarket	Projected Completion	Total SF	% Preleased	Asking Rate PSF
1105 West Peachtree	Midtown	Third Quarter 2021	679,153	100%	N/A
Midtown Union	Midtown	Third Quarter 2022	612,947	49%	\$45.00 NNN
4800 Briarcliff Road	Northeast	Fourth Quarter 2021	530,000	0%	\$18.50 NNN
760 Ralph McGill Boulevard	Downtown	Fourth Quarter 2022	450,000	67%	\$46.50 NNN
One Phipps Plaza	Buckhead	Fourth Quarter 2021	340,000	0%	\$56.00 FS
3 Battery Avenue	Cumberland/Galleria	Second Quarter 2021	335,561	65%	\$36.00 NNN
14th and Spring	Midtown	Second Quarter 2022	322,339	3%	N/A

Trends to  
watch

Look for these three key trends to continue during 2021 in the Atlanta office market.



## Sublease Space

Tenants are turning to the sublease market as their office space needs change during the pandemic



## Rental Rates

Will begin to stabilize and slight increases are anticipated



## Construction

Should remain tempered as developers wait for an anchor

## Market by the numbers

BY SUBMARKET	Inventory	VACANCY			NET ABSORPTION		SF Under	AVERAGE ASKING RENT		
		Total	Class A	Class B	1Q21	YTD	Construction	Total	Class A	Class B
Buckhead	19,755,387	21.2%	21.8%	17.4%	(1,024,290)	(1,024,290)	398,000	\$36.92	\$37.90	\$26.80
Downtown	16,958,871	18.9%	22.1%	7.3%	(248,250)	(248,250)	608,750	\$28.02	\$28.22	\$26.52
Midtown	22,383,810	18.8%	19.3%	16.0%	(302,032)	(302,032)	3,099,813	\$40.83	\$41.94	\$30.91
<b>Urban Total</b>	<b>59,098,068</b>	<b>19.6%</b>	<b>20.9%</b>	<b>12.8%</b>	<b>(1,574,572)</b>	<b>(1,574,572)</b>	<b>4,106,563</b>	<b>\$35.92</b>	<b>\$36.65</b>	<b>\$26.05</b>
Airport/South Atlanta	4,551,662	21.1%	11.7%	25.4%	15,192	15,192	-	\$19.83	\$23.27	\$19.22
Central Perimeter	24,242,769	22.7%	23.9%	17.0%	(546,235)	(546,235)	-	\$29.17	\$30.34	\$22.66
Cumberland/Galleria	19,939,903	18.6%	19.0%	19.1%	(230,560)	(230,560)	335,561	\$27.43	\$29.82	\$21.29
Decatur/Stone Mountain	1,715,597	6.5%	8.3%	5.3%	20,249	20,249	-	\$26.97	\$29.22	\$23.38
Duluth/Suwanee/Buford	8,052,929	18.9%	16.5%	21.9%	(118,831)	(118,831)	-	\$20.97	\$22.37	\$18.73
I-20 East/Conyers	543,261	7.8%	-	8.5%	(3,231)	(3,231)	-	\$19.89	-	\$19.89
I-20 West/Douglasville	403,003	13.2%	-	10.1%	(15,083)	(15,083)	-	\$16.63	-	\$16.59
Norcross/Peachtree Corners	6,226,736	25.7%	26.8%	25.5%	(96,400)	(96,400)	-	\$19.95	\$21.19	\$18.60
North Fulton/Forsyth	19,471,932	20.5%	21.7%	18.1%	(187,473)	(187,473)	439,028	\$25.09	\$27.69	\$20.64
Northeast Atlanta	8,375,200	21.9%	19.8%	23.4%	(31,557)	(31,557)	530,000	\$22.40	\$25.18	\$21.57
Northwest Atlanta	3,850,407	14.1%	14.1%	14.6%	(130,631)	(130,631)	-	\$23.98	\$28.40	\$21.63
<b>Suburban Total</b>	<b>97,373,399</b>	<b>20.4%</b>	<b>21.0%</b>	<b>19.9%</b>	<b>(1,324,560)</b>	<b>(1,324,560)</b>	<b>1,304,589</b>	<b>\$25.49</b>	<b>\$28.31</b>	<b>\$20.75</b>
<b>Total Market</b>	<b>156,471,467</b>	<b>20.1%</b>	<b>21.0%</b>	<b>18.5%</b>	<b>(2,899,132)</b>	<b>(2,899,132)</b>	<b>5,411,152</b>	<b>\$29.53</b>	<b>\$32.28</b>	<b>\$21.25</b>

BY CLASS	Inventory	Vacancy	1Q Absorption	YTD Absorption	SF Under Construction	Available Sublease
Class A	108,808,362	21.0%	(2,345,971)	(2,345,971)	5,360,802	4,074,848
Class B	43,588,125	18.5%	(507,397)	(507,397)	50,350	960,567
Class C	4,074,980	14.6%	(45,764)	(45,764)	-	50,296
<b>Total Market</b>	<b>156,471,467</b>	<b>20.1%</b>	<b>(2,899,132)</b>	<b>(2,899,132)</b>	<b>5,411,152</b>	<b>5,085,711</b>

Avison Young Atlanta currently tracks Class A, B & C office buildings that are 20,000 square feet or greater, not owner occupied, not medical and not government.

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