



Atlanta office market report

Q1 2024

**AVISON
YOUNG**

Atlanta office market trends

2.1 msf

Leasing activity on the rise in 2024

Although leasing activity was down nearly 20% when compared to Q1 2023, the Atlanta market saw a 5.3% increase in activity quarter-over-quarter. Direct asking rates continue trending upwards and pipelines are growing, causing a renewed feeling of optimism within the office sector for 2024. While Atlanta has 44 CMBS loans set to expire in 2024, putting added pressure on building owners, there are still properties that will be able to consistently negotiate and execute deals that appeal to both tenants and owners.

2.4 msf

New product set to deliver in 2024 and 2025

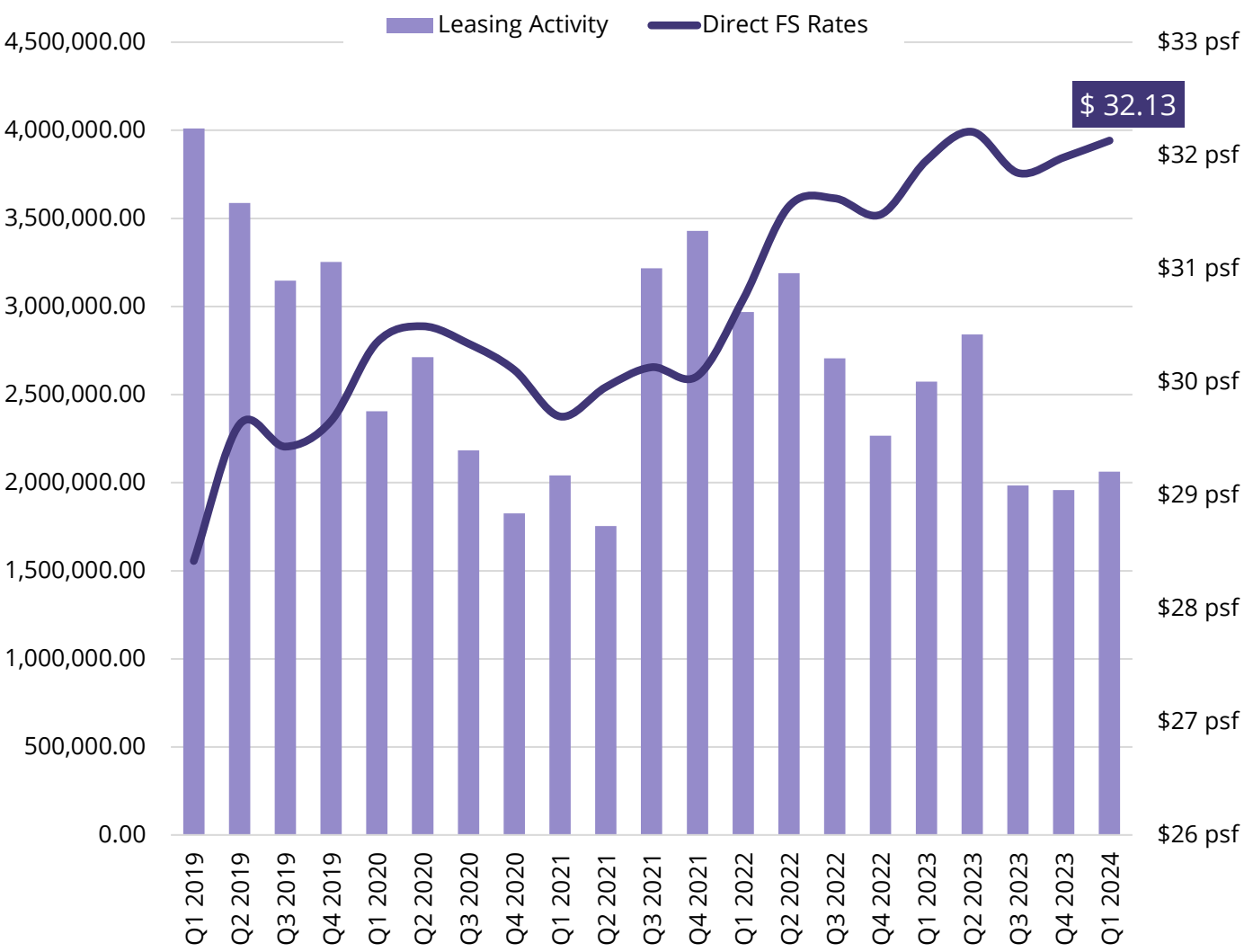
New inventory entering the market has caused a negative impact on vacancy over the last few years. From 2020 to 2022, over 8.6 msf of new office inventory was delivered. In 2023, deliveries drastically dropped to 535k sf as well as construction starts with a total of 4 buildings breaking ground. Now as less space is set to deliver, pre-existing high vacancy properties are positioned to see an increase in leasing activity and reduce vacancy rates within newer inventory.

1.6%

Vacant sublease space hits record high for urban submarkets

Atlanta's urban submarkets hold most of the newer office inventory making them desired markets when looking at the flight-to-quality trend that has been highlighted the last few years. Although many tenants in the market are still targeting the urban markets for new locations, vacancy rates for sublease space have reached an all-time high. Less sublease space is being added to available inventory, but there seems to be a challenge leasing the pre-existing supply before tenants officially vacate their space. This gives tenants leverage as landlords are eager to lease this vacant space and tenants now have an abundance of options within the urban submarkets.

Leasing activity on the rise in 2024



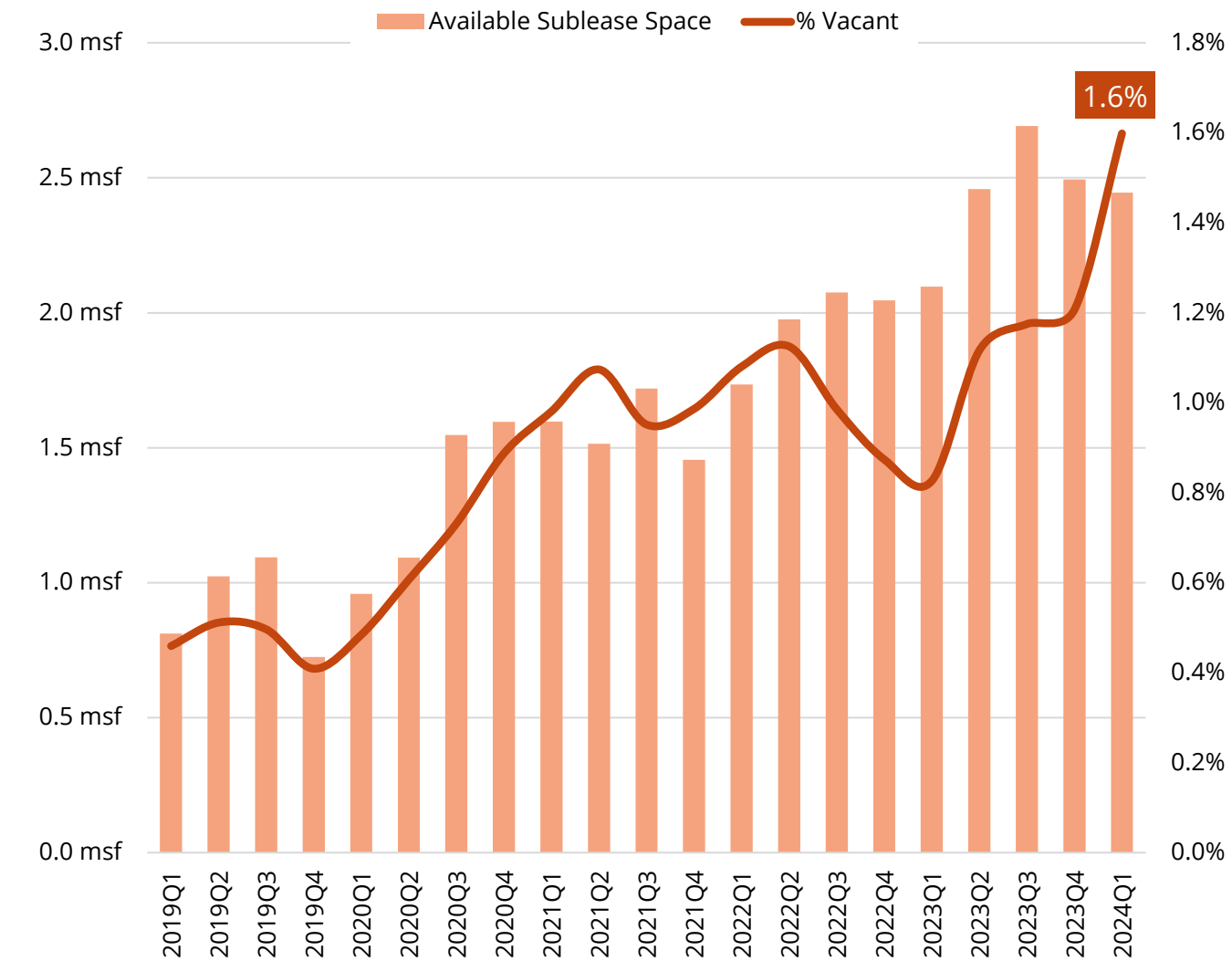
During first quarter, 2.1 msf of deals were signed, a 5.3% increase compared to the 1.9 msf of leasing activity recorded during the previous quarter. Rental rates have increased 0.5% and although activity is significantly down compared to the pre-COVID average, rental rates are up 13% since the beginning of 2019.

2.4 msf of new product set to deliver in 2024 and 2025



The availability rate on buildings that delivered from 2020 to 2022 is significantly less than 2023 and what is set to deliver through 2025. However, 2024 is slightly lower due to Truist leasing 250k sf in a BTS project set to deliver in 2024 causing a 14% decrease in available space when comparing 2024 to 2023.

Vacant sublease space hits record high for urban submarkets



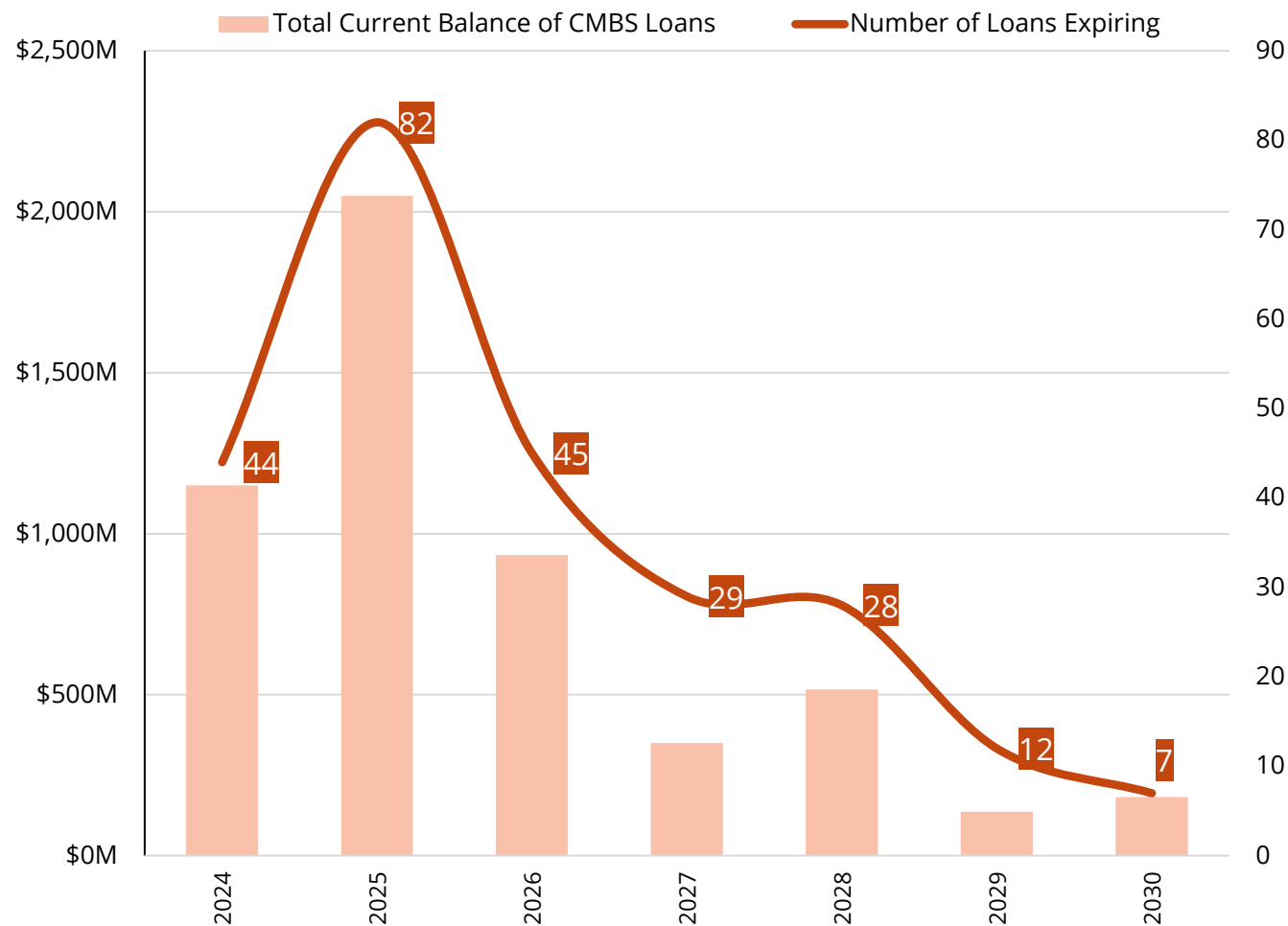
While available sublease space listed on the market is down nearly 2% quarter-over-quarter, vacancy rates have risen 80 BPS year-over-year.

Atlanta office market insights

Let's examine more
prevailing office trends



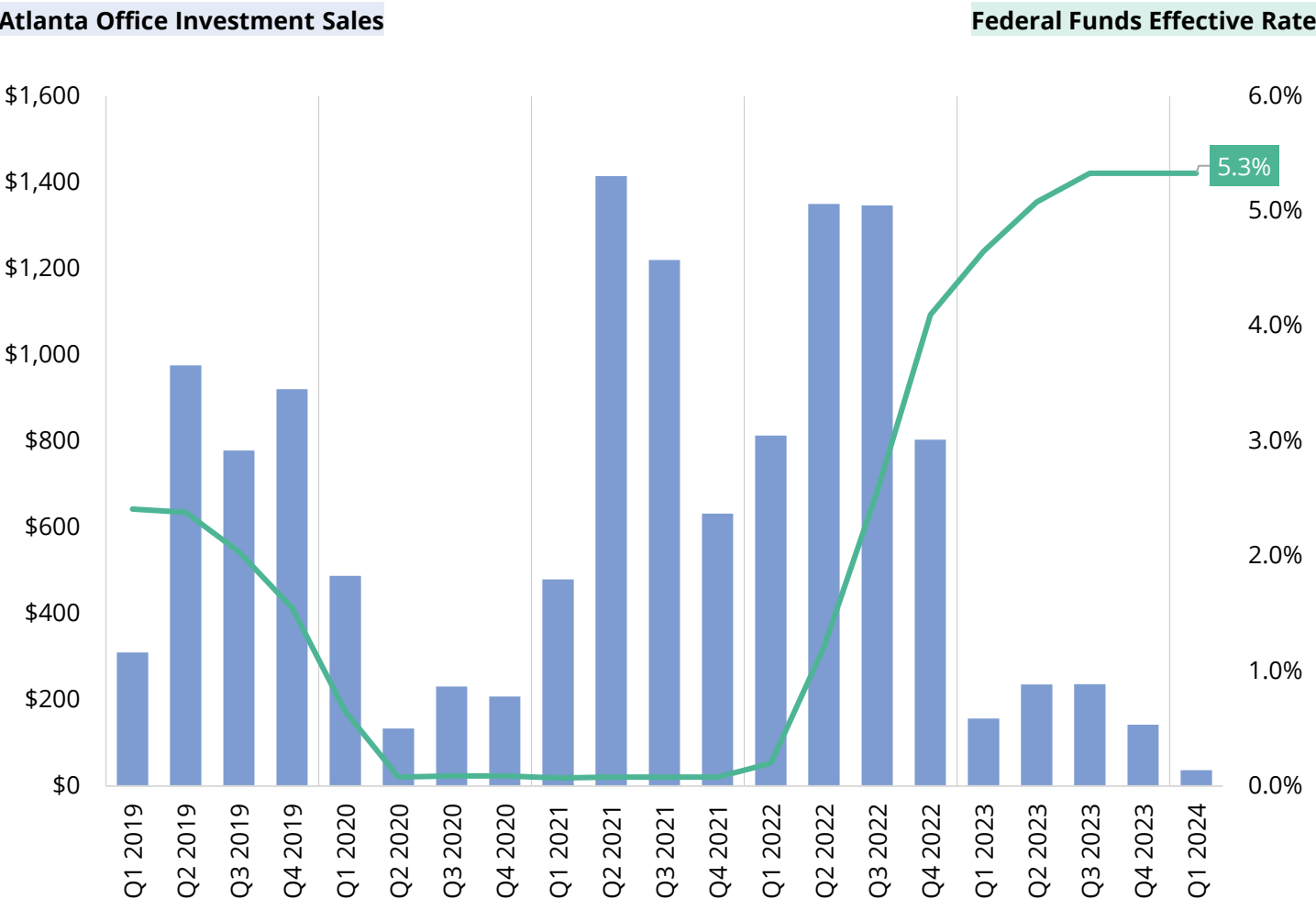
44 CMBS loans are set to expire in 2024



Across the Atlanta market, 44 office CMBS loans are set to expire during 2024, the total balance of these loans exceeds \$1 billion dollars.

Investors will continue to make choices on whether to relinquish their properties or maintain their office assets within their investment portfolios.

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



After peaking during 2023, interest rates remain consistent at 5.3% causing a 92% decrease in investment sales volume when compared to the same time during 2021 where rates hit a low at 0.07%.



Office development pipeline

13 properties

under construction

2.1 msf

under construction

1.3%

share of office inventory

22.3%

pre-leasing in place



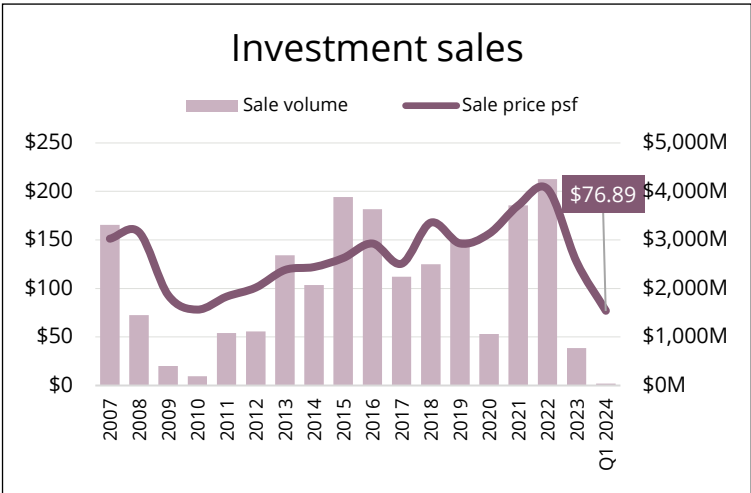
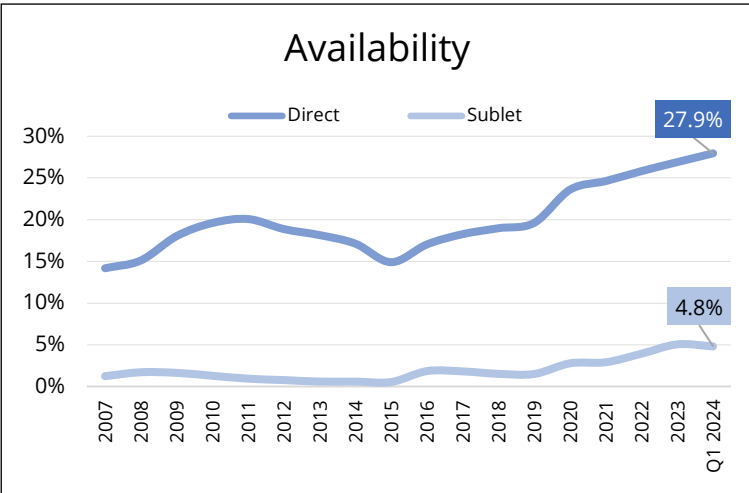
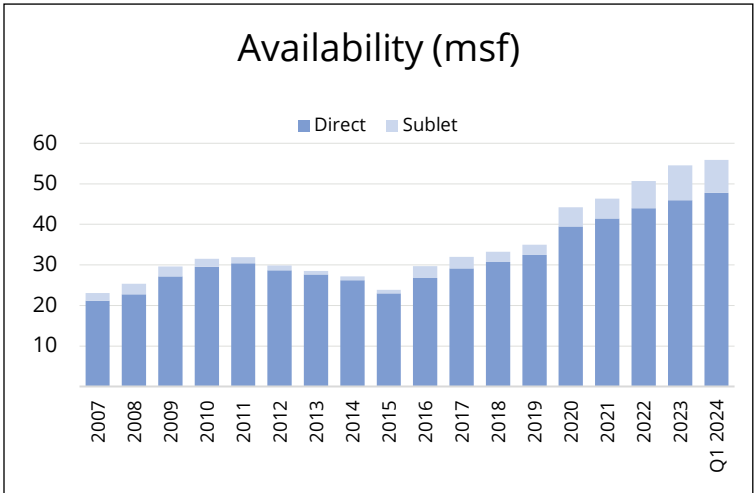
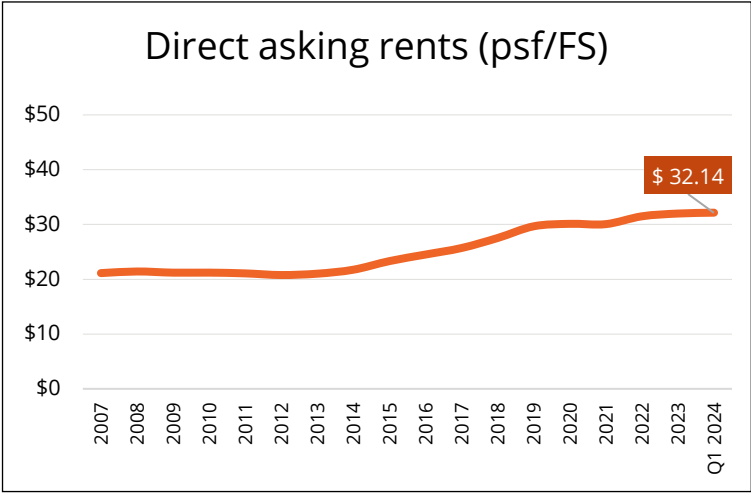
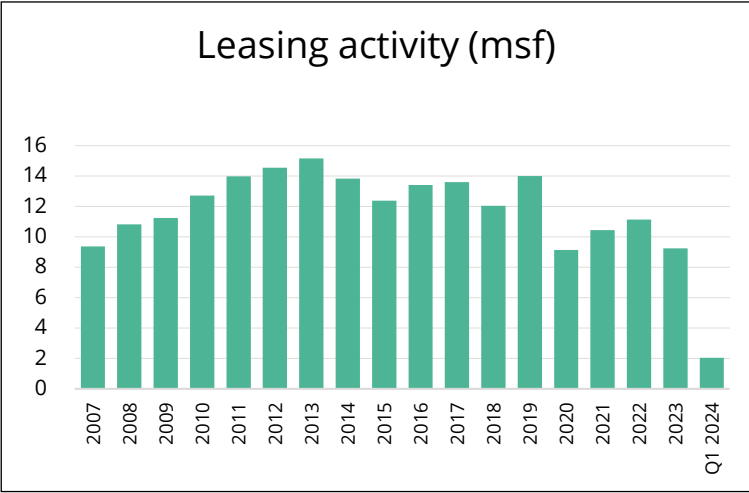
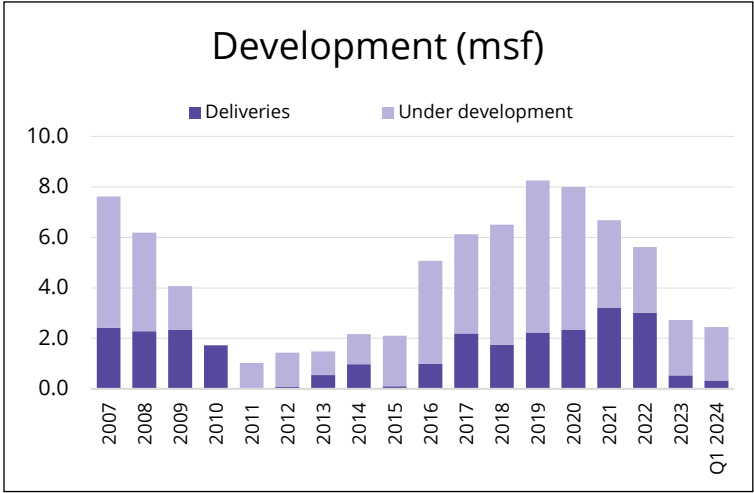
Northside Dr NW & Cameron M Alexander Blvd NW Source: whatnowatlanta.com



Appendix



Atlanta office market indicators



Atlanta office market activity

Recent leasing activity

Tenant	Address	Submarket	Sign date	Size (sf)	Transaction type	Lease type
Manhattan Associates	2500 Windy Ridge Pky SE	Cumberland/Galleria	1/31/2024	210,000	Renewal	Direct
Workday	3350 Peachtree Rd NE	Buckhead	1/2/2024	112,899	Renewal/Expansion	Direct
Georgia Department of Revenue	2500 Century Pky	Northeast	1/24/2024	110,061	New	Direct

Recent sales activity

Buyer	Address	Sale date	Building size (sf)	Sale price	Sale price psf	Seller
Innova Solutions	1455 Lincoln Pky E	Jan 2024	176,503	\$14.5M	\$79.00	Parmenter Realty Partners
Woodside Capital Partners	2100 Powers Ferry Rd Shadowood Office Park (3 building portfolio)	Mar 2024	202,153	\$14.0M	\$69.25	Atlanta Property Group
Babloo Investments	**550 Pharr Rd	Mar 2024	108,333	\$8.7M	\$80.00	Sage Equities

**foreclosure

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	368,258	7.4%	Trammell Crow Company
900 SE Battery Ave	Cumberland/Galleria	2024	250,000	100%	Braves Development Company

Atlanta office market stats

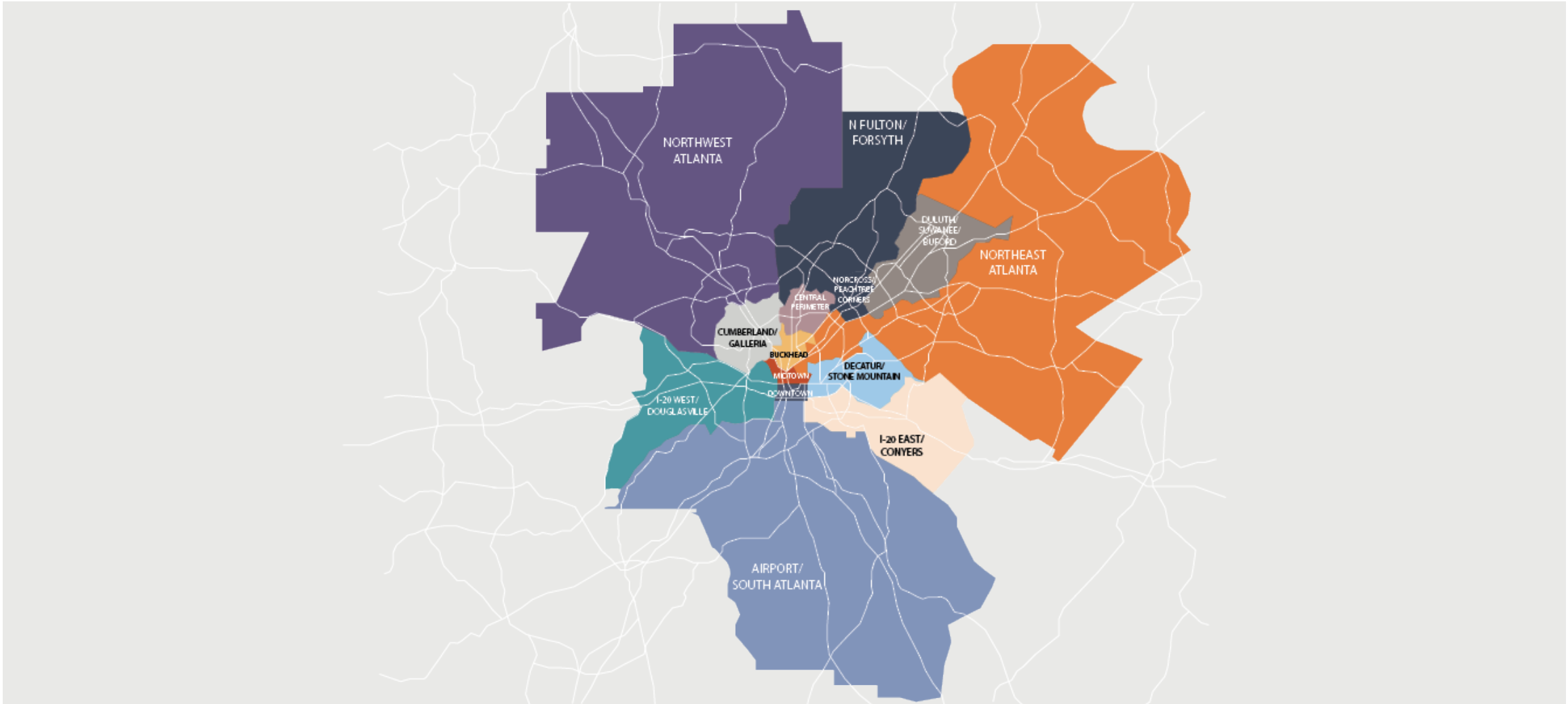
	Existing inventory sf	Deliveries sf (YTD)	Under development sf	Direct availability	Sublet availability	Total availability	Net absorption sf (YTD)	Net absorption % of inventory (YTD)	Annual direct asking rent psf FS
Buckhead	20,635,216	0	0	33.0%	2.5%	35.4%	(2,787)	(0.01%)	\$38.14
Downtown	18,573,279	0	368,258	32.2%	3.2%	35.4%	190,970	1.3%	\$30.78
Midtown	25,257,025	296,220	1,220,186	32.1%	5.0%	37.2%	(102,482)	(0.4%)	\$43.27
Urban total	64,465,520	296,220	1,588,444	33.2%	3.8%	37.0%	85,701	0.1%	\$37.39
Airport/South Atlanta	5,769,131	30,149	0	17.0%	0.8%	17.8%	41,306	0.7%	\$23.98
Central Perimeter	26,459,762	0	100,905	29.7%	8.8%	37.3%	(13,988)	(0.1%)	\$31.29
Cumberland/Galleria	21,317,359	0	250,000	22.3%	5.4%	27.2%	14,514	0.1%	\$28.81
Decatur/Stone Mountain	1,833,949	0	0	14.4%	0.5%	14.8%	31,214	1.7%	\$30.98
Duluth/Suwanee/Buford	7,658,231	0	35,580	17.8%	2.6%	20.3%	(18,373)	(0.2%)	\$23.63
Norcross/Peachtree Corners	6,581,184	0	0	26.3%	3.4%	27.7%	(9,093)	(0.1%)	\$21.56
North Fulton/Forsyth	20,947,442	0	143,767	28.7%	5.9%	34.4%	(307,465)	(1.5%)	\$26.90
Northeast Atlanta	9,784,121	0	0	23.5%	1.8%	25.3%	(5,026)	(0.1%)	\$25.45
Northwest Atlanta	4,008,309	0	0	23.7%	8.8%	30.6%	18,699	0.5%	\$27.46
Suburban total	104,359,488	30,149	530,252	25.2%	5.5%	30.1%	(248,212)	(0.2%)	\$26.67
Market total	168,825,008	326,369	2,118,696	27.9%	4.8%	32.3%	(162,551)	(0.1%)	\$32.13

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	23.0%	4.8%	27.8%	274,731	2.2%	\$43.71
Class A	103,653,209	326,369	2,079,162	31.0%	5.2%	35.8%	(136,408)	(0.1%)	\$33.27
Class B	48,442,652	0	39,534	23.4%	4.3%	27.2%	(298,260)	(0.6%)	\$24.60
Class C	3,960,276	0	0	18.1%	0.3%	18.4%	(2,574)	(0.1%)	\$21.09
Market total	168,825,008	326,369	2,118,696	27.9%	4.8%	32.3%	(162,511)	(1.1%)	\$32.13



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**

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