

ATLANTA

Q4-21 OFFICE REPORT

Market Overview

Home to numerous national headquarters, the Atlantic office market suffered a sharp increase in vacancy rates during the height of the pandemic. However, the market has been steadily improving ever since, as companies return to office full time and unemployment remains well below the national average.

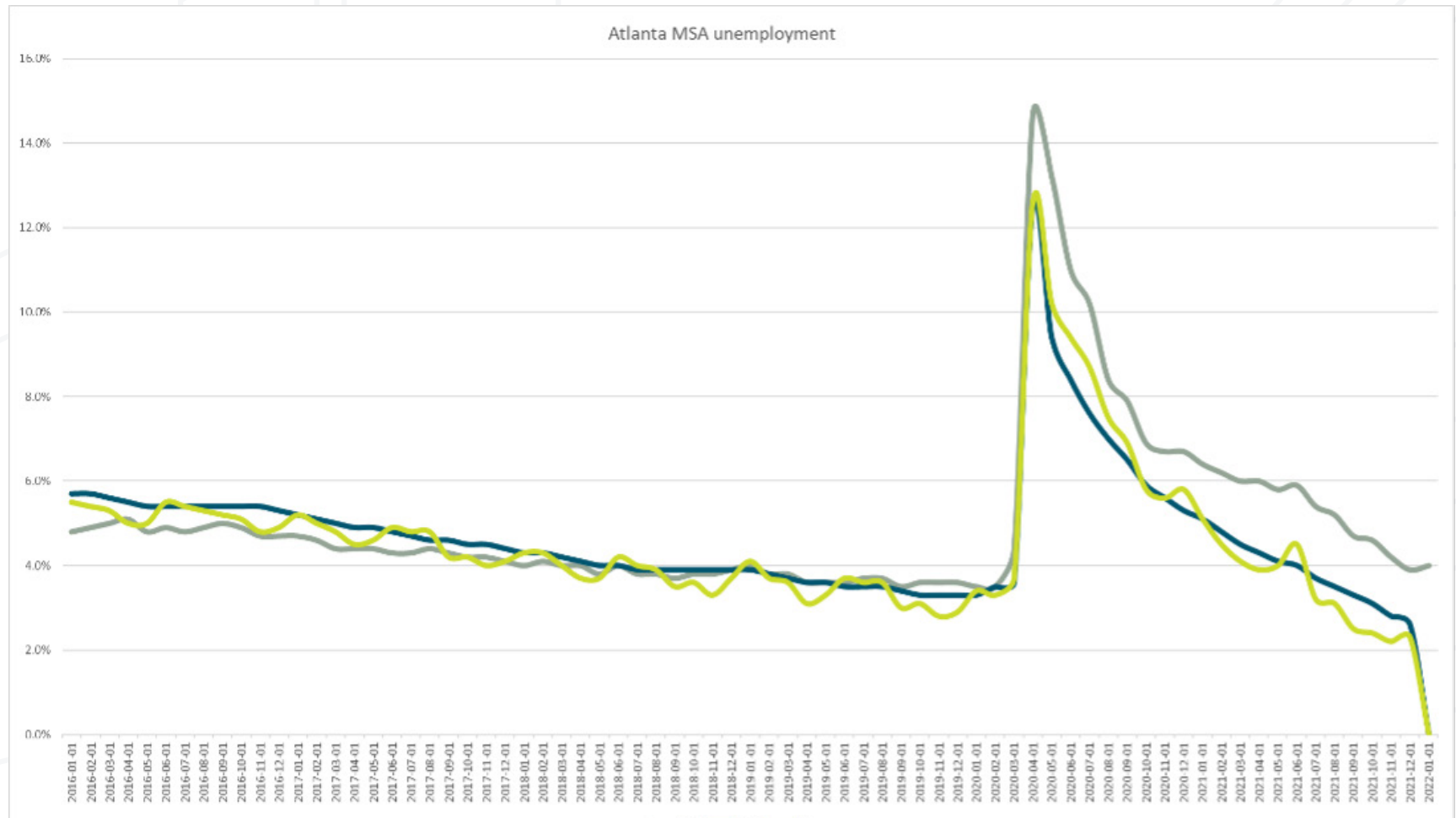
While vacancy rates are still recovering and rental rate growth has been fairly stagnant, the market is experiencing a healthy balance of absorption and new deliveries, which should pave the way for stabilization.

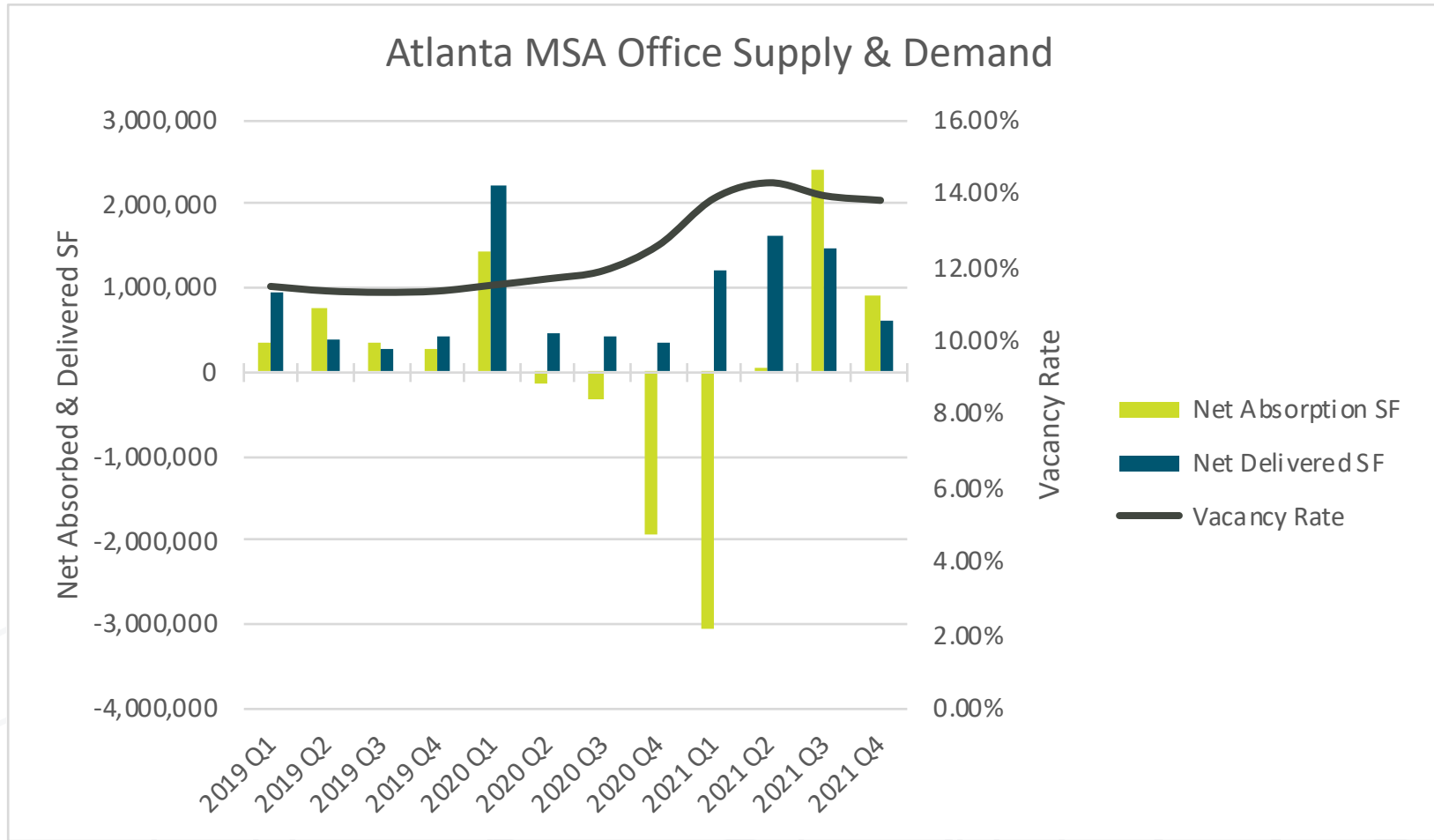
Record investment sales volume and per square foot pricing is almost a promising sign for the market, demonstrating investor confidence in Atlanta's ability to draw office users.

Atlanta MSA Unemployment

By the end of Q4-21, Atlanta's unemployment rate was at 2.3%, well below the 3.9% national average. Highlighting this market's strength is a 11-month span in 2021 during which Atlanta's unemployment rate was below both the national and state averages. Another metric that showcases this market's resilience during the pandemic is a YoY decrease of 60.34% when comparing rates in December of 2021 to December 2020.

Record investment sales volume and per square foot pricing is also a promising sign for the market demonstrating investor confidence in Atlanta's ability to draw office users.



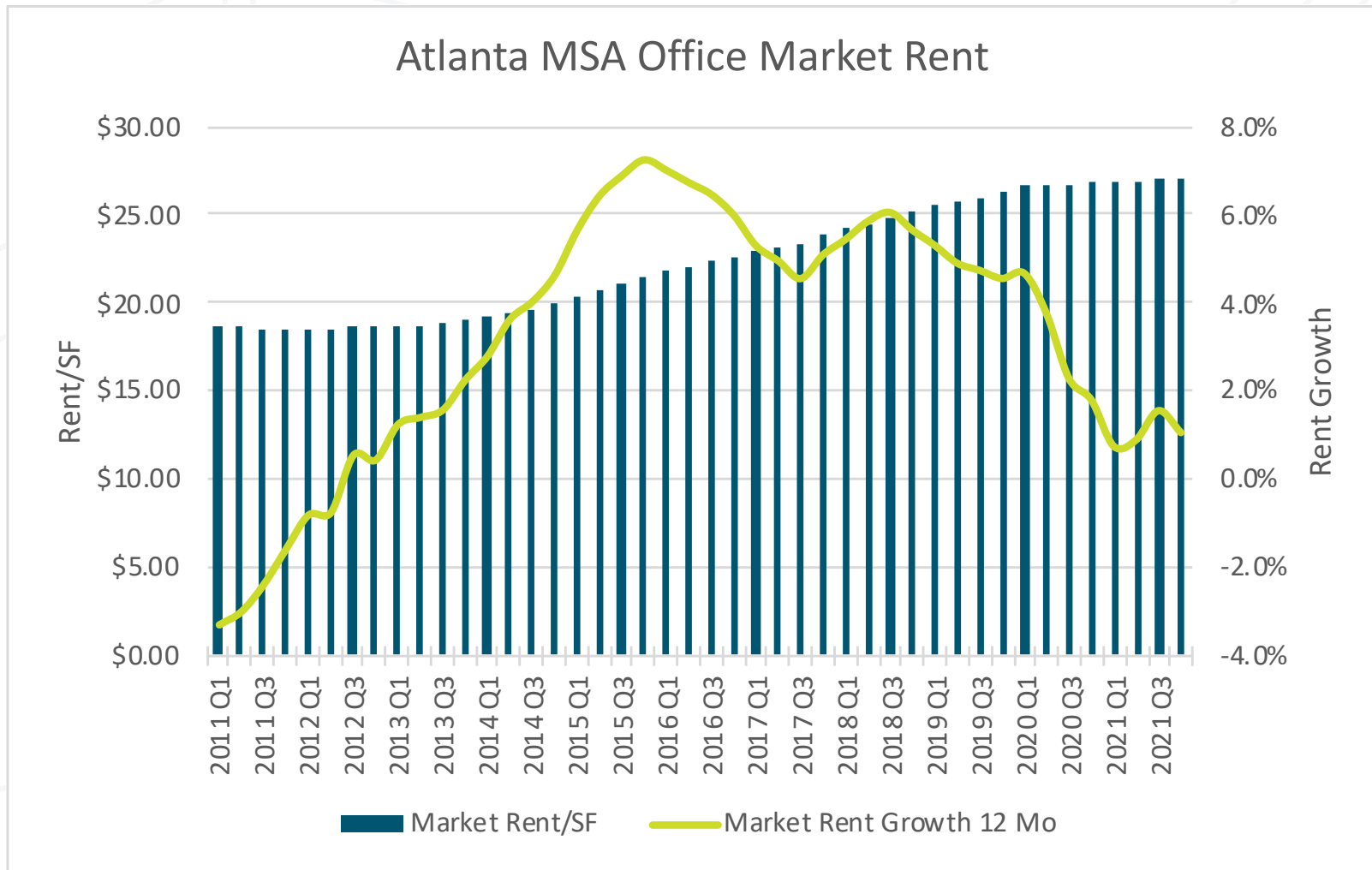


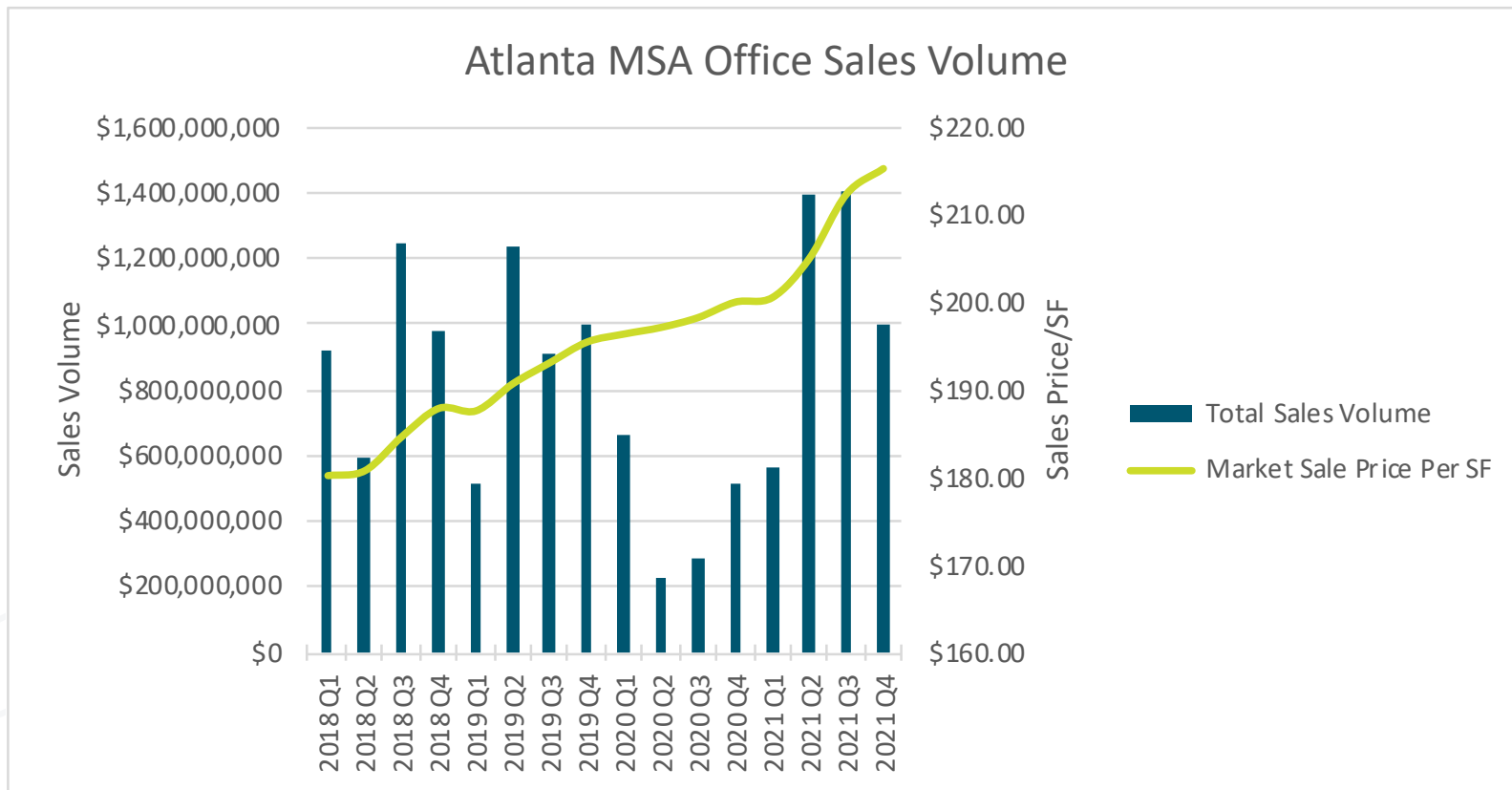
Atlanta MSA Supply & Demand

The Atlanta office market began 2021 with a negative absorption of 3 million square feet that led to a drastic increase in vacancies. However, the three remaining quarters in 2021 helped surmount this step deficit with positive absorption, even in spite of a significant amount of new office inventory coming online in the market. While the vacancy rate is still recovering, quarterly net absorption has been surpassing pre-pandemic averages—a trend that will allow supply and demand fundamentals to stabilize.

Atlanta MSA Office Market Rent

Atlanta office rent dipped slightly in Q2-20 but has been steadily rising ever since and has been back above pre-pandemic levels since Q3-20. The rate of growth has been fairly stagnant, but is important to note that rent growth began slowing down before the pandemic. Ultimately, as the market continues to see vacancies decline, rent growth is likely to begin picking back up in 2022.





Atlanta MSA Office Market Rent

There was a stark difference in sales volume between 2020 and 2021, as investment activity in the Atlanta office market returned to pre-pandemic levels. The market surpassed \$4.3 billion in sales volume in 2021, which hasn't since 2016. At an average sale price of \$215.35 per square foot, Q4-21 experienced the highest YoY quarterly increase (7.66%) since Q3-14 (7.90%).

Atlanta MSA Annual Office Statistics								
Year	Vacancy Rate	Mkt Rent/Sf.	MKT Rent Growth 12 Mo	Inventory Sf.	Net Delivered SF	Net Absorp Sf.	Mkt Sale Price/Sf.	Mkt Cap Rate
2011	16.3%	\$18.55	-1.6%	315,578,479	65,694	131,242	\$137.64	8.0%
2012	15.4%	\$18.63	0.4%	315,407,945	-170,534	403,213	\$139.71	7.8%
2013	14.4%	\$19.04	2.2%	315,665,514	257,569	1,121,163	\$147.46	7.6%
2014	13.2%	\$19.92	4.6%	316,668,555	979,041	998,210	\$157.27	7.4%
2015	11.4%	\$21.37	7.3%	316,736,852	68,297	1,233,016	\$164.22	7.3%
2016	11.3%	\$22.65	6.0%	317,313,754	512,902	1,077,518	\$172.39	7.3%
2017	11.4%	\$23.80	5.1%	319,740,683	2,423,985	165,384	\$176.63	7.4%
2018	11.3%	\$25.15	5.6%	321,902,492	2,113,705	924,583	\$187.83	7.4%
2019	11.4%	\$26.29	4.5%	323,973,140	2,007,760	284,919	\$195.44	7.4%
2020	12.6%	\$26.76	1.8%	327,457,144	3,482,341	-1,918,826	\$200.02	7.4%
2021	13.8%	\$27.04	1.0%	332,362,683	4,905,539	924,786	\$215.35	7.2%

Atlanta MSA Office Statistics Q4-21								
Retail Product Type	Vacancy Rate	Mkt Rent/Sf.	MKT Rent Growth 12 Mo	Inventory Sf.	Net Delivered SF	Net Absorp Sf.	Mkt Sale Price/Sf.	Mkt Cap Rate
Class A	19.6%	\$33.57	0.4%	144,444,136	4,522,316	254,554	\$270.97	6.7%
Class B	11.4%	\$22.64	1.4%	135,594,678	530,153	408,580	\$176.54	7.5%
Class C	3.8%	\$19.99	3.0%	51,385,088	-163,370	258,944	\$158.86	8.0%

Conclusion

As the Atlanta office market continues to rebound, here are some of the trends our experts will be watching:

Intown is not out: Urban core / intown area for office are still in demand, as major companies like Microsoft and Google have proved. The talent coming from Georgia Tech also continues to drive high desirability for intown office space.

Flexibility is the new normal: Flexibility for office will be key moving forward as many business push toward a more flex work schedule. This certainly does not mean companies will no longer need physical office space, we may see footprints shrink when not every employee is required to be at their desks 8 hours a day. Of course, the level of flexibility will differ based on the specific nature of the business and their employee population.

Emphasis on collaboration: For companies that do adopt a more flexible schedule, the office will become a space for collaboration. We can expect employers to seek spaces that promote a team environment and face-to-face interaction.

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