

Atlanta's pipeline booms; construction costs – and asking rents – continue to rise

As 2019 came to a close, Atlanta continued to see a robust development pipeline and strong tenant demand. With more than 5.0 million square feet (msf) under construction, the office pipeline is at its most active in a decade. Large occupiers are vacating older space and anchoring new developments. These shifts boosted overall availability in Atlanta to 19.7% as the quarter ended – up 50 basis points year-over-year. New buildings also bring higher asking rents. The Midtown submarket is seeing average Class A asking rents upwards of \$40.00 per square foot (psf), with new developments now asking well over \$50.00 psf. Tenant costs to build out space continue to rise due to the high demand for skilled labor, as well as the rising costs of materials. While generous landlord concessions can offset out-of-pocket costs, a typical buildout for second-generation space generally ranges \$60.00 – \$90.00 psf, while first-generation space can cost from \$80.00 – \$110.00 psf.

Leasing activity holds steady through Q4; West Midtown offers creative options

Leasing activity for the quarter totaled 2.5 msf, bringing the year-to-date total to 10.6 msf. To combat rising construction costs, occupiers are getting increasingly creative with their spaces, such as Emory Healthcare's new commitment to 224,000 square feet (sf) in the revitalized Northlake Mall. Emory will be transferring 1,600 employees to the former Sears space in the mall, with options to grow. West Midtown has also become a hotspot of activity with two unique Class A office buildings underway that have attracted a flurry of coworking activity. WeWork is anchoring the development at The Interlock, while rival coworking group Spaces is opening a new location at Star Metals.

The future of Atlanta's flexible office market

With continued uncertainty surrounding WeWork's future, all eyes are on the flexible office space market to see what, if any, impact will occur. Unlike other recent quarters, no major coworking leases were signed during Q4. Still, Atlanta provides a robust coworking landscape with more than 2.8 msf of flexible options across all submarkets; 37% of which are in Midtown. Spaces, Industrious and many other providers continue to grow. While it's likely that Atlanta will not see the same pace of coworking growth as in past year, there are still plenty of existing coworking options for tenants, as well as many new locations set to open in 2020 & 2021.

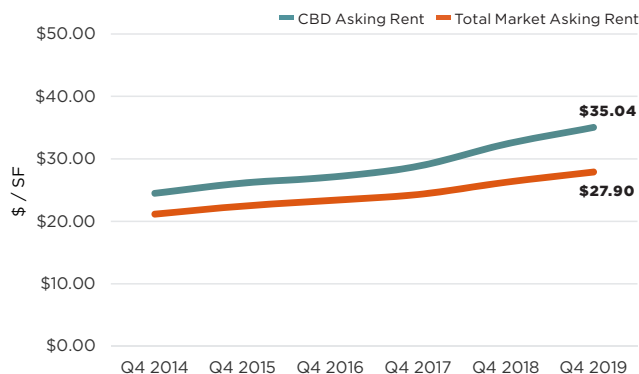
Outlook

- Both availability and asking rents increased across Atlanta over 2019, with a steady flow of new development activity in the market
- Still, demand remains robust and generous concession offerings are enticing tenants to capitalize on the market's newer options
- With the positive momentum seen this year, the market has firmly cemented its place as one of the strongest and most active in the Southeast

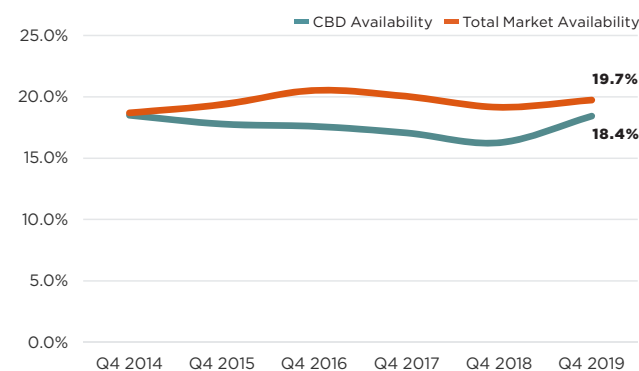
KEY STATISTICS

	Q4 2018	Q4 2019	y-o-y Change
Inventory	170.7 MSF	172.1 MSF	▲
Availability Rate	19.2%	19.7%	▲
Asking Rental Rate	\$26.25	\$27.90	▲
CBD Asking Rental Rate	\$32.37	\$35.04	▲
Quarterly Leasing Activity	2.4 MSF	2.5 MSF	▲

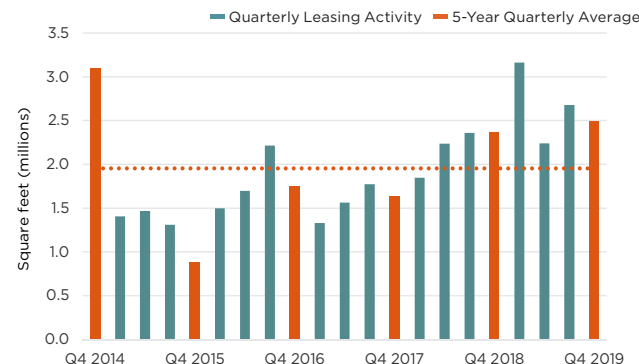
ASKING RENT TRENDS



AVAILABILITY TRENDS



LEASING ACTIVITY



MAJOR TRANSACTIONS

47.4%

of major transactions were **new locations, relocations or expansions**

27.0%

of large transactions occurred in the **Northlake** submarket

56.5%

Healthcare and Education represented 56.5% of major transactions

Tenant	Square feet	Address	Transaction type	Submarket	Industry
Emory Healthcare	224,000	4820 Briarcliff Road NE	New Location	Northlake	Healthcare
The Art Institutes	112,367	6600 Peachtree Dunwoody Road NE	Renewal	Central Perimeter	Education
MarketSource	100,484	11700 Great Oaks Way	Renewal	North Fulton	TAMI
American Intercontinental University	75,698	6600 Peachtree Dunwoody Road NE	Renewal	Central Perimeter	Education
Siemens	73,000	3617 Parkway Lane	New Location	Northeast	Manufacturing
Medciphers	57,085	4165 Shackleford Road	New Location	Northeast	Healthcare
World Financial Group	50,000	11315 Johns Creek Parkway	Relocation	North Fulton	Financial Services
Convoy	49,914	600 Peachtree Street NE	Expansion	Downtown	Transportation & Logistics
QGenda	47,670	3280 Peachtree Road NE	Relocation	Buckhead	TAMI
Chick-fil-A	39,446	725 Ponce de Leon Avenue NE	New Location	Midtown	Retail

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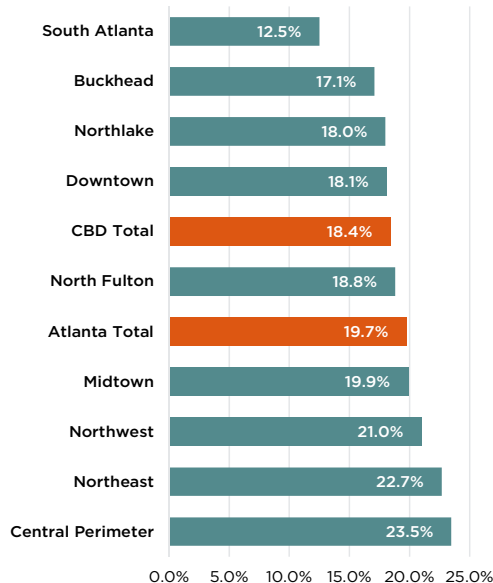
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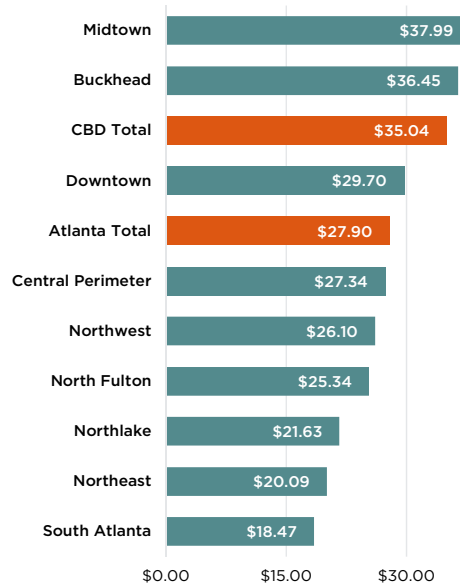
AVAILABILITY RATE COMPARISON

Atlanta Submarkets



RENTAL RATE COMPARISON (\$/SF)

Atlanta Submarkets



Unless otherwise noted, all rents quoted throughout this report are average asking gross (full service) rents per square foot. Statistics are calculated using both direct and sublease information. Current and historical availability and rent data are subject to change due to changes in inventory.

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