



Atlanta

Office

21Q4

Key Takeaways

- Absorption was positive for a second consecutive quarter, showing continued signs of recovery for Atlanta office.
- The year's overall occupancy loss in conjunction with elevated space deliveries have led to a decade-high vacancy rate.
- Though rising 3% year-over-year, quarterly rental rate increases are beginning to slow.
- Occupancy gains of the last two quarters show promise for positive activity continuing in 2022; however, some headwinds still remain.



Atlanta's Office Market Ends Challenging Year On The Upswing

The final quarter of the year showed continued progress for the Atlanta's office market as just under 500,000 square feet of space was absorbed. This marks the second consecutive quarter with more space occupied than vacated and helps fill some of the void created in the first half of the year. Nevertheless, the occupancy losses of Q1 & Q2, combined with the highest annual amount of space delivered since 2002 have resulted in the market's highest office vacancy rate in a decade. Fortunately, leasing activity returned convincingly in the back half of the year, bolstered by back-to-work initiatives, expansions, and large, new-to-market leases.

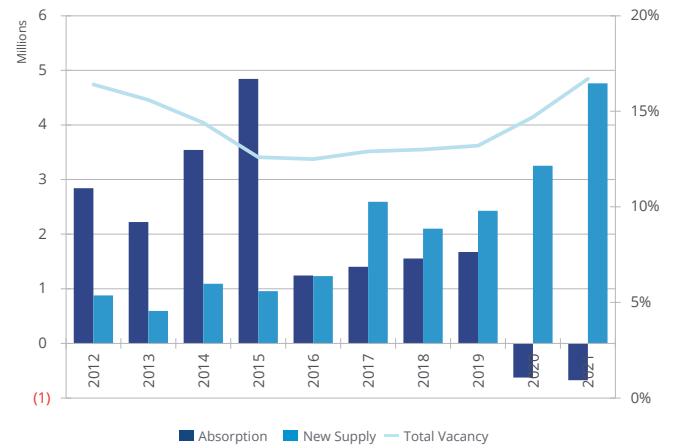
Market Indicators



Historic Comparison

	20Q4	21Q3	21Q4
Total Inventory (in Millions of SF)	231.2	235.4	235.9
New Supply (in Millions of SF)	0.3	1.5	0.5
Net Absorption (in Millions of SF)	-2.0	1.9	0.5
Overall Vacancy	14.7%	16.7%	16.7%
Under Construction (in Millions of SF)	7.4	4.5	4.3
Overall Asking Lease Rates (FSG)	\$28.77	\$29.63	\$29.73

Market Graph



Atlanta's office market finished the year with two consecutive quarters of positive absorption; however, the annual total was negative for the second straight year. This along with added supply has resulted in the market's year-end vacancy rate being at its highest level in a decade.

Sources: CoStar, Colliers Research

Recent Transactions



Sublease

236 Perimeter Ctr. Pky.
C. Perimeter | 570k SF



Renewal

Lenox Park A & B
Buckhead | 435k SF



Lease

Tower Square
Midtown | 192k SF



Sale

999 Peachtree
Midtown | \$360/SF
Piedmont Office Realty



Sale

Parkway at Avalon
N Fulton | \$271/SF
Admiral Capital Gr.



Sale

5405 Windward
N Fulton | \$193/SF
Rubenstein Partners



Executive Summary

Following a tumultuous start to the year where Atlanta saw its largest office space ever vacated in a single quarter, the market rebounded in the second half with considerable occupancy gains starting in the summer then progressing further through the fourth quarter. Q1's negative absorption totaling over 3-million square feet followed a tough end to 2020 and created a significant hole for the Atlanta office market to fill in 2021. While the pandemic is to blame for some of this, the largest occupancy losses at the beginning of the year were mostly the product of vacancies already in the works. These include consolidations by companies such as Cricket Wireless, State Farm, Cox Automotive, and BB&T which dominated the negative activity. Fast-forward to the back half of the year, however, and Atlanta began to see its office market recover. Leasing activity became more pronounced, even closing in on pre-pandemic. Furthermore, Norfolk Southern, Microsoft, and Anthem moved into large offices over the summer months helping to boost overall occupancy levels. Absorption was further buoyed by solid gains in the fourth quarter where expansions were prevalent and companies vacating large blocks were manageable. Additionally, move-ins from smaller tenants were numerous, accounting for just under half of the net absorption in Q4. Nevertheless, despite 2-million square feet of space absorbed since July, the overall office vacancy rate in Atlanta

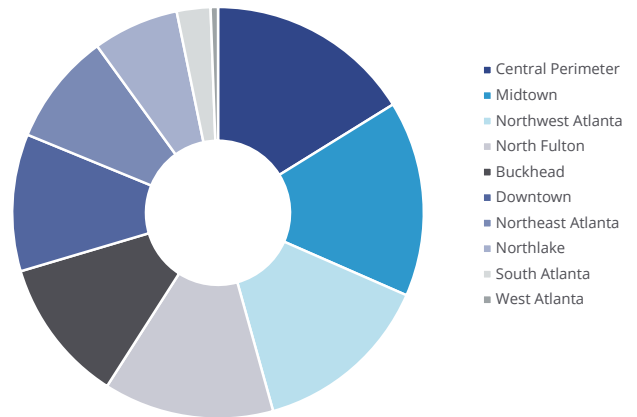
ended the year at its highest level in ten years. While some of this can be attributed to move-outs in the first half of 2021, much of the increase in vacancy is the result of 4.7 million square feet delivered this year; the highest annual amount of space added to Atlanta's office market since 2002. As of the end of the year, 36% of this space was still vacant.

While conditions appear to be looking up for the office market, challenges do remain. Heading into 2022, the ongoing pandemic continues to muddle the office scene in terms of confusing tenants on their space needs, and also creating short-term or long-term questions as to the length of their leases. Additionally, soaring construction costs are pushing build-out costs down to tenants as allowances are not covering. Inflation in general is testing the overall economic recovery adding to the uncertainty affecting office decisions. Fortunately for Atlanta, the prospects of new business remain high given the metro's location in the Sunbelt where many companies are migrating. Examples of these played out during the second half of the year with large leases and expansions by Carvana, Visa, Micron and Cisco transpiring. This activity is anticipated to continue in 2022, providing an optimistic outlook for the metro area's office fundamentals; however, the pandemic's ongoing impact will be closely monitored.

Vacancy & Availability

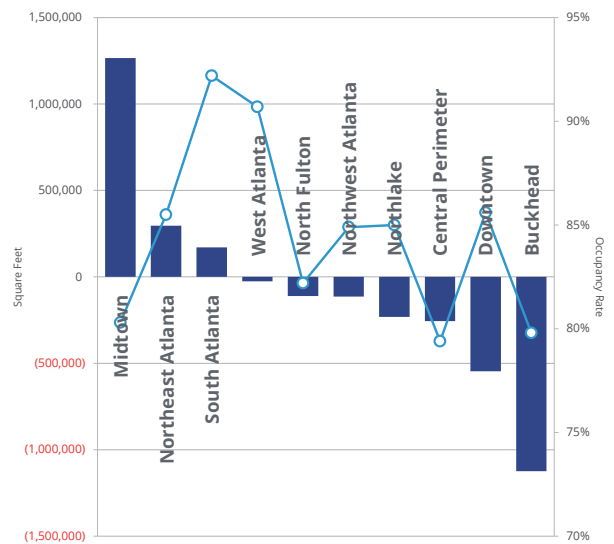
Atlanta ended the year at its highest vacancy level in a decade. Peaking at 17% mid-year, the rate finished just below that amount at 16.7% after two consecutive quarters of occupancy gains. This represents a 200 basis points (2%) increase year-over-year. Most of the vacancy added to the market this year came in Class A office. The rough start to the year combined with the highest amount of new space added to the market in 19 years factored into a 5-million square feet vacancy increase for this space type in 2021. Buckhead experienced the greatest uptick in its annual vacancy rate at 5%, edging out Midtown which witnessed most of the new inventory added. On the availability side, sublease space remains elevated, above 5-million square feet at year's end.

Total Vacant Space in Atlanta by Submarket



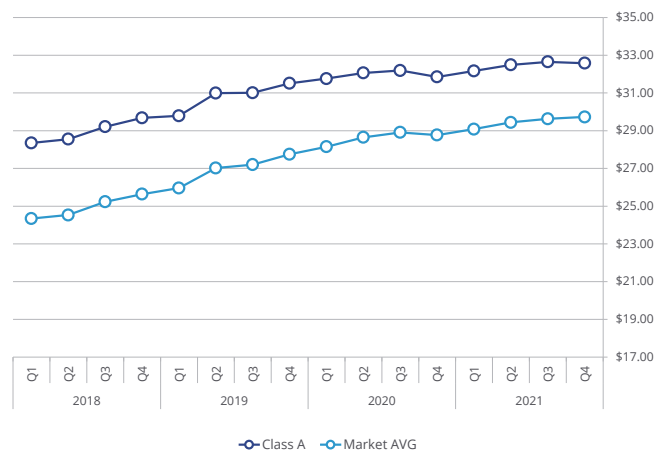
Absorption & Leasing Activity

Just under 500,000-square feet of office space was absorbed in the fourth quarter. This represents the second consecutive period of occupancy gains and helps fill some of the vacant space added to the market this year. In spite of this, the office market finished 2021 with an overall loss of just under 675,000-square feet. As mentioned, Buckhead saw the highest amount of space vacated in the year with AT&T/Cricket Wireless's 1-million square-foot move-out at Lindbergh City Center accounting for most of the submarket's loss. On the flip side, Midtown experienced the highest gains this year with Norfolk Southern, Microsoft, and Anthem moving into large blocks of space. Leasing activity was consistent throughout the year as well, picking up in the second half. Deals by Visa, Hapag-Lloyd and Micron will positively impact market absorption in 2022.



Rental Rates

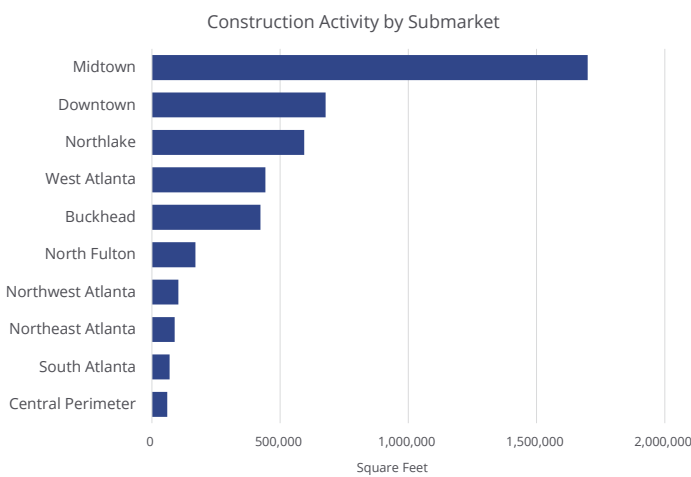
Overall, Atlanta's office rents rose 3.3% year-over-year. While this represents yet another annual increase, the amount by which rents have risen has declined steadily for a third straight year. The same can be said for Class A office which actually saw its average decline in Q4. Likely factors affecting this rental rate trend are the amount of vacant space added to the market in the past year, and also the amount of sublease space available; the highest in 12 years. As of the end of 2021, there is a 25% discount to lease sublease space over direct availability. This is anticipated to continue influencing rents across the market going forward.



Sources: CoStar, Colliers Research

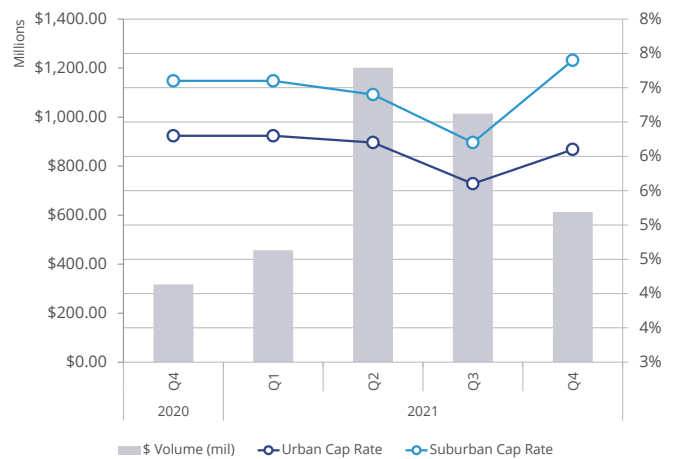
Construction & New Supply

Atlanta had the highest amount of space delivered since 2002 this year with the majority of the 4.7-million square feet added in Midtown. Overall construction activity has dropped to its lowest level in four years following 2021's deliveries. Current activity remains focused on the Midtown submarket given demand here. Overall, the Atlanta office market is well-positioned and remains in balance on the development front.



Investment Activity

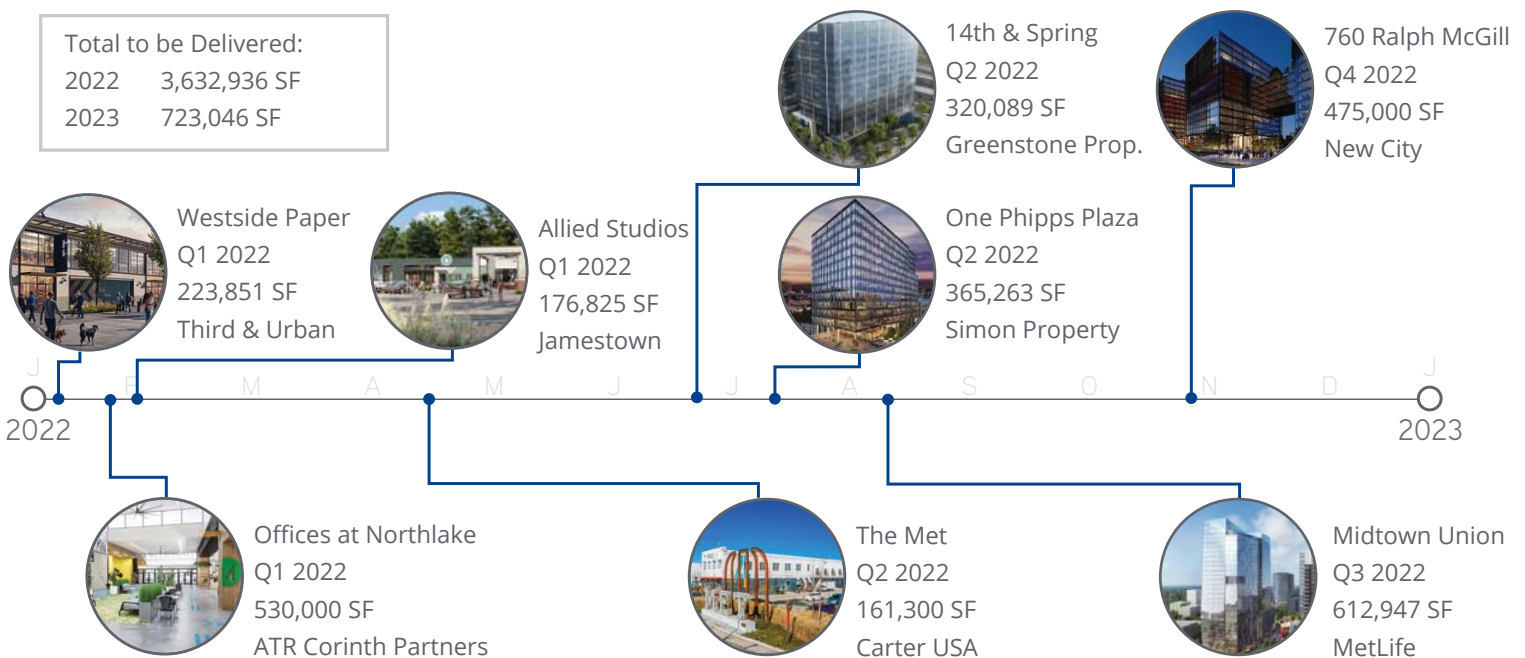
Just over \$3.4 billion of Atlanta office buildings transacted in 2021 making it the best year of investment activity in 5 years. Three of the top 5 sales were in Midtown, including 725 Ponce which at \$809/sf shattered price-per-square-foot records for the market. There were ten investments totaling over \$100 million which is the most ever in a single year. Recently delivered, and well-positioned assets were the most in-demand office properties.



New Supply Timeline

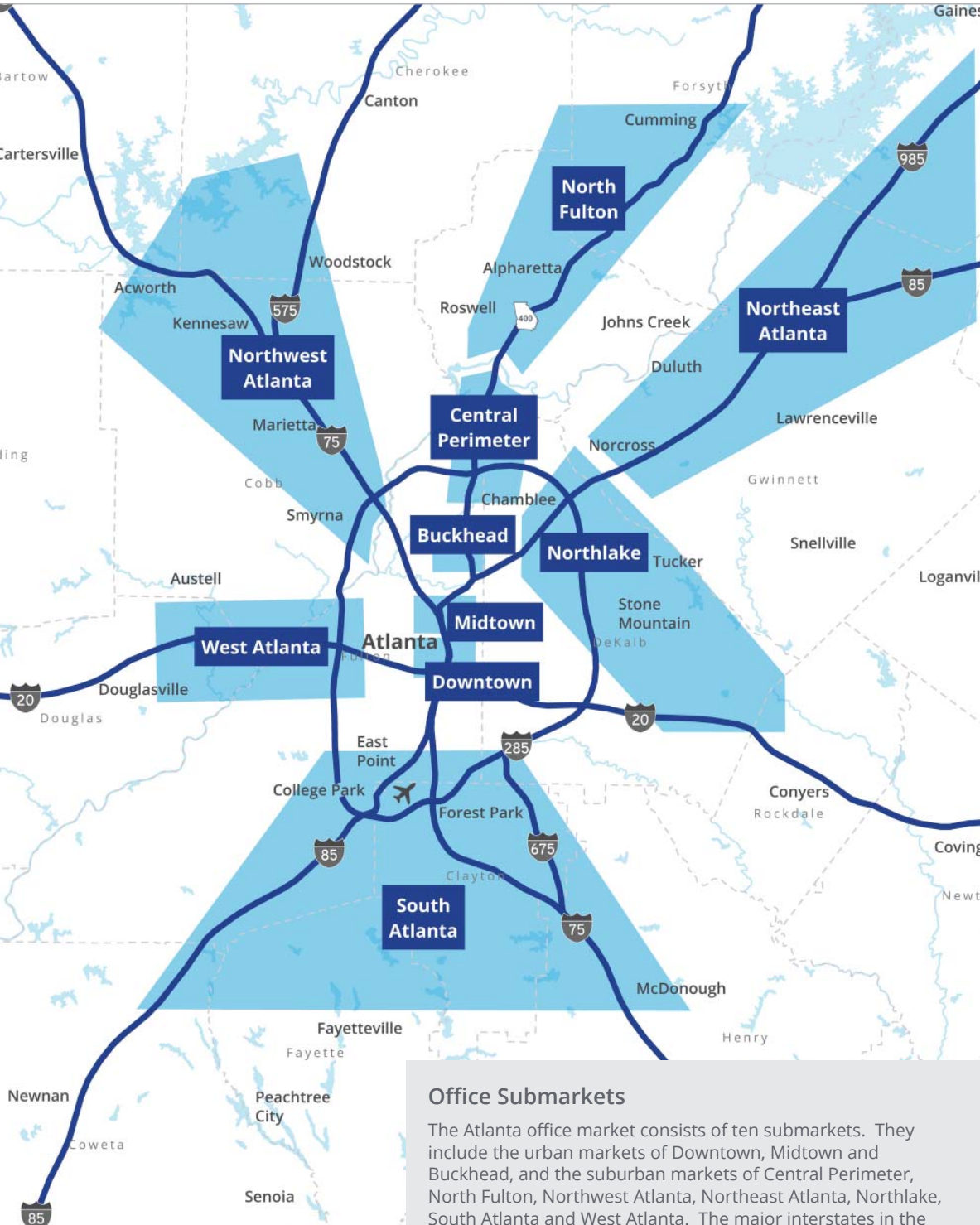
Major buildings expected to deliver over next year

Total to be Delivered:	
2022	3,632,936 SF
2023	723,046 SF



Sources: CoStar, Colliers Research

Submarket Map Overview & Definitions



Office Submarkets

The Atlanta office market consists of ten submarkets. They include the urban markets of Downtown, Midtown and Buckhead, and the suburban markets of Central Perimeter, North Fulton, Northwest Atlanta, Northeast Atlanta, Northlake, South Atlanta and West Atlanta. The major interstates in the region include: I-75, I-85, I-285, I-575, I-985, I-675 and I-20. Georgia 400 and US 316 also play important roles to Atlanta's transportation system.

Definitions

Absorption (Net)-The net change in occupied space over a given period of time, calculated by summing all the positive changes in occupancy and subtracting all the negative changes in occupancy.

Vacancy Rate-A percentage of the total amount of physically vacant space divided by the total amount of existing inventory.

Vacant Space-Space that is not currently occupied by a tenant, regardless of any lease obligation on the space.

Sublease Space-Space that has been leased by a tenant and is being offered for lease back to the market by the tenant with the lease obligation.

Deliveries-Buildings that complete construction during a specified period of time. A certificate of occupancy must have been issued for the property for it to be considered delivered.

Leasing Activity-The volume of square footage that is committed to and signed for under a lease obligation for a specific building or market in a given period of time. It includes direct leases, subleases and renewals of existing leases. It also includes any pre-leasing activity for buildings under construction or planned.

Build-to-Suit-A term describing property that was developed specifically for a certain tenant to occupy. Can be either leased or owned by the tenant.

Class A Office-A classification used to describe buildings that generally qualify as extremely desirable investment-grade properties and command the highest rents or sales prices compared to other buildings in the same market. Such buildings are well located and provide efficient tenant layouts as well as high quality floor plans.

Class B Office-A classification used to describe buildings that generally qualify as a more speculative investment, and as such, command lower rents or sales prices compared to Class A properties. Such properties have ordinary design, lack prestige and generally must depend on a lower rent/sales price to attract tenants/investors.

Class	Total Inventory Sq Ft	Direct Vacancy Sq Ft	Direct Vacancy Rate	Sublease Vacant Sq Ft	Sublease Vacancy Rate	Total Vacant Sq Ft	Vacancy Rate Current	Vacancy Rate Prior	Net Absorp Current	Net Absorp YTD	New Supply	New Supply YTD	Under Constr	Avg Rent (FSG)
Urban Core - Downtown/Midtown/Buckhead														
A	57,896,729	12,347,025	21.3%	550,548	1.0%	12,897,573	22.3%	22.4%	183,758	(432,243)	157,000	3,295,849	2,596,705	\$36.18
B	17,813,410	1,390,829	7.8%	34,938	0.2%	1,425,767	8.0%	8.0%	44,730	2,600	43,425	43,425	202,815	\$29.83
C	4,904,988	470,277	9.6%	-	0.0%	470,277	9.6%	9.7%	6,135	25,954	-	-	-	\$23.03
Total	80,615,127	14,208,131	17.6%	585,486	0.7%	14,793,617	18.4%	18.4%	234,623	(403,689)	200,425	3,339,274	2,799,520	\$35.59
Suburban														
A	74,354,515	13,433,259	18.1%	1,145,101	1.5%	14,580,360	19.6%	19.5%	32,754	(372,255)	160,000	1,053,301	898,292	\$26.69
B	68,584,592	9,032,712	13.2%	511,060	13.9%	9,543,772	13.9%	14.0%	214,028	1,513	157,000	369,107	628,857	\$21.61
C	12,376,601	512,939	4.1%	7,016	4.2%	519,955	4.2%	4.3%	12,976	99,683	-	-	-	\$16.43
Total	155,315,708	22,978,910	14.8%	1,663,177	1.1%	24,644,087	15.9%	15.9%	259,758	(271,059)	317,000	1,422,408	1,527,149	\$24.42
Total														
A	132,251,244	25,780,284	19.5%	1,695,649	1.3%	27,477,933	20.8%	20.8%	216,512	(804,498)	317,000	4,349,150	3,494,997	\$32.58
B	86,398,002	10,423,541	12.1%	545,998	0.6%	10,969,539	12.7%	12.8%	258,758	4,113	200,425	412,532	831,672	\$22.06
C	17,281,589	983,216	5.7%	7,016	0.0%	990,232	5.7%	5.8%	19,111	125,637	-	-	-	\$15.32
Total	235,930,835	37,187,041	15.8%	2,248,663	1.0%	39,437,704	16.7%	16.7%	494,381	(674,748)	517,425	4,761,682	4,326,669	\$29.73

Submarkets by Class

Downtown														
A	15,405,981	3,167,187	20.6%	114,073	0.7%	3,281,260	21.3%	21.0%	6,603	(632,108)	57,000	87,000	644,232	\$29.34
B	8,821,723	599,304	6.8%	3,528	0.0%	602,832	6.8%	6.4%	(41,768)	45,722	-	-	33,000	\$30.90
C	3,403,557	367,899	10.8%	-	0.0%	367,899	10.8%	11.0%	4,877	40,491	-	-	-	\$21.25
Total	27,631,261	4,134,390	15.0%	117,601	0.4%	4,251,991	15.4%	15.1%	(30,288)	(545,895)	57,000	87,000	677,232	\$29.31
Midtown														
A	24,655,954	5,309,542	21.5%	212,260	0.9%	5,521,802	22.4%	22.7%	158,397	1,293,197	100,000	3,168,849	1,587,210	\$41.46
B	5,247,059	436,457	8.3%	18,703	0.4%	455,160	8.7%	8.6%	33,650	(14,233)	43,425	43,425	111,815	\$30.86
C	902,287	91,229	10.1%	-	0.0%	91,229	10.1%	10.4%	2,720	(13,111)	-	-	-	\$26.38
Total	30,805,300	5,837,228	18.9%	230,963	0.7%	6,068,191	19.7%	20.0%	194,767	1,265,853	143,425	3,212,274	1,699,025	\$40.59
Buckhead														
A	17,834,794	3,870,296	21.7%	224,215	1.3%	4,094,511	23.0%	23.1%	18,758	(1,093,332)	-	40,000	365,263	\$37.73
B	3,744,628	355,068	9.5%	12,707	0.3%	367,775	9.8%	11.2%	52,848	(28,889)	-	-	58,000	\$27.74
C	599,144	11,149	1.9%	-	0.0%	11,149	1.9%	1.6%	(1,462)	(1,426)	-	-	-	\$21.47
Total	22,178,566	4,236,513	19.1%	236,922	1.1%	4,473,435	20.2%	20.5%	70,144	(1,123,647)	-	40,000	423,263	\$36.86
Central Perimeter														
A	23,980,128	4,929,752	20.6%	443,544	1.8%	5,373,296	22.4%	22.7%	61,720	(287,582)	-	429,200	-	\$31.46
B	6,009,316	854,460	14.2%	35,449	0.6%	889,909	14.8%	15.5%	40,829	35,645	-	-	59,697	\$22.52
C	975,922	108,691	11.1%	6,872	0.7%	115,563	11.8%	11.8%	(664)	(3,450)	-	-	-	\$19.65
Total	30,965,366	5,892,903	19.0%	485,865	1.6%	6,378,768	20.6%	20.9%	101,885	(255,387)	-	429,200	59,697	\$30.21
North Fulton														
A	16,333,738	2,880,926	17.6%	350,790	2.1%	3,231,716	19.8%	18.6%	(60,307)	(41,633)	160,000	288,540	30,000	\$27.88
B	12,373,132	1,791,837	14.5%	246,428	2.0%	2,038,265	16.5%	14.8%	(75,140)	(80,883)	157,000	169,500	139,500	\$21.68
C	1,000,954	10,027	1.0%	-	0.0%	10,027	1.0%	1.6%	6,419	11,826	-	-	-	\$13.82
Total	29,707,824	4,682,790	15.8%	597,218	2.0%	5,280,008	17.8%	16.4%	(129,028)	(110,690)	317,000	458,040	169,500	\$25.28
Northeast Atlanta														
A	8,645,929	1,432,340	16.6%	41,980	0.5%	1,474,320	17.1%	17.7%	57,731	96,651	-	-	54,441	\$22.05
B	13,394,824	1,876,156	14.0%	59,344	0.4%	1,935,500	14.4%	15.6%	158,807	148,099	-	17,616	34,472	\$18.89
C	2,034,219	69,033	3.4%	-	0.0%	69,033	3.4%	3.3%	(1,625)	51,164	-	-	-	\$15.58
Total	24,074,972	3,377,529	14.0%	101,324	0.4%	3,478,853	14.5%	15.3%	214,913	295,914	-	17,616	88,913	\$20.54
Northlake														
A	4,239,744	812,115	19.2%	20,505	0.5%	832,620	19.6%	19.7%	2,513	(73,228)	-	-	530,000	\$25.94
B	10,700,006	1,664,977	15.6%	59,210	0.6%	1,724,187	16.1%	15.9%	(27,944)	(145,549)	-	17,000	64,000	\$21.96
C	2,812,428	109,724	3.9%	144	0.0%	109,868	3.9%	3.5%	(10,088)	(13,143)	-	-	-	\$18.73
Total	17,752,178	2,586,816	14.6%	79,859	0.4%	2,666,675	15.0%	14.8%	(35,519)	(231,920)	-	17,000	594,000	\$23.42
Northwest Atlanta														
A	19,255,348	3,181,241	16.5%	280,147	1.5%	3,461,388	18.0%	17.8%	(33,825)	(119,161)	-	335,561	60,000	\$29.79
B	15,371,161	1,942,744	12.6%	110,442	0.7%	2,053,186	13.4%	13.8%	72,932	(57,380)	-	92,381	43,367	\$21.19
C	2,358,679	53,530	2.3%	-	0.0%	53,530	2.3%	3.8%	36,838	62,015	-	-	-	\$16.56
Total	36,985,188	5,177,515	14.0%	390,589	1.1%	5,568,104	15.1%	15.3%	75,945	(114,526)	-	427,942	103,367	\$26.59
South Atlanta														
A	1,539,984	127,053	8.3%	8,135	0.5%	135,188	8.8%	8.0%	(12,308)	27,112	-	-	-	\$23.04
B	9,291,667	783,474	8.4%	187	0.0%	783,661	8.4%	9.2%	72,821	122,201	-	35,000	69,000	\$20.12
C	2,549,584	124,540	4.9%	-	0.0%	124,540	4.9%	4.4%	(13,110)	21,410	-	-	-	\$12.75
Total	13,381,235	1,035,067	7.7%	8,322	0.1%	1,043,389	7.8%	8.2%	47,403	170,723	-	35,000	69,000	\$20.32
West Atlanta														
A	359,644	69,832	19.4%	-	0.0%	71,832	20.0%	24.8%	17,230	25,586	-	-	223,851	\$40.00
B	1,444,486	119,064	8.2%	-	0.0%	119,064	8.2%	6.3%	(28,277)	(20,620)	-	37,610	218,821	\$24.89
C	644,815	37,394	5.8%	-	0.0%	37,394	5.8%	5.1%	(4,794)	(30,139)	-	-	-	\$17.91
Total	2,448,945	226,290	9.2%	-	0.0%	228,290	9.3%	8.7%	(15,841)	(25,173)	-	37,610	442,672	\$24.56

QUARTERLY COMPARISON AND TOTALS														
Q4 2021	235,930,835	37,187,041	15.8%	2,248,663	1.0%	39,437,704	16.7%	16.7%	494,381	(674,748)	517,425	4,761,682	4,326,669	\$29.73
Q3 2021	235,413,410	37,136,813	15.8%	2,277,847	1.0%	39,414,660	16.7%	17.0%	1,931,121	(1,169,129)	1,469,532	4,244,257	4,526,525	\$29.63
Q2 2021	233,943,878	37,472,170	16.0%	2,404,079	1.0%	39,876,249	17.0%	16.4%	(19,633)	(3,100,250)	1,701,614	2,774,725	5,433,286	\$29.44
Q1 2021	232,242,264	35,818,805	15.4%	2,336,197	1.0%	38,155,002	16.4%	14.7%	(3,080,617)	(3,080,617)	1,073,111	1,073,111	6,894,092	\$29.08
Q4 2020	231,169,153	32,025,365	13.9%	1,975,909	0.9%	34,001,274	14.7%	13.7%	(2,041,208)	(626,511)	333,069	3,252,118	7,436,257	\$28.77

351 offices in 67 countries on 6 continents

United States: 115
Canada: 41
Latin America: 12
Asia Pacific: 33
EMEA: 78



\$3.3B
in revenue



2B
square feet under management



18,000 +
professionals and staff

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