

Lincoln

Metro Atlanta

Office Report

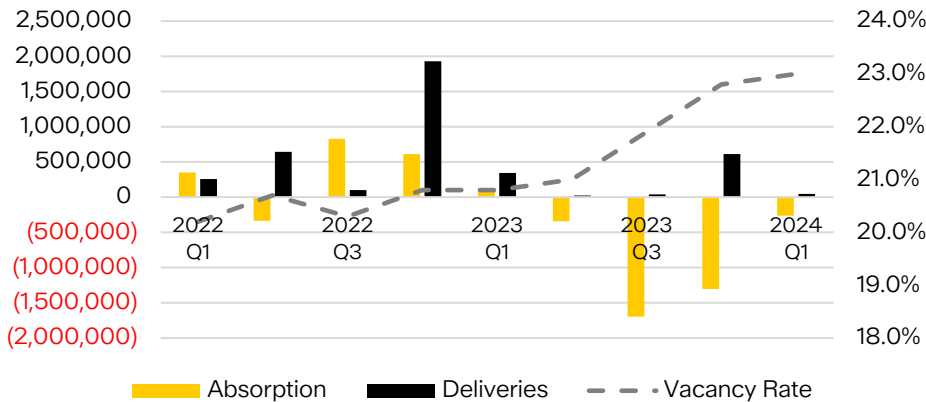
Q1 2024



Positive Indicators Emerge For Atlanta's Office Market

In Q1, the Atlanta Office Market saw notable improvement, marking its best performance in the past year. Negative net absorption amounted to 431,179 square feet, comprising just 12% of the prior year's total negative absorption. This negative absorption led to a slight uptick in the overall vacancy rate, reaching 23.3% with a 30-basis-point increase. Class A properties demonstrated the most robust performance, experiencing only a minor 10-basis-point rise. While Atlanta's office vacancy is still on the rise, the pace of increase has begun to slow down. This, combined with a construction pipeline at its lowest level in nearly a decade and reduced sublease availability, suggests positive indicators for the market.

Absorption, Deliveries, and Vacancy Rate



However, leasing activity has consistently fallen short of pre-pandemic levels, remaining below average. This quarter, leasing activity reached around 76% of the quarterly average since 2020. This decline in activity has resulted in a deceleration in the growth of direct asking rates to 2.6% year over year, slightly lower than the five-year average growth of 3.7%. As a result of this lower leasing activity, there has been heightened competition among landlords to better position office assets to compete in today's market. Some strategies employed include providing enhanced tenant improvement packages, creating readily available spec suites, and renovating tenant amenity areas.

Atlanta Market Snapshot

23.3%
vacancy rate

(431,179)
net absorp Q4

(3,696,782)
net absorp last 12 months

2,034,913 SF
under construction

\$31.65
average asking rent

Economic Snapshot

3.1M

ATL total nonfarm
employment

3.0%

ATL
unemployment rate

3.9%

US
unemployment rate

“

Most of the attention was on high-quality Class A buildings with amenities, accounting for 68.8% of leasing this quarter

Q1
2024

Leasing Activity

In the first quarter, leasing activity reached about 2,102,726 square feet, showing a small increase from the previous quarter but still 26% lower than the average quarterly activity since 2020. Most of the attention was on high-quality Class A buildings with amenities, accounting for 68.8% of leasing this quarter. Within this category, nearly 50% of leasing was for buildings built or renovated after 2015. Despite this trend, older buildings also secured significant leases, such as Manhattan Associates renewing their lease at Wildwood Center for 209,602 square feet and the Georgia Department of Revenue leasing 118,084 square feet at 2500 Century Center. Although leasing activity is lower than usual, these examples are positive indicators for a market moving in the right direction following a challenging year.

Top Leases Q1 2024

Tenant	Property	Submarket	Landlord	SF	Lease Type
Manhattan Associates	Wildwood Center	Northwest Atlanta	Vision Properties, LLC	209,602	Renewal
Georgia Dept of Revenue	2500 Century Center	Northlake	Highwoods Properties, Inc.	118,084	New
Pond & Co.	Peachtree Ridge	Northeast	OA Development	103,229	Renewal
Workday, Inc	3350 Peachtree	Buckhead	Cousins	57,202	New/Exp
Vestis Corporation	Southern Post	North Fulton	Armada Hoffler Properties, Inc.	45,081	New

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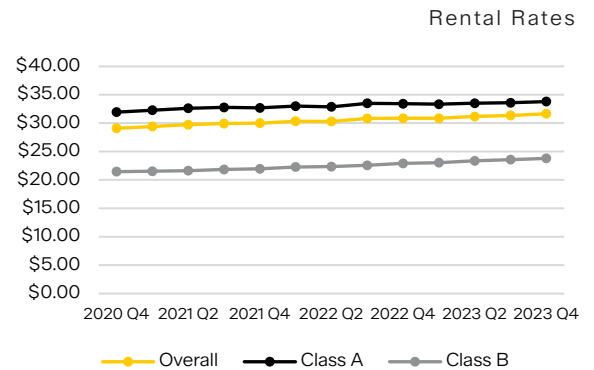
In the dynamic landscape of the Atlanta Office Market, we find a resilient metro with a robust economy. While challenges like negative net absorption and a slight uptick in vacancy rates persist, the slowdown in vacancy rate increases and the lowest construction pipeline in nearly a decade paint a picture of optimism and recovery.

Atlanta's proven resilience opens doors for strategic partnerships and forward-thinking investments, making it an attractive destination for companies looking to thrive in a vibrant and dynamic economic landscape.



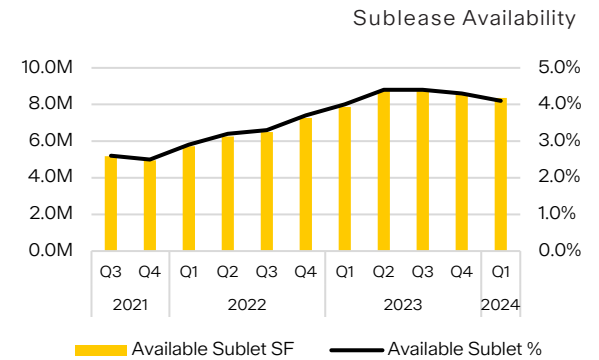
Rental Rates

Over the past five years, there has been a consistent upward trend in direct asking rates, although the rate of increase has slowed down, resulting in a year-over-year growth of only 2.1% and almost no change from one quarter to the next. On average, asking rates have gone up by 3.7% annually over this period. This pattern is also seen in Class A properties, which experienced a 1.4% yearly increase in asking rates and maintained an average annual growth of 2.6% over five years. While these rate increases may seem small, they carry significance during a period of historically lower leasing activity. With the ongoing delivery of new top-tier properties in urban Atlanta, we anticipate that these rates will remain stable in the near future.



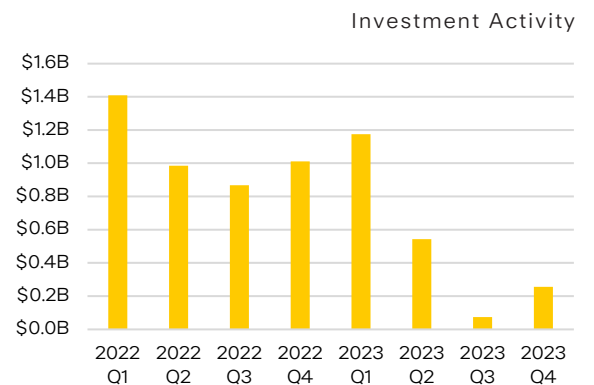
Sublease Activity

The recent surge of sublease spaces in the market since the pandemic has begun to show promising signs of recovery. This improvement follows two consecutive quarters of declining availability, which has now stabilized at 4.1%. The positive shift can be attributed to a reduction in the rate of new space being added to the market, alongside the successful signing of nearly 1 million square feet of sublet space in the past 12 months. These subleases continue to be an appealing choice for tenants seeking readily available suites at discounted rates, with the average rate for Class A properties now standing at \$24.18 per square foot. Despite this positive trend, some major tenants like NBBF, who listed 116,731 square feet at Truist Plaza, are still in the process of optimizing their space utilization through "rightsizing".



Investment Sales

There is optimism among some buyers and sellers for the investment sales market in 2024, buoyed by the Federal Reserve's signals of potential rate cuts. However, current activity in the market remains subdued, with only \$255,829,185 in sales recorded at the beginning of the year. This marks a significant 74.7% decrease in sales activity compared to the previous year. Two significant transactions contributing to this total were the sale of Lincoln Center to Innova Solutions, the details of which were not disclosed, and the sale of 200 Barrett Summit to Ser Familia at a rate of \$124.61 per square foot for single tenant use.



Recent Investment Sales

Property	Submarket	Price	SF	\$/SF	Date	Buyer
The Interlock	West Midtown	\$215,000,000	400,000	\$537	May 2023	Armada Hoffer Properties
Perimeter Summit (1001,2002,4004)	Central Perimeter	\$247,500,000	1,357,290	\$182	Dec 2022	Spear Street Capital
Wildwood Office Park	Northwest Atlanta	\$109,500,000	717,388	\$152	Sep 2022	The Simpson Org.
Three Ravinia	Central Perimeter	\$175,000,000	816,748	\$214	Aug 2023	Estein USA
Technology Park	Northeast Atlanta	\$23,975,000	247,208	\$96	Aug 2023	SF Partners

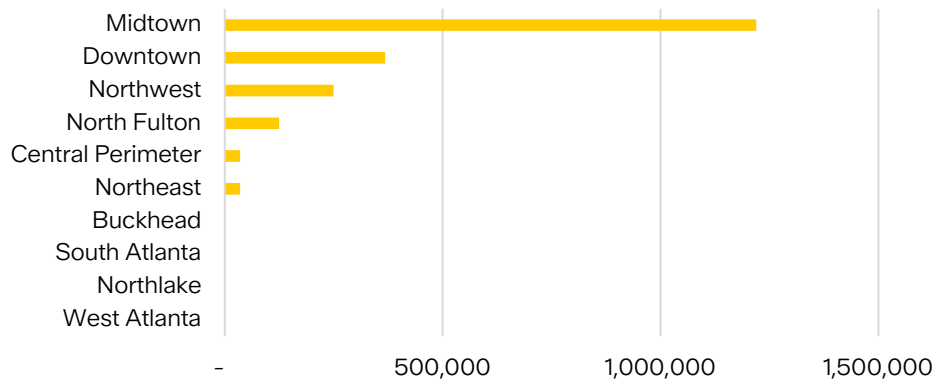
Development Outlook

Office Report

Q1
2024

In the first quarter, the metro Atlanta office market saw the completion of five buildings, adding up to 381,504 square feet. The largest contribution came from Lincoln's Echo Street West Project in West Midtown, accounting for 274,974 square feet. Since 2019, which marked the peak of recent construction activity, approximately 10 million square feet of office space has been delivered. As a result, the current construction pipeline has contracted to 2,034,913 square feet, the lowest level observed since 2015. Many ongoing projects are concentrated in the urban core, particularly in Midtown, where about 1.2 million square feet of office space is currently being built. The decrease in construction activity primarily reflects market challenges driven by increased borrowing expenses, rather than a decline in tenant demand. Tenants have continued to demonstrate a strong interest in high-quality, modern office spaces.

S F Under Construction



Key Construction Projects

Property	Submarket	Size	Owner	Expected Delivery Date
Spring Quarter	Midtown	538,126	Portman Holdings	Q3 2024
Science Square Labs	Downtown	364,871	Georgia Tech	Q2 2024
1050 Brickworks	West Midtown	225,000	SJC Ventures	Q2 2024
1072 W Peachtree	Midtown	224,000	Rockefeller Group	Q3 2024
619 Ponce	Midtown (Eastside Trail)	109,337	Jamestown	Q2 2024
Southern Post	North Fulton	104,233	Armada Hoffler Properties,	Q2 2024

12

buildings under construction

2.1 MSF

under construction

5

Q4 deliveries

5

buildings under renovation

1.2 MSF

under renovation



Market Stats

By Submarket	Total Inventory SF	Direct Vacancy Rate	Sublease Vac Rate	Total Vacant SF	Total Vacancy Rate	Prev Qtr Vacancy Rate	Total Net Absorption	Net Absorption YTD	Deliveries YTD	U/C	Avg Rent (FSG)
Buckhead											
Class A	17,846,823	28.1%	1.6%	5,293,206	29.7%	29.4%	(45,293)	(45,293)	-	-	\$38.42
Class B	3,728,576	17.3%	0.5%	661,467	17.7%	17.0%	(28,766)	(28,766)	-	-	\$29.62
Total	21,995,602	25.8%	1.3%	5,977,957	27.2%	26.8%	(74,608)	(74,608)	-	-	\$37.17
Downtown											
Class A	14,236,122	29.1%	1.1%	4,298,347	30.2%	32.1%	264,976	264,976	-	368,258	\$31.86
Class B	5,149,570	14.9%	0.2%	780,543	15.2%	14.6%	(27,312)	(27,312)	-	-	\$29.56
Total	22,147,310	25.4%	0.7%	5,794,089	26.2%	27.2%	235,013	235,013	-	368,258	\$31.32
Midtown											
Class A	23,473,404	27.7%	1.9%	6,927,809	29.5%	27.5%	(272,224)	(272,224)	274,974	1,220,186	\$42.82
Class B	3,157,897	11.2%	2.0%	416,638	13.2%	10.8%	(75,795)	(75,795)	-	-	\$27.22
Total	27,487,656	25.1%	1.8%	7,405,186	26.9%	24.9%	(355,969)	(355,969)	274,974	1,220,186	\$42.12
Urban Total	71,630,568	25.5%	1.3%	19,177,232	26.9%	26.3%	(195,564)	(195,564)	274,974	1,588,444	\$37.57
Central Perimeter											
Class A	22,692,462	25.9%	4.7%	6,944,067	30.6%	30.7%	14,061	14,061	-	35,656	\$31.62
Class B	4,295,149	11.5%	2.2%	589,419	13.7%	13.7%	(2,635)	(2,635)	-	-	\$22.82
Total	27,929,738	23.6%	4.2%	7,764,085	27.8%	27.8%	13,074	13,074	-	35,656	\$30.82
North Fulton											
Class A	14,319,292	28.5%	2.6%	4,462,603	31.2%	30.2%	(132,551)	(132,551)	-	104,233	\$28.23
Class B	9,005,111	15.8%	2.5%	1,648,141	18.3%	17.5%	19,766	19,766	106,530	21,000	\$22.46
Total	24,367,117	22.9%	2.6%	6,207,494	25.5%	24.7%	(111,301)	(111,301)	106,530	125,233	\$26.87
Northeast Atlanta											
Class A	6,691,012	21.6%	0.8%	1,504,403	22.5%	23.6%	72,583	72,583	-	35,580	\$23.45
Class B	9,778,692	13.6%	0.6%	1,393,984	14.3%	12.5%	(168,568)	(168,568)	-	-	\$20.33
Total	18,106,645	15.9%	0.7%	3,008,116	16.6%	16.1%	(92,404)	(92,404)	-	35,580	\$21.97
Northwest Atlanta											
Class A	14,664,438	21.1%	1.5%	3,311,716	22.6%	23.7%	161,129	161,129	-	250,000	\$30.19
Class B	11,854,502	14.6%	2.2%	1,989,110	16.8%	15.8%	(115,553)	(115,553)	-	-	\$23.71
Total	28,499,629	17.5%	1.7%	5,469,831	19.2%	19.3%	36,431	36,431	-	250,000	\$28.08
Northlake											
Class A	4,150,482	29.6%	0.4%	1,246,042	30.0%	27.6%	(100,349)	(100,349)	-	-	\$26.77
Class B	8,332,164	17.6%	0.2%	1,483,014	17.8%	18.4%	48,950	48,950	-	-	\$24.41
Total	14,978,630	18.7%	0.2%	2,827,504	18.9%	18.6%	(47,340)	(47,340)	-	-	\$25.22
South Atlanta											
Class A	969,733	5.2%	1.0%	60,223	6.2%	9.0%	27,322	27,322	-	-	\$24.60
Class B	6,279,138	8.8%	0.0%	554,802	8.8%	7.6%	(75,967)	(75,967)	-	-	\$22.15
Total	10,087,954	9.9%	0.1%	1,013,668	10.0%	9.6%	(48,471)	(48,471)	-	-	\$22.93
West Atlanta											
Class A	396,294	73.6%	0.0%	291,578	73.6%	73.4%	(759)	(759)	-	-	\$38.98
Class B	956,032	6.1%	0.0%	58,047	6.1%	7.2%	10,350	10,350	-	-	\$29.64
Total	2,377,574	30.3%	0.0%	720,805	30.3%	30.9%	14,396	14,396	-	-	\$33.69
Suburban Total	126,347,287	19.7%	2.0%	27,011,503	21.7%	21.4%	(235,615)	(235,615)	106,530	446,469	\$27.57
Market Total	197,977,855	21.6%	1.7%	46,188,735	23.3%	23.0%	(431,179)	(431,179)	381,504	2,034,913	\$31.65
By Class											
Class A	119,440,062	26.6%	2.2%	34,339,994	28.8%	28.6%	(11,105)	(11,105)	274,974	2,013,913	\$33.77
Class B	62,536,831	14.1%	1.2%	9,575,165	15.3%	14.5%	(415,530)	(415,530)	106,530	21,000	\$23.83
Class C	16,000,962	13.7%	0.2%	2,225,061	13.9%	14.2%	43,971	43,971	-	-	\$23.87
Market Total	197,977,855	21.6%	1.7%	46,188,735	23.3%	23.0%	(431,179)	(431,179)	381,504	2,034,913	\$31.65

About Lincoln: Lincoln Property Company is a commercial real estate firm offering a comprehensive suite of value-added services for our clients. With our substantial local presence and history in the Southeast region, we are ideally situated to provide a superior service, which comes from knowing the goals and challenges faced by our clientele: tenants, investors, lenders and owners of commercial real estate. Our people and our philosophy are the key ingredients for Lincoln's solid track record of success. The information contained herein has been obtained from the owner of the property or from a source deemed reliable. While Lincoln Property Company has no reason to doubt its accuracy, we do not guarantee it.

Need More Market Intel?

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