

INVESTMENT FORECAST

OFFICE
Atlanta Metro Area

IPA
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PROPERTY
ADVISORS

2020

SunTrust Park Stimulating Demand in Cumberland; Elevated Appreciation Fueled by Competitive Buyer Pool

Cumberland drawing corporate interest as The Battery development takes shape.

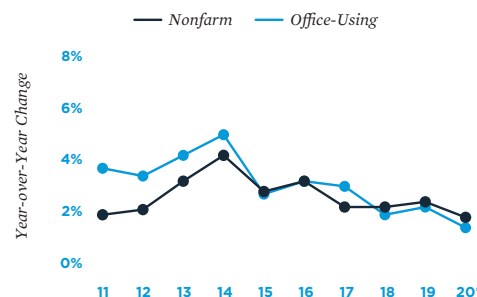
Office-using employment gains exceed 10,000 personnel for the 11th consecutive year in 2020, powered by the multitude of corporate relocations and the growing technology scene. Consistent with the national trend, companies are moving from the central business district to the suburbs to capitalize on new worker pools and lower rent. The opening of the new Atlanta Braves baseball stadium, SunTrust Park, in 2017 has also been luring firms to Cumberland. Surrounding the stadium, the mixed-use development called The Battery has improved the walkability of the area and provided a centerpiece for future corporate relocation. This year, 330,000 square feet of office space will be added to The Battery, roughly two-thirds of which is pre-leased by Thyssenkrupp for a new North American headquarters. As a whole, the metro will receive a cycle-high 3.8 million square feet of space this year, roughly one-quarter of which is being built on a speculative basis. As some of these projects may take longer to lease given the large influx of new supply, the vacancy rate will move up in 2020.

Mid-tier assets in northern suburbs catching buyers' eyes. The average cap rate is holding in the low-7 percent clip, and competition between local and out-of-state capital sources facilitated sizable appreciation over the past year. Out-of-state buyers, particularly from New York and California, are often targeting larger assets in Midtown carrying first-year returns in the 7 percent range on average. Local investors pursuing smaller assets are looking outside of the perimeter to suburbs including Norcross and Roswell. Here, buyers favor Class B properties that do not require major improvements yet appeal to tenants seeking mid-tier quality suburban offices. Medical offices in far north suburbs such as Johns Creek are also high on investors' wish lists; buyers there are finding first-year returns as high as 8 percent.

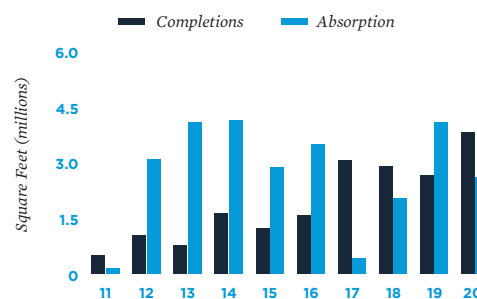
2020 Market Forecast

- Employment** up 1.7%  Organizations will add 48,000 personnel in 2020, falling just shy of the 2.3 percent advance logged in the previous year.
- Construction** 3.8 million sq. ft.  Elevated deliveries equating to 2.9 million square feet annually over the trailing three years will be exceeded in 2020. This will be the largest influx of office space since 2008.
- Vacancy** up 20 bps  Following a 60-basis-point ease in 2019, vacancy will tick back up to 15.4 percent this year. Arrivals of large speculative projects will dictate the rise of unoccupied space.
- Rent** up 4.5%  The average asking rent will maintain positive growth momentum in 2020 and move up to \$26.71 per square foot.
- Investment**  Class B assets in Lawrenceville and other far northeast suburbs are attracting investors. Leasing momentum in this area is bolstered by service providers such as real estate and insurance.

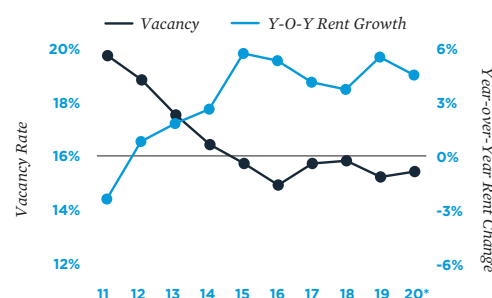
Employment Trends



Office Supply and Demand



Vacancy and Rent Trends



* Forecast
Sources: CoStar Group, Inc.; Real Capital Analytics

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Metro-level employment, vacancy and asking rents are year-end figures and are based on the most up-to-date information available as of December 2020. Asking rent is based on the full-service marketed rental rate. Average prices and cap rates are a function of the age, class and geographic area of the properties trading and therefore may not be representative of the market as a whole. Sales data includes transactions valued at \$1,000,000 and greater unless otherwise noted. Forecasts for employment and office data are made during the fourth quarter and represent estimates of future performance. No representation, warranty or guaranty, express or implied may be made as to the accuracy or reliability of the information contained herein. This is not intended to be a forecast of future events and this is not a guaranty regarding a future event. This is not intended to provide specific investment advice and should not be considered as investment advice.