MadisonMarquette
A Capital Guidance Company

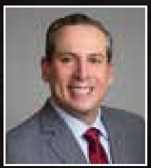
MARKET AT A GLANCE
ATLANTA OFFICE MARKET REPORT
THIRD QUARTER 2020

TABLE OF CONTENTS

FOR MORE INFORMATION

BILL WEGHORST
President, Property Services
East Division
404.671.4702
bill.weghorst@madisonmarquette.com

ARIEL GUERRERO
Senior Vice President, Research
713.209.5704
ariel.guerrero@madisonmarquette.com



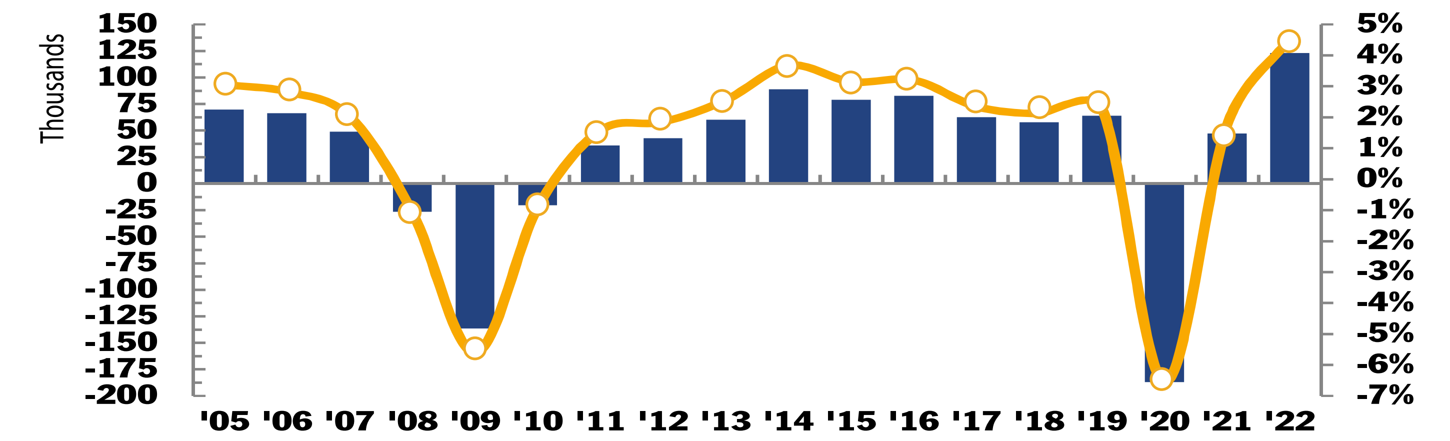
ECONOMIC OVERVIEW

Like the rest of the country, the Atlanta economy continues to weather the effects of the ongoing COVID-19 pandemic. Fortunately, in the Atlanta area the midsummer surge in hospitalizations has steadily declined since the beginning of July and the positivity rate on tests has trended closer to the 5% threshold indicative of community control of the coronavirus. While caution is still warranted, it is encouraging that more retail, restaurant, and office businesses have been able to reopen after adopting established guidelines to protect their customers and workforce.

Looking at the most recent payroll numbers from the Bureau of Labor Statistics, Atlanta lost 318.6k jobs in March and April, quickly recovered 140.4k of those jobs in May and June, then stalled out in July and August as Georgia responded to a resurgence in coronavirus cases. As of now, using seasonally adjusted payroll data, we have recovered 56% of jobs lost during the March/April lockdown. It is important to note that the recovery has been uneven across industries with office related sector only recovering 37% since May. However, it is encouraging to see the vital Trade, Transportation, and Utilities sector, which employs nearly 600k people, has recovered a more robust 80% of jobs. Looking ahead, the Economic Forecasting Center of Georgia State University projects that Atlanta will end 2020 down 187k jobs for the year, turn around in 2021 by adding 47k jobs, and experience broader recovery in 2022 to add 123k jobs.

Despite the challenges posed to the broader economy by COVID-19, Atlanta continues to prove itself as competitive and business friendly. The recent announcement by Papa John's that it plans to relocate their global headquarters to Atlanta and with it, new jobs in marketing, e-commerce, menu innovation, and development shows that the fundamentals of the Atlanta economy remain strong. Attractive demographics and a deep pool of talent will help return the region to growth once the coronavirus is controlled and consumer confidence returns in full.

EMPLOYMENT TRENDS | JOBS ADDED/LOST | ANNUAL % CHANGE



Source: U.S. Bureau of Labor Statistics, Georgia State University

EMPLOYMENT GROWTH BY SECTOR

Sector	% Change	Jobs	
MINING	(6.3%)	(0.1K)	JOBS LOST
CONSTR	(2.2%)	(2.9K)	JOBS LOST
MANUF	(6.9%)	(12.0K)	JOBS LOST
TRADE, TRANS	0.1%	0.4K	JOBS ADDED
INFO	(9.6%)	(9.7K)	JOBS LOST
FINANCIAL	(5.6%)	(10.0K)	JOBS LOST
PROFESSIONAL SERVICES	(4.8%)	(26.1K)	JOBS LOST
EDUCATION	(0.7%)	(2.5K)	JOBS LOST
LEISURE	(16.2%)	(50.4K)	JOBS LOST
OTHER	(6.7%)	(7.1K)	JOBS LOST
GOVERNMENT	(1.8%)	(6.1K)	JOBS LOST
TOTALS	(4.4%)	(126.5K)	JOBS LOST

MadisonMarquette
A Capital Guidance Company

Source: U.S. Bureau of Labor Statistics; Employment Data as of August 2020
All Employees, in Thousands, Year-over-Year Change

OFFICE MARKET ASSESSMENT

Atlanta's office market has held steady over the past 6 months, despite the stresses placed upon the local economy by the COVID-19 pandemic. The office market experienced some softness with negative 212k RSF of direct net absorption posted in 3Q 2020, breaking a streak of seven consecutive quarters of absorption growth. Additionally, sublease inventory jumped by 706k RSF to nearly 4.6 million RSF during the quarter to reach their highest level since 2009. This recent contraction, coupled with 2.2 million RSF of space deliveries year-to-date have pushed the citywide direct vacancy up 20 basis points to 15.3%, while the total availability rate (including sublet) has hit an 8-year high, increasing 320 basis points to 23.2% since year-end 2019.

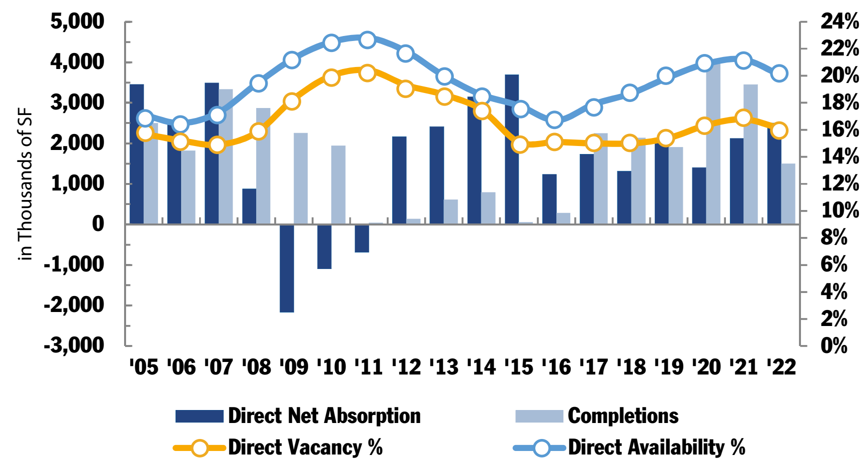
Office leasing activity remained sluggish during the quarter as most tenants placed leasing decisions on hold to further evaluate their need for space going forward. As a result, leasing volume totaled only 1.3 million RSF in 3Q 2020, which is 56.2% below its 5-year historical average. Despite the significant slowdown in leasing velocity, there were a few sizeable deals, such as MailChimp's 300k RSF pre-lease commitment at New City Properties' planned Old Fourth Ward mixed-use project, Deluxe Corporation's 172k RSF sublease deal at Glenridge Highlands Two, and Rooms To Go's 60k RSF lease at 4004 Perimeter Summit. It remains to be seen when significant demand will return to pre-Covid-19 levels following the development of a vaccine, but pent-up activity is expected to positively impact the market once some level of normalization occurs.

Looking ahead, COVID-19 will reshape existing trends in the office sector, but none with bigger potential impact than how businesses will respond to the massive natural experiment of working remotely. This shift to working from home has placed a spotlight on workplace strategy and has many companies evaluating their need for physical space going forward. The balance of workplace culture, productivity, employee engagement, cost, and health and safety are all being weighed by landlords, tenants and developers. For now, many companies are focused on strategies to weather the current business environment rather than focus on long-term leasing goals.

FORECAST

- Companies that were previously considering relocating or expanding office space have adopted a "wait-and-see" strategy in real estate decisions during this heightened period of uncertainty, which will cause leasing demand to remain sluggish in the near term.
- Although office market fundamentals are expected to remain challenged in the coming year, a reversal of densification within workplaces may create a need for more office space and could help offset much of the anticipated contraction.
- Since the current increase in remote working will continue to reduce office utilization rates, we expect landlords with exposure to short-term leases will be the most vulnerable.
- Construction projects that have yet to kick off are likely to be sidelined in the near term as demand cools and a shortage in labor and materials is anticipated. Newly delivered projects are under pressure to lease up and reach stabilization on properties underwritten prior to the pandemic leading developers to adjust their timeline and leasing strategy by increasing incentives.

OFFICE MARKET TRENDS



ATLANTA
OFFICE MARKET
MARKET AT A GLANCE

Q3 2020

ECONOMIC INDICATORS

JOB GROWTH | T-12 MOS | THRU AUG 2020

(126.5)K

(4.4%) Y-O-Y

OFFICE JOB GROWTH

(45.8)K

(36.2%) TOTAL JOB LOSSES

MARKET TREND INDICATORS

	Current Quarter	Change from Previous Quarter	Change from Previous Year	12-month Forecast
Direct Vacancy	15.3%	▲	▲	▲
Direct Availability	20.7%	▲	▲	▲
Direct Net Absorption (T-12 mos)	2.4M SF	▼	►	▼
Under Construction	6.2M SF	▼	▼	▼
Direct Asking Rents	$28.87	▼	▲	▼

MadisonMarquette
A Capital Guidance Company

Q3 2020

ATLANTA
OFFICE MARKET
MARKET AT A GLANCE

"Atlanta's office market has remained relatively insulated from the most damaging effects of COVID-19 so far, but signs of deteriorating fundamentals have emerged as touring and leasing activity remains slow and tenants are re-evaluating their longer-term space needs. While the near-term presents continued challenges, the strength of Atlanta's office market fundamentals entering the downturn may position it to recover more quickly relative to other cities."

BILL WEGHORST
President, Property Services | East Division

ABSORPTION/VACANCY TRENDS

CLASS A DIRECT NET ABSORPTION

2.0M SF
YTD 2020

CLASS B DIRECT NET ABSORPTION

(274.3)K SF
YTD 2020

DIRECT VACANCY

CLASS A 16.0%
CLASS B 14.3%

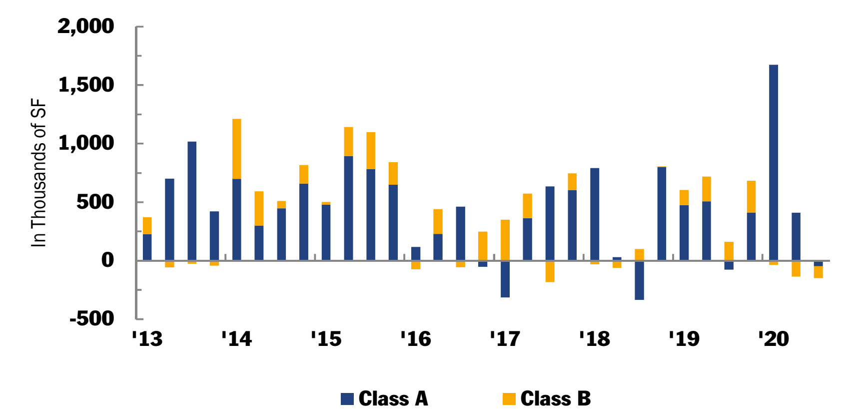
DIRECT AVAILABLE

CLASS A 24.8M 22.1%
CLASS B 10.0M 18.5%

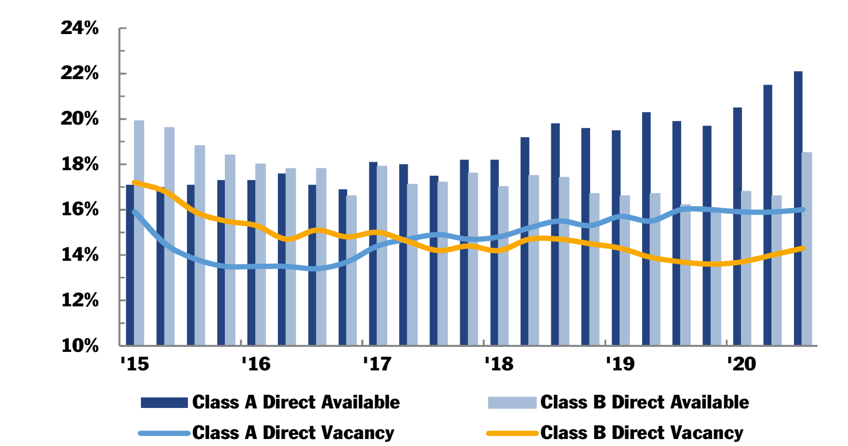
NET ABSORPTION & VACANCY

- The Class A property sector posted modest absorption losses totaling 49k RSF of direct space during the third quarter, but has managed to record just over 2.0 million RSF of occupancy gains year-to-date, driven by built-to-suit deliveries for State Farm and Anthem earlier in the year.
- Tenants contributing to the negative absorption in the Class A sector included State Farm giving up 200k RSF at Ashford Perimeter and USI Insurance leaving behind 65k RSF at Prominence at Buckhead.
- However, large move-ins at newly-built projects involving Insight Global's 233k RSF occupancy at Twelve24 and Owens & Minor's 67k RSF move into 1 Edison helped to counter some of the quarterly losses.
- Class A direct vacancy has remained relatively flat at 16.0% over the past year, as 2.1 million RSF of construction deliveries have narrowly outpaced leasing demand.
- Class A direct availability rates jumped by 60 basis points to 22.1% during the quarter - hitting their highest level in 8 years - and are expected to rise even higher over the next year as additional new product comes online.
- The Class B property sector registered negative absorption for the third consecutive quarter with 101k RSF of red ink in 3Q 2020, bringing the year-to-date total to 274k RSF of occupancy losses.
- The bulk of the occupancy losses in the Class B sector during the quarter occurred in North Fulton (-80k RSF), Buckhead (-52k RSF), Midtown (-45k RSF), and Central Perimeter (-40k RSF) involving small to medium-sized tenants giving up space.
- Class B direct vacancy levels increased by 30 basis points to 14.3% during the quarter and have climbed 70 basis points since year-end 2019. Meanwhile, Class B direct availability has jumped 250 basis to 18.5% since the end of 2019.

DIRECT NET ABSORPTION



DIRECT VACANCY AND AVAILABILITY

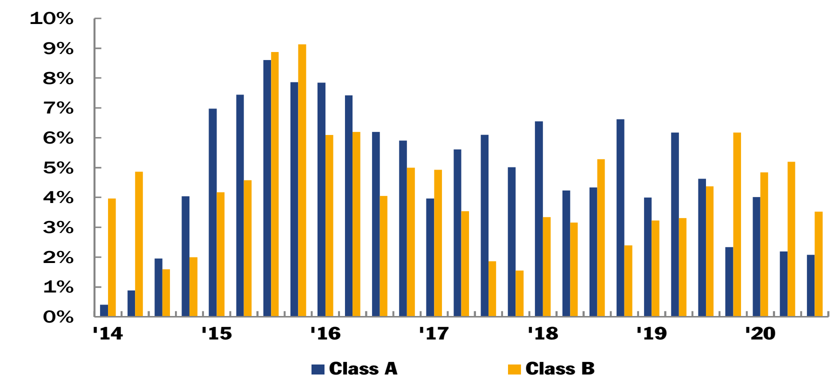


MadisonMarquette
A Capital Guidance Company

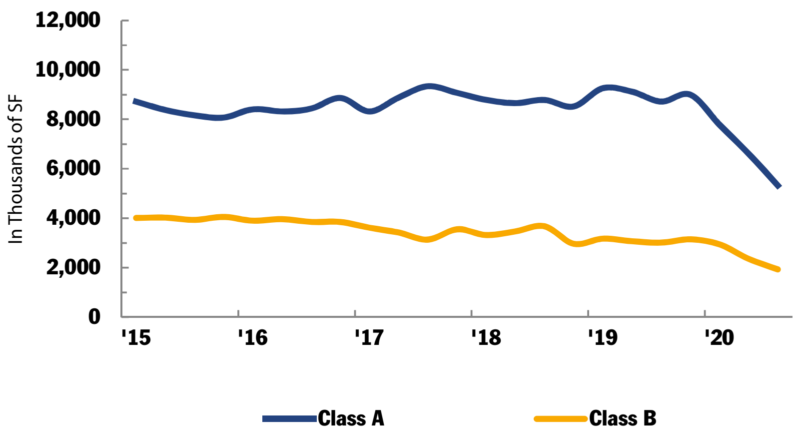
RENTAL RATES & LEASING ACTIVITY

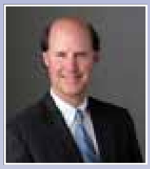
- Citywide Class A asking rents rose by $0.10 to $31.39 per rentable square foot during the quarter and have moved up 2.1% or $0.64 over the prior 12 months. The annual increase has been largely attributed to new construction projects coming online, which have been commanding rents in the mid-to-high $40s per rentable square foot on a full-service gross basis.
- Class B asking rents rose by $0.08 to $21.75 per rentable square foot during the quarter and have appreciated by 3.5%, or $0.74 per rentable square foot over the prior 12 months.
- Prior to the pandemic, landlords were benefiting from the longest expansion period in decades, which provided them the flexibility to push asking rents to an all-time high. However, negotiation leverage will likely be mitigated and shift toward the tenant in the short-term due to the economic uncertainty.
- Looking ahead, landlord concessions are likely to become more generous, particularly for tenants with strong balance sheets, and short-term renewals may become increasingly commonplace, in order for owners to retain and attract office users.
- Sublease inventory increased by 706k RSF to nearly 4.6 million RSF during the quarter and has climbed by 39.1% since year-end 2019. As businesses re-evaluate workforce needs, sublease availability is likely to rise further while placing downward pressure on overall asking rents in the months ahead.
- Sublease inventory represents 11.4% of total space available and accounts for 2.7% of citywide rentable inventory, with the largest share of sublease availability found in the Central Perimeter (23.0%), Northwest (18.9%) and North Fulton (17.0%) submarkets.
- Office leasing activity has remained sluggish since mid-March as most tenants have paused leasing decisions or have sought to renegotiate rental agreements. Leasing volume totaled nearly 1.3 million RSF in 3Q 2020, bringing the year-to-date total to 4.2 million RSF, a 54.1% decline over the prior year.
- While office rent collections have been coming in the upper-80s to low 90s percent range, industry experts suggest the uptick in "work from home" could pose a drag on the office sector resulting in a 10 - 15% reduction in longer-term office demand.

RENTAL RATES
Y-O-Y % change, FS GRS



TOTAL LEASING ACTIVITY
Rolling 12-Months





"Leasing activity is expected to be considerably more slanted toward stay-in-place lease extensions rather than new or relocation leases during this heightened period of uncertainty."

SCOTT REES
Senior Vice President, Leasing | East Division

RENTS/LEASING ACTIVITY

RENT GROWTH (Y-O-Y)

2.1% CLASS A ▲

3.8% CLASS B ▲

SUBLEASE AVAILABILITY

4.6M SF

▲ 39.0% SINCE 4Q 2019

CLASS A DIRECT NET LEASING ACTIVITY

5.3 M SF

T-12 MOS

▼ 36.7% BELOW 5-YR. AVG.

CONSTRUCTION

OFFICE SPACE UNDER CONSTRUCTION

6.2 M SF

54.8% PRE-LEASED

NEW OFFICE BREAKING GROUND

863 K SF

T-12 MOS

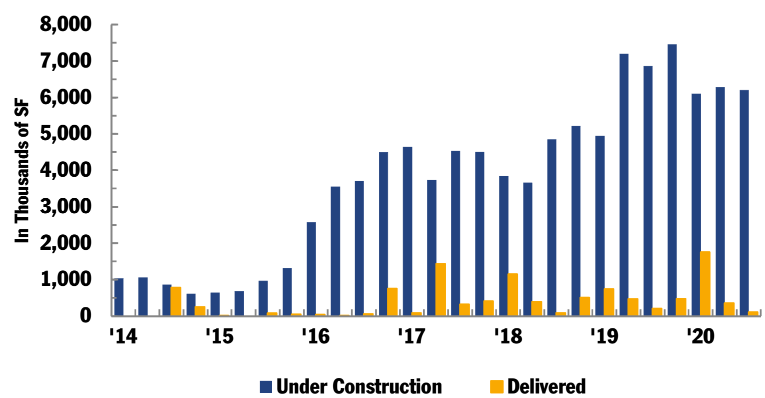
FORECASTED SUPPLY IN 2020

4.1 M SF

CONSTRUCTION

- Atlanta's office construction volume has declined by 16.9% to 6.2 million RSF since hitting its peak a year ago. This new space is currently 54.9% pre-leased (excluding corporate-owned projects).
- Midtown continues to experience a development boom with 4.3 million RSF underway already 63% pre-leased, which accounts for 70% of the citywide construction pipeline (excluding corporate-owned product).
- The office market has delivered 2.2 million RSF of new product year-to-date, which is currently 73.6% leased. Build-to-suit development has accounted for 48% of the deliveries since the beginning of the year, which includes State Farm's 670k RSF building and Anthem's 352k RSF technology center at 740 W Peachtree St NW.
- Developers delivered only three office buildings totaling 111k RSF during the third quarter, but there is approximately 1.5 million RSF of office product scheduled to deliver in 4Q 2020. The upcoming wave of construction deliveries coupled with slower leasing velocity will likely place upward pressure on vacancy.
- Office construction activity has slowed due to constraints from COVID-19. Looking ahead, fewer groundbreakings are expected in the near term due to the current market conditions.
- New City Properties has recently secured a 300k RSF pre-lease commitment by Mailchimp to help kickoff construction on a new Old Fourth Ward project, which will be one of the largest and most transformative new mixed-use developments on the Atlanta BeltLine. The project is expected to deliver in late 2022 coinciding with Mailchimp's lease expiring at Ponce City Market.
- The flight to quality trend, which has accounted for a substantial share of the Class A direct net absorption in recent years, will continue to place pressure on existing office buildings to measure up to the amenities and tenant experiences that new developments can offer. With the flight to quality trend likely to continue, owners of older buildings may become more aggressive in trying to fill large vacancies left behind.

CONSTRUCTION PIPELINE



SIGNIFICANT PROJECTS UNDER CONSTRUCTION

PROJECT NAME	SIZE (SF)	SUBMARKET	MAJOR TENANT	% PRE-LEASED	DEVELOPER	TARGET DELIVERY
Norfolk Southern HQ *	750,000	Midtown	Norfolk Southern	100%	Cousins Properties	3Q21
1105 WP	679,153	Midtown	Google, Smith Gambrell & Russell	40%	Selig Enterprises, Inc.	2Q21
Midtown Union	612,947	Midtown	Invesco	49%	Granite Properties	3Q22
712 W Peachtree (Anthem 2nd Tower) *	488,628	Midtown	Anthem Blue Cross Blue Shield	91%	Portman Holdings, LLC	1Q21
Atlantic Yards North, South	523,511	Midtown	Microsoft	100%	Hines	2Q21
Park Center - State Farm Ph II Bldg 3 *	429,200	Central Perimeter	State Farm	100%	KDC RE Development	1Q21
One Phipps Plaza	340,000	Buckhead	N/A	0%	Simon Property Group, Inc.	2Q21
The Battery - Three Ballpark Center	332,486	Northwest	Thyssenkrupp	54%	Braves Development Co.	4Q20
14th & Spring	312,705	Midtown	N/A	0%	Greenstone Properties, Inc.	2Q22
1001 International Blvd †	296,381	South Atlanta	N/A	0%	Royal Capital Corporation	4Q20
The Interlock	290,000	Midtown	WeWork, Georgia Tech	63%	SJ Collins Enterprises	4Q20
Star Metals Offices	267,000	Midtown	Regus Spaces	26%	The Allen Morris Co.	1Q21
8 West (889 Howell Mill Rd)	220,000	Midtown	N/A	15%	Atlantic Capital Properties	4Q20
500 Colony Square*	139,185	Midtown	Jones Day	100%	North American Properties	2Q21
Kimball Place	128,031	North Fulton	N/A	0%	Greenstone Properties, Inc.	2Q21

**Build to Suit; † Under Renovation*

MadisonMarquette
A Capital Guidance Company

SUBMARKET STATISTICS

ATLANTA
OFFICE MARKET
MARKET AT A GLANCE
Q3 2020

Submarkets	Total Inventory SF	TOTAL SPACE AVAILABLE Direct	Sublease	DIRECT AVAILABLE / VACANT Direct Availability	Direct Vacancy	DIRECT NET ABSORPTION Current Qtr.	Trailing 12 mos.	CONSTRUCTION Completions Current Qtr	Under Construction	ASKING RENT Class A	Class B
Buckhead	21,621,359	4,832,168	618,257	22.3%	14.6%	-101,267	-124,310	-	373,671	$37.86	$27.12
Midtown	22,626,065	5,236,743	457,114	23.1%	12.5%	28,666	951,715	-	4,333,129	$38.09	$26.84
Downtown	19,646,370	3,340,651	337,386	17.0%	15.1%	-60,292	-227,767	72,229	188,750	$28.91	$28.11
Central Perimeter	27,353,388	5,773,364	1,044,531	21.1%	16.0%	-54,920	1,240,943	-	429,200	$30.35	$24.41
Northwest	29,400,557	5,756,441	858,897	19.6%	15.4%	25,402	217,730	38,754	332,486	$29.14	$21.75
North Fulton	24,462,656	5,317,017	773,483	21.7%	15.9%	-76,789	91,053	-	251,031	$27.65	$20.82
Northeast	17,976,541	4,009,808	340,616	22.3%	19.9%	-14,562	83,876	-	0	$22.38	$18.92
South Atlanta	8,619,304	1,268,346	120,699	14.7%	11.4%	41,729	141,583	-	296,381	$24.59	$19.02
Total	**171,706,240**	**35,534,538**	**4,550,983**	**20.7%**	**15.3%**	**-212,033**	**2,374,823**	**110,983**	**6,204,648**	**$31.39**	**$21.75**

Property Types	Total Inventory SF	TOTAL SPACE AVAILABLE Direct Available	Sublease Available	DIRECT AVAILABLE / VACANT Direct Availability	Direct Vacancy	DIRECT NET ABSORPTION Current Qtr.	Trailing 12 mos.	CONSTRUCTION Completions Current Qtr	Under Construction	ASKING RENT Asking Rent	Y-O-Y Change
Class A	112,106,780	24,815,607	3,216,678	22.1%	16.0%	-48,783	2,447,117	38,754	5,766,417	$31.39	2.1%
Class B	54,155,700	10,015,811	1,311,509	18.5%	14.3%	-101,352	-4,131	72,229	438,231	$21.75	3.8%
Class C	5,443,760	703,120	22,796	12.9%	12.0%	-61,898	-68,163	-	0	$18.80	12.2%
Total	**171,706,240**	**35,534,538**	**4,550,983**	**20.7%**	**15.3%**	**-212,033**	**2,374,823**	**110,983**	**6,204,648**	**$28.87**	**3.5%**

SIGNIFICANT LEASE TRANSACTIONS | Q3 2020

Tenant	SF	Type	Tenant Industry	Building	Class	Submarket
Mailchimp	300,000	New	Technology	Old Fourth Ward - 760 Ralph McGill Blvd NE	A	Downtown
Deluxe Corporation	172,000	Sublease	Financial Services	Glenridge Highlands Two	A	Central Perimeter
Rooms To Go	60,000	New	Retailers/Wholesalers	4004 Perimeter Summit	A	Central Perimeter
AMI	53,010	New	Business Services	Satellite Place - Bldg 800	A	Northeast
DLA Piper LLP (US)	46,195	Renewal	Law Firms	One Atlantic Center	A	Midtown
First Advantage	36,731	Renewal	Business Services	Concourse Corporate Center One	A	Central Perimeter
Venture X	30,382	New	CoWorking	AFC - South Tower	A	Buckhead
Moneypenny	27,906	New	Business Services	Sugarloaf VII	A	Northeast
Morehouse College	27,873	New	Personal Services	The Hurt Building	A	Downtown
Wellstar Health System	26,008	New	Healthcare	400 Tower Rd	B	Northwest

METHODOLOGY

TOTAL INVENTORY: The total inventory includes all single and multi-tenant leased office buildings with at least 20,000 square feet of gross rentable square footage.

TOTAL SPACE AVAILABLE: Available space currently being marketed which is either physically vacant or occupied.

DIRECT SPACE: Space that is being offered for lease directly from the landlord or owner of a building. Under construction space is not included in space available figures.

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.

DIRECT VACANCY RATE: Direct space physically vacant divided by the total rentable inventory.

DIRECT NET ABSORPTION: The net change in occupied direct space over a given period of time.

UNDER CONSTRUCTION: Office buildings which have commenced construction as evidenced by site excavation or foundation work.

DIRECT ASKING RENTS: The quoted full-service asking rent for available space expressed in dollars per sq. ft.

MadisonMarquette
A Capital Guidance Company

ATLANTA
OFFICE MARKET
MARKET AT A GLANCE
Q3 2020

BILL WEGHORST
President,
Property Services, East Region
404.671.4702
bill.weghorst@madisonmarquette.com

SCOTT REES
Senior Vice President
Leasing
404.671.4746
scott.rees@madisonmarquette.com

JULIE MOTSINGER
Executive Vice President,
Property Management
404.671.4745
julie.motsinger@madisonmarquette.com

PATTY NOONEY
Executive Vice President,
Director of Operations, East
561.807.1003
patty.nooney@madisonmarquette.com

HAL PAYNE
Director of
Engineering
678.916.2000
hal.payne@madisonmarquette.com

STACY LANGSTON
Vice President
Leasing & Marketing
404.671.4704
stacy.langston@madisonmarquette.com

TREY WEGHORST
Vice President,
Leasing
404.671.4767
trey.weghorst@madisonmarquette.com

ARIEL GUERRERO
Senior Vice President,
Director of Research
713.209.5704
ariel.guerrero@madisonmarquette.com

JAMES DECMAN
Research
Manager
713.209.5971
james.decman@madisonmarquette.com

JON CARRASCO
Associate Director,
Research & Data Analytics
713.209.5800
jon.carrasco@madisonmarquette.com

DOUG BERRY
Senior Vice President,
Creative Director
713.209.5897
doug.berry@madisonmarquette.com

ABOUT MADISON MARQUETTE

Madison Marquette is a leading private real estate investment manager, service provider, developer and operator headquartered in Washington, D.C. As a full-service real estate provider, the company delivers integrated leasing and management services to a diverse portfolio of 330 assets in 24 states and manages an investment portfolio valued at over $6 billion. The company partners with global, institutional and private investors to provide industry-leading investment and advisory services across asset classes -- including mixed-use, retail, office, medical, industrial, senior housing and multi-family. Founded in 1992, the company built its reputation on the successful development, repositioning and redevelopment of landmark mixed-use assets, and now leverages that performance legacy to provide clients with exceptional asset services and investment advice. Madison Marquette has over 620 professionals providing nationwide service from 13 regional markets and is a member of the Capital Guidance group of companies.