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BEYOND THE CITY

PERFORMANCE DRIVERS IN SUBURBAN ATLANTA

Better never settles

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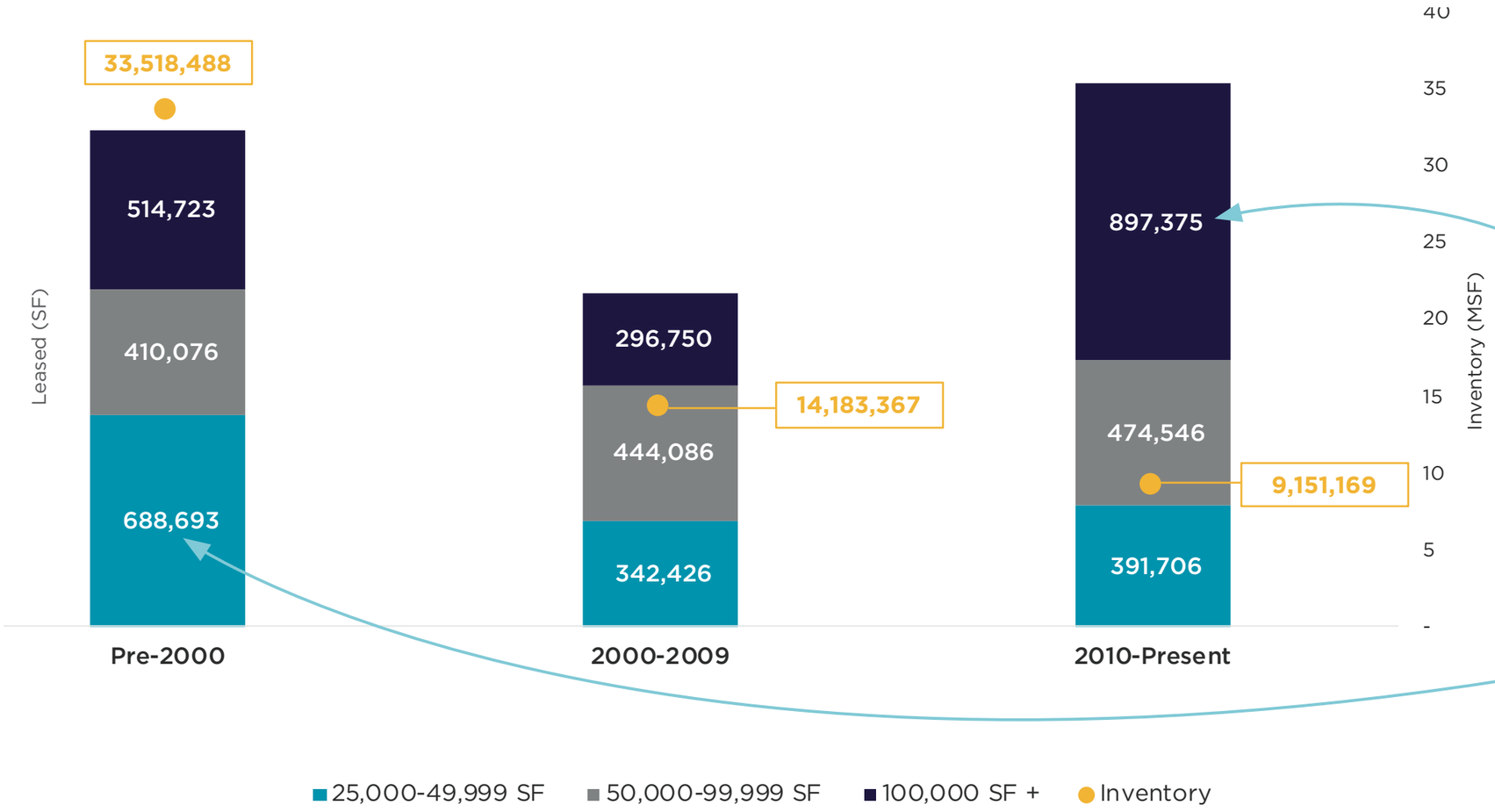
The suburban Atlanta office market has recorded a wave of large expansions, in-market relocations, and new-to-market investments in recent years, including the new AIG digital innovation hub at Perimeter Summit and the GE Vernova corporate center at Galleria at the Park. Suburban submarkets that boast a highly educated resident population and offer a mix of affordability, highway access, and parking have been successful in attracting large new leases. However, demand for larger block spaces has varied by building age as tenants' needs have evolved to higher quality product.

KEY TAKEAWAYS

- Product built or renovated since 2010 has recorded a higher volume of large direct new leases compared to older buildings as firms gravitate to newer spaces that aid in attracting employees back to the office.
- Greater demand for properties built or renovated since 2010 has curtailed the availability of large vacant spaces in newer suburban buildings.
- The gap between tenant demand and the product available for lease has been amplified by stagnation in suburban office construction. Amid the absence of suburban construction, finding competitive options for today's occupier has grown increasingly challenging, a phenomenon likely to intensify in the coming years.

NEW LEASING BY SIZE RANGE

Class A Direct* New Leasing Above 25k sf Since 2020



*Direct new leases exclude sublease transactions

KEY TAKEAWAYS

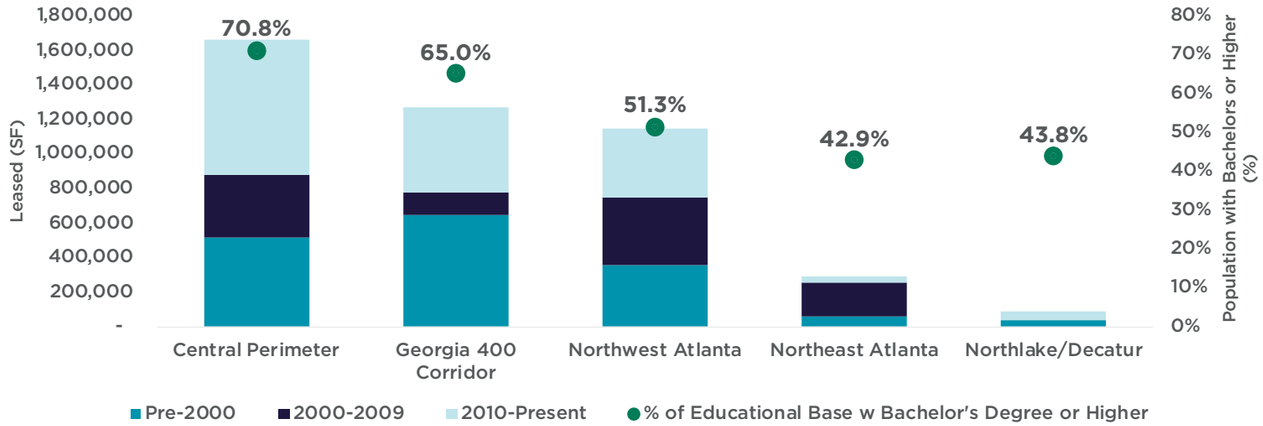
Though the total inventory of product built pre-2000 is nearly four times larger than that of the newest buildings, assets built since 2010 drew a disproportionate share of tenant demand. **Leasing volume in newer product is 9.3% higher than in buildings built pre-2000 and 62.8% higher than those built in 2000-2009.**

Large occupiers (100,000 sf+) favor buildings built or renovated since 2010. Nearly 900.0k sf of large leases were signed since 2020—10.6% more than the other building segments combined.

Conversely, **smaller occupiers have favored older buildings.** Buildings built/renovated prior to 2020 have recorded 688,693 sf of leases between 25,000-49,999 sf since 2020—the most of any building segment.

SUBMARKET LEASING AND EDUCATION

Class A Direct* New Leases Since 2020 Above 25k sf



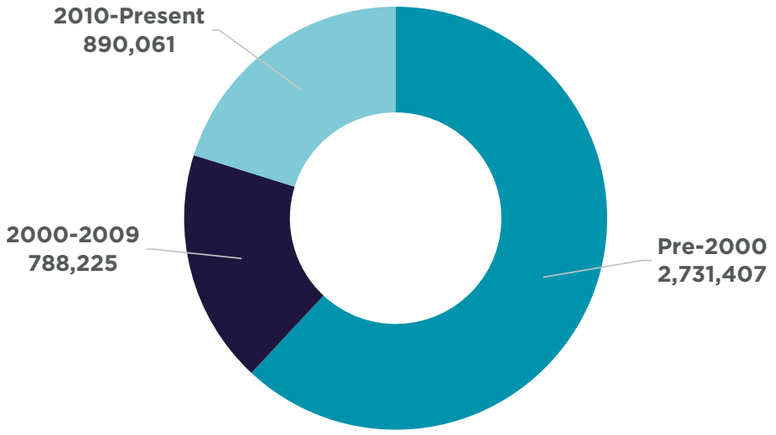
*Direct new leases exclude sublease transactions

KEY TAKEAWAY

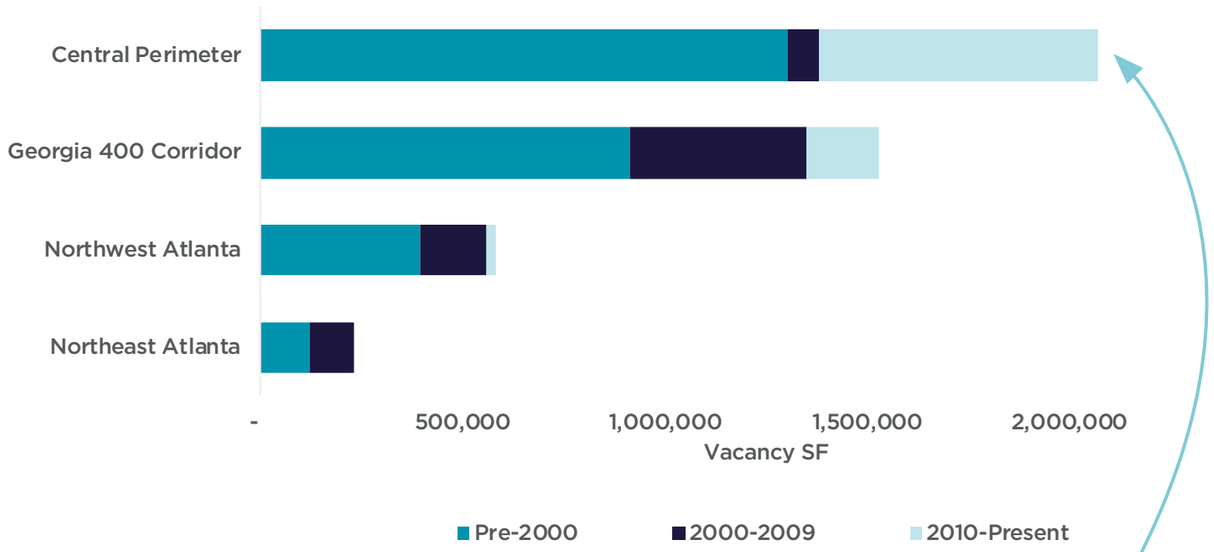
Demand for large block space in product built/renovated since 2010 has been strongest in Central Perimeter, GA 400, and Northwest. **These submarkets also have the largest percentage of residents over 25 years of age with a bachelor's degree or higher, indicating that companies are targeting suburban submarkets with the most educated talent pools.**

CLASS A DIRECT* VACANCIES OVER 25K SF

BY YEAR BUILT



BY SUBMARKET AND YEAR BUILT



KEY TAKEAWAYS

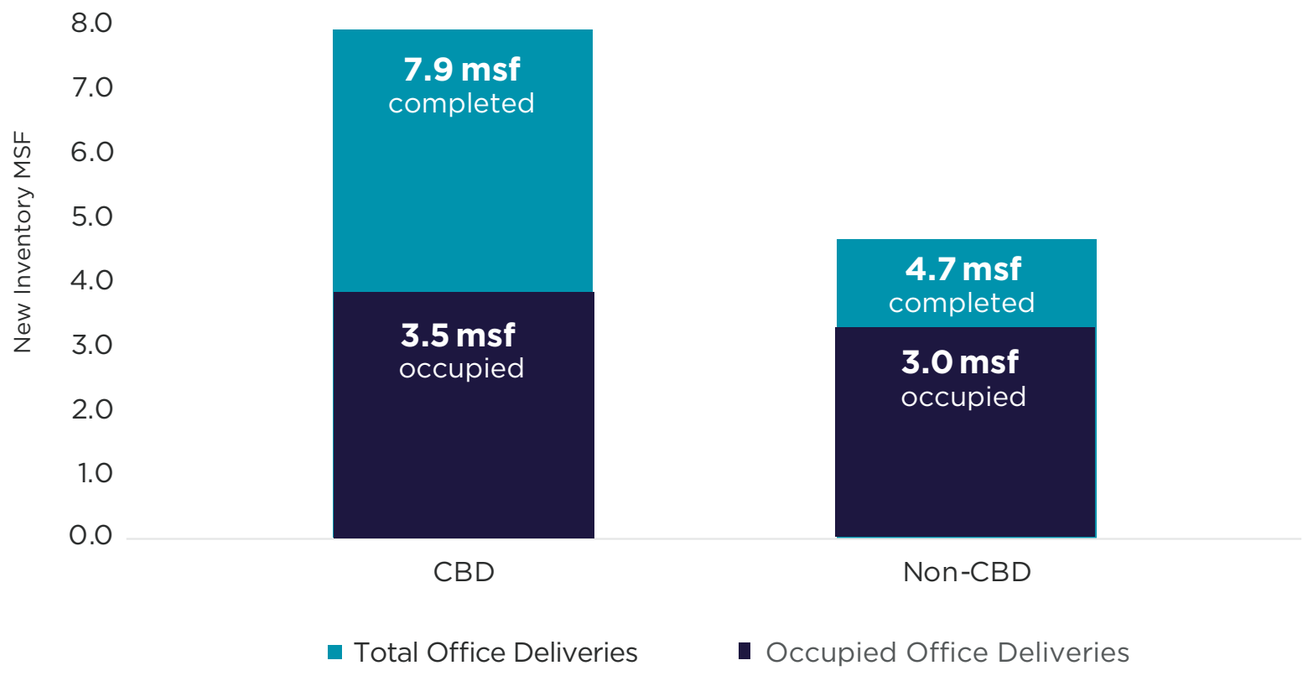
Increased demand in newer builds has caused supply imbalances in suburban submarkets. **Nearly 62.0%, or 2.7 msf, of direct vacancies over 25,000 sf are in assets built more than 25 years ago.** Supply is far more constricted in the 2010-present (890,061 sf) and 2000-2009 (788,225 sf) year-built segments.

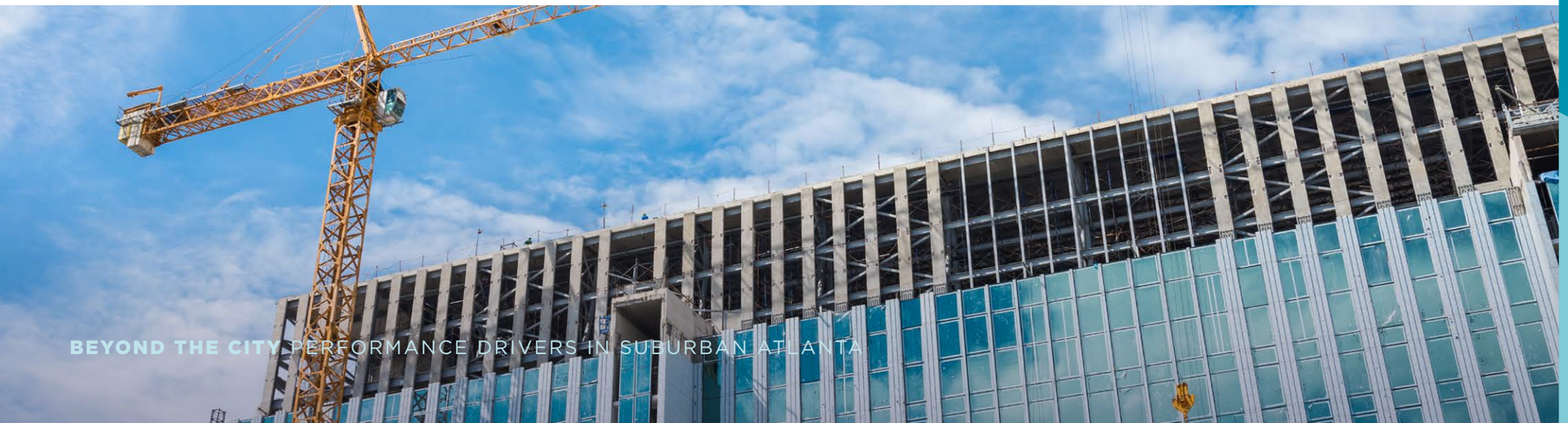
More than 77.0% of large block suburban availabilities in newer product are concentrated in Central Perimeter, leaving few large-block spaces in other non-CBD submarkets.

*Direct new vacancies exclude sublease space

OFFICE DELIVERIES

Occupancy in Completions Since 2020





KEY TAKEAWAY

Developers have delivered less than 4.7 msf of product in the non-CBD since 2020, nearly 81.0% of which is occupied. This is substantially higher than the CBD's 63.9% occupancy rate in newly-built product.

Additionally, a lack of buildings under construction will make it increasingly challenging for occupiers to find larger quality space outside of the urban core.

CONCLUSION

As Atlanta remains attractive to companies seeking access to a robust workforce of educated young professionals, demand is poised to remain healthy for large-block spaces in high quality suburban product. This will continue to put downward pressure on the availability of newer suburban spaces suitable for large tenant requirements, creating opportunity for developers and landlords willing to capitalize on new ground up or renovated development that meet the preferences of today's occupiers.

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Cushman & Wakefield (NYSE: CWK) is a leading global commercial real estate services firm for property owners and occupiers with approximately 52,000 employees in nearly 400 offices and 60 countries. In 2023, the firm reported revenue of $9.5 billion across its core services of property, facilities and project management, leasing, capital markets, and valuation and other services.

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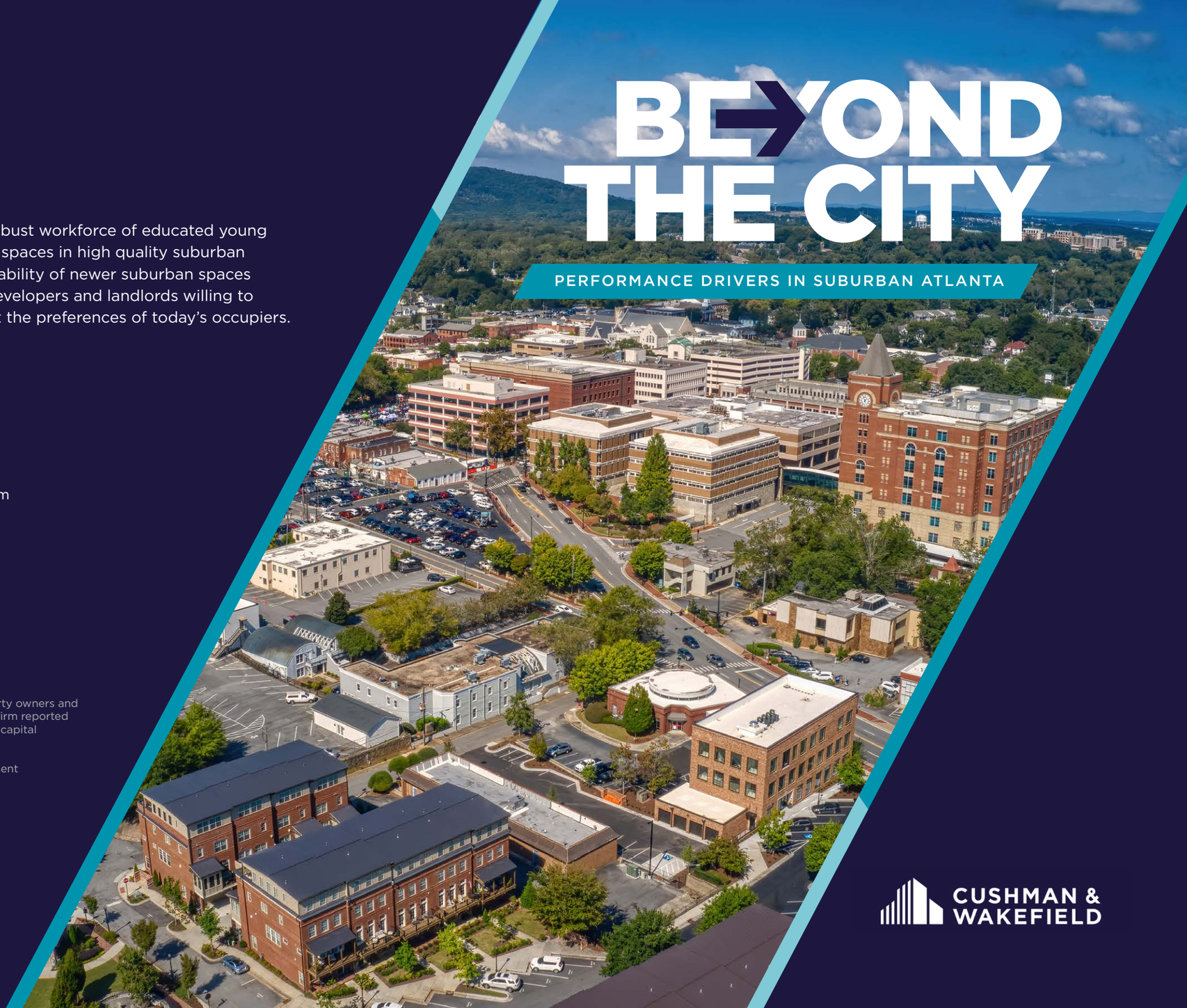

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