

Atlanta

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Demand for office space remains soft as availability continues to rise

Demand for office space in the Atlanta market remained soft in the third quarter of 2023 as a result of greater economic uncertainty. Leasing activity in Q3 2023 totaled 1.7 million square feet (msf), a decrease from 2.0 msf in Q3 2022. Occupiers have shown signs of indecision in an environment laden with rising interest rates, banking volatility, and the increasing use of hybrid workplace strategies despite the region's strong underlying employment fundamentals. Even in the face of leasing declines in recent quarters, the Atlanta office market remains highly desirable compared to other major markets due to its rich diversity of talent, broad foundational industry base and lower cost of living.

As availability remains high, tenants maintain leverage

On the heels of record high availability of 28.2% in Q2 2023, the overall rate decreased by 20 basis points (bps) to 28.0% in Q3 and is up 220 bps from 25.8% year-over-year. Atlanta's sublease space has continued to rise and now sits at 8.3 msf, up 23.9% from 6.7 msf in Q3 2022. The increase in sublease space is largely due to the substantial blocks of space put on the market by AT&T, NCR, and McKinsey during the quarter. Occupiers continue to have an abundance of options as well as increased leverage when in the market for space due to the rise in availability. Notable large blocks currently available on the market include Cox Automotive's 390,906 square feet (sf) space at 3003 Summit Boulevard, IBM's 238,600 sf space at 6301-6303 Barfield Road and Serta Simmons 142,750 sf space at 2451 Industry Avenue.

Concession packages grow, as rental rates remain static

Average asking rental rates increased slightly in Q3 to \$31.28, a 2.3% increase year-over-year. Although asking rates continue to rise in the market due to more expensive space available, landlords are more willing to offer more attractive concession packages which includes increased tenant improvement allowances and elongated rental abatement periods rather than drop their quoted asking rents. As a result, expect tenant-favorable market conditions to remain through year-end and into 2024.

Key Statistics

	Q3 2022	Q3 2023	Y-0-Y
Inventory	174.7 msf	176.5 msf	+1.8 msf
Availability Rate	25.8%	28.0%	+220 bps
Asking Rental Rate	\$30.58	\$31.28	+2.3%
CBD Asking Rental Rate	\$36.70	\$37.34	+1.7%
Quarterly Leasing Activity	2.0 msf	1.7 msf	-0.3 msf
Available Sublease Space	6.7 msf	8.3 msf	+1.6 msf

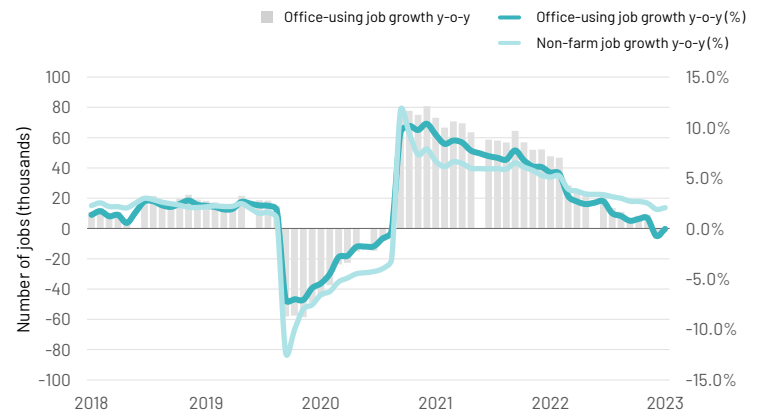
Outlook

01 While older buildings will struggle to attract and retain occupiers, newer buildings with amenities in desirable locations remain attractive for occupiers looking for upgraded space

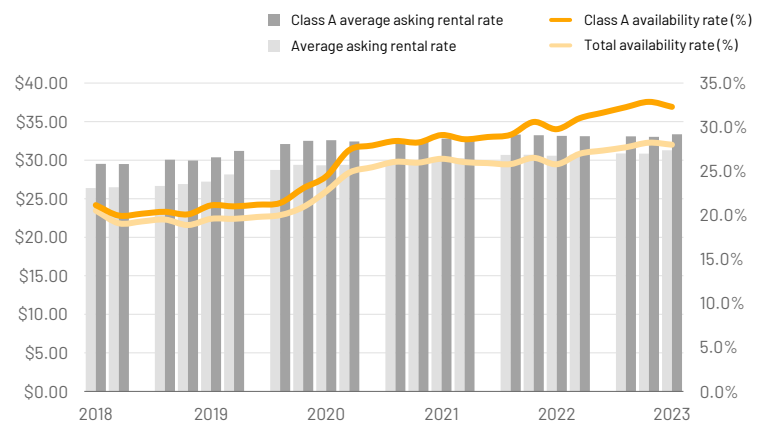
02 Atlanta continues to be a high-growth metro built upon a growing talent pool, a diverse industry base, and relatively lower costs compared to other major markets

03 Heightened availability coupled with landlords facing economic turbulence, will in many cases, continue to afford tenants greater leverage in most lease negotiations

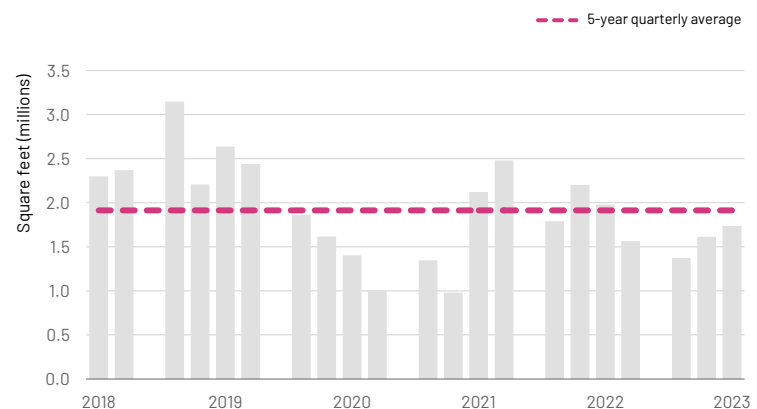
Office-using Employment Growth



Asking Rent and Availability



Leasing Activity



Top Transactions

*Trophy Building

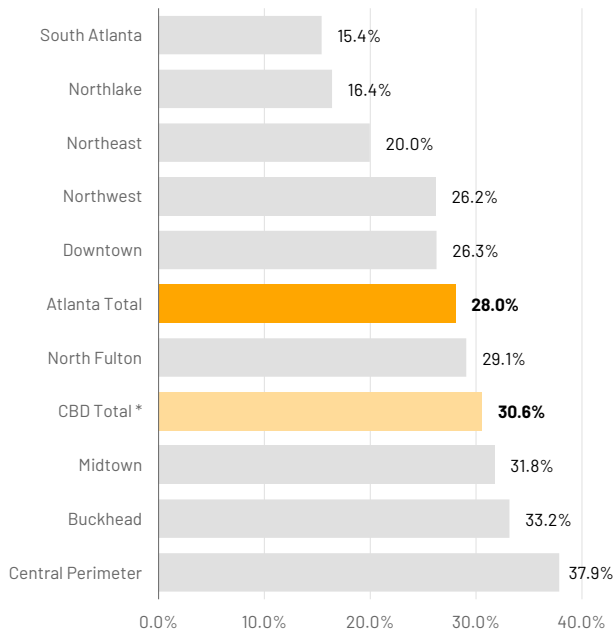
**Sublease

Source: Savills Research

TENANT	INDUSTRY	SUBMARKET	ADDRESS	SIZE (SF)	TRANSACTION TYPE
AT&T	TAMI	Buckhead	1277 Lenox Park Boulevard	129,655	Relocation
First Key Homes	Real Estate	Northwest	600 Galleria Parkway*	51,442	Relocation
Bradley Arant Boult Cummings LLP	Legal Services	Midtown	1230 Peachtree Street*	33,229	Expansion
Gas South	Business, Professional, and Consulting Services	Northwest	3 Ballpark Avenue*	31,006	New Location
National Christian Charitable Foundation, Inc.	Associations and Non-profit Organizations	North Fulton	1150 Sanctuary Parkway	25,713	Relocation**
Kahua	TAMI	North Fulton	10000 Avalon Boulevard*	25,405	Expansion**
Burns & McDonnell	Architecture, Engineering, and Construction	Central Perimeter	3 Ravinia Drive*	24,596	Relocation**
WestRock	Manufacturing	Central Perimeter	10 Glenlake Parkway	24,494	New Location**
Ricoh	TAMI	Northeast	3095 Satellite Boulevard	23,738	Relocation
Squire Patton Boggs	Legal Services	Midtown	1230 Peachtree St*	23,188	Relocation

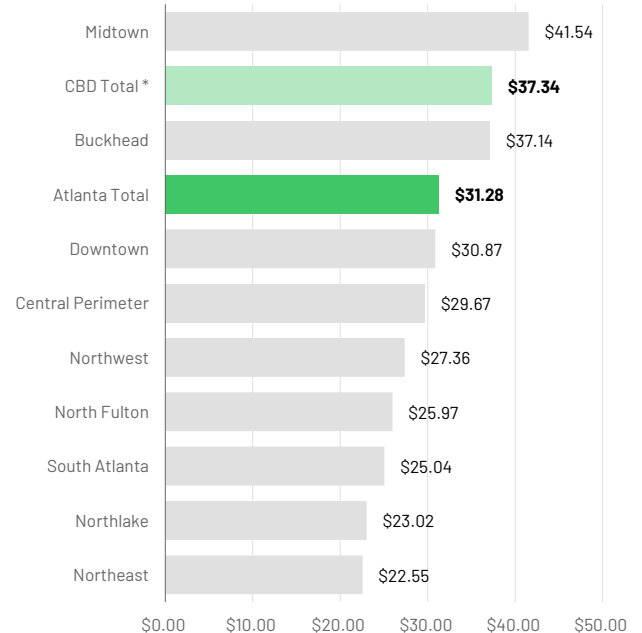
Availability Rate Comparison (%)

ATLANTA SUBMARKETS



Rental Rate Comparison (\$/sf)

ATLANTA SUBMARKETS



*CBD Total is comprised of Midtown, Downtown and Buckhead submarkets

Atlanta Q3 2023 - Office

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Unless otherwise noted, all rents quoted throughout this report are average asking gross (full service) rents per square foot. Statistics are calculated using both direct and sublease information. Current and historical availability and rent data are subject to change due to changes in inventory.

The information in this report is obtained from sources deemed reliable, but no representation is made as to the accuracy thereof. Unless otherwise noted, source for data is Savills Research.

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