MARKET IN MINUTES
Savills Research

Q2 2022 - Office

# Atlanta

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## Despite strong office leasing volume, office availability near record high

As the first half of 2022 comes to a close, occupiers continue to show signs of confidence as leasing volume remains strong. In Q2 2022, leasing activity totaled 2.2 million square feet (msf), representing an 125% increase over the 1.0 msf leased in Q2 2021. Transaction volume has increased in recent quarters as corporate occupiers have regained confidence and are more willing to make longer-term real estate decisions. Despite this rise in leasing volume, availability remains near a 10-year high ending the quarter at 26.5% mostly due to larger blocks of available space coming to market and new office projects recently delivered. Class A properties have shown high availability at 30.6% across Atlanta with Buckhead's Class A properties reporting an availability of 35.6%, a record for the submarket. As a result, expect landlords to continue to compete for occupancy by increasing concessions. Given the current supply and demand imbalance, Atlanta will remain a tenant-favorable environment for the near future.

### Increasing rental rates show landlord willingness to bolster concession packages for occupiers

Despite landlords enduring record-level availabilities, rents in Atlanta have continued to move upward. Overall asking rents sit at $30.69 per square foot (psf) as of Q2 2022, up from $29.55 in Q2 2021. Central business district (CBD) rates increased 3.8% year over year, from $35.85 psf in Q2 2021 to $37.23 psf in Q2 2022. While face rents have displayed no signs of decline, landlords have shown a willingness to instead offer generous concession packages including rental abatement, high tenant improvement, allowances, beneficial occupancy periods, and other forms of flexibility for occupiers.

### Tenant flight to quality is evident in the CBD construction pipeline

Despite overall high availability among Class A assets, first-generation trophy space has seen no shortage in occupier demand. Newer CBD office product has seen strong demand in both pre-delivery and post-delivery leasing phases. Trophy assets such as Midtown Union and 1105 West Peachtree had both received substantial leases prior to delivery. Additionally, West Midtown buildings such as Star Metals and The Interlock have both seen strong demand in the relatively short time since their delivery. This strong demand prevails despite newer 'A+' office space commanding new record-setting asking rents. The strong demand for high-end space is set to be matched by the 3.8 msf of new, class A construction set to deliver in key CBD submarkets over the next several years.

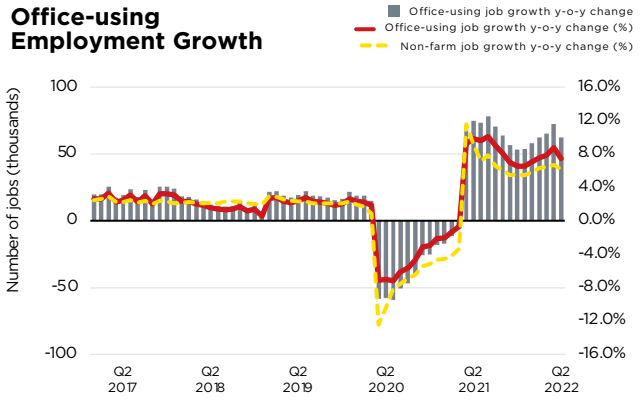
## Outlook

- Leasing volume remains strong as tenants regain confidence in making longer-term commitments post-pandemic
- Tenants will maintain an advantage over landlords in lease negotiation as owners continue increasing concessions due to record availabilities
- Strong demand for trophy office space has created a robust construction pipeline soon to populate the market with new trophy assets for eager occupiers

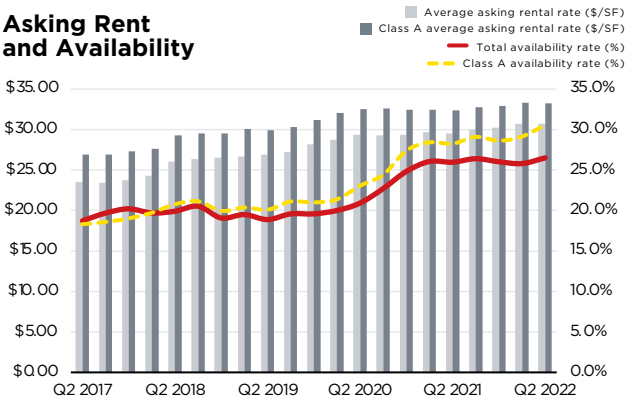
## Key Statistics

| | Q2 2021 | Q2 2022 | y-o-y Change |
|---|---|---|---|
| **Inventory** | 173.8 MSF | 174.7 MSF | ▲ |
| **Availability Rate** | 26.0% | 26.5% | ▲ |
| **Asking Rental Rate** | $29.55 | $30.69 | ▲ |
| **CBD Asking Rental Rate** | $35.85 | $37.23 | ▲ |
| **Quarterly Leasing Activity** | 1.0 MSF | 2.2 MSF | ▲ |
| **Available Sublease Space** | 5.4 MSF | 6.0 MSF | ▲ |

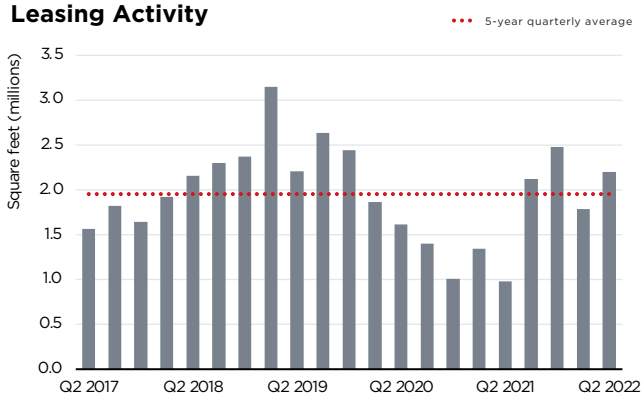
### Office-using Employment Growth




### Asking Rent and Availability




### Leasing Activity



## By the Numbers

**2.4%**
Atlanta Metro unemployment rate (as of May 2022)

**7.1%**
Office-using employment growth year over year (as of May. 2022)

**3.9 msf**
Office space currently under construction

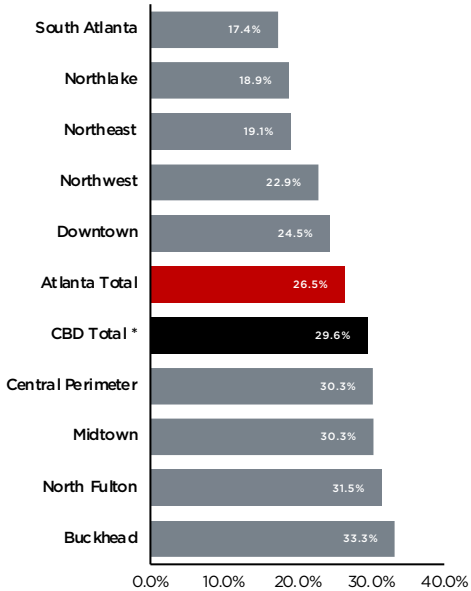
## Top Transactions

| Tenant | Square Feet | Address | Transaction Type | Submarket | Industry |
|---|---|---|---|---|---|
| **Truist Financial** | 250,000 | 900 SE Battery Avenue | New | Northwest | Financial Services & Insurance |
| **Transportation Insight** | 174,400 | 244 Perimeter Center Parkway | New | Central Perimeter | Transportation |
| **Insight Global** | 133,796 | 244 Perimeter Center Parkway | New | Central Perimeter | Business & Professional Services |
| **Brand Industrial Services** | 51,442 | 600 Galleria Parkway | Relocation | Northwest | Architecture, Engineering & Construction |
| **Georgia Division of Family and Children Services** | 48,000 | 1090 Northchase Parkway | New | Northwest | Government |
| **Goldman Sachs** | 36,000 | 1 Phipps Plaza | Relocation | Buckhead | Financial Services & Insurance |
| **Old Republic Aerospace** | 33,548 | 2015 Vaughn Road | New | Northwest | Financial Services & Insurance |
| **Transmontaigne** | 28,838 | 100 Mansell Court | New | North Fulton | Energy & Utilities |
| **WorkSuites** | 26,716 | 3100 Interstate North Circle | New | Northwest | Real Estate |
| **Sovos** | 25,543 | 1055 Howell Mill Road | Relocation | Midtown | TAMI |

Source: Savills Research

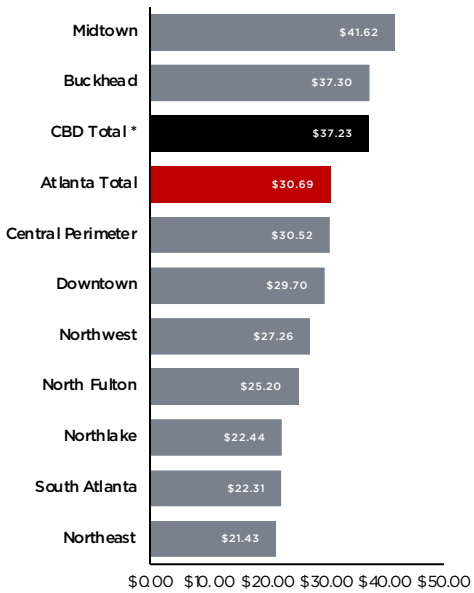
## Availability Rate Comparison (%)

Atlanta Submarkets




## Rental Rate Comparison ($/SF)

Atlanta Submarkets




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

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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