

Atlanta sees availability increase ahead of COVID-19 impact

In March, the rapidly evolving COVID-19 pandemic and measures to slow its spread brought business to an unprecedented halt across the country. No one knows exactly what near or long-term effects will be on the other side of this event, and the majority of information tracked in this report occurred prior to current circumstances. The office market will be impacted by unavoidable re-evaluations of workforce and closures, though severity will depend on how long current circumstances extend. Unrelated to COVID-19, overall availability in Atlanta increased 40 basis points over the quarter and 50 basis points over the year to 20.0%. Of the core submarkets, Midtown saw the largest increase in availability with a 410-basis-point-increase over the year, also to 20.0%. That 20.0% availability includes several large, new buildings that are set to deliver in the coming year, including Atlantic Yards, Star Metals Offices, and The Interlock, among others.

Leasing slows as uncertainty settles in

Office demand in Atlanta dropped significantly in the first quarter, with leasing stalled in March. Activity totaled 1.9 million square feet (msf), a 26.0% decline from last quarter. Still, several large tenants were active, particularly in new development, as Hines' T3 development (in Atlantic Station) secured Macy's. The retail giant leased 108,000 square feet (sf) in the project for its new techhub. Additionally, Facebook committed to 36,000 sf in the same project. With the ongoing success of new projects, Midtown is currently experiencing a development boom with over 4.0 msf of office space under construction. With an ongoing flight to quality, owners of older stock may become more aggressive in trying to fill the large vacancies left behind as tenants move to new buildings, particularly now as the country enters period of economic uncertainty.

Even amidst disruption, tenant opportunity persists

As the world navigates the uncertain and constantly evolving COVID-19 impact, some positives can come on the other side of this situation. Although a massive threat to the global economy, COVID-19 may create some unexpected opportunities for tenants. Atlanta has experienced steadily increasing rental rates over the last decade. That is likely to change given current circumstances, and owners will naturally be more willing to offer lower rental rates, higher concessions, and more favorable lease terms to ensure they keep and attract building occupiers.

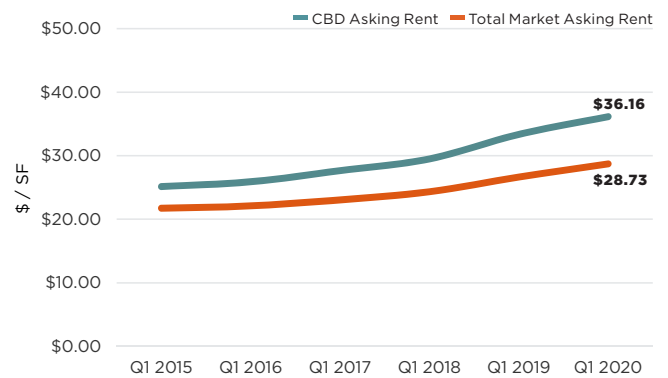
Outlook

- Atlanta saw its lowest quarter of leasing since Q4 2017, foreshadowing the drop-off to come as business shut down physical operations for the near future
- Midtown continues to see a wave of development - difficulty in accessing both labor and materials at this time is likely to slow some of these projects down
- Uncertainty looms and no one knows just what the market will look like once businesses ramp up operations again; the potential for landlords to offer more flexibility is likely

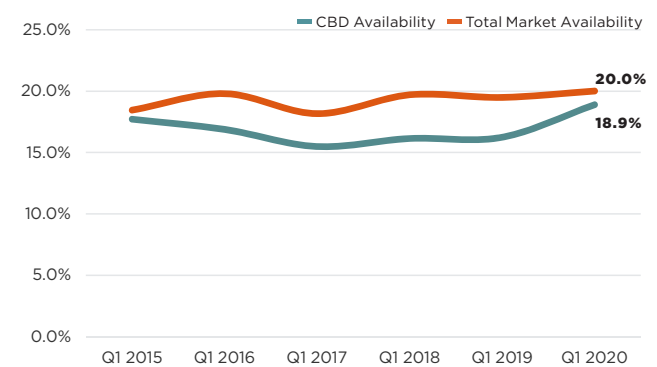
KEY STATISTICS

	Q1 2019	Q1 2020	y-o-y Change
Inventory	170.6 MSF	172.8 MSF	▲
Availability Rate	19.5%	20.0%	▲
Asking Rental Rate	\$26.64	\$28.73	▲
CBD Asking Rental Rate	\$33.37	\$36.16	▲
Quarterly Leasing Activity	3.1 MSF	1.9 MSF	▼

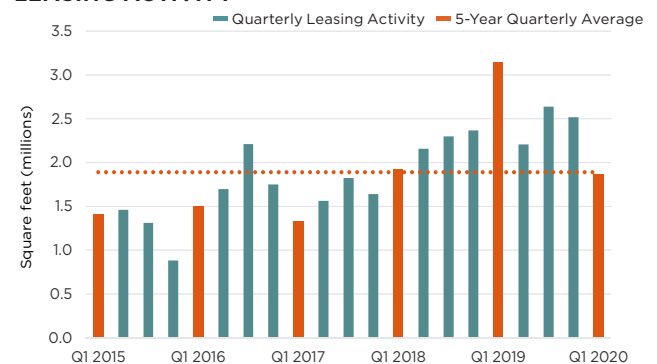
ASKING RENT TRENDS



AVAILABILITY TRENDS



LEASING ACTIVITY



MAJOR TRANSACTIONS

80.1%

of major transactions were **new locations or expansions**

31.5%

of large transactions occurred in the **Midtown** submarket

33.4%

TAMI tenants (including FinTech) represented 33.4% of major transactions

Tenant	Square feet	Address	Transaction type	Submarket	Industry
Macy's	107,712	383 17th Street	New Location	Midtown	Retail
Toyota Financial Services	56,642	11625 Rainwater Drive	New Location	North Fulton	Financial Services
Merchant e-Solutions Inc	53,917	1150 Sanctuary Parkway	New Location	North Fulton	TAMI (FinTech)
Soliant Health	51,419	5550 Peachtree Parkway	New Location	Northeast	Professional Services
Facebook	35,900	383 17th Street	New Location	Midtown	TAMI
HNTB	35,041	191 Peachtree Street NE	Renewal	Downtown	Professional Services
VIMO	32,996	3065 Akers Mill Road SE	New Location	Northwest	TAMI (FinTech)
Agency Matrix	29,259	2425 Commerce Avenue	Renewal	Northeast	TAMI
FirmSpace	26,399	3344 Peachtree Road NE	New Location	Buckhead	Coworking
Synovus Bank	26,216	3400 Overton Park Drive	Expansion	Northwest	Financial Services

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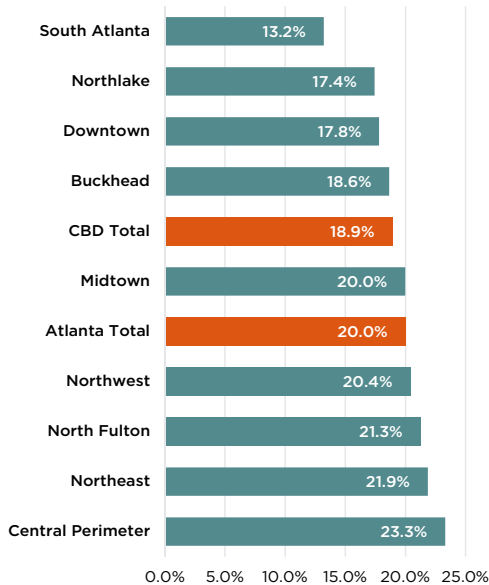
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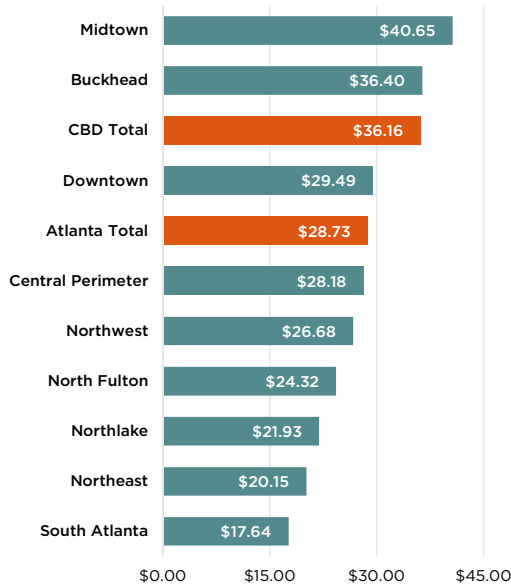
AVAILABILITY RATE COMPARISON

Atlanta Submarkets



RENTAL RATE COMPARISON (\$/SF)

Atlanta 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. Availability includes any space (existing or under construction) that could be occupied within 12 months. 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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