



## 2021 brings continued market softening in Atlanta, though demand decline may be leveling off

One year into the COVID-19 pandemic, the Atlanta office market continues to see an increase in available space as organizations look to later in the year, and more widespread vaccination, for a more earnest return to the office. In the first quarter, overall availability increased by 120 basis points (bps) from Q4 2020 and by 610 bps in the past 12 months, now at 26.1%. Class A availability increased similarly, rising 100 bps over the quarter and 700 bps year over year to 28.4%. Availability rates are reaching historic highs, fueled by the most recent development cycle, sublease inventory increasing, and companies looking to adopt more hybrid remote models. Still, fundamentally Atlanta remains attractive to many companies looking to relocate regional offices, tech hubs, and corporate headquarters. Just 1.3 million square feet (msf) were leased this quarter, marking the lowest first-quarter total in over four years. However, activity jumped up from Q4, which could signal that Atlanta has reached the bottom of the demand slowdown after multiple quarters of declines.

### Asking rents hold firm, yet tenant opportunity abounds

Prior to the pandemic, Atlanta's office rents were on a steady upward climb but market softening has held that growth in check. Still, landlords have remained reluctant to lower asking rents throughout the current downturn, even amid swelling availability. Market-wide overall asking rents currently average \$29.41 per square foot (psf), with Class A asking rents ending the quarter at \$32.47 psf. With availability at historic highs occupiers that are in the market have plentiful options. Landlords will have to be aggressive with flexible lease terms, discounted rents, and ample concessions to attract and retain tenants in the current leasing environment.

### Tenants look to take advantage of the sublease market; headquarters relocations continue

Three of the top transactions in Atlanta this quarter were from occupiers taking advantage of the growing amount of quality sublease inventory. In one of the largest leases of the quarter, ServiceMaster signed a 53,440-square-foot (sf) sublease at One Glenlake. There is currently more than 5.7 msf of sublease space available, which equates to about 3.3% of the entire market and is up 58.5% year over year. Despite the addition of both sublease and direct space, developers continue to break ground on new projects. The Halcyon Project broke ground on another building this quarter and will deliver a 60,000-sf office component later this year with Alimera Sciences taking 15,000 sf of space. Owners remain very bullish on the long-term strength of the market, supported by the continued announcement of corporate relocations and job creation within Atlanta. This quarter alone, Airbnb, ServiceMaster, Minute Maid, and Adecco Group have leased space or announced plans to open an office in Atlanta.

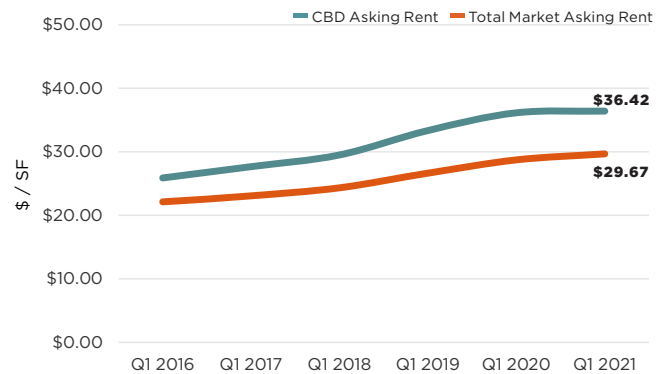
### Outlook

- The stabilization of leasing volume this quarter could be a sign that demand has bottomed with likely rebound once vaccination is more widespread
- Companies looking for Class A space at a discount will benefit from the growing number of sublease options on the market
- Atlanta remains a prime target for corporations looking to relocate headquarter operations or major outposts, a factor which has helped the market weather the pandemic better than more dense urban centers

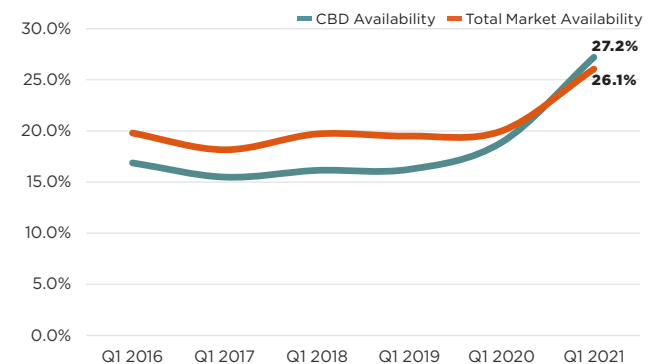
### KEY STATISTICS

	Q1 2020	Q1 2021	y-o-y Change
Inventory	172.8 MSF	<b>174.2 MSF</b>	▲
Availability Rate	20.0%	<b>26.1%</b>	▲
Asking Rental Rate	\$28.73	<b>\$29.67</b>	▲
CBD Asking Rental Rate	\$36.16	<b>\$36.42</b>	▲
Quarterly Leasing Activity	1.9 MSF	<b>1.3 MSF</b>	▼

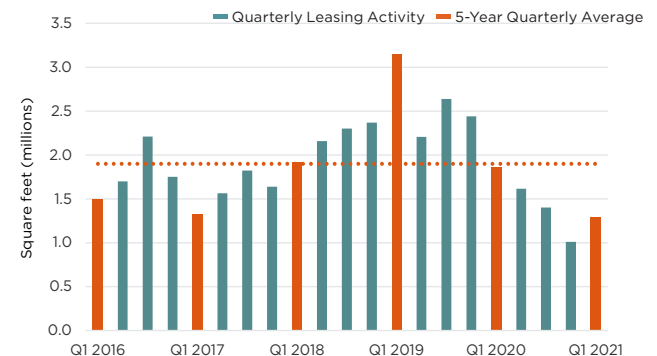
### ASKING RENT TRENDS



### AVAILABILITY TRENDS



### LEASING ACTIVITY



MAJOR TRANSACTIONS

56.4%

of major transactions were **new locations** by square footage

45.7%

of large transactions occurred in the **North Fulton** submarket by square footage

56.3%

**TAMI** sector tenants represented 56.3% of major transactions by square footage

Tenant	Square feet	Address	Transaction type	Submarket	Industry
Global Payments	206,542	5995 Windward Parkway	New Location	North Fulton	TAMI
ServiceMaster	53,440	1 Glenlake Parkway NE	Sublease	Central Perimeter	Professional Services
Technicolor	53,188	4855 Peachtree Industrial Boulevard	Relocation	Northeast	TAMI
Soliant Health	36,000	5550 Peachtree Parkway	Sublease	Northeast	Healthcare
New Benevis, Inc.	30,202	210 Interstate N Parkway SE	Sublease	Northwest	Healthcare
Builders Insurance Group	26,337	2859 Paces Ferry Road SE	Renewal and Expansion	Northwest	Financial Services
ABB Inc.	25,353	2018 Powers Ferry Road NW	Relocation	Northwest	Engineering
Amazon Web Services	24,680	3333 Piedmont Road NE	Renewal and Expansion	Buckhead	TAMI
Pratt Industries	24,635	4004 Summit Boulevard	New Location	Central Perimeter	Manufacturing
Genesee General	24,374	3025 Windward Plaza Drive	Renewal	North Fulton	Financial Services

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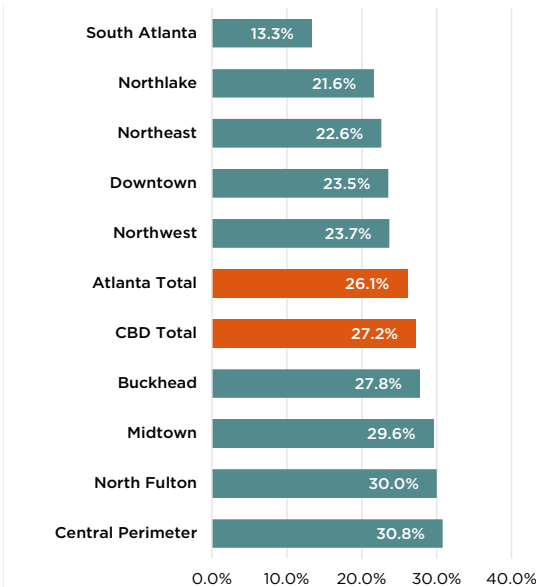
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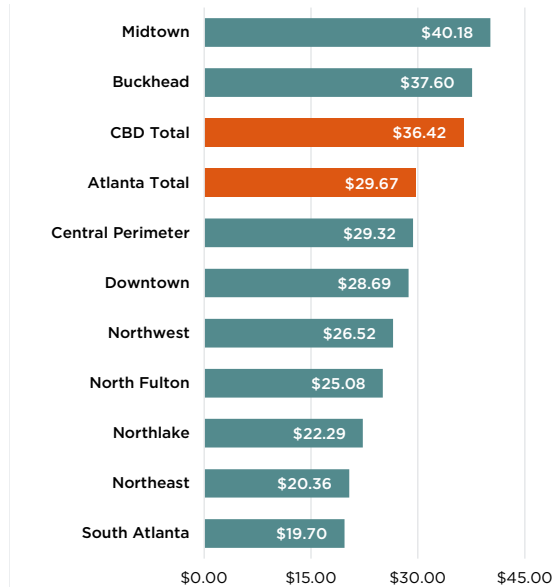
AVAILABILITY RATE COMPARISON

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.

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