

Leasing activity slow but not entirely halted despite ongoing COVID-19 disruption

With much of Atlanta's economy shut down throughout the majority of the second quarter, office demand dipped a bit, but the slowdown was notably not as pronounced as that seen in other major markets. Total second-quarter leasing activity stood at 1.6 million square feet (msf), down 13.2% over the quarter, and 26.8% over the year. Due to ongoing COVID-19 lockdown measures, companies could not tour space for several months which contributed to the pullback in leasing activity. Overall availability increased 90 basis points over the quarter, now at 20.9%, reflecting a 210-basis-point increase year over year.

Microsoft lease moves forward, expands Atlanta's growing Midtown tech hub

Even with current circumstances, Microsoft moved forward with a major lease at Hines' Atlantic Yards development in West Midtown. Microsoft will lease both Atlantic Yards North and South buildings totaling 523,511 square feet (sf) and expanding the software giant's presence in the region (Microsoft already has locations in Alpharetta, Midtown and Buckhead). Microsoft will be adding 1,500 new jobs and investing \$75 million in its new location. Microsoft's growth further establishes Atlanta as a prominent tech hub as Google and Facebook have also leased significant amounts of space in recent quarters. Still, Atlanta's occupiers are not immune to impact of current economic downturn. Macy's will not be occupying a new 107,712-sf location at Hines' T3 development (signed for in the first quarter) due to pandemic-related business impact. Macy's plans to stay at its current tech center located in Johns Creek, reopening a sizable block of new space in Midtown.

Asking rates hold firm, however, addition of sublease space to market will put downward pressure on rents

At the end of the second quarter, Atlanta's overall average asking rent stood at \$29.39 per square foot (psf), reflecting annual (9.3%) and quarterly (2.3%) increases. The increase has nothing to do with current COVID-19 impact on the market but is simply a result of large blocks of new product delivering at above-market rates. Still, landlords have remained reluctant to drop asking rates and are more in favor of increasing concession offerings and term flexibility, including exchanging abatement for an extension of a tenant's lease. As occupiers, like Macy's, continue to re-evaluate their workforce, capital and office space needs, it is likely that additional sublease space will return, creating a more tenant-friendly market.

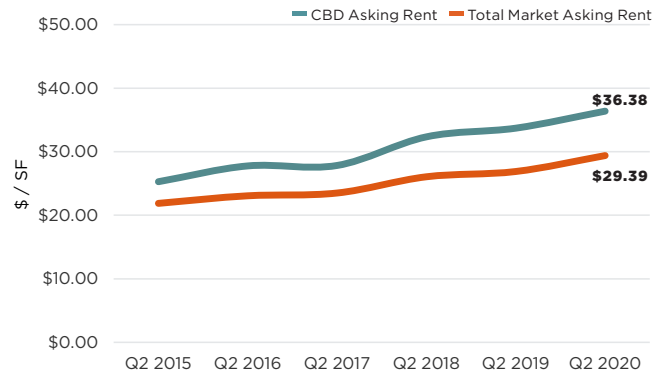
Outlook

- Microsoft's 523,511-sf lease at Atlantic Yards accounted for 32% of all leasing activity this quarter
- Robust population growth and a diverse economy have fortified Atlanta's office market, which could in turn help lessen the pandemic's blow relative to other markets
- Additionally, Atlanta's lack of dependence on public transit could make it an attractive option for organizations seeking to branch away from more dense, transit-reliant markets

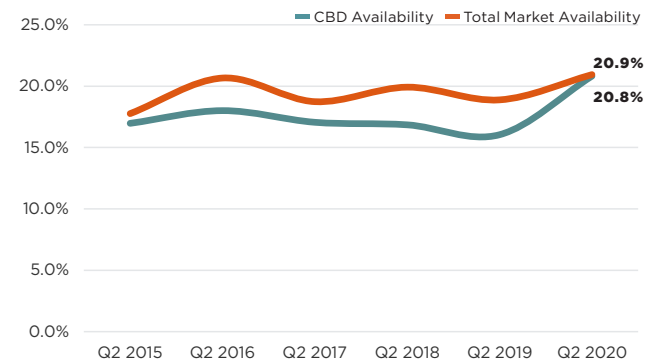
KEY STATISTICS

	Q2 2019	Q2 2020	y-o-y Change
Inventory	170.8 MSF	172.9 MSF	▲
Availability Rate	18.9%	20.9%	▲
Asking Rental Rate	\$26.90	\$29.39	▲
CBD Asking Rental Rate	\$33.72	\$36.38	▲
Quarterly Leasing Activity	2.2 MSF	1.6 MSF	▼

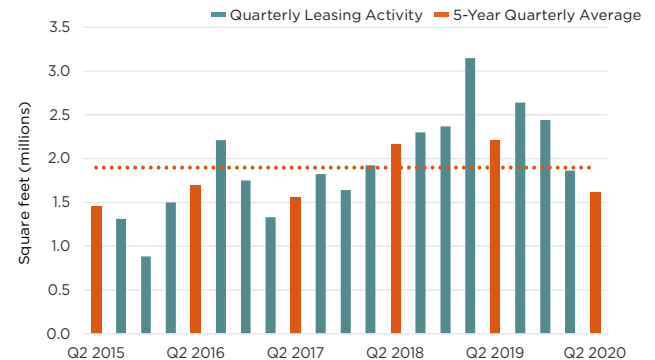
ASKING RENT TRENDS



AVAILABILITY TRENDS



LEASING ACTIVITY



MAJOR TRANSACTIONS

5 of 10

major transactions were new locations

58.8%

of large transactions occurred in the Midtown submarket

67.8%

TAMI tenants represented 67.8% of major transactions

Tenant	Square feet	Address	Transaction type	Submarket	Industry
Microsoft	523,511	170 / 200 17th Street NW	New Location	Midtown	TAMI
Lease Plan USA	81,615	1165 Sanctuary Parkway	Renewal	North Fulton	Professional Services
Emory Healthcare	69,232	250 E Ponce De Leon Avenue	New Location	Decatur	Healthcare
Lewis Brisbois	48,000	600 Peachtree Street NE	Relocation	Downtown	Legal Services
USI Insurance	38,566	1 Concourse Parkway NE	New Location	Central Perimeter	Financial Services
Om Partners USA Inc	32,467	2727 Paces Ferry Road SE	Renewal	Northwest	TAMI
Rockefeller Group	25,080	3560 Lenox Road NE	Relocation	Buckhead	Real Estate
Deposco	24,141	400 Northridge Road	New Location	Central Perimeter	TAMI
TransUnion	24,065	1110 Sanctuary Parkway	New Location	North Fulton	Financial Services
Veeam	23,285	2550 Northwinds Parkway	Expansion	North Fulton	TAMI

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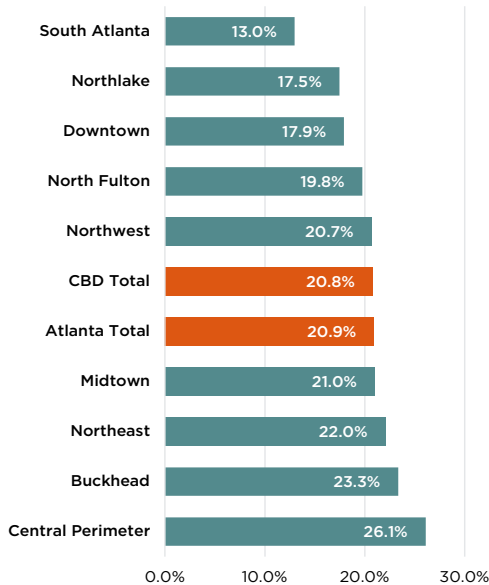
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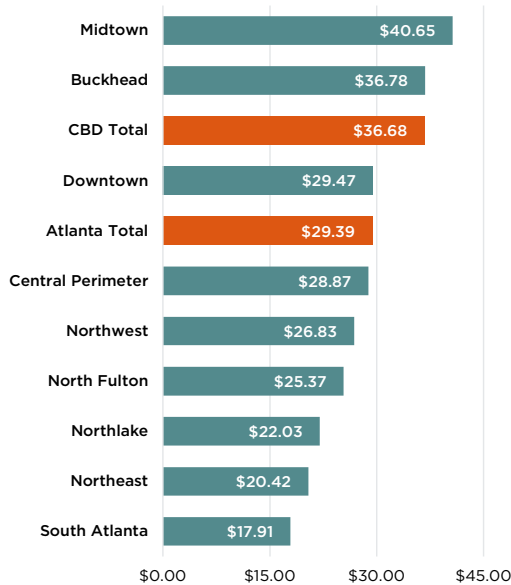
AVAILABILITY RATE COMPARISON

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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