

Availability levels off amid sunset days of the pandemic

With more widespread vaccination and office tenants repopulating their physical footprint, availability – which hit a 10-year high at the start of the year – stopped climbing in the second quarter, holding flat from Q1 at 26.0%. Since the first quarter of 2020, availability has surged 600 basis points (bps). A decline in sublease inventory has helped availability to level off. As tenants re-enter workplaces, Q2 closed with 5.7 million square feet (msf) of sublease space available, unchanged from Q1, after rising 16.8% through the pandemic. Demand remains tepid with just 1.0 msf leased over the quarter, however, office space tour volume has picked up which will likely lead to an increase in leasing volume later in the year.

Asking rents continue to hold firm while concessions reveal weakened market conditions

In the quarters preceding the global pandemic, office rents in Atlanta were rapidly increasing with little sign of slow down. This momentum was stunted due to uncertain office market conditions and sharp increases in availability. In Q2, overall asking rents averaged \$29.55 per square foot (psf), a slight increase over the year (\$28.73 psf at Q1 2020). Class A asking rents have similarly seen little fluctuation, holding at \$32.35 psf, up from \$32.08 psf over the same period. More than a year since COVID-19 first closed the doors of office buildings in Atlanta, landlords are feeling strained from the ongoing pandemic and are offering increasingly generous concessions as tenant options have multiplied. These concessions include larger tenant improvement allowances and rent abatement periods, along with flexibility within leases (contraction, termination and expansion rights, etc.)

Atlanta tech frenzy carries on; investors remain bullish on local office product

In a partnership with Portman Holdings LLC and the Atlanta Real Estate Company, Blackstone purchased phase one of the 361,000-sf Anthem Technology Center this quarter at a record-breaking \$600.00 psf sale price. This transaction is in line with Blackstone's recent uptick in tech-hub-based real estate investment across the country, and highlights the investor's bullish sentiment for the market. Atlanta's reputation as a key tech market has been growing stronger in recent months with FanDuel's announcement of a 68,000-sf requirement and Microsoft's recent purchase of 1.4 acres of land to expand its already-planned 90-acre Westside campus. Microsoft's adoption of Atlanta as its East Coast epicenter may prove to act as a beacon for other tech giants considering possible expansion locations. Atlanta is a favorable destination when compared to alternative tech mega-centers, due to its friendly business environment and relatively lower living and real estate costs.

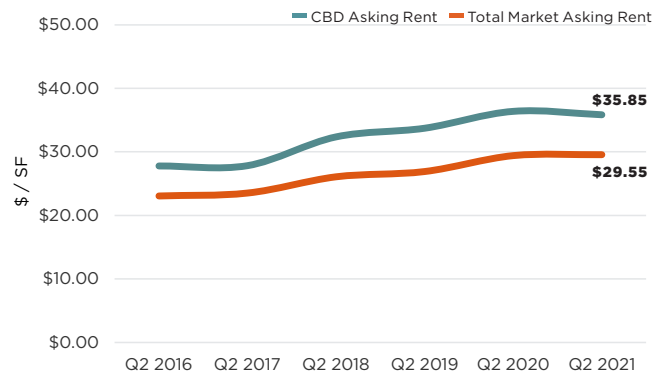
Outlook

- Record-high availability in Atlanta may have hit its apex, but it will take time and significant leasing activity to reduce the oversupply caused by the pandemic
- Tenants that are active in the market and in a position to sign a lease in the near-term will benefit from increased space options and tenant-favorable market dynamics
- Atlanta shows no signs of slowing as a thriving tech capital for the Southeast as investors and established tech titans continue to pour into the city

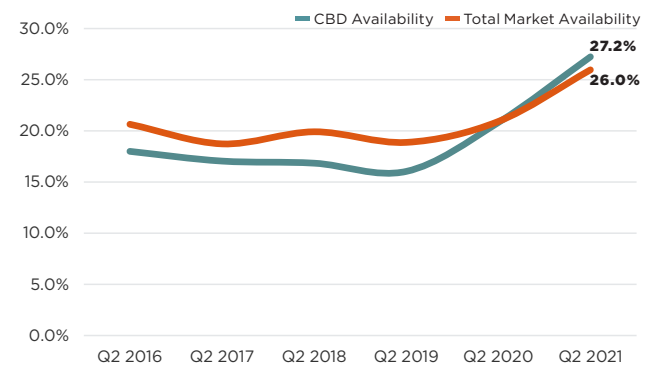
KEY STATISTICS

	Q2 2020	Q2 2021	y-o-y Change
Inventory	172.8 MSF	174.1 MSF	▲
Availability Rate	20.9%	26.0%	▲
Asking Rental Rate	\$29.40	\$29.55	▲
CBD Asking Rental Rate	\$36.38	\$35.85	▼
Quarterly Leasing Activity	1.6 MSF	1.0 MSF	▼

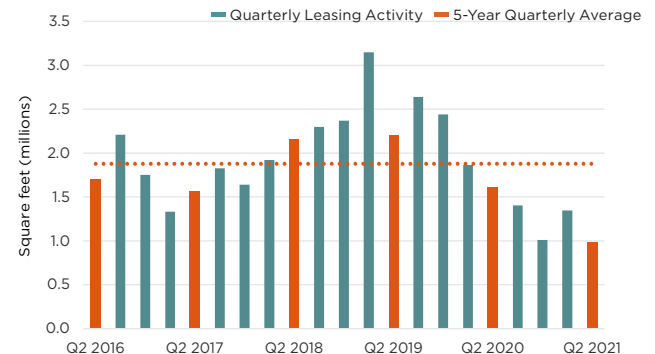
ASKING RENT TRENDS



AVAILABILITY TRENDS



LEASING ACTIVITY



MAJOR TRANSACTIONS

59.5%

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

27.7%

of large transactions occurred in the **Central Perimeter** submarket by square footage

37.9%

Financial Services sector tenants represented 37.9% of major transactions by square footage

Tenant	Square feet	Address	Transaction type	Submarket	Industry
Centene Corporation	51,651	115 Perimeter Center Place NE	New Location	Central Perimeter	Financial Services
Newmark	36,819	3455 Peachtree Road NE	Relocation	Buckhead	Real Estate
Munich REinsurance	24,619	3500 Lenox Road NE	Relocation	Buckhead	Financial Services
MessageGears	22,454	1180 W Peachtree Street	New Location	Midtown	TAMI
Square	20,819	695 North Avenue NE	New Location	Downtown	TAMI
Faneuil, Inc	20,068	2015 Vaughn Road	Restructure	Northwest	Professional Services
Hummingbird	18,525	1220 Old Alpharetta Road	New Location	North Fulton	Manufacturing
Emerald	16,439	1145 Sanctuary Parkway	Renewal	North Fulton	Professional Services
Epic Insurance	15,285	5909 Peachtree Dunwoody Road NE	New Location	Central Perimeter	Financial Services
Exela	14,974	4145 Shackleford Road	New Location	Northeast	TAMI

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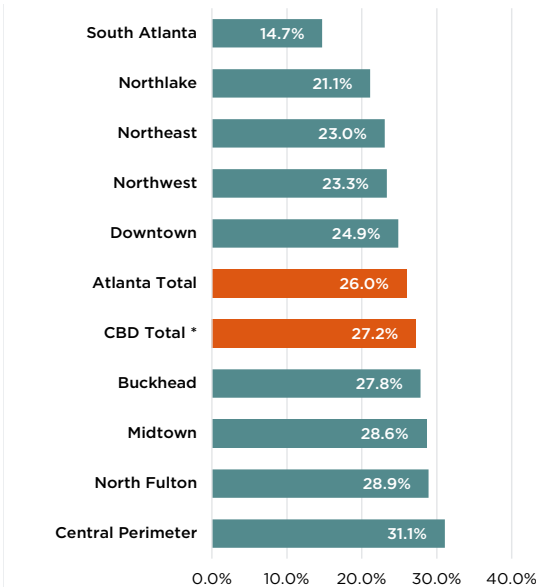
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AVAILABILITY RATE COMPARISON

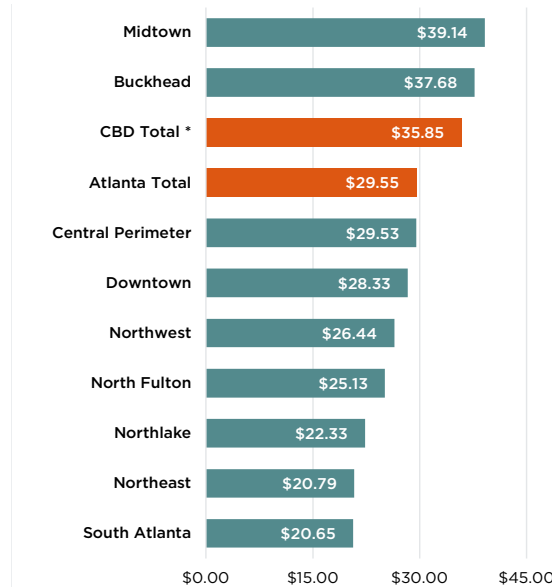
Atlanta Submarkets



*CBD Total is comprised of Midtown, Downtown and Buckhead 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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