

Leasing pace continues to fall while availability rises; still, large tenants remain in the market

Atlanta's overall availability is on the rise due to a lull in activity coupled with ongoing new deliveries and the addition of significant sublease inventory. In the fourth quarter, overall availability in the Atlanta market increased by 210 basis points (bps) from Q3 and by 520 basis points year over year, now at 24.8%. Class A availability experienced an even sharper rise, increasing 300 bps over the quarter and 640 bps year over year to end the quarter at 27.4%. This increase is not surprising as quarterly leasing volume fell 28.0% over the quarter and totaled just over 1.0 million square feet (msf). Despite the low volume this quarter, Papa John's leased 61,187 square feet (sf), announcing it will move part of its headquarters to 3 Battery Park. Insight Global also signed for 91,647 sf at 1224 Hammond Drive, expanding its presence to more than 300,000 sf.

Asking rents hold firm with new deliveries, sublease additions will start to drive rents downward

Ending the year at \$29.39 per square foot (psf), overall average market asking rents are holding firm, particularly as new space at above-market pricing continues to deliver. However, occupiers can still expect a discount on starting rents and generous concessions as there is high competition for tenants in a softer market environment — particularly as sublease space rises. Atlanta started the year with a total of 3.0 msf of sublease space on the market. This has increased 77% over the year, ending 2020 with a total of 5.5 msf of sublease space available.

Atlanta construction pipeline remains robust; West Midtown speculative space faces competition

Even amidst current conditions, Atlanta's construction pipeline remains full with 1.1 msf breaking ground this quarter. New City's Old Fourth Ward development, anchored by Mailchimp, has broken ground and will deliver 475,000 sf of office and retail space in Q4 2022. Third & Urban's Westside Paper re-use development also broke ground and will contain 223,851 sf of speculative office space when it delivers in Q4 2021, as well as the Emory Healthcare-anchored Northlake Mall project containing 350,000 sf of office space. These additions join a hefty amount of speculative space in progress on the westside of Midtown with projects such as Interlock, 8West and Star Metals. These developments provide tenants plentiful options in new construction and showcase developer confidence in the market's strong long-term fundamentals.

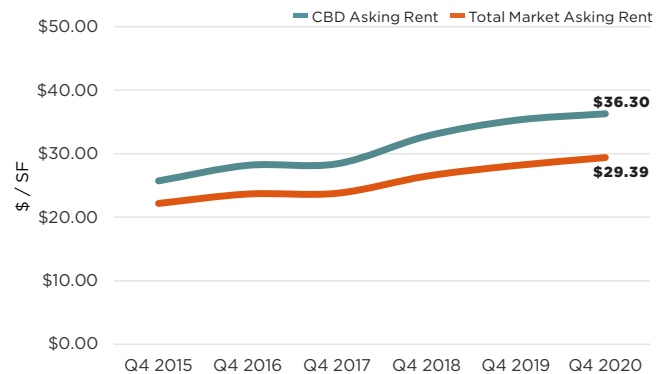
Outlook

- The addition of both brand-new space and sublease inventory will continue to push Atlanta's availability upwards
- Still, underlying market fundamentals are strong, and Atlanta will remain an attractive destination for companies looking to relocate to the Sunbelt region due to lower cost of living and a friendlier business environment
- Investors and developers remain bullish on Atlanta as they continue to fill the pipeline with new and adaptive re-use office projects across the metro area

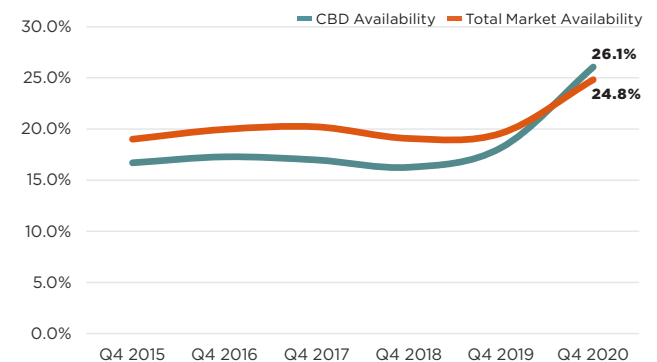
KEY STATISTICS

	Q4 2019	Q4 2020	y-o-y Change
Inventory	171.8 MSF	174.1 MSF	▲
Availability Rate	19.6%	24.8%	▲
Asking Rental Rate	\$28.15	\$29.39	▲
CBD Asking Rental Rate	\$35.28	\$36.30	▲
Quarterly Leasing Activity	2.4 MSF	1.0 MSF	▼

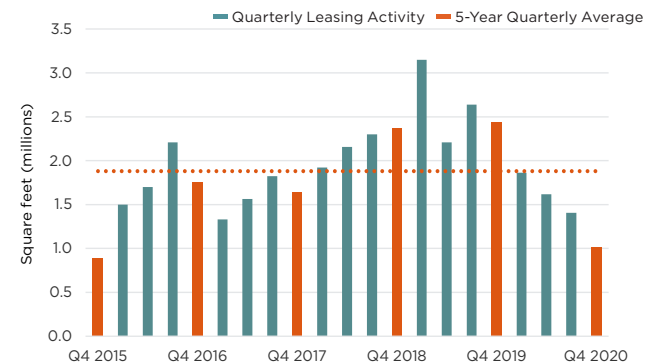
ASKING RENT TRENDS



AVAILABILITY TRENDS



LEASING ACTIVITY



MAJOR TRANSACTIONS

28.8%

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

35.3%

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

23.7%

Professional Services sector tenants represented 23.7% of major transactions by square footage

Tenant	Square feet	Address	Transaction type	Submarket	Industry
Insight Global	91,647	1224 Hammond Drive	Expansion	Central Perimeter	Professional Services
Papa John's	61,187	3 Ballpark Avenue	New Location	Northwest	Retail
Burns & McDonnell	45,000	4004 Summit Boulevard	Relocation	Central Perimeter	Engineering
Truist Bank	43,551	1500-1600 Riveredge Parkway NW	Renewal	Northwest	Financial Services
First Investors Financial Services	38,731	3065 Akers Mill Road SE	Relocation	Northwest	Financial Services
Georgia Tech Research Institute	33,492	1575 Northside Drive NW	Renewal	Midtown	Government
Stryten Inc	23,325	3700 Mansell Road	Relocation	North Fulton	Manufacturing
Ware2Go	19,078	3535 Piedmont Road NE	New Location	Buckhead	Transportation
Stimlabs	16,122	3440 Preston Ridge Road	New Location	North Fulton	Manufacturing
Porex	15,196	2700 Apple Valley Road NE	New Location	Northlake	Retail

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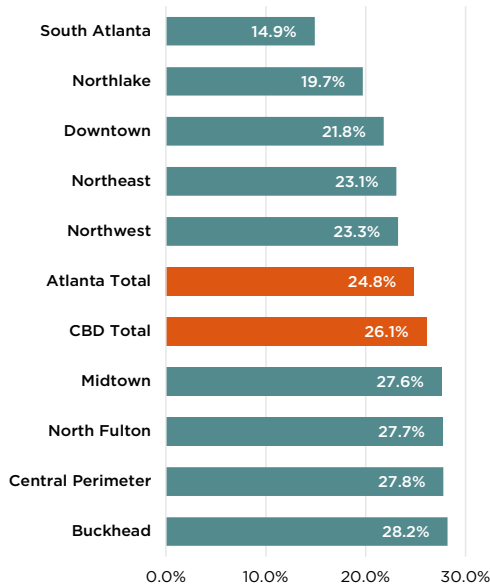
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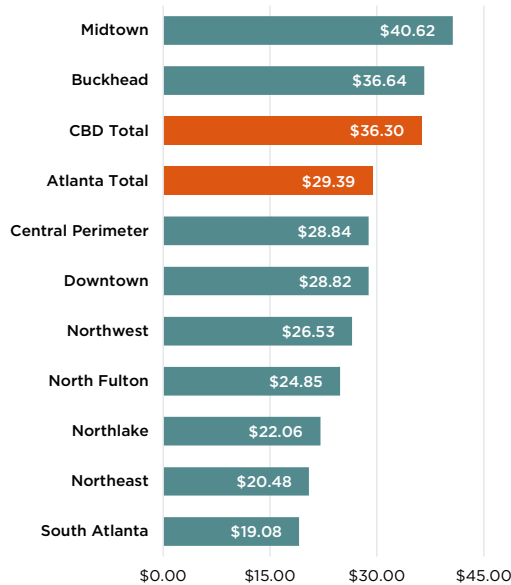
AVAILABILITY RATE COMPARISON

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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