

Returning corporate confidence continues to propel leasing volume

As the impact of the pandemic continues to diminish, the Atlanta office market continues to show signs of recovery. In Q1 2022, leasing activity totaled 1.8 million square feet (msf), representing a 33.0% increase over the 1.3 msf leased in Q1 2021. This increase in transaction volume comes from strengthening corporate confidence in a post-pandemic landscape. Aggregate deal volume was bolstered by Micron Technology's commitment to 97,072 square feet (sf) at 712 W Peachtree Street in Midtown. The space will serve as a design center for Micron and aims to bring 500 jobs to Midtown. Despite this rise in leasing volume, availability remains near a decade-high at 25.8%.

A surplus in availability mixed with stagnant rental rates offer increasing leverage for tenants in the market for space

Rental rates in the Atlanta office market have remained relatively static since the start of the pandemic, and the beginning of 2022 saw no change. Central Business District (CBD) rates shifted upward 2.2% year-over-year, from \$36.42 per square foot (psf) in Q1 2021 to \$37.22 psf in Q1 2022. Constraint on pricing in Atlanta's most sought-after areas is due in large part to the abundance of space available on the sublease and direct markets, at 5.6 msf and 45.1 msf, respectively. The combination of high sublease and direct availability and an increase in alternative working models such as hoteling has increased landlords' willingness to offer competitive concession packages on some of the city's top office space.

Investor sentiment remains strong as trophy assets find new owners

Demand for assets in Atlanta's CBD has proven robust in early 2022 as several trophy assets have already changed hands. 3630 Peachtree Road NE, a 438,910-sf mixed use office building in Northern Buckhead, traded for the near-record price of \$202 million, or \$475 psf. Additionally, the 1.3-msf Bank of America Plaza – a staple of the Atlanta skyline – changed ownership in this quarter. Bank of America Plaza sits just south of the Midtown innovation district, which has been a catalyst for growth in the area. Several other trophy buildings have recently hit the market, listed at premium prices as interest rates remain historically low and investors continue to seek out yield. Increasing confidence in tenants returning to the office seems to be driving investor bullishness and an upward pricing trajectory in the office market. The premium commanded by these trophy assets highlights the bifurcation between newer and older properties as the overall flight to quality by occupiers continues in 2022.

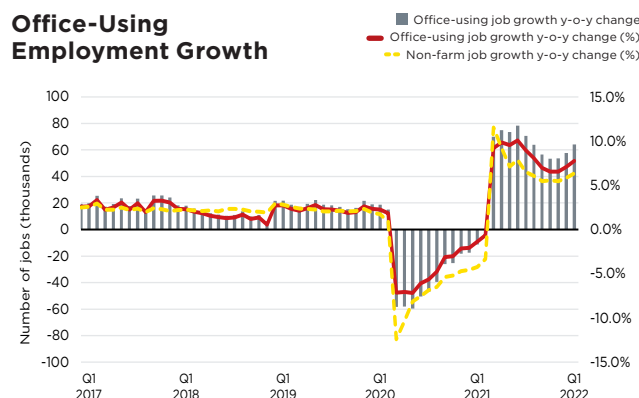
Outlook

- Leasing trends remain strong and are expected to continue in 2022 as key decision-makers regain pre-pandemic leasing confidence
- A surplus in sublease and direct availability mixed with flat rental rates indicate a tenant-friendly leasing environment, despite signs of recovery
- Investors remain bullish on Atlanta as trophy CBD assets change hands at record-breaking valuations mostly due to strong underlying long-term fundamentals

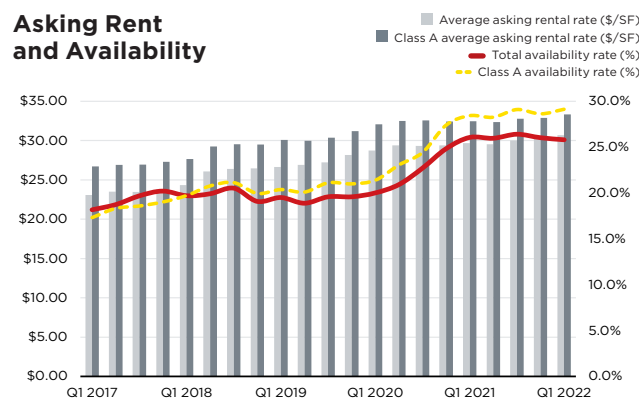
Key Statistics

	Q1 2021	Q1 2022	y-o-y Change
Inventory	174.2 MSF	174.9 MSF	▲
Availability Rate	26.6%	25.8%	▼
Asking Rental Rate	\$29.67	\$30.68	▲
CBD Asking Rental Rate	\$36.42	\$37.22	▲
Quarterly Leasing Activity	1.3 MSF	1.8 MSF	▲
Available Sublease Space	5.3 MSF	5.6 MSF	▲

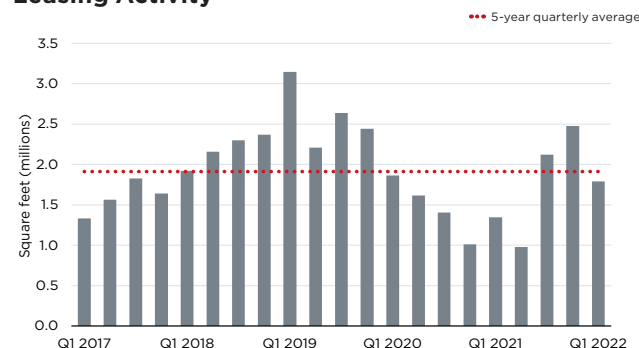
Office-Using Employment Growth



Asking Rent and Availability



Leasing Activity



By the Numbers

3.3%

Atlanta unemployment rate lowest among major US metros (as of Jan. 2022)

7.3%

Office-using employment growth year-over-year (as of Jan. 2022)

3.4 msf

Office space currently under construction

Top Transactions

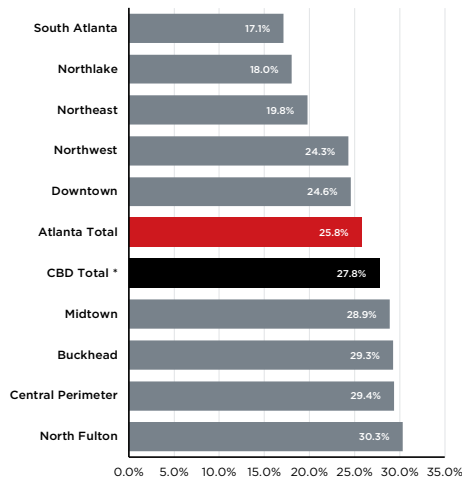
Tenant	Square Feet	Address	Transaction Type	Submarket	Industry
Micron Technology	93,072	712 W Peachtree Street	New Location	Midtown	Manufacturing
Stryten	68,798	5925 Cabot Parkway	Relocation	North Fulton	Energy
Trenton Systems	50,000	3100 Breckinridge Boulevard	Relocation	Northeast	TAMI
Barnes & Thornburg	35,904	3340 Peachtree Road NE	Relocation	Buckhead	Legal Services
Outreach Corporation	32,927	1055 Howell Mill Road	New Location	Midtown	TAMI
Kimley-Horn	30,652	1200 Peachtree Street NE	Relocation	Midtown	Engineering
Saved to Serve Ministries	30,342	1415 Franklin Gateway SE	New Location	Northwest	Non-profit
Inspire Brands	26,693	1 Glenlake Parkway NE	New Location	Central Perimeter	Retail
Ember	25,129	4170 Ashford Dunwoody Road NE	New Location	Central Perimeter	Retail
CargoBarn	24,177	400 Northridge Road	Relocation	Central Perimeter	Transportation

*Sublease

Source: Savills Research

Availability Rate Comparison (%)

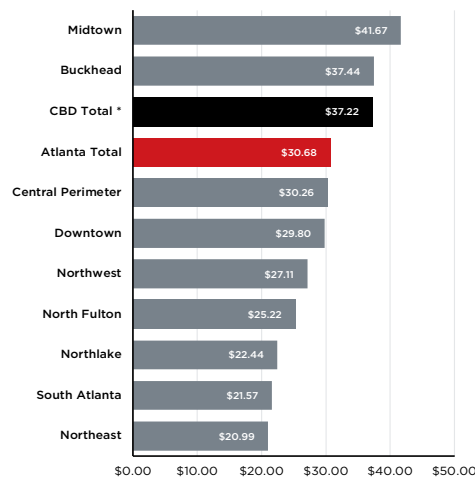
Atlanta Submarkets



*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. 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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