

ATLANTA BUSINESS CHRONICLE

Artificial intelligence helps drive big office leases in Atlanta, reviving market



The Perimeter Summit development in Brookhaven. Byron E. Small



By Amy Wenk – Staff Reporter, Atlanta Business Chronicle - Oct 30, 2024

The new 1,200-job hub for American International Group Inc. reflects how artificial intelligence is driving renewed activity in the office property market.

AIG aims to fill its center along I-285 with AI and digital engineering roles to modernize and automate its processes. It has already been running AI pilots across the company to increase the speed and efficiency of its data collection and processing, CEO Peter Zaffino said last month.

Now, that work will be consolidated in Atlanta where AIG could add another 600 jobs over the next five years.

“What we learn will be exported to the rest of AIG,” Claude Wade, executive vice president, chief digital officer and global head of business operations for AIG, told Atlanta Business Chronicle.

AI’s role in propelling the recovery is clearest in San Francisco, where AI-fueled companies are driving office leasing, according to Jones Lang Lasalle Inc. Now those dynamics are showing potential to spread into the Atlanta market. Last year, AI investment in the U. S. hit \$52.7 billion, with much of that pouring into industries such as health care, data processing and fintech, one of Atlanta’s most powerful job sectors.



Claude Wade is executive vice president, chief digital officer and global head of business operations at AIG. AIG

AIG chose Atlanta after scouting the Sunbelt from Texas to the Southeast, Wade said. Atlanta’s collection of strong universities was a heavy influence on AIG’s decision, he added.

John Boyd, founder of site selection firm Boyd Co. Inc., said AIG’s new hub is about the intersection of AI and Georgia Tech. The school has more graduates working in AI than any other U.S. college, according to JLL and data analytics firm Lightcast.

If the deal pipeline continues to pick up, Atlanta’s has a strong advantage over other cities because of its ability to offer highly respected computer science programs for the banking, finance and insurance industries, Boyd said.

“You can compare Atlanta to cities like Montreal, Boston and Jersey City in that way,” he said.

Big office leases return

AIG targeted Perimeter Center, a Brookhaven office property, for its new hub. AIG will lease 180,000 square feet, tripling its current office space in metro Atlanta.

The hub is expected to open in 2026.

Its expansion is a reminder of the big office leasing deals that have often spurred confidence in Atlanta's economy. For much of the past year, smaller office leases have been the norm. In the first half of 2023, footprints for new leases were 30% smaller than the average prior to the pandemic.

Some real estate executives suggest AIG might be a sign of more big leases to come.

"Size is back," Ted Klinck, president and chief executive officer with Highwoods Properties Inc., Atlanta's third-largest office landlord, recently said on an earnings call. Klinck was responding to an observation that new-to-market companies are once again looking in Atlanta for sizable leases.

CEOs call workers back to the office

Since the pandemic, the state's biggest economic development wins have come within its manufacturing sector, mostly clean technologies including new electric vehicle and solar panel plants and an array of suppliers. A return of large office deals would provide more momentum for a recovery in the beleaguered office property sector where vacant and sublease space has been hovering at record highs.

That stems largely from the rise of remote work and hybrid work during the pandemic. Now, more CEOs are telling workers to come back to the office. A recent KPMG survey said 83% expect a full return to the office within three years. Companies including Amazon, Apple Inc. and Tesla have led the way. Atlanta also leads U.S. cities ranked by year-over-year growth in visits to office buildings, according to tracking firm Placer.ai.

Signs suggest more U.S. companies feel greater confidence about their office-leasing decisions, prompting a bump in touring and leasing activity in several U.S. markets, Atlanta Business Chronicle parent company American City Business Journals reports. Now, real estate companies in Atlanta say they are once again talking with office tenants about developing new towers. Many are choosing projects in thriving districts with restaurants, entertainment and amenities.



Ponce City Market. Byron E. Small

Even so, new construction is still difficult to justify. Many lenders remain wary of commercial real estate. Many also face potential write-downs and foreclosures. Cousins Properties Inc. CEO Colin Connolly recently suggested even though the trends are encouraging and new development may not be far off, many office buildings still need to fill up.