

Atlanta Office | Q4 2024 Market Report

Class A In Balance with New Supply While Class B Continues to Struggle

Executive Summary

Quarter In Review

The Atlanta office market displayed mixed dynamics through the fourth quarter of 2024, with Class A office space continuing to drive performance. Positive net absorption of 412,064 sq. ft. in Class A properties for the quarter, and 834,774 sq. ft. for the year, underscores sustained demand for high-quality office space. By contrast, Class B properties saw a quarterly net absorption of 264,946 sq. ft. but remained negative for the year, with an overall loss of 1,229,663 sq. ft., reflecting ongoing challenges in this segment.

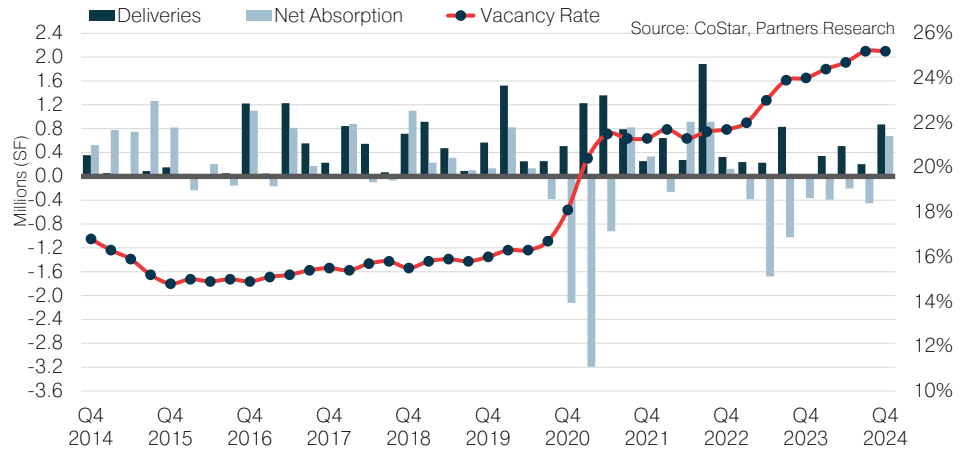
The overall vacancy rate held steady at 25.2%, with sublease availability remaining a key challenge despite declining by 12% from its peak in Q3 2023. Currently, 7.8 million sq. ft. of sublease space is available, reflecting the ongoing strain of elevated vacancy levels across major markets.

The construction pipeline has contracted significantly, down 73% from one year ago, with just 708,759 sq. ft. currently under construction. This limited pipeline, combined with fourth-quarter deliveries of 869,524 sq. ft., represents a sharp decline in new development activity.

Rental rates have remained mostly flat. The average market-wide annual rate is \$31.13 per sq. ft., up 0.3% from last quarter but down 0.3% year-over-year. Class A properties continue to achieve near-record asking rents at \$32.77 per sq. ft., while Class B properties saw slight declines to \$24.38 per sq. ft., further emphasizing the disparity between top-tier and commodity office space and more moderate leasing activity, indicate that broader market pressures are likely to persist in the near future.

Atlanta continues to attract businesses seeking a pro-growth economic climate, cost advantages, and access to a talented workforce, positioning the market for sustained growth over the long term. The ongoing preference for Class A properties, coupled with a declining construction pipeline, is expected to gradually ease vacancy rates for high-quality assets, offering a more favorable environment for landlords.

Supply & Demand



Atlanta Office Market Indicators Q4 2024

	CURRENT Q4 2024	PRIOR QUARTER Q3 2024		PRIOR YEAR Q4 2023	
Vacant Total	25.2%	25.2%	=	23.8%	↑
Vacant Direct	23.5%	23.4%	↑	21.9%	↑
Available Total	28.7%	28.9%	↓	28.7%	=
Available Direct	25.2%	25.2%	=	24.4%	↑
Net Absorption (SF)	677,010	-450,452	↑	-370,486	↑
Leasing Activity (SF)	1,996,322	1,963,123	↑	2,034,007	↓
Construction (SF)	708,759	1,576,608	↓	2,628,092	↓
Deliveries (SF)	869,524	204,233	↑	0	↑
Avg Asking Rent (Gross)	\$31.13	\$31.04	↑	\$31.23	↓
Inventory (SF)	192,493,731	191,606,832	↑	190,376,457	↑

However, persistent challenges, including high levels of sublease availability and more moderate leasing activity, indicate that broader market pressures are likely to persist in the near future.

Atlanta Economic Update

The unemployment rate for the Atlanta metro area decreased to 3.5% in October 2024, down from 4.0% in July. This is still below the national average and reflects the region's continued recovery from pandemic-related job losses. Atlanta's labor force also reached an all-time high in October, with over 3.4 million people. The total number of jobs in the area was approximately 3.1 million, representing an annual growth of 28,700 jobs.

Job growth in Atlanta remains robust, particularly in sectors such as healthcare, finance, and hospitality, which saw notable gains over the past year. Long-term, the city continues to benefit from lower living and business costs compared to major East and West Coast cities, maintaining its competitive edge in attracting businesses and residents.

Longer term, Atlanta boasts lower living and business costs than most large East and West Coast metros, and this competitive advantage should continue to boost population and job growth for the foreseeable future.

Market Overview

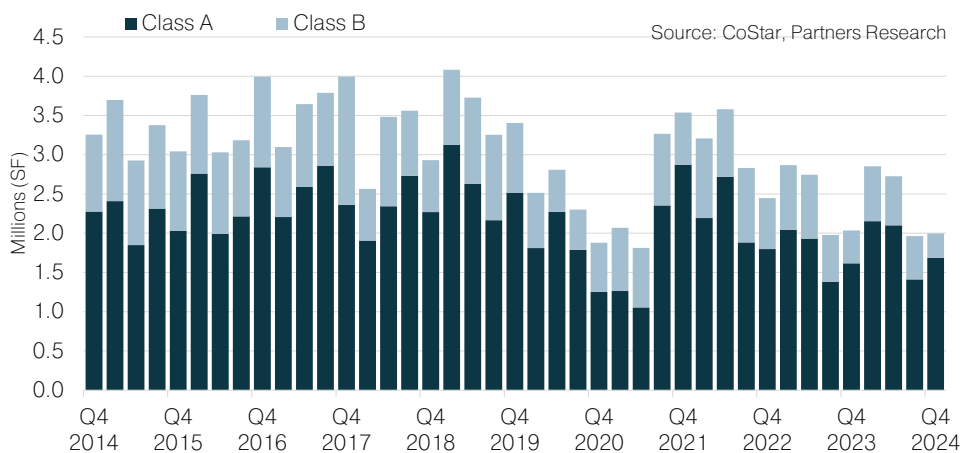
Leasing Activity Flat Over Past Year, up half a percent

The Atlanta market overall had a little under 2 million sq. ft. of leasing activity in the fourth quarter of 2024, this is roughly equal (up 0.5%) from the fourth quarter of 2023. Notable recent leasing activity includes AIG signing a lease for 178,666 sq. ft. at Summit Two, Asbury Automotive Group signing a 97,979 sq. ft. lease at 6655 Peachtree Dunwoody Rd, Eversheds Sutherland leasing 94,072 sq. ft. at Bank of America Plaza, and SouthState Bank leasing 87,000 sq. ft. at Prominence Tower.

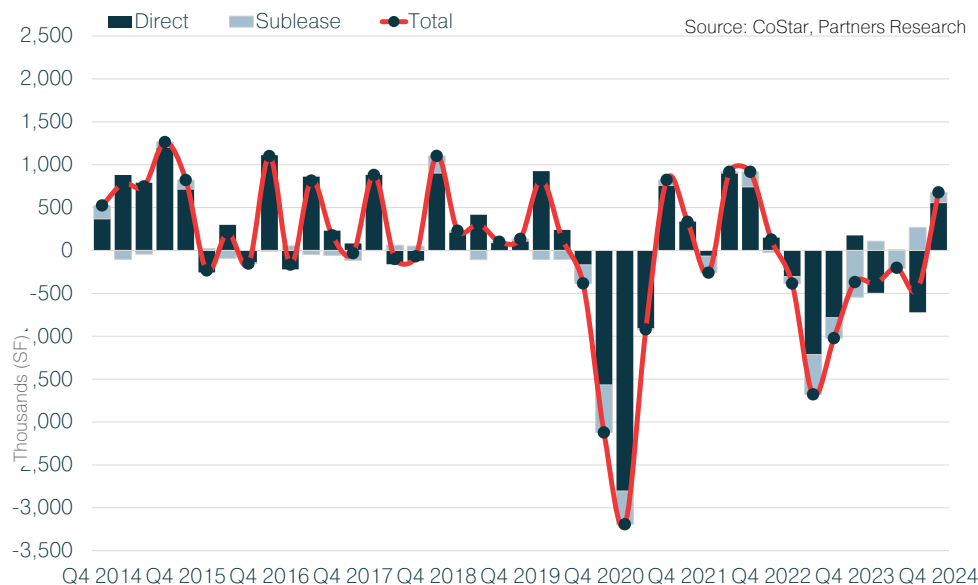
Class A & B Net Absorption Positive For the Quarter, but Overall Class B Continues to Struggle

Class A Net absorption was a positive 412,064 sq. ft. for the fourth quarter of 2024, bringing the year-end total to a healthy 834,774 sq. ft. Class B properties, likewise, were positive for the quarter at 264,946 sq. ft. but still, overall, negative for the year with a 1,229,663 sq. ft. reduction in demand for space. This split between Class A and Class B properties has been persistent and expected to remain an ongoing trend for the foreseeable future.

Leasing Activity



Net Absorption



Vacancy Rate Remained Unchanged at 25.2%

The overall vacancy rate in Atlanta's office market is at 25.2%. Like most major office markets across the country, elevated amounts of sublease space remain a drag on overall market fundamentals. Currently, there is about 7.8 million sq. ft. of sublease space available, this is down about 12% from peak levels seen in Q3 2023.

Under Construction and Continues to Trend downward as Limited Pipeline is Delivered

New deliveries for the fourth quarter of 2024 totaled 869,524 sq. ft. This is up from last quarter's 204,233 sq. ft. delivered. The under construction is at 708,759 sq. ft., this has been steadily decreasing over recent quarters and is down 73% from one year ago. On a submarket level, the most submarkets do not have any substantial amount of construction underway, 73% of the construction pipeline is concentrated in Midtown and Northwest submarkets.

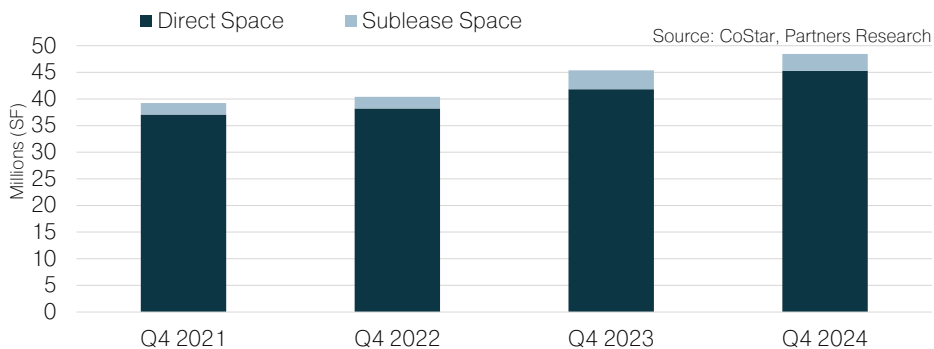
Investment Sales Trends

Over the past year, 131 office properties were sold in the Atlanta office market with an average transaction price of \$158 and an average cap rate of 9.1%. Notable sales transactions in late 2024 include Jamestown LP acquired a national portfolio of properties, including Colony Square, The Forum Peachtree Corners, Avenue East Cobb, along with office properties in New York, North Carolina and Kentucky. The Barnouin Group purchased Pershing Park Plaza, a 160,145-sq.-ft property in Midtown from Franklin Street Properties. The property sold for \$212 per sq. ft. and was 82% leased at the time of the sale. Also, Eastern Glass acquired the Overlook at Sugarloaf from Crossgate Partners for \$24 million or \$152 per sq. ft. The 157,686-sq.-ft. property was being marketed with an assumable loan at 95% occupancy with a 4-year WALT.

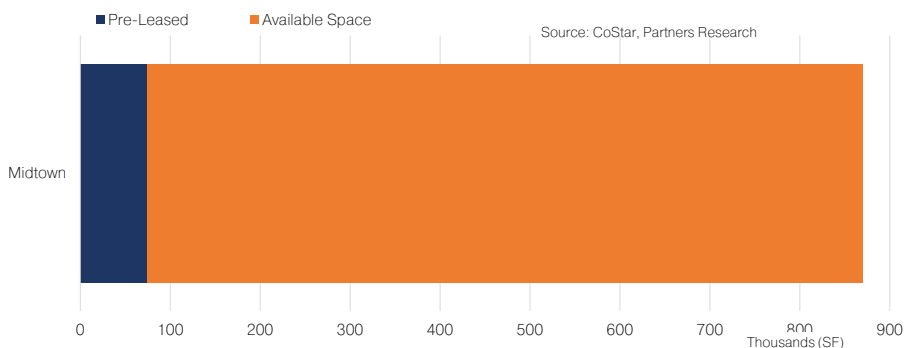
Rental Rates Up Slightly for the Quarter but Down Over Past Year

The average annual rental rate (FSG) for Atlanta's office market is \$31.13 per sq. ft. This is up 0.3% from last quarter but down 10 cents from one year ago (-0.3%) from \$31.23 in the fourth quarter of 2023. Class A average asking rates are at \$32.77 per sq. ft., while Class B rates are at \$24.38 per sq. ft. Newer Class A properties continue to achieve at or near record high asking rates, while Class B more commodity type properties are seeing slight rental rate declines, making rates overall, mostly flat.

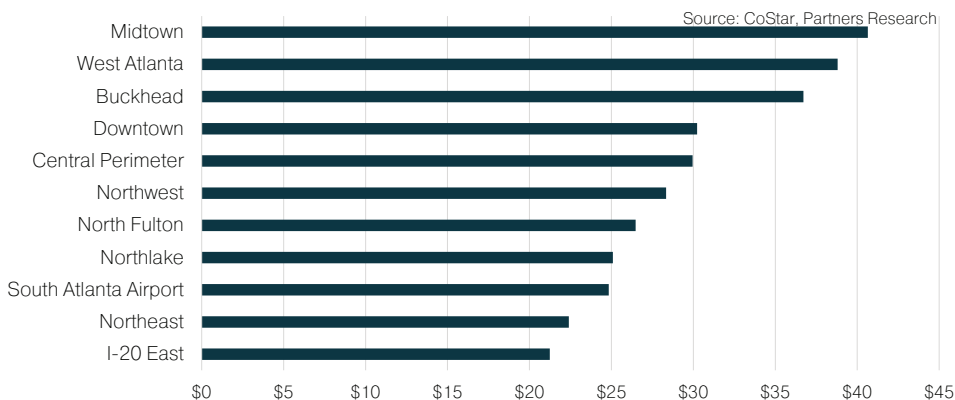
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Deliveries



Overall Gross Avg Asking Rent (\$PSF)



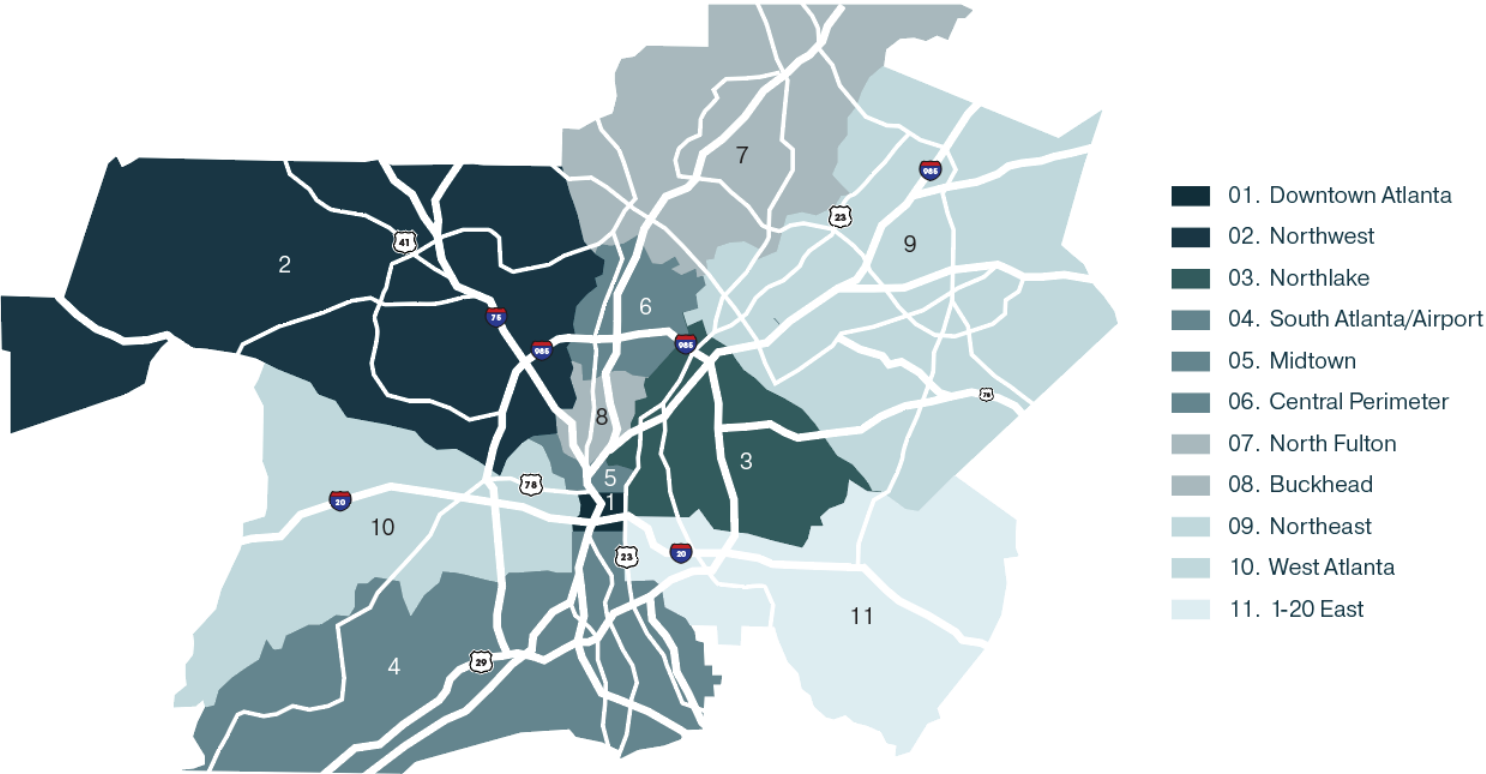
Market Overview

Submarket Stats

Submarket Statistics (Total reflects Class A/B Only)	Total Inventory (SF)	Total Vacancy (%)	Q4 2024 Net Absorption (SF)	2024 YTD Net Absorption (SF)	Q4 2024 Leasing Activity (SF)	Q4 2024 Deliveries (SF)	Under Construction (SF)	Overall Gross Avg Asking Rent (\$/ PSF)
Downtown	21,120,278	31.3%	-69,217	-616,659	139,618	0	0	30.23
Class A	14,993,773	29.5%	-94,681	146,616	119,828	0	0	31.19
Class B	6,126,505	35.5%	25,464	-763,275	19,790	0	0	25.92
Midtown	28,933,115	30.5%	338,875	-429,219	236,172	0	224,000	40.65
Class A	25,877,362	32.6%	324,880	-365,709	228,053	869,524	224,000	41.34
Class B	3,055,753	12.9%	13,995	-63,510	8,119	0	0	28.42
Buckhead	22,313,474	27.6%	-168,832	-42,491	222,186	0	0	36.72
Class A	19,037,246	29.8%	-170,897	13,848	194,508	0	0	37.47
Class B	3,276,228	14.8%	2,065	-56,339	27,678	0	0	28.51
CBD Total	72,366,867	29.8%	100,826	-1,088,369	597,976	869,524	224,000	36.36
Class A	59,908,381	31.0%	59,302	-205,245	542,389	869,524	224,000	37.10
Class B	12,458,486	24.5%	41,524	-883,124	55,587	0	0	27.58
Central Perimeter	29,450,075	26.0%	315,369	339,631	396,619	0	60,000	29.95
Class A	23,492,187	28.1%	271,348	443,535	390,654	0	60,000	30.53
Class B	5,957,888	17.7%	44,021	-103,904	5,965	0	0	25.79
Northlake	12,573,775	21.4%	48,116	16,201	124,111	0	0	25.09
Class A	4,078,952	22.8%	-2,962	-50,317	106,643	0	0	26.52
Class B	8,494,823	20.7%	51,078	66,518	17,468	0	0	24.42
North Fulton	24,884,062	27.5%	37,672	-201,433	264,588	0	69,000	26.48
Class A	16,059,114	31.4%	137,335	55,673	154,272	0	0	27.17
Class B	8,824,948	20.4%	-99,663	-257,106	110,316	0	69,000	24.57
Northwest	27,273,184	19.6%	23,419	157,309	429,467	0	293,367	28.34
Class A	15,136,946	22.2%	-28,649	158,607	296,219	0	250,000	30.45
Class B	12,136,238	16.3%	52,068	-1,298	133,248	0	43,367	23.79
Northeast	17,383,551	16.8%	131,949	327,441	151,384	0	62,392	22.4
Class A	7,675,287	19.8%	-27,846	377,360	78,006	0	0	23.93
Class B	9,708,264	14.5%	159,795	-49,919	73,378	0	62,392	20.39
I-20 East	1,039,845	17.1%	70	-7,977	969	0	0	21.24
Class A	54,274	0.0%	0	0	0	0	0	-
Class B	985,571	18.1%	70	-7,977	969	0	0	21.24
South Atlanta Airport	5,388,903	12.4%	-15,609	22,499	17,848	0	0	24.84
Class A	691,716	15.1%	-27,133	14,670	0	0	0	27.9
Class B	4,697,187	12.0%	11,524	7,829	17,848	0	0	22.38
West Atlanta	2,133,469	32.0%	35,198	39,809	13,360	0	0	38.8
Class A	1,017,729	53.8%	30,669	40,491	5,726	0	0	39.91
Class B	1,115,740	12.2%	4,529	-682	7,634	0	0	33
Suburban Total	120,126,864	22.5%	576,184	693,480	1,398,346	0	484,759	27.6
Class A	68,206,205	31.3%	352,762	1,040,019	1,031,520	0	310,000	29.05
Class B	51,920,659	17.1%	223,422	-346,539	366,826	0	174,759	23.78
Atlanta Market Total	192,493,731	25.2%	677,010	-394,889	1,996,322	869,524	708,759	31.13
Class A	128,114,586	28.6%	412,064	834,774	1,573,909	869,524	534,000	32.77
Class B	64,379,145	18.5%	264,946	-1,229,663	422,413	0	174,759	24.38

Market Overview

Atlanta Office Submarkets



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