

Atlanta Office

Q1 2025

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Market Report

Atlanta Office Market Shows Signs of Slow Improvement as Class A Holds Steady and Class B Struggles Persist

Executive Summary

Quarter In Review

The Atlanta office market displayed tentative signs of improvement in the first quarter of 2025, with Class A properties maintaining positive momentum while Class B continued to weigh on overall performance. Net absorption for the quarter was negative at -86,219 sq. ft., reflecting a mixed picture: Class A recorded a modest positive absorption of 7,864 sq. ft., while Class B saw a decline of -94,083 sq. ft., reinforcing its role as a drag on the market.

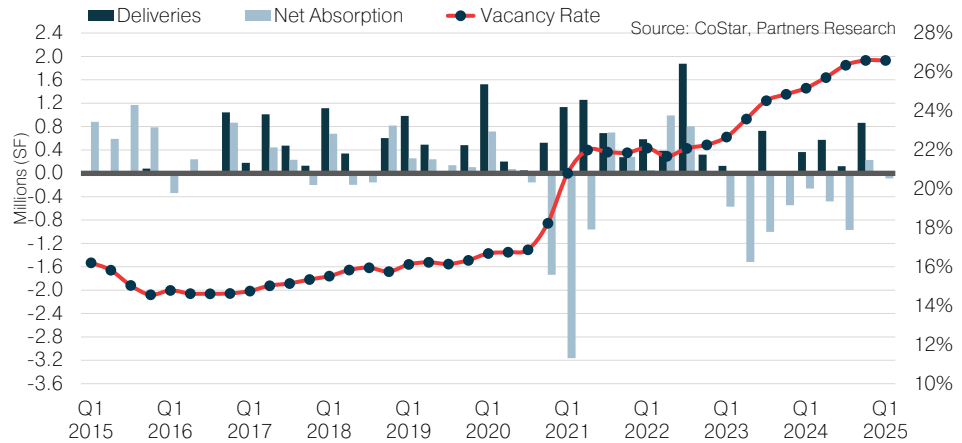
The overall vacancy rate remained elevated at 26.6%, unchanged from Q4 2024, though sublease availability dropped to 3.1 million sq. ft.—down from 3.3 million sq. ft. a year ago—suggesting that vacancy and sublease space may have peaked. With no new deliveries in Q1 and just 621,947 sq. ft. under construction (down 72% from Q1 2024), limited new supply should mitigate vacancy rate increases in the coming quarters.

Rental rates edged up slightly to \$31.57 per sq. ft., a 0.9% increase from Q4 2024 and a 0.2% rise year-over-year, though they remain relatively flat overall. Class A properties held firm at \$33.23 per sq. ft., while Class B rates rose modestly to \$24.60 per sq. ft., highlighting the persistent disparity between premium and commodity office space.

Atlanta's pro-growth economic climate continues to attract businesses, and the market's gradual improvement—driven by Class A resilience and constrained supply—offers cautious optimism. However, elevated vacancy and sublease challenges remain, particularly for Class B assets, indicating a bifurcated recovery that favors high-quality properties.

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

Supply & Demand



Atlanta Office Market Indicators Q1 2025

| | CURRENT Q1 2025 | PRIOR QUARTER Q4 2024 | | PRIOR YEAR Q1 2024 | |
|-------------------------|-----------------|-----------------------|---|--------------------|---|
| Vacant Total | 26.6% | 26.6% | ▬ | 25.2% | ↑ |
| Vacant Direct | 24.8% | 24.8% | ▬ | 23.2% | ↑ |
| Available Total | 29.2% | 30.3% | ↓ | 31.2% | ↓ |
| Available Direct | 25.9% | 26.5% | ↓ | 26.8% | ↓ |
| Net Absorption (SF) | -86,219 | 229,910 | ↓ | -259,251 | ↑ |
| Leasing Activity (SF) | 2,157,438 | 2,486,776 | ↓ | 2,593,614 | ↓ |
| Construction (SF) | 621,947 | 621,947 | ▬ | 2,183,477 | ↓ |
| Deliveries (SF) | 0 | 864,181 | ↓ | 363,748 | ↓ |
| Avg Asking Rent (Gross) | \$31.57 | \$31.28 | ↑ | \$31.50 | ↑ |
| Inventory (SF) | 168,053,848 | 168,053,848 | ▬ | 166,492,318 | ↑ |

Market Overview

Atlanta Economic Update

The unemployment rate for the Atlanta metro area dropped to 3.4% in January 2025, significantly lower than the national average of 4.4%, according to the U.S. Bureau of Labor Statistics (BLS) Local Area Unemployment Statistics. This marks a decline from 4.0% in July 2024 and reflects the region's robust recovery from pandemic-related job losses. Total employment in Atlanta increased by 0.8% from January 2024 to January 2025, as reported by the BLS Current Employment Statistics, building on a trend that saw approximately 3.1 million jobs in the area as January 2025.

Job growth in Atlanta remains vigorous, with notable gains over the past year in sectors such as healthcare, finance, and hospitality, according to BLS data. Counties like Cobb, DeKalb, Fulton, and Gwinnett contribute to this economic strength with competitive wages and steady employment increases. Long-term, Atlanta continues to leverage its lower living and business costs compared to major East and West Coast cities, maintaining its appeal as a prime destination for businesses and residents.

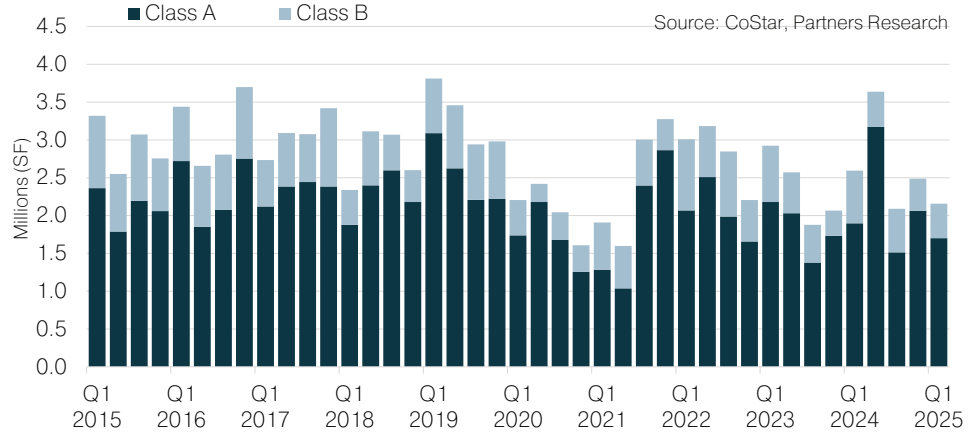
Leasing Activity Down 13% from Prior Quarter

Leasing activity totaled 2.16 million sq. ft. in Q1 2025, down 13% from 2.5 million sq. ft. in Q4 2024 and 17% from 2.6 million sq. ft. in Q1 2024. Class A leasing reached 1.7 million sq. ft., while Class B accounted for 455,405 sq. ft., reflecting a continued preference for premium space. Notable new leases signed in early 2025 include Unum Group signing a 57,113 sq. ft. sublease at The Terraces, Duracell signing a 55,884 sq. ft. lease at Science Square and CRH Americas Materials signing a 51,614 sq. ft. sublease deal at Sanctuary Park.

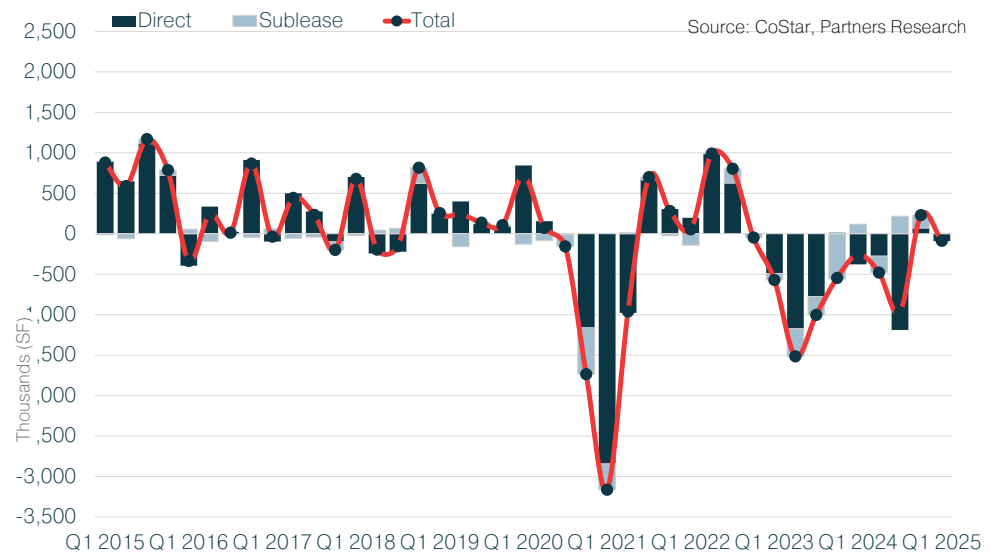
Class A Net Absorption Positive, Class B Remains a Drag

Net absorption was negative at -86,219 sq. ft. for Q1 2025, a shift from Q4 2024's positive 229,910 sq. ft. Class A properties posted a positive 7,864 sq. ft., with gains in submarkets like Central Perimeter (14,741 sq. ft.) and Northlake (208,876 sq. ft.), while Class B saw a loss of -94,083 sq. ft., driven by declines in Northwest (-151,905 sq. ft.) and North Fulton (-17,605 sq. ft.). This split underscores Class B's ongoing struggle as a drag on the market, though Class A's resilience signals slow improvement. Notable new leases for the quarter include Clark Hill taking 28,000 sq. ft. at 3630 Peachtree, Booz Allen Hamilton taking 25,735 sq. ft. at the Uptown building, and Truist Insurance taking 17,869 sq. ft. at 1 Phipps Plaza.

Leasing Activity



Net Absorption



Vacancy Rate Steady at 26.6%, Sublease Space Likely Peaked

The overall vacancy rate held at 26.6%, flat from Q4 2024 but up from 25.2% in Q1 2024. Direct vacancy remained at 24.8%, while total availability dipped to 29.2% from 30.3% last quarter. Sublease space fell to 3.1 million sq. ft. from 3.3 million sq. ft. in Q1 2024, a 5.4% decline, suggesting that sublease availability—and possibly overall vacancy—has peaked, offering a glimmer of stabilization.

No Deliveries, Construction Pipeline Remains Minimal

No new office space was delivered in Q1 2025, down from 864,181 sq. ft. in Q4 2024, and the construction pipeline held steady at 621,947 sq. ft.—a 72% drop from 2.2 million sq. ft. in Q1 2024. Midtown (224,000 sq. ft.) and Northwest (293,367 sq. ft.) account for 83% of the pipeline, with very little construction elsewhere. This scarcity of new supply should help mitigate vacancy increases over the coming quarters.

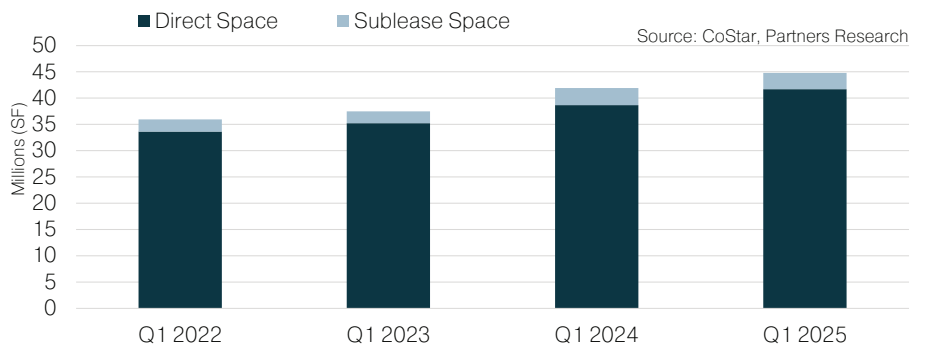
Rental Rates Up Slightly, Remain Relatively Flat

The average annual rental rate (FSG) rose to \$31.57 per sq. ft., up 0.9% from \$31.28 in Q4 2024 and 0.2% from \$31.50 in Q1 2024. Class A rates reached \$33.23 per sq. ft., while Class B climbed to \$24.60 per sq. ft. Midtown led at \$41.46 per sq. ft., followed by Buckhead at \$37.74, while Northeast lagged at \$22.70. Despite the uptick, rates remain relatively flat, reflecting cautious market dynamics.

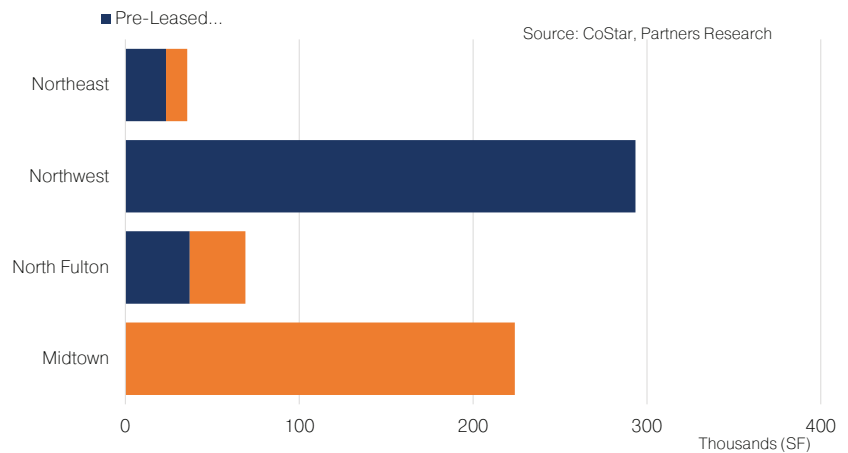
Investment Sales Trends

In the first quarter of 2025, 15 office properties were sold in the Atlanta office market, with an average sale price of \$103 per sq. ft. and a 6.5% average cap rate. Notable sales transactions for early 2025 include RG Real Estate acquired Townpark Commons a 349,592 sq. ft. 4 office building complex in an REO deal from Rialto Capital for \$42 million (\$120 per sq. ft.). Another significant deal saw a joint venture between Alan Joel Partners, Meltzer Group, and Northside Hospital acquire the ground leasehold interest in the 186,085-square-foot Glenridge Point portfolio from Richmond Honan Development in a bankruptcy receiver sale for \$14.2 million, or \$77 per square foot, with the property 80% leased at the time of sale.

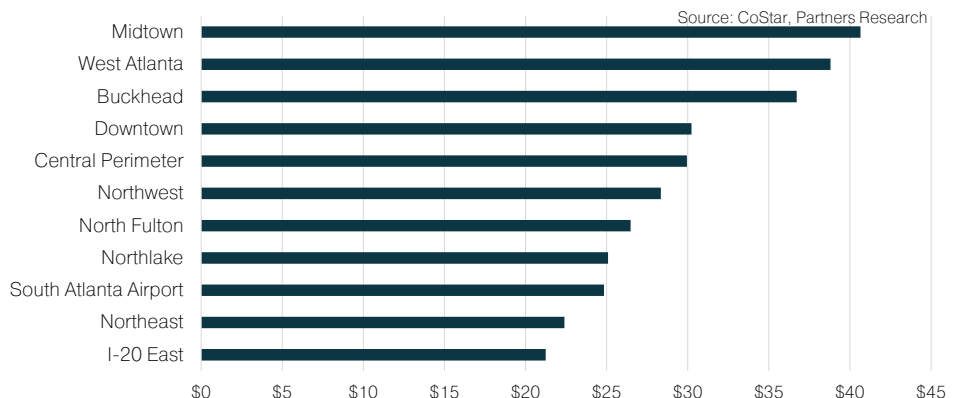
Vacancy | YOY



Under Construction



Overall Gross Avg Asking Rent (\$PSF)



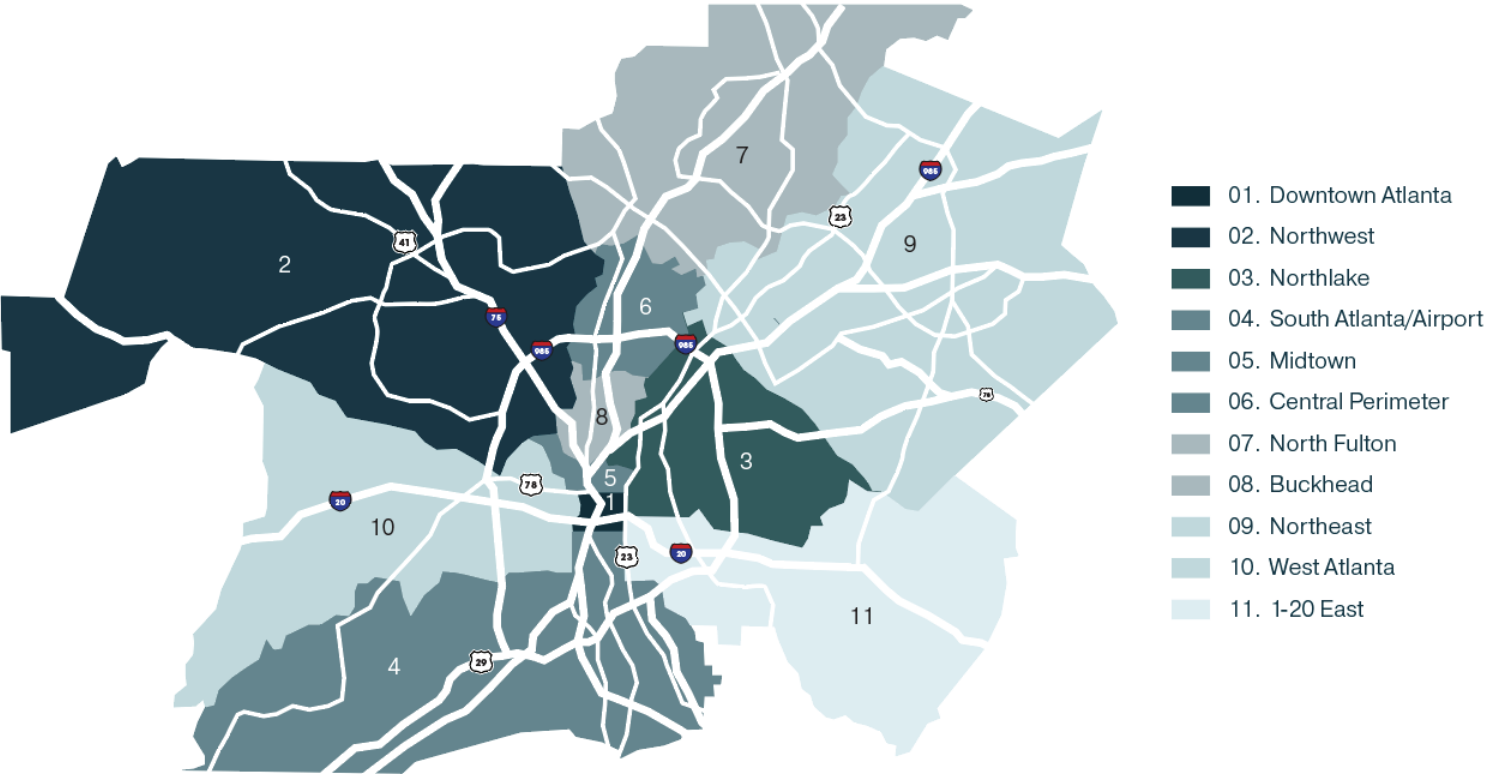
Market Overview

Submarket Stats

| Submarket Statistics (Total reflects Class A/B Only) | Total Inventory (SF) | Total Vacancy (%) | Q1 2025 Net | 2025 YTD Net Absorption (SF) | Q1 2025 Leasing Activity (SF) | Q1 2025 Deliveries (SF) | Under Construction (SF) | Overall Gross Avg Asking Rent (\$/ PSF) |
|--|----------------------------|-------------------------|----------------|---------------------------------------|--|-------------------------------|-------------------------------|---|
| Downtown | 18,004,818 | 32.0% | 15,111 | 15,111 | 139,045 | 0 | 0 | 30.53 |
| Class A | 13,156,013 | 28.9% | -33,636 | -33,636 | 133,731 | 0 | 0 | 30.98 |
| Class B | 4,848,805 | 40.3% | 48,747 | 48,747 | 5,314 | 0 | 0 | 26.70 |
| Midtown | 28,350,752 | 32.0% | 39,380 | 39,380 | 294,255 | 0 | 224,000 | 41.46 |
| Class A | 26,027,255 | 33.4% | 83,053 | 83,053 | 280,231 | 0 | 224,000 | 42.12 |
| Class B | 2,323,497 | 17.0% | -43,673 | -43,673 | 14,024 | 0 | 0 | 30.09 |
| Buckhead | 19,780,245 | 29.6% | -130,335 | -130,335 | 389,989 | 0 | 0 | 37.74 |
| Class A | 18,586,766 | 30.0% | -105,672 | -105,672 | 384,294 | 0 | 0 | 38.24 |
| Class B | 1,193,479 | 24.3% | -24,663 | -24,663 | 5,695 | 0 | 0 | 29.34 |
| CBD Total | 66,135,815 | 31.3% | -75,844 | -75,844 | 823,289 | 0 | 224,000 | 37.32 |
| Class A | 57,770,034 | 31.3% | -56,255 | -56,255 | 798,256 | 0 | 224,000 | 37.97 |
| Class B | 8,365,781 | 31.5% | -19,589 | -19,589 | 25,033 | 0 | 0 | 28.53 |
| Central Perimeter | 25,139,923 | 27.1% | 31,676 | 31,676 | 362,646 | 0 | 0 | 30.08 |
| Class A | 21,309,960 | 28.2% | 14,741 | 14,741 | 357,405 | 0 | 0 | 30.63 |
| Class B | 3,829,963 | 20.6% | 16,935 | 16,935 | 5,241 | 0 | 0 | 26.14 |
| Northlake | 10,874,387 | 17.8% | 290,997 | 290,997 | 82,302 | 0 | 0 | 25.23 |
| Class A | 4,039,852 | 17.4% | 208,876 | 208,876 | 8,768 | 0 | 0 | 27.00 |
| Class B | 6,834,535 | 18.0% | 82,121 | 82,121 | 73,534 | 0 | 0 | 24.04 |
| North Fulton | 21,023,305 | 29.7% | -144,655 | -144,655 | 441,224 | 0 | 69,000 | 26.2 |
| Class A | 14,087,944 | 32.7% | -127,050 | -127,050 | 348,061 | 0 | 0 | 26.94 |
| Class B | 6,935,361 | 23.6% | -17,605 | -17,605 | 93,163 | 0 | 69,000 | 24.3 |
| Northwest | 24,564,703 | 21.4% | -150,841 | -150,841 | 199,022 | 0 | 293,367 | 28.65 |
| Class A | 14,668,253 | 22.3% | 1,064 | 1,064 | 127,406 | 0 | 250,000 | 30.88 |
| Class B | 9,896,450 | 20.1% | -151,905 | -151,905 | 71,616 | 0 | 43,367 | 24.05 |
| Northeast | 14,265,038 | 18.5% | -12,569 | -12,569 | 227,623 | 0 | 35,580 | 22.70 |
| Class A | 6,770,319 | 24.3% | -29,515 | -29,515 | 53,975 | 0 | 0 | 24.17 |
| Class B | 7,494,719 | 13.3% | 16,946 | 16,946 | 173,648 | 0 | 35,580 | 20.27 |
| I-20 East | 651,695 | 24.9% | 1,209 | 1,209 | 0 | 0 | 0 | 23.02 |
| Class A | 54,274 | 0.0% | 0 | 0 | 0 | 0 | 0 | - |
| Class B | 597,421 | 24.9% | 1,209 | 1,209 | 0 | 0 | 0 | 23.02 |
| South Atlanta Airport | 4,064,346 | 16.9% | -26,192 | -26,192 | 17,080 | 0 | 0 | 26.39 |
| Class A | 672,388 | 12.6% | -3,997 | -3,997 | 3,910 | 0 | 0 | 29.54 |
| Class B | 3,391,958 | 17.8% | -22,195 | -22,195 | 13,170 | 0 | 0 | 25.38 |
| West Atlanta | 1,334,636 | 27.8% | 0 | 0 | 4,252 | 0 | 0 | 36.27 |
| Class A | 764,175 | 38.5% | 0 | 0 | 4,252 | 0 | 0 | 36.27 |
| Class B | 570,461 | 13.4% | 0 | 0 | 0 | 0 | 0 | 33.00 |
| Suburban Total | 101,918,033 | 23.6% | -10,375 | -10,375 | 1,334,149 | 0 | 397,947 | 27.64 |
| Class A | 62,367,165 | 26.6% | 64,119 | 64,119 | 903,777 | 0 | 250,000 | 29.06 |
| Class B | 39,550,868 | 18.9% | -74,494 | -74,494 | 430,372 | 0 | 147,947 | 23.94 |
| Atlanta Market Total | 168,053,848 | 26.6% | -86,219 | -86,219 | 2,157,438 | 0 | 621,947 | 31.57 |
| Class A | 120,137,199 | 28.9% | 7,864 | 7,864 | 1,702,033 | 0 | 474,000 | 33.23 |
| Class B | 47,916,649 | 21.1% | -94,083 | -94,083 | 455,405 | 0 | 147,947 | 24.60 |

Market Overview

Atlanta Office Submarkets



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