

1Q25

# Atlanta Office Market Overview





# Market Observations



## Economy

- The market's unemployment rate increased by 27 basis points year over year to 3.5% at the end of February 2025 but is 62 basis points lower than the national average of 4.1%.
- Job growth was up 0.6% year over year, the second slowest pace of growth since early 2021.
- Five of the 10 sectors reported employment growth, with the education and health sector leading job gains at 4.9% over the past 12 months.
- Office-using jobs in the market was 882,420 employees, reflecting a modest decline of 0.4% year over year.



## Major Transactions

- Human resource and payroll provider Vensure inked the largest deal of the quarter, signing up for 90,350 SF at 6700 Sugarloaf Pky in the NE I-85 Outside I-285/Gwinnett submarket. The company is relocating from 2425 Commerce Ave within the same submarket.
- The quarter's second biggest deal, Duracell's 58,880 SF lease at Science Square in Downtown, is notable as a corporate relocation win for Atlanta from the company's previous Research and Development headquarters in Bethel, CT. The company already had manufacturing and distribution facilities in the metro.
- The top five deals were spread across four different submarkets -- NE I-85 Outside I-285/Gwinnett, Downtown, North Fulton/Forsyth and Central Perimeter -- reflecting demand for space in several submarkets.
- During 2024, Atlanta experienced 33 office trades greater than \$10 million, representing over \$1 billion in aggregate volume and an average deal size just over \$30 million. While this activity is significantly below historical norms, it did represent a year-over-year increase of 330% in deal count and 285% in aggregate volume.



## Leasing Market Fundamentals

- In the first quarter of 2025, annual full-service asking rates eased by 0.2% to \$32.40/SF from the previous quarter's all-time high. However, on a year-over-year basis, asking rates increased by 4.0%. The pace of rent growth has generally been moderating and is expected to remain below the pre-pandemic average annual growth levels.
- Despite reporting no new deliveries at the end of the first quarter of 2025, move-outs far outpaced move-ins, leading to negative net absorption of 640,658 SF. As a result, the vacancy rate increased by 30 basis points quarter over quarter to 26.5%, an all-time high.
- The under-construction pipeline remained unchanged from the previous quarter at 522,000 SF between four projects, the lowest level in recent years. The historically low pipeline will improve the supply-demand imbalance.
- Total "Tenants in the Market" and "New to Market" requirements increased significantly this quarter, with Newmark tracking the highest number of 25,000 SF and larger requirements in over 3 years.



## Outlook

- The under-construction pipeline will empty out in 2025, which will provide existing office buildings more time to absorb vacant space, rather than competing with newer, higher-end deliveries.
- Class A properties featuring spec suites are expected to continue demanding the majority of small to mid-size deals in the market, while amenity-poor and older vintage properties will continue to struggle.
- Asking rents can be expected to increase, albeit at a more modest pace while concessions will remain elevated.
- Atlanta remains at the forefront of the national office-to-alternative-use conversion trend, with numerous office projects in Buckhead, Central Perimeter, Downtown, North Fulton and along the I-85 corridor slated for near-term repurposing. The list of projects reducing office supply is expected to grow as more municipalities embrace adaptive reuse to address underperforming inventory.

1. Economy
2. Leasing Market Fundamentals



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# Economy

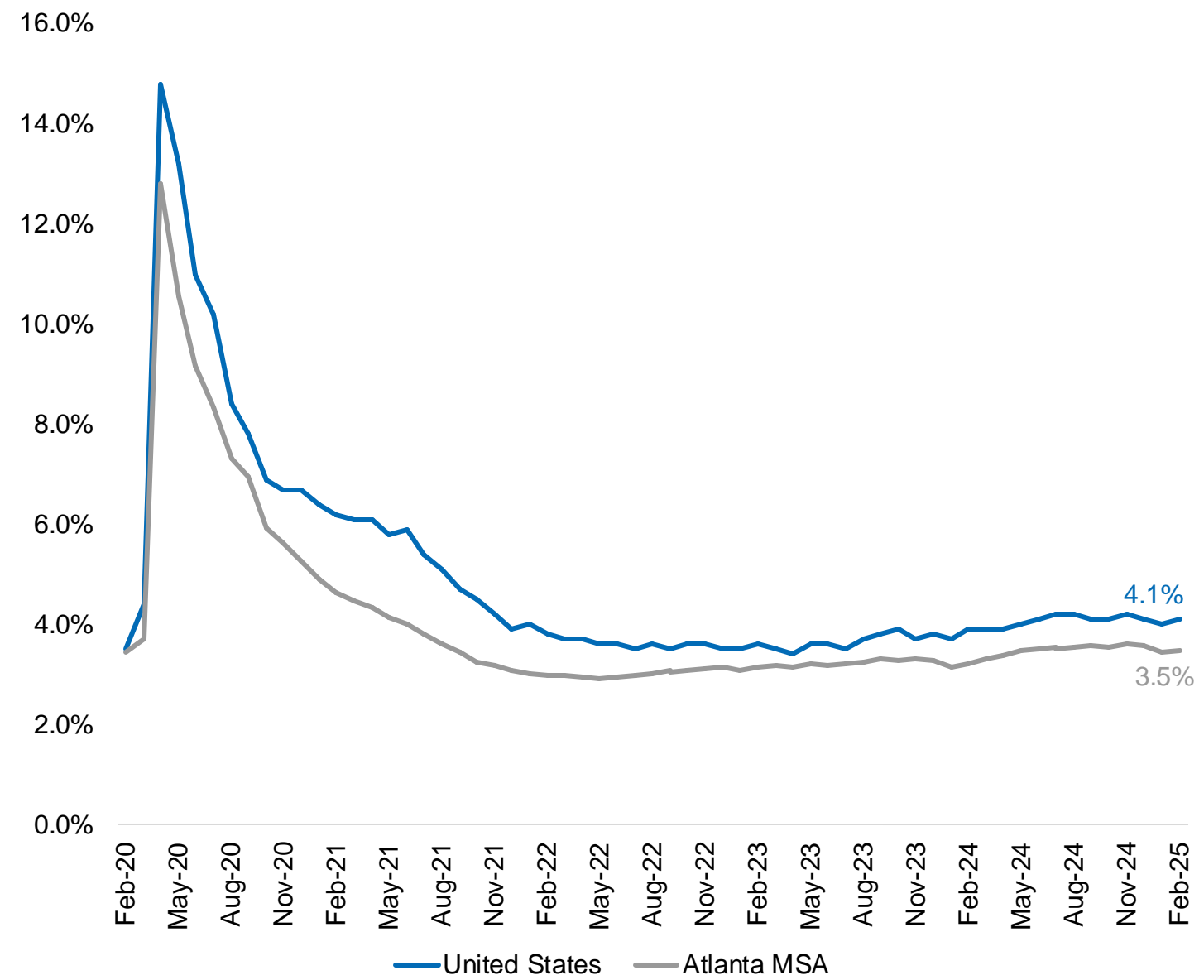




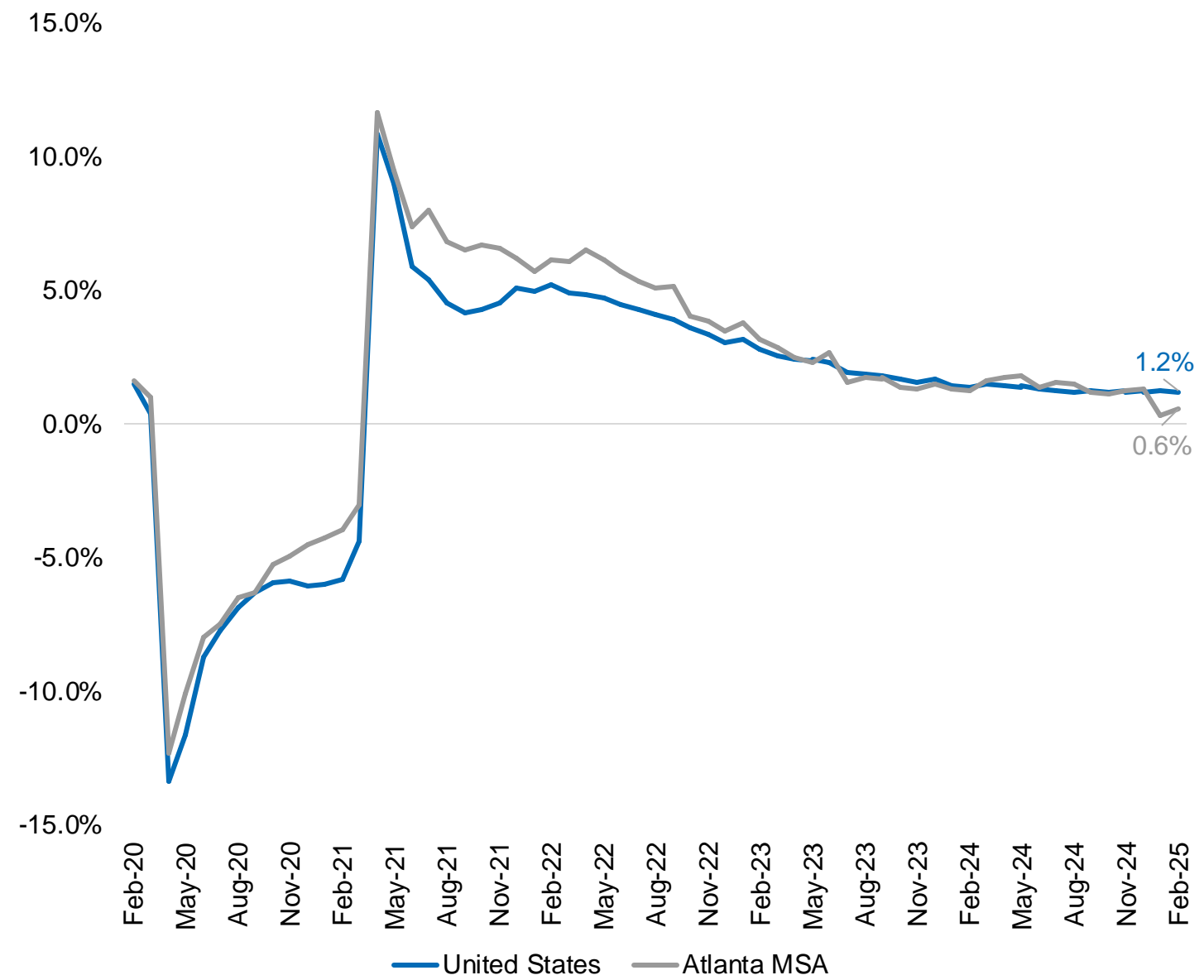
# Metro Employment Trends

The Atlanta market has generally reported lower unemployment rates compared with the national average. Despite a slower national economy, the metro’s unemployment rate closed the first quarter of 2025 at 3.5%, remaining below the national rate by 62 basis points. The current unemployment rate reflects an increase of 27 basis points year over year and a 13-basis-point increase quarter over quarter. The market’s year-over-year employment growth rate slowed by 65 basis points to 0.6% in February 2025, representing the second straight quarter with year-over-year growth below 1%, a pattern last observed in March 2021 when yearly growth was negative.

Unemployment Rate, Seasonally Adjusted



Nonfarm Payroll Employment, Seasonally Adjusted, 12-Month % Change

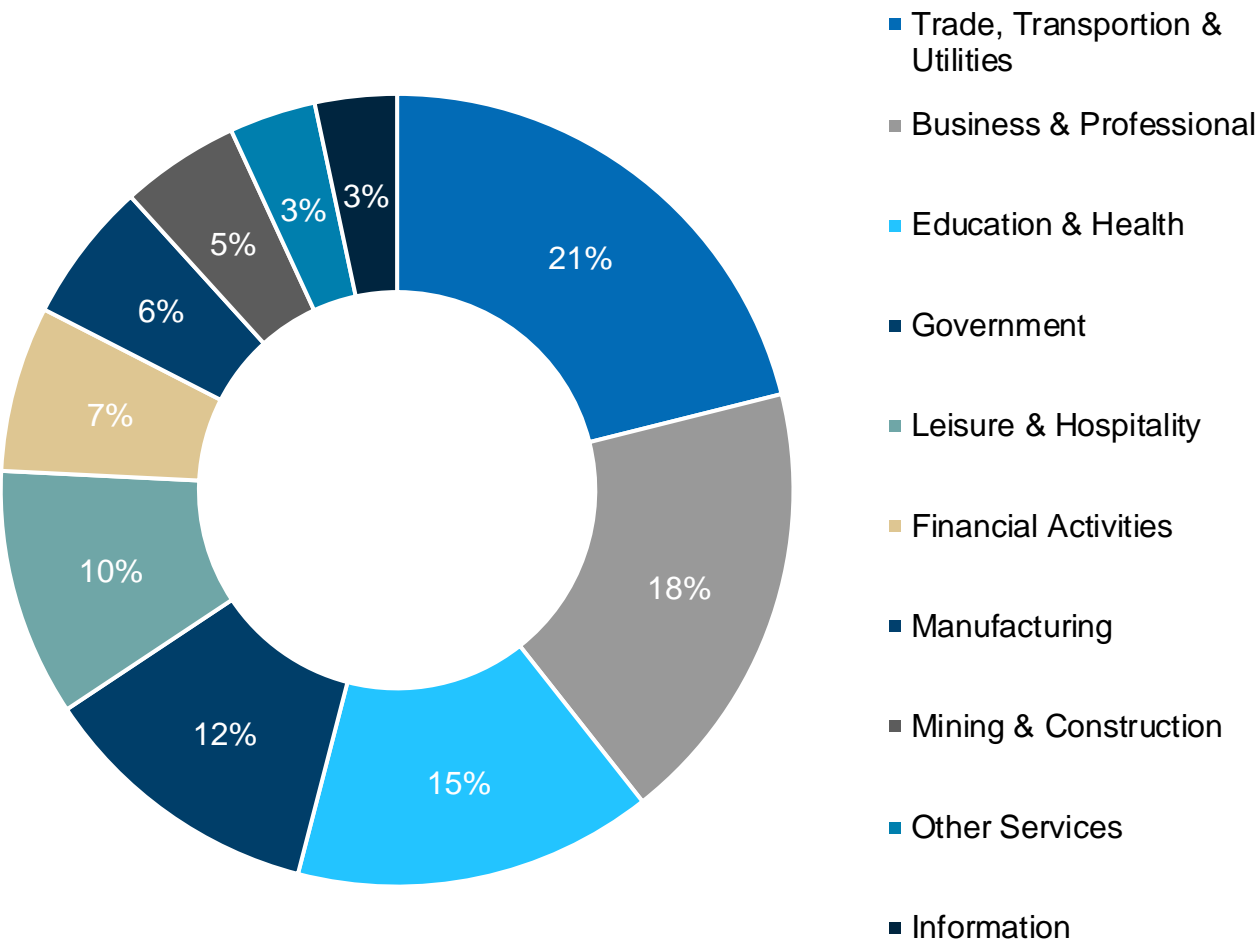


Source: U.S. Bureau of Labor Statistics, Atlanta MSA

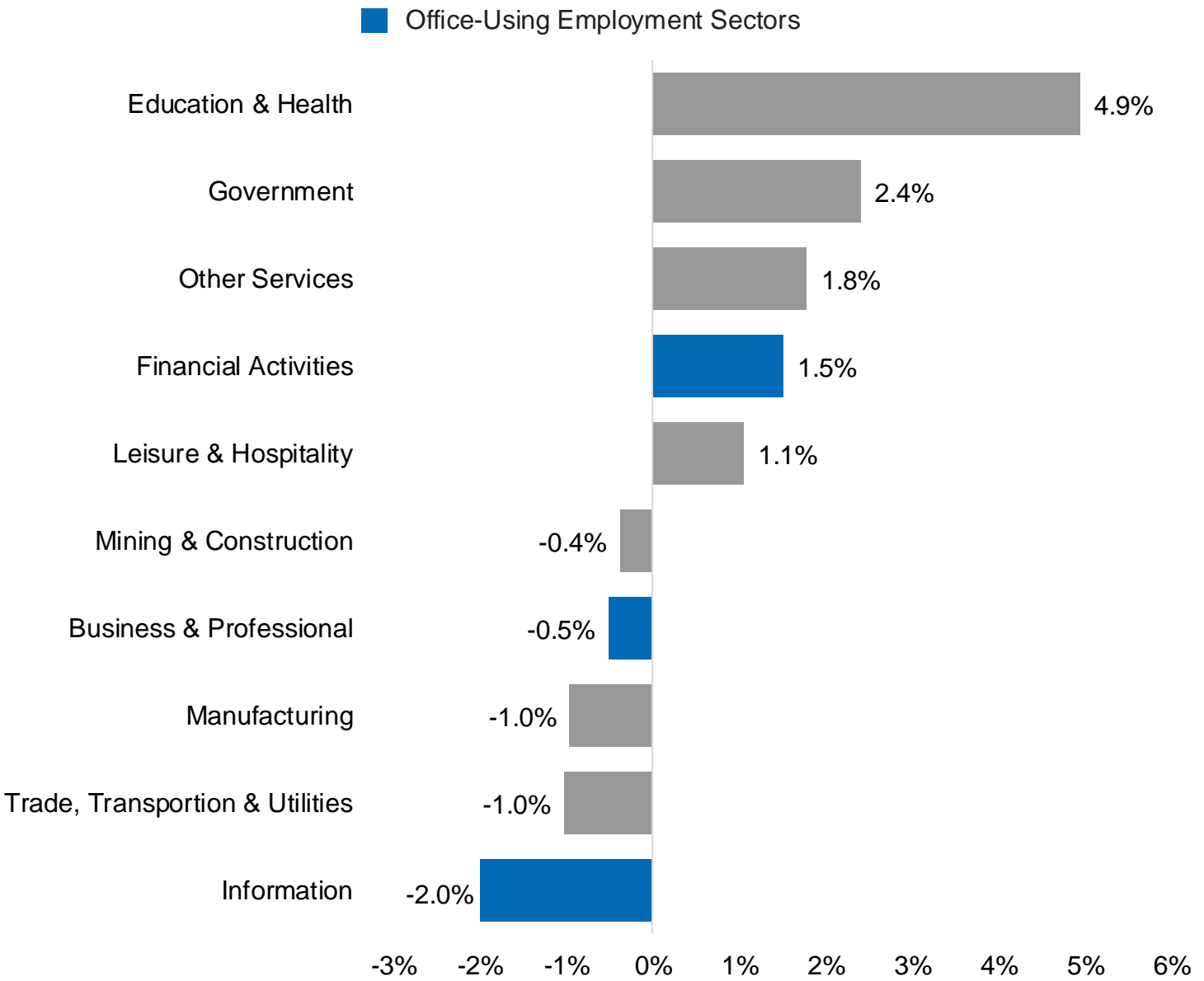
# Overall Employment Growth Balanced but Office-Using Sectors Are Mixed

The Atlanta market has a high industry diversity with the top two industries accounting for only 39.4% of the market’s industry employment share. The office-using employment’s business and professional sector is the second-largest industry sector in the metro at 18.3%. While overall employment expanded, two of the main three office-using sectors contracted for the fifth consecutive quarter. The business and professional sector and information sector declined by 0.5% and 2.0% year over year, respectively, reporting the smallest declines over the last five quarters. Meanwhile, financial activities grew by 1.5%.

Employment by Industry, February 2025



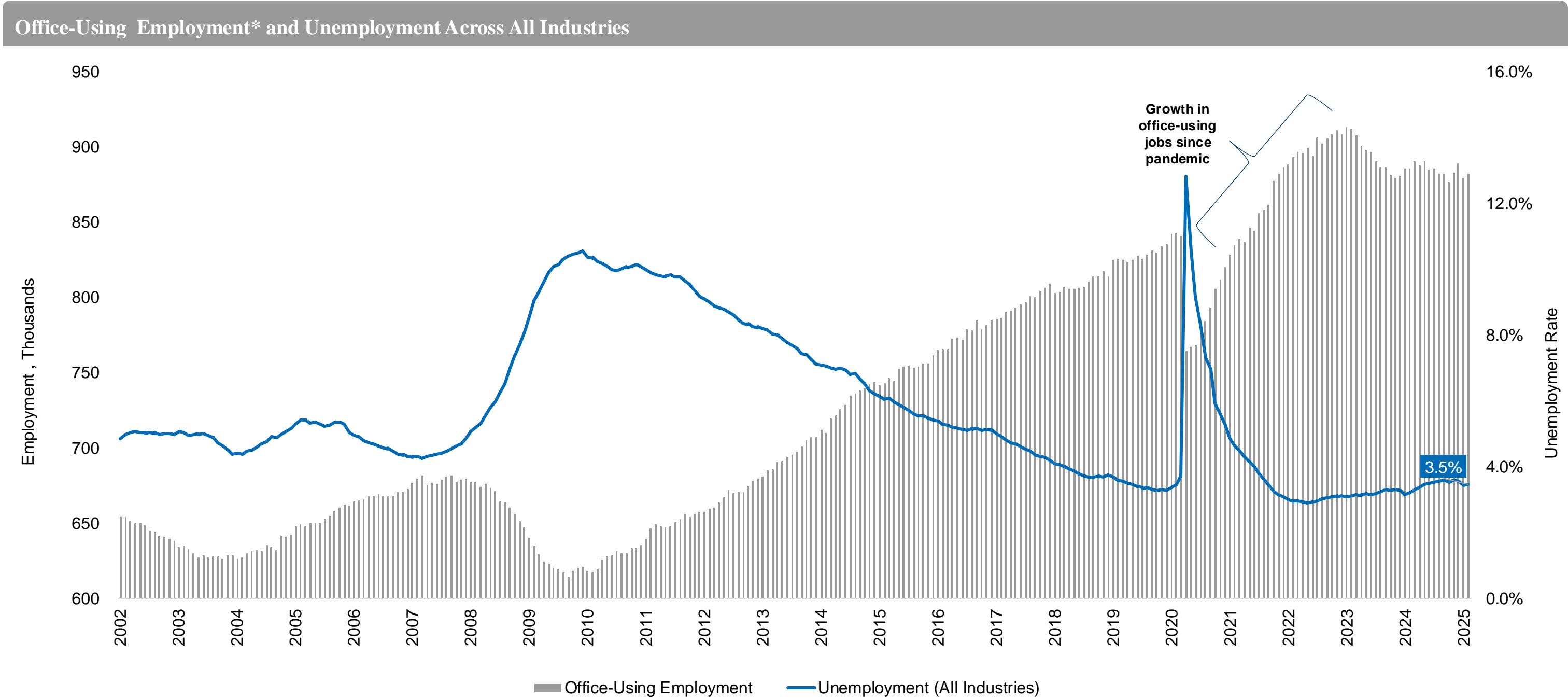
Employment Growth by Industry, 12-Month % Change, February 2025



Source: U.S. Bureau of Labor Statistics, Atlanta MSA

# Overall Office-Using Employment Declines Modestly

Although office-using employment in the Atlanta Metro decreased by 0.4% year over year to 882,420 employees, the overall decline from the January 2023 peak was only 3.4%. The decrease remains largely concentrated in the office-using information sector, though the pace of decline has moderated. Currently, the seasonally adjusted unemployment rate is at 3.5%, well below the average unemployment rate of 5.6% recorded from 2001 through 2024.



Source: U.S. Bureau of Labor Statistics, Atlanta MSA  
\*Office-using employment includes employment in the following industry sectors: Professional & Business Services, Financial Activities and Information.



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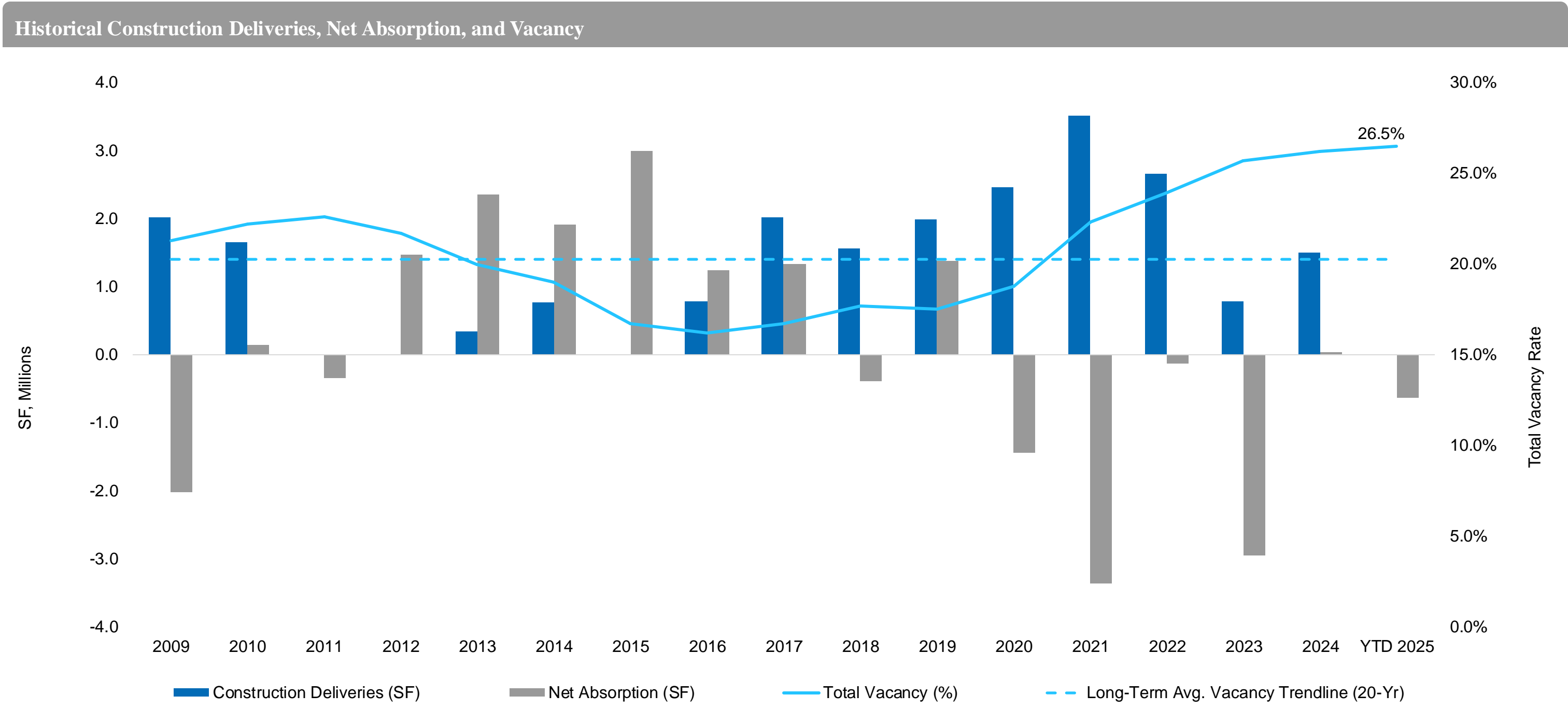
# Leasing Market Fundamentals





# Despite No New Supply Vacancy Climbs to Historical High as Move-Outs Outpace Move-Ins

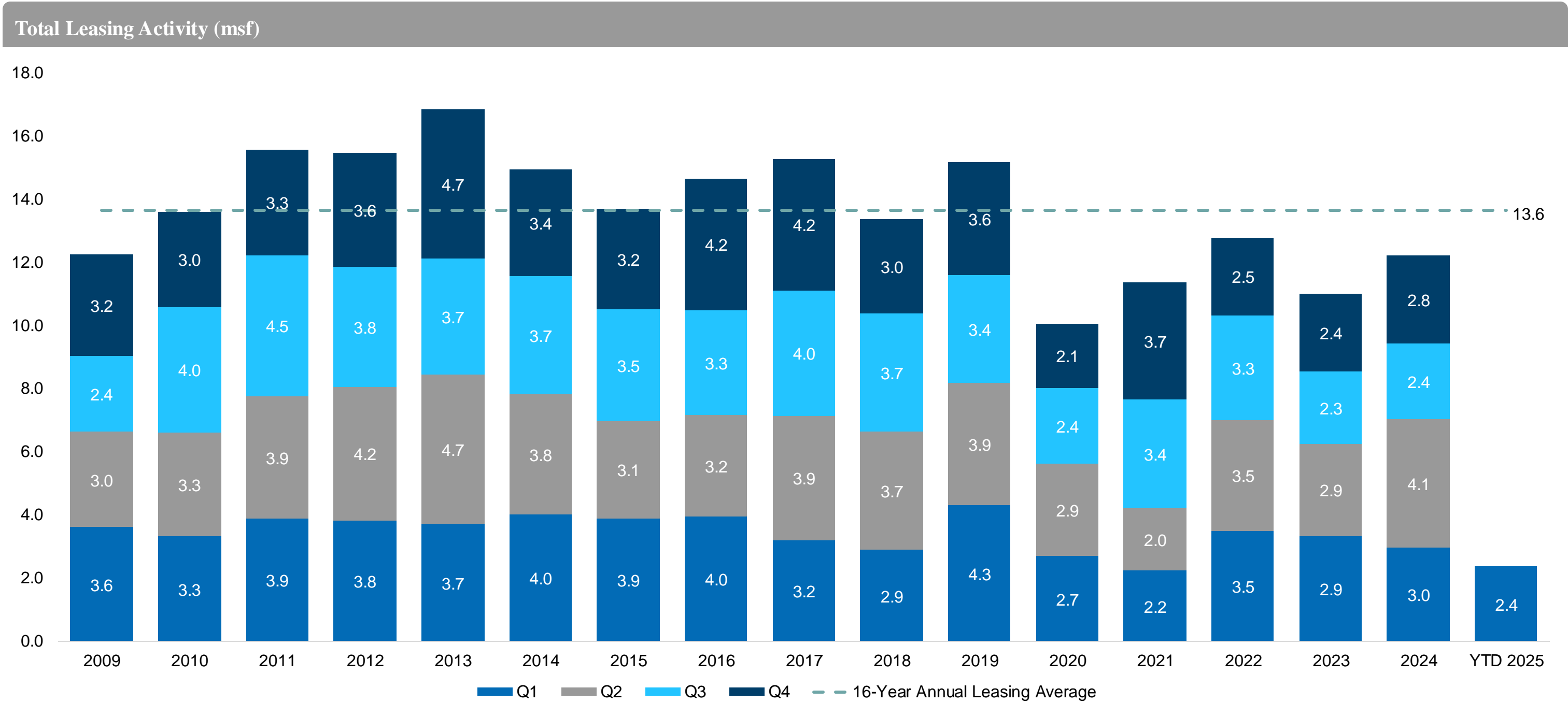
There were no office deliveries during the first quarter of 2025, following the prior quarter’s highest quarterly square footage volume of deliveries reported since the third quarter of 2022. Despite the lack of new supply, move-outs such as Samsara’s 107,383 SF at The Proscenium in Midtown and Change Healthcare’s 78,724 SF at 5995 Windward in North Fulton/Forsyth, outpaced move-ins, resulting in 640,658 SF of negative absorption. Consequently, the vacancy rate increased by 30 basis points quarter over quarter to 26.5%, an all-time high.



Source: Newmark Research, CoStar

# Leasing Activity Decreases Quarter Over Quarter

Leasing activity decreased by 15.4% quarter over quarter to 2.4 MSF by the end of the first quarter of 2025. The quarter was also comparatively slower than quarterly activity over the past 16 years at 3.4 MSF. Deal size averaged 7,078 SF in the first quarter of 2025, reflecting a decrease of 253 SF compared to the previous quarter, but up significantly by 1,481 SF year over year.

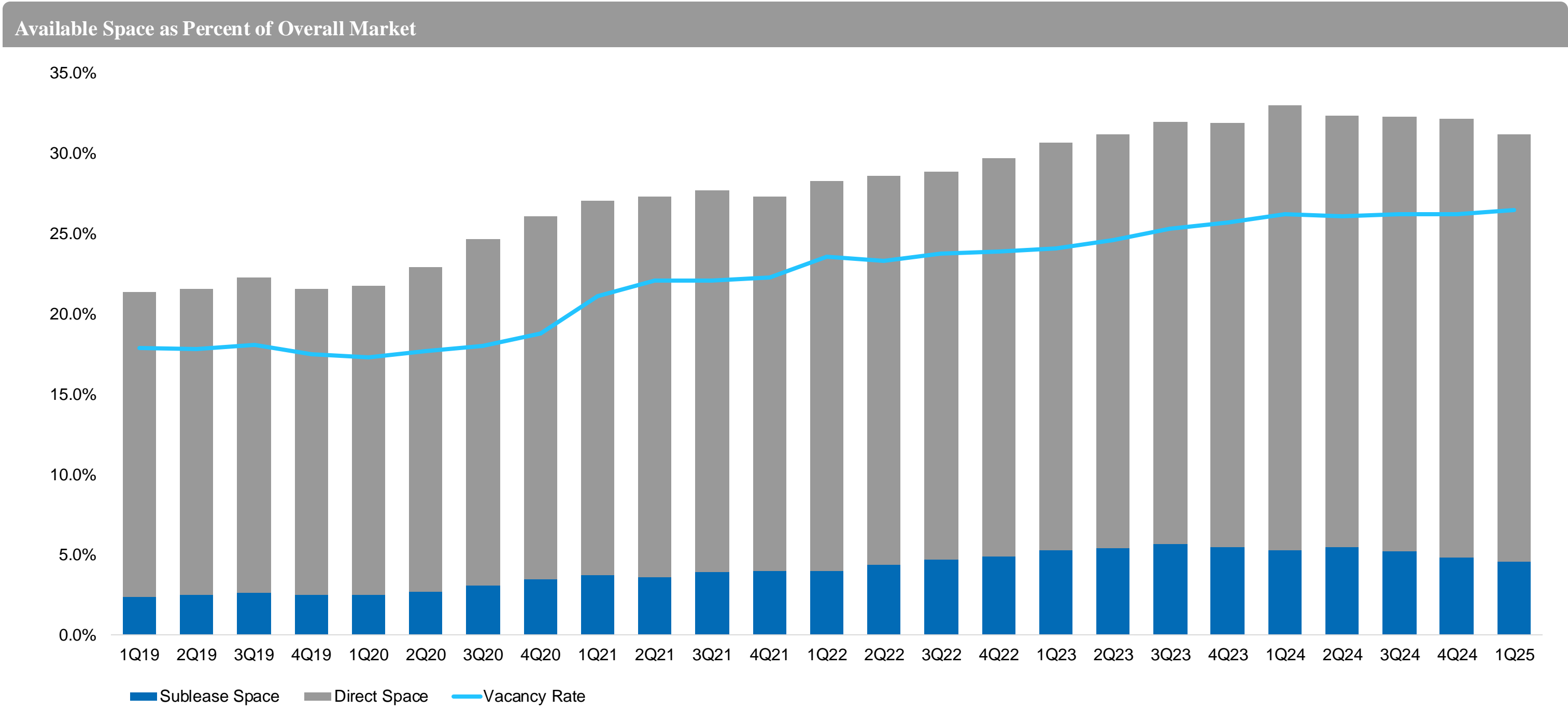


Source: Newmark Research, CoStar



# Overall Availability Decreases for Fourth Consecutive Quarter

In the first quarter of 2025, sublease availability decreased by 20 basis points quarter over quarter to 4.6%. The decline represents the third consecutive quarterly decrease, reversing a prior trend of post-pandemic increases that peaked at 5.7% in the third quarter of 2023. Direct availabilities also decreased by 80 basis points quarter over quarter to 26.6%. While total availability declined by 100 basis points quarter over quarter to 31.2%, the vacancy rate climbed to an all-time high of 26.5%, marking a 30-basis-point increase over the same period.

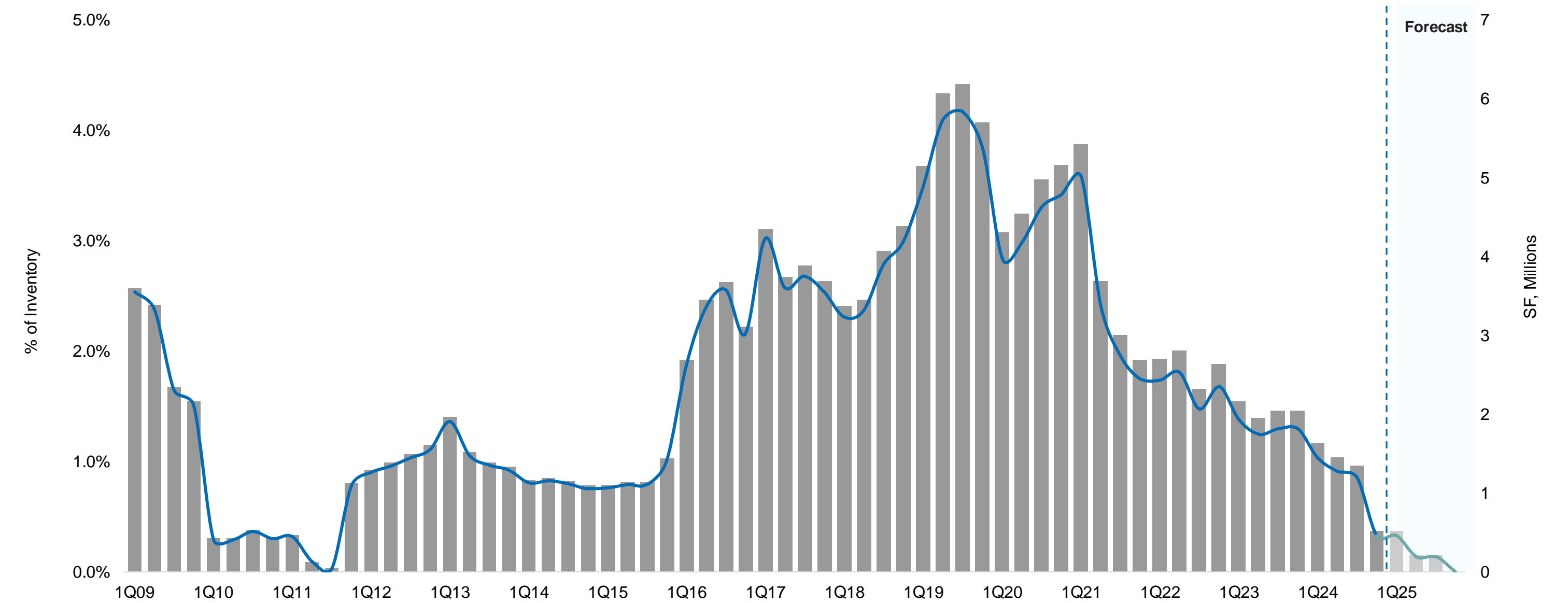


Source: Newmark Research, CoStar

# Construction Activity Remains Unchanged from Previous Quarter

At the end of the first quarter of 2025, the market had 522,000 SF under construction between four projects, remaining unchanged from the previous quarter and a 68.2% year-over-year decline. With no new construction starts since the third quarter of 2023, the decrease in construction activity continues the declining trend that followed peak activity levels reached from 2019 through early 2021. The slowdown will help limit additional inventory entering a market already facing historically high vacancy rates and slow absorption, giving existing office space more time to absorb vacancies and potentially stabilizing market conditions over the coming quarters.

Office Under Construction and % of Inventory



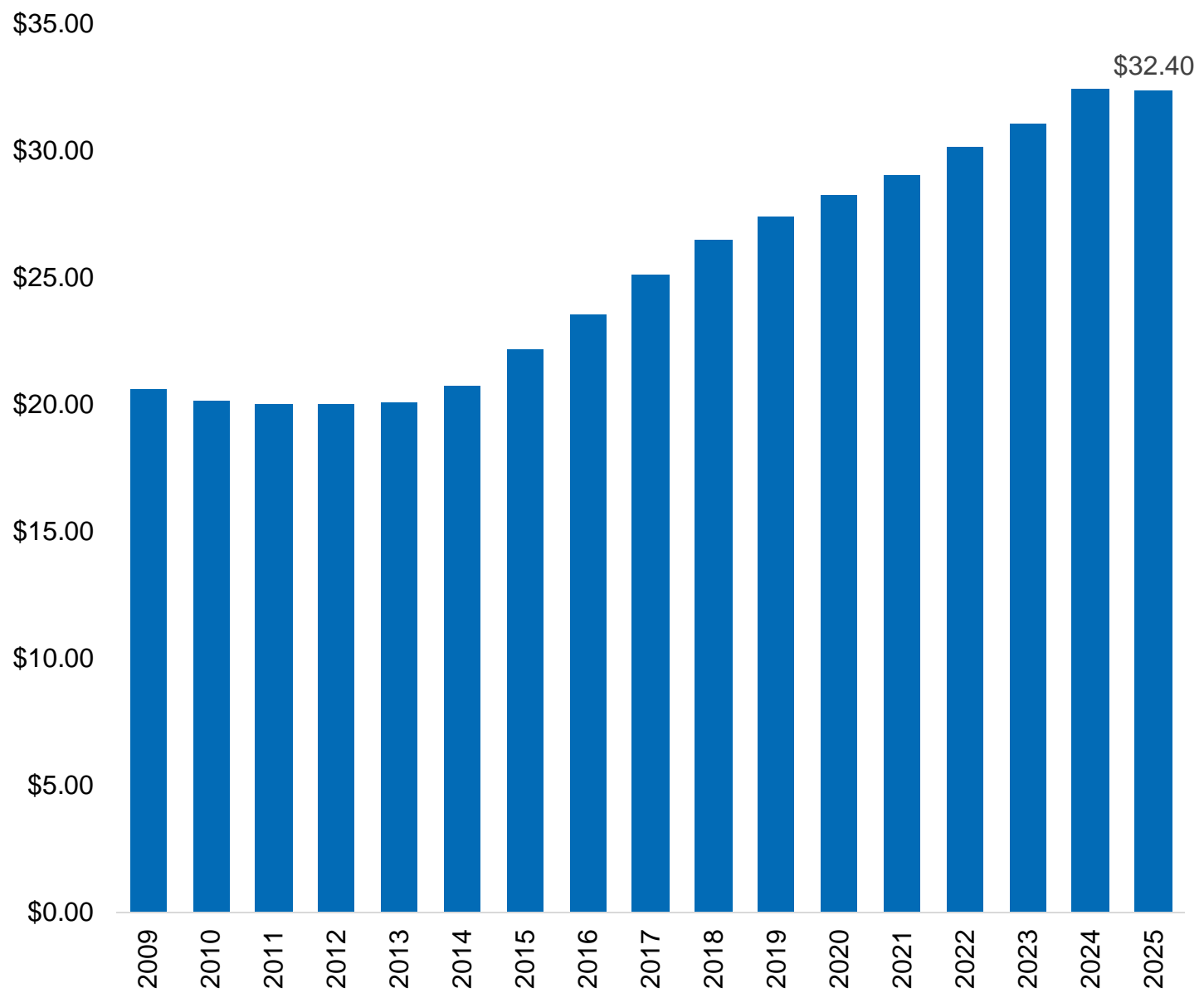
Source: Newmark Research, CoStar



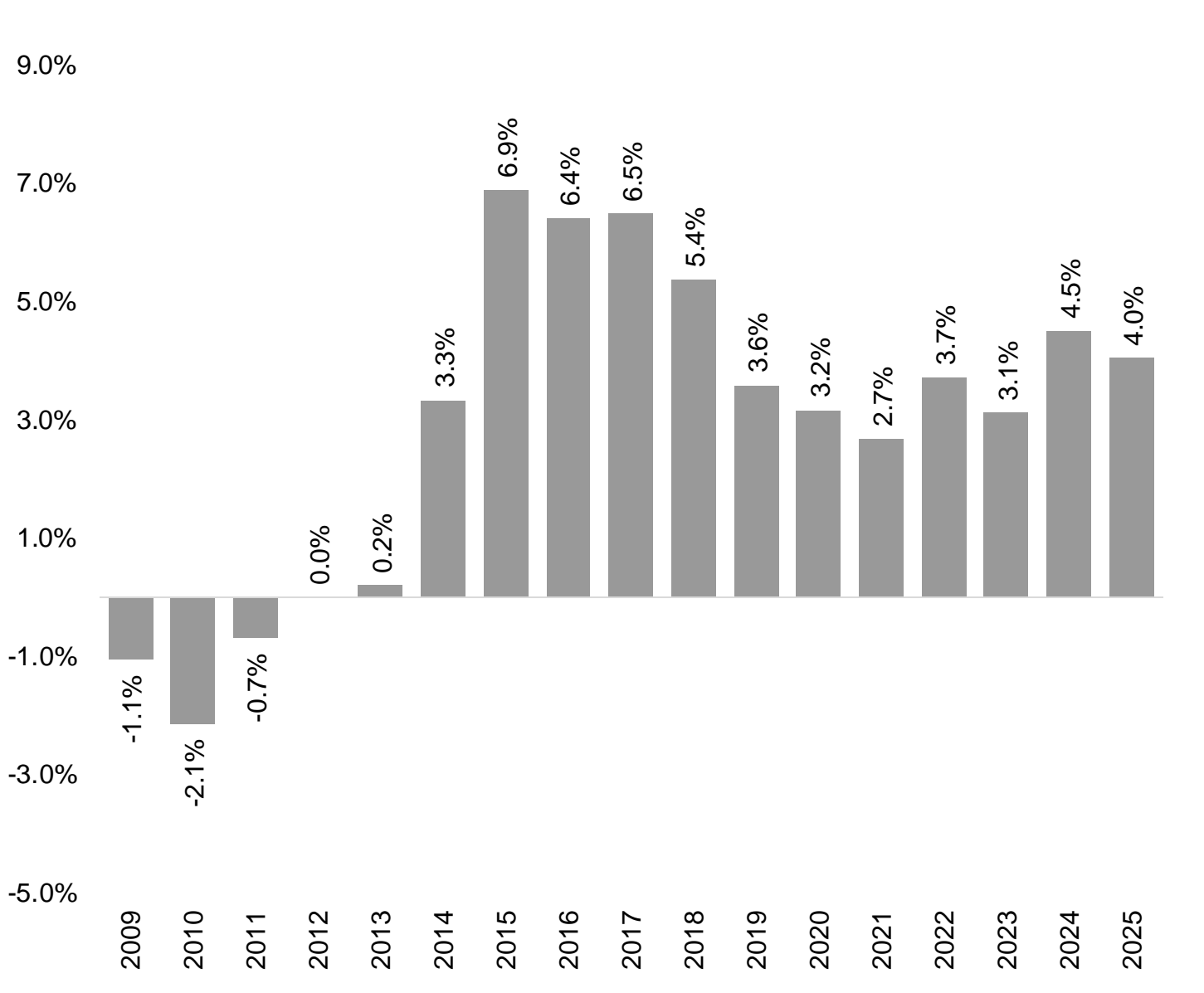
# Asking Rents Ease off All-Time High

Rents in the first quarter of 2025 closed at \$32.40/SF, declining slightly by 0.2% quarter over quarter from the historical high but increasing by 4.0% year over year. Asking rents are likely to remain elevated, coinciding with aggressive concession packages market-wide. Still, the pace of rent growth has generally been moderating and is expected to remain below the pre-pandemic average annual growth of 6.3% reported between 2015 to 2018.

Office Average Asking Rent, \$/SF, FS



Year-over-Year Asking Rent Growth Rate

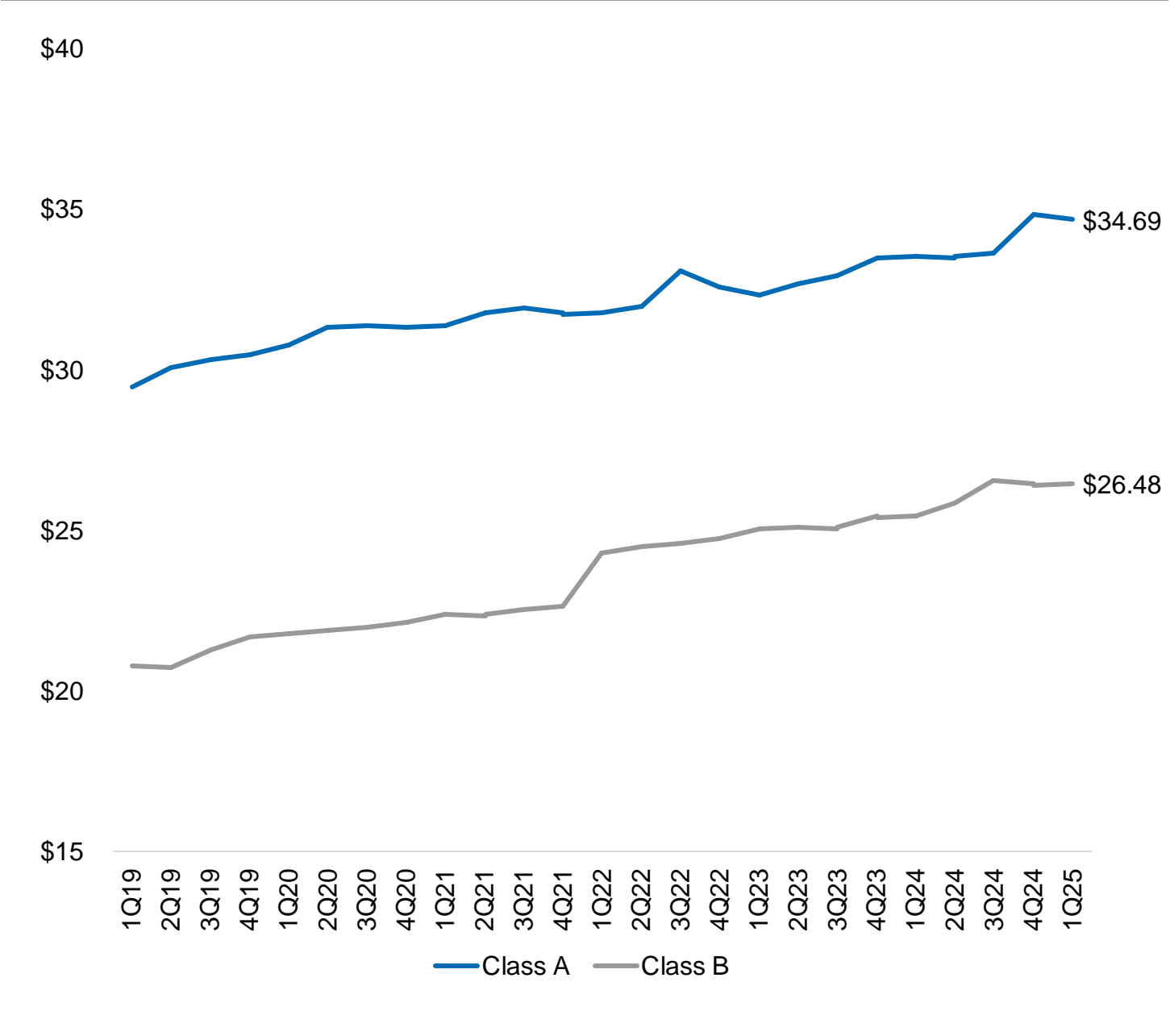


Source: Newmark Research, CoStar

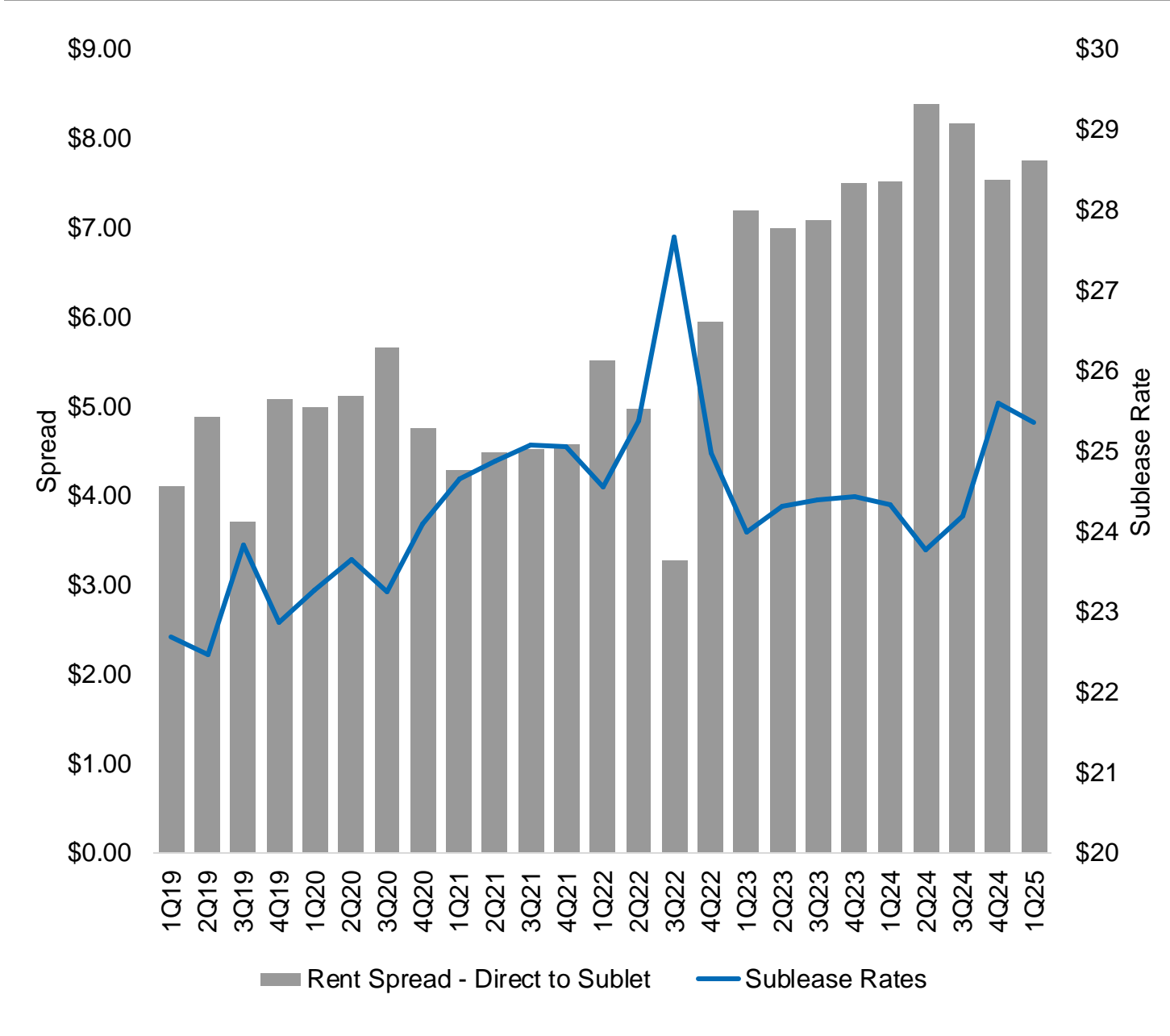
# Spread Between Class A and Class B Remains Consistent

As of the end of the first quarter of 2025, Class A asking rents ended at \$34.69/SF, reflecting a slight 0.5% quarter-over-quarter decline. Meanwhile, Class B reported \$26.48/SF in asking rents over the same period, reflecting a 0.1% quarter-over-quarter uptick. The \$8.21/SF spread between the two classes remains significant, indicating a preference for higher-quality space. Sublease rates decreased by 1.0% quarter over quarter to \$25.35/SF at the end of the first quarter of 2025, reflecting an 8.4% decline since the all-time high reached in the third quarter of 2022.

Class A and Class B Asking Rents



Sublease Rates



Source: Newmark Research, CoStar



# Leasing Continues to be Concentrated in Class A Assets

Flight to quality continues to remain a trend in the Atlanta office market. As of the end of the first quarter of 2025, Class A space accounted for 73.0% of the market’s leasing activity by SF, but only 53.2% of the market’s deal volume. Average leases signed in Class A space were 9,719 SF and continue to remain larger than the average market deal size at 7,078 SF.

## Notable 1Q25 Lease Transactions

Tenant	Building(s)	Submarket	Type	Square Feet
Vensure Employer Services	6700 Sugarloaf Pky	NE I-85 Outside I-285/Gwinnett	Direct New	90,350
Human resource and payroll provider Vensure inked the quarter’s biggest deal, relocating from 2425 Commerce Ave approximately three miles away, in the same submarket.				
Duracell	101 Nerem St – Science Square Labs	Downtown	Direct New	58,880
The battery manufacturer signed the newly delivered Science Lab’s biggest deal to date. The new space will serve as the compa ny’s global R&D headquarters in a \$56 million investment.				
CRH Americas Materials	1120 Sanctuary Pky - Stonebridge II	North Fulton/Forsyth	Sublease	51,341
The sublease is a new location for the building materials supplier company, CRH Americas Materials, whose headquarters is at 900 Ashwood Pky, approximately 11 miles south of the new site.				
StubHub	7000 Central Pky	Central Perimeter	Sublease	55,866
Online ticketing platform StubHub is new to market. The company’s global headquarters is in New York City.				
Compass Group	400 Northridge Rd – The Pointe 400	Central Perimeter	Renewal	51,002
Food support services company Compass renewed its lease for approximately 20% of The Point 400.				

Source: Newmark Research, CoStar





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