3Q25

Atlanta Office Market Overview

Market Observations

Economy

- The market's unemployment rate decreased by 22 basis points year over year to 3.2% at the end of August 2025, which is 100 basis points lower than the national average of 4.3%.
- Job growth grew at 0.5% year over year, reflecting the second slowest yearly growth pace since early 2021.
- Five out of 10 sectors reported employment growth, including the office-using business and professional sector. Meanwhile, the education and health sector led job gains at 4.0% over the past 12 months.
- Office-using jobs increased marginally by 0.1% year over year to 883,280 employees.

Leasing Market Fundamentals

- In the third quarter of 2025, annual full-service asking rates increased by 1.4% quarter over quarter to an all-time high of $33.08/SF. On a year-over-year basis, asking rates increased by 5.2%, reversing a recent trend of moderating annual rent growth.
- Truist's 250,000 SF built-to-suit was the quarter's only delivery. On the demand side, move-outs slightly exceeded move-ins, producing negative 149,746 SF of net absorption and lifting vacancy by 25 basis points quarter over quarter to 26.2%, matching all-time highs.
- The under-construction pipeline declined to 272,000 SF with the Truist delivery, near all-time lows. The historically low pipeline will improve the supply-demand imbalance.
- Total leasing activity for the quarter was 2.5 MSF, a 28.3% increase to the previous quarter.

Major Transactions

- Global shipping company UPS executed the largest deal of the quarter, completing a sale lease for their 310,000 SF Alpharetta headquarters.
- All three of the largest transactions were new leases, signaling clear appetite for fresh space. The third-largest combined a short-term sublease, executed concurrently, with a direct lease commencing upon the sublease's expiration, effectively bridging the tenant into a long-term commitment.
- The top five deals were spread across four different submarkets – North Fulton/Forsyth, Midtown, Northwest and Airport/South Atlanta – reflecting demand for space in several submarkets.
- The share of Class A leasing increased from 62.1% of activity by square feet in the second quarter, to 73.4% at the end of the third quarter.

Outlook

- With only two projects currently under construction, the development pipeline is expected to empty in early 2026, affording existing office buildings more time to absorb vacant space rather than compete with a wave of 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 office-to-alternative-use conversion trend, with numerous projects in Buckhead, Central Perimeter, Downtown, North Fulton, and along the I-85 corridor slated for near-term repurposing. As more municipalities embrace adaptive reuse, the pipeline of conversions that reduce underperforming office inventory is likely to grow.

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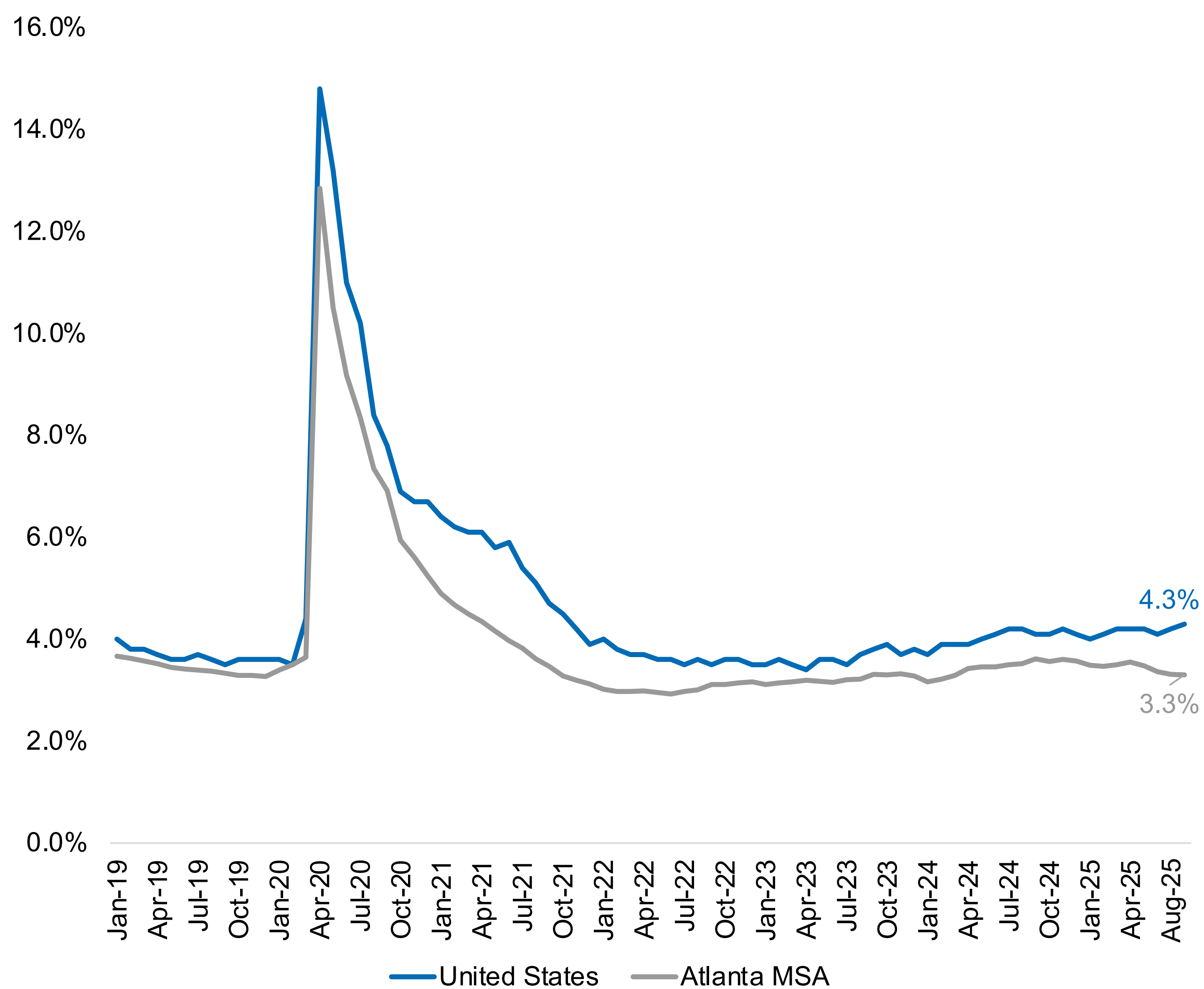
Economy

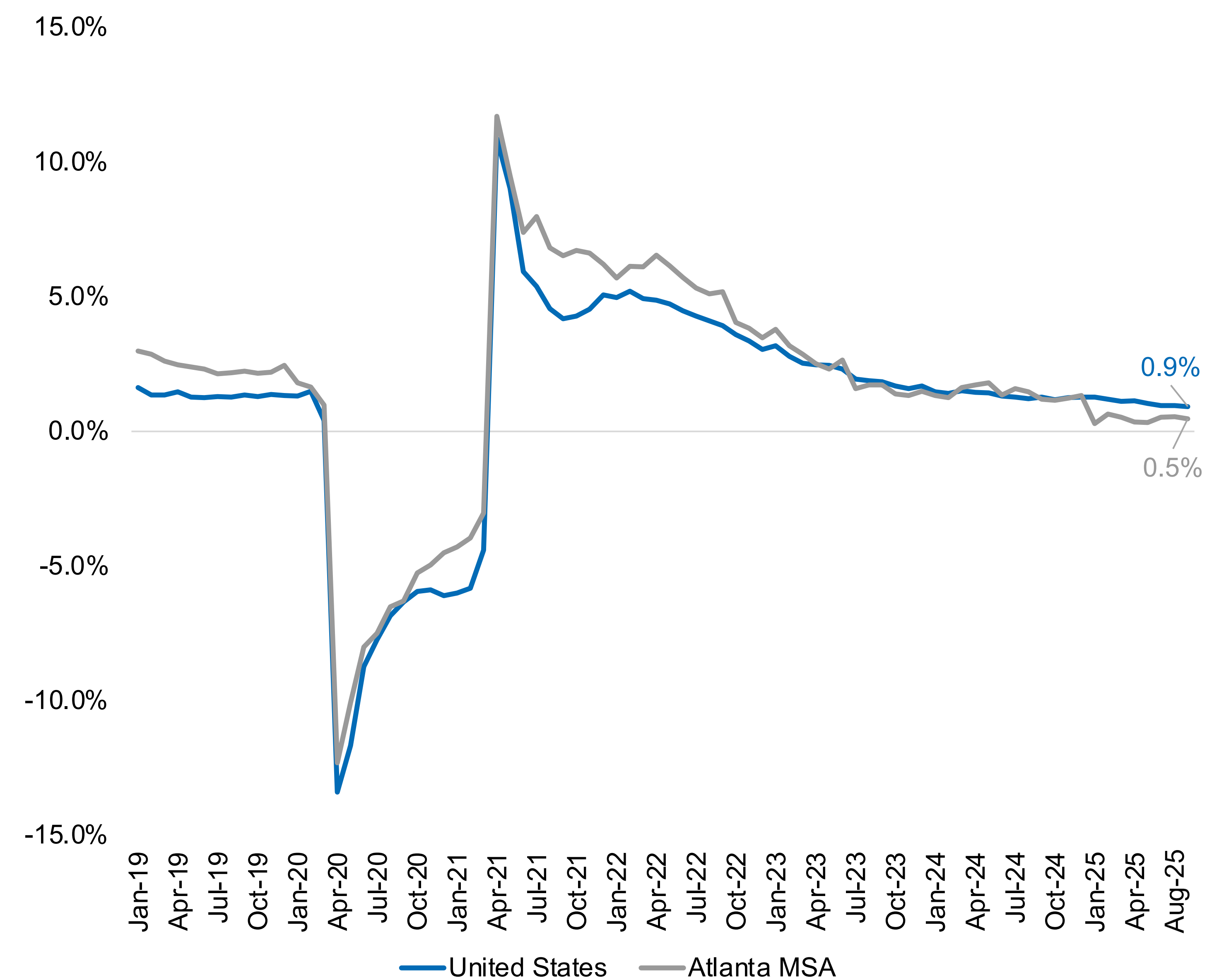
Unemployment Decreases Even as Employment Growth Remains Relatively Slow

The Atlanta market has generally reported lower unemployment rates compared with the national average. At the end of the third quarter of 2025, metro unemployment was 3.3%, 100 basis points below the national rate and 22 basis points lower year over year, despite a slower national economy. Total employment grew 0.5% year over year, but the pace of growth slowed by 101 basis points and has remained below 1.0% through 2025, a pattern last seen in March 2021 when annual job growth was negative.

Unemployment Rate, Seasonally Adjusted



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

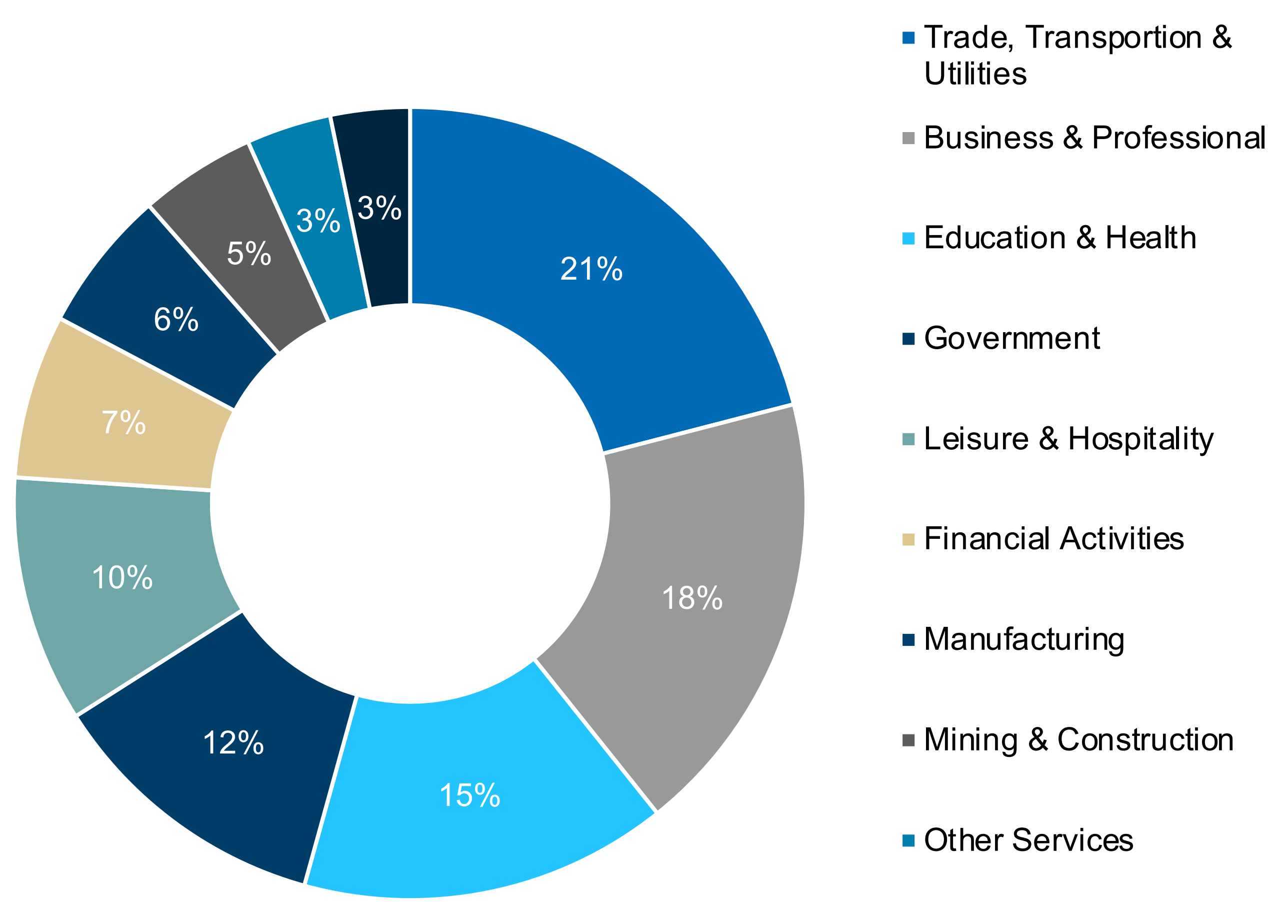


Source: U.S. Bureau of Labor Statistics, Atlanta MSA

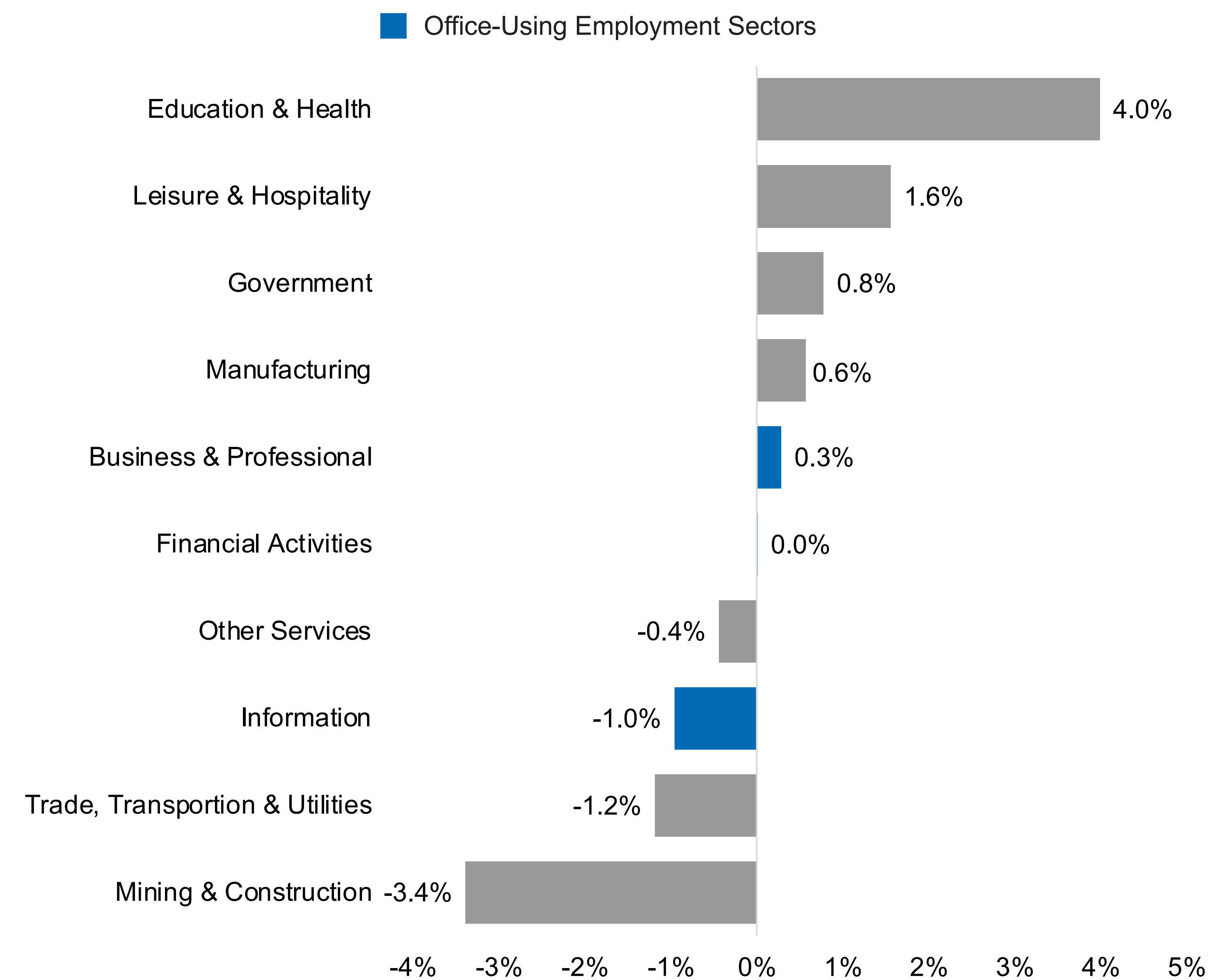
Yearly Job Growth Shows Mixed Results

The Atlanta market is highly diversified, with the top two industries accounting for only 39.3% 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%. Overall employment grew 0.5% year over year, though four of ten sectors contracted. Within office-using industries, professional and business services rose 0.3%, while financial activities was flat and information declined by 1.0%, the smallest drop in seven quarters.

Employment by Industry, August 2025



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

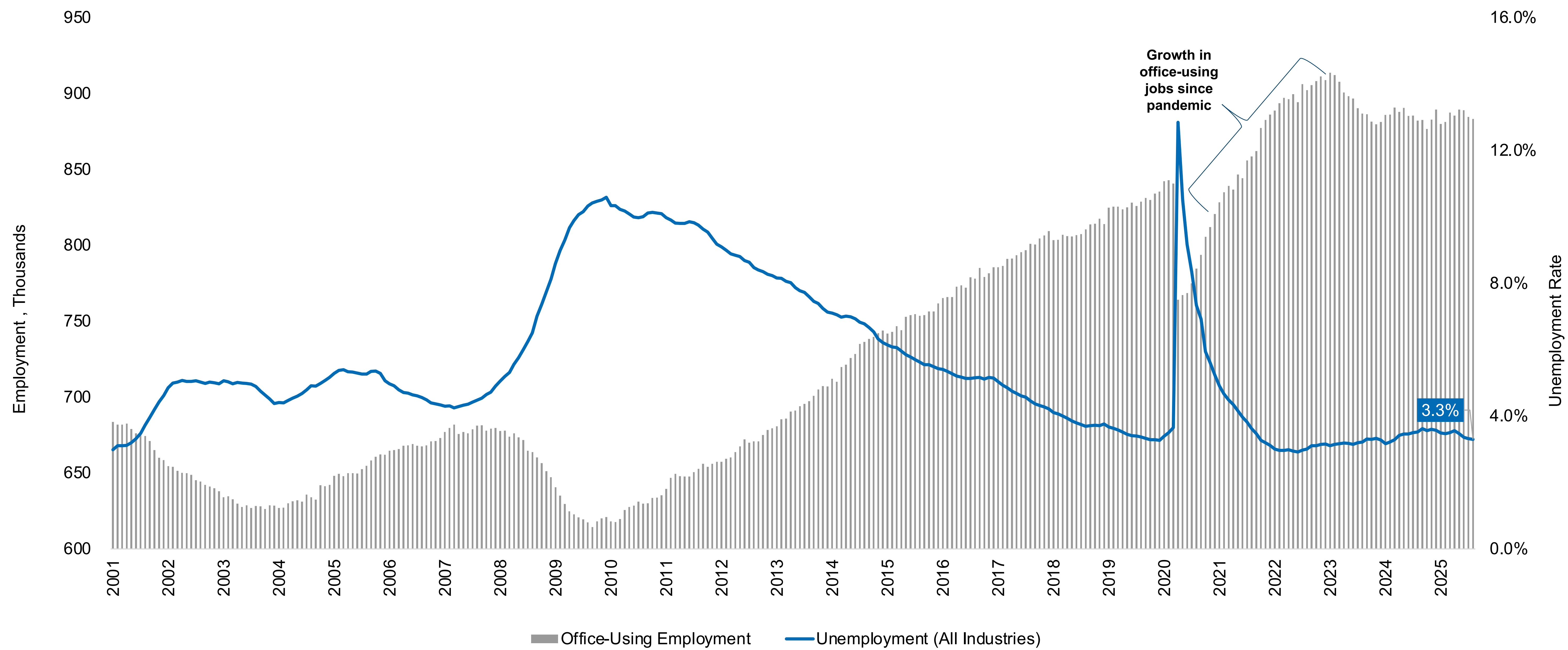


Source: U.S. Bureau of Labor Statistics, Atlanta MSA

Overall Office-Using Employment Remains Relatively Flat

Office-using employment in the Atlanta Metro rose 0.1% year over year to 883,280 employees, reflecting just a 3.3% decline from the January 2023 peak. While there were declines in the information sector and the financial activities sector was flat, these were offset by gains in the business and professional sector, the metro's second-largest employment sector. The seasonally adjusted unemployment rate is at 3.3%, well below the average unemployment rate of 5.6% recorded from 2001 through 2024.

Office-Using Employment* and Unemployment Across All Industries



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.

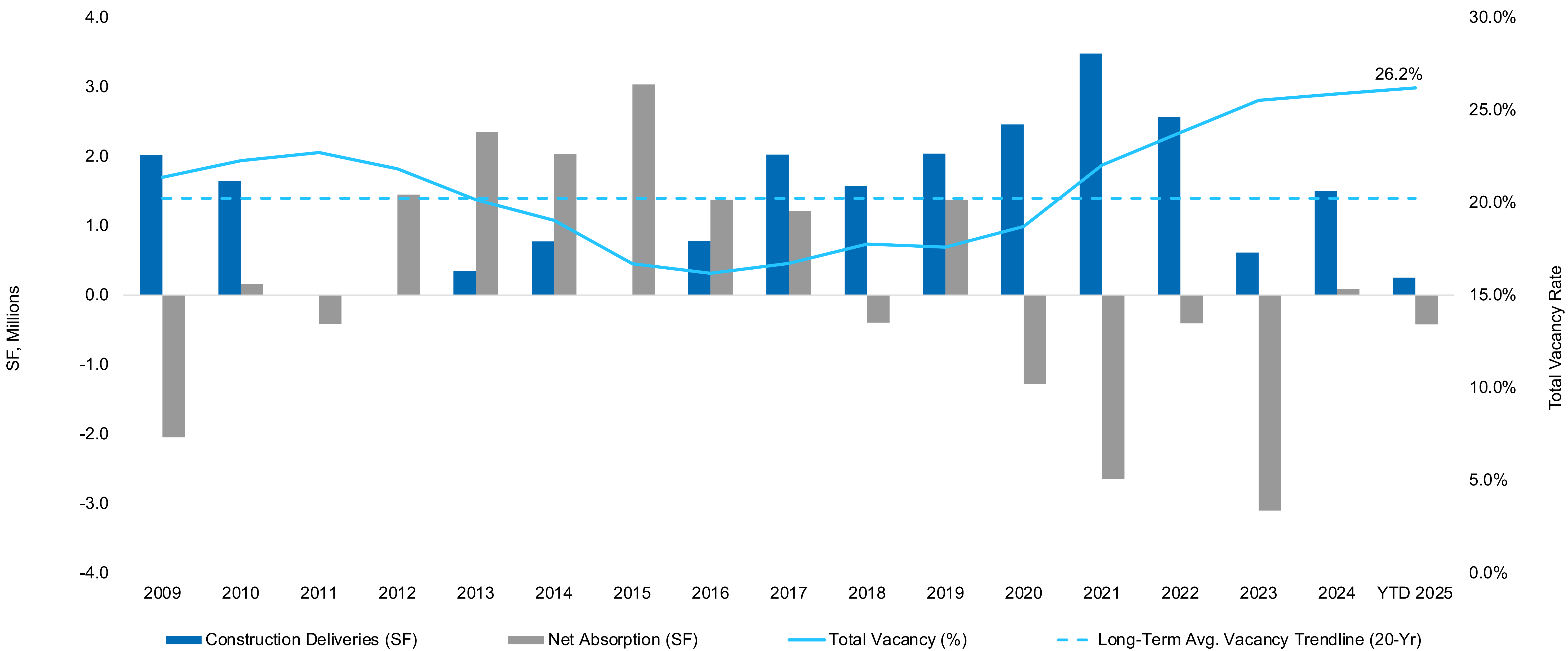
3Q25

Leasing Market Fundamentals

Move-Outs Slightly Outpaced Move-Ins Keeping Vacancy Elevated at Historic High

Year to date, there has been one delivery, the 250,000 SF built-to-suit for Truist Bank in the Northwest's Cumberland/Galleria. Despite absorption from that project, metro-wide move-outs slightly outpaced move-ins, resulting in 149,746 SF of negative net absorption in the third quarter of 2025. Notable departures included Jacobs in Midtown as well as Hyundai and One Digital in the Northwest. Notable move-ins during the quarter included Piedmont Healthcare in Midtown. Consequently, the overall vacancy rate increased by 25 basis points quarter over quarter to 26.2%, matching recent cycle highs.

Historical Construction Deliveries, Net Absorption, and Vacancy

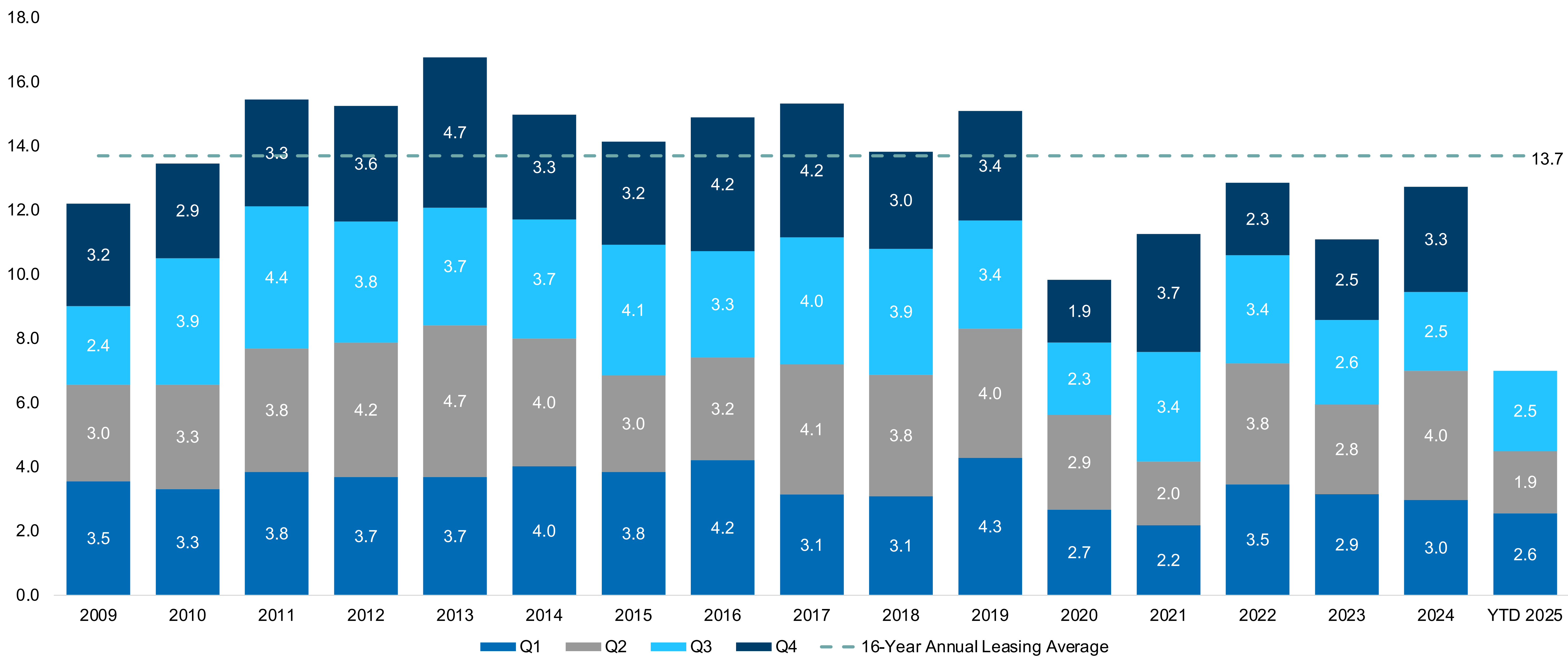


Source: Newmark Research, CoStar

Leasing Activity Increases Quarter Over Quarter

Leasing activity increased 28.3% quarter over quarter to 2.5 MSF in the third quarter of 2025. Average deal size rose, increasing by 1,022 SF quarter over quarter to 6,225 SF. While leasing activity is lower than the third-quarter average of 3.4 MSF reported between 2008 and 2024, it is higher than recent lows, indicating that the market may have bottomed. Still, recovery is unlikely to follow a straight, upward trajectory, and leasing volumes may fluctuate in the quarters ahead.

Total Leasing Activity (msf)

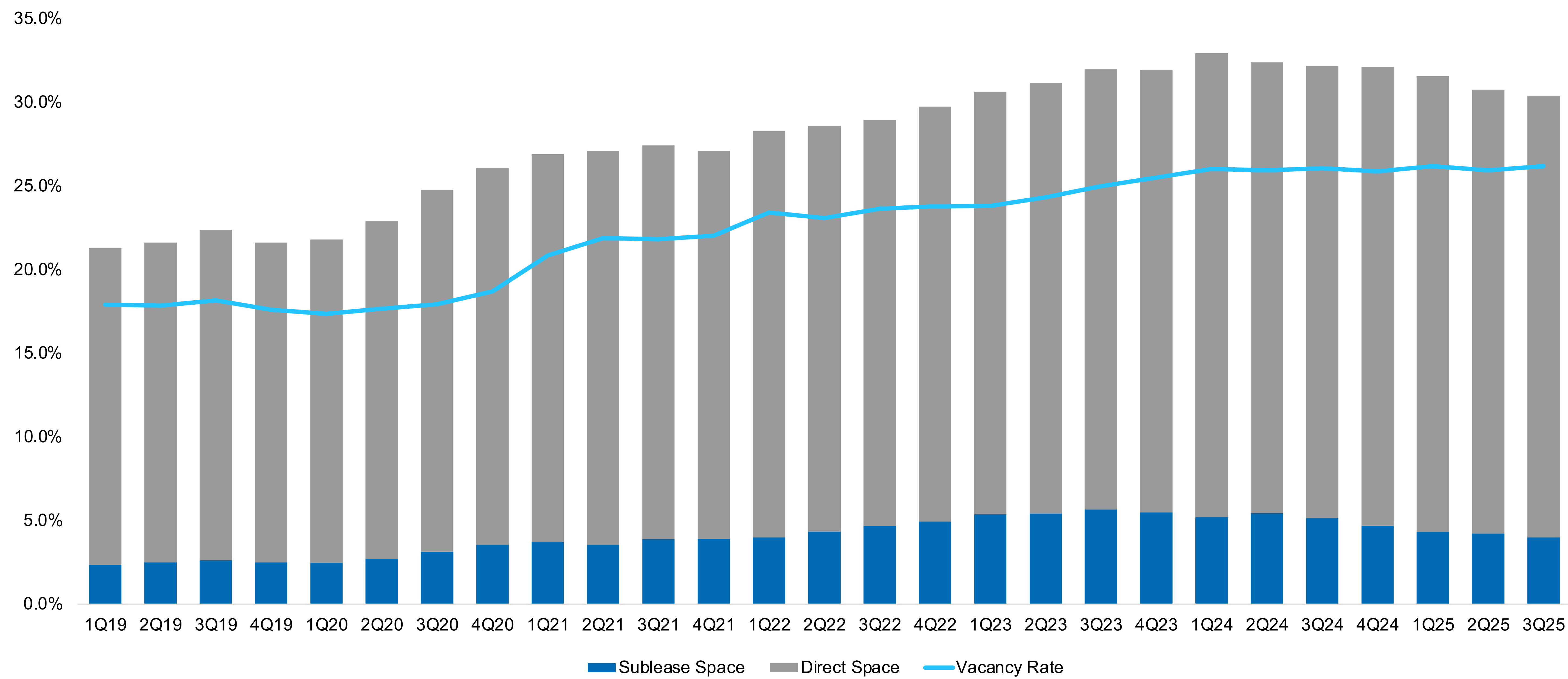


Source: Newmark Research, CoStar

Overall Availability Decreases for Sixth Consecutive Quarter

In the third quarter of 2025, sublease availability decreased by 23 basis points quarter over quarter to 4.0%. The decline marks the fifth consecutive quarterly reduction in sublease space, extending the gradual correction from a peak of 5.7% in the third quarter of 2023. Direct availability also edged down 17 basis points quarter over quarter to 26.4%. As a result, total availability declined by 40 basis points quarter over quarter to 30.4%. Despite this continued improvement, the vacancy rate increased 40 basis points quarter over quarter to 26.2%.

Available Space as Percent of Overall Market

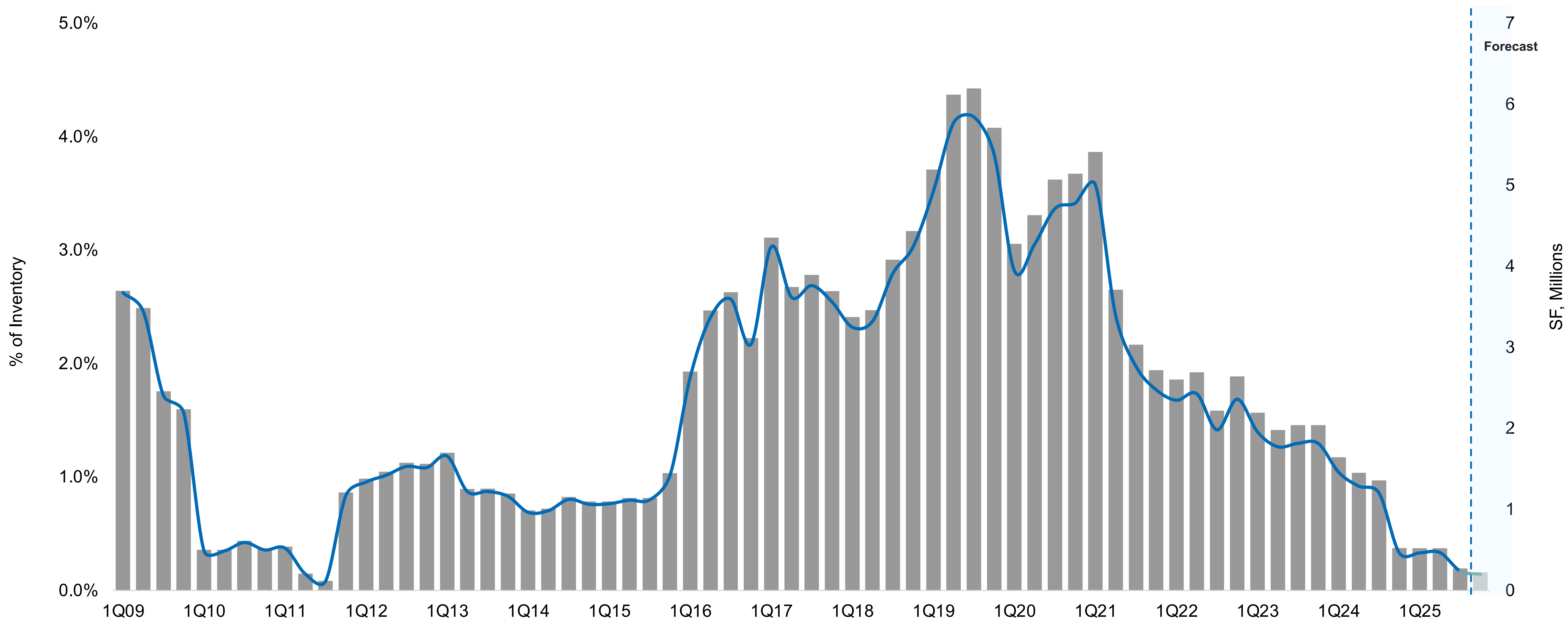


Source: Newmark Research, CoStar

Construction Activity Declines to Near Historic Lows

At the end of the third quarter of 2025, about 272,000 SF was under construction across two projects: The 48,000 SF North Main in Alpharetta and Rockefeller's 224,000 SF 1072 West Peachtree in Midtown. The 250,000 SF decline from the previous quarter reflects the completion of Truist's built-to-suit in Cumberland/Galleria. No new projects broke ground during the quarter, and the smaller construction pipeline will help limit additional inventory in a market already facing elevated vacancy, allowing more time for existing space to absorb vacancies and gradually stabilize conditions.

Office Under Construction and % of Inventory

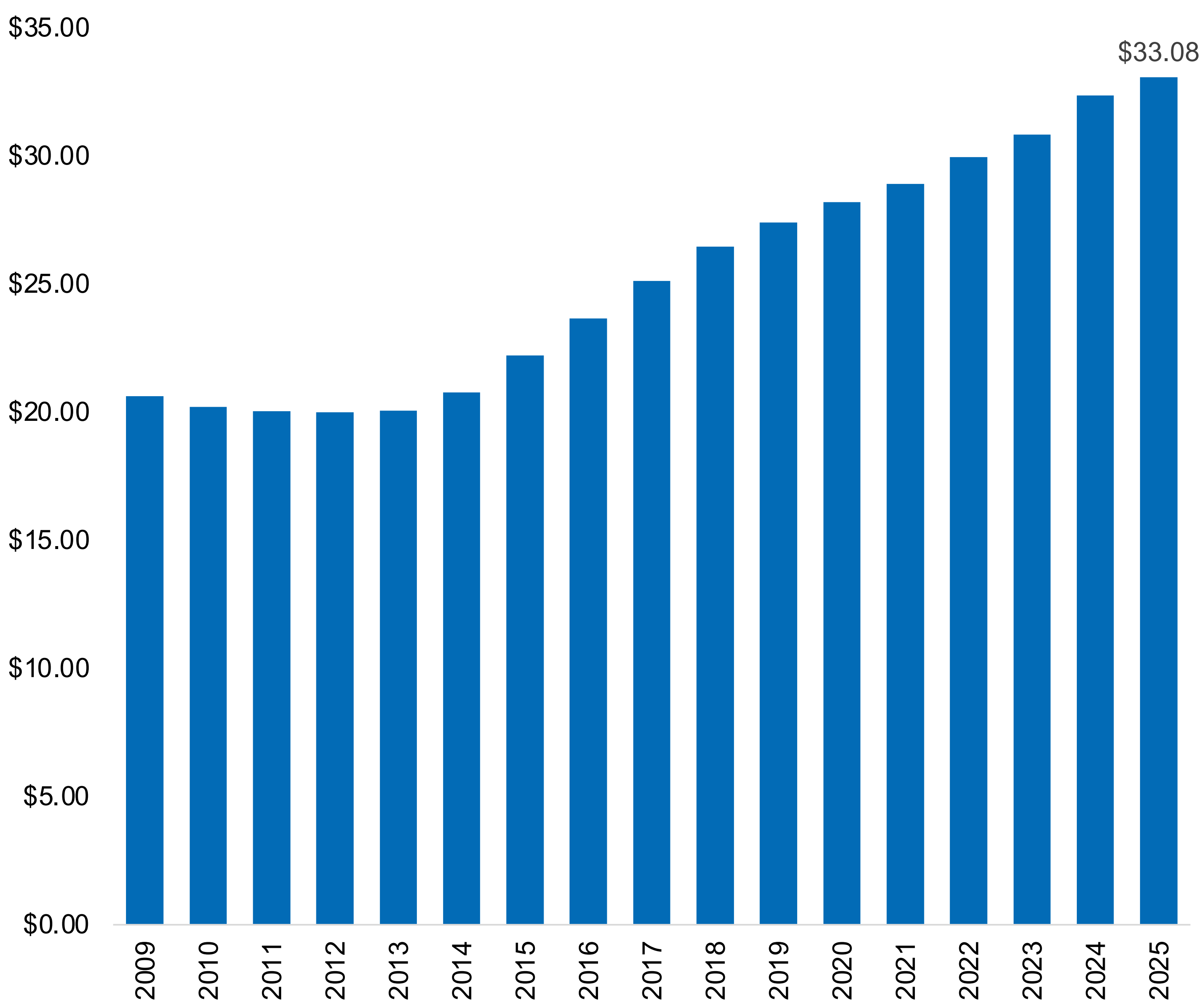


Source: Newmark Research, CoStar

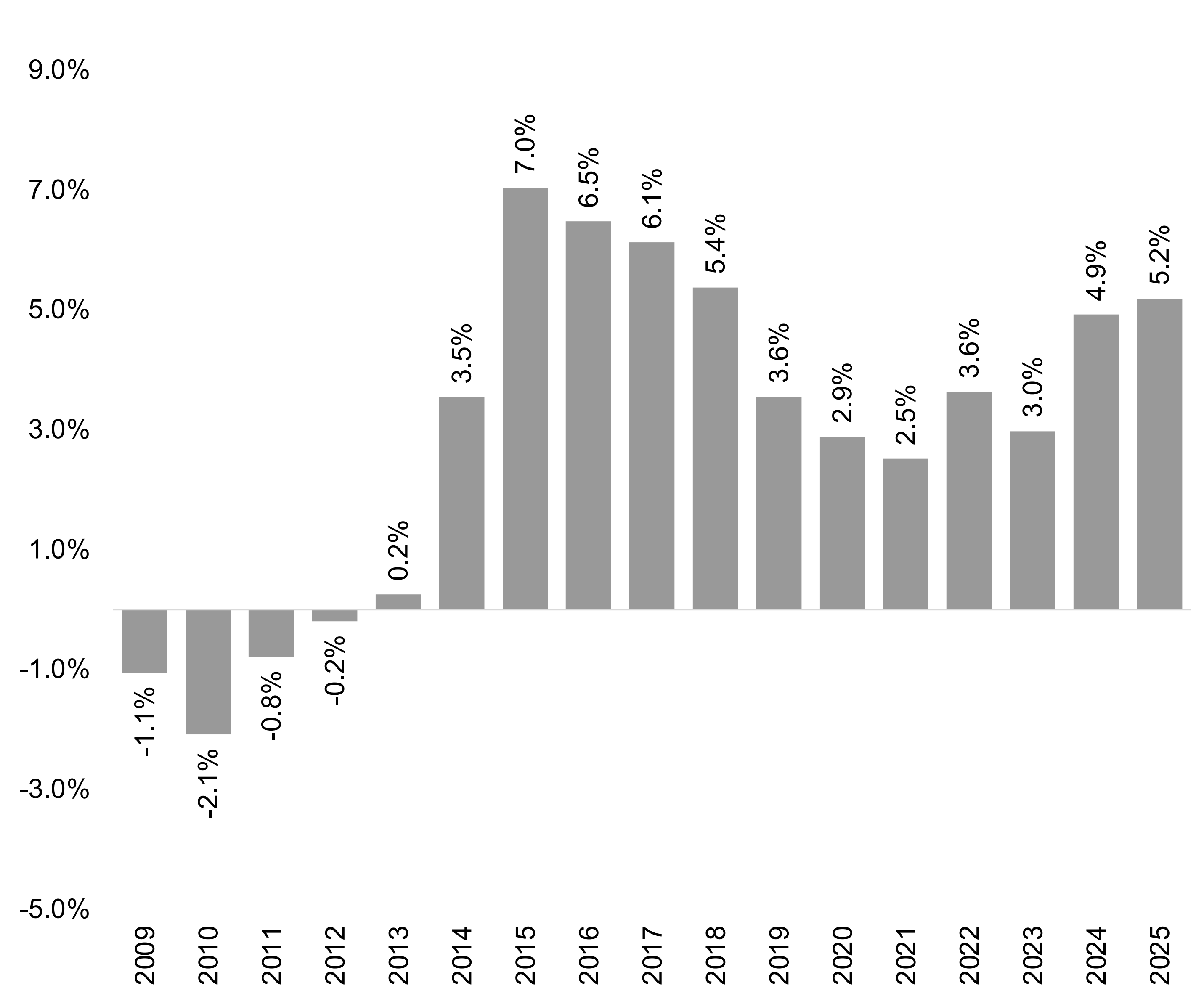
Average Asking Rents Reach New All-Time High

Rents in the third quarter of 2025 increased by 1.4% quarter over quarter and 5.2% year over year to close at $33.08/SF, a record high. Asking rents are likely to remain elevated, coinciding with continued aggressive concession packages market-wide. While rent growth did reaccelerate after recent moderation, elevated vacancies are likely to temper the pace of further gains.

Office Average Asking Rent, $/SF, FS



Year-over-Year Asking Rent Growth Rate

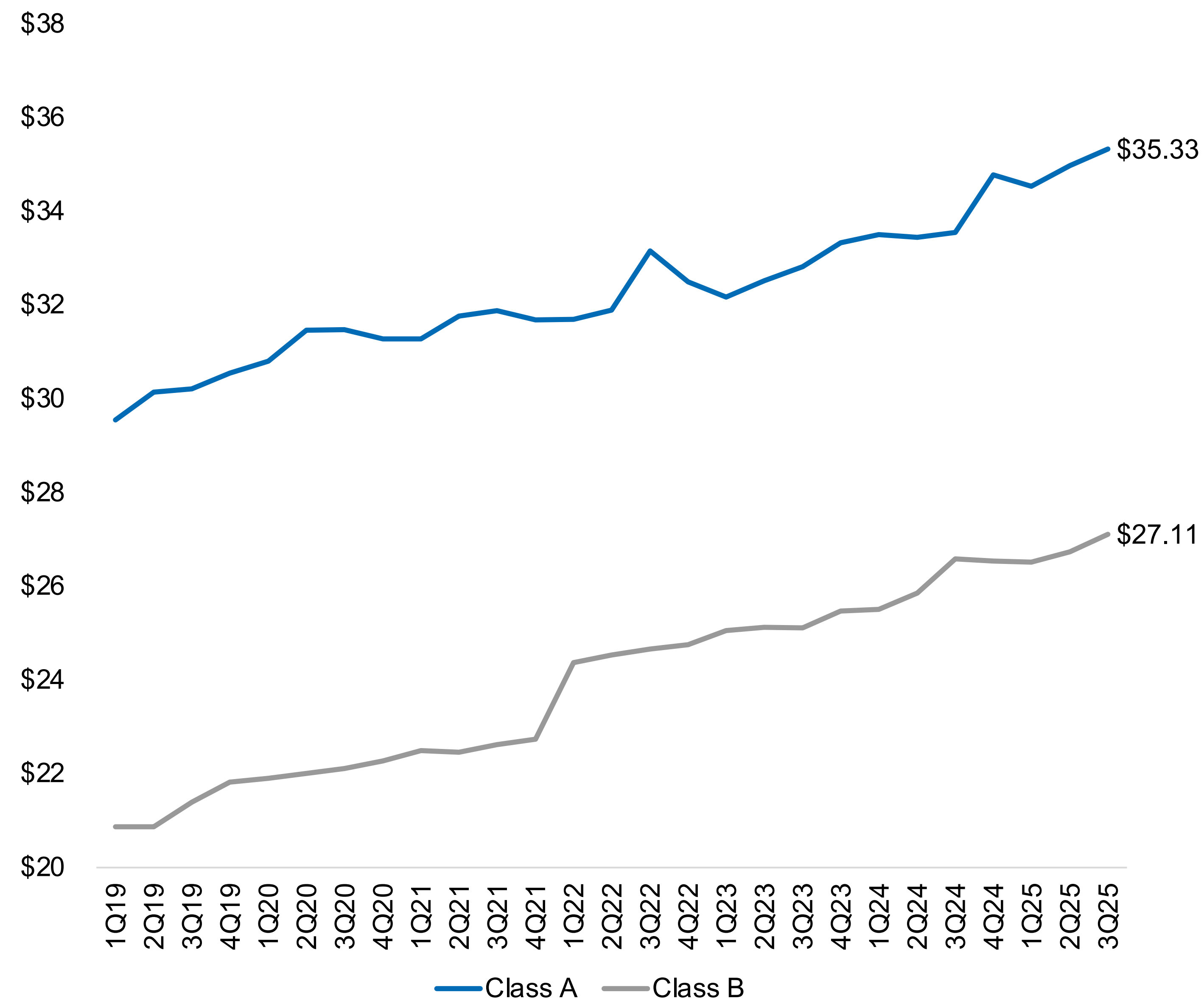


Source: Newmark Research, CoStar

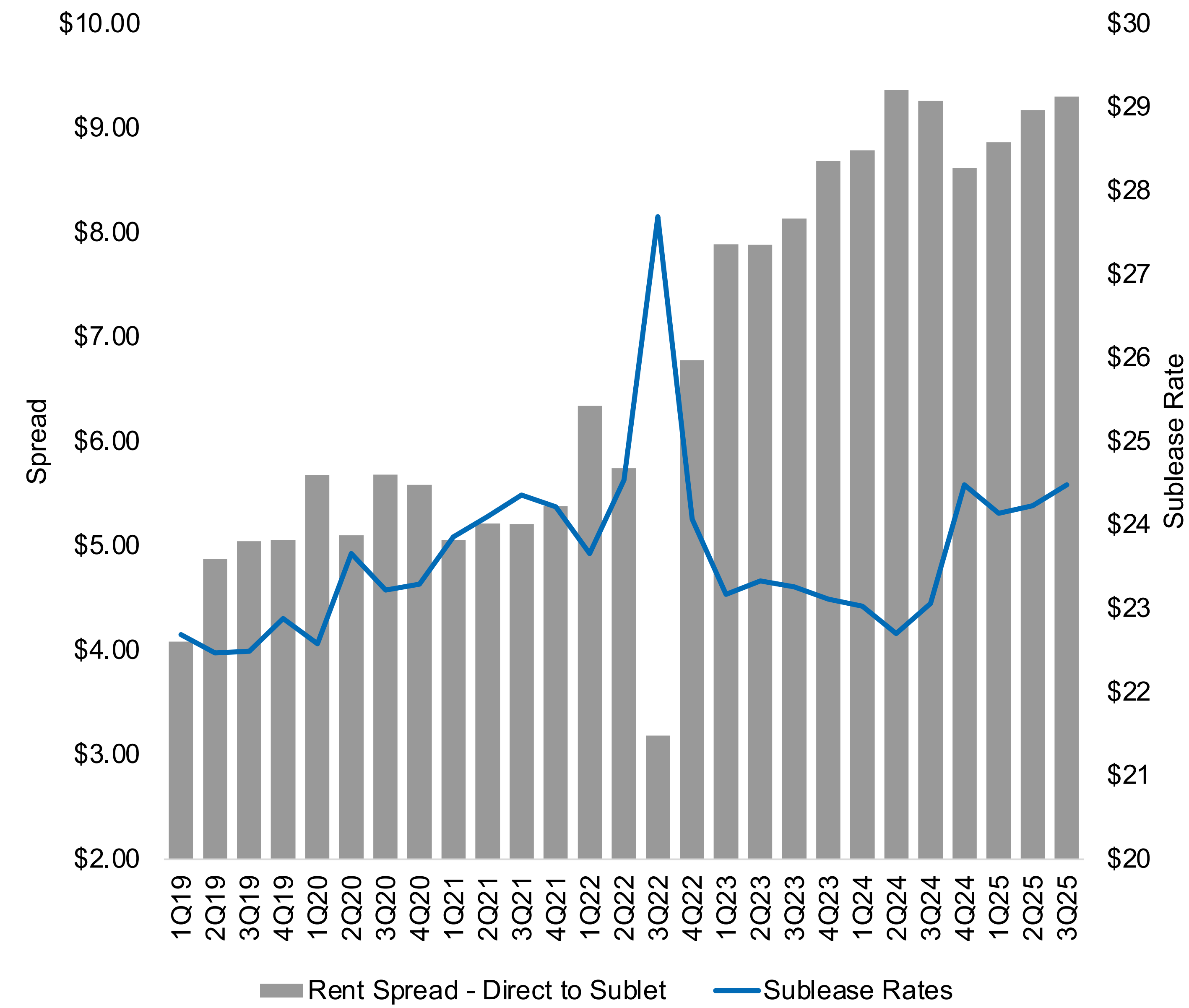
Spread Between Class A and Class B Continues to Remain Significant

At the end of the third quarter of 2025, Class A asking rents averaged $35.33/SF, up 1.0% quarter over quarter and 5.3% year over year. Meanwhile, Class B reported $27.11/SF in asking rents over the same period, reflecting increases of 1.4% quarter over quarter and 2.0% year over year. The $8.22/SF spread between the two classes remains significant, underscoring the preference for higher-quality space. Sublease rates reported a 1.0% increase quarter over quarter to $24.48/SF at the end of the third quarter of 2025 but is 11.6% lower than the all-time high reported 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 remains a defining trend in the Atlanta office market. As of the end of the third quarter of 2025, Class A space accounted for 73.4% of the market's leasing activity by square feet but only 51.4% of deal count, up from 62.1% of overall leasing volume by square feet in the previous quarter. Average leases signed in Class A space were 8,897 SF and remain larger than the average market deal size at 6,225 SF.

Notable 3Q25 Lease Transactions

Tenant	Building(s)	Submarket	Type	Square Feet
United Parcel Service (UPS)	12380 Morris Rd	North Fulton/Forsyth	Direct New / Sale Leaseback	310,000
Global shipping company UPS signed the quarter's largest deal, completing a sale leaseback for their Alpharetta headquarters. The deal with Fortress Investment Group also included four industrial buildings in Illinois and California, although the occupancy for those properties going forward was unclear. The office leaseback has an initial term of 15 years.				
Ernst & Young LLP (EY US)	Ten Twenty Spring at Spring Quarter 1020 Spring St	Midtown	Direct New	102,195
EY, a global professional services firm, signed the largest lease to date at the recently delivered Ten Twenty Spring at Spring Quarter. The move means the firm will relocate their headquarters from 55 Allen Plaza in Downtown to the mixed-use project developed by Portman Holdings and Perform Properties.				
Heidelberg USA	3074 Chastain Meadows Pky NW	Northwest	Sublease & Direct New	79,992
Heidelberg executed two deals concurrently, subletting the full-building from Home Depot through March 2028 and doing a direct deal with the landlord that commences when the sublease expires. The company is a supplier to commercial, packaging and label printing companies, whose global headquarters is in Germany. They are relocating from 1000 Gutenberg Dr within the same submarket, after Kennesaw State University acquired that property during the quarter.				
Holder Construction	Riverwood 200 3300 Riverwood Pky	Northwest	Renewal	64,609
The firm provides construction management services in the U.S. The renewed space serves as the company's headquarters, where they have been a tenant since 2015.				
Delta Air Lines	1025 Virginia Ave	Airport/South Atlanta	Renewal	55,308
The airline operator renewed space they have been occupying since at least 2015. The space includes a connected Delta Community Credit Union branch at the ground level.				

Source: Newmark Research, CoStar

Atlanta Office Submarket Overview

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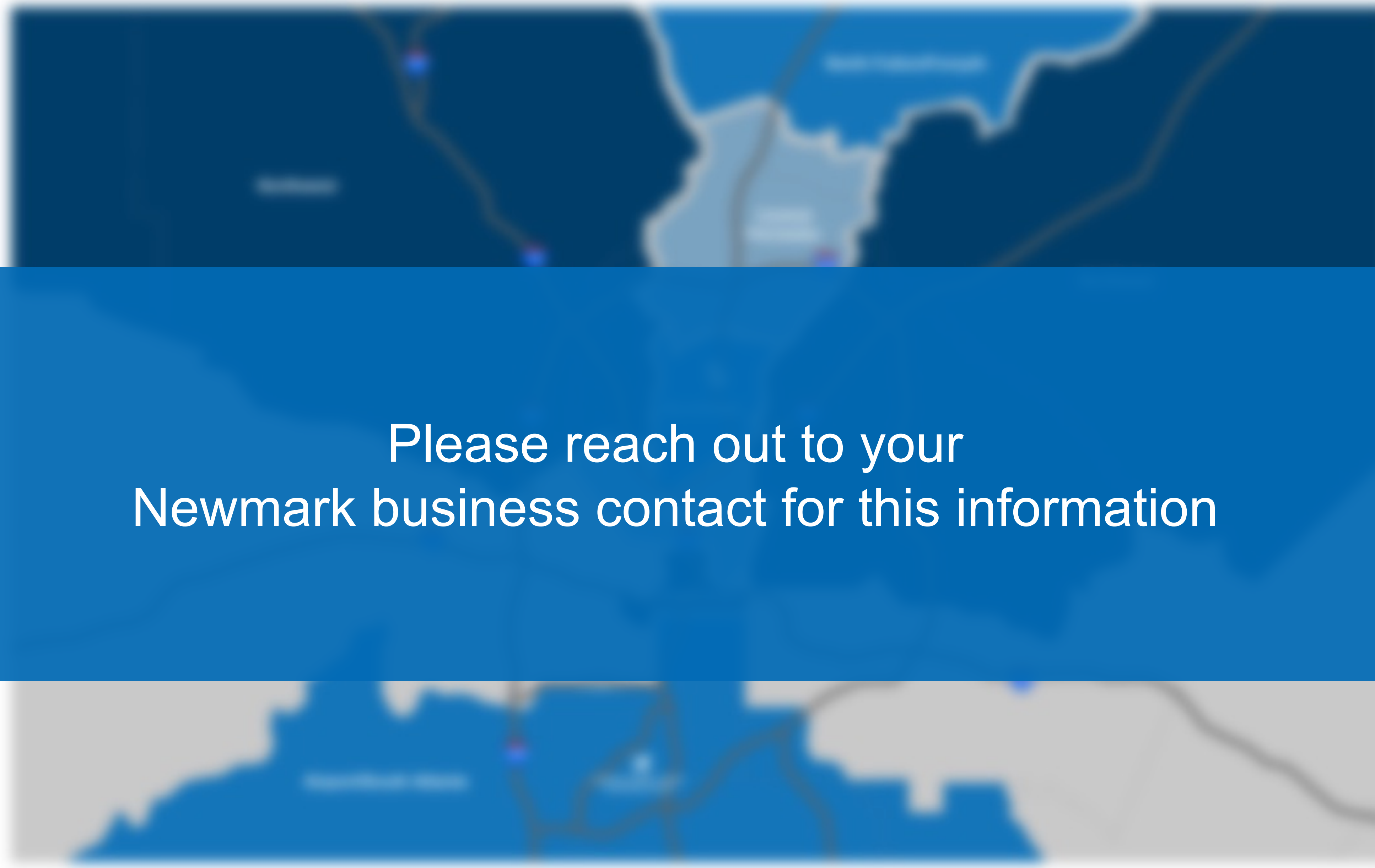
Source: Newmark Research

Atlanta Office Submarket Map



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Source: Newmark Research

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