JLL SEE A BRIGHTER WAY

Research

United States

Office | Q1 2025

# Atlanta

- The anticipated impact of inventory removals on market fundamentals is beginning to take shape as vacancy declined by 10 bps quarter-over-quarter despite negative absorption.
- This quarter's negative absorption was once again driven by Class B assets, which accounted for 70% of net occupancy losses, while Trophy assets recorded positive absorption. Additionally, three of Atlanta's major submarkets recorded positive absorption in Q1.
- New deals accounted for 83% of total leasing volume this quarter, which is the highest share on a quarterly basis in six years.

| Fundamentals | | Forecast |
|---|---|---|
| **YTD net absorption** | -736,682 s.f. | ↑ |
| **Total vacancy** | 26.9% | ↓ |
| **Class A direct asking rent** | $36.27 p.s.f. | ↑ |
| **Overall direct asking rent** | $33.80 p.s.f. | ↑ |
| **Concessions** | Rising | → |
| **Under construction** | 474,000 s.f. | ↓ |
| **Preleased** | 52.7% | ↑ |

Atlanta's office market continued to show resilience and adaptability in Q1 2025 amidst changing dynamics. The first quarter of the year has built upon the momentum generated by the record-breaking deal volume of 2024, with leasing activity remaining robust. Tenants continue to commit to larger spaces, which signals more confidence in the market, and the first quarter's new leasing activity comprised the greatest share of total quarterly leasing activity in six years, indicative of future occupancy gains to come.

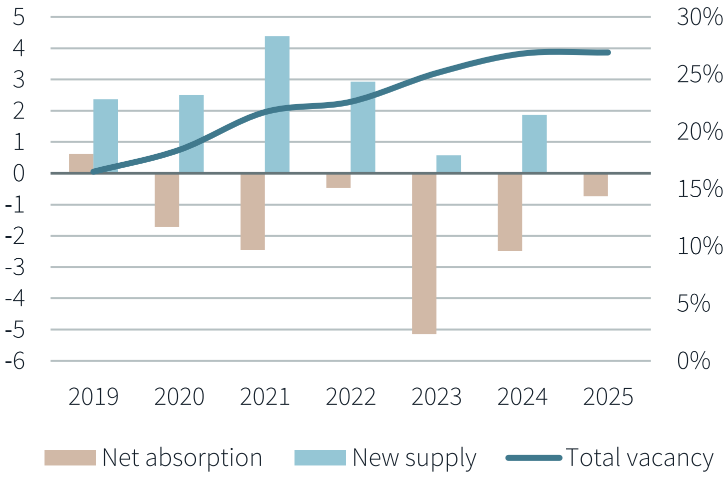
Though the market incurred a spike in negative absorption in Q1, dissecting occupancy losses revealed that Class B assets accounted for over two-thirds of the market's negative absorption while Trophy assets recorded positive 114,579 s.f. of absorption. Despite the negative absorption, vacancy experienced the first quarterly decline in several years, attributable to almost 1 million s.f. of mostly vacant removals from office inventory. The planned new uses for these buildings vary from residential to senior housing to a religious facility. Over 6 million s.f. of office inventory is slated for additional conversion/redevelopment/demolition in the next 24 months. This, in tandem with less than 500,000 s.f. of new additions to stock on the horizon, will lead to continued inventory shrinkage across the market in line with the national trend.

## Outlook

The impact of office inventory removals, coupled with a lack of new development, is likely to continue putting downward pressure on vacancy rates. Tenants are opting to have conversations around renewing vs. relocating and negotiating their leases earlier as availability of top-tier product continues to dwindle. Additionally, continuing return-to-office mandates and increasing new-to-market requirements, along with large block leasing activity, point to an encouraging office market landscape ahead in 2025, despite some concern around the increasingly uncertain economic environment.

### Historical supply and demand trends

s.f. (millions)

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