LEE ATLANTA | MARKET BRIEF

Big Leases, Falling Construction and Renewed Demand

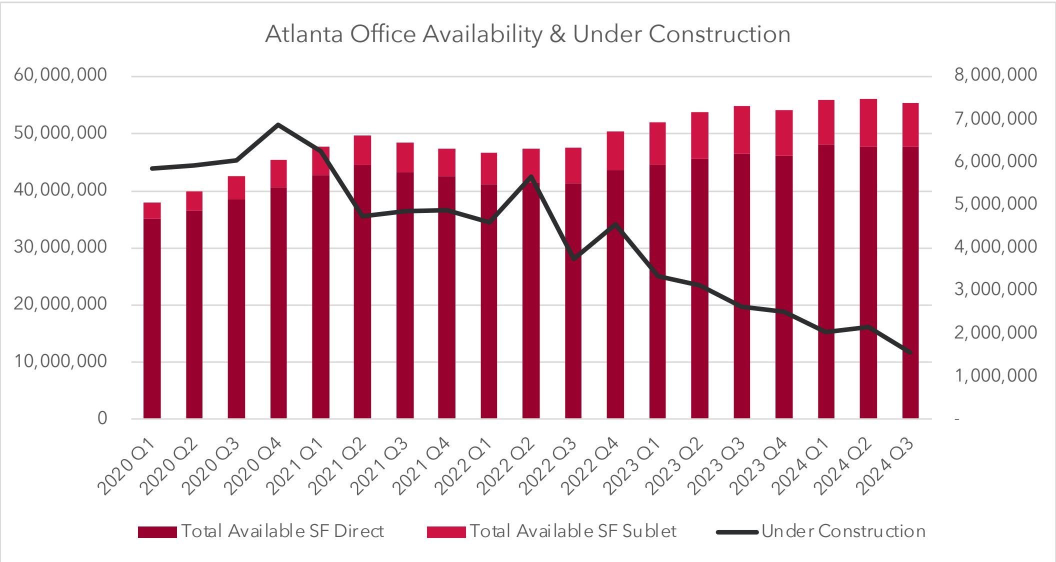
Is the Office Market Back?

NOVEMBER 2024

Not exactly. The statistics paint a bleak picture -- Atlanta's office market vacancy recently peaked at 24.7% and occupancy losses were recorded for the eighteenth straight month. But despite poor stats and negative headlines, office buildings remain key places for companies to drive innovation, build company culture and leverage teamwork to achieve common goals. This is leading to more companies returning to the office (RTO) to drive results, meanwhile revealing early signs of office market recovery.

The primary sign of improvement is reflected in Atlanta's leasing activity. Year-to-date, a dozen leases of 100,000 SF or more have been inked – totaling nearly 2 million SF of new deals and renewals. Further, companies in Atlanta are staying close to labor pools, as 68% of companies signing leases chose to remain in the city, and an additional 21% moved closer to the city center. Consequently, accessible Class A and B+ buildings located close to labor and amenities are outperforming the broader market.

As large leasing activity increases, muted levels of new supply are helping fundamentals to recover. In fact, the overall availability of office space is declining. After reaching peak levels a year ago, sublease availability in Atlanta has decreased by 8.5% year-over-year. While still a very early sign of recovery, the limited new supply and onset of larger lease signings may result in further tightening in 2025, particularly for high-quality spaces.



It will take a lot more time for office market conditions to reach a healthy balance between supply and demand, but Q3 of 2024 proved to be a step in the right direction. It's still too early to declare the beginning of an office market recovery, but Atlanta possesses the right ingredients (office job growth, net in-migration, economic diversity, etc.) for conditions to improve, and perhaps more significantly as 2025 approaches.

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