ATLANTA

Real Estate Trends

Office Market

as of April 30, 2020

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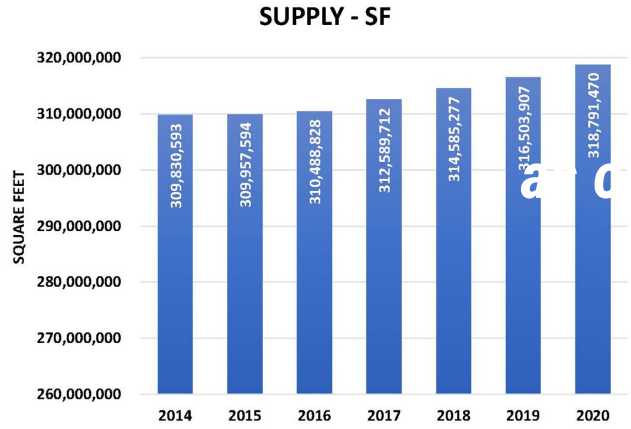
ATLANTA OFFICE MARKET

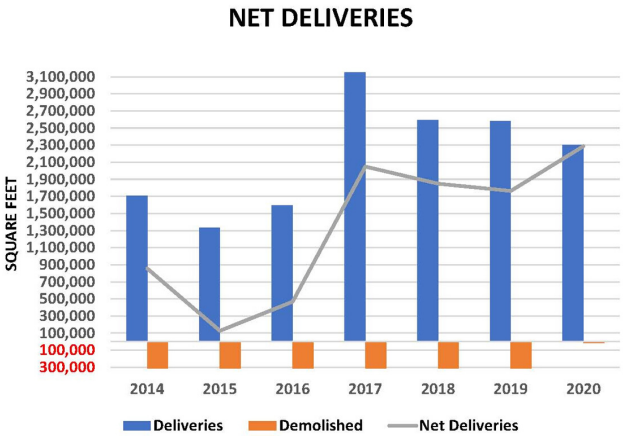
as of April 30, 2020

QUICK SUMMARY:

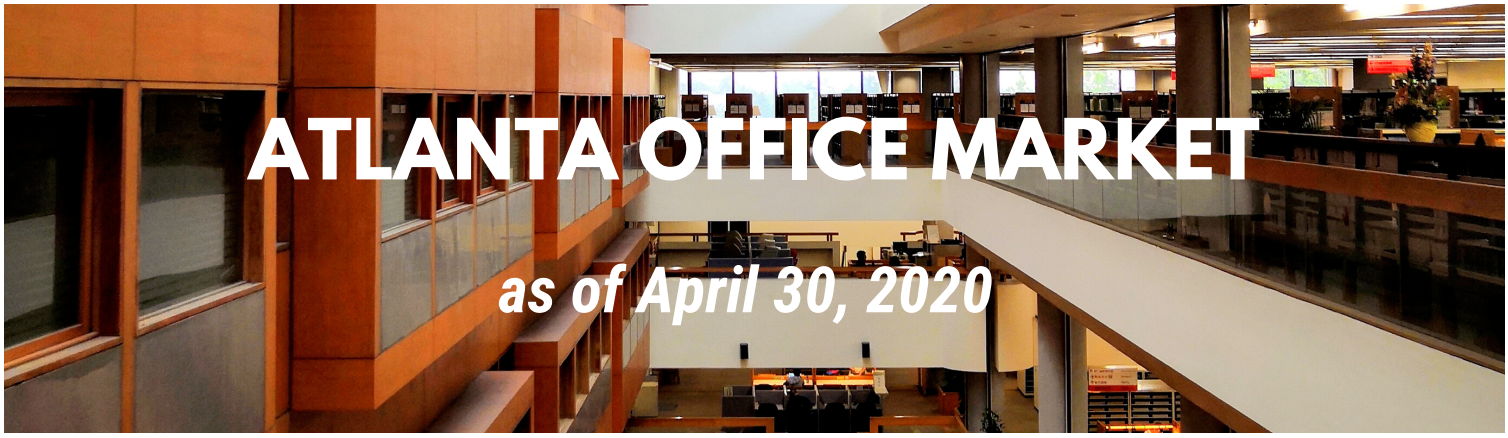
- 318.8 million square feet
- Market vacancy rate: 11.8%
- Avg cap rate: 8.71%
- Quoted market rent: $26.22/sf
- Avg 2020 sales price: $157.04/sf

Supply Analysis





- Supply increased significantly in the first four months of the year.
- Year-to-date deliveries in the first four months of the year came close to equaling all of 2019.
- In contrast demolitions were nearly non-existent as redevelopment opportunities appear to be drying up.



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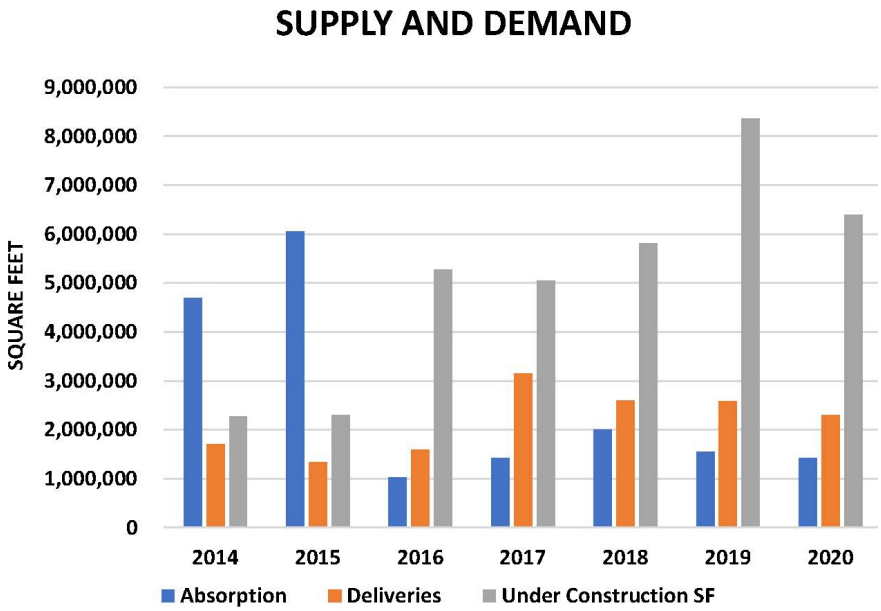
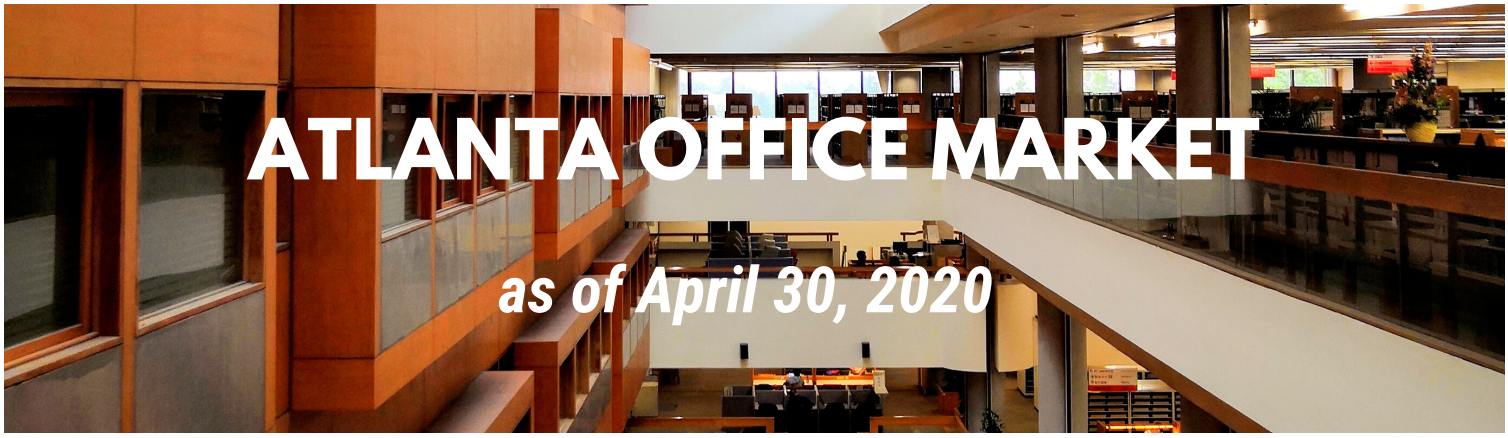
Vacancy Trends

- Vacancy rates have ticked up slightly in 2020 to 11.8%, highest rate since 2015. This is most likely a result of new deliveries versus the effects of COVID-19.

Absorption, Deliveries & Under Construction



- Under Construction remains high which could be a negative if the COVID-19 crisis causes a significant change in demand.



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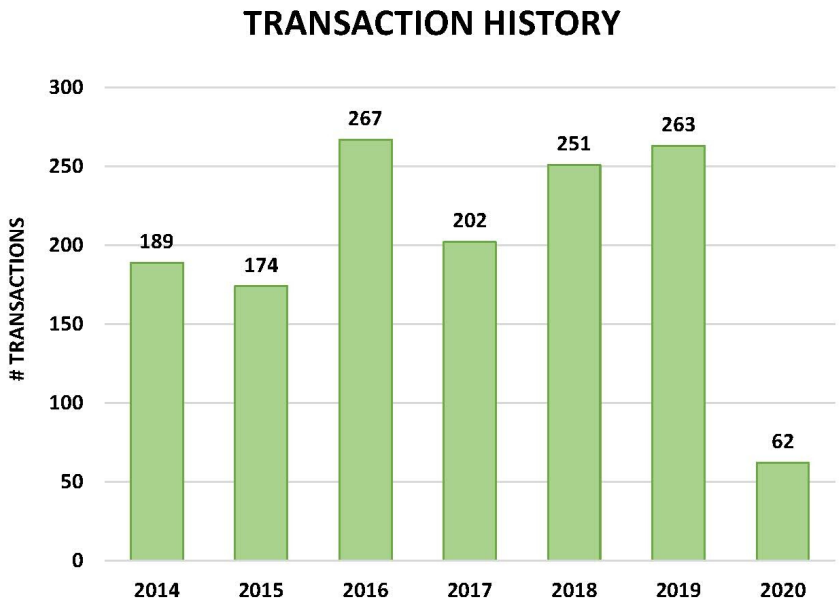
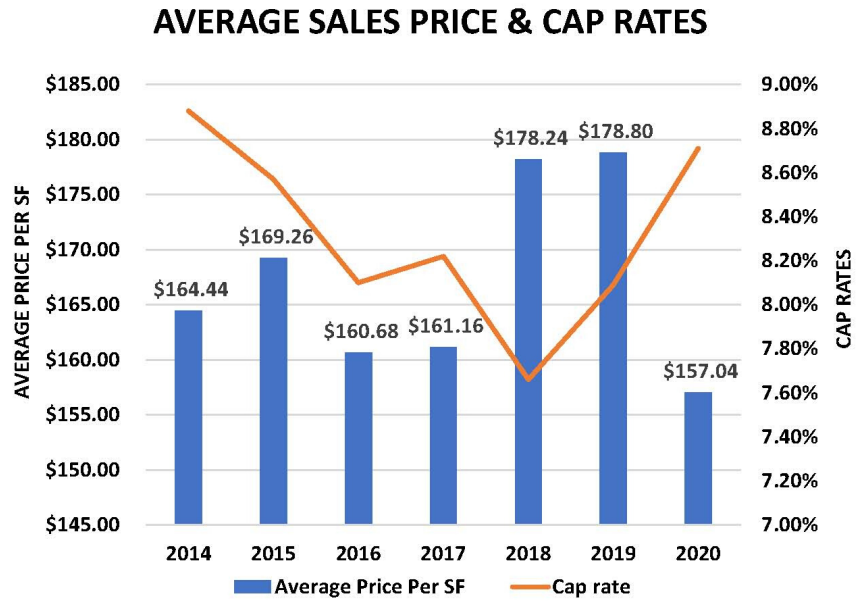
Transaction Volume

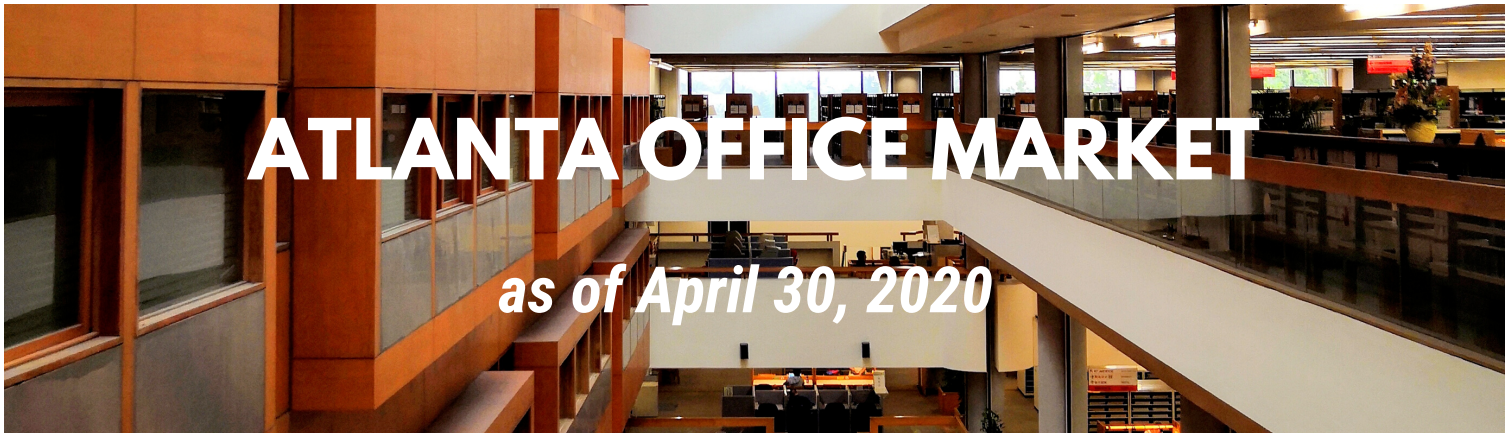


- Annualized Sales Volume is on pace for 186 transactions in 2020 which would be a five year low. This is the first of the indicators beginning to show a negative COVID-19 impact.

Valuation History



- Values are off 12% so far this year.
- Cap rates continued the upward trend started last year reaching 8.71%, just behind the seven year high of 8.88% in 2014.



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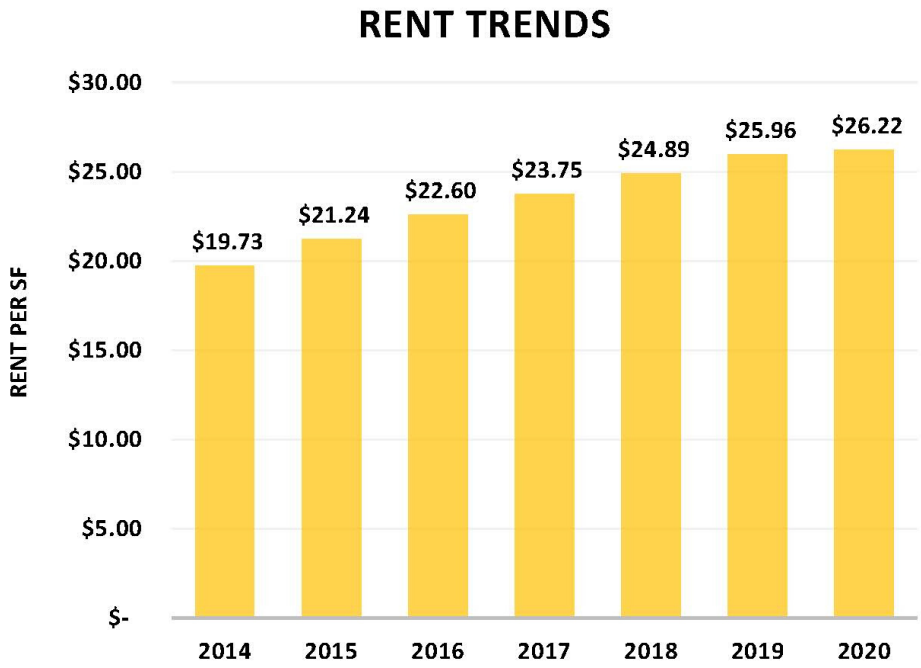
Rent Growth



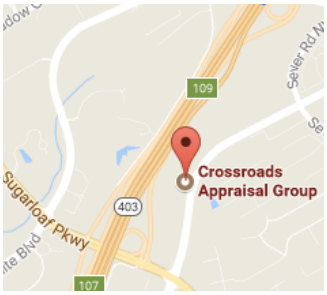
- Despite an increase in the vacancy rate so far this year rents have maintained their upward trend.

CONCLUSION:

The results through the first four months of 2020 for the Atlanta office market are mixed. Sales have slowed, values are down, cap rates are up and vacancies are up but rental rates continue to trend up. Also, new construction combined with the unknown impact on demand from the COVID-19 crisis creates real concern for the office market, at least in the short term. Overall, more data and time is needed to know the full extent of the impact the crisis will have on the office market.

Company Profile

Crossroads Appraisal Group is a respected commercial appraisal firm specializing in the valuation of commercial, industrial, multifamily and special use properties. We serve the greater Atlanta area with offices in Lawrenceville and Vinings. Please reach out to us if we can be of service to you as we would like the chance to meet your valuation needs.



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