ATLANTA

Real Estate Trends

Office Market

Second Quarter 2021

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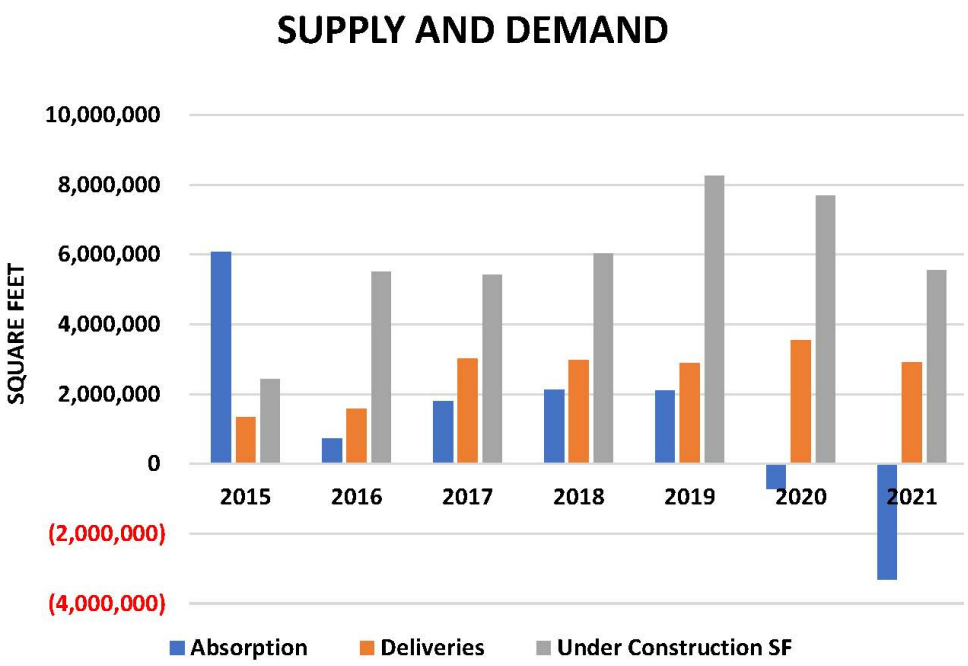
ATLANTA OFFICE MARKET

Second Quarter 2021

QUICK SUMMARY:

- 325.7 million square feet
- Market vacancy rate: 14.3%
- Avg cap rate: 8.48%
- Quoted market rent: $26.79/sf
- Avg 2021 sales price: $196.44/sf

Absorption, Deliveries & Under Construction



- Under Construction remains high while absorption was negative in 2020 and the first half of 2021. This could have a negative affect if the COVID-19 crisis causes a significant change in how companies operate, rethinking office space and permanently moving to a more remote workforce model.

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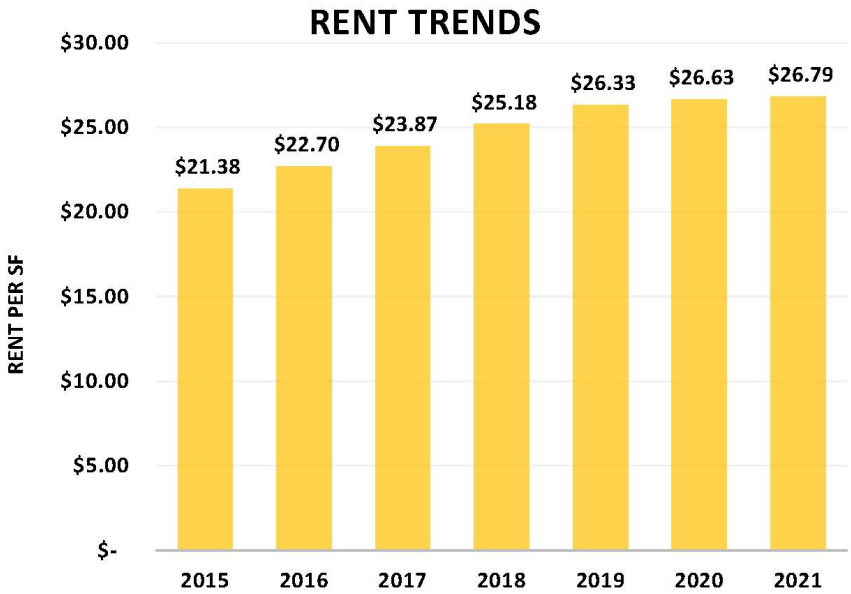
Vacancy Trends

- Vacancy rates have risen significantly in 2020 and 2021. This is a result of new deliveries mixed with the impact of COVID-19.

Rent Growth



- One of the positives in this market segment is the fact that rents have maintained their upward trend, but the rate of growth has slowed significantly.

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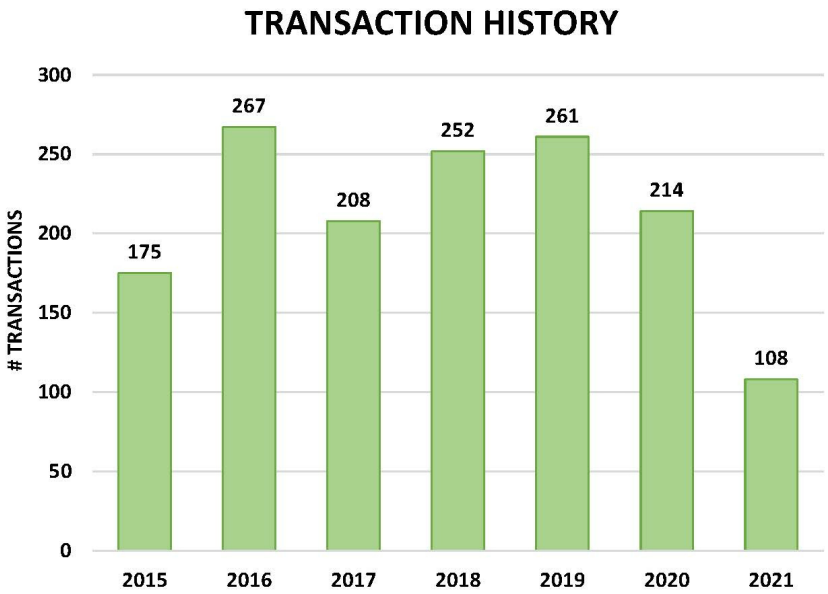
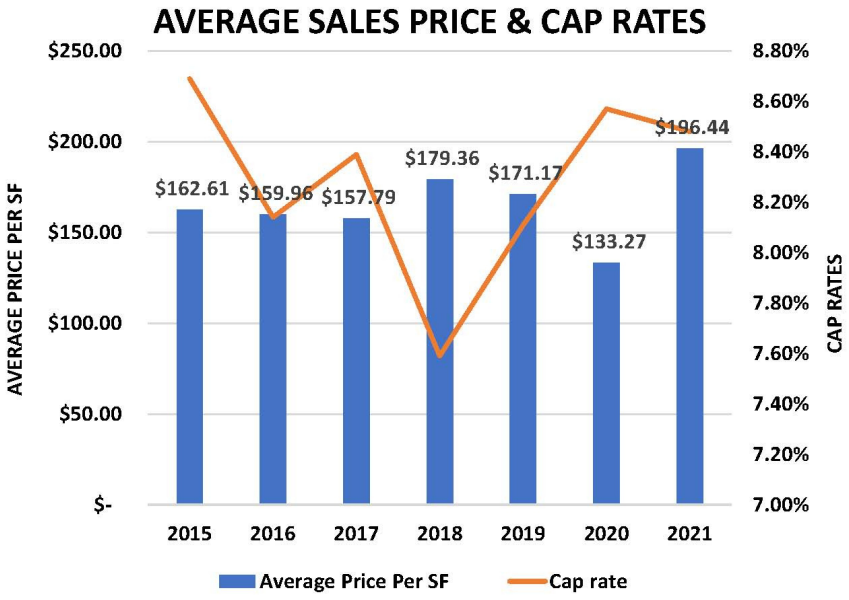
Transaction Volume



- Transaction Volume in 2020 was at the lowest level since 2017 with the first half of 2021 off to a very sluggish start.

Valuation History



- Values were down significantly in 2020 but are way up in the 1st half of 2021 but on very low volume.

- Cap rates reversed the upward trend that started in 2018 falling to 8.48% through the 2nd quarter 2021.

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Summary by Quarter

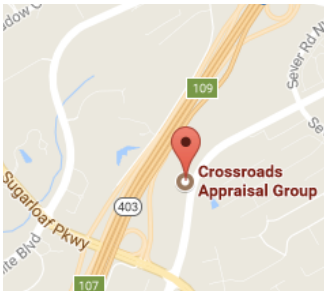
Running 5 Quarters		2020			2021	
		Q2	Q3	Q4	Q1	Q2
Supply	Supply SF	319.6M	321.1M	322.2M	322.9M	325.7M
	Under Construction	6.7M	6.5M	7.2M	7.2M	5.6M
	Deliveries**	500k	200k	500k	709k	2.2M
	Demolitions**	-20k	-20k	0	0	-141k
	Net Absorption**	-461k	51k	-636k	-2.9M	-414k
Sales	Transactions**	24	40	50	33	75
	Average Price Per SF	$154.12	$141.84	$140.69	$214.76	$196.44
	Cap Rate	8.43%	8.64%	8.84%	7.60%	8.48%
Lease	Vacancy	12.0%	12.1%	12.4%	13.7%	14.3%
	Market Rent	$ 26.45	$ 26.50	$ 26.39	$ 26.49	$ 26.79
**Indicates a quarterly number						

CONCLUSION:

The negative impact of COVID 19 continues to show in the office data. In 2021, values and rent are up but absorption, vacancy rates and transaction volume are trending negative. Also, increased deliveries combined with the impact on demand from the COVID-19 crisis creates real concern for the office market. Overall, and as shown above, the last two quarters were overall rough quarters for the office market which is different from other market segments that are in full fledge recovery. Overall, more data and time is needed to know the full extent of the impact the crisis will have on the office market but the current signs are not good.

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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