



ATLANTA

Real Estate Trends

Office Market

First Quarter 2023

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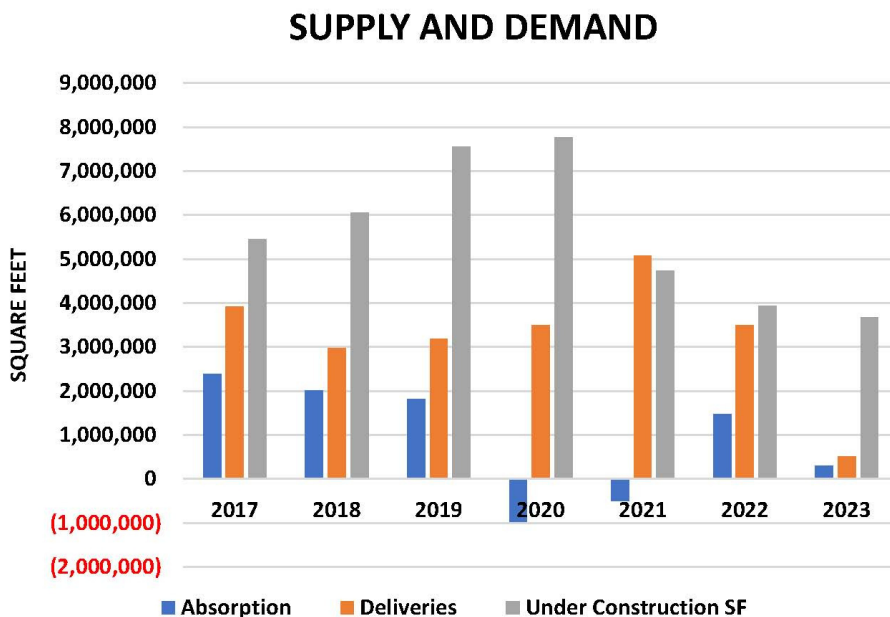
ATLANTA OFFICE MARKET

First Quarter 2023

QUICK SUMMARY:

- 334.2 million square feet
- Market vacancy rate: 14.1%
- Avg cap rate: 7.85%
- Quoted market rent: \$27.90/sf
- Avg sales price: \$131.10/sf

Absorption, Deliveries & Under Construction



- New Construction and slow absorption paired with the COVID-19 shift in how companies operate, rethinking office space and moving to a more remote workforce model, appear to be a significant concern.



ATLANTA OFFICE MARKET

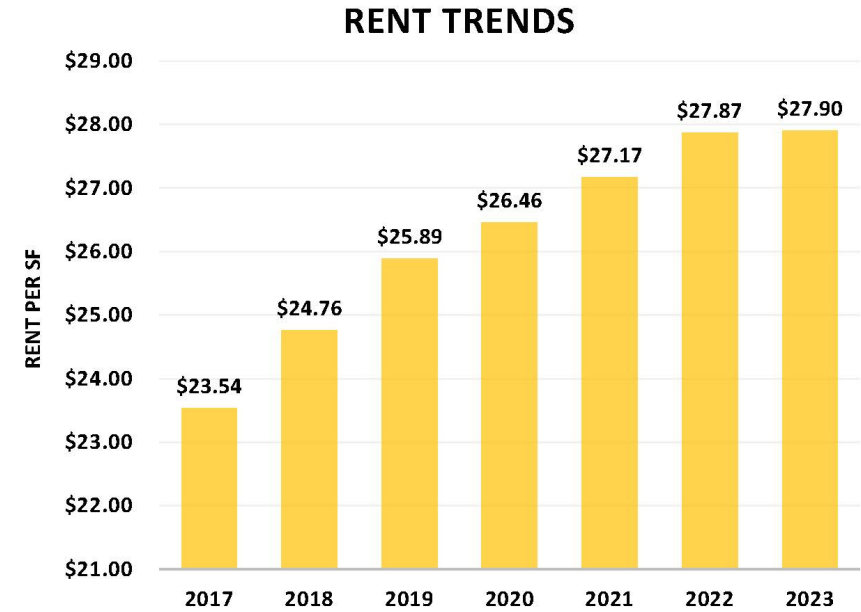
First Quarter 2023

Vacancy Trends

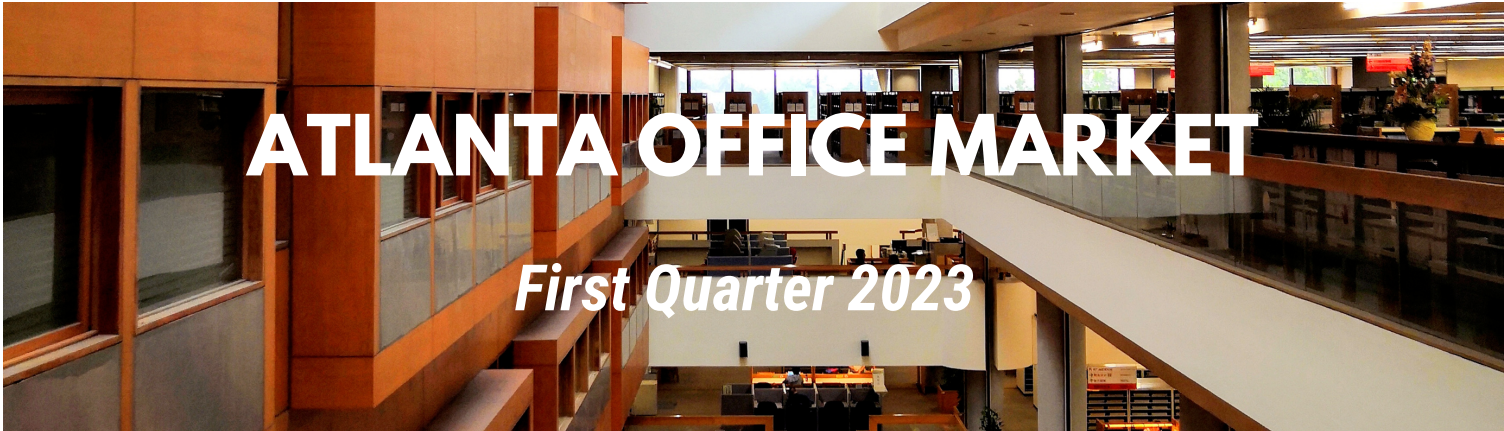


- Vacancy rates had been trending up since 2019 but flattened out in 2021.

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 and is well below current inflation rates.

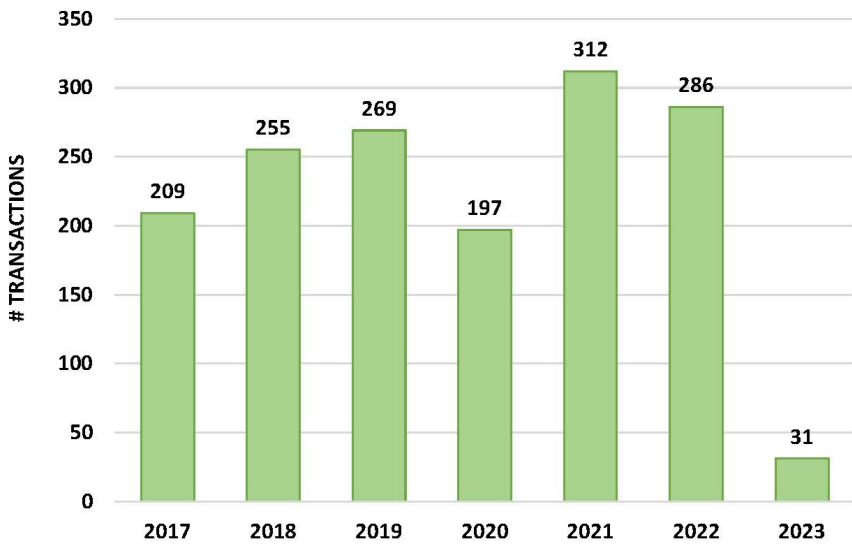


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First Quarter 2023

Transaction Volume

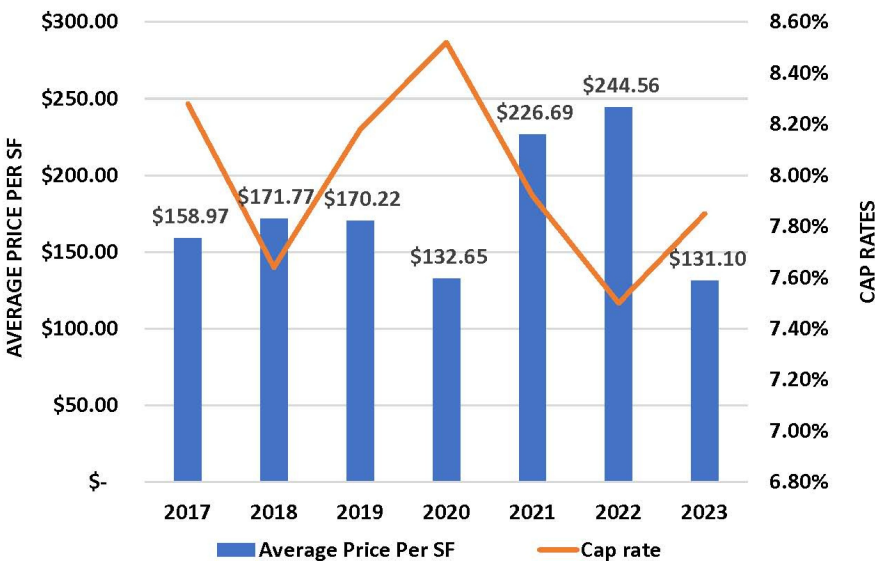
TRANSACTION HISTORY



- Transaction volume in 2020 was at the lowest level since 2017. However, 2021 set a seven year high mark with 2022 being the second highest year of the data set. Volume is slow in Q1 2023.

Valuation History

AVERAGE SALES PRICE & CAP RATES



- Values in Q1 2023 are at a seven year low, down 46% from the seven year high recorded in 2022.
- Cap rates increased significantly in Q1 2023 after recording a seven year low in 2022.



Summary by Quarter

Running 12 Quarters		2020			2021				2022				2023
		Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Supply	Supply SF	319.6M	321.1M	322.2M	322.9M	325.7M	329.7M	332.3M	332.5M	333M	335M	334.5M	334.2M
	Under Construction	6.7M	6.5M	7.2M	7.2M	5.6M	4.7M	4.9M	5.8M	5.4M	3.8M	4.5M	3.7M
	Deliveries**	500k	200k	500k	709k	2.2M	1.7M	600k	70k	949k	2.1M	340k	510k
	Demolitions**	-20k	-20k	0	0	-141k	-61k	-95k	-384k	-275k	-383k	-514k	-519k
	Net Absorption**	-461k	51k	-636k	-2.9M	-414k	3.0M	636k	-1.1M	2.6M	-361k	513k	305k
Sales	Transactions**	24	40	50	33	75	81	82	47	72	60	69	31
	Average Price Per SF	\$154.12	\$141.84	\$140.69	\$214.76	\$196.44	\$211.24	\$266.73	\$243.75	\$222.62	\$237.94	\$238.99	\$131.10
	Cap Rate	8.43%	8.64%	8.84%	7.60%	8.48%	7.93%	8.15%	6.35%	7.71%	7.35%	7.66%	7.85%
Lease	Vacancy	12.0%	12.1%	12.4%	13.7%	14.3%	13.8%	13.8%	14.0%	13.8%	14.2%	14.1%	14.1%
	Market Rent	\$ 26.45	\$ 26.50	\$ 26.39	\$ 26.49	\$ 26.79	\$ 26.93	\$ 27.05	\$ 27.09	\$ 26.93	\$ 27.45	\$ 27.68	\$ 27.90

**Indicates a quarterly number

CONCLUSION:

The negative impact of COVID 19 continues to show in the office data. While 2022 recorded positive net absorption for the first time in three years and other positive signs for the office market, all the positive momentum appears to have been lost in Q1 2023 as rising interest rates and tightening credit markets appear to be negatively impacting the office market. Overall, the office market continues to lag behind other market segments.

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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