



ATLANTA

Real Estate Trends

Office Market

Second Quarter 2023

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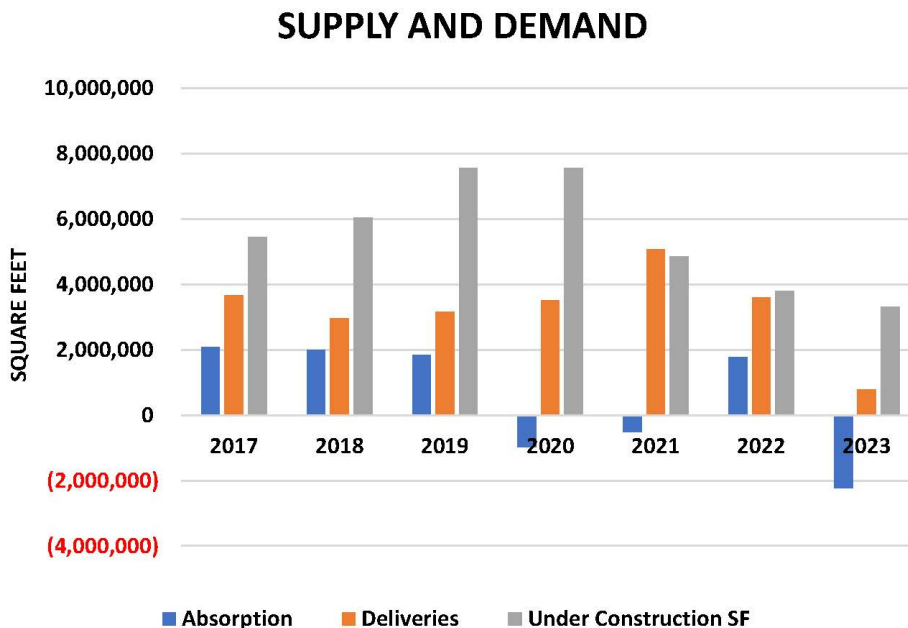
ATLANTA OFFICE MARKET

Second Quarter 2023

QUICK SUMMARY:

- 335.8 million square feet
- Market vacancy rate: 14.7%
- Avg cap rate: 7.24%
- Quoted market rent: \$28.08/sf
- Avg sales price: \$140.69/sf

Absorption, Deliveries & Under Construction



- New Construction and a return to negative absorption is of significant concern as COVID-19 shifted how companies operate, rethinking office space and moving to a more remote workforce model.



ATLANTA OFFICE MARKET

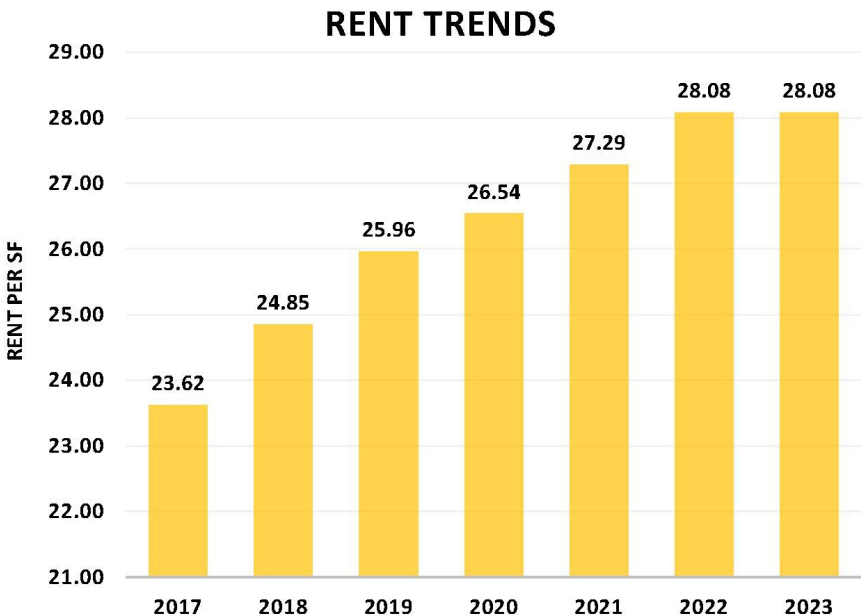
Second Quarter 2023

Vacancy Trends



- Vacancy rates were trending up from 2019 to 2021, stabilized for a year and have had a significant increase in the first half of 2023.

Rent Growth



- One of the positives in this market segment had been that rents had maintained their upward trend from 2017-2022. However, the rate of growth was slowing and has now flattened in the first half of 2023.

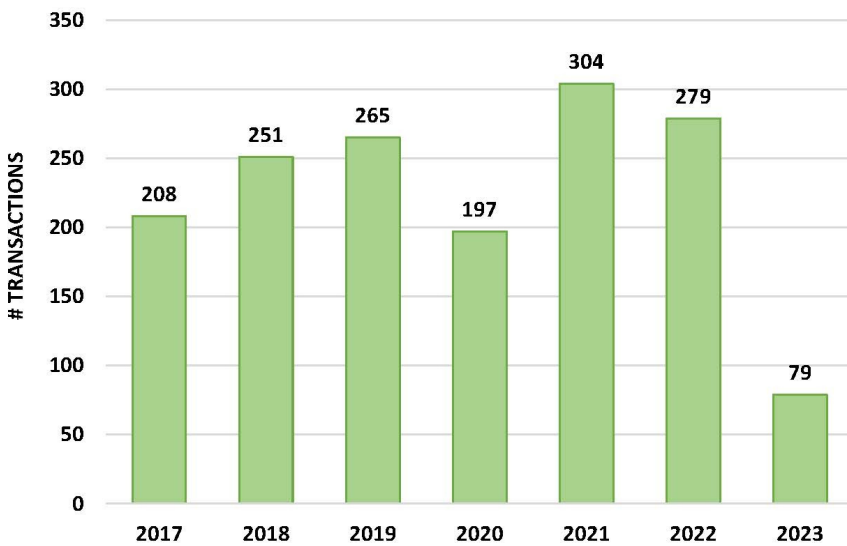


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Transaction Volume

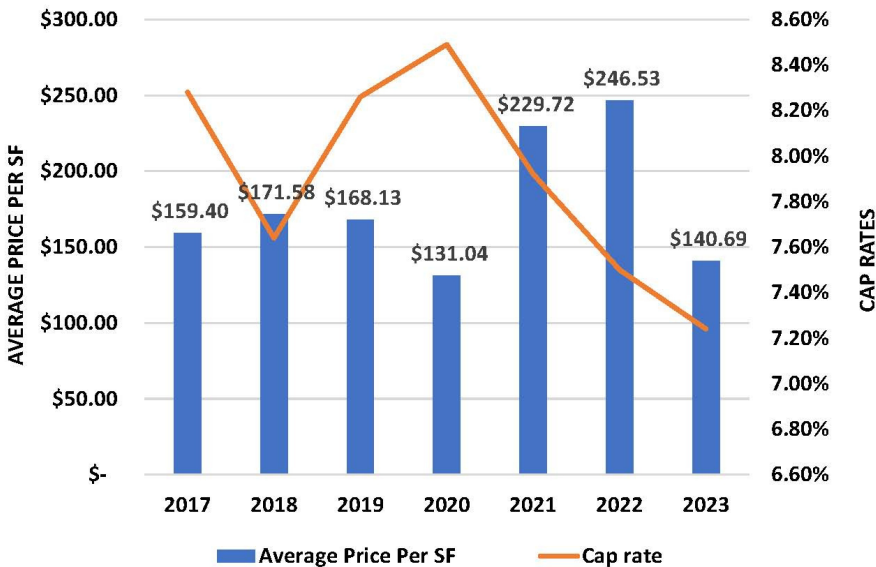
TRANSACTION HISTORY



- 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 the first half of 2023 on pace for 158 transactions.

Valuation History

AVERAGE SALES PRICE & CAP RATES



- Values in the first half of 2023 are near a seven year low, down 43% from the seven year high recorded in 2022.
- However, cap rates continue to compress.



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Summary by Quarter

Running 13 Quarters		2020			2021				2022				2023	
		Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
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	335.8M
	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	3.3M
	Deliveries**	500k	200k	500k	709k	2.2M	1.7M	600k	70k	949k	2.1M	340k	510k	281k
	Demolitions**	-20k	-20k	0	0	-141k	-61k	-95k	-384k	-275k	-383k	-514k	-519k	-65k
	Net Absorption**	-461k	51k	-636k	-2.9M	-414k	3.0M	636k	-1.1M	2.6M	-361k	513k	305k	-2.5M
Sales	Transactions**	24	40	50	33	75	81	82	47	72	60	69	31	48
	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	\$ 140.69
	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%	7.24%
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%	14.7%
	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	\$ 28.08

**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 the first half of 2023 as rising interest rates and tightening credit markets appear to be negatively impacting the office market. Overall, there are real concerns for the office market as it 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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