



# ATLANTA

## Real Estate Trends

### Office Market

*Third Quarter 2023*

For more information, visit our website: [www.GrossroadsAppraisalGroup.com](http://www.GrossroadsAppraisalGroup.com)

# ATLANTA OFFICE MARKET

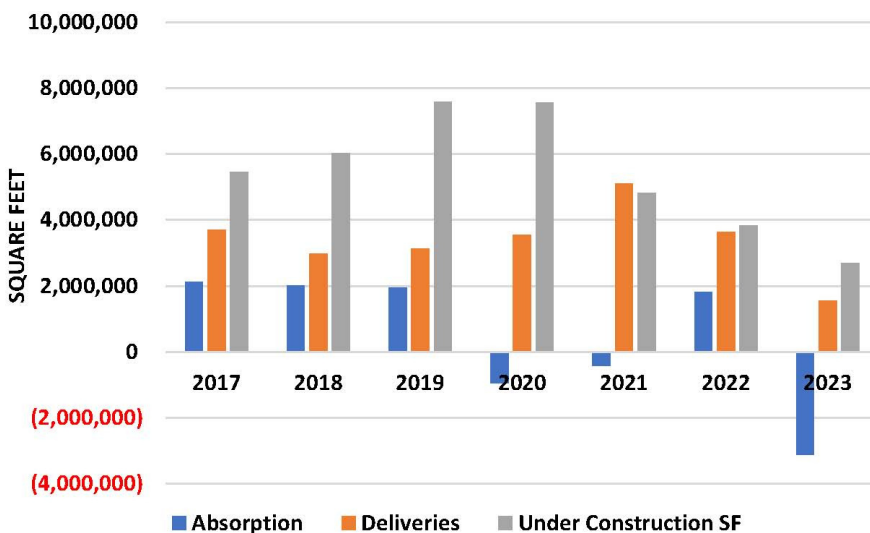
Third Quarter 2023

## QUICK SUMMARY:

- 336.9 million square feet
- Market vacancy rate: 15.0%
- Avg cap rate: 7.53%
- Quoted market rent: \$28.21/sf
- Avg sales price: \$157.49/sf

### Absorption, Deliveries & Under Construction

#### SUPPLY AND DEMAND



- 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.

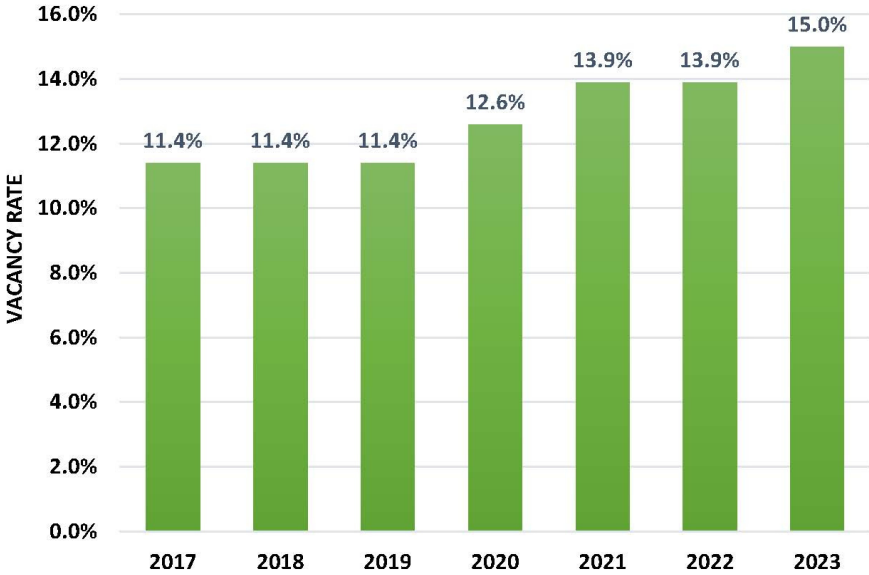


# ATLANTA OFFICE MARKET

Third Quarter 2023

## Vacancy Trends

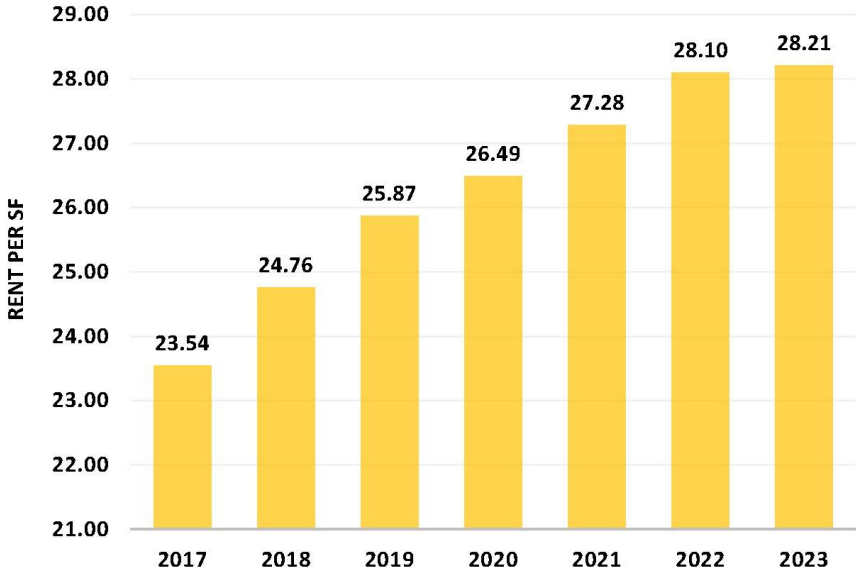
### VACANCY



- Vacancy rates were trending up from 2019 to 2021, stabilized in 2022 with a significant increase in 2023.

## Rent Growth

### RENT TRENDS



- 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 has slowed significantly in 2023.

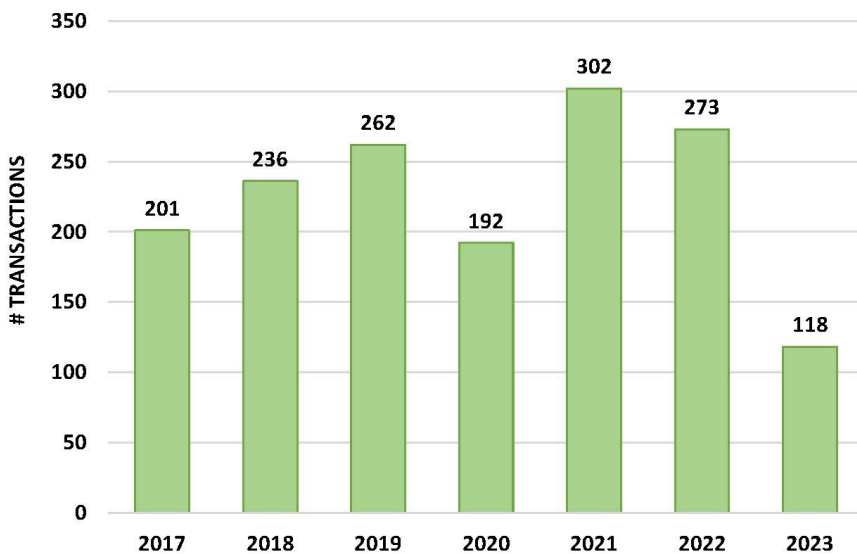


# ATLANTA OFFICE MARKET

Third Quarter 2023

## Transaction Volume

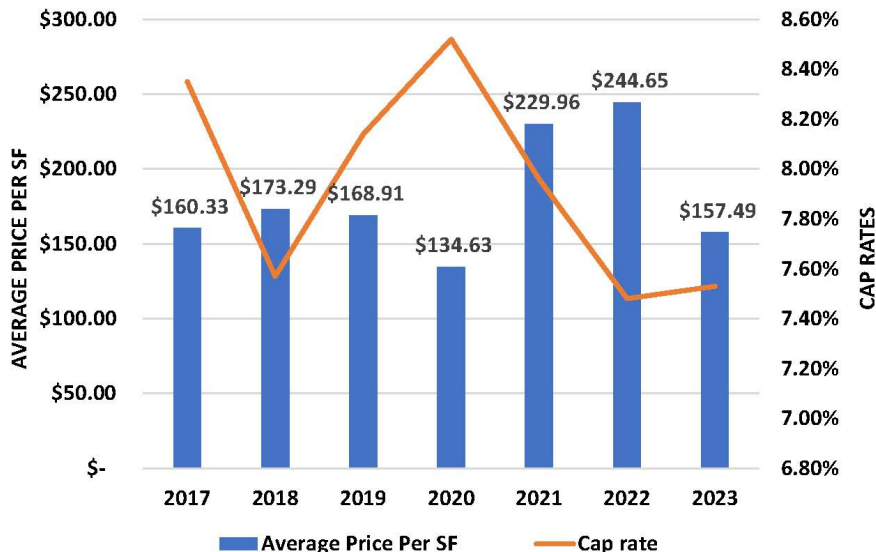
TRANSACTION HISTORY



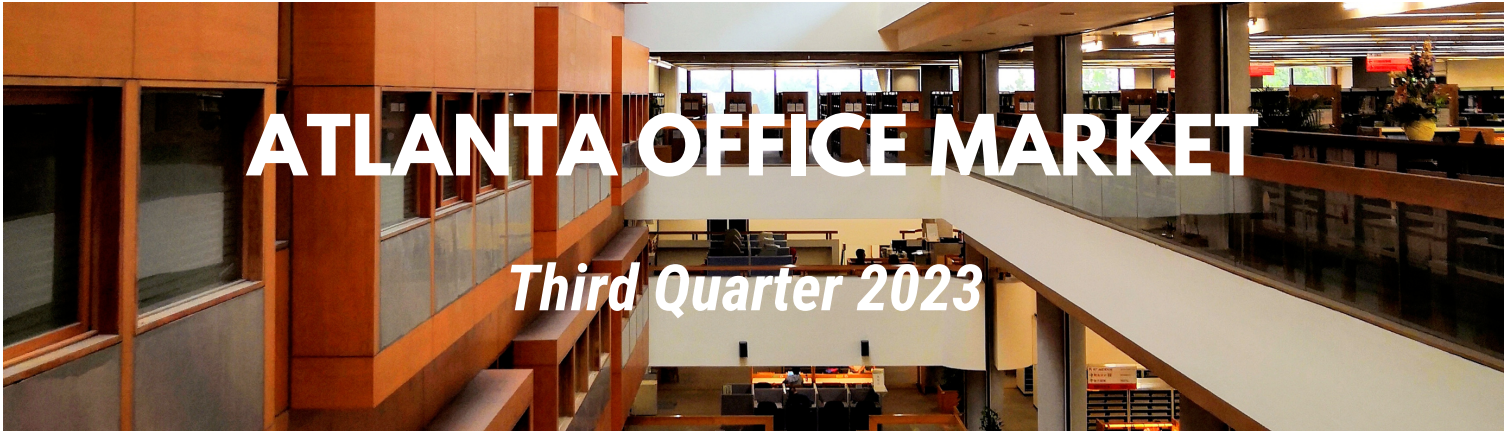
- Transaction volume in 2020 was at the lowest level since 2017. However, 2021 set a seven year high mark with 2022 being the second highest year of the data set. Volume is slow thru the 3rd quarter 2023 which is on pace for 157 transactions.

## Valuation History

AVERAGE SALES PRICE & CAP RATES



- Values thru the 3rd quarter 2023 are near a seven year low, down 36% from the seven year high recorded in 2022.
- Furthermore, cap rates are starting to trend upwards.



# ATLANTA OFFICE MARKET

Third Quarter 2023

## Summary by Quarter

		2020	2021	2022				2023		
		Q4	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Supply	Supply SF	322.2M	332.3M	332.5M	333M	335M	334.5M	334.2M	335.8M	336.9M
	Under Construction	7.2M	4.9M	5.8M	5.4M	3.8M	4.5M	3.7M	3.3M	2.7M
	Deliveries**	500k	600k	70k	949k	2.1M	340k	510k	281k	754k
	Demolitions**	0	-95k	-384k	-275k	-383k	-514k	-519k	-65k	-58k
	Net Absorption**	-636k	636k	-1.1M	2.6M	-361k	513k	305k	-2.5M	-890k
Sales	Transactions**	50	82	47	72	60	69	31	48	39
	Average Price Per SF	\$ 140.69	\$ 266.73	\$ 243.75	\$ 222.62	\$ 237.94	\$ 238.99	\$ 131.10	\$ 140.69	\$ 157.49
	Cap Rate	8.84%	8.15%	6.35%	7.71%	7.35%	7.66%	7.85%	7.24%	7.53%
Lease	Vacancy	12.4%	13.8%	14.0%	13.8%	14.2%	14.1%	14.1%	14.7%	15.0%
	Market Rent	\$ 26.39	\$ 27.05	\$ 27.09	\$ 26.93	\$ 27.45	\$ 27.68	\$ 27.90	\$ 28.08	\$ 28.21

\*\*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 three quarters 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.



## Lawrenceville Office

1755 North Brown Road  
Suite #200-2046  
Lawrenceville, Georgia 30043



## Kennesaw Office

125 TownPark Drive  
Suite 300  
Kennesaw, Georgia 30144



## Casey Lyon, MAI

President,  
Crossroads Appraisal Group

Contact Info:  
(404) 724-5110  
Casey@CrossroadsAppraisalGroup.com



## Kevin Lyon, MAI

Certified General Appraiser  
Principal of Vinings Office

Contact Info:  
(404) 382-9876  
Kevin@CrossroadsAppraisalGroup.com

*The preceding information was compiled by Crossroads Appraisal Group Inc. (CAG) from information obtained by Costar. CAG & CoStar may revise reported quarterly and final year-end figures. Reproduction in whole or part is permitted only with the written consent of CAG. Some of the data in this report has been gathered from third party sources and has not been independently verified by CAG. CAG makes no warranties or representations as to the completeness or accuracy thereof.*