

ATLANTA MEDICAL OFFICE MARKET

Q3 2023

TRENDLINES

	Q3 2023	Q3 2022	ONE-YEAR TREND	FIVE-YEAR AVERAGE	12-MONTH FORECAST
UNEMPLOYMENT RATE	3.4	3.0	↑	3.9	↑
NET ABSORPTION (THOUSANDS SF)	83.8	(31.4)	↑	59.6	↑
OVERALL VACANCY RATE	10.9%	10.7%	↑	10.8%	↓
OVERALL VACANT SF (MSF)	3.1	3.0	↑	3.0	↓
UNDER CONSTRUCTION (MSF)	0.2	0.5	↓	0.3	↓
ASKING RENT, FULL SERVICE (PSF)	\$25.98	\$25.67	↑	\$24.52	↑
SALES VOLUME (MILLIONS)	\$56.4	\$330.7	↓	\$113.7	↑

Source: Bureau of Labor Statistics, CoStar, Real Capital Analytics, Transwestern

SOLID FUNDAMENTALS, STRONG Q3 FOR ATLANTA MEDICAL OFFICE MARKET

The Atlanta medical office market, which has seen good leasing activity over the past two years, posted its fourth-consecutive quarter with positive absorption, adding 83,817 SF across Class A and B properties. The market has seen positive absorption of 308,262 SF over the past four quarters, dating back to Q4 of 2022. Northeast Atlanta, South Atlanta, and Buckhead have been the best-performing submarkets during that period.

The market's vacancy rate was unchanged in Q3 2023 at 10.9%, while asking rents saw a 0.7% drop this quarter. The construction pipeline saw four buildings deliver with 246,195 SF remaining under construction.

The long-term outlook for Atlanta is strong thanks to great population and medical job growth, and steady construction groundbreakings and leasing momentum over the past two years. Atlanta has seen a great trajectory of medical office job growth over the past 5-10 years, highlighted by adding 8,300 medical jobs over the past year, outpacing the national growth rate.

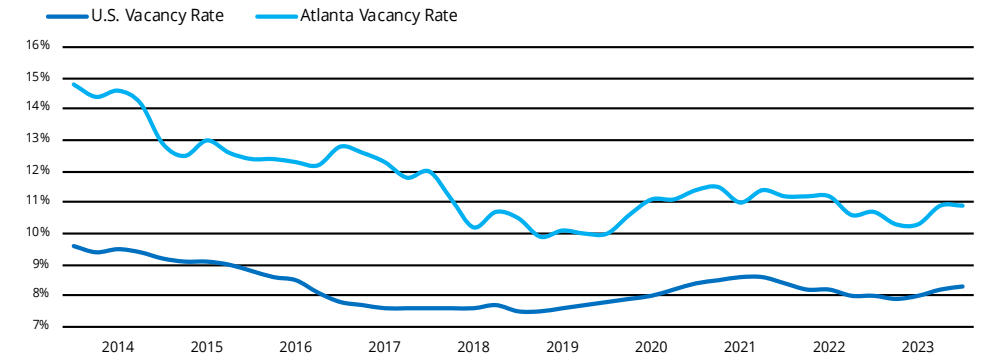


VACANCY

Vacancy Rate Unchanged in Q3 Amid Deliveries, Positive Absorption

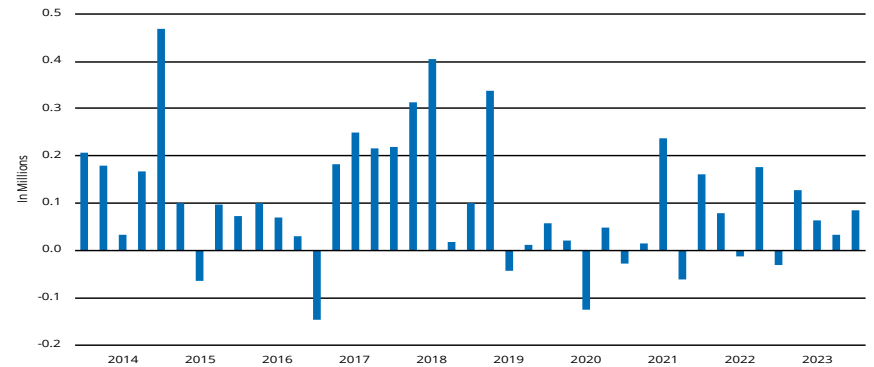
- The Atlanta medical office overall vacancy rate was unchanged in Q3 of 2023, holding steady at 10.9% across Class A and B properties. Year-over-year the market’s vacancy rate has risen 20 basis points from 10.7%.
- Q3 2023 saw positive absorption of 83,817 SF across the entire market, the fourth-consecutive quarter of positive absorption for Atlanta. This brought the year-to-date absorption figure to a gain of 180,431 SF thus far in 2023. These absorption gains were balanced out by 106,042 SF of new supply hitting the market’s inventory, holding the vacancy figure steady in Q3 2023. With solid leasing momentum and a shrinking construction pipeline, Atlanta’s vacancy rate should fall in the coming quarters. The market reached a five-year vacancy height of 11.5% in Q4 of 2020 and has been steadily declining since.
- Most submarkets have a rate near to the market average, with Midtown/ Downtown a notable outlier at just a 0.6% overall vacancy rate. Vacancy is higher in the suburbs, with North Fulton/Forsyth and Northeast boasting the highest rates in the market at 16.8% and 16.7% respectively.

OVERALL VACANCY RATE



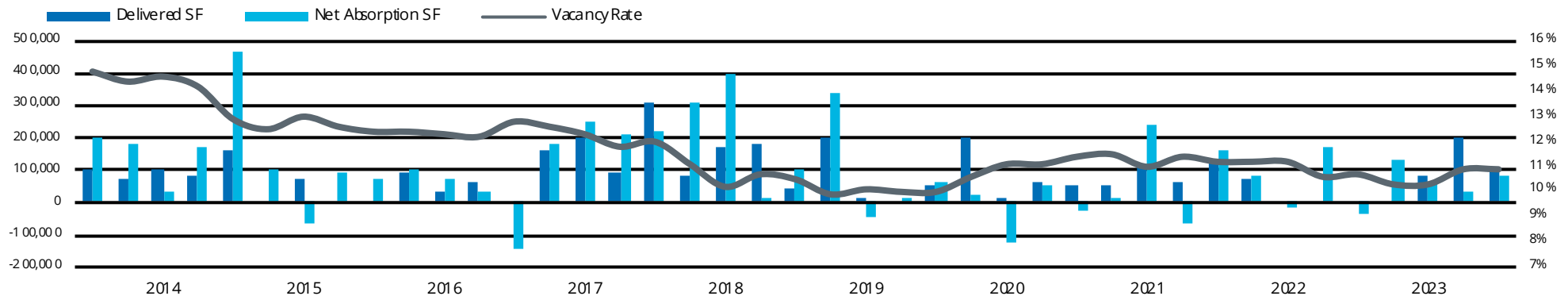
Source: CoStar, Transwestern

NET ABSORPTION



Source: CoStar, Transwestern

DELIVERY IMPACT ON KEY INDICATORS



Source: CoStar, Transwestern

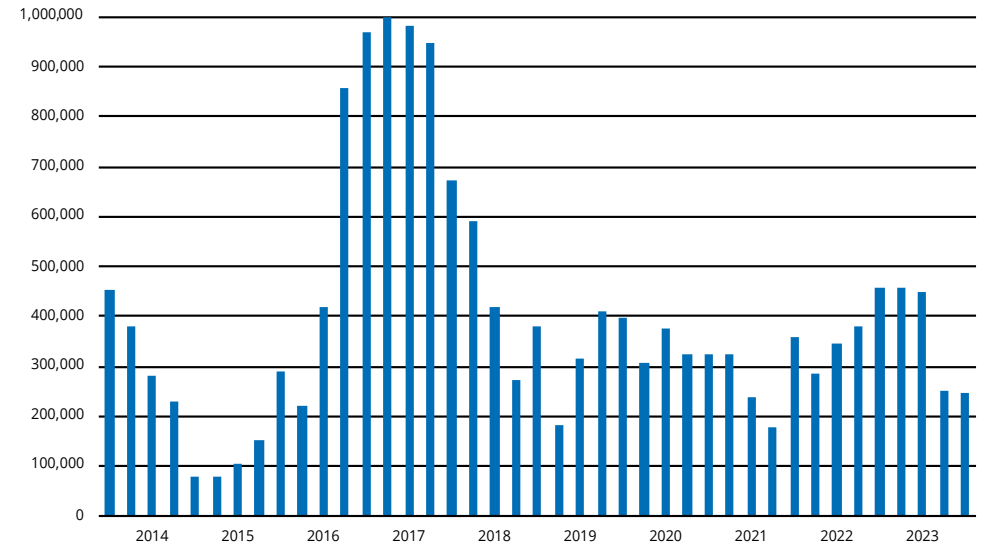


CONSTRUCTION

Four Buildings Deliver, One Breaks Ground in Q3

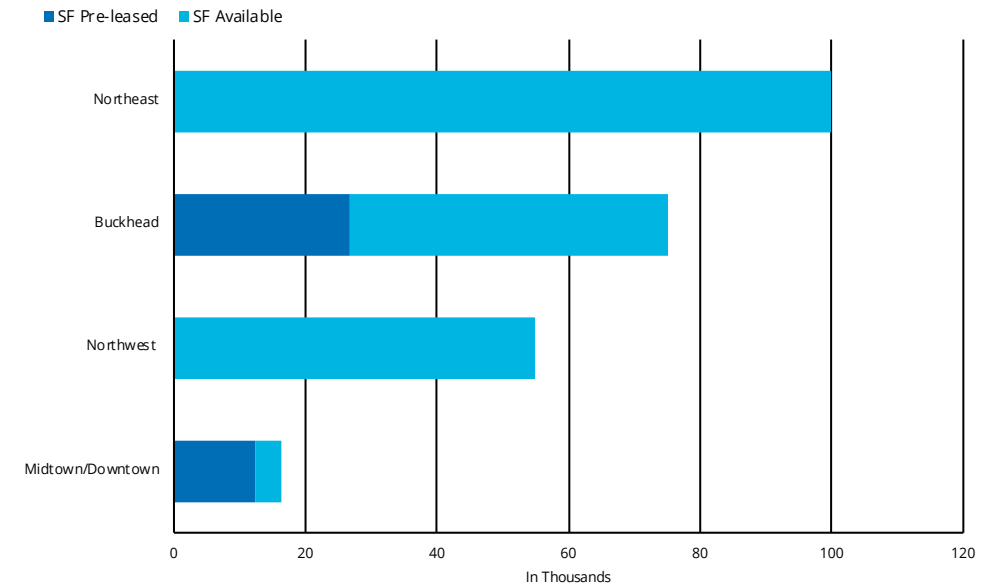
- There are currently four buildings totaling 246,195 SF under construction across the Atlanta medical office market. Q3 2023 saw four buildings totaling a combined 105,398 SF deliver. Under construction space is currently at least 16% pre-leased across the market.
- Three of the four new deliveries were in the Northeast Atlanta submarket, including 2306 Wisteria Dr – NSH Snellville MOB, the largest Q3 2023 delivery at 45,000 SF. The property is located in The Grove at Towne Center in downtown Snellville and is currently 79% leased.
- The only property to break ground in Q3 was at 2757 Buford Dr, also in the Northeast Atlanta submarket. The 100,000 SF building is being developed by Realty Trust Group, and is scheduled to deliver in Q2 of 2024.
- With the pipeline slowing down, there is just one property scheduled to deliver in Q4 of 2023, the Darlington Medical Center in the Buckhead submarket.
- Pipeline:
 - o Darlington Medical Center: 75,000 SF, Q4 2023.
 - o 525 Moreland Ave SE – The Lodge: 16,195 SF, Q1 2024.
 - o 65 Cloverleaf Dr: 55,000 SF, Q1 2024.
 - o 2757 Buford Dr: 100,000 SF, Q2 2024.

UNDER CONSTRUCTION



Source: CoStar, Transwestern

UNDER CONSTRUCTION BY SUBMARKET



Source: CoStar, Transwestern

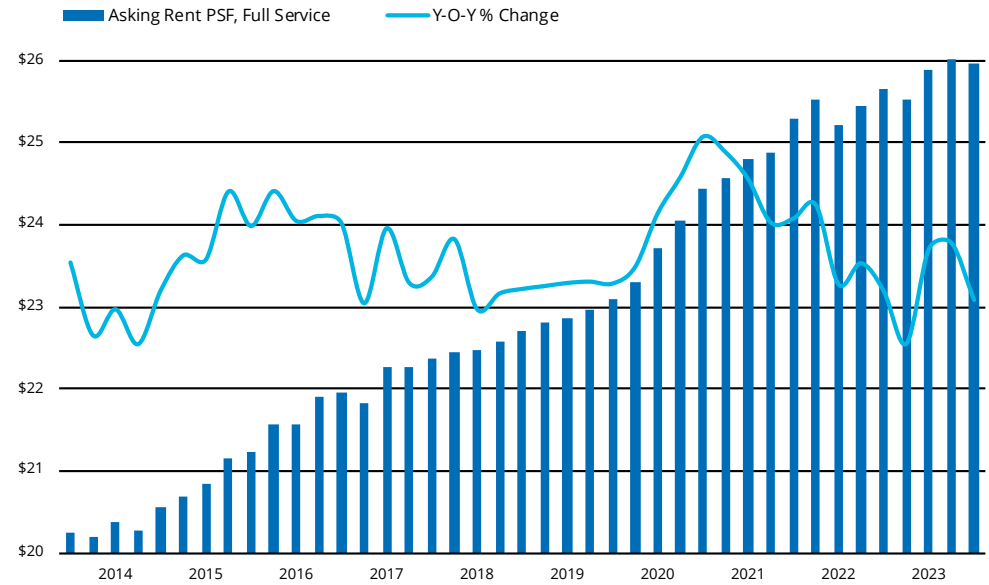


RENTAL RATES

Asking Rents Fall in Q3

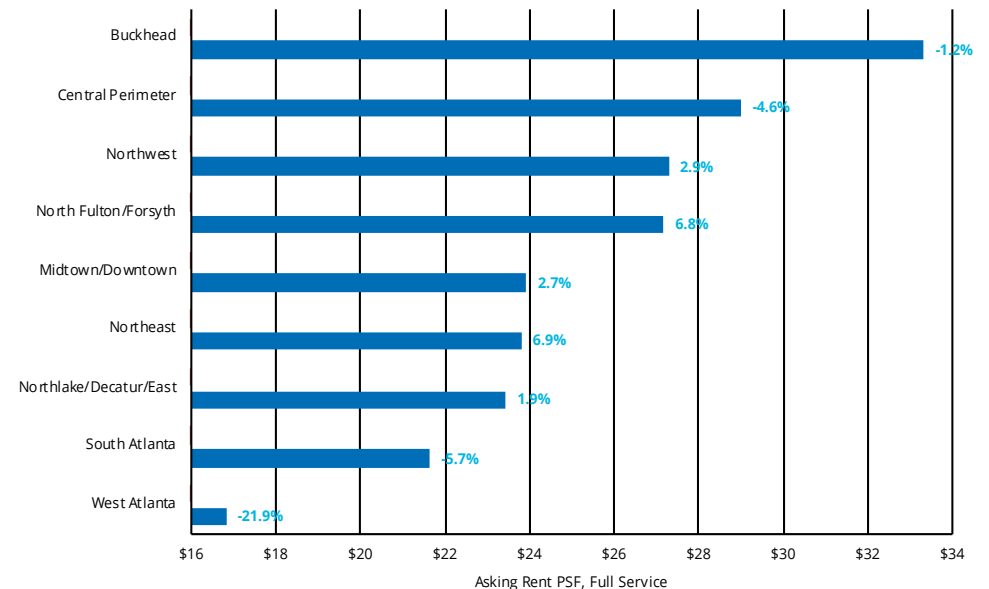
- The average medical office asking rent in Atlanta fell slightly in Q3 2023, falling \$0.18 (0.7%) from \$26.16 to \$25.98. Rents are still rising on a year-over-year basis, currently sitting at a 1.2% increase since Q3 of 2022.
- The most impactful rental rate decreases over the past year have come in Central Perimeter and South Atlanta. Central Perimeter’s average asking rate has fallen 4.6% in that time period from \$30.40 to \$29.00, while South Atlanta’s rate has seen a similar decrease, dropping 5.7% from \$22.96 to \$21.64.
- Rents are highest in Buckhead and Central Perimeter, at \$33.33/SF and \$29.00/SF respectively. Buckhead too has seen a decline in rental rate over the past year, with a smaller 1.2% drop from \$33.74 to \$33.33.
- North Fulton/Forsyth and Northeast Atlanta have seen the largest rate increases in the market, with 6.9% and 6.8% year-over-year rises respectively. These rises can be attributed to falling vacancy rates in both submarkets, as well as the delivery of premium Class A product.
- Atlanta’s average rental rate is expected to increase in the coming quarters as space across the market continues to lease up: falling vacancy rates will encourage landlords to raise rents. .

ASKING RENT



Source: CoStar, Transwestern

ASKING RENTS BY SUBMARKET AND Y-O-Y GROWTH





Source: CoStar, Transwestern

MARKET INDICATORS


Class A + B | Q3 2023

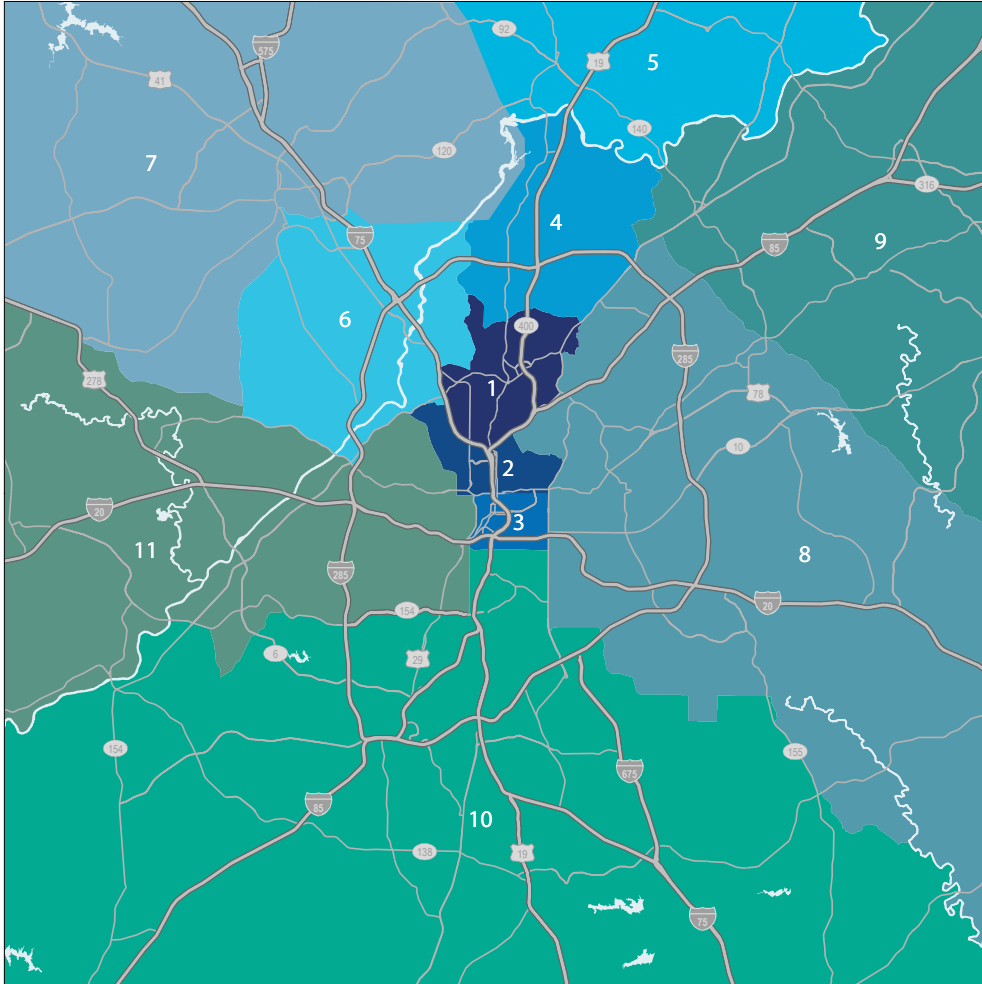
SUBMARKET	INVENTORY SF	DIRECT VACANT SF	DIRECT VACANCY RATE	SUBLEASE VACANT SF	OVERALL VACANCY RATE	UNDER CONSTRUCTION SF	NET ABSORPTION SF	YTD NET ABSORPTION SF	ASKING RENT PSF, FULL SERVICE
BUCKHEAD	1,757,060	90,316	5.1%	8,610	5.6%	75,000	20,451	33,859	\$33.33
MIDTOWN/DOWNTOWN	1,494,322	9,099	0.6%	2,391	0.8%	16,195	0	1,051	\$23.93
CENTRAL PERIMETER	3,623,757	406,304	11.2%	37,173	12.2%	0	(5,181)	(75,424)	\$29.00
NORTH FULTON/FORSYTH	4,560,728	692,994	15.2%	72,685	16.8%	0	(23,960)	(20,232)	\$27.18
NORTHEAST	3,199,809	521,259	16.3%	13,610	16.7%	100,000	69,572	159,752	\$23.81
NORTHLAKE/DECATUR/EAST	4,055,945	451,725	11.1%	5,299	11.3%	0	(14,475)	(47,831)	\$23.37
NORTHWEST	5,315,943	337,305	6.3%	32,448	7.0%	55,000	8,964	17,138	\$27.29
SOUTH ATLANTA	3,597,011	390,596	10.9%	10,821	11.2%	0	30,187	102,847	\$21.64
WEST ATLANTA	966,720	27,348	2.8%	0	2.8%	0	(1,741)	9,271	\$16.82
TOTAL	28,571,295	2,926,946	10.2%	183,037	10.9%	246,195	83,817	180,431	\$25.98

NOTABLE LEASES

TENANT	PROPERTY	SUBMARKET	TYPE	SF LEASED
EMORY - HOPE CLINIC	Winn Medical Center - Bldg 2	Northlake/Decatur/East	Renewal	17,828
EYESOUTH	Ultima at Eagles Landing	South Atlanta	New Lease	11,695
NORTHSIDE 	Prestley Mill Medical Center	West Atlanta	Renewal	9,500
GEORGIA SKIN SPECIALISTS 	Darlington Medical Center	Buckhead	New Lease	8,520
PIEDMONT HEALTHCARE	Cartersville Physicians Center	Northwest Atlanta	New Lease	6,545

NOTABLE SALES

PROPERTY	SUBMARKET	SALES PRICE	BUILDING SF	PRICE PSF	BUYER	SELLER
874 W LANIER AVE	South Atlanta	\$12,159,680	40,063	\$303	James Edge III	Flagship Healthcare Properties
2976 CHAPEL HILL RD 	West Atlanta	\$11,212,573	26,216	\$427	LOR Inc	Wilson Development Group
HURRICANE SHOALS PROFESSIONAL BLDG	Northeast	\$11,100,000	43,500	\$255	Anchor Health Properties	PAI Industries
4769-4797 S MAIN ST - ACWORTH	Northwest	\$8,775,000	39,169	\$224	SG Property Services	American Healthcare REIT
HURRICANE SHOALS PAVILION	Northeast	\$8,600,000	44,987	\$191	SG Property Services	Blackstone
LAKESIDE PROF. CENTER AT SUGARLOAF	Northeast	\$7,650,000	23,532	\$325	OrbVest	Diagnostic Ventures



Atlanta Office Submarkets

- 1 Buckhead
- 2 Midtown
- 3 Downtown
- 4 Central Perimeter
- 5 North Fulton
- 6 Cumberland/Galleria
- 7 Kennesaw/Town Center
- 8 Northlake/Decatur
- 9 Northeast
- 10 South Atlanta
- 11 West Atlanta

RESEARCH METHODOLOGY

The information in this report is the result of a compilation of information on key for lease medical office properties located in the Atlanta metropolitan area. We compile our quarterly statistics based on a defined inventory of medical office buildings of 15,000 SF or more in size.

FOR MORE INFORMATION

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