

# ATLANTA MEDICAL OFFICE MARKET

Q1 2024

## TRENDLINES

	Q1 2024	Q1 2023	ONE-YEAR TREND	FIVE-YEAR AVERAGE	12-MONTH FORECAST
UNEMPLOYMENT RATE	2.8	2.6	↑	3.8	↑
NET ABSORPTION (THOUSANDS SF)	154.6	99.5	↑	63.5	↑
OVERALL VACANCY RATE	9.6%	10.4%	↓	10.6%	↓
OVERALL VACANT SF (MSF)	3.0	3.0	↔	3.0	↓
UNDER CONSTRUCTION (MSF)	0.2	0.4	↓	0.4	↓
ASKING RENT, FULL SERVICE (PSF)	\$27.37	\$25.73	↑	\$24.76	↑
SALES VOLUME (MILLIONS)	\$384.0	\$47.7	↑	\$121.6	↑

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

### STRONG START TO 2024 FOR ATLANTA MEDICAL OFFICE MARKET

The Atlanta medical office market started off 2024 with yet another positive quarter, seeing 154,592 SF of positive absorption and a 60 basis point decrease in overall vacancy rate to 9.6%. This marks the sixth-consecutive quarter with positive absorption for the market. Year-over-year, Atlanta has seen positive absorption of 519,247 SF among Class A and B properties. Northeast, Northwest, and Buckhead have been the best-performing submarkets over the past year. Atlanta's asking rents saw a 3.4% rise in Q1 2023, while the construction pipeline saw the delivery of 2021 Peachtree Medical in Buckhead.

The long-term outlook for Atlanta is strong thanks to great population and medical job growth coupled with steady construction groundbreakings and leasing momentum over the past three years. Atlanta has seen a boom in medical office job growth over the past 5-10 years, highlighted by adding 16,500 medical jobs over the past year, far outpacing the national growth rate.

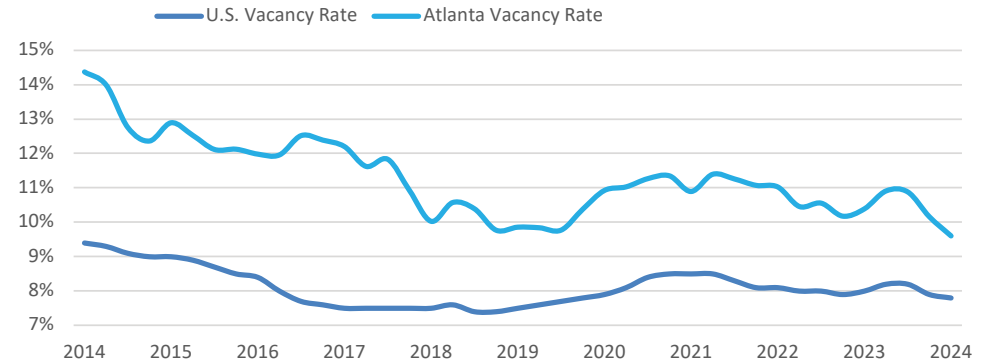


### VACANCY

#### Vacancy Rate Continues to Fall

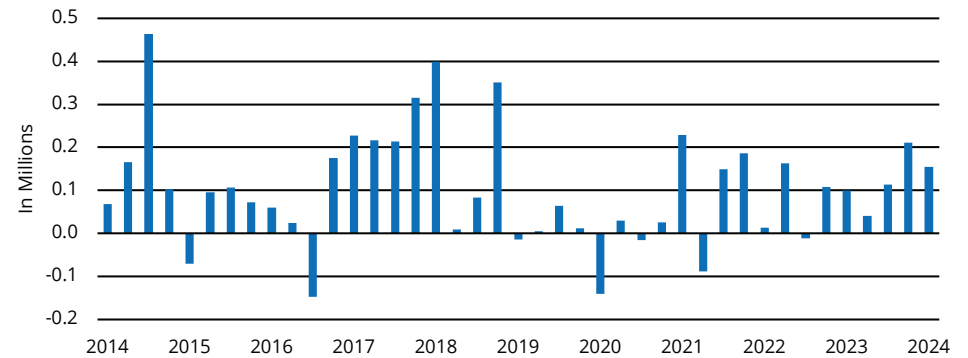
- The Atlanta medical office overall vacancy rate dropped a further 60 basis points in Q1 of 2024 from 10.2% to 9.6%. This comes on the heels of a 70 basis points drop in Q4 of 2023, bringing Atlanta’s overall vacancy rate to 20-year low.
- Atlanta’s vacancy rate has decreased by 80 basis points year-over-year. Additionally, the delivery of 8 buildings totaling almost 400,000 SF, comprising 1.5% of the market’s inventory, further contributes to the impressive decline in vacancy rates. With this solid leasing momentum, vacancy is expected to decline in the upcoming quarters due to robust leasing activity and a diminishing construction pipeline. Atlanta hit a five-year high in vacancy rate of 11.5% in Q4 of 2020 but has been steadily decreasing since then.
- Q1 2024 saw positive absorption of 154,592 SF across the entire market, the sixth-consecutive quarter of positive absorption for Atlanta. The best performing submarket in Q1 2024 was Northlake, which saw positive absorption of 113,394 SF. Overall, six submarkets were positive while three turned negative in Q4.

### OVERALL VACANCY RATE

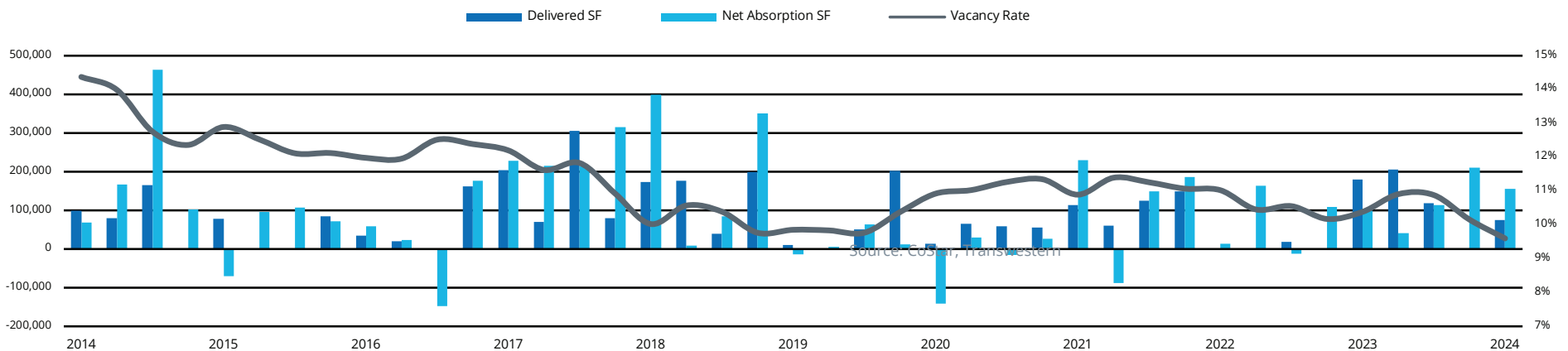


Source: CoStar, Transwestern

### NET ABSORPTION



### DELIVERY IMPACT ON KEY INDICATORS



Source: CoStar, Transwestern

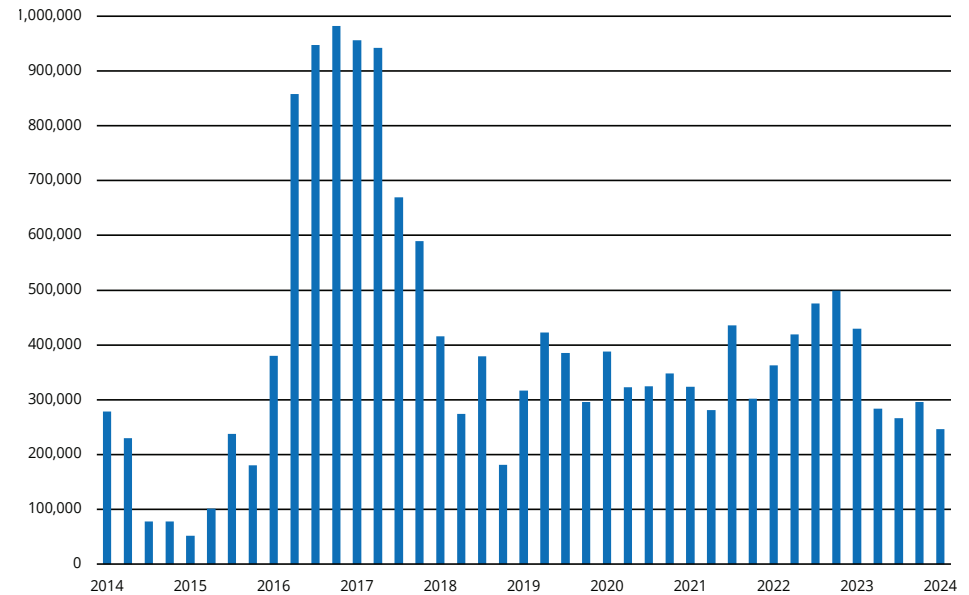


### CONSTRUCTION

#### One Delivery, One Groundbreaking in Q1

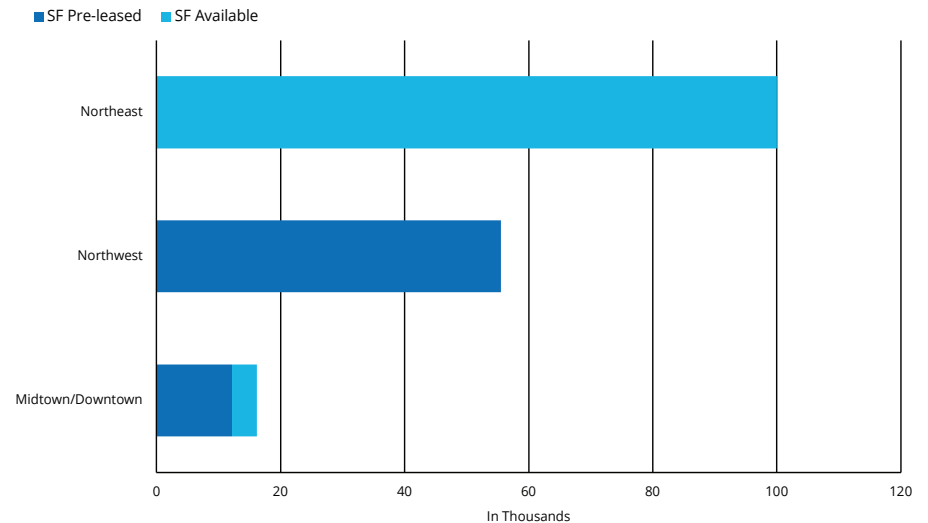
- Following a Q1 2024 that saw no changes to Atlanta’s medical office construction pipeline, Q1 of 2024 brought a big delivery at 2021 Peachtree Medical and a groundbreaking in Woodstock.
- The five-story, 75,000 SF 2021 Peachtree Medical, located directly across Peachtree Rd from Piedmont Hospital, delivered in Q1 2024. Owned by Varden Capital Properties and leased by Transwestern, this is the first new delivery of medical office into the Buckhead submarket since 2020.
- The lone Q1 2024 groundbreaking was the Lovejoy Imaging Center at 602 Lovejoy Ln in Woodstock, in the Northwest submarket. The 25,534 SF building is owned by Aylo Health.
- There are currently four buildings totaling 171,729 SF under construction across the Atlanta medical office market.
- Pipeline:
  - 2757 Buford Dr – Northside Medical Buford: 100,000 SF, Q3 2024.
  - 602 Lovejoy Ln – Lovejoy Imaging Center: 25,534 SF, Q4 2024.
  - 525 Moreland Ave SE – The Lodge: 16,195 SF, Q4 2024.
  - 180 North Park Trl – Urology of Greater Atlanta: 30,000 SF, Q4 2024.

### UNDER CONSTRUCTION



Source: CoStar, Transwestern

### UNDER CONSTRUCTION BY SUBMARKET



Source: CoStar, Transwestern

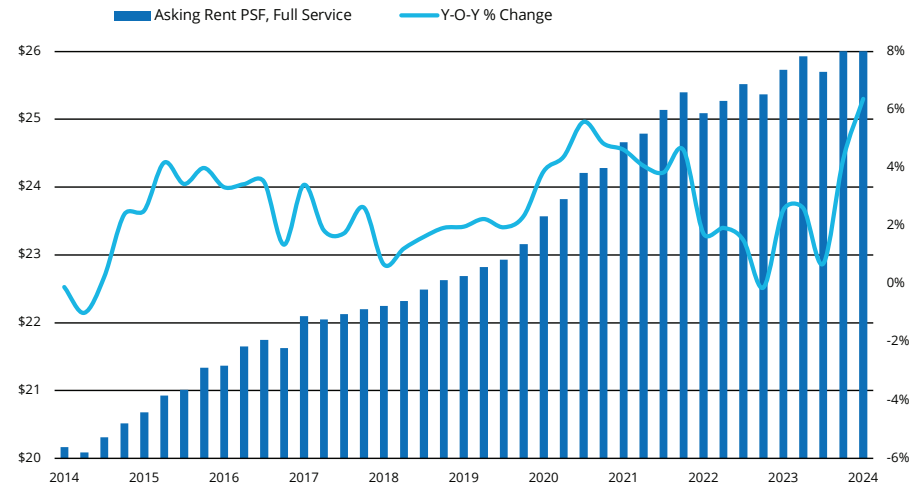


### RENTAL RATES

#### Asking Rents Continue to Rise

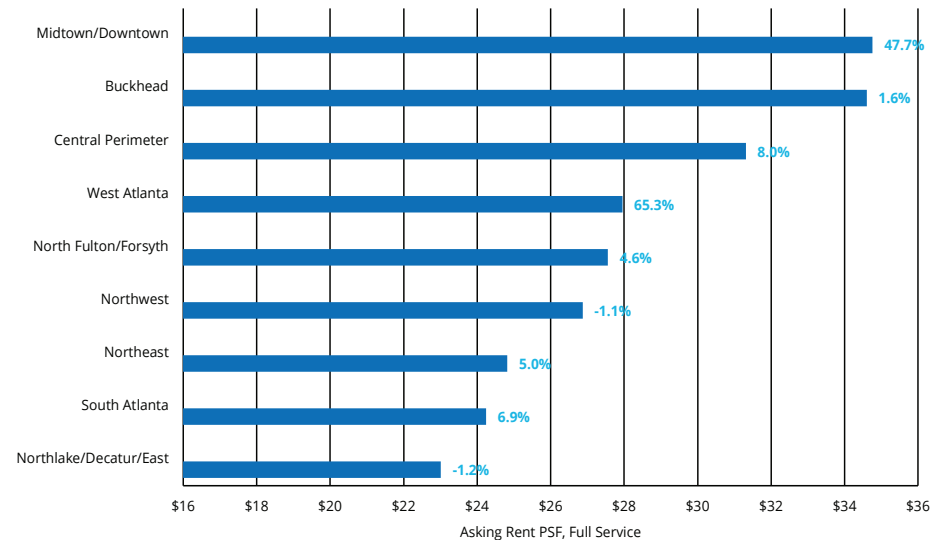
- The average medical office asking rent in Atlanta rose in Q1 of 2024, increasing by \$0.91 (3.4%) from \$26.46 to \$27.37. Rents also rose on a year-over-year basis, seeing a 6.4% increase across the past four quarters. These rising rates are in contrast to 2022, which saw a 0.3% decrease in average asking rates across the year.
- West Atlanta and Midtown/Downtown have seen massive year-over-year rental rate increases of 65.3% and 47.7% respectively. While fundamentals are strong in these areas, these massive increases are due to spaces leasing up in submarkets that have little available supply: West Atlanta has less than 1 million SF of inventory while Midtown/Downtown boasts a 0.4% vacancy rate. Any small changes to inventory will have massive effects on the rental rates in these tight submarkets.
- Rents are highest in Midtown/Downtown and Buckhead at \$34.76/SF and \$34.60/SF respectively.
- Central Perimeter and South Atlanta have seen strong increases over the past year of 8.0% and 6.9% respectively. Both of these submarkets witnessed positive absorption and a reduction in vacancy rates, which, coupled with the decrease in supply, has propelled rents upward.
- 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**



All Classes of Space | Q1 2024

SUBMARKET	INVENTORY SF	DIRECT VACANT SF	DIRECT VACANCY RATE	SUBLEASE VACANT SF	OVERALL VACANCY RATE	UNDER CONSTRUCTION SF	NET ABSORPTION SF	Y-O-Y NET ABSORPTION SF	ASKING RENT PSF, FULL SERVICE
BUCKHEAD	1,673,181	129,430	7.7%	0	7.7%	0	6,013	55,020	\$34.60
MIDTOWN/DOWNTOWN	1,494,322	5,914	0.4%	3,635	0.6%	16,195	(1,559)	441	\$34.76
CENTRAL PERIMETER	3,621,412	343,016	9.5%	25,512	10.2%	0	9,830	7,233	\$31.31
NORTH FULTON/FORSYTH	4,604,901	719,546	15.6%	81,791	17.4%	0	(41,659)	(37,932)	\$27.56
NORTHEAST	3,494,080	365,118	10.4%	18,046	11.0%	100,000	38,654	307,692	\$24.82
NORTHLAKE/DECATUR/EAST	4,157,729	342,072	8.2%	8,577	8.4%	0	113,394	60,755	\$23.01
NORTHWEST	5,460,078	261,764	4.8%	39,126	5.5%	55,534	20,805	111,463	\$26.87
SOUTH ATLANTA	3,595,849	372,734	10.4%	7,492	10.6%	0	9,956	59,343	\$24.24
WEST ATLANTA	969,347	65,469	6.8%	0	6.8%	0	(842)	(44,768)	\$27.95
<b>TOTAL</b>	<b>29,070,899</b>	<b>2,605,063</b>	<b>9.0%</b>	<b>184,179</b>	<b>9.6%</b>	<b>171,729</b>	<b>154,592</b>	<b>519,247</b>	<b>\$27.37</b>

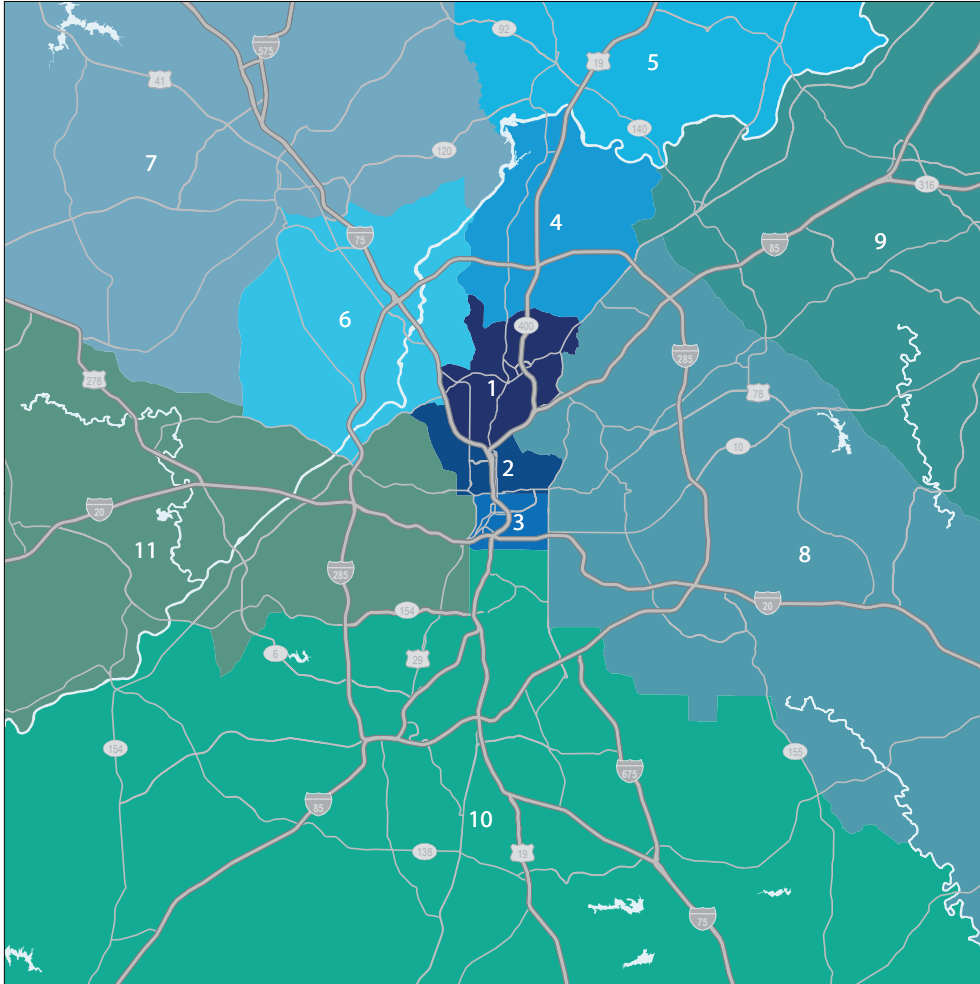
**NOTABLE LEASES**

TENANT	PROPERTY	SUBMARKET	TYPE	SF LEASED
ANKLE & FOOT CENTERS OF AMERICA	65 Cloverleaf Dr	Northwest	New Lease	60,000
NORTHSIDE HOSPITAL 	1475 Jesse Jewell Pkwy	Northeast	New Lease	33,000
PIEDMONT HOSPITAL	350 Country Club Dr	South Atlanta	New Lease	20,499
ONEONCOLOGY 	290 Country Club Dr	South Atlanta	New Lease	14,613
WELLSTAR HEALTH SYSTEM 	780 Canton Rd	Northwest	Renewal	10,268

**NOTABLE SALES**

PROPERTY	SUBMARKET	SALES PRICE	BUILDING SF	PRICE PSF	BUYER	SELLER
11680 GREAT OAKS WAY	North Fulton	\$16,000,000	160,539	\$100	Lockwood Development	Reinsurance Group of America
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
1979 LAKESIDE PKY	Northlake	\$10,657,664	201,088	\$53	Oglethorpe Power Corp	Onward Investors
175 WHITE ST NW 	Northwest	\$6,674,000	21,597	\$309	Wellstar Health System	American Healthcare REIT

 = Transwestern deal



**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 office properties located in the Atlanta metropolitan area. We compile our quarterly statistics based on a defined inventory of Class A and B office buildings of 20,000 SF or more in size and excluding all medical, government, owner-occupied and office condo buildings.

**FOR INFORMATION**

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**ABOUT TRANSWESTERN**

The privately held Transwestern companies have been delivering a higher level of personalized service and innovative real estate solutions since 1978. An integrated approach formed from fresh ideas drives value for clients across commercial real estate services, development, investment management and opportunistic programs for high-net-worth investors. The firm operates through 30+ U.S. offices and global alliances with BNP Paribas Real Estate and Devencore. Learn more at transwestern.com and @Transwestern.