

ATLANTA MEDICAL OFFICE MARKET

Q3 2024

TRENDLINES

	Q3 2024	Q3 2023	ONE-YEAR TREND	FIVE-YEAR AVERAGE	12-MONTH FORECAST
UNEMPLOYMENT RATE	4.0	3.5	↑	3.8	↑
NET ABSORPTION (THOUSANDS SF)	48.3	99.1	↑	70.2	↑
OVERALL VACANCY RATE	9.0%	10.3%	↓	9.9%	↓
OVERALL VACANT SF (MSF)	2.7	3.1	↓	2.9	↓
UNDER CONSTRUCTION (MSF)	0.2	0.3	↓	0.3	↓
ASKING RENT, FULL SERVICE (PSF)	\$27.79	\$26.24	↑	\$25.41	↑
SALES VOLUME (MILLIONS)	\$60.1	\$44.0	↑	\$114.4	↑

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

IMPRESSIVE 2024 CONTINUES FOR ATLANTA MEDICAL OFFICE MARKET

The Atlanta medical office market notched its thirteenth-consecutive positive quarter in Q3 2024, seeing 53,868 SF of positive absorption. 117,500 SF of deliveries caused a temporary rise in direct vacancy rate to 9.0% from 8.6% in Q2, but year-to-date, the market has seen a decline in vacancy rate and 352,585 SF of positive absorption among Class A and B properties. North Fulton, Northeast, and Northlake have been the best-performing submarkets thus far in 2024. Atlanta's asking rents saw a 2.4% rise in Q3 2024, while the construction pipeline is anticipating the delivery of five buildings in Q4.

The long-term outlook for Atlanta remains strong thanks to great population and medical job growth coupled with strong leasing over the past three years. Atlanta has seen a boom in medical office job growth over the past 5-10 years, highlighted by adding 16,700 medical jobs over the past year, far outpacing the national growth rate.

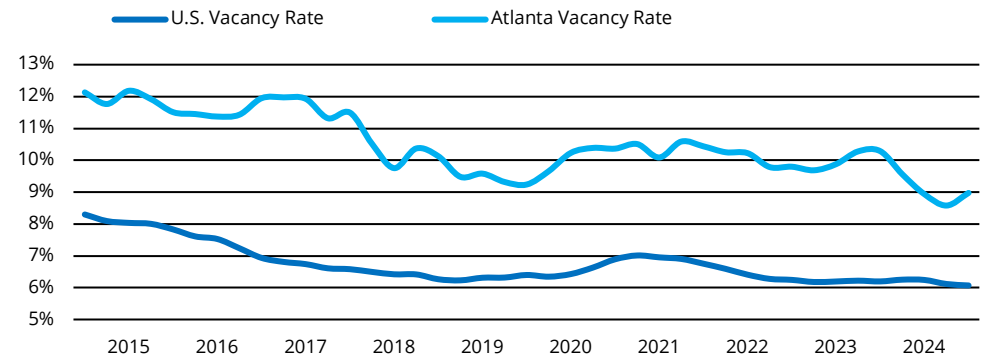


VACANCY

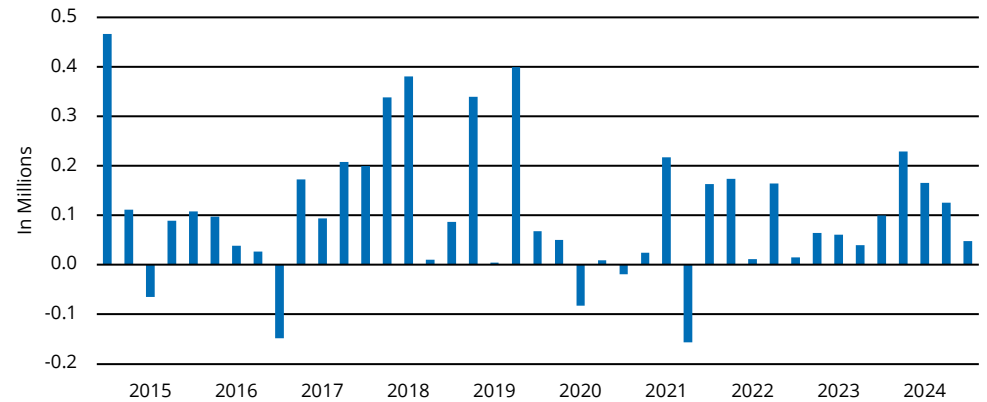
Vacancy Trending Lower as Leasing Momentum Continues

- The Atlanta medical office direct vacancy rate rose 40 basis points in Q3 of 2024 from 8.6% to 9.0% thanks to 117,500 SF of new deliveries compared to just 48,339 SF of net absorption. Year-over-year however, Atlanta's direct vacancy rate has fallen from 10.3% to 9.0%.
- Atlanta's medical office market has reached a 20-year low in vacancy rate, capping off an impressive three-year stretch beginning in Q3 of 2021. That three-year period has seen Atlanta's vacancy rate fall 160 basis points despite 943,000 SF of new deliveries, roughly 3.3% of existing inventory. With continued leasing momentum, and a light construction pipeline, vacancy is expected to continue to decline in the coming quarters.
- Q3 2024 saw positive absorption of 53,868 SF across the entire market, the thirteenth-consecutive quarter of positive absorption for Atlanta. Year-to-date, the best performing submarket has been Northeast Atlanta, with positive absorption of 150,933 SF thus far in 2024. Overall in Q3 the market was split, with five positive and five negative submarkets.

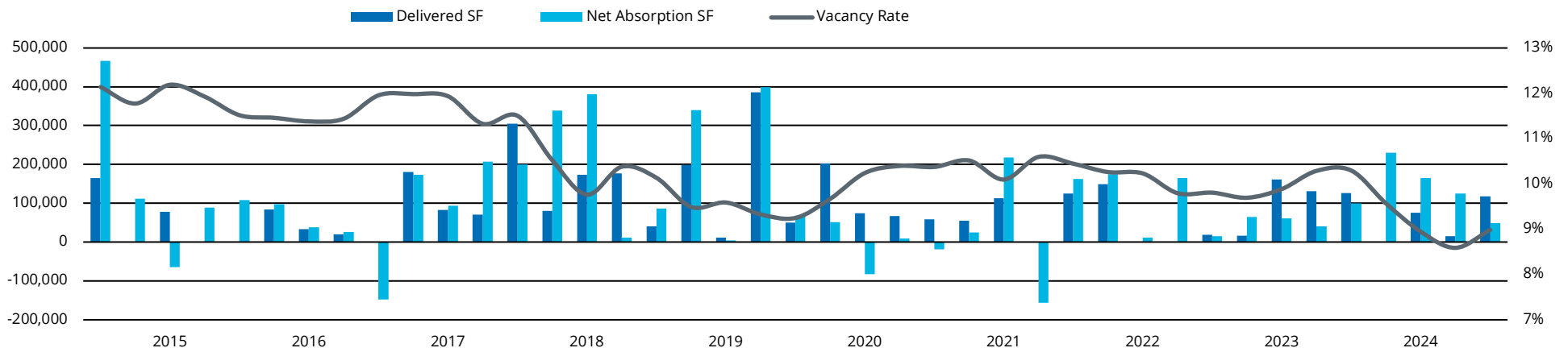
OVERALL VACANCY RATE



NET ABSORPTION



DELIVERY IMPACT ON KEY INDICATORS



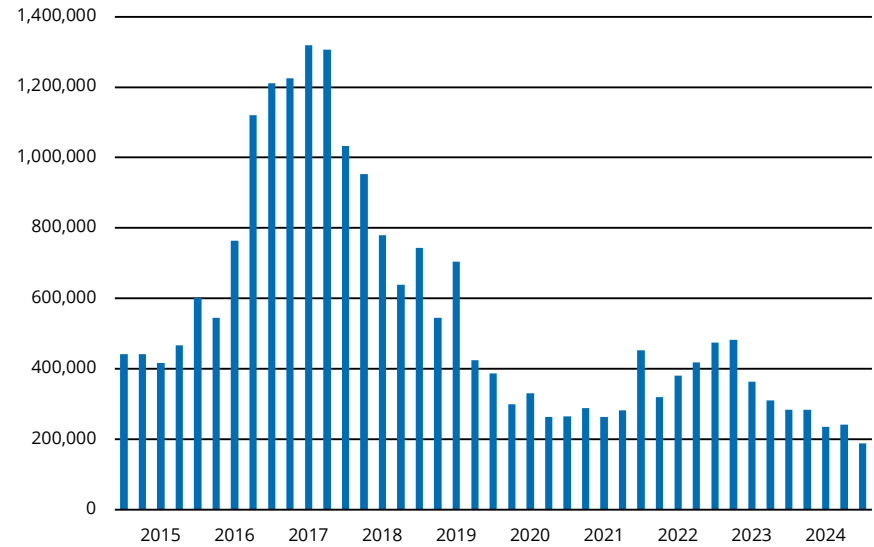


CONSTRUCTION

Two Deliveries in Q3

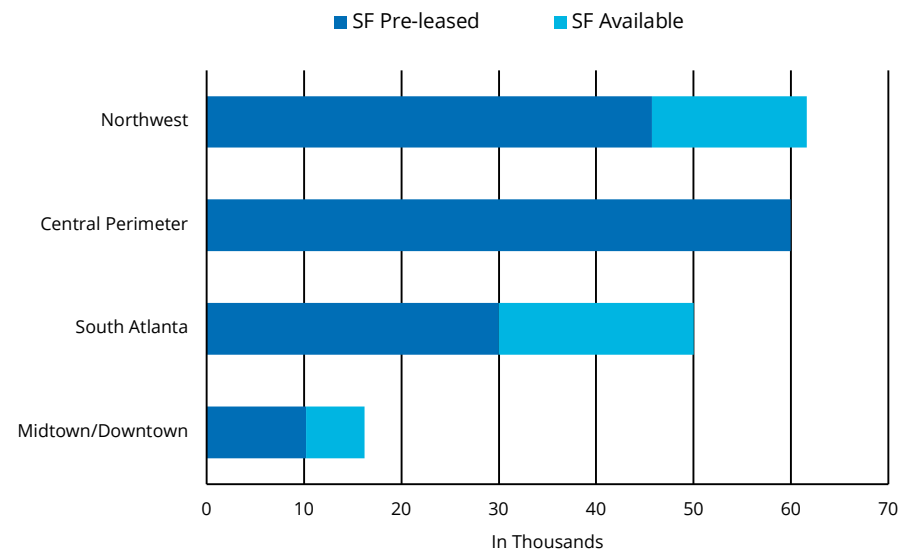
- Two buildings delivered in Q3 of 2024, both in the Northeast Atlanta submarket. Northside Medical Buford at 2800 Buford Dr was the headline delivery of the quarter, as the 4 story, 100,000 SF project was completed in August. This is the second major development for Northside Hospital in Gwinnett County in recent years, as they opened the 45,000 SF Northside Medical Snellville at 2306 Wisteria Dr in Q3 of 2023. The second Q3 2024 delivery was a 17,500 SF Thomas Eye Group building at 1465 Satellite Blvd NW.
- There are currently seven buildings totaling a combined 187,826 SF under construction in the Atlanta market. Five are slated for a Q4 2024 delivery. Approximately 78% of the space underway across the market is pre-leased.
- Northwest Atlanta leads the market with three buildings under construction totaling 61,634 SF. Two of the projects, 6613 Hickory Flat Hwy and 121 Vann NE are spec developments, while the third (Lovejoy Imaging Center) is owned and will be operated by Aylo Health.
- Pipeline:
 - 180 North Park Trl – Urology of Greater Atlanta: 30,000 SF, Q4 2024.
 - 602 Lovejoy Ln – Lovejoy Imaging Center: 25,534 SF, Q4 2024.
 - 6613 Hickory Flat Hwy, Canton: 22,000 SF, Q4 2024.
 - 525 Moreland Ave SE – The Lodge: 16,195 SF, Q4 2024.
 - 121 Vann NE, Marietta: 14,100 SF, Q4 2024.
 - 4553 N Shallowford Rd – The Emory Clinic: 60,000 SF, Q3 2025.
 - 1336 Highway 54, Fayetteville: 20,000 SF, Q2 2025.

UNDER CONSTRUCTION



Source: CoStar, Transwestern

UNDER CONSTRUCTION BY SUBMARKET



Source: CoStar, Transwestern

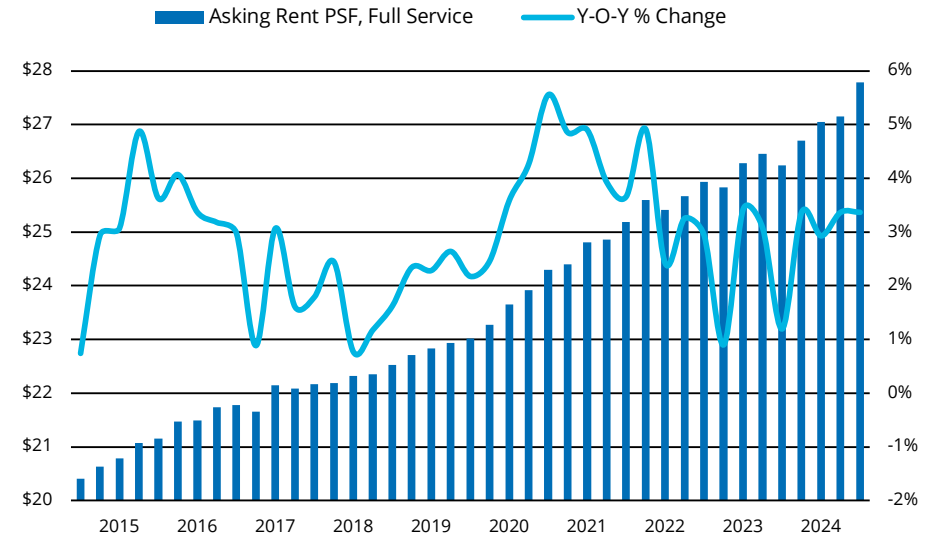


RENTAL RATES

Asking Rents Rising Across Market

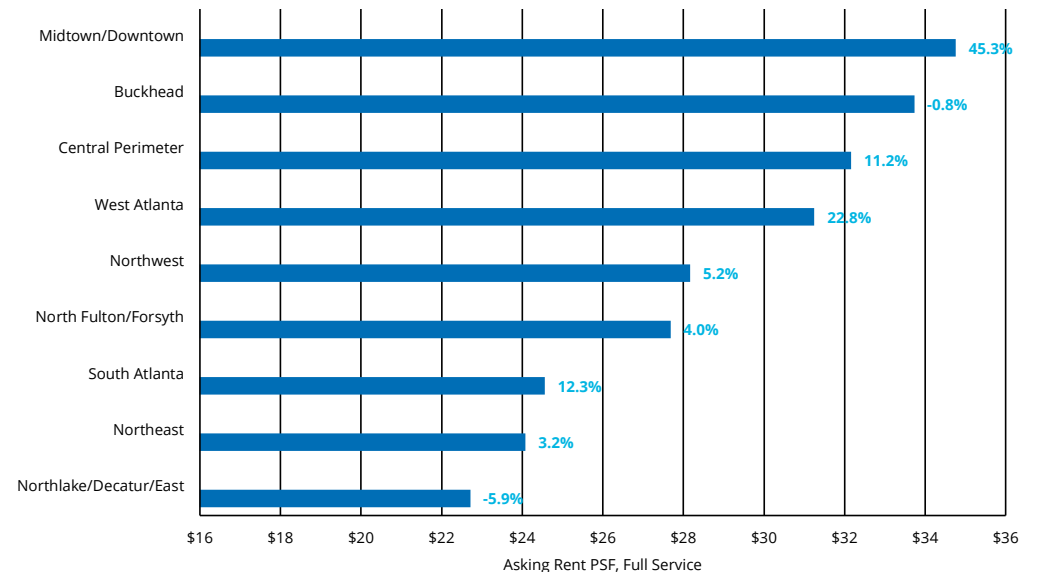
- The average medical office asking rent in Atlanta rose in Q3 of 2024, increasing by \$0.64 (2.4%) from \$27.15 to \$27.79. Rents also rose on a year-over-year basis, seeing a 3.4% increase over the past four quarters. Asking rents saw a small decline in mid-2022, but recovered quickly and have been steadily rising since.
- West Atlanta and Midtown/Downtown have seen massive year-over-year rental rate increases of 45.3% and 22.8% respectively. While fundamentals are strong in both 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 0.5% vacancy rate. Any small changes to inventory or availability 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 \$33.73/SF respectively.
- Central Perimeter and South Atlanta have seen strong increases over the past year of 12.3% and 11.2% respectively. Unlike West Atlanta and Midtown/Downtown where the rental rate growth was a product of a small sample size, these two submarkets have around 3.7 MSF of inventory, and boast healthy vacancy rates around 10%. The surge in asking rents is due to strong leasing activity, allowing landlords to push rents higher.
- Atlanta’s average rental rate is expected to increase in the coming quarters as space across the market continues to lease up. With no large developments in the construction pipeline to inject vacant space into the market, landlords will continue to push rates higher as long as leasing stays strong.

ASKING RENT



Source: CoStar, Transwestern

ASKING RENTS BY SUBMARKET AND Y-O-Y GROWTH






Source: CoStar, Transwestern

MARKET INDICATORS


All Classes of Space | Q3 2024

SUBMARKET	INVENTORY SF	DIRECT VACANT SF	DIRECT VACANCY RATE	SUBLEASE VACANT SF	OVERALL VACANCY RATE	UNDER CONSTRUCTION SF	NET ABSORPTION SF	Y NET ABSORPTION SF	ASKING RENT PSF, FULL SERVICE
BUCKHEAD	1,822,645	195,181	10.7%	5,182	11.0%	0	(20,383)	(20,014)	\$33.73
MIDTOWN/DOWNTOWN	1,489,428	7,940	0.5%	2,391	0.7%	16,195	1,244	(2,341)	\$34.76
CENTRAL PERIMETER	3,686,151	375,363	10.2%	12,479	10.5%	60,000	16,776	(4,151)	\$32.16
NORTH FULTON/FORSYTH	4,659,743	610,188	13.1%	53,623	14.2%	0	51,505	110,178	\$27.76
NORTHEAST	3,980,823	426,881	10.7%	18,873	11.2%	0	90,259	150,933	\$24.08
NORTHLAKE/DECATUR/EAST	4,429,039	403,197	9.1%	8,577	9.3%	0	(61,427)	90,138	\$22.71
NORTHWEST	5,493,208	300,624	5.5%	27,948	6.0%	61,634	(16,046)	(3,242)	\$28.17
SOUTH ATLANTA	3,722,370	346,118	9.3%	0	9.3%	50,000	(4,861)	25,896	\$24.56
WEST ATLANTA	876,913	37,008	4.1%	0	4.1%	0	(3,199)	5,188	\$31.25
TOTAL	30,160,320	2,702,500	9.0%	129,073	9.4%	187,829	53,868	352,585	\$27.79

NOTABLE LEASES

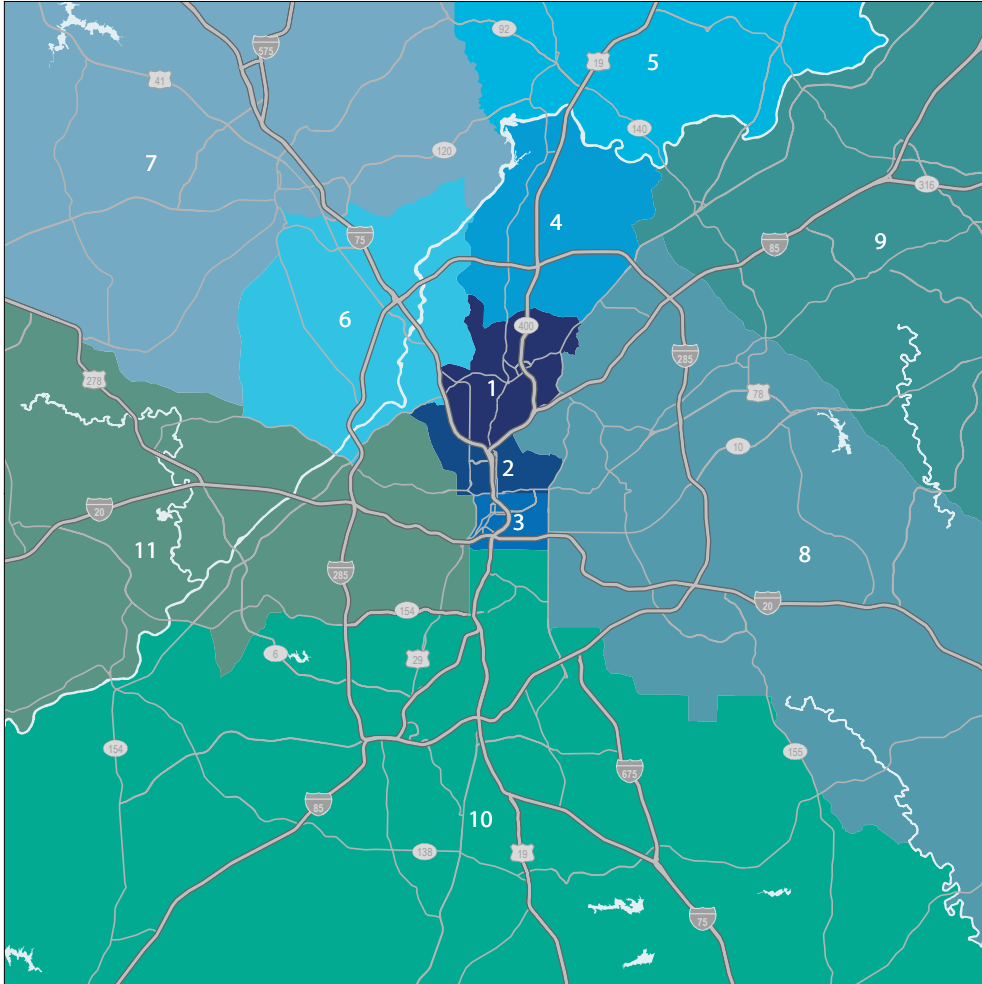
TENANT	PROPERTY	SUBMARKET	TYPE	SF LEASED
CAMBRIDGE COLLEGE OF HEALTHCARE & TECH 	5669 Peachtree Dunwoody Rd	Central Perimeter	Extension/Expansion	21,330
PIEDMONT HOSPITAL	350 Country Club Dr	South Atlanta	New Lease	20,499
MARIETTA EYE CLINIC	4025 Johns Creek Pky	North Fulton	New Lease	14,594
WELLSTAR HEALTH SYSTEM 	780 Canton Rd	Northwest	New Lease	5,972
BUCKHEAD INTERNAL MEDICINE 	2021 Peachtree Rd	Buckhead	New Lease	4,382

NOTABLE SALES

PROPERTY	SUBMARKET	SALES PRICE	BUILDING SF	PRICE PSF	BUYER	SELLER
WOODSTOCK MEDICAL PORTFOLIO	Northwest	\$23,800,000	88,839	\$267	Artemis Real Estate Partners	Harrison Street Capital
4025 JOHNS CREEK PKY	North Fulton	\$17,150,000	44,375	\$386	Remedy Medical Properties	SK Commercial Realty
1055 HAW CREEK PKY & 311 PHILLIP BLVD	Northeast/North Fulton	\$14,160,000	26,331	\$537	Stonemont Financial Group	Gladstone Commerical Corp
125 GRAND OAK DR	South Atlanta	\$9,550,000	18,138	\$526	Artemis Real Estate Partners	Oakwood Plaza
149 TOWNE LAKE PKY	Northwest	\$6,721,000	17,273	\$389	Montecito Medical Real Estate	Thomas Eye Group
175 WHITE ST NW 	Northwest	\$6,674,000	21,597	\$309	Wellstar Health System	American Healthcare REIT

 = Transwestern deal

Source: CoStar, Transwestern



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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