

MARKETBEAT ATLANTA



Medical Office Q2 2023

YoY Chg 12-Mo. Forecast

11.0% Overall Vacancy Rate ▲ ▼

104.1K Overall Net Absorption, SF ▼ ▲

\$27.76 Direct Asking Rent, PSF ▲ ▲

ECONOMIC INDICATORS Q2 2023

YoY Chg 12-Mo. Forecast

3.1M Atlanta Employment ▲ ▲

3.0% Atlanta Unemployment Rate ▲ ▲

3.6% U.S. Unemployment Rate ▬ ▲

Source: BLS

Economy

Though the COVID-19 pandemic created unforeseen challenges to the global economy, it also enabled Atlanta to leverage opportunities to reshape and improve the healthcare industry—from enhancing health safety to introducing more flexible spaces—leading to an increased investment in the sector. Despite headwinds faced by workers in several industries, healthcare service jobs continued to rise in the metro. Over the past year, 10,086 Ambulatory Health Care Service jobs, including offices of physicians, dentists, and medical and diagnostic laboratories, have been added across Atlanta.

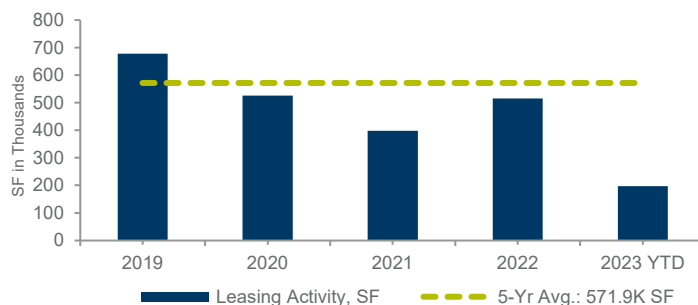
Metro Atlanta MOB Overview

National, long-term drivers contributed to a resilient healthcare industry. Rising spending on medical care, an aging population, and increasing demand for in-person care are all fundamentals that insulate the sector from economic constraints. While other asset types have been more impacted by both the pandemic and economic headwinds, as seen by heightened vacancy and rental rates, medical assets held strong.

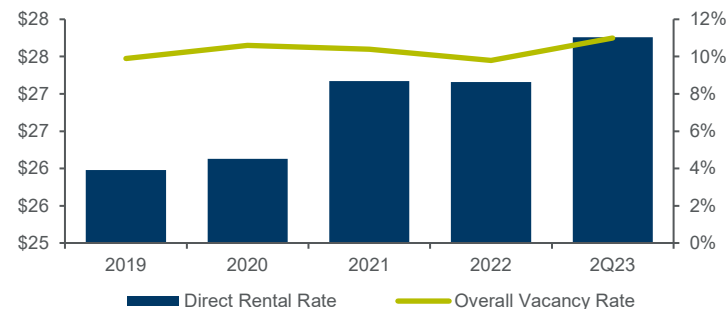
Metro Atlanta concluded the first half of the year with a vacancy rate of 11.0%, an 80-basis-point increase quarter-over-quarter. The modest uptick can be attributed to the delivery of five new buildings in the market. With this additional 366,461 sf of space delivered, vacancy will likely decline over the coming months as the new buildings lease up. Leasing activity picked up 20.5% in the second quarter as 107,486 sf of deals were signed, driving the mid-year total to 196,651 sf. North Fulton fueled activity as over a third of all deals were inked within the suburban submarket. Atlanta yielded healthy net absorption of positive 121,827 sf, a steep incline of 102.0% since the same time the previous year. The direct asking rate reached \$27.76 per square foot (psf), marking an all-time high for the metro. Buckhead continued to lead the metro as the most expensive submarket at \$34.12 psf, commanding a premium of 22.9% over the metro average.

With the expansion of cap rates for most asset types throughout the past year, safe-haven investments such as medical office are often sought. Heading into the second half of 2023, the medical office sector will continue to draw interest from investors across other service lines as the healthcare industry continues to be an attractive alternative investment category.

ANNUAL LEASING ACTIVITY



HISTORICAL RENT VS. VACANCY



MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	OVERALL VACANCY RATE	DIRECT VACANCY RATE	YTD LEASING ACTIVITY (SF)	UNDER CONSTR (SF)	YTD CONSTR COMPLETIONS (SF)	YTD DIRECT NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	OVERALL AVERAGE ASKING RENT (ALL CLASSES)	DIRECT AVERAGE ASKING RENT (ALL CLASSES)
Buckhead	1,060,666	14.5%	13.6%	20,576	0	75,000	20,019	18,500	\$34.01	\$34.12
Central Perimeter	3,400,828	10.8%	10.0%	11,731	0	0	-20,988	-38,257	\$31.38	\$31.34
Downtown Atlanta	291,519	1.2%	1.2%	0	0	0	2,295	2,295	\$23.30	\$23.30
Midtown Atlanta	933,111	2.5%	2.3%	2,585	0	0	779	779	\$26.84	\$26.84
North Fulton	2,688,563	17.0%	11.5%	72,730	0	37,729	79,827	-24,689	\$27.96	\$28.64
Northeast Atlanta	1,751,208	16.0%	15.7%	26,325	0	145,000	67,354	67,354	\$28.07	\$28.07
Northlake	1,624,377	9.4%	9.4%	15,968	0	0	5,109	5,109	\$24.79	\$24.79
Northwest Atlanta	3,174,025	7.8%	6.8%	6,442	0	60,732	46,140	46,417	\$28.02	\$28.06
South Atlanta	2,833,993	11.8%	11.2%	40,294	0	48,000	48,873	34,399	\$20.84	\$21.37
Douglasville	668,322	1.4%	1.4%	0	0	0	9,920	9,920	\$34.00	\$34.00
ATLANTA TOTAL	18,426,612	11.0%	9.7%	196,651	0	366,461	259,328	121,827	\$27.74	\$27.76

*Rental rates reflect full service asking

KEY LEASE TRANSACTIONS 2023 YTD

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
Riverdale Medical Office Building	South Atlanta	Restore First Health	7,110	New Lease
371 East Paces Ferry Road	Buckhead	United Vein & Vascular	4,297	New Lease
5670 Peachtree Dunwoody Road	Central Perimeter	Georgia Colon & Rectal Surgical Associates	4,000	New Lease
371 East Paces Ferry Road	Buckhead	Dream Breast Care	3,884	New Lease

KEY SALES TRANSACTIONS 2023 YTD

PROPERTY	SUBMARKET	SELLER BUYER	SF	PRICE \$ PSF
5000 Research Court*	North Fulton	Crossgate Partners Woodside Health	79,756	\$12.2M \$154
Hurricane Shoals Professional Building	Northeast Atlanta	PAI Industries Anchor Health Properties	43,500	\$11.1M \$255
1521 Hickory Flat Highway	Northwest Atlanta	Atlanta Women's Health Group Northside Hospital	36,000	\$15.3M \$426

*Two-property portfolio sale

KEY CONSTRUCTION COMPLETIONS 2023 YTD

PROPERTY	SUBMARKET	SF	OWNER
Medical Center Boulevard	Northeast Atlanta	145,000	Realty Trust Group
Darlington Medical Center	Buckhead	75,000	Varden Capital Properties
4359 W Atlanta Road	Northwest Atlanta	60,732	Affiliates of Northside Hospital
Jodeco Med One	South Atlanta	48,000	Ultima at Jodeco
101 Greenfield Drive	North Fulton	37,729	Highway 9 MOB 1 Partners

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