

INVESTMENT FORECAST

Office
Atlanta Metro Area

IPA
INSTITUTIONAL
PROPERTY
ADVISORS

2024

Ongoing Net-Migration to Credit for Solid Retail Spending and Active Investor Base

Record-low vacancy facilitated by favorable population outlook. Local labor markets are tight, with demand for workers outpacing metro supply and necessitating continued recruitment from outside the metro. As more than 38,000 new residents are anticipated by the end of the year, Atlanta will garner the most net in-migration among major markets along the Eastern Seaboard in 2024. This year's larger move-ins highlight the retailers thriving amid this demographic growth, with multiple Publix locations and a Costco opening in the metro's suburbs. The latter expansion exemplifies the resilience of wholesale retailers despite recent pricing pressure, as Atlanta has ranked among the heaviest-impacted markets by inflation in the wake of the pandemic. While that has tempered this year, prices remain elevated, prompting many households to buy in bulk or switch to discount brands to save. Retail sales growth as a whole, however, is expected to outperform the national rate, supporting strong tenant demand amid lax development and bringing metrowide vacancy to its tightest point in multiple decades.

Growing consumer base keeps investors engaged. Atlanta was one of a handful of metros to note steady pricing in the multi-tenant segment last year, despite increasing interest rates. This was facilitated by consistent sector transaction velocity, and is a testament to Atlanta's solid consumer outlook. Investors are often following household formation north of the Interstate 285 Beltway, where new residents are supporting demand for pharmaceutical and grocery providers. Moving forward, strip and neighborhood centers in Marietta, Alpharetta and similar zones should continue to draw capital. Stabilizing borrowing costs should also coax buyers off the sidelines as the year progresses, facilitating heightened competition for assets in these areas.

2024 MARKET FORECAST

+1.2%



EMPLOYMENT: While the expected net addition of 36,000 positions is the most modest increase seen since 2020, this ranks as the sixth-largest growth figure nationally in 2024.

1,000,000
sq. ft.



CONSTRUCTION: Completions remain tepid, with 2024 set to mark the first instance since at least 2007 during which less than 2 million square feet of space was completed in a two-year span.

-20 bps



VACANCY: Limited speculative additions, combined with a growing consumer base, help trim the vacancy rate. The metric will close out the year at 3.7 percent, the lowest level in at least 16 years.

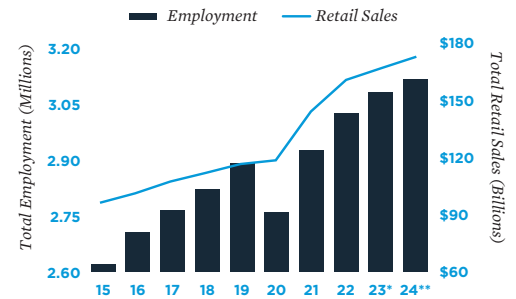
+4.8%



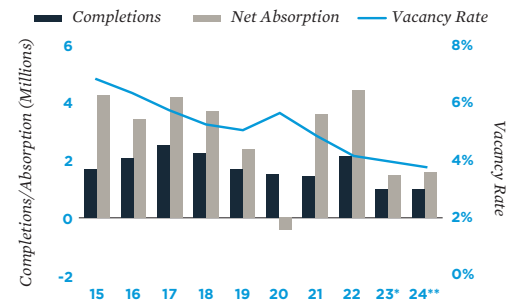
RENT: Tight operations across Greater Atlanta keep substantial upward pressure on asking rates, driving the mean marketed rent up to \$20.12 per square foot in 2024.

INVESTMENT: A growing selection of mixed-use projects indicates tenant interest in walkable outdoor locales. Buyers may increasingly target assets in suburban business districts in response.

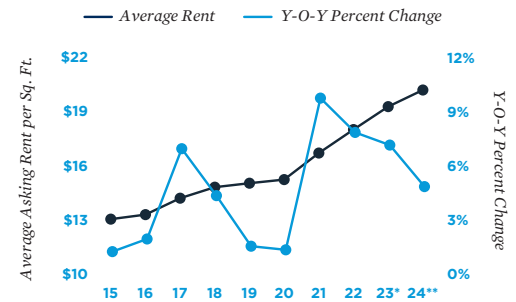
Economic Trends



Supply and Demand



Rent Trends



* Estimate; ** Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics; RealPage, Inc.

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Metro-level employment, vacancy and effective rents are year-end figures and are based on the most up-to-date information available as of January 3/2023. Average prices and cap rates are a function of the age, class and geographic area of the properties trading and therefore may not be representative of the market as a whole. Forecasts for employment and retail data are made during the first quarter and represent estimates of future performance. No representation, warranty or guarantee, express or implied may be made as to the accuracy or reliability of the information contained herein. This is not intended to be a forecast of future events and this is not a guaranty regarding a future event. This is not intended to provide specific investment advice and should not be considered as investment advice.