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MARKET BRIEF

RECORD-SETTING JOB GROWTH IS KEEPING THE OFFICE MARKET CHURNING, AND WHAT ABOUT RETURN TO OFFICE?

Atlanta added 126,400 jobs year-over-year through December, a record-shattering figure comparable only to 2021's total of 112,900 new positions. Despite workforce decentralization and the advent of hybrid work, Atlanta remains one of the strongest job markets in the country, expanding by more than 4.3% in 2022 and outpacing markets such as Miami, New York City, Los Angeles and Phoenix.

While the volume of new positions added is impressive, the once-solid correlation between job growth and office space demand has been weakening in the wake of the Great Recession (2007-2009). Though office demand figures are less impressive than they used to be, the office market still responds positively to job growth, as seen in the figure below. This past year was no exception, as the 1.6 MSF of net absorption realized was the highest total recorded since 2015.



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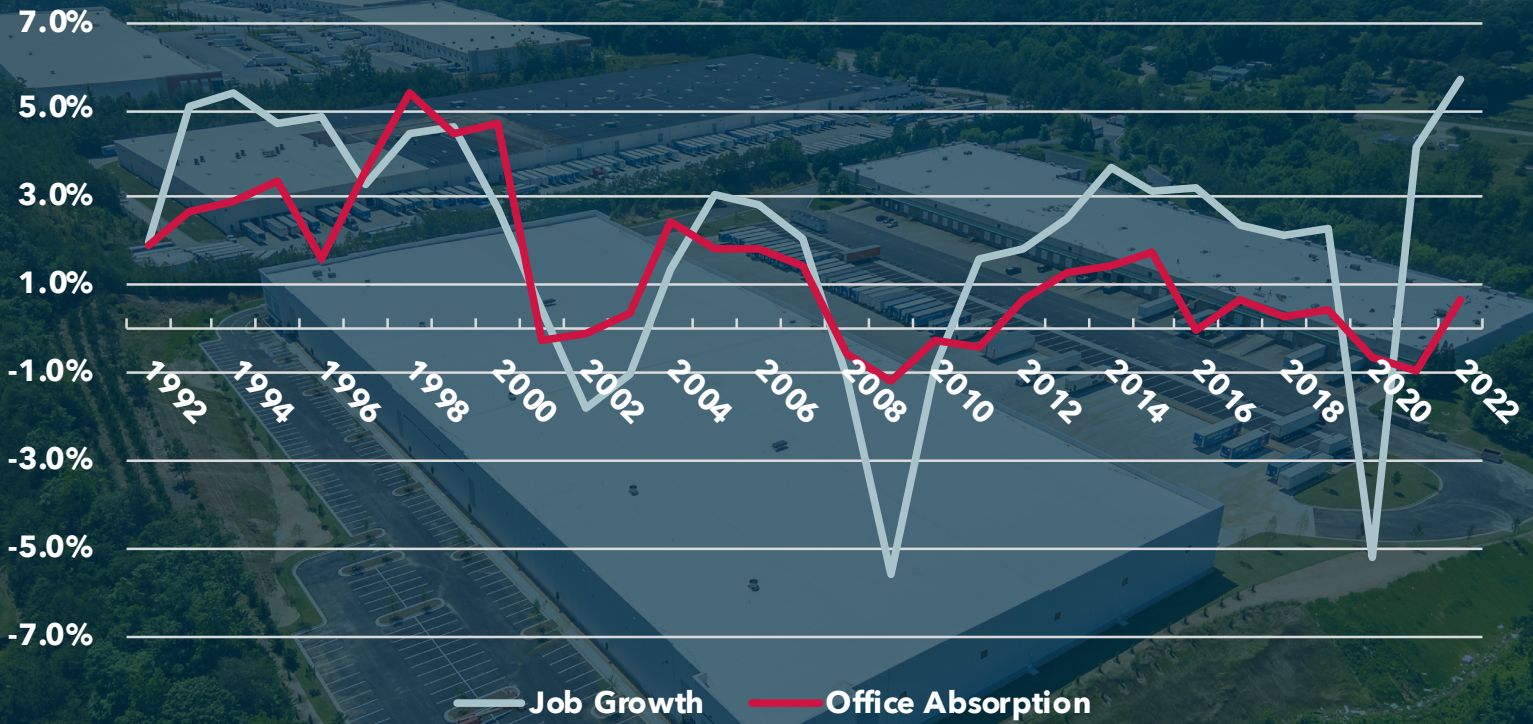
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METRO ATLANTA JOB GROWTH & OFFICE NET ABSORPTION (ANNUAL % CHANGE)



While still in a relatively unhealthy state at 18.5% vacant and with individual properties clearly struggling to maintain occupancy levels, some signs of relief are appearing:

- Return to Office (RTO) efforts are gaining momentum and may help to stem occupancy losses or even spur new leasing activity. This is supported by recent data from Kastle Systems, which reported average occupancy for the largest U.S. cities surpassed 50% for the first time since Q1 of 2020.
- Companies in the U.S. tech sector alone slashed more than 65,000 jobs in January. Layoff announcements are permeating into other industries, impacting the dynamic between employer and employee. Look for more employees to return to in-person work to ensure greater visibility and job security in an uncertain economy.
- Polls conducted by Generation Lab, TenSpot and SkyNova indicate that Generation Z seeks in-person work in greater numbers than prior generations; as they place greater importance on direct connectivity with co-workers, company culture and workplace recognition.

Just as the office market was disrupted by the introduction of pandemic-induced remote work, recent data now highlight slight disruptions within remote work itself. It's clear that the hybrid work model is here to stay, but the flexible nature of where and when people work will continue to create opportunity for owners and investors of office buildings.