



LEE & ASSOCIATES - ATLANTA'S

# MARKET BRIEF

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## Job Growth Strong but Slowing, Impeding Office Recovery

The U.S. continues to add new jobs, roughly 250,000 per month, propping up consumer spending and overall confidence in the economy. But the job market is clearly normalizing as it returns to growth rates in line with those seen before the pandemic. Many large markets saw their rates of job growth cut in half in 2023 as employers re-evaluated hiring plans after years of aggressive hiring practices.

Still, it's the quality of jobs that matter to the office market - and whether those additions spur more demand for space. In Atlanta, the combined job sectors of Information, Financial Activities and Professional & Business Services lost nearly 15,000 positions in 2023, further hampering demand for office space at a time when fundamentals are at their weakest. The silver lining? The vast majority of positions lost were administrative and temporary in nature, signaling a slowdown, not a shutdown for many office occupiers.

Further complicating office sector recovery is the weakened relationship between job growth and office space absorption. Office densification and hybrid work trends flipped the script on office demand - job additions still matter, but they used to have a much greater impact on the take-up of office space.

The future looks brighter for well-amenitized Class A offices located proximate to labor centers, as they're positioned to take advantage of a Gen Z workforce which seeks more in-person work. Office properties are not out of the woods - overall vacancy in Atlanta has increased for five straight years, a trend which is expected to continue through year-end. But buildings that adapt to hybrid work by providing hubs of worker engagement will continue to create value for owners and investors.

FIG. 1: U.S. METRO JOB GROWTH RATE, 2022 vs. 2023

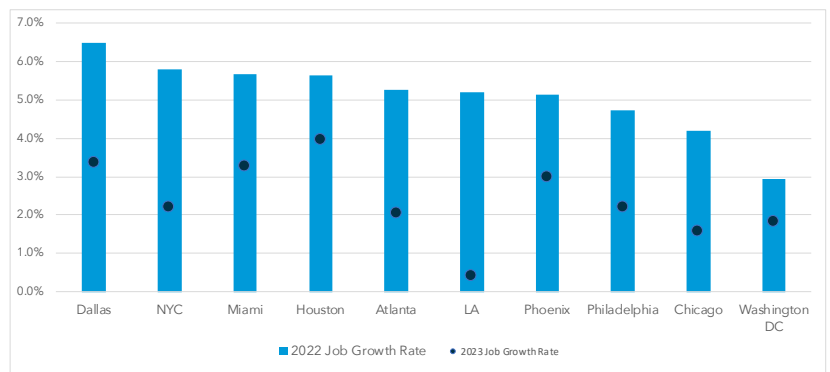
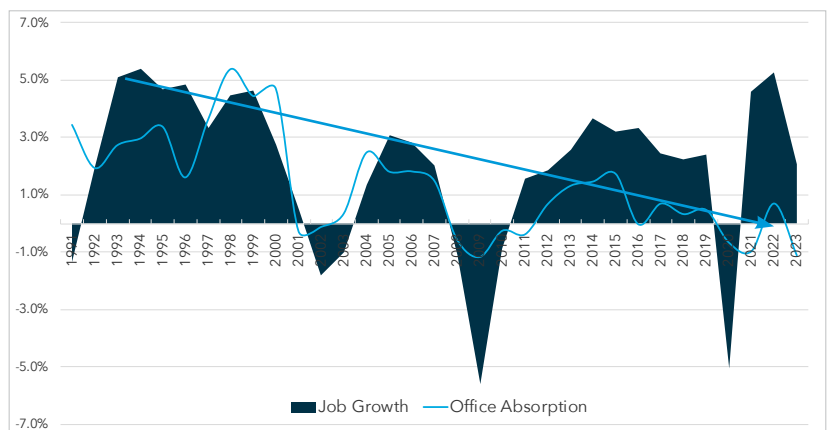


FIG. 2: METRO ATLANTA JOB GROWTH & OFFICE NET ABSORPTION



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