

Atlanta



Market Facts

6.8%

Total market vacancy down 20 bps year-over-year

677,274 SF

Year-to-date absorption for the market in 2018

645,690 SF

SF under construction in the first quarter with 71% preleased

\$13.00 PSF

Average asking rate up 4.1% in the last 12 months

Market Overview

The Atlanta retail market continued its momentum during the first half of 2018, recording another decline in the vacancy rate. Absorption recorded another positive quarter, while new construction activity picked up. Asking rental rates saw a surge upward, breaking the \$13.00 mark for the first time since 2013. Metro Atlanta retail is on target to have a strong 2018.

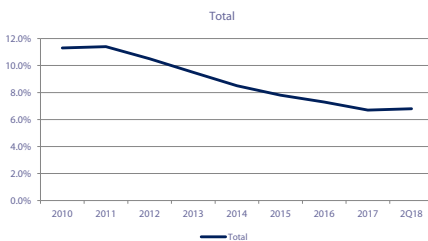
Vacancy and Absorption

The Atlanta retail market remained stable in the second quarter of 2018, seeing its 21st consecutive quarter of positive absorption. There were 237,956 square feet (sf) of net gains, which brought the year-to-date total to 677,274 sf. The Dekalb submarket recorded the most positive absorption for the quarter, with 76,397 sf. The largest occupancy was Stock & Trade Design taking 50,000 sf at 1357 Collier Road. In terms of property

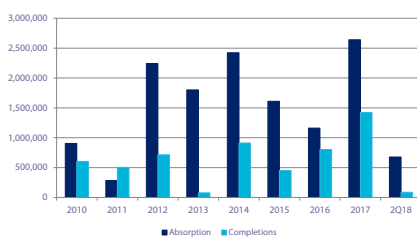
type performance, the Neighborhood sector saw the most activity in the second quarter of 2018, recording over 252,000 sf of net gains. As absorption continues its positive streak, the vacancy rate is seeing a modest, but steady decline. The Atlanta retail market posted a 6.8% vacancy rate in the second quarter, down 20 basis points (bps) from this time in 2017. The Midtown submarket currently has the lowest vacancy at 2.1%, followed by the Central Perimeter submarket at 4.5%. This is the second consecutive quarter that all Metro Atlanta submarkets are under 10% vacancy. The Mall sector is currently at 2.9%, while the Community Center sector has the highest vacancy at 9.2%. The market should begin to see an increase in absorption as the big box spaces vacated by Toys R' Us begin to backfill. This could potentially lead to rental rates increasing as demand begins to outweigh supply.

As construction remains limited, and vacancy low, average asking rental rates will see an upward trend

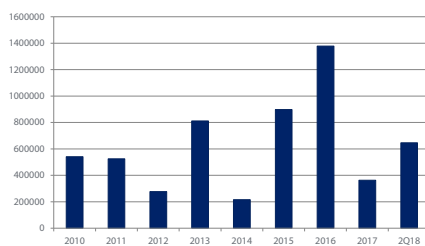
Vacancy Trends



Absorption vs. Completions



SF Under Construction



New Construction

The pace of new construction activity saw an uptick in the second quarter of 2018. Currently there are 645,690 sf under construction, which is double the amount that was underway at the beginning of the year. The largest project currently under construction is the 350,000 sf Snellville Exchange expansion. Already home to Hobby Lobby and Ovation Cinema Grill, the shopping center has now leased 52,000 sf to Urban Air Adventure Park which will be the anchor for the new section of the center. Although the pace of new construction has remained tempered, the Atlanta retail market has seen approximately 1.5 million square feet (msf) enter the inventory in the last 18 months. As numerous mixed-use projects continue to be discussed, there could be an increase in activity throughout 2018.

Rental Rates

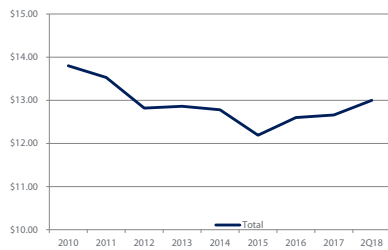
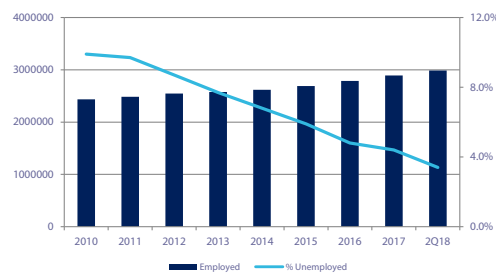
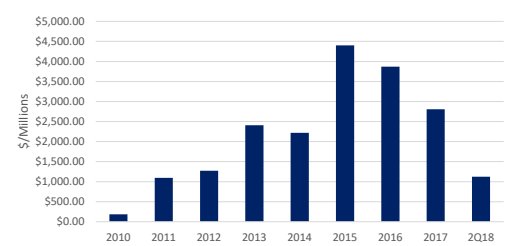
Rental rates in the Atlanta retail market saw an increase in the second quarter of 2018, ending at \$13.00 NNN per square foot (psf). This is up 4.1% from the same period in 2017, the strongest year-over-year increase seen since 2015. The Buckhead submarket has the highest average asking rental rate at \$29.11 NNN psf, due to the premium available space located at Phipps Plaza, Lenox Square and Buckhead Atlanta in which high end retailers desire to be located. The Central Perimeter market has the highest rate of the suburban submarkets at \$23.36 NNN psf, up 33.6% over the last 12 months. As available space continues to be at a premium, landlords will be able to raise asking rental rates as tenant's options are limited.

Investment Sales

Metro Atlanta's investment sales activity continued its upward momentum into the second quarter of 2018. The market saw approximately \$1.4 billion in sales, bringing the year-to-date total to \$2.9 billion. The average price per square foot increased 3.5% year-over-year to \$176 in the second quarter. Cap rates have remained steady, seeing an average of 7.0% for Metro Atlanta since the end of 2016. Even with the strong sales volume, there was a decrease in the amount of square footage that was sold in the second quarter. This is due to owners holding their properties off the market until cap rates improve. The largest single property sale in the second quarter was Decatur Crossing, which sold for \$40.2 million. Westwood Financial purchased the 81,900 sf property, located in the Dekalb submarket, from Fuqua Development in May.

Outlook

The Atlanta retail market should continue its positive trend throughout 2018. As landlords backfill vacated Toys 'R' Us space, they will be able to raise rental rates as big box space remains limited. Population growth, as well as job growth, will spur retailers to expand their brick and mortar locations throughout Metro Atlanta to meet the growing demand for amenities. According to the Bureau of Labor Statistics, employment in the Atlanta Metro grew by more than 44,000 jobs between May 2017 and May 2018. This is a growth rate of 1.6%, which is the same as the U.S. rate. Rising rental rates and a low market vacancy rate will spark the interest of investors and sales activity should rebound in the second half of 2018.

Average Asking Rental Rate
(psf/year/NNN)Metro Atlanta Employment
(May of each year)Retail Investment Sales
(in millions)

Select 2Q 2018 Sale Transactions

Property	City	Submarket	Buyer	Seller	Total SF	Sale Price	Price/SF
Kennesaw Marketplace	Kennesaw	North Cobb	IvenTrust	Fuqua Development	114,000	\$64,300,000	\$564
Decatur Crossing	Decatur	Dekalb	Westwood Financial	Fuqua Development	81,900	\$40,200,000	\$491
North Bridges	Johns Creek	Georgia 400	Continental Realty	Monarch Investments	106,396	\$16,100,000	\$151
Village at Millers Chapel	Conyers	South Metro	Coro Realty Advisor	Big Shopping Centers	74,600	\$16,000,000	\$214
Silos at North Farm Marketplace	Alpharetta	Georgia 400	Orkin & Associates	Alex Brown Realty	78,755	\$12,500,000	\$159
Shallowford Exchange	Atlanta	Dekalb	Renu & Altaf Lal	Lahka Investments	46,219	\$12,450,000	\$269

Select Construction Projects

Property	Submarket	Projected Completion	Total SF	% Preleased	Major Tenant
Snellville Exchange	Gwinnett	Fourth Quarter 2018	351,092	55%	Urban Air Adventure
5874-5950 Steeplechase Blvd	Georgia 400	Third Quarter 2018	123,552	100%	Kroger
Peachtree Pky @ Medlock Rd	Gwinnett	Third Quarter 2018	56,000	100%	CineBistro
Hudson Bridge Crossing	South Atlanta	Fourth Quarter 2018	50,000	100%	N/A
North Decatur Square	Dekalb	Third Quarter 2018	35,096	100%	Whole Foods
Buford Dr @ Plunkett Rd	Gwinnett	Third Quarter 2018	29,950	0%	N/A

*Single-tenant leased property

Market By The Numbers

BY SUBMARKET	Inventory	VACANCY		NET ABSORPTION		SF Under	AVERAGE ASKING RENT
		Total	2Q18	YTD	Construction	Total	
Buckhead	8,172,605	4.9%	(46,482)	22,783	-	\$29.11	
Downtown	433,928	7.6%	1,065	3,247	-	\$17.06	
Midtown	3,207,887	2.1%	71,504	74,166	-	\$19.00	
CBD Total	11,814,420	4.2%	26,087	100,196	0	\$24.48	
Central Perimeter	7,327,271	4.5%	38,267	40,255	-	\$23.36	
Dekalb	12,982,206	7.0%	76,397	110,265	35,096	\$13.03	
Georgia 400	17,571,824	7.5%	56,031	101,479	123,552	\$14.48	
Gwinnett	33,065,417	6.7%	22,066	91,558	437,042	\$13.11	
North Cobb	21,357,625	6.2%	(1,088)	91,759	-	\$13.69	
Northeast	6,093,542	7.8%	(10,407)	(496)	-	\$11.52	
South Atlanta	15,748,882	9.8%	7,060	18,009	50,000	\$10.86	
South Cobb	10,441,850	5.2%	25,358	19,105	-	\$15.85	
South Metro	17,870,688	8.1%	47,126	146,473	-	\$12.81	
West Metro	12,243,017	5.6%	(48,941)	(41,329)	-	\$11.03	
Suburban Total	154,702,322	7.0%	211,869	577,078	645,690	\$12.88	
Total Market	166,516,742	6.8%	237,956	677,274	645,690	\$13.00	

BY PROPERTY TYPE	Inventory	Vacancy	2Q Absorption	YTD Absorption	SF Under Construction	Average Rent
Community Center	40,998,913	9.2%	(7,999)	92,904	173,552	\$11.83
Mall	28,003,666	2.9%	32,397	75,551	351,092	\$12.20
Neighborhood	59,364,878	7.9%	252,883	455,798	121,046	\$13.34
Power Center	27,923,199	4.6%	(37,809)	(24,862)	-	\$12.86
Strip Center	10,226,086	7.4%	(1,516)	77,883	-	\$14.43
Total Market	166,516,742	6.8%	237,956	677,274	645,690	\$13.00

Avison Young Atlanta currently tracks retail buildings that are 20,000 square feet or greater and built since 1960.



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