

Atlanta



Market Facts

6.6%

Total market vacancy down 50 bps year-over-year

439,318 SF

Year-to-date absorption for the market in 2017

324,598 SF

SF under construction in the first quarter with 91% preleased

\$12.78 PSF

Average asking rate up 0.9% in the last 12 months

Market Overview

The Atlanta retail market continued its momentum during the first three months of 2018, and began the year on a positive note. As absorption recorded another positive quarter, vacancy rates have continued their downward trend. Asking rental rates remain stable, as new construction projects are still limited. Metro Atlanta retail is on target to have a strong 2018.

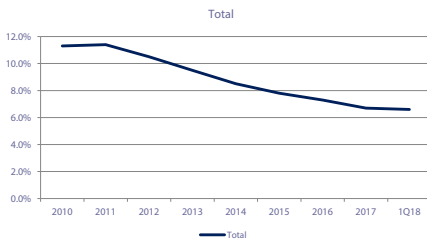
Vacancy and Absorption

The Atlanta retail market remained stable in the first quarter of 2018, seeing its 20th consecutive quarter of positive absorption. There was 439,318 square feet (sf) of positive net gains, which is slightly lower than the pace in 2017. The South Metro submarket recorded the most positive absorption for the quarter, with 99,347 sf. The North Cobb submarket, which has consistently been strong, saw almost 93,000 sf of positive absorption

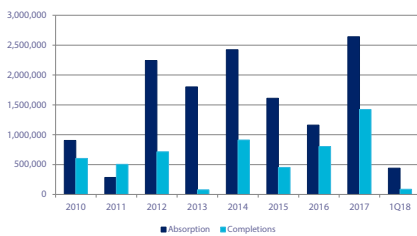
in the first quarter. In terms of property type performance, the Neighborhood sector saw the most activity in the first three months of 2018, recording over 200,000 sf of positive net gains. As absorption continues its positive streak, the vacancy rate is seeing a modest, but steady decline. The Atlanta retail market posted a 6.6% vacancy rate in the first quarter, down 50 basis points (bps) from the beginning of 2017. The Buckhead submarket currently has the lowest vacancy at 4.1%, followed closely by the South Cobb submarket at 4.4% vacant. This is the first time all Metro Atlanta submarkets are under 10% vacancy since 2016. The Mall sector is currently at 3.0%, while the Community Center sector has the highest vacancy at 8.4%. As construction activity remains limited the Atlanta retail market will continue to see a decline in the vacancy, and anticipates that rental rates will increase.

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

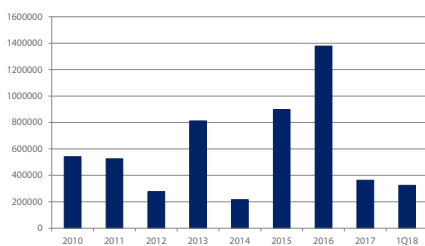
Vacancy Trends



Absorption vs. Completions



SF Under Construction



New Construction

The pace of new construction activity continued to slow through the end of the first quarter of 2018. Currently there is 325,000 sf under construction, which is the lowest amount in a single quarter since 2014. The largest project currently underway is a 123,000 sf Kroger anchored center in the GA400 submarket. Although the pace of new construction has slowed, the Atlanta retail market has seen approximately 1.3 million square feet (msf) enter the inventory in the last 12 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 remained steady in the first quarter of 2018, ending at \$12.78 NNN per square foot (psf). This was a slight increase of 0.9% from the same period in 2017. While asking rental rates may seem low for Metro Atlanta, compared to rates for similar product in New York, this is due primarily to the lack of available space in submarkets that command higher rents. The Buckhead submarket has the highest average asking rental rate at \$29.71 psf, due to the high end retailers that seek to be in that market. The Central Perimeter market has the highest rate of the suburban submarkets at \$22.09 psf. As available space continues to be at a premium, landlords will be able to raise asking rental rates as tenant's options are limited.

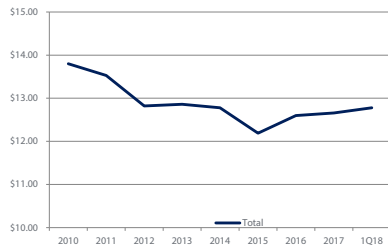
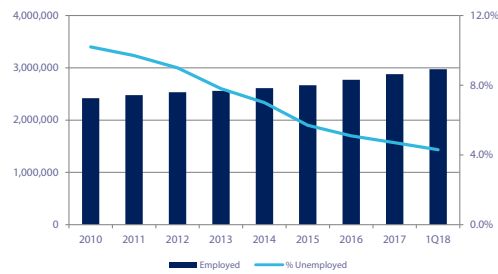
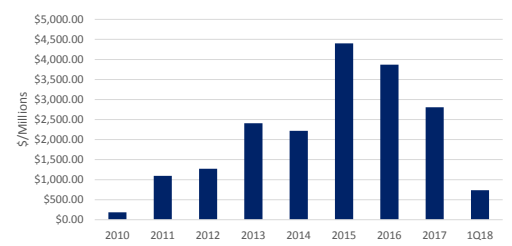
Investment Sales

Metro Atlanta's investment sales activity remained strong in the first three months of 2018. The market saw over \$1.5 billion in sales, on

pace with the activity seen during the first quarter of 2017. The average price per square foot increased 5.0% year-over-year to \$166 in the first 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 first quarter. Approximately 9.0 msf traded, compared to 10.7 msf in the first quarter of 2017. The largest single property sale in the first quarter was Parkaire Landing, which sold for \$42.1 million. Jamestown purchased the 161,000 sf property, located in the North Cobb submarket, from Sun Life Financial in January.

Outlook

The Atlanta retail market should continue its positive trend throughout 2018. As Toys "R" Us stores prepare to close, the market could see a slight bump, but should rebound quickly. Landlords are viewing the store closings as mostly positive, as most will subdivide the big box space and ask for higher rents than what Toys "R" Us is currently paying. Retail employment may see a dip when this happens, but overall employment is still growing. According to the Bureau of Labor Statistics, employment in the Atlanta Metro grew by more than 45,000 jobs between March 2017 and March 2018. This is a growth rate of 1.7%, and is slightly ahead of the 1.5% growth that the US is seeing.

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

Select 1Q 2018 Sale Transactions

Property	City	Submarket	Buyer	Seller	Total SF	Sale Price	Price/SF
Parkaire Landing	Marietta	North Cobb	Jamestown	Sun Life Financial	161,464	\$42,100,000	\$261
Publix Portfolio - 4 Buildings	Metro Atlanta	Metro Atlanta	Harbour Retail Partners	GDC Properties	307,735	\$35,000,000	\$114
Shops at Towne Lake	Woodstock	North Cobb	Lincoln Property Company	Harbor Retail Partners	101,526	\$29,700,000	\$293
Village Shoppes of Flowery Branch	Flowery Branch	Northeast	Publix Super Markets	Kimco Realty	92,985	\$21,000,000	\$226
Shoppes at Lake Dow	McDonough	South Atlanta	Publix Super Markets	Madison International	72,727	\$13,874,034	\$191
Mill Creek Walk	Buford	Northeast	Bond Street Advisors	Edsall Family Trust	36,358	\$13,568,000	\$373
Cartersville Crossing Shopping Center	Cartersville	North Cobb	Attic Self Storage, Inc	Eckstein Properties	95,561	\$12,500,000	\$131

Select Construction Projects

Property	Submarket	Projected Completion	Total SF	% Preleased	Major Tenant
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	Third Quarter 2018	50,000	100%	N/A
North Decatur Square	Dekalb	Third Quarter 2018	35,096	100%	Whole Foods
Suwanee Gateway*	Gwinnett	Second Quarter 2018	30,000	100%	Children's Learning Adventure
Buford Dr @ Plunkett Rd	Gwinnett	Second 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	1Q18	YTD	Construction	Total
Buckhead	8,216,893	4.1%	69,265	69,265	-	\$29.71
Downtown	433,928	7.9%	2,182	2,182	-	\$17.06
Midtown	2,752,740	5.0%	2,662	2,662	-	\$19.00
CBD Total	11,403,561	4.5%	74,109	74,109	0	\$25.21
Central Perimeter	7,331,413	5.0%	1,988	1,988	-	\$22.09
Dekalb	13,048,348	7.8%	33,868	33,868	35,096	\$11.78
Georgia 400	17,754,062	6.7%	45,448	45,448	123,552	\$14.33
Gwinnett	33,056,457	6.7%	69,492	69,492	115,950	\$13.20
North Cobb	21,510,055	6.2%	92,847	92,847	-	\$13.13
Northeast	6,104,428	7.5%	9,911	9,911	-	\$11.44
South Atlanta	15,814,594	9.6%	10,949	10,949	50,000	\$10.80
South Cobb	10,683,958	4.4%	(6,253)	(6,253)	-	\$15.51
South Metro	17,970,961	6.6%	99,347	99,347	-	\$12.77
West Metro	12,447,221	5.7%	7,612	7,612	-	\$10.99
Suburban Total	155,721,497	6.7%	365,209	365,209	324,598	\$12.63
Total Market	167,125,058	6.6%	439,318	439,318	324,598	\$12.78

BY PROPERTY TYPE	Inventory	Vacancy	1Q Absorption	YTD Absorption	SF Under Construction	Average Rent
Community Center	41,362,060	8.4%	100,903	100,903	173,552	\$11.21
Mall	27,616,045	3.0%	43,154	43,154	30,000	\$13.15
Neighborhood	59,394,020	8.3%	202,915	202,915	121,046	\$13.12
Power Center	28,525,084	3.5%	12,947	12,947	-	\$12.64
Strip Center	10,227,849	7.1%	79,399	79,399	-	\$14.01
Total Market	167,125,058	6.6%	439,318	439,318	324,598	\$12.78

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



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