



Market Snapshot

	1Q19	1Q20
Inventory	165.1 msf	162.0 msf
Vacancy	6.0%	6.1%
YTD Net Absorption	222,496 sf	161,302 sf
YTD Deliveries	32,400 sf	93,753 sf
Under Construction	407,977 sf	381,828 sf
Unemployment	3.8%	3.3%

Absorption, Deliveries & Vacancy



Atlanta's retail market ended the first quarter on an unsettled tone as numerous national and local retailers began to witness stress on their businesses from COVID-19. As real estate is often a lagging indicator, the true impact of this pandemic will likely not begin to show in the numbers until later this year. The following report is a reflection of how Atlanta's retail market was positioned heading into the current crisis facing the world. While the depth and duration still remain to be seen, the Atlanta retail market is sure to see negative impacts of differing degrees due to the shelter in place order as retail is often seen as a social experience.

Metro Atlanta recorded positive absorption during the first three months of the year, 161,302 square feet (sf), recovering from a negative fourth quarter of 2019. Even with the positive absorption the vacancy rate saw a slight increase during the first quarter, ending at 6.1%, up 10 basis points (bps) year-over-year. Mall vacancy rates have historically been the lowest in metro Atlanta, but saw a significant increase during the first quarter, up 300 bps year-over-year to 6.4%, as large department stores continue to close. The South Metro submarket saw the strongest absorption at positive 135,472 sf, which lowered their

vacancy rate 40 bps to 6.7%.

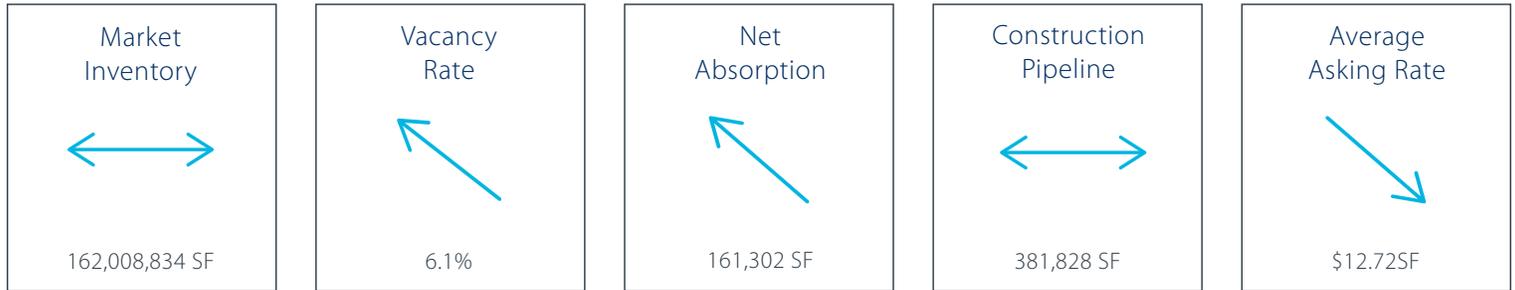
Average asking rental rates saw their first year-over-year decline since 2016, down 1.6%, to \$12.72 per square foot (psf) NNN. This was not a trend in all sectors however as Power Centers saw their rates increase 17.9% to finish the quarter at \$16.18 psf. The South Atlanta submarket saw the largest increase in average asking rental rates, up 6.1%, to end the first quarter at \$10.93 psf.

Retail construction activity slowed during the first quarter with 381,828 sf currently underway. Approximately 94,000 sf delivered in the quarter for a 12 month total of 491,136 sf of new inventory. There have been numerous discussions for urban mixed-use development, but some of those have been put on hold for now.

Investment sales activity was strong in the first three months of 2020 compared to the same time in 2019. Retail investors spent \$322 million during the quarter, an 82% increase from the first quarter of 2019. The largest sale of the quarter was Perimeter Place for \$75.4 million. Consolidated-Tomoka Land Company purchased the 337,792 sf shopping center from GLL Real Estate Partners at a 7.85% cap rate.

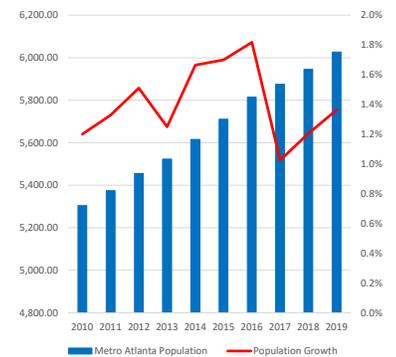
Retail Market Snapshot

The Atlanta retail market remains stable though numerous retailers are closing their doors. As construction activity remains limited the vacancy rate should stay relatively unchanged.



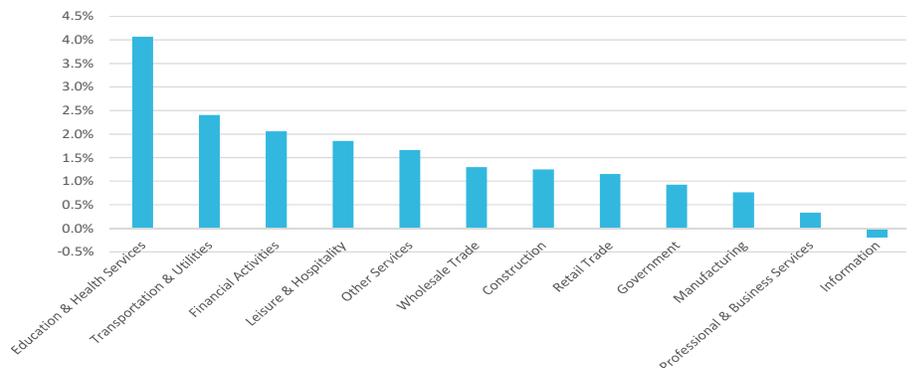
Population Growth

Metro Atlanta has the 4th fastest growing population

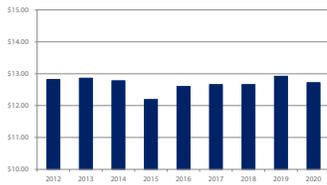


Industry Growth

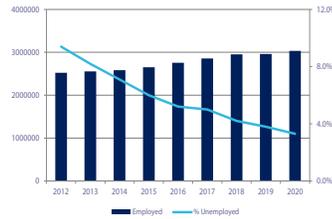
New job announcements continue to dominate metro Atlanta headlines. Job growth is one of the major driving factors of commercial real estate. This chart shows how each industry performed from February 2019 to February 2020.



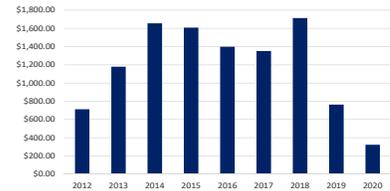
Average Asking Rental Rate (psf/year/NNN)



Metro Atlanta Employment (February of each year)



Retail Investment Sales (in millions)



Select 1Q 2020 Sale Transactions

Property	City	Submarket	Buyer	Seller	Total SF	Sale Price	Price/SF
Perimeter Place	Atlanta	Central Perimeter	Consolidated-Tomoka Land Co.	GLL Real Estate Partners Inc	337,792	\$75,435,000	\$223
Sandy Plains Marketplace	Marietta	North Cobb	Orkin & Associates	Fuqua Development	75,314	\$43,804,237	\$582
Muntzing-Sattele Portfolio	Alpharetta/Kennesaw	Georgia 400/North Cobb	Coro Realty Advisors	The Numtzing-Sattele Company	142,891	\$22,250,000	\$156
2400-2420 N Druid Hills Rd	Atlanta	Dekalb	Stockbridge Capital Group	Scarlett & Associates Inc	156,312	\$19,700,000	\$126
Douglas Commons	Douglasville	West Metro	Columbia Properties, Inc	Slate Asset Management	97,427	\$14,100,000	\$145

Select Construction Projects

Property	Submarket	Projected Completion	Total SF	% Preleased	Major Tenant
Kroger MarketPlace	Gwinnett	Third Quarter 2020	102,877	100%	Kroger
Life Time Athletic	Buckhead	Third Quarter 2021	90,000	100%	Life Time Athletic
Matt Town Center	Georgia 400	Fourth Quarter 2020	56,647	100%	Publix
Adair Park Woodstock	North Cobb	Second Quarter 2020	51,920	74%	Multiple Small Tenants

*Single-tenant leased property

Trends to Watch

Look for these three key trends to continue throughout 2020 in the Atlanta retail market.



Investment

Investors will be drawn to the market for value-add properties



Rental Rates

Will fluctuate as construction activity slows but vacancy rises



Construction

Will be limited as more existing space enters the market

Market By The Numbers

BY SUBMARKET	VACANCY		NET ABSORPTION		SF Under	AVERAGE ASKING RENT
	Inventory	Total	1Q20	YTD	Construction	Total
Buckhead	7,544,831	3.1%	(49,596)	(49,596)	90,000	\$29.86
Downtown	539,535	5.2%	4,352	4,352	-	\$22.00
Midtown	3,201,055	1.8%	(14,605)	(14,605)	33,784	\$29.45
CBD Total	11,285,421	2.8%	(59,849)	(59,849)	123,784	\$29.52
Central Perimeter	7,129,403	4.3%	11,554	11,554	-	\$22.69
Dekalb	12,286,776	9.3%	(23,466)	(23,466)	-	\$10.76
Georgia 400	17,283,593	5.5%	75,013	75,013	103,247	\$16.79
Gwinnett	32,232,016	6.9%	24,284	24,284	102,877	\$12.95
North Cobb	21,030,893	6.5%	(89,241)	(89,241)	51,920	\$14.36
Northeast	5,816,747	6.0%	9,124	9,124	-	\$11.10
South Atlanta	15,474,779	7.6%	126,849	126,849	-	\$10.93
South Cobb	9,895,888	3.6%	(41,440)	(41,440)	-	\$13.05
South Metro	18,022,087	6.7%	135,472	135,472	-	\$10.81
West Metro	11,551,231	4.9%	(6,998)	(6,998)	-	\$9.07
Suburban Total	150,723,413	6.4%	221,151	221,151	258,044	\$12.53
Total Market	162,008,834	6.1%	161,302	161,302	381,828	\$12.72

BY PROPERTY TYPE	Inventory	Vacancy	1Q Absorption	YTD Absorption	SF Under Construction	Average Rent
Community Center	41,551,107	7.6%	(143,457)	(143,457)	102,877	\$12.13
Mall	26,698,036	6.4%	66,369	66,369	90,000	\$8.79
Neighborhood	57,744,332	5.6%	152,962	152,962	163,951	\$13.06
Power Center	25,649,177	4.3%	170,212	170,212	-	\$16.18
Strip Center	10,366,182	6.8%	(84,784)	(84,784)	25,000	\$14.22
Total Market	162,008,834	6.1%	161,302	161,302	381,828	\$12.72

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



Sara Barnes
Research Manager
770.916.6125
sara.barnes@avisonyoung.com

avisonyoung.com

