

Atlanta



Quick Stats

6.1%

Total market vacancy down 70 bps
year-over-year

533,351

Year-to-date absorption for the
market in 2019

593,401

SF under construction in the second
quarter with 88% preleased

\$13.54

Average asking rate up 4.2% in the
last 12 months

Market Overview

The Atlanta retail market continued its momentum into the second quarter of 2019, recording another decline in the vacancy rate. Absorption recorded another positive quarter, while new construction activity remained tempered. Asking rental rates remained stable, continuing the trend of a landlords market. Metro Atlanta retail is on target to have a strong year in 2019.

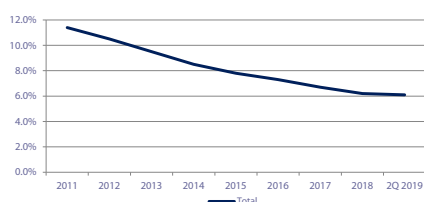
Vacancy and Absorption

The Atlanta retail market continued its momentum in the second quarter of 2019, seeing the 25th consecutive quarter of positive absorption. There were 310,855 square feet (sf) of net gains, for a mid-year total of 533,351 sf. The Gwinnett submarket recorded the most positive absorption for the quarter, with 190,355 sf. In terms of property type performance, the Neighborhood sector saw the most activity in the second quarter of 2019, recording 352,710 sf of net gains. As absorption continues its positive streak, the vacancy rate

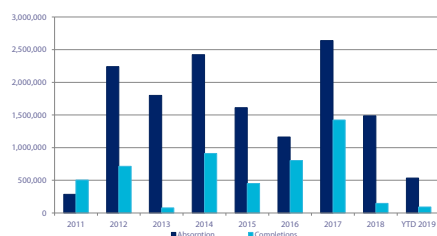
is seeing a modest, but steady decline. The Atlanta retail market posted a 6.1% vacancy rate in the second quarter, down 70 basis points (bps) from this time in 2018. The Midtown submarket currently has the lowest vacancy at 0.8%, followed by the Buckhead submarket at 2.4%. While mall vacancy rates are still low, currently at 3.8%, they are on the rise. Since this time in 2018 mall vacancy rates have risen 90 bps and are anticipated to continue an upward trend. As major department stores close their doors, mall owners are looking at new ways to fill these big box vacancies, even if it is a temporary solution such as a film set or halloween supply store. Currently over 7,000 store closings have been announced through the first six months of 2019, which is more than what closed during all of 2018. Although it seems most chain retailers are closing some, if not all, of their locations there are retailers who are expanding. Majority of these fall in the discount category such as Marshalls and T.J. Maxx, however the clothing store Aerie plans to open 60-75 new stores this year.

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

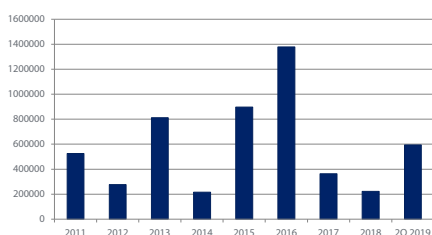
Vacancy Trends



Absorption vs. Completions



SF Under Construction



New Construction

The pace of new construction activity remained tempered during the second quarter of 2019. Currently there are 593,401 sf under construction, which is slightly behind the pace in 2018. The most notable project to break ground in the second quarter was Life Time Athletic. This development will be 90,000 sf and is attached to Phipps Plaza Mall. The largest project underway is Dawson Marketplace, a 97,000 sf lifestyle center with Bealls Outlet as its anchor tenant, which should be completed in 2019. Although construction activity is limited, the Atlanta retail market has seen approximately 700,000 sf enter the inventory in the last 24 months. As the retail construction pipeline shifts towards high-density mixed-use developments, especially for high-end retailers, the market should see the amount under construction increase.

Rental Rates

Average asking rental rates in the Atlanta retail market saw a slight uptick in the second quarter of 2019. Rates ended the quarter at \$13.54 NNN per square foot (psf), a 4.2% increase from this period in 2018. The Midtown submarket surpassed Buckhead in the second quarter for the highest average asking rental rate at \$35.63 NNN psf. The Downtown submarket has seen the largest year-over-year increase, up 33%, ending the quarter at \$22.66 psf. The Central Perimeter market has the highest rate of the suburban submarkets at \$20.47 NNN psf, however this down over the last 12 months. Rental rates should continue their upward trend as new construction remains at a minimum and landlords are able to quote a higher rate.

Investment Sales

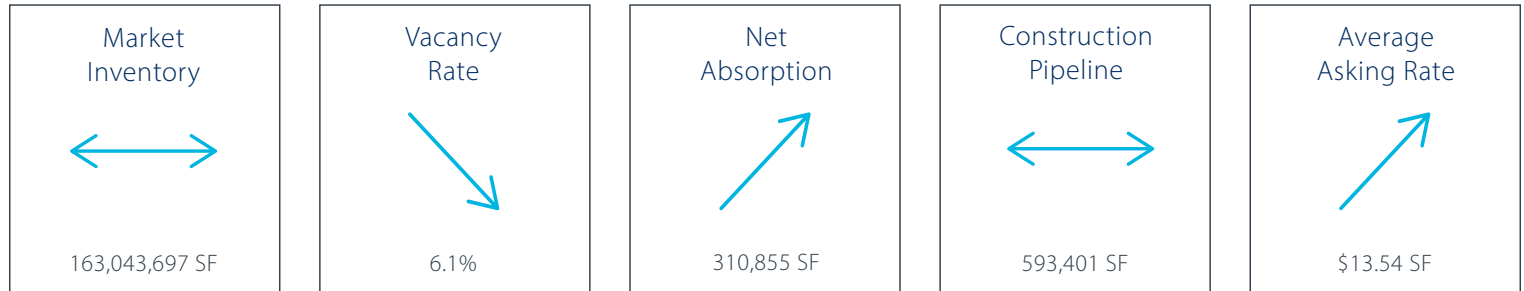
Metro Atlanta's investment sales activity saw a slowdown during the second quarter of 2019. The market saw approximately \$124 million in sales during the quarter which brings the mid-year total to \$314 million. The average price per square foot increased 19.2% year-over-year to \$168 in the second quarter. Cap rates have remained steady, seeing an average of 7.0% for Metro Atlanta since the end of 2016; but did drop slightly to 6.8% in the second quarter. The largest sale of the quarter was Asana Partners purchasing StudioPlex Alley for \$19 million. This property is located on the Atlanta Beltline which has seen a significant increase in retail activity since its development. Developers are paying a premium for any available land located on the beltline to draw in new high end retailers and award winning restaurants.

Outlook

The Atlanta retail market is expected to remain positive through the last six months of 2019. Limited new construction will allow landlords to backfill vacated big box space at a higher rental rate than they were previously receiving. Job growth in metro Atlanta remains strong as the Bureau of Labor Statistics announced employment in Atlanta grew by more than 52,000 jobs between May 2018 and May 2019. This is a growth rate of 1.9%, significantly ahead of the 1.6% growth the US is currently experiencing. This growth will drive leasing activity as well as investor activity as the market's vacancy rate continues to tighten which will push cap rates to where investors want them to be.

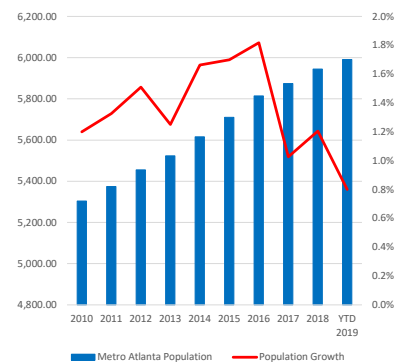
Retail Market Snapshot

The Atlanta retail market is strong even though numerous retailers are closing their doors. As construction activity remains limited, and vacancy low, rental rates will continue to rise.



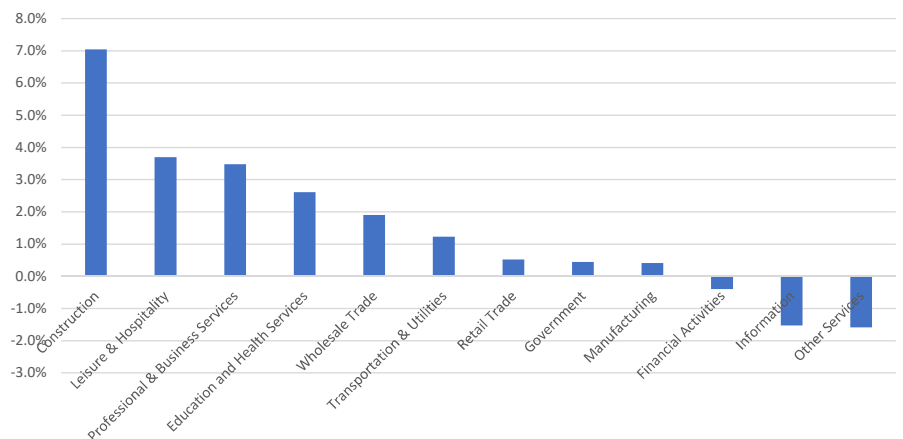
Population Growth

Metro Atlanta has the 4th fastest growing population

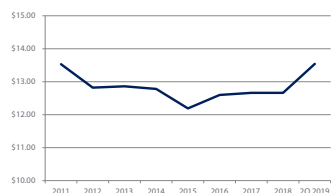


Industry Growth

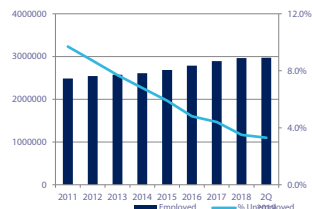
New job announcements continue to dominate metro Atlanta headlines. Job growth is one of the major driving factors of commercial real estate. This chart shows how each industry performed from May 2018 to May 2019.



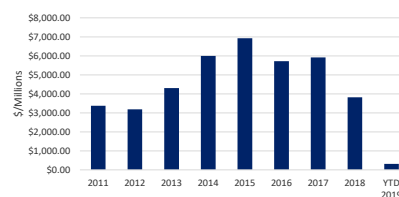
Average Asking Rental Rate (psf/year/NNN)



Metro Atlanta Employment (May of each year)



Retail Investment Sales (in millions)



Select 2Q 2019 Sale Transactions

Property	City	Submarket	Buyer	Seller	Total SF	Sale Price	Price/SF
StudioPlex Alley	Atlanta	Downtown	Asana Partners	Thrive Homes	30,370	\$19,000,000	\$626
Conyers Square	Conyers	South Metro	Skyline Pacific Properties	The Kroger Co	98,968	\$15,702,350	\$159
Stonewood Village	Alpharetta	Georgia 400	Orkin & Associates	Nightingale Properties	106,485	\$12,900,000	\$121
Village at Chapel Hill	Douglasville	West Metro	LBX Investments	Cole Credit Property Trust V, Inc	45,000	\$11,900,000	\$264
Kennesaw Walk	Kennesaw	North Cobb	Forge Capital Partners	PGIM Real Estate	57,800	\$11,103,373	\$192

Select Construction Projects

Property	Submarket	Projected Completion	Total SF	% Preleased	Major Tenant
Dawson Marketplace	Georgia 400	Third Quarter 2019	97,374	100%	Bealls Outlet
Life Time Athletic	Buckhead	First Quarter 2021	90,000	100%	Life Time Athletic
Matt Town Center	Georgia 400	First Quarter 2020	56,647	92%	Publix
Madison Yards - 1	Downtown	Third Quarter 2019	48,201	100%	AMC Theaters
2250 Marietta Boulevard	Midtown	Third Quarter 2019	44,283	91%	The Refinery

*Single-tenant leased property

Trends to Watch

Look for these three key trends to continue throughout 2019 in the Atlanta retail market.



Investment

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



Rental Rates

Will continue to rise as the market vacancy tightens



Construction

Increase in mixed-use developments in the CBD

Market By The Numbers

BY SUBMARKET	VACANCY		NET ABSORPTION		SF Under	AVERAGE ASKING RENT
	Inventory	Total	2Q19	YTD	Construction	Total
Buckhead	8,055,463	2.4%	30,229	52,415	90,000	\$31.42
Downtown	424,510	9.1%	(8,918)	(24,270)	114,761	\$22.66
Midtown	3,082,162	0.8%	(1,855)	52,951	78,067	\$35.63
CBD Total	11,562,135	2.2%	19,456	81,096	282,828	\$31.91
Central Perimeter	7,114,501	6.2%	(11,467)	(162,974)	-	\$20.47
Dekalb	12,458,895	9.8%	(71,072)	(48,662)	-	\$12.37
Georgia 400	17,140,252	5.5%	50,615	158,676	258,653	\$16.77
Gwinnett	32,509,465	5.5%	190,355	168,096	-	\$13.86
North Cobb	20,963,979	4.7%	24,950	234,450	51,920	\$15.42
Northeast	5,753,354	7.2%	(25,199)	(11,917)	-	\$11.72
South Atlanta	15,593,869	9.4%	24,876	(23,155)	-	\$10.68
South Cobb	9,925,880	4.9%	62,802	87,518	-	\$13.89
South Metro	18,210,250	7.3%	73,054	37,291	-	\$13.05
West Metro	11,811,117	4.4%	(27,515)	12,932	-	\$9.77
Suburban Total	151,481,562	6.3%	291,399	452,255	310,573	\$13.32
Total Market	163,043,697	6.1%	310,855	533,351	593,401	\$13.54

BY PROPERTY TYPE	Inventory	Vacancy	2Q Absorption	YTD Absorption	SF Under Construction	Average Rent
Community Center	41,614,441	7.5%	(31,181)	346,238	114,761	\$12.97
Mall	26,760,801	3.8%	(15,758)	(50,583)	187,374	\$10.26
Neighborhood	58,045,952	6.2%	352,710	467,338	266,266	\$13.61
Power Center	26,197,739	5.5%	56,454	(150,048)	-	\$14.02
Strip Center	10,424,764	6.5%	(51,370)	(79,594)	25,000	\$14.85
Total Market	163,043,697	6.1%	310,855	533,351	593,401	\$13.54

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

