

Atlanta



Quick Stats

6.1%

Total market vacancy down 40 bps
year-over-year

581,974

Year-to-date absorption for the
market in 2019

578,661

SF under construction in the third
quarter with 88% preleased

\$13.45

Average asking rate up 5.7% 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.

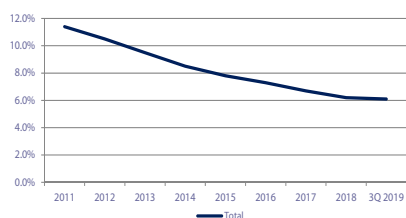
Vacancy and Absorption

The Atlanta retail market remained stable during the third quarter of 2019, recording its 26th consecutive quarter of positive absorption. There were 48,623 square feet (sf) of net gains, for a year-to-date total of 581,974 sf. The Northeast submarket recorded the most positive absorption for the quarter, with 58,458 sf. In terms of property type performance, the Neighborhood sector saw the most activity in the third quarter of 2019, recording 82,561 sf of net gains. As absorption continues its positive streak, the vacancy rate is seeing

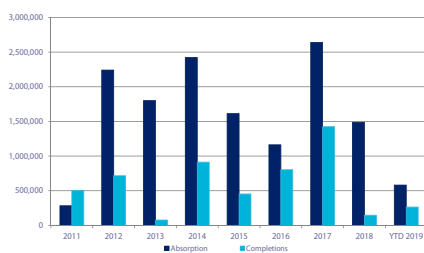
a modest, but steady decline. The Atlanta retail market posted a 6.1% vacancy rate in the third quarter, down 40 basis points (bps) from this time in 2018. The Midtown submarket currently has the lowest vacancy at 0.7%, followed by the Buckhead submarket at 2.8%. While mall vacancy rates are still low, currently at 3.7%, they are on the rise. Since this time in 2018 mall vacancy rates have risen 120 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. While some major retailers are struggling to keep their doors open, discount stores and grocers are expanding in record numbers. TJ Maxx, Hobby Lobby, Aldi and Dollar General are opening anywhere from 100 new stores up to 900 new stores through the end of 2019 and into 2020. This trend is expected to continue as consumers still value an in-store experience, but are looking to save money at the same time.

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

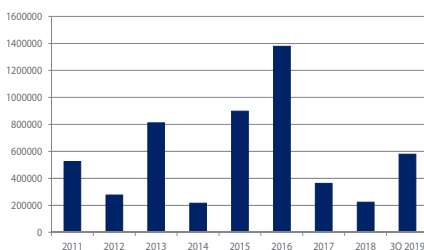
Vacancy Trends



Absorption vs. Completions



SF Under Construction



New Construction

The pace of new construction activity remained tempered during the third quarter of 2019. Currently there are 578,661 sf under construction, which is slightly ahead of the pace in 2018. There was only one new project to break ground during the third quarter, a 21,600-sf Patel Brothers grocery store in the Georgia 400 submarket. The largest project underway is a new section of Embry Village, a 103,000-sf Kroger MarketPlace, in the Gwinnett submarket. Although construction activity is limited, the Atlanta retail market has seen approximately 550,000 sf enter the inventory in the last 24 months. As the retail construction pipeline shifts toward 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 significant increase in the third quarter of 2019. Rates ended the quarter at \$13.45 NNN per square foot (psf), a 5.7% increase from this period in 2018. The Midtown submarket once again had the highest asking rates in the third quarter at \$40.00 NNN psf. Buckhead came in second place with rents averaging \$31.69 NNN psf. The Downtown submarket has seen the largest year-over-year increase, up 29%, ending the quarter at \$22.66 NNN psf. The Central Perimeter market has the highest rate of the suburban submarkets at \$20.26 NNN psf, however, this is 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

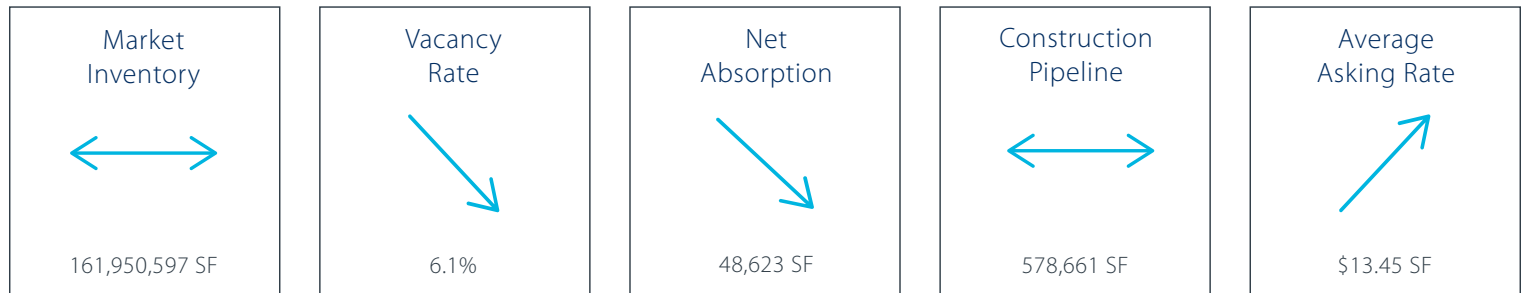
Metro Atlanta's investment sales activity saw an increase during the third quarter of 2019. The market saw approximately \$183 million in sales during the quarter which brings the year-to-date total to \$503 million. The average price per square foot increased 3.3% year-over-year to \$125 in the third 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 6.7% in the third quarter. The largest sale of the quarter was RREEF Property Trust purchasing Providence Square for \$54.5 million. This 230,000-sf property is located in the North Cobb submarket and is fully leased. The largest tenants include Home Depot, Sprouts, TJ Maxx and HomeGoods.

Outlook

The Atlanta retail market is expected to remain positive through the last three 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 continued its upward trend in Metro Atlanta during the third quarter. According to the Bureau of Labor Statistics, employment in the Atlanta Metro area grew by more than 52,000 jobs between August 2018 and August 2019. This is a growth rate of 1.9%, well ahead of the 1.4% 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.

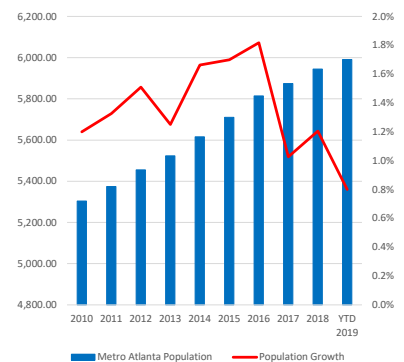
Retail Market Snapshot

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.



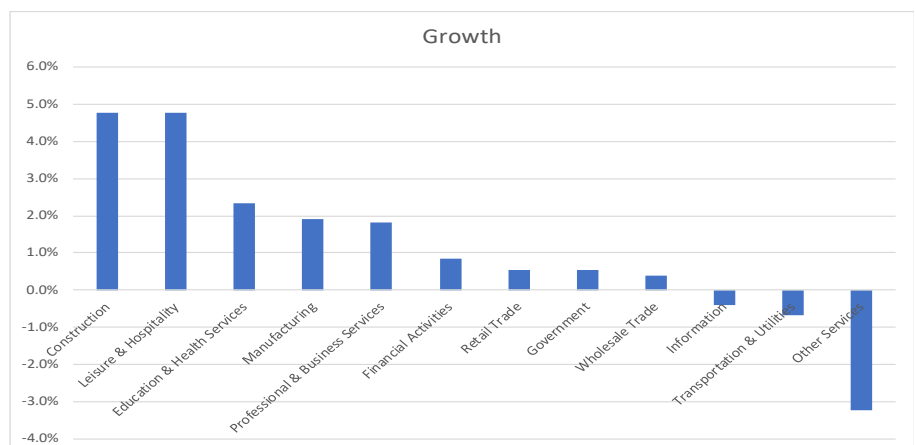
Population Growth

Metro Atlanta has the 4th fastest growing population

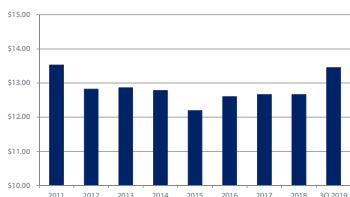


Industry Growth

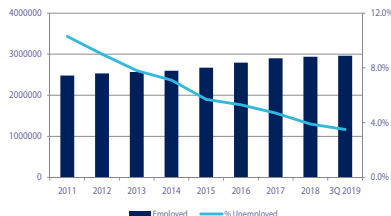
New job announcements continue to dominate metro Atlanta headlines. Job growth is one of the major driving factors of commercial real estate. This chart shows how each industry performed from August 2018 to August 2019.



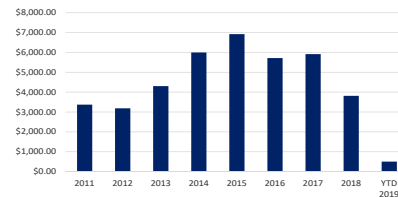
Average Asking Rental Rate (psf/year/NNN)



Metro Atlanta Employment (August of each year)



Retail Investment Sales (in millions)



Select 3Q 2019 Sale Transactions

Property	City	Submarket	Buyer	Seller	Total SF	Sale Price	Price/SF
Providence Square	Marietta	North Cobb	RREEF Property Trust	Deutsche Bank	230,000	\$54,538,789	\$239
North Decatur Square	Decatur	Dekalb	Weingarten Realty Investors	SJ Collins Enterprises	88,780	\$52,600,000	\$592
Spalding Village	Griffin	South Metro	Big V Properties	RCG Ventures	235,318	\$17,000,000	\$72
10675 Alpharetta Highway	Roswell	Georgia 400	The Malon D Mimms Company	Butler Development	109,088	\$14,030,000	\$129
LA Fitness @ Village at Chapel Hill	Douglasville	West Metro	Greenwood & McKenzie Real Estate Investments	Fitness International	45,000	\$10,600,000	\$236

Select Construction Projects

Property	Submarket	Projected Completion	Total SF	% Preleased	Major Tenant
Kroger MarketPlace	Gwinnett	Third Quarter 2020	102,877	100%	Kroger
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
Westside Village @ Moores Mill	Midtown	Fourth Quarter 2019	33,784	69%	Ted's Montana Grill

*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	3Q19	YTD	Construction	Total
Buckhead	7,602,287	2.8%	30,257	82,672	90,000	\$31.93
Downtown	470,310	7.5%	46,930	22,660	68,961	\$22.66
Midtown	3,177,668	0.7%	55,194	108,145	33,784	\$40.00
CBD Total	11,250,265	2.4%	132,381	213,477	192,745	\$31.46
Central Perimeter	7,115,560	5.8%	31,155	(131,819)	-	\$20.26
Dekalb	12,384,658	9.9%	(7,742)	(56,404)	-	\$11.58
Georgia 400	17,168,329	5.4%	40,489	199,165	206,021	\$17.29
Gwinnett	32,182,026	5.5%	(15,245)	152,851	102,877	\$14.02
North Cobb	20,901,397	5.6%	(187,177)	47,273	77,018	\$15.09
Northeast	5,833,882	6.9%	58,458	46,541	-	\$11.75
South Atlanta	15,553,893	8.3%	29,380	6,225	-	\$10.06
South Cobb	9,785,478	5.2%	655	88,173	-	\$13.89
South Metro	18,144,729	7.3%	(61,531)	(24,240)	-	\$13.67
West Metro	11,630,380	4.4%	27,800	40,732	-	\$10.00
Suburban Total	150,700,332	6.3%	(83,758)	368,497	385,916	\$13.28
Total Market	161,950,597	6.1%	48,623	581,974	578,661	\$13.45

BY PROPERTY TYPE	Inventory	Vacancy	3Q Absorption	YTD Absorption	SF Under Construction	Average Rent
Community Center	41,272,891	7.9%	(77,710)	268,528	171,838	\$13.02
Mall	26,451,114	3.7%	39,723	(10,860)	187,374	\$11.48
Neighborhood	58,003,658	6.1%	82,561	549,899	194,449	\$13.59
Power Center	26,023,403	5.4%	(22,005)	(172,053)	-	\$13.90
Strip Center	10,199,531	6.2%	26,054	(53,540)	25,000	\$14.14
Total Market	161,950,597	6.1%	48,623	581,974	578,661	\$13.45

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



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