

Atlanta



Market Facts

6.5%

Total market vacancy down 30 bps year-over-year

1.1 MSF

Year-to-date absorption for the market in 2018

522,138 SF

SF under construction in the first quarter with 93% preleased

\$13.00 PSF

Average asking rate up 2.9% in the last 12 months

Market Overview

The Atlanta retail market continued its momentum into the third quarter of 2018, recording another decline in the vacancy rate. Absorption recorded another positive quarter, while new construction activity remained tempered. Asking rental rates saw a surge upward, continuing the trend of a landlords market. Metro Atlanta retail is on target to finish 2018 on a strong note.

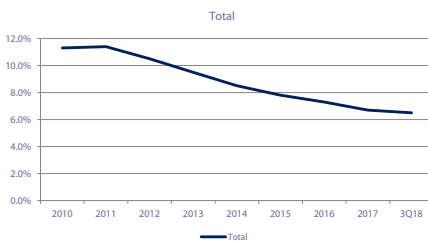
Vacancy and Absorption

The Atlanta retail market recorded a strong third quarter, seeing the 22nd consecutive quarter of positive absorption. There were 397,957 square feet (sf) of net gains, which brought the year-to-date total to 1.1 million square feet (msf). The South Metro submarket recorded the most positive absorption for the quarter, with 216,934 sf. In terms of property type performance, the Neighborhood sector saw the most

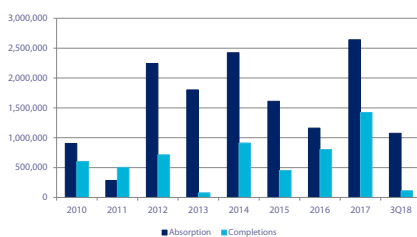
activity in the third quarter of 2018, recording over 245,000 sf of net gains. As absorption continues its positive streak, the vacancy rate is seeing a modest, but steady decline. The Atlanta retail market posted a 6.5% vacancy rate in the third quarter, down 30 basis points (bps) from this time in 2017. The Midtown submarket currently has the lowest vacancy at 2.8%, followed by the Central Perimeter submarket at 3.8%. Specific property types also have low vacancy at this time. The Mall sector is currently at 2.5%, down 40 bps from the third quarter of 2017. Community Center properties, while the highest vacancy at 8.6%, did record a 50 bps decline year-over-year. The market is expected to face another vacancy challenge following Toys R Us closures, as multiple big box users such as Sears, K-Mart and Mattress Firm, have announced they are closing numerous locations across Metro Atlanta.

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

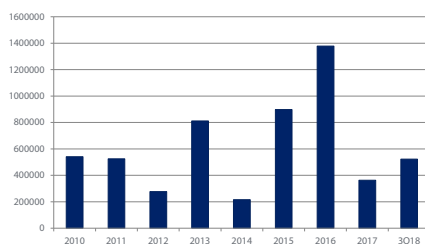
Vacancy Trends



Absorption vs. Completions



SF Under Construction



New Construction

The pace of new construction activity remained tempered during the third quarter of 2018. Currently there are 522,138 sf under construction, which is up from the beginning of the year. No new projects broke ground in the third quarter, which indicates supply and demand are fairly even in the Atlanta market. The largest project underway is Snellville Exchange, a 351,000 sf lifestyle center, which should be completed by the end of the year. Although construction activity is limited, the Atlanta retail market has seen approximately 1.3 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 in the last three months of 2018 and leading into 2019.

Rental Rates

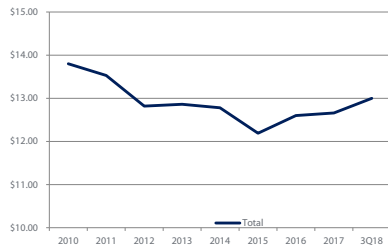
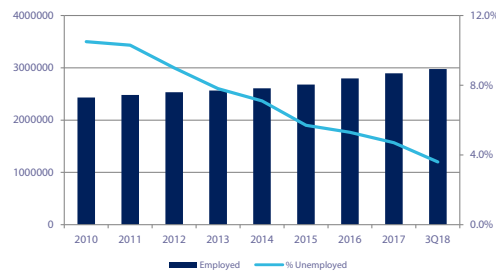
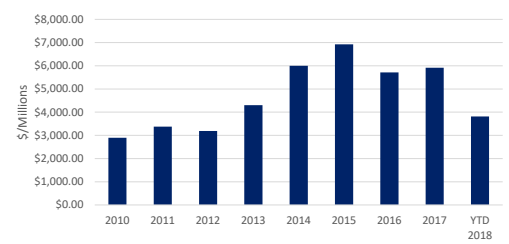
Average asking rental rates in the Atlanta retail market saw an increase in the third quarter of 2018. Rates ended the quarter at \$13.00 NNN per square foot (psf), up 2.9% from the same period in 2017. The Buckhead submarket has the highest average asking rental rate at \$29.29 NNN psf, however this is down 6.1% year-over-year. This decrease is due to the limited amount of space available in the market, especially at locations such as Phipps Plaza and Buckhead Atlanta, that command the highest rates in the market. The Central Perimeter market has the highest rate of the suburban submarkets at \$23.00 NNN psf, up 28.6% over the last 12 months. As available space continues to be at a premium, landlords will be able to raise asking rental rates as tenants' 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 \$1.5 billion in sales, bringing the year-to-date total to \$4.4 billion. The average price per square foot increased 3.0% year-over-year to \$169 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 jump slightly to 7.4% in the third quarter. The market may see a downward trend in investment sales through the end of the year as investors assess how an interest rate increase would affect sale prices. The largest sale of the quarter was Wicker Park Capital and DRA Advisors purchasing Camp Creek Marketplace for \$80.1 million. This 424,000 sf shopping center is home to numerous national retailers such as Petsmart and Old Navy.

Outlook

The Atlanta retail market should remain stable through the end of 2018. As some big box tenants exit their space, other large retailers such as Costco, Total Wine and Marshalls are looking to expand their presence. Population growth, as well as job growth, will spur retailers to expand their brick and mortar locations throughout Metro Atlanta. According to the Bureau of Labor Statistics, employment in the Atlanta Metro grew by more than 53,700 jobs between August 2017 and August 2018. This is a growth rate of 2.0%, which is ahead of the 1.6% rate the US is currently experiencing. Rising rental rates and a low market vacancy rate will spark the interest of investors and sales activity should remain strong.

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

Select 3Q 2018 Sale Transactions

Property	City	Submarket	Buyer	Seller	Total SF	Sale Price	Price/SF
Camp Creek Marketplace	East Point	West Metro	Wicker Park Capital/ DRA Advisors	DDR/Blackstone	424,715	\$80,100,000	\$189
Alpha Park	Alpharetta	Georgia 400	Green Brick Partners	John Perling Company	55,000	\$14,700,000	\$267
11060-11070 Alpharetta Highway	Roswell	Georgia 400	Pollack Shores Real Estate Group	The Du Rhone Group	153,892	\$12,900,000	\$84
Locust Grove Village	Locust Grove	South Metro	Forum Management Group	Mahmood & Amina Merchant	111,250	\$12,800,000	\$115
Pleasant Hill Plaza	Duluth	Northeast	Millennium Partners Inv Group	Rhees Atlanta	120,000	\$12,000,000	\$100

Select Construction Projects

Property	Submarket	Projected Completion	Total SF	% Preleased	Major Tenant
Snellville Exchange	Gwinnett	Fourth Quarter 2018	351,092	91%	Urban Air Adventure
5874-5950 Steeplechase Blvd	Georgia 400	Fourth Quarter 2018	123,552	100%	Kroger
Peachtree Pky @ Medlock Rd	Gwinnett	Fourth Quarter 2018	56,000	100%	CineBistro
Hudson Bridge Crossing	South Atlanta	Fourth Quarter 2018	50,000	100%	N/A
North Decatur Square	Dekalb	Fourth Quarter 2018	35,096	100%	Whole Foods

*Single-tenant leased property

Market By The Numbers

BY SUBMARKET	Inventory	VACANCY		NET ABSORPTION		SF Under	AVERAGE ASKING RENT
		Total	3Q18	YTD	Construction	Total	
Buckhead	8,192,113	5.7%	(94,516)	(71,733)	-	\$29.29	
Downtown	424,510	5.3%	8,602	11,849	-	\$17.56	
Midtown	3,207,887	2.8%	(24,304)	49,862	-	\$19.00	
CBD Total	11,824,510	4.9%	(110,218)	(10,022)	0	\$27.03	
Central Perimeter	7,247,507	3.8%	52,642	92,897	-	\$23.00	
Dekalb	12,708,536	6.6%	(18,076)	92,189	35,096	\$12.20	
Georgia 400	17,313,484	6.8%	124,671	226,150	-	\$14.58	
Gwinnett	33,063,644	6.1%	(147,177)	(55,619)	437,042	\$12.88	
North Cobb	21,117,664	6.1%	116,506	208,265	-	\$13.93	
Northeast	6,085,778	7.9%	14,325	13,829	-	\$11.61	
South Atlanta	15,677,504	10.1%	41,616	59,625	50,000	\$10.79	
South Cobb	10,389,504	5.5%	(6,634)	12,471	-	\$15.26	
South Metro	18,093,954	7.1%	216,934	363,407	-	\$12.93	
West Metro	12,287,335	5.3%	113,368	72,039	-	\$10.00	
Suburban Total	153,984,910	6.6%	508,175	1,085,253	522,138	\$12.60	
Total Market	165,809,420	6.5%	397,957	1,075,231	522,138	\$13.00	

BY PROPERTY TYPE	Inventory	Vacancy	3Q Absorption	YTD Absorption	SF Under Construction	Average Rent
Community Center	40,996,584	8.6%	75,199	168,103	50,000	\$11.44
Mall	27,688,217	2.5%	(26,305)	49,246	351,092	\$11.67
Neighborhood	59,043,594	7.6%	245,055	700,853	121,046	\$13.23
Power Center	27,800,457	4.5%	71,792	46,930	-	\$12.69
Strip Center	10,280,568	7.4%	32,216	110,099	-	\$13.52
Total Market	165,809,420	6.5%	397,957	1,075,231	522,138	\$13.00

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



For more information, please contact:

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

avisonyoung.com