

Atlanta



Quick Stats

6.0%

Total market vacancy down 20 bps
year-over-year

552,560

Year-to-date absorption for the
market in 2019

534,377

SF under construction in the fourth
quarter with 70% preleased

\$12.92

Average asking rate up 2.0% in the
last 12 months

Market Overview

The Atlanta retail market stumbled in the fourth quarter of 2019. Absorption was negative, however, strong absorption from earlier in 2019 caused the vacancy rate to decrease year-over-year. Asking rental rates remained stable, continuing the trend of a landlords' market. Strong leasing activity should allow metro Atlanta retail to rebound in 2020.

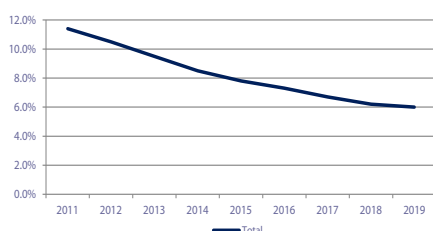
Vacancy and Absorption

The Atlanta retail market saw a slight decrease in activity during the fourth quarter of 2019 and recorded its first quarter of negative absorption since the first quarter of 2013. There were 29,414 square feet (sf) of net losses, for a year-to-date total of positive 552,560 sf. The South Cobb submarket recorded the most positive absorption for the quarter, with 102,758 sf. In terms of property type performance, the Community Center sector saw the most activity in the fourth quarter of 2019, recording 237,808 sf of net gains. Even with the small amount

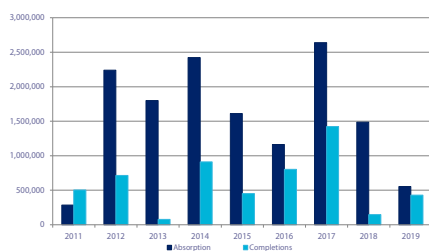
of negative absorption, the overall vacancy rate continued its downward trend. The Atlanta retail market posted a 6.0% vacancy rate in the fourth quarter, down 20 basis points (bps) from this time in 2018. The Midtown submarket currently has the lowest vacancy at 1.2%, followed by the Buckhead submarket at 2.9%. While mall vacancy rates are still low, currently at 4.6%, they are on the rise. Since this time in 2018, mall vacancy rates have risen 200 bps and are anticipated to continue an upward trend. 2019 saw the most store closings ever recorded with almost 10,000 stores shutting their doors nationwide. While some department stores, such as Sears and Macy's, continue to announce closings for 2020, other smaller chain stores are following suit. Gap, Gymboree, Dressbarn, Chico's and more have announced hundreds of store closings. The good news is discount retailers such as Five Below, Dollar Tree and TJ Maxx are looking to open new locations in 2020. Grocers such as Aldi and Lidl are also expanding in the U.S., helping to backfill big box space.

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

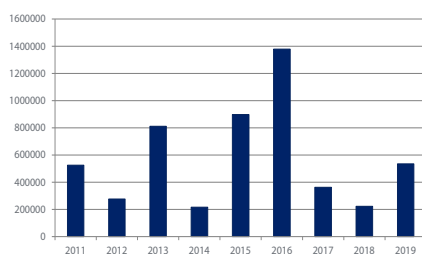
Vacancy Trends



Absorption vs. Completions



SF Under Construction



New Construction

The pace of new construction activity remained tempered during the fourth quarter of 2019. Currently there are 534,377 sf under construction, which is slightly ahead of the pace in 2018. There was only one new project to break ground during the fourth quarter, a 100,000-sf mixed-use development called The Exchange at Gwinnett. This project will offer a Food Hall and will be connected to multi-family and new commercial space. The largest project underway is a new section of Embury Village, a 103,000-sf Kroger MarketPlace, in the Gwinnett submarket. Although construction activity is limited, the Atlanta retail market has seen approximately 430,000 sf enter the inventory in the last 12 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 slight increase in the fourth quarter of 2019. Rates ended the quarter at \$12.92 NNN per square foot (psf), a 2.0% increase from this period in 2018. The Buckhead submarket had the highest asking rates in the fourth quarter at \$29.86 NNN psf. Midtown came in second place with rents averaging \$29.45 NNN psf. The South Atlanta submarket has seen the largest year-over-year increase, up 13.9%, ending the quarter at \$10.85 NNN psf. The Central Perimeter market has the highest rate of the suburban submarkets at \$18.01 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

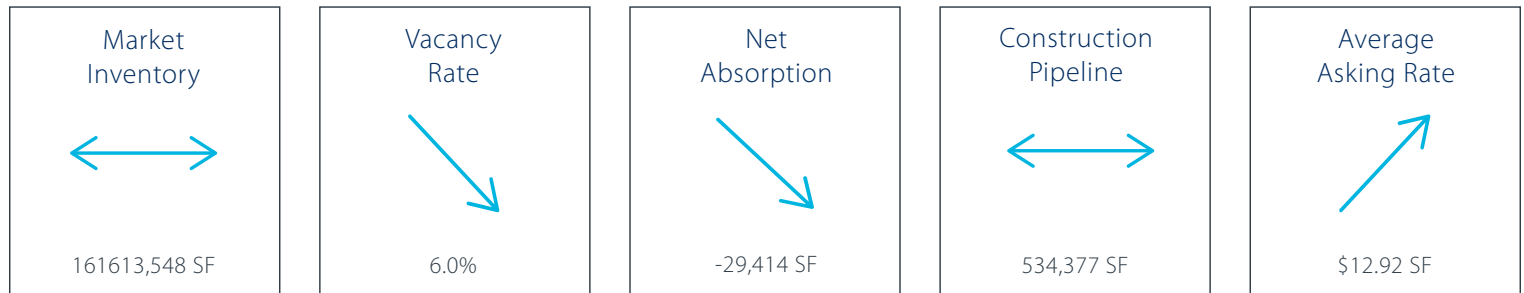
Metro Atlanta's investment sales activity remained strong in the fourth quarter of 2019. The market saw approximately \$285 million in sales during the quarter which brings the year-to-date total to \$763 million. The average price per square foot decreased slightly year-over-year to \$103 in the fourth 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 6.6% in the fourth quarter. The largest sale of the quarter was Wicker Park Capital Management purchasing Cobb Place for \$53.5 million. This 335,000-sf property is located in the North Cobb submarket and is leased to DSW, Bed, Bath & Beyond, American Signature Furniture and HobbyTown USA.

Outlook

The Atlanta retail market should return to a positive trend in 2020. 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 fourth quarter. According to the Bureau of Labor Statistics, employment in the Atlanta Metro area grew by more than 62,000 jobs between November 2018 and November 2019. This is a growth rate of 2.2%, well ahead of the 1.5% growth the U.S. 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.

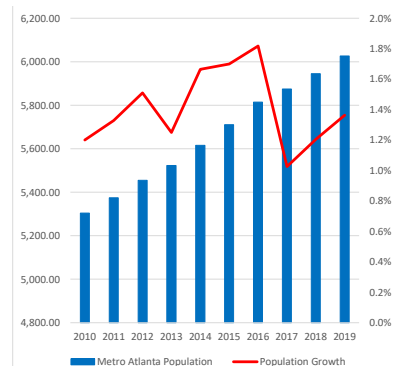
Retail Market Snapshot

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.



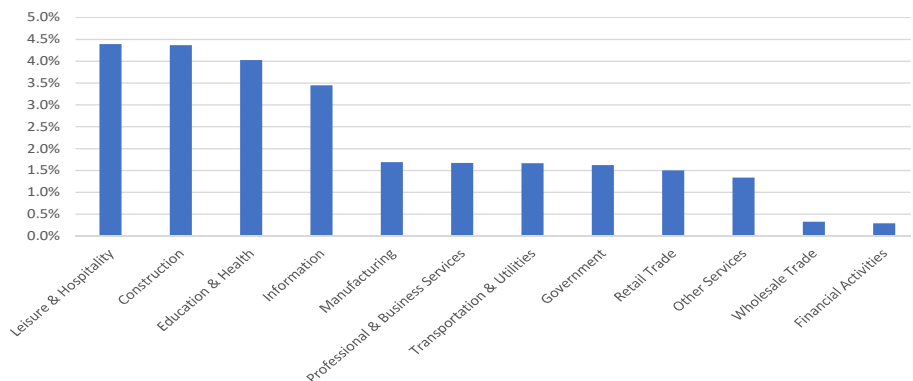
Population Growth

Metro Atlanta has the 4th fastest growing population

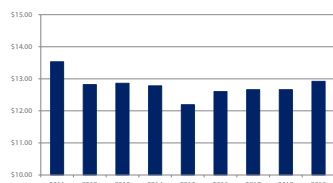


Industry Growth

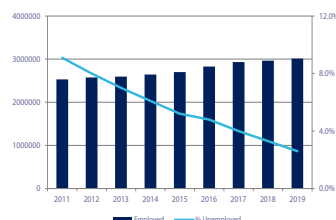
New job announcements continue to dominate metro Atlanta headlines. Job growth is one of the major driving factors of commercial real estate. This chart shows how each industry performed from November 2018 to November 2019.



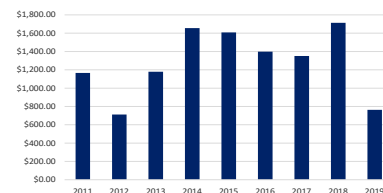
Average Asking Rental Rate
(psf/year/NNN)



Metro Atlanta Employment
(November+ of each year)



Retail Investment Sales
(in millions)



Select 4Q 2019 Sale Transactions

Property	City	Submarket	Buyer	Seller	Total SF	Sale Price	Price/SF
Cobb Place	Kennesaw	North Cobb	Wicker Park Capital Management	RCG Ventures	335,190	\$53,500,000	\$160
Barrett Pavilion	Kennesaw	North Cobb	Lincoln Property Co.	SITE Centers Corp.	458,940	\$42,000,000	\$92
Concourse Parkway Portfolio	Douglasville	West Metro	Credi Investments	VEREIT, Inc	352,073	\$28,804,584	\$81
Publix Portfolio	Acworth/ Lithonia	North Cobb/ South Atlanta	Rothenberg Rosenfield, Inc	Kite Realty Group Trust	142,703	\$22,125,000	\$155
Village Shoppes of Sugarloaf	Lawrenceville	Gwinnett	Branch Properties, LLC	CW Capital	170,185	\$14,050,000	\$83

Select Construction Projects

Property	Submarket	Projected Completion	Total SF	% Preleased	Major Tenant
Kroger MarketPlace	Gwinnett	Third Quarter 2020	102,877	100%	Kroger
The Exchange at Gwinnett	Gwinnett	First Quarter 2021	100,000	0%	N/A
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	First Quarter 2020	33,784	69%	Ted's Montana Grill

*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 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	4Q19	YTD	Construction	Total
Buckhead	7,549,591	2.9%	(30,440)	52,232	90,000	\$29.86
Downtown	539,535	5.2%	73,892	96,552	-	\$22.00
Midtown	3,201,055	1.2%	(16,090)	92,055	33,784	\$29.45
CBD Total	11,290,181	2.6%	27,362	240,839	123,784	\$29.52
Central Perimeter	7,115,191	4.9%	(4,636)	(136,455)	-	\$18.01
Dekalb	12,278,698	9.8%	64,562	8,158	-	\$11.18
Georgia 400	17,286,577	5.7%	16,564	215,729	130,698	\$16.88
Gwinnett	32,158,163	5.3%	(3,140)	149,711	202,877	\$13.51
North Cobb	20,709,198	5.8%	(57,852)	(10,579)	77,018	\$14.36
Northeast	5,847,132	6.8%	10,633	57,174	-	\$11.46
South Atlanta	15,484,047	8.7%	1,461	7,686	-	\$10.85
South Cobb	9,926,332	3.5%	102,758	190,931	-	\$13.90
South Metro	17,945,046	7.3%	(149,382)	(173,622)	-	\$10.43
West Metro	11,572,983	4.6%	(37,744)	2,988	-	\$9.57
Suburban Total	150,323,367	6.2%	(56,776)	311,721	410,593	\$12.74
Total Market	161,613,548	6.0%	(29,414)	552,560	534,377	\$12.92

BY PROPERTY TYPE	Inventory	Vacancy	4Q Absorption	YTD Absorption	SF Under Construction	Average Rent
Community Center	41,526,702	7.3%	237,808	506,336	202,877	\$12.37
Mall	26,576,370	4.6%	(249,973)	(260,833)	90,000	\$8.60
Neighborhood	57,586,358	5.9%	(27,435)	522,464	216,500	\$13.28
Power Center	25,751,274	5.4%	2,177	(169,876)	-	\$15.37
Strip Center	10,172,844	6.0%	8,009	(45,531)	25,000	\$14.20
Total Market	161,613,548	6.0	(29,414)	552,560	534,377	\$12.92

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

