

MARKET REPORT

Retail
Atlanta Metro Area

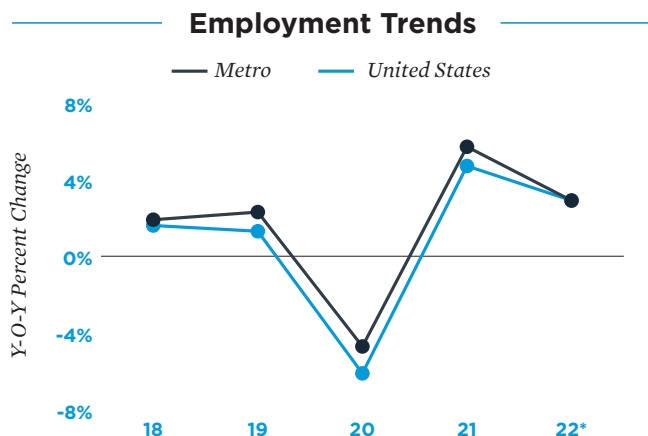
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2Q/22

Tech Roles Drive Up Incomes; Suburban Retail-Residential Builds on the Rise

Office jobs and demographic gains stoke consumer activity. Having achieved a full rent and vacancy recovery in 2021, Atlanta's retail sector is solidly in an expansionary phase. The metro's growing population, particularly among professionals in the 20- to 34-year-old cohort, bodes well for future consumer spending. Walmart and Nike are among the corporate giants expanding local operations, with both recently announcing plans to open technology centers in the near term. This year's notable proportion of staffing gains in cybersecurity and related fields should help insulate metro retail spending from inflationary headwinds and support increased foot traffic near office hubs, some of which are still recovering from the negative economic effects of the health crisis.

Construction highlighted by suburban mixed-use projects. Many of Atlanta's high-profile developments are set to come online in the market's more affluent northern suburbs. Builders are heavily targeting parcels adjacent to Gwinnett County's Mall of Georgia for substantial multi-tenant and mixed-use projects, including The Exchange at Gwinnett and The Pointe at Ariston, set to end the final phases of construction in 2022 and 2023, respectively. Some developers are focusing on repurposing older multi-tenant properties with an emphasis on adding residential units. East Cobb Walk, located in Marietta, will redevelop an aging strip center into a lifestyle center, with a reduced amount of retail space adjoining multifamily rentals.



* Forecast

Sources: BLS; CoStar Group, Inc.

Retail 2022 Outlook



**85,000
JOBS**
will be created

EMPLOYMENT:

Entering 2022 with its lowest unemployment rate in over two decades, Atlanta's employment base will exceed the national rate of growth at 2.9 percent. Nearly half of this year's new positions will be created by traditionally office-using firms.



**2,225,000
SQ. FT.**
will be completed

CONSTRUCTION:

Development activity is set to breach the 2 million-square-foot threshold for the first time since 2018. The substantial share of projects in the proposal phase indicates that this pace of construction could carry over into 2023.



**30
BASIS POINT**
decrease in vacancy

VACANCY:

Expansionary retail activity will drive down availability further, following a 70-basis-point decline in 2021. Vacancy will reach a multidecade low, as just 4.7 percent of market stock will end this year unoccupied.

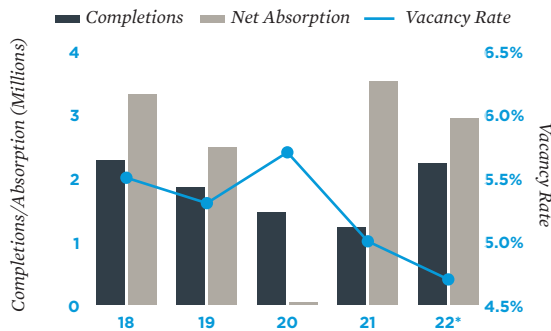


**5.0%
INCREASE**
in asking rent

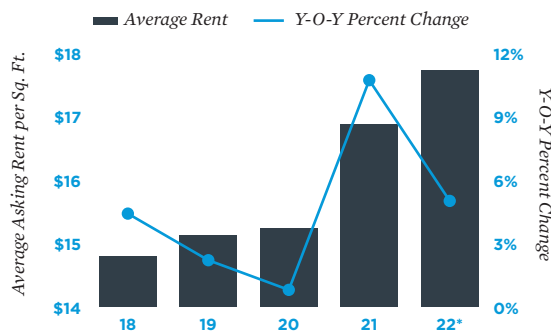
RENT:

The average asking rent is expected to end 2022 at \$17.72 per square foot. A notable proportion of high-quality multi-tenant space available for lease could narrow the gap between marketed rates in this segment and the single-tenant sector.

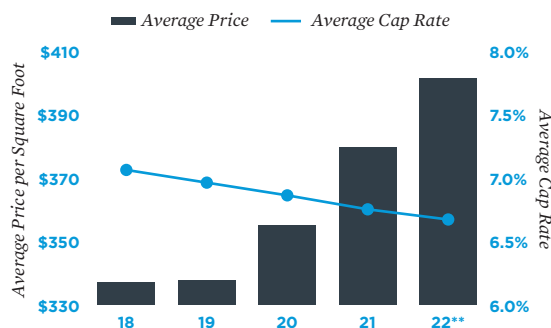
Supply and Demand



Rent Trends



Sales Trends



* Forecast ** Through 1Q

Sources: CoStar Group, Inc.; Real Capital Analytics

IPA Retail

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Price: \$250

1Q 2022 - 12-Month Period

CONSTRUCTION 1,633,000 sq. ft. completed

- Developers finalized over 460,000 more square feet during the 12-month period ending in March than during the prior yearlong span.
- Multi-tenant additions were highlighted by Monroe Pavilion, a 385,000-square-foot Publix-anchored center in Gwinnett County. Entering this year, 875,000 more square feet of multi-tenant space is underway.

VACANCY 100 basis point decrease in vacancy Y-O-Y

- Net absorption figures exceeded 4.5 million square feet during the past four quarters ending in March, driving vacancy down to 4.7 percent.
- Single-tenant vacancy declined or held steady in all submarkets except South Atlanta, where a group of big-box closures translated to a 70-basis-point increase in availability.

RENT 9.3% increase in the average asking rent Y-O-Y

- As net absorption reached the highest 12-month totals since 2015, asking rents rose to an average of \$17.09 per square foot in March, a record mark.
- Vacancy declined to an all-time low on single-tenant assets, driving an 11 percent increase in the average asking rent on category properties. Marketed rates for multi-tenant properties averaged a 6 percent increase.

Investment Highlights

- Steady fundamentals through health crisis nadirs showed investors the strength of Atlanta's retail market, generating a surge in bidding activity last year. Transaction velocity rose nearly 25 percent over the previous record achieved in 2019, with surging deal flow mostly driven by trades in the single-tenant sector. As of the first quarter of 2022, sales activity has dipped slightly, though buyer interest remains robust.
- Atlanta's vast amount of suburban sprawl makes the metro an ideal candidate for investors targeting strip centers. These properties are trading at cap rates in the high-6 percent to 8 percent range, though newer stock with nationally branded tenants can change hands at mid-5 percent returns.
- Buyers seeking lower-risk triple-net leased assets in the sub-\$5 million range will find a competitive environment in the CBD. Well-located properties with proven tenants have traded with yields as low as 3 percent.
- As Centennial Yards, a \$5 billion mixed-use project in Downtown Atlanta, moves forward, buyers may target adjacent properties with upside potential in response to the revitalization of an underused portion of downtown.

The information contained in this report was obtained from sources deemed to be reliable. Every effort was made to obtain accurate and complete information; however, no representation, warranty or guarantee, express or implied, may be made as to the accuracy or reliability of the information contained herein. Metro-level employment growth is calculated based on the last month of the quarter/year. Sales data includes transactions sold for \$1 million or greater unless otherwise noted. This is not intended to be a forecast of future events and this is not a guaranty regarding a future event. This is not intended to provide specific investment advice and should not be considered as investment advice. Sources: Marcus & Millichap Research Services; Bureau of Labor Statistics; CoStar Group, Inc.; Real Capital Analytics

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