

MARKET REPORT

Retail
Atlanta Metro Area

IPA
INSTITUTIONAL
PROPERTY
ADVISORS

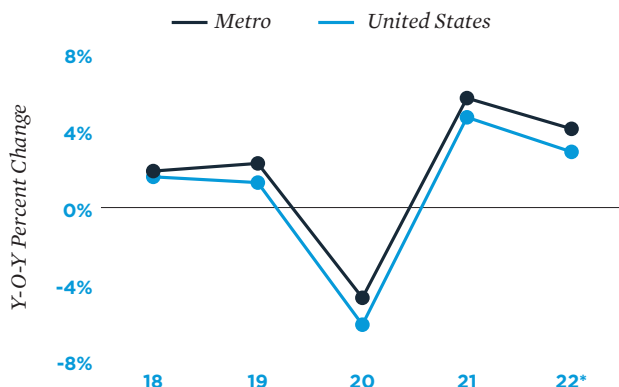
3Q/22

Substantial In-Migration Fuels Highest Net Absorption on the Eastern Seaboard

Population gains position retailers to withstand headwinds. Greater Atlanta will continue to grow at a rapid pace in 2022. The metro is projected to receive nearly 44,000 arrivals from other regions before the end of this year, the highest net in-migration among East Coast markets. A notable portion of these relocations stem from workers recruited to fill positions at companies expanding into the market. Major tech firms, such as Microsoft and Google, are settling into the area, supporting the broader establishment of proprietary cybersecurity operations in the metro. A growing labor force of highly-skilled and well-compensated workers will support broader consumer spending. This stands to benefit necessity-based stores and restaurants in commuter-dependent districts and suburban neighborhoods where these employees reside.

Second half outlook firmly positive. Aided by a bevy of demographic factors, consumer spending growth in Atlanta during the trailing year ended in June exceeded the contemporary inflation rate, encouraging elevated leasing activity after a more hesitant 2021. Availability has seldom been tighter. With new multidecade vacancy lows achieved during the past three quarters, the metro is on track to post a year-end net absorption total exceeding 3.5 million square feet — the third highest among major U.S. markets in 2022. A slowdown in demand for available space is expected among retailers as rising prices impact consumers' spending power more acutely. Still, availability should remain well below previous cyclical norms.

Employment Trends



* Forecast

Sources: BLS; CoStar Group, Inc.

Retail 2022 Outlook



**120,000
JOBS**
will be created

EMPLOYMENT:

Having recovered all pandemic-related job losses late last year, employment gains in 2022 have been bolstered by a rapidly expanding local tech sector. However, sub-3 percent unemployment will create headwinds for hiring as the year progresses.



**1,800,000
SQ. FT.**
will be completed

CONSTRUCTION:

Annual supply additions are slated to fall in line with the trailing five-year average. Multi-tenant properties in suburban locales will account for more than half the space finalized during 2022.



**60
BASIS POINT**
decrease in vacancy

VACANCY:

Atlanta marks its second consecutive year of sub-5 percent availability. Vacancy is expected to reach 4.3 percent by the end of 2022, the lowest in at least 15 years, and 90 basis points below the pre-pandemic rate.

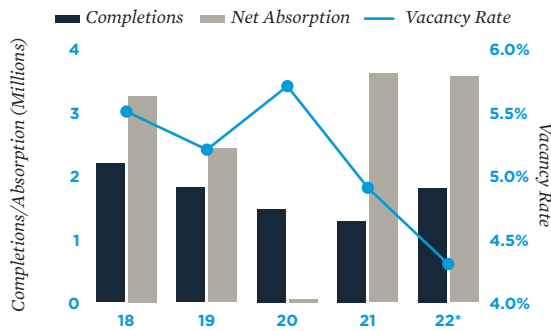


**5.7%
INCREASE**
in asking rent

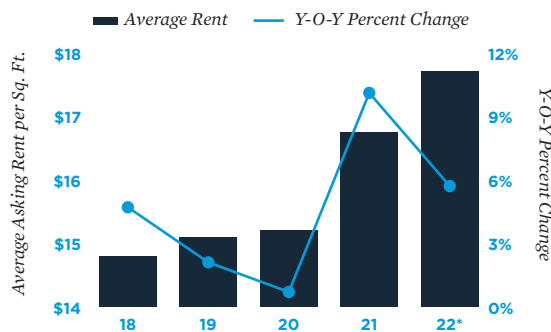
RENT:

Two years of historically low vacancy will translate to the third most rapid annual increase in rents since at least 2007, as tenants compete for higher-quality spaces. The average asking rent is on track to end 2022 at \$17.70 per square foot.

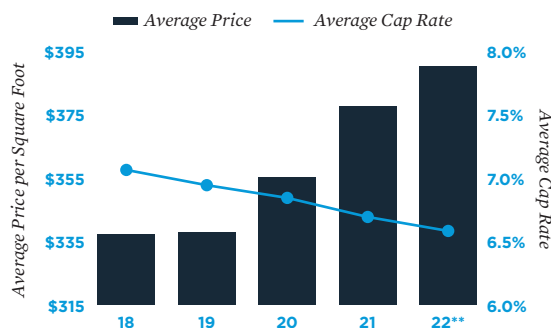
Supply and Demand



Rent Trends



Sales Trends



* Forecast ** Through 2Q

Sources: CoStar Group, Inc.; Real Capital Analytics

IPA Retail

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Price: \$250

2Q 2022 - 12-Month Period



CONSTRUCTION

1,334,000 sq. ft. completed

- Ongoing supply chain headwinds and the construction labor shortage complicated deliveries during the 12-month period ended in June, though developers still expanded metro inventory by 0.4 percent.
- Over 600,000 square feet came online in Gwinnett and Walton counties, highlighted by a 385,000-square-foot power center finalized in Monroe.



VACANCY

100 basis point decrease in vacancy Y-O-Y

- A net of nearly 4.5 million square feet was absorbed during the past four quarters, bringing vacancy to a record low of 4.5 percent.
- Retailers extensively sought out space north of Midtown this period. Buckhead and the North Beltway each recorded dips of at least 170 basis points, bringing local vacancy to 1.4 and 5.4 percent, respectively.



RENT

10.0% increase in the average asking rent Y-O-Y

- Historically low availability translated to robust rent gains, bringing the average asking rent to \$17.37 per square foot.
- Single-tenant properties led rent gains this span, with marketed rates growing 13.8 percent to an average of \$17.86 per square foot. Multi-tenant asking rents grew just 2.3 percent to \$16.34 per square foot.

Investment Highlights

- Transaction velocity kept at a rapid pace throughout the 12-month period ended in June, with investors conducting 20 percent more trades than were achieved in the most active period pre-pandemic. Single-tenant transaction activity has accelerated the most since the onset of the health crisis, with more buyers chasing deals in suburban zones. Nevertheless, a high amount of capital is still flowing into the urban core.
- Growing suburban sprawl has intensified traffic in the metro's heavily-developed areas, pushing some consumers to shop closer to home. Investors following this trend may pursue assets in higher-profile suburbs like Marietta, Smyrna and Stone Mountain.
- A push to acquire newer assets in the multi-tenant sector led to notable pricing gains in the segment. Buyers paid over 8 percent more per square foot during the trailing yearlong period ended in June than the preceding span, bringing the average multi-tenant sale price to \$298. By comparison, pricing for single-tenant properties advanced 5 percent to a mean of \$492 per square foot.

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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