

MARKET REPORT

Retail
Atlanta Metro Area

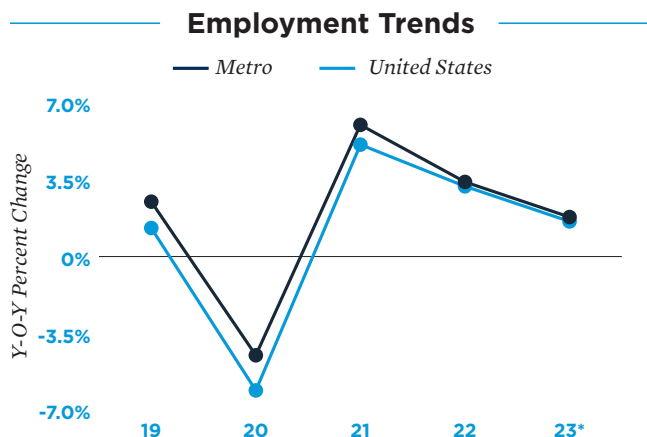
IPA
INSTITUTIONAL
PROPERTY
ADVISORS

4Q/23

Consumer Demand from Growing Population and Slowing Development Support Record-Low Vacancy

Tight conditions most apparent in suburban areas. Steady demographic growth across the Greater Atlanta region has kept vacancy at the lowest level recorded since at least 2007, with the metric holding at 4.0 percent throughout the first half of the year. Retailers appear to be enthusiastically targeting upper-income zones. Buckhead entered July with a vacancy rate of just 1.5 percent, equaling an all-time low noted last year. Other zones in Atlanta's more affluent northern suburbs, such as the North and South Cobb County submarkets, also reported vacancies no less than 90 basis points under the marketwide average. An expanding population in these locales has facilitated robust demand for necessity retail. The vast majority of move-ins in the 10,000-square-foot-plus range this year pertain to nationally-branded fitness and supermarket chains.

Larger projects adopt mixed-use strategies. A sizable amount of open parcels have made Atlanta a popular proving ground for emerging retail concepts. Among this year's projects is a lifestyle center slated for phased completion during the fourth quarter in Gwinnett County. Some public initiatives seek to use such projects to revitalize underused areas. The City of College Park is marketing a 311-acre parcel of land for a potential retail/residential project. This development aims to spur economic activity in areas northwest of Hartsfield-Jackson International Airport, which has been attributed as the cause of population declines in immediately adjacent locales.



* Forecast

Sources: BLS; CoStar Group, Inc.

Retail 2023 Outlook



**55,000
JOBS**

will be created

EMPLOYMENT:

Solid hiring across multiple employment segments, particularly the education and health services sector, will contribute to a total 1.8 percent expansion across Greater Atlanta's employment base in 2023.



**1,200,000
SQ. FT.**

will be completed

CONSTRUCTION:

Developers are on track to add the lowest amount of square footage since 2012 this year. Gwinnett County will lead supply additions, with roughly a quarter of retail space slated to come online in this submarket.



**10
BASIS POINT**

decrease in vacancy

VACANCY:

The metrowide vacancy rate will hold at 4.0 percent during the latter half of the year, as robust demand for retail floor plans is constrained by a comparatively small number of suitable leases.



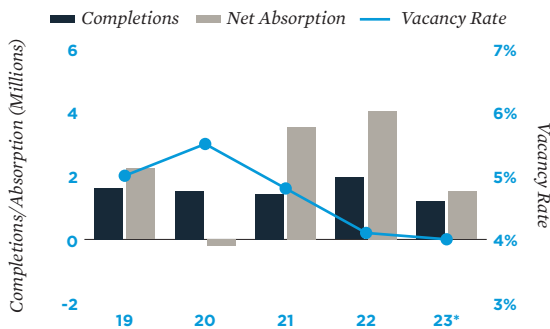
**8.2%
INCREASE**

in asking rent

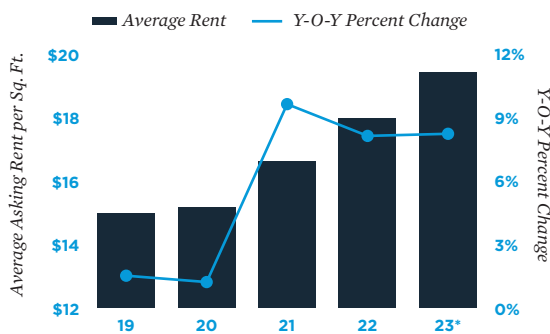
RENT:

Multiple quarters of record-low vacancy has increased rent growth momentum. The mean market rate will note the second-fastest annual advance on record this year, ending 2023 at \$19.42 per square foot.

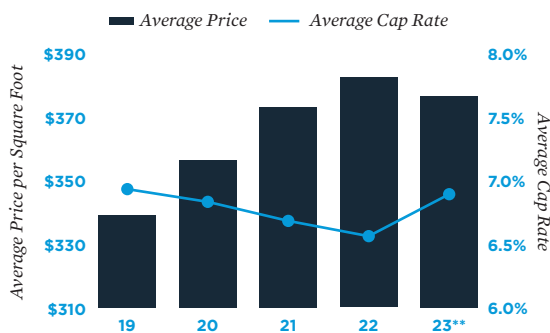
Supply and Demand



Rent Trends



Sales Trends



* Forecast ** Through 2Q

Sources: CoStar Group, Inc.; Real Capital Analytics

IPA Retail

Daniel Taub

Senior Vice President, Director

Tel: (212) 430-5100 | dtaub@ipausa.com

For information on national retail trends, contact:

John Chang

Senior Vice President, Director | Research & Advisory Services

Tel: (602) 707-9700 | jchang@ipausa.com

Price: \$250

2Q 2023 - 12-Month Period



CONSTRUCTION

1,333,000 sq. ft. completed

- Retail space additions during the trailing year ended in June proceeded at roughly 70 percent of the preceding decade-long average.
- Approximately 981,000 square feet, or nearly three-quarters of the supply added this period, were single-tenant projects. The bulk of multi-tenant space was added to the Georgia 400 and Dekalb submarkets.



VACANCY

40 basis point decrease in vacancy Y-O-Y

- The 4.0 percent vacancy rate noted during the first half of 2023 was 330 basis points below the metro's post-2006 average in this metric.
- Eight of Atlanta's 13 submarkets with more than 1 million square feet of inventory noted declining vacancy during the 12-month period ended in June, led by South Atlanta's 170-basis-point fall to 4.3 percent.



RENT

11.2% increase in the average asking rent Y-O-Y

- Tight conditions lifted the pace of rent growth into the double-digit percentage range, bringing the mean marketed rate to \$19.23 per square foot.
- The multi-tenant segment led rent increases with a 17.9 percent jump to a mean asking rate of \$19.51 per square foot. Gains in the single-tenant sector were still robust, with the average rate reaching \$19.10 per square foot.

Investment Highlights

- Despite robust fundamentals, Atlanta's investment market has not been immune to financing headwinds. Overall transaction velocity during the first half of 2023 proceeded at a pace last noted in the mid-2010s. Single-tenant deal flow, however, was in line with immediate pre-pandemic norms, owing to enthusiasm for discount retail and dining options.
- Although multi-tenant trades have been impacted by financing headwinds, investors are still pursuing assets dispersed across the metro, with activity most heavily concentrated outside of the Perimeter Beltway in Cobb and Fulton counties. Still, other locales are drawing attention. Buyers in the sub-\$10 million price tranche are targeting strip centers featuring national brands along the Interstate 75 Corridor leading south of the city.
- Multiple initiatives are underway to support underutilized portions of the metro. In addition to the Six West development in College Park, the well-publicized Centennial Yards project may inspire additional retail investment in western downtown. Challenges in the office sector, in tandem with tight retail fundamentals, could also prompt developers to pivot away from office space in these complexes in favor of more retail square footage.

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

© Marcus & Millichap 2022 | www.ipausa.com