MARKET REPORT

RETAIL

Atlanta Metro Area

IPA INSTITUTIONAL PROPERTY ADVISORS

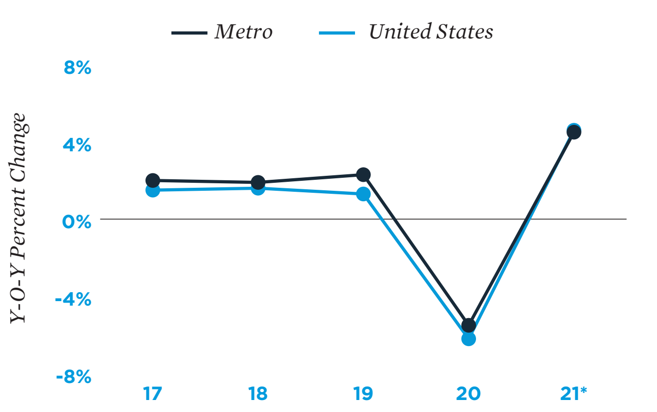
3Q/21

Retail Market Gaining Footing in Atlanta; Post-Pandemic Outlook Bright

Economy propped up by post-pandemic trends. Atlanta is well positioned heading into the second half of 2021 and into 2022. Many Americans have sought out the metro as an alternative to the densely populated cities in the Northeast. As more companies allow workers to remain remote, the likelihood of most of those employees returning to previous metros is dissipating. The number of households has increased by 1.9 percent over the past year and an additional rise of 2.5 percent is anticipated in the forthcoming 12 months. New households, coupled with federal stimulus, supported a 32.7 percent rise in retail sales since mid-2020, assisting local retailers through the health crisis.

Retail fundamentals turning corner. Barring a significant change in the reopening strategy, the worst appears to be behind Atlanta's retail market. Single-tenant vacancy reversed course at the start of 2021 after peaking at 6.1 percent at the end of last year. Only three submarkets have a vacancy rate above 7 percent, all on the east side of the metro. Multi-tenant vacancy, meanwhile, remains at a post-pandemic high, though the rate stabilized in the second quarter and should begin to tighten before the end of the year. Weakness tends to be concentrated in high-cost multi-tenant areas as supply outweighs demand. Four of the six most expensive submarkets to rent have the highest vacancy rates in the market. Falling uncertainty in the coming months should help tenants cement expansion plans in these areas in the near future.

Employment Trends



** Forecast*

Sources: BLS; CoStar Group, Inc.

Retail 2021 Outlook

122,000 JOBS
will be created

EMPLOYMENT:

Headcounts expand by 4.5 percent this year as workers return and companies expand operations in the metro. At year-end, the metro will still be approximately 36,000 positions short of the previous peak in the fourth quarter of 2019.

1,700,000 SQ. FT.
will be completed

CONSTRUCTION:

Supply increases by 0.6 percent this year, eclipsing the 0.4 percent gain in 2020 when 1.4 million square feet was completed. Development is widely spread as no submarket has a significant pipeline.

20 BASIS POINT
decrease in vacancy

VACANCY:

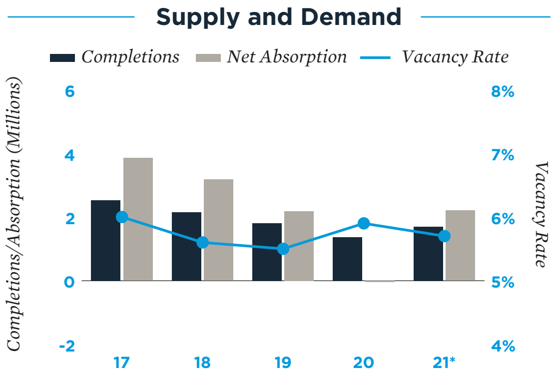
Vacancy is projected to tighten further in the second half of this year, finishing 2021 at 5.7 percent. Last year, the rate increased 40 basis points as several retailers surrendered space amid the health crisis.

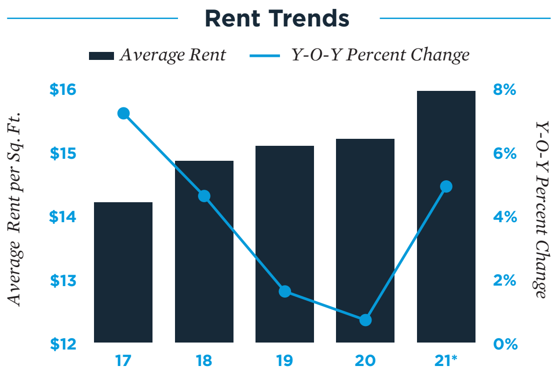
4.9% INCREASE
in asking rent

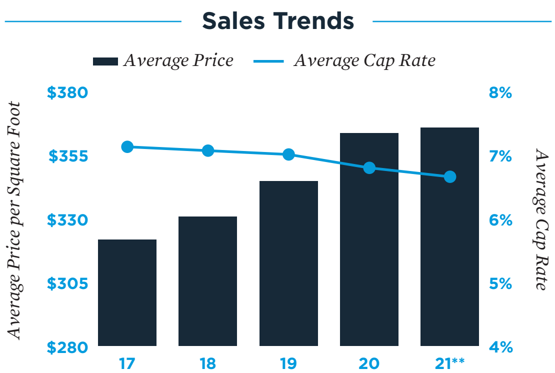
RENT:

Much of the space that will be available in the market is on the higher end of the scale. As a result, the average asking rent will reach $15.95 per square foot by year-end 2021.

2Q21 — 12-Month Period







* Forecast; ** Through 2Q

Sources: CoStar Group, Inc.; Real Capital Analytics

IPA Retail

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Price: $250

2Q21 — 12-Month Period

CONSTRUCTION

1,150,000 square feet completed

- Supply additions slowed considerably during the 12-month period ending in June relative to the prior yearlong span. Inventory climbed just 0.4 percent annually.
- The pace of development will remain steady into 2022 as 2.1 million square feet is under construction. Pre-leasing is about 60 percent.

VACANCY

20 basis point increase in vacancy Y-O-Y

- Vacancy tightened 10 basis points in the second quarter to 5.8 percent, marking the first decrease since the onset of the health crisis.
- Tenant demand has returned for single-tenant buildings, resulting in a 40-basis-point dip in vacancy in the first half to 5.7 percent. Over the same time, multi-tenant availability inched up 20 basis points.

RENT

4.5% increase in the average asking rent Y-O-Y

- As high-quality space was returned to the market over the past year, the average asking rent jumped 4.5 percent to $15.75 per square foot.
- Gains in the average rate were nearly identical across the retail sector. Multi-tenant asking rent climbed 4.7 percent over the past 12 months while single-tenant rent rose 4.5 percent.

Investment Highlights

- Investors retained interest in single-tenant properties during the health crisis as deal flow advanced 11 percent year over year through June. Drugstores and storefronts increased in popularity during that time. Buyers favored the long leases and known rent hikes associated with drugstores as Treasury yields remained low.
- Despite the rise in investment activity, the average single-tenant price remained steady at $435 per square foot during the past four quarters relative to the annual period. The average cap rate compressed 20 basis points to 6.2 percent.
- The uncertainty surrounding the ability to backfill in-line retail space resulted in many multi-tenant investors moving to the sidelines. Sales velocity declined approximately 50 percent year over year.
- Year over year, the average multi-tenant price rose 2 percent to $251 per square foot while the average cap rate dipped 20 basis points to 7.3 percent as buyers focused on smaller assets.