

MARKETBEAT

Atlanta

Retail Q4 2017



ECONOMIC INDICATORS

National

	Q4 16	Q4 17*	12-Month Forecast*
GDP Growth	1.8%	2.3%	▲
CPI Growth	1.8%	2.0%	▲
Consumer Spending Growth	2.8%	2.6%	▼
Retail Sales Growth	3.7%	4.3%	▲

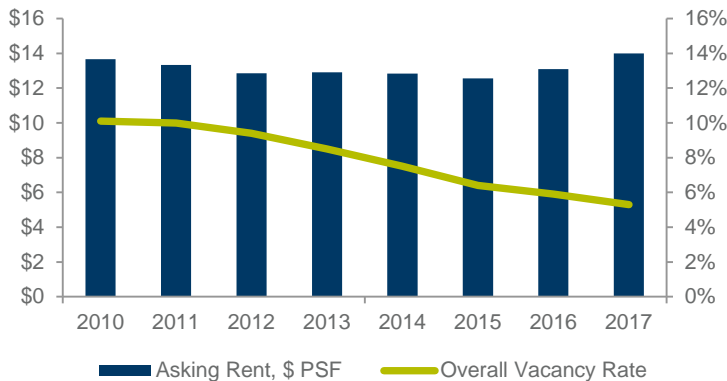
*Q3 values. **Forecast by Cushman & Wakefield. Values represent year-over-year % change.

Regional

	Q4 16	Q4 17	12-Month Forecast
Household Income	\$63,333	\$64,438	▼
YOY Population Growth	2.0%	2.0%	▲
Unemployment	5.2%	4.1%	■

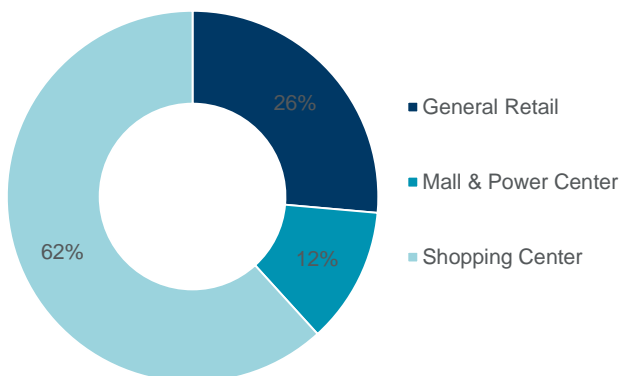
Source: Moody's Analytics

Rental Rate vs. Overall Vacancy



Source: CoStar

Availability by Type



Source: CoStar

Economy

As of November 2017, the Atlanta MSA added 56,000 net jobs year-over-year, growing by 2.1% according to Moody's, a rate that is 70 basis points (bps) greater than the nation. Over the same period, the unemployment rate continued to improve, dropping to 4.1%.

Nationwide, retail employment in motor vehicle and parts dealers, home furnishing stores, building materials stores, and food and beverage stores increased over 2017. The subsector that was negatively impacted the most is general merchandise stores.

Market Overview

The Atlanta retail market continued to buck national trends with declining vacancy and increased average rental rates. Year-to-date net absorption was 4.2 million square feet (msf). As a result, vacancy continued to decrease from greater than 6.0% in 2016 to 5.3% as of the fourth quarter. Quoted rental rates increased to \$13.99 per square foot (psf) per year, which surpasses prior levels in 2010 and 2011. Atlanta retail's ten-year historical rent peak was \$15.78 psf in 2008.

More than 2.4 msf of retail delivered in the Atlanta market in 2017. The largest new construction properties in 2017 are: The Meridian at Tucker (207,000 square feet (sf)), Fuqua's Buildings A and B (350,000 combined sf) at SunTrust Park in Smyrna, and a Kroger (123,500 sf under construction) in Dawsonville, and Buckner Crossing (90,500 sf under construction).

The largest sales in 2017 include: North Point MarketCenter in Alpharetta (sold in second quarter for \$108.5 million), Peachtree Station in Chamblee (sold in fourth quarter for \$67.1 million), and The Plaza at Buford Drive in Buford (sold in second quarter for \$32.0 million).

Outlook

Atlanta's retail rental rates are reapproaching former highs in the last decade while vacancy has steadily been declining for the past six years. The market's performance will rely heavily on the local economy, which is posting positive employment gains, declining unemployment, and attracting major businesses to the metro area including being a contender for Amazon's HQ2.

Retail Submarket Breakdown

The Buckhead, Central Atlanta, and Central Perimeter submarkets continue to dominate the metro's retail landscape in terms of maintaining low vacancy rates while garnering double the triple-net overall average asking rents of the remaining submarkets. Of these three, Central Atlanta has the most square footage under construction. The submarket covers in-town micromarkets including Ansley Park, Atlantic Station, Midtown, West Midtown, Downtown, Old Fourth Ward, Southwest Atlanta, Glenwood Park, Sweet Auburn, Cabbagetown, Glenwood Park, and Ormewood Park. The largest projects in this submarket that were completed or are currently under construction by year-end are: 725 Ponce de Leon (represented by Cushman & Wakefield) with 60,000 sf, the 45,600-sf Publix at 2275 Marietta Boulevard, and the 40,000-sf Atlanta Dairies property that is currently under construction (represented by Cushman & Wakefield).

Coweta County continues to have the lowest vacancy rate at 3.0%, which is a decrease from mid-2017 and is reinforced by the submarket's nonexistent new construction pipeline. Central Atlanta Retail comes second at 3.9% as the market strengthens in core submarkets.

Similar to Coweta County, the Gwinnett submarket showed improvement with a 20 bps decline in vacancy from mid-2017 to year end. Its pipeline is robust with more than 380,000 sf under construction. The largest completed or under construction projects in 2017 are the CineBistro (56,000 sf) in Peachtree Corners, the Hobby Lobby (55,000 sf) in Loganville, and the LA Fitness (37,000 sf) in Norcross. Despite the influx of retail, Gwinnett has posted strong overall net absorption.

SUBMARKET	TOTAL BLDGS	INVENTORY (SF)	OVERALL VACANCY RATE	OVERALL YTD NET ABSORPTION (SF)	UNDER CNSTR (SF)	OVERALL AVERAGE ASKING RENT (NNN)*
Buckhead Retail	691	13,349,004	4.1%	176,349	34,061	\$29.08
Central Atlanta Retail	1,270	13,747,996	3.9%	215,144	182,386	\$24.41
Central Perimeter Retail	513	10,964,856	4.7%	123,180	16,146	\$25.86
Coweta County Retail	645	7,624,951	3.0%	644	0	\$14.75
DeKalb Retail	2,564	29,924,325	6.4%	634,151	108,445	\$14.18
Georgia 400 Retail	2,195	37,373,402	5.2%	582,627	184,038	\$16.33
Gwinnett Retail	4,112	65,372,531	5.8%	634,763	381,389	\$13.44
NE Atlanta Outlying Retail	1,292	14,207,806	4.6%	85,293	37,747	\$14.44
North Cobb Retail	3,251	45,821,509	5.1%	589,519	19,792	\$12.65
South Atlanta Retail	3,542	38,215,116	6.1%	229,702	108,022	\$12.64
South Cobb Retail	1,551	21,627,303	4.5%	695,778	103,740	\$13.79
South Metropolitan Retail	3,007	36,981,665	5.5%	121,835	42,332	\$13.16
West Metropolitan Retail	2,353	29,382,923	5.5%	76,634	42,372	\$10.53
ATLANTA TOTALS	26,986	364,593,387	5.3%	4,165,619	1,260,470	\$13.99

*Rental rates reflect Triple Net asking \$ psf/year

Source: CoStar

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Retail Subsector Breakdown

The following table provides insight into which subsectors in retail are performing better than others in Atlanta:

RETAIL TYPE	TOTAL BLDGS	INVENTORY (SF)	OVERALL VACANCY RATE	OVERALL CURRENT NET ABSORPTION (SF)	OVERALL YTD NET ABSORPTION (SF)	UNDER CNSTR (SF)	OVERALL AVERAGE ASKING RENT (NNN)
General Retail	20,406	157,149,302	3.3%	280,614	1,374,511	762,609	\$15.63
Mall	39	28,342,487	3.6%	57,821	596,297	39,061	\$16.29
Power Center	68	31,364,126	4.0%	(51,433)	(95,866)	0	\$13.03
Shopping Center	3,298	144,146,251	8.3%	316,957	2,226,231	458,800	\$13.39
Specialty Center	17	3,591,221	2.3%	7,550	64,446	0	\$8.79

Definitions – General Retail: secondary types; Mall: lifestyle center, regional mall, and super regional mall; Power Center: several freestanding anchors with few small specialty tenants (250 ksf to 600 ksf); Shopping Center: strip/convenience, neighborhood, outlet, theme/festival, airport retail; Specialty Center: highly-targeted, typically-upscale tenants and no anchor tenant

Source: CoStar

Headlines covering the U.S. retail sector cast a general pall over the industry; however, markets like Atlanta are faring well in all but one subtype: shopping centers. General retail, malls, power centers, and specialty centers are all maintaining vacancy rates of 4.0% or less.

Retail Transaction Activity

The following table includes the major retail transactions in 2017:

Key Sales Transactions 2017

PROPERTY	SF	BUYER / SELLER	PRICE / \$PSF	SUBMARKET
North Point MarketCenter	518,000	CBRE Global Investors / PGIM Real Estate	\$108,500,000 / \$210	Roswell/Alpharetta Retail Submarket
Peachtree Station*	106,372	CBRE Global Investors / S.J. Collins Enterprises	\$67,100,000 / \$630	Dekalb Retail
The Plaza at Buford Drive	96,960	Livingston Properties / GDA Real Estate JV American Star Development	\$32,000,000 / \$330	Suwanee/Buford Retail Submarket

*Cushman & Wakefield sale
Source: CoStar

The \$2.2 billion of total retail center sales activity in the 11-county Atlanta region through year-end 2017 comprised of approximately 1,440 transactions totaling 20.4 msf.

The key sales transactions in 2017 occurred in the suburbs: North Point MarketCenter in north Fulton County, Peachtree Station in Chamblee, and The Plaza at Buford Drive in Buford. North Point MarketCenter is a well-performing power center located across from North Point Mall in an affluent suburb. MarketCenter was 95% occupied at the time of sale with big-box anchors such as Nordstrom Rack, Dick's Sporting Goods, and Bed Bath & Beyond. Other major north Fulton mixed-use projects such as Avalon in Alpharetta impact the dynamics of North Point Mall and North Point MarketCenter, creating greater competition and tenant migrations between those two micromarkets.

SJ Collins Enterprises fully leased New Peachtree Center Station ahead of its August 2017 opening with brand-name anchors such as Whole Foods and The Cook's Warehouse. The center's tenant mix is a case study for operational success in this current retail climate with its combination of medical offices (dental care, eye care, pet care etc.), fast-casual restaurants, and experience-heavy tenants in contrast to apparel-focused retailers. With this formula, neighborhood residents have widely varied reasons to visit Peachtree Center, creating diversified demand streams for the center.

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About Cushman & Wakefield

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