



Atlanta Retail Market Enters Expansion Territory

Key Takeaways

- Atlanta's 2015 retail absorption fell right in line with annual totals of the previous two years which also saw net occupancy gains over 2 million square feet.
- Since its peak high in the third quarter of 2011, Atlanta's retail vacancy rate has dropped 4.1%. Limited new supply combined with strong absorption levels are the factors contributing to this decline.
- After steadily trending downwards over the past few years, the average rental rate for retail space in Atlanta experienced its first quarterly increase at the end of 2015. This is most likely a sign of rates finally bottoming in the market.
- Construction remained steady through the year. It is mostly occurring closer to the city center, and also around high-profile locations such as the Atlanta Braves new stadium and Gwinnett Center.
- Atlanta's retail market is in full expansion mode and is anticipated to remain so over the next few years. With positive market fundamentals taking place and job growth expected to continue in the metro area, demand for retail space will remain strong.

Atlanta Retail Market

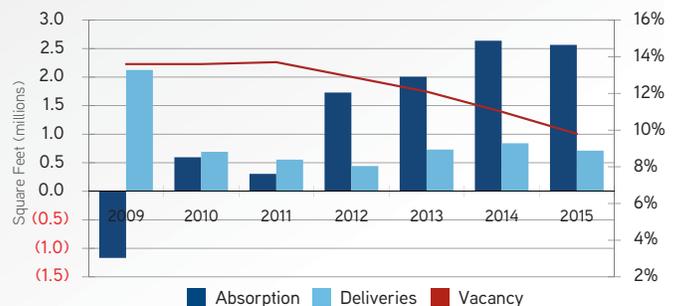
The Atlanta retail market has officially entered expansion territory after posting its third consecutive year with absorption totaling over 2 million square feet. This year's occupancy gain represents the sixth consecutive year Atlanta has witnessed positive retail market conditions. Overall, the vacancy rate in Atlanta has declined 4.1% since its peak high during the last economic downturn; it is now at its lowest point since the fourth quarter of 2007. On the development side, just over 700,000 square feet delivered in the year which, given the modest amount, has helped the market sustain a decline in overall vacant retail space. The largest completion this year was the redevelopment of a portion of Suburban Plaza in Decatur. Walmart and

Market Indicators

Relative to prior period	ATL YE-2015	ATL MY-2016*
VACANCY	↓	↓
NET ABSORPTION	+	+
CONSTRUCTION	↑	↑
RENTAL RATE	↓	-
CAP RATES	↓	-

*Projected

Historical Absorption, Deliveries and Vacancy Rates



Summary Statistics

Atlanta Retail Market

Total Square Feet	167,632,079
Vacancy Rate	9.8%
Change From MY-2015	-0.7%
Absorption YTD	2,564,040
Construction Deliveries YTD	712,606
Under Construction	1,859,267

Asking Rents

Per Square Foot Per Year

Average Quoted	\$12.25
Change From MY-2015	-0.2%
Year-Over-Year Change	-4.7%

NOTE: Statistical Set Includes Power Ctr, Shopping Ctr, Specialty Ctr; 10,000 SF and up (excludes Malls)
SOURCE: CoStar Property, Colliers Research

LA Fitness opened stores at the shopping center late in the year, combining for 184,000 square feet of new retail space. The average rental rate for retail in Atlanta saw its first quarterly increase in 2.5 years and appears to have finally hit bottom. This is a welcomed sign to landlords in the market since the downward trend over the past couple of years was somewhat bewildering given the strength of the market's supply/demand dynamics. Of course being a market rate average in a large metropolitan area tends to drown out the increases in certain areas; for example, Atlanta's intown retail properties have witnessed rental rate growth for a while now as available space options have dwindled and demand for retail locations in these urban areas have remained elevated. Looking ahead, as population and job growth continue in the Atlanta area, the retail market will again experience positive results during the coming year. Opportunities persist here for many different types of retailers.

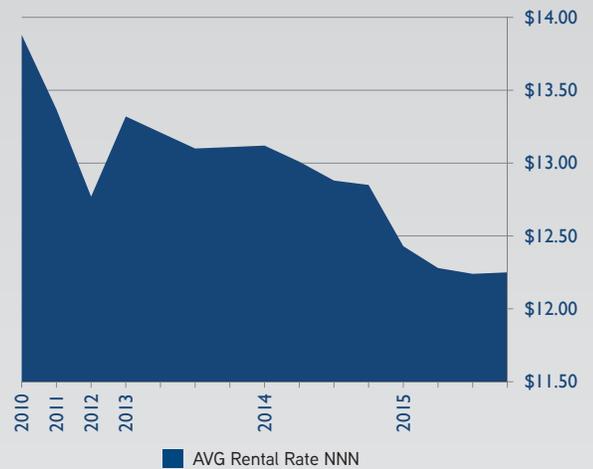
Driving Factors

- > Grocers, discounters, and health & fitness companies were the largest retailers active in the market this year. Fast food, telecommunications companies, and restaurants were the most active smaller retailers.
- > Submarkets which saw the most demand in 2015 were Gwinnett, North Cobb and South Atlanta. These areas accounted for just over half of the total net retail absorption in the year.
- > The population shift towards the city center is resulting in an imbalance of supply/demand dynamics in these areas. Retail developers are well aware of this situation and have begun to target certain neighborhoods for the type of retail developments desired. Chef-driven restaurants and specialty grocers are some of the most popular concepts attached to new projects.
- > Having finally entered expansion territory, Atlanta's retail market is poised to see further growth over the next few years. Opportunities abound for established retailers and first-to-market retailers. New retail concepts are also coming onto the market more frequently. Landlords in high-demand locations can expect to see continued increases in rental rates.

Retail Development

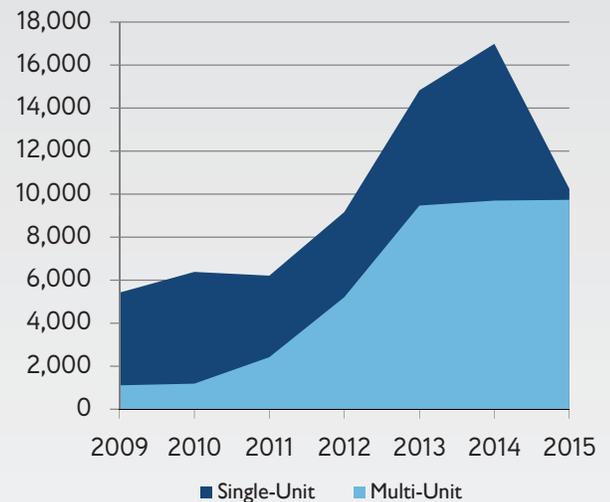
- > Around 1.9 million square feet of retail is currently under construction in the Atlanta area. Fuqua Development is most active in the region with large projects including The Battery Atlanta at SunTrust Park, Kennesaw Marketplace and Lindbergh Place all underway.
- > Almost all of the multi-family projects taking place in-town include retail components as part of the development. The categories most attracted to these spaces are restaurants. The unique qualities of these projects, however, are also bringing first-to-market retailers to the city.
- > Going forward, modest construction is anticipated. New projects will be aimed at high-traffic locations, and in areas of the Atlanta market where new retail is justified.

Atlanta Retail Rental Rates Overall Market (per sq. ft. NNN)



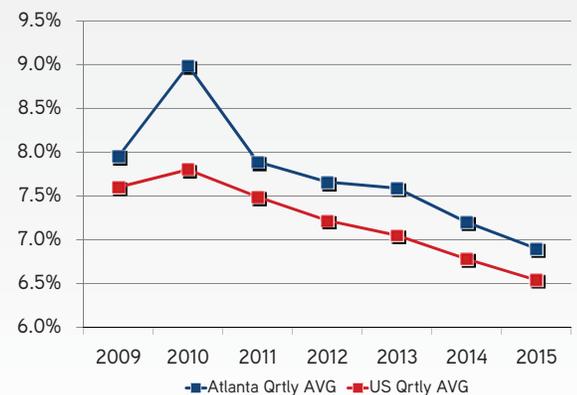
Source: CoStar Property

Atlanta-MSA | Annual Housing Permits



Source: U.S. Census Bureau

Atlanta Retail | Investment Cap Rates



Source: Real Capital Analytics

UPDATE - Recent Transactions in the Market

Notable Leasing Activity

TENANT	PROPERTY	SUBMARKET	LANDLORD	SIZE (SF)	TYPE
Von Maur	Mall of Georgia	Northeast Atlanta	Hendon Properties	172,000	Mall Lease
Food Depot	Indian Creek Crossing	East Atlanta	DLC Management Corp.	44,000	Neighborhood Center Lease
Goodwill	Five Points Crossing	South Atlanta	The Pelican Group	32,000	Neighborhood Center Lease
Home Goods	Suburban Plaza	East Atlanta	Selig Enterprises	23,926	Community Center Lease
Planet Fitness	Deerfield Place	North Fulton	Orkin & Associates LLC	20,388	Power Center Lease

Notable Sales Activity

PROPERTY	SUBMARKET	SALES DATE	SALE PRICE	SIZE (SF)	PRICE / SF	BUYER
Atlantic Station	Midtown	10/1/2015	\$196,460,000	586,296	\$335.09	Morgan Stanley
Town Brookhaven	Buckhead	8/11/2015	\$162,000,000	460,609	\$351.71	GLL Real Estate Partners
Shops at Metropolis	Midtown	12/10/2015	\$26,150,000	38,625	\$677.02	Paragon Mangement Co.
Stonebridge Square	North Fulton	7/31/2015	\$26,128,177	99,861	\$261.65	DRA Advisors/RCG Ventures
Tower Walk	Buckhead	7/1/2015	\$22,100,000	166,000	\$133.13	Starwood Capital Group

Source: CoStar Property

Investment Sales Activity

- › Retail investment volume closely matched the total from a year ago with \$2 million trading hands in 2015.
- › Though Atlanta's retail market is experiencing consistent positive activity, investment has been hampered by the lack of available offerings in the market.
- › Investor sentiment for Atlanta retail continues to be positive as the market remains highly desirable. Properties with the best locations and tenant-mix will command the highest prices.



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