

Atlanta Retail Market Sees Post-Pandemic Resilience, Record Investment Activity

Q2-21 ATLANTA RETAIL HIGHLIGHTS

Atlanta's retail market has outperformed similarly situated markets in 2021 and continues to show strong resilience and growth. Notably, the market saw record investment activity in Q2-21. This historic strength is being driven by high levels of foot traffic and increased net migration as consumer demand has steadily returned to and, in some cases, exceeded pre-pandemic levels. Leasing activity has recovered across most asset classes, with neighborhood centers leading the pack. Rental rates have grown by 4.64% since Q2-20. Overall, the Atlanta retail market continues to be a dominant force with the data pointing to continued resilience and growth relative to other markets.

“Activity for all product types of retail, be it net-leased, strip retail, grocery-anchored or power centers, have continued to see stronger and stronger investor interest as the year has progressed. The opportunities we bring to market that would normally receive two or three bids are now attracting 10+ qualified bids from investors.”

– Bryan Belk, Senior Director, Retail Investment Sales

INVESTMENT ACTIVITY

Supporting the robust growth, Atlanta retail sales hit an all-time high in investment activity. Sales volume significantly increased by 50.41% totaling over \$1 billion from Q1-21 to Q2-21. Sales volume has increased by 91.99% since Q1-19, indicating a strong market recovery. Average price per square foot also increased quarter over quarter by 6.78%. Franklin Street expects this strong investment activity to continue through the year.

5.2%

Vacancy Rate

3.9%

Atlanta Unemployment

920,199 SF

Absorption

\$1,048,329,521

Total Investment Sales



Source: CoStar

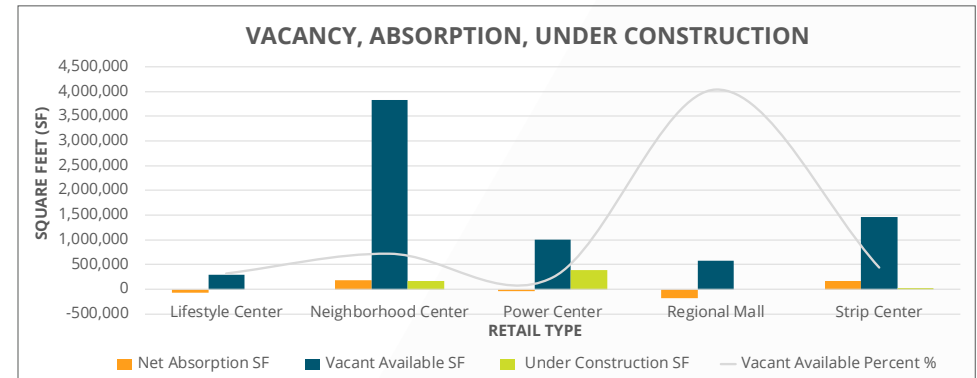
LEASING PERFORMANCE

The Atlanta retail leasing market is thriving. Neighborhood centers, including grocery-anchored centers, outperformed other retail asset types in Q2, maintaining the highest positive net absorption rate at an absorbed value of 181,693 square feet. Neighborhood centers also saw the strongest increase in foot traffic, exceeding pre-pandemic levels. Strip centers experienced positive net absorption with a total of 171,107 square feet. Power centers maintained the lowest vacancy rate at 4.3% and represent the largest amount of new retail construction being developed in the market. Regional malls continue to perform among the weakest of retail assets, posting a negative net absorption of -177,715 square feet with a vacancy rate above 20%.

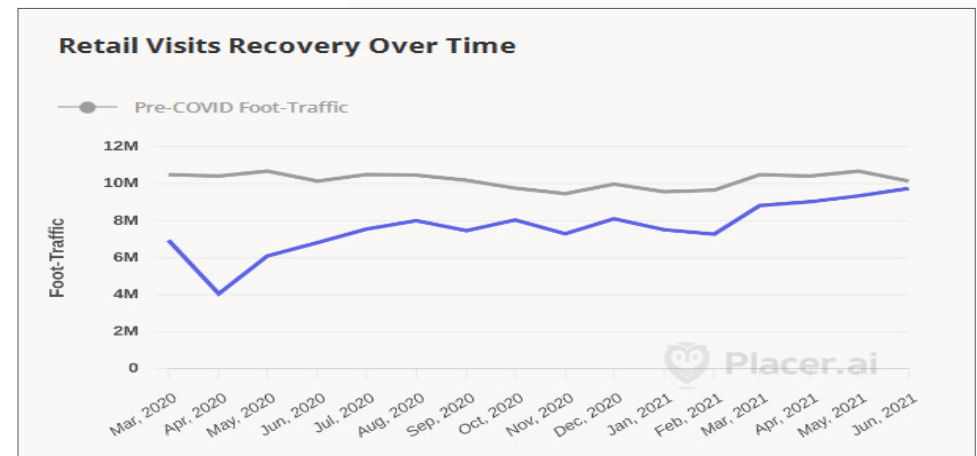
“In addition to experience-based retailers, medical users have continued to disrupt the retail market, leasing centrally located, highly visible retail spaces that allow them to provide an elevated consumer experience.” – Greg Eisenman, Senior Director, Retail

ATLANTA RETAIL FOOT TRAFFIC

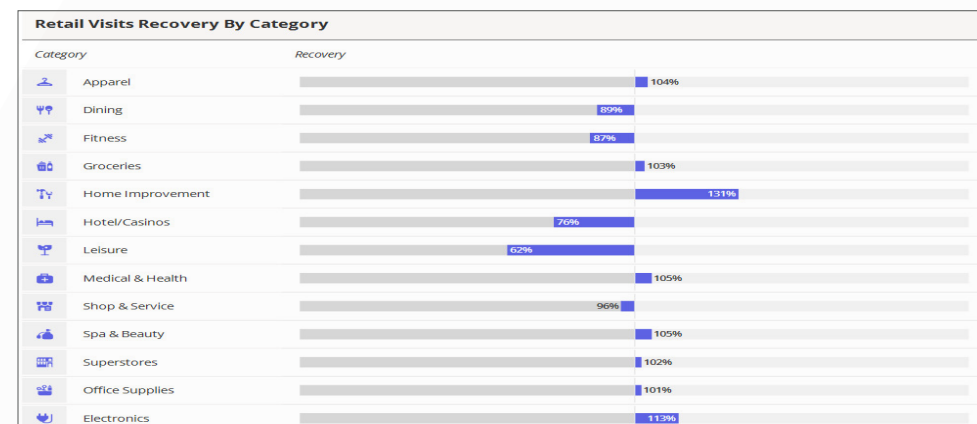
Foot traffic has been the strongest at retail centers with tenants related to home improvement, electronics, spa and beauty, apparel, groceries and health, which have all surpassed pre-Covid levels. Home improvement has had the highest percentage increase, while leisure, hotels, casinos and dining have lagged relative to other categories.



Source: CoStar



Source: PlacerAi



Source: PlacerAi

NET MIGRATION/POPULATION

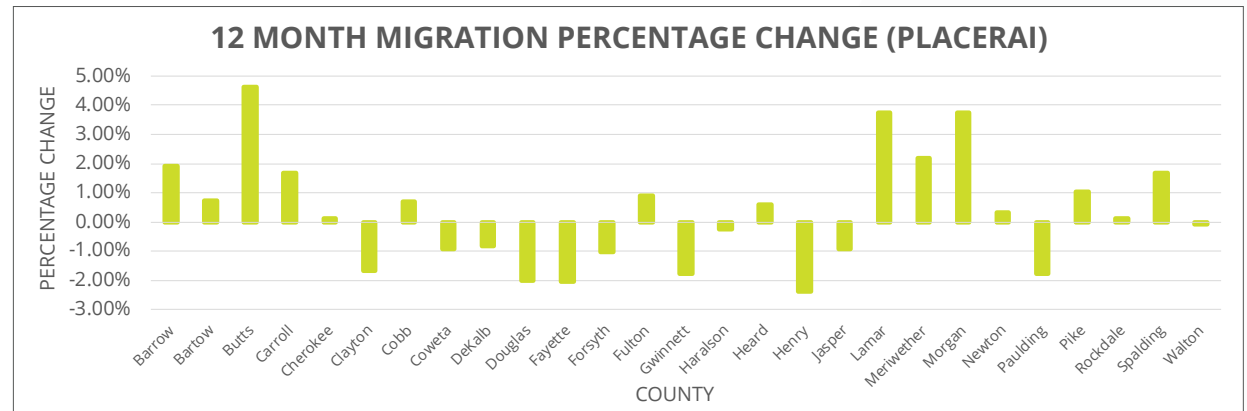
Fulton County experienced the largest population increase from a quarterly outlook increasing its population by 13,397 to approximately 1,073,254 residents. The data also shows a trend of people migrating to suburban counties outside of the Atlanta MSA, such as Barrow, Bartow, Butts, Morgan, Meriwether and Lamar. Looking forward, we expect to see continued migration toward suburban areas with lower costs of living.

UNEMPLOYMENT

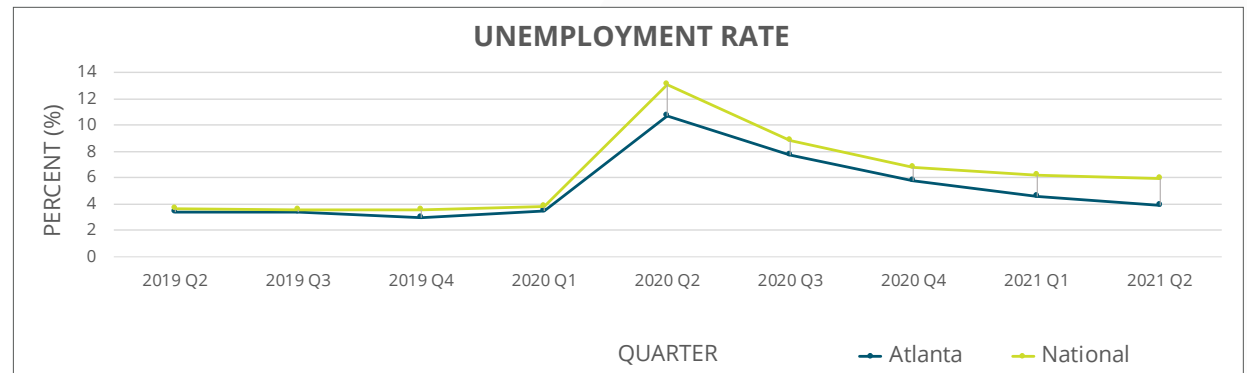
Atlanta's unemployment rate of 3.9% shows a strong recovery from a peak of 12.6% at the beginning of the pandemic. The market maintained an unemployment rate well under the national average over the last year.

RENT GROWTH

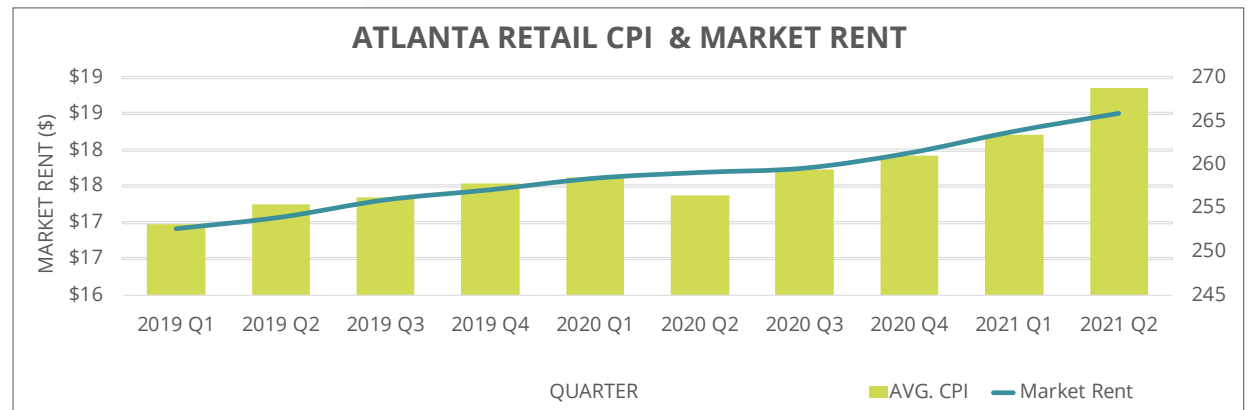
The average asking rent experienced a quarter over quarter percentage change of 2.32%. While the increase in market rents can be attributed to the positive foot traffic and net migration trends, it is also a factor of increased costs due to demand increases as well as increases in construction costs. The national consumer price index increased by 4.8% while the Atlanta regional CPI increased by 6.7% over the trailing twelve months. For most of the last decade, CPI has been below the standard annual increase of 3% and has thus not impacted rates.



Source: PlacerAi



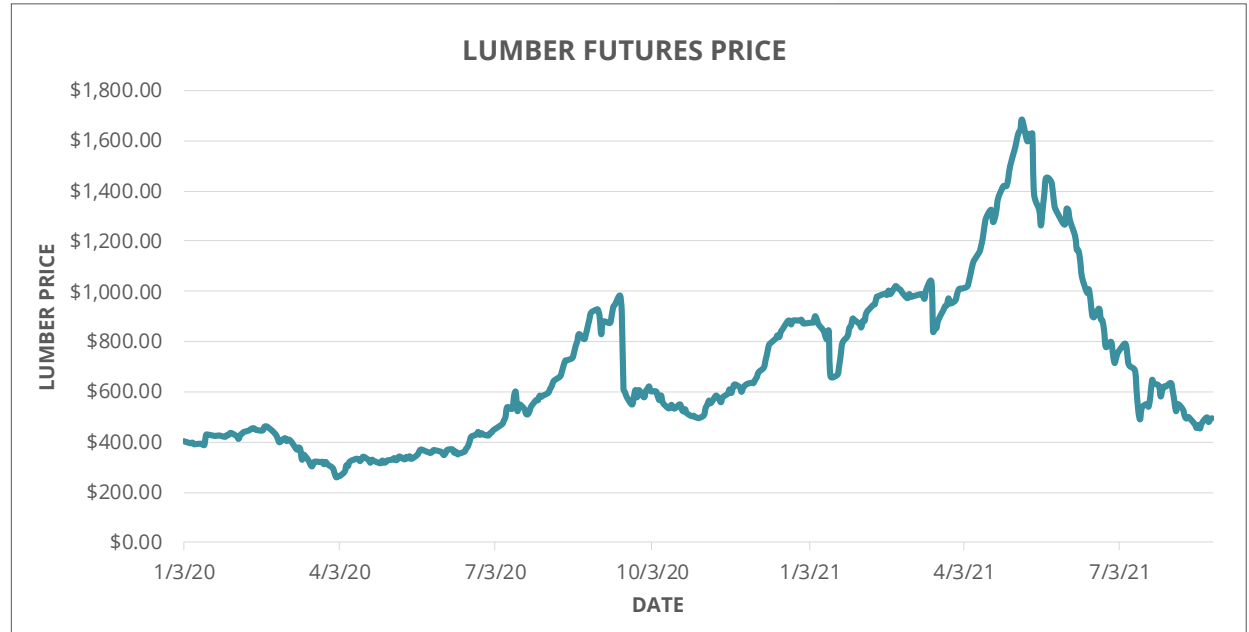
Source: BLS.gov



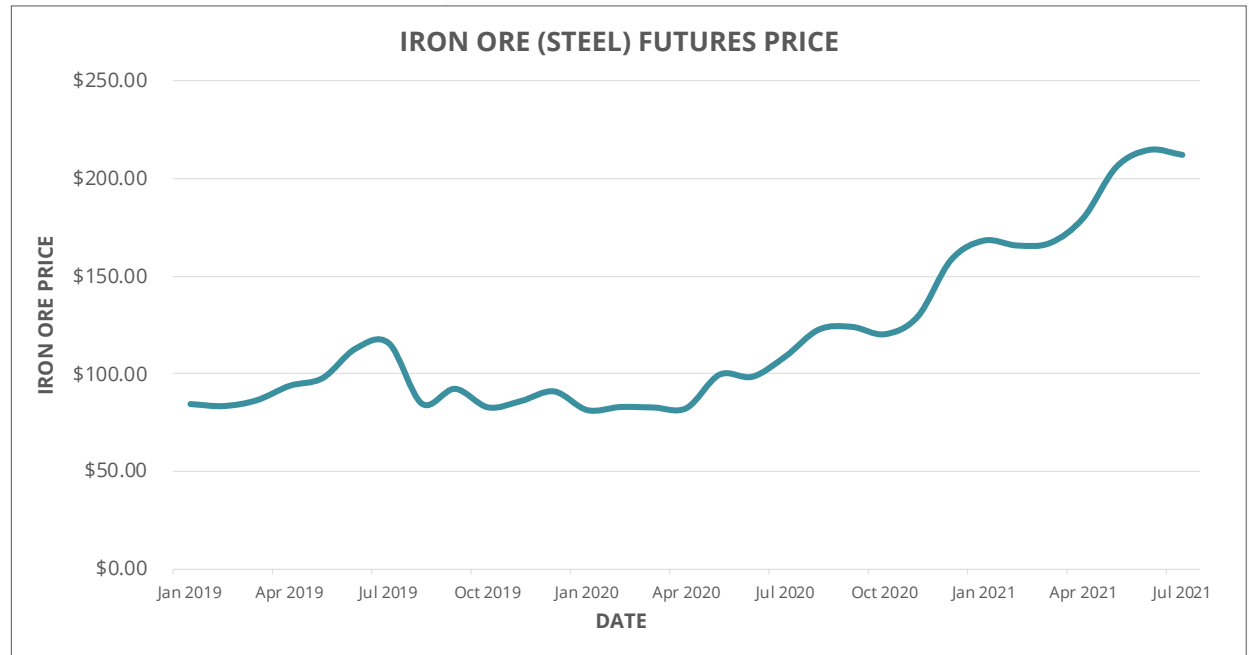
Source: CoStar

CONSTRUCTION

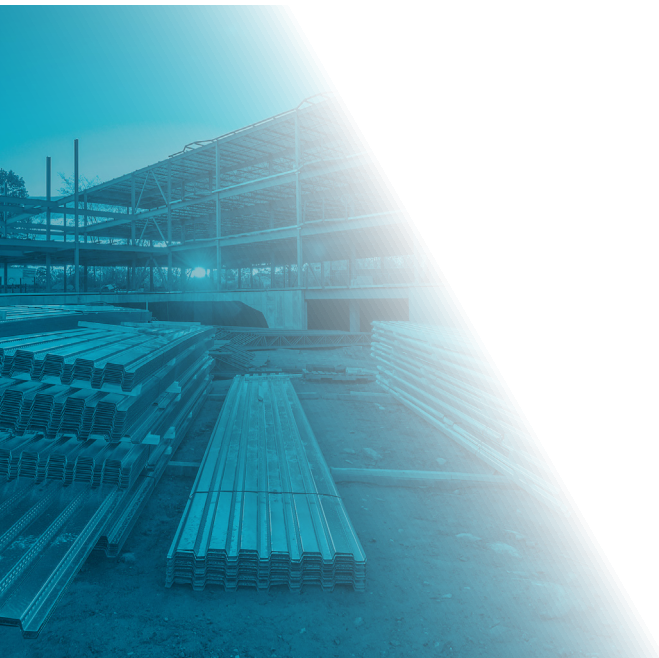
Prices of lumber and steel are all trading relatively high compared to pre-Covid levels. Lumber prices experienced the highest increase due to what experts thought was going to be a slump in on-going construction. Sawmills shut down and the demand for lumber significantly increased while the supply lagged. Although lumber prices have decreased since their spike, lumber is still trading relatively higher than before the pandemic. Steel has also significantly increased trending upward in price.



Source: nasdaq.com



Source: Marketindex.com



RETAIL TYPE	TOTAL INVENTORY	INVENTORY SF	VACANT SF TOTAL	VACANT % TOTAL	NET ABSORPTION SF TOTAL	DELIVERIES BLDGS	DELIVERIES SF	UNDER CONSTRUCTION BLDGS	NNN RENT OVERALL
Airport Retail	11	286,556	90,143	31.50%	-	0	0	0	-
Community Center	1,074	45,425,318	3,739,426	8.20%	187,617	2	70,775	10	\$14.19
Lifestyle Center	213	7,272,222	435,318	6.00%	-69,375	1	8,000	0	\$13.31
Neighborhood Center	2,072	63,007,355	4,301,272	6.80%	181,693	5	120,987	14	\$15.04
Outlet Center	28	1,993,739	85,368	4.30%	-36,858	0	0	0	-
Power Center	570	27,553,933	1,195,886	4.30%	-36,023	0	0	4	\$17.69
Regional Mall	22	2,558,480	760,754	29.70%	-177,715	0	0	0	-
Strip Center	2,475	30,874,293	1,584,533	5.10%	171,107	3	37,100	2	\$15.78
Super Regional Mall	94	17,718,064	1,679,810	9.50%	172,835	0	0	1	\$5.00

Source: CoStar

NEW DEVELOPMENT

The thriving Atlanta retail market will continue to grow and develop at a rapid pace. Among the biggest projects underway is Centennial Yards, a 50-acre redevelopment project in South Downtown, set to transform the downtown retail environment and landscape. The \$5 billion dollar mixed-use development will feature a mix of apartments, retail, hotel, entertainment and office space. The location was formerly known as The Gulch, which consisted of an underground parking lot and train tracks. Another major development is The Exchange at Gwinnett, a 106-acre, \$350 million dollar project that is starting to attract more

tenants in the Covid-19 recovery. The property includes national brands such as Starbucks and Chipotle and will continue to add more major retailers over the next 18 months.

Potential entries to the Atlanta retail market include Whataburger and Raising Canes. Local brands such as gusto!, Antico and Fox Brothers have also settled into the Atlanta retail market and are thriving. Contributing to the west end of Atlanta is the new Westside Park development, set to change the landscape of outdoor activities and create a higher need for retailers to be in west Atlanta.

CONCLUSION

As the pandemic has impacted each retail market differently, the Atlanta market has outperformed and shown strong growth in sales activity, net absorption and rental rates. This has been driven by positive net migration and foot traffic trends along with a relatively low unemployment rate. While the outlook for Atlanta's booming retail market remains strong for the near term, market participants will likely face the headwinds of construction costs and inflationary pressures for at least the next 12 months. With the Atlanta market continuously trending toward positive economic fundamentals, this market is poised to outperform other comparable metropolitan markets through 2021 and beyond.

“While Kroger has no new net stores in the market planned, we are aware of at least a dozen new-construction Publix-anchored developments in greater Atlanta MSA.”

– John Tennant, Senior Director, Retail Investments Sales

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