Atlanta Retail

Q2 2025

Quarterly Report

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Market Report

Atlanta Retail Market Faces Expansion Challenges Amid Limited New Supply and Rising Vacancy

Executive Summary

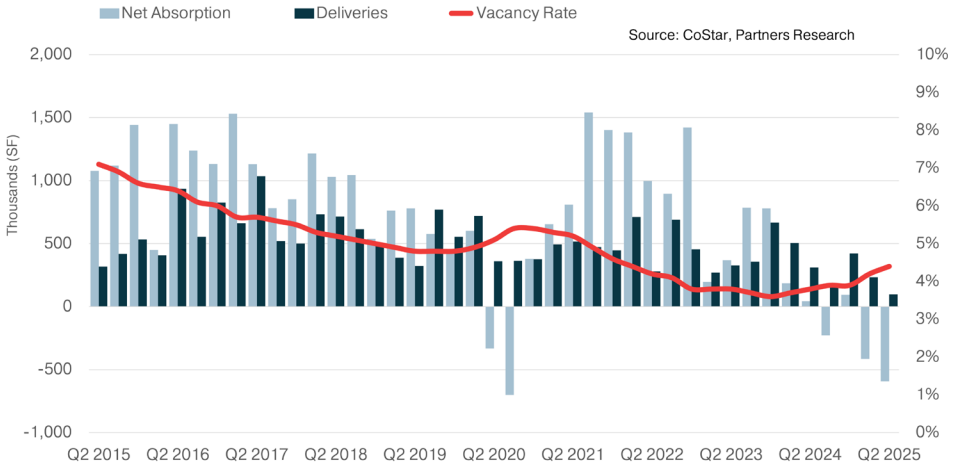
Q2 In Review

Atlanta's retail market continues to exhibit mixed fundamentals as retailers face significant hurdles in expanding due to constrained new construction deliveries. The overall vacancy rate increased to 4.4% in Q2 2025, up 20 basis points from Q1 2025's 4.2% and 70 basis points higher than Q2 2024's 3.7%. Despite this uptick, the 4.4% vacancy rate remains below the historical norm of 5.3%, indicating that the market is still relatively tight. This modest increase in vacancy may create opportunities to lease premium properties to new tenants at higher rental rates, supporting valuation growth in top-tier submarkets.
The rise in vacancy is driven by negative net absorption of -592,459 square feet, a further decline from Q1 2025's -414,627 square feet, signaling softening demand. Despite this, leasing activity remained robust at 1.41 million square feet, though it was relatively flat compared to Q1 2025's 1.42 million square feet and down 22.2% from Q2 2024's 1.82 million square feet.

The construction pipeline tightened further to 539,848 square feet, a multi-year low and down 8.2% from Q1 2025 and 56.4% from Q2 2024, severely limiting expansion opportunities for tenants across most submarkets. High land and construction costs, coupled with elevated interest rates, continue to constrain new development, requiring top market lease rates to justify new projects. However, tenants seeking new locations are increasingly accepting these economic realities, resulting in less pushback on premium rental rates. Entertainment and big box retailers, such as Big Air, Hobby Lobby, and Burlington, continue to pursue growth, but desirable space remains scarce.

Limited new supply continues to exert upward pressure on rental rates, which held steady at $19.61 per square foot, unchanged from Q1 2025 but up 1.8% from Q2 2024's $19.27. The ability to replace legacy tenants with new ones at higher rates in premium properties and stronger submarkets is driving valuation benefits, particularly in high-demand areas. Investment activity remains active, with an average sale price of $236 per square foot and a 7.1% average cap rate based on the past quarter's transactions. With vacancy creeping up but still below historical norms, new supply constrained, and demand weakening

Supply & Demand



Atlanta Retail Market Indicators Q1 2025

	CURRENT Q2 2025	PRIOR QUARTER Q1 2025	PRIOR YEAR Q2 2024
Vacancy (%)	4.4	4.2 ▲	3.7 ▲
Net Absorption (SF)	-592,459	-414,627 ▼	186,805 ▼
Leasing Activity (SF)	1,414,023	1,422,719 —	1,816,535 ▼
Deliveries (SF)	98,619	233,482 ▼	505,207 ▼
Construction (SF)	539,848	588,051 ▼	1,238,036 ▼
Inventory (SF)	329,051,010	328,911,164 —	327,930,837 ▲
Avg Asking NNN Rent ($)	$19.61	$19.61 —	$19.27 ▲

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in segments of the market, retailers face a challenging environment for expansion into premium spaces, while some older properties, particularly in older big box retail spaces, struggle to attract tenants.

Atlanta Economic Update

The unemployment rate for the Atlanta metro area dropped to 3% in April 2025, significantly lower than the national average of 3.9%, according to the U.S. Bureau of Labor Statistics (BLS) Local Area Unemployment Statistics. Total employment in Atlanta increased by 0.2% from April 2024 to April 2025, as reported by the BLS Current Employment Statistics, building on a trend that saw approximately 3.1 million jobs in the area as of January 2025. Job growth has slowed (7,000 jobs added over the past year), with notable gains in sectors such as healthcare, finance, and hospitality, according to BLS data. Counties like Cobb, DeKalb, Fulton, and Gwinnett contribute to this economic strength with competitive wages and steady employment increases. Long-term, Atlanta continues to leverage its lower living and business costs compared to major East and West Coast cities, maintaining its appeal as a prime destination for businesses and residents.

Market Overview

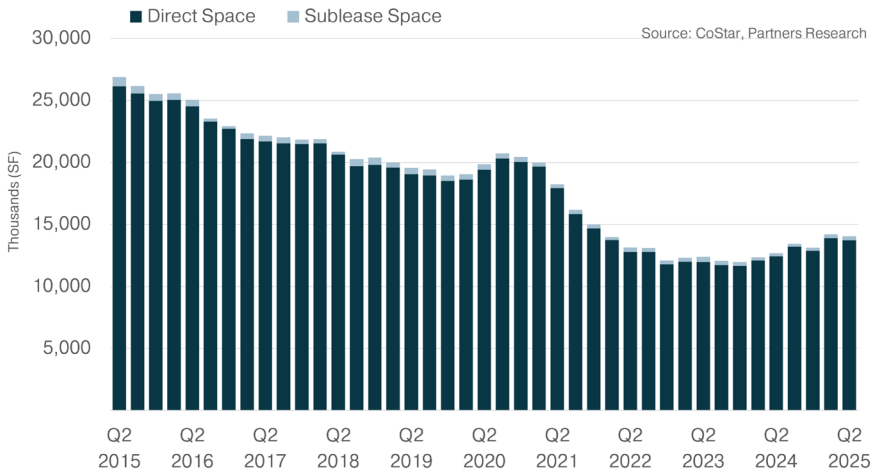
Vacancy Rate Inches up 50 Basis Points Year-Over-Year

The overall vacancy rate in Atlanta's retail market climbed to 4.4% in Q2 2025, up from 4.2% in Q1 2025 and 3.7% in Q2 2024. This 50-basis-point increase over the past year, while still below the historical norm of 5.3%, reflects weakening demand, with negative net absorption persisting. However, the below-average vacancy rate continues to signal a relatively tight market, providing opportunities to lease premium properties to new tenants at higher rates, which supports valuation growth in stronger submarkets. Limited new deliveries and a shrinking construction pipeline have not been sufficient to offset the rise in vacancy, creating challenges for retailers seeking prime locations.

Leasing Remains Steady but Below Historical Norms

Leasing activity (new leases and renewals) totaled 1.41 million square feet in Q2 2025, nearly flat compared to Q1 2025's 1.42 million square feet but down 22.2% from Q2 2024's 1.82 million square feet. With total vacancy at 4.4% and new construction limited, viable expansion options remain scarce across most submarkets. Notable

Available Space



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leases in Q2 2025 include activity in submarkets like Airport/South Atlanta (358,043 SF leased) and East Atlanta (183,198 SF leased), but the overall decline in leasing activity compared to historical norms underscores the constraints retailers face. The acceptance of higher rental rates by tenants, driven by high land and construction costs and elevated interest rates, is helping to sustain leasing activity in premium submarkets.

Demand Remains Negative

Demand for retail space continued to soften, with Q2 2025 recording -592,459 square feet of net absorption, a worsening from Q1 2025's -414,627 square feet and a significant drop from Q2 2024's positive 186,805 square feet. Significant negative absorption was observed in submarkets like Airport/South Atlanta (-411,383 SF) and Northeast (-210,377 SF). Challenges at properties like Town Center at Cobb, where anchor tenant issues persist, contribute to this trend. However, pockets of demand, such as West Atlanta's positive absorption of 153,185 square feet, indicate uneven market dynamics.

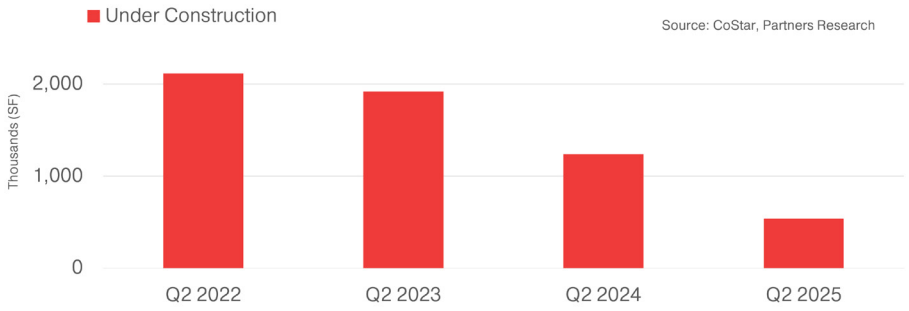
Deliveries and Construction Pipeline at Multi-Year Lows

New deliveries plummeted to 98,619 square feet in Q2 2025, down 57.8% from Q1 2025's 233,482 square feet and 80.5% from Q2 2024's 505,207 square feet. The construction pipeline shrank to 539,848 square feet, a decrease of 8.2% from Q1 2025 and 56.4% from Q2 2024. High land and construction costs, combined with elevated interest rates, continue to limit new development, requiring top market lease rates to make projects financially viable. This significant reduction in new supply exacerbates the scarcity of desirable space, particularly in high-demand submarkets like Downtown/Midtown and North Fulton, limiting retailers' ability to expand.

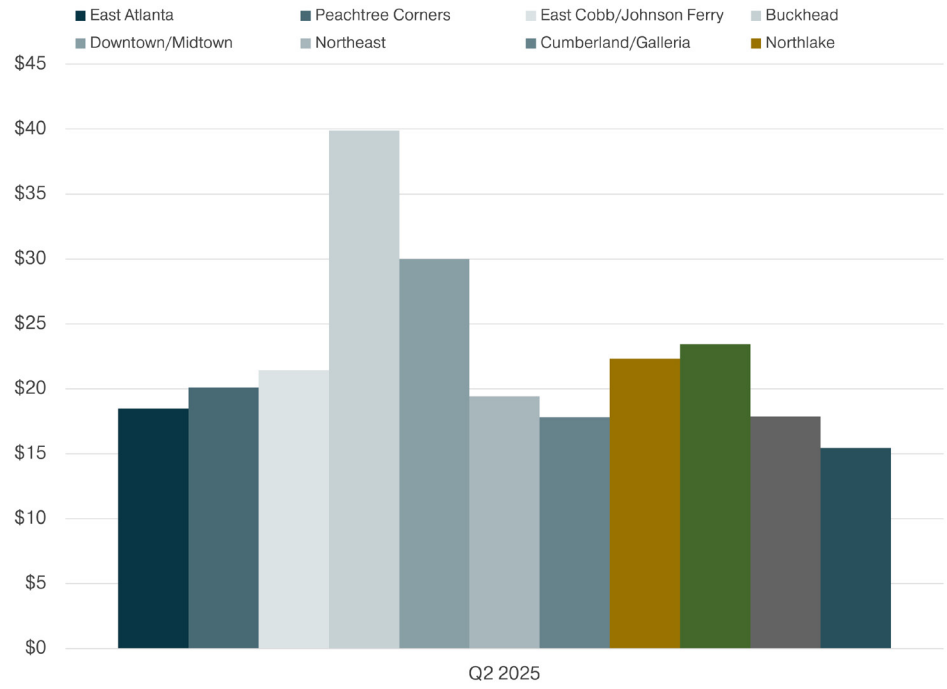
Investment Sales Trends

In the second quarter, 112 retail properties were sold in the Atlanta retail market with an average transaction price of $236 per square foot and an average cap rate of 7.1%. Notable sales transactions include Mithson purchasing Spring Mill Village shopping center for $6.6 million ($64.37 per sq. ft.) at a 9.5% cap rate, BJ & Properties purchased the Red Oak Village shopping center in a 1031 Exchange deal for $9 million ($120 per sq. ft.) at a 7.5% cap rate, and SouthCoast Commercial acquired the 74,210 sq. ft. Westpark Walk from Bridger Properties for $24.3 million

Construction



Overall Gross Avg Asking Rent ($PSF)



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($327 per sq. ft.), the unanchored center had a 96% occupancy at the time of the sale and went for a 7.2% cap rate. The ability to replace legacy tenants with new ones at higher rates in premium properties is enhancing valuations, particularly in stronger submarkets.

Rental Rates Hold Steady

The average monthly rental rate (NNN) for Atlanta's retail market remained flat at $19.61 per square foot in Q2 2025, unchanged from Q1 2025 but up 1.8% from Q2 2024's $19.27. Submarkets like Buckhead ($39.88 PSF) and Downtown/ Midtown ($30.00 PSF) continue to command premium rents, while others, such as Airport/South Atlanta ($15.45 PSF), remain more affordable. The limited new supply, driven by high land and construction costs and elevated interest rates, continues to support elevated rental rates, with tenants showing less resistance to these rates as they recognize the economics of new development. The replacement of legacy tenants with new ones at higher rates in premium submarkets further supports rental rate stability and valuation growth.

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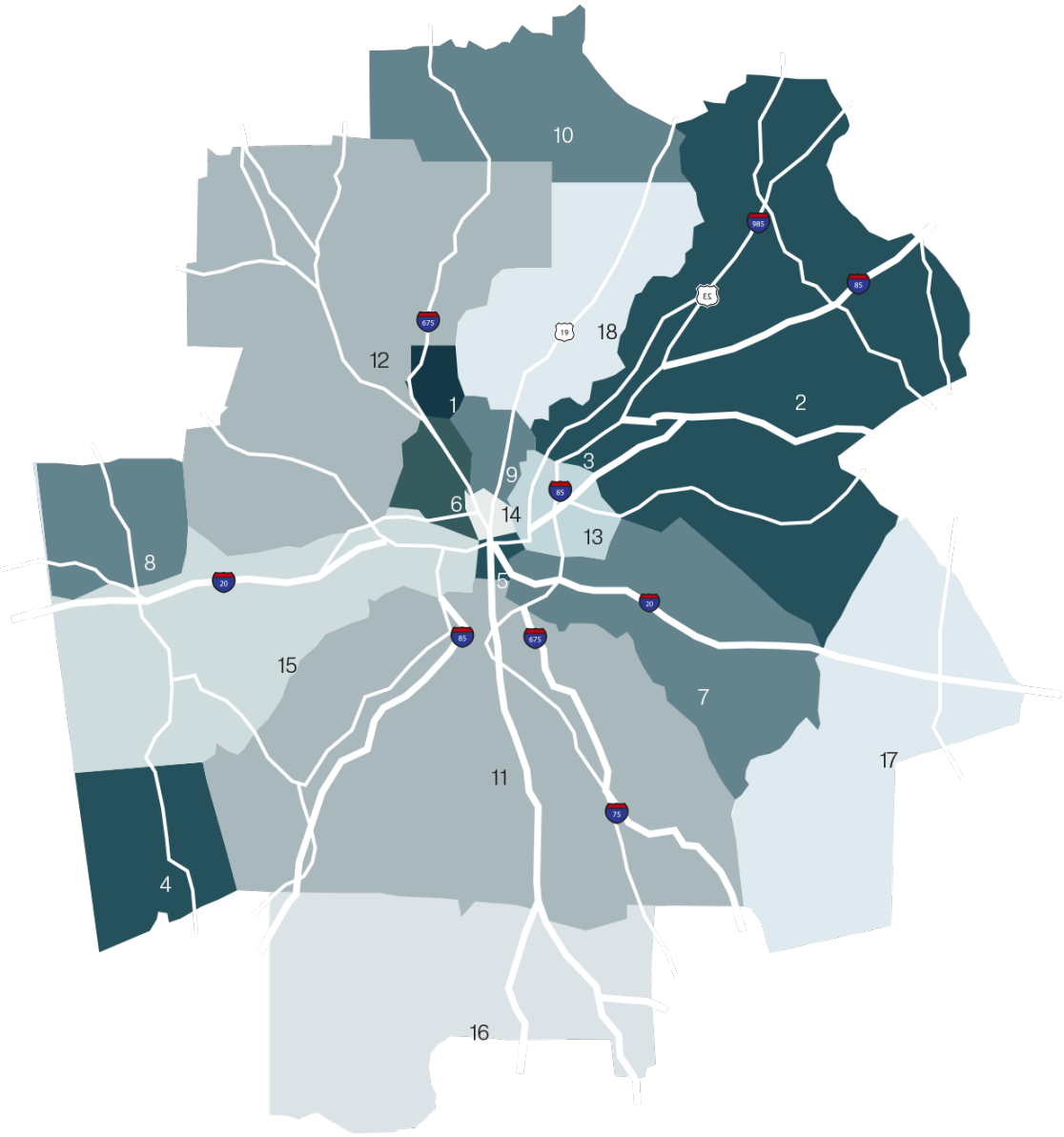
Market Overview
Submarket Stats

Submarket	Net Rentable Area	Q2 2025 Vacancy	Q2 2025 Net Absorption	Q2 2025 Leasing Activity	Q2 2025 Deliveries	Under Construction	Total Avg Asking Rent NNN
	(SF)	(%)	(%)	(SF)	(SF)	(SF)	($/PSF)
East Cobb/Johnson Ferry	24,786,119	5.2	-57,029	89,876	0	15,000	21.42
Northeast	66,633,422	4.7	-210,377	263,884	5,000	113,008	19.42
Peachtree Corners	14,773,512	3.7	17,868	36,215	0	6,458	20.10
Heard County	123,700	0.0	0	0	0	0	-
Downtown/Midtown	10,429,972	6.3	-33,384	45,626	0	140,911	30.00
Cumberland/Galleria	18,480,265	3.3	-10,873	56,618	0	11,000	17.80
East Atlanta	25,223,671	3.9	-62,667	183,198	0	36,700	18.47
Haralson County	777,927	0.0	0	0	0	0	-
Central Perimeter	9,736,232	4.8	61,629	16,135	5,800	0	26.66
Dawnson/Pickens Counties	4,514,652	1.9	-36,460	960	0	14,050	19.47
Airport/South Atlanta	65,991,776	5.0	-411,383	358,043	42,333	82,647	15.45
Northwest	17,967,749	1.7	59,308	51,833	10,000	12,790	17.87
Northlake	6,590,500	10.1	-47,342	40,724	0	0	22.31
Buckhead	12,071,149	2.6	-10,113	53,593	5,200	0	39.88
West Atlanta	28,145,706	3.1	153,185	62,081	0	45,558	15.90
Meriwether/Pike/Lamar Counties	1,509,473	1.3	0	0	0	0	14.00
Morgan/Jasper Counties	198,277	0.0	0	0	0	0	-
North Fulton	21,096,908	5.7	-4,821	155,237	30,286	61,726	23.42
Atlanta Total	329,051,010	4.4	-592,459	1,414,023	98,619	539,848	19.61

Market Overview

Atlanta Retail Submarkets



01. East Cobb / Johnson Ferry
02. Northeast
03. Peachtree Corners
04. Heard County
05. Downtown / Midtown
06. Cumberland / Galleria
07. East Atlanta
08. Haralson County
09. Central Perimeter
10. Dawson / Plckens Counties
11. Airport South Atlanta
12. Northwest
13. Northlake
14. Buckhead
15. West Atlanta
16. Meriwether / Pike / Lamar Counties
17. Morgan / Jasper Counties
18. North Fulton

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