# City of East Point: Market Assessment and Demand Trends

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# East Point Community Assessment

The purpose of this analysis is to arrive at a common understanding of the City of East Point's existing economic strengths and challenges. This analysis is expressed in the context of the state and metro Atlanta economies as a means of understanding East Point's relative position within Georgia and Metro Atlanta and highlighting its potential competitive advantages over ten-year and twenty-five-year timeframes.

## I. Current and Emerging Market Conditions

The impact of the 2007-2009 global economic recession continues to be felt by commercial and industrial real estate markets around the world. Rising vacancy rates and declining rental rates defined nearly every market and sector here in the United States through most of 2010, with signs of stabilization being seen in late 2010 and early 2011. Through most of the past several years, however, eroding demand and increasing supplies of sublease space further impacted the market, leading to a near standstill in transaction volume. Banks and financial institutions have continued to focus on cleaning up their balance sheets and are moving aggressively to dispose of commercial real estate loans and financially distressed real estate assets – included residential mortgages – in the coming year.

### 1. Office Market

**Metro Office Market**
As it relates to the office market recovering, Atlanta remains in a holding pattern. The Atlanta office market is still waiting for consistent signs of stabilizing. A record amount of available office space exists in the market. This byproduct of the economic downturn and overzealous spec developers will require years of sustainable growth in order to return to a more balanced market. The good news is the economy is beginning to strengthen and Atlanta office leasing is more active now than it was twelve months ago. In addition, no speculative construction has taken place in the market for almost two years. Heading into mid-year 2011, office leasing activity is expected to intensify with a number of large space requirements likely to be signed. The majority of these requirements, however, will be lateral moves within the market, meaning modest absorption will persist. Outside of these transactions though, Atlanta will maintain its significance as a regional hotspot for companies to consolidate their offices.

The consensus among local and regional forecasters is that, while its economic fundamentals remain solid, Atlanta is likely to lag other major markets in restoring occupancy rates. Although service producing jobs are expected to show improvements by the second half of 2011, banking and housing industry woes will continue to counterbalance Atlanta office market growth in the coming year. In addition, the city saw the delivery of three large office buildings in Buckhead totaling 1.6 million square feet in 2010, over 60% of which is currently vacant. The imbalance this created between supply and demand means the Atlanta market will be saturated potentially with a six-year supply of office space.

***Atlanta Office Market Conditions***

| Year | Qtr | Inventory SF/Units | Completions | Inventory Growth% | Vacant Stock | Vacancy Rate | Vacancy Change(BPS) | Occupied Stock | Net Absorption | Asking Rent | Ask Rent % Chg |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 2005 | Y | 136,291,000 | 1,084,000 | - 0.4% | 24,104,000 | 17.7% | -140 | 112,187,000 | 1,498,000 | $19.88 | 0.7% |
| 2006 | Y | 136,871,000 | 1,695,000 | 0.4% | 22,021,000 | 16.1% | -160 | 114,850,000 | 2,663,000 | $20.38 | 2.5% |
| 2007 | Y | 138,575,000 | 2,618,000 | 1.2% | 20,905,000 | 15.1% | -100 | 117,670,000 | 2,820,000 | $21.20 | 4.0% |
| 2008 | Y | 139,790,000 | 1,970,000 | 0.9% | 23,237,000 | 16.6% | 150 | 116,553,000 | -1,117,000 | $21.43 | 1.1% |
| 2009 | 1 | 139,641,000 | 334,000 | - 0.1% | 23,847,000 | 17.1% | 50 | 115,794,000 | -759,000 | $21.44 | 0.0% |
| 2009 | 2 | 139,909,000 | 530,000 | 0.2% | 24,392,000 | 17.4% | 30 | 115,517,000 | -277,000 | $21.40 | - 0.2% |
| 2009 | 3 | 141,426,000 | 628,000 | 1.1% | 26,409,000 | 18.7% | 130 | 115,017,000 | -500,000 | $21.33 | - 0.3% |
| 2009 | 4 | 141,041,000 | 0 | - 0.3% | 25,970,000 | 18.4% | -30 | 115,071,000 | 54,000 | $21.20 | - 0.6% |
| 2009 | Y | 141,041,000 | 1,492,000 | 0.9% | 25,970,000 | 18.4% | 180 | 115,071,000 | -1,482,000 | $21.20 | - 1.1% |
| 2010 | 1 | 142,588,000 | 1,633,000 | 1.1% | 28,325,000 | 19.9% | 150 | 114,263,000 | -808,000 | $21.18 | - 0.1% |
| 2010 | 2 | 142,398,000 | 0 | - 0.1% | 28,603,000 | 20.1% | 20 | 113,795,000 | -468,000 | $21.17 | 0.0% |
| 2010 | 3 | 142,511,000 | 564,000 | 0.1% | 29,609,000 | 20.8% | 70 | 112,902,000 | -893,000 | $21.16 | 0.0% |
| 2010 | 4 | 142,474,000 | 0 | 0.0% | 29,796,000 | 20.9% | 10 | 112,678,000 | -224,000 | $21.17 | 0.0% |
| 2010 | Y | 142,474,000 | 2,197,000 | 1.0% | 29,796,000 | 20.9% | 250 | 112,678,000 | -2,393,000 | $21.17 | - 0.1% |
| 2011 | Y | 142,474,000 | 0 | 0.0% | 28,516,000 | 20.0% | -90 | 113,958,000 | 1,280,000 | $21.31 | 0.7% |
| 2012 | Y | 143,158,000 | 684,000 | 0.5% | 27,377,000 | 19.1% | -90 | 115,781,000 | 1,823,000 | $21.67 | 1.7% |
| 2013 | Y | 144,722,000 | 1,564,000 | 1.1% | 26,233,000 | 18.1% | -100 | 118,489,000 | 2,708,000 | $22.11 | 2.0% |
| 2014 | Y | 146,718,000 | 1,996,000 | 1.4% | 24,593,000 | 16.8% | -140 | 122,125,000 | 3,636,000 | $22.70 | 2.7% |
| 2015 | Y | 149,124,000 | 2,406,000 | 1.6% | 22,672,000 | 15.2% | -160 | 126,452,000 | 4,327,000 | $23.64 | 4.1% |

*Source: REIS*

**East Point Office Market**

The potential office market for East Point draws from several different Metro Atlanta submarkets in addition to specialized markets such as those encompassing medical and health-related services and research facilities (a focus of the Fort McPherson redevelopment). Those submarkets include the following:

1. **Downtown Atlanta**
2. **Northside Drive / Georgia Tech** (part of the Midtown submarket)
3. **West Atlanta** (a portion of the overall West Atlanta submarket, this eastern sector is also called "West Atlanta")
4. **Airport / North Clayton** (County) Area (part of the South Atlanta submarket)

Current office inventory and other conditions within this East Point Office Market Area are summarized in the following table, which includes total rentable square feet (RSF), vacant square feet (VAC square feet), vacancy rate (VAC%), year-to-date net absorption of space (ABSORP), square feet of new office space delivered year-to-date (DELIVER), space currently under construction (U/C), and quoted rent rates per square foot (RATES).

| East Point Market Area: Current Office Market Conditions | | | | | | | |
|---|---|---|---|---|---|---|---|
| | RSF | VAC SF | VAC % | ABSORP | DELIVER | U/C | RATES |
| **Class A** | 16,784,515 | 3,453,336 | 20.6% | 236,242 | - | - | $ 19.54 |
| Downtown | 15,337,831 | 3,013,023 | 19.6% | 260,022 | - | - | $ 19.49 |
| Nside/GTech | 341,104 | 116,313 | 34.1% | 19,395 | - | - | $ 20.32 |
| Airport/NClay | 1,105,580 | 324,000 | 29.3% | (43,175) | - | - | $ 20.04 |
| W. Atlanta | - | - | 0.0% | - | - | - | $ - |
| **Metro Atlanta** | | | **19.9%** | **274,419** | **1,813,024** | **107,500** | **$ 21.65** |
| **Class B** | 22,475,243 | 1,797,445 | 8.0% | (198,622) | 21,000 | 30,000 | $ 15.72 |
| Downtown | 14,893,353 | 767,988 | 5.2% | (78,812) | - | - | $ 15.45 |
| Nside/GTech | 568,812 | 124,398 | 21.9% | 1,863 | - | - | $ 18.49 |
| Airport/NClay | 6,452,815 | 805,331 | 12.5% | (133,639) | 21,000 | 30,000 | $ 15.92 |
| W. Atlanta | 560,263 | 99,728 | 17.8% | 11,966 | - | - | $ 17.93 |
| **Metro Atlanta** | | | **16.0%** | **(223,201)** | **21,984** | **64,536** | **$ 16.88** |
| **Class C** | 9,172,765 | 2,308,941 | 25.2% | (198,554) | - | - | $ 14.83 |
| Downtown | 4,567,841 | 1,088,991 | 23.8% | (175,728) | - | - | $ 16.06 |
| Nside/GTech | 373,371 | 36,753 | 9.8% | 13,535 | - | - | $ 16.89 |
| Airport/NClay | 2,927,844 | 579,416 | 19.8% | (33,157) | - | - | $ 13.32 |
| W. Atlanta | 1,303,709 | 603,781 | 46.3% | (3,204) | - | - | $ 13.33 |
| **Metro Atlanta** | | | **14.9%** | **(111,386)** | **-** | **-** | **$ 14.66** |
| **TOTAL** | 48,432,523 | 7,559,722 | 15.6% | (160,934) | 21,000 | 30,000 | $ 18.09 |
| Downtown | 34,799,025 | 4,870,002 | 14.0% | 5,482 | - | - | $ 18.80 |
| Nside/GTech | 1,283,287 | 277,464 | 21.6% | 34,793 | - | - | $ 19.00 |
| Airport/NClay | 10,486,239 | 1,708,747 | 16.3% | (209,971) | 21,000 | 30,000 | $ 16.02 |
| W. Atlanta | 1,863,972 | 703,509 | 37.7% | 8,762 | - | - | $ 15.81 |
| **Metro Atlanta** | | | **17.4%** | **(163,337)** | **1,690,320** | **85,536** | **$ 19.09** |

*Source: CoStar*

## 2. Industrial Market

### Metro Industrial Market

An executive with Industrial Developments International (IDI) expects 2011 to be "a transitional year" for Atlanta area industrial real estate, according to the *Atlanta Business Chronicle*. In its own way, 2010 also was a year of transition, as the crippling losses of 2009 yielded to the slower pace of decline indicative of stabilization. Indeed, some observers have reported the reemergence of positive net absorption at different points in 2010, an assessment in accord with Reis's analysis. While vacancy remains severely elevated—an effect of the freewheeling development typical for Atlanta—the emerging trend features both a downward movement in the rate of vacancy and a marked decline in construction, including the virtual elimination of speculative endeavors. The severe rental declines of the past two years also have reached, or soon will reach, their end. Optimism is growing; near-term prospects have improved as Atlanta maintains its position as the Southeast's dominant distribution market.

***Atlanta Industrial Market Conditions***

| Year | Inventory SF | Completions | Vac % | Vacant Stock | Occupied Stock | Net Absorption | Eff Rent $ | %Change | Industrial Employment |
|---|---|---|---|---|---|---|---|---|---|
| 2006 | 333,525,000 | 4,854,000 | 14.7 | 49,028,000 | 284,497,000 | 5,455,000 | $3.90 | 0.5 | 365,484 |
| 2007 | 339,249,000 | 5,724,000 | 15.0 | 50,887,000 | 288,362,000 | 3,865,000 | $3.95 | 1.3 | 362,657 |
| 2008 | 342,529,000 | 3,280,000 | 15.9 | 54,417,000 | 288,112,000 | -250,000 | $3.89 | -1.5 | 347,065 |
| 2009 | 343,382,000 | 853,000 | 17.3 | 59,405,000 | 283,977,000 | -4,135,000 | $3.61 | -7.2 | 313,547 |
| 2010 | 344,017,000 | 635,000 | 17.8 | 61,235,000 | 282,782,000 | -1,195,000 | $3.44 | -4.7 | 313,902 |
| 2011 | 345,046,000 | 1,029,000 | 17.1 | 59,003,000 | 286,043,000 | 3,261,000 | $3.42 | -0.7 | 317,645 |
| 2012 | 348,238,000 | 3,192,000 | 16.7 | 58,156,000 | 290,082,000 | 4,039,000 | $3.47 | 1.7 | 323,066 |
| 2013 | 354,347,000 | 6,109,000 | 16.3 | 57,759,000 | 296,588,000 | 6,506,000 | $3.56 | 2.4 | 334,477 |
| 2014 | 362,400,000 | 8,053,000 | 16.0 | 57,984,000 | 304,416,000 | 7,828,000 | $3.66 | 2.9 | 342,991 |
| 2015 | 369,413,000 | 7,013,000 | 15.3 | 56,520,000 | 312,893,000 | 8,477,000 | $3.78 | 3.2 | 346,832 |

*Sources: REIS, Moody's Economics*

As the market turns the corner, Reis expects to see 3.3 million square feet of positive net absorption in 2011 accompanied by a 70 basis point drop in the vacancy rate and a firming up of rents. "Absent additional speculative development," summarizes Cushman & Wakefield, "Atlanta's industrial sector will report stabilizing occupancy in 2011 as demand rebounds further. As vacancy decreases, rental rates will stabilize and concessions will become less prevalent." Construction will slowly re-enter the picture, with possible speculative development in 2012.

**East Point Industrial Market**

The East Point site is situated to draw from two major submarkets in the Metro Atlanta area, as well as two minor submarkets, as follows:

1. Central Atlanta (major submarket)
2. Chattahoochee (major submarket)
3. Fulton Industrial District (part of I-20/West Fulton major submarket)
4. Airport/North Clayton (part of South Atlanta major submarket)

First quarter 2011 conditions of the East Point industrial market area, as defined by these four Metro Atlanta submarkets, are summarized in the following table.

**East Point Market Area: Current Industrial Market Conditions**

| | RSF | VAC SF | VAC % | ABSORP | DELIVER | U/C | RATES |
|---|---|---|---|---|---|---|---|
| **Flex Space** | **7,404,354** | **704,886** | **9.5%** | **(46,341)** | **-** | **-** | **$ 8.51** |
| Central Atl | 3,678,753 | 250,980 | 6.8% | 14,473 | - | - | $ 9.86 |
| Fulton Indust | 1,210,712 | 77,466 | 6.4% | 5,848 | - | - | $ 3.29 |
| Airport | 2,514,889 | 376,440 | 15.0% | (66,662) | - | - | $ 9.04 |
| **Metro Atlanta** | | | **15.5%** | **(313,767)** | **-** | **-** | **$ 8.14** |
| **Warehouse** | **147,649,410** | **22,995,049** | **15.6%** | **(560,687)** | **1,180,000** | **18,750** | **$ 2.90** |
| Central Atl | 14,299,408 | 1,294,866 | 9.1% | (79,965) | - | - | $ 3.58 |
| Fulton Indust | 49,933,549 | 8,394,422 | 16.8% | (116,693) | - | - | $ 2.69 |
| Airport | 83,416,453 | 13,305,761 | 16.0% | (364,029) | 1,180,000 | 18,750 | $ 2.91 |
| **Metro Atlanta** | | | **13.1%** | **(1,563,736)** | **-** | **1,158,750** | **$ 3.66** |
| **TOTAL** | **155,053,764** | **23,699,935** | **15.3%** | **(607,028)** | **1,180,000** | **18,750** | **$ 4.98** |
| Central Atl | 17,978,161 | 1,545,846 | 8.6% | (65,492) | - | - | $ 4.89 |
| Fulton Indust | 51,144,261 | 8,471,888 | 16.6% | (110,845) | - | - | $ 2.74 |
| Airport | 85,931,342 | 13,682,201 | 15.9% | (430,691) | 1,180,000 | 18,750 | $ 6.34 |
| **Metro Atlanta** | | | **13.3%** | **(1,504,456)** | **-** | **1,158,750** | **$ 4.03** |

*Source: CoStar*

To the extent that the East Point market starts to show significant signs of improvement during the current year, as is anticipated for the Metro market overall, it should experience a return to positive absorption, a slight decrease in vacancies, and a leveling if not increase in rates. The amount of vacant space, however, is significant at over 23 million square feet, with 13.7 million being in the Airport Submarket. There are no indications that industrial space within the City of East Point – approximately 5% of the total submarket inventory – is faring better than that within the balance of the submarket.

## 3. Retail Market

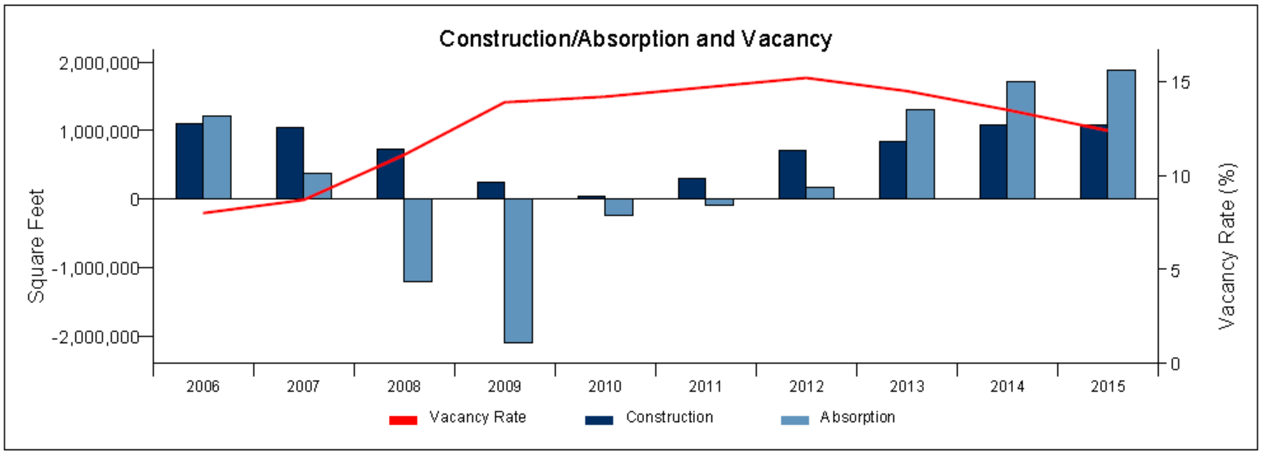
**Metro Retail Market**

A slow economic recovery and timid consumer spending along with large volumes of empty retail space, a residue of Atlanta's latest development cycle, make for a slow recovery and persistent soft conditions. Elements of gradual improvement, however, are discernible.

***Atlanta Retail Market Conditions***

| Year | Qtr | Inventory SF/Units | Completions | Inventory Growth% | Vacant Stock | Vacancy Rate | Vacancy Change(BPS) | Occupied Stock | Net Absorption | Asking Rent | Ask Rent % Chg |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 2005 | Y | 78,001,000 | 1,353,000 | 1.8% | 6,453,000 | 8.3% | 80 | 71,548,000 | 649,000 | $16.73 | 3.1% |
| 2006 | Y | 79,094,000 | 1,093,000 | 1.4% | 6,333,000 | 8.0% | -30 | 72,761,000 | 1,213,000 | $17.10 | 2.2% |
| 2007 | Y | 80,134,000 | 1,040,000 | 1.3% | 7,007,000 | 8.7% | 70 | 73,127,000 | 366,000 | $17.42 | 1.9% |
| 2008 | Y | 80,866,000 | 732,000 | 0.9% | 8,944,000 | 11.1% | 240 | 71,922,000 | -1,205,000 | $17.49 | 0.4% |
| 2009 | 1 | 80,996,000 | 130,000 | 0.2% | 9,379,000 | 11.6% | 50 | 71,617,000 | -305,000 | $17.39 | - 0.6% |
| 2009 | 2 | 81,056,000 | 60,000 | 0.1% | 10,443,000 | 12.9% | 130 | 70,613,000 | -1,004,000 | $17.25 | - 0.8% |
| 2009 | 3 | 81,092,000 | 36,000 | 0.0% | 10,727,000 | 13.2% | 30 | 70,365,000 | -248,000 | $17.19 | - 0.3% |
| 2009 | 4 | 81,102,000 | 10,000 | 0.0% | 11,282,000 | 13.9% | 70 | 69,820,000 | -545,000 | $17.16 | - 0.2% |
| 2009 | Y | 81,102,000 | 236,000 | 0.3% | 11,282,000 | 13.9% | 280 | 69,820,000 | -2,102,000 | $17.16 | - 1.9% |
| 2010 | 1 | 81,102,000 | 0 | 0.0% | 11,539,000 | 14.2% | 30 | 69,563,000 | -257,000 | $17.14 | - 0.1% |
| 2010 | 2 | 81,102,000 | 0 | 0.0% | 11,554,000 | 14.2% | 0 | 69,548,000 | -15,000 | $17.12 | - 0.1% |
| 2010 | 3 | 81,137,000 | 35,000 | 0.0% | 11,575,000 | 14.3% | 10 | 69,562,000 | 14,000 | $17.20 | 0.5% |
| 2010 | 4 | 81,137,000 | 0 | 0.0% | 11,555,000 | 14.2% | -10 | 69,582,000 | 20,000 | $17.23 | 0.2% |
| 2010 | Y | 81,137,000 | 35,000 | 0.0% | 11,555,000 | 14.2% | 30 | 69,582,000 | -238,000 | $17.23 | 0.4% |
| 2011 | Y | 81,430,000 | 293,000 | 0.4% | 11,942,000 | 14.7% | 50 | 69,488,000 | -94,000 | $17.26 | 0.2% |
| 2012 | Y | 82,131,000 | 701,000 | 0.9% | 12,475,000 | 15.2% | 50 | 69,656,000 | 168,000 | $17.41 | 0.9% |
| 2013 | Y | 82,963,000 | 832,000 | 1.0% | 12,004,000 | 14.5% | -70 | 70,959,000 | 1,303,000 | $17.65 | 1.4% |
| 2014 | Y | 84,042,000 | 1,079,000 | 1.3% | 11,364,000 | 13.5% | -90 | 72,678,000 | 1,719,000 | $18.13 | 2.7% |
| 2015 | Y | 85,118,000 | 1,076,000 | 1.3% | 10,561,000 | 12.4% | -110 | 74,557,000 | 1,879,000 | $18.69 | 3.1% |

"The pace of new household formation, which hit a 30-year low in 2010, will not accelerate to historical norms until 2012, limiting demand for in-line space in newer suburban communities," states Marcus & Millichap in its 2011 outlook report on the local market. "Retail sales will also reach pre-recession levels."Reis's market data, meanwhile, indicate a mixed performance or occupancy even as vacancy rates remain painfully high. Indicated as well is the return of growth to rents, although gains have been small, and the return of positive net absorption to some sectors. While a large volume of space remains under construction, activity is dominated by a few large-format projects.




*Source: REIS*

The Atlanta retail market reached stability – although one might describe it as having "bottomed out" – during 2010, with overall quarterly vacancy rates varying only slightly from the year-end rate of 14.2%. Absorption was a negative -238,000 square feet. However, asking rents began moving up and deliveries of new inventory totaled only 35,000 square feet for the year. A continued lack of delivery of significant new space should allow a gradual return to "new normal" growth starting in 2013.

**East Point Retail**

The basic East Point retail submarket market is located primarily within the larger South Atlanta Retail Submarket. Conditions within that South Atlanta Submarket are basically indicative of those currently existing within the smaller East Point retail market area, which is defined as the 7-mile-radius combined Primary, Secondary and Tertiary markets described above and throughout this analysis.

| East Point Market Area: Current Retail Market Conditions | | | | | | | |
|---|---|---|---|---|---|---|---|
| Category | Total RSF | Vacant RSF | Vacancy Rate | Net Absorption | Delivered RSF | RSF Under Construct | Quoted Rates |
| General | 2,548,176 | 250,087 | 9.8% | (33,899) | - | - | $ 8.71 |
| Mall | 817,743 | 15,517 | 1.9% | 107,100 | - | - | $ 22.50 |
| Pow er Cntr | - | - | 0.0% | - | - | - | $ - |
| Shop Cntr | 3,974,828 | 361,556 | 9.1% | 17,812 | - | - | $ 10.56 |
| Specialty | - | - | 0.0% | - | - | - | $ - |
| TOTAL | 7,340,747 | 627,160 | 8.5% | 91,013 | - | - | $ 16.51 |
| **Metro** | | | 10.6% | | | | $ 13.77 |

*Sources: CoStar, Dorey's*

Relative to overall Metro Atlanta retail conditions, the East Point retail submarket ("College Park/SW Atlanta" in CoStar's database) is performing well, with vacancies at a moderately healthy 8.5% and quoted rates at $16.51 per square foot, well above Metro's $13.77. The Mall rates are particularly impressive at $22.50.

## 4. Residential Market

**Metro Atlanta Residential Market**

Atlanta, like the rest of the nation, is weathering an "unusually slow" economic recovery as it struggles with previous overbuilding of residential real estate according to RealtyTrac. Atlanta led the nation in new single-family home construction every year between 1995 and 2005, so it took a big beating when housing turned down during the second half of the decade. Housing prices rose only modestly during the boom years, but lending was overly aggressive and many homebuyers had little equity in their homes to begin with. A high proportion of mortgage loans made during the housing boom were either subprime or Alt-A. The net result has been a surge in mortgage delinquencies and foreclosures, and the problem is likely to linger for some time to come.

The recession and its aftermath, meanwhile, have ravaged Atlanta's once-hot housing market. According to RealtyTrac, the MSA ranked 26th among the nation's top 206 metro areas in rate of foreclosure for third quarter 2010 as fully 1.38% of existing ownership stock (29,824 residences) received notifications. This nearly doubles the 0.72% national rate calculated for the period. "The market still has to deal with a lot of foreclosures, which are both a symptom of the fragile economy and the hangover from bad loans," an executive with Harry Norman Realtors informed the *Atlanta Business Chronicle* in January 2011. While there are reasons to believe the market has bottomed out, "there is still a lot of downward pressure on pricing resulting from foreclosures and short sales." Over the 12-month span concluding with November, data from First Multiple Listing Service (FMLS) indicate a 6.0% drop off in sales volume year-over-year. According to Standard & Poor's S&P/Case- Shiller Home Price Index as reported by the *Chronicle*, Atlanta was one of six metro areas in which the average selling price has fallen "beyond the recent lows seen in most other markets in the spring of 2009."

## 5. Current Excess Inventory in East Point

In each of the four major categories of real estate products – retail, office, industrial and residential – the City of East Point itself holds only a portion of the existing supply within each industry's respective market area. Specifically, the City of East Point contains approximately 30% of the total retail inventory within the retail submarket most closely associated with East Point; approximately 10% of the office inventory; and approximately 5% of the industrial inventory. Since the Neighborhood Services inventory is calculated based on housing within the East Point city limits, 100% of that inventory is assumed to be within the city. Residential inventory within East Point is based on the 2010 Census, which 3,892 vacant housing units out of a total inventory of 17,225 – a vacancy rate of 22.6%. Optimistically, this is at least 15 months of available supply.

"Excess inventory" is not the same as vacant supply. Rather, it is the amount of vacant space or housing units in excess of what can be considered a healthy level of vacancies within a given type of real estate. Similar to unemployment rates, a certain level of vacancy is not only acceptable but necessary for a market to be stable, with supply and demand balanced and "in equilibrium." Otherwise, too little vacant supply results in purchase prices or rent rates that are too high for a given market, driving away (or not attracting in the first place) otherwise desirable residents (consumer markets) and businesses.

Thus, estimating the amount of "excess inventory" – or vacant supply that should be considered in excess of a stable balance of supply and demand – involves taking the identified vacant space or housing units within the market area in question, determining what share of the level/percentage of those vacancies are in excess of a stable market, then applying that excess vacancy level to the current-vacant space or units. “Stable” vacancy rates for each type of real estate market are generally accepted to be as follows:

- Retail: 8% vacancy rate
- Local Office: 9% vacancy rate
- Office: 10% vacancy rate
- Industrial: 8% vacancy
- Residential: a 6-month supply of housing

Since Local Office is not tracked separately but does represent a hybrid of the Office and Retail categories, a mid-point stable-market vacancy rate of 9% is assumed. Residential market equilibrium is assumed to be a six-month supply of housing units.

| Current Excess Inventory within East Point | | | | |
|---|---|---|---|---|
| **City as % of Total Submarket:** | **Retail = 30%** | | | |
| | **Neigh Services = 100%** | | | |
| | **Office = 10%** | | | |
| | **Industrial = 5%** | | | |
| | **City Vacant SF** | **Vac %** | **Excess @** | **Excess SF** |
| **Retail: Stable Vacancy @ 8%** | 188,148 | 8.5% | 6% | 11,970 |
| **Neighborhood Services: Stable @ 9%** | 22,368 | 12.4% | 28% | 6,158 |
| **Office: Stable @ 10%** | 170,875 | 16.3% | 39% | 66,012 |
| **Industrial: Stable @ 8%** | 684,110 | 15.9% | 50% | 340,385 |
| **Residential** | **City Vacant Units** | | | **Excess Units** |
| Total Vacant Units | 3,892 | | **60%** | 2,335 |
| SFD % of Vacant Units | 44% | | | 1,027 |
| Townhouses % of Vacant Units | 6% | | | 140 |
| Rental % of Vacant Units | 50% | | | 1,168 |

This excess supply will be incorporated into the demand projections in the following section in order to determine “net” demand projections for retail, office, industrial, local/community office and residential.

# II. Economic Trends

## 1. Looking Forward - Recovery Timing

Clearly the entire Metro Atlanta Region has suffered from the national economic downturn that began in 2007. Given the severity of the current “Great Recession,” economists have generally lowered expectations of what a recovery may look like and what a return to normal growth will be. These lowered expectations are summed up by the media’s use of the phase “a return to the new normal” in describing an economic recovery that stabilizes at much lower – but hopefully less volatile and more sustainable – growth rates than those experienced in the heady economic expansions and associated bubbles that characterized recoveries in the past several decades.

As applied to Metro Atlanta's recovery to levels of "new normal" growth, a weak consensus (major differences of opinion remain as to the timing and extent of recovery) has emerged pointing to recoveries in the markets for major types of development as follows:

- **Residential:** Slight improvement in housing sales through 2011 coupled with continuing declines in sale prices as sellers – particularly banks writing down foreclosure inventories – increasingly prioritize moving product over pricing. Slight improvement in sales and prices is anticipated through 2012 with some degree of stabilization in the market being achieved by the end of 2013. The "new normal" is for the overall residential market is projected to be achieved in mid-to-late 2013 and early 2014 for sale properties. Rental properties are beginning to strengthen with respect to both occupancy and effective rates, with the "new normal" for apartments being reached in 2012.

- **Retail:** Declining rates and occupancy continuing and perhaps temporarily accelerating through mid-2011, with market stabilization in late-2011 and continuing through 2012. However, a "new normal" is not anticipated until 2013-2014.

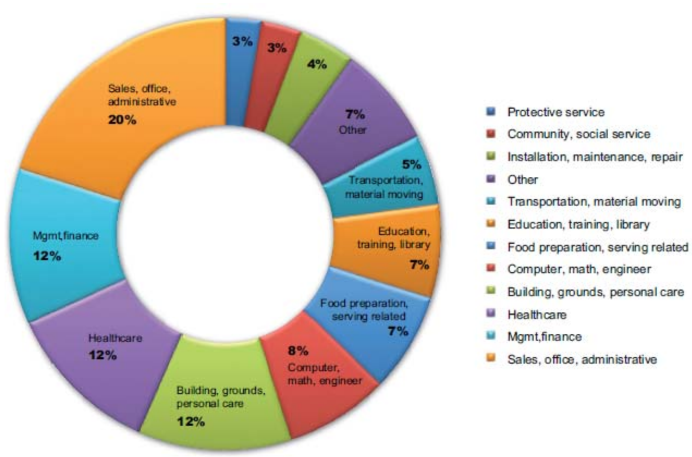
- **Office:** Basically the same pattern of recovery as retail, but with larger inventories and longer lead times for new development than retail, "new normal" stabilization occurring in 2014-2015.

- **Hotels:** New location-specific deals will continue during 2011 even with overall declines in rates and occupancy. The hospitality market should see signs of substantive recovery as reflected in the increasing availability of capital in 2012, building to the "new normal" in 2013.

## 2. Employment Growth Projections

**Metro Atlanta**

Recovery across all industries will occur only as employment grows. In its most-recent (February 2011) 2010-2040 regional population and employment projections, the Atlanta Regional Commission lowered its estimates of job growth in the 20-county Atlanta region, last published in 2009. Nonetheless, the ARC's population and employment forecasts show moderately-strong long-term growth for the 20-county Atlanta region. ARC expects that 8.3 million people will call the region home by the year 2040, an increase of roughly three million people from today. Job growth, although not as robust as in the 1990s, will remain strong in the long-term, as well. ARC forecasts the region to have 3.65 million jobs by 2040, an addition of about 1.5 million jobs from today. One of the more significant trends ARC expects is the shrinking of the labor force participation rate (LFPR) over the coming decades. The labor force participation rate is expected to fall from a high of almost 74% in 2000, to around 62% by 2040.




***Expected Growth by Occupation 2010 – 2040***

In terms of specific occupations, then, it should be no surprise that healthcare occupations will be one of the leaders in percentage change between 2010 and 2040. Sales, office and administrative occupations will capture the bulk of the growth between 2010 and 2040. Management and finance occupations, healthcare occupations and occupations in building, landscape and other personal services will each capture approximately 12% of all growth in occupations between now and 2040.

In the short-term, according to Dr. Rajeev Dhawan, Director of the *Economic Forecasting Center of Georgia State University*, the Atlanta metro area, after losing almost 129,000 jobs in 2009, will experience a moderate loss of 12,500 in calendar year 2010. In calendar year 2011, 42,500 job gains are expected, including 11,800 “premium” job gains. The recovery picks up in 2012 when 51,600 jobs (13,300 premium jobs) are expected to be created.

**East Point Market Area Employment Projections**

Overall employment growth in these submarkets is projected from Atlanta Regional Commission (ARC) employment growth forecasts, considered to be the most comprehensive and detailed database in the region. The projections are based on employment growth in a collection of ARC-defined Superdistricts that encompass the overall East Point Market Area, which will generate the bulk – approximately 90% - of the demand for office space that the City of East Point itself will draw upon. The baseline East Point Superdistrict employment estimates for 2009 (the most recent from ARC at that geographic level) are increased or reduced by the number of jobs estimated to be gained or lost in 2010 within major employment categories and adjusted to confirm to the county-level employment estimates recently released (February 2011) by ARC.

| East Point Market Area: Change in Employment by Sector 2009-2016 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | CONST | MFG | TCU | WHOL | RETL | FIRE | SVCS | GOV |
| **2009** | 4,409 | 14,959 | 66,896 | 11,866 | 11,744 | 33,778 | 87,987 | 36,072 |
| **2010** | -18.7% | -5.9% | -0.9% | -4.2% | 0.5% | -1.8% | 0.8% | -1.5% |
| **2011** | -5.9% | 0.8% | 2.1% | 1.7% | 0.2% | 2.4% | 1.6% | -1.2% |
| **2012** | 3.5% | 2.6% | 4.2% | 2.3% | 1.5% | 3.0% | 1.5% | 1.2% |
| **2013** | 4.0% | 3.0% | 3.0% | 3.0% | 2.0% | 2.5% | 3.0% | 1.0% |
| **2014** | 5.0% | 4.0% | 4.0% | 4.0% | 2.5% | 3.0% | 3.5% | 3.0% |
| **2015** | 5.0% | 4.0% | 4.0% | 3.0% | 3.0% | 3.5% | 4.0% | 2.0% |
| **2016** | 4.0% | 3.0% | 3.0% | 2.0% | 3.5% | 4.0% | 4.0% | 2.0% |
| **Stable** | 2.0% | 0.5% | 1.0% | 0.5% | 2.0% | 2.0% | 1.8% | 0.5% |

*Sources: ARC, GSU EFC, Huntley Partners*

Applying growth projections to the 2009 base numbers and adjusting for the recent ARC county-level estimates, employment in the East Point Market Area through 2036 is estimated as follows:

| East Point Market Area: Employment | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Year | CONST | MFG | TCU | WHOL | RETL | FIRE | SVCS | GOV | TOTAL |
| 2009 | 4,409 | 14,959 | 66,896 | 11,866 | 11,744 | 33,778 | 87,987 | 36,072 | 267,711 |
| 2011 | 3,373 | 14,189 | 67,686 | 11,561 | 11,826 | 33,952 | 90,155 | 35,105 | 267,847 |
| 2016 | 4,163 | 16,705 | 80,930 | 13,310 | 13,379 | 39,737 | 105,511 | 38,451 | 312,185 |
| 2021 | 4,596 | 17,127 | 85,058 | 13,646 | 14,771 | 43,873 | 115,355 | 39,422 | 333,848 |
| 2026 | 5,075 | 17,559 | 89,397 | 13,991 | 16,309 | 48,440 | 126,118 | 40,417 | 357,304 |
| 2031 | 5,603 | 18,002 | 93,957 | 14,344 | 18,006 | 53,481 | 137,884 | 41,438 | 382,715 |
| 2036 | 6,186 | 18,457 | 98,750 | 14,706 | 19,880 | 59,048 | 150,749 | 42,484 | 410,259 |

*Sources: ARC, GSU EFC, Huntley Partners*

## 3. East Point and Market Area Strengths

The extent to which national and regional economic conditions impact development and redevelopment at East Point will be determined largely based on whether current area strengths are built upon.

**Strengths** are those attributes that currently do, or potentially could attract people – consumer markets – to residential and commercial (retail, services, office, hotel) offerings within the community, city or, in this case, the East Point community. Strengths can be a source of new or additional consumers. They can attract entirely new consumer markets. They can provide the foundation for facilitating redevelopment – both private development and public improvements – that improves a community and the people and businesses within it.

The **Strengths** of the Market Area are numerous, as is reflected in both the Demographic Profile and the Market Demand analysis. Key strengths include the following:

- **Location:** The City enjoys a central location between two major employment centers – Downtown Atlanta and Atlanta Hartsfield-Jackson International Airport – and good proximity to the retail offerings and cultural amenities of the CBD.

- **Interstate Access:** East Point has very good access to Interstates 75, 85 and 20, as well as Atlanta's I-285 perimeter highway and Langford Parkway (US 166).

- **Airport Proximity:** The East Point site's proximity to Atlanta Hartsfield-Jackson International Airport represents a significant long-term strength with respect to residential and office development.

- **MARTA Stations:** The existence of the East Point MARTA Station is arguably the East Point Downtown area's greatest long-term asset due to the link it provides to the airport, the Downtown-Midtown CBD, major Atlanta-area universities and residential concentrations along MARTA's metro-wide fixed-rail system. Moreover, the Fort McPherson MARTA Station just north of the East Point city limits along Main Street allows even more convenient access as well as a valuable long-term linkage to the Fort McPherson redevelopment.

- **<u>Extended Market Area:</u>** Due to the interstate access and MARTA stations/links mentioned above, East Point's residential, office and retail market areas are extended well beyond standard "draw areas."

Collectively, these strengths make East Point extremely attractive as a development site, the current economic downturn notwithstanding.

# III. Projected Demand in the East Point Market

The potential for new office, retail and residential development within the City of East Point does refer specifically to development demand that could occur within the boundaries of the East Point based purely on:

1. identification and <u>definition of the market areas</u> from which demand is generated
2. <u>projected growth</u> in demand within these market areas, and
3. <u>share of the total market demand</u> (share of market or "SOM") that the City of East Point could reasonably be expected to attract.

## 1. Definitions of East Point Market Areas

The analyses of current and projected demographic profile as well as the potential market-driven development growth are based fundamentally on the market areas that the real estate market – office, industrial, retail and residential for purposes of this analysis – depend upon for support and growth. In this analysis, each industry type has a related market area.

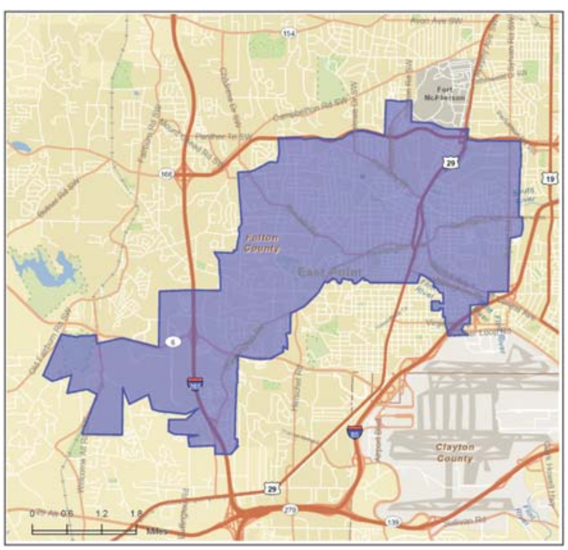



*Figure 1: East Point Boundaries*

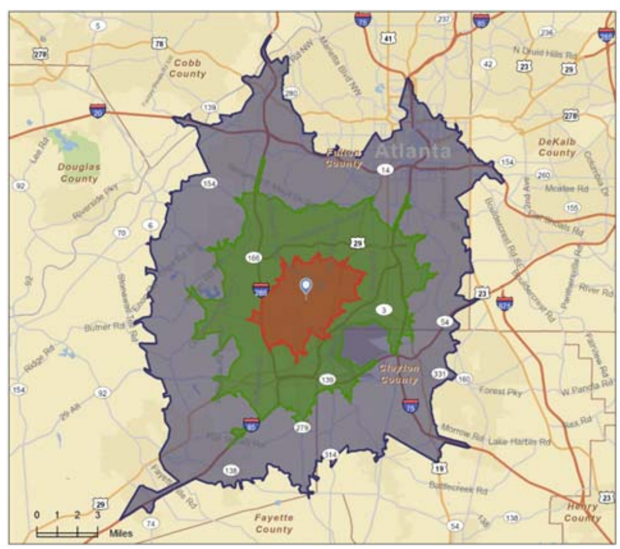



*Figure 2: East Point "Drive-time" Market Area*

***<u>Retail Demand:</u>*** The City of East Point obviously is defined by its formal boundaries (Figure 1). The local resident market area – the basis for a major portion of retail demand – is often defined by major retailers by "drive-time" (Figure 2), the time it takes to get from a residence to the center point of the City. The drive-time map above shows the 5-, 10- and 15-minute drive times for the East Point market area. For purposes of this analysis, however, the "East Point Market Area" is defined as the combination of three "levels" of market area (Figure 3): a **Primary Market Area** defined as that area within three miles of the assigned center point of East Point, a **Secondary Market Area** defined as the area 3-5 miles from the East Point center, and a Tertiary Market Area extending 5-7 miles from that center. The East Point "center" for market-area purposes is at the intersection of Washington Road and Lyle Road.

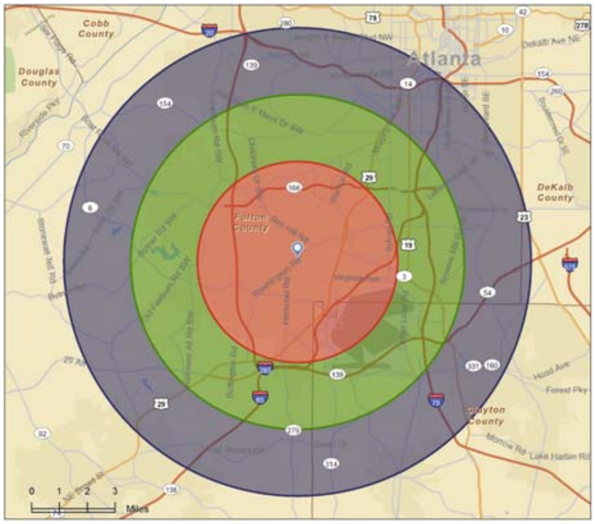



***Figure 3: East Point Primary, Secondary and Tertiary Markets – Radius Analysis***

Retail demand from area employees is also incorporated into the demand projections. Other sources of retail demand that typically are analyzed include visitor markets (e.g. tourists, business-related visitors), meetings/conference attendees, and non-local "pass-through" traffic. None of these markets are included in the East Point retail demand projections due to a lack of evidence of significant impact from any of these potential retail markets.

***Office:*** Demand for office space is driven fundamentally by employment growth. A particular submarket's (e.g. East Point's) ability to capture that demand is primarily based on its location strengths, existing inventory size, industry mix and "address" – an intangible combination of perceived image, quality, safety, convenience, culture, visual appeal and emotional satisfaction. With respect to the fundamental driver, area employment growth, the East Point office market's primary employment engine is a collection of six ARC-defined employment Superdistricts: Airport, Tri-Cities, Southwest Atlanta, Central Business District, East Douglas and South Fulton. The ***East Point Employment Projections*** in the previous section reflect estimated employment growth within this collection of Superdistricts.

***Industrial:*** The East Point area is considered a major industrial market and is dependent upon the aforementioned collection of Superdistricts for industrial-related employment conditions and growth. As with the Office demand projections, the ***East Point Employment Projections*** in the previous section reflect estimated employment growth within this Superdistrict as it relates to Industrial demand.

Industrial market conditions in East Point can be found generally within CoStar's East Point Industrial Market Report. Other sources of current conditions and trend data for the Retail, Office and Industrial markets include REIS, ESRI Business Summaries, Jones Lang LaSalle, CBRE, Cushman Wakefield, Colliers International and the Atlanta Business Chronicle, among others.

## 2. Projected Demand for Office, Industrial, Retail and Residential Development

CoStar, among others, compiles data on the amount of office and industrial space as measured in square feet that is occupied by each employee within a given industry. The table below contains data from 4Q 2010.

| SF of Space per Employee | |
|---|---|
| *Profession* | *SF/Employ* |
| Prof/Business Services | 356.0 |
| FIRE | 339.6 |
| Wholesale/Retail | 335.5 |
| Manufacturing | 318.3 |
| Government | 311.2 |
| TCU | 292.6 |
| Construction | 306.8 |

## a. Office Space Demand Projections

Of the eight major employment categories, four generate demand for office space:

- **TCU** (Transportation, Communications, Utilities) – 20% of TCU employment generates demand for office space
- **FIRE** (Finance, Insurance, Real Estate)
- **SVCS** (Business and Professional Services)
- **GOV** (Government, including Education)

The other categories of employment, with the exception of Construction (**CONST**) also generate demand for space, but generally that space is considered Industrial Space. Retail (**RETL**) employment-generated space is considered in the Retail Demand section.

**New Demand for Office Space within East Point Primary Market Area**

Five-year gains in office-related employment in the Market Area are reflected below, with the majority of gains being in the Business and Professional Services. During the ten-year 2011-21 period, a total of 42,044 jobs are expected to be added to the East Point area economy, with an additional 55.684 added in the following 15-year period 2021-36, for a total increase of 97,728 employees in office-related industries in the area by 2036.

| East Point Market Area: Office-related Job Gain/-Loss | | | | | | | |
|---|---|---|---|---|---|---|---|
| Year | TCU* | FIRE | SVCS | GOV | TOTAL | CUMUL | ANN INC |
| 2011 | | | | | | | |
| 2016 | 1,987 | 5,785 | 15,356 | 3,346 | 26,474 | 26,474 | 5,295 |
| 2021 | 619 | 4,136 | 9,844 | 971 | 15,570 | **42,044** | 3,114 |
| 2026 | 651 | 4,566 | 10,762 | 995 | 16,975 | 59,019 | 3,395 |
| 2031 | 684 | 5,042 | 11,767 | 1,021 | 18,513 | 77,532 | 3,703 |
| 2036 | 719 | 5,566 | 12,864 | 1,046 | 20,196 | **97,728** | 4,039 |

**15% of TCU requires enclosed Office space*

Based on space (square feet) requirements per employee within each job category (“SF/Employ”), employment gains within the overall East Point Office Market Area will generate the following demand for net new office space in five-year increments through 2036.

| East Point Market Area: Office Space (SF) Demand Gain/-Loss | | | | | | | |
|---|---|---|---|---|---|---|---|
| Year | TCU | FIRE | SVCS | GOV | TOTAL | CUMUL | ANN INC |
| SF/Employ | 293 | 340 | 356 | 311 | | | |
| 2011 | | | | | | | |
| 2016 | 581,241 | 1,964,604 | 5,466,529 | 1,041,284 | 9,053,657 | 9,053,657 | 1,810,731 |
| 2021 | 181,181 | 1,404,548 | 3,504,238 | 302,152 | 5,392,119 | **14,445,775** | 1,078,424 |
| 2026 | 190,423 | 1,550,735 | 3,831,179 | 309,782 | 5,882,118 | 20,327,893 | 1,176,424 |
| 2031 | 200,136 | 1,712,136 | 4,188,624 | 317,604 | 6,418,500 | 26,746,394 | 1,283,700 |
| 2036 | 210,345 | 1,890,337 | 4,579,418 | 325,624 | 7,005,723 | **33,752,117** | 1,401,145 |

*Sources: ARC, GSU EFC, Huntley Partners*

Thus, over the next five years, demand in the East Point Market Area for additional office space based on office-related employment growth is projected to total 9,053,657 square feet. An additional 5,392,119 square feet in demand will be generated in the five-year period 2016-21, for a total of **14,445,775** square feet over the next ten years. Through 2036, gross demand for office space within the East Point Market Area will total **33,752,117** square feet.

## New Demand for Office Space within City of East Point

Based on reasonable assumptions regarding (1) the shares of market (SOM) that the City of East Point itself will attract of the total area employment growth driving demand for various types of office space and (2) the amount of "induced" demand that could be attracted from outside East Point's basic market area, the projected demand for office-related space with the City is estimated at **1,645,781** square feet over the 10-year period 2011-21 and a total of **3,875,020** square feet over the 25-year period 2011-36.

| East Point City: Office Space (SF) Demand Gain/-Loss | | | | | | | |
|---|---|---|---|---|---|---|---|
| Year | TCU | FIRE | SVCS | GOV | TOTAL | CUMUL | ANN INC |
| E Point SOM | 5.0% | 10.0% | 11.0% | 10.0% | | | |
| +Induced | 10.0% | 10.0% | 10.0% | 10.0% | | | |
| 2011 | | | | | | | |
| 2016 | 31,968 | 216,106 | 661,450 | 114,541 | 1,024,066 | 1,024,066 | 204,813 |
| 2021 | 9,965 | 154,500 | 424,013 | 33,237 | 621,715 | **1,645,781** | 124,343 |
| 2026 | 10,473 | 170,581 | 463,573 | 34,076 | 678,703 | 2,324,483 | 135,741 |
| 2031 | 11,007 | 188,335 | 506,824 | 34,936 | 741,102 | 3,065,586 | 148,220 |
| 2036 | 11,569 | 207,937 | 554,110 | 35,819 | 809,434 | **3,875,020** | 161,887 |

*Sources: ARC, GSU EFC, Huntley Partners*

## New Demand for Office Space within City of East Point Net of Excess Inventory

Based on the Excess Inventory analysis, there are currently 66,012 square feet of excess Office space within East Point – an amount of vacant office space that will need to be absorbed if East Point's Office market is to return to stability, or "equilibrium." Reducing demand by this amount yields a net 10-year demand within the City of East Point for Office space to a robust **756,878** square feet and 25-year demand to **1,871,498** square feet.

| Total East Point Demand Net of Current Excess Inventory 2011-2036 | | | |
|---|---|---|---|
| | | *Yrs 1-10 2011-2021* | *Total 25 Yrs 2011-2036* |
| Office (from employment growth) | SF = | 756,878 | 1,871,498 |

### b. Neighborhood Services Space Demand Projections

**New Demand for Neighborhood Services Space within East Point**

The increase in households within the various market areas will in itself create demand for space for business, professional (e.g. legal, medical, financial, real estate) and other services directed toward the local residential community. Based on an industry standard of demand for 15 square feet of such space per household, the total new Neighborhood Services space required in the City of East Point by 2021 will total **27,046** square feet over the next ten years and **70,588** square feet through 2036 based on the projected increase in households by 2036.

| Demand for New Neighborhood Services within East Point | | | | | |
|---|---|---|---|---|---|
| Market Area | New Households | Local Office SF/HH | Total SF Demand | Share of Market | Total New SF Demand |
| **East Point 2011-21** | 1,803 | 15 | 27,046 | 100% | 27,046 |
| **East Point 2011-36** | 4,706 | 15 | 70,588 | 100% | 70,588 |
| **Total SF Demand from New Household Formation: 2011-21** | | | | | **27,046** |
| **Total SF Demand from New Household Formation: 2011-36** | | | | | **70,588** |

*Each new household supports* ***15*** *SF of Neighborhood-serving office*

While this type of space is typically considered office space, it is often found in smaller retail centers. However, since demand is based on the number of households in an area rather than trackable sales, it is not included in retail demand projections. It remains a separate class of space.

**New Demand for Neighborhood Services Space within City of East Point Net of Excess Inventory**

Based on the Excess Inventory analysis, there are currently 6,158 square feet of excess Neighborhood Services space within East Point. Reducing demand by this amount yields a net 10-year demand within the City of East Point for Neighborhood Services space to **20,887** square feet and 25-year demand to **64,430** square feet.

| Total East Point Demand Net of Current Excess Inventory 2011-2036 | | | |
|---|---|---|---|
| | | *Yrs 1-10 2011-2021* | *Total 25 Yrs 2011-2036* |
| Neighborhood Services (from household growth) | SF = | 20,887 | 64,430 |

### c. Industrial Space Demand Projections

Of the eight major employment categories, four generate demand for industrial space:

- **CONST** (Construction) – 20% of TCU employment generates demand for enclosed industrial space, usually flex space, but also some basic warehouse space
- **TCU** (Transportation, Communications, Utilities) – 65% of TCU employment generates demand for enclosed industrial space, usually flex space office space
- **MFG** (Manufacturing) – including light manufacturing, assembly and processing
- **WHOL** (Wholesale) – primarily storage and distribution; some processing

| East Point Market Area: Industrial-related Job Gain/-Loss | | | | | | | |
|---|---|---|---|---|---|---|---|
| **Year** | **CONST*** | **MFG** | **TCU*** | **WHOL** | **TOTAL** | **CUMUL** | **ANN INC** |
| **2011** | | | | | | | |
| **2016** | 158 | 2,516 | 8,608 | 1,749 | 13,031 | 13,031 | 2,606 |
| **2021** | 87 | 422 | 2,683 | 336 | 3,528 | **16,559** | 706 |
| **2026** | 96 | 432 | 2,820 | 345 | 3,693 | 20,252 | 739 |
| **2031** | 106 | 443 | 2,964 | 353 | 3,866 | 24,118 | 773 |
| **2036** | 117 | 455 | 3,115 | 362 | 4,049 | **28,167** | 810 |

**20% of CONST requires enclosed Industrial space*

*65% of TCU requires enclosed Industrial space*

ARC projects that **16,559** industrial-related jobs will be added to the East Point market area over the next ten years, with an additional **11,608** projected over the following 15 years for a total of **28,167** over the 25-year period 2011-2036.

**<u>New Demand for Industrial Space within Primary Market</u>**

Based on the average amount of space as measured in square feet that are required in these Industrial-related occupations, the demand in the East Point Market Area over the next ten years (to 2021) for additional industrial space based on industrial-related employment growth is projected to total **7,092,686** square feet. Through 2036, gross demand for industrial space within the East Point Market Area will total of **12,365,560** square feet.

| East Point Market Area: Industrial Space (SF) Demand Gain/-Loss | | | | | | | |
|---|---|---|---|---|---|---|---|
| **Year** | **CONST** | **MFG** | **TCU** | **WHOL** | **TOTAL** | **CUMUL** | **ANN INC** |
| SF/Employ | **307** | **318** | **293** | **336** | | | |
| **2011** | | | | | | | |
| **2016** | 242,361 | 800,769 | 3,874,937 | 586,793 | 5,504,860 | 5,504,860 | 1,100,972 |
| **2021** | 132,933 | 134,264 | 1,207,870 | 112,759 | 1,587,826 | **7,092,686** | 317,565 |
| **2026** | 146,768 | 137,655 | 1,269,484 | 115,606 | 1,669,513 | 8,762,198 | 333,903 |
| **2031** | 162,044 | 141,131 | 1,334,240 | 118,525 | 1,755,940 | 10,518,138 | 351,188 |
| **2036** | 178,910 | 144,694 | 1,402,300 | 121,518 | 1,847,422 | **12,365,560** | 369,484 |

*Sources: ARC, GSU EFC, Huntley Partners*

**<u>New Demand for Industrial Space within City of East Point</u>**

Based on the reasonable SOM assumptions regarding the amount of the total Market Area industrial demand that the City can attract, the projected demand for this type of space with the City is estimated at **590,543** square feet over the 10-year period 2011-21 and **993,080** square feet over the 25-year period 2011-36.

| East Point City: Industrial Space (SF) Demand Gain/-Loss | | | | | | | |
|---|---|---|---|---|---|---|---|
| Year | CONST | MFG | TCU | WHOL | TOTAL | CUMUL | ANN INC |
| E Point SOM | 10.0% | 15.0% | 5.0% | 15.0% | | | |
| +Induced | 10.0% | 10.0% | 10.0% | 10.0% | | | |
| 2011 | | | | | | | |
| 2016 | 26,660 | 132,127 | 213,122 | 96,821 | 468,729 | 468,729 | 93,746 |
| 2021 | 14,623 | 22,154 | 66,433 | 18,605 | 121,814 | **590,543** | 24,363 |
| 2026 | 16,145 | 22,713 | 69,822 | 19,075 | 127,754 | 718,297 | 25,551 |
| 2031 | 17,825 | 23,287 | 73,383 | 19,557 | 134,051 | 852,349 | 26,810 |
| 2036 | 19,680 | 23,875 | 77,126 | 20,050 | 140,732 | **993,080** | 28,146 |

*Sources: ARC, GSU EFC, Huntley Partners*

**New Demand for Industrial Space within City of East Point Net of Excess Inventory**

Based on the Excess Inventory analysis, there are currently 340,385 square feet of excess Industrial space within East Point. Reducing demand by this amount yields a net 10-year demand within the City of East Point for Neighborhood Services space to only **102,523** square feet and a total 25-year demand of only **404,425** square feet.

| Total East Point Demand Net of Current Excess Inventory 2011-2036 | | | |
|---|---|---|---|
| | | *Yrs 1-10* *2011-2021* | *Total 25 Yrs* *2011-2036* |
| Industrial (from employment growth) | SF = | 102,523 | 404,425 |

Both the 2011-21 negative net demand, as well as the small 25-year net demand for industrial space appears to be the product of two basic factors: (1) the extremely high Warehouse-space vacancy rate in the East Point area and (2) the intense competition in the Airport/South Atlanta industrial market.

### d. Retail Demand Projections

As described above, retail demand is based primarily on growth in households and income within a defined market area, not on projected employment growth within a Superdistrict or group of census tracts – although such employment growth is directly related to both household and income growth. Another source of short-term demand is "Unmet Demand," as described below.

**New Demand for Retail Space within Primary Market from Current Unmet Retail Demand**

The analysis suggests that there is potential for increasing the share of retail expenditures made by East Point Market Area residents, who have increasing levels of disposable income. However, with respect to some major categories of goods, they have little retail in their immediate communities in which to spend that income.

The categories of retail that are particularly relevant to the study area include those that (1) exhibit a significant excess of demand over supply, resulting in a "leakage" of residents' consumer spending out of the community, and (2) generally are found within taxable facilities – stores, restaurants, malls and other physical buildings.

The categories of retail that are particularly relevant to any community include those that exhibit a significant excess of demand over supply, resulting in residents spending out of their community. This excess demand is known as "leakage" in that money that would be spent by an area's residents on retail goods and services if they were available in the area itself is spent outside the area in communities where such retail does exist – i.e. consumer dollars "leak" out of a community due to a lack of retail supply.

The amount of unmet retail demand in the East Point Primary, Secondary and Tertiary market areas could support **326,738** square feet of new and/or repositioned retail within East Point's 3-mile Primary Market area as reflected in the table below.

| Potential New Demand for Retail Space within Primary Market From Current Unmet Demand: 2011-2021 | | | |
|---|---|---|---|
| **Primary Market Area** | | 55,718 | SF |
| Total Secondary Market Area | 334,317 | | |
| Total Tertiary Market Area | 776,949 | | |
| **Into Primary Market Area from Secondary Market Area @** | 36% | 119,122 | SF |
| **Into Primary Market Area from Tertiary Market Area @** | 20% | 151,899 | SF |
| **Current Unmet Retail Demand in Primary Area** | | **326,738** | **SF** |

The list of such major retail categories incorporated into the chart below identifies those categories that are most significant in assessing current unmet retail demand within the Primary (0-3 miles), Secondary (3-5 miles) and Tertiary (5-7 miles) Market Areas.

| Retailers with Most Unmet Demand in East Point Market Area* | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **Rank: Retailers with Most Unmet Demand** | **Gross Mkt Area Unmet Demand** | **GMA SOM** | **Net Demand** | **Sales PSF** | **Supportable Retail SF** | **# of Stores** | **Avg SF per Store** | **Examples**** |
| 1 Bldg Material, Lawn, Garden | $ 58,824,138 | 22% | $ 19,184,893 | $ 300 | 63,950 | 1 | 100,000 | Home Depot, Lowes |
| 2 Dept. Stores | $ 57,225,385 | 25% | $ 14,771,473 | $ 300 | 49,238 | 0 | 100,000 | JC Penny, Sears |
| 3 Full-service Restaurants | $ 53,983,326 | 26% | $ 14,298,445 | $ 350 | 40,853 | 5 | 7,500 | Outback |
| 4 Electronics & Appliances | $ 55,202,438 | 22% | $ 11,920,269 | $ 300 | 39,734 | 1 | 50,000 | Frye's |
| 5 Apparel & Accessories | $ 43,412,069 | 26% | $ 11,399,473 | $ 300 | 37,998 | 2 | 20,000 | |
| 6 HH Furnishings/Equipment | $ 29,697,053 | 26% | $ 6,477,551 | $ 300 | 21,592 | 1 | 30,000 | Amer Signature Furn |
| 7 Grocery Stores | $ 30,398,738 | 28% | $ 7,447,691 | $ 350 | 21,279 | 0 | 70,000 | Publix, Kroger |
| 8 Limited-service Eating | $ 20,182,547 | 25% | $ 5,651,113 | $ 350 | 16,146 | 6 | 2,500 | Chipotle, Zaxbys |
| 9 Special Food Services | $ 15,255,954 | 26% | $ 3,737,709 | $ 350 | 10,679 | 7 | 1,500 | |
| 10 Other Misc Store Retailers | $ 10,407,847 | 50% | $ 2,426,015 | $ 300 | 8,087 | 8 | 1,000 | |
| 11 Sports, Hobbies, Books, Music | $ 7,025,903 | 23% | $ 1,853,090 | $ 300 | 6,177 | 0 | 30,000 | Barnes&Noble |
| 12 Drinking Places | $ 4,595,250 | 0% | $ 1,822,876 | $ 350 | 5,208 | 2 | 3,000 | Bar with limited menu |
| 13 Health & Personal Care | $ 3,329,588 | 33% | $ 874,017 | $ 300 | 2,913 | 3 | 1,000 | Beauty, Vitamins |
| 14 Misc. General Merchandise | $ 1,984,434 | 18% | $ 347,276 | $ 300 | 1,158 | 0 | 200,000 | Super Walmart, Target |
| 15 Florists | $ 655,614 | 40% | $ 327,963 | $ 300 | 1,093 | 1 | 800 | |
| 16 Office Supply/Stationary | $ 628,035 | 26% | $ 131,887 | $ 300 | 440 | 0 | 10,000 | Office Max/Depot |
| 17 Beer, Wine, Liquor | $ 296,957 | 21% | $ 67,558 | $ 350 | 193 | 0 | 2,500 | |
| Specialty Food Stores | $ - | 23% | $ - | $ 350 | - | - | 1,500 | |
| Used Merchandise Stores | $ - | 0% | $ - | $ 300 | - | - | 1,000 | |

* *"East Point Market" same as 3-mile Primary Market*

** *Examples of types of retailers, some of which are already in the market; not necessarily recommendations for the East Point area*

*"SOM": Share of Market = Percentage of Unmet Demand that the East Point Area can reasonably expect to attract*

**New Demand for Retail Space within Primary Market from Household Growth**

Projected increases in population and households within the three East Point market areas are particularly relevant to the retail demand analysis. Estimates of incremental demand over the 10-year 2011-21 period for retail and related services incorporate available demographic and income data, as well as growth projections over that 10-year timeframe.

Based on 2010-2021 new household growth and the increase in per-household disposable income, an additional **1,029,662** square feet of new retail offerings could be supported within the East Point by 2021 from new demand attracted from the Primary, Secondary and Tertiary Market Areas.

| Potential New Demand for Retail Space within Primary Market From Household and Income Growth: 2011-2021 | | |
|---|---|---|
| Primary Market Area | 365,087 | SF |
| Secondary Market Area | 306,653 | SF |
| Tertiary Market Area | 357,922 | SF |
| **Retail Demand from Market Area Growth** | **1,029,662** | **SF** |

Anticipated increases in demand for specific types of retail in the East Point based on its potential Share of Market within each of its retail market areas reveal that new demand over the next ten years will be sufficient to support additional retail stores in all major retail categories, as indicated in the table below.

**Additional Retail SF Demand from Household Growth: 2011-21**
**Total Market Area (0-7 miles)**

| Selected Retail Categories | Total Area Additional Spending | Area Share of Sales: Share | Additional Spending | Sales Per SF | Additional SF |
|---|---|---|---|---|---|
| Food Away from Home | $ 213,300,095 | 30% | $ 64,934,413 | $ 350 | 185,527 |
| Food at Home | 494,404,665 | 30% | 150,690,277 | 350 | 430,544 |
| HH Furnishings/Equipment | 110,371,094 | 28% | 30,944,078 | 300 | 103,147 |
| Computers & Accessories | 14,108,991 | 23% | 3,306,289 | 300 | 11,021 |
| TV/Video/Sound Equipment | 82,347,960 | 28% | 23,124,424 | 300 | 77,081 |
| Entertainment/Rec - Stores | 201,676,134 | 16% | 32,993,966 | 300 | 109,980 |
| Apparel & Accessories | 110,604,107 | 30% | 33,708,572 | 300 | 112,362 |
| Vehicle M & R | 60,309,683 | 0% | - | 300 | - |
| **SELECTED RETAIL TOTALS** | $ 1,287,122,730 | 26% | $ 339,702,020 | $ 330 | **1,029,662** |

Retail categories of particular relevance to the East Point include the following:

- **Supermarkets/Grocery Stores** (as reflected in “Food at Home” expenditure projections) = 430,544 SF additional demand
- **Restaurants** (as reflected in “Food Away from Home” expenditure projections) = 185,527 SF additional demand
- **Entertainment & Recreation** = 109,980 SF additional demand
- **Household Furnishings and Equipment =** 103,147 SF additional demand
- **Apparel and Accessories** = 112,362 SF additional demand

## New Retail Demand from Area Employees

Area employees – primarily daytime employees – represent an additional source of significant demand for retail in the East Point. Average annual retail expenditures by daytime employees as estimated by the International Council of Shopping Centers (ICSC) and the Urban Land Institute (ULI) equal approximately $3,200 per employee, with approximately 50% being spent within the East Point Market. Based on the projected growth of employment within the East Point, new (additional) retail demand based on-site employment and per-employee retail expenditures is estimated at **48,145** square feet.

| Additional Retail SF Demand from Area Job Growth: 2011-21<br>0-3 mile Market Area | | | | | |
|---|---|---|---|---|---|
| | Total Area | Area Share of Sales | | | |
| | Additional | | Additional | Sales | Additional |
| Selected Retail Categories | Spending | Share | Spending | Per SF | SF |
| All Retail: Current Employees | $ 14,185,631 | 65% | $ 9,220,660 | $ 330 | 27,948 |
| All Retail: New Area Employees | $ 10,251,083 | 65% | $ 6,663,204 | $ 330 | 20,197 |
| **TOTALS** | $ 24,436,714 | 65% | $ 15,883,864 | | **48,145** |

## Total New Demand for Retail Space 2011-2021 within the Primary Market

Based on the above assumptions and calculations, by 2021 there will be enough new demand for store-based retail from (1) current unmet demand, (3) household and income growth within the East Point 7-mile market area and (3) growth in employees within the East Point 3-mile Primary Market Area to support **1,404,545** square feet of additional retail space.

| Total New Demand 2011-2021 for Retail Space<br>within Primary Market Area | | |
|---|---|---|
| **Retail** | | |
| From Current Unmet Demand | **326,738** | SF |
| From New Area Employees | **48,145** | SF |
| From All Market Areas 10-year Growth | **1,029,662** | SF |
| **Total Retail** | **1,404,545** | **SF** |

## New Demand for Retail Space within City of East Point

Based on the supportable assumption that approximately 35% of the total retail demand within the 3-mile Primary Market is contained within the City of East Point, demand for retail within the city from all sources could support an additional **702,272** square feet of retail over the 10-year 2011-21 period and a total of **1,378,021** square feet through 2036.

| Total Demand for Space/Units within East Point 2011-2036 | | | |
|---|---|---|---|
| | | *Yrs 1-10* | *Total 25 Yrs* |
| | | *2011-2021* | *2011-2036* |
| Retail From Current Unmet Demand | | 163,369 | 163,369 |
| From Employee/Visitor Markets | | 24,073 | 54,258 |
| Retail From Market Area Household & Income Growth | | 514,831 | 1,160,394 |
| **Retail *** | **SF =** | **702,272** | **1,378,021** |
| | **2022-2036 Retail AGR =* | | *1.52%* |

**New Demand for Retail Space within City of East Point Net of Excess Inventory**
While the total demand for new retail space over the next ten years is estimated at 702,272 square feet, 11,970 square feet of "excess" vacant retail space is estimated to exist currently within the City of East Point. It is assumed that this excess supply – a very small amount – will be absorbed over the next five years so that the retail market can return to equilibrium by 2016 even as new retail space is developed.

| Total East Point Demand Net of Current Excess Inventory 2011-2036 | | | |
|---|---|---|---|
| | | *Yrs 1-10* | *Total 25 Yrs* |
| | | *2011-2021* | *2011-2036* |
| **Retail** | **SF =** | **690,302** | **1,366,051** |

Thus, the net demand for new retail development over the next ten years (2011-2021) is **690,302** square feet. This same amount is deducted from the 25-year demand projections, resulting in an estimated **1,366,051** square feet of demand for new retail development by 2036.

### e. Housing Demand Projections

**New Demand for Housing with the City of East Point**
Housing demand for a specific development/redevelopment site is projected according to the same basic approach as retail demand: a likely market area is defined, growth within that market area is projected, the site's share-of-market assumption is made and housing preferences (ownership or rental, single-family or multi-family unit, etc.) are applied to determine the number, types and timing of potential new demand for housing. In the case of a standard geographic unit such as a city, county or state, projections are made using basic census data historical and trend analyses.

The projections of household increases as well as the preferences for types of housing contained in the Demographic Profile section of this report are incorporated into the projections of demand for new housing units within the City of East Point. The increase in total demand for housing units over any given period of time is assumed to be the same as the projected increase in households over that same time period.

| Summary of Demand for Households within City of East Point | 2011-21 | 2011-36 |
|---|---|---|
| 2010 Total Households: City of East Point | 12,007 | 12,007 |
| 2021 Total Households: City of East Point | 13,810 | |
| 2036 Total Households: City of East Point | | 16,713 |
| **Total Increase** | **1,803** | **4,706** |
| Owned Housing Preference | **51%** | **51%** |
| Single-Family Detached | **85%** | 85% |
| Townhouse/Condo | 15% | 15% |
| Rented Housing Preference | **49%** | **49%** |
| ***Total Increase in Types of Households*** | | |
| **Ownership Households** | **925** | **2,413** |
| Single-Family Detached | 786 | 2,051 |
| Townhouse/Condo | 139 | 362 |
| **Rental Households/Multifamily Apartments** | **879** | **2,293** |

*Sources: ESRI, USBOC, Huntley Partners*

Over the next ten years, a demand for a total increase of 1,803 housing units is projected within the City, of which 925 (51%) are anticipated to be owned units and 879 (49%) are anticipated to be rental units. Over the 25-year period 2011-36, a demand for a total of 4,706 new housing units is anticipated, with 2,413 being ownership units and 2,293 being rental units. Of the ownership units, 2,051 are anticipated to be single-family detached housing and 362 are anticipated to be townhouse or condominium units.

**Net New Demand for Housing with the City of East Point**

As with net demand for additional office, industrial and retail space, the total demand for new housing units must take into account the amount of excess housing inventory that is currently on the market. There appears to be approximately 15 months supply of housing currently on the East Point, or more than double what would be available in a healthy, stable market. Given this assumption, approximately 60% (conservatively) of the vacant housing units in East Point can be considered "excess inventory" that should be absorbed over the next five years as the East Point housing market moves toward stability.

Of the 3,892 identified vacant housing units in as of year-end 2010, approximately 60% - or 2,335 units – can be considered excess inventory that should be included in any housing stock involved in meeting the demand for new housing in East Point. Absent specific current data on either the types of housing represented by the vacant units or the amount of vacant units being offered for sale or rent, the following assumptions are incorporated into a breakdown of current excess units:

- 100% of the excess units are on the market for ownership or rental
- excess inventory is evenly split between for-sale and for-rent units due to a weaker for-sale market even though current preferences reflected in occupied housing units in East Point are 51% ownership and 49% rental
- excess single-family detached and townhouse ownership units reflect American Community Survey preferences

- once excess inventory is absorbed, demand for new housing units will equal projected household increases – i.e. market stability will be maintained once it is achieved through excess inventory absorption

Incorporating these assumptions, the net demand for housing within the City of East Point is reflected in the following table.

| Summary of Demand for Households within City of East Point Net of Excess Inventory | | |
|---|---|---|
| | *2010* | |
| **2010 Total Vacant Units** | **3,892** | |
| ***Excess Vacant Units %*** | **60%** * | |
| **Total Excess Vacant Units 2010** | **2,335** | |
| **% of Vacant Units: Ownership** | **50%** | |
| % Single-Family Detached | 88% | |
| % Townhouse/Condo | 12% | |
| **% of Vacant Units: Rental (Apartments)** | **50%** | |
| **Excess Vacant Units: Ownership** | **1,168** | |
| Single-Family Detached Units | 1,027 | |
| Townhouse/Condo Units | 140 | |
| **Excess Vacant Units: Rental (Apartments)** | **1,168** | |
| **Projected Demand Net of Excess Units** | ***2011-21*** | ***2011-36*** |
| **Ownership Households** | **(243)** | **1,245** |
| Single-Family Detached | (242) | 1,024 |
| Townhouse/Condo | (1) | 222 |
| **Rental Households/Multifamily Apartments** | **(289)** | **1,125** |
| **Total Net Demand: Housing Units** | **(532)** | **2,371** |

**15 month supply on market vs "stable" 6 month supply*

Over the next ten years, there will be a net negative demand in the City of East Point of -**532** housing units. Of these, **-243** will be ownership units and **-289** will be rental units. Of the -243 ownership units, -242 will be single-family detached units. Townhouse and condominium unit demand will be effectively zero through 2021.

Over the 25-year period 2011-2036, there will be demand for a total of **2,371** new units, of which **1,245** will be for owned units (1,024 single-family detached and 222 townhouse/condo units) and **1,125** will be for rental units (assumed to be overwhelmingly multifamily units – i.e. apartments).

### 3. Total Demand for Retail, Office and Residential Development

Based on the analyses above, the East Point could experience new development in the amounts given below over an initial 10-year 2011-2021 period, as well as the total 25-year period 2011-2036. Several caveats bear repeating, however:

- In all markets – office, retail and residential – there are relatively large "excess" inventories. For purposes of converting total area demand into feasible, demand-supported new development, one must assume that at least a sizeable portion of currently vacant commercial space or dwelling units will absorb an amount of new demand over the next ten years approximately equal to 50-60% of the excess vacant inventories in the East Point Market Area.

- Some products – demand notwithstanding – will not be built/developed in the East Point due to (1) the lack of available land for the type of product envisioned and/or (2) community policies which put constraints on such development. An example of the first is single-family detached residential homes, due primarily to the amount of land each requires. An example of the second is multi-family rental units, apartments not being viewed favorably in communities where rental units appear to dominate ownership units.

**a. Total Primary Market Demand**

Based on household, income and employment growth, total projected demand for retail, office and residential product within retail and residential 3-mile Primary Market, as well as the office and industrial East Point market areas, the amount of development that could be supported within those respective Primary and Superdistrict markets over the next ten years (2011-2021) is summarized in the following table.

| Total New Demand 2011-2021 for Space/Units within Primary Market Area | | |
|---|---|---|
| **Retail** | | |
| From Current Unmet Demand | **326,738** | SF |
| From New Area Employees | **48,145** | SF |
| From All Market Areas 10-year Growth | **1,029,662** | SF |
| **Total Retail** | **1,404,545** | **SF** |
| **Neighborhood Services (from household growth)** | **27,046** | **SF** |
| **Office (from employment growth)** | **1,645,781** | **SF** |
| **Industrial (from employment growth)** | **590,543** | **SF** |
| **Residential: Single Family Detached Houses** | **3,688** | **Units** |
| **Residential: Townhouses** | **347** | **Units** |
| **Residential: Multi-family Rental/Apartments** | **5,933** | **Units** |
| **Total Residential Units: All Types** | **9,968** | **Units** |

**b. Total Demand within the City of East Point**

Based on household, income and employment growth, total projected demand for retail, office and residential product within the City of is summarized in the following table.

| Total Demand for Space/Units within East Point 2011-2036 | | | |
|---|---|---|---|
| | | *Yrs 1-10* | *Total 25 Yrs* |
| | | *2011-2021* | *2011-2036* |
| Retail From Current Unmet Demand | | 163,369 | 163,369 |
| From Employee/Visitor Markets | | 24,073 | 54,258 |
| Retail From Market Area Household & Income Growth | | 514,831 | 1,160,394 |
| **Retail *** | **SF =** | **702,272** | **1,378,021** |
| **Neighborhood Services (from household growth)** | **SF =** | **27,046** | **70,588** |
| **Office (from employment growth)** | **SF =** | **822,890** | **1,937,510** |
| **Industrial (from employment growth)** | **SF =** | **442,907** | **744,810** |
| **Residential: Single Family Detached Houses** | **Units =** | **786** | **2,051** |
| **Residential: Townhouses/Condos** | **Units =** | **139** | **362** |
| **Residential: Multi-family Rental/Apartments** | **Units =** | **879** | **2,293** |
| **Total Residential Units: All Types** | **Units =** | **1,803** | **4,706** |
| | | ***2022-2036 Retail AGR =** | ***1.52%*** |

### c. Excess Inventory within East Point

"Excess inventory" is defined as the portion of vacant supply that is in excess of a "normal" amount of vacant supply that one would find in a stable, balanced community where supply and demand are in relative equilibrium – is reflected in the following table. Based on current levels of vacant retail, office and industrial space, as well as the number of months of housing unit supply on the market, the City has an overabundance of existing retail, neighborhood services, office and industrial space, as well as residential units as indicated in the far-right column in the table below.

| Current Excess Inventory within East Point | | | | |
|---|---|---|---|---|
| **City as % of Total Submarket:** | **Retail = 30%** | | | |
| | **Neigh Services = 100%** | | | |
| | **Office = 10%** | | | |
| | **Industrial = 5%** | | | |
| | **City Vacant SF** | **Vac %** | **Excess @** | **Excess SF** |
| **Retail: Stable Vacancy @ 8%** | 188,148 | 8.5% | 6% | 11,970 |
| **Neighborhood Services: Stable @ 9%** | 22,368 | 12.4% | 28% | 6,158 |
| **Office: Stable @ 10%** | 170,875 | 16.3% | 39% | 66,012 |
| **Industrial: Stable @ 8%** | 684,110 | 15.9% | 50% | 340,385 |
| **Residential** | **City Vacant Units** | | | **Excess Units** |
| Total Vacant Units | 3,892 | | **60%** | 2,335 |
| SFD % of Vacant Units | 44% | | | 1,027 |
| Townhouses % of Vacant Units | 6% | | | 140 |
| Rental % of Vacant Units | 50% | | | 1,168 |

**d. Net 10-year and 25-year Demand within East Point**

Taking into account the excess inventory that current exists in the East Point' market area across product categories, the net demand for new retail and office space is over the next ten years (2011-2021) is relatively high, particularly with respect to retail. Over the 25-year period through 2036, that demand becomes even more significant.

| Total East Point Demand Net of Current Excess Inventory 2011-2036 | | *Yrs 1-10 2011-2021* | *Total 25 Yrs 2011-2036* |
|---|---|---|---|
| Retail | SF = | 690,302 | 1,366,051 |
| Neighborhood Services (from household growth) | SF = | 20,887 | 64,430 |
| Office (from employment growth) | SF = | 756,878 | 1,871,498 |
| Industrial (from employment growth) | SF = | 102,523 | 404,425 |
| Residential: Single Family Detached Houses | Units = | (242) | 1,024 |
| Residential: Townhouses/Condos | Units = | (1) | 222 |
| Residential: Multi-family Rental/Apartments | Units = | (289) | 1,125 |
| Total Residential Units: All Types | Units = | (532) | 2,371 |

# IV. Comprehensive Plan Implications

The above assessment of current market conditions and demand trends impacting East Point lead to several observations related to future development in the City and the policies that may shape that development.

## 1. Demand Trends

***Residential:*** The lingering impact of the recent recession and current slow recovery is most keenly felt in the housing industry. Specifically, East Point's stock of vacant housing is quite large and likely to take several years to achieve any degree of normality, or equilibrium. Demand for all types of housing is projected to remain negative over the next ten years – i.e. there is more than enough excess housing inventory to satisfy demand through 2021 for both single-family detached and multi-family attached housing.

***Industrial:*** Considering both the current amount of excess industrial inventory in East Point as well as ARC's employment projections for jobs in industrial occupations in the East Point area, demand for new industrial space in East Point will be minimal not only over the next ten years, but also over the next 25. While there remains the possibility – perhaps even the probability – that the definition of "industrial space" will broaden to include facilities for emerging "new industries" that are geared toward biomedical and information technologies, creating jobs that will be highly valued in any urbanized community, "old industries" in East Point are rapidly disappearing.

***Retail:*** Demand for new retail will be strong in East Point and could begin to generate new retail businesses and perhaps new development in the City as early as 2012-2013. Current unmet retail demand of 326,700 square feet is geared toward the type of Power Center and Community Shopping Center retailers that tenant Camp Creek Marketplace, and that center will likely move to attract that demand as the ability of mainstream national and regional retailers to expand improves with the consumer economy over the next 2-3 years. However, there also appears to be both current unmet and growing demand for dining and "non-box" general merchandise stores that are found more often in urbanized communities and city/town centers.

***Office:*** Perhaps the biggest area of new development for East Point based on projected demand is space for professional and business services – generally Class A office and new Class B office park multi-tenant space. Camp Creek Trade Center will continue to provide opportunities for single-user build-to-suit office space as well as "new industrial" space mentioned above. It may move to attract multi-tenant leased office buildings and, in doing so, meet the anticipated demand for Class B office park – i.e. suburban – space. However, demand should also generate activity in the existing warehouse-conversion facilities in the Downtown/MARTA district as well as the development of new office buildings – or office space in mixed-use facilities – in the city's center.

## 2. Potential Major Area and Regional Developments

***MARTA:*** The East Point MARTA Station remains a development anchor whose potential has only been partly realized. As both market demand as described above and other major area/regional developments as described below create a foundation for more urbanized transit-oriented development, the MARTA station should become more of an access catalyst for development in downtown East Point.

***Fort McPherson Redevelopment:*** The immediate negative impacts of the closing of Fort McPherson will eventually be dwarfed by the redevelopment of the 500-acre site. The current redevelopment Master Plan calls for a mixed use development combining life sciences-based research, medical and standard office space; urban-oriented retail and dining; historic live-work options; and a range of housing types including small-lot single-family detached housing, townhomes, condominiums and multi-family rental units. As both a residential and employment center, Fort McPherson could significantly add to the redevelopment potential of the portion of the Main Street Corridor stretching from the East Point city limits at Fort McPherson itself south into the downtown area.

***Commuter and/or Intercity Rail:*** In 7-10 years, the Atlanta-to-Macon leg of intercity rail should be completed. Regardless of whether it is a shorter commuter-rail leg or an intercity leg to Macon, this passenger rail operation will increase significantly the importance of the East Point MARTA station and its entry into the downtown area.

***Princeton Lakes and Camp Creek Marketplace:*** Both the Princeton Lakes residential-and-office community and, to a somewhat lesser extent, the Camp Creek Marketplace have room for expansion to accommodate the residential, office and retail demand projected in this assessment. Both will continue to attract traditional residential and retail tastes and price points. Their very presence as major activity nodes, however, should facilitate demand for more urbanized residential and retail offerings in the Main Street Corridor, particularly the downtown/MARTA station area.

***Airport Expansion and Connections:*** Continued on-Airport expansion (e.g. the International Terminal), planned transit/transportation systems (e.g. Automated People Mover system) linking the airport to surrounding communities, the "Aerotropolis" Hapeville redevelopment, and the convention/conference hub development in College Park present East Point with opportunities rather than (in the case of Hapeville and College Park's initiatives) competition. East Point's active pursuit – through zoning, incentives and marketing – of these same new markets of businesses, residents and consumers could provide the City with the ability to tap into the strong demand that is projected for the area over the next 10-25 years.

### 3. Development Policy Implications

***Higher-density Residential:*** Current (and historical) higher appraised/assessed values, projected demand and housing-type preferences, and site availability all point to a policy preference for higher-density residential, although "higher-density" would actually mean anything higher than single-family detached units.

***Office Base:*** Zoning should encourage the development of office space as mixed-use components as well as stand-alone buildings. East Point needs to tap into the strong professional and business services demand projected in the area with a mixture of incentives and marketing geared specifically at building the foundation for an office base that is currently lacking.

***Downtown/Urban Center Retail:*** Retail demand generally and unique, urbanized retail and dining specifically is strong. As with office demand, this is a market that shows tremendous potential but could be attracted away from East Point by nearby competing communities.

***Mixed Use Development:*** All demand indicators point to mixed use development, with its appeal to both potential residents and potential businesses seeking to take advantage of East Point's location strengths, which emphasize urban environments, tastes and pricing.

***Corridor Development:*** The Main Street Corridor should be zoned and incentivized for mixed use development that excludes traditional industrial uses of any kind but allows an urbanized, higher-density mix of residential, office and retail. No industrial zoning should occur within this corridor, particularly the northern segment linking downtown East Point to Langford Parkway and the Fort McPherson redevelopment.