

IV. Market Analysis

The primary goal of this market analysis is to determine what the local area can support in regards to retail, office space, and new residential units. This market analysis will help the community and elected officials understand the potential “emerging” market trends within the Powers Ferry Corridor so we can better prepare a land use and transportation master plan as part of the Powers Ferry Road Corridor Study and more important, plan for new development and redevelopment in the future.

IV.A Market Background

The Powers Ferry Road/Cumberland CID area is located in southern Cobb County and is the center of the Cumberland submarket as defined by Co-star. Cobb County is the 4th most populous county with an estimated population of 674,200 in 2008, according to the US Census Bureau. The population has grown 126% since the 1980 with most of that growth occurring in the 80’s and 90’s.

By 2030, Cobb County is projected to have a population and employment base of 763,889 and 326,951 respectively. Although the county is still growing at a steady pace, its growth rate has moderated due to its size and maturity. The Cumberland Superdistrict is growing at a less rapid pace compared to the County as a whole. By 2030, this area will comprise of 16% of the county’s population and 33% of the county’s employment. Cobb County enjoys a strong reputation for its efficient government, excellent schools, pro-business environment, and good quality of life, which should continue to propel growth.

POPULATION AND EMPLOYMENT PROJECTIONS					
	2000	2010	2020	2030	% Change
Cobb County					
Population	607,751	668,960	718,658	763,889	26%
Employment	313,800	337,367	386,008	448,821	43%
Emp/Pop Ratio	.52	.50	.54	.59	13%
Cumberland Superdistrict					
Population	103,341	105,564	110,685	120,169	16%
Employment	121,993	115,922	129,822	148,019	21%
Emp/Pop Ratio	1.18	1.09	1.17	1.23	4%
Source: Atlanta Regional Commission					

Figure 31

The Powers Ferry Road area encompasses an area that extends a little over a mile from the intersection of Powers Ferry Road and Terrill Mill Road. It represents the primary area from which the businesses along the corridor could potentially attract both residents and customers. This trade area appears appropriate, because it extends just beyond the study boundary to the north and covers most of the study area to the south. This area is a main junction between the Cumberland CID, the City of Marietta, and East Cobb. The following table shows a summary of key demographic characteristics and trends for both the study area and the three-mile trade area.

IV.B Demographic

Approximately 15,513 people reside within the study area boundaries. This population is growing at a steady annual rate. The population is projected to increase by nearly 300 people during the next five years. Powers Ferry Road is equally a business corridor and a residential corridor, due to the new housing that has been built in this area over the past 10 years.

The study area population tends to be married, with an average household size of 2.17. The community in this area is mixed in terms of age and race. The Powers Ferry area contains the largest population of Brazilians in metropolitan Atlanta. The population is moderately well educated (53% hold college degrees) and they hold a variety of occupations. The average commute time to work is around 28 minutes, indicating an urban lifestyle.

DEMOGRAPHIC PROFILE		
Population	Powers Ferry Study Area	Trade Area (3-mile radius)
2009 (estimate)	15,513	77,701
2014 (Projection)	15,807	75,646
Annual % Change		
2000 – 2009	1.5%	1.74%
2009 – 2014	1.9%	2.72%
2009 Estimates		
% under 18	22%	21%
% 65+	6%	7%
% Minority	68%	63%
Median Age	34.29	34.42
Households (2009 estimate)	7,028	33,716
Average Household Size	2.17	2.21
% Owner Occupied Housing	28.37%	35.96%
Median House Value	\$174,035	\$212,101
Average Household Income	\$67,523	\$77,093
Employment	9,586	45,322
% retail trade	13%	12%
% professional office	24%	24%
Source: Claritas and Cobb County Community Development		

Figure 32

The study area includes 7,028 households with income levels topping out in the middle-class range, averaging \$77,093 per year. According to the 2009 estimates, 20% earn over \$100,000 annually. The minority of householders reside in owner-occupied housing units (28.37%) with a median value of approximately \$174,035. Housing structures throughout the study area are mixed and contain a large quantity of older structures, especially in the rental housing stock. Most of the new units that have been built in the past ten years

are owner occupied. The median age of all housing units in the area is 27 years; just over 1% of the housing units have been built since 1999.

Population within the study area represents 20% of the trade area potential (three-mile radius), which includes 77,701 people. These trade area residents have similar characteristics to study area residents regarding age, percentage of minority and average household size. The minority population for the study area and trade area are similar with both well above 50%. The average household incomes and Median House Values are higher in the trade area compared to the study area, due to the mixed influences of East Cobb to the northeast and the City of Marietta to the northwest.

More than 45,322 people work in the trade area, of which 21% (9,586) work in the study area. Services and retail trade comprise 12% of jobs, which is consistent with a suburban community. Not surprisingly, professional offices are a dominant factor due to the location of the Cumberland CID in the southern portion of the study area. The daytime population also boosts demand for restaurants and retail services in the southern portion of the study area along Powers Ferry Road and Windy Hill Road.

New household formation is another demand indicator for residential and commercial uses. Interestingly, **Figure 33** shows the study area saw negative growth of less than 1% over the past nine years partly explaining the oversaturation of the retail market. However looking into the future the data projects a 1.12% increase in new households for the study area and a 2.17% increase for the trade area over the next 5 years. Although with current development issues, especially in the condominium market, there could potentially be support for even weaker growth. However, as the residential market rebounds over the course of the next 5 years there will likely be a higher demand of livable communities closer to jobs, shopping and recreation all of which can be found along the southern stretch of Powers Ferry Road.

NEW HOUSEHOLDS ADDED (2009 – 2014)		
Households	Study Area	Trade Area
2014 Projection	7,107	34,447
2009 Estimate	7,028	33,716
2000 Census	7,050	33,619
1990 Census	5,784	30,363
	%	%
Growth 2009-2014	1.12%	2.17%
Growth 2000-2009	-0.31%	0.29%
Growth 1990-2000	21.89%	10.72%
Source: Claritas and Cobb County Community Development Agency		

Figure 33

Economic Market

Cobb County has a diverse economic base. The service industry provides most jobs, with retail and manufacturing coming in close behind. With a variety of historic sites, theme parks, quality shopping, fine dining and 13,000 hotels rooms, tourism in the county is a billion-dollar industry. Cobb County is one of the leaders in the metro area employing more than 439,260 within its boundaries. Currently, there are more than 30,000 businesses licensed in Cobb County.

The diverse employment base has helped Cobb County maintain a low unemployment rate consistently over the past years, but with the national downturn in the economy, the unemployment rate for both Cobb County and the state of Georgia has increased at a steady rate. Cobb County’s unemployment rate is 9.8 % as of June 2009 per the U.S. Bureau of Labor Statistics.

There are five Fortune 500 companies that have their headquarters in Cobb County (Coca-Cola Enterprises, Genuine Parts (NAPA), Bluelinx Holdings, Graphics Packaging and Home Depot), with 22 international companies having a presence and contributing to the dynamic business environment, including Lockheed Martin, and IBM. Each of these companies within the county represents a different type of commercial enterprise that has found the environment within the county to be conducive to future growth. The top 10 major employers in Cobb County include:

Company Name	Number of Employees
Cobb County Schools	15,533
WellStar	9,838
Lockheed Martin	6,617
Home Depot	6,276
Cobb County Government	5,427
Publix Super Markets, Inc.	3,215
Kennesaw State University	3,185
Walmart	2,660
Six Flags Over GA	2,240
The Kroger Co.	1,898
Source: Cobb County Office of Economic Development and Cobb Chamber of Commerce	

Figure 34

Methodology

A detail field evaluation of retail around the study corridor, as well as major existing shopping centers within the defined trade area, was conducted in mid-July 2009. A windshield survey of the primary trade area was conducted. During this evaluation, staff thoroughly drove the market and evaluated the major existing retail and office concentrations. Population and Demographic data were collected by Census Tract and supplemented with data from Claritas, Inc. This study assumes that all Claritas data is accurate and reliable.

Based on the population and demographic characteristic of the trade area, the existing and known retail competition, and traffic and retail gravitational patterns, we developed our qualitative and quantitative assessment for the Powers Ferry Road Corridor. Staff assessment included incorporating the existing square footages for a variety of retail categories, the expenditure potential for each category and the opportunity gap for growth of that category based on supply and demand. The expenditure potential refers to the total dollar amount estimated to be available for each retail category, as provided by data from Claritas, Inc.

IV.C Housing Market Analysis

The national housing market has hit a catastrophic combination of excess supply, lending disruptions, and high unemployment. This has created one of the most difficult housing markets in a generation. The housing market slide started on the national level in 2006 and has hit every major market in the United States over the past few years. Currently, we are starting to see signs of relief as the credit markets are starting to lend again, albeit slowly and more conservatively, and housing prices begin to stabilize and increase in some markets. Currently, the increase in housing activity in most of the metropolitan Atlanta market is related to building out of foreclosed developments that had lost primary funding and were returned to the bank.

Overall, the Atlanta market is in a good position to recover when the overall economy improves. An article by Forbes Magazine in September of 2008 predicted that housing prices in Atlanta would stabilize and provide positive growth trends ahead of peer cities like Phoenix and Las Vegas, which are expecting a continued price decrease throughout 2009. According to the National Association of Realtors (NAR), the average home price in metro Atlanta was \$121,400 in the second quarter of 2009. That is a \$5,800 increase from the first quarter 2009 average price of \$115,600. Atlanta is still an affordable market compared to national housing prices as a whole. The second quarter 2009 median housing price in the US was \$174,100.

There are still many issues that impact the metro Atlanta housing market, chief among them is the impact of foreclosures. Foreclosures are high in this region due to the high quantity of sub-prime mortgages and adjustable-rate mortgages that were issued in the areas during the housing market boom. This will cause a downward pressure on prices that will restrict housing price increases and stall new housing starts as these units will need to be absorbed in the market to help reduce overall housing supply.

In order to assess the Powers Ferry area housing market, we have considered for sale and for rent housing options. An inventory and assessment of current housing stock in the master plan is also prepared. Another consideration is mixed-use potential to integrate housing with retail and office uses. Our research focused on collecting residential permits, house sales activity, apartment market trends, apartment project performance,

and conducting a survey of new subdivisions/townhomes/condos and area apartments. Interviews with active residential realtors and developers were also conducted. Our assessment of current market conditions, strengths, and challenges for residential development and residential development opportunities follows.

Market Conditions

Existing Housing Inventory:

The Powers Ferry area has an inventory of 7,749 residential units based on 2009 estimates by Claritas using US Census Bureau data. The study area is an “inclusive” community offering a full array of housing choices ranging from single-family attached and detached units to apartments and high rise condos. Housing price ranges for owner occupied structures has a wide range, but show a deficiency of units priced above \$300,000/year, see **Figure 35**. The numbers show that this is an area with a high quantity of affordable owner-occupied units.

Owner Occupied Housing Value		
Value	Frequency	Percentage
Under \$150,000	849	42.5%
\$150,000 to \$200,00	800	40.1%
\$300,000 to \$499,999	156	7.8%
\$500,000 and up	191	9.6%
Total	1996	100.0%
Source: Claritas		

Figure 35

Another area of deficiency is with alternative housing styles such as mixed-use projects, green housing, co-housing, and other forms of housing assembly. In today’s market given the high percentage of condos on the market within the overall metro Atlanta, new and resale units, and due to new rules established by the Fannie Mae/Freddie Mac on mortgage financing for condos, it is unlikely that new condos will be able to be developed in the short term. Therefore, mixed-use developments would need to be looked at as a longer term goal for the corridor rather than a short term strategy, unless a public private partnership is established to assist with reducing risks to private investment. A problem does exist in the corridor with the discrepancy between owner-occupied and renter-occupied housing units. Currently, 72% of all of the housing units in the area are renter-occupied versus 28% owner-occupied. A balanced tenure would contain 60% owner-occupied units and 40% renter-occupied units. This means that work needs to be done to either increase the prevalence of owner-occupied units through new construction, conversion, and housing support programs while looking at options to reduce the existing rental stock to assist in creating the necessary balance. Overall, the age in the housing stock is older as seen in **Figure 36**. This is because a predominate quantity of structures have a median age over 20 years. A total of 80.4% of the existing structures were built up through the 1980’s.

Age of Housing Units		
Year Structure Built	Frequency	Percentage
Before 1970	653	8.4%
1970's	1,899	24.5%
1980's	3,680	47.5%
1990's	891	11.5%
2000's	627	8.1%
Total	7,750	100%
Source: Claritas		

Figure 36

For Sale Market:

Cobb County has traditionally been a booming for sale residential market in growth, volume, and price. The County has permitted an average of 5,300 single-family units annually since 1996. During the last few years, housing starts have slowed considerably as the housing market crash and foreclosure crisis have halted new housing construction in Cobb County, metro Atlanta, and throughout the nation. In 2006, 2007, 2008, and through September 2009, the total number of new housing starts for Cobb County is 3,763, 2,504, 1,163, and 474, respectively. Sales have also traditionally been strong in the county, under normal conditions. Based upon the Homefinder Report in the Atlanta Journal and Constitution, in 2003 Cobb County had 13,888 homes sold. That figure peaked in 2005 with 16,443 homes sold and dropped to 8,912 homes sold in 2008. The drastic drop in home sales can be attributed to macroeconomic issues with the recession, high unemployment, and difficulties with the lending market. The new housing that has been generated in the market area is mixed as far as type of housing and cost of housing. New developments include a high-rise condo tower, single-family attached townhomes, and single-family residential structures. The price ranges vary from \$200,000 up to \$1,000,000 depending on unit, size, type, etc. The new housing in the area has assisted with increasing the quantity of owner-occupied units and has also started to bring price diversity into the market area, as previously stated. The majority of the homes on the market are 3 story townhomes with traditional detailing and contemporary interior layouts. These new townhomes have been well-received in the market and have made up a bulk of the new home sales over the past few years. This indicates a housing style choice by many people interested in this market area, due to the availability of existing detached units also available. There are three townhome projects in the market area with housing prices starting at \$220,000, \$250,000, and \$270,000. Out of these three developments combined, there are 150 existing new units or future development units coming to market. The single-family development has housing prices starting at \$500,000. There are approximately 20 existing new units or future development units coming to market for this segment. Finally, the area has a new high-rise condominium tower. This development was a casualty of the housing market and was returned to the lender. The lender auctioned many of the remaining unsold units at a reduced price. The high quality of the development and the reduced price of the units have substantially

increased their sales volumes. Currently, only 1/3 of the units are available for sale based upon the original inventory and all of the single bedroom units have been sold. In dealing with the need for new for-sale housing in the area, there seems to be a need for new more affordable housing in the market. This would meet the needs of new buyers entering the market place and older buyers that are looking to downsize, but still want to be near an area with amenities, entertainment, and retail options.

For Rent Market:

Apartment permits in Cobb County have averaged 1,200 units per year since 1996. The Echo Boom generation has fueled an increased demand in apartment living due to the large size of their population cohort and their current stage of life, entering the workforce. While apartments are popular with this large population segment, they are not popular among many neighborhoods, which put pressure on local governments to curb the construction of these types of units.

The impact of the current difficult housing market has been mixed, with several implications. In the 3rd quarter of 2008, the Atlanta housing market has a 90.4% occupancy rate. This is a higher occupancy rate that is due to the downturn in the economy. In addition, evictions for delinquent payments are also up, there are 8,500 new apartment units entering the market in the 1st quarter of 2009, and the current economic climate has established a scenario where a higher number of people per unit is being rented. Finally, there are a high number of unsold condominium units that are being temporarily rented until the for-sale housing market improves. Combined, all of these factors have resulted in a difficult market for apartment communities. As a result, large concessions are being offered, increased marketing costs are taking up profits, and reduced rents are being generated. Many older apartment communities that were sold at the peak of the housing market bubble are having a difficult time in this new financial reality and as a result, foreclosures on apartment communities are on the rise. In many cases, communities are sold to the highest bidder prior to the completion of foreclosure action within the courts.

The Powers Ferry Road market area offers numerous rental opportunities totaling over 3,000 potential units. This area has one of the worst owner to renter occupancy ratios in Cobb County. As a result of this, there has been a hesitancy to approve new apartment communities in the area. One area of the market that is not well represented is Class A (higher end) apartment communities. Most of the renter stock, much like the owner stock, is older. For the rental market, many of the structures are at the end of their life cycle, because new investments have not been made in the units or in the community. This is a result of a lack of competition with newer units. In general, the profits being made on the older apartment communities make it too expensive to replace without incentives. While at the same time, Class A rents in the County average \$0.89 per square foot, which would likely support economically viable new construction with private financing. Therefore, a comprehensive strategy may need to be considered that will look at increasing the total

number of units in a development and allowing for a percentage of new rental units to be built back in these communities. This would allow for a mixing of owner and rental occupied units in the same community. A strategy of this nature would encourage reinvestment through increased competition while also working towards leveling the balance between owner and renter occupied units.

Strengths & Challenges:

The Powers Ferry Area offers several strengths for new residential development:

- Superior commute times to major job centers;
- An “inclusive” community with a variety of housing choices;
- Good reputation for the overall Cobb County School System, especially the local elementary and high school for this area;
- Ample retail support services such as restaurants, grocery stores, and drug stores in the overall Cumberland CID area;
- Ample recreation opportunities due to the areas close proximity to Terrell Mill Park, the Chattahoochee River National Park, and the Bob Callan Trail.

Key challenges for residential development include:

- Powers Ferry Road contains a large quantity of peak time through traffic, which routes people from the Cumberland CID, I-285, and I-75 to “East Cobb”;
- Limited supply of large tracts of buildable undeveloped or underdeveloped land in the immediate area;
- Poor overall reputation of the area’s public middle school due to its lower marks compared to the Cobb County School District average;
- In most areas, sidewalks exist, but the area is not walkable nor is it pedestrian or bicycle friendly;
- Inverse owner to renter occupancy ratio makes new home and home resales more difficult.

Development Opportunities:

There are several key trends of note affecting today’s residential market, which should be considered for the Powers Ferry Study area:

- Senior and older adults do not want to live in “senior” specific development. They want a walk-able community and single-level living. Many are developing new interests and activities; therefore they are not interested in “keeping up” the house anymore. Developments that have a low maintenance option will be particularly attractive to this population. Some popular preferences are:
 - Living near grown children and grandchildren
 - Low maintenance lawn and exterior care
 - Walk-able neighborhoods
 - Good exterior lighting (safety)

- Single-level living with the master on the main level as a minimum, or some mechanism to facilitate movement around multiple story units.
- Traditional Neighborhood Developments (TND) have been highly successful in all areas of the country. Metropolitan Atlanta has been one of the main leaders in urban/suburban retrofits of older strip centers and underutilized industrial centers to quality walkable mixed-use communities. While not for everyone, these types of developments offer pedestrian scaled streets, neighborhood parks, and gathering areas. These developments have been exceptionally successful when they are developed with a retail element or are within a direct proximity to a retail node. Many seniors and the “Echo Boom” generation have shown a preference for this urban styled or village centered development rather than the traditional suburban neighborhood.
- The mixture of housing prices in this area will allow for a natural confluence of housing types allowing for mixed-income housing within the same development. For example, a older apartment community would be able to be redesigned and allow for a variety of housing types that could include new updated apartment units, for sale condominiums, and new townhomes.
- Co-housing is another vehicle, which is not seen much in Metropolitan Atlanta, but has been a successful model in other areas of the country. Co-housing allows for the creation of larger “mini” mansions as part of TND or mixed-income communities. These housing types are developed to look like a single family detached home, but contain four housing units that visually fit with the neighborhood and provide protection to neighboring property owners, who have a single-family looking house adjacent to their development.
- Sustainable design and construction is a vital part of redevelopment movements and environmental awareness. Many urban areas on the fringe of downtowns and first ring suburbs are in a phase of transition as they become more urban. This, coupled with a public desire and awareness of sustainability have created the need to adjust housing practices to include:
 - Housing quality – good materials used for all price points
 - Sense of community and ownership of the surrounding community
 - Design that encourages interaction and familiarity
 - Diversity of housing in new developments, in essence, not a development of homes that are all the same

In addition, during the next five years, the Powers Ferry trade area is projected to add at least 731 households, 79 of which would be in the confines of the study area. The majority of the householders are expected to be:

- Mixed in age demographics. Given the area’s close proximity to the Cumberland CID job center, it is likely that we will still get a major share of “working” aged individuals. As the Echo Boom generation continues to enter the housing market,

- we will see many new, younger, people settle in this area. Another trend is for more, older empty nesters and seniors entering the Powers Ferry market due to the aging of the American populace. These two cross currents will mean a stratified housing market that will need to meet the needs of numerous consumers.
- Wealthier compared to current trends. Do to the high concentration of older apartments near the end of their life cycle at the northern end of the study area; there will most likely be a shift in the income demographics along the corridor as the area redevelops.
 - Ethnically mixed. The northern end of the study area has a large Brazilian population and this will most likely continue in the near future. As this population becomes more stable and invests in the community, we will see housing and business opportunities as individuals integrate into the broader society.

Given these market and demand dynamics, several housing opportunities have been identified for the study area. During the short-term, next five years, demand for new housing will be slow due to existing inventory, competition from foreclosures, and reduced demand. Some of the market segments that show long term promise include:

- Higher-Density Housing: A variety of higher-density housing concepts would have market appeal to a variety of market segments, including younger couples, young families, as well as empty nesters and retirees. It should be restated, that the condo market is currently oversaturated throughout metro Atlanta and in the short term, due to high number of units on the market as well as an alteration to funding rules established by Fannie Mae/Freddie Mac there will be little need for additional condominium units. The longer term shows great promise for these types of units due to the growth in the market segments that prefer these housing types. Neo-traditional developments, zero-lot line homes, townhomes, and condominiums all show long term promise in the market place. New Class A apartments will also be needed, although it is important to introduce these products in association with the removal of an older, antiquated apartment community so that the concerns with the owner to renter ratio can begin to be addressed. Most of the new housing that will be created will be based on redevelopment of an existing housing stock or a conversion of a retail or office space to residential. This is due to the lack of vacant or undeveloped land in this area. This is one of the reasons that higher density housing will be seen in this area, the cost of redevelopment far outweighs the cost of creating new homes on greenfield sites. If the community desires a lower density than the market can bear, then there will be a need to introduce monetary incentives to defray the cost and risks of redevelopment.
- Mixed-use Developments: It is recommended that a village type development be created at one of the focal points along the corridor in order to develop a sense of place for this area. It would be suitable to have this created in one of the underperforming shopping centers located at the northern end of the corridor and

could act as a stimulus for some of the needed residential redevelopment in and around the area. Due to the cost of redevelopment, development incentives or some type of economic stimulus may be necessary for this to occur. The village centered development should include traditional styled housing with a mixture of housing types and commercial and community uses. Elements that would benefit the area include; a grid street pattern to assist with the traffic flow, sidewalks, street trees, pocket parks, and alleyways. A portion of the project would consist of ground level retail or offices with residential units above and behind the retail space.

The market will continue to support middle-income housing, currently priced at \$250,000 and up, which is generally affordable for individuals making \$55,000 annually. This price point has been successfully developed in the market area and continues to sell, albeit at a slower rate in comparison to previous years, even during the worst housing market in our lifetime. Most of the sales have been with townhome developments and a high rise condominium, known as Horizon. The Horizon sales increased when the price on the units were reduced and sold at auction. There are also few new residential developments that target the high end market in the Wildwood area. These developments were selling very well prior to the slide in the housing market. Development activity on these sites has slowed considerably, but it is anticipated that when the market returns and people are able to sell their existing homes, that this market will improve.

IV.D Commercial Market Analysis

The commercial market for the Powers Ferry Road Corridor study area consists primarily of retail and office development. Staff research focused on an inventory and assessment of existing commercial developments within a one and three mile radius of the intersection of Terrell Mill Road and Powers Ferry Road. Retail market power, consumer spending patterns, primary tenants/users, and retail trade potential were among the factors considered. An analysis of the current market conditions, strengths and challenges for commercial potential and opportunities for commercial development follows.

Market Conditions

Retail Market:

Cobb County has approximately 38.4 million square feet of retail space and 34.4 million square feet of office space. The primary trade area expanded through a one mile radius with approximately 739,505 square feet of combined retail and office space. Based on the field evaluation, it is evident that a high percentage of vacancies exist along with a decrease in retail traffic at peak time hours. High unemployment rate has yielded additional layoffs in the retail industry. One strong observation suggested that most retail firms within the study area are focusing on surviving the effects of the current economic conditions.

Macroeconomic conditions caused by the current recession have created unstable credit markets that have limited business expansion plans due to credit availability and shifting standards. Retailers rely on the credit markets for short term loans to pay their vendors and long term loans to grow their businesses, staff noted many store closures. Another factor affecting the trade area is the rate at which supply outpaces demand resulting in a near nonexistent demand and negative absorption rates. This fundamental supply and demand factor, combined with the rise in unemployment to 9.8 percent, have taken a toll on retail sales and pushed absorption to (366,312) square feet for the third quarter. Development activity has reduced significantly within the market area; there were few new strip center type developments which have sat idle with a small number of new businesses that were lower end type retail establishments.

Overall, the National recessionary conditions have continued to greatly impact consumer spending patterns across the nation and within the trade area. This is demonstrated in exhibits 2 and 3. As a response to the continued weak economic trends retailers have shifted their focus on cutting cost to counter slower retail sales. Staff anticipates slow increases in leasing activity of existing facilities as supply reduces and demand gradually increases with the economic recovery. Many retailers are content with existing space as they are hesitant or unable to expand. Moreover, there is foreseeable long term oversupply in retail inventory, and less investment activity for this area.

Retail Trade Potential

A retail gap analysis was performed for the Powers Ferry Road trade area based on Claritas data. This type of analysis provides an indication of supply-demand equilibrium based on retail sales. As shown in the following table, there is negative demand of over \$1.7 billion; this gap is primarily in the area of motor vehicles, parts and dealers which are concentrated on the western portion of the study area. A positive retail gap exists in the area of electronics, building materials and garden equipment, food and beverage, health and personal care as well as sporting good and hobbies. Conversely, there are significant negative gaps in the areas of food services and drinking places, gasoline stations and clothing/apparel.

Retail Gap Analysis (Trade Area - 3 mile radius)			
Category	Demand/ Consumer Expenditures	Supply / Retail Sales	Retail Opportunity Gas/Surplus
Motor Vehicles, Parts & dealers	261,543,823	1,720,748,059	-1,459,204,236
Furniture & home Furnishings	32,602,690	47,916,748	-15,314,058
Electronics & appliances	32,882,120	72,486,128	39,604,008
Bldg. material & Garden Equip.	110,289,451	86,427,310	23,862,141
Food & Bervages	154,315,662	139,219,682	15,095,980
Health & Personal care	67,716,527	110,875,138	43,158,611
Gasoline stations	153,066,314	295,901,461	-142,835,147
Clothing & Clothing accessories	69,434,762	113,979,919	-44,545,157
Sports goods,hobbies,books&music	25,685,006	69,463,252	43,778,246
General merchandise/Dept. stores	160,948,752	171,239,169	-10,290,417
Miscellaneous items	33,468,175	47,096,602	-13,628,427
Non-store retailers (e-shopping vend)	83,973,354	62,874,303	21,099,051
Food Services and drinking places	148,610,558	187,658,886	-39,048,328
Total	1,334,537,195	3,125,886,657	-1,791,349,462

Figure 37

Office Market

The Cumberland Galleria submarket, which primarily comprises of areas within Cobb County, is Atlanta’s fourth largest office submarket with 29.4 million square feet, representing 14.1% of total inventory, according to CoStar Group. Unlike its larger sister market, Central Perimeter, which has a dense, concentrated office space, the Cumberland Galleria market is spread out across several nodes, the largest being in the vicinity of the I-75 and I-285 interchange. The Cumberland Galleria submarket has struggled at times over the past decade and has seen tepid growth in new office space since 2003. Out of the six largest submarkets in the Atlanta region (North Fulton/Forsyth, Downtown, Central Perimeter, Cumberland Galleria, Buckhead, and Midtown) the Cumberland Galleria has seen the second smallest increase in new office space since 2003. Conversely, out of the largest submarkets in metro Atlanta, the Downtown and Cumberland Galleria submarkets are the only areas to see a positive net absorption trends from 2008 through the 2nd quarter of 2009. Some statistics for the Cumberland submarket are as follows:

- The Cumberland submarket has a vacancy rate of 16.2% (as of 2nd Q2009), which is higher than the metro Atlanta average of 14.8%. However, the Cumberland Galleria submarket has seen continued declines in vacancy rates since a high of 18.1% in 2003.
- As of the 2nd Quarter of 2009, the Cumberland submarket has the third largest positive absorption of 91,850 square feet.

- Only 46% of the Atlanta submarkets have a positive absorption rate up to the second quarter of 2009. The Cumberland submarket has 116,553 square feet of absorption more than the Metro Atlanta average during this same time period.
- During the 2nd Quarter of 2009, the average rents in the Cumberland submarket of \$19.63 is \$0.21 per square feet less than the Metro Atlanta average of \$19.84. The highest rent is in the Buckhead submarket with \$25.81 per square foot and the lowest rents are in the West Atlanta submarket with \$14.32 per square foot

Office space in the Powers Ferry Road area is varied and does not support any one type of business or market segment. This area's identity in the market is totally aligned with the Cumberland CID. The Cumberland area is an older office market area compared to some of the metro area's faster growing younger submarkets such as North Fulton Forsyth and Midtown. It is currently more aligned in growth rates to the Downtown Atlanta submarket. Access to rail mass transit (MARTA) has allowed the Midtown, Buckhead, and Perimeter office markets to grow at a faster rate than the Cumberland market over the past decade with more new space delivered and higher rents per square foot. On a positive note, all of the new office space built in these faster growing submarkets is resulting in a major market correction due to high vacancy and negative absorption rates. Slower growing markets like Cumberland and Downtown are less impacted by this current recession, because they never increased in space at the same level as these other market areas. This will mean that these markets may be more likely to build additional space when the economy returns to a normal rate growth rate due to a lack of availability.

A total of 605 office buildings are located in and around the Cumberland submarket and the Powers Ferry study area totaling 29,416,316 square feet of space. The large quantity of these buildings (70 total and 6,673,289 square feet) is Class A offices. A complete listing of the Cumberland submarket office buildings is available in the appendix.

Strengths and Challenge

The Powers Ferry/Cumberland CID area offers several *strengths* for commercial development:

- Good access in the vicinity with multiple interstate access points along I-75 and I-285 and high traffic volumes along area arterial roadways including Powers Ferry Road, Cobb Parkway, Windy Hill Road, Delk Road, and Terrill Mill Road.
- The diverse business environment with multiple fortune 500 companies and Lockheed Martin are economic generators for the area.
- The area's location in Cobb County provides lower taxes and a pro-business government compared to some other metropolitan Atlanta communities.
- The high quantity of executive housing in East Cobb, educated workforce, quality schools, and high quality of life provides numerous positive factors when recruiting new businesses into the Cumberland submarket.

- The Cumberland/Powers Ferry Road area has a large supply of large tracts of land, which includes undeveloped properties and redevelopment property potential.
- Large daytime population in the area increases demand for lunch time and office support businesses.

Key *challenges* for commercial development include:

- The Powers Ferry Road area has an excess supply of retail capacity.
- Traffic congestion on major roads and Interstate Highways during peak driving/commuting times.
- Large quantity of older rental properties and the areas location adjacent to areas with high poverty rates make it difficult to justify higher-end retail development.

Commercial Market Opportunities

Retail and office demand is derived by residents and employees in the trade area. Income is also an important factor. As previously indicated, the three mile trade area includes approximately 75,646 residents and 33,716 households with an average annual income of nearly \$77,093. As a side note, retailers typically begin to look hard at market areas with an income exceeding \$50,000 or an area with high traffic volumes that attract customers from other submarkets. During the next five years, the trade area is expected to add more than 2,055 new residents and 731 new households, according to Claritas. In addition, the trade area has total employment estimated at 44,648, of which 41% are in the retail trade and service sectors according to Claritas data. Although Claritas does not forecast employment, we would expect at least 1,000 to 1,500 new jobs in the next five years assuming negative growth in 2010, steady employment in 2011, and a nominal growth rate in the 1.0% range starting in 2012. Another important note on this is the general state of retail in the metropolitan Atlanta market. Most retail analysis shows that the Atlanta area is over-retailed. This may have negative impacts on some areas of the region as retail space is abandoned so that it can be aligned with true market demand.,,

Retail is also driven by tenant location decisions, whether there is market support or not. One of the benefits of this study area, its proximity to the Cumberland submarket, is also a problem when it comes to retail. The Cumberland market is so strong and so diverse, that it is difficult for the Powers Ferry area to have an open market segment that would be successful. The market can also support additional mid-price full service restaurants.

Several older or abandoned shopping centers along Powers Ferry Road should be targeted for redevelopment, as shown in the following table. It shows a list of currently struggling and abandoned shopping centers that offer tremendous redevelopment opportunity near the intersection of Terrell Mill Road and Powers Ferry Road. These older shopping centers should be targeted for mixed-use developments and community serving uses that would include new residential units, new retail and office uses (with less cumulative retail space compared to existing inventory), and government/community centered uses.

The net effect is a smaller amount of commercial space in the short-term, but more households to support the existing and future commercial space. The amount of new commercial space to be developed would depend on the ability to draw anchor tenants, but the market should support at least one-third to half of the space removed from the market in new construction and/or redevelopment.

SHOPPING CENTERS WITH REDEVELOPMENT POTENTIAL POWERS FERRY ROAD STUDY AREA					
Project	Acres	Year Built	Square Foot	Occupancy Rate	Anchor Tenants
Terrell Mill Village	8.6	1974/1989	62,891	15.1%	
Powers Ferry Plaza	11.5	1983/1999	86,173	90.8%	Micro Center
Delk Spectrum	8.3	1991	100,880	85.0%	Publix

Source: Cobb County Community Development Agency

Figure 38

Investment in significant new office development in the study area warrants some caution. Macroeconomic conditions and market demand will unlikely warrant sufficient new demand for office space. The office market will continue to be focused on professional office and regional/corporate headquarters well into the foreseeable future. During the next five years, there should be slight demand to support the construction of new office space, including both single-tenant and multi-tenant options. There may also be opportunities for other types of commercial uses that were not part of the analysis. Hotels are a probable use, as well as institutional uses such as churches, and educational facilities.

IV. E Market Summary

In summary, there is little market support for many development opportunities over the next five years. This is due, in large part, to macroeconomic and regional conditions. The area offers a good location within metropolitan Atlanta due to its association and location in the Cumberland submarket, its access to I-75 and I-285, as well as East Cobb thru-traffic. Finally, this is a growing trade area that will generate additional demand as population increases and demographics change.

The three-mile trade area for the study area currently has 75,646 residents, 33,716 households, and an employment base of 44,648. The trade area’s population tends to be racially mixed (63% minority) and of middle income (average household income of \$77,093). During the next five years, the trade area is expected to add more than 2,055 people and 731 new households; and a minimum of 1,000 to 1,500 jobs is conservatively forecasted. The study area represents only 21% of the trade area’s population (15,513 of 75,646 residents) and contains 21% of the trade area’s jobs (9,541 of 44,648 employees).

This information illustrates that the Powers Ferry Road area has a good jobs housing balance.

Key challenges in the area include:

- Traffic congestion on major roads during peak traffic times;
- Poor reputation of elementary and middle schools in the serving the corridor, which limits this area's appeal to families;
- Inverse owner to renter occupancy ratio;
- Not walkable nor is it pedestrian or bicycle friendly; and
- Excess supply of retail capacity;

The retail market is overbuilt, but the excess supply is largely older, non-competitive centers that could be targeted for redevelopment. These include 3 centers in the study area that total approximately 249,864 square feet. There are several notable retail category gaps in the trade area including General Merchandise/Dept. Stores, Clothing & Clothing accessories, as well as mid-priced full-service restaurants.

The office market is currently weak. This trend will not change in the near-term due to the weakness of the national and regional market. During the next five years, there should be demand to support a small amount of office development.

The residential market offers the most likely development opportunities based upon land consumption over the past five years in the market area, particularly in "for-sale" single family attached units. The trade area is projected to add at least 731 new households during the next five years. Although the study area is projected to attract 11% of these new householders, there is potential to increase this share if residential redevelopment occurs in the older declining rental housing stock within the area. The new householders in this area are projected to be young adults and older empty nesters as well as more racially mixed individuals. These new householders create demand for a variety of residential products that can be accommodated in the study area. In order to improve the market in this area, the rental occupancy of housing units needs to stabilize. The high rental occupancy of the area can be mitigated and improved by allowing redevelopment of rental housing stock in a manner that allows the construction of new rental units as long as they are increasing the owner-occupied housing stock as well. This will incrementally increase the owner stock of housing in the study area making it a more desirable market for higher-quality retail establishments.

Based on the assessment of current market conditions and the market's demand dynamics, the following development opportunities have been identified for the Powers Ferry Road area for the next five years:

DEVELOPMENT OPPORTUNITIES POWERS FERRY ROAD AREA 2009 - 2014		
Type of Property	Average Units/Square Feet	
	Low Range	High Range
Residential		
<i>Single-family/Cluster homes</i>		
\$200,000 to \$299,999	30	34
\$300,000 and up	20	24
<i>Condominium/Townhomes</i>		
Less than \$200,000	65	76
\$200,000 and up	20	23
Source: Cobb County Community Development Agency		

Figure 39

As shown, the market should support 27 to 65 new residential units per year for a total of 135 to 157 units by 2014. These new units may be comprised of single-family units (detached and attached) 74% and multi-family units (condominiums) 26%. All are for-sale units due to need to reduce the percentage of rental occupied units within the study area to make it more attractive to national retailers. A variety of product types and price points would be recommended, including higher-priced housing. New housing that is more affordable, or rental, should be integrated into a community by mixing housing types and price points in a single community. In addition, there is additional support for redevelopment of commercial space and the possible addition of more hotel rooms. In order sustain the active retail centers in the study area, new retail space being added should be incorporated via the redevelopment of underperforming centers. The only caveat to this would be the creation of a new center that had a strong anchor tenant that would be able to support additional capacity. Office properties are more limited and less likely to develop based upon market demand within the next couple of years, unless it is a neighborhood office use that is incorporated into a larger scale retail redevelopment. Retail opportunities will depend on a couple of factors: 1) the ability for the developer to attract anchor tenants; and 2) the potential to redevelop at least one under-performing shopping center or rental housing community.

Another strong recommendation is to encourage higher-density housing and mixed-use development in this market area, in appropriate locations. Higher-density housing is required to support village type communities that would support a walkable lifestyle, and it should include a variety of housing types, including new single-family housing, which is easily integrated into mixed-use environment. This type of built environment would also drive additional market demand for neighborhood scale office and retail establishments.