

INVESTMENT FORECAST

Multifamily
Atlanta


IPA
INSTITUTIONAL
PROPERTY
ADVISORS


2022

Favorable Household Growth Helps Preserve Capital Migration into Atlanta

Tailwinds build in Atlanta. Following the largest annual absorption of apartments in more than two decades, the metro is poised to record another strong year as in-migration and job growth facilitate household formation. The pace of renter demand gains will ease from 3.3 percent last year to 2.2 percent in 2022, largely due to the lack of available apartments. Vacancy improvement is projected to be the most robust in Midtown and Buckhead, which have the most empty units. White-collar workers are moving back into the densely populated areas following the distribution of vaccines and reopening of offices. Companies are also expanding operations in those locations, generating additional renter demand. Google, Cisco and Microsoft, among others, are adding thousands of jobs in the area this year. Suburban properties, meanwhile, will also continue to perform well as remote workers from the Northeast and West Coast remain in the market long term.

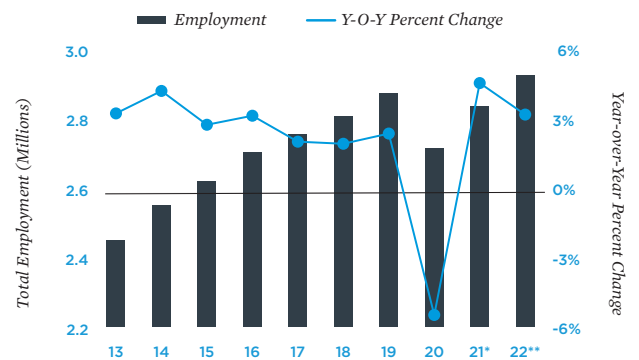
Out-of-area investors form foundation of buyer demand. Much of the capital flowing into Atlanta apartments is coming from the Northeast, and to a lesser extent California, as portfolio expansion and arbitrage plays are frequent. Atlanta's improving fundamentals and inexpensive financing resulted in double-digit valuation gains last year, and upward pressure will remain on pricing entering 2022. However, the rapid increase in prices is generating a bid-ask gap between buyers and sellers as some owners overshoot listing values, and investors entering the metro underestimate the recent rise in prices. As long as interest rates remain low, buyers will likely need to move more than sellers to close that gap. Entering the year, the average cap rate is hovering near 5 percent, with the range moving to sub-4 percent for core Class A assets. Institutional capital and high-net-worth individuals are pursuing Class A and Class B-plus properties in suburban areas where many white-collar workers are putting down roots. In core areas, top-tier assets with a vacancy component provide some upside through operations. A dearth of these listings is anticipated, however, limiting the potential for discounting. Despite low vacancy across all property classes, some value-add deals can still be found in the metro, namely suburban Class B assets that can be upgraded.

20.7%  2021 share of local population between 20 and 34 years old

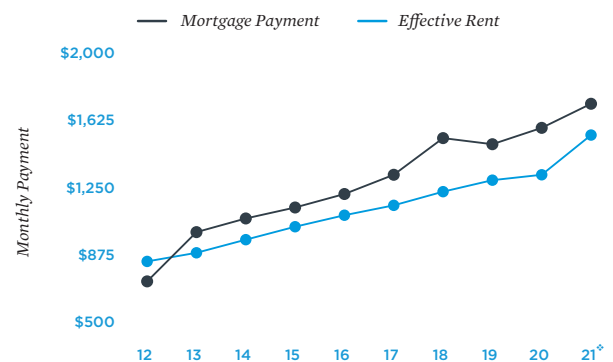
35.5%  of local population hold bachelor's degree or higher*

\$300,500  2021 median home price

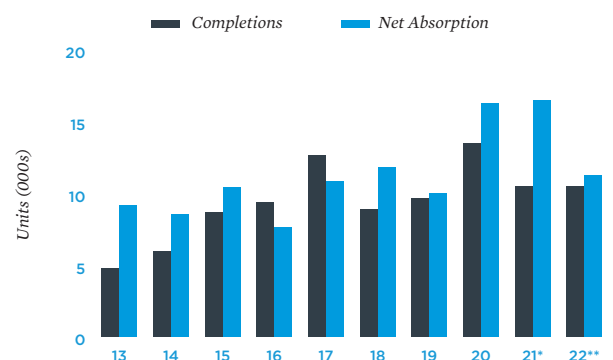
Employment Trends



Housing Affordability Gap



Supply and Demand



* Estimate ** Forecast * Through 3Q

**2021: 25+ years old

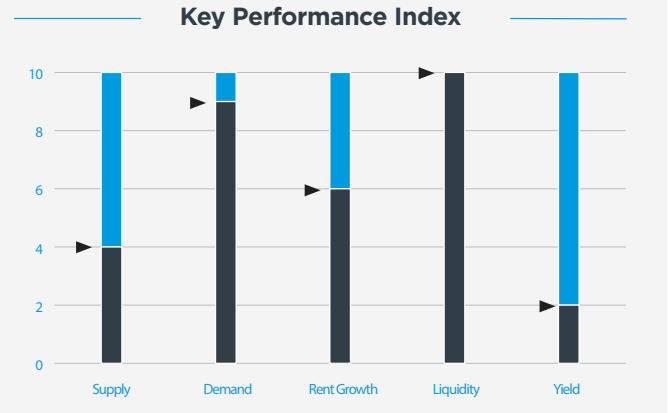
Sources: Marcus & Millichap Research Services; BLS; Freddie Mac; National Association of Realtors; RealPage, Inc.

2022 Investment Outlook

Robust in-migration, job creation and household formation are boosting demand for rentals and tightening vacancy. As a result, Atlanta claims a 9 on the demand portion of the Key Performance Index. Nonetheless, an aggressive pace of construction weighs on the supply ranking.

Very strong transaction activity is elevating liquidity and allowing the metro to grab the highest score possible on that segment of the Index. Competition for assets is placing downward pressure on cap rates though, contributing to a low ranking on the yield section.

Note: The Key Performance Index provides a metro-level relational benchmark scaled from 1-10 for five key metrics.



2022 Market Forecast

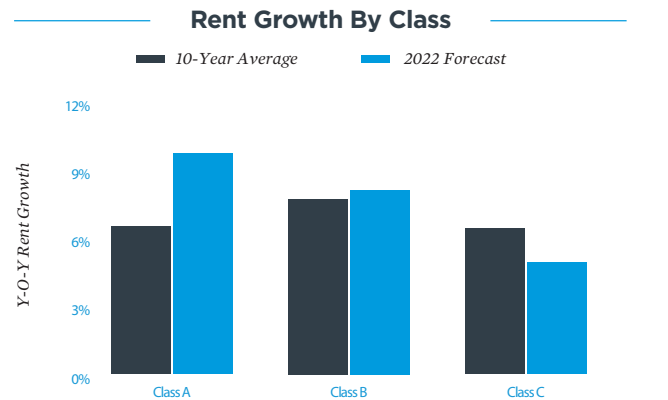
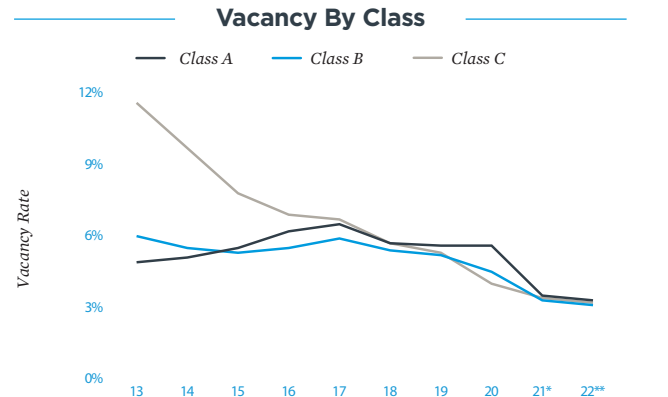
Employment
89,000 jobs
Metro **3.1%**
U.S. **2.5%**

Construction
as % of inventory^v
Metro **2.0%**
U.S. **2.2%**

Class A Vacancy
Down 20 bps
Metro **3.1%**
U.S. **3.6%**

Class A Rent
\$2,129
per month
Metro **9.7%**
U.S. **7.5%**

Investment
3-yr. avg. activity
\$20+ million
Deals: **137**
Volume: **\$6.8 Billion**



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* Estimate ** Forecast
* Arrow reflects completions trend compared with 2021
Sources: Marcus & Millichap Research Services; CoStar Group, Inc.; RealPage, Inc.; Real Capital Analytics