MARKET REPORT

Multifamily

Atlanta Metro Area

IPA INSTITUTIONAL PROPERTY ADVISORS

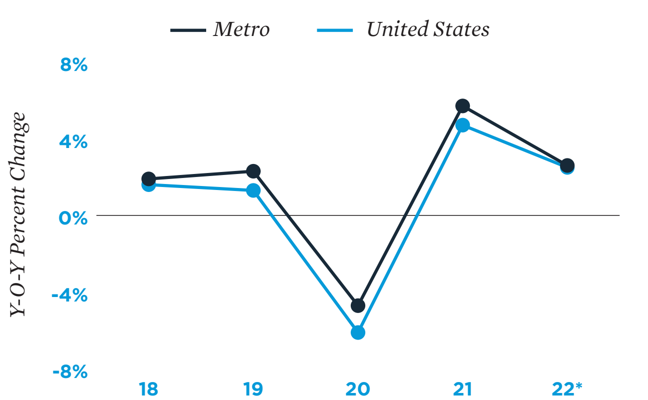
2Q/22

Continuing Robust Demand Holds Down Vacancy and Boosts Rent Growth

A healthy economy boosts multifamily fundamentals. Atlanta's job growth pace is surpassing the national rate of increase, helped in part by corporate in-migration and the expansion of firms with national and international footprints. Much of this employment growth consists of additions in the high-paying job categories, boosting demand for Class A apartments. Upcoming employment hubs include technology campuses recently announced by Walmart and Nike, helping the metro remain a key destination for the Southeast's best-educated young adults. Renter absorption of apartment units is set to eclipse product deliveries for a fifth consecutive year in 2022, keeping availability low and facilitating substantial rent growth.

Both suburbs and core properties are positioned favorably. As renters sought out more spacious suburban units, Atlanta's more affluent northern submarkets led the pack in rent gains last year. These locales registered annual rent growth approaching 30 percent, including Alpharetta-Cumming, where the average effective rent climbed over $400, ending 2021 at $1,864 per month. While suburban outlooks remain favorable, as health concerns abate, the CBD and adjacent zones should recapture renter appeal. Higher-density areas like Midtown and Buckhead appear poised to gain momentum over the course of the coming year, closing the gap between urban and suburban results.

Employment Trends



** Forecast*

Sources: BLS; CoStar Group, Inc.; RealPage, Inc.

Multifamily 2022 Outlook

75,000 JOBS
will be created

EMPLOYMENT:

Metro Atlanta's job count has moved above the pre-pandemic high, and the local unemployment rate has dropped to a record low. The area is attracting jobs and households from other areas of the country.

11,000 UNITS
will be completed

CONSTRUCTION:

Scheduled completions of about 11,000 units in 2022 are likely well within the metro's absorption capacity. Roughly a quarter of this year's targeted deliveries are in the metro's urban core neighborhoods and adjacent zones.

20 BASIS POINT
decrease in vacancy

VACANCY:

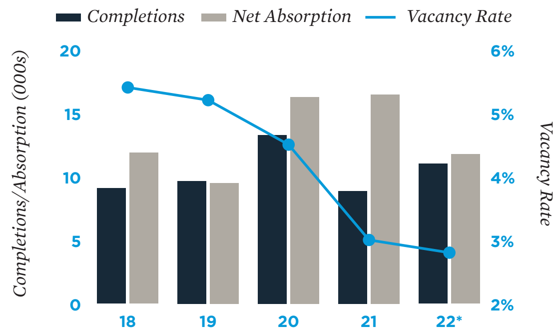
With unit availability already under previous cyclical troughs, there's not much room for the market to tighten further in 2022. Look for vacancy to inch down a tiny bit to a record low of 2.8 percent.

9.8% INCREASE
in effective rent

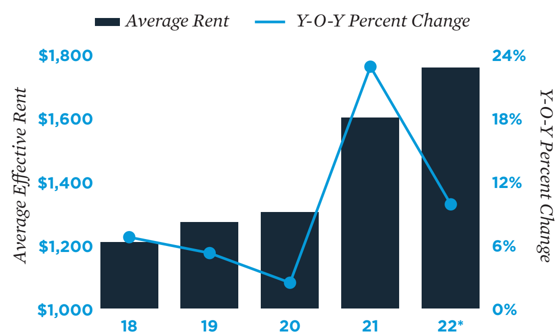
RENT:

Rent growth should remain strong, although last year's 22.7 percent hike likely can't be duplicated. Expected average effective pricing reaches $1,754 monthly, with gains of more than 10 percent foreseen in some submarkets.

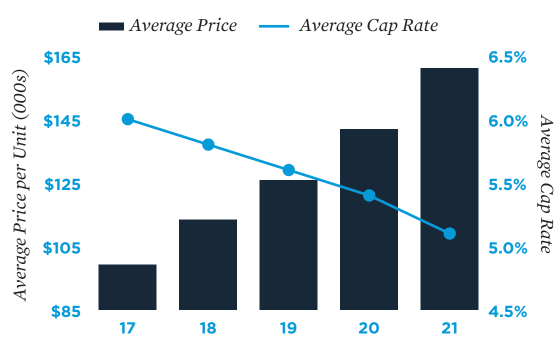
Supply and Demand



Rent Trends



Sales Trends



* Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics; RealPage, Inc.

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Price: $250

1Q 2022 - 12-Month Period

CONSTRUCTION

7,506 units completed

- Development activity during the yearlong span ending in March slowed to only half that of the previous period.
- Near-term deliveries will trend up, as ongoing construction tops 25,000 doors. The average unit count of projects in the pipeline exceeds 230, indicating a notable amount of larger deliveries on the horizon.

VACANCY

150 basis point decrease in vacancy Y-O-Y

- With household formation hitting a 15-year high during the past year, apartment demand ended March 2022 at 3.1 percent.
- Vacancy fell in all submarkets, except the Far East Suburbs and Henry County. Of Atlanta's 39 submarkets, 27 reported declines in availability exceeding 100 basis points.

RENT

22.4% increase in the average effective rent Y-O-Y

- Sparse availability drove up rents, with effective rates for move-in leases hitting an average of $1,627 per month.
- Growth in the Class B segment led the pack, though Class A rents also increased above a 20 percent clip. Effective rents in this segment breached the $2,000 per-month threshold by the end of this year's first quarter.

Investment Highlights

- Last year marked a new high for transaction velocity across Greater Atlanta, with trades of multifamily properties surging more than 30 percent over 2019 levels. Sales of Class A properties rose the most dramatically, so the increase in the average sale price surpassed the historical norm. The mean cap rate dropped by 30 basis points, ending 2021 at 5.1 percent.
- Robust fundamentals have attracted an influx of out-of-state capital from predominantly coastal markets. These buyers favor Class A and B deals in Atlanta's first-ring suburbs.
- Intense bidding activity drove down cap rates throughout last year. By late 2021, a number of Class C deals in the high-4 to mid-5 range were observed, with some transactions featuring yields as low as 3 percent.
- Centennial Yards, a $5 billion mixed-use project underway in Western Downtown, could spur additional investment in surrounding areas, as unused portions of the neighborhood are revitalized.