

INVESTMENT FORECAST

Multifamily
Atlanta

IPA

INSTITUTIONAL
PROPERTY
ADVISORS


2020


Workforce Housing Generating Large Rent Gains, Captivating Yield-Driven Investors

Continuing revitalization keeps Class B/C apartment demand high.

Redevelopment projects underway throughout the metro are expanding the construction labor pool, which has grown by the fastest rate amongst job sectors in Atlanta over the past three years. Revitalization efforts are highlighted by the Centennial Yards project downtown, which will convert 50 acres of rail space into 12 million square feet of mixed-use development. A project of this scale will require a large volume of construction workers, many of which will seek housing aligned with their budget. With rental costs near the site out of reach, they will often look farther west for residences within the Perimeter. Here the average Class C unit rent is rising at an accelerated pace, and as the predominant beneficiary of this demand boost, tightening vacancy will continue to appreciate rent. Metrowide, employment gains in working-class fields are contracting Class B/C vacancy into the mid-4 percent area as median home costs are rising at a faster pace than the national level, prompting many to choose budget-friendly rentals.

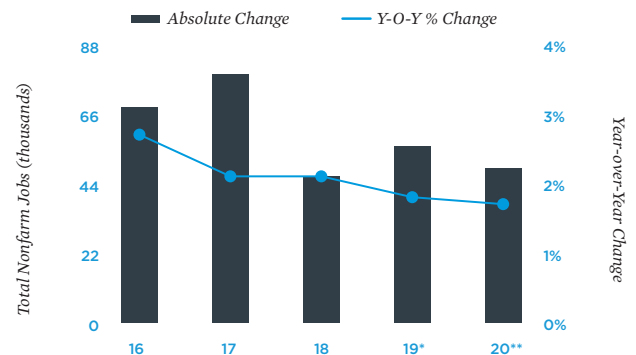
Excellent growth statistics combined with attractive yields propelling transaction velocity. Positive operational and demographic metrics will keep Atlanta front in center for investors this coming year. A rent growth forecast above the national average will be driven by strong in-migration and household formations, keeping multifamily absorption elevated across all property classes. The evenly distributed demand will allow investors to deploy various investment strategies depending on return hurdles and hold timing. Value-add acquisitions should remain the most common purchase over the next 12 months. Private capital investors seeking to update older assets view the almost \$500 rent delta between Class A and Class B properties as offering more than enough room to raise rents on renovated units while retaining the current resident profile to hit their pro forma returns. Furthermore, institutional demand for core product has been growing and the steady construction pipeline over the past few years offers a deep pool of high-quality assets for potential acquisition. Core buyers will attempt to leverage Atlanta's slightly higher cap rates compared with primary coastal markets and create a competitive bidding environment for any new developments coming to market for disposition.

20.8%  2019 share of local population between 20 and 34 years old

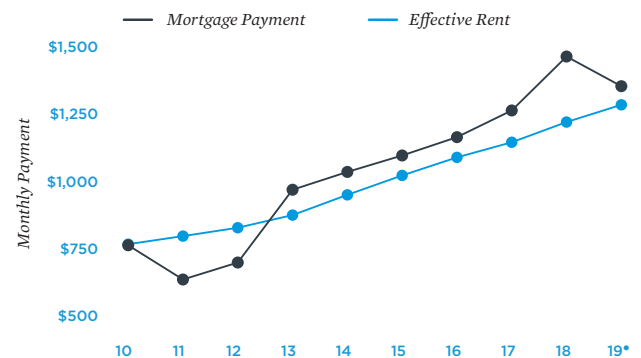
36.6%  of local population hold bachelor's degree or higher*

\$227,608  2019 median home price

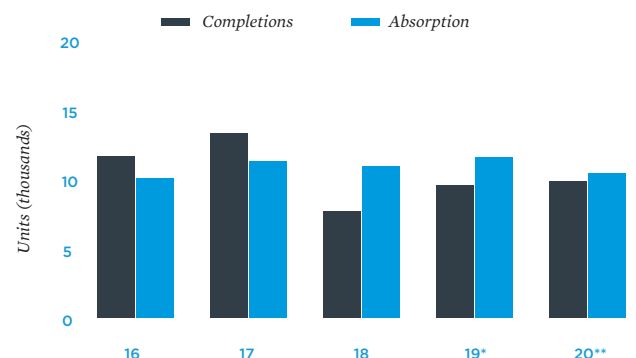
Employment Trends



Housing Affordability Gap



Supply and Demand



* Estimate ** Forecast * Through 3Q
* 2019: 25+ years old

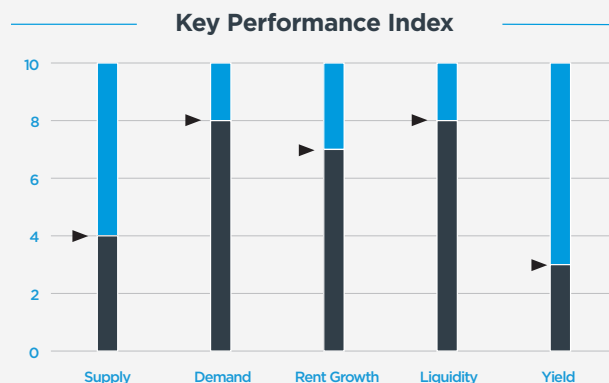
Sources: Marcus & Millichap Research Services; RealPage, Inc.

2020 Investment Outlook

Rent growth in the Key Performance Index was the only fundamentals variable to see movement over the past six months as it dropped one point to 7. Furthermore, supply and demand remained stable as the construction pipeline has moderated and strong in-migration keeps demand elevated.

Liquidity held steady since midyear and highlights the robust investor interest for assets. The strong demand for assets, however, pushed yield down one point, but Atlanta still holds higher rates of return than primary coastal markets.

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



2020 Market Forecast

Employment
48,000 jobs



Metro **1.7%**
U.S. **1.0%**

Construction
as % of inventory*



Metro **1.9%**
U.S. **1.7%**

Class A Vacancy
Down 10 bps



Metro **5.6%**
U.S. **5.3%**

Class A Rent
\$1,780 per month

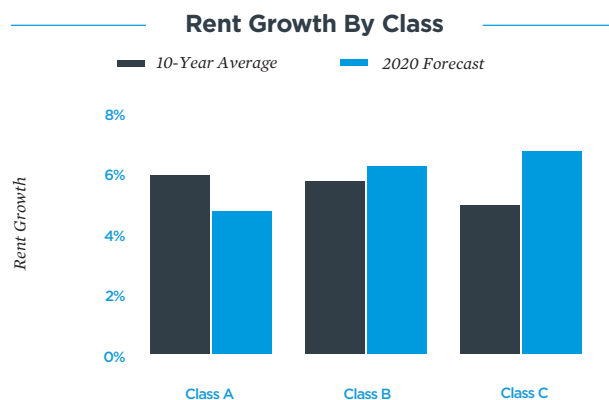
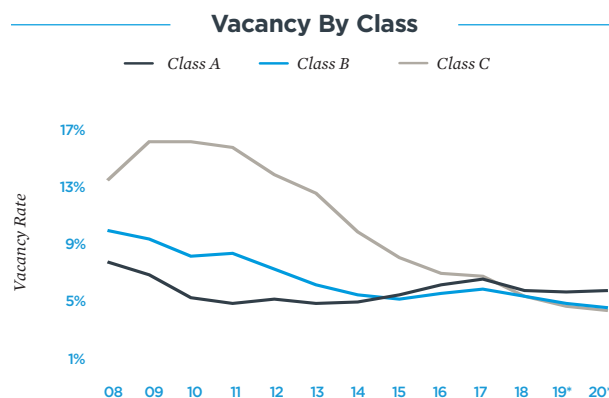


Metro **4.7%**
U.S. **3.3%**

Investment
3-yr. avg. activity
\$20+ million



Deals: **142**
Volume: **\$6.5 billion**



Jeffery J. Daniels

Senior Vice President

National Director IPA Multifamily

(212) 430-6127 | jdaniels@ipausa.com

* Estimate ** Forecast
* Arrow reflects completions trend compared with 2019
Sources: Marcus & Millichap Research Services;
CoStar Group, Inc.; RealPage, Inc.; Real Capital Analytics