

Atlanta Multifamily




Job Growth in High-Wage Sectors Fueling Demand

Highlights

- > The Atlanta multifamily market posted steady improvement during the second quarter. The vacancy rate inched lower, while rents rose. Investment activity surged in response to the improving market performance.
- > Vacancy dipped 10 basis points from the first quarter to the second quarter, reaching 4.8 percent. The current rate is unchanged from one year ago.
- > The pace of rent growth accelerated in the second quarter. Asking rents reached \$1,244 per month, up 5.9 percent year over year.
- > The multifamily investment market gained momentum during the second quarter, with transaction activity surging more than 30 percent. The median price in sales during the first half of 2019 is \$110,800 per unit, with cap rates averaging approximately 5.4 percent.

Atlanta Multifamily Market Overview

Property fundamentals improved in the Atlanta multifamily market during the second quarter. Deliveries of new units slowed a bit, and the consistently strong renter demand drove a modest vacancy dip. Renter demand for apartments is being fueled by a strong pace of employment growth. The Atlanta market has added more than 53,000 net new jobs in the past year, with gains recorded across nearly all sectors in the local economy. In the most recent periods, gains have been particularly strong among Atlanta’s high-wage professional and business services sector. Professional jobs have accounted for approximately one-third of the total employment expansion in the area during the past year.

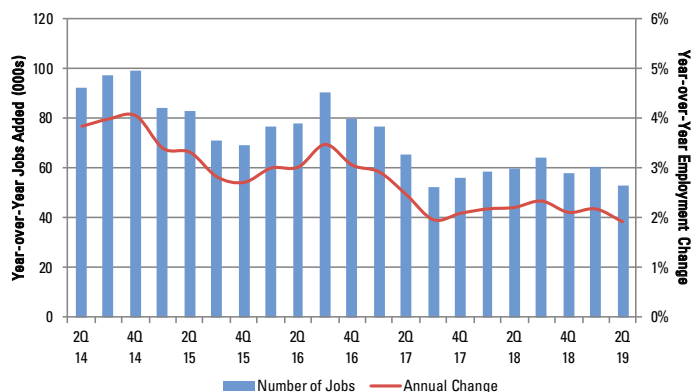
Q2 Snapshot	Atlanta Market
	Market Fundamentals
	Vacancy 4.8%
	- Year Over Year Change 0
	Asking Rent \$1,244
	- Year Over Year Change +5.9%
	Transaction Activity
	Median Sales Price Per Unit (YTD) \$110,800
	Cap Rates (Avg YTD) 5.4%
	Construction Activity
	Units Under Construction 11,998
	Units Delivered YTD 3,543

Atlanta has been one of the top markets in the country for multifamily investment volume in recent years. After total transaction activity lagged previous periods to start 2019, sales gained momentum during the second quarter, with more than \$2.1 billion in transaction volume. Through the first half of 2019, transaction activity has closely tracked levels from the first half of last year, and the \$3.4 billion of sales volume is up more than 10 percent. While activity in the \$20-million to \$50-million range was largely consistent from the first quarter to the second quarter, there was a spike in sales above \$50 million during the second quarter. On a per-unit basis, prices have remained steady, while cap rates are in the low- to mid-5-percent range on average.

Employment

- > The pace of employment growth slowed during the second quarter, but payrolls in Atlanta have still expanded by nearly 2 percent in the past year. Employers added 53,200 net new jobs in the 12-month period ending in the second quarter. One year ago, employers had added approximately 60,000 new jobs.
- > The Atlanta area's large white-collar employment sectors have been leading the way in employment growth. The professional and business services sector added 18,200 new positions in the past year, a 3.5 percent expansion.
- > With the Atlanta area in growth mode, the construction sector has been posting healthy gains. During the past 12 months, 8,000 construction jobs have been added, a 6.3 percent rate of expansion.
- > **Forecast:** Employers are forecast to expand payrolls by 2 percent in 2019, adding approximately 55,000 net new jobs. Annual employment growth has averaged 2.1 percent in each of the past two years.

Employment Overview



Sources: NorthMarq, Bureau of Labor Statistics

Employers added 53,200 net new jobs in the 12-month period ending in the second quarter

Vacancy

- > Vacancy in Atlanta fell 10 basis points in the second quarter, dipping to 4.8 percent. The rate is flat from one year ago.
- > After rising in 2016 and 2017, vacancy has remained in a very tight range since the beginning of last year. Vacancy has not dipped below 4.5 percent or risen above 5 percent in any quarter since the beginning of 2018.
- > Renter demand has remained strong even as new units have been delivered. The vacancy rate in Class A apartments ended the second quarter at 5.2 percent, 10 basis points lower than one year earlier.
- > **Forecast:** Deliveries of apartment units are scheduled to accelerate in the final two quarters of the year, putting modest upward pressure on vacancy. The vacancy rate is forecast to end 2019 at 5.1 percent, 20 basis points higher than the figure at the end of last year.

Vacancy Trends



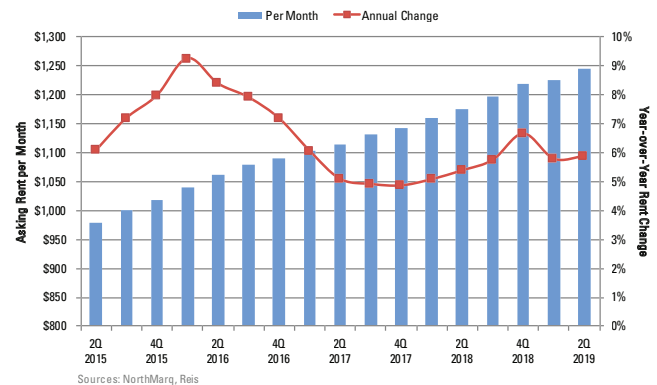
Sources: NorthMarq, Reis

Vacancy has remained between 4.5 percent and 5 percent since the beginning of 2018

Rents

- > After a slightly slower start to the year, rent growth accelerated during the second quarter. Asking rents rose 1.4 percent during the second quarter, following a modest 0.6 percent uptick in the first quarter.
- > Asking rents ended the second quarter at \$1,244 per month, 5.9 percent higher than one year earlier. Rent growth has averaged approximately 6 percent annually during the past five years.
- > Rents in Class A apartments have been posting healthy increases. Class A asking rents rose 6.5 percent in 2018 and are up 5.5 percent year over year. Asking rents in Class A properties ended the second quarter at \$1,429 per month.
- > **Forecast:** Rents are expected to continue to trend higher in the second half. Asking rents are forecast to post an annual increase of 4.5 percent in 2019, ending the year at \$1,274 per month.

Rent Trends

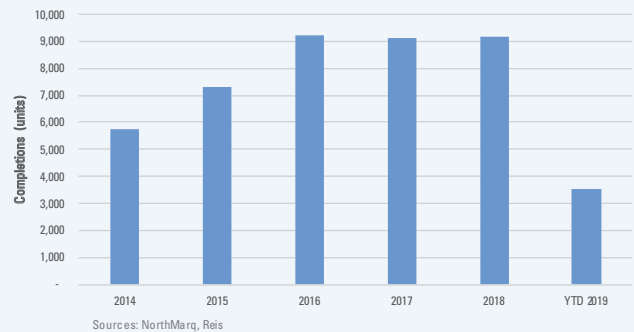


Asking rents rose 1.4 percent during the second quarter

Development and Permitting

- > Apartment deliveries slowed during the second quarter after several projects were delivered at the beginning of the year. Projects totaling approximately 850 units came online in the second quarter. In the first half of this year, more than 3,500 units have been delivered, up about 5 percent from completions during the same period in 2018.
- > Projects totaling nearly 12,000 units are currently under construction, with approximately 5,000 of these units expected to be delivered before the end of this year.
- > The Buckhead submarket will be one of the areas with the most new units coming online in the next 24 months. Projects totaling more than 2,200 units are currently under construction in Buckhead, after approximately 3,200 new units have been delivered in the submarket since the beginning of 2018.
- > **Forecast:** After developers delivered approximately 9,000 units per year since 2016, completions are expected to dip slightly in 2019 with deliveries totaling nearly 8,500 apartment units.

Development Trends

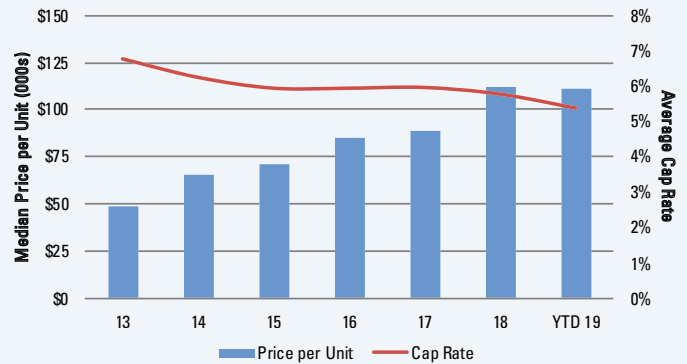


In the first half of this year, more than 3,500 units have been delivered

Multifamily Sales

- > Sales velocity accelerated during the second quarter, with the number of properties changing hands spiking by more than 30 percent from the first quarter. Transaction activity in the first half of 2019 was nearly identical to the total from the same period in 2018.
- > The median price inched higher in the second quarter, and pricing has been quite steady since the beginning of 2018. The median price in sales during the first half of 2019 was \$110,800 per unit.
- > Cap rates have compressed approximately 30 basis points thus far this year, averaging 5.4 percent. Cap rates dipped below 6 percent in 2015 and remained in the high-5-percent range until this year.

Investment Trends



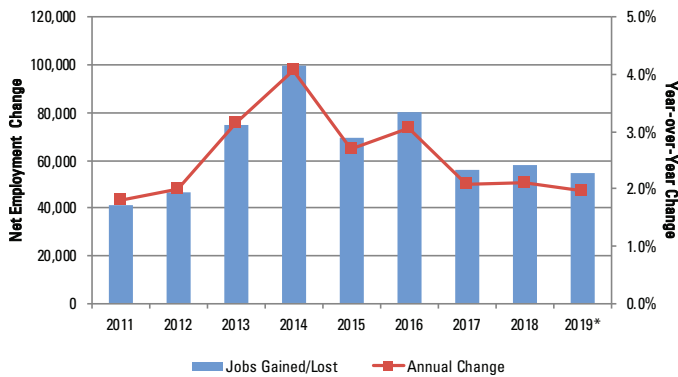
Transaction activity in the first half of 2019 was nearly identical to the total from the same period in 2018

Looking Ahead

The outlook for the Atlanta multifamily market remains favorable for the second half of 2019. The continued economic expansion in the region is providing fuel to the market, as strong employment is leading to a steady pace of renter household creation. Developers are responding to the growing demand for housing by consistently delivering new rental units to the market. Apartment deliveries have averaged approximately 9,000 new units per year since 2016, with 8,500 units forecast to come online in 2019.

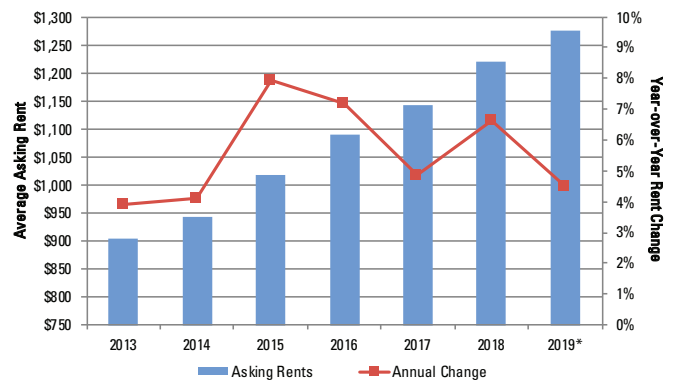
Investors are expected to remain active in the Atlanta multifamily market. Property fundamentals have proven resilient in recent years, with operators keeping vacancy rates low and implementing rent increases even as a steady stream of new projects have come through the development pipeline. Investors have responded to the favorable conditions by creating an active transaction market. One trend that has emerged in recent years and could continue is the increase in larger transactions; transactions of \$50 million and up have begun to account for an increased share of total sales activity.

Employment Forecast



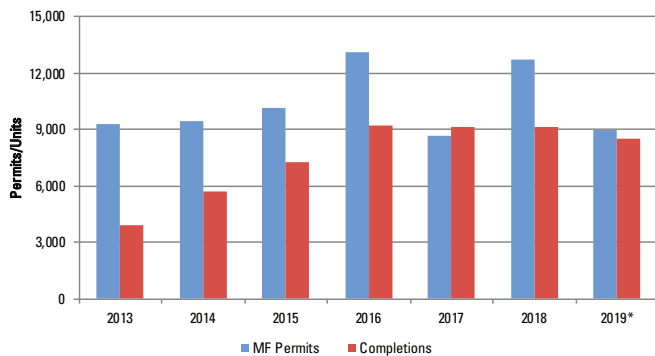
* Year End Forecast
Sources: NorthMarq, Bureau of Labor Statistics

Rent Forecast



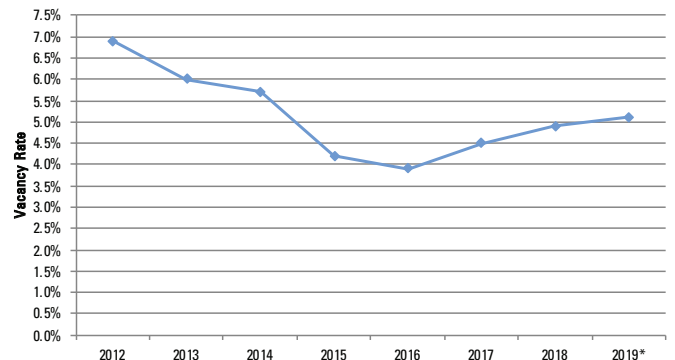
* Year End Forecast
Sources: NorthMarq, Reis

Construction & Permitting Forecast



* Year End Forecast
Sources: NorthMarq, Census Bureau, Reis

Vacancy Forecast



* Year End Forecast
Sources: NorthMarq, Reis

About NorthMarq

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