

# Market Insights

Greater Atlanta Multifamily 4Q 2021



## Construction Activity



**6,023**

Units under construction

**8,077**

Units delivered (YTD)

## Market Fundamentals



**4.7%**

Vacancy

**-90bps**

Year over year change

**\$1,487**

Asking Rent

**+15.9%**

Year over year change

## Transaction Activity



**\$170,000**

Median sales price per unit (YTD)

# Transaction Activity, Prices Spiked to Close 2021

## Highlights

- After significant strengthening in the third quarter, the Atlanta multifamily market posted more modest gains in the final few months of the year. Many of the trends achieved at the end of 2021 will likely be sustained throughout much of 2022.
- Asking rents in Atlanta continued to rise during the fourth quarter, though the pace of growth slowed from the third quarter. Rents rose 1.3 percent during the final quarter, finishing the year at \$1,487 per month. In 2021, rents spiked 15.9 percent.
- The investment market gained momentum during the fourth quarter, with transaction activity surging and sales prices jumping. The median sales price reached \$170,000 per unit through the end of 2021, while cap rates averaged around 4 percent during the fourth quarter.

## Atlanta Multifamily Market Overview

The Atlanta multifamily market recorded very strong performance in 2021 with vacancy rates tightening and rents trending higher at a rapid annual clip. The bulk of the improvement occurred in the middle part of the year, and during the fourth quarter, conditions were mostly stable. Rents trended higher in the final few months of the year, and the pace of gains posted in the fourth quarter should be achievable again in 2022. The vacancy rate inched higher in the fourth quarter, bouncing off a four-year low that was reached during the third quarter. Much of the growth in 2021 was fueled by a rapidly improving labor market with local employers adding back tens of thousands of jobs every quarter.

The local investment market gained momentum during the final months of 2021 with transaction activity increasing 40 percent from the third quarter to the fourth quarter. The Atlanta area remains one of the top markets in the country for multifamily sales volume, attracting investors across the nation. With sales activity picking up, prices trended higher throughout 2021. For the full year, the median price spiked nearly 30 percent from 2020 levels. Prices continued to rise as the year went on, with the median price in sales during the fourth quarter topping \$203,000 per unit. Cap rates continue to tighten in Atlanta, averaging 4 percent during the fourth quarter, after beginning the year at nearly 5 percent.

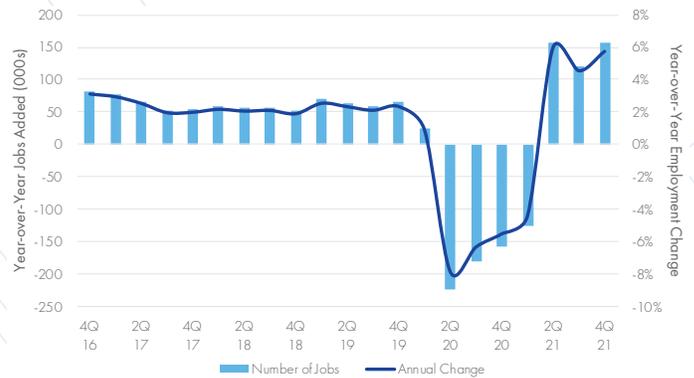
## Employment

- The local labor market surged during the fourth quarter with the addition of more than 58,000 positions, surpassing its pre-pandemic level of employment. Atlanta employers added more than 156,000 jobs for the full year, an expansion of 5.7 percent.
- Although substantial growth occurred across most industries in the region, the professional and business services sector recorded one of the strongest rebounds in recent quarters. This industry expanded roughly 6 percent in 2021 with the addition of 32,400 jobs.
- Capital One recently announced plans to expand its presence in Atlanta. The company will add hundreds of engineers and product managers in Atlanta's Ponce City Market.
- **Forecast:** Total employment in Atlanta is expected to grow by approximately 3 percent in the year ahead with the addition of 87,000 jobs.



Employers added more than 156,000 jobs in 2021.

### Employment Overview

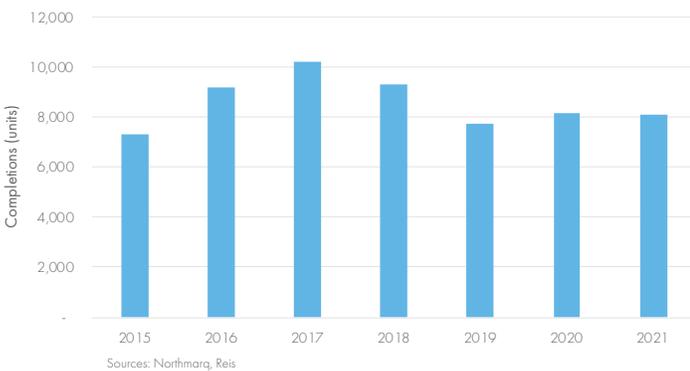


Sources: Northmarq, Bureau of Labor Statistics



In 2021, developers delivered nearly 8,100 units.

### Development Trends



Sources: Northmarq, Reis

## Development and Permitting

- Deliveries were active throughout 2021 in Atlanta. During the fourth quarter, projects totaling more than 2,500 units came online. For the full year, developers delivered nearly 8,100 units, nearly identical to the level of completions in 2020.
- Approximately two dozen projects totaling more than 6,000 units are currently under construction in Atlanta, a 40 percent decline from one year ago. Although construction activity is spread throughout the metro area, Midtown is the most active submarket with more than 1,450 units under construction in the submarket.
- After slowing in 2020 and in the beginning of 2021, permitting regained momentum in recent quarters. Developers pulled permits for more 3,300 multifamily units in the fourth quarter, bringing the total for the year to 7,300 permits.
- **Forecast:** The development pipeline has thinned after a decline in permitting in recent years, which will lead to a slowing pace of completions in 2022. Developers are forecast to complete approximately 5,500 units to the market in the year ahead, down 32 percent from 2021.

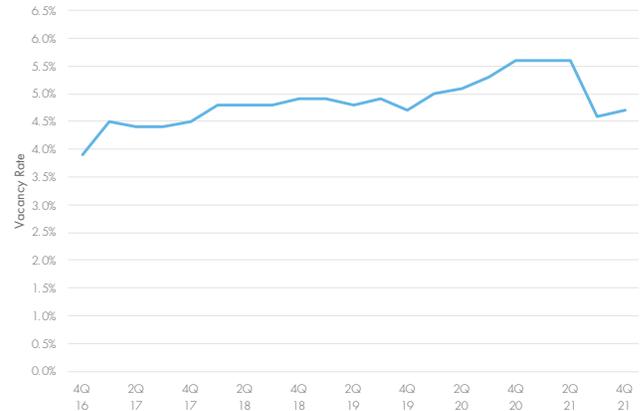
## Vacancy

- After vacancy fell 100 basis points in the third quarter, the rate inched higher during the fourth quarter, rising 10 basis points to end the year at 4.7 percent.
- Despite the slight increase in recent months, the vacancy rate dropped 90 basis points in 2021. The decline was fueled by a sharp increase in renter demand as net absorption reached more than 11,600 units for the full year, the highest annual total since 2015.
- Vacancy rates have tightened across all asset classes during the past year with Class A properties posting the largest declines. In 2021, vacancy in Class A units dropped 130 basis points, ending the year at 5.3 percent. With the economy improving, particularly in high-wage sectors, Class A vacancy should continue to tighten.
- **Forecast:** Demand is forecast to remain strong in 2022, and construction activity is on pace to slow, driving the vacancy rate lower. The rate is expected to dip 30 basis points in the year ahead, finishing 2022 at 4.4 percent.



The vacancy rate dropped 90 basis points in 2021.

### Vacancy Trends

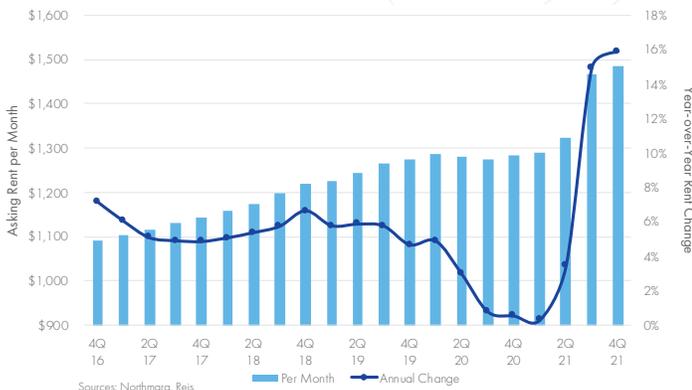


Sources: Northmarq, Reis



Asking rents rose 15.9 percent in 2021.

### Rent Trends



Sources: Northmarq, Reis

## Rents

- After spiking during the third quarter, the pace of rent growth slowed in the last few months of the year. Asking rents rose 1.3 percent during the fourth quarter, ending the year at \$1,487 per month.
- Average rents in Atlanta jumped 15.9 percent during 2021, the largest annual growth on record. Rent growth in Midtown and Buckhead advanced about 12 percent in 2021, with asking rents in both submarkets ending the year above \$2,000 per month.
- Asking rents surged across all property classes in recent quarters with the steepest gains recorded in Atlanta's higher-end units. Average Class A rents reached \$1,695 per month at the end of the year, a 16 percent annual increase.
- **Forecast:** Asking rents in Atlanta are forecast to reach more than \$1,575 per month in the year ahead, rising approximately 6 percent.

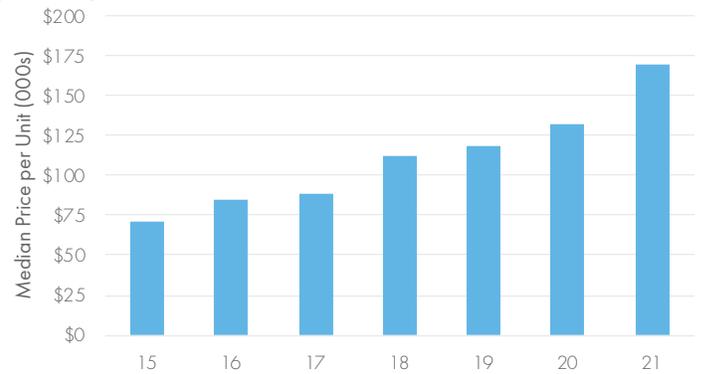
## Multifamily Sales

- Multifamily sales activity accelerated in the last few months of the year with the number of transactions increasing nearly 40 percent from the third quarter to the fourth quarter. For the full year, sales volume advanced more than 20 percent from 2020 levels.
- Improving property fundamentals and increased renter demand caused sales prices to push higher during the year. The median sales price in Atlanta reached \$170,000 per unit at the end of 2021, up nearly 30 percent from the median price in 2020.
- As prices rise across the Atlanta area, cap rates continue to compress. Cap rates averaged 4 percent during the fourth quarter with a handful of sales between 3.0 percent to 3.5 percent.



The median price reached \$170,000 per unit in 2021.

### Investment Trends



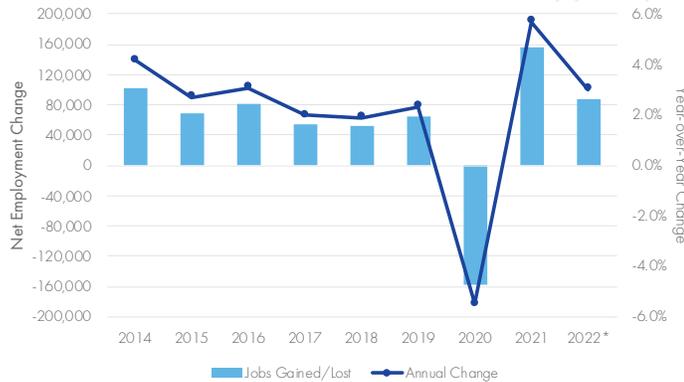
Sources: NorthMarq, CoStar

## Looking Ahead

The year ahead should be a strong one in the Atlanta multifamily market. Operating conditions will be supported by a rapid pace of economic growth and employment gains, and a slowdown in the pace of the delivery of new units. The vacancy rate dropped 90 basis points in 2021 and is expected to tighten further in the year ahead. The combination of elevated demand and moderating supply growth will support above-average rent growth, although gains are not expected to match the sharp increases recorded in 2022.

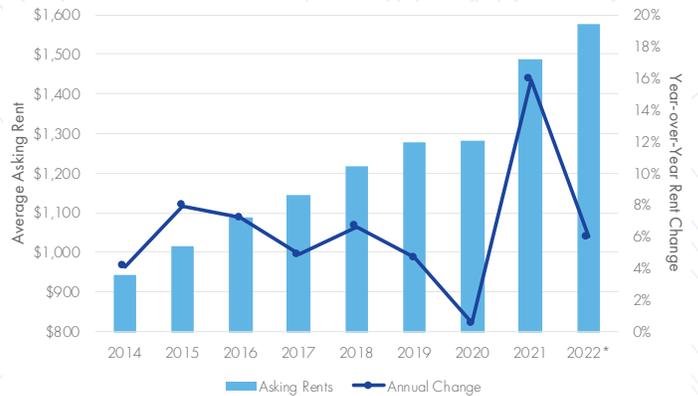
The momentum gained in the multifamily investment market at the end of 2021 is expected to carry over into the year ahead. Sales prices are rising at a rapid pace as Atlanta has remained one of the highest-volume markets in the country for investment sales in recent years. The steadier rate of growth that is forecast for 2022 should buoy the market, following two consecutive years of extreme volatility. Cap rates have dipped below 4 percent in many transactions, but may level off in 2022, as rising interest rates could prevent any additional compression.

### Employment Forecast



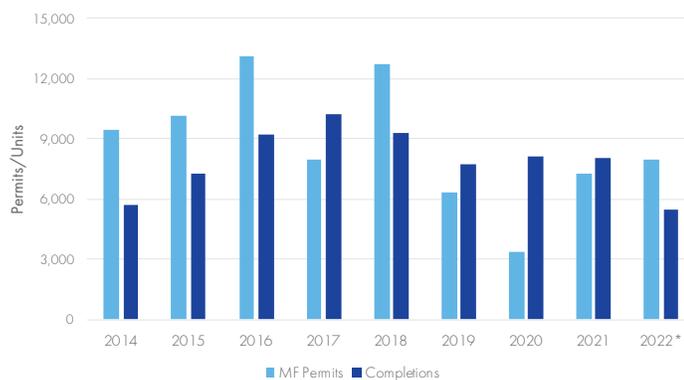
\* Year End Forecast  
Sources: Northmarq, Bureau of Labor Statistics

### Rent Forecast



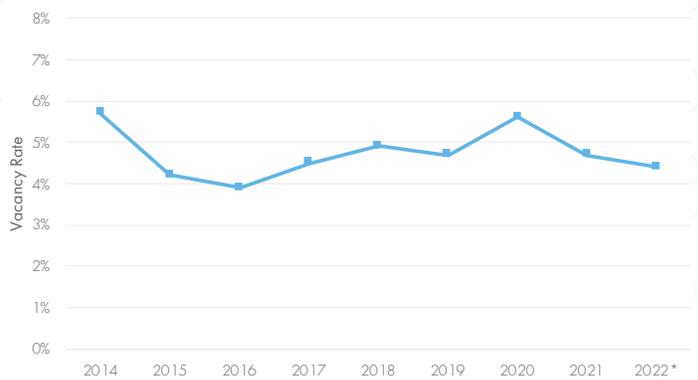
\* Year End Forecast  
Sources: Northmarq, Reis

### Construction & Permitting Forecast



\* Year End Forecast  
Sources: Northmarq, Census Bureau, Reis

### Vacancy Forecast



\* Year End Forecast  
Sources: Northmarq, Reis



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## About Northmarq

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