

# Market Insights

Greater Atlanta Multifamily 1Q 2022



## Construction Activity



**15,413**

Units under construction

**1,531**

Units delivered (YTD)

## Market Fundamentals



**4.6%**

Vacancy

**-100 bps**

Year over year change

**\$1,547**

Asking Rent

**+19.9%**

Year over year change

## Transaction Activity



**\$196,700**

Median sales price per unit (YTD)

# Elevated Hiring Activity Fueling Renter Demand

## Highlights

- A rapid pace of employment growth across a wide range of industries is supporting demand for apartment properties in Atlanta. Continued improvement is anticipated, as the regional economy is forecast to post some of the country's strongest economic expansion in 2022.
- The pace of rent increases accelerated during the first quarter, with asking rents jumping 4.1 percent to \$1,547 per month. During the 12-month period ending in the first quarter, asking rents spiked 19.9 percent.
- A steady pace of investment activity was recorded in Atlanta during the first quarter. The median sales price continued to push higher, reaching approximately \$196,700 per unit, while cap rates averaged 4.2 percent.
- Vacancy inched lower in the first quarter, offsetting a modest uptick at the end of last year. The rate dropped 10 basis points to 4.6 percent to start the year. The rate has declined 100 basis points year over year.

## Atlanta Multifamily Market Overview

Operating conditions in the Atlanta multifamily market remained strong in the first quarter. After ticking upward in the fourth quarter, apartment vacancies improved during the first few months of the new year. The current rate is at its lowest point since the fourth quarter of 2017. The tight conditions and ongoing renter demand for units drove rents higher at an accelerating pace. Atlanta is one of the top markets in the country for recent and anticipated employment growth; during the past 12 months, employers have expanded payrolls by more than 6 percent.

Multifamily investment activity during the first quarter was similar to levels at the start of last year, demonstrating the sustained investor interest in apartment properties in Atlanta. Elevated demand has led to higher prices. The median price of transactions that changed hands during the first quarter was \$196,700 per unit, 16 percent higher than the median price in 2021. Cap rates have trended somewhat higher throughout the start of 2022, with the average cap rate 20 basis points higher than the average at the end of the fourth quarter.

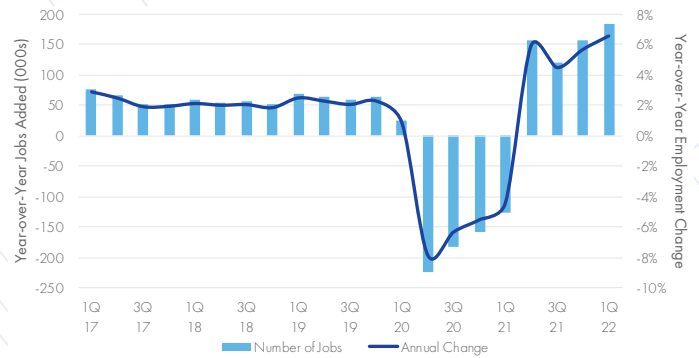
## Employment

- The local employment market continues to strengthen as levels reached a new high in the first quarter. In the past 12 months, employers in Atlanta have added 183,000 jobs, an increase of 6.6 percent. More than 50,000 jobs were added during the first quarter.
- Trade, transportation, and utilities has been a source of significant growth in recent periods. The sector has accounted for roughly one-quarter of all new hires in the past year, with more than 45,000 new jobs, an expansion of 7.7 percent.
- Online car dealer, Carvana, recently announced plans for a major expansion in the Atlanta area. The company, which currently already employs more than 1,500 team members in Georgia, plans to bring an additional 3,500 employees to the area in the next several years.
- **Forecast:** Employers are forecast to add approximately 135,000 jobs in 2022, a growth rate of 4.7 percent. Last year, more than 150,000 jobs were added back to local payrolls.



More than 50,000 jobs were added during the first quarter.

### Employment Overview

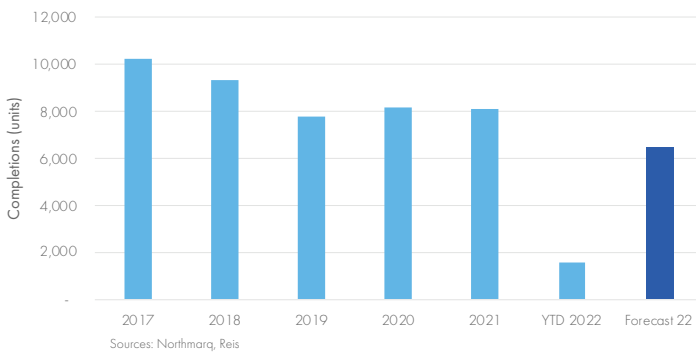


Sources: Northmarq, Bureau of Labor Statistics



Projects totaling more than 15,400 units are under construction.

### Development Trends



Sources: Northmarq, Reis

## Development and Permitting

- During the first quarter, projects totaling more than 1,500 units came online. Since 2015, quarterly deliveries have averaged more than 2,100 units. Developers are expected to maintain the recent pace of completions throughout much of the rest of this year.
- Developers are ramping up construction activity in Atlanta as projects totaling more than 15,400 units are under construction. During this time last year, there were fewer than 9,000 units in the development pipeline. While construction is occurring across the region, several projects are underway in the Midtown submarket.
- After less than 900 multifamily permits were issued in the first quarter of 2021, activity spiked at the start of 2022. During the first quarter, developers pulled permits for more than 5,400 multifamily units. This year is expected to be the strongest period of multifamily permitting since 2015-2018, when multifamily permitting averaged more than 11,000 units per year.
- **Forecast:** Developers are forecast to deliver approximately 6,500 units this year, after about 8,000 apartment units were completed in each year from 2019 to 2021. The rapid acceleration in multifamily permitting will result in an increase in deliveries beginning in 2023.

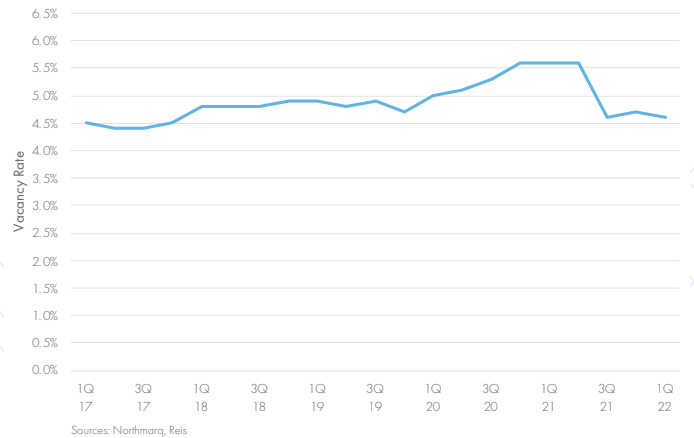
## Vacancy

- Demand outpaced supply growth at the beginning of the year, and the vacancy rate dipped 10 basis points to 4.6 percent. The current figure is slightly lower than the market’s long-term average; since 2017, vacancy in Atlanta has averaged 4.9 percent.
- Year over year, the local vacancy rate has improved by 100 basis points. Net absorption in the past year has topped 10,500 units, causing vacancy to tighten.
- Vacancy has been trending lower in the Buckhead submarket, and there is additional room for improvement. During the past 12 months, vacancy in Buckhead has declined 150 basis points, ending the first quarter at 7.1 percent.
- **Forecast:** With renter demand elevated and deliveries likely to remain below the average from recent years, vacancies are expected to continue to improve throughout 2022. By the end of the year, the rate is forecast to reach 4.2 percent, a 50-basis point annual improvement.



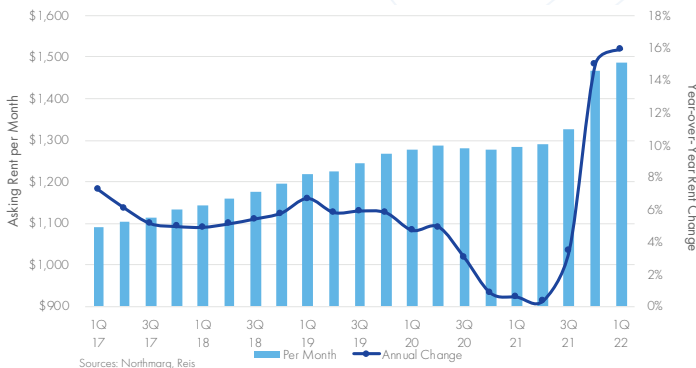
Year over year, the local vacancy rate has improved by 100 basis points.

### Vacancy Trends



Asking rents in the first quarter reached \$1,547 per month.

### Rent Trends



## Rents

- After growth slowed in the last few months of 2021, rents spiked at the start of this year. Asking rents rose 4.1 percent in the first quarter, reaching \$1,547 per month.
- Year over year, asking rents have surged 19.9 percent. Atlanta has traditionally been a market that records more rapid rent growth than many other regions, because of the influx of new residents and corporate expansion. Local rent growth averaged 5.9 percent per year from 2014 to 2019.
- Rents in Marietta advanced 22.3 percent in the past 12 months, ending the first quarter at \$1,425 per month. As recently as two years ago, average rents in the submarket were under \$1,150 per month.
- **Forecast:** The strong start to the year should fuel rent gains in 2022. Asking rents are forecast to rise approximately 8 percent this year, reaching \$1,606 per month.

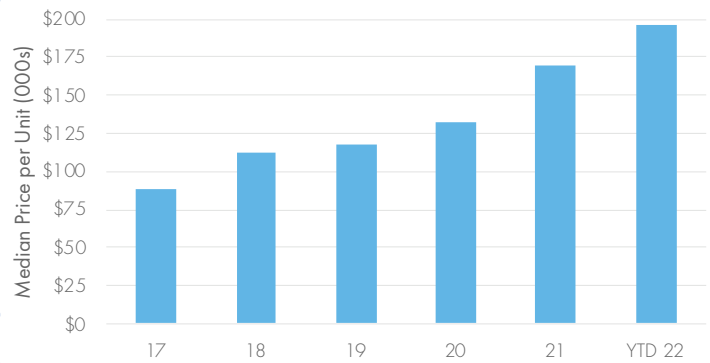
## Multifamily Sales

- Atlanta is routinely one of the most active markets in the country for multifamily property sales. During the first quarter of this year, transaction activity was nearly identical to levels recorded during the same period in 2021. Sales velocity accelerated throughout the course of last year, but preliminary indications suggest quarterly transaction volume may remain on a steady pace in the next few quarters.
- The median price during the first quarter was \$196,700 per unit, about 16 percent higher than the median price in 2021. Several of the properties that closed at the beginning of the year were Class A and Class B buildings, which caused an increase in the per-unit pricing.
- Despite a rise in prices, cap rates have trended higher. The average cap rate among transactions that took place during the first quarter was 4.2 percent, approximately 20 basis points higher than at the end of last year.



The median sales price in the first quarter was \$196,700 per unit.

### Investment Trends



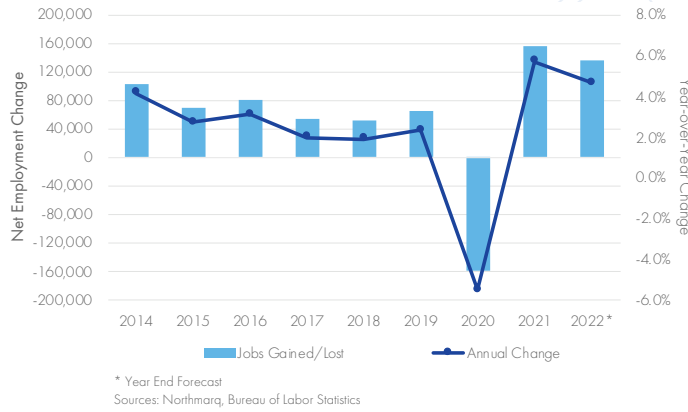
Sources: NorthMarq, CoStar

## Looking Ahead

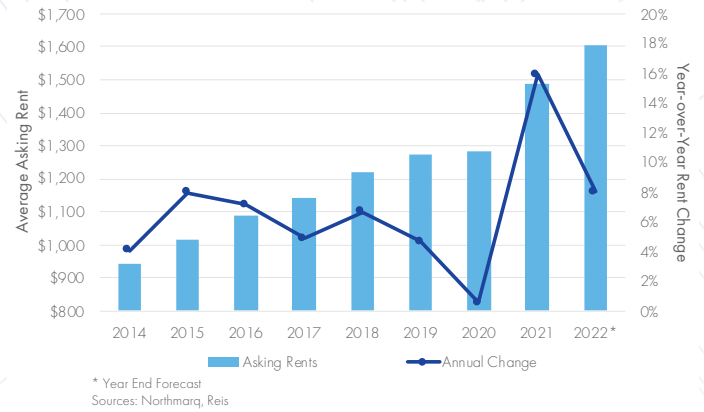
The year ahead is expected to be an active one in the Atlanta multifamily market. One of the primary driving forces in the market is the rapid employment growth being recorded in the economy. Atlanta's businesses have come roaring back, and current employment levels are up about 75,000 jobs from the pre-COVID peak. Local property fundamentals are poised to strengthen throughout the remainder of 2022. Asking rents are expected to grow by 8 percent in 2022, about 2 full percentage points higher than the market's five-year historical average pace of growth. Vacancies are likely to improve as renter demand will outpace the number of new deliveries.

The local multifamily investment climate is expected to remain competitive and active for the next several quarters. Transactions that occurred at the start of the second quarter indicate a healthy investor appetite across all property classes and most submarkets. Pricing is often a function of what properties trade, but the rapid rent growth and broad mix of properties available for acquisition should support additional per-unit price appreciation. The impact of rising borrowing costs on cap rates has been a source of speculation, but preliminary readings show cap rates generally stabilizing in the second quarter, which could set the stage for an active second half of the year.

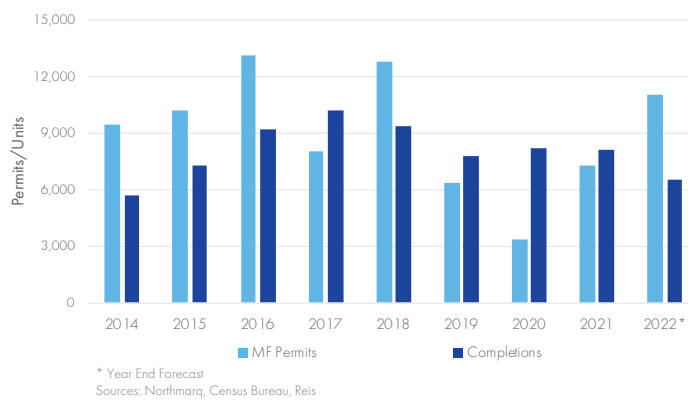
### Employment Forecast



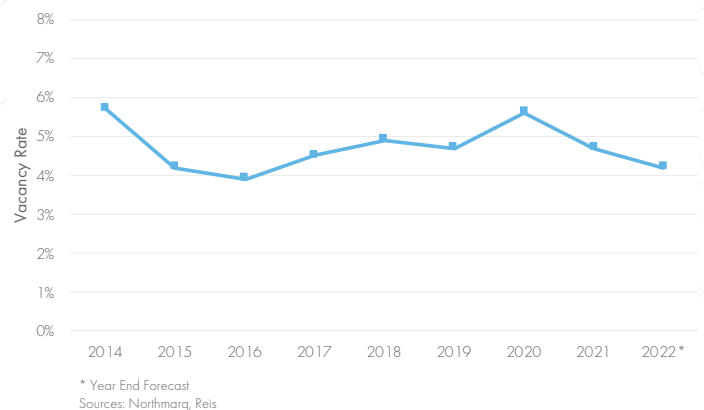
### Rent Forecast



### Construction & Permitting Forecast



### Vacancy Forecast





For more information,  
please contact:

**Jason Nettles**

Managing Director—Investment Sales  
678.954.4676  
jnettl@northmarq.com

**Megan Thompson**

Senior Vice President—Investment Sales  
678.954.4677  
mthompson@northmarq.com

**Peter Chacon**

Associate Vice President—Investment Sales  
678.954.4662  
pchacon@northmarq.com

**Faron Thompson**

Regional Managing Director—Debt & Equity  
678.954.4674  
fthompson@northmarq.com

**Randy Wolfe**

SVP, Managing Director—Debt & Equity  
678.954.4664  
rwolfe@northmarq.com

**Trevor Koskovich**

President—Investment Sales  
602.952.4040  
tkoskovich@northmarq.com

**Pete O'Neil**

Director of Research  
602.508.2212  
poneil@northmarq.com

## About Northmarq

Northmarq offers real estate investors access to experts in debt, equity, investment sales and loan servicing. We combine industry-leading capabilities with an open, flexible structure, allowing our team of seasoned professionals to do the best work on behalf of clients and lenders. Our solid foundation and innovative approach have led to substantial growth, with more than 700 employees, loan servicing volume approaching \$70 billion, and \$30+ billion in transaction volume.