

Multifamily Metro Outlook:

Atlanta - Q1 2021

Overview:

- As a result of Atlanta's diversified metro, the recovery from COVID-19 is heading in the right direction. According to CoStar, the metro's local job market expanded by approximately 5.2 percent slightly below the national rate of 5.9 percent. As the local economy continues to regain its footing, the metro has been able to recover nearly 250,000 jobs (4.5 percent below pre-pandemic peak job numbers) as of Q1 2021.
- The apartment market in Atlanta has been minimally impacted by COVID-19 since its onset in Q1 2020. Construction was considered essential in the state of Georgia and as of Q1 2021 there are 77 projects and 15,000 units in the pipeline. Furthermore, apartment fundamentals have continued to trend positively as vacancies were 6 percent and rent growth swelled to 2.75 percent.

Market Strengths:

- As a result of Atlanta's diverse economy, many employment sectors were able to mitigate the impact of COVID-19 by pivoting to remote working. More than a quarter of Atlanta's labor force is comprised of jobs in the Financial, Information and Professional Business Services sectors.
- Atlanta has a strong demographic profile that should help ease in the recovery of COVID-19. Over the next five years, Moody's Analytics is reporting that Atlanta will grow more than twice as fast as the country (1.1 vs. 0.5 percent). Furthermore, the prime renting cohort composed of residents in the age group for 20-34 will grow even faster at 1.1 percent vs. -0.2 percent through 2025.
- Even though the virus was not kind to the office sector, the metro has been able to keep up its reputation as a prime location that companies look to for footprint expansion. As a result of the low costs of business (9 percent below the national average), companies such as Microsoft, Google, FanDuel, and Norfolk Southern are all on board to open Midtown offices. Furthermore, corporations such as Airbnb, Papa John's, and Boston Consulting Group are also expanding their footprint within the metro.

Market Weaknesses:

- Although there were many companies expanding their footprints within the metro, Atlanta was not immune from large employers facing ill effects from the virus. According to CoStar, Cox Automotive, Macy's and Coca-Cola all had to deal with workforce reductions as a result of the virus.
- There is potential concern of oversupply especially within the Buckhead, Downtown, Johns Creek, Midtown, Northeast Gwinnet County and Southeast submarkets. Combined these submarkets have approximately 8,900 units underway with expected delivery into the first half of 2022. The high amounts of supply being delivered may impact the metro's net absorption levels, however the strong population growth trends in the metro should allow demand to stay on track with incoming supply.
- According to Moody's Analytics, single-family building permits have increased sharply since the economic downturn began in April 2020. Even with all the multifamily construction throughout the greater Atlanta metro, the threat of increased single-family construction coupled with single-family affordability and increased consumer desires for more space as a result of the pandemic are emerging as threats to the Atlanta multifamily sector.

Development:

- Since 2016 approximately 48,000 apartments have come online. The apartment market has been active in recent quarters as approximately 59,000 units are in the planning stages. Approximately 15,000 more units are underway through the first half of 2022.
- Condo development was fast and furious during the housing boom. Nearly 40,000 units have come online since 2006, creating a shadow supply. Fortunately, development has slowed, as less than 2,000 units are underway.

Outlook:

- Overall apartment fundamentals continue to be minimally impacted by the virus. Despite the onset of COVID-19 and the ongoing uptick in supply, supply should be able to be absorbed by the metro's strong demographic profile.
- Prior to the arrival of COVID-19, Atlanta was one of the best performing metros in the country. Recovery in the metro will be aided by a diverse economy and the presence of many large corporations who continue to relocate to the area to take advantage of cheap business costs. Although, the recovery may take a bit longer than anticipated as the number of business bankruptcies is expected to increase exponentially throughout 2021. However, Atlanta's growth prospects continue to be brighter than the rest of the country as they are expected to be able to fall back on the diversity of the local economy and the presence of a talented pool of young workers.

Five Year Metro Area Growth Forecast

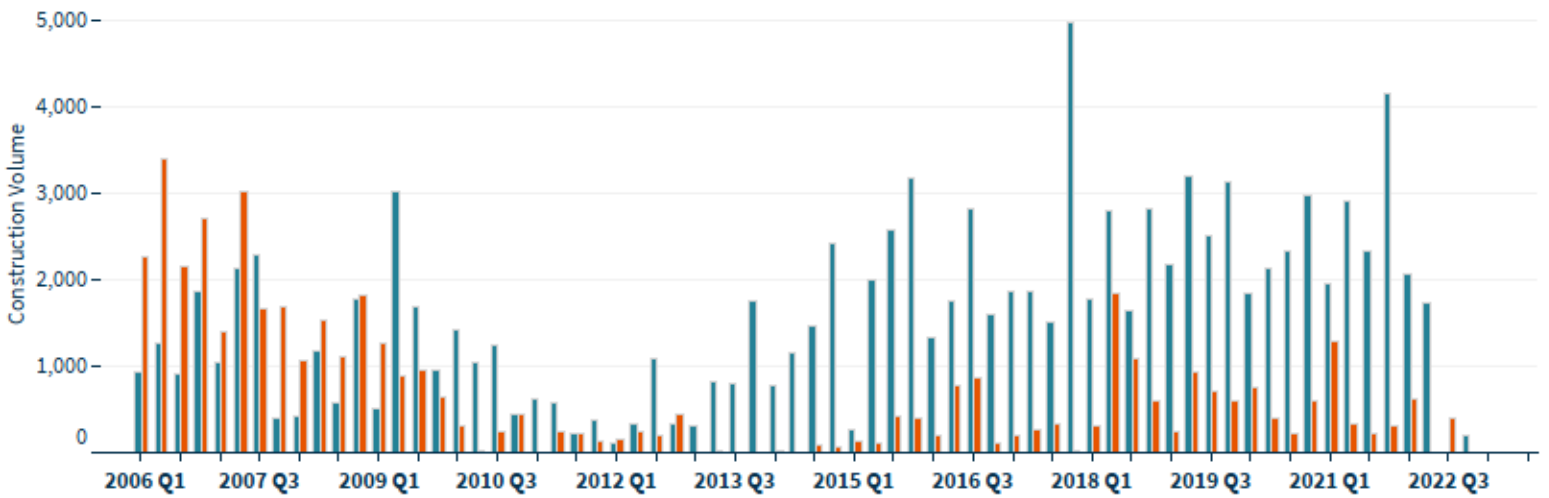
	Q4 2020	Q4 2025	Atlanta (5-Year Annual Average Change)	National (5-Year Annual Average Change)
Population (000s)	6,147	6,505	1.14%	0.52%
Households (000s)	2,223	2,467	2.10%	1.41%
Renting Cohort (Ages 20-34) (000s)	1,284	1,356	1.10%	-0.26%
Total Employment (000s)	2,788	3,088	2.07%	1.71%
Median Household Income	\$69,745	\$78,917	2.50%	2.83%
Median SF Home Price	\$277,854	\$315,478	2.57%	4.30%
Net Migration	50,067	36,442		

Source: Moody's

SupplyTrack Pipeline

Apartments & Condos/Townhomes: Units Completed and Underway

Apartments | Condos



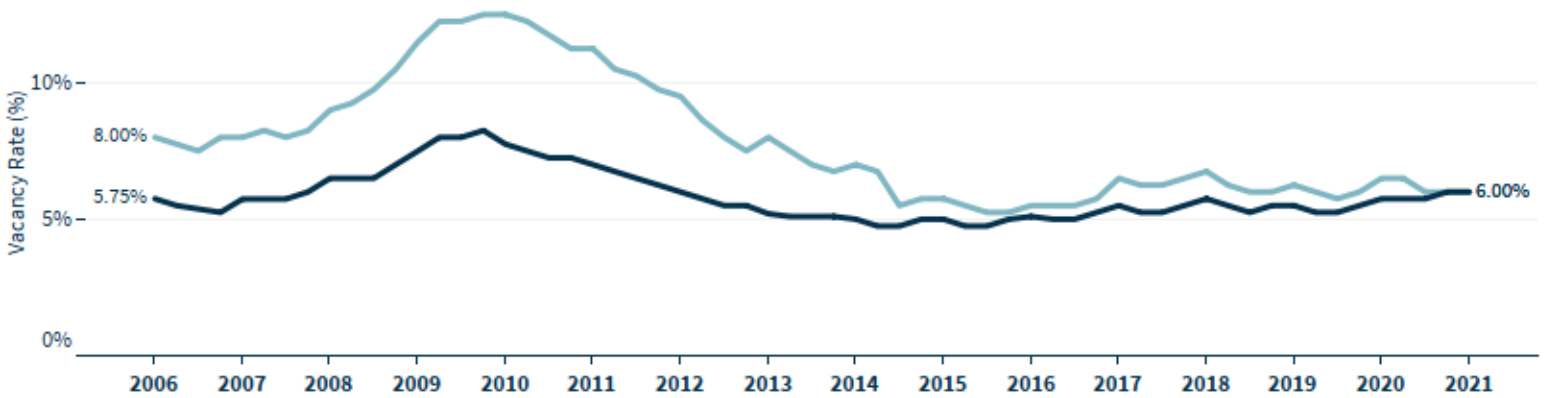
Vacancy & Rent Composite Estimates

Vacancy Rates

Atlanta | National

Q1 2021 Vacancy Rate:

6.00%

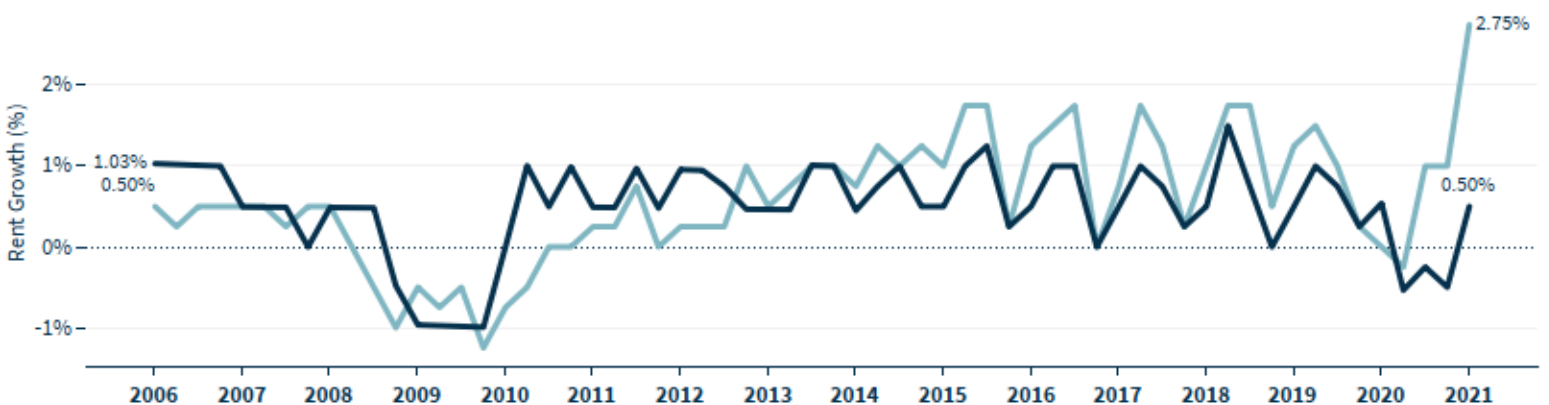


Asking Rent Growth

Atlanta | National

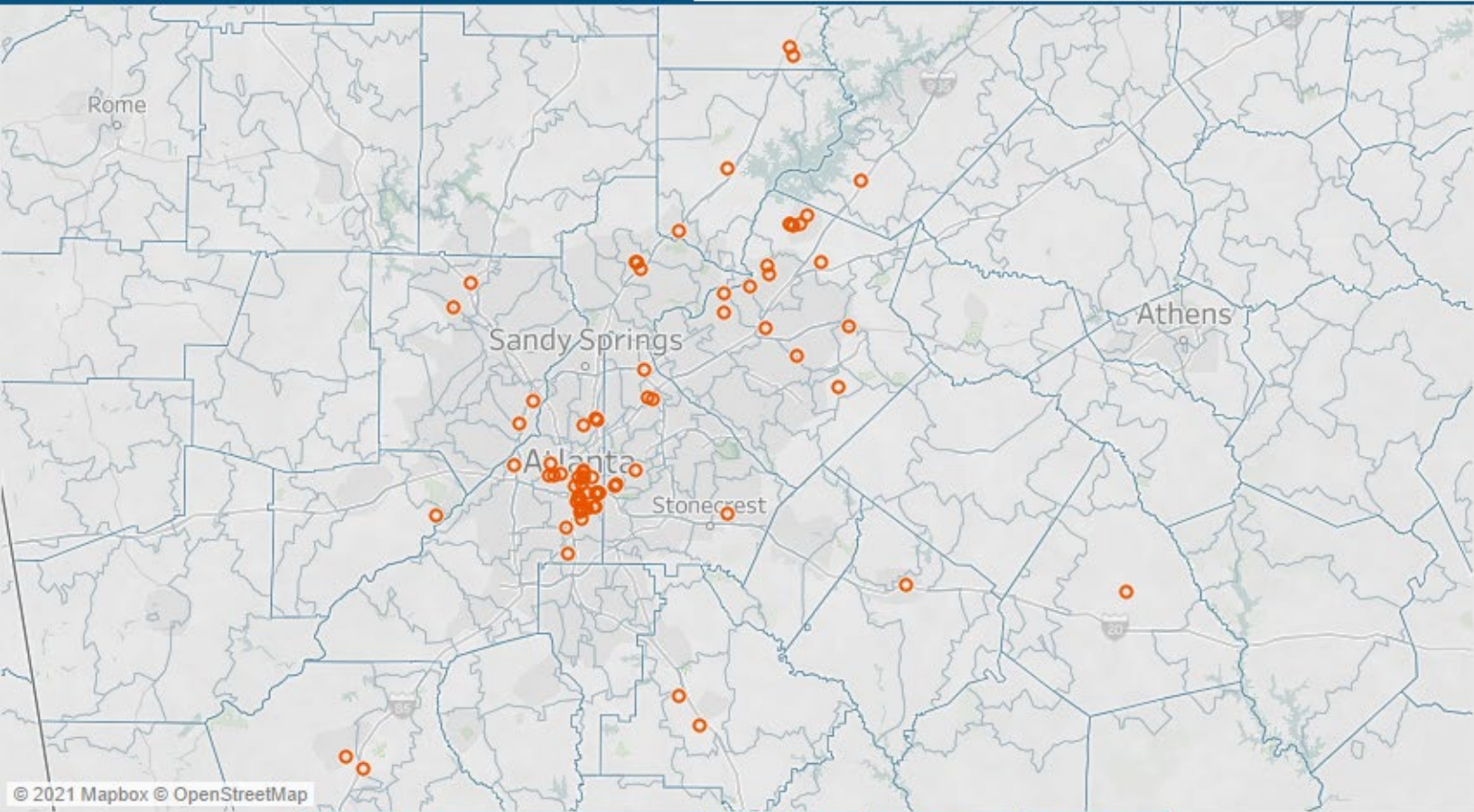
Q1 2021 Asking Rent:

\$1,340



Source: Multifamily Economics and Research

Construction: Bidding & Underway



<i>Sub-Market</i>	<i>Projects</i>	<i>Units</i>	<i>Sq. Ft. (M)</i>
Alpharetta/Cumming	5	487	0.53M
Buckhead	3	991	0.90M
Chamblee/Brookhaven	2	134	0.17M
Decatur	2	548	0.71M
Doraville	1	320	0.40M
Downtown Atlanta	7	1,875	2.08M
Duluth	1	258	0.28M
Far East Atlanta Suburbs	2	410	0.47M
Far North Atlanta Suburbs	2	320	0.36M
Far South Atlanta Suburbs	2	107	0.13M
Gainesville, GA	1	300	0.30M
Henry County	2	604	0.62M
Johns Creek/Suwanee/Buford	10	1,245	1.34M
Kennesaw/Acworth	2	423	0.46M
Midtown Atlanta	5	1,139	1.18M
Northeast Atlanta	1	105	0.11M
Northeast Gwinnett County	5	1,236	1.27M
Smyrna	1	313	0.35M
South Atlanta	1	131	0.15M
South Cobb County/Douglasville	1	303	0.31M
Southeast Atlanta	14	2,355	2.55M
Southeast DeKalb County	1	238	0.26M
Southwest Atlanta	1	209	0.22M
Vinings	1	281	0.32M
West Atlanta	4	322	0.36M
Grand Total	77	14,654	15.81M

Multifamily: ESR Team

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Multifamily Economics and Market Research Team

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Sources Used

- Moody's Economy.com
- REIS
- CoStar
- Real Capital Analytics
- RealPage
- Dodge Data and Analytics SupplyTrack Pipeline
- Axiometrics
- CBRE-Econometric Advisors
- Yardi

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