

Multifamily Metro Outlook:

Atlanta - Q3 2022

Overview:

- Atlanta's labor force has long since recovered from COVID-19 related losses. Its diverse economy and business friendly environment welcome large corporations that are in the process of entering or expanding into the metro. Employment continues to surpass regional and national levels where this past quarter, the unemployment rate fell to an all time low of 2.5% at the end of the quarter.
- The virus had a minimal impact on the metro's apartment sector and the metro's fundamentals continue to perform decently. As of Q3 2022 vacancies increased to 5.5% and deliveries kept pace with the historical average, with 3,330 units delivered this past quarter. Furthermore, while rent growth dropped to 1.5% during the quarter, it continues to perform above the national average of 1.1% during the same period. The average asking rent in Atlanta in Q3 2022 was \$1,660.

Market Strengths:

- Atlanta has a strong demographic profile that aided in the rather quick recovery from the worst of COVID-19. Over the next five years, the Atlanta population will grow more than twice as fast as the country (1% vs. 0.5%). Furthermore, the prime renting cohort composed of residents in the age group for 20-34 will grow at a similar rate at 0.8% vs. -0.3% nationally through 2026.
- The Atlanta metro is poised to further strengthen its burgeoning Tech/information employment sector. White collar firms are attracted to the deep and diverse talent pool and low costs of doing business in the region. Several corporations announced technology related hiring in the metro earlier this year include Microsoft, Google, Meta, BlackRock, and Anthem. Walmart additionally announced a new tech hub in the region that would employ thousands. Furthermore, due to Atlanta's location and the presence of supply-chain innovation and technology, the local tech scene is poised to emerge as strong economic pillar within the metro.
- One of the many sectors that has been outperforming in the metro is manufacturing, particularly electrical vehicle manufacturing. Manufacturing payrolls surpass pre-pandemic highs. Additionally, the electric vehicle manufacturer Rivian announced it is constructing a \$5 billion electric vehicle manufacturing plant, planning to bring over 8,000 new jobs to the metro once it is completed.

Market Weaknesses:

- Although not an issue exclusive to the Atlanta metro, there are some concerns about the infrastructure and how it could hamper the metro area's growth prospects. The MARTA rail system needs expansion and upgrades and until those occur, residents' ability to live in areas further out could be constrained as a result of aging highway and commuter rail infrastructure.
- Even though recovery in the Leisure and Hospitality sector in the Atlanta metro has rebounded tremendously, there is still a cloud of concern looming over the metro. The sector has yet to recoup jobs lost from the pandemic as employment remains 6.3% below pre-pandemic levels. Additionally, the Atlanta metro is more dependent on international and business travel, more than other major metro areas. Since travel has not rebounded as quickly as hoped, the local recovery is still hindered.

Development:

- As has been the case across most of the country, the apartment market has been active in recent quarters. With approximately 3,800 units added to the pipeline this past quarter, this brings the total to about 12,000 units added this year. Atlanta's apartment market could soon be faced with oversupply, as the supply pipeline increased 62% since last year.
- 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 approximately only 480 units were delivered this past quarter.

Outlook:

Multifamily Outlook – Steady. Overall apartment fundamentals hold steady in the metro. Atlanta apartment market will continue to benefit from its relative affordability and highly educated workforce as many employers move or expand to the metro. While supply upticks in recent quarters may cause the vacancy to ease slightly, much of the supply will be absorbed by the metro's strong demographic profile and net positive migration trends.

Economic Outlook – Stable. Atlanta's economy should continue to make steady gains in the foreseeable future. The economy has been aided by diversity and the presence of many large corporations who continue to relocate to the area to take advantage of cheap business costs. Tech may present a headwind as rising interest rates and layoffs present a headwind to their expansion in the metro. 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

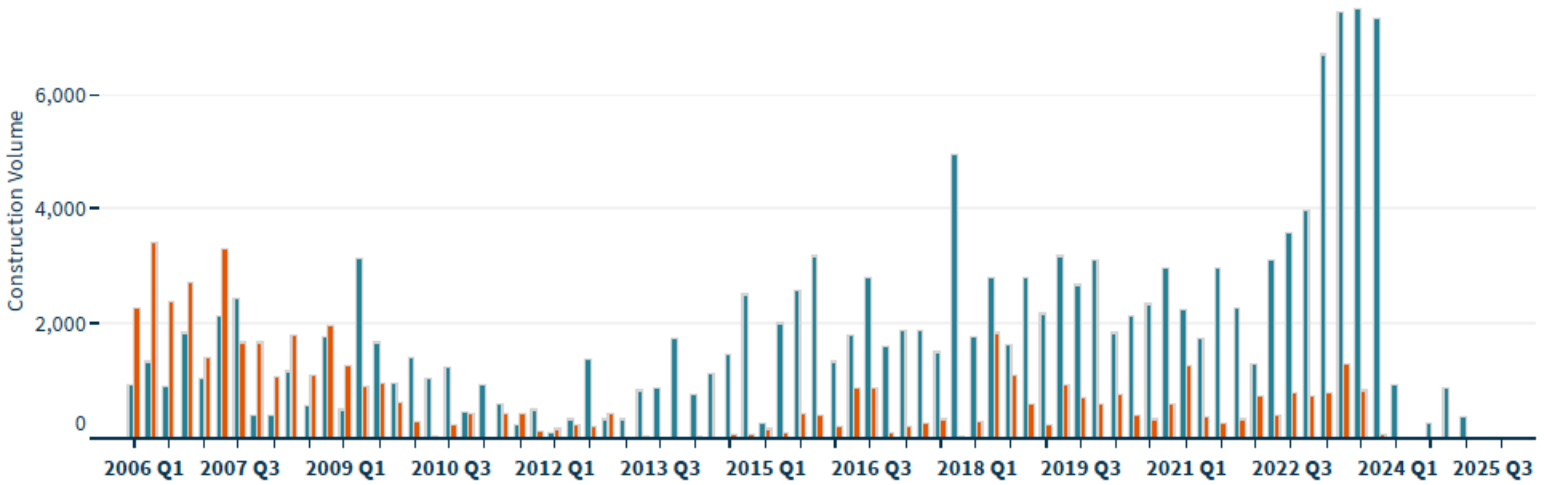
| | Q4 2021 | Q4 2026 | Atlanta (5-Year Annual Average Change) | National (5-Year Annual Average Change) |
|------------------------------------|-----------|-----------|---|--|
| Population (000s) | 6,190 | 6,515 | 1.03% | 0.47% |
| Households (000s) | 2,278 | 2,462 | 1.56% | 0.90% |
| Renting Cohort (Ages 20-34) (000s) | 1,298 | 1,352 | 0.81% | -0.30% |
| Total Employment (000s) | 2,825 | 3,043 | 1.50% | 1.08% |
| Median Household Income | \$76,676 | \$89,935 | 3.24% | 3.30% |
| Median SF Home Price | \$324,193 | \$334,878 | 0.65% | 1.93% |
| Net Migration | 43,431 | 32,757 | | |

Source: Moody's

SupplyTrack Pipeline

Apartments & Condos/Townhomes: Units Completed and Underway

Apartments | Condos



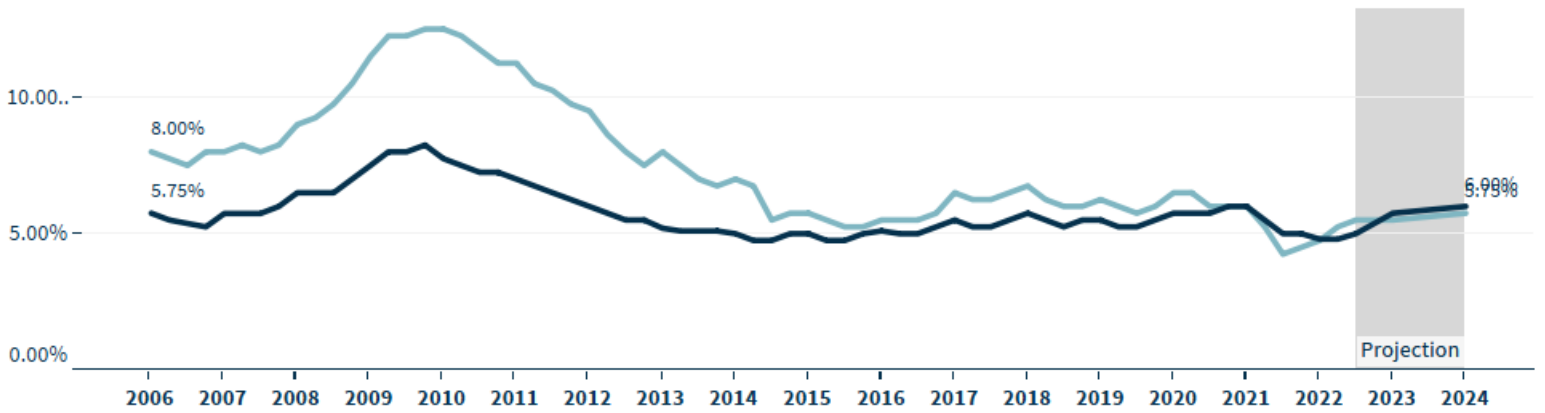
Vacancy & Rent Composite Estimates

Vacancy Rates

Atlanta | National

Q3 2022 Vacancy Rate:

5.50%

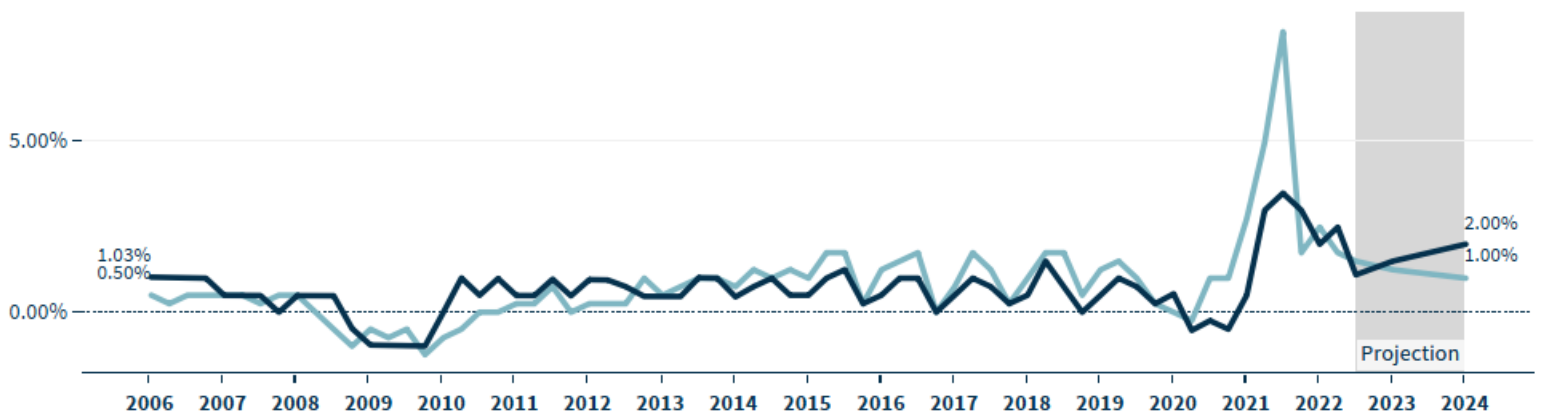


Asking Rent Growth

Atlanta | National

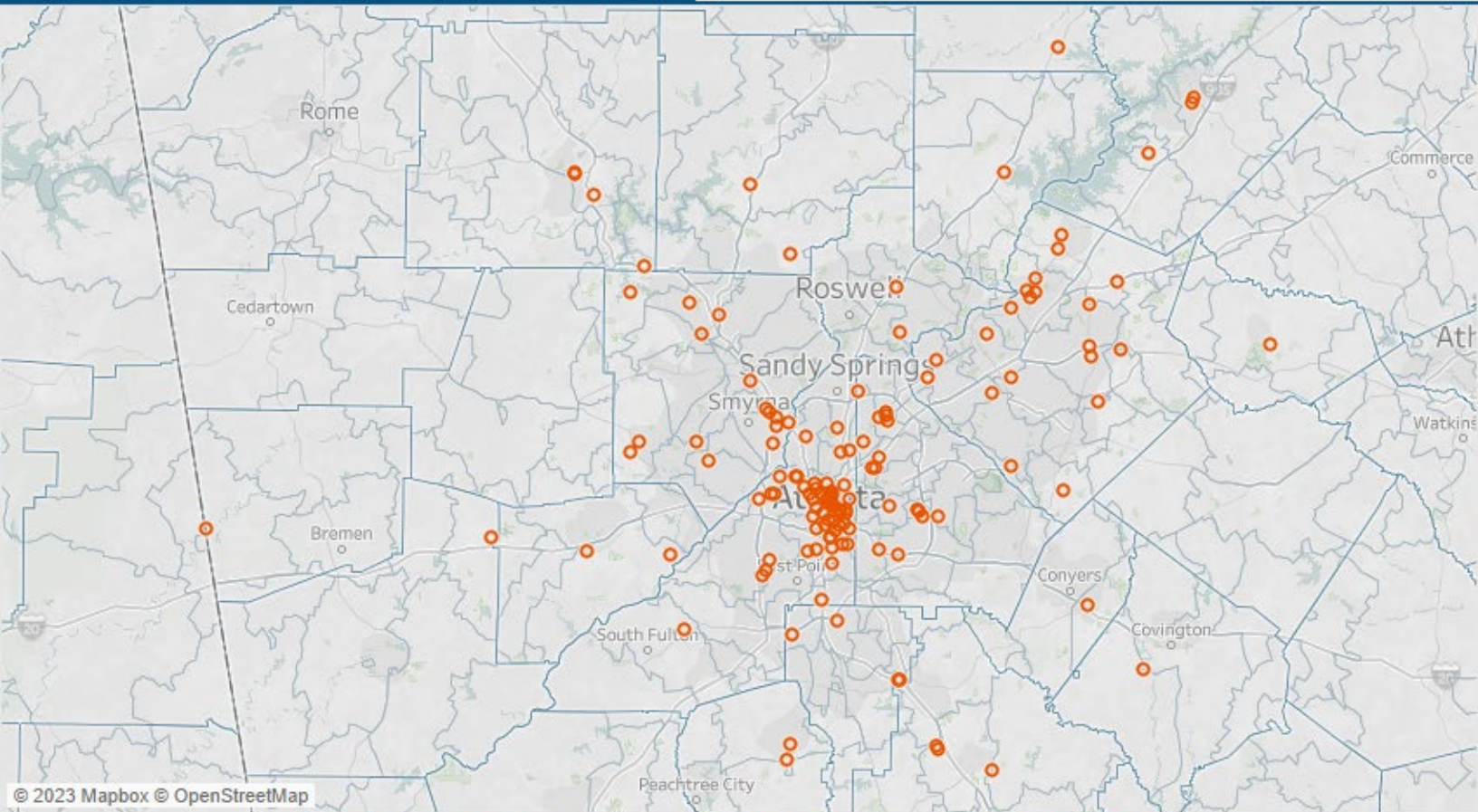
Q3 2022 Asking Rent:

\$1,660



Source: Multifamily Economics and Research

Construction: Bidding & Underway



| TWR Submarket Name | Apartments | Building Units |
|--------------------------------|------------|----------------|
| Alpharetta/Cumming | 3 | 1,017 |
| Briarcliff | 3 | 801 |
| Buckhead | 4 | 623 |
| Chamblee/Brookhaven | 5 | 1,315 |
| Clayton County | 3 | 636 |
| Decatur | 1 | 194 |
| Downtown Atlanta | 7 | 1,144 |
| Duluth | 1 | 258 |
| Dunwoody | 1 | 598 |
| Far East Atlanta Suburbs | 5 | 1,401 |
| Far North Atlanta Suburbs | 6 | 1,066 |
| Far South Atlanta Suburbs | 2 | 704 |
| Far West Atlanta Suburbs | 2 | 452 |
| Gainesville, GA | 3 | 614 |
| Henry County | 3 | 768 |
| Johns Creek/Suwanee/Buford | 11 | 1,014 |
| Kennesaw/Acworth | 5 | 1,207 |
| Midtown Atlanta | 16 | 4,799 |
| Norcross | 3 | 685 |
| Northeast Atlanta | 2 | 42 |
| Northeast Cobb/Woodstock | 1 | 6 |
| Northeast Gwinnett County | 7 | 1,964 |
| Smyrna | 2 | 580 |
| South Atlanta | 4 | 591 |
| South Cobb County/Douglasville | 6 | 1,683 |
| South DeKalb County | 4 | 940 |
| South Fulton County | 2 | 544 |
| Southeast Atlanta | 9 | 2,104 |
| Southeast Gwinnett County | 2 | 267 |
| Southwest Atlanta | 2 | 459 |
| Stone Mountain | 2 | 315 |
| Vinings | 4 | 989 |
| West Atlanta | 16 | 4,347 |
| West Marietta | 1 | 74 |
| Grand Total | 148 | 34,201 |

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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