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MULTIFAMILY

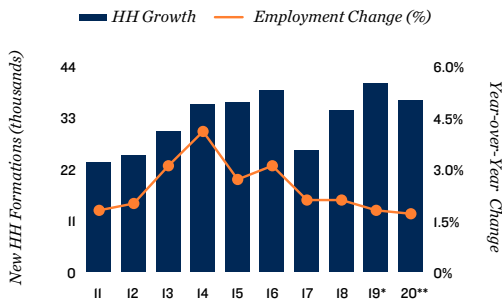
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NORTH AMERICAN INVESTMENT FORECAST

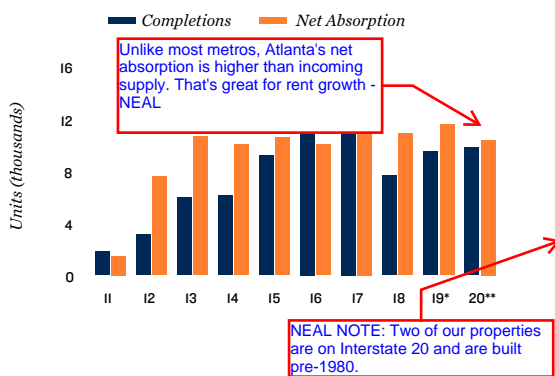
Marcus & Millichap

Workforce Housing Within the Perimeter Generating Large Rent Gains, Captivating Yield-Driven Investors

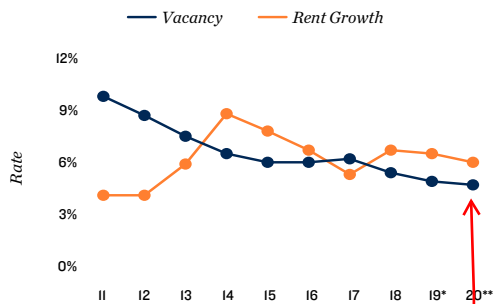
Economic Trends



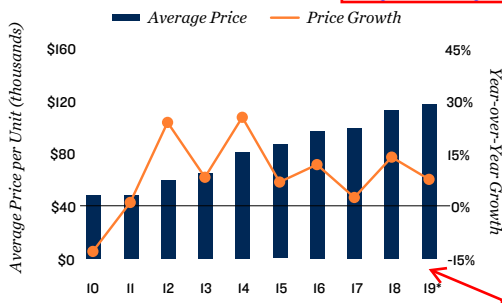
Completions vs. Absorption*



Vacancy and Rents



Sales Trends



Continuing revitalization keeps Class B/C apartment demand high. Redevelopment projects underway throughout the metro are expanding the construction labor pool, which has grown by the fastest rate amongst job sectors in Atlanta over the past three years. Revitalization efforts are highlighted by the Centennial Yards project downtown, which will convert 50 acres of rail space into 12 million square feet of mixed-use development. A project of this scale will require a large volume of construction workers, many of which will seek housing aligned with their budget. With rental costs near the site out of reach, they will often look farther west for residences within the Perimeter. Here the average Class C rent is rising at an accelerated pace, and as the unit type is the predominant beneficiary of this demand boost, tightening vacancy will continue to appreciate rent. **Metrowide, employment gains in working-class fields are contracting Class B/C vacancy into the mid-4 percent area as median home costs are rising at a faster pace than the national level, prompting many to choose budget-friendly rentals.**

Out-of-state capital following urban revival patterns. Efforts to rejuvenate transitioning neighborhoods via opportunity zone projects has investors strategically deploying capital for assets with yield-appreciation potential. **Suburbs inside of the perimeter near east Interstate 20 receive the largest volume of trading activity, with out-of-state interests concentrating primarily on Class C apartments built pre-1980.** Here, these have often carried per unit entry costs below \$70,000 with first-year returns in the 5 to 6 range. Additionally, large-scale complexes west of the airport along Interstate 285 are piquing some institutional interest. Multiple 300-plus unit properties traded over the recent months for prices between \$20 million and \$30 million, with average cap rates in the mid-5 percent tranche. Within the core, institutional investors are homing in on luxury assets near the Atlantic Station area, where initial yields have been near 4 percent on average.

2020 Market Forecast

- NMI Rank** 15, up 3 places Rent growth above the national average and tightening vacancy move Atlanta up in this year's Index.
 - Employment** up 1.7% Employment gains are comparable to the 1.8 percent advance logged in 2019, with 48,000 roles added this year.
 - Construction** 9,800 units Developers will finalize more rentals than the 9,500 units added in the previous year, yet the 2020 composite falls 300 apartments shy of the trailing-three-year annual average.
 - Vacancy** down 20 bps Net absorption of more than 10,000 units contracts vacancy for the third consecutive year, down to a cyclical low of 4.6 percent.
 - Rent** up 5.9% The average effective rent reaches \$1,360 monthly as the annual growth margin exceeds 5 percent for the eighth straight year.
 - Investment** Capital migration will intensify as out-of-state investors eye value-add assets near opportunity zones. These locales will be more heavily targeted than the core, as lower entry costs allow the potential for greater yield gain.
- NEAL NOTE - Rent growth is up 5.9%, which is double the U.S. average.

* Estimate; ** Forecast

Sources: CoStar Group, Inc.; RealPage, Inc.; Real Capital Analytics

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