

Case Studies: Atlanta

THE HOUSING AFFORDABILITY TOOLKIT

Developed in Partnership with
HR&A Advisors



Atlanta, GA

Atlanta is experiencing strong population growth and worsening affordability challenges, affecting the ability of low- and middle-income renters to afford to live in the city.

Growth has been accommodated through the construction of new multifamily housing and the densification of neighborhoods where housing had not been developed in decades. However, much of this housing is targeted at higher-income households.

\$53,800

MEDIAN HOUSEHOLD
INCOME

\$37,500

MEDIAN RENTER
HOUSEHOLD INCOME

113,800

TOTAL RENTER
HOUSEHOLDS

78,100

TOTAL MULTIFAMILY
RENTAL UNITS

DRIVERS

Greater Demand for Rental Housing

Between 2000 and 2016, the number of renter households in Atlanta has grown on net by nearly 19,000, or 20%. On average, these new renters have higher incomes than the city's existing renters, leading to more households with greater resources competing for rental housing in Atlanta.

Rising Development Costs

Increases in construction costs (76% since 2000) and land prices (720% since 2012) have raised the cost to develop – and the rents necessary to support – new rental housing.

Emerging Affordability Challenges for Middle-Income Renters

Atlanta is struggling to attract and retain both new and existing low- and middle-income renters, who are disproportionately locating in lower-cost communities in the surrounding metro region.

Relevant Tools

For more information on relevant housing tools, programs, and policies, see the following pages:

- Public Land
- Tax Abatement
- By-Right
- Inclusionary Zoning

IMPACTS

Reduced Supply of Lower-Rent Housing

Greater demand for rental housing has raised rents for existing housing. As a result, the share of occupied rental units priced under \$800 a month fell by 15.7 percentage points from 2000 to 2016.

High Rents for New Rental Housing

Rents for newly built units rose 24% between 2000 and 2016. The market built almost no new market-rate rental housing affordable to the median renter in 2016 or 2017 due to high development costs and competition from higher-income renters.

Cities Facing Similar Challenges

Cities facing similar housing affordability challenges include:

- Houston, TX
- Irving, TX
- Columbus, OH
- Columbia, SC

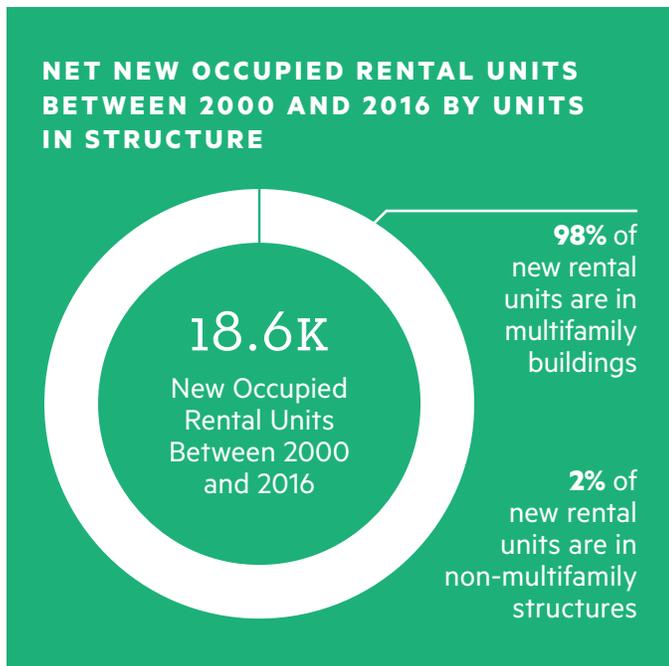
DRIVER

Greater Demand for Multifamily Rental Housing:

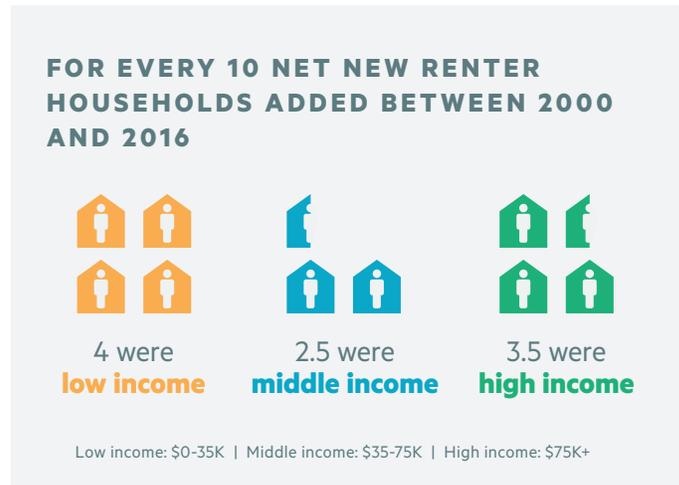
The number of renter households in Atlanta has grown rapidly across all income segments.

Atlanta added nearly 19,000 net new renter households between 2000 and 2016. This marked a 20% increase in the number of renters.

Nearly 100% of net new renter households occupied multifamily units. This raised Atlanta’s share of multifamily renter households (out of total renter households) from 63% in 2000 to 69% in 2016.

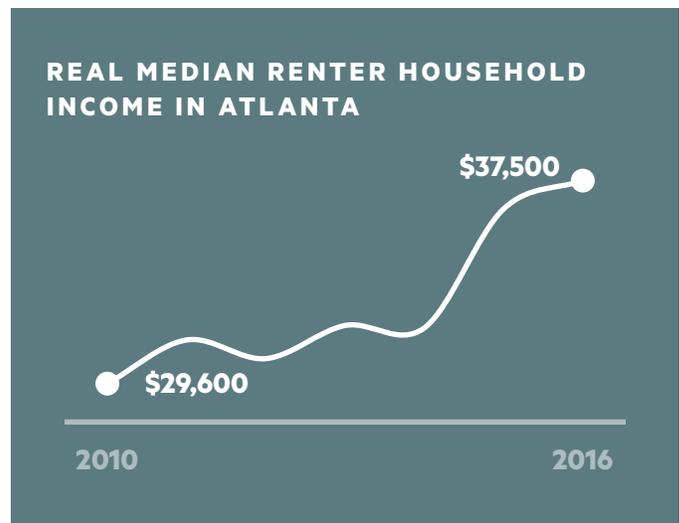


Atlanta attracted a mix of low-, middle-, and high-income renters. This indicates that housing was available and attractive to all income levels, reflecting Atlanta’s broad, existing base of low-rent units, particularly on the southern and western sides of the city. However, affordability challenges have grown for low- and middle-income residents, suggesting that the supply of low-rent housing has not been meeting demand.



Atlanta is increasingly able to compete with the broader metro area for high-income renters.

Between 2000 and 2016, the number of high-income renter households grew by 40% in the city compared to 34% in the metro area. Recent investments aimed at revitalizing and redeveloping residential neighborhoods have made Atlanta a desirable place to live for high-income renters, who were previously more likely to locate in the area’s wealthy northern suburbs. New developments like Ponce City Market and Krog Street Market show the potential for investments to rapidly revitalize residential areas, while simultaneously attracting an influx of high-income renters.



Increasing demand for rental housing from high-income renters is changing the economic profile of Atlanta’s renter population. Between 2010 and 2016, the median income for renter households grew by 27%.

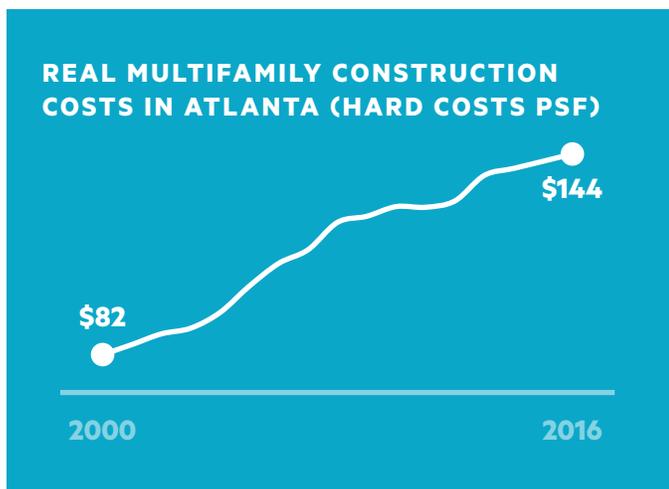
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Rising Development Costs:

Regulatory, construction, and land costs have all risen, leading to higher development costs.

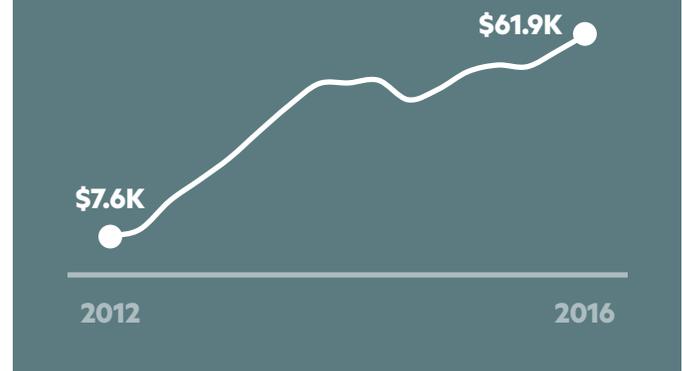
Local regulatory conditions further intensify the rising cost of development. Policies that reduce the amount of land available for multifamily residential development, extend the development timeline through lengthy permit approval processes, limit development potential through stringent parking requirements, and other local requirements can each result in higher development costs.

In the Atlanta area, hard costs, or the cost of labor and materials, increased by 75%. Hard costs increased from \$82 PSF to \$144 PSF for multifamily buildings in real terms. This is higher than the national increase of 57%.



Real land costs have also grown rapidly in recent years. The average cost of a single-family lot was \$7,551 in 2012. By 2016, the average cost had grown to \$61,900, a 720% increase.¹ As Atlanta grows, readily developable multifamily land will become increasingly scarce, driving up land costs even further.

AVERAGE COST FOR A SINGLE-FAMILY LOT IN THE ATLANTA MSA



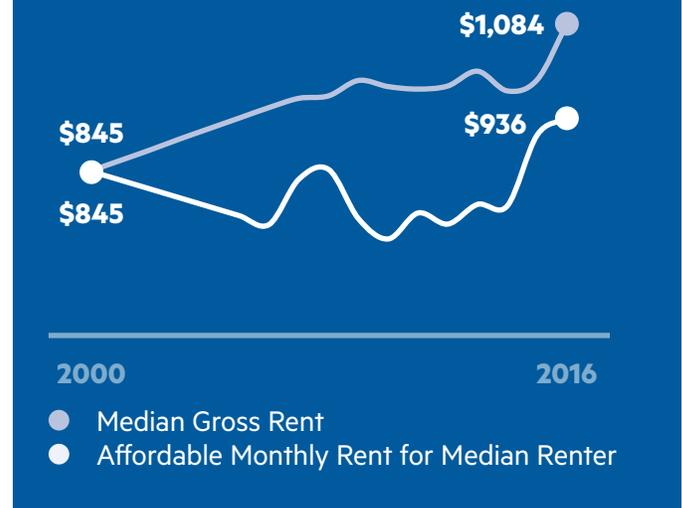
IMPACT

Reduced Supply of Lower-Rent Housing: Greater competition for rental housing is leading to higher rents and a decreased supply of low-rent housing.

Competition for rental housing and higher development costs are pushing up rents in Atlanta.

Real median rent grew 28%, significantly faster than the national median or inflation. Rent growth also outpaced real median renter income growth in Atlanta, exacerbating affordability challenges.

REAL MEDIAN GROSS RENT AND AFFORDABLE MONTHLY RENT FOR THE MEDIAN RENTER HOUSEHOLD



¹ Real land costs fell substantially during and immediately after the Great Recession, contributing to the high percentage growth seen in the market between the bottom of the market in 2012 and 2016.

The growth in rents for existing buildings is largely due to increased competition. The real median rent for units built before 2000 grew by 21% from 2000 to 2016. Since the quality and location of existing rental housing did not change, increased competition for rental housing appears to be the primary cause of rent increases.

Rent growth is heavily impacting historically affordable neighborhoods of Atlanta, leading to a dramatic decline in the availability of units renting for less than \$800. The share of occupied units renting for under \$800 has fallen by 15.7 percentage points since 2000. There is an increased willingness from middle- and high-income households to pay for Atlanta's existing rental stock, contributing to an increase in rents in such units.

29%

of occupied rental units were priced under \$800 in 2016, down from 44% in 2000.

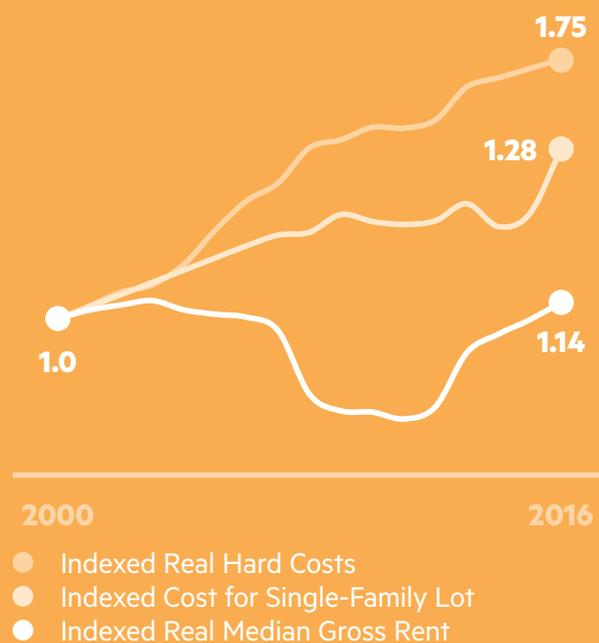
IMPACT

Rising Rents for New Rental Housing: Higher development costs and greater competition are contributing to higher rents and a lack of new rental housing affordable to the median renter.

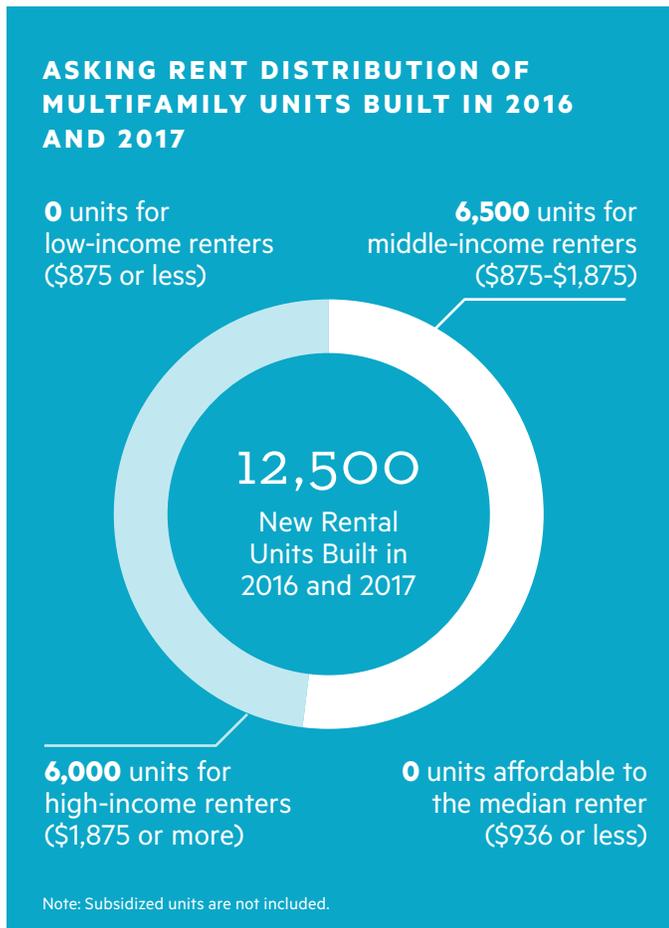
The average asking rent for a new unit increased substantially within Atlanta. A new unit developed in 2016 or 2017 rents for 24% more than a new unit would have rented for in 2000 in real terms. This equates to an increase from \$1,393 in 2000 to \$1,731 in 2016.

Higher development costs have increased the rent required to support new development. As the cost of development increases, more financing is needed to fund development. Higher rents are necessary to repay the additional financing used to cover higher development costs.

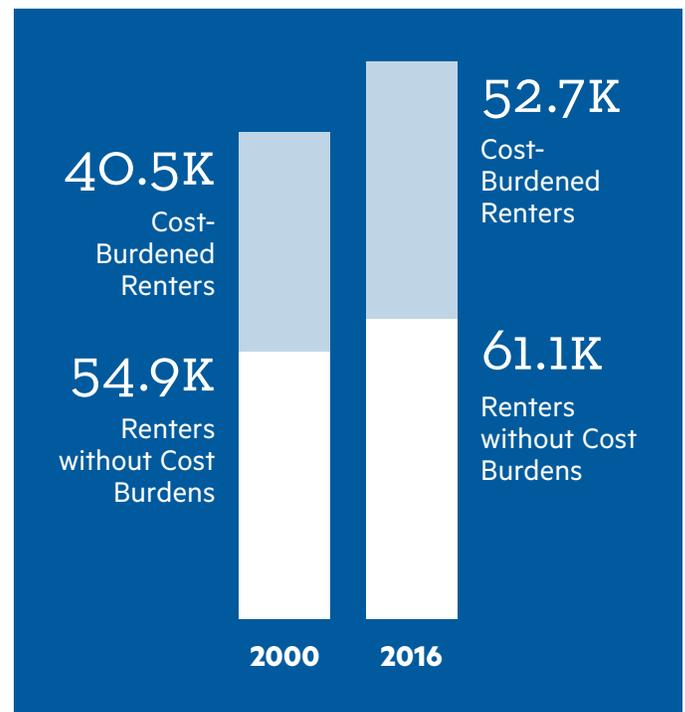
INDEXED CONSTRUCTION AND LAND COSTS AND MEDIAN RENT



All market-rate units built in 2016 and 2017 were not affordable to the median renter. About half of the new market-rate units were priced above \$1,875, and therefore were affordable only to high-income renters. When new units are not affordable to most middle-income renters, competition for existing units is further exacerbated.



Renters in Atlanta are experiencing increasing affordability challenges. The total share of rent-burdened households increased from 42% to 46% between 2000 and 2016. The number of rent-burdened households grew by 12,200, equal to nearly two-thirds of the total net new renter households.



Middle-income households saw large increases in affordability challenges. The rate of rent-burdened, middle-income households grew from 23% in 2000 to 36% in 2016. Low-income renters continue to struggle to afford housing. Almost three quarters of low-income renters were burdened in 2016.

IMPACT

Emerging Affordability Challenges for Middle-Income Renters: A

declining supply of low-rent housing, a lack of new housing affordable to the median renter, and a growing number of low- and middle-income renters is resulting in worsening housing affordability.

SHARE OF RENT-BURDENED HOUSEHOLDS BY INCOME IN 2016



73% of low-income renters were rent burdened, up from 70% in 2000.



36% of middle-income renters were rent burdened, up from 23% in 2000.



4% of high-income renters were rent-burdened, up from 1% in 2000.

Low income: \$0-35K | Middle income: \$35-75K | High income: \$75K+

Income growth is not evenly distributed among low-, medium, and high-income renters. An influx of high-income renters pulled up the area median rent, creating the perception that all renters have gotten richer. In reality, low- and middle-income renters have seen only moderate income growth, though they must increasingly compete with high-income renters in historically low-rent areas of Atlanta. This increased competition contributes to the growing number of rent-burdened households.

Affordability challenges are reaching a point where low- and middle-income renters are choosing not to live in Atlanta. The City of Atlanta is struggling to attract low- and middle-income renters, relative to the rest of the metro area. Between 2000 and 2016, the number of low- and middle-income renters in the city grew by 13% and 16%, respectively. In the surrounding metro areas, the number of middle-income renters grew by 46%, and low-income renters notably grew by 89%. These stark differences indicate that low- and middle-income renters are being priced out of Atlanta and locating in the outlying metro region due to higher housing costs.

GROWTH IN THE NUMBER OF LOW-INCOME RENTERS

13%

Atlanta

89%

Surrounding Metro

GROWTH IN THE NUMBER OF MIDDLE-INCOME RENTERS

16%

Atlanta

46%

Surrounding Metro