ATLANTA HOUSING MARKET 4Q18: Annual Starts and Closings Continue to Climb but the Stories in North and South Atlanta are Different

* New Home Starts in Atlanta in 2018 are up 3% over 2017 numbers
* Additional finished lots are needed now but it may take until 2020 before the 23,000 future lots, (currently under development), can reach the market. Until then, look for new home prices to rise as houses sizes continue to shrink in 2019.

Metrostudy’s 4Q18 lot by lot survey of the Atlanta housing market shows that there were 25,202 annual

new home starts in 2018 - an increase of about 3% over 2017 numbers. However, construction starts slowed in the fourth quarter of 2018, falling to 5,638 units which is down by -6.9% vs. 4Q17 starts. "It’s been nearly 10 years since the Atlanta region experienced a year over year decline in quarterly construction starts activity" said Eugene James, senior regional director for Metrostudy. "But the decline was not due to lack of home buyer demand" James went on to say. The decline in starts activity was probably due to very low vacant developed lot availability as well as an abnormally high amount of rain during the last quarter of the year. The water logged ground prevented builders from being able to pour new foundations on the lots that are available and developers have not been able to operate their heavy earth moving equipment to deliver more lots, putting them behind on their delivery schedule by 3 or 4 months. In portions of Atlanta where new home demand is the greatest, (mostly Northern portions of Atlanta) certain submarkets only have a 12 month supply of finished lots which is considered to be a severe shortage. A healthy vacant developed lot months supply figure for Atlanta should be closer to about 24 months.

Metrostudy divides the Atlanta MSA into North and South markets – and the construction starts numbers are different in each of those submarkets:

* In 4Q18 North Atlanta Market Quarterly Starts experienced the largest decline since 2011, down 15.6% to 3,590 from 4Q17 Quarterly Starts of 4,254. The bulk of the lot shortage exists in this portion of Atlanta which has greatly contributed to the large decline in starts.
* Quarterly Starts in South Atlanta increased by 13.8%, moving to 2,048 units in 4Q18. Plenty of lots are still in existence in this portion of Atlanta and home prices are cheaper.

Total lot inventory (VDL’S) for the 22 county region combined shows an upwardly skewed number of about a 3 year supply. However, once you remove the dormant communities located In Inferior locations and the vacant lots that were delivered ten years ago during the Great Recession, the VDL months supply declines to 19. That number is below what is considered to be healthy or normal at 24 months.

"Additional finished lots are needed now but it may take until 2020 before the 20,000 future lots, (which are currently in various stages of development), can reach the market. Until then, look for new home prices to rise as houses sizes continue to shrink in 2019" said James.