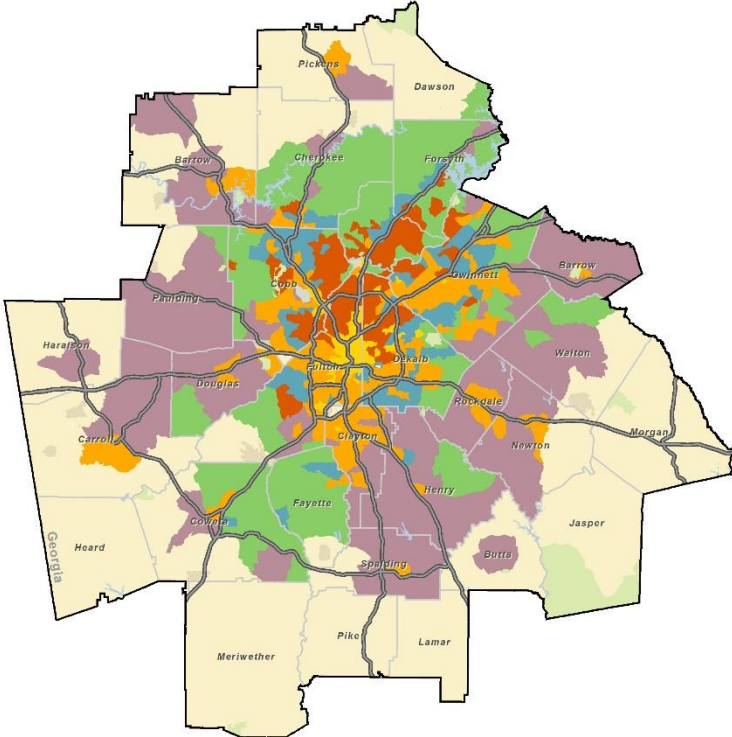


Housing in the Evolving American Suburb

The Story of Atlanta

Prepared for ULI Atlanta | February, 2017



Contents

Key Findings	03
Methodology	05
Suburbs Today: The Atlanta Story	09
Suburban Paradigms in Atlanta	18
Upcoming Suburban Trends	26
Methodological Notes	32
Critical Assumptions	33

Background and Study Objectives

Today, much of the discussion surrounding the future of real estate has shifted away from the areas in which the majority of Americans currently live and work: The suburbs. The often-overlooked reality is that there are many types of suburbs, and the unique challenges and opportunities within each of those types of suburbs are frequently lost within the overarching label of “suburbia.” In December 2016, RCLCO worked with the ULI Terwilliger Center for Housing to publish *Housing in the Evolving American Suburb*, so as to re-orient the discussion around suburbs and focus on their unique challenges and opportunities, rather than the prevailing “cities *versus* suburbs” dynamic.

For the purpose of the original report, RCLCO developed a new way to analyze suburbs. This methodology takes into account the fact that, for many Americans, the word “suburb” is very much tied to housing. As such, RCLCO created a housing-focused approach to classifying suburban neighborhoods, considering factors such as density, housing type, home value, and proximity to downtown. Using this classification system, RCLCO determined that there are a wide variety of suburban typologies and densities, and that, despite recent urban growth, the suburbs continue to be profoundly important to the nation as a whole.

For the purpose of this report, RCLCO has refined its housing-focused methodology, and applied it to the Atlanta-Sandy Springs-Roswell, GA Metropolitan Statistical Area (“MSA”). The following information and conclusions are based on this new way of thinking about the suburbs. While some of the maps and findings in this report may therefore defy conventional wisdom about the suburbs, they are reflective of a more nuanced way of thinking about development and redevelopment opportunities, both in the range of suburban typologies, and in light of a rapidly changing suburban context.



Key Findings: National

- **America remains largely a suburban nation.** In the 50 largest metropolitan areas, suburbs account for 78% of the population, 76% of households, and 31% of the land area.
- **Suburban growth has driven recent metropolitan growth.** From 2000 to 2015, suburban areas accounted for 91% of population growth in the top 50 metros, while urban areas accounted for only 2%. Although urban areas captured a larger share of 16% of total population growth between 2010 and 2015, suburbs still accounted for 79% of population growth, more than their share of population.
- **The large majority of Americans work in suburbs, and a disproportionate amount of recent job growth has occurred in the suburbs.** As of 2014, 65% of employment in the 50 largest metros was in suburbs. Between 2005 and 2010, employment in suburban areas remained stagnant, while it increased by 8% in urban areas. But between 2010 and 2014, the number of jobs increased by 10% in suburbs, compared with 6% in urban areas. During this same time, 71% of job growth occurred in the suburbs.
- **Suburban residents overall have higher incomes.** The median household income in suburbs (\$71,600) is substantially higher than in urban areas (\$49,100). In addition, 87% of 35- to 54-year-olds with incomes above \$75,000 live in the suburbs (compared with 76% of those with incomes less than \$75,000). And 90% of those between ages 55 and 74 earning more than \$75,000 live in the suburbs (compared with 79% of those in this age range earning less).
- **The suburbs are “young” compared with their regions overall.** 84% of children ages 18 and younger and, contrary to popular perception and most media attention, 71% of 25- to 34-year-olds in the 50 largest metros live in the suburbs.
- **American suburbs as a whole are racially and ethnically diverse.** Nearly 74% of the minority population in the 50 largest metros lives in the suburbs— not much lower than the 78% of the population in these metro areas as a whole.
- **The regional variation in home values between suburbs and cities is substantial.** On average, the median home value in urban areas is \$340,000 compared with \$306,000 in suburban areas (not controlling for home type or size), with substantial variation by region. In the New York metro area, median home values in urban areas are 20% higher than in suburban areas. However, the opposite relationship is true for what we define as Legacy (such as Detroit and Providence) and Heartland (like Indianapolis and Minneapolis) metro areas, where suburban areas have median home values that are substantially higher than median home values in urban areas (25% for both). In Gateway (including Chicago and Los Angeles), Sun Belt (such as Dallas and Orlando), and New West (like Denver and Seattle) metro areas, median home values are very similar in urban and suburban areas, not controlling for home type or size.
- **Different types of suburbs will have different housing demand and development opportunities.** There are many development trends, issues, and innovative housing development examples in five distinct types of suburb within the 50 largest metros: “established high-end,” “stable middle-income,” “economically challenged,” “greenfield lifestyle,” and “greenfield value.”

Key Findings: Atlanta

- **The suburbs remain the dominant part of the Atlanta region.** Atlanta has a higher share of suburban population and employment than the 50 largest metros, in general, and the region, in particular. In the Atlanta metro, most urban neighborhoods are confined to locations within the Perimeter, while the suburbs encompass a large share of the land outside of this boundary.
- **However, there is evidence to suggest that, while Atlanta is still very suburban as a whole, it is growing differently from many other parts of the Sunbelt, and that it is urbanizing similarly to Gateway metros.** Growth trends, income patterns, and value dynamics suggest that Atlanta is growing increasingly similar to areas like Boston and San Francisco, which have more established downtown cores than metro areas in the Sunbelt.
- **While the suburbs of Atlanta are indeed growing, urban areas are a larger driver of metropolitan growth than they are in many other areas in the Sunbelt.** In the Sunbelt, many suburban areas are still growing faster than urban areas, but this pattern is flipped in Atlanta, where the suburban population increased by only 5% between 2010 and 2015, as compared to the 6% urban population increase that occurred during the same years. This dynamic, wherein urban neighborhoods are growing faster than the suburbs, is more commonly seen in Gateway metros.
- **The suburbs of Atlanta are a large economic driver, but urban and suburban employment are growing at similar rates.** During the recession, urban areas in Atlanta lost jobs, while suburban employment remained constant. Nonetheless, urban employment increased by 9% between 2010 and 2014, relative to 11% suburban employment growth. This gap is narrower than it is in other Sunbelt metros, indicating that, though suburban employment is strong (74% of metro jobs in 2014), new job growth is occurring in line with the existing distribution of employment in Atlanta, rather than shifting towards the suburbs as it is in many other Sunbelt metros.
- **Atlanta has similar value dynamics to many Gateway cities, and urban home values are higher in Atlanta than they are in many other Sunbelt metropolitan areas.** While suburban home values of Sunbelt metros are generally comparable to urban home values, this gap is wider in Atlanta, where urban home values are 21% higher. This difference is most likely a result of the fact that urban home values are higher in Atlanta than they are in the Sunbelt as a whole (\$285K for Atlanta vs. \$222K for the Sunbelt), and not reflective of suburban home values, which are roughly comparable (\$225K for Atlanta vs. \$227K for the Sunbelt). Also present in many Gateway metros, this trend is likely indicative of the fact that people in Atlanta are willing to pay a premium to live in or near downtown, where there are supply constraints on housing.
- **In Atlanta, suburban neighborhoods have similar incomes to other Sunbelt metros, while urban incomes are much higher.** While suburban household incomes in Atlanta are similar to suburban household incomes of other Sunbelt metros (\$65,000 for Atlanta vs. \$64,700 for the Sunbelt), urban household incomes are higher (\$51,400 for Atlanta vs. \$43,200 for the Sunbelt), and this trend is also common in Gateway metros where housing in urban neighborhoods is generally expensive and supply constrained.
- **The suburbs of Atlanta are, on average, more diverse than the suburbs of the 50 largest metros, in general, and the Sunbelt, in particular.** In the Atlanta metro, 90% of the minority population lives in the suburbs, compared to 80% of the minority population for Sunbelt metros and 74% for the 50 largest metros. Similarly, minorities living in the Atlanta metro comprise a larger share of the suburban population (52%) than the urban population (51%). The opposite trend is true for the top 50 metros, where minorities comprise, on average, 46% of the suburban population and 63% of the urban population.

Methodology

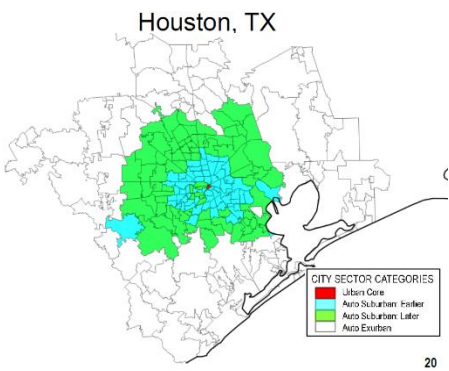
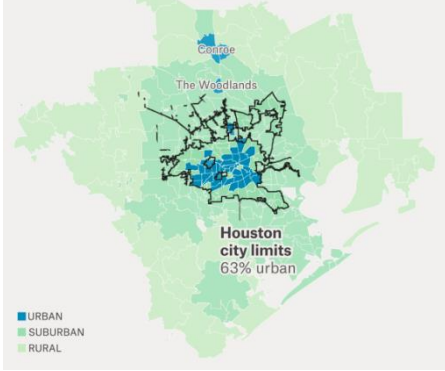
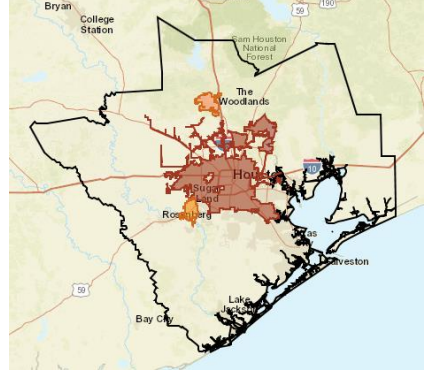
Existing Frameworks

Most existing methods of distinguishing suburban areas from urban and rural areas use jurisdictional boundaries, which can be problematic because jurisdictional boundaries do not necessarily reflect differing character of development.

- Typically, areas outside the boundaries of a CBSA are defined as rural, areas within the boundaries of the principal cities (or sometimes just the largest city) inside the CBSA are urban, and the suburbs constitute everything else that is located within the CBSA.
- This approach is problematic because many jurisdictions have changed in ways that make sense from a governmental perspective

but do not reflect the physical and social attributes of the place.

- A handful of definitions seek to define geographic areas as urban, suburban, or rural based on measurable and quantifiable, place-based characteristics, such as population or employment density, distance from downtown, transportation nodes, and building types.
 - Two examples of these studies are Wendell Cox’s and Jed Kolko’s methodologies. These methodologies have their own unique shortcomings, which are described in the table below.

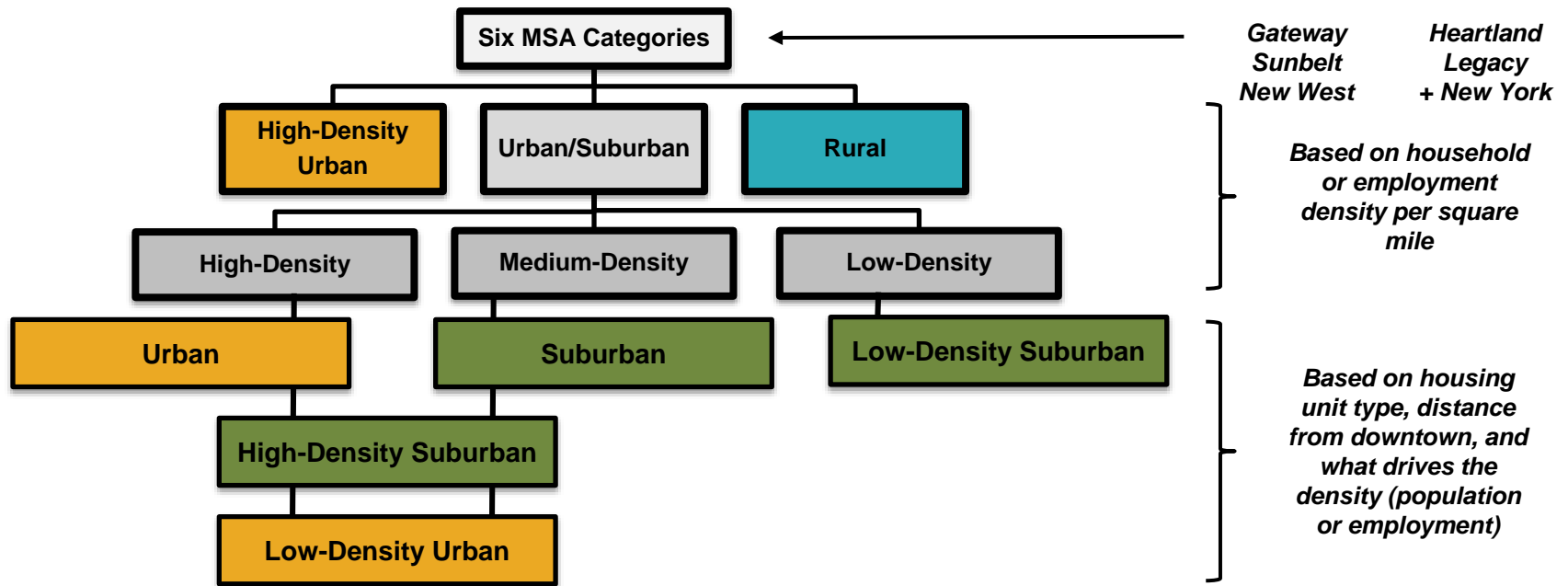
Existing Urban/Suburban Classification Methods:			
			
Name	Wendell Cox’s City Sector Model	Jed Kolko’s Methodology	Other Studies
Factors Used	Transportation, employment, population, and housing characteristics, zip code boundaries	Household density, with breaks that are based on a nationwide survey of 2,008 adults on how they describe where they live	Jurisdictional boundaries
Shortcomings	Shows differences between suburban areas based on when they were developed, but produces very small urban cores, and does not include any rural areas within MSA boundaries, regardless of how developed or undeveloped they might be	Uses the same methodology and breaks for all MSAs, even though densities mean different things to people in different regions. As a result, produces too much urban in some metropolitan areas, and too much rural in others	In areas like Nashville, the principal city comprises a large portion of MSA, resulting in a lot more “urban” than there is; vice versa in areas like Boston

New Framework

Although the existing methods of defining suburbs are analytically credible and useful for understanding aspects of these places, they are insufficient for understanding the issue arguably at the heart of the suburban story: housing. As such, RCLCO created a *housing-focused classification of suburbs*.

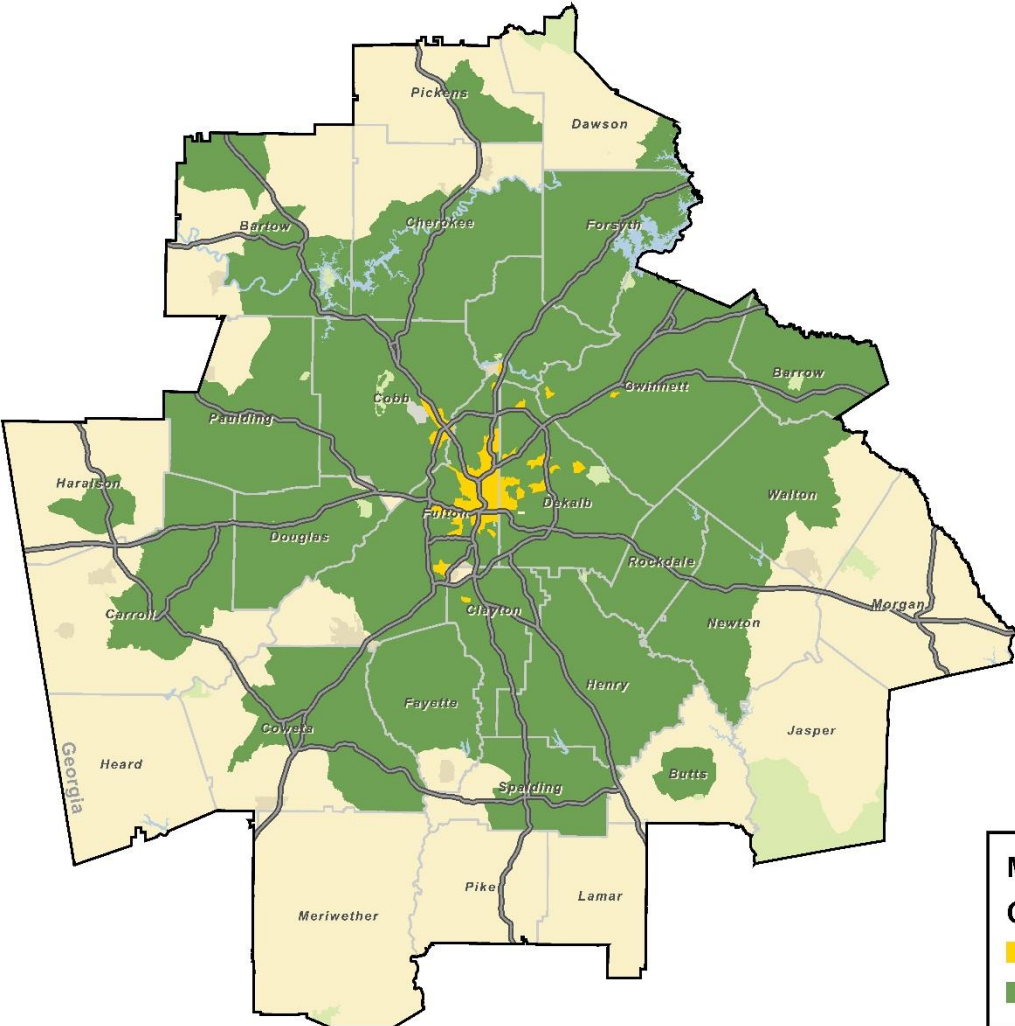
- The following are the principal features of the system:
 - **Localized.** The approach classifies and differentiates among suburbs at the census tract level. Although they are not perfect proxies for neighborhoods, census tracts offer an appropriate level of granularity for assessing housing issues that the county scale does not. Importantly, the approach reflects the common reality that within many city boundaries are areas that are functionally suburban, just as there are places outside city limits that are, for all intents and purposes, urban.

- **Multidimensional.** Starting with the general and accepted premise that suburbs are areas outside a city center, RCLCO used census-level data and data thresholds on population density, employment density, housing structure type, and distance from city center to reflect the ways in which certain combinations of those characteristics produce recognizably suburban places.
- **Regionally varied.** The metro areas in which the suburbs are located are grouped into one of six categories because certain regions are more likely to follow similar development patterns than are others. For example, a metro area like Columbus, Ohio, is assumed to be more likely to exhibit similar patterns to Indianapolis than it is to a metro area like San Francisco. This approach allows for the regional variation of development patterns across the United States, given that one city's downtown may be the same density as another's suburbs.



Visualizing the New Framework

Classification of Urban and Suburban Tracts; Atlanta-Sandy Springs-Roswell, GA MSA



This map is intended to show the results of the housing-focused methodology, which has been used to calculate the key findings in this report. While the classifications may defy conventional thinking about some specific neighborhoods, the reasons for these cases are twofold:

- Census tracts do not always mirror neighborhood boundaries, and are not always reflective of the quality and type of built environment.
- There may still be opportunities for denser forms of development.

For example, Perimeter Center is currently classified as a high-density suburb, despite having urbanized very rapidly over the last several years. However, the census tracts that surround Perimeter Center are drawn to include residential neighborhoods comprised of single-family homes, causing the density of Perimeter Center to be lower than one might believe.

Nonetheless, it is highly likely that, in the next few years, these tracts will be classified as urban, as it continues to urbanize. Historically a suburban office core, Perimeter Center is already attracting dense forms of residential development, which is a type of development that can be expected in similarly classified neighborhoods where it is no longer valuable to construct low-density housing.

Map Key

Classification

- Urban
- Suburban

Source: RCLCO; ESRI Business Analyst



Suburbs Today: The Atlanta Story

Urbanization of the Region

The Atlanta metro area, like other regions across the country, has seen a recent emphasis on the growth occurring in urban places. This emphasis is attributable, at least in part, to the amount and type of urban development.

- In Atlanta, a number of close-in neighborhoods are experiencing development and population growth, resulting in an urban fringe that extends past the downtown central business district. These neighborhoods include in-town areas such as Inman Park and

Cabbagetown, as well as slightly more outer office cores like Midtown.

- In these neighborhoods, new, innovative forms of development are attracting people who historically have lived elsewhere in the region, fueling the densification of these neighborhoods, as well as the expansion of Atlanta’s urban core, which historically comprised only its downtown central business district.

NEW DEVELOPMENT IN URBAN AREAS			
			
Name	Beltline	Westside	Midtown
Relevant Projects	Ponce City Market, Krog Street Market	White Provision, Walton Westside	Spire, 1010 Midtown, Stockyards Atlanta, NCR, Coda Tech Square, Sixty 11th
Description	Large-scale redevelopment along 22-mile historic rail corridor that encircles the City of Atlanta	Industrial adaptive reuse with new construction multifamily development	High-rise construction activity in office core near downtown

Urbanization of the Suburbs

However, urban development is not occurring at the expense of the suburbs, and there are suburbs that have experienced or are beginning to experience forms of urbanization.

- Areas like Dunwoody, Decatur, Cumberland, and Alpharetta have historically been suburban, but have grown increasingly urbanized due to recent development activity. Today, these suburbs represent some of the strongest local examples of “drive-to” urbanism.

- Though these areas are largely classified as suburban, some have urban downtown cores, while others have sizable development pipelines, and will likely continue to urbanize going forward.
 - However, these areas only comprise 0.79% of suburban land area and 4.8% of suburban population, meaning there are still a number of suburbs that are residentially-focused.

NEW DEVELOPMENT IN SUBURBAN AREAS



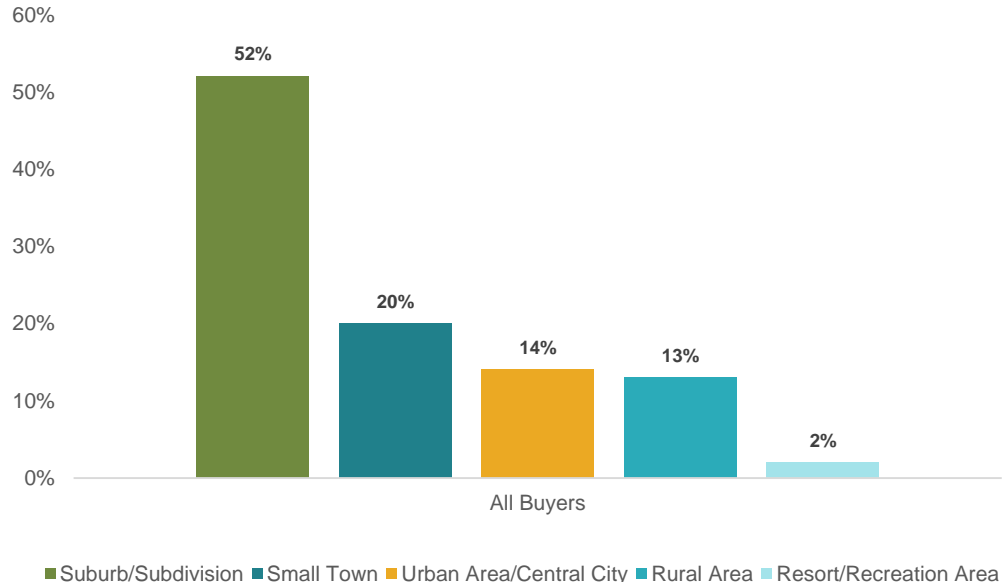
Name	Dunwoody (Perimeter Center)	Decatur	Cumberland	Alpharetta
Land Area	0.10% of MSA 0.19% of Suburbs	0.05% of MSA 0.09% of Suburbs	0.07% of MSA 0.12% of Suburbs	0.21% of MSA 0.39% of Suburbs
Pop.	0.87% of MSA 1.00% of Suburbs	0.36% of MSA 0.41% of Suburbs	1.9% of MSA 2.1% of Suburbs	1.1% of MSA 1.3% of Suburbs
Ex.	Perimeter Center, Citizen Perimeter, Mercedes-Benz USA	Decatur's Square	Battery at SunTrust Park	Avalon
Description	Urbanizing suburban office core that is densifying with infill residential development, partially attributable to neighborhood planning. However, the area still has a sizable pipeline, and will likely be classified as urban when these buildings deliver.	Close-in neighborhood that is served by rail transit, and has recently seen the emergence of a walkable town center environment in an otherwise suburban context. In fact, downtown Decatur is now classified as urban.	The completion of SunTrust Park represents the movement of urban land uses to the suburbs, and will add density and fuel development opportunities. The area has a large pipeline of under construction, planned, and proposed projects.	Mixed-use, walkable town center that offers many of the same retail and neighborhood amenities as downtown, but in a more outer location and suburban context. The area represents a strong example of “drive-to” urbanism.

Continued Demand for Suburban Lifestyle

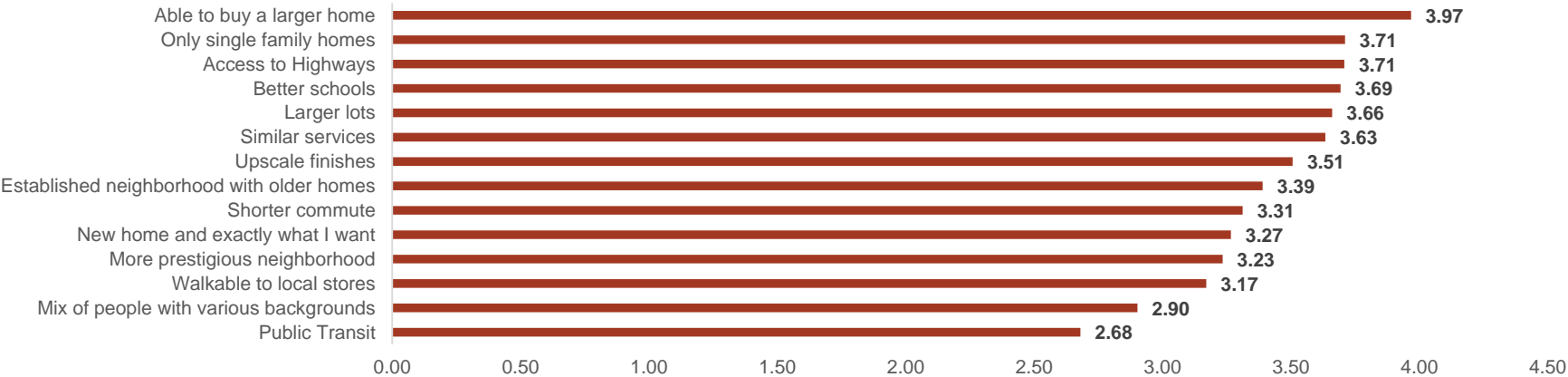
Despite recent growth in urban areas, there is still strong national demand for housing in suburban, residentially-focused areas.

- Buyers continue to move to the suburbs for a variety of reasons. Nationally, some of the most important factors influencing the move from cities to suburbs include:
 - The ability to purchase larger and/or single-family homes that are comparatively more affordable on a per square foot basis, in many cases
 - Highway accessibility
 - Better school systems
 - Larger lots
- Homes that meet many of these criteria are generally difficult to find in cities, and, when available, are also very expensive. As such, there has been and will continue to be demand for housing in the suburbs, where homes that meet these criteria are often both more prevalent, as well as more affordable.

Locational Distribution of Homes Purchased; National



Factors Influencing Move from City to Suburbs; National



Source: RCLCO; 2016 NAR Home Buyer and Seller Generational Trends Report



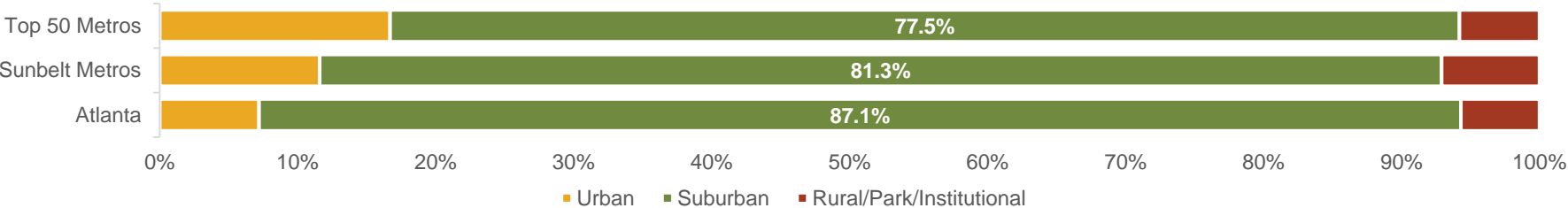
Atlanta Takeaways: Population

People in Atlanta are more likely to live in the suburbs than people in other areas, but proportionally more people are moving to urban neighborhoods in Atlanta, many of which are growing faster than other urban neighborhoods in the Sunbelt.

- Atlanta’s suburbs account for 87% of metropolitan population, as compared to 77% of population in the 50 largest metros
 - This trend suggests that people in Atlanta are comparatively more likely to live in the suburbs than people in other areas.
- However, population growth is returning to urban neighborhoods in Atlanta. Between 2010 and 2015, urban neighborhoods accounted for 9% of metropolitan population growth, as compared to only 2% of growth over a longer-time horizon between 2000 and 2015.

- Moreover, the suburbs of Atlanta are now growing at a slower rate than its urban areas. In Atlanta, urban areas grew by 6% between 2010 and 2015, while the suburbs grew by only 5%.
 - Meanwhile, the opposite trend is occurring elsewhere in the Sunbelt, indicating that urban growth is a larger driver of metropolitan growth in Atlanta than it is for other cities in the region.
 - This dynamic is common in Gateway metros like Boston and San Francisco, where people are more likely to live in or move to urban areas than they are elsewhere. As such, this trend suggests that the Atlanta, despite historically being very suburban, is becoming increasingly similar to Gateway metros, in that it has an urbanizing population that is now growing faster than its suburban population.

Distribution of Population; Various Geographies; 2015



	DISTRIBUTION OF POPULATION		POPULATION GROWTH (2000-2015)		POPULATION GROWTH (2010-2015)	
	URBAN	SUBURBAN	URBAN	SUBURBAN	URBAN	SUBURBAN
NATIONAL						
Top 50 Metros	16.7%	77.5%	1.4%	13.1%	3.4%	3.7%
REGIONAL						
Sunbelt	11.6%	81.3%	1.0%	26.6%	4.9%	6.9%
PEER CITIES						
Raleigh	10.5%	79.6%	6.9%	44.9%	6.9%	9.9%
Nashville	8.0%	73.1%	0.8%	25.8%	4.8%	7.6%
Dallas	9.9%	84.4%	-1.9%	27.4%	6.2%	7.3%
ATLANTA	7.2%	87.1%	5.7%	26.0%	5.7%	4.7%

Source: RCLCO; ESRI Business Analyst



Atlanta Takeaways: Employment

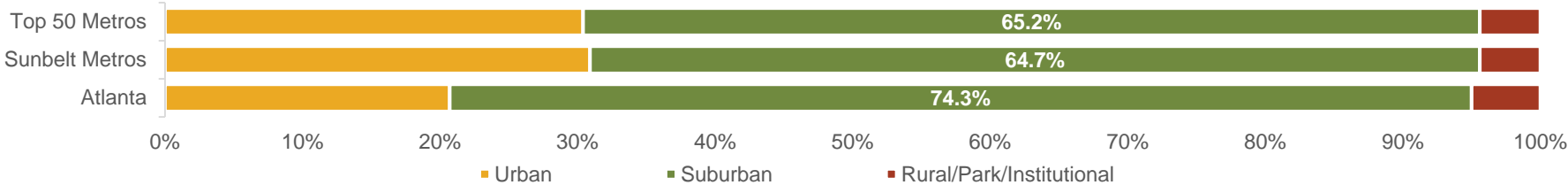
Atlanta has proportionally more suburban employment than other metro areas, though urban and suburban employment are growing at similar rates. This trend indicates job growth is occurring in line with the current distribution of employment in Atlanta, rather than continuing to expand outwards as it is in many other Sunbelt metros.

- Suburbs account for 74% of jobs in the Atlanta MSA, as compared to 65% of jobs in the 50 largest metros, as well as 65% of jobs in those of the 50 largest metros that are also located in the Sunbelt.
 - This trend suggests that people in Atlanta are comparatively more likely to work in the suburbs than people in the nation, as a whole, and the region, in particular.
- Consistent with national trends, the suburbs account for the bulk of metropolitan job growth in Atlanta, where suburban employment is

continuing to grow faster than urban employment. However, urban and suburban employment are increasing at more similar rates in Atlanta than they are elsewhere in the Sunbelt.

- During the Great Recession, urban neighborhoods in Atlanta experienced significant employment losses. However, jobs are returning to urban neighborhoods in Atlanta, where employment increased by 9% in urban neighborhoods between 2010 and 2014, nearly as quickly as occurred in the suburbs (11% growth) at this time.
- This gap between urban and suburban employment is narrower in Atlanta than it is for the Sunbelt as a whole, suggesting job growth in Atlanta is occurring in line with the current distribution of employment, rather than shifting even more towards the suburbs as it is in many other Sunbelt metros.

Distribution of Employment; Various Geographies; 2014



	DISTRIBUTION OF EMPLOYMENT		EMPLOYMENT GROWTH (2005-2010)		EMPLOYMENT GROWTH (2010-2014)	
	URBAN	SUBURBAN	URBAN	SUBURBAN	URBAN	SUBURBAN
NATIONAL						
Top 50 Metros	30.4%	65.2%	7.5%	-0.3%	6.4%	9.6%
REGIONAL						
Sunbelt	30.9%	64.7%	2.8%	3.0%	6.3%	14.2%
PEER CITIES						
Raleigh	31.8%	64.7%	40.8%	11.8%	-3.0%	22.9%
Nashville	34.3%	57.0%	7.2%	-3.4%	9.9%	13.6%
Dallas	30.0%	65.4%	7.9%	7.8%	10.0%	14.4%
ATLANTA	20.7%	74.3%	-2.8%	-0.4%	8.5%	10.6%

Source: RCLCO; Longitudinal Employer-Household Dynamics (LEHD)



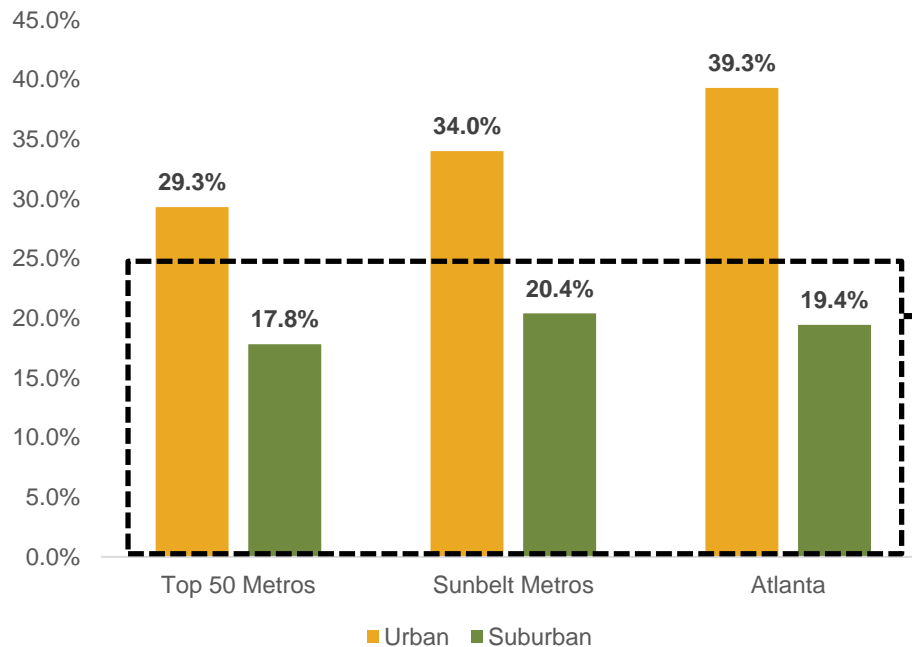
Atlanta Takeaways: Millennials

Contrary to popular belief and most media attention, there are many Millennials living in the suburbs, particularly in Atlanta. While the share of Millennial households is indeed higher in urban areas than it is in suburban areas, there are many more Millennial households living in suburban areas.

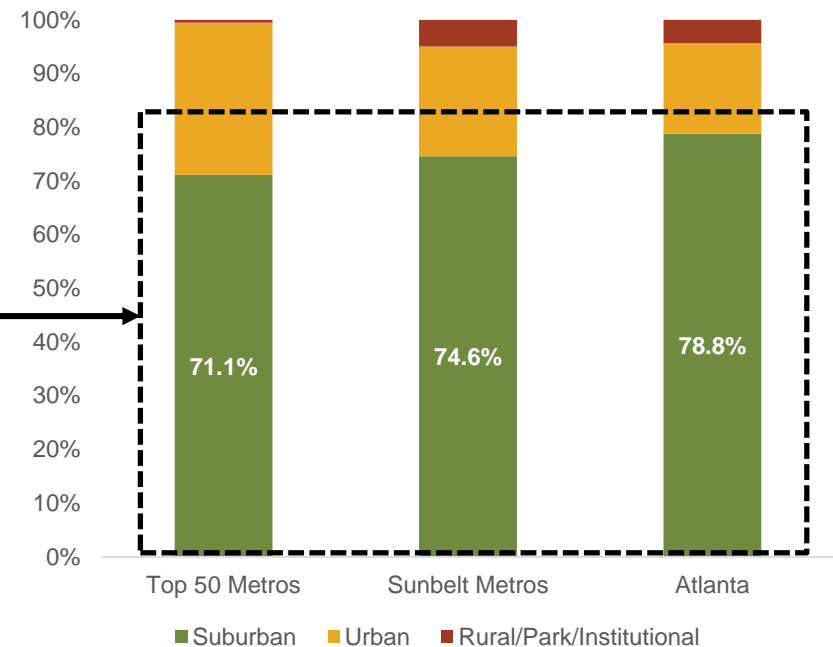
- In the 50 largest metros, Millennial households comprise 29% of all households in urban areas, as compared to 18% of households in suburban areas. However, though Millennial households represent a larger share of the households living in urban neighborhoods, 71% of all Millennial households still live in the suburbs.

- These trends suggest that the idea that all or most Millennials live in urban neighborhoods is based on the fact that Millennials represent a larger share of urban population than other groups. Nonetheless, while urban neighborhoods are generally more likely to attract Millennials instead of other demographic groups, the majority of Millennials still live in the suburbs.
- In fact, 79% of Millennial households in Atlanta live in the suburbs, suggesting Atlanta suburbs serve proportionally more Millennials households than the suburbs of other cities in the country and region.

What Percentage of All Households are Under the Age of 35? Various Geographies; 2015



Where Do All Households that are Under the Age of 35 Live? Various Geographies; 2015



Source: RCLCO; ESRI Business Analyst

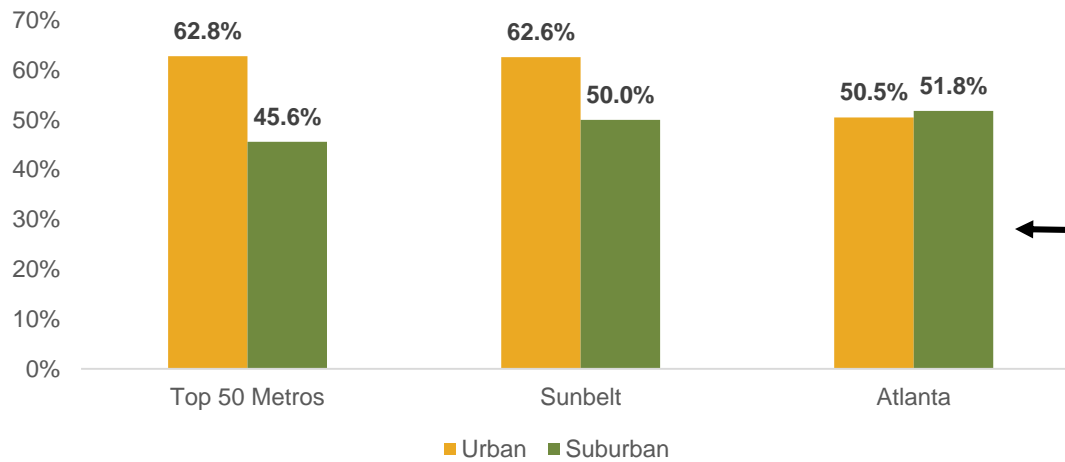
Atlanta Takeaways: Ethnicity

Suburbs are very racially and ethnically diverse, and this is particularly true for the suburbs of Atlanta.

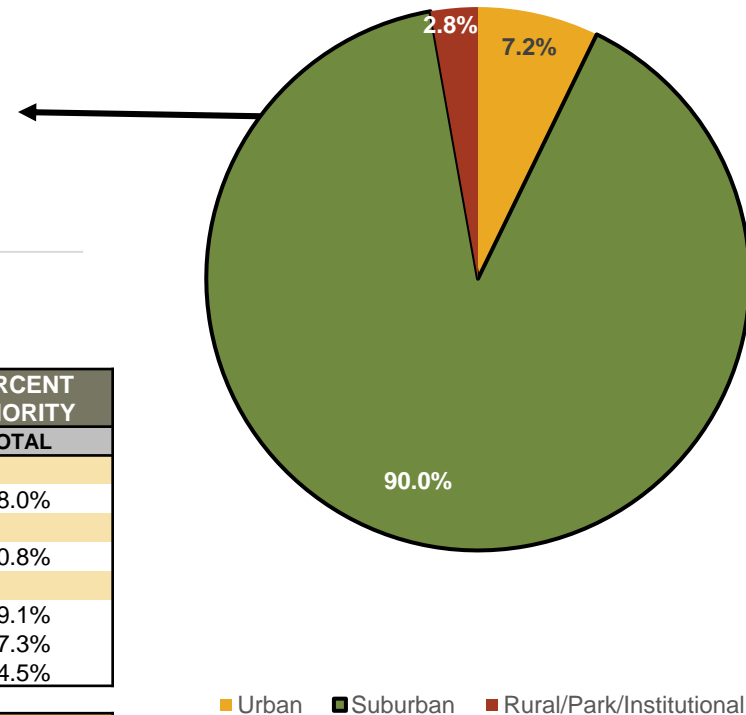
- In the 50 largest metropolitan areas, nearly 74% of minorities live in the suburbs. The percentage of minorities living in the suburbs is even higher for the Sunbelt, in general, and Atlanta, in particular.

- In fact, while minorities comprise a majority of the population in most urban areas, the opposite dynamic is true for Atlanta, where minorities comprise 52% of the suburban population, but only 51% of the urban population.

Minority Population as a Percentage of Total Population; Various Geographies; 2015



Distribution of Minority Population; Atlanta-Sandy Springs-Roswell, GA MSA; 2015



	DISTRIBUTION OF MINORITY POPULATION		PERCENT MINORITY		PERCENT MINORITY TOTAL
	URBAN	SUBURBAN	URBAN	SUBURBAN	
NATIONAL					
Top 50 Metros	21.9%	73.7%	62.8%	45.6%	48.0%
REGIONAL					
Sunbelt	14.3%	80.0%	62.6%	50.0%	50.8%
PEER CITIES					
Raleigh	13.8%	78.0%	51.4%	38.3%	39.1%
Nashville	15.6%	76.2%	53.6%	28.5%	27.3%
Dallas	11.7%	84.8%	64.5%	54.8%	54.5%
ATLANTA	7.2%	90.0%	50.5%	51.8%	50.2%

Source: RCLCO; ESRI Business Analyst

Atlanta Takeaways: Home Values and Incomes

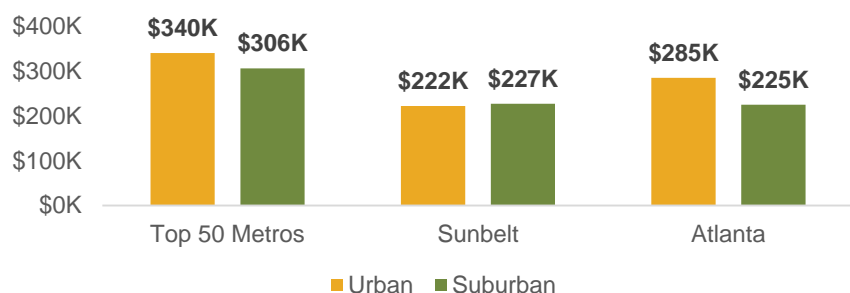
Home value and income dynamics suggest that households in Atlanta are generally willing to pay more of a premium to live in urban neighborhoods than those high-income households living in other cities in the Sunbelt.

- In the 50 largest metropolitan areas, suburban home values are 10% lower than urban home values. While this gap is negligible in the Sunbelt, it is much larger in Atlanta, where suburban home values are, on average, 21% less than urban ones.
 - This larger gap indicates that, relative to the suburbs of other Sunbelt cities, the suburbs of Atlanta are more affordable than its urban areas. Commonly seen in Gateway metros such as

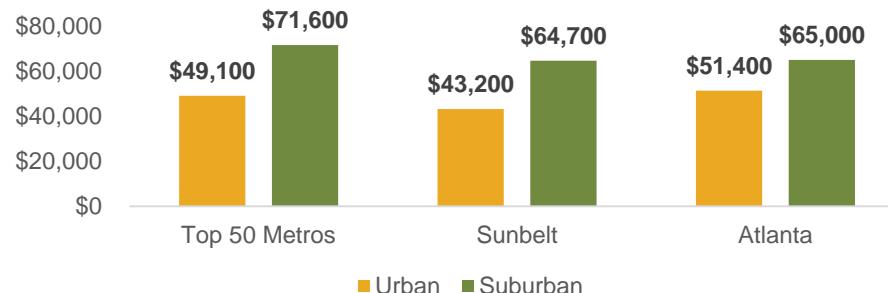
Boston and San Francisco, this dynamic indicates that people in Atlanta are willing to pay a premium to live in urban areas.

- It is likely that urban housing premiums are partially attributable to supply constraints. In Atlanta, urban neighborhoods represent only 9% of all housing units, while they represent more than 13% of these units for the Sunbelt as a whole.
- Similarly, Atlanta has a narrower gap between urban and suburban household incomes, relative to other metros. This trend, which is also seen in many Gateway metros, is reflective of the fact that, on average, urban neighborhoods in Atlanta have higher household incomes than those neighborhoods in other Sunbelt metros.

Median Home Values; Various Geographies; 2015



Median Household Incomes; Various Geographies; 2015



	HOME VALUES				INCOMES			
	AVERAGE HOME VALUE		DIFFERENCE FROM URBAN		MEDIAN HOUSEHOLD INCOME		DIFFERENCE FROM URBAN	
	URBAN	SUBURBAN	ABSOLUTE	PERCENT	URBAN	SUBURBAN	ABSOLUTE	PERCENT
NATIONAL								
Top 50 Metros	\$340,000	\$306,000	-\$34,000	-10.0%	\$49,100	\$71,600	\$22,500	46.1%
REGIONAL								
Sunbelt	\$222,000	\$227,000	\$5,000	2.4%	\$43,200	\$64,700	\$21,500	49.7%
PEER CITIES								
Raleigh	\$193,000	\$269,000	\$76,000	39.0%	\$36,000	\$68,000	\$32,000	88.9%
Nashville	\$205,000	\$234,000	\$29,000	14.4%	\$39,800	\$61,900	\$22,100	55.5%
Dallas	\$241,000	\$234,000	-\$7,000	-3.2%	\$48,300	\$71,700	\$23,400	48.3%
ATLANTA	\$285,000	\$225,000	-\$60,000	-21.0%	\$51,400	\$65,000	\$13,600	26.6%

Source: RCLCO; ESRI Business Analyst

Suburban Paradigms in Atlanta

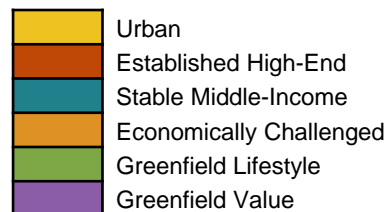
Methodology

To account for the fact that not all suburbs look or function the same way, RCLCO developed a more nuanced way of thinking about suburban neighborhoods.

- To further characterize suburban areas relative to their likely current and future development potential, RCLCO focused on those census tracts which were classified as high-density suburban, suburban, and low-density suburban, and outlined five suburban paradigms to incorporate the impact of land value and availability on development trends:
 - Established High-End Suburb
 - Stable-Middle Income
 - Economically Challenged
 - Greenfield Lifestyle
 - Greenfield Value
- Within each MSA, RCLCO analyzed the census-reported median home value in each suburban census tract as a proxy for land value to identify them as:
 - High value:* More than one standard deviation above that MSA's average.
 - Medium value:* Plus or minus one standard deviation from that MSA's average.
 - Low value:* More than one standard deviation below that MSA's average.
- Using value dynamics, previous census tract classifications, and information about distance from the principal city, RCLCO then re-classified each suburban census tract to fit one of the aforementioned suburban paradigms. For more information on specific criteria of these classifications, please reference the chart to the right.

**Suburb Classification Methodology;
Top 50 Metropolitan Areas**

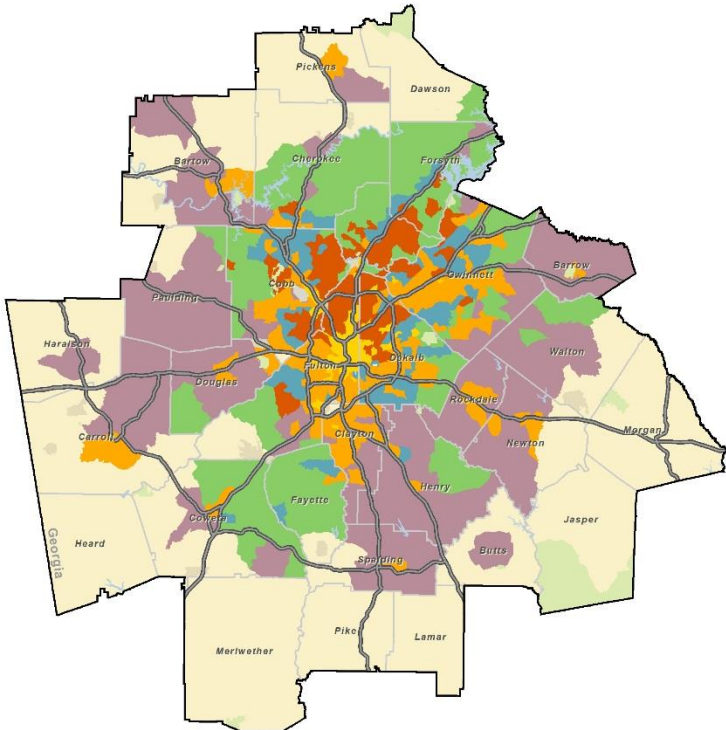
	Less Than 5 Miles From Downtown	5-10 Miles From Downtown	10-15 Miles From Downtown	More Than 15 Miles From Downtown
High Density Urban				
High Value	Urban			
Middle Value				
Low Value				
Urban				
High Value	Urban			
Middle Value				
Low Value				
Low Density Urban				
High Value	Urban			
Middle Value				
Low Value				
High Density Suburban				
High Value	Established High-End	Established High-End	Established High-End	Established High-End
Middle Value	Stable Middle-Income	Stable Middle-Income	Stable Middle-Income	Stable Middle-Income
Low Value	Economically Challenged	Economically Challenged	Economically Challenged	Economically Challenged
Suburban				
High Value	Established High-End	Established High-End	Established High-End	Established High-End
Middle Value	Stable Middle-Income	Stable Middle-Income	Stable Middle-Income	Stable Middle-Income
Low Value	Economically Challenged	Economically Challenged	Economically Challenged	Economically Challenged
Low Density Suburban				
High Value	Established High-End	Established High-End	Established High-End	Greenfield Lifestyle
Middle Value	Stable Middle-Income	Stable Middle-Income	Stable Middle-Income	Greenfield Lifestyle
Low Value	Economically Challenged	Economically Challenged	Greenfield Value	Greenfield Value



Visualizing the Categories

- Established High-End Suburbs**, such as Sandy Springs and Decatur, have high home values and established development patterns that offer strong opportunities for market-based development, but also tend to have some community objection to new growth. When new homes or communities are built, they are often at higher densities or price points than nearby neighborhoods.
- Stable Middle-Income Suburbs**, such as Kennesaw and Redan, include a wide range of home values attainable to a range of households. Some evidence indicates that these areas are becoming increasingly scarce, as they are gentrifying into higher-end communities or deteriorating into economically challenged areas.
- Economically Challenged Suburbs**, such as Lawrenceville and College Park, have lower home values and have seen little population growth in recent years. They may have aging infrastructure or underperforming city services that make them less attractive for new market-rate development.
- Greenfield Lifestyle Suburbs**, such as Cumming and Palmetto, are at or close to the suburban fringe, typically adjacent to established high-end suburbs, and are where the bulk of new community development is occurring. These areas have mostly developed over the past ten to 15 years and likely have some land still available for new development.
- Greenfield Value Suburbs**, such as McDonough and Dallas, are close to the suburban fringe, often adjacent to stable or economically challenged areas, or near lower-wage job concentrations. These suburbs attract new value-oriented communities that offer attractive home prices for many households, and sometimes reflect a “drive until you qualify” pattern.

**Suburb Classification;
Atlanta-Sandy Springs-Roswell, GA MSA**



MAP KEY	SUBURB CLASSIFICATION	POPULATION		EMPLOYMENT			ECONOMICS		DEMOGRAPHICS		
		% OF TOTAL POPULATION	POPULATION GROWTH (2000-2015)	% OF TOTAL JOBS	JOB GROWTH (2005-2010)	JOB GROWTH (2010-2014)	MEDIAN INCOME	MEDIAN HOME VALUE	% MINORITY	% HOUSEHOLDS WITH KIDS	% HOUSEHOLDS UNDER 35
Yellow	Urban	7%	6%	21%	-3%	9%	\$51,400	\$285K	51%	21%	39%
Orange	Established High-End Suburb	14%	17%	19%	-1%	11%	\$88,900	\$448K	34%	35%	19%
Green	Stable Middle-Income Suburb	12%	23%	13%	1%	12%	\$65,700	\$219K	57%	38%	20%
Purple	Economically-Challenged Suburb	24%	7%	22%	-4%	4%	\$41,900	\$135K	72%	40%	25%
Light Green	Greenfield Lifestyle Suburb	16%	56%	9%	11%	18%	\$87,900	\$295K	33%	45%	13%
Dark Purple	Greenfield Value Suburb	21%	45%	11%	1%	20%	\$55,600	\$132K	53%	43%	19%



Established High-End Suburbs

In the Atlanta-Sandy Springs-Roswell, GA MSA:

14% of total population

16% of suburban population

11% of growth in suburban housing units 2000–15

34% minority

\$88,900 median income

40 median age

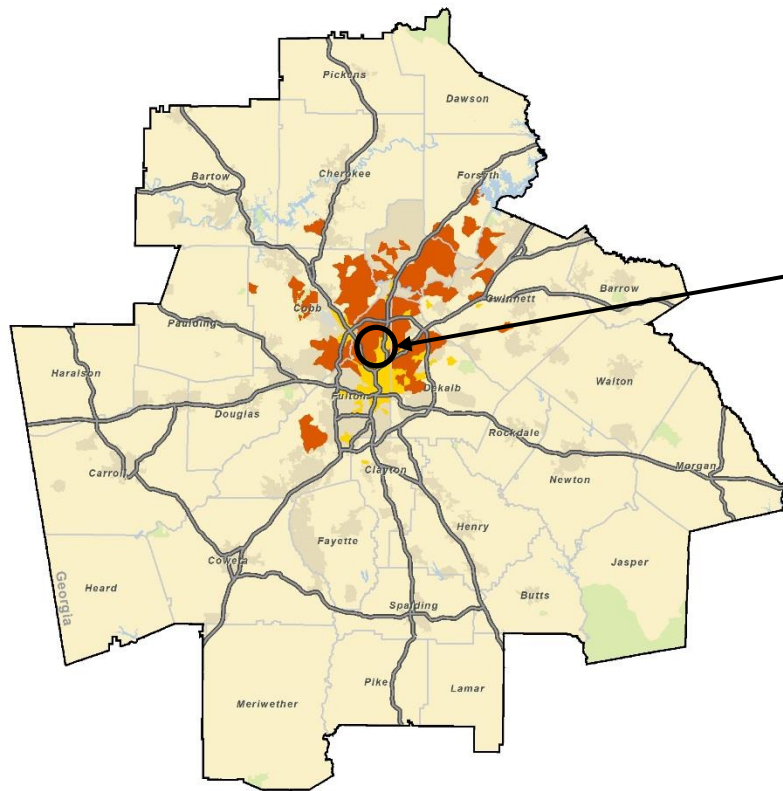
35% households with kids

19% households under 35

1985 median year build

\$448k median home value

61% owner-occupied units



Development Example: **St. Andrews**

Location: Atlanta, GA

Product: Townhome and cluster home community on an infill site at the edge of the urban fringe of Buckhead

Price Point: \$1.2M - \$1.4M, versus \$500K - \$1M for most nearby resales

Source: RCLCO; ESRI Business Analyst; Redfin; Community Websites

Stable Middle-Income Suburbs

In the Atlanta-Sandy Springs-Roswell, GA MSA:

12% of total population

13% of suburban population

12% of growth in suburban housing units 2000–15

57% minority

\$65,700 median income

36 median age

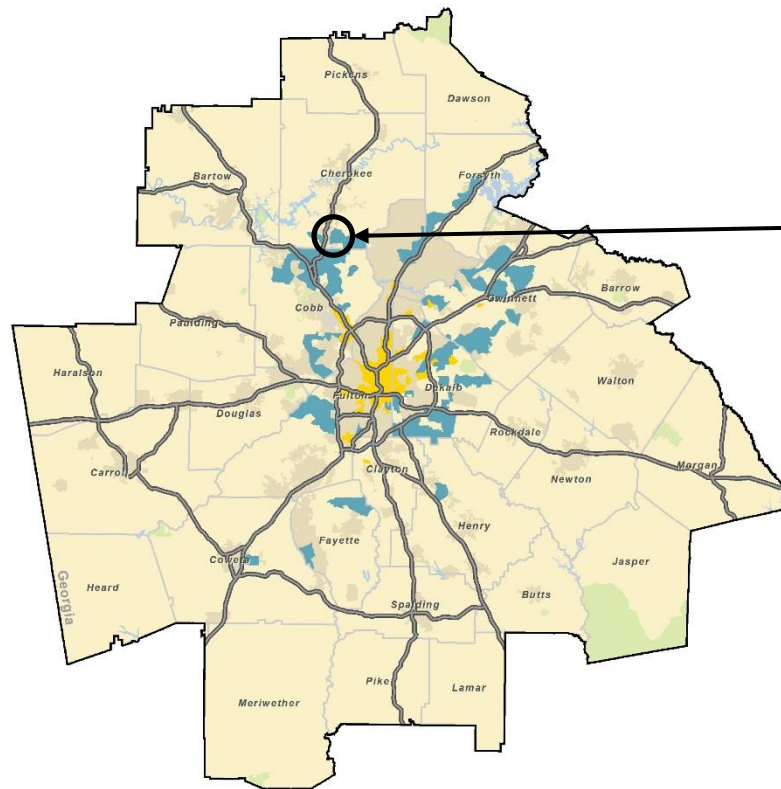
38% households with kids

20% households under 35

1989 median year build

\$219k median home value

56% owner-occupied units



Development Example: Oakhurst

Location: Woodstock, GA

*Product: 140-unit craftsman and
courtyard home community*

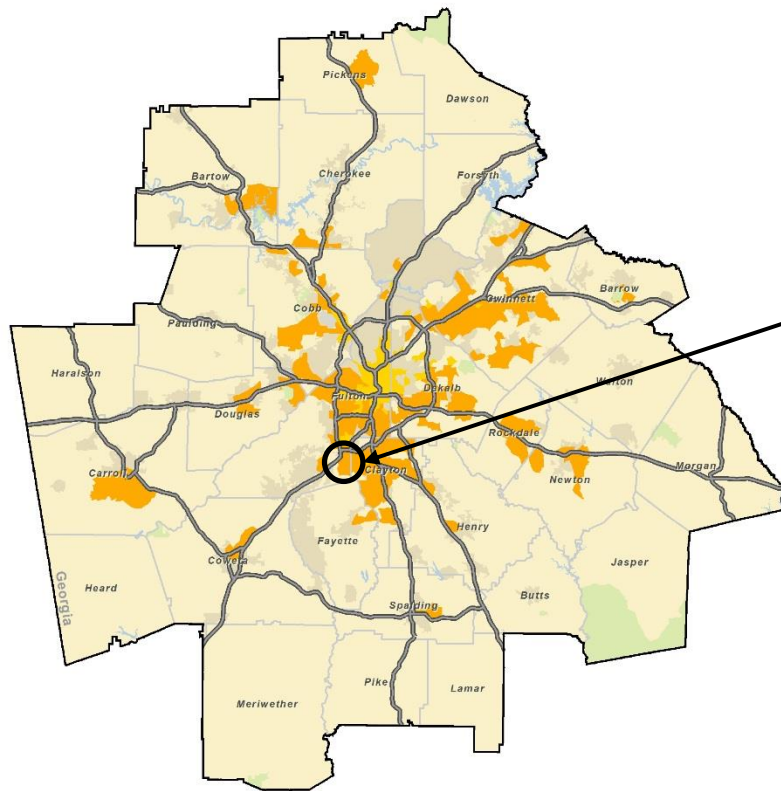
*Price Point: \$300K - \$475K, versus
\$150K - \$300K for most nearby resales*

Source: RCLCO; ESRI Business Analyst; Redfin; Community Websites

Economically Challenged Suburbs

In the Atlanta-Sandy Springs-Roswell, GA MSA:

- 35 median age
- 24% of total population
- 40% households with kids
- 28% of suburban population
- 25% households under 35
- 20% of growth in suburban housing units 2000–15
- 1982 median year build
- 72% minority
- \$135k median home value
- \$41,900 median income
- 48% owner-occupied units



Development Example: Crenshaw Park

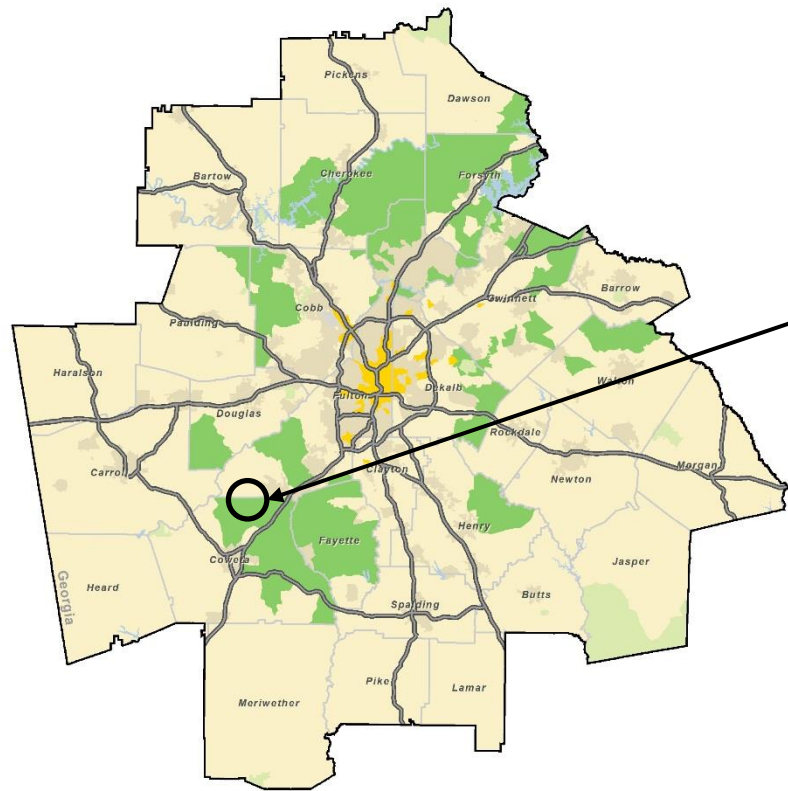
Location: Riverdale, GA
Product: Centrally-located starter home community near the airport, I-75, I-85, and I-285
Price Point: \$130K - \$160K, versus \$40K - \$150K for most nearby resales

Source: RCLCO; ESRI Business Analyst; Redfin; Community Websites

Greenfield Lifestyle Suburbs

In the Atlanta-Sandy Springs-Roswell, GA MSA:

- 16% of total population
- 19% of suburban population
- 25% of growth in suburban housing units 2000–15
- 33% minority
- \$87,900 median income
- 39 median age
- 45% households with kids
- 13% households under 35
- 1995 median year build
- \$295k median home value
- 72% owner-occupied units



Development Example: **Serenbe**

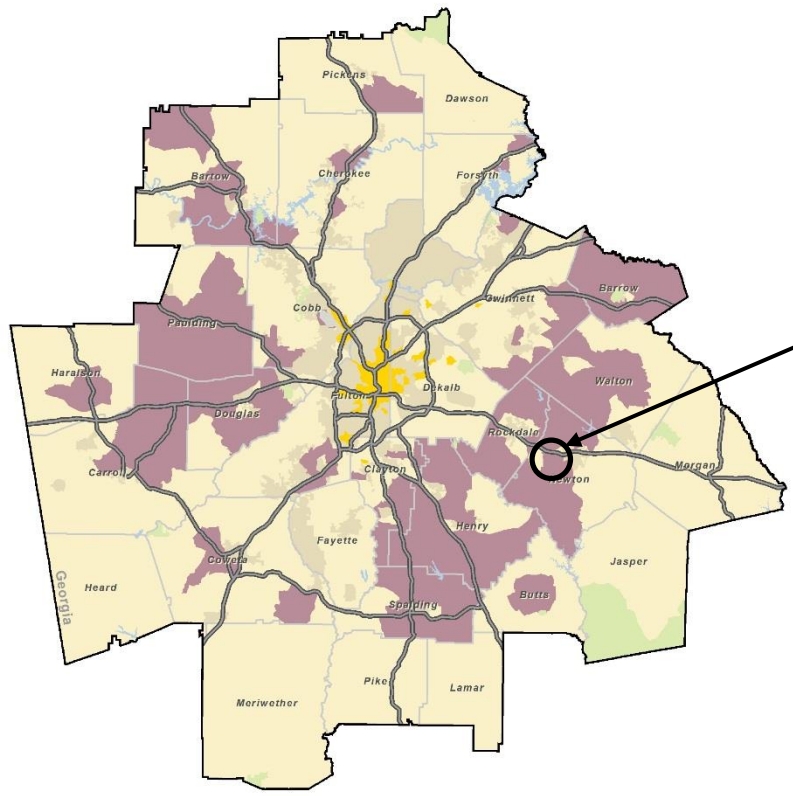
Location: Chattahoochee Hills, GA
Product: 1,000-acre, agriculture-oriented community, nestled in 40,000 acres of forest
Price Point: \$550K - \$1.2M, versus \$100K - \$350K for most nearby resales

Source: RCLCO; ESRI Business Analyst; Redfin; Community Websites

Greenfield Value Suburbs

In the Atlanta-Sandy Springs-Roswell, GA MSA:

- 21% of total population
- 24% of suburban population
- 33% of growth in suburban housing units 2000–15
- 53% minority
- \$55,600 median income
- 37 median age
- 43% households with kids
- 19% households under 35
- 1992 median year build
- \$132k median home value
- 65% owner-occupied units



Development Example:
Carillon

Location: Conyers, GA
Product: Large homes with family-sized yards at attainable price points in a builder subdivision
Price Point: \$230K - \$310K, versus \$110K - \$250K for most nearby resales

Source: RCLCO; ESRI Business Analyst; Redfin; Community Websites



Upcoming Suburban Trends

Distribution of Atlanta Population

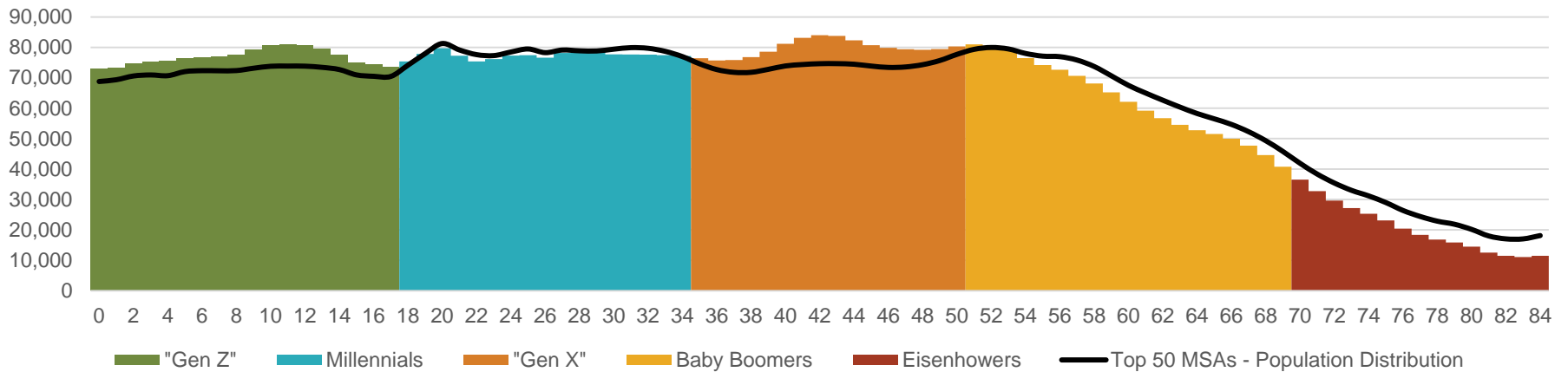
As time goes on, the suburbs of Atlanta are likely to confront a number of issues related to the aging population and changing preferences.

- **“Gen Z” (Less than 18)** currently lives with parents, but is likely to fuel demand for student housing, rental housing, and other forms of entry-level housing as they enter and graduate college.
- **Millennials (18-34)** live in student housing, rental housing, and other forms of entry-level housing, but are likely to fuel demand for larger homes as they begin to get married and have children.

- **“Gen X” (35-50)** currently lives in larger homes, but is likely to fuel demand for smaller homes as they become empty nesters and begin to downsize.
- **Baby Boomers (51-69)** are beginning to downsize and purchase or rent their retirement homes.
- **Eisenhowers (70 or Older)**, for the most part, are already living in their retirement homes.

In general, the Atlanta MSA has an outsized share of members of Gen X (24% for Atlanta, versus 22% for the Sunbelt), and an undersized share of Eisenhowers (6% for Atlanta, versus 7% for the Sunbelt).

Distribution of Population; Atlanta-Sandy Springs-Roswell, GA MSA



Year	Student Housing	Rental Housing	Rent as Couple / Buy Condo	Young Family Own	Mature Family Own	Empty Nester Downsize Own	Buy/Rent Retirement Home
2015	Millennials	Millennials	Millennials	Gen X Millennials	Baby Boomers Gen X	Baby Boomers	Eisenhowers Baby Boomers
2020	Gen Z	Millennials	Millennials	Millennials	Gen X	Baby Boomers Gen X	Eisenhowers Baby Boomers
2025	Gen Z	Millennials Gen Z	Millennials Gen Z	Millennials	Gen X Millennials	Baby Boomers	Baby Boomers
2030	Gen Z	Gen Z	Gen Z	Millennials	Gen X Millennials	Gen X Baby Boomers	Baby Boomers

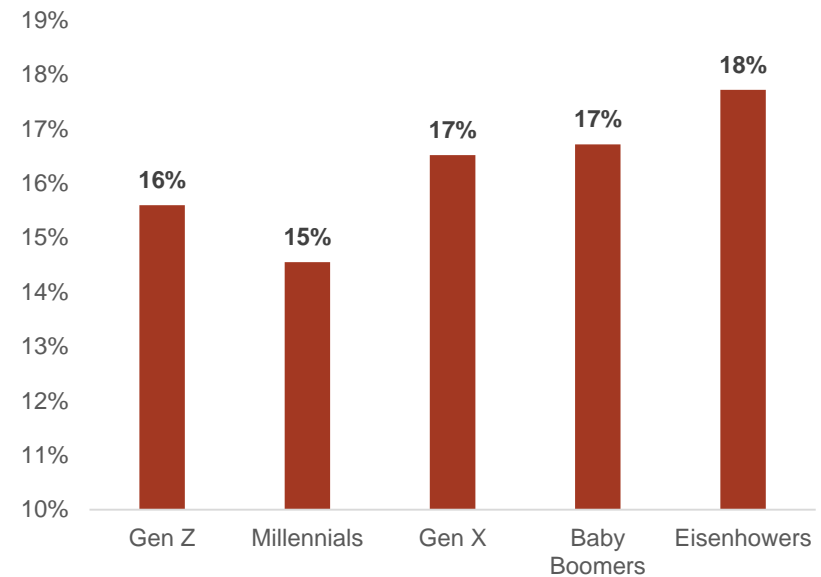
NOTE: “Top 50 MSAs – Population Distribution” represents the age distribution of all MSAs examined, applied to Atlanta’s overall population
 Source: RCLCO; ESRI Business Analyst

Addressing the Aging Population and Potential Housing Misalignment

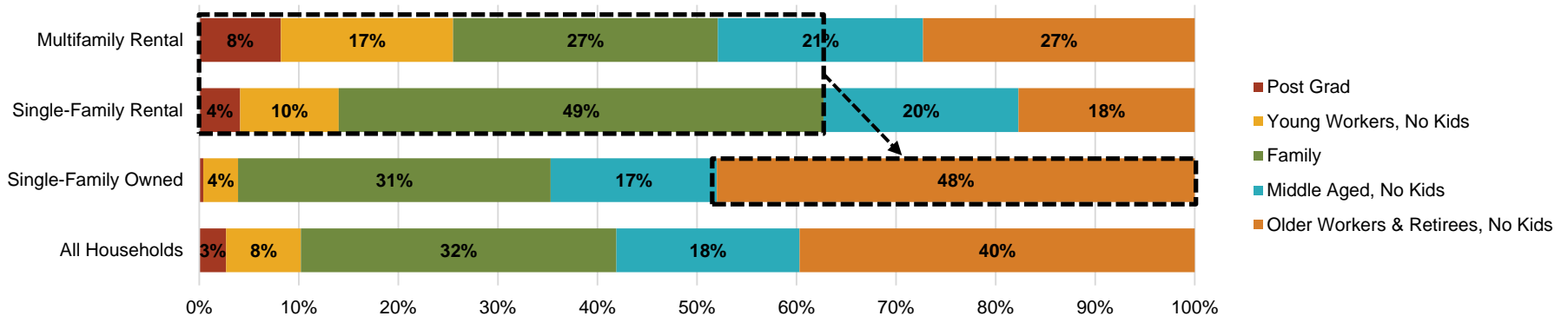
As the population ages, and as housing occupied by Eisenhower and Baby Boomer households becomes available, there is uncertainty surrounding whether the evolving product preferences of younger generations will generate enough demand to fill newly vacated units.

- In general, older households are more likely to own single-family homes than the general population.
- As these homes become available, they will need to be filled by younger and family households, many of which are still renting because they cannot afford a down payment yet.
- In Atlanta, this issue is compounded by the fact that many of the neighborhoods in which Eisenhower and Baby Boomer households live have relatively high home values.
 - This is particularly true for the oldest household segments. In the Atlanta MSA, 17% of Baby Boomers (ages 51-69) and 18% of Eisenhowers (ages 70+) live in established high-end suburbs, as compared to only 15% of Millennials (ages 18-34).
 - However, this issue is also less impactful in Atlanta, which has a smaller share of these households relative to other metro areas.

Distribution of Households Living in Established High-End Suburbs; Atlanta-Sandy Springs-Roswell, GA MSA



Life Stage Distribution Comparisons by Household Type; National; 2014



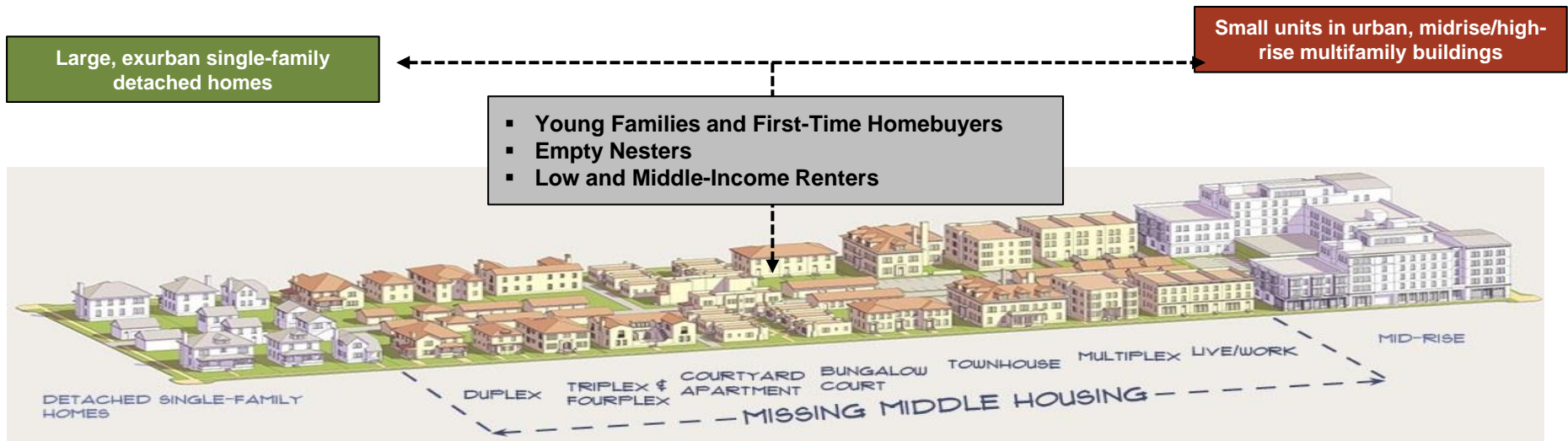
SOURCE: RCLCO; U.S. Census Bureau

Catering to the Missing Middle

A separate but related issue pertains to the idea that there is a gap in the housing being built. Today most new housing is either large, exurban, and single-family, or small, urban, and multifamily, and there are few in-between product types currently being built.

- “Missing middle housing” is defined as “a range of multi-unit or clustered housing types comparable in scale with single-family homes that...provides a solution to the mismatch between the available U.S. housing stock and shifting demographics combined with the growing demand for walkability.”
- This concept focuses on the fact that, in general, the new housing supply being built today typically falls into one of two buckets:
 - Small units in urban, mid/high-rise multifamily buildings
 - Large, exurban single-family detached homes

- As a result, there are key market segments that would purchase or rent new product but are currently underserved.
 - **Young families and first-time buyers** are priced out of detached product, but want or need more space than an apartment or small condo. Location of new detached product may be too suburban for their preferred lifestyle.
 - **Empty nesters** may want to downsize, but may not be ready to give up their front door, porch, garden, etc.
 - **Low- and middle-income renters** cannot afford the largely luxury product coming online today.
- Because much of the new housing coming online is either smaller urban or larger exurban product, these buyers are often unable to find the mid-sized product that fits their lifestyles.
- This issue is compounded by the fact that many of the homes that are being resold by older households are located in established, high-value suburbs, where many people looking for “missing middle housing” cannot yet afford to purchase.



Source: Opticos Design

Grappling with Racial, Ethnic, and Income Inequality

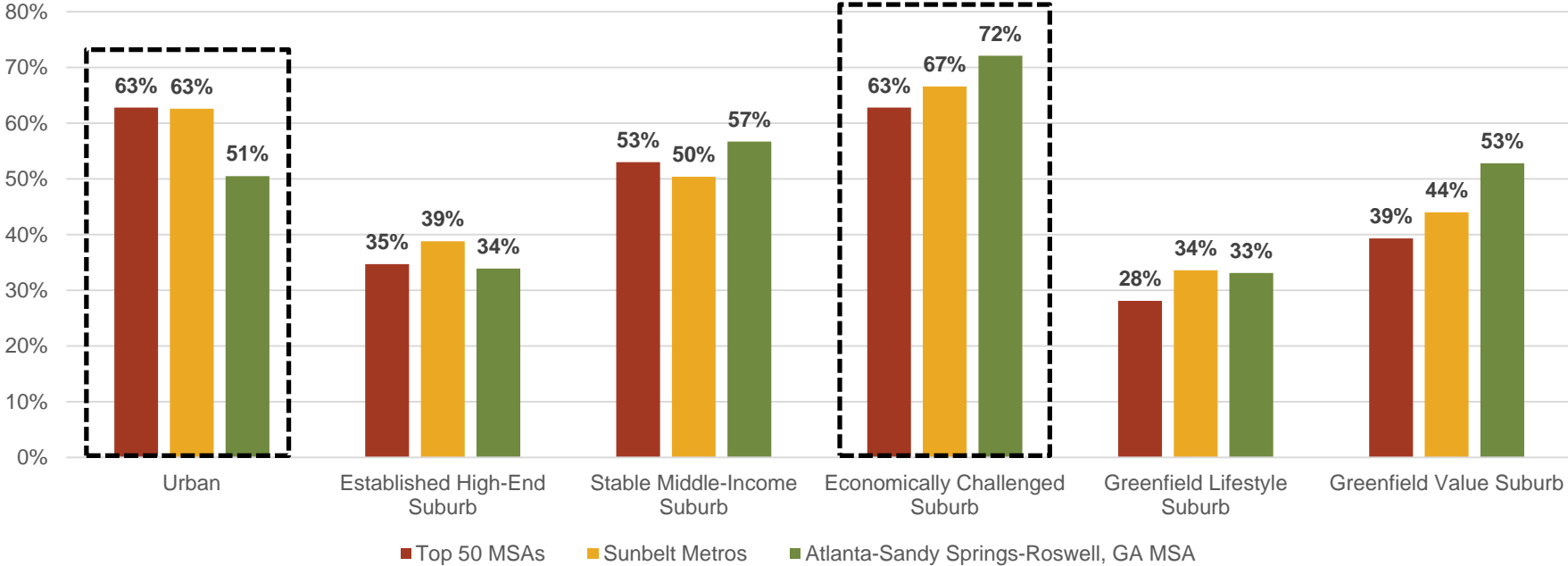
Issues pertaining to the available housing stock and the product currently being built are exacerbated by issues pertaining to racial, ethnic, and income inequality in the suburbs.

- The contemporary suburban landscape is growing increasingly diverse, despite the traditional stereotype that suburbs are mostly enclaves for middle- and upper-class whites. However, while the suburbs are diverse as a whole, the minority population is more likely to live in economically-challenged suburbs than the general population, especially in Atlanta.
 - In the Atlanta MSA, 35% of the minority population lives in economically-challenged suburbs, as compared to 24% of the

general population. Meanwhile, minorities are less likely to live in established high-end (10% vs. 14%) and greenfield lifestyle (11% vs. 16%) than the general population.

- Moreover, minorities comprise a staggering majority (72%) of the population of economically-challenged suburbs.
- In most metropolitan areas, economically-challenged suburbs are seeing very little new development activity, and, at the same time, the existing housing and infrastructure in these neighborhoods is growing increasingly likely to fall into disrepair.

Minority Population as a Percentage of Total Population; Various Geographies



Source: RCLCO; ESRI Business Analyst



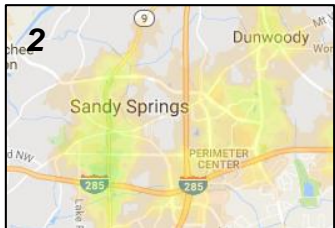
Recapturing Walkability

As younger households move from cities to the suburbs, many of them will look for neighborhood amenities that are similar to the ones to which they are accustomed, such as walkability. Suburbs with elements of walkability are strong candidates to attract younger households moving from urban neighborhoods as well as older households downsizing from within the suburbs, and it is therefore likely that walkability will be a strong driver of home values.

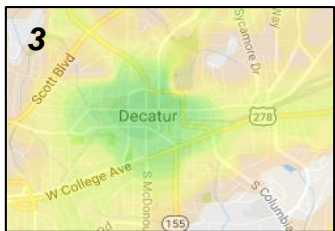
- In Atlanta, many high-value suburbs already have pockets of walkability, some of which have emerged in recent years (Decatur, Sandy Springs, etc.).
 - Many of these communities with walkable suburban neighborhoods have relatively high home values, in comparison to the region as a whole, which has a median home value of \$169,900.



Marietta, GA
 Walkable Core: Walk Score of 80
 Median Home Value: \$246,200
 % Over MSA Median Value: 45%



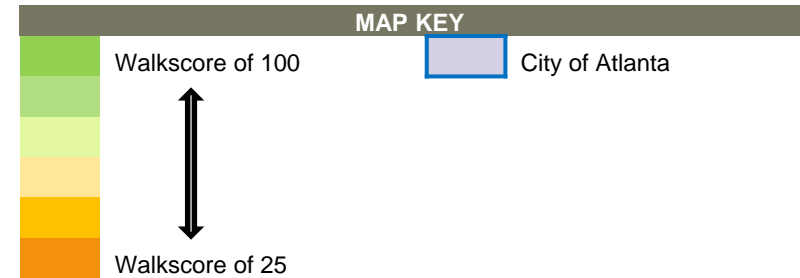
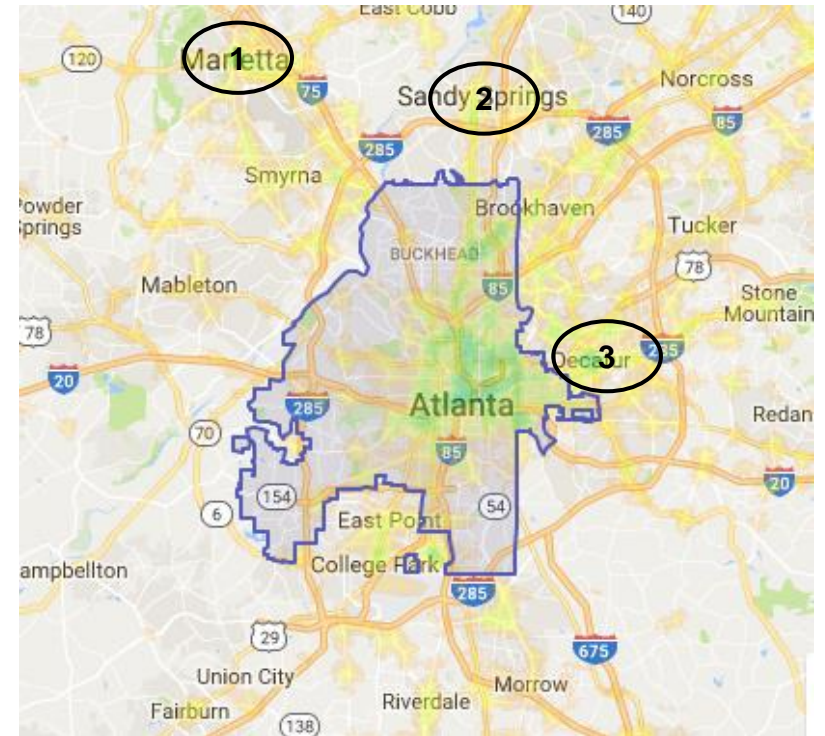
Sandy Springs, GA
 Walkable Core: Walk Score of 75
 Median Home Value: \$446,400
 % Over MSA Median Value: 163%



Decatur, GA
 Walkable Core: Walk Score of 92
 Median Home Value: \$453,700
 % Over MSA Median Value: 167%

Source: Walk Score; Zillow

Heat Map of Walk Scores;
 Atlanta, Georgia



Methodological Notes

- In *Housing in the Evolving American Suburb*, RCLCO analyzed each of the 50 largest metropolitan statistical areas (“MSAs”) individually, as defined by the U.S. Census 2016 population estimates. To better represent key regional dynamics, RCLCO has adapted the original methodology to better reflect the practical geographic boundaries of regional economies and housing markets. In this report, the “Top 50 MSAs” data refers to these new groupings, which include 59 Census-defined MSAs. Primarily, these changes combined and added certain MSAs to present a complete picture of the regions encompassed by the original top 50 markets. On one hand, San Francisco and San Jose were combined into one region, as were Los Angeles and Riverside. In addition, smaller MSAs that are outside the top 50 but an integral part of larger metro regions were combined with the primary MSA from the original analysis. These additions include Oxnard (added to Los Angeles), Ogden and Provo MSAs (added to Salt Lake City), Boulder and Greeley MSAs (added to Denver), Bremerton (added to Seattle), Worcester (added to Boston), Bridgeport (added to New York), and Durham (added to Raleigh).
- Page 12, Locational Distribution of Homes Purchased: Type of location reflects those locations which were outlined in the *2016 NAR Home Buyer and Seller Generational Trends Report*, and do not represent the typologies used in this report.
- Page 14, Data Table: Employment distribution and growth uses census tract-level employment data from the U.S. Census Bureau’s Longitudinal Employer-Household Dynamics (“LEHD”) program. LEHD provides historical data for the years between 2002 and 2014. For this report, RCLCO used data from three years – 2005, 2010, and 2014 – to capture how trends in urban and suburban employment varied by location and macro-level economic trends.
- Page 16, Data Table: “Minority Population” includes all demographic groups that are not reported as non-Hispanic white by the U.S. Census Bureau.

Critical Assumptions

Our conclusions are based on our analysis of the information available from our own sources and from the client as of the date of this report. We assume that the information is correct, complete, and reliable.

We made certain assumptions about the future performance of the global, national, and local economy and real estate market, and on other factors similarly outside either our control or that of the client. We analyzed trends and the information available to us in drawing these conclusions. However, given the fluid and dynamic nature of the economy and real estate markets, as well as the uncertainty surrounding particularly the near-term future, it is critical to monitor the economy and markets continuously and to revisit the aforementioned conclusions periodically to ensure that they are reflective of changing market conditions.

We assume that the economy and real estate markets will grow at a stable and moderate rate to 2020 and beyond. However, stable and moderate growth patterns are historically not sustainable over extended periods of time, the economy is cyclical, and real estate markets are typically highly sensitive to business cycles. Further, it is very difficult to predict when an economic and real estate upturn will end.

With the above in mind, we assume that the long term average absorption rates and price changes will be as projected, realizing that most of the time performance will be either above or below said average rates.

Our analysis does not consider the potential impact of future economic shocks on the national and/or local economy, and does not consider the potential benefits from major "booms" that may occur. Similarly, the analysis does not reflect the residual impact on the real estate market and the competitive environment of such a shock or boom. Also, it is important to note that it is difficult to predict changing consumer and market psychology.

As such, we recommend the close monitoring of the economy and the marketplace, and updating this analysis as appropriate.

Further, the project and investment economics should be "stress tested" to ensure that potential fluctuations in revenue and cost assumptions resulting from alternative scenarios regarding the economy and real estate market conditions will not cause failure.

In addition, we assume that the following will occur in accordance with current expectations:

- Economic, employment, and household growth.
- Other forecasts of trends and demographic and economic patterns, including consumer confidence levels.
- The cost of development and construction.
- Tax laws (i.e., property and income tax rates, deductibility of mortgage interest, and so forth).
- Availability and cost of capital and mortgage financing for real estate developers, owners and buyers.
- Competitive projects will be developed as planned (active and future) and that a reasonable stream of supply offerings will satisfy real estate demand.
- Major public works projects occur and are completed as planned.

Should any of the above change, this analysis should be updated, with the conclusions reviewed accordingly (and possibly revised).

General Limiting Conditions

Reasonable efforts have been made to ensure that the data contained in this study reflect accurate and timely information and are believed to be reliable. This study is based on estimates, assumptions, and other information developed by RCLCO from its independent research effort, general knowledge of the industry, and consultations with the client and its representatives. No responsibility is assumed for inaccuracies in reporting by the client, its agent, and representatives or in any other data source used in preparing or presenting this study. This report is based on information that to our knowledge was current as of the date of this report, and RCLCO has not undertaken any update of its research effort since such date.

Our report may contain prospective financial information, estimates, or opinions that represent our view of reasonable expectations at a particular time, but such information, estimates, or opinions are not offered as predictions or assurances that a particular level of income or profit will be achieved, that particular events will occur, or that a particular price will be offered or accepted. Actual results achieved during the period covered by our prospective financial analysis may vary from those described in our report, and the variations may be material. Therefore, no warranty or representation is made by RCLCO that any of the projected values or results contained in this study will be achieved.

Possession of this study does not carry with it the right of publication thereof or to use the name of "Robert Charles Lesser & Co." or "RCLCO" in any manner without first obtaining the prior written consent of RCLCO. No abstracting, excerpting, or summarization of this study may be made without first obtaining the prior written consent of RCLCO. This report is not to be used in conjunction with any public or private offering of securities or other similar purpose where it may be relied upon to any degree by any person other than the client without first obtaining the prior written consent of RCLCO. This study may not be used for any purpose other than that for which it is prepared or for which prior written consent has first been obtained from RCLCO.