Georgia Tech • Ivan Allen College of Liberal Arts
Center for Urban Research

Atlanta's Housing Crisis Is Really a Neighborhood Crisis

How filtering data reveals that our affordability problem is really a problem of broken neighborhood housing markets—and how fixing neighborhoods fixes housing affordability

The Atlanta Regional Commission recently asked residents what concerned them most. For the first time ever, housing affordability topped the list. Twenty-eight percent identified it as the region's biggest problem. The median home price now exceeds $400,000. Between 2019 and 2025, the cost of homeownership relative to income rose over 60 percent.

Politicians and advocates have responded predictably: we have a housing crisis. We need more subsidies, more regulation, and more intervention to solve a fundamental shortage of homes.

But here's what the data actually shows: Atlanta doesn't have a housing crisis. It has a neighborhood crisis.

The evidence is hiding in plain sight, in a market mechanism that economists have studied for decades: housing filtering. And what filtering reveals about Atlanta is profound: the problem isn't that the city lacks housing. It's that too much of that housing is in neighborhoods where people don't want to live.

WHAT FILTERING REVEALS

Housing filtering refers to the process by which properties, as they age and depreciate, tend to be occupied by households with different income levels over time. In high-functioning housing markets, this manifests as "downward filtering"—properties built for higher-income households gradually become accessible to lower-income residents as those units age.

Stuart Rosenthal's seminal research demonstrated that this actually happens at meaningful rates. He estimates that rental properties filter down at 2.5% per year and owner-occupied homes at 0.5% per year.[1] Over fifty years, a property that once housed a household earning $100,000 eventually serves one earning $70,000. This is how markets naturally create affordable housing without regulation or subsidy.

But subsequent research by Liu, McManus, and Yannopoulos revealed something crucial: filtering rates vary dramatically within metro areas and inside of cities. Their research revealed several crucial insights.

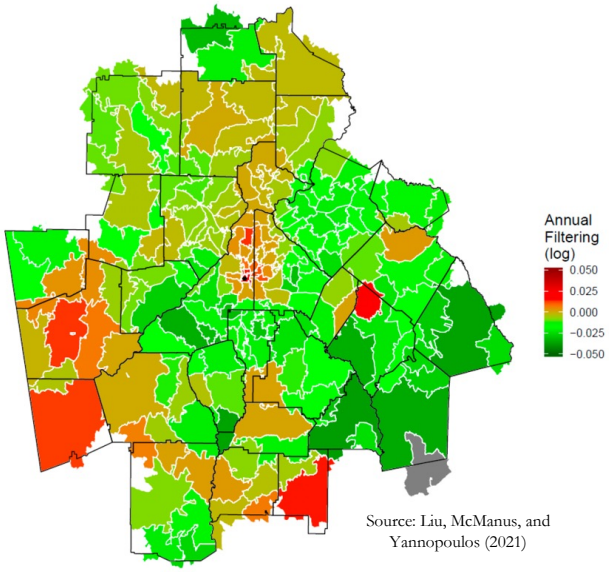
First, filtering rates vary dramatically across metropolitan areas. While some cities like Topeka, Kansas experience rapid downward filtering at -1.61% annually, others like San

[1] Rosenthal, Stuart S. 2014. "Are Private Markets and Filtering a Viable Source of Low-Income Housing? Estimates from a 'Repeat Income' Model." *American Economic Review* 104 (2): 687–706.

Francisco show upward filtering at 0.71% per year, where properties actually move to higher-income occupants as they age.[2]

Second, and critically for Atlanta, filtering rates vary even more dramatically within metropolitan areas (see Figure 1). In the Green regions, filtering is functioning as it should, with older homes becoming increasingly affordable over time. But in the Red and Orange regions, the opposite is happening: older homes are increasing in price as demand for housing in those areas exceed supply.

Figure 1
Filtering Rates in Metropolitan Atlanta (1993-2018)



Source: Liu, McManus, and Yannopoulos (2021)

Third, filtering is closely linked to housing supply elasticity. Markets with fewer regulatory restrictions on new construction consistently show greater downward filtering. Conversely, markets with restrictive land-use regulations—those with high scores on the Wharton Residential Land Use Regulation Index—tend toward upward filtering as demand outpaces artificially constrained supply.

[2] Liu, Liyi, Doug McManus, and Elias Yannopoulos. 2022. "Geographic and Temporal Variation in Housing Filtering Rates." *Regional Science and Urban Economics* 93 (March): 103758.

ZIP Code-Level Analysis: Filtering Where It Matters

The most revealing evidence comes from the detailed spatial analysis in Liu et al.'s research, which estimates filtering rates at the ZIP code level across the city of Atlanta (see Figure 2).

Figure 2
City of Atlanta Filtering Rates By Zip Code

ZIP Code	Neighborhood/Area	Filtering Classification
30303	Downtown	Neutral to Weak Upward
30305	Buckhead/West Paces Ferry	Weak Upward
30306	Virginia-Highland/Morningside	Weak Upward
30307	Little Five Points/Candler Park/Inman Park	Weak Upward
30308	Midtown	Weak Upward
30309	Midtown/Ansley Park	Weak Upward
30310	Mechanicsville/Pittsburgh	Moderate Downward
30311	West End/Oakland City/Adair Park	Moderate Downward
30312	Mechanicsville/Summerhill/Grant Park	Moderate Downward
30313	Georgia Tech/Home Park	Neutral
30314	English Avenue/Vine City	Moderate Downward
30315	Lakewood/Peoplestown/Pittsburgh	Moderate Downward
30316	East Atlanta/Edgewood/Reynoldstown	Weak Upward
30317	Kirkwood/East Lake	Neutral
30318	Bolton/Bankhead/Grove Park	Moderate Downward
30319	Buckhead	Weak Upward
30322	Emory University area	Weak Upward
30324	Buckhead/Lenox	Moderate Upward
30326	Buckhead/North Buckhead	Weak Upward
30327	Buckhead/Chastain Park	Weak Upward
30331	Cascade Heights/Beecher Hills	Moderate Downward
30336	Adamsville/Collier Heights	Moderate Downward
30337	College Park/Ben Hill	Weak Upward
30344	East Point/Hapeville border	Weak Upward
30354	East Point/College Park border	Weak Upward

In the city, filtering rates are mixed but include substantial areas of downward filtering, particularly in neighborhoods south and west of downtown. Eight ZIP codes—including neighborhoods such as Mechanicsville, English Avenue, Bankhead, West End, Adamsville, and Cascade Heights—show downward filtering at -1.5% per year. In these neighborhoods, the market mechanism works as theory predicts: as properties age they depreciate and become accessible to lower-income families.

Meanwhile, fifteen ZIP codes—including Buckhead, Midtown, Virginia-Highland, Inman Park, and East Atlanta—show upward filtering at +1.5% to +2.5% annually. Properties there move to higher-income households as they age. A forty-year-old home likely houses someone earning significantly more than the original occupants.

Filtering is actively creating affordable housing in selected areas but not uniformly across the city. If Atlanta truly had a housing shortage—if the city simply lacked enough homes for the entire population—filtering would fail everywhere. You can't have properties filtering down to lower-income households when there's a fundamental shortage of housing units. Scarcity drives prices up universally.

But that is not what is happening. The fact that filtering is not occurring in the same manner across the city reinforces the notion that the city (or region for that matter) does not constitute a single housing market. Housing markets are fundamentally hyperlocal, operating at the neighborhood and elementary school attendance zone level rather than at city or regional scales.[3]

[3] Wu, Chengri and Rajiv Sharma. 2012. "Housing Submarket Classification: The Role of Spatial Contiguity." *Applied Geography* 32 (2): 746-756.

THE SAME HOUSE, TWO PRICES

Consider the price differential of two very similar homes that are currently on the market according to Zillow (see Figure 3). The home in Garden Hills is listed at $860,000 while a very similar house sells for $195,000 in Center Hill. On a price per square footage basis, that's a 3:1 difference for essentially the same physical structure. These homes are five miles apart and more or less equidistant to Midtown Atlanta, arguably the most dynamic economic district in the southeastern United States. What is driving this difference in price?

Figure 3
Example of Discrepancies in Home Values

$195,000
4beds
2baths
1,015sqft

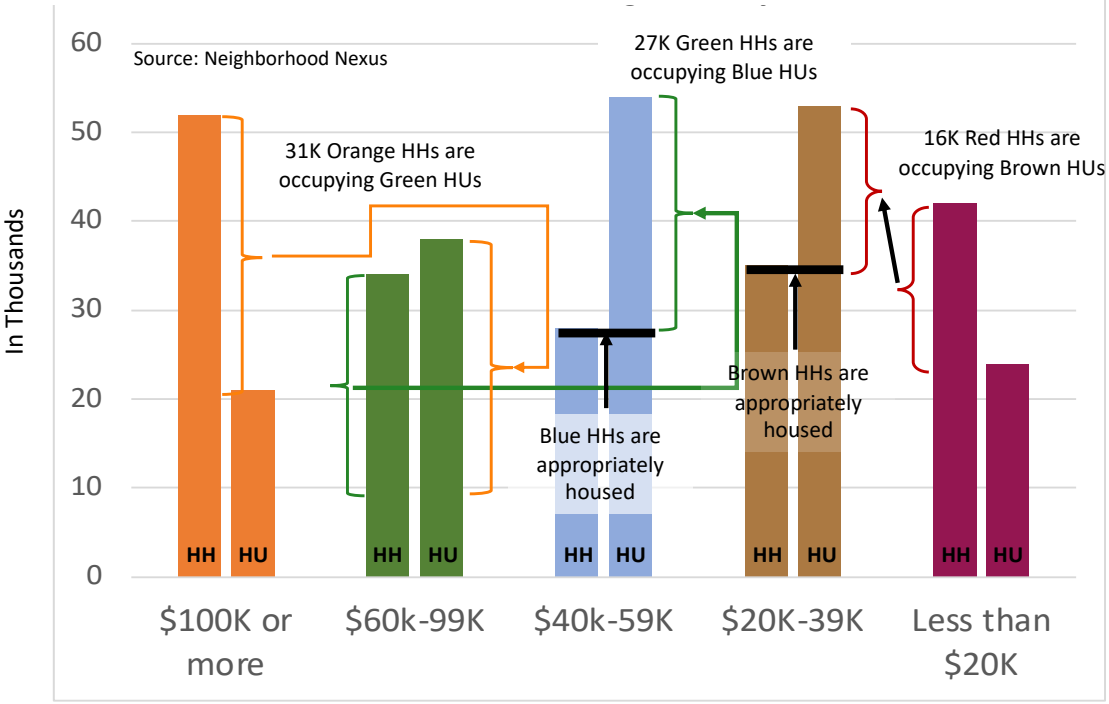
$860,000
3beds
2baths
1,300sqft

It's not the house. It's everything around it: schools, crime rates, job access, amenities, infrastructure, and the social composition of the neighborhood. People with resources pay an enormous premium to reside in neighborhoods like Garden Hills. This creates upward pressure on prices in those neighborhoods, which prevents filtering from functioning properly.

In Center Hill and other similarly distressed neighborhoods, there is little demand for housing so filtering works. As units age, they command lower prices, which creates a consistent pipeline of affordable housing. In this sense, Garden Hills and Center Hill function as two completely separate housing markets since two nearly identical homes do not serve as substitutes for each other. That fact has important implications for housing policy.

This disparity in the filtering process in Atlanta illuminates the deeper pathologies of the city's housing challenges. There is, for example, a large disconnect between the household incomes levels and housing unit affordability (see Figure 4).[4]

Figure 4
Number of Households at each Income Level and the Number of Housing Units Affordable for Households with those Incomes



Atlanta has approximately 52,000 households (Orange) earning $100,000 or more each year, but only about 21,000 housing units priced at a level affordable to those in that income bracket.[5] This means roughly 31,000 high-income Orange households are spending less than they could theoretically afford on housing because there are too few units available at the high end of the housing market. As a result, they are occupying housing stock that would otherwise be affordable to the Green households in the $60,000-$99,000 income bracket. In other words, Green housing units are filtering up and being occupied by Orange households. This is housing filtering functioning in reverse.

And this process continues as you move down the housing market. There are about 34,000 Green households in that $60,000-$99,000 income bracket with 37,000 units theoretically affordable to them. But with 31,000 higher-income Orange households occupying most of

[4] Data in Figure 4 is from 2019. Although the numbers may have changed since then, the scale of the relationships likely have not.
[5] We are using the HUD of 30% of income spent on housing as the standard for the purposes of this analysis.

this housing stock, the Green families find themselves with nowhere to go but down to the Blue units affordable to families earning $40,000-$59,000.

But because of the large supply of housing available at the Blue income level, the families in that income bracket can theoretically still be housed affordably even though nearly half of that housing stock has been absorbed by Green households.

The real squeeze happens at the bottom. Given the lack of housing units affordable to households earning less than $20,000, 16,000 of those households must occupy Brown housing units, which means they are spending more than 30% of their income on housing.

This is filtering failure. Instead of new luxury construction at the top of the market freeing up middle-tier housing, which then frees up workforce housing, we see the opposite. Without sufficient new construction at the high end, wealthy households simply outbid everyone else for whatever exists, pushing each successive income group downward into housing affordable for families earning less than they do. The result is a cascading effect where families end up competing for housing theoretically affordable to someone earning less than they do.

ATLANTA IS NOT SAN FRANCISCO

Here's where Atlanta's situation differs fundamentally from cities that genuinely have housing shortages.

San Francisco, Washington D.C., Manhattan—these cities are built out. Just about every square foot is spoken for. They face true supply constraints: limited land, height restrictions, historic preservation requirements, and dense existing development. Adding housing means demolishing existing structures, navigating byzantine regulations, and fighting over genuinely scarce land.

Atlanta has something they don't: space and vacancy.

In many south and west side neighborhoods, vacancy rates exceed 30 percent. Atlanta in fact has a surplus of housing, with approximately 30,000 vacant housing units. And that number does not include all of the vacant land in residential areas that could support housing but doesn’t.

This is the critical point. If Atlanta had a true housing shortage, there wouldn't be 30 percent vacancy rates in large swathes of the city. There wouldn't be thousands of abandoned properties. There wouldn’t be entire blocks where disinvestment has left vacant lots unused.

Atlanta doesn’t have a housing crisis, it has a neighborhood crisis. If all of Atlanta neighborhoods were places where people were willing to live and invest, demand would distribute more evenly across the city's housing stock. Developers would respond to that demand by renovating abandoned units and building homes on vacant lots. This increase in

the supply of housing would eventually decrease pricing pressure in the so-called "desirable" neighborhoods on the north and east side of the city. The downward filtering process would be restored.

The bottom line is that there is plenty of housing in the city and no shortage of land upon which to build new housing. It's just not in neighborhoods where people want to live.

THE MARKET CAN FIX THIS

Here's the hopeful part: markets are actually quite good at solving this problem—if we let them.

The studies on filtering show that the mechanism works. When neighborhoods function well, properties naturally become more affordable over time. The market creates affordable housing without subsidy, simply through the normal aging process. We see this nationally and locally. Most of the metro Atlanta region is green in Figure 1, which shows that the housing market can work.

The problem is that we've engineered distressed neighborhoods where the housing market doesn't work. A set of public polices and private actions stretching back many decades have concentrated poverty and segregated the city. The isolation of these communities has generated a vicious cycle of disinvestment where the lack of higher income households undermines private investment in neighborhood-serving amenities like grocery stores and other retail, and the lack of these amenities discourages families from moving into these areas. This self-reinforcing cycle of disinvestment makes neighborhoods uninvestable, which drives people with resources away, which reduces demand for property even further.

But the cycle can be reversed. Strategic public investment can fix broken neighborhood markets. Neighborhood revitalization efforts in East Lake, Edgewood, Summerhill and along the Beltline corridor have all demonstrated this. Public investment in mixed-income housing, trails, parks, and other neighborhood amenities have attracted private housing development that would not have occurred otherwise. As neighborhoods rebuild their residential population, businesses move in to provide services. Grocery stores, restaurants, coffee shops—the basic amenities that make neighborhoods livable—attract new residents, and the virtuous cycle of investment is off and running.

For example, since 2010 over 17,000 residents have moved into the neighborhoods along the Memorial Drive corridor. We estimate that 70% of those residents moved into existing housing that was either vacant or new housing that was built on vacant property. The city's distressed neighborhoods all have vacant or underutilized properties that could be activated in a similar fashion. Not only would that activation revitalize those neighborhoods, but it would reduce housing price pressures across the entire city.

The goal should be to make all Atlanta neighborhoods worthy of this type of investment. When neighborhoods function well, private developers will build. New residents will move in. Schools will repopulate and jobs will be created. In those circumstances, filtering can work to create affordability naturally.

THE FLOOR OF AFFORDABILITY

None of this means letting markets run wild. Neighborhoods need a floor of affordability to ensure they remain accessible to low-income residents as conditions improve.

This means using the tools available to protect legacy residents from gentrification pressures and ensuring that there is a wide-channel of opportunity for low-income residents to live in these neighborhoods moving forward. These tools include:

- **Property tax relief** for long-term residents, so neighborhood improvement doesn't force out the people it's meant to help.
- **Community land trusts** that preserve permanently affordable housing even as neighborhoods appreciate.
- **Inclusionary zoning** requiring a portion of new development to serve lower-income households.
- **Subsidized housing** for households earning 30-50% of area median income.

The floor preserves accessibility. But above that floor, neighborhoods need sustained private investment. No neighborhood can remain healthy long-term without private capital improving properties, building new housing, opening businesses, and creating jobs.

The filtering data proves this. The Atlanta neighborhoods showing downward filtering aren't just affordable—they're neighborhoods where private investment has dried up. Properties become cheaper because few want to live there. That's not a sustainable model for affordability. That's market failure. The city needs neighborhoods that are affordable because the supply of housing is generating the filtering results seen elsewhere.

THE TWO-PART SOLUTION

Fixing Atlanta's neighborhood crisis requires working both ends simultaneously:

Make distressed neighborhoods investable. Strategic public investment in infrastructure, schools, health, and amenities transforms broken markets. This attracts private development on the abundant vacant land, increasing citywide supply without displacement. When developers build on empty lots in Bankhead, it relieves pressure on Buckhead.

Increase supply in high-demand neighborhoods. Yes, we still need to build more housing in Buckhead and Midtown. Those 31,000 excess Orange households need

somewhere to live. If we don't provide housing options in desirable neighborhoods, they'll continue cascading down and occupy housing affordable to middle-income families.

But notice the reframing. The goal is not to solve a housing shortage. The goal is to rebalance neighborhood markets so demand distributes more evenly across the city's housing stock.

The filtering data tells us exactly where to intervene:

- Eight ZIP codes show downward filtering but broken markets → invest in neighborhood revitalization
- Fifteen ZIP codes show upward filtering and excess demand → add housing supply by reducing regulatory barriers

This is granular, place-based policy guided by data on how markets actually function in different neighborhoods.

THE NEIGHBORHOOD CRISIS MASQUERADING AS A HOUSING CRISIS

The filtering data reveals a city divided not by housing haves and have-nots, but of neighborhood haves and have-nots.

Some Atlanta neighborhoods function as healthy housing markets where filtering creates affordability naturally—except people with resources don't want to live there, so they're affordable for the wrong reasons.

Other neighborhoods have such concentrated demand that filtering works in reverse, with properties becoming more expensive as they age—not because we lack housing citywide, but because demand concentrates in a limited geography.

This is a neighborhood crisis, not a housing crisis. The solution isn't flooding the city with subsidized housing everywhere. It's fixing broken neighborhood markets so demand redistributes more evenly across our existing housing stock.

Markets can solve this—if we ensure all neighborhoods are worthy of investment. That requires public investment to fix broken markets, anti-displacement protections to maintain affordability floors, and yes, additional housing supply in high-demand areas where the arithmetic of displacement creates real harm.

But the fundamental insight remains: Atlanta has housing. It has space. There are many vacant properties. What is lacking is functional neighborhood markets across the entire city. Fix the neighborhoods, and the housing market largely fixes itself.

The families struggling to pay rent in Virginia-Highland and Inman Park will benefit from public investments in Center Hill and Bankhead because by restoring those neighborhoods to their former health, demand for housing will be redistributed and ease pricing pressures citywide. And the families in Center Hill—disproportionately Black, lower-income, and bearing the accumulated weight of decades of municipal neglect—deserve neighborhoods that function as well as Garden Hills. They deserve schools that prepare children for college, streets safe enough for evening walks, grocery stores within walking distance, and air clean enough to breathe without risk. They deserve this not as charity but as the basic obligation of municipal government to all residents. So, the families in Center Hill need us to invest there too—not so their neighborhood gentrifies and displaces them, but so that it provides the benefits that healthy urban neighborhoods are supposed to provide.

This is a solvable problem. The filtering data provides the map. It is clear which neighborhoods need public investment to become investable. It is clear which neighborhoods need additional supply. And it is clear that the housing market works when neighborhoods are functioning properly.

The goal should be to reframe the housing challenges the city faces as challenges in neighborhood health. Only then can the city make the investments and enact the policies that fix broken neighborhood markets rather than treating the symptoms of a misdiagnosed disease.