



MULTIFAMILY REPORT

Atlanta: Glade In A Dark Forest

Winter 2021



Rent Expansion on an Upward Trend

Employment Market Outpaces Nation

Transactions Dampen, Price Per Unit Rises

ATLANTA MULTIFAMILY



Migration Trends Favor Rental Demand

Atlanta's relatively affordable rental market has rebounded, with a helping hand from migration from higher-priced cities. The average rent, which contracted for a brief period through June, marked a 0.7% uptick on a trailing three-month (T3) basis through November, to \$1,354. The figure remains below the U.S. average, which was flat on a T3 basis for the fourth consecutive month, at \$1,465.

Although employment contracted by 6.1% in the 12 months ending in September, the metro was among the country's top performers during the recovery phase. Unemployment dropped from a 12.7% peak in April to 6.6% in September, and preliminary data for October pointed to continued improvement, with the rate sliding to 4.7%. Atlanta's workforce composition allowed a substantial share of employees to work from home. In addition, trade, transportation and utilities—the largest sector—inched up 0.5% in the year ending in September and is poised for continued expansion. Still, air travel and the leisure industry continue to struggle due to a lack of visitors, which, in turn, is affecting tax revenue collection.

Development and transaction activity softened in 2020 through November. Developers delivered 9,090 units and had 19,604 units underway, while transaction volume reached \$3.8 billion. Meanwhile, the price per unit rose 16.6% to \$139,308.

Market Analysis | Winter 2021

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Recent Atlanta Transactions

The Bishop



City: Sandy Springs, Ga.
Buyer: LivCor
Purchase Price: \$112 MM
Price per Unit: \$263,529

Element 41



City: Marietta, Ga.
Buyer: Blue Lake Capital
Purchase Price: \$80 MM
Price per Unit: \$161,994

Colton Creek



City: McDonough, Ga.
Buyer: Chandler Residential
Purchase Price: \$80 MM
Price per Unit: \$160,000

Sixes Ridge

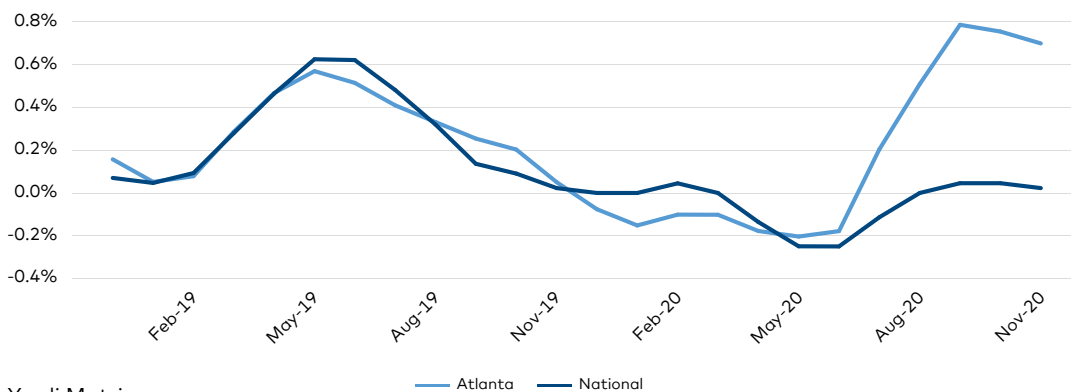


City: Holly Springs, Ga.
Buyer: LivCor
Purchase Price: \$74MM
Price per Unit: \$216,912

RENT TRENDS

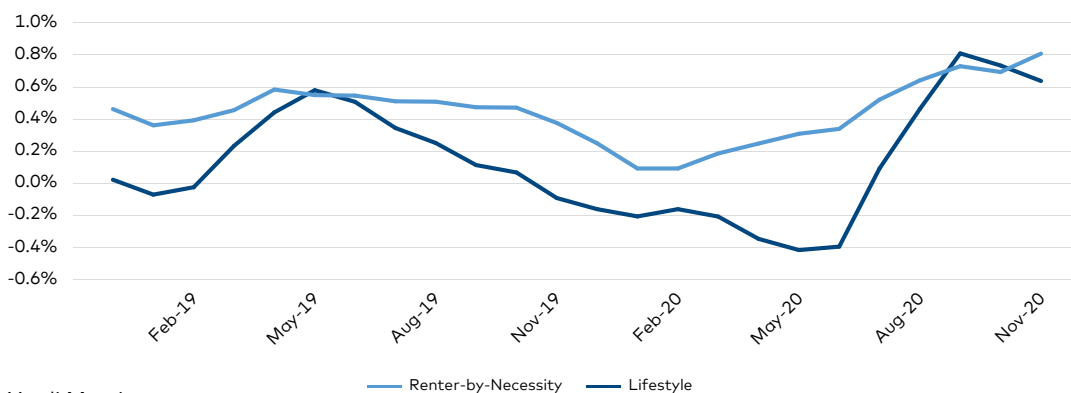
- ▶ The average rent in Atlanta rose 0.7% on a trailing three-month (T3) basis through November to \$1,354, while the national rate remained flat for the fourth consecutive month, at \$1,465.
- ▶ After some softening—which began before the onset of the health crisis—the average rent stabilized in July, subsequently beginning a sharp climb. Demand remained robust for both working-class Renter-by-Necessity and Lifestyle apartments, with rents for the two segments rising a respective 0.8% and 0.6% on a T3 basis through November, to \$1,131 and \$1,481.
- ▶ Although the metro is relatively affordable when compared to gateway cities, affordable housing remains scarce, primarily due to a gap between demand and supply. According to an estimate by the Urban Land Institute, Atlanta needs about 10,000 more affordable units per year over the next decade to adequately meet demand.
- ▶ Midtown (average rent down 2.2% to \$2,047 year-over-year) and Midtown South (2.4% to \$1,960) were the most expensive submarkets as of November 2020. In fact, of all the submarkets registering year-over-year rent declines, all but one were in urban Atlanta.
- ▶ Meanwhile, many suburban submarkets recorded strong gains, with several registering double-digit year-over-year hikes, including Chapel Hill (17.8% to \$1,182), Stockbridge (11.6% to \$1,321) and Redan (10.6% to \$1,108).

Atlanta vs. National Rent Growth (Trailing 3 Months)



Source: Yardi Matrix

Atlanta Rent Growth by Asset Class (Trailing 3 Months)



Source: Yardi Matrix

ECONOMIC SNAPSHOT

- ▶ Atlanta's jobless rate dropped from 12.7% in April to 6.4% in August, before a 20-basis-point rise in September. Yet the 4.7% preliminary figure for October pointed to steady recovery. Employment marked a 6.1% contraction in the 12 months ending in September, with the metro faring better than the -9.3% national rate.
- ▶ The metro's high percentage of knowledge-based workers means that a higher share of people can work from home, which has mitigated some of the effects of the pandemic on the city's overall economy. This placed Atlanta in the Top 10 of the country's best-performing metros during the recovery stage. What's

more, the largest sector—trade, transportation and utilities—inched up 0.5% in the 12 months ending in September. With UPS headquartered in Atlanta and an overall robust logistics industry, the local economy looks promising as e-commerce sales continue to grow. In September 2020, Amazon opened the first robotic fulfillment center in the state, just 20 miles east of downtown.

- ▶ Although Delta Air Lines avoided layoffs for some time, the airline and the businesses that make up Atlanta's leisure and hospitality industry continue to struggle due to a lack of visitors and travelers. This, in turn, is affecting tax revenues.

Atlanta Employment Share by Sector

Code	Employment Sector	Current Employment	
		(000)	% Share
40	Trade, Transportation and Utilities	603	21.9%
15	Mining, Logging and Construction	132	4.8%
65	Education and Health Services	374	13.6%
55	Financial Activities	174	6.3%
80	Other Services	98	3.6%
50	Information	93	3.4%
90	Government	326	11.9%
30	Manufacturing	162	5.9%
60	Professional and Business Services	526	19.1%
70	Leisure and Hospitality	263	9.6%

Sources: Yardi Matrix, Bureau of Labor Statistics

Population

- ▶ Atlanta is one of the fastest-growing metros in the country, adding nearly 720,000 people between 2010 and 2019, for a 13.5% uptick.
- ▶ The metro gained 70,413 residents in 2019 for a 1.2% expansion, four times the national rate.

Atlanta vs. National Population

	2016	2017	2018	2019
National	323,071,342	325,147,121	327,167,434	328,239,523
Atlanta Metro	5,790,280	5,874,249	5,949,951	6,020,364

Sources: U.S. Census, Moody's Analytics

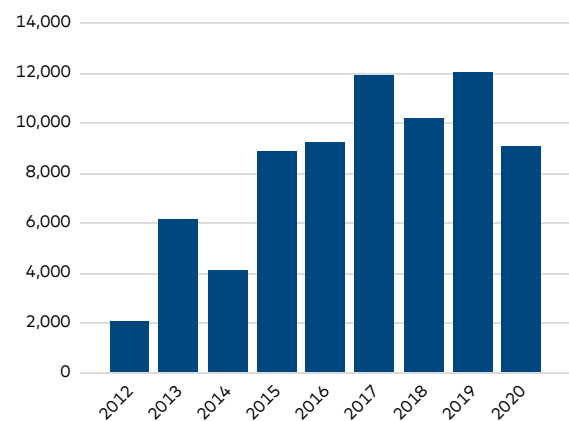
SUPPLY

- ▶ Development remained high in Atlanta throughout 2020. Developers had 19,604 units in 34 assets under construction as of November, and another 100,935 units in the planning and permitting stages.
- ▶ A total of 9,090 units came online across the metro in 2020 through November, accounting for 2.0% of existing stock, on par with the national rate. The rate was lower than in previous years, due to delays caused by supply chain disruptions and additional safety measures at worksites.
- ▶ Both newly delivered and underway units heavily lean toward the upscale segment. As of November, deliveries were nearly equally divided between urban and suburban Atlanta: In the former the housing stock expanded by 5,038 units in 19 communities, while in the latter 4,052 units came online across 17 properties.
- ▶ However, current development is more robust in the urban areas, where 13,787 units were underway as of November, with Midtown West/Centennial Place as the most active submarket, totaling 3,250 units underway. In suburban Atlanta, developers had 5,571 units

under construction, 1,088 of which were located in distant Suwanee/Buford.

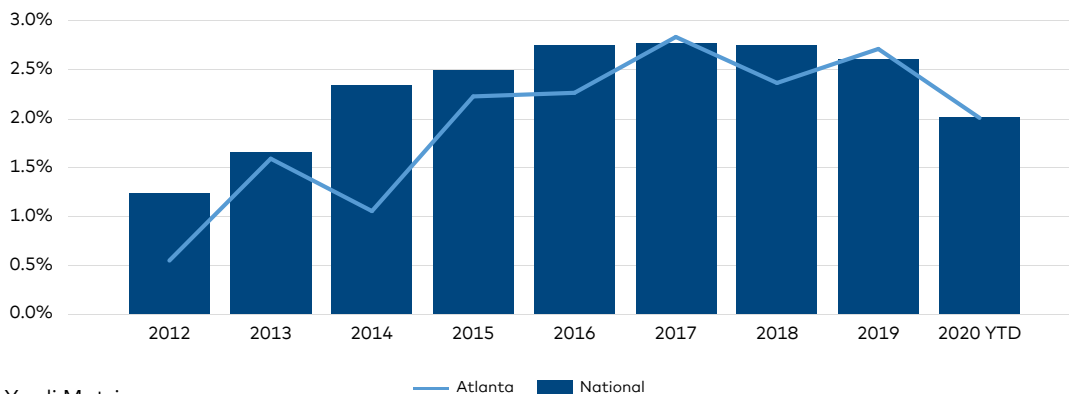
- ▶ The largest project finalized in 2020 through November was Cortland Decatur East, a 378-unit Lifestyle asset owned by Cortland.

Atlanta Completions (as of November 2020)



Source: Yardi Matrix

Atlanta vs. National Completions as a Percentage of Total Stock (as of November 2020)

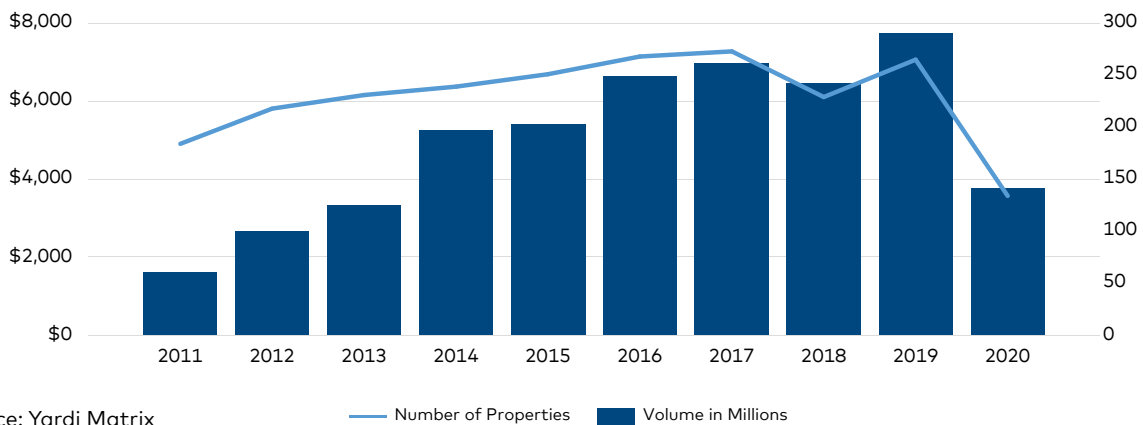


Source: Yardi Matrix

TRANSACTIONS

- ▶ Transaction activity was almost halved in 2020, with \$3.8 billion in assets trading through November. By that time in 2019, more than \$6.6 billion in assets had changed hands. Investors focused more on suburban submarkets last year, with deal volume reaching \$2.3 billion. Meanwhile, deals for urban assets totaled \$1.5 billion.
- ▶ Investors poured capital into both stabilized assets and value-add plays: Of the 134 deals closed in 2020 through November, 72 were for Renter-by-Necessity properties and 62 for Lifestyle communities. The price per unit rose 16.6% to \$139,308, still below the \$167,022 U.S. figure.
- ▶ September was especially active, with 29 deals for a total of \$772 million. The month also brought the deal that marked the highest per-unit price through November: PGIM Real Estate received \$340,476 per unit for 92 West Paces, a 2013-completed, 210-unit property. Mesirow Financial acquired it for \$71.5 million.

Atlanta Sales Volume and Number of Properties Sold (as of November 2020)



Source: Yardi Matrix

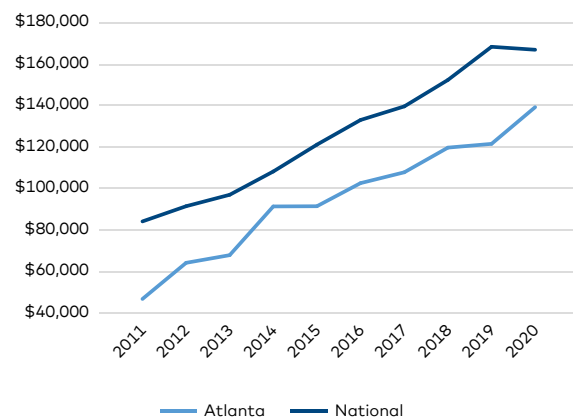
Top Submarkets for Transaction Volume¹

Submarket	Volume (\$MM)
Duluth/Norcross	331
Acworth/Kennesaw	274
Sandy Springs/Dunwoody	274
North Buckhead	234
Sandy Springs North	231
Marietta SW	225
Lawrenceville	207

Source: Yardi Matrix

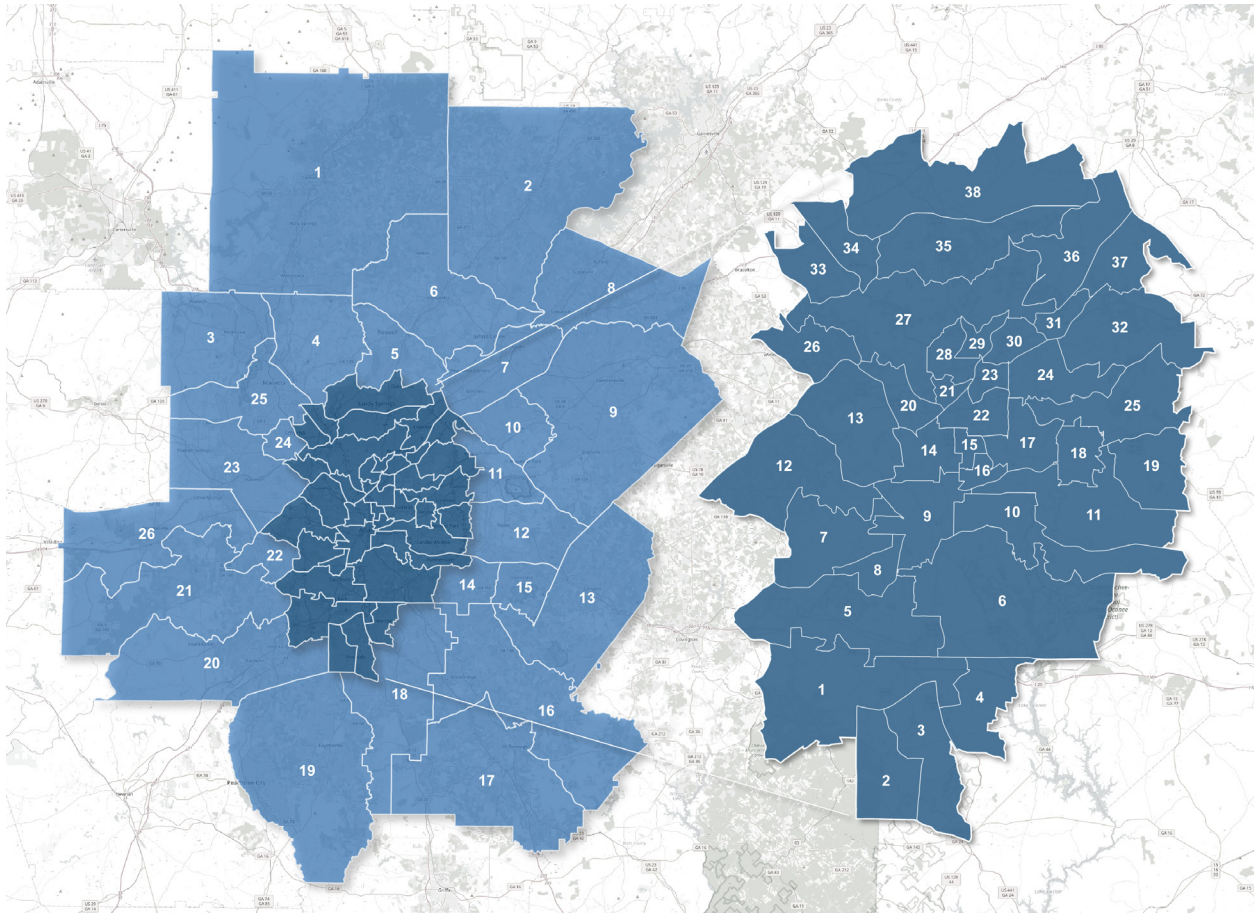
¹ From December 2019 to November 2020

Atlanta vs. National Sales Price per Unit



Source: Yardi Matrix

ATLANTA SUBMARKETS



Area No.	Submarket
1	Canton/Woodstock
2	Cumming
3	Acworth/Kennesaw
4	Marietta Northeast
5	Sandy Springs North
6	Roswell/Alpharetta
7	Duluth/Norcross
8	Suwanee/Buford
9	Lawrenceville
10	Lilburn
11	Tucker/Stone Mountain
12	Redan
13	Conyers/North Rockdale/ South Rockdale
14	Chapel Hill
15	Lithonia
16	Stockbridge
17	McDonough
18	Jonesboro/Bonanza
19	Peachtree/Fayetteville
20	Union City/Fairburn
21	Cliftondale
22	Sandtown
23	Mableton/Austell
24	Smyrna/Fair Oaks
25	Marietta Southwest
26	Douglasville

Area No.	Submarket
1	College Park/Hartsfield-Jackson International
2	West Riverdale
3	East Riverdale
4	Forest Park
5	East Point/Hapeville
6	Lakewood
7	Cascade Springs
8	Oakland
9	West End/Fairlie Poplar/Underground
10	Grant Park/East Atlanta/Panthersville
11	Chandler-McAfee/West Belvedere Park
12	Harwell Heights
13	Bankhead
14	Midtown West/Centennial Place
15	Midtown South
16	Martin Luther King Historic District
17	Inman Park/Virginia Highlands
18	Decatur
19	Avondale Estates/East Belvedere Park

Area No.	Submarket
20	Atlantic Station
21	South Buckhead
22	Midtown
23	Lindbergh
24	North Druid Hills
25	North Decatur/Clarkston/Scottdale
26	Rhyne
27	Buckhead
28	Haynes Manor/Peachtree Hills
29	Buckhead Village
30	Lenox
31	Brookhaven
32	Northlake
33	North Vinings
34	Marietta Southeast
35	North Buckhead
36	West Chamblee
37	East Chamblee
38	Sandy Springs/Dunwoody

DEFINITIONS

Lifestyle households (renters by choice) have wealth sufficient to own but have chosen to rent. Discretionary households, most typically a retired couple or single professional, have chosen the flexibility associated with renting over the obligations of ownership.

Renter-by-Necessity households span a range. In descending order, household types can be:

- *A young-professional, double-income-no-kids household with substantial income but without wealth needed to acquire a home or condominium;*
- *Students, who also November span a range of income capability, extending from affluent to barely getting by;*
- *Lower-middle-income ("gray-collar") households, composed of office workers, policemen, firemen, technical workers, teachers, etc.;*
- *Blue-collar households, which November barely meet rent demands each month and likely pay a disproportionate share of their income toward rent;*
- *Subsidized households, which pay a percentage of household income in rent, with the balance of rent paid through a governmental agency subsidy. Subsidized households, while typically low income, November extend to middle-income households in some high-cost markets, such as New York City;*
- *Military households, subject to frequency of relocation.*

These differences can weigh heavily in determining a property's ability to attract specific renter market segments. The five-star resort serves a very different market than the down-and-outer motel. Apartments are distinguished similarly, but distinctions are often not clearly definitive without investigation. The Yardi® Matrix Context rating eliminates that requirement, designating property market positions as:

Market Position	Improvements Ratings
Discretionary	A+ / A
High Mid-Range	A- / B+
Low Mid-Range	B / B-
Workforce	C+ / C / C- / D

The value in application of the Yardi® Matrix Context rating is that standardized data provides consistency; information is more meaningful because there is less uncertainty. The user can move faster and more efficiently, with more accurate end results.

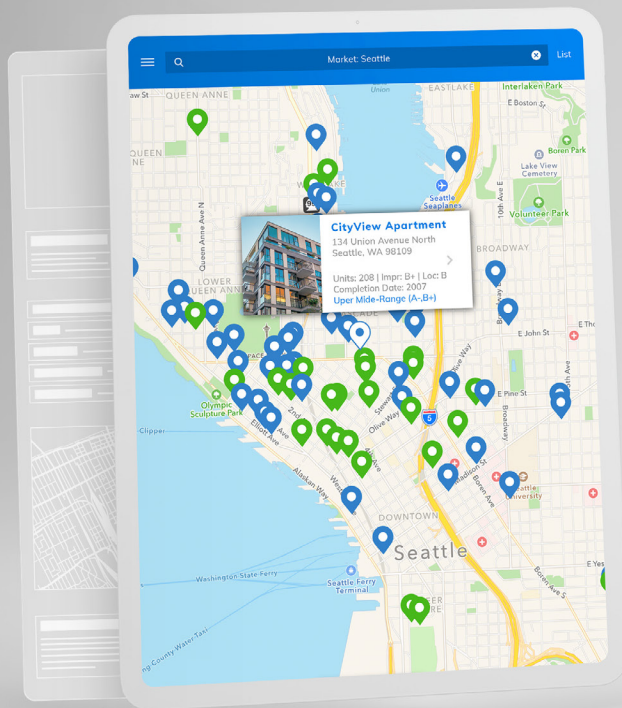
The Yardi® Matrix Context rating is not intended as a final word concerning a property's status—either improvements or location. Rather, the result provides reasonable consistency for comparing one property with another through reference to a consistently applied standard.

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