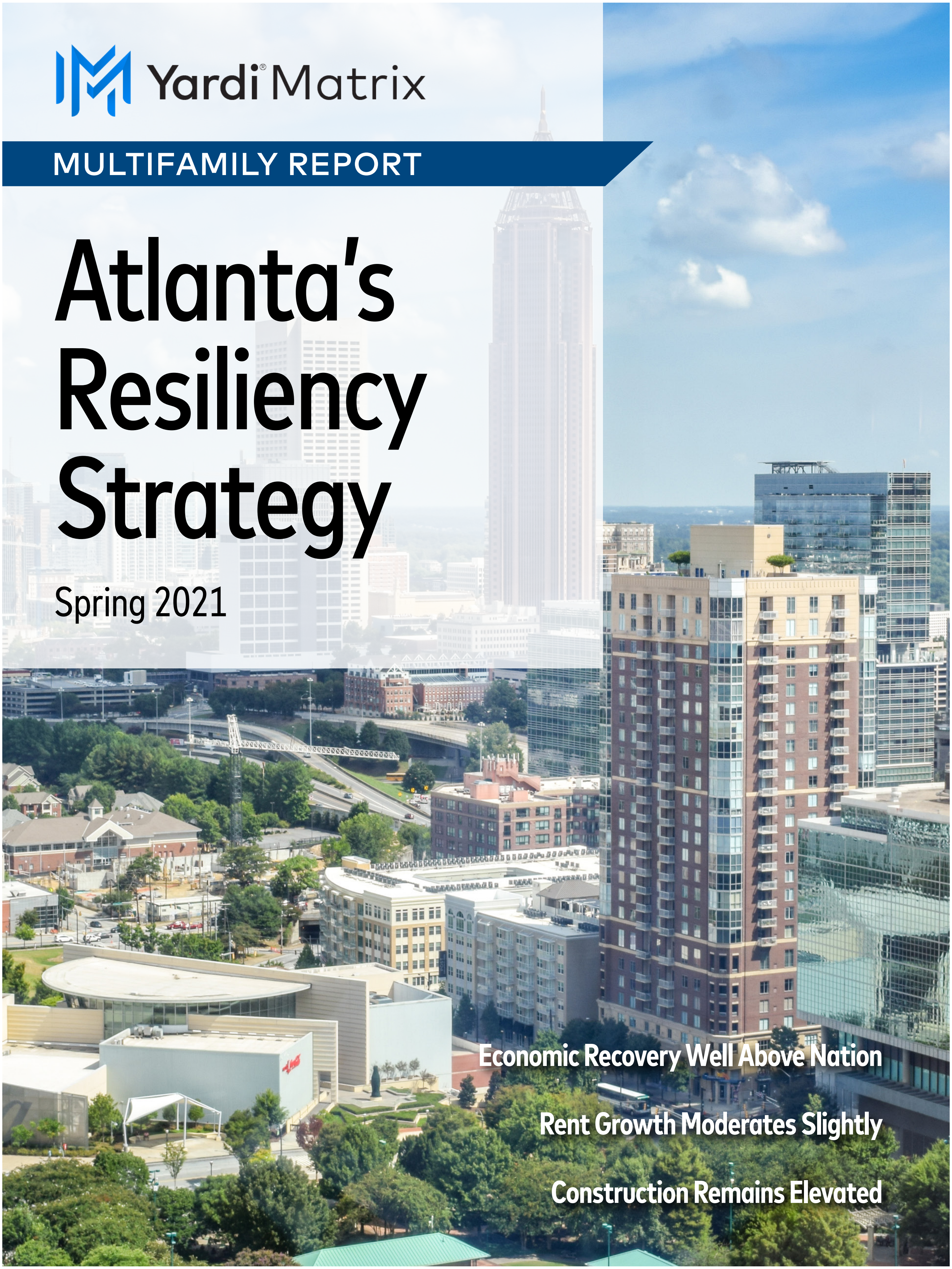
Yardi Matrix

MULTIFAMILY REPORT

Atlanta's Resiliency Strategy

Spring 2021



Economic Recovery Well Above Nation

Rent Growth Moderates Slightly

Construction Remains Elevated

ATLANTA MULTIFAMILY

Yardi Matrix

Demand Outpaces Robust Supply

Atlanta's economic foundation, focused on infrastructure, workforce expansion and small business development proved to be a successful resiliency strategy. The multifamily market exhibited healthy fundamentals, with rents posting a strong performance in the second half of 2020, then slightly softening in the first quarter of 2021, up by 0.3% on a trailing three-month basis through March to $1,378. Despite robust supply additions, the occupancy rate in stabilized properties increased by 110 basis points in the 12 months ending in February, to 94.8%.

The unemployment rate dropped to 5.1% in January, and February preliminary data pointed to sustained recovery, with the figure sliding further to 4.5%. The employment market shrunk by just 3.5% in the 12 months ending in December, outperforming the -6.8% U.S. rate. Two sectors gained jobs, led by the largest one—trade, transportation and utilities, up by 2.8% or 17,200 jobs. Record levels of container traffic at the Port of Savannah boosted the distribution sector and sustained demand for industrial space. Professional and business services contracted by 4.4% in 2020, but is poised to recover as tech companies announced expansions in 2021.

In the first quarter of 2021 multifamily sales amounted to $1.3 billion, for a per-unit price that rose 10.1% to $148,525. Meanwhile, 2,779 units came online and 20,037 were underway.

Market Analysis | Spring 2021

Contacts

Jeff Adler
Vice President & General Manager of Yardi Matrix
Jeff.Adler@Yardi.com
(303) 615-3676

Jack Kern
Director of Research and Publications
Jack.Kern@Yardi.com
(800) 866-1124 x2444

Ron Brock, Jr.
Industry Principal, Matrix
JR.Brock@Yardi.com
(480) 663-1149 x2404

Author

Anca Gagiuc
Senior Associate Editor

On the cover: Photo by Nate Hovee/iStockphoto.com

Recent Atlanta Transactions

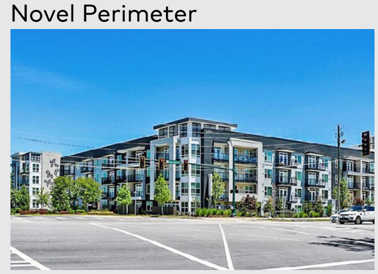
Rock Springs Village

City: Atlanta
Buyer: Jamestown
Purchase Price: $145 MM
Price per Unit: $260,215

Overlook Sandy Springs

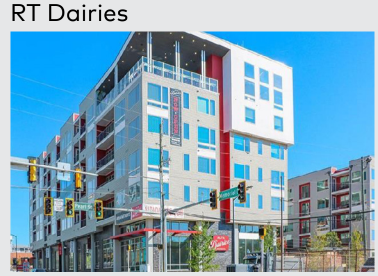
City: Dunwoody, Ga.
Buyer: CF Real Estate Services
Purchase Price: $100 MM
Price per Unit: $188,252

Novel Perimeter



City: Atlanta
Buyer: Northland Investment Corp.
Purchase Price: $91 MM
Price per Unit: $282,969

RT Dairies

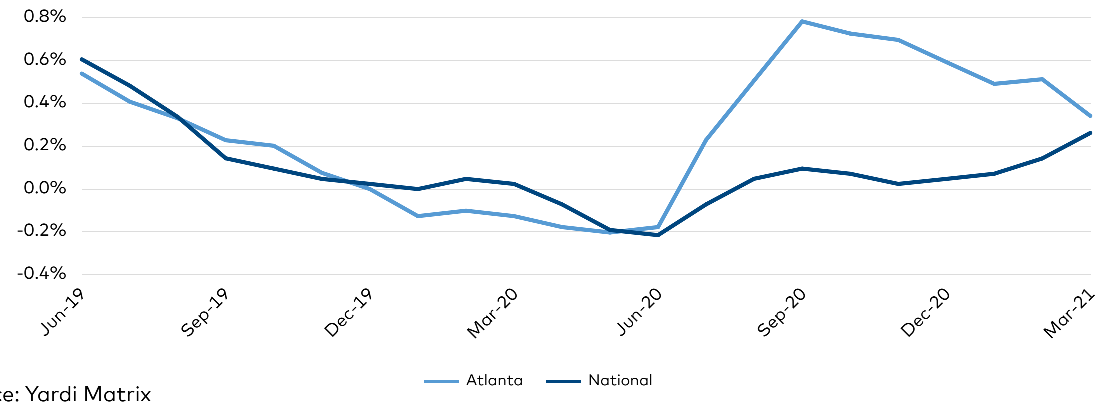


City: Atlanta
Buyer: Pacific Life Insurance Co.
Purchase Price: $85 MM
Price per Unit: $271,635

RENT TRENDS

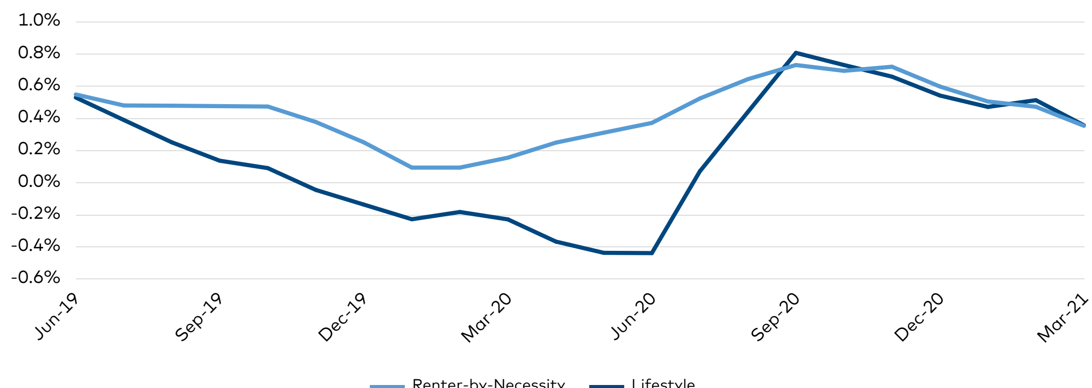
- Atlanta rents posted a 0.3% appreciation rate on a trailing three-month (T3) basis through March, 10 basis points above the national average. Still, at $1,378, rates are slightly more affordable than the $1,407 U.S. figure.
- Atlanta's rent performance was on a negative path before the onset of the pandemic, likely due to significant inventory growth during the cycle. In 2019 more than 12,000 rental units came online. Consequently, the health crisis' detrimental effects were short lived. Last year's second half saw rents hike 0.8% on a T3 basis.
- Rents rose by 0.4% on a T3 basis through March in both segments, to $1,141 for Renter-by-Necessity units and $1,508 for Lifestyle units.
- The occupancy rate in stabilized properties rose by 110 basis points year-over-year as of February, to 94.8%. Occupancy was higher in the suburban region, up by 120 basis points, to 95.2%. Here, demand for Lifestyle units was stronger and pushed the rate up 180 basis points to 95.7%. Meanwhile, urban area occupancy increased by 60 basis points to 94.2%.
- Four submarkets had average rents below the $1,000 mark, all in the urban region. The most expensive submarkets were also located here, led by Midtown (up 1.5% to $2,082). Accounting for all factors, Yardi Matrix expects rents to rise 3.9% in 2021.

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 unemployment rate recovered from a 12.6% peak in April 2020 to 5.1% in January, and the trend is poised to continue, down to 4.5% in February, according to preliminary Bureau of Labor Statistics data. Atlanta's job sector weathered the health crisis far better than the U.S. (unemployment rate at 6.2% in February). Besides being served by a diverse economy, it was also the first state to allow businesses to reopen.

- The employment market contracted by 3.5% in the 12 months ending in December, faring better than the -6.8% U.S. rate. Two sectors gained jobs—construction, and trade, transportation and utilities—up by 1.1% and 2.8%, respectively. The latter, Atlanta's largest sector, performed with help from the Port of Savannah, which reported record levels of container traffic amid the crisis. This further boosted distribution, as online shopping fueled demand for industrial space.

- Professional and business services, the second-largest sector, shrunk by 4.4%, but is poised to recover substantially in 2021: Google, Facebook, Microsoft and Airbnb announced either expansions, or resuming activity on previously announced investments in the local economy, which had been paused due to COVID-19. Leisure and hospitality and other services bore the brunt of the crisis, falling 8.2% and 8.9%, respectively.

Atlanta Employment Share by Sector

		Current Employment	
Code	Employment Sector	(000)	% Share
40	Trade, Transportation and Utilities	641	22.6%
15	Mining, Logging and Construction	134	4.7%
55	Financial Activities	178	6.3%
50	Information	96	3.4%
65	Education and Health Services	377	13.3%
30	Manufacturing	163	5.8%
90	Government	330	11.7%
80	Other Services	96	3.4%
60	Professional and Business Services	538	19.0%
70	Leisure and Hospitality	279	9.9%

Sources: Yardi Matrix, Bureau of Labor Statistics

Population

- Atlanta benefits from strong in-migration and the population rose by 1.2% in 2019, or 70,413 residents, four times the national rate.

- The metro's demographics marked a 4.0% expansion between 2016 and 2019, more than double the 1.5% U.S. rate during the period.

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

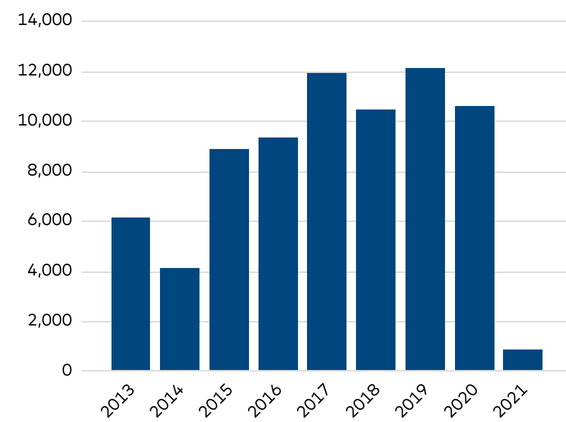
SUPPLY

- During the first quarter of the year, 2,779 units in nine upscale properties came online in Atlanta, 0.6% of total stock and 20 basis points above the U.S. average. Of these, two-thirds are in the urban area, including the largest project, the 409-unit Star Metals Residences, owned by Allen Morris in partnership with Pebb Capital and developed with support from a $69 million construction loan issued by Pacific Western Bank. Last year, despite pandemic-induced disruptions, 10,634 units were delivered, or 2.3% of stock, marking the decade's third-best year.

- In March, developers had 20,037 units underway, with about three-quarters (15,269 units) in the urban area and the remaining 5,417 units in suburban areas. As of March, the construction pipeline comprised 2,212 units in 13 fully affordable communities and just 1,926 units in nine Renter-by-Necessity properties. The remaining apartments underway—nearly 17,000—are in projects designed for Lifestyle renters. An additional 106,000 units were in the planning and permitting stages. Yardi Matrix expects 8,847 units to come online in 2021, with about two-thirds in the urban area.

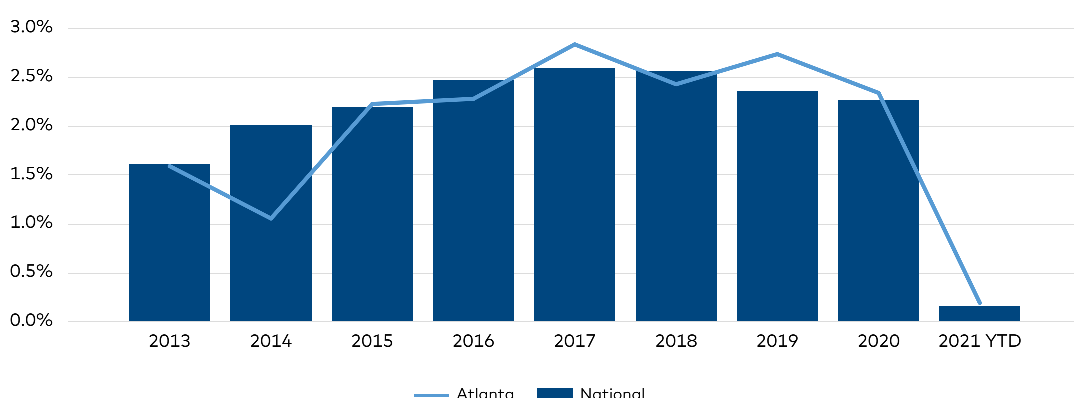
- The top three most active submarkets are located in the urban area, led by West End/Fairlie Poplar/Underground (2,357 units underway) and Midtown West/Centennial Place (2,236 units). In the suburban region, Suwanee/Buford led activity with 1,152 units. CIM Group's 1,000-unit Centennial Yards Redevelopment is the largest project underway, with completion slated for early 2022.

Atlanta Completions (as of March 2021)



Source: Yardi Matrix

Atlanta vs. National Completions as a Percentage of Total Stock (as of March 2021)



Source: Yardi Matrix

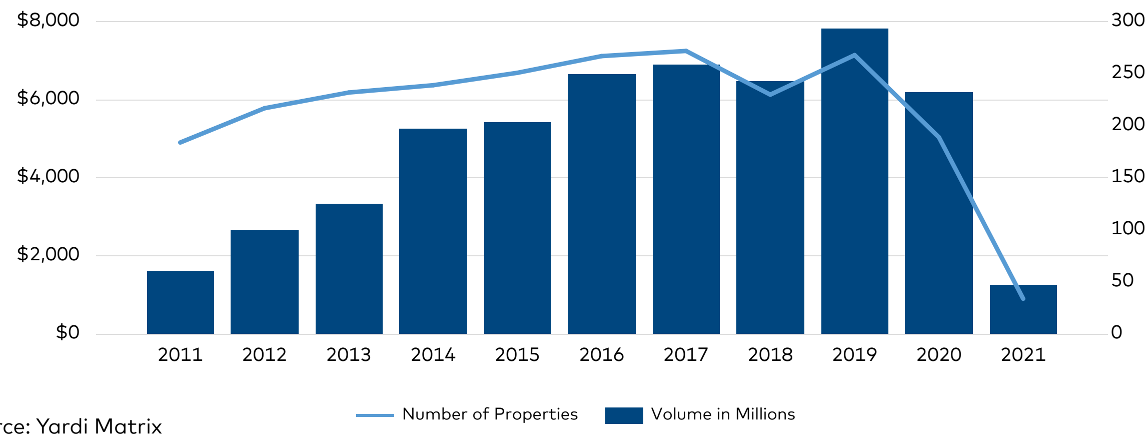
TRANSACTIONS

- Atlanta multifamily sales amounted to $1.3 billion in the first quarter of 2021, on par with last year's volume for the same period. Deals in the suburban area, amounting to $797 million, slightly exceeded sales in the urban region ($685 million).

- In 2020, investors traded $6.2 billion in multifamily assets in the metro, a year marked by a weak second quarter ($370 million) and a robust fourth quarter ($3.3 billion).

- With recent deliveries and the bulk of incoming multifamily inventory geared toward the upscale segment, investors' focus remained on working-class assets. Even so, the price per unit marked a 10.1% increase to $148,525 when compared to the same quarter of 2020. Moreover, the metro remains relatively affordable compared to the $170,611 national average, but marked a new all-time high.

Atlanta Sales Volume and Number of Properties Sold (as of March 2021)



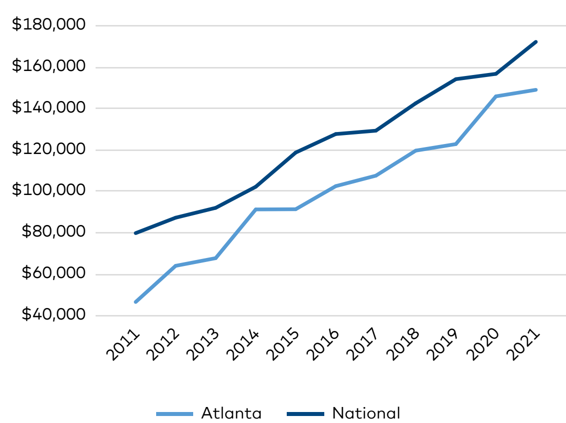
Source: Yardi Matrix

Top Submarkets for Transaction Volume[1]

Submarket	Volume ($MM)
Duluth/Norcross	536
Sandy Springs North	530
Sandy Springs/Dunwoody	382
Marietta NW	331
North Buckhead	288
Marietta SW	280
Roswell/Alpharetta	259

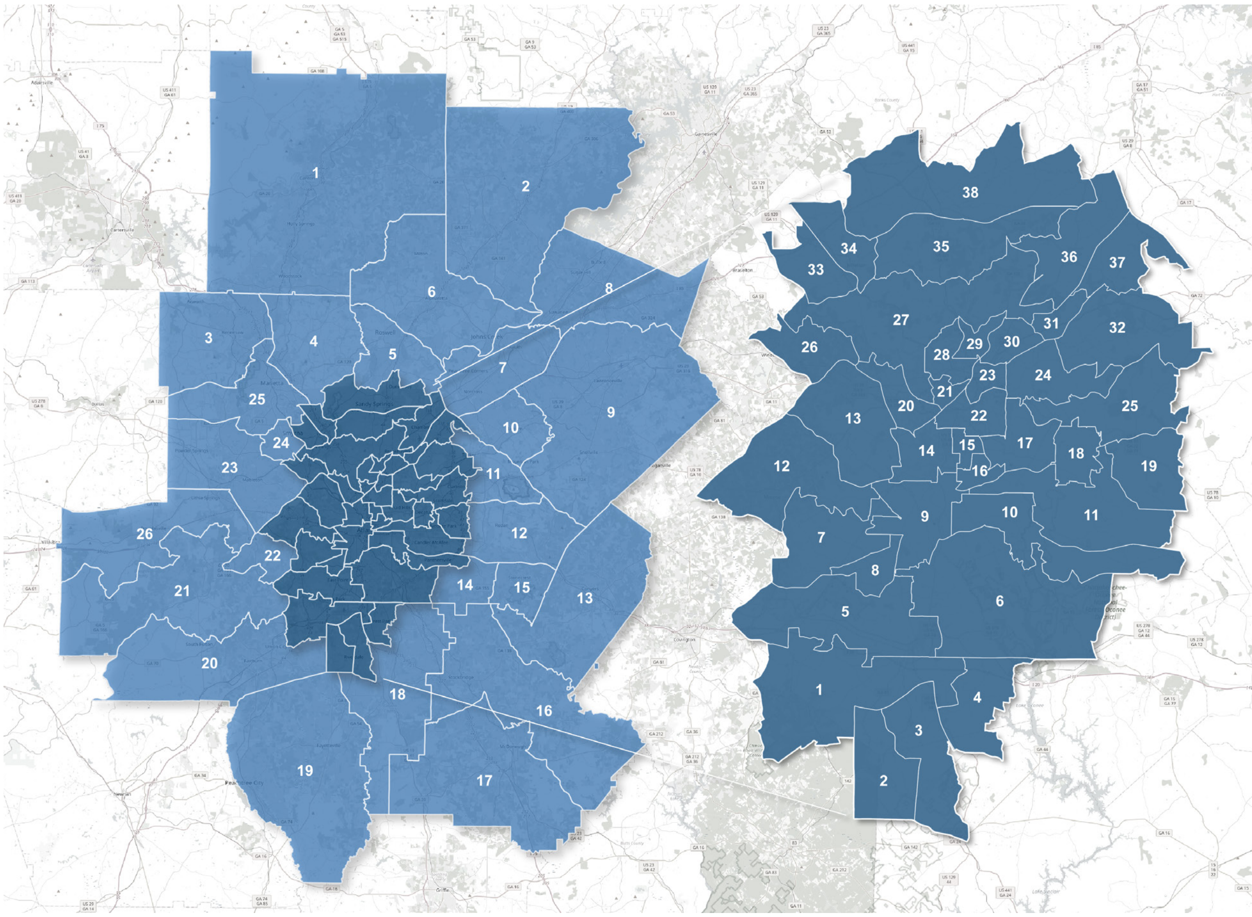
Source: Yardi Matrix
[1] From April 2020 to March 2021

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 December 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 December 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, December 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

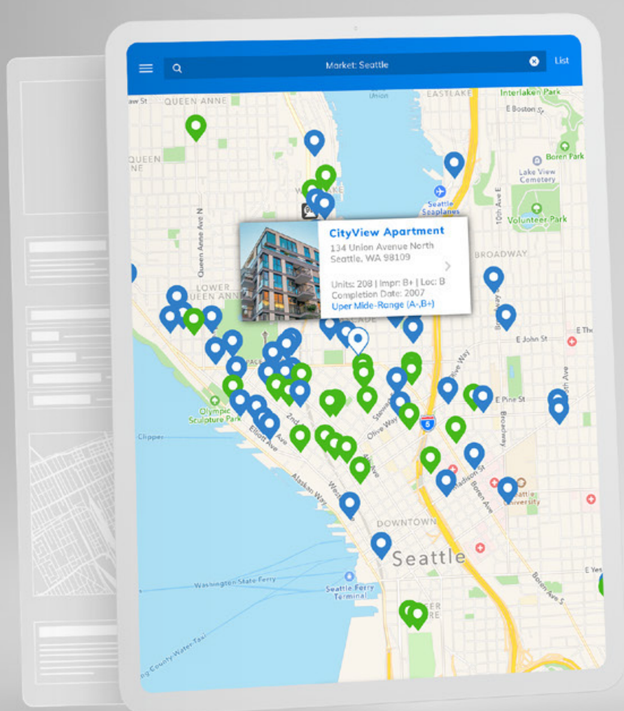
The value in application of the Yardi® Matrix Context rating is that standardized data provides consistency; information is more meaningful because there is less uncertainty. The user can move faster and more efficiently, with more accurate end results.

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.

To learn more about Yardi® Matrix and subscribing, please visit www.yardimatrix.com or call Ron Brock, Jr., at 480-663-1149 x2404.

Yardi® Matrix

Power your business with the industry's leading source for originating, pre-underwriting and managing assets for profitable loans and investments.



Yardi Matrix Multifamily provides accurate data on **19+ million units**, covering over **90% of the U.S. population**.

Key features

- Pierce the LLC every time with true ownership and contact info
- Leverage patented improvement and location ratings, unit mix, rental, occupancy and current manager information
- Gain complete new supply pipeline information at the asset, competitive set and market level
- Find acquisition prospects based on in-place loans, maturity dates, lenders and originators
- Access exclusive aggregated and anonymized residential revenue and expense comps

See how we can help you achieve your investment goals.
Request a personalized demo at yardimatrix.com/**contact-us**

(800) 866-1144 | yardimatrix.com/multifamily

YARDI