



MULTIFAMILY REPORT

# Atlanta: Alluring Investors

May 2022

**Robust Supply Softens Rent Growth**

**Economic Recovery Well Underway**

**Q1 Transaction Volume Nears \$2B**

# ATLANTA MULTIFAMILY



## Strong Demand Keeps Up With Record Supply

Atlanta's economy, rebounding faster than national averages, sustained the multifamily market and is likely to make a full recovery in 2022. Rates softened slightly in the first quarter of 2022, rising 0.3% on a trailing three-month basis, lagging the 0.7% national rate. However, between July 2020 and December 2021, rent growth in the metro outperformed the nation. Moreover, despite the record deliveries of 2021, occupancy increased by 40 basis points in the 12 months ending in February, to 95.4%.

Metro Atlanta's unemployment rate reached pre-pandemic levels, clocking in at 3.2% in February, on par with the state and 60 basis points below the U.S. rate. Employment expanded by 5.8% (174,400 jobs) in the 12 months ending in February, leading the national rate by 110 basis points. Atlanta's largest sectors led growth, professional and business services (up 8.0%) and trade, transportation and utilities (up 5.9%) adding 77,900 jobs combined. Company expansions, as well as the \$5 billion mixed-use Centennial Yards, are expected to further boost economic growth.

Following the record supply additions of 2021, developers delivered just 1,403 units in the first quarter of 2022, and had 26,018 under construction. Meanwhile, the transaction volume totaled nearly \$2 billion, while the per-unit price rose 42.3% year-over-year.

## Market Analysis | May 2022

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### Recent Atlanta Transactions

#### Prominence Today



City: Atlanta  
Buyer: Hudson Advisors  
Purchase Price: \$163 MM  
Price per Unit: \$512,579

#### Edge on the Beltline



City: Atlanta  
Buyer: Carter-Haston Real Estate Services  
Purchase Price: \$142 MM  
Price per Unit: \$405,714

#### SkyHouse Midtown



City: Atlanta  
Buyer: RADCO Cos.  
Purchase Price: \$131 MM  
Price per Unit: \$409,375

#### Magnolia Vinings

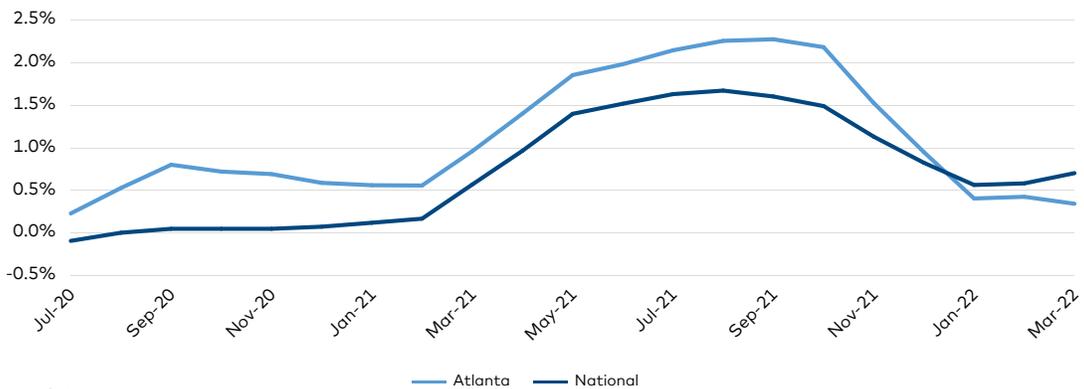


City: Atlanta  
Buyer: Crow Holdings  
Purchase Price: \$125 MM  
Price per Unit: \$313,250

## RENT TRENDS

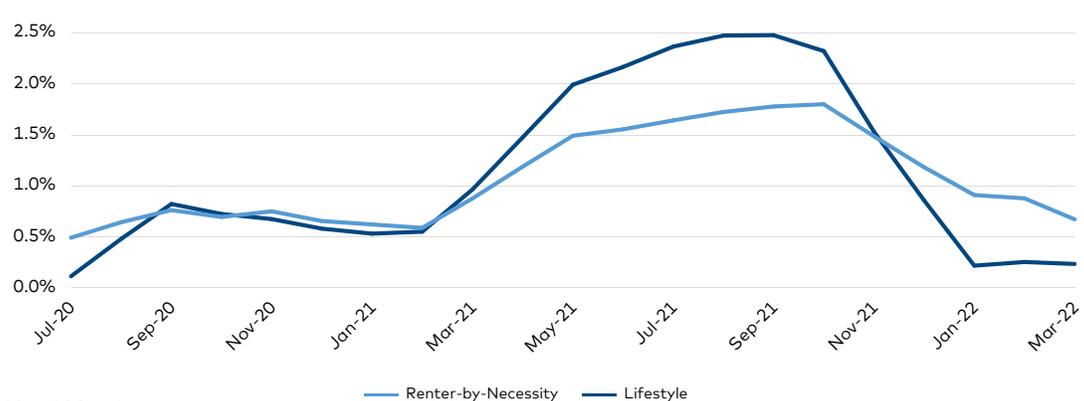
- ▶ Due to record deliveries in 2021, Atlanta rent gains softened, with the average rate up 0.3% on a trailing three-month (T3) basis through March, lagging the 0.7% U.S. figure. Yet, between July 2020 and December 2021, the metro outpaced the national rate of growth. The average rent clocked in at \$1,673, slightly above the \$1,642 U.S. rate. On a year-over-year basis, the metro's 17.9% increase outperformed the 14.8% U.S. figure.
- ▶ For most of last year, rent growth was led by the Lifestyle sector, but the dynamic reversed in December, when the Renter-by-Necessity segment took lead. RBN units recorded rent increases of 0.7% on a T3 basis through March, to \$1,355, while Lifestyle figures rose 0.2% to \$1,840. Demand for RBN apartments gained ground, illustrated also by the occupancy rate in stabilized properties, up by 60 basis points in the 12 months ending in February, to 95.4%. For Lifestyle units, the rate hiked 40 basis points to 95.5%. Overall, Atlanta occupancy rose 40 basis points year-over-year to 95.4%.
- ▶ Of the 64 submarkets tracked by Yardi Matrix, all but one posted double-digit annual increases and in 18 rent growth was above the 20% mark. In addition, 10 submarkets posted average rates above the \$2,000 threshold, from two a year prior. Midtown (12.6% to \$2,418), Buckhead Village (23.3% to \$2,404) and Midtown South (15.5% to \$2,320) were the most expensive areas.
- ▶ The single-family rental sector also had a good year, with rents and occupancy up by 18.5% and 5.2%, respectively.

**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 economy is on track to make a full recovery in 2022 despite wider headwinds, including inflation, labor shortages, supply chain issues and the ongoing pandemic. The unemployment rate improved to pre-pandemic values, clocking in at 3.2% in February, on par with the state and 60 basis points below the U.S. rate., according to Bureau of Labor Statistics data.
- ▶ Employment expanded by 5.8%, or 174,400 jobs, in the 12 months ending in February, 110 basis points ahead of the national rate. While the state's economic recovery was boosted by federal support last year, 2022 will likely bring more expansion from the private sector, as the recovery pushes forward.
- ▶ Professional and business services (up 8.0%) and trade, transportation and utilities (up 5.9%)—Atlanta's largest sectors—led growth in the 12 months ending in February, adding 77,900 jobs combined.
- ▶ Google, Microsoft and Cisco are among the companies expanding in the metro. In addition, the city closed on the deal with CIM Group for the \$5 billion mixed-use Centennial Yards, set to bring the redevelopment of a 50-acre area on the fringes of downtown. Plans call for 12 million square feet of creative office space, mixed-income housing, retail, hotels, dining and entertainment as well as public open green space.

### Atlanta Employment Share by Sector

Code	Employment Sector	Current Employment	
		(000)	% Share
60	Professional and Business Services	584	20.0%
40	Trade, Transportation and Utilities	629	21.5%
70	Leisure and Hospitality	277	9.5%
65	Education and Health Services	385	13.2%
55	Financial Activities	192	6.6%
50	Information	116	4.0%
30	Manufacturing	174	6.0%
80	Other Services	101	3.5%
90	Government	332	11.4%
15	Mining, Logging and Construction	132	4.5%

Sources: Yardi Matrix, Bureau of Labor Statistics

### Population

- ▶ Atlanta gained 67,398 residents in 2020, equating to a 1.1% population growth, almost three times the 0.4% U.S. rate.
- ▶ In the decade ending in 2020, Atlanta's population expanded by 13.4%, more than double the 5.7% national figure.

### Atlanta vs. National Population

	2017	2018	2019	2020
National	325,147,121	327,167,434	328,239,523	329,484,123
Metro Atlanta	6,078,451	6,096,372	6,102,434	6,107,906

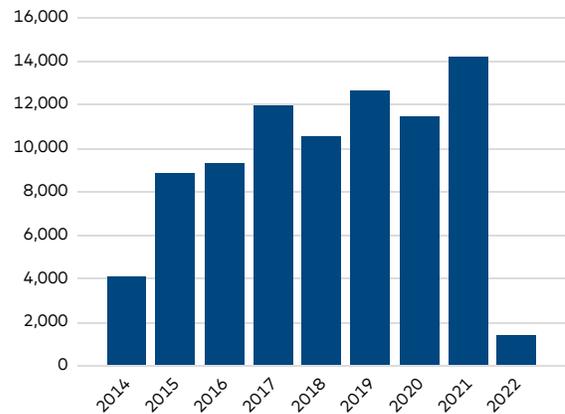
Source: U.S. Census

## SUPPLY

- ▶ Developers delivered 1,403 units in Atlanta during the first quarter, 0.3% of total stock, on par with the national rate. Last year, supply expansion marked an all-time high, with 14,185 units brought online, 3.0% of stock and 30 basis points above the U.S. rate.
- ▶ Atlanta's pipeline had 26,018 units under construction and some 125,000 in the planning and permitting stages as of March. About two-thirds of units underway are in urban submarkets. The new supply composition continued to heavily favor the upscale segment, as nearly 77% of units underway were in Lifestyle projects.
- ▶ Two submarkets had more than 2,000 units underway as of March—Lawrenceville (2,506 units) in northwest Atlanta and urban Midtown West/Centennial Place (2,407 units). The latter is one of the metro's submarkets where the average rent surpassed the \$2,000 mark.
- ▶ By the end of the year, nearly 14,000 units are slated for completion, but delays will likely affect deliveries as the industry faces labor shortages, supply chain issues and significant increases in construction costs.

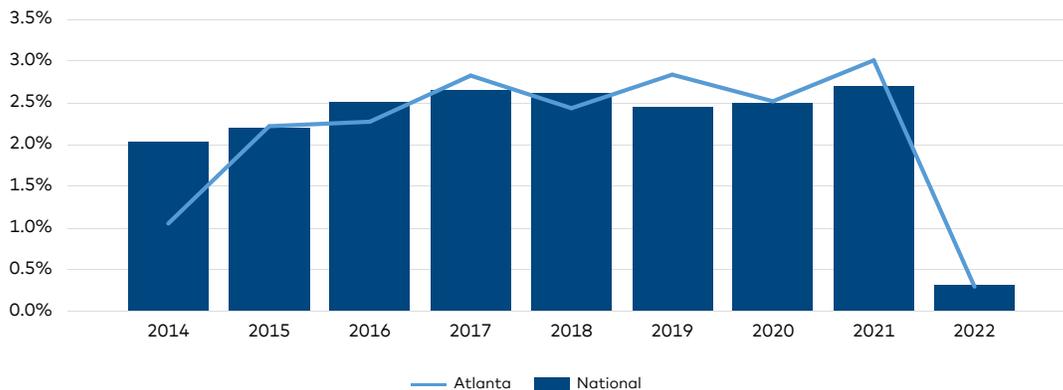
- ▶ The largest project under construction as of March was 760 Ralph in the Martin Luther King Historic District. The 700-unit Lifestyle property includes 200,000 square feet of retail space and is being built by New City Properties with aid from a \$97.8 million construction loan originated by the New York Life Insurance Co. Completion is anticipated for the second quarter of 2023.

**Atlanta Completions** (as of March 2022)



Source: Yardi Matrix

**Atlanta vs. National Completions as a Percentage of Total Stock** (as of March 2022)



Source: Yardi Matrix

## TRANSACTIONS

- ▶ Atlanta was one of the three metros to post multifamily transaction volumes above the \$14 billion mark in 2021. Following that figure, the first quarter of 2022 totaled nearly \$2 billion in multifamily sales, slightly below the \$2.1 billion total for the same period last year.
- ▶ Such a high volume stems from substantial investor interest in the metro, which translated into increased competition. Consequently, the average price per unit increased by 42.3% year-

over-year through March, to \$220,718. This price appreciation also marked the first time when the metro's average per-unit price surpassed the national figure, currently at \$213,402.

- ▶ The largest transaction during the first quarter was Mill Creek Residential Trust's sale of the 318-unit Prominence Today in the Buckhead submarket. Hudson Advisors acquired the recently completed asset for \$163 million, or \$512,579 per unit, with aid from a \$106 million bridge loan issued by Capital One.

**Atlanta Sales Volume and Number of Properties Sold** (as of March 2022)



Source: Yardi Matrix

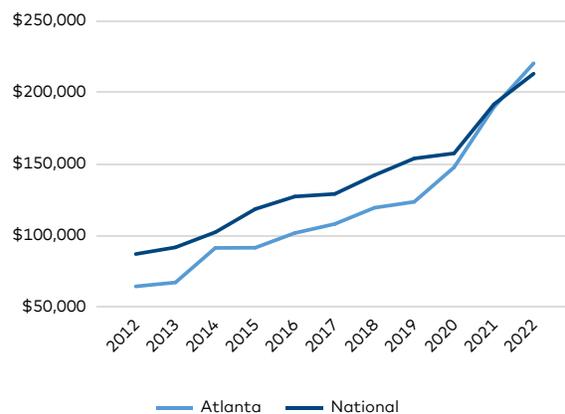
**Top Submarkets for Transaction Volume<sup>1</sup>**

Submarket	Volume (\$MM)
Duluth/Norcorss	1,052
Sandy Springs/Dunwoody	942
Lawrenceville	735
Buckhead	644
Midtown West/Centennial Place	634
Sandy Springs North	621
Marietta Southeast	571

Source: Yardi Matrix

<sup>1</sup> From April 2021 to March 2022

**Atlanta vs. National Sales Price per Unit**



Source: Yardi Matrix



## Westmount Realty Capital on Atlanta's Strong Position

By Tudor Scolca

Atlanta recorded a total of \$14.4 billion in sales in 2021, more than the previous two years combined, Yardi Matrix shows. At the same time, demographic growth remained on an upward trajectory, with new large commitments from the likes of Microsoft and others, ensuring that demand will endure. Westmount Realty Capital Managing Director of Multifamily Acquisitions Curtis Walker expands on the metro's long-term growth prospects.

*The company has had a presence in Atlanta for some time but made its multifamily debut last year. What made you invest in multifamily?*

Since our initial investment, the Atlanta multifamily supply has been stable and well absorbed from the continued migration from other parts of the country and internal growth. Atlanta's population growth is projected to be fourth in the country over the next four years. Also, Atlanta's airport, low tax environment and universities are the biggest drivers for company relocations and growth in the region. These drivers are a major part of why the Atlanta market ended up No. 1 based on sales.

*What areas of metro Atlanta stand out to you the most in terms of investment potential?*

Atlanta is at an interesting point in time today—we've seen strong growth in less active areas in the metro as a result of new businesses and employees moving to those areas. New employment bases



are developing in several parts of the standard metropolitan area. The northeast area has SK Innovation's new \$2.5 billion electric car battery plant and Rivian's new \$5 billion electric truck plant East of Atlanta, on Interstate 20.

*What do you foresee as unique challenges in meeting multifamily demand going forward?*

The first challenge is land availability as multifamily is still not a preferred use in most communities. Not that Atlanta is out of land, but there are virtually no zoned sites and zoning takes longer and is constrained in many areas due to the various stakeholders. Secondly, the cost

projections for development are very challenging and affecting delays in debt and equity financing.

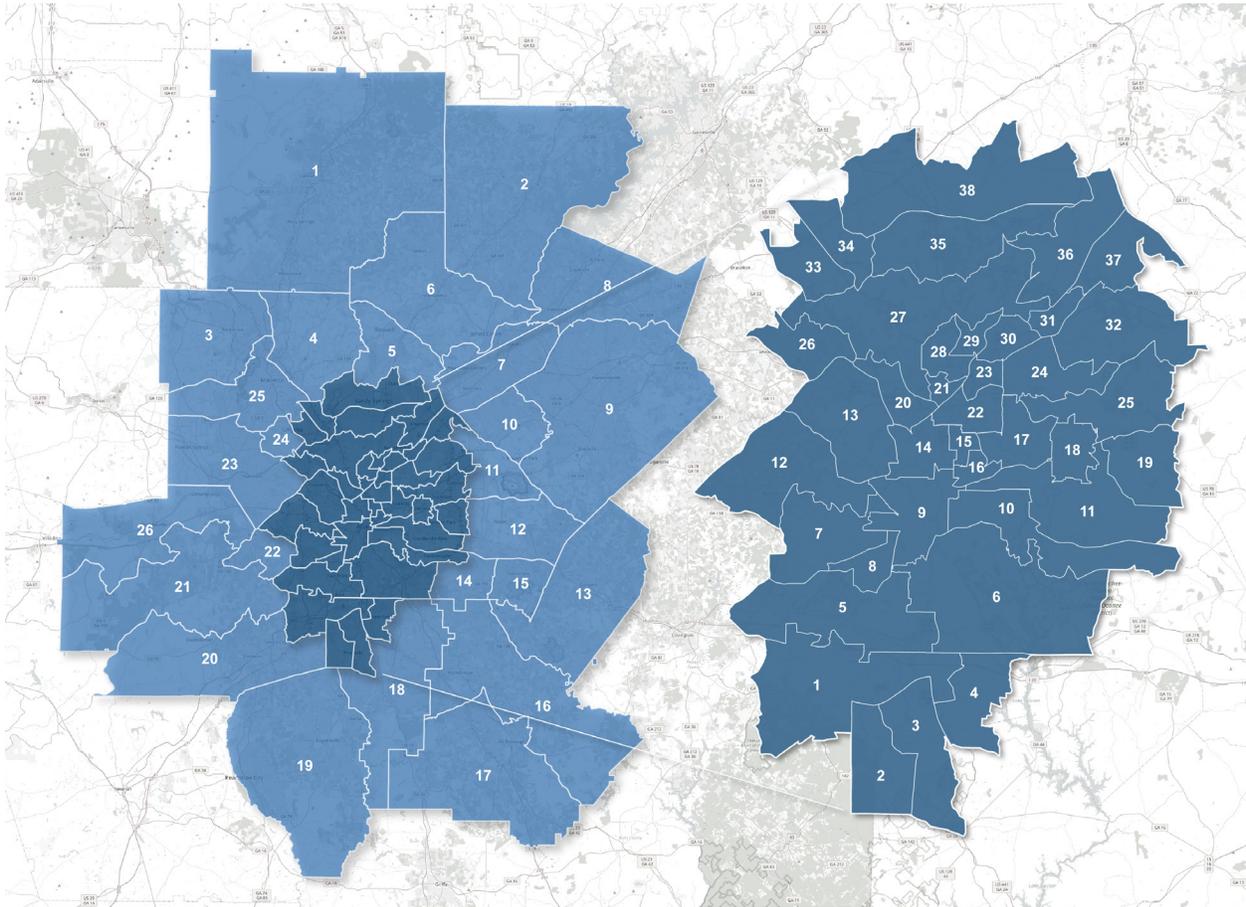
*Are there any economic sectors that have the potential to change the multifamily business landscape in the metro?*

The businesses and industries migrating to the area today have the potential to change the multifamily business landscape in Atlanta. Microsoft has committed to its new campus in town and is a major driver and confirmation of tech being a larger player going forward in Atlanta.

*Where would you say that the metro's multifamily market is headed this year?*

For 2022, the market will resemble 2021 with continued rent growth, which should level off later in the year. Higher rents will be driven by the number of properties increasing prices because of property renovations and the continued lack of multifamily supply.

# 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 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 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, 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](http://www.yardimatrix.com) or call Ron Brock, Jr., at 480-663-1149 x2404.



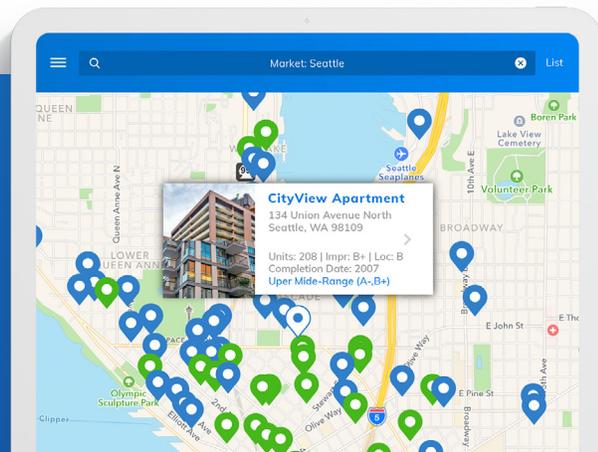
# Yardi Matrix

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## MULTIFAMILY KEY FEATURES

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- Gain complete new supply pipeline information from concept to completion
- Find acquisition prospects based on in-place loans, maturity dates, lenders and originators
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