



MULTIFAMILY REPORT

# Atlanta's A-Game

August 2022

**Economy in Expansion Mode**

**YoY Rent Growth Above US Level**

**H1 Transaction Volume Nears \$5.5B**



# ATLANTA MULTIFAMILY



## Strong Economy Boosts Multifamily Market

Atlanta's diverse economy not only helped it recover all jobs lost during the pandemic but has also put the market back into expansion mode, and the multifamily sector is reaping the benefits. Despite last year's record deliveries, rents rose 14.7% year-over-year through June, to \$1,727, outperforming the U.S. rate, which rose 13.7% to \$1,706. However, the new inventory put a dent in the occupancy rate in stabilized assets, which declined 70 basis points in the 12 months ending in May, to 95.0%.

Unemployment stood at 2.6% in May, according to data from the Bureau of Labor Statistics, outperforming the state (2.9%) and the U.S. (3.6%). Atlanta added 170,300 jobs in the 12 months ending in May, a 6.2% improvement, leading the U.S. by 150 basis points. Its largest sectors—professional and business services and trade, transportation and utilities—accounted for half of the new positions. Despite the macroeconomic woes, the metro's prospects are bright at a local level, supported by corporate expansions and rising passenger volume.

Deliveries softened, with just 2,349 units coming online this year. The construction pipeline had another 29,732 units under construction. Meanwhile, sales volume reached nearly \$5.5 billion, surpassing the volume registered during the same period last year. The price per unit increased 32.6% year-over-year, to \$208,506 in June, closing the gap on the \$217,310 U.S. figure.

## Market Analysis | August 2022

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### Recent Atlanta Transactions

#### IMT Buckhead on 26th



City: Atlanta  
Buyer: IMT Capital  
Purchase Price: \$161 MM  
Price per Unit: \$354,910

#### ARIUM Winters Chapel



City: Atlanta  
Buyer: CARROLL  
Purchase Price: \$108 MM  
Price per Unit: \$181,588

#### Discovery Gateway



City: Marietta, Ga.  
Buyer: Ashcroft Capital  
Purchase Price: \$103 MM  
Price per Unit: \$271,164

#### The Maven at Suwanee

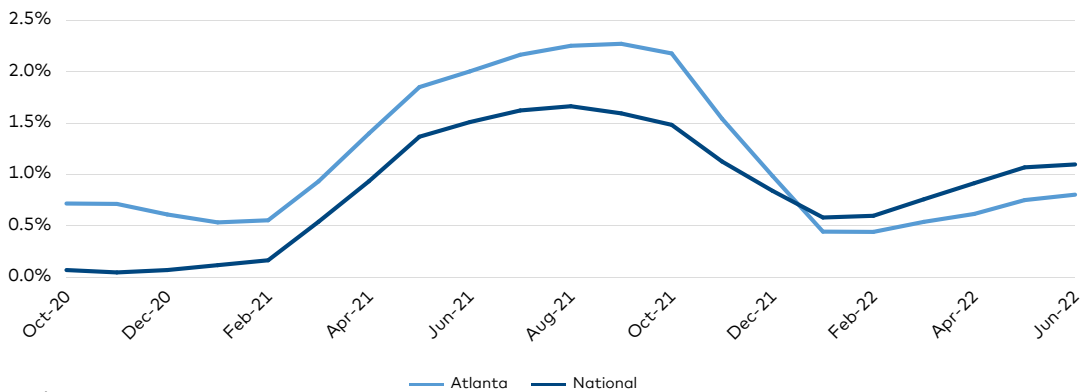


City: Suwanee, Ga.  
Buyer: Northland Investment Corp.  
Purchase Price: \$88 MM  
Price per Unit: \$317,150

## RENT TRENDS

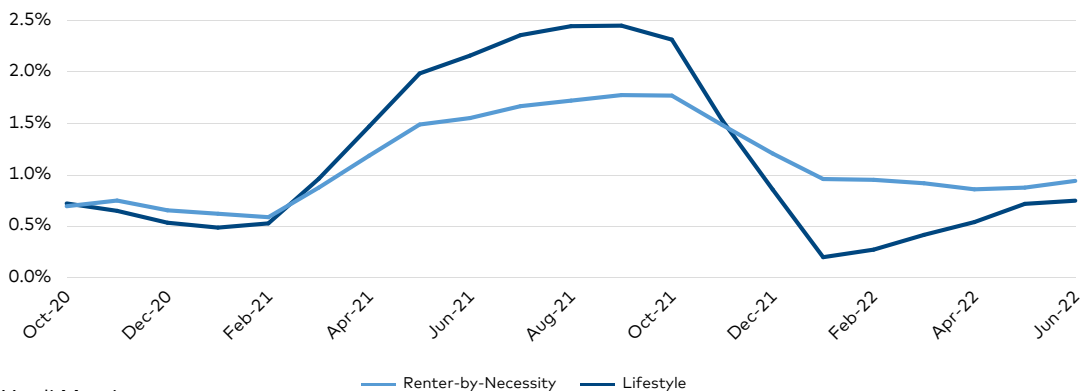
- ▶ Following a seasonal softening, Atlanta rents picked up again and rose 0.8% on a trailing three-month (T3) basis through June, 30 basis points behind the U.S. rate. At \$1,727, the metro's average asking rent was \$21 above the national figure. Year-over-year, Atlanta figures outperformed the U.S. by 100 basis points, up 14.7%.
- ▶ Lifestyle rent growth has been highly irregular in the past 18 months, with high highs and low lows, falling from 2.5% on a T3 basis in September, to 0.2% in January. The segment posted a 0.8% gain, to \$1,893, 10 basis points below the Renter-by-Necessity segment, which had a more uniform performance. RBN rents clocked in at \$1,405.
- ▶ Last year's record deliveries caused the occupancy rate in stabilized properties to decline 70 basis points year-over-year as of May, to 95.0%, with the biggest drop in the Lifestyle segment (-100 basis points to 94.9%). Occupancy across suburban Atlanta saw a 110-basis-point decline, to 96.3%, while urban submarkets saw rates slide 50 basis points, to 95.2%.
- ▶ Of the metro's 66 submarkets, 58 posted double-digit increases in rent development. In June, 10 submarkets had an average asking rent above the \$2,000 mark, from four the year prior. Midtown (up 10% to \$2,476) and Buckhead Village (12.5% to \$2,390) were the most expensive areas.
- ▶ The single-family rental sector had the second-largest annual occupancy increase, up 5.4% in May, behind Philadelphia. Rents rose 8.0% year-over-year in June.

### 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 stood at 2.6% in May, according to BLS data, faring better than the state (2.9%) and the U.S. (3.6%). This strong rate, which indicates an employment market that's even tighter than in pre-pandemic years, has been hovering below the 4.0% mark since last summer.
- ▶ Employment saw a 6.2% increase, or 170,300 jobs, in the 12 months ending in May, 150 basis points ahead of the national rate. Unlike most metros, in which the comeback from the pandemic pushed leisure and hospitality ahead of all other sectors in the number of jobs gained, in Atlanta, the sector came in third place, having added 24,800 positions.
- ▶ The metro's largest sectors—professional and business services (41,700 jobs) and trade, transportation and utilities (40,900 jobs) maintained the lead in positions added. Last year, Hartsfield-Jackson Atlanta International Airport regained the top slot in passenger volume, counting 75.7 million passengers, which is 76% up from 2020 but still 32% below 2019 numbers.
- ▶ Corporate expansions will continue to aid the local economy. They include Flexential, which plans to build a new data center 20 miles west of the city, and Cisco, which will hire 700 employees in midtown Atlanta. Plans for a \$42 billion data center project is taking shape in Stanton Springs South, believed to belong to a Meta subsidiary.

### Atlanta Employment Share by Sector

Code	Employment Sector	Current Employment	
		(000)	% Share
60	Professional and Business Services	587	19.8%
40	Trade, Transportation and Utilities	636	21.5%
70	Leisure and Hospitality	290	9.8%
65	Education and Health Services	388	13.1%
50	Information	121	4.1%
30	Manufacturing	175	5.9%
55	Financial Activities	193	6.5%
80	Other Services	103	3.5%
15	Mining, Logging and Construction	135	4.6%
90	Government	331	11.2%

Sources: Yardi Matrix, Bureau of Labor Statistics

### Population

- ▶ In-migration softened in Atlanta in 2021 but remained substantial compared to other markets.
- ▶ The metro gained 42,904 residents in 2021, a demographic expansion of 0.7%, 50 basis points below 2020's rate. Meanwhile, the U.S. rate inched up 0.1%.

### Atlanta vs. National Population

	2018	2019	2020	2021
National	326,838,199	328,329,953	331,501,080	331,893,745
Atlanta Metro	5,951,394	6,027,231	6,101,146	6,144,050

Source: U.S. Census

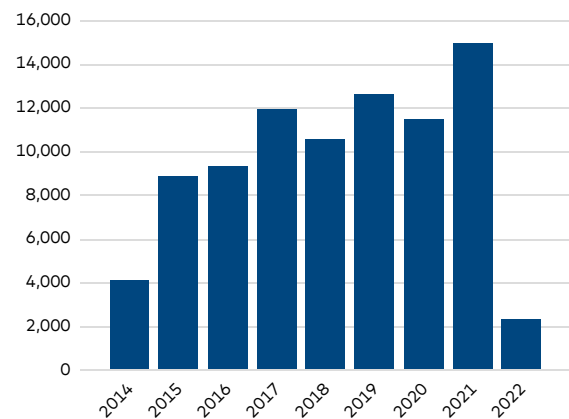
## SUPPLY

- ▶ Developers delivered 2,349 units during the first half of 2022, 0.5% of total stock and 40 basis points behind the national rate. Strong in-migration has increased demand for upscale units and developers took notice, with 60% of deliveries adding to the Lifestyle segment. Just 363 units in fully affordable communities were added to the inventory. Distribution of new projects was fairly balanced across the metro, with 1,130 units in core submarkets and 1,219 units across suburban Atlanta.
- ▶ The metro had 29,732 units underway and another 127,000 in the planning and permitting stages. Development remained stronger in urban submarkets, with 18,769 units under construction, while suburban Atlanta had nearly 11,000 units underway. Construction activity was especially intense in 11 submarkets, each with more than 1,000 units underway, led by Midtown West/Centennial Place (2,732 units) and Buford (1,997 units).
- ▶ By the end of the year, 13,766 units are slated for completion, but the current economic landscape, plagued by rising prices for construction materials, labor shortages and rising inflation and interest rates will likely push delivery well into next year. Unlike many metros,

the number of construction starts during the first half of 2022 rose to 7,419 units from 6,153 units during the same period in 2021.

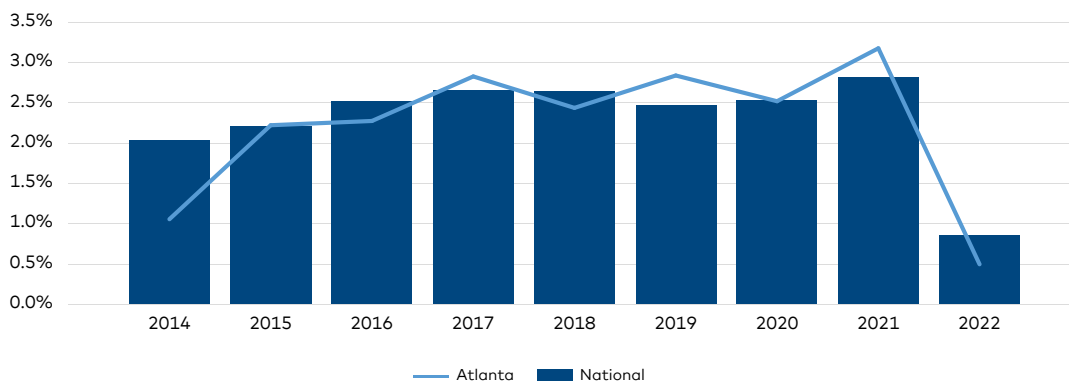
- ▶ The largest project underway was the complete renovation of the former Darlington Apartments into The Lofts at Twenty25. Westside Capital Group's 623-unit property now includes 200 affordable units and is now equipped with electric vehicle charging stations.

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



Source: Yardi Matrix

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



Source: Yardi Matrix

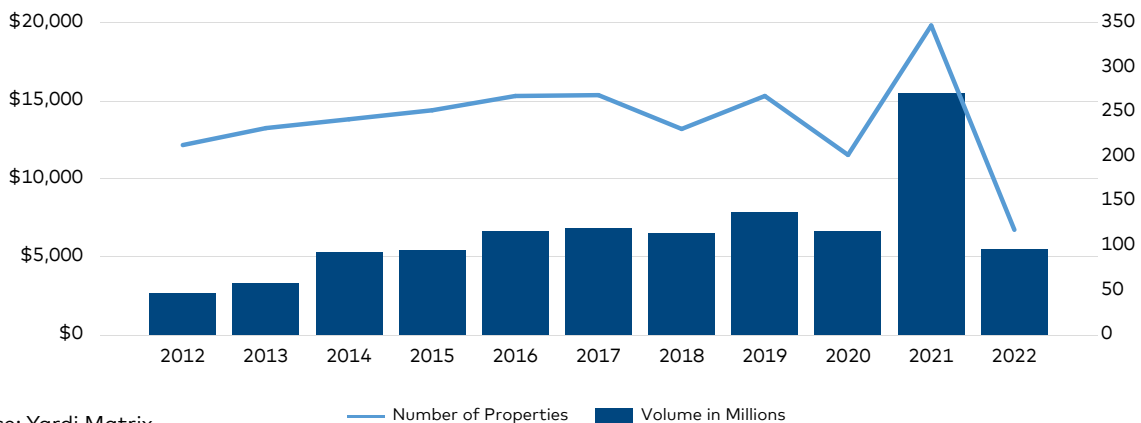
## TRANSACTIONS

➤ After last year's all-time high, when investment volume rose to nearly \$15.5 billion, investors remained drawn to Atlanta and traded nearly \$5.5 billion in multifamily assets during the first half of the year. Although the figure is above the \$5 billion volume registered during the same period last year, a noticeable softening started in the second quarter (\$2.4 billion), while the first quarter's sales totaled \$3.1 billion. The moderation in transaction activity is likely related to rising interest rates

and the looming risk of a downturn but is minor compared to other metros.

➤ Investor interest has been balanced across property segments, and this increased competition pushed the price per unit above the \$200,000 mark for the first time ever. The value was reached following a 32.6% rise year-over-year, to \$208,506 in June, not far behind the \$217,310 U.S. average. The per-unit price rose 39.7% from year-end 2020.

### Atlanta Sales Volume and Number of Properties Sold (as of June 2022)



Source: Yardi Matrix

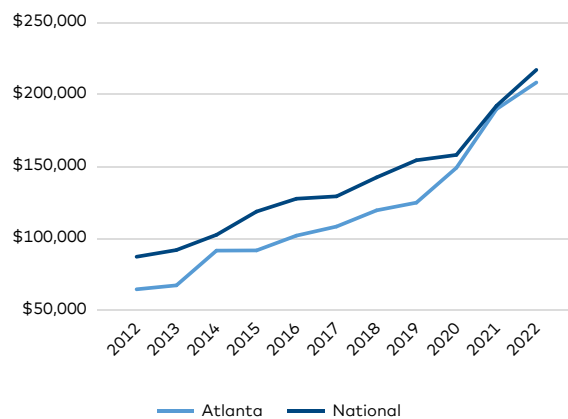
### Top Submarkets for Transaction Volume<sup>1</sup>

Submarket	Volume (\$MM)
Norcross	1,087
Sandy Springs/Dunwoody	898
Buckhead	805
Kennesaw	616
Midtown West/Centennial Place	610
Marietta SE	574
Roswell-Alpharetta	551

Source: Yardi Matrix

<sup>1</sup> From July 2021 to June 2022

### Atlanta vs. National Sales Price per Unit



Source: Yardi Matrix

## Top Multifamily Markets for Construction Activity

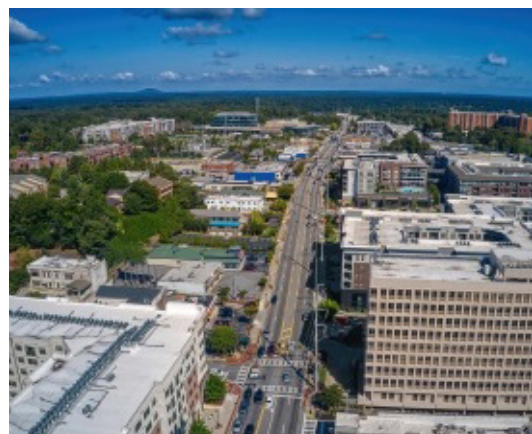
By Lucia Morosanu

The multifamily sector has been among the best-performing industries since the onset of the health crisis. Strong demand pushed development past pre-pandemic levels, with 388,141 units completed across the country in 2021, up almost 13 percent compared to 2019. The list below details the most active markets across the country for construction activity. The top 10 metros had 334,833 units under development as of March, accounting for a little over 40 percent of the national level.

Rank	Metro	Units Under Construction	Forecast Units Delivered 2022	Units Delivered 2021
1	Dallas	44,595	21,105	25,976
2	Austin	41,358	15,536	14,856
3	Phoenix	37,929	18,585	10,108
4	Washington, D.C.	36,570	12,214	13,703
5	Miami Metro	34,880	19,739	18,068
6	New York	32,281	11,775	3,351
7	Los Angeles	29,552	13,811	12,259
8	Atlanta	26,683	13,158	14,687
9	Seattle	25,688	12,304	10,814
10	Denver	25,297	11,782	9,512

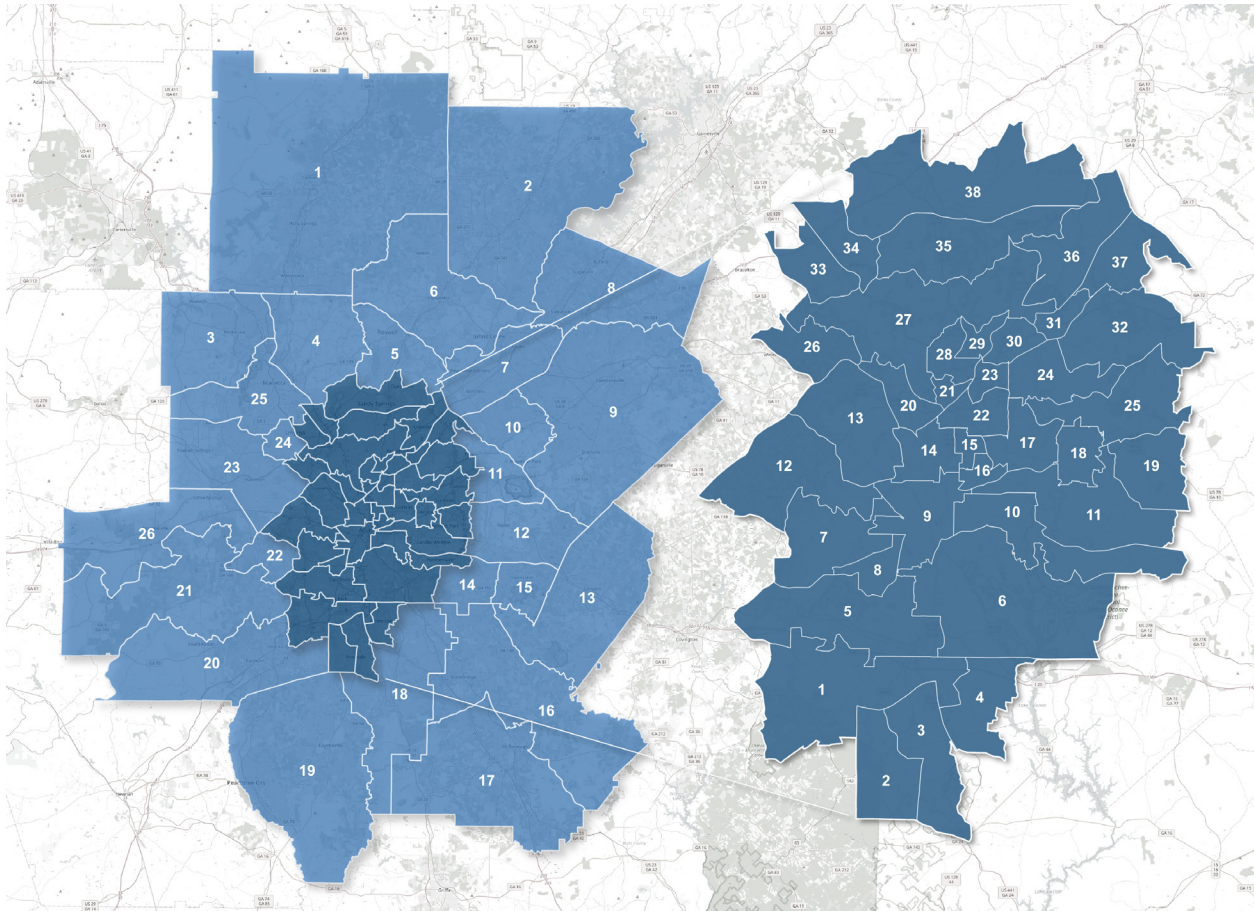
### Atlanta

Across the metro, there were 26,683 units under construction as of March and 13,158 units were forecast to be delivered by the end of 2022. Development activity bounced back in 2021, with 14,687 units added to the inventory. Construction restrictions slowed down deliveries, with only 11,515 units completed in 2020, down 9 percent from the 12,649 units delivered before the pandemic.





# 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.

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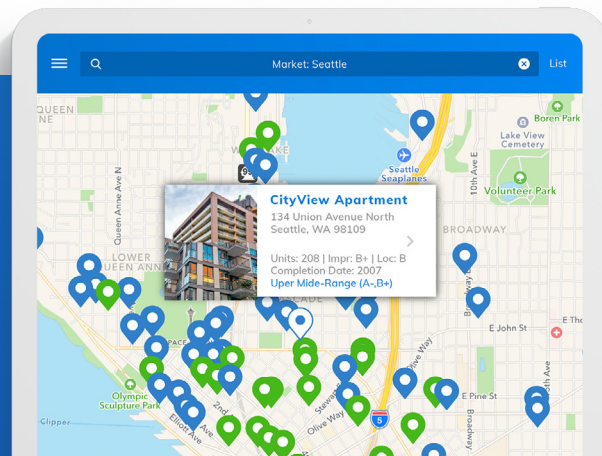
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