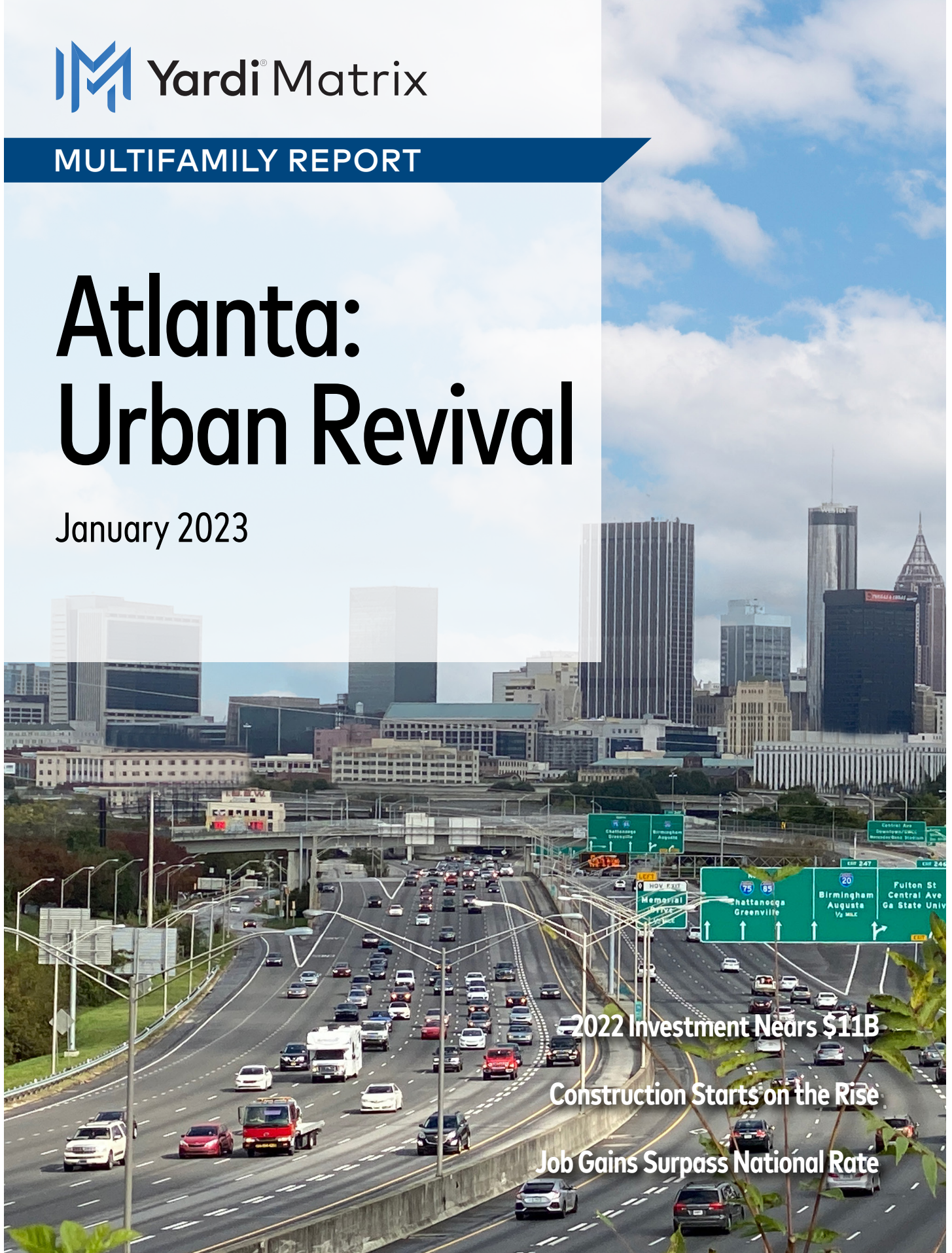


Atlanta: Urban Revival

January 2023



2022 Investment Nears \$11B

Construction Starts on the Rise

Job Gains Surpass National Rate

ATLANTA MULTIFAMILY



Softening Demand Dents Occupancy

Mirroring the national trend, Atlanta's multifamily market is cooling down. In-migration is moderating, dampening the demand for housing. This, paired with substantial inventory expansion, seasonal softening and various economic challenges, turned rent growth negative, down 0.2% on a trailing three-month basis through November, to \$1,722. Occupancy dropped 120 basis points in the 12 months ending in October, to 94.4%.

Atlanta's jobless rate stood at 2.9% in October, placing the metro well below the 3.7% U.S. figure, according to data from the Bureau of Labor Statistics. Employment expanded by 5.9% in the 12 months ending in September, outperforming the 4.2% national rate. While construction struggled with shortages and was the only sector to lose jobs during this period, gains were led by the metro's largest sectors—professional and business services (40,300 jobs) and trade, transportation and utilities (34,400 jobs). Moreover, with the city already a hotspot for the EV industry, Hyundai has two multibillion-dollar investments announced and already underway, set to begin commercial operation in 2025.

Developers delivered 10,100 units in 2022 through November and had another 33,086 units underway. Surprisingly, nearly 16,000 of these broke ground this year. Meanwhile, investment totaled \$10.8 billion, for a price per unit that advanced 14.5% year-over-year, to \$204,909, not far behind the \$215,443 U.S. average.

Market Analysis | January 2023

Contacts

Jeff Adler

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

Ron Brock, Jr.

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

Doug Ressler

Media Contact
Doug.Ressler@Yardi.com
(480) 695-3365

Author

Anca Gagiuc

Senior Associate Editor

Recent Atlanta Transactions

Creekside at White Oak



City: Newnan, Ga.
Buyer: Related Cos.
Purchase Price: \$140 MM
Price per Unit: \$249,554

Rosemont Grayson



City: Loganville, Ga.
Buyer: Investcorp
Purchase Price: \$95 MM
Price per Unit: \$276,163

Mandalay Villas



City: McDonough, Ga.
Buyer: Laramar Group
Purchase Price: \$81 MM
Price per Unit: \$270,966

Breckinridge Vue

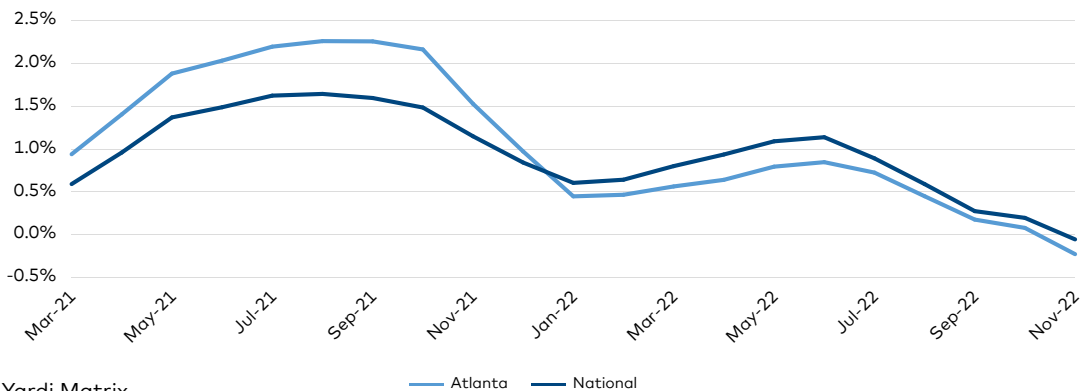


City: Duluth, Ga.
Buyer: First Communities
Purchase Price: \$77 MM
Price per Unit: \$192,500

RENT TRENDS

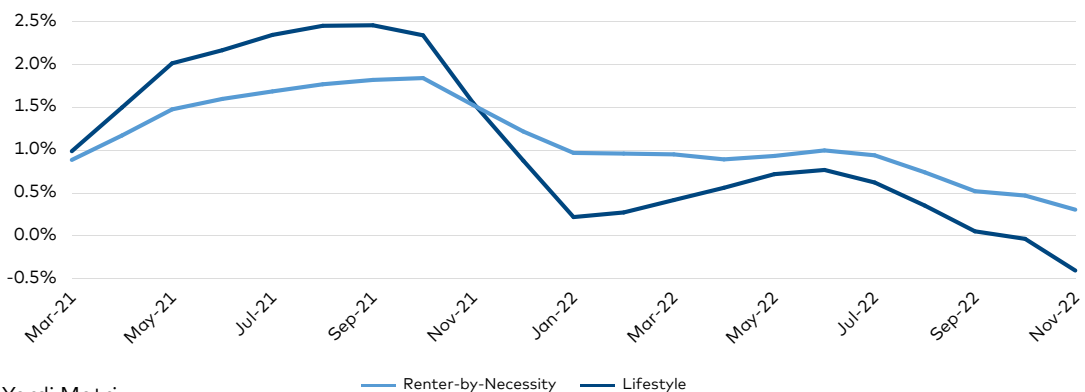
- ▶ Atlanta's average asking rent decreased 0.2% on a trailing three-month (T3) basis through November, while nationally, rents declined 0.1%. On an annual basis, Atlanta rents advanced 4.5%, trailing the 7.0% U.S. figure. At \$1,722, the average rate was slightly above the \$1,719 U.S. rent.
- ▶ The drop in asking rents was likely caused by typical seasonal patterns combined with current economic headwinds. In addition, with immigration slowing down, demand for apartments softened, especially in the upscale Lifestyle segment, where rates dropped 0.4% on a T3 basis through November, to \$1,873. Meanwhile, working-class Renter-by-Necessity rates inched up 0.3%, to \$1,426.
- ▶ Occupancy in stabilized properties further highlights the moderation in demand, as the rate decreased 120 basis points in the 12 months ending in October, to 94.4%. Lifestyle apartments marked a steeper, 140-basis-point decline in occupancy, to 94.2%, while the RBN segment posted a 70-basis-point decrease, to 94.8%.
- ▶ Rent growth has been uneven across the map, with nine submarkets posting double-digit annual rent increases and several others displaying contractions. Midtown (3.2% to \$2,478) and Midtown South (3.4% to \$2,380) remained the most expensive submarkets.
- ▶ The SFR segment posted the weakest annual performance among major metros, with rents down by 15.7% as of November, and occupancy down 1.1% in the 12 months ending in October 2022.

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 maintained a tight employment market throughout 2022, as indicated by the jobless rate, at 3.3% in January and at 2.9% in October, according to BLS data. The metro surpassed the values registered before the onset of the pandemic and the 3.7% U.S. rate, and was on par with the state. For most of 2022, unemployment remained below the 3.0% mark.
- ▶ Metro Atlanta employment expanded 5.9% in the 12 months ending in September, well above the 4.2% national figure. During the period, the metro gained 163,600 jobs, with just mining, logging and construction facing shortages, down by 1.2% (1,600 jobs). The city's largest sectors continued to lead gains—professional and business services (40,300 jobs) and trade, transportation and utilities (34,400 jobs).
- ▶ Atlanta has become a hub for electric vehicle manufacturing, with some \$22 billion investments in EV-related projects and more than 22,800 jobs since 2020, including recent announcements from Hyundai and SK On. The joint venture has selected Bartow County for a new EV manufacturing facility expected to create more than 3,500 jobs through a \$5 billion investment. This comes two months after the groundbreaking of Hyundai's Metaplant America, a \$5.5 billion investment that set to create more than 8,100 jobs. Both facilities are expected to begin commercial production in 2025.

Atlanta Employment Share by Sector

Code	Employment Sector	Current Employment	
		(000)	% Share
60	Professional and Business Services	599	20.0%
40	Trade, Transportation and Utilities	642	21.4%
70	Leisure and Hospitality	293	9.8%
65	Education and Health Services	392	13.1%
50	Information	124	4.1%
55	Financial Activities	197	6.6%
90	Government	339	11.3%
30	Manufacturing	177	5.9%
80	Other Services	102	3.4%
15	Mining, Logging and Construction	133	4.4%

Sources: Yardi Matrix, Bureau of Labor Statistics

Population

- ▶ Atlanta gained 42,904 residents in 2021, up 0.7% and 50 basis points below the 2020 rate but still well above the 0.1% U.S. figure.
- ▶ Since the 2010 Census, Atlanta's population expanded 15.9%, more than double the 7.3% national rate.

Atlanta vs. National Population

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

Source: U.S. Census

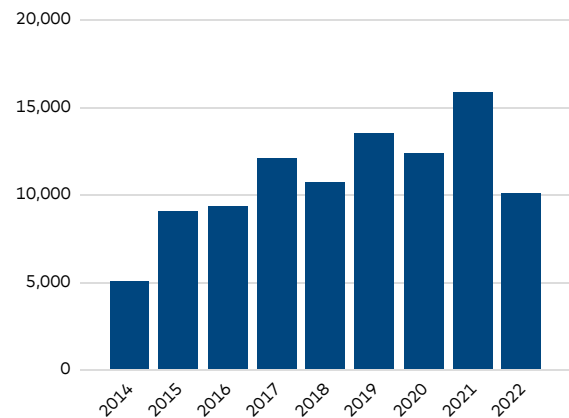
SUPPLY

- ▶ Developers delivered 10,100 units in 2022 through November, nearly equally split between urban and suburban areas. The new inventory is the equivalent of 2.0% of existing stock, which is on par with the national rate.
- ▶ The strong in-migration brought by the pandemic has created demand for high-end units. Some 80% of recent deliveries were Lifestyle units. Slightly more than half of the remaining 20% were units in fully affordable communities.
- ▶ Development intensified as, of the 33,086 units under construction, nearly half (15,845 units) broke ground in 2022 through November, surpassing the 12,472 units that broke ground during the same period in 2021. Construction starts data also reveals that core submarkets have regained the lead, totaling 8,663 units, while in suburban areas there were 7,182 units that broke ground. In 2021, the dynamic was reversed: 6,604 units broke ground in suburban areas and 5,868 units in core submarkets. As of November, another 152,000 units were in the planning and permitting stages.
- ▶ Construction activity was slightly more intense in core submarkets, accounting for nearly 19,000 units underway. Meanwhile, developers

had 14,269 units under construction in suburban areas. Developer focus remained on upscale projects, with 83% of the construction pipeline tilted toward the Lifestyle segment. About 12% were units in fully affordable communities.

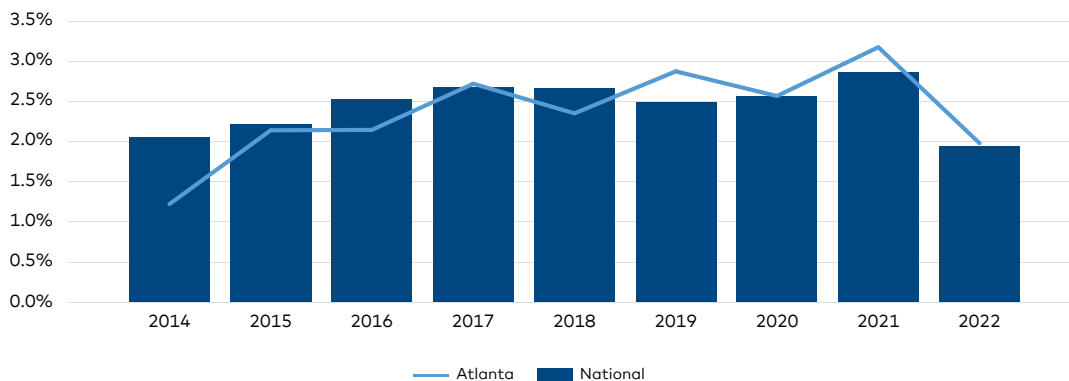
- ▶ Of the 75 submarkets tracked by Yardi Matrix, 10 had more than 1,000 units under construction as of November 2022. Midtown West/Centennial Place led by far, with 2,740 units underway as of November.

Atlanta Completions (as of November 2022)



Source: Yardi Matrix

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

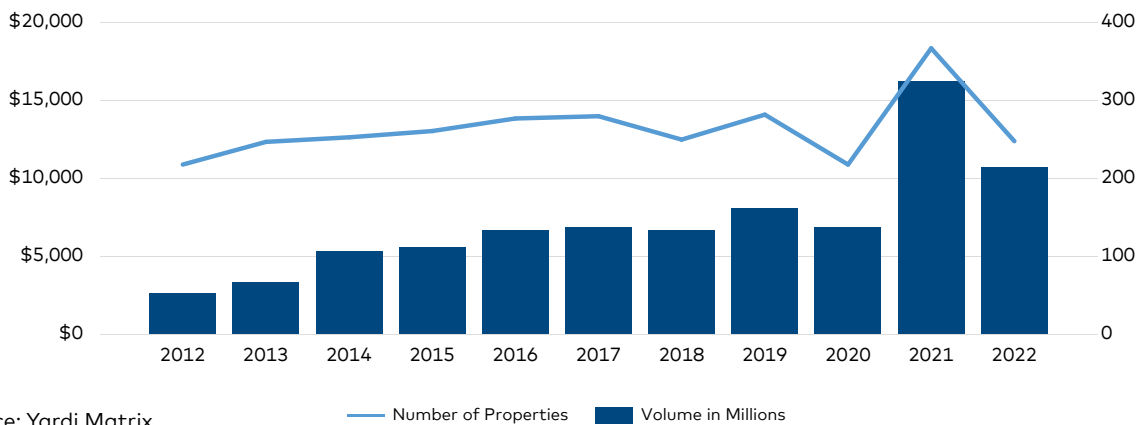


Source: Yardi Matrix

TRANSACTIONS

- ▶ Investors traded \$10.8 billion in multifamily assets in 2022 through November. While that was below the \$12.7 billion registered during the same period last year, it still ranks as the second-best year on record.
- ▶ Investor preference was slightly higher for assets in urban submarkets, with the transaction volume totaling \$5.6 billion. Suburban areas fared very well, too, with a total of \$5.2 billion through November.
- ▶ Looking at the sales composition, investor interest has been fairly balanced across property classes. Strong demand and stable confidence in the market's evolution, despite the gathering clouds over the economic landscape, have pushed up the per-unit price by 14.5% year-over-year through November, to \$204,909. Despite the robust increase, Atlanta's average price per unit still trails the \$215,443 U.S. figure.

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



Source: Yardi Matrix

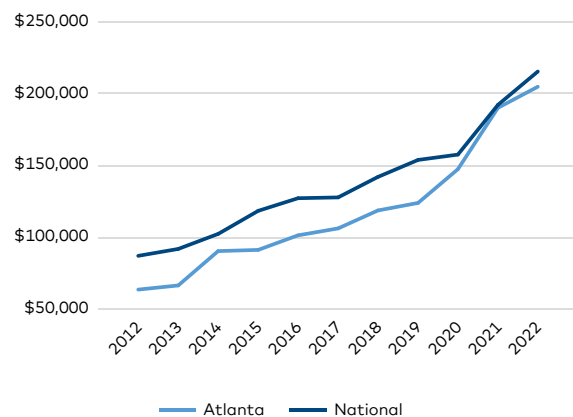
Top Submarkets for Transaction Volume¹

Submarket	Volume (\$MM)
Norcross	851
North Decatur/Clarkston/Scottsdale	844
Sandy Springs/Dunwoody	683
Marietta SE	611
Buckhead	566
Cumming	472
Midtown West/Centennial Place	447

Source: Yardi Matrix

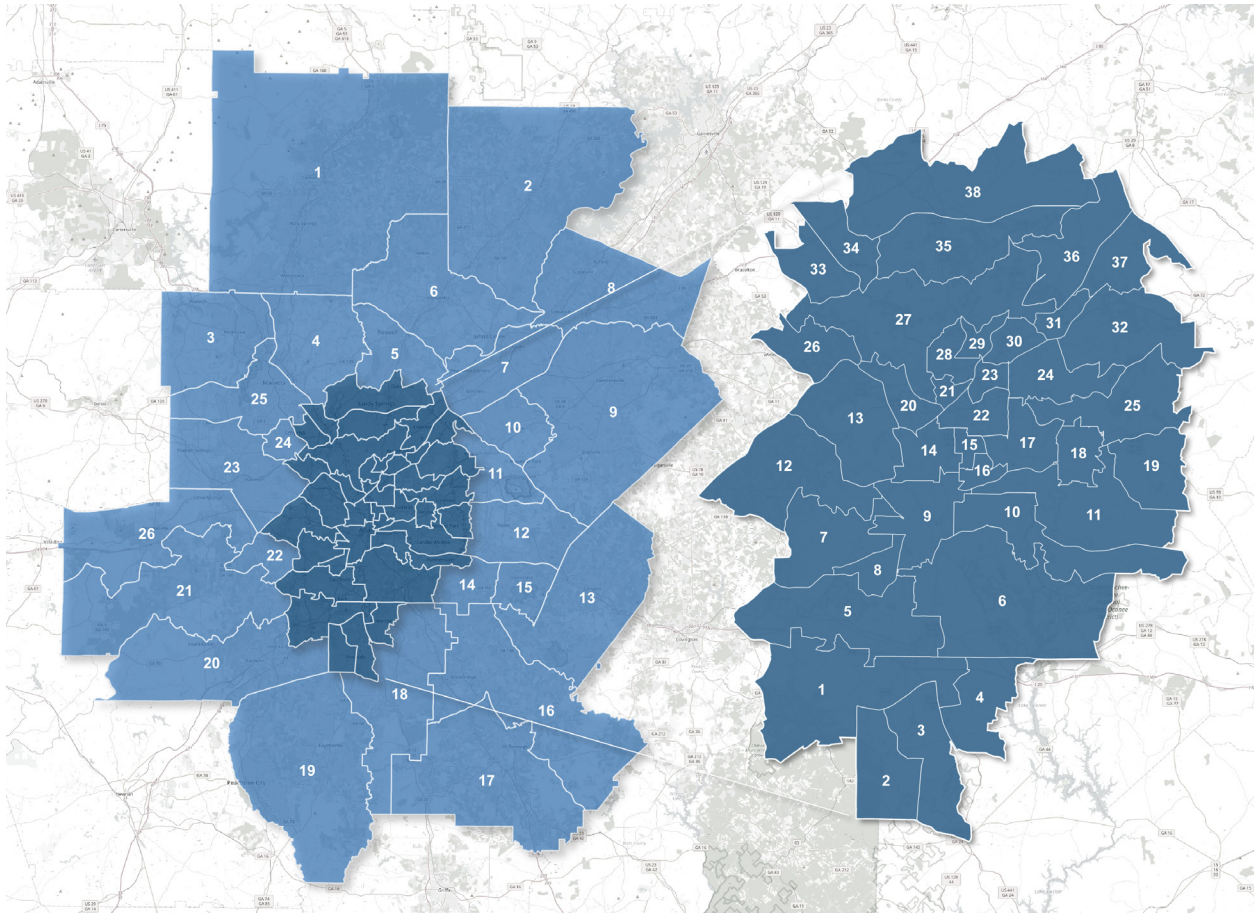
¹ From December 2021 to November 2022

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 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 or call Ron Brock, Jr., at 480-663-1149 x2404.



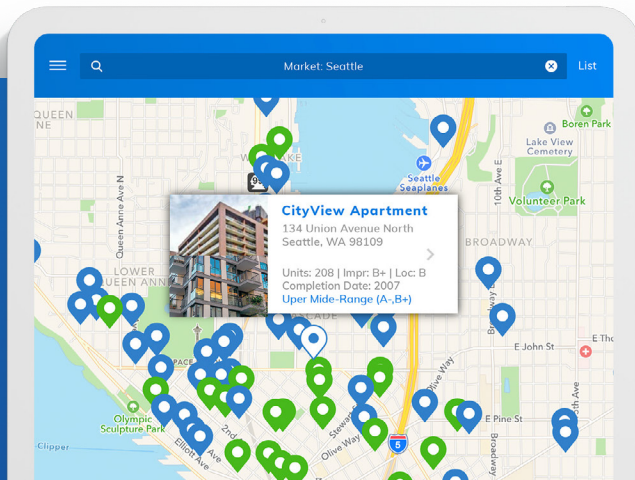
Yardi Matrix

Power your business
with the industry's
leading data provider



MULTIFAMILY KEY FEATURES

- Pierce the LLC every time with true ownership and contact details
- Leverage improvement and location ratings, unit mix, occupancy and manager info
- Gain complete new supply pipeline information from concept to completion
- Find acquisition prospects based on in-place loans, maturity dates, lenders and originators
- Access aggregated and anonymized residential revenue and expense comps



Yardi Matrix Multifamily
provides accurate data on
19.7+ million units, covering over
92% of the U.S. population.



(800) 866-1144

Learn more at yardimatrix.com/multifamily

Contact
US



DISCLAIMER

Although every effort is made to ensure the accuracy, timeliness and completeness of the information provided in this publication, the information is provided "AS IS" and Yardi Matrix does not guarantee, warrant, represent or undertake that the information provided is correct, accurate, current or complete. Yardi Matrix is not liable for any loss, claim, or demand arising directly or indirectly from any use or reliance upon the information contained herein.

COPYRIGHT NOTICE

This document, publication and/or presentation (collectively, "document") is protected by copyright, trademark and other intellectual property laws. Use of this document is subject to the terms and conditions of Yardi Systems, Inc. dba Yardi Matrix's Terms of Use (<http://www.yardimatrix.com/Terms>) or other agreement including, but not limited to, restrictions on its use, copying, disclosure, distribution and decompilation. No part of this document may be disclosed or reproduced in any form by any means without the prior written authorization of Yardi Systems, Inc. This document may contain proprietary information about software and service processes, algorithms, and data models which is confidential and constitutes trade secrets. This document is intended for utilization solely in connection with Yardi Matrix publications and for no other purpose.

Yardi®, Yardi Systems, Inc., the Yardi Logo, Yardi Matrix, and the names of Yardi products and services are trademarks or registered trademarks of Yardi Systems, Inc. in the United States and may be protected as trademarks in other countries. All other product, service, or company names mentioned in this document are claimed as trademarks and trade names by their respective companies.

© 2023 Yardi Systems, Inc. All Rights Reserved.