

# Atlanta Loses Momentum

May 2023



**YoY Rent Expansion Decelerates**

**Construction Activity Remains Elevated**

**Investment Volume Drops**

# ATLANTA MULTIFAMILY



## Investment, Rate Gains Taper

Atlanta's rental market softened during the first quarter of 2023, following a strong performance over the past decade. Year-over-year rent expansion was 1.1% as of March, following several months of short-term decreases and trailing the 4.0% national figure. As a result, the metro's average was \$1,690, just \$16 below the U.S. figure. Meanwhile, occupancy in stabilized assets dipped, down 1.2%, to 93.8%, as of February.

Atlanta employment outperformed the U.S. in 2022, adding 126,400 jobs, for an employment growth rate of 5.1%, 140 basis points above the national figure. Economic cornerstones such as trade, transportation and utilities and professional and business services added 20,700 jobs each, strengthening their positions. Leisure and hospitality led gains with 23,700 jobs, as the effort to recover positions lost during the pandemic continued.

Following two stellar years for investment activity, when a combined \$27.9 billion in multifamily assets traded, Atlanta's sales volume tumbled to just \$431 million in the first quarter of 2023. Property values in the metro have held up well, while the national price per unit was down nearly 7% during the first months of the year. Construction is still solid in Atlanta, with 38,105 units underway and another 144,000 in the planning and permitting stages. Yardi Matrix expects nearly 15,000 units to come online in 2023, which would mark Atlanta's best year for deliveries this decade.

## Market Analysis | May 2023

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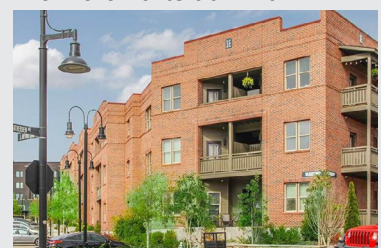
### Recent Atlanta Transactions

#### Ellington Midtown



City: Atlanta  
Buyer: LivCor  
Purchase Price: \$133 MM  
Price per Unit: \$281,184

#### Premiere Lofts at Trilith



City: Fayetteville, Ga.  
Buyer: Stockbridge Capital Group  
Purchase Price: \$82 MM  
Price per Unit: \$311,787

#### Elevate Greene



City: McDonough, Ga.  
Buyer: Viking Capital  
Purchase Price: \$57 MM  
Price per Unit: \$227,381

#### Elevate Eagle's Landing

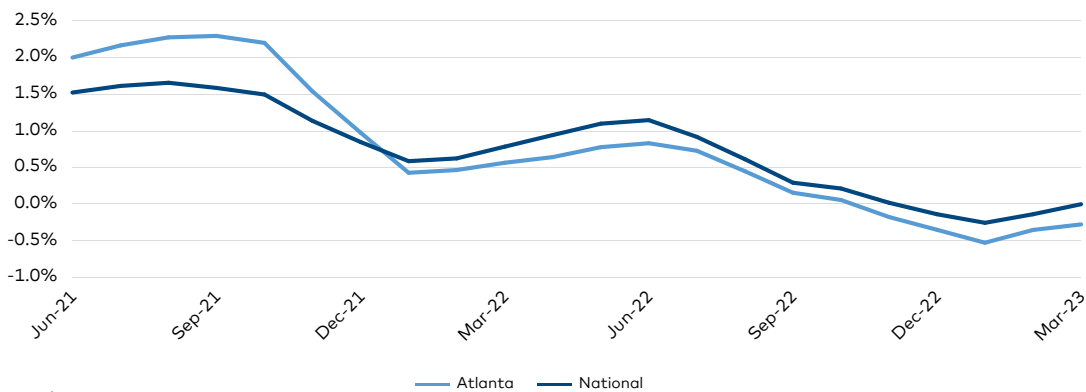


City: Stockbridge, Ga.  
Buyer: Viking Capital  
Purchase Price: \$39 MM  
Price per Unit: \$235,030

## RENT TRENDS

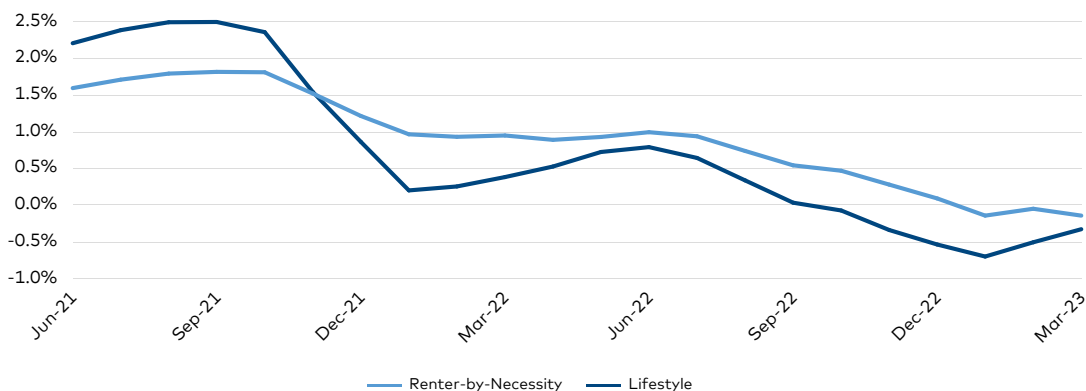
- ▶ Atlanta rates were down 0.3% on a trailing three-month (T3) basis through March, while the national figure was flat. The metro's overall average rent was \$1,690, just \$16 below the U.S. figure, at the end of the first quarter. Following several months of short-term decreases, Atlanta's year-over-year rent gains decreased to just 1.1%, one of the lowest figures among major U.S. metros and well below the 4.0% U.S. growth on a year-over-year basis.
- ▶ While both multifamily quality segments saw rent declines in the short term, Lifestyle rates recorded the bigger slide, down 0.3%. The spread in average rents between the segments was just \$411, with RBN assets at \$1,420 as of March.
- ▶ Atlanta areas with the largest rent growth included urban submarkets Forest Park (up 12.3% year-over-year), Bankhead (12.3%), Grant Park/East Atlanta/Panthersville (9.3%), Chandler-McAfee/West Belvedere Park (9.3%) and Harwell Heights (6.2%). Of the 64 submarkets tracked by Yardi Matrix, 18 saw rent decreases on a year-over-year basis, and most were also located in urban areas.
- ▶ Atlanta's single-family rental sector showed mixed performance over the last 12 months. Occupancy improved 1.2% year-over-year, while rents slid 17.0% through the same interval.

**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 added 126,400 jobs in 2022, for an employment growth rate of 5.1%. The metro outperformed the national rate by 140 basis points, continuing what has become the norm in post-pandemic years.
- ▶ The metro's unemployment rate fared well, at 3.2% in January, just 10 basis points lower than the state of Georgia. However, the rate was 60 points higher than it was at the end of 2022.
- ▶ No employment sectors recorded job losses last year, with leisure and hospitality leading the charge with 23,700 positions. Trade, transportation and utilities, as well as professional and business services, followed with 20,700 jobs each.
- ▶ Atlanta added more than 775,000 residents between 2011 and 2021, leading to fast increases in housing demand and transportation. As a result, the city's infrastructure is being tested and solutions are being sought. Atlanta has entered a public-private partnership with Hertz for the addition of some 4,000 electric vehicles to rental-car customers and rideshare users. New charging stations will be installed to facilitate the use of these vehicles, and an educational program on EV use will be implemented, in partnership with the Atlanta College and Career Academy. The city is also looking to source \$200 million through donations and bond funding for the implementation of more affordable housing.

### Atlanta Employment Share by Sector

Code	Employment Sector	Current Employment	
		(000)	% Share
70	Leisure and Hospitality	299	9.8%
60	Professional and Business Services	593	19.5%
40	Trade, Transportation and Utilities	663	21.8%
65	Education and Health Services	399	13.1%
50	Information	127	4.2%
55	Financial Activities	203	6.7%
90	Government	344	11.3%
80	Other Services	103	3.4%
30	Manufacturing	178	5.8%
15	Mining, Logging and Construction	136	4.5%

Sources: Yardi Matrix, Bureau of Labor Statistics

### Population

- ▶ Atlanta's population has consistently increased this past decade, having added 776,000 residents during that time. The metro's demographic growth rate was 0.7% in 2021, far outpacing the 0.1% national figure.

### Atlanta vs. National Population

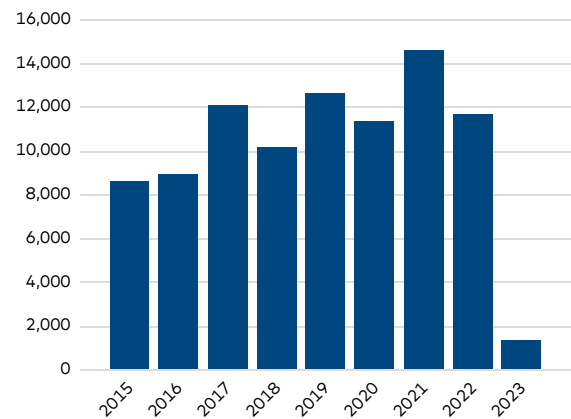
	2018	2019	2020	2021
National	326,838,199	328,329,953	331,501,080	331,893,745
Atlanta	5,951,394	6,027,231	6,101,146	6,144,050

Source: U.S. Census

## SUPPLY

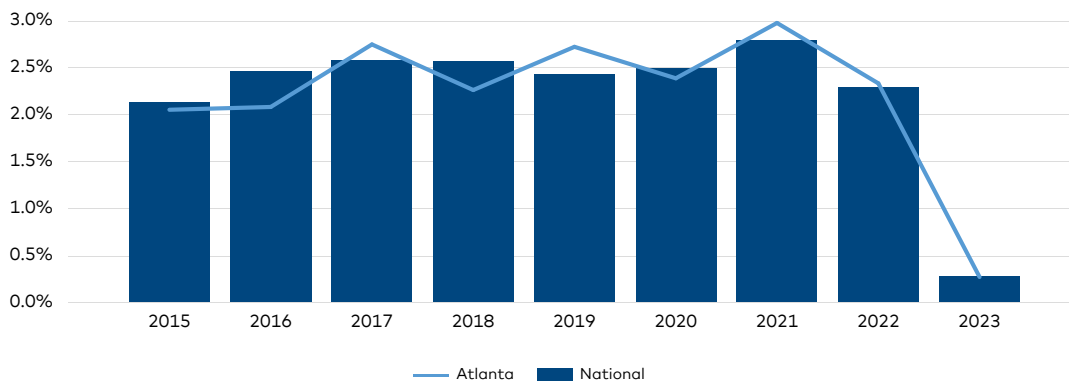
- ▶ A high-volume Sun Belt market, Atlanta had 38,105 units under construction at the end of the first quarter, representing one of the largest multifamily pipelines in the region. The number of units being built is divided almost equally between Atlanta's urban and suburban areas.
- ▶ Land availability and strong demand have created heightened development activity, but a slowdown is in the cards with continuously rising interest rates and reduced availability of capital. These conditions will likely affect the 144,000 units in the planning and permitting stages across the metro.
- ▶ Developers added 1,386 units this year through March, accounting for 0.3% of the existing rental inventory. That's the same completion rate as the overall U.S. market. The metro has largely hovered around the U.S. rate for the better part of the decade.
- ▶ The overall average occupancy rate in stabilized assets was 93.8% as of February, down 120 basis points on a year-over-year basis. The RBN segment's occupancy rate was 94.1%, down 110 basis points, while the Lifestyle segment saw rates decrease 130 basis points, to 93.7%.
- ▶ There were 13 submarkets with at least 1,000 units under construction in metro Atlanta at the end of March. Midtown West/Centennial Place (1,996 units), McDonough (1,938 units), Buford (1,749 units) and Lawrenceville (1,733 units) led construction activity.

**Atlanta Completions** (as of March 2023)



Source: Yardi Matrix

**Atlanta vs. National Completions as a Percentage of Total Stock** (as of March 2023)

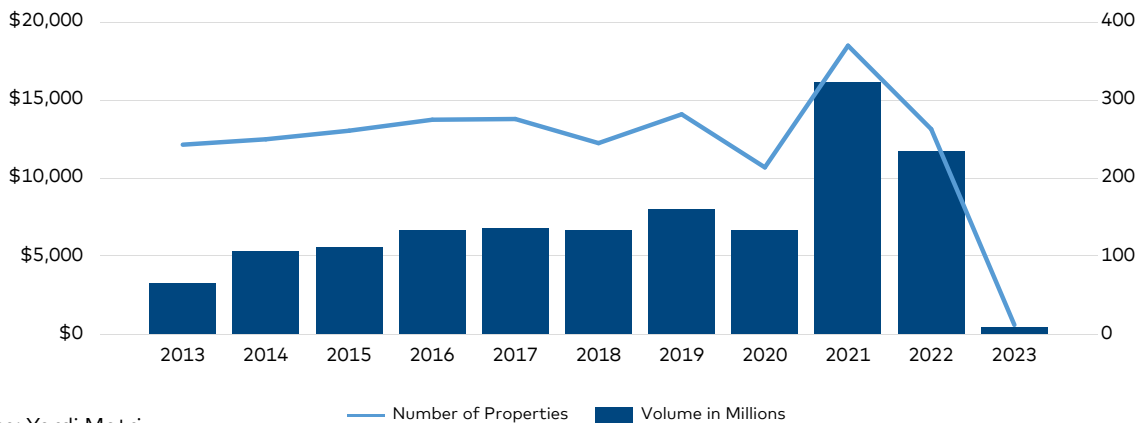


Source: Yardi Matrix

## TRANSACTIONS

- ▶ Atlanta multifamily sales amounted to \$430 million in the first three months of 2023. Investment volume decreased significantly in the last two quarters, following more than \$26 billion trading through the seven quarters between January 2021 and September 2022.
- ▶ Property values have held up well through the start of the year in Atlanta, at an average price per unit of \$204,180, just \$2,500 lower than in 2022. Meanwhile, national property values have decreased along with sales volume, at \$196,544. That's 6.9% lower than the 2022 figure.
- ▶ Ashcroft Capital has been one of the most active multifamily investors in the Atlanta market, with seven recorded acquisitions in the 12 months ending in March. The company paid \$585 million for the assets, which were acquired between April and November 2022. All properties are located in suburban submarkets.

**Atlanta Sales Volume and Number of Properties Sold** (as of March 2023)



Source: Yardi Matrix

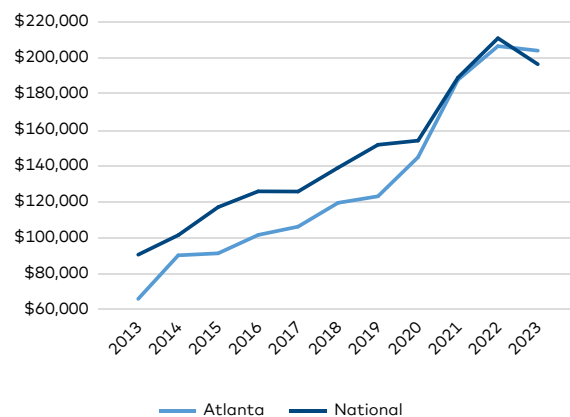
**Top Submarkets for Transaction Volume<sup>1</sup>**

Submarket	Volume (\$MM)
North Decatur/Clarkson/Scottsdale	597
Duluth	496
Norcross	464
Marietta SE	313
Kennesaw	302
Buford	296
McDonough	296

Source: Yardi Matrix

<sup>1</sup> From April 2022 to March 2023

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



Source: Yardi Matrix

## Top Markets for Multifamily Transactions in 2022

By Anca Gagiuc

Multifamily investment powered through mounting economic challenges in 2022, with the national sales volume slightly above \$200 billion, which is 14.4% lower than 2021's total, according to Yardi Matrix data. The average U.S. price per unit continued to increase (up 11.2% year-over-year, to \$212,181) and the sales composition—heavier on the Renter-by-Necessity side with 57% of all units sold in the segment—shows a keener interest for value-add opportunities.

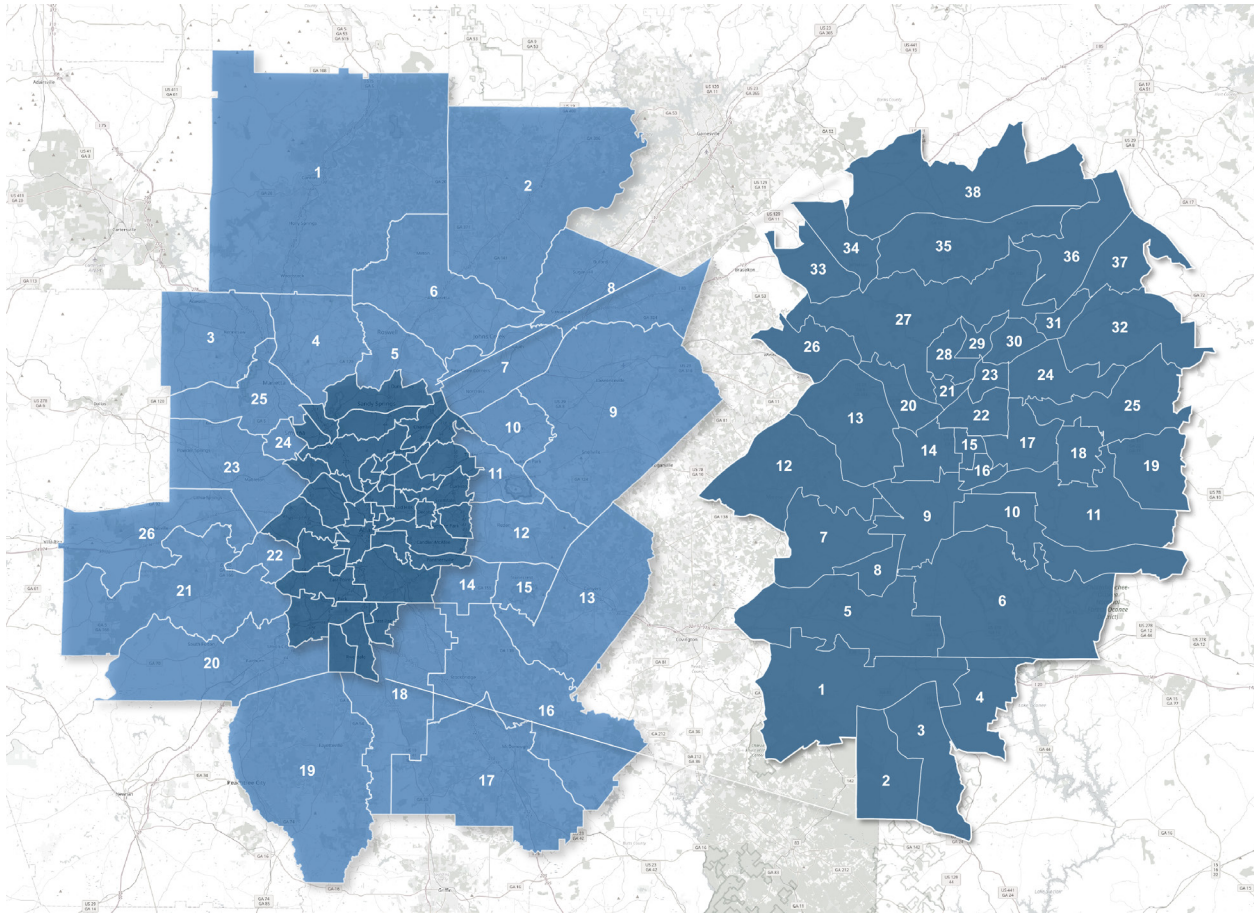
Metro	Sales Volume 2022	Price Per Unit 2022	Assets Sold 2022	Units Sold 2022
Atlanta	\$11,964,229,394	\$205,788.42	275	62,167
Phoenix	\$11,306,035,129	\$322,582.62	201	39,691
Dallas	\$10,284,900,277	\$174,147.76	497	107,430
Houston	\$9,887,173,638	\$152,435.73	381	96,354
Miami	\$6,673,451,883	\$325,575.83	114	22,599
Orlando	\$6,453,854,031	\$242,914.18	112	28,590
Los Angeles	\$6,359,607,395	\$437,496.65	99	13,477
Washington, D.C.	\$6,271,248,445	\$276,764.86	103	25,223
New York	\$6,034,606,218	\$626,998.92	51	7,657
Charlotte	\$5,263,281,111	\$248,778.04	106	21,088

### Atlanta

Atlanta topped the ranking with nearly \$12 billion in multifamily sales, down from \$16.3 billion in 2021. More than \$4.4 billion of last year's sales volume traded in the working-class, RBN quality segment. Although trending down, the metro's investment market was still highly active, outranking its pre-pandemic peak registered in 2019 (\$7.9 billion). The decline in transactions was caused by a significant drop in the sale of upscale assets, a 35% decrease from 2021's \$11.8 billion total.



# 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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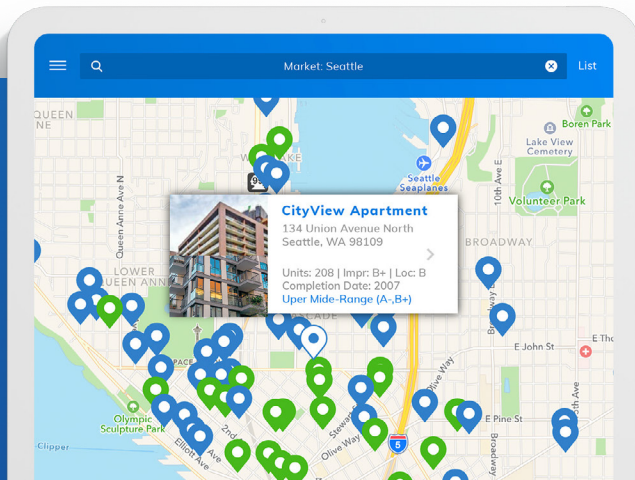
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