

A long-exposure photograph of the Atlanta skyline at dusk. The sky is a deep blue with some clouds. The city lights are glowing, and the foreground shows a highway with light trails from cars, creating a sense of motion. The overall scene is vibrant and modern.

Yardi® Matrix

# Atlanta Still Fueled for Growth

Multifamily Report Spring 2018

Rent Growth Outpaces Nation

Strong Demographics Boost Demand

Development Activity Remains Elevated

## Market Analysis

Spring 2018

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## Maintaining Momentum in the South

Atlanta was a relative latecomer to the multifamily and commercial expansion, but in recent years the metro has cemented its image as a regional powerhouse. Its economic growth and positive demographics support apartment demand, even at a time when inventory expansion is rapid, having reached new highs in recent years. However, this expansion comes at a price: The housing affordability issue is intensifying, as is the metro's congestion problem.

Employment gains in 2017 occurred across all sectors, except manufacturing. Atlanta added 55,600 jobs last year, up 2.6% year-over-year and well above the 1.7% U.S. average. Its business-friendly environment is likely to continue to support the current dynamic through consistent employment opportunities. Companies such as NCR Corp. and Honeywell have plans to hire more than 1,000 workers by 2021, while Jackson Healthcare intends to create 1,400 jobs this year.

Apartment construction is booming, with nearly 1,800 units delivered this year through February and another 19,500 units underway, 15,000 of which are slated for delivery by year's end. Some \$500 million in apartments had traded by February and the average per-unit price continues to rise, now 138% higher than in 2011. Yardi Matrix expects rents to rise 3.7% in 2018.

### Recent Atlanta Transactions

Gables Emory Point



City: Atlanta  
Buyer: LivCor  
Purchase Price: \$199 MM  
Price per Unit: \$265,333

Rockledge



City: Marietta, Ga.  
Buyer: Highland Capital Management  
Purchase Price: \$114 MM  
Price per Unit: \$160,311

Lakeside at Milton Park



City: Alpharetta, Ga.  
Buyer: Olen Properties  
Purchase Price: \$98 MM  
Price per Unit: \$213,124

Overlook at Berkeley Lake

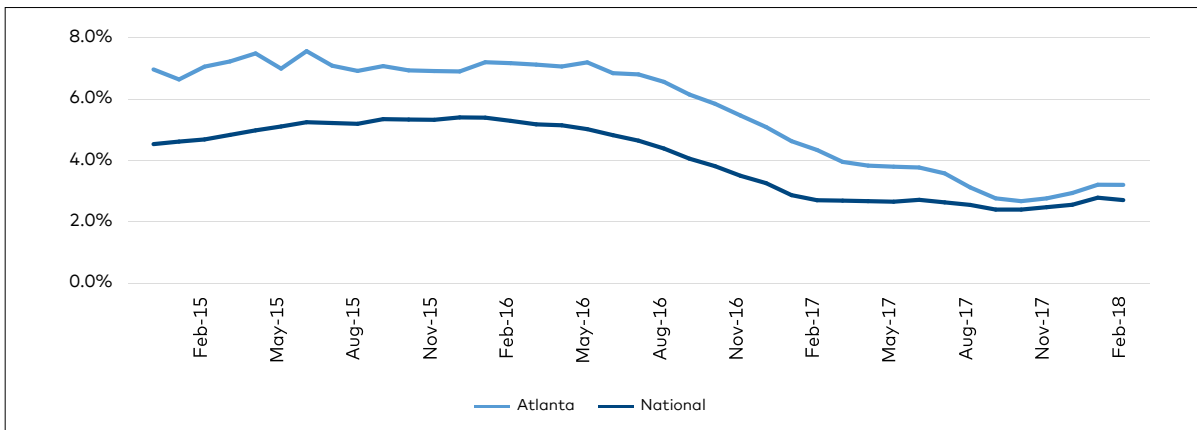


City: Duluth, Ga.  
Buyer: Investcorp  
Purchase Price: \$94 MM  
Price per Unit: \$142,803

## Rent Trends

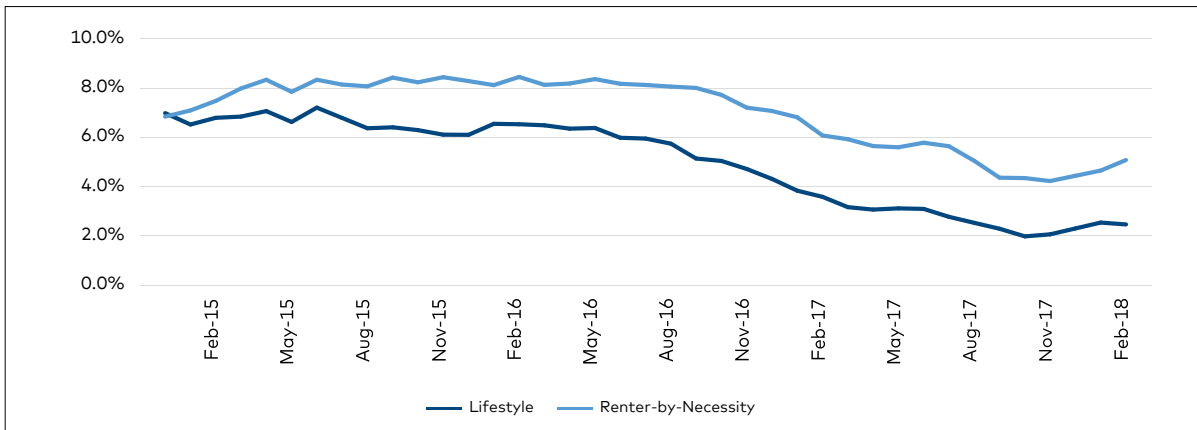
- Atlanta rents rose 3.2% year-over-year through February, outpacing the national rate by 50 basis points. Despite strong rent growth, the overall average rent was \$1,190, trailing the national average of \$1,364. Last year's hefty supply in multifamily units has resulted in some rent growth moderation.
- Rents in the working-class Renter-by-Necessity segment led growth, up 5.1% year-over-year to \$972, while rates for Lifestyle assets increased by 2.5% to \$1,332 over the same period. The need for affordable units is reflected in the spread between the two segments.
- Rent growth was largely consistent across metro Atlanta, with most of the submarkets registering growth and only four submarkets contracting. Rents in Peachtree/Fayetteville had the steepest drop (-6.7% to \$1,162). The most affordable submarket is Forest Park—rent growth here was among the highest in the metro (up 5.7% to an average of \$682). At the other end of the spectrum, the biggest increase occurred in Bankhead, where rents increased by 10.2% to \$931, followed by Rhyne, where rents grew by 9.0% year-over-year to \$1,167.
- The occupancy rate in stabilized properties was 94.1% as of January, down 40 basis points over the prior 12 months. Yardi Matrix forecasts rents will grow by 3.7% in 2018.

### Atlanta vs. National Rent Growth (Sequential 3 Month, Year-Over-Year)



Source: YardiMatrix

### Atlanta Rent Growth by Asset Class (Sequential 3 Month, Year-Over-Year)

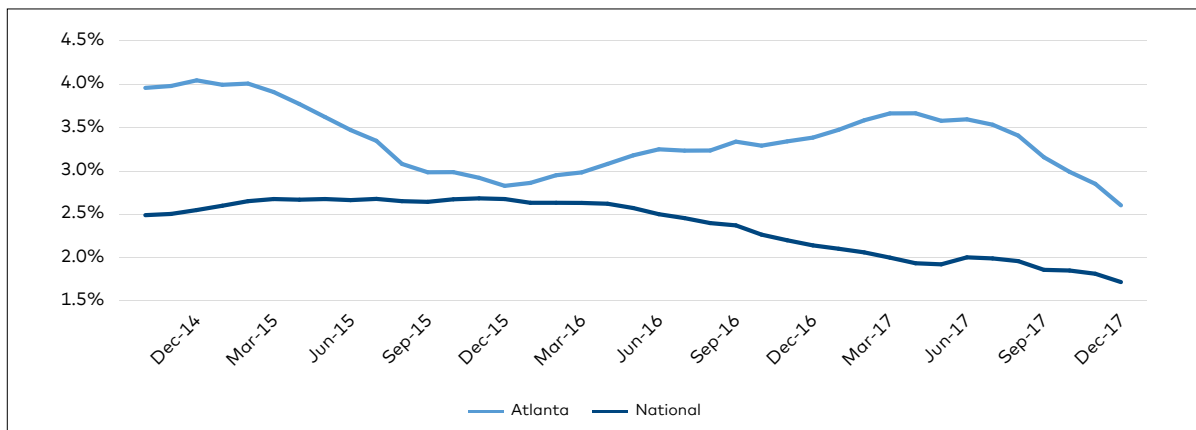


Source: YardiMatrix

## Economic Snapshot

- Atlanta added 55,600 jobs in 2017, up 2.6% year-over-year and 90 basis points above the 1.7% national rate. Job growth was broad across most industries, except manufacturing, which lost 1,200 positions. The eighth-largest economy in the country had the unemployment rate fall to 4.3% in March, from 5.3% 12 months prior.
- The metro's professional and business services sector led growth, adding 16,200 jobs, a 3.2% increase. Both NCR Corp. and Honeywell have mass hiring planned through 2021, which will expand the sector by more than 1,000 positions. Atlanta's education and health services sector added 13,300 jobs in 2017, highlighting the metro's third place in STEM job growth employment, a trend that will likely continue. To that effect, Jackson Healthcare announced plans to hire 1,400 workers this year, while Anthem—another health-care provider—will add 900 by 2019. Manufacturing continued to struggle, as the state of Georgia lost a third of its manufacturing jobs since 2000, when the sector was its main engine.
- The office market in Atlanta ended the year on a high note, with 1.2 million square feet of positive net absorption, half of it posted in the fourth quarter, per JLL data. Deliveries included the triple-warehouse conversion of Westside Stockyards (88% leased) and Comcast's build-to-suit, primary technology hub, northwest of the metro.

### Atlanta vs. National Employment Growth (Year-Over-Year)



Sources: YardiMatrix, Bureau of Labor Statistics (not seasonally adjusted)

### Atlanta Employment Growth by Sector (Year-Over-Year)

Code	Employment Sector	Current Employment		Year Change	
		(000)	% Share	Employment	%
60	Professional and Business Services	523	18.7%	16,200	3.2%
65	Education and Health Services	354	12.7%	13,300	3.9%
70	Leisure and Hospitality	296	10.6%	7,100	2.5%
15	Mining, Logging and Construction	127	4.6%	5,800	4.8%
90	Government	339	12.1%	4,500	1.3%
55	Financial Activities	172	6.2%	3,200	1.9%
40	Trade, Transportation and Utilities	618	22.1%	2,900	0.5%
80	Other Services	101	3.6%	2,400	2.4%
50	Information	100	3.6%	1,400	1.4%
30	Manufacturing	162	5.8%	-1,200	-0.7%

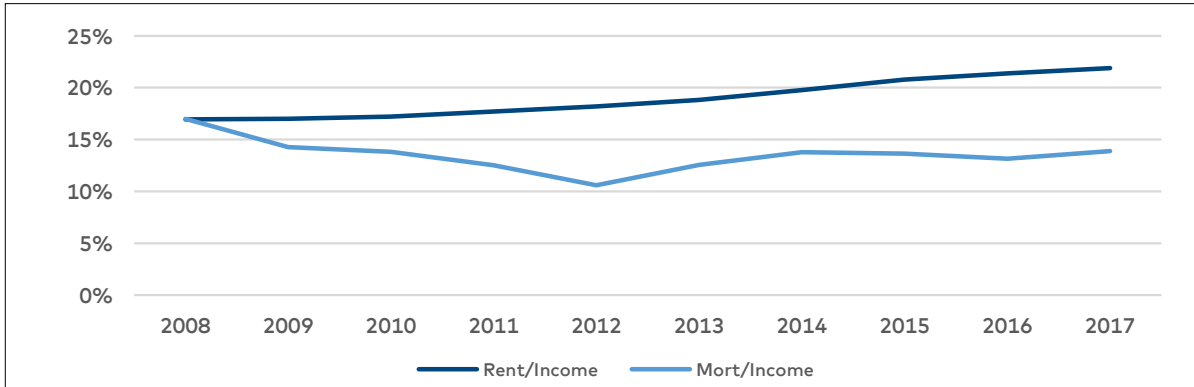
Sources: YardiMatrix, Bureau of Labor Statistics

## Demographics

### Affordability

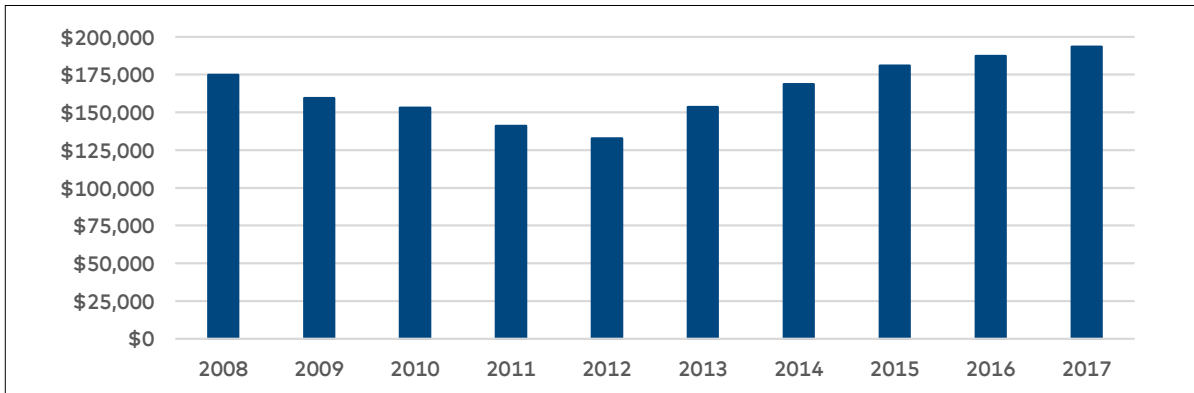
- The median home price continued to surge, up 45.6% since 2012, reaching \$193,434 in 2017. Owning is more affordable than renting in Atlanta, equating to only 14% of the area's median income. Rents rose to \$1,190 in February, accounting for 22% of the metro's median income.
- To encourage the expansion of affordable housing, the metro has activated inclusionary zoning ordinances, applicable to forthcoming residential projects near the Beltline and Mercedes-Benz Stadium. The ordinances require developers to dedicate 10% to 15% of units to residents who make between 60% and 80% of the area's median income.

### Atlanta Rent vs. Own Affordability as a Percentage of Income



Sources: YardiMatrix, Moody's Analytics

### Atlanta Median Home Price



Source: Moody's Analytics

### Population

- The nation's ninth largest metro population has increased by 9% since 2010.
- Atlanta is projected to go through a population surge in the next three decades, which would make it the sixth most populous metro in the U.S.

### Atlanta vs. National Population

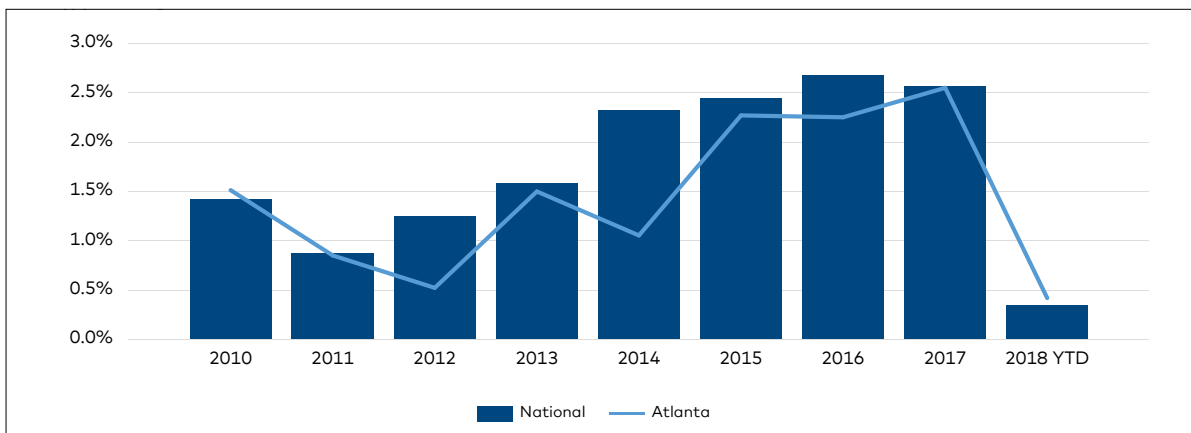
	2012	2013	2014	2015	2016
National	313,998,379	316,204,908	318,563,456	320,896,618	323,127,513
Atlanta Metro	5,452,145	5,517,230	5,605,765	5,699,050	5,789,700

Sources: U.S. Census, Moody's Analytics

## Supply

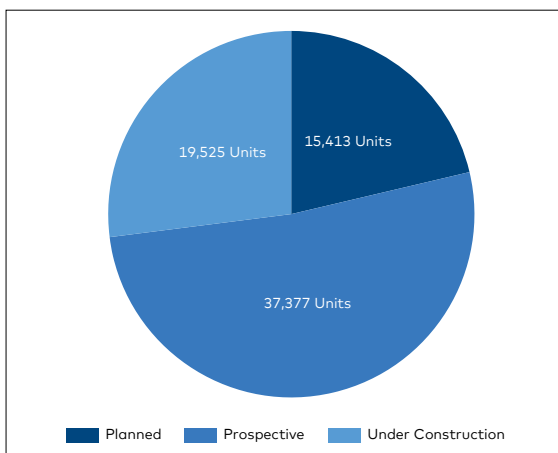
- Some 1,800 units were delivered in the first two months of 2018, 16.4% of last year's cycle high, when nearly 11,000 units came online. Heightened deliveries signal that supply could outpace demand, during a year that's set to raise the bar for completions nationwide. We expect 15,000 deliveries in 2018.
- The development pipeline had more than 19,500 units underway as of February, and more than 52,000 units in the planning and permitting stages. The bulk of construction is concentrated in urban Atlanta, where the metro's most active submarkets have a combined 8,000 units under construction. Midtown West/Centennial Place is the most active submarket, with more than 2,500 units were under development, including MAA's 438-unit Post Centennial Park, anticipated for completion in the first half of the year. The fewest units under construction were in East Point/Hapeville, where The Woda Group is building the 67-unit, fully-affordable Mallalieu Pointe, one of the first affordable housing developments projected to earn LEED Gold certification from the USGBC.
- The largest development underway is the aforementioned Post Centennial Park, a mid-rise community spread across 3.9 acres in the heart of the CBD, slated for completion later this year.

**Atlanta vs. National Completions as a Percentage of Total Stock** (as of February 2018)



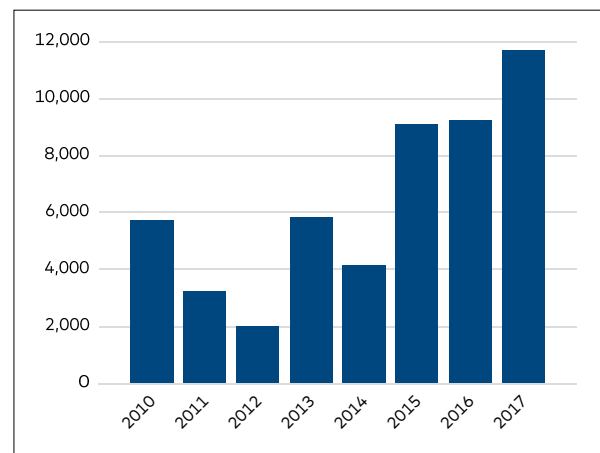
Source: YardiMatrix

**Development Pipeline** (as of February 2018)



Source: YardiMatrix

**Atlanta Completions** (as of February 2018)

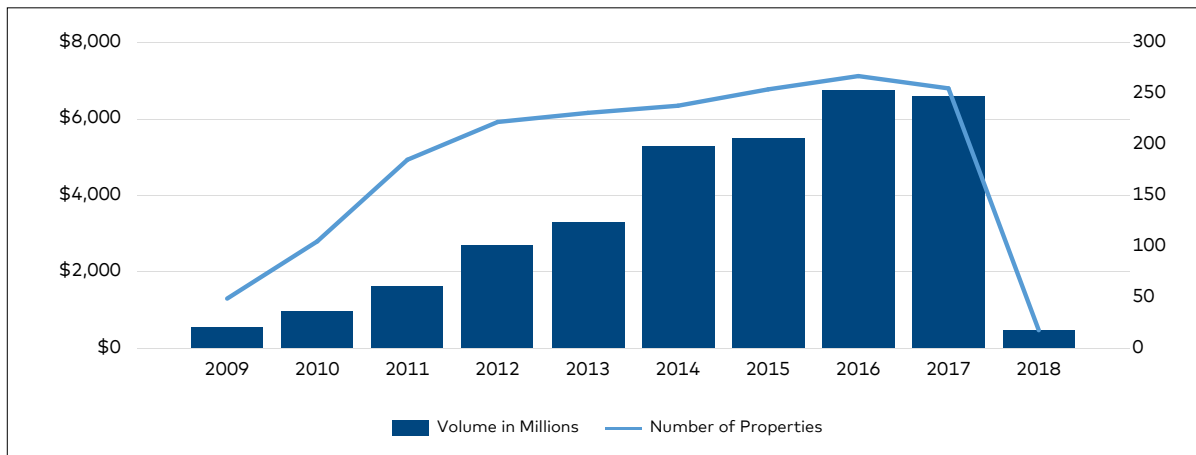


Source: YardiMatrix

## Transactions

- In the first two months of 2018, nearly \$500 million in properties changed hands, following a strong 2017, when the sales volume reached \$6.6 billion. Transaction activity stayed elevated, with local and out-of-state buyers interested in both new assets and value-add opportunities.
- Property values continued their climb, as Atlanta's per-unit price was 5.4% higher during the year's first couple of months and 138% over the 2011 value. At \$111,846, the average price per unit is still affordable and nearly \$50,000 behind the U.S. figure.
- Investment activity was highest in Sandy Springs/Dunwoody, with nearly \$600 million in sales during the 12 months ending in February. LivCor's \$199 million purchase of Gables Emory Point, a 750-unit property in North Decatur/Clarkston/Scottsdale submarket was the top deal during that interval.

**Atlanta Sales Volume and Number of Properties Sold** (as of February 2018)



Source: YardiMatrix

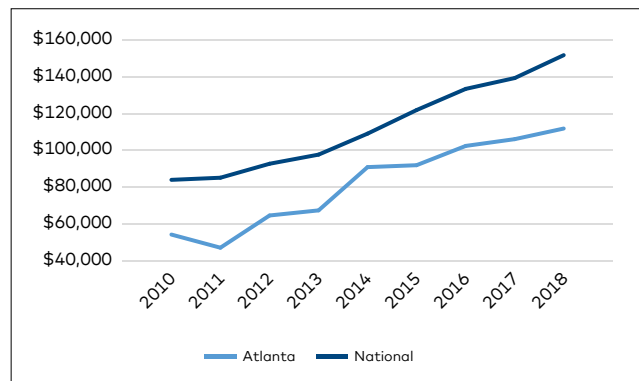
**Top Submarkets for Transaction Volume<sup>1</sup>**

Submarket	Volume (\$MM)
Sandy Springs/Dunwoody	597
Lilburn	349
Duluth/Norcross	320
North Decatur/Clarkston/Scottsdale	310
Roswell/Alpharetta	240
Brookhaven	199
Lawrenceville	196
Jonesboro/Bonanza	171

Source: YardiMatrix

<sup>1</sup> From March 2017 to February 2018

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



Source: YardiMatrix

# Read All About It!



MetLife Plans Mixed-Use Project  
In Midtown Atlanta



Fogelman, Thackeray  
Acquire Atlanta Asset



CBRE Arranges Atlanta  
Creative Office Lease



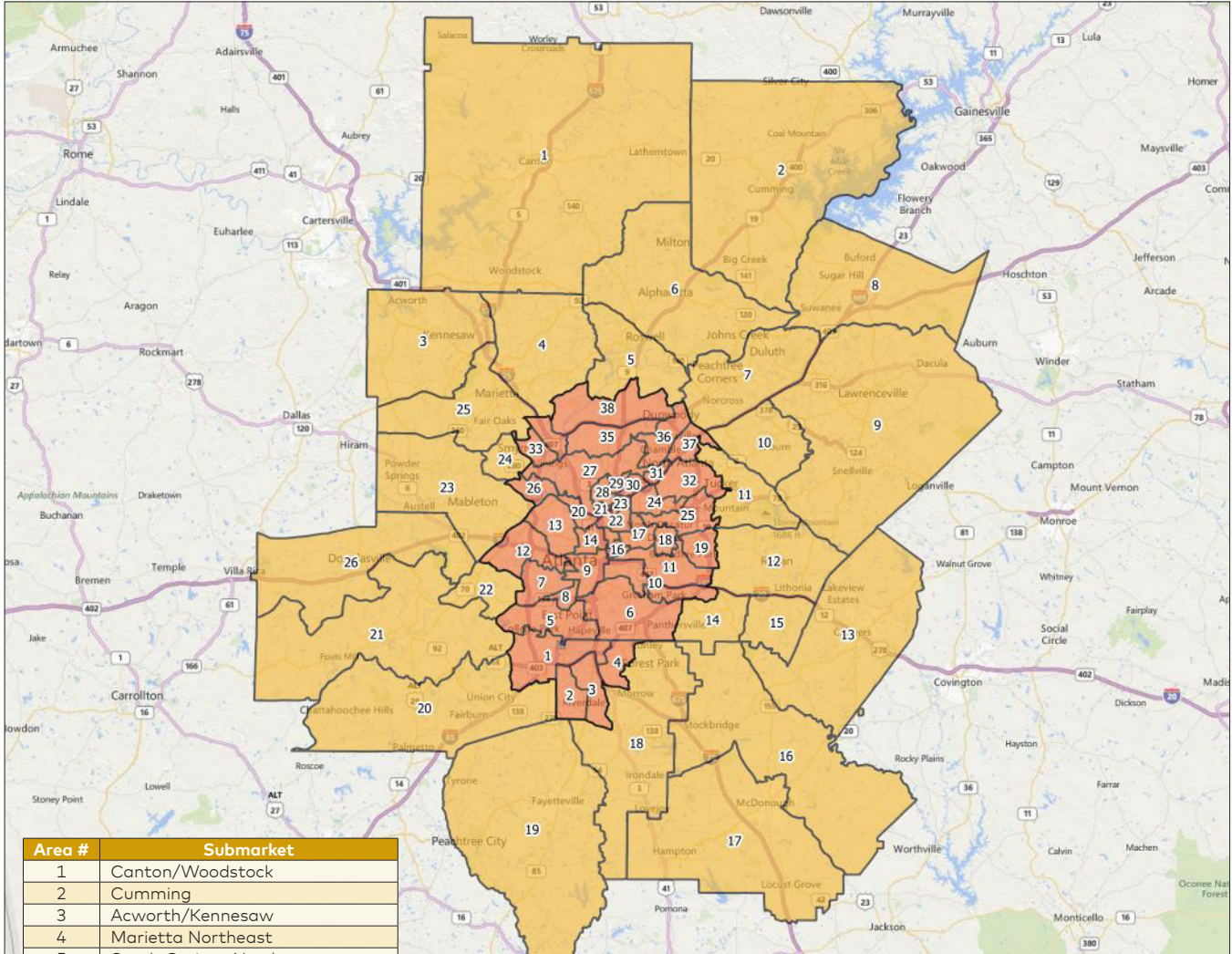
American Landmark Buys  
586-Unit Atlanta Community

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# Atlanta Submarkets



Area #	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	Cliftsdale
22	Sandtown
23	Mableton/Austell
24	Smyrna/Fair Oaks
25	Marietta Southwest
26	Douglasville

Area #	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 BelvederePark
12	Harwell Heights
13	Bankhead
14	Midtown West/Centennial Place
15	Midtown South
16	Martin Luther King Historic District
17	Inman Park/Virginia-Highland
18	Decatur

Area #	Submarket
19	Avondale Estates/East Belvedere Park
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

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## 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 may 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 may 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, may 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:

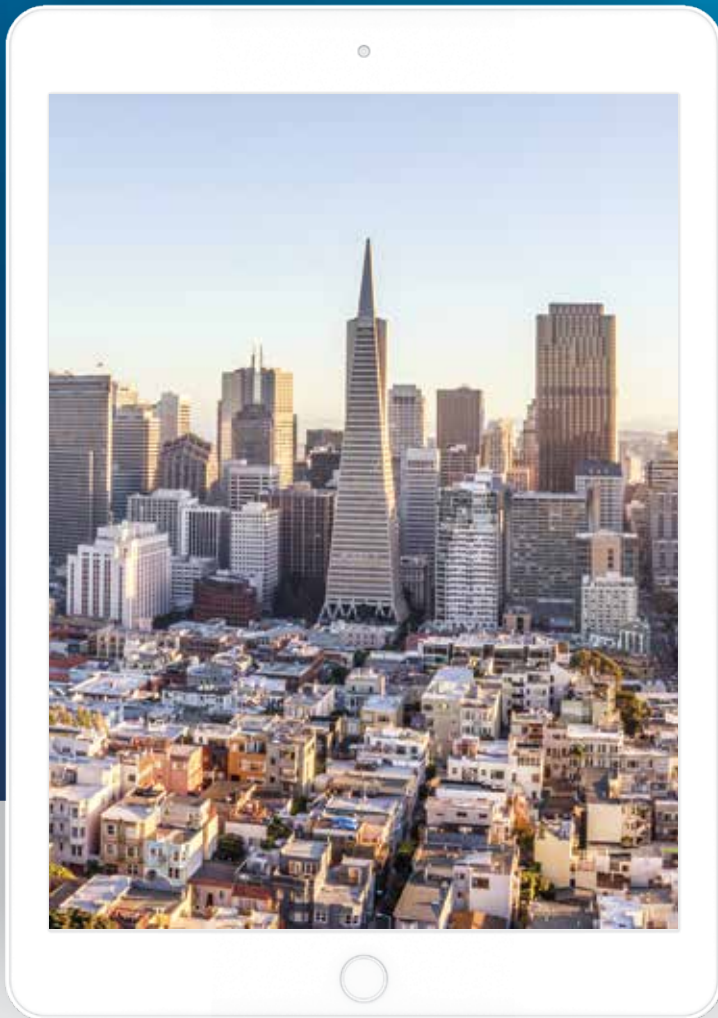
Market Position	Improvements Ratings
Discretionary	A+ / A
High Mid-Range	A- / B+
Low Mid-Range	B / B-
Workforce	C+ / C / C- / D

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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