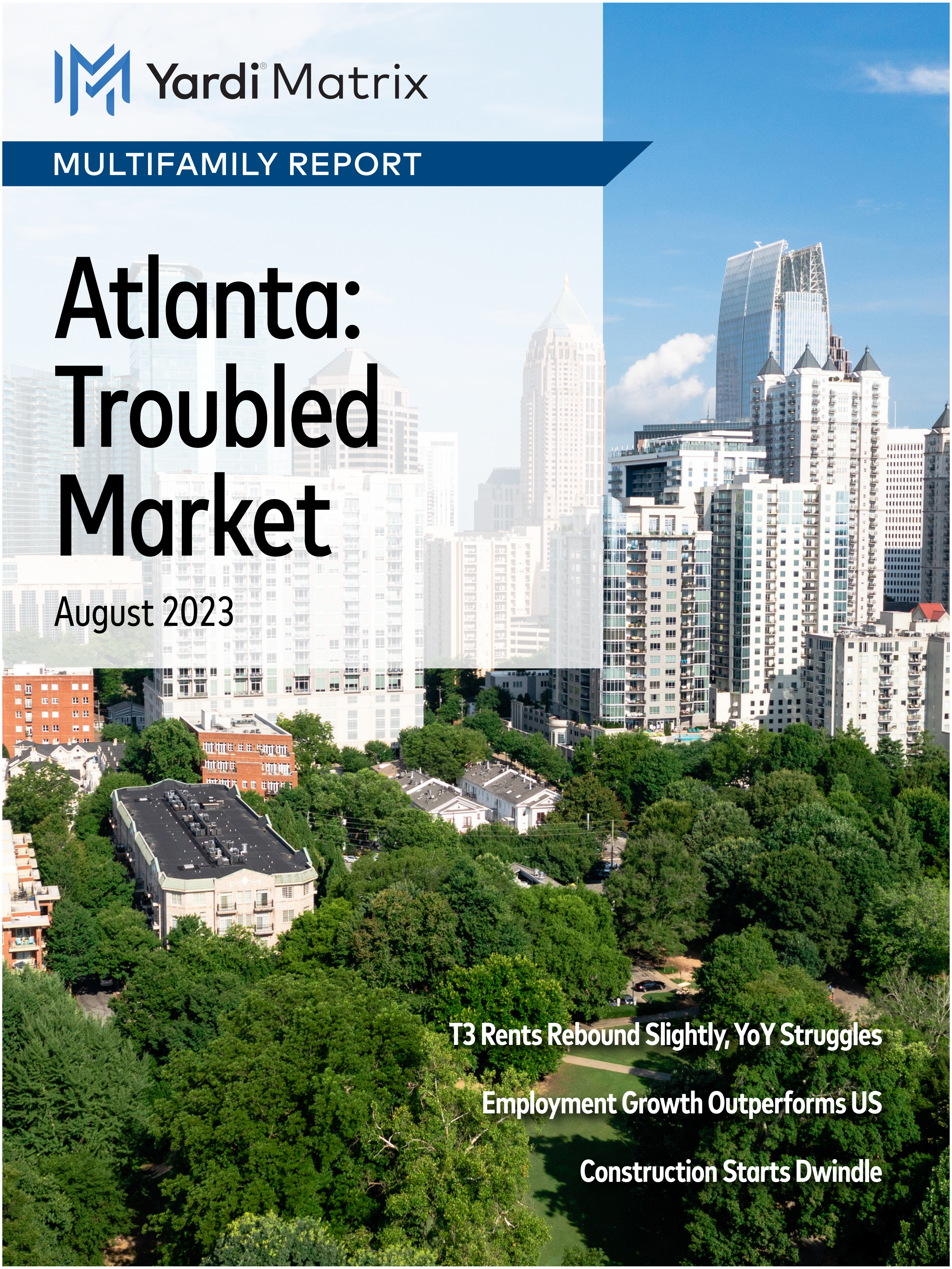
Yardi Matrix

MULTIFAMILY REPORT

Atlanta: Troubled Market

August 2023



T3 Rents Rebound Slightly, YoY Struggles

Employment Growth Outperforms US

Construction Starts Dwindle

ATLANTA MULTIFAMILY

Yardi Matrix

Cooling Demand Dents Occupancy

Atlanta's fundamentals remained soft in mid-2023. Rent growth rebounded slowly, up just 0.1% on a trailing three-month basis through June, to an overall average of $1,694. Annual movement remained negative, down 1.1%, while the U.S. average rose 1.8%. Cooling demand was reflected in the occupancy rate in stabilized properties, which decreased by 120 basis points year-over-year, to 93.3%.

Atlanta's unemployment rate rose to 3.3% in May, just 10 basis points below the 3.2% state figure and leading the 3.7% national rate, according to data from the Bureau of Labor Statistics. The job market added 76,800 jobs in the 12 months ending in April, for a 3.3% expansion, outperforming the U.S. by 40 basis points. All sectors gained jobs, except for professional and business services, which entered a slowdown in late 2022, when tech companies announced layoffs. Microsoft halted its Grove Park project but kept plans to add two new regional data centers. Job gains were led by education and health services (25,900 positions) and leisure and hospitality (24,300).

Developers brought 4,865 units online during the first half of 2023 and had 40,465 units underway. Although the pipeline was robust, the number of construction starts dwindled. Investors traded roughly $1.1 billion in multifamily assets for a price per unit that declined 15.3% from 2022, to $170,859.

Market Analysis | August 2023

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Recent Atlanta Transactions

The Reserve at Sugarloaf

City: Duluth, Ga.
Buyer: Olen Properties
Purchase Price: $91 MM
Price per Unit: $273,273

The Paxton

City: Lilburn, Ga.
Buyer: InterCapital Group
Purchase Price: $66 MM
Price per Unit: $222,973

Quill

City: Atlanta
Buyer: CWS Capital Partners
Purchase Price: $55 MM
Price per Unit: $264,423

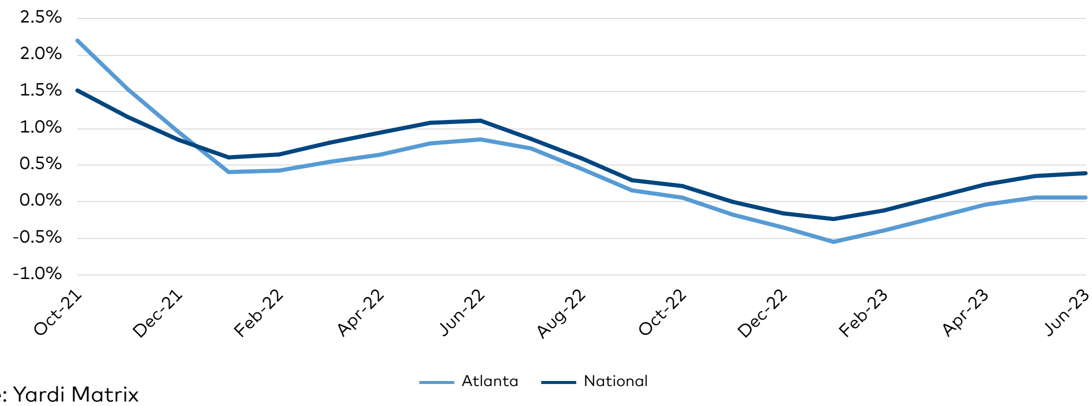
Amber Grove at Olley Creek

City: Marietta, Ga.
Buyer: FCP
Purchase Price: $51 MM
Price per Unit: $141,667

RENT TRENDS

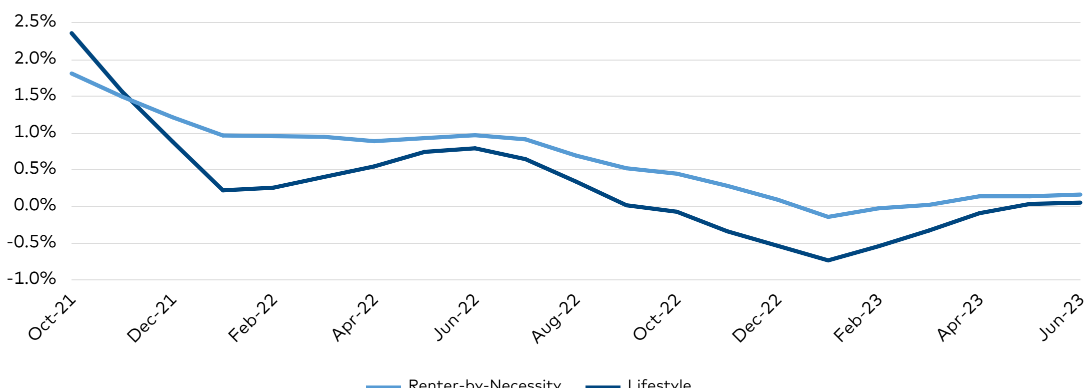
- Atlanta's average asking rent rose 0.1% on a trailing three-month (T3) basis through June, to $1,694, trailing the national rate, which increased 0.4%, to $1,726. The metro's rent performance trailed the U.S. for the 18th consecutive month. On a year-over-year basis, Atlanta was one of the nine metros where rents declined, contracting 1.1%. Meanwhile, the national rate moderated further, at 1.8%.
- Working-class Renter-by-Necessity rents led gains, up 0.2% on a T3 basis through June, to $1,433, while Lifestyle figures inched up 0.1%, to $1,834. Rent development in the RBN segment outperformed Lifestyle figures for the 19th straight month. Moderating demand is indicated by the occupancy rate in stabilized properties, down 120 basis points year-over-year, to 93.3%. A steeper drop was registered in the RBN segment, where occupancy declined 150 basis points to 93.3%, while Lifestyle occupancy decreased 100 basis points, to 93.4%.
- Year-over-year, rates declined in 29 of the 64 submarkets tracked by Yardi Matrix, including in the top three most expensive ones—Midtown and Buckhead Village (both at -3.6%, to $2,367 and $2,291) and Midtown South (-4.0% to 2,285). Seven submarkets had average rents above the $2,000 mark, down from nine a year ago.
- Atlanta's SFR segment outperformed the multifamily sector, with the average rent up 4.9% year-over-year through June. Occupancy was up 2.3% in the 12 months ending in May, ranking fourth among Yardi Matrix's top 30 metros.

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 jobless rate stood at 3.3% in May, a 50-basis-point month-over-month increase and 10 basis points above the January rate, according to preliminary data from the BLS. By this metric, Atlanta was slightly behind the 3.2% state rate and 40 basis points ahead of the 3.7% U.S. figure.

- The employment market expanded by 3.3%, or 76,800 jobs, in the 12 months ending in April, and while growth has been slowly moderating, it remained slightly above the 2.9% national average. The only sector that lost jobs during this period was professional and business services—a consequence of the slowdown in the metro's tech sector that began in late 2022. Additionally, Microsoft has paused development of its 90-acre Grove Park project, although the company is moving forward with plans for two new regional data centers.

- Education and health services led job gains, up 25,900 positions, followed by leisure and hospitality (24,300 jobs). The former will continue to expand through developments currently underway, including the Arthur M. Blank Hospital, a 1.5 million-square-foot facility slated to open in fall 2023, which is anticipated to create 1,000 new positions. Another project is the Atlanta Northside Hospital expansion in Gwinnett, which will rise 17 stories high with 696 beds and is slated for completion in 2025. The project could create more than 3,000 jobs.

Atlanta Employment Share by Sector

		Current Employment	
Code	Employment Sector	(000)	% Share
65	Education and Health Services	411	13.5%
70	Leisure and Hospitality	309	10.2%
90	Government	344	11.3%
55	Financial Activities	203	6.7%
80	Other Services	107	3.5%
15	Mining, Logging and Construction	142	4.7%
50	Information	115	3.8%
40	Trade, Transportation and Utilities	652	21.4%
30	Manufacturing	177	5.8%
60	Professional and Business Services	586	19.3%

Sources: Yardi Matrix, Bureau of Labor Statistics

Population

- Atlanta's demographics expanded by 0.7% in 2021, adding 42,904 residents. The rate softened from the previous year by 50 basis points but was still well above the 0.1% U.S. average.

Atlanta vs. National Population

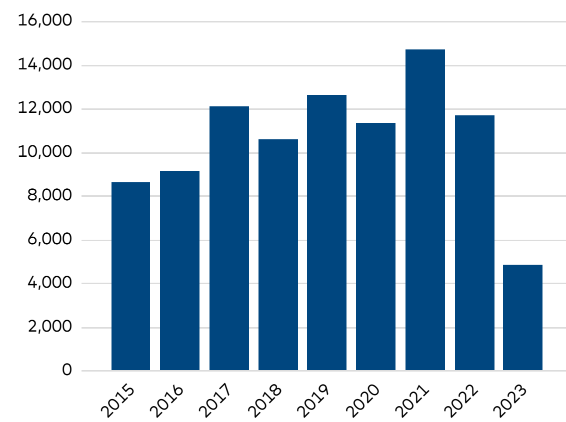
	2018	2019	2020	2021
National	326,838,199	328,329,953	331,501,080	331,893,745
Atlanta	5,951,394	6,027,231	6,101,146	6,144,050

Source: U.S. Census

SUPPLY

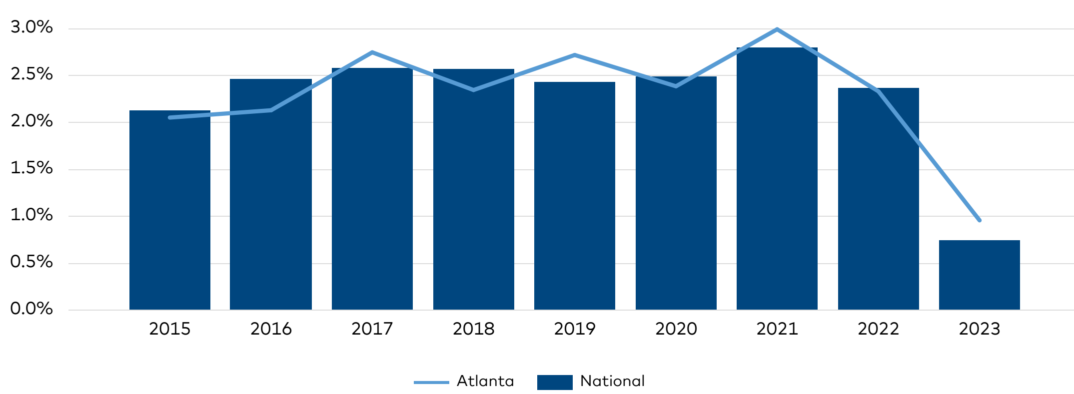
- Developers delivered 4,865 units during the first half of 2023, a 1.0% expansion of the existing stock and ahead of the 0.8% national rate. Nearly two-thirds of new supply was located in suburban areas. The bulk of completions consisted of units in upscale Lifestyle projects, with the RBN segment accounting for just 14%. Moreover, 11% were units in fully affordable communities, all located in suburban parts of Atlanta.
- The construction pipeline was robust, comprising 40,465 units underway and another 134,000 in the planning and permitting stages. The distribution of units underway was fairly balanced between urban and suburban areas, but by asset class, the Lifestyle segment continued to lead, with nearly 83% of the pipeline consisting of units targeting upscale renters. Although delays are expected due to labor shortages and high construction material costs, an estimated 15,611 units will come online by year-end, which would put Atlanta in fourth place for completions nationally, trailing Dallas, Miami and Austin, Texas.
- Construction starts in 2023 through June amounted to 8,589 units in 32 properties, fewer than the 11,017 units in 52 properties that started construction during the same period last year. Core areas are regaining popularity, as nearly two-thirds of the projects that broke ground through June were in urban submarkets. Last year's construction starts were equally split between urban and suburban areas.
- The largest project delivered in the first half of 2023 was 903 Peachtree, a 427-unit Lifestyle asset in Midtown South. CA Ventures built it with aid from a $101 million construction loan issued by Quadreal Finance.

Atlanta Completions (as of June 2023)



Source: Yardi Matrix

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

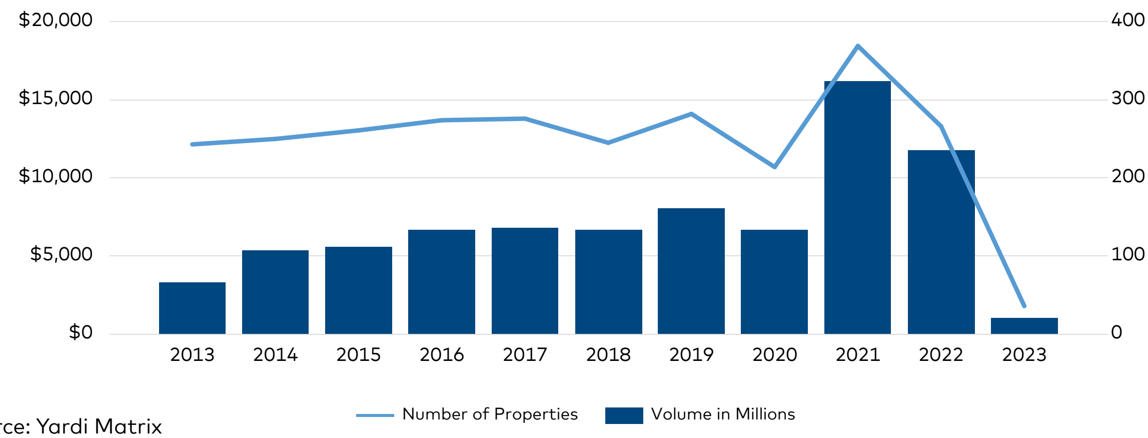


Source: Yardi Matrix

TRANSACTIONS

- Atlanta's multifamily transaction volume amounted to nearly $1.1 billion in 2023 through June, representing just 14% of the volume registered during the same period last year. Investors were keener on suburban assets, where $728 million of multifamily deals occurred, while in urban submarkets, the volume was less than half, at $323 million.
- Two-thirds of the sales composition through June consisted of value-add assets. Investor focus on RBN projects, paired with acquisition yields rising alongside mortgage rates, contributed to lower property values. The average price per unit in Atlanta declined by 15.3% year-over-year through June, to $170,859, trailing the $182,694 national figure.
- The largest sale recorded during the second quarter of 2023 was Olen Properties' $91 million acquisition of the 333-unit The Reserve at Sugarloaf in Duluth. New York Life Real Estate Investors received $273,273 per unit.

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



Source: Yardi Matrix

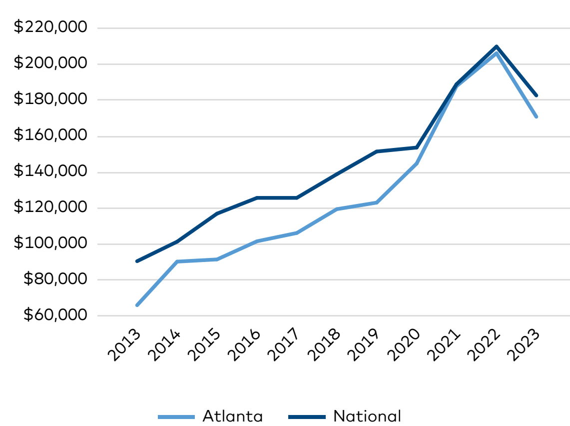
Top Submarkets for Transaction Volume[1]

Submarket	Volume ($MM)
Duluth	510
North Decatur/Clarkston/ Scottdale	461
Norcross	257
South Buckhead	227
Atlantic Station	224
Smyrna	200
Marietta SE	197

Source: Yardi Matrix

[1] From July 2022 to June 2023

Atlanta vs. National Sales Price per Unit



Source: Yardi Matrix

MULTI-HOUSING NEWS
data by
Yardi Matrix

Top 10 Markets for Multifamily Construction

By Anca Gagiuc

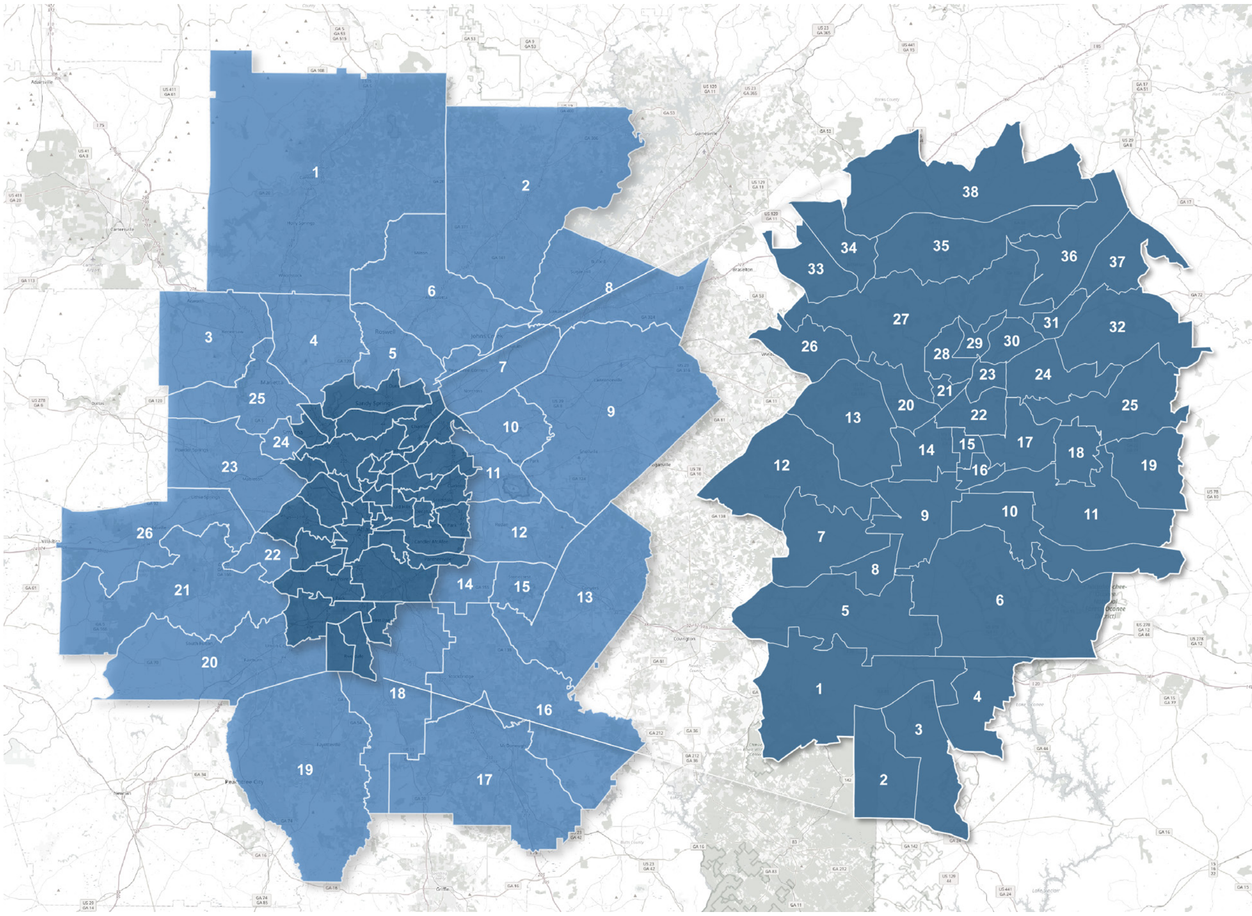
U.S. multifamily construction was robust at the start of the new leasing season, with the pipeline amounting to nearly 1.1 million units underway across 4,910 properties, according to Yardi Matrix data. However, deliveries were slow, with just 73,506 units coming online this year through April. That's less than 7% of the national pipeline and accounts for 20% of last year's 369,827-unit total.

Metro	Units Under Construction	Units Completed Year-to-Date	Construction Starts/Units January - March 2023
Austin	61,873	2,547	6,013
Dallas	60,532	2,016	5,864
Miami	44,533	2,732	3,612
Atlanta	41,204	2,679	4,120
Phoenix	39,875	3,811	1,985
New York City	38,859	137	3,304
Denver	35,893	1,696	1,580
Houston	34,709	1,686	1,660
Los Angeles	32,306	1,926	814
Charlotte	32,188	1,538	1,459

Atlanta

Atlanta ranked fourth, with 41,204 units under construction across 173 properties, as of May. There were another 147,000 units in the planning and permitting stages. Meanwhile, deliveries totaled 2,679 units, the equivalent of 3.7% of total stock, placing Atlanta in fourth place again. During the first quarter of 2023, developers started construction on 4,120 units, 17% below the volume that broke ground during last year's first quarter (4962 units).

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

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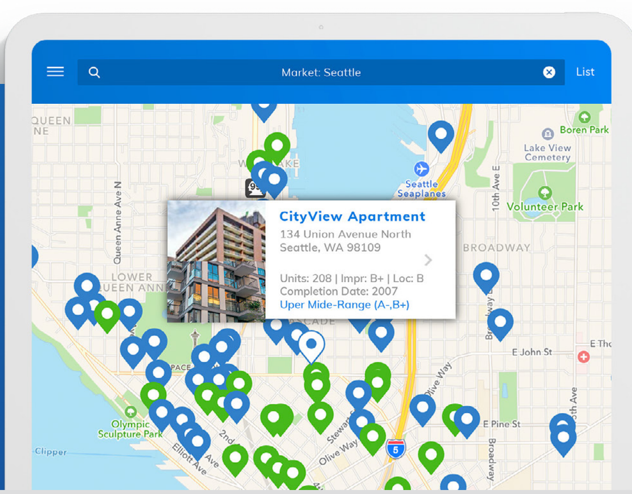
MULTIFAMILY KEY FEATURES

- 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.**

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