



MULTIFAMILY REPORT

Strong Supply Pressures Atlanta

January 2024

Rents Slide YoY

Transaction Volume Shrinks

Completions Poised for New Record

ATLANTA MULTIFAMILY



Robust Deliveries Cloud Prospects

Atlanta's relatively affordable cost of living and diversified economy boosted in-migration over the past decade, contributing to strong rental demand. Yet the nationwide slowdown, economic woes and robust deliveries have cooled transactions and dented gains. Rent development was down 0.5% on a trailing three-month basis as of November, to \$1,657. Occupancy in stabilized assets also slid, down 130 basis points in 12 months, to 92.8%, as of October 2023.

In the 12 months ending in September, Atlanta's job market expanded 2.3%, or 66,800 net jobs, trailing the U.S. rate by 10 basis points. Meanwhile, unemployment stood at 3.4% in October, on par with the state and 50 basis points ahead of the national average. Although still healthy, job growth and unemployment figures began to show signs of vulnerability. While education and health services (22,900 jobs) and leisure and hospitality (18,700 jobs) led gains, three other sectors lost 11,500 positions combined.

Developers brought 14,544 units online in 2023 through November, setting the stage for a new decade-high. In addition, the area had 37,867 units underway, placing Atlanta's pipeline among the country's top 10 busiest. Meanwhile, investors traded just \$2.7 billion in multifamily assets in 2023 through November, the lowest volume in at least a decade. By comparison, the metro recorded \$28.2 billion in deals during the previous two years combined.

Market Analysis | January 2024

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Recent Atlanta Transactions

Ellington Midtown



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

Elme Druid Hills



City: Atlanta
Buyer: Elme Communities
Purchase Price: \$108 MM
Price per Unit: \$216,000

Bexley Sugarloaf



City: Duluth, Ga.
Buyer: Weinstein Properties
Purchase Price: \$107 MM
Price per Unit: \$275,321

Bexley Exchange



City: Buford, Ga.
Buyer: Weinstein Properties
Purchase Price: \$103 MM
Price per Unit: \$267,777

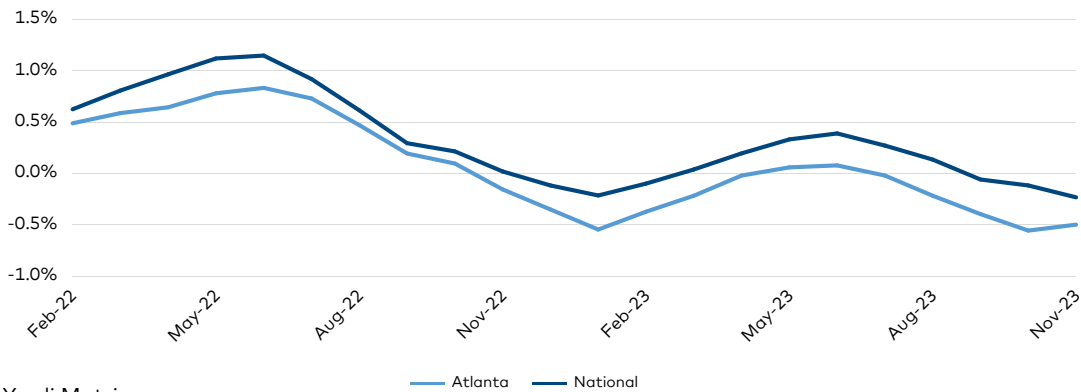
RENT TRENDS

- ▶ Atlanta's average asking rent declined 0.5% on a trailing three-month (T3) basis through November, to \$1,657, marking the third consecutive month of contractions. The national rate outperformed the metro, down just 0.2%, to \$1,713, as of November. Year-over-year, Atlanta rents decreased 3.0%, while the U.S. average rose 0.4%. The metro's lag was strongly influenced by robust supply expansion, which is on track to mark a new decade-high.
- ▶ Lifestyle rents posted a steeper, 0.6% decline on a T3 basis through November, to \$1,780. Rates in the segment have been dropping since November 2022, with a few months of exceptions. Meanwhile, working-class Renter-by-Necessity rates contracted 0.2%, to \$1,420, marking the third straight month of negative values. Occupancy in

stabilized assets fell 130 basis points in the 12 months ending in October, to 92.8%. Atlanta had the largest decline among major U.S. metros, with a sharper slide in the RBN segment—down 180 basis points, to 92.6%. Lifestyle occupancy decreased by 110 basis points, to 92.9%.

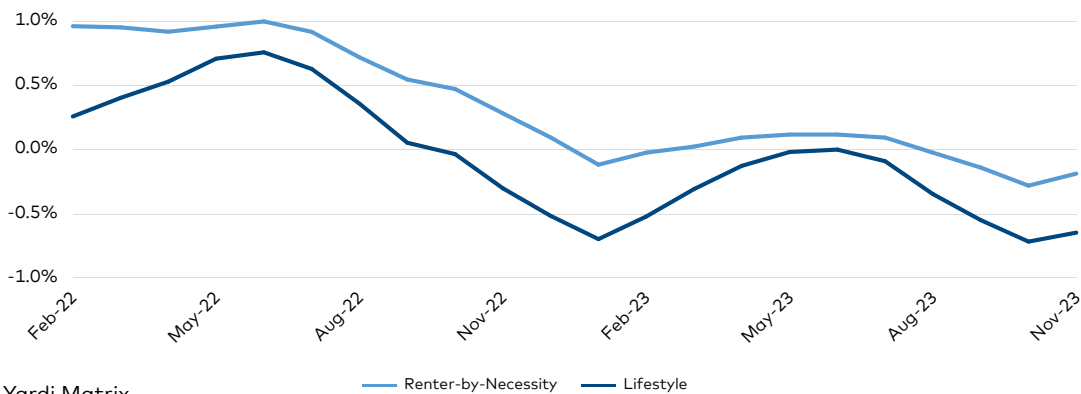
- ▶ Year-over-year, rents contracted in 52 of the 82 submarkets tracked by Yardi Matrix, including 18 of the 20 most expensive areas. As of November 2023, the most expensive submarkets were mostly core areas, including Midtown (-4.3% to \$2,228), Buckhead Village (-5.6% to \$2,226) and Midtown South (-6.9% to \$2,213).
- ▶ The average Atlanta SFR rent was up 0.4% year-over-year through November, to \$2,288. Occupancy declined 2.2%, to 93.6%, in October.

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 unemployment stood at 3.4% in October, unchanged from September and 20 basis points above the January 2023 rate, according to preliminary data from the Bureau of Labor Statistics. The metro outperformed the 3.9% U.S. average and was on par with the state. Although unemployment stood in a healthy 2.7% to 3.7% band in 2023, it trailed the performance recorded in 2022, when it remained in the 2.5% to 3.3% range.
- ▶ Atlanta gained 66,800 net jobs in the 12 months ending in September, for a 2.3% improvement, just 10 basis points shy of the U.S. figure. Education and health services (22,900 jobs) and leisure and hospitality (18,700) led gains. Meanwhile, three sectors shed 11,500 positions combined. Included in this group was the area's largest sector—trade, transportation and utilities (-4,200 jobs).
- ▶ Despite Atlanta's isolated declines, Georgia is betting on the automotive industry, which posted a 324% increase in job creation in fiscal year 2023 compared to FY 2021. In addition, Rivian's manufacturing facility at the Stanton Springs North site, announced in 2021, is expected to begin construction in early 2024. The plant will comprise 400,000 units and is expected to employ 7,500 employees. Closer to Savannah, Hyundai is working on the \$5.5 billion Metaplant America. The project is expected to begin commercial production in 2025 and employ more than 8,100 workers.

Atlanta Employment Share by Sector

Code	Employment Sector	Current Employment	
		(000)	% Share
65	Education and Health Services	416	13.5%
70	Leisure and Hospitality	313	10.2%
90	Government	352	11.5%
55	Financial Activities	209	6.8%
15	Mining, Logging and Construction	148	4.8%
80	Other Services	111	3.6%
50	Information	113	3.7%
30	Manufacturing	174	5.7%
40	Trade, Transportation and Utilities	650	21.2%
60	Professional and Business Services	589	19.2%

Sources: Yardi Matrix, Bureau of Labor Statistics

Population

- ▶ Atlanta's population expanded 15.9% between the 2010 Census and 2021, adding more than 840,000 residents. The metro's growth rate was more than double the U.S. gain, which clocked in at 7.3% during the period.

Atlanta vs. National Population

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

Source: U.S. Census

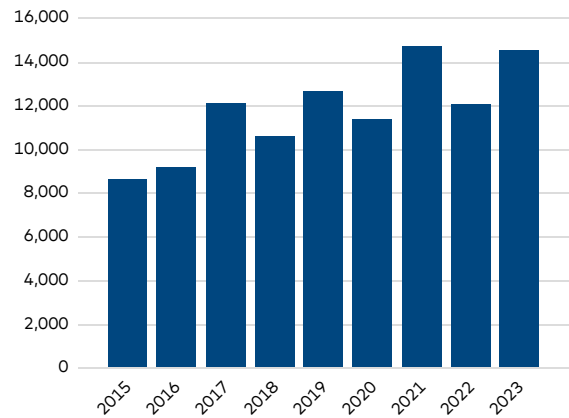
SUPPLY

- ▶ Developers delivered 14,544 units in 2023 through November, for a 2.8% expansion of existing stock, 70 basis points above the U.S. rate of growth. Suburban Atlanta continued to lead in deliveries, accounting for almost 60% of the units that came online during the period. At the same time, 88.8% of overall new units were in Lifestyle projects, with just 8.5% of apartments in fully affordable communities. Taking into consideration year-end projections, 2023 is set to become the strongest year for deliveries in more than a decade, surpassing 2021, when 14,718 units came online.
- ▶ The pipeline remained robust, with 37,867 units underway and another 131,500 in the planning and permitting stages. Construction shifted slightly toward urban submarkets, accounting for 52.5%, even though two suburban hot spots topped the list: Lawrenceville (2,324 units underway) and Buford (2,085 units). The pipeline composition didn't change much, as 85.6% of units underway are in Lifestyle projects.
- ▶ The financial uncertainty of 2023 left its mark on the metro's construction activity, softening the number of starts. In 2023 through November, 14,787 units across 53 properties broke ground in Atlanta, trailing the 19,345 units

across 81 properties that started construction during the corresponding interval of 2022.

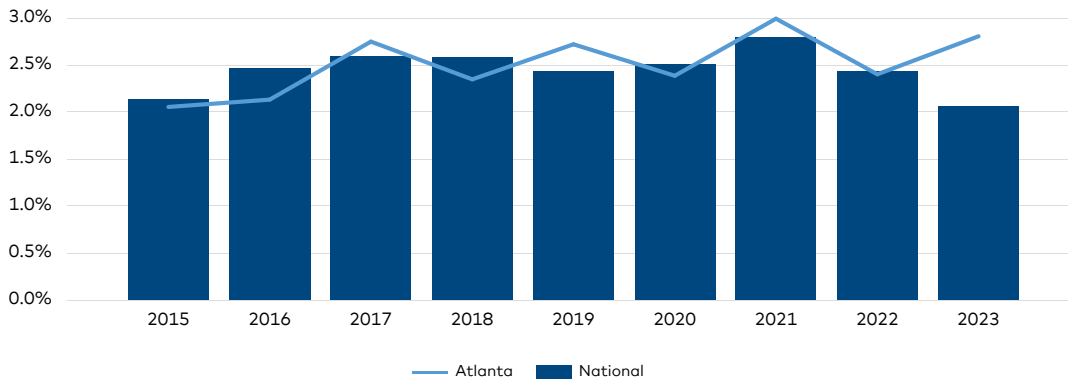
- ▶ The largest project to wrap up in metro Atlanta in 2023 through November was the 433-unit Tributary in Douglasville. Resia developed the community with aid from a \$46.5 million construction loan from PNC Bank in 2021. The development also includes 31,000 square feet of retail space.

Atlanta Completions (as of November 2023)



Source: Yardi Matrix

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



Source: Yardi Matrix

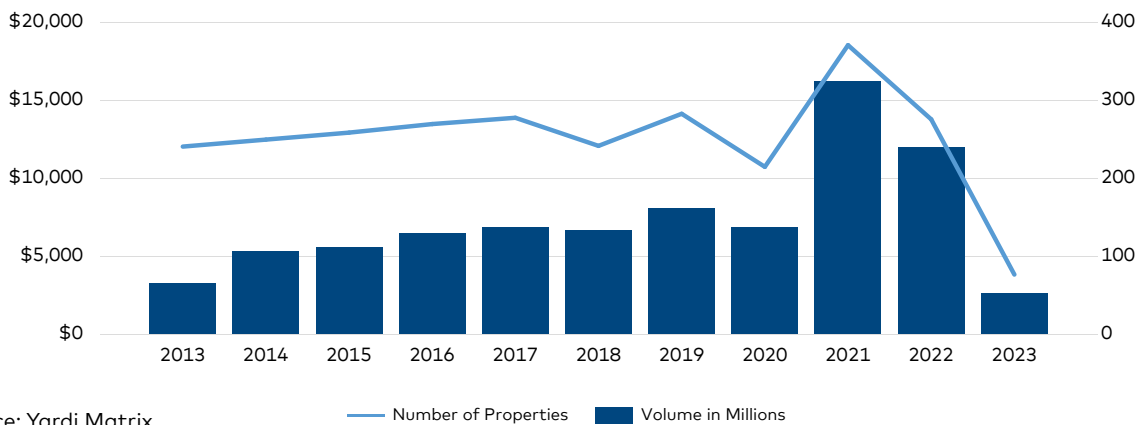
TRANSACTIONS

- ▶ Transaction activity was modest in Atlanta, with multifamily sales amounting to \$2.7 billion in 2023 through November, the lowest figure in at least 10 years. Suburban submarkets were in higher demand, with the sales volume totaling \$1.6 billion.
- ▶ Investor interest was slightly higher for workforce assets, with 54% of sales involving Renter-by-Necessity properties. The overall average Atlanta price per unit dropped 13.0%, to \$177,912,

pushed down by increasing investor appeal for value-add opportunities, overall uncertainty regarding pricing and the direction of interest rates. The U.S. average also dropped, from \$209,012 in 2022 to \$186,300 as of November.

- ▶ In 2023 through November, the 315-unit Bexley Summerhill sold for the highest price per unit (\$298,413). Weinstein Properties bought the asset for \$94 million from Trammell Crow Co. in a 1031 deal. The transaction involved a \$56.5 million Freddie Mac loan issued by Regions Bank.

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



Source: Yardi Matrix

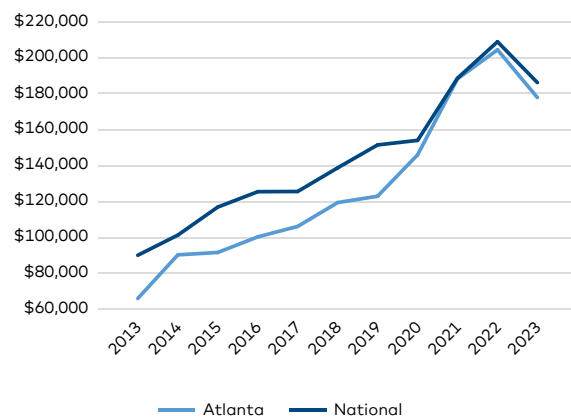
Top Submarkets for Transaction Volume¹

Submarket	Volume (\$MM)
Duluth	404
Sandy Springs/Dunwoody	313
Buford	169
McDonough	155
Midtown West/Centennial Place	133
Lithonia – Decatur	127
Lithia Springs	120

Source: Yardi Matrix

¹ From December 2022 to November 2023

Atlanta vs. National Sales Price per Unit



Source: Yardi Matrix

Top 10 Markets for Multifamily Deliveries in H1 2023

By Anda Rosu

Multifamily demand remained elevated in 2023 despite major economic headwinds, although the sector was underperforming compared to 2022 during the first six months of the year. According to Yardi Matrix data, 154,366 units came online nationwide between January and June 2023. The volume of multifamily deliveries accounts for a 60-basis-point increase from the 153,314 units that were delivered last year during the same period.

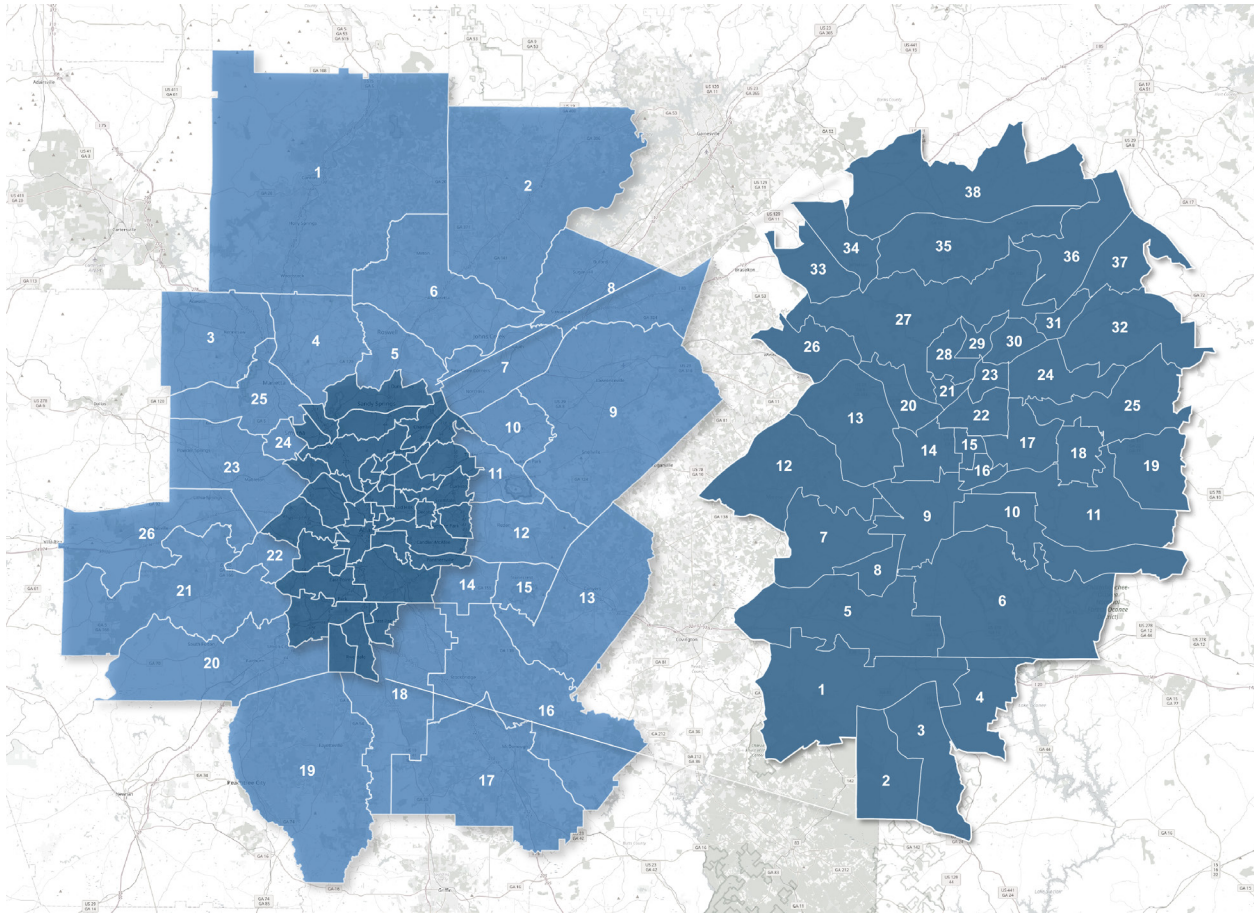
Rank	Metro	Projects Delivered 2023 H1	Number of Units Delivered 2023 H1	Construction Starts 2023 H1 Units
1	Phoenix	36	8,062	10,886
2	Washington, D.C.	25	6,333	5,288
3	Atlanta	29	6,178	10,380
4	Austin	23	5,473	11,220
5	Dallas	20	5,133	15,747
6	Miami	22	5,109	9,969
7	Charlotte	21	4,595	6,441
8	Orlando	19	4,445	5,437
9	Denver	23	4,270	6,046
10	Houston	17	3,910	6,562

Atlanta

Atlanta's multifamily inventory gained 6,178 units in the first six months of 2023, 68% of which are located in suburban Atlanta, while the remaining 32 percent are in urban areas. These units were spread across 29 properties and represented 2.3% of the total stock. Through June 2023, there were 43,804 units under construction in Atlanta. During the first half of 2023, 10,380 units in 38 properties broke ground in Atlanta, while in the first six months of 2022, developers started working on 11,027 units in 51 properties.



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.



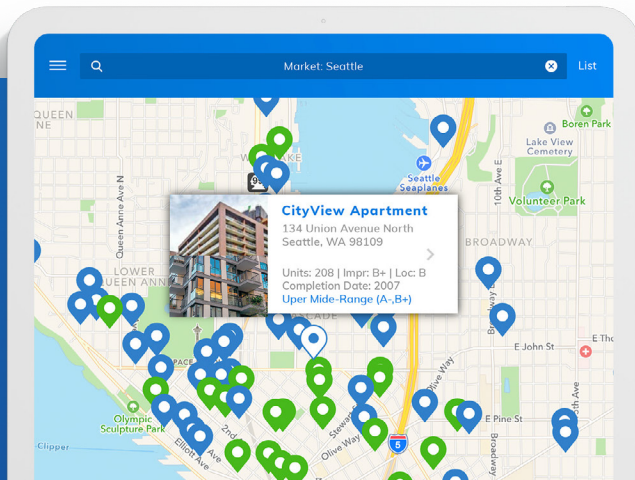
Yardi[®] Matrix

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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
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19.7+ million units, covering over
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