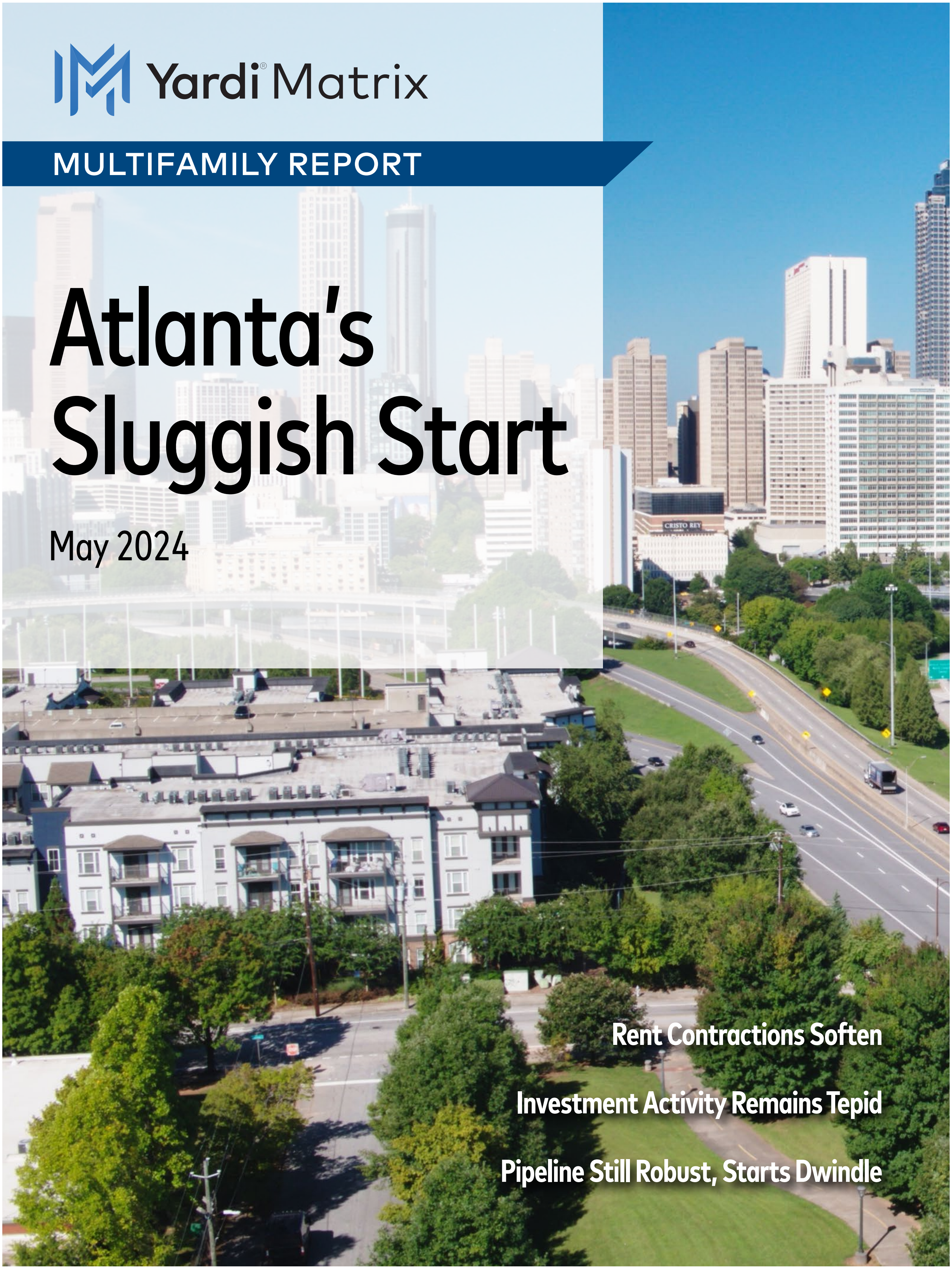
Yardi Matrix

MULTIFAMILY REPORT

Atlanta’s Sluggish Start

May 2024



Rent Contractions Soften

Investment Activity Remains Tepid

Pipeline Still Robust, Starts Dwindle

ATLANTA MULTIFAMILY

Yardi Matrix

Strong Supply Impacts Rents, Occupancy

Atlanta's multifamily market fundamentals were slightly sluggish at the end of the first quarter, as rents and occupancy rates decreased. However, the metro is still displaying resilience following last year's substantial delivery volume. Demand remained healthy, with rents down just 0.1% on a trailing three-month basis through March. The overall rent was $1,648, below the $1,721 U.S. rate. Occupancy dropped 120 basis points as of February, to 92.3%.

The unemployment rate stood at 3.0% in February, outpacing both the U.S. (3.9%) and state (3.1%) figures, data from the Bureau of Labor Statistics shows. In 2023, Atlanta's job market expansion slowed, up 2.2%, or 72,000 jobs, just 20 basis points above the U.S. average. While two sectors—information and manufacturing—lost 5,800 total jobs, gains were led by education and health services (27,100 jobs) and leisure and hospitality (18,500). Notable expansion projects in Atlanta include the master-planned Science Square district and Centennial Yards.

During the first quarter of the year, 1,899 units came online and, as of March, developers had 39,214 units underway. Following strong deliveries in 2023, construction activity is dwindling, with only 1,296 units breaking ground through March. Sales volume through March totaled just $368 million as investors are still being cautious. The market recorded a per-unit price of $145,800, well behind the $196,096 U.S. figure.

Market Analysis | May 2024

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

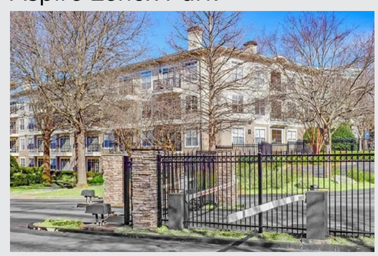
On the cover: Photo by ianmcdonnell/iStockphoto.com

Recent Atlanta Transactions

The Lookout at O4W

City: Atlanta
Buyer: Hilltop Residential
Purchase Price: $115 MM
Price per Unit: $194,257

Aspire Lenox Park



City: Atlanta
Buyer: RPM
Purchase Price: $85 MM
Price per Unit: $208,845

Fairview Springs

City: Covington, Ga.
Buyer: LMS Investment Management
Purchase Price: $63 MM
Price per Unit: $197,013

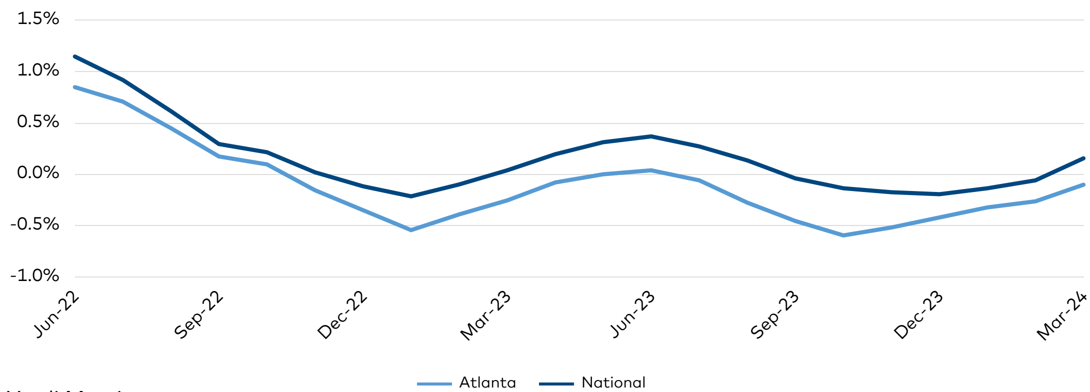
Madison Brookhaven

City: Atlanta
Buyer: Equus Capital Partners
Purchase Price: $41 MM
Price per Unit: $141,840

RENT TRENDS

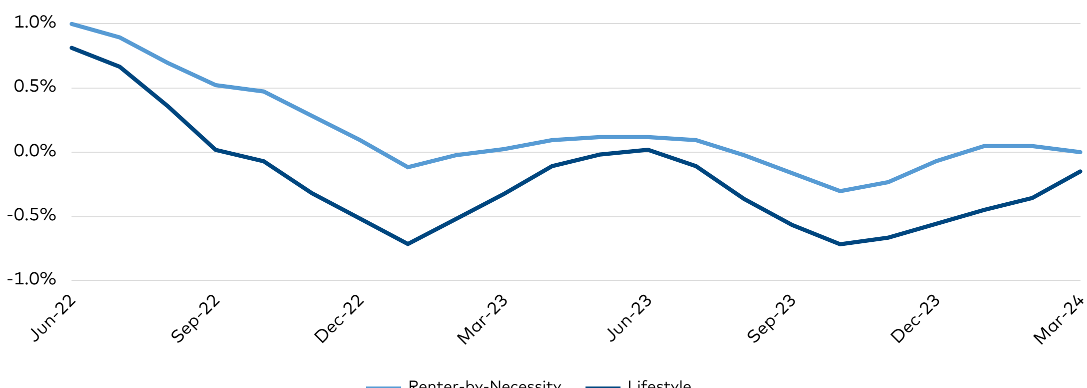
- Atlanta rents contracted for the ninth consecutive month, but the decline is softening. The average asking rent slid 0.1% on a trailing three-month (T3) basis through March, to $1,648, while the national rate advanced 0.2%, to $1,721. Meanwhile, on a year-over-year basis, rents in the metro decreased 2.8%, impacted by last year's strong deliveries, while the U.S. figure rose 0.9%, the highest growth rate in 20 months.
- Rates in the Renter-by-Necessity segment remained flat for the past three months on a T3 basis, at $1,421 in March. Lifestyle rents struggled more, down 0.2%, to $1,766. Substantial incoming inventory has dented occupancy, with the rate in stabilized assets down 120 basis points year-over-year, to 92.3% in February. By asset class, RBN occupancy dropped 150 basis points to 92.1%, while Lifestyle occupancy decreased 110 basis points, to 92.4%.
- Year-over-year as of March, rents contracted in 49 of the 82 submarkets tracked by Yardi Matrix, including in the most expensive areas—Buckhead Village (-5.9% to $2,179), Haynes Manor/Peachtree Hills (-4.2% to $2,157) and Midtown South (-6.6% to $2,157). Midtown West/Centennial Place (-6.5% to $1,958), Buckhead (-3.7% to $1,929) and Cumming (-4.2% to $1,925) saw their average rents fall below the $2,000 mark.
- The average single-family rent climbed 2.6% year-over-year in March, to $2,368, while occupancy dropped 3.3%, to 93.1% in February.

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 unemployment rate was 3.0% in February, up 20 basis points year-over-year and outperforming the U.S. (3.9%) and state (3.1%) rates, according to preliminary data from the BLS. Since July 2021, the metro's jobless rate has oscillated between 2.5% and 3.9%.
- In 2023, Atlanta's economic expansion slowed to 2.2%, adding 72,000 jobs and still outpacing the national average by 20 basis points. Education and health services (27,100 jobs) and leisure and hospitality (18,500 jobs) led job gains. Two sectors lost jobs—information (-2,100 jobs) and manufacturing (-3,700).
- The education and health services sector is benefiting from several projects, including the master-planned Science Square district. The five-phase development will bring 1.8 million square feet of commercial lab space, roughly 500 apartments and 25,000 square feet of retail space. The first phase, which broke ground in 2022, includes a 13-story Class A lab and office tower, where Chicago-based Portal Innovations has been announced as the first tenant.
- Another significant construction project is Centennial Yards, which had its original plans modified due to the remote-work trend. As a result, the office portion of the project is now smaller. Two towers are underway—a multifamily building and a 290-key hotel—with 30,000 square feet of retail space at the base, slated for completion by 2025.

Atlanta Employment Share by Sector

		Current Employment	
Code	Employment Sector	(000)	% Share
65	Education and Health Services	426	13.7%
70	Leisure and Hospitality	318	10.2%
90	Government	355	11.4%
55	Financial Activities	214	6.9%
15	Mining, Logging and Construction	148	4.7%
80	Other Services	109	3.5%
60	Professional and Business Services	592	19.0%
40	Trade, Transportation and Utilities	671	21.5%
50	Information	113	3.6%
30	Manufacturing	175	5.6%

Sources: Yardi Matrix, Bureau of Labor Statistics

Population

- Atlanta gained 68,018 residents in 2022, for a 1.1% expansion, nearly triple the 0.4% national rate of growth. Despite the high figure, growth actually moderated year-over-year, down 20 basis points from 2021.
- Between 2019 and 2022, Atlanta's population rose 4.0%.

Atlanta vs. National Population

	2019	2020	2021	2022
National	324,697,795	326,569,308	329,725,481	331,097,593
Atlanta	5,862,424	5,947,008	6,026,734	6,094,752

Source: U.S. Census

SUPPLY

- During the first quarter of 2024, developers added 1,899 units to Atlanta's rental stock, the equivalent of 0.4% of inventory, on par with the U.S. average. This came on the heels of the strongest year for deliveries in a decade, as 18,839 units were added in 2023.

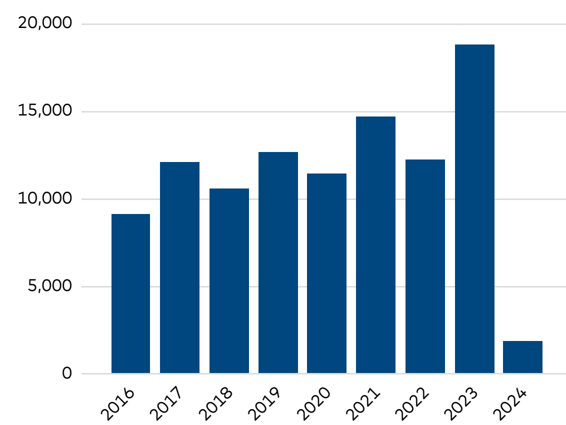
- Incoming stock was fairly equally distributed between suburban and urban submarkets, but heavily favored Lifestyle projects (80.3% of deliveries). RBN projects accounted for only 5.5% of the new stock, while 14.3% were fully affordable communities.

- Developers had 39,214 units under construction, of which 18,997 units were in suburban submarkets and 20,217 units in urban submarkets. Another 125,000 units were in the planning and permitting phases. The pipeline composition remained focused on upscale projects, which accounted for 86.6% of all units underway. Units in the RBN segment accounted for just 2.1% of the pipeline, and fully affordable communities comprised 11.3%.

- By number of construction starts, development activity in the metro is slowing. During the first quarter of the year, 1,296 units broke ground in Atlanta, well below the 7,642 units that started construction in the same interval last year. Despite challenges in the financing landscape, last year, developers started construction on 21,500 units.

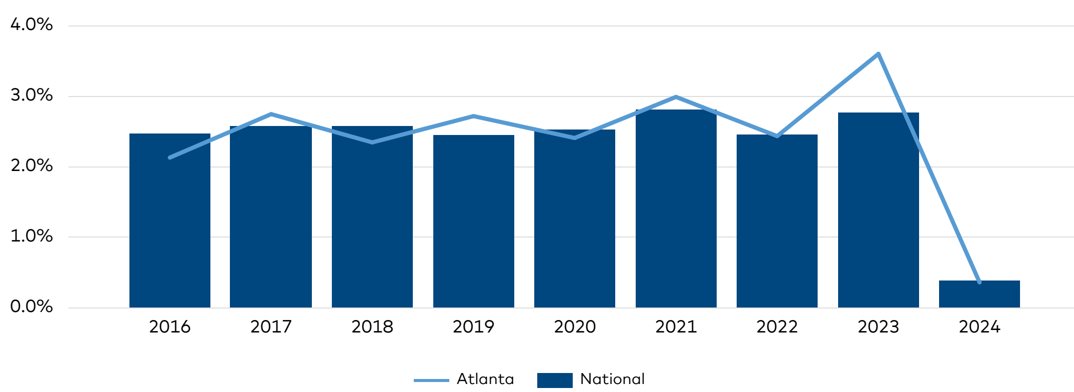
- Lawrenceville led construction activity with 2,610 units underway, while another three submarkets had at least 2,000 units in the pipeline. An additional nine submarkets had 1,000-1,600 units under construction.

Atlanta Completions (as of March 2024)



Source: Yardi Matrix

Atlanta vs. National Completions as a Percentage of Total Stock (as of March 2024)

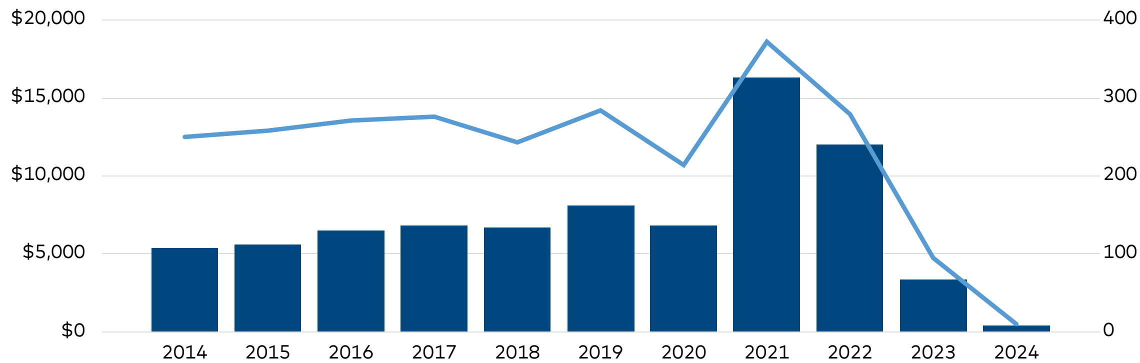


Source: Yardi Matrix

TRANSACTIONS

- During the first quarter of 2024, investment activity in Atlanta remained limited, with just $368 million in multifamily assets trading through March. Of this figure, $305 million came from sales in urban submarkets. The total sales volume registered in 2023 in Atlanta was $3.4 billion, the lowest total recorded during the past decade.
- The price per unit in the metro continued to decrease, sliding to $145,800. The value represents a 21.7% decline from 2023's average and a 28.7% drop from its peak in 2022. Meanwhile, the national price per unit clocked in at $196,096.
- Notable sales recorded during the first quarter of the year included Hilltop Residential's acquisition of The Lookout at O4W from Camden Property Trust. The 592-unit asset was completed in 2010 in the Martin Luther King Historic District and sold for $115 million, or $194,257 per unit, with aid from a $75.9 million GSE loan originated by Walker & Dunlop.

Atlanta Sales Volume and Number of Properties Sold (as of March 2024)



Source: Yardi Matrix

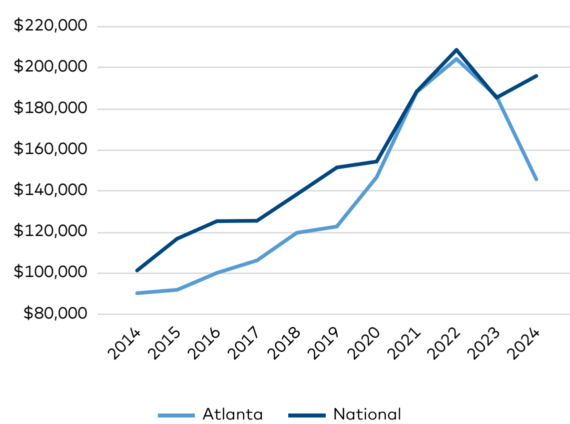
Top Submarkets for Transaction Volume[1]

Submarket	Volume ($MM)
Duluth	324
Sandy Springs/Dunwoody	209
Midtown West/Centennial Place	151
Grant Park/East Atlanta/ Panthersville	133
Lithonia–Decatur	127
Lithia Springs	120
Martin Luther King Historic District	115

Source: Yardi Matrix

[1] From April 2023 to March 2024

Atlanta vs. National Sales Price per Unit



Source: Yardi Matrix

MULTI-HOUSING NEWS
data by Yardi Matrix

Top Markets for Multifamily Investment in 2023

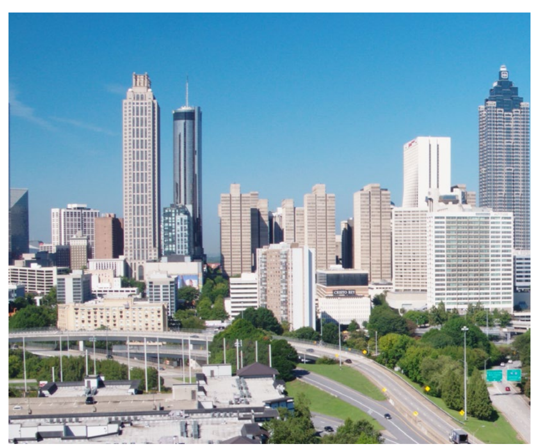
By Tudor Scolca

Multifamily investment sharply dropped in 2023, after two years of outstanding performance. The high cost of capital led to a pause in activity across the U.S., denting sales volumes. In this context, we're taking a look at last year's top markets for multifamily investment, leveraging Yardi Matrix data. At the national level, investors acquired a total of $69.4 billion in multifamily assets last year, which was a drop to less than half the $206.9 billion recorded in 2022.

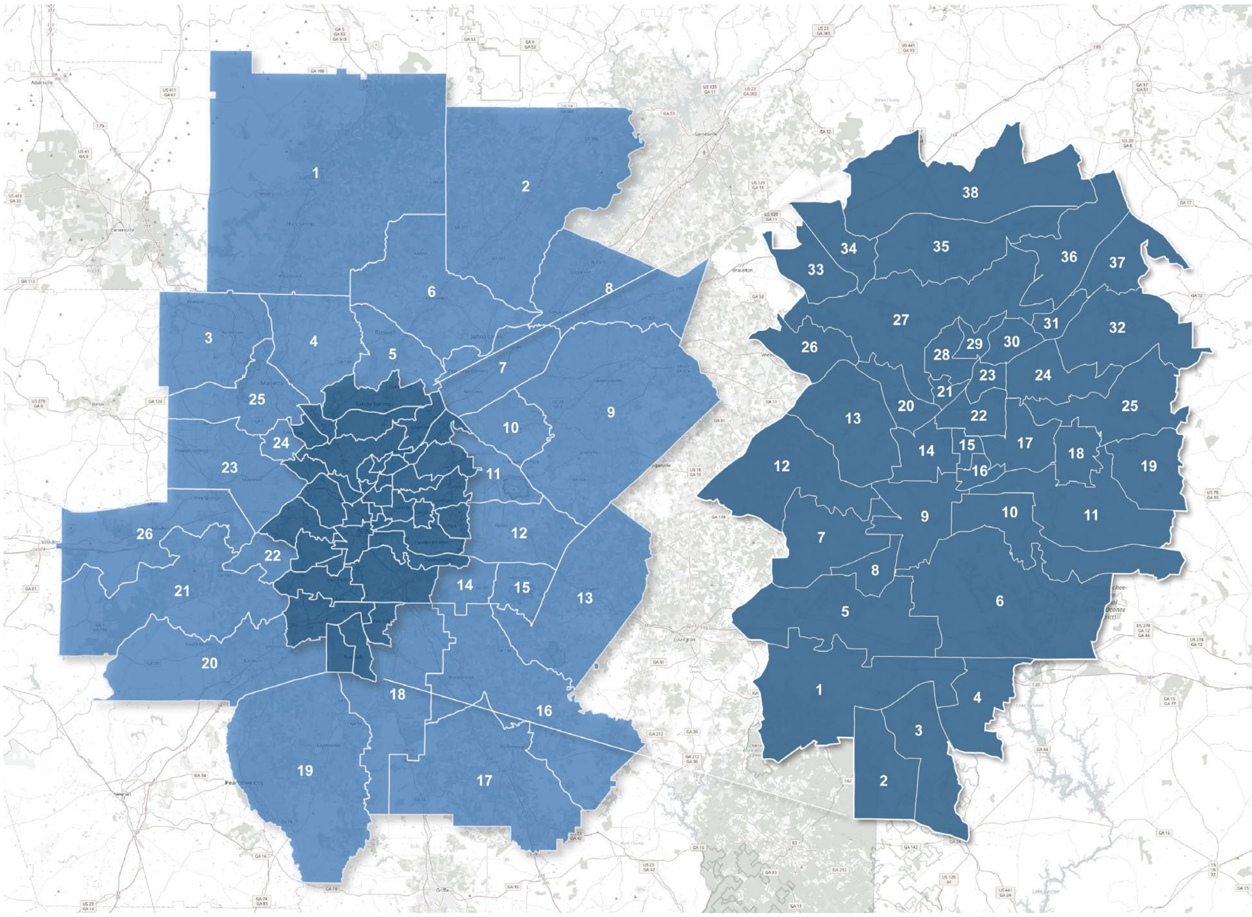
Rank	Metros	Projects Delivered 2023	Units Delivered 2023	% of Stock 2023
1	Dallas	95	24,303	5.2
2	Atlanta	94	21,007	4.5
3	Phoenix	79	17,189	3.7
4	Miami Metro	70	17,098	3.7
5	Houston	68	16,868	3.6
6	Austin	67	16,523	3.5
7	Washington D.C.	54	14,538	3.1
8	Orlando	53	13,351	2.9
9	Los Angeles	84	12,304	2.6
10	New Jersey	67	11,857	2.5

Atlanta

Atlanta's sales volume was $3.7 billion in 2023, down to less than a third of the $12.3 billion recorded in 2022 and to less than a quarter of 2021's $16.4 billion. Investors continued to show confidence in Atlanta's fundamentals, with the metro recording a decade-high number of completions and steady job growth and coming in as the No. 2 spot on our list. A total of 100 transactions closed in Atlanta last year, encompassing 19,629 units. The average price per unit contracted only 3 percent to $196,139, above the U.S. rate.



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:

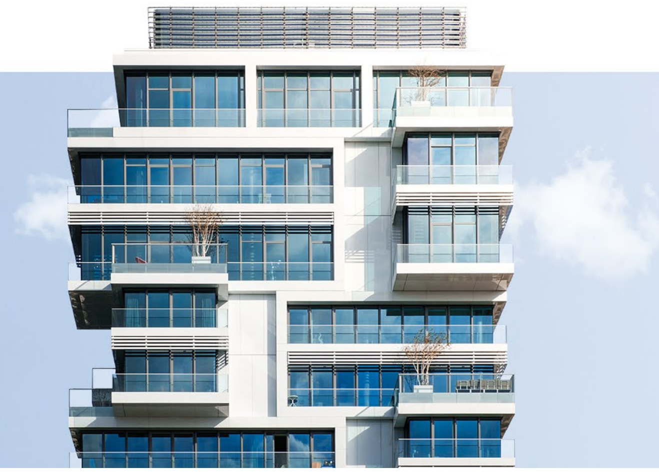
Market Position	Improvements Ratings
Discretionary	A+ / A
High Mid-Range	A- / B+
Low Mid-Range	B / B-
Workforce	C+ / C / C- / D

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.

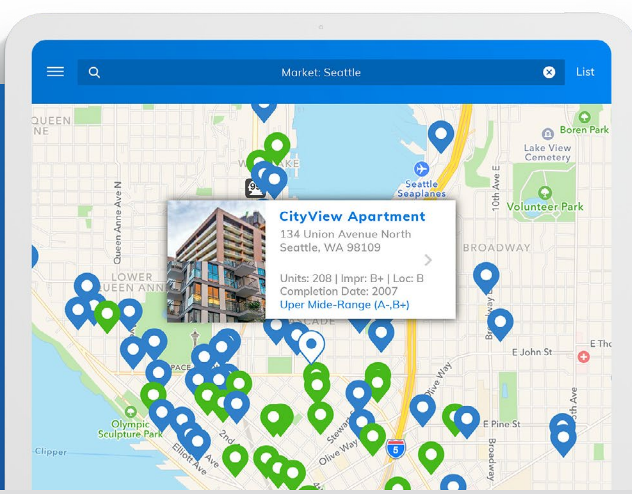
Yardi Matrix



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.**

YARDI

(800) 866-1144
Learn more at yardimatrix.com/**multifamily**

Contact us