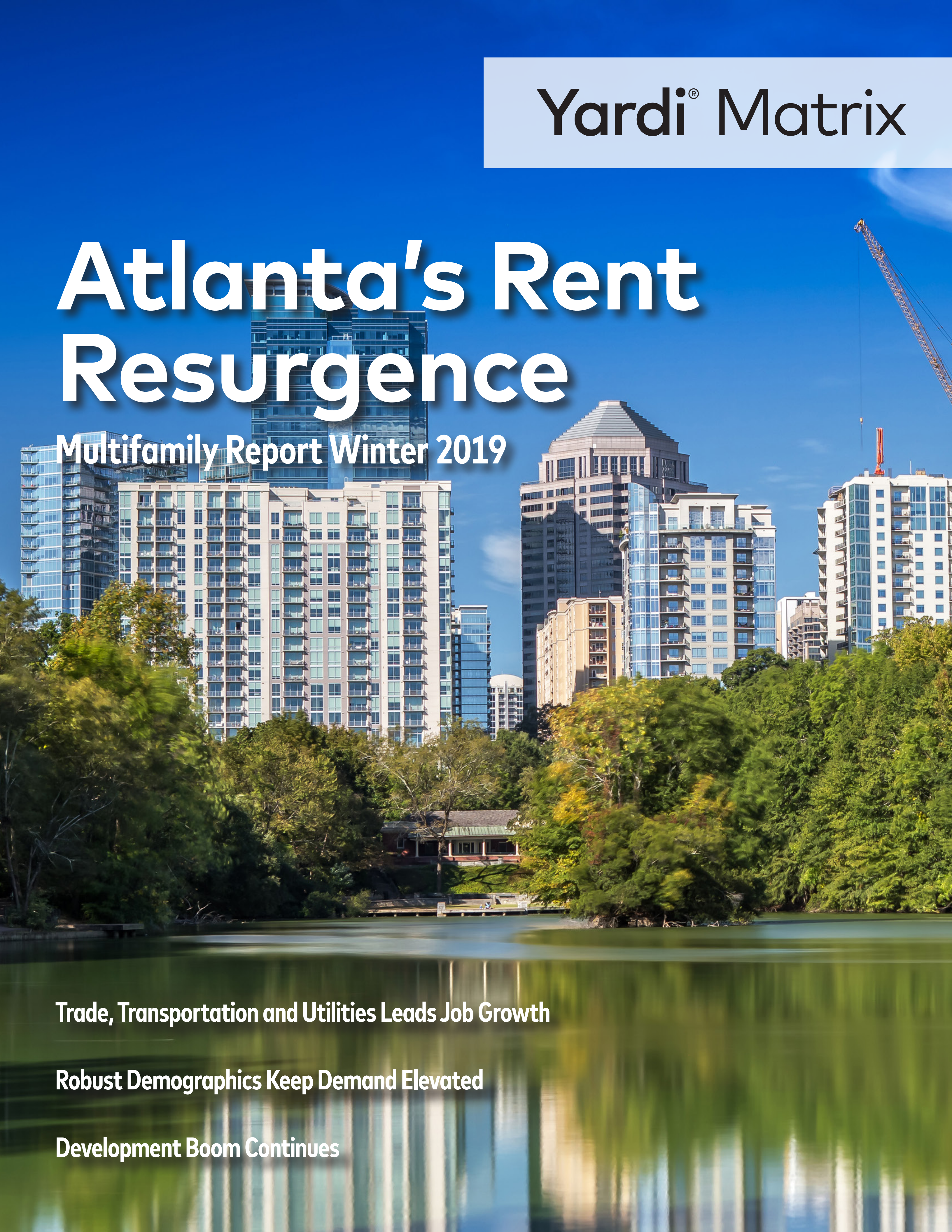

Yardi® Matrix

Atlanta's Rent Resurgence

Multifamily Report Winter 2019

Trade, Transportation and Utilities Leads Job Growth

Robust Demographics Keep Demand Elevated

Development Boom Continues

Market Analysis

Winter 2019

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Robust Demand Keeps Up With Supply

Atlanta continued its delayed yet broad expansion, sustained by solid population growth and a successful economy. Demand for housing has increased rents by 5.4% year-over-year through November to $1,255, still trailing the national average. While the figure is lower than in many major metros, Atlanta's cost of living has risen faster than average incomes. The 20,000 units delivered since the start of 2017, although a record mark for the metro, are quickly being absorbed, with the occupancy in stabilized assets climbing to 94.4% in October, 10 basis points over last year.

Atlanta's economy is thriving: Some 60,300 jobs were added, a 2.0% year-over-year employment growth rate, led by trade, transportation and utilities, up by 17,200 positions year-over-year through September. A significant part of Atlanta's economy is directly linked to the national and global connectivity provided by Hartsfield-Jackson International Airport, which is currently undergoing a $6 billion expansion process.

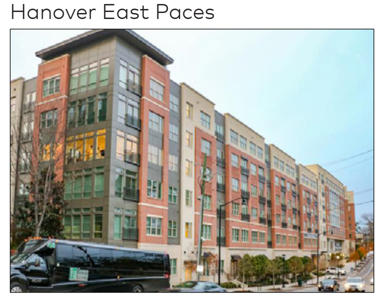
Apartment construction is elevated, with 8,500 units delivered in 2018 through November, while more than 19,000 apartments were underway. Some $5.1 billion in multifamily assets traded hands, at an average per-unit price of $118,794, up 9.6% year-over-year but still well behind the U.S. figure. With demand high, rent will likely continue to rise in Atlanta in 2019.

Recent Atlanta Transactions

Avery at Northwinds

City: Alpharetta, Ga.
Buyer: Pollack Shores
Purchase Price: $172 MM
Price per Unit: $215,469

Hanover East Paces

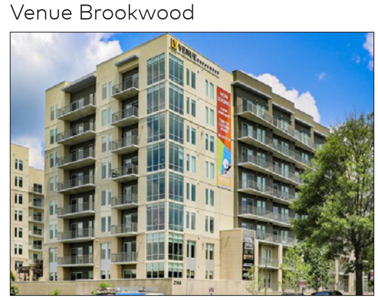


City: Atlanta
Buyer: Utah Property Management Associates
Purchase Price: $117 MM
Price per Unit: $312,267

Rosemont Vinings Ridge

City: Atlanta
Buyer: Buckingham Cos.
Purchase Price: $88 MM
Price per Unit: $178,644

Venue Brookwood



City: Atlanta
Buyer: Mesirow Financial
Purchase Price: $84 MM
Price per Unit: $338,353

On the cover: Photo by Susanne Neumann/iStockphoto.com

Rent Trends

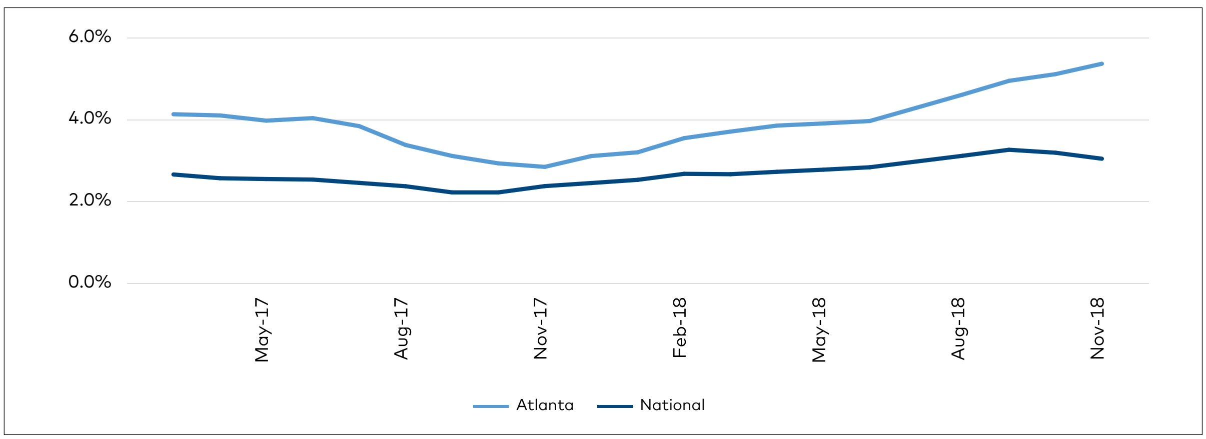
- The metro saw the third largest rent growth among major metros, up 5.4% year-over-year through November, 230 basis points above the national rate. Despite last year's record supply in multifamily units, rent growth actually surged, showcasing powerful demand in the area. The overall average rent climbed to $1,255, though it is still behind the national average.

- Working-class Renter-by-Necessity assets led growth over the past 12 months, with rents increasing by 6.5% to $1,026. Lifestyle units rose 4.7% to $1,402, nearing the $1,419 national average. With the bulk of the inventory in upscale properties, demand for RBN assets is expected to rise.

- Rent growth was consistent across the map, with no submarket contracting. The highest gains were registered in fringe areas, with the steepest increases recorded in Forest Park (up 15.4% to $787) and Jonesboro/Bonanza (up 10.5% to $969).

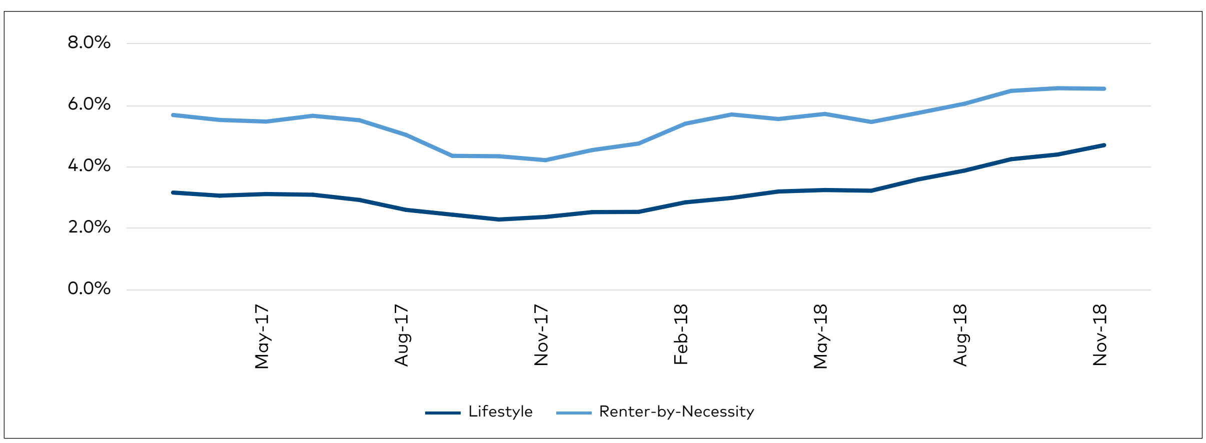
- The least affordable area was the northern end of the city's core, with Midtown ($2,077) and Midtown South ($1,934) holding the top positions following 3.4% and 5.2% growth spurts. The most affordable rents in the metro were located in fringe areas: Oakland, where rents grew a solid 6.9% to $742, Cascade Springs (up 8.2% to $765) and Avondale Estates/East Belvedere Park (up 3.9% to $793).

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)

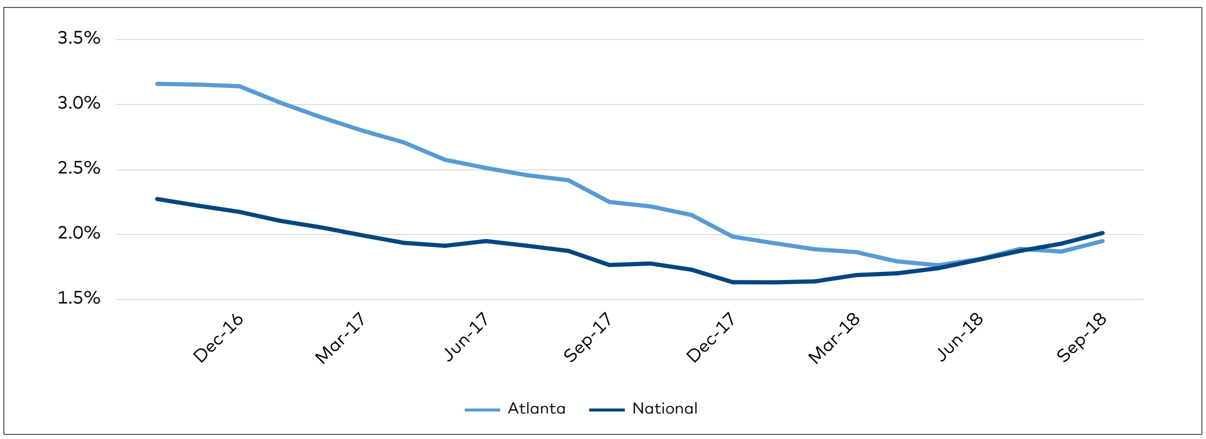


Source: YardiMatrix

Economic Snapshot

- Atlanta added 60,300 jobs in the 12 months ending in September, a 2.0% year-over-year employment growth rate, on par with the national figure. The unemployment rate slid to 3.1% in September, outperforming the national rate by 100 basis points.
- The top three sectors added 42,200 positions combined—trade, transportation and utilities led expansion with the addition of 17,200 jobs. The metro's solid economy is a magnet for businesses, which has put strain on the area's infrastructure. To tackle the issue, the Metropolitan Atlanta Rapid Transit Authority (MARTA) plans to create 22 miles of commuter rail from East Point to Lovejoy in Clayton County and bus rapid transit along state routes 85 and 139 to connect College Park, Riverdale and Morrow. Gwinnett County will hold a vote on the matter in March. The redevelopment project also aims to provide affordable housing, economic development, job creation, public health improvements and historic preservation. It is slated to open in phases through its anticipated completion in 2030.
- Hartsfield-Jackson Atlanta International Airport is undergoing a $6 billion expansion, with construction already underway on several components, including the extension of Concourse T, which will add five new gates on its northern side.

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)

		Current Employment		Year Change	
Code	Employment Sector	(000)	% Share	Employment	%
40	Trade, Transportation and Utilities	620	22.2%	17,200	2.9%
65	Education and Health Services	357	12.8%	13,700	4.0%
70	Leisure and Hospitality	303	10.9%	11,300	3.9%
15	Mining, Logging and Construction	134	4.8%	11,000	8.9%
60	Professional and Business Services	508	18.2%	6,900	1.4%
30	Manufacturing	169	6.1%	2,200	1.3%
90	Government	336	12.0%	1,600	0.5%
50	Information	98	3.5%	-400	-0.4%
80	Other Services	99	3.5%	-900	-0.9%
55	Financial Activities	169	6.1%	-2,300	-1.3%

Sources: YardiMatrix, Bureau of Labor Statistics

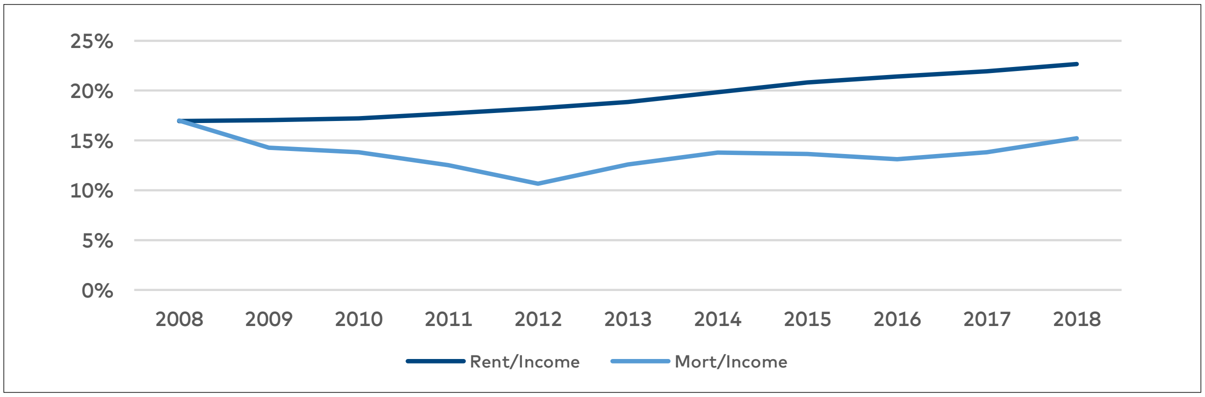
Demographics

Affordability

- Sustained rent appreciation in Atlanta has made its mark on the metro's affordability. The median home value, which has surpassed the $200,000 mark for the first time this cycle, rose 6.3% over 2017 levels and 53% since the 2012 trough. That has also played a part in denting affordability.

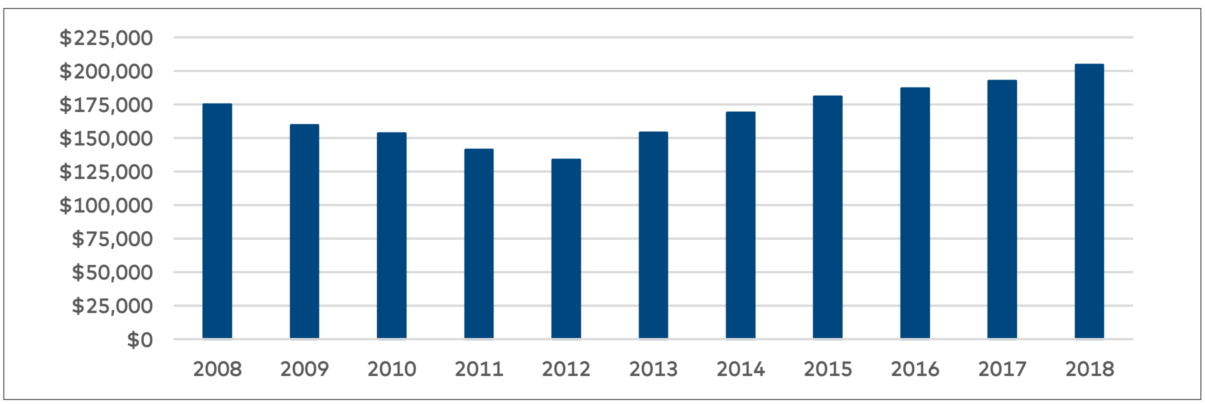
- Rising home prices push many professionals to opt for renting in an urban setting, which has kept ownership down. That has occurred despite the fact that owning is more affordable than renting in Atlanta, accounting for 15% of the area's median income. At $1,255 in November, rents equate to 23% of the metro'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

- Atlanta added 89,013 residents in 2017, up 1.5% year-over-year, more than double the U.S. rate.

- The area's friendly business climate and growing appeal have drawn 367,702 residents to the metro since 2013.

Atlanta vs. National Population

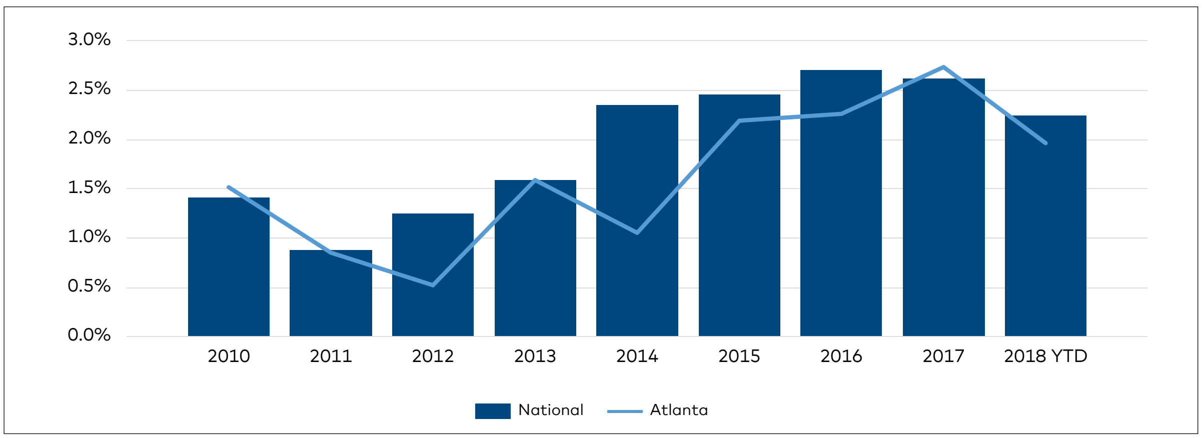
	2013	2014	2015	2016	2017
National	316,234,505	318,622,525	321,039,839	323,405,935	325,719,178
Atlanta Metro	5,517,034	5,605,117	5,702,331	5,795,723	5,884,736

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

Supply

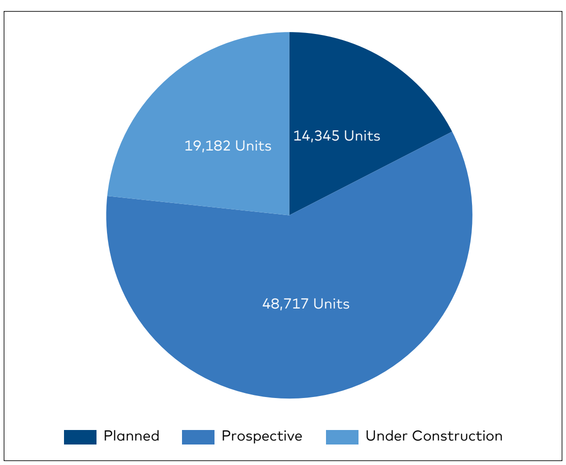
- Following the national trend, deliveries softened in Atlanta, as some 8,500 units in 36 properties were delivered by November. Of those, 11 properties totaling 1,915 units were added in the metro's suburban quadrants, while another 3,500 were underway.
- The development pipeline had more than 19,000 units under construction as of November, and more than 63,000 units were in the planning and permitting stages. With the bulk of construction revolving around Lifestyle projects, the supply imbalance is likely to persist, further burdening renters in search of working-class RBN assets. Demand is healthy, keeping up with the consistent incoming inventory. The occupancy rate in stabilized assets reflects the trend, as it inched up to 94.4% in October—up 10 basis points year-over-year—as occupancy has strengthened during 2018.
- Construction activity is concentrated in urban Atlanta, where the metro's three top submarkets combined have more than 5,000 units underway, led by Midtown West/Centennial Place. One of the largest projects currently under construction is located there: Mill Creek Residential Trust's 435-unit Modera Midtown was 67% leased by November and slated for completion by early 2019.

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



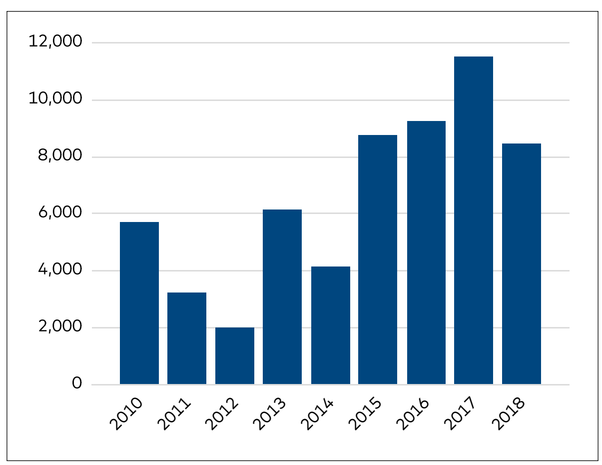
Source: YardiMatrix

Development Pipeline (as of November 2018)



Source: YardiMatrix

Atlanta Completions (as of November 2018)

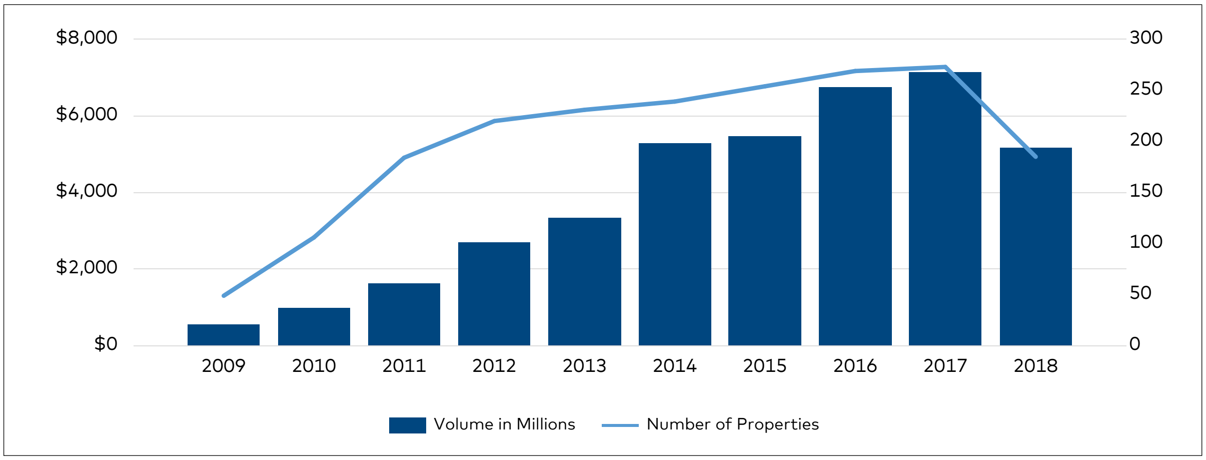


Source: YardiMatrix

Transactions

- Transaction activity softened in Atlanta compared to last year's cycle-high sales volume of $7.1 billion. However, the market is in good shape: More than $5.1 billion in multifamily properties changed hands in the metro through October. The average price per unit rose 9.6% to $118,794, but the rate still trails the $152,601 national figure.
- Nearly two-thirds of the properties that traded were in the Renter-by-Necessity segment, at an average per-unit price of $79,315. Lifestyle assets sold for an average per-unit price of $169,501.
- Investors were most active in Roswell/Alpharetta, with more than $500 million in sales during the 12 months ending in October. The submarket was home to the top transaction during the interval—Pollack Shores' 800-unit Avery at Northwinds, acquired for $172 million, or $215,469 per unit.

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



Source: YardiMatrix

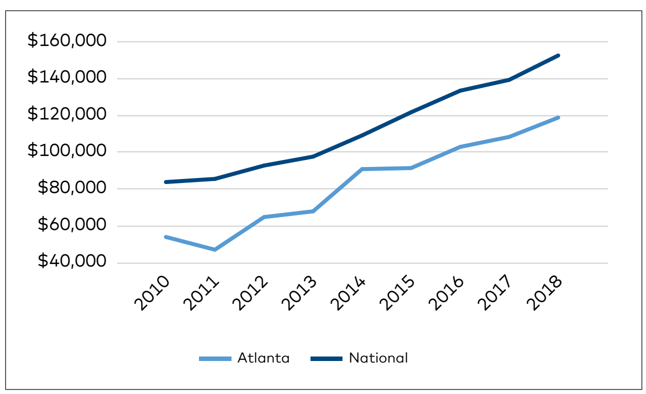
Top Submarkets for Transaction Volume[1]

Submarket	Volume ($MM)
Roswell/Alpharetta	500
Marietta SE	359
Duluth/Norcross	357
Lawrenceville	335
Sandy Springs/Dunwoody	253
Cumming	216
North Vinings	211
Sandy Springs N	200

Source: YardiMatrix

[1] From November 2017 to October 2018

Atlanta vs. National Sales Price per Unit



Source: YardiMatrix

News in the Metro

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Greystar Acquires Class B Property For $60M

Balfour Beatty earned a 30 percent return on the 437-unit multifamily asset, which it purchased from Resource Real Estate in 2016.

Pollack Shores Buys GA Community

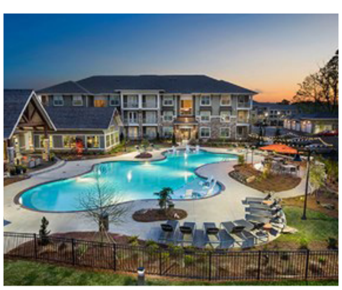
The firm purchased AMLI Northwinds in Alpharetta, which will be rebranded and will undergo a $13 million renovation plan to upgrade unit interiors and amenity spaces.

LMC Tops Out Luxury High-Rise Community

The 310-unit rental property located in the city's Midtown district will feature ground-level terrace porches and rooftop amenities.

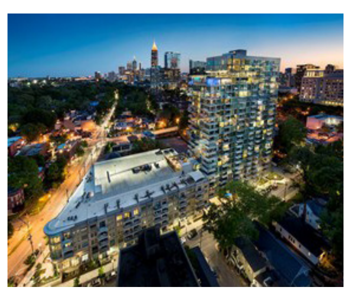
Walker & Dunlop Earmarks $70M For Southeast Portfolio

The company arranged the funding for Capital Square 1031's purchase of two properties in Virginia and one in Georgia.



Brand Properties Sells Atlanta Portfolio For $133M

Blaze Partners acquired the two recently built communities, which comprise more than 600 luxury units in two of the metro's booming submarkets.



ARA Acquires 329-Unit Luxury Asset

The LEED Gold-certified Azure on the Park, overlooking Piedmont Park in Midtown, offers five designer interior collections and upgraded penthouses.

Executive Insight

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MULTI-HOUSING NEWS

Soaking Up Opportunities in the Sunbelt

By Keith Loria

American Landmark Apartments specializes in the acquisition, repositioning and management of multifamily communities, mostly in the Sunbelt region, where there's strong population and job growth. The company owns roughly 3,000 units in the Atlanta metro, after the acquisition of two more communities last August. ALA and its debt and equity partner, Electra America, own a total of 23,000 apartments and among the country's top multifamily owners. CEO Joe Lubeck reveals his company's investment strategy and what he sees stoking the hot Southern secondary markets.

With 2018 behind us, what are the trends you've seen in the multifamily investor market?

In many ways, it's a continuation of trends we've seen unfold over the past several years. First, on the demand side, there's been a real shift away from traditional homeownership. More people are renting today than ever before, and as a result, rents are rising. With this dynamic, we're continuing to see more players entering the value-add multifamily space in secondary market locations. ... Core-plus is becoming as attractive as—if not more attractive than—value-add opportunities at this stage in the cycle.

What's happening in the sectors you follow? What's on your radar and why?

We continue to look at job growth in and around Southern secondary market areas like Houston and Orlando. Rising interest rates are obviously on our radar, but it's not impacting our deals so much because rates are

still relatively low and there are a lot of different sources of capital. One thing we are seeing right now is that builders are overextended, which obviously has an impact on value-add players who, like us, complete in-place renovations in a compressed period of time.

What are the locations you are most interested in?

We're investing heavily in metro areas such as Charlotte, N.C.; Orlando, Fla.; Atlanta; Houston; and San Antonio. Last year, we were probably one of the largest buyers in the country.

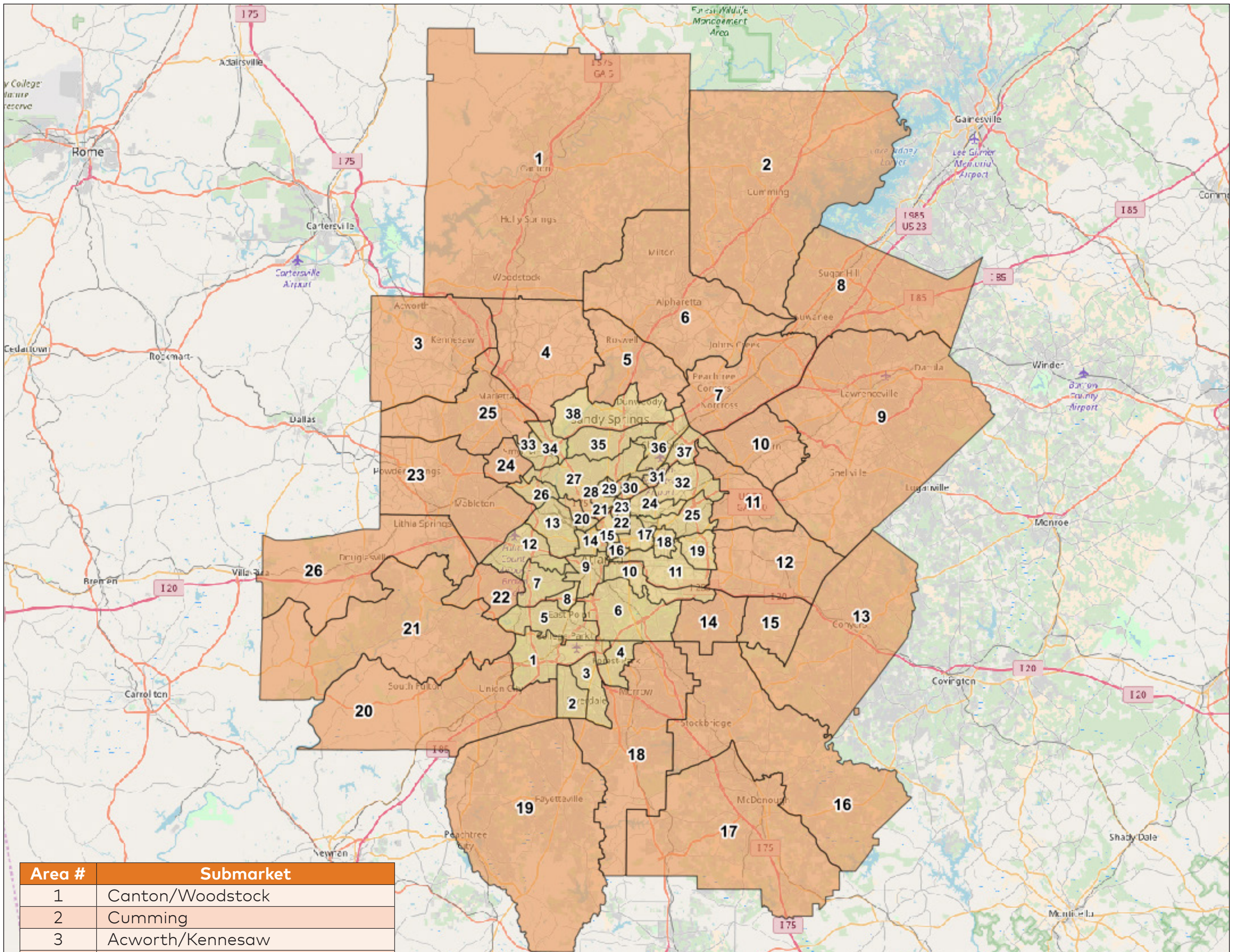
What's your key to planning a successful strategy?

There's product, process and service. On the product side, we focus on well-located, nicely built properties in high-job-growth areas. All of our properties have to meet certain criteria. On the process side, we have a very fine-tuned repositioning approach to meet the demands of today's renters. This usually entails adding new flooring, stainless-steel kitchen appliances and, sometimes, washers and dryers—but we also invest a lot in amenities.

Our communities have 24-hour state-of-the-art fitness centers, Wi-Fi cafes, dog parks, package delivery rooms, and tennis or volleyball courts, for example.

Last, we deliver exceptional customer service. Our management professionals are hands down the most well-trained in the industry, and that's critical in today's market to attract and retain residents.

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	Cliftondale
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

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.

To learn more about Yardi® Matrix and subscribing, please visit www.yardimatrix.com or call Ron Brock, Jr., at 480-663-1149 x2404.

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