

An aerial photograph of Atlanta, Georgia, showing a mix of urban and green spaces. In the foreground, there are several large, multi-story residential buildings with brown roofs and light-colored facades, interspersed with lush green trees. In the middle ground, a large parking lot is visible. In the background, the Atlanta skyline is visible under a clear blue sky, with several prominent skyscrapers.

Yardi® Matrix

# Indivertible Atlanta

Multifamily Report Fall 2019

Rent Gains Stay Above US Average

Job Growth Outpaces National Rate

Investors Target Value-Add Plays



## Market Analysis

Fall 2019

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## Moderating Supply Benefits Rent Growth

Atlanta's friendly business climate and relatively low cost of living continue to lure companies and residents alike. In the context of a smart development strategy that helps keep the supply and demand balance in check, the multifamily market remained strong. The average rent rose a solid 4.2% year-over-year through August to \$1,305, outperforming the 3.3% U.S. rate.

The metro gained 53,500 jobs in the 12 months ending in August, for a 2.1% expansion, 40 basis points above the national growth rate. High-tech industries continue to expand, and the professional and business services sector led growth with the addition of 19,200 positions. Moreover, Amazon announced a new facility in the metro, where it plans to create 1,000 jobs, including finance and information technology positions. Meanwhile, information technology company BiolQ is building a new headquarters in Cobb County, where it plans to add 500 new technology jobs.

Some 6,700 units were delivered in the first eight months of 2019, and more than 19,800 apartments were underway as of August. Multifamily sales totaled \$3.7 billion, based on an average per-unit price of \$116,800, below the U.S. figure. Weighing in the metro's fundamentals, we expect the average rent in Atlanta to advance 4.7% for the year.

## Recent Atlanta Transactions

Legacy at Druid Hills



City: Atlanta  
Buyer: GoldOller Real Estate Investments  
Purchase Price: \$105 MM  
Price per Unit: \$107,405

GoodWynn at Town: Brookhaven



City: Atlanta  
Buyer: Carroll Org.  
Purchase Price: \$99 MM  
Price per Unit: \$266,667

Lakeside Vista



City: Kennesaw, Ga.  
Buyer: Fairfield Residential  
Purchase Price: \$40 MM  
Price per Unit: \$122,840

The Life at West Cobb

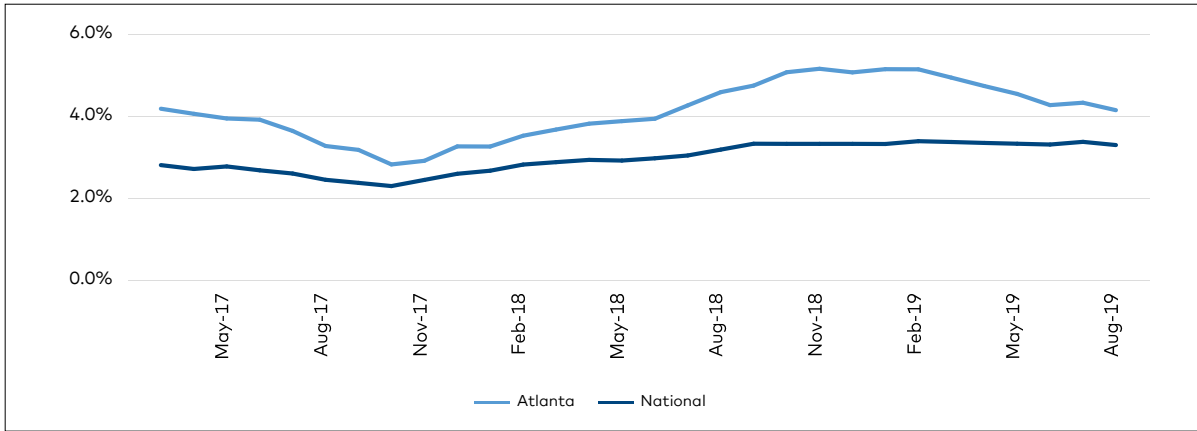


City: Marietta, Ga.  
Buyer: Olive Tree Holdings  
Purchase Price: \$32 MM  
Price per Unit: \$78,412

## Rent Trends

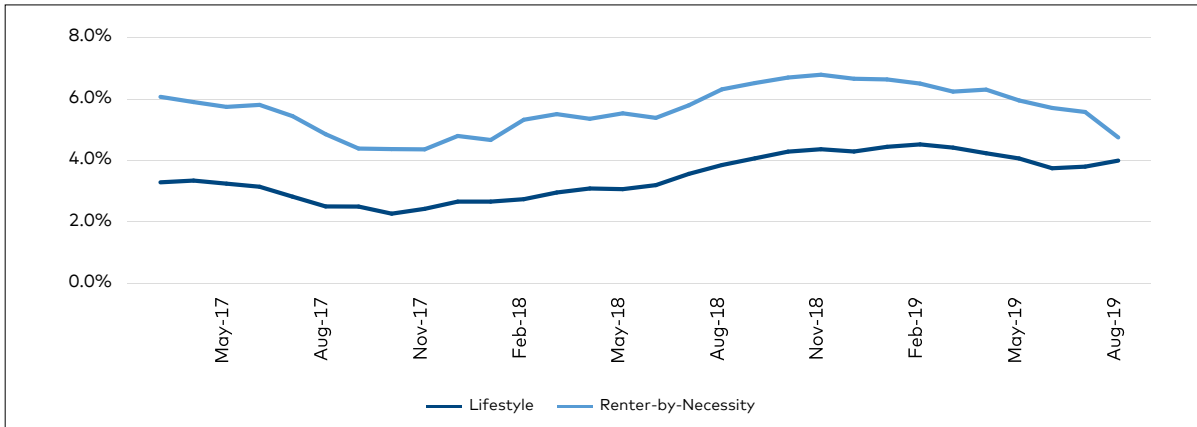
- Atlanta rents increased 4.2% year-over-year through August, outperforming the 3.3% national rate. Atlanta's rent gains have been moderating over the past few quarters, but the metro remains among the country's top 10 performers on the list of major U.S. cities. The average rent in Atlanta reached \$1,305 in August, trailing the \$1,472 national figure.
- Rents in the working-class Renter-by-Necessity segment led growth, up 4.8% year-over-year through August, to \$1,059. Meanwhile, the in-migration of high-earning Millennials working for tech-centered businesses helped push up the average rent in the Lifestyle segment by 4.0%, to \$1,459.
- Two of the metro's submarkets recorded average rents above the \$2,000 threshold as of August: Midtown (up 5.0% year-over-year to \$2,071) and Midtown South (up 2.1% to \$2,021). Acworth/Kennesaw (up 2.4% to \$1,520) and Cumming (up 5.1% to \$1,482) had the highest rates across the metro's suburbs.
- With development decelerating slightly in 2018, Atlanta's overall occupancy rate in stabilized assets dropped just 10 basis points over 12 months, to 94.2% as of July. Considering the metro's solid fundamentals, Yardi Matrix expects the average Atlanta rent to rise 4.7% for the year.

### 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)

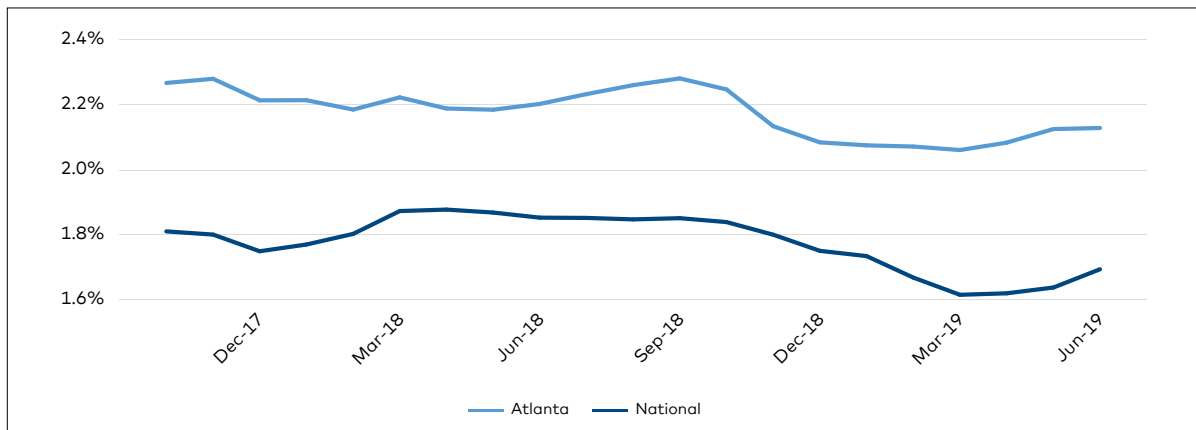


Source: YardiMatrix

## Economic Snapshot

- Atlanta gained 53,500 jobs in the 12 months ending in June, a 2.1% uptick, above the 1.7% U.S. rate. The metro, which has a long history of attracting companies through its low taxes and taxpayer-backed incentives, continues to have a strong underlying economy. However, job growth could see headwinds in the near- to mid-term future, as the market is edging near full employment, while Baby Boomers retire. Atlanta's unemployment rate stood at 3.7% in June, on par with the U.S. figure.
- Professional and business services led growth (19,200 jobs, a 3.7% increase), while education and health services came in second (10,700). Amazon announced a 700,000-square-foot facility in the metro, with plans to hire 1,000 employees. BiolQ, a California company specializing in information technology for the health sector, relocated its headquarters to Cobb County, where it plans to add 500 jobs, including positions in operations, sales and tech that pay \$85,000 to \$87,000, on average.
- The construction sector continued its surge, having expanded 6.2%. According to Yardi Matrix data, the metro had a total of 13.6 million square feet of office, industrial and self storage space underway as of mid-September, which comes on top of the metro's residential and infrastructure pipeline. Meanwhile, Hartsfield-Jackson International, which had more than 107 million passengers in 2018 and remained the world's busiest airport, continues to expand with the addition of five new gates.

### 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	540	19.0%	19,200	3.7%
65	Education and Health Services	361	12.7%	10,700	3.1%
70	Leisure and Hospitality	318	11.2%	9,000	2.9%
15	Mining, Logging and Construction	136	4.8%	8,000	6.2%
40	Trade, Transportation and Utilities	607	21.4%	4,700	0.8%
90	Government	335	11.8%	2,500	0.8%
30	Manufacturing	174	6.1%	1,900	1.1%
50	Information	99	3.5%	1,500	1.5%
55	Financial Activities	175	6.2%	-200	-0.1%
80	Other Services	98	3.4%	-3,800	-3.7%

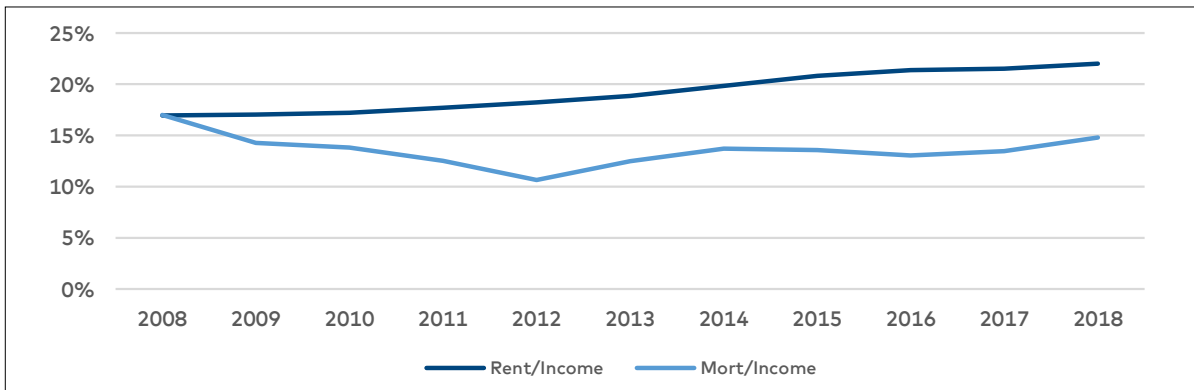
Sources: YardiMatrix, Bureau of Labor Statistics

## Demographics

### Affordability

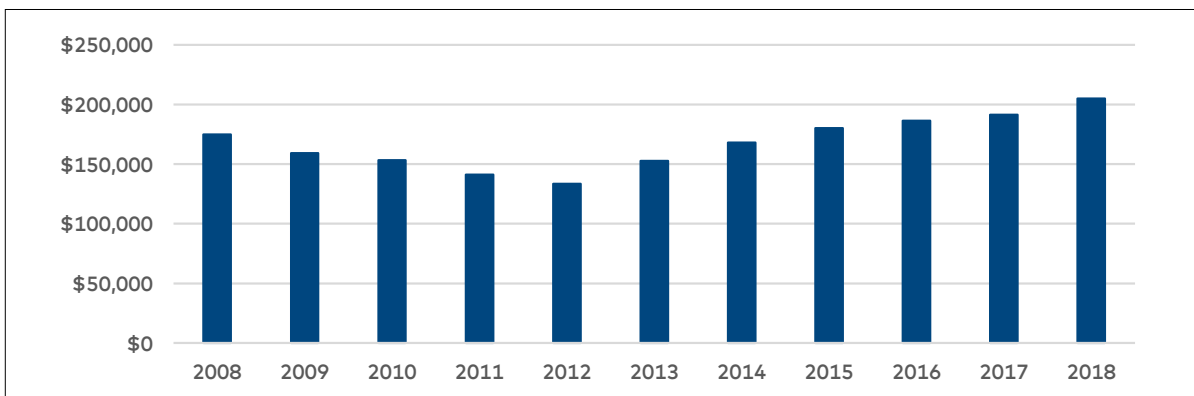
- The metro remains relatively affordable, especially when compared to nearby coastal markets. The median home value in Atlanta rose 7.1% in 2018, to \$205,040. That marked a 17.2% hike in a decade. Owning is much more affordable than renting, with the average mortgage payment accounting for 15% of the area median income last year; the average rent equated to 22% of the same amount.
- This summer, Mayor Keisha Lance Bottoms released a housing affordability action plan for the city, which entails 13 initiatives, including the creation or preservation of 20,000 affordable homes by 2026 and investing \$1 billion from various sources.

### 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 gained 89,103 residents in 2017 for a 1.5% uptick, more than double the U.S. rate.
- The metro posts a slightly decelerating demographic trend, with the population growing 1.3% in 2018.

### Atlanta vs. National Population

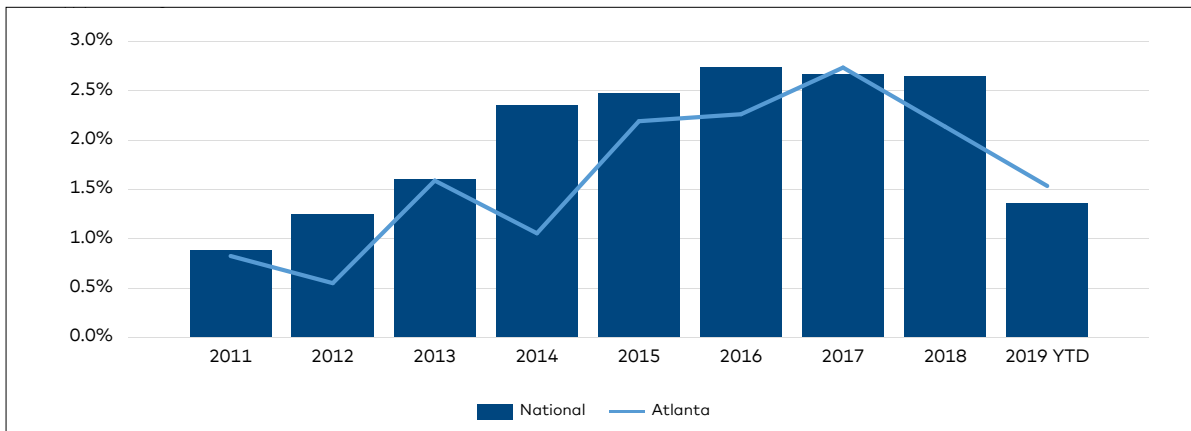
	2013	2014	2015	2016	2017
National	316,234,505	318,622,525	321,039,839	323,405,935	325,719,178
Atlanta Metro	5,517,034	5,605,117	5,702,331	5,795,723	5,884,736

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

## Supply

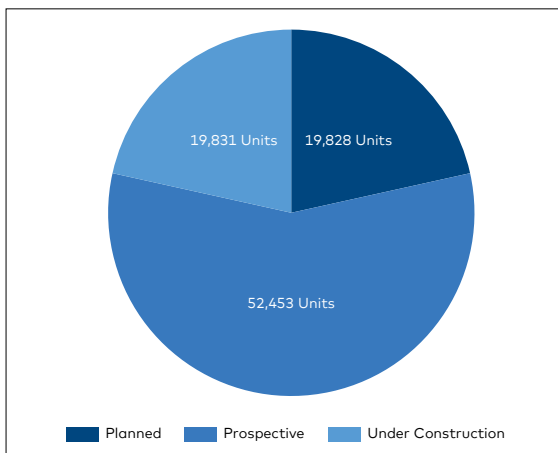
- Atlanta had more than 19,800 units under construction as of August, with an additional 72,000 apartments in the planning and permitting stages. Demand remained healthy across the metro, with occupancy in stabilized properties dropping just 10 basis points in a year despite a relatively strong pipeline, as more than 27,000 units came online in Atlanta since the beginning of 2017.
- A total of 25 properties with a combined 6,708 units came online in the metro this year through August, with development activity mostly concentrated in urban Atlanta, where more than 5,100 apartments were delivered. Developers continued to favor amenity-rich communities, with nearly all completions, both in urban and suburban areas, targeting Lifestyle renters.
- Urban Atlanta had more than 14,000 units under construction as of August, with Grant Park/East Atlanta/Panthersville (1,642 units) and Midtown West/Centennial Place (1,032 units) topping the list. Lawrenceville led the pipeline in suburban Atlanta, with 1,058 apartments underway as of August.

**Atlanta vs. National Completions as a Percentage of Total Stock** (as of August 2019)



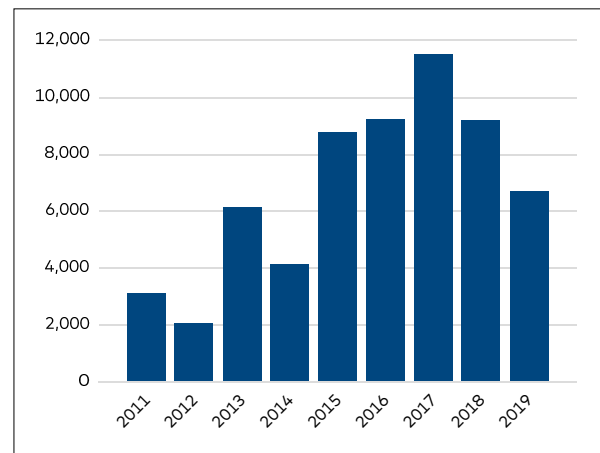
Source: YardiMatrix

**Development Pipeline** (as of August 2019)



Source: YardiMatrix

**Atlanta Completions** (as of August 2019)

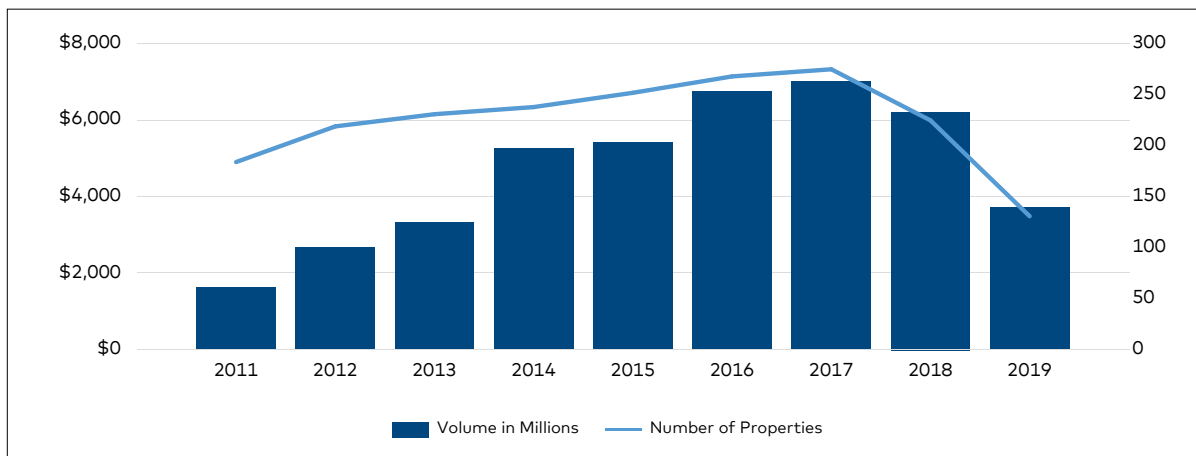


Source: YardiMatrix

## Transactions

- More than \$3.7 billion in multifamily assets traded in Atlanta this year through August, with deal distribution evenly spread across urban and suburban areas. Of the 131 properties that changed ownership in the metro in the first eight months of 2019, about two-thirds were value-add assets.
- Preferred by most buyers, value-add strategies are keeping per-unit prices steady, with the \$116,800 average virtually flat when compared to last year's figures and well below the \$159,011 U.S. average. Consequently, per-unit prices for RBN assets rose 15.9% to \$89,132 since 2018, while the price of the average Lifestyle unit slid 7.0%.
- LivCor is one of the most active investors in the metro, having acquired more than 1,200 units in 2019 at an average per-unit price of \$214,026.

**Atlanta Sales Volume and Number of Properties Sold** (as of August 2019)



Source: YardiMatrix

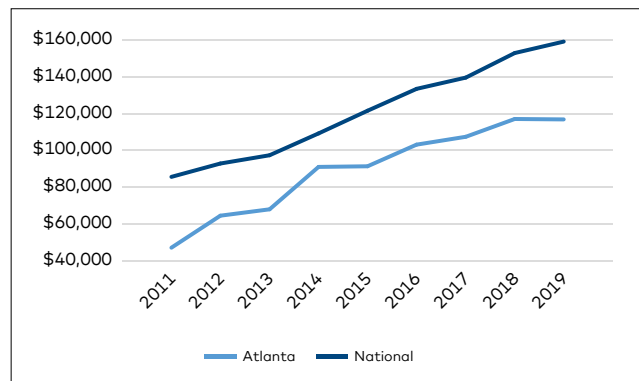
**Top Submarkets for Transaction Volume<sup>1</sup>**

Submarket	Volume (\$MM)
Duluth/Norcross	483
Sandy Springs/Dunwoody	376
Marietta SE	316
Roswell/Alpharetta	259
Lilburn	255
Buckhead	230
Jonesboro/Bonanza	227
North Decatur/Clarkston/Scottsdale	200

Source: YardiMatrix

<sup>1</sup> From September 2018 to August 2019

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



Source: YardiMatrix

# News in the Metro

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### Affordable Atlanta Area Communities Sell for \$70M

Fairfield Residential purchased the 604-unit portfolio in Doraville and Kennesaw, Ga.



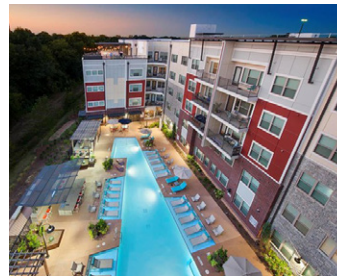
### FirstService Chosen to Manage Luxury Condos

The company will oversee 52 private residences at 1065 Midtown Condominiums, which sit atop a 40-story hotel building and feature floor-to-ceiling glass with views of Piedmont Park.



### Value-Add Portfolio Sells for \$42M

Tenth Street Ventures and Braden Fellman Group plan to renovate and unify the 13 assets into one garden-style community.



### Community On Atlanta BeltLine Trades for \$66M

Ghitis Property Co. has acquired Ayla on Krog from PGIM Real Estate. The recently completed, 222-unit apartment property is located in the Inman Park neighborhood, fronting the city's popular public trail.



### Georgia Portfolio Trades for \$203M

Carter Multifamily and RSE Capital Partners have acquired the 11 properties totaling 1,966 units. The Class B and C communities are located in the Savannah area, Augusta, Canton and Macon.

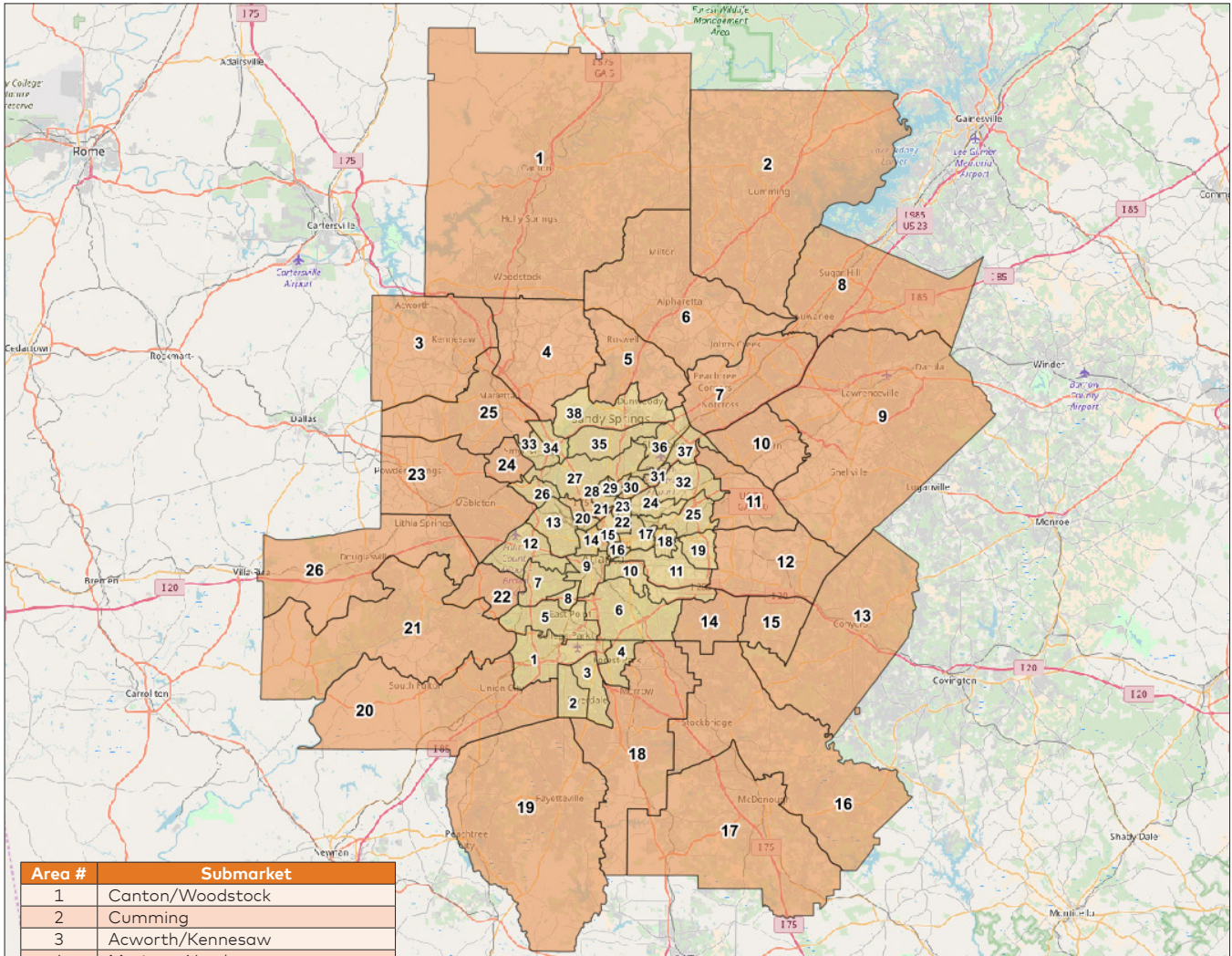


### Atlanta Affordable Project Breaks Ground

Atlanta Neighborhood Development Partnership and Laurel Street Residential began construction on Creekside at Adamsville Place, which is part of the city's recently launched housing affordability action plan.



# 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

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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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