



MULTIFAMILY REPORT

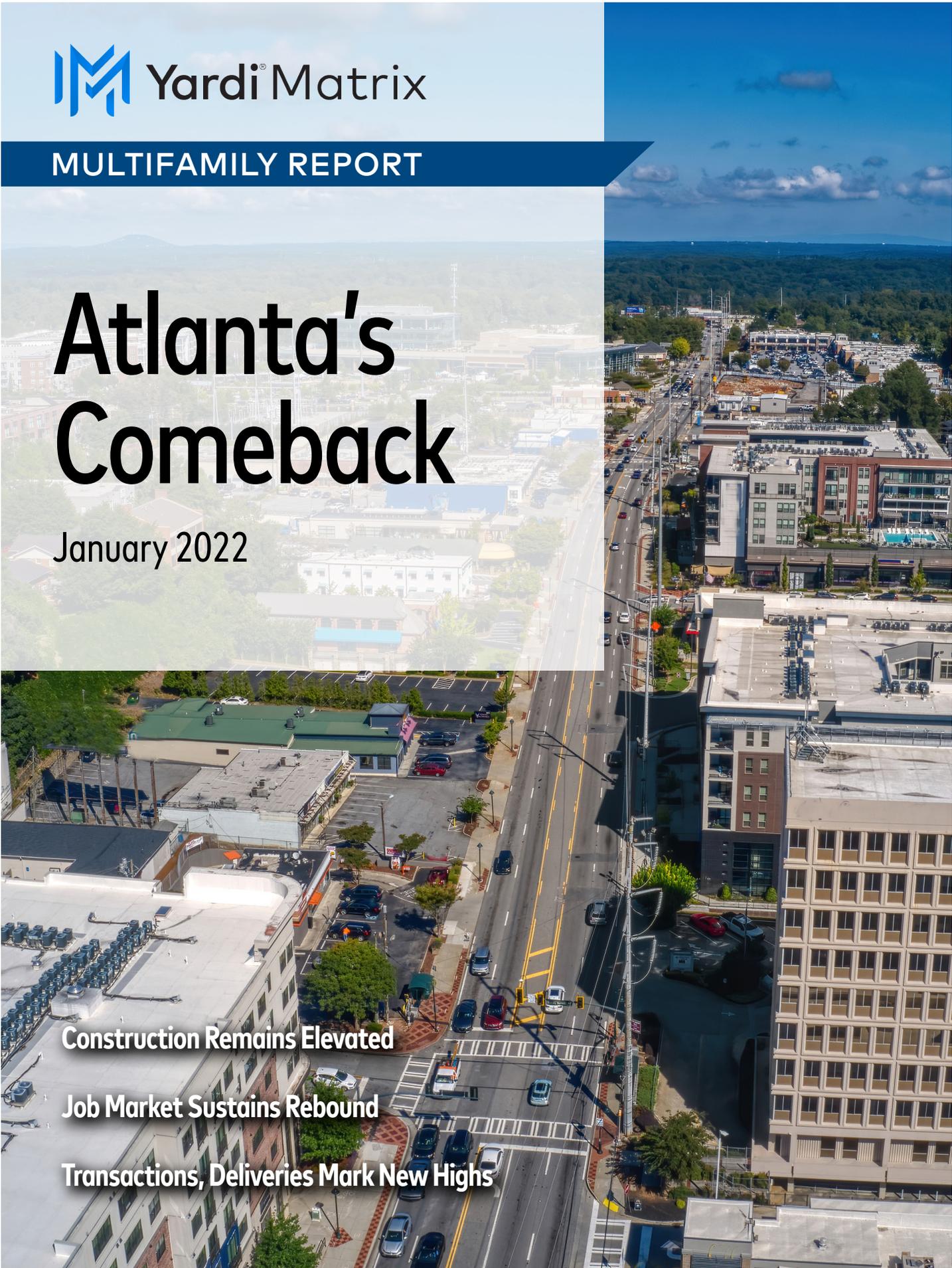
Atlanta's Comeback

January 2022

Construction Remains Elevated

Job Market Sustains Rebound

Transactions, Deliveries Mark New Highs



ATLANTA MULTIFAMILY



Healthy Demand Boosts Fundamentals

Atlanta's multifamily market posted strong performance throughout 2021, boosted by robust population and corporate expansions. Rent growth finally softened in November, decelerating to a 1.2% rise on a trailing three-month basis, to \$1,627, outperforming the national average, which rose 1.0% to \$1,590. Upscale units in urban areas were especially in high demand, reflected in the segment's occupancy rate, which rose 180 basis points to 95.4% in the 12 months ending in October.

The employment market accelerated its rebound in June and in the 12 months ending in September posted a 6.3% expansion, trailing the U.S. rate by 10 basis points. Meanwhile, unemployment stood at a tight 2.4% in October, according to preliminary BLS data, outperforming the 4.6% U.S. rate. The skilled talent pool helped boost the metro's largest sector—professional and business services—up 38,400 positions in the 12 months ending in September. Expansions by Google, Apple, Microsoft, Visa and Airbnb, among others, will likely sustain growth.

Developers delivered 13,030 units in 2021 through November, marking a new decade high, and had another 20,882 units underway. Transaction volume also peaked, totaling \$8.7 billion through November, and the price per unit rose 14.6% year-over-year, to \$170,593.

Market Analysis | January 2022

Contacts

Jeff Adler

Vice President & General Manager of Yardi Matrix
Jeff.Adler@Yardi.com
(303) 615-3676

Jack Kern

Director of Research and Publications
Jack.Kern@Yardi.com
(800) 866-1124 x2444

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

Recent Atlanta Transactions

Bell Alpharetta



City: Alpharetta, Ga.
Buyer: Bell Partners
Purchase Price: \$240 MM
Price per Unit: \$300,000

Osprey



City: Atlanta
Buyer: Equity Residential
Purchase Price: \$135 MM
Price per Unit: \$421,875

The Brooke



City: Atlanta
Buyer: LivCor
Purchase Price: \$131 MM
Price per Unit: \$243,017

Luna Upper Westside



City: Atlanta
Buyer: Equity Residential
Purchase Price: \$123 MM
Price per Unit: \$355,797

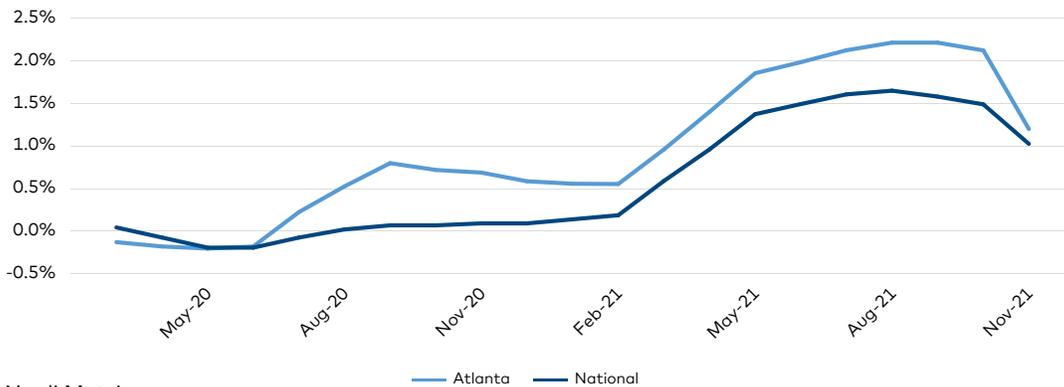
RENT TRENDS

- ▶ Mirroring the national trend, rent growth in Atlanta softened in the middle of 2021's last quarter, rising 1.2% on a trailing three-month (T3) basis through November to \$1,627. That was 20 basis points above the U.S. rate, which brought the national average to \$1,590. The moderation in rent growth—which has a seasonal component—came after five consecutive months of T3 increases above the 2.0% mark. Despite having one of the most robust inventory expansions in the country, on a year-over-year-basis, Atlanta rents posted a 18.9% hike.
- ▶ Rent development had nearly evened out across the quality spectrum as of November: On a T3 basis, Lifestyle rents rose 1.2%, to \$1,802, and 1.1% to \$1,302 for working-class Renter-by-Ne-

cessity units. In 2021, rent gains reflected higher demand for upscale apartments. The dynamic was echoed by the occupancy rate in stabilized properties: up by 130 basis points in the 12 months ending in October in the upscale segment and by 90 basis points for RBN units. Overall, occupancy advanced 120 basis points year-over-year, to 95.8%.

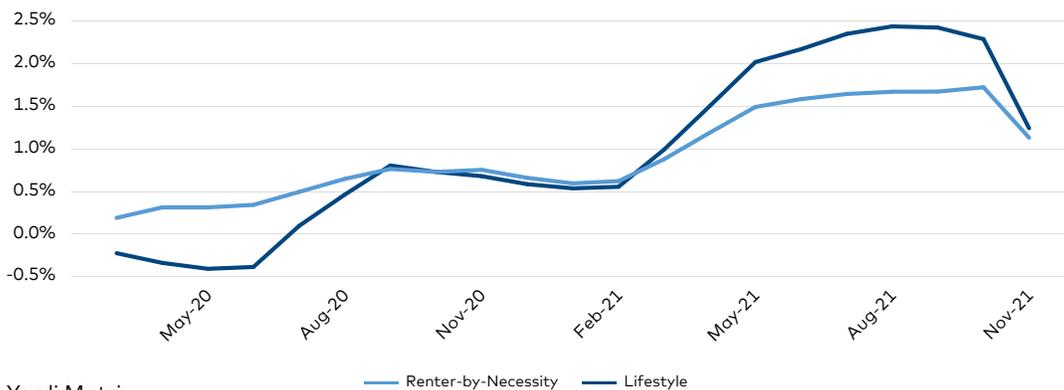
- ▶ Of Atlanta's 64 submarkets tracked by Yardi Matrix, 60 posted double-digit rent increases on a yearly basis. Just one submarket had an average rent below \$1,000 and seven were above the \$2,000 mark as of October. Midtown remained the most expensive area, with the average rent up 15.0% to \$2,387.

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 stood at a tight 2.4% in October, according to preliminary data from the Bureau of Labor Statistics, outperforming the 4.6% national average. This marked the metro's lowest rate of the past decade.
- ▶ The metro added 121,000 jobs in the 12 months ending in September, which represents a 6.3% expansion, just below the U.S. rate. The professional and business services sector led growth, adding 38,400 jobs (7.4%), followed by leisure and hospitality (10.7%) and trade, transportation and utilities (3.4%), which added nearly 45,000 jobs combined.
- ▶ Atlanta's reputation as a fintech hub adds to its appeal, with companies such as Google, Apple, Microsoft and Airbnb announcing expansions during the pandemic. These plans point to a bright outlook not only for the sector but also for auxiliary businesses serving the pool of tech workers.
- ▶ Atlanta's diverse talent pool has also caught the eye of Visa, which announced plans to bring a new division in Midtown. The project will add 1,000 jobs and is slated to open in 2022. Visa is also planning a partnership with the Georgia FinTech Academy and a collaboration with the state's Advanced Technology Development Center incubator at Georgia Technology.

Atlanta Employment Share by Sector

Code	Employment Sector	Current Employment	
		(000)	% Share
60	Professional and Business Services	560	20.0%
70	Leisure and Hospitality	261	9.3%
40	Trade, Transportation and Utilities	597	21.3%
65	Education and Health Services	367	13.1%
50	Information	103	3.7%
30	Manufacturing	168	6.0%
55	Financial Activities	181	6.5%
15	Mining, Logging and Construction	132	4.7%
90	Government	332	11.9%
80	Other Services	95	3.4%

Sources: Yardi Matrix, Bureau of Labor Statistics

Population

- ▶ Atlanta gained 67,398 residents in 2020, up 1.1% and nearly three-times the 0.4% U.S. average.
- ▶ In the past decade, the metro gained some 785,000 residents, a 14.8% demographic expansion and more than double the 6.5% U.S. rate.

Atlanta vs. National Population

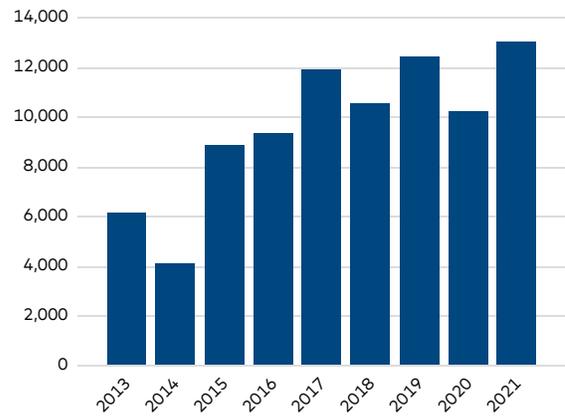
	2017	2018	2019	2020
National	325,147,121	327,167,434	328,239,523	329,484,123
Atlanta Metro	5,874,249	5,949,951	6,020,364	6,087,762

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

SUPPLY

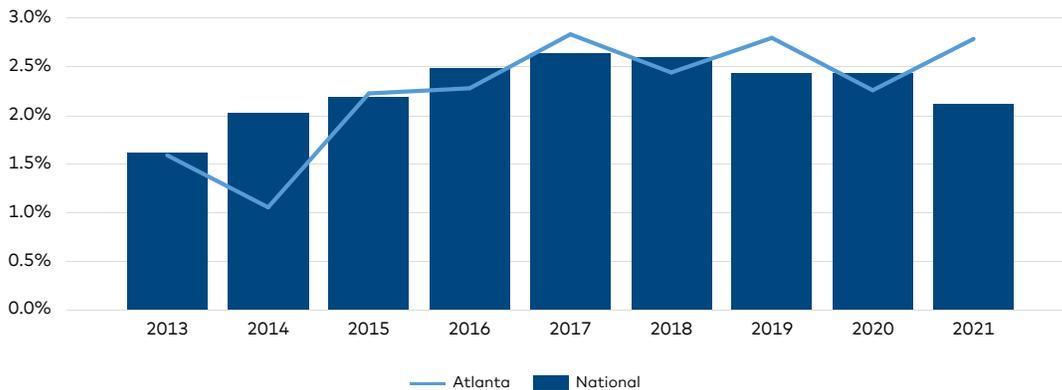
- ▶ Atlanta's robust population expansion and steady economic recovery have maintained an elevated demand for housing. In 2021 through November, developers brought 13,030 units online, 2.8% of total stock and 70 basis points above the U.S. rate. Urban Atlanta's rental inventory expanded by nearly 8,000 units, or 61% of new stock, while 5,073 units were added across the suburbs. The bulk of deliveries—12,118 units—target high-income renters. The Renter-by-Necessity segment grew by only 912 units, 636 of which were in fully affordable communities.
- ▶ Well into 2021's fourth quarter, the construction pipeline had nearly 21,000 units under construction and more than 126,000 units in the planning and permitting stages. Urban submarkets continued to lead in development activity, with 12,939 units underway, while suburban areas had 7,943 units under construction as of November.
- ▶ Developers continue to favor upscale projects, which account for nearly 80% of the pipeline. The Renter-by-Necessity segment had just 4,575 units under construction, 2,423 of which were in fully affordable communities.
- ▶ Five submarkets had more than 1,000 units underway each as of November; the combined total accounted for slightly more than one-third of the pipeline. Midtown West/Centennial Place held the top spot with 1,992 units under construction, followed by Lawrenceville (1,562 units) and West End/Fairlie Poplar/Underground (1,409 units). Lawrenceville was also among the most sought-after areas for investment, with nearly \$600 million in assets trading in 2021 through November.

Atlanta Completions (as of November 2021)



Source: Yardi Matrix

Atlanta vs. National Completions as a Percentage of Total Stock (as of November 2021)

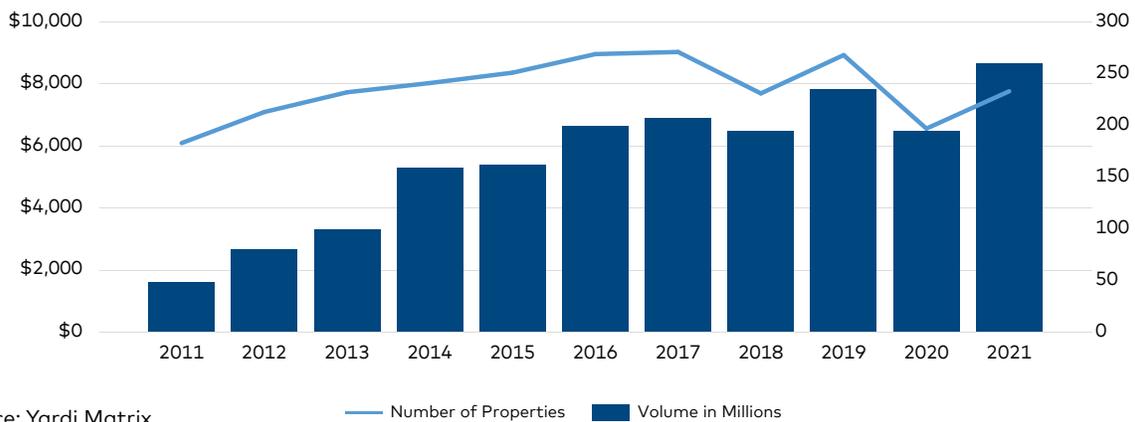


Source: Yardi Matrix

TRANSACTIONS

- ▶ Last year marked a new decade high in investment activity for Atlanta, with transaction volume reaching a whopping \$8.7 billion through November, well above last year's \$6.5 billion. This placed the metro among the top five U.S. markets for transaction activity.
- ▶ Investor interest remained stronger for assets in suburban locations, which accounted for \$5.1 billion of the total registered through November. Meanwhile, sales of urban properties totaled \$3.6 billion.
- ▶ Investor appetite was fairly balanced across the quality spectrum; 120 sales involved RBN properties and 113 were in Lifestyle communities. Growth in property values stemmed from robust demand, with the average price per unit rising 14.6% year-over-year through November, to \$170,593. Despite continuous increases, Atlanta's rate still trailed the \$185,465 U.S. average.

Atlanta Sales Volume and Number of Properties Sold (as of November 2021)



Source: Yardi Matrix

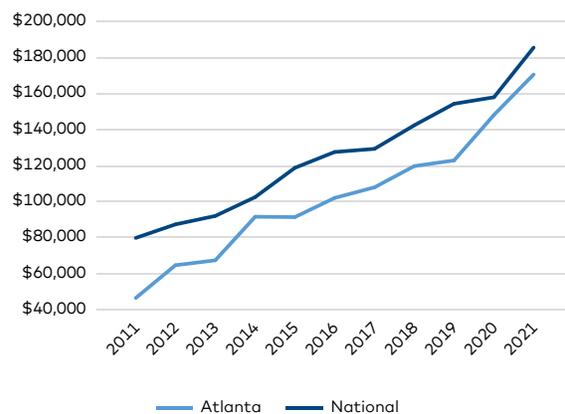
Top Submarkets for Transaction Volume¹

Submarket	Volume (\$MM)
Duluth/Norcross	914
Lawrenceville	597
Sandy Springs N	458
Tucker/Stone Mountain	402
Midtown West/Centennial Place	366
Roswell/Alpharetta	348
Marietta SW	347

Source: Yardi Matrix

¹ From December 2020 to November 2021

Atlanta vs. National Sales Price per Unit



Source: Yardi Matrix



Why Investors Stay Bullish on Atlanta Multifamily

By Adriana Pop

With low unemployment rates and robust in-migration, Atlanta's economy continues to outperform, supporting strong multifamily fundamentals. Investors have taken note of the opportunities the metro is offering. FCP Vice President of Multifamily Acquisitions and Development Alex Cathcart and Associate Cristina Istrate share their insights into how the metro's multifamily market performed in 2021, and what investors should expect in 2022.

How has the most recent economic downturn impacted the Atlanta multifamily market compared to other metros in the Southeast?

Istrate: I think many of the markets in the Southeast fared well during the most recent economic downturn, but Atlanta, in particular, exhibited a lot of strength. Georgia was one of the first states to safely open back for business in April 2020, which allowed many businesses to continue to operate and keep people employed.

Which Atlanta suburbs have been the most sought-after in the past 12 months?

Cathcart: Without a doubt, the northern suburbs—Atlanta's wealth wedge or "martini glass"—remain the most sought-after submarkets, and that was particularly true as investors flocked to safety when a bumpy, unpredictable recovery began to unfold in the second half of 2020.



Alex Cathcart (left) and Cristina Istrate (right)

What surprised you most about the pandemic's impact on the metro's multifamily market?

Cathcart: 2021 certainly had a number of surprises, from eye-popping rent growth to plunging cap rates. In the development space, it initially seemed plausible that commercial real estate construction starts could fall precipitously in 2021, causing a modest decline in hard costs. Instead, costs went through the roof.

Another surprise was the rapid recovery of many urban submarkets despite a bumpy and fractured office recovery. In some instances, that rapid recovery led

to some of the lowest cap rates I've ever seen as buyers made momentum plays.

How strong is your portfolio in the market?

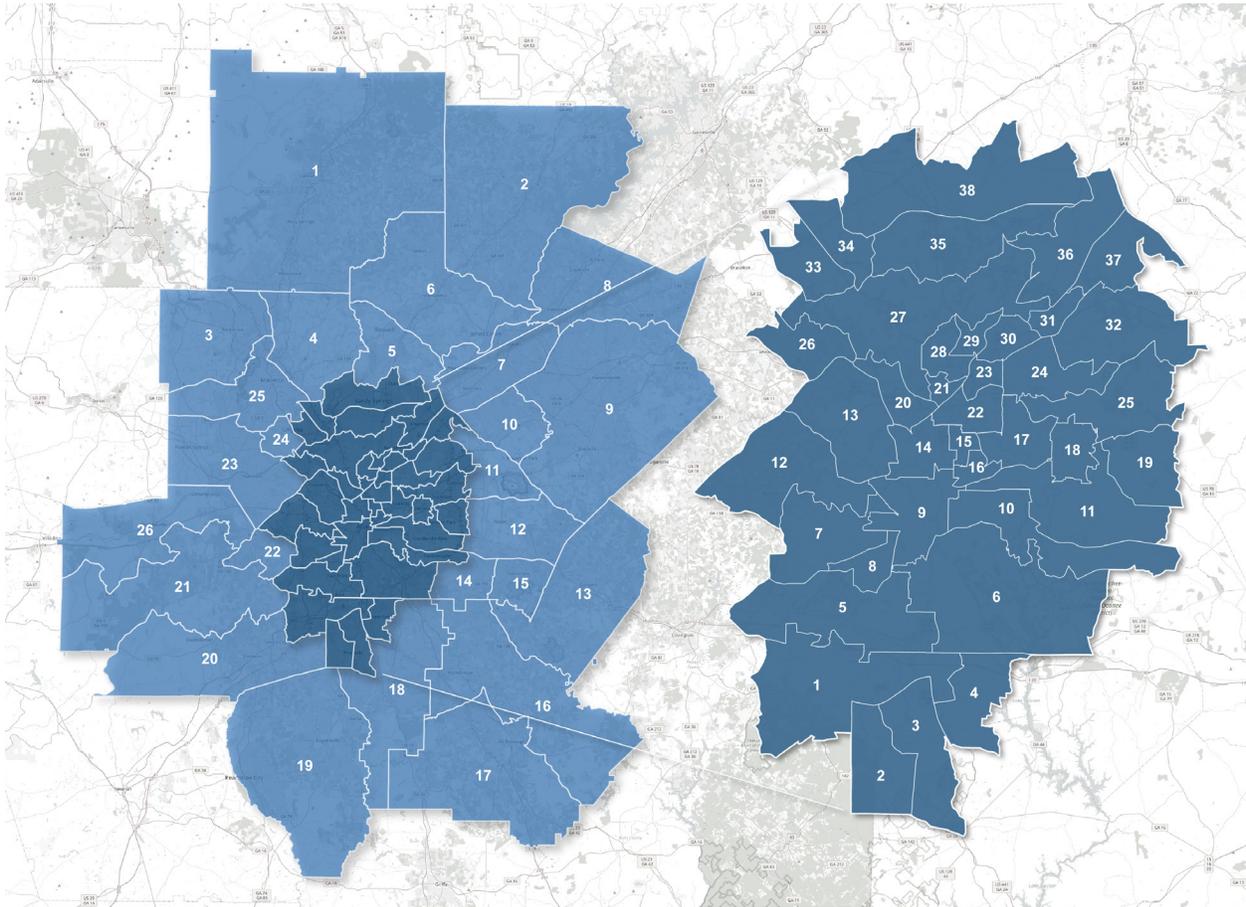
Istrate: We have a diverse and defensively positioned portfolio of multifamily assets in the Atlanta market that performed excellently this year, with an average occupancy of 94 percent and same store rent growth of 13.5 percent.

What are your predictions for Atlanta's multifamily in 2022

Istrate: We will continue to see strong demand for apartments as well as high levels of rent growth, which will fuel high property values and keep cap rates low. FCP is bullish on the Atlanta market and is actively looking to expand the portfolio, but the competition is fierce.

(Read the complete interview on multihousingnews.com.)

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 December 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 December 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, December 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.

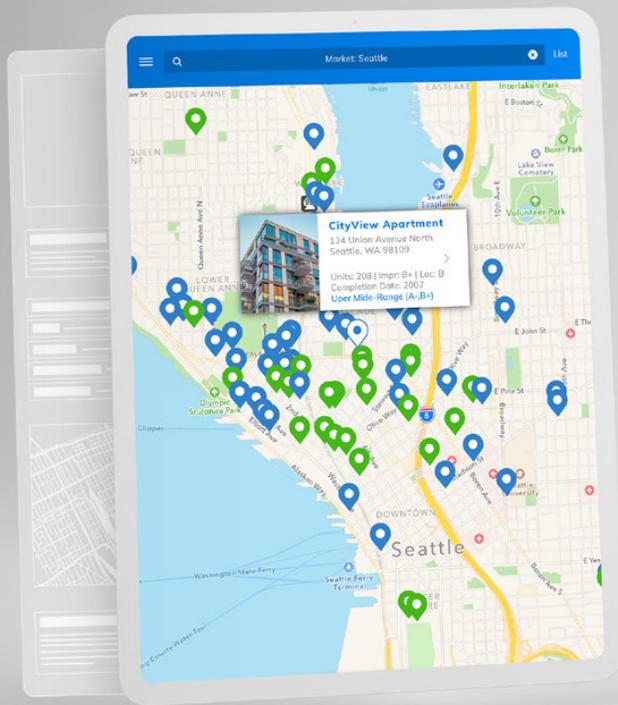
The Yardi® Matrix Context rating is not intended as a final word concerning a property's status—either improvements or location. Rather, the result provides reasonable consistency for comparing one property with another through reference to a consistently applied standard.

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