



Yardi® Matrix

Atlanta Turns Up Southern Charm

Multifamily Report Summer 2017

**Rent Gains Dip Below
National Average**

**Healthy Demand
Supports Heavy Supply**

**Employment
Sector Soars**

Market Analysis

Summer 2017

Contacts

Paul Fiorilla

Associate Director of Research
Paul.Fiorilla@Yardi.com
(800) 866-1124 x5764

Jack Kern

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

Author

Robert Demeter

Senior Associate Editor

Solid Fundamentals, Positive Momentum

Atlanta has become an economic powerhouse in recent years. It's currently one of the fastest-growing metro areas in the nation—a result of its broad-based job growth, 18-hour lifestyle and healthy rental and housing market. A rapidly rising population is adding to the city's congestion issues, but also fostering demand for apartments and pushing rents higher.

The metro's favorable business climate continues to entice companies to relocate. Through March, the job market added 103,100 positions, the bulk of which were in professional and business services. The hospitality industry is booming, as the state generated a record-breaking \$61.1 billion in commercial sales in 2016. Furthermore, the presence of the Centers for Disease Control and Prevention boosts medical research and has helped to propel health-care employment to record highs. Meanwhile, Atlanta's growing film industry is making the city competitive with Hollywood.

Although multifamily demand is robust, concerns abound around overbuilding and the lack of affordable housing. The metro is adding 10,000-plus units per year, most of them in the luxury segment. Strong property fundamentals drive investor interest, with \$1.7 billion in multifamily assets already trading in the first quarter. Rents increased 2.9% to \$1,108 as of May, and Yardi Matrix forecasts rents will increase by 3.5% in 2017.

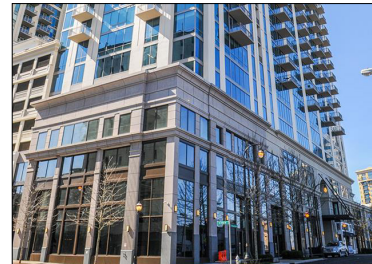
Recent Atlanta Transactions

Gables Emory Point



City: Atlanta
Buyer: LivCor
Purchase Price: \$199 MM
Price per Unit: \$265,333

The Residence Buckhead Atlanta



City: Atlanta
Buyer: Simpson Housing
Purchase Price: \$137 MM
Price per Unit: \$368,919

Avia at North Springs



City: Atlanta
Buyer: Harbor Group International
Purchase Price: \$93 MM
Price per Unit: \$176,121

WestHaven at Vinings



City: Atlanta
Buyer: GoldOller Real Estate Investments
Purchase Price: \$91 MM
Price per Unit: \$149,180

To Subscribe

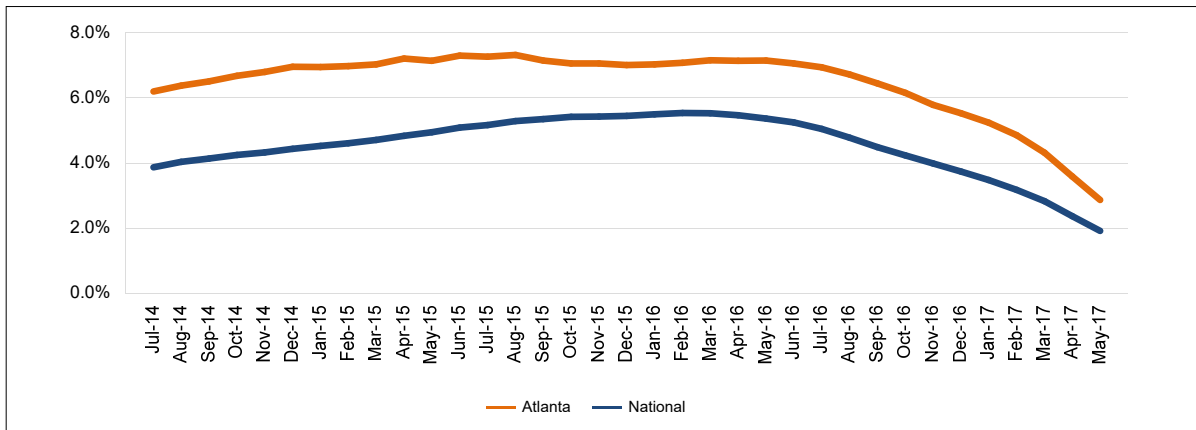
Hollie Zepke

Audience Development Specialist
Hollie.Zepke@Yardi.com
(800) 866-1124 x5389

Rent Trends

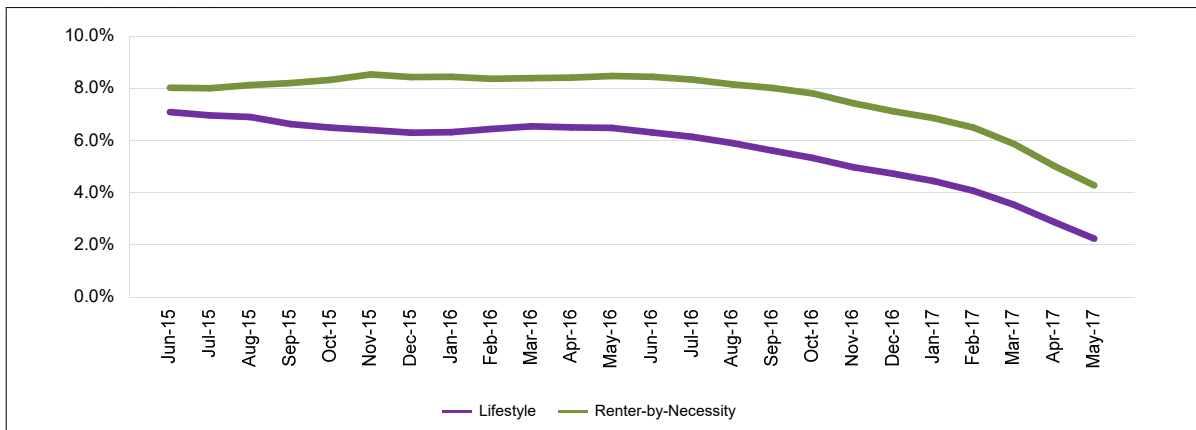
- Atlanta rents increased 2.9% year-over-year through May, outpacing the national rate of 1.5%. Rent has steadily increased in recent years, but at \$1,108, it remains well below the national average of \$1,314. Gains, however, have declined, following national trends, as the steady increase in deliveries starts to take its toll.
- Rent growth was led by the working-class Renter-by-Necessity segment, up 4.2% to \$928 year-over-year, while Lifestyle rents increased 2.2% to \$1,167. Demand remains elevated for both segments, due to Atlanta's broad-based employment growth and diverse economy. Still, the lack of affordable housing options continues to drive up rents for lower-end units.
- Rent spikes occurred in both core and suburban areas, with the West Riverdale submarket leading growth by far with a 14.6% increase year-over-year. Other submarkets with significant growth include Peachtree/Fayetteville (8.1%), East Riverdale (7.6%), Redan (6.7%) and Oakland (6.7%).
- Demand for apartments is expected to remain high, but the likely surge in supply this year will keep rent growth at moderate levels. Yardi Matrix forecasts rents will increase by 3.5% in 2017.

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)

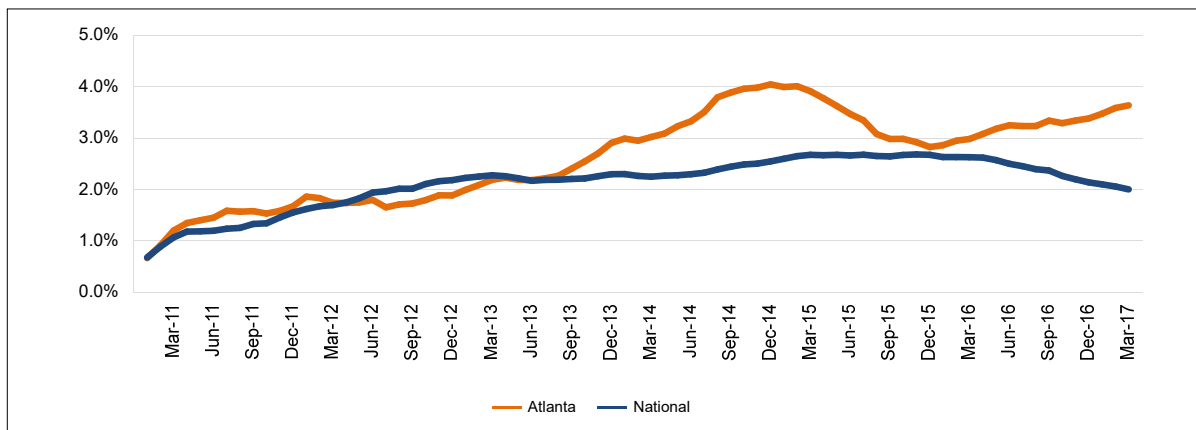


Source: YardiMatrix

Economic Snapshot

- Atlanta added 103,100 jobs in the 12 months ending in March 2017, up 3.6% and well above the 2.0% national average. The metro continued its healthy momentum, with no net loss in employment year-over-year.
- The cost of doing business in Atlanta is low relative to competing metros. The city uses its favorable corporate tax burden and business relocation costs to lure companies from other parts of the country. The Metro Atlanta Chamber of Commerce provides free professional site selection services to foreign organizations entering the U.S., boosting corporate and office jobs. Companies are also attracted to the area's diverse pool of workers and university graduates.
- Despite its robust office market, Atlanta had negative absorption rates in the beginning of 2017. Nevertheless, the Class A office market continues to strengthen, with asking prices nearing \$30 per square foot. As of the end of the first quarter, more than 3 million square feet of new space was under construction, with most of it scheduled to come online this year.
- Trade, transportation and utilities added 13,200 jobs, as an increasing number of retailers and manufacturers are setting up production sites, logistics warehouses and storage facilities that can be used to deliver products quickly to the region's growing population.

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	508	18.6%	26,800	5.6%
70	Leisure and Hospitality	291	10.7%	17,600	6.4%
40	Trade, Transportation and Utilities	596	21.9%	13,200	2.3%
65	Education and Health Services	342	12.5%	11,900	3.6%
15	Mining, Logging and Construction	123	4.5%	9,500	8.4%
55	Financial Activities	172	6.3%	8,300	5.1%
90	Government	335	12.3%	7,700	2.4%
50	Information	100	3.7%	6,600	7.1%
30	Manufacturing	163	6.0%	1,200	0.7%
80	Other Services	96	3.5%	300	0.3%

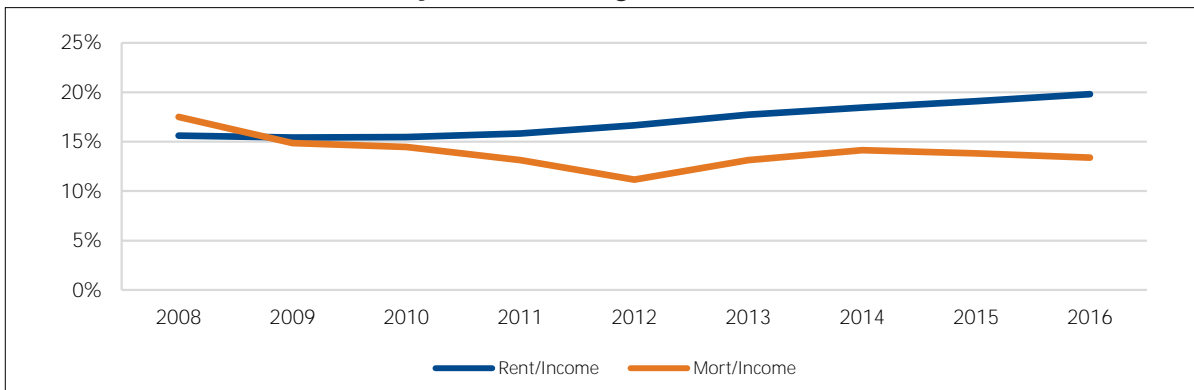
Sources: YardiMatrix, Bureau of Labor Statistics

Demographics

Affordability

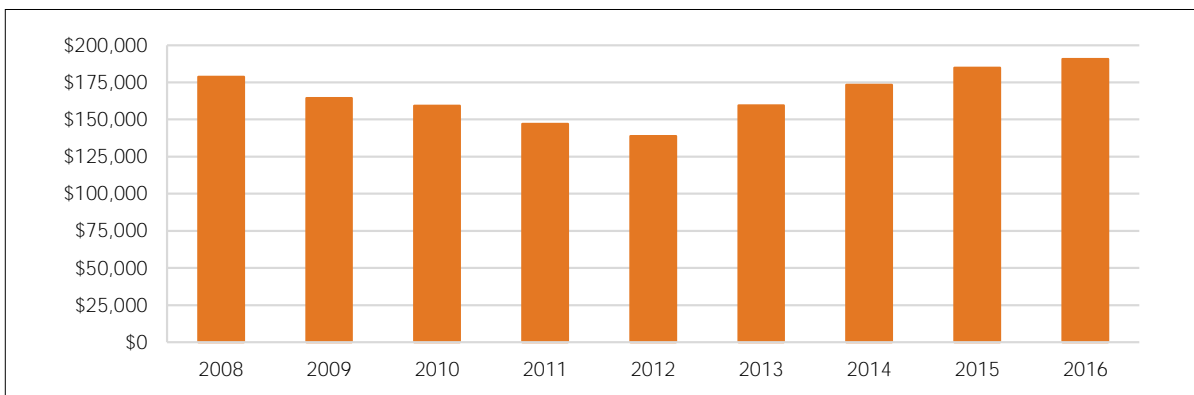
- The affordable housing issue in Atlanta is worsening. Median home values reached \$191,000 in 2016, with the average mortgage accounting for 13% of the city's median income and the average rent comprising 20%.
- To combat the affordability problem, city authorities passed a policy last year that requires developers that receive public funds to set aside as much as 15% of their units for low-cost housing. Plus, the Atlanta City Council voted to approve \$40 million for housing programs. The metro also received \$1 million from the corporate foundation Strong, Prosperous, And Resilient Communities Challenge (SPARCC) for affordable-housing units near the Beltline trail and rail stations.

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's population increased by 1.6% in 2016, more than double the 0.7% national growth rate.
- The metro's population expanded by 90,650 in 2016 alone, up by more than 337,555 residents since 2012.

Atlanta vs. National Population

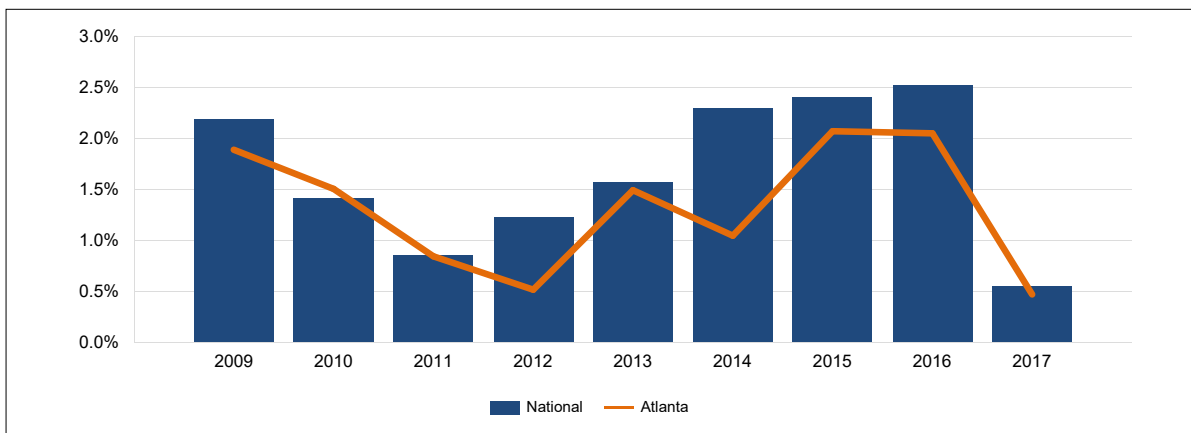
	2012	2013	2014	2015	2016
National	313,998,379	316,204,908	318,563,456	320,896,618	323,127,513
Atlanta Metro	5,452,145	5,517,230	5,605,765	5,699,050	5,789,700

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

Supply

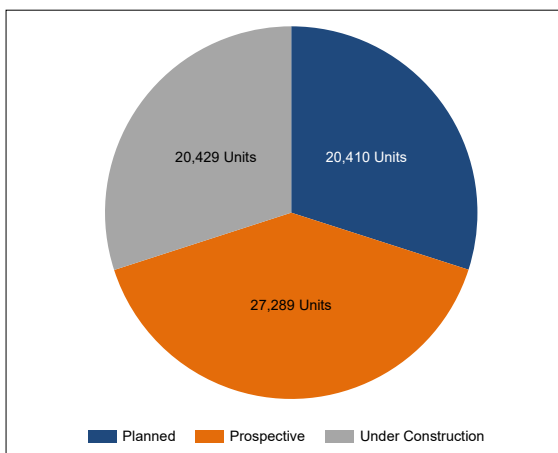
- Construction activity is booming in Atlanta. The number of completions were fairly stable over the past two years—about 8,300 units delivered each year—and this momentum is expected to continue. More than 1,300 units have come online as of May, and Yardi Matrix forecasts 11,000 units to be completed by year-end, as developers push to stay on schedule.
- Roughly 20,000 multifamily units are under construction and some 68,000 are in development. Robust job and population growth should be sufficient to absorb new deliveries over time; however, the large number of units to be delivered this year will place slight pressure on occupancy, which stood at 93.5% for stabilized properties in both March and April.
- The development boom is scattered across the entire metro, with both core and suburban areas seeing increased construction activity. Sandy Springs/Dunwoody (2,110 units under construction), Midtown West/Centennial Place (1,947 units) and Midtown South (1,825 units) are the submarkets with the most development activity. The 400-unit AMLI City Place, owned by AMLI Residential, is the largest project scheduled to come online in 2017.

Atlanta vs. National Completions as a Percentage of Total Stock (as of May 2017)



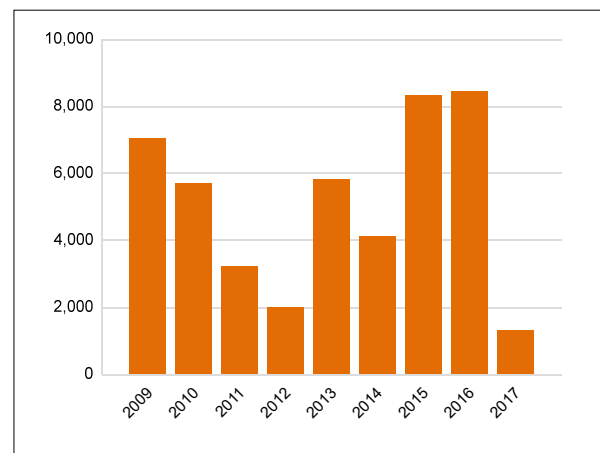
Source: YardiMatrix

Development Pipeline (as of May 2017)



Source: YardiMatrix

Atlanta Completions (as of May 2017)

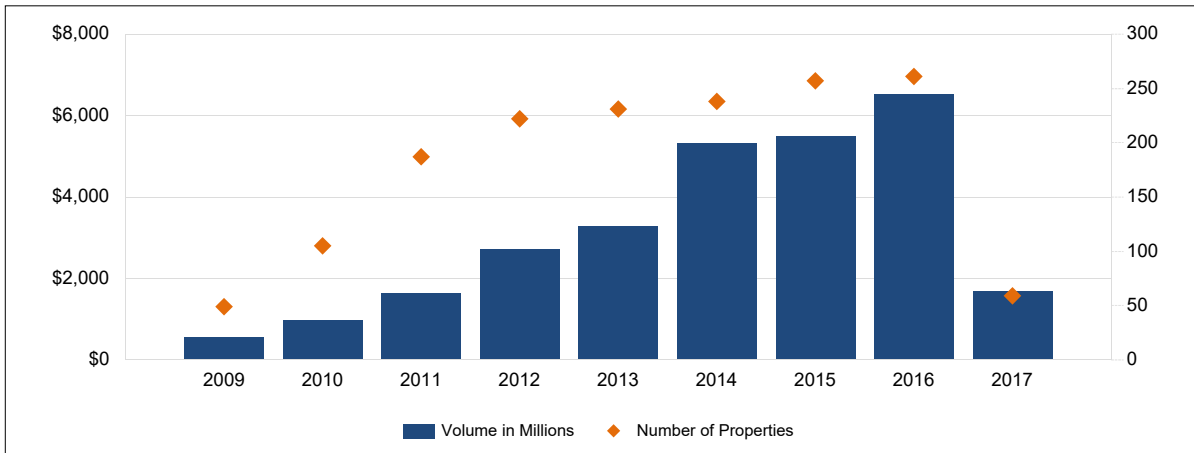


Source: YardiMatrix

Transactions

- Sales activity is off to a slower start this year, after reaching a cycle high in 2016, when total transaction volume rose above \$6.5 billion. As of May, \$1.7 billion in multifamily assets had changed hands, with the average price per unit increasing to \$113,931.
- Atlanta appeals to investors seeking a large regional center outside the overheated core coastal markets. Consistent growth and returns drive the competitive market, as acquisition yields for stabilized Class A properties range from 4.8% to 5.3%, while yields for Class B and C assets hover between 5.2% and 6.7%.
- Over the past 12 months, the Sandy Springs/Dunwoody submarket had the highest transaction volume, led by the \$93 million purchase of Avia at North Springs in Dunwoody—the second quarter’s largest transaction. Located 16 miles north of downtown, the property is near public transportation.

Atlanta Sales Volume and Number of Properties Sold (as of May 2017)



Source: YardiMatrix

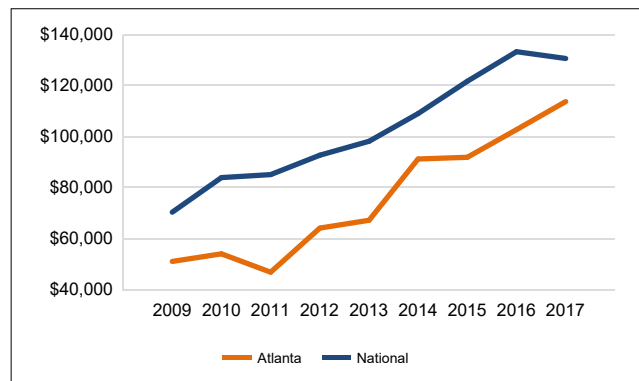
Top Submarkets for Transaction Volume¹

Submarket	Volume (\$MM)
Sandy Springs/Dunwoody	612
Buckhead	419
Sandy Springs North	342
North Vinings	308
Lawrenceville	301
Lilburn	270
Roswell/Alpharetta	260
North Decatur/Clarkston/Scottsdale	245

Source: YardiMatrix

¹ From June 2016 to May 2017

Atlanta vs. National Sales Price per Unit



Source: YardiMatrix

Read All About It!



Savills Studley Inks 60 KSF
Atlanta-Area Office Lease



Georgia Apartment Community
Sells for \$28M



Lidl Unveils Plans
For \$100M GA Facility

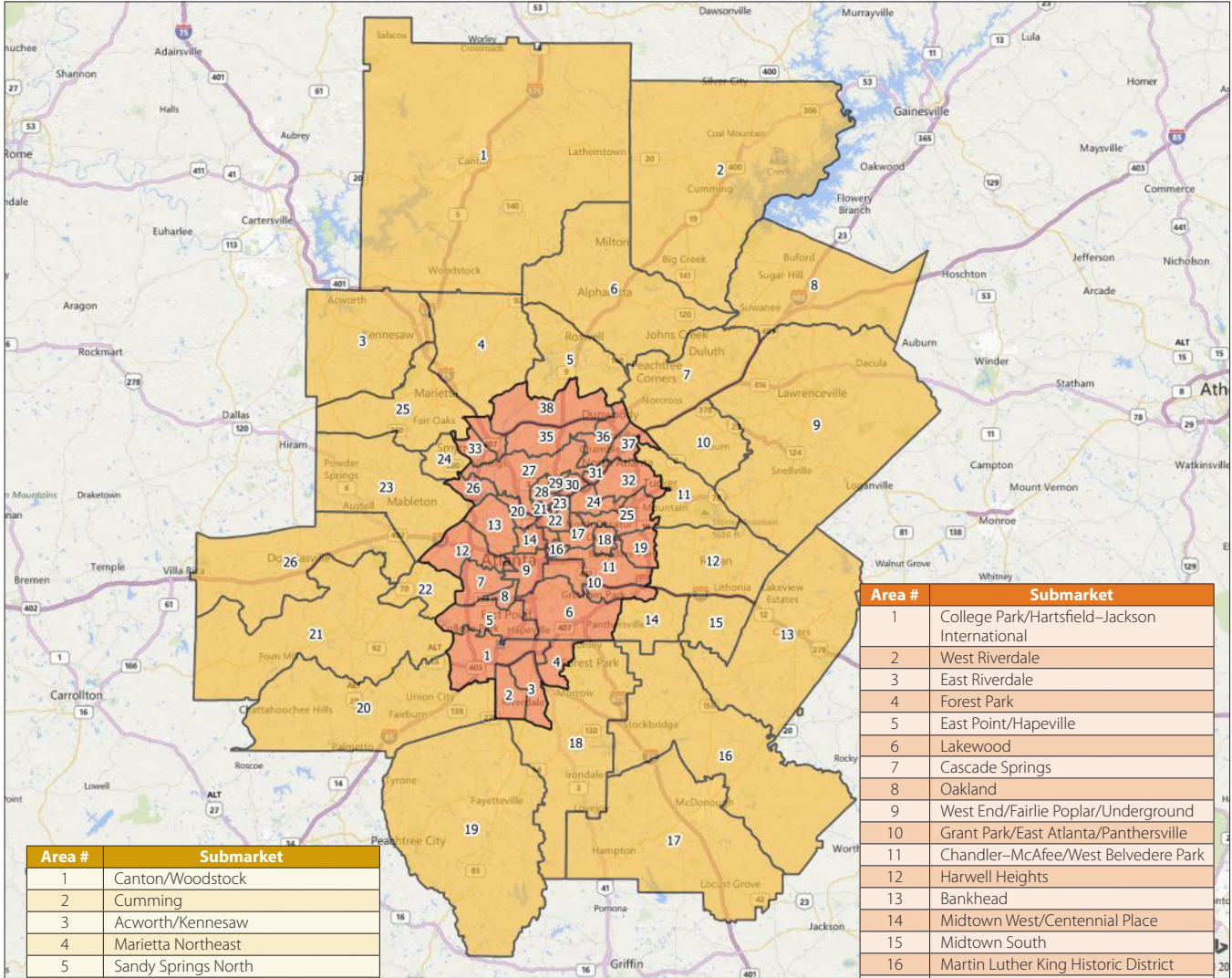


Atlanta Communities
Score \$24M in Financing

Get the latest Atlanta real estate
news at



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	Clifondale
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 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-Highland
18	Decatur
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	Rhine
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.

What's the best choice for CRE news & views?



With so much information out there, selecting the best source can be daunting. Keep it simple. *Commercial Property Executive* and *Multi-Housing News* will keep you up-to-date on real estate news, data, trends and analysis—daily, weekly or monthly. Trust the leading integrated industry information resource to help you make informed decisions and achieve your business goals.



cpexecutive.com



multi-housingnews.com

Visit our websites and sign up for our free emailed newsletters at cpexecutive.com/subscribe and multi-housingnews.com/subscribe.

DISCLAIMER

ALTHOUGH EVERY EFFORT IS MADE TO ENSURE THE ACCURACY, TIMELINESS AND COMPLETENESS OF THE INFORMATION PROVIDED IN THIS PUBLICATION, THE INFORMATION IS PROVIDED "AS IS" AND YARDI MATRIX DOES NOT GUARANTEE, WARRANT, REPRESENT OR UNDERTAKE THAT THE INFORMATION PROVIDED IS CORRECT, ACCURATE, CURRENT OR COMPLETE. YARDI MATRIX IS NOT LIABLE FOR ANY LOSS, CLAIM, OR DEMAND ARISING DIRECTLY OR INDIRECTLY FROM ANY USE OR RELIANCE UPON THE INFORMATION CONTAINED HEREIN.

COPYRIGHT NOTICE

This document, publication and/or presentation (collectively, "document") is protected by copyright, trademark and other intellectual property laws. Use of this document is subject to the terms and conditions of Yardi Systems, Inc. dba Yardi Matrix's Terms of Use (<http://www.yardimatrix.com/Terms>) or other agreement including, but not limited to, restrictions on its use, copying, disclosure, distribution and decompilation. No part of this document may be disclosed or reproduced in any form by any means without the prior written authorization of Yardi Systems, Inc. This document may contain proprietary information about software and service processes, algorithms, and data models which is confidential and constitutes trade secrets. This document is intended for utilization solely in connection with Yardi Matrix publications and for no other purpose.

Yardi®, Yardi Systems, Inc., the Yardi Logo, Yardi Matrix, and the names of Yardi products and services are trademarks or registered trademarks of Yardi Systems, Inc. in the United States and may be protected as trademarks in other countries. All other product, service, or company names mentioned in this document are claimed as trademarks and trade names by their respective companies.

© 2017 Yardi Systems, Inc. All Rights Reserved.