

An aerial photograph of the Atlanta skyline, featuring prominent skyscrapers like the Bank of America Tower and the Georgia State Capitol. A large Ferris wheel is visible in the foreground. The entire image is overlaid with a semi-transparent blue filter.

Atlanta 1Q 2023 Multifamily Market Report

Welcome to the Atlanta Multifamily Market Report. This comprehensive analysis provides valuable insights into the multifamily sector's performance and emerging trends. Our data-driven approach equips investors and stakeholders with the knowledge to make informed decisions and maintain a competitive edge. We invite you to explore this resource and leverage its findings to refine your investment strategy.

Supply and Demand

Completions in 1Q 2023

In the first quarter of 2023, the Atlanta multifamily market experienced a significant influx of 4,674 units. Notably, the Midtown Atlanta submarket emerged as the focal point for the majority of this new supply.

Annual Supply Trends

In the calendar year of 2022, the Atlanta multifamily market experienced continued growth with the delivery of 11,328 units, which expanded the local inventory base by 2.0%. Notably, the Northeast Gwinnett County, Midtown Atlanta, and Southeast Atlanta submarkets emerged as the focal points of this expansion, collectively receiving over 30% of the delivered units.

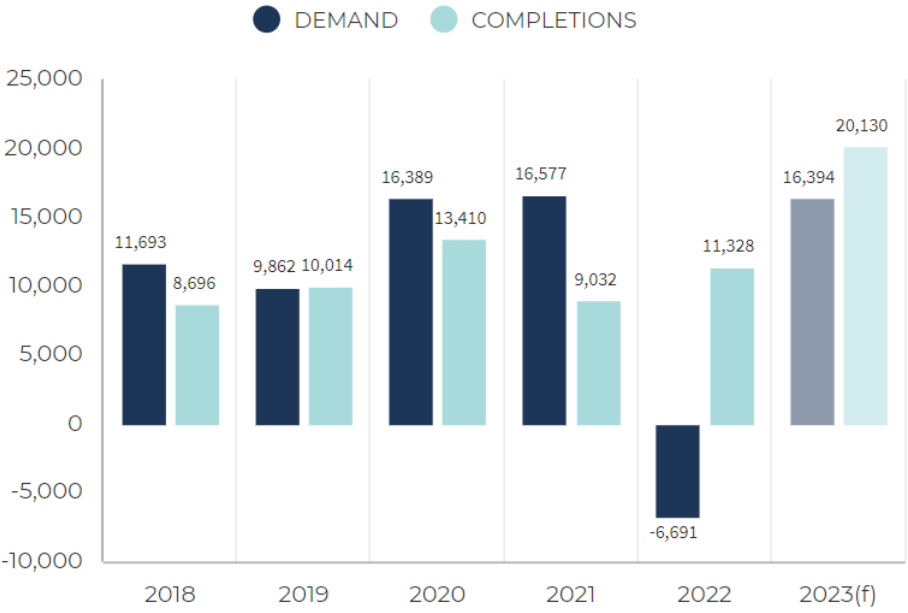
Units Under Construction

At the conclusion of 2022, the Atlanta multifamily market recorded a significant number of units under construction, reaching a notable count of 38,835, which stands as the highest amount observed in recent memory. Among these units, a considerable portion, specifically 26,187, are scheduled to be completed in 2023. Year to date, a total of 4,674 units have already been completed. Looking ahead, the focus of new deliveries in the current year will remain concentrated in the bustling and sought-after Midtown Atlanta submarket, as well as in the suburban locations of the Far North Atlanta suburbs submarket.

Absorption Trends

Over the past five years, first quarter absorption has averaged 2,096 units. In the first quarter of 2023, quarterly absorption slightly fell below that average, totaling 1,752 units. Nonetheless, this figure represents a welcome reversal from the three consecutive quarters of net move-outs recorded between the second quarter of 2022 and the fourth quarter of 2022. Despite the positive absorption in the first quarter of 2023, it was insufficient to offset the negative absorption of the previous three quarters, resulting in a negative annual absorption for the same period.

ANNUAL DEMAND VS COMPLETIONS



Occupancy and Rent Trends

▼ Occupancy Trends

In the past year, the apartment market of Atlanta has been facing a challenging period, with a 3.5% dip in the average occupancy rate. This downturn marks a first-quarter 2023 occupancy rate of 93.4% – the lowest recorded in half a decade. Despite the downtrend, the market breakdown for the first quarter of 2023 reveals resilience of Class A units in Atlanta. In the face of a record amount of new supply, Class A units have demonstrated remarkable durability, sustaining the most minimal drop in occupancy from peak levels. A comparative analysis of the change from peak occupancy underscores this resilience: Class A units have experienced a modest dip of 3.4 percentage points to 93.5%, while Class B units and Class C units saw a drop of 3.7 and 4.2 percentage points to 93.3% and 93.2%, respectively.

Drilling down into the submarkets, Clarkston / Tucker and Norcross have outperformed the broader market, boasting the highest occupancy rates in the first quarter of 2023. Southeast DeKalb County and Henry County, on the other hand, reported lower occupancy rates. Over the course of the last five years, Clarkston / Tucker has consistently outshone its counterparts in the Atlanta area, establishing a reputation for robust occupancy rates.

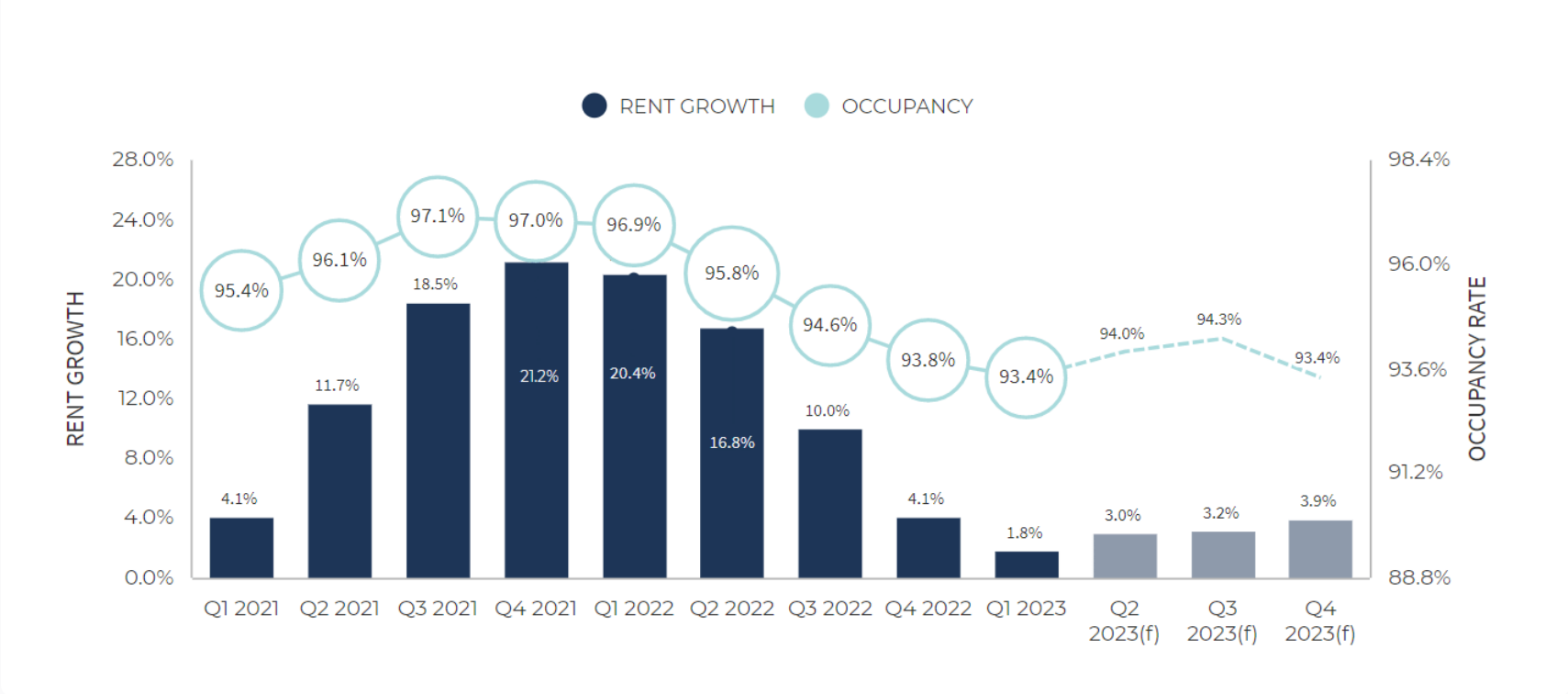
▼ Rental Trends

In the initial quarter of 2023, the Atlanta rental market posted an average rental rate of \$1,684. This marked a year-on-year uplift of 1.8%—a figure lower than the preceding five-year average of 7.0%—yet still indicative of a promising narrative for Atlanta's rental growth. This positive momentum sets Atlanta apart from its pandemic peers like Phoenix, Austin, and Las Vegas. These cities, which experienced a surge in rental growth and demand in the aftermath of the pandemic, much like Atlanta, are currently grappling with a downturn in annual rental growth.

A deep dive into Atlanta's three product classes unveils intriguing market dynamics. Class A units registered an annual effective rent change of 2.9%, while its Class B counterpart saw a more modest uptick of 0.8%. However, it was Class C units that led the pack with a 3.2% shift, highlighting the complex interplay of demand across the different classes. This marks the third consecutive quarter where Class B units have lagged behind both Class A and C units in terms of rent growth.

While conjectural, the relative affordability of the Atlanta market could be enticing financially comfortable Class B renters to level up their living arrangements. This trend could be driven by the influx of new units, which typically sparks a competitive concessions environment among Class A properties. Conversely, Class B renters who are feeling the pinch of inflation may be exploring cost-effective options, such as downgrading their accommodations to make their dollars stretch further in the current economic climate..

RENT AND OCCUPANCY TRENDS



Submarket Analysis

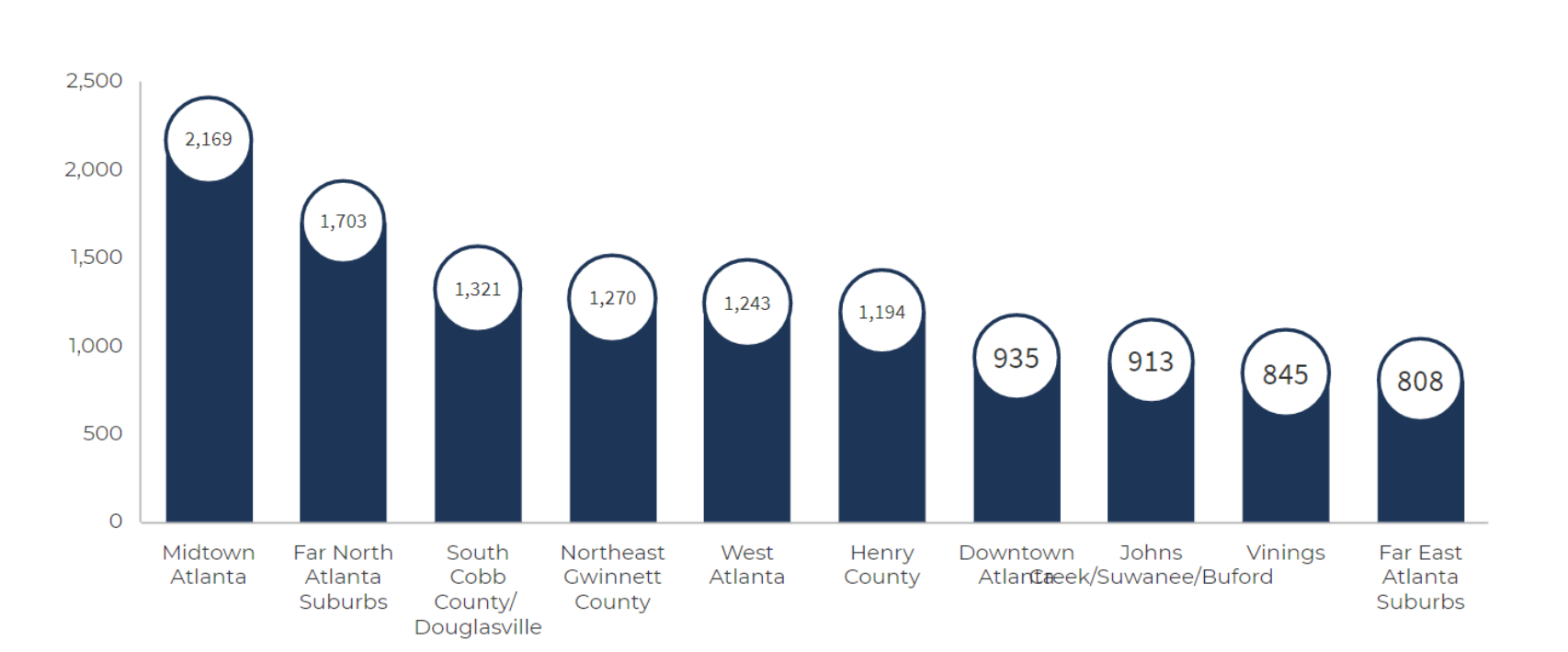
Rent performance in Atlanta's 39 submarkets varied significantly, with Doraville leading with 11.6% growth in Q1 2023. However, most submarkets experienced a deceleration in quarterly rents, and four submarkets even saw an annual decrease in rents.

there was significant variability in occupancy rates across submarkets. Southeast DeKalb County had the lowest occupancy rate of 90.3%, while Clarkston/Tucker recorded the highest rate at 95.4%. Remarkably, despite the surge in supply, the occupancy rate in the urban core remained consistent with the market average, standing at 93.1%.

Over the past year, Midtown Atlanta and Southeast Atlanta experienced the greatest increase in supply, with an average of 10,607 new units added annually and an average annual inventory growth of 2.0% over the past five years. Buckhead and Midtown Atlanta were the primary recipients of new supply, accounting for approximately 17% of the market's total completions over the past five years. Looking ahead, upcoming deliveries are expected to concentrate in Midtown Atlanta, Northeast Gwinnett County, Far North Atlanta Suburbs, and West Atlanta.

Submarket Name	1Q23 Occupancy Rate	Annual Change	1Q23 Effective Rent	Annual Change
Downtown Atlanta	93.5%	-3.5%	\$1,941	2.1%
Midtown Atlanta	92.9%	-3.5%	\$2,132	1.4%
Northeast Atlanta	93.0%	-3.1%	\$1,870	2.0%
Southeast Atlanta	92.7%	-3.8%	\$1,661	0.6%
South Atlanta	92.9%	-4.3%	\$1,271	5.2%
West Atlanta	92.5%	-3.5%	\$1,828	0.3%
Buckhead	92.9%	-3.6%	\$2,068	0.9%
Sandy Springs	93.1%	-3.5%	\$1,753	0.9%
Dunwoody	92.8%	-4.6%	\$1,815	-0.1%
Chamblee/ Brookhaven	94.5%	-2.4%	\$1,786	2.2%
Doraville	93.4%	-4.9%	\$1,485	11.6%
Briarcliff	93.9%	-2.9%	\$1,685	1.7%
Decatur	93.3%	-3.2%	\$1,843	2.3%
Clarkston/Tucker	95.4%	-2.2%	\$1,442	5.8%
Stone Mountain	93.2%	-3.0%	\$1,359	4.6%
South DeKalb County	92.2%	-4.6%	\$1,304	6.8%
Southeast DeKalb County	90.3%	-7.0%	\$1,444	2.6%
Henry County	92.0%	-4.8%	\$1,607	0.4%
Clayton County	92.6%	-4.1%	\$1,297	5.0%
South Fulton County	92.9%	-4.0%	\$1,342	2.5%
Southwest Atlanta	92.1%	-4.2%	\$1,440	1.1%
South Cobb County/Douglasville	93.4%	-3.1%	\$1,514	3.1%
Smyrna	93.0%	-4.2%	\$1,658	1.2%
Vinings	93.6%	-3.4%	\$1,835	1.7%
Southeast Marietta	93.5%	-3.1%	\$1,534	0.7%
West Marietta	94.3%	-2.7%	\$1,445	-1.3%
Kennesaw/Acworth	94.5%	-2.5%	\$1,690	-0.9%
Northeast Cobb/Woodstock	92.8%	-4.5%	\$1,709	0.6%
Roswell	92.7%	-4.7%	\$1,712	1.6%
Alpharetta/Cumming	94.3%	-3.1%	\$1,958	2.5%
Norcross	94.7%	-2.8%	\$1,486	2.8%
Duluth	93.9%	-3.2%	\$1,675	0.7%
Johns Creek/Suwanee/Bufo rd	94.0%	-2.6%	\$1,830	-0.1%
Northeast Gwinnett County	94.0%	-3.7%	\$1,708	0.4%
Southeast Gwinnett County	94.5%	-3.1%	\$1,606	4.3%
Far East Atlanta Suburbs	94.3%	-2.6%	\$1,472	1.3%
Far South Atlanta Suburbs	93.4%	-4.2%	\$1,591	1.4%
Far West Atlanta Suburbs	93.0%	-3.6%	\$1,526	5.1%
Far North Atlanta Suburbs	94.3%	-3.3%	\$1,625	2.1%

UNITS BY SUBMARKET DELIVERING IN 2023



Sales Activity

Atlanta's multifamily market has consistently attracted strong interest from investors, earning its place among the top three markets for apartment investment in the past year. Despite the recent increase in interest rates, the market remains active and vibrant. The first quarter of 2023 saw healthy volume in individual conventional multifamily deals, amounting to approximately \$495 million. While this figure represents a 76.2% decline compared to the previous year, it is important to note that the market remains active, with 14 properties involved in these transactions.

Although there has been a slight year-over-year decrease in the region's average price per unit, it still stands at a competitive level of \$191,200. This price point is below both the Southeast region's average price per unit and the national average of \$245,640. These factors indicate that Atlanta's multifamily market continues to offer compelling investment opportunities for those seeking to enter the market. Despite occasional fluctuations, the market's overall stability and attractive pricing make it an appealing choice for investors.

Transaction Trends

Transaction Volume	Pricing
<div>\$494.8M</div> <div>1Q 2023 Transaction Volume</div>	<div>\$191.2k</div> <div>1Q 2023 Price Per Unit</div>
<div>-76.2%</div> <div>Annual Volume Change</div>	<div>-23.3%</div> <div>Annual Price Change</div>

Top Buyers (Prev. 24 Mos)

- Bridge Investment Grp
- Equity Residential
- 60IW Companies
- Lone Star
- Blackstone

Top Sellers (Prev. 24 Mos)

- RangeWater RE
- Alliance Residential
- Mill Creek Residential
- FPA Multifamily
- Terwilliger Pappas

Economic Pulse

The employment landscape in Atlanta has demonstrated significant growth, as reported by the U.S. Bureau of Labor Statistics. In March 2023, the over-the-year change in employment on nonfarm payrolls stood at an impressive 3.3%. Several sectors in the Atlanta area have experienced notable increases in employment, highlighting the region's vibrant economy and diverse opportunities. The leisure and hospitality sector witnessed a remarkable surge, adding 28,200 new jobs year over year. This growth is indicative of Atlanta's thriving tourism and entertainment industry. Additionally, the education and health services sector saw a substantial increase of 26,500 jobs, emphasizing the importance of this field in meeting the community's needs.

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While recent layoffs and postponements by tech giants may raise some concerns, Atlanta remains an attractive market for corporate relocations. Many well-known companies, including Microsoft, Google, Cisco, Invesco, Micron, and Norfolk Southern, have established new offices and relocated their headquarters in the region, generating numerous job opportunities for Atlanta's growing population. In addition, other companies such as TK Elevator, Truist Securities, Deluxe Corporation, Papa Johns, Mailchimp, Airbnb, and Nike have expanded their local presence. Atlanta's continued growth and corporate interest bode well for the city's economic future.

Major Economic Developments



Rivian to Build \$5B EV Plant in Atlanta

\$5B

Total Investment

7,500

estimate jobs created

2K-acres

site

Morgan County

Location

2024

Production start date



Atlanta Children's Hospital to Invest \$1.5B

\$1.5B

Project Cost

446-bed

facility including

70-acre

Total campus size

Brookhaven Suburb

Location

2025

Completion date



Freyr's to Build \$2.6B EV Battery Plant in Metro Atlanta

\$2.6B

Project Cost

720

estimate jobs created

Newnan

location

368-acre

site

2026

Initial production date

Market Outlook

In 2021 and early 2022, the Atlanta market, in alignment with other Sun Belt markets, demonstrated strong performance driven by a robust economic recovery, increased household formation, and a surge in in-migration. This positive trend was further supported by a decline in apartment completions, particularly in areas with high supply. However, it is important to note that supply is projected to increase again in the next four quarters, with a staggering 20,328 units scheduled for delivery by 1Q 2024. While the urban core is anticipated to receive approximately 17% of these units, the match between the increase in supply and demand remains uncertain.

In the short term, rent and occupancy performance are expected to maintain their current trajectory, aligning with national trends. However, it is predicted that rents and occupancy rates will stabilize by early 2025 and begin to rise again.

The Atlanta region boasts a favorable low cost of doing business, serves as a regional business hub, and is home to a highly educated and relatively young population. It is noteworthy that the Hartsfield-Jackson Atlanta Airport stands as the world's busiest airport in terms of passenger traffic. Additionally, the Atlanta region is expected to experience future demand spurred by various upcoming developments. One notable project is Hanwha Q Cells Co.'s \$2.5 billion investment in two solar power plants located in the Far North Atlanta Suburbs and Dalton. This significant endeavor is set to generate around 2,500 jobs, positioning it as one of Georgia's largest manufacturing projects and the largest investment in clean energy manufacturing in the history of the United States.





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