Atlanta’s appetite for apartments is breaking barriers between sectors.

COMMERCIAL REAL ESTATE

GROWING APPETITE FOR APARTMENTS

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ILLUSTRATION BY BROOKE TIMMONS | ACBJ; GETTY IMAGES
Atlanta’s apartment market is white-hot, wooing developers and other real estate companies with specialties in other sectors to jump into the flames.

Renters have expressed an appetite for a new place to call home, spurred by job growth and changing lifestyle preferences during the pandemic. But there aren’t quite enough apartment units to satisfy all of the hungry tenants.

“It’s not surprising to see,” said Charles Tassell, COO for the National Real Estate Investors Association. “... There’s an estimate of at least a 4 million-unit shortfall across the country.”

The region’s vacancy rate of about 5.8% hovers well below the 10-year average of 8.1%, sending developers and equity groups into a frenzy to build more apartments, a sector safer from pandemic uncertainty.

Equity groups used to turn up their noses at Atlanta, but that’s no longer the case due to the region's promising apartment prospects. “Even the ones who five years ago said, ‘We don’t do Atlanta. Y’all aren’t quite a gateway city’ - They’re all here now trying to find multifamily,” said Malloy.
Peterson, senior vice president of development at Atlanta-based Selig Enterprises.

Atlanta's apartment sector has shown strong performance in recent years, but the state of the market today is unprecedented, said David Kahn, Southeast director of market analytics at CoStar.

“We've never seen anything like this - ever,” Kahn said. “It's a freak market due to COVID-19, [in which] so many strange things have happened.”
UNITS UNDER CONSTRUCTION

Atlanta has seen a boom in apartment construction, with demand from a variety of sources. Big tech companies are among them, bringing more jobs to the city. The pandemic has also played a role in this boom.

RENT PER UNIT

Rent growth has outpaced household income growth. As a result, renters are using more of their monthly income to pay for their apartments.

ANNUAL RENT GROWTH

Rents were expected to rise in the wake of the pandemic, but the increase has been astounding.

4.1% 3.7%
2020 2021
Landmark Properties, an Athens-based company known for student housing, recently acquired Atlanta-based developer Haven Communities along with its staff and more than $500 million worth of development. Jay Williams, founder and CEO of Haven, will serve as a managing director at Landmark and lead its new multifamily division out of Buckhead.

The move represents Landmark’s entrance into apartments, following its expansion last year into the build-to-rent space. As it eyes multifamily deals in Buckhead, Midtown and Chamblee, the company already has three Atlanta projects in pre-development stages. Landmark’s decision to broaden its scope beyond student housing is a “natural progression,” said CEO and founder Wes Rogers. The company boasts its “vertically integrated platform,” in which has real estate teams beyond development such as property management, as a way to stand out from multifamily competitors.

It’s “human nature” for developers to listen to the help of John Akin and formed a sister company in November called Impact Development. Jason Hughes, CEO and president of Impact Development Management, recently decided to enter the multifamily arena. He called on the help of John Akin and formed a sister company in November called Impact Development.
market and branch outside their sectors, Peterson said, and they can pull it off if by crafting the right team.

Partners, which is already close to capturing four local deals.

“As the capital is attracted to a certain sector and that sector is hot, you’re always going to have some players dipping their toes [into it],” said Akin, who has decades of experience in multifamily development.

At Centennial Yards, a 50-acre planned development in downtown Atlanta, the first market-rate apartments leased up in 45 days. "Yes, it surprised us," said Brian McGowan, president of Centennial Yards Co.

Since then, at least a dozen apartment
developers have approached his teams about additional projects. "Working from home has something to do with this," McGowan said of the demand. "Young people don't have to live in the city where their company is headquartered. It's causing lower cost cities like Atlanta, in particular, to be a hot housing market."

Cushman & Wakefield, a real estate services firm, flexed its commitment to the booming apartment space last year by grabbing a 40% stake in multifamily lender Greystone for $500 million. Only a year
earlier, the firm acquired Pinnacle Property Management, which oversees 172,000 units across more than 800 properties.

Cushman & Wakefield runs its Atlanta-based Sunbelt Multifamily Advisory Group, a team of more than 70 professionals that closed $13.8 billion in sales volume in 2021. In a statement to Atlanta Business Chronicle, the firm said investment into the multifamily market will continue to be a top priority in 2022.

'Getting priced out'

Apartment developers are forking over
more dollars for projects than in previous years. And in turn, coupled with Atlanta’s low apartment inventory, renters are feeling it in their wallets. Amid rising construction costs, land constraints and a limited pool of skilled contractors, it has become more difficult to develop housing at an attainable price point, said Brian Oates, executive managing director of development at Atlanta-based RangeWater Real Estate.

Anna von Schmeling, an account executive at a public relations firm, signed a lease...
in May 2021 for a two-bedroom apartment in the Inman Park area.

The 24-year-old and her roommate split $2,250 in rent. But they fear when it comes time to renew, they could face a much steeper rent check.

After learning that her roommate's friend - who lives in a nearby apartment - is being hit with a 40% increase, Schmeling checked with her leasing office. She learned apartments like hers now go for $700 more than she and her roommate currently pay.

"What bothers me the most is
nothing has changed about my apartment, outside of the demand for apartments in the city," said Schmeling, adding that her apartment complex only has one unit available.

"... I feel like I'm getting priced out of the neighborhoods that I love," she said.

A rent hike would hinder Schmeling from putting as much of her income toward savings.

And with student loan payments set to resume in May, she said she'd feel even more cramped.

“They bump the rent, and if somebody moves out, they’ll turn the
unit over, clean it up and see if they can rent it for a little more,” Tassell said. “If they can keep renting it, they’ll keep moving the rates up.”

**Atlanta’s new renters**

Developers and analysts interviewed by Atlanta Business Chronicle offered several reasons for the rise of apartment demand.

Corporate relocations and the jobs that come with them naturally lead to an influx of new residents in need of housing. While rent growth has surpassed income growth during the pandemic, Atlanta still offers a lower
cost of living than other major metropolitan cities. The surge can partly be attributed to lifestyle preferences: empty nesters who no longer want to maintain their homes and younger generations who either can't afford a home, don't see the value in it or prefer the flexibility given by an apartment.

The pandemic freed some office workers from their daily commute, giving them the push to plant their roots farther away from the city and get more bang for their bucks.

Developers, seeing renewed interest for apartments outside the Perimeter, are broadening their focus to include suburban and exurban areas. "Whether it's intown or suburban," Oates said, "the demand is voracious."

### Atlanta's 25 Largest Apartment Management Cos.

*Ranked by Number of units managed in Atlanta*

<table>
<thead>
<tr>
<th>Rank</th>
<th>Company Name</th>
<th>Number Of Units Managed In Atlanta</th>
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<tr>
<td>1</td>
<td>Greystar Real Estate</td>
<td>24,211</td>
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Partners LLC

19,000

First Communities Management Inc.

16,695

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