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COMMERCIAL REAL ESTATE

GROWING APPETITE FOR APARTMENTS

Atlanta's apartment market is white-hot, wooing developers and other real estate companies with specialties in other sectors to jump into the flames.

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

ILLUSTRATION BY BROOKE TIMMONS | ACBJ; GETTY IMAGES



By Tyler Wilkins – Reporter,
Atlanta Business Chronicle
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RECOMMENDED

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Mergers and Acquisitions

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CRE Developers

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Charles Tassell

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More

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](#)

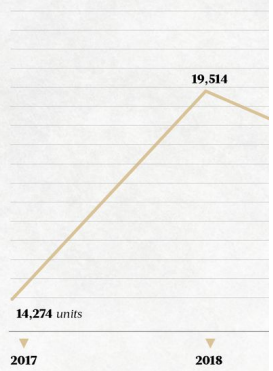
Peterson, senior vice president of development at Atlanta-based Selig Enterprises.

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 CONSTI

Atlanta has seen apartment starts jump demand. Big tech companies including bringing more jobs. The pandemic has



RENT PER UNIT

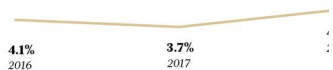
Rent growth has surpassed household income growth. As a result, renters are using more of their monthly income to pay for their apartments.



Type something

ANNUAL RENT GROWTH

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



A natural progression

2016 2017

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 it 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

Partners, and branch outside
which sectors, Peterson said,
already close pull it off if by
to finding the right team.
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 crunched.

"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."

T H E L I S T

Atlanta's 25 Largest Apartment Management Cos.

Ranked by Number of units managed in Atlanta

| Rank | Company Name | Number Of Units Managed In Atlanta |
|------|----------------------|------------------------------------|
| 1 | Greystar Real Estate | 24,211 |


| Rank | Company Name | Number Of Units Managed In Atlanta |
|------|-----------------------------------|------------------------------------|
| | Partners LLC | |
| 2 | First Communities Management Inc. | 19,000 |
| 3 | Cushman | 16,695 |

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