THE INVESTMENT MAKEUP OF ATLANTA’S MULTIFAMILY MARKET

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The Types of Multifamily Investments

RISK VS. RETURN

HIGH RISK → LOW RETURN

LOW RISK → HIGH RETURN

Development, Class C, Class B, Class A
The Types of Multifamily Investments

Development

• High Risk Investment due to:
  ▪ Longest return horizon
  ▪ Timing of construction completion
  ▪ Cost of construction
  ▪ Interest rate movement
  ▪ Lease up / stabilization
  ▪ Investment demand

• Quality: Best
• Location: Best
• Condition: Best
The Types of Multifamily Investments

Class C

• High to Moderate Risk Investment

• Quality: Builder Grade/ Value Engineered
  ▪ Materials Include:
    - Vinyl Exterior
    - Asphalt Rolled Shingle Roofs
    - Builder Grade Carpet
    - Laminate Countertops
    - Pressboard Cabinets
The Types of Multifamily Investments

Class C

- Condition: Fair to Average
  - Vintage: 1960’s to 1980’s
- Location: Stable to Declining
  - Largely Concentrated Areas of Class C Apartments are:
    - Surrounding Hartsfield Jackson Atlanta Int’l Airport
    - Older Industrial Areas
    - East Dekalb County
    - South Clayton County
- Rental Rates: Soft
  - Concessions Offered
  - Based on Affordability
The Types of Multifamily Investments

Class B

- Moderate to Low Risk Investment
- Quality: Good, but Older
  - Materials Include:
    - Hardiplank/ Brick
    - Architectural Grade Shingled Roofs
    - Faux Granite Countertops
    - Designer Laminate Floor
- Condition: Second Generation/ May have already received Major Renovation
  - Vintage: Late 1980’s to 1990’s
The Types of Multifamily Investments

Class B

• Location: Stable to Moderately Improving
  ▪ After Initial Rise and Decline in an area
  ▪ Largely Concentrated Areas of Class B are:
    - Parts of South Gwinnett County
    - Parts of West Cobb County
    - Parts of East Dekalb County

• Rental Rates: Stable to Increasing
  ▪ Increasing Rents largely due to Property Specific Improvements
The Types of Multifamily Investments

Class A

• Low Risk Investment
• Quality: Newest Available/ Best Grade for Industry
  ▪ Materials Include:
    - Stacked Stone/ Hardiplank
    - Architectural Grade Shingled Roofs
    - Detailed Mouldings
    - High Ceilings
    - Granite Countertops
    - Decorative Fixtures
The Types of Multifamily Investments

Class A

• Condition: New
  ▪ Vintage: 2000’s to Present

• Location: Rapid Growth Areas
  ▪ Largely Concentrated Areas of Class A Apartments are:
    - Buckhead
    - Midtown
    - Surrounding Emory

• Rental Rates: Rapidly Increasing
  ▪ Discretionary Spending
Multifamily Investors Profiled

Risk Level of Investor Type

Sole Practitioners/Partnerships
Syndicators
Institutional

LOW
HIGH

RISK

Sole Practitioners/Partnerships
Syndicators
Institutional
Multifamily Investors Profiled

Sole Practitioners/ Partnerships

• Investors Profiled as High Risk

• Included Investors:
  - First time buyers that run the property themselves fulltime (Limited or General Partner)
  - Side investment to someone with a career
    - Example: Physician
    - May Hire Third Party Management Company
  - Majority are Local Owners and Operators
Multifamily Investors Profiled

Syndicators

• Investors Profiled as Medium Risk

• Included Investors:
  ▪ Private Equity Funds
  ▪ Family Officed Money
  ▪ Exclusive Occupation
  ▪ Local, National or International Investors
  ▪ May Hire Third Party Management Company
Multifamily Investors Profiled

Institutional

- Investors Profiled as Low Risk
- Included Investors:
  - Pension Fund
  - REIT
  - Wall Street Firms
  - National Investors
  - May Hire Third Party Management Company
Multifamily Investors Profiled

Investor Type Most Interested in Atlanta Market:
• Syndicators
  ▪ Most Diverse Profile Including:
    - Israeli Investors
    - South American Investors
    - Northeast and West Coast United States Based Investors
Multifamily Investors Profiled

Why are Syndicators Interested in Atlanta Market:

• Atlanta Economy is in the 2\textsuperscript{nd} Inning of Recovery
  ▪ Contrary to the Raleigh, Charlotte and Nashville economies which are believed to be in the 6\textsuperscript{th} inning of recovery

• Why?
  ▪ No jobs in Atlanta during the recession, college graduates moved to more livable cities like Raleigh, Charlotte & Nashville
  ▪ Now, those graduates are moving to Atlanta because of new jobs
  ▪ Atlanta’s economic downturn was a larger swing than other cities
  ▪ Atlanta has more diversified economy and jobs
Value Trend Over the Last Five Years

- Value Theory
The Future of Atlanta’s Multifamily Market

- Dependent upon Interest Rates
- Deals are made when Expectations of both the Buyer and Seller Meet