

# THE INVESTMENT MAKEUP OF ATLANTA'S MULTIFAMILY MARKET

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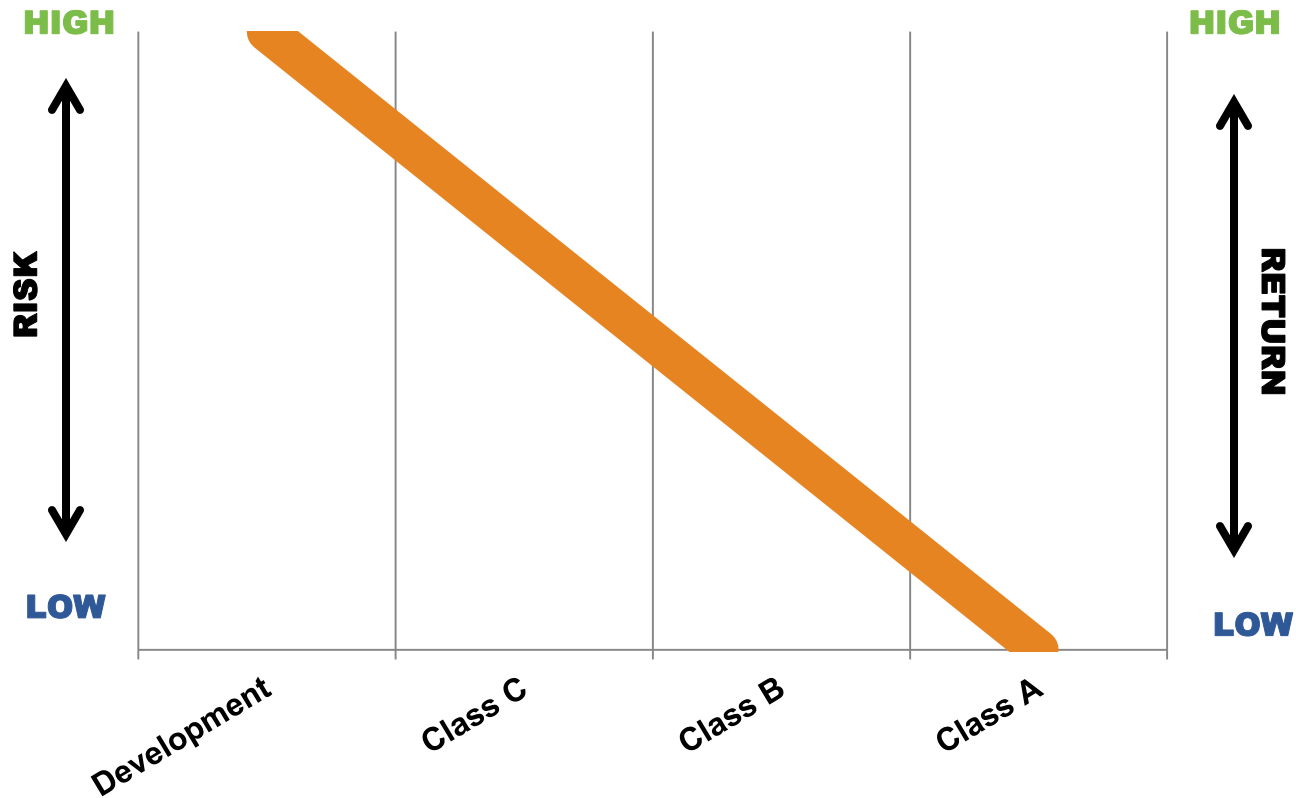


MULTI HOUSING ADVISORS



# The Types of Multifamily Investments

## RISK VS. RETURN



# The Types of Multifamily Investments

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## 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

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## 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

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## 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

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## 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

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## 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

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## 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

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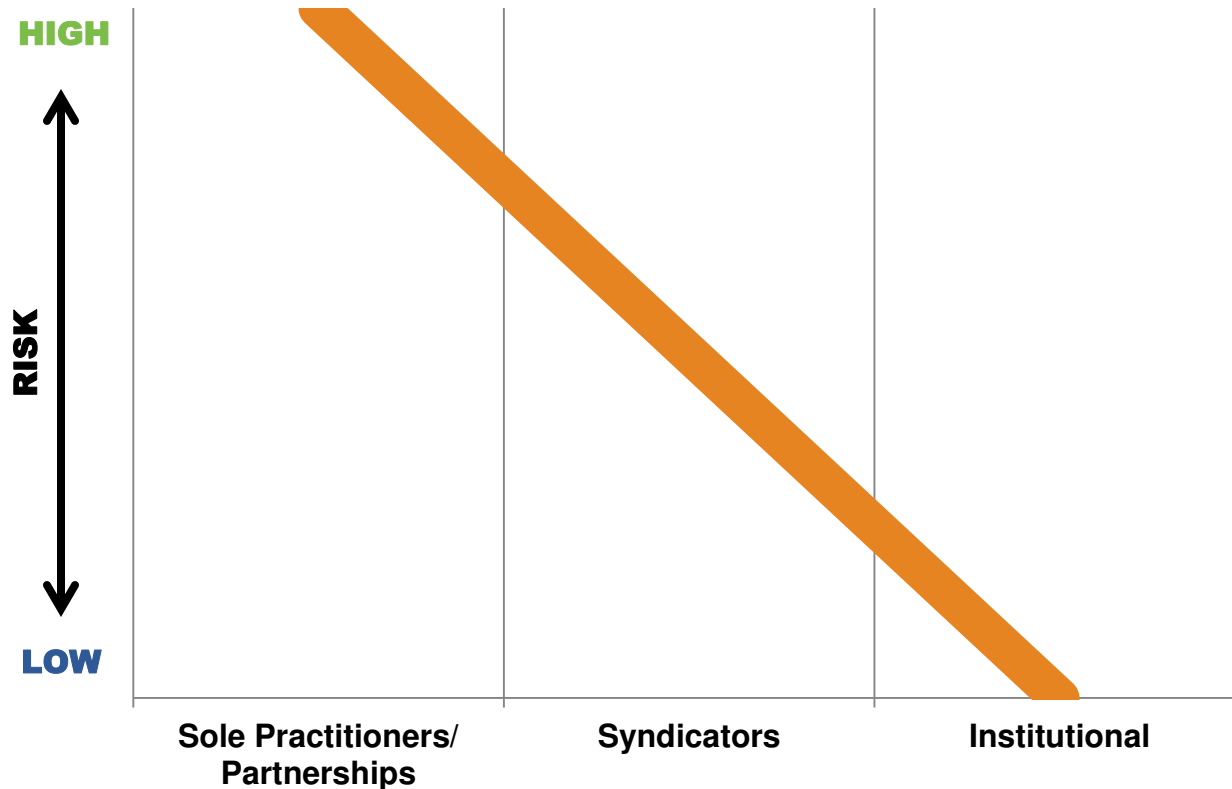
## **Class A**

- 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



# Multifamily Investors Profiled

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## 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

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## 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

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## 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

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## 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

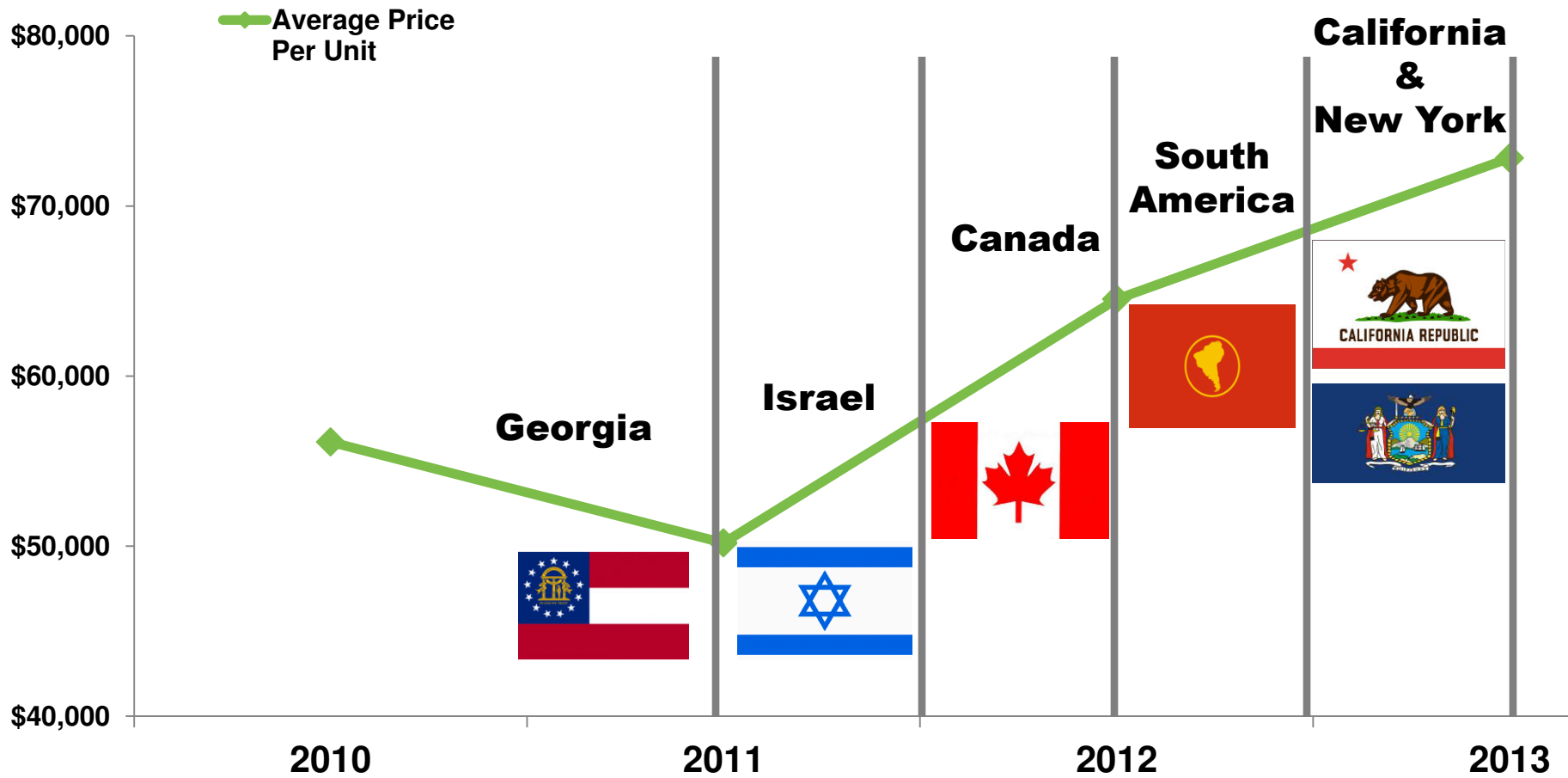
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## Why are Syndicators Interested in Atlanta Market:

- Atlanta Economy is in the 2<sup>nd</sup> Inning of Recovery
  - Contrary to the Raleigh, Charlotte and Nashville economies which are believed to be in the 6<sup>th</sup> 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



# Time Period, Value & Investor



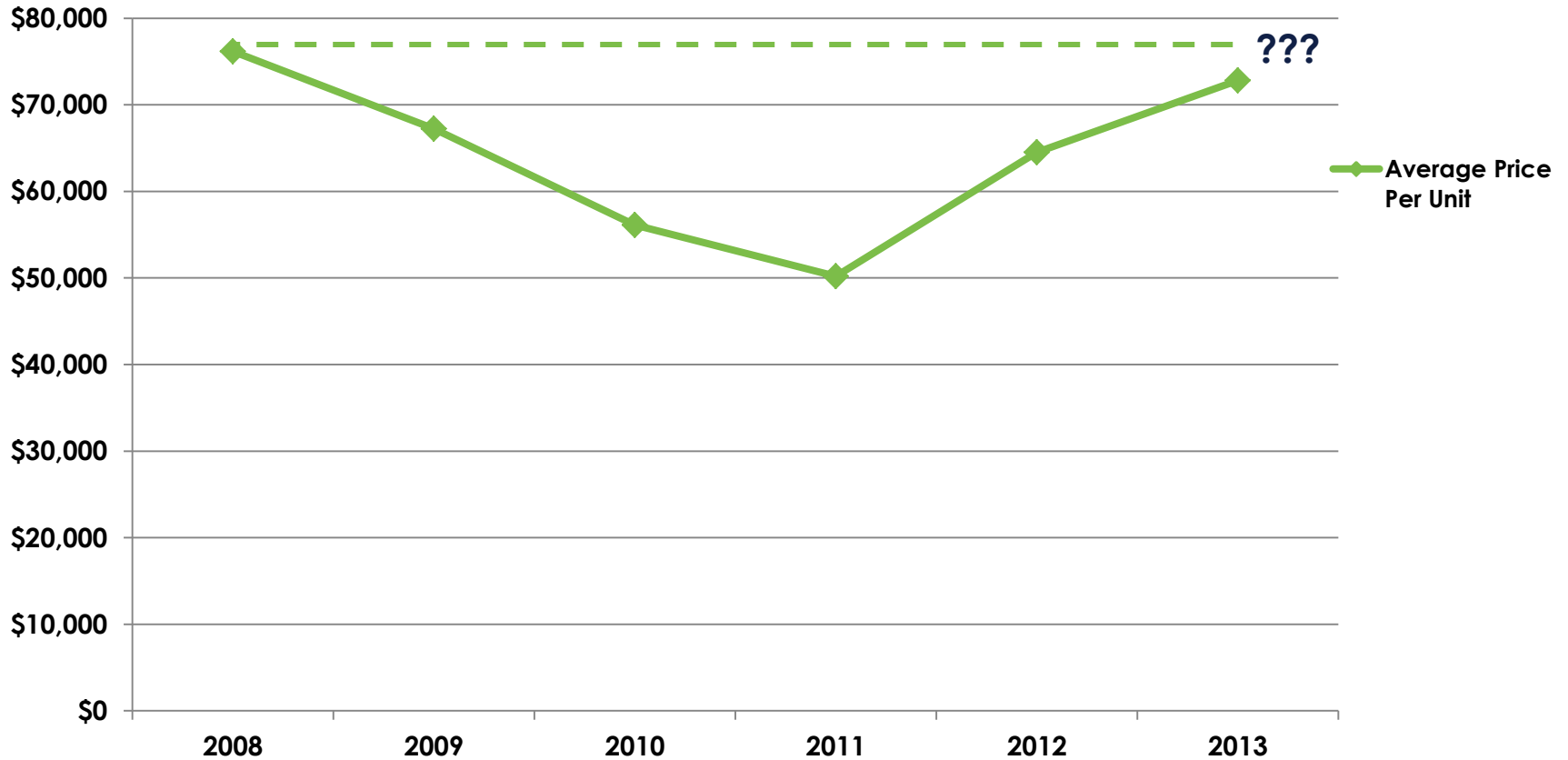
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# Value Trend Over the Last Five Years

- Value Theory



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# The Future of Atlanta's Multifamily Market

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

