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MULTIFAMILY INVESTORS THINK IT'S TIME TO BUY IN CLAYTON COUNTY

By Sean Henry

ATLANTA -- The economic recession has had a long negative impact on all real estate markets across the country. While most markets across the country have already begun to recover, with some actually back to their peak levels, a few have struggled to gain any positive momentum towards recovery. Nowhere has that been more apparent than in Clayton County, Ga.

Institutional investors are scouring the country to find quality multifamily properties in well-performing submarkets. The competition to acquire quality top-tier properties has created bidding wars in some markets and is driving down the expected returns on these investments. This has forced many investors to search for alternative markets where they believe they can achieve the returns they require. Some investors believe now is the time to start make investments in Clayton County.

Most would agree the great recession began in the fourth quarter of 2008. By that time, Clayton County had already been reeling from a big blow. In August of 2008, the Southern Association of Colleges and Schools revoked the accreditation of the Clayton County Public Schools, affecting over 50,000 students. Budgetary pressures later forced the county to drop its public bus transportation system.

The problems for Clayton County worsened as families fled the county, foreclosures rose, real estate values fell, and transactions of quality multifamily properties all but ceased. In 2011, there were only 11 multifamily transactions in Clayton County and 10 of these were sold out of foreclosure. The largest of these transactions was just under \$5.3 million in price. However, the county has recently seen some positive economic signs of life.

The Atlanta Regional Transportation Roundtable is recommending seven new transit projects for greater Atlanta. One of these projects is the restoration of bus service for Clayton County. Perhaps the biggest improvement for Clayton County has been the restoration of accreditation in May 2011 of the Clayton County Public Schools. Multifamily effective rents are now growing. Vacancy in Class A multifamily is a mere 5.4 percent. These recent improvements have caught the eye of some local multifamily investors.

Triangle Real Estate of Gastonia, N.C., has recently acquired the Walden Landing apartments in Clayton

County from Hathaway-Walden Properties. This \$13 million investment represents the largest multifamily transaction in the county since December of 2007. Walden Landing was constructed in 2001 and is a modern, well-designed apartment community. Steve Griffin represented the buyer in this transaction and commented, "This is a very high-quality property that normally could not be acquired for a price of \$54,000 per apartment."

A comparison of similar-age properties ('98 and '97) that were acquired in Cobb County and North Fulton in 2011 will demonstrate the relative value of this acquisition. AMLI at Barrett Lakes in Kennesaw and Windsor at Mount Vernon in Perimeter were acquired in 2011 for \$106,502 and \$146,359 per apartment, respectively. Despite the fact that Walden Landing is newer, the price per apartment was much lower and clearly demonstrates the value proposition in acquiring properties in Clayton County. But where can an investor expect to get higher returns over time? This is the question that many investors are constantly faced with.

One indicator of future returns can be judged by the multiple paid for a property. In the case of Windsor at Mount Vernon, the property is commanding rents of \$1,130 per month on average. This equates to a gross rent multiple of 10.8 for the acquisition of this property. In the case of AMLI at Barrett Lakes, rents are approximately \$1,009 per month, equating this acquisition to a gross rent multiple of 8.8. Walden Landing's rents are about \$773 per month, resulting in a multiple of a mere 5.8. The lower the multiple paid for a property, the higher the expected returns will be.

This is good news for all of Clayton County. Well-heeled investors are beginning to recapitalize more properties, improving the physical condition of those properties, and drawing better tenants while achieving higher rents. This activity, along with other commercial investment, will lead to higher employment as well as better-maintained properties. Investment in this submarket can only lead to a better future for Clayton County.

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Walden Landing in Clayton County, Ga.