

Rents up as real estate market turns corner

As home values climb, so do rental costs.

In metro Atlanta, the average apartment rent now \$766 a month.

By Michael E. Kanell
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Monique McKenzie didn't like it when the landlord raised the rent \$100 a month on her one-bedroom Midtown apartment.

"It was really a pretty substantial jump," McKenzie, 28, said. And when she looked around the neighborhood, she discovered that all the rents

AVERAGE RENT

Metro Atlanta's average monthly rents in third quarter

| Year | 2 Bedrooms | 3 Bedrooms |
|------|------------|------------|
| 2007 | \$796 | \$943 |
| 2008 | \$802 | \$951 |
| 2009 | \$773 | \$925 |
| 2010 | \$779 | \$917 |
| 2011 | \$770 | \$918 |
| 2012 | \$786 | \$934 |

Source: DataBank

seemed to be rising.

But the market isn't so strong that landlords can do whatever they want. So McKenzie, who works in public relations, negotiated and the increase was trimmed to \$70. Still, she's now paying \$920 a

month, up from the \$800 she paid when she moved in two years ago.

But what can a renter do? The tide is again starting to rise.

Five years after the housing bubble burst and prices started falling, home values in some areas are increasing and many rents are doing the same.

The average rent for an apartment in metro Atlanta has risen to \$766.27 a month - up \$14.40 in the past year, said Alan Wexler, president of DataBank, an Atlanta-based real estate research firm.

"All the signs are that rents are continuing to move

Rent continued on D4

been making headlines by investing in large solar projects over the past few years.

In this case, the anomaly is not that Turner, a longtime environmentalist and philanthropist, and Southern, owner of the nation's three largest greenhouse gas-contributing coal plants, are working together. It's that all but one of these solar projects are in the Southwest, far away from Georgia and the Southeast where Atlanta-based Southern's utilities operate.

This means Georgians won't benefit directly from Southern's investments in solar, a non-polluting source of electricity that is fast becoming cost-competitive with traditional sources of fuel such as coal and natural gas. Southern-owned Georgia Power has slowly shifted away from using coal to provide electricity, but environmentalists say the use of cleaner, renewable sources of fuel such as solar remain a long way off in this state because of legislative and regulatory boundaries.

Southern and Turner say

ENTREPRENEURS

Business students learn from entrepreneurs

Internship-like programs provide practical experience.

By Russell Grantham
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Last year, Adam Hewitt was about to start the last semester of evening classes before getting his MBA when he picked Bob Gemmell's "field study" entrepreneurship class, partly because he wouldn't have to drive to Georgia State University's campus in downtown Atlanta.

Eight months later, the former high school teacher is still making the drive from his Alpharetta home to the small

Norcross company where he worked as a part-time intern. The company not only hired him, but wants to recruit another student from the same GSU class this spring.

GSU is one of a growing number of business schools around the nation that have incorporated internship-like experiences into classes to give students a real-world taste of what it's like to work in entrepreneurial ventures before they graduate.

At Harvard's business school, for instance, about 900 students a year pick from a list of companies where they can work on a project for class credit, or they can recruit a company themselves.

At Georgia State's business

school, about a dozen full-time and part-time students each term take the field study entrepreneurship class. They tackle projects at businesses that agree to pay \$1,000 toward a scholarship. The students get to keep the \$1,000 if they successfully complete their work for their companies and earn grades of "B" or better.

"For some of them, it's life-changing," said Bob Gemmell, director of the Herman J. Russell International Center for Entrepreneurship at GSU. "They're going to see what it takes to do it - what entrepreneurs deal with day to day." Gemmell was co-founder and

Internships continued on D4



Adam Hewitt turned a "field study" Georgia State University entrepreneurship class into a marketing manager at the Norcross Internship. RUSSELL GRANTHAM / STAFF

the case.

Southern's image also is bolstered by its work with Turner, a philanthropist who helped launch the eco-cartoon series, Captain Planet and the Planeteers, and then helped finance a foundation by the same name.

"The fact that they are partnering, especially in the West, with Ted Turner probably helps alleviate some of the pressure

component of the nation's power sources, and to do that, we believe you have to work with the utilities."

Taylor Glover

President and chief executive of Turner Enterprises

But soon, he will start work on an email and social media campaign to member stations to build awareness of the on-line knowledge base.

Such marketing experience could be helpful for his own entrepreneurial dream, an urban agricultural concept called Second Story Gardens. He and two other GSU students recently won \$18,000 in cash

every month, he said.

Haase, a GSU graduate who has had two other part-time interns under the program, said it has been a good deal because, for \$1,000, he gets several weeks of part-time help to "beta test" potential employees.

"We'll be doing it again," he said.

Apartment construction also on rise

Rent

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upward for the next year and then some more," he said.

According to Apartment List, a San Francisco-based collector of data and renters' web site, October was the first month since before the recession that median rents in Atlanta were higher than the same month a year earlier. The increase was small — less than 1 percent.

"We are just starting to see the turn," said John Kobs, co-founder and CEO of Apartment List.

No one predicts a rapid return to real estate boom times. But the data show that things were bad and now they're getting better.

As with most everything in real estate, rents ride on location.

For instance, rents in Marietta have risen 6.5 percent and those in Alpharetta are up 3.94 percent over the past year, according to Apartment List.

Taking a snapshot this fall, Databank pegs north Fulton County as having the highest average rents: \$915 a month for a two-bedroom apartment, compared with Clayton County's \$620 and South Fulton's \$621 a month.

Even in smaller areas, there is the same uneven pattern of places where values are rising — and where they are not.

For example, some parts of Decatur — particularly in certain school districts — are popular with renters, who pay more per month than to the south



Monique McKenzie relaxes in her Atlanta apartment last week. She has lived in her current apartment since May 2010. BITA HONARVAR / BHONARVAR@AJC.COM

of town, said Mindy Georges, owner of Roost Realty, an 8-year-old firm that manages nearly 100 properties.

"In the 'hotter' areas, I have seen rents go up — no spikes, but just a nice, steady increase," she said.

But, Georges added, areas hit hardest by foreclosures have lower property values — and lower rents, as well.

Rents don't move in lockstep with home prices, but there is a constant dance between the two — a complex tango that starts with basic economics of supply and demand.

The housing market affects both, so to understand rents you need to watch housing's steps, Kobs said.

On the supply side, the constant rise in home prices during the housing bubble — along with the ease of getting financing — convinced many potential renters to look for a home to buy.

But when the bubble burst, thousands of investors who had hoped to quickly resell homes at a healthy profit suddenly found no buyers — except perhaps at a loss.

Some decided to rent out their units, hoping to wait out the market. Many others de-

faulted and those foreclosures were often scooped up by other investors — at much lower prices — and then also rented out.

Rents would have fallen a lot further, but for the demand side. Suddenly the ranks of renters were swollen with people who could no longer own a home. Some had themselves defaulted and were switching from ownership to renting. Others had trouble finding work and needed to share housing costs with roommates.

Moreover, what had been a steady and strong flow of new residents to Atlanta from around the country was virtually choked off during the recession. Growth — the biggest driver of demand for housing — continued, but at a much slower pace than before.

Some demand was delayed. With the job market weak, many young adults moved back in with their parents after school. Or simply never left home.

Now, with the economy slowly improving and creating more jobs, both supply and demand are changing again.

For example, as the real estate market shows signs of improvement, people who felt

forced to rent their homes are more inclined to put out a "for sale" sign. That shifts properties out of the rental market.

And as job growth continues, so too will the ability of people to rent or buy homes. One of the first signs of that will be a growing move by many young adults out of their parents' homes and into apartments, said David Stockert, president and CEO of Post Properties.

"We think there is a wave of that yet to come," Stockert said. "Those people will come in to the market as there are more jobs."

Post Properties, which rents about 22,000 units nationwide — about 6,000 of them in metro Atlanta — has raised rents about 5 percent in the past year because demand has picked up, Stockert said. "Being in the apartment business is a good place to be."

Post is not the only one to notice. Construction of new apartments has picked up. Plans call for 11,251 units to hit the metro area next year, with the largest splash — 4,577 units — in the city of Atlanta, according to Databank. In 2014, roughly 7,600 new units are expected in metro Atlanta, almost half in Atlanta.

That might slow future increases in rents. But, experts said, it's hard to predict what will happen, given the uncertainty over the economy, job growth and migration to the metro area.

Apartment owners like Post also may benefit if there's a growing reluctance to take the leap into homeownership, given the meltdown of the past several years.

Maria Stephens, 24, says she prefers renting — at least for now.

"I don't know if it's a generational thing, but I am kind of turned off by ownership — being tied down to something so expensive with the economy be-

ing the way it is."

But she, too has noticed the rising current. Three years ago, she rented a place in Vinings and it seemed like a steal: A beautiful, 900 square-foot apartment for \$395 a month.

But the rent rose each year and she started looking around, landing in Buckhead. Now, she lives in an 850 square-foot, one-bedroom apartment on the second floor renting for \$950 a month.

Post CEO Stockert said he's not sure the shift toward renting is permanent.

Attitudes are directly linked to the market — and they can change, he said.

"It has been lousy to be a homeowner the last few years," Stockert said. "But housing prices are starting to rise and if rents continue to rise too, some people will get tired of that and they'll start thinking, 'Maybe I should stop this pain.' And they'll want to buy a house."

But the crash of housing values rattled many assumptions about homebuying. Not just the idea of continuously rising values — the collapse froze some homeowners in place when they could not sell.

Renting means greater mobility than owning a home you must sell. And younger consumers — the ones most likely to add to housing demand — seem more inclined to live in urban areas, where most apartments and condos are concentrated.

Lisa Gausney, 38, self-employed in marketing and public relations, has rented an apartment at Atlantic Station for several years. The rent has gone from \$850 a month to \$968, she said.

Higher rents are not chasing her into a home purchase or a move out of the city.

"I know I can't find anything else that's super convenient for less than \$1,100 a month," she said.