

### *SPRING RECKONING*

Spring is a good time to take stock of how the year is unfolding. Most economists predicted in late 2022 that a national recession would have commenced by now. Instead, the U.S. added 517,000 jobs in January, almost triple the anticipated number. The news since then has not been quite so rosy, but local economic conditions hardly suggest a recessionary climate.

Metro Atlanta added 145,600 jobs in 2022, by far the most in its history. The unemployment rate remains extremely low (3.2% as of February), and new corporate commitments have become routine, particularly among technology firms. The State of Georgia's embrace of electric vehicle (EV) manufacturing and battery production has been stunning, and clean energy is another emerging industry. The television/film industry has reached new heights, with recent lease commitments by NBCUniversal and Lionsgate Entertainment of massive new studio complexes. And strong population growth, fueled by increased in-migration, further drives real estate demand. The U.S. Census Bureau just reported that the 29-county metro area added 78,056 residents in 2022. In short, Atlanta's economy has become increasingly diversified and is poised for sustained growth.

The real estate market has certainly been impacted by the sharp reversal in the capital markets. Borrowing costs have risen substantially, loans are more difficult to obtain, and elevated yield requirements have eroded commercial property values. The office sector is the most imperiled due to a significant supply increase coupled with a demand contraction resulting from the allure of remote work. Sublease space is at record levels, and net space absorption lags well behind new deliveries.

Other property sectors are faring much better, particularly the industrial market. Absorption has been off the charts, rents have risen dramatically, and construction volume is exceptional. One dampener is Amazon's recent pause in expanding its warehouse capacity, after growing its footprint in metro Atlanta to 20 million square feet since 2015.

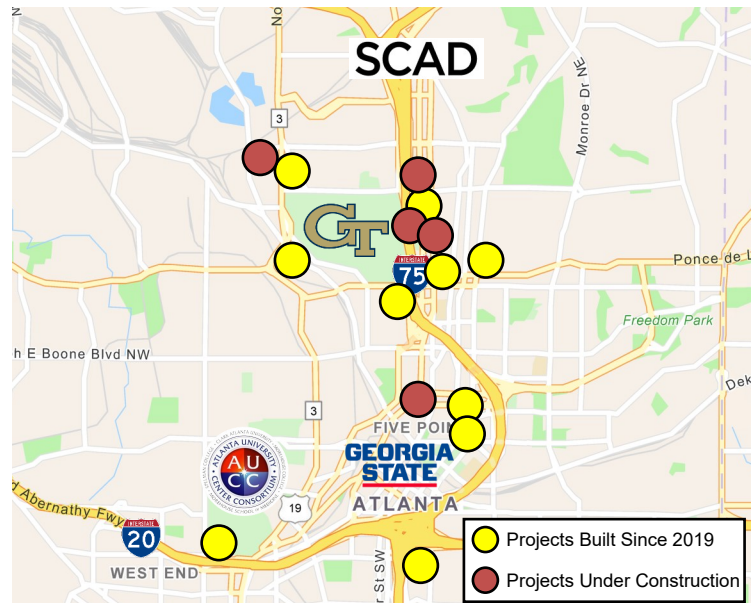
The hotel industry has largely rebounded from the harsh setback triggered by COVID-19. The average daily room rate has recovered to pre-pandemic levels, and the occupancy rate is getting close. Conditions should further improve as the convention industry fully regains its footing. On the retail front, store closings continue as online sales capture additional market share, but experiential retail developments have been well received. Sharply reduced construction levels have kept retail supply in check.

The housing market enjoyed an exponential rise in prices and rents during the pandemic. Sales activity has slowed due to higher interest rates, and prices have flattened, but a shortage of single-family housing persists. Apartment development has been prolific but occupancy rates remain good. The current pause in rent growth is no surprise given the sharp rent increase in 2021.

The Federal Reserve's efforts to combat inflation, while long overdue, could upset the apple cart. A protracted upward march in interest rates threatens economic stability and will have deleterious effects on the real estate industry. This impact is already evident in reduced transaction and development activity. Hopefully, recent evidence of falling inflation will encourage the Federal Reserve to lighten up. An expanding local economy and mostly favorable real estate market conditions bode well for the balance of 2023, although some property owners will suffer financial distress.

## LUXURY STUDENT HOUSING SNAPSHOT

- ❖ Ten private student housing projects (6,602 beds) have delivered in Atlanta's urban core over the past four years, and another four projects (2,864 beds) are scheduled to open for the fall semester of this year. By comparison, only seven projects (4,348 beds) delivered from 2005 to 2018.
- ❖ While a record number of student housing units are scheduled to deliver this year, recent rent trends suggest fundamentals will remain strong. In addition, the average rent per bedroom at these new communities is \$1,354 per month, which is comparable to roommates splitting a two-bedroom unit at a Class A apartment community. These new student housing developments place a greater focus on amenities, are close to campus, and are viewed as safe environments for students.



By The Numbers - Student Housing Communities Built Since 2019			
No. of Units	2,390	Avg. Unit Size (Sq. Ft.)	1,081
No. of Beds	6,602	Avg. Monthly Rent Per Unit	\$3,739
Units Under Construction	1,260	Avg. Rent Per Square Foot	\$3.46
Beds Under Construction	3,594	Avg. Occupancy Rate	98.8%

Source: Haddow & Company

Updated: March 2023

## SAVANNAH'S INDUSTRIAL BOOM

### EV Job Announcements Since 2022

Company Name	No. of Jobs
Hyundai Motor Corp.	8,100
Hyundai Mobis	1,500
Sewon America	740
Joon Georgia, Inc.	630
Ecoplastics Corporation	456
PHA	402
Aspen Aerogels	250

Source: State of Georgia

- ❖ The Savannah MSA is enjoying a strong economic expansion, fueled by the recent Hyundai announcement and activity at the Port of Savannah. A total of 12,078 jobs have been announced at seven EV companies since 2022.
- ❖ The Port of Savannah is the largest single-terminal container facility in North America. After expanding 19.9% from 2020 to 2021, total container trade expanded 5.0% from 2021 to 2022. The Georgia Ports Authority is planning to increase container capacity nearly 60% by 2025.

- ❖ Savannah's industrial market is thriving due to demand generated by the Port. As of First Quarter 2023, the market consisted of 99.5 million square feet of existing inventory, and it had the lowest vacancy rate in the country at 0.8%, according to JLL. In addition, Savannah is a top ten market in the U.S. for amount of space under construction, with 25.2 million square feet of space underway, representing 25% of the existing inventory. While only the 45th largest industrial market in the country, Savannah absorbed 15.3 million square feet of space in 2022, making it the 8th strongest market in the country for net absorption.

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