

HADDOW'S REAL NEWS

QUARTERLY MARKET INSIGHTS

FIRST QUARTER 2024

SUNBELT CITY SCORECARD

Much is written about the superb job growth in Sunbelt cities and the migration of residents away from Gateway cities. From 2020 to 2023, the five MSAs experiencing the most new residents (Dallas, Houston, Phoenix, Atlanta and Austin) accounted for a total net gain of 1.43 million people. Meanwhile, the five MSAs with the largest exodus of residents (New York City, Los Angeles, San Francisco, Chicago, and San Jose) lost a total of 1.41 million people during the same time period. As remote work grows in popularity, quality of life and cost of living continue to favor the trajectory of these growing Sunbelt markets. Many real estate professionals have traditionally considered Charlotte, Dallas, and Houston as Atlanta's peer cities when it comes to competition for corporate relocations and as a general barometer for economic growth. Nashville, while not on the same scale as the others, has recently entered the fray due to its development boom and success in attracting major corporations. The table below provides a quick snapshot of how these thriving Sunbelt cities are performing.

- ❖ Dallas and Houston have recently outperformed Atlanta in terms of population and job growth.
- ❖ Atlanta is among the top industrial markets in the country, yet the average rent is below its peer cities.
- ❖ Atlanta's office market suffered the worst net absorption last year by far, while office occupancy rates in all five MSAs are comparable.
- ❖ Nashville's office market, which is significantly smaller, has the strongest fundamentals. The average rent and occupancy rate are the highest, and it was the only market to experience positive net absorption in 2023.

	<u>Atlanta</u>	<u>Charlotte</u>	<u>Dallas</u>	<u>Houston</u>	<u>Nashville</u>
POPULATION					
2023 Population	6,307,261	2,805,115	8,100,037	7,510,253	2,102,573
Population Change (2020-2023)	200,414	144,767	462,639	360,649	88,153
Annual % Change (2020-2023)	1.1%	1.8%	2.0%	1.7%	1.4%
EMPLOYMENT					
2023 Employment	3,054,900	1,351,000	4,227,700	3,375,000	1,157,500
Employment Change (2020-2023)	335,600	141,000	559,900	374,400	154,700
Annual % Change (2020-2023)	4.0%	3.7%	4.8%	4.0%	4.9%
OFFICE MARKET					
Inventory (Sq. Ft.):	175,179,008	68,026,477	260,978,394	188,157,803	48,837,479
Under Construction (Sq. Ft.):	2,436,380	935,000	5,683,886	553,464	2,016,467
Avg. Gross Rent Per Sq. Ft.	\$33.42	\$34.72	\$34.28	\$32.05	\$40.15
Occupancy Rate:	76.1%	78.0%	74.6%	74.5%	78.9%
2023 Net Absorption (Sq. Ft.):	(4,369,746)	(540,272)	(1,647,128)	(554,437)	192,305
INDUSTRIAL MARKET					
Inventory (Sq. Ft.):	689,569,709	283,208,189	868,279,710	549,417,426	224,961,015
Under Construction (Sq. Ft.):	24,769,007	11,981,811	35,437,018	15,038,261	5,596,901
2023 Deliveries (Sq. Ft.):	32,456,088	14,719,101	62,386,708	35,564,510	7,838,779
Avg. Net Rent Per Sq. Ft.	\$6.59	\$7.48	\$7.14	\$9.59	\$7.74
Occupancy Rate:	93.1%	95.4%	90.0%	92.1%	95.3%
2023 Net Absorption (Sq. Ft.):	9,675,701	8,096,459	28,824,812	21,305,020	5,178,089

Sources: U.S. Census Bureau, Bureau of Labor Statistics, and JLL (Year-End 2023 Data)

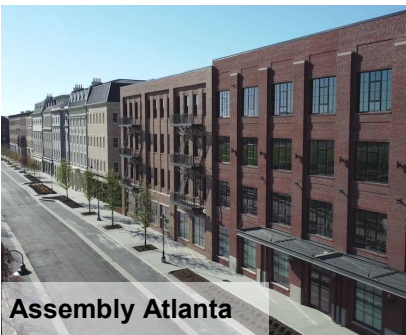
HOLLYWOOD MOVES SOUTH

Trilith Studios



The State of Georgia has earned the moniker “Hollywood of the South” as TV and film production has exploded since the adoption of a strong tax incentive in 2008. Developers are building film studios at a rapid clip. The recent writers and actors strike, as well as a cutback in production by streaming services, raise concerns of slowing demand at a time when supply has increased significantly. According to the Georgia Film Office, the State now has nearly 4.4 million square feet in soundstages, more than doubling the amount of space it had in 2020. Fortunately, a bill that would have capped the amount of the State’s TV and film tax credit was not approved by the General Assembly.

Major studios that have recently been built in metro Atlanta are shown in the table below.



Assembly Atlanta

No.	Studio	Year Open	Total Size (Sq. Ft.)	Location
1.	Trilith Studios	2014	1,500,000	Fayetteville
2.	Assembly Studios / Third Rail Studios	2016/2023	1,240,000	Doraville
3.	Shadowbox Studios (formerly Blackhall Studios)	2017	850,000	Atlanta
4.	Tyler Perry Studios	2019	590,000	Atlanta
5.	Cinelease Studios - Three Ring	2020	510,000	Covington
6.	Lionsgate Studios	2024	500,000	Douglasville

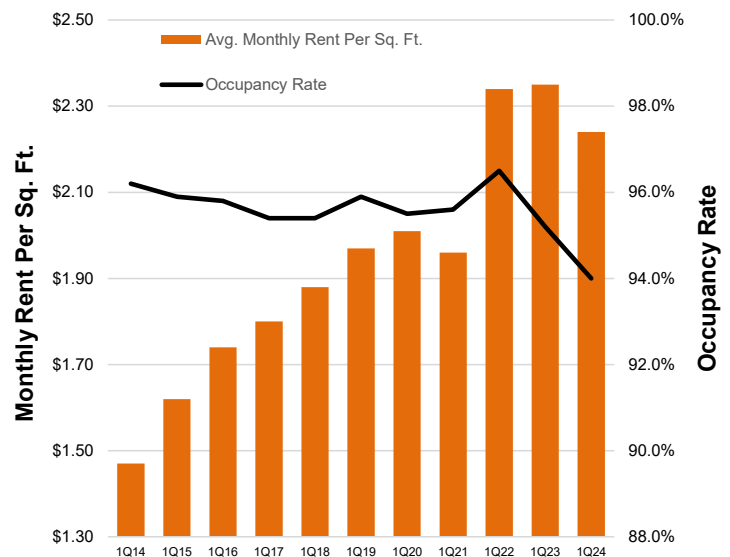
Note: Total sizes are approximate.

Source: Haddow & Company

INTOWN ATLANTA APARTMENT MARKET COOLS

Atlanta’s intown Class A apartment sector is cooling after an impressive run. The occupancy rate dipped below 95% in First Quarter 2024 for the first time in more than ten years. Rents fell 4.7% over the last 12 months, but even with the decline, they still increased at an annual rate of 2.7% from First Quarter 2021 to First Quarter 2024. Fundamentals are softening due to the flood of new supply and weaker demand. Over 5,200 units delivered in 2023, and another 6,000 units are anticipated to deliver in 2024, representing a 20% increase in the Class A inventory. The intown market has absorbed an annual average of approximately 3,000 units over the past two years, compared to almost 5,000 units annually over the previous five-year period. Two explanations for the pullback in intown demand are the slowdown in job growth, particularly in white collar professions, and competition from the wave of Class A apartments that has delivered in the suburbs. On a positive note, the pipeline of proposed apartments has shrunk to 4,400 units, the lowest level since this development cycle began in 2012. This slowdown in new starts should give the market a welcome respite in 2025 and 2026.

OCCUPANCY & RENTAL RATE TRENDS



For more information on the intown Atlanta apartment market, [click here](#).

To monitor key economic and housing indicators, please visit our website. As always, your thoughts and feedback are encouraged.

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