HADDOW'S REAL NEWS

QUARTERLY MARKET INSIGHTS

FIRST QUARTER 2014

Lingering Concerns

Our most recent newsletter highlighted events that made 2013 a watershed year for Atlanta's economy and real estate market. The good news keeps coming and positive momentum continues to grow. Yet, lingering concerns remain beyond the familiar threesome: traffic congestion, public schools, and water supply.

Decisions by the Atlanta Falcons and Atlanta Braves to replace top-notch sports facilities with new stadiums is clearly a misallocation of resources. Public financial support is required in both cases, and the bill is likely to grow further. The lack of public discourse regarding the Braves' move is another real issue. One might also question the economic wisdom of the Atlanta Streetcar, whose budget has doubled to over $100 million.

A leadership void is evident in political and business circles. Atlanta has a long history of visionary leaders, both in the public sector and especially the civic realm. Mergers and acquisitions have diluted the influence of several local companies, and bold public initiatives are rare.

The unbridled creation of new cities and lack of regional thinking has consequences. Fortunately, state leaders finally said no when two neighborhoods in DeKalb County got in a turf war trying to incorporate. The City of Atlanta, with a population of about 425,000, stands at the heart of a metro area (29 counties) with a population of 5.5 million. Atlanta has essentially nowhere to grow. Increased factionalism is inevitable as more political jurisdictions are added.

Metro Atlanta's uncoordinated mass transit system is almost comical, but the implications are not funny. MARTA struggles financially, partly because only two counties provide public financial support. The failure of Cobb, Gwinnett, and Clayton counties to participate in MARTA is detrimental on many levels.

Uninspired urban design is another concern. Our community has placed function before form to the detriment of the built environment. Exposed parking decks are the most blatant example. Exciting architecture is in short supply, and the skyline is dotted with buildings that lack distinction.

Atlanta is experiencing a healthy recovery from the recent economic downturn, and the real estate market is responding in kind. This is an opportune time to focus on some of the lingering concerns that will shape our long-term future.

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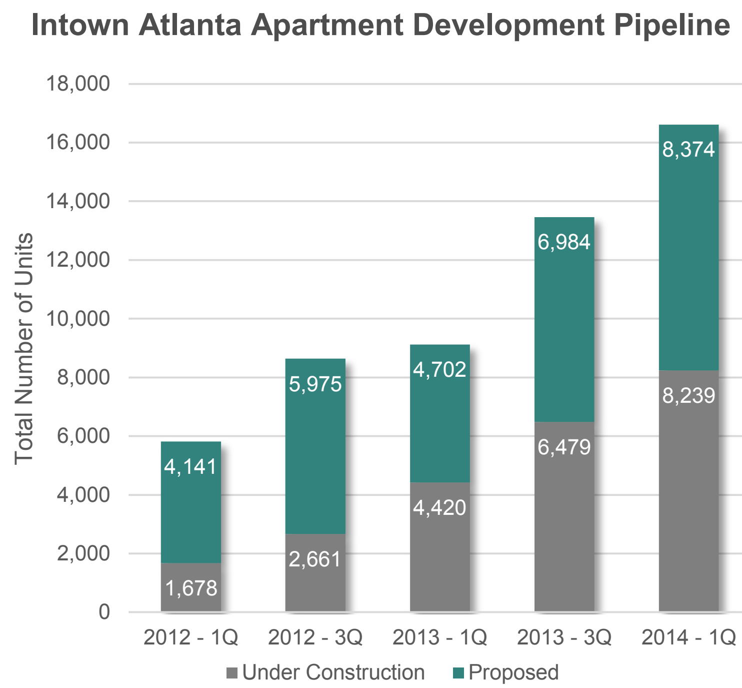
Pipeline Explosion

The intown Atlanta apartment market is buzzing with activity. As of First Quarter 2014, Class A apartments were 96.2 percent occupied with an average monthly rent of $1.47 per square foot, based on a survey of 21,549 units built since 2000. While existing apartments are performing well, dramatic growth in the number of units proposed and under construction will test the market's depth, especially over the next 12 months when 6,871 units are delivered.

Haddow & Company's First Quarter 2014 Apartment Report for intown Atlanta was released on April 1st. If you are interested in learning more about this report, please click on the link below:

Haddow's Apartment Report



Georgia Banks Improving

Commercial banks in Georgia are far healthier than five years ago, and key metrics continue to improve. Bank failures have slowed dramatically, with only three closures occurring in 2013, down from a peak of 25 in 2009. A good sign for real estate markets is significant progress in the disposition of REO assets, which have declined 56 percent from the high water mark in 2010. Another encouraging benchmark is a 25 percent jump in net operating income from 2012 to 2013.

(Dollar Figures in Millions)							% Change
Source: FDIC	2008	2009	2010	2011	2012	2013	(2012 - 2013)
Number of Institutions	314	287	250	226	212	208	(1.9%)
Number of Bank Failures	5	25	21	23	10	3	(70.0%)
Net Operating Income	($947.7)	($3,534.8)	($2,151.7)	$305.1	$1,593.6	$1,994.0	25.1%
Other Real Estate Owned	$2,157.3	$3,045.2	$3,373.1	$2,661.5	$2,113.8	$1,493.8	(29.3%)
% of Loans & Leases Noncurrent	4.1%	6.4%	5.5%	4.8%	2.7%	2.1%	(22.8%)
% of Total Assets as Equity Capital	10.4%	10.7%	10.8%	11.3%	12.5%	12.0%	(4.3%)

Note: Figures as of 4th quarter of reported year.

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

www.haddowandcompany.com

Haddow & Company
Real Estate Consultants

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