HADDOW'S REAL NEWS

QUARTERLY MARKET INSIGHTS

SECOND QUARTER 2019

THIRTY YEARS LATER

Haddow & Company recently celebrated its 30th anniversary. Much has changed over the years, but a lot has stayed the same. A milestone like this one is cause to consider how the business has evolved and the lessons learned.

Technological change has certainly had the most sweeping impact on the real estate industry, particularly in the last 15 years. The property sectors most touched are office, retail, and industrial. Personal computers and ubiquitous cell phones have altered business practices, lifestyles, and how we communicate.

The Millennial generation has greatly influenced housing choices and workplace preferences, as well as helped spawn the "sharing economy." A movement toward eco-friendly development is another positive byproduct.

A rash of new municipalities, led by Sandy Springs in 2005, has changed the governance model in metro Atlanta. Cities have become increasingly active in real estate investment and development, which raises questions about the proper role of government. Zoning is now more localized, another mixed blessing.

Real estate remains a highly cyclical business, although the duration (both up and down) seems to have lengthened. The market still turns down abruptly when a correction occurs, and the pain of a down cycle is just as real.

The value of market analysis is still mostly ignored by developers and investors. Capital availability determines whether to proceed with a development, although the sources shift regularly.

In spite of the emergence of large equity funds, brokerage houses, and institutional investors, real estate is still an entrepreneurial, relationship-oriented business. Small firms compete with the mighty, and big rewards accrue to those with vision and moxie.

Timing is the ultimate key to success. Location is clearly important, as the old maxim says, but timing of investment and disposition is what really drives the outcome. Change is the one constant in the real estate industry. Shifting variables influence market dynamics so that one can never afford complacency. Thirty years have passed in a flash because the challenges and opportunities of this business keep boredom at bay.

ARE CONVERSIONS COMING BACK?

A question people often ask our firm is when conversions of apartments to condominiums will resume. We have tracked condominium activity in intown Atlanta dating back to 1997. From 1997 to 2002, conversions accounted for 65.5 percent of supply added to the market. During that time period, an average of 1,405 units delivered annually via conversions. Since 2009, the annual average is 51 units. However, three recent conversions (221 total units) suggest more of this activity may be on the horizon. Common elements of all three communities are that they are at least seven years old and were purchased at a low enough cost basis to allow for an affordable price point.

RECENT CONDOMINIUM CONVERSIONS

No.	Project	Developer	No. of Units	Acquisition Price Per SF	Acquisition Date	Delivery Date	Avg. Sale Price Per SF
1.	District Lofts - Ph. I	CF Real Estate Services	60	—	—	7/2019	$330
2.	Harper on Piedmont	TriBridge Residential	111	$274	8/2018	8/2019	$375
3.	Portico Buckhead	Tenth Street Ventures	50	$151	10/2018	5/2019	$305
	Totals/Averages		**221**				**$337**

Note: CF Real Estate Services previously owned and operated District Lofts as apartments. Phase II will include the conversion of the remaining 87 units.

Source: Haddow & Company

Updated: Mid-Year 2019

RETHINKING MALLS

Our firm recently advised a group that owns two retail centers in Roswell on potential repositioning and redevelopment strategies. As part of the process, we investigated how some other owners in metro Atlanta are repositioning assets in an increasingly competitive retail environment. A few examples are noted below:

- **North Point Mall** - A portion of this 1.4-million-square-foot mall, which is owned by Brookfield Property Partners, is slated for redevelopment. The former Sears space and associated parking will be replaced with 300 apartments and 24,000 square feet of retail. In addition, 30,000 square feet of retail space will be converted to coworking space that will be occupied by Spaces.

- **Northlake Mall** - Emory Healthcare is reportedly in talks with the owner of Northlake Mall to occupy one-third of the 1.0-million-square-foot mall. Administrative offices, medical labs, and a training and conference center are among the uses being discussed.

- **Phipps Plaza** - Simon Property Group is redeveloping a portion of Phipps Plaza formerly occupied by the Belk department store. Plans include a Nobu Hotel, 13-story office building, and a three-level Life Time Athletic Club.

NORTH POINT MALL RENDERING

PHIPPS PLAZA RENDERING

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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