HADDOW'S REAL NEWS

QUARTERLY MARKET INSIGHTS

FOURTH QUARTER 2009

2010 OUTLOOK

TIME Magazine ran a cover story on December 7 entitled "The Decade from Hell." The author recounted many of the troubling events of the last 10 years, ranging from terrorist acts to the financial system's meltdown. Even the misdeeds of celebrities were retold, although the Tiger Woods story was too fresh to make the cut.

As we look ahead to a new decade, this is an opportune time to reflect on the past and anticipate the future. One stark reality is reflected in the table below:

Annual Employment Change
Atlanta MSA

Year	Increase (Decrease)
2000	61,200
2001	11,700
2002	(42,700)
2003	(22,500)
2004	30,300
2005	69,700
2006	67,000
2007	49,700
2008	(26,900)
2009(p)	(133,000)

Sources: U.S. Bureau of Labor Statistics (2000-2008); Georgia State University Economic Forecasting Center (2009 projection - November, 2009)

In four of the past 10 years, metro Atlanta lost jobs. The projected annual average employment for 2009 is 2,292,500, which represents a net increase of only 64,500 jobs during the decade, even though the Atlanta MSA (28 counties) grew by over one million residents during this period. Of course, the unemployment rate in October stood at 10.4 percent, compared to 3.1 percent in 2000.

Several measures of economic activity have turned decidedly positive in recent months. The Dow Jones Industrial Average has risen 60.7 percent since its low point in early March; the Consumer Sentiment Index has advanced more than 20 percent this year; and U.S. Gross Domestic Product (GDP) grew 2.8 percent in the Third Quarter.

Job growth is the main driver of real estate demand, however, and this is not expected to resume until 2011. The Georgia State University Economic Forecasting Center recently projected that the Atlanta MSA will lose another 76,300 jobs in 2010, with unemployment averaging 10.6 percent for the year. Positive job growth of 18,000 is forecasted for 2011.

A major drag on economic recovery is the decimated housing market, which drove Atlanta's economy for much of this decade. While house sales have picked up and inventory levels have dropped, housing starts will languish for some time. From 2000 to 2006, metro Atlanta averaged 68,906 housing permits annually. A paltry 5,462 housing permits were issued through the first 10 months of 2009.

Every real estate sector is feeling the pain. Vacancy rates are rising, absorption has turned negative, effective rents are falling, and values have declined. New development has stopped, although some large-scale projects started two years ago are just now finishing up. When the real estate sector accounts for a disproportionate share of economic activity, which it did for much of the decade, a day of reckoning is inevitable.

True economic expansion is needed to achieve a sustainable recovery, and some notable progress has been made in 2009. Corporate relocations and facility consolidations have been announced in the technology (NCR and First Data), biotech (Dendreon and Kemira), and distribution (Kraft and General Mills) sectors. Attracting out-of-town relocations is essential to achieve above-average growth.

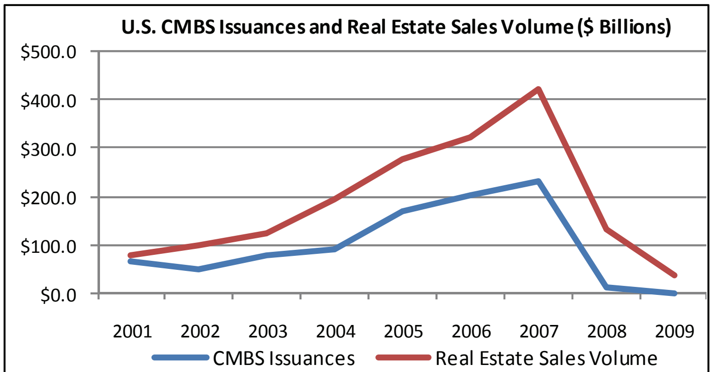
This past year has been eerily reminiscent of 1992. At that time, an overbuilt market, flight of capital, and economic recession turned the real estate industry upside down. Things were so dire that one pundit forecasted a halt in new office development for the balance of the decade, which of course did not happen. Fortunately, the build-up for the 1996 Olympics and a major surge in the technology and telecommunications sectors quickly revived Atlanta's economy.

The current recession has placed us in a much deeper hole, so the recovery will be more protracted, but Atlanta's intrinsic advantages remain. Patience and perseverance are today's watchwords. Change is the one constant in our business, which is comforting at a time like this.

Continued, Page 2

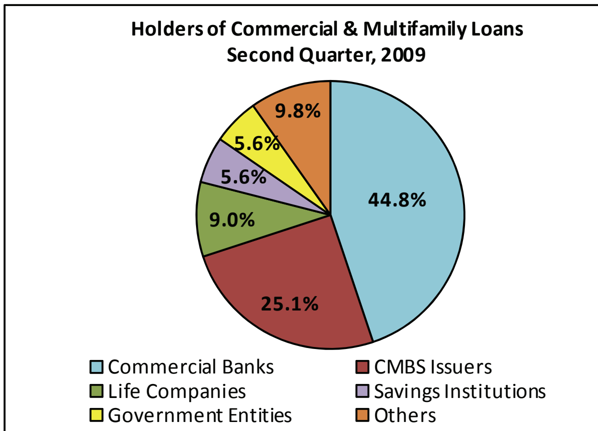
FOLLOW THE MONEY

Real estate investment sales plummeted in 2008 after peaking a year earlier. The decline continued in 2009, with only $37.1 billion in U.S. commercial and multi-family transactions through November, according to Real Capital Analytics. A contributing factor is the collapse in new issuances of Commercial Mortgage-Backed Securities (CMBS).



Note: Sales volume reflects commercial and multifamily sales over $5 million. The 2009 figures are through November 25.

Sources: Commercial Mortgage Alert and Real Capital Analytics.



Sources: CMSA, Flow of Funds Accounts of the United States, Federal Reserve, Release Z.1

Today's liquidity problem is partly because commercial banks and CMBS issuers now hold approximately 70 percent of outstanding U.S. commercial and multi-family mortgage loans, compared to 40 percent in 1990. With many of these loans maturing from 2010 to 2013, the challenge is how to refinance assets that have declined in value and may have been overleveraged to begin with.

UPDATE ON GEORGIA BANKS

FIVE ACTIVE BUYERS OF GEORGIA BANKS

	Acquisition Bank	Georgia Banks Purchased (Date)	Assets (000s)
1.	Ameris Bank	American United Bank (10/09)	$111,000
		United Security Bank (11/09)	$157,000
2.	Regions Bank	FirstBank Financial Services (2/09)	$337,000
		Integrity Bank (8/08)	$1,100,000
3.	State Bank & Trust Co.	First Security National Bank (12/09)	$128,000
		Security Bank Corporation (7/09)	$2,800,000
		The Buckhead Community Bank (12/09)	$874,000
4.	Stearns Bank, N.A.	Alpha Bank & Trust (10/08)	$354,100
		ebank (8/09)	$143,000
5.	United Bank	First Coweta Bank (8/09)	$167,000
		First Georgia Community Bank (12/08)	$237,500

Source: FDIC

Georgia banks continue to fail at an alarming rate. There have been 19 failures this year alone, which were preceded by five failures in 2008. Fortunately, for the majority of these banks, eager buyers have been quick to purchase all or most of their assets, albeit at a sharp discount. The State Bank & Trust Company received a $300 million capital infusion by a private equity firm, Banker's Capital Group, for the purpose of buying failed banks, and has since bought three banks in the last six months, including Security Bank Corporation and The Buckhead Community Bank.

It is no surprise that Georgia continues to lead the nation in failed banks. Based on third quarter 2009 FDIC data, a stunning 61.2 percent of commercial banks in Georgia are unprofitable, compared to 41.1 percent in 3Q 2008 and 11.8 percent in 3Q 2007. Other real estate owned has also increased dramatically, having more than tripled in two years from $609 million (3Q 2007) to a staggering $2.75 billion (3Q 2009).

GEORGIA COMMERCIAL BANK PERFORMANCE COMPARISON

(dollar figures in millions)	3rd Quarter 2007	3rd Quarter 2008	3rd Quarter 2009	% Change (2008-2009)
Number of Institutions	330	319	294	(7.8%)
Net Income (Y-T-D)	$2,542	$1,172	($2,579)	(320.1%)
Total Assets	$274,876	$276,673	$268,794	(2.8%)
Total Deposits	$196,863	$203,501	$206,937	1.7%
Other Real Estate Owned	$609	$1,859	$2,745	47.7%
Percent of Unprofitable Institutions	11.8%	41.1%	61.2%	49.1%
Noncurrent Loans & Leases as a % of Total Loans & Leases	1.2%	3.5%	6.0%	69.7%
Nonperforming Assets as a % of Total Assets	1.1%	3.4%	5.3%	56.9%
Total Equity Capital as a % of Total Assets	11.5%	11.2%	10.9%	(3.5%)

Source: FDIC

To monitor changes in key monthly economic and housing indicators, please visit www.haddowandcompany.com. As always, your thoughts and feedback are encouraged.

Haddow & Company
Real Estate Consultants

If you have questions or would like more information, please contact us.
Phone - (404) 577-7222
Email - info@haddowandcompany.com