

HADDOW'S REAL NEWS

QUARTERLY MARKET INSIGHTS

FIRST QUARTER 2011

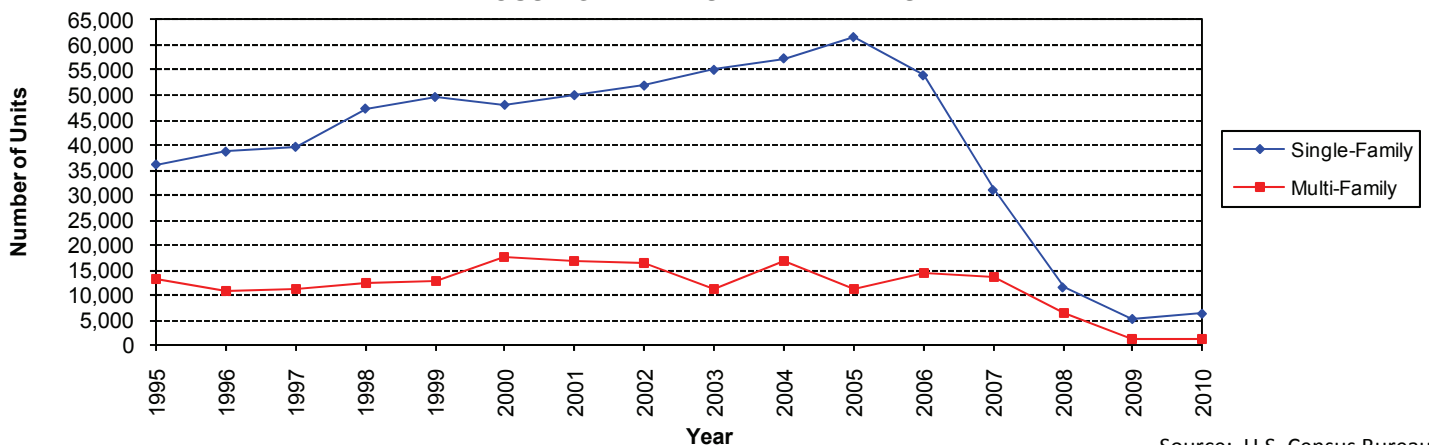
APARTMENTS POISED FOR RECOVERY

The apartment sector will lead the recovery of Atlanta's real estate market. Improving fundamentals are evident in rising occupancy rates, diminishing concessions, and increased effective rents. Developers are starting to acquire sites in anticipation of the next development cycle. What is driving the uptick in apartment demand and renewed developer activity? Ten factors help explain the resurgence.

10 FACTORS DRIVING APARTMENT REBOUND

1. The economy is slowly adding jobs. The Georgia State University Economic Forecasting Center predicts that the Atlanta MSA will experience a net gain of 24,200 jobs in 2011, following three consecutive years of job losses.
2. People continue to move to metro Atlanta. The region experienced a net gain of one million residents during the last decade.
3. Demographic trends are favorable, with the 20 to 34 age group among the fastest growing segments of the population.
4. New construction has slowed considerably. Apartment starts in the last two years totaled a meager 595 units, according to the [Apartment Market Tracker](#).
5. Only 487 units were delivered in intown Atlanta during 2010, which has given the market time to absorb the wave of supply (9,267 units) delivered in 2008 and 2009.
6. Improving economic conditions are prompting young adults who have been living with family or roommates since the start of the recession to rent an apartment.
7. Homeownership has lost some of its luster due to the collapse in house prices, resulting in a growing number of households that are "renters by choice."
8. Households losing homes to foreclosure are entering the rental market, and tighter underwriting standards are making it difficult for potential buyers to qualify for a mortgage loan.
9. Young adults are electing to get married and start a family later in life, which expands the potential renter pool.
10. The halt in condominium development means that this market sector, which usurped potential rental demand for several years, is now less of a competitive threat.

HOUSING PERMITS - ATLANTA MSA



Source: U.S. Census Bureau

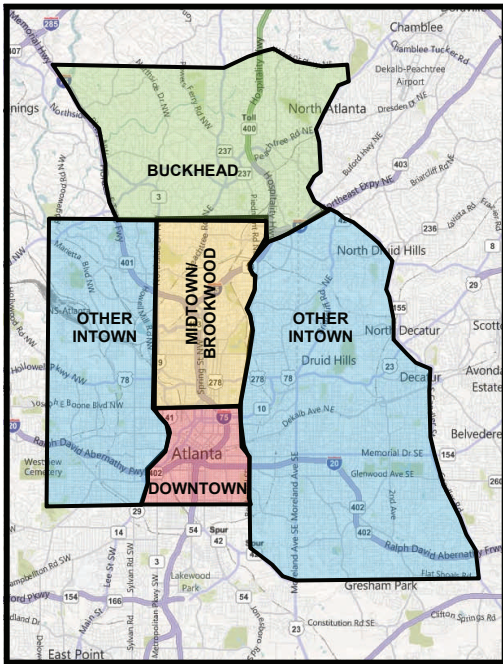
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FIRST QUARTER 2011

INTOWN RENEWAL

During the last decade, developers responded to increased demand for intown living by delivering more than 25,000 new apartment units in Atlanta's urban core. This increase was partially offset by the conversion of existing apartments to condominiums, resulting in a net change in the apartment stock of 16,387 units. Approximately 60 percent of the increase in apartment supply occurred from 2008 to 2010, when 9,754 units were delivered and no condominium conversions occurred.



Net Change in Apartment Stock by Year - Intown Atlanta (2000-2010)

Year	Downtown		Midtown/ Brookwood		Buckhead		Other Intown		Total Intown Atlanta		Net Change
	New	Condo	New	Condo	New	Condo	New	Condo	New	Condo	
	Apts.	Conv.	Apts.	Conv.	Apts.	Conv.	Apts.	Conv.	Apts.	Conv.	
2000	750	283	241	307	1,001	1,215	948	301	2,940	2,106	834
2001	193	0	1,119	608	445	78	450	533	2,207	1,214	993
2002	427	162	0	55	576	698	120	92	1,123	1,007	116
2003	202	20	330	11	0	311	969	71	1,501	413	1,088
2004	770	56	231	356	891	286	1,060	318	2,952	1,016	1,936
2005	669	0	635	460	0	707	971	332	2,275	1,499	776
2006	372	165	725	0	364	599	0	137	1,461	901	560
2007	0	134	319	0	249	180	443	367	1,011	681	330
2008	424	0	1,708	0	766	0	1,006	0	3,904	0	3,904
2009	1,492	0	110	0	2,113	0	1,648	0	5,363	0	5,363
2010	0	0	52	0	0	0	435	0	487	0	487
Totals	5,299	820	5,470	1,792	6,405	4,074	8,050	2,151	25,224	8,837	16,387

Note: For phased developments, the total number of units is reflected in the year the initial phase was delivered.

Haddow & Company recently completed a survey of 16 intown apartment developments, consisting of a seven high-rise and nine mid-rise projects. All developments had occupancy rates over 90 percent, and effective monthly rents ranged from \$1.01 to \$1.71 per square foot. The occupancy rate of 95.4 percent indicates a healthy market. Approximately 40 percent of the units surveyed (1,360) were delivered in 2008 and 2009. The average unit size in these newer developments was 1,061 square feet, while the average effective monthly rent was \$1.47 per square foot.

Intown Atlanta Apartment Market Snapshot

16	Projects Surveyed
3,292	Total Units
95.4%	Occupancy Rate
\$1,407	Avg. Monthly Rent
\$1.36	Avg. Rent Per Square Foot
1,031	Avg. Unit Size (Square Feet)
Unit Mix	
6.7%	Studio
46.3%	One-Bedroom
44.7%	Two-Bedroom
2.3%	Other

Survey Date: March, 2011

2010 Census Surprise

The U.S. Census Bureau has recently begun releasing data from the 2010 Census. One major surprise has already surfaced. The city of Atlanta's population was pegged at 420,003, reflecting virtually no increase from the 2000 population of 416,474. This runs totally counter to the U.S. Census Bureau's own estimate of 540,922 for 2009, and the Atlanta Regional Commission's estimate of 488,500 for 2010. It also seems to defy common sense given that over 40,000 apartment and condominium units were constructed from 2000 to 2010 inside the city limits. The next edition of Haddow's Real News will have more to say on this subject when additional data are available.

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



If you have questions or would like more information, please contact us.

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