

Quiet Renewal

Things are turning up for downtown Atlanta. A quarter century has passed since three massive office towers rose simultaneously only blocks apart on Peachtree Street. New development has been notably absent since then, with most activity confined to recycling old buildings. For years it seemed that each step forward was followed by a move in the wrong direction. Now the momentum is undeniably positive and increasingly broad-based.

Georgia State University has been an obvious catalyst with its recent reclamation of three office towers and construction of the \$84 million law school. A \$22.8 million grant from the Woodruff Foundation will produce a state-of-the-art media center in the former SunTrust branch bank space, further activating the area around Woodruff Park.

The university has also been a major force on the housing front. With over 4,000 dormitory beds and another 1,152 beds under way, on-campus housing has swelled from zero prior to 2002. Private student housing (717 beds) has also been added at One12 Courtland, which has performed well. The 250 Piedmont office building is being converted into 324 market-rate apartment units, and Post Properties will soon start a 425-unit apartment complex overlooking Centennial Olympic Park.

The hotel sector is particularly active, starting with the recent overhaul of the former Days Inn on Spring Street into a trendy Aloft Hotel. A Hyatt House is under way near the Georgia Aquarium, and two additional hotels are planned. The historic 85 Walton Street building is being converted into a Home2 Suites. The first nine floors of the 230 Peachtree office building will soon become a Hotel Indigo. The Georgia World Congress Center is seeking proposals for an 800 to 1,200-room convention hotel on the current site of the Georgia Dome.

New attractions are helping drive hotel demand. The Georgia Aquarium has already undergone an expansion, the College Football Hall of Fame and National Center for Civil and Human Rights both opened last year, and a giant ferris wheel overlooks the whole scene. Plans are under way to expand and upgrade Centennial Olympic Park, and the Atlanta Streetcar now provides a transit link across downtown to the Martin Luther King, Jr. National Historic Site.

A developer from South Carolina has contracted to buy the struggling Underground Atlanta. Tentative plans call for a large grocery store to anchor the retail component, with student housing and apartments above.

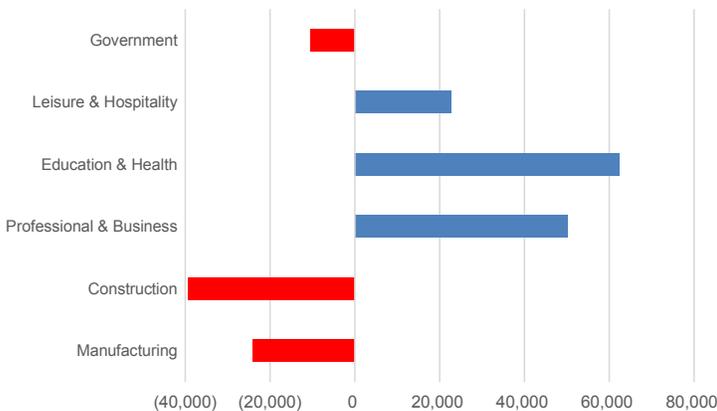
Technology companies are migrating downtown, including the IT group of Coca-Cola Company from Cobb County. Incubators are planned in the historic Flatiron Building and the former office of the Atlanta Legal Aid Society. The Iron Yard code school has relocated downtown from Atlanta Tech Village.

This undercurrent of positive change will restore vibrancy and purpose to the former central business district. The evolution of Atlanta's downtown has been painful at times, stalled at others, but is now gaining favorable traction.

Shifting Economic Base

After four consecutive years of employment growth, metro Atlanta has 41,700 more jobs now than in 2007, the year the last recession began. The economy has become more diverse and hopefully better positioned to weather a future downturn. The accompanying graph highlights the employment change in key sectors since 2007. Over this time span, construction, manufacturing, and government employment have contracted. The decline in construction employment is notable since real estate development was a key driver during the last cycle, indicating the economy is now less reliant on this industry to fuel job growth. Sectors exhibiting the strongest gains are Professional and Business Services, Education and Health Services, and Leisure and Hospitality, which have combined for 135,200 new jobs. More importantly, these sectors generally contain higher-paying positions that have a positive ripple effect on the broader economy.

**Employment Change by Sector
Metro Atlanta (2007 - 2014)**

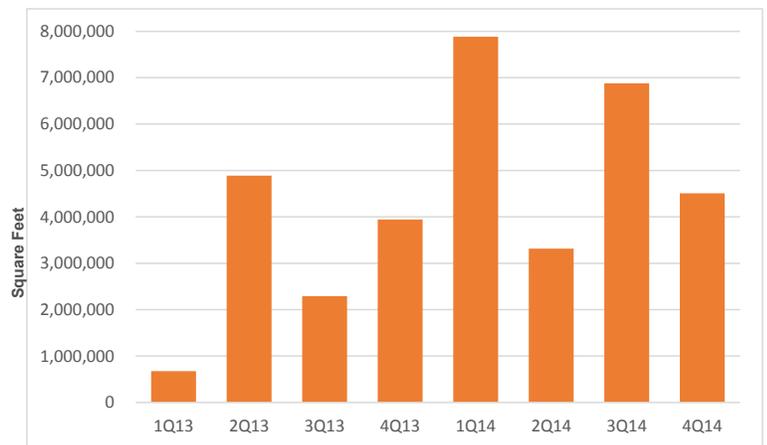


Source: U.S. Bureau of Labor Statistics

Record Year for Industrial Market

Metro Atlanta's industrial market surged in 2014. According to King Industrial Realty, 22.6 million square feet of net absorption was recorded in the metro area. Over 16 million square feet of new construction was started during 2014, with over half of the activity consisting of speculative development. E-commerce is a major demand driver. Building requirements have changed dramatically with the advancement of automated processing. Strong industrial activity is likely to continue in 2015.

**Quarterly Net Absorption
Metro Atlanta Industrial Market**



Source: King Industrial Realty

Major Industrial Buildings Under Construction

Tenant	Square Feet	Location
Kroger	1,300,000	Forest Park
Walmart.com	1,200,000	Union City
Speculative	1,129,850	Fairburn
Speculative	1,100,000	Union City
Speculative	1,074,596	Braselton
Surya Carpets	1,036,000	Cartersville
Baxter Healthcare	1,000,000	Covington

Source: Lee & Associates (Fourth Quarter 2014)

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

Phone - (404) 577-7222

Email - Lhaddow@haddowandcompany.com