

HADDOW'S REAL NEWS

QUARTERLY MARKET INSIGHTS

FIRST QUARTER 2017

SIX YEARS LATER

The last economic recession officially ended in June 2009, but metro Atlanta was still losing jobs and suffering negative space absorption in 2010. The table below shows a clear picture of how things have changed since then. Most noteworthy is the average annual employment increase of 65,283 jobs. The unemployment rate has been cut in half, and population has grown at double the national average. All real estate indicators reflect positive change, especially the industrial and hotel sectors. Housing activity has rebounded dramatically from the paltry 7,575 permits issued in 2010. In short, real economic growth has healed a hurting real estate market. As we revel in today's good times, let's remember that things do change.

Key Economic and Market Indicators - Metro Atlanta

	2010	2016	Absolute Change	Annual % Change
Economic				
Population	5,286,728	5,789,700	502,972	1.5%
Employment	2,276,100	2,667,800	391,700	2.7%
Unemployment Rate	10.3%	5.1%	-5.2 pts.	---
Office				
Occupied Office Space (Sq. Ft.)	103,294,903	110,900,083	7,605,180	1.2%
Office Occupancy Rate (Year-End)	78.8%	83.1%	4.3 pts.	---
Average Office Rent (Per Sq. Ft.)	\$20.73	\$24.16	\$3.43	2.6%
Industrial				
Occupied Industrial Space (Sq. Ft.)	477,902,786	601,501,907	123,599,121	3.9%
Industrial Occupancy Rate (Year-End)	78.5%	87.8%	9.3 pts.	---
Average Industrial Rent (Per Sq. Ft.)	\$3.18	\$3.80	\$0.62	3.0%
Retail				
Occupied Retail Space (Sq. Ft.)	313,499,147	334,057,177	20,558,030	1.1%
Retail Occupancy Rate (Year-End)	89.7%	93.8%	4.1 pts.	---
Average Retail Rent (Per Sq. Ft.)	\$13.67	\$13.09	-\$0.58	-0.7%
Hotel				
Hotel Supply (Rooms)	91,642	95,642	4,000	0.7%
Hotel Occupancy Rate (Annual Average)	57.4%	72.2%	14.8 pts.	---
Hotel Room Rate (Annual Average)	\$82.87	\$104.92	\$22.05	4.0%
Residential				
Single-Family Housing Permits	6,384	22,931	16,547	23.8%
Multifamily Housing Permits	1,191	13,190	11,999	49.3%
Total Housing Permits	7,575	36,121	28,546	29.7%
Average House Price	\$114,800	\$184,500	\$69,700	8.2%
Apartment Supply (Units)	454,731	491,236	36,505	1.3%
Apartment Occupancy Rate (Year-End)	92.0%	94.3%	2.3 pts.	---
Average Rental Rate (Monthly)	\$819	\$1,107	\$288	5.2%

Sources Population Data - U.S. Census Bureau
 Employment Data - Bureau of Labor Statistics
 Office Data - Jones Lang LaSalle
 Industrial Data - King Industrial Realty (JLL for rent)
 Retail Data - CoStar Group

Hotel Data - CBRE Hotels
 Housing Permits - U.S. Census Bureau
 House Price Data - National Association of REALTORS
 Apartment Data - Axiometrics

OFFICE DEVELOPMENT ACTIVITY

Speculative office development has been constrained in this cycle compared to previous ones. Developers face multiple hurdles, including: 1) high construction costs; 2) required rents well-above prevailing rates; 3) significant preleasing requirements; and 4) competition for sites from apartment developers. Moreover, the market is sending mixed signals. In 2016, rents continued to rise and the vacancy rate dropped, but net absorption was only 1.16 million square feet, according to Jones Lang LaSalle. This figure, the lowest total since 2011, is puzzling given strong job growth in the professional and business services sector. Developers and lenders are exercising caution with respect to new construction. Major multi-tenant office buildings currently under construction are shown in the table below:

Major Multi-Tenant Office Buildings Currently Under Construction - Metro Atlanta

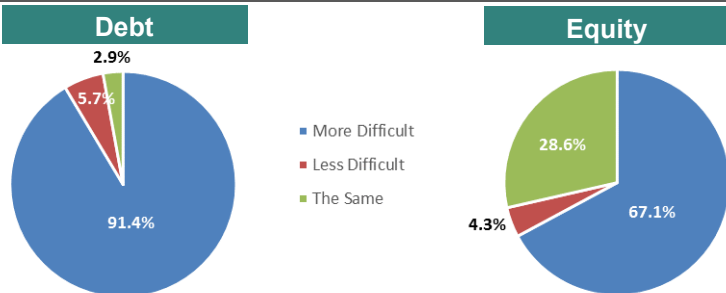
No.	Project	Developer	Major Tenants	Square Feet	% Preleased	Projected Delivery Date
1.	Stockyards Atlanta	Westbridge Partners	Fitzgerald	105,000	48%	1Q17
2.	3 Edison	TPA Group	None	107,000	0%	3Q17
3.	3400 Overton	TPA Group	Synovus	173,000	70%	2Q17
4.	Armour Yards	Third & Urban	FullStory	185,000	60%	1Q17
5.	8000 Avalon	Cousins/Hines	Microsoft	224,000	25%	2Q17
6.	Riverwood 200	Seven Oaks/Highwoods	Bennett Thrasher	300,000	70%	2Q17
7.	4004 Perimeter Summit	Seven Oaks	None	355,000	0%	4Q17
8.	725 Ponce	New City	None	360,000	0%	4Q18
9.	Three Alliance Center	Tishman Speyer	Global Payments	500,000	50%	2Q17
10.	Coda	Portman Holdings	Georgia Tech	645,000	50%	1Q19
Total/Weighted Average				2,954,000	38%	

Note: Data are as of January 2017.

APARTMENT CONSTRUCTION FINANCING

As the intown Atlanta apartment supply continues to grow, construction financing has dried up significantly for proposed deals. Local banks have pulled back from financing new developments, while private equity firms and insurance companies have entered the fray to fill the void.

Ability to Secure Construction Financing Compared to Last Year



Note: The above data are derived from our Multifamily Market Sentiment Survey conducted in February 2017.

By The Numbers - 22 Loans Issued Since 2014

- \$192** Average Loan Amount Per Square Foot
- 2** Loans Issued By Local Lenders
- 1** Loan Issued by a Private Equity Fund
- 7** Loans Issued by J.P. Morgan & Wells Fargo

Note: The information above reflects 22 apartment construction loans issued in intown Atlanta from 2014 to March 2017. The total volume of the 22 loans was \$1.13 billion.

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