

HADDOW'S REAL NEWS

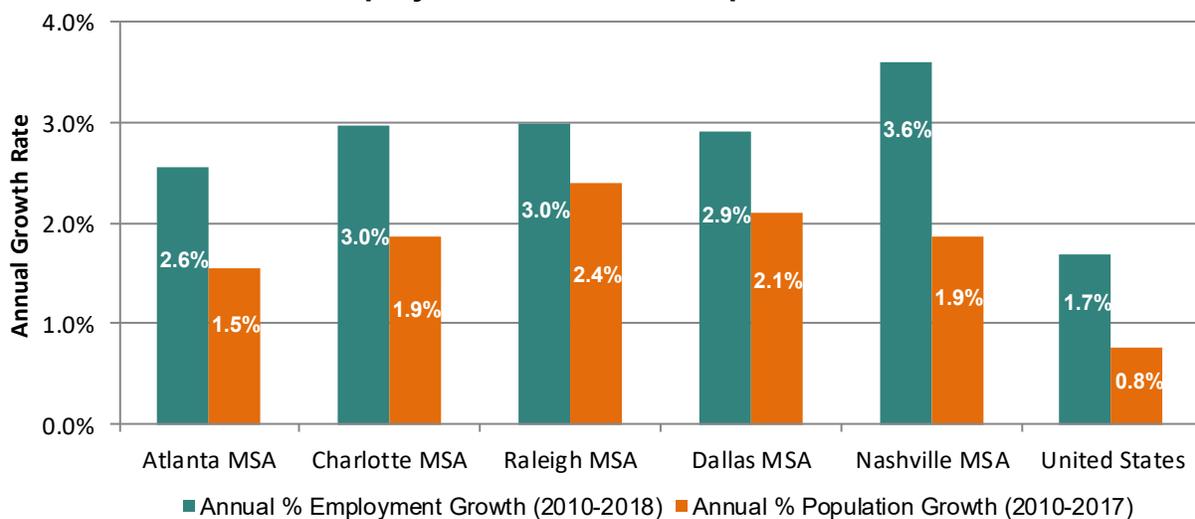
QUARTERLY MARKET INSIGHTS

FIRST QUARTER 2019

PROSPEROUS TIMES

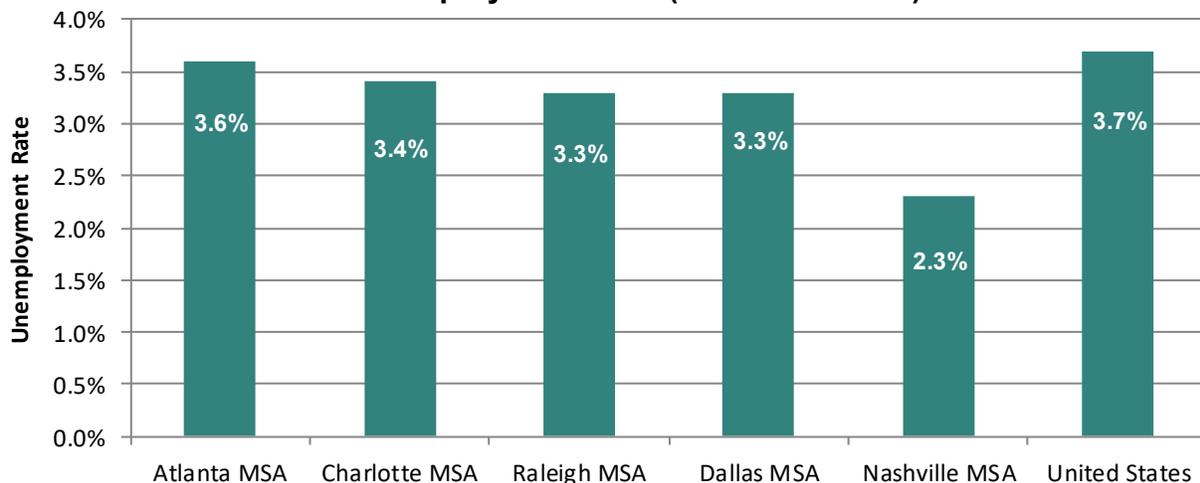
Atlanta is significantly outpacing the nation in population and job growth, which is not surprising. What is newsworthy is the performance of some key competitors. In fact, Atlanta lags Charlotte, Dallas, Nashville, and Raleigh in the rate of both population and job growth since 2010. Nashville is the hottest market of all, enjoying the fastest job growth and lowest unemployment rate. Raleigh continues to have a stellar population growth rate, fueled mostly by in-migration. Both Charlotte and Nashville also attribute at least two-thirds of their population increase to in-migration, while more mature markets like Atlanta and Dallas are shifting closer to a 50-50 ratio of in-migration to natural increase (births - deaths). Recent announcements by Amazon, Honeywell, and SunTrust remind us to watch our guard. We are not alone in our prosperity.

Employment Growth vs. Population Growth



Note: Population data for 2018 are not yet available.

Unemployment Rate (December 2018)



Sources: U.S. Census Bureau and U.S. Bureau of Labor Statistics.

OFFICE CONSTRUCTION ROARING BACK

Office development has been slow to rebound following the 2008-2009 recession, but this is set to change. Eleven multi-tenant buildings were under construction during First Quarter 2019, totaling 3.64 million square feet. This activity is heavily concentrated in Midtown and Midtown West. No speculative buildings are underway in Buckhead, once considered the city's premier office district. The market's ability to successfully absorb this space will be tested. According to Jones Lang LaSalle, the vacancy rate at year-end 2018 was 18.1% and annual net absorption was a modest 480,175 square feet. Historical absorption trends are more promising: metro Atlanta has absorbed an annual average of 1.7 million square feet since 2012.

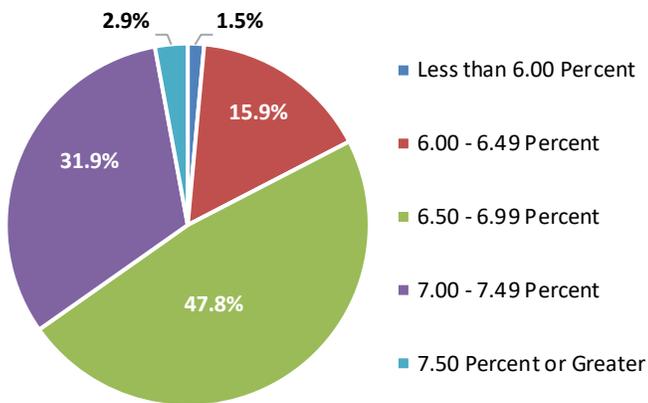
MULTI-TENANT OFFICE BUILDINGS UNDER CONSTRUCTION METRO ATLANTA

No.	Project	Developer	Square Feet	Delivery Date
1.	1 Edison	TPA Group	107,643	3Q19
2.	8 West	Gateway Ventures	186,000	3Q20
3.	725 Ponce	New City	360,000	2Q19
4.	1105 West Peachtree	Selig Enterprises	670,000	2Q21
5.	Atlantic Yards	Hines	500,000	1Q21
6.	Coda	Portman Holdings	645,000	1Q19
7.	Star Metals	The Allen Morris Co.	227,000	3Q20
8.	T3 West Midtown	Hines	230,000	3Q19
9.	The Interlock	S.J. Collins	204,000	3Q20
10.	The Works	Selig Enterprises	180,000	4Q20
11.	Twelve24	Trammell Crow Co.	335,000	1Q20
Total			3,644,643	

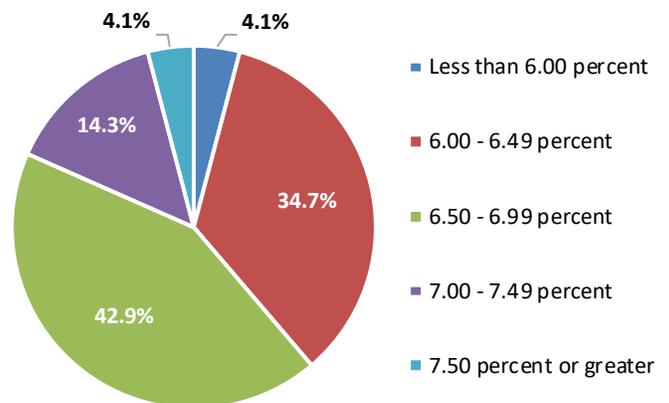
MULTIFAMILY DEVELOPER SENTIMENT SURVEY

Haddow & Company conducted a sentiment survey on the state of the intown apartment market in First Quarter 2019. The 50 respondents included developers, debt providers, equity sources, and apartment owners. A similar survey was conducted in First Quarter 2017. One interesting trend is a greater percentage of respondents today are willing to accept a lower yield on cost for new development than two years ago. A lower yield on cost can be rationalized if capitalization rates are expected to remain low, which was the consensus of survey respondents.

What yield on cost (NOI/total development cost) would you require to undertake new development?



1Q17



1Q19

To monitor key economic and housing indicators, please visit our website. As always, your thoughts and feedback are encouraged.

www.haddowandcompany.com



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