

HADDOW'S REAL NEWS

QUARTERLY MARKET INSIGHTS

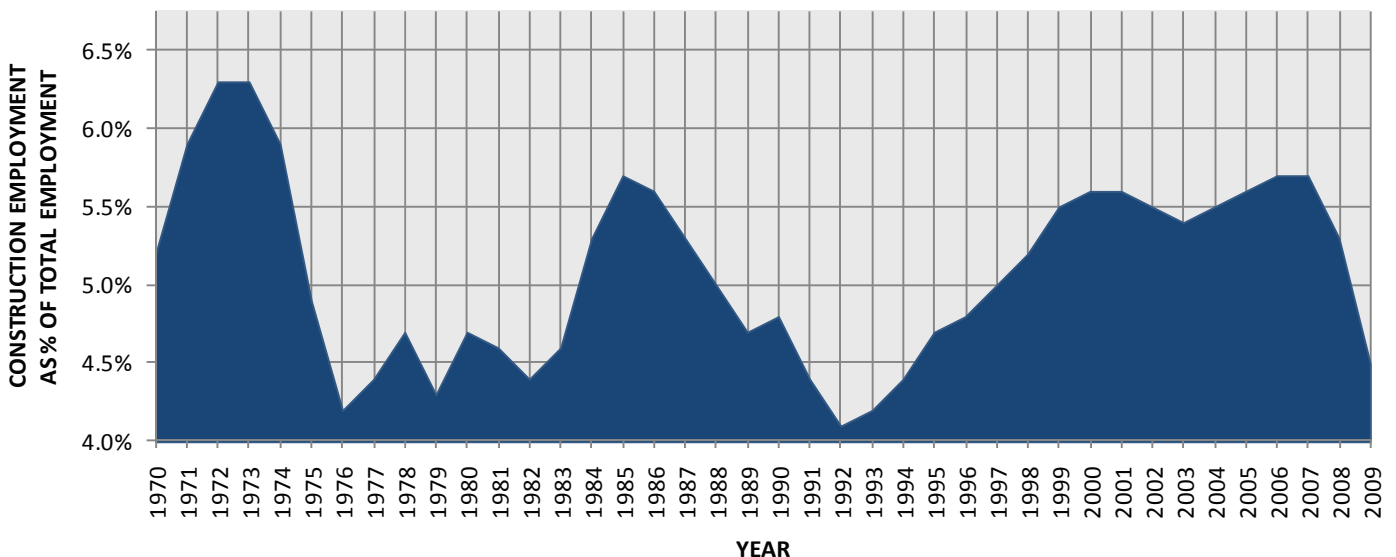
THIRD QUARTER 2010

LESSONS ON THE DOWN SIDE

The down side of a real estate cycle holds important lessons. As we await the next market upturn, it is instructive to consider what went wrong, how better to identify warning signs of market excesses, and things to do differently in the future. We humbly offer the following thoughts:

- Conduit lending (commercial mortgage-backed securities) is a bad substitute for portfolio lending (loans retained by the lender).
- The three basic rules of mortgage loan underwriting still apply: 1) lend to qualified buyers; 2) make sure the borrower has something at risk; and 3) carefully evaluate the real estate collateral.
- Government policies and actions can provide undue market stimulus.
- The only governor on real estate development is regulating the flow of money.
- Exponential rises in land prices are the simplest indicator of an overheated real estate market.
- The spread between capitalization rates and the 10-year Treasury bond yield, or risk premium, is another excellent proxy of market sanity.
- When the capital markets and real estate fundamentals diverge, trouble is sure to follow.
- Real estate demand is inherently tied to the economy, particularly job growth.
- Excess debt is only good in a rising market when interest rates are low.
- Timing is the most essential ingredient to sound real estate investing, even more than location.

ATLANTA'S REAL ESTATE CYCLES



HADDOW'S REAL NEWS

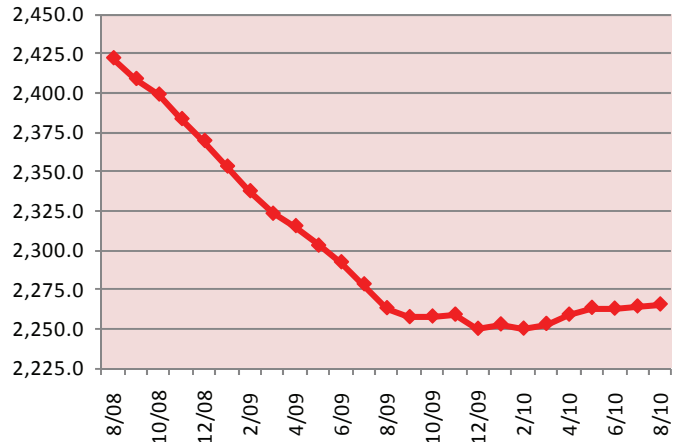
THIRD QUARTER 2010

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ATLANTA RECOVERY INDICATORS

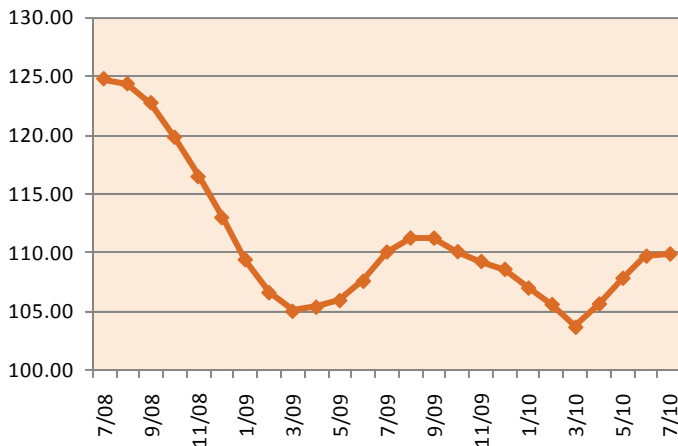
Three simple measures of Atlanta's economic health appear on the accompanying graphs. Terrible job losses were recorded from August, 2008 to August, 2009. Employment has been static for the last 12 months, indicating that the local economy has bottomed but is still sputtering along. The trend in unemployment rate is much the same. House prices fell sharply until March, 2009, then experienced a brief upward movement before falling again, with price appreciation resuming in April, 2010. What do these economic indicators suggest? In short, the shock wave brought on by the recession and housing market collapse has been absorbed, setting the stage for a gradual recovery.

Non-Agricultural Employment (000s) - Atlanta



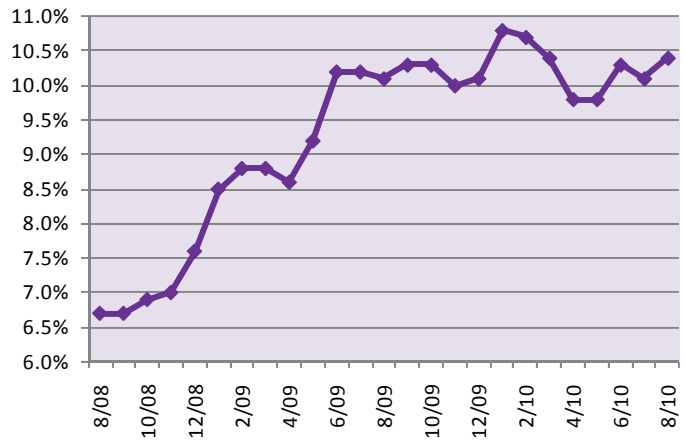
Source: Bureau of Labor Statistics

S&P/Case-Shiller Home Price Index - Atlanta



Source: Standard & Poors

Unemployment Rate - Atlanta



Source: Bureau of Labor Statistics

SIGNS OF RECOVERY

2010 NEW AND EXPANDING BUSINESSES - METRO ATLANTA

Company	No. of Jobs	Company	No. of Jobs
EUE/Screen Gems	1,000	Hydro Phi	300
CardioMEMS	400	De WafelBakkers	242
GE Digital Energy	400	Outcomes Health Info. Solutions	200
TASQ Technology, Inc.	350	Wells Fargo	200
Healthcare Solutions	300	Novelis, Inc.	150

Note: This list includes the 10 largest new and expanding businesses as of 3Q 2010.

Source: Metro Atlanta Chamber of Commerce

RECENT OFFICE LEASING ACTIVITY

Tenant	Property	Sq. Ft.
Greenberg Traurig, LLP	Terminus 200	107,000
Novelis, Inc.	Two Alliance Center	103,000
Kids II	Terminus 200	100,000
Access Insurance Holdings	Three Ravinia	77,500
Carlock, Copeland & Stair	191 Peachtree	52,000
JWT Advertising	3630 Peachtree	48,000

Source: CoStar

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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