

HADDOW'S REAL NEWS

QUARTERLY MARKET INSIGHTS

THIRD QUARTER 2011

QUIET PROGRESS

Metro Atlanta led the U.S. in job losses (30,800) during the past 12 months, and the unemployment rate has risen to 10.4 percent, hardly evidence of a recovery. Nonetheless, a subtle undercurrent of economic growth is occurring that is obscured by the employment statistics and steady barrage of bad news.

Over 50 percent of Atlanta's job losses from 2007 to 2010 were in three industry sectors: construction, manufacturing, and financial activities. A return to positive job growth is forecast for 2012 as the contraction in these industries runs its course and real growth occurs in other sectors of the economy. Atlanta has actually scored several notable corporate relocations and expansions since 2009, with 58 companies adding 150 or more jobs, according to the Metro Atlanta Chamber of Commerce.

NRC, First Data, Novelis, Sony Ericsson, and Red Prairie are among the many companies that have relocated to Atlanta since 2009. The Metro Atlanta Chamber of Commerce has a very focused recruitment strategy targeting the following industry clusters:

Target Industry Clusters

- Supply Chain and Advanced Manufacturing
- Technology
- Bioscience and Health IT
- Corporate Operations and Business Services
- Global Commerce

The good news is that metro Atlanta is getting results. At a time when companies are very focused on cost savings and improved operating efficiencies, corporate relocations and consolidations are increasing. Atlanta has demonstrated notable strengths in several sectors based on recent expansions and relocations.

Proven Areas of Strength

Internet Security	Supply Chain Management Software
Payments Processing	Mobile Applications & Services
Healthcare IT	Digital Content/Entertainment
Call/Data Center	Smart Grid Technology
Logistics	Television/Film Production

An already diverse economy has been broadened by establishing a strong presence in growth sectors of the global economy. Three key initiatives necessary to sustain this momentum are obtaining approval and financing to deepen the harbor at the Port of Savannah; voter approval next summer of the TSPLOST to fund transportation improvements; and labor force development. Surprisingly, in spite of the high unemployment rate, there is a critical shortage of trained workers in the burgeoning technology sector.

Atlanta's prosperity during the last boomlet (2003 to 2007) was largely fueled by population growth, construction activity and easy money, which proved a false high. A quiet wave of real economic expansion is afoot that will grow more apparent in time. While painfully slow, a nascent recovery sure beats the downward spiral of recent years.

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MARKET UPDATE

Atlanta's real estate market showed modest signs of improvement during the first half of 2011. A dual-branded hotel in Midtown and a handful of apartment complexes are under construction, but the development pipeline remains sparse. An uptick in investment sales activity suggests that investors are confident in the region's long-term prospects. Key trends are highlighted below:

- The **office** sector still faces several challenges, including a high vacancy rate and continued downward pressure on effective rents, but positive absorption was achieved in the first half of 2011.
- The **industrial** vacancy declined to 19.9 percent at mid-year 2011 as 2.2 million square feet of space was absorbed.
- The **retail** market continued to tread water as consumer confidence remained shaky, but restaurant sales were up 7.2 percent relative to the first half of 2010.
- The **hotel** sector saw the average occupancy rate jump 3.3 percentage points, but the average daily room rate declined 4.5 percent.
- The **apartment** market is currently showing the most signs of life, partly due to a 93.9 percent occupancy rate for Class A product. The intown **condominium** market continues to slowly heal due to lack of new construction and a modest but steady sales pace.

Atlanta Real Estate Indicators—Mid-Year 2011

	Vacancy Rate	Avg Rent Per Sq. Ft.	YTD Net Absorption (Sq. Ft.)
Office	21.9%	\$20.00	492,950
Industrial	19.9%	\$3.06	2,164,593
Retail	12.8%	\$13.34	(137,761)
	Occupancy Rate	Avg Daily Room Rate	REVPAR
Hotel	60.8%	\$79.04	\$49.79
	Occupancy Rate	Effective Rent Per Sq. Ft.	Apt. Starts YTD
Apartment (Class A)	93.9%	\$0.87	1,377
	Unsold Units	No. of Sales (MY'10-MY'11)	Ratio of Inventory/Sales
Condominium (Intown Atlanta)	2,369	850	2.79

Sources: Office, Industrial, Retail: Jones Lang LaSalle
Hotel: PKF Consulting
Apartment: Dale Henson Associates
Condominium: Haddow & Company

NEW LIFE

Several high-profile developments, idle since the downturn began, are being resurrected by new ownership groups. North American Properties just purchased **Prospect Park**, a stalled upscale mixed-use development in Alpharetta, from Wells Fargo. The company will soon unveil a new concept plan that will likely scale back the retail component and add a broader mixture of uses. North American Properties, along with CBRE Investors, also purchased the retail component of **Atlantic Station** in December, 2010, and plans to alter the retail tenant mix and marketing efforts to appeal to the young, affluent population base that resides in Midtown and surrounding neighborhoods. Jamestown Properties closed on the purchase of City Hall East, now known as **Ponce City Market**. Tentative plans call for 300,000 square feet of retail space, 500,000 square feet of office space, and a residential component. OliverMcMillan, a California-based company, plans to restart the upscale, mixed-use development formerly known as The Streets of Buckhead, which is now called **Buckhead Atlanta**. Preliminary plans envision approximately 310,000 square feet of retail space, 51,000 square feet of office space, and 370 residential units.



Rendering of Buckhead Atlanta

Our website has recently been redone. Please visit it at 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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