

### *WHAT'S DIFFERENT THIS TIME?*

Many economists are predicting a recession in 2023, thus raising an important question: Is Atlanta well positioned to weather an economic downturn? There are two primary reasons for optimism. First, the economy is more diverse than on the eve of the Great Recession, which began in December 2007 and ended June 2009. And second, the real estate market is not overbuilt.

The Great Recession was triggered by a collapse of the housing market. Atlanta was hit hard due to a reliance on real estate development as a key engine of economic growth. The metro area suffered steep job losses and endured a protracted recovery, growing at a slower pace than the U.S. economy for several years.

Following the Great Recession, an effort was made to diversify Atlanta's economic base. Substantial progress has occurred, and the local economy looks markedly different today than 15 years ago. A few discernable trends include:

- ❖ Construction employment represents a smaller percentage of the economy than in 2007, while three key industries — Professional & Business Services, Education & Health Services, and Leisure and Hospitality — have grown as a share of total employment.
- ❖ Atlanta has blossomed into a technology hub and has drawn corporate giants such as Microsoft, Facebook, and Google, which are attracted by the City's talented and diverse workforce. Recent layoffs in the technology sector, however, are a mild concern.
- ❖ Georgia has become a leader in electric vehicle (EV) manufacturing with the announcement of the Rivian plant in Covington, the Hyundai plant near Savannah, and multiple electric battery facilities. Since 2020, approximately \$17 billion in EV-related projects have been announced in the State.
- ❖ Film and TV production, a fledgling industry in 2007, is now surging. Direct spending on productions in Georgia reached a record-setting \$4.4 billion in fiscal year 2022, according to the Georgia Film Office. Several studio and production facilities are under construction or have been announced that will further increase the industry's capacity.
- ❖ Metro Atlanta is poised to add an estimated record of 160,000 jobs in 2022, on the heels of 112,900 jobs in 2021. This impressive employment growth positions the local economy to weather a pullback.

Atlanta's real estate market fundamentals are healthy, except for the office sector, which is struggling with a high vacancy rate and meager demand. Development activity has recently slowed, largely due to rising interest rates and tighter capital markets.

The local economy and real estate market are on solid ground. While Atlanta will not emerge unscathed from a national recession, we are better positioned to withstand a downturn and should enjoy a quicker recovery.

### SELECTED CLIENT ENGAGEMENTS IN 2022

#### *Families*

Families, family offices, and trusts are frequent clients, but the type of assignment varies greatly depending on the situation. A few examples from last year are cited below:

- ❖ An individual owns a building in the Old Fourth Ward that has housed his company for the last 20 years. No longer in need of the space, he hired our firm to better understand the marketability and value of this asset.
- ❖ We are assisting a family office in the repositioning of a metro Atlanta shopping center. The key task is how to repurpose a vacant big-box space with other uses. Last year, we successfully consummated a lease with a local healthcare provider to occupy a portion of the former discount store for medical offices.
- ❖ A family office owns a development site in the heart of Buckhead where it is trying to identify a developer to enter into a long-term ground lease. Our role was to provide market information and an opinion of the land value for the purposes of a ground lease.
- ❖ Another family needed our assistance in determining the value of an assemblage of adjacent properties. The question was how the value of the assembled properties might be impacted if the properties were bifurcated between family members.

#### *Higher Education*

Our firm was retained by a local college to explore how to better utilize selected real estate holdings around the edge of its campus. Some of the properties were either vacant land or underutilized parking lots. One asset was a former apartment complex that the college acquired decades ago for student housing. We successfully sold this property to a local investor via a sale-leaseback agreement with the college for a portion of the units. We continue to work with the college in exploring ways to program and monetize the remaining sites on the periphery of its campus.

#### *Municipalities & Other Governmental Entities*

We work with a variety of civic clients. Two examples from last year are cited below:

- ❖ Our firm continues to advise MARTA on the properties it controls around transit stations. Our services for MARTA range from quantifying the development potential and land value of certain sites to negotiating contract terms with development teams.
- ❖ We are advising the Downtown Development Authority (DDA) of a local city. Our services range from identifying sites for the DDA to acquire, as well as helping to sell or lease existing assets owned by the DDA.

#### *Non-Profit Institutions*

We worked with three non-profit institutions on how to monetize underutilized real estate holdings. In one instance, we are helping a non-profit sell a portion of its urban campus for high-rise residential development. For the other client, we are marketing a site in southwest Atlanta that is surplus real estate no longer essential to the organization's mission. Lastly, we assisted a long-standing intown institution in better understanding the potential value of transferring and monetizing its property's unused development rights.

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

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