

HADDOW'S REAL NEWS

QUARTERLY MARKET INSIGHTS

FOURTH QUARTER 2010

IS ATLANTA DONE?

A developer made a startling comment the other day during a casual phone conversation. In almost a whisper, after first securing a promise that he would not be quoted, he uttered the following words: "I think Atlanta is done." The sentiment alone was troubling, but given this person's optimistic nature and passion for speculative development, this curt statement was a real attention grabber.

When asked why he felt that way, the developer recited the usual litany of metro Atlanta concerns: traffic congestion, troubled schools, water constraints, lack of job growth, and competition from other cities. To this he added a few new wrinkles by pointing out that the proliferation of new municipalities has produced greater factionalism and more hurdles to new development. He also mentioned that the gap between current office rents and what is needed to justify new construction has never been greater. He could also have added that foreclosures reached a new annual record in 2010, with notices this past year 60 percent greater than in 2008, a sad proxy on the real estate market.

Atlanta is clearly burdened with some chronic problems for which solutions appear beyond reach. The economic contraction and real estate plunge have exacted a lot of pain. And it may well be true that Atlanta's boomtown image has a lost a little luster, but are the city's best days behind it?

Enlightened leadership and regional cooperation are sorely needed to address traffic and water problems, as well as other infrastructure issues, but Atlanta's economic future is secure. This is partly because the city enjoys an exceptional quality of life in spite of the few drawbacks that exist. People still gravitate to Atlanta, with the region's population increasing by an estimated 1,227,232 residents from 2000 to 2009. This already exceeds the growth in any previous decade, and equates to a remarkable 76 percent of the state's population gain during this period.

Cities like Charlotte, Raleigh, Nashville, and Jacksonville have become more competitive, but none will ever challenge Atlanta's role as economic capital of the Southeast. And the city's economy continues to diversify, with emerging strengths in renewable energy, film production, and biomedical research. New industries and business expansions have surged in the last two years, although these gains have been offset by the slumping manufacturing and construction sectors. The continued urbanization of Midtown and Buckhead, coupled with a 30 percent population surge in the City of Atlanta since 2000, are very positive trends.

Just consider a few news stories in the past week. An Emory University professor may have discovered a radical new treatment for brain injury victims. A clinical study is currently under way to test its effectiveness, sponsored by the National Institutes of Health, and Atlanta's Grady Memorial Hospital is lead hospital for the study. Largely through the dogged efforts of Mayor Kasim Reed, Atlanta was named as one of only eight U.S. cities to participate in a pilot program on sustainable communities. Georgia State University announced the acquisition of a downtown site for new buildings to house the business and law schools. Plans for a multi-faceted sports complex on 1,400 acres in Bartow County were made public. These stories hardly paint the picture of stagnation.

The GSU Economic Forecasting Center recently predicted that the Atlanta MSA will experience a net increase of 30,300 jobs in 2011 after three straight years of losses. This is a very modest gain (1.3 percent), but hopefully signals a welcome turning point. Real estate development will remain sluggish for a while, a natural consequence of excess supply and slack demand. This down cycle has been unusually painful due to the severity of the national economic recession, but market conditions are gradually improving. Despite its imperfections, we are fortunate to call Atlanta home.

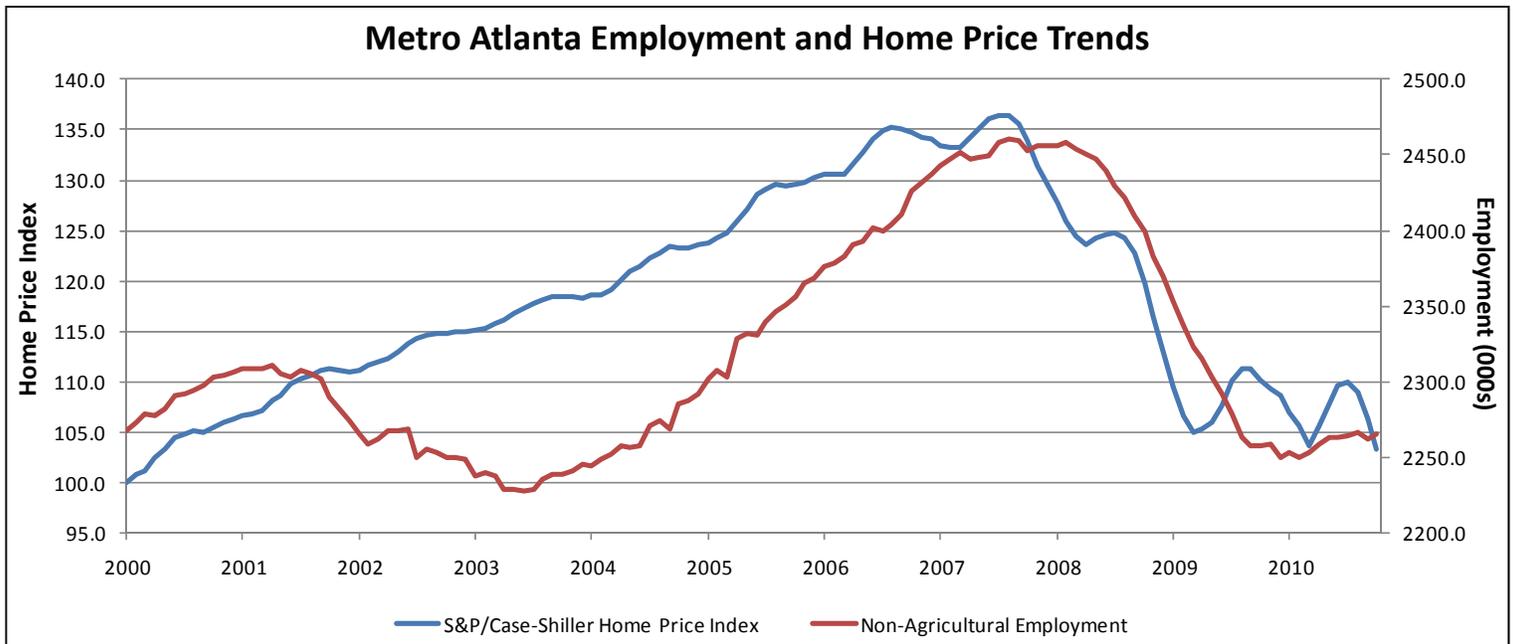
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FINISHING THE DECADE WHERE WE STARTED

While there were plenty of ups and downs during the past decade, home prices and employment levels are back to where they were ten years ago. The decade started off with a modest drop in employment due to the 2001 recession, but home prices never reflected that decline. Instead, prices continued to rise until the bottom fell out in mid-2007. Employment quickly followed suit. Home prices started to increase again in early 2009, partly due to the First-Time Homebuyer Credit Program. However, due to lack of job growth during the past 18 months, home prices have sputtered along and failed to gain positive momentum. Today, the employment base and home prices are near 2000 levels.



Sources: Standard & Poors, Bureau of Labor Statistics

Note: Data for 2010 is through October.

HOLLYWOOD MOVES SOUTH

The Georgia film industry is booming and the state is reaping the benefits. Thanks to a wide variety of landscapes and topography, an experienced and deep base of crew and production support, and massive financial incentives, Georgia has become one of the top five states in the country for film and television production.

Georgia Film Industry Statistics

Total Number of Productions Shot in 2009:	348
Economic Impact in 2009:	\$700 Million
Number of Entertainment Industry Jobs:	25,000
Tax Credit offered for Production in State:	30%

Source: Georgia Department of Economic Development

Recent Film and TV Productions

Drop Dead Diva	Ongoing	TV
Get Low	2009	Film
Killers	2009	Film
Life As We Know It	2009	Film
The Blind Side	2009	Film
The Change-Up	2010	Film
The Last Song	2009	Film
The Vampire Diaries	Ongoing	TV
The Walking Dead	Ongoing	TV
Zombieland	2009	Film

The Year-End 2010 Atlanta Intown Condominium Report will be available on January 21, 2011. For more information, please visit www.haddowandcompany.com.



If you have questions or would like more information, please contact us.

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