

2013: A Watershed Year

Atlanta's economic and real estate meltdown faded into memory during 2013, while a foundation for sustainable growth was laid. Five themes emerged: 1) economic vitality; 2) increased diversification; 3) housing rebound; 4) improving commercial real estate fundamentals; and 5) Atlanta becoming more interesting.

Economic Vitality

Metro Atlanta achieved its biggest job gain since 2006 (estimated at 60,200), the third increase in a row. The unemployment rate fell to 7.0 percent in November 2013, after rising as high as 10.7 percent in January 2010. U.S. Gross Domestic Product rose 4.1 percent in Third Quarter 2013, signaling an expanding national economy. The stock market reflects this new prosperity, with the Dow Jones Industrial Average rising 26.5 percent in 2013, which is now up 10,000 points from its nadir in March 2009.

Increased Diversification

The most notable trend in 2013 was a significant broadening of Atlanta's economic base. Dramatic developments are under way in the health care and technology sectors. Major corporate commitments were made by State Farm, Pulte, GM, Hewlett Packard, and others. The tourism industry got a major boost with the addition of new attractions. Film making has become big business. Emerging technologies and the infrastructure to support start-up companies are another bright spot. Atlanta is now a leader in mobile technology, supply chain management, internet security, healthcare IT, and payments processing, all growth industries.

Housing Rebound

The most visible evidence of Atlanta's housing recovery is the multitude of apartments under construction. Housing permits grew over 50 percent in 2013, and prices are rebounding very strongly. Atlanta had

lagged the U.S. in house price recovery, according to the S&P/Case-Shiller Home Price Index, but that changed in late 2012, with significant price increases since then. The inventory of new homes is scant, and even the resale market has a very modest inventory. The supply of new condominiums has dwindled to virtually zero. Residential developers are again looking for land, and at least one major single-family community was started last year.

Improving Commercial Real Estate Fundamentals

Vacancy rates are still high and rents are still flat, but conditions are definitely getting better. Two major stalled developments, Buckhead Atlanta and Avalon, were relaunched during 2013. Both developers were able to secure huge construction loans. Ponce City Market has had an exceptional response to its speculative office space, and the office component of Buckhead Atlanta was actually enlarged to accommodate the headquarters of Spanx. Office and industrial absorption has been solid the last two years, following a long dry spell. Developers are again contemplating speculative buildings. The lack of supply growth in recent years, both office and industrial, certainly helps set the stage for renewed development. The hotel sector has already experienced a flurry of new development.

Atlanta Becoming More Interesting

Midtown has evolved into a truly urban place, complete with pedestrians, pets, and residents. Midtown West has become one of Atlanta's most dynamic and eclectic spots, boasting some of the city's finest eateries. Old Fourth Ward anchors the BeltLine, and Ponce City Market will become an important new attraction. Buckhead Atlanta is transforming the "village" area, and big things are happening downtown. There will soon be a lot more to see and do in Atlanta, and our city will show better than ever.

Major Projects in Store for 2014

Three long-awaited developments will deliver in 2014. Each will have a significant impact on their immediate surroundings and metro Atlanta as a whole. In addition to these major developments, significant tourist attractions will take shape in downtown Atlanta this year. The National College Football Hall of Fame will open its doors in August, while the National Center for Civil and Human Rights is expecting to welcome guests in May. Both of these attractions will bracket Centennial Olympic Park and add to the existing list of entertaining experiences downtown. The Atlanta Streetcar will also make its debut this year. The line will run 2.7 miles from Centennial Olympic Park eastward to the Martin Luther King Jr. National Historic Site.

Avalon (North American Properties) 250 apartments, 101 single-family homes, 570,000 square feet of retail, 835,000 square feet of office, and two hotels

Buckhead Atlanta (OliverMcMillan) 370 apartments, 300,000 square feet of retail, and 112,000 square feet of office with a new headquarters for Spanx

Ponce City Market (Jamestown Properties) 259 apartments, 330,000 square feet of retail including a public market, and 475,000 square feet of office



Clockwise from top: Ponce City Market (Old Fourth Ward), Avalon (Alpharetta), Buckhead Atlanta (Buckhead)

Recent Engagements

Haddow & Company is asked to address a wide variety of real estate issues. In 2013, our firm worked on its usual broad array of assignments, involving a diverse mix of property types, clients, and issues. Three recent engagements were:

Highest and Best Use Analysis - Birmingham, AL

The City of Birmingham selected H.J. Russell & Co. as the master developer of a vacant 37-acre tract adjacent to a new multipurpose sports facility. We were retained as part of the development team to evaluate the property's highest and best use and to help formulate the optimal development strategy. Our research focused on uses that would benefit from proximity to the sports facility and serve a community need. These findings were translated into a development strategy.

Apartment Feasibility Study - Atlanta, GA

An institutional investor was considering a joint venture with a developer on a proposed multi-phased apartment development in Buckhead. We were asked to evaluate the merits of the proposed development. Key issues involved the pipeline of apartments proposed and under construction in Buckhead, achievable rents, and development timing.

Disposition Counseling - Atlanta, GA

A public company was evaluating whether to reinvest in their owner-occupied headquarters or sell the building and lease space elsewhere. We were hired in 2011 to assist them in their decision-making process. After presenting our conclusions, the company retained our firm to sell the building. The disposition was consummated in November 2013.

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

www.haddowandcompany.com



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

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