

### LET'S NOT SPOIL IT

The last issue of *Haddow's Real News* featured a story entitled "The Best of Times." This is the sequel, partly inspired by two recent events. First is the tagline to Bisnow's Atlanta 2016 Forecast program, which posed the ludicrous question "Is the City Recession-Proof?" And second, last week's announcements of two multi-building, high-rise developments in the Central Perimeter, both sponsored by foreign capital sources.

As previously noted, times are very good for metro Atlanta. The local economy is registering strong job gains, population growth is accelerating, and increased diversification has strengthened the economic base. The real estate sector has responded in kind with positive rent growth and absorption across all sectors. Rising property values and abundant capital are helping to fuel new development, and transaction activity is high. This is a fantastic time to be in the real estate business, particularly in Atlanta.

So what's the problem? In a nutshell, we are prone to excess. Painful memories fade with prosperity. Money flows more freely. The typical checks and balances are overrun by contagious enthusiasm. And sometimes greed enters the equation, but mostly the market just becomes overheated, leading to dire consequences.

The current up cycle is still in its early stage, so trouble signs are not very evident. However, it is not too soon to watch out for things that might upset the applecart, such as the following:

- Disproportionate increase in construction jobs relative to total employment
- Careless loan underwriting
- Too many developers
- Easy money
- Overbuilding

When the market transitions from being driven by economic growth and real demand to one fueled by capital, trouble is around the corner. This is typically signaled by hyper-inflated land prices that greatly exceed economic value.

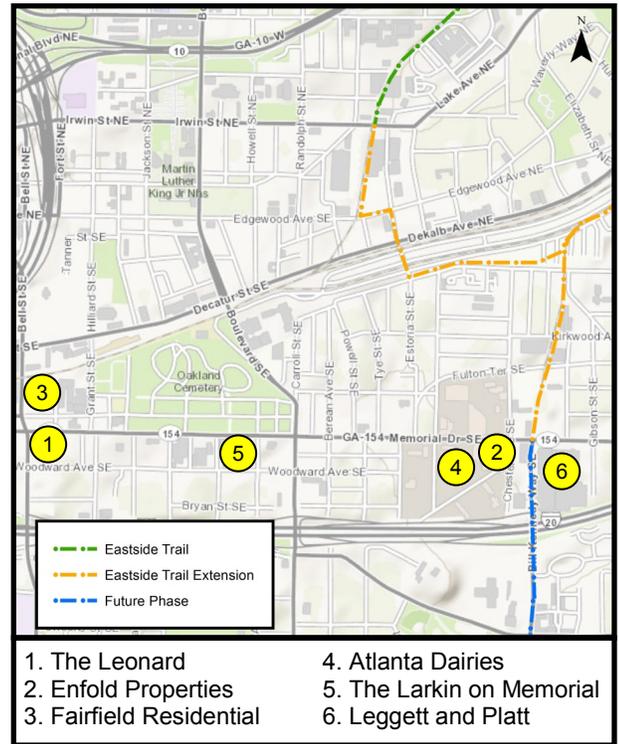
All market participants have a role in watching out for signs of excess. The interplay between the economy and real estate sector is the key. Once evidence of economic weakening starts to surface, the real estate capital markets must respond. Simple measures are employment growth, unemployment rate, leading economic indicators, and the consumer confidence index. Vacancy rates, absorption, rent growth, capitalization rates, and construction volume should be monitored on the real estate front.

It has been 10 years since the last real estate cycle peaked, with several dismal years in between. Let's enjoy the highly favorable conditions that prevail while exercising prudence to sustain them.

## Memorial Renaissance

Memorial Drive is the next frontier for intown Atlanta's ongoing evolution. The impending BeltLine extension, a solid location, and the corridor's gritty nature and authenticity are fueling developer interest. On the residential front, Urban Realty Partners had success with The Leonard, a boutique 85-unit apartment development, and is planning another 130 units nearby. Enfold Properties is under way on 80 apartments, and Fairfield Residential has plans for 324 units near Oakland Cemetery.

New retail development is also on the drawing boards. Paces Properties is making a big bet on the corridor, with the planned redevelopment of the former Atlanta Dairies site (10 acres) and another 60,000-square-foot retail center called The Larkin on Memorial. Fuqua Development reportedly has the Leggett and Platt site (17 acres) under contract, which will include a significant retail component.



Haddow & Company's Year-End 2015 Condominium Report will be released January 30th. If you are interested in learning more about this report, please click on the link to the right:

[Haddow's Condominium Report](#)

## Recent Engagements

A New York investment group was considering the purchase of a 700,000-square-foot **flex industrial park in Gwinnett County**. As part of the due diligence process, we were asked to provide an independent assessment of the property and the market.

We were retained by an international investment group to help formulate an investment strategy for an **office building in downtown Atlanta**. Our client wanted input on whether to sell the asset today or to hold long-term. An in-depth analysis of the downtown office market was conducted.

A developer owns over **300 acres with 1.5 miles of frontage on Lake Oconee**. We were asked to evaluate the marketability of a preliminary master plan. Our work involved a thorough analysis of the local real estate market, as well as case studies of similar master-planned communities in the Southeast.

An investment group controls a site near Hartsfield-Jackson Atlanta International Airport. Preliminary plans show a **mixed-use development with a multifamily component**. We were retained to evaluate the marketability of the apartments.

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

[www.haddowandcompany.com](http://www.haddowandcompany.com)



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