

# HADDOW'S REAL NEWS

## QUARTERLY MARKET INSIGHTS

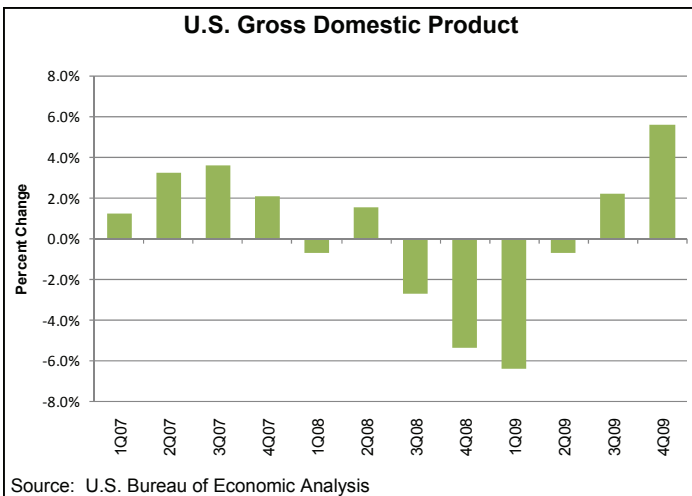
FIRST QUARTER 2010

### THE RECESSION'S TOLL AND AFTERMATH

The current economic recession officially started in December, 2007. Its pain has gripped all sectors of the economy. The U.S. unemployment rate has more than doubled and 8.4 million jobs have been lost.

Real estate demand is driven by the economy, so the decline in market fundamentals is no surprise. And the change has been dramatic, as reflected in the accompanying table of Atlanta Market Indicators. Occupancy rates have dropped and absorption has turned negative for all property types. Perhaps the most jarring measure of the market's correction is the 6,509 housing units permitted in 2009, which represents less than 10 percent of the residential volume in 2006.

Is the recession ending, or possibly even over? The table below hints at this possibility since U.S. Gross Domestic Product (GDP) has expanded in the past two



quarters after four consecutive quarters of decline. Most people would consider this ludicrous, particularly with Atlanta's unemployment rate at 10.8 percent as of January. Numerous economic measures, however, point to renewed activity and optimism. The most hopeful sign is the Dow Jones Industrial Average, which closed at 10,841 on March 25, 2010, up 40 percent from a year ago.

A local trend that bodes well for the future is the significant pick-up in corporate relocations and consolidations. Population growth also remains strong, although less robust. The Atlanta MSA (28 counties) added 89,627 residents in 2009, according to the U.S. Census Bureau. These factors suggest that our tattered city will regain its luster in the aftermath of this brutal recession.

### Atlanta Market Indicators

RESIDENTIAL MARKET	2007	2008	2009
Housing Permits (Units)			
Single-Family	31,089	11,688	5,397
Multi-Family	13,681	6,558	1,112
Total:	44,770	18,246	6,509
New Home Sales:	37,711	22,418	14,022
New Home Inventory:	33,472	23,049	13,438
Vacant Developed Lots:	143,146	149,591	149,183
Apartment Occupancy Rate:	91.1%	88.6%	88.5%
Apartment Starts (Units):	10,944	6,710	427
Intown Condominium Sales:	1,704	645	1,095
Year-End Unsold Inventory:	7,252	6,032	3,519
<b>OFFICE MARKET</b>			
Inventory (Sq. Ft.):	121,639,395	123,407,631	125,122,417
Occupancy Rate:	82.6%	80.6%	78.0%
Absorption (Sq. Ft.):	1,997,473	(982,793)	(1,864,446)
<b>INDUSTRIAL MARKET</b>			
Distribution/Warehouse			
Inventory (Sq. Ft.):	500,347,768	504,334,406	509,065,277
Occupancy Rate:	84.5%	82.6%	79.7%
Absorption (Sq. Ft.):	8,433,402	(7,571,657)	(15,643,302)
Service Center			
Inventory (Sq. Ft.):	20,458,019	21,938,406	22,892,729
Occupancy Rate:	76.6%	75.7%	72.8%
Absorption (Sq. Ft.):	85,382	(194,153)	(906,991)
<b>HOTEL MARKET</b>			
Occupancy Rate:	63.5%	59.3%	53.2%
Average Room Rate:	\$92.76	\$93.71	\$85.12
<b>RETAIL MARKET</b>			
Inventory (Sq. Ft.):	132,091,584	135,026,367	141,346,661
Occupancy Rate:	92.2%	90.2%	88.3%
Absorption (Sq. Ft.):	684,051	229,876	(1,298,390)
<b>EMPLOYMENT</b>			
Net Change in Employment:	49,700	(26,000)	(136,100)
Unemployment Rate:	4.5%	6.2%	9.6%
<b>GEORGIA BANKS</b>			
Net Income (millions):	\$2,932	\$56	(\$3,285)
Noncurrent Assets (% of Total):	1.6%	3.7%	5.7%
Other Real Estate Owned (millions):	\$832	\$2,145	\$3,063
% of Unprofitable Institutions:	14.8%	49.7%	64.3%

**Note:** All inventory and occupancy figures are as of year-end, except for the hotel occupancy rate, which is the annual average.

Sources:

**Housing Permits:** U.S. Census Bureau  
**House/Lot Data:** Metrostudy  
**Apartment Data:** Dale Henson Assoc.  
**Condominium Data:** Haddow & Company  
**Office Data:** Jones Lang LaSalle

**Industrial Data:** King Ind. Realty, Inc.  
**Hotel Data:** PKF Consulting  
**Retail Data:** CB Richard Ellis  
**Bank Data:** FDIC  
**Employment Data:** U.S. Bureau of Labor Statistics

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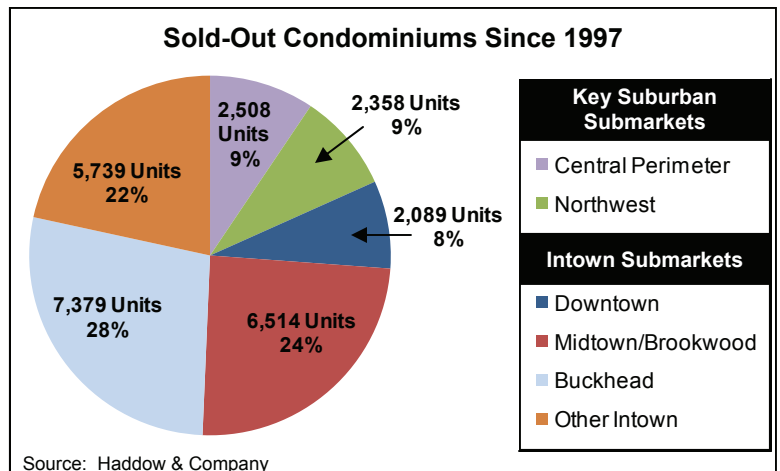
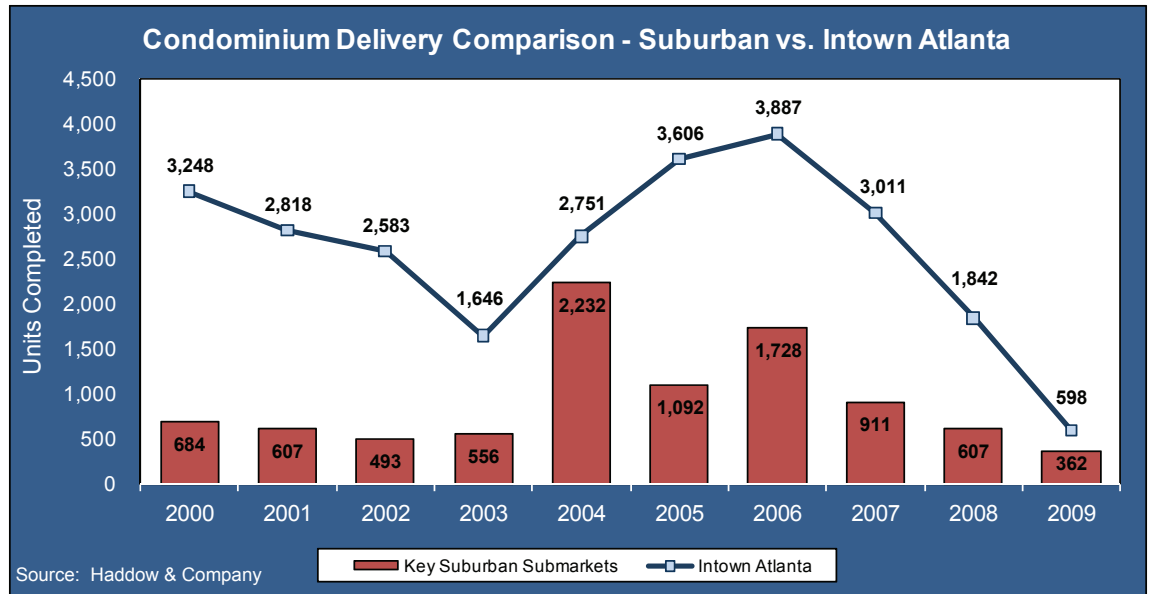
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FIRST QUARTER 2010

### WHAT'S UP WITH SUBURBAN CONDOMINIUMS

Suburban Atlanta did not experience the same level of condominium development during the past decade as the previous cycle in the mid-1980s. A total of 9,272 condominium and townhome units were delivered in the principal suburban submarkets (Central Perimeter and Northwest) between 2000 and 2009, with more than half (5,052 units) occurring in just three years (2004 - 2006). Intown Atlanta added 25,990 units during this period, averaging 2,600 new units annually.

Suburban condominium and townhome developments have an average size of 108 units, compared to 71 units for intown projects. They have experienced slightly better sales velocity than their urban counterparts. Price and sales pace are directly correlated. Sold-out projects with an average unit price under \$300,000 recorded 4.8 sales per month, while units priced over \$300,000 sold at 2.5 per month. Conversions of rental units account for just over 50 percent of sold-out product.



Sold-Out Condominiums Since 1997	Key Suburban Submarkets	Total Intown Atlanta
Number of Projects	45	308
New Construction Units	2,302	10,960
Conversion Units	2,564	10,761
Average Project Size (Units)	108	71
Average Number of Months on Market (Per Project)	28	20
Average Monthly Sales Velocity	3.9	3.6

Source: Haddow & Company

A recent survey of 28 active condominium and townhome projects in the Central Perimeter and Northwest submarkets revealed that 61 percent of the 3,521 units are sold. Of the 977 units delivered since 2008, however, only 17 percent have sold. New construction has ground to a halt, just like in the urban core. Reduced demand has led to aggressive price discounts, which is something else the suburbs have in common with the intown market.

To monitor changes in key monthly economic and housing indicators, please visit [www.haddowandcompany.com](http://www.haddowandcompany.com). As always, your thoughts and feedback are encouraged.



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