

THE BEST OF TIMES

Atlanta is on a roll. The dark days of 2008 to 2011 are fading from memory. Here's a look at why things are so much better.

The Atlanta MSA added 190,400 jobs from 2012 to 2014, and employment growth remains robust. Significant corporate relocations and expansions have recently occurred, most notably Pulte, State Farm, and Mercedes-Benz USA, further diversifying the economy.

Rent growth is evident across all sectors of the market. Positive space absorption has returned after a prolonged dry spell. Land values are soaring, income properties are trading at low capitalization rates, and home prices have recovered. Chronically high vacancy rates, particularly for office and industrial space, are finally subsiding to levels that promote new development.

Repurposing of public facilities has gathered great momentum, starting with Tyler Perry's decision to purchase most of Fort McPherson and Kroger's massive distribution facility on the former Fort Gillem property. Even Underground Atlanta has a buyer, and the Civic Center is slated for a massive mixed-use development. Suitors are already lining up for Turner Field and its sea of parking lots.

Ponce City Market has been wildly successful, particularly the office component. Krog Street Market has also generated quite a buzz. Idle buildings such as 715 Peachtree Street and Mead's former administrative space on Marietta Street have been resurrected for non-traditional office use.

The City of Atlanta approved a \$250 million bond issue for infrastructure improvements. Expansion of the Atlanta BeltLine, the addition of new parks, and streetscape improvements are enhancing the city's public spaces.

Local universities are flourishing and becoming more collaborative. Georgia Tech's High Performance Computing Center will be a game changer for the university and Midtown. Georgia State University is garnering national attention for its innovative programs, and continues to expand its positive footprint in downtown Atlanta.

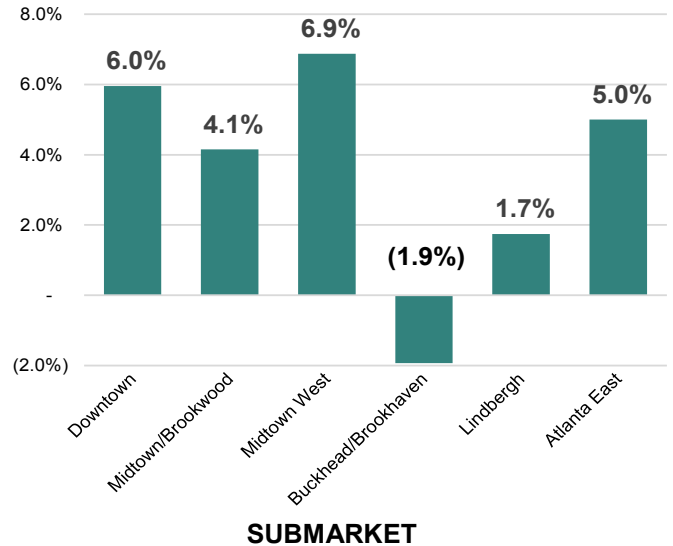
These times are reminiscent of previous booms in the mid-1980s, late 1990s, and the middle portion of the last decade. A heated market does have its downside, including sharply rising construction costs, a bevy of out-of-town developers, and the potential for overbuilding. These conditions are most evident in the intown apartment sector, which has led the market's recovery.

Let's enjoy the ride but remember the cyclical nature of our business. Capital providers are the ultimate governor on the market, and hopefully they will stay alert to signs of excess. No one wants to uncover recent memories.

An Early Sign of Softening in the Intown Apartment Market?

Intown Atlanta apartment rent growth remains impressive, rising 8.0 percent over the past 12 months, and projects in initial lease-up are being absorbed at a pace well above historical averages. However, slippage in same-store rent growth may be signaling more modest growth in the months to come. Same-store rents, measured by comparing rents at the same apartment communities over time, rose just 3.2 percent since Third Quarter 2014. By comparison, same-store rents increased 8.0 percent during the previous 12-month period. Same-store rents actually fell 1.9 percent in Buckhead, where 5,111 units have been delivered since 2012. With another 11,068 units currently under construction in intown Atlanta (4,608 units in Midtown and 3,243 units in Buckhead), new deliveries will truly test the market's depth.

ANNUAL SAME-STORE RENT GROWTH BY SUBMARKET (3Q14 - 3Q15)



Note: The table above reflects the weighted average rent per square foot year-over-year growth at 85 Class A apartment projects (22,290 units). Projects delivered after 3Q14, or where information was unavailable for either data set, were not included in this analysis.

Haddow & Company's Third Quarter 2015 Apartment Report was released on October 1st. If you are interested in learning more about this report, please click on the link to the right:

[Haddow's Apartment Report](#)

Central Perimeter Heats Up

The Central Perimeter submarket is buzzing with real estate activity. Mercedes-Benz USA and State Farm are building corporate campuses, adding to an impressive roster that includes Cox Enterprises, First Data Corporation, and AirWatch. Developers, including Hines and Seven Oaks, are planning multi-tenant office towers that would be the first speculative buildings delivered since 2003. Apartment communities built early in this cycle were successful, and developers are responding. A total of 837 units are under construction, and 2,794 units are proposed. The medical cluster known as "Pill Hill" is the largest concentration of healthcare facilities in metro Atlanta and is poised to grow. Northside Hospital has recently acquired land for future expansion.

Central Perimeter is thriving for a number of reasons. Enlightened leadership has promoted key infrastructure improvements that have eased traffic congestion. The area's three MARTA stations are an enormous asset, particularly for employers targeting a younger, educated workforce. A broad amenity base, anchored by Perimeter Mall, is another draw for residents and businesses. Developers and investors are bullish on Central Perimeter, and the submarket will continue evolving into a mature urban district in the coming years.

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

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