

2004

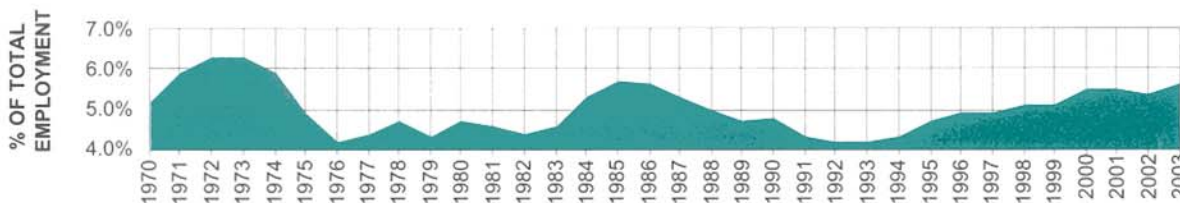
Let's hope the Georgia State University Economic Forecasting Center is right. After predicting in May that metro Atlanta would experience another job loss (8,300) in 2003, GSU issued a revised forecast in November that predicts a job gain of 32,100. This is a major reversal of fortunes, if correct. The forecast for 2004 is even more sanguine, calling for a 55,400 increase in employment, or 2.5 percent.

The real estate market could certainly use a job spurt. Office and industrial vacancy rates are extremely high, and effective rental rates have taken a beating. The hotel sector has also seen slippage in occupancy and room rates, while the apartment market has been racked by move-outs triggered by low interest rates. The retail occupancy rate has held steady, but the fallout among anchor stores is creating serious leasing challenges. The "for sale" housing market is one of the few bright spots, largely due to the stimulus of cheap mortgage money.

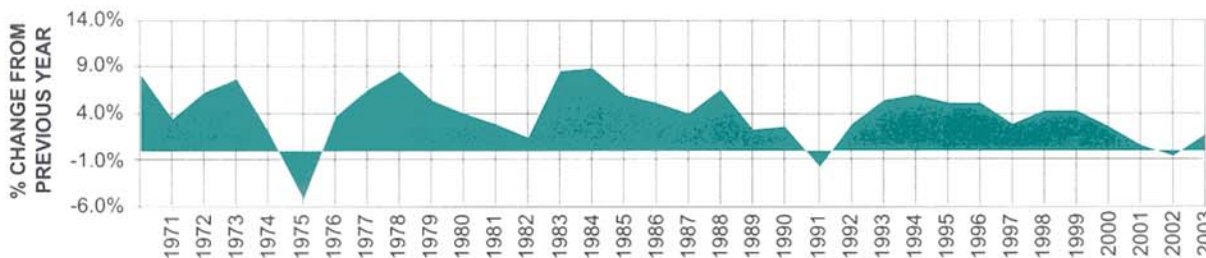
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KEY INDICATORS - ATLANTA REAL ESTATE CYCLES 1970 - 2003

CONSTRUCTION EMPLOYMENT (% OF TOTAL)



ANNUAL % CHANGE IN EMPLOYMENT



Note: The 2003 data are based on a forecast by the Georgia State University Economic Forecasting Center in November, 2003.

2004 (Cont.)

The unprecedented demand contraction that gripped the market from early 2001 until recently has hopefully run its course. National economic indicators are flashing positive signs, and the federal government has done its best to spur the economy through tax cuts, aggressive deficit spending, and monetary policy. With an election year in the offing, economic policies are likely to remain stimulative. Rising corporate profits bode well for resumed capital spending and new hiring.

It has been two years since the national economic recession officially ended in November, 2001. The economy has taken longer to regroup compared to previous recessions, at least in terms of job growth. This is partly due to enhanced productivity and corporate restructuring, which should provide a good foundation for sustained economic growth. A group of economists recently forecast a robust 4.5 percent increase in U.S. Gross Domestic Product for 2004. Once again, let's hope they are right!

As we look ahead to next year, those in the real estate industry should breath a collective sigh of relief. The balm of low interest rates has softened the pain of a severe supply-demand imbalance. Land values have held up, foreclosures are scarce, and even income properties are commanding surprisingly good prices due to reduced capitalization rates and strong buyer interest. This "real estate correction" has been mild compared to the early 1990s.

RECENT ENGAGEMENTS

A family limited partnership retained our firm to evaluate a portfolio of six land holdings, totaling 1,844 acres. These properties are scattered throughout five counties in metro Atlanta. Our role was to compile pertinent property and market data to help formulate the optimal investment strategy.

Davis Associates and Miller/Gallman Developers plan to convert the historic Porterdale Mill to loft apartments. Located approximately 30 miles east of downtown Atlanta on the Yellow River, this property is the centerpiece of a former mill village that is in the midst of a revival. Our study examined competitive market conditions as well as similar mill conversions elsewhere in Georgia.

The Gellerstedt Group, which was formed in mid-2003, is convinced of the vibrancy of Atlanta's intown housing market. The goal of this new development company is to become a leader in this arena. Our firm helped by providing relevant market reconnaissance and has assumed an ongoing role as the company seeks investment opportunities.

White & Associates asked us to evaluate the condominium conversion potential of a 32-unit apartment community in Inman Park. This brick complex overlooks a park and is a short walk from the MARTA station. Our study provided a detailed assessment of the property and its competitive market position.

Haddow & Company is a real estate consulting firm that serves the various needs of developers, investors, corporations, lending institutions, and others. The company's services include market and feasibility studies, investment analysis, development planning, disposition counseling, highest and best use studies, marketing strategies, and loan workouts.



Haddow & Company

Real Estate Consultants

The Hurt Building
50 Hurt Plaza, Ninth Floor
Atlanta, Georgia 30303

(404) 577-7222

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