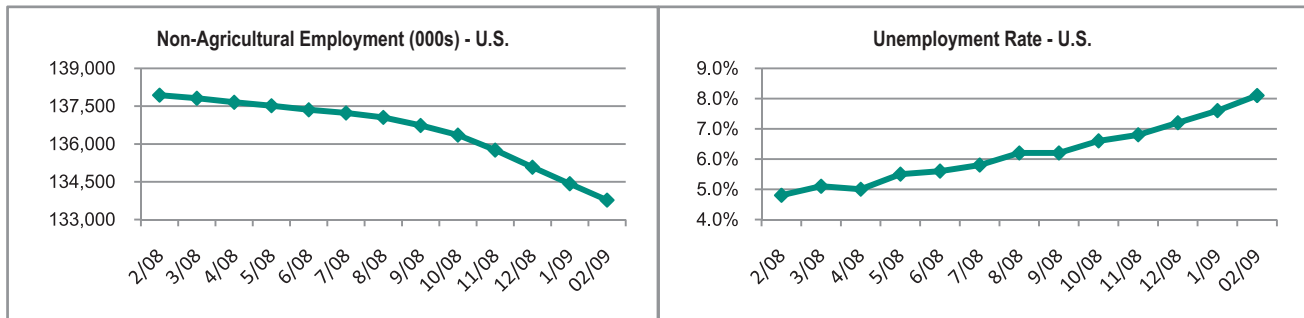
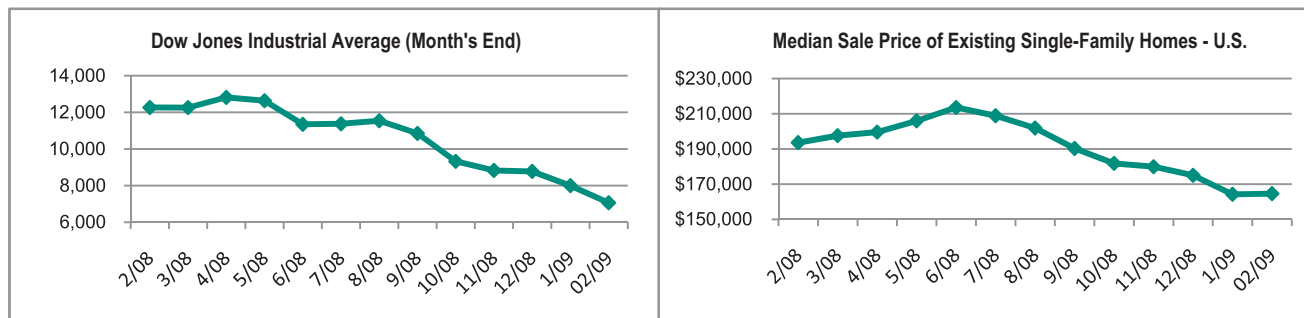


THE BIG THAW

Everyone is looking for a recovery. With the national economic recession 15 months old, signs of a turnaround, or at least a bottoming out, are a universal hope. Consumers are in the deep freeze after years of profligate spending. A “paradox of thrift” has set in, with increased savings rates actually a drag on economic growth since consumer spending accounts for approximately 70 percent of U.S. Gross Domestic Product. Businesses are retrenching too, with overhead reduction their primary goal.



The real estate industry has suffered a triple whammy. All property sectors are oversupplied, demand has contracted due to the economy and stock market collapse, and capital has dried up. Things are eerily quiet as decision-making has been temporarily suspended. Banks are not lending, investors are not buying, developers are trading water, brokers are bored sick, and the many ancillary businesses dependent on real estate activity are suffering a dreadful calm.



Is it any wonder that confidence has plummeted? Just look at the four simple measures of economic well being on this page. The U.S. economy has shed 4.2 million jobs during the 12 months ended February, 2009; the unemployment rate has risen from 4.8 to 8.1 percent; the Dow Jones Industrial Average has dropped 42.4 percent; and the median single-family home price has fallen 15 percent. (Key indicators for the United States and Atlanta appear in a table on the back page.)

What must happen to bring recovery? A few essentials are: 1) the stock market must show sure evidence of a rebound; 2) house prices need to turn upward; 3) banks must address their loan problems and return to lending money; and 4) most importantly, political and business leaders need to restore confidence through their actions and words. A tall order given prevailing trends, but the question is not if, but when, the thawing out begins.

Consult our website (www.haddowandcompany.com) for monthly measures of recovery indicators.

**KEY HOUSING AND ECONOMIC INDICATORS
UNITED STATES AND ATLANTA**

**12-
Month
Change
(12/07-
12/08)**

	12/06	12/07	12/08	
HOUSING INDICATORS				
Existing Single-Family (U.S.)				
Sales (Units)	410,000	316,000	326,000	3.2%
Median Sales Price	\$221,600	\$205,000	\$174,700	(14.8%)
Existing Condominiums (U.S.)				
Sales (Units)	59,000	44,000	38,000	(13.6%)
Median Sales Price	\$227,000	\$222,000	\$181,400	(18.3%)
New Homes (U.S.)				
Sales	71,000	44,000	23,000	(47.7%)
For Sale	537,000	496,000	359,000	(27.6%)
Housing Permits (Units)				
United States	113,600	77,800	40,000	(48.6%)
Single-Family	76,000	45,200	24,200	(46.5%)
Multi-Family	37,600	32,600	15,800	(51.5%)
Atlanta-Sandy Springs-Marietta MSA	3,608	1,780	512	(71.2%)
Single-Family	3,008	1,153	384	(66.7%)
Multi-Family	600	627	128	(79.6%)
S&P/Case-Shiller Home Price Index				
United States - 20-City Composite	203.33	184.96	154.59	(16.4%)
Atlanta	134.01	129.61	116.57	(10.1%)
ECONOMIC INDICATORS				
Employment (000's)				
United States	136,982	138,078	135,489	(1.9%)
Atlanta	2,458.8	2,494.6	2,412.6	(3.3%)
Unemployment Rate				
United States	4.4%	4.9%	7.2%	46.9%
Atlanta	4.1%	4.5%	7.6%	68.9%
Consumer Price Index (CPI)	203.30	211.68	211.49	(0.1%)
10-Year Treasury Bond Yield	4.56%	4.10%	2.42%	(41.0%)
Dow Jones Industrial Average (Month's End)	12,463	13,265	8,776	(33.8%)
Consumer Sentiment Index	91.7	75.5	60.1	(20.4%)
Personal Consumption Expenditures (Millions)	\$8,153,232	\$8,307,227	\$8,167,520	(1.7%)

Sources: National Association of Realtors, S & P/Case-Shiller, U.S. Census Bureau, Bureau of Labor Statistics, Dow Jones Company, Reuters/University of Michigan, and Bureau of Economic Analysis.

RECENT ENGAGEMENTS

Cypress Real Estate Advisors retained our firm to prepare a market analysis for a proposed apartment complex, with ground-level retail space in downtown Decatur. The site was formerly improved with a motel and small office building.

Shalom Farm, Inc. owns 1,719 acres in Banks County, Georgia. This property was assembled in the 1950s by the grandfather of its current owners. Our firm performed a highest and best use analysis, and was subsequently retained to handle its disposition.

Fulton Supply owns an historic property in the Castleberry Hill District of downtown Atlanta. The building is no longer integral to the company's operations, so conversion to loft apartments is under consideration. We analyzed this opportunity from an economic and market standpoint.

Mike Bowden has 131 acres situated in all four quadrants of a new highway interchange on U.S. 80 in Phenix City, Alabama. Much of the property also fronts Lake Oliver and the Chattahoochee River. The owner asked our firm to evaluate the property's highest and best use in order to help formulate the optimal development/investment strategy.

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.



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