

A TRUE RECOVERY

Real estate capital flows belie current market conditions. In spite of a severe supply-demand imbalance in virtually every market sector, abundant capital and low interest rates are sustaining property values and even fueling new developments. The table below chronicles the economic and real estate slump. Conditions have clearly improved in 2004, but a true recovery will not occur until a reasonable supply-demand balance is restored.

ECONOMIC AND REAL ESTATE INDICATORS METRO ATLANTA 1999 - 2003

	1999	2000	2001	2002	2003
POPULATION TRENDS					
Annual Increase	111,038	255,101 *	150,386	123,746	77,870
% Increase	3.0%	6.6% *	3.7%	2.9%	1.8%
EMPLOYMENT TRENDS					
Annual Increase	83,500	55,900	9,800	(23,500)	(9,900)
% Increase	4.1%	2.6%	0.4%	(1.1%)	(0.5%)
Unemployment Rate	3.1%	2.9%	3.5%	5.3%	4.7%
RESIDENTIAL MARKET					
Housing Permits**					
Single-Family:	44,379	41,272	39,839	38,611	40,335
Condominium/Townhouse:	2,403	2,714	3,696	6,510	5,429
Apartments:	<u>6,910</u>	<u>10,073</u>	<u>8,217</u>	<u>8,723</u>	<u>5,883</u>
Total:	53,692	54,059	51,752	53,844	51,647
Apartment Occupancy Rate:	95.4%	95.5%	91.1%	89.4%	89.9%
OFFICE MARKET					
Occupancy Rate:	87.6%	88.2%	83.0%	79.4%	78.3%
Absorption (Sq. Ft.):	4,409,725	8,002,273	(2,665,309)	(2,320,216)	129,159
INDUSTRIAL MARKET					
Distribution/Warehouse					
Occupancy Rate:	85.6%	86.2%	82.9%	81.8%	81.6%
Absorption (Sq. Ft.):	14,705,803	14,912,877	(4,106,854)	(3,985,729)	(759,831)
Service Center					
Occupancy Rate:	87.4%	87.9%	82.1%	77.9%	76.9%
Absorption (Sq. Ft.):	213,713	269,378	(719,747)	(971,433)	(444,193)
HOTEL MARKET					
Occupancy Rate:	65.3%	64.9%	60.7%	58.4%	56.7%
Average Room Rate:	\$80.31	\$80.53	\$80.31	\$78.55	\$75.72
RETAIL MARKET					
Inventory (Sq. Ft.):	125,122,743	124,239,608	134,823,055	142,873,259	147,819,567
Occupancy Rate:	88.9%	90.1%	90.2%	90.6%	90.5%

* The population increase in year 2000 (255,101) is overstated because previous annual estimates during the 1990s were low.

** Housing permit data were not available for the City of Atlanta in 2000 and 2001.

Sources: Population Data: U.S. Census Bureau
 Employment Data: Georgia Department of Labor
 Housing Permits: Greater Atlanta Home Builders Association
 Apartment Occupancy Rate: Dale Henson Associates

Office Data: CoStar Group
Industrial Data: King Realty, Inc.
Hotel Data: PKF Consulting
Retail Data: Dorey's Information Services

INTOWN CONDOMINIUM UPDATE

Key trends in the intown Atlanta condominium market are highlighted in the table below. While sales have increased slightly, the volume of construction and number of proposed developments has grown exponentially. Perhaps the most telling statistic is the ratio of unsold units to sales for the previous 12-month period. A year ago this figure stood at 1.0, indicating a one-year supply of product completed or under construction. The ratio now stands at 1.6, suggesting that supply is outpacing demand.

	Mid-Year 2003	Mid-Year 2004	Percent Change
Number of Active Projects	75	101	34.7%
Percent of Active Units Closed or Under Contract	56.1%	50.6%	(9.8%)
Units Under Construction	622	2,624	321.9%
Proposed Units	3,293	8,698	164.1%
Unsold Units	2,132	3,654	71.4%
Annual Unit Sales (Previous 12-Month Period)	2,128	2,266	6.5%
Ratio of Unsold Units to Annual Unit Sales	1.00	1.61	61.0%

Note: Active projects are defined as those with unsold units, either completed or under construction.

RECENT ENGAGEMENTS

The **Decatur Housing Authority** retained our firm to examine the marketability of a transit-oriented, mixed-use development planned across from the Avondale MARTA Station. This development would include apartments, condominiums, and ground-level retail space. Our study included a survey of residents of newer multi-family housing units in Decatur.

Post Properties asked us to study economic and market conditions in five cities: Houston, Orlando, Tampa, Charlotte, and Denver. With a presence in each of these markets, Post was interested in knowing the local economic climate and the competitive market position of its complexes.

The **Savannah Economic Development Authority (SEDA)** owns a 1,600-acre business park on Interstate 95 next to the airport. Most of the land has been absorbed, primarily by port-related distribution facilities. SEDA wanted to re-examine the highest and best use of the remaining large tract to ensure that its development would achieve the optimal economic impact.

An **Athens family** owns two acres adjacent to the University of Georgia, a short walk from downtown Athens. They wanted help in determining what was the best investment/development strategy for this land. The property is currently improved with a parking lot that is leased to the university.

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.