Our Current Markets

Alabama
- Birmingham
- Tuscaloosa

Georgia
- Atlanta
- Augusta
- Savannah

North Carolina
- Charlotte
- Raleigh

South Carolina
- Columbia
- Greenville

Tennessee
- Chattanooga
- Nashville

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TRUMPED!

Can Trump “Make New Homes Great Again?”

With Dr. Rajeev Dhawan of the Georgia State Economic Forecasting Center
&
John Hunt of ViaSearch and MarketNsight
State of the Housing Market
Atlanta and Southeast

Welcome to Our “New Normal”!

Welcome to “Moderation”!
“Old Normal”  “New Normal”

New and Existing Home Sales

- Existing Home Sales (left axis)
- New Home Sales (right axis)

Home Buyer Tax Credits

The "Distressing" Gap

http://www.calculatedriskblog.com/
Not Your “Typical” Recession!

Not Your “Typical” Recovery!

LOTS of Misinformation Out There!!

Who Can You Trust??
Robert Dietz NAHB Chief Economist
January 11, 2017 IBS

Single-Family Starts
Growing trend

Thousands of units, SAAR

2,000
1,800
1,600
1,400
1,200
1,000
800
600
400
200
0
00 01 02 03 04 05 06 07 08 09 10 11 12 13 14 15 16 17 18

Trough to Current:
Mar 09 = 353,000
Nov 16 = 828,000
+135%

80% fall

2000-2003 1,343,000 “Normal”
2013 620,000
2014 647,000 4%
2015 713,000 10%
2016 780,000 9%
2017 855,000 10%
2018 961,000 12%

2016Q3: 56% of “Normal”
2018Q4: 75% of “Normal”
Median lot values have gone up, he said, and costs in general are rising, in part because of regulatory burdens in the form of environmental, labor and zoning rules.

“Those costs have increased almost 30 percent in the last five years,” Dietz said.

The result is a disconnect between the prices of existing homes and new homes, he said.
Robert Dietz is 2 Years Too Late!!

From the 2015 Atlanta Housing Summit
Lot and Homes Prices Were Increasing 3 to 5 Times Inflation

Far Exceeding Income Appreciation

The Specter of Rising Interest Rates From the Fed

The Only Thing Missing This Time is Sub-Prime!

But The Biggest Problem is Newly Developed Lots!
New Home Moderation!!
Southeast Markets
Permit Trend 1/2004-12/2016 B’ham

- Permits/Month
- Monthly Year-to-Year % Chg
- TTM Moving Avg Year-to-Year % Chg

Tax Credit

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Permit Trend 1/2004 - 12/2016 Charlotte

Tax Credit

Permits/Month | Monthly Year-to-Year % Chg | TTM Moving Avg Year-to-Year % Chg

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Permit Trend 1/2009 – 12/2016 Atlanta

- Permits/Month
- 12 Month Moving Average

Permits (Hundred's)
Atlanta Permit Trend 1/2004 - 12/2016

Permits/Month
Monthly Year-to-Year % Chg
TTM Moving Avg Year-to-Year % Chg
Why the Moderation?

Why the New Normal?
FTB 25 Years Old
FMU 32 Years Old
FTB 33 Years Old

First Time (FTB): 25 Years Old
First Move Up (FMU): 32 Years Old
First Time: 25 Years Old
Second Move Up: 33 Years Old
Second Move Up: 33 Years Old
Third or Higher: 33 Years Old

“Old Normal”
“New Normal”

$140,000 $165,000 $210,000 $217,000 $255,000

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When do we get back to 40k Permits in Atlanta?

<table>
<thead>
<tr>
<th>Buyer Type</th>
<th>2003 Total Buyers</th>
<th>2003 Buyer Type</th>
<th>2016 Total Buyers</th>
<th>2016 Buyer Type</th>
<th>Difference</th>
<th>Per Cent Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Buyers</td>
<td>55444</td>
<td></td>
<td>23000</td>
<td></td>
<td>-32444</td>
<td>-59%</td>
</tr>
<tr>
<td>FIRST TIME</td>
<td>37% 20542</td>
<td>21%</td>
<td>4830</td>
<td>-15712</td>
<td>-76%</td>
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</tr>
<tr>
<td>FIRST MOVE UP</td>
<td>28% 15648</td>
<td>23%</td>
<td>5290</td>
<td>-10358</td>
<td>-66%</td>
<td></td>
</tr>
<tr>
<td>SECOND MOVE UP</td>
<td>16% 8779</td>
<td>20%</td>
<td>4600</td>
<td>-4179</td>
<td>-47%</td>
<td></td>
</tr>
<tr>
<td>THIRD OR HIGHER</td>
<td>19% 10475</td>
<td>36%</td>
<td>8280</td>
<td>-2195</td>
<td>-21%</td>
<td></td>
</tr>
</tbody>
</table>

Projected 2016 – 23000, Plus Missing First Time Buyers and First Move Up Buyers = 50000!!
So, DON’T Drink the Cool Aid
Toll Brothers (TOL) is forecasting a strong 2017 at the top end of the housing market, as more millennials become homeowners.

“With the millennial generation now entering their thirties and forming families, we are starting to benefit from the desire for home ownership from the affluent leading edge of this huge demographic wave,” CEO Douglas Yearley Jr. said Tuesday.
United Bank of Scotland
Newsletter…..Yesterday

Re-Emergence of Entry Level (First Time Buyer) Demand Will Drive Recovery

We believe the housing market is transitioning to more volume based growth, driven by the re-emergence of the entry level. The rate of home price appreciation will ease, in turn, as it is easier to match supply to demand in more peripheral (RING OF DEATH) locations.

We look for this to play out over the next 18-24 months....
Share of First Time Buyers Falls Again in the US, now at a 28 Year Low.

Home prices are rising much faster than incomes. The national median home price was up 6.1% from a year earlier. Incomes, by contrast, have been growing at roughly 2%.
Where are the First Time Buyers?

We Can’t Give Them What They Want, Where They Want It, At a Price They Can Afford!

But for a While We Actually Did!

But Not On Purpose!!

Not Every Millennial Rented Over the Last Few Years!

They Bought Hundreds and Hundreds of Foreclosed Condos at Fire Sale Prices!!
Atl New Condos Sales 2011-2016

New Condo Closings
Atl Conv, Condo, Townhome % 2011-2016

Conversion
Condo
Townhome

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Give Us The Good News!

Resale Closings at All Time High

New and Resale Average Prices are at All Time Highs
Atlanta

- Under Contract/Month
- Twelve Month Moving Average
Atlanta

- Permits/Month
- Monthly Year-to-Year % Chg
- TTM Moving Avg Year-to-Year % Chg

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Total Average Price Year to Year % Change

ATL

New Avg. +5%  Resale Avg. +6%
Total Units Closed Year to Year % Change

ATL

New Avg. +17%
Resale Avg. +9%

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Don’t Try This At Home, Kids!!

Epic Fails!!
Somewhere…In Charlotte!!

Problem is, These Specs are Slab, and $100k Higher than Crawl!!

About a $50,000 Premium For Crawl Space Homes

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Greenville!! Mauldin High School

Regression Chart

Priced Specs here for Mauldin High School
Greenville!! Elementary Schools that feed into Mauldin HS

Figure 1: Regression Chart

Priced Specs here for Mauldin High School

But Actually Located in Bethel Elementary!!
Forecast
National Permit Trend 1/2004 - 12/2016
(Permits in Thousands)

- Permits/Month
- Monthly Year-to-Year % Chg
- TTM Moving Avg Year-to-Year % Chg

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